

AMENDMENT OF SOLICITATION/MODIFICATION OF CONTRACT		1. CONTRACT ID CODE K		PAGE OF PAGES 1 of 12	
2. AMENDMENT/MODIFICATION NO. 0005		3. EFFECTIVE DATE September 7, 2000		4. REQUISITION/PURCHASE REQ. NO. SCO600-00-0707	
6. ISSUED BY DEFENSE ENERGY SUPPORT CENTER 8725 JOHN J. KINGMAN ROAD, SUITE 4950 FT. BELVOIR, VA 22060-6222 FAX - (703) 767-8757 BUYER/SYMBOL - WHITE/DESC-APP PHONE - (703) 767-9653 P. P 8.2		SCO600		7. ADMINISTERED BY (If other than Item 6) CODE	
8. NAME AND ADDRESS OF CONTRACTOR (NO., street,city,county,State,and ZIP Code)			X	9a. AMENDMENT OF SOLICITATION NO. SP0600-00-R-0048	
				9b. DATED (SEE ITEM 11) March 31, 2000	
				10a. MODIFICATION OF CONTRACT/ORDER NO.	
				10b. DATED (SEE ITEM 13)	
11. THIS ITEM ONLY APPLIES TO AMENDMENTS OF SOLICITATIONS					
<p>[X] The above numbered solicitation is amended as set forth in Item 14. The hour and date specified for receipt of Offers [X] is extended, [] is not extended to December 27, 2000, at 3:00 p.m. local time, Fort Belvoir, VA.</p> <p>Offer must acknowledge receipt of this amendment prior to the hour and date specified in the solicitation or as amended, by one of the following methods: (a) By completing Items 8 and 15, and returning <u> 1 </u> copies of the amendment;(b) By acknowledging receipt of this amendment on each copy of the offer submitted; or(c) By separate letter or telegram which includes a reference to the solicitation and amendment numbers.</p> <p>FAILURE OF YOUR ACKNOWLEDGMENT TO BE RECEIVED AT THE PLACE DESIGNATED FOR THE RECEIPT OF OFFERS PRIOR TO THE HOUR AND DATE SPECIFIED MAY RESULT IN REJECTION OF YOUR OFFER. If by virtue of this amendment you desire to change an offer already submitted, such change may be made by telegram or letter, provided each telegram or letter makes reference to the solicitation and this amendment, and is received prior to the opening hour and date specified.</p>					
12. ACCOUNTING AND APPROPRIATION DATA (If required)					
13. THIS ITEM APPLIES ONLY TO MODIFICATIONS OF CONTRACTS/ORDERS, IT MODIFIES THE CONTRACT/ORDER NO. AS DESCRIBED IN ITEM 14.					
A. THIS CHANGE ORDER IS ISSUED PURSUANT TO: <i>(Specify authority)</i> THE CHANGES SET FORTH IN ITEM 14 ARE MADE IN THE CONTRACT ORDER NO. IN ITEM 10A.					
B. THE ABOVE NUMBERED CONTRACT/ORDER IS MODIFIED TO REFLECT THE ADMINISTRATIVE CHANGES <i>(such as changes in paying office, appropriation date, etc.)</i> SET FORTH IN ITEM 14, PURSUANT TO THE AUTHORITY OF FAR 43.103(b).					
C. THIS SUPPLEMENTAL AGREEMENT IS ENTERED INTO PURSUANT TO AUTHORITY OF:					
OTHER <i>(Specify type of modification and authority)</i>					
E. IMPORTANT: Contractor [] is not, [] is required to sign this document and return _____ copies to the issuing office.					
13. DESCRIPTION OF AMENDMENT/MODIFICATION (Organized by UCF section headings, including solicitation/contract subject matter where feasible.)					
See the Following Pages					
Except as provided herein, all terms and conditions of the document referenced in Item 9A or 10A, as heretofore changed, remains unchanged and in full force and effect.					
15A. NAME AND TITLE OF SIGNER (Type or print)			16A. NAME OF CONTRACTING OFFICER		
			JACOB R. MOSER		
15B. NAME OF CONTRACTOR/OFFEROR BY _____ <i>(Signature of person authorized to sign)</i>		15C. DATE SIGNED		16B. UNITED STATES OF AMERICA BY _____ <i>(Signature of Contracting Officer)</i>	
				16C. DATE SIGNED	

