

BEFORE THE ILLINOIS COMMERCE COMMISSION

STATE OF ILLINOIS

AGL Resources Inc., Nicor Inc., and)
Northern Illinois Gas Company d/b/a)
Nicor Gas Company)
) ICC Docket No. 11-0046
Application for Approval of a)
Reorganization pursuant to Section)
7-204 of the Illinois Public Utilities Act)

REBUTTAL TESTIMONY OF
WILLIAM THOMAS

President and Founder, The Manchester Group LLC

ON BEHALF OF THE MANCHESTER GROUP, LLC

April 15, 2011

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**BEFORE THE ILLINOIS COMMERCE COMMISSION
STATE OF ILLINOIS**

Northern Illinois Gas Company)	
d/b/a Nicor Gas Company)	
)	No. 09-0301
Petition for an order re-approving an)	
Agreement for the provision of facilities)	
and services and the transfer of assets)	
between Nicor Gas Company and)	
Nicor Inc. and its subsidiaries.)	

**REBUTTAL TESTIMONY OF
WILLIAM THOMAS**

President and Founder, The Manchester Group LLC

ON BEHALF OF THE MANCHESTER GROUP, LLC

December 2, 2010

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Northern Illinois Gas Company)	
d/b/a Nicor Gas Company)	
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REBUTTAL TESTIMONY OF WILLIAM THOMAS

I.

INTRODUCTION

Q. Please state your name, business title, and business address.

A. My name is William Thomas. I am the co-founder and President of The Manchester Group, LLC (“Manchester”), an energy products and services company providing utility line warranty products to the residential market in five states. My business address is 6100 Emerald Parkway, Dublin, OH 43016.

Q. On whose behalf are you testifying in this proceeding?

A. I am testifying on behalf of Manchester.

Q: What is the purpose of this testimony?

A. This testimony provides a competitive market perspective of the utility line protection product in the Nicor Gas service area. Specifically, I highlight the benefits that a vendor receives in having this warranty product invoiced to customers on the utility-provided bill. I also discuss the advantage that Nicor Gas provides to its affiliate by allowing its affiliate’s warranty product to have exclusive access to the utility bill. That is, Nicor Gas has skewed the competitive market for utility line protection products by denying

20 Manchester and other competitors access to the utility bill on a fair and equal basis. In
21 addition, Nicor Gas has presented a witness testifying that Manchester presents a
22 competitive product in the market. However, for the reasons I discuss herein, Nicor
23 Gas's characterization of the situation is misleading because under the current structure
24 true competition does not exist. I explain the reasons why in this testimony.

25

26 **Q. What is a utility line protection product?**

27 A. ,In essence, it is a product that provides customers with protection on their customer-
28 owned utility lines. Utility line protection provides repair or replacement service for
29 customers when their protected lines fail due to normal wear and tear, which is typically
30 not covered by standard homeowners insurance. Within the family of utility line
31 protection products there are myriad different iterations of price, coverage, and design,
32 but the essence remains protection against utility line-related damage.

33

34 **Q. Which affiliate of Nicor Gas has been provided an unfair advantage for its utility
35 line protection product?**

36 A. Nicor Gas has provided unfair advantages to the Gas Line Comfort Guard ("GLCG")
37 product, which is offered by Nicor Gas affiliate Nicor Services.

38

39 **II.**

40 **BACKGROUND AND QUALIFICATIONS**

41 **Q. Please describe your educational background, professional experience, and other**
42 **qualifications.**

43 **A. I have a BS degree in Economics from the University of South Carolina. I have an MBA**
44 **degree in International Business from the University of South Carolina. My MBA**
45 **program included a focus on international studies at The Manchester School of Business**
46 **in England.**

47
48 In 1992, after graduating with my degree in International Business, I began working for
49 Carolina Continental Insurance Company (“CCIC”). Specifically, I worked with their
50 joint venture partner American Bankers Insurance Group (“ABIG”). While at CCIC, I
51 created and successfully marketed specialty insurance products through the joint venture.
52 In 1995, I began working for Columbia Energy Group (“CEG”) as a Marketing
53 Supervisor of Residential and Commercial Marketing for CEG’s affiliate company
54 Columbia Gas of Kentucky (“CKY”). In my position at CKY, I managed a natural gas
55 sales team in the CKY territory.

