



“ Faced with market volatility and a dramatic increase in future energy costs, it was critical to find a strategy that produced budget stability and leveraged market dips when possible. A multi-layer hedging approach was the best fit and has proven to be a successful procurement strategy. ”

Tom Dyer
Senior Director
Procurement & Analysis
Usource

Usource Helps Lindt & Sprüngli Achieve Budget Stability

Usource helped Lindt develop a three-year energy buying strategy that combined budget certainty with the ability to capture future cost savings

Lindt, a major chocolate maker, wanted to apply their disciplined approach to purchasing electricity. They faced budget challenges due to price volatility in the New England marketplace. Usource was tasked to help Lindt procure electricity at a stable cost.

Challenge

As one of the largest, premier chocolate makers in the world, Lindt strives to always meet demands with the highest quality product. Lindt was accustomed to strategically sourcing superior, sustainably produced raw materials and natural gas for its production. Wanting to apply this disciplined approach to purchasing electricity, Lindt turned to Usource because of our expertise in energy markets and procurement.

Initially, Usource had Lindt on an annual purchasing plan with fixed electricity pricing to ensure budget stability. Lindt had experienced solid results controlling their energy costs through this plan. However, changes in the New England marketplace were leading to increased price volatility, making it harder to achieve budget consistency year over year. Looking forward into later years, Lindt was facing 40% increases in energy prices.

Solution

Usource advised Lindt that price volatility and price spikes were being driven by fundamental changes in the New England region, including a growing reliance on natural gas for electricity production with a significant shortage of pipeline capacity. In addition to mounting pipeline constraints, market uncertainty heading into the coming



winter was running deep after an extremely cold winter. A cold winter could lead to price spikes, while a milder winter could alleviate system pressure and reduce prices, creating a possible buying opportunity.

As a large energy user, Lindt wanted budget certainty, but also had a degree of risk tolerance to allow flexibility to take in energy buying opportunities to lower overall costs. Usource conducted a series of strategic discussions with Lindt, providing in-depth analysis of market fundamentals and key drivers. Through these sessions, Usource developed energy cost scenarios and created risk management parameters based on cost variance tolerances.

Result

The result was a three-year energy buying strategy that combined budget certainty over time, as well as opportunities to purchase energy in the future at opportune times.

Short term – Upcoming winter:

- » Secured a fixed rate through a three-phase hedging strategy to achieve budget certainty and eliminate the risk of a drastic price spike
- » Executed hedges based on market conditions until client was 100% hedged

Longer term:

- » Hedged 25% up front to pull in some of the favorable outer year pricing
- » Established price targets for future winter and summer periods
- » Defined ceiling price to lock-in should prices start rising rapidly
- » Set timeframes on hedge position to ensure desired budget stability
- » Layer in hedges based on market conditions

Given the complexity of this energy buying strategy, Usource provides on-going monitoring and management services and maintains close communication with Lindt to ensure successful execution of the plan. The analysts at Usource deliver daily reports on market pricing and trends to alert Lindt of potential buying opportunities. In addition, Usource provides monthly reports on the client's current market position and progress towards hedging goals. Finally, update meetings are held each month with the client to ensure the strategy is in alignment with expectations and identify any modifications as desired. This customized strategy has continued to deliver on the objectives Lindt strives for as it prudently expands operations in the next decade.



About Us

Usource is an unbiased, independent energy consulting firm for large businesses and organizations in the U.S. With a focus on market intelligence and comprehensive energy solutions that support a smart, forward-looking energy management strategy, Usource provides a comprehensive suite of energy consulting services to its clients.

Usource, a member of the NextEra Energy family of companies, serves as a trusted advisory group. With a firm commitment to objectivity, Usource leverages the vast resources and expertise of NextEra Energy, the world's largest producer of wind and solar energy, to offer customized energy consulting services to large commercial, industrial, institutional and governmental organizations. Clients can trust Usource to deliver tailored solutions and unparalleled support in their energy-related goals.