AI Utility Bill Audits 2026: Find the Overcharges, Bill a Cut of the Refund

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Chapter 1: What a Bill Audit Really Recovers — and the Accounts Where You'll Find Nothing

Let me start with the part most people selling this business model leave out: a utility bill audit is a search for someone else's clerical error. That's it. You are not negotiating. You are not consulting. You are not "optimizing energy strategy." You are going through a stack of invoices line by line looking for places where a vendor charged for something that doesn't exist, charged the wrong rate for something that does exist, or kept charging after a contract said they should have stopped.

That framing matters because it tells you exactly where the money is and — more importantly — where it isn't. Errors accumulate in complexity and time. A business with three vendors, flat pricing, and two years of history has almost no surface area for error. A business with forty vendors, seventeen locations, usage-based pricing, a merger in its past, and eight years of invoices has an enormous surface area. Your entire prospecting strategy flows from that single observation.

The four categories of recoverable money

Every recovery you will ever find falls into one of four buckets. Learn these cold, because they determine what you look for and how you write your findings up.

1. Billing for something that doesn't exist. A phone line for an employee who left in 2022. A circuit to a location the company closed. A meter on a building they sold. A "monthly equipment rental" for a router that was returned. These are the cleanest finds because they are not arguable. Either the thing exists or it doesn't. When you can prove it doesn't, the vendor's own records usually confirm it and the credit conversation is short.

2. Wrong rate applied to a real service. The service exists and is used, but it's being billed at a rate that contradicts the contract, the tariff, or the rate schedule the account qualifies for. This includes a signed contract rate that never got loaded into the billing system, a promotional rate that expired and reverted without notice, a utility rate class that no longer matches how the building is used, and tax or surcharge rates applied to an exempt entity. These are the biggest recoveries in dollar terms and the most work to prove.

3. Duplicate or double-billed charges. The same service billed on two accounts. A charge that appears both as a line item and inside a bundled package. A credit that was issued and then quietly reversed. A one-time installation fee charged in three consecutive months. These are common after mergers, vendor system migrations, and account renumbering.

4. Charges that violate the contract's own terms. Price escalations larger than the contract allows. Fees that the contract explicitly waived. Auto-renewal at a rate the renewal clause doesn't support. Minimum-commitment shortfall penalties calculated against the wrong baseline. This category requires you to actually read the master service agreement, which is why most people skip it and why money sits there.

Notice what's not on that list: "we found a cheaper vendor." That's brokerage, not auditing, and it's a different business with a different compensation model and, frankly, a much worse reputation. Keep them separate. An audit recovers money the client already spent. A brokerage deal changes what they spend going forward. You can do both — many people do — but conflating them in your pitch is how you end up sounding like every energy broker who's cold-called that office manager forty times this year.

The honest numbers on recovery rates

I'm going to give you ranges, and I want to be clear these are estimates based on how this work typically goes, not figures from a published study. Anyone who quotes you a precise industry-wide recovery percentage is making it up or citing a vendor's marketing page.

Here's the realistic shape of it. Across a portfolio of small-to-mid-size commercial clients you audit cold — meaning nobody has audited them before and you have no pre-screening — you should expect something like:

- **Roughly a third to half of accounts:** you find nothing meaningful. Under a few hundred dollars total, not worth billing, not worth the client's time reviewing. You close the file and move on.
- **Roughly a third to a half:** you find modest recoverable amounts — call it low hundreds to low thousands of dollars in refunds plus some forward-looking monthly savings. This is your bread and butter.
- **Maybe one in eight to one in twelve:** you find something substantial. A five-figure refund, or a rate error that's been compounding for three years, or a set of zombie circuits nobody has looked at since a location closed.

The distribution is heavily skewed. A small number of accounts carry most of your revenue. That has two implications you need to internalize now, before you build your business around a fantasy.

First, **this is a volume business at the top of the funnel.** If one in ten audits produces a big win, you need to be running enough audits that "one in ten" is a meaningful number. Two audits a month means you hit a big win roughly twice a year. That's not a business, that's a hobby.

Second, **your qualification process is worth more than your audit process.** Getting better at predicting which accounts have money in them before you spend forty hours on them is the single highest-leverage skill in this work. Most of this chapter is about that.

On the recovery amounts themselves: as a rough mental model, when you do find errors on a small commercial account, total identified recovery commonly lands somewhere in the range of two to eight percent of the audited spend for the period reviewed. On accounts with a genuine systemic error — wrong rate class, wrong tax treatment, an entire category of phantom charges — it can be far higher, occasionally 15–20%+. On clean accounts it's zero. Averages across a whole portfolio, including the zeros, are much lower than the headline numbers people quote, and that's the number that actually determines your income.

