



## ASSIGNMENT:

Vanguard's Energy Procurement efforts resulted in the client receiving a **19% savings** from their previous supply contract

For the expertise needed to negotiate your own energy procurement, contact:

Pete Hill-Byrne  
301.795.1440

[phill-byrne@vanguardrealty.com](mailto:phill-byrne@vanguardrealty.com)

## MIXED USE – SUBURBAN MARYLAND

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With more than a decade of establishing quality relationships with all major energy suppliers, Vanguard is capable of, and qualified to intelligently vie suppliers for your energy needs, providing you with the best possible pricing. Vanguard fully understands the complex nature of the supplier markets, and counsels clients during the procurement effort.

## ELECTRICITY & NATURAL GAS CONTRACT RENEWALS SUMMER 2009

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A major commercial property owner, developer and manager (the "Client") who controls a portfolio of properties in Maryland --a deregulated utility supply State-- requested that Vanguard evaluate their supplier's proposed pricing and terms for extending their supply contracts, for both electricity and natural gas.

## CHALLENGES

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The Client had never conducted a bid process for energy supply, and wanted to be educated about the process and program that Vanguard might offer in this regard: the road map, terminology, process, key groups involved, how the electric commodity is traded, what constitutes the regulated and deregulated portions of billing, what procurement fee Vanguard was to receive, and who pays that fee – all with full transparency.

One of the Client's larger tenants was expressing concern about the rising utility costs, and as a laboratory, this tenant was consuming significant energy. This tenant also had an early termination right. The Client preferred evaluating fixed price energy contracts over index pricing (daily market pricing), because of budget certainty. However, the Client did not want to enter into any supply agreement that would penalize them, in the event that energy usage was significantly reduced (as a result of the lab tenant leaving during the supply contract term).

# Case Study: Energy Procurement

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## **SOLUTIONS**

Vanguard educated the Client about terminology and the **VES** program and process, which included:

- Initial meeting with Client to discuss their risk tolerances, operational functionality, tenant lease structures and terms,
- Develop a request for proposal (RFP) to be issue to qualified suppliers,
- Solicit bids (issuance of the RFP) based on clients specific risk profile,
- Receive bids from suppliers,
- Review bids to ensure compliance with the RFP,
- Present Client with pricing matrix,
- Discuss pricing results and potential contractual considerations,
- Request refreshed pricing prior to final selection of supplier,
- Negotiate and provide executed copy of the supply agreement.

Vanguard received six supplier responses to the RFP (for 12 mo, 17mo, 29mo and 36mo terms) and determined that the revised bid from the incumbent supplier was the most aggressive, with one exception: one of the Client's properties was not priced in line with the remaining portfolio, prompting Vanguard to request that the incumbent re-evaluate. The incumbent acknowledged an error in their pricing matrix and resubmitted. The Client requested that Vanguard eliminate any suppliers from consideration who were unwilling to negotiate their penalty conditions, in the event of significant energy reduction. The incumbent was willing to negotiate the penalty, and Vanguard further negotiated the energy pricing with them, resulting in significantly lowest pricing in a review of all supplier submissions.

## **CONCLUSION**

The Client selected a 17 month extension of the electric supply for the entire portfolio, and a 24 month extension for all natural gas supply, also for the entire portfolio. Vanguard's efforts resulted in the client receiving the best pricing available for energy supply. This pricing represented a 19% savings from the Landlord's previous supply contract, which included Vanguard's fee. Vanguard's Energy Procurement program and process provided the client with the opportunity to achieve their goals of securing fixed pricing and a significant savings; an effort that the client may otherwise have been unable to achieve on their own.

