

Case Study:

Change in Procurement Strategy Provides Substantial Savings

OPPORTUNITY

In southern Illinois in 2008, there was a substantial spread between the forward price of power and the daily spot price of power for off-peak hours. During this period, a tier-one multi-national automotive



supplier's electricity contract was up for renewal. Before initiating an RFP, Fellon-McCord reviewed the client's existing supply contract and identified an alternative purchasing strategy that would significantly lower cost.

SOLUTION

Fellon-McCord's energy sourcing team's market analysis identified an opportunity to change the client's procurement strategy. We presented an alternative supply recommendation to the client including the risks and benefits associated with the proposed supply change. On the client's behalf, we negotiated with suppliers to develop a new product in the Illinois market that fixed day-time pricing and floated night-time pricing.

At the conclusion of the RFP process, Fellon-McCord identified two suppliers that

were capable of providing the alternative supply arrangement. Once the suppliers identified, Fellon-McCord monitored the market conditions to identify the best time in which to execute the new supply agreement.

RESULT

By changing the supply agreement and recommending the opportune time to execute, Fellon-McCord saved the client \$2.9 million in 2009. Fellon-McCord continued this supply arrangement through 2010, resulting in additional savings of \$2 million. By the end of 2010, the market corrected the spread and the client went back to a more traditional supply arrangement.

CONCLUSION

Fellon-McCord's energy sourcing experts consistent monitoring of electricity markets identified an opportunity to lower our clients' cost of energy. Our knowledge of energy enabled us to structure a new product that allowed our client to take advantage of a market opportunity. This resulted in our client realizing significant cost savings and allowed them to maintain a competitive advantage during a difficult economic period.

Fellon-McCord is a global energy and sustainability management firm headquartered in Louisville, Kentucky. To learn more, please visit our website at www.fellonmccord.com.