

RICHARD BLUMENTHAL
CONNECTICUT

COMMITTEES:

AGING

ARMED SERVICES

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JUDICIARY

VETERANS' AFFAIRS, RANKING MEMBER

United States Senate

WASHINGTON, DC 20510

706 HART SENATE OFFICE BUILDING
WASHINGTON, DC 20510
(202) 224-2823
FAX: (202) 224-9673

90 STATE HOUSE SQUARE, TENTH FLOOR
HARTFORD, CT 06103
(860) 258-6940
FAX: (860) 258-6958

915 LAFAYETTE BOULEVARD, ROOM 230
BRIDGEPORT, CT 06604
(203) 330-0598
FAX: (203) 330-0608

<http://blumenthal.senate.gov>

October 23, 2015

The Honorable Edith Ramirez
Chairwoman
Federal Trade Commission
600 Pennsylvania Avenue, Northwest
Washington, D.C. 20580

Dear Chairwoman Ramirez:

As the temperature drops and home heating costs rise, I write to urge the Federal Trade Commission (FTC) to investigate deception and price gouging in the retail electric supplier market. Last year's record low temperatures brought a growing number of consumer complaints about spiking prices and deceptive contract terms in Connecticut and other states with deregulated electricity markets.

Consumers, state public utility regulators, public consumer counsels, and private consumer advocacy organizations have described in detail misleading marketing, purportedly fixed rates becoming variable, phone harassment, extraordinarily high price increases, and intentionally burdensome cancellation processes in the electric supplier market.

In 2014, consumers residing in states with deregulated energy markets, including Connecticut, were shocked to see their monthly bills significantly increase due to variable rates that were previously fixed. As revealed by a new report by Connecticut's Office of Consumer Counsel, the vast majority of Connecticut consumers who use third-party retail electric suppliers pay more than the standard service rates – sometimes twice as much – amounting to more than \$23 million extra spent so far in this year alone.

Through aggressive door-to-door and telemarketing campaigns, electric supplier companies assure consumers that prices would always be competitive with, or always be within a few cents of the standard offer provided by the state utility regulator. Yet, after signing up for service consumers were not told, and even upon request could not receive, the final monthly price they would be charged for using the electric service.

Upon further investigation and inquiry, these state officials found that marketing representations by competitive electric suppliers did not adequately disclose the estimated costs, the terms and conditions of the services offered, or how variable rates would be determined.

Disclosure statements reviewed by state utility commissions have revealed commitments from suppliers that are so vague and open-ended they are essentially meaningless.

Even though Connecticut and other states recently banned the variable-rate electricity contracts that have been the source of many consumer complaints, consumer complaints also stem from issues related to sales practice claims and quality of customer service. Complaints have been filed by both consumers and state government officials related to sharp price increases, misleading marketing, phone harassment and intentionally burdensome cancellation processes. Many complaints detail ongoing questionable practices over the past several years.

A warm, safe place to live is a basic necessity that should be available and affordable to all Americans. Sadly, senior citizens, consumers with limited proficiency in English, and low-income households are among those seemingly targeted by the aggressive practices described above, and are the hardest hit by the unfair billing practices that result. Consumer protection officials from states across the country have received complaints from these vulnerable populations detailing astonishingly high monthly heating bills, many of which exceed \$1000—some in excess of \$2,000 for a single month.

While individual state agencies have taken some enforcement action, the shockingly widespread, multi-state nature of these consumer complaints merits immediate federal investigative and enforcement action. In particular, I urge you to investigate whether the marketing and terms and conditions of these contracts in states with deregulated electricity are deliberately misleading, and whether they represent an unfair or deceptive act or practice under the FTC Act. If so, the Commission should immediately seek civil penalties and provide consumers with refunds.

After the Commission has conducted a review of current market practices, I also urge the agency to issue an industry guidance to provide a set of best practices that all suppliers should meet. For example, the FTC should consider advising the industry that disclosure statements should be in plain language, understandable to consumers, and should be required to state a ceiling or limit on the price variability that can be experienced by customers.

I know you share my view that consumers deserve to be treated fairly and honestly, especially in markets for essential services like home heating. I look forward to your reply, and to working with you and your staff on this critically important matter.

Sincerely,



Richard Blumenthal
United States Senator