



# *CITY COUNCIL AGENDA REPORT*

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MEETING DATE: MAY 17, 2004

ITEM NUMBER:

**SUBJECT: UTILITY BILLING AUDIT AND CONTRACT APPROVAL**

**DATE: MAY 6, 2004**

**FROM: FINANCE DEPARTMENT /ADMINISTRATIVE**

**PRESENTATION BY: MARC R. PUCKETT, DIRECTOR OF FINANCE**

**FOR FURTHER INFORMATION CONTACT: COLLEEN O'DONOGHUE, (714) 754-5219**

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## **RECOMMENDED ACTION**

Award contingency fee contract for a “utility bill” audit to Utility Cost Management LLC for the purpose of finding unclaimed utility refunds and credits owed to the City.

## **BACKGROUND**

Utility Cost Management (UCM) is in the business of helping their clients reduce utility expenses by identifying billing errors on electricity, gas, telephone and garbage bills for large commercial and public clients, and obtains refunds and future cost reductions on these utility bills.

UCM analyze billings to identify charges that do not comply with the statutes, ordinances, California Public Utilities Commission (CPUC) decisions, California cases that affect their client’s utility charges, and regulations that govern utility services in California. If utility overcharges are discovered, UCM takes all the necessary steps to recover refunds and generate ongoing savings. The City’s utility accounts to be reviewed will include electricity, gas, water, garbage and telephone.

UCM has analyzed utility costs for public entities in California for the past five years under the State of California Utility Bill Auditing Program (through the Department of General Services Master Service Agreement). In a statewide search for capable utility auditing firms conducted by the California Department of General Services, UCM received the highest point total of any bidder. UCM’s diverse client list of large utility users throughout California includes some of the following: school districts, universities, cities, State agencies, water districts, prisons, hotels, hospitals, etc. In total, UCM has secured over \$25 million in refunds and savings for about 550 clients.

## **ANALYSIS**

UCB operates on the contingency fee basis. Therefore, if no refunds or credits are discovered, there is no charge for their service. However, if UCM discovers through their audit any unclaimed refunds or credits owed the City, UCM and the City each share 50% of those savings. The benefit to the City is that the City may recoup revenue that would have otherwise been lost.

UCM takes all necessary steps to implement recommended changes and collect refunds for past overcharges and negotiates with utility authorities to ensure that refund calculations are acceptable and are paid to the City in a timely manner. Once a rate change or a refund has been approved, they will notify the City of the development. If UCM believes a utility provider has unfairly denied any refund request from the City, UCM has the option of appealing such decision to the CPUC or other regulatory authority.

The agreement commences on the first day of the calendar month after both UCM and the City sign the agreement.

**FISCAL REVIEW**

UCM will receive no compensation unless the City receives refunds or ongoing savings as a direct result of UCM’s utility audit. The City will receive a 50% share in the refund or credit should UCM discover credits, refunds or realize per-unit reductions in utility charges due the City.

**LEGAL REVIEW**

The attached professional service agreement has been reviewed and approved as to form.

**CONCLUSION**

In conclusion, it is recommended to Council that the City contract with UCM for the performance of a utility bill audit on a contingent fee basis.

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