



DEFENSE LOGISTICS AGENCY
ENERGY
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FORT BELVOIR, VIRGINIA 22060-6221

AUG 12 2011

Dear DLA Energy Customer:

As advised in my Jul 21, 2011 letter, the Defense Logistics Agency (DLA) Energy is preparing to implement the Enterprise Business System (EBS) Energy Convergence (EC) program. EC is designed to bring DLA Energy business into EBS to create a single DLA business system enabling streamlined operations, integrated financial compliance, and reduced systems support cost. Our foundational tenet is to accomplish EBS EC as transparently as possible to our customers with increased benefits for the Department of Defense (DoD).

The first release of EC is scheduled for October 2011. This will consist of DLA Energy's non-petroleum business lines and services to include the Energy Enterprise, Aerospace Energy, and Installation Energy Business Units. Subsequent releases in the latter part of 2012 will include our petroleum business lines, Bulk Petroleum and Direct Delivery Fuels Business units, and expand system functionality. Full operating capability for EC is scheduled for fall 2014.

Key Customer-Related Process Changes for EC Release 1, scheduled for October 2011, are outlined in Attachment (1). This attachment highlights changes in business practices that will affect DoD Customers and Non-DoD Customers and indicates, where appropriate, which customer segment is impacted.

We remain committed to providing you with the right Energy product at the right place, price, and time as we execute this integration of DLA processes and systems support. As this transition occurs, we will need your support as we implement procedural changes in some areas. We will ensure you receive the requisite training for new solutions. Additional process changes that may affect you will be forthcoming in subsequent communications letters tailored to each release as we implement. We solicit and appreciate your feedback throughout this effort and encourage you to contact us at DLAEnergyConvergence@dla.mil with any questions or concerns. In addition, we will post this letter and other EC related information on the DLA Energy web site at <http://www.desc.dla.mil>.

Sincerely,

PATRICK J. DULIN
Acting Commander

Attachment:
Key Customer-Related Process Changes for EC Release 1

Key Customer-Related Process Changes for Energy Convergence (EC) Release 1

For DoD Customers:

1. For Energy Convergence Release 1 and effective 1 October 2011 (beginning FY12), DLA Finance - Energy will no longer accept Military Interdepartmental Purchase Requests (MIPRs) from DLA Energy's Aerospace DoD customers. Any MIPRs that are received from Aerospace's DoD customers with a requirement beyond 30 Sep 2011 will only be accepted and referenced for product transactions that have been received by the customer on or before 30 Sep 2011. Any MIPRs that have already been accepted for requirements with a period of performance beyond 30 Sep 2011 will be modified for acceptance through 30 Sep 2011 and will expire for billing after 30 Sep 2011. In place of the customer MIPR and if not already assigned, DLA Energy will assign a Military Standard Requisition and Issue Procedure (MILSTRIP) document number to each sales transaction. In general, the MILSTRIP document number should be associated with customer obligation information so that when billing occurs the customer can match their bill with the obligation. Some DoD Customers currently assign their own MILSTRIP document numbers and this process will not change. If DoD Customers do not assign MILSTRIP document numbers, DLA Energy will assign these for them. The MILSTRIP document number is a 14 character alpha numeric sequence that will be constructed using the customer 6-character Department of Defense Activity Address Code (DoDAAC), 4-character julian date and a 4-character serial number. For questions about changes to MIPR processing in FY11, please contact the following DLA Finance – Energy representatives: Ms Lisa Baker at DSN 945-0999 or (210) 925-0999, or Ms Patricia Canales at DSN 945-2457 or (210) 925-2457. For transactions beginning 1 Oct 2011, please contact Mr. Dan Lerma at (210) 925-6532. For information about MILSTRIP processing requirements, please refer to DoD 4000.25-1-M MILITARY STANDARD REQUISITIONING AND ISSUE PROCEDURES (MILSTRIP) MANUAL October 5, 2007.

2. Aerospace DoD customers will be billed once a week in accordance with the Military Standard Billing System Interfund Billing System Procedures. Pricing for Aerospace sales to DoD customers will be billed at the established Standard Price for each National Stock Number (NSN). Standard Prices will continue to be listed for each NSN on the DLA Energy web site (www.desc.dla.mil).

All sales transactions billed via Interfund will be uploaded on the DLA Energy Supply Chain Management tab on the Defense Knowledge Online (DKO) site (located at: <https://www.us.army.mil/suite/page/646830>). A file containing detailed sales transaction data (including DoDAAC, MILSTRIP document number, quantity and total dollar value data) will be uploaded on a weekly basis and as a downloadable document. This information can be used as an obligation reference since it will match the detailed sales information included on the customer's Interfund bill. In order to access the DKO page, the user must have a Common Access Card (CAC)-enabled AKO or DKO account. If they do not already have an account set up, they must go to the following link <https://akocac.us.army.mil/suite/pages/reg/startRegistration.ext> to register. Please send any questions or concerns you may have on this issue to DLAEnergyConvergence@dla.mil.

