

# **Defense Working Capital Funds**

## **Current Issues**



**Gretchen Anderson**  
**Director, Program & Financial Control**  
**June 2016**

# Agenda

- I. Department-Wide Initiatives with WCF impacts
  1. Inventory Baseline Values
  2. OM&S Expense Recognition
  3. Initial Spares
  4. Progress Billing
  5. Minor Equipment
  
- II. WCF Management Issues
  1. Proprietary and Budgetary Accounting
  2. Capital Investment Program
  3. Transportation Financial Auditability
  4. Fuel
  5. Congressional Interest
  6. OUSD(C) Reorganization

***Goal: Present WCF initiatives in context of Departmental objectives***

# Inventory/OM&S Initial Baseline Valuation

- OSD worked with FASAB to create a **new standard for Inventory Baseline Valuation** to allow for a wider use of estimates than were previously allowed
  - Allows for alternative valuation methodologies of existing Inventory assets (e.g., Fair Market Value, Standard Cost, Latest Acquisition Cost, etc.)
  - Requires Management’s *Unreserved Assertion* that SFFAS 3-compliant systems and processes are in place and effective prior to establishing the baseline value
  - **Baseline can only be established once** – all future purchases and sales/issuances of Inventory and Related property assets must be done in accordance with SFFAS 3 and DoDFMR valuation methodologies (Generally Moving Average Cost [MAC], but Specific Identification allowed where applicable).
- Requirements codified in SFFAS 48: *Opening Balances for Inventory, Operating Materials and Supplies, and Stockpile Materials*, January 27, 2016

Document Title	Status	Embedded
Alternative Valuation Methodologies for Establishing Opening Balances for Inventory, Operating Materials and Supplies, and Stockpile Materials	Final - Signed by DCFO on August 28, 2015	To be included in DoD FMR Volume 4, Chapter 4

# OM&S Expense Recognition

- SFFAS 3 requires the use of the **consumption method of accounting for OM&S** unless one of three criteria exist
  - The OM&S is not a significant amount
  - The OM&S is in the hands of an end user for use in normal operations
  - The benefit of using the consumption method is outweighed by the cost
- OSD established a framework for Components to assess:
  - Whether the purchases method can be justified under SFFAS 3
  - If the consumption method is used, at what point can OM&S be expensed as consumed

Document Title	Status	Embedded
Accounting Policy Update for the Expense Recognition of Operation Materials and Supplies Memorandum	Final - Signed by DCFO on September 4, 2015	To be included in DoD FMR Volume 4, Chapter 4

# Initial Spares

## ***Initial Spares Definition***

- Consumable or reparable spare and repair parts that support newly fielded weapons systems during the initial period of operation until the supply system can support the demand generated by the systems.

## ***Funding***

- The Component activity that owns the weapon system is responsible for funding the initial spares.
- The program office must acquire initial and inventory augmentation spares based on the materiel support date. Program managers must use their appropriated funds and may use supply management activities' contracting capabilities to acquire initial spares and stock level increases.

## ***Acquisition of Initial Spares by the Working Capital Fund***

- The **acquiring program office will transfer the initial spares** or augmented inventory **without reimbursement** to the Supply Activity.
- This transfer must be evidenced with sufficient supporting documentation (e.g., form DD1150 Request for Issue/Transfer/Turn-in).
- Reimbursable or direct cite **MIPRS are no longer permitted.**

Document Title	Status	Embedded Document
Inventory and Related Property Policy Requirements Memorandum	Final - Signed by DCFO on November 13, 2015	To be included in DoD FMR Volume 4, Chapter 4

# Progress Billing for Manufactured Items

- **Supply management activities will record** manufactured inventory that is incrementally billed as **Work in Process** (Other Government Activities).
- A subsidiary account must be maintained for each contract to track the value of work performed as represented by progress payments.
- Sources for entries to this account include interagency agreements, invoices, payment vouchers, and property acceptance documents.
- When the completed item is received, it is moved to the appropriate inventory account.

Document Title	Status	Embedded Document
Inventory and Related Property Policy Requirements Memorandum	Final - Signed by DCFO on November 13, 2015	To be included into DoD FMR Volume 4, Chapter 4

# Minor Equipment

- Establishes criteria for minor equipment that does not fit the definition of OM&S
- Relates to tangible personal property that
  - Has a useful life of 2 years or more
  - Not intended for sale in the ordinary course of operations
  - Is intended for use by the reporting entity
  - Falls under the capitalization threshold
- Components must analyze items in their stores that meet the above criteria and document the analysis in accordance with Components' audit needs

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Inventory and Related Property Policy Requirements Memorandum	Final - Signed by DCFO on November 13, 2015	Will be included in DoD FMR Volume 4, Chapter 4

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# WCF Management Issues: Proprietary and Budgetary Accounting

## Proprietary Accounting

**Assets = Liabilities + Equity**

- Designed to convey the financial health and value of an entity
- Focus on Assets, Liabilities, Operating Results, and Cash
- Traditional view for managing Working Capital Funds

## Budgetary Accounting

**Budgetary Resources =  
Status of Budgetary Resources**

- Designed to ensure the proper use of budgetary authority
- Focus on the status of resources from appropriation through disbursement (life cycle)
- Traditional view for managing most Federal entities appropriation-funded activities

***Both proprietary and budgetary accounting are required  
(Chief Financial Officers Act, 1990)***

# Budgetary Authorities for WCFs

## 1. Direct Appropriation

- May have been the source of the initial operating corpus
- Provided for specific purposes other than normal operations

## 2. Spending (Reimbursable) Authority

- Authority to accept budgetary resources in the form of customer orders
- Obligations cannot be incurred prior to receipt of a funded customer order