This Amendment is being issued to extend the date and time established for the receipt of offers for subject solicitation to December 27, 2000 at 3:00 p.m. local time, Fort Belvoir, VA. It updates Attachment J2 and incorporates Attachment J4 (Example of Completed Schedule B-2).

See Attached.

- A. The closing date for this solicitation is extended to December 27, 2000 p.m. local time, Fort Belvoir, VA.
- B. Attachment J4 (Example of Completed Schedule B-2) is hereby incorporated in its entirety, see attached.

ATTACHMENT J4

Example Completion of Schedule B-2

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ATTACHMENT J4

Example Completion of Schedule B-2

The following example is provided as a demonstration of one method to complete Schedule B-2, *Utility Service Payment by the Government*. Any resemblance to conditions or costs at any U.S. Air Force Base is strictly coincidental. Similarly, any resemblance of the hypothetical bidder/offeror in this example to existing entities is strictly coincidental. **Offerors are advised not to place any importance on values used or assumptions made in this example.**

J4.1 Background of Example

The Air Force is considering privatizing the water utility system at one of its bases (Example AFB). It plans to complete the privatization in Year 2001. The Air Force has issued an RFP that, among other things, requires Offerors to complete Schedule B-2 presented in Section B of this RFP.

An interested party, Party X, reviews the RFP and decides to submit a proposal for the water system. In preparing its proposal, Party X conducts a system evaluation and determines the following:

1. The average monthly system operating cost needing to be recovered from the Air Force is \$25,000. This amount includes recovery of operation, maintenance, repair, administration, and general costs. These costs are considered fixed in that they do not vary with the load on the system.
2. The value of the water utility system is \$7,000,000.
3. The system has excess capacity that is potentially usable for customers other than the Air Force. The value of this excess capacity is 15 percent of the existing system value.
4. There are a number of physical and functional deficiencies in the system. To correct these deficiencies, two upgrades are required. The first will cost \$1 million and take 8 months to complete and the second will cost \$1.5 million and take 11.5 months to complete.
5. In addition to the remedies to system deficiencies, there will be a need for continuing renewals and replacements as other plant and equipment wears out with time. Party X prepares a 50-year schedule for renewals and replacements beyond those needed to remedy system deficiencies in accordance with Section L.9.6 of the RFP. The schedule includes no costs in some years and substantial costs in other years. Party X also projects the value of the utility system at the end of 50 years of ownership and operation.
6. Beyond correction of physical and functional deficiencies and normal renewals and replacements, no other improvements of the system are anticipated.
7. The system is in good enough condition that purchase costs can be amortized over 15 years. The risk associated with this investment requires a return of 3.0 percentage points above the interest rate on 30-year U.S. Treasury Bonds.
8. Costs associated with remedies of system deficiencies can be amortized over 25 years. The risk associated with this investment requires a return of 3.15 percentage points above the interest rate on 30-year U.S. Treasury Bonds.
9. The desired service response times are within Party X's standard operating procedures.

In developing these factors, Party X has included all required margins and returns.

In this example, it is assumed that the interest rate on 30-year U.S. Treasury Bonds in effect at the time of award will be 6.0 percent.

J4.2 Schedule B-2 Calculations

This section describes calculations that Party X could make in completing Schedule B-2. Although this would be one reasonable way to complete the schedule, other logical approaches could be taken.

