

When the State authorized the deregulation of the natural gas market in Connecticut in 1996, towns were eager to tap into potential savings that could be realized from the infusion of competition into the marketplace, and to take a proactive stance towards controlling their energy costs. But given that municipalities historically did not have a choice in natural gas suppliers, and simply made payments to their respective utility companies based on established rates, they were apprehensive about entering this complicated market alone. Moreover, in order to capture the most attractive price offerings from interested marketers, who could now be contracted with to secure the commodity on the towns' behalf and arrange for interstate transportation to the city gate or distribution point, they needed buying power beyond what a small or medium-sized community could assemble alone.

In 1998, the Town of West Hartford's facilities manager pitched the idea of having the Capitol Region Council of Governments (CRCOG), Connecticut's largest regional planning organization (which serves as a voluntary association of municipal governments, including the City of Hartford and 28 surrounding suburban and rural communities), institute a pilot program for cooperative natural gas procurement. It was believed that such an effort was a natural extension of the agency's current work program, as the missions of its Purchasing Council and Municipal Services Committee were to help towns save tax dollars and operate more efficiently. That pilot program was initiated in the fall of 1998, and seven years later, has evolved into the largest municipal natural gas cooperative in the State. It has generated more than \$650,000¹ in savings for the participants, and stands as a premier example of the power of inter- and intra-governmental cooperation.

¹ Savings calculations for the completed 2003-2004 fiscal year are still in process, and are therefore not included in this figure.

ICMA Program Award Nomination For CRCOG's Natural Gas Procurement Consortium

Much of the group's success can be attributed to its team-building strategy. At the outset, a committee comprised of interested communities' purchasing agents and facilities managers was created to provide direction for the pilot program, which initially attracted ten communities, ranging from the Capital City of Hartford (pop., 124,387) to the rural community of Canton (pop., 9,143). The committee immediately recruited the help of a planning specialist in energy programs from the State's Office of Policy and Management, who had initiated a similar natural gas purchasing program on behalf of a handful of state agencies just a short time before. His wealth of knowledge helped the group outline the pilot's scope, guided the creation of the Requests for Qualifications and Pricing Proposals, and proved invaluable at contract negotiation time. He remains an active Committee member to this day and provides technical assistance on a range of issues, offering updates on related regulations, market trends, and industry developments.

In addition, in order to create a viable natural gas pool, both in terms of aggregate volume and load profiles (i.e. monthly gas consumption patterns), CRCOG formed a strategic alliance with the Capitol Region Education Council (CREC). Through this regional education service center, which covers thirty-five member school districts, schools were invited to add their heating and cooling needs to the mix of town halls, libraries, community and senior centers, public safety complexes and Water Pollution Control Authorities that would be eligible to participate in the cooperative on the "town side". A purchasing manager from CREC also volunteered to serve on the Committee.

The Committee was formally empowered by the members of the collaborative, via signed participation agreements, to both select a supplier who could guarantee the uninterrupted supply of natural gas to enrolled accounts and to negotiate the terms and conditions of resulting contracts. This concentration of decision-making authority was

critical for moving the selection and award processes forward in a timely fashion, given the volatility of the energy futures market. And it also helped the Committee members take ownership of the process. Having volunteered countless hours of their time, they were unlikely to abandon the process as contracts expired and each new recruitment phase of membership began. In fact, since the program's inception, only those Committee members who have left the employment of their respective jurisdictions are no longer involved, and over time, new representatives have actively been recruited for service. Moreover, the Committee's longstanding commitment has enabled its members to cultivate expertise in their own right, and their feedback has guided systematic changes to the program in the years since the pilot.

Today the program is in its fifth contracting phase and represents 35 separate entities across twenty-two small, medium and large jurisdictions, including: Avon, Bloomfield, Bristol, Canton, Cheshire, East Granby, East Hartford, Farmington, Glastonbury, Hartford, Manchester, Meriden, Middletown, Newington, Plainville, Rocky Hill, South Windsor, West Hartford, Wethersfield, Windsor Locks, CREC and CRCOG. As a result of their membership in the cooperative, participants have not only saved tax dollars, but have become more informed decision makers and now possess the skill set to actively and efficiently manage their natural gas accounts—a stated program objective.

The key to fostering this technical expertise, as well as recruiting and retaining members, was the inclusion of a formal educational component of the program. These activities, which often included input from industry experts, took the following forms: (1) general informational sessions to explain the benefits of the program and define the responsibilities of all involved parties; (2) the production of a resource guide entitled "Cooperative Natural Gas Procurement: A Guide for Interested Communities and

Agencies"; (3) orientation sessions and site-visits for all newly-acquired entities; (4) billing workshops; (5) and related demand management seminars. Equally important is the amount of time that was dedicated to facilitating the members' transition away from the traditional customer/utility relationship. From creating templates for the collection of usage data for inclusion in RFP's, to working with towns to have required telemetering devices installed on specific accounts, the cooperative has, and remains, committed to helping its members navigate through the process, and not simply maintain the status quo for fear of the unknown.

Many lessons were learned through the creation and development of CRCOG's Natural Gas Procurement Consortium. Rolling out a pilot initiative to test the waters was a necessary first step. Armed with documented savings achieved by the pilot in the first year, towns and boards of education were willing to continue the program and new communities were encouraged to join. And as the group became more proficient in understanding the nuances of the futures market, as well as the roles of each player in this new servicing framework, incremental changes were made to the process. For example, a pricing subcommittee was created to expeditiously identify target prices so that the Consortium could effectively respond to a market that can make significant swings in the course of a day.

In the end, the secret to the program's success has been the commitment of a core team of professionals. Their vision has set a regional standard for cooperation that transcends the traditional separation of town and board of education operations, and exemplifies the benefits of intergovernmental collaboration. In short—they are doing it better together!