

VA ENERGY AND WATER MANAGEMENT PROGRAM

- 1. REASON FOR ISSUE:** This directive updates and revises the goals, policies, roles and responsibilities, and major requirements for Administration and Staff Office energy and water program management and reporting within the Department of Veterans Affairs.
- 2. SUMMARY OF CONTENTS/MAJOR CHANGES:** This directive removes sections and requirements that supported revoked Executive Orders. It updates principles, policies, responsibilities, and other key elements necessary to facilitate compliance with Federal energy and water management and reporting requirements.
- 3. RESPONSIBLE OFFICE:** Office of Management (004), Office of Asset Enterprise Management (044).
- 4. RELATED DIRECTIVES/HANDBOOKS:** VA Handbook 0055, VA Energy and Water Management Program.
- 5. RESCISSION:** VA Directive 0055, VA Energy and Water Management Program dated April 11, 2024.

**BY DIRECTION OF THE SECRETARY OF
VETERANS AFFAIRS:**

/s/

Richard F. Topping
Assistant Secretary for Management and
Chief Financial Officer

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VA ENERGY AND WATER MANAGEMENT PROGRAM

1. **PURPOSE.** This directive updates Department of Veterans Affairs (VA) energy and water management and investment policies to comply with Federal mandates and to achieve VA's energy and water management goals.
2. **POLICY.**
 - a. **Scope.** This directive applies to all VA facilities, investments, and operations that directly or indirectly have significant impact on VA's management, consumption, generation, or use of energy or water. A requirement in this directive is identified by "must," a good practice by "should," permission by "may" or "can," and an expected outcome or action by "will."
 - b. **General.** VA will conduct business in a way that is technically, economically, and fiscally sound and ensures continual improvement. A primary goal of VA energy and water management policy is to meet VA's energy and water needs while increasing efficiency and resilience. Greater energy and water efficiency reduces costs to VA and protects limited resources. The requirements of this directive must be considered and incorporated into the policies, planning, operations, and management processes across all VA missions, activities, and functions. A list of relevant laws, Executive Orders (EOs), and other mandates can be found at [Energy, Environment and Fleet \(EEF\) Service Energy Resources SharePoint](#).
 - c. **Energy and Water Management Plan.** Each Administration must develop an Energy and Water Management Plan (hereinafter "EWM Plans").
 - (1) EWM Plans must clearly describe how each Administration will meet the goals and requirements of this directive, relevant laws, EOs, rules and other pertinent VA policies and guidance. EWM Plans may be subdivided within each Administration by Administrative Region (e.g., by Veterans Integrated Service Network (VISN)) and must cover all the Administration's owned facilities and leased facilities to the extent that VA has control over the leased building's energy and water use and/or investments.
 - (2) Initial EWM Plans must be submitted to the Office of Asset Enterprise Management (OAEM) EEF no later than one year from issuance of this Directive. Updated EWM Plans must be submitted annually by November 1 thereafter to help prepare for the upcoming Strategic Capital Investment Planning (SCIP) cycle. EWM Plans must cover a period of 5 years. At a minimum, EWM Plans must address the following areas:
 - (a) **Energy Act of 2020 Compliance.** In accordance with the requirements of [42 U.S.C. § 8253](#), EWM Plans must describe how all Energy and Water Conservation Measures (ECMs) identified as Life Cycle Cost (LCC) effective in energy and water evaluations will be implemented, within two years. EWM Plans must identify the funding source and contracting method that will be used to implement the

measures, as well as the planned timeline for completion and other key milestones. EWM Plans must identify non-capital solutions (e.g., energy performance contracts) the Administrations are pursuing as well as any outreach or work to promote resource efficiencies relevant to energy and water management. For measures that will be implemented through appropriated funding, or through an energy performance contract, the SCIP number, or the number of the broader project/performance contract, must be identified. EWM Plans must also report progress towards implementing identified measures. Updates to EWM Plans must account for and address all projects implemented since the last submission and their demonstrated effectiveness and impact.

- (b) **Renewable Energy.** [42 U.S.C. § 15852](#) requires that electric consumption by Federal agencies be at least 7.5% renewable, where economically feasible and technically practicable. EWM plans must address current levels of electricity consumption that are renewable and should provide planned contracts or investments that will impact that percentage, where applicable. Renewable energy not part of standard delivered power, or produced on Federal land, must be validated through use of renewable energy certificates.
- (c) **Metering Implementation Plan.** EWM Plans must describe how the Administration will meet the metering requirements of this directive and [VA's Metering Implementation Plan](#).
- (d) **Integration with Department and Facility Planning.** Administrations must coordinate EWM Plans both internally and with the Office for Construction and Facilities Management (CFM) to ensure that the EWM Plans are aligned with CFM project planning, design requirements, and specifications, and that EWM Plans are aligned and integrated with facility-level master plans. Projects identified in the current fiscal year (FY) must be represented on facility and/or regional operating plans.
- (e) **Annual Review.** EWM Plan Updates submitted after the initial FY EWM Plans must show what projects and ECMs were awarded and/or implemented in the previous fiscal year and identify projects and ECMs that were not awarded or implemented.

d. **Energy and Water Evaluations and Commissioning.**

- (1) **Energy and Water Evaluations.** In accordance with [42 U.S.C. § 8253](#), comprehensive energy and water evaluations must be completed at each covered VA-owned facility at least once every 4 years. All LCC effective ECMs must be awarded – or implemented in house - within 2 years of evaluation completion. VA covered facilities are identified in the

Department of Energy's (DOE) Energy Information and Security Act of 2007 (EISA) 432 [Compliance Tracking System](#) (CTS).

