

COMMONWEALTH OF PENNSYLVANIA



OFFICE OF CONSUMER ADVOCATE

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August 19, 2014

Rosemary Chiavetta  
Secretary  
Pennsylvania Public Utility Commission  
Commonwealth Keystone Building  
400 North Street  
Harrisburg, PA 17120

RE: Commonwealth of Pennsylvania, by Attorney General  
KATHLEEN G. KANE, Through the Bureau of Consumer  
Protection,  
And  
TANYA J. McCLOSKEY, Acting Consumer Advocate,  
Complainants

v.

IDT Energy, Inc.

Respondent

Docket No. C-2014-2427657

Secretary Chiavetta:

Enclosed please find the Prehearing Memorandum of Joint Complainants Commonwealth of Pennsylvania and the Office of Consumer Advocate, in the above-referenced proceeding.

Copies have been served as indicated on the enclosed Certificate of Service.

Respectfully Submitted,

*Candis A. Tunilo*

Candis A. Tunilo  
Assistant Consumer Advocate  
PA Attorney I.D. #89891

Enclosures

cc: Honorable Elizabeth Barnes, ALJ  
Honorable Joel Cheskis, ALJ  
Certificate of Service

\*185194

BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Commonwealth of Pennsylvania, by Attorney	:	
General KATHLEEN G. KANE, Through the	:	
Bureau of Consumer Protection,	:	
	:	
And	:	Docket No. C-2014-2427657
	:	
TANYA J. McCLOSKEY, Acting Consumer	:	
Advocate,	:	
	:	
Complainants	:	
	:	
v.	:	
	:	
IDT Energy, Inc.,	:	
	:	
Respondent	:	

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PREHEARING MEMORANDUM  
OF JOINT COMPLAINANTS COMMONWEALTH  
OF PENNSYLVANIA AND THE OFFICE OF CONSUMER ADVOCATE

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Pursuant to Section 333 of the Public Utility Code, 66 Pa. C.S. § 333, and the August 8, 2014 Prehearing Conference Order, the Commonwealth of Pennsylvania, by Attorney General Kathleen G. Kane through the Bureau of Consumer Protection (BCP) and the Acting Consumer Advocate Tanya J. McCloskey (OCA) (collectively referred to as Joint Complainants), provide the following information in accordance with the Prehearing Conference Order in this matter:

**I. INTRODUCTION**

On June 20, 2014, the Joint Complainants filed a Joint Complaint with the Public Utility Commission (Commission) pursuant to the Public Utility Code, 66 Pa. C.S. Ch. 28, the Commission's regulations, 52 Pa. Code Ch. 54, 56 and 111, the Unfair Trade Practices and Consumer Protection Law, 73 P.S. § 201-1, *et seq.* (Consumer Protection Law), and the

Telemarketer Registration Act, 73 P.S. § 2241, *et seq.* (TRA). The Joint Complaint includes seven separate counts and alleges that IDT Energy, Inc. (Respondent or IDT) violated Pennsylvania law and Commission orders and regulations. Specifically, the seven Counts in the Joint Complaint are: (1) misleading and deceptive promises of savings; (2) misleading and deceptive Welcome Letter and advertisements; (3) slamming; (4) lack of good faith handling of complaints; (5) failing to provide accurate pricing information; (6) prices nonconforming to disclosure statement; and (7) failure to comply with the Telemarketer Registration Act.

With respect to relief, the Joint Complainants request that the Commission find that Respondent violated the Public Utility Code, the Consumer Protection Law, the TRA, and the Commission's regulations and Orders; provide restitution to Respondent's customers; impose a civil penalty; order Respondent to make various modifications to its practices and procedures; and revoke or suspend Respondent's Electric Generation Supplier (EGS) license, if warranted.

