



**DEFENSE LOGISTICS AGENCY
ENERGY
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J&A Tracking Number: 23-0019

**Justification for Other than Full and Open Competition to Award a
Bridge Contract to Kropp Holdings, Inc. Under the Authority of 10 U.S.C. § 3204(a)(1)**

1. Summary/Introduction:

The Defense Logistics Agency – Energy (DLA Energy) is the contracting activity for petroleum products and services for the Department of Defense (DoD). In accordance with 10 U.S.C § 3204(a)(1), this Justification and Approval (J&A) documents the use of other than full and open competition to issue a contract for 6 months, with an additional six month option period, to Kropp Holdings, Inc. (KHI) for card transactional services to support DLA Energy's Aviation Into-Plane Reimbursement (AIR) and Ships' Easy Access (SEA) Card® Programs worldwide. The period of performance is January 1, 2024, through June 30, 2024, with a 6-month option to extend the period of performance from July 1, 2024, to December 31, 2024. The estimated value of this award is \$254,675.04.

DLA Energy has a contract, SP0600-12-C-0359 with KHI to provide card transactional services to support DLA Energy's AIR and SEA Card® Programs worldwide, including customer service; a retail merchant network; an Electronic Access System (EAS); and charge cards for the AIR Card® program. The contract expires on December 31, 2023. [REDACTED]

[REDACTED], under the authority of FAR 6.302-1, the Contracting Officer intends to award a six (6)-month base period with a six (6)-month option contract (the Bridge Contract), to ensure that there is no mission failure in this critical program due to any gap in performance.

DLA Energy must award this Bridge Contract with other than full and open competition in order to avoid mission failure that would cause harm to the DoD and Federal Civilian Agencies' missions. Based on the rationale below, KHI is the only responsible source capable of performing these services in the available timeframe without causing an unacceptable disruption to the services. DLA Energy is only awarding this contract for a period long enough to provide coverage of the requirements and to allow sufficient time to award a competitive contract(s) to replace the Bridge Contract and sufficient transition time under that competitively awarded contract.

2. Nature and/or description of the action being approved (FAR 6.303-2(b)(2)):

The action being approved is the award to KHI of a Bridge Contract of 6 months (January 1, 2024, through June 30, 2024), with an option to extend by for an additional 6 months (to December 31, 2024), if required. Following the exercise of all options, the expiration of the Bridge Contract would be December 31, 2024.

The Bridge Contract is necessary due to the delay in awarding contracts supporting the AIR Card® and SEA Card® Programs to replace the current contract upon its expiration of December 31, 2023. For the follow-on acquisitions, and as part of a new strategy, DLA Energy separated the AIR Card® and Sea Card® into two requirements and competed them under separate solicitations. Following a trade-off source selection, DLA Energy awarded a new contract, SPE608-22-C-0001, on June 4, 2022, for the AIR Card® with a transition period set to begin on July 1, 2022. A post award protest followed. [REDACTED]

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[REDACTED] GAO dismissed the protest on July 29, 2022. [REDACTED]

On January 23, 2023, KHI filed a pre-award protest with GAO [REDACTED]. The contracting officer reviewed KHI's [REDACTED]

On February 21, 2023, KHI filed a second pre-award protest with GAO [REDACTED]

GAO dismissed the protest on May 11, 2023.

Funding is provided by the DWWCF via [REDACTED] for \$254,675.04 to fund this requirement for the 6-month base with a one 6-month option period. DLA Energy is awarding this Bridge Contract to KHI under FAR 6.302-1 without competition due to the fact that KHI is the one responsible source capable of performing within the available timeframe.

3. A Description of the supplies or services required to meet the Agency's Needs (including estimated value) (FAR 6.303-2(b)(3)):

This is a performance-based requirement. Successful performance will be measured by full compliance with the Performance Work Statement (PWS). Under this card transaction service Bridge Contract, the contractor is responsible for providing AIR and SEA Card® transaction processing; customer service; a retail merchant network; and an EAS. The AIR Card® program requires issuance of charge cards.

