Meeting Complex Demands with Flexible Solutions

Case Study | OCM BOCES/Hess Energy

Summary

OCM BOCES is a large and growing organization in central New York that represents area school districts in purchasing their energy. After working with a consultant and putting their program out to bid, the organization not only renewed with Hess for their natural gas needs, but also decided to work with the company as their electricity provider.

Despite the challenges posed by OCM BOCES’ unusually large load requirement and new vendor bidding process, Hess Energy has been able to deliver flexible energy solutions that accommodate the client’s changing needs. Hess offers the size, stability, and market intelligence tools to respond properly to OCM BOCES’ bid and meet its load demands. In addition, Hess helps the organization track market prices to lock in low rates and advises school districts on when to join the purchasing consortium. For OCM BOCES, the result of partnering with Hess Energy has been significant savings for participating school districts.

Customer Overview

Serving local school districts for more than 60 years, OCM BOCES is an educational support organization located in Syracuse, New York. Short for Onondaga-Cortland-Madison counties Board of Cooperative Educational Services, OCM BOCES is a publicly funded entity that provides its member school districts — called component districts — with administrative services and instructional support for teachers and administrators. It also operates the districts’ special education, career and technical education and adult education programs. The OCM BOCES Energy Services Department serves 170 school districts and municipalities, with additional school districts able to enlist its services at any time.
One of OCM BOCES’ most essential administrative support services is its Energy Services Program, which acts as a purchasing cooperative allowing school districts to save on energy costs — and therefore dedicate as much of their budgets as possible to educating students. Specifically, OCM BOCES provides the following energy services for its members:

- **Bid preparation:** OCM BOCES’ Energy Services Department solicits bids on electricity and natural gas services on behalf of its participants.

- **Cooperative energy purchasing:** Once the bidding process is complete, OCM BOCES purchases energy on behalf of its consortium of school districts. To that end, it performs the following duties:
  - Reviews the bids
  - Selects the most responsive low bidder or bidders
  - Performs research on current and future energy markets to determine the optimal time to sign energy contracts and for how many years to lock in rates
  - Negotiates contract terms with vendors
  - Advises municipalities and school districts of the most economically advantageous time to join the consortium

- **Account management:** OCM BOCES’ Energy Services Department monitors the accounts of all its members — approximately 2,000 individual electricity and natural gas accounts — to ensure there are no billing errors. It handles payment of all utility and supplier bills, and serves as a liaison between the utility companies, energy suppliers, and participants.

“The districts have been thrilled. We lowered natural gas costs significantly since the last contract and even electricity prices have dropped. . . . They can spend that money on educational programs.”

– Kathy Carmen, Coordinator of Energy Services, OCM BOCES
The primary benefit to participants is cost savings. By locking in the best prices possible for electricity and natural gas contracts, OCM BOCES offers participants substantial savings over the term of those contracts. When it comes time for school districts to set their annual budgets, they can do so knowing what their energy expenditure will be.

**Operational Challenges**

The size and variability of OCM BOCES’ consortium present the biggest challenges for the organization, particularly with regard to meeting its energy supply needs. The 170 school districts and municipalities that currently compose the energy purchasing cooperative require a large electricity and natural gas load — larger than some suppliers have been able to accommodate in the past. And as school districts throughout central New York continue to join the consortium, this demand for energy will only grow.

Fluctuations in membership also create a number of challenges for OCM BOCES. To fulfill its mission of offering cost-saving support to area school districts, OCM BOCES allows them to join its Energy Services Program at any time. But with this flexibility comes frequent variations in energy demand, which have burdened previous suppliers. It also presents administrative challenges, as frequent changes in the number of accounts can create complex billing demands. Finally, as districts attempt to cut costs by consolidating facilities and shifting building usage, its vendors must keep pace, supplying energy wherever and whenever needed.

As a taxpayer-funded entity whose procedures are governed by municipal law, OCM BOCES implemented several changes to its most recent bidding process to reflect the transparency and accountability it requires:

- OCM BOCES worked with a consultant for the first time to enforce transparency and ensure that bids were submitted according to the organization’s specifications. Vendors were accountable to the consultant at all stages in the bidding process.

> We have grown to the size where we are a potential risk for some of the smaller vendors out there in the market. . . . One of the things we really need to look at is making sure that we have somebody that is able to meet the needs especially as we continue to expand. . . . Hess is very flexible in shifting that load for us so that we can accommodate everybody that needs to be accommodated one way or the other.”

— Kathy Carmen
To justify expenditures and better align decision-making with its mandate to select the most responsive low bidder, OCM BOCES required all vendors to **tie their quotes directly back to market pricing**. Vendors therefore had to provide clear and accurate market intelligence to explain the figures included in their bids. Then, in order for the winner to secure the bid, that vendor had to supply market intelligence to account for any difference between the price originally quoted and the price at the time the contract was signed.

