

Air Force Installation & Mission Support Center



Air Force Utilities Privatization Program

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Air Force Utilities Privatization Program Overview



- \$10.6B in current contract value
- 62 systems on 43 contracts at 29 active-duty installations have been privatized since 1998 under 10 USC § 2688

 Electric	 Natural Gas	 Water	 Wastewater
21	8	18	15

- No new systems were privatized in FY23



Air Force Utilities Privatization Program Benefits



- **Privatization modernizes installations within the first five (5) years**
 - Prior to Privatization: 49% of system components exceed design life
 - Five (5) years Post Privatization: 0% of system components exceed design

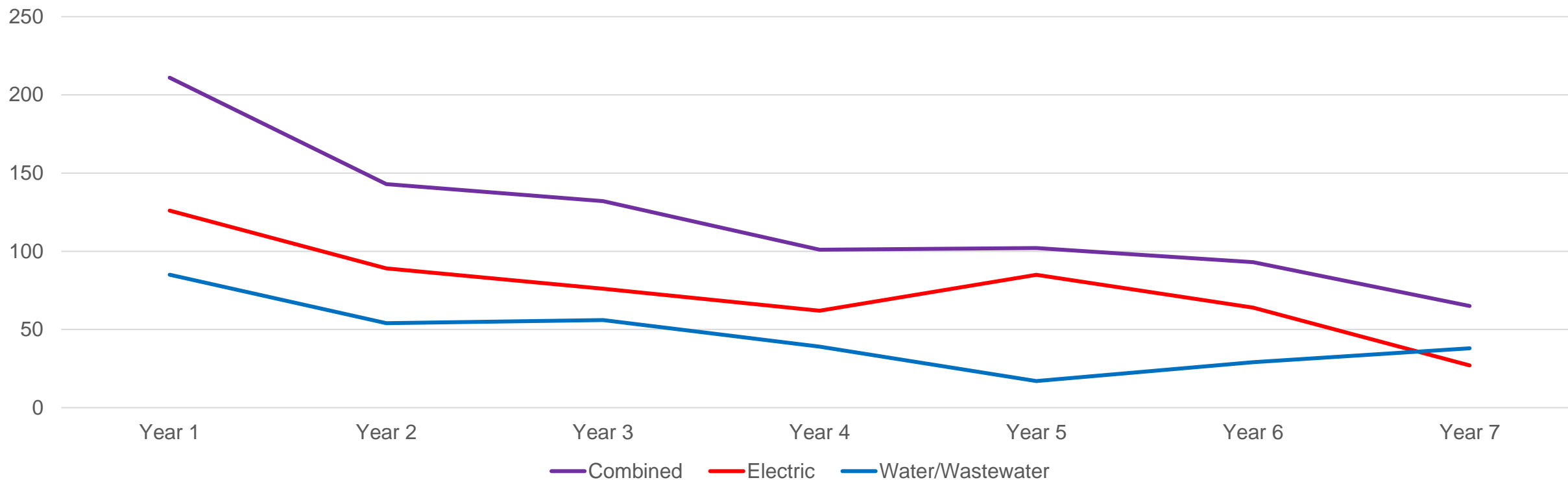
- **System Owners complete Monthly System Performance Reports (MSPRs)**
 - Tracks outages (Planned and Unplanned)
 - Project Status
 - Renewals and Replacements Status