## **II. ISSUES**

### **A. Misleading and Deceptive Promises of Savings, Welcome Letter and Advertisements**

One of the issues raised in the Joint Complaint is whether IDT engaged in misleading and deceptive conduct in violation of the Commission's regulations at 52 Pa. Code §§ 54.43(f), 111.5 and 111.12(d)(1) and the Consumer Protection Law, 73 P.S. §§ 201-2(4)(ii), (iii), (v), (xi) and (xxi). See Joint Complaint at Counts I and II and App. A. The Commission's regulations themselves incorporate the Consumer Protection Law, and therefore, the Commission is required to make determinations pursuant to the Consumer Protection Law in order to determine if the Respondent violated the Commission's regulations. See 52 Pa. Code §§ 54.122(3) and 111.12(d)(1). See also Harrisburg Taxicab & Baggage Co. v. Pa. PUC, 786 A.2d 288, 292-93 (Pa. Commw. Ct. 2001). Specifically, Joint Complainants aver that Respondent led consumers

to believe their rate with IDT would always be lower than the Price to Compare or competitive therewith as inducement for consumers to switch to IDT for electric generation. See Joint Complaint at Count I. Further, Joint Complainants aver that Respondent's Welcome Letter to customers and advertisements contain statements that are deceptive and misleading. See Joint Complaint at Count II and App. A.

In support of their allegations, Joint Complainants will call customers of Respondent that have filed complaints with the BCP or the Commission and consumers that have provided information regarding Respondent to the OCA. Additionally, Joint Complainants will submit expert testimony and written testimony of other witnesses and cross examine Respondent's witnesses.

By way of remedies for Respondent's misleading and deceptive promises of savings and Welcome Letter and advertisements, Joint Complainants seek restitution, civil penalties and if warranted, suspension or revocation of Respondent's license. Further, Joint Complainants request that the Commission order IDT to: (1) prohibit its salespeople from making pricing promises to consumers that are deceptive and inaccurate and (2) discontinue and permanently enjoin all other practices that violate the Public Utility Code, the Commission's regulations or Orders, and the Consumer Protection Law.

B. Slamming

One of the issues raised in the Joint Complaint is whether IDT engaged in slamming in violation of the Public Utility Code, 66 Pa. C.S. § 2807(d)(1), and the Commission's regulations, 52 Pa. Code § 54.42(a)(9). See Joint Complaint at Count III. In support of their allegations, Joint Complainants will call customers of Respondent that have filed complaints with the BCP or the Commission and consumers that have provided information regarding Respondent to the

OCA. Additionally, Joint Complainants will cross examine Respondent's witnesses and may submit written testimony of other witnesses.

By way of remedies for slamming, Joint Complainants seek restitution, civil penalties and if warranted, suspension or revocation of Respondent's license. Further, Joint Complainants request that the Commission order IDT to (1) cease and desist switching consumers to its generation service without their explicit consent and (2) discontinue and permanently enjoin all other practices that violate the Public Utility Code and the Commission's regulations or Orders.

C. Handling of Customer Complaints

One of the issues raised in the Joint Complaint is that Respondent failed to adequately handle customer complaints and use good faith, honesty and fair dealing with Respondent's residential customers with complaints in violation of the Commission's regulations at 52 Pa. Code Ch. 56 and IDT's Licensing Order, License Application of IDT Energy, Inc. for Approval to Offer, Render, Furnish or Supply Electricity or Electric Generation Services as a Supplier of Retail Electric Power, Docket No. A-2009-2134623, Order (Jan. 15, 2010). Specifically, Joint Complainants aver that Respondent's customers could not reach IDT with their billing complaints and questions and that IDT did not return messages left by its customers. Further, Joint Complainants aver that Respondent did not utilize the procedure for handling of customer disputes set forth in the Commission's regulations at 52 Pa. Code Ch. 56. See Joint Complaint at Count IV.

In support of their allegations, Joint Complainants will call customers of Respondent that have filed complaints with the BCP or the Commission and consumers that have provided information regarding Respondent to the OCA. Additionally, Joint Complainants will submit

expert testimony and written testimony of other witnesses and cross examine Respondent's witnesses.

By way of remedies for Respondent's improper handling of customer complaints, Joint Complainants seek restitution, civil penalties and if warranted, suspension or revocation of Respondent's license. Further, Joint Complainants request that the Commission order IDT to (1) implement proper customer dispute procedures and adequately staff, train and monitor all employees and agents in such procedures and (2) discontinue and permanently enjoin all other practices that violate the Public Utility Code and the Commission's regulations or Orders.

D. Pricing Information and Disclosure Statement

One of the issues raised in the Joint Complaint is whether Respondent's Disclosure Statement complies with the Commission's regulations at 52 Pa. Code §§ 54.5(c), 54.43(1), 54.43(f) and 111.12(d)(1) and the Consumer Protection Law, 73 P.S. § 201-2(4)(xxi). See Joint Complaint at Count V and App. B. Specifically, Joint Complainants aver that IDT failed to provide to customers the conditions of variability and the limits on variability and also failed to provide information in plain language using common terms and in a format that enables consumers to compare prices. See Joint Complaint at Count V and App. B. Another issue is whether Respondent's prices charged in early 2014 conformed to IDT's variable rate pricing provision in its Disclosure Statement. See Joint Complaint at Count VI and App. C.