56
57 In 1996, I transferred within CEG from my position at CKY to a Manager position at
58 CEG affiliate Columbia Service Partners (“CSP”). My first responsibility at CSP was the
59 management on the product Gas Line Guarantee (“GLG”). Over the next several years, I
60 created warranty products for multiple different types of utility lines. My responsibilities
61 included designing the utility line protection programs, developing marketing campaigns

62 for utility line protection products, and overseeing IT infrastructure and customer
63 information systems -- including billing.

64

65 In 2003, CSP was sold, and I left the company. For approximately two years, I owned
66 TWT Risk Consulting. At TWT, I worked with various companies regarding specialty
67 risk products and consumer models. In 2005 I began discussions with IGS Energy
68 regarding utility line protection products. In or around 2006, we created Manchester, and
69 I have been the President of the company since its inception.

70

71 **Q. What are your qualifications to opine about the opportunities and challenges facing**
72 **marketers of utility line protection products?**

73 A. I have substantial experience both inside and outside of the utility market regarding
74 utility line protection products. As described above, I have extensive experience
75 designing, marketing, and managing utility line protection products both in my present
76 role as President of Manchester and as a result of my prior professional experience. My
77 experience within the utility market includes running a utility affiliate company and
78 marketing utility line protection products to both (1) utility customers where the utility
79 bill was leveraged to bill and collect for products; and (2) non-utility customers where the
80 same products were offered with only the payment option of direct bill.

81

82 I also have experience outside of the utility market running Manchester. Manchester
83 products are sold on a direct basis, but depending on location, customers may pay for
84 Manchester products on their utility bill.

85

86 **Q. What experience do you have with utility line protection products being invoiced on**
87 **the utility bill and being directly billed?**

88 A. I have had a significant amount of experience with offering utility line protection
89 products in the markets where billing on the utility bill is available, as well as in markets
90 where only direct billing is available.

91

92 All other factors being roughly equal, utility bill option response rates have been about
93 four times greater than response rates to the same product offer where direct bill is the
94 only option. In other words, under certain circumstances, customers are 400% more
95 likely to purchase the product when they can pay for it on their utility bill than when they
96 cannot pay for it in that way. When the product is offered in a manner that allows the
97 customer to be billed on the utility bill rather than on a separate bill, customers are much
98 more likely to purchase the product; when the product is offered in a manner that requires
99 the customer to pay on a separate non-utility bill, customer are much less likely to
100 purchase the product.

101

102 **Q. Does providing protected or exclusive access to the Nicor Gas utility bill result in**
103 **lower prices to consumers?**

104 A. It should, but it has not had that impact on Nicor Services' product. The value of any
105 product is made up of several components, and the value of each component varies by
106 customer. In my experience, utility customers place a high value on the convenience of
107 utility billing. We have performed marketing tests that clearly show customers value

108 utility billing and will purchase a product at a rate up to four times greater than the same
109 product option without utility billing. This value translates into a significant price effect,
110 but in the Nicor Gas market, it has not led to lower prices. Protected or exclusive access
111 to the utility bill gives the protected provider such a market advantage that product price
112 is no longer set by the market through competition, but set by the single provider who
113 controls access to the utility bill.

114

115 **Q. Do warranty products generally provide value to consumers?**

116 A: Yes. Warranty products do provide value to consumers. In particular, Manchester's
117 products provide significant value to consumers and the benefits to consumers can be
118 substantial. Utility line protection products provide for protection against failures in
119 utility lines that are not otherwise covered by standard homeowners insurance. Typically,
120 when a utility line fails, it will fail through normal use, which is not covered under
121 standard homeowners insurance. Additionally, when the lines fail, the cost to repair the
122 failed lines can be significant compared to the cost of protection.

