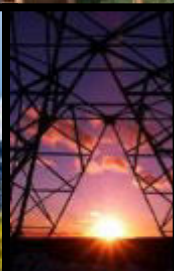




DEFENSE LOGISTICS AGENCY ENERGY

AMERICA'S COMBAT FUEL SUPPORT LOGISTICS AGENCY



DLA Energy

Inventory Management Plan

April 2017



Topics

- What is the Inventory Management Plan (IMP)
- Importance of the IMP
- Operating Stock (OS)
- Petroleum War Reserve Requirements (PWRR)
- Policy



Inventory Management Plan (IMP)

- Implements Department of Defense (DoD) policy for management of bulk petroleum stock (by product on a terminal and regional basis)
- Defines mobility fuel management of bulk stock by product type on a terminal and regional basis
- Not all Inclusive; may not reflect:
 - Host Nation Support
 - Storage of commercial fuels
 - Storage where capacity sized to support immediate consumption
- **Not intended as a executable planning tool**
- Governing document: Department of Defense Manual DoD (M 4140.25-M)



Importance of the IMP

- Identifies authorized inventory levels throughout the Fiscal Year
- Basis for Defense Working Capital Fund (DWCF) authorized Operating Stocks (OS) and Congressionally appropriated War Reserves
- Identifies Defense Fuel Support Point (DFSP) storage data and inventory levels necessary to support Operating Stock (OS), Petroleum War Reserve Requirements (PWRR), and Petroleum War Reserve Stocks (PWRS)



Importance of the IMP

- Outlines the ability to stock against Combatant Commands (CCMDs) requirements in support of approved plans
- Expressed requirements are considered when assessing Military Construction (MILCON) projects by the Fuel Installation Planning and Review Board (IPRB), Sustainment, Restoration, and Modernization (SRM) projects and new or follow on storage contracts
- Basis for budget allocation of Congressionally appropriated WRR and DWCF (OS) fuel (supporting document to stock level objectives for which to budget and fund)



Operating Stock (OS)

- Operating stock is defined as inventory required to ensure availability to the Military Services worldwide.
 - Necessary to sustain daily worldwide military force operations
 - Ensures availability of fuel for sale
- Development is a collaborative effort between supported CCMD, JPO, Military Services, DLA
- Constituent Data
 - Economic Resupply Quantity (ERQ)
 - Safety Level (SL)*
 - Maximum receipt capability
 - Contract award volume and parcel size
 - Available Storage Capacity

** May reduce to Zero where PWRS is sufficient to withstand historical variability



Operating Stock (cont)

- Services shall review and validate, and determine whether proposed levels may cause unforeseen operational difficulties
 - Shall return recommended changes for with **justification** for review and review prior to publication of IMP.
- DLA Energy may authorize reduction or increase OS, for a specific period basis of:
 - Regional operation requirements
 - Economic factors
 - Seasonal factors
 - When PWRS insufficient to maintain operations (floating pans, roofs, suction, etc...)
 - Limited supply source



Petroleum War Reserve Stocks Computation

- Military Services / Service Components shall
 - Compute by Military Service, OPLAN, location, petroleum product grade as prescribed Days of Supply (DoS) established by JCS
 - Submit to appropriate CCMD/JPO
 - Identify HNS
 - Requirement type (fleet or shore) and suitable product grade
 - Identify in-transit volume available to support requirement
 - Proposed location / secondary location (optional)



Petroleum War Reserve Requirements (PWRR)

- Inventory held to support War Reserve Requirements
 - Stored at or as geographically close to requirement location as possible within supply chain
 - Fuel positioned for other locations (Mal-Positioned) shall only be a locations with sufficient load-out capability.
- Additive to Operating Stock
- Sized to satisfy most demanding plan

