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## MEMORANDUM

**TO:** All Members of the House of Representatives

**FROM:** Representative P. Michael Sturla, Chairman  
House Democratic Policy Committee

**DATE:** March 3, 2011

**SUBJECT:** Co-sponsorship Request – **Memo 12**  
Prohibiting electric generation suppliers and natural gas suppliers  
from charging fees to certain employees/subcontractors

*PMG*

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In the near future I will introduce legislation to prohibit electric generation suppliers and natural gas suppliers licensed by the Public Utility Commission from charging upfront fees to potential employees/subcontractors that are hired to encourage consumers to switch their supplier.

Specifically, some electric/natural gas suppliers and their employees/subcontractors are holding informational meetings in conference rooms at local hotels and are promoting the opportunity to make additional income by asking people to “invest” in the prospect of selling electricity/natural gas to those residents wishing to switch suppliers. The initial investment typically costs a few hundred dollars and then the employee/subcontractor pays a monthly fee to have their own webpage linked to the parent company’s website. Some of these suppliers are operating right now in Pennsylvania and are simultaneously battling lawsuits regarding their business practices in other states.

If this person chooses to “invest” and become an employee/subcontractor, there are two primary ways to make income. The first is by recruiting and teaching other people to “invest” and become a part of the multi-level marketing plan. The second way is by convincing your neighbors, friends, family, and the community to switch electric suppliers. These employees/subcontractors get people to switch by engaging in door-to-door sales, direct mail campaigns, and other marketing techniques.

There is a fine line between multi-level marketing and pyramid schemes. My two biggest concerns with their business practices is their recruitment method of asking people to pay upfront fees and the qualifications of the people selling energy. Allowing this type of practice places consumers at risk because these employees/subcontractors are under no licensing requirement and are never made to attend legitimate educational seminars about the complexities of the industry.

Selecting a supplier in this new age of energy choice is an important decision, and our constituents should have access to qualified and vetted information. Their decision shouldn’t be muddled by legions of people who have little knowledge of utility choice and are just looking to sign up as many people as possible in an attempt to make money.

**If you are interested in co-sponsoring this important legislation, please contact Michelle Bohnke by email (mbohnke@pahouse.net) or phone at 787-3555.**