


MEMORANDUM OF UNDERSTANDING
BETWEEN
THE DEPARTMENT OF DEFENSE OF THE UNITED STATES OF AMERICA
REPRESENTED BY
THE DEFENSE ENERGY SUPPORT CENTER
AND
THE MINISTRY OF DEFENCE OF THE UNITED KINGDOM OF
GREAT BRITAIN AND NORTHERN IRELAND
REPRESENTED BY
THE DEFENCE FUELS GROUP
CONCERNING
THE USE OF THE UNITED KINGDOM
GOVERNMENT PIPELINE AND STORAGE SYSTEM
IN THE SUPPORT OF U.S. FORCES WITHIN THE UNITED KINGDOM

Dated: June 21, 2006

I certify that this is a true and complete copy of the original Memorandum of Understanding Between the Department of Defense of the United States of America as represented by the Defense Energy Support Center and the Minister of Defence of the United Kingdom of Great Britain and Northern Ireland Represented by the Defence Fuels Group Concerning the Use of the United Kingdom Government Pipeline and Storage System in Support of U.S. Forces Within the United Kingdom.


Timothy A. Raeder
Assistant Counsel
Defense Energy Support Center

MEMORANDUM OF UNDERSTANDING

BETWEEN

THE DEPARTMENT OF DEFENSE OF THE UNITED STATES OF AMERICA

REPRESENTED BY

THE DEFENSE ENERGY SUPPORT CENTER

AND

THE MINISTRY OF DEFENCE OF THE UNITED KINGDOM OF

GREAT BRITAIN AND NORTHERN IRELAND

REPRESENTED BY

THE DEFENCE FUELS GROUP

CONCERNING

THE USE OF THE UNITED KINGDOM

GOVERNMENT PIPELINE AND STORAGE SYSTEM

IN THE SUPPORT OF U.S. FORCES WITHIN THE UNITED KINGDOM

CONTENTS

<u>SECTIONS</u>	<u>SUBJECT</u>	<u>PAGES</u>
	INTRODUCTION.....	1
I	PURPOSE AND SCOPE.....	2
II	RELATIONSHIP OF THE PARTICIPANTS.....	2
III	RESPONSIBILITIES.....	2-3
IV	OPERATIONAL AND FINANCIAL ASPECTS.....	3-4
V	GENERAL PROVISIONS.....	5-6

ANNEXES

A	QUALITY CONTROL	
B	MEETINGS	
C	ORDERING AND SCHEDULING PROCEDURES	
D	STOCK MANAGEMENT	
E	POINTS OF ENTRY/DELIVERY POINTS, AND DESC TRANSPORTATION CAPACITY ENTITLEMENT FOR F34 AND F35	
F	JET PETROLEUM THERMALLY STABLE (JPTS) OPERATIONS - KILLINGHOLME	
G	STATEMENT OF PRICES FOR F34/F35	
H	INVOICE AND PAYMENT PROCEDURES	
I	REPORTS	

INTRODUCTION

The Department of Defense of the United States of America (U.S. DoD), represented by the Defense Energy Support Center (DESC) and The Ministry of Defence of the United Kingdom of Great Britain and Northern Ireland (UK MOD), represented by the Defence Fuels Group (DFG), hereinafter jointly referred to as the "Participants";

Respecting the territorial jurisdiction and laws of the United Kingdom and the Agreement Between the Parties to the North Atlantic Treaty Regarding Status of Forces dated 4 April 1949;

Recognizing the Defense Cooperation Arrangements Agreement Exchange of Notes between the United Kingdom and the United States, (Chapeau Agreement), dated 27 May 1993;

Recognizing the Memorandum of Understanding Between the Government of the United States of America, as Represented by the Deputy Commander in Chief United States European Command, and the Government of the United Kingdom of Great Britain and Northern Ireland, as Represented by the Ministry of Defence Concerning Mutual Logistic Support, Supplies and Services, dated 11 October 1984, as amended: and the Implementing Arrangement Between the United States Secretary of Defense and the Secretary of State for Defence of the United Kingdom of Great Britain and Northern Ireland Concerning Mutual Logistics Support, dated 28 July 1995;

Recognizing the existence of the Agreement for the Operation of the Oil Storages and Pipelines Owned by the Secretary of State for Energy Used by the United States Air Force in the United Kingdom, dated April 1, 1971 (known as the GPSS Agreement); and, Memorandum of Agreement between the Government of the United Kingdom of Great Britain and Northern Ireland Represented by the Ministry of Defence and the Government of the United States of America Represented by the Defense Energy Support Center to Establish Procedures for the Exchange of Petroleum Products Stored within the Government Pipelines and Storages System, dated April 27, 1998 (known as the GPSS FEA Agreement);

Recognizing the term of Government Pipeline and Storage System (GPSS) to be equivalent with the term of Government Pipelines and Storages System (GPSS);

Recognizing that the Participants desire to continue, improve and update the relationship established in the agreements noted above;

Have reached the following understandings.

