

4/10/09

PRESENTA-

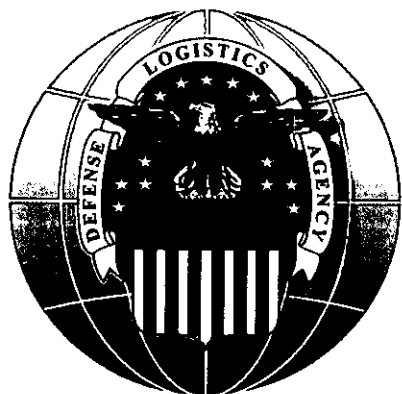
TION:

ALASKA

FISCHER-

TROPSCH

SYNTH...



Defense Logistics Agency



DEFENSE ENERGY SUPPORT CENTER

Defense Energy Support Center



Unclassified



Defense Energy Support Center



DEFENSE ENERGY SUPPORT CENTER

Mission:

To Provide the Department of Defense and Other Government Agencies with Comprehensive Energy Solutions in the Most Efficient and Economical Manner Possible!

Vision:

Our Customers First Choice for Energy Solutions

Values:

- People
- Service
- Excellence
- Innovation
- Trust





Enterprise



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Military Fuel FY08

- Inventory 59.5M barrels
- Storage locations 632
- Transactions 23.6M
- Barrels sold 132.5M
- Fuel Cards \$230M
- Aerospace Energy Sales \$54M

Petroleum Sales

- FY05 Net Sales 132.5M barrels - \$ 8.5B
- FY06 Net Sales 133.9M barrels - \$12.7B
- FY07 Net Sales 132.4M barrels - \$12.6B
- FY08 Net Sales 132.5M barrels - \$17.5B
- FY09 Projection 130.0M barrels - \$15.0B

Foreign Military Sales

- FY08 Net Sales 4M barrels - \$512.1M

Expanding Energy Solutions

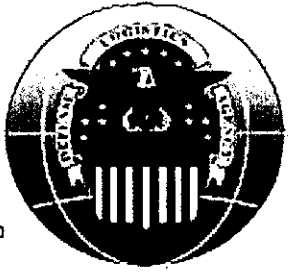
- \$489.6M Natural Gas Business
- \$477.5M Electricity Business
- \$73.7M Coal Business
- \$2.9M Renewables
- \$706M Estimated Utility Privatization Awards (multi year awards)

Forward Presence FY08

- HQC – Co-located w/ 3 Service Control Points
 - Approx 750 personnel
- 4 Geographic Regions
 - Approx 225 personnel

Personnel On Board FY08

- Civilians 921
- Military 61



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Alaska Fischer-Tropsch Synthetic Fuels Pilot Program

Mr. Mark K. Iden
Deputy Director Operations



Agenda Items

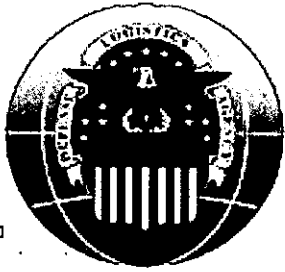


First Day:

- Alaska Pilot Program Overview
- DESC Fuel Support in Alaska: Current & Future
- Contracting Issues
- Proposal, Procurement and Negotiation Processes
- Pricing / Financial Issues
- Quality / Environmental Considerations

Second Day:

- Break Out and One-on-One Sessions

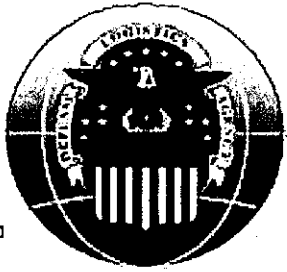


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Alaska F-T Synthetic Fuels Pilot Program

- Location/Fuel Type
 - State of Alaska (JP8, and possibly other jet/diesel requirements?)
- Multi-Year Contract
 - Minimum of 5 years
- Synthetic Fuel (Fischer-Tropsch Process)
 - Feedstock neutral
- 50:50 Blend
 - Require blended fuel as contract deliverable
- Competitively Priced
- Complies with Environmental Standards
 - Section 526 Life-cycle Green House Gas Requirements



