

The Supply Agreement

Things to consider when looking at natural gas and electric suppliers.

- ✓ **Is the asset a short or long term hold?**
 - If short term (1 year or less) the owner may not want to enter into any type of agreement. This can be an encumbrance when selling a real estate asset.
- ✓ **Will there be an early termination fee if the asset sells before the supply agreement expires?**
 - Nearly all suppliers have some type of early termination fee (ETF) language in the agreement. If the asset transfers ownership and the electric and natural gas accounts are closed out and put into a new name, there may be an ETF. Depending on the remaining contract term, market conditions and product type **those fees can be substantial**. *Most supply agreements can't be terminated without some type of penalty.*
- ✓ **How will I know if there is a supply agreement in place?**
 - The name of the alternate supplier is listed, by law, on the utility bill along with their telephone number.
 - A copy of the agreement can be obtained from the supplier by a person with proper authorization (Letter of Authorization LOA).
- ✓ **If there is a supply agreement how can I find the expiration date?**
 - The start and end dates typically falls on a meter read date. The end date and start date can only be found in the agreement.
- ✓ **What is the utility's rates compared to the market?**
 - Before doing anything find out what the utility's rates are compared to the market. The utility or an energy advisor will be happy to provide the price to compare.
- ✓ **Can the supply agreement be assigned to the new owner?**
 - Most supply agreements can be assigned to a credit worthy buyer.
 - The assignment process should start well in advance of the closing date.

