

**NEW FEES ON RESIDENTIAL ELECTRIC BILLS COMPLICATE COST
COMPARISONS FOR CONSUMERS SHOPPING FOR A BETTER DEAL AND
PENALIZE CONSUMERS WHO SAVE ELECTRICITY AND
THOSE STRUGGLING TO PAY THEIR BILLS**

BACKGROUND

Adding fees to residential electric bills is a growing trend in the Texas retail electricity market. Many retail electric providers (REPs) charge residential consumers fees for not using enough electricity and routine transactions such as mailing a disconnection notice and taking a credit card payment over the telephone. The fees are becoming more common and should be stopped because:

- Many of the REP fees are buried in the terms of service (TOS) linked to the Power to Choose website¹ making it extremely difficult for a consumer to research them and determine the best value product offered by different companies.
- The newest trend in REP fees is the minimum usage fee. This fee is designed to charge a customer for electricity the customer never uses or provides a credit to high usage customers. This discourages energy conservation by penalizing consumers who buy a new air conditioner or refrigerator that uses less power than their old one. It can also penalize those who cut back on their own to lower their monthly bills or even those who were subjected to blackouts due to the winter freeze.
- All but a handful of REPs have added fees to their plans for processing disconnection notices and disconnection and reconnection orders. Adding fees to the bills of customers struggling to pay their bills increases the likelihood that the consumer will not be able to afford essential power.
- Computer systems known as standard electronic transactions (SETs) have been developed and are maintained for the convenience of REPs. These systems are paid for through the ERCOT fee and rates paid by customers to the transmission and distribution utility (TDU). Any cost savings of having the system in the first place are eaten up by the REP fee.

Many consumers pay surcharges for advanced metering systems. The surcharges were approved because of the claims that customers will save money because new information will be made available that will allow them to monitor and eliminate wasteful electricity usage. Other savings include lower TDU charges for meter reading and disconnection and reconnection. Allowing REPs

¹ There are REPs providing service to residential consumers that do not post their products on the PUC website. The terms of service of these REPs are not included in this study.

to charge a fee on top off the TDU fee means the consumer saves nothing while the REP benefits from a fee based profit center.

In theory, in a competitive market consumers would favor those REPs with no fees forcing REPs who do charge them to stop or go bankrupt for lack of business. But in reality the lack of transparency on the Power to Choose website and the complexity of shopping for electricity prevents consumers from identifying and avoiding REPs who charge added fees.

The rules of the Public Utility Commission (PUC) require that a REP disclose fees to consumers; however, there is no evidence that the current system for disclosing the amounts under the requirements of the PUC rules is keeping the fees in check. Instead the fees are proliferating and becoming more commonplace and in some cases have become the standard set by the market. A sampling of the fees we found in the marketing material of REPs are summarized below.

SUMMARY OF FEES

The attached table summarizes and compares fees charged by REPs in the Oncor service area. The fees were researched using the electricity facts labels (EFL) and terms of service (TOS) posted by REPS on their websites. Information was accessed for one fixed price product listed on the Power to Choose website on January 31, 2011 or February 7, 2011 for each of the 41 REPs marketing to residential consumers in the Oncor service area. The following fees are noted:

- **Minimum Usage** – A minimum usage fee refers to a fee added to a bill if the customer's kWh use for the month drops below a certain amount. Also included in this category are discounts given to customers whose usage exceeds a certain number of kWh. Of the 41 REPs, fifteen have a fee that is added to bills if the consumer uses less than expected or issue a credit on bills with higher than expected usage. The highest and lowest fee is charged at Mega Energy where a customer using more than 1,000 kWh in a month pays \$3.24 and a customer using less than 500 kWh is charged fee of \$12.95. All of the minimum usage fees are briefly described in the Miscellaneous Notes that accompany the table.
- **Disconnect Reconnect** – Most REPs charge fees in addition to the fees charged by the transmission and distribution utilities (TDU) that are related to disconnection and reconnection. The amount shown on the table represents the total amount a customer who is disconnected will be charged to reconnect service in addition to the charges from the TDU. Depending on the REP, the totals may include charges for sending a disconnection notice, and ordering the

