

C1. CHAPTER 1

DoD's CENTRALIZED NATURAL GAS PROGRAM

C1.1. GENERAL

C1.1.1. Content. This chapter discusses policy guidelines and management responsibilities relative to centralized acquisition of direct supply natural gas from producers and regular dealers through competitive procurements. Deregulation of the natural gas industry in the United States and the availability of open access transportation on interstate and intrastate pipelines have created significant cost savings opportunities for DoD's installations participating in the centralized direct supply natural gas acquisition program.

C1.1.2. Authority. Defense Energy Program Policy Memorandum (DEPPM) 91-1, issued October 17, 1990, assigned the mission of centralized acquisition of direct supply natural gas to DLA, with DESC serving as the implementing agent. DEPPM 93-1, issued January 12, 1993, provides the most current operating procedures, guidelines, and management responsibilities for participants in DoD's direct supply natural gas program.

C1.1.3. Applicability. The provisions of this volume apply to the Office of the Secretary of Defense, Chairman of the Joint Chiefs of Staff, Military Services (including Reserve Components), Combatant Commands, and Defense Agencies (hereafter referred to collectively as "DoD Components"). As used herein, the term "Military Services" refers to the Army, Navy, Air Force, and Marine Corps.

C1.1.4. Scope. DoD's installations located in the United States, including Alaska.

C1.2. POLICY

C1.2.1. Joint Objectives - DLA and Military Services shall:

C1.2.1.1. Provide a reliable supply of natural gas at the lowest possible cost to DoD's installations. Mission support and energy reliability will take precedence over all other considerations in this acquisition process.

C1.2.1.2. Ensure that DoD's installations have secure and reliable sources of energy to fulfill their mission.

C1.2.1.3. Cooperate and support the centralized direct supply natural gas acquisition program to enable DoD to maximize available cost savings.

C1.2.1.4. Ensure that no actions will be taken to bypass Local Distribution Company (LDC) systems without prior approval of the DUSD (IA:I).

C1.2.2. Participation Guidelines

C1.2.2.1. All DoD installations using direct supply natural gas will participate in DoD's direct supply natural gas program. Participation is defined as follows:

C1.2.2.1.1. Providing appropriate natural gas requirements data (e.g., historical and projected natural gas use, alternative fuel capability, and associated site costs) sufficient to assist DESC in performing an economic evaluation to determine whether to include the installation's requirements in a solicitation.

C1.2.2.1.2. Providing the necessary support for contract postaward administrative requirements (i.e., performing ordering, balancing, and payment functions in accordance with DESC's contract provisions).

C1.2.2.2. Installations will not be included in DoD's direct supply natural gas program if results of the economic analyses indicate negligible or improbable savings. Other possible reasons for not participating in the program are as follows:

C1.2.2.2.1. The LDC will not provide transportation of direct supply natural gas from the citygate to the installation;

C1.2.2.2.2. Base realignment and closure actions;

C1.2.2.2.3. Existing contractual arrangement with the LDC or with an existing multiyear direct supply natural gas supplier (contracts awarded by the Military Services) with better prices or with termination liabilities exceeding DESC's projected direct supply contract cost benefits;

C1.2.2.2.4. Loss of utility-sponsored demand side management program benefits that are greater than the potential savings available via DESC's direct supply natural gas program;

C1.2.2.2.5. Ongoing or pending legal or regulatory action in which the Government's interests would be adversely affected by participation in this program.

C1.2.2.3. In cases where DESC and the Military Services cannot reach an agreement, program participation will be decided by OSD through the Chairman of the Defense Utilities Energy Coordinating Council (DUECC).

C1.2.3. Economic Criteria

C1.2.3.1. Each installation will pay the actual costs associated with the acquisition of direct supply natural gas. These costs include the cost of natural gas, applicable pipeline transportation, storage costs, and backup or standby charges (as applicable and appropriate) for the installation, along with established operating cost (i.e., general and administrative costs) directly associated with this program.