In support of their allegations, Joint Complainants will call customers of Respondent that have filed complaints with the BCP or the Commission and consumers that have provided information regarding Respondent to the OCA. Additionally, Joint Complainants will submit expert testimony and written testimony of other witnesses and cross examine Respondent's witnesses.

By way of remedies for Respondent's conduct regarding its pricing, Joint Complainants seek restitution, civil penalties and if warranted, suspension or revocation of Respondent's license. Further, Joint Complainants request that the Commission order IDT to (1) provide appropriate restitution, including without limitation, refunding all charges to its customers that were over and above the Price To Compare in the customers' respective service territories from January 1, 2014 through the date of resolution of this matter, as well as any late, cancellation and/or termination fees and/or other such penalties charged to customers as a result of the Respondent's charges and customers leaving Respondent to obtain generation service elsewhere and (2) discontinue and permanently enjoin all other practices that violate the Public Utility Code, the Commission's regulations or Orders, and the Consumer Protection Law.

E. Failure to Comply with the Telemarketer Registration Act

One of the issues raised in the Joint Complaint is whether Respondent violated and continues to violate the Telemarketer Registration Act (TRA), 73 P.S. §§ 2245(a)(7) and 2245(c), and the Commission's regulations at 52 Pa. Code §§ 54.43(f) and 111.10(a), which require compliance with the TRA. See Request for Opinion, 2010 Pa. AG LEXIS 1 (Feb. 8, 2010). See also Joint Complaint at Count VII. Specifically, Joint Complainants aver that in transactions initiated by a telemarketing call, the TRA requires IDT to reduce the sale to a written contract and obtain the consumer's signature and provide a contract to consumers that contains: (1) a detailed description of the consumer goods and services purchased which shall match the oral description given in the telemarketing solicitation; (2) any oral or written representations made during the telemarketing solicitation; and (3) a statement that reads: "You are not obligated to pay any money unless you sign this contract and return it to the seller." See Joint Complaint at Count VII.

In support of their allegations, Joint Complainants will call customers of Respondent that have filed complaints with the BCP or the Commission and consumers that have provided information regarding Respondent to the OCA. Additionally, Joint Complainants may submit expert testimony and written testimony of other witnesses and cross examine Respondent's witnesses.

By way of remedies for Respondent's violations of the TRA, Joint Complainants seek restitution, civil penalties and if warranted, suspension or revocation of Respondent's license. Further, Joint Complainants request that the Commission order IDT to discontinue and permanently enjoin all other practices that violate the Public Utility Code, the Commission's regulations or Orders, and the Consumer Protection Law and the TRA.

### **III. SERVICE ON JOINT COMPLAINANTS**

The OCA will be represented in this case by Candis A. Tunilo and Kristine E. Robinson, Assistant Consumer Advocates. Copies of all documents should be served on the OCA as follows:

Candis A. Tunilo  
Kristine E. Robinson  
Assistant Consumer Advocates  
Office of Consumer Advocate  
5<sup>th</sup> Floor, Forum Place  
555 Walnut Street  
Harrisburg, PA 17101-1923  
Telephone: (717) 783-5048  
Facsimile: (717) 783-7152  
E-mail: ctunilo@paoca.org  
krobinson@paoca.org

The BCP will be represented in this case by John M. Abel and Margarita Tulman, Deputy Attorneys General. Copies of all documents should be served on the BCP as follows:

John M. Abel  
Senior Deputy Attorney General  
Margarita Tulman  
Deputy Attorney General  
Office of Attorney General  
Bureau of Consumer Protection  
15<sup>th</sup> Floor, Strawberry Square  
Harrisburg, PA 17120  
Telephone: (717) 787-9707  
Facsimile: (717) 787-1190  
E-mail: jabel@attorneygeneral.gov  
mtulman@attorneygeneral.gov

**IV. DISCOVERY MODIFICATIONS**

Joint Complainants do not propose any discovery modifications in this matter.

**V. SETTLEMENT**

The Joint Complainants are willing to engage in settlement discussions on the issues.

