

VA INVESTMENTS IN ENERGY AND WATER EFFICIENCY AND RENEWABLE ENERGY

- 1. REASON FOR ISSUE.** This directive updates goals, policies, roles and responsibilities, and major requirements for Administration and staff office investments in energy and water efficiency and renewable energy generation within the Department of Veterans Affairs (VA).
- 2. SUMMARY OF CONTENTS.** This directive outlines the principles, policies, and other key elements necessary to facilitate investments to improve energy and water efficiency and increase generation of renewable energy.
- 3. RESPONSIBLE OFFICE.** Office of Management (004), Office of Asset Enterprise Management (044), and the Green Management Program Service (044E) are responsible for the contents of this directive.
- 4. RELATED DIRECTIVES.**
 - VA Directive 0011, Strategic Capital Investment Planning (SCIP) Process
 - VA Directive 0055, Energy and Water Management Program
 - VA Directive 0056, Sustainable Buildings Program
- 5. RELATED HANDBOOKS.**
 - VA Handbook 0011, Strategic Capital Investment Planning (SCIP) Process
 - VA Handbook 0056, Sustainable Buildings Program
- 6. RECISSIONS.** None.

CERTIFIED BY:

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

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1. PURPOSE AND SCOPE

a. The mission of the U.S. Department of Veterans Affairs (VA) is to fulfill President Lincoln's promise—"To care for him who shall have borne the battle and for his widow and his orphan"—by serving and honoring the men and women who are our Nation's Veterans. This directive supports the Department's mission by promoting prudent investments in energy and water efficiency and generation from renewable energy to maximize resources available for Veterans' care and optimize stewardship of public resources.

b. The purpose of this directive is to establish VA policy for implementing investments in energy and water conservation measures (ECMs), combined heat and power (CHP) systems, and renewable energy projects at existing VA facilities and operations.

c. This directive applies to all activities in all existing VA-owned facilities and operations.

2. POLICY

a. **General.** It is VA policy to fulfill its mission to serve our Nation's Veterans in a sustainable manner. Adhering to this policy requires VA to conduct business in a way that protects human health and the environment, is economically and fiscally sound, and ensures improvement in energy and water efficiency and the use of renewable energy sources. The goal of the Green Management Program (GMP) within VA's Office of Asset Enterprise Management (OAEM) is to lead the Department in improving the sustainability of VA operations. Energy and water efficiency and renewable energy generation are fundamental components of sustainability, adaptation to a changing climate, and integral to policies, planning, operations, and management processes across all VA missions, activities, and functions.

b. **Energy Investment Process.** VA shall make prudent investments in ECMs, CHP systems, and renewable energy projects at VA-owned facilities. It is VA's policy that all projects, direct-funded and pursued via energy performance contracts, shall be coordinated through GMP.

(1) Potential energy and water efficiency and renewable energy projects shall be identified and evaluated through facility energy and water audits and retro-commissioning activities pursuant to Section 432 of the Energy Independence and Security Act of 2007 (EISA). Renewable energy and CHP projects shall be further evaluated for technical and economic feasibility via detailed feasibility studies conducted through GMP.

(a) Projects to be implemented shall be submitted through the Strategic Capital Investment Planning (SCIP) process pursuant to VA Directive and Handbook 0011, SCIP Process. Projects submitted through SCIP as GMP projects, and others meeting GMP criteria, will be considered.

(b) Projects submitted through the SCIP for direct funding, may be simultaneously considered as energy performance contracts. Energy performance contracts shall be included in SCIP in the narrative section of the Action Plan as a non-capital solution.

(c) Administrations and staff offices shall utilize the GMP-designated centralized contracting office, Program Contracting Activity Central (PCAC), to procure and provide contracting-related support for GMP-funded energy and water investments including energy audits, retrocommissioning, renewable energy and combined heat and power systems, and for all energy performance contracts.

c. **Energy Audits.** In accordance with the requirements of EISA Section 432, VA shall complete a comprehensive energy and water audit for approximately 25% of VA's covered facilities each year. To ensure compliance, VA requires a comprehensive energy and water audit to be completed at each VA-owned facility at least once every four years. Retro-commissioning shall be conducted in conjunction with the audits.