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Background

- DoD level program focusing on alternative/renewable fuels
- DESC/military service coordinated approach on Alaska F-T synthetic fuels pilot program
 - USAF previously identified goals
 - Certify all platforms by 2011
 - 50% of the domestic aviation fuel requirement using 50:50 blend by 2016
- DESC has conducted two Requests for Information (RFI) with Industry
 - May 2006 (28 responses received)
 - Sep 2007 (9 responses received)

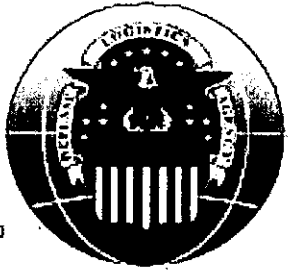


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Background (Cont'd)

- DESC short term acquisition (certification/testing)
 - Shell Malaysia contract (GTL Syn Fuel)
 - Jun 2006 – 315k USG
 - Two SASOL contracts (CTL Syn Fuel)
 - Jun 2008 60k USG
 - Jul 2008 335k USG
- DESC long term acquisition strategy (sustainment)
 - First step is Alaska pilot program
 - Domestic production capability
 - Expansion to CONUS requirements



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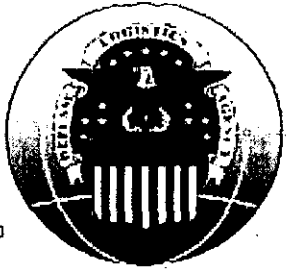


Why Do This?

- Driven by energy security concerns
- Utilization of domestic resources
- Environmental considerations
- Get ahead of customer requirements

Who Could Do This?

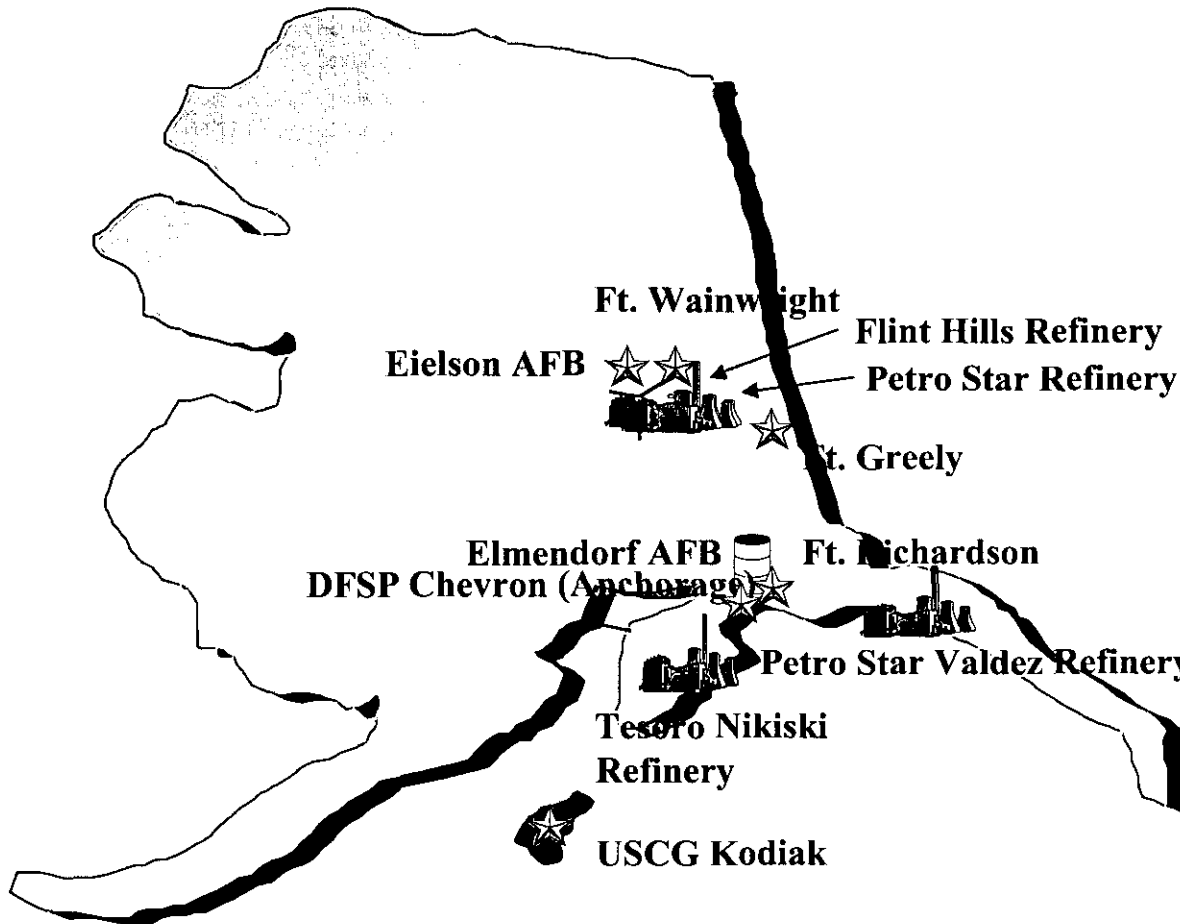
- Existing suppliers
- New synthetic fuel production suppliers
- Partnerships



