

## Case Study

# Real Estate Energy Portfolio

OFMS ADVISORY SERVICES: Electric, Natural Gas, Energy Consulting Services

## Background

A Chicago based real estate company (the “Company”) was using an energy consultant for a number of years to help manage its utility costs. The energy consultant worked exclusively for one energy supplier, indirectly making them a retail supplier.

After sitting down with an Optimal Facility Management Solutions, LLC (“OFMS”) portfolio manager, the Company uncovered a number of factors that led to a full re-evaluation and analysis of its energy portfolio.

## Real Estate Energy Portfolio Solution

OFMS identified the following critical energy management services missing from the Company’s energy plan:

- **No price transparency** - the Company’s old energy consultant represented one electric and one natural gas supplier. The old energy consultant never developed a formalized request for proposal (“RFP”) and never negotiated pricing or contract language on behalf of the Company.
- **No utility rate analysis** - The old energy consultant locked in market based electric rates that were 34% higher than the utility rates at the time of contract execution. The incumbent utility rates have always been lower than what the old energy consultant recommended and executed.
- **No contract negotiation** - The old energy consultant included evergreen language and costly provisions that maximized the represented energy supplier’s revenue.
- **No active portfolio management** - The old energy consultant never notified the Company of the natural gas program’s 2-year automatic renewal clause. The old energy consultant implied they do not give automatic extension notices as the evergreen language is in the agreement. The most recent renewed natural gas program was priced 50% higher than other cost effective natural gas solutions available at the time of automatic renewal.
- **No price diversification** - the old energy consultant never diversified its energy purchases to take advantage of market opportunities. Instead, like any retail salesperson, the old energy consultant locked the Company in as long as possible at rates much higher than the utility’s rates.
- **No energy plan** - never developed an energy plan to guide the Company’s electric and natural gas procurement, energy efficiency plans, or demand response needs.

After replacing the old energy consultant, OFMS developed a comprehensive energy plan that incorporated solutions mitigating each of the risk factors previously noted.

### The Company’s new energy plan includes the following benefits:

- A centralized energy platform where all the electric and natural gas accounts are managed
- Analysis of all the electric and natural gas accounts historical usage and utility rates
- Price diversification and transparency
- Budget development
- Price and contract negotiation
- A well defined energy plan that includes (1) the unique energy profiles of the Company’s electric and natural gas accounts, (2) current and forecasted energy and economic conditions, and (3) the Company’s risk tolerance level

The Company’s new energy plan maximizes current savings opportunities while minimizing market risk over the long term.