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This article gives you a brief history, the current status, and future opportunities still available to organizations interested in providing utility privatization services on federal military installations.

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Charles Shellabarger - Manager, Information Services - GDS - Marietta, GA

Use this page as your quick reference guide and general information to the Energy Policy Act of 2005.

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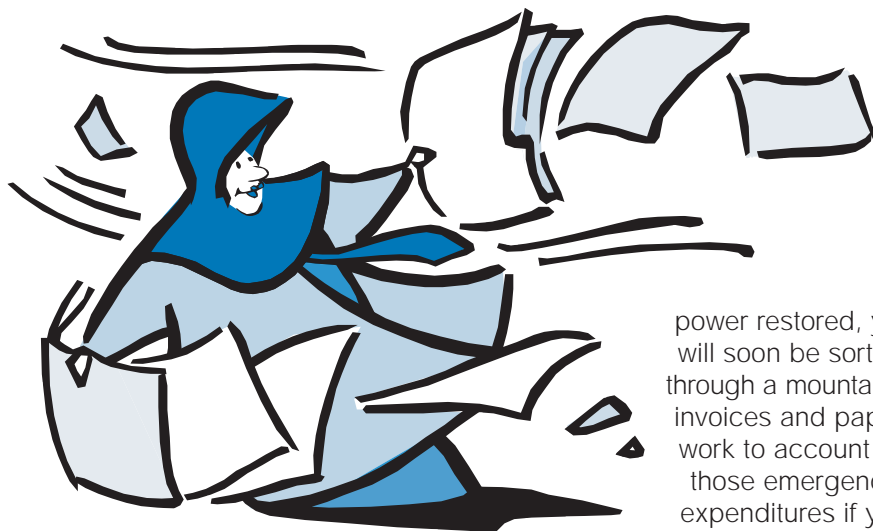
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AFTER THE STORM

Accounting for a FEMA Grant

by Linda Gray (*aka the Contract Lady*)

All cooperatives suffer through severe weather. Everything from ice storms, tornados, and lately, hurricanes conspire to tear down, flood out, or otherwise destroy your lines. While the first concern is to get the lines cleared and the



power restored, you will soon be sorting through a mountain of invoices and paperwork to account for those emergency expenditures if you plan to apply for a

FEMA grant. The **Contract Lady** and GDS/Hi-Line Engineering can help with that effort.

Since the **Contract Lady** has had some experience with FEMA accounting, she would like to provide a list of **Dos and Don'ts** that just might make things easier when completing the paperwork for a FEMA grant. Of course, the FEMA representative assigned to your case is the best source of information about your individual situation, and the FEMA website is loaded with publications. But here are some of the **Contract Lady's** first hand observations, "from the field."

General:

1. **Do** file your Request for Public Assistance form (FEMA form 90-49) within 30 days of the disaster declaration.
2. **Do** go to the FEMA website which has a lot of information about the grant application process.
3. **Do** try to get your project formulated as a "system" for widespread damages with no break-out by county. Your FEMA representative will advise you.
4. **Do** take photos of damage. But also take photos that show the scope of your recovery efforts, such as the marshalling yard, piles of poles and line equipment ready to be used, contractor's trucks and equipment, damaged transformers set out on the yard for pick-up, temporary sleeping and dining facilities, etc.
5. **Do** make copies of everything as you go along. Your FEMA representative might want a copy of all of your back-up info and you don't want to give him/her the only copy.

Military Privatization: Current Status and Future Opportunities

In 1997, the U.S. Department of Defense (DoD), as part of its new operational priorities, initiated a mission, in accordance with 10 USC 2688, to privatize utility distribution systems on federal military installations. This initiative sought to transfer the ownership and responsibility for operation, maintenance, repair, upgrade, and plant replacement of DoD-owned utility distribution systems to the non-federal sector. The reason for this initiative was to bring economies of scale, best practices, and modernization to the military's aging distribution system infrastructure as well as allow the military to focus on its core competency of providing national defense.

The program experienced some significant delays getting off the ground, releasing only a small number of Request for Proposals (RFPs) in the first 5 years after authorization. The DoD's contracting agency, the Defense Energy Support Center, a division of the Defense Logistics Agency at Fort Belvoir, Virginia, was then designated as the primary agency through which utility privatization contracts would be managed. Centralizing the utility privatization (UP) effort between all of the military branches and coordinating with the individual installations required a significant amount of time to properly staff and train. Also, in order to have a uniform method of economic cost/benefit analysis, the DoD spent time developing an internal Utilities Privatization Economic Analysis Support Tool (UPEAST), for which the most recent version was just released in September 2005.

