

UNIVERSITY OF ILLINOIS
AT URBANA-CHAMPAIGN

Office of the Chancellor
Swanlund Administration Building
601 East John Street
Champaign, IL 61820



June 14, 2011

Dear Colleagues,

The *Stewarding Excellence @ Illinois* Utilities Project Team was asked to review and make recommendations regarding campus utility management practices. The Project Team has provided us with a detailed report and specific recommendations which have aided our analysis and decision making. We thank the Project Team members for their service and contributions to this report. We are also indebted to the Division of Facilities and Services (F&S) for providing useful information and insights, as well as for their diligent efforts and dedication to the campus utility management and conservation efforts. We appreciate the feedback received from the Campus Advisory Committee, the campus community and the general public.

As noted by the Project Team, the University has experienced a tremendous increase in energy costs over the last seven years. In response, we have dedicated ourselves to improved conservation practices, including review and revision of our utility management practices and policies. These efforts have included the creation of the University's Energy Task Force in September 2006, the adoption of an Energy Use Policy in November 2007, and the signing of the American College and University Presidents' Climate Commitment in February 2008. In its 2009 final report, the Energy Task Force reported key findings regarding the University's utility production, distribution and purchases and made recommendations in the following areas: Efficient Energy Use; Reliability of Supply; Cost Control; Facility Investment; and Organization. Similarly, in its May 2010 Climate Action Plan (iCAP), the campus established a detailed action plan for meeting its sustainability and conservation goals.

Because of the concerted and collective efforts of the campus community, we have seen a 17% reduction in energy use since fiscal year 2007. In so doing, the campus took only three years to meet its five-year goal for reduction of energy use set in 2008. These successes have been achieved through a collaborative campus-wide effort on a variety of projects, which F&S has ably led and overseen. Some of the actions that the campus has taken to reduce both our carbon footprint and our energy costs include installing energy metering, providing units with energy use and cost information, retro-commissioning of physical infrastructures to improve energy efficiency, and engaging in other conservation projects. Noting and building upon these successes, the *Stewarding Excellence* Project Team examined the current status of our utilities practices and made seven recommendations for strategies to continue to reduce campus energy costs and environmental impact.

Establish a Campus Utilities Fiscal Oversight Committee and calculate a variable cost incentive pool:

The Project Team recommended that the campus support the ongoing energy conservation projects and encourage new conservation efforts by creating an incentive program that rewards

units for reducing energy costs by allowing them to capture some of the associated savings. Included within this recommendation is the corollary principle that units that see increased energy consumption and costs will have those costs passed on to them. The Energy Use Policy requires the campus to have such an incentive system, but does not identify procedures or program requirements. The Project Team made specific recommendations for the structure of an incentive program, including a proposed formula for establishing and distributing incentive payments. We agree with the Project Team's recommendation to create an incentive program that incorporates these key components:

Incentive payments based on reduction in variable energy costs. Incentive payments will be based on the degree to which a unit reduces the variable costs of its energy use, determined by metered steam, electric and chilled water energy costs as benchmarked from Fiscal Years 2008, 2009, and 2010.

- **Incentive payments will be non-recurring budget adjustments.** Incentive payments will be made from a campus incentive pool and made to units as non-recurring budget adjustments.
- **The incentive program will protect the funding sources of conservation projects.** The incentive program will track the funding source of conservation projects so that savings flow back to the funding source. Savings from unit-funded projects will be reflected in the calculation of the unit's variable costs and incentive payment, while savings from centrally-funded conservation projects will go to the central campus. This practice supports unit efforts and provides campus funds for reinvestment in new conservation projects.
- **Incentive payments must be used for facility purposes.** Incentive payments must be used by the units for facilities-related projects, including equipment purchases, renovations and infrastructure upgrades.

To assist F&S with the operation of the incentive program and to provide campus input into other utilities management practices, the Project Team recommended that the campus establish a campus utilities fiscal oversight committee. This committee would function like the Deans' Budget Committee and provide campus perspectives and recommendations on conservation strategies, including cost effectiveness of investment strategies and operations, and recommend annual incentive pool distributions. We accept and will implement the team's recommendations to create a campus utility advisory committee.

F&S has primary responsibility for preparing utility budgets and utility rate proposals for submission to University Administration. Pursuant to the restructuring that occurred as a result of the Energy Task Force report, University Administration has ultimate review and approval authority over utility rates. A campus committee, however, can play an important role in bringing campus perspectives to F&S, as well as the equally important function of increasing campus understanding of our utility management practices. The effectiveness of any incentive program and our energy conservation efforts as a whole depend upon a high level of campus