C1.2.3.2. The estimated total annual and average unit cost of direct supply natural gas provided to an installation through this program will be lower than that offered by the LDC at the time of contract award, or the comparable per unit cost of any alternative energy readily used by the installation, measured at the burner tip. Cost factors to be utilized in the direct supply natural gas economic analyses are outlined in paragraph C1.2.3.1., above.

C1.2.4. Contracting

C1.2.4.1. DESC (serving as DLA's agent) has sole responsibility for contracting for direct supply natural gas requirements within DoD.

C1.2.4.2. Natural gas will be acquired for DoD's installations via DESC's centralized competitive procurements when such contracts are cost effective and consistent with the policy of providing secure and reliable service in support of the installations' mission.

C1.2.4.3. DESC may enter into advisory and assistance contracts to address all issues associated with competitive acquisition of direct supply natural gas to include but not limited to market identification, pipeline transportation, storage, and economic analysis of gas supply options.

C1.2.5. Requirements

C1.2.5.1. In order to enable DoD to maximize available cost savings from the centralized direct supply natural gas program, maximum participation of eligible DoD's installations in DESC's program is required.

C1.2.5.2. The Military Services and Defense Agencies shall submit their direct supply natural gas requirements to DESC-A. Requirements will be submitted electronically to DESC-A via DD Form 2692.

C1.2.5.3. Direct supply natural gas requirements will be coordinated and consolidated by DESC in an effort to reduce product and transportation costs. Figure C1.F1. of this chapter provides the geographic breakdown of DESC's current direct supply natural gas procurement areas. The requirement submission schedule for DESC's direct supply natural gas program is prescribed in DESC I 4220.1, Requirements Submission Schedules for Energy Commodities and Related Services.

C1.2.6. Budgeting. DLA and the Military Services shall develop, program, and execute independent budgets to meet their obligations under the direct supply natural gas program. MIPRs will be submitted to DESC from those installations that desire reimbursable procurement. DESC shall fund contracts using the Defense-Wide Working Capital Fund and in turn bill those installations accordingly.

C1.3. RESPONSIBILITIES

C1.3.1. The Office of the Deputy Under Secretary of Defense (Industrial Affairs and Installations) ODUSD (IA:I) shall:

C1.3.1.1. Establish and coordinate natural gas program policies.

C1.3.1.2. Provide guidance to DoD Components for the management of direct supply natural gas programs, systems, and procedures, and ensure the effective implementation thereof.

C1.3.1.3. Request access to DoE's natural gas reserves, as needed, in support of DoD's natural gas requirements pursuant to 10 U.S.C., Section 7430 (I).

C1.3.1.4. Resolve DoD installations' program participation differences between DESC and the Military Services via the Chairman of DUECC.

C1.3.2. The Secretary of Defense Comptroller (OSD(C)) shall:

C1.3.2.1. Establish budgetary and funding policies and guidance for DoD Components relative to the management of natural gas requirements.

C1.3.2.2. Establish and coordinate policies and guidance for the design and implementation of management information systems relative to natural gas.

C1.3.3. The Chairman of the Joint Chiefs of Staff shall advise DUSD (IA:I) on policies, programs, and responsibilities relating to natural gas in support of military forces' contingency plans. Additionally, the Chairman shall recommend allocation in CONUS during times of crises.

C1.3.4. The Defense Energy Support Center (DESC), as authorized by DLA, shall:

C1.3.4.1. Serve as the single manager for acquisition of direct supply natural gas for DoD's installations.

C1.3.4.2. Publish and maintain an acquisition schedule for DoD's direct supply natural gas program.

C1.3.4.3. Consolidate (by procurement areas) natural gas requirements reported by DoD's installations.

C1.3.4.4. Perform or arrange for the economic analyses of supply options.

C1.3.4.5. Prepare solicitations, awards, and administer contracts for the acquisition of direct supply natural gas deliveries to designated points, and for natural gas pipeline storage acquisition when determined to be economically advantageous.