In order to meet the mission under the AIR and SEA Card® Programs, it is critical the card transactional services are not interrupted. Under the contract, the contractor is responsible for supporting over 17,000 aircraft in procuring commercial aviation fuel and ancillary services at over 3,000 commercial airports worldwide; it is also responsible for processing over 278,000 transactions annually of combined contract and retail fuel purchases for a total of \$741 million in sales. In addition, the contractor manages and maintains an online order management system that supports ships' bunker refueling. This system electronically connects DLA Energy bunkers merchants to vessel ordering officers supporting more than 780 Department of Defense vessels in over 2,170 ports worldwide; the system processes over 1,869 transactions annually of combined contract and open market purchases for a total of \$229 million in sales. The contractor is responsible to provide 24/7 customer support through its help desk and EAS system.

The total estimated cost of the Bridge Contract for 6 months (from January 1, 2024, through June 30, 2024) with an option to extend for an additional 6 months (from July 1, 2024, through December 31, 2024) is \$254,675.04 as reflected in the table below:

[REDACTED]	
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4. Identification of the statutory authority permitting other than full and open competition (FAR 6.303-2(b)(4)):

The services needed by the agency are only available from one responsible source within the available timeframe without unacceptable delays or disruptions in fulfilling the agency's requirements. As a result, the authority of 10 U.S.C. § 3204(a)(1), as implemented by Federal Acquisition Regulation 6.302-1 -- Only one responsible source and no other supplies or services will satisfy agency requirements, justifies this action. DLA Energy's need for the continued transaction processing support for the AIR Card® and SEA Card® Programs is such that the Government would be seriously injured unless DLA Energy is permitted to award the Bridge Contract to KHI. As explained below, due to the time it would take to compete and transition to a new contract, KHI is the only source available in this short timeframe to avoid a disruption in service.

5. Demonstration that the proposed contractor's unique qualifications or the nature of the acquisition requires use of the authority cited (FAR 6.303-2(b)(5)):

The AIR and SEA Card® programs manage and enable the payment, worldwide, of hundreds of thousands of transactions for the refueling of military aircraft and sea vessels, without which the functioning of DoD's refueling capabilities would be severely disrupted. Disruption to contract services to enable the ongoing functioning of the AIR and SEA Card® payment systems is not an option.

KHI is the only source solicited on this contract action because it is the only source available to provide the required services in the timeframe required, i.e., January 1, 2024, through December 31, 2024. It would take approximately 18 months to fully and openly compete the requirement for this timeframe via issuance of a solicitation, review of proposals, and award a contract.¹ In addition, based on the agency's review of historical data (including other contracts and capability statements for similar card transactional services) and the changes to the PWS and contract requirements, the new fully and openly competed contract (to which this Bridge Contract will provide a bridge) will require a phase-in time of 6-months in order to be ready to provide the required services. The current contract with KHI expires on December 31, 2023. As such, the time it would take to compete, award, and provide phase-in time for a new contract would result in an interruption to the card transactional services provided by the current contractor KHI. Therefore, KHI is the only source available for this action.

A 6-month Bridge Contract (January 1, 2024, through June 30, 2024), with a 6-month option (July 1, 2024, through December 31, 2024) is necessary and critical to allow the agency time [REDACTED]

with the necessary time to transition as defined in the PWS for each acquisition. As part of [REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]

It is estimated that it will take at least [REDACTED]
[REDACTED]
[REDACTED]

¹ The estimate for a limited competition is essentially the same, given the length of time it has taken to conduct the current competitions to replace the contract, [REDACTED]
[REDACTED]

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[REDACTED]

Due to the required transition time built into the AIR Card® solicitation outlined below, this will require at least a 6-month Bridge Contract. The 6-month option is also necessary because the timelines above are estimated targets only and there is a high probability of additional delays due to the complex nature of both acquisitions. The AIR Card® solicitation was first issued on June 22, 2021, but has been delayed several times due to amendments to the solicitation, four protests (including the three discussed above), and the [REDACTED]. These variables have significantly increased uncertainty about the time it will take to complete the process, and it poses a unique risk to the mission of the Fuel Card program.

The 6-month Bridge Contract with the 6-month option strategy will also minimize the risk created by repeated, one-off extensions requiring the re-issuance of new AIR Cards®. It takes approximately 4 weeks to create and issue new cards. It then takes additional time for customers to receive the cards, particularly in remote locations. In the past, there have been instances of customers not receiving cards, receiving the wrong cards, or having quality issues with the cards. If the customers do not receive correct, working cards prior to the expiration of their current cards, it can severely impact the mission. Customers and aircraft transition frequently, which increases the risk of errors in distribution with each re-issuance. As a result, it is necessary to include the option to extend for an additional 6 months in the event of further delays. This will avoid having to re-issue cards multiple times and therefore avoids risking disruption in service for customers. The 6-month option provides the flexibility necessary to ensure continued AIR Card® usage while mitigating the impact to competition. In the event that DLA Energy is able to award under both solicitations without significant delays, DLA Energy's intent is not to exercise the option and there will be no further impact to competition.