- (a) **Evaluation Process.** EEF will notify Administrations when facilities require an energy and water evaluation. Energy and water evaluations must identify operating improvements and evaluate potential ECMs. Facilities may include electrical, water, chilled water, alternative water, heat, or steam distribution systems, and any VA-owned or operated energy consuming device. Facilities should investigate data center ECMs, ongoing or continuous commissioning, International Organization for Standardization (ISO) 50001 certification, additional energy or water metering, and maintenance items with an energy or water component wherever practical.
- i Facilities should only evaluate measures that are approved for use in VA facilities and that will meet the operational needs of the facility. However, if there are measures not approved for use in VA facilities but are not expressly prohibited, that would likely be LCC effective, the measures should be noted in the evaluation for future consideration by VA.
 - ii The outcome of the evaluation must be a set of LCC effective measures that are actionable, and that will be included for implementation in either an energy performance contract or a project funded through appropriations. Facilities must record evaluation data and results using the approved VA reporting template and guidance available on EEF's Energy Resources SharePoint.
- (b) **Reporting.** Completed evaluations and audit reports must be submitted electronically to EEF's Energy Resources SharePoint in accordance with this directive and EEF guidance. EEF must enter the results of evaluations into the DOE's CTS.
- (c) **Implementation.** All LCC effective measures must be implemented within 2 years of the date of the evaluation completion. The requirement for implementation is achieved upon award of a contract to design, construct, or include a measure in a performance contract. If a facility elects to meet its evaluation requirement through an Investment Grade Audit (IGA) of an energy performance contract, the ECMs identified in the 100% IGA and validated by the contracting officer (CO) and facility subject matter expert who is appointed as the Contracting Officer's Representative (COR) by the CO, as economically and technically viable within the bundled project will constitute the ECMs that must be awarded for implementation within two years. At the Administration level, a minimum of 50% (by

implementation value/cost) of identified LCC effective ECMs must be implemented through energy performance contracts.

- i Administrations must identify on EWM Plans whether the LCC effective ECM must be implemented through an energy performance contract, or through a project funded through appropriations. All projects (including energy performance contracts) must be entered into the SCIP Automation Tool and given a SCIP project number. Where necessary, projects must be added to SCIP through the out-of-cycle process. Administrations must include the SCIP number associated with that project on their EWM Plans. Where beneficial, ECMs should be incorporated into existing projects planned for award within two fiscal years.
- ii ECMs that are subsequently found to not be LCC effective or technically feasible are not subject to the implementation requirement. EEF will update the ECM(s) in CTS at the request of the facility. Facilities should direct their request to EEF via the energy manager for their Administrative Region. Requests must include a justification and an updated ECM list showing the revised cost and savings information.

(2) **Recommissioning and Retrocommissioning Evaluation.**

Recommissioning or retrocommissioning must be conducted in conjunction with the energy and water evaluations as required by [42 U.S.C. § 8253](#). Templates and guidance are available at EEF's Energy Resources SharePoint. Facilities should implement the findings of the retrocommissioning or recommissioning reports as soon as practicable, and in conjunction with the other requirements of this directive.

- (3) **Exceptions.** Covered facilities may be excluded from the 4-year evaluation, recommissioning and retrocommissioning requirements if the facility meets the criteria of [42 U.S.C. § 8253\(f\)\(3\)\(B\)](#). Energy managers who believe a covered facility may be excluded from this requirement must contact [EEF \(energy@va.gov\)](mailto:EEF@va.gov) to ensure compliance.

- (4) **Reporting.** Completed reports must be submitted electronically to EEF's Energy Resources SharePoint in accordance with this directive.

e. **Achieving High Performing Buildings.**

- (1) **New Construction and Major Renovations.** New construction and major renovations of VA owned buildings must comply with the requirements of [42 U.S.C. § 6834](#) and subpart B of [10 C.F.R. § 433 and 435](#) (Clean Energy Rule). In accordance with [Federal Acquisition Regulation](#) (FAR) Part 36.104, new construction and major renovations over 25,000 gross square feet must be designed, constructed and maintained to meet, and wherever

practicable exceed Federal sustainable design and operations principles in accordance with the most current version of the [Guiding Principles for Sustainable Federal Buildings](#). Buildings and renovations less than 25,000 GSF should comply to the maximum extent feasible.

(2) Energy Efficient Design Requirements.

- (a) All new construction and renovations in VA owned buildings must adhere to the design requirements of the [VA Sustainable Design Manual](#) where such requirements are not less stringent than the other requirements of this directive or as required by Directive 0056.
- (b) New construction must reduce the energy use as required by [10 C.F.R. § 433.100](#).

f. **Reducing Water Use Intensity**

- (1) VA Administrations should endeavour to reduce freshwater consumption to the greatest extent possible within other legal and policy requirements. As part of their EWM Plans, Administrations must:
 - (a) Identify water intensive uses and opportunities to reduce water use through VA design and specification standards, ECMs, operational and behavioral changes, and maintenance;
 - (b) Integrate xeriscaping into facility management wherever practicable;
 - (c) Ensure that all major water uses are metered in accordance with VA's Metering Implementation Plan and that the meters can report water use to the building management system;
 - (d) Identify opportunities for alternative water including treatment to improve discharge water quality for re-use.
- (2) In creating strategies for compliance and identifying opportunities for reducing freshwater use, Administrations should prioritize facilities located in areas with greater water vulnerability using tools such as the Federal Energy Management Program's (FEMP) [Water Vulnerability Tool](#).

g. **Performance Contracting**

- (1) **General Policy.** Energy performance contracts primarily include Energy Savings Performance Contracts (ESPCs) and Utility Energy Services Contracts (UESCs) but may include other mechanisms as specified by EEF. EEF is the program office for energy performance contracts, and Veterans Health Administration (VHA) Program Contracting Activity Central (PCAC) is currently the centralized contracting office for energy performance contracts. All VA energy performance contracting activity

must be coordinated through EEF and the OAEM designated contracting office (currently PCAC).

