

STATE OF CONNECTICUT
PUBLIC UTILITIES REGULATORY AUTHORITY
EDUCATION, OUTREACH, AND ENFORCEMENT

March 15, 2021
In reply, please refer to:
Docket 19-08-21

Chairman Marissa P. Gillett
Public Utilities Regulatory Authority
10 Franklin Square
New Britain, CT 06051

RE: Docket No. 19-08-21- [Application of Residents Energy, LLC for an Electric Supplier License](#)

Dear Chairman Gillett,

The Office of Education, Outreach, and Enforcement requests that the Public Utilities Regulatory Authority issue the attached Revised Notice of Violation and Assessment of Civil Penalty against Residents Energy, LLC, which adds a new violation of marketing in locations where there were clearly-posted signs prohibiting such actions.

Sincerely,

Public Utilities Regulatory Authority
Office of Education, Outreach, & Enforcement



STATE OF CONNECTICUT
PUBLIC UTILITIES REGULATORY AUTHORITY

March 15, 2021

CERTIFIED MAIL, RETURN RECEIPT REQUESTED

NOTICE OF VIOLATION AND ASSESSMENT OF CIVIL PENALTY IN THE AMOUNT OF ONE MILLION FIVE HUNDRED THOUSAND DOLLARS (\$1,500,000), SUSPENSION OF LICENSE FOR EIGHTEEN MONTHS AND AUDITING OF MARKETING UPON REINSTATEMENT OF LICENSE

YOU HAVE TWENTY DAYS FROM THE RECEIPT OF THIS NOTICE TO REQUEST IN WRITING A HEARING BEFORE THE PUBLIC UTILITIES REGULATORY AUTHORITY

DOCKET NO. 19-08-21

**APPLICATION OF RESIDENTS ENERGY, LLC
FOR A CONNECTICUT ELECTRIC SUPPLIER
LICENSE**

Avi Keilson
Director of Regulatory Affairs
Residents Energy, LLC
520 Broad Street
Newark, NJ 07102

Robert Munnelly, Jr.
Davis Malm
One Boston Place
37th Floor
Boston, MA 02108

Re: Notice of Violation and Assessment of Civil Penalty

Dear Mr. Keilson and Mr. Munnelly:

Pursuant to the provisions of §§ 16-41, 16-245, 16-245o, and 16-245u of the General Statutes of Connecticut (Conn. Gen. Stat.), the Public Utilities Regulatory Authority (Authority or PURA) is issuing a Notice of Violation and Assessment of Civil Penalty against Residents Energy, LLC (Residents or Company) in which the Authority fines Residents in the amount of one million five hundred thousand dollars (\$1,500,000), suspends Residents' electric supplier license for eighteen months pursuant to Conn. Gen. Stat. § 16-245(k) and § 16-245o(k), and will audit Residents' marketing for one year if and when Residents' license is reinstated and it resumes marketing to customers.

Conn. Gen. Stat. § 16-41(a) provides, in pertinent part:

Each ... electric supplier ... shall obey, observe and comply with all applicable provisions of this title and each applicable order made or applicable regulations adopted by the Public Utilities Regulatory Authority. Any such ... electric supplier ... any officer, agent or employee thereof, which the Authority finds has failed to obey or comply with any such provision of this title, order or regulation shall be fined, ordered to pay restitution to customers or ordered to pay a combination of a fine and restitution by order of the authority.

Conn. Gen. Stat. § 16-245(k) provides, in pertinent part:

Any licensee who ... violates any provision of this section ... shall be subject to civil penalties by the Public Utilities Regulatory Authority in accordance with section 16-41, or the suspension or revocation of such license or a prohibition on accepting new customers...

Conn. Gen. Stat. § 16-245o(k) provides, in pertinent part:

Any violation or failure to comply with any provision of this section shall be subject to (1) civil penalties by the authority in accordance with section 16-41, (2) the suspension or revocation of an electric supplier or aggregator's license or, (3) a prohibition on accepting new customers...

Conn. Gen. Stat. § 16-245u provides, in pertinent part:

The Public Utilities Regulatory Authority shall monitor the market for electric generation services and electric distribution services to end user customers and take actions to prevent unfair or deceptive trade practices...

Pursuant to Conn. Gen. Stat. §§ 16-41(c), 16-245(k), 16-245o(k), and 16-245u the Authority finds a civil penalty, an eighteen month suspension of Residents' license in which its current customers must be returned to standard service, and continued auditing after Residents resumes its licensed activities is authorized to be assessed against Residents for violations of Conn. Gen. Stat. §§ 16-245, 16-245o, the Authority's Marketing Standards, and the Authority's order in Docket No. 14-07-20RE01 prohibiting door-to door marketing during the pandemic, and for failing to comply with orders in its licensing decision.