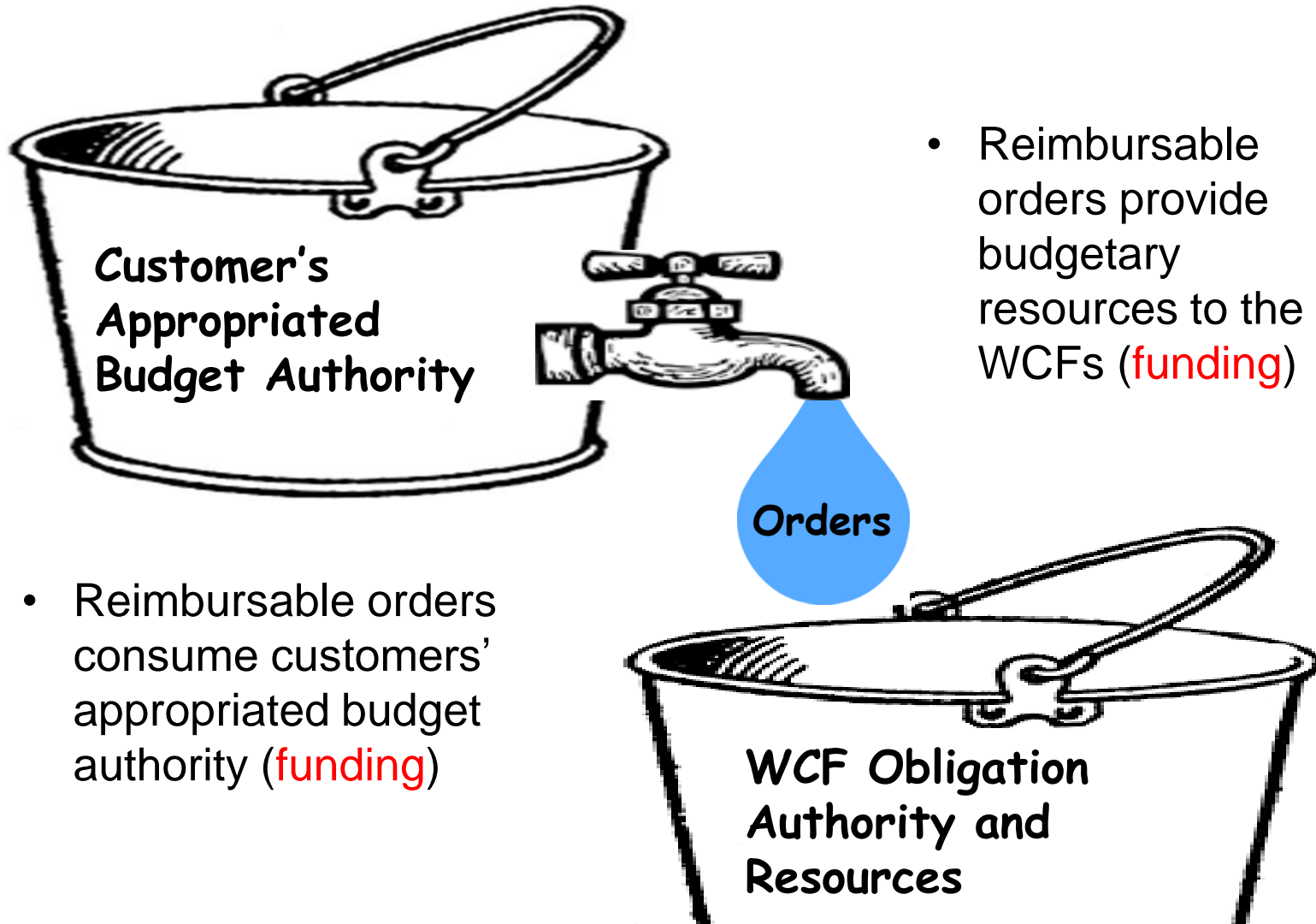
## 3. Contract Authority

- Authority to obligate in advance of budgetary resources
- Used for supply operations and capital investments
- DoD application of contract authority is unique
- Temporary authority, eventually replaced by customer order

# Budgetary Authorities Matrix

	Authority to Accept Reimbursable Orders	Authority to Obligate	Budgetary Resource	Cash
Direct Appropriation		✓	✓	✓
Spending (Reimbursable) Authority	✓			
Customer Order		✓	✓	✓
Contract Authority		✓		

# Reimbursable Orders Fund WCF Operations



***Appropriated funds become WCF resources through reimbursable orders***

# Budgeting and Obligating Contract Authority

- Contract authority must be budgeted and is apportioned by OMB each fiscal year
- Obligations **may not exceed** the amount of contract authority apportioned for that year
- Contract authority is 'realized' (used) when obligated
- Unrealized (unused) contract authority **does not carry forward** to the next fiscal year
- Because contract authority is adjusted to the amount obligated at yearend, the unobligated balance is always \$0.00

*Fiscal Year End:*

*Realized contract authority = Obligations*

*Unobligated Balance = \$0.00*

# Contract Authority and Resources

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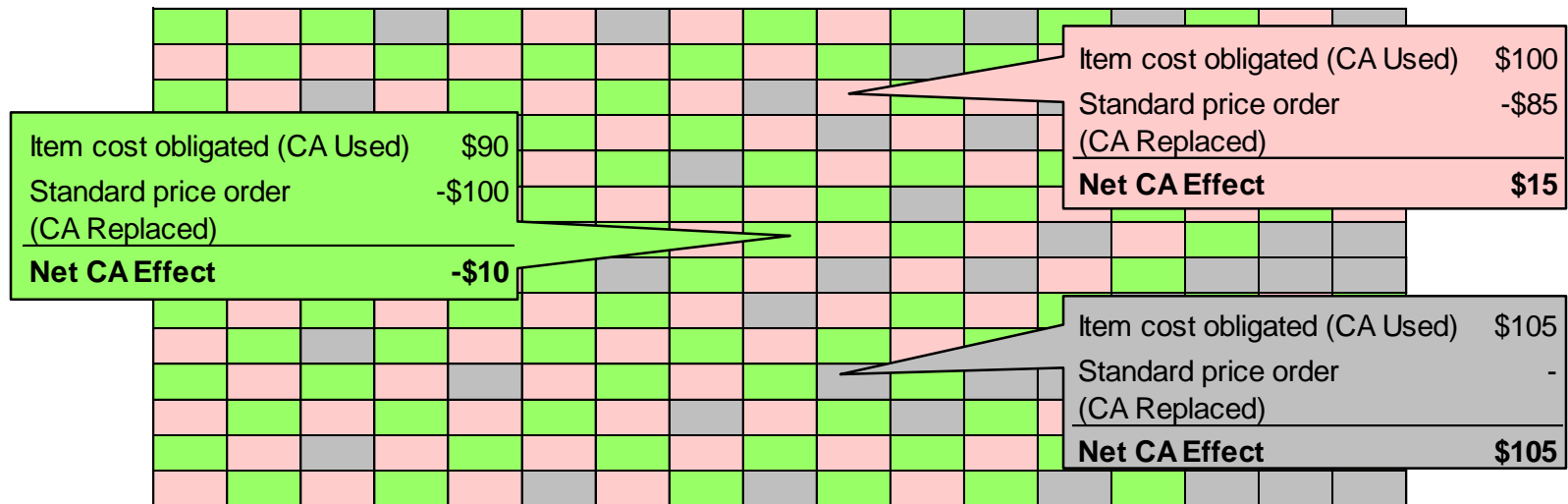
- Contract authority is a **temporary** resource that provides **authority to obligate** only
- Contract authority must be replaced with actual budgetary resources (**customer orders**) **to fund** the obligation
- The replacement of contract authority with customer orders is **tracked in the budgetary accounting records**
- USSGL 4139, **Contract Authority Carried Forward**, reflects the cumulative balance of contract authority that has not been **funded** (replaced with actual resources) **in prior fiscal years**

***USSGL 4139, Contract Authority Carried Forward***

***=***

***Prior Year Contract Authority Realized – Prior Year Customer Orders***

# Cumulative Balance of Unfunded Contract Authority (CA)



- Every obligation against CA and every order replacing CA **contributes to the cumulative balance of unfunded contract authority and rolls into USSGL 4139 at fiscal year close**
- Some sales result in gains (green boxes), some result in losses (pink boxes), while some items have not yet been sold (gray boxes)
- A normal (debit) balance in USSGL 4139 means more CA was realized (used) than was replaced with customer orders (**funded**)
- As with credit cards, a **positive** balance indicates **amounts owed**

# Contract Authority, Cash, and Resources

	Authority to Accept Reimbursable Orders	Authority to Obligate	Budgetary Resource	Cash
Direct Appropriation		✓	✓	✓
Spending (Reimbursable) Authority	✓			
Customer Order		✓	✓	✓
Contract Authority		✓		

