

PRESENTATION OF:

UTILITY PRIVATIZATION AND
THE ENVIRONMENTAL PROCESS EMPLOYED BY
THE DEPARTMENT OF DEFENSE
ONE FIRM'S EXPERIENCE

PRESENTATION BY:



C. H. GUERNSEY & COMPANY
APRIL 9, 2003

WHAT IS PRIVATIZATION?

The Initiative

- The Defense Reform Initiative of November 1997 and the Defense Reform Initiative Directives #9 and #49 direct that DoD-owned utility systems (water, wastewater electric, natural gas, and steam) be privatized by September 30, 2003 if economically feasible. *The original deadline was extended to September 30, 2005.*
- If determined to be feasible, outside contractors are solicited to provide proposals to purchaser, manage, and operate the systems.



WHAT IS PRIVATIZATION?

The Initiative/Environmental Issues

- **Privatization is:**
 - Primarily an administrative process (sale of systems; lease or transfer of property)
 - Not a physical or intrusive activity
 - An extension of existing Governmental activities
- **Future contractor activities may interact with possible environmental issues**
 - Digging
 - Demolition
 - Repairs
 - Upgrades
 - Expansions
- **Bottom line – *environmental stewardship is a must!***

WHAT IS PRIVATIZATION? GUERNSEY's Involvement

- GUERNSEY has performed over 330 privatization studies at over 90 U.S. Military Installations
- GUERNSEY has provided the following services to the DoD in support of privatization
 - Condition assessments
 - Inventories of real property
 - Life cycle cost analysis
 - Economic feasibility studies
 - Data packages
 - Requests for proposal (RFP)
 - Environmental studies

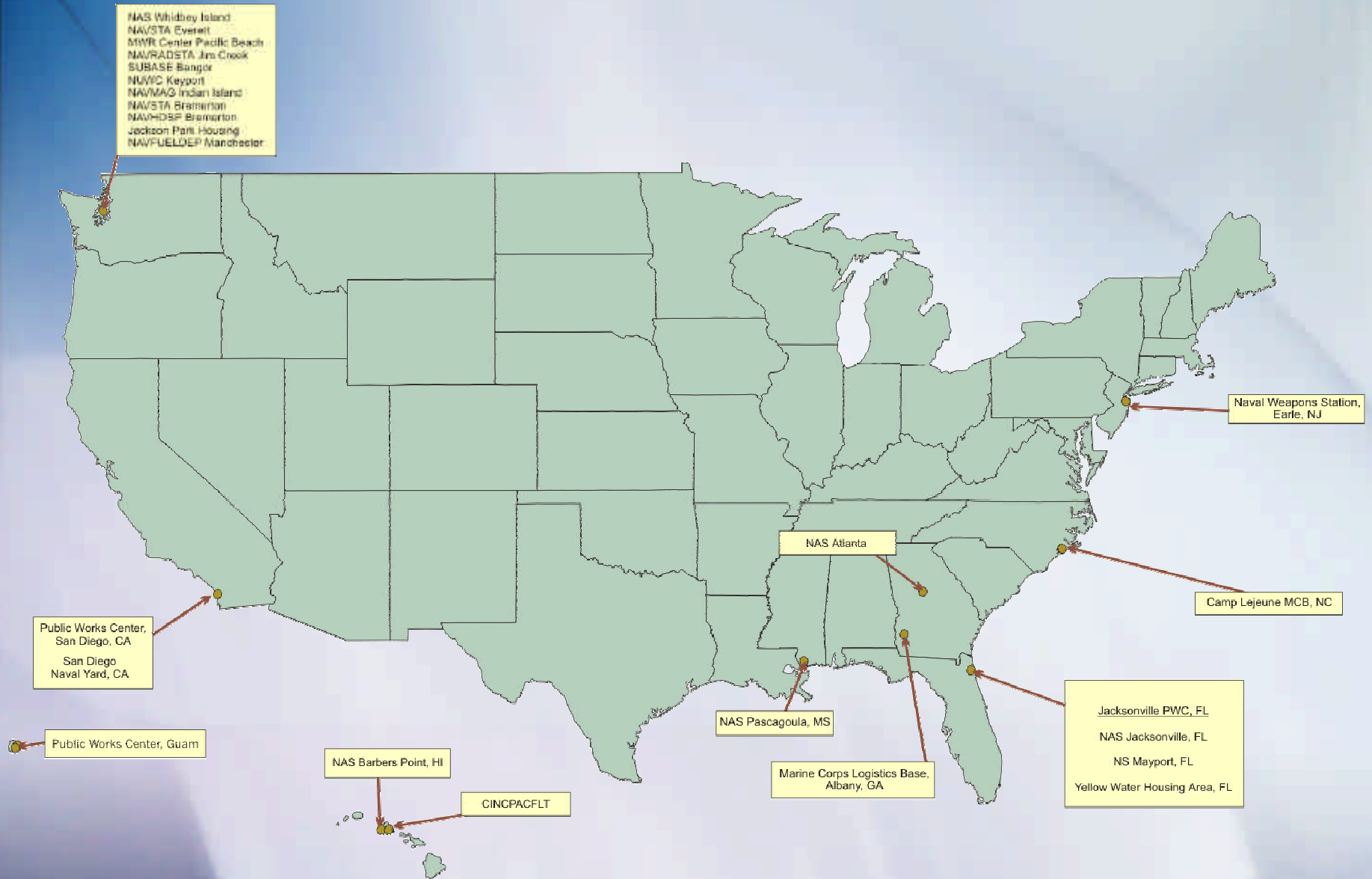
WHAT IS PRIVATIZATION? GUERNSEY's Involvement – Army Experience



WHAT IS PRIVATIZATION? GUERNSEY's Involvement – Air Force Experience



WHAT IS PRIVATIZATION? GUERNSEY's Involvement – Navy Experience



WHAT IS PRIVATIZATION?