I. SUMMARY OF VIOLATIONS

A. BACKGROUND

In its February 22, 2020, Decision in Docket No. 19-08-21, Application of Residents Energy, LLC for a Connecticut Electric Supplier License, the Authority granted Residents an electric supplier license. In its Decision, the Authority stated the following:

The Authority has reviewed all of the information in the record pursuant to § 16-245 of the General Statutes of Connecticut (Conn. Gen. Stat.). The record of this docket includes information regarding an investigation of a solitary slamming incident by Residents. The Pennsylvania Public Utility Commission's Bureau of Investigation and Enforcement (I&E) alleged that a third-party contractor of Residents fraudulently claimed to be enrolling customers into a Customer Assistance Program (CAP) designed to assist low-income individuals. Residents and I&E agreed to a Settlement Agreement concerning this matter on May 12, 2017. Notice of Admitted Evidence, January 28, 2020. The record also includes information on an ongoing investigation conducted by the Commonwealth of Massachusetts Department of Public Utilities. Interrogatory Response, SEU-4B (Confidential).

Based on its review, the Authority is concerned with possible marketing practices employed by Residents' marketers.

Decision p. 1. The Authority then instructed Residents that it needed to maintain a log of customer complaints and submit the log to the Authority on a quarterly basis. Decision Order No. 14.

In a correspondence dated March 20, 2020, in Docket No. 14-07-20RE01, the Authority instructed all electric suppliers to cease door-to-door marketing due to the public health crisis resulting from the pandemic. The Authority further stated, "The Authority will monitor suppliers' compliance and will take appropriate action against suppliers found continuing door-to-door marketing." This ban on door-to-door marketing remains in effect as the pandemic public health crisis still continues.

Further, in Docket No. 14-07-20RE01, the Authority issued marketing standards applicable to all suppliers. See Decision dated May 6, 2020. These Marketing Standards required all suppliers to record and maintain all telemarketing and door-to-door marketing lasting thirty seconds or longer. Id. at Exhibit B, p. 12.

In October 2020, PURA's Office of Education, Outreach, and Enforcement (EOE) began receiving customer complaints regarding slamming in door-to-door marketing by Residents' agents. Residents indicated these incidents were the result of agents authorized for table-top, but not door-to-door marketing, who performed marketing on behalf of third-party marketer Paradigm Acquisitions Group, Inc. (PAG). See Ruling on

Motion 10, granting Notice of Admitted Evidence incorporating Residents' responses to these complaints. Residents indicated PAG did not record the door-to-door marketing transactions. Response to EOE-19.

In response to these complaints and Residents' replies, in a docketed correspondence EOE inquired of Residents details of the marketing, why its agent was engaged in door-to-door marketing, and what precautions were in place to address the agent photographing the customers' drivers licenses. November 17, 2020 Correspondence from EOE to Residents. In response to EOE's correspondence, Residents indicated it was investigating all enrollments submitted by PAG. November 24, 2020 Residents' response to EOE Correspondence.

On January 27, 2021, Residents filed its first quarterly complaint log pursuant to Order No. 14 of its licensing decision. This log contained complaints from the third and fourth quarters of 2020. The logs indicate that Residents received its first complaint regarding PAG on September 15, 2020, according to the complaint log for the third quarter. The log for the fourth quarter notes eighteen complaints against PAG, with the first received on October 28, 2020. These complaints provide consistent accusations – an agent came to the customer's door claiming to be from the electric utility, took the customer's account information, and the customer later determined they had been slammed.

In response to further complaints against Residents regarding door-to-door marketing and slamming, EOE posited sixteen interrogatories to Residents on February 3, 2020. In these interrogatory responses, Residents indicated it began its investigation of PAG on November 9, 2020. Response to EOE-6. Residents stated that it had approved PAG for tabletop marketing to occur on August 28, 2020, at locations in Hartford and Norwalk. Response to EOE-7. Residents further indicated it had conducted virtual trainings of PAG agents beginning in August 2020, but had not yet audited PAG. Responses to EOE-8 and EOE-14.

The Authority has reason to believe that Residents violated the ban on door-to-door marketing during the pandemic, violated Conn. Gen. Stat. §§ 16-245 and 16-245o by not properly monitoring and managing the marketing activities of its vendors, violated the Marketing Standards' requirement to record all door-to-door marketing, violated Conn. Gen. Stat. § 16-245o by marketing in a location with clearly-posted signs prohibiting trespassing, and violated Order No. 14 of its licensing decision by not filing its reports on a quarterly basis.

B. THE RECORD DEMONSTRATES THAT RESIDENTS PERFORMED DOOR-TO-DOOR MARKETING WHILE THE AUTHORITY PROHIBITED SUCH MARKETING.

