



Department of Defense Utilities Privatization Program



Acquisition Track, Session 7
August 10, 2004

Captain Rick Marrs
Office of the Deputy Under Secretary of Defense
(Installations and Environment)



Imperatives for Privatizing Utilities

- **Utility ownership is not a core DoD function**
- **Missions must be properly supported**
- **Historically, DoD utilities are under funded**
- **DoD needs industry's best practices, innovations, financing and economies of scale**
- **Privatization is the preferred tool for providing utility service at industry standards!**



Defense Secretary Guidance

- **Privatize all utility systems, unless**
 - Security concerns preclude privatization
 - Cannot achieve economic benefit
 - o Understand lack of response
 - o Understand barriers to economic deals
- **Promote competition**
- **Apply consistent economic analysis**
 - Support sound decisions
- **Complete decisions by SEP 2005**

3



Improvements Since 2002

- **Air Force and Army templates improved**
 - Consistent within Military Service
 - Permits third party financing
 - Encourages other commercial business practices
 - Eased Right of Way restrictions
- **Due diligence requirements adjusted**
- **Centers of Expertise and centralized management**
 - Contracting Officers more experienced and flexible
- **Sharing information between Services**

4



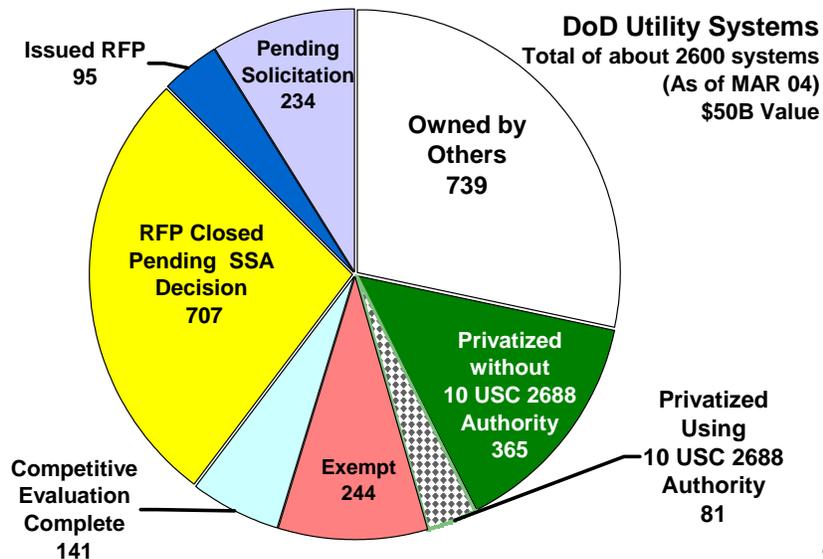
Ongoing Issues

- **Completing competitive process by Sep 05**
- **Services ensuring sound contract management**
- **Aggressively completing proposal evaluations**
- **Enable industry to use common business practices?**
- **Industry forum to obtain feedback Sept 2004**
- **Improve partnership with industry**

