

Synergy *in* Energy

OK Electric Supply discovers a niche in energy conservation.

The electrical utilities in New Jersey and New York operate at maximum generating capacity, especially during peak demand periods. Faced with the option of either building more power plants or promoting energy conservation, they chose the latter—and in 1989 established utility rebate programs. But many found the concept too confusing, and walked away from it. OK Electric Supply saw this as an opportunity, and established its Energy Solutions Group. The result? This 87-year-old Perth Amboy, N.J., distributorship—which has a history of seeking out ways to differentiate itself from the competition—found a niche.



The owners of OK Electric Supply, from left: Leon Mowadia Jr., Dave Attardi, Bernie Erickson, and Eric Erickson.

Photoluminescence, the next step

New York City's 9/11 Commission report mandates that by July 2006, all commercial buildings more than 75' tall must comply with the following: A photoluminescent sign must mark each stairwell, every stair in every stairwell and every door leading to a stairwell must be marked with photoluminescent tape, and every fire extinguisher must be outlined in glow-in-the-dark tape.

OK Electric Supply has been selling photoluminescent exit signs through a Web site, www.zeroenergy.com, so its transition into photoluminescent tape is a natural progression. But the company is not planning to simply sell tape and leave building managers to their own devices. Instead, it is providing a total solution by partnering with an architectural engineering firm to create a Palm-based building auditing system to evaluate stairwell lighting and emergency evacuation route layout.

And because lighting plays a key role in this project (the photoluminescent tape needs at least two foot-candles of light to charge it), OK Electric Supply is taking the project a step further by offering lighting retrofits when applicable.

"Customers can use the money from energy savings to pay for these required safety upgrades," said Leon Mowadia Jr., vice president of operations.



The consummate niche player, OK Electric sells a private label brand of LED exit signs through its Web site, www.ledexit.com—and receives thousands of hits per week.



OK Electric Supply offers a 6,000-square-foot Power & Light Training Center that features a demonstration area illustrating the light quality and cost savings of fluorescent fixtures.

OK Electric Supply's Energy Solutions Group positioned the company as a provider of energy audits and retrofits delivered at little or no cost through its knowledge of the rebate process.

"We have always been a niche player. The market had changed so much by the late '80s and early '90s that we were waiting for something like this to come along," said CEO Bernie Erickson. "We saw it as the next big thing—and we were right."

He recalled that many times in the early '90s, when the company approached potential customers as OK Electric Supply, "We were told that they already had an electrical distributor. So we created a division to overcome this resistance. By doing so, customers understood that we were not there to sell them everyday electrical products; we were there to offer technical expertise for high-efficiency products."

By 1992 the New Jersey Board of Public Utilities had an approved list of 25 energy service companies and electrical distributors certified to participate in the rebate program. That particular program ended five years ago, and today there are just three names from that list that are still in business.

"Once the rebates disappeared, it came down to a couple of quality guys calling on customers," explained Leon

Mowadia Jr., vice president of operations. "For us, the disappearance of the rebate program helped trim away the competition; we continued to sell energy retrofits to our customers without the rebates."

Regardless of the lack of available rebates, the Energy Solutions Group continued to refine its process, test products, and expand its range of value-added services.

In 1992 the company designed a 6,000-square-foot in-house Power & Light Training Center along with a demonstration area in its warehouse to illustrate the improved light quality and cost savings of fluorescent fixtures over HID's—an idea that ran counter to the conventional wisdom at the time. These tests landed the company the retrofit for all of the K-Mart warehouses in the United States.

Then, about three years ago, a new conservation rebate program emerged out of utility deregulation. Now every ratepayer's electric bill carries a "societal benefits charge" (SBC). This revenue stream funds a rebate program authorized by the state Board of Public Utilities. The utilities distribute the money in the form of rebates for energy-efficient products to customers who participate in the program.

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BEST PRACTICES

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The Energy Solutions Group markets the rebates by cold calling both existing customers and new prospects. It offers free energy audits with the intent of increasing a facility's lighting levels while reducing the wattage. The group then takes it a step beyond bulbs and fixtures, offering occupancy sensors, LED exit signs, and daylight harvesting through window-mounted sensors.

"We often get large energy retrofits from new customers to whom our competitors have been supplying standard electrical products," said Dave Attardi, vice president of sales. "Our energy conservation expertise differentiates us from

the competition and is more profitable."

The Energy Solutions Group currently represents hundreds of different and unique energy-saving product lines. Many of its proposals include an item called the Vending Miser, an occupancy sensor that conserves the energy on vending machines by cycling the compressor more frequently during periods of vacancy.

The group also represents two lines of rooftop photovoltaic solar panels. Rebates on solar panels in New Jersey are higher than anywhere in the United States: Garden State utilities will pay up to 60% of the installed cost of solar. But even with this generous rebate, solar energy's payback is about six years.

