

**PUBLIC
REBUTTAL TESTIMONY**

of

DAVID SACKETT

Policy Group

**Policy Division
Illinois Commerce Commission**

**Docket No. 13-0618: Utility Services of Illinois, Inc. and Each of the 23 Operating
Subsidiaries of Utilities, Inc.**

Application for Approval of Proposed Reorganization and Other Relief

Docket No. 13-0618

April 23, 2014

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1 **I. Witness Qualifications**

2 **Q. State your name and business address.**

3 A. My name is David Sackett and my business address is 527 East Capitol Avenue,
4 Springfield, Illinois 62701.

5
6 **Q. Are you the same David Sackett that provided direct testimony in this
7 case?**

8 A. Yes.

9

10 **II. Purpose of Testimony and Background Information**

11 **Q. What is the subject matter of your rebuttal testimony?**

12 A. The purpose of my rebuttal testimony is to respond to Utility Services of Illinois,
13 Inc. ("USI") and each of the 23 Illinois Operating Subsidiaries of Utility Inc.
14 ("Illinois Utilities") and their rebuttal testimony relating to its proposed
15 consolidation of the 23 subsidiaries (collectively, "Joint Applicants"). USI and the
16 Illinois Utilities are all wholly-owned subsidiaries of Utility Inc. ("UI"). Specifically,
17 I will respond to Mr. Lubertozzi's rebuttal testimony regarding the Affiliated
18 Interest Agreement ("AIA") between Waster Service Corporation ("WSC") and the
19 Illinois Utilities¹ and the (Marketing Agreement) ("MA") between WSC and
20 HomeServe USA ("HomeServe").

¹ It is my understanding that there are actually 23 AIAs, one between each Illinois Operating Subsidiary and WSC. I will refer to these 23 individual AIAs as the ("AIA") hereafter unless otherwise specified.

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Q. Do you have any attachments to your testimony?

A. Yes. I have attached the following documents to my rebuttal testimony.

- Attachment A is the Joint Applicants’ response to Staff DR DAS-2.01-2.05
- Attachment B is the Joint Applicants’ response to Staff DR DAS-3.01-3.05
- Attachment C is Staff’s revised proposed Rider to the AIA to reflect the recommendations listed below.

III. Summary of Conclusions and Recommendations

Q. Please summarize your conclusion.

A. Although I am not an attorney, I continue to find that the Illinois Utilities entered into an arrangement with WSC, without Commission approval in violation of the Public Utilities Act (“Act”). The Act states that “no...arrangement...for the furnishing of any...property ...with any affiliated interest shall be effective unless it is first been filed with and consented to by the Commission.” 220 ILCS Section 5/7-101(3). The ratepayer information that WSC procured as a result of its contractual relationship with the Illinois Utilities is a utility asset and the exclusive property of the utilities, not WSC. WSC extracted value from that utility asset when it entered into the MA in leasing that utility property to HomeServe. The Illinois Utilities appeared to have knowingly allowed WSC to lease that utility property to HomeServe. The furnishing of this utility property to WSC, which then provided it to Home Serve, was an arrangement by the Illinois Utilities not contained in the AIA and thus not approved by the Commission, rendering such arrangement null and void from the outset. Id.

44

45 **Q. Have your recommendations from your direct testimony changed?**

46 A. Yes. Based on further discovery and the Joint Applicants' rebuttal testimony, I
47 have modified two of my original six recommendations and have one additional
48 recommendation.

49 Recommendation 1 – I originally recommended that the Commission find that the
50 Illinois Utilities violated section 7-101(c) Act by allowing its affiliate WSC to sell
51 the use of Illinois Utilities ratepayer information without Commission approval. I
52 now recommend that the Commission find that the Illinois Utilities violated
53 Section 7-101(c) of the Act by allowing WSC to lease Illinois Utilities ratepayer
54 information to HomeServe without Commission approval.

55 Recommendation 6 – I originally recommended that the Commission preclude USI
56 from providing any endorsement or marketing of HomeServe's product to its
57 ratepayers (including, but not limited to, bill inserts) going forward. I now
58 recommend that the Commission Order that USI and WSC are prohibited from
59 providing bill insert services to HomeServe, its affiliates and successors.

60 In addition to my previous recommendations, I now further recommend (as
61 Recommendation 7) that the Commission prohibit USI and WSC from providing bill
62 insert services to anyone unless WSC (1) provides the service at fully distributed
63 cost, on equal terms to all recipients; (2) includes a disclaimer that the insert does
64 not constitute an endorsement from USI or UI and (3) accounts for these revenues
65 as above-the-line revenues in all USI rate proceedings.