Current Status

After a slow start, the government kicked the program into full gear early this year, setting an aggressive deadline for all privatization RFPs to be released by September 2005. The Army was successful in meeting this deadline, having all targeted initial RFPs released by July. However, after 8 years and hundreds of millions of dollars in start-up costs, the Air Force decided to withhold funding for many of its proposals for the current fiscal year, citing other current budgetary priorities.

A handful of RFPs (mainly Air Force systems) still remain to be released, but the primary focus of the UP program is now in the negotiation and conveyance stage of the process. According to the DESC (as shown in the chart to the right), the Army and Air Force have approximately 110 installation proposal offers in the initial evaluation phase, with just under 20 installation proposals in the negotiation stage. In addition, approximately 20 are in final proposal evaluation pending contract award and 15 RFPs are still open.

As the DoD begins to focus on negotiations and make successful utility privatization awards, there are many new opportunities in the private sector. Currently, most contracts have yet to be awarded, and many have barely begun the negotiation phase. For these clients, specialized skill, including legal, financial analysis, engineering evaluation, accounting, and contract

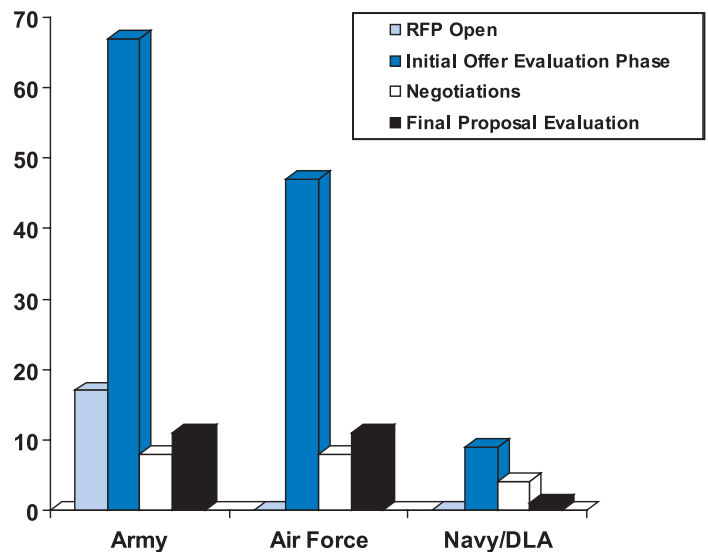


negotiation will be paramount in **1) ensuring a smooth transition to private ownership** and **2) ongoing contract administration.**

For those successful bidders who have made it through negotiations and have been awarded privatization contracts for utility systems, the real work is just beginning. Many tasks and commitments made in the proposal will need to be properly executed and managed, according to the solicitation and contract award requirements. For those familiar with the military environment, it will come as no surprise that these contracts require a significant amount of reporting and very specific documentation. The Army and Air Force's requirements also mandate that the execution of these 50-year contracts will need to follow specific, detailed procedures and requirements for contract implementation, transition of ownership, contracting support, post-award management support, and price redetermination. The DoD has recently released two important guidance manuals, the DoD Privatized Utility Contract Administration Manual and the Price Redetermination Manual. A link to these manuals and the newest release of UPEAST can be found on the Utilities Privatization section of the GDS website at www.gdsassociates.com.

Additional Opportunities

According to the most recent DESC report, issued in August 2005, over 170 sole source utility privatization RFPs are potentially scheduled to be released between fiscal years 2006 and 2008. The majority of these (128 systems) are Air National Guard facilities. The Air National Guard offers unique opportunities because they offer small distribution systems that would provide long term, fixed-income contracts with very little capital investment.



The opportunities to the private sector go beyond those organizations interested in submitting privatization bids. For firms interested in providing utility privatization services that did not participate in the proposal process or which are not located near sites identified for future proposals, there are still many opportunities to participate in the utility privatization business through subcontracting services for successful contract award winners. The military often requires very specific services and maintenance for which your firm may be well qualified.