123

124

III.

125

126

127

128

**NICOR SERVICES' EXCLUSIVE ACCESS TO
THE NICOR GAS BILL CREATES ADVANTAGES AND
MARKET DISTORTIONS THAT FREEZE COMPETITORS OUT OF THE MARKET**

129

Q. Does Nicor Gas provide utility billing for any utility line protection products?

130

A. Yes. Nicor Gas has allowed its affiliate Nicor Services to bill for its utility line
131 protection product on the Nicor Gas bill. Even after the Commission initiated this
132 investigation, Nicor Gas has continued to allow its affiliate to use the utility bill to

133 invoice the customers of its affiliate. (*See, e.g.,* Staff Ex. 2.0, Direct Testimony of David
134 A. Sackett, at 68:1541-69:1558.)

135

136 **Q. Does Nicor Gas provide utility billing for utility line protection products offered by**
137 **companies that are not affiliates of Nicor Gas?**

138 A. No. Nicor Gas has made it very clear that it does not allow non-affiliates to bill for their
139 utility line protection products on the utility bill. For example, in response to an ICC
140 Staff Data Request on this subject, Nicor witness Mr. O'Connor stated:

141 Nicor Gas states that it does not provide such billing service to non-
142 affiliates and has no intention of providing such billing services in the
143 future.

144

145 (Nicor Gas Response to DAS 1.11, a copy of which is attached to this testimony as
146 Manchester Exhibit 1.1. (*See also* Staff Ex. 2.0, Sackett Direct, at 37:854-39:895,
147 68:1541-69:1558.) Manchester's experience likewise is that Nicor Gas does not allow it
148 currently to bill on the Nicor Gas bill.

149

150 **Q. Has Manchester ever requested that Nicor Gas invoice Manchester's utility line**
151 **protection product on the utility bill?**

152 A. Yes. However, Nicor Gas and Manchester never entered into a billing agreement.
153 Instead, Nicor Gas demanded that Manchester to pay the cost to develop an entirely new
154 infrastructure that Nicor Gas claimed was required to add a line item on the utility bill.
155 Manchester accepted the concept of paying for the line item, but asked Nicor Gas why
156 additional infrastructure was needed to be developed when Nicor Gas already provided a
157 line item for its affiliate's GLCG product. Nicor never fully explained why the

158 development was necessary, never provided sufficient detail to justify the projected cost
159 (\$200,000), and did not adequately explain why the project would take around 16 months
160 to complete.

161

162 **Q. Is having the utility bill for products valuable?**

163 A. Yes. Access to the utility billing provides at least (4) distinct, extremely significant
164 advantages throughout the customer experience, ranging from customer acquisition to
165 retention. The advantages include the following:

166 • First, billing on the utility bill increases the likelihood that a utility customer, when
167 receiving direct mail and reading its contents, will follow through and enroll in a
168 product or take advantage of an offer. Customers are much more highly likely to
169 purchase a product or service related to their natural gas service if they will be billed
170 for that service on their utility bill, rather than on a separate bill.

171 • Second, utility billing simplifies enrollment. In a situation where the customer will
172 be billed on the utility bill, the customer can be instructed to “send no money now”
173 and the customer need not provide financial information such as their checking
174 account number, bank account number, or credit card number.

175 • Third, billing through an existing utility billing relationship facilitates customer
176 convenience. A customer need not deal with an additional bill, and the product
177 charges are communicated as “conveniently billed on your utility bill.”

178 • Fourth, utility billing increases customer comfort. Customers are comfortable with
179 their utility bill, and being able to place the charges on the utility bill allows the
180 customers to continue that comfort with the warranty product.

181 These four factors, individually and cumulatively, lead to an increased response rate.

182 Higher response rates lead to lower acquisition costs, which in turn leads to more

183 competitive pricing, because one of the significant costs associated with the product is

184 marketing. Importantly, that possibility of a more competitive price *assumes* that all

185 providers of a particular product or service have fair and equal access to the utility bill.

