DEPARTMENT OF THE ARMY
WASHINGTON, DC 20310

HQDA Ltr 420–10–1

DAIM–RD **13 December 2010**

Expires 13 December 2012

SUBJECT: Identifying, Retaining, and Using Energy Savings at Army Installations

SEE DISTRIBUTION

1. Purpose. This letter prescribes Army's policy and procedures for identifying savings from an installation's conservation efforts, for retaining those savings within an extended year financial account, and for using the savings captured in this account. This policy will be incorporated into the next revision of AR 420–1, chapter 22.

2. Proponent and exception authority. The proponent of this Headquarters, Department of the Army letter is the Assistant Chief of Staff for Installation Management (ACSIM). The proponent has the authority to approve exceptions or waivers to this letter that are consistent with controlling law and regulations. The proponent may delegate this approval authority, in writing, to a division chief within the proponent agency or its direct reporting unit or field operating agency, in the grade of colonel or the civilian equivalent. Activities may request a waiver to this letter by providing justification that includes a full analysis of the expected benefits and must include formal review by the activity's senior legal officer. All waiver requests will be endorsed by the commander or senior leader of the requesting activity and forwarded through their higher headquarters to the policy proponent. Refer to AR 25–30 for specific guidance.

3. References. Required and related publications and prescribed and referenced forms are listed in appendix A.

4. Explanation of abbreviations and terms. Abbreviations and special terms used in this Headquarters, Department of the Army letter are explained in the glossary.

5. Applicability. This Headquarters, Department of the Army letter applies to the active Army, the Army National Guard (ARNG)/Army National Guard of the United States, and the United States Army Reserve (USAR), unless otherwise stated. It also applies to the Installation Management Command for the active Army and the USAR, and ARNG organizations that own and maintain installation property or facilities and are responsible for programming, budgeting, and executing appropriated funds to pay for utilities and energy initiatives for further conservation. These initiatives are in accordance with the Army's energy reduction goals. Specifically, this policy is applicable to appropriated funds used for federally operated, supported, or funded installations, facilities and activities, or portions

thereof, to include those which are in full-time or intermittent use by the ARNG, or which are being held by the Department of the Army for use by the ARNG. Each appropriation is accounted for separately. Tenant activities participate indirectly as part of their host installation's energy savings process, unless a tenant separately funds its own utility bill and individually reports energy consumption to the Office of the Assistant Chief of Staff for Installation Management (OACSIM) or to their separate Department of Defense department head. Effective with the issuance of this publication, the procedures outlined in this letter will continue indefinitely until updated or rescinded by changes to the public law or regulations. This policy letter remains in effect for 2 years unless rescinded or superseded by the publication of a revision to AR 420–1.

6. Background.

a. Vice Chief of Staff memorandum, dated 22 June 2007, subject: Army Energy Conservation, outlines the requirement for the Army to reduce energy consumption by 3 percent per annum in accordance with Executive Order 13423. This requirement was strengthened when enacted into law by the Energy Independence and Security Act of 2007. Section 2912, Title 10, United States Code (10 USC 2912), mandates that the Department of Defense capture funds generated from energy savings that remain available indefinitely until expended. The funds will be retained in extended year accounts.

b. Further, 10 USC 2912 requires that 50 percent of the funding retained as savings be used for energy conservation measures as prescribed by the department head, and 50 percent be used at the installation realizing the savings for improvements to existing Family housing units; any unspecified minor construction project that enhances the quality of life of personnel; or any morale, welfare, or recreation facility or service. DOD 7000.19–R, Volume 12, Chapter 12, further clarifies that the Army must establish a process to identify, retain, and use energy savings.

c. Unlike energy savings, funds attributable to water cost savings cannot be retained indefinitely until expended and must be used within the period for which they were originally appropriated, using 50 percent for water conservation activities and 50 percent at the installation, achieving the savings for the uses described in paragraph 6*b* of this letter.

7. Responsibilities.

a. The Assistant Secretary of the Army (Installations, Energy and Environment) (ASA (IE&E)) will—

(1) Serve as the senior Army policy official for Armywide policy related to identifying, capturing, and using energy savings within the Army.

(2) Present recommended energy projects that will be executed within each component to the Senior Energy Council for review to ensure the projects are in synchronization with the Army's energy security plans.

b. The ACSIM will—

(1) Provide oversight of the energy savings process to ensure energy savings procedures are carried out in accordance with this HQDA letter.

(2) Verify utility cost avoidance of each qualifying installation with previous year's end–of–year data and notify participating organizations of the amount eligible for transfer.

(3) Monitor energy savings accounts and annually report the status.

c. The commanding general, Installation Management Command (IMCOM), Chief, Army Reserve, and Chief, National Guard Bureau will—

(1) Incorporate the policies and procedures in this HQDA letter into their annual funding guidance and internal energy savings procedures.