In Docket No. 14-07-20RE01, the Authority prohibited door-to-door marketing "until further instruction by the Authority" due to the public health crisis caused by the Corona virus. Correspondence to all suppliers dated March 20, 2020. Residents replied to the correspondence in Docket No. 14-07-20RE01 on March 23, 2020, stating, "Residents

Energy, LLC (“Residents”), a newly licensed retail supplier, has not yet commenced door-to-door (“D2D”) sales and will not begin doing so pending meeting all applicable compliance requirements and further notice from the Authority addressing its voluntary D2D sales halt.” Correspondence from Residents dated March 23, 2020. Due to the continuing public health crisis, the Authority has not lifted the ban on door-to-door marketing to date.

Despite being clearly aware of this prohibition on door-to-door marketing, Residents’ vendor Paradigm Acquisitions Group (PAG) began engaging in door-to-door marketing on behalf of Residents in August 2020. Response to EOE-7. As Residents stated, it “was not licensed in Connecticut until 2020 and did not commence sales activities until late August 2020”; therefore, there is reason to believe Residents’ entry into the Connecticut market was immediately plagued with illegal marketing. Response to EOE-5.

Residents has presented no evidence disputing that PAG conducted door-to-door marketing on its behalf in the third and fourth quarters of 2020. To the contrary, Residents’ own complaint logs, interrogatory responses, and investigation indicates that PAG conducted door-to-door marketing in violation of the Authority’s prohibition.

C. THERE IS REASON TO BELIEVE RESIDENTS VIOLATED CONN. GEN. STAT. § 16-245O(H) AND MARKETING STANDARDS BY NOT PROPERLY MONITORING ITS THIRD PARTY MARKETING AND NOT BEING AWARE ITS MARKETER WAS VIOLATING THE AUTHORITY PROHIBITION ON DOOR-TO-DOOR MARKETING.

Conn. Gen. Stat. § 16-245o(h)(1) states, “Any third-party agent who contracts with or is otherwise compensated by an electric supplier to sell electric generation services shall be a legal agent of the electric supplier.” Further, Conn. Gen. Stat. § 16-245o(h)(4) states, “No entity, including an aggregator or agent of an electric supplier or aggregator, who sells or offers for sale any electric generation services for or on behalf of an electric supplier, shall engage in any deceptive acts or practices in the marketing, sale or solicitation of electric generation services.” Finally, Conn. Gen. Stat. § 16-245o(h)(10) requires suppliers to “develop and implement standards and qualifications for employees and third-party agents who are engaged in the sale or solicitation of electric generation services by such supplier.” When imposing self-reporting requirements on suppliers, the Authority elaborated on the requirements of § 16-245o(h)(4) in its Marketing Standards, stating, “Suppliers currently are required to have mechanisms in place for ongoing monitoring of their marketing, whether conducted in-house or by third-party vendors... The Authority assumes that suppliers currently are quickly addressing any violations they find as a result of this monitoring.” Docket No. 14-07-20RE01, Decision, p. 6.

Based on the evidence in the record, there is reason to believe Residents was not properly monitoring PAG and as a result did not discover that PAG was conducting door-to-door marketing until notified by the Authority. Residents admitted that it had not conducted any auditing of either of its Connecticut vendors. Response to EOE-11. Residents provided detail of what an audit of tabletop marketing “would include,” including

how it “would be conducted on a virtual basis,” but despite PAG submitting enrollments from August 2020 through November 2020, Residents did not conduct even one virtual audit of PAG’s marketing.¹ Id. Had Residents performed an audit of any of PAG’s marketing, it would have realized PAG was conducting door-to-door rather than tabletop marketing.

Even without auditing, Residents should have realized as early as September 15, 2020 that PAG was performing illegal door-to-door marketing in Connecticut. See Response to EOE-6; Residents’ Customer Complaint Logs dated January 26, 2021, p. 4 (third quarter log). In the complaint dated September 15, 2020, the customer indicated the representative was present at her home and “was looking at her bill,” and the notation was that the customer was placed on the “Do Not Knock” list. Id. There is no indication in any of the material submitted regarding its internal investigation of PAG that Residents regarded this complaint. See Response to EOE-6 (first emails are dated November 2020). In fact, Residents indicated it did not begin its investigation into PAG until November 9, 2020, thirteen days after the Authority’s Consumer Affairs Unit (CAU) sent its first complaint regarding door-to-door marketing to Residents on October 28, 2020, and almost two months after Residents received its first complaint regarding PAG. Response to EOE-6. Had Residents acted at any time in this interval, it could have prevented the hundreds, perhaps thousands, of door-to-door marketing interactions PAG had with Connecticut residents during a global pandemic.

