

# ALAMEDA-CONTRA COSTA TRANSIT DISTRICT



## STAFF REPORT

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**MEETING DATE:** 4/28/2021

**Staff Report No.** 17-192b

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

### ACTION ITEM

#### **RECOMMENDED ACTION(S):**

Consider authorizing a one-year extension of the contract with Eric Ryan Corporation (ERC) for utility auditing consulting services through April 8, 2022.

#### **STRATEGIC IMPORTANCE:**

Goal - Financial Stability and Resiliency

Initiative - Financial Efficiency and Revenue Maximization

Maintain Financial Stability and Resiliency by auditing utility bills and collecting Low Carbon Fuel Standard (LCFS) revenue. The LCFS program is a carbon-intensity reduction incentive program managed by the California Air Resource Board (CARB).

#### **BUDGETARY/FISCAL IMPACT:**

To date, the contract has saved the District over \$300,000 in utility audits and collected over \$100,000 in LCFS revenue. Consultant's portion is payment retained as a commission of 20% of the total savings. For the coming year, staff does not expect as much savings in utility auditing since most of the savings to date represent corrections to past over-billings; however, staff estimates close to \$370,000 to be collected in LCFS revenue due to increases in zero-emission bus (ZEB) fleet and mileage.

#### **BACKGROUND/RATIONALE:**

The purpose of this contract is to save on utility expenses upon which the District relies, including telephone/data services, water/waste, and electric and fuel sources (including clean energy sources such as solar and hydrogen). ERC and subconsultant, SRECTrade (a LCFS broker), coordinate on the District's behalf with utility companies and utility oversight agencies.

After receiving Board approval to solicit utility auditing services in May 2018, Finance staff reviewed several qualifying proposals and, with Board approval in February 2019, engaged Eric Ryan Corporation (ERC) to audit the District's billings and assess opportunities for savings.

Staff is pleased with the services provided by ERC and subconsultant and recommends extending the contract.

This is the second contract extension, effective through April 2022. The original contract has three one-year extensions available.

Consultants did thorough reviews of past billings for errors and opportunities to recoup any losses, as well as facilitate future savings by coordinating on the District's behalf with utility companies, such as PG&E, and with regional policy and energy-regulating bodies, such as the California Air Resource Board (CARB).

The review and auditing of bills and financing processes requires collaboration between several District departments as well as coordinated communications with utility companies and utility regulators. Finance staff held regular meetings with staff from Innovation & Technology (for telephone/data monitoring), Maintenance (for water and energy bills), as well as Treasury and Accounts Payable (for record keeping of revenue and expenses related to utilities).

Consultants fulfilled performance expectations and combed through more than 5 years of electronic billings, reaching out to utility companies when necessary to investigate over-billings and checking for the following:

- Best account rates
- Irregular or zero usage accounts
- Correct meter fees
- Tax exempt accounts

In their first year of findings report, ERC commended the District in their review, stating: "AC Transit's thoroughness of ensuring their bills are in good standing is much higher than the standard that we normally see." First year utility audit savings amounted to \$266,155 (\$134,000 telecommunications, \$89,176 water/waste, and \$42,980 electrical).

In their second year, ERC brought on SRECTrade, a subconsultant, to help the District with analysis of solar and zero-emission bus (ZEB) program assets to optimize credit generation in the LCFS program. This was a critical next step in the District's utilization of the LCFS program to generate revenue to offset ZEB program costs.

The LCFS-generated revenue collected for 2020 is estimated to be about \$118,000, and this annual amount should grow substantially in the coming years as the District increases the ZEB fleet.

With the one-year extension of this contract, the District can continue to count on lower and more accurate energy bills as well as bolster a new revenue stream through the CARB LCFS program.

#### **ADVANTAGES/DISADVANTAGES:**

The primary advantage of extending the contract with ERC is to continue to offset utility expenses by leveraging opportunities to reduce costs and generate revenues.

Staff has noted no significant disadvantages.

#### **ALTERNATIVES ANALYSIS:**

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

**PRIOR RELEVANT BOARD ACTION/POLICIES:**

SR 17-192 Utility Bill Auditing Solicitation

SR 17-192a Utility Audit Contract Award

**ATTACHMENTS:**

None

**Prepared by:**

Mary Archer, Acting Budget Manager

**Approved/Reviewed by:**

Chris Andrichak, Chief Financial Officer

Jill Sprague, General Counsel

Richard Oslund, Acting Director of Management and Budget

Fred Walls, Director of Procurement and Materials