Air Force Utilities Privatization Program Benefits



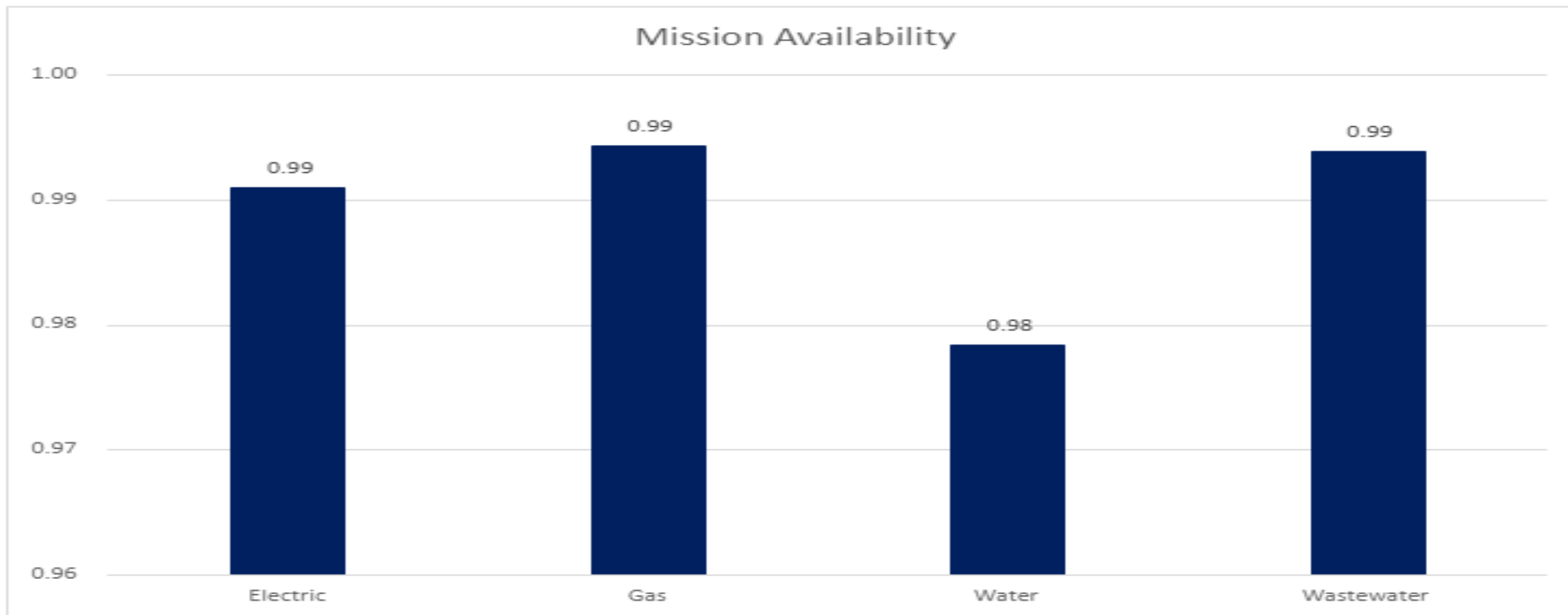
Annual Unplanned Outages



- 70% reduction in Unplanned Outages within first seven (7) years of privatization



Air Force Utilities Privatization Program Benefits



- Average Portfolio Uptime is 0.99



Air Force Utilities Privatization System Deficiency Correction (SDC)



▪ **SDC – Priority 0:**

- Govt PM only stakeholder authorized to classify project SDC-0
- Work required to immediately bring system back & maintain operational status for mission critical assets
- Project has been determined to be mission critical by the Government

▪ **SDC – Priority 1:**

- Work required to bring a system into compliance with one or more life/health/safety codes that are new or have changed since contract start

▪ **SDC – Priority 2:**

- Work required to bring a system into compliance with one or more industry regulations other than a life/health/safety issue that are new or have changed since contract start

▪ **SDC – Priority 3:**

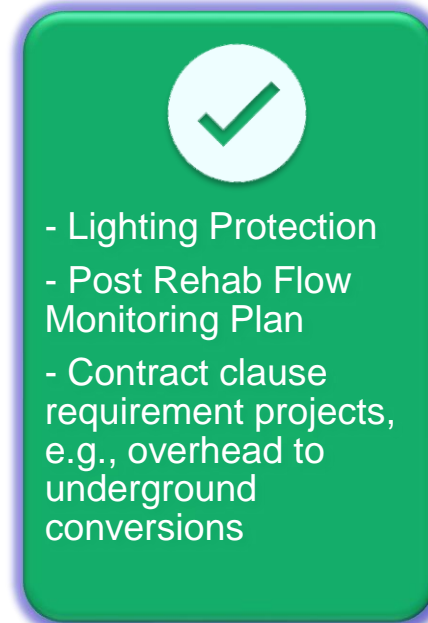
- Work required to correct inadequate and/or faulty original design discovered after contract start that causes the privatized system to malfunction



