

United States Government Accountability Office Washington, DC 20548

January 31, 2012

**Congressional Committees** 

## Subject: Defense Infrastructure: DOD Did Not Fully Address the Supplemental Reporting Requirements in Its Energy Management Report

This report formally transmits our January 2012 briefing to committees in response to section 332(c) of the National Defense Authorization Act (NDAA) for Fiscal Year 2010<sup>1</sup> (section 332) and our response to House Report 111-166<sup>2</sup> regarding the Department of Defense's (DOD) energy- efficiency programs. The act and House report directed DOD to report on a specific set of energy issues and directed GAO to review DOD's report and submit to Congress a report on our findings. A summary of the eight required energy- efficiency reporting issues is included as enclosure I. Details on our findings and the basis for them are provided in enclosure II.

# Background

The House Report (H.R. Rep. No. 111-166) directed the Secretary of Defense to conduct an assessment of seven specific energy issues and to submit the findings and recommendations resulting from the assessment to the Senate Committee on Armed Services and the House Committee on Armed Services. Also, the National Defense Authorization Act for Fiscal Year 2010, section 332(b), states that the first report submitted by the Secretary of Defense under 10 U.S.C. § 2925(a) (DOD's Annual Energy Management Report) after the date of the enactment of the NDAA for Fiscal Year 2010 shall include information on a similar list of eight specific energy issues.<sup>3</sup>

The first report submitted by DOD in response to 10 U.S.C. § 2925(a) after the date of the enactment of the NDAA for Fiscal Year 2010 was its Fiscal Year 2009 Annual Energy Management Report, issued in May 2010. As we previously reported,<sup>4</sup> the

<sup>&</sup>lt;sup>1</sup>Pub. L. No.111-84 (2009).

<sup>&</sup>lt;sup>2</sup>The committee report accompanying H.R. 2647, a bill for the National Defense Authorization Act for Fiscal Year 2010.

<sup>&</sup>lt;sup>3</sup>There is considerable overlap between the two lists of issues, and seven of the eight issues are substantively similar. The one issue that is in section 332 that is not reflected in the committee report (H.R. Rep. No. 111-166) relates to DOD's making a determination of the cost and feasibility of developing or acquiring equipment or systems that would result in maximized use of renewable energy sources at contingency locations.

<sup>&</sup>lt;sup>4</sup>GAO, *Defense Infrastructure: Department of Defense's Energy Supplemental Report*, GAO-10-988R (Washington, D.C.: Sept. 29, 2010).

Report Documentation Page					Form Approved OMB No. 0704-0188	
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Standard Form 298 (Rev. 8-98) Prescribed by ANSI Std Z39-18 Fiscal Year 2009 Annual Energy Management Report did not include information on the eight specific issues identified by the NDAA for Fiscal Year 2010. DOD officials stated that they planned to comply with the reporting requirement by including the required information in their Fiscal Year 2010 Annual Energy Management Report. The officials noted that the Fiscal Year 2010 Annual Energy Management Report would be the first report commenced and developed under the expanded section 332 reporting requirements. DOD's Fiscal Year 2010 Annual Energy Management Report was issued in July 2011.

## Scope and Methodology

To examine the extent to which DOD's Fiscal Year 2010 Annual Energy Management Report addresses the expanded reporting requirements contained in the NDAA for Fiscal Year 2010, we analyzed the report and compared it with the legislative requirements. Additionally, we interviewed officials in the Office of the Deputy Under Secretary of Defense, Installations and Environment; and in the Office of the Assistant Secretary of Operational Energy Plans and Programs, to ascertain what changes, if any, were incorporated into the 2010 Report to address the reporting requirements, and what challenges DOD faced in complying with those reporting requirements. We determined that the data were sufficiently reliable for the purposes of our review.

