

Energy Choices: Selecting Commercial Electricity and Natural Gas Plans

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Remodeling Reports

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Hello blog followers. I must apologize for not continuing the kitchen series, but I promise I will. However I have been receiving over the last few months many questions about reducing energy costs and have decided to entwine some articles that are aimed at these inquires.

In the area of constructing energy efficient buildings, I have a



background as a builder that goes back to the early 80's when I was building one of the first super insulated, passive solar developments in New Jersey and offered this type of construction in other projects that we built and through our custom home division. In addition, I owned a plumbing and heating company since the 70's that was involved with joint programs with the utility companies to install cost effective equipment in many of the conventional homes my companies were than building. A more recent, most interesting project for me was a 9000 Sq. Ft. geothermal home.

I believe my knowledge, based on experience, is sufficient to answer and explore many of the questions we received in later articles except one or two. The first question that needs to be answered and puts us at the beginning of the subject is not one of my strong points. The question is: Since energy, such as gas and electric, are commodities, is there a better way to buy it? After all, we can shop and compare gasoline, fuel oil, telephone, internet, and TV services. How can we do this for natural gas and electricity? I've asked an expert, who saves companies and people many thousands of dollars through the use of his knowledge in this field, for the answer.

Introducing the Author:

Larry S. Katz, Co-Founder of Energy Management Advisors LLC, has been helping customers make better use of technology for nearly 30 years. In addition to starting his own company, Larry has held engineering and sales positions for government contractors, industrial manufacturers, and telecommunications equipment vendors. His work history includes quality assurance systems for improved manufacturing processes, telecom testing solutions to reduce maintenance inter-



vals, and energy assessments and rate structure analysis to improve efficiency and lower expenses for businesses. He has spent a large portion of his career focusing on operational cost improvements to directly benefit the client's bottom line. Larry holds a Bachelor of Science degree in Electrical Engineering from Tufts University, Class of 1981.

For over 10 years, New Jersey businesses and non-profit institutions have had the opportunity to select electricity and natural gas suppliers to reduce the cost of their utility expenses. Deregulation has made energy supply procurement choices available while retaining the local utility company for delivery and maintenance. It is the equivalent scenario of choosing a long distance company while using your local phone company's access lines.

The Basics of Deregulation: How it Works

Prior to energy deregulation, local utility companies provided every aspect of electric and gas services. This included supplying the energy,

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transmission to the local territory, and delivery to the home or business. Through the New Jersey Energy Choice program, customers can choose electric and/or gas generation suppliers. These suppliers are licensed by the state's Board of Public Utilities (BPU) to insure high quality energy products. No matter which generation supplier is chosen, the local utility company will not change, and remains responsible for service delivery to your home or business.

Energy Choices: What You Need to Know

Many businesses have benefitted from the Energy Choice program with a reduction in their utility bills. Paying a lower rate for kilowatt-hours of electricity (cents/KWh) or gas volume (cents/therm) is good for the bottom line, naturally. But is the process as simple as signing a contract to pay a lower rate? What are the risks involved? How does one know if they are actually paying less? How long will they save, and are they saving as much as possible? Are there additional contractual obligations to obtain a lower rate?

Although deregulation has introduced competition and lower prices to the energy market, there are a number of pitfalls that businesses need to avoid to ensure promised savings are realized. In reality, contracting for energy supply is like purchasing commodity futures, so it is in the consumer's best interest to enlist the services of a trusted advocate to guide them through the decision making process. The main factors when

buying energy supply are:

Type of products available – fixed rate, variable rate, or hybrid
 Contract terms – length, conditions, termination fees (if any), liability, and flexibility
 Market indicators – utility rate seasonality, short and long term trends
 How should businesses approach energy purchasing to achieve cost savings they can count on?

Keys to a Successful Energy Supply Selection

Here are four key points to follow when considering energy supplier options:

Consult with more than one energy company. To ensure you are aware of the complete market offering, avoid working with a single supplier to take advantage of the best available energy options. Utilizing the services of a qualified energy consultant or broker that represents multiple electric and gas suppliers is highly recommended as an alternative to meeting with multiple suppliers individually. There are usually no additional charges or fees to the cus-

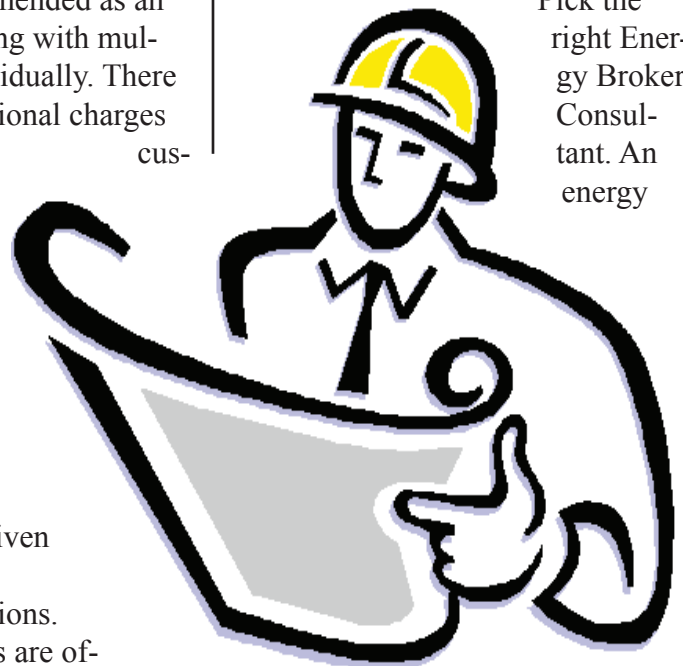
tomers to work with an energy consultant in this manner. Energy suppliers have established channel partner relationships with consultants to offer their services in a given territory.

Understand the options. Energy supply plans are offered with fixed and

variable rates, and with different term lengths. When a customer signs an Energy Supply Agreement, a commitment is made to purchase energy for a term between one month and multiple years. Therefore, before signing a contract, the consultant or supplier should explain the pros and cons of the term length and associated risks involved, present commodity pricing trends to illustrate seasonal and multi-year market conditions, and substantiate why they recommend the plan that they do.

Obtain a detailed analysis. The energy consultant or supplier should provide a detailed proposal with calculations showing rate structures, term lengths, the previous 12 months of use (KWh or therms), and past and/or future local utility rates to support their cost savings estimate. Information on the selected supplier should also be included. Ultimately, customers should sign-up for what makes sense economically with an acceptable level of risk mitigation.

Pick the right Energy Broker/Consultant. An energy



broker/consultant should take a long term view of energy requirements and costs for a business client, providing detailed analysis and all necessary information to make an informed energy supply decision, with timely reviews of savings in the months that follow. Like an accountant, financial planner, or other trusted adviser, your energy consultant or supplier should be a long term partner to help guide you through current and future energy management.

Summary

Owners of food markets, food wholesalers, restaurants, manufacturing plants, car washes, health clubs, and other businesses and non-profits can take advantage of electric and natural gas supply choices, save money, and confidently improve their bottom line. A knowledgeable and dedicated energy broker/consultant can surely help guide their clients through the energy procurement process successfully.

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If you have a question for Larry, please forward it through this blog and he will respond or contact you.

May the Coach be with you,

Coach Jerry

