Utilities Privatization Status Update

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• Mute your phone.
• Submit a written question at any time during the event via the “CHAT”.
• During the presentation, all participants will be in a listen-only mode.
• This webinar will be recorded!
Fun fact about Martha…from Martha!

- Diehard Nats fan - full season ticket holder - will be attending all home games!
- Proud Air Force wife and mother of two adult sons *Favorite duty station was United Kingdom - two tours just outside London
- Live in Northern Virginia and favorite spot is our weekend retreat in West Virginia
Agenda

- Utilities Privatization
- Reliability and Resilience
- Benefits of UP
- UP Challenges
- Why Does It Take So Long?
- Government’s Commitment to UP
- Utility Services
- DLA Energy Support of Post-Award
- Current Post-Award Efforts
- Current Pre-Award Efforts
- DLA Energy Support of Post-Award
- Source Selection
- DLA Energy Points of Contact
Utilities privatization, also known as UP, is a method by which military installations can obtain **safe**, **reliable**, **technologically current**, **resilient** and **environmentally sound** utility systems, at a relatively lower cost than they would under continued government ownership.

In the privatization process, military installations shift from the role of owner-operators to that of smart utility service customers.
Authority and Directive


- **Directive** – From OSD: “Utilities privatization is one of several Alternative Financing Mechanisms that a Military Department may use to finance utility improvements in support of the DoD’s energy reliability, energy resilience, and cybersecurity goals”
  - “…a Military Department may privatize a utility system owned by the United States at an Active or Reserve Component installation within and outside the United States that is not designated for closure under a base closure law or subject to a public-private competition under 10 U.S.C. 2461”
  - “Evaluations” culminate in either award or exemption
  - Exemptions may be security- or economic-based, but must be substantiated in accordance with OSD guidance

- **UP** is about divestiture of property with a bill of sale
• All proposed UP actions must have a business case analysis, as well as a certified economic analysis per DoD instructions

• Utility System Conveyance
  – Distinct and separate from procurement decision
  – 10 U.S.C. § 2688 and OMB, DoD and military service executive policies
  – Service Secretary coordinates and authorizes transfer via real estate documents
  – Authorization memorandum from military component to DLA Energy to award utility services contract
Reliability and Resilience

- **Reliability: System Deficiency Corrections**
  - Necessary investments in the first five years to ensure compliance with applicable laws, regulations or implementation of new technology
  - Building a strong backbone of utilities for the installation
  - The road to resilience begins with reliability

- **Resilience**
  - Government and System Owner work collaboratively to determine how best to add resilience to the utility system
  - Either party can propose resilience initiatives
    - Micro-grids
    - Back-up generation
    - Redundant Sources
    - Efficiency measures – less demand means less commodity and decreases vulnerability
Benefits of UP

- Experts with Innovative Solutions/Protection of Public Health & Environment
  - Long term view and motivation to provide the best service and value to the installations and DoD
  - UP provides expert knowledge and solutions to complex existing and emerging industry issues
  - UP contract provides the mechanisms and funding to respond quickly and effectively

- Utility System Additions
  - Significant steps forward in the last 18 months on policies and guidelines requiring SOs to perform any utility extensions. This will help resolve the challenge of asset transfers being needed after third-party construction, and ensure the integrity of the utility system is maintained

- Flexibility
  - Give and take to get the job done; creativity sometimes required to accomplish a task
Benefits of UP

• Resource Conservation
  - Water and natural gas usage has declined consistently across most installations post-privatization, due to asset replacement/upgrade, leak detection programs
  - Pipe condition assessments provide benefits of reduction in cost of water, more efficient resource usage, improves the installation’s resilience through lowering resource needs, and supports resilience policy goals

• Safety
  - Industry leaders bring their safety culture to privatized installations
  - Leveraging this culture and seeing best practices adopted by installations

• Technology
  - GIS precision mapping provides best in class asset visibility for inventory accountability, recapitalization progress, and improved response time to service requests
UP Challenges

• Cybersecurity Implementation and Compliance Requirements
  - DFARS 252.204-7012 has been added to all solicitations and guidance
  - OSD Supplemental Guidance February 2019
  - Services developing supplemental implementation policy/guidance

• Contracting Officer’s Representatives
  - Retention
  - Capabilities
  - Training
  - Other Duties

• Funding for REAs/Claims
  - Often takes many months to process
UP Challenges

• Asset Transfers
  – Unfamiliar process for installations
  – Inventory records and values often missing, unknown, or inaccurate
  – Lengthy and costly process
  – Requires Service involvement for Bill of Sale
  – No OM/R&R by SO (through the UP contract) until conveyance

• End of the Year Activities
  - Significant number of contracting actions in 4th Quarter
    - New contract awards
    - New Service Connections
    - Capital Improvement Projects

• Pricing Adjustments
  - Tariff rate changes often complex
  - Price Redeterminations can be very complex
  - Conversion of redeterminations to EPA ongoing
Why Does It Take So Long?

