

SCOPE STATEMENT

Energy Conservation: Evaluating Energy Conservation Measures Taken by State Agencies, Universities, and School Districts

In April 2000, legislation was enacted (K.S.A 75-37, 125) to allow state agencies and political subdivisions to enter into contract or lease-purchase agreements for energy conservation measures. Those measures can include energy studies, audits, improvements, or equipment designed to provide energy and operational cost savings. State law further specifies that cost savings resulting from these measures should be at least equivalent to the amount expended over a period no longer than 30 years after the date the improvement is installed or becomes operational.

Before signing an energy conservation project contract, state law requires that state agencies provide copies of these conservation plans to the Kansas Corporation Commission (KCC) for review and approval. State law also requires that those plans must be prepared by an engineer licensed to practice in Kansas. According to KCC officials, school districts would need KCC approval for projects submitted through its facility conservation improvement program but not for other conservation projects.

Legislators have expressed concerns about the oversight of these energy conservation measure projects including how plans are evaluated and how engineers and contractors involved in these projects are selected. Moreover, legislators have expressed interest in knowing what type of return on investment energy conservation projects have achieved.

A performance audit in this area would address the following questions:

- 1. Are energy conservation plans being reviewed and approved according to state law?** To answer this question, we would review state law to determine what types of energy conservation projects are required to be reviewed and approved by the Kansas Conservation Commission (KCC), and under what conditions. We would also review these statutes to identify any oversight requirements placed on the KCC or other local authorities related to energy conservation projects. For projects within the KCC's jurisdiction, we would interview commission officials to determine their process for identifying, reviewing, and approving energy conservation projects. For projects outside of the KCC's jurisdiction, we would interview university or school district officials to determine what type of oversight those projects receive. In both cases and for a sample of projects, we would compare statutory requirements related to project oversight to the actions currently taken by the KCC and other relevant local authorities to ensure that state requirements were being met. We would perform additional work in this area as necessary.
- 2. Are the engineers and contractors who develop and implement energy conservation plans selected in a way that helps ensure the best value for the state?** To answer this question, we would review statutes to identify requirements related to selecting engineers used to develop energy conservation plans or contractors who implement them. We

would also review procurement best practices relevant to ensuring bids are competitively and fairly priced. We would work with Office of Facilities and Procurement Management officials to determine how the procurement process for contractors is designed and what criteria are used to award the contract. For a sample of projects, we would work with agency officials to determine how and why they selected the engineer that developed their energy conservation plan. Based on that cumulative information, we would determine whether the processes used to select energy conservation engineers and contractors meet statutory requirements and help ensure the best value for the state. We would perform additional work in this area as necessary.

- 3. What return on investment have state agencies and school districts achieved through recent energy conservation projects?** To answer this question, we would determine the total annualized cost for a sample of projects including bond costs, interest, lease expenses, and ongoing operational costs related to energy conservation projects undertaken under K.S.A. 75-37, 125 (Our sample would include projects undertaken by state agencies, universities, and school districts). For that sample, we would work with agency officials and contractors as necessary to determine annualized energy savings that have resulted from the conservation project based on available data. We would compare the annualized cost of the project to the annualized savings to determine each project's return on investment. Based on that current information, we would also try to project whether selected projects appear to be on target for achieving savings that are equivalent to the projects costs within the time period required by state law. We would perform additional work in this area as necessary.

Estimated Resources: 3 LPA staff

Estimated Time: 5 months (a)

(a) *From the audit start date to our best estimate of when it would be ready for the committee.*