
Turning Your Resources Into Power — Harnessing Your Energy Information to Help Achieve Sustainability and Reduce Costs



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*In today's interconnected world of shifting customer loyalties and regulatory agendas, industry is realizing that a more sophisticated understanding of their energy sustainability can yield strategic advantages. In fact, **energy sustainability leaders are achieving long-term shareholder value by gearing their strategies and management toward the use of sustainability products and services, while successfully reducing and avoiding sustainability costs and risks.***

How are they doing it? By using reliable energy data to baseline where they are, determining where they want to go and implementing strategies to get them there.

To be successful, you must manage your costs, and **energy can be one of the largest spends in any organization, burning as much as 10 percent of an operating budget.** Energy is also one of the most volatile expenses in any cost portfolio — in just the last 18 months, natural gas prices have bounced wildly, posting price escalations as high as 250 percent. And, according to the 2007 CFO Outlook*, 82 percent of CFOs cited energy costs as their second most significant financial concern, next to the cost of materials, supplies and equipment.

With increasing market, social and regulatory pressures surrounding climate change, including energy in a company's sustainability efforts has

become critical. As a result, industry leaders such as Boeing, Dow Chemical, DuPont, PepsiCo and Wal-Mart are taking it seriously. In fact, Charles O. Holliday, Jr., chairman and CEO of E.I. du Pont de Nemours and Company labels sustainability as “global industry’s biggest challenge and opportunity.”**

Plus, investors view sustainability as a critical success factor too. In fact, according to Dow Jones, investors are increasingly diversifying their portfolios by investing in companies that set industry-wide sustainability best practices.

Consequently, companies cannot ignore the necessity of establishing strong sustainability plans for the future — and including energy management among them is a must. Implementing cost-effective energy procurement practices and appropriate conservation measures can help you increase profitability and gain competitive advantages for your organization. Companies that have access to real-time energy pricing and accurate forward usage forecasts can implement more aggressive energy management strategies and will be able to control their bottom lines.

What is sustainability?

Sustainability has many definitions. However, according to the U.S. Environmental Protection Agency, the basic principles and concepts remain constant: balancing a growing economy, protecting the environment and being socially responsible. These goals converge to improve the quality of life for ourselves and future generations.

Common use of the term “sustainability” began with the publication of the World Commission on Environment and Development report, Our Common Future, in 1987. Also known as the Brundtland Report, this document characterized sustainable development as “development that meets the needs of the present without compromising the ability of future generations to meet their own needs.”

How does energy fit into sustainability?

Skyrocketing energy costs, energy price volatility, deregulation and the formalization of federal, state and regional legislation across the U.S. have turned the spotlight on energy sustainability. And, the concept of sustainability is inspiring public and private organizations to become better stewards of the environment and promote positive economic growth and social objectives.

Keys to Success

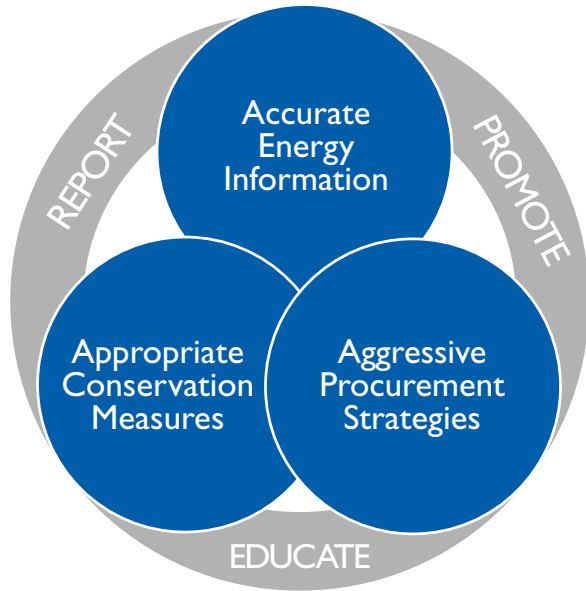
An energy sustainability program minimizes energy costs, ensures a reliable energy supply and identifies key energy savings opportunities. It should balance a company’s efforts to reduce its carbon footprint with its choices regarding energy supply. Successful energy sustainability programs have three primary components and three secondary components:

What is a “carbon footprint”?

This phrase refers to the “environmental offender” level your company has reached by its emissions of various harmful gases (often referred to as “greenhouse gases”). Reducing your footprint is the goal — it reduces the amount of pollutants you emit, as well as helps to reverse the effects of global warming and other negative environmental conditions.