Environmental Requirements

■ Requirements

- National Environmental Policy Act (NEPA) clearance
 - Categorical Exclusion (CATEX)
 - Environmental Assessment (EA)
 - Environmental Impact Statement (EIS)
 - Record of Environmental Consideration (REC)
- Environmental Baseline Survey (EBS)
- Finding of Suitability to Transfer or Lease (FOST/FOSL)

WHAT IS PRIVATIZATION?

Environmental Requirements

- **Standards/Guidelines/Regulations**
 - Base Realignment and Closure (BRAC)
 - American Society for Testing Materials (ASTM)
 - Council on Environmental Quality (CEQ) Regulations
 - DOD Branch-specific Regulations

THE PROCESS

The Scope of Work

- Analyze/ponder this quote from an EBS Scope of Work

"(In an effort to complete EBSs, the consultant shall).... collect and review records and permits as well as documents depicting known environmental conditions in accordance with the National Environmental Policy Act (NEPA) and any other relevant environmental laws or regulations within the proposed utility systems and facilities."

THE PROCESS

The Scope of Work

- What is wrong with this statement?

*"(In an effort **to complete EBSs**, the consultant shall).... collect and review records and permits as well as documents depicting known environmental conditions **in accordance with the National Environmental Policy Act (NEPA)** and any other relevant environmental laws or regulations within the proposed utility systems and facilities."*

THE PROCESS

The Scope of Work

- Initially, clearly defined scopes were the exception in our experience; No clear interpretation on needs or level of effort
- Reasons for scope issues may include:
 - Lack of knowledge of the Process by Contracting Entity
 - No Discussion of and Agreement upon Applicable Guidance Documents Prior to Commencement of Work Order
 - Lack of Coordination Between Contracting Group and DoD Utility System Operators
- ***A good scope is critical!***

THE PROCESS

Identifying a Team

- Comprehensive nature of NEPA and EBS issues requires personnel with broad experience
- Variations of missions and complexity of military installations magnifies this need
- Key is to assign well rounded individuals with competency in many areas
- Team members must be sensitive towards personnel issues
- Privatization may eliminate some DoD Positions – not a popular scenario with some operations personnel



THE PROCESS

Identifying a Team

- **Activities of Team Leader**
 - Make preliminary contacts with installation and regulators
 - Arrange meetings and site visit(s)
 - Direct and organize team during data gathering and report writing
 - Repository for information related to installation
 - Problem solver/interpret needs



THE PROCESS

Site Visit

- Important things to consider prior to conducting the site visit
 - Budget
 - Provide data needs to installation contact prior to site visit
 - Project approach
 - Installation-wide (addresses all issues)
 - Comprehensive assessment (addresses all issues but focuses only on intersections/interactions with utilities)
 - Focused (evaluation of specific site)
 - Logistics
 - Single installation
 - Multiple installations

THE PROCESS

Site Visit

- **Key activities of the site visit**
 - Kick-off meeting (purpose/orientation/sensitivity)
 - Data collection (comprehensive)
 - Interviews
 - Visual observations
 - Photographs

THE PROCESS

Site Visit

- The kick-off meeting provides an opportunity for the consultant to:
 - Address purpose
 - Identify approach, process, and needs
 - Specify data requirements
 - Identify communication network
 - Convey sensitivity to the privatization issue

THE PROCESS

Site Visit - Data Collection

- Most essential task of the entire process
- Consultant should forward information to POC

ENVIRONMENTAL INVENTORY CHECKLIST D&D RECALLATIONS		FOR FURTHER EXPLANATION SEE PAGE	FOR FURTHER EXPLANATION SEE PAGE	FOR FURTHER EXPLANATION SEE PAGE	FOR FURTHER EXPLANATION SEE PAGE	FOR FURTHER EXPLANATION SEE PAGE	FOR FURTHER EXPLANATION SEE PAGE	FOR FURTHER EXPLANATION SEE PAGE																																																																	
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THE PROCESS

Site Visit - Data Collection

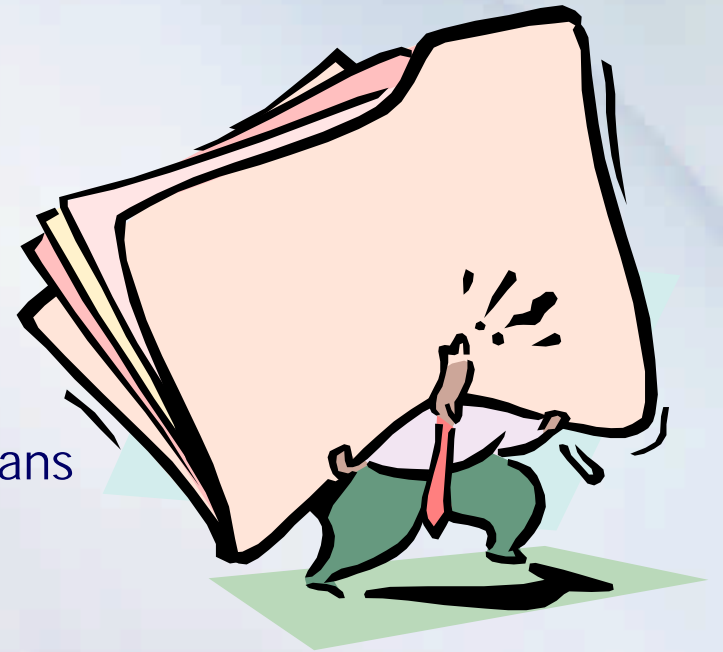
- Redundancy of information common
 - EAs
 - EISs
 - Management Plans
- POC should identify documents with current and specific information
- Recent comprehensive/programmatic documents are useful resources

THE PROCESS

Site Visit – Data Collection

■ Useful resources

- Installation Master Plan
- Previous EBSs
- Previous EAs/EISs
- Cultural Resources Management Plan
- Natural Resources Management Plan
- Installation Action Plans
- Websites
- Hazardous/Solid Waste Management Plans
- Tank Management Plans
- Maps, Maps, Maps!



