

**COMPLIANCE AUDIT AND MANAGEMENT
ASSESSMENT
OF THE BUSINESS AND SALES PRACTICES OF
JUST ENERGY**

**Just Energy Compliance/Management Audit
ICC11AGS0001**

Submitted to the:

Illinois Commerce Commission

527 E. Capitol Avenue
Springfield, IL 62701

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MANAGEMENT CONSULTANTS

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APPENDIX A: LIST OF ACRONYMS

I. INTRODUCTION

A. Overview of Just Energy

Just Energy Group Inc. (JE) is a publicly traded energy company that serves more than 1.6 million customers across North America through various subsidiaries that are certified to serve retail customers in multiple U.S. states and Canadian provinces. JE does business in Illinois through Just Energy Illinois Corp. (JE Illinois).

Until recently, JE's Illinois business primarily involved the sale of natural gas to residential and commercial customers under long-term fixed-price and price-protected contracts. By fixing the price of natural gas under its fixed-price or price-protection program contracts for a period of up to five years, JE's customers offset their exposure to changes in the price of the commodity.

In 2011, JE Illinois' Fixed Price Program was offered at a rate of \$0.79 per therm for five years and \$0.81 for three years. Customers were also able to participate in the Just Green program for an additional cost of \$0.12 per therm, which would offset 60 percent of the home's emissions from burning natural gas, or at \$0.20, which would offset 100 percent.¹ Just Energy also offered a Just Green Rate Capper Product. For a \$19.95 monthly fee which included a 100 percent green offset, customers were billed at the utility rate but which was capped at \$0.89 per therm or \$0.79 per therm depending on when the product was purchased.² If during the five year term of the product, the utility rate did not go above \$0.89 per therm (or \$0.79 per therm), the customer would receive a \$125 rebate. The majority of JE Illinois' customers were on its Fixed Price Program.

On May 18 2011, JE Illinois introduced the JustGreen RateFlex product - a variable rate product whereby customers would pay a variable rate for natural gas with the option to lock in a fixed rate for a period of four or five years. The variable rate is offered at a five percent discount on the utility's supply rate for the first three months and thereafter based on business and market conditions for the remainder of the term. The variable price in any given month of the term after the introductory period is capped at the New York Mercantile Exchange (NYMEX) index plus a maximum of 20 cents per therm.

JE Illinois' primary marketing channel is door-to-door, using a team of independent marketing contractors (ICs). Until recently, ICs also marketed [REDACTED] via the door-to-door sales channel. [REDACTED] are now marketed through [REDACTED]

¹ Just Energy purchases carbon offsets on the customer's behalf to reduce the equivalent amount of emissions from a typical household from burning natural gas. NorthStar has not audited JE's Just Green program.

² Data Response 26f

B. Regulatory Framework

In December 1997, an amendment to Section 9-244(b) of the Public Utilities Act gave the ICC the authority to allow alternative rate regulation for gas utilities. The purpose of the amendment was to allow residential and small commercial consumers the opportunity to partake in potential market benefits and lower rates through the development of competitive markets. In 1996, Illinois' three largest utilities, Nicor Gas Company (Nicor), North Shore Gas Company (North Shore), and People's Gas Light & Coke Company (Peoples), opened their service territories to retail access. Residential and small commercial customers were able to purchase natural gas from the competitive market through Alternative Gas Suppliers (AGS) and the utilities or local distribution companies (LDC) would continue to provide delivery, billing, and utility operations such as responding to gas leaks.

Although the ICC does not directly regulate the prices and products offered by the AGSs, the ICC must license all AGSs to operate in the state of Illinois, and all AGSs licensed to do business in Illinois must comply with applicable laws, orders and regulations. These include:

- **The Alternative Gas Supplier Law.** On February 8, 2002, the Illinois governor signed SB 694 into law. SB 694, commonly known as the Alternative Gas Supplier Law (AGSL), required the ICC to establish certification standards for marketers participating in local and statewide service unbundling programs. Marketers must comply with informational and reporting requirements, be licensed to do business in Illinois, be bonded, and demonstrate creditworthiness. SB 694 was codified in Section 19 of 220 ILCS 5/ Illinois Public Utilities Act.
- **Consumer Fraud and Deceptive Business Practices Act, Section 2.** Section 2 of the Consumer Fraud and Deceptive Business Practices Act legislates unfair methods of competition and unfair or deceptive acts or practices, including but not limited to the use or employment of any deception, fraud, false pretense, false promise, misrepresentation or the concealment, suppression or omission of any material fact, with intent that others rely upon the concealment, suppression or omission of such material fact. The Attorney General (AG) is responsible for enforcing this Act.
- **Public Act 95-1051 (amended AGSL),** which took effect April 10, 2009, modified requirements for marketers. It requires clear disclosure of prices, terms, and conditions, and prevents marketers from misrepresenting their affiliation with a utility, government agency or consumer group. It limits early termination fees and allows consumers to cancel within 10 days of their first bill without penalty. It also established verification requirements to prevent unauthorized switching and allows consumers to be placed on a "do not contact list". The modified AGSL was codified on April 10, 2009 as Article XIX of 220 ILCS 5/ Public Utilities Act.

C. Background and History

In April 13, 2010 in Docket No. 08-0175, the ICC ordered an independent audit of JE Illinois' residential and small commercial sales program, with a focus on hiring, training, solicitation procedures and performance, targeting of specific communities and demographics (including but not limited to socioeconomic status, household language, and race), compensation, sales verification, complaint tracking and reporting, discipline, and other compliance practices. The following provides a brief chronology of events leading up to the audit:

- February 2008 – The Illinois AG filed a lawsuit against USESC (The People of Illinois vs. U.S. Energy Savings Corp.) alleging deceptive business practices. The lawsuit was based on 457 consumer complaints received through the AG's Consumer Fraud Bureau, over 2,000 complaints from the Citizens Utility Board (CUB) and 254 complaints from the Better Business Bureau (BBB). Details of the allegations include:
 - USESC sales people told consumers that the fixed-rate program would offer significant savings by locking them into a consistent gas price before rates allegedly spiked.
 - USESC sales agents failed to tell consumers that the set price is actually higher than prices historically offered by regulated utility suppliers.
 - Sales agents many times did not clarify that cancellation resulted in a substantial monetary penalty or indicated that consumers could cancel at any time without a penalty.
 - Some USESC sales agents negotiated contracts in English with non-English speaking customers.
 - Customers were told during the solicitation that their bills would remain the same over the five-year contract.
 - When customers attempted to exercise their statutory three-day right to cancel the contract, some customers were instructed by automated message to call back at a different time, placed on hold indefinitely, transferred continuously, and/or disconnected without being able to cancel their contracts.
- March 2008 – the ICC opened Docket No. 08-0175 based on the amended complaints of the CUB and the American Association of Retired Persons (AARP) alleging violations of the AGSL and other laws. In that docket, CUB, Citizen Action/Illinois and the AARP filed a five count complaint against JE alleging violations of several different statutes. The ICC determined that JE had not committed any violation of an alleged common law prohibition against unreasonable liquidated damages (the fourth count). On the first count, the ICC determined that JE had committed eight violations of the Public Utilities Act by failing to obtain a verifiable customer switching authorization, and one violation of that Act for disseminating marketing materials that distorted the required price disclosure. Finally, on count five, the ICC found that JE committed a single violation of a subsection of a Nicor Standards of Conduct tariff.

CUB Attachment A (Public)

- May 2009 – The Honorable Daniel A. Riley, Illinois Cook County Circuit Court issued a Final Judgment and Consent Decree (08 CH 04913) (Consent Decree) in the matter of the People of Illinois vs. U.S. Energy Savings Corp. The judgment consisted of a joint agreement of treatment of past contracts and JE's future sales and marketing conduct. Details of the Consent Decree (CD) include:
 - No admission of wrongdoing on the part of USESC.
 - Illinois consumers may terminate contracts and receive \$1 million in restitution as a result of the lawsuit.
 - USESC is banned from using deceptive or unfair practices during the course of soliciting customers for natural gas supply contracts.
 - 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.
 - USESC also must clearly disclose that consumers will be leaving their regulated utility company to enroll with the reseller of natural gas.
 - Places a \$50 cap on the amount that USESC can charge customers for early termination.
 - Requires USESC to maintain a customer call center where the average answer time shall not exceed 60 seconds and the abandon call rate shall not exceed ten percent.
 - Requires USESC to investigate and terminate sales representatives who mislead consumers, provide false information during solicitations, and forge contracts or agreements.

- April 2010 – the ICC issued a final order in Docket No. 08-0175, "Citizens Utility Board, Citizens Action/Illinois and AARP vs. Illinois Energy Savings Corp. d/b/a U.S. Energy Savings Corp." Details of the order include a finding of violations of Article XIX of the Public Utilities Act and mandating that an independent audit be performed. The order also incorporates Section A through G of the CD and the following corrective measures:
 - USESC must notify the ICC of every complaint it receives within 24 hours of receipt. This notification shall include complaints lodged directly with USESC, complaints referred to USESC by utilities, and complaints referred to USESC by third parties. The Commission further directs that USESC with respect to all future complaints specify in its written notification of the nature of the complaint, the agency, utility, or individual who reported the complaint, and the relief requested by Complainant. Such written notification is required to be filed with the Director of the ICC's Consumer Services Division (CSD). Additionally, USESC shall also provide the CSD monthly reports on the status of pending complaints, including resolutions and a summary of the status of any unresolved complaints.
 - The script for verification calls must include a confirmation that the call is made in the language understood by the customer.
 - Verification calls must be performed without the salesperson being present. The salesperson shall leave the customer's premises before the customer and the

CUB Attachment A (Public)

verifier begin discussing the sale. The salesperson shall not return to the customer's premises, or otherwise initiate contact with the customer, before the following day.

- The verification script should include audible confirmation from the customer that the sales agent is not present before the verification portion of the call begins.
 - Each verification question should request verification of a single fact and there should be a sufficient pause for an answer to each question before another question is asked.
 - All substantive revisions to third-party verification scripts must be submitted to the ICC Staff within 48 hours.
 - In any printed or digital materials provided by USESC, directly or indirectly, to customers in Illinois, any price comparison between USESC and a gas utility shall be limited to the utility serving the area in which the consumer's residence or business is located. All depictions of utility prices shall display at least three years of data in no greater than quarterly increments and shall also display USESC's offered price for the same or equivalent product(s) or service(s) for each of the same increments.
 - In any printed or digital materials provided by USESC, directly or indirectly, to customers in Illinois, no future price of any utility shall be visually depicted and nothing shall depict or suggest that a utility's future prices will be higher than the last month for which the price is known. Likewise no marketing material may contain language that in general suggests that future prices in the abstract (e.g., national or international price trends) are going to be higher.
 - No regional distributor or crew coordinator shall retain any commission, bonus or reward based in any way on any act or omission that violates any law, regulation or order enforced by the Commission. An incentive structure for employees or agents that rewards reduction of complaints and non-compliances is permissible and encouraged.
 - Customer requests for service cancellations must be forwarded to the utility for cancellation within two business days of the company receiving the request from the customer, and without any barriers beyond normal legal retention efforts. Cancellations should be done at the customer service level, not escalated or referred to some other department, although customer complaints associated with cancellations may be separately escalated or referred. USESC shall file with the Director of the ICC's CSD a quarterly report on cancellations that shall include a tracking of all cancellation requests, the level at which the call was taken, and the resolution of the request by level.
- On April 10, 2009, the AGSL was substantially modified and is applicable to all AGSs. Those requirements include:
 - File material changes in business with the ICC.
 - Maintain sufficient managerial resources to support its certificate of service authority.
 - Comply with the ICC's complaint procedures.
 - File copies of bill formats, standard offer contracts, customer complaint resolution procedures, and name and contact information for company representative.

CUB Attachment A (Public)

- Maintain a customer call center with stipulated operating criteria.
- Maintain call center operational data for two years.
- Detail requirements of the sales verification processes.
- Limit marketing statements to be truthful and forthcoming concerning savings.
- Provide customers with written information disclosing terms and conditions prior to switching.
- Disclose early termination requirement including \$50 early termination fees and right to cancel after 10 days after first bill.

A list of requirements from the AGSL, the CD, and the Commission Order (CO) are shown in **Exhibits I-1** and **I-2**. **Exhibit I-1** is a list of requirements for all AGS. **Exhibit I-2** is a list of corrective measures from the CD and CO specific to JE. JE must comply with these stipulations for a period of ten years.

Exhibit I-1 AGSL Requirements

Requirement	Source
Obtain Certificate of Service Authority	AGSL 19 110
File material changes in business with ICC	AGSL 19 111
Maintain sufficient managerial resources	AGSL 19 112
Comply with complaint procedures	AGSL 19 115
File bill formats, contracts, complaint procedures and company representative	AGSL 19 115
Maintain call center and call records and achieve performance requirements	AGSL 19 115(b), CD
Provide call center contact information bi-annually to customers	AGSL 19 115(b), CD
File call center operating statistics by March 1	AGSL 19 115(b), CD
Obtain confirmation of switch of provider by letter of agency, third-party verification, telephone, automatic telephone verification, or electronic letter of agency (enhanced)	AGSL 19 115(c), CD
Third-party verification must be used for all door-to-door sales	AGSL 19 115(c), CD
Obtain customer's permission to switch supplier	AGSL 19 115(c)
Do not prevent customer from utility services and access	AGSL 19 115(e)
Do not charge customer for utility access	AGSL 19 115(e)
Do not bill for unauthorized goods or services	AGSL 19 115(e)
Do not bill for disputed amounts	AGSL 19 115(e)
Do not deny service or offer prices based on race, gender, or income	AGSL 19 115(f)
Do not deny service based on locality	AGSL 19 115(f)
Do not obligate customers to agreement after moving outside of IL, to an area without a transportation program, to an area without natural gas service	AGSL 19 115(f)
Do not assign agreements to other AGSs	AGSL 19 115(f)
Marketing materials must disclose price, terms, and conditions	AGSL 19 115(g)
Customers must receive written materials disclosing price, terms, and conditions	AGSL 19 115(g)
Supply accurate, timely, and itemized billing	AGSL 19 115(g)
Supply billing statements with AGS name and contact information	AGSL 19 115(g)
Provide customers with an annual statement of average prices	AGSL 19 115(g)
Deposits returned within 30 days of cancellation with interest	AGSL 19 115(g)
Do not market to "Do Not Contact List"	AGSL 19 115(g)
Opportunity to rescind with 10 business days of signing	AGSL 19 115(g), CD
Disclose limitations on offer (e.g., maximum number of customers, the time period availability)	AGSL 19 115(g)
Disclose during solicitations early termination fee not to exceed \$50	AGSL 19 115(g), CD

CUB Attachment A (Public)

Requirement	Source
Clearly and conspicuously disclose: <ul style="list-style-type: none"> • Price terms and conditions • Right to rescind the offer within 10 days of utility notice of switch • Amount of any termination fees 	AGSL 19 115(g)
Disclose during solicitations contract duration	AGSL 19 115(g)(2), CD
Disclose during solicitations administrative fees	AGSL 19 115(g)(2), CD
Disclose procedure to cancel/rescind	AGSL 19 115(g)(5), CD

Exhibit I-2 JE Illinois Corrective Measures

Requirement	Source
Notify the ICC of every complaint within 24 hours	CO
Provide CSD monthly status reports of pending complaints	CO
Undergo independent audit	CO
Verification scripts must include audible affirmative responses concerning: language preference, salesperson left premises, and single fact questions.	CO
Changes in verification scripts must be filed with ICC within 48 hours.	CO
Price comparisons in digital or printed materials must be limited to utility service territory and include 3 years data of no greater than quarterly increments and include JE's prices at the time	CO
Do not depict any future prices in digital or printed materials	CO
Do not compensate regional distributors or crew coordinators for any act that violates any law, order, or regulation	CO
Customer cancellations must be forwarded to the utility company within 2 business days	CO
The salesperson shall not return to the customer's premises, or otherwise initiate contact with the customer, before the following day	CO
During solicitations, disclose that JE is an alternative gas supplier with no affiliation with utility, government, or consumer group	CD
During solicitations, disclose that the purpose is to sell gas supply	CD
During solicitations, disclose consolidated billing with utility	CD
During solicitations, disclose the salesperson's name	CD
Not make promises or guarantees of savings that cannot be substantiated at time of solicitation	CD
Not make misleading statements with regard to past savings	CD
Disclose past performance does not guarantee future savings	CD
Conduct solicitation in language understood by consumer	CD
Provide sales representatives with scripts	CD
Provide sales representatives with training and refresher training at least every six months	CD
Print promotional materials disclose that JE is an alternative gas supplier with no affiliation with the utility, government, or consumer group	CD
Print promotional materials disclose that the customer will receive a consolidated bill	CD
Print promotional materials disclose term, and that customer should look to contract for terms and conditions	CD
Print promotional materials disclose in 12-pt bold font the early termination fee	CD
Print promotional materials not make promises of savings that cannot be substantiated	CD
Print promotional materials disclose in 12-pt bold font the cancellation procedure	CD
Contract discloses the early termination fee	CD
Contract discloses the customer's statutory right to cancel within 10 days of first bill	CD
Contract discloses: salesperson's name, alternative gas supplier disclosure, term, administrative fees, rate, in 12-pt bold font \$50 maximum termination fee, in 12-pt bold font how to cancel contract, contact information, ICC contact information	CD
Website discloses alternative gas supplier disclosure, consolidated utility bill, term, administrative fees, rate, early termination fee not to exceed \$50, and cancellation procedure	CD

CUB Attachment A (Public)

Requirement	Source
Website does not make promises of savings that cannot be substantiated	CD
Welcome letters sent within 20 days from enrollment	CD
Welcome letters confirm consolidated utility bill, term, administrative fees, rate, early termination fee, and cancellation procedure	CD
Welcome letters do not make promises of savings with substantiation	CD
Welcome letters are not vague or misleading	CD
Implement a customer complaint system	CD
Provide bi-annual instruction to Illinois AG on how to file a complaint	CD
Send written responses to all complaints within 10 days to the consumer advocate and consumer	CD
Provide final resolution of complaints to AG and consumer	CD
Compliance personnel are not compensated based on commission	CD
Develop a Code of Compliance and provide to all salespersons	CD
Install managerial personnel in IL to oversee compliance	CD
Create and thereafter maintain a code of compliance outlining proper management and solicitation practices for Regional Distributors and independent sales contractors or sales representatives consistent with this Stipulated Final Judgment and Consent Decree and with all applicable federal and state laws	CD
Develop a system to assign consequences for violations of the code of compliance	CD
Terminate all sales personnel who are targets of verifiable forgery or failed on two occasions in 12 months to adhere to solicitation scripts. Do not re-engage individuals for 12 months.	CD

D. Audit Scope and Approach

In June 2010, the ICC issued a Request for Proposals (RFP) for a combined compliance audit and management assessment. As stated in the RFP:

- For compliance purposes, the audit and assessment should focus on hiring, training, solicitation procedures and performance, targeting of specific communities and demographics, compensation, sales verification, complaint tracking and reporting, discipline and other compliance practices.
- In addition, the services should focus on JE's commitment to the management of sales and marketing staff, and its managerial presence within Illinois, as well as other aspects of the AGSL. The audit should identify impediments to this objective and recommend effective solutions.

The primary objective is for the auditing company to provide recommendations and/or solutions to substantially reduce JE's consumer complaints. These include complaints received directly by JE as well as complaints taken by third parties, such as the ICC's CSD, CUB, the BBB and the Office of the Illinois AG. The audit should be a combination of objective pass/fail compliance testing and a subjective assessment in order to make corrective recommendations for managerial deficiencies.

