



The Solutions Network

Rochester, New York

## Tools, Knowledge, and Expertise for Successful Energy Procurements

A Presentation for Energy 2004

Richard Domaleski, World Energy Solutions CEO



### Attributes of a Successful Procurement: Creating a Win for all Constituents



- Tax-Payers: **Being Fiscally Responsible**
- Client Agencies: **Budget Predictability, Favorable T's & C's**
- Environment: **Meeting "Green" Power Goals**
- Suppliers: **Reducing workload related to procurement; savings passed on to end-users**
- Small, Disadvantaged Businesses: **Opportunity to Compete on a Level Playing Field**
- GSA: **A fair and open procurement, free of protests, that maximizes the number of agencies participating and delivers the lowest pricing available in the market**

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## The Leaders in Energy Procurement for Government



- Ranked Leader, Top IT Outsourcing Vendors in North America, Meta Group (Jan 2004)
- Ranked #1, Systems Integration Contractors, Government Executive (August 2003)
- 289<sup>th</sup> Ranked, Fortune 500, Fortune (April 2004)
- National leader in competitive on-line energy procurements with over 65% market share
- Ranked #1 in On-line energy procurement, Meta Group (May 2002)
- Procured over \$700M of energy on behalf of over 300 customers at 5,500 sites



**State and Federal Success: 15 aggregations, 25 states, \$487M in natural gas and electricity supply contract awards, 5.3B kWh, 15mm dths, 344 MWH renewable**

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## What We Provide Gov't Energy Buyers



**Energy deregulation presents opportunities to lower commodity cost, reduce risk and increase budget certainty. At the same time, Government agencies are being required to do more with fewer resources. The SAIC/World Energy Solutions team has created a unique, customer focused approach to competitive procurement that enables procurement officers to take advantage of market opportunities quickly.**

**SAIC/World Energy only deals with energy commodities and is supplier neutral resulting in a process that ensures customer specific goals are met. The team performs all necessary tasks to make the procurement a success while allowing procurement officers complete control over the decision making process.**

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# Advantages of Performance-Based Contracting



|                                | SAIC/World Energy  | Traditional Procurement Consultant |
|--------------------------------|--|------------------------------------|
| <b>Fee basis</b>               | <b>Pay for Performance</b>                               | Pay for Hours                      |
| <b>Solicitation Experience</b> | Multiple Solicitations Nationwide                        | Limited, Local                     |
| <b>Procurement Method</b>      | Dynamic, Real-Time Electronic Auction with Multiple Bids | Static RFP, Single Bid             |
| <b>Tools</b>                   | Total Energy Supply Management Platform                  | Spreadsheets                       |
| <b>Relationship</b>            | <b>Life of Energy Contract</b>                           | Length of Consulting Contract      |

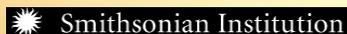
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# The Market Leader in Gov't Procurement



State of Maryland



Procuring over \$500M in electricity and natural gas and winning its clients 4 prestigious awards

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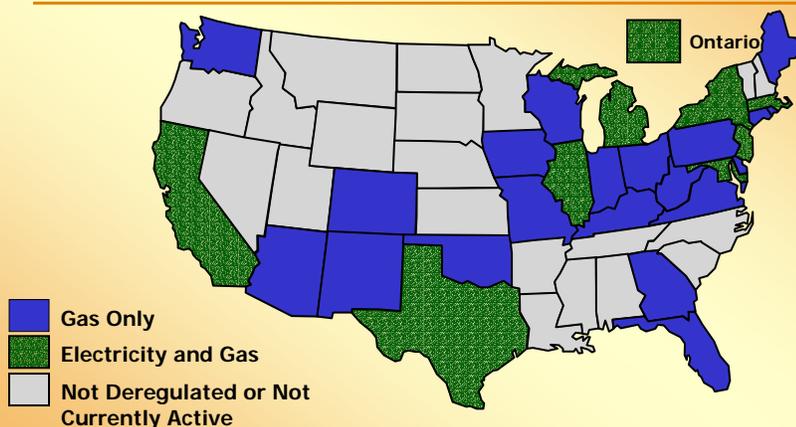
## Industry Leading Expertise with C&I customers



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## World Energy's Experience Spans No. America



Serving over 25 states and provinces,  
behind 100+ utilities, with more than 75 suppliers,  
SAIC/WE has the broadest market coverage

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## Federal and State Customer Results



GSA's Energy Center of Expertise was the first Federal Agency to utilize the team of SAIC and World Energy Solutions.

