



NACUBO INNOVATION AWARD

Application Form

To guarantee consideration completed application must be received by **April 6, 2007**

Amy Barbieri, Administrative Coordinator
NACUBO/Innovation Award
2501 M St., NW, Suite 400
Washington, DC 20037

Please submit a program summary no more than 3 double-spaced pages using a minimum font size of 10 points.

Do not include additional information (reports, forms, etc.) with the application. The Awards Council may request such items during the evaluation process.

Program Title: Baylor Energy Program
Institution Name: Baylor University
Contact Name: Don Bagby
Contact Title: Director of Facilities Management
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Institution Type

- Research Comprehensive/Doctoral Small Institution Community College

Award Category Type

- Process Improvement
Recognizes higher education institutions that have successfully re-engineered or designed a program, improving service delivery of administrative activity in response to a campus need.
- Resource Enhancement
Recognizes higher education institutions that have successfully reduced costs, increased revenues or improved productivity in response to a campus need.

Topical Area(s)

(Check all that apply)

- Accounting, Finance and Tax Campus Operations Human Resources
 Information Technology Leadership/Institutional Effectiveness Planning and Budgeting
 Risk Management Student Financial Services Other: _____

NACUBO Primary Representative

(Endorsement required)

Name (print clearly) Bob C. Spence
Title (print clearly) Associate Vice President for Financial Services & Treasurer

I hereby certify that to the best of my knowledge the statements and calculations contained herein accurately reflect the circumstances reported.

4/5/2007
Date

Bob C. Spence
Signature

BAYLOR UNIVERSITY - NACUBO INNOVATION AWARD SUBMISSION

ELECTRICITY PROCUREMENT

BAYLOR ENERGY PROGRAM

Baylor University in Waco, Texas entered into an innovative electrical procurement contract that will save over \$2 million annually, provide a predictable expenditure pattern, and support the development of wind generation farms.

Experiencing significantly higher energy prices, Baylor placed high priority on reducing its electrical costs for upcoming fiscal years. Historically progressive in reducing energy costs, the University preferred a more straight-line, predictable budget control model going forward. To achieve this combination, Baylor took a fresh approach toward its future procurement efforts.

To reduce electric costs, Baylor's current local electric provider offered a more favorable rate, but with a longer term commitment. Believing other opportunities existed; Baylor sought specialized expertise in response.

The Baylor team evaluated the contract extension proposal as well as other unexplored options. The evaluation determined a better option did exist, even though natural gas futures, the underlying factor in electrical rates, were rising at the time. It was determined that Baylor's preferred opportunity was to seek a "fixed price" type agreement versus buying electricity on the open market throughout the year.

Baylor became the central player in a utility and higher education industry ground-breaking transaction that also included ARAMARK Higher Education, Amerex Energy Services, Credit Suisse First Boston and Wisconsin Public Service. ARAMARK Higher Education is Baylor's physical plant services provider. Amerex is a Houston-based utility procurement and brokerage firm. Credit Suisse is providing the financing for the construction of "wind power generation" installations in Texas. Finally, Wisconsin Public Service, a national retail electric provider, will be the actual electrical supplier to Baylor. The final signed agreement was for an industry-leading 113 months.

In the final signed agreement, Baylor provides creditworthy retail demand for Credit Suisse to assure financing for the development of environmentally-friendly "wind generation farms". Baylor is excited to add the new procurement strategy that will help advance the practice of green energy production to their already progressive energy management program. The combination of procurement and continuous management of their energy usage continues to further the University's position as an environmentally sensitive and cost-savvy consumer.

INNOVATION

There are a number of factors that make Baylor's electricity procurement contract unique and innovative. First, by engaging a brokerage firm and focusing on the "heat rate" and other underlying commodity factors that comprise the price of electricity, Baylor obtained a much more favorable rate than by simply negotiating with its utility provider. Second, the involvement of multiple parties (Baylor University, ARAMARK Higher Education, Amerex Energy Services, Credit Suisse, and Wisconsin Public Service) speaks to the complexity of utility procurement and

the opportunity that many colleges and university miss when negotiating their own contracts. Third, at the time of contract signature and with natural gas futures rising, agreements of this duration (10 years) were unheard of. The Baylor deal provided the confidence that such a contract was risk adverse in an otherwise traditionally risky endeavor.

INSTITUTIONAL IMPACT

First, the contract will save the University an estimated minimum of \$2 million dollars annually, or \$20 million over the life of the contract. The unit cost of electricity has been reduced from approximately 10 cents a kilowatt hour to 6 cents. Second, Baylor is provided with a predictable cost structure to support its budget planning model. Third, Baylor is reaping favorable public relations and furthering its commitment to sustainability by supporting the generation of wind power in Texas.

REQUIRED RESOURCES

The resources required to construct this innovative agreement also add to its uniqueness. The success of this program required the collective expertise of five (5) seemingly disparate entities.

Baylor University – the consumer

ARAMARK Higher Education – Baylor’s physical plant services and energy management partner

Amerex Energy Services – a procurement and brokerage firm

Credit Suisse First Boston – financier for the construction of Texas wind generation

Wisconsin Public Service – national retail provider of electricity