



Shopping for power

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By AMY L. BERNSTEIN, Daily Record Business Writer

Hundreds of BGE's industrial customers who now enjoy guaranteed electric utility rates will soon confront the vagaries of free-market pricing and procurement — and many are turning to a tiny energy consulting firm in Columbia for advice on how to avoid making costly mistakes on future energy buys.

Mark. S. Schroeder and H. Bertram Wilson, principals of Columbia-based South River Consulting, a firm that helps commercial and industrial customers with power needs, expect business to surge in the months leading up to July 2002, when Maryland's industrial market will be opened to competition.

South River Consulting, a 3-year-old firm with just four full-time employees and annual revenues of less than \$1 million, expects to triple or quadruple its current base of 15 clients within the next few months and is searching for additional consultants.

Within the past month alone, the firm has signed up at least seven new accounts, including Monarch Rubber Co., Random House Distribution Center, the University of Maryland Medical Center and the Baltimore Sun.

South River's expanding client base represents a fraction of the 421 BGE industrial customers who will no longer be eligible for BGE's price-freeze service by July 1, 2002, as dictated by the state's electric deregulation settlement.

"They have to go out and shop for electricity," said Charles Welsh, a BGE spokesman. "The whole purpose of deregulation was to establish a competitive market for electricity, so it begins with the customers who have the largest demand."

Making the transition from a regulated to a deregulated energy market is likely to prove difficult, even for some of the state's most sophisticated commercial energy buyers.

"Until this year, people really weren't addressing the issue, and now they're discovering it's far more complex than they envisioned," said H. Bertram Wilson, a South River principal and former energy project financing specialist with BGE.

"Companies are dealing with [new] contract structures, trying to evaluate multiple offers [from suppliers] that aren't apples to apples, gauging their level of risk and deciding how long term a commitment to make," Wilson said.

"What we're really looking at now is a managed-cost point of view — energy is no longer a fixed price," said Mark. S. Schroeder, a South River principal with a background in marketing, financing and power-industry management.

Above all, the consultants say, buying energy as an unregulated commodity carries enormous risks.

“Right now, if you go to the market, most people are looking at price increases of 20 to 30 percent,” said Wilson. To cut the best deal, “you need to understand how commodity traders do their business.”

Risk tops the agenda among many of South River’s clients, including Erickson Retirement Communities in Catonsville, which owns and operates three Maryland retirement communities in varying stages of development.

“I think the greatest risk is just not being able to clearly determine what the cost [of electricity] is going to be after July 1,” said James Pryde, vice president of operations analysis with Erickson. The company expects to spend \$1 million or more for electricity once its units are fully built — but cannot be sure just what its bills will look like.

“We consider deregulation a kind of wild card,” said Pryde. Though Erickson retains an in-house energy expert, South River has been called on to help prepare requests for proposals from new suppliers, devise energy conservation strategies and determine when the company’s peak load energy cycles occur.

“The professionals selling us the commodity [of electricity] have all the advantages of knowing these things,” Pryde said. “We believe [South River’s] expertise will really help us make good decisions for our residents.”

Sweetheart Cup Corp., which manufactures paper and plastic tableware in Owings Mills, retained South River two years ago to help the company ease out of a 10-year contract with BGE and craft a more advantageous, long-term energy strategy.

With guidance from the consultants, Sweetheart contracted with Trigen Energy to build and operate a co-generation facility on-site — a miniature power plant that will eventually supply 75 percent of the steam and electricity consumed by Sweetheart’s plants. The company expects to save \$800,000 in annual energy costs as a result.

“South River had special knowledge of energy contracts and were a very good fit — a second set of eyes — to help us analyze the best way to attack [energy planning],” said Ken Obuszewski, Sweetheart Cup’s corporate energy manager.