



# **DLA ENERGY WORLDWIDE Energy Conference:**

## **Refining Global Energy Strategies**

### **Navy Utilities Privatization (UP)**

**10-12 April 2017**

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# Benefits and Challenges



## ➤ *Benefits*

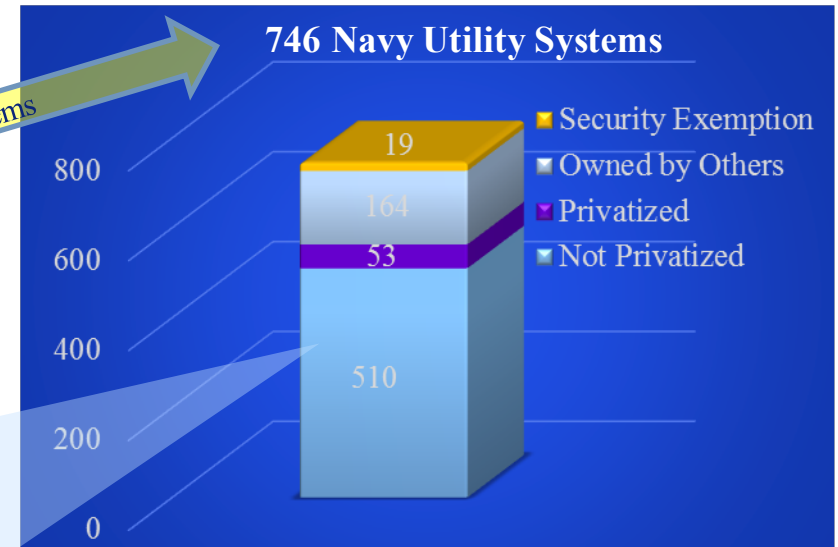
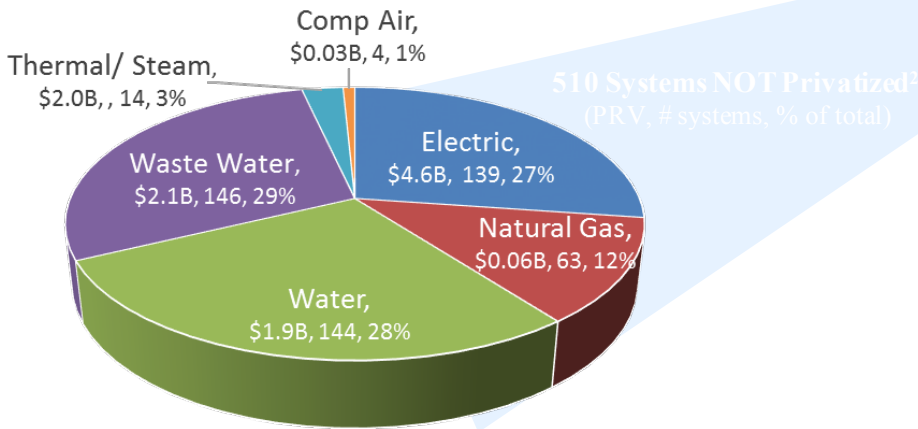
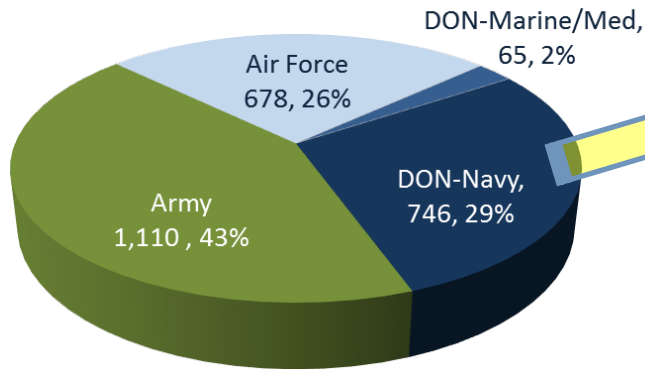
- **Cost savings/avoidance**
- **Unbudgeted risk transfer: Fiscal risk with unplanned failure due to weather, natural disasters, etc.**
- **Increased reliability: Condition & manning enhancements**
- **Upgrade technology: State-of-the-art technology & practices**
- **Predictable Budget: Steady state recapitalization program**

## ➤ *Challenges*

- **Difficult to accommodate change (50 year contracts)**
- **UP Process is time-consuming**
- **Manpower changes/Possible RIFs**

**UP should be utilized as a tool to manage overall utility portfolio**

# Privatization Status



DoD Privatization Efforts			
	Total / Privatizable	Privatized	%
Army	1110 / 586	360	61%
Air Force	678 / 601	151	25%
Navy	746 / 582	53	9%

# Utility Privatization Evaluation



## ➤ *Consider UP efforts when:*

- Utility assets are in need of significant capital upgrades
- Emerging environmental compliance issue requiring significant capital investment
- Location makes it difficult to hire/retain a federal workforce
- Privatizing poses a high probability of success, low risk, and where there is an interested regulated utility provider outside the fence line

## ➤ *Develop the following:*

- Establish UP metrics, performance measures, goals and policies for a reinvigorated UP Program
- Update decision making models, templates, & consolidate databases and supporting IT.

# Utilities Privatization Approach



FY17

Screening,  
Market Survey,  
RFP

FY18

Best Value  
Selection,  
Negotiations

FY19

Negotiations/  
Approvals

- **Draft Requirements and criteria document**
- **Determine initial target Installations and Prioritize**
- **Conduct Evaluations and Assessments**
- **Develop the Business Case and Recommendations**



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