186 Unfortunately, that is definitely *not* the case now – right now, only Nicor Services, Nicor
187 Gas’s affiliate, has access to the Nicor Gas bill.

188

189 **Q. Why does invoicing customers on the utility bill increase the likelihood of a**
190 **customer enrolling?**

191 A. When a homeowner reads marketing materials and service agreements, he or she makes a
192 decision as to whether the product is something needed or useful. In my experience, the
193 first and most important question a consumer asks is how he or she will interact with the
194 company selling them the product. By having the charges included on their utility bill, a
195 customer is much more likely to feel a degree of comfort knowing that payment and
196 collection for the product is with a company with which they currently have a
197 relationship. The connection between product and billing through a trusted source
198 increases the probability of enrollment and ultimately lifts the enrollment rate.

199

200 **Q. How does not having access to the utility bill hurt customer enrollment?**

201 A. Where the billing will be separate and apart from the normal utility bill, the customer
202 must provide a completely new company with upfront payment for the product, or
203 provide sensitive bank or credit card information.¹ Reduced (or non-existent) company
204 recognition, additional requirements for enrolment, and necessity to establish an
205 additional business relationship with a third party for ongoing payment create obstacles in
206 the purchase decision process. These additional obstacles in the purchasing process
207 reduce sales and increase acquisition costs.

¹ Requesting customer payment information is the only commercially reasonable way to ensure payment and a functioning customer-service provider relationship.

208

209 **Q. What about having a product invoiced on the utility bill makes it more convenient?**

210 A. Without utility billing, customers must either call or send back the return envelope with a
211 written check, bank account number, or a credit card number.

212

213 **Q. How does being included on the utility bill result in improved customer retention?**

214 A. Simply stated, because the entire customer experience is more convenient, it is easier to
215 retain the customer. The customer is already making a monthly payment to the utility for
216 services and staying enrolled is simply a factor of paying the utility bill in full and on
217 time. There are no additional steps, such as calling in for payment or sending in a check
218 or credit card.

219

220 **Q. People write checks and make credit card payments all the time, why is that a
221 problem when enrolling in a utility line protection product?**

222 A. It only takes very slight nudges to affect the purchase decision process. There is always a
223 little uncertainty in the customer's mind when sending a credit card number or check in
224 the mail or providing credit card or checking account information over the phone.
225 Customer concerns include the risk of losing checks in transit and having sensitive
226 information falling into the wrong hands. These are the types of concerns in the back of
227 the customer mind. The customers have to provide a form of payment at the moment
228 when they want to enroll. Any inconvenience -- such as uncertainly about sending
229 payment in the mail or making a phone call to a busy call center -- can be more than

230 enough to move a customer to not enroll. The utility billing option solves these potential
231 problems.

232

233 **A. Nicor Gas Provides A Significant Billing Advantage for Nicor Services'**
234 **Utility Line Protection Product That Supports A Price Distortion**

235 **Q. If having access to utility billing reduces costs to provide service would it be**
236 **reasonable to expect that Nicor Services' GLCG product would be offered at the**
237 **lowest price in the market?**

238 **A.** Yes. Given that having access to utility billing reduces costs to provide service, since
239 Nicor Services is the only provider of utility line protection product that has access to
240 Nicor Gas's bill, one would expect that Nicor Services' GLCG product would be offered
241 at the lowest price in the market.

242

243 **Q. Is that in fact the case?**

244 **A.** No. Testimony in this proceeding states that Nicor Services charges \$4.95 per month for
245 GLCG. (*See Staff Ex. 2.0, Sackett Direct at 15:357-58.*) Manchester's in-house gas line
246 protection product costs \$2.00 per month, and is offered at a discount rate if bundled with
247 other utility line protection products.

