ELECTRIC CHOICE AND VOLATILE ENERGY COSTS

The Illinois Manufacturer

www.ima-net.org

Summer 2007

The Benefits of Choice

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***The Illinois Manufacturer* is underwritten by Constellation NewEnergy**

Mission Statement

The object for which the Illinois Manufacturers' Association was formed is to strengthen the economic, social, environmental and governmental conditions for manufacturing and allied enterprises in the state of Illinois, resulting in an enlarged business base and increased employment.

Chairman
George A. Vincent, III

President
Gregory W. Baise

Editor
Stefany Henson

The Illinois Manufacturer is published quarterly by the Illinois Manufacturers' Association.

Subscriptions: One year $30. For subscription, address changes, renewals and adjustments, write to The Illinois Manufacturer. Presort standard postage paid at Bloomington, IL. Postmaster: Send address changes to *The Illinois Manufacturer*: 220 East Adams Street, Springfield, IL 62701. 217-522-1240.

If you have any questions, please contact Stefany Henson, Editor and IMA Director of Publications at 217-522-1240, Ext. 3017, or email shenson@ima-net.org.

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News information, press releases and articles may be sent to Stefany Henson, Editor and Director of Publications, Illinois Manufacturers' Association (IMA), 220 East Adams Street, Springfield, IL 62701, or email: shenson@ima-net.org.

Electric choice and volatile energy costs

Illinois businesses have saved over $1 billion versus the in-place utility rates and the IMA's Energy Program has helped keep our Illinois manufacturers' doors open and operations running.

Ten years ago, Illinois' electricity prices were among the highest in the nation and were causing great concern for manufacturers. These high electricity prices were primarily due to the inefficiencies of the vertically-integrated monopoly electric utility structure. As a government regulated industry, there was no incentive for fiscal or operational efficiency and Illinois ratepayers simply paid the price, especially Illinois' industrial customers. Clearly another approach had to be found, and one that would give long term stability to both the industry and its customers.

Rising to the challenge of creating a system that would lessen the burden on Illinois manufacturers, the IMA led the way to creating an open and competitive marketplace for electricity supply. We convinced the General Assembly to pass the 1997 Illinois Electric Customer Rate and Relief Law. This law started a phased-in approach, over a ten-year period, to a fully open market and introduced competitive supply to businesses throughout the state. (You can read a more in-depth article outlining the history and benefits of electric rate restructuring on page 16 in this issue of *The Illinois Manufacturer*.) Over the past 10 years, the Illinois Electric Customer Rate and Relief Law has benefited manufacturers by providing new opportunities to obtain savings and proactively manage their electric supply. Illinois businesses have saved more than $1 billion versus the in-place utility rates and the IMA Energy Program has helped keep our manufacturers' doors open and operations running. The IMA's Energy Program and strategic partnership with Constellation NewEnergy, the leading competitive supplier in Illinois and throughout North America, have been crucial in helping our membership understand the market changes and how to take advantage of electric choice.

It is now 2007 and the transition period has come to an end. A wholesale electricity auction conducted last September helped determine the current utility rates. In addition, the rules and regulations inhibiting fair comparisons between utility and competitive electric service have been removed. Customer Transition Charges (CTCs) have been eliminated, utility bundled products have been restructured to be more transparent and delivery classes and rules synchronized for AmerenIP, AmerenCIPS, and AmerenCILCO.

Costs for electricity have risen, and in many cases, greatly. However, following a ten-year freeze, increased costs should come as no surprise. Power is a commodity just like any other raw material used in producing goods. Has resin for plastics . . . iron ore for steel . . . wood for cabinetry . . . or any other material for that matter, increased in price over the last decade? Of course. But just as the costs for other raw materials are subject to market pressures, given the new economic activity in the power market, we expect energy costs to act and react favorably as the market gains a foothold in the economy. This will take some time, but the market eventually will become more and more stable and yield the results the IMA anticipated ten years ago.

Meanwhile, we encourage manufacturers to consider the choices available to them. Customer electric choice remains as critical a component to the success of Illinois' manufacturing industry today as it was in 1997. In 1997, electric choice helped our manufacturers remove the twin burdens of utility inefficiencies and subsidies. Today, electric choice is giving our manufacturers options that mitigate the effects of rapidly rising and volatile energy costs, while creating a market for developing new electricity strategies and products. With over 44,000 non-residential Illinois businesses switching to competitive supply, we appear to be on the right track.

Gregory W. Baise is president and chief executive officer of the Illinois Manufacturers' Association (IMA). He may be reached at 630-368-5300, or via email at gbaise@ima-net.org.

MARK DENZLER

The perfect storm?

As I sit in my office a block from the Capitol wishing that I was outside enjoying the sun and 80 degree weather on this beautiful spring day, storms clouds continue to gather over the Statehouse dome in what could be considered "the perfect storm." Now, when you think of this phrase, many of you probably recall the movie starring George Clooney that told the tale of the famous 1991 Halloween Nor'Easter that hit the Massachusetts area and sank the fishing boat Andrea Gail.

I prefer to use the definition included in the online Wikipedia in which the phrase, "perfect storm" refers to the simultaneous occurrence of events which, taken individually, would be far less powerful than the result of their chance combination. Such occurrences are rare by their very nature, so that even a slight change in any one event contributing to the perfect storm would lessen its overall impact.

The storm that has been building for most of this spring session could have an absolutely devastating impact on manufacturing companies which employ more than 675,000 Illinoisans and contribute 13 percent of the state's Gross State Product. This year's storm represents the the single most threatening challenge that has confronted our industry in my nearly two decades of experience working around government.

At press time, Governor Rod Blagojevich is continuing to call for passage of an $8 billion gross receipts tax (GRT) to provide revenue for new education and health care programs. Under this tax, all of a company's receipts are taxed — not just profits. Amazingly, since his original proposal, the Governor has actually doubled the GRT rate on manufacturers — from 0.5 percent to one percent — which is compounded during every step of production. The IMA was heartened when members of the Illinois House of Representatives, led by Speaker Madigan and Minority Leader Tom Cross, voted unanimously on a nonbinding resolution to show their opposition to the creation of a gross receipts tax in Illinois. In politics, however, no issue is officially "dead" until the final gavel drops.

Following a national trend in which health care issues continue to increase in importance to voters, Governor Rod Blagojevich took hold of the issue during his inaugural address earlier in the year and called for passage of universal health care. Ninety-eight percent of IMA members provide health care to their employees, so there is no doubt that the IMA understands and appreciates its importance in attracting and retaining a qualified workforce. However, the Governor's proposal, that seeks to create a multi-billion dollar state-funded program financed by a three percent tax on an employer's payroll, is too expensive

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Mark Denzler is Vice President of Government Affairs and Member Relations for the Illinois Manufacturers' Association. Mark can be reached at 217-522-1240, extension 3008, or mdenzler@ima-net.org.

Recycling energy: How Illinois industry can lead a clean-technology revolution

Facing rising energy costs, Illinois manufacturers increasingly realize the value in the enormous amounts of wasted energy available within their own factories. Ironically, it is manufacturers, long criticized for their pollution, who are leading the charge for clean energy. Their key motivation may be saving money, but the results are making a difference in our environment.

The growing drive for efficient technologies results largely from rising electricity prices, which are likely to double in the next five to ten years. Recent double-digit increases have shocked Illinois, Maryland, and other states that had postponed imposing higher natural gas costs. Fuel prices, in fact, are three to five times their 1999 levels, and further electric price escalations are likely since long-term utility fuel contracts are below spot-market prices.

More ominous are the costs of building new power plants which are needed to replace many of today's units that are well over 50 years old. The expense of constructing a centralized coal-fired power plant has soared from $800 per kilowatt in the late 1990s to as much as $2,500 per kilowatt, largely because of new pollution control requirements, and additional mandates are in the wings. The Environmental Protection Agency's Clean Air Interstate Regulations (CAIR), for instance, are forcing coal plants to significantly reduce their sulfur and nitrogen-oxide emissions by 2009, and the Clean Air Mercury Regulations require substantial emissions reductions from both existing and new coal-fired power plants. Electricity company filings indicate these added pollution controls will cost $550 to $850 per kilowatt of capacity, which often exceeds the plant's original cost.

Not included in this calculus are the costs associated with reducing greenhouse gases to mitigate global climate change. Carbon-restricting legislation is likely, and a moderate $20/ton charge would add two cents/kilowatt-hour to delivered power costs. No doubt the United States and other countries, largely because they adopted scrubbers and other pollution-control technologies, have achieved significant reductions in sulfur dioxide and nitrogen oxides from power plants. Carbon dioxide, however, is different. It simply cannot be scrubbed or cleaned. This greenhouse gas, in fact, is a fundamental result of burning carbon-containing fossil fuels, including coal, natural gas, oil, and propane. Some 40 percent of U.S. CO_2 emis-

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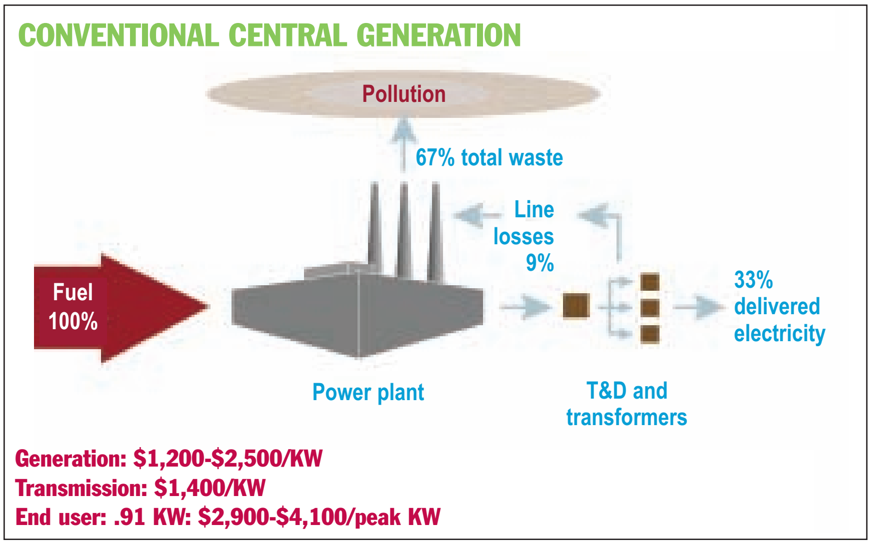
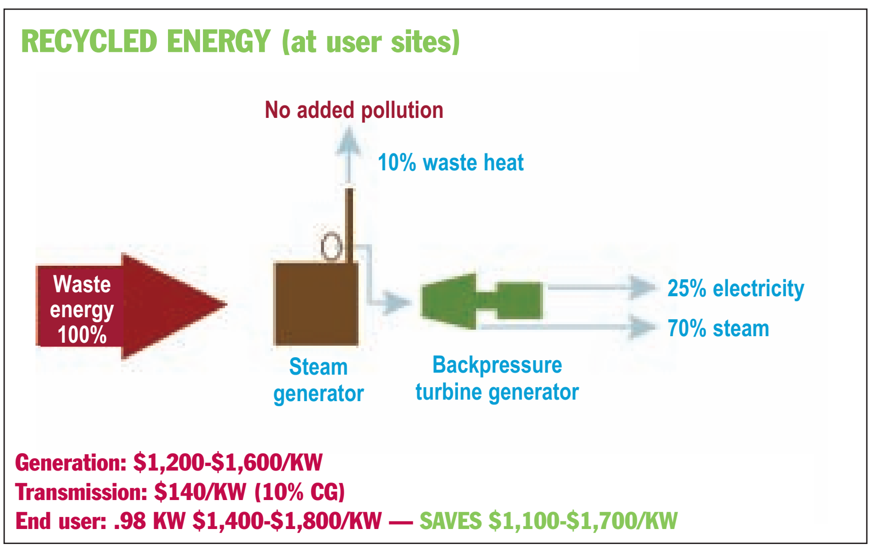
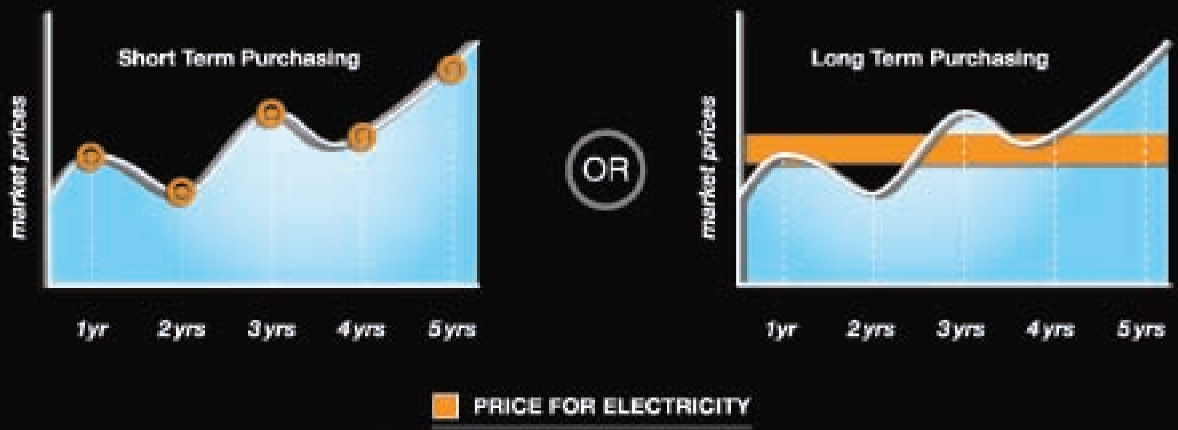




Richard Munson, author of *From Edison to Enron,* is senior vice president of Recycled Energy Development, headquartered in Westmont, Illinois. Information on the company can be found at www.recycled-energy.com

Your company's electricity buying options:



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Gain control of your energy costs and reap the benefits

Here's how you can manage your electric supply and save on your electricity bills.

