



DEPARTMENT OF THE NAVY
OFFICE OF THE CHIEF OF NAVAL OPERATIONS
2000 NAVY PENTAGON
WASHINGTON, D.C. 20350-2000

IN REPLY REFER TO
November 10, 2003; 4:00PM

ACTION MEMO

FOR: DEPUTY ASSISTANT SECRETARY OF THE NAVY (I&F)

FROM: RDML R. L. PHILLIPS, Deputy Director, Ashore Readiness Division

SUBJECT: UTILITIES PRIVATIZATION QUARTERLY REPORT

- Forward report to the Under Secretary of Defense for Acquisition Technology and Logistics (USD) (AT&L) (TAB A).
- Department of Defense Reform Initiative Directive (DRID) #49 and Revised OSD Guidance for Utilities Privatization dated October 9, 2002 task each Military Department with submitting quarterly reports to the USD AT&L on the progress of their Utilities Privatization Program.
- The Department of the Navy Utilities Privatization Quarterly Report is for the period July 1, 2003 to September 30, 2003 at (TAB B).

RECOMMENDATION: DASN (I&F) sign (TAB A).

COORDINATION: TAB C

Attachments:
As stated

Prepared by: LCDR L. Aguayo, Code N431, (703) 601-1632.



Department of the Navy Utilities Privatization Quarterly Report

Submitted to
Under Secretary of Defense for
Acquisition, Technology and Logistics
October 2003

EXECUTIVE SUMMARY

INTRODUCTION

This quarterly report provides the status on executing the Department of the Navy's (DoN) Implementation Plan for privatizing utility systems as submitted by the Secretary of the Navy to the Deputy Under Secretary of Defense for Installations in support of the Department of Defense Reform Initiative Directive (DRID) #49 – *Privatizing Utility Systems*. This report updates the planning, scheduling and execution requirements outlined in the Navy and Marine Corps Utilities Privatization Implementation Plans. Included is a detailed listing of the current inventory of Navy and Marine Corps utility systems worldwide and its associated execution status information, a total of 816 systems at 138 activities/installations. All data is current as of 30 September 2003.

SUMMARY OF PROGRESS

1. Annual Baseline Adjustment. OSD guidance permits a once per year adjustment of the baseline systems inventory, effective at the beginning of the new fiscal year. This baseline inventory adjustment is reflected in this quarterly report. The inventory of DoN utility systems has been adjusted to 816 systems (from 824 systems the past four quarters) after a revalidation of the database. This adjustment resulted in a corresponding adjustment in the number of systems available to privatize to 654 systems (from 662). The net change of 8 systems is due to one system being added to the inventory and 9 systems removed, in order to align the database with the systems listing in actual RFPs. These changes do not significantly affect the RFP or SSA completion profile charts.

The annual baseline adjustment includes updates to the projected Request for Proposal (RFP) Closure and Source Selection Authority (SSA) completion dates for numerous systems, in order to reflect the current schedule. This corrective adjustment slightly alters the projected number of systems for the 30 September 2004 interim milestone for SSA completion to 330 systems, meeting the 50% goal.

2. Progress Reports. DoN's progress towards meeting the goals established under the DOD Revised Guidance for Utilities Privatization Program of 9 Oct 2002 is summarized below. We have also forwarded an electronic copy of this report, along with its supporting database.

a. Current Status.

System Type	Total Number of Systems	Privatized Before Dec 98	Owned By Others	Available to Privatize	Pending Re-Assessment	On Hold or Temp Defer	Active Pending RFP Release	RFP Released Pending Closure	RFP Closed Pending SSA Decision	SSA Decision Made Pending Notification	Security & Mission Exempt	Econ. Exempt Pre-RFP	Econ. Exempt Post-RFP	Contract Award
Electric	242	2	55	185	1	3	10	14	136	0	7	4	6	5
NG	85	7	1	77	0	0	0	4	62	0	0	1	6	4
Water	239	0	49	190	0	8	6	27	138	0	3	3	2	3
WW	232	0	48	184	0	8	8	20	138	0	3	2	2	3
Other	18	0	0	18	0	0	1	0	15	0	0	0	2	0
Total	816	9	153	654	1	19	25	65	489	0	13	10	18	15
				654		Delayed:	25	Under Acquisition:	554		Total Exempt:	41		15
				100%		3%	4%		85%		6%		2%	

