



An Energy-Efficiency Workshop and Exposition  
Orlando, Florida

## DoD Utilities Privatization Opportunities

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ODUSD (Installations and Environment)



## Why Utilities Privatization?

- ◆ Utility ownership is not a core DoD function
- ◆ Missions must be supported
- ◆ Utilities historically under funded.
- ◆ DoD needs industry's best practices, innovations and economies of scale
- ◆ **Privatization is the preferred tool**

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## Defense Secretary Guidance

- ◆ Promote competition
- ◆ Consistent economic analysis
- ◆ Requires permanent title transfer
- ◆ Protect government interests
- ◆ Realistic schedules for solicitations

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## More Recent Improvements

- ◆ Air Force and Army templates improved
- ◆ Technical data should be more accurate
- ◆ Contracting Officers more experienced and flexible
- ◆ Timeliness should continue to improve

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## DoD Utilities Privatization

- ◆ **1300 more DoD systems** will be evaluated
  - Growth opportunity - rate base expansion
  - Increased economies of scale
- ◆ Utility gains **long term solid customer**
  - Reasonable profit generated
  - Government pays bills timely
  - Finance terms should be favorable

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## Privatization Basics

- ◆ Economical deals will be **successful**
- ◆ Baseline Assessment
  - System inventory and condition
  - Industry Standards, upgrades
- ◆ Risk Management
  - Performance risk
  - Future income stream
- ◆ Government's interest
  - Future price
  - Quality Assurance
- ◆ Three key documents:
  - **Service contract, Right of Way & title (permanent)**



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**Nobody likes surprises!**

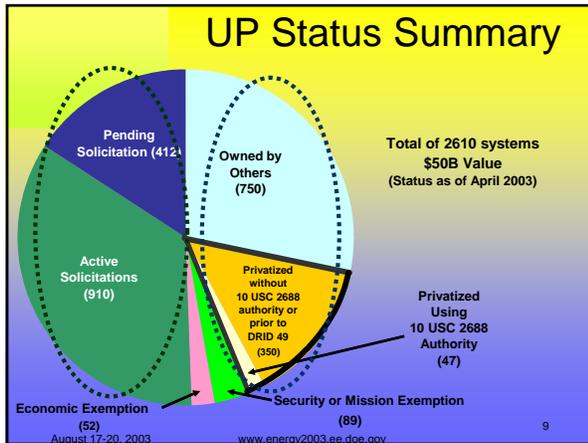
**Partnership is critical**

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**2003 Energy** **Current Issues**

- ◆ Allow utilities to use current business practices
  - ◆ Waiver to Cost Accounting Standards (CAS)
  - ◆ Potential deviations to FAR Part 31 (Allowable costs)
- ◆ Finance cost considerations
- ◆ Quality Assurance and future cost control
- ◆ Resources and methods of contract management
- ◆ Right of Way issues

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**2003 Energy** **Contracting Offices**

- ◆ Army
  - Defense Energy Support Center (DESC)
  - Corps of Engineers, Huntsville & other regions
  - Local contracting offices
- ◆ Navy and Marine Corps
  - Naval Facilities Engineering Command (NAVFAC)
    - East Coast, West Coast other regions
  - DESC for shipyards
- ◆ Air Force Civil Engineer Support Activity
  - DESC
  - Local contracting offices
- ◆ Defense Energy Support Center

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Address <http://www.acq.osd.mil/ie/utilities/milservice/rfp.htm>

**Office of the Deputy Under Secretary of Defense (Installations and Environment)**  
**Welcome to Utilities**

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Home	Home
USAF UP RFP Schedule	USAF UP RFP Schedule
Army RFP Schedule	Army RFP Schedule
Navy RFP Schedule	Navy RFP Schedule
DESC RFP Schedule	DESC RFP Schedule
Generic Description of Bidders Technical Library	Generic Description of Bidders Technical Library

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**2003 Energy** **Summary**

- ◆ All Services are committed
- ◆ Seeking wide participation
- ◆ Aggressively executing schedule
  - 1300 more systems in two years
- ◆ Effective communication will ensure win-win partnerships