SCHEDULE B-2

Utility Service Payment by the Government

(Installation Name)

CLIN	Utility System			
Sub-CLINs	SUPPLIES/SERVICES	UNIT	MONTHLY SERVICE CHARGE	TOTAL CONTRACT AMOUNT
AA	Monthly Credit as Payment for Purchase Price. Dollar amount shown shall include all applicable Taxes (see B.5.2.1, <i>Monthly Credit as Payment for Purchase Price</i>). \$ <u>7,000,000</u> amortized over the first <u>180</u> months of service at an interest rate that is (specify either of the following) <u>3.0</u> percentage points above or percentage points below the annual interest rate on U.S. Treasury Bonds in effect at the time of award. ^{a,b,c}	MO	\$ <u>(70,999)</u>	\$ <u>(12,779,820)</u>
AB	Fixed Monthly Charge (see B.5.2.2, <i>Service Charges</i>) The Contractor shall provide utility service in accordance with Section C, <i>Descriptions, Specifications, and Work Statement</i> . ^{d,e}	MO	\$ <u>80,839</u>	\$ <u>48,503,314</u>
AC	Monthly Credit to the Government for Delayed Response Times When Servicing the Utility System. (See B.5.2.3, <i>Monthly Credit to the government</i>). ^f \$ <u>1,000</u> /hour			

^a The Purchase Price (Sub-CLIN AA), interest rate, and amortization period are proposed by the Offeror.

^b The interest rate on U.S. Treasury Bonds (30-years) is as established in the most recent 30-year bond issue prior to the date of award, and published in the Federal Register. (<http://www.federalreserve.gov/releases/H15/update/>)

^c The total contract amount is calculated by multiplying the monthly service charge by the number of months over which the purchase price is amortized.

^d The Offeror should enter the Fixed Monthly Charge, as computed in Schedule L-1. Additions to the Fixed Monthly Charge will be handled in accordance with Section H.10 and Schedule L-3, but should not be included in the price offered for Sub-CLIN AB.

^e The total contract amount is calculated by multiplying the monthly service charge by 600.

^f For proposal purposes the Offeror shall propose only a dollar per hour credit to the Government. During contract performance the hours per month will be determined for each month of service and the total monthly credit will be calculated and credited against the monthly invoice.

J-4.2.1 Sub-CLIN AA Calculation

Party X proposes a purchase price of \$7 million (from J4.1, item 2), with payment of this purchase price over 15 years (180 months) at an annual interest rate equal to the interest rate on U.S. Treasury Bonds plus 3.0 percent (from J4.1, item 7). With 30-year U.S. Treasury Bonds carrying an interest rate of 6.0 percent, the total annual interest rate used to calculate the amortization of the purchase price would be 9.0 percent. As implied in Schedule B-2, the monthly interest rate used to calculate the monthly amortization payment is the annual interest rate divided by 12. In this example, the monthly interest rate is 0.75 percent (i.e., 9 percent/12 months). Accordingly, the monthly credit as payment is \$70,999. Credit over the life of the contract would be \$12,779,820 (\$70,999/month x 180 months).

J-4.2.2 Sub-CLIN AB Calculation

Use Schedule L-1, *Calculation of Fixed Monthly Charge*, to calculate the Fixed Monthly Charge. The numbers entered in Sub-CLIN AB come from the last line in Schedule L-1.

Schedule L-1, Line 1 – Operations and Maintenance (O&M): The proposed monthly rate for operating the system (operation, maintenance, repair, administration, and general costs) is \$25,000 per month (from J4.1, item 1), which is \$15,000,000 (\$25,000 x 600 months) over the 50-year life of the contract.

Schedule L-1, Line 2 –Renewals & Replacements (R&R): In order to calculate this Monthly Charge, Party X considered its projected schedule of renewal and replacement expenditures (beyond those made to remedy system deficiencies), as outlined in Schedule L-2, and the system’s residual value at the end of 50 years (from J4.1, item 5). As discussed in more detail below, Party X calculated the present value (PV) of the projected renewal and replacement cash flow less a credit for residual system value. In making this present value calculation, Party X used its long-term cost of capital at the time it submitted its proposal (i.e., 9.15 percent per year; 0.7625 percent per month). Party X then amortized the present value amount over 600 months (50 years) at its monthly interest rate to obtain a Monthly Charge of \$55,839. This is multiplied by the number of months in the contract for the Total Contract Amount (\$55,839 x 600 = \$33,503,314). *[This approach is one of several possibilities potential bidders could use.]*

