



Audit Your Utility Bill (Excerpt)

Tips on auditing your utility bill to cut costs.

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In an environment of rising interest rates, corporate managers need to protect cash flow by cutting containable costs. One often-overlooked area of potentially excessive operating expenses: corporate utility bills. Recent surveys suggest those bills may, in as many as four out of five cases, include overcharges or other errors.

Thomas Bray, sizes up the problem. "Most companies simply pay their utility bills each month without questioning what they've been billed for or analyzing cost breakdowns. If their bills look a little too high in the winter, they blame it on heating costs. If they're too high in the summer, they blame air-conditioning. So errors of 10%, 20%, and even 50% just slip by without CEOs or their financial managers challenging possible overcharges."

A full-scale utility-bill audit requires the services of an expert, and you can hire consultants in either contingency or fixed-fee arrangements. But there are plenty of problems that CEOs or chief financial officers can identify by themselves. Below, some pointers from Bray:

- Never assume the numbers are accurate. Make certain the present number is in the ballpark of your current meter reading, and verify that the previous number matches the present reading on last month's bill. The difference between the two readings is one of the two factors that determine kilowatt hour (KWH) usage.
- The meter constant, the other factor that determines KWH usage, is the cost multiplier that helps establish the month's usage charge. So be sure it matches the constant that is recorded on your meter.
- There are usually several rate structures available to corporate users. Don't rely on the utility company to assign you the most cost-effective rate. For fast-growing companies especially, it pays to compare various options once a year.
- Copy the number from your meter and double-check it against your bill. A clerical error could have you paying for somebody else's electricity.
- The oil-conservation adjustment (OCA), sometimes called the power-conservation adjustment, reflects the utility's need to burn coal, a more expensive fuel, during certain months.
- Some utility companies penalize customers for using inefficient machinery that requires a surge of power at start-up. Because this customer had maximum demands of 260 kilovolt amperes (KVA) for firing up equipment, there is a demand charge based on 90% of KVA rather than the total kilowatts actually consumed (KW). Here's where a once-a-year audit can help. Because of obscure utility regulations, you could be billed for more than you use.