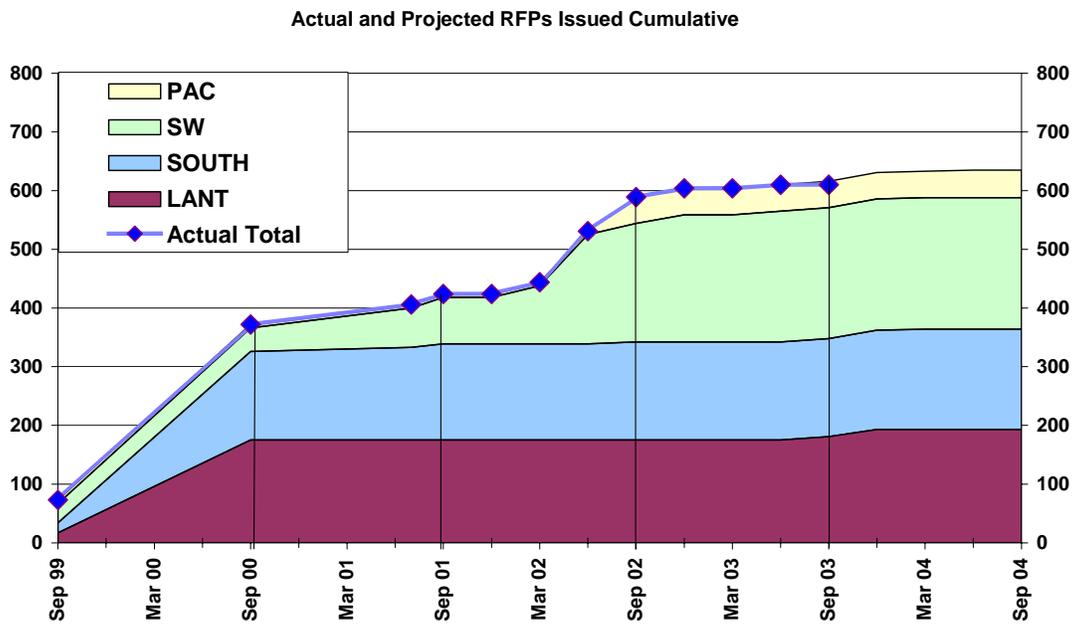
System Type	# With at least RFP Closed or Exempt	%	# With at least SSA Decision Made or Exempt	%	Total # of Systems Privatized	% of Total Systems Privatized	% of Total Systems Originally Owned by Others	% of Total Systems Exempt	Total DRID Complete
Electric	158	85%	22	12%	7	3%	23%	7%	33%
NG	73	95%	11	14%	11	13%	1%	8%	22%
Water	149	78%	11	6%	3	1%	21%	3%	25%
WW	148	80%	10	5%	3	1%	21%	3%	25%
Other	17	94%	2	11%	0	0%	0%	0%	11%
Total	545	83%	56	9%	24	3%	19%	5%	27%

b. Projected and Actual Progress Summaries.