- With contract authority, the authority to obligate is **disconnected from cash** and the resources that generate it

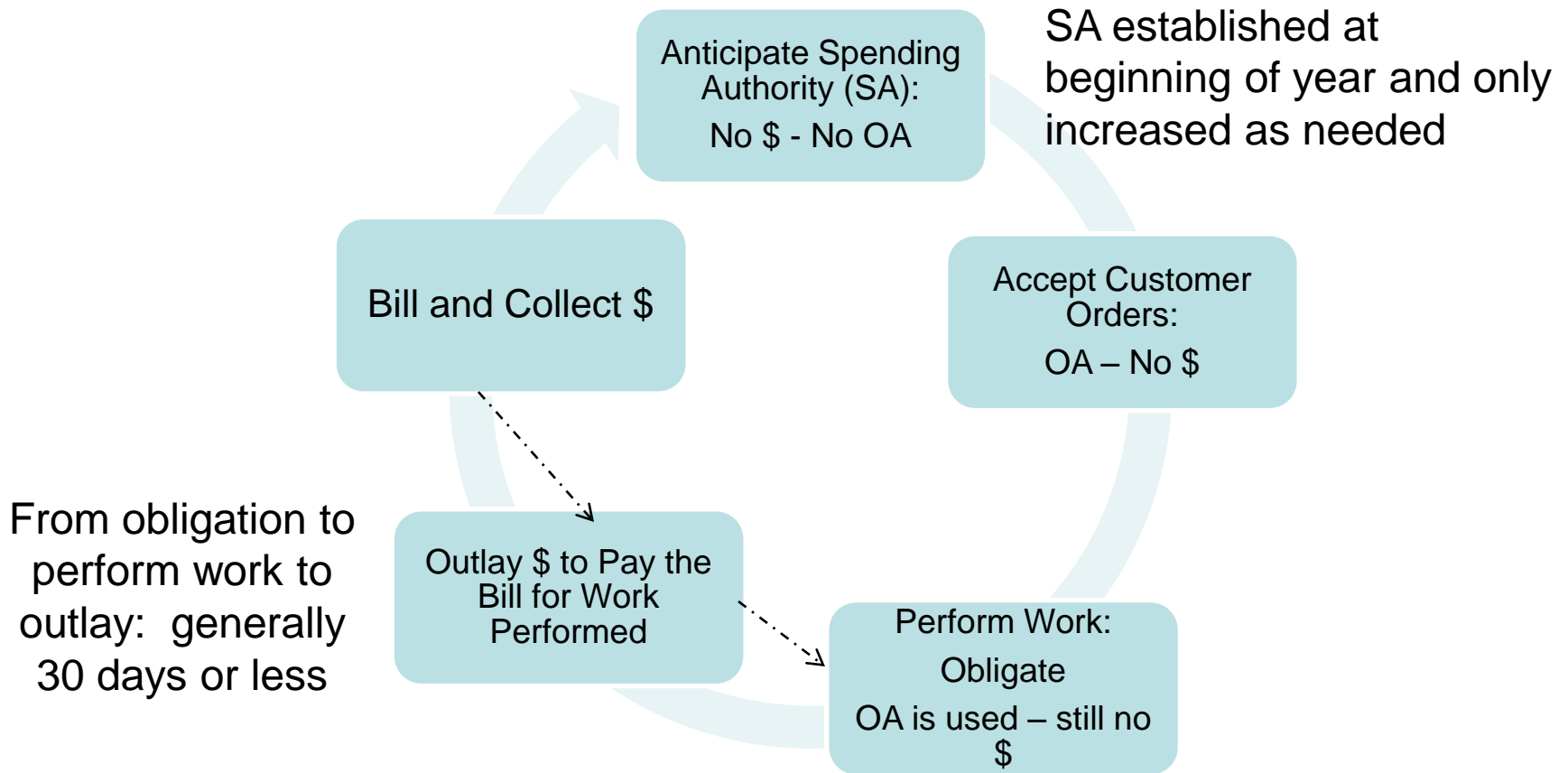
- The **cash** to liquidate contract authority obligations **comes from the collection** of customer orders
- The same customer orders that generate the cash will replace the contract authority, thus **funding the obligation**
  - Usually before the collection with supply operations
  - Simultaneous with the collection in the case of capital investment

***Contract Authority  
“Disconnected” from Cash and Resources***



# Non-Supply and Non-Energy WCFs

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# Supply and Energy WCFs

WCFs need cash to cover the outlay-to-collection cycle

Apportionment Contract Authority (CA):  
OA – No \$

CA established at beginning of year and only increased as needed

Deliver Goods;  
Collect \$

Stock Shelves/Fill Tanks:  
Obligate = Realized CA  
OA used No \$

Ever-revolving cycle  
moves quickly  
Orders/Goods/  
\$ constantly  
churning

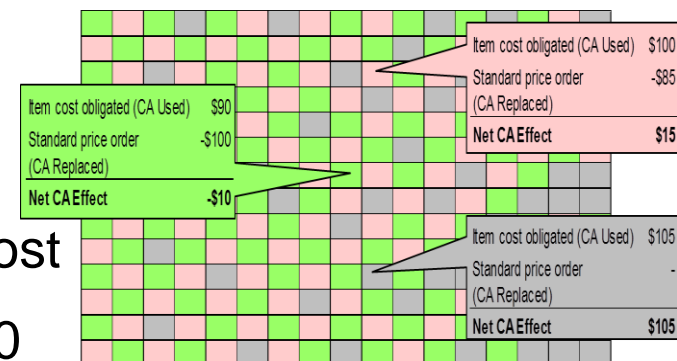
Outlay \$ to Pay the  
Bill for Stock

Accept Customer  
Orders:  
Replace the CA

Inventory  
turns quickly

# Available Resources

- **Cash does not stand alone as a resource**; it comes with or results from a budgetary resource
- A positive **cash balance does not always indicate available resources** – amounts may be obligated but not yet disbursed
- Likewise, available resources may be masked in the standard accounting for contract authority
  - All customer orders (valued at standard price) are applied to replace contract authority
  - Contract authority is realized at actual cost
  - The unobligated balance is always \$0.00



*How can there be available resources with no unobligated balance?*

# Timing of Proprietary and Budgetary Impacts

## Proprietary

## Budgetary

Proprietary			Budgetary			
Accounts Payable	Cash Balance		Unobligated Balance	Obligation, Undelivered	Obligation, Delivered, Unpaid	Obligation, Delivered, Paid
	100	Beginning Balance	100			
	100	Obligate Item, \$60	40	60		
60	100	Receive Item, \$60	40	0	60	
0	40	Pay for Item, \$60	40		0	60
Accounts Receivable	Cash Balance		Unobligated Balance	Ordered, Unfilled	Order, Filled, Uncollected	Order, Filled, Collected
	40	Beginning Balance	40			
	40	Order Received, \$50	90	50		
50	40	Fill Order, \$50	90	0	50	
0	90	Collect, \$50	90			50

***Budgetary (Resource) Impacts Occur at the Beginning of the Process  
Proprietary (Cash) Impacts Occur at the End of the Process***

