

**SUMMARY OF MAJOR CHANGES TO  
DOD 7000.14-R, VOLUME 12, CHAPTER 12  
“IDENTIFICATION, RETENTION, AND USE OF ENERGY AND WATER  
CONSERVATION SAVINGS”**

All changes are denoted in **blue font**

Substantive revisions are denoted by a ★ preceding the section,  
paragraph, table or figure that includes the revision.

Hyperlinks are denoted by **underlined, bold, italic font**

PARA	EXPLANATION OF CHANGE/REVISION	PURPOSE
120101 & 120102	Updated statutory references.	Update
120103.A. 1-2	The amount of funds appropriated to the Department of Defense for a fiscal year that is equal to the amount of energy cost savings realized by the Department shall remain available for obligation until expended.	Update
120103.B, C, D, & E	Updated statutory provisions and definitions.	Update
120103.B	Clarified that water cost savings aren't used for energy conservation measures.	Clarification
120103.E	Clarified waiver of certain facility costs/facility square foot limitations is a prerogative of the secretaries of military departments, rather than SECDEF.	Clarification
120201	Renamed “Energy Savings Performance Contracts”	Update
120202	Renamed “Energy Cost Savings”	Update
120203	Renamed “Extended Availability of Funds”	Update
120204	Renamed “Cost Effectiveness”	Update
120205	Clarified that Extended Availability of Funds Account can be used by offices that fund energy cost savings projects.	Clarification
120301.C	Clarified that Extended Availability of Funds Account can be used by offices that fund energy cost savings projects.	Clarification
120302	Designated the Operations and Maintenance (O&M) appropriation to accept financial incentives paid by a utility company.	Update
120401	Clarified the criteria for proceeds from the sales of electricity.	Clarification

120402	Added guidance on proceeds from the sales of electricity from alternative energy and cogeneration production facilities.	Addition
120403	Updated Congressional notification requirement for carrying out a military construction project.	Update
120701	Clarified energy cost savings amounts are the unobligated balances available for obligation at the end of the fiscal year.	Clarification
120702	Updated information on extended availability accounts.	Update
120801.C	Clarified extended availability obligated balances are identified in column 'e' of the SF 133	Clarification

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## CHAPTER 12

IDENTIFICATION, RETENTION, AND USE OF ENERGY AND WATER  
CONSERVATION SAVINGS★ 1201 OVERVIEW

120101. Purpose. This chapter prescribes financial management policy and procedures for the identification, retention, and use of energy and water cost savings as detailed in Title 10, United States Code (U.S.C.), Chapter 169, Section 2866 and Chapter 173, Sections 2912, 2913, 2914, 2915, and 2916.

120102. General. The Congress has enacted several measures pertaining to Energy Security within the Department of Defense (DoD). Title 10, U.S.C. 2866 provides for receipt and use of incentives and water cost savings from utilities for water conservation. Section 2912 concerns availability and use of energy cost savings, Section 2913 concerns energy savings contracts and activities, Section 2914 concerns energy conservation construction projects, Section 2915 concerns new construction and use of renewable forms of energy and energy efficient products, and Section 2916 concerns sale of electricity from alternate energy and cogeneration production facilities.

120103. Statutory Provisions. Following are summaries of the aforementioned statutory provisions pertaining to funding:

A. Title 10, U.S.C. 2912 provides that an amount of funds appropriated to the DoD for a fiscal year that is equal to the amount of energy cost savings realized by the Department, including financial benefits resulting from shared energy savings contracts pursuant to Title 10, U.S.C., 2913 shall remain available for obligation until expended, without additional authorization or appropriation. The amount that remains available for obligation shall be used as follows:

1. One-half of the amount shall be used for the implementation of additional energy conservation measures at buildings, facilities, or installations of the DoD, or related to vehicles and equipment of the DoD, which are designated, in accordance with regulations prescribed by the Secretary of Defense, by the head of the department, agency, or instrumentality that realized the savings; and

2. One-half of the amount shall be used at the installation at which the savings were realized, as determined by the commanding officer of such installation consistent with applicable law and regulations, for (A) improvements to existing military family housing units; (B) any unspecified minor construction project that will enhance the quality of life of personnel; or (C) any morale, welfare, or recreation (MWR) facility or service.

