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# United States Senate

COMMITTEE ON  
ENERGY AND NATURAL RESOURCES

WASHINGTON, DC 20510-6150

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May 18, 2011

Mr. Douglas Elmendorf  
Director  
Congressional Budget Office  
Ford House Office Building  
2<sup>nd</sup> and D Streets, SW  
Washington, D.C. 20515-6925

Dear Mr. Elmendorf:

The Senate Energy and Natural Resources Committee is very interested in advancing opportunities for the Federal government to serve as a model for the increased utilization of energy efficiency and clean energy technologies. Such policies and measures can save significant taxpayer dollars, create private sector jobs, and greatly enhance energy markets. The Federal government can and should lead the way through its power purchase and procurement decisions in order to further our nation's energy priorities.

Two specific and highly effective ways for the Federal government to achieve this goal have been through energy savings performance contracts (ESPCs) and federal power purchase agreements (PPAs). We have concerns that the Congressional Budget Office (CBO) scoring of ESPCs and PPAs does not recognize the energy cost savings that accrue to the Federal government and would appreciate more insight on how CBO develops a score for them.

As you may know, ESPCs have led to successful partnerships between Federal agencies and private businesses to upgrade Federal facilities and reduce energy bills. They have been the single most useful tool for increasing energy efficiency in the Federal government. As of last year, more than 550 ESPC projects worth \$3.6 billion were awarded to 25 Federal Agencies and organizations in 49 states and the District of Columbia. The Department of Energy has estimated the savings from these projects to be approximately 30 trillion BTU annually or \$11 billion in energy costs. From those savings, \$9.6 billion goes to fund energy efficiency projects and \$1.4 billion is used to reduce Federal government spending.

ESPCs are a proven contracting method designed specifically to help Federal agencies reduce energy use, cut operating costs, and upgrade facilities. An important example is the U.S. Naval Station at Guantanamo Bay, Cuba. There, the Department of the Navy partnered with an energy service company to construct a \$12 million wind turbine project. Four wind turbines will generate 3,800 kilowatts of electricity and save taxpayers \$1.2 million in annual energy costs.

Page 2  
May 18, 2011

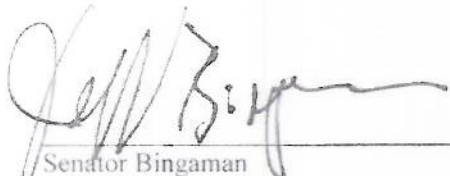
Renewable energy investments like the one at Guantanamo Bay are not only important for a secure energy future, they are also important for our strong fiscal health and lessening our dependence on volatile sources of energy. There are enormous opportunities for the Federal government to incubate and incentivize renewable power generation through PPAs. For that reason, we are also interested in understanding more about CBO's practice of scoring longer-term PPAs upfront without recognizing the savings that accrue to the Federal Government. We believe that sound investments in renewable energy that will provide benefits for years to come are important to our energy security and fiscal health. As you may know, these investments are often impossible without a long-term contract to ensure that all parties realize the benefits.

Finally, in addition to clarifying what it is about ESPCs and PPAs that lead CBO to score them with increased spending, we would appreciate any insights you have about ways that these provisions could be structured to show the savings they present. We understand that CBO has specific scoring guidelines and conventions to follow, and it is important for us to understand how those conventions analyze important legislation that we believe will save the Federal government money. This will inform our decisions on whether Congress should amend those conventions or whether proposals can be structured in a way that more accurately accounts for their intended savings.

We would also like to take the opportunity to express our agreement with correspondence recently sent to the CBO by the House Energy and Commerce Committee. Chairman Fred Upton's request (dated May 3, 2011) also asked for an explanation as to why ESPCs trigger a CBO score that reflects increased spending. Please include us on your responses to the House Energy and Commerce Committee so that both Committees can engage with you and address these important issues.

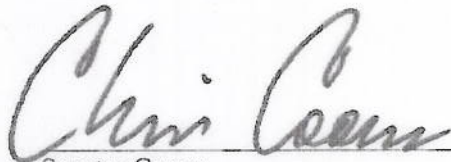
We thank you for your consideration of this request, and we look forward to working with you to clarify these issues. If you have any questions, please contact our staff Jonathan Black or Deborah Estes with the Senate Energy and Natural Resources at (202) 224-4971 or Franz Wuerfmannsdobler with Senator Coons at (202) 224-5303.

Sincerely,



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Senator Bingaman  
Chairman



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Senator Coons

cc: Senate Budget Committee Chairman and Ranking Member  
cc: House Energy and Commerce Chairman and Ranking Member