

Energy 'power factor' fees hitting midsize firms

BY CHAD ERIC WATT / STAFF WRITER

An obscure fee charged to big electricity users who use power inefficiently has quietly trickled down to midsize businesses and industrial users. Known as a power factor, the fee is assessed based on how efficiently a customer uses the power it receives. Generally, the less efficient the power usage, the greater the charge.

In North Texas, electric transmission company Oncor Electric Delivery Co. has been installing electric meters that include the ability to record power factor details and assess the extra charge.

Larger customers began getting the meters about five years ago. The company is now in the process of rolling out 10,000 advanced electric meters a week across its territory, to both commercial and residential users. (Residential customers aren't charged the power factor fee. For a meter deployment schedule, see smarttexas.org.)

The goal of the power factor fee is to encourage commercial property owners to make upgrades to make their power usage more efficient. Commercial users who are 95% efficient or better don't pay any fee.

If they become subject to the charge, most will get a notice in their electric bills. But often, that change doesn't get noticed, says J.D. Dodson with Dallas-based Rapid Power Management LLC.

"(Bills) go to accounts payable, and aren't read by the person in charge," he said.

For smaller businesses, the charge is even more likely to go unnoticed, said Tom Eldred of Energy & Engineering Solutions.

"If they don't have somebody specifically charged to identify energy savings, a lot of the smaller customers are probably just paying it and going on," he said.

After the first notice, customers aren't likely to see evidence of the fee. "It looks like your peak demand's gone up," Dodson said. "Unless you scrutinize your bill, you're not going to know it's the power factor (fee)."

Fee notices vary

The power factor fee is paid to Oncor, which



POWER PLAYERS: J.D. Dodson, left, and Brad Keating of Rapid Power Management review components at Jtek North America Inc's Ennis factory. For many companies, the cost of making their electric systems more efficient is recouped through lower electricity fees.

is responsible for keeping the electricity grid up and running. But how the fee is presented to customers is handled by the retail electric provider that a company has contracted to do business with.

According to Oncor, as of early October 2009, 11,477 customers were subject to the power factor charge.

The new meters are being installed with all customers that use up to 290 kilowatts of electricity at any given instant per day. Think of that demand like a top speed on a speedometer and the monthly bill as a readout on an odometer. Companies whose speedometers don't ever reach 290 aren't often subject to the power factor charge, although engineer Dodson said he has seen some businesses with lower "top speeds" that are subject to the fee.

The 290 kilowatt peak generally works out to be office buildings of more than 200,000 square feet, although electricity usage can vary greatly.

Once businesses are aware of the power factor penalty, the question of whether to upgrade comes down to dollars and cents.

Many of the larger companies appear to have taken that option. The percentage of customer accounts monitored for power factor that don't pay the fee because they're above the 95% efficiency threshold has climbed from 37.5% in 2005 to 61.9% in 2008, the

EFFICIENCY IMPROVEMENTS

The percentage of commercial and industrial customers that have made their systems more efficient to avoid extra electricity charges has grown since the implementation of the power factor charge. For more information, visit: www.oncor.com/electricity/metering/power_factor/qa.aspx

Year	Ratio of customers avoiding the fee.
2005	37.5%
2006	45.4%
2007	55.7%
2008	61.9%

Source: Oncor Electric Delivery

latest data available.

In the early days of the power factor charge, downtown Dallas skyscrapers were seeing an additional \$2,000 added to their \$300,000-\$400,000 monthly electric bills, said John Dawson, director of engineering for Lincoln Property Co.

"If payback is in a three-year range, you do it," Dawson said, provided that the owner isn't looking to sell the property soon.

For smaller buildings and companies, the question of the payback can be a little more gray, engineer Eldred said. "For a two-story office building at 90% (efficiency) your penalty's not going to be onerous enough to justify the equipment and install," he said.