System Type	E	G	W	WW	O	Total	%	E	G	W	WW	O	Total	%
Avail. To	185	77	190	184	18	654		185	77	190	184	18	654	
	Planned RFPs Issued Cumulative							Actual RFPs Issued Cumulative						
Sep 99	23	1	1	1	0	24	3%	23	1	1	1	0	24	3%
Sep 00	98	42	114	108	4	366	48%	98	42	114	108	4	366	48%
Jun 01	104	49	126	114	5	398	54%	104	49	126	114	5	398	54%
Sep 01	122	55	138	123	7	445	61%	122	55	138	123	7	445	61%
Dec 01	121	56	138	122	7	444	61%	121	56	138	122	7	444	61%
Mar 02	126	61	143	127	7	464	64%	126	61	143	127	7	464	64%
Jun 02	157	86	181	166	19	609	84%	157	86	181	166	19	609	84%
Sep 02	163	74	179	168	16	600	91%	163	74	179	168	16	600	91%
Dec 02	169	78	181	173	17	618	93%	169	78	181	173	17	618	93%
Mar 03	169	78	181	173	17	618	93%	169	78	181	173	17	618	93%
Jun 03	172	78	177	170	17	614	93%	172	78	177	170	17	614	93%
Sep 03	172	77	176	168	17	610	93%	172	77	176	168	17	610	93%
Dec 03	180	77	182	175	17	631	96%							
Mar 04	181	77	182	175	18	633	97%							
Jun 04	182	77	182	176	18	635	97%							
Sep 04	185	77	190	184	18	654	100%							
	Planned RFPs Closed Cumulative							Actual RFPs Closed Cumulative						
Sep 00	22	11	11	10	0	54	8%	22	11	11	10	0	54	8%
Sep 01	42	16	29	27	2	116	18%	42	16	29	27	2	116	18%
Dec 01	45	19	32	30	2	128	20%	45	19	32	30	2	128	20%
Mar 02	49	20	35	33	3	140	21%	49	20	35	33	3	140	21%
Jun 02	49	26	43	40	2	160	22%	49	26	43	40	2	160	22%
Sep 02	61	31	61	53	2	208	31%	61	31	61	53	2	208	31%
Dec 02	79	38	81	73	3	274	41%	79	38	81	73	3	274	41%
Mar 03	102	44	95	94	3	338	51%	102	44	95	94	3	338	51%
Jun 03	146	69	139	139	15	508	77%	146	69	139	139	15	508	77%
Sep 03	158	73	149	148	17	545	83%	158	73	149	148	17	545	83%
Dec 03	159	74	152	146	17	548	84%							
Mar 04	177	77	179	172	17	622	95%							
Jun 04	179	77	180	173	18	627	96%							
Sep 04	182	77	182	176	18	635	97%							
Dec 04	182	77	182	176	18	635	97%							
Mar 05	182	77	182	176	18	635	97%							
Jun 05	182	77	182	176	18	635	97%							
Sep 05	185	77	190	184	18	654	100%							
	Planned SSA Decisions Cumulative							Actual SSA Decisions Cumulative						
Sep 00	7	1	2	2	0	12	2%	7	1	2	2	0	12	2%
Sep 01	7	2	5	4	0	18	3%	7	2	5	4	0	18	3%
Dec 01	8	4	8	7	0	27	4%	8	4	8	7	0	27	4%
Mar 02	8	4	8	7	0	27	4%	8	4	8	7	0	27	4%
Jun 02	8	4	8	7	0	27	4%	8	4	8	7	0	27	4%
Sep 02	8	4	8	7	0	27	4%	8	4	8	7	0	27	4%
Dec 02	8	4	8	7	0	27	4%	8	4	8	7	0	27	4%
Mar 03	14	9	8	7	0	38	6%	14	9	8	7	0	38	6%
Jun 03	20	11	11	10	0	52	8%	20	11	11	10	0	52	8%
Sep 03	22	11	11	10	2	56	9%	22	11	11	10	2	56	9%
Dec 03	38	17	32	31	3	121	19%							
Mar 04	43	20	36	34	4	137	21%							
Jun 04	44	22	38	37	5	146	22%							
Sep 04	104	41	90	90	5	330	50%							
Dec 04	125	59	111	111	16	422	64%							
Mar 05	131	62	124	118	16	451	69%							
Jun 05	163	73	159	152	17	564	86%							
Sep 05	185	77	190	184	18	654	100%							

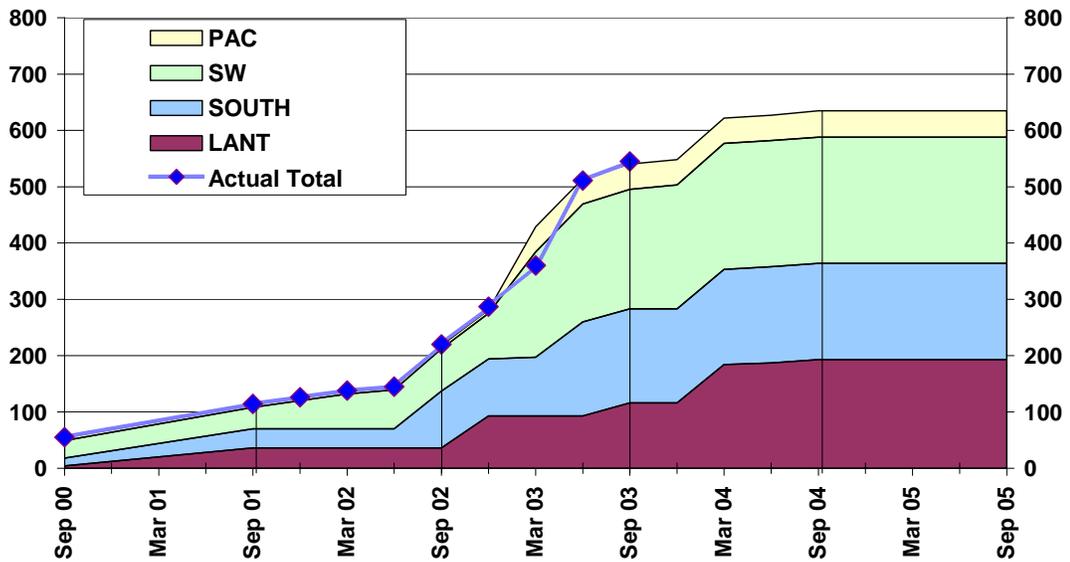
3. RFP Issued Status. RFPs have been issued (or have been exempted) for 610 of 654 systems, which represent 93% of DoN systems being considered for privatization. This represents a decrease of 4 systems from 614 systems (93%) last quarter, caused by the baseline adjustment deletion of 4 systems that previously had RFPs issued. By the next quarterly report, DoN expects to have issued RFPs for 631 systems (97%).