248

249 **Q. What are the differences between Nicor Services' product and Manchester product?**

250 **A.** It appears that GLCG provides less protection to customers than Manchester's in-house
251 gas line protection product, but costs much more than Manchester's product. Though I
252 cannot speak to the entire GLCG service agreement and how each provision is managed
253 on a day-to-day basis, it is possible to compare Manchester's product to the GLCG

254 program specifics stated in testimony (Staff Ex. 2.0, Direct Testimony of David A.
 255 Sackett, at 16:361-17:391.) Those differences are summarized in Table 1 below:

256

Table 1

	GLCG	Manchester
Product	Inside Gas	Inside Gas
Pipe Covered	Exposed black pipe	The entire natural gas plumbing supply system within a home from the point of entrance into the home to the shut-off valve at each natural gas appliance
Non-exposed Pipe	Not Covered	Covered
Connectors	Covered	Not Covered
Leaks in Crawl space or attics	Covered - If exposed	Covered (whether exposed or not)
Mobile Homes & Trailers	Not Covered	Covered
Coverage Limit	\$600 per incident	\$1,500 per incident

257

258 **Q. What would explain the GLCG product of Nicor Services being priced higher than**
 259 **the Manchester product?**

260 **A.** Billing for products and services on the utility bill offers marketing advantages that
 261 reduce the cost of providing service. In a competitive market, this would lead to reduced
 262 product cost -- there would be downward price pressure created by participation of
 263 multiple product suppliers competing on a even playing field. But, in the Nicor Gas
 264 service territory, Nicor Services has a protected market, in which it is the only provider

265 that has access to the Nicor Gas's utility bill. The utility bill offers a substantial
266 marketing advantage when Nicor Services markets to customers. So, even though Nicor
267 Services offers a product with less protection at a vastly more expensive price, it is
268 essentially protected from having to compete because Nicor Services, and Nicor Services
269 alone, has exclusive access to the Nicor Gas bill.

270

271 **Q. Is the Nicor Services GLCG product protected from competitive market forces?**

272 A. Yes. The Nicor Services GLCG product receives protection from market competitive
273 forces through an exclusive utility bill relationship. Through this protected market
274 environment, the product Nicor Services offers customers is not required to be
275 competitively priced. The marketing advantage received from invoicing on the utility bill
276 is so great that it overcomes product and price advantages from what should be
277 "competitive offers" like Manchester's Utility Shield, since all other "competitors" lack
278 access to the unique (and impossible to independently recreate) opportunities afforded by
279 Nicor Gas providing billing service.

280

281 **Q. What should the Commission conclude regarding the impact of Nicor Gas providing
282 this exclusive advantage to Nicor Services?**

283 A. Access to the Nicor Gas bill is such a significant market advantage over every other
284 supplier, the Nicor Services utility billed product does not need to be market competitive.
285 Instead of reducing price of the product to the customer, the market advantage of utility
286 billing protects Nicor Service from open competition, thereby allowing Nicor Services to
287 charge an artificially increased price.

288

289 **B. The Advantage Provided by Nicor Gas's Exclusive Utility Bill Arrangement**
290 **Is Significant, Quantifiable, And Sufficient To Freeze Out Competitors**

291 **Q. Can you quantify the impact of utility billing?**

292 A. Yes. As the President of Manchester and based upon my prior experience, I have a
293 unique perspective. At Manchester, we currently market our product Utility Shield to
294 customers where we do not receive utility billing and to customers in a market where we
295 receive utility billing. The markets and customer demographics are very similar. The
296 only real difference is in Territory A we do not receive utility billing and in Territory B
297 we do receive utility billing. When I review the results in Territory A as compared to
298 Territory B I find receiving utility billing provides an increased enrollment rate of by 3 -
299 4 times as compared to not receiving utility billing. Or, inversely stated not receiving
300 utility billing reduces enrolments by 65% - 75%.

