



DEPARTMENT OF THE ARMY
ASSISTANT SECRETARY OF THE ARMY
(INSTALLATIONS, ENERGY AND ENVIRONMENT)
110 ARMY PENTAGON
WASHINGTON, DC 20310-0110

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MEMORANDUM FOR SEE DISTRIBUTION

SUBJECT: Department of the Army Policy for Renewable Energy Credits

1. References

- a. 42 U.S.C. § 8253, Energy Management Requirements.
- b. 42 U.S.C. § 15852, Federal Purchase Requirements.
- c. 10 U.S.C. § 2911, Energy Performance Goals and Plan for Department of Defense.
- d. Executive Order (E.O.) 13423, Strengthening Federal Environmental, Energy, and Transportation Management.
- e. Executive Order (E.O.) 13514, Federal Leadership in Environmental, Energy, and Economic Performance.
- f. Army Energy Security Implementation Strategy (AESIS), January 2009.
- g. Renewable Energy Requirement Guidance for EPACT 2005 and Executive Order 13423, January 2008.
- h. Department of the Army Cost Analysis Manual, May 2002.

2. Purpose. This memorandum establishes Army policy regarding the retention, replacement, and purchasing of Renewable Energy Credits (RECs) for renewable energy generating facilities on Army installations for the purposes of satisfying federal mandates.

3. Applicability. This policy applies to all Army renewable energy projects, as defined herein, on Active Army, U.S. Army Reserve, and Army National Guard installations, sites, and/or facilities operated and maintained with federal funds.

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4. Definitions.

a. Power Marketing Administrations (PMAs). PMAs are agencies within the U.S. Department of Energy with responsibility for marketing electric power. The PMAs include the Bonneville Power Administration, Southeastern Power Administration, Southwestern Power Administration, and Western Area Power Administration.

b. Renewable Energy Credits (RECs). A document which represents and is used to account for the technological and environmental (non-energy) attributes of energy generated from renewable sources. RECs are also commonly known as green tags, green energy certificates, or tradable renewable energy certificates and, for electrical energy, are usually accounted and measured in 1 megawatt-hour (MWh) units. There are two types of RECs:

(1) Compliance REC. A REC generated in a State with a mandatory Renewable Portfolio Standard.

(2) Voluntary REC. A REC generated in a State without a mandatory Renewable Portfolio Standard or a REC generated in a State with a mandatory Renewable Portfolio Standard but not used for compliance purposes.

c. Renewable Energy. Energy generated from renewable sources, including the following: solar, wind, biomass, landfill gas, ocean (including tidal, wave, current, and thermal), geothermal (including electricity and heat pumps), municipal solid waste, new hydroelectric generation capacity (placed in service on or after January 1, 1999) achieved from increased efficiency or additions of new capacity at an existing hydroelectric project, and thermal energy generated by any of the preceding sources (Reference 1(c)).

d. Renewable Energy Project (REP). A project to:

(1) Construct, convert or renovate a renewable energy generating asset owned by the Army;

(2) Purchase, under an agreement, energy output from a system under Section 4(d)(1) or output from another system; or

(3) Grant use, under an agreement, of Army land for the purpose of generating renewable energy.

The type of agreements under Sections 4(d)2 and 4(d)3 include one or a combination of the following: Utility Energy Service Contract (UESC); Energy Savings Performance Contract (ESPC); Enhanced Use Lease (EUL) (or any other type of land agreement);

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Power Purchase Agreement (PPA); any other multi-year renewable energy production/purchase/service agreement.

e. REC Swapping. REC Swapping is the purchase of RECs (termed "Replacement RECs") from a less expensive REC market to replace RECs generated by the REP (termed "Project RECs"). The act of REC Swapping is not permitted for RECs owned by the Army (Section 4(d)1). REC Swapping by developers is allowed for Sections 4(d)2 and 4(d)3, and may lower project costs to the Army, thereby allowing the Army to meet Federal Energy Goals (Section 4(f)) at a reduced cost.

f. Federal Energy Goals.