- There are 6 systems at the Naval Research Laboratory which have not yet been advertised. The original projected RFP release dates have passed. These utility systems transferred to Commander, Navy Installations (CNI) on 1 OCT 03. CNI has assumed the responsibility and is prepared to provide funding for RFP release.



4. [RFP Closure Status](#). RFPs have closed (or have been exempted) for 545 systems, or 83%. Last quarter, 508 systems, or 77%, had closed. By the next quarterly report, DoN expects to have closed RFPs for 548 systems (84%). The Navy exceeded the OSD interim milestone of RFP closure for 80% of systems by 30 September 2003.

Actual and Projected RFPs Closed or Exemptions



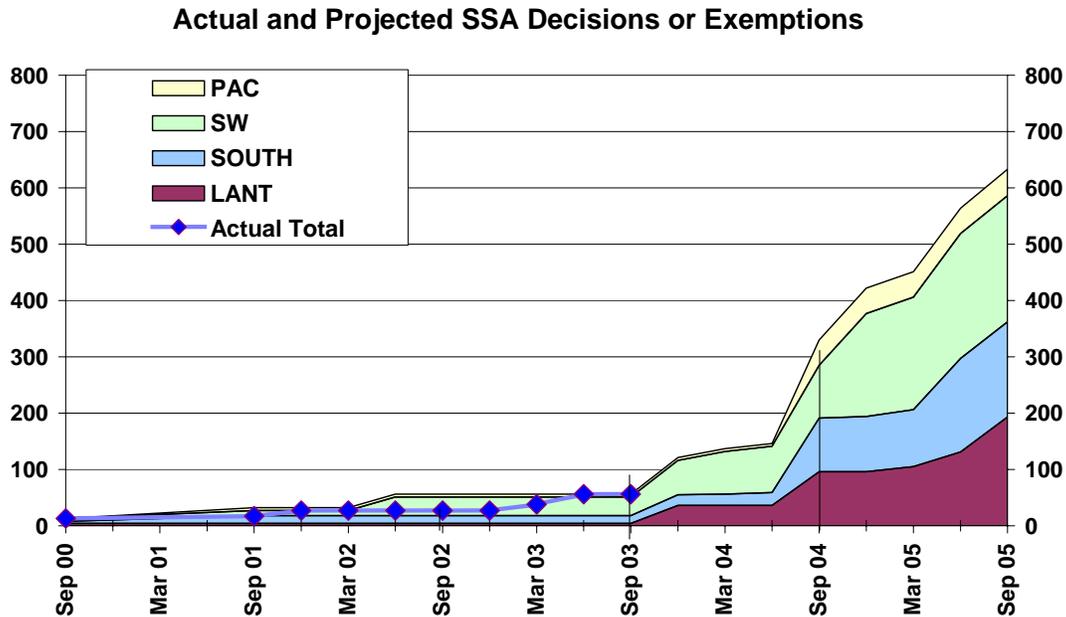
5. SSA Decisions. To date, there have been 56 of 654 systems (9% of DoN systems being considered for privatization) that have either been exempted or have reached SSA decisions. This is an increase from 52 systems (8%) last quarter. DoN expects to meet the proposed OSD Milestone of having achieved SSA decisions for all systems by 30 September 2005. The Navy also expects to achieve the interim milestone of having SSA decisions for 50% of systems by 30 September 2004.

Decisions This Quarter

- The electric system at the Everett’s Magnolia Housing area was privatized to the City of Seattle in a real estate deal that transferred both the land and the system to the city.
- The electric system at Atlanta’s Windy Hill site was privatized to Georgia Power Corporation (GPC) through a modification of the utility services contract.

