



Case Study

Administering an Assurance of Discontinuance for Energy Service Companies

In the past several decades, the retail supply of electricity and natural gas has been deregulated in many states. While public utilities continue to own the energy delivery infrastructure, a third-party company can apply to become an energy service company that sells retail energy to customers.

The business practices of energy service companies are governed and regulated by each state. If a private energy service company violates a state's business practice regulations, the Office of the Attorney General can institute civil proceedings against the company to enforce the state's laws. Such civil proceedings can be resolved through an Assurance of Discontinuance (AOD). In an AOD, the energy service company agrees to modify its business practices and often makes a restitution payment to the state. Kroll has been selected by various states' attorneys general to administer the distribution of these energy service company restitution payments to consumers.



The Challenge

Kroll's foremost goal when administering an AOD is to distribute as much of the restitution fund as possible to consumers. In these cases, Kroll receives consumer data that comes from an energy service company's customer data, containing both current and former customers' full addresses, service addresses and utility account numbers. These customer addresses are frequently rental addresses and hence these customers tend to be more transient. In addition, these former customer records are often more than 10 years old. Attorneys General add each consumer's payment amount to the energy service company's data before the data is transferred to Kroll.



Kroll's Solution

Understanding the importance of distributing as many restitution dollars as possible to consumers, Kroll builds an informational website and sets up a toll-free phone number, staffed with Kroll's live operators prior to any direct outreach to consumers.

Before mailing any restitution checks, Kroll recommends mailing a one-page letter notice that briefly describes the Attorney General's enforcement action and sets forth the amount of each consumer's payment. The notice also tells consumers the date on which Kroll will mail the restitution checks. This allows consumers to contact Kroll via our website or use the toll-free number to speak to our live operators with any questions about the enforcement action, the notice or their payment. The notice envelope and the notice itself both contain the Attorney General's color logo. The Attorney General's official full-color logo adds legitimacy to the notice. To further enhance the credibility of the notice, it contains links to both the Attorney General's AOD website and Kroll's AOD website.

In some instances, energy service company's customer data will include email addresses, in which case Kroll will also send email notices in addition to the mailed notices.

Since these energy service consumer lists often contain older addresses, mailing notices prior to mailing checks allows Kroll to learn via returned undeliverable notices which addresses are no longer valid. In some energy service company AOD administrations, undeliverable notices have exceeded 20% of the initial notice mailing. Additionally, an initial notice mailing allows Kroll to address-trace all returned undeliverable notices and update consumers' mail addresses in Kroll's database prior to Kroll mailing consumers their restitution checks.

The restitution checks are mailed with an explanatory cover letter, and both the envelope and cover letter contain the Attorney General's official full-color logo. Approximately 60 days after mailing the cover letters and checks, Kroll mails check cashing reminder postcards and sends check cashing reminder emails, if email addresses are available, to all those consumers who have not yet cashed their checks.

Despite these efforts, many consumers' restitution checks will remain uncashed. Attorneys General have handled uncashed check funds differently. In some AOD administrations, uncashed check funds are redistributed in a second distribution to the consumers who cashed their original checks.

In another energy service company AOD administration, Kroll completed four distributions in aggregate amounts that corresponded with the energy service company's four restitution payments spread over a 19-month period. Uncashed check funds from the first three distributions were rolled into the fourth distribution.

Regardless of how uncashed checks are handled, the goal remains to distribute as much of the restitution fund as possible to consumers.



The Impact

As a result of these robust outreach efforts, Kroll has been able to successfully distribute over 90% of energy service company AOD restitution funds to consumers.

Contact



kroll.com/settlement-administration



+1 844 777 8055

About Kroll

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