Moreover, a cursory glance at PAG’s enrollment information should have alerted Residents that something was amiss. Residents authorized PAG to perform tabletop marketing at two locations in Hartford and one location in Norwalk, both on August 28, 2020. Response to EOE-7. Despite the locations of the authorized tabletop marketing, the sixteen pages of enrollment information indicate the majority of customer addresses were in Bridgeport and New Haven. Response to EOE-6, p. 362-379. It is illogical to think tabletop marketing in Hartford and Norwalk would enroll hundreds of customers living in Bridgeport and New Haven, much less *multiple customers from the same address with different apartment numbers*. Id. (The list of addresses on these pages and the list on the following pages does not contain an address in Hartford, despite tabletop marketing supposedly occurring at two Hartford locations.) This pattern begins from the first sale dates of August 31, 2020, with the first two names on the list of sales, and follows the same pattern for enrollments occurring over the next three and a half months. Id. The Authority has reason to believe that had Residents monitored its marketing vendor or its enrollments, as required by Docket No. 14-07-20RE01, it would have known, long

¹ In Exhibits G-3 and G-5 of its Application for a supplier license, Residents described how it monitors and trains its third party marketers. In Exhibit G-3, Residents claimed its Compliance Department’s auditing team “visits with marketing teams in the field and observe their conduct. The Quality Assurance Department contacts new customer [sic] via telephone to ensure that their telemarketing sale was conducted appropriately.” Since Residents could not conduct in-person audits during the pandemic, in addition to conducting virtual audits it could have contacted any customer PAG enrolled to ensure the sale was conducted correctly. Residents did not do this until after the Authority alerted it to the door-to-door marketing issue. Had Residents proactively monitored PAG by randomly contacting enrolled customers, it would have discovered PAG’s illegal marketing on its own.

before CAU sent its complaint on October 28, 2020, that these enrollments were not the result of tabletop marketing.²

As of November 9, 2020, there is reason to believe Residents knew there was a problem with PAG but did not act accordingly. In an email correspondence on that date, Residents states, “There are only 17 complaints for RES (rest are TSE). I am guessing that is because it isn’t about the enrollments being invalid, but rather because DTD in CT is shut down – a customer would not know that to make a complaint. And frankly CS wouldn’t think to make that connection if a customer called.” Response to EOE-6, p. 129.³ By November 10, 2020, Residents noted “consistent knocking found over time.” Id. at p. 126. Further, in a November 9, 2020, email Residents states, “We just started seeing issues when we started with the TLP report a couple of weeks ago...” presenting reason to believe Residents knew of issues with PAG in October of 2020, but did nothing until contacted by the Authority. Id. at p. 129. In fact, throughout its correspondences regarding the investigation, it appears Residents’ actions are driven by the Authority’s attention to the matter. See e.g., EOE-6, p. 72 (“As a result of this PURA investigation...”); p. 87 (“want to cover my bases with the CT investigation.”).

On November 18, 2020, Residents suspended its tabletop marketing, not because of concerns that door-to-door marketing was occurring illegally, but due to “spikes in Covid and possibly lockdowns going into effect in certain areas.” Response to EOE-6, p. 79. In its correspondence with PAG, there is no indication Residents ever terminated PAG as its marketer. To the contrary, the last dated correspondence submitted in response to EOE-6 is an internal correspondence within Residents dated January 25, 2021, indicating that PAG “will never sell in CT again”; however, this correspondence is part of a series of correspondences occurring mid to late January 2021, giving PAG options to continue the partnership and “move forward with so we can align for a successful 2021.” Id. at p. 94. It appears that Residents is allowing PAG to continue marketing for it in other states, if not Connecticut. See also, Residents’ Correspondence dated January 26, 2021 (“[T]he Company has decided to stop all future use of PAG as a vendor for Residents or any of its affiliates in the State of Connecticut.”). Such a practice leaves the Authority concerned that the reverse might occur or have already occurred – Residents allowing a vendor to market for it in Connecticut that it has banned from other markets due to illegal marketing.

In fact, Residents states that PAG “had issues in many states, but PA and CT were the biggest concerns.” Response to EOE-6, p. 94. Residents also noted the issues in Connecticut were more severe than those PAG had in other states and told PAG that its “management team had no control over this form [sic] day 1.” Id. The same assessment

² Residents was finally able to verify PAG’s marketing occurred at the customer’s residence by employing geographic locators through TLP. Had Residents monitored its vendor or its enrollments, it could have employed this process when the first enrollments were received in August or September, or at minimum after the first complaint was received in September, and prevented the hundreds of subsequent marketing interactions.

