

UNIVERSITY OF ILLINOIS
AT URBANA-CHAMPAIGN

Office of the Chancellor
Swanlund Administration Building
601 East John Street
Champaign, IL 61820



May 10, 2010

Project Team: Utilities

Jeff Oberg, *Chair*, College of Engineering
Mara Dahlgren, Student Representative
Michael DeLorenzo, Office of the Vice Chancellor for Student Affairs
Julie Jarvis, University Government Costing
Kevin Jackson, Department of Accountancy
Mike Marquissee, Facilities and Services
Neal Merchen, Department of Animal Sciences
Daniel Ozier, School of Molecular & Cellular Biology
Terry Ruprecht, Facilities and Services

Dear Colleagues,

As a campus, we are engaging in a thoughtful and thorough evaluation of how we use resources toward the broader aim of advancing excellence in our scholarship, education and outreach activities. In this context, we write to invite you to serve on a working team to review and recommend procedures and policies to support utility management practices on our campus. Of particular importance is the development of policies to incentivize conservation actions at the unit level.

The primary focus of this review is the campus utility budget. This budget has almost tripled over the last decade and is now in excess of \$68 million.

The financial context of the University and the state of Illinois is a catalyst for this review. Given a challenging financial climate, it is vital for the campus to carefully consider our expenses and the ways in which our investments contribute to our mission. At the same time, it is critical to emphasize that this review is a complete and open process that does not begin with a predetermined outcome. Instead, we ask that the review openly examine the extent to which the resources dedicated to utilities can be reduced.

The specific charges of the committee include the following:

- What strategies should the campus adopt to continue to reduce utility consumption? Are there creative strategies that could be designed to involve more faculty, staff, and students in the process of conservation?

- To support conservation practices, it is necessary to have a widely understood utility rate that distinguishes between the fixed and variable costs of utility operations. How should the following factors affect a campus rate?
 - ICR and funds recovery
 - Debt service, deficit reduction, capital renewal, plant replacement
 - Price escalations in commodity prices that drive rate changes
 - Capital and operating budgets and their impact on rates and rate-making
- What procedures should be established to periodically review campus utility rates?
- Successful conservation practices require centrally-funded initiatives along with unit-based initiatives. What rules should guide the determination of savings and the assignment of financial credit for savings?
- What role should loan programs play in unit-led conservation practices? How should the campus determine the appropriate level of central investment in conservation? How should these investments be sequenced?

In conducting your review, we ask that your team devise a process that allows you to provide well-reasoned, comprehensive responses and recommendations on the key questions outlined above. During its deliberations, the project team should draw on the reports/initiatives that have already been completed in relation to utilities, such as the Energy Task Force report. Members of the Provost's Office leadership team will also stand ready to assist you in this work. Please contact Michael Andrechak (mandrech@illinois.edu) in the Provost's Office with questions or requests that emerge during your review.

We have invited Jeff Oberg to serve as the chair of your working team, and he has graciously agreed to do so. Staffing for your team's work will be provided by the College of Engineering. We ask that you complete a written report summarizing your review by June 30, 2010.

We are deeply grateful for your time and expertise in this important review process, and look forward to your report and recommendations.



Robert A. Easter
Chancellor and Provost (Interim)

Sincerely,



Richard P. Wheeler
Vice Chancellor for Academic Affairs (Interim)

c: M. Andrechak
D. Beckman
J. Dempsey