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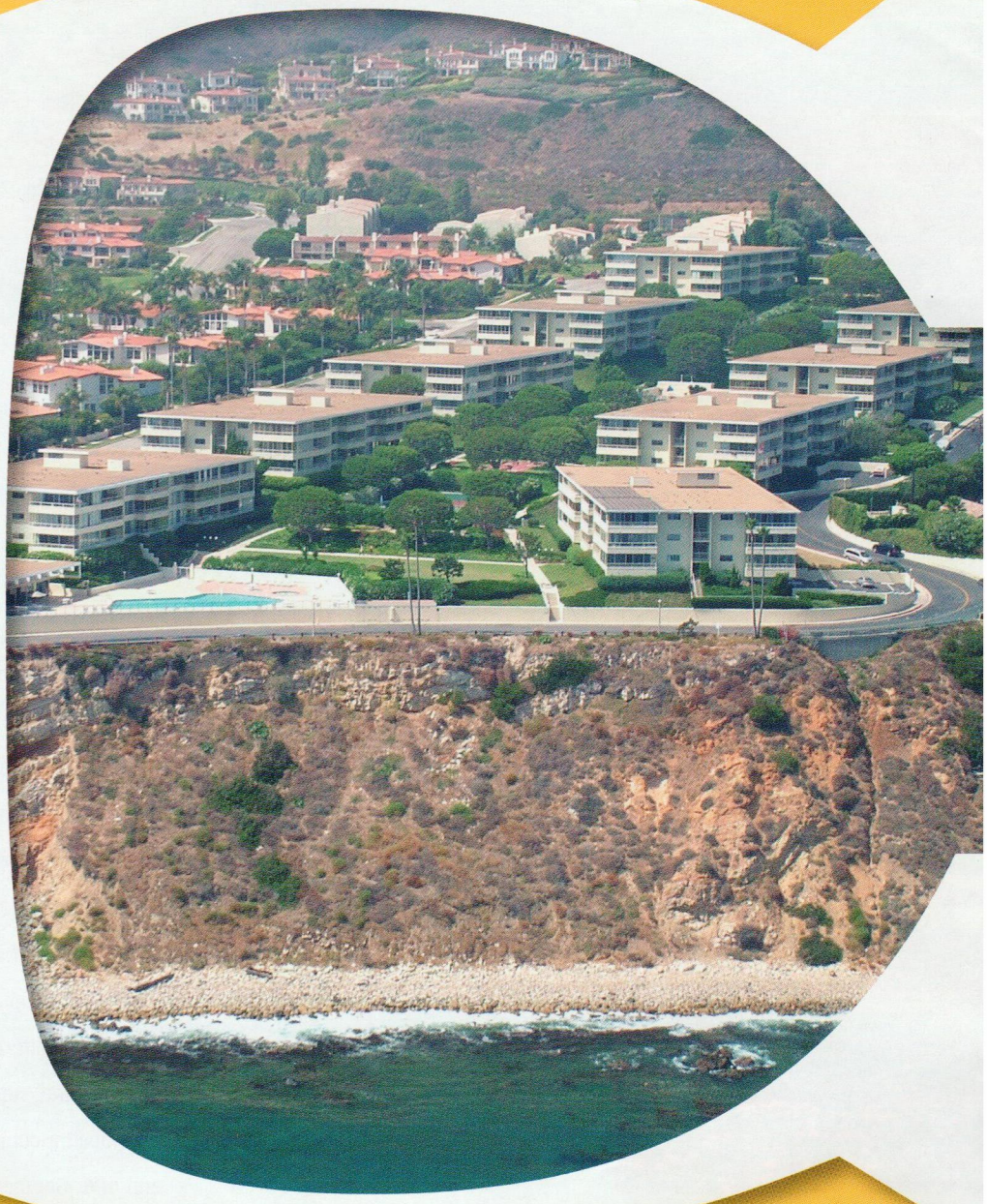

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According to the U.S. Department of Energy, a utility audit is a formal review of a house's energy use that provides recommendations for energy-efficiency measures such as weather-stripping, caulking and isolation. But a different type of utility audit examines your utility use and whether you are being overcharged. Here are answers to some of the most commonly asked questions about utility audits.

ARE YOU PAYING TOO MUCH FOR UTILITIES?

By Erin Kelly

DOESN'T A UTILITY AUDIT CREATE MORE WORK FOR THE MANAGER OR MANAGEMENT COMPANY?