B. [Title 10, U.S.C. 2866](#) provides that funds attributable to water cost savings realized under the provisions of that section shall be used as prescribed in paragraph 120103.A. 1 and 2, above, provided that such use under 120103.A.1 is for water conservation activities. Neither [Title 10, U.S.C. 2866](#) nor any provisions in the Department's appropriations acts, however, provide for the extended availability of such funds. Accordingly, such funds are available only for the time period for which they were originally appropriated.

C. [Title 10, U.S.C., 2913](#) provides that the Secretary of Defense shall develop a simplified method of contracting for shared energy savings contract services that will accelerate the use of these contracts with respect to military installations and will reduce the administrative effort and cost on the part of the DoD as well as the private sector. The Secretary delegates and provides for the direct negotiation (by departments, agencies, and instrumentalities of the DoD) of contracts with shared energy savings contractors that have been selected competitively and approved by any gas or electric utility serving the department, agency, or instrumentality concerned.

D. [Title 10, U.S.C. 2914](#) provides that the Secretary of Defense may carry out a military construction project for energy conservation, which has not been previously authorized, using funds appropriated or otherwise made available for that purpose. When a decision is made to carry out a project under this section, the Secretary of Defense shall notify, in writing, the appropriate Congressional committees of the decision. The project may then be carried out only after the end of the 21-day period beginning on the date the notification is received by such committees or, if earlier, the end of the 14-day period beginning on the date on which a copy of the notification is provided in an electronic medium.

E. [Title 10, U.S.C. 2915](#) provides the Secretary of Defense shall encourage the use of energy systems using solar energy or other renewable forms of energy as a source of energy for military construction projects (including military family housing projects), require the design of all new facilities (including family housing) shall include consideration of such form of energy systems using solar energy or other renewable forms of energy, determine cost effectiveness, and the use of energy efficiency products in new construction. Additionally, the secretary of a military department may grant exceptions otherwise applicable square foot and cost per square foot limitations.

F. [Title 10, U.S.C. 2916](#) provides the Secretary of a military department may sell, contract to sell, or authorize a contractor to sell to a public or private utility company of electrical energy generated from alternate energy or cogeneration type production facilities which are under the jurisdiction (or produced on land which is under the jurisdiction) of the Secretary concerned. The sale of such energy shall be made under such regulations, for such periods, and at such prices as the Secretary concerned prescribes consistent with the Public Utility Regulatory Policies Act of 1978 ([16 U.S.C. 2601](#) et seq.).

★1202 DEFINITIONS. The following definitions apply with respect to the identification, retention, and use of energy conservation cost savings:

120201. Energy Savings Performance Contracts. An Energy Savings Performance Contract (ESPC) is a contract between the federal government and an energy service company (ESCO). The ESCO designs and implements an energy savings project and guarantees those savings to the government. The Federal agency agrees to reimburse the ESCO over time from the guaranteed savings generated by the project. If the energy conservation measures installed by the ESCO do not deliver the guaranteed energy savings, the agency is under no obligation to make payments to the ESCO in excess of the savings delivered. An ESPC is an alternative financing tool to reduce energy use, modernize aging equipment, reduce maintenance costs, and deploy energy efficiency and renewable energy technologies. See DoD Instruction 4170.11 for further discussion on ESPC.

120202. Energy Cost Savings. Energy cost savings for the purposes of Title 10, U.S.C. 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.

120203. Extended Availability of Funds. Pursuant to Title 10, U.S.C. 2912, savings realized by the DoD, including financial benefits, shall remain available for obligation until expended, without additional authorization or appropriation.

120204. Cost Effectiveness. An energy system using solar energy or other renewable forms of energy shall be considered to be cost effective if the difference between the original investment cost of the energy system for the facility with such a system, and the original investment cost of the energy system for the facility without such a energy system can be recovered over the expected life of the facility.

120205. 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.

120206. Component Head or Designee. The Secretary of a military department or the Director of a defense agency or an individual designated to act for the Secretary of a military department or the Director of a defense agency for the purposes of executing the duties, functions, and responsibilities set forth in this chapter. When a provision is applicable only to the military departments, reference is made to the Secretary concerned, or designee.