(1) Audits shall be conducted according to the GMP-approved schedule, which the Veterans Health Administration (VHA) shall make available on the VHA energy engineering website and other portals as appropriate.

(2) The energy audit shall be performed in accordance with GMP guidance either by VHA energy engineering staff or via a vendor coordinated through GMP and procured through PCAC. VHA shall make the GMP guidance available on the VHA energy engineering website and other portals as appropriate.

d. **Strategic Capital Investment Planning (SCIP) Process.** Administrations and staff offices shall submit projects, action plans, business cases and other information through the SCIP process pursuant to Directive and Handbook 0011 and per annual SCIP guidance. These submissions shall address sustainability goals including energy efficiency, renewable energy, water efficiency, greenhouse gas emissions, sustainable buildings, and/or other gaps as specified in annual SCIP guidance.

e. **Energy Performance Contracts.** Administrations and staff offices shall consider the use of energy performance contracts to achieve sustainability goals. Contracting mechanisms include energy savings performance contracts (ESPCs), utility energy services contracts (UESCs), the Department of Energy (DOE) ESPC ENABLE program, and other mechanisms as specified by GMP. All energy performance contracts shall be coordinated through GMP and contracted through PCAC. Administrations and staff offices shall follow the policies, processes, and standards established in the VA Energy Investment Guidebook (subject to renaming) that may be found at <http://vaww.green.va.gov/energy/>.

f. **Other Energy Investment Vehicles.** Administrations and staff offices may utilize other energy investment vehicles, such as power purchase agreements (PPAs) and demand-side management programs, to achieve sustainability goals.

(1) PPAs may be established at VA facilities for terms of up to 10 years, or as allowed by law. Federal Acquisition Regulation (FAR) 41.103(b) provides the General Services Administration (GSA) authority to delegate PPAs. All PPAs shall be coordinated through GMP and contracted through PCAC.

(2) Demand-side management programs may be implemented at the regional- or facility-level where the demand-side management program is in the best interest of VA and does not interfere with the VA mission. Demand side management may be part of energy performance contracts.

g. **Reporting Requirements.** Facilities shall report all project-related data required in accordance with EISA Section 432. This includes entering data into the Department of Energy Compliance Tracking System (CTS) and the ENERGY STAR Portfolio Manager

benchmarking database, and includes costs, energy and water savings, and other data. Projects shall be entered independent of funding source and shall include direct-funded projects as well as energy performance contracts.

h. **Management Tools.** VA will employ a variety of management tools to implement the policies set forth in this directive. These include, but are not limited to:

(2) VA Energy Investment Guidebook. This guide book, located at <http://vaww.green.va.gov/energy/>, contains current, specific, step-by-step instructions for making energy investments via appropriated funds, performance based contracts, or a combination of the two;

(3) Energy Management Action Plan. The plan, available at <http://vaww.green.va.gov/energy/>, identifies specific implementation actions and the responsible parties to achieve VA's mandates and goals; and

(4) Training and recognition programs. These activities help all of VA align behind the mandates and goals and encourage initiatives.

3. RESPONSIBILITIES

a. **Under Secretaries, Assistant Secretaries, and Other Key Officials.** Under Secretaries, Assistant Secretaries, and other key officials will ensure that the policies set forth in this directive are implemented within their respective organizations and field activities.

b. **Office of Asset Enterprise Management (OAEM).** OAEM is responsible for providing oversight to ensure an integrated and coordinated Departmental approach to capital asset management. OAEM shall:

(1) Ensure coordination among GMP, PCAC, regional leadership, and individual facilities carrying out projects, including both direct-funded and energy performance contracts; and

(2) Ensure that all projects comply with applicable energy- and environment-related VA policies, Presidential Executive Orders, and Federal laws and regulations.

c. **OAEM-Designated Centralized Contracting Office – Program Contracting Activity Central (PCAC).** PCAC personnel shall manage the procurement effort and ensure that communication among relevant stakeholders takes place for funded projects and studies. Among other duties, PCAC is responsible for:

(1) Making all project and contract changes in scope.

