

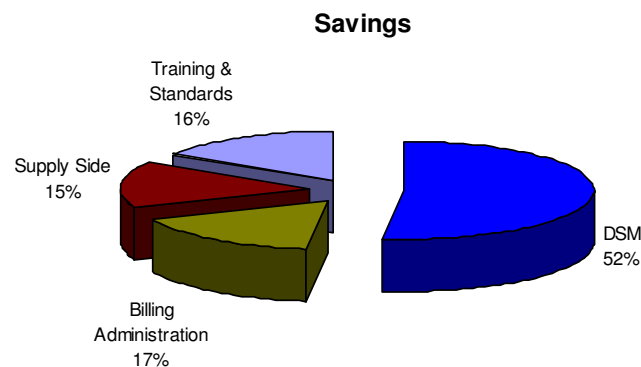
Feature Article

Are You Happy with Your Energy Spend?

By Jonathan Swann
CEO - Energy Impact

Natural gas and electricity rates are at historically high levels. The increases of the past few years are leaving many businesses confused about their energy spend. A best practice utilities management strategy will mitigate the financial impact of these increases.

A best practice utilities management strategy is comprised of four primary components, which are shown in the diagram below along with expected savings for each component.



1. Bill Administration:

Verifying utility bills and tracking utility bill data in a database is the foundation of any Utilities Management Strategy. Typically, these databases are accessible via web-based platforms that allow access to both bill data and invoice images. The data gathered under the Bill Administration effort is used as a tool to track future savings and ensure sustainability of the cost reductions. Additional benefits include error identification, operating issue identification, a defined history for budgets, and monitoring of the financial impact for implemented initiatives. Additionally, having utility bill data properly gathered in a database allows for extensive analysis, including tariff and usage analysis.

TIPS:

- Data accuracy is extremely important
- Make sure all data from the utility bills is captured monthly
- Be apprehensive of shared savings models – it's your money
- Make sure the web platform is user friendly
- Watch for hidden invoice processing costs such as float

2. Demand Side Management (DSM Projects):

Over half of the savings will be generated from the DSM projects portion of this initiative.

Because of this, the largest portion of the resource requirements and funding fall into this area.



Utility rates, rebates and Real

Estate strategy will be the major drivers and can significantly impact the prioritization of projects.

Typical DSM projects include lighting retrofits, HVAC repairs/replacements, control system replacements, and building fabric projects. This is a short list of possibilities that is dependent on the type of industry in which you operate.

A good way to identify your opportunities is to inventory your sites and perform data collection. This data will be the foundation as you evaluate opportunities and benchmark your facilities.

Tips

- Identify how and where you spend your energy dollars
- Research DSM technologies – they rapidly change
- Ask current suppliers for help and ideas
- Build detailed financial and operational models for easier project approvals

Demand Side Management - Rebate / Co-Funding Action Plan

Increasing natural gas and electric prices coupled with the current focus to reduce the demand for energy continues to create opportunities to offset the capital needed to execute this strategy. These financial incentives can take the form as rebates, low interest loans, and/or rates and tariffs that offer better returns. A well-planned strategy focuses on identifying these programs and applying for the incentive to help offset the capital cost of implementation.

Tips

- Identify and define the submission and securing of rebates, funds, and governmental grants for both new and existing sites
- Create a link to the Bill Administration database of utility suppliers
- Research utility rebate programs
- Research governmental grants and industry loan programs
- Research industry and trade association incentive programs
- Develop and implement a Rebate / Co-funding Action Plan

3. Supply Side Management

This initiative focuses on commodity purchasing and delivery opportunities as well as mitigating future price increases. Over the last 12 months, utility commodity markets have experienced extreme volatility resulting in historically high prices. A diligent program is essential to capture

opportunities as they present themselves.

As electricity markets open to deregulation, best practice companies take part in user groups to shape



legislation and intelligently take part in competitive programs using the knowledge

gained through the billing administration platform.

TIPS:

- Monitor legislative, commodity market and rate activity
- Establish RFP guidelines and procedures
- Establish process for identifying and receiving approval for commodity contracts
- Develop and implement risk mitigation strategies (Hedging strategies)
- Measure impact of new / proposed rate structures
- Contract "terms and conditions" can be more important than price
- All power is created equal – no supplier can give you "better" electric or gas than the others.
- Perform analysis on ability to receive service at higher voltages
- Identify risk tolerance (Acceptable risk of curtailment, balancing, etc)

- Onsite generation
- Make – Buy Analysis: Onsite Generation

4. Training & Standards

This portion of the overall energy initiative is essential in the realization and sustainability of equipment and procedural modifications made. This includes promoting the objectives of your utility management program by creating awareness within your organization and supplier network to the importance of energy efficiency. This will be enhanced with the ability to track and monitor via the database systems.

TIPS

- Implement an Energy Awareness Program
- Evaluate LEEDS and Energy Star Programs
- Develop and implement technical training
- Implement Standards Development (Construction/Retrofit, Operational, Mission Critical)
- Start recognition programs for both team members and suppliers

Yes, energy rates are on the rise. But energy expenses ARE controllable. Yes, you can develop and implement a strategic energy plan in your organization by following the guidelines above.

BE SMART....BE STRATEGIC....BE HAPPY!

About the Author: Jonathan Swann is the Founder and CEO of Energy Impact. Energy Impact specializes in managing energy expenses for multi site customers. Understanding more about controlling energy expenses can be obtained at (614) 367-9896 or jswann@energy-impact.com