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Dirty Rotten Scoundrels: The Electricity Version

Competitive electricity markets continue to evolve in Texas, for better and for worse. Below, we explore two of the current *tricks of the trade* used by suppliers to *extract yield* from their loyal and unsuspecting customers (aka “fleecing” them). We have removed the supplier’s names, mostly to avoid getting sued for telling the truth.

Small Commercial: “Flex” Plans

Many business owners are understandably cautious about entering into a long-term contract with an electricity supplier. Some businesses remain with a supplier on an old expired contract, or with the old “incumbent” utility never having signed any contract. In such cases, the supplier can charge whatever rate they want to charge, and the buyer has no recourse. Here’s a recent example:

Brand X Energy – Actual Commercial Customer Invoice Amounts:

- Meter Read Period: 12/19/2014 – 1/20/2015 (33 days)
- Actual Energy Usage: 8,600 kWh
- Supplier charges \$1,659.20 (delivery charges and taxes separate)
- Effective Energy-Only Rate = $\$1,659.10 / 8,600 \text{ kWh} = \mathbf{\$0.1929/kWh}$

With a current market rate under \$0.05/kWh, this small business could and should have paid around \$430 in energy charges, instead of \$1,659 to Brand X. That puts this service plan 385% above the market rate. **Winning!**

Residential: Gaming the “Power to Choose” Website

The Public Utility Commission of Texas created a rate-comparison tool for residential service at www.powertochoose.org. This is intended as a public service to make shopping easier, but suppliers “innovated” ways to make offers appear cheaper than they work out in reality:

COMPLAINT SCORE ●●●●●● HISTORY	• Fixed Rate • 12 Months • 6% Renewable	1,000 kWh	Minimum Usage Fees / Credits
		7.2¢	Cancellation Fee: \$150.00
		500 kWh 13.7¢	Fact Sheet
		2000 kWh 10¢	Terms of Service

The offer above showed up as the #1 lowest cost plan among one-year fixed-price deals in mid February 2015. Notice that 7.2¢, in large bold font... a great rate, right? This is the cost of energy if you use exactly 1,000 kWh in a month. But look closer. If you use 500 or 2,000 kWh in month, your cost per kWh goes up significantly. Dude, where’s my savings?!

A review of the “Fact Sheet” reveals the supplier charges 12.7¢/kWh, but includes a \$60 “credit” for usage greater than 999 kWh. Voila! Use *exactly* 1,000 kWh and your average rate is 7.2¢, but if you deviate from that magic number, your average rate is higher. **Winning!**