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## Points of Contact

- Office of Deputy Under Secretary of Defense (Installations and Environment)
  - [www.acq.osd.mil/ie/utilities/privatization.htm](http://www.acq.osd.mil/ie/utilities/privatization.htm)
  - Captain Rick Marrs, CEC, USN (703) 697-6195
- Army Assistant Chief of Staff (Installation Management)
  - <http://www.pts.army.mil/>
  - Bob Sperberg (703)426-6170
- Department of the Navy
  - <http://energy.navy.mil/privatization/> General UP info and current RFP's
  - <http://www.esol.navalac.navy.mil/> Solicitations
  - Chief of Naval Operations-LCDR Greg Harshberger -703-601-1611
  - Marine Corps- David Heinrichs- 703-695-9781
  - Naval Facilities Engineering Command William F. Taylor- 202-685-9254
- Air Force Office of the Civil Engineer (Readiness & Installation Support)
  - <http://www.afcesa.af.mil/Directorate/CEO/Contracts/UtilPrivatization/default.htm>
  - Major Jeff Knippel (703) 604-4220
- Defense Energy Support Center (DESC) Utility Privatization Branch
  - <http://www.desc.dla.mil/DCM/DCMPage.asp?PageID=246/>
  - Jim Cotton (703) 767-8135
- Federal Business Opportunities
  - <http://www.fedbizopps.gov/>

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[www.energy2003.ee.doe.gov](http://www.energy2003.ee.doe.gov)

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## Questions?

**Captain Rick Marrs**

(703)-697-6195

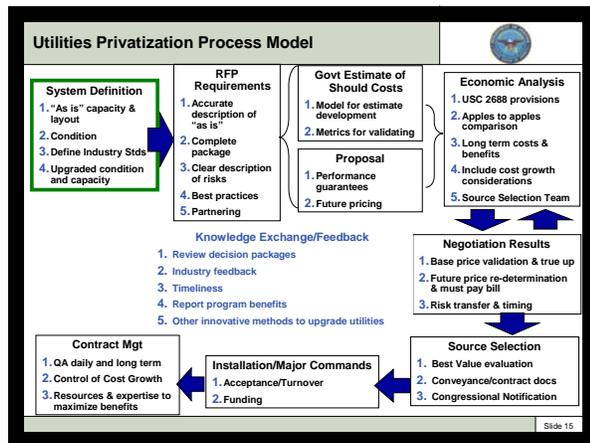
[Richard.Marrs@osd.mil](mailto:Richard.Marrs@osd.mil)

[www.acq.osd.mil/ie/utilities/privatization.htm](http://www.acq.osd.mil/ie/utilities/privatization.htm)

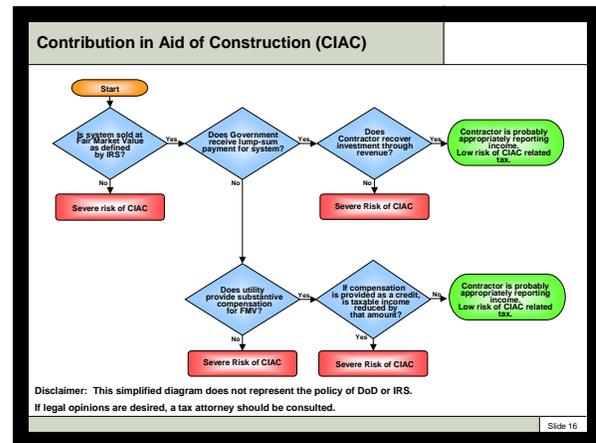
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Disclaimer: This simplified diagram does not represent the policy of DoD or IRS. If legal opinions are desired, a tax attorney should be consulted.

