



The Power of P3 in Utilities

MARCH 2025 ADC National Summit



An Exchange Transaction: A Novel P3 Approach

What is it?

Reserve Component:

10 USC 18240:

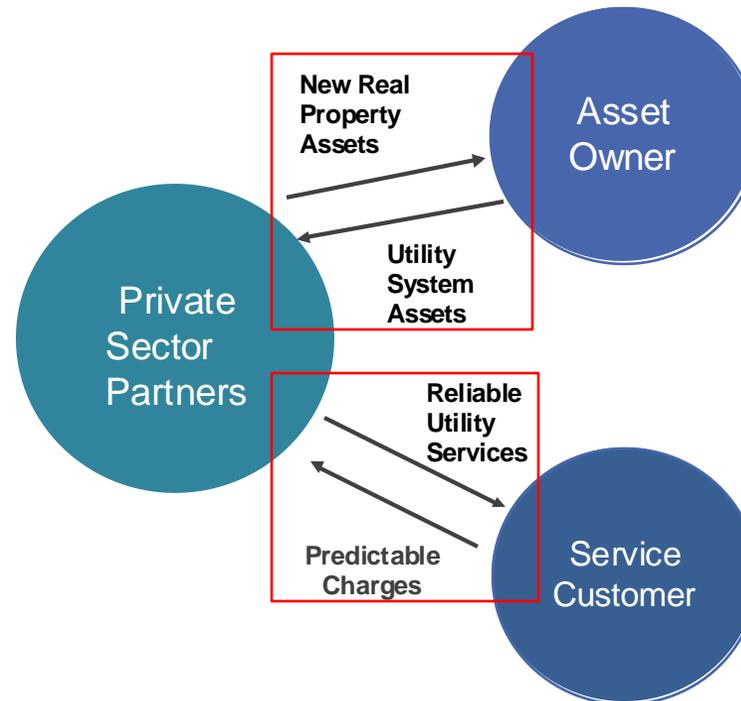
Secretary of Defense may authorize the Secretary of a military department to **acquire a facility**, or addition to an existing facility, needed to satisfy military requirements for **a reserve component** by carrying out an exchange of an existing facility, under the control of that Secretary....

Active Component:

10 USC 2869:

The Secretary concerned may enter into an agreement to **convey real property, including improvements** thereon....

How Does it Work ?



What are the benefits?

Benefits

- 12-30% life cycle cost reduction compared to Utility Privatization
- Reduced Procurement Timeline (Exchange 6-24 mo.; UP 36-60 mo.)
- Reduced Government Operational and Environmental Liabilities
- Performance Guarantees which:
 - Protect against poor or insufficient delivery
 - Decrease outages (time, duration and number effected)
 - Increase resilience
- Installation Receives In-Kind Value of Asset

P3 Case Study– JBCC Water & Wastewater Systems

PHASE 1

Divestment of Installation Utility Assets.

- Provides a reduction in threshold for business/ use case
- Rapid acquisition potential
- Bundled authorities use
- Implement operational and contractual efficiencies
- Asset deficiencies are identified and corrected, optimizing system
- Increased resiliency, decreased mission interruption, decreased Government responsibilities
- Installation receives In-Kind Consideration for fair market value of the utility system

PHASE 2

Utilization of Excess Capacity & Expanded Services Capabilities.

- Through operational efficiencies and deficiency corrections, additional capacity is realized
- Excess capacity usage is negotiated to support defense community utility needs
- Multiple utilities contracts allow the ability to support shared cost structures, providing economies of scale and cost offsets to the installation
- Additional service facilities can be constructed on underutilized land, allowing for further cost-sharing opportunities

PHASE 3

Upper Cape Cod Regional Wastewater Treatment Plant.

- The 360 KGD, underutilized wastewater treatment plant will be replaced with a 3 MGD advanced treatment plant to service the installation and surrounding communities
- Increased customer base, more predictable flow = economic and operational dream team
- Additional, blended funding sources available for use to reduce cost burden to all system and plant customers
- Final model is unregulated, wholesale service to the Upper Cape Region



| Illustrative Example | Pre-Divestment | Phase 1 Divestment | Post- Regional Build Out |
|--------------------------------|----------------|--------------------|--------------------------|
| Assets Replacement Costs (RCN) | \$80 M | \$80 M | \$1,000 M |
| Maintenance Backlog | \$60 M + | \$ - | \$ - |
| System Annual O&M | \$800 k | \$5 M | \$15 M |
| Planned System Replacement | < \$200 k | \$1.2 M | \$20 M |
| Installation Share (%) | 100% | 100% | 5% |
| Total Cost to Government | \$1 M | \$6.2 M | \$1.75 M |
| Mission Interruption Risk | HIGH | LOW | VERY LOW |
| Community Service Interruption | N/A | DECREASED | LOW |

Operational Benefits

A lower Cost of Service with the same performance guarantees

Primary Exchange *Savings* Components:

- R&R savings accomplished through: (1) optimized capitalization in lieu of replacing assets like-for-like, and (2) engineering approach to sustainment and replacement (**estimated savings: 15%-25%**)
- O&M savings accomplished through staffing efficiencies by avoiding unnecessary non-value-added requirements (**estimated savings: 15%-25%**)
- Contract management savings achieved through reduced Government oversight tasks (**estimated savings: 3%-5%**)
- Local Government oversight tasks reduced (**estimated savings: 1%-2%**)

Key Exchange *Benefits* as compared to typical O&M contract:

- Administration of operations, maintenance, and capitalization are Contractor responsibilities; no longer Government responsibilities
- Environmental responsibilities associated with system maintenance are Contractor responsibilities; no longer Government responsibilities
- Base utility infrastructure receives dedicated funding, thus:
 - Availability notably increases
 - Outages notably decrease
 - Resilience notably increases

Installation Perspective

Government Goals in Transaction:

- Elimination of Deferred Maintenance Backlog
- Improved Resiliency
- Enhanced Mission Assurance and Cost Certainty
- System Performance Guarantees
- Continued provisions for base utility services
- Right-size base infrastructure and footprint
- Right of First-Refusal for Title 5 employees
- ANG HQ – Divest of all base-owned/operated water utility assets
- Consideration for community stakeholder involvement for regional system

Background:

- MA ANG inherited the systems from AF in 1974 while remaining a small utility user
- Numerous Divestment attempts (all failed)
 - Pre- 2013 Multiple attempts at Utility Privatization (No private Sector Interest)
 - 2013-2018 Mass Development (State Agency focused on redevelopment)
 - 2018 Wampanoag Tribe



Conclusion:

In identifying a need for a non-traditional approach for JBCC after several failed attempts, the Converge / ASUS proposal was selected as the best mix of cost and mission assurance and in the best interest of 102nd IW and MAANG

Scope of Opportunities

The Exchange Pilot Authority, under 2869, was extended to 2029. This statute is very flexible and could be utilized more broadly to meet both installation and defense community needs. We invite communities and installation representatives to explore opportunities around:

- Utilities
 - Water & Wastewater
 - Power Generation
 - Power Distribution
 - Gas
 - Heat/Steam
 - Large Data/Communication

- Infrastructure Assets
 - Runways
 - Bridges

- Industrial Production and Processing

- Underdeveloped Real Estate



Questions

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