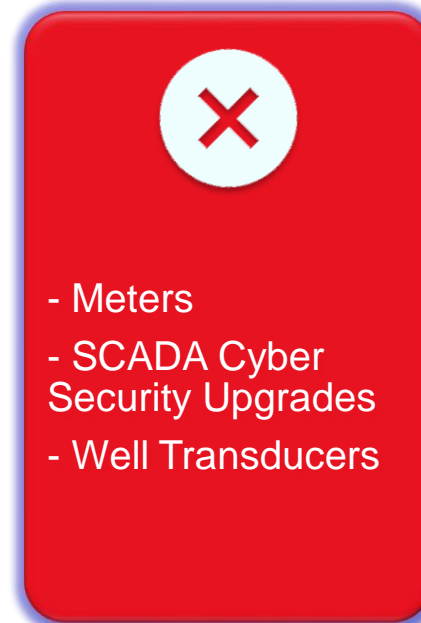
Air Force Utilities Privatization Future Capital Upgrades (FCU)



- **Future Capital Upgrade (FCU): Work improves how a system functions**
 - No hard rules for what is considered valid FCU
 - Govt PMs review and determine whether AFCEC will approve and potentially fund proposed upgrade
 - These project proposals require significant review and justification



- Lighting Protection
- Post Rehab Flow Monitoring Plan
- Contract clause requirement projects, e.g., overhead to underground conversions



- Meters
- SCADA Cyber Security Upgrades
- Well Transducers

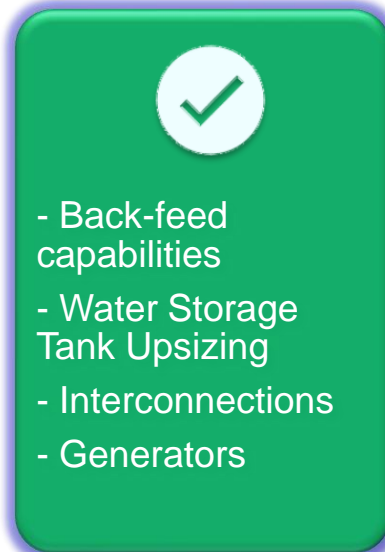
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Air Force Utilities Privatization Resiliency



- **Resiliency Projects: Addresses one or more of the 5Rs of Resiliency: Robustness, Redundancy, Resourcefulness, Response and Recovery.**
- **Resiliency is system's ability to absorb/avoid damage without suffering complete failure and an objective of design, maintenance, and restoration for system infrastructure**
 - Approved project funding dependent on overall installation mission criticality and funding availability
 - Resiliency projects proposed by SO must be support the Installation Energy Plan (IEP)



- Back-feed capabilities
- Water Storage Tank Upsizing
- Interconnections
- Generators



- Overhead to underground conversions
- Microgrids

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Air Force Utilities Privatization

Andrews (W,WW)	JBER (E,G,W,WW)	Minot (W,WW)
Charleston (G)	JBLE (E)	Offutt (E)
Columbus (E)	JBLE (W,WW)	Randolph (WW)
Creech (E)	JBSA (E,G)	Scott (W)
Dover (W)	JBSA (W,WW)	Tinker (E)
Dover (WW)	Keesler (E)	Tinker (W,WW)
Eglin (E)	Laughlin (E)	Travis (E)
Eglin (W,WW)	Little Rock (E)	Travis (W)
Fairchild (G)	Little Rock (W)	Tyndall (E,W)
F.E. Warren (E)	MacDill (G)	Tyndall (G)
Grand Forks / Cavalier (W,WW)*	MacDill (W,WW)	Vandenberg (W,WW)
Grand Forks / Cavalier (E)*	Maxwell/Gunter (E)	Wright-Patterson (E)
Goodfellow (E)	Minot (E)	Wright-Patterson (G)
Hill (E)	Minot (G)	Wright-Patterson (W,WW)
Hill (W,WW)		