We conducted this performance audit from November 2011 through January 2012 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on based on basis for our findings and conclusions based on based on basis for our findings and conclusions based on based on basis for our findings and conclusions based on based on basis for our findings and conclusions based on based on basis for our findings and conclusions based on based on based on based on basis for our findings and conclusions based on based ba

# Summary

Our analysis showed that DOD's Fiscal Year 2010 Annual Energy Management Report fully addressed two, did not address one (issue 4), and partially addressed five of the eight expanded reporting requirements (see table 1). In some cases, it was difficult to determine the extent to which DOD had addressed an issue because information related to a specific reporting requirement was fragmented or scattered throughout the report. With regard to the one issue not addressed, DOD indicated it had plans to address it in a separate report tentatively scheduled to be published in early 2012. Table 1: Extent to Which DOD's Fiscal Year 2010 Annual Energy Management Report Addressed the Eight Expanded Reporting Requirements (Issues) Mandated by Section 332 of the National Defense Authorization Act for Fiscal Year 2010

F	Reporting issues	Our assessment	
1	A determination of whether the tools that exist as of the date of the enactment of this Act, including the Energy Conservation Investment Program and the Energy Savings Performance Contracts (ESPCs) Program, are sufficient to support renewable energy projects to achieve the Department's installation energy goals, or if new funding mechanisms would be beneficial.	•	
2	A determination of the cost and feasibility of a policy that would require new power generation projects established on installations to be able to switch to provide power for military operations in the event of a commercial grid outage.	•	
3	An assessment of the extent to which state and regional laws and regulations and market structures provide opportunities or obstacles to establish renewable energy projects on military installations.	•	
4	A determination of the cost and feasibility of developing or acquiring equipment or systems that would result in maximized use of renewable energy sources at contingency locations.	Oª	
5	An assessment of the feasibility of meeting the Department's renewable energy goals with on-base renewable energy production rather than with renewable energy credits.	•	
6	An analysis of the percentage of new construction projects subject to the Department's current building construction sustainable design standards (Leadership in Energy and Environmental Design standards) that include a renewable energy component, and a determination as to whether the criteria of the Department's design standards, as in effect on the date of the enactment of this Act, are consistent with the overall goals, including renewable energy goals, of the Secretary.	Đ	
7	The feasibility and cost of developing net-zero energy installations and a detailed assessment, by installation, of power production (including renewable energy) measured against energy consumption.	•	
8	A determination of whether a dedicated funding mechanism for renewable energy projects for stand-alone facilities, including National Guard and Reserve centers, would encourage greater use of renewable energy sources both at existing facilities and in new construction.	•	

Fully addressed
 Partially addressed

O Not addressed

Source: GAO's analysis of DOD data.

<sup>a</sup>DOD plans to address this in a separate report tentatively scheduled to be published in early 2012.

For additional information on the results of our work, see the briefing at pages 7 through 21 of this report.

## Agency Comments and Our Evaluation

In oral comments on a draft of our briefing, officials from the Office of the Deputy Under Secretary of Defense for Installations and Environment (Facilities Energy) commented that they believed the finding that DOD has not addressed issue number 4 is inaccurate. Department officials stated that they are in the process of preparing a report in response to Section 333 of the Duncan Hunter National Defense Authorization Act for Fiscal Year 2009<sup>5</sup> that will address this issue and provided GAO a copy of the draft. In our report we acknowledged that the department plans to issue a separate report on this issue and shared a draft of the report with GAO. However, because the department previously told us it planned to include the required information in its fiscal year 2010 Annual Energy Management Report but did not, we stand behind our finding that DOD's 2010 report did not address this issue. DOD also provided technical comments, which we have incorporated into this report as applicable.

We are sending copies of this report to appropriate congressional committees and to the Secretary of Defense. In addition, this letter will be made available at no charge on the GAO website at http://www.gao.gov.

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Should you or your staff have any questions concerning this report, please contact James R. McTigue, Jr., at (202) 512-7968 or <u>mctiguej@gao.gov</u> or Frank Rusco at (202) 512-3841 or <u>ruscof@gao.gov</u>. Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this letter. Key contributors to this correspondence are listed in enclosure III.

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Enclosures-3

<sup>&</sup>lt;sup>5</sup>Pub. L. No. 110-417 (2008)

## List of Committees

The Honorable Carl Levin Chairman The Honorable John McCain Ranking Member Committee on Armed Services United States Senate

The Honorable Howard McKeon Chairman The Honorable Adam Smith Ranking Member Committee on Armed Services House of Representatives

# Summary of Section 332(b) of the National Defense Authorization Act for Fiscal Year 2010 (Pub. L. No. 111-84, 2009)): Additional Material Required for DOD's First Expanded Report

1. A determination of whether the tools that exist as of the date of the enactment of this Act, including the Energy Conservation Investment Program and the Energy Savings Performance Contracts (ESPCs) Program, are sufficient to support renewable energy projects to achieve the Department's installation energy goals, or if new funding mechanisms would be beneficial.