(1) Energy Policy Act of 2005 (EPAAct 2005). Goals of the EPAAct 2005 renewable energy mandate (7.5% renewable energy in fiscal year 2013 and each fiscal year thereafter) may be satisfied through the ownership of RECs (Reference 1(g)).

(2) E.O. 13423. E.O. 13423 requires, among other things, that at least half of the statutorily required renewable energy consumed by the Army in a fiscal year comes from new (placed into service after January 1, 1999) renewable sources. This goal may be satisfied through the ownership of RECs (Reference 1(d)).

(3) 10 U.S.C. § 2911. 10 U.S.C. § 2911 sets the renewable energy goal that the Department of Defense produce or procure not less than 25 percent of the total quantity of facility energy it consumes within its facilities during fiscal year 2025 and each fiscal year thereafter from renewable energy sources. This goal may be achieved by producing or procuring facility energy (electric or thermal) from renewable sources (Reference 1(c)).

5. Policy.

a. Compliance with the aforementioned Federal Energy Goals (Section 4(f)) can be met with Project RECs and/or Replacement RECs.

b. The Army shall not purchase RECs solely to meet Federal renewable energy goals.

c. The Army shall not sell RECs from REPs owned by the Active Army, the U.S. Army Reserve and Army National Guard, which are funded by defense appropriations and consistent with existing contracts or other agreements with PMAs or the Tennessee Valley Authority. For RECs generated at facilities funded with defense appropriations, once the Army acquires a REC (either Project or Replacement), the Army shall not sell or transfer the REC to a third-party.

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d. Renewable energy purchased through a REP shall contribute to compliance with Federal Energy Goals through retention of Project or Replacement RECs as determined on a project specific basis with terms favorable to the Army. The amount and timing of Project and/or Replacement RECs to be retained will be determined on a project-by-project basis with respect to:

(1) The potential impact of various REC retention/acquisition strategies on the financial viability of the REP;

(2) The values of the Army RECs relative to Fair Market Value; and

(3) The level of volatility in REC prices within any calendar year timeframe.

e. Pursuant to forthcoming implementing guidance (Section 5(f)), the Army will monitor and verify the RECs using a transparent and auditable process for every REP executed by the Army.

(1) The Army will account for all RECs during and after project completion to ensure that Project RECs (including Replacement RECs) are properly tracked and applied toward Federal Energy Goals, including those not used for project finance purposes.

(2) The Army will account and report separately for RECs generated at facilities funded by defense appropriations and those generated at facilities funded by energy and water appropriations.

(3) REP proponents (Section 5(f)) will maintain record of REC ownership.

f. The Deputy Assistant Secretary of the Army for Energy and Sustainability [DASA (E&S)], or other entity so designated by the Assistant Secretary of the Army for Installations, Energy and Environment [ASA(IE&E)], will be the proponent of the REC policy. The designated entity will:

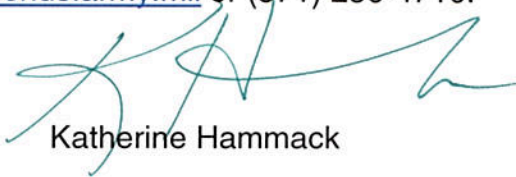
(1) Develop implementation guidance, in accordance with DoD policy, and define how the Army will determine and incorporate the dollar value of the RECs into the Project Life Cycle Cost Analysis (Reference 1(h)) process by July 2012. Until additional policy is available, DASA(E&S) will serve as the primary point of contact for all REC incorporation/valuation issues.

(2) Develop implementation guidance in accordance with DoD policy, for management of all Army RECs by October 2012. Until additional policy is available, DASA(E&S) will serve as the primary point of contact for all REC management issues.

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6. Reporting shall be in accordance with current guidance established by the Assistant Chief of Staff for Installation Management (ACSIM).
7. Requests for exceptions to this policy must be submitted to the ASA(IE&E).
8. My POC for this policy is Mr. Richard G. Kidd IV DASA (E&S). Mr. Kidd can be contacted at richard.g.kidd@conus.army.mil or (571) 256-4710.



Katherine Hammack

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