Session: Utilities Privatization – A Path to DoD Energy Resilience

OSD Overview

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Utilities Privatization

- The Office of the Secretary of Defense (OSD) directed the Services to implement UP
  - 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
  - The purpose of UP is to modernize, recapitalize, and maintain utility systems at industry standard
  - In the privatization process, military installations shift from the role of owner-operators to that of smart utility service customers
    - Service Contracts can be up to 50 years.
In FY15, OSD conducted post conveyance reviews of 9 utility systems across the Services to better understand the benefits and concerns of privatization actions.

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<th>Military Department</th>
<th>Installation</th>
<th>State</th>
<th>Utility Type</th>
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<td>Fort George G. Meade</td>
<td>MD</td>
<td>Water/Wastewater</td>
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<td>Army</td>
<td>Fort Myer, now part of Joint Base Myer-Henderson Hall and Fort McNair</td>
<td>VA/DC</td>
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<td>Andrews Air Force Base, now part of Joint Base Andrews</td>
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Benefits: Overall, Utilities Privatization has provided greater resiliency and benefits than predicted

- New system owner often operates at higher standards, resulting in greater resiliency and reliability
- Reduction in emergency and service calls
- Better trained resources
- Implementation of preventative maintenance systems
- Correction of Life Safety issues
- Commodity Reduction
- Installations are looking for ways to achieve energy resiliency by leveraging other energy programs

Concerns:

- Discrepancy in system inventory pre vs. post-privatization
- Funding has been a concern: modification and planning for capital upgrades
- Better metrics are needed and are being developed to manage the long term success of privatization
DoD Utilities Privatization

• Each Military Department Secretary is committed to effectively executing the DoD Utilities Privatization Program
  – Privatization is the preferred tool for providing utility service at Industry standards

• DoD needs Industry’s best practices and innovations
  – We have made progress in privatizing 585 systems to date
  – We have more work to do and need to continue to partner with Industry
UP Status Summary

- DoD installations have about 2,600 electric, water, wastewater, and natural gas utility systems valued at about $50 billion.
Systems Privatized

- 585 DoD systems have been privatized
• **548** DoD systems available to be evaluated

### Systems Available to Privatize

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- **Electric** 23%
- **Natural Gas** 17%
- **Wastewater** 30%
- **Water** 30%
- **Thermal/Steam** 0%
Summary

• Each Military Department Secretary is committed to effectively executing the DoD Utilities Privatization Program

• Lessons learned are being integrated
  – Reflected in ongoing practices within each Service

• Services are executing a comprehensive plan to reach privatization decisions on remaining 548 systems

• Partnering with Industry is essential!
UP Points of Contact

• Office of the Assistant Secretary of Defense (Energy, Installations, and Environment)
  – Crystall Merlino, (571) 372-6844

• Army Chief of Staff (Installation Management)
  – Curt Wexel, (703) 545-2470

• Department of the Navy
  – Mike Savena, (703) 479-4274

• Air Force Chief of Staff (Installation & Logistics)
  – Maj Nicki Borgstrom, (703) 692-9688

• Defense Logistics Agency Energy
  – Martha Gray, (703) 617-1529