

Expending Energy on Energy

Energy has moved from an afterthought to a high priority budget item.

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Like consumers, companies are feeling the squeeze from rising energy prices. On average, electric rates are rising 15 percent per year. Wholesale natural-gas prices have tripled over the past several years. "As a nation, we're in the middle of a perfect storm," says Richard G. Lubinski, president of energy consultant Think Energy Management LLC. "CEOs, COOs, and CFOs realize they are looking at a budget-killer."

Take Carquest Corp. For years, energy was an afterthought at the auto-parts retailer and distributor. That changed last summer, when the Raleigh, N.C.-based firm learned its \$21 million annual energy bill might top \$30 million in 2006. Suddenly, energy was a high priority. "To the finance folks, a 25 percent increase sounded like extortion," recalls Adam Rice, director of energy and facilities management. "We had to learn to manage energy or energy would be managing us."

Energy consultants were dispatched to Carquest's 1,500 stores and 43 distribution centers. Thousands of utility bills were scrutinized. Stores and warehouses got energy makeovers. Automatic timers were installed to control heating, lighting, and air-conditioning. Even lowly lightbulbs were swapped for longer-lasting replacements.

In a similar move, hotelier HEI Hospitality sought to curb its energy bills last year. The effort began with a detailed analysis of energy use at the Norwalk, Conn.-based company's then 27 hotels. From there, HEI instituted a program to cut usage. In back offices, lights were dimmed or turned off at the end of business; energy-efficient doors were installed to reduce heat loss. "Understanding our consumption was a first, big step," says CFO Ernie Freedman.

Other firms are turning to Energy Star, a federally backed program that provides information on energy efficiency. One of its tools rates commercial buildings on a scale of 1 to 100, based on a year's worth of bills for lighting, heating, and cooling. Savings are also being found on the supply side. World Energy Solutions Inc., an online energy broker, conducts reverse auctions for clients seeking electricity or fuel in wholesale and retail markets. Recently, World Energy fielded 38 electronic bids from four suppliers interested in supplying a Massachusetts life-sciences firm. The winning bid was \$300,000 lower than the local utility's.

Still, energy experts say supply savings average only 3 to 5 percent. The other problem, says Rice, is that "electric rates are rising so fast I don't think we've reduced a lot of costs yet."