Schedule L-1 - Calculation of Fixed Monthly Charge

Component	Monthly Charge	Total Contract Amount
1. Operations and Maintenance (O&M)	25,000	15,000,000
2. Renewals & Replacements (R&R) (use Schedule L-2 to compute)	55,839	33,503,314
Total Fixed Monthly Charge (to be entered in Sub-CLIN AB)	80,839	48,503,314

50-Year Schedule

Year	R&R Price (\$1,000)	Description of Renewal or Replacement
2001	----	None
2002	----	None
2003	----	None
2004	----	None
2005	----	None
2006	----	None
2007	----	None
2008	----	None
2009	----	None
2010	13,000	Replace system cast iron pipe with PVC - Expected life: 50 years; Replace transite - Expected life: 50 years
2011	----	None
2012	----	None
2013	----	None
2014	----	None
2015	4,667	Replace fire hydrants - Expected life: 50 years
2016	----	None
2017	2,400	Replace underground storage tanks - Expected life: 75 years
2018	----	None
2019	----	None
2020	----	None
2021	----	None
2022	----	None
2023	----	None
2024	----	None
2025	----	None
2026	----	None
2027	----	None
2028	----	None
2029	----	None

<u>Year</u>	<u>R&R Price (\$1,000)</u>	<u>Description of Renewal or Replacement</u>
2030	----	None
2031	31	Replace Well A - Expected life: 75 years
2032	----	None
2033	17	Replace Well B - Expected life: 75 years
2034	----	None
2035	733	Replace galvanized iron pipe with PVC - Expected life: 50 years
2036	----	None
2037	----	None
2038	----	None
2039	11	Replace Well C - Expected life: 75 years
2040	3,267	Replace Section 100 and 200 Pipe - Expected life: 50 years
2041	----	None
2042	16	Replace Well D - Expected life: 75 years
2043	----	None
2044	----	None
2045	467	Replace ductile iron pipe - Expected life: 75 years
2046	----	None
2047	33	Replace Well E - Expected life: 75 years
2048	15	Replace Well F - Expected life: 75 years
2049	----	None
2050	----	None

A summary of the cash flow, present value calculations, and residual value calculationⁱ are shown in Table J4-1.

The Net Present Value (NPV) of Renewal and Replacements was calculated by subtracting the PV of the total Residual Value in Year 50 from the PV of the R&R cash flow:

$$\begin{aligned} \text{NPV of R\&Rs} &= \text{PV of R\&R Price} - \text{PV of total Residual Value in Year 50} = \\ &= 7,359.5 - 113.2 = 7,246.3 \end{aligned}$$

ⁱ Residual value calculations assume straight-line depreciation and no salvage values for all R&R investments. The equation used to calculate the residual values in Year 50 was:

$$\text{Residual Value in Year 50} = \text{R\&R Price} * (\text{Part's Remaining Life in Yr 50} / \text{Part's Expected Life})$$

The Monthly Charge for Renewal and Replacements was then calculated by amortizing the Net Present Value (NPV) of Renewal and Replacements (\$7,246.3) over the length of the contract at Party X’s long-term interest rate. In this example, with a contract period of 600 months and a long-term annual interest rate of 9.15 percent (i.e., 0.7625 percent per month), a monthly payment of \$55,839 will fund all Renewal and Replacements and leave a residual value of approximately \$9,012,900 in Year 50. It is implicitly assumed that the residual value will be collected either through charges in a subsequent contract or through a contract termination payment.

