



JOINT BASE SAN ANTONIO UTILITIES PRIVATIZATION

***INTRODUCTION BY:
Carolyn Shellman***

Chief Legal Officer & General Counsel (CLOGC)

***PRESENTED BY:
Garrick Williams***

Sr Director, Military Strategic Cooperation & Support

May 20, 2019

Approval Requested

OBJECTIVES & TAKEAWAYS



- **PROVIDE AN UPDATE ON THE JBSA UTILITIES PRIVATIZATION PROJECT AWARDED IN 2017**
- **PRESENT TRANSITION PERIOD OUTCOME**
- **DELIVER AMENDED CONTRACT VALUE BASED ON OUR DUE DILIGENCE**
- **OBTAIN BOARD APPROVAL**

AGENDA



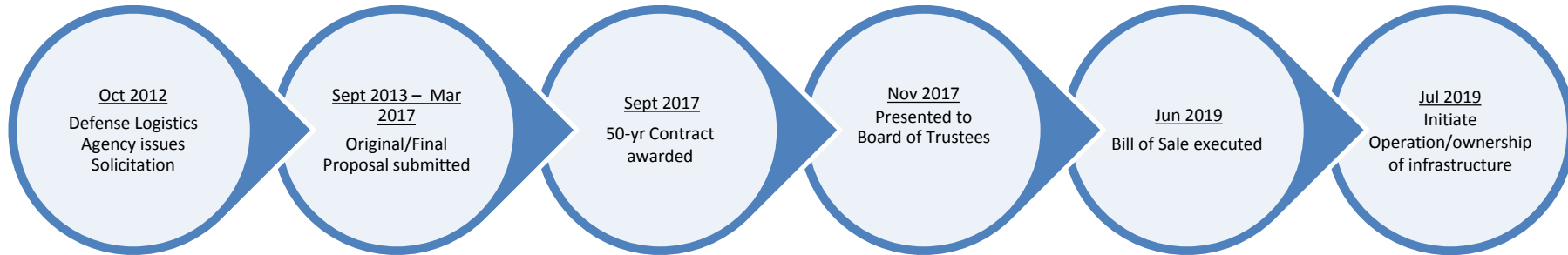
- **BACKGROUND**
- **CONTRACT**
 - **TIMELINE**
 - **SIGNIFICANCE**
 - **SUMMARY**
 - **STRUCTURE**
 - **FINANCIALS**
- **TRANSITION PERIOD**
- **NEXT STEPS**
- **REQUEST FOR APPROVAL**

BACKGROUND



- The Department of Defense (DoD) offered industry the opportunity to modernize their infrastructure
 - Evaluate US bases & issue solicitations for open competition
 - Provide mechanism to recover all costs to operate & maintain the system along with any system improvements
- We proposed a direct award as JBSA's current provider
 - DoD declined the proposal citing their competition policy
- With Board consent, we elected to pursue this opportunity
 - Fosters CoSA's strategic relationship with JBSA
 - Maintains our sole provider status within service territory
 - Strengthens position as an industry leader in innovation
 - No exchange of cash to transfer assets

CONTRACT TIMELINE



We become owners 21 months after the contract was awarded & 7 years after the Request for Proposal.

CONTRACT SIGNIFICANCE



12th Flying Training Wing HQ,
JBSA Randolph

- Largest Joint Base in DoD
 - Employs nearly 75,000 personnel
 - Supports 566,000 personnel
- Strengthens vibrant strategic partnership locally & nationally
- JBSA could have selected any utility of their choosing
- Enables JBSA to focus on core competency
- Enhances JBSA mission effectiveness & military strength
- Increases military value for JBSA installations in “Military City USA”
- Improves JBSA reliability & grid resiliency

CONTRACT SUMMARY



Military Working Dog Kennel,
JBSA Lackland Training Annex



T-6 Texan Trainer Aircraft,
JBSA Randolph

- Privatize electric & gas infrastructure
 - We will own, operate & maintain (O&M) electric/gas distribution
 - JBSA-Randolph, Lackland & Lackland Training Annex (aka Medina)
 - We will continue to provide electric/gas services
- 50-year contract
 - Fixed price with economic adjustments
 - Our operational performance is graded annually
- Amended purchase price & recovery after our due diligence efforts
 - Virtual “paper” transaction with no cash exchange

