

UTILI-FACTS

Understanding fuel charges for IOU customers

The Public Utility Commission of Texas (PUC) allows investor-owned utilities (IOUs) to recover their expected fuel costs



from customers through a set "fuel factor" charged on each customer's bill based on kilowatt hour (kWh) usage. If actual costs don't match projections, they may collect a PUC-approved fuel surcharge or issue a refund to customers. IOUs cannot earn a profit on fuel costs. IOUs include El Paso Electric, AEP, Southwestern Electric Power Company (SWEP-CO), Southwestern Public Service (SPS), and Entergy Texas.

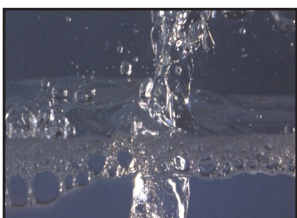


Charges on Your Electric Bill Associated with Fuel:

- Energy Charge: The amount charged for each kWh consumed over a specific billing period. This appears on your

bill as cents per kWh. In some residential rate plans, rates for the first 500 kWh may be priced lower with each additional kWh priced at a higher rate. Also, the energy charge may be calculated based on summer and winter rates.

- Fuel Factor Charge (or Fuel Adjustment): The fuel charge included in your utility bill, through the Fuel Factor and/or Power Cost Recovery Factor (PCRF), allows the electric utility to recover the cost of fuel (natural gas, coal, nuclear, hydro-electric, wind, etc.) as well as the cost of energy purchased from co-generators and other utilities.
- Fuel Surcharge/Refund: This is an adjustment for previous over-recovered and under-recovered costs for fuel.



What is a Fuel Factor Charge?

Each year electric utilities estimate the total cost for fuel sources to generate electricity in the next year. Charges for these fuel sources, such as natural gas, coal, hydroelectric, nuclear, wind, and purchased power are passed on to the customer. An electric utility is only allowed to recover its costs for the fuel used to generate electricity and is prohibited from making a profit on fuel costs. The PUC must approve a utility's projected fuel costs. This estimated charge for fuel is listed on a customer's bill as a Fuel Factor Charge or Fuel Adjustment.

How are Fuel Charges Determined?

During times when the costs for fuel are higher than estimated, an electric utility may petition the PUC to recover the higher costs. If a utility can prove that its actual fuel costs were higher than the estimated costs it collected, the PUC will grant the company's request to recover those under-collected from customers. On the other hand, if the company's actual fuel costs were lower than projected and the company over-collected from customers, then the PUC will order a refund to all customers. These adjustments are listed on a customer's bill as a Fuel Surcharge or Fuel Refund. The Fuel Surcharge will indicate a charge for fuel based on a utility's under-collections. The Fuel Surcharge/Refund amounts are allocated by customer class (industrial, commercial, or residential). For residential and small commercial customers, the Fuel Surcharge/Refund is based on current energy usage. So, the Fuel Surcharge amount on an individual bill will not be the same every month because it is a percentage of the energy usage for that particular month. Both charges and refunds for fuel costs only apply to current customers.

QUESTIONS:

Call: 1-888-782-8477, in Austin 512-936-7120
(TTY 512-936-7136) (FAX 512-936-7003)

Write: PUC - Consumer Protection Division
P.O. Box 13326, Austin, TX 78711-3326

Online: <http://www.puc.texas.gov/consumer/complaint/Complaint.aspx>