The independent audit and assessment should examine the business and sales practices of the company for a period of six months with interim reporting to Commission Staff on its progress and any non-compliance findings. The audit will conclude with a final report of findings and include recommendations and/or solutions to address deficiencies found by the auditor.

On April 7, 2011, the ICC gave notice that it intended to award the audit to NorthStar Consulting. The contract was executed on May 4, 2011, and the audit commenced on that date. Orientation was conducted in May 2011 and NorthStar submitted its detailed work plan on May 24, 2011. Fieldwork was conducted from May through October 2011. The draft report was submitted to the ICC staff in November 2011. In performing the audit, NorthStar undertook the following activities:

- Reviewed over 300 information requests.
- Conducted over 60 interviews of personnel in the U.S. and Canada, including former Regional Distributors of two recently closed Illinois sales offices.
- Interviewed/surveyed 14 former JE Illinois sales people (ICs). Additional ICs were contacted; however, either contact information was not current or the ICs declined to respond.
- Performed field shadowing and interviewed ICs in the field.
- Conducted a survey of 75 Illinois residents who had been solicited by JE Illinois and for whom the third-party verification call had been initiated. Individuals were contacted within 24 to 48 hours of the sales presentation.
- Conducted a survey of current ICs regarding training, compliance and management support. Thirty-two ICs participated in the survey.
- Conducted site visits to the three current JE Illinois offices.
- Attended training activities including orientation training, refresher training, and role-play sessions.
- Attended crew coordinator/assistant crew coordinator and IC morning meetings.
- Attended new hire interviews and observed office activities.
- Attended the bi-weekly conference call between Corporate and Consumer Relations and each Illinois regional sales office regarding potential independent contractor misconduct.
- Reviewed allegations of IC misconduct and investigation results.
- Listened to 200 third-party verification calls during the period from March-August 2011.
- Monitored approximately 300 live and recorded customer calls to the JE call center and reviewed the associated call classification and narratives.
- Conducted follow-up phone calls with JE regarding call classification and compliance investigation results.

NorthStar is a general management consulting firm and not a law firm. Consequently, its findings and conclusions as presented throughout the report do not represent legal opinions.

E. Organization of the Report

The remainder of this report is organized as follows.

- Chapter I: Introduction (this chapter)
- Chapter II: Executive Summary
- Chapter III: Strategy and Organization
- Chapter IV: Recruiting and Training
- Chapter V: Promotional Materials

- Chapter VI: Door-to-Door Sales
- Chapter VII: Verification Processes
- Chapter VIII: Call Center Operations
- Chapter IX: Complaints and Conduct

Each of the detailed audit chapters consists of the following sections:

- A. Background
- B. Compliance Requirements
- C. Compliance Findings
- D. Management Assessment
- E. Recommendations
- F. Other Considerations

CHAPTER II: EXECUTIVE SUMMARY

A. Introduction

On April 13, 2010 in Docket No. 08-0175, the ICC ordered an independent audit of JE Illinois' sales program, with a focus on both compliance practices and an assessment of managerial oversight. In June 2010, the ICC issued an RFP for a combined compliance audit and management assessment. As stated in the RFP:

- For compliance purposes, the audit and assessment should focus on hiring, training, solicitation procedures and performance, targeting of specific communities and demographics, compensation, sales verification, complaint tracking and reporting, discipline, and other compliance practices.
- In addition, the services should focus on JE's commitment to the management of sales and marketing staff, and its managerial presence within Illinois, as well as other aspects of the AGSL. The audit should identify impediments to this objective and recommend effective solutions.

The primary objective of the procured services is for the auditing company to provide recommendations and/or solutions to substantially reduce JE's consumer complaints. These include complaints received directly by the company as well as complaints taken by third parties, such as the ICC's CSD, CUB, the BBB and the Office of the Illinois AG. The audit should be a combination of objective pass/fail compliance testing and a subjective assessment in order to make corrective recommendations for managerial deficiencies.

On April 7, 2011, the ICC gave notice that it intended to award the audit to NorthStar Consulting. The contract was executed on May 4, 2011 and the audit commenced on that date. Orientation was conducted in May 2011 and NorthStar submitted its detailed work plan on May 24, 2011. The draft audit report was delivered to the ICC staff in November 2011. In performing the audit, NorthStar undertook the following activities:

- Reviewed over 300 information requests.
- Conducted over 60 interviews of personnel in the U.S. and Canada, including former Regional Distributors of two recently closed Illinois sales offices.
- Interviewed/surveyed 14 former JE Illinois sales people. Additional ICs were contacted; however, either contact information was not current or the ICs declined to respond.
- Performed field shadowing and interviewed ICs in the field.
- Conducted a survey of 75 Illinois residents who had been solicited by JE Illinois and for whom the third party verification (TPV) call had been initiated. Individuals were contacted within 24 to 48 hours of the sales presentation.
- Conducted a survey of current ICs regarding training, compliance and management support. Thirty-two ICs participated in the survey.
- Conducted site visits to the three current JE Illinois offices.

- Attended training activities including [REDACTED]
- Attended Crew Coordinator (CC), Assistant Crew Coordinator (ACC) and IC morning meetings.
- Attended new hire interviews and observed office activities.
- Attended the biweekly conference call between Corporate and Consumer Relations (CCR) and each Illinois regional sales office regarding potential IC misconduct.
- Reviewed allegations of IC misconduct and CCR investigation results.
- Listened to 200 TPV calls during the period from March-August 2011.
- Monitored approximately 300 live and recorded customer calls to the JE call center and reviewed the associated call classification and narratives.
- Conducted follow-up phone calls with JE regarding call classification and compliance investigation results.

B. Summary

Regulatory Background

JE's Illinois business primarily involves the sale of natural gas to residential and commercial customers via a door-to-door marketing channel, using a team of independent marketing contractors.

In February 2008, the Illinois AG filed a lawsuit against USESC (now JE), for allegedly selling fixed-rate gas contracts using deceptive sales tactics that falsely promise significant consumer savings in violation of 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.

On March 3, 2008, CUB, the AARP and Citizen Action/Illinois filed a verified Complaint against Illinois Energy Savings Corp., d/b/a U.S. Energy Savings Corp. with the ICC, alleging violations of the AGSL, including management insufficiency and noncompliance with Section 2 of the Illinois Consumer Fraud and Deceptive Business Practices Act, the Illinois Deceptive Trade Practices Act, the common law prohibition against unreasonable liquidated damages, and the supplier Standards of Conduct contained in tariffs filed with the ICC by Peoples Gas, NorthShore and Nicor Gas. In that docket, CUB, Citizen Action/Illinois and the AARP filed a five count complaint against JE alleging violations of several different statutes. The ICC determined that JE had not committed any violation of an alleged common law prohibition against unreasonable liquidated damages (the fourth count). On the first count, the ICC determined that JE had committed eight violations of the Public Utilities Act by failing to obtain a verifiable customer switching authorization, and one violation of that Act for disseminating marketing materials that distorted the required price disclosure. Finally, on count five, the ICC found that JE committed a single violation of a subsection of a Nicor Standards of Conduct tariff

A number of consumer protections for potential alternative gas supply customers were codified into law on April 10, 2009.

JE Illinois' Products

In May 2011, as NorthStar was initiating the audit, JE significantly changed its Illinois product offering, shifting from a fixed price product to a variable rate product. The premise of the prior fixed price product was to protect the customer from fluctuating prices by offering them a predefined, set rate. Rates were established based on current market conditions. Customers had the benefit of knowing their rate would not change, and if utility prices or other suppliers' variable prices exceed JE's fixed price, then the customer would benefit from JE's lower fixed rate. In 2006, JE Illinois offered this product at \$1.19 per therm. In 2011, JE Illinois offered this product at \$0.79 per therm. Generally, natural gas prices increased between 2006 and 2008, and have declined since 2008. During the period of NorthStar's audit, the LDC's prices were between \$0.39 to \$0.78 per therm.³

Customers that entered into a JE Illinois Fixed Price contract during a relatively high priced period, may not look upon the JE fixed price product favorably when comparing their rate to the current utility rate (or another AGS). This is reflected in JE's customer complaint calls. The single largest contributor to JE Illinois' complaint volume is JE's rate compared to the utility's rate. It represented ██████████ of JE Illinois' complaint volume from May 2010 to April 2011.⁴

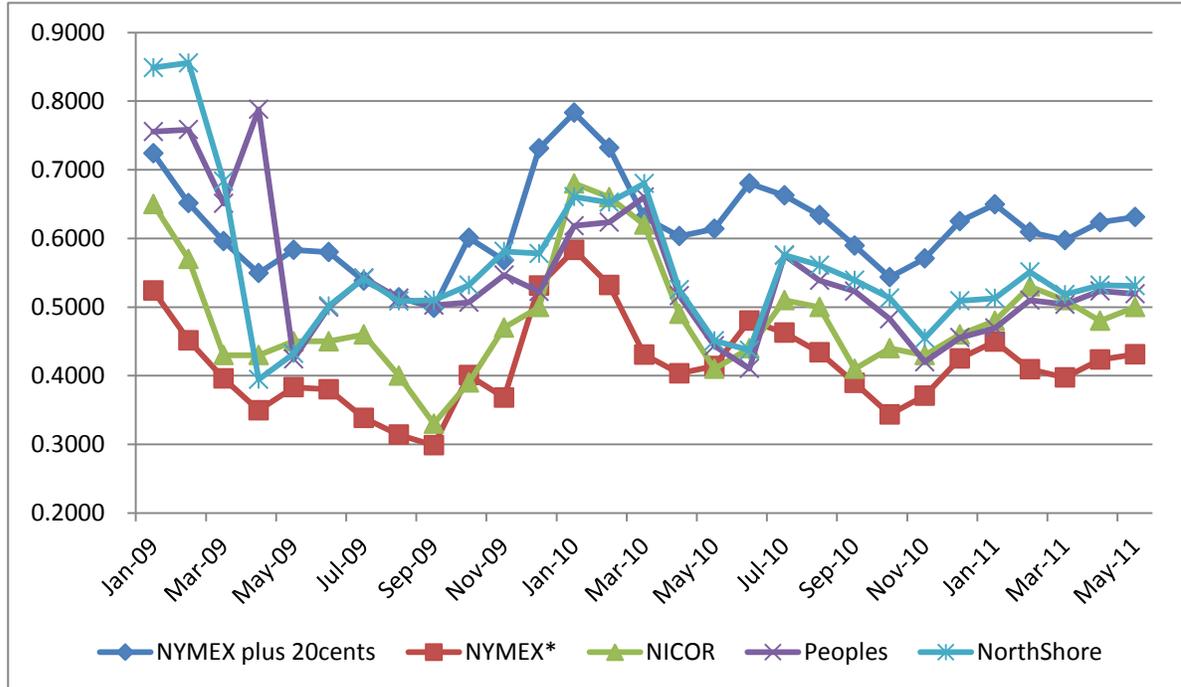
The new JustGreen RateFlex product offers customers a five percent discount off the utility rate for the first three months of the program and then a variable rate for the remainder of the term (four or five years, although most customers are not generally offered the option to sign-up for four years). The variable rate cannot exceed the New York Mercantile Exchange (NYMEX) rate plus 20 cents. At any time after their start date, customers may lock in a fixed price rate instead of the variable rate by calling JE's call center. The lock-in rate is not specified in the contract and will be determined by JE based on current market conditions. Customers are also eligible for a one-time \$125 rebate at the end of their agreement should the volume weighted average utility price over the four- or five-year initial term of the agreement be less than that of the RateFlex rate for gas supply charged to the customer.

Because of the timing of the JustGreen RateFlex introduction, NorthStar cannot yet know the impact of the new program on complaint volumes; however, absent a change in its pricing methodology, the difference between JE Illinois' variable rate and the utility rate should not be as large as experienced previously under the fixed price product. Historically, NYMEX has been below the utilities' rates and generally (although not always) NYMEX plus 20 cents has been higher than the utilities' rates, as shown in **Exhibit II-1**. The NYMEX plus 20 cents represents a cap on the RateFlex rate which may minimize the differential between the JE Illinois rate and the LDC rate, but is not necessarily reflective of the rate that JE Illinois customers will be charged.

³ April 2009 through November 2011

⁴ ICC Complaint filings

**Exhibit II-1
Historical NYMEX Prices**



Source: Official Nebraska Website http://www.neo.ne.gov/statshtml/124_archive.htm

The JustGreen RateFlex product was introduced on May 18, 2011. It typically takes from one to two months for the customer to be switched to JE Illinois and for gas to “flow” for billing purposes. The customer is on a discounted rate for three months. For a customer who signed up on June 1, 2011, they will likely begin flow somewhere between August 1 and September 1. The customer will be on the introductory, discounted rate for the next three months. The introductory period will not end until between and November 1 and December 1, 2011, after the audit fieldwork was completed. It is less likely that customers will complain during the discount period. Complaints may increase after the introductory period ends; however, this would be driven by a number of factors and NorthStar cannot predict whether this will occur or not.

Potentially the biggest risk with the new JustGreen Rate Flex product is the customers’ and the ICs’ lack of understanding of the natural gas commodity markets and the differences in JE Illinois’ and the utilities’ procurement strategies and pricing. Most of the Illinois salespeople interviewed by NorthStar believe JE will be able to beat the utility price based on the effectiveness and volume of JE’s gas purchasing. This comes across in the presentation to the customer and creates the potential for sales personnel to overstate the benefits of the program.

JE Illinois’ price will be set by JE and may or may not be lower than the utility price in any given billing period, except for the introductory period. Whether the customer benefits over the long-term from a bill standpoint cannot be determined until the end of the term and will be affected by market conditions and the customer’s usage in any given billing period relative to the rate differential during that period. Additionally, customer satisfaction may

depend on other factors. Customers receive additional benefits from the program, including the ability to lock-in a rate, the option to purchase carbon offsets and the Just Energy rewards program.

Organization and Sales

[REDACTED]

[REDACTED]

JE Illinois' product is sold door-to-door. Sales representatives are provided with a script they are instructed to follow in the event a prospective customer answers the door.⁵ The IC is to:

- Introduce themselves to the customer
- Show his/her badge
- Notify the customer that they are with JE, an alternative natural gas supplier licensed in Illinois, and not the utility, government agency, or any consumer group.

[REDACTED]

Most presentations stop at this point since many customers are not interested, do not have the time, may not have/or are not responsible for the bill, or are ineligible (e.g., elderly, not the account holder). [REDACTED]

[REDACTED]

If the customer meets these requirements, the customer [REDACTED] for the program. The IC then discusses the benefits of the product being offered and answers any questions the customer may have. If the customer is interested and purchases the product, the IC contacts the TPV and provides the customer information. The IC then leaves the customer's premise and the TPV verifies the sale with the customer.

⁵ [REDACTED]

Changes in Response to the Lawsuit and Complaint

In response to the consumer protections established in the CO, CD and AGSL, JE has implemented changes to its sales and marketing practices designed to address regulatory requirements, minimize the likelihood of inappropriate behavior, and to identify, investigate, and assign consequences for misconduct or contravention of Illinois requirements. Other changes have been made based on the recommendations of the ICC staff or by JE. Key changes are highlighted below. Whether the change was made proactively by JE or in response to regulatory requirements is also noted.

- All door-to-door sales must be confirmed by the use of an independent third-party verifier. (Regulatory)
- The IC is no longer present during the TPV call and cannot return within 24 hours. (Regulatory) JE had been using a TPV for door-to-door sales prior to the requirement but the IC remained with the customer. (JE)
- TPV representatives cannot answer calls in order to prevent promotion of JE Illinois' products and maintain independent verification. (Regulatory)
- Consequences for misrepresentation and other key contraventions of the Illinois Code of Compliance: Acceptable Marketing Practices have increased. (Regulatory)
- JE added an employee in Illinois who monitors compliance of the sales force. (Regulatory)
- [REDACTED] (JE)
- JE maintains a call center to handle Illinois customer calls. (JE) In response to regulatory requirements, JE increased its efforts to appropriately classify and handle complaint call.
- JE eliminated handling time standards for its call center representatives to ensure calls were handled and documented properly. (JE)
- JE increased the level of probing of the customer service representatives to better understand the root cause of customer complaints. (Regulatory)
- JE reorganized and created a US Midwest Region with the stated objective of having one person, who would be "closer to the customer" who would have total control and responsibility for all operations, including profit and loss, within the region. However, as discussed in Chapter III of this report, NorthStar has some concerns with the reorganization. (JE)
- [REDACTED] (JE)

- Extended the time period for cancellation with no penalties from 10 days after the customer receives notification of the switch from the utility (required by regulation) to 30 days after they receive their first bill. (JE)

Improvements have been made to JE's processes and oversight and external complaint volumes have dropped from their peak in 2008; however, additional improvements are possible. In any compensation arrangement that is entirely commission-based there is a conflict between personal gain and promoting the company's long-term interests. There are further risks and limitations associated with the door-to-door sales model. With door-to-door sales it is impossible for management or an external party to know exactly what transpired between the customer and the sales representative, making adequate and appropriate controls even more critical. One mitigating control is that the customer has ample opportunity to avoid the sale or cancel the program; however, the customer must also be provided with pertinent and accurate information upon which to base their decision. Vulnerable populations may require additional protections.

C. Conclusions

Key conclusions in each area are summarized below. A list of all conclusions is provided in Exhibit II-2 at the end of this section. Detailed discussion of each conclusion is provided in the respective chapter.

Strategy and Organization

Although improvements have been made, the Illinois sales organization does not have adequate corporate oversight. [REDACTED]

[REDACTED]

In April 2011, shortly before the audit began, [REDACTED]

[REDACTED]

[REDACTED] Decisions regarding Illinois operations are made fairly autonomously and communication between Illinois and corporate should be improved.

Recruiting and Training

JE Illinois ICs are provided with [REDACTED] ICs are provided with and trained in the Illinois compliance requirements and understand that certain actions will lead to immediate termination and others will result in termination over time. Training mirrors the Illinois compliance requirements; however, additional standardization and focus on compliance and lessons-learned is warranted. Training is highly dependent on an individual's presentation of the materials. [REDACTED]

[REDACTED] NorthStar observed differences in the training presentation among the offices.

Promotional Materials

Past and current promotional materials comply with regulatory requirements in most respects, but should be improved to provide greater clarity and more clearly address regulatory requirements. Past brochures indicated that the utility would continue to bill the customer and charge them for natural gas distribution, but did not specifically indicate that JE's charges would be in addition to the utilities' charges. The brochures also did not explicitly state that JE is a "licensed alternative natural gas supplier". The brochure for the current JustGreen RateFlex program also does not make these disclosures, and does not specify how JE's variable rate will be calculated. It does highlight other key aspects of the program such as the ability to lock in rates and the introductory five percent discount, but does not mention the NYMEX plus 20 cent cap on the variable rate. NorthStar's audit uncovered no evidence that JE unapproved materials were being used in door-to-door solicitations.

Door-to-Door Sales

Although implied by the process and the signed agreements, Illinois sales scripts should more explicitly disclose that the purpose of the solicitation is to sell natural gas. Other regulatory required disclosures are made, and were observed by NorthStar. NorthStar's field shadowing identified some instances where the IC failed to adhere to JE Illinois' Acceptable Marketing Practices and Code of Conduct with respect to promises of savings. Other portions of the sales presentation could be clarified to ensure customers are provided with more complete and accurate information.