C1.3.4.6. When agreed upon by the Military Services and DESC, DESC shall perform contract administration functions (e.g., placing orders and paying of DESC contractors' invoices).

C1.3.4.7. Determine availability of competitive natural gas and pipeline transportation, and investigate opportunities for reducing energy costs through the centralized acquisition process. DESC shall work with suppliers, interstate pipelines, and LDCs to increase opportunities for acquisition and delivery of direct supply natural gas.

C1.3.4.8. Monitor FERC and pipeline transportation rates, and advise the Military Services and DUSD (ES) of findings pertinent to the success of the program.

C1.3.4.9. Provide periodic procurement status reports to the Military Services outlining the status of each centralized acquisition of natural gas and pipeline transportation.

C1.3.4.10. Arrange training for the Military Services for centralized acquisition of direct supply natural gas.

C1.3.4.11. Monitor gas market and industry trends and provide reports to the Military Services on significant issues.

C1.3.4.12. Explore the feasibility of obtaining Federal royalty gas and strategic gas, such as Naval Oil Shale Reserves (NOSR) gas.

C1.3.4.13. Notify the Military Services of any potential for rate intervention identified during centralized direct supply natural gas procurement activities.

C1.3.4.14. Provide ordering, central payment, gas storage, and pipeline transportation services to centrally managed installations.

C1.3.5. The Military Services shall:

C1.3.5.1. Plan, program, budget, and fund natural gas requirements in support of installations under DLA/DESC's centralized direct supply natural gas contracts. MIPRs will be submitted to DESC from those installations that desire reimbursable procurement. DESC shall fund contracts using the Defense-Wide Working Capital Fund and in turn bill those installations accordingly.

C1.3.5.2. Provide natural gas requirements via interruptible, limited interruptible, and/or firm transportation to DESC-A, including any special or installation specific requirements or constraints (e.g., special service arrangements with the LDC) that may need to be identified in the solicitation.

C1.3.5.3. Indicate in the requirement submission package (DD Form 2692 or similar document) the desired delivery point for the direct supply natural gas; usually either the LDC's citygate or the installation's burner-tip. When designating the installation's burner-tip, the installation or Military Service

must also indicate if the LDC will allow DESC's contractor to process the transportation agreement with the LDC on behalf of the installation. This information is critical - such information assists DESC in the pursuit of burner-tip delivery for an installation.

C1.3.5.4. Maintain the installation/LDC relationship regarding transportation of natural gas from the citygate to the burner-tip when DESC's contracts specify delivery to the LDC's citygate.

C1.3.5.5. Maintain LDC's gas utility service contract when the LDC's cost of gas delivered is less than DESC's direct supply natural gas cost for delivery to the burner-tip, taking into account appropriate gas supply, transportation, and administration costs (including any surcharges).

C1.3.5.6. Monitor state regulatory commissions' activities and advise DESC of any regulatory action that may affect DESC's direct supply natural gas program.

C1.3.5.7. Continue to provide utility rate expertise and regulatory/rate intervention services for cost of service analysis and rate intervention support for all Military Services' installations in the LDC's territory in which the Military Services are the dominant users. These services shall be provided for DESC on a reimbursable basis when so requested.

C1.3.5.8. Perform economic analyses as desired, validate installations' natural gas requirements, and provide appropriate requirements (including technical specifications) to DESC in accordance with DESC I 4220.1.

C1.3.5.9. Review (jointly with DESC) DESC's economic analysis of supply options.

C1.3.5.10. When requested, participate in the development of technical criteria for DESC's direct supply natural gas solicitations, and/or participate during the technical review of proposals offered in response to solicitations.

C1.3.5.11. Ensure that installations within their areas of responsibility have the LDC's transportation agreements in effect for DESC's contracts specifying delivery to the LDC's citygate, prior to the initial delivery start date specified in DESC's direct supply natural gas contracts.

C1.3.5.12. Ensure that installations' personnel associated with DESC's direct supply natural gas contracts and LDCs' pipeline transportation agreements are properly trained in the use of such contracts and agreements.

