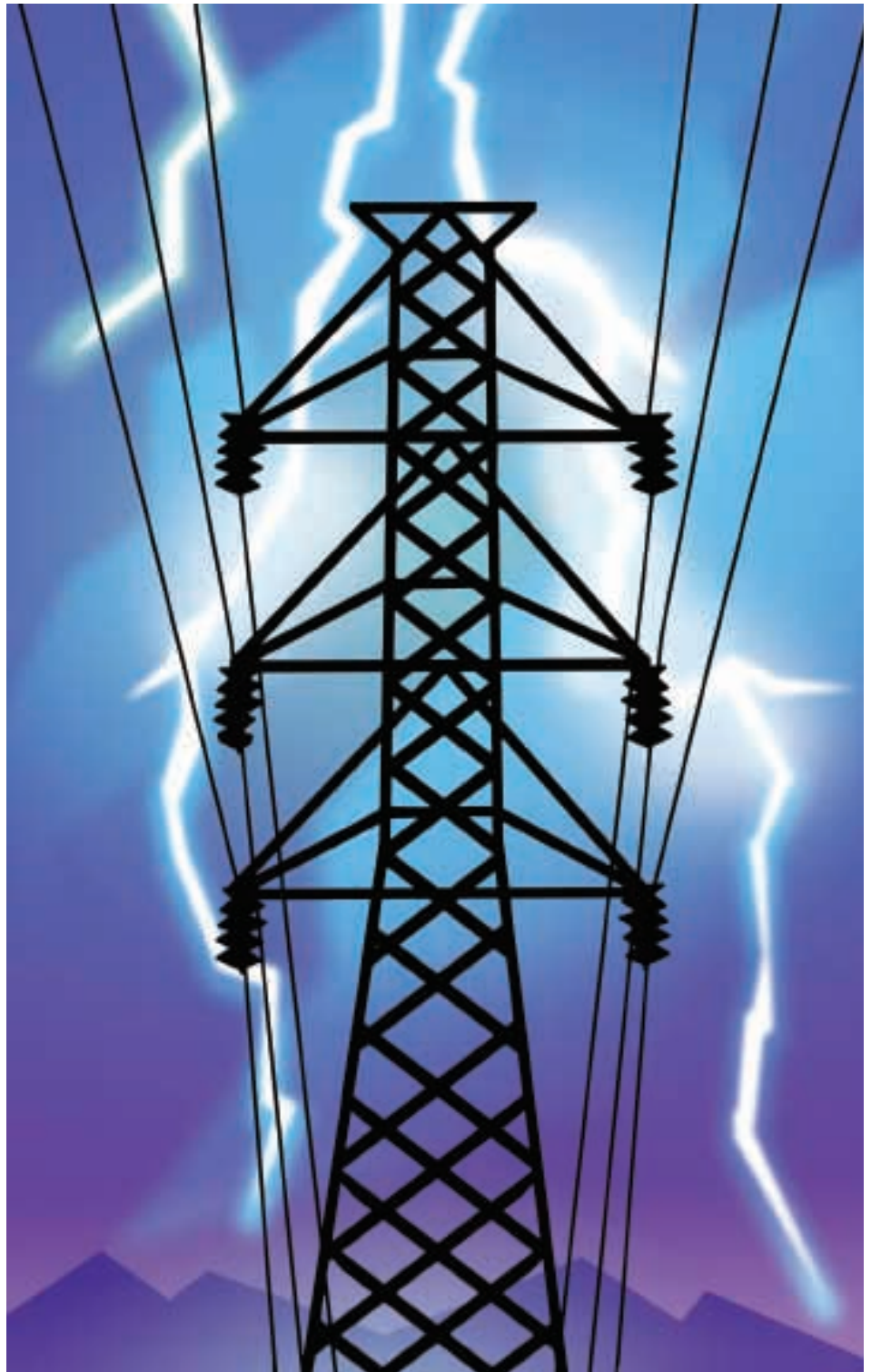


# Electricity Rates – A Day In The Park Or A House Of Horrors

by HANS HERRMANN - Cost Containment Intl.

**T**here are some big changes coming in 2008. The IL General Assembly passed SB 1592, the Rate, Relief and Reform package. Condominium associations were specifically mentioned. For now, condo common areas are to be billed at no more than the residential rate for the electric commodity. (The electric commodity is the kWh portion shown on the bill.) While this is welcome news, in reality, many condominium associations already pay *less* than the residential rate for those areas, due to competitive pricing available from Alternative Retail Electric Suppliers. However, electricity rates (per kWh) will definitely change after the May 2008 meter read, and the consensus is that prices are going up. The new rates will be determined during the February – March 2008 time period. Associations will know by then what the pricing will be and will be able to determine the best possible solution for their building.