# “Budgetary Cash” Concept

## Proprietary

## Budgetary

Cash Balance		Unobligated Balance	+	Obligation, Undelivered	+	Obligation, Delivered, Unpaid	=	Budgetary Cash
100	Beginning Balance	100						100
100	Obligate Item, \$60	40	+	60			=	100
100	Receive Item, \$60	40	+	0	+	60	=	100
40	Pay for Item, \$60	40	+		+	0	+	40
Cash Balance		Unobligated Balance	-	Ordered, Unfilled	-	Order, Filled, Uncollected	=	Cash Balance
40	Beginning Balance	40						40
40	Order Received, \$50	90	-	50			=	40
40	Fill Order, \$50	90	-	0	-	50	=	40
90	Collect, \$50	90	-		-	0	=	90

Proprietary cash can be calculated from budgetary accounting information

***The basic calculation for entities with contract authority is:  
 Budgetary Cash = Unobligated Balance + Unpaid Obligations  
 – Uncollected Orders – Unfunded Contract Authority***

# Flexibilities:

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## Contract Authority and Available Resources

- Although the unobligated balance is always \$0.00, it is possible to **accumulate resources** (and excess cash) **when revenues exceed costs** – *resources can “hide” in Contract Authority*
- Excess cash may be transferred out of the fund, **as long as available resources are transferred** with it
- “Hidden” resources made available by reversing the entry that applies customer orders to replace contract authority

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***Goal: Present WCF initiatives in context of Departmental objectives***

# Capital Investment Program (CIP) Workshops

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- Six CIP Policy Workshops (March-April)
- Overview for Revolving Fund and DWCF Senior Leaders across the Department – set ground rules and goals
- Subject Matter Experts (SMEs) briefed each other on:
  - CIP program management status
  - Approach to CIP requirements
  - Successes and challenges
  - Management tools, triggers and actions
  - Best business practices and good ideas
- Group discussed recommendations to improve CIP program management including policy improvements and best practices

***Addressed Agency Requests to Streamline the CIP***



# CIP Background

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- CIP makes up less than 1 percent of the Revolving Fund budget
  - Consistent with full costing nature of working capital fund
  - Provides ability to fund Revolving Fund investment requirements without having to compete for procurement funding
  - BUT--Requires proportionally more effort to manage effectively
- Prior to Defense Business Operations Fund (DBOF)
  - Prior to FY 1983, no capital program existed within revolving funds
  - In 1983, DoD established the Asset Capitalization Program (ACP) for industrial fund activity capital requirements using reimbursable authority
  - Aug 1989 GAO Report critical of management of ACP program
  - FY 1990- FY 1991, ACP program suspended by Congress
- Under DBOF in FY 1994, 10 Sec 2208 was amended to its current state in regards to the capital asset subaccount

*The current CIP has evolved over time*

# Legal Framework

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- 10 USC 2208. Working Capital Funds
  - (k)(1) “...a contract for the procurement of a capital asset financed by a working capital fund may be awarded in advance of the availability of funds in the working-capital fund for the procurement.”
  - (2) Paragraph (2) applies to any of the following capital assets that have a development or acquisition cost of not less than \$250,000:
    - (A) An unspecified minor military construction project under section 2805(c) of this title.
    - (B) Automatic data processing equipment or software.
    - (C) Any other capital equipment.
    - (D) Any other capital improvement.
- 2 USC 622. Definitions
  - (iii) contract authority, which means the making of funds available for obligation but not for expenditure

***CIP is funded with apportioned contract authority***

# Regulatory Framework

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- OMB Circular A-11, Sec 20, p.5
  - “Contract Authority is a type of budget authority that permits you to incur obligations in advance of an appropriation, offsetting collections, or receipts that enable you to make outlays to liquidate the obligations.”  
  
*NOTE:* Contract authority is apportioned by OMB each fiscal year. Unobligated amounts **do not carry forward** into the next fiscal year.
- DoD FMR Vol 2B, 091404
  - “The CIP consists of the following four major categories of assets:
    - 1) Automated Data Processing Equipment (ADPE);
    - 2) Non-ADPE Equipment;
    - 3) Software Development, whether internally or externally developed; and
    - 4) Minor Construction.”

*CIP categories align with Title 10*

# Depreciation

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- Budgeted “depreciation”
  - the amount factored into the standardized rate to recoup cash outlays associated with the CIP and is described in DoD FMR Vol 2B Chapter 9.
  - “Depreciation” is actually just a cost recovery method for use in rate setting.
  - Uses the straight-line method applied equally among accounting periods. Amount is not decreased by residual (salvage) value.
- Accounting depreciation
  - is described in DoD FMR Vol 4 Chapter 6.
  - Differs from budgeted depreciation.
  - Straight-line method uses residual value if it exceeds 10% of asset cost. Alternatively, equipment can use the activity-based method of depreciation.

***Budgeted and Accounting Depreciation Differ***

# CIP Policy Workshop Results

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## Best Practices

1. 80% obligation goal of CIP authority by July and 100% by end of FY.
2. Carryover exceptions of 1 year (goal).
3. Component-level standard operating procedures (SOPs) for all capital processes.

## Recommendations

1. Change DoD FMR Vol 2B Ch 9 and AOB verbiage to reflect **increased (up to \$5 million) Component-level reprogramming threshold** for approved minor construction and non-ADP equipment capital projects.
2. Change AOB verbiage to reflect **increased (up to \$250 thousand) Component-level authority to obligate prior year program funds** for within scope capital adjustments.
3. Change DoD FMR Vol 2B Ch 9 references from “budgeted depreciation” to “**budgeted capital investment cost recovery**” or similar.

*Increased Flexibility for the Components*

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# Transportation Financial Auditability (TFA)

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- Continues to move toward **enterprise solutions** for efficient and effective transportation financial reporting and processes
- Nearing completion of their efforts for a Proof of Delivery Solution and a Department-wide MOA for **Key Supporting Documents** (KSDs)
- Moving forward to define a Department-wide system to manage the storage and retrieval of KSDs

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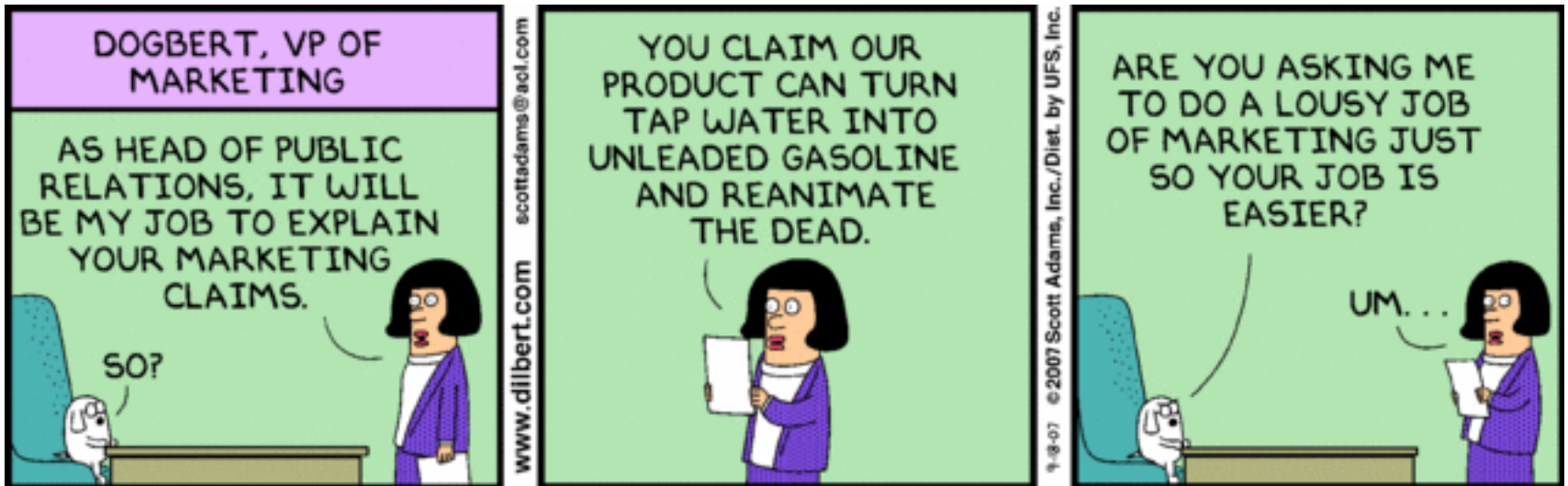
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# Fuel Humor