- **Electricity auction performed for GSA Region 2 customers in April 2001.**
- **1,400 accounts included; 900 accounts served**
- Department of Energy's 2002 Federal Energy and Water Management Award for "E-Commerce Reverse Auction Electricity Acquisition" awarded to the GSA team of: Linda Collins, Mark Ewing, Brian Magden and Rich Butterworth

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## Federal and State Customer Results (Cont)



The SAIC/ WE team has procured over \$487M in electricity and natural gas for Federal and State agencies serving 3,500+ accounts

**Electricity - \$422M in Electricity Procurements (over 5B kWh)**

- **Successfully met client green power goals in MD, NY, NJ & TX with between 5% and 100% green**
  - 8 MWH wind power
  - 336 MWH renewable

**Natural Gas –GSA NGAP - \$75M in Natural Gas Procurements serving customers in 23 states and 60+ utilities**

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## E-Procurement Maximizes Competition



- Running Multiple RFP's for Different Pricing Products, Service Term Lengths, etc Enables Better Decision Making and Optimization of Terms
- RFP Architecture is key for competitive bid dynamics
- RFP Changes can be Made Electronically Significantly Reducing Contracting Officer's Paperwork Requirements Allowing them to Focus on Customer Specific Concerns
- Auction Designed to Favor Customer
  - Fixed End vs Overtime
  - Direct Entry vs Proxy bid

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## Running Multiple Auctions Optimizes Terms...



- Generic Power, Green Power (wind, renewables), Combination
- Fixed, index, component-based, partial-load, and index plus baseload pricing
- 12, 24, 30, and 36 month service terms (and any combination in-between)
- Full requirements or bandwidth contracts
- Small Business Set- Asides or Full and Open Competition

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# ...and Smart Sequencing Maximizes Competition



## RFPs: Start

RFP Number:  Status:  State:  TDM:   
 Customer:  Type:  Utility:

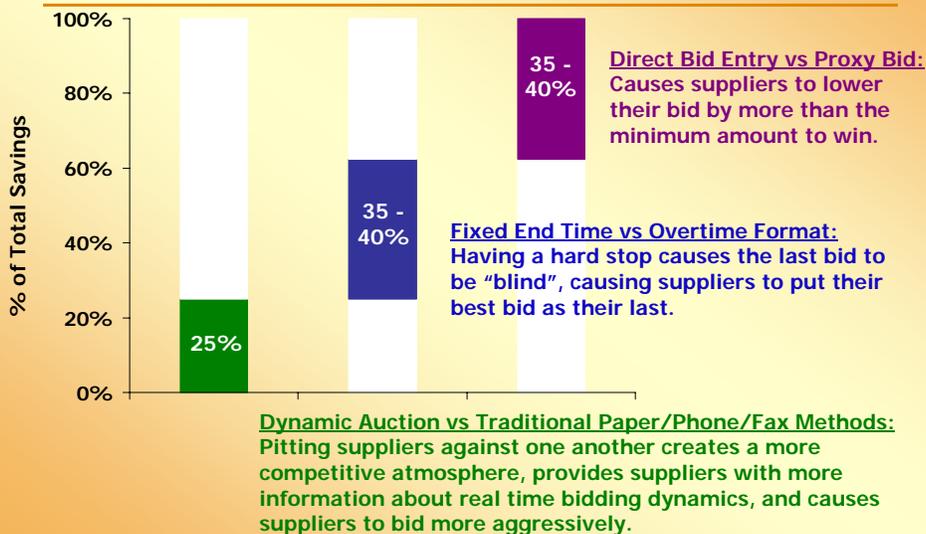
Total RFP Records Found: 46

| RFP  | Type | Customer                                | State | Utility                                | Term | Pricing  | Usage           | UOM | Low Bid | Time Left |
|------|------|---|-------|--|------|----------|-----------------|-----|---------|-----------|
| 1134 | ELE  | Maryland Department of General Services | MD    | Baltimore Gas & Electric Company       | 24   | Fixed    | 379,484,999 kWh |     | 0.05600 | Ended     |
| 1135 | ELE  | Maryland Department of General Services | MD    | Peppo (Potomac Electric Power Company) | 24   | Indexed  | 99,598,315 kWh  |     | 0.01900 | Ended     |
| 1136 | ELE  | Maryland Department of General Services | MD    | Peppo (Potomac Electric Power Company) | 24   | Baseload | 120,927,497 kWh |     | 0.06173 | Ended     |
| 1137 | ELE  | Maryland Department of General Services | MD    | Peppo (Potomac Electric Power Company) | 24   | Fixed    | 99,598,315 kWh  |     | 0.06300 | Ended     |
| 1138 | ELE  | Maryland Department of General Services | MD    | Peppo (Potomac Electric Power Company) | 24   | Fixed    | 42,625,593 kWh  |     | 0.06470 | Ended     |
| 1139 | ELE  | Maryland Department of General Services | MD    | Baltimore Gas & Electric Company       | 24   | Fixed    | 75,355,000 kWh  |     | 0.05400 | Ended     |
| 1140 | ELE  | Maryland Department of General Services | MD    | Baltimore Gas & Electric Company       | 24   | Fixed    | 75,355,000 kWh  |     | 0.05555 | Ended     |
| 1141 | ELE  | Maryland Department of General Services | MD    | Baltimore Gas & Electric Company       | 24   | Fixed    | 8,023,700 kWh   |     | 0.06130 | Ended     |
| 1142 | ELE  | Maryland Department of General Services | MD    | Baltimore Gas & Electric Company       | 24   | Fixed    | 56,487,200 kWh  |     | 0.05480 | Ended     |
| 1143 | ELE  | Maryland Department of General Services | MD    | Baltimore Gas & Electric Company       | 24   | Fixed    | 56,487,200 kWh  |     | 0.05663 | Ended     |

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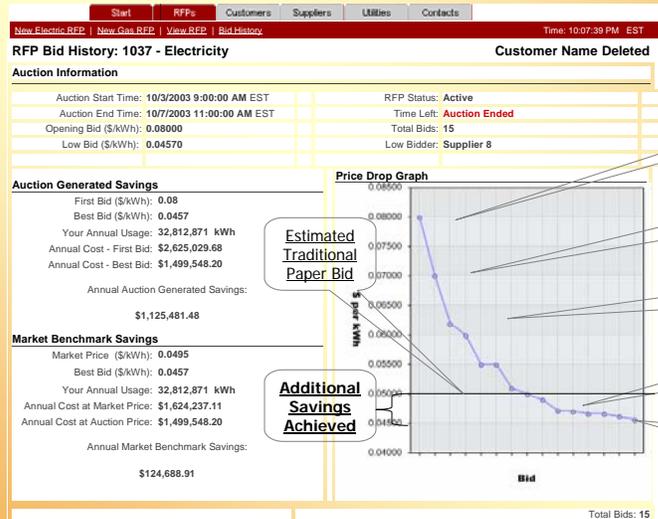
# With Auction Designed to Yield Lowest Price...



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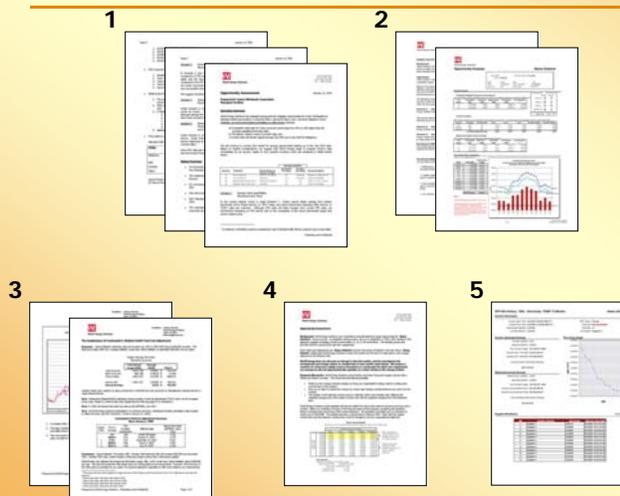
# ... No Other Process Can Deliver a Lower Price



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# Detailed Analysis Supports Decision Making...



