

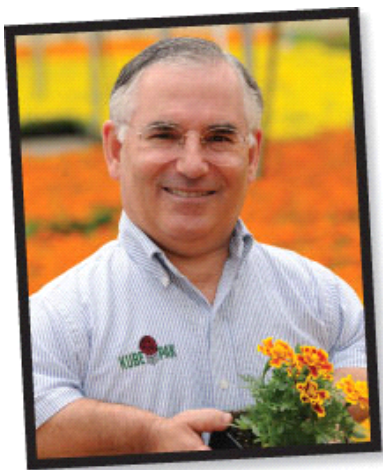
GROWERTALKS

Growers Talk Business

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Saving Money Via Energy Auctions

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The past eight to 10 years have seen energy costs stay surprising low. Part of the reason for this has been the increase in supply due to natural gas fracking and a slower economy. Many electric utilities have been converting their electric generation from coal to natural gas for many decades due to the abundance of cheap natural gas.

The utilities aren't the only ones who can benefit from lower electric generation costs. Our industry can benefit as well. We've been buying our electric from third-party providers for about 10 years and have saved a significant amount over the standard utility cost of electricity.

This past September, we decided to bid out our electric usage via an energy auction. I'd heard about this process for a number of years, but was hesitant because I thought it might be a scam or force us to buy our electricity via a company that might not be in business two years from now. I also felt uncomfortable participating in a process where one vendor was pitted against another. We generally value our long-term relationships with our best vendors.

A salesman from our local community contacted me by email and offered to stop by so we could meet. I figured, what did I have to lose? If I felt uncomfortable with him or the process, I would ask him to leave.

He started out by assuring me that the company he represented was legitimate and had customers I was familiar with, such as many of the local municipalities. Once he told me about all the municipalities he did business with, then I knew he was for real.

During our initial visit, he was not pushy or overbearing. In fact, he told me that if after the auction I wasn't satisfied with the results, we had no obligation to sign a contract. Now that was a very significant point for me—prior to our initial meeting, I thought that if you agreed to participate in an auction, you were obligated to complete the transaction. That was not so! At the end of our meeting, we had to provide him with copies of our electric bills to see our usage and give permission for him to represent us in the auction.

About two weeks later, he came back to the office with his laptop. It was all set up for the auction. He told us that about 12 companies had signed up ahead of time to participate in the auction. At exactly 11:00 a.m., the auction began on his laptop. One by one, the various companies bid on our electric contract.

As they bid, the company with the lowest bid would be displayed at the top of the screen with the other vendors listed below sorted by ascending value. Once the auction began, things got very exciting. I knew what price we were paying under our current contract for electricity, and within just a few minutes, we were below that price. Now, I was fully engaged. Additionally, each vendor could bid for one year or two years or three or four years. Our salesman told us that most auctions were over in less than 10 minutes. Surprisingly, it was after 10 minutes that the serious bidding for our business really got going.

The field of bidders had narrowed from 12 to about six and they were determined to get our business. One of the companies bidding on our electric was the company we'd been buying from for the past eight years. I thought they might want to retain our business, but they hadn't placed any competitive bids up to this point. Now all of that changed; they came in at about 18 minutes into the process with a very competitive bid. This started a furious chain reaction, with bid after lower bid posting to the laptop screen. The bids were now about a penny less than we were currently paying, but the auction was not over.

Minute by minute the bids got lower and lower, with two companies slugging it out. Our salesman turned to us and said, "The longest auction I have ever had was 23 minutes." It was now 23 minutes and the bidding wasn't over. Finally, after 25 minutes, the bidding ended when no one posted a change to their price after two minutes.

What was the result? Our new price for electricity was going to be almost 2 cents less than what we'd been paying. We locked in for four years to take advantage of this great deal.

What's the lesson? There are opportunities out there to reduce your production costs—energy auctions might just be waiting to help you save money. **GT**

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