disconnection and reconnection. All but 6 of the 41 REPs charge fees related to disconnection and reconnection. These fees range from \$4.95 for the mailing of a disconnection notice by First Choice Power to \$100 by Texas Power for reconnection. Ten charge fees that total \$25.00 or less. Sixteen charge fees that are higher than \$25.00 and up to \$50.00. Eight charge fees more than \$50.00 and up to \$100.00. Green Mountain Energy has a \$5.00 fee for a phone call reminding a customer to pay on top of \$65.00 in other fees related to disconnection and reconnection. Stream Energy has vague language in paragraph 11 of its TOS which reads: "disconnection could be deemed an early termination of Customer's contractual obligations triggering an early termination penalty. A reconnection fee and/or deposit may thereafter be required for reconnection of service following disconnection."

- **Payment Processing** – A fee charged by the REP for accepting certain forms of payment from the consumer. This may include fees for making credit card payments over the phone to the customer service center and charges for internet payments. Of the 41 REPs, twelve stated a fee would be charged for making payments under particular circumstances. These fees ranged from \$3.00 at Abacus and Bounce Energy to \$19.95 at Tri-Eagle Energy. Nine REPs reference payment processing fees in the TOS but the amount of the fee is not specified (NS) and is so noted in the table.
- **Contract Termination Fee** – The amount a customer is charged if the contract is voluntarily ended by the customer prior to the expiration date. All of the fixed price plans charged a fee for early termination. Three REPs base the cancellation fee on the number of months remaining in the contract. These are Dynowatt \$25/mo., Gateway Power \$12.50/mo., and Tri-Eagle Energy \$20/mo. The most difficult one to understand is Liberty Power that would charge 7¢ per kWh of power remaining under the contract. All other REPs charge a flat fee ranging from \$49.99 at Mission Power and True Electric to \$299 at Andeler Power.
- **Return Payment** – The return payment fee represents charges for returned checks and rejected electronic or credit card payments and is frequently referred to as NSF (not sufficient funds). Every one of the 41 REPS investigated has a fee for return payments ranging from \$20 at Gateway Power to \$45 at Liberty Power.
- **Late Payment** – The late payment is the fee charged to consumers on bills paid after the due date (16 days after the bill is issued). The late fee is 5% for all REPs as set by PUC rule. However, MXenergy has a minimum late fee of \$10.00. In addition, Tri-Eagle Energy adds 1.5% interest to unpaid balances.
- **Disclosure Source** – Under the PUC rules, the fees a REP may charge to the consumer must be disclosed. The EFL includes a space for disclosing the

charges. Fourteen of the 41 REPs listed their fees on the EFL. The remaining 27 refer the customer to the TOS on the EFL. This column indicates whether the REP provides the information about added fees on the EFL or in the TOS.

REP FEES NEED TO BE ELIMINATED

In addition to the fees described above there are "one of a kind" fees. Ambit Energy charges \$20.00 to establish a deferred payment plan. Pocket Power charges a \$6.95 monthly account management fee and a \$6.95 per month inactive account management fee and an expedite fee of \$60.00. TXU charges a \$2.00 document processing fee for each request. It is unreasonable to expect residential consumers to keep track of all of these details.

REP fees need to be eliminated. In theory the consumer should compare all the aspects of their electric service and choose the best deals. Examining the fine print in the terms of service agreements required under the PUC's rules requires hours and days to complete a thorough comparison. The most effective way to protect the consumer from incurring unexpected added costs is to prohibit the charging of fees for services that REPs are required to provide under PUC rules. REPs should be required to include these costs in the rates charged to all customers so that consumers shopping for power can readily compare the cost of the products. Customer service is an important aspect of a business and should not be a profit center.

Minimum Usage Fees Penalize the Consumer for Saving Electricity and Should be Prohibited.