THE PROCESS

Site Visit – Data Collection

- Useful resources, continued
 - Commercial databases that address adjacent properties
 - CERCLA documentation
 - PA/SI
 - RI/FS
 - ROD
 - RCRA documentation
 - RFA
 - RFI
 - CMS
 - Independent remedial actions
 - Pollution incident reports
 - All permits/certifications



THE PROCESS

Site Visit – Data Collection

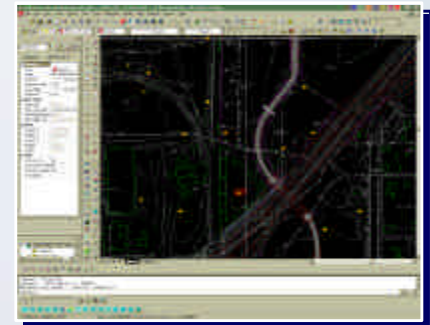
■ Electronic data

- More efficient data gathering
- Eliminates/reduces large reproduction costs
- Reduces likelihood of omitting important information when entire documents are not reproduced



■ Electronic Maps

- Auto CAD/Microstation/GIS
- Utility systems and environmental issues
- Benefit of accurate and available electronic maps
 - Reduce costs incurred from regenerating drawings
 - Good utility maps are critical for accurate environmental analysis



THE PROCESS

Site Visit – Interviews

- Interviews are crucial to the process
- It is important to speak with
 - Regulatory agencies
 - Utility systems operators
 - Environmental and other personnel as appropriate
- Create documentation of discussions
- Provide summaries in report

THE PROCESS

Site Visit – Visual Observation

- **Visual survey of utility systems**
 - Aboveground and underground lines
 - Utility corridors
 - Substations
 - Transformers
 - Steam plants
 - Treatment plants – walk through of processes
 - Lift stations
 - Pump stations
 - Reservoirs
 - Outfalls

THE PROCESS

Site Visit – Visual Observation

- **Visual survey of environmental conditions**
 - Threatened/endangered species habitats
 - Historically significant structures/areas
 - Active or closed remediation sites
 - Stressed vegetation/stained soils
 - Hazardous materials/wastes storage and operations

THE PROCESS

Site Visit – Photographs

- Utility system facilities & appurtenances
- Areas of concern
 - Threatened/endangered species habitats
 - Historically significant structures/areas
 - Active or closed remediation sites
 - Stressed vegetation/stained soils
 - Hazardous materials/wastes storage areas
 - Warning signs
- Adjacent property
- *Force Protection Issues!*



THE NUANCES

THE NUANCES NEPA/EBS

- Which environmental clearance method (NEPA/EBS) is more applicable to the privatization action?
- They are both required in most cases
 - NEPA assesses impacts of the action on the environment
 - EBS is required for real property transactions and addresses the impact of the environment on the action

THE NUANCES NEPA/EBS

- **Common misconceptions**
 - Specific requirements and relationship to privatization
 - Focus
 - Purpose
 - Results

THE NUANCES NEPA/EBS

■ NEPA

- Focus – all aspects of the affected environment
- Purpose – determine the impacts of the action on the environment
- Results
 - FONSI
 - REC
 - Contract/system transfer plans/mitigation plans

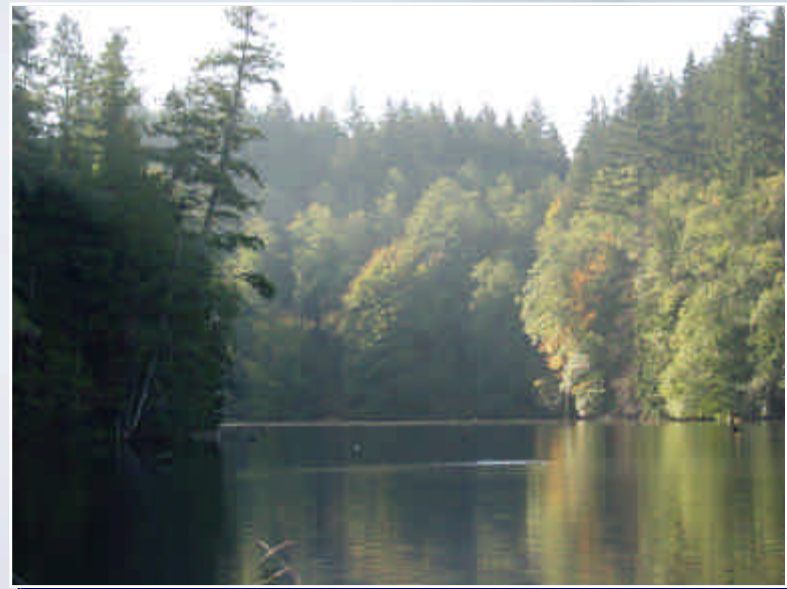
THE NUANCES NEPA/EBS

- NEPA
 - Differences in client approach
 - CATEX
 - Installation-specific EA
 - Programmatic EA

