



ASSISTANT SECRETARY OF DEFENSE

3700 DEFENSE PENTAGON  
WASHINGTON, DC 20301-3700

OPERATIONAL ENERGY  
PLANS AND PROGRAMS

AUG 10 2012

MEMORANDUM FOR SERVICE ACQUISITION EXECUTIVES  
COMMANDER, USSOCOM

SUBJECT: Notification of Updated Guidance for the Calculation of the Fully Burdened Cost of Energy  
in Analyses of Alternatives and Acquisition Programs

As we examine our acquisition processes for opportunities to deliver more capable forces for less cost, the cost of energy, and specifically fuel, is of particular concern. Our current total ownership cost estimation practices do not give us enough insight into the second and third order cost of design, technology and performance decisions on the energy demand of systems. As the conflicts of the last decade have demonstrated, the cost of fuel itself, plus the logistics costs, force protection costs, and losses of U.S. personnel and contractors add greater cost and operational risk than our decision processes currently consider.

To address this challenge section 332 of Public Law 110-417 requires the Components to perform Fully Burdened Cost of Energy (FBCE) analyses to help inform cost, schedule and performance trade decisions in Analyses of Alternatives and acquisition programs, consistent with. This direction applies to all Acquisition Category (ACAT) I and II systems that may demand fuel or electric power in an operational environment.

In coordination with the Director for Cost Analysis and Program Evaluation (CAPE), I updated the FBCE methodological framework (TAB A), which has now been published in the Defense Acquisition Guidebook and is cross posted on <http://energy.defense.gov>. While this framework is effective immediately, it is meant to be iterative and capture best practices. Unlike Total Ownership Cost methods, FBCE is both scenario-based (hours to days-long operational scenarios taken from an AoA) and accounts for the apportioned delivery and protection costs. This is consistent with, and complementary to, the current guidance for the development of the Energy Key Performance Parameter in the Joint Capabilities Integration and Development System manual (CJCSI 3170M of 19 January 2012).

My office, with the advice of the Defense Operational Energy Board, will review and amend the framework as required based on user feedback. My staff will schedule information sessions with your executive agents for the FBCE requirement in the coming weeks and months, and offer the support they may need to incorporate this analysis.

I greatly appreciate the leadership the Services and Combatant Commands have shown on addressing current and emerging operational energy challenges. I look forward to working with you to make these business process improvements as seamless and informative as possible. My point of contact for this methodology is Mr. David Bak ([david.bak@osd.mil](mailto:david.bak@osd.mil); 571-256-0792).

  
Sharon E. Burke

cc:  
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