1203 PROCEDURES CONCERNING ENERGY COST-SAVINGS AMOUNTS AND INCENTIVES RECEIVED FROM UTILITIES UNDER 10 U.S.C. 2912, 2913 and 2914

120301. Extended Availability. Energy savings amounts having an extended availability shall be transferred to extended availability accounts for execution.

A. An extended availability account shall be established for each appropriation for which energy cost savings have been identified and for which a period of extended availability is to be established.

B. Transfers to extended availability accounts shall be made by a SF 1151 (Nonexpenditure Transfer Authorization). Reprogramming actions will not be required in the case of such transfers.

C. Accounting, appropriate controls, and oversight for amounts in extended availability accounts shall be established at the level that use the accounts; this will be at the installation, military department, defense agency and/or OSD level.

★ 120302. Acceptance of Financial Incentives. Financial incentives received from gas or electric utilities under Section 2913 of this title shall be credited to the installation's Operation and Maintenance (O&M) account and shall be available for the same purposes and the same period as the O&M appropriation. Such incentives are refunds or rebates that come in as a check and are deposited in the O&M account. They are not credits to the utility bill. By nature of the account, the funds will expire at the end of the fiscal year in which they are deposited.

★ 1204 PROCEDURES CONCERNING REVENUES FROM THE SALE OF ELECTRICITY

120401. Sale of Electricity. Proceeds from sales of electricity from alternate energy and cogeneration production facilities under Section 2916 shall be credited to the appropriation account currently available to the military department concerned for the supply of electrical energy. The Secretary concerned or designee shall determine the accounts to which such proceeds shall be credited.

120402. Use of Proceeds from the Sale of Electricity. Subject to the availability of appropriations for this purpose, proceeds credited may be used to carry out military construction projects under the energy performance plan developed by the Secretary of Defense under Section 2911(b) of Title 10 U.S.C § 2911(b), including minor military construction projects authorized under Section 2805 of Title 10, U.S.C. § 2805 which are designed to increase energy conservation.

120403. Congressional Notification. Before carrying out a military construction project described in paragraph 120402 using proceeds from sales under Section 120401, the Secretary concerned shall notify Congress in writing of the project, the project justification, and the estimated project cost. The project may be carried out

only after the end of the 21-day period beginning on the date the notification is received by Congress or, if earlier, the end of the 14-day period beginning on the date on which a copy of the notification is provided in an electronic medium pursuant to [Title 10, U.S.C. § 480](#).

#### 1205 BUDGETING AND REPORTING PROCEDURES CONCERNING ENERGY COST SAVINGS

120501. [Budgeting for Energy Cost Savings](#). The portion of the guaranteed savings due the contractor for payment under ESPCs shall be included in each military department's utility requirements submitted as part of budget requests for the length of the ESPCs entered into by that military department. The entire amount of guaranteed savings provided in ESPCs (including amounts for contract payments and amounts to be retained by installations) shall be included in total utility requirements submitted as part of budget requests for the first **five** years of ESPCs. Under no circumstances shall the total of the amounts requested exceed those that would have been requested in the absence of ESPCs. The Secretary concerned, or designee, shall specify the procedures for identification of such amounts by installations, facilities, or operating locations at which ESPCs for that military department are in existence.

120502. [Determination of Energy Cost Savings](#). Not more than 90 days after the end of each of the first **five** years during which energy savings measures have been in operation under an ESPC, the Secretary concerned, or designee, shall determine the amount of energy cost savings attributed to, and realized under, energy savings measures acquired and installed under ESPCs at installations under the Secretary's jurisdiction. These savings shall be reported in accordance with guidance issued by the Office of the Deputy Under Secretary of Defense (Industrial Affairs and Installations).

#### 1206 CARRYOVER OF UNOBLIGATED BALANCES UNDER 10 U.S.C. 2912 RESULTING FROM ENERGY CONSERVATION MEASURES

120601. [Installation Commanders](#). Installation commanders or their designees shall ensure that energy cost savings amounts that are carried over to the year following the fiscal year for which they were originally appropriated are authorized to be used only for funding energy conservation initiatives approved by the Component Head or designee. Installation commanders also shall:

A. Ensure that unobligated fund balances available at the end of the normal period of appropriation availability that are the direct result of energy conservation measures are identified. Such funds to be carried forward to the following fiscal year shall be based on the most current available consumption data and represent actual unobligated funds and not based on estimates.