C1.3.5.13. Issue delivery orders, via their individual installations, against DESC's direct supply natural gas contracts, unless otherwise agreed upon by DESC and the installations.

C1.3.5.14. Make timely payments, via their installations, to contractors for direct supply natural gas and the LDC's services, unless payment responsibility has been assigned otherwise, as agreed upon by DESC, installations, or the respective Military Service.

C1.3.5.15. Promptly report to DESC any problem with direct supply natural gas delivery or contract solicitation information.

C1.4. CONTRACT TRANSITION. With the implementation of DEPPM 93-1, the Military Services shall submit requirements for direct supply natural gas to DESC. Requirements will be submitted for those installations having their own direct supply natural gas contracts expiring (this includes expiration of the basic contract delivery period or any option year delivery period) during the forthcoming DESC contract delivery period. The delivery start-up period for installations stated in DESC's new contracts will coincide with the expiration date of existing Military Services' contracts. Installations within DESC's procurement areas to be solicited that have existing long term contracts that are not due to expire (basic contract or option year delivery periods) during the forthcoming DESC contract delivery period will not be submitted for inclusion in DESC's market survey and analysis.

C1.4.1. For installations with existing contracts with option renewal periods, an economic analysis shall be conducted by DESC, and jointly reviewed by the Military Services and DESC, prior to the Military Services exercising each contract extension option.

C1.4.2. Existing direct supply natural gas contracts awarded by the Military Services will continue to be administered by the responsible Military Service up to the first renewal option, if such option exists, until and unless formally turned over by the Military Services to DESC.

C1.5. CONTRACTING PROCESS. This section discusses issues related to interruptible, limited interruptible, and firm transportation direct supply natural gas contracts for which DESC is assigned responsibility. If there is a conflict between this summary and the contract, the contract will take precedence.

C1.5.1. Procedural Summary

C1.5.1.1. DESC shall solicit and award contracts for natural gas via interruptible, limited interruptible, and firm transportation based on the type of natural gas requirements submitted by the Military Services.

C1.5.1.2. The requirement for an installation to participate in DoD's centralized natural gas program and to place orders against assigned contracts shall be based on the economic analyses performed by DESC. DESC and the Military Services shall jointly review these analyses to determine if DESC's contract is the best method to achieve maximum overall savings for the length of the contract delivery period.

C1.5.2. Prior to Solicitation

C1.5.2.1. DESC shall notify Service Utility Management Offices (SUMOs) of procurement areas to be solicited and request basic data needed for solicitation. If agreeable to the SUMOs, DESC may notify major commands or claimants, engineering field divisions, or installations directly, with an info copy of the request to the SUMOs. (See section C1.11. of this chapter for SUMO locations.)

C1.5.2.2. SUMOs are responsible for reviewing installations' requirements and advising DESC if inclusion in DESC's proposed solicitation would adversely impact any ongoing or planned LDC rate intervention activity, demand side management programs, or LDC investment programs; or if changes are anticipated in the LDC's rate structure that would impact on the decision to include the installation in DESC's solicitation. SUMOs should also advise DESC of any installations to be affected by planned base realignment and consolidation plans or, on an installation basis, of any technical changes in future natural gas requirements or energy systems serving those specific requirements.

C1.5.2.3. SUMOs shall submit installations' requirements to DESC in accordance with DESC 4220.1. If agreeable with the SUMOs, major commands, engineering field divisions, and installations may provide data directly to DESC with an information copy to their SUMO. Submission of this data will be in accordance with instructions provided by DESC (via DD Form 2692 or similar document will be utilized), which will generally require the following items:

C1.5.2.3.1. Indication of LDC's willingness to transport natural gas and the applicable rate schedules.

C1.5.2.3.2. Identification of the terms, conditions, and renewal date(s), if any, for existing direct supply natural gas contracts.