66

67 **IV. Background**

68 **Q. What are the significant facts at issue in this case?**

69 A. The Illinois Utilities allowed their affiliate WSC to lease the Illinois Utilities
70 ratepayer information without receiving the required Commission approval. This
71 occurred when the president of each Illinois Utility signed the MA on behalf of
72 WSC. (Attachment A, 1, 3) The MA requires the furnishing of Illinois Utilities
73 ratepayer information to HomeServe. Further, WSC shifted HomeServe
74 revenues it received from furnishing this information to Home Serve to its parent
75 corporation, UI. Id.

76

77 **Q. What is your primary policy concern in this case?**

78 A. My primary policy concern is that the interactions between WSC and HomeServe
79 benefit the UI shareholders at the expense of the Illinois Utilities ratepayers. The
80 Illinois Utilities should never have allowed this type of interaction to occur.

81

82 **V. The Proposed Water Service Corporation Agreement**

83 **Q. What were your recommendations for the Joint Applicants to address upon
84 rebuttal?**

85 A. I requested that the Joint Applicants present in its rebuttal testimony a new AIA
86 between USI and WSC that mirrors the current Commission-approved AIA.

87

88 **Q. Did the Joint Applicants address your recommendations in their rebuttal
89 testimony?**

90 A. No. An AIA was not provided. Although I am not an attorney, I understand that
91 provision of such an AIA is a minimum requirement for any Petitioner for re-
92 organization to provide in order to obtain approval from the Commission. 220
93 ILCS 5/7-204A. Despite this fact, the Joint Applicants have failed to provide this
94 minimum required information. The Commission should not approve any re-
95 organization until that is completed.

96

97 **Q. Do the Joint Applicants refer to the necessary AIA?**

98 A. Yes. On three occasions, the Joint Applicants (or Mr. Lubertozi on their behalf)
99 refer to a single AIA. (See, Joint Applicants Ex. 2.0, 8 (“USI has no objection to
100 modifying the AIA to preclude WSC from sharing customer information with third
101 parties for non-utility purposes.”); Joint Applicants Ex. 2.0, 9 (“...including
102 prospective modifications of the AIA...”); Response to DR JMO-3.01 (“The
103 Company does not anticipate changing the AIA...”.) While referring to this new
104 AIA, the Joint Applicants, have not provided in this proceeding, in its entirety, the
105 newly proposed AIA.

106

107 **Q. Did the Joint Applicants provide a revised Rider to the AIA in their rebuttal**
108 **testimony?**

109 A. Yes. The Joint Applicants provided a Revised Rider to the AIA in rebuttal. (Joint
110 Applicants Ex. 2.1.) They did not, however, provide the AIA in its entirety.

111

112 **Q. Apart from providing only part of the new AIA, does the Revised Rider**

113 **address your policy concerns?**

114 A. No. The Revised Rider does two things. It commits to using “best efforts” to
115 retrieve the impermissibly provided customer data from HomeServe and to
116 require a statement on any bill insert that the utilities do not endorse the subject
117 of the advertisement. *Id.* These proposals do not address my policy concerns
118 regarding actual retrieval of customer information and do not address proper
119 treatment of any future HomeServe costs.

120

121 **VI. Responses to Mr. Lubertozi**

122 **A. Ratepayer information is provided to WSC confidentially**

123 **Q. What is Mr. Lubertozi’s response to your position that specific**
124 **authorization by the Commission is required to enable WSC to sell the**
125 **Ratepayer information?**

126 A. In his rebuttal testimony, Mr. Lubertozi states he was unable to find any
127 language in the AIA “that says WSC is not authorized to pass any ratepayer
128 information to any third party, and Mr. Sackett did not quote any.” (Joint
129 Applicants Ex. 2.0, 6.)

130

131 **Q. What is your response to Mr. Lubertozi statements?**

132 A. “Not Authorized” does not equate with “Authorized.” Mr. Lubertozi makes a
133 semantic argument to dismiss the fact that there was no authorization. In fact,
134 his argument proves my point. The AIA does not cover this type of arrangement
135 when it should. As noted above, the furnishing of the Illinois Utility rate payer

136 information to WSC, which then provided it to Home Serve, was an arrangement
137 by the Illinois Utilities not contained in the AIA and thus not approved by the
138 Commission, rendering such arrangement null and void. Section 7-101(c)
139 specifically requires that the furnishing of any “service, property, or thing” with an
140 affiliate is not effective until authorized by the Commission.

141 Further, as a policy matter, the Commission should not condone the use of
142 ratepayer information in this manner. When a ratepayer deals with its public
143 utility, the ratepayer should reasonably expect that its information will be used
144 only for the purpose for which it was provided – in pursuit of the provision of utility
145 services. The Commission should not condone other use of this information
146 without the ratepayers express written consent.

