



DEFENSE LOGISTICS AGENCY
DEFENSE ENERGY SUPPORT CENTER
8725 JOHN J. KINGMAN ROAD, SUITE 4950
FORT BELVOIR, VIRGINIA 22060-6222

IN REPLY
REFER TO DESC-CPA

CONTRACTING INSTRUCTION (CI): 04-14A
MEMORANDUM FOR CI DISTRIBUTION

AUG 02 2004

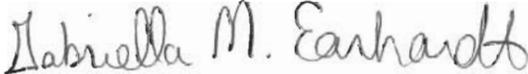
SUBJECT: Procedures for Disposing of Unusable Product

This CI is being issued to ensure continuity in the procedures to be followed and documented when selling or otherwise disposing of excess fuel on behalf of a DESC customer. This CI replaces CI 04-14 in its entirety.

DESC is given the authority to sell a defined fuel source when the sale would be in the public interest, by Title 10 USC Section 2404. (A defined source means any of the following: Petroleum, natural gas, coal, coke.) Subsequent delegations give approval authority to qualified CBU Directors or the CSPO. The proceeds of such a sale shall be credited to the appropriations for DoD for the acquisition of a defined source or services related to the defined fuels source. Amounts so credited shall be available for obligation for the same period as the appropriations to which the amounts are credited.

The contract specialist shall exercise due diligence in locating possible customers as well as looking into other options for disposing of the fuel. The contract specialist will issue a solicitation, if appropriate, and compile a D&F explaining actions that have been taken and those expected to be taken.

This CI is effective immediately and expires upon inclusion in the DEPI. Point of contact is Cheryl Creason, extension 8471.


GABRIELLA M. EARHARDT
Center Senior Procurement Official

Attachment
DEPI coverage

PART 12

ACQUISITION OF COMMERCIAL ITEMS

12.500 Scope of Subpart

(101) Sales of Unusable Product:

(a) DESC sometimes receives requests to sell product on behalf of one of its customers. The request is generally due to the customer having off-spec or malpositioned product in its possession. Sales of defined fuel sources may be conducted in accordance with Title 10 USC Section 2404. A defined fuel source may be any of the following: Petroleum, natural gas, coal or coke. According to the USC, petroleum means natural or synthetic crude, blends of natural or synthetic crude and products refined or derived from natural or synthetic crude or from such blends.

The Contracting Officer should research to determine potential customers and if appropriate, issue a solicitation. The Contracting Officer shall also determine if another method such as disposal or donation would be in the best interests of the Government. Subsequently, a Determinations and Findings (D&F) is required. The D&F shall include the following in its Findings:

- (1) Description of the product and solicitation
- (2) Discussion of offers received
- (3) Summary of the proposed successful offer if there is one
- (4) Options, other than sale that the Government has considered (i.e., disposal and/or donation of the fuel)

The Determination section of the D&F will include a summary of the most advantageous option for the Government. The D&F must be coordinated on by the Contracting Officer, Division Chief, Legal Counsel and approved by the CBU Director. If the CBU Director is not certified at level three in contracting, in accordance with the Defense Acquisition Workforce Improvement Act (DAWIA), or in the absence of the CBU Director, the D&F must be approved by the Center Senior Procurement Official (CSPO) or Associate CSPO. After approval of the D&F the Contracting Officer should proceed with making award or disposing of or donating the product

(b) In accordance with Section 2404 of title 10, United States Code, DESC is authorized to sell petroleum or natural gas if the sale is in the public interest. It is necessary to keep accurate records of any of these commercial transactions so that the Department of Defense is credited with the proceeds of any sales. As a result, a spreadsheet is provided for all CBUs to record sales information at: Q\C\Contract Policy\SALES Spreadsheet. The fields to be filled in are: Solicitation Number, Type of Fuel, Date of Sale, Removal Date, ,

Contractor Contract Number, Amount, Price, Dollar Value, Location, Ship Date, Removal Cost (\$ per gal.), Total Removal Cost, Estimated Reprocurement Cost, Amount Saved, Buyer, Division, and Notes.