



## Manage the Cost of Energy at Your Facility

*Rising energy costs have spurred a gradual change toward more prudent use of energy in buildings large and small. Facility managers need to understand the best strategies for managing energy use in their facilities.*

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Energy prices remain on the rise in the United States, impacting operating costs for facility managers overseeing both residential and commercial properties. According to the **U.S. Department of Labor**, the energy index rose 2.6 percent in October 2010, and has risen 5.9 percent in the last 12 months. And Energy Star, a joint program of the **Department of Energy** and the **U.S. Environmental Protection Agency**, projects that energy demand will increase by 31 percent over the next 25 years, while projecting energy prices to increase at a rate of 2.4 percent each year. As a result, facility managers need to become more cautious about energy use in their facilities to avoid falling into

financial trouble.

"Energy prices are the most volatile prices on the planet," says Jeffrey Mayer, president and CEO of MXenergy, a leading independent natural gas and electricity supplier. The cost of gas or electricity can fluctuate as much as 50 percent in a single week, he says. By recognizing the perpetually increasing demand for energy and focusing on reducing consumption, facility managers can decrease the amount of energy used in their buildings and lower their bottom line.

### 1. Audit your facility

To lower energy consumption, a facility manager should first hire a professional to conduct an energy audit—checking the building's insulation, electric loads, HVAC system and plumbing, says **Joseph Milillo, vice president of marketing at Long Island Power Solutions in Bohemia, N.Y.** "The professional can assess where energy is being used and provide a facility manager with recommendations on retrofit projects to help reduce energy consumption in the building."

JC Blakely, corporate facilities manager for the PICA Group in Nashville and president of **International Facility Management Association** Nashville, agrees. An energy audit is a crucial step toward learning how to reduce both energy use and operating costs, Blakely says. "The cost of operating a building is the second highest cost for facility managers, so once you know where your energy is being used, you can formulate a plan and implement changes," he says.

### 2. Tighten the building envelope

According to Energy Star, more than 50 percent of all energy consumed in the United States is used for heating and cooling a building. By improving the building envelope, facility managers can begin saving on energy and operational costs. A large amount of heat loss and heat gain is a result of poorly insulated walls and ceilings, Mayer says.

"Improving the building envelope by focusing attention on facility insulation is one of the simplest, most cost-effective strategies," he says.

Proper insulation could save up to 10 percent of wasted energy, says Blakely, who also emphasizes the importance of addressing any heating and cooling problems in your facility's HVAC system.

“An updated HVAC system is great, but the system’s efficiency will not make a difference if the facility is not properly insulated first,” adds Mayer.

### **3. Protect your prices**

Negotiating prices and fixing prices—like one fixes the interest rate on a home mortgage—are two options facility managers often overlook, Mayer says. “The utility business is the only business in the world where you don’t know the price until after you’ve consumed the product,” he says. This leaves a lot of facility managers unsure of how to address the problem.

Facility managers can lock-in a negotiated price and avoid higher prices later on by using an energy rate plan that can guarantee facility managers a fixed energy rate for the length of the plan. The plans, which usually can be set for 12 or 24 months at a time, offer a fixed energy rate regardless of the amount of energy consumed by a facility. The rate is determined by the utility provider and is based on the amount of energy it projects the facility will consume over the course of the contract period.

Acting proactively by calling your local utility provider will help facility managers learn more about their building’s energy consumption, he says. “Some utility providers are open to negotiated prices provided the facility has large demand.” Once a price is negotiated with the utility provider, which like the fixed rate plan is also based on previous amounts of energy consumed in a facility, a facility manager should implement a fixed rate plan with the negotiated price.

### **4. Use renewable energy**

According to the **U.S. Energy Information Administration**, renewable energy accounted for 8.2 percent of all U.S. energy consumption during 2009, and has great potential for future growth with government funded tax incentives and rebate programs.

“Renewable energy is one of the most exciting areas of energy-efficiency that is commercially available,” Mayer says.

**Milillo agrees and recommends looking into solar energy equipment because of the rebates and incentives. “Facility managers shouldn’t be offset by the higher prices associated with renewable energy because the government offers incentives that cover 50 to 70 percent of the upfront cost.”**

Incentives include the Federal Energy-Efficient Commercial Building Tax Deduction and the Renewable Energy Production Incentive. Most states also offer sales tax exemptions for purchasing renewable energy equipment, and renewable energy providers offer energy efficiency rebate programs. For more information regarding federal tax incentives and rebate programs in your state visit the **U.S. Department of Energy’s** website or contact your local IFMA chapter.

By realizing the need for an energy management plan and understanding the most beneficial approaches for reducing energy use, every facility manager can decrease operating costs for their building, **according to Milillo. “An awareness shift is occurring, and many facility managers are now realizing that changes need to be implemented and savings can be achieved.” It all starts with being proactive and looking toward the future—** it is feasible to reduce energy consumption without compromising building value and occupant comfort, Blakely says.

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