The beginning of 2007 ushered in new utility rates and Illinois manufacturers who have not chosen an alternative energy supplier are, no doubt, aware of the significant increases in their monthly electricity costs. Some estimates indicate the utility electric rate increase to be up to 50 percent or more for businesses, dependent upon many factors, some of which include your service territory, your prior rate classification, your electric usage pattern and your facility's load factor. As we go to press, the electric rate relief issue is still being debated.

Everyday, the reality and magnitude of the utility-based electric cost increase is becoming clearer as manufacturers and IMA members throughout Illinois are receiving their electric bills reflecting the new rates. For some, feelings of disbelief and confusion are pervasive and many are finding it hard to swallow or absorb the cost increases. And with the discussion by some Illinois legislators to extend the ten year rate freeze, thereby reinstituting the pre-2007 rates, many feel unwilling to make a decision until there is more clarity. To say the least, sticker shock has set in and some may feel that there is no immediate solution to mitigate these increases.

This is not the case however, as many IMA members have found solutions to reduce the impact of the utility rate increase by working with competitive energy suppliers like Constellation NewEnergy. The IMA has encouraged its membership to participate in the IMA Energy Program and utilize the resources and expertise of their endorsed energy supplier and the leading competitive electricity supplier for businesses in Illinois and throughout North America.

Businesses throughout Illinois have been switching to competitive electric suppliers at a phenomenal rate. In aggregate, over 1,400 members of the IMA are participating in the IMA Energy Program and will be collectively seeing an estimated $30 million in savings over the course of their current electricity supply contracts. Examples of estimated savings attained by current IMA members served by Constellation NewEnergy (reflective of the entire contracted time period) can be found in Figure 1.

But savings versus the utility rate is only part of the story. By contracting with a competitive supplier like Constellation NewEnergy, manufacturers can achieve even greater benefits that contribute directly to the bottom line. Changing from a savings-based model to a risk management model can give you long-term price visibility and better control of your costs year over year. It can also give you the ability to control your costs at the level that feels most comfortable to you. But, whether you are a new or experienced customer of electric choice, a truly successful energy plan requires a disciplined approach. A manufacturer looking to engage a more strategic energy plan should start the process by developing a profile that identifies expectations and goals in three areas; Timing, Risk and Involvement. This can be done on your own or with the assistance of your sales contact at your competitive supplier.

Timing questions to ask should be: When do we set our annual energy budget? How far out do we feel comfortable setting our energy budget?

Risk questions you should ask yourself are: What is our maximum year-to-year budget increase/

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FIGURE 1

Type of Manufacturer by Product	Size	Service Territory	Estimated Savings
Manufacturer of metal stampings: tools, dies and fixtures; bolts, nuts, rivets, etc.	210 kW	ComEd	$3,732
Manufacturer of spiral tubes and fiberboard furniture parts	292 kW	Ameren	$3,583
Manufacturer of gift and invitation related products for embossing	405 kW	ComED	$9,862
Manufacturer of metals, steel and aluminum products and parts	402 kW	Ameren	$6,261
Manufacturer of drilling and boring tools	700 kW	ComEd	$264,680
Manufacturer of snowmobiles and motorized water craft vehicles	1.4 MW	Ameren	$259,829
Manufacturer of welded steel tubing and tubular components	1.6 MW	ComEd	$544,774
Manufacturer of electrical/electronic, wireless, sensing and optical technologies	2.4 MW	Ameren	$894,162
Manufacturer of tool boxes and other tool storage devices	2.6 MW	ComEd	$730,890

Lev Goldberg is Marketing Manager for the Great Lakes region of Constellation NewEnergy. He formerly worked as Marketing Manager for an Illinois manufacturing company. He may be reached at 312-704-1360 or via email at lev.goldberg@constellation.com.

HOWARD L. BERNSTEIN, ESQ.

Employers beware and prepare — employee "free choice?" Not a chance!

Since 1935, the National Labor Relations Act (NLRA) has allowed employees to exercise their right to be for or against union representation in a government supervised secret ballot election.

Such elections are typically held after voters are exposed to a period of pre-election campaigning by both sides during which the advantages and disadvantages of union representation are often vigorously and openly discussed. After exposure to information provided by both the employer and the union, employees cast their ballots in secret and without the risk that anyone will know how they voted. If either the employer, the union, or other employees attempt to intimidate or coerce employees to deprive them of their "free choice," the election can be invalidated.

For 72 years, the system has worked to safeguard the "free choice" rights of employees. As an indicator of how well the system works, historically unions have won representation rights in about half of all NLRB elections conducted.

But if the recently introduced "Employee Free Choice Act" (EFCA) passes both houses of Congress and becomes law, both employers and employees will be in for a very different system for determining union representation.

Although many believe EFCA will not become law during the current administration, the union push for its passage — now or in the near future — is so strong, employers simply cannot remain unprepared.

What the EFCA does

The most significant changes under the EFCA are that:

- Union representation will no longer be decided by government supervised secret ballot elections.
- Instead, the NLRB will "certify" the union as the employees' bargaining representative without any election if a majority of the employees simply sign union cards.
- The determinative card signing can take place without the employees ever learning about the disadvantages of union representation. In fact, the union can collect cards from a majority of the employees before the employer is even aware of the card signing campaign. Typically, card signing activity is done in such a way that employees are only exposed to one side — the union side — of the story.
- EFCA contains no provision for the right of employees to change their minds, rescind or revoke their card, or in any other way exercise their right to a fully informed choice.
- Once the union collects enough cards and gets certified by the NLRB, the employer will have 10 days from the union's request to bargain to begin contract negotiations.
- If after 90 days no agreement has been reached, the parties are subject to mediation. If mediation doesn't produce a contract, the outstanding issues are subject to binding arbitration, meaning that an arbitration board will issue a decision resulting in a binding union contract which remains in effect for two years. The employer loses its right, which exists under current law, to reject any proposal it feels will not be in the best interest of the business, its customers, or its employees.
- In addition, under EFCA employers risk triple back pay for certain unlawful discharges (which will certainly encourage the filing of even frivolous charges) and civil penalties of up to $20,000 for each unfair labor practice found to be willful or repeated.

see **FREE CHOICE?** *page 27*

Howard L. Bernstein is a partner in the Labor and Employment Practice Group Chair of Chicago-based law firm and IMA member Neal, Gerber & Eisenberg LLP. He can be reached at 312-269-8447; email: hbernstein@ngelaw.com.

Illinois Climate Change Advisory Group tackles greenhouse gas emissions

In an Executive Order on October 5, 2006, Governor Rod Blagojevich announced a new global warming initiative "that will build on Illinois' role as a national leader in protecting the environment and public health." This follows a number of other steps by the Governor to reduce greenhouse gas (GHG) emissions since he took office in January, 2003.

"We've worked hard in Illinois to become a national leader in reducing toxic pollutants like mercury, sulfur dioxide and nitrogen oxide. The next front is greenhouse gases. The impact of global warming from greenhouse gases in Illinois and around the globe could be devastating. We can't wait for the federal government to act. Experts have warned that if we don't address global warming within the next decade, it may be too late to avoid serious and irreversible consequences," the Governor stated when announcing the initiative and Executive Order.

Leading scientists, such as the United Nations Intergovernmental Panel on Climate Change, are warning that as a result of increasing emissions of carbon dioxide from fossil fuel combustion, methane from landfills, and other sources of GHGs, the earth's atmosphere continues to warm and is raising the temperature of the air and oceans. Global warming could cause a variety of serious problems in Illinois, including more frequent droughts, flooding and extreme heat events. Such changes could endanger public health, reduce agricultural production, overwhelm storm water sewage infrastructure, and cause property damage, as well as introduce non-native invasive species that could damage Illinois' ecosystems.

The Executive Order created the Illinois Climate Change Advisory Group (ICCAG), with broad-based representation from business leaders, labor unions, energy and agricultural industries, scientists, economists and environmental groups, to undertake an in-depth analysis of a range of policies and strategies to reduce GHG emissions in Illinois and make recommendations to the Governor.

Just prior to the kickoff meeting of the ICCAG in February, Governor Blagojevich sharpened the focus of its mission by asking the group to propose strategies to meet a goal of slashing GHGs in Illinois to 1990 levels by 2020 and to 60 percent below 1990 levels by 2050. These are similar to goals set by other states and those proposed by U.S. Senators Lieberman and McCain.

In comparison, the Kyoto Protocol, which has been ratified by every major industrial nation except the U.S. and Australia, requires GHG emission reductions on an average of 5.2 percent below 1990 levels for 2008-2012.

Governor Blagojevich asked me, as Director of the Illinois Environ-

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Douglas Scott is the director of the Illinois Environmental Protection Agency. He can be reached in Springfield at 217-782-3397.

CLIMATE CHANGE

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mental Protection Agency, to chair ICCAG. Art Gibson, Senior Vice President of Baxter Healthcare, Howard Learner, Executive Director of the Environmental Law and Policy Center and Michael Carrigan, President of the Illinois AFL-CIO, agreed to serve as the Vice Chairs.

Advisory Group members from the manufacturing and business sector also include William Gerwing of BP America Inc, John Disharoon of Caterpillar Inc., Mark Calmes of Archer Daniels Midland Co., Mary Culler of Ford Motor Co., James Jerozal Jr. of NICOR, Laurie Zelnio of Deere and Co., Susan Watkins of State Farm, William Schubert of Waste Management, Katy Lawrence of U.S. Steel, Doug McFarlan of Midwest Generation, Keith McFarland of Dynegy, Paul Pike of Ameren, and Stefan Noe of Midwest Wind Energy.

At the first meeting, the 40 ICCAG members were briefed by representatives of the World Resources Institute (WRI), a Washington, D.C.-based environmental think tank that is a national leader in advancing practical strategies to measure and reduce GHGs. WRI is providing these services to the ICCAG and also acting as a facilitator for the overall advisory group process.

As I noted at our initial meeting, while some of our colleagues from the business and industry sector felt this issue should be addressed on the national level, the Governor has set this process in motion now for two reasons: 1) it is uncertain whether and when the federal government will take action in the face of growing alarm by respected scientists around the world of the impact of unabated global warming, and 2) even if the federal government takes action soon, Illinois should be positioned and adequately informed in order to influence the federal debate.

In addition, a number of major companies headquartered in Illinois, including Caterpillar and Baxter International, have already made reducing GHGs a key part of their corporate social responsibility credos.

As part of my preparation for chairing the Advisory Group, the Governor also asked me to travel to California last fall to meet with state officials there on the ambitious GHG strategies they are considering. In addition, since becoming IEPA Director in July 2005, I have had the opportunity to meet with my counterparts in other parts of the country on this and other air pollution issues, particularly in the Northeast states.

So, while Illinois certainly has taken a leadership role in the Midwest, states around the country are starting to step up to the challenge of global warming and not wait for the federal government to act.