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## Financing

Some utilities "can't make this work"

- Why not? This is your business.
  - Concerned for availability of capital?
- Long term government contract
  - Reliable accounts receivable stream
- 100% percent financing possible
- RFP Templates revised to encourage
  - Termination for Convenience clause
  - Other provisions possible

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## Case Study of Benefits

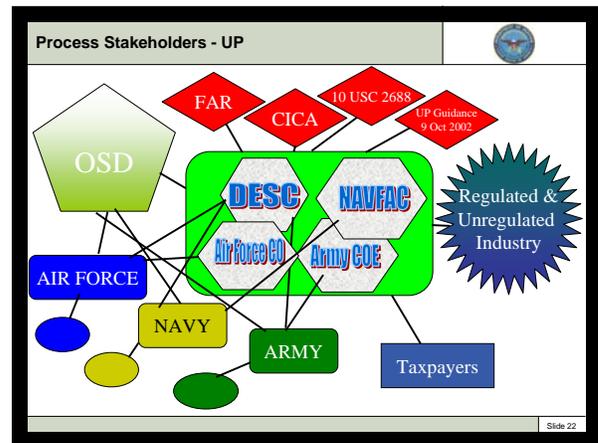
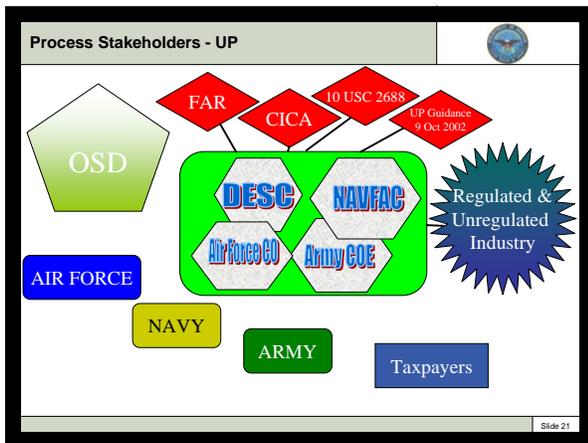
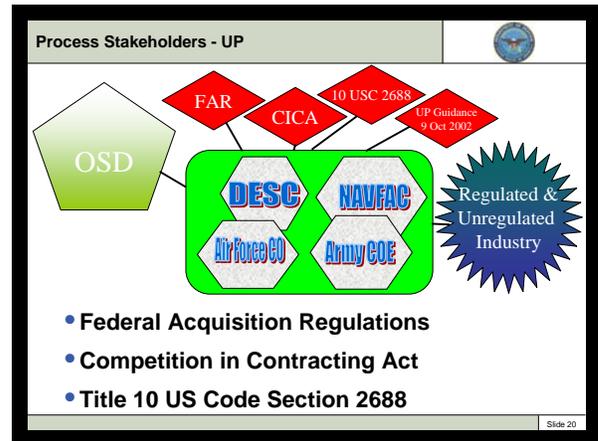
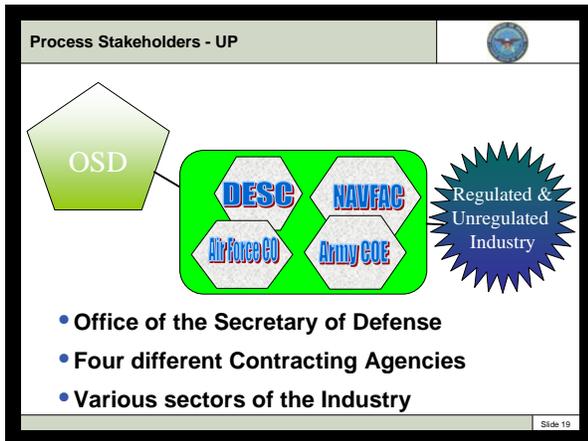
Army National Training Center, Ft. Irwin, CA

- Safety and reliability will meet PUC standards
- Outages will be limited to much smaller area
- Modern switchgear will restore power much quicker
- Performance specifications allow industry innovations
  - Delayed conveyance reduced cost of risks
- Private financing achieves upgrades
- Costs over 50 years are 13% lower than govt estimate
  - Annual O&M costs will be lower than historic levels

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Address: http://www.pts.army.mil

Welcome to **PTS** Privatization Tracking System

Sponsored by: **ACSM**

STATUS OF THE ARMY'S UTILITIES PRIVATIZATION PROGRAM:

- The Army has 329 systems available for privatization.
- 28 systems are privatized.
- 29 systems are exempt.
- 45 systems are deferred.