The most discouraging trend is the fee being added to customer's monthly bills if their usage falls below a certain level. Energy conservation and reduction of power demand is a goal established by the legislature. In addition to paying a surcharge for advanced metering systems that consumers are expected to use to reduce their electricity usage consumers are paying another surcharge called the Energy Efficiency Cost Recovery Factor (EECRF). In the Oncor service area the two fees amount to \$3.02 per month.²

It is counter-intuitive to charge consumers a fee for not using enough electricity when they are already paying surcharges to fund energy usage reduction programs. Minimum usage fees penalize the consumer and contradict the energy efficiency goals set by the Legislature in the Public Utility Regulatory Act and should be prohibited.

² The advanced metering surcharge for residential customers is \$2.11 and the energy efficiency cost recover factor is \$0.91 as set forth in PUC Orders on Docket Nos. 35718 and 38213.

REPS Should be Prohibited from Charging Consumers a Fee for Meeting a Requirement of the PUC's Customer Protection Rules.

The transmission and distribution utilities (TDUs) are responsible for disconnecting a customer's service when payment is not received and reconnecting the customer's service when the debt is cured. The REPs order the service from the TDU. The TDUs charge the REPs for individual services using a discretionary service fee schedule approved by the PUC. The REP is billed for those charges that are then passed through to the consumer.

The communications between the REP and ERCOT and the TDUs governing disconnection and reconnection are electronic systems paid for through ERCOT fees and rates consumers pay for the TDU's service. On top of these costs to the consumer built into the system, the REPs are adding another layer of costs. The only justification for obligating consumers to pay the non-by-passable ERCOT fee and advanced metering surcharges is that the cost of discretionary services will go down and the savings will be passed on to the consumer. While some of these costs are decreasing REPs are adding new charges. REPs adding new fees on top of the reduced TDU fees eliminates the monetary benefits consumers were promised in exchange for paying advanced metering system surcharges and the ERCOT fee.

There are many low-income, elderly and disabled consumers that are often unable to pay because of a lack of income. On any given day consumers experience job losses, medical emergencies and other unfortunate circumstances that affect their ability to pay. Electricity is essential for health, safety and comfort and there should be controls in place to facilitate access to a continuous supply of power. Added fees for minimum usage, disconnection notices, disconnection orders and reconnection orders are critical barriers to those trying to keep the lights on in their homes. Having to pay an extra for any reason may make it impossible.

Many REPs also charge fees for taking payments from consumers even when a third party is not involved. Collecting accounts due is a cost of doing business in any market and fees should not be assessed for customers making credit card payments over the phone or for internet payments. Most business owners are happy to accept payment in any form from their customers. REPs should do the same.

NEEDED REFORMS

Action should be taken by the Legislature to prohibit the charging of fees to consumers by REPs. Disclosure has been required for years and it is not working. REPs keep creating new fees to add to bills and consumers find it impossible to keep track of the fees when comparing offers. There are no market forces to keep the fees in check.

To enable consumers to more thoroughly review offers by REPs the following changes should be made in the pricing and disclosure of information to residential consumers.

1. Prohibit the charging of minimum usage fees to encourage consumers to save electricity and benefit from lower electricity bills.
2. Prohibit a REP from charging fees for customer services required by the rules of the PUC.
3. Require each REP to provide a standard offer product presented in a standard format for easy comparison by the consumer.
4. Require the PUC to limit the number of offers posted by a REP on the Power to Choose website and maintain a comparative chart of prices and other terms of service.
5. Require all REPs to post a product plan on the Power to Choose website.
6. Require REPs to publicly disclose and the PUC to report on a quarterly basis total revenue from residential electricity sales, late fees and other fees allowed under the PUC's rules.