Refund windows: the constraint that shapes everything

You cannot recover money forever backward. Every recovery is capped by a lookback window, and the window is set by some combination of law, tariff, and contract. This is the single most important operational fact in the business, and it is also the thing most likely to embarrass you in front of a client if you get it wrong.

The general shape, in the U.S.:

- **Regulated utility service (electric, gas, water from a regulated provider):** the utility's tariff, filed with the state public utility commission, typically specifies how far back the utility will adjust for its own billing error. Commonly this is somewhere in the range of one to three years, and it's frequently asymmetric — the utility may be allowed to backbill you further than it will refund you, or vice versa. This varies enormously by state and by utility. **You must read the actual tariff for the specific utility.** They are public documents, usually posted on the utility's website and on the state commission's site.
- **Telecom under a contract:** the master service agreement almost always contains a billing dispute clause with a notice deadline — often something like 30, 60, 90, or 180 days from invoice date, sometimes 12 months. Miss it and the carrier will point at the clause. Sometimes they'll waive it anyway for a good customer or an obvious error; often they won't. Assume they won't.
- **Waste, water/sewer from a municipality, and other public-entity billing:** often governed by a local ordinance or a state claims statute, which can be much shorter than you'd expect — sometimes as little as 90 days to a year for a refund claim against a municipality.
- **Sales-and-use tax overpaid on utility bills:** governed by the state's tax refund statute of limitations, commonly in the three-to-four-year range, but it varies and there are procedural requirements. This is genuinely tax practice, and I'll say it plainly here and again later: **this is an area where you should be working with a licensed CPA or a state-and-local-tax attorney, not freelancing.** Some states restrict who may file refund claims on a taxpayer's behalf.

Disclaimer, and I mean it: refund windows, tax exemption eligibility, who may represent a client before a taxing authority, and contract enforceability are legal and tax questions that vary by state and by contract. Nothing in this book is legal or tax advice. Before you file a refund claim on a client's behalf — especially a tax claim — have the client's CPA or attorney review it, and confirm what your state allows a non-licensed practitioner to do.

Practically, the lookback window means your first move on any engagement is to establish the clock. If the telecom MSA says 90 days, then an error that started four years ago is worth 90 days of refund plus the forward savings, not four years of refund. That changes your revenue projection by a factor of sixteen. Find out before you promise anything.

The two revenue streams, and why one is a trap

Every finding produces up to two kinds of value:

Retroactive recovery — actual money back, as a credit or a check, for past overcharges. This is real, it's countable, and it's the thing your contingency fee should be built on. When a client sees a $6,400 credit on their next invoice, your invoice for a share of it is easy to justify.

Forward savings — the ongoing reduction because you killed a phantom charge or fixed a rate. This is where the big theoretical numbers come from, and it's where the business model gets slippery. If you kill a $180/month zombie circuit, is that worth $180? $2,160 (a year)? $6,480 (three years)? The number depends entirely on how you contracted for it, and clients get very unhappy when they realize they agreed to pay you for 36 months of savings on a line they would have canceled next quarter anyway.

My strong recommendation, and I'll defend it: **bill contingency on retroactive recovery at a higher percentage, and bill forward savings for a bounded period — 12 months is defensible, 24 is a stretch, 36 will get you fought.** A structure like "40% of recovered credits, plus 40% of the first 12 months of verified reduction" is clean, easy to explain, and doesn't create a situation where the client feels trapped. I've seen people write 50% of 36 months of savings into contracts. Some of them collect. Many of them get a lawyer's letter instead, and every one of them has a harder time getting referrals.

There's also a practical reason to bound forward savings: verification cost. To bill 36 months of savings you have to keep verifying that the savings persisted for 36 months. Vendors re-add charges. Clients change service. Locations close. The administrative drag of chasing a trailing fee on a client who stopped answering your emails eighteen months ago is worse than the fee.

Where you will find nothing — the disqualification list

This is the section that will make you the most money, because every hour you don't spend on a dry account is an hour you spend on a wet one.

Accounts audited in the last 24–36 months. If a competent auditor went through it recently, the easy errors are gone and the vendor has been put on notice. There's sometimes value in a re-audit — new errors accumulate, and the previous auditor may have skipped a category — but your hit rate collapses. Always ask: "Has anyone reviewed these bills in the last few years? Do you have their report?" If they hand you a prior audit report, read it and target what it didn't cover, or decline.