³ The Authority notes that the complaint log submitted by Residents does not show that Residents received 17 complaints as of November 9, 2020. It appears either the email is incorrect or the complaint log is incomplete.

could be applied to Residents. Not until January 5, 2021, did Residents ask PAG, “Who was responsible at PAG to ensure knocking was not occurring?” *Id.* at p. 80. Contrary to Residents’ assertions that PAG was responsible for its own actions, Connecticut law states otherwise. Conn. Gen. Stat. § 16-245o(h)(1) states that PAG is an agent of Residents and Residents is responsible for the actions of its agents. Residents should have closely monitored its agents to ensure their marketing complied with Connecticut law. The Marketing Standards require suppliers to have ongoing monitoring mechanisms in place. Instead, Residents received hundreds of enrollments for alleged tabletop marketing occurring for three months in a row during a pandemic and did not question the marketing. A supplier does not demonstrate responsible management of its agents by opting for inaction until alerted by the Authority.

There is also reason to believe that by not properly monitoring its marketing, Residents may have violated Conn. Gen. Stat. § 42-110b (Connecticut Unfair Trade Practices Act, or CUTPA). Conn. Gen. Stat. § 16-245o(j) states that any violation of any part of Conn. Gen. Stat. § 16-245o “shall be deemed an unfair or deceptive trade practice under subsection (a) of section 42-110b.” As discussed more fully below, the complaints received regarding the marketing raise the concern that deceptive trade practices were used in the marketing. Had Residents properly monitored its vendors, it would have known if they were, and should have prevented them from, employing marketing measures that violate Conn. Gen. Stat. § 16-245o and CUTPA. Section 16-245o(j) allows the Authority to declare void any contract resulting from a violation of § 16-245o. In the present case, Residents has cancelled all contracts resulting from PAG enrollments.

Further, it is unclear to what extent Residents directly trains its agents pursuant to Conn. Gen. Stat. § 16-245o(h)(1)(B). In response to EOE-14, Residents provided a list of PAG agents it had trained and the dates of training. However, in an email correspondence between PAG and Residents, Residents acknowledged that a PAG agent “was the sole responsible party for training all of these agents.” Response to EOE-6 at p. 83. Moreover, the correspondence repeatedly refers to an agent by the name of Jonathan French who worked with PAG Office 43, but who is not listed as being trained by Residents in EOE-14, and mentions agent Robert French, who also is not listed in EOE-14. See Response to EOE-6 at p. 83, 88, 128. The purpose behind the statutory requirement for suppliers to directly train their sales agents is to ensure suppliers actively manage their marketing and protect the public from the very type of harmful marketing at issue in this case.

D. THERE IS REASON TO BELIEVE RESIDENTS VIOLATED THE MARKETING STANDARDS WHEN NOT RECORDING DOOR-TO-DOOR MARKETING.

Compounding its violation of conducting door-to-door marketing despite the prohibition, Residents violated the Marketing Standards by not recording the door-to-door marketing it did perform. Pursuant to Section H of the Marketing Standards, “Each Electric Supplier shall record the entirety of all inbound and outbound telesales calls and door-to-door marketing lasting thirty seconds or longer with all residential customers or potential residential customers, and shall retain such recordings for three years after the

date such recording was made.” Docket No. 14-07-20RE01, Decision, Exhibit B, p. 12. In response to EOE-19, Residents admitted, “Residents did not record any sales transactions undertaken by PAG at non-tabletop locations.”

The lack of recordings is particularly concerning given the content of some of the complaints. Multiple complaints indicated PAG agents stated they were from the electric distribution company (EDC). Residents’ Customer Complaint Logs dated January 26, 2021, p. 4 and 7 (third and fourth quarter logs). Multiple customers complained that the agent told them signing up would lower their bill but it did not. Id. at p. 7. Multiple customers stated the agent would not leave them any information about their enrollment. Id. One customer indicated the agent told her the rate would be \$0.07 but it turned out to be \$0.0997 after she enrolled, and another indicated the rate turned out to be more than described. Id. Equally concerning, one customer indicated the agents were going throughout his building and some of his neighbors “do not speak English well and were just signing because the agents were telling them they were with their” EDC. Id.

If a vendor is so unscrupulous that it is willing to conduct door-to-door marketing when it is prohibited during a pandemic, then it is reasonable to assume many, if not all, of the allegations in the complaints are true. If these complaints are correct, they indicate violations of Conn. Gen. Stat. §§ 16-245(c), 16-245(g)(2), 16-245o(f)(2), 16-245o(h)(1), 16-245o(h)(2), 16-245o(h)(3), 16-245o(h)(4), 16-245o(h)(5), 16-245o(h)(7), 16-245o(j), 16-245s, 16-245t, 16-245u, and 42-110b, as well as the Marketing Standards. They also call further into question Residents’ training and monitoring of its agents if its agents use such deceptive tactics to enroll customers.