5



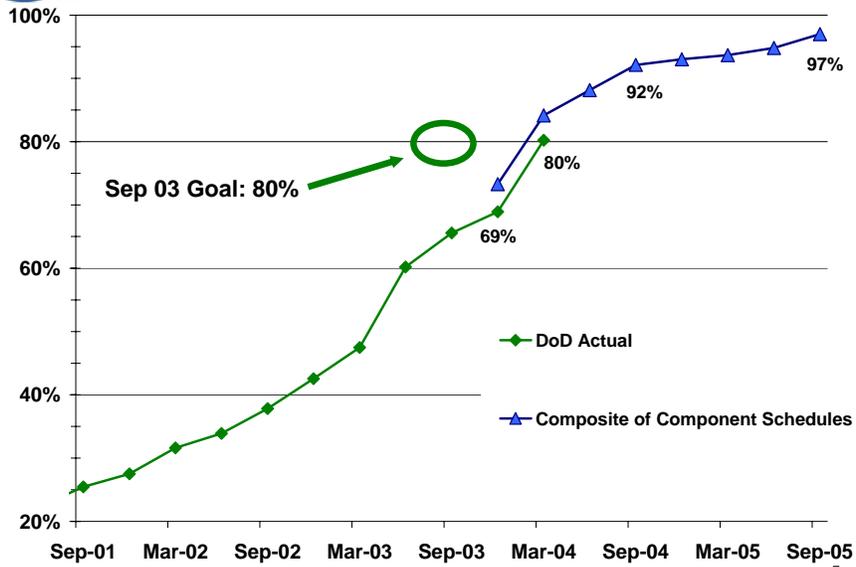
DoD Utilities Privatization Status



6



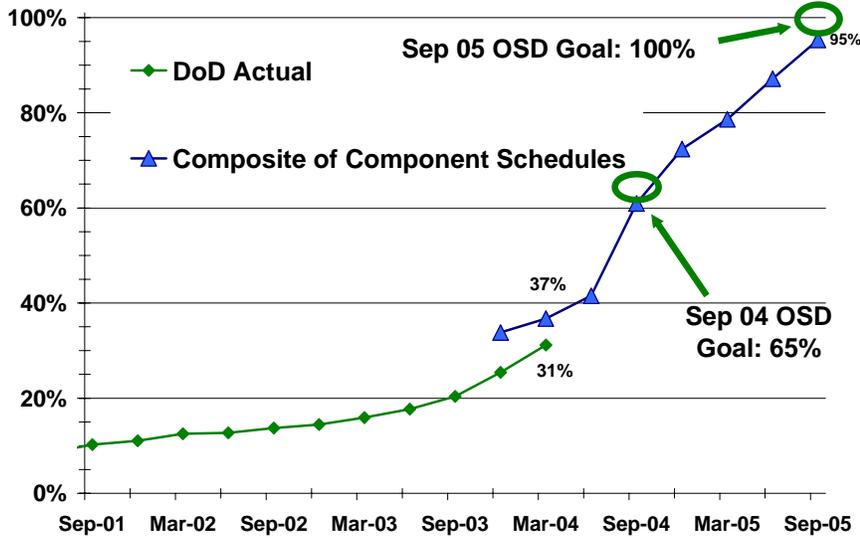
DoD System RFPs Closed or Exempt



7



Systems Through Competitive Process



8



Key Financing Considerations

- **Long term government contract**
 - Reliable accounts receivable stream
- **Very favorable rates available**
- **100 percent financing possible**
- **Available to meet capital investment needs**
- **Government poised to take advantage of private sector**



9



Industry Opportunities

- **Business growth opportunity**
 - Rate base expansion
 - Increased economies of scale
- **Gain long term customer/partner**
 - Reasonable profit generated
 - Bills paid in a timely manner
 - Finance terms should be favorable

10



Contracting Offices

- **Army**
 - Defense Energy Support Center (DESC)
 - Army Contract Agency (ACA) offices
 - Corps of Engineers, Huntsville & other regions
- **Navy and Marine Corps**
 - Naval Facilities Engineering Command (NAVFAC)
 - o East Coast, West Coast & other regions
 - DESC
- **Air Force Civil Engineer Support Agency**
 - DESC
 - 21 Contracting Squadron, GSA
- **Defense Logistics Agency (DLA)**
 - DESC
 - Local contracting officers

11



Points of Contact

Installations & Environment

- **Office of Deputy Under Secretary of Defense (Installations and Environment)**
 - <http://www.acq.osd.mil/ie/irm/utilities/utilities.htm>
 - Captain Rick Marrs, CEC, USN (703) 697-6193
- **Army Assistant Chief of Staff (Installation Management)**
 - <http://www.pts.army.mil/>
 - Bob Sperberg (703) 601-0367
- **Department of the Navy**
 - <http://energy.navy.mil/privatization/> General UP info and current RFP's
 - <http://www.esol.navfac.navy.mil/> Solicitations
 - Commander Navy Installations- LCDR Roland de Guzman (703) 601-1632
 - Marine Corps- David Heinrichs (703) 695-9781
 - Naval Facilities Engineering Command Bill Tayler (202) 685-9254
- **Air Force Office of the Civil Engineer (Readiness & Installation Support)**
 - <http://www.afcesa.af.mil/Directorate/CEO/Contracts/UtilPrivatization/default.htm>
 - LTC Jeff Knippel (703) 604-4220
- **Defense Energy Support Center (DESC) Utility Privatization Branch**
 - <http://www.desc.dla.mil/>
 - Jim Cotton (703) 767-8135
- **Federal Business Opportunities**
 - <http://www.fedbizopps.gov/>

12

INSTALLATION REQUIREMENTS AND MANAGEMENT "Combat Power Begins at Home"

Office of the Deputy Under Secretary of Defense (Installations & Environment)

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Utilities Privatization

Utilities privatization is a method by which military installations can obtain safe, technologically current, 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.

General Informations

[Program Brief](#) - (Microsoft Power Point Presentation)

[Terminology](#)

Economic Analysis Tool

NEW -- UPEAST 6.2 -- NEW
(April 2004, includes updated OMB discount/inflation rates)

[ODUSD UPEAST Memo](#)

[History of UPEAST Changes](#)



Summary

- **Each Service Secretary is committed**
- **Seeking wide participation**
- **Aggressively executing schedule, SEP 2005**
- **Effective communication will ensure win-win partnerships**



DoD Industry Forum

DESC Worldwide Energy Conference

September 29, 2004

12:00 to 5:00 pm

The Hyatt Regency Crystal City

<http://www.desc.dla.mil/>

Send your issues to

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15



Questions?

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www.acq.osd.mil/ie/irm/utilities/utilities.htm