THE NUANCES NEPA/EBS

■ NEPA topics

- Air quality
- Water quality
- Natural resources
- Cultural resources
- Socioeconomics
- Toxic and hazardous materials and wastes
- Safety
- Regulatory compliance
- Mitigations and minimization measures
- Transportation of equipment
- Permits



THE NUANCES NEPA/EBS

■ NEPA - Impacts

- Primary impacts of utilities privatization
 - Administrative transfer of permits
 - Socioeconomics
- Secondary impacts of utilities privatization
 - Future O&M activities
 - Future construction activities
 - Environmental stewardship and coordination with installation environmental personnel
 - Permit compliance activities

THE NUANCES NEPA/EBS

- EBS
 - Focus – hazardous materials/wastes and petroleum products
 - Purpose – determine the effect of the environmental conditions on the action
 - Result
 - FOST
 - FOSL
 - Recommendation for further study/ sampling



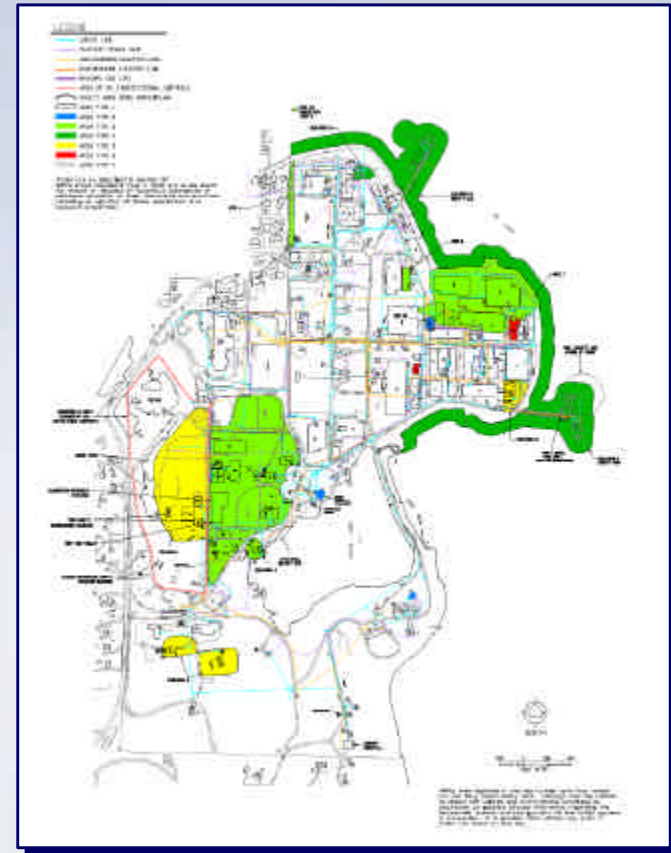
THE NUANCES NEPA/EBS

- EBS
 - Differences in client approach
 - Real property or not?
 - Installation-wide or facility-specific (treatment plants)
 - Comprehensive with refined focus on property
 - Allow contacts with regulatory agencies?
 - Category or area type?

THE NUANCES NEPA/EBS

■ EBS

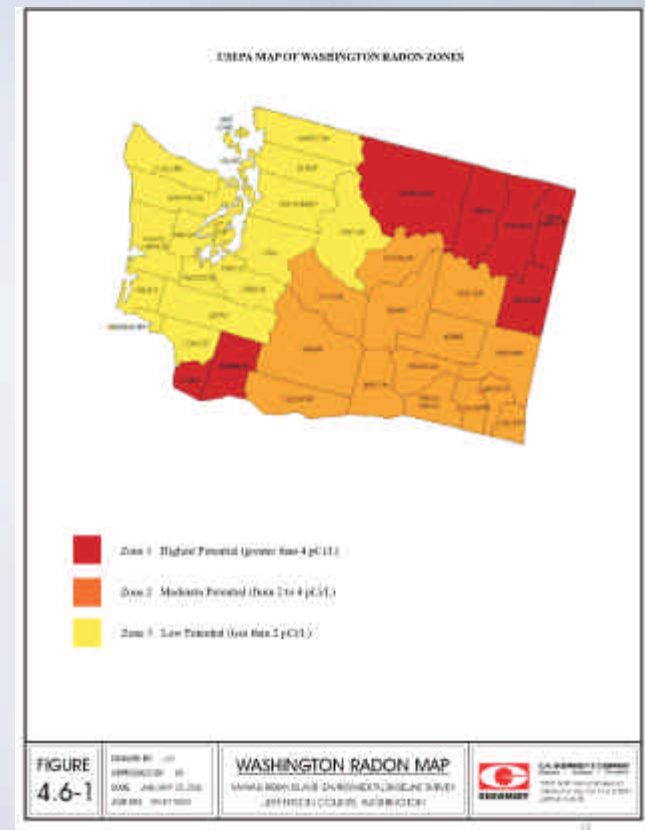
- Not intended to take a stand/
simply a report on issues
- Not an environmental audit
- Not a FOST/FOSL
- Purpose is to provide “snapshot”
of issues for consideration
- Must assign a category/area type
to the property proposed for lease/
transfer
 - Properties classified as 1 through 4 can be transferred or leased
 - Properties classified as 5 or 6 can not be transferred; however, they may be leased if proper agreements can be reached between regulatory agencies and the government
 - Properties classified as 7 can not be leased or transferred without further investigation