147

148 **Q. How do you respond to Mr. Lubertozzi's statement, “Again, it is the lack of**
149 **wording saying that WSC is not so authorized that is the impetus for Staff’s**
150 **recommendation that such language be incorporated into the AIA.” (Joint**
151 **Applicants Ex. 2.0, 6.)**

152 A. While I maintain that the lack of authorization in the AIA to furnish Illinois Utilities
153 information to WSC is tantamount to its prohibition, to erase any doubt for USI
154 and WSC, I recommend that the rider or any new affiliated interest agreement
155 explicitly preclude WSC from providing ratepayer information to any other party
156 or soliciting them. This language is unfortunately necessary given the behavior
157 at issue in this case, but decidedly does not mean that authorization was implied
158 by the existing agreement.

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B. Ratepayer information provided is utility property

Q. How does Mr. Lubertozi respond to your position that “the confidential customer information provided by WSC to HomeServe is utility information, not affiliate information”?

A. Mr. Lubertozi dismisses my position by arguing that the information provided is not confidential. (Joint Applicants Ex. 2.0, 6.)

Q. How do you respond?

A. The Commission’s primary concern should be the unapproved furnishing of this information by the Illinois Utilities to WSC, which then transferred it to Home Serve. This unapproved arrangement did not benefit ratepayers but rather Utilities Inc. shareholders, which is precisely why the Act requires Commission approval of such arrangements. (Staff Ex. 5.0, 14.) Mr. Lubertozi’s claims that this information is not confidential do not in any way remedy these concerns. Additionally, Mr. Lubertozi’s testimony with respect to confidentiality is inconsistent with the MA. ***BEGIN CONF *****

***** END CONF ***Thus, this information is, according to the MA, confidential, in contrast to Mr. Lubertozi’s testimony.

182 **Q. Are there any other considerations related to the provision of this utility**
183 **information?**

184 A. Yes. Mr. Lubertozi's rebuttal testimony shows that HomeServe mails letters to
185 ratepayers in Illinois based on customer information. (Joint Applicants Ex. 2.0,
186 2.) The Joint Applicants insist that they only provide customer addresses and a
187 "unique identifier." (Joint Applicants Ex. 2.0, 5.) However, this statement is
188 misleading. Mr. Lubertozi admits that "WSC inadvertently provided customer
189 names to HomeServe from 2009 - 2011. WSC ceased providing customer names
190 to HomeServe in December 2011." (Attachment B, p. 5)

191 While the Joint Applicants may no longer provide customer names to
192 HomeServe, I am concerned by Mr. Lubertozi's admission. His testimony
193 reveals that WSC provided customer names to HomeServe from the beginning of
194 the MA and continued to do so uninterrupted until Staff expressed concern about
195 this practice in a the Joint Applicants 2011 rate case.

196

197 **Q. What does Mr. Lubertozi say about the recovery of all Illinois Utilities**
198 **customer information to USI?**

199 A. Mr. Lubertozi insists that there is "no practical way to accomplish this objective
200 ... Even if HomeServe agreed to delete the previously provided information from
201 its database, there would be no way to determine whether HomeServe continued
202 to use the mailing addresses provided by the utilities or developed a new
203 address list from other sources." (Joint Applicants Ex. 2.0, 8.)

204

205 **Q. How do you respond to Mr. Lubertozzi's statements about the return of**
206 **customer information to USI?**

207 A. Since Home Serve has the information unlawfully under the Act, it is the
208 regulated Illinois Utilities' obligation to undo what it unlawfully did. Consequently,
209 as a condition of this reorganization, Staff recommends that the Illinois Utilities
210 demonstrate to the Commission that Home Serve no longer has the information.

211
212 **Q. Does the Revised Rider solve the issue with ratepayer information already**
213 **provided improperly to HomeServe?**

214 A. No. The Revised Rider commits WSC to use "best efforts" to recover this
215 information (Joint Applicants Ex. 2.1, paragraph 6); however, the "best efforts" is
216 rendered meaningless by its vagueness. HomeServe may well refuse to
217 cooperate with WSC. A reference to undefined "best efforts" is not a sufficient
218 remedy. As noted above, as a condition of approval of this reorganization, I
219 recommend that the Illinois Utilities demonstrate to the Commission that it has
220 either retrieved all of the information from home Serve or explain to the
221 Commission why it failed to do so. For example, WSC could formally request
222 this information in writing from WSC and receive a signed letter from HomeServe
223 acknowledging that information (to the extent that it has not become Member
224 Information) has been removed from the HomeServe computers. In my opinion,
225 the Illinois Utilities and WSC must pursue all legal recourses to recover this
226 information in order to receive approval of this reorganization. Therefore,
227 Attachment C removes the phrase "best efforts" from this subsection.