E. THERE IS REASON TO BELIEVE RESIDENTS MARKETED AT LOCATIONS WITH “No TRESPASSING” SIGNS

Conn. Gen. Stat. § 16-245o requires door-to-door marketing to adhere to municipal and local ordinances for solicitations. The information submitted by Residents indicates that Residents marketed at 75 and 107 Martin Luther King Drive in New Britain, Connecticut. Response to EOE-6, p. 370-71. These apartment buildings are located within walking distance from the Authority’s office and members of the EOE staff have verified that the apartment buildings have clearly-visible “No Trespassing” signs on the doors at the entrances to the apartment buildings. As a result, the Authority has reason to believe that Residents not only illegally conducted door-to-door marketing during a pandemic, but ignored the signs on the apartments and marketed at locations in which it was prohibited from marketing. Again, had Residents monitored PAG as it was required to, it would have known PAG was marketing at public housing that prohibits solicitations.⁴

⁴ Town Square Energy, LLC, a company with which Residents shares management, is also under investigation for illegal marketing at 67 Martin Luther King Drive in New Britain, a public housing apartment building adjacent to 75 and 107 Martin Luther King Drive.

F. THERE IS REASON TO BELIEVE RESIDENTS VIOLATED ORDER NO. 14 OF ITS LICENSING DECISION BY NOT TIMELY SUBMITTING ITS COMPLAINT LOGS.

Order 14 of Residents' licensing decision states:

For a term of twenty-four (24) months, following the date Residents first begins serving Connecticut customers, the Company shall submit to the Authority quarterly customer complaint reports. The reports should include the number of complaints filed directly with Residents in the prior quarter, the number of complaints by category (i.e. slamming, incorrect charges, third-party verification disputes, etc.), follow-up Resident action and the outcome of each complaint.

Decision dated February 26, 2020, p. 5. Residents indicated that it began marketing in August 2020, the third quarter of 2020. Residents did not submit its quarterly customer complaints until January 26, 2021, although the third quarter complaints should have been due in October 2020.

The complaint log submitted indicates Residents received a complaint regarding PAG in September 2020, more than one month before CAU contacted Residents regarding the first complaint it received regarding Residents' door-to-door marketing. Had Residents submitted its complaint log for the third quarter in a timely manner, CAU could have reviewed the September complaint when corresponding with Residents and seen that there already was an instance of PAG conducting door-to-door marketing. The Authority further notes that Residents submitted its first customer complaint log after receiving multiple complaints from CAU and more than two months after the EOE began questioning it regarding illegal door-to-door marketing.

II. ASSESSMENT OF PENALTIES

In assessing civil penalties, the Authority takes into account the criteria specified in § 16-245-6 of the Regulations of Connecticut State Agencies (Conn. Agencies Regs.), which requires the PURA to consider certain factors when determining the appropriate sanction for violation of any licensing requirement:

1. appropriateness of the sanction or fine to the size of the business of the person charged;
2. gravity of the violation;
3. number of past violations by the person charged;
4. good faith effort to achieve compliance;
5. proposed programs and procedures to ensure compliance in the future; and
6. such other factors deemed appropriate and material to the particular circumstances of the violation.

The gravity of these violations is severe. Because Residents did not properly monitor its marketing, third party vendors were going door-to-door to customers' homes during a global pandemic. This is not only in defiance of the Authority's prohibition, but it exhibits gross disregard for public wellbeing in favor of Residents' desire to enroll customers – even worse, to enroll customer at prices greater than standard service at a time when so many customers are struggling financially due to the pandemic.

When the Authority granted Residents' electric supplier license, it noted its concern with allegations against Residents in other states. In Pennsylvania Residents had settled a complaint regarding illegal marketing to low income customers.⁵ Residents was, at the time of the Decision, under investigation in Massachusetts.⁶ As a result, the Authority stated in the Decision, "Based on its review, the Authority is concerned with possible marketing practices employed by Residents' marketers." Decision dated February 26, 2020, p. 1. Despite knowing the Authority's concerns, and knowing that it was supposed to attend to these concerns, Residents hired an unethical marketing vendor that it failed to monitor and who created compliance violations within days of beginning marketing. These are hardly the actions of a supplier intent on preventing illegal marketing.

Moreover, in the short time Residents has had its license this is not its first violation. In November 2020 and January 2021 EOE corresponded with Residents to inform it that offers on its website did not align with its offers on EnergizeCT.com and its website did not contain its disclosure label. See Correspondence from EOE to Residence dated January 26, 2021. As a result of these issues, EOE temporarily restricted Residents' access to EnergizeCT.com. It sees no reason to reinstate that access now.