At our first Advisory Group meeting, WRI presented their GHG emission inventories by specific sectors from 1990 projected out to 2020 and also highlighted trends, as well as starting the process of narrowing down a list of potential policy options.

WRI noted that broken out by sector, Illinois GHG emissions have a similar composition to those of the nation as a whole, with energy production and use contributing the overwhelming majority of GHGs — 85 percent in 2003. Total GHG emissions in Illinois increased by 15.8 percent between 1990 and 2003, from 237.3 million metric tons to 274.7 million metric tons, compared to a national increase of 13.9 percent, and Illinois ranked fifth among the states in GHG emissions in 2003, according to the WRI report to the Advisory Group.

WRI projected that if no actions are taken to reduce GHG emissions and current trends continue, total emissions will exceed 325 million metric tons by 2020, or an annual increase of about one percent.

Divided by sectors, generation of electricity contributed 30 percent of GHG emissions in 2003, followed by transportation fuel usage at 24 percent and industrial energy use at 14 percent, residential energy use at 10 percent, agriculture at nine percent, industrial processes at five percent, commercial at five percent, waste disposal at two percent and fugitive emissions at one percent.

The WRI analysis of Illinois greenhouse gas emission trends found that emissions from electricity generation increased at nearly twice the national rate in the 1990-2003 period, at 46 percent, compared to 28 percent. Most of the growth was from coal-fired generation, which also grew as a percentage of the state's total electricity generation from 43 percent to 47 percent. Nuclear energy accounts for nearly all of the remaining electricity generation in Illinois.

Emissions from transportation also increased significantly (nearly 19 percent) over the period but much less than the national rate of nearly 35 percent, which WRI attributed to population growth below the national average and the significant increase in the use of ethanol and other alternative fuels in Illinois.

However, emissions from the industrial, agricultural and waste sectors all decreased from 1990 to 2003, WRI informed the ICCAG. The agricultural sector dropped six percent, primarily attributable to decreased livestock production and methane emissions. The waste sector dropped 26 percent and fugitive emissions by 55 percent. Also, significantly, emissions from industrial energy usage dropped by nearly 15 percent over the period in Illinois compared to a reduction of less than two percent nationally, reflecting a switch to natural gas and other fuels with less GHG emissions as well as closure of older, higher-energy usage industrial plants.

At our second meeting on April 3, WRI presented the top 25 options selected by the group and they were assigned to subgroups for further analysis and refinement. In addition, the subgroups can propose additional options if they have consensus.

The subgroups will be submitting their recommendations to the full Advisory Group, and then to the Modeling Subgroup, which will use computer modeling programs to analyze the potential emissions reductions and their ability to contribute to the target overall reductions set by the Governor, as well as their relative economic impact, including potential job loss or growth, and impact on energy and fuel costs.

Each subgroup is pondering a wide range of policy options that vary greatly in complexity and impact.

For example, the Power and Energy Subgroup, led by Vice Chair Howard Learner of the Environmental Law and Policy Center, is evaluating proposed policies to set energy efficiency standards for appliances and equipment; establishing residential and commercial energy efficiency construction codes beyond International Code Council model

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Common mistakes associated with a Request for Proposal process

Why bidding is most often not the best way to achieve the lowest natural gas cost

By Jeff Abeln

There is a trend in today's natural gas market to choose a supplier based solely upon the lowest fixed-priced bid, or the lowest adder (margin) associated with index-based quotes. Before following this trend to select your company's next natural gas supplier, ask yourself the following questions: Is the goal of the selection process to ensure your new energy partner earns as few dollars as possible, or is the goal to ensure your company spends as few dollars as possible? Would you like to obtain the lowest fixed price possible based upon a single day out of the year, or achieve a lower price year after year? If your decision is based entirely upon the transparent adder associated with an index-based quote, are your future natural gas purchases based entirely upon that same index? Do you eventually purchase even a portion of your future supply utilizing a different method or fixed price than originally quoted, after the situation is no longer competitive and when price is less transparent? The following details the primary reasons why the low quote result from an RFP process rarely achieves the lowest possible cost. It identifies the most common mistakes associated with the bid process, and then outlines the preferred alternative approaches being used today by leading companies.

Background: a shift in strategy

During the late 80's and for a good portion of the 90's, the focus for most manufacturers purchasing natural gas was cost savings over their regulated utility option. The cost savings were relatively easy to capture and year-over-year natural gas prices were fairly consistent. In the late 90's and into the new millennium there has been a significant shift in the both the frequency and magnitude of natural gas price volatility. The NYMEX 12 month average graph to the right shows the price of the 12 month natural gas futures average since 1992. Over recent years, manufacturers have realized that cost savings over their utility was not very meaningful if their cost for natural gas was significantly over budget. Therefore, most manufacturers today realize their first objective is risk management and utility savings is a secondary objective.

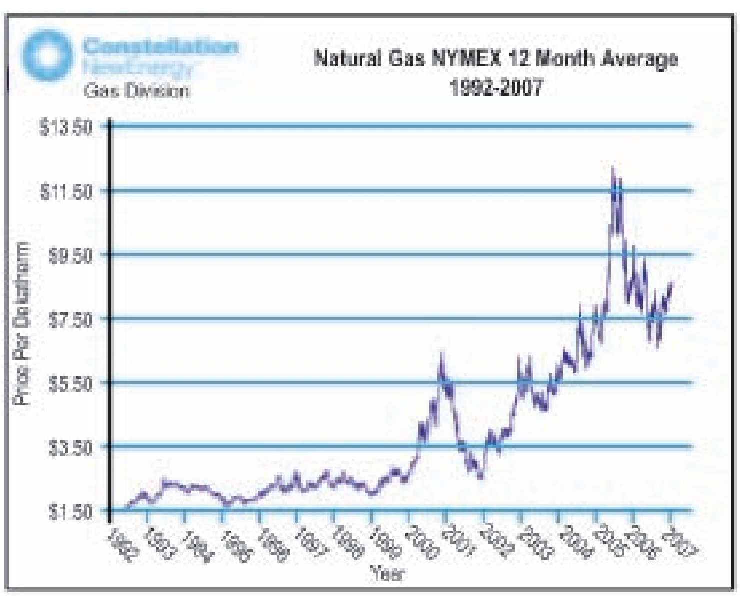
NYMEX price volatility — In terms of percentage fluctuations, natural gas is the most volatile traded commodity in the world. Over 90 percent of the cost associated with the purchase of natural gas supply in the United States is determined by the price of natural gas futures contracts traded on the New York Mercantile Exchange (NYMEX) at any given point in time. A natural gas futures contract will trade for over twelve hundred days prior to settling. The volatility during those twelve hundred plus days, not to mention on any given day, is tremendous. To illustrate the volatility, look closer at a recent example. The April 2007 contract traded for 1,242 total days in a range from a low of $3.246 ($.3246 per therm) to a high of $10.05 ($1.005 per therm). When considering April 2007 finally settled at $7.558, the low was 50 percent less than the final settle, and the high 30 percent greater. On any given day, it is not at all uncommon to see fluctuations up to $1.00 ($.10 per therm). At $8.00 gas, swings such as these represent fluctuations of 12 percent.

A second component of the total cost of natural gas supply is interstate pipeline transportation charges. This cost associated with transporting natural gas from the Henry Hub in Louisiana to any given utility — commonly referred to as basis — is also volatile and traded much like the commodity itself. In fact, the basis portion of your total burner tip cost for the city of Chicago can often be discounted, or be a negative number. For instance, in 2006, monthly interstate pipeline transportation charges settled at a low of minus $.78, settled at a high of plus $.33 and averaged minus $.30 ($.03 per therm). When quoting a total 'City Gate' fixed price offer, every supplier utilizes the same NYMEX financial market and the identical pipeline transportation service. The only differentiator in price alone is supplier margin. The difference between supplier margins on most bids is one or two pennies ($.001 to $.002 per therm).

The most common mistakes:

A focus on supplier margin — A typical natural gas bid will request a spot Index related offer, a fixed price offer, or both. Requests for bids with the simple goal of revealing supplier margin not only focus on the smallest component making up your total spend on natural gas (see Burner Tip Cost graph), but also cre-

see **RFP PROCESS**, *page 14*



RFP PROCESS

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ate a perfect opportunity for the classic 'bait and switch' scenario. As detailed above, with any point-in-time related bid, the buyer is focusing only on the supplier margin. Supplier margin is typically less than one percent of the buyer's overall cost. This margin focus creates several potential problems. Foremost, the majority of today's natural gas buyers ultimately establish a fixed price for a large portion of their anticipated annual natural gas usage. Therefore, by definition, the index related bid (bait) that was the only factor in determining a supplier never gets utilized when a fixed price is eventually established. Once the lowest margin quote supplier is selected and has obtained exclusive fixed price negotiating rights, the opportunity exists to increase margin (switch) relative to the competitively bid Index related offer. Since the request is no longer competitive, and it is more difficult for the buyer to determine the cost components of a fixed price, total transaction costs including supplier's margin become less transparent. If your company has the ability, or fortitude, to ride the natural gas pricing roller coaster for 100 percent of its annual usage, then perhaps a focus on low supplier's margin will result in the lowest possible cost. If your company historically fixes a price for a portion of their annual usage, is looking for a better way to manage the risks associated with the price curve, or trying to obtain the lowest cost, then shouldn't your RFP, and the ultimate decision regarding an energy partner, focus on those factors as well?

Ignoring market timing — As previously discussed, market changes of $1.00 per dekatherm ($.10 per therm) within a single day are possible. Even normal daily price volatility is more significant than a supplier's margin. A point-in-time fixed price bid ignores the important element of market timing. In fact, most bid requests for fixed price quotes do not even require a specific point in time on which to base requested quotes. This fact creates a scenario wherein quotes are not necessarily "apples-to-apples." The scenario also makes the quoted price only indicative, meaning it is rarely if ever the actual price eventually transacted, unless it contains excessive margin to cover minute-by-minute fluctuations. A bid focused on fixed price not only ignores this element, but any advantage of market timing benefits only the supplier and not the customer.

Service is not required — We have all heard the age old adage "you get what you pay for." Have you ever had an experience when you whispered it to yourself in regret? Lowest margin equals lowest service. A focus on lowest margin and not on a managed service often creates long-term problems. In the complex and volatile natural gas market, account management and service, reliability, utility administration and reporting can all impact your total energy cost and must be considered during the selection process. A decision based on the lowest margin supplier always neglects these service related components. Ignoring the components of a full service provider and focusing strictly on low margin can not only lead to headaches, but usually to higher costs as well.

Overlooking storage — For customers with facilities behind Nicor, the bidding approach often overlooks or underestimates the value and benefits associated with their utility storage asset. For the past seven storage seasons, customers who have retained their storage asset and injected gas in simple, even increments of their capacity over the course of injection season have averaged $1.20 per dekatherm ($0.12 per therm) in savings using storage gas.

I just want it to be over with until next year — For the majority of IMA members, choosing an energy partner and determining the best method to achieve the low cost is not their primary day-to-day responsibility. Often for the sole purpose of being able to return to their core responsibilities, they set aside a single day to make this critical decision. As proven, it is impossible to time the market. This method clearly plays into all of the pitfalls of the bid process discussed above. Sometimes an agent or broker will be hired to assist in the process in another effort to free more time. If this agent or broker is simply pointing out the low bid and not advising on how to manage the risk associated with the volatility of the biggest portion of the total spend, then you are simply adding to your total cost.

The more effective approach:

A focus on managed service — How do leading companies today plan ahead to minimize risk and put themselves in the best position to meet their objectives? They focus on the more effective approach of full service management to help with today's volatile and complex natural gas market. They focus on minimizing the largest component of their cost — the NYMEX natural gas futures contracts. They base their decision on evaluating which energy manager will work most actively in achieving this goal. Market timing can have a tremendous impact on overall cost. For example, for the better part of the first eight months of 2005, natural gas prices were below $.70 per therm. In mid-December, natural gas prices spiked to new all-time highs at $1.57 per therm. Less than two months after

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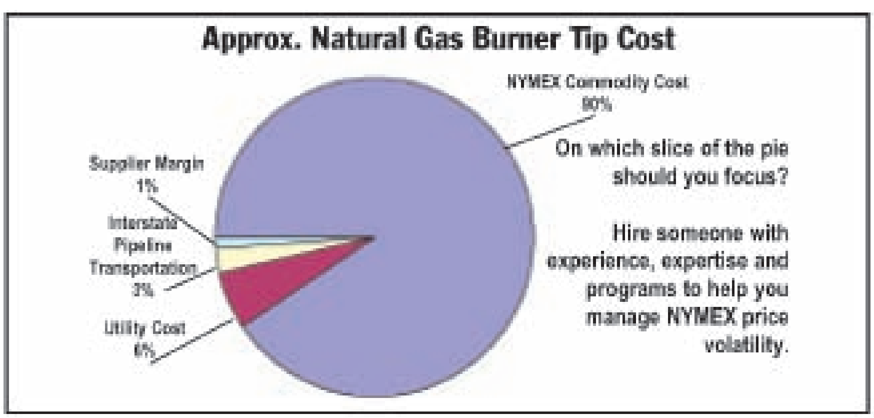

"Nobody spends somebody else's money as carefully as he spends his own. Nobody uses somebody else's resources as carefully as he uses his own. So if you want efficiency and effectiveness, if you want knowledge to be properly utilized, you have to do it through the means of private property."

