



Federal Services for Federal Customers

Presentation by
Defense Energy Support Center



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Agenda

- DESC Installation Energy Programs
- DoD Policy
- Customer/Stakeholder Support
- DESC Natural Gas Program
- DESC Coal Program
- DESC Electricity Program
- DESC Renewable Energy Program



DESC Installation Energy Programs

Coal – established in 1963

Procurement of coal, testing and delivery for DoD and Federal Civilian Agencies within CONUS. DESC is designated as the centralized procurement agency for coal.

Natural Gas – established in 1990

Defense Energy Program Policy Memorandum 91-1 provided the original policy for the centralized acquisition of direct supply natural gas for Military Installations throughout the continental U.S under DLA, through the DESC. The policy has since been incorporated into the DoD 4140.25-M.



DESC Installation Energy Programs

Electricity – established in 1996

In 1998, Defense Reform Initiative Directive (DRID) 21 directed DESC to execute regional demonstrations of total energy management, to include the aggregated purchase of electricity. DESC is executing the competitive acquisition of Retail Open Access for Department of Defense and Federal Civilian agencies in states that have implemented deregulation.

Renewable Energy – established in 2001

In December 2001, DESC awarded its first renewable energy contract on behalf of various DoD and Federal Civilian customers in Texas in response to Executive Order (EO) 13123, which encouraged the Federal Government to significantly improve its energy management in order to save taxpayer dollars and reduce emissions that contribute to air pollution and global climate change. In July 2004, members of the DESC team rec'd the Presidential Award for Leadership in Energy Management for their success in procuring electricity from renewable sources.



DoD Policy

Electricity & Renewable Energy:

The DoD Components are encouraged to partner w/ DESC and aggregate regional electricity requirements (including renewable energy) to competitively procure electricity and ancillary and incidental services needed to meet the identified requirements. Award determinations shall be based on best value compared to the applicable utility tariff available under a Utility Services Contract.

Natural Gas:

DESC is the DoD's central procurement agency for direct supply natural gas. DoD's policy is to competitively acquire direct supply natural gas under the natural gas program managed by DESC, when cost effective and the program has the same degree of supply reliability as other practical alternative energy sources. DESC and the DoD Components may mutually agree to exclude an installation from the DESC program under certain stated exemptions.



DoD Policy

Procurement Strategy:

The DoD Components are encouraged to partner w/ DESC to identify and develop risk mitigation strategies appropriate for the risk preference profile of the end-user and are encouraged to aggregate demand across facilities or agencies to maximize economic advantage.



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Speaker Name

August 6



DESC Installation Energy *Customer/Stakeholder Support*

- Procurement

- Offer centralized, competitive acquisition of installation-energy commodities
- Purchase of renewable energy and “Green Tags” for DoD & Fed Civ Agencies
- Aggregate Military Services and Federal Civilian customer requirements by local distribution company/pipeline/region to maximize the economic advantage

- Management & Administration

- Perform all contract administration of DESC awarded contracts
- Perform ordering, receipt and payment functions for customers
- Monitor energy market and industry trends
- Participate in the DoD Agency Energy Team Working Groups
- Participate in negotiations with local distribution companies for rate changes and tariff provisions as requested. Execute transportation agreements with the local utility company, pipeline and/or transmission companies.





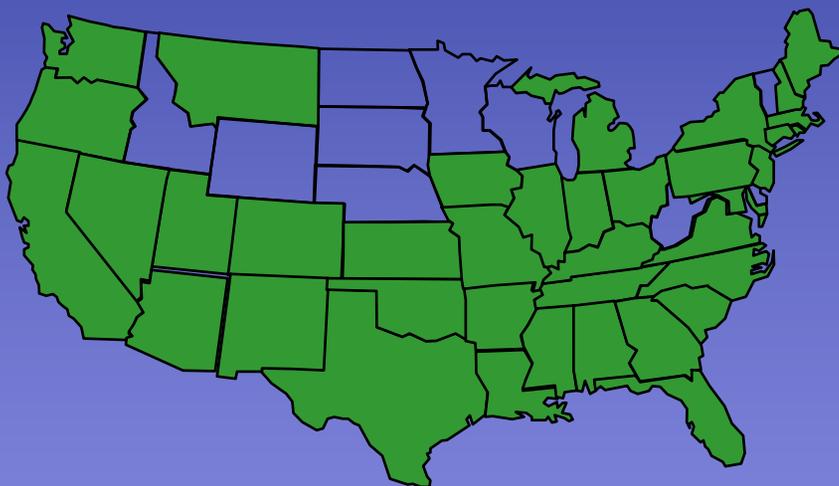
DESC Installation Energy *Customer/Stakeholder Support*