Vendors were required to **submit bids for multiple components**. For example, OCM BOCES’ Energy Services Department operates within two utilities, so vendors needed to submit bids for both utilities. They were also required to bid on single- and multiple-year terms, as well as on each service classification relevant to OCM BOCES’ needs. In short, vendors had to bid the entire consortium to qualify for consideration.

While these changes have been in the best interest of districts, they’ve narrowed the pool of potential suppliers by placing new demands on bidding vendors.

**Solutions**

While the documentation and transparency required for the new bidding process implemented by OCM BOCES prevented some vendors from submitting complete and tenable bids, Hess’ responsiveness to the bid provided OCM BOCES with a viable option for its energy needs. The company bid on all components required, including both of the utilities in OCM BOCES’ region, all relevant service classifications, and single- and multiple-year terms. The bid was submitted in a timely fashion and with data to tie all quoted figures back to market pricing.

In addition to its responsiveness, Hess offered OCM BOCES competitive pricing for both natural gas and electricity — backed by market data to justify the figures — which is especially vital to financially strapped, publicly accountable school districts.

“Some of the other benefits that Hess gives us besides just supplying the energy is their market intelligence — talking to us about where they think the market is going to be in the future so that we know what kind of contract term to really look at and focus on. . . . We refer to Hess all the time to make sure we’re adding people at the right time.”

– Kathy Carmen
After having worked with small vendors that struggled to meet its unusually large energy load, in this round of bids OCM BOCES looked to partner with a large provider that could handle a high level of energy demand. As one of the largest energy providers in the Northeast, Hess offered the size and stability to meet OCM BOCES’ needs now and in the future as more school districts join the consortium.

To fulfill its mission of allowing school districts to join the Energy Savings Program whenever they choose, OCM BOCES requires flexible energy solutions, and Hess built flexibility into its offerings. For example, Hess allows OCM BOCES to add participants and facilities at any time during the course of its contracts. Despite the administrative complexity of billing a large and fluctuating number of accounts, the Hess Account Manager worked closely with the billing department to help staff better understand the nature of OCM BOCES’ operations, resolve all issues associated with their unique billing requirements and maintain open communication with OCM BOCES so questions are resolved as soon as they arise.

The extensive market intelligence provided by Hess has allowed OCM BOCES to make informed purchasing decisions that align with its cost-saving mission. After winning the most recent bid, Hess set itself apart from other vendors by supplying clear, accurate data to explain the difference between the price it originally quoted and the price at the time the contract was signed – transparency OCM BOCES required of the winning vendor. Hess also supplies ongoing market intelligence about current and projected energy prices, which OCM BOCES employs to monitor the market and lock in prices for set term lengths. Access to market intelligence also allows OCM BOCES to notify districts of the optimal time to join the Energy Services Program so they can secure the lowest prices possible. As the organization adds accounts, the Sales and Operations teams at Hess provide guidance on the best prices and terms to lock in based on market conditions at that time.

“I’ve had districts say to me, ‘You’ve just saved me so many teaching jobs.’”

– Kathy Carmen
Results

By far the most significant benefit OCM BOCES has gained from its partnership with Hess is bottom-line savings. Both natural gas and electricity costs have dropped so significantly for school districts that administrators setting their budgets often believe they’ve overlooked a portion of expenses. Those savings can then be applied directly toward educational programs for students.

OCM BOCES’ ability to look ahead at the energy market has offered school districts predictability in budgeting despite the uncertainty of broader economic conditions. When signing its natural gas and electricity contracts, OCM BOCES used Hess’ market intelligence to determine that a three-year term would offer the most savings for the consortium, keeping energy costs stable for districts over that term. Participating districts are now able to set their budgets much further out than if they had not locked in a low rate with Hess through OCM BOCES.

As OCM BOCES grows to represent the interests of more school districts and students, its partnership with Hess Energy continues to grow in depth and vitality. OCM BOCES is able to fulfill its duties to educators as a direct result of working with a large, stable supplier that can meet the challenges of bidding on and supplying energy and support to such a large and complex consortium.

“Hess is a really good partner for us because they accommodate anything we really need from them. They came with market transparency on the bid. They understand what our obligations are as far as bidding goes. They’re flexible with our needs. They give me the market insight that they have as to where the market’s going and the length of the contract term we have. They just really understand what school districts in our state are up against.”

– Kathy Carmen

For more information about what an energy supplier can do for your organization, take advantage of a complimentary consultation with one of Hess’ knowledgeable experts by contacting us at energy@hess.com or 1.800.HESS.USA.

For additional tools and information to help manage your energy consumption and spend, visit Hess Energy’s Learning Center.