

## **Processing Central Office Cost Center (COCC) Adjustments for an Existing Energy Performance Contract**

### **Purpose**

This provides guidance for breaking out Central Office Cost Center (COCC) utility consumption and costs from combined consumption and costs in a pre-Asset Management Energy Performance Contract (EPC).

### **Background**

Pre-Asset Management, Operating Fund utilities calculations on form HUD-52722 included all PHA-paid utilities. Under asset management, Operating Fund utilities calculations are at the project level. The COCC pays for utilities from its earned fees. Therefore, all COCC utility consumption and costs must be removed from forms HUD-52722.

Consistent with the above, Notices PIH 2008-33 and 2009-47 provide that COCC utility consumption/costs are not eligible for inclusion in the calculation of the PHA's/project's Utilities Expense Level (UEL). If the COCC is located in other than a stand-alone building, a reasonable methodology to back out actual consumption, rolling base consumption and utility costs for the COCC from the project totals must be used. In addition, the PHA must include an explanation of the methodology as supporting documentation to the submission.

Notice PIH 2009-16 requires that, for CY 2007 and forward, energy conservation measures and related energy savings within an energy performance contract are broken down by individual projects. This requirement is consistent with 24 CFR 990.170(f)(2), which requires PHAs to keep utility records at the project level.

### **Process**

The following guidance should be followed when breaking out the COCC utility consumption and costs from combined consumption and costs in a pre-Asset Management EPC.

Many Energy Performance Contracts (EPCs) were approved by HUD prior to Notice PIH 2008-33. Two primary financial incentives were afforded PHAs, including the frozen rolling base incentive and the add-on subsidy incentive. Adjustments must be made if COCC utilities were included in the original HUD approval for either of these incentives. The approved consumption levels in both of the incentives are used to compute yearly energy savings.

The following provides the process for such adjustments:

- 1) Determine if an adjustment is warranted based on the following scenarios:
  - a) If the PHA does not have a COCC, no action is required.
  - b) If the PHA has a COCC and no energy improvements were installed at the COCC, no action is required.
  - c) If the PHA's COCC is part of a project included in an EPC, an adjustment may be necessary.
  
- 2) Frozen Rolling Base Utility Incentive - Determine the adjustment to the Rolling Base Consumption Level (RBCL) for COCC energy conservation measures.
  - a) Determine if the RBCL contains COCC consumption amounts. If YES,
  - b) Calculate the adjusted frozen RBCL - Subtract the energy consumption directly connected to the COCC from the frozen RBCL.
  
- 3) Add-on Subsidy Utility Incentive – Determine if the baseline consumption is utilized in calculating yearly energy savings. The baseline consumption is utilized to measure yearly energy savings if the Measurement and Verification (M&V) methodology is a measured type instead of a stipulated type. If YES,
  - a) Determine if the baseline consumption contains COCC consumption amounts. If YES,
  - b) Calculate the adjusted baseline - Subtract the energy consumption directly connected to the COCC from the baseline consumption.
  - c) Calculate change due to COCC utility consumption – Adjusted baseline divided by total add-on subsidy consumption. Supporting documentation must be provided to the appropriate HUD Field Office.
  - d) HUD Field Offices will calculate the revised add-on subsidy and provide a modified approval letter for these amounts.