SECTION I. PURPOSE AND SCOPE

1.1. Purpose. The purpose of this MOU is to establish an understanding between the DESC and the DFG that defines the terms and conditions of DESC use of the United Kingdom Government Pipeline and Storage System (GPSS) for the purpose of providing fuel support to U.S. Forces operating within and transiting through the United Kingdom.

1.2. Scope. The scope of this MOU applies to the import, storage, movement, issue, exchange, and quality control of military products available to the DESC, contained within the GPSS, and managed by the DFG or its representatives. For the purposes of this MOU, military products are defined as NATO codes F34, F35 and Jet Petroleum Thermally Stable (JPTS).

SECTION II. RELATIONSHIP OF THE PARTICIPANTS

2.1. U.S. DoD.

2.1.1. DESC is the U.S. DoD administrator and funding agent for this MOU.

2.1.2. DESC-Europe is the European Headquarters of DESC and will have management oversight of the MOU.

2.1.3. DESC-United Kingdom is the UK Headquarters of the DESC and will directly liaise with the DFG on all matters relating to the MOU.

2.2. UK MOD.

2.2.1. DFG is the UK administrator for this MOU.

2.2.2. DFG is the UK Departmental Sponsor of the Oil and Pipelines Agency (OPA) which is responsible for the management and operation of the GPSS.

SECTION III. RESPONSIBILITIES

3.1. DESC will:

3.1.1. Reimburse DFG for all mutually determined full cost charges as specified in this MOU.

3.1.2. Reimburse DFG for any fair and reasonable costs for special requirements (including additives) or projects specifically requested by DESC to support U.S. Forces within the UK, pertaining to the supply of military products, which are not specified in this MOU and are jointly accepted by the Participants before work begins.

3.1.3. Import into the UK or procure from sources within the UK, military products to support U.S. Forces, and ensure that these military products meet jointly determined quality standards, Defence Standards (DEFSTAN) and North Atlantic Treaty Organization (NATO) Standardization Agreements (STANAG). Specific quality standards are detailed at Annex A.

3.1.4 Meet with DFG on a regular basis, as stated in Annex B.

3.1.5 Provide DFG with monthly nominations of shipments to bases and imports into the GPSS as defined in Annexes C and D.

3.2. DFG will:

3.2.1. Receive, store, transport, issue and maintain quality standards of military products introduced into the GPSS as specified in this MOU.

3.2.2. Determine and review throughout the life of this MOU, prices for storage and transportation of aviation jet fuel (F34/F35/JPTS).

3.2.3. Submit invoices to DESC-UK for the services specified in this MOU.

3.2.4. Meet with the DESC on a regular basis, as stated in Annex B.

3.2.5. Maintain environmental responsibility for military products stored and moved within the GPSS.

3.2.6 Ensure the availability of military products at the:

3.2.6.1. Quality, as detailed in Annex A.

3.2.6.2. Quantity, as detailed in Annex E.

3.2.6.3. Locations, as detailed in Annex E.

3.2.7. Receive, store, maintain, account/report and issue JPTS at the Killingholme Petroleum Storage Depot (PSD) in accordance with Annex F.

3.2.8. Provide the GPSS Annual Report and Financial Statement for DESC information.

SECTION IV. OPERATIONAL AND FINANCIAL ASPECTS

4.1. Fixed Price Banking Arrangement. The DFG will provide military products (except JPTS) to DESC customers from within the GPSS on a fixed-price banking arrangement. This arrangement is based on DESC establishing credits in the GPSS by depositing F35 into the GPSS. This will allow U.S. Forces to withdraw credits as F34 at the quantities, quality and

locations specified in this MOU. The exceptions to this arrangement will be for JPTS and any other reasonable special requirement requests by DESC.

4.2. Statement of Prices. A statement of prices based on a fixed price banking arrangement has been jointly decided and is detailed at Annex G. The pricing structure can only be changed by a written mutual decision between the Participants. Any amendments will be incorporated into the appropriate Annexes after the annual review.

4.3. Invoicing. Invoicing responsibilities and procedures between Participants are at Annex H.

4.4. Stock Management. Stock management and scheduling procedures are specified in Annexes C and D, respectively.

4.4.1. DESC Storage Requirements within the GPSS.

4.4.1.1. F34/F35 Within this MOU, DESC's maximum annual storage requirement will be not more than 195,200 cubic metres (m³) for the period of this MOU. DESC undertakes to ensure that the stock will not fall below 75,000 m³ without prior notification to and acknowledgment from DFG. This stock will be managed in accordance with Annex D.

4.4.1.2. JPTS. The JPTS storage location is specified in Annex F.

4.4.2. Imports into the GPSS and Transportation. DESC intends to import military products into the GPSS from refinery sources in the UK or through the GPSS port facilities.

4.4.3. Sudden Increased Usage Rates on GPSS. The DESC will notify the DFG immediately of any anticipated increases in military product requirement to be placed on the GPSS.