228

229 **C. The violation of the Act is the furnishing of utility property to WSC, which**
230 **then passed it on to another affiliate, Home Serve without Commission**
231 **authorization, rather than the provision of restricted information**

232 Q. What does Mr. Lubertozi say about the facts surrounding the approval of the
233 existing AIA?

234 A. Mr. Lubertozi' states that "[t]he AIA permits WSC to perform the billing services
235 for which WSC must obtain customer mailing addresses, and at the time the AIA
236 was approved Staff never suggested there should be any limitation on the use of
237 information that WSC obtained from customers. In hindsight, Staff now
238 recommends that the AIA be amended to contractually restrict the uses WSC
239 may make of the customer addresses." (Joint Applicants Ex. 2.0, 6.)

240

241 **Q. What is your response?**

242 A. Staff was unaware of the interactions between HomeServe and WSC and the
243 existence of the MA. This does not in any way mean that the Commission or its
244 Staff agreed that such interactions were appropriate or implicitly approved. Such
245 logic would imply that a utility may do anything which is not specifically precluded.
246 On the contrary, the AIA is the only source of *approved* services.

247

248 **D. WSC does not provide services without profit as required by the AIA**

249 **Q. What does Mr. Lubertozi say about the services being provided in a**
250 **manner that is consistent with the AIA?**

251 A. "Water Service Corporation allocates expenses at cost without markup consistent
252 with an Affiliate Agreement approved in Docket Nos. 94-0157 and 08-0335."
253 (Joint Applicants Ex. 2.0, 3.)
254

255 **Q. How do you respond to Mr. Lubertozi's statement?**

256 A. This is not an accurate statement regarding both the AIA and WSC's actions
257 under said agreement. The AIA explicitly provides that "the services to be
258 rendered under this Agreement are to be rendered at cost *and without profit* to
259 the Service Company." (Staff Ex. 5.0, Attachment A, p. 1) This provision
260 seemingly provides protection to ratepayers of the Illinois Utilities by ensuring
261 that WSC does not collect revenues or profits at the expense of the ratepayers of
262 the Illinois Utilities from which it recovers its costs. With respect to revenues
263 WSC recovered through the provision of customer information to HomeServe,
264 however, instead of using those revenues to partially offset the cost of providing
265 the billing services to its regulated affiliates, WSC shifted those revenues to UI
266 and charged the full cost to each utility. Thus, whether or not WSC operated at a
267 profit, its actions circumvented the ratepayer protections of the profitability
268 restrictions in the AIA.
269

270 **Q. What does Mr. Lubertozi say about the cost incurred by WSC for provision**
271 **of services to HomeServe?**

272 A. Mr. Lubertozi denies that WSC does not incur any costs. He states, "WSC does
273 not currently incur costs associated with the HomeServe contract." (Joint

274 Applicants Ex. 2.0, p. 2)

275

276 **Q. How do you respond to Mr. Lubertozi's statement?**

277 A. WSC provided services, including the production and supply of information, to
278 the Illinois Utilities and to WSC using common and shared resources. As I
279 understand his argument, Mr. Lubertozi is arguing that WSC incurred no
280 additional costs to produce information for HomeServe beyond what it incurred to
281 produce this information for purposes of serving the Illinois Utilities. While I do
282 not disagree that this could be the case, it does not mean or imply that WSC
283 should not have allocated costs to HomeServe. If WSC was producing and
284 supplying information to and serving the Illinois Utilities using shared and
285 common resources then WSC should have apportioned its costs between these
286 services and should not have assigned its shared and common costs only to
287 Illinois Utilities and their ratepayers. To do otherwise, disadvantages Illinois
288 ratepayers to the benefit of, in this case, the stockholders of WSC's parent – as
289 all payments from HomeServe were passed from WSC to its corporate parent
290 and none were used to defray shared and common costs recovered from the
291 Illinois Utilities.

292

293 **E. Excluding HomeServe costs from future rate cases is necessary**
294 **component of any Rider because WSC may incur incremental HomeServe**
295 **costs in the future**

296 **Q. What does Mr. Lubertozi say about the incursion of costs by WSC to serve**

297 **HomeServe?**

298 A. Mr. Lubertozi states “WSC does not *currently* incur costs associated with the
299 HomeServe contract.” (Joint Applicants Ex. 2.0, 2 (emphasis added).) He
300 concludes that any requirement to incorporate both revenues and costs is moot
301 because there will not be any of either. He adds, “this point will be moot as
302 discussed later in my testimony because WSC will cease any affiliation with
303 HomeServe regarding offerings in Illinois.” (Joint Applicants Ex. 2.0, 2.)

304

305 **Q. How do you respond to Mr. Lubertozi?**

306 A. As noted above, the costs to develop these lists are borne by the utilities and
307 ratepayers. In addition, this point is *not* moot because, even though there will be
308 no revenues to WSC from HomeServe for Illinois contracts, there *may* be
309 additional, incremental costs from providing services under the MA in the future
310 which should be excluded from rates. Since WSC allocates all costs not directly
311 billed to a receiving party to all of its regulated affiliates, including USI. WSC will
312 still be obligated under the MA to provide these services in other states. To the
313 extent that it does, these costs would be passed on to USI ratepayers.