Yet another interesting opportunity for utilities can be found in the military's housing privatization initiative. Similar to its UP program, the DoD is moving forward with contracting the construction and maintenance of military housing to the private

Status as of 3rd Quarter, 2005

Service	Grand Total Number of Systems	Avail to Privatize [Baseline]	Under Reassessment	On Hold or Temp Deferred	Active Pending RFP Release	RFP Released Pending Closure	RFP closed (In Competition)	Initial Competitive SSAD Made	Final Recommendation to Secretary	Contract Award
Air Force	658	502	0	0	8	2	92	185	0	11
Army	1104	320	0	0	0	17	80	16	97	72
Navy	807	645	1	12	5	0	237	274	0	16
DLA	32	29	0	0	0	8	5	16	0	0
Total	2601	1496	1	12	13	27	414	491	97	99
		1496	Delayed:	13	13	Under Acquisition:			1029	99

The table above is a status summary of the total utility systems for the DoD including all sole source proposals and proposals for all contracting agencies in addition to the DESC as of the end of the 3rd Quarter, 2005.

sector. Utilities privatization RFPs typically provide for a point of demarcation for the distribution system that does not include the housing services. These services are then included in housing privatization contracts to be owned and operated by the housing contractor. Since this type of work is outside the core competency of most real estate developers, opportunities exist for utility companies to perform the construction and maintenance of utility system distribution on a subcontracted service arrangement.

Base Realignment and Closure (BRAC) Considerations

Earlier this year, the BRAC Commission voted to close or realign hundreds of military installations throughout the country. As of the writing of this article, the list has become a bill that is now before Congress. However, regardless of the outcome of this or future legislation in this area, realignment or closure does not mean that the private sector opportunities end for these locations; in fact, they may be greater. In general, if a military installation is closed, the normal process would be for a Local Redevelopment Agency (LRA) to be appointed. This will be a political subdivision of the local government but often with much independence. The LRA will have its own board and executive, whose job it will be to sell off certain infrastructure, such as the utilities, to obtain funds for other purposes, such as real estate development. While the LRA could operate utility systems at the installation, the most likely scenario would be for a competitive bid to be issued for utility privatization through the LRA, or if not privatized, an operations and maintenance contract. In some cases, there may be the opportunity to petition the local regulatory commission for assignment of the territory as part an effort to obtain the utilities on the installation and become the retail supplier of commodities (i.e., electricity, water, gas, etc.).

Conclusion

While it has been a long process since the inception of the military utilities privatization program, significant progress has been made both within the government and in the private sector to effectively bring economies of scale, best practices, and overall superior utility support to several installations throughout the country. The private sector is slowly demonstrating how much it can bring to the table to benefit and support our vital military installations with utility distribution services. While there remains a long road ahead and much progress has yet to be demonstrated, the program is starting to yield success stories, just as had been imagined with the initiation of the program in 1997. Many new opportunities for the private sector remain, and

through the continued support of this initiative, many new successes will be realized.

GDS Associates has been intimately involved in the Military Privatization initiative since its inception in 1997. They have a very comprehensive and recently updated Utility Privatization section on their website to keep you informed and up-to-date on the military privatization process, progress, and future opportunities.

Go to <http://www.gdsassociates.com/up/services.htm> for more information and to keep yourself up-to-date.

For more information or to comment on this article, contact Michael McGinley at 770.425.8100 or email: michael.mcginley@gdsassociates.com



A Billion...

A billion is a difficult number to comprehend, but one advertising agency did a good job of putting that figure into perspective in one of its releases.

- A billion seconds ago it was 1959.
- A billion minutes ago Jesus walked the Earth.
- A billion hours ago our ancestors were living in the Stone Age.
- A billion days ago no-one walked on two feet on earth.
- A billion dollars ago was only 8 hours and 20 minutes, at the rate the government spends it.

Energy Policy Act of 2005

General Information and Quick Reference Guide



Below is a condensed list of many items of interest in the Energy Policy Act of 2005. Use this list as your source for general information and a quick reference guide to the many sections of this legislation. Go to the GDS website, www.gdsassociates.com, for a complete, downloadable PDF of the entire Bill and other supporting documents.

