

DOD PRIVATIZED UTILITIES CONTRACT ADMINISTRATION GUIDE

For the Administration of Contract < insert contract number >,

for the < electric, gas, water, and wastewater > System(s)

Awarded Under DESC Solicitations(s)

for < insert installation name >



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Table of Contents

TABLE OF CONTENTS	I
INTRODUCTION	1
PURPOSE	1
OBJECTIVE	1
BACKGROUND.....	1
<i>Key Enabling Authorities.....</i>	2
<i>Contract Type</i>	2
PROGRAM OVERVIEW	3
ROLES AND RESPONSIBILITIES	4
INTRODUCTION	4
CONTRACT AUTHORITY	4
CONTRACT MANAGEMENT TEAM AND LINES OF COMMUNICATION	4
RESPONSIBILITIES	5
SUBMITTALS, INVOICING, AND PAYMENTS.....	9
INTRODUCTION	9
SUBMITTALS	9
INVOICING	10
PAYMENTS	12
QUALITY ASSURANCE SURVEILLANCE PLAN.....	14
INTRODUCTION	14
DOCUMENTATION	15
ACTIONS & RESULTS (HOW TO USE THE SURVEILLANCE PLAN)	15
<i>Developing the QASP</i>	15
<i>Scheduling Surveillance.....</i>	15
<i>Performing Surveillance.....</i>	16
<i>Surveillance Methods.....</i>	17
<i>Informing the Contract Manager.....</i>	17
<i>Reporting to the ACO</i>	17
<i>Maintaining the QASP.....</i>	18
SURVEILLANCE APPROACH COMMON TO ALL UTILITIES	19
<i>Performance Requirements – Utility Service.....</i>	19
<i>Performance Requirements – Responsiveness.....</i>	23
<i>Performance Requirements – Upgrades and Renewals and Replacements.....</i>	24
SURVEILLANCE CALENDAR	25
<i>Frequency</i>	26
<i>Method.....</i>	26
<i>Tool.....</i>	26
<i>Surveillance Calendar – Utility Service</i>	27
<i>Surveillance Calendar – Responsiveness.....</i>	29
<i>Surveillance Calendar – Upgrades and Renewals and Replacements.....</i>	30
APPENDIX A – 10 USC 2688.....	A-1
APPENDIX B: INTEREST WAIVER.....	B-1

APPENDIX C: DESC UTILITIES PRIVATIZATION PRICE REDETERMINATION MANUAL C-1

APPENDIX D: UTILITIES PRIVATIZATION PROGRAM AND CONTRACT OVERVIEW..... D-1

Introduction

Purpose

The purpose of this Privatized Utilities Contract Administration Guide (CAG) is to provide detailed guidance for administering the service contract granted to [<insert new Owner name>](#) at [<insert Installation name>](#). As a result, the Privatized Utilities CAM will enable the Contract Management Team to protect the Government's interests by providing guidance for performing quality assurance checks and managing contract price changes.

Objective

The service contract will be managed according to the Federal Acquisition Regulations, Defense Federal Acquisition Regulations, terms and conditions of the contract and other established operating procedures and guidelines. Administering any contract under these conditions is challenging. There are even more challenges for this contract given the initial sale (transfer) of the utility system and the length of the service contract ([<insert contract term>](#)). Therefore, the objective of this Privatized Utilities CAM is to; (1) define the roles and responsibilities of the Contract Management Team, (2) identify and describe contract submittals, (3) define specific tasks required to successfully manage this contract to ensure quality utility service, and (4) provide guidance on managing price changes.

Background

In May 1997, the Department of Defense (DoD) completed its Quadrennial Defense Review, which examined national security threats, risks, and opportunities facing the United States through 2015. As a result, a Defense Reform Initiative (DRI) was published in November 1997. A fundamental tenant found in the DRI was that in order for the DoD, *"to be effective in the future, support operations will rely increasingly on speed and agility."* The DRI further concluded, *"DoD's current organization, infrastructure, legal and regulatory structure, and business practices were developed over of the course the Cold War"* and *"DoD has labored under support systems and business practices that are at least a generation out of step with modern corporate America."* Therefore, in order to meet the national security challenges through 2015, the DRI stated the military services must, *"reduce excess support structures to free resources and focus on core competencies. The result will be forces that are more deployable, agile, and lethal."* The DRI specifically addressed the ownership, operation, and maintenance of DoD utility systems as an area of the support structure that should be reduced. The DRI stated, *"many of these systems are old in need of significant repair. . . . [T]he required funding exceeds the Department's current and anticipated resources. Local utilities and other entities, by contrast, do have the resources to invest in these systems and the expertise to maintain them appropriately."* As a means of reducing this aspect of the support structure, in the DRI Secretary William Cohen

directed the DoD to “*privatize all utility systems (electric, water, waste water, and natural gas) except those needed for unique security reason or when privatization is uneconomical.*”

Key Enabling Authorities

When the Defense Reform Initiative Directive (DRID) was published, there were no enabling mechanisms in place for DOD to implement it. The following regulatory and legislative authorities were established to accomplish utilities privatization :

- 10USC2688 – 10USC2688 is the enabling legislation allowing the service secretary’s to transfer ownership of Installation utility infrastructure under conditions in which the long term economics are favorable to the Federal Government. 10USC2688 legislative authority is provided for reference as **Appendix A**.
- 50 Year Contract Authority – In order to effectively privatize utilities allowing the new owner to make investments and recover investments over the life of the system component, authority had to be granted allowing long term 50-year service contracts. 10 USC 2688 was amended in October 2000 providing authority for granting 50-year service contract for privatization. 10USC2688 legislative authority is provided for reference as **Appendix A**.
- Deviation to FAR Part 31 – Contract Price Principals and policy. On 20 October 2004 Defense Procurement and acquisition Policy (DPAP) authorized a class deviation from FAR part 31 for certain contracts awarded in conjunction with the conveyance of utility systems under 10 USC 2688. **Appendix B, Attachment A** provides the full text of the Deviation to FAR Part 31.
- Cost Accounting Standards (CAS) Waiver – on 20 October 2004 Defense Procurement and Acquisition Policy (DPAP) granted a waiver to using Cost Accounting Standards given specific contractual conditions. **Appendix B, Attachment B** provides the full text of the CAS waiver.
- Tax Waiver – on 20 October 2004 Defense Procurement and Acquisition Policy (DPAP) granted a waiver allowing, but not requiring, Federal Income Tax directly related to Contribution in Aid of Construction (CIAC Tax) given specific contractual conditions. **Appendix B, Section 3** provides the full text of the Tax waiver.