E - Electric G - Natural Gas W - Water WW - Wastewater

*Grand Forks and Cavalier are counted as separate systems (total 6 systems awarded)

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Air Force Utilities Privatization Program Future



- **Closure of Resilience Gaps**

- Collaboration with AF Office of Energy Assurance
- Projects in support of Resilience Solution Reports

- **Future Acquisitions**

- Increasing Utilities Privatization as identified AF Installation Investment Strategy (I2S)
- Incorporate energy resilience as part of acquisition
- Include water and wastewater



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Army Utilities Privatization Program



WE ARE THE ARMY'S HOME



- The Army has been at the forefront of implementing utilities privatization within the Department of Defense (DoD). Its portfolio has grown to 98 UP contracts with 136 systems privatized.
- Army Privatized systems include 40 electric, 28 natural gas, 33 water, 33 wastewater, and 2 thermal utility systems.
- Army has made significant improvements to its utility infrastructure since 1999, and re-capitalized systems to bring them up to industry standards and provided a reliable, resilient, and efficient utility services to many Installations.
- There are 38 Active Army and 6 Army Reserve utility systems for evaluation in FY23 through FY28. Analysis of Alternatives (AOAs) for an average of six systems are scheduled for evaluation each year.



Army Privatization Team

- Administrative Contracting Offices - DLA Energy is DoD UP Center of Excellence since 2004
- Deputy Chief of Staff- G9
- Commands (AMC, IMCOM, USAR)
- Office of the Assistant Secretary of the Army for Installations, Energy and Environment (ASA-IE&E)
- Installation Directorates of Public Works (DPWs) and Contracting Officer's Representatives (CORs)
- US Army Corps of Engineers (USACE)
- Utility Industry Partners (System Owners)
- Technical Support Contractor for UP Program Management

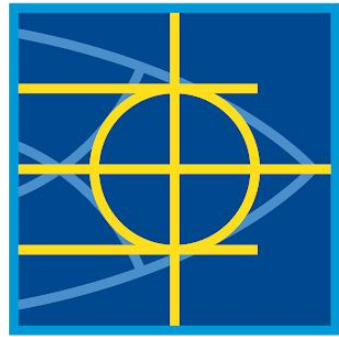


- On Jan 19, 2021, The Assistance Secretary of Army for Installation, Energy, and Environment (ASA-IE&E) directed DCS, G-9 to conduct a focused review of utilities program.
- The Army has focused the last few years on implementing the recommendations from the internal review, 3rd party program assessment, and Army audits of the utilities program.
- In 2022, issued Utilities Privatization (UP) Implementation Guidance
 - a) Conduct System Condition Assessments & Analysis of Alternatives (AoA) to inform Army utility investments
 - b) Consolidate contract management under DLA Energy (legacy and future UP contracts)
 - c) Add performance metrics and privatized system condition reporting
 - d) Enhance business processes, documentation and contract oversight



- Several AoAs pending finalization of business case analysis; Army anticipates new UP evaluations in coming years
- Continue rollout of AoA program and prioritize based on mission criticality and infrastructure condition
- Continue consolidation of legacy and future contract administration under DLA Energy (legacy transfers 45% complete)
- Implement system deficiency correction (SDC) program as funding becomes available
- Implement microgrids and EV Charging Stations (EVCS) leveraging UP contracts





NAVFAC
Naval Facilities Engineering Systems Command

Navy Utility Privatization Program

Ray Smalling, PE, CEM, LEED AP

NAVFAC HQ - Utility Privatization Program Manager

As of October 24, 2024

UP 101 – Privatization Is...

• What is Utilities Privatization (UP)?