Large and Medium Load ComEd condominium associations (those over 100 kW) will have the Residential Rate as their default rate for their common areas. Many commercial accounts in IL will only be offered the hourly rate by ComEd. (By the way, hourly rates in TX this year hit a high of \$1.50 per kWh!) Apartment communities are not affected by the condo common area ruling and will have the same rules as any other commercial account.



Small Load condo associations (under 100 kW) will have the Residential Rate as their default rate also. But make sure you have all the facts before you move - those Small Load associations currently with an alternative supplier will have to remain with ComEd for a minimum of 12 months if they default back to the Utility.

Many condo associations using electricity to heat their common areas received credits from ComEd to reduce the impact of the rate increase that took place in January of 2007. In addition, many *all-electric* condominiums that were previously on the Multi-Family Residential Electric Space Heat Rate for their common areas were switched by ComEd to a commercial rate. Then, due to the Rate Relief and Reform Package (SB 1592), these accounts were eligible to move *back* to the Multi-Family Residential Electric Space Heat Rate – all in 2007! If your association is receiving the Residential Space Heat Rate for your common areas, you are in the right place for now, as it is very unlikely that a better price can be offered by an alternative provider. However, if you are still on the commercial rate - get some advice from someone knowledgeable in the field.

Not all the 2007 changes are bad ones for condo associations. The Delivery price from ComEd is fortunately not based on the residential rate, but instead is based on your specific Delivery Class. That fact provides genuine savings, since ComEd Delivery charges are less for commercial accounts compared to residential ones.

As most associations begin to do their homework and develop a Strategic Energy Plan, (SEP), they will be in a position to find better pricing than the Residential Rate for their common areas (this residential rate is the same rate unit owners pay ComEd for electricity in their individual units). Many associations currently pay *less* than the residential rate for their common areas, (which is now .07735 summer and .07564 non-summer both including the Rider TSC), by having moved to an alternative supplier. When searching for an alternative supplier, the residential rate should be used as the default rate when comparing pricing. Condo boards typically get multiple bids from various providers. But there's a lot more to consider than just the price. Make sure your condo board is told by the provider what is included when offered a price for electricity.

**Are all of the price components (energy, ancillary charges, line loss, capacity, and transmission service charge) in the offered price?**

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## Are there any pass-through charges?

Sometimes a proposal will appear to include all of the price components, but the contract does not fix or lock in all of the components. One supplier's contract even goes so far to say that if you sign the agreement, you are declaring that you made the decision on your own and did not base it on any information that the supplier provided to you.

## What does the auto-renewal clause say?

I recommend that any auto – renewals be removed from the contract and the contract should revert to a month – to – month until a new contract can be put in place.

Many times the price that appears to be the lowest in the proposal stage is not the best price. A condominium association can pay more for electricity during the term of their contract because they were not given all the specifics by a provider and even worse, the agreement they signed allowed the price to be raised within the contract term.

Read the fine print – some providers are counting on the fact that you *don't*.

Let's review the implications for Condominium associations for the coming year:

Many associations currently pay and should continue to pay less than the residential rate for their common area electricity depending on the wholesale market and opportunities.

Residential Space Heat Rates in *all electric* buildings, if offered by ComEd for your property, will probably be the best rate found for the common areas. Alternative supplier proposals don't always include all of the electricity price components – ask for specifics. A fixed rate without all components fixed for the term of the agreement is not a fixed rate.

Smaller associations currently with an alternative supplier, need to make decisions on their electricity supplier at least 10 days prior to their current contract expiration – or, they will be moved back to ComEd and receive the residential rate for a minimum of 12 months.

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Energy costs (electricity, gas, and utility delivery charges) are a significant portion of an association's yearly budget. The days of every property receiving the same rate from ComEd are long gone. Finding the best price rate and the best fit contract-wise for your specific property can have an amazingly positive effect on your budget.

And don't forget, there are more decisions to make around the corner! During 2008 there will be announcements from the City of Chicago and the local office of the Clinton Climate Initiative describing programs to reduce energy consumption as well as reducing carbon emissions. Retrofits for properties may be paid for by entering into a Performance Based Agreement,

which means going "Green" could also help your bottom line. Equipment suppliers are trying to sell systems, but make sure your Strategic Energy Plan covers all of the parameters that the equipment supplier promises. Recently a condo association got a quote for an energy upgrade. Upon review, it was noticed that the payback calculations used by

the equipment supplier were incorrect, which also inflated the savings. Even going "Green" has its own issues regarding Condo Associations. For example, without a PPA, (Power Purchase Agreement), the not-for-profit status of a condo association removes any tax benefits tied to wind and solar. But more information about that at a later date!

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