

Reduce Your Energy Costs By Forming Your Own Energy Company

**Discover how significant additional profits
From your commercial buildings can be realized
by operating your own energy service company.**

**Your savings will be on the same amounts of energy
your commercial buildings are now consuming.**

What all commercial buildings have in common is they consume gas and electricity for heating and cooling the spaces where people work. Some businesses such as restaurants consume additional energy for refrigeration and cooking.

Office buildings consume energy mainly for heating and air conditioning. Other essential uses like lighting and office equipment (computers, copiers, telephones, etc.) amount to only a small fraction of the total energy usage in a typical office building.

Office buildings have a lot more air space per square foot than a house or apartment complex. This is mainly due to higher ceilings, numerous long hallways, elevator shafts and a large atrium (entryway). Energy consumption is enormous, especially during summer. Office buildings are usually kept cooler than most people keep their houses.

Heating and cooling costs of office buildings usually run into the thousands of dollars per month.

**Engineered energy-saving projects
require a large initial investment.**

The most logical way to reduce energy costs is to actually reduce energy consumption. You might want to consider geothermal heating and cooling. These systems have been shown to cut consumption by 50%. Curtain wall construction, added insulation, or new windows can also significantly reduce energy consumption.

Or you might want to consider supplemental energy production such as roof-mounted solar panels.

These systems usually require an enormous initial investment. This is particularly true of geothermal heating and cooling, which requires the drilling of numerous deep thermal exchange wells. This raises the question of cost-effectiveness of any such projects. It will take years to recoup any investments in these technologies. Detailed explanation of these engineered solutions is beyond the scope of the report.

You can reduce energy costs without reducing consumption.

Bottom line. You want to reduce what you're paying for energy. Even if you'll still be consuming the same quantity of energy as before.

For most energy customers, their gas and electricity are supplied by energy companies which are different entities from the actual generating operations.

In many municipalities, it is the city that supplies electricity. Very often, electricity is bundled with water, sewer and solid waste all on one bill, even though a different companies provide the actual services itemized on your bill.

With the breakup of energy monopolies and deregulation of electrical rates and gas supplies, energy consumers are able to choose their supplier.

You would naturally want to shop for an energy company that charges least per unit of energy.

If you take a look at your gas and electric bills, you'll see there are two charges that depend on how many kilowatt-hours of electricity or cubic feet of gas consumed during a billing period.

In the case of your electric bill, there is an electric delivery charge and an electrical supply charge. The delivery charge represents the production and delivery costs for a given number of kilowatt hours of electricity.

The supply charge is what the electric service company charges for service based on usage. It is this charge where electric companies differ in price.

Below is an example of an itemized electric bill.

Customer Charge	\$9.00
500kWh @ 6.0 cents	
Delivery Charge	\$30.00
Taxes	\$1.56
Total Electric Delivery Charge	\$40.56
This is the portion for which you can shop rates.	
Electric Supply	\$40.00
500kWh @ 8.0 cents	
Taxes	\$1.20
Total Electric Supply Charge	\$41.20
Total Electric Supply Charge	81.76

As you can see, the energy service company, the company you signed up with to provide your energy needs, is making a significant profit over and above the delivery charge of the actual energy producer.

Your first thoughts are to search for an energy company who charges the least for a given amount of energy units. However, from the electric bill example above, it would make most sense to take things to the next level...

**Establish your own energy service company (ESCO)
and pocket the energy supply charge.**

Here you would have your own energy supply firm, much like many cities and municipalities where the electric generating operations merely deliver energy to the consumer and the city does the billing. In your case, the buildings you own or manage would be the sole consumer. You would pay only for the delivery of energy and not the supply and associated taxes.

In fact, Con Edison, New York's largest electrical generating company, encourages this practice. Con Edison would limit its concerns to producing and transmitting electricity and reading meters. The ESCO would do the billing and customer acquisition.

Again looking at your itemized energy statements, just imagine how much less you'd be spending each and every month. Just look back at last summer's electric bills (or last winter's gas bills).

And if you do not include utilities in the rent, you can offer a discounted utility package from commercial energy providers. You would, in effect, be in control of your energy rates. You would be in a position to retain good tenants in your retail establishments if you operate a shopping center.

You've decided that operating your own energy service company, or ESCO would result in significant increases in monthly profits for your commercial buildings. So how exactly would you go about establishing your own ESCO?

Starting an Energy Service Company is a complex process

As well worth it as it is, establishing an ESCO goes way beyond obtaining a business license and tax ID number. There are relationships with energy delivery companies that need to be established. Then there is certification and licensing with state and county agencies.

Here's an example of what Con Edison requires*:

- Retail Access Application Form
- Copy, and proof of acceptance, of your registration with the NYS Department of State
- Comprehensive copy of your standard Sales Agreement(s) (UBP Section 2, Eligibility Requirements), including presentation of Customer Disclosure Statement (UBP, Section 2, Attachment 1)
- Marketing Representative ID Badge (UBP, Section 10, Marketing Standards)

- Marketing Standards Quality Assurance Plan (UBP, Section 10, Marketing Standards)
- Sample forms of notices to be sent upon: (UBP, Section 5, Changes in Service Providers)
- Sample(s) of your billing format(s) (UBP, Section 9, Billing and Payment Processing)
- Procedures you will use to obtain customer's authorization for historic usage and credit information (UBP, Section 4, Customer Information)
- Procedures you will use to enroll customers for supply service (UBP, Section 5), e.g., via telephone (Section 5, Attachment 1), via Internet (Section 5, Attachment 2) or via written sales (Section 5, Attachment 3) solicitation
- Copies of informational and promotional materials used for mass marketing purposes
- HEFPA documents, if providing energy supply to residential customers
- Internal procedures for the prevention of slamming or cramming (UBP, Section 1, Definitions)
- Copies of modified Residential and Non-Residential Sales Agreements if you intend to participate in an ESCO Referral Program under the ESCO Contract Option (pop-up message)
- Attestation that you will comply with the requirements of New York State's Environmental Disclosure Program, if you intend to serve electric customers
- NYS DPS Office of Consumer Services Service Provider Form

* Source:

<http://www3.dps.ny.gov/W/PSCWeb.nsf/All/753D3D35C877963485257687006F39DB?OpenDocument>

As you can see, this is a lot of paper work to plow through. And this is only the beginning. There are ongoing tasks of keeping up to date on energy use, managing the separate gas and electricity accounts, keeping track of meter readings, repairs and addition of new consumers, etc.