Primary Components

- **Accurate Energy Information** - There are two types of energy information you need — internal and external. External information includes market intelligence; local, state, national and global regulatory developments and energy market prices that are relevant to your facility locations. Internal information includes spend metrics, usage statistics and utility bill images. Without this data, it would be impossible to create a baseline of your current greenhouse gas emissions and your ability to determine the impact of any sustainability initiatives is significantly hampered.
- **Aggressive Procurement Strategies** - There are myriad products available in the marketplace that will allow you to balance renewable energy supply with bottom-line costs. It is imperative that you optimize the supply products available to ensure that they are enabling you to achieve



Energy Sustainability Model

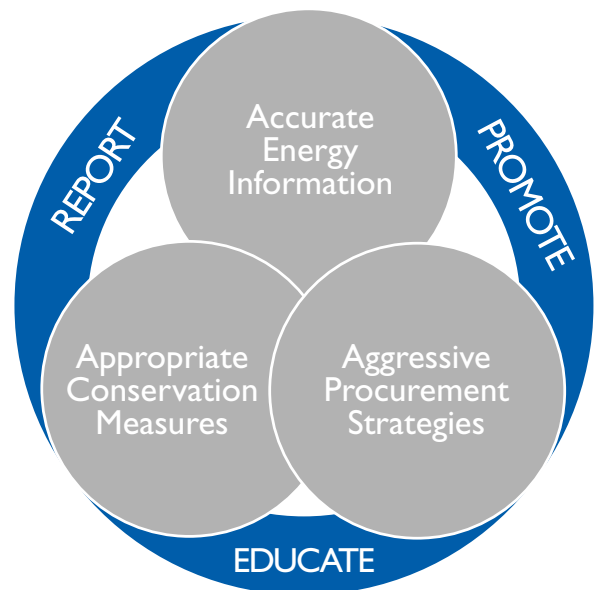
your sustainability goals while minimizing cost impact. You need to vet potential “green energy” suppliers, understand the contracting options and take advantage of market opportunities in order for your procurement tactics to most effectively align with your sustainability goals.

- **Appropriate Conservation Measures** - Once you have gathered accurate data and engaged in strategic sourcing of the energy commodities, you will then be best positioned to know the impact of any usage reduction or conservation measures you implement. To maximize the return on your sustainability investments, you will need to identify the most appropriate measures, successfully implement them and accurately report the results to all stakeholders. You can combine facility information (e.g., square feet, hospital beds, hotel rooms, units produced, etc.) with your energy data to connect sustainability success with relevant business metrics.

Secondary Components

In order to maximize the ROI on sustainability initiatives, industry leaders implement several secondary components. It is not enough to simply “be sustainable”; constituencies must be made aware of the program’s success.

- **Reporting** - Providing timely and relevant reports to key internal and external stakeholders ensures that everyone is aware of the program’s effectiveness. Stakeholders can include plant management, senior leadership and investors.
- **Promotion** - Leveraging public relations and media opportunities for sustainability initiatives can enhance corporate goodwill and drive increased shareholder confidence and affinity. Industry leaders in the sustainability movement coordinate their internal efforts with an external communications plan that informs the media and analyst community of the successes along the way.
- **Education** - Much of the success of sustainability programs will rest with staff members and vendors that serve your company. It is essential that educational programs and communications are utilized to ensure that the sustainability “message” is understood and embraced.



Energy Sustainability Model

How can you strengthen control over your energy management and achieve a worthwhile return on the investment?

Most companies do not have the expertise or technology to handle their energy sustainability needs in house. One way for companies to become more energy efficient and identify ways to reduce their energy consumption is to outsource their energy management. However, you do not need a service provider that simply pays your bills or performs occasional facility audits. Rather, you need an outsourcing partner that has the expertise and resource depth to keep you abreast of changes in a volatile market, provide you with timely market intelligence and make sourcing and energy reduction recommendations that will allow your facility and financial professionals to focus on their core competencies while providing you with improved intelligence about usage and costs on a site-by-site and enterprise-wide basis.

When considering outsourcing your energy management, you will want to ensure that you identify a provider that can provide you with the technology and expertise to transform your energy data into immediate cost savings, strategic information and actionable insights. Key offerings of such a provider should include:

Utility Bill Processing and Information Access

To maximize efficiencies, a service provider should assume all bill processing duties, from data entry to bill payment, including capturing key cost and usage information that will allow you to proactively plan and enable quick and easy on-time payment of accurate energy invoices. The information should be centralized and accessible via the Internet for review and analysis. This centralized information should also enable the provider to predict when a specific

invoice should be received and proactively contact the utility supplier when an invoice has not been received. This proactive approach mitigates the risk associated with overdue payments and late fees. To further reduce the risk of late payments and to deliver critical information in an expedited manner, the service provider should have an aggressive approach to moving the receipt of invoices and payment to electronic formats such as EDI (electronic data interchange) and ACH (automated clearing house). Without this foundational element, sustainability initiatives fall flat.