- UP is an authority that allows DoD to convey a utility system to a third party and establish a 50 year operations and maintenance contract. It allows for more flexibility and investment in a system while also leveraging the expertise of private industry.
- Authorized by 10 USC 2688 - Utility systems: Conveyance Authority for electric, water, wastewater, steam, communications, natural gas, hot or chilled water, but not compressed air, stormwater, fuel distribution or building systems.
- Conveyance (Bill of Sale) of utility system assets at fair market value to a new system owner and establishment of a long term service contract with the new system owner to operate, maintain, and recapitalize the system.



Why Utilities Privatization? UP Solves Problems in a different ways

- Historically, due to competing priorities, Military Services have been underfunded to optimally maintain utility systems resulting in large sustainment backlogs, reduced reliability, and critical mission vulnerabilities
- UP enables the Services to reduce backlogs, increase reliability and mitigate mission vulnerabilities in the near term by financing projects within the 50 year term of a FAR 41 services contract.
- UP can utilize, but does not need to wait on, large investments from MILCON or O&M. Once privatized, the Services can more quickly respond to mission growth, regulatory changes, and resiliency requirements.



Utility System Prioritization Decision Lens

Process - Project Prioritization Screening and Utility Infrastructure Ana. (Sec. J):

- **Focus on OSD & USN Mission Priority Activities** – Support for critical asset concentrations where a higher level of service is desired for: Combatant Commands, C5I, CYBER Force, NAS, NS, NWS, Shipyards, Fleet Readiness Centers
- **Identify locations with poor SAIDI (outage duration) & SAIFI (outage frequency) values and a High Risk to Mission Support Failure** as identified by Utility Inventory and Condition Assessment Program (UICAP) URT, IEPS and RM Backlog
- **Focus on CNO/OPNAV NAVPLAN High Priority Lines of Effort #1 – 3:** Nuclear Deterrence, Operational Architecture, Critical Readiness infrastructure locations
- **Mitigate Mission Assurance Assessments** to identified locations with single points of failure and incorporate findings into projects
- Address **regulatory issues (NOVs), workforce talent and vacancies, PM Execution Rate, CCIR and IEPS** identified utility gaps **MILCON/ERCIP/RM Backlog** and evaluate opportunities for more **efficient cost saving operation**



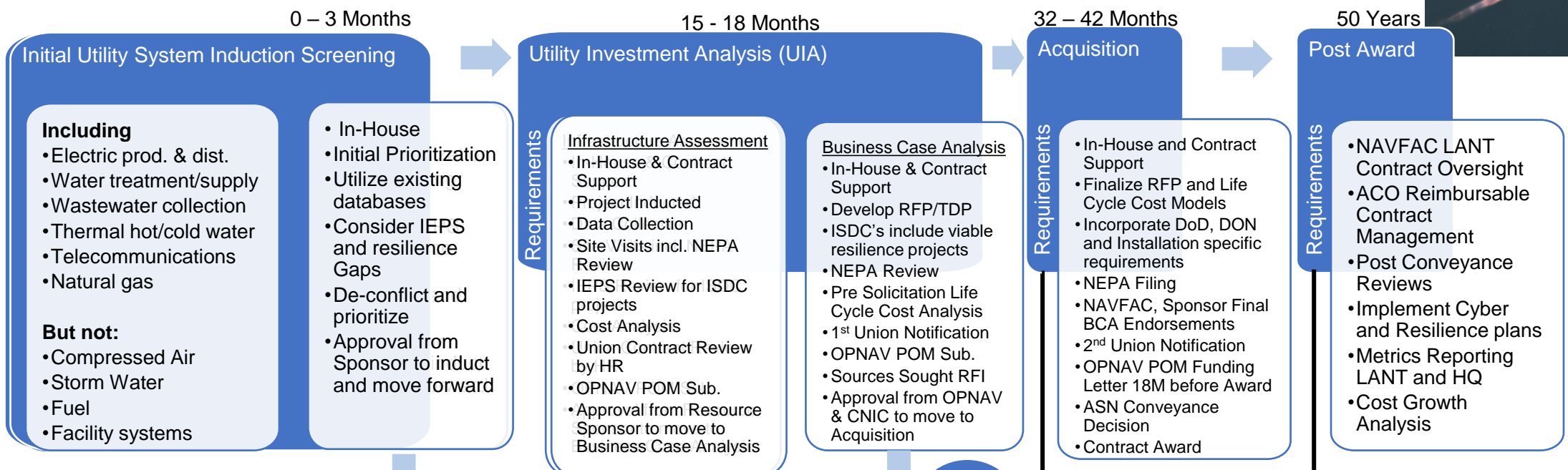
Increasing Utility System Recapitalization via 3PF Utility Privatization will ensure more reliable service to the Fleet and Naval Aviation