314

315 **Q. Does the Revised Rider properly treat the future incursion of costs by WSC
316 on behalf of HomeServe?**

317 A. No. The Revised Rider excludes future rate case exclusions of allocated costs
318 that may include HomeServe costs if WSC begins to provide services which it is
319 obligated at HomeServe's option to provide under the MA which it currently does

320 not provide. However, it only references cost for operating in Illinois. (Joint
321 Applicants Ex. 2.1, ¶ 7.) In order for the Revised Rider to prevent future
322 HomeServe costs from impacting Illinois rates, the impact from all future services
323 under the MA must be excluded regardless of where they occur. Thus, the
324 phrase “in Illinois” must be removed from the Rider. Therefore, Attachment C
325 reflects this change.

327 **F. Bill inserts are not in the public interest unless they are provided at fully**
328 **distributed cost with protections to shield ratepayers**

329 **Q. What does Mr. Lubertozi say about the cost impact of bill inserts?**

330 A. Mr. Lubertozi states, “Bill inserts reduce the cost of mailing customer bills.”
331 (Joint Applicants Ex. 2.0, 7.)

333 **Q. What is your response?**

334 A. ***BEGIN CONF *****
335 *****
336 ***** END

337 CONF*** Therefore, the provision of this service to HomeServe will not reduce
338 WSC billing costs. Thus, Mr. Lubertozi’s claim is incorrect.

340 **Q. Does Mr. Lubertozi mention that other Illinois utilities include bill inserts**
341 **to lower customer costs?**

342 A. Yes. He states, “[o]ther Illinois utilities routinely include advertising inserts from
343 third parties as a way to reduce the cost of mailings that must be recovered from
344 customers.” (Joint Applicants Ex. 2.0, 7.)

345

346 **Q. What is your understanding about the bill insert services currently offered**
347 **by other utilities in Illinois?**

348 A. While it is true that some other utilities in this state do provide bill inserts as a
349 service, Mr. Lubertozi does not explain how these other utilities recover their
350 costs and I am unaware of any that recover only incremental costs. Bill insert
351 arrangements only defray customer utility costs if the revenues received by the
352 utility for insertions are accounted above-the-line in all rate proceedings. These
353 services should also be provided on similar terms to all parties, not just affiliates
354 or related parties that share a financial connection with an affiliate. At a
355 minimum, bill insert services should be provided at fully distributed costs with
356 similar terms to all recipients and the revenues must be treated above-the-line.
357 Therefore, Attachment C reflects these necessary changes.

358

359 **Q. Does Joint Applicants Ex. 2.1 include language to prevent endorsement of**
360 **any third party in any bill insert services provided by USI?**

361 A. Yes. It states,

362 The Service Company shall not use the Operating Company's
363 customer information for any non-utility purpose; provided however
364 the Service Company shall not be prohibited from making
365 arrangements for bill inserts to provide information or marketing of
366 non-utility products or services. *Any such insert shall contain a*
367 *disclaimer that inclusion of the insert does not constitute an express*

368 *or implied endorsement by the Operating Company of the products or*
369 *services advertised.*

370
371 (Joint Applicants Ex. 2.1.)

372

373 **Q. Do you think that this language is sufficient to protect ratepayers?**

374 A. No. I do not think that this is sufficient to protect ratepayers given the fact that they
375 have received many joint letters from Home Serve and UI already and the historic
376 (and unauthorized) endorsement of HomeServe and its products. This historic
377 relationship will not be overcome by the fine print of the bill inserts and thus, the bill
378 insert itself will likely be perceived as another endorsement. This is especially true
379 since the Illinois Utilities do not currently provide such service to anyone and the
380 HomeServe inserts will likely be the first and only inserts in the bill.

381

382 **Q. Given your concerns, what do you recommend?**

383 A. I continue to recommend that HomeServe be excluded from any bill insert service
384 provided by USI. Therefore, Attachment C reflects this.

385

386 **VII. Conclusions and recommendations**

387 **Q. What are your conclusions regarding the interactions between the Illinois**
388 **Utilities, WSC and HomeServe?**

389 A. Although I am not an attorney, I continue to find that the Illinois Utilities entered into
390 an arrangement with WSC, without Commission approval in violation of the Public
391 Utilities Act ("Act"). The Act states that "no...arrangement...for the furnishing of
392 any...property ...with any affiliated interest shall be effective unless it is first been

393 filed with and consented to by the Commission.” 220 ILCS Section 5/7-101(3). The
394 ratepayer information that WSC procured as a result of its contractual relationship
395 with the Illinois Utilities is a utility asset and the exclusive property of the utilities, not
396 WSC. WSC extracted value from that utility asset when it entered into the MA in
397 leasing that utility property to HomeServe. The Illinois Utilities appeared to have
398 knowingly allowed WSC to lease that utility property to HomeServe. The furnishing
399 of this utility property to WSC, which then provided it to Home Serve, was an
400 arrangement by the Illinois Utilities not contained in the AIA and thus not approved
401 by the Commission, rendering such arrangement null and void from the outset. Id.