(2) Oversee execution of these policies and procedures, transfer funding into the extended year accounts, as applicable, and annually report status to the OACSIM.

8. Policy.

a. Source of the savings.

The amount of funding transferred to the extended year accounts will not exceed an installation's reduction in energy consumption in any given fiscal year. An installation's reduction in consumption will be based on a full year of conservation efforts and consumption data, which will include an adjustment for current utility commodity pricing, weather severity, facility inventory changes, and alternatively financed project debt repayment in the year of execution. Funding transferred to an extended year account in accordance with this policy letter will be based on the actual unobligated funding in the installation's utilities accounts. If installations did not receive sufficient funding in a given budget year to fully fund their utility bills, the installations and their parent organizations (that is, IMCOM, USAR units, or ARNG) will not transfer funding required in other accounts, and for other purposes, to make possible the transfer into the extended year account. When underfunding of utilities prevents a transfer, then IMCOM, USAR, or ARNG have the option to transfer any unobligated appropriated funds remaining in other installation appropriated funded accounts at year end, as long as the amount does not exceed the installation's annual reduction in energy consumption. The source of funding depends on the type of operation and the source of funding available to the installation.

b. Distribution of the savings.

(1) Of the total savings realized by an installation in a given year, the 50 percent retained in the extended year account for use by that installation will be used for quality of life and other improvements as prescribed by 10 USC 2912. Installations will tailor projects toward energy conservation and will follow instructions provided through their respective chain of command, when prioritizing and determining projects to execute with the savings.

(2) Of the total savings realized by an installation in a given year, half is to be retained, by law, in a separate extended year account for Armywide energy initiatives. Funding retained in the Armywide account will be used within the component that provided the savings, and at the installation or ARNG federally supported facility that generated the savings. The Senior Energy Council will review projects to ensure they are in synchronization with the Army's energy security plans.

c. Submittal of Army utilities requirements to the Army's Installation Program Evaluation Group will include the Army's full requirement in the program objective memorandum, without an upfront reduction in the requirements that represent the Army's energy reduction goal. The Army must program and budget for the full requirement in order to capture savings in compliance with the law.

d. Installations will continue to conserve energy in accordance with Vice Chief Staff memorandum, dated 22 June 2007, subject: Army Energy Conservation, and report utilities energy cost and consumption through the Army Energy and Water Reporting System, in accordance with AR 420–1. To qualify for end-of-year funding transfers, installations must input complete utilities data through third quarter in Army Energy and Water Reporting System, to include total projected payments during the current fiscal year to be paid for energy savings performance contract and utilities energy services contract obligations.

e. The OACSIM will determine the amount of annual energy savings and resulting utilities cost avoidance eligible for retention at each installation, based on Army Energy and

Water Reporting System data and the contributing and limiting factors, and will notify each participating parent organization (during the last week of August) of their installations that qualify for retaining energy cost savings. Parent organizations include the following: IMCOM, for active Army garrisons; Army National Guard Bureau, for federally operated, supported, or funded installations, facilities and activities, or portions thereof, to include participating U.S. Property and Fiscal Offices and federally operated, supported or funded ARNG training centers; and the Office of the Chief, Army Reserve (OCAR) for USAR participating installations.

f. The total electricity, natural gas, and oil consumed will be converted to the British thermal unit equivalent and compared with the baseline or evaluation year to determine a dollar amount of savings for each installation. The OACSIM will coordinate closely with NGB–ARI–FM to account for any ARNG–unique reporting methodologies and challenges with separating federal and state facility, funding, and energy consumption data.

g. The dollar amount eligible for retention will be adjusted for facility inventory changes, weather severity, energy savings contract obligations, and current utility commodity pricing. These adjustments are designed to satisfy federal requirements that the retained funds are the result of energy savings.

h. After meeting current year utilities obligations, installation financial officers will transfer any unobligated utilities funding to the applicable extended year account (that is, X 2020 operation and maintenance, Army; X 2065 operation and maintenance, ARNG; and X 2080 operation and maintenance, USAR) using SF 1151 (Non-expenditure Transfer Authorization). The transfer must take place before the end of the fiscal year that the dollars were appropriated and in an amount not to exceed the annual reduction in consumption, as determined by the OACSIM analysis. The Defense Finance and Accounting Service (DFAS) will establish the new Army management structure codes (AMSCOs), and the funding must appear as a separate line item in execution status reports. The initial establishment of the AMSCOs will appear in DFAS–IN Manual 37–100.

i. Parent organizations will provide instructions to installations in their annual funding guidance for transferring and utilizing the savings. The savings may be allowed to accumulate over time to an amount sufficient for designated projects.

j. Participating parent organizations will provide an annual report to the OACSIM (Resources Directorate), 600 Army Pentagon, Washington, DC 20310–0600, by 31 March of each fiscal year that outlines the ongoing status of funds in the accounts by installation, a description of the projects planned by order of priority, and status of those projects executed with funding in the extended year accounts. The OACSIM will provide a consolidated status report of all projects executed with extended year energy savings funding to the Army Senior Energy Council by 31 August of each fiscal year, or on a date subsequently determined by the Senior Energy Council.

k. Key milestones or implementation are provided at appendix B.