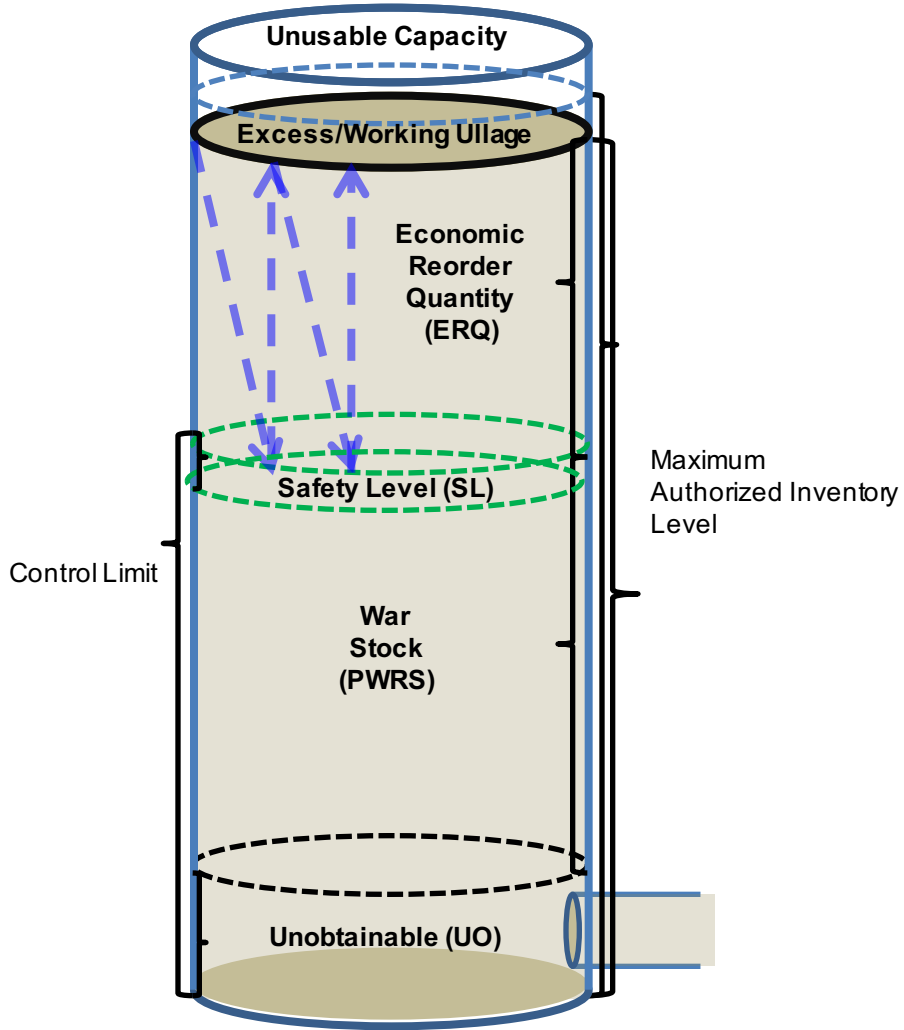


Inventory Policy

- Build-up and Drawdown
 - As soon as economically possible
 - No later than 60-days from IMP publication or date of change
- Maximum Authorized Inventory Level (ML)
 - May exceed when economic or supply conditions warrant
 - Defense Energy Regions (DERs) may grant temporary waivers
 - Brief operational Requirements
 - Not to exceed 120-days
- Level Maintenance
 - Maintain inventory between CL an ML
 - Should be at or slightly above ML immediately after receipt.



Operating Stock and War Reserve Materiel Requirements



Operating levels based on COCOM/service requirements

Bulk petroleum purchase program yield sources

Demand forecast required to establish/maintain operating stock levels

Operating stock **FIRST** into all DLA Energy storage systems

PWRS is **SECOND** into DLA Energy storage systems



Bulk Petroleum IMP Timeline

Table of Events	NLT Date
Review of historical data	1 Dec
OS and Storage Data for available review and comment	31 Jan
Comments/recommendations on OS and Storage are due to DLA-Energy	28 Feb
CCMD/JPO submission of PWRR due to DLA-Energy	30 Apr
Draft IMP for coordination	30 Jun
IMP posted to SIPR Web	1 Aug
IMP Effective date	1 Oct