— Milton Friedman

The Benefits of Choice

By Lev Goldberg

On January 2, 2007 Illinois took a decisive turn on the path to a truly open and competitive retail electricity market. As a result, manufacturing companies of all sizes have seen the benefits of competitive electric supply in the form of savings, product options and personalized service. After experiencing almost a ten-year transition period, commercial and industrial companies are now free to compare competing market-based offers from their local utility company (ComEd or Ameren) or avail themselves of electric supply options from a competitive supplier. For many customers, especially those manufacturing enterprises in the ComEd service territory, this is nothing new. Since the introduction of electric supply competition and restructuring in Illinois in 1997, local businesses saw savings of over $1.125 billion. Savings on your electric costs were not the only benefits of competition. New companies were able to offer new and diverse product offerings that range from fixed rate budget protection approaches to strategic portfolio management approaches utilizing index and block commodity purchases. When Alternative Retail Energy Suppliers (ARES) like Constellation NewEnergy compete for your business, you get the best market-based prices and the most innovative product offerings. So why are we in the midst of an ongoing debate about the benefits of electric restructuring and why are some legislators pursuing policies designed to return us to some of the failed policies of the past?

A number of policymakers and advocates for small consumers have expressed support for reinstatement of the bundled rate freeze. However, this is merely a short-term, political solution that can have very serious and negative consequences down the road. As a result of the almost 10-year bundled rate freeze and being insulated from the increases in the global energy markets, many in Illinois have asserted that regulated electricity prices do not rise and that competition and electric industry restructuring are the reasons for today's higher electricity prices. This notion ignores fundamental economics, the operation of markets, and the simple fact that the prices for the fuels required to generate electricity are volatile and have risen considerably since 1997. Energy prices go up and down as market conditions change, including the forces of supply and demand. The introduction of competitive forces into the market allows for competitors to push prices down to a level of market acceptance.

It is also a myth that volatility only occurs in market-based systems. 'Regulated' utility rates experience volatility as well, albeit in a retroactive fashion rather than a real-time one. In a regulated environment, it is standard practice for utilities to request rate increases and special cost recovery factors. Cost recovery factors are used to recover additional infrastructure costs as well as costs to generate or procure wholesale electricity supply. As a matter of fact, at least six utilities in regulated states received rate increases last year that ranged from 10 percent to 24 percent and regulated states like Florida, Nevada and Oklahoma have rates that increased 60 percent, 62 percent, and 39 percent, respectively, since 1999.

In order to fully understand the benefits of competition in the retail electricity market it is important to understand the history of 'deregulation' and what the regulated electricity market was really like 25 years ago when the wheels of electric choice started to turn.

Cost-based regulation of franchised utilities has been the standard for almost all of the 20th Century, during which time regulated vertically integrated monopolies dominated the electric power industry. Beginning in the late 1960s, a number of technological, economic, regulatory, and political developments led to fundamental changes in the structure of the industry. In the 1970s, vertically integrated utility companies (investor-owned, municipal, or cooperative) controlled over 95 percent of the electric generation in the United States. Typically, a single local utility sold and delivered electricity to retail customers under an exclusive franchise regulated under state law. Then, in the late 70s, a confluence of events and circumstances arose that sparked the dawn of today's energy markets, including:

- Industry changes and resulting financial stresses challenged the continued profitability of the large vertically integrated utility model. Criticism arose of the traditional cost-of-service regulatory model that allowed the pass-through of higher costs and risks of construction to consumers.
- The deregulation of the airline, long haul trucking, railroad and intercity bus industries by the Carter administration set the precedent for 'competitive markets' to provide solutions within high-capital, low incremental cost transportation industries.
- New nuclear and coal plants did not achieve the expected economies of scale and rising inflation and interest rates increased the completion costs of large, base load generating plants.
- Utility fuel prices continued escalating in response to the Arab oil embargo of 1973-1974 and subsequent world oil market disruptions.
- Disruption in new nuclear plant construction was stymied by the Three Mile Island accident.

Critics of the regulated electricity system argued that it was no longer delivering either fair and affordable prices or the opportunity to recover the utility cost of capital. After Congress enacted the Public Utility Regulatory Policies Act (PURPA), an industry of competitive generating plants arose, creating an opportunity for new entrants (not electric utilities) to emerge as important electric power producers. Local utilities were mandated to purchase the output of small power plants meeting certain fuel, efficiency and ownership criteria.

The Illinois Commerce Commission (ICC) was the first regulatory body in the United States to actively

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The Illinois Commerce Commission (ICC) was the first regulatory body in the United States to actively advance the proposition of open and competitive wholesale and retail electric and natural gas markets.

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advance the proposition of open and competitive wholesale and retail electric and natural gas markets. Over a 10-year period beginning in 1983, the Commission issued policy papers, and educated all stakeholders — consumers, legislators, and other regulators — to consider the potential benefits of customer choice and open markets. The two key policy papers were the Consumer Access Plan for natural gas (1983) and the Ten Point Plan for electricity (1984).

Open access in the natural gas industry developed quickly in the non-residential market as industrial and other large customers sought lower priced gas supplies. Electricity open access was a slower process mainly due to the fact that electric utilities incorporated many aspects of the distribution network in their rate bases as opposed to gas utilities that did not own the gas reserves or interstate gas pipelines. The financial implications posed by the massive capital investment in electric generation included in local monopoly utility rate bases would delay the introduction of competitive retail electricity for another ten years.

The 1984 Ten Point Plan for electricity identified that, in order to deal with the industry's high capital costs, a multi-year step by step transition would be required to eventually lead to full open access and customer choice.

The ten 'sequential" points were:

1) Local utilities could charge incentive rates to retain price-sensitive industrial customers as long as the reduced prices did not burden other customers with cross-subsidies.

2) Utilities would be directed to participate with one another in centralized dispatch systems so as to assure optimal utilization of power plants with the lowest fuel costs.

3) Power brokerage and auction markets would be created to account for large numbers of bilateral or pooled power transactions.

4) FERC and state authorities would be realigned so that states could more effectively implement local wholesale procurement systems while FERC would focus on interstate wholesale transactions.

5) States would join interstate compacts through which they would share authority over common wholesale power brokerage and auction markets.

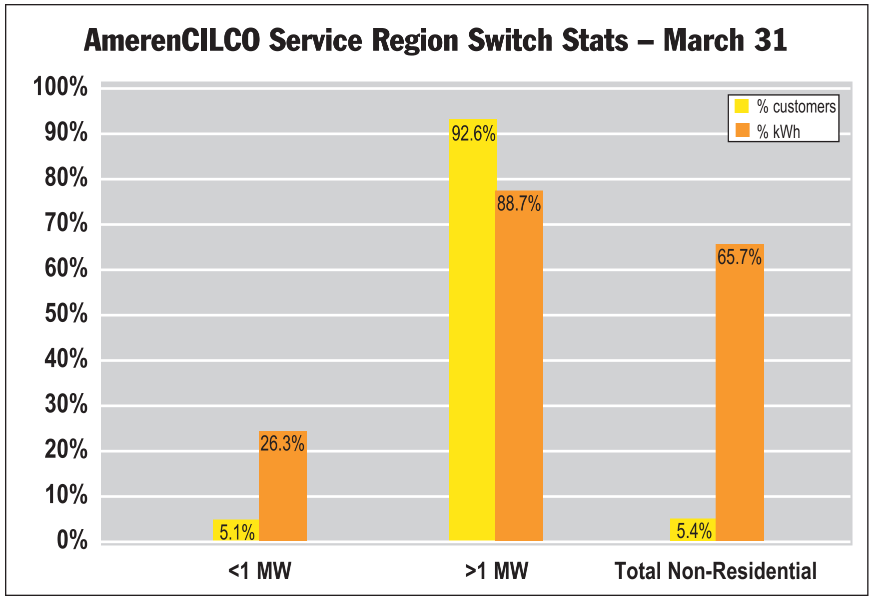
6) End users and power suppliers would be able to conduct non-discriminatory competitive power transactions across open access transmission networks.

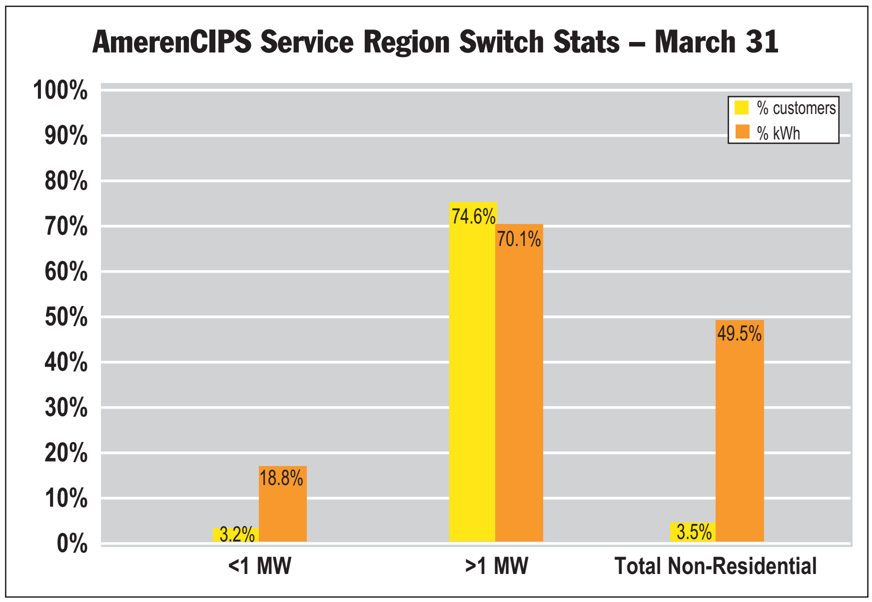
7) Utilities would unbundle their rates to send accurate price signals to customers about the various components of service, such as transmission, distribution, energy and capacity.

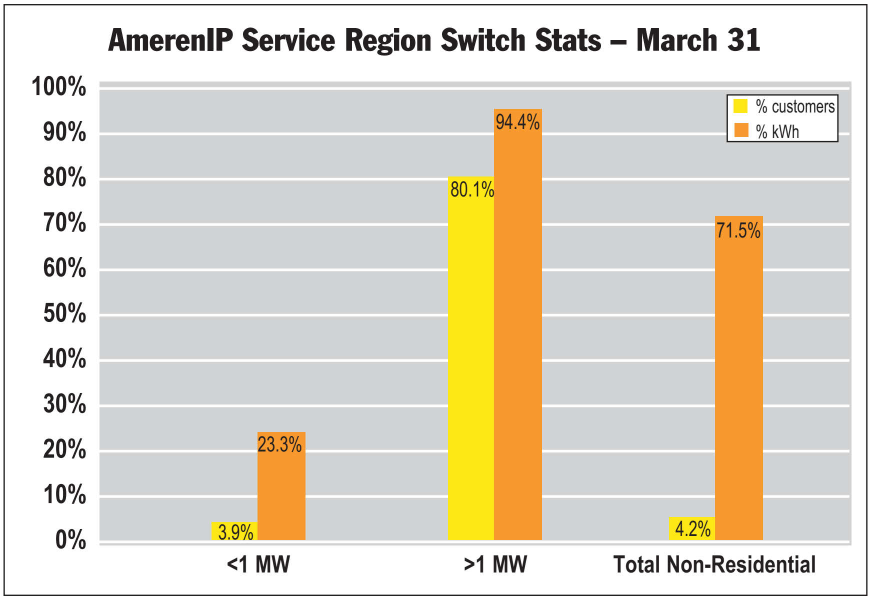
8) Non-utility power plants would be introduced into the market and vertically integrated utilities would be encouraged to sell power plants or to spin them off to affiliates in order to remove these assets from the regulated rate base and make their generation output subject to price competition.