Verification Processes

All JE Illinois door-to-door sales are verified using an independent TPV. Prior product TPV scripts (e.g., fixed price) comply with AGSL and CO requirements. The JustGreen RateFlex scripts could be improved to more clearly verify the customer understands the term of their agreement. JE Illinois has modified the TPV script since the program's inception to better align the script and the new product. NorthStar recommends some additional improvements to the existing script to improve the process and ensure the customer understands the differences between the utility's variable rate and JE Illinois' variable rates.

Training improvements are also warranted to ensure TPV representatives identify instances where the IC may coach the customer in how to answer the TPV questions before the IC leaves the customer's premise.

Call Center Operations

Illinois customer calls are handled by JE's call center [REDACTED]. The call center complies with the call answer speed and abandon rate standards established in the AGSL. As discussed previously, in response to recommendations by the ICC staff, JE has made a number of improvements in its call handling and probing. In general, NorthStar found the probing, handling and classification of call to be adequate; however, some additional areas for improvement were identified and are outlined in the chapter.

Complaints and Conduct

Customer complaints regarding JE Illinois to external parties have dropped since 2008. Although JE has implemented a number of controls to ensure compliance with acceptable marketing practices, additional improvements should be made. JE Illinois maintains a Code of Compliance and an associated compliance matrix which specifies the consequences for violating the Code of Compliance. The Code of Compliance was introduced in 2006, and has been updated at least annually. The Code of Compliance is provided to ICs during orientation, and ICs [REDACTED] before they are allowed to market in the field.

CCR investigates complaints of IC misconduct. These complaints may be received by the call center, external parties, or from the TPV process. [REDACTED]

[REDACTED]

[REDACTED] As with most modes of sale, given that the customer interaction occurs at the door and is not recorded, it is very difficult to confirm misrepresentation or other contraventions of the Code of Compliance.

At times there have been delays in the CCR investigation process or assignment of consequences. Timely investigation is critical to ensure corrective action or termination occurs promptly. [REDACTED]

[REDACTED]

[REDACTED], NorthStar was not able to evaluate the compliance history of all ICs. However, a random sample of a small number of ICs indicated delays in [REDACTED] percent of the cases, [REDACTED].

NorthStar is also concerned about the commitment to compliance at the top levels of the organization. The corporate/ regional culture does not adequately support a compliance mentality with respect to sales. ICs have the ability to [REDACTED] within the JE system, and compliance does not appear to be a key decision in hiring processes. Additionally, the use of compliance-related key performance indicators is limited and compliance is not an explicit element of the performance bonus process for key executives. Performance bonuses are driven primarily by earning and sales. NorthStar’s audit recommends a number of improvements to address these gaps.

Exhibit II-2 (following) provides a list of all of NorthStar’s conclusions. Details can be found in the respective chapters.

**Exhibit II-2
Summary of Conclusions**

Chapter III: Strategy and Organization	
1	Energy Savings (Illinois) Corp. is in compliance with AGSL Section 19-110b of the Public Utilities Act (Service Authority). On November 17, 2003, Energy Savings submitted an application for Certificate of Service Authority, which was granted on December 17, 2003.
2	Energy Savings (Illinois) Corp. is in compliance with the AGSL 19-110c of the Public Utilities Act. On November 19, 2003, Energy Savings published notice of application in the official state newspaper.
3	JE is in compliance with AGSL Section 19-111b and 19-111c as it relates to its name change.
4	JE Illinois complies with the terms of its Certificate of Authority by only enrolling and billing customers within the approved service areas.
5	NorthStar’s audit found no evidence that JE Illinois denies service based on race, gender, income or locality (AGSL 19-115f).
6	JE Illinois currently offers only one product, JustGreen RateFlex, to customers through the door-to-door channel. NorthStar’s audit found no evidence that this product is changed for any specific target group.
7	JE added personnel in Illinois responsible for monitoring the compliance of sales personnel. Between [REDACTED] people have been serving in this capacity since May 2009. However, as discussed in further detail following, NorthStar believes additional managerial presence is warranted.
8	In the past six to twelve months, JE has undergone significant organizational and managerial change. With so much change there is always a risk of lack of accountability, lack of direction, and lack of consistent, strong management.
9	The Illinois sales organization does not have adequate corporate managerial oversight.
10	The regionalization of the customer operations and other support functions should improve the focus on Illinois customers from a customer service perspective. However, this structure is too new to fully evaluate, so it is unclear at this time if this structure will be effective in improving compliance.
11	The new regional structure creates a matrix organization that has unclear roles and responsibilities as the [REDACTED]. ⁶ It is of concern that the [REDACTED] [REDACTED] [REDACTED] totally accountable for sales, profit, or loss, and reduces the stated impact of a stated goal of regionalization: to get closer to the customer and its needs.

⁶ A matrix is a grid-like organizational structure that allows a company to address multiple business dimensions using multiple command structures.

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12	Although the utilization of independent contractors at [REDACTED] is potentially problematic, NorthStar has no direct evidence that a more formal employee structure would improve operations. However, there are risks (and some benefits) inherent in this approach. Regardless of the employment structure, the key is training, follow-up, execution, and incentives or consequences.
13	[REDACTED], JE has adequately addressed the appropriate corporate and marketing issues. A more formal written document may increase the ability to communicate that strategy to the field.
14	JE's assumptive sales approach can be potentially misleading to customers. As evidence by NorthStar's review of call center and TPV calls, in some cases customers did not understand that they were currently signing up for the program and/or signing a contract. The importance of making it clear to the customer that they are signing-up has been reiterated to the Regional Distributors by CCR.
15	The audit uncovered no evidence that JE Illinois' door-to-door marketing activities specifically target low-income, elderly, or non-English speaking customers.
Chapter IV: Recruiting and Training	
1	The content of JE's training materials complies with applicable regulatory requirements and supports the reduction of customer complaints and violations of the AGSL.
2	JE conducted training sessions complying with the schedule set forth in the CD.
3	The following requirements are stressed during [REDACTED] <ul style="list-style-type: none"> • Wearing the proper uniform and identification badge. • That the IC must state their name and that they are with JE – an alternative natural gas supplier licensed to do business in the state of Illinois, and are not affiliated with any utility, consumer group or government agency. • [REDACTED]
4	ICs are trained and clearly understand the following contraventions of the Illinois Code of Compliance will lead to immediate termination: <ul style="list-style-type: none"> • Remaining at the customer premise during the TPV call. • Using their personal cell phone to conduct the TPV call. • Returning to the customer's premise within 24 hours.
5	There is little transparency in the information presented in the job postings/advertisements and in the information presented during the initial interview about the actual duties of the IC position. Many of the individuals looking for employment at JE have little or no idea of exactly what the job entails. It is possible that this lack of full transparency could become part of the sales office culture and might potentially contribute to the IC providing a lack of clarity when discussing the details of products with customers.
6	Although JE's training materials appropriately discuss compliance requirements and the resulting discipline for non-compliance, additional classroom training on compliance requirements and acceptable marketing practices during orientation training is warranted. It is important that individuals recognize that an integral part of being a successful IC is not only sales, but also good customer service and compliance results.
7	The [REDACTED]
8	Although there is a prescribed format for refresher training, the actual process and content differ by office.
9	Although the refresher training [REDACTED] it is not part of a formal process.
10	While the [REDACTED] are important and helpful training tools, they are highly dependent on the presentation of the individual performing the training. NorthStar observed some inconsistencies and instances of inaccurate or misleading information presented during the [REDACTED]. Additional focus is necessary to ensure the consistency and accuracy of information presented to the ICs.
Chapter V: Promotional Materials	
1	JE's Illinois' JustGreen RateFlex Brochure is not in compliance with all requirements of the CO, the AGSL, and the CD.

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2	JE Illinois' brochure for its Rate Capper product did not comply with all requirements of the CO, the AGSL and the CD.
3	JE Illinois' brochure for its Fixed Price Protection Program did not comply with all requirements of the CO, the AGSL and the CD.
4	JE Illinois' print advertisements are in compliance with the CO, the Alternative Gas Supplier Law and the CD. A review of a small selection of print advertisements found that JE Illinois correctly uses disclaimers and disclosures. JE Illinois does not provide price comparisons, depict future prices, or disclose any of its prices.
5	Improvements can be made to JE Illinois' website.
6	JE Illinois appropriately updates its promotional materials to reflect current products. In May 2011, JE Illinois introduced a new product, its JustGreen RateFlex Program. Brochures and materials were updated to reflect the new product.
7	NorthStar's audit uncovered no evidence that unapproved materials were being used in door-to-door solicitations.
8	Modifications to the JustGreen RateFlex brochure are recommended. <ul style="list-style-type: none"> • On the cover it states the name as the JustGreen RateFlex Program. Green energy is an option within the program, but the name JustGreen RateFlex implies the program may use green energy. • The brochure does not clearly explain the variable rate and existing references are vague.
Chapter VI: Door to Door Sales	
1	JE Illinois' scripts should more thoroughly disclose that the purpose of the solicitation is to sell natural gas as required by section II.A.1.c of the Consent Decree.
2	Solicitation scripts make the following other required disclosures. NorthStar also observed these disclosures in the field. <ul style="list-style-type: none"> • ICs observed by NorthStar stated their name and indicated that they were with Just Energy, an alternative natural gas supplier licensed in the state of Illinois • ICs observed by NorthStar indicated that they were not affiliated with utility, government or consumer group. • All ICs made the proper disclosures regarding the duration of the program, the cancellation policy and fees. • The script and the ICs indicate that the customer will continue to receive one bill.
3	NorthStar's field shadowing identified some contraventions of the Illinois compliance requirements with respect to savings. One incident resulted in a signed contract.
4	Most ICs and other JE personnel interviewed believe the customers will get a better deal with the JustGreen RateFlex program than they will with the local utility, and this comes across in the sales presentation. It is important to temper the collective enthusiasm to ensure ICs (and CSRs) do not over promise and mislead customers.
5	Other elements of the IC sales presentation may be misleading or potentially confusing to the customer. <ul style="list-style-type: none"> • ICs were observed to not clearly explain to the customer that the JE variable rate is not the same as the LDC rate. • ICs (and CSRs) frequently tell the customer that they are not "leaving" their local utility, switching utilities, or that they are staying with the utility. While this is technically true from a billing and distribution standpoint, it is inaccurate from a supply standpoint.
6	When the JustGreen RateFlex was introduced in Illinois, JE spent considerable time discussing how to address the compliance requirement related to financial savings relative to the benefits offered by and the features of the new product. A number of improvements have been made.
7	It is too soon to tell if JE Illinois' JustGreen RateFlex variable rate will be lower than, close to, or higher than, the LDCs' rates or if the new product will reduce complaints; however, historically, the single biggest contributor to the complaint call volume was JE's rate compared to the LDC (about 20 percent of complaints).
8	NorthStar conducted a survey of JE Illinois' customers. All survey respondents (100 percent) reported that the IC was polite and knowledgeable. Customers understood that they would receive a discount for three months, would be on a variable after the three months, that they signed up for a long-term agreement and that they were eligible for the \$125 rebate.

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9	The JustGreen RateFlex script language does not make it clear that green energy is optional. There is potential for confusion about whether customers are required to accept the green energy option and, if they do accept it, there is an increased cost.
10	██████████ turnover of the IC work force poses managerial and compliance challenges and contributes to the potential to promote ICs relatively quickly.
11	Although it is essential that new ICs have an opportunity to market to customers as soon as feasible, additional observation of new IC customer interactions by experienced personnel would be beneficial. ██████████ increases the likelihood for IC errors, which could lead to complaints. ██████████ ██████████ ██████████
12	██████████ ██████████ ██████████
13	There is mixed understanding by the ICs of the specifics of penalty implementation or recommendations for improvement based on the issue being penalized. ██████████ ██████████ ██████████
14	By its nature the door-to-door sales environment is difficult, but JE Illinois could do more to improve working conditions.
15	██████████ field monitoring activities are designed to improve compliance; however, given the number of offices, ██████████ ██████████
16	██████████ ██████████ ██████████
17	Observations and other potential areas for improvement based on NorthStar's review of field and office operations are provided in Exhibit VI-16 . Differences in the operations among the offices were noted.
Chapter VII: Verification Processes	
1	JE Illinois' selection of TPV contractors is in compliance with the AGSL and the CO.
2	██████████ ██████████ ██████████
3	The TPV Fixed Price and Rate Capper verification scripts reviewed by NorthStar comply with the AGSL and CO requirements.
4	The JustGreen RateFlex TPV scripts reviewed by NorthStar disclose, but do not specifically confirm, the term of the agreement. The scripts also no longer require the customer to provide their service address; this information is obtained from the IC during the first part of the call.
5	The JustGreen RateFlex product was marketed to small commercial customers from May 18, 2011 to September 7, 2011 prior to the implementation of a small commercial customer script.
6	NorthStar listened to a sample of 206 TPV calls from the period March through August 2011. The verification calls complied with the following AGSL and CO requirements: <ul style="list-style-type: none"> • The third-party verifiers did not market JE's services. • All calls were conducted in the same language that was used in the underlying sales transaction or the TPV denied the verification. • All calls were recorded in their entirety. • All calls were performed without the salesperson being present, and the TPV vendor confirmed the IC had left before conducting the verification.
7	JE Illinois' Rate Capper, Fixed Price, Fixed Price Re-contract and JustGreen RateFlex contracts (as defined to include both the Customer Agreement and Acknowledgement Form) are in compliance with the requirements of the CO and the AGSL.
8	JE Illinois' welcome letters are in compliance with the CO and the AGSL. JE Illinois provides welcome letters in English and Spanish.

CUB Attachment A (Public)

9	JE Illinois currently sends welcome letters within the required 20 day period.
10	JE Illinois does not prevent a customer from having the services of its local gas utility nor does JE Illinois charge for access to the services of its local gas utility.
11	<p>JE Illinois performs an additional quality control check in its more recent TPV scripts by including the following additional questions:</p> <ul style="list-style-type: none"> • [REDACTED] • [REDACTED] • [REDACTED] • [REDACTED]
12	The TPV language developed to obtain permission to change suppliers could be clearer in a number of scripts.
13	NorthStar's review of TPV calls identified opportunities for improvements in the training of the TPV CSRs and JE Illinois ICs.
Chapter VIII: Call Center Operations	
1	<p>JE complies with the following CO and AGSL call center requirements in all material respects.</p> <ul style="list-style-type: none"> • JE Illinois calls are handled by its call center in [REDACTED]. The call center has been operating since before the regulatory requirement. • Pursuant to 220 ILCS 5/19-115 (b)(5), JE filed its report on the performance of its call center with the Chief Clerk of the Commission for the preceding calendar year on its call center performance on March 1, 2010 and February 28, 2011. • The abandon rate for the call center did not exceed 10 percent in any month for Illinois calls. The monthly average ranged from 1 to 3 percent over the two-year period. • JE exceeded the average speed of answer (ASA) target of 60 seconds in only one of 24 months. In September 2009, the ASA was 65 seconds.
2	JE generally forwards Illinois customer requests for cancellation to the utilities within two business days from customer request, as required by the CO. JE missed the two business day requirement on a limited number of occasions. The reasons for the missed requirement are operational and not attributable to obstructive behavior patterns.
3	Cancellations are completed at the CSR-level as required by the CO.
4	As required, JE files quarterly cancellation reports with the CSD; beginning with the quarter immediately following the CO dated April 13, 2010.
5	JE Illinois incorrectly assessed early termination fees on a limited number of contract renewals; however, charges were subsequently reversed or customers were refunded the money.
6	JE Illinois' customer call center contact information is provided on every bill, every month.
7	JE Illinois provides the ICC website and telephone number on its standard contracts with customers.
8	NorthStar listened to a sample of 92 outbound calls to dropped customers. None of the calls violated the AGSL, CD or CO.
9	JE Illinois has made a number of improvements in the processing of customer complaint calls in response to regulatory requirements. Proper call handling is critical to ensure IC-related complaints are identified and can be investigated.
10	Overall, NorthStar found the probing, handling, and classification of calls and allegations to be appropriate; however, some items were noted.
Chapter IX: Complaints and Conduct	
1	As required by the CO, JE has developed and maintained a complaint tracking system and associated procedures [REDACTED]. A list of all complaints and their resolution is sent to the ICC on a monthly basis. JE also notifies the ICC of every complaint it receives within 24 hours of receiving any complaint.
2	JE has developed systems and processes for investigating allegations of IC misconduct and assigning consequences.
3	As discussed in Chapter IV, the Code of Compliance is provided to all ICs as part of orientation training before they are allowed to market in the field.

CUB Attachment A (Public)

4	By its very nature, the CCR investigation process, although thorough, is subjective. CCR, through the investigation process and based on the compliance [REDACTED] [REDACTED] As with most modes of sale, given that the customer interaction occurs at the door and is not recorded, it is very difficult to confirm misrepresentation or other types of inappropriate conduct specified in the Illinois Code of Compliance.
5	Consequences associated with contravention of the Illinois Code of Compliance have changed over time.
6	During the two-year period from July 2009 through June 2011, CCR recommended that [REDACTED] ICs be terminated per the Illinois compliance matrix. One of these was overridden by the EVP of Regulatory and Legal Affairs and continues to market in Illinois, which, in NorthStar's opinion, is a contravention of JE Illinois' compliance matrix.
7	At least [REDACTED] ICs were not terminated on a timely basis as a result of an error in late 2010 which caused CCR to halt the assessment of penalties to ICs. NorthStar believes the number is larger. The Illinois contracts for the [REDACTED] ICs were subsequently terminated. Due to the problems with the CCR data and the [REDACTED], NorthStar was not able to evaluate the compliance history of all ICs. However, a random sample of a small number of ICs indicated delays in 25 percent of the cases, indicating the problem is likely more pervasive.
8	At times there have been substantial delays in the CCR investigation process. Timely investigation is critical to ensure corrective action or termination occurs promptly.
9	Although JE has established processes for monitoring and addressing potential compliance issues, and there is evidence of a commitment to compliance at the mid-levels of the organization, an adequate compliance culture at the top levels of the organization is not evident.
10	JE added managerial personnel in Illinois whose responsibilities include monitoring the compliance of sales personnel. An initial position was added May 2009, and there has been [REDACTED] fulfilling this role since then. (See also Chapter VI: Door-to-Door Sales)
11	For the period, April 1, 2009 to March 31, 2010, the performance evaluation goals (i.e., from a compensation perspective) for the Regional Sales & Compliance Manager were more closely aligned with a sales support function than with a compliance function.

D. Recommendations

This report contains 40 recommendations. Detailed findings and conclusions supporting the recommendations are provided in each of the related chapters. **Exhibit II-3** provides a consolidated listing of the recommendations and a priority ranking for each one. NorthStar has assigned a priority ranking of "A", "B", and "C" to each recommendation based on our judgment of its importance. For example "A" recommendations, when implemented, should provide significant benefits to Illinois consumers. "C" recommendations, while important, should be considered less important than either "A" or "B" rated recommendations. The exhibit also provides an implementation time estimate. The implementation time estimate represents the amount of time NorthStar believes it would take JE to implement the recommendation and is not necessarily a reflection on its priority.

