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***—Bob Fullerton***

## ***Defense considers energy options***

**P**rivatizing DoD base utilities—does it make sense? That’s the question facing agencies in the Department of Defense. For some facilities, privatizing utility distribution systems might be a good cost-saving move. But for those served with an allocation from one of the four Federal power marketing administrations, choosing the wrong supplier could mean losing preference customer status, permanently.

Early in May, representatives from DoD, the Army, Navy and Air Force met with Western staff to discuss this issue. Administrator **Mike Hacskaylo** underscored Western’s commitment to work cooperatively with DoD as it privatizes utility assets, but noted, “We still must observe the preference clause and the delivery of power must be consistent with our marketing plans.” The preference clause makes Western’s power available first to not-for-profit public entities such as towns and cities, rural electric cooperatives and Federal and state agencies.

The move to privatize base utilities stems from a 1997 DoD directive requiring the military services to privatize all utility systems where it makes economic sense, and doesn’t impact national security.

The Air Force estimates that, in addition to the 1.3 percent of its annual budget earmarked for rehabilitation and maintenance, it would take \$76 million to revitalize its utility systems if ownership were retained. In addition, the Air Force doesn’t view utilities as part of its core mission.

Transferring ownership and maintenance to another entity seems prudent.

To date, the Air Force has privatized 81 of its 640 utility systems. Seventy-nine were exempt for security reasons. It’s currently assessing the feasibility of privatizing the rest. Of these, 11 are in Western’s service territory. Warren Air Force Base is scheduled for privatization this month and Travis AFB is slated for July. Six others are targeted, but have no set date. Decisions on three more are pending.

Western’s role is to provide guidance during this decision-making process. “We are examining each case individually,” explained **Bob Fullerton**, power marketing advisor to the administrator at the CSO. “So long as DoD doesn’t violate the preference clause, adheres to marketing criteria and ultimately remains responsible for obligations of the electric service contract, a base should remain eligible to buy power from Western.”

“We’re here to point out possible hazards or pitfalls DoD could encounter,” noted Power Marketing Specialist **Jan Campbell**. “If the decision to privatize results in the loss of preference customer status, base energy bills could increase. That costs all taxpayers. Western plans to work with specific bases over the next several months to discuss these issues.”

“We want to work with DoD on a case-by-case basis to assist them in achieving their privatization objectives without jeopardizing their customer status,” Fullerton said. 