Ohio Administrative Code

Rule 123-1-09 Procedures for implementation.

Effective: July 10, 1980

The procedures coinciding with the objective stated in rule 123-1-06 of the Administrative Code are as follows:

(A) To uniformly utilize a life cycle costing formula, the standards and specifications section shall:

(1) Identify alternatives and substitutes.

(2) Identify costs associated with the item to be procured. These include:

(a) Purchase price

(b) Operation costs

(c) Corrective and preventive maintenance costs

(d) Salvage value

(e) Disposal cost

(f) Transportation cost

(g) Installation cost

(h) Inventory and associated costs

(i) Management cost

(j) Training cost

(k) Inspection costs

(3) Note physical or functional characteristics which are likely to differ among bidders' products, for example, the energy efficiency ratio (EER). This ratio can be obtained from manufacturers.

(4) Sunk costs may be used if feasible, provided it does not make the bid non-competitive. Among these sunk costs are parts inventory, personnel training, support equipment, and extensive documentation.

(5) If physical or functional characteristics and associated costs are not likely to vary among bidders and sunk costs are not large enough to justify a sole source supplier, price competition can commence immediately. Otherwise, if the potential savings justifies this type of analysis, evaluate the impact that variations in equipment characteristics can have on the associated costs.

(6) Other specifics of LCC analysis that shall be considered are:

(a) LCC assesses initial costs, maintenance costs, and operating costs as well as qualitative standards such as specifications, defining characteristics of the product, energy efficiency ratios, and quality of repair service in this analysis. This procedure can sometimes justify higher initial expenditures which yield great long-term benefits. If the anticipated benefits outweigh the added expense of LCC and the costs can be recovered before the end of the product's useful life, this technique is most appropriate.

(b) Prerequisites for a good LCC analysis:

(i) The operating and maintenance costs must be predicted with a fair degree of accuracy. Although total accuracy is unlikely and not completely necessary, the more precise the elements, the better the analysis.

(ii) Bidders' claims should be verifiable. This can be accomplished by examining samples, reviewing a bidder's own analysis, and incorporating the findings into contracts.

(iii) The award criteria should be stated in clear and definite terms. This will ensure equity and competition among bidders and a fair determination of the award.

(iv) LCC analysis should be economically feasible. As mentioned above, benefits must be greater than costs.

(v) Energy efficiency ratios (EER) should be obtained from manufacturers.

(c) LCC criteria

(i) Measured service life

(ii) Testable product (to determine EER and useful life)

(iii) Standard commercial item readily available

(iv) Existing competitive procurement environment

(v) Central procurement

(vi) All relevant information which a particular LCC formula requires be in the bid.

(d) The general inflation rate is currently nine per cent. To adjust the cash flow, multiply each year's cost by the inflation factor (X), where N is equal to the year.

(7) Award the contract to the bidder whose product has the lowest purchase price consistent with the lowest associated ownership costs. The specific formula used to facilitate this analysis will vary according to the different features of each commodity.

(B) An index of all energy related products and services procured by the state of Ohio shall appear in the appendix to these rules.

(C) Analysis and testing shall be used in establishing minimum energy efficiency standards. The

following steps shall be taken:

(1) Each product's end use must be specifically defined.

(2) Advice, assistance, and recommendation shall be sought from the state purchasing buyers section responsible for a particular commodity regrading minimum and maximum limits on size, weight, height, volume, and other key elements of a product.

(3) A market variance concerning these same key elements shall be sought from the individual vendors of a product.

(4) Safety and environmental regulations and requirements shall be considered and adhered to.

(5) Independent or voluntary testing laboratories and/or organizations shall be consulted for previous test results and standards currently being used in a particular industry.

(6) The federal specification index may need to be consulted.

(7) Narrow ranges in specifications should be avoided, where possible, to prevent loss of competition and higher prices.

(8) Four months before the inception of the term contracts the specifications should be updated and sent to the contract procurement section.

(D) Energy related bids shall contain all relevant energy data in precise language.

(1) As required by division (D) of section 123.011 of the Revised Code, the standards and specifications section shall include in the "invitation to bid", precise language requiring energy related standards and specifications and/or energy efficient ratios.

(2) The standards & specifications analyst shall explain the purpose and function of this energy data to the contract specialist for bid evaluation when returned by the vendor.

(3) The contract buyers, with additional consultation from the standards and specifications analyst, shall be responsible for answering all questions vendors may have concerning the energy data required of them.

(E) A communication system shall be incepted between the procurement specialists of the department of energy and the standards and specifications analysts of the department of administrative services.

They shall interchange information and monitor experiences dealing with energy conservation and buying.

(F) A monitoring and maintenance program shall be incepted. The following steps shall be taken:

(1) Every contract incepted with energy efficiency must have a defined maintenance program.

(2) Every institution using the contract shall implement that maintenance program.

(3) Either every six months, or quarterly, all institutions shall summarize their energy savings and details and forward them to their main department office.

(4) A centralized form to obtain the statistical data for each item related to energy savings shall be submitted to the department of energy.

(5) A directive shall be sent to all departments for proper implementation.

(6) The department of energy shall be directed to establish a centralized data base by utilizing its computer resources.

(7) A quarterly or semi-annual energy report focusing on total energy savings on each item shall be prepared by the department of energy.

(8) That information shall be sent semi-annually to state purchasing, department of energy, and the news media.

(9) While conducting the seminars, such information must be brought to the personnel by various departments in terms of a communication system which will encourage them to pay their full attention discharging the responsibility.

(10) The department of energy, in conjunction with the standards and specifications section of the department of administrative services, shall also review new energy saving products which can be used as a guiding factor for future modification of energy related contracts. The reports will project the feasibility of energy/cost savings.

(G) State purchasing shall promote the national goal of conserving energy and setting an example for local governments to follow, by doing three things:

(1) Planning and holding seminars and workshops explaining the implementation of this energy conservation procurement system and how it can be applied to local government purchasing.

(2) Acting as a consultant for local governments, should they have questions concerning the implementation of a similar energy conservation procurement system.

(3) Releasing energy reports indicating the amount of energy and dollars saved by using such energy conservation programs.