Furthermore, sufficient transition time is essential for the fully and openly competed follow-on contract to which the Bridge Contract will serve as a bridge. Under the follow-on contract, the contractor, the DLA Energy Fuel Card Program Management Office, the DLA Energy contracting office, and government customers must work together on the initial contract set-up requirements. The follow-on contractor will need time to transition successfully by creating and distributing approximately 17,000 AIR Cards®; setting up operating system platforms; transferring batch files; and establishing their accepting merchant base. There are presently approximately five thousand (5,000) fixed based operators (FBO), fuel and ground handlers accepting the AIR Card® and approximately 2,700 ports with an average of 17 vendors for the SEA Card®.

With respect to the AIR Card® Program, the Government will need a significant amount of time to work through pre-implementation tasks that include establishing business rules for the EAS; card design; card tests; card issuance; hierarchy structure; obtaining a master file of aircrafts and lines of accounting; and obtaining lists of users and hierarchy levels. DLA Energy-Card Program Office Division and the assigned Component Program Manager must verify account information; establish user system access; upload and verify account data; create, review and approve training materials; review and approve invoice formats; establish the dispute process; test billing reports; review and approve data files and Wide Area Workflow (WAWF) invoicing; test application functionality; execute a training plan; update policies and user guides; and update website and computer-based training.

The Government will also need to perform similar work functions for the SEA Card® program, to include establishing business rules for the EAS; identifying hierarchy structure for all the military service components; creating a master file of vessels and accounting data; establishing user hierarchy and roles; verifying all account information and making necessary changes; uploading and verifying accounting data; reviewing and approving invoice delivery method; requesting, establishing, and distributing user names and passwords; assigning roles, hierarchy levels, vessels, and invoice delivery method to users; testing data files and Federal Procurement Data

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System (FPDS) interface and reports; testing application functionality; updating documents, conducting computer-based training, and issuing Public Affairs Office materials; updating the SEA Card® website; and creating, reviewing, and updating training materials and executing the training plan. Transition to a new contract for either the AIR Card® or SEA Card® requires significant effort and training for the card users. The users need to ensure they have new cards that are working and accepted by the locations, and they need to be trained on the new contract requirements. The card authorizing officials need training and access to any new systems.

For the reasons mentioned above (the length of time it would take to compete this 6-month Bridge Contract with a 6-month option requirement; the lengthy transition period required; the significant effort for DLA Energy, the contractor, and customers to shift to a new contract), as well as the necessity to provide continued availability for users of the AIR Card® and SEA Card®, KHI is the only source available within this narrow timeframe, justifying soliciting only from KHI.

6. Description of the efforts made to ensure that offers are/were solicited from as many potential sources as is/was practicable, including whether a notice was or will be publicized as required by Subpart 5.2 and, if not, which exception under 5.202 applies (FAR 6.303-2(b)(6)):

DLA Energy is diligently working to [REDACTED] award AIR Card® and SEA Card® contracts to replace the current contract. The acquisitions, conducted under solicitations SPE608-21-R-0203 and SPE608-21-R-0202 have been conducted using full and open competition.

Concerning the proposed Bridge Contract (a 6-month base period with an option to extend for an additional 6 months), DLA Energy only solicited KHI because it is the only responsible source capable of performing within the available timeframe as detailed in Section 5 above. DLA Energy posted a sources sought synopsis for the Bridge Contract in the System Award Management (SAM.gov) on July 31, 2023 for 15 days as required by FAR Subpart 5.2 and DFARS PGI 206.302-1(d). DLA Energy received no response to the sources sought synopsis.

7. Determination by the contracting officer that the anticipated cost to the Government will be fair and reasonable (FAR 6.303-2(b)(7)):

The Contracting Officer determines that the cost to the Government for the Bridge Contract is fair and reasonable in accordance with FAR 15.404-1(b)(2)(ii) (comparison of historical prices paid) and 15.404-1(b)(2)(v) (independent government cost estimate).