**Exhibit II-3
Recommendations**

Chap./ No.	Recommendation	Priority	Implem. Timeframe
III.1	Add an additional layer of management in the form of an Illinois Sales Manager. The Illinois sale manager should be located in Illinois, and spend the vast majority of his/her time in Illinois. The Illinois Regional Distributors should report to the Illinois Sales Manager. The candidate should have direct experience in field sales management and a compliance focus/history. He/she should be held accountable for both sales and compliance performance, and his/her compensation should be formally and meaningfully tied to both. The individual should report either directly to the EVP of Consumer Sales in Canada or directly to the Senior Vice President/Regional General Manager (SVP/RGM) of the US Midwest Region. (Refers to Findings No. 7 though 9)	A	6 months
III.2	Increase communication between the U.S. and Canada. Significant operational decisions, particularly those affecting compliance, should not be made without corporate involvement. (Refers to Finding No. 9)	B	ongoing process
III.3	Align authority and accountability. (Refers to Findings No. 9, 10 and 11) <div style="background-color: black; width: 500px; height: 15px; margin: 5px 0;"></div> <div style="background-color: black; width: 480px; height: 15px; margin: 5px 0;"></div> <div style="background-color: black; width: 500px; height: 15px; margin: 5px 0;"></div> <div style="background-color: black; width: 500px; height: 15px; margin: 5px 0;"></div> <ul style="list-style-type: none"> • Ensure each Regional Distributor knows their direct line manager. 	B	6 months
III.4	Ensure that the assumptive sales approach used by JE Illinois does not mislead customers. Customers should be made aware that they are signing up for the program, not just determining if they qualify. (Refers to Finding No. 14)	B	3 months
III.5	Clarify the roles and responsibilities of the Midwest Region team and the Sales Team, and communicate this information throughout the organization. (Refers to Finding No. 11)	B	1 month
III.6	Clearly communicate roles and responsibilities for the Regional Sales and Compliance Manager, and the Quality Assurance Field Manager (if the Quality Assurance Field Manager position is filled). (Refers to Finding No. 11)	B	1 month

CUB Attachment A (Public)

Chap./ No.	Recommendation	Priority	Implem. Timeframe
IV.1	<p>Improve the consistency and amount of time in presenting compliance training during [REDACTED] raining [REDACTED]. Although compliance training is covered in the overall training program, each office handles it differently and additional focus on the importance of compliance is warranted. Since compliance is every bit as important as any other aspect of the training, if not more so, reading of the Code of Compliance, followed by a discussion of examples would be useful to the trainees so that they understand what each item means and how to prevent misrepresentation. As a beginning, we recommend the following issues be addressed during the improved training sessions. (Refers to Findings No. 6, 8 and 9)</p> <ul style="list-style-type: none"> • All trainers should explain the importance of the Code of Compliance and its impact on sales and compensation. This should occur during the orientation and give examples of how each category could cause a deal to be terminated or an IC consequence assessed. • Make sure that all offices present the explanation of the gas industry and prices in a uniform manner. • Make it clear to the IC that they need to make sure the customer understands they are signing up for a program and not just “qualifying” for discounts • Use [REDACTED] as an opportunity to address how to avoid common/recent complaints or allegations, as well as a methodology for the importance of the script and how to conduct the sale. • Use [REDACTED] as an opportunity for ICs to discuss questions/objections the ICs are receiving in the field and for the trainer to explain how these should be appropriately handled. • Ensure all ICs have an opportunity to both observe and participate in the [REDACTED] [REDACTED] and that they are reviewed by experienced personnel. 	B	3 months
IV.2	<p>Implement additional monthly training based on recent compliance issues that includes a discussion on types of issues that have arisen during the previous month. More timely learning of how to avoid compliance issues in a more formal setting should contribute to the reduction of the complaints in the future. (Refers to Finding No. 9)</p> <ul style="list-style-type: none"> • Keep a summary of the comments made by the Quality Assurance Team or CCR on “typical” complaint/compliance issues, by category and present them for discussion during the monthly training program. • Give examples of the issues and discuss the best ways to correct the issues. • Follow up with [REDACTED] on the specific issue or concern to ensure that the ICs understand the way to reduce the potential complaints that they may receive. Allow experienced ICs who have not received compliance penalties for the specific issue to discuss and role-play how they handle the issue. 	B	9 months
IV.3	<p>Develop and implement a consistent set of information and guidelines to minimize differences in the information provided by each trainer during [REDACTED] [REDACTED]. Clarify training presentations (including [REDACTED] [REDACTED]) to minimize potential customer misunderstandings: (Refers to Finding No. 10)</p> <ul style="list-style-type: none"> • JE’s variable rate which will take effect after the three month introductory discount and the utility’s rate are not the same thing. Ensure this is clear in the presentation to the customer. • There are two reasons JE Illinois cannot guarantee financial savings: (1) inability to predict usage and inability to predict natural gas prices, and (2) the variable rate charged by JE could be higher than the utility rate. • Customers are signing an agreement/contract at the time of the sale. 	B	1 month

CUB Attachment A (Public)

Chap./ No.	Recommendation	Priority	Implem. Timeframe
V.1	Review and edit the JustGreen Rate Flex brochure to more explicitly disclose all information required by regulation. (Refers to Findings No. 1-3)	C	As soon as existing stock runs out
V.2	Ensure all future brochures comply with regulatory requirements. (Refers to Findings No. 1-3)	B	1 month
V.3	Update the JE Illinois website to include all required disclosures on the web pages themselves rather than as pdf attachments. (Refers to Finding No. 5)	C	6 months
V.4	Modify the JustGreen RateFlex brochure to more clearly specify that after the three-month introductory period the customer will be charged a variable rate by JE Illinois that varies based on business and market conditions, and that the rate is not the same as the LDC's rate. Ideally, the brochure would also explain the cap on the rate (i.e., NYMEX plus 20 cents).	C	As soon as existing stock runs out
V.5	Consider removing "JustGreen" from the name of the product on the brochure. (Refers to Finding No. 8)	C	As soon as existing stock runs out
VI.1	Modify the script and sales presentation to ensure that customers are informed that they are currently signing up for JE Illinois' program and switching suppliers. (Refers to Finding No. 1)	B	1 month
VI.2	Reinforce the importance of accurately characterizing the JustGreen RateFlex product, particularly with respect to the rate and possible savings. (Refers to Findings No. 3 through 5)	B	1 month
VI.3	Change the TPV scripting regarding "financial savings" when verifying the sales contract to eliminate any potential misunderstanding of savings resulting from the JustGreen RateFlex product. The recommended language change is provided in Chapter VII: Verification Processes. (Refers to Findings No. 3 through 5)	C	1 month
VI.4	Change language in the sales script and the Customer Agreement regarding the Just Green option to ensure customers are informed that participation is optional. (Refers to Finding No. 9)	C	Sales script - 1 month AF - 3 months or earlier if JE Illinois runs out of stock

CUB Attachment A (Public)

Chap./ No.	Recommendation	Priority	Implem. Timeframe
VI.5	<p>Hire at least one (and preferably one per office) non-commissioned (salaried), experienced employee to act as field mentor/trainer/coach to new or struggling ICs. This position should spend about 80 percent of their time in the field and report to the new Illinois Sales Manager position recommended by NorthStar. (Refers to Findings No. 10, 11 and 15)</p> <ul style="list-style-type: none"> • The new position would be responsible solely for mentoring new and existing ICs and ensuring that ICs are shadowed for other than compliance-only reasons. Ideally the candidate for the new position should have relevant sales experience, a good compliance history, and a detailed understanding of the JE Illinois product, operating environment, Code of Compliance, and regulations. • The recommended position should ensure that new recruits have a person to call if they have questions or need suggestions on process and communication skills during their first couple of days in the field. While this may be considered “coddling” by some, it could also lead to retaining smart, capable individuals after an initial period. • ICs should feel free to call this person during or after a sale, or any time they have questions on the program. • This position could have a positive impact on reducing IC turnover which would allow for additional experience for ICs before being promoted ██████████ 	B	3 months
VI.6	<p>Ensure that all ICs are observed in the field by experienced personnel during their first couple of days marketing to customers. This observation should be conducted within the first day or so, and repeated during the first few weeks and as necessary. This is not intended to supplant the role of the ██████████ in IC monitoring and development, and should provide the added benefit of showing the IC that JE is invested in their future. (Refers to Findings No. 10 and 11)</p>	A	6 months
VI.7	<p>Establish a positive incentive for compliance. (Refers to Finding No. 12) Consider the following:</p> <ul style="list-style-type: none"> • Establish compliance allegations and history as a prerequisite, along with sales, for qualification for Company-paid incentive trips or allow ICs to participate if sales are close to target, but only if compliance is strong. • Financial incentives for ICs with strong/perfect compliance over a specific period of time. • Team financial incentives if the regional office achieves a compliance objective over a specific period of time. 	B	6 months
VI.8	<p>Develop a more formal process for responding to and implementing the QAFS’s recommendations. A Best Practices Group consisting of the ██████████ ██████████ could meet periodically to review and make recommendations that could impact each office’s recruiting, training, field work and compliance efforts. The results/recommendations of this group should be implemented in a formal training program to ICs. (Refers to Finding No. 16)</p>	B	3 months

CUB Attachment A (Public)

Chap./ No.	Recommendation	Priority	Implem. Timeframe
VI.9	<p>Address the following items discussed in Finding No. 17.</p> <ul style="list-style-type: none"> • Encourage a Regional Distributor presence in the field. • Ensure all required permits are obtained before allowing ICs to market in the field. Although NorthStar observed that ICs had proper permits, a number of ICs reported marketing in areas without proper permits. • As a control, either the regional offices or home office should review the name and signature of the individual signing the contract to identify potential falsified and disputed signature issues or instances where an unauthorized individual has signed the customer up for the program (e.g., roommate or non-spouse family member).. • Develop a language-skills test to be administered before ICs market in Spanish. • ICs should leave brochures with customers unless the customer declines. 	B	6 months
VII.1	<p>Modify script language regarding savings and clarify the customer’s elected contract term. (Refers to discussion in Chapter VI: Door-to-Door Sales and Findings No. 4 and 13 in Chapter VII.) Suggested language for each question is provided in Chapter VII.</p>	C	1 month
VII.2	<p>Add additional dialogue to all the TPV scripts to more clearly seek permission to switch suppliers from the customer’s current supplier to JE Illinois. (Refers to Finding No. 12) Sample language is provided:</p> <p>■ [REDACTED]</p> <p>■ [REDACTED]</p> <p>• [REDACTED]</p>	C	1 month
VII.3	<p>Provide additional training and coaching to the TPV customer service representatives (CSRs). [REDACTED]</p> <p>[REDACTED] These cases should then be investigated by CCR. (Refers to Finding No. 13)</p>	A	1 month
VII.4	<p>Coach ICs to address both usage and the rate when explaining to customers why they cannot guarantee savings. (Refers to Finding No. 13)</p>	B	1 month
VIII.1	<p>Conduct a cost-benefit analysis of the potential elimination of the termination fee. [REDACTED], and eliminating them would reduce complaints. (Refers to Findings No. 5 and 10) The analysis should consider the following:</p> <p>■ [REDACTED]</p> <p>■ [REDACTED]</p> <ul style="list-style-type: none"> • The potential lost revenue from customers for whom the termination fee currently acts as a deterrent. • Wholesale issues associated with the elimination of exit fees from retail contracts. 	C	9 months
VIII.2	<p>Reinforce listening and appropriate probing with the CSRs. (Refers to Finding No. 10)</p>	B	1 month
VIII.3	<p>Address appropriate sales/retention techniques and the Code of Compliance with the CSRs. (Refers to Finding No. 10)</p>	B	1 month
VIII.4	<p>Reiterate the need to address the customer’s issue before trying to preempt a future cancellation. (Refers to Finding No. 10)</p>	B	1 month
VIII.5	<p>Address misleading, misrepresentative or potentially confusing statements regarding prices and savings by the CSRs. (Refers to Finding No. 10)</p>	A	1 month
VIII.6	<p>When explaining that the customer will “remain” with the LDC, the CSR should clarify that it is only for delivery purposes and that the customer will be switching suppliers. (Refers to Finding No. 10)</p>	B	1 month

CUB Attachment A (Public)

Chap./ No.	Recommendation	Priority	Implem. Timeframe
IX.1	Ensure that CCR addresses any, and all, issues raised during a customer complaint call or TPV call and not just the assigned allegation type. (Refers to Finding No. 5)	A	1 month
IX.2	<p>Adhere to the Illinois compliance matrix. If any [REDACTED] is recommended for termination in accordance with the Illinois compliance matrix, terminate them. Do not move them or pardon them, except in accordance with an approved review process, as suggested below. (Refers to Finding No. 7)</p> <ul style="list-style-type: none"> • NorthStar believes a forum for ICs and Regional Distributors to challenge the results of misconduct investigation is appropriate and a critical element of the control process. However, unless the investigation results are changed and documented, consequences must be assessed in accordance with the compliance matrix and the CD requirements. 	A	1 month (policy decision)
IX.3	<p>Investigate cases and assess consequences on a timely basis. ICs with conduct issues should not be allowed to continue to market in Illinois as a result of delays in the investigation process. (Refers to Findings No. 8 and 9)</p> <ul style="list-style-type: none"> • System issues and managerial changes to the matrix should not result in the failure to assess consequences in a timely manner or the “grandfathering” of ICs. • While there are exceptions to this, based on NorthStar’s review of compliance records, the ICs that are terminated for verified complaints frequently exhibit a pattern of behavior: a high number of allegations are registered in a relatively short timeframe. • If cases are not investigated and consequences are not assessed in a timely manner, the IC continues to market unchecked and complaints may continue. In the case of an IC that simply needs additional coaching, a delay in the investigation may result in the IC hitting a termination threshold before this training can take place. 	A	3 months
IX.4	<p>Establish and adhere to targets for CCR investigation case closures and response/signature by the Regional Distributor and IC, and report performance against the targets. (Refers to Finding No. 9) Targets should address:</p> <ul style="list-style-type: none"> • Duration from the complaint date to the date the investigation is completed and the IC and Regional Distributor are notified (e.g., [REDACTED] percent of all cases closed within [REDACTED] business days, all cases closed within [REDACTED] business days). • Duration from the date the Regional Distributor is notified of the results of an allegation and consequences are assessed to the date the IC acknowledges the results (e.g., no more than 5 business days). • Different CCR performance targets could be established depending on the type of allegation/investigation requirements and whether customer input is required. 	A	3 months
IX.5	<p>Develop formal processes/procedures and carefully screen all current and former JE [REDACTED] (collectively sales personnel) to assess compliance history prior to allowing them to market in Illinois. Compliance should be a strong consideration in hiring decisions. Specifically, no sales personnel should be allowed to market in Illinois if they have been terminated in another state for compliance reasons or if their compliance history would have warranted termination had they been operating in Illinois. (Refers to Finding No. 9)</p>	A	1 month (policy decision)

CUB Attachment A (Public)

Chap./ No.	Recommendation	Priority	Implem. Timeframe
IX.6	<p>Create more direct accountability for compliance throughout the organization. (Refers to Finding No. 10)</p> <ul style="list-style-type: none"> • Create compliance and customer service related key performance indicators (KPI). Develop monthly dashboards reporting performance. This information should be communicated to the regional sales offices for discussion with ICs. • Create shared objectives for compliance (verified and allegation ratios) and customer complaints/service for the SVP/RGM and EVP Consumer Sales. Objectives should include specific metrics, and be tied to performance evaluations and bonuses. • Establish specific compliance targets for the SVP/RGM and the newly proposed Illinois Sales Manager (NorthStar recommended position). A portion of the incentive compensation (short-term and long-term bonuses) for these positions should be directly tied to achievement of the compliance objectives. The percentage should be specifically quantified (i.e., X percent of the bonus should only be awarded if the goals are met), and should be of sufficient level to provide a meaningful incentive. The targets should be realistic but aggressive. • Add a measurable compliance objective to all other JE employees that have any direct involvement with sales activities at the Illinois market level, including up to the CEO. • As recommended by the QAFS (see Chapter VI: Door-to-Door Sales), consider subjecting the [REDACTED] This includes the increase in consequence for failure to comply with regulatory policies. CCs could be assessed monetary consequences for verified allegations [REDACTED] 	A	9 months
IX.7	<p>Increase the visible focus on compliance in the Illinois sales offices. (Refers to Finding No. 10)</p> <ul style="list-style-type: none"> • Add posters and/or charts depicting: key compliance measures/elements, Code of Compliance and compliance matrix reminders, best compliance practices, trend data showing compliance ratios (verified and allegations) over time by U.S. Region, and office, and top compliance performers. • Add compliance elements to the IC biweekly Momentum newsletter, or any other form of communication (newsletters, web pages, text, etc). Topics could include: a feature article on the best-performing IC or office from a compliance standpoint; reminders of key compliance elements and suggestions for addressing “tricky situations”; best compliance practices, and trend data showing compliance metrics for the U.S., each region and each office. 	B	3 months

E. Other Considerations

Exhibit II-4 provides additional considerations for management. While implementation of these suggestions is less likely to have a direct effect on complaints, we believe, nonetheless, that they improve existing processes or provide a benefit to management, the IC, or the customer.

**Exhibit II-4
Considerations for Management**

No.	Consideration for Management
III.7	Evaluate the potential for improved compliance performance and reduced allegations from the use of an employee rather than IC sales force. This may reduce IC attrition and reduce costs. (Refers to Finding No. 12) While NorthStar believes an employee workforce may improve compliance and reduce complaints, we do not have direct evidence sufficient to make this a recommendation.
IV.4	<p>Improve the information provided to individuals on the type of job they are applying for:</p> <ul style="list-style-type: none"> • In the advertisement for the job and during the interview process, JE should disclose that the position is one of door-to-door sales. • Individuals have the right to know that this is a door-to-door job that will require strenuous physical activity for long hours, six days a week. This saves individuals time if they are truly not interested in that type of work and saves CC and Regional Distributor time training those people who will not return after the first day because they did not know the work involved door-to-door sales.
IV.5	Consider developing ██████████ for the compliance refresher training if offices intend to perform monthly testing.
VI.10	More fully explain ██████████ to ICs and provide them with information sufficient for them to reconcile contracts signed and commissions paid. (Refers to Finding No. 13)
VI.11	<p>Develop a list of best practices and ideas for an improved work environment that would benefit all offices. This could be performed by the NorthStar recommended Best Practices Group. (Refers to Finding No. 14). Suggestions include:</p> <ul style="list-style-type: none"> • Bunny hopping (two ICs working the same side of the street but alternating houses) and other techniques to improve morale and minimize isolation. • Increased accountability of the CC for the team. • Improved communication in the field regarding the locations of personnel. • Better planning and office organization to minimize wait times and shorten the office portion of the day (potentially reducing total job time). • ICs could be brought into the office for training or they could opt out of selling for the day during extremely adverse weather conditions. It is unclear whether a significant number of sales are made when the customer does not want to let the air/heat out of the house.
VI.12	Rotate personnel in the QAFS position at least every 2 years, similar to the manner in which an external auditor may be rotated. Over time, it is possible for the QAFS to lose his/her independence or objectivity (perceived or actual) as he spends much of his time with the same personnel in the sales offices (e.g., Regional Distributors and CCs who may have a longer tenure with JE) or JE management employees spending time in Illinois.
VII.5	Modify the current RateFlex script to provide further clarification for the customer as a well as to make the process flow better. (Refers to finding No. 13) Suggested edits are provided in Chapter VII.
VII.6	Address accent and noise issues with the TPV vendors. (Refers to Finding No. 9)
VIII.7	Include IC-related complaint probing as a category in the QA matrix and call monitoring. (Refers to Finding No. 10)
VIII.8	Address issues with budget billing (Refers to Finding No. 10)
VIII.9	Modify complaint categories by merging redundant classifications and adding classifications to improve management information on the new program. (Refers to Finding No. 10)
VII.10	Provide additional training on the estimated read process and how it should be used during the customer call. (Refers to Finding No. 10)
IX.8	Develop individual performance evaluation goals for the QAFS that are tied to performance of the compliance function (e.g., all shadowing activities completed relative to target, observed the required number of orientation training sessions and reported on the results to Internal Audit). (Refers to Finding No. 12)

CHAPTER III: STRATEGY AND ORGANIZATION

A. Background

Management and Organization

JE's sales operations are managed by [REDACTED] out of its [REDACTED] with field operations managed out of regional offices located in the various states in which it serves. JE Illinois' door-to-door sales are currently managed out of three regional offices located in the Chicago metropolitan area: downtown at its Loop office, in the near Northwest at its O'Hare office and in the western suburbs at Westmont, Illinois. [REDACTED]

Exhibit III-1 provides an overview of JE's organization. [REDACTED]

⁷ May 17, 2011 email from SVP Risk.

