



NOVEMBER 11, 2009

Finding the right energy consultant is no easy task

By CATHERINE LUTHIN, PRESIDENT,
LUTHIN ASSOCIATES

You are a real estate executive who has determined that the time has come to hire an energy consultant to help you purchase energy supplies.

So, you have solicited a number of bids. But how do you go about evaluating the relative merits of competing bidders?

A critical way to compare energy consultants -- and to evaluate their fees -- is by closely scrutinizing the scope of work to be covered by that fee. In addition to seeking the lowest overall cost for power, your consultant should also be prepared to provide a range of additional services.

Here are some of these additional services a proper consultant should deliver before a supplier contract is signed:

A consultant should be ready to assemble and organize your historic account data, including account numbers, service addresses and rates.

The right bidder should plan to check the suitability of existing delivery tariffs to find options for cutting these costs -- and should benchmark annual usage and demand to check for major anomalies.

The consultant should examine your load profile for options that can cut the capacity portion of your commodity price, and should review the consistency of account usage to set realistic allowable variances.

The bidder should understand the energy impact of planned capital projects, and also assist with credit issues or financial standing. Proper credit analysis can potentially allow you to avoid paying deposits.

The right bidder will manage the entire bid process, identify qualified suppliers, explain pricing structures and risks to help you make proper decisions, and be

able to forecast utility and bidder pricing as a way of managing your own expectations.

Also, the best consultants will watch market metrics for pricing opportunities as they arise, critique bidder contracts prior to pricing, and negotiate favorable terms and conditions.

To make sure you understand the differences between offers, your consultant must be able to develop unit costs among different offers to create a consistent, "apples-to-apples" analysis.

And the right bidder should ensure that all contracts are approved prior to the bidding so there are no problems at the last minute.

Once the deal is done and the supply contract has gone into effect, the consultant's services should continue throughout the contract length. There are five key services you should expect at this stage:

First, the consultant should verify the accuracy of the supplier bills and utility bills.

Second, utility tariffs should be reviewed to identify opportunities to achieve savings.

Third, your consultant should be looking for opportunities to renegotiate a deal if market conditions change.

Fourth, taxes must be properly calculated so that they are applied correctly to the supplier's bills.

And fifth, the consultant needs to track budgeted



energy costs to actual expenditures.

When comparing potential procurement consultants, it is also important to examine credentials. For instance, the industry standard in this sector is qualification as an AEE-Certified Energy Procurement Professional, also called a CEP.

The CEP standard is set by the Association of Energy Engineers, a nonprofit professional society with more than 11,000 members in 78 countries. According to AEE, CEP status is reserved for "individuals who have demonstrated high levels of experience, competence, proficiency, and ethical fitness in the energy management profession."

You should speak to prior customers to get references. It also makes sense to run a credit check.

Finally, real estate executives should not be overly influenced by claims of potential cost savings. Such numbers may be relative to an "expected price" developed by the consultant that has been inflated by assumptions to make the winning price look good.

To promote their services, a procurement practitioner may try to maximize the apparent "savings" from their process, especially if the fee is high. To approximate the going market rate for power at a given time, you can protect yourself by checking their claimed cost savings against other sources -- such as free newsletters from some of the major suppliers -- or an indicative bid from your portfolio from your incumbent energy supplier.

As with any major purchasing decision, closely examine your options before making your selection. By knowing the right criteria upon which to make your evaluation, you will generate the maximum return on your investment in energy -- and also on your investment in an energy consultant.