# WCF Fuel Management

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- Fuel Basics
  - OMB and OSD set the projected fuel product cost.
  - OSD sets the fuel price for customers. All customers pay the same price per gallon.
  - The DWCF finances fuel and attempts to stabilize customer prices with available cash balances.
- DLA purchases fuel IAW industry standards
  - Jet fuel is the most widely consumed fuel product (82%)
  - DoD consumption ranks 5<sup>th</sup> in the US jet fuel petroleum market
    - About the same as Southwest Airlines
    - 88 million barrels (99m/bbl including non-DoD customers)
- Two parts to the fully burdened standard fuel price:
  - Product – The cost of refined petroleum products
  - Non-product – The costs for transportation, terminal operation, facility sustainment restoration & maintenance, and operations

*Currently re-evaluating FY 2016 fuel rates*

# Market Volatility

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- Can create execution year turbulence
  - Bill or surplus (\$1.4 billion bill in FY 2013 reprogramming, \$1.6 billion surplus in FY 2015 used for Departmental priorities)
  - WCF goal is to preserve customer program but swings of such magnitude exceed WCF's ability to absorb the shock
- Leads to price changes
  - Twice in FY 2005 through FY 2007, 5 times in FY 2009
  - Reprogrammed in FY 2013 and FY 2014 to avoid price change
- The DWWCF is the Department's hedge against turbulence
- Congress has a role
  - FY 2016 OMNIBUS (P.L. 114-113) set an enacted rate of \$114.38bbl
  - Department further reduced to \$78.96bbl (April 1st)

***Users accrue the \$35.42/bbl savings (April 1 change)***

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# Setting the Stage for FY 2017 – FY 2018

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- FY 2017
  - National Defense Authorization Act (H.R.4909):
    - Reduces the Department's Operation and Maintenance accounts by \$1,454.5 million for fuel
  - House Appropriations Committee – Defense:
    - Reduces Title II appropriations \$1,493 million for fuel costs
    - Proposes reducing Army's Operation and Maintenance account by \$336 million for excess cash
- FY 2018
  - New Administration after Inauguration Day
  - Prepare budget by end of December
  - Stand by for additional guidance from the Administration on submitting the FY 2018 budget

***The Department does not intend to appeal FY 2017 House marks.***

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# Revolving Funds Team in the Operations Directorate

**Monique Dilworth**

703 697-2506

Director  
SES

**Tom Constable**

703 697-2808

Associate Director  
SES

**Tom McClutchy**

703 697-3324

Associate Director  
SES

**JK McKay**  
703 571-9211  
GS-15

SME: Depots &  
Transportation

Accounts  
TRANSCOM  
USAF Supply  
USAF Depot  
Maint  
Military Sealift  
Command  
DeCA

Organizations  
TRANSCOM  
Air Force  
AT&L  
P&R  
Navy

Backs up  
John Raisigel

**Mark Notar**  
703 697-3201  
GS-15

SME: DoD FMR  
& accounting

Accounts  
Navy R&D  
Navy Supply  
USMC Supply  
USMC Depots  
Fleet Readiness  
Centers

Organizations  
Navy  
USMC  
P&R

Backs up  
Chris Heinbach

**Chris Heinbach**  
703 571-9198  
GS-15

SME: Funds  
control & FIAR

Accounts  
Army Industrial  
Operations  
Army Supply  
AFRH  
ANC

Organizations  
Army  
P&R  
AT&L  
LA  
BAA

Backs up  
JK McKay

**John Raisigel**  
703 571-9213  
GS-15

SME: Fuel &  
Supply  
management

Accounts  
DLA Supply  
Chain Mgmt  
DLA  
Distribution  
DLA Energy  
Mgmt

Organizations  
Navy  
AT&L  
DLA

Backs up  
Cindy Jones

**Jacqueline DePaulitte**  
703 571-9210  
GS-15

SME: Rate  
development

Accounts  
DISA  
DLA Disposition  
Services  
DLA Document  
Services  
Navy Base Support:  
Naval Facilities  
Engineering  
Command (NAVSEC)  
Navy Base Support:  
Naval Facilities  
Engineering and  
Expeditionary  
Warfare Center  
(NAVFAC EXWC)