- Conveyance (bill of sale) to the new owner is forever
- Due diligence (lots of it) required to get it right
- Inventory being conveyed is seldom (if ever) in ‘new’ condition -- Industry unaccustomed to this risk
- Resulting Utility Services contracts are for 50 years
- Initial solicitation is ‘competitive’ per legislation; if local provider does not offer competitively, then OSD mandates an attempt to other than competitive -- another 12-18 month process in itself, after competition
Government’s Commitment

- Industry input solicited at various forums: OSD Industry Days, DLA Energy Worldwide Energy Conference, etc.
- Services’ Annual Reports
- Post Conveyance Reviews
- GAO Reviews
- DoD UP Post Award Workshops
- Broad System Performance Metrics
Government’s Commitment

• Lessons learned are applied to future requirements, procurements, and strategies
  – Regular discussions between DLA Energy and Program Management Offices provide a forum for proactive engagement
  – Roundtable reviews of new requirements provides improved utility-specific information for offerors
  – SOPs, standardized templates, and regular internal training have improved efficiency and overall quality
Utility Services Background

• Formed from Defense Reform Initiative Directive 21 (January 1998): “DESC is to assist the Military Services with the privatization of utility-related infrastructure” and “make the most effective use of existing tools, such as energy savings performance-based contracts, to decrease energy demand”

• DLA Energy contracting agent of choice: Army, Air Force and Navy

• Viewed as the execution arm of Deputy Assistant Secretary of Defense (Energy) for energy initiatives

• Mission Statement:

  To provide pre- and post-award contracting and technical expertise for utility services and for our Service partners privatizing government-owned utility distribution systems (electric, natural gas, thermal, water and wastewater) under the authority of 10 U.S.C. § 2688
How Utility Services Supports Military Service Partners

- Offer specialized contracting and technical expertise for utility services concerns
  - Utilities Privatization Process
    - Both competitive and other than competitive actions
    - Cradle-to-grave contracting support to include:
      - Solicitation development, offer evaluation, negotiations and best value source selection award decisions
      - Full range of post-award contract administration for the 50-year contract term
    - Cradle-to-grave engineering support to include:
      - Development of request for proposal technical tenets, participation on Source Selection Evaluation Boards, preparation of life cycle cost analyses and negotiation assistance, as required
      - Technical and pricing support for post-award efforts for price adjustments, new connections, capital upgrades and more
DLA Energy helps military services coordinate/consolidate DoD privatization efforts:

Utilities Privatization

Gas Lines and Electrical Distribution Systems

Service Providers or Utility Companies

Customers

Water and Wastewater Systems

Thermal Systems
Utility Services Overview

• Utilities Privatization
  – Awarded to date: 95 contracts for 154 systems at 64 installations totaling $19.8 billion
  – Administered by Utility Services: 72 contracts for 121 systems at 50 installations for $23.6 billion

• Energy Security/Resiliency
  – Utilities Privatization program builds energy security/resilience by improving utility systems.
    To date, system owners have invested $1.3 billion in initial capital improvements

• On the Horizon
  – Fiscal year 2020 outlook: 8 contracts for 14 systems at 7 installations totaling $2.9 billion
  – Additional 6 systems in progress totaling $1.6 billion

**Total Systems = 796**

Awarded by Utility Services 47%
Awarded by Others 19%
In Process 29%
FY 20 Projected Awards 2%
Potential Future Workload 2%
Benefits of DLA Energy to UP Program

• Directed by DRID #21 to assist the Military Services with their Privatization efforts

• UP is our core capability
  – Pre-award
  – Post-award

• UP Subject Matter Experts
  – Experienced team working exclusively on UP solicitations and contracts
  – Development of templates, SOPs, manuals, processes and procedures
How Utility Services Supports Post-Award

- Economic Price Adjustments
- Tariff Rate Adjustments
- Prospective Price Redeterminations
  - Conversion from prospective price redeterminations to economic price adjustments
- Templates
- New Service Connections
- Capital Improvements
- Annual Year Plans (also known as five-year plans)
- Asset Transfers
- Quality Assurance Surveillance Plans
- Contracting Officer’s Representative Program Guidance
- CPARS
### Post-Award Efforts

#### UP SCORE BOARD DATA

<table>
<thead>
<tr>
<th>Service</th>
<th>Army</th>
<th>Air Force</th>
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</thead>
<tbody>
<tr>
<td><strong>Contracts Awarded</strong></td>
<td>52 Contracts</td>
<td>43</td>
</tr>
<tr>
<td></td>
<td>86 Systems</td>
<td>68</td>
</tr>
<tr>
<td></td>
<td>32 Installations</td>
<td>31</td>
</tr>
<tr>
<td><strong>Total Dollars</strong></td>
<td>$13,599,639,712</td>
<td>$6,198,390,113</td>
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<td><strong>Cumulative Delta</strong></td>
<td>$4,030,419,118</td>
<td>$795,760,069</td>
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<tr>
<td><strong>Planned ISDCs FY10-19</strong></td>
<td>$1,070,891,694</td>
<td><strong>(at time of contract award)</strong></td>
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<tr>
<td></td>
<td></td>
<td>$231,913,775</td>
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<tr>
<td><strong>Contracts Administered</strong></td>
<td>39</td>
<td>33</td>
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<tr>
<td></td>
<td>64 Systems</td>
<td>57</td>
</tr>
<tr>
<td></td>
<td>26 Installations</td>
<td>24</td>
</tr>
<tr>
<td><strong>Total Dollars</strong></td>
<td>$15,950,767,273</td>
<td>$7,612,525,719</td>
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Current Post-Award Efforts

