

Responsibility Centered Management (RCM) for Energy/Utilities

Midwest University is an academic and research institution with 15,000 undergraduate and graduate students.

Facilities department at Midwest U operates a central utility plant to serve its campus buildings. They produce electricity using natural gas for academic, research, student-life, residential, athletics buildings. They also produce steam for heating and research purposes and chilled water to provide air-conditioning and humidity control.

Historically the university has absorbed all the costs associated with utility production & distribution. As state funding for the university has continuously been reduced, the provost is looking for ways to reduce the university budget. Utility costs are second only to personnel costs at Midwest U. To encourage energy conservation by departments and schools to reduce utility costs, the provost is considering a Responsibility Centered Management (RCM) budget model for utility spending.

In this new model all academic and research departments will get their share of the utility budget based on their historical consumption. When a department conserves energy and reduces their utility spending, they get to keep the difference between the allocated budget and the actual spend; but must use their departmental funding if their utility costs rise. Athletics and student-life will have to support themselves for revenue generated by their operations.

The provost has directed the facilities department to provide feedback on the following questions:

Questions:

- 1) How can we achieve this goal and what does the transition look like?
- 2) What are the benefits of the model proposed by the provost?
- 3) What are the challenges with the new RCM model?
- 4) Are there any long-term ramifications to the RCM model?