COGR
an organization of research universities

COUNCIL ON GOVERNMENTAL RELATIONS
1200 New York Avenue, N.W., Suite 460, Washington, D.C. 20005
(202) 289-6655 / (202) 289-6698 (FAX)

November 13, 2015

Ms. Karen Lee
Branch Chief, Office of Federal Financial Management

Mr. Gilbert Tran
Office of Federal Financial Management

White House Office of Management and Budget
725 17th Street, NW
Washington, DC 20503

Subject: Proposed Modifications to the Utility Cost Adjustment Methodology

Dear Ms. Lee and Mr. Tran;

Thank you for your ongoing willingness to engage in discussions that will improve the implementation of the Uniform Guidance. The COGR leadership, on behalf of the COGR Membership and the research community, requests that OMB and COFAR modify the methodology for calculating the Utility Cost Adjustment (UCA) based on updated and more accurate data. 2 CFR Appendix III, section B.4.c(2)(ii)B, states that OMB will adjust the "Relative Energy Use Index" (REUI) on a periodic basis and, based on the analysis below, it is timely, appropriate, and fair for OMB to adjust the REUI effective December 26, 2015.

Generally, COGR applauds OMB and COFAR for employing the Uniform Guidance to introduce a more equitable and cost-based approach to recognize the higher utility usage in research space compared to other space on a university campus. Despite proactive initiatives to keep energy costs as low as possible, research space remains the most utility-intensive space on campus. The 24/7 nature of research space, which includes energy-intensive equipment and the maintenance of climate-controlled environments, makes the high-consumption of utilities inevitable.

Still, COGR is concerned that the approach taken by OMB and COFAR represents a cap on recoverable costs by limiting the UCA to 1.3%. While we will not address the 1.3% cap at this time, we do believe it is appropriate to address the REUI based on more recent and accurate data. This will result in a more precise measure of the weight for research laboratory space, and subsequently, a more equitable approach to allocating utility costs to research labs at all IHEs.

The REUI weighting factor defined in the Uniform Guidance was calculated as follows:

$$= \frac{\text{The average energy usage of buildings with Laboratories - taken from the Lawrence Berkeley Laboratory (LBL) benchmarking tool (http://labs21benchmarking.lbl.gov/)}}{\text{The US Department of Energy "Buildings Energy Data Book", which provides an Energy Index for Commercial Buildings (http://buildingsdatabook.eren.doe.gov/CBECS.aspx).}}$$

$$= \frac{310 \text{ kBTU/SF/YR}}{155.37 \text{ kBTU/GSF/YR}} \quad \boxed{= 2.0}$$

The REUI weighting factor of 2.0 is then applied to research laboratory space for the purpose of allocating utility costs, resulting in more utility costs being allocated to research labs within the F&A rate calculation. The difference between the calculated F&A rate with the weighting factor applied and the calculated F&A rate without the weighting factor applied is the UCA. Per 2 CFR Appendix III, section B.4.c, a UCA up to 1.3 percentage points can be included in the negotiated indirect cost rate.

While utilization of a REUI may be a reasonable methodology for developing weighting factors associated with research laboratory utility consumption, **the 2.0 weighting factor is significantly understated.** COGR has worked with engineering experts from Attain LLC to assist in an analysis of this calculation and the results are described below.

1. The numerator of 310 kBTU/SF/YR used in the REUI calculation was set by the government in 2012 and should be updated to account for the following:
    - To reflect 2015 data utilizing the original filters, the numerator as of 11/13/2015 is 322 kBTU/SF/YR, as additional buildings have been added to the database.
    - The filtering criteria selected for the numerator should be adjusted in several areas. First, our understanding is that the government included both measured and estimated utility consumptions. Estimated amounts should not be utilized for this purpose as they are not actual units of measure. Only buildings with measured utility consumption should be considered valid. This filter was adjusted in the revised calculations described below.
    - One of the filtering criteria for the numerator is to specify what lab use to include in the calculation. The four lab use criteria available include Research/Development, Manufacturing, Teaching, and Combination/Others. Our understanding is that all four criteria were selected when determining the amount for inclusion in the Uniform Guidance. However, to arrive at a more pure research factor, Manufacturing and Teaching must be eliminated. This increases the numerator from 322 (see first bullet) to 333 kBTU/SF/YR.
    - Another filtering criterion for the numerator is to specify the lab area to gross area ratio. All buildings, regardless of the amount of lab space within the building, were selected in determining the current numerator. Of the 393 buildings currently in the database with a lab use of Research/Development or Combination/Other, 227 buildings (or 58%) contain less than 50% research labs, resulting in a diluted weighting factor. Since the Uniform Guidance only allows

