

# CHOICE! CASE STUDY

## Energy Procurement

HOUSTON, TEXAS  
LOUISVILLE, KENTUCKY  
NEW YORK, NEW YORK

*A chemical manufacturer benefits from renegotiation of a long term electric power contract*

PAPER TOPIC:



ELECTRICITY

### Summary

A chemical company with a facility in Texas had been purchasing their electricity requirements based upon recommendations from a local consultant. Upon engaging Choice! Energy Services as their energy management advisor, Choice! identified an opportunity to renegotiate the existing electricity contract re-aligning it their corporate risk strategy providing price protection, budget certainty, and cost savings.

### Background

Choice! Energy Services (CES) began this process by reviewing the existing Texas electricity contract not set to expire until the beginning of 2017. The review exposed several areas that needed to be addressed with the current electricity supplier. The contracted position of a pass through index product did not match the corporate risk strategy of the customer, which is to achieve budget certainty. An index product typically delivers the opposite, albeit garnering the potentially lowest overall cost. Under this product structure the end user is susceptible to volatile price swings every hour, stemming from short term fundamentals in the market. Additionally, the facility specific meter hardware was not able to report the interval meter information needed to properly invoice this product. As a result, this client was assigned an estimated hourly load profile which inevitably would result in inaccurate costs dependent on the supplier's estimates in any given month. Lastly, the ancillary charges that the previous local consultant fixed were not in line with the market expectations for those charges. Utilizing the CES expertise in price discovery, the negotiation process around price moved quickly since the supplier understands the unique ability to verify price.

### The Result

Choice Energy Services utilized its expertise of the electric power market to recognize this opportunity to renegotiate an existing contract. Utilizing industry knowledge and experience to identify the customer's legal options under their current contract, metering limitations, and leveraging the price transparency was able to capture value for this customer. As a result, this customer was able to align this facility with the corporate risk strategy, eliminate unnecessary costs, and achieve budget certainty and price protection well into 2017. The overall impact of eliminating unnecessary margin through the renegotiation provided a **25%** decrease in this facility's ancillary adder costs.

### Mission Statement

Choice Energy Services provides the nation's most comprehensive energy management solutions built on integrity, customer value, expertise, and fostering strong partner relationships.