Organizations  
DISA, NII, DLA, Navy  
The Joint Staff

Backs up  
Mark Notar

**Cynthia Jones**  
703 571-9212  
GS-15

SME: Cash  
management &  
accounting

Accounts  
Cash  
PRMRF  
BMF  
DFAS  
DLA Strategic  
Materials

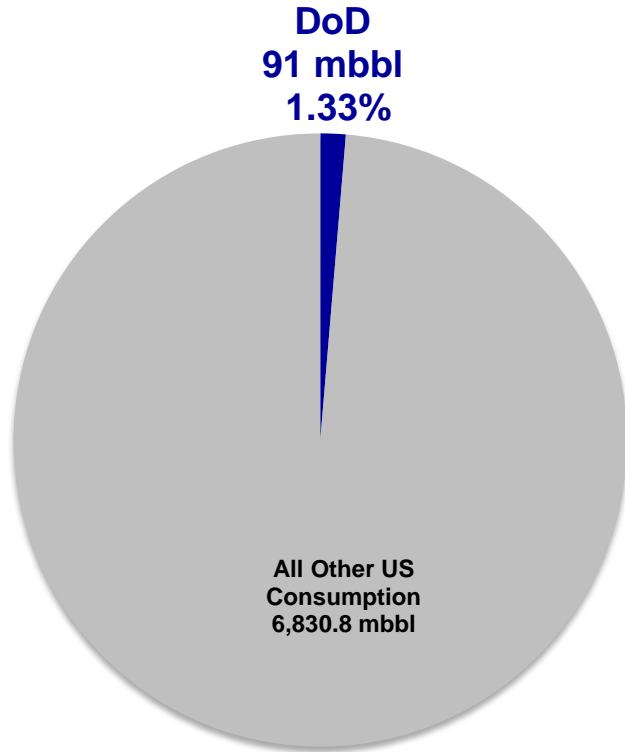
Organizations  
WHS  
DFAS  
Army

Backs up  
Jacque DePaulitte

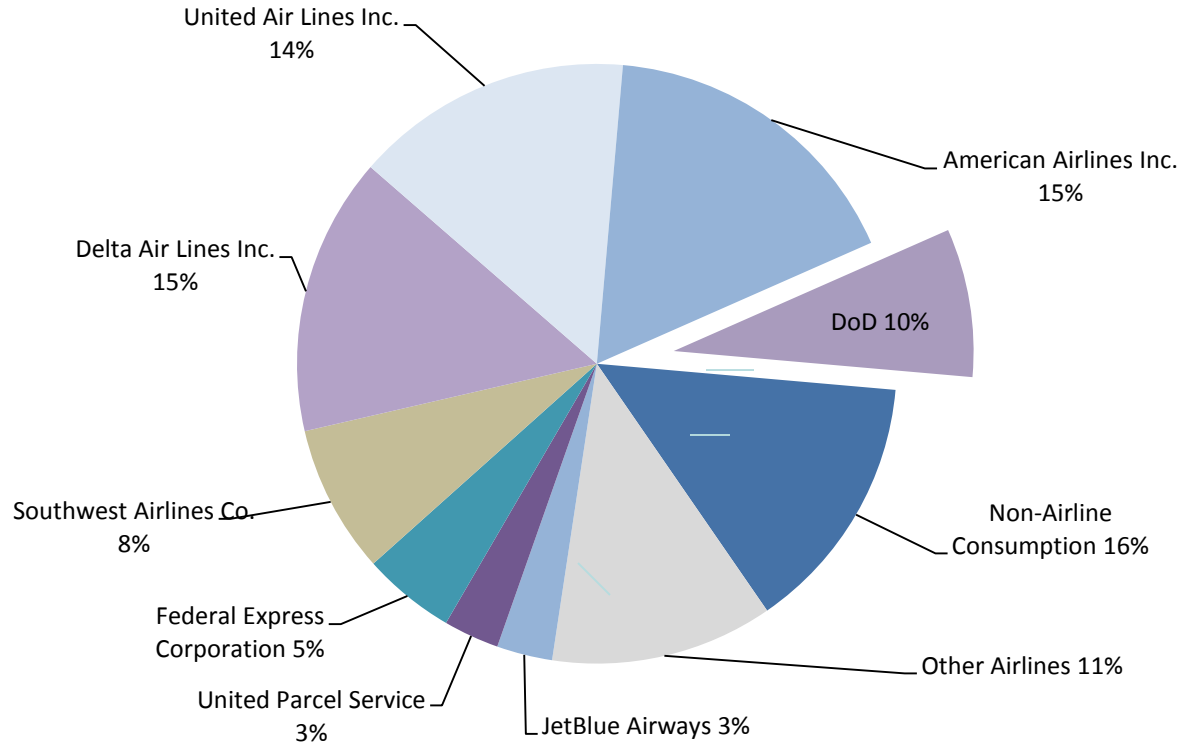
# Backups



# DoD's Place in the Petroleum Market



**Total US Jet Fuel Consumption - FY2015**

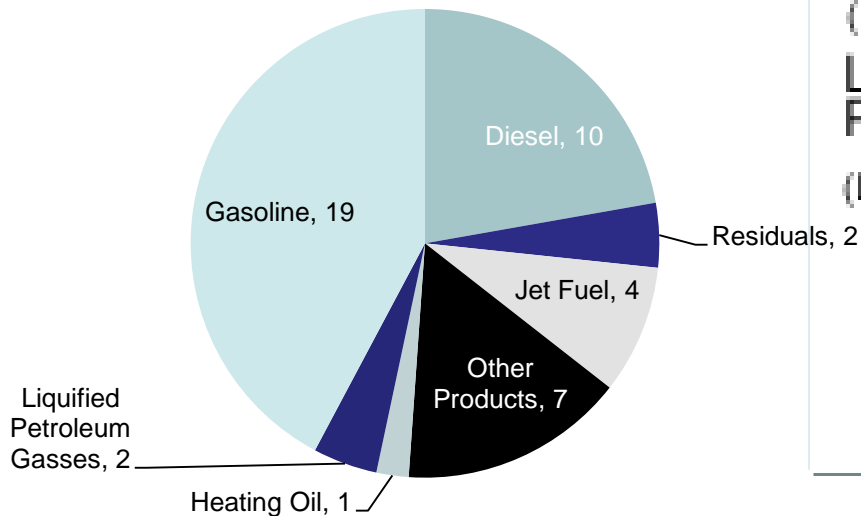


FY 2015 Principal Mil-Spec and Jet Fuel Sales (Barrels in Millions)					
Fuel Type	Army	Navy	USMC	USAF	Total DoD
JAA	2.16	3.73	0.13	22.96	28.98
JP8	0.59	1.73	0.07	23.25	25.64
F76	0.22	10.89	0.00	0.00	11.11
JP5	0.04	8.28	0.02	0.74	9.09
<b>Total</b>	<b>3.01</b>	<b>24.63</b>	<b>0.22</b>	<b>46.95</b>	<b>74.81</b>

82% of the total consumption

# Competing for Small Slice of the Barrel

A 42-U.S. gallon barrel of crude oil provides slightly more than 44 gallons of petroleum products. This gain from processing the crude oil is typically slightly more than 6 percent. Produces 8.7 percent jet fuel.