2. A determination of the cost and feasibility of a policy that would require new power generation projects established on installations to be able to switch to provide power for military operations in the event of a commercial grid outage.

3. An assessment of the extent to which state and regional laws and regulations and market structures provide opportunities or obstacles to establish renewable energy projects on military installations.

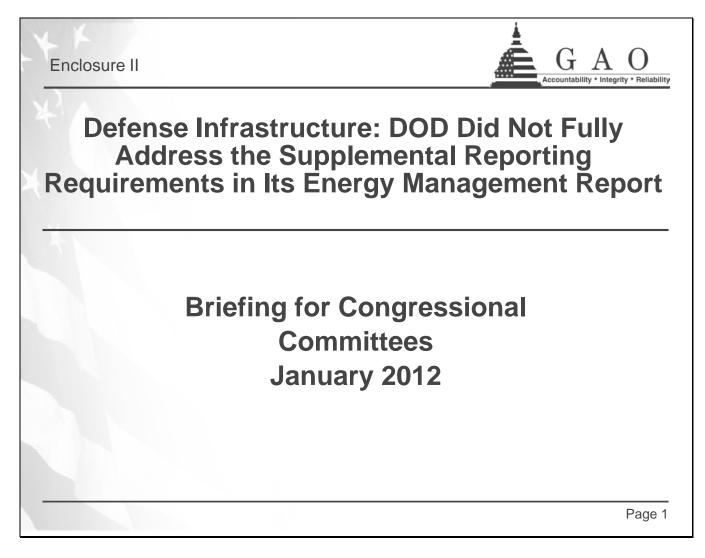
4. A determination of the cost and feasibility of developing or acquiring equipment or systems that would result in maximized use of renewable energy sources at contingency locations.

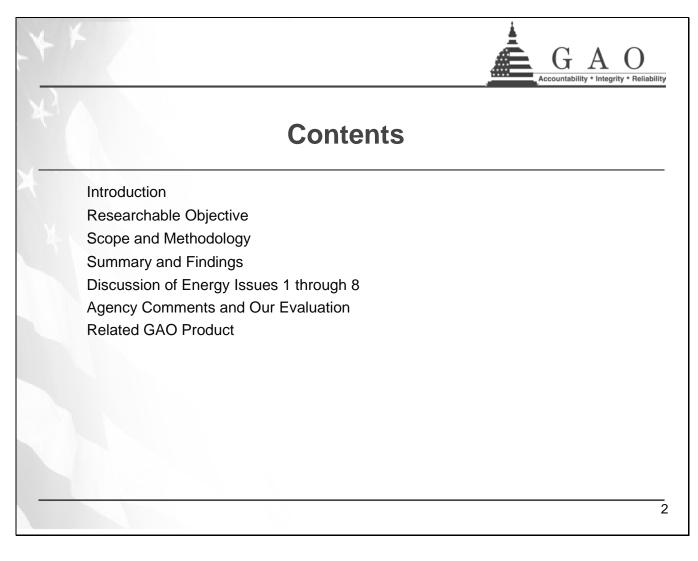
5. An assessment of the feasibility of meeting the Department's renewable energy goals with on-base renewable energy production rather than with renewable energy credits.

