

Case Study – Major U.S. Railroad

“The thoroughness of Cost Control Associates’ efforts has freed me to focus my time on the other aspects of my job...”



BACKGROUND

This major U.S. Railroad is one of the largest in North America, covering 23 states across the country. Excluding fuel, the Railroad spends over \$50 million dollars per year on energy related expenditures spread over more than 25,000 accounts.

Recognizing that costs could be reduced by an in-depth review of rates and other measures, the Railroad established the in-house Energy Management Program whose focus was to be ongoing and continuing cost savings.

CONSTRAINTS AND GOALS

The Railroad had already retained a firm to create a historical database of energy costs including usage and cost data. The firm was also retained to capture usage and cost data on a go forward basis.

However, a significant number of accounts were not captured and large numbers of accounts contained incomplete or inaccurate data. Also, the reports available did not provide meaningful data summarization that could be used for rate or other analyses and the vendor was not proficient in those activities.

The overall goal of the Energy Management Program, especially the creation of the energy database, was to insure that the Railroad had the mechanism in place to manage energy costs and to recognize and react to opportunities including procuring electricity supply for the largest facilities located in the State of Illinois.

The Railroad quickly realized that it did not have specialized knowledge nor adequate internal resources to perform the historical review or the rate analyses necessary to insure all accounts were on the most beneficial rate. The Railroad also had no direct experience in procuring alternate supplies of electricity.

SOLUTIONS

The Railroad retained Cost Control Associates (CCA) to perform a historical review of the

accounts for errors and to identify beneficial rate opportunities for its accounts. Prior to beginning the review of the accounts it was necessary for CCA to work closely with the vendor maintaining the energy database to identify critical errors and shortcomings of the database. CCA also worked with the vendor to develop meaningful analytical reports to assist in the review. Where EDI or other data in the vendor’s database was incomplete, CCA reconstructed the necessary information using bill histories provided by the utility companies.

Due to the size and scope of the project, the review was conducted on a state by state basis with states assigned to one of three distinct phases based on expected results. Concurrent with the bill review, CCA issued a Request for Proposal for electricity supply for Illinois locations and negotiated a successful and beneficial contract.

RESULTS

The efforts of CCA insured that the Railroad’s primary goal of achieving ongoing and continuing cost savings would be realized. CCA’s program resulted in over \$868,000 of annual cost savings.

While much of the analysis work is now being handled by in-house staff, the Railroad continues to look to CCA for assistance in procurement services.