402

403 **Q. What are your recommendations for the Joint Applicants to address upon**
404 **surrebuttal?**

405 A. I request that the Joint Applicants to present in its surrebuttal testimony a new AIA
406 between USI and WSC that mirrors the current Commission-approved AIA.

407

408 **Q. What are your recommendations for the Commission regarding the**
409 **interactions between the Illinois Utilities, WSC and HomeServe?**

410 A. Based on further discovery and the Joint Applicants' rebuttal testimony, I have
411 modified two of my original six recommendations and have one additional
412 recommendation.

413 Recommendation 1 – I originally recommended that the Commission find that the
414 Illinois Utilities violated section 7-101(c) Act by allowing its affiliate WSC to sell
415 the use of Illinois Utilities ratepayer information without Commission approval. I

416 now recommend that the Commission find that the Illinois Utilities violated
417 Section 7-101(c) of the Act by allowing WSC to lease Illinois Utilities ratepayer
418 information to HomeServe without Commission approval.

419 Recommendation 6 – I originally recommended that the Commission preclude USI
420 from providing any endorsement or marketing of HomeServe’s product to its
421 ratepayers (including, but not limited to, bill inserts) going forward. I now
422 recommend that the Commission Order that USI and WSC are prohibited from
423 providing bill insert services to HomeServe, its affiliates and successors.

424 In addition to my previous recommendations, I now further recommend (as
425 Recommendation 7) that the Commission prohibit USI and WSC from providing bill
426 insert services to anyone unless WSC (1) provides the service at fully distributed
427 cost, on equal terms to all recipients; (2) includes a disclaimer that the insert does
428 not constitute an endorsement from USI or UI and (3) accounts for these revenues
429 as above-the-line revenues in all USI rate proceedings.

430

431 **Q. Does this conclude your prepared rebuttal testimony?**

432 A. Yes.

**ILLINOIS COMMERCE COMMISSION
DOCKET NO. 13-0618
Utility Services of Illinois, Inc. et al.
Responses to Staff Data Requests DAS 2.01 through 2.05**

DAS-2.01 Please provide in a non-confidential format the date that WSC of WSC's Marketing Agreement ("MA") with HomeServe was signed.

Response: December 16, 2008.

Prepared by: Steven M. Lubertozzi
(847) 897-6510

**ILLINOIS COMMERCE COMMISSION
DOCKET NO. 13-0618
Utility Services of Illinois, Inc. et al.
Responses to Staff Data Requests DAS 2.01 through 2.05**

DAS-2.02 Please provide in a non-confidential format the title of the signatory for WSC of WSC's Marketing Agreement ("MA") with HomeServe.

Response: Chief Executive Officer.

Prepared by: Steven M. Lubertozi
(847) 897-6510

**ILLINOIS COMMERCE COMMISSION
DOCKET NO. 13-0618
Utility Services of Illinois, Inc. et al.
Responses to Staff Data Requests DAS 2.01 through 2.05**

DAS-2.03 Please provide in a non-confidential format the name of the signatory for WSC of WSC's Marketing Agreement ("MA") with HomeServe.

Response: Lawrence N. Schumacher.

Prepared by: Steven M. Lubertozzi
(847) 897-6510

**ILLINOIS COMMERCE COMMISSION
DOCKET NO. 13-0618
Utility Services of Illinois, Inc. et al.
Responses to Staff Data Requests DAS 2.01 through 2.05**

DAS-2.04 Please indicate in a non-confidential format whether where payments by HomeServe under the MA made to WSC ended up in WSC's accounts or UI's accounts.

Response: Payments made by HomeServe are recorded to Revenue from Other/Management Services and are recorded to UI's books and records.

Prepared by: Steven M. Lubertozi
(847) 897-6510

ILLINOIS COMMERCE COMMISSION
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Responses to Staff Data Requests DAS 2.01 through 2.05

