NORTHEAST ENERGY PARTNERS

Energy Savings are SWEET for Honey Farms

Energy costs can really add up when you're providing a high-demand service at multiple locations around the clock. For Honey Farms, a convenience store operation in central Massachusetts, energy costs are a key element that can make or break the bottom line.

Honey Farms Executives (L to R): Wilfred Iandoli, Eugenie Smith and David Murdock.

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>
> **David Murdock**
> **Executive Vice President**

The chain, which began in 1969 when the Iandoli family took over a bankrupt 19-store operation, has grown over the years into a 35-location retailer with over 350 employees. Part of their success can be attributed to changes in consumer habits over the past several decades. As shoppers became busier, they began looking for more time-savings solutions to their everyday needs, wanting to make one stop and be on their way. Convenience stores responded by stocking not only bread and milk – but also lottery tickets, tobacco, prepared foods, frozen food, coffee, cash machines, gasoline and more.

With a mission statement "To provide the most satisfying shopping experience for people on the move," Honey Farms has thrived through innovation, adding more features along the way to achieve their vision of a one-stop shopping center. Eight of their stores now offer gasoline, and several have car washes as well. Other locations include brand-name fast food such as McDonald's, Honey Dew Donuts, Subway, D'Angelo Sandwich Shops and Dunkin Donuts. In fact, foodservice has become an extremely important feature in the competitive convenience store industry, with people filling their gas tanks at the place they get their breakfast, rather than the other way around.

But, along with all this growth have come growing pains and energy costs were one of them. With freezers, gas pumps, outdoor canopy lighting and 24-hour operation, a larger Honey Farms location would use an average of 37,000 kwh per month. Locations with a car wash use even more. Conservation initiatives, which Honey Farms places an emphasis on, had helped but keeping electricity costs under control was an ongoing concern, particularly after the unsettling economic times following September 11.

Dave Murdock, Executive Vice President, and Eugenie Smith, Director of Finance, were tracking trends and seeking additional initiatives to keep energy costs down – attending energy expos and talking with potential suppliers. "We had a contract through a regional convenience store association for a couple of years, but we didn't renew after 2004," said Murdock. "We were looking for other options," he added.

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It was late 2004 and electricity prices were starting to rise. With a usage of approximately 8 - 10 million kwh per year, even a little increase would have a significant impact for Honey Farms. 2004 costs alone were up over $200,000 from the previous year.

When Brian Pioggia from Northeast Energy Partners contacted Honey Farms in the fall of 2005, energy costs had skyrocketed up to 18 cents per kwh due to Hurricane Katrina. Founded in 2000, Northeast Energy Partners (NEP) is a Connecticut-based energy-consulting firm that specializes in lowering their clients' total energy costs through fixed-rate contracts. By combining hundreds of commercial and industrial businesses together as a large buying group, NEP is able to negotiate directly with suppliers who generate the electricity to achieve the most favorable contract terms. This "Price Watch Aggregation" approach allows NEP to help clients of all sizes avoid the volatility in energy markets and achieve long-term price stability.

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At this point, Honey Farms was buying their power at the default rate from National Grid (the local electric utility), and the ability to lock in a stable lower rate was just what they were looking for. "NEP was great in providing information and education, and could offer a better price through the Aggregation than what we were getting on our own," noted Murdock. Honey Farms triggered their Price Watch Agreement at 9.25 cents in March of 2006 for a 10-month period. In December of 2006 they re-signed a long-term supply agreement with Constellation New Energy, the winning bidder, as their electricity supplier.

Based on their monthly volumes and the average rates they would have paid over the period for default service, Northeast Energy Partners has calculated the savings for Honey Farms to be over $65,000 with several years left to go at their contracted rate. Pioggia also helped Honey Farms work with the supplier to get a combined invoice for all of their locations as well, simplifying the review and payment process. "Having rate stability is a good thing because we can budget for the future," said Murdock. That is a big advantage in addition to the potential savings."

A Honey Farms retail location in Worcester, MA.

A stable low rate, less paperwork and protection from the volatile energy market – you might say that is one 'honey of a deal.'

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