⁸ The current lease on the Loop office expires in November 2011.

[Redacted]

[Redacted]

[Redacted]

[Redacted]

[Redacted]

[Redacted]

[Redacted]

[Redacted]

A brief description of the responsibilities of the various organizational units is provided in **Exhibit III-3**.

[Redacted]

[Redacted]	[Redacted]	[Redacted]
[Redacted]	[Redacted]	[Redacted]
[Redacted]	[Redacted]	[Redacted]

Sales Operations

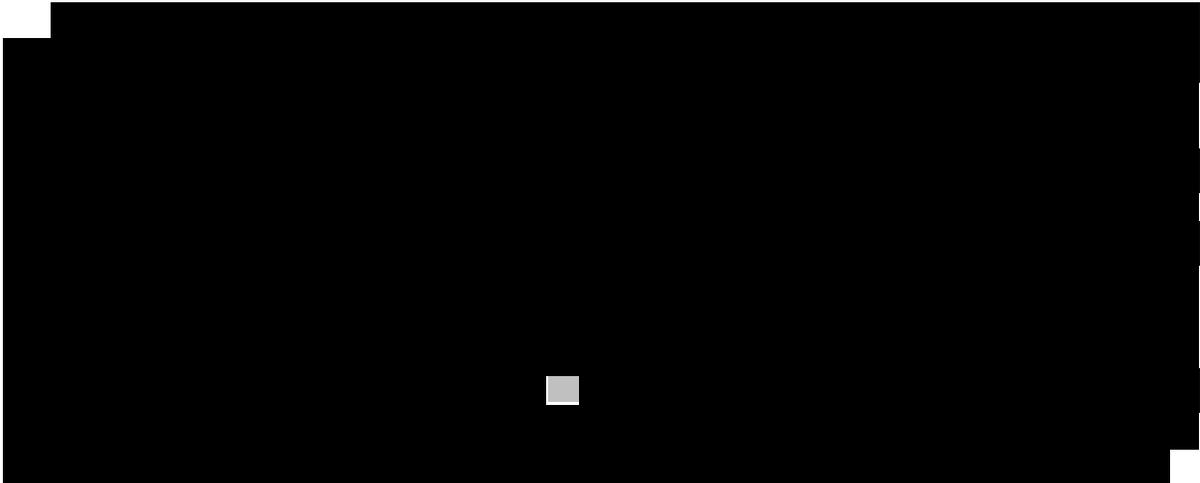


Exhibit III-4 provides a breakdown of the sales force as of May 16, 2011, [REDACTED]

**Exhibit III-4
JE Illinois Sales Force as of May 16, 2011**

Position	Count
[REDACTED]	[REDACTED]



Strategy

JE's overall objective is to be the leading integrated retailer of electric sales and gas supply in North America.⁹ Natural gas supply is marketed door-to-door. [REDACTED]

[REDACTED] used on NorthStar's interviews and observation, neighborhoods are generally picked by [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED] This sales approach is not uncommon, as many companies utilize a similar strategy across many product lines. [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

- The contract has options for four or five year terms; however, [REDACTED] no ICs were observed offering the four-year option. Customers are generally just signed up for five years.¹⁵

Products

During 2011, JE Illinois marketed three products to residential and small commercial customers through the door-to-door sales channel:

- A **Fixed Price** product offering customers protection against fluctuating gas prices. During 2011, JE's Fixed Price Program was offered at a rate of \$0.79 per therm for five years and \$0.81 for three years. For the five years prior, the program had been offered at prices up to \$1.19 per therm. Customers were also able to participate in the Just Green program for an additional cost of \$0.12 per therm which would offset 60 percent of the homes emissions from burning natural gas, or \$0.20 which would offset 100 percent.
- A **Just Green Rate Capper** product which allowed prices to fluctuate subject to a cap. For a \$19.95 monthly fee which included a 100 percent green offset, customers were billed at the utility rate for their gas supply, but the rate was capped at either \$0.89 or \$0.79 per therm, depending on when the customer signed up for the program.¹⁶ If the utility rate exceeded the cap, the customer would be charged at the \$0.89 or \$0.79 per therm cap. If the utility rate was less, the customer would be charged the utility rate. The \$0.89 per therm cap was in effect from May through November 2010. The \$0.79 per therm cap was implemented on November 25, 2010. The November 25, 2010 product also included a \$125 rebate. If during the five year term of the product, the utility rate did not go above \$0.79 per therm at any point (i.e., the cap was not used), the customer would receive a one-time \$125 rebate at the end of the five-year term. If the customer terminated the agreement before the end of the

[REDACTED]

¹⁶ Data Responses 26 a and f

five-year term, they were not eligible for the rebate. The Rate Capper product was marketed much less extensively than the Fixed Price product.

- In late May 2011, JE introduced the **JustGreen RateFlex** product - a variable rate product whereby customers pay a discounted introductory rate of 5 percent below the utility price for the first three months of the contract, and then a variable rate for the remainder of the term (with the option to lock in a fixed rate by contacting customer service). The product is available in four or five year terms. The variable rate JE will charge is determined by JE based on business and market conditions, but will not exceed the New York Mercantile Exchange (NYMEX) plus 20 cents per therm.¹⁷ The variable rate [REDACTED]

[REDACTED] If, over the entire four or five year term of the agreement, the customer's gas supply costs with JE Illinois are greater than they would have been with the utility, the customer will receive a one-time \$125 rebate.¹⁸ Customers that exercise the rate lock-in option or cancel the agreement are not eligible for the \$125 rebate. Customers who sign up for the program also have access to the JE's Rewards program which provided customers with discounts at restaurants and other vendors. Customers are also able to purchase a green energy option which would offset 60 percent of their emissions from burning natural gas for an additional \$0.12 per therm or 100 percent for an additional \$0.20 per therm. Budget billing is not currently offered with the Just Green Rate Flex product.¹⁹

Customer Base

[REDACTED]

[REDACTED] **Exhibit III-5** provides the number of customers at the beginning of each month from January 1, 2010 to April 1, 2011.

¹⁷ JustGreen Rate Flex Customer Agreement

¹⁸ According to the Customer Agreement, "should the Volume Weighted Average Utility Price over the initial Term [4 or 5 years] of this Agreement be less than the Volume Weighted Average Just Energy Price (which specifically does not include the JustGreen Gas Price), we will pay/credit you a \$125 rebate. The rebate calculation is based on Gas supply costs only and does not include costs for, transportation, taxes, billing fees, ancillary services charges, Utility fees, or JustGreen."

¹⁹ Data Response 117

[REDACTED]



Source: Data Response 19

NorthStar evaluated the income and ethnic breakdown of JE Illinois’ existing customer base relative to that of the Chicago Metropolitan area (JE Illinois’ primary market) and the state of Illinois as a whole using census data.²¹ NorthStar used the 120 zip codes in which JE had the largest number of customers to compare to the Chicago metropolitan area. These zip codes represented █ percent of JE Illinois’ customer base. **Exhibit III-6** provides the results of the analysis.

**Exhibit III-6
JE Customer Base Demographics – Year 2000 Census Data**

	Illinois (Column A)	All Zip Codes in which JE Illinois has customers (Column B)	Chicago Metro Area (Column C) [Note 1]	120 Zip Codes in which JE Illinois has the most customers (Column D)
Median Family Income	█	█	█	█
Professionals and Management	█	█	█	█
Sales and Office	█	█	█	█
Other – Service/Trade	█	█	█	█
White	█	█	█	█
African American	█	█	█	█
Hispanic or Latino of any race [Note 2]	█	█	█	█

Note 1: www.metrozipcodes.com/chicago

Note 2: The Census category “Hispanic or Latino” is an ethnicity not a race. As a result, percentages will total more than 100 percent.

Source: 2000 Census Data and Data Response 51

²¹ Census data from 2004 was used as 2010 census data at the zip code level is not available.

Any such analysis must be used carefully and a variety of factors must be considered, including, but not limited to, the following: 1) some zip codes may have a larger population than others; 2) the data reflects actual customers not sales attempts and by default incorporates sales performance; and 3) JE Illinois is not able to market in some areas. While there are differences in the income level and ethnicity of the 120 zip codes in which the largest number of JE Illinois customers reside (Column D) relative to the entire Chicago metropolitan area (Column C), and all JE customers (Column B) versus Illinois (Column A), NorthStar did not observe an inappropriate focus or inordinate effort to market to those areas.

B. Compliance Requirements

JE was evaluated against the following regulatory requirements:

Service Authority

- An alternative gas supplier must obtain a certificate of service authority from the Commission in accordance with this Section before serving any customer or other user located in this State. (AGSL 19-110b)
- Notification of application for certificates of authority have been published within 10 days following date of application. (AGSL 19-110c)
- Alternative gas suppliers shall file with the Commission a notification of any material change to the information supplied in a certification application within 30 days of such material change. (AGSL 19-111b)

Strategy

In accordance with the AGSL (19-115 f), an alternative gas supplier that is certified to serve residential or small commercial customers shall not:

- Deny service to a customer or group of customers nor establish any differences as to prices, terms, conditions, services, products, facilities, or in any other respect, whereby such denial or differences are based upon race, gender, or income.
- Deny service based on locality, nor establish any unreasonable difference as to prices, terms, conditions, services, products, or facilities as between localities.

Organization and Management

In accordance with the AGSL, all AGSs must comply with the following requirement:

- The Commission shall grant the application for a certificate of service authority if it makes the findings set forth in this subsection based on the verified application and such other information as the applicant may submit. (1) That the applicant possesses

sufficient technical, financial, and managerial resources and abilities to provide the service for which it seeks a certificate of service authority. In determining the level of technical, financial, and managerial resources and abilities which the applicant must demonstrate, the Commission shall consider: (A) the characteristics, including the size and financial sophistication of the customers that the applicant seeks to serve; (B) whether the applicant seeks to provide gas using property, plant, and equipment that it owns, controls, or operates; and (C) the applicant's commitment of resources to the management of sales and marketing staff, through affirmative managerial policies, independent audits, technology, hands on field monitoring and training, and, in the case of applicants who will have sales personnel or sales agents within the State of Illinois, the applicant's managerial presence within the State. (19-110e)

- An alternative gas supplier must maintain sufficient managerial resources and abilities to provide the service for which it has a certificate of service authority. In determining the level of managerial resources and abilities that the alternative gas supplier must demonstrate, the Commission shall consider, in addition to the requirements in Section 19 110(e)(1), the following: (1) complaints to the Commission by consumers regarding the alternative gas supplier, including those that reflect on the alternative gas supplier's ability to properly manage solicitation and authorization; and (2) the alternative gas supplier's involvement in the Commission's consumer complaint process, including the resources the alternative gas supplier dedicates to the process and the alternative gas supplier's ability to manage the issues raised by complaints, and the resolution of the complaints. (19-112a)

C. Compliance Findings

Service Authority

1. Energy Savings (Illinois) Corp. is in compliance with AGSL Section 19-110b of the Public Utilities Act (Service Authority). On November 17, 2003, Energy Savings submitted an application for Certificate of Service Authority, which was granted on December 17, 2003.²²
2. Energy Savings (Illinois) Corp. is in compliance with the AGSL 19-110c of the Public Utilities Act. On November 19, 2003, Energy Savings published notice of application in the official state newspaper.²³
3. JE is in compliance with AGSL Section 19-111b and 19-111c as it relates to its name change.
 - Energy Savings filed its change to Just Energy with the ICC on June 3, 2009. The planned name change was announced on May 29, 2009.
 - The notification occurred within 30 days as required.²⁴.

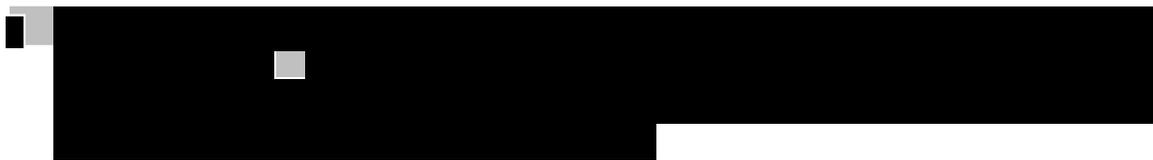
²² Data Response 256

²³ Data Response 256 (Introduction)

4. JE Illinois complies with the terms of its Certificate of Authority by only enrolling and billing customers within the approved service areas.
 - Customer bills are prepared by the regulated natural gas utilities. The utility bills are based in part on information transmitted between the utilities and alternative gas suppliers. This information includes:
 - Enrollment validation
 - Meter reading
 - Bill calculation
 - Cancellation validation
 - Payments
 - In order for customer information transmittal and validation to occur, agreements between the utilities and the AGS are established. JE Illinois maintains agreements, computer system certifications, and transmittal capabilities with only the utilities in its Service Authority: Nicor, Peoples and North Shore.²⁵

Strategy

5. NorthStar’s audit found no evidence that JE Illinois denies service based on race, gender, income or locality (AGSL 19-115f).
 - Potential customers are denied or not offered service only under the following circumstances:
 - The applicant is not the account holder or legal spouse.
 - The applicant is a minor.
 - The customer is currently disconnected.
 - The customer fails the credit check.
 - By policy, JE Illinois will only enroll customers that speak English or Spanish as these are the only two languages of JE Illinois’ contracts.



²⁴ Data Response 330

²⁵ Interview 76 and GBAS demonstration

6. JE Illinois currently offers [REDACTED], JustGreen RateFlex, to customers through the door-to-door channel. NorthStar's audit found no evidence that this product is changed for any specific target group.

[REDACTED]

[REDACTED]

Organization and Management

7. JE added personnel in Illinois responsible for monitoring the compliance of sales personnel. [REDACTED]

[REDACTED] However, as discussed in further detail following, NorthStar believes additional managerial presence is warranted.

- In May 2009, JE added a Regional Sales & Compliance Manager, physically located in Illinois.²⁶
 - The Regional Sales & Compliance Manager was a JE employee responsible for monitoring the compliance of the activities at all of the Illinois sales offices.
 - He performed field shadowing and reviewed various activities in the offices including role-play, training, and recruiting.²⁷

[REDACTED]

- In July 2010, JE added a Quality Control Specialist, increasing the number of compliance personnel in Illinois to two. [REDACTED]

[REDACTED]

[REDACTED] For ease of reading, this employee is referred to as the QAFS throughout the report.

- While the Quality Assurance Field Manager and QAFS positions were located in Illinois, these are compliance rather than managerial roles.

²⁶ Interview 35

²⁷ Interview 35

²⁸ Interview 35

²⁹ Data Response 202

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

D. Management Assessment

Organization and Management

8. [REDACTED] JE has undergone significant organizational and managerial change. With so much change there is always a risk of lack of accountability, lack of direction, and lack of consistent, strong management.

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

³⁰ IC Interviews

³¹ Data Response 129

³² According to Interview 60, regionalization had been approved by the BOD in November 2010.

- In May 2011, JE Illinois introduced the JustGreen RateFlex product, [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

9. The Illinois sales organization does not have adequate corporate managerial oversight.

[REDACTED]

- Significant Illinois operating changes may not have been timely communicated to corporate management. These include the closure of offices and the introduction of the JustGreen RateFlex product and the elimination of two prior products.

- A solid understanding of Illinois operations, current issues, or specific compliance requirements was not evident during the interviews with the SVP/RGM and the EVP of Consumer Sales. [REDACTED]

[REDACTED]

[REDACTED]

³³ The JustGreen RateFlex product also offers protection against fluctuating rates as it allows customers the option to lock in their rates.

³⁴ Data Response 202

³⁵ Interview 81

³⁶ Data Response 22

- [REDACTED]

These positions provide input and recommendations to the Regional Distributors and sales force, but the sales force does not report to them, and they have no managerial authority over the sales force.

10. [REDACTED] should improve the focus on Illinois customers from a customer service perspective. However, [REDACTED] it is unclear at this time if this structure will be effective in improving compliance.

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

⁵⁸ Interview 60

[REDACTED]

A matrix is a grid-like organizational structure that allows a company to address multiple business dimension using multiple command structures.

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

- Members of the JE management structure said there will be collaboration between U.S. Midwest Regional management and [REDACTED] regarding personnel decisions, office location decisions, accountability for compliance and sales targets, and other management decisions; however, this was not clear to NorthStar during the audit.

[REDACTED]

[REDACTED]

12. Although the utilization of independent contractors [REDACTED] is potentially problematic, NorthStar has no direct evidence that a more formal employee structure would improve operations. However, there are risks (and some benefits) inherent in this approach. Regardless of the employment structure, the key is training, follow-up, execution, and incentives or consequences.

Strategy

13. [REDACTED] JE has adequately addressed the appropriate corporate and marketing issues. A more formal written document may increase the ability to communicate that strategy to the field.

14. JE's [REDACTED] sales approach can be potentially misleading to customers. As evidence by NorthStar's review of call center and TPV calls, in some cases customers did not understand that they were currently signing up for the program and/or signing a contract. The importance of making it clear to the customer that they are signing-up has been reiterated to the Regional Distributors by CCR.

15. The audit uncovered no evidence that JE Illinois' door-to-door marketing activities specifically target low-income, elderly, or non-English speaking customers.

- JE Illinois personnel indicate that they chose neighborhoods for marketing based on the ease of marketing door-to-door [REDACTED]
- In general, JE Illinois markets to neighborhoods with [REDACTED]
- JE Illinois does not market to [REDACTED]
- JE Illinois does not generally market to [REDACTED] if a JE Illinois IC remains at a customer's premise during the TPV call the IC is subject to immediate termination. [REDACTED] an allegation of misconduct is logged and investigated by CCR.
- JE Illinois increased the consequences [REDACTED]
- If JE Illinois is marketing in a neighborhood known to be [REDACTED] if a Spanish-speaking customer answers the door and prefers to conduct the sales call in Spanish, [REDACTED]

E. Recommendations

1. Add an additional layer of management in the form of an Illinois Sales Manager. The Illinois sale manager should be located in Illinois, and spend the vast majority of his/her time in Illinois. The Illinois Regional Distributors should report to the Illinois Sales Manager. The candidate should have direct experience in field sales management and a compliance focus/history. He/she should be held accountable for both sales and compliance performance, and his/her compensation should be formally and meaningfully tied to both. The individual should report either directly to [REDACTED]

⁴¹ Note: Although the English-language JustGreen RateFlex program was introduced in Illinois in late May 2011, the Spanish-language version of the product was not introduced until later when the Spanish-language contract was developed.