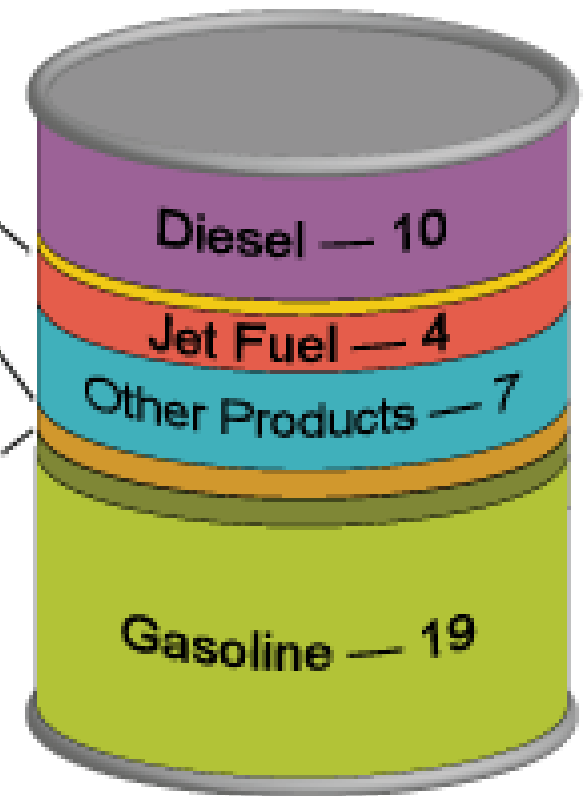


## Products Made from a Barrel of Crude Oil (Gallons) (2010)

Other Distillates  
(heating oil) — 1

Heavy Fuel Oil  
(Residual) — 2

Liquefied  
Petroleum Gases  
(LPG) — 2

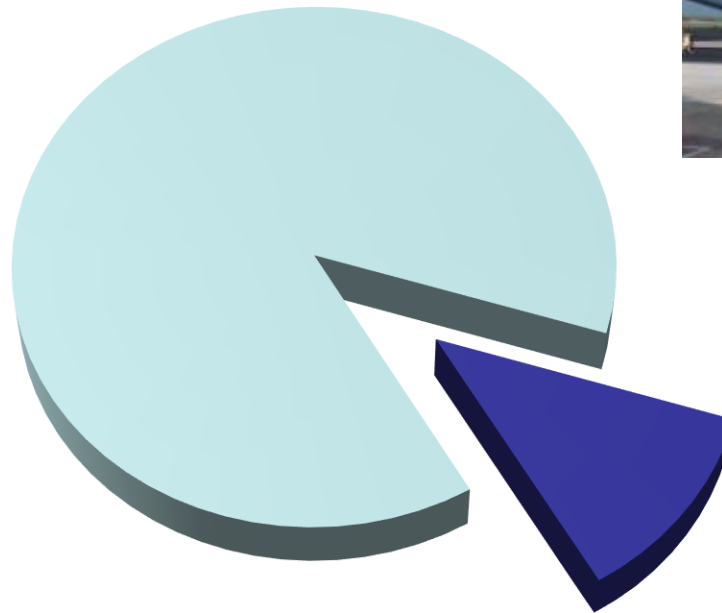


# FY 2016 Fuel Requirement

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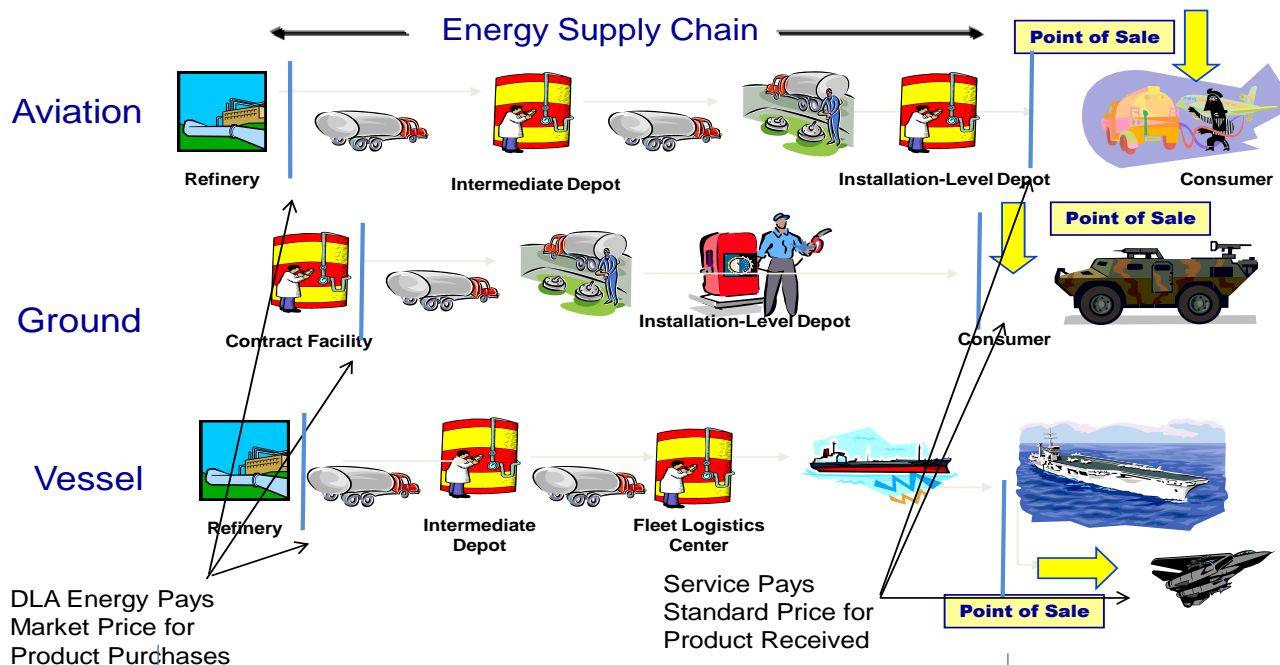
## DLA Energy Sales 99.3 million barrels

- DoD  
(87.5 mbbls)
- Non-DoD  
(11.8 mbbls)



Non-DoD Sales include ~ 5.2 mbbls of sales to USTRANSCOM Commercial Contract Carriers

# Defense Working Capital Fund Bulk Fuel Business Model



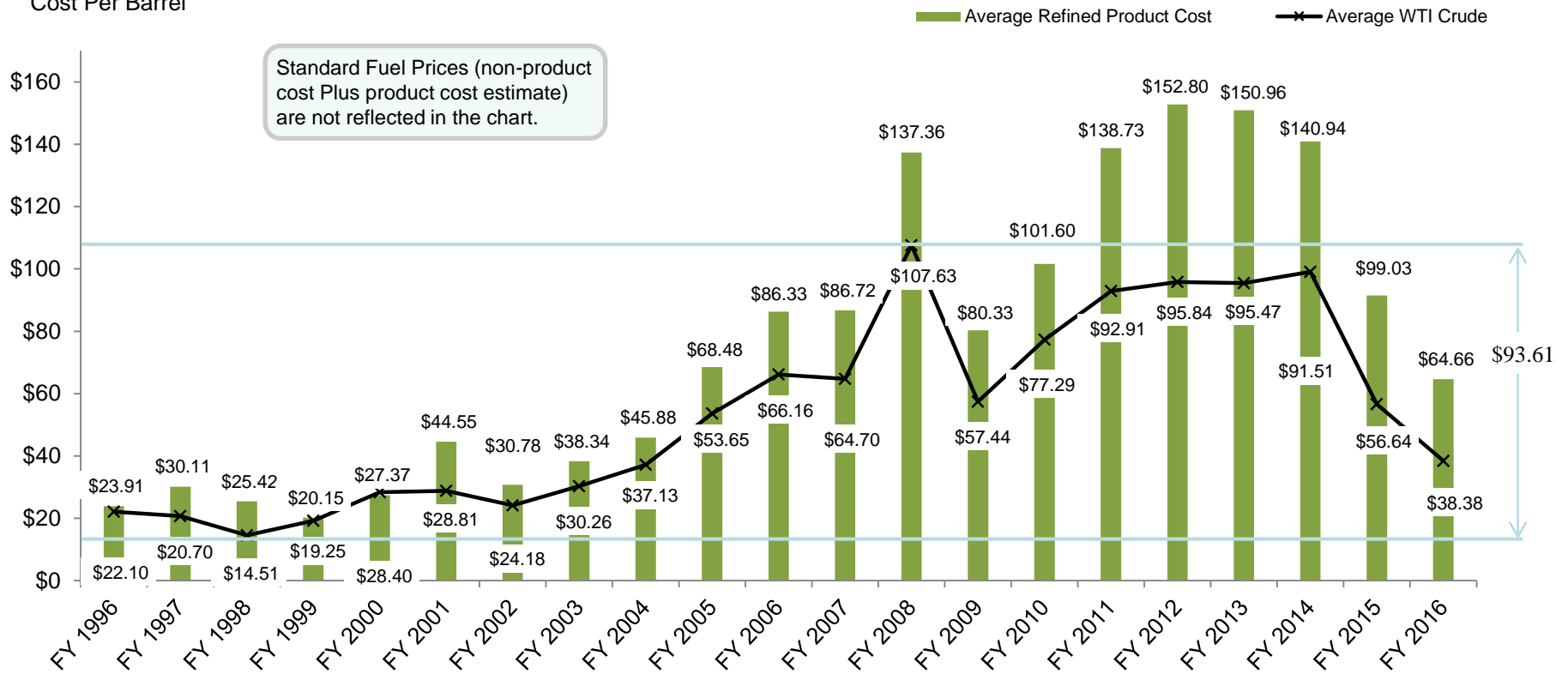
	Refined product	Transportation	Terminals	FSRM	Operations	Product Loss	Rounding	Total
FY 2016 Enacted Price per Barrel Breakout	\$92.88	\$4.43	\$4.23	\$5.15	\$5.97	\$1.00	\$0.72	\$114.38
FY 2016 April 1 Price per Barrel Breakout	\$57.68	\$4.43	\$4.23	\$5.15	\$5.97	\$1.00	\$0.50	\$78.96
FY 2017 PB Price per Barrel Breakout	\$82.99	\$4.59	\$4.21	\$6.09	\$6.41	\$0.87	(\$0.16)	\$105.00