**Table J4-1 - Calculation of “Renewals and Replacements” Value for Schedule L-1
(Dollar Amounts in Thousands (\$1,000))**

<u>Year</u>	<u>Description of Renewal or Replacement</u>	<u>R&R Price</u>	<u>Present Value of R&R Price</u>	<u>Equation for Residual Value</u>	<u>Residual Value in Year 50</u>
2010	Replace system cast iron pipe with PVC; Replace transit	13,000	5,416.3	13,000 * (10 / 50)	2,600.0
2015	Replace fire hydrants	4,667	1,255.1	4,667 * (15 / 50)	1,400.1
2017	Replace underground storage tanks	2,400	541.8	2,400 * (42 / 75)	1,344.0
2031	Replace Well A	31	2.1	31 * (56 / 75)	23.1
2033	Replace Well B	17	0.9	17 * (58 / 75)	13.1
2035	Replace galvanized iron pipe with PVC	733	34.2	733 * (35 / 50)	513.1
2039	Replace Well C	11	0.4	11 * (64 / 75)	9.4
2040	Replace Section 100 and 200 Pipe	3,267	98.4	3,267 * (40 / 50)	2,613.6
2042	Replace Well D	16	0.4	16 * (67 / 75)	14.3
2045	Replace ductile iron pipe	467	9.1	467 * (70 / 75)	435.9
2047	Replace Well E	33	0.5	33 * (72 / 75)	31.7
2048	Replace Well F	15	0.2	15 * (73 / 75)	14.6
Totals			7,359.5*	-----	9,012.9*
Present Value of Residual Value in Year 50			-----	-----	113.2

*Values may not add precisely to the total shown due to rounding.

J-4.2.3 Sub-CLIN AC Calculation

The Offeror determines that managing the utility system to meet the response times of the contract is achievable (from J4.1, item 9) and proposes to credit the government \$1,000 per hour for exceeding the response times.

J4.3 Example Schedule L-3 Calculations

Schedule L-3, Line 1 – Initial Capital Upgrades (from J4.1, item 4) - Party X proposes a Monthly Charge of \$8,495 for completing upgrade Project 1. This was calculated by amortizing \$1.0 million over 25 years (300 months) at a monthly rate of 0.7625 (annual interest rate of 9.15 percent—6.0 percent plus 3.15 percent—divided by 12). If and when Project 1 is completed (for this example it is assumed the Project will be completed in month 8 as proposed), the Monthly Charge for the project (\$8,495) will be added to the Fixed Monthly Charge for the number of months over which the project will be amortized (300). These numbers are **not** entered anywhere in Schedule B-2. Similarly, the Monthly Charge for upgrade Project 2 (\$12,742) is

calculated by amortizing \$1.5 million over 25 years (300 months) at a monthly rate of 0.7625. If and when Project 2 is completed (assume month 12, as proposed), the Monthly Charge for that project will be added to the Fixed Monthly Charge for the number of months over which that Project will be amortized (300). As with Project 1, these numbers are **not** entered anywhere in Schedule B-2.

Schedule L-3, Line 2 – Recoverable Portion of the Purchase Price (from J4.1, item 3) - This calculation is based on an allocation of 85 percent of the purchase price to the Air Force and 15 percent of the purchase price to uses other than for the Air Force. In this example, the amortization period and interest rate proposed are the same as for the payment by Party X to the Air Force for the utility system. Accordingly, Party X proposes to charge the Air Force 85 percent of the purchase payments that it is making to the Air Force. As with the Initial Capital Upgrades, this number is not entered anywhere in Schedule B-2.

Schedule L-3 - Additions to the Fixed Monthly Charge

Component Name	Component Cost	Interest Rate	First Full Month Project Will Be in Service	# of Months to Amortize Component	Monthly Charge
1. Initial Capital Upgrades					
Project 1	1,000,000	9.15	9	300	8,495
Project 2	1,500,000	9.15	13	300	12,742
2. Recoverable Portion of Purchase Price	5,950,000	9.00	NA	180	60,349

J4.4 Calculation of Monthly Payments

The monthly payment (i.e., what the utility service provider gets paid) for each month of the contract period is listed in the last (i.e., seventh) column of Table J4-2. It is the sum of columns 2 through 6 (the fixed and variable portions of the Monthly Service Charge). Initially, this would be \$70,189. It would increase to \$78,684 in Month 9, the first full month that upgrade Project 1 will be in service, then to \$91,426 in month 13, the first full month that upgrade Project 2 will be in service. In month 181, after the purchase price of the utility system is fully amortized, the monthly payment will increase to \$102,076. Then in Months 309 and 313, when upgrade Projects 1 and 2 are fully amortized, the monthly payment will fall to \$93,581 and \$80,839, respectively. It will remain at \$80,839 for the remainder of the contract period.