Requirements



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Bulk Fuel Annual Requirements

Location	Product	Volume (gallons)
ANG Kulis Fld (Anchorage)	JP8	2,500,000
Eielson AFB	JP4	50,000
(*)	JP8	22,000,000
Elmendorf AFB	JP8	42,000,000
Fort Greeley	JP4	500,000
Fort Richardson	JP4	200,000
	JP8	200,000
Fort Wainwright	JP4	1,000,000
	JP8	300,000
USCG Kodiak	JP5	3,800,000

(*) Requirements currently under separate Eielson AFB Coal-To-Liquid Initiative

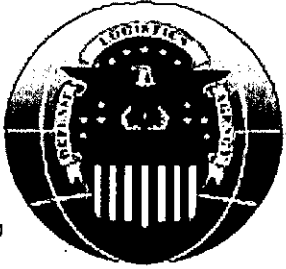


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Next Steps

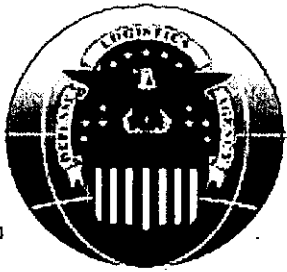
- Alaska F-T Synthetic Fuels Industry Summit
 - Explain pilot program approach
 - Solicit input / comments
- Refine acquisition strategy
 - Finalize acquisition approach
 - Finalize acquisition timelines
- Issue solicitation (RFP)
- Evaluate offers
- Award contract
- Timeline for product delivery



Notional Timeline



Issue Solicitation	June 1, 2009
Close Solicitation	July 30, 2009
Initial Evaluation	August 1, 2009 – August 30, 2009
Negotiations Close	September 15, 2009 – October 30, 2009
Final Evaluations Complete	November 30, 2009
Contract Award	December 30, 2009
First Delivery	December 2014

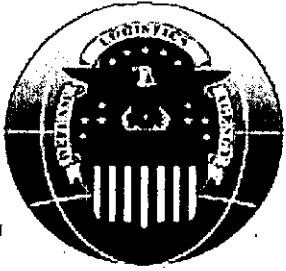


Industry Summit Summation



Purpose of Conference Achieved!

- Gather DoD, Industry, and State/Local Political Officials to Discuss DESC Alaska Synthetic Fuel Initiative
 - 90+ Attendees the first day
 - 45+ Attendees the second day
- Solicit Feedback on DESC Planned Approach
 - 10 Take Away Issues in 3 Broad Categories
- Follow-On Session with Alaska State Legislators
- Follow-On Coordination Between DESC and USAF
- Refine Acquisition Strategy and Plot Course Ahead