4.4.4. JPTS Import, Storage and Transportation. The Participants have jointly decided that JPTS will be treated as a special requirement. See Annex F.

4.5. Non Compliance Reports (NCR). Any deviation from this MOU by either of the Participants may result in a NCR being raised. The NCR format is at Annex I. This report will be sent to all individuals listed on the NCR and will be actioned as required. All NCRs will be reviewed at the agreed quarterly meetings between the Participants. Any NCR that requires immediate action will be dealt with as jointly decided by the Participants.

SECTION V. GENERAL PROVISIONS

5.1. All activities of the Participants occurring within the territorial jurisdiction of the Host Nation under this MOU will respect the laws of the Host Nation and the Status of Forces Agreement 1949. All activities of the Participants under this MOU also will be carried out in accordance with their national laws.

5.2. Financial Commitment. This MOU does not in itself obligate funds. However, DESC agrees to honour all financial commitments specified in this MOU through a separate funding certification, subject to availability of funds as required under article I, section 9 of the U.S. Constitution and U.S. Executive Branch implementing regulations thereto. DESC will use its best efforts to budget for and seek to have such funds available to honour all commitments under this MOU.

5.3. Examination of Records. The DFG will present auditable accounts of all non fixed-price transactions between itself and the DESC on request, throughout the duration of this MOU, and for 3 years after payment of the final invoice.

5.4. Site Visits. The DFG will accommodate site visits by DESC representatives for the purposes of audit of DESC sponsored projects and other matters as jointly decided, based on prior notification and acceptable dates.

5.5. Liability and Immunity from Legal Process. The Participants waive all claims against each other for personal injury to, or death of, their military or civilian personnel, or, with the exception of contractual claims, for the damage to, loss, or destruction of property owned by either Participant arising out of the activities covered by this MOU. Third party claims arising from activities occurring within the territorial jurisdiction of the UK and covered by this MOU will be dealt with in accordance with the laws of the Host Nation and the Status of Forces Agreement.

5.6. Effective Date and Duration. This MOU will enter into force on 1 April 2004, following the signature of both Participants, and will remain in force for a period of 5 years. This MOU will automatically renew at the end of the 5 year period for an additional 5 year period unless objected to by either Participant, in writing, at least 180 days before the end of the previous 5 year period.

5.7. Amendment. Amendments to this MOU may be proposed by either Participant and will, upon acceptance by the Participants by means of a jointly signed amendment, become a permanent part of this MOU.

5.8. Disputes. Disputes between the Participants regarding the interpretation or application of this MOU, will be resolved by consultation between the Participants and will not be referred to national courts, an international tribunal or any other party or entity. In the event the Participants cannot reach an agreement within 120 days of the disputed matter being raised by one Participant with the other, either Participant may refer the disputed matter through their normal organisational channels for settlement.

5.9. Customs and Taxation. The Participants shall not be charged or assessed for any taxes or duties under this MOU in accordance with; Article XI, paragraph 11 of the Agreement Between the Parties to the North Atlantic Treaty Regarding the Status of Forces, signed 4 April 1949; Section VI of the Memorandum of Understanding Between United States and the United Kingdom Concerning Mutual Logistic Support, Supplies and Services, effective 11 October 1984, Exchange of Letters attaching Agreed Minutes – Relief from taxation of Defense Expenditures dated 17 and 18 March 1952; Memorandum of Understanding – Taxation; Defense Contractors July 1987; and any other applicable law or agreement.

5.10. Termination. This MOU may be terminated at any time upon the written consent of the Participants subject to a negotiated financial settlement for termination. Such consent will not be unreasonably withheld by either party if one participant seeks to terminate this agreement. After the initial 5 year period, either Participant may unilaterally terminate the MOU by giving the other Participant 12 months written notice of intent to terminate, subject to a negotiated settlement. In the event the U.S. DoD terminates this MOU after the requisite notice, the U.S. DoD would compensate the DFG fairly for all work done and all costs incurred in the preparation of the remaining portion of the MOU, not to exceed the remaining fixed price that would have been owed under the MOU. The non-terminating Participant will negotiate the financial termination of this agreement in good faith. The Participants, in consultation, will take action to limit the impact of termination on either Participant. Any DESC credits remaining at the time of termination will be disposed of in a manner jointly decided by the Participants. The DESC will make no claim for compensation against the DFG for any costs associated with military product relocation.

5.11. Supersession. This MOU supersedes all previous agreements between the UK MOD and the U.S. DoD in respect to the storage and transportation of the petroleum products within the GPSS on behalf of the U.S. DoD in support of U.S. Forces within the UK. The two superseded agreements are:

5.11.1. Agreement for the Operation of the Oil Storages and Pipelines Owned by the Secretary of State for Energy Used by the United States Air Force in the United Kingdom, dated 1 April 1971 (known as the GPSS Agreement).


5.11.2. Memorandum of Agreement Between the Government of the United Kingdom of Great Britain and Northern Ireland Represented by the Ministry of Defence and the Government of the United States of America Represented by the Defense Energy Support Center to Establish Procedures for the Exchange of Petroleum Products Stored Within the Government Pipelines and Storages System, (known as the FEA Agreement), dated April 27, 1998.