301

302 **Can you provide an example to further illustrate the impact of the utility providing**
303 **exclusive access to the utility bill?**

304 A. Yes. Let's say there are 100 utility customers who read the marketing material for two
305 different line protection products -- one offered by Nicor Solutions, and one offered by a
306 company unaffiliated with Nicor Gas, such as Manchester. In the first instance the 100
307 customers are reviewing a product from a company that is offering a product where
308 charges can be placed on the utility bill. In that instance, it is expected that four people
309 will continue forward with the purchase process and enroll. In the second instance the
310 100 customers are reviewing a product from a company that is offerings a product where
311 charges cannot be placed on the utility bill. In this group, it is expected that only one

312 person will continue forward with the purchase process and enroll, and even that one
313 person could delay the decision to buy or choose not to buy at all if there are difficulties
314 in the enrollment process. A response rate of at least four times greater is a tremendous
315 competitive advantage -- or, more accurately, a tremendous "anticompetitive advantage."
316

317 **C. Nicor Gas's Provision Of Utility Billing Removes A Significant Risk From Its**
318 **Affiliate That Nicor Gas Refuses To Allow Non-Affiliates To Avoid**

319 **Q. Can you provide some detail regarding how Manchester conducts billing for**
320 **customers?**

321 A. Manchester expended significant investment dollars building a system that will track the
322 customer information, create an invoice, send the invoice to the customer, track all
323 aspects of the receivable from billing to cash, and address any issues with non-payment.
324 This includes customer service representatives, accounting payroll, and IT costs. We
325 have to build in the cost of our billing system into our products.
326

327 **Q. Are you guaranteed recovery of the costs associated with the function of billing?**

328 A. No. In fact, if Manchester does not sign up a sufficient number of customers, Manchester
329 will not recover enough money to pay for the billing and related systems and payroll.
330 Manchester is a for-profit business, so all of Manchester's capital is at risk, meaning
331 Manchester either makes enough to cover its costs or, if it does not, Manchester loses its
332 investment.
333

334 **Q. Would it be an advantage if you did not have to pay for a billing system, or the**
335 **related costs?**

336 A. Yes. It would completely eliminate the capital risk discussed above.

337

338 **Q. Would customers benefit if Nicor Gas allowed non-affiliates such as Manchester to**
339 **invoice for other utility line protection products on utility bills?**

340 A. Yes. Providing fair and equitable billing treatment for all utility line providers would
341 provide customers with increased product selections because the market protection would
342 no longer scare away or stifle competitors. Furthermore, prices would be market-driven
343 and not artificially propped up by the convenience value I described earlier.

344

345 **Q. Would Nicor Services' advantage and the market distortion be corrected by simply**
346 **allowing all utility line protection providers the same access to the Nicor Gas bill?**

347 A. Yes, in significant part. Fair and equal access to the bill would allow a market to develop
348 in the Nicor market, although there is still an issue with allowing access by the affiliate to
349 other shared services, such as the call center and leveraging the repair services
350 infrastructure.

351

352

IV.

353

354

355

**NICOR GAS IMMEDIATELY
SHOULD BE REQUIRED TO CEASE MAKING SOLICITATIONS
THROUGH ITS CALL CENTER ON BEHALF OF NICOR SERVICES**

356 **Q. Are there other advantages besides utility billing that Nicor Gas provides for Nicor**
357 **Services?**

358 A. Yes. According to the testimony of Staff Witness Mr. Sackett and Nicor Gas witness Mr.
359 O'Connor, FCCA, Nicor Gas is soliciting Nicor Service products to Nicor Gas customers
360 through Nicor Gas's call center. The testimony shows that typically, a customer calling

361 Nicor Gas for a utility-related issue would end up receiving a solicitation for GLCG, a
362 product that is provided not by Nicor Gas but by Nicor Gas's affiliate Nicor Services.