Contract Type

[<User Note. Choose the paragraph below that describes the contract awarded and delete the other paragraphs. Note that for some contracts, the last paragraph may also apply when the contract includes fixed price capital upgrade projects.>](#)

Tariff-based service contract with a regulated utility. A service contract under FAR part 41 may be used for regulated utilities proposing a regulated tariff for the monthly service charge. The contract term can be for up to 50 years. Changes to the monthly service charge will typically be the result of large capital investments in the utility system or new requirements imposed on the Contractor by the Government. Changes to the monthly service charge can happen any time, but should always be consistent with the rates

approved by the public authority regulating the rate. Changes to the monthly service charge will typically be handled in accordance with FAR 52.241-7, *Change in rates or terms and conditions of service for regulated services*.

Cost of service contract with a regulated utility. A service contract under FAR part 41 may be used for regulated utilities proposing a monthly service charge based on the cost of service to the Installation. Changes to the monthly service charge will be made based on the Contractor's actual costs for operating, maintaining and replacing the system, plus a specified margin or rate of return on investment. The Contractor will closely coordinate approval of system replacements and upgrades.

Fixed Price with Prospective Price Redetermination contract. A fixed price contract with prospective price redetermination may be used for entities proposing a non-regulated monthly service charge. The contract term can be for up to 50 years. Changes to the fixed monthly service charge will be made at incremental periods as defined by the contract. Changes to the monthly service charge will typically be the result of either inflation or capital investments made in the system. Changes to the monthly service charge will typically be handled in accordance with **52.216-5, Price Redetermination – Prospective**. Because changes to the fixed monthly service charge under this type of contract can be more complicated, DESC developed a Utilities Privatization Service Contract Price Redetermination Guidance Manual to assist the ACO during the price redetermination periods. The manual is included as **Appendix C**.

Fixed Price with Economic Price Adjustment contract. A fixed price contract with economic price adjustments may be used for entities proposing a non-regulated monthly service charge. The contract term can be for up to 50 years. Changes to the fixed monthly service charge will be made at times specified in the contract, typically annually. An index will be used to determine the change to the monthly service charge. The index should be identified in the contract. Changes to the monthly service charge will be handled in accordance with 52.216-4 Economic Price Adjustment-Labor and Material.

Fixed Price contract. Fixed price arrangements will typically only apply to capital improvements to the utility system. Fixed price adjustments to the monthly service charge will be incorporated based on the negotiated investment amount (project value), and cost of capital and finance period proposed by the Contractor. The price for these capital investments are fixed. Repayment will not start until after the projects are completed (used and useful).

Program Overview

Utilities privatization is the process by which the Government transfers ownership of a utility system(s) to a qualified contractor. Concurrent with the transfer of the utility system, the Government enters into a service contract with the same contractor to maintain system infrastructure and provide utility service to the installation. The utility service contract does not include the purchase of the utility commodity (electricity, natural gas, water, etc.). Commodity purchases will be handled as they have been in the past, and are usually not affected by utilities privatization. **Appendix D** contains additional overview information.

Roles and Responsibilities

Introduction

The Administrative Contracting Officer (ACO) will work with Base Civil Engineer (BCE) or Director of Public Works (DPW) for *<insert Installation name>* to establish a Contract Management Team and formalize roles and responsibilities.

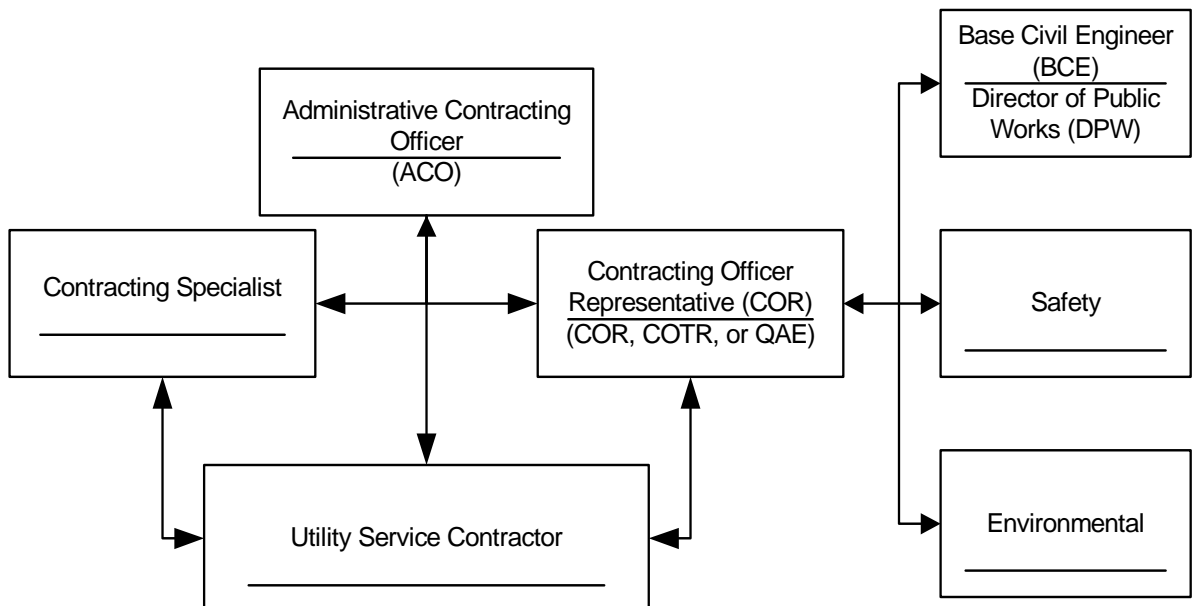
Contract Authority

The ACO has the only authority to direct the Contractor to perform any work.

Contract Management Team and Lines of Communication

The typical Contract Management Team and typical lines of communication are depicted in **Figure 1**. Members of the Contract Management Team will be appointed to the team by memorandum or letter.