And it will take time from the date you've submitted the initial applications to your ESCO operations going into effect. This is usually six months.

Even if the complexities and time consuming tasks are justified by the savings in heating and cooling costs (for an office building), there is the question of know-how. Most building managers are not energy specialists and would probably take days to fill out the necessary paperwork. And how can you be sure there wouldn't be a few errors that would further slow down the process?

**There are energy consultants to provide assistance
in setting up and running your ESCO**

These are firms comprised of energy industry specialists who have helped numerous owners of office buildings and other commercial properties set up and run their own energy service companies. These consultants can save time and effort and help avoid errors in the initial phase and in day-to-day operation of an ESCO.

How an energy company consulting firm Can help you start and run your ESCO

As with establishing any company, there is the form or entity and tax ID number as well as registering with your city your "Doing business as" license.

An LLC (limited liability company) is the recommended entity for a business to operate as an ESCO. An energy business specialist can assist you in the incorporation process.

Then there are other matters like opening a bank account and setting up an interface with the energy delivery companies.

Introducing ESCO Consulting Group, LLC (ECG) Your ESCO Establishment and Operation Specialists

ECG prepared this special report to enlighten you on the advantages of operating your own Energy Service Company (ESCO). Here are the ways ECG can assist you in establishing and running your ESCO:

Regulatory Applications and Compliance:

- **Incorporating a New LLC:** We will assist you in establishing a new LLC, which is the recommended form of entity for a business seeking regulatory approval to operate as an ESCO.
- **State Approval:** We will assist you in completing the applications for each state Public Service Commission (PSC), or Board of Public Utilities (BPU), and Independent System Operators (ISO). Receiving final approval can take up to six months.
- **Local Distribution Utility (LDC) approval:** Each utility has its own unique approval process. We will help guide you through the tedious processes and nuances that each local utility has in place.

Operational Support and Consulting:

- **EDI Testing and Processing:** The Electronic Data Exchange ("EDI") is how your ESCO communicates with the utility. Your ESCO will receive multiple EDI files from the local utility to process every day. We will help monitor and process those files for you.
- **Energy Supply and Transportation:** We will help arrange for the purchase of your energy supply as well as the transportation of the energy to the utility. We have direct communication with the wholesaler and will help you resolve any issue that may arise in a timely manner.
- **Full Operational Support:** We setup all systems & software for your ESCO and will monitor the activity on a daily basis. That means we assist you with your enrollments, EDI and pricing as well as generate those reports that every ESCO needs to operate efficiently each month.

- **Continuing State Compliance:** If you are not in full compliance, your ESCO will have its licenses revoked. We will generate all required reports and create all correspondence as necessary to ensure your ESCO remains in full compliance with each regulator. Where appropriate, we will assist you in outsourcing compliance work to legal counsel with expertise in the ESCO industry.
- **Your Responsibilities:** All you need to do is provide us with the margin and pricing for your accounts at the beginning of each month.

Accounting and Cash Flow Management;

- **General Ledger Set Up:** We will assist your staff in setting up the general ledger account structure on your accounting software and train them on the monthly journal entries that need to be posted into the system. We will make sure your staff receives all the bills, reports and statements necessary to update the books and records on a monthly basis as well as prepare and file the necessary state sales tax returns.
- **Cash Flow Management:** The wholesaler that delivers your energy supply will establish a bank account, which it controls, to receive the monthly wires directly from the utility. The wholesaler will then pay for the delivered commodity and other commodity related bills. The wholesaler will provide an accounting and reconciliation each month that will show the net cash available for wire transfer to you. You will set up your own bank account and control your net free cash. We will make sure you have all the cash flow information you need to update your accounting system each month

How We Get Paid

- **Transfer of Current Energy Usage:** Once you formally agree to retain ECG, you will be required to transfer your current energy usage to an affiliated ESCO of ECG. These accounts will be managed on your behalf until your ESCO application is approved, at which time the entire book of business will be transferred back to your ESCO.
- **Margin Sharing:** During the application approval process, the affiliated ESCO will split the net margin on your accounts between ECG and you. Our portion will cover fees, costs and expenses incurred by us related to setting up your ESCO. As such, there will be no fees, costs or out-of-pocket expenses for you to pay during the approval process.
- **Commission Based on Volume Usage:** As part of our negotiations with the wholesaler, it has agreed to pay ECG a commission based on aggregated volume usage. As such, ESG will not charge your ESCO any recurring fees for the operational support services we will provide post the approval process.
- **Accounting and Tax Services:** ECG can provide recurring accounting and tax services to your ESCO on an outsource basis, which may be more efficient than utilizing your in-house staff. ECG will be happy to discuss the pros and cons of outsourcing these services as well as the required monthly retainer billed separately to your ESCO.

Now that you can see the benefits of owning your ESCO, the next step would be to contact ECG for a consultation.

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