



An Energy Efficiency Workshop & Exposition

Palm Springs, California

Department of Defense
Utilities Privatization

Office of the
Deputy Under Secretary of Defense
(Installations and Environment)
Utilities and Energy Use Directorate

CAPTAIN Rick Marrs



Program Objectives

Support the WAR FIGHTER

- **Create reliable and dependable utilities**
- **Take advantage of industry's
innovations, practices and finances**



Program Intent

- **Utilities ownership is not a DoD Core Business**
- **Historically utilities system sustainment has been under funded**
- **Utilities Privatization is the preferred tool for meeting objectives**



History

- **Privatization efforts began in early 1990s**
- **In 1997 DoD directed Services to plan to privatize all utility systems**
 - **Electric, Water, Waste Water and Natural Gas**
- **Progress slower than originally envisioned**



Why Slow?

- **Process is complex and time-consuming**
 - **New, unique initiative with many lessons**
 - **Services encouraged to bundle systems**
 - **Complicates analysis and decision making process**
 - **4 systems have 15 possible combinations**
 - **Some solicitations bundle more than 30 systems**
- **Many unforeseen barriers**



Past 6 months

- **Addressing lessons learned**
- **Developing and reviewing Master Plans**
- **Discussing issues with industry**
- **Changing policy or obtaining waivers**



Progress

- ❑ **Obtained deviation to Federal Acquisition Regulations (FAR) Part 31 to allow interest**
- ❑ **Authorized UPEAST as economic tool**
 - www.acq.osd.mil/installation/utilities/support/east.htm
- ❑ **Improved solicitation process**
- ❑ **New guidance nearly ready**



New Defense Guidance

- **Reflects Service's execution plans and input**
- **Provides provisions to ensure reliable utilities**
- **Requires consistent economic analysis**
- **Encourages industry participation and competition**
- **Addresses issues identified by Industry and Services**
 - **Interest, reversionary clauses, Federal Tax, CAS, etc.**



DoD is a New Market

Utility Privatization establishes new partnership with the utility industry

- **Federal Acquisition Regulations (FAR)**
- **Communication will ensure that all parties understand**
 - **Upgrades required to meet industry standards**
 - **Some business practices may need adjustment**
- **“Partner” relationships will mitigate risks**

