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## Holmes Energy Expert Interview 1: Bob and Jerry, Part 2

By **Bill Holmes, P.E.** December 14, 2012 11:52:00 am[Email](#)[Print](#)[Like](#)

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I jointly interviewed "Bob," the former worldwide facilities manager for ABC (a Fortune 200 company that he did not want to name) and "Jerry," a former CFO and controller for several IBM plants as well as an electrical transmission company. I asked them in turn to tell me about themselves and their experiences with energy management during their careers. Part 1 was published in November and was primarily Bob, the facilities manager, talking. He emphasized the importance of having the support of top management and described how the very successful and profitable energy management program he had initiated was terminated when a new CEO and CFO were hired.

Here in Part 2, Jerry describes his experiences with utility costs as a member of the top management team. We conclude with a discussion among the three of us and identification of perhaps the single most important factor after top management support in maintaining energy savings on an ongoing basis:

**Bill:** "The main reason I decided to do this series of Interviews with Experts is education; there are a lot of people out there without much actual experience who would like to improve the management of energy in their companies. I wanted them to learn from your many years in the trenches. Bob worked with facilities and utilities his whole career as he described.

**Jerry,** as a financial guy you told me that the physical side of energy use and management in buildings is not something that you are too familiar with; you just paid the bills. Thanks for agreeing to talk with me and share some of your experience. Tell me a little about yourself and your career."

**Jerry:** "Sure. My undergraduate degree was in chemistry, and after a couple of years in a lab in industry I found out that wasn't how I wanted to spend my days. So I went back to school and got my MBA. As it turned out, the technical undergraduate degree and industrial experience combined with the MBA was a good combination that really helped me during my career.

I worked for IBM from 1970 to 1995 starting in the semiconductor industry in cost planning and capital investments. My first financial management job was manager of capital planning for the Burlington, Vermont semiconductor site. I also spent a few years in pricing for the high-end computers. Later I was the comptroller in Poughkeepsie where we made the big CPUs. There were 10,000 people there and we were making a lot of money so I spent my time focused on making money.

No one was paying attention to electricity; no one really had time to think about how to manage electricity and I guess it's no different in other industries. I will come back to that later.

In 1995, I left IBM and went to work as comptroller for an electric transmission company in Vermont, right when electricity was being deregulated. That was my introduction to the utility industry. There was an influx of marketing people, new blood into the previously inbred utility industry, which was a wonderful thing for me. It was so refreshing because as they began to write new rules they had to explain the old ones in English in a way that I could actually understand. I thought IBM was inbred but the utility industry was unbelievably inbred. We built \$2-3 hundred million in construction projects in Vermont and billions across New England.

I left that company after 10 years, retired as the CFO and ended up in Colorado where I met Bill. I wasn't familiar with his type of business but as I learned more I got really intrigued. I could certainly empathize

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## Author Bio

**Bill Holmes, P.E.**

**Bill Holmes, P.E.** founded Holmes Energy LLC [www.holmesenergy.com](http://www.holmesenergy.com) and developed the AutoPilot Monitoring-Based Commissioning (MBCx) System in 1979. He has a B.S. and M.S. in mechanical engineering and has done additional coursework and research for his PhD. He is a former Purdue professor and taught for several years in the Continuing Education in Energy Management Program at the University of Wisconsin.

Bill has produced savings from 20% to, in a few projects, more than 50% from low-cost, no-cost changes in management, operation, maintenance and control alone in all types of facilities including Industrial Plants owned by Fortune 500 Companies.

He is the recipient of a DOE Award for Energy Innovation and was the Indiana Energy

with the difficulties he has had generating interest in managing energy on a continuing basis because Corporate Finance and Division Finance respond to issues, products, pricing and profits, not overhead. I have been working with him trying to help him write something so that financial people could understand it.

In terms of facilities, at IBM they were treated essentially the same way that you described in your experience at ABC, Bob. When a new CEO or management team came in they focused on the hot issues. At IBM it was defects and technology.

Facilities engineers were expendable because the electrical engineers, chip designers, computer designers, software people and others working on the products had priority. They were essentially viewed as – Bob, I believe you used the phrase – a dime a dozen.