Energy Bill Analysis

Processing utility bills should be only a portion of your service provider's energy information management service. Your provider should also offer experienced analysts to provide a full range of analytical and data mining services. This will enable you to better manage energy spend and clearly identify areas for immediate savings and improved efficiencies. Each utility invoice should be validated to ensure that you have received the proper pricing and usage data to provide you with checks and balances to help to ensure accurate realization of planned sustainability improvements.

Strategic Planning

Many companies are operating without the framework of a strategic energy plan, and this is a risky endeavor. A service provider can lead your company through a thorough but expedient process of developing a plan that can galvanize internal support for the program, provide metrics for measuring success and guide the decision-making process. You will find yourself asking questions such as, "Should we buy 'green energy'? Should we purchase renewable energy certificates? Should we place solar panels on facility roofs to supplement our electricity load?" Each of these questions, and many others, can be addressed within a sound strategic plan.

Strategic Energy Sourcing

A service provider should be able to vet suppliers, conduct energy RFPs and make sound energy supply recommendations. This is one of the chief benefits of taking the outsourced approach. It allows you to virtually leverage your buying power to achieve maximum supply cost efficiencies and the best possible contract terms with suppliers. Additionally, a service provider that performs similar activities for other clients will have access to a broader list of potential suppliers for energy that they should have carefully selected from among the most reliable and financially stable entities for energy supply. This procurement area is where the “rubber meets the road” in the implementation of your sustainability plans.

Budget Development

Developing accurate budgets for future expenditures is a time-consuming process, and a good external service provider is likely the best position to lead this process. Ideally, your provider will have a depth of resources that is unmatched by internal staff levels; access to proprietary information that can be used to glean insights into future price levels; statistical modeling capabilities to eliminate guesswork from the process and factor in known contract values; deliverables that can present site, division or corporate level outputs — and they will have thoroughly assessed each market where you have sites, yielding the clearest possible view of future price dynamics.

Robust Reporting

As part of your provider’s standard service offering, your accounting department should be able to access and download reports that accurately account for each expense. Additionally, facility management personnel should be able to tap the data for proactive, strategic decision-making. Preferably, your provider should offer detailed, site-by-site cost reporting, comparison reports that identify inefficiencies at your enterprise-wide facilities, and forecasting tools that analyze usage and comparisons of year-to-date performance against annual figures. This reporting should be supported by easily accessible copies of all contracts and invoice images which provide an auditable paper trail of your performance.

What does it all mean for your company?

Given that energy information can unlock energy procurement and conservation savings of as much as 10 to 25 percent of energy spend, many companies are looking to better anticipate and analyze trends so that their energy procurement and risk management approaches are effectively coordinated with their sustainability plans. As you consider your business priorities, addressing the cost reductions you may be able to realize by establishing or restructuring your energy sustainability program may merit your attention.

If you would like to discuss this issue in more detail or have questions about energy sustainability, **please contact Jim Crawford, Vice President of Business Development for SourceNet Solutions at (630) 904-2753 or Jim.Crawford@sourcenetsolutions.com; or Rick McKay, Vice President of Client Development for Summit Energy at (502) 429-3800 or rmckay@summitenergy.com.**

About SourceNet Solutions

SourceNet Solutions, Inc., is one of the country's leading providers of finance and accounting business process outsourcing (BPO) services. In its role as a market leader in AP outsourcing, SourceNet has a proven track record of growth and success, and has consistently demonstrated the ability to help companies achieve continuous process improvement. Also, SourceNet's controls and audits are built to meet the strict accounting requirements of a Sarbanes-Oxley (SOX) framework.

About Summit Energy

Summit Energy is a leading provider of energy management services for business and industry. Summit manages more than \$14 billion of energy spend annually for more than 160 corporate clients in industries ranging from aerospace and automotive to government, chemical, food manufacturing, pharmaceuticals, healthcare and others. Its growing staff of more than 230 energy professionals is headquartered in Louisville, Kentucky, with additional offices in Texas, Mexico, Belgium, Italy, France, Germany and The Netherlands. They serve clients with sites worldwide. For more information, visit www.summitenergy.com.



**2007 CFO Outlook, A Survey of Manufacturing Company Chief Financial Officers, Bank of America Business Capital, 2006.*

*** IndustryWeek, December 1, 2006*

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