

Electricity Rates

In markets that are not open to competition, utility rates must be approved by the state public utility commission. Most electric companies offer a variety of rates based on the customer's classification and level of usage. The primary components of electricity rates are:

- **Demand** — The highest level of use reached during the billing period. This is measured in kW or kVA and is typically based on the highest 15 minutes of usage during the month of the bill. However, billing demand might also be based on the highest level of usage over a longer period (ratchet charge).
- **Consumption** — The actual amount of electricity used during the billing period. Consumption is measured in kWh.
- **Fuel Adjustment** – In some states, electric utility companies are allowed to apply adjustment charges based on the cost of the fuel they use to generate electricity. Fuel adjustment charges are applied to the consumption (kWh).

In addition to these components, some utility companies impose a variety of other charges and fees. Some rates can become quite complex, with varying charges based on levels of usage, time of day, season of the year, and other factors.

Often, more than one rate can be applied to a given facility. The rate offering the lowest cost can only be determined by carefully analyzing each potentially applicable rate. This is done by modeling each rate and applying it to each site's historical usage.

Conclusion

Electricity rate analysis in regulated markets can yield significant savings. Determining the best rate and making the change can be complicated, but **Casolari & Associates** is ready to help. Contact us to:

- Analyze historical energy use,
- Obtain and model all potentially applicable rates,
- Calculate cost under all potentially applicable rates based on historical usage,
- Report findings with savings opportunities and recommendations, and
- Contact utility company to initiate changes

To learn more, contact:
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