C1.5.2.3.3. Monthly historical gas use that is appropriate for interruptible, limited interruptible, and/or firm service requirements; peak-day load for interruptible service, if available; maximum daily quantity for firm service, if available; and minimum monthly guaranteed quantities for firm-fixed price, supply management or billing services.

C1.5.2.3.4. Alternate energy sources and current cost.

C1.5.2.3.5. Points of contact at each activity - name and address of ordering office, invoice receiving office, payment office, and contracting office.

C1.5.2.3.6. Specific technical criteria, if unique to a particular installation, to be included in DESC's solicitation.

C1.5.2.3.7. Designation of the desired delivery point (usually the LDC's citygate or the installation's burner tip, and the LDC's willingness to allow DESC's contractor to negotiate transportation agreement on behalf of the installation (if burner tip delivery is requested).

C1.5.2.4. SUMOs shall initiate or ensure that the installation initiates a formal agreement with the LDC for transportation of the contract gas volumes when DESC's contract specifies delivery of the natural gas to the LDC's citygate. The SUMO or the installation will provide the appropriate tariff rates to DESC. The LDC's transportation agreement must be formalized and in place prior to the anticipated contract delivery period. Transportation agreements with the LDC are generally accomplished by one of the two following methods:

C1.5.2.4.1. The most frequently used of the two methods is the utilization of the GSA area-wide contract (if available) to provide for the necessary natural gas transportation service. A supplemental agreement to the existing area-wide contract (usually designated as Exhibit "A") is initiated between the LDC and the customer to provide for transportation service from the LDC's citygate to the installation's burner tip.

C1.5.2.4.2. When a GSA area-wide contract is not available, a separate negotiated contract with the LDC can be accomplished in accordance with the Utility Services section of the FAR, Part 41. These provisions allow for negotiation of the majority of the contract clauses normally required in the Government's contracting process.

C1.5.2.5. DESC shall develop an economic analysis of gas supply options.

C1.5.2.6. DESC and the Military Services shall conduct a joint review of the economic analysis to determine which installations will participate in the acquisition process.

C1.5.2.7. DESC shall incorporate requirements into the solicitation package and issue an RFP. Copies of DESC's solicitation package will be available to each Military Service via DESC's website.

C1.5.3. After Solicitation

C1.5.3.1. The Military Services may participate in the review of technical information submitted as part of the proposals offered in response to DESC's direct supply natural gas solicitation to determine offerors that are technically qualified.

C1.5.3.2. DESC shall advise the Military Services of installations that reflect no cost savings, and the apparent economic impact on those installations and all others in the contract package if non-economic installations were withdrawn after final offers are evaluated. A coordinated decision will be made by DESC and the affected Military Service(s) as to the course of action to follow in instances of this nature.

C1.5.3.3. DESC shall make a training course available to the Military Services installations' personnel to enable them to carry out their contract support responsibilities.

C1.5.3.4. The Military Services shall ensure that personnel at all installations participating in the program are sufficiently trained to carry out their responsibilities.

C1.5.4. Postaward

C1.5.4.1. Installations' personnel are responsible for issuing contract delivery orders, receipting for gas, and paying contractors' invoices, unless otherwise agreed upon by DESC and the Military Services. For installations under central management, DESC handles these functions and the installations reimburse DESC for the applicable costs.

C1.5.4.2. Installations shall maintain a relationship with their current LDC when DESC's contracts specify delivery of the natural gas to the LDC's citygate, when the LDC allows switching, or when the installation is buying gas under a contract with the LDC. For interruptible, limited interruptible, and/or firm transportation contracts, natural gas service and backup, if appropriate, will be obtained from the LDC under tariff rates, terms, and conditions.

C1.5.4.3. Installations shall furnish DESC, their SUMO, and/or major claimant or command, as appropriate, copies of each delivery order and invoice, and immediately notify interested parties of any gas supply or contract problems.