Residents has cancelled the enrollments and rerated customers enrolled by PAG. While this is effective mitigation, it is just that – a solution after the violation occurred. Moreover, it is mitigation caused not by Residents' own monitoring, but by CAU and EOE alerting Residents to PAG's door-to-door marketing. There is no evidence in this docket to indicate Residents would have solved, or even paid attention to, this problem without the Authority's intervention. There is ample evidence to indicate Residents knew of PAG's door-to-door marketing in September 2020; did not audit PAG after receiving the September complaint; did not begin its investigation of PAG until November 2020; did not terminate PAG immediately, but instead postponed marketing due to the pandemic and allowed PAG to create a plan to better monitor itself; and has nothing in place to prevent this from occurring with another marketer in the future. Auditing and vendor monitoring plans are only as good as their implementation, which Residents demonstrated in this instance did not occur. Promising to perform better in the future rings hollow when compared with past performance.

Based on its continued difficulty ensuring its marketing vendors comply with the law, the Authority has reason to believe customers in Connecticut, and Residents, would

⁵ The Authority notes EOE-6 indicates PAG was marketing for Residents in Pennsylvania and had issues there as well.

⁶ The Massachusetts investigation remained confidential throughout and the Authority was unable to determine its full content.

be best served by Residents' exit from the market for an extended period. This will allow Residents time not only to ensure that the monitoring plans it has on paper are complete, but to actually implement those plans in the other jurisdictions in which it remains licensed to ensure those plans work in practice.

A. CALCULATION OF FINE

Pursuant to Conn. Gen. Stat. § 16-41(a), the Authority has discretion to prescribe up to \$10,000 for each offense. In the instant case, it appears PAG enrolled at least 746 customers for Residents. Residents January 26, 2021 Compliance Filing. This number does not indicate, however, to how many customers PAG conducted door-to-door marketing, because each door on which they knocked was a violation of Connecticut law. Moreover, for these 746 known enrollments, none of the door-to-door marketing transactions were recorded, each of which constitutes a violation of the Marketing Standards. A \$10,000 for each of these offenses alone would result in a civil penalty of more than \$14 million, and this would not include a civil penalty for failing to timely comply with its licensing decision requirement to submit quarterly complaint logs, nor would it address the possible deceptive marketing tactics employed in the illegal door-to-door marketing or the marketing in prohibited locations.

Considering that Residents has cancelled and rerated all customers enrolled by PAG, the Authority finds the appropriate monetary fine for the violations discussed herein to be \$1.5 million. This calculation is based on Residents currently low customer volume (429 as of the most recent EDC filing in Docket No. 06-10-22), but offset by the severity of the violations. As noted, Residents not only conducted illegal marketing during a pandemic putting lives at risk, but because it did not record the marketing the Authority cannot review it to determine the accuracy of the complaints. It is likely this fine should be substantially higher based on the content of the complaints and the likely deceptive tactics used by PAG.

B. SUSPENSION OF ELECTRIC SUPPLIER LICENSE

Both Conn. Gen. Stat. §§ 16-245(k) and 16-245o(k) permit the Authority to suspend a supplier's license if the Authority finds that the supplier has violated § 16-245 or § 16-245o. As detailed above, the Authority finds that Residents has violated these legal requirements, and finds that a suspension of Residents' electric supplier license for eighteen months from the date this Notice of Violation (NOV) becomes final or from the date of the final decision regarding this NOV, whichever is later, is appropriate. This suspension will allow Residents time to ensure its practices align with its written policies and that it has the ability to sufficiently monitor its marketing before resuming business with Connecticut customers. Residents cannot serve customers while its license is suspended and will need to return its current customers to standard service. Residents will need to inform those customers via their preferred method of communication that its license has been suspended and it is returning them to standard service. Residents must notify the Authority when all of its current customers have been transitioned to standard service. When the suspension has ended, Residents may petition the Authority to

reinstate its license. Residents will need to include in that petition evidence that it has not encountered marketing or other violations in other jurisdictions during the suspension and evidence that it has procedures in place to prevent violations, such as the ones in the present case, from occurring again.