FIGURE 1
Contract Management Team
Privatized Utilities Contract Administration



Responsibilities

Administrative Contracting Officer (ACO)/Contract Specialist - The ACO is the only one authorized to bind the Government. The ACO's and Contract Specialist's responsibilities include, but are not limited to:

- Contract Administration
 - Establishing the Contract Management Team
 - Negotiating contract changes and price with the Contractor
 - Resolving disputes
 - Modifying the contract as necessary to reflect changes in requirements or terms and to reflect changes to the contract price
 - Ensuring prompt payments in response to certified Contractor invoices
 - Closing out the contract when complete
 - Terminating the contract, if necessary, for either default or convenience
 - Seeking guidance and support from other organizations and agencies, e.g., Legal, etc., as necessary
 - Processing contract paperwork
 - Processing invoices
 - Maintaining contract documentation
- Coordination of Work
 - Directing the Contractor to perform contract requirements
 - Clarifying requirements or terms in response to questions from the Contractor
- Surveillance
 - Ensuring contract requirements are met
 - Providing written evaluation of contract performance to the Contractor, highlighting contract requirements that inadequately executed during the evaluation period
 - Recording and maintaining Contractor performance information to meet the requirements of FAR 42.15, Contractor Performance Information

Contracting Officer Representative (COR)/ Contracting Officer Technical Representative (COTR)/Quality Assurance Evaluator (QAE) - The COR is the "on the ground" face to the Contractor for O&M, R&R, and Capital Upgrade requirements. The COR/COTR/QAE's responsibilities include, but are not limited to:

- Coordination of work:

- Being the Contractor’s point of contact for technical issues
- Coordinating with the BCE or DPW for activities requiring utilities support
- Reviewing and coordinating Contractor actions that may impact the Installation, mission, systems or projects, e.g., outage requests, construction, maintenance, etc.
- Coordinating digging permits submitted to the Contractor for review
- Notifying the Contractor of Base actions that may impact the Contractor’s system or require the Contractor’s support (e.g., exercises)
- Coordinating and then submitting valid customer complaints and outages to the Contractor via the ACO for correction
- Surveillance
 - Preparing the Quality Assurance Surveillance Plan (QASP)
 - Incorporating the Contractor’s service practices and standards (established by the plans the Contractor submitted with their proposal – Service Interruption/Contingency Plan, Quality Management Plan, and Capital Upgrades and Renewals and Replacements Plan) into the QASP
 - Incorporating applicable service practices and standards required by the contract into the QASP
 - Updating/maintaining the QASP as necessary and resulting from contract changes
 - Observing and documenting Contractor performance in accordance with the QASP
 - Observing the Contractor’s operation and maintenance (O&M) procedures and practices to ensure they are following contractually established service practices and standards
 - As indicated by performance deficiencies, reviewing the Contractor’s records to ensure they properly coordinated with Installation organizations and activities for routine, urgent, and emergency service requests, service curtailments, digging permits, new construction standards, and clear zone restrictions
 - Recording unscheduled outages and power quality fluctuations
 - Reviewing the Contractor’s monthly submittals for accuracy and completeness
 - Reviewing the Contractor’s Capital Upgrades and Renewals and Replacement Plan
 - Monitoring the Contractor’s performance to verify performance in accordance with the terms of the contract
 - Reviewing the Contractor’s monthly invoice
 - Verifying and tracking major maintenance and capital improvements to the system
 - Reporting Contractor performance to the ACO

Base Civil Engineer/Director of Public Works (BCE/DPW) – The BCE/DPW is responsible for defining the Installation’s requirements for utility service. Requirements are only communicated to the Contractor via the ACO. The BCE/DPW’s responsibilities include, but are not limited to:

- Contract Administration
 - Budgeting and programming for the utilities privatization contract
 - As indicated by performance deficiencies, reviewing Contractor records and practices relative to operating, maintaining and revitalizing the utility system
 - Providing feedback on Contractor Performance to the COR
 - Coordinating new connections and disconnections to the utility system
 - Communicating mission changes that include or impact the utility system
- Coordination of Work
 - Providing timely coordination of work
 - Scheduling construction activities that include or impact the utility system
 - Scheduling exercises that include or impact the utility system
 - Reviewing and approving digging permits submitted by the Contractor
 - Reviewing and approving welding permits submitted by the Contractor
 - Coordinating on Contractor’s outage requests
 - Adding the Contractor as the authorized reviewer/approver for the utility system in the Installation’s digging permit process
 - Coordinating requests for utility service through Customer Service
 - Ensuring requests for utility service are appropriately prioritized as routine, urgent or emergency
 - Ensuring that Installation requests for utility service submitted to the utilities privatization contractor are only for service on the privatized utility system
 - Coordinating new service requirements with the Contractor so that they can be incorporated into their annual Capital Upgrades and Renewals and Replacements Plan

Safety – The Safety Office’s responsibilities include, but are not limited to:

- Surveillance
 - As indicated by performance deficiencies, reviewing Contractor records and practices to safeguard Installation personnel and property from ramifications related to the Contractor’s actions or operations

- Providing feedback on Contractor safety practices to the COR

Environmental – The Environmental Office’s responsibilities include, but are not limited to:

- Coordination of Work
 - Coordinating the Environmental Impact Analysis Process (EIAP) conducted by the Contractor for any actions taken within the Installation boundaries.
- Surveillance
 - Periodically reviewing the Contractor’s records and practices to ensure the Installation and property is protected from environmental damage
 - Periodically reviewing the Contractor’s compliance monitoring records to ensure chronic exceedances are addressed and corrected
 - Evaluating Contractor’s response and cleanup of spills to ensure compliance with applicable federal, state and local regulations
 - Periodically reviewing the Contractor’s hazardous waste management practices and procedures
 - Periodically checking to see that the Contractor has provided material safety data sheets (MSDSs) for all hazardous material brought onto the Installation
 - Periodically reviewing the Contractor’s records and practices to verify that the Contractor is following the accepted Hazardous Material and Waste Minimization Program, to include, to the extent practical, reviewing the material usage and practices for recycling and disposal
 - Providing feedback on Contractor environmental practices to the COR

Submittals, Invoicing, and Payments

Introduction

The service contract requires the Contractor to submit recurring reports, plans and invoices. These submittals are a primary means for the Government to monitor, assess, provide feedback, and correct Contractor performance.