ADDED FEES CHARGED BY RETAIL ELECTRIC PROVIDERS TO RESIDENTIAL CONSUMERS

(based on information posted on powertochoose.org on 01/26/11 and 02/07/11)

Retail Electric Provider	Types of Fees										Disclosure Source
	Minimum Usage	Disconnect Reconnect	Payment Processing	Contract Termination	Return Payment	Late Payment					
Abacus Resource Energy*		\$50.00	\$3.00	\$50.00	\$25	5%	EFL				
Ambit Energy*		\$65.00	\$5.00	\$100.00	\$25	5%	TOS				
Amigo Energy*	\$6.95	\$22.00	\$5.00	\$100.00	\$25	5%	TOS				
Andeler Power*		\$25.00		\$299.00	\$35	5%	EFL				
APNA Energy*	\$8.95	\$45.00		\$75.00	\$30	5%	TOS				
Bounce Energy	\$4.95	\$50.00	\$3.00	\$150.00	\$25	5%	EFL				
Brilliant Energy	\$6.96	\$75.00	NS	\$200.00	\$25	5%	TOS				
Champion Energy Services		\$30.00	NS	\$150.00	\$35	5%	TOS				
Cirro Energy*	\$5.25	\$25.00		\$150.00	\$25	5%	EFL				
Direct Energy		\$10.00	NS	\$200.00	\$25	5%	TOS				
Dynowatt*	\$6.95		\$3.00	\$25/mo	\$30	5%	EFL				
Epcot Electric		\$50.00		\$145.00	\$26	5%	EFL				
First Choice		\$4.95		\$295.00	\$25	5%	TOS				
Frontier Utilities*	\$5.00			\$150.00	\$25	5%	TOS				
Gateway Power		\$65.00		\$12.50/mo	\$20	5%	TOS				
Gexa Energy		\$30.00	NS	\$150.00	\$25	5%	TOS				
Green Mountain Energy*		\$65.00	\$5.95	\$150.00	\$25	5%	TOS				
Infinite Energy			NS	\$150.00	\$30	5%	TOS				
Just Energy		\$25.00		\$75.00	\$25	5%	TOS				
Kinetic Energy*		\$75.00		\$50.00	\$25	5%	TOS				
Liberty Power*				\$0.007/kWh	\$30	5%	TOS				
Mega Energy*	\$3.24 - 12.95	\$70.00	\$5.95/9.95	\$200.00	\$40-45	5%	TOS				
Mission Power		\$30.00	NS	\$49.99	\$25	5%	TOS				
Mxenergy Electric*		\$80.00		\$150.00	\$50	5%	TOS				
Our Energy			NS	\$200.00	\$30	5%	EFL				
Pennywise Power		\$25.00		\$75.00	\$30	5%	EFL				
Pocket Power*		\$35.00		\$100.00	\$25	5%	TOS				
Potentia Energy*	\$9.99	\$35.00	\$4.95/7.95	\$150.00	\$35	5%	TOS				
Reliant Energy		\$25.00	up to \$5.95	\$150.00	\$25	5%	EFL				
Simple Power		\$22.00		\$99.00	\$25	5%	TOS				
Southwest Power & Light	\$7.95	\$43.50		\$175.00	\$40	5%	EFL				

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(based on information posted on powertochoose.org on 01/26/11 and 02/07/11)

Retail Electric Provider	Types of Fees							Disclosure Source
	Minimum Usage	Disconnect Reconnect	Payment Processing	Contract Termination	Return Payment	Late Payment		
Spark Energy		\$50.00		\$150.00	\$30	5%	EFL	
StarTex Power		\$40.00		\$100.00	\$40	5%	TOS	
Stream Energy		NS	NS	\$250.00	\$25	5%	TOS	
Tara Energy*	\$6.95	\$40.00	\$5	\$250.00	\$30	5%	TOS	
Texas Power*	\$10.00	\$100.00		\$150.00	\$25	5%	TOS	
Texpo Energy*	\$7.95	\$43.50		\$175.00	\$40	5%	EFL	
Tri-Eagle Energy*			\$19.95	\$20/mo	\$30	5%	TOS	
True Electric*	\$6.95	\$30.00	NS	\$49.99	\$25	5%	TOS	
TXU Energy*		\$20.00	\$3.95	\$150.00	\$25	5%	EFL	
Y.E.P.*	\$7.95	\$43.50		\$175.00	\$40	5%	EFL	

* See Miscellaneous Notes.

