

# The Utility Audit: Challenge and Solution

How can you know if you're being billed correctly by your utilities? A utility audit can save more money than you think.

By Kathy Kiernan

**F**or most companies the never-ending struggle to manage and decrease expenses is at the top of the list of business challenges. We all suspect that today's complex utility tariffs and billing structures translate into errors on our utility bills, whether that is from electricity, natural gas, telecom, water, waste removal or credit card processing. If your business is like most, you don't have the resources, skills or time to track down and correct these errors. Growing your business, satisfying customers and managing employees are your top priorities.

Although you suspect billing errors exist, you don't know what to do about them. Unless you have personnel with the technical knowledge and relevant market information dedicated to reviewing the bills each month, you are very likely leaving money on the table and, thereby, unnecessarily squeezing profitability. Even if you hire an "energy manager" or "telecom expert" you may be missing opportunities in other areas. Also, keep in mind that internal employees have difficulty remaining objective and independent.

It is important to note that every utility has a different tariff structure and billing system. This becomes a significant issue when dealing with multiple business locations in multiple states or regions of the country. No two utilities are the same. Take a quick look at your bills — and try to compare one location to another. Why is location A spending so much more per square foot than location B? Is it the tariff rates, the actual monthly usage, the production at each location,



*Don't wait for the greenhouse to fill up before you examine efficiency. Slow times are great for projects like this.*

waste spending, billing errors or a combination of all of the above? Benchmarking utility costs is nearly impossible unless you manage the whole process on a consistent, ongoing basis.

In some cases, errors and unnecessary costs can be 15-30 percent of your monthly utility expenses. Aggregate these expenses to understand just how large a percentage of your monthly operating costs they really are. Now imagine saving that much every month, every year. That can add up to a significant sum of money and increased profitability.

In today's age of advancing technology it's a wonder these errors can happen. But in some instances, it's the advances in technology that actually increase the prospects for errors. Take, for example, cellular phone service. The services and hardware options continue to expand, yet the billing remains difficult to understand and check for accuracy. Changing service options normally requires an extension of the contract period. Customer service is often unavailable.

Cellular telephone and other telecom services are experiencing rapid changes with a high rate of errors and cost inefficiencies.

As your business changes, so do the services it requires to operate efficiently. Many utility service providers are lax in updating product offerings and in removing unneeded services. Consequently, businesses pay for services they no longer need. Utilities that bill under a tariff structure, like electricity and water, are under no regulatory obligation to ensure that you are purchasing services at the lowest rates or that you are on the correct tariff rates. In areas where no competition exists utilities have no business incentive to provide customer service.

## THE SOLUTION

One way to make sure you are being billed correctly is to have a regular utility audit. A utility audit identifies a myriad of billing errors and implements solutions that reduce expenses in energy (electricity and natural gas) and

## management

gas), telecommunications, water, recycling and waste removal services. Consider the positive effect an audit can have on your profits. If your company operates with a 10-percent profit margin, it will take \$10 of new sales to equal the value of cutting \$1 in expenses. Reducing expenses efficiently improves profitability more than increasing sales does, and with less corporate output.

So what exactly does a utility audit uncover? Here are some examples:

- Incorrect tariff class or rate structures assigned to your business.
- Overcharges on contracted rates.
- Bill processing fees improperly assessed.
- Opportunities for exemptions from taxes and fees.
- Cancelled or unnecessary services still being rendered and charged.

There are many types of auditing companies. Some have a specialty, such as energy. Some are geographically focused and understand only local providers, service options and billing procedures. Others operate nationally but may utilize specialists in different service areas. Not all of them will be right for your business. The larger, more complex your business, the more global in scope you want the audit to be. If you have multiple locations, you need an audit company that has experience in the various states in which you do business.

### THE PROCESS

An audit starts with a snapshot of each location's utility bills. (If you are a very large customer, your suppliers may provide the data electronically.) In some cases, one month's bills will suffice; in others, you may need to supply 12 months of bills. Understanding the seasonality and cycles of your business is an important part of a good audit.

The auditor then reviews, analyzes and charts your usage, costs and services to understand how all costs are related to your output and how each facility compares to others within its region or industry. Some auditors provide benchmarking services; others don't. A detailed tariff analysis determines if your facility is on the correct tariff rate. Options within your supplier network are researched and suggested. Your suppliers may be contacted to gather explanations of current bills and determine options for cost reduction. Implementation and follow-up are an integral part of the auditor's job. This takes time, skill and patience that you and your staff just can't devote to the task. It may take several weeks to fully implement the changes.