- **Technical Assistance**
 - In partnership w/ Services to execute risk mitigation strategy
 - Economic Analysis (utility tariff vs DESC supplier)
 - DESC has assumed coal certification training responsibilities from APC
- **Budget Stability**
 - Firm Fixed Pricing or Fixed Price Conversions
 - Block Power Purchasing
 - Risk Management Plan for Natural Gas Purchasing
- **Cost Effectiveness**
 - Natural Gas Cost Avoidance
 - In excess of \$381M for the DoD since program inception (1991)
 - In excess of \$126M for Federal Civilian agencies since program inception

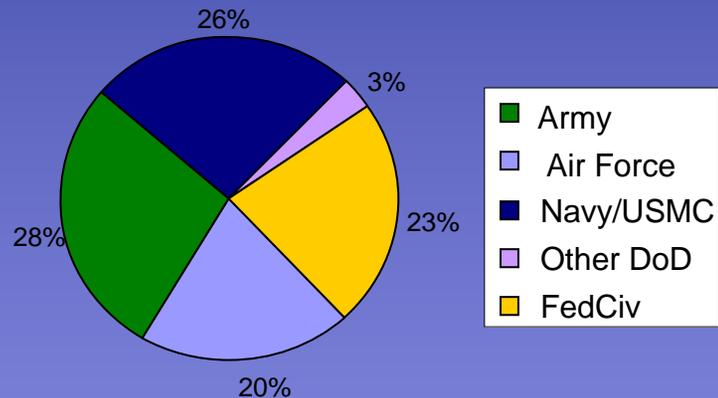


DESC Natural Gas Program

DESC is actively managing over 186M dekatherms of natural gas valued at over \$1.18B under multi-year contracts



Contract Coverage in 39 States, including AK



Solicitation for FY09-10 delivery period scheduled to be issued Aug/Sep 07 timeframe



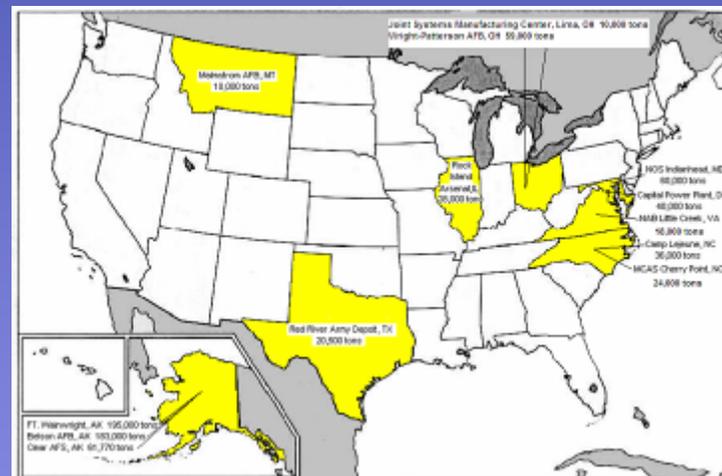
DESC COAL PROGRAM

DESC Coal Contract Summary

	Total Contract Qty (in Tons)	Total Contract \$\$
Air Force*	1,341,700	\$79,527,260
Army*	1,200,500	\$72,650,500
Navy/USMC	131,700	\$14,802,045
Fed Civ	40,000	\$4,671,600
Total	2,713,900	\$171,651,405

