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Firm looks for lower electric rates

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BY DAVID MACK

It was all over the news late last year and early in 2007: ComEd's electric rates were going up dramatically. The freeze imposed by the Illinois Legislature when it deregulated the power industry in 1997 was scheduled to end on Dec. 31, 2006. The average electric increase was projected to be about 22 percent.

Condominium associations were to be affected by the rate thaw also, even though common areas are not billed at the residential rate of their individual unit owners. Regardless of what electricity was used for, "all rates were frozen for 10 years," said Hans Herrmann, director for business development of Cost Containment International Inc., based in Northbrook.

The common areas of condominiums are billed at a general service use rate. Since 1997, various boards have sought power from suppliers other than ComEd because of the price competition introduced into the market by deregulation. Many associations, however, retained the electric giant as their power source because rates were to be held in check and, in fact, actually rolled back somewhat.

That all changed as of Jan. 1. Associations that had stayed with ComEd up to the end of 2006 might look into buying their electricity from Edison's competitors.

Cost Containment International Inc. is one of a number of companies in the business of assisting residential complexes to obtain the least expensive power available to them in the competitive marketplace. In anticipation of the freeze termination, the company has been working with condo associations and their management companies since early 2006 to find better financial arrangements.

The process involves Cost Containment obtaining a condo client's 24-month usage numbers from ComEd. Using that historical evidence, it seeks bids from six to eight alternative providers, Herrmann said.

It then analyzes the bids, comparing proposed per-therm prices over varying time periods of 12 to 36 months. Finally, the comparison is presented to the manager or board.

When there is a savings over ComEd's actual or projected charges, a contract is signed. The duration is left to the board; it can be as long as the 36 months.

"We don't represent a specific supplier," Herrmann said. So there is no potential conflict of interest in the company's recommendation, he said. "Our goal is to have our clients spend the least amount monthly for electricity."

Herrmann cautioned condo associations that there can be differences in contract offers from alternative suppliers, especially in terms of possible cost increases during the life of a contract. There might also be hidden fees and other charges.

As Cost Containment points out in its literature, "if these costs are not fixed by the supplier, the contract leaves you exposed to significant [financial] risks."

Cost Containment also will work with boards to get the best price for natural gas in much the same way the company looks for lower electricity rates.

Next week, we'll look at a new way that individual unit owners might be able to lower their electric bills through their associations.

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