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Utility Infrastructure Upgrades through EULs

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Overview

- Define Enhanced Use Leases (EULs)
- How to Identify EUL Opportunities
- What to Validate and How to Prioritize
- In Kind Consideration
- Reinvestment Strategies
- Edwards AFB Case Study
- Summary

Define Enhanced Use Leases (EULs)

- An asset management tool designed to unlock the value of non-excess real property for the AF
- Helps the AF fund Federal mandates and meet renewable energy goals
 - (10 USC 2911, 25% on base generation goal)
- 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.
- Supplements the installation infrastructure needs and promotes energy security/surety

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How to Identify EUL Opportunities



How to Identify EUL Opportunities

- Identify:
 - Open, unconstrained lands identified using the following sources:
 - General Plan – Environmental and Operational Opportunities and Constraints Maps
 - GIS data from the Resource Capability Assessments used to further identify open and developable lands. This layer factors in the following:
 - Existing land use, air accident zones, Anti Terrorism Force Protection setbacks, Quantity Distance Arcs, flood zones, wetlands, and Installation Restoration Program sites
 - Installations with strong market potential are further analyzed for specific sites and variables to support an EUL
 - Analyzed installation general plans, future plans, and other plans where available to highlight specific opportunities and potential for in-kind consideration

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What to Validate and How to Prioritize

- Assess state-specific markets, regulatory feasibility, and resource availability to preliminary focus pipeline development and “screen” candidate installations for utility-scale renewable energy project viability
- Determine a graphical representation of key decisions, and accompanying choices, validating the selected financial vehicle for energy projects
- Provide an objective methodology for prioritizing viable projects against the Program Goals and Metrics

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In-Kind Consideration

- **Under 10 USC 2667**
- In-kind consideration accepted with respect to a lease under this section may include the following:
 - Maintenance, protection, alteration, repair, improvement, or restoration (including environmental restoration) of property or facilities under the control of the Secretary concerned
 - Construction of new facilities for the Secretary concerned
 - Provision of facilities for use by the Secretary concerned
 - Provision or payment of utility services for the Secretary concerned
 - Provision of real property maintenance services for the Secretary concerned
 - Provision of such other services relating to activities that will occur on the leased property as the Secretary concerned considers appropriate

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Reinvestment Strategies

- In-kind consideration from energy EULs can fund a wide range of on-base generation, efficiency projects, and utility Infrastructure upgrades
 - Infrastructure upgrades
 - Installation-owned power plants
 - Energy-efficient lighting
 - LEED Certified building upgrades
 - HVAC improvements
 - Thermal energy storage
 - Automated building temperature/lighting controls
 - Steam distribution system upgrades
 - Ground source heat pumps
 - Boiler plant upgrades

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Edwards AFB Case Study

- Proposed EUL project on 3,288 acres of non-excess property at Edwards AFB developed in accordance with Title 10 U.S. Code 2667
 - 440 MW Solar PV
 - On 23 Nov 09, SAF/IEI, Source Selection Authority, approved selection of Fotowatio Renewable Ventures (FRV) as the Highest Ranked Offeror (HRO)
 - On 25 Jan 10, SAF/IEI and FRV signed an Agreement to Lease (ATL)
 - FRV submitted Power Purchase Agreement (PPA) proposal to California Utilities (Spring '11)
 - FRV and the Air Force continue to execute on Environmental Due Diligence

Edwards AFB Case Study

- Potential value is significant to the Air Force and with a reinvestment strategy considered:
 - These prospective investments (assuming half of the project value earmarked for energy):
 - 19 MW on-base solar project for base consumption
 - Upgrade 15,000,000 sq. ft. of building space to LEED Certified
 - Replace 24,000 light bulbs with efficient CFLs
 - 10 MWh of thermal energy storage
 - Upgrade 5,000 tons of HVAC cooling capacity
- These projects have the potential to double the overall NPV of Edwards project if invested in ESPC/ECIP type projects

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- AF committed to use full spectrum of renewable energy project types to support DoD and AF energy goals and leverage non-excess assets
- Natural resource, AF need and market demand determine project scale
- Flexibility is key to structuring deals