**VI. PROPOSED SCHEDULE**

The Joint Complainants will work with Administrative Law Judges Barnes and Cheskis (ALJs) and the parties to develop a mutually agreeable procedural schedule. At this time discovery is ongoing between the parties. The parties have served various interrogatories and requests for production of documents, and not all responses have yet been received. As these responses are received and reviewed, parties may seek to obtain depositions and serve additional written discovery. It is not clear at this time how much additional discovery is contemplated by the parties.

Given the somewhat uncertain timeframe needed for discovery, Joint Complainants submit that discovery remain ongoing and that a second prehearing conference be scheduled for at least 60 days from now. At the second prehearing conference, the parties can present a

litigation schedule regarding the submission of written testimony, hearings and briefs for the ALJs' consideration.

Joint Complainants submit, however, that hearings may be scheduled for consumer fact witnesses before expert, company personnel and other written testimony is due. Joint Complainants recommend that consumer witness hearings be targeted for November 2014 so that the presentation of such testimony may be completed before the holidays and winter weather make scheduling difficult. As stated in Section VII below, Joint Complainants have identified approximately 302 potential consumer fact witnesses to present testimony in person, by affidavit and telephonically. Joint Complainants are prepared to call a sufficient number of consumer fact witnesses in order to enable the ALJs to make determinations regarding Joint Complainants' allegations and will work with the ALJs and the parties to present evidence from a sufficient number of consumer witnesses from which the ALJs seek to receive testimony. Joint Complainants will work with the ALJs, the Commission scheduling office and the parties to determine the dates and locations for hearings for the customer fact witnesses.

## **VII. WITNESSES**

The Joint Complainants intend to present the direct, rebuttal, and surrebuttal testimonies, as may be necessary, of Dr. Steven L. Estomin and Ms. Barbara R. Alexander. These witnesses will present testimony in written form and may also attach various exhibits, documents, and explanatory information which will assist in the presentation of the Joint Complainants' case.

Steven L. Estomin, Ph.D.  
Exeter Associates, Inc.  
10480 Little Patuxent Parkway  
Suite 300  
Columbia, Maryland 21044  
E-mail: [sestomin@exeterassociates.com](mailto:sestomin@exeterassociates.com)

Barbara R. Alexander  
83 Wedgewood Drive  
Winthrop, ME 04364  
E-mail: [barbalex@ctel.net](mailto:barbalex@ctel.net)

In order to expedite the resolution of this proceeding, the Joint Complainants request that copies of all interrogatories, testimony, and answers to interrogatories be mailed directly to the witnesses identified above as well as mailing a copy to counsel for the Joint Complainants.

Joint Complainants also intend to call:

Heather M. Weaver  
Consumer Protection Agent  
15<sup>th</sup> Floor, Strawberry Square  
Harrisburg, PA 17120  
E-mail: [hweaver@attorneygeneral.gov](mailto:hweaver@attorneygeneral.gov)

Additionally, Joint Complainants have identified approximately 302 consumer fact witnesses. Joint Complainants will identify the consumer fact witnesses they intend to call for the ALJs and parties as soon as possible. Joint Complainants specifically reserve the right to call additional witnesses, as necessary. As soon as Joint Complainants have determined any additional witness or witnesses will be necessary for any portion of their case, Joint Complainants will notify the ALJs and all parties of record.

Respectfully Submitted,

  
John M. Abel  
Senior Deputy Attorney General  
PA Attorney I.D. 47313

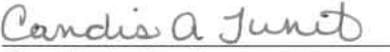
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Kathleen G. Kane, Attorney General  
Bureau of Consumer Protection

DATE: August 19, 2014  
188947

  
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Counsel for:

Tanya J. McCloskey  
Acting Consumer Advocate

CERTIFICATE OF SERVICE

Commonwealth of Pennsylvania, by	:	
Attorney General KATHLEEN G. KANE,	:	
Through the Bureau of Consumer Protection,	:	
	:	
And	:	
	:	
TANYA J. McCLOSKEY, Acting Consumer	:	
Advocate,	:	
Complainants	:	
	:	Docket No. C-2014-2427657
v.	:	
	:	
IDT ENERGY, INC.,	:	
Respondent	:	

I hereby certify that I have this day served a true copy of the foregoing, Prehearing Memorandum of Joint Complainants Commonwealth of Pennsylvania and the Office of Consumer Advocate, in the manner and upon the persons listed below:

Dated this 19th day of August 2014.

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