- First significant energy legislation in over 10 years.
- Signed into law Aug 8, 2005 over 1700 pages.
- Go to www.gdsassociates.com for a downloadable PDF of the Bill.
- Renewable fuels to reduce foreign oil by 5%
- Energy tax incentives of \$14.5 billion.
- FERC to implement 15 rulemakings in the near term, more changes to follow.
- EPO Act authorizes reports and studies including:
 - Low income home energy assistance program (Section 121)
 - Energy efficient electric & natural gas utilities study (Section 139)
 - Assessment of Renewable Energy Resources (Section 201)
 - Electric Reliability (Section 215)
 - Siting of Interstate Electric Transmission Facilities (Section 216)
 - Smart Metering (Section 1252)
 - Energy Efficiency Standards Study (Section 1802)
 - Interagency Review of Competition in Electric Wholesale & Retail Markets (Section 1815)
 - Rapid Electrical Grid Restoration (Section 1816)
 - Distributed Generation (Section 1817)
 - Natural Gas Supply Shortage (Section 1818)
 - Benefits of Economic Dispatch (Section 1832)
- Daylight savings time extended beginning in 2007 starting the second Sunday in March, ending the first Sunday in November.
 - Section 110 of Act
- "Sense of Congress," seeking the development of non-hydro renewables on Federal land over the next ten years with at least 10,000 MW of electricity developed.
 - Section 211 of Act
- Energy development Outer Continental Shelf, including wind: federal offshore lands through the Department of Interior can be leased to private developers with 27% of revenues going to the adjacent state if within the 3 mile limit. If multi-state, DOI will develop a sharing formula.
 - Section 388 of Act
- Authorizes an "Electric Reliability Organization" to develop standards and mandate enforcement.
 - Section 1211 of Act
- FERC can permit transmission lines deemed critical by DOE in the future "national interest transmission corridors" if states do not act in a timely manner.
 - Section 1221 of Act
- Formerly unregulated utility selling 4 million MWH or more must now sell transmission services at rates, terms and conditions similar to itself.
 - Section 1231 of Act
- FERC rulemaking on incentives for new transmission. Transmission depreciation reduced to 15 years, 69kV and over, netting \$1.2 billion in 10 years.
 - Section 1241 & 1308 of Act
- States must consider and adopt net metering standards, multiple fuel sources, fossil fuel generation improvements, time-of-use rates, smart meters and an interconnection standard to be developed by IEEE.
 - Section 1251, 1252 & 1254 of Act
- Repeal of PURPA section 210 new QF facilities compulsorily purchases and sales requirements where there are competitive markets.
 - Section 1253 of Act
- Repeal of the Public Utilities Company Holding Act (PUCHA) and transfers authority to FERC from the SEC. Mergers over \$10 million reviewed by FERC. State regulators can now open the books and records of the holding companies.
 - Section 1263, 1265 & 1289 of Act
- Market manipulation penalties rose from \$5,000 to \$1 million/day.
 - Section 1284 of Act
- Renewables electric production tax credits extended 2 more years, includes wind, biomass, geothermal, landfill gas, small irrigation and trash combustion.
 - Section 1301 of Act
- Residential energy efficiency 10% credit capped at \$500 on energy improvements for 2 years, \$200 for windows
 - Section 1333 of Act
- Appliance efficiency standards for 16 product categories rose from 6, which will result in approximately 50% of the energy saving in the new law.
 - Section 1334 of Act
- Solar, PV and fuel cell residential tax credit rose to 30% for 2 years, capped at \$2,000. Business also receives tax credit of 30% for solar, PV, qualified fuel cells and 10% for a microturbine power plant under 2 kV.
 - Section 1335 -1337 of Act

For further information, contact Charles Shellabarger at 770.425.8100 or email: charles.shellabarger@gdsassociates.com

continued from Page 1

Accounting:

1. **Do** set up a separate work order to capture FEMA eligible expenses.
2. **Do** use your accounting system as much as possible to help you capture, organize and record your data.
3. **Don't** have force account labor go to "maintenance" or some other non-emergency overhead account.
4. **Do** separate your insured damages from those not insured. This would normally apply to damages to your buildings, radio towers, etc. Have a copy of your policy handy.
5. **Do** get project spreadsheets from the FEMA officer handling your case. This will help you see what types of information are needed and how it will be organized. This will speed up your claim.

Force Account Labor:

1. **Do** have co-op employees distinguish between emergency work hours and permanent restoration work hours.
2. **Do** separate regular time from overtime for emergency work.
3. **Do** distinguish between permanent employees and temporary employees hired to help out during the emergency.
4. **Don't** include labor from staff performing their normal, non-emergency duties.
5. **Do** get receipts or invoices for everything used directly for recovery that is expendable: ice, food, paper plates & napkins, extra janitorial service, paid services for meals delivered to line workers, etc., etc., etc.
6. **Do** make sure invoices and receipts state "Who," "What," "When," and "How Much" as a minimum.

Force Account Equipment:

FEMA will reimburse you at hourly rates for your equipment. You will need to have the following information handy.

(Here's your chance to update those equipment accounts)

1. **Bucket trucks:** serial number, boom reach, horsepower.
2. **Digger/derrick:** serial number, reach, horsepower.
3. **Pick-up trucks:** serial number, horsepower.
4. **Pole trailers:** serial number.
5. **Do** go to the FEMA website to get the rates and other requirements for various types of equipment not listed above.
6. **Do** keep track of who operated the equipment and the dates and hours operated.