C1.6. SOLICITATION AND CONTRACT DISTRIBUTION

C1.6.1. DESC-A's contracting officer shall distribute or post copies (as appropriate) of direct supply natural gas solicitations and amendments on DESC's website. These documents will be made available to the Military Services addresses listed in section C1.11. of this chapter, including each installation's ordering office as listed in the Gas Ordering Procedures clause of the applicable solicitation.

C1.6.2. After contract award, DESC shall distribute copies of the direct supply natural gas contract award document.

C1.6.3. DESC-A shall distribute or post (as appropriate) on DESC's website copies of contract modifications (administrative "PO" and price adjustment "PA" modifications).

C1.7. CONTRACT ADMINISTRATION

C1.7.1. DESC, as authorized by the Defense Logistics Agency, has contract administration responsibility for contracts awarded by DESC. Particular responsibilities pertaining to the Government-contractor relationships, which are reserved exclusively for DESC, include the following:

C1.7.1.1. Modifications affecting price.

C1.7.1.2. Complaints by contractors or requiring activities.

C1.7.1.3. Disputes between contractors and the Government.

C1.7.1.4. All matters pertaining to performance by contractors making deliveries of natural gas ordered by the Government.

C1.7.2. The Military Services shall report problems associated with DESC's contracts and contractors' performance to DESC-A.

C1.7.3. The Military Services have contract administration responsibility for contracts negotiated and awarded by their organizations. Additionally, the Military Services shall retain such responsibility, unless

formally transferred to DESC. Detailed operating arrangements for this effort will be negotiated as necessary and approved at the working level offices designated in section C1.11. of this chapter.

C1.8. ORDERING, INVOICING, AND PAYMENT PROCEDURES. The following procedures set forth monthly ordering, invoicing, and payment instructions to be followed by all installations participating in DESC's direct supply natural gas program, with the exception of those installations centrally managed by DESC. Detailed procedures that address ordering, invoicing, and payment procedures for installations centrally managed by DESC are provided in chapter 2 of this volume.

C1.8.1. Gas Forecasting, Nominating, and Ordering Procedures are as follows:

C1.8.1.1. Beginning on the 15th day of each month, installations shall obtain the necessary information to aid them in determining quantities of natural gas to be delivered in the following month. This information is usually obtained at the utilities/energy engineering level (e.g. historical gas usage - reviewing those periods that closest resemble the installation's present gas load size). Additionally, data on extreme weather conditions (i.e., coolest and warmest periods), seasonal weather predictions, mission changes, facility or base expansions or reductions, etc. will be provided for consideration.

C1.8.1.2. If monthly switching IS NOT allowed, the installation must place orders against the contract for its natural gas requirements for the duration of the contract delivery period. Even if the LDC subsequently lowers its tariff prices for the installation, the terms of the contract must be followed.

C1.8.1.3. If monthly switching is allowed, beginning on the 15th day of the month, DESC shall obtain information on established LDC tariff citygate prices and DESC's estimated contract prices for the following month. These prices serve as a guide to determine, for those installations where monthly switching between the LDC's gas and DESC's gas is allowed, whether an installation should order from DESC's contractor or the LDC's for the following month. Additionally, these prices can be used by installations to estimate the total dollars to be obligated on delivery orders.

C1.8.1.4. For those installations where monthly switching is allowed, DESC shall notify the installation prior to one working day before the 25th day of the month of the source of gas (LDC or DESC's contractor) that is most economical for the coming month. Accordingly, the installation shall order the most cost-effective gas available according to DESC's direction. When monthly switching is allowed, DESC-A's point of contact must be contacted to determine the most economical source of gas for the coming month.

C1.8.1.5. Installations shall place orders with contractor(s) at least one working day prior to the 25th day of each month. If an order is not placed within this timeframe, the contractor is not contractually obligated to deliver, and the Government's failure to submit a timely order may constitute a breach of the contract.

C1.8.1.6. Pursuant to the Gas Ordering Procedures clause, orders may be transmitted by telecommunications to a DESC contractor, and must be confirmed by a written delivery order (SF 1449, Solicitation/Contract/Order for Commercial Items) within 24 hours. The SF 1449 is used to confirm that

the order was placed in a timely manner and for a specific quantity. Copies of the completed SF 1449 must be provided to DESC-A.