- (2) VA's energy performance contracting program aligns with Federal best practices shared by the DOE FEMP ESPC and UESC teams. Facility subject matter expert who is appointed as the Contracting Officer's Representative (COR) by the CO and others considering or supporting an energy performance contract must review FEMP [ESPC](#) and [UESC](#) best practices and resource documents and incorporate them into practice, as well as take appropriate [FEMP training](#) as directed by the Site Data Package (SDP) Checklist. The latest SDP Checklist and other resources can be located at EEF's Energy Resources SharePoint.
- (3) **VHA Energy Performance Contracting Planning.** Based on submitted EWM Plans, and to ensure compliance with the Energy Act of 2020 ([42 U.S.C. § 8253](#)), VHA must submit to OAEM annually by September 1 a list approved by VHA identifying new start project sites. The list must reflect program coordination with contracting and local leadership. EEF will initiate a request for this information annually and may include additional requirements or instructions as appropriate. Proposed new starts may include any combination of voluntary commitments and data-driven selections. Facilities may be combined under a single project if they have shared budgets, energy managers or other engineering staff, or are in the same region.
- (4) **Energy Performance Contracting Initiation.**
 - (a) The first step to initiate an energy performance contract is completing the Site Data Package (SDP) Checklist, which can be found on EEF's Energy Resources SharePoint. EEF will review the completed SDP and address questions or comments with the facility. Following EEF acceptance of the SDP, EEF will initiate the project through the OAEM designated contracting office (currently PCAC).
 - i Any VISN, administrative region or facility considering an energy performance contract must include all LCC effective ECMs identified and evaluated through facility energy and water audits and retro-/recommissioning activities that have not yet been implemented through other methods. They should also consider establishing project goals to support efficiency or resiliency-based distributed generation.
 - ii The VISN or facility must have a subject matter expert that can be nominated to be the contracting officer representative (COR).
 - (b) Project Facilitator (PF) support is strongly encouraged as a best management practice for all energy performance contracts for the

duration of development, construction, and performance, and must be in place prior to the issuance of the Notice of Intent to Award (NOITA).

- i A PF is an industry expert, [as verified by the Department of Energy](#), in energy performance contracting vehicles. DOE-approved PFs have an in-depth familiarity with technical and financial analysis tools to be used in reviewing and evaluating IGAs.
 - ii VA PFs have responsibility to support the VA project team in all submittal reviews, including those relating to baseline measurements and savings calculations. DOE-approved PFs are advised to follow FEMP's [ESPC Project Development guide](#), which includes guidance for PF evaluation of baselines and savings.
 - iii PFs provide support to VA project teams throughout the development and implementation process, including the annual review of Measurement and Verification (M&V) data.
 - iv Facilities must secure their own PF funding, while the OAEM designated contracting office (currently PCAC) will support the contracting effort. If for any reason a PF is not in place at any time during the contract, VHA facility subject matter experts appointed Contracting Officer's Representative (COR) by the CO are fully responsible for review and validation of any assumptions, measurements, and calculations either in development, implementation, or M&V phases.
- (c) A fully executed Customer Service Agreement (CSA) is required prior to the issuance of a NOITA to ensure all key VA stakeholders are aware of the roles and responsibilities for the project. The CSA template for both ESPCs and UESCs can be found at EEF's Energy Resources SharePoint.

(5) Investment Grade Audit (IGA) Process.

- (a) Following contractor selection, the Energy Service Company (ESCO) or utility will generally develop a Preliminary Assessment (PA) and then an IGA, with multiple report iterations, generally at 30%, 60%, and 90% completion, for VA review. The VA project team must review each submission.
 - i At a minimum, the project team includes the facility subject matter expert who is appointed as the Contracting Officer's Representative (COR) by the CO and additional facility and Administrative Region reviewers as appropriate, EEF's energy performance contracting point of contact, OAEM designated

contracting office (currently PCAC) assigned contracting officer and specialist, VHA's Healthcare, Environment and Facility Program (HEFP) assigned reviewer, and the PF.

- ii All VA reviewers must review each submission within the time allotted in the project's development schedule to avoid delaying the project. At each review, VA reviewers must consider facility needs and potential conflicts with other VA projects, and ensure technical solutions align with VA's most recent design and construction standards in VA's [Technical Information Library](#), VA directives, applicable codes, standards, regulations, and other requirements.
- iii When determining LCC effectiveness for an energy performance contract, VISN/facilities must consider the bundled payback of ECMs rather than the payback for individual ECMs. VA facility staff must witness baseline measurements and review all calculations in conjunction with the contracted PF.

- (b) When the IGA is complete and acceptable to VA, the VA CO will negotiate and award a firm-fixed price design-build contract. At award, the project's design will be approximately 30% complete (depending on ECM complexity), and the awarded contract will encompass the completion of design, construction, and performance period services. Payment will begin after construction is complete in accordance with the contract schedule.

(6) Leveraging Appropriated Funding (Capital Contributions).

- (a) Leveraging energy performance contracting in combination with direct appropriations is a best practice, encouraged by DOE. The benefit of integrating appropriated funding into energy performance contracts is that it allows VA to maximize the use of its resources. More work can be performed with the same level of funding, and with fewer constraints on facility staff and contracting resources.
 - i Therefore, for facilities with energy performance contracts being initiated in FY 2026 and thereafter, Administrations must incorporate into the energy performance contract all direct-funded non-recurring maintenance (NRM) projects and associated funding planned for award prior to the expected performance contract award date with energy and water savings unless funding for such projects will expire prior to the expected performance contract award date.
 - ii ECMs must be identified in the SDP or no later than the 30% IGA for inclusion in the initial energy performance contract award; additional ECMs may be considered as a modification, as allowed

documentable Operations and Maintenance (O&M) savings (e.g., the elimination of a maintenance contract). Savings stemming from avoided labor costs of VA employees are not allowed. ECMs may be LCC effective as standalone ECMs, or when bundled with other ECMs.

- (b) VA must also consider how environmental benefits of ECMs can be monetized to help fund an underlying ECM, or other ECMs in a bundled project. Examples of environmental benefits include state, local or utility credits for reductions emissions or the sale of environmental attributes associated with the project. Within an energy performance contract, VA's utility and/or energy services company partner should assist with identification of these opportunities for VA's review and approval.
- (8) **Modifications.** Modifications to energy performance contracts to include additional work are allowed at the discretion of the contracting officer with approval from EEF and must follow the program's most current modification approval process. All modifications must properly document cost, schedule, and savings impacts. Facilities interested in pursuing a modification to their energy performance contract must reach out to their contracting officer or specialist and their EEF program office point of contact.
- (9) **Central Office Review.**
- (a) EEF, as VA's Energy Performance Contracting Program Office, will approve site data packages prior to submission to contracting, and they, as well as the contracting officer and specialists, and the PF must review PAs, IGAs, scope changes and other key submittals, including proposed modifications.
 - (b) Other VA offices must also review energy performance contracting submissions or other related materials, as needed. Reviews must be completed, and comments submitted for consideration within 30 calendar days of receipt.
- (10) **Buy-down Policy.**
- (a) **General Policy.** Consistent with DOE policy and guidance, one-time ESPC payments may be made (where appropriate funds are available) without tying such payments to other/separate energy or energy related cost savings because the interest savings themselves may be considered energy related cost savings for the purposes of [42 U.S.C. § 8287](#) based on the EISA 2007 language providing that "in carrying out a contract under this title, a Federal agency may use any

combination of (i) appropriated funds; and (ii) private financing under an energy savings performance contract.”

