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DEFENSE ENERGY SUPPORT CENTER
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IN REPLY REFER TO DESC-CPA

JUL 29 2002

CONTRACTING INSTRUCTION (CI): 02-11
MEMORANDUM FOR CI Distribution

SUBJECT: Multiyear Determination and Findings

The four "Multiyear Determination and Findings" listed below, in effect from October 1, 2002 through September 30, 2003, are available at the DESC Procurement Policy (DESC-CPA) web page, located at: http://www.desc.dla.mil

Determination and Findings to:

1. Enter multiyear contracts;
2. Enter multiyear service contracts;
3. Exclude cancellation provisions; and
4. Solicit only multiyear prices.

Under the terms of the D&F granting authority to enter into multiyear contracts and multiyear service contracts, Contract Specialists will prepare a "Memorandum for the Record" for each individual acquisition, addressing the benefits of multiyear contracting for that procurement using the "Present Value Analysis" (PVA) approach. PVA information can be found in the "Q:\C\Contract Policy\Present Value Analysis" drive/folder. This CI expires upon dissemination.

KEVIN M. AHERN
DESC Center Senior Procurement Official

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DEFENSE ENERGY SUPPORT CENTER
DETERMINATION AND FINDINGS
AUTHORITY TO ENTER INTO MULTIYEAR CONTRACTS

Pursuant to FAR 17.105-1(b) and DFARS 217.170(a) and 217.172(b), which list the criteria for use of multiyear contracting, I hereby make the following Findings and Determination as Center Senior Procurement Official:

FINDINGS

1. The Defense Energy Support Center (DESC) proposes to enter into multiyear contracts for the following purchase programs: Bulk and Bulk Lubricants; Missile Fuels; Ships' Bunkers; Coal; Into-Plane; Posts, Camps, and Stations (PC&S); Electricity; and, Natural Gas. These programs include both negotiated and sealed bid procurements in support of the U.S. military departments and federal civilian agencies worldwide. This D&F is to be used when the criteria of these findings are met in soliciting requirements for supplies.

2. Multiyear contracts for supplies and related services are firm fixed price or fixed-price with economic price adjustments.

3. FAR 17.105-1(b) states that when the five criteria of this paragraph can be met, then multiyear contracting may be used. Specifically, the multiyear contracting criteria delineated will be met as detailed below:

(a) The use of such contracts will result in substantial savings of the total estimated costs of carrying out the program through annual contracts. Competition will be enhanced thereby resulting in lower offer prices overall. The Government will benefit from reduced administrative costs in the placement and administration of contracts due to the extended contractual periods.

(b) The minimum need for the supplies to be purchased will remain substantially unchanged during the periods of the resultant multiyear contracts in terms of total requirements, production rate, and procurement rate.

(c) There is a stable design for the supplies to be acquired, the technical risks associated with such supplies are not excessive, and there is a continuing requirement for the supplies.

(d) Throughout the contract period, funds will be available because DESC uses revolving funds, which do not expire at the end of each fiscal year. Therefore, there is a reasonable expectation that contracts will not be cancelled due to funding constraints.

(e) The estimates of both the costs of the proposed multiyear contracts and the cost avoidance through the use of multiyear contracting are realistic.

4 Multiyear contracting is in the best interest of the Government in that it promotes the national security of the United States.

5. In accordance with the determination required by DFARS 217.170(a), multiyear procurement represents the lowest cost to the Government through the use of present value analysis. Under present value analysis, future prices are discounted to permit meaningful comparisons with current prices. The concerns addressed by present value analysis are satisfied here because:

(a) Avoiding yearly procurements will result in significant administrative savings through avoided printing and labor costs;

(b) The solicitation contains an economic price adjustment provision that will reflect market fluctuations, or, for coal, labor and transportation costs and the cost of land reclamation; and

(c) The solicitation will either, (i) contain a minimum guarantee that is more than a nominal quantity based on historical experience, which DESC will easily meet; or (ii) it will not obligate the Government to purchase a specific quantity of supplies.

Furthermore, Contract Specialists will prepare a "Memorandum for the Record" for each individual acquisition that addresses "Present Value Analysis" for that procurement.

6. DESC expects to meet these criteria on a continuing basis for the foreseeable future.

DETERMINATION

Based on the foregoing Findings and previous multiyear procurements, I hereby authorize the use of multiyear contracts for supplies and related services. This Determination applies to any resultant contracts awarded under solicitations issued from October 1, 2002 through September 30, 2003.

Date: JUL 29 2002

KEVIN M. AHERN
DESC Center Senior Procurement Official

DEFENSE ENERGY SUPPORT CENTER
DETERMINATION AND FINDINGS
AUTHORITY TO ENTER INTO MULTIYEAR SERVICE CONTRACTS

The Defense Energy Support Center (DESC) proposes to enter into multiyear contracts for energy-related services. Pursuant to DFARS 217.171(a)(3), I hereby make the following Findings and Determination as Center Senior Procurement Official.

FINDINGS

1. DESC proposes to enter into multiyear contracts for energy-related services (including storage, fuels distribution, alongside aircraft refueling, laboratory testing, and environmental.) All procurements will be negotiated and the requirements under these programs are in support of the U.S. military departments or federal civilian agencies worldwide. This D&F is to be used when the criteria of these findings are met in soliciting requirements for services.