Single-location small businesses with simple service. One electric meter, one gas meter, a business internet line, a cell plan with four lines. The whole billing surface is maybe eight recurring charges. The office manager sees every invoice. There is nowhere for an error to hide for years. You might find a small rate class issue or an incorrectly applied fee, but you will not find the kind of money that makes a contingency engagement worthwhile for either of you.

Accounts under two years old. Errors need time to compound, and a young account hasn't been through a contract renewal, a rate change, a system migration, or a staff turnover. Also, whatever you find has a small dollar total simply because there's less history.

Fully deregulated energy supply with a recent, competitively-bid contract. If the client just ran a competitive procurement six months ago with a consultant, the supply rate is what it is and you're not going to find rate error there. You may still find errors on the *delivery* side — the regulated utility portion — and that's worth checking, but don't sell an energy audit to someone who just did an energy procurement.

Clients who cannot produce documents. This is the big one and it's a soft disqualifier that turns hard fast. If the client cannot get you 12–24 months of invoices, the contracts, and a letter of authorization to speak with vendors, you have no audit. You have a fishing trip. I will not start work without, at minimum: 12 months of invoices for every account in scope, the signed contracts or a written statement that none exist, and an executed LOA on the client's letterhead. If they can't or won't produce those in three weeks, they aren't going to produce them in ten weeks either.

Accounts where the vendor relationship is already hostile or in litigation. If the client is already in a billing dispute with the carrier, or in collections, or has a lawsuit pending, you're walking into a mess where your findings become evidence in someone else's fight and your fee becomes a line item in a settlement. Decline, or scope it very carefully with the client's counsel involved.

Government and heavily-regulated entities where procurement rules block contingency fees. Many public entities cannot pay contingency-based fees at all, or must competitively bid any professional service over a threshold. Find out before you write a proposal.

Franchisees on corporate-mandated vendor programs. If corporate negotiated the telecom and the franchisee just pays what they're told, the franchisee often has no authority to change anything and no standing to dispute. The money is real but it's corporate's to recover, and corporate has their own people.

Where you will find money — the qualification list

Now the inverse. These signals are not guarantees, but they are the conditions under which errors survive undetected. When you see three or more of these together, prioritize that prospect over anything else in your pipeline.

Multi-location operations, especially 5–50 locations. This is the sweet spot. Big enough that no single person sees every invoice. Small enough that they don't have a dedicated telecom expense management department or a procurement team. Restaurant groups, medical and dental practice groups, veterinary groups, self-storage operators, auto dealer groups, small manufacturers with multiple plants, franchisee groups with 8–30 units, staffing agencies with branch offices, property managers with a portfolio of buildings.

A history of closing, opening, or moving locations. Every location change is a chance for a service to be disconnected physically but not administratively. This is the single richest source of phantom charges in the entire business. Ask directly: "Have you closed or relocated any sites in the last three years?" A yes is a strong buy signal.

A merger, acquisition, or rebrand in the last five years. Acquisitions create duplicate vendors, duplicate accounts, orphaned services from the acquired entity, and contracts nobody has read since the deal closed. Also, the person who understood the old company's billing left at close.

Turnover in the AP, office manager, or facilities role. Institutional knowledge about what each charge is for lives in one person's head. When that person leaves, the invoices keep getting paid because they always got paid. "How long has your current AP person been here?" is a shockingly predictive question.

Invoices paid on autopay without line-item review. Autopay is not a problem by itself; unreviewed autopay is. Ask: "Who reviews the detail on the telecom invoice each month?" If the answer is a pause, that's your answer.

Complex or usage-based billing. Demand-metered electricity. Multi-tier water and sewer. Waste with per-haul plus tonnage plus fuel surcharge plus environmental fee. Telecom with per-seat licensing, usage overage, and international. Complexity is where errors hide because nobody can eyeball a correct number.

Long-tenured accounts with the same vendor for 7+ years. Legacy accounts accumulate legacy charges — grandfathered services on old rate codes, features nobody uses, equipment rentals for hardware that was replaced twice. Carriers are not incentivized to clean these up.

Recent acquisition of a building, or a change in how a building is used. A building that was a warehouse and is now a machine shop may be on the wrong utility rate class. A building that was full and is now half-vacant may be on the wrong demand tier. Nobody at the utility proactively reclassifies you into a cheaper rate.