Submittals

Table 1 lists the submittals, corresponding contract reference, point(s) of contact for reviewing the submittals, and the frequency for submittal. [<User Note. Update Table 1 data as necessary to reflect the specific submittals, requirements, reviewers and frequencies in the awarded utility service contract.>](#)

TABLE 1
Contract Submittals
Privatized Utilities Contract Administration

Submittal	Requirement	Reviews	Frequency
Service Interruption and Contingency Plan	C.7, L.6.1	COR, BCE/DPW, Environmental, Safety, ACO	Initially w/Proposal and then when changed
NOTE: The ACO shall approve any subsequent revisions, prior to implementation and shall not be altered without the Government's consent, unless the Contractor is a regulated utility and the alterations to the Plan were implemented for all similarly situated customers.			
Quality Management Plan	C.3.1, L.6.2	COR, BCE/DPW, Environmental, Safety, ACO	Initially w/Proposal and then when changed
Capital Upgrades and Renewals and Replacement Plan	C.11.2, L.6.3	COR, BCE/DPW, Environmental, ACO	Initially w/Proposal and then annually
Spill Contingency Plan	C.10.2	COR, BCE/DPW, Environmental, ACO	As needed
NOTE: The Contractor shall adopt the procedures of the Installation Spill Contingency Plan or shall submit to the ACO for review and acceptance a Contractor developed Spill Contingency Plan.			
Hazardous Material and Waste Minimization Plan	C.10.3	COR, BCE/DPW, Environmental, Safety, ACO	As needed

TABLE 1
 Contract Submittals
 Privatized Utilities Contract Administration

Submittal	Requirement	Reviews	Frequency
NOTE: The Contractor shall maintain a viable hazardous waste minimization program that includes making every effort to identify non-hazardous or less hazardous materials than those currently in use and recycling versus disposing of consumable wastes.			
Operational Transition Plan	C.13, L.6.4	COR, BCE/DPW, Environmental, ACO	Initially w/Proposal and removed when all requirements are complete
Outage Report	JX.6	COR, BCE/DPW, ACO	Monthly
Meter Reading Report	JX.6	COR, BCE/DPW, ACO	Monthly
System Efficiency Report (electric, gas, and water) and Infiltration and Inflow Report (wastewater)	JX.6	COR, BCE/DPW, Environmental, ACO	Monthly, when required
NOTE: System Efficiency and Infiltration and Inflow Reports may be required when the Contractor proposes projects for energy or water conservation.			
<u><insert submittal name></u>	JX.6	COR, BCE/DPW, Environmental, Safety, ACO	<u><enter frequency></u>
NOTE: Add other submittals as necessary, based on the utility specific J Attachments included with the CONTRACT.			

Invoicing

The Contractor is required to prepare and submit a monthly invoice for services as required by Section B of the contract. Monthly invoices during the transition period should only be for the negotiated amount in Sub-CLIN AD, Transition. After transition, the invoice should reflect the negotiated price for services reflected in the Sub-CLINs AA, AB and AC. The invoice should be received and processed generally as follows:

- **Contractor**
 - Submit <1 original invoice and 4 copies>
 - Submit for payment by the <insert day> of each month for the previous month's billing period
 - Include a line item on the invoice showing the credit for the monthly purchase price in accordance with Sub-CLIN AA

- Include the cumulative number of months the credit for the monthly purchase price has been invoiced and the number of months remaining based on the terms in the negotiated contract bid schedule
- Include a line item on the invoice showing the monthly charge for recovery of the purchase price in accordance with Sub-CLIN AA
- Include the cumulative number of months the monthly charge for the recovery of the purchase price has been invoiced and the number of months remaining based on the terms in the negotiated contract bid schedule)
- Include a line item on the invoice showing the monthly charge for operations and maintenance and renewals and replacements in accordance with Sub-CLIN AB
- Include a line item on the invoice showing the monthly charge for capital upgrade projects in accordance with Sub-CLIN AC
- Include supporting amortization schedules for each negotiated capital upgrade project based on the terms in the negotiated contract bid schedule
- Include a credit to the Government for failure to meet the requirements for Routine, Urgent, and Emergency Repair Response
- Include supporting documentation showing the basis for the credit to the Government for failure to meet the requirements for Routine, Urgent, and Emergency Repair Response
- **Contracting Officer Representative (COR)/ Contracting Officer Technical Representative (COTR)/Quality Assurance Evaluator (QAE)**
 - Reviews and certifies the Contractor has completed the contract requirements for the invoice's reporting period
 - Reviews and compares the Contractor's supporting documentation for the credit to the Government for failure to meet the requirements for Routine, Urgent, and Emergency Repair Response to the outage reports maintained by the COR and BCE/DPW
 - Prepares DD Form 250, Material Inspection and Receiving Report, or other comparable document, form or report, documenting acceptance of service and authorization for payment
 - Submits certified invoice and accompanying DD Form 250 back to the Administrative Contracting Officer/ Contracting Specialist for further processing
- **Administrative Contracting Officer (ACO)/Contract Specialist ¹**
 - Ensures a timely review and processing of Contractor invoices

¹ Depending on Installation-specific procedures, activities listed for the administrative contracting officer may be performed by the COR/COTR/QAE, e.g., the Installation may opt to have the COR/COTR/QAE submit the certified and approved invoice and accompanying DD Form 250 directly to FM, with a copy of the paid invoice provided to the COR

- Receives the invoices and verifies accuracy relative to contract requirements
- Verifies the invoice shows the contract number
- Verifies the invoice has a unique invoice number
- Verifies the Contractor's payment address is correct
- Verifies the invoice shows the reporting period
- Verifies the correct number of copies been provided
- Verifies the appropriate supporting documentation has been provided
- Compares and verifies the monthly charges for Sub-CLINs AA, AB and AC to the negotiated contract amounts, to include any changes resulting from contract modifications
- Compares and verifies the amortization schedules for capital upgrades to the negotiated contract amounts, to include any changes resulting from contract modifications
- Verifies the credit to the Government for failure to meet the requirements for Routine, Urgent, and Emergency Repair Response is in accordance with the negotiated contract rate of <\$ *insert dollars*> per hour as proposed by the Contractor in response to Paragraph L.9.6.5, Monthly Credit to the Government for Delayed Response Times)
- Reviews and verifies that the Contractor's supporting documentation corroborates the credit to the Government for failure to meet the requirements for Routine, Urgent, and Emergency Repair Response
- Coordinates with the Contractor to resolve minor invoice inaccuracies and omissions
- Negotiates revisions and adjustments to invoice amounts with the Contractor in accordance with terms of the contract, include any contract modifications
- Informs the Contractor when their invoice is rejected and provides basis for rejection
- Submits the invoice to the COR/COTR/QAE for review, acceptance and certification
- Authorizes payment for certified, approved invoices
- Initiates payment through the Defense Finance and Accounting Service or other payment office as applicable
- Files approved, certified invoice with project documentation

Payments

The ACO has the overall responsibility to ensure that the Contractor is properly paid for providing utility service. The BCE/DPW has the overall responsibility to ensure that appropriate funds have been programmed and allocated for the service contract. Certified

invoices are forwarded to the applicable Installation Financial Management (FM) office for payment processing.