2. Multiyear contracts for services are fixed price with adjustments for wages in accordance with the Service Contract Act.

3. Multiyear contracting for services provides the Government the following advantages: lower costs; reduction of administrative burden in the placement and administration of contracts; and, a broadening of the competitive base as there are some firms that are unwilling to compete for services of a shorter duration. Specifically, the multiyear contracting criteria delineated in DFARS 217.171(a)(3) will be met as detailed below:

a. There is a continuing requirement for the services and incidental supplies;

b. Furnishing the services and incidental supplies will require a substantial initial investment in plant or equipment; and,

c. Multiyear contracting is in the best interests of the Government in that it encourages competition and promotes economy of operation.

4. In accordance with the determination required by DFARS 217.170(a), multiyear procurement represents the lowest cost to the Government through the use of present value analysis. Under present value analysis, future prices are discounted to permit meaningful comparisons with current prices. The concerns addressed by present value analysis are satisfied here because:

a. Avoiding yearly procurements will result in significant administrative savings through avoidance of printing costs and man-hours.

b. Contracts for services are subject to adjustment for wages in accordance with the Service Contract Act.

c. Historically, multiyear prices are the same or less than single year prices.

Furthermore, Contract Specialists will prepare a "Memorandum for the Record" for each individual acquisition that addresses "Present Value Analysis" for that procurement.

5. DESC expects to meet these criteria on a continuing basis for the foreseeable future.

DETERMINATION

Based on the foregoing Findings, I hereby authorize the use of multiyear contracts for the procurement of energy-related services. This Determination applies to contracts awarded under solicitations issued from October 1, 2002 through September 30, 2003.

Kevin M. Ahern

DATE JUL 29 2002

KEVIN M. AHERN
DESC Center Senior Procurement Official

DEFENSE ENERGY SUPPORT CENTER
DETERMINATION AND FINDINGS
AUTHORITY TO EXCLUDE CANCELLATION PROVISIONS

Pursuant to FAR 17.104(b), which authorizes the exclusion of cancellation provisions from a contract, I hereby make the following Findings and Determination as Center Senior Procurement Official.

FINDINGS

1. The Defense Energy Support Center (DESC) proposes to exclude cancellation provisions from proposed multiyear contracts for the following purchase programs: Bulk and Bulk Lubricants; Missile Fuels; Ships' Bunkers; Coal; Into-Plane; Posts, Camps, and Stations (PC&S); Electricity; Natural Gas; and for energy-related Services (storage, COCO services, alongside aircraft refueling, laboratory testing, and environmental services.)

2. The inclusion of cancellation charges provides for the recovery of nonrecurring costs which the contractor may have included in the unit price for each year of the multiyear offers received under the aforementioned programs. For these programs, the Government procures commercial or commercially similar products in the general marketplace for which nonrecurring costs are either insignificant or nonexistent to a specific contract. Accordingly, the inclusion of cancellation charges is inappropriate.

DETERMINATION

Based on the foregoing Findings and previous multiyear procurements, I hereby authorize the use of multiyear contracts for supplies and energy-related services without inclusion of cancellation provisions. This Determination applies to any resultant contracts awarded under solicitations issued from October 1, 2002 through September 30, 2003.

Kevin M. Ahern

DATE JUL 29 2002

KEVIN M. AHERN
DESC Center Senior Procurement Official

DEFENSE ENERGY SUPPORT CENTER
DETERMINATIONS AND FINDINGS
AUTHORITY TO SOLICIT ONLY MULTIYEAR PRICES

Pursuant to FAR 17.106-3(f), which states that the Government may authorize the use of a solicitation requesting multiyear prices, I hereby make the following Findings and Determination as Center Senior Procurement Official.

FINDINGS

1. The Defense Energy Support Center (DESC) proposes to solicit multiyear contracts for energy requirements for the following purchase programs: Bulk and Bulk Lubricants; Missile Fuels; Ships' Bunkers; Posts, Camps, and Stations (PC&S); Into-Plane; Coal; Electricity; Natural Gas; and for energy-related services (storage, COCO services, alongside aircraft refueling, laboratory testing and environmental services.) These programs include both negotiated and sealed bid procurements. The requirements under these programs are in support of the U.S. Military Departments and various Federal Civilian Agencies worldwide. This Determination and Findings (D&F) is to be used when the criteria set forth in paragraph two (2) below are met in soliciting requirements for any of the aforementioned programs.

2. Historically, when both annual and multiyear offers have been requested for the aforementioned programs, the preparation and evaluation of dual proposals increased administrative costs and workload for the offerors and the Government. In addition, the result of these solicitations has been that DESC awards on a multiyear rather than single year basis. Thus the Government has not received a benefit from the additional work associated with obtaining single year prices. Accordingly, it is in the Government's best interest that solicitations for the aforementioned programs request offers only on a multiyear basis.

DETERMINATION

Based on the foregoing findings and previous multiyear procurements, I hereby authorize soliciting only multiyear prices in multiyear contracts for supplies and services. This Determination applies to any resultant contract awarded under solicitations issued from October 1, 2002 through September 30, 2003.

DATE JUL 29 2002

KEVIN M. AHERN
DESC Center Senior Procurement Official