* Includes 5 year contract totals for AK customers

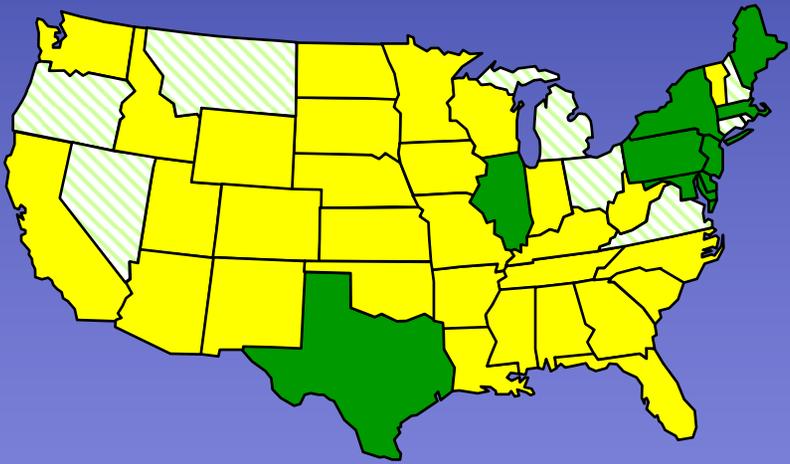
DESC Coal Contract Locations





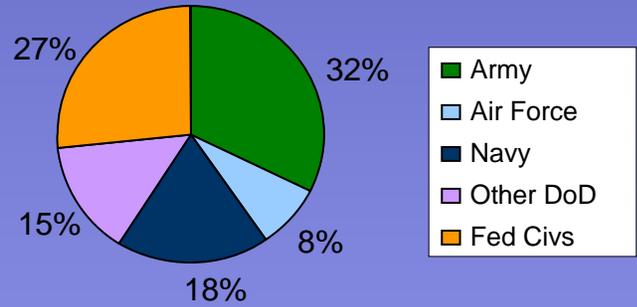
DESC ELECTRICITY PROGRAM

DESC is actively managing over 9.1M megawatt hours of electricity valued at over \$860M under multi-year contracts



- Retail Access Implemented, DESC awarded contracts
- Retail Access Implemented, DESC solicited, no awards
- Retail Access pending, DESC monitoring market

DESC has experience in all states in which deregulation/restructuring has occurred and in which requirements have been received.



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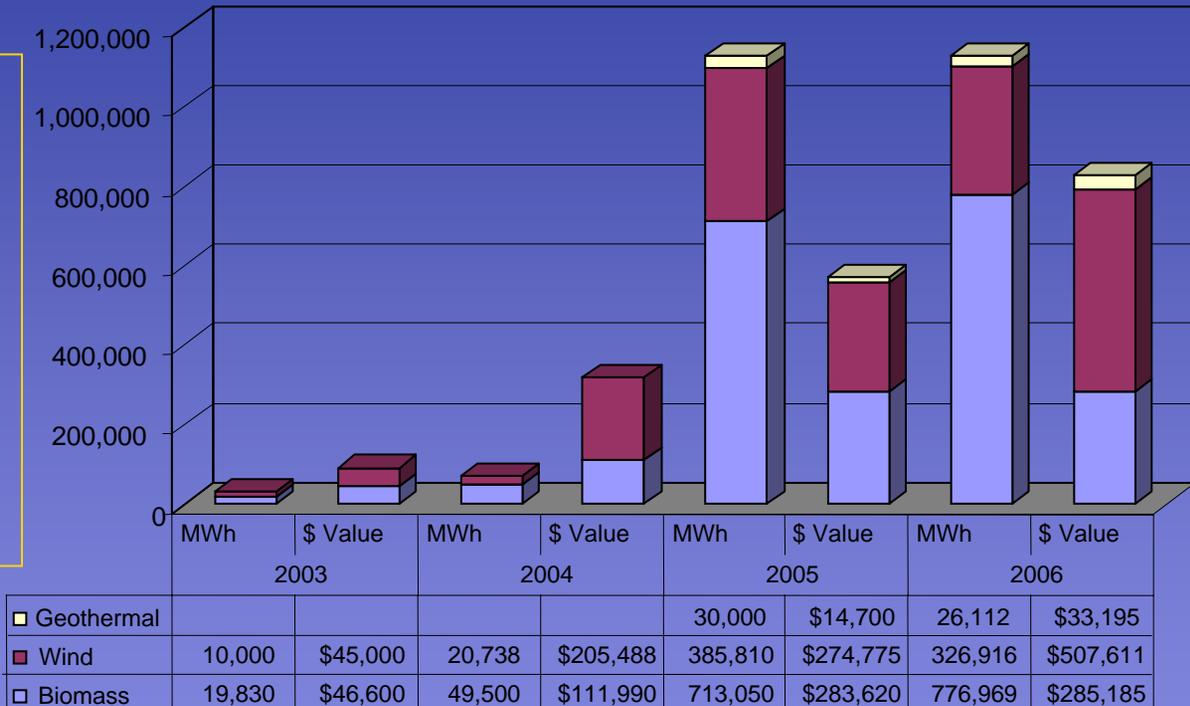
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DESC RENEWABLE ENERGY PROGRAM

