



WAGNER COLLEGE

How New York's Wagner College used Reverse Auctions to Drive Down Energy Costs

| Situation |

Wagner College is a private, co-educational, liberal arts college in the New York City borough of Staten Island. Founded in 1883, the college has an enrollment of approximately 2,500 students.

| With Change, Comes Opportunity |

In mid-2015, the College recruited Christian Miller, a new Director of Campus Operations. Miller is a veteran facilities executive with deep experience in institutional and operations management. After on-boarding quickly, he did an initial assessment of the current operation. Specifically, he looked at contracts for goods and services and ways in which he could reduce costs for the college without incurring risk. As part of this process, the Business Office at the college introduced him to E&I Cooperative Services, a not-for-profit purchasing cooperative serving the education sector.

Miller's initial analysis of his campus operations revealed that the College's utility contracts were coming to the end of term and would need to be replaced. This led to discussions around goods and services that could be sourced through the Cooperative to reduce costs. As Graham Smeilus, E&I Member Relations Executive (MRE) recalls, "Christian asked all the right questions in those early meetings and was very focused on gas and electricity, which represent a significant portion of the campus's operating budget. I immediately thought of our reverse auction program, which had shown great success with other member institutions we work with." Miller had prior experience with reverse auctions and saw the potential value straight away.



PROJECT PROFILE

Institution: Wagner College
Location: New York
Founded: 1883
Full Time Enrollment: 2,500

Project Background: Wagner College is a private liberal arts college in Staten Island, New York.

In mid-2015, the college recruited Christian Miller, a new Director of Campus Operations. One of Miller's early goals was to assess campus operations and determine ways in which he could reduce operating costs.

As part of this effort, Miller brought in E&I Cooperative Services. E&I is the leading member owned, national purchasing cooperative for education. Miller was interested in learning about E&I's solutions for energy procurement, and was subsequently briefed on the Cooperative's reverse auction program.

Within a few weeks, E&I and its energy partner PRX Energy helped Miller develop a detailed specification for both gas and electricity. Reverse auctions were scheduled for each of the commodities and a selection of suppliers were invited to participate.

| Key Benefits |

The auctions took place online with the Wagner/E&I team assembled at an office on campus. The resulting savings for electricity totaled \$126,000 or 14% per year based on Wagner's historical usage. Savings for natural gas totaled \$56,000 or 15% per year based on historical usage. Wagner College is thrilled with the savings and will look to do additional reverse auctions moving forward.



Savings for electricity amount to \$126,000 or 14% per annum based on historical usage.”

| The Unique Nature of Energy Auctions |

Smeilus introduced Miller to E&I’s reverse auction partner Procurex and more specifically to energy consulting firm PRX Energy. Miller held discussions with PRX’s Gregg Shively to assess terms, risk, process, market conditions, and more. “Geographic location and size can be big drivers in how any reverse auction works,” states PRX’s Shively, “but especially so when it comes to utilities. Our analysis of the energy market in New York City at that time showed there was real competition and significant savings potential. We talked about working with other schools in the region to do a much larger group purchase, and that’s something we will continue to look at longer term.”

| Selling the Concept at Leadership Level |

Christian Miller took the reverse auction concept to leadership at Wagner College and gave them an indication of the kind of cost savings that could be achieved. This led to a leadership discussion with Gregg Shively where the Wagner executive team was able to get a better understanding of risks they were facing in their energy budget, opportunities that existed to secure cost savings, the process that would be used, and potential cost savings. Wagner had not used reverse auctions in the past but the executive team gained confidence in their discussions with PRX and gave Miller the green light to proceed.

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| Invitation to Participate, and the Process |

Mr. Shively and the PRX team then worked with Wagner’s billing department to get an accurate snapshot of the college’s utility spend date for the last several years. PRX structured a purchase plan for Wagner focused on their unique budgetary requirements and usage and created a formal Request for Proposal document to obtain indicative price quotes from the region’s top natural gas and electricity providers. This would help confirm the potential size of the savings opportunity.





“Savings for natural gas amount to \$56,000 or 15% per annum based on historical usage.”

PRX invited 6-8 of the most competitive suppliers to participate in each of two auctions (natural gas and electricity), which were conducted online. Each supplier came to the auction with an indicative price that was in every instance lower than what the institution was currently paying. Both auctions kicked off promptly at an assigned time and were completed in 15-20 minutes. Suppliers started to bid down in increments from their indicative price and reasonably quickly the field narrowed to two or three suppliers. PRX’s Gregg Shively says this is fairly typical of the reverse auction process in which the most competitive suppliers battle it out in the late stages to win the business.

Once the auction process ended, suppliers were notified of the winning bids and the award process was then initiated. Miller recalls how he and Shively had been calculating the savings on-the-fly as the auction process unfolded. “I think it’s fair to say that our leadership team was a little incredulous,” he recalls. “Primarily at the amount of the savings but also at the relative ease of the process. I probably had some sense of what to expect but the first time you see it is a real eye opener.”



| Award and Savings Realized |

Savings for electric versus the previously contracted rate amounted to \$126,000 per year or 14% based on historical usage. With a 22 month term, total savings over the life of the contract are anticipated at just over \$230,000.

For natural gas, savings versus the previously contracted rate amounted to \$56,000 per year, or 15% based on historical usage.

“We’re just at the beginning with this thing and we’ll be looking to see how else we can effect cost savings using reverse auctions.”

Total savings for the calendar year amount to \$182,000, a significant dollar amount for an institution of Wagner’s size. “This is a really significant saving for Wagner College,” states Christian Miller. “That amount of money can be redeployed toward other critical applications. For example, it could fund necessary but costly maintenance of our heating and air conditioning systems or it could be used to cover a couple of salaries. We’re just at the beginning with this thing and we’ll be looking to see how else we can effect cost savings using reverse auctions, among other things.”

(cont’d)

| Conclusion, and Looking Ahead... |

In total, Christian Miller estimates that the whole process on the day of the event took four hours. This includes preparation for both energy auctions, the actual auction event, award of the business, and contract review, edits, acceptance, signature and finalization. Developing a spec and preparation ahead of the event took about four hours in total, something Miller says was helped by the excellent historical records kept by the College Business Office.

In the days following the award, PRX and Wagner corresponded with the utility companies to establish cut-over dates and process and the College has been up and running since November 2015. Mr. Miller envisions doing more reverse auctions in the near future and will seek to band together with other local schools and universities to drive economies of scale.



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