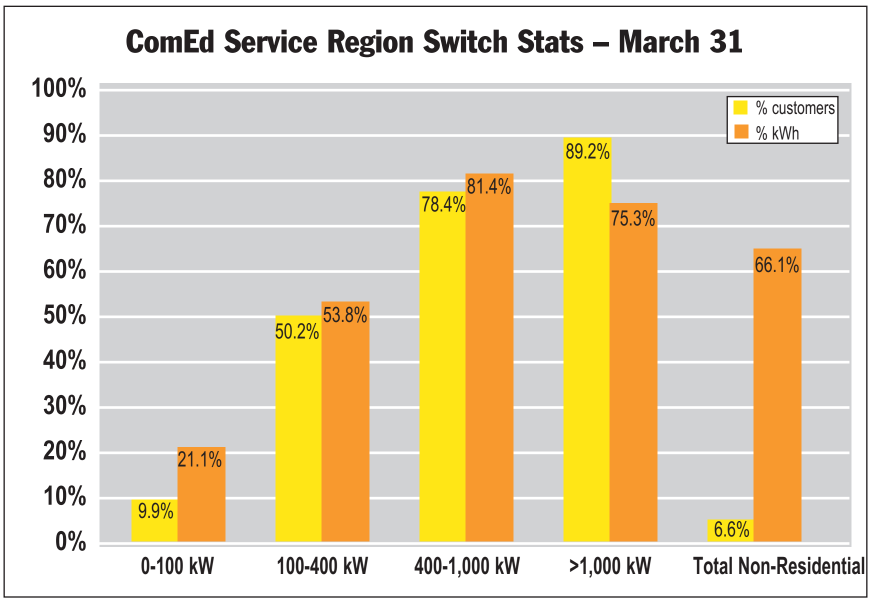
9) Utilities and other power suppliers would be allowed to engage in short and long term contracting and off-system sales with individual customers at negotiated prices.

10) Formal spot and futures markets would allow for bi-lateral as well as "trading floor" transactions by customers, power suppliers and speculators to engage in price finding and hedging and a more accurate determination of future energy and capacity value.









Where does the competitive electric market stand in 2007? Competition in electric supply has made considerable progress in the 23 years since the ICC issued the Ten Point Plan. Sixteen states and the District of Columbia have state restructuring plans in place that allow competitive retail suppliers the ability to provide service to retail customers at market-based prices.

According to an analysis completed by Global Energy of the Eastern Interconnection (an area that comprises two-thirds of the U.S. population and two-thirds of the electricity demand) wholesale competition is working as Congress intended. Regional transmission markets are working to create effective competitive energy markets and customers are realizing the benefits. The study estimates that electricity customers in the Eastern Interconnection benefited by more than $15.1 billion between 1999 and 2003 in contrast to what they would have been expected to pay under more traditional regulated markets without wholesale competition. The primary reason for the savings is that if competitive generators and power suppliers had not emerged, regulated utilities would have been required to build rate base generating assets, incur the costs to run them and pass those costs on to the ratepayers. Under wholesale competition, competitive energy suppliers take the risk of building and operating the power plants and selling the energy output to utility and wholesale or large industrial customers.

Competition has also yielded reliability, conservation and renewable energy advancements. Electric grid reliability is improved as better matching of supply and demand allows market participants the ability to identify specific areas requiring investment. Now there are necessary incentives and opportunities for customers to utilize demand response programs that promote energy conservation and efficiency as these programs help dampen prices, reduce volatility and alleviate strain on the system during peak periods. Individual market-based demand response programs have seen reductions in demand from five percent to 60 percent, during high priced hours, resulting in millions of dollars of cost savings. PJM Interconnection is a regional transmission organization that ensures the reliability of the electric power supply system in 13 states (including northern Illinois) and the District of Columbia. PJM's demand response program has grown from 359 MW in 2002 to over 2,200 MW in 2005. During August of 2006, demand response programs saved customers in the PJM region over $650 million ($230 million in one day). In addition to system reliability, competitive systems facilitate renewable energy development. As balkanized and inefficient grids have been replaced by well run regional markets renewable generation sources have greater access to the nation's electric grid. A recent letter to FERC Chairman Kelliher and other policymakers from 21 environmental groups, including the American Wind Energy Association and the Natural Resources Defense Council, highlighted their support for regional wholesale electric markets. According to the letter, "Well-structured regional wholesale electricity markets operated independently allow far greater amounts of renewable energy and demand response resources to be integrated into the nation's electric grid."

In Illinois, the ten-year transition period has led to significant change in the electric supply industry and industrial customers have been the beneficiaries. ComEd and Ameren have divested themselves from their generating assets and have become 'wires only' companies. Competition has flourished in the industrial and commercial sectors with Illinois businesses realizing considerable savings

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versus in-place utility rates. New rules and regulations surrounding electric choice have been enacted that make it easier than ever for customers to understand and compare utility rates with products offered by the more than 20 ICC certified competitive suppliers. As a result, Illinois businesses have responded to these market opportunities. In the ComEd service territory, over 75 percent of customers with 400 kW to one MW peak demand and over 87 percent of customers with demand between one MW and three MW have switched to competitive supply. For customers over one MW in the Ameren service territory, the statistics for customers selecting someone other than Ameren are impressive: 87 percent in AmerenCILCO, 77 percent in AmerenIP, and 75 percent in AmerenCIPS.

Business customers have more electric supply product options than ever before and more will certainly be made available as the retail market matures. Electric choice provides many options to address a customer's business needs, outlook and budgetary goals. Businesses looking for budget protection have options that may include fixed price or discount-off-utility-rate products. Customers willing to engage in strategic energy portfolio management can now employ hedging techniques previously reserved for other commodities that mitigate the risk associated with price volatility while taking advantage of bear energy markets. One such method includes securing the rate for a percentage of their load while allowing the remainder to float on an index. Another major benefit is that the timeframe and structure of a business' electric supply is now up to the customer. Two, three and even five year contracts allow for energy price stability that would be unobtainable in a regulated system. Customers who want to take active management of their ongoing energy programs have the ability to adjust to real time market conditions with options such as contract blend-and-extends or trigger prices that automatically extend contracts when prices drop to a certain point.

In an open letter to policymakers eight leading economists, including Nobel-Laureate Vernon Smith, and Alfred E. Kahn of Cornell University, wrote "among economists, it is almost universally accepted that well functioning competitive electricity markets yield the greatest benefits to consumers in terms of price, investment and innovation especially when regulated alternatives are no longer warranted. And, despite currently high electricity prices in many regions, driven by very high fuel input costs used to generate electricity, we are confident that well structured markets and robust competition are providing substantial benefits to electricity consumers."

Competitive markets have been and continue to be a crucial element of the U.S. economy. Consumers have seen the long term benefits from other industries that have transitioned to competitive markets and recent studies provide solid evidence that we will realize long term benefits from competitive electric markets as well. Improved price signals due to an open and competitive system promote enhanced system reliability, new infrastructure investment and put downward pressure on prices as contrasted with prices charged in fully regulated markets. A competitive system also encourages end-user energy demand management, conservation and efficiency while increasing customers' supply choices. And the market will continue to evolve thanks to new market entrants, innovation, and technological and environmental advancements.

As the competitive electric market continues to mature, we will see more options, better service and greater opportunities for manufacturers of all sizes to manage their energy usage and budgets. ■

Author Lev Goldberg is Marketing Manager for the Great Lakes region of Constellation NewEnergy. He formerly worked as Marketing Manager for an Illinois manufacturing company. He may be reached at 312-704-1360 or via email at lev.goldberg@constellation.com.

Want to reduce health care costs? Educate and engage your employees

With the growth of consumer-directed health plans, the health benefits landscape is undergoing a major change. Although the rewards of moving into this new terrain are considerable, employers face a double challenge: to not only educate employees on the new benefits, but to work with employees as they become more engaged with their own health decision-making.

The need for new models of health benefits is becoming increasingly clear. For several years, employers have been faced with double-digit increases in health care insurance. While these growths have leveled off over the last couple of years, employers still face premium jumps that are triple the rate of inflation. In fact, total U.S. health care expenditures are projected to almost double from $1.9 trillion in 2005 to $3.6 trillion in 2014. As a result, many employers are looking for new ways to contain the cost of providing health insurance benefits to employees. But while companies' bottom lines have been hit by these increases, employees generally have been insulated from the true cost of health care for decades.

All of that is about to change. In 2007, companies that want to keep health care costs in check will be at the forefront of the Consumer-Engaged Health Care movement, helping their employees understand that the choices they make can improve their lives and still push down costs.

True consumerism — the backbone of the U.S. economy — is seen in almost all markets, from cell phone carriers to auto insurance. With access to the latest information on the cost, quality and availability of products, consumers can make choices that help drive down costs and improve product and service offerings.

In order to create an environment in which employees are engaged health care consumers, employers, HR professionals and insurance brokers must take the time to educate employees — whether this means conducting personalized sessions, providing the guidance necessary to make the right choices, or utilizing a service that enables employees to manage their own benefits online or by phone.

Educating employees

One of the biggest issues for employers is that their workers do not fully understand the investment required to provide health benefits. A study conducted in 2005 by MetLife found that 28 percent of those surveyed have the perception that their employer spends less than $1,000 annually on individual health insurance, while half believe that their employer spends less than $2,000.

In reality, companies typically spend an average of $4,260 annually for each employee who requires single coverage and $12,396 annually for each employee who opts for family coverage, according to a 2006 Towers Perrin Health Care Cost survey. With proper education about the cost of health benefits, employees are more likely to appreciate the investment employers make in their well being.

Employers, HR professionals and insurance brokers can also help employees understand the factors that contribute to skyrocketing health care costs so that they can make smarter health care decisions and understand why employers struggle to control rising costs. Some of these factors include:

- Inappropriate or unnecessary care, such as visiting the emergency room rather than a primary care physician,

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Michael Kasper is president of Humana's Illinois market. Humana, Inc. headquartered in Louisville, Kentucky, is one of the nation's largest publicly traded health benefits companies, with approximately 11.3 million medical members, including approximately 500,000 in Illinois.

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that peak, prices corrected more than 50 percent to less than $.73 per therm in February 2006. These potential market timing savings dwarf the perceived savings associated with the minuscule differences between various supplier margins which will typically be less than a half a penny ($.005) per therm. Timing a financial market is extremely difficult. Another approach is to employ a proven, systematic technique when establishing a fixed price component of a diversified portfolio. A prudent supply strategy considers a longer-term view of the market as far out as 24 to 36 months. Purchasing monthly, or even annually, increases the potential for greater price volatility. It is very likely extreme volatility will remain in the market for at least the next several years. Guessing correctly on future energy prices is difficult at best, if not impossible. Your best bet is to build a disciplined strategy and to stay diversified. Your focus should be on managing price risk.

Storage management — When bidding an annual supply of natural gas, the value of storage and storage management is often overlooked. The majority of requests and subsequent offers utilize a "pay for use" strategy that transfers the benefits of the storage asset to the supplier. For IMA members on the Nicor transportation system, there are generally two options available regarding the use of the storage asset. One option is to turn over their storage to a marketer in exchange for a nominal reduction of their spot market supply. The second option is to have a marketer actively manage your storage asset on your behalf. Under this scenario, all of the actual storage benefits are realized by the customer. To think about it another way, would you rather purchase gas for use next winter at today's prices in the $0.70's per therm, or be exposed to (or lock in) prices for next winter currently trading in the $.90's per therm?

These consistent cost savings are not the only savings benefit associated with storage management. For IMA members on People's Gas system, storage is still an asset to be utilized and managed in the same way as described above, only to a lesser degree. Due to limitations of People's storage assets, the nominal reduction of spot market supply is not applicable. The primary benefits for accounts on People's system include savings in different forms. They still include potential arbitrage opportunities, but storage is primarily managed for balancing daily and monthly load variances. Actively managed storage minimizes often costly monthly 'true-ups,' 'cash-outs,' or re-pricing. This means monthly invoices are based upon actual gas delivered. Correctly managed storage accounts also provide critical day protection and utility penalty avoidance.