Appendix A

References

Section I
Required Publications

This section contains no entires.

Section II
Related Publications

A related publication is a source of additional information. The user does not have to read it to understand this publication.

AR 420–1
Army Facilities Management

DFAS–IN Manual 37–100
The Army Management Structure (Available at http://www.asafm.army.mil/budget/di/di.asp.)

DOD 5126.46–M–2
Defense Utility Energy Reporting System (Available at http://www.dtic.mil/whs/directives/.)

DOD 7000.19–R
Financial Management Regulation, Volume 12, Chapter 12, Identification, Retention, and Use of Energy and Water Conservation Savings (Available at http://www.dtic.mil/whs/directives/.)

10 USC 2912
Availability and use of energy cost savings

PL 110–140
Public Law: Energy Independence and Security Act of 2007

EO 13423
Executive Order: Strengthening Federal Environmental, Energy, and Transportation Management, 24 January 2007

Memorandum, Vice Chief of Staff, 22 June 2007
Army Energy Conservation (Available at https://armypubs.us.army.mil/epubs/VCSArmy_Collection_1.html.)

Section III
Prescribed Forms

This section contains no entries.

Section IV
Referenced Forms

SF 1151
Non-expenditure Transfer Authorization

Appendix B
Annual Energy Savings Process Milestones
Fiscal Year 2011 (Initial FY)
1 October 2010 to 30 September 2011
Installations conserve energy

20 August 2011
Installations complete entry of utility data in the Army Energy and Water Reporting System through third quarter of the fiscal year. The Army Energy and Water Reporting System has been expanded to import weather service data and to run reports of adjusted energy savings and projected utility cost avoidance.

20 August 2011 to 25 August 2011
The OACSIM determines which installations are likely to save energy by projecting current year totals and comparing with previous year totals. The OCAR calculates utility cost avoidance value for the projected energy savings and provides report for OACSIM dissemination to participating commands and installations.

26 August 2010 to 9 September 2011
The OACSIM notifies participating commands of the amount each installation is authorized to transfer. Commands notify their installations in command guidance.

10 September 2011 to 14 September 2011
Installation looks for unobligated utility account funding or other appropriated "fall-out" funding equivalent to the authorized transfer amount; notifies its parent command if funding will be available.

15 September 2011 to 30 September 2011
After ensuring enough funding is available to pay final utility bills, installation transfers unobligated appropriated funding, up to the maximum value of projected energy savings provided by OACSIM, using SF Form 1151 and appropriate AMSCOs for energy savings/ extended year account in the DFAS–IN Manual 37–100.

Fiscal Year 2012 and Beyond

1 October 2011 to 30 September 2012

Installations conserve energy

1 December 2011 to 5 December 2011

The DAIM–OD verifies utility cost avoidance of each qualifying installation with previous year's end-of-year data.

31 March 2012

The IMCOM, OCAR, and NGB provide an annual report to DAIM–RD by 31 March (or other date chosen by the Senior Energy Council) of each fiscal year that outlines the ongoing status of funds in the accounts by installation, a description of the projects planned by order of priority, and status of those executed with funding in the extended year accounts.

20 August 2012

Installations complete entry of utility data in Army Energy and Water Reporting System through third quarter of the fiscal year.

20 August 2012 to 25 August 2012

The OACSIM determines which installations are likely to save energy by projecting current year totals and comparing with previous year totals. The OCAR calculates utility cost avoidance value for the projected energy savings and provides report for OACSIM dissemination to participating commands and installations.

26 August 2012 to 31 August 2012

The OACSIM provides consolidated report to the Senior Energy Council showing status of the savings accounts and projects in progress or completed.

26 August 2012 to 9 September 2012

The OACSIM notifies participating commands of the amount each installation is authorized to transfer. Commands notify their installations in command guidance.

10 September 2012 to 14 September 2012

Installation looks for unobligated utility account funding, or other appropriated end-of-year "fall-out" money, not to exceed value of projected energy savings provided.

15 September 2012 to 30 September 2012

After ensuring enough funding available to pay final utility bills, installation transfers unobligated appropriated funding.

1 December 2012 to 5 December 2012

The Operations Directorate verifies utility cost avoidance of each qualifying installation with previous year's close of fiscal year data.