Finally, an audit provides an ongoing month-

ly analysis of your actual expenses and savings, not projected. This is based on your new cost structure measured against what you would have paid, taking into consideration your usage for each service. Actual savings are likely to increase over time, as the auditor becomes more familiar with your business and is able to make further recommendations for reducing costs.


Likened a utility audit to the annual audit of your insurance coverage — it assures you that you are paying a fair price for the coverage/services you need. Conventional wisdom holds that companies should conduct an audit a minimum of every three years. The faster your business changes, the more often you should conduct an audit. You will gain an understanding of what your true costs are and be advised of solutions that reduce expenses.

At the very least you will be assured that you are paying reasonable fees for necessary services. All you have to lose is the money that's on the table.

Employing an auditor is similar to buying any other type of service; you should work with an experienced company that is well recommended. Ask your trade association or other business contacts for referrals. As an added benefit of membership, OFA and ANLA provide their members with access to an independent auditing company.

Some questions you should ask any audit consultant might

include:

- How are you compensated? Most consultants work on a contingency basis, meaning that you pay only when the consultant identifies and delivers savings. Some require upfront fees or retainers.
- How involved will your business staff need to be? Make some estimates of the man-hours required to get the job done.
- Carefully review any agreements that require your signature, and discuss how disputes will be resolved.
- Will the auditor recommend changes to your service providers, or will they work within your current supplier network? Some auditors are aligned with particular providers and use the audit as a guise to get you to change services to a select supplier. Some auditors first recommend changes within your current provider network and then look for alternatives. 

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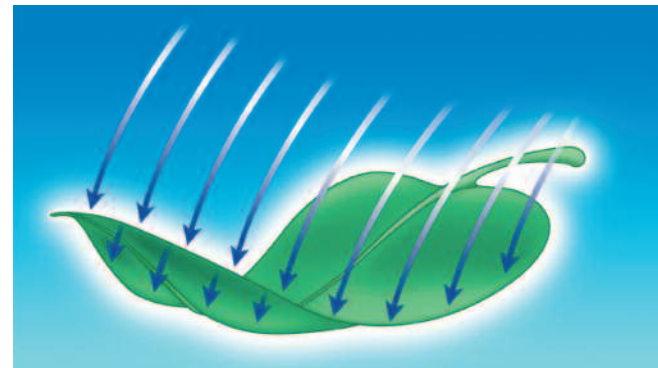
### Cleary TriStar™ Insecticide Features Unique Mode of Action

The following is the fourth in a series of informational columns from Cleary Chemical Company.

TriStar's unique mode of action features systemic and translaminar activity

In the last issue, we described how New TriStar™ 70 WSP insecticide puts you in control of your pest management program. TriStar is a new, broad-spectrum, foliar insecticide that provides quick knockdown and long-lasting control of pests. With TriStar you're in control of your insect management decisions, such as when and where to treat and what rate to use. That means you're only treating the pests when and where you have them for effective, economical insect control that will save you money.

TriStar is a member of the proven chloronicotinyl class of chemistry and features significant advancements compared to current products. The unique formulation of TriStar provides contact, systemic and translaminar activity to penetrate and protect both sides of the leaf (see figure 1). TriStar moves quickly within the plant to provide quick knockdown and long-lasting control of a wide spectrum of pests. TriStar even acts as an ovicide, directly killing eggs before they have a chance to hatch.



(Figure 1) Leaf illustration demonstrating systemic and translaminar activity

TriStar is also an excellent fit in your resistance management program. The product is an effective alternative to organophosphates, pyrethroids and other classes of chemistry that may have developed resistance — particularly in aphid and whitefly populations. And TriStar features a soil half-life that is far less than other popular insecticides.

For 65 years, Cleary Chemical has supplied the turf and ornamental industries with superior, quality plant protection products, utilizing the most up-to-date technology. Cleary Chemical markets innovative products such as Cleary 3336™, Endorse™, Spectro™ and new Alude™ fungicides; TriStar™ 70 WSP insecticide; and Nutri-Grow™ Magnum foliar nutrient.

In the next column, Cleary will describe how TriStar fits into an effective insect-control program.

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