363

364 **Q. How does Nicor Gas providing solicitations on behalf of its affiliate impact the**
365 **competitive market?**

366 A. Not surprisingly, many Nicor Gas customers look to Nicor Gas as their natural gas
367 authority. Customers must contact Nicor Gas from time to time for utility related
368 services (including connection service, odor of gas reporting, billing questions, and the
369 like.). When a typical customer calls Nicor Gas for regulated services and Nicor Gas
370 uses the call to promote Nicor Services' products, Nicor Gas is leveraging its monopoly
371 status to directly benefit its affiliate, by marketing its affiliate's unregulated products and
372 services. Nicor Gas obviously does not use its call center to market competing products
373 of its non-affiliates, such as Manchester's product. It is wholly inappropriate to permit
374 Nicor Gas to act in this manner as it creates a market advantage that any competitor of
375 Nicor Services simply cannot overcome.

376

377 **Q. Are there other advantages being provided to Nicor Services by Nicor Gas?**

378 A. Yes. Another advantage being provided to Nicor Services by Nicor Gas is access to
379 customer account numbers. Supplying customer account numbers to Nicor Services
380 provides Nicor Services with a tremendous advantage when it markets products to Nicor
381 Gas. Nicor Gas supplies Nicor Services with the customer account number and does not
382 require Nicor Services to obtain the Nicor Gas customer account number from the
383 customer. The Nicor Gas account number is needed to establish billing on the Nicor Gas

384 bill. Because Nicor Services is provided with the Nicor Gas customer account number,
385 Nicor Services need not request the account number from the customer at the time it
386 markets its product to customers and enrolls customers. This greatly simplifies the
387 enrollment process for Nicor Services as compared, for example, to the enrollment
388 process of a competing company that does not have access to the account number through
389 Nicor Gas.

390

391 Also, not requiring the customer to provide Nicor Services with the Nicor Gas customer
392 account number further obscures the reality that Nicor Services and Nicor Gas are two
393 different companies. Very likely, many typical customers assume GLCG is a Nicor Gas
394 product. GLCG was in many instances offered to the customer when the customer called
395 Nicor Gas (the utility); the product will be billed on the Nicor Gas bill; the customer will
396 likely believe that the product provides inspection service from Nicor Gas (the
397 customer's utility); and the customer will likely believe that if the product is not
398 purchased, that can affect shutoff service from Nicor Gas (again, the customer's utility).
399 (See Staff Ex. 2.0, Sackett Direct, at 22:504-508).

400

401 **Q. Does the call transfer process provide Nicor Services with a substantial advantage**
402 **over its non-affiliate competitors?**

403 A. Yes. Nicor Services receives a significant marketing advantage through the call center
404 solicitation arrangement. The only way to correct this issue is to prevent Nicor Gas from
405 soliciting affiliate products in its call centers.

406

V.

RECOMMENDATION AND CONCLUSION

407

408

409 **Q. Can you summarize your conclusions and recommendations?**

410 A. Yes. The ability to bill on the utility bill provides significant advantages to utility line
411 protection providers. Customers are significantly more likely to purchase the product if
412 they can be billed on the utility bill they already receive each month rather than on a new,
413 separate bill]. In the Nicor Gas service territory, Nicor Gas exclusively allows its affiliate
414 -- Nicor Services -- to bill its utility line protection product on the utility bill, creating
415 significant advantages for Nicor Services and distorting the market to the disadvantage of
416 customers. The cumulative effect of these advantages and distortions is to effectively
417 freeze out competition from the market in Nicor Gas's service territory. All utility line
418 protection providers should be granted fair and equal access to the utility bill.

419

420 Additionally, solicitation by Nicor Gas's call center on behalf of its affiliate's warranty
421 product creates an additional market distortion along with leveraging the repair services.
422 Nicor Gas should not be allowed to solicit on behalf of its affiliate's products.