- Fort Rucker – E/NG/S/W
- Fort Lee – S
- Natick – E
- Fort Gordon – E/S/W
- Fort Bragg – S/W (Plants)
- Fort Greely – CHPP/E/S/W
- Fort Wainwright – CHPP/E/S/W
- Fort Hood – E/NG/S/W
- Fort Polk – E/S/W
- Aberdeen PG – E
- Fort Meade – S/W
- Fort Belvoir – E/S/W
- JBMMHH / ANC – E
- Fort Jackson – E/NG/S/W

- Fort Knox – W
- Fort AP Hill – S/W
- Fort Meade – S/W
- Fort Belvoir – E/S/W
- Picatinny Arsenal – S/W
- Gillem Enclave – E/NG/S/W
- Fort Campbell / Blue Grass – E
- West Point – E/S/W
- Fort Riley – E/NG/S/W
- Fort Leonard Wood – S/W
- JBLM – E
- Oahu – E
Current Post-Award Efforts

- JBA – S/W
- JBER – E/NG/S/W
- Tyndall AFB – E/NG/W
- Minot AFB – E/S/W
- Travis AFB – E /W
- Columbus AFB – E
- Creech AFB – E
- Hill AFB – E/S/W
- JBLE – S/W
- *Story – S/W
- Charleston AFB – NG
- Fairchild AFB – NG
- Scott AFB – W

- Randolph AFB – S
- Goodfellow AFB – E
- Laughlin AFB – E
- Little Rock AFB – E/W
- MacDill AFB – NG/S/W
- Vandenberg AFB – S/W
- Eglin AFB – E/S/W
- Wright Patt AFB – NG/S/W
- Grand Forks AFB/Cavalier AS – E/S/W
- Keesler – E
- JBSA – E/NG/S/W

* Navy
Current Pre-Award Efforts

Air Force FY 19 Awards:
• Keesler Air Force Base – E*
• Joint Base San Antonio – S/W*

Air Force FY 20 Awards:
• Tinker – S/W

Air Force FY 23 Awards:
• Canaveral/Patrick – E/S/W
• Beale E
• Kirtland E

Army FY 19 Awards:
• Oahu – E*
• West Point – S/W*

Army FY 20 Awards:
• Joint Base Lewis-McChord – S/W
• Joint Base Myer Henderson Hall and Arlington National Cemetery – S/W
• Oahu – W
• Fort Buchanan – E/S/W
• Yuma Proving Ground – E
• Yuma Proving Ground – S/W
• West Point – T

Army FY 21 Awards:
• Aberdeen Proving Ground-Edgewood – S/W
Navy FY 22 Awards:

- Mayport – S*

* - Navy and DLA Energy have agreed to a pilot program at three installations. The other two installations have not been confirmed.

E – Electric Distribution System
NG – Natural Gas Distribution System
S – Wastewater Distribution or Collection System
T – Thermal System
W – Water Distribution System
How Utility Services Supports Pre-Award

- Issue Sources Sought Notice
- Prepare Source Selection and Acquisition Plans
- Issue Synopsis on Federal Business Opportunities website
- Issue Request For Proposals
- Conduct Pre-Proposal Conferences
- Respond to Offeror Inquiries
- Receive Proposals
- Conduct Evaluations
- Lead Negotiations
- Award Contract
Source Selection

• All Solicitations
  – Initial solicitation is competitive per legislation; if unsuccessful in competitive environment, then there may be an attempt through an other than competitive action

• Source Selection Team
  – Service Source Selection Authority
  – Source Selection Advisory Council
    • Service Program Management Office
    • Installation Leadership
  – Source Selection Evaluation Board
    • Installation Functional Experts
    • DLA Energy Utility Services
    • Support Contractors (non-voting)

• Award is a Best Value Tradeoff Determination
  – Lowest price may not receive award
  – Highest rated may not receive award
Source Selection

• Evaluation factors and sub factors
  – Technical Capability, Past Performance, Risk, Socioeconomic and Price
    • Technical Capability and Risk are evaluated at the subfactor level
  – Order of importance for evaluating factors and subfactors
    • Technical Capability, Past Performance, and Risk are approximately equal in importance
    • Socioeconomic is significantly less important than Technical Capability, Past Performance and Risk
    • When combined, Technical Capability, Past Performance, Risk and Socioeconomic are significantly more important than Price

• Government addressing addition of Cybersecurity
DLA Energy Points of Contact

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