EDO Principal Correspondence Control

FROM: DUE: 07/27/00 EDO CONTROL: G20000346
DOC DT: 07/13/00
FINAL REPLY:

Senator Joseph I. Lieberman

TO:

Chairman Meserve

FOR SIGNATURE OF : ** PRI ** CRC NO: 00-0470

Chairman

DESC:

Agency's Use of Share-In-Savings Contracting

ROUTING:

Travers
Paperiello
Miraglia
Norry
Craig
Burns
Funches, CFO
Reiter, CIO
Cyr, OGC

DATE: 07/18/00

ASSIGNED TO: ADM

CONTACT: Springer

SPECIAL INSTRUCTIONS OR REMARKS:

Coordinate response with CIO.

Template: SECY-017

E-RIDS: SECY-01

EDO

OFFICE OF THE SECRETARY
CORRESPONDENCE CONTROL TICKET

Date Printed: Jul 18, 2000 10:51

PAPER NUMBER:	LTR-00-0470	**LOGGING DATE:**	07/17/2000
ACTION OFFICE:	EDO		
AUTHOR:	SEN Joseph Lieberman		
AFFILIATION:	SEN		
ADDRESSEE:	RICHARD MESERVE		
SUBJECT:	Concerns Agency's use of share-in-savings contracting		
ACTION:	Signature of Chairman		
DISTRIBUTION:	RF, OCA TO ACK		
LETTER DATE:	07/13/2000		
ACKNOWLEDGED	No		
SPECIAL HANDLING:	CHAIRMAN CORRES		
NOTES:	EDO/CIO to prepare response.		
FILE LOCATION:	ADAMS		
DATE DUE:	07/31/2000	**DATE SIGNED:**	

EDO --G20000346

United States Senate

COMMITTEE ON
GOVERNMENTAL AFFAIRS
WASHINGTON, DC 20510–6250

July 13, 2000

The Honorable Richard A. Meserve
Chairman
Nuclear Regulatory Commission
One White Flint North
11555 Rockville Pike
Rockville, MD 20852-2738

Dear Chairman Meserve:

I am writing to inquire about your agency's use of "share-in-savings" contracting.

As you know, share-in-savings is a contracting method by which a private contractor provides some or all of the up-front funding and operating capital for an agency's cost-saving project. In return, the agency promises the contractor a share of the financial savings the project is expected to generate. Congress has explicitly encouraged share-in-savings programs in two areas — energy efficiency and information technology.

Perhaps the best known share-in-savings vehicle is the Energy Savings Performance Contract (ESPC), authorized by Congress in the Energy Policy Act of 1992, and further supported in Executive Order 13123, which increases the government's energy conservation goals. Under an ESPC, an energy service company covers the up-front costs of identifying a federal building's potential for energy efficiency improvements and then installs, operates and maintains the appropriate equipment to cut the facility's energy usage. The contractor also guarantees that the agency will enjoy a certain level of cost savings from this reduced energy consumption. In return, the company receives the benefit of the remaining portion of the cost savings realized by the agency.

Congress has also authorized share-in-savings contracting with regard to information technology improvements. The Clinger-Cohen Act of 1996 (P.L. 104-106) authorized the General Services Administration (GSA) to set up pilot programs at two agencies to test share-in-savings contracting in the information technology context. Under such a contract, for example, a contractor might install new information management equipment; the agency would subsequently pay the contractor out of the cost savings resulting from increased efficiency provided by the new equipment.

The old adage that you need to have money to make money is no longer true. While it is true that energy efficiency and information technology improvements that will save funds in the long-run may be outside budgetary constraints in the short-run, share-in-savings contracting offers federal agencies an innovative way to achieve efficiencies that otherwise would be out of reach.

Unfortunately, the potential of share-in-savings contracting as envisioned by Congress in passing these two statutory provisions has not been realized. According to the Department of Energy's Federal Energy Management Program, agencies are not fully tapping the energy-saving potential of ESPCs. Likewise, despite a year spent searching for projects that might serve as the pilot programs Congress authorized in the Clinger-Cohen Act, GSA has not found a willing qualified candidate.

In order to assist me in evaluating the extent to which agencies are implementing share-in-savings programs, and any obstacles to further implementation, please respond to the following questions by Friday, August 18, 2000:

1. Has your agency used ESPCs? If so, please describe your experience under those contracts, including contractor investment and financial benefit, and any savings realized by your agency. If your agency has not entered into any ESPCs, please explain why.

2. Has your agency considered participation in the information technology share-in-savings pilot program authorized in the Clinger-Cohen Act? If your agency has decided against being involved in the pilot program, why?

3. Has your agency been involved in any other share-in-savings contracts? If so, please describe your agency's experience under those contracts, including contractor investment and financial benefit, and any savings realized by your agency?

4. Please explain why your agency is not making greater use of share-in-savings contracting, including a description of any internal or external, legal, budgetary, or cultural obstacles.

5. Please provide the names and telephone numbers of senior personnel with primary responsibility for your agency's involvement in share-in-savings contracting, whether in the energy efficiency, information technology, or any other context.

Government must lead by example. The federal community should demonstrate that the United States government is serious about operating efficiently and is willing to take on bold, new initiatives implementing nontraditional ways of conducting business, including share-in-savings contracting.

Thank you for your prompt response to this inquiry. If you have any questions, please feel free to contact Kenneth Boley or Peter Ludgin of my staff at 202-224-2627.

Sincerely,

Joseph I. Lieberman

United States Senate

COMMITTEE ON
GOVERNMENTAL AFFAIRS
WASHINGTON, DC 20510–6250
OFFICIAL BUSINESS

J Lieberman
U.S.S.

The Honorable Richard A. Meserve
Chairman
Nuclear Regulatory Commission
One White Flint North
11555 Rockville Pike
Rockville, MD 20852-2738

20852X2738 13