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**EUL Acquisition**

# ***Air Force Real Property Agency***

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*Integrity - Service - Excellence*



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**Air Force Real Property Agency**  
**16 Aug 2010**

**U.S. AIR FORCE**

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# Agenda

- **EUL Overview**
- **EUL Acquisition Governance**
- **RFQ Solicitation Development Process**
- **Evaluation Methodology**
- **Selection of HRO**
- **Moving Ahead**

# EUL Defined

- An EUL is...
- An asset management tool designed to unlock value of non-excess real property for the AF
- Driven by market demand to ensure maximum value
- A lease by the Government (U.S. Code, Title 10, Section 2667) in exchange for fair market value
  - Not anticipated to be needed for the duration of the lease, but which the Air Force may need at some future date or needs to retain ownership for a mission-related reason

*EUL's are opportunities for public-private partnerships*

# Why is Energy EUL Important?

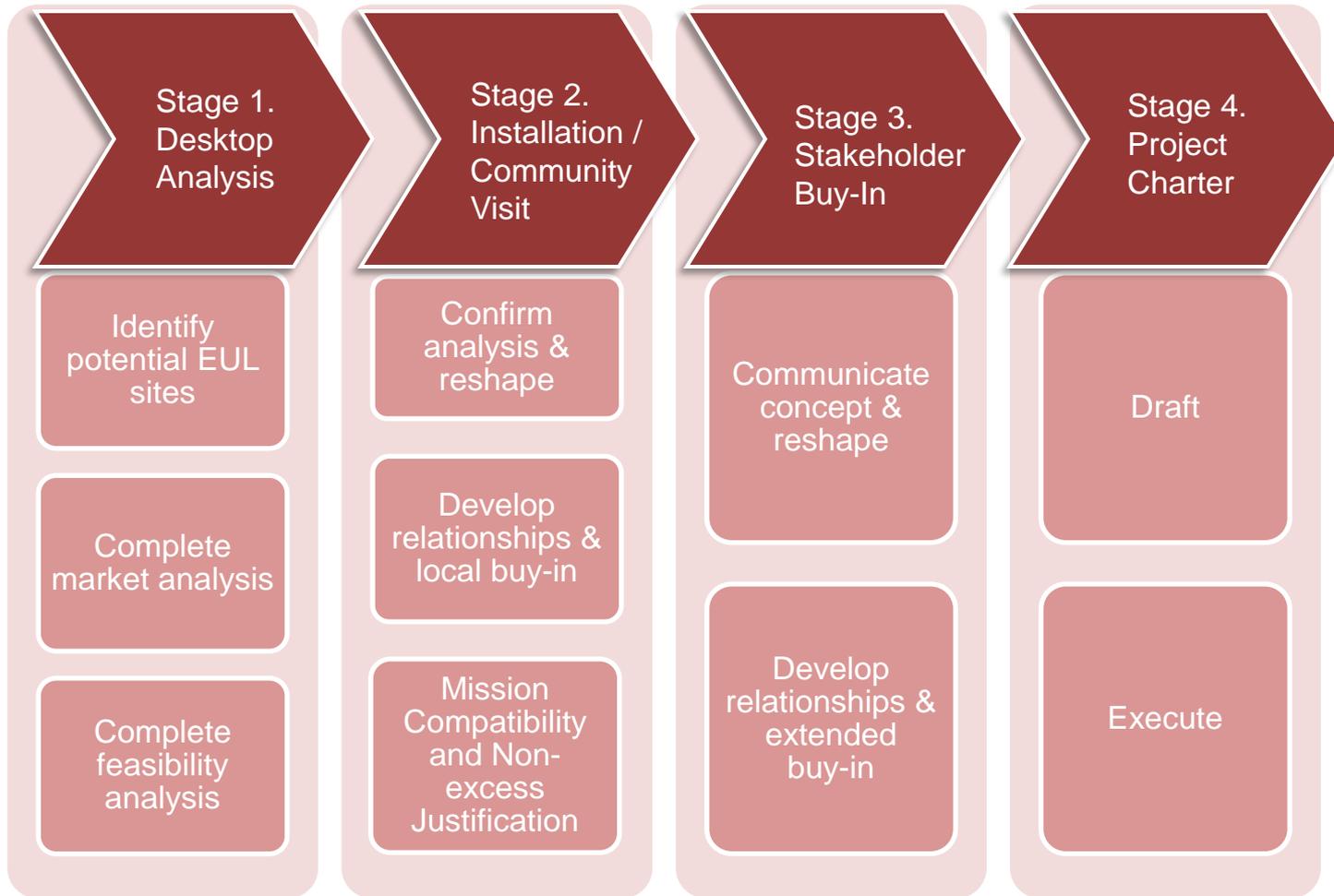
- **Diversifies Air Force portfolio and leverages new sources of value for the Air Force**
- **Analyzes energy projects to bring full value for Air Force assets beyond traditional energy cost reduction**
- **Can assist AF in meeting Federal and State regulations**
- **Can assist AF in achieving renewable energy goals**
- **Can supplement installation energy needs and promote energy security**
- **Traditional development waning with the current economy, energy market (and corresponding incentives) still strong**

