

URMT saves Air Force installations millions and wants to assist others in finding potential utility savings

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A team that specializes in scouring installation utility contracts and invoices for possible savings has saved the Air Force more than \$37 million since 2007.

The Air Force Civil Engineer Center Energy Directorate's Utility Rate Management Team (URMT), examines electric, natural gas, water and wastewater contracts and invoices to find different approaches to decrease utility costs and increase efficiency of utility services. In-person meetings also enhanced base-level expertise and facilitated solutions for a wide-range of utility problems by creating an atmosphere of teamwork between civil engineers (CE), contracting squadrons (CONS), the Assistant Secretary of the Air Force for Financial Management and Comptroller, and utility companies.

"I have travelled to over 80 installations since I initiated the program 12 years ago," said Nancy Coleal, AFCEC's URMT Chief. "I enjoy helping utility engineers understand their jobs, working as a team to analyze their contract terms and bills and building relationships with their local utility companies. Plus, I absolutely love the perk of saving millions of dollars for the government and taxpayers."

URMT identified cost-savings opportunities and implemented changes across 74 installations, resulting in \$37 million in savings to date. Most of those savings were achieved without any upfront costs or investments.

"I'm very proud of our team for staying up to date on the latest changes and trends across the country in order to best help our installations optimize utility cost savings," said Dan Soto, AFCEC energy director.

The team utilizes 15 commonly used cost-saving strategies to accomplish these savings, with the following six netting the majority of savings: negotiate new contract terms, correct billing errors, optimize federal power arrangements, switch supply provider, change rate schedules and change customer status.

Negotiating more favorable contracts with service providers has shown to be the most substantial way for installations to increase their utility costs savings. Something as simple as renegotiating a more reasonable, extended payment period before late fees are applied can create huge savings for each base. According to the team, more competitive markets have also created better negotiation opportunities to generate the most cost-effective supply arrangements. Since they began reviews in 2007, URMT has accumulated a total of \$11.85 million in renegotiation savings across 14 Air Force installations.

"Cost savings opportunities involve negotiating new service agreements, evaluating the fair cost of service, and maximizing opportunities created by competitive markets," said Christina Mudd, principal at Exeter Associates, Inc., who collaborates with URMT. "There's no guarantee of savings, but URMT can provide recommendations and support throughout preparations and join you at the negotiation table."

Although uncommon, URMT found billing errors totaling roughly \$6 million dollars for eight installations. Billing errors can include the wrong rates being applied, metering issues, charges that should not apply to military installations or improperly applied credits.

“Air Force installations must be familiar with their utility service contract in order to regularly audit the accuracy and appropriateness of the utility charges they are invoiced,” Coleal said.

For example, at Edwards AFB, California, the team found billing errors extending back 10 years, which resulted in Southern California Edison (SCE) repaying \$3.67 million of taxpayer’s dollars back to the U.S. Treasury.

The URMT can also produce bill projections to explore if switching supply providers would create savings. For 12 installations, switching generated savings of \$5.24 million. Additionally, while it is usually recommended to avoid time-of-use rates depending on the facilities needs and mission critical loads, it can be effective in certain regions. Changing these rate schedules at nine installations saved \$3.5 million in utility costs.

“Many utilities will review your accounts annually to confirm that they’re on the most cost-effective rate schedule,” Mudd said. “Take advantage of this service.”

Another type of account change that brings opportunity for savings is changing the customer status, for example, exploring the criteria for eligibility to become a wholesale customer. Changing the type of account or customer statuses brought in \$1.2 million worth of savings to nine installations.

The team also recommends potential ways to optimize Federal power arrangements, purchases and allocations, which enabled URMT to provide more than \$3 million in total cost-savings for five installations. They also recommend coordinating with the Federal Power Marketing Administrations (PMAs) to inquire about power optimizations that might be available, even if they are not physically connected to the installation.

“Since my support is essentially on-the-job training and staff assistance to CE and CONS, I want base-level utility managers and contract specialists to feel free to contact me anytime,” Coleal said. “Reaching out to me is not something that requires approval from your management.”

The Utility Rate Management Team is available to help installation utility managers reduce their utility costs using these strategies and many others where applicable. They can assist by conducting utility assessments to optimize rates, identify less obvious billing errors, provide technical evaluations, assist with utility procurements and contract negotiations and perform bill simulations to assess how changes will affect future costs. To request assistance from the URMT with evaluations and potential solutions for reducing utility costs and increasing efficiency at an installation contact the AFCEC Reach-Back Center at (888) 232-3721 or AFCEC.RBC@us.af.mil.