**We have experience with privatized
military infrastructure since 2003.**

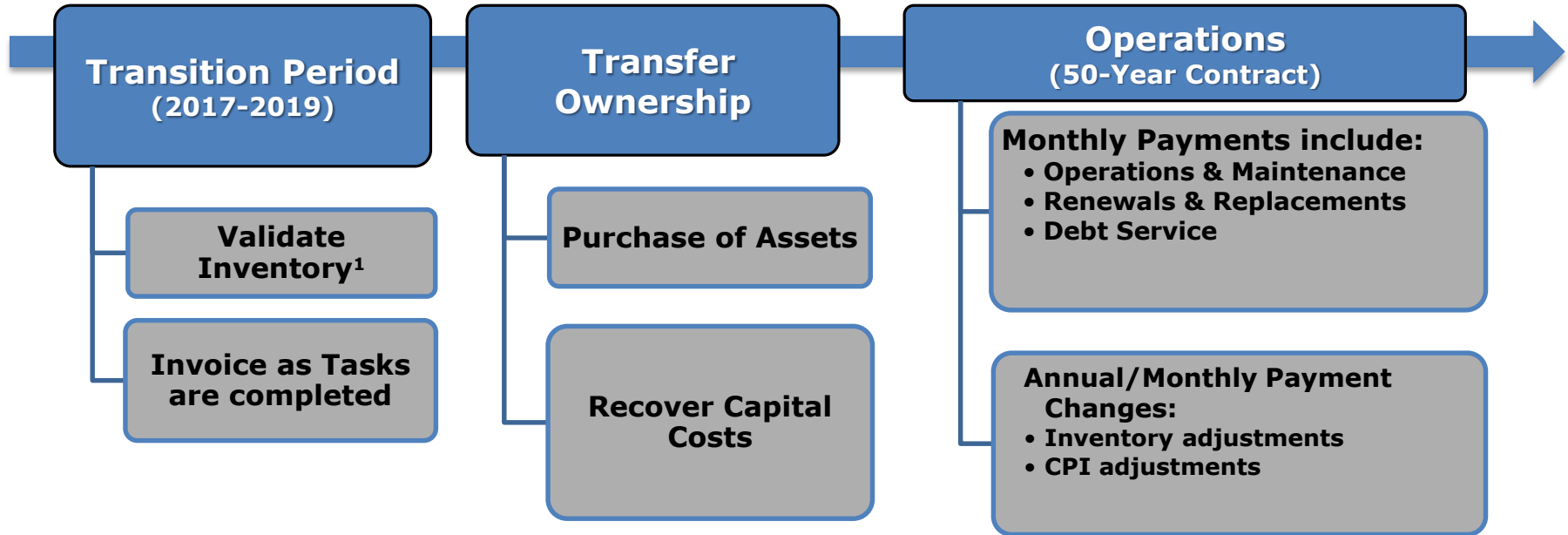
CONTRACT FINANCIALS



	Electric & Gas Systems		
	Amended Contract Award	Contract Award	Difference
Contract Value	\$289.72M	\$248.45M	\$41.27M
Utility Service Charge	\$270.52M	\$242.62M	\$27.90M
Corrections/Upgrades	\$13.14M	\$1.25M	\$11.89M
Transition Period	\$6.06M	\$4.58M	\$1.48M

Our Due Diligence resulted in an increase in the contract value.

CONTRACT STRUCTURE



We recover all costs to own, operate & maintain these assets, with no impact to our other customers.

1 – Process included validation of quantity, type, condition, estimated installation date, & system surveys.

TRANSITION PERIOD

DURING THE DUE DILIGENCE PROCESS, WE:



East Switching Station,
JBSA Randolph



Pressure Monitor Installation,
JBSA Lackland TA

- Validated JBSA inventory accuracy
 - The Request for Proposal was over 7 yrs old
- Identified 7 system improvements
 - 4 – Electric (\$7.55M)
 - 3 – Gas (\$5.59M)
- Offered a service delivery solution that presents savings to JBSA
 - Provides same protection & more efficient design
 - Reduces projected costs to \$750K vs \$7.5M
- Increased our confidence in the condition of the system
- Identified a plan for maintaining compliance on previously unregulated systems

TRANSITION PERIOD

ASSESSMENT OUTCOMES



Confirming Switchgear De-energized Before Inspection, JBSA Randolph



Gas System Inspection Preparation, JBSA Lackland Training Annex

NEXT STEPS



37th Training Wing HQ,
JBSA Lackland



Military Dr Pedestrian Bridge,
JBSA Lackland

- Complete remaining transition activities
- Obtain Board approval to finalize transaction
- Sign Bill of Sale formalizing the change of ownership
 - Performance start date (G&E) – 7/1/19

REQUEST FOR APPROVAL



"We are requesting that the Board of Trustees authorize our President & CEO, Paula Gold-Williams, to finalize and execute the Bill of Sale with the Defense Logistics Agency."



Thank You