- i VA facilities with energy performance contracts in place may choose to contribute capital to buy-down interest expenses or buy-out the remainder of an ECM or the entire project to reduce or eliminate VA’s annual payment or outstanding contract term. While buy-downs and buy-outs may be appropriate in certain cases, depending on the needs of the facility, they should be used sparingly because they present VA with several short- and long-term disadvantages, including limiting or removing VA’s ability to withhold payment if ECMs are not performing as expected.
 - ii An OAEM Buy-downs Supplemental information file is available on EEF’s Energy Resources SharePoint.
- (b) **Projects in Development.** For energy performance contracts in the development phase (prior to contract award), appropriations can only be applied as a capital contribution.
- (c) **Projects in Construction.** Buy-downs and buy-outs are only allowed during the construction phase if a significant change in facility use—including changes that will impact, alter, or dismantle ESPC/UESC material or equipment—or a facility closure eliminates or greatly reduces the benefit of an awarded ECM. In those instances, an ECM buy-out is the preferred path. Buying out the project may be permitted with a written explanation of the facility change and its impact on the project for the review and approval of the VISN, Contracting Officer, OAEM program office and VHA’s HEFP.
- (d) **Projects in Measurement and Verification.** Buy-outs or buy-downs are only permitted after the first 5 years of the performance period, once a solid record of acceptable performance has been established in which there are no outstanding and unmitigated savings shortfalls.
 - i Where M&V has shown a record of shortfalls (i.e., where an ECM or project is not meeting the guaranteed or proposed savings goals) and those shortfalls are the contractor’s responsibility, a buy-down or buy-out may be considered once the ESCO or utility has corrected the issue or issues leading to the shortfall. Buying out or buying down the project prior to correction would remove VA’s leverage to address the problem.
 - ii After 5 years of M&V, and in the absence of issues with savings shortfalls, buy-outs or buy-downs can be considered with a written justification and approval from the VISN, Contracting Officer, OAEM program office and VHA’s HEFP.

- (e) **Process.** VISNs/facilities with projects in construction or M&V that meet the above criteria and want to consider a buy-down or buy-out must:
- i Request an estimate of interest savings from the ESCO or utility as part of the written justification to pursue a buy-down or buy-out. Interest savings must exceed total early payment, termination and other fees and costs incurred by VA;
 - ii Retain performance period services such as M&V and O&M for the contractually agreed term unless written justification is provided and approved, even in circumstances when financing payments have been reduced or eliminated. A cost to retain these services must be requested from the ESCO/Utility;
 - iii Seek all required VA approvals. Where an evaluated buy-down or buy-out aligns within the criteria listed above, the facility must obtain written approval from the VISN, Contracting Officer, VHA's HEFP and OAEM program office prior to notification, using the template in the OAEM Buy-downs Supplemental information saved at EEF's Energy Resources SharePoint and;
 - iv Notify the contracting officer of their intent to pursue a buy-down or buy-out no later than 90 days prior to the end of the fiscal year. Notification must include a specific dollar amount available to allow the CO time to negotiate with the utility, ESCO and/or financier. Provide a 2237 with the funds when notifying contracting.

(11) Reporting Requirements

- (a) Submittals that are required include the facility's SDP, and Task Order schedules at each stage of the IGA and award to support required reporting in the Annual Energy Report to DOE, and any other reporting that may be required.
- (b) VISNs/facilities are responsible for reporting all awarded energy performance contracts and modifications in the DOE's EISA Section 432 CTS and coordinating with the contractor to report in [eProject Builder \(ePB\)](#). Reporting in both CTS and ePB must include follow-up reporting of the M&V information throughout the performance period. VISNs/facilities must be responsive to requests for additional energy performance contracting reporting requirements at the discretion of EEF.

- (12) **Energy Savings Performance Contract Energy Sales Agreements (ESPC ESA).** An ESPC ESA is a project structure, similar to a power purchase agreement, that uses the multiyear ESPC authority to implement distributed energy projects, referred to as ESA ECMs, on Federal buildings

or land. The ESA ECM is initially privately owned for tax incentive purposes, and the Federal agency purchases the electricity it produces with guaranteed cost savings. Administrations should consider the use of ESPC ESAs either as part of a larger ESPC, or as a stand-alone project where financially viable.

- h. **Life Cycle Cost Analysis (LCCA) Requirements.** An LCCA must be performed prior to implementing or deciding to implement any energy or water conservation measure, building system, or investment greater than \$5 million to include heating and cooling equipment, building envelope and utility distribution.
- (1) An LCCA may be accomplished through an IGA as part of an energy performance contract, as part of an EISA Section 432 energy and water evaluation, or as a separate analysis performed by the facility, VISN, Administration or Staff Office.
 - (2) LCCAs must comply with the principles and procedures outlined in [10 C.F.R. § 436](#), Subpart A, and the most recently published version of [NIST Handbook 135, Life Cycle Costing Manual for the Federal Energy Management Program](#).
 - (3) Investments may be evaluated individually or as a bundle of measures to determine LCC effectiveness.
 - (4) The results of the LCCA must be retained and available for review.
- i. **Metering.**
- (1) All new construction and major renovation projects must follow the metering requirements found in VA Sustainable Design Manual. Individual buildings or systems with significant electricity, water, chilled water, steam and natural gas loads, as defined in VA's Metering Implementation Plan, must be sub-metered.
 - (2) Existing VA-owned Federal buildings, as defined in [42 U.S.C. § 8259](#) over 50,000 gross square feet must comply with VA's Metering Implementation Plan no later than October 2028. Existing buildings must install and maintain meters in accordance with the prioritization criteria listed in the Metering Implementation Plan. Administrations must submit, in their EWM Plans, a description of the Administration's implementation schedule to comply with the Metering Implementation Plan. Where a facility or building cannot be brought into compliance, an explanation must be provided in the EWM Plan.
 - (3) Meters must be capable of automatically communicating consumption data to a central monitoring system. The monitoring system must maintain data for at least 3 years.