Table J4-2 - Calculation of the Monthly Payment for Each Month of the Contract Period

(1) Months of Contract	(2) Credit for Purchase Price (Sub-CLIN AA)	(3) Fixed Portion of Monthly Service Charge (Sub-CLIN AB)	Additions to the Fixed Monthly Charge			(7) Monthly Payment to Contractor
			(4) Project 1	(5) Project 2	(6) Recoverable Portion of Purchase Price	
1-8	-70,999	80,839	0	0	60,349	70,189
9-12	-70,999	80,839	8,495	0	60,349	78,684
13-180	-70,999	80,839	8,495	12,742	60,349	91,426
181-308	0	80,839	8,495	12,742	0	102,076
309-312	0	80,839	0	12,742	0	93,581
313-600	0	80,839	0	0	0	80,839

C. Attachment J2, replace Table 6 with the following Table 6:

TABLE 6
New Secondary Meters
Water System Bolling AFB

Meter Location	Pipe Line Size in inches	Meter Description
Building 18 water supply to the Central Chilled Water Plant	4	To Read Gallons
Building 18 water supply to the Central Heat Plant	4	To Read Gallons
Swimming Pool	Main Pool – 6	To Read Gallons
Swimming Pool	Jr./Baby Pool – 2	To Read Gallons
Swimming Pool	Bathhouse – 2-1/2	To Read Gallons
Building 523, Launderette	1-1/2	To Read Gallons
Building 4570, Commissary	3	To Read Gallons
Building 4447, Bolling Federal Credit Union	1-1/2	To Read Gallons
Building 5, Fire Station	3	To Read Gallons
Building 1302, Blanchard Barracks, Navy	6 (Whole Bldg.)	To Read Gallons
Building 10, Post Office	1-1/2	To Read Gallons
Building 50, Officers Club	4	To Read Gallons
Building 90, Marina Office	1	To Read Gallons
Building 928, MWR Equipment Rental	2	To Read Gallons
Building 1307, Community Center	2-1/2	To Read Gallons
Building 1310, Bowling Lanes	2	To Read Gallons
Building 2482, Slip Inn	1-1/2	To Read Gallons
Building 2565, NCO Club	2-1/2	To Read Gallons

The following information is provided in response to questions in reference to the Bolling AFB Request For Proposal. Information is not included as part of the Amendment and does not alter in any way the terms and conditions of the solicitation.

Bolling AFB Utility Privatization Question and Answer:

1. Will BAFB pay for erroneous calls and false alarms?

The Government does not expect to encounter this situation with any frequency, and in the unlikely event it does happen, Government will not reimburse the new Owner.

2. Electrical System Equipment Inventory, Jo1.2.1 Table 1 - Building 4505 is mentioned in the Solicitation, but we have been unable to locate the inventory list related thereto.

Appendix J1, Section J1.2.1.2, Table 1, includes the switchgear in building 4505, which is part of the inventory to be purchased by the new Owner. The existing meters in building 4505 associated with the switchgear are listed in Section J1.5.1, Table 5. Also Section J1.2.1.2 - Inventory, states that "All ancillary equipment attached to and necessary for operating the system, though not specifically mentioned here in, is considered part of the purchased utility."

3. Will the ownership of the switchgear in Building 18 remain with the Government, or is it to be included in the inventory to be purchased by the Contractor?

Appendix J1, Section J1.2.1.2, Table 1, first line item is the switch gear in building 18, which is part of the inventory to be purchased by the new Owner. The existing meters in building 18 associated with the switchgear are listed in Section J1.5.1, Table 5.