C1.8.1.7. To ensure that the ordered quantity will be as close to actual consumption as possible, gas meters must be read at least once a week. If the order appears to be out of line with actual usage, the Gas Ordering Procedures clause allows an adjustment (by the ordering office) to the original order within a given plus (+) or minus (-) percentage without additional cost to the Government. Any adjustment (increase and/or decrease) in the ordered quantity outside the established range specified in the contract must be negotiated by DESC's contracting officer. Under no circumstances can an installation agree to a delivery order change outside the established range in the contract without consulting DESC's contracting officer. Any changes to the original delivery order quantity shall be confirmed in writing with a copy of the documentation provided to DESC-A by facsimile. DESC-A's facsimile number is DSN 427-8757, commercial number is (703) 767-8757. Additionally, when ordering and/or adjusting orders, installations' personnel must be well versed in the LDC's policy on balancing to avoid, as much as possible, any penalty situations. Further, ordering, nomination, and adjustment of quantity (balancing) procedures shall comply with the applicable LDC and interstate transportation procedures and agreements.

C1.8.1.8. Occasionally, an installation may find its supplies curtailed by the interstate pipeline, with the most common reasons being weather and/or over-nominated pipeline capacity during peak seasons. In such cases, the following procedures will apply:

C1.8.1.8.1. Under DESC's current contracts, the contractor must notify DESC's contracting officer and the installation's ordering officer within two hours of the pipeline's notification of the curtailment or interruption. DESC contractor's plan for continued delivery via an alternate route and/or alternate source of supply may only be approved by DESC's contracting officer. The installation, meanwhile, shall obtain information regarding the cost of using an alternate fuel and/or the cost of utilizing the LDC's gas.

C1.8.1.8.2. In such circumstances as described in paragraphs C1.8.1.8.1., above, the contractor's alternate delivery plan for the curtailed quantities will probably be higher than the established contract price. However, the Government may choose to accept the contractor's alternate delivery plan (and resultant higher price) only if the contracting officer can determine the excess cost as consistent with current market conditions, the curtailment is verified, and the plan is the most cost-effective option available to the installation.

C1.8.2. Invoice Certification and Paying Procedures

C1.8.2.1. On the first day of each month, or shortly thereafter, the installation shall contact its LDC to obtain information on the quantity of gas the contractor delivered to the LDC's system for the previous month on behalf of the installation. However, if the delivery point is not the LDC's citygate, but directly into a pipeline system, the installation shall contact the pipeline for delivery documentation. In either case, the installation shall request an "imbalance statement" from the LDC and a copy of the

pipeline's daily "delivery record" for its account of the contractor's deliveries. This information is required to verify quantities delivered against the quantities invoiced by the contractor. If an LDC reads the meters electronically, the installation shall request a natural gas consumption printout showing daily quantities received from the contractor and daily quantities consumed by the installation. This documentation is a very useful tool for an installation to use to verify quantities invoiced by the contractor. The Submission of Invoices for Payment clause and paragraph (g) of the Contract Terms and Conditions - Commercial Items clauses are applicable to payment of contractors' invoices. Upon receipt, a copy of the contractor's invoice shall be provided by the installation to DESC-A.

C1.8.2.2. When certifying a contractor's invoice for payment, installations must verify unit prices invoiced. The contractor will be paid the lesser of the contract price in effect at the time of delivery or the invoiced price. The prices shown in DESC's monthly prices website application (identified as "PA" modification) are the contract prices adjusted in accordance with the Economic Price Adjustment - Market Price and Transportation clause. Price modifications are posted in the month in which deliveries are made.

C1.8.2.3. Price adjustments may also occur where an alternate delivery plan is approved, or when an order has been revised in excess of the percentages allowed by the contract and thus requires negotiation. In circumstances such as these, the appropriate price to be paid is stated in an administrative contract modification (identified as a "PO" modification).