Quality Assurance Surveillance Plan

Introduction

A Quality Assurance Surveillance Plan (QASP) is required to evaluate the Contractor's performance. It is designed to provide the Quality Assurance Evaluator (QAE) with an effective and systematic surveillance method for each listed service or requirement included in the negotiated service contract. The QASP should focus on the services the Contractor is required to furnish, not the details of how the Contractor accomplishes the work. The QASP should also use a combination of surveillance methods to adequately assess the Contractor's performance.

The QASP is based on the premise that the Contractor, and not the Government, is responsible for management and quality control actions needed to meet the terms of the contract. The threshold required for satisfactory Contractor performance is the Performance Threshold. Use of a Performance Threshold recognizes that the Contractor is not a perfect manager and that unforeseen and uncontrollable problems may occur. Good management and use of an adequate quality control plan will allow the Contractor to operate within the Performance Threshold.

QAEs should be objective, fair, and consistent when evaluating Contractor performance against the standards. QAEs should be selected that have sufficient technical and managerial expertise and oversight to determine whether service provided by the Contractor meets the requirements of the contract. The Contract Management Team should establish and document relevant qualification and training for QAEs.

There are three major areas of the service contract that require monitoring on an ongoing basis:

- Utility Service – the day-to-day requirements for operating, maintaining, and repairing the utility system. The requirements defined by this area of service are generally performed independently by the Contractor with little to no required interaction by the Government.
- Responsiveness – responding to service requests and outages. These requirements are typically in response to the Government's request for service or notification that there is an outage or loss of service.
- Capital Upgrades and Renewals and Replacements – capital investment in the utility system. These requirements are defined by the Contractor with input from the Government to coordinate construction and identify new requirements or expansions.

It may be necessary to develop other methods to evaluate other provisions in the service contract. The methods for administering and evaluating these other provisions should be developed by the ACO and COR/COTR/QAE and incorporated into the QASP as appropriate.

Documentation

Each DoD service has acquisition directives, regulations and other documents that provide information on QASP. These guidance documents, together with this document, should be used to develop the QASP. In addition to these documents, the following documents should be used to tailor the QASP to meet the Installation's needs:

- Negotiated Service Contract
- Contractor's Service Interruption/Contingency Plan
- Contractor's Quality Management Plan
- Contractor's Capital Upgrades and Renewals and Replacements Plan
- Contractor's Operational Transition Plan
- Contractor's Spill Contingency Plan, if applicable
- Contractor's Hazardous Material and Waste Minimization Plan, if applicable
- Contractor's Metering Plan or procedures.

Actions & Results (How to use the Surveillance Plan)

Developing the QASP

Much of the QASP for the service contract will be developed based on submittals in the Contractor's proposal. These submittals will identify the standards the Contractor will follow for operating and maintaining the system, the approach the Contractor will use when responding to outages and emergencies, and the investment the Contractor will make to upgrade and renew the utility system.

Tables 2A, 2B and 2C summarize the performance requirements for the basic service contract. These tables can be used as a starting point by the Contract Management Team to develop the QASP for the awarded service contract. In addition to reviewing and updating these requirements to reflect the awarded service contract, additional requirements should be added to reflect specific service requirements from the utility-specific J Attachments to the contract, as well as specific requirements based on the Contractor's submittals, most importantly the Contractor's Quality Management Plan.

Performance thresholds must be developed for each of the established performance requirements. The Contract Management Team should carefully review the established performance threshold for "satisfactory" performance, keeping in mind the primary objectives of the utilities privatization initiative.

Scheduling Surveillance

Tables 3A, 3B and 3C contain the corresponding surveillance schedules for the performance requirements shown in tables 2A, 2B and 2C. These schedules would also have to be

supplemented to reflect specific service requirements in the utility-specific J Attachments to the contract and the requirements in the Contractor's submittals.

To execute the QASP, the QAE will develop a monthly schedule. Each monthly surveillance schedule should be completed at least 7 days before the start of the month being inspected. A copy of the surveillance schedule should be maintained as a part of the contract documentation, should be considered "FOR OFFICIAL USE ONLY," and should not be shown to the Contractor. Some of the factors to consider when developing the schedule are as follows:

- Select the areas and times for inspections using the procedures in the sampling guide.
- Document the date and time for each inspection on the schedule.
- Indicate when any Management Information System reports will be received or used.
- Formal customer complaints are not scheduled, but when valid are used to assess the Contractor's performance.
- Notify the ACO of changes to the monthly surveillance schedule. New copies will be sent to the Contract Administrator and FAC. Documentation of the reasons for the changes will be included.

Performing Surveillance

Actual surveillance should be performed in accordance with the monthly schedule. All of the scheduled inspections should be accomplished. On the day of a scheduled inspection, make a copy of the checklist located in the QASP. Go to the area requiring surveillance and perform the inspection in accordance with the checklist.

When surveillance results is an unacceptable rating, the specific reason for the unacceptable performance needs to be reported on the checklist. The Contractor should be given the opportunity to immediately correct, if possible, all defects detected during surveillance by the QAE. Any defect corrected by the contractor shall still count as a defect. All defects, whether or not they were corrected on the spot, shall be documented and reported to the ACO. Acknowledgment of the defect will be made by having the Contractor sign or initial the tally sheet or surveillance activity checklist, whichever is used.

If the number of defects recorded during the inspection exceeds the performance threshold, the QAE will determine the possible cause of the unacceptable performance. If any government action or lack of action caused the unacceptable performance, these defects shall not be counted against the Contractor. If the QAE determines that the unacceptable performance was caused by the Contractor, the QAE shall prepare and submit a Contract Discrepancy Report (CDR) to the ACO. This must be accomplished no later than the end of the month in which the CDR was issued.

The QAE will maintain a master CDR log, which will be monitored to ensure proper disposition and tracking of all issued CDRs. CDRs should be tracked and updated as the Contractor corrects identified defects.

When formal customer complaints are the method of inspection, each organization that receives the Contractor's service should be briefed. Written instructions outlining the

customer complaint program should be given to each organization. The instructions should include, as a minimum, how to file a customer complaint and the level of service required by the Contractor.

Surveillance Methods

Services surveyed will have the result of the surveillance documented on the appropriate surveillance activity checklist or customer complaint. This is to ensure that a proper audit trail is maintained.

The QAE will develop Surveillance Activity Checklists covering all RS line items inspected by this method of surveillance. Checklists will be based on the specific requirements in the service contract. Surveillance activity checklists will cover all areas listed in the contract and should be updated as changes occur. Because of the broad areas covered under each RS, it is impractical to use a single Surveillance Activity Checklist. Therefore, locally developed checklists should be used in lieu of standard checklists as necessary to reflect the requirements to be assessed.