Interested Bidders: For current information about utility privatization initiatives, click below: [Army's Utility Privatization Schedule](#)

Comments or Questions?: To access the PTS Questions and Answers Bulletin Board, click below: [PTS Q&A Bulletin Board](#)

Note: This site requires Microsoft IE 4.0 or later. You are currently using Microsoft Internet Explorer Version 4.0 (compatible; MSIE 6.0; Windows NT 5.0). Check here if you need to upgrade your browser: [Microsoft](#)

<http://www.pts.army.mil>

**Army UP Website**

Installations & Environment

Show Report:

Region	State	System	Procurement Agency
All	All	All	All
Northeast	Alabama	Electric	DESC
Northwest	Alaska	Natural Gas	US COE HUNTSVILLE
South	American Samoa	Potable Water	US COE KANSAS CITY
Southwest	Arizona	Waste Water	US COE FORT WORTH
Pacific	Arkansas		US COE BALTIMORE
Korea	Armed Forces Europe		US COE SAVANNAH
	Armed Forces Pacific		MDW ACQUISITION

**Army's Utility Privatization Schedule**

Update: 4/2/2003 \* Note: (A)= Actual Date, (P)=Planned Date

Region	Installation	Utility System	State	Procurement Agency	RFP Issued	RFP Closes	A-76	RCT	ESPC
Southwest	STEWART	Natural Gas	GA	US COE HUNTSVILLE	6/14/2003 (P)	10/15/03			
Southwest	GORDON	Electric Potable Water	GA	DESC	8/6/2001 (A) 12/3/2002 (A)	3/19/03			
Southwest	GORDON	Water	GA	DESC		4/2/03			

**Department of the Navy**

**Utilities Privatization**

**DON ENERGY WEBSITE**

**MAIN**  
 PRIVATIZATION GUIDANCE  
 APPLICABLE LAWS  
 40 USC, Section 481  
 10 USC, Section 2688  
 REGULATIONS & INSTRUCTIONS  
 OMB Circular A-94  
 OPNAVINST  
 DoD Instruction 7041.3  
 FAR - Part 41  
 DON POCS

**PRIVATIZATION PLANS**  
 Implementation Plan  
 Flow Process  
 Model RFIs/RFPs  
 DON STATUS  
 RFPs [Current / Schedule](#)

**POLICY**

Department of Navy missions require safe, reliable, modern and economical utility services. The goal is to reduce infrastructure costs. Privatization of utilities is an important tool to achieve these cost savings while providing quality utility services. Therefore, utility systems should be privatized wherever it is economically advantageous to do so.

<http://energy.navy.mil/privatization/>

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**Air Force UP Website**

[Policy and Guidance](#)  
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**Utilities Privatization**

<http://www.afcesa.af.mil/Directorate/CEO/Contracts/UtilPrivatization/default.htm>

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Total Energy Solutions

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 Section 808 Rehabilitation Act

**Utility Privatization Branch (DESC-EPP)**  
 Chief, Contracting Division (DESC-EP)  
 Telephone: (703) 767-8135  
 DSN: 427-8135

**Search**  [Request For Interest](#)

Number	Location	Closing Date	Last Update
<a href="#">031203a</a>	Altus Air Force Base	04/09/2003	03/12/2003
<a href="#">031103</a>	Army National Guard, Various Locations	04/23/2003	03/21/2003

<http://www.desc.dla.mil/DCM/DCMPPage.asp?PageID=246>

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Federal Business Opportunities

**Search Results**  
**Business Opportunities**  
 Synopsis and Solicitation Grouped by Organization and Posted Date  
 Active Postings: 131/72905

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**April 03, 2003**  
 Agency: Department of the Navy  
 Office: Naval Facilities Engineering Command  
 Location: Engineering Field Activity, Northwest  
 Posted: April 03, 2003 Type: **Synopsis** Title: S -- Notice of intent to privatize the wastewater collection utility system at Naval Station Everett, Waterfront Complex, Everett, Washington SOL: Reference-Number-N44255-01-R-8003

<http://www.fedbizopps.gov/>

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