

# Market Forces Energy Offering – More Than Just Sourcing

Article contributed by Mark Burns of Independent Energy Consultants, Inc.

Think about your energy spend and then weigh the following:

- Would you like to be able to purchase a product or service where you determine what constitutes an acceptable price?
- Would you like to obtain professional assistance with no out-of-pocket cost?
- Would you like to utilize state-of-the-art technology to create maximum competition amongst suppliers seeking to serve your needs?
- Would you like free ongoing support after your purchase?
- Is turnover in your organization causing a loss of oversight or a shortage of qualified personnel to handle a top-five indirect spend category?

If any of these questions resonate with you, consider contacting your Corporate United Representative or Corporate United's Category Manager for Energy, Mark Burns, to see how we can help you procure and manage the world's most volatile commodities – natural gas and electricity. The following is an example of how we can help to impact a company's bottom line, even when traditional procurement opportunities are not applicable.

As the Corporate United Energy Manager, we often receive calls from members wanting to save on their electric bills by finding a lower-cost provider. When a company learns that its state or utility company is not deregulated or that there are no alternative lower-cost suppliers, it is assumed that nothing can be done to lower their bills. Usually, this is not the case. Electricity rates are very complex, and to identify savings opportunities you must have a sound knowledge

of how your facilities operate, access to quality data and a thorough understanding of how the utility company calculates your bill. Combining that information with the expertise of an energy specialist can produce substantial results.

As with any analysis, the more detailed information your energy manager has at their disposal, the more accurate their conclusions. Electricity consumption is typically metered in four different time intervals: monthly, hourly, 30-minute and 15-minute. If you are using an interval meter your utility company will provide the detailed data upon request. If you are monthly metered, sub metering is an economical alternative to capture this information. Sub meters can be installed in parallel with your monthly-read meters to provide the additional detail, or can be installed on branch circuits to track equipment of particular interest.

Once the data are gathered, we are able to analyze your load profile and apply it to various rate schedules to determine which option is most advantageous for you. A trained eye can quickly spot patterns in an electrical load profile that would lead him or her to recommend savings opportunities associated with issues such as:

- converting to or from time-of-use rates,
- elimination of ratchet demand penalties,
- elimination of power factor penalties,
- poor load factors that require more infrastructure than is being used, and
- building nighttime setback systems that are not working properly.

Even if you are unable to find or transfer to a lower-cost provider, many of the charges on an electric bill

can be reduced, sometimes with little or no cost. Corporate United designed its Energy Offering to provide comprehensive and flexible solutions to help source, monitor and manage your energy needs. Contact your Corporate United representative to discuss your situation and how Independent Energy Consultants can help.

This table shows some of the more common line items you may find on an electric bill and how likely it is that each can be impacted.

Billing Component	Description	Able to Influence?
Customer Charge or Service Charge	A flat monthly fee charged by the utility to recoup their costs for installing a meter, reading a meter, issuing bills, etc.	Seldom
Energy Cost	The amount of energy (kWh) consumed by operating electrical equipment. The utility is recovering their fuel and O&M costs through this charge.	Yes
Demand Cost	This cost allows the utility to recover the cost of their capital equipment needed to ensure they can meet your peak energy consumption whenever it occurs. Depending on your meter type, demand costs are measured as your highest kW or kVA total for any period during a bill cycle.	Yes
Ratchet Demand	Since utilities build infrastructure to meet a peak demand at any time during the year, they often look at the magnitude of your annual peak and charge at least a high percentage of it in all months regardless of your actual demand. Many utilities measure your actual monthly demand, and if it is not at least 60% of the annual peak demand, they will ratchet up your demand to 60%, which means paying for power you did not consume. Some utilities begin to apply a ratchet demand when monthly demand drops below 90% of peak annual demand.	Yes
Power Factor	Various inductive loads such as motors and lighting require reactive power to operate. Reactive power, unlike real power, produces no useful work. Reactive power robs you of onsite capacity and creates problems such as overheating and reduced terminal voltage at equipment loads. The more reactive power required, the lower your power factor, and the greater your penalty from your local utility.	Yes
Load Factor	Load factor is the theoretical ratio of the actual amount of energy consumed to what would have been consumed if the peak demand existed throughout the entire period. Load factors range from 0-100%. Utilities prefer higher the load factors because they are easier and cheaper to serve.	Yes
Fuel Adjustment	Fuel is a pass-thru cost for utilities that is usually adjusted monthly or quarterly to correct for prior forecasting errors.	Sometimes
Taxes and Riders	Miscellaneous "add-ons" to the base rate structure.	Sometimes