- (4) Meters must be calibrated and maintained as per the manufacturer's operation and maintenance manual or as needed to maintain optimal performance.
- (5) Facilities with more than 10 acres of irrigable land must install water meters. Administrations should prioritize installing and maintaining water meters for facilities in geographic regions with higher water vulnerability as determined through the [FEMP Water Vulnerability Tool](#).

j. **Electricity and Energy Purchasing**

- (1) **General Policy.** VA facilities must acquire all utilities pursuant to Federal Acquisition Regulation (FAR) Part 41, [VA Acquisition Regulation](#), with exception for VA's [class deviation from the FAR](#) (<https://www.va.gov/oal/docs/business/pps/deviationFarVaar20200131.PDF>), and the [VA Acquisition Manual](#). Prior to initiating a contract for electricity or natural gas, VA facilities must coordinate with EEF to determine whether additional coordination with the VA Office of General Counsel, General Services Administration (GSA), Department of Defense (DoD), or DOE is required.
- (2) **Review of Utility Contracts and Agreements.** All facilities must review utility rates and contracts annually.
 - (a) In the review process, current rates must be compared to viable alternative options and facilities must pursue the option providing the lowest price, with consideration of price stability and supply reliability. Depending on the facility size and location, options may include, but are not limited to, a commodity contract with GSA or the Defense Logistics Agency (DLA) in retail choice markets, and month-to-month billing through the utility with different rate structure options. All new contracts must be coordinated with EEF and the OAEM designated contracting office (currently PCAC).
 - (b) As part of the review process, and in alignment with [42 U.S.C. § 8256](#), facilities must review and consider utility incentive programs that may benefit their facility financially or provide other benefit to VA's mission, such as demand response programs. Facility participation in any incentive program requiring a contract or agreement must be coordinated with EEF to ensure compliance with policy and legal requirements.
 - (c) EEF will provide best practices and oversight for facility utility purchasing options and utility incentive programs. EEF will also monitor proposed rate increases, in collaboration with lead agencies.
- (3) [42 U.S.C. § 15852](#) requires that electric consumption by Federal agencies be at least 7.5% renewable, where economically feasible and technically

practicable. Renewable energy generated onsite is double-counted towards this requirement. Facilities should consider current levels of electricity consumption that are renewable and should provide planned contracts or investments that will impact that percentage, where applicable to EEF for awareness. Renewable energy not part of standard delivered power, or produced on Federal land, must be validated through use of Renewable Energy Certificates (RECs).

- k. **Data, Reporting and Tracking.** Data, reporting and tracking requirements for VA Administrations and Staff Offices include, but are not limited to:
- (1) Quarterly entry and validation of monthly water and energy consumption, on-site generation and other data as requested by this directive, following utility bill verification and certification for payment, must be reported in the [VHA Support Service Center \(VSSC\) database](#).
 - (2) Energy, water, and sewer costs must be reported quarterly in VA's Financial Management System.
 - (3) ECM project data for each facility must be entered in the DOE CTS on no less than a quarterly basis. To be counted as part of Energy Act of 2020 compliance, projects must be reported within CTS. Energy audit data must be entered every four years or as audits are completed.

3. RESPONSIBILITIES.

- a. **Assistant Secretary for Management and Chief Financial Officer** must:

- (1) Advise the Secretary on all energy related matters and provide general guidance and supervision to the Executive Director, OAEM in the conduct of their day-to-day duties.
- (2) Request funds to facilitate Department-wide implementation of energy and water management and investment policy (including salary dollars for Administration and Staff Office energy and water staff, and obligations existing under energy performance contracts).

- b. **Under Secretaries, Assistant Secretaries, and Other Key Officials** must:

- (1) Comply with current legislation, regulation, EOs and other Federal mandates, and VA directives and policies. Implement energy and water management programs that comply with this directive and meet or exceed VA energy and water goals.
- (2) The National Cemetery Administration and Veterans Benefits Administration must assign full-time facility energy managers to accomplish the requirements of this directive for any facilities they administer and

provide the Director of OAEM's EEF with contact information for energy managers.

- (3) Review submittal materials for energy performance contracts at facilities in their Administration within 30 calendar days of submission, unless otherwise extended by the contracting officer.
 - (4) As part of EWM Plans, validate that proposed energy or water projects do not conflict with short or long-term facility plans.
 - (5) Collect and report data.
 - (a) Report data on energy and water cost and consumption, proposed and actual energy investments, and other data as directed by this directive and legislative requirements.
 - (b) Report all required data in CTS, in accordance with the requirements in this directive and legislative requirements.
 - (c) Respond to OAEM data calls within specified timeframes.
 - (6) Perform an energy and water evaluation and recommission or retrocommission each covered facility every four years, using the OAEM-approved energy audit and re/retrocommission report template.
 - (7) Ensure energy managers maintain training in accordance with [42 U.S.C. § 8262\(c\)](#) and with the Federal Buildings Personnel Training Act of 2010 ([40 U.S.C. § 581](#) [Note]).
 - (8) Prior to issuance, submit all energy or water directives, policy changes or formal guidance issued at the Administration level to OAEM for formal review and concurrence via the VIEWS process, or other process as agreed to by OAEM.
- c. **Under Secretary for Health**, in addition to the responsibilities listed in paragraph 3 (b) above, must:
- (1) Ensure a full-time energy manager is assigned to each VISN to provide technical energy and engineering support for all VA facilities within their geographic area.
 - (2) Ensure each VHA facility is assigned a full-time facility energy manager. An energy manager may cover more than one facility if necessary.
 - (3) Ensure that energy managers, at both the VISN and facility level, primarily perform energy and water related work. They must be provided sufficient time to perform all the requirements of this directive, including performing or overseeing energy and water evaluations, re/retrocommissioning, SCIP

project entry for projects with energy and water management gap closures, serving as CORs for energy performance contracts when appointed by the CO, and supporting development of the Administration EWM Plans.