Glossary

Section I
Abbreviations

ACSIM
Assistant Chief of Staff for Installation Management

AMSCO
Army management structure code

ARNG
Army National Guard

DFAS
Defense Finance and Accounting Service

DOD
Department of Defense

FY
fiscal year

HQDA
Headquarters, Department of the Army

IMCOM
Installation Management Command

OACSIM
Office of the Assistant Chief of Staff for Installation Management

OCAR
Office of the Chief, Army Reserve

SF
Standard Form

USAR
United States Army Reserve

USC
United States Code

Section II
Terms

Army Energy and Water Reporting System
The Army Energy and Water Reporting System is an automated (Web-based) system for collecting Army data to be submitted to the Defense Utilities Energy Reporting System. Complete information for inputting the data into the system is contained in the user's manual available online at the Army Energy and Water Reporting System Web site at http://aewrs.hqda.pentagon.mil. The Army Energy and Water Reporting System facilitates energy management by providing timely, reliable, and accurate information on energy products used by the Army. The system provides essential energy management information to all levels within Department of the Army and DOD. This information is used to evaluate energy trends, determine progress toward goals and targets, and generate the Army Annual Energy Management Report.

Army management structure
The official Army framework for interrelating programming, budgeting, accounting, and manpower control through a standard classification of Army activities and functions. This annual publication provides the fiscal coding structure to a wide variety of users, both in the Army and DFAS–IN network.

British thermal unit
The quantity of heat required to raise the temperature of 1 pound of water by 1 Fahrenheit degree at or near its point of maximum density (39.1 Fahrenheit degrees).

Defense Utilities Energy Reporting System
Per DOD 5126.46–M–2, this system was designed to facilitate energy and water management by providing timely and accurate information on all utilities energy consumption.

Energy
For the purposes of this policy, energy refers to the utilities and commodities used to power the Army's buildings, facilities, or installations (that is, gas, electricity, fuels).

Energy cost savings
Energy cost savings for the purposes of 10 USC 2912, are savings realized as the result of a reduction in the cost of energy as measured against budget documentation, which is determined by metering (if available) or by professionally acceptable engineering models and estimates. Component head or designee may define the types of energy commodities to be included in their programs. Energy cost savings could be funding remaining after an energy bill is paid or it could refer to additional funding made available in an amount equivalent to avoided cost from energy not consumed.

Energy cost savings amounts
The energy cost savings amounts realized in accordance with 10 USC 2912 shall be the unobligated balances of such cost savings, remaining available for obligation at the end of a fiscal year. Extended availability of funds pursuant to 10 USC 2912, savings realized by

the DOD, including financial benefits, shall remain available for obligation until expended, without additional authorization or appropriation.

Extended availability of funds account
An account established for each appropriation for which energy cost savings have been identified, and to which unobligated balances resulting from such energy cost savings or a portion thereof, are transferred (that is, X 2020 operation and maintenance, Army; X 2065 operation and maintenance, ARNG; and X 2080 operation and maintenance, USAR), using SF 1151.

Installation
An aggregation of contiguous or near contiguous, real property holdings commanded by a centrally-selected commander. An installation may be made of one or more sites.

Installations support
Installations support is the Army management structure activity that refers to the resources involved with operating and maintaining Army garrisons. Installations Support accounts designate functions of a garrison services and facilities support such as administration; automation support; Family programs; morale, welfare, and recreation services; real estate leases; environmental conservation and compliance; pollution prevention; minor construction; maintenance and repair; audiovisual and visual information production, acquisition and support; demolition and disposal of excess facilities; base communications; and other base operations support services. This structure applies to operation and maintenance, Army; operation and maintenance, USAR; operation and maintenance, National Guard; and the Defense Health Program and all other applicable appropriated-funded activities.

Program objective memorandum
A formal document submitted to Office of the Secretary of Defense containing Army proposals for resource allocation in consonance with program guidance. The program objective memorandum describes all aspects of Army programs to increase the operational readiness of the total Army. It highlights forces, personnel, and materiel acquisition. It also addresses the equipment distribution and logistics support required to meet the strategy and objectives specified by the Secretary of Defense.

Tenant activity
A military or federal organization located on an installation assigned to and operated by a different military department, or an organization located at an Army installation, but assigned to a major Army organization other than the one exercising command and control of the installation's real property and operations.

Utilities services
Procurement, production, and distribution of utilities including expenses for connection charges, privatization impacts, alternatively financed energy savings contracts, purchased electricity, steam, hot water, fuels, and other utilities. Other services include operation of electrical, heating, air conditioning, refrigeration, water distribution, wastewater collection, treatment plants, and systems.

Section III
Special Abbreviations and Terms
This section contains no entries.

By Order of the Secretary of the Army:

GEORGE W. CASEY, JR.
General, United States Army
Chief of Staff

Official:

JOYCE E. MORROW
Administrative Assistant to the
Secretary of the Army

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- U.S. Army North
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- U.S. Army Special Operations Command
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Eighth U.S. Army
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