Imminent and Future Issues supportable by UP

- **Federal and State Pollutant Regulations**
- **Federal Cybersecurity Requirements**
- **Congressional and Administrative Capitol Improvement initiatives**
- **Matching financial amortization to the life of the major assets**

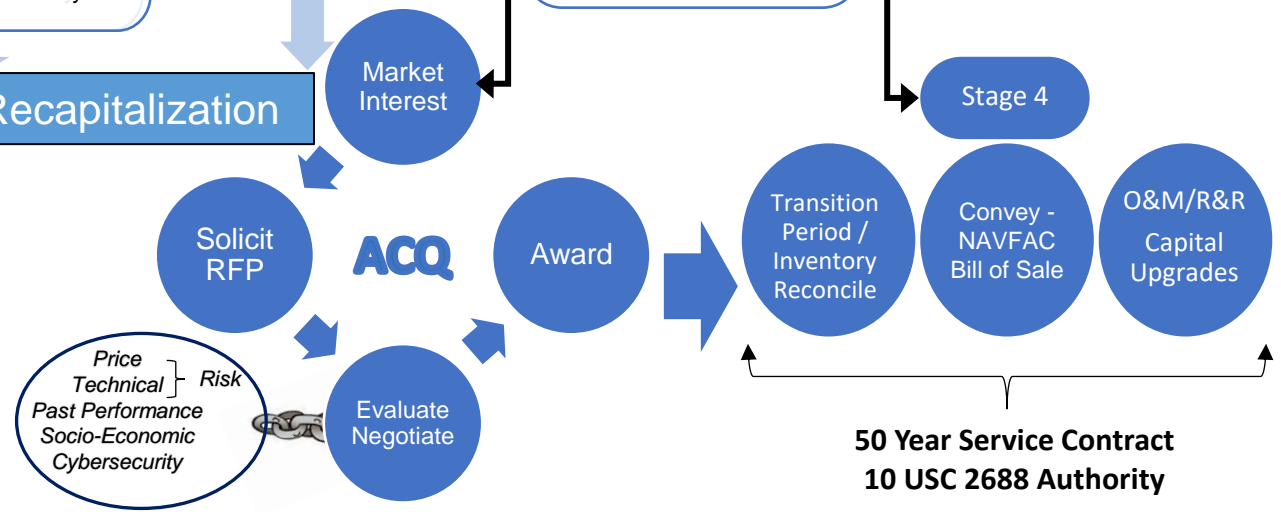
UP – 101 Navy Utilities Privatization

per 10 USC 2688 Utility Conveyance Authority: Decision Analysis



Off-Ramp to other Recapitalization

- Other Authorized Recapitalization Methods**
- Local, Region or Centralized SRM
 - MILCON
 - MILCON – ERCIP
 - Real Estate – EUL – IKC, PPV
 - ESPC or UESC
 - Inter-Governmental Work Agreement



50 Year Service Contract
10 USC 2688 Authority



UP 101 - Recognizing UP Opportunities

Avoiding Common Myths

- **Common UP myths**
 - **Privatization means loss of control**
 - Contract paragraph C.9.7 Government Operation - During Contingencies and/or in the event of Contractor Non-Performance, the Government may take over operation of the system.
 - Contract paragraph C.3.4.1 Energy Security and Conservation Projects - UP contracts ensure the government can enter into energy security projects with other entities
 - UP can provide an increased level of control - opportunities to craft UP contracts unique to installation requirements (e.g. microgrids or distribution level demand response - batteries, renewables, fuel cells) including expert sustainment.
 - **Privatization can only occur with the local utility provider**
 - There are many providers qualified to own and operate Government utility systems – national utility companies, regional utility operators, regulated utilities, municipalities and other public authorities.
 - **UP Costs More: All in Perspective - A Yes and No answer**
 - **Yes**, UP costs more than the insufficient funding provided today that fails to mitigate increasing RM backlogs and poor system reliability. **No**, the UP lifecycle almost always costs less than increased government spending to support an in-house or BOS staff to operate, maintain, and recapitalize a fully functional and reliable utility system.

