


Commonwealth of Massachusetts
**DEPARTMENT OF HOUSING &
COMMUNITY DEVELOPMENT**

Mitt Romney, Governor ♦ Kerry Healey, Lt. Governor ♦ Jane Wallis Gumble, Director

Public Housing Notice 2006 - 03

MEMORANDUM

TO: All Local Housing Authorities
CC: Tom Connelly
FROM: Marc A. Slotnick 
SUBJECT: Contracting Now for Electricity and Gas Supplies
DATE: April 5, 2006

Because energy costs have risen dramatically over the past few years, supplementary budget funding has repeatedly been necessary to cover unanticipated increases. This winter utility bills have reached new heights for housing authorities. Mass NAHRO and several authorities have sought our advice regarding long-term contracts for energy supply. Until this year however, DHCD was unwilling to make wide scale recommendations about energy purchases, primarily because the standard offer which expired last year was a very reasonable choice for LHAs purchasing electricity, which represents the majority of the utility expenditures in the portfolio (\$35 million of \$60 million in 2005).

Now the long term upward trend in energy costs, the price volatility due to world crises and extreme weather and the expiration of the standard offer have coincided to change significantly the energy market today and for the foreseeable future.

Urgent request

Furthermore, Governor Romney's House 2 Budget for FY 07 recommended fully funding energy costs assuming a 7% increase in utility expenditures without using a supplementary budget. As a result of this fiscal support we are able to request that all housing authorities immediately seek to purchase energy supply contracts for at least the next year, if possible before July 1, the start of state FY 2007. To accomplish this, we are recommending an approach which the Energy Conservation Committee and the Housing Committee of MassNAHRO both strongly support and which offers immediate access to already vetted and negotiated contracts which hold promise for significant value.

Power Options®

Specifically, we request that each LHA that has not entered into energy supply contracts for their electric and gas utilities join the Power Options purchasing consortium established by the Massachusetts Health and Educational Facilities Authority (HEFA). HEFA is an independent public authority established by the Legislature to facilitate cost-effective financing for capital projects of nonprofit institutions in Massachusetts. In 1996, HEFA formed Power Options, an energy group purchasing consortium that arranges energy supply contracts for both non-profits and public entities.

Power Options conducts competitive supplier procurements and continuously monitors markets and reviews performance to assure competitiveness and value to its membership. Joining Power Options will allow you, but not obligate you, to avail yourself of its competitively procured contracts. Over 20 housing authorities and a wide variety of nonprofits including public entities such as the City of Worcester, City of Newton, City of Lowell, University of Massachusetts System campuses, University of Massachusetts Medical Center and School, and the Bureau of State Office Buildings have already joined this consortium. Several others have pursued and entered into gas and electric supply contracts directly with other energy suppliers.

Reimbursement and next steps

DHCD has reviewed the Power Options energy supply contract and approved it with the addition of a public housing rider. In support of the recommendation to join, DHCD will reimburse authorities for the Power Options membership fee, even those authorities which have already procured energy supply. However, if you chose not to join Power Options, you will need to submit to DHCD the contract and background information on any supplier(s) you select for our review and approval.

This letter will be followed up by a letter from Power Options describing the separate membership and contracting process. To participate, you will be asked to send completed membership applications to Power Options along with physical copies of recent billing statements for each of your electric and gas accounts. Authorities which cannot provide bills easily or that have more than 25 accounts should attempt to send the largest usage electricity accounts first (i.e. – G3, B7, G2). New or missed accounts may be added at any time, but the largest accounts will have the most impact on prospective savings. Once the membership is established, Power Options will assist in reviewing and executing purchase contracts.

Power Options' staff and consultants can also assist authorities unfamiliar with purchasing energy supply and we encourage you to schedule a time to review procedures, contract terms and pricing options. Authorities may execute Power Options contracts and lock in rates, without further approval by DHCD, when utility budget targets are met and the housing authority rider is attached.

Energy Information System coming

In addition, DHCD is creating an Energy Information System (EIS) integrating building characteristics and utility data which is electronically available on a regular, ongoing basis directly from the utilities. This system, which will also include water, sewer and oil data, will enable us to better oversee utility expenses by developing baseline usage data for planning conservation improvements, monitoring and verifying energy usage throughout the public housing portfolio, tracking utility expenses and generating spending projection budgets and financial reports, identifying spikes in order to correct the cause and tracking greenhouse gas emission reductions.

To facilitate the creation of this database, please cooperate with our consultants, the Northeast Energy Efficiency Council and Peregrine Energy Group, by providing copies of bills and other building information when they contact you in the future. We realize that our requests like this one for data can be burdensome, and we want you to know that we appreciate all of your efforts to fulfill them. Nearly always the data has been requested by a legislative committee or the Administration to support a position of DHCD that state aided public housing has or can provide significant value or has certain compelling funding needs. Thank you for helping support our efforts to articulate and promote the essential safety net role and the subsidy and capital needs of the public housing you operate.

Thanks

We sincerely appreciate your past energy conservation initiatives and thank you in advance for accelerating your efforts to bulk purchase utilities by joining Power Options this spring or taking other steps in the next few months to procure energy contracts to reduce your heating and electric expenditures next season . Doing so will result in enormous benefits to your LHA and indeed all LHAs over both the short and the long term.

For more information regarding Power Options please contact Wendy Lee at (617) 737-8480. For more information about the Energy Information System please call Bruce Siegel of the Bureau of Housing Management at (617) 573-1235.