Summary of Renewable Energy Purchases (2003-2006)



DESC REC customers:

- Air Force
- Bureau of Indian Affairs
- Bureau of Public Debt
- Department of Commerce
- Department of Energy
- Department of Homeland Security
- Department of Labor
- Environmental Protection Agency
- Food & Drug Administration
- NASA
- National Institute of Health
- Internal Revenue Service
- US Department of Agriculture

Solicitation for 650,000+ MWh of REC's currently on the street. Closes for receipt of offers on August 10, 2007.



Speaker Name

August 6



For More Information

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Energy Enterprise CBU (DESC-E)



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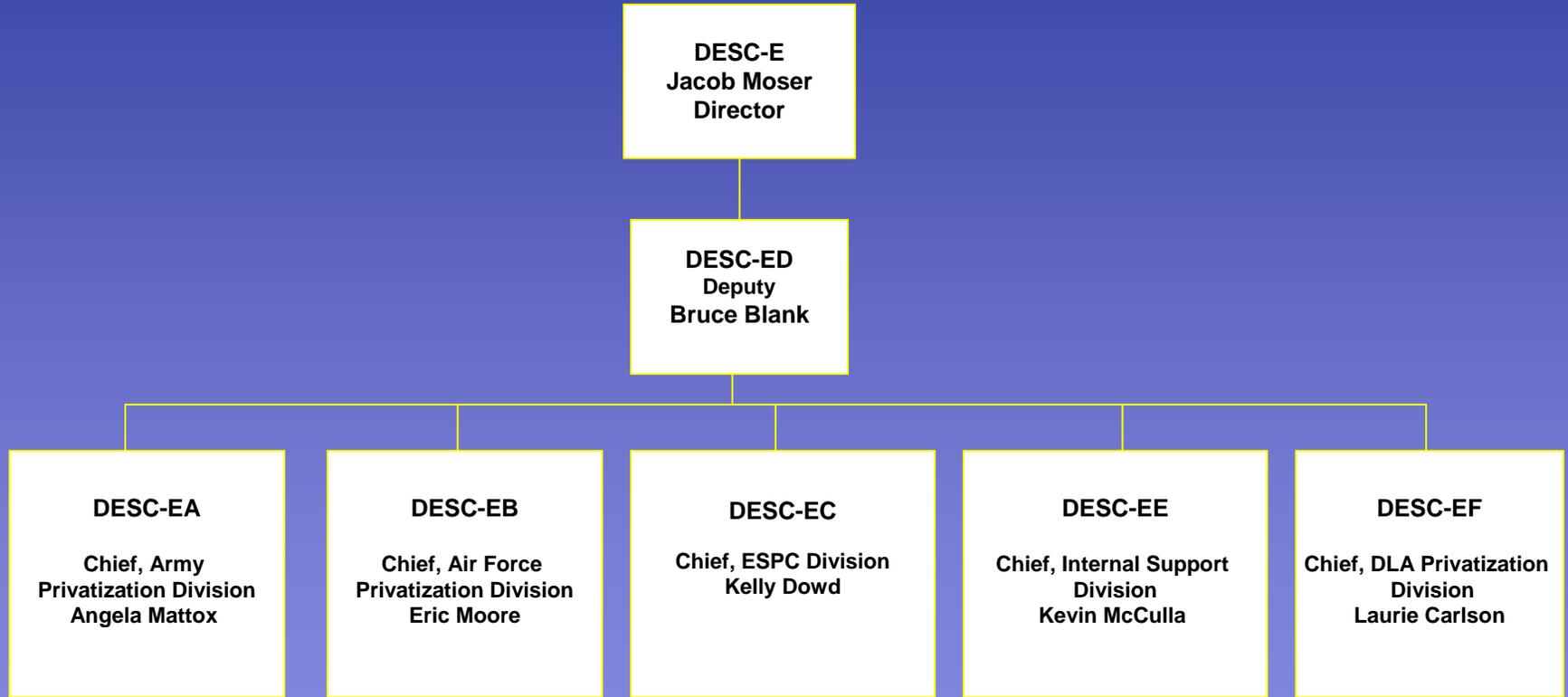
Overview