[REDACTED]
(Refers to Findings No. 7 through 9)

2. Increase communication between the U.S. and Canada. Significant operational decisions, particularly those affecting compliance, should not be made without corporate involvement. (Refers to Finding No. 9)
3. Align authority and accountability. (Refers to Findings No. 9, 10 and 11)

[REDACTED]

[REDACTED]

[REDACTED]

4. Ensure that the [REDACTED] sales approach used by JE Illinois does not mislead customers. Customers should be made aware that they are signing up for the program, not just determining if they qualify. (Refers to Finding No. 14)
5. Clarify the roles and responsibilities of the Midwest Region team and the Sales Team, and communicate this information throughout the organization. (Refers to Finding No. 11)
6. Clearly communicate roles and responsibilities for the Regional Sales and Compliance Manager, and the Quality Assurance Field Manager (if the Quality Assurance Field Manager position is filled). (Refers to Finding No. 11)

F. Other Considerations

7. Evaluate the potential for improved compliance performance and reduced allegations from the use of an employee rather than IC sales force. This may also reduce IC attrition and reduce costs. (Refers to Finding No. 12) While NorthStar believes an employee workforce may improve compliance and reduce complaints, we do not have direct evidence sufficient to make this a recommendation.

CHAPTER IV: RECRUITING AND TRAINING

A. Background

The interviewing, hiring and training of ICs is [REDACTED]. Only a portion of the applicants attend [REDACTED]. More drop out after [REDACTED]. The actual number of individuals remaining as an IC [REDACTED]. The number of ICs interviewed in Illinois during September 2010 was [REDACTED] of which [REDACTED] signed an Independent Contractor Agreement (ICA). As of September 1, 2011, [REDACTED] of the ICs hired in September 2010 were still active [REDACTED].

Recruiting

JE expends substantial time and energy in recruiting personnel to become ICs. [REDACTED]

For the six months ending August 31, 2011, JE had placed at least [REDACTED]

Each of JE's sales offices typically has [REDACTED] who are JE employees. [REDACTED] At the time of our review [REDACTED]

[REDACTED] owever, he transferred to a sales position as an IC [REDACTED]

Potential candidates are initially screened by [REDACTED]

During the interview process JE looks for [REDACTED]

[REDACTED] pplicants that pass the interview are then sent to [REDACTED]

[REDACTED] sign an ICA and are issued a badge to market in Illinois.

Training

ICs marketing in Illinois receive a variety of types of training: [REDACTED]

[REDACTED] Office training is discussed in this Chapter. Field training is covered in Chapter VI: Door-to-Door Sales.

⁴² Although individuals are "hired", they are actually independent contractors and not employees of JE.

⁴³ Data Response 225c

⁴⁴ Data Response 265

⁴⁵ Data Response 62

The orientation process for new recruits typically [REDACTED] JE's Learning and Development Department in coordination with its Sales and Regulatory Departments, [REDACTED]. The training takes about [REDACTED]

All ICs must [REDACTED] upon completion of the [REDACTED] before they are allowed to market in the field. The [REDACTED] consists of [REDACTED]

Compliance Refresher Training

Upon execution of the AG Settlement, JE mandated that its Illinois sales force attend reorientation sessions once every six months. The sessions are required to address changes in the market, regulations or JE Illinois's products, and update the ICs on the Code of Compliance. JE Illinois historically conducted refresher compliance training in [REDACTED]

With regionalization, the SVP/RGM of the [REDACTED] Midwest Region mandated [REDACTED] refresher training sessions, beginning on [REDACTED] [REDACTED]⁵⁰ ICs are now required to attend refresher training every [REDACTED] to continue marketing. [REDACTED] Refresher training sessions are currently scheduled for [REDACTED]. These sessions are facilitated by the [REDACTED] and are frequently attended by the [REDACTED]

Each morning before heading into the field, [REDACTED]

⁴⁶ Data Responses 23s and 72

⁴⁷ Data Responses 27 and 72, and direct observations

⁴⁸ Data Response 269

⁴⁹ Data Response 28

⁵⁰ Data Response 254

⁵¹ Data Response 254

[REDACTED]

Based on NorthStar's limited observations the following types of activities occur:

- [REDACTED]
- [REDACTED]
- [REDACTED]

B. Compliance Requirements

There are no specific regulatory requirements for the recruitment process. JE Illinois' training program and materials were evaluated against the following:

- JE's training materials substantially support the reduction of customer complaints and violations of the AGSL (CO, p. 49).
- JE shall provide representatives responsible for solicitation of consumers with:
 - b) Within sixty (60) days of the Effective Date, an initial training session that explains the deregulated natural gas market in Illinois, JE's products and services, the representative's responsibilities as they relate to this Stipulated Final Judgment and all applicable state and federal law, JE's code of compliance and consequences of non-compliance; and
 - c) Regular training sessions at least once every six months for updates on the market, JE's products and services, applicable state or federal law, JE's code of compliance and consequences of non-compliance [CO, p. 52 (CD II.A.2.b-c)].

C. Compliance Findings

1. The content of JE's training materials complies with applicable regulatory requirements and supports the reduction of customer complaints and violations of the AGSL.

■ [REDACTED]

⁵³ This occurred shortly after the JustGreen Rate Flex product was introduced.



- NorthStar’s observations indicate the required topics were all covered in the new hire orientation training.⁵⁶
- As shown in **Exhibit IV-1**, the training and the “Acceptable Marketing Practices: Code of Compliance Illinois” document provided to new hires address the various disclosure requirements of the AGSL and CD.

**Exhibit IV-1
New IC Orientation Training**

Requirement	Document
Deregulation of natural gas in Illinois	[Redacted]
JE product and services sold by ICs in Illinois	[Redacted]
Disclose, where the solicitation occurs in person, including through door-to-door solicitation, the salesperson's name	[Redacted]
Disclose that JE is an alternative gas supplier that has no affiliation with the consumer's public utility, with the government, or with any consumer group	[Redacted]
Disclose that the purpose of the solicitation is to sell gas supply service, and to induce the consumer to authorize JE as his/her new gas supplier	[Redacted]
Leave a completed marketing brochure with every customer	[Redacted]
Disclose that the consumer will continue to receive bills only from his or her public utility and will continue to be charged by the utility for natural gas distribution in addition to the charges by JE for natural gas supply	[Redacted]
Disclose the duration of the proposed supply contract	[Redacted]
Disclose any administrative fees charged by JE	[Redacted]



Data Response 72

⁵⁶ New Hire Orientation Training direct observation

Requirement	Document
Disclose the rate that the consumer will be charged for the supply of natural gas	[REDACTED]
Clearly and conspicuously disclose the amount of the early termination fee, provided that any early termination fee or penalty shall not exceed \$50 total, regardless of whether or not the agreement is a multiyear agreement	[REDACTED]
Not make promises or guarantees of savings which cannot be substantiated at the time of the solicitation	[REDACTED]
Not make misleading statements with regard to the levels of past savings	[REDACTED]
Disclose that JE's past performance does not guarantee future rates beyond the term of the contract or savings	[REDACTED]
Conduct the solicitation in a language spoken and understood by the consumer	[REDACTED]
Clearly and conspicuously disclose the procedure by which a consumer can cancel his or her contract after the switch, provided that during solicitation, JE must disclose that consumer has the contractual and/or statutory right to cancel without any early termination fee within ten business days after the date of the first bill issued to the customer for products or services provided by JE	[REDACTED]
How to call the TPV	[REDACTED]
Requirement to leave the premises after connecting with TPV	[REDACTED]

Source Data Response 27

2. JE conducted training sessions complying with the schedule set forth in the CD.

- New employees receive orientation and compliance training [REDACTED]
 [REDACTED] Refresher training was offered every [REDACTED]
 [REDACTED]
 [REDACTED]
 [REDACTED]
 [REDACTED]
 [REDACTED]
 [REDACTED]

⁵⁷ Data Response 254

[REDACTED]

3. The following requirements are stressed [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

4. ICs are trained and clearly understand the following violations will lead to immediate termination.⁶⁰

[REDACTED]

[REDACTED]

[REDACTED]

D. Management Assessment

5. There is little transparency in the information presented in the job postings/advertisements and in the information presented during the initial interview about the actual duties of the IC position. Many of the individuals looking for employment at JE have little or no idea of exactly what the job entails. It is possible that this lack of full transparency could become part of the sales office culture and might potentially contribute to the IC providing a lack of clarity when discussing the details of products with customers.
- Ads may mention the amount of money an individual should expect to make or the fact that immediate hiring opportunities are available.
 - None of the ads NorthStar reviewed discussed or described the door-to-door solicitation process.
 - While one office interviewer did mention door-to-door sales, most of the recruiting interviews NorthStar observed did not describe the specific door-to-door aspects of the job.

⁵⁸ Data Response 99 and 254

⁵⁹ NorthStar Direct Observation

⁶⁰ IC interviews and field shadowing

CUB Attachment A (Public)

- In some interviews the interviewer indicated that the employee will be working in customer services, and not specifically sales, or refer to comfort in working outdoors or in customer sales, but did not necessarily mention door-to-door sales.
 - NorthStar observed some prospective ICs who only understood what the job entailed during the training (some left). Others we spoke to didn't really understand what they were hired to do until they were actually in the field.
 - Although this may be JE Illinois' or an office's preferred approach to ensure they obtain a sufficient number of individuals for initial job training, a few of the ICs we interviewed felt that the lack of upfront information about the job requirements was less than honest and that total honesty and transparency may not be necessary when talking with customers.⁶¹
6. Although JE's training materials appropriately discuss compliance requirements and the resulting discipline for non-compliance, additional classroom training on compliance requirements and acceptable marketing practices during orientation training is warranted.
- It is important that individuals recognize that an integral part of being a successful IC is not only sales, but also good customer service and compliance results.
 - The new IC orientation training materials cover compliance issues; however, they may be presented in an ancillary format to other information such as company background, the sales presentation, and the gas industry knowledge during the actual training.⁶²
 - While most of the ICs NorthStar surveyed felt orientation training was sufficient, NorthStar's observation was that the focus was primarily on the history of JE, the importance of the script, and the income potential, and that there was insufficient discussion and review of the importance of compliance requirements and the consequences of inappropriate behavior (other than items for termination).
 - There is a difference between offices and trainers on how compliance training is performed during orientation. Orientation training may be presented by [REDACTED]
[REDACTED]
 - In one case, NorthStar observed that the trainer simply handed out a package of information that included the Compliance Matrix and Acceptable Marketing Practices and the trainees were told to read and review the information prior to being tested on the information the following day. There was no discussion on the need for or importance of this information or the consequences of not following the appropriate practices.

⁶¹ Field shadowing

⁶² NorthStar observations of IC Training Sessions in all offices

⁶³ Direct observation

[REDACTED]

- NorthStar observed one refresher training session. [REDACTED]
[REDACTED] NorthStar does not have the sense that refresher training is that formal or adheres to a specific curriculum based on discussion with some of the other offices. Other observations based on the training session attended by NorthStar are provided below:

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

10. While the [REDACTED] are important and helpful training tools, they are highly dependent on the presentation of the individual performing the training. NorthStar observed some inconsistencies and instances of inaccurate or misleading information presented during the [REDACTED]. Additional focus is necessary to ensure the consistency and accuracy of information presented to the ICs.

⁶⁵ Data Response 72, 166, 208 and 254.

⁶⁶ Note NorthStar only observed one refresher training session. [REDACTED]
[REDACTED]

Direct observation

⁶⁸ Interview with a Regional Distributor from another office

E. Recommendations

1. Improve the consistency and amount of time in presenting compliance training during orientation training and role-play. Although compliance training is covered in the overall training program, each office handles it differently, and additional focus on the importance of compliance is warranted. Since compliance is every bit as important as any other aspect of the training, if not more so, reading of the Code of Compliance, followed by a discussion of examples would be useful to the trainees so that they understand what each item means and how to prevent misrepresentation. As a beginning, we recommend the following issues be addressed during the improved training sessions. (Refers to Findings No. 6, 8 and 9)
 - All trainers should explain the importance of the Code of Compliance and its impact on sales and compensation. This should occur during the orientation and give examples of how each category could cause a sale to be terminated or an IC violation assessed.
 - Make sure that all offices present the explanation of the gas industry and prices in a uniform manner.
 - Use [REDACTED] as an opportunity to address how to avoid common/recent complaints or allegations, as well as a methodology for the importance of the script and how to conduct the sale.
 - Make it clear to the IC that they need to make sure the customer understands they are signing up for a program and not just “qualifying” for discounts.
 - Use [REDACTED] as an opportunity for ICs to discuss questions/objections the ICs are receiving in the field and for the trainer to explain how these should be appropriately handled.
 - Ensure all ICs have an opportunity to both observe and participate in the [REDACTED] and that they are reviewed by experienced personnel.
 - Implement training recommendations made by the QAFS as discussed in Finding No. 16 in Chapter VI: Door-to-Door Sales.
2. Implement additional monthly training based on recent compliance issues that includes a discussion on types of issues that have arisen during the previous month. More timely learning of how to avoid compliance issues in a more formal setting should contribute to the reduction of the complaints in the future. (Refers to Finding No. 9)
 - Keep a summary of the comments made by the Quality Assurance Team or CCR on “typical” complaint/compliance issues by category, and present them for discussion during the monthly training.

CUB Attachment A (Public)

- Give examples of the issues and discuss the best ways to correct the issues.
 - Follow up with [REDACTED] on the specific issue or concern to ensure that the ICs understand the way to reduce the potential complaints. Allow experienced ICs who have not received compliance penalties for the specific issue to discuss and role-play how they handle the issue.
3. Develop and implement a consistent set of information and guidelines to minimize differences in the information provided by each trainer during [REDACTED] [REDACTED]. Clarify training presentations (including role-plays) to minimize potential customer misunderstandings: (Refers to Finding No. 10)
- JE Illinois' variable rate, which will take effect after the three-month introductory discount, and the utility's rate are not the same thing. Ensure this is clear in the presentation to the customer.
 - There are three reasons JE Illinois cannot guarantee financial savings: (1) inability to predict usage, (2) inability to predict natural gas prices, and (3) the variable rate charged by JE could be higher than the utility rate.
 - Customers are signing an agreement/contract at the time of the sale.

F. Other Considerations

4. Improve the information provided to individuals on the type of job they are applying for. (Refers to Finding No. 5)
- In the advertisement for the job and during the interview process, JE should disclose that the position is one of door-to-door sales.
 - Individuals have the right to know that this is a door-to-door job that will require strenuous physical activity for long hours, six days a week. This saves the individual's time if they are truly not interested in that type of work and saves CC and Regional Distributor time training those people who will not return after the first day in the field because they did not understand the work involved door-to-door sales.
5. Consider developing [REDACTED] for the compliance refresher training if offices intend to perform monthly testing. (Refers to Finding No. 10).

CHAPTER V: PROMOTIONAL MATERIALS

A. Background

JE Illinois uses various promotional materials to market its natural gas products, including brochures, advertisements, and the internet. NorthStar's review of JE promotional materials included a review of the marketing brochures used for the Fixed Price, Rate Capper, and JustGreen RateFlex products, a sample of advertisements, and the JE Illinois' website. The door-to-door sales force carries copies of the product brochure which are to be left with customers. The brochure for JE Illinois' current JustGreen RateFlex product is available in both English and Spanish. The brochure describes the elements and advantages of the product. Over one half of the brochure is dedicated to the impact of pollution and emissions and JE's green energy efforts. NorthStar did not validate the claims JE makes regarding pollution or the amounts JE has invested in green projects.⁷¹

Print advertisements are placed in a variety of media including [REDACTED]. The print advertisements were abridged versions of the Fixed Price product brochures. The dominant feature on the advertisements is the toll free telephone number. JE Illinois had not published any JustGreen RateFlex print ads at the time of our review.

JE's website offers customers a fixed rate product, the "Price Protection Program" (aka Fixed Price Program).⁷² The current offer is \$0.79 per therm for five years. Green energy is an optional upgrade offered at either a 60 percent or 100 percent offset. Enrollments for customers visiting the website are conducted by telephone. A potential customer can call the toll-free number on the website or enter information for a representative to call them back.

B. Compliance Requirements

Promotional Materials

As required by the CO, JE Illinois is subject to the following:

- In any printed or digital materials provided by USESC, directly or indirectly, to customers in Illinois, any price comparison between USESC and a gas utility shall be limited to the utility serving the area in which the consumer's residence or business is located. (CO, p. 51)
- All depictions of utility prices shall display at least three years of data in no greater than quarterly increments and shall also display USESC's offered price for the same or equivalent product(s) or service(s) for each of the same increments. (CO, p. 51)

⁷¹ JE's green purchases are reviewed by Grant Thornton LLP, an independent third party accounting firm.

⁷² NorthStar last checked JE's website on October 28, 2011. The price protection program continued to be offered.

CUB Attachment A (Public)

- In any printed or digital materials provided by USESC, directly or indirectly, to customers in Illinois, no future price of any utility shall be visually depicted and nothing shall depict or suggest that a utility's future prices will be higher than the last month for which the price is known. (CO, p. 51)
- No marketing material may contain language that in general suggests that future prices in the abstract (e.g., national or international price trends) are going to be higher. (CO, pp. 51-52)

In accordance with the CD, in all print promotional materials JE Illinois must:

- a) Disclose that JE is an alternative gas supplier that has no affiliation with the consumer's public utility, the government, or any consumer group.
- b) Disclose that the consumer will continue to receive bills only from their public utility and will continue to be charged by the utility for natural gas distribution in addition to the charges by JE for natural gas supply.
- c) Disclose the duration of the proposed supply contract, or the durations of all available service offerings.
- d) Clearly and conspicuously disclose that the consumer should look to the written contract for the rate that the consumer will be charged for the supply of natural gas and any administrative fees charged by JE.
- e) Clearly and conspicuously disclose in at least 12-point bold font the amount of the early termination fee, provided that any early termination fee or penalty shall not exceed \$50 total, regardless of whether or not the agreement is a multi-year agreement.
- f) Not make promises or guarantees of savings which cannot be substantiated at the time of the solicitation.
- g) Clearly and conspicuously disclose in at least 12-point bold font the procedure by which a consumer can cancel his or her contract after the switch, provided that during solicitation, JE must disclose that consumer has the contractual and/or statutory right to cancel without any early termination fee within ten business days after the date of the first bill issued to the customer for products or services provided by JE. (CD II.B.1)

In accordance with the AGSL 19-115 (g), an alternative gas supplier shall comply with the following requirements with respect to the marketing, offering, and provision of products or services:

- Any marketing materials which make statements concerning prices, terms, and conditions of service shall contain information that adequately discloses the prices, terms and conditions of the products or services.

Website

- JE shall in all information and promotional material posted on its website: (CO, p.52, CD II.E)

- a) Disclose that JE is an alternative gas supplier that has no affiliation with the consumer's public utility, the government, or any consumer group.
- b) Disclose that the consumer will continue to receive bills only from their public utility and will continue to be charged by the utility for natural gas distribution in addition to the charges by JE for natural gas supply.
- c) Disclose the duration of the proposed supply contract, or the durations of all available service offerings.
- d) Disclose any administrative fees charged by JE.
- e) Disclose the rate that the consumer will be charged for the supply of natural gas.
- f) Clearly and conspicuously disclose the amount of the early termination fee, provided that any early termination fee or penalty shall not exceed \$50 total, regardless of whether or not the agreement is a multiyear agreement.
- g) Not make promises or guarantees of savings which cannot be substantiated at the time of the solicitation.
- h) Clearly and conspicuously disclose the procedure by which a consumer can cancel his or her contract after the switch, provided that during solicitation, JE must disclose that consumer has the contractual and/or statutory right to cancel without any early termination fee within ten business days after the date of the first bill issued to the customer for products or services provided by JE.

C. Compliance Findings

Print Materials

1. JE's Illinois' JustGreen RateFlex Brochure is not in compliance with all requirements of the CO, the AGSL, and the CD. **Exhibit V-1** provides the requirements, JE Illinois' specific content, and NorthStar's compliance assessment.