Surveillance Activity Checklist inspections are used when the service is not performed frequently, i.e., a report is due monthly. The frequency of the inspection is dependent on how often the service is performed, i.e., weekly, monthly, quarterly, semi-annually, or annually. Each Surveillance Activity Checklist identifies what constitutes as a defect.

When a QAE receives a customer complaint (CC), it should be entered into the CDR/CC log and assigned an audit number, i.e., 96-001. The QAE should research the CC to verify if it is a contract requirement. If it is determined to be a contract requirement, the QAE should identify the requirement and forward the complaint to the Contractor for a reply. The contractor should be given a reasonable time period, e.g., 2 work days, to provide a response to the notification. When the CC is returned, the QAE should evaluate the Contractor's reply, the complaint, and the specific contract requirement(s) to determine if the CC is valid. If the complaint is determined to be valid, it will be used to objectively assess the Contractor's performance. CCs received and validated in other areas not identified to be inspected using the formal customer complaint method of surveillance should only be used to subjectively assess the Contractor's performance.

Informing the Contract Manager

The QAE should always contact the Contractor's manager or onsite representative when surveillance has identified a defect. There is no need to do this in writing; however, whenever possible, have the Contractor initial the defect entry on the tally sheet or surveillance activity checklist. When the Contractor does not initial the document, the QAE must note where the defect is recorded, the item of notification, and the QAE's initials.

Reporting to the ACO

The QAE should complete their surveillance activities and provide a report to the ACO at the end of the month. The report should be completed as soon as possible but not later than 7 days after the end of the month. The report should document the results of the surveillance, summarizing Contractor performance relative to each performance requirement that was surveyed during the month.

Maintaining the QASP

The QASP should be managed as a living document. The QASP should be updated when changes are made to contract requirements. Additionally, as the Contractor becomes more familiar with the utility system and the Installation, their performance should become more rote and routine. Thus, over time it may be appropriate to eliminate or reduce the surveillance frequency.

Surveillance Approach Common to All Utilities

The following Quality Assurance requirements are common for all utility systems. [<User Note. Update Table 2A, 2B and 2C data as necessary to reflect the specific performance objectives, contract sections, and performance requirements in the awarded utility service contract. The resulting tables will define the Performance Requirements for the Installation-specific Quality Assurance Surveillance Plan.>](#)

TABLE 2A

Performance Requirements – Utility Service

Privatized Utilities Contract Administration

Required Service	Performance Objective	Contract Sections	Performance Requirement
RS – Utility Service Requirement	Utility Service Requirement	C.3.1	Contractor furnished all facilities, labor, materials, tools, and equipment necessary to manage, control, and perform operations, maintenance, repairs, replacements, expansions, and incidentals as necessary to provide reliable and dependable utility service to the Installation. Contractor obtained and maintains current any and all licenses, permits, or certifications necessary to own, maintain and operate the utility system.
	Performance Standards	C.3.2, C.12	Contractor developed and maintains an Operations and Maintenance/Quality Management Plan documenting the standards and specifications the Contractor will use to operating and maintain the utility system. Contractor coordinated any substantive changes to the Operations and Maintenance/Quality Management Plan with the Government.
	Metering	C.3.3	Contractor read, maintained and calibrated utility system meters. Contractor submitted metering reading report. Contractor installed, read, maintained, and calibrated new meters requested by the Government.
RS – Service Area	Service Area	C.4	Contractor provided utility service to all existing and new service connections. Contractor established new service connections requested by the Government.

TABLE 2A

Performance Requirements – Utility Service

Privatized Utilities Contract Administration

Required Service	Performance Objective	Contract Sections	Performance Requirement
			Contractor terminated service connections requested by the Government.
	Temporary Connections	C.4.1	Contractor provided temporary utility service connections requested by the Government.
	Use of Distribution Systems to Serve Areas Outside the Installation Service Area	C.4.2	Contractor coordinated, negotiated compensation, and received prior approval from the Government for any use of the utility system outside the contract’s service areas.
	Joint Use – Government Use	C.4.3.1	Contractor allowed the Government to enter Contractor facilities to install, maintain, repair, operate, upgrade, and replace Government-retained property and equipment. Contractor coordinated with the Government prior to making any changes or upgrades to Contractor-owned property and equipment that may affect Government-owned property and equipment.
	Joint Use – Commercial Use	C.4.3.1	Contractor established separate access agreements with other utility providers (telephone, cable, etc.) or non-Government entities as necessary for joint use of property and/or equipment.
RS – Utility System Ownership, Employees and Security	Placement of Utility System	C.5.1.3	Contractor complied with the Installation’s requests regarding placement of new or renewal utility systems either overhead or underground unless to do so would cause the Contractor to violate any applicable law or be in consistent with sound utility practice.
	Contractor Facilities	C.5.1.4	Contractor’s facilities are constructed or remodeled in accordance with the Installation’s architectural standards.
	Record Drawings	C.5.1.5	Contractor maintains updated record drawings for the utility system. In response to requests from the Government, Contractor provided drawings in CAD-CAM format compatible with the Government’s systems.

TABLE 2A

Performance Requirements – Utility Service

Privatized Utilities Contract Administration

Required Service	Performance Objective	Contract Sections	Performance Requirement
			In response to requests from the Government, Contractor provided information to allow updates to the Installation’s Geographic Information System.
	Disposition of Removed or Salvaged Materials	C.5.1.6	Contractor notified the Government when removing hazardous substances from the Installation. Contractor updated record drawings to identify abandoned plant items. Contractor ensured no interconnections between abandoned and in service facilities.
	Employees	C.5.2	Contractor employees that must read, understand and/or discuss environmental, health and/or safety warnings as a part of their duties must be able to understand, read, write and speak the English language. Contractor employees that interface with customers must be able to understand, read, write and speak the English language. Submit and update personnel list.
	Personnel Appearance and Identification	C.5.2.1	Contractor employees shall present a neat appearance and be readily recognized as Contractor employees.
	Employee Certification	C.5.2.2	Contractor employees shall meet all applicable Federal, State, and Local certification, licensing, and health and safety requirements to perform all assigned tasks and functions as defined in this contract.
	National Agency Check and Controlled Access Areas	C.5.2.4, C.5.2.5	Contractor’s employees have the required security clearances.
	Conflict of Interest	C.5.2.6	Contractor has not employed any U.S. Government personnel, that if doing so would create a conflict of interest.