- Mission
- Organization / Personnel
- Utility Privatization
- ESPC

DESC-E Mission

- Utility Privatization (UP):
 - Comprised of two contractual actions:
 - the sale of a utility system and
 - a contract for utility distribution services for up to 50 years
 - UP leverages the commercial market and DoD obtains modernized systems at a cost lower than if the government maintained the systems to the same standards (should-cost)
- Energy Savings Performance Contracts (ESPCs):
 - Energy Service Company (ESCO) incurs cost of energy-saving equipment in exchange for a share of energy savings
 - Government receives modern energy equipment and reduces consumption without capital appropriations

Organization / Personnel DESC-E



Recent UP Highlights

- **FY 06 UP Awards:**

- **Army**

- Forts Belvoir, Bragg, Gordon, Myer/McNair, and Natick
- Award Value: \$608.1M

- **Air Force**

- Charleston AFB
- Award Value: \$4.5M

On The Horizon, UP DESC-E



- Army
 - FY 07 projected awards: 6 Installations (22 systems)
 - FY 08: projected awards: 5 Installations (9 systems)
- Air Force
 - FY 07 projected awards: 6 Installations (6 systems)
 - FY 08 projected awards: 8 installations (13 systems)
- DLA - FY 08 projected awards: 8 Installations (25 systems)

UP Program Success Story

- Utility Privatization: Fort Rucker, AL
 - All utility systems privatized
 - \$34.8M in utility systems upgrades
 - Estimated cost, \$53.3M less than should cost over 50 years



For More UP Information

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Don't forget to fill out and drop off your
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ESPC Background

- Considering requests for support on a case by case basis
 - Limited resources
 - Evaluating long-term strategic vision
- Operate on a reimbursable basis
- Formal agreement required which:
 - Includes a funding commitment
 - delegates contracting authority to DESC
 - identifies the role of DESC as contracting agent
 - Sets the time for which support will be provided
- Support currently covers project inception through the first year of Measurement and Verification.



DOE Partnership

- DESC makes ESPC awards by executing task orders against previously awarded DOE IDIQ contracts
- DOE provides technical expertise and support
- DESC provides contracting expertise and support
- Within DoD, this partnership is unique and adds significant value to our customers.



ESPC Program Success Story

- Energy Savings Performance Contracts: Fort Hood
 - State of the art energy equipment and control systems for training simulators, motor pools and tactical classrooms
 - Provided \$16.6M in upgrades for lighting efficiency, modernized heating and cooling control systems and providing a safer and more productive environment
 - In some cases, retrofits were completed in under 3 days

Awards to Date

- Military District of Washington: Ft Belvoir, Ft AP Hill, Ft Myer, Ft McNair, Ft Meade
 - Date of Award: 29 JUN 1999
 - Award Value: \$214,155,412
- Ft Jackson, SC
 - Date of Award: 19 SEP 2001
 - Award Value: \$43,840,503
- Ft Hamilton, NY
 - Date of Award: 16 NOV 2001
 - Award Value: \$7,357,778
- Aberdeen Proving Ground, MD
 - Date of Award: 14 SEP 2001
 - Award Value: \$14,648,524



Awards to Date (Continued)

- US Army War College, Carlisle Barracks, PA
 - Date of Award: 17 JUL 2002
 - Award Value: \$16,352,880
- Ft Hood, TX (Delivery Orders #1* and #2 *)
 - Delivery Order #1 Date of Award: 29 SEP 2003
 - Delivery Order #1 Award Value: \$11,358,549
 - Delivery Order #2 Date of Award: 24 MAY 2006
 - Delivery Order #2 Award Value: \$38,533,197
- Fort Monmouth, NJ
 - Date of Award: 30 SEP 2003
 - Award Value: \$51,491,892

Note: Contract terminated due to BRAC



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New Orleans
August 5-8