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Utility Deregulation: What It Means For You

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by Mark Vaughan

Are you looking to reduce your energy expenditures (and who isn't)? Deregulation of the utility industries might be just the ticket for your facility.
Since the '90s, states have been "deregulating" their utility industries - allowing businesses traditionally "held captive" by their local utility to buy electricity and/or natural gas from alternative providers. Deregulation laws are passed at the state level and, as of January 2005, at least 16 states have created an environment in which ice arenas can save money by procurement through an alternative supplier (see sidebar).
Having an aggressive utility management strategy is going to be crucial to the ice arenas in the coming years. As mentioned in the November/December 2004 ISI EDGE, monitoring and analyzing your electric, natural gas, water and sewer bills and benchmarking your data against your peers' is the first important step.
The next step is to investigate the buying opportunities that your state may or may not allow.
What exactly is "deregulation"? It's the change in utility laws that opens up service territories to competition. In the states that allow it, utility customers may solicit offers from various energy suppliers and negotiate their own customized rate and contract terms and conditions. Why would an ice arena choose to do this? There are two reasons:
1. Third-party energy suppliers can typically offer a lower rate than the utility.
2. Contracts with third-party energy suppliers often include a "fixed price," allowing you to protect your ice arena from volatile energy prices and accurately estimate your budget.

If your state has passed deregulation laws and savings do exist (many states have drawn-out deregulation rules that prevent savings in the current environment), it's time to put together a list of questions for the energy suppliers that will bid on your facility. Some appropriate questions include:
" Does the supplier have sound financial backing?
" Has the supplier served other ice arena accounts in the past?
" Does the supplier offer both variable-rate and fixed-rate contracts?
" How long has the supplier served your particular market and do it have a reference list?

Once you've solicited bids from several qualified suppliers and decided on the best of these, it is certainly appropriate to have the contract put through a legal review. In most cases, an attorney working on your behalf will be able to spotlight and revise a few key issues that may protect your facility. It is recommended that most facilities execute 12-month term contracts in order to minimize the risk that may come with longer terms.
Should you buy electricity or natural gas from an alternative supplier? If savings compared to your local utility rates exist and there are several reputable suppliers to choose from, the answer is an unqualified YES!
In a future article, we'll focus on the last of the three major initiatives relative to your utility expenditures: "facility optimization." Once you know how much you're consuming and spending and you have minimized the rates you're paying, it's time to turn to the final tool in your tool belt - reducing the amount of energy and water consumed.

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What Is Your State's Deregulation Status?

The following have deregulation laws in place:
Arizona - electric only, no current savings
California - electric and gas, no current savings
Connecticut - electric, no current savings; gas, savings exist
Washington, D.C. - electric and gas, savings exist
Delaware - electric and gas, no current savings
Florida - gas only, savings exist
Georgia - gas only, savings exist
Iowa - gas only, no current savings
Illinois - electric and gas, savings exist
Indiana - gas only, no current savings
Kansas - gas only, no current savings
Massachusetts - electric and gas, savings exist
Maryland - electric and gas, savings exist
Maine - electric and gas, savings exist
Michigan - electric, savings exist; gas, no current savings
Montana - electric and gas, no current savings
New Hampshire - gas only, no current savings
New Jersey - electric, no current savings; gas, savings exist
New Mexico - gas only, no current savings
New York - electric and gas, savings exist
Ohio - electric, no current savings; gas, savings exist
Oklahoma - electric, no current savings; gas, savings exist
Oregon - electric only, no current savings
Pennsylvania - electric and gas, no current savings
Rhode Island - electric, no current savings; gas, savings exist
Texas - electric only, savings exist
Virginia - electric, no current savings; gas, savings exist
Vermont - gas only, no current savings