TABLE 2A

Performance Requirements – Utility Service

Privatized Utilities Contract Administration

Required Service	Performance Objective	Contract Sections	Performance Requirement
	Contractor Vehicles	C.5.3	Contractor's vehicles shall be readily identifiable.
	Contractor Radios	C.5.4	Prior to operating two-way, portable, or landmobile devices on the Installation, the Contractor shall obtain approval from the Installation Communication Group by requesting an available clear frequency.
RS – Access to the Utility System	Access to the Utility System	C.6	Contractor complied with the provisions of the right of access or easement.
RS – Environmental Compliance	Permit Compliance	C.10.1	Contractor obtained and maintains current any and all licenses, permits, or certifications necessary to own, maintain and operate the utility system.
	Work in Environmentally Sensitive Areas	C.10.2, C.14	Contractor coordinated with the Government prior to accessing any environmentally sensitive areas. Contractor complied with Installation procedures and standards for work in and around environmentally sensitive areas.
	Environmental Impact Assessments	C.10.3	Contractor complied with the Installation's environmental impact analysis program.
	Spill Contingencies	C.10.4	Contractor has adopted and follows the Installation's Spill Contingency Plan and all applicable environmental compliance requirements.
	Hazardous Material and Waste Minimization	C.10.5	Contractor maintained material safety data sheets (MSDS) with hazardous materials used on the Installation.
			Contractor provided the Government copies of each MSDS.
			Contractor maintains a hazardous waste minimization program.
Environmental Response	C.10.6	Contractor performed environmental response, at no cost to the Government, for incidents caused by the Contractor.	

TABLE 2B

Performance Requirements – Responsiveness

Privatized Utilities Contract Administration

Required Service	Performance Objective	Contract Sections	Performance Requirement
RS – Response to Service Interruptions and Contingencies	Response to Service Interruptions and Contingencies	C.7	<p>Contractor developed and maintains a Service Interruption/Contingency Plan.</p> <p>Contractor coordinated any substantive changes to the Service Interruption/Contingency Plan with the Government.</p> <p>Contractor responded to service requests in accordance with response time requirements identified in the contract.</p> <p>Contractor followed the Installation's Emergency Restoration Plan when restoring lost service.</p>
RS – Repair Response Notification Procedures	Repair Response Notification Procedures	C.8	<p>Contractor developed and follows defined procedures for repair response notification.</p> <p>Contractor developed and follows established service request procedures for service requests of different priorities, e.g., emergency, urgent, and routine.</p> <p>Contractor established and manages a local or toll-free telephone number for service requests 24/7/365.</p> <p>Contractor maintains a 2-year record of service requests documenting the date/time of the call, date/time of service, cause of request, and response taken.</p> <p>Contractor coordinates with facility/building managers when performing work on the utility system that will affect facility/building operations.</p>
RS – Coordination of Work	Coordination of Work	C.9.1	<p>Contractor coordinated routine work that requires service interruption with the Government at least 2 weeks prior to commencing work.</p> <p>Contractor notifying facility/building occupants in advance of outages.</p>
	Government Requests for Utility Service	C.9.2	<p>Contractor referred other service interruption requests to the Government.</p>

TABLE 2B

Performance Requirements – Responsiveness

Privatized Utilities Contract Administration

Required Service	Performance Objective	Contract Sections	Performance Requirement
	Interruption		
	Construction and Restoration of Site	C.9.3	Contractor used temporary facilities and controls as necessary during construction for work that could affect Installation activities. Contractor restored area after construction to equal or better condition than prior to construction.
	Excavation Permits	C.9.4	Contractor adopted and follows the Installation’s excavation permit process.
	Underground Utility Location	C.9.5	Contractor located its underground system components in support of the Installation’s excavation permit process. Contractor provided underground utility locations within the timeframe established by the contract.
	Working Hours	C.9.6	Contractor coordinated routine work outside of normal working hours with the Government prior to commencing work.
	Coordination Meetings	C.9.7	Contractor attended requested meetings.
	Exercises and Crisis Situations Requiring Utility Support	C.9.8	Contractor provided support to Installation emergency and crisis situations.

TABLE 2C

Performance Requirements – Upgrades and Renewals and Replacements

Privatized Utilities Contract Administration

Required Service	Performance Objective	Request for Proposal Sections	Performance Threshold
RS – Upgrades and Renewals and Replacements	Initial Capital Upgrades	C.11.2.1	Contractor completed initial capital upgrade projects in accordance with the timeframe listed in the contract. Contractor provided justification for projects that were not completed on time.
	Future Capital Upgrades	C.11.2.2	Contractor completed all scheduled capital upgrade projects as specified in the Contractor's Capital Upgrades and Renewals and Replacements Plan. Contractor provided justification for projects that were not completed on time.
	Renewals and Replacements	C.11.2.3	Contractor completed all scheduled capital upgrade projects as specified in the Contractor's Capital Upgrades and Renewals and Replacements Plan. Contractor provided justification for projects that were deferred or not completed on time.
	Capital Upgrades and Renewals and Replacements Plan	C.11.2.4, C.11.2.7	Contractor submitted Capital Upgrade and Renewals and Replacements Plan by the date specified in the contract. Contractor's Capital Upgrade and Renewals and Replacements Plan provides detailed information, e.g., site plans, cost estimates, upgrade schedules, impact analysis, etc., for projects to be completed in the 1 st year of the Plan. Contractor's Plan includes general information, e.g., project descriptions, order-of-magnitude estimates, and site plans for projects to be completed in years 2 through 5 of the Plan. Contractor's Plan includes an assessment of any new or revised standards that will apply to the utility system. Contractor's Plan identifies the Contractor's planned system improvements or operational changes to comply with the new standards.
	Connections and Disconnections	C.11.2.8	Contractor's Capital Upgrade and Renewals and Replacements Plan provides a list of anticipated new service connections, including preliminary design and estimated cost.

Surveillance Calendar

The following table shows the frequency and method/tool used for the surveillance detailed in Tables 2A, 2B and 2C. The Performance Threshold for the Performance Objectives can be found in Tables 2A, 2B and 2C. The following explanatory notes are

provided to further define the terms used in the surveillance calendar. [<User Note. Update Table 3A, 3B and 3C data as necessary to reflect the specific performance objectives, frequencies, and method/tools in the awarded utility service contract. The resulting tables will define the Surveillance Calendar for the Installation-specific Quality Assurance Surveillance Plan.>](#)

Frequency

Frequency measures how often the surveillance is performed. Typical frequencies include monthly, quarterly and annually, and they may be tied to when submittals are due. Per occurrence frequencies are for those service requirements that are only assessed when used, e.g., typically in response to a specific request for service such as adding a temporary meter.

