

ONE HUNDRED TWELFTH CONGRESS
Congress of the United States
House of Representatives
COMMITTEE ON ENERGY AND COMMERCE
2125 RAYBURN HOUSE OFFICE BUILDING
WASHINGTON, DC 20515-6115

Majority (202) 225-2927
Minority (202) 225-3641

May 3, 2011

Mr. Douglas Elmendorf
Director
Congressional Budget Office
Ford House Office Building
Second and D Streets, S.W.
Washington, D.C. 20515-6925

Mr. Elmendorf:

The Energy and Commerce Committee is interested in government reforms that can save taxpayer dollars and create private sector jobs while helping the Federal government perform various responsibilities more efficiently. CBO has an important role in this as it scores various actions by Congress. It seems, however, that sometimes CBO's score is not indicative of policies that would save money, both in the short and long term.

For example, your past analysis indicates that Energy Savings Performance Contracting (ESPC) within the Federal government scores as a cost (mandatory spending that imposes a future financial obligation on the federal government), even as it saves money for the Federal government and avoids appropriations for both energy bills and equipment and infrastructure improvements.

ESPCs offer Federal agencies a novel means of making energy-efficiency improvements to aging buildings and facilities. In return for privately financing and installing energy conservation measures, a contractor receives a specified share of any resulting energy cost savings. The government does not spend appropriated funds for the capital investment. By law, the contractor must guarantee, measure and verify the savings to the government. In addition, the government never pays more than they would have paid for utilities if it had not entered into the ESPC.

The Committee appreciates that not all policies fit neatly into the same scoring box. And, we appreciate that to utilize the efficiencies of ESPCs, the Federal government agrees to enter into long-term contracts. But, it seems that CBO scores these long-term obligations as costing the government money while failing to fully recognize that they are more than offset by energy

bill savings, provide further cost reductions and replace critical infrastructure. We understand that the benefit accrues over time with cost savings of as much as 10% in the early years, growing to as much as 25% over time – and aggregate savings that far outstrip the mandatory contract expenditures.

Accordingly, the Committee would appreciate a detailed explanation about why ESPCs trigger a CBO score that reflects increased spending and your thoughts about how the savings that are very much in evidence from ESPCs can best be reflected to guide the Committee and Congress in its actions.

The Committee would appreciate your response within 30 days and looks forward to working with you on this topic. If you have any questions, please contact Committee staff Ms. Maryam Brown or Mr. Patrick Currier at (202) 225-2927.

Sincerely,

A handwritten signature in blue ink that reads "Fred Upton". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

Fred Upton
Chairman

cc: The Honorable Henry A. Waxman, Ranking Member