8. Description of the market research conducted and the results or a statement of the reason market research was not conducted (FAR 6.303-2(b)(8)):

The Contracting Officer determined that the only method of obtaining the required card transactional services within the available timeframe was to limit the competition to KHI. As the awardee of the current contract (contract SPE600-12-C-0359), KHI already has the infrastructure in place to quickly and immediately begin performance on a Bridge Contract that contains essentially the same performance requirements as its current contract. Moreover, there is insufficient time to conduct a competition for the Bridge Contract, even if it were limited (see footnote 1 above). Additionally, as part of its market research, DLA Energy posted a sources sought synopsis for the Bridge Contract award in the System Award Management (SAM.gov), as required by FAR Subpart 5.2 and DFARS PGI 206.302-1(d). DLA Energy received no response to the sources sought synopsis.

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Concerning market research generally, for the follow-on AIR Card® and SEA Card® acquisitions to the current contract, DLA Energy conducted market research that demonstrates these services are available commercially. DLA Energy supplemented the information about general market conditions for these services by reviewing the previous contract and reviewing the responses to the combined synopsis/solicitation for AIR Card® services, which was posted to SAM.gov on June 22, 2021. [REDACTED]

[REDACTED]. DLA Energy also reviewed the responses to the combined synopsis/solicitation for SEA Card® services, which was posted to SAM.gov on July 22, 2021. [REDACTED]

Given that it had been a decade since the prior competition for the AIR Card® and SEA Card® requirements, it is unlikely that market conditions have significantly changed since DLA Energy conducted market research for the AIR Card® and SEA Card® solicitations issued in 2021.

9. Any other facts supporting the use of other than full and open competition, such as (FAR 6.303-2(b)(9)):

(i) Explanation of why technical data packages, specifications, engineering descriptions, statements of work, or purchase descriptions suitable for full and open competition have not been developed or are not available.

Not applicable.

(ii) When 6.302-1 is cited for follow-on acquisitions as described in 6.302-1(a)(2)(ii), an estimate of the cost to the Government that would be duplicated and how the estimate was derived.

Not applicable.

10. A listing of the sources, if any, that expressed, in writing, an interest in the acquisition (FAR 6.303-2(b)(10)):

As discussed above DLA Energy received [REDACTED] for the follow-on AIR Card® solicitation and [REDACTED] for the follow-on SEA Card® solicitation issued in 2021. Regarding interest in this Bridge Contract, DLA Energy posted a sources sought synopsis in the System Award Management (SAM.gov) on July 31, 2023 for 15 days as required by FAR Subpart 5.2 and DFARS PGI 206.302-1(d). The sources sought synopsis invited interested parties to identify their capability of meeting the requirement without any disruption to the card transaction services that are the subject of this J&A. DLA Energy did not receive any response to the sources sought synopsis.

11. Actions that may be taken to remove or overcome barriers to competition before any subsequent acquisition for the supplies or services are required (FAR 6.303-2(b)(11)):

There are no inherent barriers to competition for DLA Energy AIR Card® or SEA Card® transactional services. The Government has already obtained competition for both the AIR Card® and SEA Card® follow-on solicitations and intends to obtain competition for any subsequent acquisitions for these services. However, the protests, [REDACTED] and time constraints discussed above require use of the only one responsible source authority for this 6-month Bridge Contract, with a 6-month option. The Bridge Contract implementing this requirement will be executed as soon as possible, with performance beginning on January 1, 2024.

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Absent this Bridge Contract that is being awarded to KHI, DLA Energy would have no other feasible option to support the AIR Card® and SEA Card® requirements.

I hereby certify that the data which forms the basis for this justification is accurate and complete to the best of my knowledge and belief.



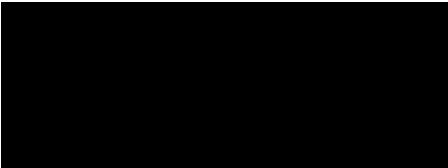
Direct Delivery Fuels-FEP

I hereby certify that the data which forms the basis for this justification is accurate and complete and that the purchase request covers only the minimum requirements to satisfy the needs of the Government.



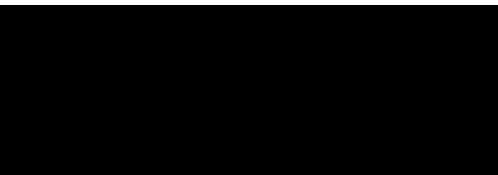
DLA Energy

I have reviewed this Justification.



DLA Energy

Approved:



DLA Energy