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ACQUISITION,
TECHNOLOGY
AND LOGISTICS

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MEMORANDUM FOR DEPUTY UNDER SECRETARY OF DEFENSE,
ACQUISITION & TECHNOLOGY
DEPUTY UNDER SECRETARY OF DEFENSE, LOGISTICS
& MATERIEL READINESS
DIRECTOR, DEFENSE RESEARCH & ENGINEERING
SERVICE ACQUISITION EXECUTIVES
DIRECTOR, PROGRAM ANALYSIS & EVALUATION
DIRECTOR, FORCE STRUCTURE, RESOURCES, AND
ASSESSMENT, JOINT STAFF

SUBJECT: Fully Burdened Cost of Fuel Pilot Program

Energy has emerged as a dominant factor in the 21st century battle space. Studies by the Institute for Defense Analyses, the Defense Science Board Task Force, the Energy Security Task Force, and JASONS suggest that energy inefficiency is a significant liability, a constraint on operations, and a significant force protection challenge. After reviewing these studies, two conclusions become apparent.

The first is that by reducing energy demand we provide operational forces more flexibility and make them less dependent on the logistics infrastructure. The second conclusion is that the DoD acquisition process undervalues technologies that can improve energy efficiency. One of the recommendations consistent with these studies is that applying the fully burdened cost of delivered energy in acquisition decisions over the life cycle of a system will address these problems. I agree with this recommendation.

Effectively immediately, it is DoD policy to include the fully burdened cost of delivered energy in trade-off analyses conducted for all tactical systems with end items that create a demand for energy and to improve the energy efficiency of those systems, consistent with mission requirements and cost effectiveness.

To implement this policy, I am initiating a pilot program to develop the most effective business practices to incorporate the fully burdened cost of energy into acquisition decisions. The Energy Security Task Force Senior Steering Group has nominated the following programs to participate in the pilot:

- Joint Light Tactical Vehicle



- Maritime Air and Missile Defense of Joint Forces alternative ship propulsion and efficiency options AoA
- Next-Generation Long-Range Strike concept decision

The results of the pilots will be used as the basis for implementing this policy across all relevant acquisition programs and DoD business processes. The implementation specifics of the pilot program will be sent under separate cover.

My point of contact is Mr. Chris DiPetto at 703-695-4421.



Kenneth J. Krieg