(2) Assigning a lead contract specialist for each contract. The contract specialist serves as the primary point of contact for a project. The specialist shall be included in day-to-day correspondence related to a contract.

d. **Veterans Integrated Service Network (VISN) Chief Financial Officer (CFO).** VISN CFO will ensure that VA's annual financial obligation under a contract is met. This is particularly critical for continuing out-year obligations of energy performance contracts for the full term of the contract.

e. **VISN Capital Asset Managers (CAMs).** VISN CAMs will validate that proposed projects do not conflict with short- or long-term planned new construction, renovation or other future activities. CAMs are responsible for ensuring submission of appropriate projects and

related information into SCIP. Specific SCIP guidance may be found in VA Directive 0011, SCIP Process, and VA Handbook 0011, SCIP Process.

f. **VISN Energy Managers.** VISN energy managers shall ensure that projects are in the best interest of VA and shall work with the VISN CAM, facilities management staff, and facility energy managers to help ensure proper coordination of all energy-related projects. Energy managers shall also:

(1) Ensure that reporting requirements are met in accordance with paragraph 2 (g) of this Directive.

(2) Facilitate communication among GMP, PCAC, regional leadership, and individual facilities carrying out projects, including both direct-funded and performance based contracts;

(3) Ensure that facility energy managers are prepared to serve as Contracting Officer's Representative for energy projects both through training and appropriate workload balance; and

(4) Ensure that all projects comply with applicable energy- and environment-related VA policies, Presidential executive orders, and all applicable laws and regulations.

4. REFERENCES

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www.eere.energy.gov/femp/regulations/facility_ctsdisclaimer.html

c. Department of Energy, Federal Energy Management Program. Energy Savings Performance Contract (ESPC) Project Guidance. <http://www1.eere.energy.gov/femp/financing/espcs.html>

d. Department of Energy, Federal Energy Management Program. Energy Savings Performance Contract (ESPC) ENABLE Project Guidance. http://www1.eere.energy.gov/femp/financing/espc_enable.html

e. Department of Energy, Federal Energy Management Program. Utility Energy Service Contracts (UESC) Project Guidance. <http://www1.eere.energy.gov/femp/financing/uescs.html>

f. Energy Independence and Security Act of 2007. Pub. L. No. 110-140. 121 Stat. 1492 (2007). www.gpo.gov/fdsys/pkg/BILLS-110hr6enr/pdf/BILLS-110hr6enr.pdf.

g. Energy Management Guidance.
vaww.ceosh.med.va.gov/01EN/Pages/Energymanagementguidebook.shtml

h. Energy Policy Act of 2005. Pub. L. No. 109-58. 119 Stat. 594 (2005).
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<http://www.whitehouse.gov/sites/default/files/omb/procurement/green/eo13423.pdf>

j. Executive Order 13514-Federal Leadership In Environmental, Energy, And Economic Performance. Washington, DC: The White House, October 5, 2009.
www.whitehouse.gov/assets/documents/2009fedleader_eo_rel.pdf.

k. Green Awards and Recognition. www.green.va.gov/awards/fewm.asp.

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n. *The President's Climate Action Plan*. The White House, June 2013.

<http://www.whitehouse.gov/sites/default/files/image/president27sclimateactionplan.pdf>.

o. Presidential Memorandum--Implementation of Energy Savings Projects and Performance Based Contracting for Energy Savings. The White House, December 2, 2011. www.whitehouse.gov/the-press-office/2011/12/02/presidential-memorandum-implementation-energy-savings-projects-and-perfo.

p. Presidential Announcement – Expansion of President's Performance Contracting Challenge through 2016. The White House, May 09, 2014. <http://www.whitehouse.gov/the-press-office/2014/05/09/fact-sheet-president-obama-announces-commitments-and-executive-actions-a>.

q. Professional Development.