Yes, in the short term, since you will need to gather copies of the last 12 months of all common-area utility bills. In the long run, however, the utility audit benefits the association and the manager because money put into the association's reserves accounts - either through refunds, credits or reduced utility bills - can be used year-round for maintenance, reserve funds or lower monthly homeowner dues. The association board will look with approval on the manager for putting money into their reserve accounts and reducing their annual utility budget, which is usually one of the largest annual expenses for any association.

The utility audit provided by utility companies is actually an energy audit designed to help customers reduce their electrical, water or gas consumption.

DON'T UTILITY COMPANIES PROVIDE A UTILITY AUDIT SERVICE AT NO CHARGE?

No. The utility audit provided by utility companies is actually an energy audit designed to help customers reduce their electrical, water or gas consumption. This is usually accomplished through the purchase of energy-saving equipment or changing the way the current equipment is used. In contrast, a utility audit company analyzes the association's utility bills and conducts an on-site inspection of the association property to find utility errors or lower utility rate schedules available through the association's current utility providers. This can result in refunds, credit adjustments or lower utility rates for the association. The idea is to reduce the per-unit cost of the association's utilities, not the number of units used.

WHAT HAPPENS WHEN AN ERROR IS FOUND AND THE UTILITY COMPANY WILL NOT ISSUE A REFUND FOR THE OVERCHARGES?

The good news is that errors are found quite frequently. The utility companies agree that they did overcharge the customer and they immediately correct the billing error. The bad news is that the utility companies will rarely refund any prior overcharge to their customers. They will claim that their rules, regulations, policies and procedures, etc., prohibit them from issuing customer refunds. Worse, they will simply correct the billing error without even telling their customers that there was an error. A utility audit company uses its legal expertise, experience and attorneys to prosecute the utility company.

WHAT KIND OF SAVINGS CAN AN ASSOCIATION EXPECT FROM A UTILITY AUDIT?

Here are some examples: An association receives 15 gas utility bills every month for various pool/spa recreation areas and hot water heaters for the condominiums. While there are no errors or overcharges in these bills, there are many alternative gas rate schedules available from the utility company. Even if the association became aware of these alternative gas rate schedules, they would not know which one would be the least expensive one for each of the 15 gas accounts. It is not the responsibility of the utility companies to inform customers of all rate schedules available to them or which one is less expensive for them. When a utility customer opens accounts with a utility company, the customer is simply placed on the "standard" rate for the customer's classification (i.e. residential, commercial or industrial). It is the utility customer's responsibility to know all

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rate schedules available to them and then select the one that they want to be billed on. Ninety percent of the time, alternative rate schedules will reduce a customer's utility expenses by an average of 20 percent of their annual utility expense.

In another example, suppose an association has been charged for a phantom phone line, one that was originally installed by the developer. When the construction office was removed, the line destination jacks were removed, but the line still rings to the pull box. Nobody knows about this line because it is part of "monthly service charge" on the association's monthly telephone bill and never printed out on the bill. Perhaps an association has an electric meter with a constant of 30, but the utility company has been billing this electric meter for a constant of 60, which means that all of the electric utility bills for this electric meter have been twice the amount that they should have been. Finally, imagine an association with 50 condominiums and five laundry rooms located in five buildings on the property. The utility company has been billing the association for water and sewer charges based upon 55 condominiums because they were including the laundry rooms as dwelling units.

In each of these examples, a utility audit company can identify the problem through an on-site inspection, obtain a refund or credit adjustment for past overcharges and correct all future bills. If the utility company had discovered a billing error, which is highly unlikely, it would have simply made a correction in their computer billing system and proceeded to bill the association correctly, with nobody the wiser.

HOW IS A UTILITY AUDIT COMPANY PAID FOR ITS SERVICES?

Typically, a utility audit company receives 50 percent of any refunds or credit adjustments and 50 percent of future utility savings for a 36-month period. Future savings are the actual reduction of the cost of any utility expense as a direct result of a utility audit. Keep in mind that if the association had not performed a utility audit, any billing errors would have probably continued infinitum and the association would have continued to overpay for its utilities.

HOW ARE THESE FUTURE SAVINGS CALCULATED SO THAT THEY CAN BE VERIFIED?

Generally, the client supplies the utility audit company with copies of any utility accounts where rate schedules were changed or errors were corrected. The audit company then recalculates the client's utility bill or bills at the old rate schedules or method of billing compared to the actual bill or bills. The difference is the utility expense savings that the client realized for that billing period.

Any responsible businessperson knows that reducing annual expenses increases disposable income, which in turn increases profits and reserves. This is money in the association's reserves, not money for the utility companies. You have nothing to lose and everything to gain from a utility audit.

Erin Kelly is director of operations for Pacific Utility Audit.