# AR ${AR}: Negotiate ${TYPET} Charges

**Recommended Action**

It is recommended that the plant negotiate lower ${TYPE} charges with their ${TYPE} supplier.

**Summary of Estimated Savings and Implementation Cost**

|  |  |
| --- | --- |
| Annual Cost Savings | ${ACS} |
| Implementation Cost | $0 |
| Payback Period | Immediate |
| ARC Number | 2.8114.4 |

**Current Practice and Observations**

During the analysis of the plant’s natural gas bills, it was determined that the plant is paying about ${NGC}/${UNIT} which is higher than the average cost. The client could possibly reduce these charges by negotiating with the current supplier or changing the service to a different supplier.

**Anticipated Savings**

The savings is based on a reduction in the ${TYPE} supplier’s charges. These savings can be calculated as follows:

ECS = EU × (CEC - PEC),

where

EU = Energy usage by the plant;

= ${EU} ${UNIT}/yr

CEC = Current energy cost;

= ${NGC}/${UNIT}

PEC = Proposed (expected) energy cost;

= ${PEC}/${UNIT}, a conservative estimate of negotiated rate as of ${CM} ${CY}

ACS = Annual cost savings;

= ${EU} ${UNIT}/yr × (${NGC}/${UNIT} - ${PEC}/${UNIT})

= ${ACS}/yr.

**Implementation Cost**

It is assumed that there will be no implementation cost associated with this recommendation, since the only action required is the price negotiation. The plant can go to the ${WEB} website to learn more about negotiating and fixing rates to begin the process.[[1]](#footnote-1)

**The annual cost savings for this AR is likely to be ${ACS} and, with an implementation cost of $0, the payback will be immediate.**

1. ${SITE} [↑](#footnote-ref-1)