



WRITING SAMPLE

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How Priority Power Management Helps Texas Hospitals Reduce Energy Costs

Houston-based consultancy “pays for itself”

By Gretchen Heber

The deregulation of the Texas energy market near the beginning of the 21st century means that energy users small and large, including hospitals, can shop for their own energy providers and purchase energy in quantities and at intervals that make sense for each operation.

But understanding the complexities of the energy market is likely not something with which many hospital c-suite managers have much experience. Many have turned to outside help to ensure valuable dollars are being spent wisely on energy acquisition.

One such external expert is Priority Power Management, a Midland-based energy management and consulting services firm that helps clients manage their energy supply in deregulated markets.

It’s All in the Numbers

Through careful monitoring of historical trends and a metrics-driven approach to supply procurement and contract management, Priority helps hospital CEOs and CFOs know when the time is right to enter or renegotiate an energy-supply contract.

Priority’s Managing Director for the Houston Region, Perry Ruthven, said, “Through a consultative and collaborative process, we help them understand how to make these decisions.”

Priority not only studies the market carefully, but the company also gets to know its clients thoroughly, too. “Some have a higher tolerance for risk than others,” Ruthven said. “We take the time to get to know our clients and understand what they’re comfortable with.”

The electricity market is very volatile, even more so than the natural gas market, said Ruthven, and can be complicated to understand. “Hospital administrators have to think about when to buy: ‘Is the price environment good now or should I wait? When I do buy, should I buy a lot or buy a little now and buy more later?’ ”

Ruthven says the multiple types of products further complicates the process. Hospitals need to consider if they should buy a fixed or variable products, and may not have expertise in how energy contracts are structured.

Bring in the Experts

A CFO or facilities manager could spend months or years learning about energy markets, but it makes more sense to hire a company such as Priority to handle these transactions, said John Graves, CEO of Lillian M. Hudspeth Memorial Hospital in Sonora.

Hudspeth Memorial has worked with Priority for many years, and Graves has been nothing but completely satisfied with the work provided by the firm.

Graves said Ruthven is both proactive and responsive to Hudspeth Memorial’s ongoing energy requirements. “If there’s a change in the market, he’ll say ‘We’re expecting this and this is what you need to do.’ He’s sensitive to the market and lets us know when it’s time to make a change.”

Ruthven doesn’t hesitate to visit Graves and his team any time the hospital has questions or needs help understanding the current environment. “He brings his data with him,” Graves said. “He’s very up front and gives us information all the time.”

“He gives us a level of comfort where we can make the right decisions for our energy needs,” Graves added. “My CFO is very happy, since she writes the check.”

Graves said updated market information often will lead his hospital to amend or renew their energy contract with Priority based on projected savings — even if just a couple thousand dollars. “That means a lot to a small community hospital. For every penny we save, we can reinvest in the community,” he said. “We’re able to improve the quality of care we provide.”

A Cost-Effective Service

Some companies use energy brokers to facilitate energy purchases. Brokers tend to be more focused on the here and now, whereas Priority is constantly benchmarking, looking at historical analysis to make informed predictions about the future.

“An important difference is that while brokers are transaction-driven, we’re metrics-driven,” said Ruthven. “One of the major things that separates us is transparency.”

If a hospital already has a close collaboration with a particular energy provider, Ruthven said, “We don’t disrupt that relationship. We’ll just step in and facilitate the transaction with better information and a good look at the market.”

Ruthven says Priority’s services pay for themselves. “Our clients see an ROI of somewhere between 3 to 1 and 5 to 1. You spend \$100 with us and save \$300 or \$500. That’s the return.”

Graves agrees. “I look all time at whether there are ways to cut costs, but haven’t found any in terms of energy procurement. No one’s ever been able to beat what Priority offers,” he said. “At the end of the day, no one’s been able to compete with Priority.”

All-in-One Partner

Priority, which has offices in Abilene and Arlington in addition to Midland and Houston, provides ancillary services, as well. The company might perform an efficiency management survey, for example, and recommend a new lighting system to improve energy efficiency. Or they can work with a hospital to establish Energy Star Status or Leadership in Energy and Environmental Design certification.

Priority will also help clients integrate renewable energy sources into their portfolio to reduce energy costs, said Ruthven. “Hospitals want to be good citizens, and we’re here to help them.”

Navigating energy markets requires an expert hand, and hospital administrators mostly likely have bigger fish to fry. Hiring a consultant such as Priority may be just the ticket to alleviate a huge headache without a trip to the pharmacy.