The foregoing represents the Understandings reached between the Secretary of State for Defence for the United Kingdom of Great Britain and Northern Ireland represented by the Defence Fuels Group, and the Department of Defense of the United States of America represented by the Defense Energy Support Center, upon the matters referred therein.

This MOU consists of five (5) Sections and nine (9) Annexes.

In witness thereof, the undersigned, being duly authorized by their governments, have signed this MOU.


FOR THE
DEFENSE ENERGY SUPPORT CENTER


RICHARD J. CONNELLY

Director

Date Signed: 18 March 2004

FOR THE
DEFENCE FUELS GROUP


A C SPINKS
Air Commodore
RAF

Director

Date Signed: 18 March 2004

ANNEX A

QUALITY CONTROL

A.1. Introduction. This Annex applies to F34/35 in the GPSS. JPTS quality control requirements are specified in Annex F. All references to documents will refer to the latest edition unless otherwise specified.

A.1.1. F34 will conform to Defence Standard 91-87 (Ministry of Defence, Defence Standard 91-87, Turbine Fuel, Aviation Kerosene Type, Containing Fuel System Icing Inhibitor, NATO Code: F-34, Joint Service Designation AVTUR/FSII).

A.1.2. F35 will conform to Defence Standard 91-91, (Ministry of Defence, Defence Standard 91-91. Turbine Fuel, Aviation Kerosene Type, Jet A-1, NATO Code F-35, Joint Service Designation: AVTUR).

A.1.3. The quality control during transportation and handling of aviation fuel within the GPSS will be in accordance with Defence Standard 91-66 (Ministry of Defence, Defence Standard 91-66, Segregation, Handling and Quality assurance of Petroleum Fuels, Lubricants and Associated Products), and associated documents sited therein. The DFG is responsible for all sampling and testing per Defence Standard 91-66 for marine and shore operations.

A.1.4. Transportation of F35 may result in the consolidation of batches within the various depots throughout the system. The measures for dealing with such situations can be found in Defence Standard 91-66.

A.1.5. Responsibility for military product quality will change only when fuel passes from the control of one Participant to the other (receipts into the GPSS, into bases, and into road tankers).

A.2. Product Entry into the GPSS.

A.2.1. Introduction of F35 into the GPSS from refinery or third party storage must be accompanied by a Refinery Certificate of Quality and, if relevant, a Certificate of Analysis and Recertification Test Certificate. All documents and records supporting receipts into the system will be held by OPA for a minimum of one year.

A.2.2. Line samples will be taken by the DFG in accordance with Defence Standard 91-66.

A.2.3. Retain Samples will be taken by the DFG for all pipeline entries into the GPSS. All Retain Samples will be maintained by the DFG for a minimum of 30 days.

A.3. Receipt Procedures from Ocean Tankers.

A.3.1. Product received from ocean tankers will be placed into GPSS shore tanks prior to entry into the GPSS distribution system. DESC will guarantee on-specification fuel is delivered to the “custody transfer point,” which is identified as the ship offloading manifold header.

A.3.2. Cargo tanks will be sampled, composited and Type C tested by the DFG prior to commencement of discharge. Tankers will only be discharged into shore tanks following satisfactory results of the Type C tests. A ship Retain Sample will be taken from every compartment to be unloaded immediately prior to discharge. Procedures as per paragraphs A.2.2. and A.2.3. shall be followed during discharge.

A.3.3. After completion of the discharge, each shore tank will be subjected to a Recertification Test and Jet Fuel Thermal Oxidization Test (JFTOT). DESC will receive credit in the GPSS after successful completion of these quality assurance (QA) tests.

A.3.4. Should a failure of the shore tanks Recertification and JFTOT Tests occur, retests will be performed on the ship Retain Sample and the shore tanks to determine source of failure. If the ship Retain Sample fails, DESC is responsible for clean up of fuel (including disposal if required), and will not receive credit in the GPSS until the product is brought back to specification limits. If the ship Retain Sample, taken at paragraph A.3.2, is on specification, DESC will receive credit for the cargo and DFG will be responsible for bringing the fuel back to specification or replacing the shipment. No action will be taken to bring the fuel back to specification before DFG and DESC Quality personnel have agreed on how to proceed.

A.4. Receipt from Refineries and Rail Tank Cars. Receipts from refineries and rail tank cars will be dealt with as in paragraph A.2., with the following exceptions:

A.4.1. Refineries. Consignments direct from a refinery do not require Retain Samples to be taken.

A.4.2. Rail Tank Cars. Each rail tank car shall be inspected in accordance with Defence Standard 91-66.

A.5. F35 Purchased from Third Party Stocks within the GPSS at Import Locations. DESC may wish to purchase third party stocks already stored in the GPSS at Killingholme and/or Hallen. These receipts will be dealt with as in paragraph A.2.