Selecting an energy partner — Security of natural gas supply has become increasingly important in today's market. With historically high prices and extreme volatility, this is a significant issue that should not be taken lightly. With the recent tripling of supply costs, it is now critical to select an energy partner with a strong credit rating, asset base, and the human resources necessary to manage through this difficult environment.

Constellation NewEnergy ("CNE") is a wholly-owned subsidiary of Constellation Energy (NYSE: CEG), a Fortune 200 company with 2006 revenues of $19.3 billion, and total assets of $21.8 billion as of December 31, 2006. As the nation's leading supplier of competitive energy to large industrial and commercial customers, CNE is an innovator committed to the competitive energy markets.

Constellation NewEnergy–Gas Division ("CNE Gas") is a full service energy agent organized much differently than other traditional marketing companies. CNE Gas has been serving customers in the Illinois market since 1995. We possess unsurpassed knowledge of utility tariffs, pipelines, and supply options. This mixture allows us to represent the interests of our customers and to focus on all the means of cost savings (i.e. commodity pricing, account management, and utility costs) and risk management, while helping our customers save time with energy purchasing decisions.

CNE Gas has a variety of tools and options available to offer its customers. In general, we advocate a diversified plan to help manage price risk and protect customers from the extreme price volatility of the natural gas market. One key component of this diversified strategy is enrollment in a proprietary price hedging program.

Price hedging — A fixed price is established for specific volumes of natural gas for future months. One option for establishing a fixed price is a traditional, single point-in-time transaction where customers 'time the market' themselves. Of course, as discussed above, the results of this approach can vary dramatically. A more recommended strategy is to utilize Constellation NewEnergy–Gas Division's Minimize Volatile Pricing ("MVP") Program. With the MVP Program, a fixed price is established over time using multiple transactions and a systematic, target-based approach. The MVP Program provides an objective, disciplined, 'take the emotions out of it' approach to locking in a portion of your annual natural gas load. The MVP Program has helped mitigate natural gas price volatility for our customers for more than 12 years. A customer specific MVP report is updated monthly so you can track your purchases and weighted average cost. The objective of the program is to mitigate volatility and it has on average outperformed the market over the years..

Service — CNE Gas provides a portfolio of consultative services that keep customers informed and save time. Examples include: the assignment of a dedicated Account Manager, on-line reporting, weekly market updates and information, local energy conferences, and regulatory involvement and representation.

In summary, simple strategies that may have worked in the past are no longer effective in today's volatile market. Today's energy environment is filled with changes, opportunities and challenges. Companies that stay informed, understand their options, and establish long-term strategies will be in the best position to meet their company's objectives. Managing risk now takes precedence over attempting to achieve marginal savings. ■

Author Jeff Abeln is an Energy Sales Consultant for Constellation NewEnergy Gas Division. Jeff has eight years of experience in the natural gas industry and can be reached at 312-704-8527, or via email at jeff.abeln@constellation.com.

PERFECT STORM

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and does nothing to address affordability or quality of care.

While the Governor and his legislative allies continue to call for billions of dollars in new taxes and spending, Illinois continues to face a short-term structural deficit of more than $2.3 billion and a long-term deficit of nearly $45 billion. For several years, the Governor and the General Assembly have used a litany of accounting gimmicks to show a "balanced budget" as required by the Constitution.

Illinois' perfect storm — the GRT, health care program, and state debt — combined with the already high costs of workers' compensation, unemployment insurance and property taxes, stamps an "anti-business" label on our state. In the past several weeks, we have heard from countless IMA member companies indicating that their expansion or investment plans have been put on hold or cancelled. Others have begun considering the possibility of laying off employees, moving out-of-state or even closing operations. With the current message emanating from the Governor, is it any wonder that manufacturers like Honda and Toyota have chosen to build new facilities employing thousands of workers in Indiana and Mississippi instead of Illinois?

But not all is bad. We have seen a few bright spots where the clouds have parted briefly, including the House vote against the GRT. Additionally, our efforts were boosted during our largest grassroots effort to date, the 2007 Business Day when hundreds of IMA business leaders joined together in Springfield to lobby their legislators. And finally, the IMA Board of Directors challenged our members to make a special one-time contribution to help fight the GRT and payroll tax — a step that was unprecedented. To date, we have received contributions from companies in every corner of the state, which has allowed us to combat the Governor's massive public relations campaign. For that, we are thankful.

Only time will tell how the session turns out, but the IMA will always continue to act as a vanguard for your interests. ■

GAIN CONTROL

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decrease that we can absorb? How much budget overrun can we pass onto customers? Is it more important for us to be below-budget or not to be over-budget?

To determine your level of involvement ask yourself: Do I want to monitor and manage energy prices daily, weekly, quarterly or annually? Should I establish budget-based price triggers that alert me when prices hit certain levels? Do I want a program that hedges my price risk on a regular interval?

Once you determine your business' and personal answers to these questions, you will have the roadmap for your strategic plan. Here is an example profile (for illustrative purposes only):

Budget: The budget is set in September for the upcoming calendar/fiscal year and a three to five year budget plan in place.

Risk: The company has a +/-5% budget differential tolerance, can not pass-through cost increases to customers, and there is a strong corporate pressure to avoid budget overrun.

Involvement: The decision maker has limited time and resources for monitoring the energy market and is looking for guidance/direction from experts.

This profile lets you and your supplier know when you need to begin planning (prior to September), when your contract should begin (January 1), and how long your term should be (three years, with mechanisms in place to extend through additional years). The risk profile indicates a more conservative plan should be implemented (likely a fixed price solution) to give you the energy price certainty you need. And, you should consider a plan that has trigger points along the way to alert you of opportunities to take advantage of downward market movements or systematically purchase extensions to your contract.

One of the main benefits of this process is that, not only does your plan fit your profile requirements from the beginning, but it can be enhanced and adjusted to match ongoing or modified goals as you need. This allows you to transition to a more customized program on your timeframe and at your comfort level. So, although there are many electricity supply options, such as variable index and block purchase products, a tailored approach can be achieved starting with a standard multi-year fixed price contract.

Isn't it time that you find out if you can gain control of your energy costs and reap the same benefits as your fellow IMA manufacturing members? It is easy to get started by simply visiting www.electricityIQ.com/illinois to request a free rate quote. After submitting the quote request, Constellation NewEnergy will analyze your specific electrical usage information and consumption patterns and help you understand the best options and solutions available to help you manage your utility electric rates.

To learn more about the Illinois electric market and to compare your supply options, go to www.electricityIQ.com/illinois. ■

Advertiser Index

Business Day 2007 wrap-up

Hundreds of business leaders converged on the State Capitol May 2 to lobby lawmakers and the Governor on many critical issues affecting IMA members. While Governor Blagojevich refused an invitation to address the audience, attendees were able to hear remarks from House Speaker Michael Madigan (D-Chicago) and Senate Republican Leader Frank Watson (R-

House Speaker Michael Madigan (D-Chicago) addressed this year's Business Day crowd.

Greenville) among others.

Speaker Madigan unveiled plans for a rare House Committee of the Whole to address the gross receipts tax. The outcome was a unanimous vote against that proposal. In his lively remarks, Sen. Watson called the gross receipts tax a "Taco Bell tax" because it will make companies run for the border. In later remarks to IMA board members, Watson indicated that members of his caucus are all strongly unified in opposition to the GRT. Rep. Brent Hassert (R-

IMA board members met privately with Senate Republican Leader Frank Watson (R-Greenville), who indicated that his caucus was adamantly opposed to the GRT.

Romeoville) told the audience that many House Republicans also have concerns about the tax plan.

Keynote speaker Neil Newhouse, a partner with the nationally renowned polling firm Public Opinion Strategies, announced the results of a new IMA/Jobs Coalition poll that showed that the overwhelming percentage of Illinoisans

Senator Kirk Dillard (R-Hinsdale) visits with IMA Chairman George Vincent during the Business Day evening reception.

believe that the Governor's tax plan will negatively impact their family and their employer.

In addition to speakers, attendees were treated to important panel discussions on the GRT, Governor's universal health care proposal, and energy issues. Rep. Frank Mautino (D-Spring Valley) joined representatives from Unicare and Blue Cross Blue Shield of Illinois to discuss the ramifications of the health care plan

IMA Board member Patrick Ormsby met with Senator Debbie Halvorson (D-Crete) at the Capitol.

including the three percent payroll tax to be imposed on employers. While the speakers acknowledged the importance of health care, they cited a preference to move in a slow and studious manner. Constellation New Energy, the preferred IMA energy partner, led the energy panel and provided an update on the status of Illinois' deregulated marketplace.

Thank you to all sponsors and members who participated in this year's event. ■

Albert R. Miller honored by the Illinois Institute of Technology as an "Outstanding Leader in Industry"

Mr. Albert R. Miller was honored May 4 at the 2007 Awards Dinner of the Illinois Institute of Technology as an "Outstanding Leader in Industry." His industrial success, demonstrated leadership abilities and role as an active and outstanding spokesperson for Illinois manufacturing contributed to his being chosen for this prestigious award.

In 1979 Bert Miller joined Phoenix Closures, Inc., and became the company's president in 1981. Phoenix Closures is a full-service manufacturer specializing in injection-molded closures. Their products are used by food and pharmaceutical companies such as Kraft, Nestle, Pfizer, Ralston-Purina and Unilever. The company employs over 330 people, at its headquarters in Naperville and plants located in Davenport, Iowa and Newport, Tennessee.

Mr. Miller serves as a board member for both the Illinois Manufacturers' Association and the National Association of Manufacturers.

Bloomington Offset Process, Inc. (BOPI) receives highest honor at NAPL Conference

BOPI was awarded the 2006 William K. Marrinan Hall of Fame Award from NAPL, the trade association for excellence in graphic communications management. President and CEO Tom Mercier serves on the IMA Board. He credits the ongoing success of BOPI to the company's commitment to investing in capabilities that mirror its customers' needs as well as investing in the education and training of its employees.

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U.S. Steel names Christopher Masciantonio General Manager-State Government Affairs

United States Steel Corporation recently appointed Christopher J. Masciantonio to the position of general manager-state government affairs.

Masciantonio began his career with U.S. Steel in 1989 as a management associate. Following stints as director of the Pennsylvania governor's Office of Labor-Management Cooperation and as deputy secretary of the Pennsylvania Department of Labor and Industry, he returned to U.S. Steel in 2001. He returned as manager-government affairs and advanced to director-government affairs and public policy for Illinois, Indiana, Pennsylvania and West Virginia, a position he held until his most recent advancement.

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CLIMATE CHANGE

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standards; developing a carbon capture and storage portfolio standard; pursuing distributed generation regulatory reform; seeking a phase-in of energy efficiency light bulb standards; establishing $C0_2$ emission performance standards for electricity generation or procurement; energy conservation and implementing efficiency programs for existing state facilities.

The Transportation Subgroup, led by Vice Chair Michael Carrigan of the AFL-CIO, is evaluating policy options that include incentives for fuel efficient vehicles; GHG emissions standards for cars; high-speed rail upgrades; a renewable fuels standard and/or a low carbon fuel standard; implementation of smart growth initiatives and expansion of mass transit.

The Commercial, Industrial and Agriculture Subgroup, led by Vice Chair Arthur Gibson of Baxter, is evaluating policy options that include increasing the traditional recycling diversion rate or a partial landfill ban; encouraging or requiring reductions in emissions of high GWP gases; encouraging or requiring methane capture from coal mines, landfills and wastewater treatment plants; expanding use of no-till farming; efficiency standards for commercial and industrial boilers and incentives for efficiency upgrades and combined heat and power; and programs to encourage forest management, reforestation, and tree and grass planting.

The Cap and Trade Subgroup, chaired by myself, is evaluating carbon offset requirements for existing and/or new large stationary combustion sources and a state level cap and trade program.

The Governor's Executive Order states that the CCAG "shall present its findings and recommendations, including an inventory of existing and planned actions to reduce greenhouse gas emissions, to the Governor."

The last meeting of the full Advisory Group was May 23 in Chicago, and we anticipate additional meetings in June and July and completion of the final report by the end of July.

In addition, the Executive Order requires Illinois EPA to produce an annual report at the end of each fiscal year tracking statewide greenhouse gas emissions in Illinois and forecasted trends, as well as specific progress by state government in meeting its reduction targets for the Chicago Climate Exchange (CCX). Another component of the Executive Order committed the state to joining CCX (only the second state government after New Mexico to do so), pledging a minimum reduction in GHGs of six percent from governmental activities by 2010. CCX is a pioneer greenhouse gas emissions registry, reduction and trading system, the first of its kind in the world and the only one in North America.

