

Energy Efficiency Equals Money In Your Pocket

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You don't have to have the last name "Einstein" to figure that energy efficiency equals more money for you and your business. While many of us consider our company's energy budget to be a fixed cost or a constant variable cost as a fraction of our sales, the fact is both of these mindsets put blinders on to our ability to think about energy costs.

Our industry has always concentrated on best use of our skilled and talented labor. We have always paid close attention to the costs of doing business. Yet, we were all surprised by the massive run-up in global material prices over the past year. Will we again be surprised by another huge global run-up—this time in the cost of energy?

When I returned to Ohio after several years in Georgia, my residential natural gas price per CCF (hundred cubic feet) was around \$0.33. Today, my natural gas supplier offered me a contract at \$0.99 per CCF. (Last year, I paid about \$0.66.) Have your company's energy costs tripled, doubled or increased by half since you last analyzed them? Are these costs eating away at your company's bottom line?

What indicators will alert you to taking preventive action against skyrocketing energy costs in the months or years ahead? What actions could be taken to minimize the impact and potential drain on your company's profitability?

Natural Gas

I wasn't surprised to find out that the Canadians are ever-vigilant with regard to energy costs. A Canadian Web site, www.energystore.com, has a news link with a monthly natural gas price forecast. The latest update I saw shows gas starting at about \$0.05 Canadian per cubic meter in June of 1996 with a trend line upwards to just under \$0.30 in

March of 2005.

This was not a steady increase. There were several spikes, including one for more than \$0.50 in 2001. The actual forecast (not the best-fit trend line) anticipates a \$0.35 price for natural gas by March 2005.

Headlines linked from this site include, "Natural gas set to displace oil on world stage," "North America faces a gas squeeze over the next four years or longer," and "Natural gas at a critical juncture." As more environmental pressure to replace coal-fired electric generation occurs, utility companies' decisions to buy cheaper, cleaner, gas-fired generating capacity will become the rule in the future. That increased demand for gas will make gas supplies for heating tighter and prices higher.

Actions that you take now to be more efficient should pay back quickly in a rising and tighter market. If you can contract for natural gas, consider your demand, the prices available and, if you hate surprises, lock in a fixed price for whatever term seems reasonable to you.

Electricity

If electricity is available for contract sales in your state, locking in a good price is one of the first things you can do to minimize future energy pricing shocks. If electricity is not deregulated in your state, there is little that can be done to minimize price impact on the contract side. However, there are other ways our businesses can be more efficient users of electricity. Here are some ideas:

- Enable the "sleep" feature on all of your company's computer monitors. You'll save up to \$10 per monitor per year.
- Implement an internal Energy Conservation Program and training to ensure that all employees are up

to speed on your company's energy conservation practices and procedures. Many shops are doing this for their ISO 14001 program.

- Consider replacing older, less efficient lighting with newer, more energy-efficient alternatives.
- Bring in engineers from your utility companies to get their insight into your load and demand. Use their suggestions and any funding programs they have available to help you upgrade your business.
- Set up an in-house energy demand reduction team to evaluate shop applications. Schedule and participate in cross-department energy audits. This too is an excellent ISO 14001 project.
- Evaluate company vehicles for gas mileage and energy efficiency.
- If new construction is in your future, evaluate it for energy efficiency. Construction today should consider tomorrow's potentially higher utility bills in your payback Calculations.

The escalating costs of health care continue unabated. The run-up in raw materials was unanticipated and caught everyone by surprise. When energy costs increase significantly, will you and your company be prepared? The dollars you save go to your company's bottom line and result in lower emissions and a cleaner environment.