Takeaway

- Identifies authorized inventory levels throughout the fiscal year
 - Levels necessary to support operating Stock Petroleum War Reserve Requirements and Petroleum War Reserve Stocks
- Outlines ability to stock against Combatant Commands requirements in support of approved plans
 - As soon as economically possible
 - No later than 60-days from IMP publication or date of change
- Maximum Authorized Inventory Level (ML)
 - May exceed when economic or supply conditions warrant
 - Defense Energy Regions (DERs) may grant temporary waivers
 - Brief operational Requirements
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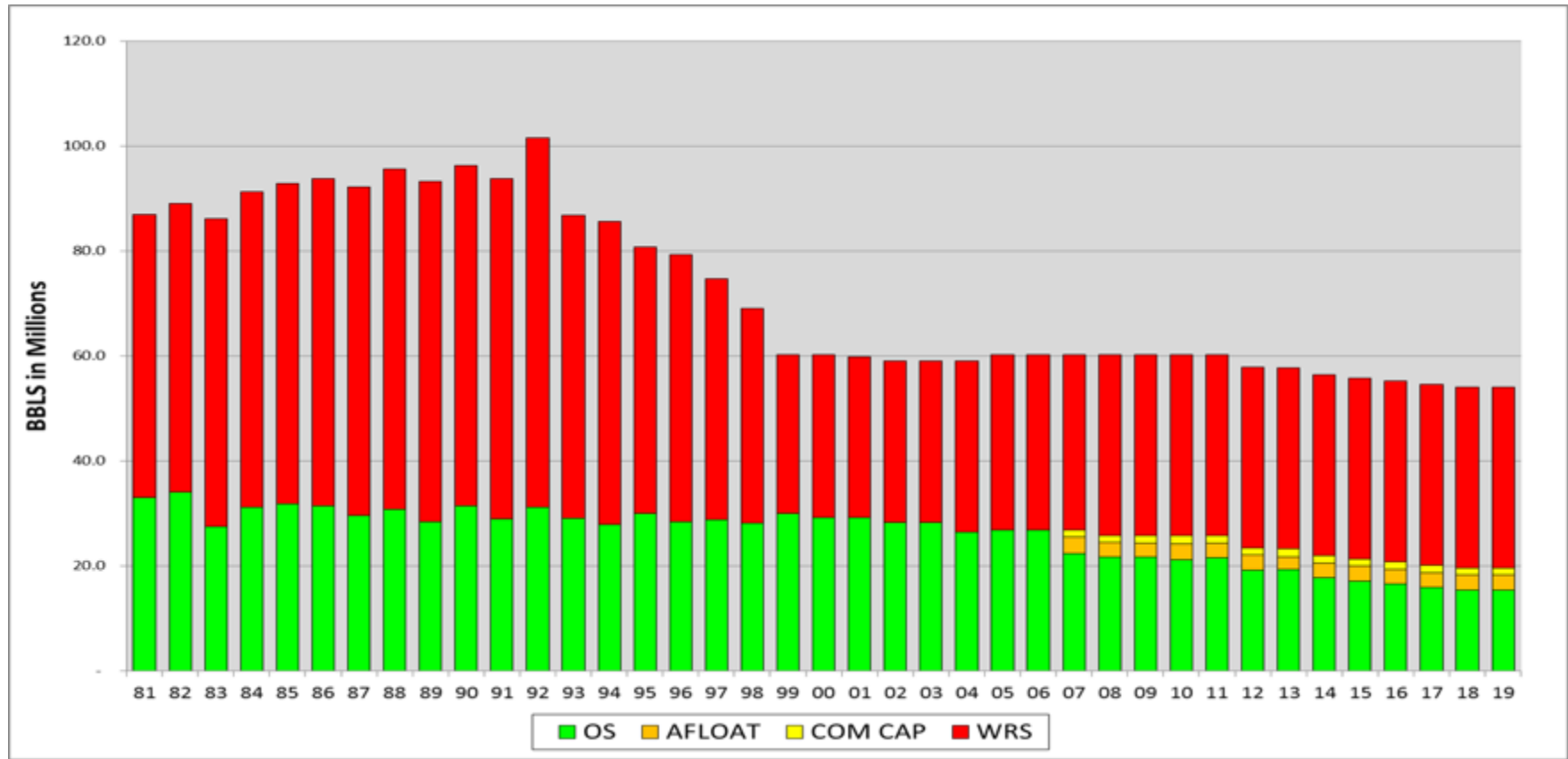
QUESTIONS?



Backup



Inventory Authority



Procurement Systems & Process Improvement OS Reduction Initiative: By not purchasing product we will reduce Operating Stock from 25.7 million bbls to 19.6 million bbls by FY19. From our current level (FY12) of 23.2 million barrels we intend to continue reducing by 600K barrels (bbls) annually through FY19.



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