- DAS-2.05** Regarding the services that may have been performed under Section 3 of the MA, please provide the following information.
- a. Did WSC perform services under Section 3.1 of the MA? If so, please describe the services.
 - b. Did WSC incur costs in the provision of services under Section 3.1 of the MA? If so, please describe the costs.
 - c. Did HomeServe provide payment for services provided under Section 3.1 of the MA? If so, to whom?
 - d. Did HomeServe provide reimbursement for costs incurred under Section 3.1 of the MA? If so, to whom?
 - e. Did WSC perform services under Section 3.2 of the MA? If so, please describe the services.
 - f. Did WSC incur costs in the provision of services under Section 3.2 of the MA? If so, please describe the costs.
 - g. Did HomeServe provide payment for services provided under Section 3.2 of the MA? If so, to whom?
 - h. Did HomeServe provide reimbursement for costs incurred under Section 3.2 of the MA? If so, to whom?
 - i. Did WSC perform services under Section 3.3 of the MA? If so, please describe the services.
 - j. Did WSC incur costs in the provision of services under Section 3.3 of the MA? If so, please describe the costs.
 - k. Did HomeServe provide payment for services provided under Section 3.3 of the MA? If so, to whom?
 - l. Did HomeServe provide reimbursement for costs incurred under Section 3.3 of the MA? If so, to whom?
 - m. Did WSC perform services under Section 3.4 of the MA? If so, please describe the services.
 - n. Did WSC incur costs in the provision of services under Section 3.4 of the MA? If so, please describe the costs.
 - o. Did HomeServe provide payment for services provided under Section 3.4 of the MA? If so, to whom?
 - p. Did HomeServe provide reimbursement for costs incurred under Section 3.4 of the MA? If so, to whom?
 - q. Did WSC perform services under Section 3.5 of the MA? If so, please describe the services.
 - r. Did WSC incur costs in the provision of services under Section 3.5 of the MA? If so, please describe the costs.
 - s. Did HomeServe provide payment for services provided under Section 3.5 of the MA? If so, to whom?

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- t. Did HomeServe provide reimbursement for costs incurred under Section 3.5 of the MA? If so, to whom?
- u. Did WSC perform services under Section 3.6 of the MA? If so, please describe the services.
- v. Did WSC incur costs in the provision of services under Section 3.6 of the MA? If so, please describe the costs.
- w. Did HomeServe provide payment for services provided under Section 3.6 of the MA? If so, to whom?
- x. Did HomeServe provide reimbursement for costs incurred under Section 3.6 of the MA? If so, to whom?
- y. Did WSC perform services under Section 3.7 of the MA? If so, please describe the services.
- z. Did WSC incur costs in the provision of services under Section 3.7 of the MA? If so, please describe the costs.
- aa. Did HomeServe provide payment for services provided under Section 3.7 of the MA? If so, to whom?
- bb. Did HomeServe provide reimbursement for costs incurred under Section 3.7 of the MA? If so, to whom?

Response: .

- a) No specific services were performed under Section 3.1.
- b) No cost were incurred
- c) No costs were incurred by WSC, so no payment was provided.
- d) No costs were incurred by WSC, so no reimbursement was provided.
- e) No services were provided.
- f) No costs were incurred.
- g) No costs were incurred by WSC, so no payment was provided.
- h) No costs were incurred by WSC, so no reimbursement was provided.
- i) Home Serve conducted one train-the-trainer training session in 2009. The training was web-based with four WSC employees in attendance. The only thing WSC employees will do is refer callers to HS's toll-free numbers. They do not discuss the products or services offered by HS.
- j) No costs were incurred.
- k) No costs were incurred by WSC, so no payment was provided.

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- l) No costs were incurred by WSC, so no reimbursement was provided.
- m) WSC has consulted with HS in response to customer complaints in other states. There have been zero inquiries/complaints from Illinois customers. Our interaction with HS in regard to customer complaints for the other states is minimal (2009 – 1 in South Carolina, 1 in North Carolina; 2010 – 1 in Indiana; 2013 – 1 in South Carolina).
- n) No costs were incurred.
- o) No costs were incurred by WSC, so no payment was provided.
- p) No costs were incurred by WSC, so no reimbursement was provided.
- q) All marketing materials are mailed by HomeServe with a return address sent back to Home Serve. There have been no HomeServe letters returned to WSC.
- r) No costs were incurred.
- s) No costs were incurred by WSC, so no payment was provided.
- t) No costs were incurred by WSC, so no reimbursement was provided.
- u) WSC has not approved billing inserts within the Company's mailings. All marketing materials are mailed by HomeServe.
- v) No costs were incurred.
- w) No costs were incurred by WSC, so no payment was provided.
- x) No costs were incurred by WSC, so no reimbursement was provided.
- y) Data was delivered electronically.
- z) No costs were incurred.
- aa) No costs were incurred by WSC, so no payment was provided.
- bb) No costs were incurred by WSC, so no reimbursement was provided.

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DAS-3.01 Please provide the annual number of new ratepayers and average annual number of ratepayers for all Illinois Utilities from 2009-2013.