A.6. Procedure after Receipt into the GPSS.

A.6.1. During transit, F35 batches may be temporarily placed into intermediate GPSS storage to meet Participant or GPSS operational needs. Tanks will normally be allowed to settle for 3 hours per metre depth of fuel or 24 hours, whichever is less. Prior to onward transportation, a Composite (or All-Level) Sample will be drawn from each tank and subjected to a Recertification Test (less JFTOT, Microseparameter (MSEP), and

Acid Number tests). If additional F35 batches subsequently enter a tank, the product will be settled and tested again.

A.6.2. The results of all tests on samples of F35 taken during transportation within the GPSS will be compared to the test results made previously on the same batch. Differences exceeding the reproducibility of the test method employed will be cause for investigation. Product will be quarantined until the reason for the discrepancy is established.

A.7. Product Release and Delivery by Pipeline to a Participant.

A.7.1. During direct delivery by pipeline (without intermediate storage), density checks will be performed hourly.

A.7.2. When F35 is received into GPSS storage immediately prior to delivery, a Composite Sample will be taken and a Recertification Test will be performed. If additional F35 batches subsequently enter the tank, the product will be sampled, tested and recertified. A Certificate of Quality will be provided to DESC UK and the receiving base prior to commencement of shipment.

A.7.3. F34/F35 will not be released from GPSS storage until the appropriate level of testing has been performed (see paragraph A.7.2. above). Results will be compared with previous tests from the batches making up the tank to ensure there is no significant change in quality. If the batch is unsatisfactory for any reason, it will be reported as a NCR to the DFG and the tank quarantined pending guidance on the disposition.

A.8. Product Delivery by Modes other than Pipeline. It is the receiving Participant's responsibility to provide transport vehicles (road tanker or rail cars) that are clean and dry and meet the minimum industry safety requirements. Transport vehicles will not be loaded if they fail to meet these and published industry safety requirements.

A.9. Quality Audits:

A.9.1. The original Refinery Certificate of Quality will be provided to DESC UK when the delivered quantity can be uniquely identified.

A.9.2. When product has been re-batched within the transportation process, the product will be re-certified. The Certificate of Quality from the last point of re-certification will be issued to the receiving Participant prior to commencement of the delivery.

A.10. Quality Control of JPTS. Procedures for the quality control of JPTS are at Annex F.

ANNEX B

MEETINGS

B.1. Annual Review Meeting. The Participants will meet annually to review this MOU. The annual review, to be held November/December of each year, will address the requirements for the following year. Changes that have been previously determined during the year will be incorporated into this MOU by way of one annual written amendment and signed off by the Participants.

B.2. Quarterly Meetings. The Participants will meet quarterly to discuss military product movement schedules, quality matters, operational issues, financial issues, works items, and DESC requested projects and review NCRs.

B.3. As Required Meetings. The Participants will meet as required to address any issues requiring immediate attention and therefore that cannot wait until the next quarterly/annual meeting.

ANNEX C

ORDERING AND SCHEDULING PROCEDURES

C.1. Ordering. Following confirmation of DESC end-of-month stock credits, DESC-UK will advise DFG of volumetric requirements to be credited and debited within the GPSS for the following month, by the 10th calendar day of the current month. The requirements are to be in a format as specified by the DFG and are to include the following:

C.1.1. For Credits: Quantity of fuel and the entry points including approximate dates.

C.1.2. For Debits: Estimated quantity of fuel and the delivery points including approximate dates.

C.2. Scheduling. The DFG will facilitate the scheduling of DESC fuel imports from points of entry to authorized delivery points, specified by the delivery date and points of delivery, as stated by the DESC-UK monthly nomination. DFG will immediately notify DESC of any event that may delay a scheduled delivery to the delivery points.

ANNEX D

STOCK MANAGEMENT

D.1. Standard Litres. All DESC credits and debits will be recorded in whole litres corrected to 15° Celsius (C) to be known as standard litres.

D.2. DESC Credits into the GPSS.

D.2.1. Credits. A credit will be provided to DESC only after the quality of the fuel in the GPSS tankage is confirmed. The DESC stock credit will be made up of F35 plus the required additives for F34 (F35 + 0.12%).

D.2.2. Pipeline Receipts. Receipts from commercial sources contracted by DESC are documented on a Form GOV 1 (Outturn Certificate for Oil Pipeline Product Movements); to be prepared by the GPSS operator. This quantity will be DESC's credit into the GPSS. A fax copy of the signed Form GOV 1 will be sent to DESC-UK and DFG within 24 hours of completion of the shipment.

D.2.3. Ocean Tanker Discharges. The receiving terminal operator in conjunction with the DESC quality assurance representative will determine the quantity received and enter that quantity in Form GOV 1. This quantity will be DESC's credit into the GPSS. A fax copy of the Form GOV 1, will be sent to both DESC-UK and DFG within 24 hours of completion of the shipment.

D.3. DESC Debits out of the GPSS.