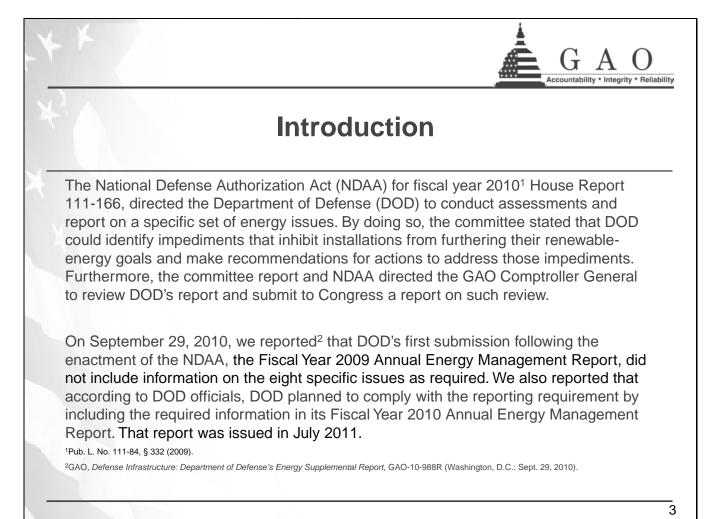
6. An analysis of the percentage of new construction projects subject to the Department's current building construction sustainable design standards (Leadership in Energy and Environmental Design standards) that include a renewable energy component, and a determination as to whether the criteria of the Department's design standards, as in effect on the date of the enactment of this Act, are consistent with the overall goals, including renewable energy goals, of the Secretary.

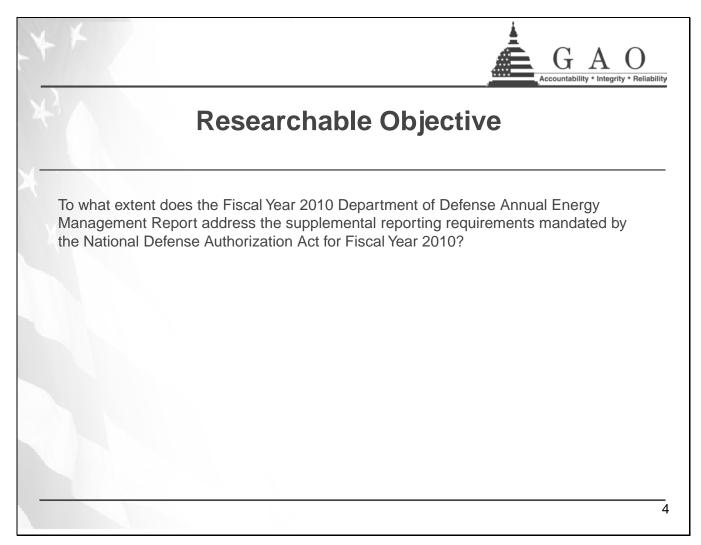
7. The feasibility and cost of developing net-zero energy installations and a detailed assessment, by installation, of power production (including renewable energy) measured against energy consumption.

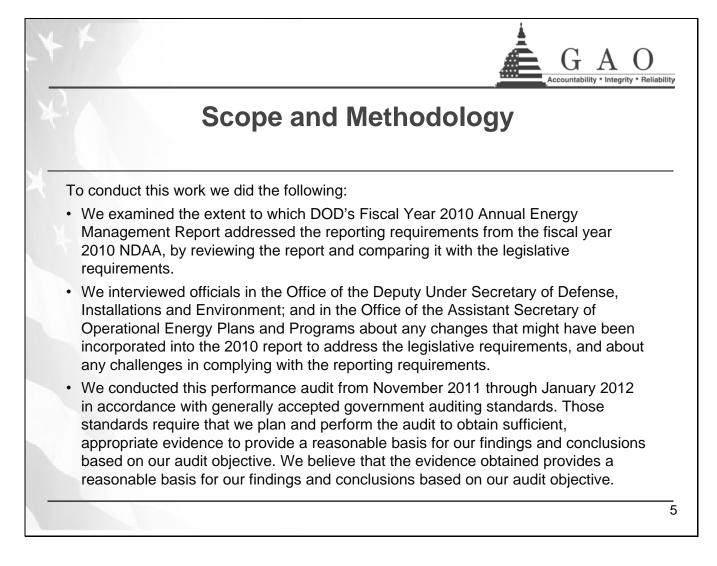
8. A determination of whether a dedicated funding mechanism for renewable energy projects for stand-alone facilities, including National Guard and Reserve centers, would encourage greater use of renewable energy sources both at existing facilities and in new construction.