Response:

Annual # of new
customers - All IL
Companies

Year	Total
2009	925
2010	940
2011	964
2012	1095
2013	1175

Average # of Active
Customers - All IL
Companies

Year	Total
2009	14948
2010	14927
2011	14964
2012	14932
2013	14921

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DAS-3.02 When new ratepayers sign up for utility service as described in Joint Applicants Ex. 2.0, on page 5, do those ratepayers sign any type of release, waiver or disclaimer that allows the utility or WSC to use any information provided to be used for any non-utility purpose? If yes, provide a copy of such a release, waiver or disclaimer.

Response: Neither the utility nor WSC uses any information provided by ratepayers that requires a release, waiver or disclaimer to be used for non-utility purposes, so ratepayers are not asked to sign an unnecessary release, waiver or disclaimer.

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DAS-3.03 Have ratepayers ever signed a release, waiver or disclaimer that allows the utility or WSC to use any information provided to be used for any non-utility purpose at any time other than when they signed up for utility service as described in Joint Applicants Ex. 2.0, on page 5? If yes, provide a copy of such a release, waiver or disclaimer. Furthermore, please describe the circumstances under which such a release, waiver or disclaimer is made.

Response: In general, ratepayers are not asked to sign a release, waiver or disclaimer to allow the utility to or WSC to use non-confidential information for any purpose and ratepayers have not requested that the utility or WSC limit use of the information they provide.

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DAS-3.04 What does the phrase “all marketing efforts” mean (Joint Applicants Ex. 2.0, p. 7)? Does this agreement preclude them from beginning any new marketing efforts?

Response: WSC was notified by HomeServe that they will, as of March 31, 2014 cease marketing efforts in Illinois, and WSC no longer provides Illinois customer addresses to HomeServe. WSC assumes this means that they will no longer use customer addresses provided by WSC to send marketing materials to UI's customers in Illinois. While HomeServe agreed to cease marketing efforts in Illinois; WSC is are unaware of HomeServe's future plans.

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- DAS-3.05** Regarding the services that may have been performed under Section 3 of the Marketing Agreement (“MA”), please provide the following information.
- a. Has WSC ever provided any names to HomeServe? If yes, are the names which names are provided the account holder name?
 - b. What does the “unique identifier” that WSC provides to HomeServe consist of?
 - c. Why does WSC provide this “unique identifier” to HomeServe?
 - d. Has WSC ever provided any different services to HomeServe in other states?
 - e. Provide the actual data (including customer data) originally provided by WSC to HomeServe upon execution of the MA.
 - f. Provide the most recent actual data (including customer data) provided by WSC to HomeServe.
 - g. What is the last date that WSC provided data to HomeServe on Illinois customers?

Response:

- a. Yes, WSC inadvertently provided customer names to HomeServe from 2009 – 2011. WSC ceased providing customer names to HomeServe in December 2011.
- b. The unique identifier is a randomly assigned number from our Customer Care & Billing system.
- c. The unique identifier is used to assist in account research between WSC and HomeServe.
- d. No.
- e. WSC did not retain a copy of what was sent to HomeServe.
- f. Attached is the most recent customer data provided to HomeServe on 04/10/2014, which excluded Illinois customer data.
- g. The last date WSC provided data to HomeServe was 03/10/2014. The data provided to HomeServe included the full premise address and unique identifier.

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RIDER TO AGREEMENT

The following provisions shall apply to the implementation and administration of the Agreement between____("Operating Company") and Water Service Corporation ("Service Company") approved by the Illinois Commerce Commission ("ICC") on _
_____. These provisions shall remain in effect until otherwise ordered by the ICC.

1. The Operating Company is a company regulated by the ICC.
2. The transactions between the Service Company and the Operating Company are transactions between affiliated interests.
3. The ICC has authority to regulate contracts and transactions between the Service Company and the Operating Company.
4. The Service Company shall not use the Operating Company's customer information for any non-utility purpose; provided however the Service Company shall not be prohibited from making arrangements for bill inserts to provide information or marketing of non-utility products or services. Any such insert shall contain a disclaimer that inclusion of the insert does not constitute an express or implied endorsement by the Operating Company of the products or services advertised. Any such billing or bill insert service shall be provided at fully distributed cost and all revenues shall be accounted above-the-line in all rate cases. Furthermore, the service will be provided on like terms to all recipients. Additionally, the service must be provided to all parties for which similar products are being served. Finally, the service cannot discriminate in favor of products or services provided by affiliates and parties having a shared financial interest with Utilities Inc, or its subsidiaries.
5. The Service Company shall no longer provide customer information to HomeServe USA for customers in the State of Illinois.
6. The Service Company shall recover all Operating Company customer information that has been provided to HomeServe USA.
7. In all future Illinois rate proceedings, the Service Company shall account for all payments received from HomeServe USA for current Illinois HomeServe contracts as above the line revenues reduced for any incremental cost of performance.
8. Both the Service Company and Operating Company are prohibited from making or aiding in any endorsement or marketing (including, but not limited to, bill inserts) of Home Serve USA's product to Operating Company customers going forward.