THE NUANCES NEPA/EBS

■ EBS Topics

- Climate
- Soil
- Geology
- Seismic activity
- Radon
- Hydrology
- Flora and fauna
- Land use and site history
- Permits
- Hazardous substance release or disposal
- Petroleum products release or disposal
- Asbestos containing materials
- Lead based paint
- UXO
- Stressed vegetation/stained soils

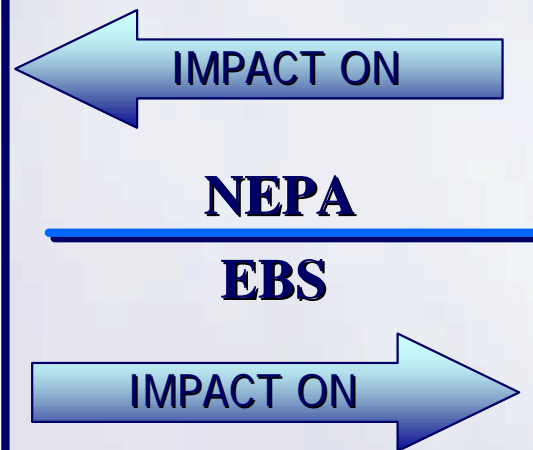


THE NUANCES NEPA/EBS

- **Similarities between NEPA and EBS**
 - Natural resources
 - Evaluation of environmental media (soil, water, air)
 - Toxic and hazardous materials
 - Areas of environmental concern
 - Environmental permits

THE NUANCES NEPA/EBS

- Difference between NEPA and an EBS



**PRIVATIZATION
ACTION**

THE NUANCES

Transfer of Ownership

- Once ownership is transferred to a public/private entity, who becomes the responsible party when enforcement actions are pending?
 - Question has been asked repeatedly since the Privatization Initiative was begun
 - With the Insertion of a new owner between the generator (Military) and the Public Owned Treatment Works, the enforcement process becomes tangled

THE NUANCES

Transfer of Ownership

- The answer to this question varies case-by-case
- Solutions may be derived from
 - Coordination with regulatory agencies
 - Negotiation prior to transfer
- **All parties should work to maintain compliance**
 - Environmental stewardship
 - Permit compliancy
 - Compliance monitoring

THE NUANCES

Sampling

- Is sampling of media necessary for the EBS?
 - Only if concerns are identified and there is not enough information available to assess the situation
- *This issue should be identified and resolved prior to writing the scope of work*

THE NUANCES

Visual Survey

- What constitutes a comprehensive visual survey?
- Difficulties arise in being tasked with observing a large percentage of the utility systems

THE NUANCES

Visual Survey

- **COMPREHENSIVE VISUAL SURVEY**
 - Aboveground appurtenances



Transformers/Lines



Wastewater Treatment Plant



Pumps/Lines

THE NUANCES

Visual Survey

- **COMPREHENSIVE VISUAL SURVEY**
 - Underground appurtenances



1,000,000 Gallon Water Storage Tank and Associated Piping



670 linear feet of Underground Electric and Natural Gas Lines

THE NUANCES

Obtaining Information

- What if current, specific, and accurate information is not obtained during the site visit?
 - Wastes time and resources
 - Reproduction
 - Return visits/repeat interviews
 - Reviews/comments
 - Creates inefficiency of project
 - Diminishes value and credibility of document
 - Issue of contacting regulatory agencies important

THE NUANCES

Obtaining Information

- What if current, specific, and accurate information is not obtained during the site visit?
 - Potential reasons
 - Lack of communication and organization
 - Poor scheduling
 - Uninformed POC
 - Unavailability of knowledgeable personnel
 - Inability to gain access to installation
 - Inability to gain access to sensitive areas
 - Misunderstanding the purpose of the project
 - Unwillingness to assist in site visit/interviews
 - Unwillingness to provide information
 - Lack of cooperation or disinterest

THE NUANCES

Obtaining Information

- **WHAT IF CURRENT, SPECIFIC, AND ACCURATE INFORMATION IS NOT OBTAINED DURING THE SITE VISIT?**
 - Solutions
 - Lack of communication and organization
 - Consultant and POC Must Understand the Scope of Work
 - Alert Staff (Environmental, Public Works, Security) of Site Visit
 - Consultant Should Send a Pre-meeting Checklist
 - POC and Staff Should Review Checklist and Be Prepared
 - Conduct Kick-off Meeting with all Personnel Who Will Be Involved
 - Assign Knowledgeable Personnel for Interviews and Tours
 - Misunderstanding the purpose of the project
 - Be knowledgeable of the Scope of Work
 - POC and Staff Should Be Accurately Informed of Type of Information Needed

THE PRODUCT

■ Installation-specific EA or Programmatic EA

EA

FONSI

The following listed impacts are in addition to the potential risks, Alternatives A, C, D Alternatives B were eliminated in the appendix, for significant adverse effects. The use of private water supply is not considered a significant impact of the proposed project.

The following table summarizes the nature of potential environmental impacts. In the table, color-coded icons indicate the nature of potential environmental impacts. The table includes potential impacts from the project and from the proposed project. The table also includes potential impacts from the proposed project. The table includes potential impacts from the proposed project. The table includes potential impacts from the proposed project.

4.1 LAND USE

When the water supply system is installed, the use of land will be considered a public use under the zoning code. The use of land for the proposed project will be considered a public use under the zoning code. The use of land for the proposed project will be considered a public use under the zoning code.

