



Utility privatization: Safety is our top priority

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DLA Energy Public Affairs

Tyndall Air Force Base, Fla., joined the ranks of 55 other Department of Defense installations Sept. 28, benefiting from utility privatization contracts executed by the Defense Logistics Agency Energy. Under the utility privatization program, the base's utility infrastructure was transferred to private companies who now own, operate and maintain these systems.

Gulf Coast Electric Cooperative received a contract with an estimated value of \$117 million to own, operate and maintain the electric and water systems on the base, bring the infrastructure up to industry standards and provide utility services across the systems for the next 50 years, said Laurie Carlson, a division chief with DLA Energy's Energy Enterprise business unit. She estimated the company will invest \$725,000 to upgrade the systems. Peoples Gas received the contract for the base's natural gas system with an estimated value of more than \$14 million, Carlson added.

The utility privatization program, which began in 1997 after a 1990 fatal pipeline explosion at Fort Benjamin Harrison, Ind., highlighted the danger of DoD's deteriorating utility infrastructure, provides many benefits to DoD, the military Services and installations, explained Deputy Director of Energy Enterprise Eric Moore.

"First and foremost is energy security," Moore said. "The lives and safety of base workers and families is our top priority. Installations benefit by receiving utility

services via safe, reliable and modernized systems with the assurance that the new system owner will maintain this level of service throughout the contract performance period," he explained. "Absent the privatization of these systems, it might not be possible [for installations] to obtain the additional funding needed to address utility system deficiencies." Moore added that some of DoD's utility infrastructure is more than 50 years old.

The program also helps the military Services and installations budget for expenses because most of the new system owner's costs for upgrades and maintenance are recovered over the 50-year contract period in a monthly service charge. And, because the military units at the installation no longer have to provide personnel to manage and operate the utility systems, they can concentrate on their critical missions, Carlson said.

Finally, Moore said, one requirement of the program is that the cost of privatizing a system must be at least 10 percent lower than the estimated cost of the government continuing to own, operate and upgrade the system to industry standards.

Though neither Moore nor Carlson noted it, officials in communities surrounding installations participating in utility privatization have also cited local job opportunities as another possible benefit of the program.

Moore said the Air Force and Army both participate in DLA Energy's program, and the Services determine which installations will be offered for utility privatiza-

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Warfighter Support Enhancement

Left: Units at Tyndall Air Force Base, Fla., can now concentrate on their critical missions, like those supported by this F-22 Raptor, without dedicating personnel to maintain and operate natural gas, electricity and water systems on the base. The Defense Logistics Agency Energy utility privatization program recently executed contracts to transfer these systems to civilian companies who will own, operate and maintain the

systems for the next 50 years.

Below: Utility privatization contracts like those just executed for Tyndall Air Force Base, Fla., by the Defense Logistics Agency Energy, provide safe, modernized and reliable utility services for installations' operations, services and housing areas, including the child development center.



tion contracts through the DLA Energy program. Electric, natural gas, water and wastewater systems can all be privatized. As of Dec. 5, DLA Energy had privatized 91 utilities systems at 55 installations with an estimated total contract value of \$9.5 billion. Moore expects those figures to rise to 65 installations and more than 140 systems by 2017 based on Army and Air Force projections.

The utility privatization process, which comprises two contractual actions—transferring ownership of the system to a company and procuring 50 years of utility services, takes two years to complete.

“There’s a lot of effort, coordination and teamwork required to reach the goal,” Carlson said. The military Services are involved at the service level, major command level and installation level, Moore explained, and DLA Energy legal, resource and policy professionals work alongside the Energy Enterprise team to ensure success.

Defense Department-wide, there are 2,600 utility systems valued at \$50 billion in 2005. Many could benefit from utility privatization. 