3. If not already established, each DoD customer will be required to provide a valid Department of Defense Activity Address Code (DoDAAC), Signal Code and Fund Code to help facilitate the Interfund process. DoDAAC data elements will be contained in the EBS Customer Master record and accessed as required to process transactions. It is the customers' responsibility to provide accurate DoDAAC, Signal Code and Fund Code data. If this data is not accurate, you can expect delays in product support and problems in billing accuracy. Your local finance office should be able to provide and/or validate this data. We need to prevent multiple assignments for the same customer by using existing EBS DoDAAC assignments to the maximum extent possible instead of simply creating new DoDAACs. Now is the time to scrub your lists of established DoDAACs and eliminate those that are invalid or are unnecessary. Customers should be aware of the importance of accurate DoDAAC, Signal Code and Fund Code assignments.

4. DoD customers receiving energy products directly from vendor-owned stock must ensure that applicable TAC 1, 2, 3 and 4 addresses (associated with their respective DoDAACs) are accurate and current. This may take some research and effort to validate but is necessary for two important reasons. First, it will allow for all categories of Energy products to be delivered to the correct location the first time. Second, it will allow for timely billing and payment to occur. (Note: Though not used often, TAC 4 identifies a commercial shipping address for bulk/freight and small parcel post when the TAC 2 address cannot be used by a commercial carrier for delivery.) In EBS, if neither the TAC 2 nor TAC 4 addresses are valid 'ship to' addresses, the TAC1 address will be used as the 'ship to' address. If the TAC4 address is valid, this will be used. Customer Direct deliveries are initiated through various methods including placing an order against a Long Term Contract (LTC), commonly called a call-off, authorized one-time buys and Card Program purchases supported from vendor stock. For more information about the assignment and/or update of DoDAACs (and associated TAC addresses) please refer to DLA Instruction 1401, dated 17 December 2009, titled Assigned Department of Defense (DoD) Activity Address Code (DoDAAC) and Routing Identifier Code (RIC).

5. As Energy Convergence continues to be implemented, the process that DoD customers use to execute Goods Receipt transactions for Customer Direct (Direct Vendor Deliveries) will change. The current requirement for DoD customers to execute Goods Receipt transactions for Customer Direct (Direct Vendor Deliveries) will not change. The process, however, to execute this transaction will change. DoD customers should continue to execute Goods Receipts as is currently being done until the new process is in place. In the future, Goods Receipts will be processed using Wide Area Workflow (WAWF). Use of WAWF has been mandated by the Department of Defense, in part, to eliminate paper transactions. It is an interactive, web-based application that allows vendors to electronically submit invoices and receive reports. It allows government personnel to inspect, accept, receive and pay electronically. Some customers will move to the use of WAWF. For WAWF training and information (including Frequently Asked Questions), each customer should access the Defense Finance and Accounting Service (DFAS) WAWF site at the following location: <http://www.dfas.mil/dfas/ecommerce/wawf/info.html> This site will provide all the information you require for the use of WAWF.

For Non-DoD Aerospace Customers:

1. In accordance with the DoD Financial Management Regulations, Aerospace Energy sales to non-DoD customers will be billed at a price that allows DLA Energy to recover all costs associated with providing a material. This change in pricing methodology will result in future price increases for some customers and price decreases for others when compared to our current FY11 sales prices. For non-DoD customers who currently have a sales contract with DLA Energy that specifies standard price, this price will remain in effect until the sales contracts are modified to reflect the new pricing method. DLA Energy is anticipating that all sales contracts will be modified by December 31, 2011. The new pricing methodology will include product and non-product price components. The basis of the product component will be the product's Moving Average Price (MAP). The MAP is the DLA Energy inventory holding value for the specific material. The MAP is different for each material and fluctuates with each inventory purchase of that material. Therefore, a product's MAP is recalculated each time DLA Energy receives a delivery of that product into inventory. This fluctuating material valuation can result in a varying sales price from day to day. The non-product component of Cost Plus is a percentage based surcharge to recover costs incurred in support of procuring, transporting, and storing the product. The total price charged to non-DoD customers will be calculated by taking the DLA Energy MAP (in effect for the material purchased) and marking it up by the percentage based surcharge for that material. Below is an illustration of this pricing method.

Example:

Material A MAP per Unit =	\$2.10
<u>Material A Surcharge =</u>	<u>24.56%</u>
Total Price per Unit =	\$2.62

2. There will be no change in the billing cycle for non-DoD Aerospace Energy customers. Unlike DoD customers who will be billed once a week, non-DoD Aerospace Energy customers will continue to be billed monthly.

For Natural Gas Customers:

1. Natural Gas customers will also continue to be billed on a monthly basis. MIPRs or other forms of federal funding documents will still be required from Natural Gas customers who are currently reimbursing DLA Energy for their natural gas purchases.