



May 14, 2009

MADIGAN SECURES \$1 MILLION IN CONSUMER RESTITUTION FROM ALTERNATIVE GAS SUPPLIER FOR DECEPTIVE CLAIMS

Attorney General's Agreement Follows Drafting of a New Law Requiring Stricter Consumer Disclosures and Limiting Early Cancellation Fees

Chicago — Attorney General Lisa Madigan today announced an agreement with U.S. Energy Savings Corp. that will allow hundreds of Illinois consumers to terminate contracts and receive \$1 million in restitution as a result of a lawsuit filed last year alleging that the alternative gas supplier sold fixed-rate gas contracts using misleading sales tactics that falsely promised significant consumer savings.

"My office has received a nearly unprecedented number of calls from consumers who were deceived by false assurances that they would receive significant savings by switching to this alternative gas supplier," Madigan said. "This agreement will help to protect Illinois consumers and ensure that this company provides full, upfront disclosures about its products' terms and conditions so that consumers can make informed decisions."

Madigan's lawsuit alleged that Illinois Energy Savings Corp., which does business as U.S. Energy Savings Corp., sold its "Natural Gas Fixed Price Program" to the participants of Northern Illinois Gas Company's (Nicor) Customer Select and Peoples Energy Choices for YouSM programs with deceptive claims that the fixed-rate program would offer significant savings by locking consumers into a consistent gas price before rates spiked. As part of this sales pitch, however, the company's door-to-door sales representatives failed to disclose that the fixed gas price was actually higher than prices historically offered by regulated utility suppliers such as Nicor. According to Madigan's complaint, consumers were led to believe that they would automatically save money by enrolling in the U.S. Energy Savings' program.

The Attorney General's lawsuit further alleged that U.S. Energy Savings' sales representatives violated the Illinois Consumer Fraud and Deceptive Business Practices Act by failing to disclose the existence of an early termination fee, failing to properly identify themselves as representatives of an alternative natural gas company and failing to obtain consent from the account holder to switch gas suppliers from the regulated utility to an alternative supplier. U.S. Energy Savings denied the allegations in the lawsuit.

Today's agreement requires U.S. Energy Savings to make \$1 million available to pay as restitution to Illinois consumers. Eligible consumers will receive notice of the settlement within 30 days and must submit claim forms to U.S. Energy Savings by Aug. 12, 2009. Also as part of the agreement, U.S. Energy Savings must allow current eligible customers to cancel contracts without paying an early termination fee.

In addition, the agreement prohibits U.S. Energy Savings from using deceptive or unfair practices during the course of soliciting customers for natural gas supply contracts. Under the agreement, during solicitation, in any print materials, on its Web site and in its Welcome Letter for new customers, the company must make clear and conspicuous disclosures regarding: the type of product that consumers will receive, the price for service, terms and conditions of service, and the existence of any early termination fee. U.S. Energy Savings also must clearly disclose that consumers will be leaving their regulated utility company to enroll with the reseller of natural gas. The agreement also places a \$50 cap on the amount that U.S. Energy Savings can charge customers for early termination. Finally, the agreement requires U.S. Energy Savings to investigate and terminate sales representatives who mislead consumers, provide false information during solicitations and forge contracts or agreements.

Since 2005, the Attorney General has filed four lawsuits against alternative gas suppliers, and earlier this year, she drafted and negotiated pro-consumer legislation to regulate the alternative suppliers. The legislation, which was drafted by the Attorney

General's office and sponsored by Rep. Thomas Holbrook (D-Belleville), Rep. Marlow Colvin (D-Chicago) and Sen. Don Harmon (D-Oak Park), was enacted in April 2009 and requires stricter disclosure practices and limits termination fees.

Specifically, the new law:

- Requires all sales solicitations to clearly disclose the prices, terms and conditions of all products and services;
- Prohibits suppliers from misrepresenting their affiliation with a gas utility, governmental body or consumer group;
- Provides consumers with a right to cancel within 10 days after the gas utility notifies them of the switch and 10 days after the date of the first bill if they find that the service is not as promised;
- Limits early termination fees to \$50 and requires any agreement containing an early termination clause to disclose the total cancellation fee.

Consumers who would like more information about today's agreement or the new law should contact Madigan's Consumer Fraud Bureau at (800) 386-5438.

Assistant Attorney General Christine Nielsen handled the case for Madigan's Consumer Fraud Bureau.

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