<https://vaww.ceosh.med.va.gov/01EE/Pages/Professional.shtml>.

5. DEFINITIONS

a. **Compliance Tracking System (CTS)**. The EISA 432 Compliance Tracking System (CTS) is a web-based tracking system required by 42 U.S.C. 8253(f)(7)(A) to certify compliance of each Federal agency covered facility with the requirements of 42 U.S.C. 8253(f)(3)-(5). CTS 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.

b. **Covered Facility**. A covered facility is any building, installation, or structure owned by VA, excluding facilities where VA does not directly pay utility costs, that contributes to using 75 percent of the agency's total energy consumption. GMP has defined this to be all VHA major medical facilities.

c. **Demand-Side Management Programs**. Any program instituted to assist the energy user in instantaneously reducing energy use (demand) on the customer side of the meter. These programs are typically sponsored by the utility company or independent system operator and include such mechanisms as rebates for installing energy efficient equipment as well as load-shifting and energy-use curtailment strategies.

d. **Energy Conservation Measure (ECM)**. An ECM is a project implemented, a process amended, or a piece of technology applied to a facility that decreases the use of energy and/or water without limiting the effectiveness of the facility to perform its duty.

e. **Energy Investment Option**. The procurement mechanism used to address deficiencies and exploit opportunities in energy and water conservation at a facility. Energy investment option refers to the use of appropriated funds, energy performance contracts, and other appropriate contract vehicles.

f. **Energy performance contracts.** Energy performance contracts are defined as Energy Savings Performance Contracts, ESPC ENABLE, and Utility Energy Service Contracts that meet the requirements of guaranteeing energy or water performance or conservation results.

g. **Energy Savings Performance Contract (ESPC).** An ESPC is a partnership between a Federal agency and an energy service company (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 energy cost savings to pay for the project over the term of the contracts (up to 25 years). After the contract ends, all additional cost savings accrue to the agency. An ESPC is an energy performance contract mechanism.

h. **Energy Savings Performance Contract ENABLE (ESPC ENABLE).** The ESPC ENABLE program provides a standardized and streamlined process for using ESPCs to implement energy and water conservation measures in Federal facilities smaller than 200,000 square feet. ESPC ENABLE focuses on installation of targeted ECMs such as lighting, water, and controls. ESPC ENABLE is another energy performance contract mechanism.

i. **Facility Energy and Water Audit.** A comprehensive review of all energy and water consumption in a facility, including as-built plans and specifications, energy records, operating and maintenance logs, visual inspections of all energized equipment, the building envelope, windows, doors, and other components. A comprehensive assessment shall include an evaluation of energy and water consumption patterns, generation of a list of potential ECMs to improve the energy and water efficiency of the facility.

j. **Power Purchase Agreements (PPA).** Power purchase agreements allow Federal agencies to implement on-site renewable energy projects with no upfront capital costs. A developer installs a renewable energy system on Federal land or buildings. In exchange, the agency agrees to purchase the power generated by the system. These power purchase payments repay the developer over the contract term. The developer owns, operates, and maintains the system for the life of the contract. GSA is currently authorized, and may delegate authority, to issue PPAs for terms up to 10 years under FAR Part 41.

k. **Strategic Capital Investment Planning (SCIP) Process.** The SCIP process is a planning tool used in the budget formulation phase. There may be changes made during the budget execution phase due to changing or emerging critical requirements. The SCIP process is synchronized with VA's and the Administration's budget formulation processes.

l. **Utility Energy Service Contract (UESC).** A UESC is a partnership between a gas, water or electric utility provider to implement energy-efficiency, renewable energy and water efficiency projects. In a UESC, the utility will provide the analysis, design and installation as well as arrange the financing (when necessary). After the contract ends, all additional cost savings accrue to the agency. A UESC that includes performance guarantees is a considered an energy performance contract.