**MISCELLANEOUS NOTES FOR TABLE
ADDED FEES CHARGED BY RETAIL ELECTRIC PROVIDERS
TO RESIDENTIAL CONSUMERS**

Name of REP	Description of Miscellaneous Charge(s)
Abacus Resources Energy	\$150 premium connection fee, \$100 expedite service fee, had difficulty accessing terms of service on Internet.
Ambit Energy	\$100 expedited reconnection fee, \$20.00 charge to establish a payment arrangement
Amigo Energy	\$6.95 fee per month if usage drops below 500 kWh
Andeler Power	\$3.95 monthly charge not included in the price listed on the EFL.
APNA Energy	\$8.95 monthly charge if usage is less than 999 kWh, \$15 for deactivation of account. TOS states bills are due on receipt.
Bounce Energy	\$4.95 fee per month if usage is less than 1000 kWh, \$9.95 fee if paper bill is required.
Brilliant Energy	\$6.95 fee if monthly usage is less than or equal to 499 kWh
Cirro Energy	\$5.95 fee per month for usage under 1,000 kWh
Dynowatt	\$6.95 fee per month for usage under 1,000 kWh, \$2/mo. charge to opt out of e-bill, \$4/mo. charge to opt of auto pay.
Epcot Electric	\$4.95 monthly service charge included in TOS not identified in the EFL.
Frontier Utilities	\$5.00 monthly fee if usage under 1,000 kWh.
Green Mountain Energy	\$5.95 fee for paying by phone with the assistance of an agent, \$5.00 for a phone call reminding you to pay, \$5.00 for copy of bill (except for 1st request).
Kinetic Energy	\$50 unauthorized enrollment fee, a \$25 priority move in fee, a \$5 zero usage fee, 2.5% fee for certain non-residential payments.
Liberty Power	Contract termination fee is remaining quantity of power times \$0.007
Mega Energy	\$12.95 fee per month if usage is less than 500 kWh, \$6.95 fee per month if less than 1,000 kWh and \$3.24 fee per month if over 1,000 kWh. \$5.95 internet payment fee, \$9.95 telephone payment fee. \$3.95 fee for disconnect notice, duplicate bill, or letter of credit history
MXenergy Electric	Minimum late penalty of \$10.00.
Pocket Power	EFL states that a \$120 activation fee is not included in the price of power, plus a \$25.00 processing fee, \$50 to \$100 fee for change of plan. Requested investigation by PUC. \$6.95 account management fee, \$6.95 inactive account management fee, \$60.00 expedite fee.
Potentia Energy	\$9.99 monthly credit if usage is 1,000 kWh or more, \$4.95 on-line payment processing fee, \$7.95 telephone payment fee, \$15 move out fee after disconnection.
Southwest Power & Light	\$7.95 high consumption credit on accounts over 1,000 kWh per month.
Tara Energy	\$6.95 low usage fee for accounts under 500 kWh

**MISCELLANEOUS NOTES FOR TABLE
ADDED FEES CHARGED BY RETAIL ELECTRIC PROVIDERS
TO RESIDENTIAL CONSUMERS**

Name of REP	Description of Miscellaneous Charge(s)
Texas Power	\$10 monthly meter charge for usage under 1,000 kWh.
Texpo Energy	Waives \$7.95 customer service charge if monthly usage is over 1,000 kWhs.
Name of REP	Description of Miscellaneous Charge(s)
Tri-Eagle Energy	Adds 1.5% interest on unpaid balances, \$19.95 fee for electronic payment without ACH option.
True Electric	\$6.95 fee per month on accounts using less than 985 kWh. EFL not accessible by link to Power to Choose.
TXU Energy	\$2 Document processing fee for each request.
Y.E.P.	\$7.95 monthly high consumption credit on accounts over 1,000 kWh