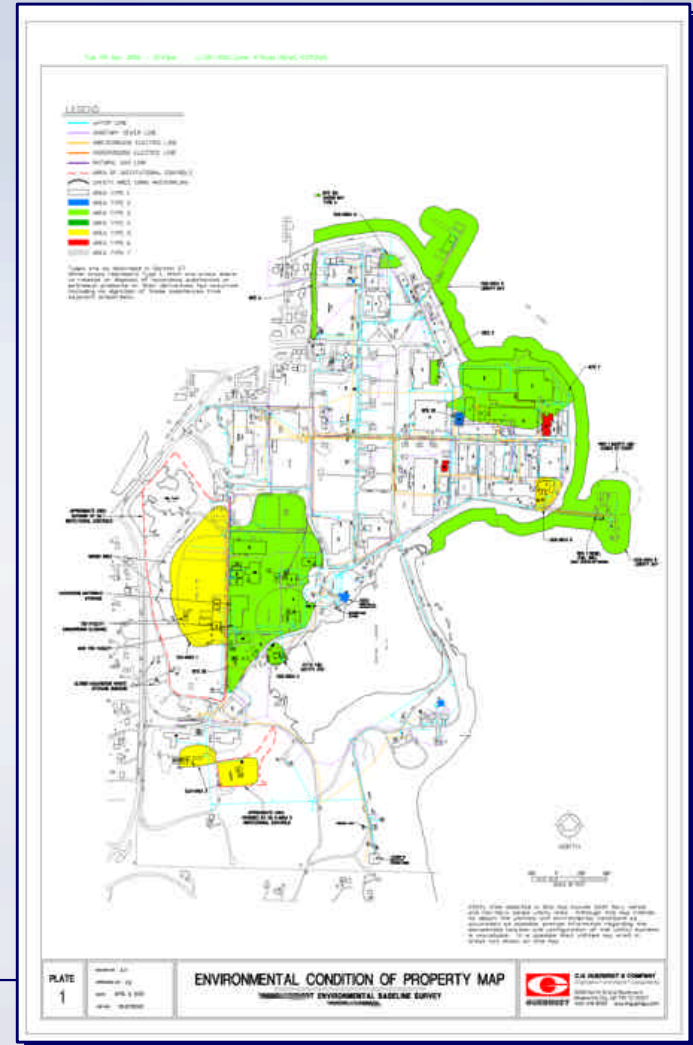
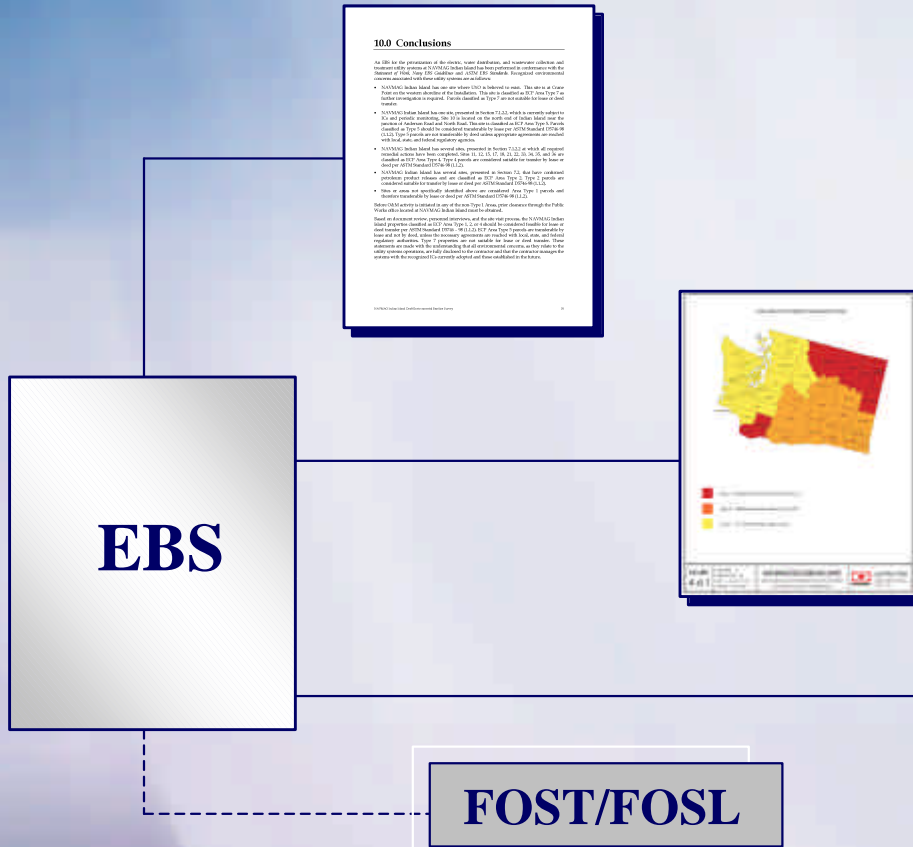
4.2 AIR QUALITY

The use of private water supply is not a significant impact of the proposed project. The use of private water supply is not a significant impact of the proposed project. The use of private water supply is not a significant impact of the proposed project.