D.3.1. U.S. Air Base Receipts. Quantity of fuel received at U.S. Air Force bases will be documented on the receipt Form GOV 1. The on-base receipt figure will be taken as the quantity that will be DESC's debit out of the GPSS. DESC-UK will send copies of the receipt Form GOV 1 to DFG and the GPSS scheduler by 1200 hours the next working day. If the discrepancy is outside of the agreed operating limits (0.2 %) an investigation into the cause of the discrepancy will be carried out. If the discrepancy is found to have occurred before the established custody transfer point of the Pipeline Receipt Enclosure (PRE) the DESC will not be debited for the discrepancy. However, if the discrepancy occurs after the PRE the discrepancy will be debited to the DESC.

D.3.2. Road Tanker Loading. Quantity received into DESC-provided road tanker will be calculated from the meter ticket on the road tanker gantry and the issuing tank temperature. This quantity will be corrected to 15° C and will be DESC's debit out of the GPSS. DFG will ensure that DESC-UK receives a copy of the issue meter ticket annotated with the volume corrected to 15° C from the issuing PSD.

ANNEX E

**POINTS OF ENTRY/DELIVERY POINTS, AND
DESC TRANSPORTATION CAPACITY ENTITLEMENT FOR F34 AND F35**

E.1. GPSS Points of Entry.

E.1.1. DESC is authorized to deliver F35 into the GPSS at the following points of entry:

E.1.1.1. From Ocean Tanker (Marine Arm Connection): The Participants acknowledge that the marine arm connection will be the custody transfer point. However, it will not be the point at which the product becomes a DESC credit in the GPSS (see paragraph A.3.).

E.1.1.1.1. South Killingholme Jetty.

E.1.1.1.2. Bristol Royal Portbury Dock Berth 7.

E.1.1.2. Into Pipeline:

E.1.1.2.1. Killingholme (at entry to the West/East (East) pipeline from Killingholme to Rawcliffe).

E.1.1.2.2. Backford North (at entry to the North/South pipeline from Backford North to Berwick Wood).

E.1.1.2.3. Hallen/Berwick Wood (at the Berwick Wood entry to the Avonmouth/Thames (West) pipeline from Avonmouth to Calne).

E.1.1.2.4. Thames B (at entry to the Thames Haven/Saffron Walden pipeline from Thames B Pumpstation to Saffron Walden).

E.2. GPSS Delivery Points.

E.2.1. DESC is authorized to receive F34 from the GPSS at the following delivery points:

E.2.1.1. From Pipeline:

E.2.1.1.1. RAF Fairford (delivered from the Purton/Fairford/Brize Norton pipeline from Purton to Fairford and Brize Norton and/or the Calne/Fairford pipeline from Calne to Fairford).

E.2.1.1.2. RAF Mildenhall (delivered from the Thetford/Lakenheath/Mildenhall pipeline from Thetford to Lakenheath and Mildenhall).

E.2.1.1.3. RAF Lakenheath (delivered from the Thetford/Lakenheath/Mildenhall pipeline).

E.2.1.2. Into Road Tanker:

E.2.1.2.1. From Sandy PSD.

E.2.1.2.2. From Thetford PSD.

E.2.1.2.3. From Purton PSD.

E.3. GPSS Transportation Capacity Reserved for DESC:

E.3.1. Import Facilities.

E.3.1.1. South Killingholme Jetty and Bristol Portbury Dock Berth 7 each have the capability to handle the Military Sealift Command (MSC) standard vessel requirement of 36 feet draft, 90 feet beam, 615 length overall (LOA), and 40,000 tons (46,106 m³) displacement. If damage or other event impairs the capability at either import facility, DESC will be advised immediately of the event and when the capability is expected to be restored.

E.3.1.2. DESC may use South Killingholme Jetty for the imports of F35, and Bristol Royal Portbury Dock Berth 7 for the import of F35 for up to a total berth occupancy time of 720 hrs in each calendar year. DESC will have the right to exercise three (3) priority berths at the South Killingholme Jetty in each quarter of each calendar year. Such priority berthing is not to be taken consecutively of each delivery into Killingholme.

E.3.1.3. DESC may import up to a total of 38,000m³ of F35 into the GPSS in each calendar month.

E.3.2. GPSS Pipeline Network.

E.3.2.1. DESC may deliver up to a total of 25,000 m³ of F35 in each calendar month into the GPSS high pressure pipeline network.

E.3.2.2. DESC may receive up to a total of 25,000 m³ of F34 in each calendar month at the authorized delivery points. In addition, DESC may receive additional volumes of F34 in each calendar month at the authorized delivery points; however, this capability will only be available subject to adequate advance warning and availability of spare capacity.

E.3.2.3. DESC recognizes that the F35 issued into the GPSS as a DESC stock credit may, after receipt be exchanged with 'other parties' F35 for pipeline

scheduling, or other operational reasons, without prejudice to the availability of DESC's F34 entitlements.