FY 2015 total sales of 101.8m/bbls with an average refined product cost, \$91.51/bbl (\$42.95/bbl Below budgeted)

FY 2016 sales through April 55.8m/bbls with an average refined product cost, \$63.94/bbl (\$28.94/bbl Below enacted)

# Annual Average Fiscal Year 1996 – Present

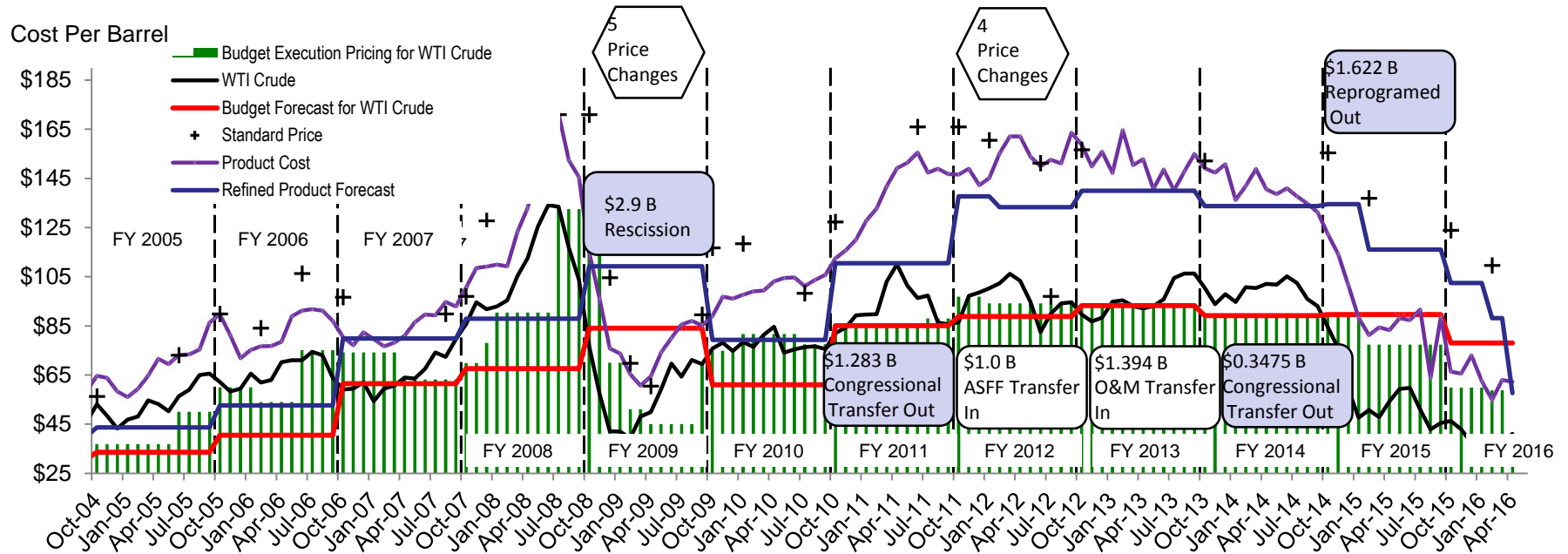
Cost Per Barrel



- Crude oil should only be used for reference purposes. The Defense Logistics Agency buys refined petroleum products for resale to the Department’s customers.
- The biggest challenge in developing the standard price is determining the mark up between crude oil and refined petroleum.
- The refining mark up from the spot price for West Texas Intermediate crude is not constant. The range has been between 22% (FY 2000) to 68% (First Half FY 2016).
- The proposed FY 2017 standard fuel price of \$105.00bbl assumes a refined product price of \$82.99bbl and non-product costs of \$22.01bbl.
- The FY 2017 refined product price of \$82.99bbl is based on a crude oil price of \$55.33bbl.

# Crude Market Drives Standard Price Changes

## Monthly Average Fiscal Year 2005 – Present



- No price change in FY 2013 and FY 2014.
- Except in FY 2011 & FY 2015 multiple price changes every year:
  - FY 2005 through FY 2007 **two** upward prices changes per year
  - FY 2008 price changed **3 times**, \$170.94 to \$97.02
  - FY 2009 price changed **5 times**, \$170.94 to \$89.46
  - FY 2010 price changed **3 times**, \$116.76 to \$98.28
  - FY 2012 price changed **4 times**, \$165.90 to \$97.02
  - FY 2015 price changed February 1<sup>st</sup> to \$136.92
- FY 2016 PB price budgeted at \$144.06 per barrel
  - October 1 price change to \$123.90
  - Section 8128 of the FY 2016 OMNIBUS appropriation (P.L. 114-113) reduced amounts appropriated in Title II, Operation and Maintenance, by \$2,576 million to reflect savings due to lower that budgeted fuel costs.
  - February 1, 2016 price change to \$109.62.
  - Due to timing of the price changes required to implement the congressional intent, the calculated enacted composite standard price in FY 2016 is \$114.38/bbl consisting of \$92.88 for refined product and \$21.50 for non-product.
  - April 1, 2016 price change to \$78.96.

As of: 10 May 2016

# Comparison To Airlines

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DLA Energy	Acquisition Tool	Airlines
One Year	<b>Contract Length</b>	Typically One Year
75 percent	<b>Min Lift Guarantee</b>	~ 90 percent
Tied To Market Index	<b>Pricing</b>	Tied To Market Index
Primarily Producers (Refiners) Military & Commercial Specs	<b>Suppliers</b>	Producers & Third Parties Commercial Specs Only
Majority Origin – Intermediary Storage and Distribution Points	<b>Delivery</b>	Destination (Pipeline) Direct to Airport Point of Use
~2 percent of Overall DoD Budget	<b>Percent of Total Budget/Operating Costs Financing Mechanism</b>	~30-40 percent
DWCF	<b>Financing Means</b>	Varies – Use of Financial Instruments

## Comparison to Commercial Practices

# Bulk Fuels Purchase Programs

## Staggered Annual Programs

### Always in the Market

Issue Solicitation

Award Contract

Close Solicitation → Evaluate Offers → Conduct Negotiations → Evaluate Final Offers



Note: Procurement Process Changes Necessitate Need to Adjust from Historical Timeframes. Reset in Process.

Draft Pre-Decisional

June 21, 2016