We have strived for inclusion and transparency in the ICCAG process. While many more individuals and organizations offered to serve on the Advisory Group than was practical, all of the documents from WRI and other sources, as well as agendas and minutes from the full meetings are available on the web at www.ilclimatechange.org. Call-in numbers for observer participation in the Subgroup discussion conference calls are being made available on the web site. Summaries of each of the policies under review by the Subgroups are also available online, along with a full list of the Advisory Group membership.

We particularly appreciate the time, energy and expertise that representatives of the manufacturing and industrial sector are contributing to the work of the Advisory Group. I want to commend many of our Illinois-based companies for showing leadership in their own operations in responding to this great environmental challenge. For example, Baxter International has found that pursuing long-term GHG emission reduction goals produces not only great environmental results, but significant economic and social benefits as well. Baxter's energy conservation efforts have resulted in an energy savings of over $8 million for each of the last two years and from 1996 to 2005, Baxter reduced energy-related GHG emissions by 27 percent per unit of production. ■

EDUCATE

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- Use of specialty services, such as expensive treatments that were never before available for illnesses like heart disease, kidney disease and cancer,
- The growing use of high-priced equipment, even when traditional diagnostic methods will suffice,
- "Defensive medicine" practiced by providers concerned about malpractice suits if they do not exhaust all treatment options, even when they are not warranted, and
- The labor intensity of the health care industry and the high earnings for professional, administrative and technical workers.

Employers do not have to wait until the open enrollment period to begin planning and educating their employees. Providing employees with information on a continuous basis will enable them to become true consumers who make better, educated decisions. In addition, by proactively providing employees with the information they need throughout the year, HR professionals can avoid the traditional open enrollment crush.

Driving consumers

In an attempt to hold down costs, many employers require their employees to share some of the health care costs — whether by paying for part of the premium, providing a portion of the co-pay or doing a bit of both. Companies hope that by requiring workers to have some "skin in the game," employees will have a deeper appreciation for health care costs and ultimately make better decisions.

In an effort to further reduce costs, many employers are starting to push employees to be even more involved in their health care decisions while implementing plan changes to curb potential overuse of services, including:

Plan redesigns: Some employers have started setting annual or lifetime limits on the number of visits or treatments covered by a plan. When coupled with the appropriate guidance on how to choose and use benefits wisely, this can encourage employees to get the right treatment at the right time, and for the right cost.

Claims management: Some employers have become more involved in controlling claims before they are incurred by evaluating the medical necessity of treatments and pre-certifying certain elective treatments.

Generic drugs: To help reduce costs, many companies have started to educate employees on the cost-effectiveness of using generic drugs rather than brand name drugs.

Consumer driven health plans: More companies are educating employees on the benefits of consumer driven health plans, such as Flexible Spending Accounts and Health Savings Accounts. Plans like these can provide employees with a greater connection to their health care decisions.

Wellness programs: According to the Hay Group, a Philadelphia-based consulting firm that surveyed 435 employers in 2006, 75 percent of employers now offer a wellness program and 90 percent provide a disease management program. In an attempt to prevent chronic illnesses, like diabetes — a disease that accounts for one out of every 10 health care dollars spent in the United States — employers are utilizing these programs to increase awareness and reduce employee illness, thereby reducing costs.

The power of true consumerism

While learning how to use a plan wisely can greatly benefit workers, understanding how to choose the plan that is right for an employee is just as important. Even making the decision to go with an HMO or PPO can have major implications if employees do not take all of their health care needs into account.

Despite this, most employees do not fully consider their health benefits options because they often feel overwhelmed by the seeming complexity of health care plans. According to the MetLife study, 57 percent of employees spend less than 30 minutes considering their health benefits options for the coming year before making a decision.

In an attempt to help employees make good choices, some employers and health benefits providers have started offering tools that allow people to compare coverage options and quickly find answers to commonly asked questions. To further educate employees, HR professionals are helping people use the Intranet and/or Internet to obtain better information about diseases, treatments, and prevention. When coupled with the wellness programs and incentives, this can educate and encourage employees to remain healthy.

For almost five years, health benefits providers have been discussing the need for people to become better health care consumers in order to hold health care costs in check. Now, employers, HR professionals and insurance brokers need to make Consumer-Engaged Health Care a reality. By providing employees with the right resources and guidance, employers can help their workers become active consumers who spend health care dollars more efficiently, demand high quality services, and ultimately help reduce costs. ■

FREE CHOICE?

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Why are unions pushing so hard for EFCA?

Beneath all of the rhetoric about protecting employee rights to union representation, EFCA is a very thinly disguised attempt to increase union membership.

Currently, unions represent only about seven percent of the private sector employees in the U.S. Union membership — and union financial resources — continue to drop. There are many reasons for that decline but the primary reason is that to most employees, unions have simply become irrelevant, unnecessary or ineffective at protecting their workplace rights and interests. When they are given a real "free choice" most employees reject unionization.

So, in an effort to bolster sagging membership rolls and treasuries, unions are attempting to change the law to eliminate any meaningful and legitimate resistance to unionization, to eliminate real "free choice" and to force union representation onto employees — and bargaining obligations onto employers — all because unions have been unsuccessful at gaining new members through legitimate appeals on the merits.

What should employers do?

1. Contact elected representatives

Of course, every employer should learn everything possible about EFCA. Any employer who believes that EFCA does not protect either the employer's interests or the interests of its employees should work for its defeat. At the least, employers should contact their elected officials to make sure they fully understand the significant long term negative consequences — to employers, to employees and to the entire U.S. economy — if union membership is increased through the superficial decision-making processes of EFCA.

2. Understand — in advance — why employees may be vulnerable to a union card signing campaign

Although EFCA will result in an increased number of union organizing drives, such a drive can only be successful if employees are vulnerable to the union's pitch that they "need" a union.

Organizing drives most often succeed because of discontent within the workforce. That discontent can take many forms, both economic and non-economic. In most organizing drives, one or more of these common areas of discontent exist:

1) lack of meaningful communication with supervisors and managers,
2) feelings of insecurity or uncertainty about the company's future or the employee's future with the company,
3) unfair or unequal treatment or favoritism (real or perceived),
4) wages or benefits below the area or industry standard or not keeping up with the cost of living,
5) ignored grievances, complaints or employee concerns,
6) disregard for experience, longevity or "seniority,"
7) lack of, or inconsistent application of, written policies, procedures or guidelines, and
8) lack of individual recognition.

In most successful organizing drives, union organizers easily get employees to sign authorization cards simply by exploiting employee frustrations or discontent, then convincing the employees that the employer has failed to live up to its obligations and responsibilities to its employees and that the union can do a better job of satisfying their needs. By promising "more" or "better" or "faster," getting a card signed is easy — particularly if the employee isn't informed of the limits and risks of union representation.

An employer's best weapon is to recognize its areas of vulnerability, and then reduce or eliminate them to prevent the union from exploiting any existing discontent.

3. Educate employees — in advance — to "Just say NO"

In the past, many union-free employers were reluctant to even mention "union" to their employees for fear that the mere mention of the concept would create interest where, perhaps, there was none. Under EFCA, that will likely change. Employers will no longer be able to wait to educate employees until an active organizing drive manifests itself. The key to preventing a union from getting cards signed by a majority of the employees is to educate employees in advance of their rights and of the potential risks of unionization.

Employers who desire to remain union free should develop a "union free" philosophy and communicate the philosophy to their employees — so the employees know in advance the employer's views on unionization. Employers should also communicate to employees — perhaps as early as orientation — the possibility that they may be approached to sign a union card and that before they sign anything they should make sure they understand the significance and the potential risks of unionization. In other words, employers should recognize that unless they communicate first to employees on this important subject, they may not have any chance to communicate since, under EFCA, once the card is signed, it's too late.

4. Educate supervisors and managers — in advance — on how to spot and respond to a card signing campaign

An educated group of supervisors and managers is also critical. Supervisory training is essential on how to recognize and eliminate areas of employee discontent, how to spot the early warning signs of a union organizing drive, how to react in the event of perceived card signing activity, the rights of both employers and employees in the event of an organizing drive, and how to respond to employee questions about the organizing drive. The best "early warning system," if organizing activity should occur, is a group of informed and alert supervisors and managers with good lines of communication with their employees. Learning of organizing activity early enough to make a difference is essential.

Conclusion

Being a "target" of a union organizing drive does not necessarily mean becoming a "victim." Although EFCA will dramatically change the nature of union organizing drives, proper advanced planning and the right approach can give the vigilant, aggressive employer a substantial opportunity to provide the right working environment and the right kind of employee education so that the chances of a successful union organizing drive are greatly diminished. Employees — educated in advance about their rights — still have the opportunity to "Just say NO." ■

RECYCLING

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sions come from electricity generation. Reducing electric use by using more efficient lights and appliances will reduce CO_2 emissions, but the only way power plants can reduce carbon-dioxide emissions is to burn less fossil fuel per kilowatt hour.

Also on the horizon are additional costs for new transmission wires and transformers since today's systems are strained. New power lines, even if they can overcome public opposition, will cost far more than the wires strung only a decade ago.

Higher electricity costs, of course, present both challenges and opportunities. Within the price-conscious industrial sector, fuel and power price increases have accelerated a drive toward energy alternatives, particularly those that manufacturers can control. Industrialists increasingly realize that their manufacturing processes emit substantial quantities of energy that can be profitably recycled.

Some manufacturers have long obtained both electricity and heat from their processes. The pulp and paper industry, for instance, burns its wood wastes to produce both electricity and useful steam. Dow Chemical has upgraded its combined heat and power (CHP) systems to save, compared to a 1994 baseline, 250 trillion BTUs of energy, equal to the annual household energy consumption of New York City or Tokyo. As part of its effort to cut fuel usage and carbon-dioxide emissions, Dow declares that cogeneration is "significantly more efficient than purchasing power from an outside utility power plant and then separately generating steam." Smart industries use one fire to do two jobs. But what of industrial waste energy?

The Lawrence Berkeley National Laboratory, in a report for the U.S. Environmental Protection Agency, examined 19 clean-energy technologies, ranging from small distributed power systems on farms to large integrated gasifiers at petroleum refineries. The researchers found that recycled energy already provides almost 10,000 megawatts of power, equal to the output of ten large nuclear reactors, and they identified sufficient waste energy for another 96,000 megawatts, enough to provide almost 20 percent of U.S. electricity. This recycling of industrial waste energy would cut carbon dioxide emissions by nearly 400 million metric tons, more than 17 percent of the nation's current output.

Recycled energy projects can be big (several hundred megawatts, with a single megawatt supplying about 500 homes) or small (40 kilowatts). Capital costs also vary, ranging from $300 per kilowatt for backpressure steam turbines to more than $1,800 for certain steam-turbine plants. Even the highest construction costs are still below the costs per kilowatt of capacity from a new coal-fired unit, and the distributed generator requires no transmission wires, and, if utilizing free waste energy, no additional fuel.

In addition to recycling industrial waste heat, more clean-energy opportunities exist to capture the vented heat from most electricity generators. This thermal energy can displace the fuel burned in separate boilers and supply water heating, space heating, and absorption cooling. These cogeneration, or combined-heat-and-power, units also can provide the steam needed for several industrial processes.

Capturing such heat from electricity generation requires a shift away from centralization. Since low-temperature heat cannot be transported economically over long distances, heat recycling requires smaller, onsite electric generation plants. These local units may be smaller than central plants, but are not toys. They use the same technologies, only smaller steam boilers, steam turbines, gas turbines. The shift to local generation, however, offers enormous fuel savings. Recycling half of the heat currently thrown away by fossil-fueled central generators could save more than 15 percent of the nation's fossil-fuel consumption and substantially reduce greenhouse-gas emissions.

Other benefits abound. By providing electricity close to the users, recycled energy plants reduce transmission-line losses as well as the need for additional wires. These facilities improve industrial competitiveness by reducing industrial energy costs and creating the potential to sell excess power and obtain new revenue streams. By reducing pollution, recycled energy saves public-sector costs associated with health care and environmental protection. Such dispersed generation, moreover, increases power reliability and helps to stabilize the grid.