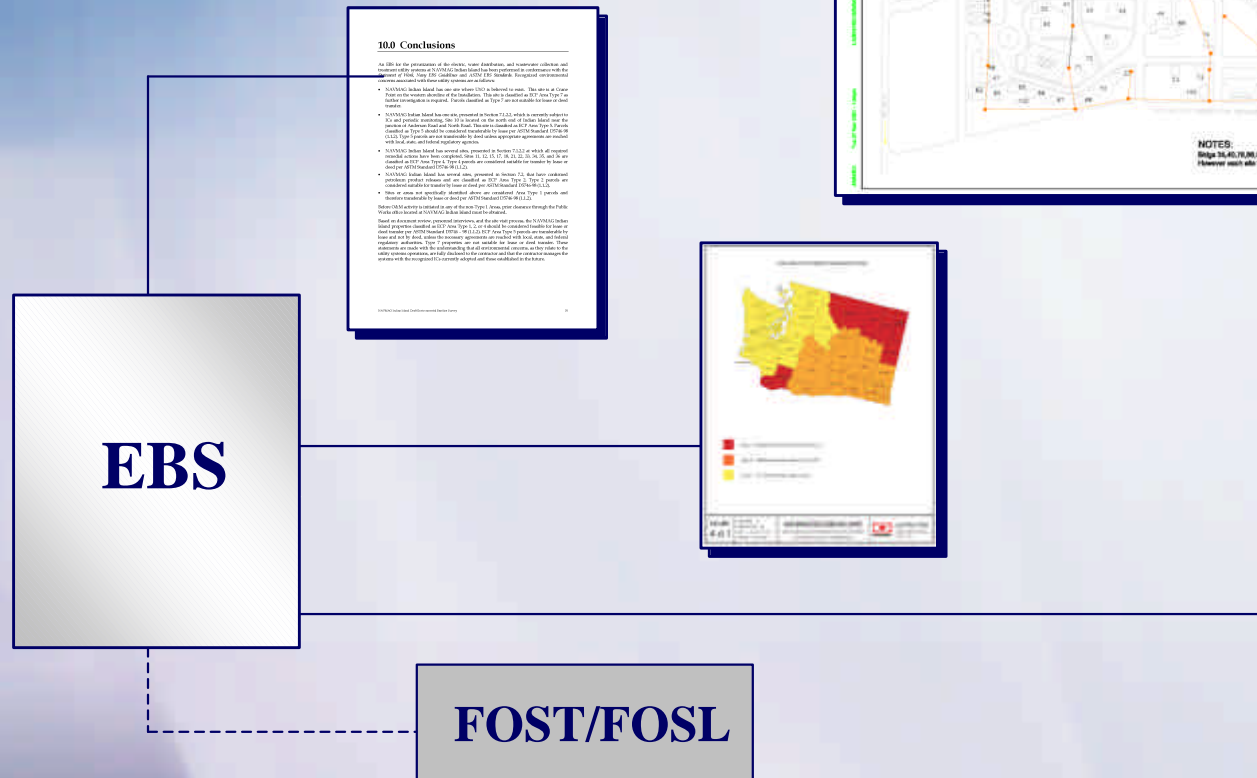
THE PRODUCT

■ Installation-wide EBS



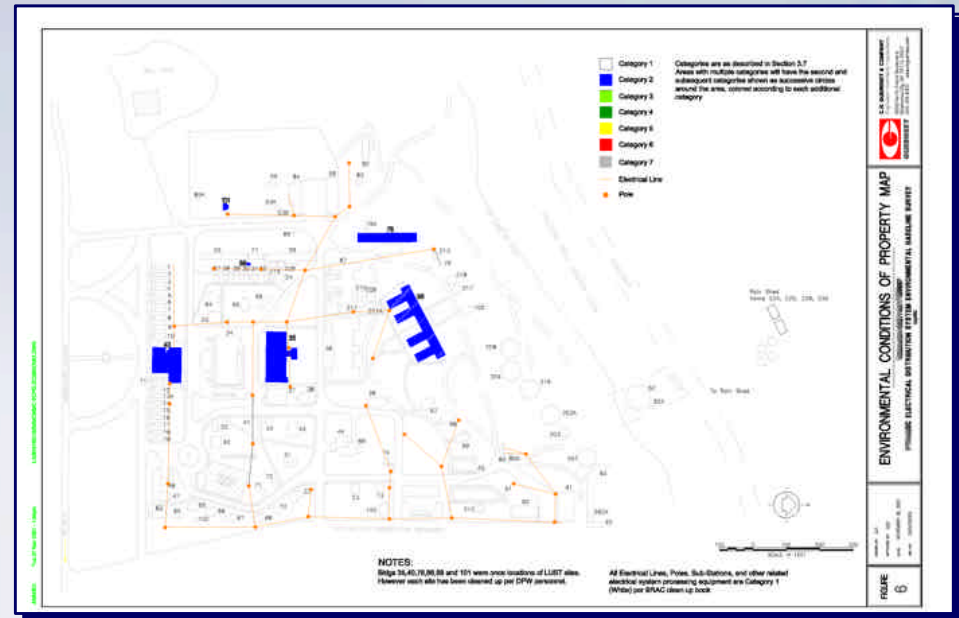
THE PRODUCT

- Comprehensive EBS with refined focus on utilities



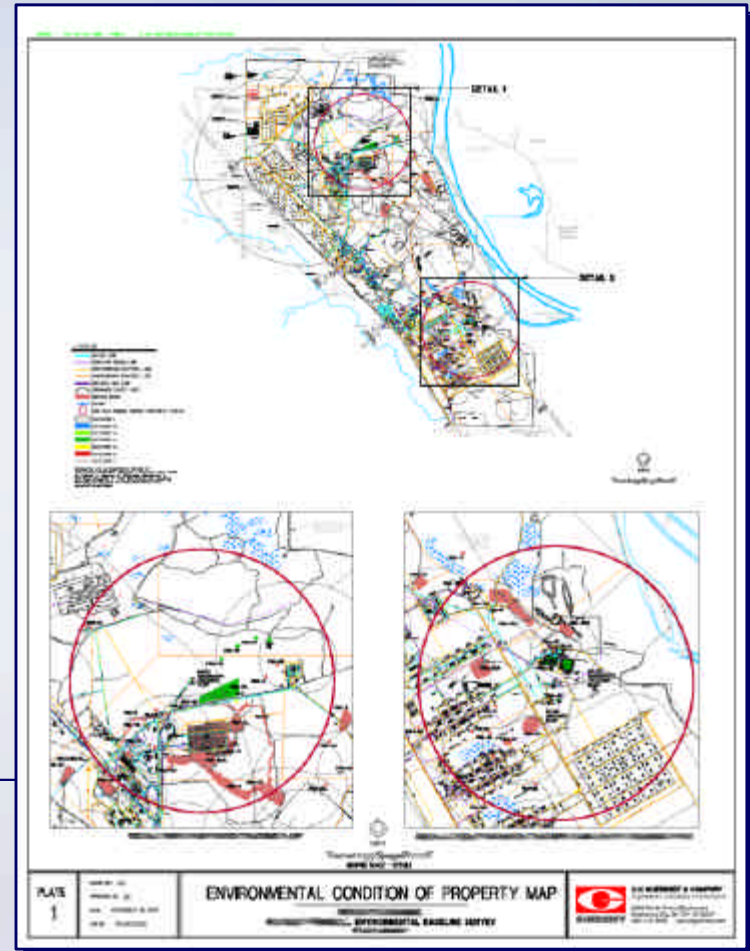
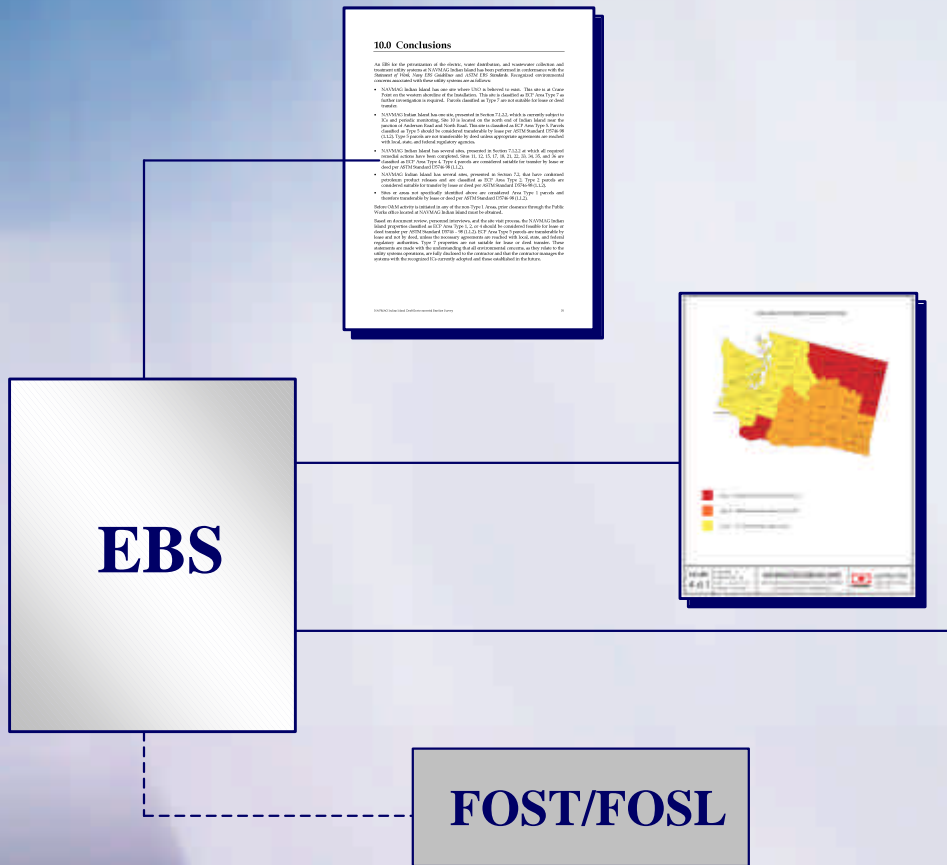
10.0 Conclusions

The EBS for the preparation of the electric power facilities and transmission collection and distribution systems at the site has been prepared in accordance with the requirements of the EBS Guidelines and the EBS Guidelines. The EBS Guidelines and the EBS Guidelines are the primary documents that govern the preparation of the EBS. The EBS Guidelines and the EBS Guidelines are the primary documents that govern the preparation of the EBS. The EBS Guidelines and the EBS Guidelines are the primary documents that govern the preparation of the EBS.



THE PRODUCT

■ Focused EBS



SUMMARY

- NEPA/EBSs are similar processes with different outcomes/focuses
- Interpretation and evolution of process is ever-changing
- Inconsistent processes employed by each DoD branch
- Regional preferences within same DoD branches
- Issues can be resolved through good efforts at communication – *most effective way to streamline the process!*

CURRENT STATUS

FOURTH QUARTER 2002

- 1,524 DoD systems are available to be privatized
- 452 systems are not yet to the RFP stage
- 857 systems are currently under acquisition
- 177 systems have been exempted due to mission, security, or economics
- 38 have been successfully privatized
- GUERNSEY has prepared environmental documentation for over 150 utility systems at 61 U.S. military installations

QUESTIONS?

UTILITY PRIVATIZATION AND
THE ENVIRONMENTAL PROCESS EMPLOYED BY
THE DEPARTMENT OF DEFENSE
ONE FIRM'S EXPERIENCE

PRESENTATION BY:



C. H. GUERNSEY & COMPANY
APRIL 9, 2003