1. Market structure briefings
  2. Benchmark price analysis
  3. Market sensitivity analysis
  4. Contract options and analysis
  5. Reverse auction results summary
- ...and other case-specific reports

... and Provides a Complete Due Diligence File

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## Supplier Feedback



### What do suppliers like most about the E-Procurement Process?

- Ease of bidding on Federal contracts
- Ability to see competing bids
- Paperless bids reduce time and cost investment
- Automatic price discovery and instant feedback as to which bidder wins

## Real-time Bidding Results in Lower Prices



Energy suppliers have stated that they incur less investment costs and require less preparation time when our service is implemented. This, coupled with the transparency of the process and real-time pricing information gained through the neutral platform allow them to bid lower prices than would be possible through paper Solicitation bids or BAFOs.

*"The site is brutally efficient at driving the price down to the bare minimum."*

*"This actually works pretty well; I've been pleasantly surprised."*

*"I like the instant feedback as to the competitiveness of my price."*

*"I prefer reverse auctions to paper solicitations."*

*"But, the prices and margins get very tight."*

## Case Study: GSA New York Electric



### APRIL 2001 – Original - Procurement

- Aggregated 1400 accounts; served 900
- Created 18,000 database of account usage
- Segmented loads to maximize savings
- Opened competition to 20 suppliers
- GSA served 7X the number of facilities as previously served and was awarded the Department of Energy's "E-Commerce Reverse Auction Electricity Acquisition" award

### OCTOBER 2004 – Renewal

- Received 200+ bids in six hours of auctions
- Awards made for between 10% and 100% green power serving UN, Red Cross, Homeland Security, EPA, Social Security Administration, Smithsonian and GSA facilities
- GSA was awarded the 8<sup>th</sup> Annual Environmental Award in the Green Power Procurement Category

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## Case Study: NGAP Gas 2002 through 2003



- Purchased natural gas for 300+ accounts in 24 States between July 2002 and October 2003
- Re-wrote existing supply Solicitation in favor of customer protective terms and provided consulting services on how to implement and market a national gas purchasing program
- Modeled tariffs and utility rules for over 60 utilities and various rate classes

### Result

- Over 1000 bids submitted by 40 qualified suppliers
- Increased the number of serving suppliers from 2 to 18
- Fixed price, Index Plus Baseload, and Full Index awards made
- Seventeen different Federal Agencies Served including: EPA, UN, FAA, TSA, GSA, USDA, VA, BOP, and National Archives
- Over \$50M in annual usage now managed by NGAP

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## Case Study: MDGS Electric March 2004



- Directly marketed to Universities and other Agencies on Maryland Department of General Services (MDGS) behalf
- Created 26,000 line database of account usage for suppliers
- Aggregated accounts in six rate classes and two utilities
- Segmented loads into 36 RFPs to maximize savings
- Received over 320 bids in six hours of auctions
- Accomplished in less than 6 weeks of contract award

### Result

- Received 100 MWH of green power at no price premium
- 9 State Universities and MSA facilities given the option to accept or decline pricing – 7 accepted 24-month award terms
- Lowered rates by an average of 10.6%
- Awards made serving 664 accounts
- Estimated cost avoidance savings of \$11.6M over life of contract (24 Months)

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## In the Customers' own words...



*"World Energy's process saved our building owners \$3,000,000."*

- John Poblocki, Grubb and Ellis

*"SAIC/World Energy helped us to package our load to attract the most suppliers and minimize rates. We are very happy with the process and the results."*

- Brian K. Magden, GSA NY

*"We are very impressed with their market knowledge, expertise, and ability to deliver great results. Working with World Energy was key to my winning three prestigious Department of Energy awards."*

- Linda Collins, NGAP

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## Summary: What it means for Energy Buyers



- Worst Case – Government clients receive consulting services, tariff analysis, market analysis, supply Solicitation language enhancements and competitive price benchmarks at no cost
- Best Case – Government clients make awards to suppliers for the exact contract terms it specifies at low prices not achievable through a static paper pricing process.
- Unlike traditional consultants working under a T&M basis, the SAIC/World Energy team is there through the life of the contract to assist with any performance, billing, or contractual issues.

## Contact Information



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**Thank you**