



OLR RESEARCH REPORT

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STATE PROCUREMENT OF ENERGY AND BILLING PRACTICES

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You asked several questions related to the state's procurement of energy. We answer each question in turn. Except where indicated, the answers apply to agencies in the executive, judicial, and legislative branches.

1. Does the state process utility bills centrally or by agency? If centrally, are there any agencies that pay their own bills?

Electric and natural gas bills go to the agency that is the customer of record. For a number of agencies, this is the Department of Public Works (DPW), which is effectively the landlord. The agencies are responsible for approving payment of the bills. Except for the constituent units of higher education (UConn, the UConn Health Center, Connecticut State University, and the community-technical colleges), the comptroller makes the payment through the CORE-CT system. The constituent units make their own payments following procedures that are similar to those used by the comptroller.

2. Does the state currently procure power and natural gas centrally or by agency? If centrally, are there any agencies that procure energy on their own?

All executive branch agencies, judicial branch facilities and the constituent units of higher education have recently participated in a reverse (Dutch) auction to procure electricity for state facilities. The Office of Policy and Management (OPM) and the Department of

Administrative Services, with the assistance of World Energy Solutions, Inc., of Worcester, MA, conducted an on-line “reverse auction” to procure power for state buildings. The auction placed qualified bidders in competition with one another, and the lowest bid at the close of the auction won the contract award. The contracts run through June 2009. Although OPM has been authorized to purchase electricity on a pool basis since 1998 and began issuing requests for proposals for power contracts in 1999, this is the first year that contracts have been awarded, according to OPM staff. This is because in earlier years the bids received under the requests for proposals were higher than the rates charged by the electric companies.

OPM has been procuring natural gas for state facilities on a pool basis since 1996. Most agencies voluntarily participate in the pool, which currently covers 85 to 90% of the firm (non-interruptible) gas consumption by state agencies. The remaining firm gas is purchased by individual agencies. In addition, a number of large agencies and constituent units procure natural gas on an interruptible basis. The agencies procure gas for this service on an individual basis.

3. Does the state audit utility bills centrally or by agency? If centrally, are there any agencies that audit their own bills?

The Auditors of Public Accounts are responsible for conducting audits of all state agencies. It routinely samples the accounts of agencies which periodically results in audits of utility bills.

OPM does occasionally analyze agency energy use, at the agency’s request, particularly when an agency notices an anomaly in its bill.

4. How does the state enter into contracts to upgrade lighting and heating and cooling facilities? Does the state enter into performance contracts for such improvements in which the contractor guarantees savings?

In the executive branch, individual agencies identify projects for upgrading lighting, heating, and cooling facilities and other energy efficiency projects. OPM and DPW then review the proposed projects for their budget impacts and consistency with overall state policy. Approved projects then go through the DPW bid process. The overall process normally takes several years according to OPM staff. The Joint Committee on Legislative Management and the Judicial Branch have their own contracting procedures. The Judicial Branch routinely

cooperates with DPW and splits the costs on a 50/50 basis. If the total cost of the project is less than \$500,000, the Judicial Branch will often supervise the project. DPW supervises larger projects. Legislative Management will issue a request for proposal or seek bids, depending on the size and nature of the project.

In all agencies, larger efficiency projects undergo a life-cycle cost analysis. For electric energy efficiency projects, the agency may negotiate with the local electric company to determine which part of a project's costs, if any, will be covered by the company's conservation funds. Larger projects, also undergo a life-cycle cost analysis.

CGS § 16a-37v authorizes the use of performance contracting, in which a contractor makes energy efficiency improvements to a facility in exchange for part of the energy savings. Several years ago, OPM, DPW, and the treasurer explored the possibility of using this option but decided against it. Among their concerns was that this option limits the ability of the state to track energy expenditures. It also converts what is normally a capital expenditure for building improvements into operating expenditure for contractual services.

5. Does the state have a statewide energy database that contains utility bills and permits the analysis of these bills?

OPM is completing the development of a database that will include energy consumption (electricity, natural gas, oil, and other fuels) across agencies, with some capacity to track consumption at the building level. The database will include all three branches of government. OPM intends to use the database to identify buildings that would provide the best opportunities for efficiency and renewable energy investments. OPM will also use the database to identify buildings that need additional maintenance to reduce their energy bills. The database will also be able to detect anomalies in consumption patterns.

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