E.4. DESC receipts into the GPSS will not be accepted, if to do so would result in DESC's GPSS stock balance exceeding DESC's GPSS storage capacity, unless by giving adequate prior notice and after receiving written authority from DFG.

E.5. DESC, on occasion, may request the loading of ocean tankers of DESC credits in the GPSS. These operations will be treated as a special operation and will require prior coordination and consensus between the Participants.

ANNEX F

JET PETROLEUM THERMALLY STABLE (JPTS) OPERATIONS - KILLINGHOLME

F.1. The Participants jointly accept that JPTS operations at Killingholme are special and distinct from the fixed price arrangement. All issues relating to JPTS are included in this Annex.

F.2. DESC will fund and pay for all costs associated with JPTS operations at Killingholme as a separate procedure from the fixed price banking arrangement. These responsibilities cover all costs associated with the import, storage and handling of JPTS, including any special work projects associated with JPTS operations at Killingholme.

F.3. DFG will provide DESC with a proposed annual budget, which the Participants will review and finalize at the quarterly meeting, for the forthcoming UK financial year.

F.4. DESC JPTS allocated storage at Killingholme currently consists of 2 Tanks, total capacity 10,000m³ and their associated ancillary pipelines, pumps and dispensing systems.

F.5. DESC will ensure that any vessel importing JPTS complies with the Killingholme jetty restrictions. See Annex G. DESC may import one vessel cargo of JPTS into the GPSS in each calendar month, subject to ullage being available.

F.6. Delivery and Accounting.

F.6.1. DESC-UK will advise DFG by facsimile (fax), by the 15th of the previous month, of all anticipated deliveries into Killingholme.

F.6.2. DFG will provide outturn accounting document (Form GOV 1) to DESC-UK after receipt into tankage.

F.7. Into Road Tanker/ Bulk Fuel Containers.

F.7.1. DESC is responsible for the transportation of JPTS from Killingholme.

F.7.2. DESC-UK will inform the DFG of the expected time of arrival of the road tanker and the quantity of JPTS to be collected. JPTS may only be collected within the following hours: 0800 hours – 1600 hours, Monday to Friday (excluding UK public holidays).

F.7.3. DFG will inform OPA of the estimated time of arrival of the road tanker. OPA will arrange for their contractor to prepare the tankage and manifolds for discharge into the road tanker.

F.7.4. DFG will provide a copy of the meter ticket showing quantity uplifted, corrected to 15° C, to DESC-UK by 1200 hours of the next working day.

F.8. Quality Procedures. Quality procedures will be in accordance with the U.S. Military Standard - MIL-STD-3004, Military Standard for Fuels, Lubricants and Related Products. MIL-STD changes will be provided to the DFG by the DESC-UK Office.

F.9. Invoicing. DFG will invoice DESC-UK one twelfth of the agreed annual budget monthly. DFG will produce a final invoice after the end of the financial year when the final full costs have been determined.

F.10. Ocean Tanker Loading. DESC, on occasion, may request the loading of ocean tankers of DESC JPTS from the Killingholme Petroleum Storage Depot. These tanker loadings will be treated as a special operation and will require prior coordination and consensus between the Participants.

ANNEX G

STATEMENT OF PRICES FOR F34/F35

G.1. The Participants agree to the prices listed below for services provided to DESC. These prices will remain in effect until the next Annual Review when volume and price changes for the following financial year (from 01 April) can be negotiated and appended to this MOU.

G.1.1. Storage Requirement. 2,999,000 pounds sterling per year for 195,200 m³ of F35 storage.

G.1.2. Transportation Charges.

G.1.2.1. Transportation of up to 240,000 m³ of F35 (to be delivered as F34) annually from points of entry to delivery points detailed in Annex E for 4,051,930 pounds sterling. This figure includes stock working losses and product testing, it also includes road loading charges within core working hours. Core working hours are defined as 0800 hours to 1600 hours, Monday to Friday (excluding UK public holidays).

G.1.2.2. Transport to delivery points (by pipeline to airbase or into road tanker) of F34/F35 in excess of 240,000 m³ annually at a rate of 7.41 pounds sterling per incremental m³ for pipeline movements, and a rate of 1.01 pounds sterling per incremental m³ for imports.

G.1.2.3. Road loading activity outside of core working hours is to be treated as a Special Requirement (see Annex H).

G.1.3. Additive Charges. The DFG will charge the DESC for fuel additives used as a Special Requirement.

G.2. Charge Periods.

G.2.1. Initial Charge Period. The charges above for G.1.1, G.1.2.1, and G.1.2.2, are for the UK financial year beginning 1 April 2004 through 31 March 2005.

G.2.2. Subsequent Charge Period. Prices for subsequent years for G.1.1, G.1.2.1, G.1.2.2, under the terms of this MOU, will be adjusted annually for each subsequent UK financial year, by the average of the percentage increases in the UK Retail Price Index and the UK Average Earnings Index from September in current UK financial year to September in the prior UK financial year, as published by the UK Office of National Statistics.