- (4) Ensure that a centralized database to collect and store utility metering data is consistently maintained, and that funds for that purpose are requested as needed.
- (5) Appropriately fund VA Procurement staff assigned to fulfill energy performance contracting such that the OAEM designated contracting office (currently PCAC) personnel can manage the procurement efforts for performance contracts in both pre- and post-award phases, and to allow for expansion as needed to support VA and legislative requirements.

d. **Executive Director, Office of Management Office of Asset Enterprise Management** must:

- (1) Oversee and monitor Department-wide energy and water management programs, provide policy and implementation guidance, and in collaboration with Administrations and Staff Office, consult on budget and personnel resource needs.
- (2) Issue guidance, information requests, or other requirements as needed to fulfill the purposes of this directive.
- (3) Review policy, memoranda, or guidance prior to issuance by any Administration or Staff Office related to energy and water management, energy and water infrastructure and systems, or energy and water investment, to ensure compliance with this directive.
- (4) Provide oversight to ensure an integrated and coordinated Departmental approach to energy and water management programs.
- (5) In conjunction with the Assistant Secretary for Management and Chief Financial Officer, set Department-wide energy and water management policy.
- (6) Serve as the program office for all energy performance contracting activities and maintain decision authority over energy performance contracting policy and procedures.
- (7) Serve as the program office for all utility contract activities and maintain decision authority over utility contract policy and procedures. Support oversight of rate reviews and utility rate increases.
- (8) Ensure coordination among OAEM, Administrations, Staff Offices, and facility and contracting offices regarding energy initiatives, and energy performance contracts.

- (9) Provide necessary assistance and guidance to support Administrations and Staff Offices in complying with this directive, applicable energy and water-related VA policies, design manuals, design guides, and VA Master Specifications, EOs, and Federal laws and regulations.
- e. **Executive Director, Office of Construction and Facilities Management (CFM)** must:
- (1) Ensure the building energy and water requirements of this directive are incorporated into CFM policies and guidance, and into VA major construction projects.
 - (2) Develop lifecycle cost analysis methodology for VA projects that impact energy or water use that incorporates the requirements of this directive.
- f. Director of VA Procurement. Assign a contracting office specifically for energy savings performance contracts which must:
- (1) Appropriately staff the energy performance contracting group such that personnel can manage the procurement efforts for performance contracts in both pre- and post-award phases, and to allow for expansion as needed to support VA and legislative requirements.
 - (2) Assign a contracting officer and contract specialist for each energy performance contract to, among other duties, make all project and contract changes in scope.
- 4. REFERENCES.** Below are the key laws, EOs, and other relevant information. As requirements evolve, new or revised ones (along with available guidance) may be found on VA's intranet site at [VA Publications](https://vaww.va.gov/vapubs/) (https://vaww.va.gov/vapubs/) and [EEF's intranet site](https://dvagov.sharepoint.com/sites/vacoeef/) (https://dvagov.sharepoint.com/sites/vacoeef/). Additional energy and water-related information and resources can be found at EEF's Energy Resources SharePoint.
- a. [Federal Acquisition Regulation](https://www.acquisition.gov/browse/index/far) (https://www.acquisition.gov/browse/index/far)
 - b. [VA Acquisition Manual](https://www.va.gov/oal/library/vaam/index.asp) (https://www.va.gov/oal/library/vaam/index.asp)
 - c. [10 C.F.R. § 433, 435, and 436](https://www.ecfr.gov/current/title-10/chapter-II/subchapter-D) (https://www.ecfr.gov/current/title-10/chapter-II/subchapter-D)
 - d. [40 U.S.C. § 581](https://uscode.house.gov/view.xhtml?path=/prelim@title40/subtitle1&edition=prelim) (https://uscode.house.gov/view.xhtml?path=/prelim@title40/subtitle1&edition=prelim)
 - e. [42 U.S.C. § 6834](https://uscode.house.gov/view.xhtml?req=(title:42%20section:6834%20edition:) (https://uscode.house.gov/view.xhtml?req=(title:42%20section:6834%20edition:

prelim)%20OR%20(granuleid:USC-prelim-title42-section6834)&f=treesort&edition=prelim&num=0&jumpTo=true)

- f. [42 U.S.C. § 8253](https://uscode.house.gov/view.xhtml?req=granuleid:USC-prelim-title42-section8253&num=0&edition=prelim), (https://uscode.house.gov/view.xhtml?req=granuleid:USC-prelim-title42-section8253&num=0&edition=prelim)
- g. [42 U.S.C. § 8256](https://uscode.house.gov/view.xhtml?req=(title:42%20section:8256%20edition:prelim))
(https://uscode.house.gov/view.xhtml?req=(title:42%20section:8256%20edition:prelim)
- h. [42 U.S.C. § 8259](https://uscode.house.gov/view.xhtml?req=granuleid:USC-prelim-title42-section8259&num=0&edition=prelim) (https://uscode.house.gov/view.xhtml?req=granuleid:USC-prelim-title42-section8259&num=0&edition=prelim)
- i. [42 U.S.C. § 8262\(c\)](https://uscode.house.gov/view.xhtml?hl=false&edition=2012&req=granuleid%3AUSC-prelim-title42-section8262c&f=treesort&fq=true&num=0)
(https://uscode.house.gov/view.xhtml?hl=false&edition=2012&req=granuleid%3AUSC-prelim-title42-section8262c&f=treesort&fq=true&num=0)
- j. [42 U.S.C. § 8287](https://uscode.house.gov/view.xhtml?req=granuleid:USC-prelim-title42-section8287&num=0&edition=prelim) (https://uscode.house.gov/view.xhtml?req=granuleid:USC-prelim-title42-section8287&num=0&edition=prelim)
- k. [42 U.S.C. § 15852](https://uscode.house.gov/view.xhtml?hl=false&edition=2012&req=granuleid%3AUSC-prelim-title42-section15852&f=treesort&fq=true&num=0)
https://uscode.house.gov/view.xhtml?hl=false&edition=2012&req=granuleid%3AUSC-prelim-title42-section15852&f=treesort&fq=true&num=0)
- l. [Energy Act of 2020](https://www.directives.doe.gov/ipt_members_area/doe-o-436-1-departmental-sustainability-ipt/background-documents/energy-act-of-2020) (https://www.directives.doe.gov/ipt_members_area/doe-o-436-1-departmental-sustainability-ipt/background-documents/energy-act-of-2020)
- m. [Energy Policy Act of 2005](https://www.govinfo.gov/content/pkg/PLAW-109publ58/pdf/PLAW-109publ58.pdf) (https://www.govinfo.gov/content/pkg/PLAW-109publ58/pdf/PLAW-109publ58.pdf)
- n. [Energy Independence and Security Act of 2007](https://www.govinfo.gov/content/pkg/PLAW-110publ140/pdf/PLAW-110publ140.pdf)
(https://www.govinfo.gov/content/pkg/PLAW-110publ140/pdf/PLAW-110publ140.pdf)
- o. [Compliance Tracking System](https://www.eisa-432-cts.eere.energy.gov/EISACTS/Login.aspx) (CTS) (https://www.eisa-432-cts.eere.energy.gov/EISACTS/Login.aspx).
- p. DOE [Facility Energy Management Guidelines and Criteria for Energy and Water Evaluations in Covered Facilities](https://www.energy.gov/femp/articles/facility-energy-management-guidelines-and-criteria-energy-and-water-evaluations) (https://www.energy.gov/femp/articles/facility-energy-management-guidelines-and-criteria-energy-and-water-evaluations)
- q. [Energy, Environment and Fleet \(EEF\) Service Energy Resources SharePoint](https://dvagov.sharepoint.com/sites/VACOOAEMEnergyResources/SitePages/Energy%20Resources%20-%20Reference.aspx)
(https://dvagov.sharepoint.com/sites/VACOOAEMEnergyResources/SitePages/Energy%20Resources%20-%20Reference.aspx)
- r. [eProject Builder \(ePB\)](https://eprojectbuilder.lbl.gov/login) (https://eprojectbuilder.lbl.gov/login)