C. FURTHER MONITORING BY THE AUTHORITY

Residents' violations cause the Authority to question Residents' technical and managerial capacity.⁷ Therefore, the Authority will continue to monitor Residents' marketing actions for one year from the date that it begins marketing to new customers again (if and when its license has been reinstated). To ensure Residents complies with all legal requirements, the Authority will periodically request and audit select audio recordings of telemarketing and door-to-door marketing, and will require Residents to produce transcripts of those recordings. Upon the Authority's request, Residents will provide the Authority with the dates, times, and locations in which it will conduct any form of marketing, including but not limited to telesales, door-to-door and in-person marketing, and the Authority reserves the right to observe and audit such marketing. The Authority will establish other auditing procedures for other forms of marketing in which Residents may engage, including but not limited to, obtaining and reviewing the content of any electronic marketing materials published through internet websites, emails, or texts or any hard copy marketing materials used internally by salespersons, such as sales scripts, and/or distributed to prospective customers via mail delivery or hand-to-hand delivery. If Residents does not adhere to these monitoring requirements or if the Authority finds further violations as a result of monitoring, the Authority will subject Residents to further penalties and/or begin proceedings to revoke its license.

III. CONCLUSION

Residents is assessed a civil penalty for the violations stated above in the amount of one million five hundred thousand dollars (\$1,500,000). Payment shall be made by certified check, company check, bank check or money order, payable to the order of "Treasurer, State of Connecticut", or by wire transfer. If Residents makes payment by wire transfer, the Authority requests that Residents reach out directly to PURA for instructions. If Residents makes payment by check it shall agree to pay any fees associated if the check does not clear and an interest fee of 1% per annum until the civil penalty is paid in full. This civil penalty shall be delivered to the Public Utilities Regulatory Authority, Ten Franklin Square, New Britain, CT 06051 no later than 20 days from the date of receipt of this Notice. The payment shall be identified as "19-08-21 NOV Compliance". Documentation of such payment shall be contemporaneously submitted as a compliance filing in this proceeding.

⁷ Residents' parent company is Genie Retail Energy and Residents shares some of its management with Genie's other suppliers, such as Town Square Energy, LLC, which is currently under investigation for illegal marketing in Connecticut in Docket No. 10-03-11RE03.

Residents' license shall be suspended for eighteen months from the later of the date this NOV becomes final or the date of the final decision regarding the NOV. If Residents' license is reinstated it will be subject to auditing of marketing for one year.

Residents has a right to a hearing by delivering to the Authority a written application for a hearing within 20 days from the date of receipt of this Notice of Violation and Assessment of Civil Penalty.

IV. ORDERS

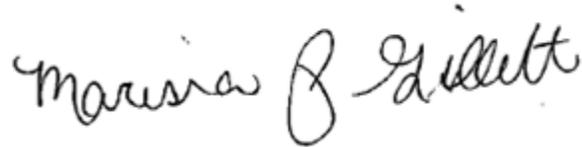
For the following Orders, file an electronic version through the Authority's website at portal.ct.gov/pura.

1. Residents is assessed a civil penalty in the sum of \$1,500,000. Payment shall be made by certified check, company check, bank check or money order, payable to the order of "Treasurer, State of Connecticut", or by wire transfer. If Residents makes payment by wire transfer, the Authority requests that Residents reach out directly to PURA for instructions. If Residents makes payment by check it shall agree to pay any fees associated if the check does not clear and an interest fee of 1% per annum until the civil penalty is paid in full. This civil penalty shall be delivered to the Public Utilities Regulatory Authority, Ten Franklin Square, New Britain, CT 06051 no later than 20 days from the date of receipt of this Notice. The payment shall be identified as "19-08-21 NOV Compliance". Documentation of such payment shall be contemporaneously submitted as a compliance filing in this proceeding.
2. Residents' license is suspended for eighteen months from the later of the date this NOV is final or the date of the final decision regarding this NOV. Residents shall not serve customers while its license is suspended and will need to return its current customers to standard service within fifteen days of the date this NOV becomes final or the date of a final decision regarding this NOV. Residents will need to inform those customers via their preferred method of communication that its license has been suspended and it is returning them to standard service. Residents must notify the Authority as a compliance filing in this docket within ten days of transitioning all of its current customers to standard service.
3. Beginning on its re-entry to the Connecticut market and after it begins marketing to customers, for one year, within two weeks of any periodic request by the Authority, Residents shall produce any requested audio recordings and written transcripts thereof. Upon the Authority's request, Residents will provide the Authority with the dates, times, and locations in which it will conduct any form of marketing, including but not limited to telesales, door-to-door and in-person marketing, and the Authority reserves the right to observe and audit such marketing in person. The Authority will establish other auditing procedures for other forms of marketing in which Residents may engage, including but not limited to, obtaining and reviewing the content of any electronic marketing materials

published through internet websites, emails, or texts or any hard copy marketing materials used internally by salespersons, such as sales scripts, and/or distributed to prospective customers via mail delivery or hand-to-hand delivery.

Sincerely,

PUBLIC UTILITIES REGULATORY AUTHORITY

A handwritten signature in black ink that reads "Marissa P. Gillett". The signature is written in a cursive style with a large, stylized initial "M".

Marissa P. Gillett
PURA Chairman