

## **An Energy Procurement Case Study – Major University**

*“Cost Control Associates showed us that a one-size fits all reverse auction process does not always produce the best results. In the end, we abandoned the reverse auction results and used Cost Control Associates’ RFP process more than tripling the savings the reverse auction process had produced.”*



### **BACKGROUND**

This major University’s 640-acre tree lined campus is located in the foothills of the mountains on the banks of a river. It is the only major technological university in the northeast where students live and learn in a picturesque setting while welcoming the ambience of a small town.

With local utility energy prices skyrocketing, this University, like many energy users, wanted to limit its upside exposure to price increases by purchasing power from an alternate supplier. The University retained a firm to conduct a reverse auction to obtain electricity supply.

### **CONSTRAINTS AND GOALS**

The University had already committed to the reverse auction process. Their goal was to meet or beat a budget that had previously been established. Since the University’s internal staff had little experience in procuring the sizable energy supplies needed to power the University, it wished to have an independent firm review the proposed scope of the reverse auction and related contractual documents in a non-biased manner.

Additionally, the University wanted the actual auction monitored to insure that the desired outcome of lower electricity supply cost would be achieved. However, the University was under a short time deadline as they needed to have a contract in place prior to the start of the fiscal year.

### **SOLUTIONS**

The University sought the guidance of Cost Control Associates (CCA) to review the proposed scope of the auction and the related contractual documents. As a result of CCA’s analysis, a number of changes were recommended to eliminate non-beneficial items as well as provide enhancements to better position the University to obtain the best possible pricing. CCA closely monitored the auction, evaluated the results, and presented a comprehensive report to the University.

CCA’s review and evaluation of the auction results indicated that the University would not receive an adequate level of savings should they engage the winning bidder.

CCA advised the University that a more beneficial result may be obtained through a Request for Proposal issued to suppliers whose customer base was similar to that of the load being offered by the University. Upon consideration of these recommendations the University requested that CCA proceed with issuing the Request for Proposal and managing the procurement process.

### **RESULTS**

Cost Control Associates expedited the RFP process and met the extremely tight deadline required by the University. These efforts delivered substantial savings and achieved the University’s goal of limiting their upside exposure to price increases. The projected savings of \$317,000 was more than 300% greater than what the reverse auction had yielded.

The University was so pleased with the efforts of Cost Control Associates that it decided to retain the Firm to provide its Comprehensive Energy Procurement Services including:

- Developing an Energy Procurement Plan
- Establishing Budgets, Pricing Model, and Plan Tracking
- Plan Execution

Although in-house staff is now handling much of the energy procurement process, Cost Control Associates continues to be a resource for the University.