G.3. The GPSS Standing Charge is the sum of the costs at G.1.1 and G.1.2.1

ANNEX H

INVOICE AND PAYMENT PROCEDURES

H.1. Invoicing.

H.1.1. Monthly. This will be for items G.1.1 and G.1.2.1. The bill for services received in any given month will be invoiced in the preceding calendar month. The bill will consist of the sum of one twelfth of the GPSS Standing Charge set out in Annex G, to be known as the monthly invoice.

H.1.2. Special Requirements. DFG will submit itemized invoices to DESC-UK quarterly in arrears, for the full costs of all special works and services requested by DESC, including contingency and emergency use. This will include an invoice in arrears for additives (based on a blend rate of 0.12% by volume) for the amount of F34 delivered to DESC.

H.1.3. Final Account. DFG will submit an invoice to DESC after the end of each March for all residual GPSS payments due from DESC relating to the UK financial year.

H.1.4. Currency. All invoices will be submitted and paid in pounds sterling.

H.1.5. Invoice Address. DFG will submit all invoices, directly to the address shown below:

Defense Energy Support Center – United Kingdom
MOD Complex – Eastcote
Block 2, Spur 6
Lime Grove Road
Ruislip
Middlesex
HA4 8BS

H.2. Payment.

H.2.1. DESC will pay invoices within 30 days of receipt of a valid invoice at the DESC-UK office referenced in H.1.5 above.

H.2.2. DESC will make payment by way of Electronic Funds Transfer (EFT) into the GPSS bank account, the details of which are shown below:

Bank of England Account No. 23056037
Sort Code 10 00 00

ANNEX I

REPORTS

I.1. Book Stock.

I.1.1. Weekly Book Stock Report. A weekly book stock report will be provided by DFG to DESC-UK by fax every Friday before 1000 hours, or the following Monday if Friday is a UK Holiday (a list of UK holidays will be issued at each annual meeting). If fax is unavailable, stock may be reported by telephone. The stock report will cover the period from Friday 0001 hours to Thursday 2359 hours. In the event of product movement not being completed by Thursday 2359 hours, the entire transfer must be accounted for in the next weekly report which will include the opening stock balance, credits, debits, and closing stock balance.

I.1.2. Monthly Stock Report. A monthly stock report will be provided by DFG to DESC-UK via fax by 0800 hours on the third working day of each month. The Monthly Stock Report will cover the period of 1600 hours of the last calendar day of the previous month, through to 1600 hours of the last calendar day of the current month. Receipt parcels, whenever possible, are to be scheduled to be completed by 1600 hours on the last calendar day of the month.

I.1.3. End of Month Stock Report. DFG is to produce an end of month stock report to include, opening stock balance, credits, debits, and closing stock balance for the month. Outturn certificates and supporting documentation will be provided to DESC-UK with the Monthly Stock Report.

I.1.4. Non Compliance Report. Report format is attached and completion requirements are self-explanatory.



NON-CONFORMANCE REPORT (NCR)

NCR Ref No: / /

Dated:.....

Part 1 – DETAILS OF NON-CONFORMANCE

AREA TO WHICH NON-CONFORMANCE REFERS

DETAILS OF NON-CONFORMANCE

- MAJOR NON-CONFORMITY** **MINOR NON-CONFORMITY** **OBSERVATION**
 Environmental
 Operational
 Financial

Note: A Major Non-Conformity is considered an event that directly affects either: the Environment; operational capability, H&S or has possible financial repercussions. Originators are to tick the appropriate box and justify their decision in the Details of Non-Conformance box.

ORIGINATOR

NAME: _____

REPRESENTING: _____

SIGNATURE: _____

DATE: _____

DEPARTMENTAL REPRESENTATIVE

NAME: _____

REPRESENTING: _____

SIGNATURE: _____

DATE: _____

ON COMPLETION OF THIS SECTION, COPY IS TO BE FORWARDED TO DFG, DESC AND OPA (IF REQUIRED)

Part 2 – DETAILS OF PROPOSED CORRECTIVE ACTION

DEPARTMENT ALLOCATED TO: _____ SIGNATURE: _____
TARGET DATE FOR COMPLETION: _____

*THIS SECTION IS TO BE COMPLETED WITHIN 10 WORKING DAYS OF RECEIPT OF THE
NCR – COPY TO DFG, DESC AND OPA (IF REQUIRED)*

PART 3 – COMPLETION OF CORRECTIVE ACTION

VERIFIED BY: _____ REPRESENTING: _____
SIGNATURE: _____ DATE: _____

*ON COMPLETION OF THIS SECTION, COPY IS TO BE FORWARDED TO DFG, DESC AND OPA
(IF REQUIRED)*

PART4 – REVIEW OF CORRECTIVE ACTION (To Be Carried Out At Quarterly Meetings)

VERIFIED BY: _____ REPRESENTING: _____
SIGNATURE: _____ DATE: _____

*ON COMPLETION OF THIS SECTION, COPY IS TO BE FORWARDED TO DFG, DESC AND OPA
(IF REQUIRED)*