

ALAMEDA-CONTRA COSTA TRANSIT DISTRICT



STAFF REPORT

MEETING DATE: 1/23/2019

Staff Report No. 17-192a

TO: AC Transit Board of Directors
FROM: Michael A. Hursh, General Manager
SUBJECT: Utility Audit Contract Award

ACTION ITEM

RECOMMENDED ACTION(S):

Consider approving contract award for utility auditing consulting services to Eric Ryan Corporation (ERC) for up to \$619,200 with three one-year options for the review and audit of utility expenses by service providers, specifically to recoup refunds from billing errors and to recommend cost-savings measures through opportunities to lower utility rates and improve energy consumption efficiencies.

BUDGETARY/FISCAL IMPACT:

The purpose of issuing this contract is to reduce utility expenses for the District and recoup funds from overcharges or billing errors by the utilities with the intent of achieving a net negative or revenue-generating fiscal impact. Process improvements will also be identified. The contract itself is cost neutral for two reasons: the primary scope obligates the District to pay the contractor 20% of refunds received by the District based on their work; the secondary scope includes optional fee-for-service tasks the District can elect to pursue at its discretion. The first year of the contract will look for surcharges as far back as 2015 and could reasonably be estimated to result in up to \$3 million in refunds, of which the District would retain 80% (\$2.3 million). The three one-year options will allow the District to continue to audit for reduced utility costs. The optional fee-for-service tasks include in-depth analysis of utility usage and optimization. The estimated maximum cost (payout) for the first year is \$619,200. The three option years are estimated to cost up to \$140,200, \$125,700, and \$111,200 respectively. This gives an estimated maximum four-year contract cost of \$996,267.

BACKGROUND/RATIONALE:

The District pays over \$2.9 million in utility bills per year, as shown by the list of utility expenses for FY 2016-2017 below. While staff does not have any current knowledge of utility company overcharges, billing mistakes are unfortunately common occurrences and third party auditing contractors are often enlisted to investigate the utility billing processes.

Utility Bill Payments (July 1, 2016 to June 30, 2017)

- Electric: \$1,418,493
- Telecommunications: \$948,805
- Water: \$296,043
- Waste: \$239,648

- Total: \$2,902,989

The average utility billing audit process finds that surcharges make up 6 percent of the total billing amount. However, the percent of overcharges can range as high as 30 percent. This means that it is likely that the District is overpaying utility bills annually by \$174,000 (6% of \$2.9 million), and in the worse-case scenario could be overpaying utility bills by as much as \$870,000 (30% of \$2.9 million).

The contract scope also includes optional fee-for-service tasks to perform more in-depth analysis of the District's utility usage. The District's electric usage structure in particular has the added complexity of the solar panel and solid-oxide fuel cell power generating installations at the facilities. On top of this is the District's purchase of hydrogen fuel and the pending purchase of electric power under a different rate structure for battery-electric buses. The additional analysis would allow staff to make much more informed decisions about how to utilize and purchase the power and other utility services it needs.

After receiving Board approval to solicit services, the Purchasing Department issued a Request for Proposal on May 30, 2018. Three hundred ninety-seven prospective firms in the general domain of utility auditing were notified of the solicitation, which garnered six proposals. One proposal was rejected on the basis that it did not offer comprehensive auditing services for all four utilities (it was specific to reviewing only telecommunications). A qualifying proposal needed to include contracting services (with the option for subcontracting) of the four utilities: electric, telecommunications, water, and waste. The following firms provided qualifying proposals:

- Cost Control Associates, Inc (CCA)
- Eric Ryan Corporation (ERC)
- Troy & Banks, Inc (T&B)
- Utility Audit, Inc (UAI)
- Utility Cost Management LLC (UCM)

The proposal review team consisted of stakeholders from Facility Maintenance, Innovation & Technology (Telecommunications), and Finance. They assessed the qualifying proposals according to criteria 2-4 listed below. The Ratio Split of Cost Recovery Savings, while worth 40% of the final score, was kept within sealed envelopes as to not bias the qualitative evaluation of the proposals. Firms on the final short list were invited in to demonstrate their approach and understanding of the District's needs. The final evaluation score was then determined by weighting the combined totals of the scores from the stakeholders, responses from references, and the most favorable ratio split of the Cost Recovery Savings.

Evaluation Criteria and Weight (Total 100%)

1. Ratio Split of Cost Recovery Savings (Client/District) 40%
2. Past Performance/Experience 25%
3. Technical Ability/Expertise to Perform Required Services 15%
4. Professional Staff Qualifications 10%
5. References 10%

The bid received from ERC was deemed superior based on its excellent proposal, references and favorable percentage of Cost Recovery Savings. The agreed-upon contract will obligate the District to pay 20% of refunds received to ERC.

Staff anticipates sending a Notice to Proceed letter in February. Contract initiation can begin as early as February 1, 2019, and refunds potentially recouped from billing errors by the end of April.

ADVANTAGES/DISADVANTAGES:

The primary advantage of contracting with utility auditing consultants is being able to recover lost funds used to pay for incorrect expenses. In addition, future utility bills will more accurately reflect utility costs.

Staff has noted no significant disadvantages.

ALTERNATIVES ANALYSIS:

The alternative to contracting for this service is for staff to perform the audit function in-house. This is not recommended, and has not been done before, due to limited staff resources and expertise. Since the contract will likely be a net cost savings for the District - and at worst cost-neutral - staff believes that contracting the service out is the best course of action.

PRIOR RELEVANT BOARD ACTION/POLICIES:

Staff Report 17-192 Utility Bill Auditing Solicitation

ATTACHMENTS:

None

Approved by:

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