

2026 DLA Energy Worldwide

Utilities Privatization: Services Panel Discussion



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for Energy Resilience & Optimization**

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Overview

• What is Utility Privatization?

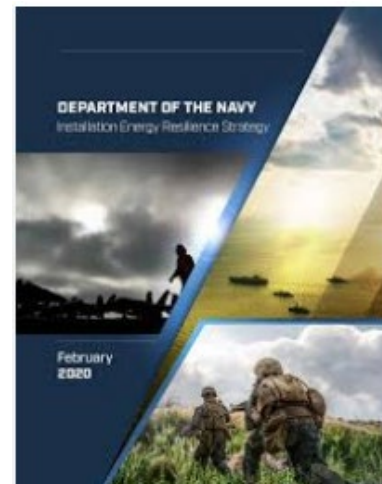
- The Department of Defense (DoD) Utility Privatization (UP) Program is a congressionally authorized program that allows the DoD to privatize its utility systems on military installations.
- Ownership of on-base utility systems (electric, water, gas, etc.) are conveyed to public or private entities improving the system's reliability.





UP Historical Summary

- Established by Congress in 1997 under Title 10, U.S. Code § 2688. Allows for long-term service contracts up to 50 years
- **10 U.S.C. §2688. Utility systems: conveyance authority (1998)**
- Defense Reform Initiative Directive (DRID) No. 9, "Privatizing Utility Systems"
- OSD Guidance
 - [1998-2018] UP is the “preferred method” for recapitalizing utility infrastructure
 - [2019 – Present] Supplemental Guidance for UP Program
 - UP is a “tool in toolbox” to recapitalize and maintain systems in alignment with Installation Energy & Water Plans (IEPs)



UP transactions are accomplished in two parts:

- Part 1: Conveyance of Utility Infrastructure
- Part 2: Procurement of Utility Service Contract (Up to 50 Years)

Contract is typically only for distribution services – not commodity



Current Outlook

Emphasis on Partnerships

- Over 600 utility systems have been privatized over the last 20 years
- Early and sustained partnerships with utilities, communities, and industry are essential for the success of UP programs



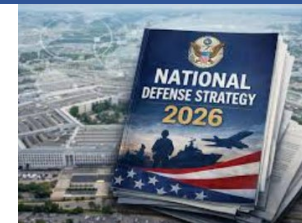
The Administration's focus in on Privatization
 THANK YOU to our System Owners for helping us make this a reality



OSW's Core Role: Policy and Oversight

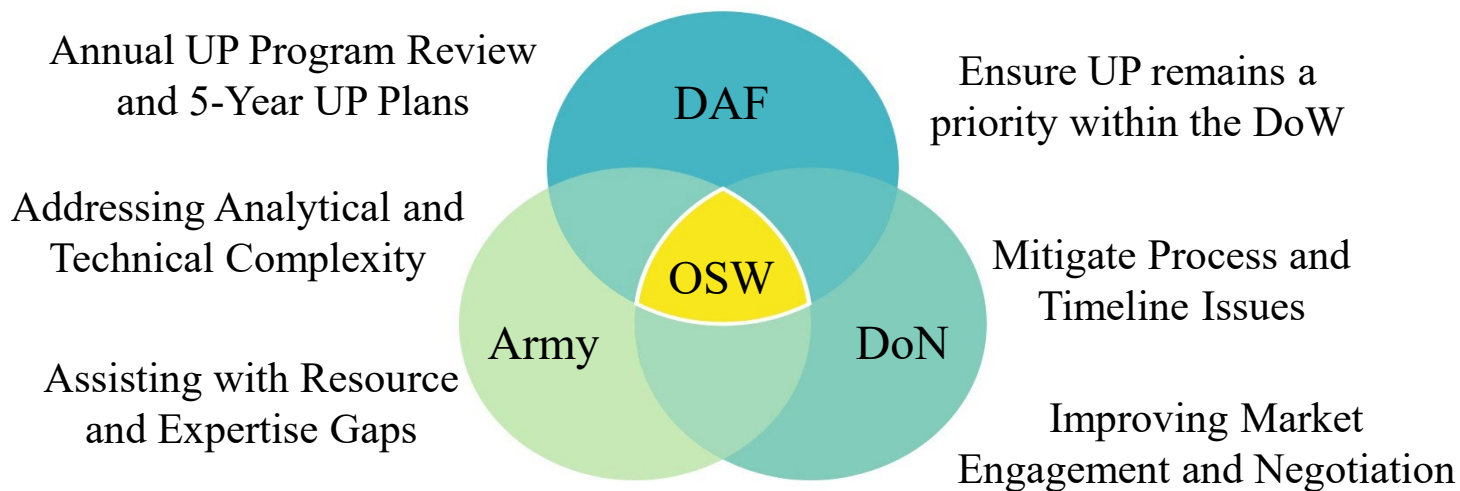
Policy Development

- Issues overarching guidance and policy to align the UP program with national defense strategy
 - Work closely with our contracting partners at DLA, DOE, and Military Departments.



Program Oversight

- Monitors the health and effectiveness of the UP program across all military departments (Army, Navy, Air Force)





Common Pre-Award Challenges

1. Analytical and Technical Complexity

- Developing the “Should-Cost” Estimate
- Integrating resilience & cybersecurity requirements
- Incomplete or inaccurate data
- Defining the scope of work

2. Process and Timeline

- Lengthy process (average time to award is **four years**)
- Multiple layers of review

3. Financial and Resource Constraints

- Changes in staff and expertise
- Funding the pre-award process

4. Market and Negotiation Challenges

- Limited market competition
- Complex negotiations





Final Takeaways

1. Strategic Shift: From Cost Savings to Mission Resilience

- It's no longer just about saving money -- it's about guaranteeing energy resilience, cybersecurity, and mission assurance for our most critical installations.

2. OSW's Role: Strategic Oversight, Not Project Management

- OSW provides the essential high-level framework. It ensures compliance and strategic alignment through policy and review, rather than managing each project.

3. The Pre-Award Phase is the Critical Hurdle

- The most significant challenges of the entire process—complex analysis, long timelines, and resource constraints—are concentrated in the pre-award phase. Getting this phase right is essential for long-term success.

4. OSW's Framework is Key to Navigating Challenges

- OSW's standardized processes, expert review, and final approval authority are crucial tools that help the military departments secure sound, strategic contracts.

5. Future Focus: Streamlining and Stronger Partnerships

- The path forward involves working to streamline the pre-award process and building more effective, collaborative partnerships with industry to accelerate modernization.