Method

The method identifies how the surveillance is performed. There are three basic surveillance methods listed:

- Customer complaints, excessive outages, regulatory citations (notices of violation), etc. Surveillance looking to see if there were reported problems during the surveillance period, e.g., the previous month, quarter or year.
- 100% surveillance. This method indicates that all services provided or deliverables submitted during the surveillance period will be assessed.
- Periodic/partial surveillance. This method indicates that only some of the services provided or deliverables submitted during the surveillance period will be assessed. Alternately, if there are few services or deliverables for a particular required service, it may be desired to only periodically perform surveillance.

Tool

The tool identifies how the performance is evaluated. There are three basic surveillance tools listed:

- Case-by-case review. When the surveillance method is based on a customer complaint, e.g., an indication of a failure to provide service, the instances of each complaint or service failure should be assessed. The root cause, contractor response, and customer feedback should be considered in the case-by-case review.
- Contractor deliverable, e.g., monthly meter reading report. Surveillance consists of reviewing the contractor's submittal for conformance to contract requirements and standards.
- Checklist. Checklists provide reliable, objective tools to assess and record performance against standard. Checklists provide for a variety of performance measurements, e.g., true/false, ranges, entered values, satisfaction scales, etc.

TABLE 3A

Surveillance Calendar – Utility Service

Privatized Utilities Contract Administration

Required Service	Performance Objective	Frequency	Method	Tool
RS – Utility Service Requirement	Utility Service Requirement	Monthly	Customer complaints, excessive outages, regulatory citations (notices of violation), etc.	Case-by-case review
	Performance Standards	Monthly	Customer complaints, excessive outages, regulatory citations (notices of violation), etc.	Case-by-case review
	Metering	Monthly	100% surveillance	Contractor's Meter Reading Report
RS – Service Area	Service Area	Per Occurrence	100% surveillance	Checklist
	Temporary Connections	Per Occurrence	100% surveillance	Checklist
	Use of Distribution Systems to Serve Areas Outside the Installation Service Area	Per Occurrence	100% surveillance	Checklist
	Joint Use – Government Use	Monthly	Customer complaints, excessive outages, regulatory citations (notices of violation), etc.	Case-by-case review
	Joint Use – Commercial Use	Monthly	Customer complaints, excessive outages, regulatory citations (notices of violation), etc.	Case-by-case review
RS – Utility System Ownership, Employees and Security	Placement of Utility System	Annually	100% surveillance	Contractor's Capital Upgrades and Renewals and Replacements Plan
	Contractor Facilities	Monthly	Customer complaints, excessive outages, regulatory citations (notices of violation), etc.	Case-by-case review
	Record Drawings	Quarterly	Periodic/partial surveillance	Checklist
	Disposition of Removed or Salvaged Materials	Monthly	Periodic/partial surveillance	Checklist

TABLE 3A

Surveillance Calendar – Utility Service

Privatized Utilities Contract Administration

Required Service	Performance Objective	Frequency	Method	Tool
	Employees	Quarterly	Periodic/partial surveillance	Checklist
	Personnel Appearance and Identification	Quarterly	Periodic/partial surveillance	Checklist
	Employee Certification	Monthly	Periodic/partial surveillance	Checklist
	National Agency Check and Controlled Access Areas	Quarterly	Periodic/partial surveillance	Checklist
	Conflict of Interest	Quarterly	Periodic/partial surveillance	Checklist
	Contractor Vehicles	Quarterly	Periodic/partial surveillance	Checklist
	Contractor Radios	Quarterly	Periodic/partial surveillance	Checklist
RS – Access to the Utility System	Access to the Utility System	Quarterly	Periodic/partial surveillance	Checklist
RS – Environmental Compliance	Permit Compliance	Quarterly	100% surveillance	Checklist
	Work in Environmentally Sensitive Areas	Quarterly	100% surveillance	Checklist
	Environmental Impact Assessments	Quarterly	100% surveillance	Checklist
	Spill Contingencies	Quarterly	100% surveillance	Checklist
	Hazardous Material and Waste Minimization	Quarterly	100% surveillance	Checklist
	Environmental Response	Quarterly	100% surveillance	Checklist

TABLE 3B

Surveillance Calendar – Responsiveness

Privatized Utilities Contract Administration

Required Service	Performance Objective	Frequency	Method	Tool
RS – Response to Service Interruptions and Contingencies	Response to Service Interruptions and Contingencies	Monthly	Periodic/partial surveillance	Checklist
RS – Repair Response Notification Procedures	Repair Response Notification Procedures	Monthly	Periodic/partial surveillance	Checklist
RS – Coordination of Work	Coordination of Work	Monthly	Periodic/partial surveillance	Checklist
	Government Requests for Utility Service Interruption	Monthly	Periodic/partial surveillance	Checklist
	Construction and Restoration of Site	Monthly	Periodic/partial surveillance	Checklist
	Excavation Permits	Monthly	Periodic/partial surveillance	Checklist
	Underground Utility Location	Monthly	Periodic/partial surveillance	Checklist
	Working Hours	Monthly	Periodic/partial surveillance	Checklist
	Coordination Meetings	Monthly	Periodic/partial surveillance	Checklist
	Exercises and Crisis Situations Requiring Utility Support	Monthly	Periodic/partial surveillance	Checklist

TABLE 3C

Surveillance Calendar – Upgrades and Renewals and Replacements

Privatized Utilities Contract Administration

Required Service	Performance Objective	Frequency	Method	Tool
RS – Upgrades and Renewals and Replacements	Initial Capital Upgrades	Monthly ²	100% surveillance	Contractor’s Capital Upgrades and Renewals and Replacements Plan
	Future Capital Upgrades	Annually	100% surveillance	Contractor’s Capital Upgrades and Renewals and Replacements Plan
	Renewals and Replacements	Annually	100% surveillance	Contractor’s Capital Upgrades and Renewals and Replacements Plan
	Capital Upgrades and Renewals and Replacements Plan	Annually	100% surveillance	Contractor’s Capital Upgrades and Renewals and Replacements Plan
	Connections and Disconnections	Annually	100% surveillance	Contractor’s Capital Upgrades and Renewals and Replacements Plan

² Monthly during the 1st five years of the contract.

Appendix A: 10 USC 2688

Appendix B: Interest Waiver

Appendix C: DESC Utilities Privatization Price Redetermination Manual

Appendix D: Utilities Privatization Program and Contract Overview