IHEs to apply this factor to research laboratory space, the factor must be determined in a consistent manner. Calculating the factor utilizing buildings with at least 90% research laboratory space results in a more equitable factor to apply to research laboratory space. Correcting this methodology to only include buildings with predominately laboratory space results in a numerator of 414.33.

2. The denominator of 155.37 kBTU/GSF/YR used in the REUI calculation should be updated. It was taken from the US Department of Energy "Building Energy Data Book", which provides an Energy Index for Commercial Buildings, and was last updated in 2003. This does not take into account the energy saving technology implemented over the past 12 years. Furthermore, when determining this amount, the filters that were chosen to yield that energy density were not appropriate. Definitions in the "Buildings Energy Data Book" state that:

   > Buildings on education campuses for which the main use is not classroom are included in the category relating to their use. For example, administration buildings are part of "Office", dormitories are "Lodging", and libraries are "Public Assembly".

   Our understanding is that the filters used by OMB only included classroom buildings. The "Buildings Energy Data Book" defines classrooms as buildings with the main use as classrooms. There are other room types that make up a campus. The "Building Energy Data Book" directs the user of the database to include other types of buildings in the filters to model a university campus. Therefore, office buildings have been included in the group of buildings selected from the database. Clearly, non-research laboratory space on a college or university campus that normally is included in F&A research rates also includes office space. Therefore, the appropriate filters for building type should include "College" under "Education" and "Mixed Use" and "Professional" under "Office". The result is a denominator of 99.22 kBTU/GSF/YR.

3. Utilizing the adjusted amounts for the REUI calculations prescribed in the Uniform Guidance, the REUI research weighting factor should be determined as follows:

$$= \frac{414.33 \text{ kBTU/SF/YR}}{99.22 \text{ kBTU/GSF/YR}} \boxed{= 4.2}$$

   The tools utilized for determining the numerator and denominator rely on the user choosing the appropriate specific data and filtering criteria in order to obtain a fair and equitable REUI.

The analysis above supports that a more representative REUI should be established. While it is unfortunate that the first wave of IHEs that have submitted proposals to establish a "first-time" UCA have been subjected to the flawed 2.0 REUI, COGR is encouraged by OMB's willingness to correct those sections of the Uniform Guidance that require recalibration. Clearly, this is one of those sections. And, because OMB and the COFAR adeptly included language in 2 CFR Appendix III, section B.4.c(2)(ii)B allowing for the periodic adjustment of the REUI, we are encouraged that we can work with you to make the necessary update to the REUI.

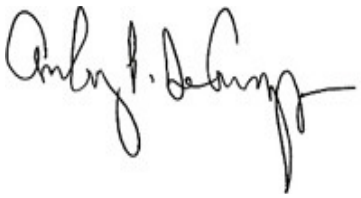
* * * * * * *

We propose that the REUI weighting factor for research laboratory space be increased from 2.0 to a more fair and accurate factor of 4.2. While an alternative approach of allowing each IHE to determine its own, internal REUI may be the most equitable approach, we recognize this would distract from the intent of simplifying the UCA methodology. Consequently, implementation of the 4.2 factor is a satisfactory solution. The adjustment to 4.2 should be made effective for F&A proposals submitted using FY2015 data.

Thank you for your consideration. We would like to schedule a meeting with OMB representatives and representatives from the Cognizant Agencies for Indirect Costs, either in person or via conference call, to discuss the process for establishing the updated REUI. We also can include technical experts, as appropriate.

Please contact me or David Kennedy at (202) 289-6655, ext. 112. We look forward to addressing this issue in more detail at your earliest convenience.

Sincerely,



Anthony P. DeCrappeo
President, COGR

Cc: Arif Karim, Director, Cost Allocation Services
Program Support Center, Department of Health and Human Services

Debbie Rafi, Director University Business Affairs
Office of Naval Research