Navy Utility Privatization Pipeline

Past Year to Current

- NAS Patuxent River, MD – Water/Wastewater to ASUS
- NSF Indian Head, MD – Electrical to SMECO
- 37 Systems at 11 locations across MD, VA, SC, FL, MS, TX privatized since first award in 2004

Near Future (Awards in the next 5 years):

- OPNAV POM26 Request For:
 - 5 Electrical Systems including 4 near Norfolk, VA; NAS Key West, FL
 - 3 Water Systems including NAVSUB Kings Bay, GA; NS Mayport, FL and JB Pearl Harbor - Hickam
 - 2 Wastewater Systems including NAVSUB Kings Bay, GA and one JB Pearl Harbor - Hickam

Mid-Future (Awards in the next 5-10 years)

- 10 Electrical Systems
- 8 Water Systems
- 6 Wastewater Systems

NS Mayport Wastewater UP Mission & Benefits

Stationed Mission Units:

- Commander, US Naval Forces South
- Commander, Helicopter Maritime Strike Wing, Atlantic Fleet

Supporting Critical Infrastructure and State Regulatory Requirements

- **Naval Station Mayport** has become the **third largest fleet concentration** area in the United States. Mayport is unique in that it is home to a busy seaport as well as an air facility. Mayport's operational composition is unique, with a basin capable of accommodating 34 ships and an 8,000-foot runway capable of handling any aircraft in the DoD inventory. Privatization of the NS Mayport wastewater systems will address critical resiliency and regulatory issues, including:
 - **Nitrogen removal from the effluent to a protected waterway**
 - **Reliable infrastructure condition**

Solution- Recap a utility system and save \$ vs. a MILCON

- Privatization as a means of recapitalizing the wastewater collection system including Oily Waste and WWTP at main base. A **FY18 MILCON bid bust** resulted in UP identified as path forward by N46 to resolve wastewater discharge **Consent Order requirement**, with compliance deadline of SEP 2023. EA FONSI signed FEB 2022. **Awarded Utility Privatization Contract to American Water in 2022 for \$341M.**



Joint Expeditionary Base Little Creek-Fort Story Water System Mission & Benefits

Stationed Mission Units:

- Expeditionary and amphibious forces

Supporting Critical Infrastructure, Regulatory Requirements and Solution:

- **Fort Story Water Tower** deficient since design and construction by the ACOE ~ **oversized and too low**
- **Secured Unspecified Minor Military Construction (UMMC)** Funds for a smaller tower at the correct height.
- In 2024 NDAA, **Congress edited the language of 10 USC 2688 (k) Utility Systems Conveyance Authority** to allow for usage of “**authorized and appropriated for by law**” MILCON funds for sole-source award to privatized utility System Operators (SO).
- Legal Review, found that **UMMC lump sum funding** in the NDAA were deemed **not a line item “authorized and appropriated for by law”** and unfortunately could not be used to fund 2688 projects.
- Under **FAR Part 41 - Acquisition of Utility Services Authority** allows for project scoping, development, funding, solicitation and sole-source award of system **recapitalization and upgrades with OMN Funds** to a SO within the same fiscal year and without going to Congress.
- **Awarded Contract modification to ASUS System Operator 27 SEP 2024** for the Fort Story water system in the amount of **\$8.5M** to ensure compliance with National Fire Protection Association (NFPA) and Unified Facilities Criteria (UFC) 3-600-01, Fire Protection Engineering for Facilities, fire flow code requirements.

Questions

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