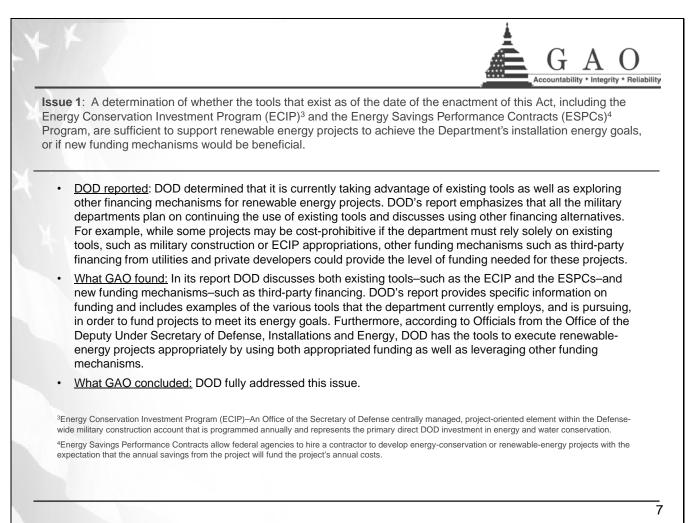


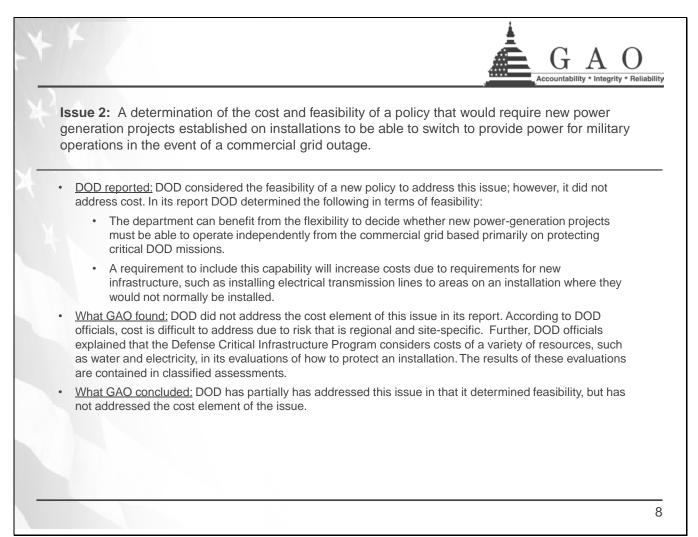


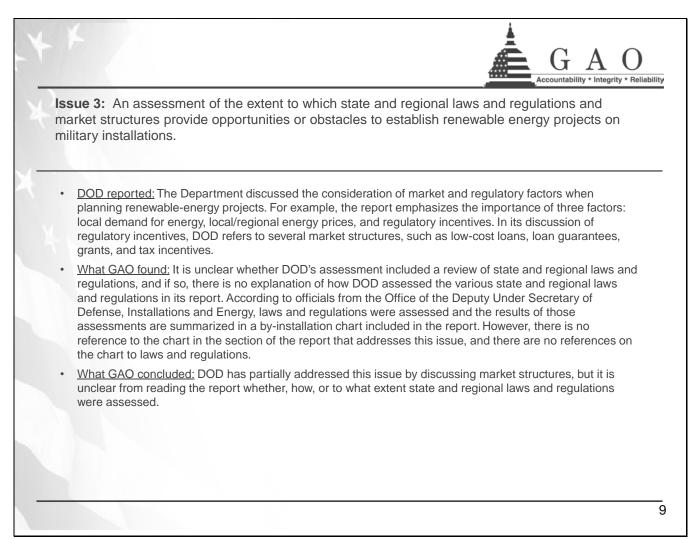


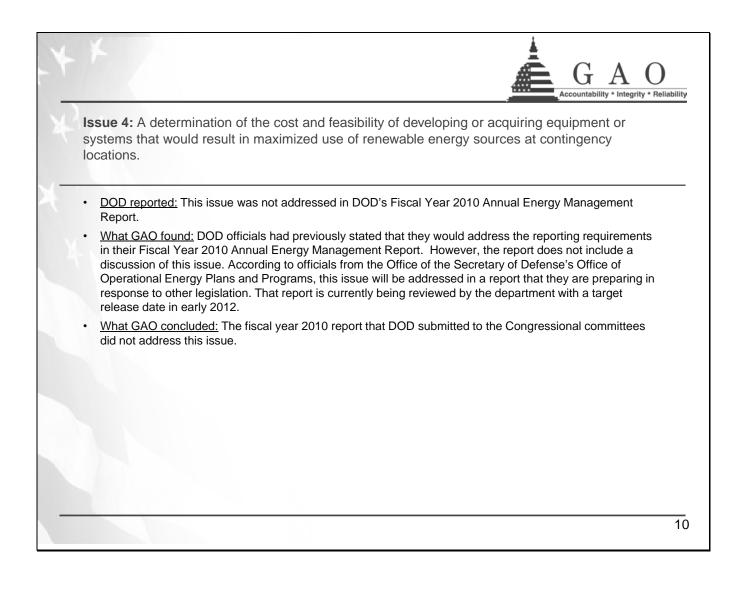




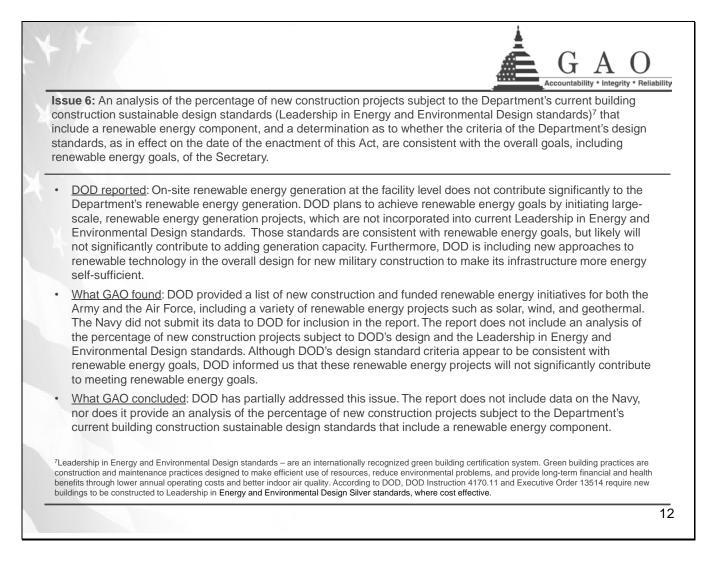




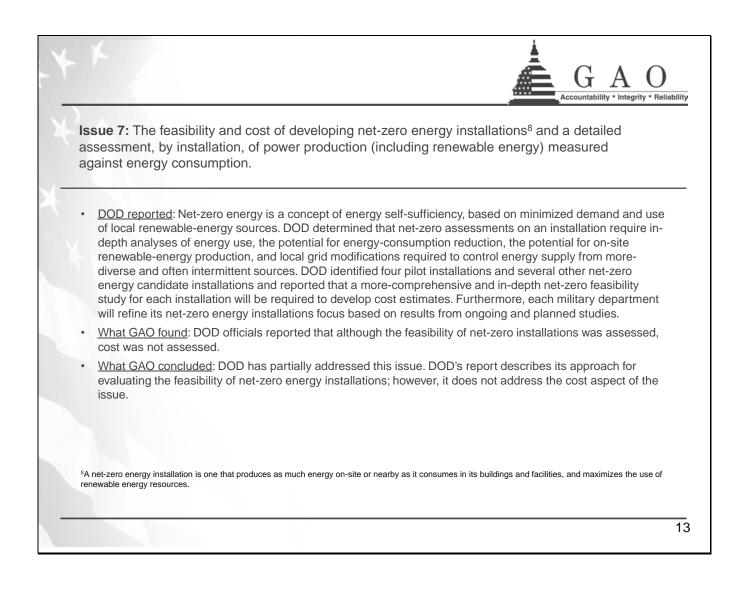


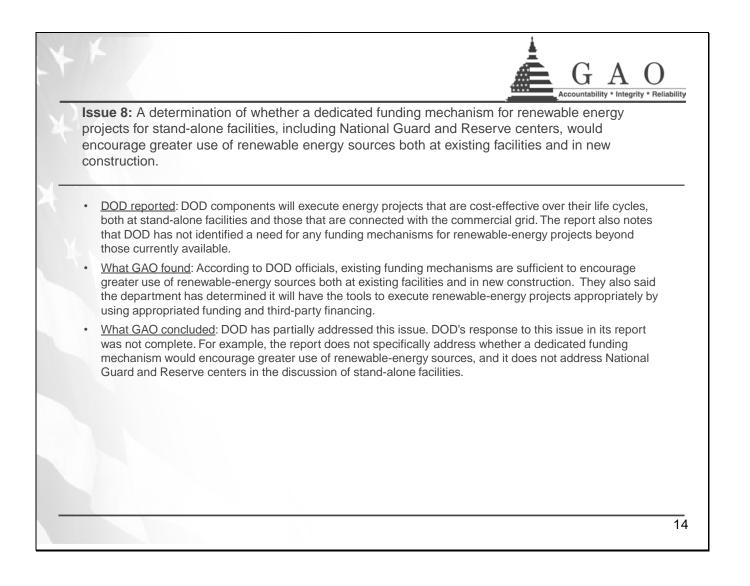


