



DEFENSE
BUSINESS
BOARD

DEFENSE BUSINESS BOARD
1155 DEFENSE PENTAGON
WASHINGTON, DC 20301-1155

7 January 2011

MEMORANDUM FOR DENIS BOVIN AND JOHN O'CONNOR

SUBJECT: Terms of Reference – “Energy Acquisition - Fuel Hedging for the Department of Defense”

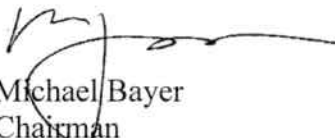
You are requested to lead the Defense Business Board’s “Fuel Hedging Task Group” which will reexamine potential ways to reduce the Department’s exposure to fuel price volatility, including hedging in commercial markets. Use the previous DBB study on fuel hedging (Report FY03-8) to analyze the impacts that would have occurred if the recommendations had been implemented. The study should examine private sector best business practices used in managing large volume fuel purchasing in support of the decision regarding fuel hedging contained in PBD 602, Fuel Inflation, dated December 30, 2002. The recommendations of the Task Group should focus on whether fuel hedging techniques employed in the private and public sectors can be both applicable and valuable to the Department of Defense.

The Task Group should reevaluate both private sector best practices and current DoD fuel purchasing processes in order to provide the following deliverables:

1. Overview of the Department’s fuel purchasing practices;
2. Overview of the Department’s historical practices of fuel hedging;
3. Review of best business practices and processes for effective fuel hedging;
4. Description of the fuel hedging options available to the Department of Defense;
5. Description of key risks and opportunities of a fuel hedging program; and
6. A summary recommendation including identification of the significant management initiatives and controls required for implementation and execution if applicable.

The Task Group will consist of Denis Bovin and John O’Connor as Co-Chairmen and assisted by Mel Immergut, Lon Levin, Owsley Brown and Robert Stein (Red Team Leader). Colonel Jeff Kelley, USA, will serve as the Task Group Secretariat Representative. I request that you present your findings and draft recommendations to the Board for deliberation at the April 2011 quarterly Board meeting.

As a subcommittee of the DBB, and pursuant to the Federal Advisory Committee Act of 1972 and the Government in the Sunshine Act of 1976, this Task Group shall not work independently of the DBB’s charter, and shall report its recommendations to the full Board for public deliberation. The Task Group does not have the authority to make decisions on behalf of the chartered Board, nor can its members report directly to any federal officer or employee who is not also a Board member. This Task Group will avoid discussing “particular matters” within the meaning of title 18, U.S. Code, section 208.


Michael Bayer
Chairman