423

424 **Q. Does this conclude your direct testimony?**

425 A. Yes.

ICC Docket No. 09-0301

**THE REBUTTAL TESTIMONY OF WILLIAM THOMAS
ON BEHALF OF THE MANCHESTER GROUP, LLC**

Exhibit 1.1

Northern Illinois Gas Company d/b/a Nicor Gas Company
Response to: Illinois Commerce Commission
Ill.C.C. Docket No. 09-0301
DAS First Set of Data Requests

- DAS 1.11 Q. With regard to non-commodity products, such as warranty products, please provide the following:
- a. What would a non-affiliated marketer have to pay per bill to Nicor Gas for billing services?
 - b. What would a non-affiliated marketer have to pay to Nicor Gas initially for billing services? Please provide both deposits and charges for changes to the billing system.
 - c. How long would a non-affiliated marketer have to wait for such billing service to begin?
- DAS 1.11 A. Objection. This data request is not reasonably calculated to lead to the discovery of admissible evidence and calls for speculation. Subject to and without waiving this objection, Nicor Gas states that it does not provide such billing service to non-affiliates and has no intention of providing such billing services in the future.

Witness: Gerald P. O'Connor

**STATE OF ILLINOIS
ILLINOIS COMMERCE COMMISSION**

**AGL Resources Inc., Nicor Inc., and)
Northern Illinois Gas Company d/b/a)
Nicor Gas Company)
)
Application for Approval of a)
Reorganization pursuant to Section)
7-204 of the Illinois Public Utilities Act)**

ICC Docket No. 11-0046

**NOTICE OF FILING TESTIMONY
ON BEHALF OF
THE MANCHESTER GROUP, LLC**

The Manchester Group, LLC (“Manchester”), by and through its counsel, hereby notifies the parties of the filing of testimony on its behalf, as follows:

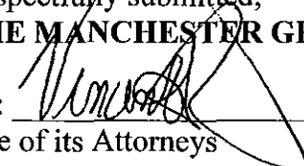
1. Manchester previously intervened in ICC Docket No. 09-0301 and submitted testimony in that proceeding relating to warranty product issues associated with the contested affiliate agreement issues in that proceeding.

2. Manchester has filed a Verified Petition to Intervene in the instant proceeding.

3. Manchester respectfully presents the Rebuttal Testimony of William Thomas on Behalf of the Manchester Group, LLC, which was filed and served upon all parties in ICC Docket No. 09-0301 on December 2, 2010, to be included in the record in the instant proceeding. That testimony was designated as Manchester Exhibit 1.0, accompanied by Manchester Exhibit 1.1. A true and correct copy of that testimony is being submitted with this Notice.

4. Nothing herein shall constitute a waiver of any rights by Manchester.

Respectfully submitted,
THE MANCHESTER GROUP, LLC

By: 
One of its Attorneys

Vincent A. Parisi
General Counsel
Interstate Gas Supply, Inc.
6100 Emerald Parkway
Dublin, OH 43016
Phone: (614) 659-5055
vparisi@igsenergy.com

**BEFORE THE ILLINOIS COMMERCE COMMISSION
STATE OF ILLINOIS**

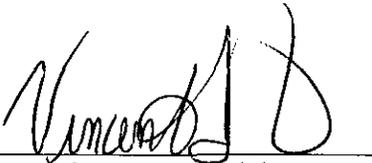
**AGL Resources Inc., Nicor Inc., and)
Northern Illinois Gas Company d/b/a)
Nicor Gas Company)
Application for Approval of a)
Reorganization pursuant to Section)
7-204 of the Illinois Public Utilities Act)**

ICC Docket No. 11-0046

NOTICE OF FILING

Please take note that on April 15, 2011, the undersigned, an attorney, caused the Notice of Filing Testimony on Behalf of The Manchester Group, LLC, and Exhibits thereto, to be filed with the Chief Clerk of the Illinois Commerce Commission in the above-referenced proceeding via U.S. Mail.

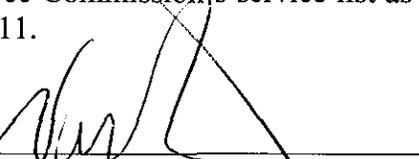
Dated: April 15, 2011



Vincent A. Parisi

CERTIFICATE OF SERVICE

I, Vincent A. Parisi, an attorney, certify that copies of the foregoing document were served upon the parties on the Illinois Commerce Commission's service list as reflected on ICC e-docket via electronic delivery on April 15, 2011.



Vincent A. Parisi

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