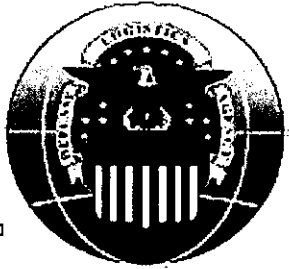
Take-Away Issues



- **Defining the Requirement**
 - Quantity/Location
 - Commercial Sector Requirements
 - Feedstock Source/Plant Location Restrictions
 - Eielson AFB Requirements

- **Structuring the RFP for Success**
 - Section 526 Model
 - Quality/Technical Criteria
 - Contract Length
 - Contract Pricing Structure

- **How to Proceed**
 - Establish Timeline for Acquisition
 - Pre-Feasibility/Down Select Process



Areas for State Assistance

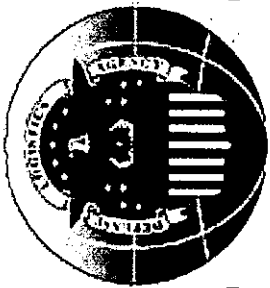


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- Financial Incentives to Industry to Participate
 - Tax Credits/Incentives
 - Loan Guarantees

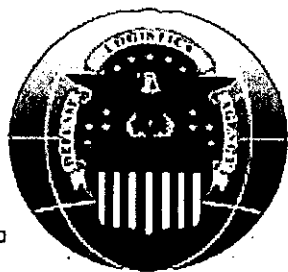
- Encouragement to Commercial Aviation Industry
 - Incentives for Participation
 - Price Considerations

- Streamlining Regulatory Requirements
 - Permitting/Easements
 - Environmental Standards



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Back-Up Charts

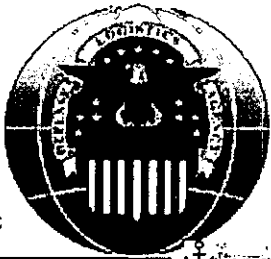


Bulk Fuel Overview

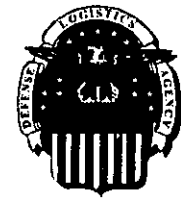


Major Programs

- Inland/East/Gulf Coast (IEG)
 - One-year contract cycles: Apr-Mar
 - Approx. 1.7B USG
 - Approximately \$3.6B
- Rocky Mountain/West (RM/W)
 - One-year contract cycles: Oct-Sep
 - Approx. 1B USG
 - Approximately \$2.7B
- Western Pacific (WESTPAC)
 - One-year contract cycles: Jan-Dec
 - Approx. 1B USG
 - Approx. \$4.3B
- Atlantic/European/Mediterranean (AEM)
 - One-year contract cycles: Jul-Jun
 - Approx. 491M USG
 - Approx. \$1.3B