C1.8.2.4. Once an installation has certified the quantity of gas delivered and the price at which that quantity is to be paid, the invoice must be forwarded immediately for payment to the designated paying office. In accordance with the Prompt Payment Act, the 30-day window for payment processing commences when the invoice is received at the designated billing office or invoice receiving office (i.e., the location designated in the contract where the contractor first submits the invoice), or 30 days after Government acceptance of supplies delivered, whichever is later. Acceptance of direct supply natural gas under the contract is deemed to have occurred no later than the 7th day after the delivery month ends. If the office that initially receives the invoice is other than a finance or payment-processing center (i.e., the ordering office), the 30-day payment clock starts upon receipt at the first office, not when received at the finance office. By statute, the entire certifying and payment process of a proper invoice must be accomplished within the 30-day window. Otherwise, interest must be paid by the installation. If there are any discrepancies that an installation cannot resolve in a timely manner, DESC-A or DESC's contracting officer must be notified.

C1.9. CURTAILMENT PROCEDURES

C1.9.1. When a natural gas curtailment occurs that impacts an installation in DoD's centralized natural gas program, DESC and the installation shall jointly determine the best course of action.

C1.9.2. DESC shall obtain the market range for natural gas in the area of the installation and review the contractor's alternative plan (if provided). The installation shall provide the following information:

C1.9.2.1. Alternative fuel capability, availability, quantity, and cost.

C1.9.2.2. Availability of stored gas.

C1.9.2.3. Type of LDC backup gas.

C1.9.2.4. Installation preference should the contractor not be able to provide gas via an alternative plan that is priced within the market range.

C1.9.2.5. Other pertinent information.

C1.9.3. DESC and the installation shall jointly determine which alternative to employ to meet the installation's requirements during the curtailment: contractor's alternative plan, emergency purchase of gas, stored gas, LDC's gas, or alternative fuel. DESC shall perform all necessary contracting efforts if the contractor's alternative plan or an emergency purchase is selected.

C1.10. DIRECT SUPPLY NATURAL GAS TRAINING PROGRAM

C1.10.1. DESC shall establish and coordinate a training program designed to provide the Military Services with the basic principles of the direct supply natural gas program.

C1.10.2. Competitive natural gas administration seminars will be conducted as appropriate to meet the needs of the direct supply natural gas program.

C1.11. SERVICE UTILITIES MANAGEMENT OFFICES are as follows:

Organization/Address

Telephone Number

Defense Logistics Agency

Defense Energy Support Center
8725 John J. Kingman Road, Suite 3827
Ft. Belvoir, VA 22060-6222
Website: www.desc.dla.mil

COM: (703) 767-8572
DSN: 427-8572

Army

U. S. Army Engineering & Housing
Support Center
ATTN: CECPW-C
Fort Belvoir, VA 22060-5516

COM: (703) 355-7361/7363
DSN: 345-7361/7363

Navy/ Marines

Naval Facilities Engineering Command
ATTN: Code 13B
Alexandria, VA 22332-2300

COM: (757) 322-4698
DSN: 262-4698

Facilities Engineering Command
Southwest Division
Code 163,
1220 Pacific Highway
San Diego, CA 92132-5190

COM: (619) 532-3974

Naval Facilities Engineering Command
Southern Division
P.O. Box 190010
2155 Eagle Drive
Charleston, SC 29411-0068

COM: (803) 820-5908

Naval Facilities Engineering Command
Atlantic Division
Code 164
Norfolk Naval Base
Norfolk, VA 34511-6287

COM: (757) 322-4698
DSN: 262-4698

Air Force

HQ Air Force Civil Engineering
Support Agency, CESE
ATTN: HQ AFCESA/ENE
139 Barnes Drive, Suite 1
Tyndall AFB, FL 32403-5319

COM: (904) 283-6463/6356
DSN: 523-6463/6356

Figure C1.F1. NATURAL GAS PROCUREMENT AREAS

