

# ***Planning for the Unthinkable***

## ***Energy Supplies are Critical***

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### ***ABSTRACT***

Natural disasters and accidents have always been part of our world, and most large firms have both insurance and a plan for dealing with such issues. Recent events, however, have demonstrated the need to go beyond that typical level of preparation. When examining a firm's disaster recovery plan, one area that may need attention involves security of one's energy supplies, at both the technical and organizational levels.

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### ***ENERGY SUPPLY PROBLEMS EXPERIENCED FROM THE WORLD TRADE CENTER ATTACKS***

The day after the Towers collapsed, several energy supply problems became apparent. Customers whose buildings had been damaged but whose electric and gas services remained intact (or were quickly reestablished) could not return and restart their businesses. As a result, minimum usage requirements of power and/or gas contracts came into play, unless Force Majeure was invoked by the customer. Employees managing those contracts were, however, dispersed to other locations and lacked access to their records. Since the attacks occurred near mid-month just before payments for the prior month's use were due, any unpaid invoices could also become subject to late payments.

When natural gas delivery service was knocked out, boilers downstream on the pipeline automatically shut down. Several had dual fuel (oil/gas) capability, but natural gas pilot lights used for oil ignition

became inoperative. While such problems pale next to the death and destruction that occurred on Sept. 11, they made a return to normalcy even more difficult.

## **EARLY LESSONS LEARNED**

Many large firms and institutions have disaster recovery plans. Those lacking them should immediately engage a professional with background in creating such plans. Since such recovery typically involves restoring building services (such as electric, HVAC, and water supplies), customers should determine when those plans were last reviewed and update them. Following are some of the steps that should be considered.

1. A duplicate set of up-to-date base building/utility plans and energy account data (e.g., contracts, account numbers, contact names) regarding major utility services should be stored at a protected site, with access available to a consultant or contractor when needed by the customer.
2. The customer should designate an energy contracts manager and a backup person to handle such issues from an alternate location. Contact information on all personnel (employees, suppliers, and consultants/contractors) involved in handling those issues should also be available at the alternate location. Such information should include home telephone numbers, mailing and e-mail addresses, etc., because operation from home offices may become necessary for an initial period following a disaster.
3. A means to pay outstanding bills from another location should be set up to avoid late charges or confusion. Likewise, invoices covering the billing period up to a disaster need to be routed to an alternative location for payment. Attention is needed regarding any attempts to create estimated bills due to inaccessible or destroyed metering.
4. Dual-fueled boilers using natural gas pilot lights should be immediately upgraded to electronic ignition, or else a supply of bottled gas/propane made available to maintain gas-fired ignition.

5. If operation from an alternative location is to continue for an extended period, energy supply contracts should be amended to include new (or expanded) power/gas accounts at such locations under the same pricing previously in effect. Some changes (such as a newly defined usage commitment, load profile, and contract term) may require negotiation.

## ***FORCE MAJEURE***

To be ready for a major disruption, the firm should have ready for use within 24 hours its contract's *Force Majeure* language and a letter template invoking it to avoid confusion or problems due to delivery failures, billing issues, usage commitments, etc. Following is sample text for such a letter.

To:

From:

Re: Invoking Force Majeure clause with regard to electric/gas account(s) Date:

With regard to account no. XX, at (service address/building/facility name/ mailing address), (firm's name) wishes to inform you that electric/gas delivery service has been cut off since about (time), (day), (date/year), as a result of (describe events). Because of those events and other problems stemming from them, we are invoking the Force Majeure section of our contract with (supplier name) with regard to our commitment to take power/gas at that account. All other accounts under that contract remain in service. Please see highlighted text, below, for supporting contractual language.

We understand that damage to (describe cause of service loss) will preclude delivery services for the immediate future. Even after power/gas delivery services are restored, we expect only minimal use of power/gas due to the need to repair and/or clean the building(s) before it/they can be re-occupied. We

therefore do not expect to meet our contractual commitment to remain within XX% of the consumption projected in our RFP/contract for at least several days/weeks, and possibly longer.

Our present plans for continuing services for the (building/facility name) include moving to a temporary location somewhere else in (city name). When those plans are settled, we may request that any accounts in those temporary facilities be treated as additions to our present contract to fulfill our volume commitment, and to maintain our existing pricing at such other location(s). Please let me know if and how that option may be arranged.

Should there be any problem regarding this contractual matter, please contact me at the address and numbers below.

Yours,

(your name, title) (facility name appearing on contract) (alternative mailing address) (alternative phone number) (alternative fax number) (alternative e-mail address)

## ***MAKING A TERRIBLE SITUATION EASIER TO HANDLE***

Being prepared for disasters makes good business sense. Doing so can mitigate economic damage. When disasters become intentional, however, being prepared should also be seen as one way to blunt the impact sought by our enemies.

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This article appeared as one of Mr. Audin's "Tips of the Month" commentaries. More can be found at [www.EnergyBuyer.org](http://www.EnergyBuyer.org). They are brief excerpts from the Energywiz seminar "Profiting From Deregulation: Power Techniques for Power Purchasing," the only seminar focused on training customers and consultants to handle retail power procurement. For those interested in taking this course, more information is available at [www.energywiz.com](http://www.energywiz.com) and [www.energyseminars.com](http://www.energyseminars.com).

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#### ABOUT THE AUTHOR

**Lindsay Audin (CEM, CLEP, CEP, IES)**, is the president of Energywiz, Inc., an energy consulting firm serving the competitive energy market, government agencies, large end users, and other consultants.

Audin has been named Energy Manager of the Year by three different national or regional organizations, most recently by the Association of Professional Energy Managers in 1995. In 1993, the Association of Energy Engineers (AEE) named him their International Energy Manager of the Year, and in 1996 inducted him into its Energy Manager's Hall of Fame, the highest recognition in that field.

He served on the board of the New York Designer's Lighting Forum, the *Energy User News* Technical Advisory Board, and an ASHRAE 90.1 technical committee. His column on lighting and energy issues has appeared quarterly, in *Architectural Record* magazine since 1991, and his work appears frequently in energy-related publications and on such Web-based magazines as E-Source's *Power Tools*.

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