Such a shift to decentralization is possible, as demonstrated by Denmark, which over the past two decades raised cogeneration's share of total electricity production to more than 50 percent. Netherlands, Finland, and Russia also have substantial cogeneration, while several other developed countries — including Germany, Poland, Japan, and China — have CHP rates more than twice those in the United States. Denmark's transition required no new technologies, but simply used smaller applications of the technologies used in central generation — capturing and utilizing the wasted energy. Even nuclear reactors can recycle their waste heat, as evidenced by the fact that all nuclear-power submarines and aircraft carriers use wasted reactor heat to warm and cool the ships.

The concentration of cogeneration has much more to do with policy than with any mix of energy resources and users. Regulators in California and Hawaii, for example, have worked to open the market to entrepreneurs, and each produce more than 20 percent of their power from cogeneration plants. South Carolina, in contrast, has no CHP units because it maintains many old laws, including one that makes it illegal for an entrepreneur to sell power, even to a manufacturer on whose property the generator sits.

The limits of power-plant centralization

The U.S. power system is less than optimal. The status quo, in fact, is not sufficient for the 21st century digitalized economy that demands efficiency and reliability. The average generating plant — built in 1964, using technology from the 1950s — suffers an efficiency rate of only 33 percent, meaning that for every three "lumps" of fuel, it provides only one "lump" of electricity. This inefficiency largely results from

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RECYCLING

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power plants being centralized, located far from consumers, and unable to utilize wasted heat.

No doubt it remains cheaper on a per-kilowatt basis to build one large centralized plant rather than many smaller dispersed power plants. Yet initial capital costs of generation are only part of the equation. Since transmission lines are in short supply, new centralized power will require new high-voltage wires, which cost some $1,380 per kilowatt of capacity (ironically, more than the power generator itself). New on-site generation, in contrast, avoids most transmission and distribution costs by delivering power directly to local customers. Dispersed projects also avoid most of the line losses — which average nine percent but can reach 20 percent during peak periods when lines are loaded — associated with high-voltage lines.

Today's transmission and distribution system, in fact, loses substantial electricity, averaging nine percent but reaching 20 percent during peak periods when wires are loaded. Most of the problem results from remote generation having to transform its electricity to high voltages (requiring capital and losses) in order to allow the use of smaller copper wires for the tall transmission lines that cross the landscape. When the high voltage reaches a city or other large load center, it is transformed back down to medium voltages (requiring more capital and losses). Then distribution wires carry the power up every street and feed smaller transformers, often mounted on the electricity line poles, which transform the power to user voltages to power hair dryers and other appliances.

By contrast, local generation can feed power directly to the industrial user, freeing the system described above, and it can feed excess power into the distribution system, avoiding several transformer steps, as well as avoiding capital and losses. Excess locally-generated power, in fact, can be transformed backwards in existing transformers and fed into the larger grid. Since all power flows to the nearest user, regardless of contract, local power generation cuts losses.

Policy lags technology

Policymakers long have ignored industrial waste as an energy source. It's been a bipartisan habit. Republicans tend to assume the premise that free markets fix all inefficiencies, while Democrats get distracted by the shining promises of wind turbines or solar cells. Even when rival politicians agree about the need to clean up coal-fired power plants, both camps express almost a blind faith in new and unproven technologies — such as sequestering carbon deep within the earth. Few confront the basic issues of how flawed policies create technical and financial inefficiency.

Even most environmentalists ignore industrial efficiency, preferring instead to focus on solar and wind technologies. No doubt these and other renewable energy sources are carbon neutral and reduce dependence on fossil fuels. Yet since it's obviously bad for the environment to waste two-thirds of every coal mine, the terms of the policy debate need to broaden.

Faced with rising electricity costs, manufacturers increasingly see their wasted energy as a revenue stream, and they have moved to the forefront of clean-power development. Global warming, as Al Gore notes, is a reality we would rather not face, yet the convenient truth we need to recognize is this: Energy recycling profitably mitigates climate change. Recycling already provides substantial power and can generate 20 percent of U.S. electricity without burning any additional fuel or emitting any additional pollutants or greenhouse gases. Cogenerating heat and power also produces electricity with half the fossil fuel of conventional electricity generation.

Policy needs to catch up with technology. Lawmakers and regulators must recognize that today's energy system is not optimal, and that enormous opportunities exist for efficiency gains. They must encourage manufacturers and entrepreneurs to "mine" industrial waste energy. ■

Save the date . . .

ILLINOIS MANUFACTURERS' ASSOCIATION
Annual Luncheon & Meeting
Friday, December 7, 2007 • Chicago, Illinois

Plan to attend the IMA Annual Luncheon & Meeting. This year's gala event will feature several prominent keynote addresses. In addition, companies will be recognized for their longevity in the IMA and "Manufacturers of the Year" will be announced.

Sponsorships and exhibitor space available.
Contact the IMA for more information.

We look forward to seeing you in December!

New IMA members

AAA GALVANIZING OF JOLIET, INC.
Joliet, IL

ACCEL COLOR, INC.
Naperville, IL

ADVANTECH PLASTICS LLC
Woodstock, IL

AEGIS ADMINISTRATIVE SERVICES, INC.
Elmwood Park, IL

ANHEUSER BUSCH COMPANIES
St Louis, MO

ANIXTER, INC.
Alsip, IL

ATTENT SYSTEMS
Lisle, IL

AVLON INDUSTRIES, INC.
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Springfield, IL

JK CREATIVE PRINTERS
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MARVEL ENGINEERING COMPANY
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MIDTRONICS, INC.
Willowbrook, IL

NEW DIRECTIONS SEARCH, INC.
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OKAW TRUSS, INC.
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ORNAMENTAL METALWORKS COMPANY
Decatur, IL

ROCKFORD SPECIALTIES COMPANY
Rockford, IL

SUNSOURCE TECHNOLOGY SERVICES, INC.
Addison, IL

TDK CORPORATION OF AMERICA
Mount Prospect, IL

TAP PHARMACEUTICALS PRODUCTS, INC.
Lake Forest, IL

TRANSCO PRODUCTS, INC.
Chicago, IL

TRIBUNE COMPANY
Chicago, IL

VAL-MATIC VALVE/MANUFACTURING
Elmhurst, IL

IMA 2007 Calendar of events

Visit http://www.ima-net.org/calendar.cfm for more information and a complete listing of IMA and MIT course offerings.
For more information or to register for any of the events listed below, contact Judy Parker, 800-875-4462 ext. 3036, email jparker@ima-net.org

July 19
IMA-MIT Event: Project Management for Non-Project Managers
DePaul University's O'Hare Campus
3166 River Rd., Des Plaines
Learn project management skills, tools and techniques to make the transition to a project leadership role and ensure optimum project execution.
REGISTRATION DEADLINE: JULY 3, 2007

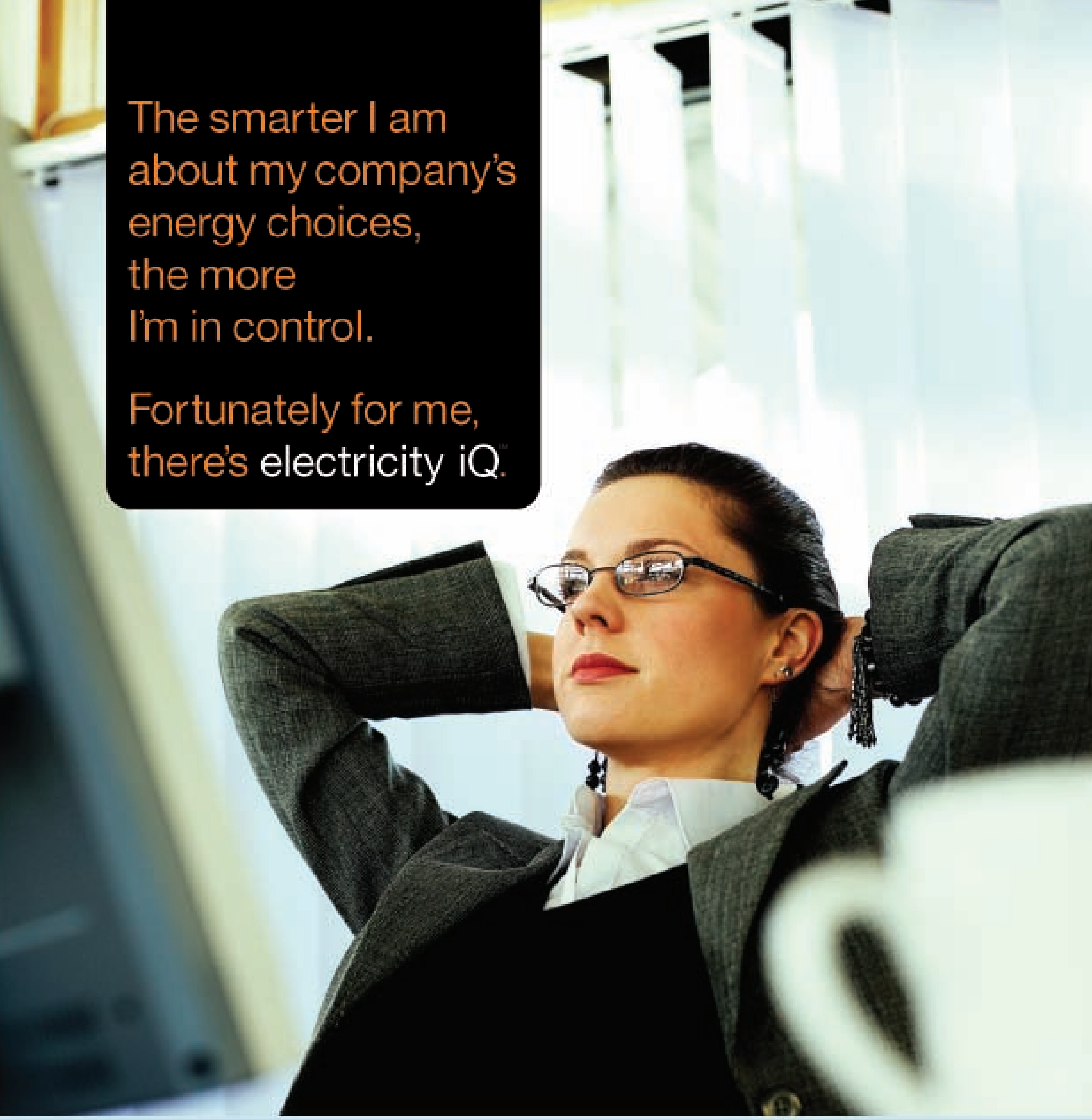
July 24
952 E. Eldorado, Ste. 102, Decatur
July 25
DePaul University, 150 W. Warrenville Rd., Rm. 228, Naperville
IMA-MIT Event:
Lean Manufacturing: Quick Start
Designed to help participants quickly initiate team oriented on-going lean activities, this workshop includes instruction on lean terms and definitions, waste identification and analysis, team organization and choosing lean tools for waste-free processes.
REGISTRATION DEADLINE: JULY 10, 2007

July 31-August 1
IMA-MIT Event: Project Management Fundamentals
Oak Brook Executive Plaza Conference Center, 1225 W. 22nd St., Ste. 140, Oak Brook
This two-day real-world workshop is perfect for people who are looking to get a solid understanding of project management, and for those who wish to get their current projects back on track.
REGISTRATION DEADLINE: JULY 16, 2007

August 7
952 E. Eldorado, Ste. 102, Decatur
August 8
DePaul University, 150 W. Warrenville Road, Room 228, Naperville
IMA-MIT Event: 5S and Visual Controls
This workshop will focus on effective methods of applying 5 S and Visual Controls techniques and tools in the manufacturing and office environments. Learn to maximize the benefits of red tag techniques, orderly work environment and visual workplace methodology.
REGISTRATION DEADLINE: JULY 24, 2007

August 15-16
IMA-MIT Event: Spanish OSHA 10-Hour Outreach Program (General Industry)
DePaul University, 150 W. Warrenville Road, Room 228, Naperville,
This program is intended to provide instruction to Spanish-speaking employees on a variety of general industry related safety and health standards.
REGISTRATION DEADLINE: AUGUST 1, 2007

August 23
IMA-MIT Event: Leading and Managing Through Change
DePaul University's O'Hare Campus, 3166 River Road, Des Plaines
REGISTRATION DEADLINE: AUGUST 9, 2007


The smarter I am about my company's energy choices, the more I'm in control.
Fortunately for me, there's electricity iQ.