Contract Labor and Equipment:

1. **Do** get a "storm work" quote from your contractors. FAX is o.k.
2. **Do** make sure invoices and receipts state "Who," "What," "When," and "How Much" as a minimum. This goes for contractor meal tickets, incidentals, and hotel receipts, too.
3. **Do** have contractors give back-up time sheets showing dates and hours worked.

4. **Do** make sure that for heavy equipment rentals, such as cranes, dozers, etc. the vendors give you back-up sheets showing type of equipment, dates and hours used if possible.

Warehouse:

1. **Do** feel free to throw up your hands and have a nervous breakdown. Then, get busy counting. You may have to take a complete inventory to figure out what you had, plus what you bought, minus what you have left, equals what you used.
2. **Do** make sure that damaged transformers and oil filled equipment are tracked by manufacturer, serial number, KVA and voltage level. You will need to know whether they were junked or repaired. You will need the repair cost.
3. **Do** pull out some recent purchase orders for oil filled equipment or special equipment summaries to use as a cost basis for junked transformers, reclosers, etc.
4. **Don't** allow contractors free access to your fuel. Keep track of every gallon.

How you determine what materials were used for restoration will depend on how you accounted for them during the emergency period. If you ran the materials through inventory, you should have accumulated them to a separate emergency work order number. If you kept the materials segregated, then you will add up your deliveries, subtract what is left over, and add what was taken from your stock. The left-overs are put into stock at average inventory cost or average invoice cost.

The above list is by no means comprehensive, and is not meant to oversimplify the grant process. There is so much to be accounted for and documented. **Oh, and be sure to keep all of your information safe and on hand for at least 3 years.**

One final word for those of you hiring a consultant to help in the aftermath of a major disaster... ***It would be such a kindness if you could arrange for a room within a half-hour's travel time.***

Thank you...the ***Contract Lady***.



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GDS Associates, Inc.
Engineers and Consultants

Mission Statement:

To help our clients succeed by anticipating and understanding their needs, and by efficiently delivering quality services with confidence and integrity.

GDS Associates, Inc. is a multi-service consulting and engineering firm formed in 1986 and now employs a staff of over 100 in five locations across the U.S. Our broad range of expertise focuses on clients associated with, or affected by, electric, gas, and water utilities. In addition, we offer information technology, market research, and statistical services to a diverse client base. The size and depth of our firm permits us to offer clients multiple sources of assistance, ensuring complete, competent, and timely service. Some of the consulting areas in which GDS has specialized skills are:

1. Power Supply Planning Services
2. Financial Analysis and Rate Services
3. Generation Services
4. Regulatory and Restructuring Services
5. Renewable Energy Resources, Distributed Generation, and Combined Heat and Power Services
6. Energy Efficiency and Demand-Side Management Services
7. Electric Planning and Design Services (Hi-Line Engineering, LLC)
8. Environmental Management Services (GreenLine Environmental)
9. Deregulation and Retail Energy Procurement Services
10. Utility Privatization Services
11. Water and Wastewater Utility Consulting Services
12. Natural Gas Consulting Services
13. Statistics and Market Research Services
14. Information Technology Services

GDS consultants are recognized leaders in their respective fields, dedicated to their clients, innovative in their approach to meeting unique challenges, and known for consistently being available when needed. GDS strives to develop long-term client relationships. Our goal is to be a wise investment in consulting services for our clients.

Hi-Line Engineering, LLC is a wholly owned subsidiary of GDS Associates, Inc. Hi-Line specializes in providing safe, reliable, and efficient planning and design for electric cooperatives, investor owned utilities, municipal electric systems, and the military in all types of terrain and all three NESC loading districts. Hi-Line's areas of expertise include:

1. Overhead Distribution Line Design and Staking
2. Underground Distribution System Design
3. Inspection and Inventory
4. Contract Administration
5. System Planning and Analysis
6. Right-of-Way Vegetation Management
7. GIS/GPS Mapping and Inventory
8. Training Services
9. Specialized Design Services

Hi-Line uses the latest technology to increase efficiency and accuracy. Our commitment to client satisfaction and diversity of expertise ensures that we provide the highest quality of service.

GreenLine Environmental, a division of Hi-Line Engineering, LLC, provides environmental services specially geared to the electric utility industry. GreenLine's staff is composed of registered foresters and ISA certified arborists. Our experience in both power line design and operation complement our expertise in vegetation management on right-of-ways. GreenLine offers the following services to utilities, municipals, developers, industry, and the military:

1. Right-of-Way Vegetation Management
2. GIS/GPS Mapping and Inventory
3. Environmental Assessments
4. Urban Forestry Consulting

Our goal is to use our technology and experience to provide efficient long-term control of trees and brush in harmony with the biological ecosystem.



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