

Utility Privatization Update

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- Privatization is the transfer of ownership of a gas, electric, water or wastewater utility system from the government to a 3rd party
- Goal is to reduce the government's service cost and to improve the service quality

- The government wants experts that can provide reliable cost effective service
- For an existing utility, this is simply an extension of the their system on to private property
- Opportunity to expand and grow revenues
- Local presence, local ownership, local concern

- Leadership within OSD and the Services continue to work to understand the issues
- Government has, and is meeting with industry
- Concerns are being addressed
- OSD Guidance affirms that privatization will occur

- Bundled bid requirement - removed
- Due diligence cost – reduced, Government provides system data to develop the bid
- High cost of bid preparation with non-standard RFPs – cost is reduced with standard templates
- Uneven playing field – federal taxes are excluded in cost analysis
- Pre-existing environmental conditions – clarified, government takes responsibility

- Rigid pricing requirements – pricing options now allow for tariffs and special contracts
- Different operating practices – standard utility operating practices can be proposed
- Unpredictable economic evaluation process – developed UPEAST model for evaluation
- AF Right-of-Way document - improved



Remaining Challenges

- CAS – Cost Accounting Standards
 - Standard system that protects the government
- FAR Part 31
 - Defines allowable expenses
- Consistent application of policies in the field
- Limited government knowledge of utility accounting and operating practices

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Utility Practices

- Accounting Practices
 - Not CAS, different
 - “prices set by law or regulation”
- Operating Practices
 - Outage response
 - Standardized across the system
 - Not A-76
 - Resident expertise
 - Mutual aid agreements

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Summary

- Process is much improved
- A few “show stoppers” still exist
- Government and industry are working to remove obstacles that exclude viable competitors

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Questions?

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