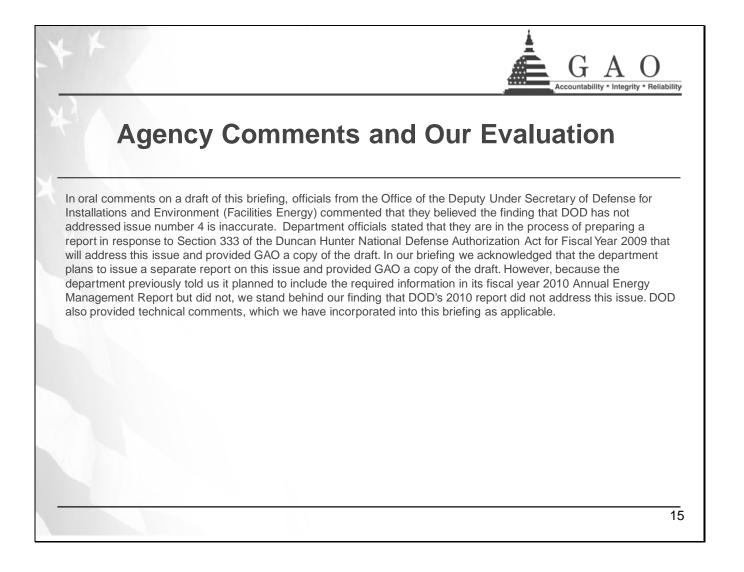


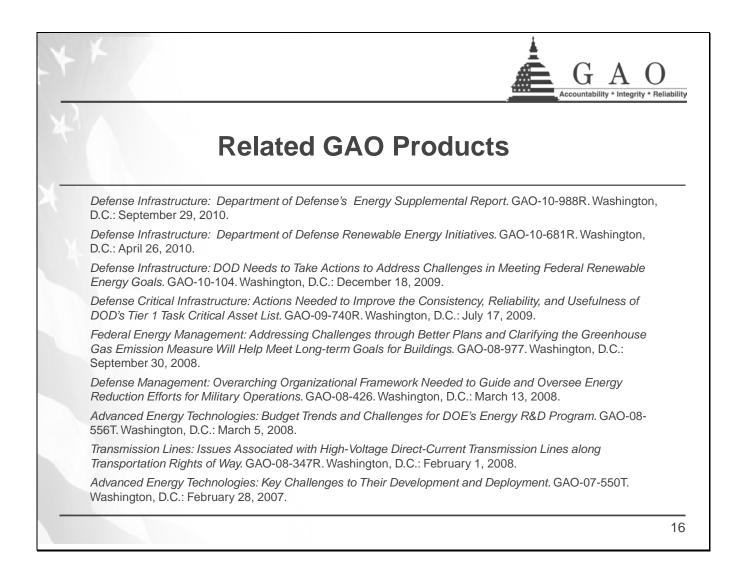


Index point for: GAO-12-79, page 24, footnote 1 for LEED definition in footnote and page 1, first paragraph after the word "quality" in the footnote.













# GAO Contact and Staff Acknowledgments

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# Staff Acknowledgments

In addition to the contacts named above, GAO staff who made key contributions to this report include Harold Reich, Assistant Director; Ernie Hazera, Assistant Director; Tim Burke; Larry Bridges; Cheryl Weissman; Charles Perdue, and Michael Willems.

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