

Reducing Utility Costs

Part 3: Deregulation

INTERSTATES

Electricity is usually one of the largest financial burdens faced by plant managers. Fortunately there are avenues available to minimize these operating costs.

In most states, deregulation of the utility industry allows you to choose your power provider and the voltage level at which you purchase power. Both of these options provide opportunities to reduce your operating costs.

First, don't restrict yourself to a single power provider. In the past, this option could only be leveraged before a site was selected. After site selection, facility owners lost a key bargaining chip with utilities. While this is still a key issue in site selection, utility deregulation often allows owners to evaluate several power providers at each site. This enables you to select the provider who best meets the needs of your unique facility.

Second, be sure to consider capital and operating costs when selecting services from your utility. Many utilities provide a substation and site distribution (including 480V transformers) at no direct, upfront charge to the owners. However, the additional rate charges often associated with this approach must be considered. A typical example is the owner who is offered a "free" utility-owned substation and "free" site electrical distribution. This usually appears quite attractive compared to purchasing and installing an electrical system costing anywhere from six to seven figures. However, savvy owners will ask their energy consultants to compare these capital savings against the operating savings available by owning their own substation and site distribution. After careful analysis of electrical contracts and rate structures, simple payback calculations often show two to four year returns for the owner who chooses to own the site electrical system.

(Today's substation (high voltage) equipment is much easier to maintain and operate than the equipment of the past. Most modern high-voltage equipment is as safe to operate and maintain as low-voltage equipment. These improvements allow you to easily take advantage of the savings available with owning your site electrical system.)

This brings our three part series on reducing utility costs to a close. Remember to build a business partnership with the utility of your choice. The days of simply accepting a set utility rate are gone.

For more information...

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