Other Projected SSA Date Information

- The electric and steam systems at Great Lakes have a projected SSA date of 2006. The initial electric system RFP received no interest, however, DASN (I&F) directed Great Lakes to readvertise the electric system and include the steam system. This effort is on-going.



6. Privatization Awards. There were 2 privatization awards made during the last quarter. The electric system for Everett's Magnolia quarters was conveyed to the City of Seattle in a real estate transaction. Atlanta's Windy Hill electric system was privatized by modification of the service contract. To date, there have been 15 systems with privatization awards.

Privatization Awards

Activity	Water	Electric	Sewer	Gas	Other	Comments
NSY Norfolk	-	1	-		-	Privatized Jul 1999
NSA Midsouth	-	-	-	1	-	Privatized (by replacement) Sep 1999
NCBC Gulfport	-	-	-	1	-	Privatized (by replacement) Dec 2000
COMNAVREG San Diego (Housing)	3	2	3	2	-	Privatized (by Housing PPV) May 2003
NAVSTA Everett Magnolia Quarters	-	1	-	-	-	Privatized (by real estate transaction) Aug. 2003
NAS Atlanta Windy Hill site	-	1	-	-	-	Privatized (by service contract modification) Sep 2003

7. Congressional Notifications. There are currently no Congressional notifications pending.

8. Exemptions and Deferrals. New exemptions were granted for 2 systems during the past quarter. The steam distribution systems at Whidbey Island and Everett were granted economic exemptions due to a lack of market interest. The current status of all exemptions and deferrals is shown in the following graphs.

Security Exemptions

Activity	Water	Electric	Sewer	Gas	Other	Comments
NSF Thurmont	1	1	1	-	-	Approved by DASN(I&F) Apr 1999
SWFLANT Kings Bay	-	1	-	-	-	Emergency Electrical System for Limited Area approved Jul 1999
SUBASE Kings Bay	1	1	1	-	-	Approved by DASN (I&F) May 2001
SUBASE Bangor	1	-	1	-	-	Approved by DASN (I&F) May 2001
NAVMAG Guam	-	1	-	-	-	Approved by DASN (I&F) July 2003
PWC Guam	-	1	-	-	-	Approved by DASN (I&F) July 2003
NAVHOSP Guam	-	1	-	-	-	Approved by DASN (I&F) July 2003
NCTS Guam	-	1	-	-	-	Approved by DASN (I&F) July 2003

Economic Exemptions Pre-RFP

Activity	Water	Electric	Sewer	Gas	Other	Comments
NSB Bangor	-	1	-	-	-	Approved by DASN(I&F) Sep 2000
NAVSTA Bremerton	-	1	-	-	-	Approved by DASN(I&F) Sep 2000
NRC Jim Creek	-	1	-	-	-	Approved by DASN(I&F) Sep 2000
NAWCTSD Orlando	1	-	1	-	-	Approved by DASN(I&F) Sep 2000
MCB Kaneohe Bay	1	-	-	-	-	Approved by DASN (I&F) Apr 2001
Ind Ord Plt Magna, Utah	1	1	1	1	-	Approved by DASN (I&F) Dec 2001

Economic Exemptions Post-RFP

Activity	Water	Electric	Sewer	Gas	Other	Comments
NAS Atlanta	2	-	2	1	-	Approved by DASN (I&F) Nov 2001
MCAS Yuma	-	6	-	3	-	Approved by DASN (I&F) Feb 2003
MCLB Barstow	-	-	-	2	-	Approved by DASN (I&F) Feb 2003
NAS Whidbey Island	-	-	-	-	1	Approved by DASN (I&F) Oct 2003
NAVSTA Everett	-	-	-	-	1	Approved by DASN (I&F) Oct 2003

Deferrals

Activity	Water	Electric	Sewer	Gas	Other	Comments
NS Roosevelt Roads	3	-	2	2	-	Approved by DASN(I&F) Dec 2001
MCB Camp Pendleton	4	-	3	-	-	Approved by DASN (I&F) Apr 2003
NAVMAG Guam	1	-	-	-	-	Approved by DASN (I&F) July 2003
PWC Guam	1	-	1	-	-	Approved by DASN (I&F) July 2003
NAVHOSP Guam	-	-	1	-	-	Approved by DASN (I&F) July 2003
NCTS Guam	-	-	1	-	-	Approved by DASN (I&F) July 2003