

January 2006

What do you need in order to reduce energy costs? INFORMATION!

Learn how to get the information you need to turn your energy resources into power.

Let's face it. To be successful, you must manage your costs, and energy is one of the largest spends in any organization. And, paying utility bills is not like paying other bills.

According to industry estimates, energy costs can burn as much as 10 percent of an operating budget. Plus, when processing utility bills, a typical AP department does not identify the errors or capture the detailed cost and usage data essential for energy managers to make informed decisions. As a result, another scarce resource — time — is spent trying to track data, monitor and validate rates and detect and resolve billing errors.

And, with deregulation upon us and energy prices at an all time high, energy choice has become even more complex and unpredictable. Consequently, establishing an energy management plan and implementing cost-effective energy conservation opportunities can result in increased profitability and competitive advantage for your organization.

Keys to Success

An energy management program should be designed to minimize energy costs, ensure a reliable energy supply and identify energy savings opportunities. Successful energy management programs, which cover electric, gas and water bills, have three key phases:

Phase I — Understanding Energy Information Better

First, you need to collect monthly bills to verify and pay them, then scour your billing data for usable energy information.

Phase II — Procuring Energy Better

Second, you need to use the information obtained in Phase I to make better energy purchasing decisions. There are many tools available to provide rate and tariff analysis, aggregation analysis, and e-Procurement, but they all require information as an input.

Phase III — Using Energy Better

Third, use the information obtained in Phase I to identify the best energy conservation projects. If you combine some basic facility information (e.g., square feet, hospital beds, hotel rooms, etc.) with energy data from your monthly bills, you may be able to:

- track changes in energy use over time and investigate increased energy use;
- identify if your electric demand is relatively flat or if there are spikes during the day; and
- calculate the unit energy costs that are necessary to determine the savings involved when switching from one energy source to another.

Still, most companies don't have the expertise or technology to handle their energy management needs in house.

How can you strengthen control over your energy management without making significant investments?

One way for companies to become more energy efficient and identify ways to reduce their energy consumption is to outsource their energy bill payment. However, you don't need a service provider that simply pays your bills. You need an outsourcing provider that has the expertise to keep you abreast of changes in a volatile market and 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.

If you are considering outsourcing your energy management, you'll want to ensure that you identify a provider that can provide you with the technology and expertise to transform your billing data into immediate

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SourceNet Solutions AP Outsourcing Insights

cost savings, strategic information and insight. 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 to enable access 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 late 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).

Energy Bill Analysis

Processing utility bills should be only one part 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 costs and easily identify areas for immediate cost savings and improved energy efficiencies.

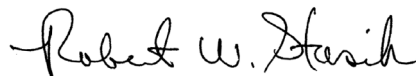
Robust Reporting

As part of your provider's standard service offering, your accounting department should be able to access and download the appropriate reports to 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, forecasting tools that analyze past usage and comparisons of year-to-date performance against annual figures.

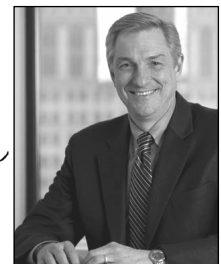
What does it all mean for your company?

As you consider your business priorities for 2006, addressing the cost reductions you may be able to realize by restructuring your energy management program may merit your attention. While outsourcing may not be appropriate for every organization, it makes sense to be cognizant of the potential benefits an energy management outsourcing relationship may deliver.

If you would like to discuss this issue in more detail or have questions about energy bill payment and information services, I invite you to contact Leon Busch, the president and CEO of Mellon's finance and accounting services arm — SourceNet Solutions, at (979) 691-7700. One of the pioneers of utility bill processing and energy information management services, Leon will tell you how SourceNet has helped numerous clients unlock energy procurement and conservation savings of as much as 10 to 25 percent of their energy spend.



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