



For Immediate Release

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MADIGAN REACHES AGREEMENT WITH SANTANNA ENERGY SERVICES

Chicago – Attorney General Lisa Madigan announced today that Illinois has reached an agreement with Santanna Energy Services as a result of a consumer fraud action filed against the company in 2005. This agreement, valued at just over \$8 million, includes \$3.3 million in restitution payments to Illinois consumers.

Santanna Natural Gas Corporation, doing business as Santanna Energy Services, is a Texas corporation with local offices in Hinsdale. The company sells natural gas to northern Illinois consumers participating in Nicor's Customer Select program and People's Energy's Choices for You program. The programs allow commercial and residential customers in eligible service areas to select alternative, non-regulated utility gas suppliers. Santanna offered fixed-price contracts for fixed terms. For example, some customers locked in a rate of approximately \$0.80 per therm for a term of five years. As part of the fixed-price contracts, Santanna promised customers that the price would not go up or down, regardless of fluctuations in the price of natural gas on the market.

Specifically, the fixed-price contracts included a promise that Santanna would not raise the price of the customer's natural gas during the term of the contract, no matter what happened to increase the price of natural gas in the market. However, following Hurricanes Katrina and Rita, when the price of natural gas rose significantly, Santanna changed its fixed-price contracts and raised the price of natural gas for those existing customers. Based on this conduct, Madigan filed a lawsuit in October 2005, charging Santanna with violations of the Illinois Consumer Fraud and Deceptive Business Practices Act for allegedly misrepresenting its fixed rate offer when making telemarketing solicitations to consumers to enter into contracts with the gas supply company.

The agreement includes the following provisions:

- Santanna will pay \$3.3 million in restitution to Illinois consumers who the company overcharged by increasing prices following Hurricanes Katrina and Rita. Eligible Illinois consumers – those who signed up for fixed-price contracts with Santanna between June 2004 and September 2005 – will begin to receive restitution checks by November 6, 2006. The amount each customer will receive is dependent on the price he or

she agreed to, the length of the contract, and the individual's historic natural gas consumption per month.

- Santanna will refund the \$3 per month administrative fee paid by the affected customers from October 2005 to the present, and will waive that fee for the remainder of those customers' contracts. Some customers have up to four years remaining on their contracts. This refund and waiver is valued at approximately \$1.152 million.
- Santanna will reduce the cost of natural gas for its current fixed-price customers. Immediately following the hurricanes in 2005, Santanna began charging its fixed-price customers a price of NGI plus 6 cents per therm. (NGI, or Natural Gas Intelligence, is the market price that Santanna pays for natural gas and a therm is the unit of heat energy that is used by gas companies in the United States.) Under this agreement, Santanna will reduce the price charged to its current fixed-price customers to NGI plus 1 cent per therm for the duration of their contracts. Santanna also will make this lower price for natural gas available to former fixed-price customers. Former fixed-price customers who wish to take advantage of the offer to purchase gas at NGI plus 1 cent should contact a Santanna Customer Service Representative.
- Santanna also will pay \$200,000 to the Attorney General's Consumer Education Fund to be used for consumer education and enforcement efforts.

In addition to the monetary requirements, the agreement prohibits Santanna from raising the price of natural gas in fixed-price contracts, subject to specific terms of those contracts. In the future, Santanna must follow the terms of its contracts, even in the wake of a natural disaster.

Santanna filed for bankruptcy in October 2005. The settlement with the Attorney General's office is part of the Chapter 11 Plan for Reorganization that Santanna filed with the Federal bankruptcy court in the Western District of Texas. The bankruptcy court has accepted Santanna's Plan and, as a result, the company will continue to do business in the state of Illinois.

In the agreement, Santanna does not admit any wrongdoing.

Bureau Chief Charles G. Fergus and Assistant Attorney General Christine Nielsen handled this case on behalf of Madigan's Consumer Fraud Bureau.

-30-

[Return to November 2006 Press Releases](#)