"So we tie solar in with lighting, which

has a quick payback—often 12 months," explained Mowadia Jr. "When the two are blended together, it makes solar energy feasible for the customer and results in a unique project that other distributors can't offer."

OK Electric Supply has partnered with a roofing company and an HVAC company under the Energy Solutions Group banner, allowing it to provide a wider range of building management conservation opportunities. For example, light emitting diodes (LEDs) provide numerous interesting opportunities to save energy and add value to a wide range of projects. The group tested various LEDs for an Atlantic City casino before settling on a 2,700 degree Kelvin 2W bulb to replace a 25W bulb. The bulb not only uses a fraction of the energy of an incandescent, but it also has a three-year life as opposed to a three-month life, which saves on maintenance for the customer.

Opportunity abounds

Because OK Electric Supply is certified by the U.S. Department of Energy as a certified energy service provider, it can tackle federal projects—including lighting retrofits and other energy conservation initiatives. A recent example was the retrofitting of the instrument panel lighting on four Navy ships, including the *Comfort*, the largest floating hospital in the world.

The company also distinguishes itself via its training standards. "We cross-train every employee," said Erickson. This came in handy recently when the Energy Solutions Group completed a massive energy audit for a casino, which had to be completed under a crushing deadline: It had less than a week to audit and redesign the lighting on 4-million-square-feet of casino space. The company mobilized 10 people who worked 12 hours per day. The lighting not only had to be energy-efficient, but it also had to conform to the casino's aesthetics and still provide enough lumens for the security cameras to operate.

"We were able to accomplish this because we were able to take our inside salespeople from the supply side of our business and bring them to Atlantic City to help us audit," Erickson explained.

Preparing for the future

The independence and foresight that allowed OK Electric Supply to create its Energy Solutions Group also has given rise to a productive and successful summer internship program.

"We may have answered the question of how we can bring young people into our industry and get them excited about it," said Bernie Erickson, CEO. "We are trying to attract a different type of person into our business. These are marketing majors that aren't interested in spending their time away from college working in a warehouse."

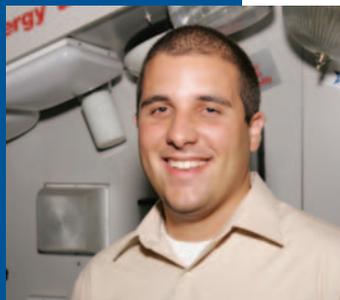
Last year, a marketing major from Fairfield University in Connecticut inquired about a summer internship with OK Electric Supply. He indicated that he was not interested in a clerical position, so Dave Attardi, vice president of sales, developed a 10-point internship program. This summer, four college students were offered the opportunity to experience real-world marketing and sales with the Energy Solutions Group.

The internship progressed from an introduction to the basics of the technology behind energy conservation to the selling and implementation of projects. The interns—who were assigned buildings under 10,000 square feet—made cold calls, created mailers, performed audits, and closed sales. Lou Spadaro, a senior at Fairfield University, closed a \$100,000 project within three weeks of starting his internship.

"I did everything from establishing a marketing plan for Energy Solutions to presenting proposals for clients. I contacted new clients and maintained relationships with established clients. Previous to this I never considered the electrical distribution field as a viable career option. Now I consider it interesting," said Spadaro. "Everything I did here was a valuable business experience."

"Most internships are clerical jobs," noted Attardi. "But the fact is that good people are not found. You have to create them. We gave our interns a real-world education; they learned to sell a return on investment.

"It was remarkable," he added. "And every one of them returned to college with a commission check."



Lou Spadaro, a marketing major at Fairfield University, had a productive summer internship with OK Electric Supply's Energy Solutions Group.

At-a-glance

Year founded: 1919

Number of employees: 25

Locations: One primary location in Perth Amboy, N.J., with a sales office in Washington, D.C.

Owners: Bernie Erickson, Eric Erickson, Leon Mowadia Jr., Dave Attardi

Gross sales: \$10 million

Affiliations: NAED, Equity Electrical Associates, National Association of Independent Lighting Distributors, Association of Energy Engineers, NJ Sustainable Building Alliance

When auditing a facility, the Energy Solutions Group doesn't limit itself to electrical products—anything that saves customers energy and money is considered. Case in point: Water usage is an issue in southern New Jersey. Hotels are assessed a high sewer charge based on water usage. Through research, the company found a showerhead that provides a spa-

quality shower with minimal water usage. Using less water meant using less energy to heat the water. Now, when retrofitting the lighting in hotels and motels, showerheads are included in the conservation package.

Finally, OK Electric Supply has not lost sight of the industrial commercial side of its distribution business. The Energy Solutions Group enabled the company to develop solid relationships with a select group of electrical contractors that it partners with on conservation projects. The contractors offer the distributor's auditing and design service to its customers. The distributor prepares proposals, which the contractors print on their own stationery. In turn, many contractors and end-users wind up purchasing their everyday electrical products from OK Electric Supply, which ensures long-term business for the company. So, in the end, everybody wins. ■■■

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