**Exhibit V-1
RateFlex Brochure Review**

Requirement	JE Content	Complies?
Required Disclosure:		
JE is an alternative gas supplier ...	Just Energy is North America's Largest Competitive Green Energy Retailer.	No Does not specifically state that JE is an alternative gas supplier.
JE is ... not affiliated with the public utility, government, or any consumer group.	Just Energy is not your utility and definitely not associated with the government or any consumer group.	Yes
The public utility will continue to bill the customer for delivery in addition to JE's charges.	Your utility will continue to bill you and charge you for natural gas distribution. Same delivery service and continue to receive one bill from your utility.	No Does not state that JE's charges are in addition to utility charges. ⁷³

⁷³ According to JE, the requirement was driven by concerns that customers were not being informed that they would continue to be billed for certain items by the LDC. Language was added to the JE brochures to address that concern.

CUB Attachment A (Public)

Requirement	JE Content	Complies?
Duration of the proposed supply contract or available service offerings.	4 or 5 years	Yes
Clearly and conspicuously discloses that the customer should look to the written contract for the rate and any administrative fees.	Look in your contract for the details of your agreement, charges, and associated monthly administrative fees.	No Information is disclosed, but not conspicuous – smallest print on the page
Any early termination fees or penalty (not to exceed \$50).	After this period, a one-time cancellation fee of \$50 will apply.	Yes
Was the termination fee disclosure in at least 12-pt font?	12-pt font used	Yes
Cancellation policies and procedures including the customer’s right to cancel within 10 business days after first bill with no fees.	Just Energy allows customers to cancel their agreement with no penalty for up to 30 days from the date of their first bill. Call, email or fax us. 1-866-587-8674 telephone 1-888-548-7691 fax cs@justenergy.com	Yes
Was the cancellation disclosure in at least 12-pt font?	12-pt font used	Yes
Any marketing materials which make statements concerning prices, terms, and conditions of service, shall contain information that adequately discloses the prices, terms and conditions of the products or services.	5 percent savings off your utility price. RateFlex gives you the flexibility to take advantage of low variable supply prices, and choice to lock in before prices go up. Lock in your supply rate at any time.	No Brochure mentions the five percent savings, the 4 or 5 year commitment, and the ability to lock in the rate, but does not provide specifics on the variable rate or how it is calculated, or the green energy price. Brochure does not mention the NYMEX plus 20 cents cap on the rate.
The material does NOT:		
Promise or guarantee savings which cannot be substantiated at the time of the solicitation.	5 percent savings off your utility price and Rate Flex Promise (\$125 if not below utility)	Yes
Depict any future price of any utility.	No prices depicted.	Yes
Additional Requirements		
Any price comparison between JE and a gas utility is limited to the utility serving the area in which the customer’s residence or business is located.	No utility comparisons were offered.	Yes
All depictions of utility prices display at least three years of data in no greater than quarterly increments and also offer JE’s offered price for the same or equivalent products and services for each of the same increments.	No utility comparisons were offered.	Yes
Nothing depicts or suggests that a utility’s future price will be higher than the last month for which the price is known.	No prices depicted.	Yes
Nothing suggests that future prices in the abstract (national or international price trends) are going to be higher.	No prices depicted.	Yes

Source: Data Response 72

- JE Illinois' brochure for its Rate Capper product did not comply with all requirements of the CO, the AGSL and the CD. **Exhibit V-2** provides the requirements, JE's specific content, and NorthStar's compliance assessment.

Exhibit V-2
Rate Capper Brochure Review

Requirement	JE Content	Complies
Required Disclosure		
JE is an alternative gas supplier		No Does not specifically state that JE is an alternative gas supplier.
JE is ... not affiliated with the public utility, government, or any consumer group.	Just Energy is not your utility and definitely not associated with the government or any consumer group.	Yes
The public utility will continue to bill the customer for delivery in addition to JE's charges.	Your utility will continue to bill you and charge you for natural gas distribution. Same utility bill, Same delivery service.	No Does not state that JE's charges are in addition to utility charges. ⁷⁴
Duration of the proposed supply contract or available service offerings.	5 years	Yes
Clearly and conspicuously discloses that the customer should look to the written contract for the rate and any administrative fees.	Look in your contract for the details of your agreement, charges, and associated monthly administrative fees.	Yes
Any early termination fees or penalty (not to exceed \$50).	After this period, a onetime cancellation fee of \$50 will apply.	Yes
Was the termination fee disclosure in at least 12-pt font?	12-pt font used	Yes
Cancellation policies and procedures including the customer's right to cancel within 10 business days after first bill with no fees.	Just Energy allows customers to cancel their agreement with no penalty for up to 30 days from the date of their first bill. Call, email or fax us. 1-866-587-8674 telephone 1-888-548-7691 fax cs@justenergy.com	Yes
Was the cancellation disclosure in at least 12-pt font?	12-pt font used	Yes
Any marketing materials which make statements concerning prices, terms, and conditions of service, shall contain information that adequately discloses the prices, terms and conditions of the products or services.	Pay utility rates. Never pay more than 89 cents/therm. Pay 19.95 per month for Green Energy Option and Rate Capper administration fee.	Yes
The material does NOT:		
Promise or guarantee savings which cannot be substantiated at the time of the solicitation.	Rate Capper Rebate (\$125 if never exceeds 89 cents/therm)	Yes
Depict any future price of any utility.	No prices depicted.	Yes

⁷⁴ According to JE, the requirement was driven by concerns that customers were not being informed that they would continue to be billed for certain items by the LDC. Language was added to the JE brochures to address that concern.

Requirement	JE Content	Complies
Additional Requirements		
Any price comparison between JE and a gas utility is limited to the utility serving the area in which the customer's residence or business is located.	No price comparison made.	Yes
All depictions of utility prices display at least three years of data in no greater than quarterly increments and also offer JE's offered price for the same or equivalent products and services for each of the same increments.	No depiction of utility prices.	Yes
Nothing depicts or suggests that a utility's future price will be higher than the last month for which the price is known.		No
Nothing suggests that future prices in the abstract (national or international price trends) are going to be higher.	See above.	No

Source: NorthStar Analysis, Data Response 131

3. JE Illinois' brochure for its Fixed Price Protection Program did not comply with all requirements of the CO, the AGSL and the CD. **Exhibit V-3** provides the requirements, JE's specific content, and NorthStar's compliance assessment.

**Exhibit V-3
Fixed Price Protection Program**

Requirement	JE Content	Complies?
Required Disclosure:		
JE is an alternative gas supplier ...		No Does not specifically state that JE is an alternative gas supplier.
JE is an alternative gas supplier and not affiliated with the public utility, government, or any consumer group.	Just Energy is not your utility and definitely not associated with the government or any consumer group.	Yes
The public utility will continue to bill the customer for delivery in addition to JE's charges.	Your utility will continue to bill you and charge you for natural gas distribution. Same utility bill, New green energy solution.	No Does not state that JE's charges are in addition to utility charges. ⁷⁵
Duration of the proposed supply contract or available service offerings.	3 or 5 years	Yes

⁷⁵ According to JE, the requirement was driven by concerns that customers were not being informed that they would continue to be billed for certain items by the LDC. Language was added to the JE brochures to address that concern.

CUB Attachment A (Public)

Requirement	JE Content	Complies?
Clearly and conspicuously discloses that the customer should look to the written contract for the rate and any administrative fees.	Look in your contract for the details of your agreement, charges, and associated monthly administrative fees.	Yes
Any early termination fees or penalty (not to exceed \$50).	After this period, a onetime cancellation fee of \$50 will apply.	Yes
Was the termination fee disclosure in at least 12-pt font?	12-pt font used	Yes
Cancellation policies and procedures including the customer's right to cancel within 10 business days after first bill with no fees.	Just Energy allows customers to cancel their agreement with no penalty for up to 30 days from the date of their first bill. Call, email or fax us. 1-866-587-8674 telephone 1-888-548-7691 fax cs@justenergy.com	Yes
Was the cancellation disclosure in at least 12-pt font?	12-pt font used	Yes
Any marketing materials which make statements concerning prices, terms, and conditions of service, shall contain information that adequately discloses the prices, terms and conditions of the products or services.	No applicable statements are made.	Yes
The material does NOT:		
Promise or guarantee savings which cannot be substantiated at the time of the solicitation.	Nothing depicted.	Yes
Depict any future price of any utility.	No prices depicted.	Yes
Additional Requirements		
Any price comparison between JE and a gas utility is limited to the utility serving the area in which the customer's residence or business is located	No utility comparisons were offered.	Yes
All depictions of utility prices display at least three years of data in no greater than quarterly increments and also offer JE's offered price for the same or equivalent products and services for each of the same increments.	No utility comparisons were offered.	Yes
Nothing depicts or suggests that a utility's future price will be higher than the last month for which the price is known.	No prices depicted.	Yes
Nothing suggests that future prices in the abstract (national or international price trends) are going to be higher.	No prices depicted.	Yes

Source: NorthStar Analysis, Data Response 131

4. JE Illinois' print advertisements reviewed by NorthStar complied with the CO, the AGSL and the CD.
 - A review of a small selection of print advertisements found that JE Illinois correctly uses disclaimers and disclosures.

- JE Illinois did not provide price comparisons, depict future prices, or disclose any of its prices.⁷⁶

Website

5. Improvements can be made to JE Illinois' website.

- The web pages themselves do not disclose that JE has no affiliation with the consumer's public utility, the government, or any consumer group. (CO, p. 52 (CD E.1.a)) Only linked Adobe Acrobat pdf documents on the website provide the required disclosures.
 - Consumers may utilize a "click [here](#)" button in the "Products-Residential" tab and be directed to "**Current Pricing and Terms and Conditions**". Included in this area is a scanned, door-to-door salesperson sample acknowledgement form that states, "The representative identified him/herself by name and was wearing a Just Energy badge and stated that he/she was representing Just Energy, a natural gas supplier, and is not related with my local Utility, the government, or any consumer group."
 - This disclosure could be modified such that it appears on the landing page rather than in an Adobe Acrobat pdf attachment. Although Adobe Acrobat is a common, free application it must be installed on a computer in order to open a pdf file. Not all computers (particularly public computers) may have the application installed.
- The website pages themselves similarly do not disclose the following. Consumers may utilize a "click [here](#)" button in the "Products-Residential" tab and be directed to "**Current Pricing and Terms and Conditions**". Included in this area is a scanned, door-to-door salesperson sample Acknowledgement Form, which discloses the early termination fee of \$50.00 applicable 30 days after the date of the first bill. Also included in this area is a sample Fixed Price Program Customer Agreement, which discloses the current price, term, and Green Energy options.
 - Any administrative fees (AGSL 19-115c5)
 - The rate the consumer will be charged for natural gas (AGSL 19-115c5)
 - The duration of the contract (AGSL 19-115c5)
 - The early termination fee or penalty (CO, p. 52)
 - The penalty or fee shall not exceed \$50 under any conditions (CO, p. 52)
- The web pages are consistent with the following aspects of the CO, the AGSL and the CD:
 - JE identifies itself as an independent energy supplier: "Just Energy is an independent natural gas marketer licensed by the Illinois Commerce Commission.

⁷⁶ Data Response 29

Just Energy is a subsidiary of Just Energy Group Inc., a publicly traded fund.⁷⁷ The website contains a sample contract which discloses terms and conditions for the products and services sold. (AGSL 19-115c)⁷⁸

- JE Illinois' website does not offer price comparisons. (CO, p. 51)
- The website does not depict utility prices. (CO, p. 51)
- The website does not forecast or suggest future energy prices. (CO, p. 51)
- The website does not contain language that in general suggests that future prices in the abstract (e.g., national or international price trends) are going to be higher. (CO, pp. 51-52)⁷⁹
- The website discloses that consumers will continue to receive bills from the utility and will continue to be charged by the utility for natural gas distribution in addition to JE's charges for natural gas supply. (CO, p. 52)⁸⁰
- The website discloses the cancellation criteria and a customer service telephone number. (CO, p. 52)⁸¹

D. Management Assessment

6. JE Illinois appropriately updates its promotional materials to reflect current products. In May 2011, JE Illinois introduced a new product, its JustGreen RateFlex Program. Brochures and materials were updated to reflect the new product.⁸²
7. NorthStar's audit uncovered no evidence that JE unapproved materials were being used in door-to-door solicitations.⁸³
 - NorthStar personnel observed only the use of authorized materials in the field.
 - As part of his field shadowing, the QAFS checks to make sure the ICs are carrying the current, approved materials.

⁷⁷ JustEnergy.com, "FAQ's" tab, Question and Answer 1

⁷⁸ JustEnergy.com, "Home", "Stabilize Your Rates", "Control Your Energy Bills", "Go Ahead. Go Green", "FAQs", "Products – Residential", and "Who We Are" tabs

⁷⁹ JustEnergy.com, "Home", "Stabilize Your Rates", "Control Your Energy Bills", "Go Ahead. Go Green", "FAQs", "Products – Residential", and "Who We Are" tabs

⁸⁰ JustEnergy.com, "FAQ's" tab, Question and Answer 7

⁸¹ JustEnergy.com, "FAQ's" tab, Questions and Answers 11, 12, and 13

⁸² Data Responses 29 and 72

⁸³ Ride-alongs

8. Modifications to the JustGreen RateFlex brochure are recommended.

- On the cover it states the name as the JustGreen RateFlex Program. Green energy is an option within the program, but the name JustGreen RateFlex implies the program may use green energy.
- The brochure does not clearly explain the variable rate and existing references are vague: “Enjoy low rates while market prices are down” and “RateFlex gives you the flexibility to take advantage of low, variable supply price...” These are the only reference to the variable rate. The brochure does not mention NYMEX, the cap on JE’s variable rate, or explain how the rate is calculated. A clear distinction between JE’s rate and the LDC’s rate is also not made. NorthStar believes more a explicit explanation of JE’s variable rate and how it is calculated is necessary to properly inform prospective customers.
- **Exhibit V-4** (page following) shows a page from the brochure used by JE Illinois sales representatives during NorthStar’s audit. The ICs frequently use this page to highlight the benefits of the program.⁸⁴ The fact that the customer will be on a variable rate after the first three months, or the cap on that rate, is not specified.

⁸⁴ IC shadowing

**Exhibit V-4
JustGreen RateFlex Brochure**



RateFlex Adds Even More Value:

5% OFF
Instant Savings!
Get 5% off your utility price for the first three bills!¹

OUR PROMISE
RateFlex Promise
OUR PROMISE
The RateFlex Promise
If by end of the term the average utility price was lower than your average supply with us, we'll pay you \$125¹.

Just Energy Rewards Powered by Entertainment
Sign on with Just Energy and receive access to Just Energy Rewards, the source for significant discounts on travel, shopping, dining, entertainment and attractions.

1. This offer is based on the base commodity price comparison over your agreement and does not include the additional costs for utility delivery charges, taxes or other charges for carbon offsets. Customers may be eligible for a rebate of \$125. If you fix your supply rate you may not be eligible for the rebate. See Terms and Conditions in your agreement for more details.
2. Intro Price is calculated by Just Energy and may be based on our reasonable estimates of what the utility price will be. The Intro Price may vary between utilities and service areas in Illinois.

E. Recommendations

1. Review and edit the JustGreen RateFlex brochure to more explicitly disclose all information required by regulation. (Refers to Finding No. 1)
2. Ensure all future brochures comply with regulatory requirements. (Refers to Findings No. 1-3)
3. Update the JE Illinois website to include all required disclosures on the web pages themselves rather than as pdf attachments. (Refers to Finding No. 5)
4. Modify the JustGreen RateFlex brochure to clearly specify that after the three-month introductory period the customer will be charged a variable rate by JE Illinois that varies based on business and market conditions, and that the rate is not the same as the LDC's rate. Ideally, the brochure would also explain the cap on the rate (i.e., NYMEX plus 20 cents). (Refers to Findings No. 1 and 8)
5. Consider removing "JustGreen" from the name of the product on the brochure. (Refers to Finding No. 8)

F. Other Considerations

None.

CHAPTER VI: DOOR-TO-DOOR SALES

A. Background

JE is not unique in utilizing a door-to-door sales strategy. Door-to-door sales are used by a variety of other industries including home alarm/security, garage doors, vinyl siding, roofing, magazines, landscape services, and other alternative natural gas and/or electric suppliers.

Door-to-door sales can be difficult and challenging for those who choose to be door-to-door salespeople. The hours are long and the process can be intimidating and frustrating. Door-to-door salespeople are frequently met with rejection and hostility.

Individuals must be self-motivated. The salespeople must follow a script without substantial deviation and be a skilled communicator. There are little or no educational requirements to be a successful IC, yet the financial rewards can be as great as for individuals with advanced degrees. It is potentially an exceptional opportunity for the individuals who can endure the obstacles and long work hours.

[REDACTED]

[REDACTED]

[REDACTED]

⁸⁵ Data Response 165

[REDACTED]

[REDACTED]

[REDACTED]

Solicitation Process

Sales representatives are provided with a script they are instructed to follow in the event a prospective customer answers the door.⁸⁷

- The IC introduces themselves to the customer.
- Shows his/her badge.
- Notifies the customer that they are with JE, an alternative natural gas supplier licensed in Illinois, and not the utility, government agency, or any consumer group.

[REDACTED]

[REDACTED]

⁸⁶ JE Verification Response

⁸⁷ More frequently customers are not at home or do not answer the door.

[REDACTED]

The Acknowledgement Form includes the following disclosures:

- The representative explained that the Agreement does not guarantee financial savings. If however, at the end of my Term, the Volume Weighted Average Utility Price is less than the Volume Weighted Average Just Energy Price, I will receive a payment/credit of \$125.
- For the first 3 billing cycles of my Term, my Natural Gas Price will be the Intro Price, which will be set 5% below the published Utility Price, and thereafter it will be the Variable Rate for the remainder of the Term. The Variable Rate will not exceed NYMEX + \$0.20/therm. Changes to the Variable Rate will be determined by business and market conditions.
- The representative identified him/herself by name and was wearing a Just Energy badge and stated that he/she was representing Just Energy, a natural gas supplier, and is not related with my local Utility, the government, or any consumer group.
- The representative explained that the Natural Gas Price does not include regulated delivery, transportation, and other charges (or credits) billed by the Utility.
- I have been advised that; i) this Agreement will not be processed if I cancel this Agreement at any time prior to the tenth (10) business day after my Utility sends a notice confirming I have switched my gas supply to Just Energy by contacting Just Energy or my Utility; ii) Just Energy extends my right to cancel without Exit Fees to 30 calendar days after the date of my first bill under the Agreement; and iii) if I cause this Agreement to end early, I will owe Just Energy a one-time Exit Fee of \$50. I have been provided and read the Notice of Cancellation Form for an explanation of this right.
- To request cancellation, I can contact Just Energy by telephone, mail, e-mail, or fax.
- The representative has provided me with a copy of the Customer Agreement including the General Terms and Conditions.⁸⁸

The customer signs both the Acknowledgement Form and the Customer Agreement. The Customer Agreement is signed in two places: one indicating the term of the program selected (four or five years for the RateFlex), and that the customer is choosing JE Illinois as its natural gas supplier, and one indicating the customer's chosen level of participation in Just Green. The back of the Customer Agreement has detailed term and conditions.

⁸⁸ Acknowledgement Form

[REDACTED]

[REDACTED]

[REDACTED]

- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]

[REDACTED]

- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]

[REDACTED] NorthStar is unable to comment extensively on its function.