**Bill:** "As experts in your specialties what recommendations would the two of you have for other people in terms of how to attack this virtually untapped opportunity to reduce costs and improve profits?"

**Bob:** "I think one of the most important things, once you get a program going, is communications with the top people so they know what is happening on a regular basis. You need to continue to get the support, first from the top and then on down through the ranks. We had monthly news notes that went directly to the president. Every month I would give him a chart that showed our progress by location in terms of saving energy and also recycling."

**Jerry:** "Utility costs are viewed differently because everyone thinks there is nothing you can do about electricity. It's facilities overhead, just a line item in the facilities budget. Facilities management might look at it but in Finance we would look at the total maybe once a year. How's our electricity doing? Can we make that lower? Maybe we can and maybe we can't. Well let's try to reduce it 5% next year. And then in a year or so someone might ask how that went."

**Bill:** "One of my contentions for many years has been that you can treat and manage utility dollars like all other dollars if you measure them and include them in your accounting system. But what I hear you saying, Jerry, is that wasn't true in your experience. You were including utility costs in your financial reports and looking at them once a year but you weren't managing them. Did anyone ever propose the idea that utility costs could be managed?"

**Jerry:** "I never heard anyone at IBM mention that you could manage those costs. Utility costs were never measured by building; only for the total facility. I wanted to ask Bob, how low did you go within each building? Did you meter by process, by tool?"

**Bob:** "In some locations, where buildings were metered separately and we had a specific process in one building, then we were able to track that process. But in a lot of plants there was only one meter so everyone in the plant was getting allocated on a square foot basis."

**Jerry:** "Great point. That's the old traditional way. I understand that very well."

**Bill:** "We installed one of our monitoring systems in a Honda-owned plant and were able to measure the actual consumption and costs by area and even product line. They had been allocating their utility costs on a square foot basis. However, 60% of their electrical costs were for demand charges and it's not appropriate to allocate demand charges on a square foot basis. Much of the peak demand is for big loads from large equipment in specific areas. So some of the departments were getting screwed while others were benefiting. And some of the ones who had been benefiting resisted the change."

**Jerry:** "The transition that occurred at ABC doesn't surprise me. A new CEO, CFO and their management team comes in, looks at the energy reports from the program that Bob had set up and sees the savings flattening out. They don't continue to see the same percentage increase in savings every year. So they say, well, Bob has done his job and we will continue to get those savings every year so we don't need that program or those people anymore. We certainly don't need a director or VP to spend time on that. Everyone knows how to do it. We will just delegate down. Is that right?"

**Bob:** "That's right."

**Bill:** "I understand completely. The main reason we have always emphasized ongoing tracking and reporting is so that once you get things running efficiently there is a reporting tool to make sure that things stay that way."

*It is really hard for most people to understand that energy management is an ongoing management process and when that process is ended, people and systems gradually return to the way they were being run before and as Bob has described, the savings are lost."*

**Jerry:** "Unless they adopt the reporting system that you set up and start doing it themselves. Theoretically they could but generally they don't."

**Bill:** "Bob, with all you had done getting the metering, new procedures and reporting in place, if the new team had continued to use the reports to track the energy costs, might your program still be going?"

Manager of the Year in 1990. He has published numerous papers and been making presentations on his projects and methods for more than 25 years. Bill is a sculptor, a writer and a regular contributor to Sustainable Plant.

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**Bob:** "You have to have top management support. When we lost that along with our corporate energy manager, people started reverting back to the old way of doing things."

**Bill:** "I think having the two of you together has identified a key point, perhaps the second most important factor in maintaining energy savings on an ongoing basis after top management support; and you have explained it in a way that I hadn't thought of before."

**Jerry:** "It was when you described the savings as flattening out after a certain period of time. That sounds like it could have been at least part the reason Bob's program was abandoned and it has happened in a number of my projects over the years."

**Can we all agree that until top management recognizes that energy management is not just a one-time project and supports and funds it as a continuing management process, the savings and other benefits will not continue?"**

**Jerry:** "That's right."

**Bob:** "I agree."

**Bill:** "As a side note, I think we may have made some history here today as the very first time a corporate facilities manager and CFO actually spent more than an hour together discussing how to manage utility costs. Thanks to both of you for your time and sharing your experience with us."

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