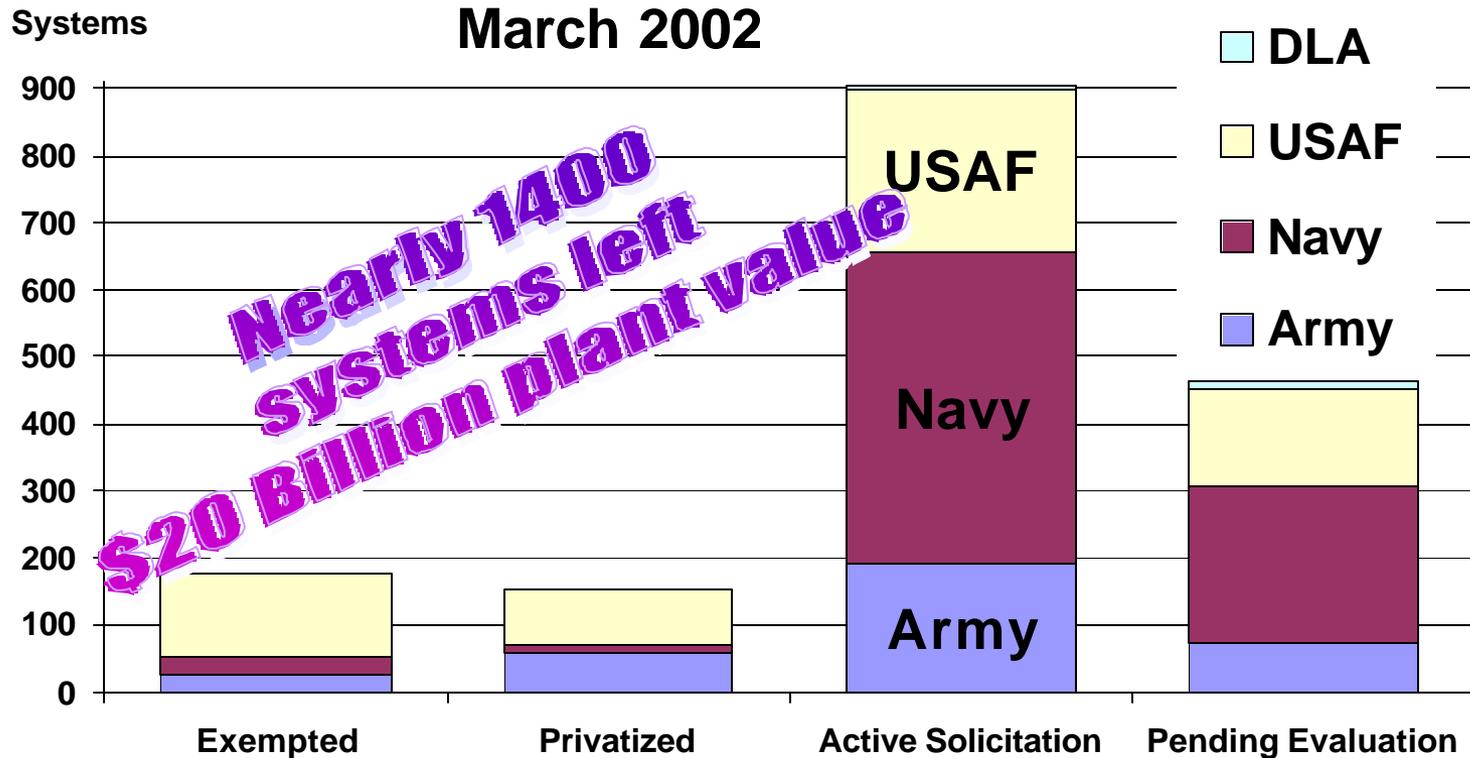


Potential Win-Win

- **Tremendous potential for cost avoidance**
- **Example: Gas system required upgrade**
 - **Local utility accomplished upgrade at lowest cost**
 - **Private sector efficiencies**
 - **Private sector financing**
 - **Utility will sustain system at industry standards**
 - **Costs covered in utility bill**
 - **Installation avoids utility O&M and future repair projects**
- **Utility obtained new long term partner**
- **Installation can budget for better service**

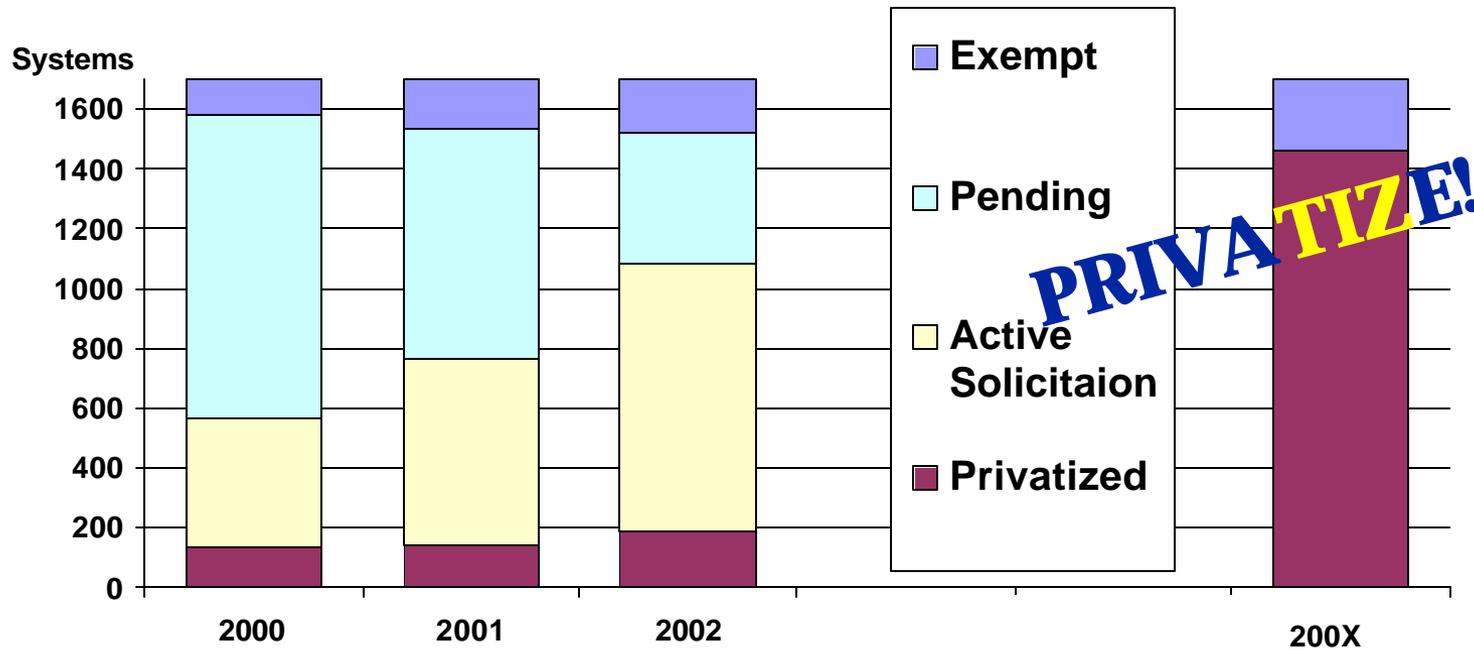


Execution Status





Execution Goal





Achieving Success

- **Consistent Economic Analysis**
- **Federal Taxes**
 - **Contribution in Aid of Construction (CIAC)**
 - **Federal Corporate Tax**
- **Format of Requests for Proposals (RFPs)**
- **Other Issues**



Service Execution

- **Air Force (Prescriptive RFPs)**
 - **Proceeding with 242 pathfinder systems**
 - **Air Force Contracting Offices or DESC**
- **Army (Prescriptive RFPs)**
 - **Strong leadership support for aggressive program**
 - **Decentralized to installations.**
 - **Contracting performed by Corps of Engineer District Offices or DESC**
- **Department of Navy (Performance based RFPs, more flexibility)**
 - **Bundling multiple systems and locations**
 - **Most contracting performed by Naval Facilities Engineering Command**
 - **Center of Expertise (East and West Coast)**



Next Steps

- **Request for Proposals continue to improve**
- **Websites contain schedule for release of solicitations and closing dates**
- **Much progress during next 12 months**
- **Outstanding opportunity for beginning long term partnership**



UP Overview

Questions?

Also appearing

Policies, Programs and Partnerships Track

Policies That Drive Your Day,

Tuesday, Session 3; 9:00 – 10:30

<http://www.acq.osd.mil/ie/>