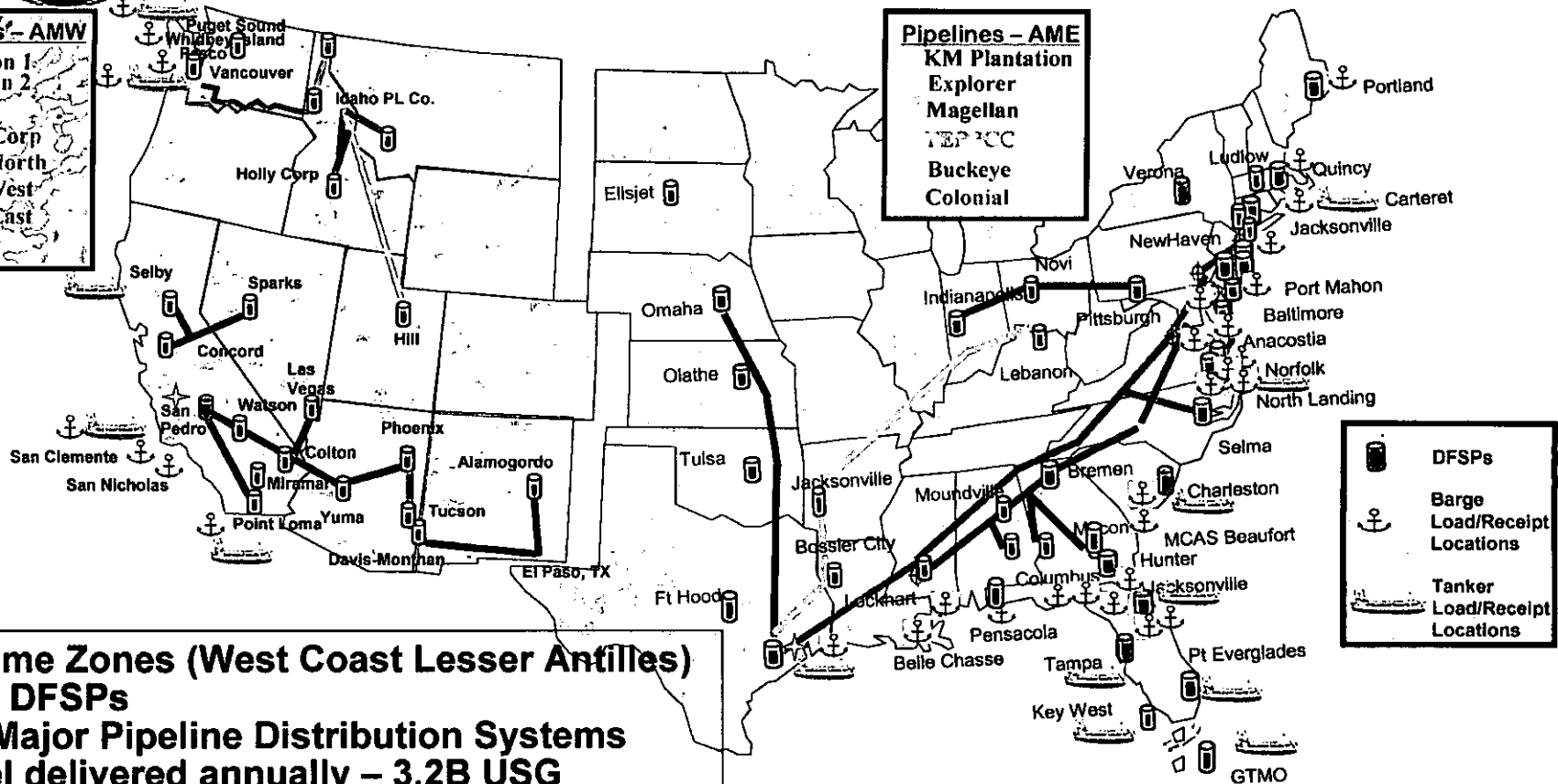
DESC Americas






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Pipelines - AMW
 Chevron 1
 Chevron 2
 Idaho
 Holly Corp
 KM - North
 KM - West
 KM - East
 CalNev

Pipelines - AME
 KM Plantation
 Explorer
 Magellan
 TEPAC
 Buckeye
 Colonial

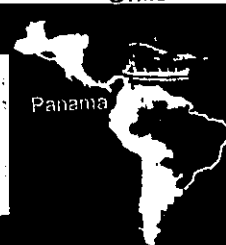


 DFSPs
 Barge Load/Receipt Locations
 Tanker Load/Receipt Locations

- 5 Time Zones (West Coast Lesser Antilles)
- 392 DFSPs
- 14 Major Pipeline Distribution Systems
- Fuel delivered annually – 3.2B USG
- 38/38 - Suppliers / Contracts (FY08)
- \$4.9 Billion - Value of Contracts (FY08)
- 2,045 – Accounts
- 9,000 to 11,000 - Movements/Month
- 400,000 to 550,000 - Transactions/Month

Latin America

DFSP Locations: 4
 Forward Operating Locations: 4
 Bunker Locations: 35
 Into-Plane Locations: 38



Unclassified



Environmental Considerations



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- Energy Independence and Security Act
 - Section 526
 - No Federal agency shall enter into a contract for procurement of an alternative or synthetic fuel, including a fuel produced from nonconventional petroleum sources, for any mobility-related use, other than for research or testing, unless the contract specifies that the lifecycle greenhouse gas emissions associated with the production and combustion of the fuel supplied under the contract must, on an ongoing basis, be less than or equal to such emissions from the equivalent conventional fuel produced from conventional petroleum sources.

Comments / Questions

