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DOD officials: Third-party financing 'crucial' to advancing energy security goals

By Lauren Bellerio

Third-party financing is one of the most crucial elements to advancing energy security goals at the U.S. Department of Defense, according to several senior-level defense executives.

Officials from the U.S. Army, U.S. Navy and U.S. Air Force came together to discuss the topic Sept. 28 at a forum "Hard Power: Challenges and Opportunities in Energy Security for the Department of Defense," hosted by the PEW Charitable Trusts in Washington.

The importance of the financing has taken center stage after significant funding cuts to the military budgets, which according to officials, has affected funding for energy goals set by the DOD four years ago.

"If you look back four years, things were robust," said John Conger, assistant secretary of defense for energy, installations and environment. "We spent, in FY '14, \$18 billion on energy in the Department of Defense. That's more than our shipbuilding procurement budget, more than we spent on F35s, and more than our military construction plus our facility maintenance budgets combined."

Conger said a \$9 billion cut in military construction budgets has hurt the DOD's goals. "Where do we get all of our energy funding for different initiatives in our buildings? It was from those budgets," Conger said. "So not only do we have that money to set aside for energy initiatives, but if we don't maintain our buildings then they're going to be worse energy performers as well. It's a double whammy on the energy front."

Assistant Secretary of the Navy for Energy, Installations and Environment Dennis McGinn agreed with Conger's assertion about the budget. "There's that famous British saying, 'we're out of money; therefore we must think.' And we are thinking a lot. One of the best ways we have thought, not just as the Navy, but as an entire Department, is third-party financing," McGinn said. "I cannot underestimate the power of that."

The Navy is currently using third-party financing for power purchase agreements and energy enhanced use leases, or EULs, on renewable energy, according to McGinn. "We've got the land, why don't you come build a solar or wind farm on it and export it to whoever you want in your service territory," he said. "But, give us some in-kind consideration so that when the grid goes down, we get first right of refusal. And put in an electrical distribution system that allows us to take that power on that EUL land and use it to increase our energy resiliency."

In May 2014, the Navy established its Renewable Energy Program Office with the goal of procuring 1 GW of renewable energy by the end of 2015.

The Department of the Navy on Aug. 20 said it  signed an agreement for the development of a 210-MW DC solar facility with [Sempra Energy](#) subsidiary [Sempra U.S. Gas & Power LLC](#). The agreement is the largest purchase of renewable energy by a federal entity to date, the Navy said. Sempra U.S. Gas & Power was selected to develop the Mesquite Solar 3 facility through a request for proposals, which was conducted by the Western Area Power Administration.

Once completed, it will power one-third of the load of 14 major Navy and Marine Corps installations in California, McGinn said.

Richard Kidd, Deputy Assistant Secretary of the Army for Energy and Sustainability, said the Army is working on a third-party arrangement involving Schofield Barracks and a local utility in Hawaii to give the utility land for a power plant. Kidd said the army is offering "baseload power at a 900 foot altitude, with the ability to burn natural gas if that's permitted, heavy fuel oil, bio-diesel and bio fuel."

[Hawaiian Electric Co. Inc.](#) in Jan. 2014  filed an environmental impact statement preparation notice with Hawaii's Department of Land and Natural Resources to build and operate the planned 50-MW Schofield generating station in Honolulu and a related 46-kV sub-transmission line.

"In return for the siting and the plant, the utility is going to build a microgrid that connects all of Schofield Barracks with the army airfield and a civilian hospital which is right outside of the perimeter of the installation," Kidd said. "So we will have a platform of resiliency, capable of not only meeting renewable energy goals but also of providing security for both the Army and for the island of

Oahu and the state of Hawaii."

When it comes to actually doing business with the military, Kidd said they try to look at it from the perspective of the private sector. "It's so easy to be the federal government and just get out the RFP and make the industry scramble to answer all of the thousands of questions," he said. "But that's part of the process and you can't get around it."

However, Kidd added, military officials spend time meeting with private sector partners to try to understand their perspective. "Behind our immediate partner, there's a financial community that's interested in the perceptions of risk, credibility and continuity from the federal government. So we've all spent a lot of time at various venues talking to the financial community, letting them understand we're a reliable partner and a safe bet for their investment dollars."

Cyber security is also a significant concern related to energy for officials at the DOD. According to Conger, it is part of the risk dynamics associated with energy and climate. "We have to acknowledge that it exists, and it's hard not to, because there are cyber-attacks in the news every day. I certainly know my records are somewhere else because of it."

One of the trends that could be used to thwart future cyber-attacks, according to McGinn, is distributed generation. He said if the grid goes down due to an attack, microgrids could serve as a backup. "You start bringing in more and more affordable storage capability and pretty soon you've got a grid of grids that will help against a variety of threats."

Miranda Ballentine, assistant secretary of the Air Force for Installations, Environment and Energy, said protecting bases in the U.S. from cyber and physical attacks is crucial to Air Force operations. "The Air Force actually runs our war fighting missions from our bases here in the United States," she said. "So we don't just come down to our bases to train, rest and recuperate. We're actually running our war from here. If this particular base lost power, a significant portion of real combat missions would be taken down."