B. Ensure that the unobligated energy cost savings balances at year-end are carried forward into the following fiscal year, and designate the original appropriation as an extended availability account.

C. Submit to the Component Head or designee proposed energy savings projects for a given fiscal year that are projected to cost more than the amount of funds available to the Commander for that purpose.

D. Implement additional energy conservation initiatives approved by the Component Head, or designee and other projects as specified.

120602. Component Head or Designee. The Component Head or designee shall receive and evaluate savings measures submitted by installation commanders, and authorize funding for those other energy savings measures as the Component Head or designee deems appropriate. The Component Head or designee shall also ensure that procedures are established to provide sufficient time to compute the energy cost savings, and identify the unobligated amounts to carry over to the following fiscal year.

1207 ACCOUNTING FOR ENERGY COST SAVINGS

★ 120701. Energy cost savings amounts. The energy cost savings amounts realized in accordance with Title 10, U.S.C. 2912 shall be the unobligated balances of such cost savings remaining available for obligation at the end of a fiscal year.

120702. Extended availability accounts. Amounts covered by the preceding paragraph shall be identified in, and transferred to, extended availability accounts. Transfers shall be made on an SF 1151, and properly labeled (e.g., FY 2008/2009 for a FY 2008 account). The authority to be cited for the transfer is Title 10, U.S.C. 2912. No further adjustments shall be made to the amounts carried forward once the balance is established in the extended availability account.

120703. Cancellation of Appropriation.

A. Amounts contained in extended availability accounts established in accordance with paragraph 120702 above, shall remain available for expenditure (i.e., liquidation of obligations) for 5 years following the year in which the funds expired for obligation at the end of the year of extended availability.

B. Under no circumstances shall funds, extended under 10 U.S.C. 2912 remain available for expenditure beyond the end of the sixth year following the year in which the funds would have expired, had the period of availability not been extended. (For example, if an O&M appropriation normally would expire at the end of FY 2009, the extended availability account would expire at the end of FY 2010. The extended availability account would be available for expenditures until the end of FY 2015, at which time any remaining obligated and unobligated balances would be canceled.)

1208 ACCOUNTING REPORTING REQUIREMENTS. The following reporting requirements shall be used to report the status of extended availability accounts:

120801. Acct Rpt (M) 1002. Special procedures have been established for reporting extended availability obligated and unobligated balances on the Acct Rpt (M) 1002 (Appropriation Status by Fiscal Year Program and Subaccounts).

These procedures are as follows:

A. Normal Availability Obligated and Unobligated Balances. Identify and report as normal.

B. Extended Availability Unobligated Balances. Identify, in column f. (Cumulative Unobligated Balance), unobligated extended availability amounts resulting from energy cost savings at the end of the normal availability period (e.g., FY 200X/200X+1 or FY 200X/200X+2, +3, and so on) and available unobligated amounts (that is, FY 2006/2007, FY 2006/2008, etc., for the FY 2006 account). The stub entry, Column A (Budget Activity) shall identify the unobligated extended availability amount as “Extended Availability - Energy Cost Savings.” The amount reported shall agree with the amount reported on line 9.A.1. of the SF 133, “Report on Budget Execution” (see subsection 120802, below).

★ C. Extended Availability Obligated Balances. Identify, in column e, obligations incurred against the extended availability account. The stub entry shall identify those obligations as to the purpose for which the obligations were incurred. The reporting categories for the extended availability accounts are to be continued for all applicable fiscal years.

120802. SF 133 (Report on Budget Execution). At the end of the first fiscal year, use line 9.A.1, “Balance Currently Available” on the SF 133, to identify the amount of available unobligated funds that are available for energy savings investments (or other authorized purposes) in the following fiscal year(s).

120803. Acct Rpt (TFM) 2108. Transactions reported on the Acct Rpt (TFM) 2108 (Year-End Closing Statement) will be treated in the same manner as a multi-year appropriation.