# Energy EULs

- **AFRPA continues to identify opportunities for the AF to partner with private industry for energy development**
- **Energy EULs identify where energy is the highest and best use of the asset**
  - **Can be a variety of energy types, including: solar, wind, biomass generation, landfill gas generation, geothermal, fossil fuel generation, and alternative fuel production facilities**
- **Increasing interest in projects as states pass more stringent renewable portfolio standards**
  - **Example: California's RPS mandates 33% of the power generation by 2020 must come from renewable sources**

*AFRPA offers energy market expertise, valuation, technical, and development insight to help MAJCOMs and installations better understand potential energy projects*

# Phase 0: Business Development



# EUL Process: Five Phases

## PHASE I Project Identification

Determines the Feasibility of a proposed project using a Concept Opportunity Study (COS).

## PHASE II Project Definition & Acquisition

Focuses on identifying the highest and best use of the non-excess asset via the Business Case Analysis (BCA) and submitting a Request for Qualifications (RFQ) to determine the Highest Ranked Offeror (HRO).

## PHASE III Lease Negotiation & Closing

Air Force conducts Lease Negotiations with developer / partner to finalize arrangements of the lease.

## PHASE IV Project Management

Provides Project Management and Air Force Asset Management.

## PHASE V Project Closeout

Returns property to original condition.

# Project Market Analysis

- During Phase II of the EUL process AFRPA conducts a Business Case Analysis (BCA)
  - BCA includes extensive market analysis, known utility and transmission information, environmental analyses and addresses mission constraints
- The Request for Qualifications (RFQ) is also shaped to address market differences between energy and real estate
  - Energy EUL RFQ focuses on past experience and capability as opposed to performance on a specific project type
    - Based on the understanding that each energy project is distinct
  - Allows for needed transmission and environmental study time prior to leasing – Agreement to Lease period

# RFQ Solicitation Process



***EUL Deals are not governed by FAR, Non-Appropriated Funds procurements shall be conducted in a fair, equitable, and impartial manner***

# Evaluation Methodology



- **The Air Force will select the most advantageous proposal based on three evaluation factors and corresponding sub-factors**
- **Concept and Capability and Experience are of equal importance**
- **Return to the Air Force is significantly more important**
  - **Value and risk are both thoroughly assessed**

# Selection of HRO

- **After completing evaluations, AF will finalize source selection and recommend a Highest Ranked Offeror (HRO)**
  - HRO will be formally selected by SAF/IEI
- **No public affairs announcements can be made until SAF/IEI makes the final selection decision and approves a press release**
- **Offeror chosen as the HRO gains exclusive negotiation rights with AF to reach agreement**

# Return to the AF

- Strategic application of in-kind consideration can help meet AF energy goals and can include:
  - Energy infrastructure designed for on-base use
  - Free energy from developer's EUL project
  - Funding for projects such as construction or renovation of LEED-certified AF facilities/energy projects
  - Energy grid modernization projects
  - Power for the installation in event of grid outages



# Reinvesting in Energy

- AFRPA has created a model for potential energy reinvestment strategies
  - Generates simple pro formas based on anticipated cost savings associated with generation/efficiency measures
- Tool illustrates how strategic reinvestment of funds can increase overall NPV of EULs
- Reinvestment tool allows users to allocate funds to various energy initiatives that can increase overall project value
- One project example could double their returns by reinvesting in energy savings and generation projects



# Endless Opportunity

- Energy development is a new frontier
- Air Force emphasis on energy independence and reliability
- Evaluating all types of Energy EULs (solar, biomass, geothermal, wind, natural gas, waste-to-energy, and coal)



## Moving Ahead

- Partnering with regulators and local utilities
- Air Force portfolio view of energy opportunities
- Partnering with other Air Force Agencies

*Energy EULs is an ideal vehicle to meet Air Force energy, security and sustainability goals*

# Contact

Visit us at

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our Communities***