B. Compliance Requirements

As required by the AGSL, CO and CD, JE is subject to the following requirements:

- JE's door-to-door solicitation process substantially supports the reduction of customer complaints and violations of the AGSL. (CO, p. 49)

⁹⁰ Data Responses 200 and 203

[REDACTED]

⁹² Data Response 6

CUB Attachment A (Public)

- JE provides door-to-door representatives responsible for solicitation of consumers with scripts which provide representatives with language sufficient to meet the requirements of paragraph II.A.1 of this agreement. (CO, p. 52 (CD II.A.2.a))
- During the course of its door-to-door solicitations of consumers, JE shall:
 - a) Disclose, where the solicitation occurs in person, including through door-to-door solicitation, the salesperson's name. (CO, p. 52 (CD II.A.1.a))
 - b) Disclose that JE is an alternative gas supplier that has no affiliation with the consumer's public utility, with the government, or with any consumer group. (CO, p. 52 (CD II.A.1.b))
 - c) Disclose that the purpose of the solicitation is to sell gas supply service, and to induce the consumer to authorize JE as his/her new gas supplier. (CO, p. 52 (CD II.A.1.c))
 - d) Disclose that the consumer will continue to receive bills only from his or her public utility and will continue to be charged by the utility for natural gas distribution in addition to the charges by JE for natural gas supply. (CO, p. 52 (CD II.A.1.d))
 - e) Disclose the duration of the proposed supply contract. (AGSL 19-115g1, CO, p. 52 (CD II.A.1.e))
 - f) Disclose any administrative fees charged by JE. (AGSL 19-115g1, CO, p. 52 (CD II.A.1.f))
 - g) Disclose the rate that the consumer will be charged for the supply of natural gas. (AGSL 19-115g1, CO, p. 52 (CD II.A.1.g))
 - h) Clearly and conspicuously disclose the amount of the early termination fee, provided that any early termination fee or penalty shall not exceed \$50 total, regardless of whether or not the agreement is a multiyear agreement. (AGSL 19-115g5, CO, p. 52 (CD II.A.1.h))
 - i) Not make promises or guarantees of savings which cannot be substantiated at the time of the solicitation. (CO, p. 52 (CD II.A.1.i))
 - j) Not make misleading statements with regard to the levels of past savings. (CO, p. 52 (CD II.A.1.j))
 - k) Disclose that JE's past performance does not guarantee future rates beyond the term of the contract or savings. (CO, p. 52 (CD II.A.1.k))
 - l) Conduct the solicitation in a language spoken and understood by the consumer.
 - m) Clearly and conspicuously disclose the procedure by which a consumer can cancel his or her contract after the switch, provided that during solicitation, JE must disclose that consumer has the contractual and/or statutory right to cancel without any early termination fee within ten business days after the date of the first bill issued to the customer for products or services provided by JE. (AGSL 19-115g5, CO, p. 52 (CD II.A.1.f))

C. Compliance Findings

1. JE Illinois' scripts should more thoroughly disclose that the purpose of the solicitation is to sell natural gas as required by section II.A.1.c of the CD.
 - JE Illinois must disclose that the purpose of the solicitation is to sell gas supply service, and to induce the consumer to authorize JE as his/her new gas supplier (CO, p. 52 (CD II.A.1.c.))
 - The Acknowledgement Form signed by the customer contains the following language “[t]he representative explained that I am entering into a contract for the Natural Gas Rate Flex Program with Just Energy to supply Gas (and the percentage of JustGreen™ Gas I choose) to the Location, at the Price and for the Term I choose. I will pay the related charges.”⁹³
 - When the customer signs the Agreement, they sign a statement that “I CHOOSE Just Energy Illinois Corp. d/b/a Just Energy to be my supplier of natural gas (“Gas”) for a term of ... and price selected below.”⁹⁴
 - Although it is implied by the process and the signing of the Acknowledgement Form and Customer Agreement, neither the script nor the sales presentation specifically say to the customer that the “purpose of the solicitation is to sell gas supply service, and to induce the consumer to authorize JE as his/her new gas supplier”.
 - Further, as discussed previously in this report, NorthStar observed ICs indicating that they were not at the customer’s home “to sell anything” but rather to see if they “qualify” for JE Illinois’ program. ICs emphasize that they are determining if customers qualify for the program and may tell the customer they will receive a letter from the LDC letting them know that they qualify.
 - Based on NorthStar’s review of the TPV calls, call center calls, and the bi-weekly CCR calls with the sales offices, customers were sometimes not clear that they were currently signing a contract for the program.
2. Solicitation scripts make the following other required disclosures. NorthStar also observed these disclosures in the field.
 - ICs observed by NorthStar stated their name and indicated that they were with Just Energy, an alternative natural gas supplier licensed in the state of Illinois
 - ICs observed by NorthStar indicated that they were not affiliated with the utility, government or consumer group.

⁹³ IL_RF_ACK_V4_MAY_09_11

⁹⁴ Natural Gas RateFlex Program Customer Agreement

- All ICs made the proper disclosures regarding the duration of the program, the cancellation policy and fees.
 - The script and the ICs indicate that the customer will continue to receive one bill.
3. NorthStar’s field shadowing identified some contraventions of the Illinois compliance requirements with respect to savings. One incident resulted in a signed contract.
- **Exhibit VI-3** provides the results of our shadowing:

**Exhibit VI-3
IC Shadowing by NorthStar**

	Count	Percent
ICs shadowed	[REDACTED]	
Homes visited:	[REDACTED]	
Results		
Skipped [1]	[REDACTED]	[REDACTED]
Not home	[REDACTED]	[REDACTED]
Not interested	[REDACTED]	[REDACTED]
Age related pass		
Language issue		
Not account holder		
No bill available		
Not eligible [2]		
Sale/Contract written		

Note 1: [REDACTED]

Note 2: Current JE customer or disconnected.

Source: Field Shadowing

- For each of the eight signed contracts that we observed, we also reviewed whether the agent followed proper procedures during the sales process. Generally, the ICs followed the proper protocol during the actual sales process, with one notable exception. One IC was heard to say: “Your price could be higher in some months but overall it will be less than the utility. We back that with a \$125 rebate.” This could be construed as a promise of savings.
- The following statements were also heard with respect to savings. These were primarily new ICs.
 - “Guaranteed to be lower price...receive gas at lower cost”
 - “Savings for you, not a check in the mail, no lottery – but you will see savings.”
 - “We are the supplier, [LDC] is the delivery. You’re just saving...you want a cheaper price at a discount rate.”
 - “JE will make your bill lower.”

4. Most ICs and other JE personnel interviewed believe the customers will get a better deal with the JustGreen RateFlex program than they will with the local utility, and this comes across in the sales presentation. It is important to temper the collective enthusiasm to ensure ICs (and CSRs) do not over promise and mislead customers.
 - The ICs, CSRs and other JE personnel strongly believe in the new product and believe it will offer lower rates than the LDCs. This, combined with the RateFlex Promise comes across in the sale.
 - Twenty-three percent of the customers surveyed by NorthStar strongly agreed (19 percent) or agreed (4 percent) with the statement that they were promised they would save money after the three-month introductory discount period, as shown below. Sixty-six percent strongly disagreed that they were promised savings.

Exhibit VI-4

Customer Survey Results

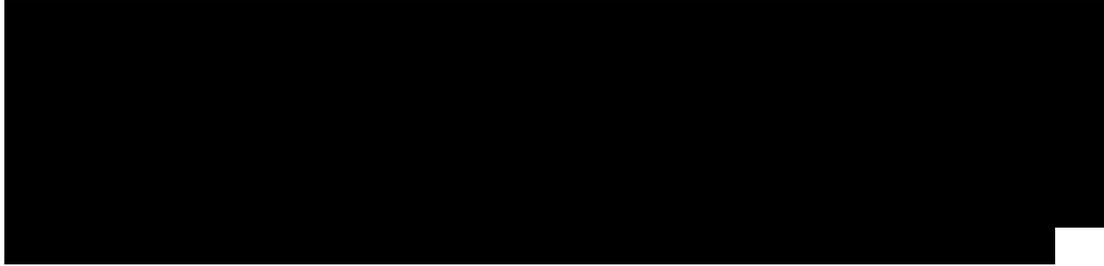
Question: I was promised I would save money on my natural gas with Just Energy after the first 3 month discount.

Response	Count	Percent
1 – Strongly Disagree	49	66%
2	4	5%
3 – Neutral	4	5%
4	3	4%
5 – Strongly Agree	14	19%
	74	100%

Source: NorthStar Customer Survey

- Fifty-nine percent the customers surveyed cited saving money as the main reason they chose to sign up with JE Illinois as their natural gas supplier, and an additional eight percent cited the discount, lower rates, winter savings, competitive prices, or felt the product was a better deal, for a total of 67 percent.⁹⁵ Customers did not respond with as much certainty to the question regarding the promise of savings as they did to other sales disclosures. To the best of NorthStar’s knowledge, no one in the local Illinois offices has been informed that the cap on the variable rate (up to NYMEX plus 20 cents) might consistently exceed the LDCs rate.
- The RateFlex Promise guarantees the customer a \$125 rebate if they paid more with JE than they would have with the utility. ICs (and Call Center CSRs) have been heard to say such things as [REDACTED]
- The ICs are careful to explain that “financial savings” cannot be guaranteed or promised [REDACTED]

⁹⁵ NorthStar Customer Survey



5. Other elements of the IC sales presentation may be misleading or potentially confusing to the customer.
 - ICs were observed to not clearly explain to the customer that the JE variable rate is not the same as the LDC rate.
 - ICs (and CSRs) frequently tell the customer that they are not “leaving” their local utility, switching utilities, or that they are staying with the utility. While this is technically true from a billing and distribution standpoint, it is inaccurate from a supply standpoint.

6. When the JustGreen RateFlex was introduced in Illinois, JE spent considerable time discussing how to address the compliance requirement related to financial savings relative to the benefits offered by and the features of the new product. A number of improvements have been made.
 - The discount rate and the rate flex promise created confusion during the TPV call when the product was first introduced. JE has taken a number of steps to minimize this, but it will likely be an ongoing challenge.
 - When JE Illinois initially implemented the JustGreen RateFlex product, sales were failing TPV due to inconsistencies between the sales script and the TPV script. JE modified the Illinois script as follows to minimize confusion.

**Exhibit VI-5
Financial Savings TPV Script Change**

Source: Data Responses 124 and 131

- Customers receive an introductory five percent discount (first three months) and are promised a rebate of \$125 if they paid more with JE Illinois than they would have paid with the utility at the end of the contract term.

- The \$125 rebate is now referred to as the RateFlex Promise rather than a guarantee to minimize confusion.

- ICs are also now very careful to say they “do not guarantee financial savings” during the sale. Although as discussed above, the term “financial savings” may be confusing.
- For the remaining 57 months they are on a “competitive variable rate” or a “competitive market rate” or “ a/the variable rate like you have right now with the utility”, depending on the IC.
- JE Illinois is not required to disclose to customers that they are not guaranteed savings. According to regulation, JE Illinois cannot make promises or guarantees of savings that cannot be substantiated at the time of solicitation.

D. Management Assessment

7. It is too soon to tell if JE Illinois’ JustGreen RateFlex variable rate will be lower than, close to, or higher than, the LDCs’ rates or if the new product will reduce complaints; however, historically, the single biggest contributor to the complaint call volume was JE’s rate compared to the LDC (about 20 percent of complaints).
 - Rates for the prior Fixed Price product ranged from a high of \$1.19 per therm to a low of \$0.79 per therm depending on when the customer signed up for the program.⁹⁶
[REDACTED]
[REDACTED] During the period of the audit, the LDC rates were generally below \$0.60 per therm, [REDACTED]
 - With the JustGreen RateFlex product the difference between the rates may not be as significant as with the prior Fixed Price product, as the rate is capped at NYMEX plus 20 cents.
8. NorthStar conducted a survey of JE Illinois’ customers. All survey respondents (100 percent) reported that the IC was polite and knowledgeable. Customers understood that they would receive a discount for three months, would be on a variable after the three months, that they signed up for a long-term agreement and that they were eligible for the \$125 rebate.
 - NorthStar contacted customers who had signed the contract and conducted the TPV call. Although NorthStar contacted both customers for whom the contract was reaffirmed and for those it was not, the majority of the participants had completed the call and were customers. Seventy-six customers participated in the survey.
 - **Exhibit VI-6** provides the results of the survey questions regarding details of the IC presentation. Not all participants answered the questions below.

**Exhibit VI-6
NorthStar Customer Survey Results**

	1 Strongly Disagree	2	3	4	5 Strongly Agree	Average
I will receive a 5% discount off the utility natural gas price for the 1st 3 months.	0	0	0	2	72	4.97
After the 3 months I will be on a variable rate	3	0	5	4	62	4.65
I signed up for a long term agreement lasting 4 or 5 years.	2	3	3	2	64	4.66
I was promised I would save money on my natural gas with Just Energy after the first 3 month discount.	49	4	4	3	14	2.04
I will receive a \$125 rebate if the average utility price is lower than Just Energy's rate.	4	2	5	0	63	4.57

Source: NorthStar Customer Survey

9. The JustGreen RateFlex script language does not make it clear that green energy is optional. There is potential for confusion about whether customers are required to accept the green energy option and, if they do accept it, that there is an increased cost.
- Ensuring the customer understands that participation in the green energy program is optional, and an additional cost is left to the IC or the TPV process.
 - As shown in the following excerpt from the current script, at the end of the description of the two options, the consumer is asked [REDACTED]. There is no communication to the consumer that a third option is available – 0 percent. It is possible some consumers may not be aware that they have the option to not sign up for Just Green.

**Exhibit VI-7
Sales Presentation Script – Just Green Option**



Source: Brochure, Script (v3.1_2011_7_11)

- During our field shadowing, several ICs said that they tell customers that “most people go with Green” and only offered the 60 percent and 100 percent options (as this is how the script reads and how the IC is taught). If the customer does not immediately make a choice or looks confused, the ICs mention that the Green

program is optional and that the customer does not have to choose one of the participation options. The ICs did not always mention right up front that another option was to not take the Green Option.

- Other ICs made it clear it was optional.
- If a customer selects the Green option, their choice is verified during the TPV process. The TPV script reads: “Also, you have selected **[JustGreen Percentage]** percent of JustGreen for an additional \$ **[Rate]** per therm. Is this correct?⁹⁷”
- Currently, most customers do not sign up for the green energy option. As part of the customer survey, NorthStar asked the customer if they signed up for the green energy option. If they signed up for the program, NorthStar asked if it was included or they could decline. Of the sixteen customer signed up for the green energy option, ten understood that they could decline (62 percent). Thirty-eight percent may not have understood they could decline. Survey results are provided below.

Exhibit VI-8
NorthStar Customer Survey Results
Question: Did you sign up for the green energy option?

Response	Count	Percent	Was Included	Could Decline
Yes	16	21%	6	10
No	35	46%		
Unsure [1]	19	25%		
Cancelled program or did not complete TPV	5	6%		
No Response [2]	1	1%		
Total	76			

Note 1: IC may not have presented the option or only briefly. NorthStar does not have the data to determine whether these customers actually signed up for the green option or not.

Note 2: Not all customers responded to all portions of the survey.

10. [REDACTED] turnover of the IC work force poses managerial and compliance challenges and contributes to the potential to promote ICs relatively quickly.

[REDACTED]

⁹⁷ TPV script

Exhibit VI-9
Monthly Variation of Independent Contractor Numbers in Illinois
January 2008-April 2011

[REDACTED]							
[REDACTED]							
[REDACTED]							
[REDACTED]							
[REDACTED]							
[REDACTED]							
[REDACTED]							
[REDACTED]							
[REDACTED]							
[REDACTED]							

[REDACTED]

[REDACTED]

[REDACTED]

11. Although it is essential that new ICs have an opportunity to market to customers as soon as feasible, additional observation of new IC customer interactions by experienced personnel would be beneficial. [REDACTED]

[REDACTED] increases the likelihood for IC errors, which could lead to complaints. [REDACTED]

- New ICs are more likely to make mistakes in the beginning while they are learning. A new IC has had limited training in the full sales presentation and almost none in addressing questions that may posed by customers, or in appropriate methods for overcoming objections. Based on NorthStar’s observations in the field, new ICs do not have sufficient training to address customer questions if they deviate from the script.

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

- There are differences of opinion among ICs (current and former) as to the level of support provided by management. Current and former ICs interviewed by NorthStar voiced concerns about [REDACTED] NorthStar's IC survey paints a more positive picture.

- NorthStar conducted a survey of ICs in all [REDACTED] JE Illinois offices. In response to the survey, most ICs indicated they felt very well prepared [REDACTED] [REDACTED] Ninety-four percent of the ICs reported that JE provided adequate support to assist them in becoming a successful IC.⁹⁸

[REDACTED]

[REDACTED]

- Although most ICs believe they received adequate training, several ICs interviewed mentioned to us that they felt [REDACTED] [REDACTED]

- The balance between support and the need for the IC to be a self-starter is challenging. JE Illinois wants to make sure that the IC is self-motivated and self-sufficient in the field and the more successful ICs generally agree with that approach. [REDACTED]

12. Although there are direct ties between an IC's compensation and compliance, [REDACTED] [REDACTED] A more positive approach to compliance management is warranted.

⁹⁸ IC Survey results

- If an IC does not adequately explain the program or misrepresents the product, the sale will not pass [REDACTED]

[REDACTED]

[REDACTED]

- **Exhibit VI-10.** [REDACTED]

Exhibit VI-10

[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

Source: Data Response 72

[REDACTED]

- **Exhibit VI-11** [REDACTED]

Exhibit VI-11

[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

[REDACTED]

14. By its nature the door-to-door sales environment is difficult, but JE Illinois could do more to improve working conditions.

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED] The results are provided in Exhibit VI-12.

**Exhibit VI-12
Time of Contract Validation by Office**

| [REDACTED] |
|------------|------------|------------|------------|------------|------------|------------|------------|
| [REDACTED] |
| [REDACTED] |
| [REDACTED] |
| [REDACTED] |
| [REDACTED] |
| [REDACTED] |
| [REDACTED] |
| [REDACTED] |
| [REDACTED] |

- Other work issues include:
 - [REDACTED] NorthStar experienced this as well.
 - [REDACTED]
 - [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED] NorthStar noted one office following this practice.

[REDACTED]

- JE has recently made some progress in this respect. [REDACTED] Additional effort to ensure employee comfort and safety may be suggested.

[REDACTED] field monitoring activities are designed to improve compliance; however, given the number of offices, [REDACTED]

[REDACTED]

- **Exhibit VI-13** [REDACTED]

**Exhibit VI-13
Field Monitoring Targets and Actual**

Activity	Target
[REDACTED]	[REDACTED]

¹⁰¹ Data Response 215

Activity	Target
[REDACTED]	[REDACTED]

[REDACTED] As discussed in more detail later in this Chapter, the Weekly Reports reviewed by NorthStar indicate substantial effort [REDACTED] with very good observations and recommendations for improvement.

[REDACTED]

[REDACTED]

- Is using only approved materials, has permits, and is not marketing to customers on the do not solicit list.
- Properly introduces him/herself and make the required affiliation disclosures.
- Only speaks to the account holder or spouse.

[REDACTED]

- Properly explains the program, addresses any questions, and makes the proper disclosures.
- Properly fills out the agreement and allows the customer time to review it and ask questions.
- Shows proper judgment in proceeding with the sale if the customer appears elderly or does not understand English/Spanish.
- Does not suggest the customer would save money.¹⁰³

[REDACTED]

[REDACTED]

¹⁰² Data Responses 266 and 311

¹⁰³ Data Response 203

¹⁰⁴ Data Response 201