- s. [ESPC Project Development guide](https://www.energy.gov/femp/articles/femp-espc-project-development-resource-guide) (https://www.energy.gov/femp/articles/femp-espc-project-development-resource-guide)
- t. [Federal Project Facilitators](https://www.energy.gov/femp/federal-project-facilitators) for Energy Performance Contracts (https://www.energy.gov/femp/federal-project-facilitators)
- u. FEMP [ESPC](https://www.energy.gov/femp/resources-implementing-federal-energy-savings-performance-contracts) (https://www.energy.gov/femp/resources-implementing-federal-energy-savings-performance-contracts)
- v. [FEMP training](https://www7.eere.energy.gov/femp/training/) (https://www7.eere.energy.gov/femp/training/)
- w. [Guiding Principles for Sustainable Federal Buildings](https://www.sustainability.gov/pdfs/guiding_principles_for_sustainable_federal_buildings.pdf) (https://www.sustainability.gov/pdfs/guiding_principles_for_sustainable_federal_buildings.pdf)
- x. [NIST Handbook 135, Life Cycle Costing Manual for the Federal Energy Management Program](https://www.wbdg.org/nist/criteria/nist-handbook-135) (https://www.wbdg.org/nist/criteria/nist-handbook-135)
- y. [UESC](https://www.energy.gov/eere/femp/resources-implementing-federal-utility-energy-service-contracts) (https://www.energy.gov/eere/femp/resources-implementing-federal-utility-energy-service-contracts)
- z. VA [2024 Budget Submission Volume 4](https://www.va.gov/budget/docs/summary/fy2024-va-budget-volume-iv-construction-long-range-capital-plan-and-appendix.pdf) (https://www.va.gov/budget/docs/summary/fy2024-va-budget-volume-iv-construction-long-range-capital-plan-and-appendix.pdf)
- aa. [VA Metering Implementation Plan](https://dvagov.sharepoint.com/sites/VACOOAEMEnergyResources/Shared%20Documents/VA%202023-2028%20Metering%20Implementation%20Plan_Final.pdf) (https://dvagov.sharepoint.com/sites/VACOOAEMEnergyResources/Shared%20Documents/VA%202023-2028%20Metering%20Implementation%20Plan_Final.pdf)
- bb. [VA Sustainable Design Manual](https://www.cfm.va.gov/til/sustain/dmSustain.pdf) (https://www.cfm.va.gov/til/sustain/dmSustain.pdf)
- cc. VA [Technical Information Library](https://www.cfm.va.gov/til/) (https://www.cfm.va.gov/til/)
- dd. [VHA Support Service Center \(VSSC\) database](https://vssc.med.va.gov/EnergyV2/Default.aspx) (https://vssc.med.va.gov/EnergyV2/Default.aspx)
- ee. [Water Vulnerability Tool](https://pnnl-gis.maps.arcgis.com/apps/dashboards/3b1e28bf76b84710955f26d586c1e962) (https://pnnl-gis.maps.arcgis.com/apps/dashboards/3b1e28bf76b84710955f26d586c1e962).

5. DEFINITIONS.

- a. **Alternative Water.** As defined by [DOE](https://www.energy.gov/femp/alternative-water-sources) (https://www.energy.gov/femp/alternative-water-sources), alternative water sources include harvested rainwater, captured condensate from air handling units and reclaimed wastewater. Alternative water is typically used in non-potable applications such as irrigation, cooling tower makeup and vehicle wash.

- b. **Commissioning.** As defined in 42 U.S.C. § 8253, a systematic process of ensuring, using appropriate verification and documentation, that the facility, system, or measure performs in accordance with the design documentation and intent of the facility and the operational needs of the facility.
- c. **Compliance Tracking System.** CTS is a web-based tracking system required by 42 U.S.C. § 8253(f)(7) to certify compliance of each Federal agency covered facility with the requirements of 42 U.S.C. § 8253(f)(3)-(5). CTS, maintained by the Department of Energy, collects and tracks Covered Facility annual energy and water use, facility evaluation progress and findings, information on implemented efficiency measures, and annual benchmarking data for metered buildings.
- d. **Covered Facility.** As defined in 42 U.S.C. § 8253, an agency's covered facilities for energy audits and reporting purposes must comprise at least 75 percent of total facility energy use. A covered facility includes a group of facilities at a single location or multiple locations managed as an integrated operation, and contractor-operated facilities owned by the Federal Government. Excludes any facilities for which the Federal Government does not directly pay utilities. OAEM has determined that all VHA major medical facilities are covered facilities. The current determination and list of all covered VA facilities is maintained in CTS.
- e. **Energy Conservation Measure (ECM) and Water Conservation Measure.** As defined in 42 U.S.C. § 8259, ECMs are measures that are applied to a Federal building that improve energy efficiency and are life cycle cost effective and that involve energy conservation, cogeneration facilities, renewable energy sources, improvements in operations and maintenance efficiencies, retrofit activities, or energy consuming devices and required support structures. For this directive, ECM also includes water conservation measures. As defined in 42 U.S.C. § 8287c a water conservation measure is a measure that improves the efficiency of water use, is life-cycle cost-effective, and involves water conservation, water recycling or reuse, more efficient treatment of wastewater or stormwater, improvements in operation or maintenance efficiencies, retrofit activities, or other related activities, not at a Federal hydroelectric facility.
- f. **Energy Performance Contract.** Either an Energy Savings Performance Contract (ESPC), a Utility Energy Service Contract (UESC) that includes performance assurance, or other mechanisms as specified by EEF.
- g. **Energy Performance Contract Buy-down.** A capital payment made to a utility or ESCO *after* award of an energy performance contract or modification that buys down some, or all, of the loan and modifies the financial schedule. A buy-down is intended to reduce VA's annual payment or outstanding contract term while retaining other contract services and requires amending the Task Order schedules.

- h. **Energy Performance Contract Buy-out.** A capital payment made to a utility or ESCO *after* award of an energy performance contract or modification that buys out the remaining loan on one or more ECMs, or the entire project. A buy-out is intended to reduce or eliminate VA's annual payment or outstanding contract term and terminate contractual responsibilities (including measurement and verification) towards ECMs or the entire project.
- i. **Energy Savings Performance Contract (ESPC).** As defined in 42 U.S.C. § 8287c, energy savings performance contract means a contract that provides for the performance and services for the design, acquisition, installation, testing, and, where appropriate, operation, maintenance, and repair of an identified energy or water conservation measure or series of measures at one or more locations. An ESPC is a partnership between a Federal agency and an ESCO. In consultation with the Federal agency, the ESCO designs and constructs a project that meets the agency's needs and arranges the necessary funding. The ESCO guarantees that the improvements will generate cost savings sufficient to pay for the project over the term of the contract (up to 25 years, including implementation period). After the contract ends, all additional cost savings accrue to the agency. An ESPC is an energy performance contract mechanism.
- j. **Energy Use Intensity.** Per DOE, the energy consumption of a facility per unit of floor area, measured as: *Total annual facility energy consumed (Thousand British Thermal Units) [KBTU] divided by Facility Gross Floor Area [ft.²]*

$$\frac{\text{Total Annual Facility Energy Consumed (Thousand British Thermal Units) [kBTU]}}{\text{Facility Gross Floor Area [ft.²]}}$$

Note: Facility gross floor area is defined as the total area in a building for all floors to the outer surface of exterior walls, including elevator shafts, vertical penetrations, equipment areas, ductwork shafts, and stairwells; and excluding areas having less than a 6'-6" clear ceiling height.

- k. **Facility Energy and Water Audit.** As described in DOE [Facility Energy Management Guidelines and Criteria for Energy and Water Evaluations in Covered Facilities](#), an audit report that contains sufficient detail and actionable information about ECMs so that sound project decisions can be made based on the audit results.
- l. **Investment Grade Audit.** A study for a specific energy performance contract project that includes detailed descriptions of the improvements recommended for the project, the costs of the improvements, and the operations and maintenance cost savings and utility cost savings projected to result from the recommended improvements.
- m. **Life Cycle Cost-Effective.** As defined in 42 U.S.C. § 8253, with respect to a measure, means a measure, the estimated savings of which exceed the

estimated costs over the lifespan of the measure, as determined in accordance with 42 U.S.C. § 8254.

- n. **Renewable Energy.** As defined in 42 U.S.C. § 15852, includes marine energy, or electric energy produced from solar, wind, biomass, landfill gas, geothermal, municipal solid waste, or new hydroelectric generation capacity achieved from increased efficiency or additions of new capacity at an existing hydroelectric project.
- o. **Renewable Energy Certificate (REC).** A market-based instrument that represents the property rights to the environmental, social, and other non-power attributes of renewable electricity generation. RECs are issued when one megawatt-hour (MWh) of electricity is generated and delivered to the electricity grid from a renewable energy resource.
- p. **Recommissioning.** As defined in 42 U.S.C. § 8253, a process of commissioning a facility or system beyond the project development and warranty phases of the facility or system, the primary goal of which is to ensure optimum performance, in accordance with design or current operating needs, over the useful life of the facility or system, while meeting building occupancy requirements.
- q. **Retail Choice Markets.** Retail choice markets are markets where customers can choose their electricity or gas supplier. In retail choice electric and gas markets, facilities can acquire electric and natural gas commodities through contracts awarded by GSA or the Defense Logistics Agency (DLA) if it is economically advantageous. Contracts must be coordinated with EEF and the OAEM designated contracting office (currently PCAC).
- r. **Retrocommissioning.** As defined in 42 U.S.C. § 8253, the process of commissioning a facility, system or measure that was not commissioned at the time of construction of the facility or system.
- s. **Strategic Capital Investment Planning (SCIP).** Per VA's [2024 Budget Submission Volume 4](#), SCIP is the VA process to determine the critical unmet infrastructure needs relative to each other, across the entire Department, and is based on clearly defined standards, ongoing assessments and stakeholder input.
- t. **Utility Energy Service Contract (UESC).** As defined by DOE, a UESC is a limited-source acquisition between a Federal agency and serving utility for energy management services, including energy and water efficiency improvements and energy demand reduction. A UESC that includes performance assurances is considered an energy performance contract.
- u. **Utility Services.** Per FAR part 41, provision of the utility service capacity, energy, water, sewage, transportation, standby or back-up service, transmission

and/or distribution service, quality assurance, system reliability, system operation and maintenance, metering, and billing.