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PUCT DOCKET NO. 38339

APPLICATION OF CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC FOR AUTHORITY TO CHANGE RATES	§ § §	PUBLIC UTILITY COMMISSION OF TEXAS

DIRECT TESTIMONY
OF

JEFFREY MEROLA

ON BEHALF OF DIRECT ENERGY, LP

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DIRECT TESTIMONY OF JEFFREY MEROLA

I. INTRODUCTION AND QUALIFICATIONS

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

A. My name is Jeffrey Merola. I am a Vice President of Intelometry, Inc ("Intelometry"). My business address is 3838 North Sam Houston Parkway East, Suite 180, Houston, Texas 77032.

Q. On whose behalf are you testifying?

A. I am testifying on behalf of Direct Energy, LP ("Direct Energy"). Direct Energy is one of North America's largest energy and energy-related services providers with over 8 million residential and commercial customer relationships. Through its Direct Energy, CPL Retail Energy and WTU Retail Energy brands, the company is the third-largest retail electricity provider in Texas, and owns three power generation facilities and a series of energy-related services companies. Direct Energy provides customers with choice and support in managing their energy costs through a portfolio of innovative products and services. A subsidiary of Centrica plc, one of the world's leading integrated energy companies, Direct Energy operates in 46 states and 10 provinces in Canada.

Q. Please describe the work that Intelometry performs.

A. Intelometry provides software products and consulting services to meet the needs of the energy industry. Our products and services address the needs of energy marketers, utilities, government agencies, and commercial and industrial energy users across North America. We employ our business and technology depth and breadth to simplify complex problems and deliver a solution or product that is practical and sustainable.

Q. Please summarize your current position and duties at Intelometry.

A. As a Vice President, I lead Intelometry's Business Services Practice, which focuses on wholesale and retail marketing in the electric power and natural gas industries. As part of my work, I provide management consulting expertise related to the operations and management of retail energy supply organizations.

Q. Please summarize your educational background and professional experience.

A. I received my BE degree with a major in electrical engineering from Youngstown State University in 1990. During my career, I have been deeply involved with the deregulation of the power industry throughout the United States.

Before joining Intelometry, I worked for Econ One Research, Inc. in Houston, Texas from 2002 to 2004, where I was responsible for the creation and development of an energy consulting practice. I advised clients on market strategy and business operations, and I testified on behalf of clients as an energy expert in various proceedings before a federal court, the American Arbitration Association, state regulatory commissions, and the Federal Energy Regulatory Commission. Prior to that, in 2001, I worked for Enron Wholesale Services as a Manager of Logistics. In that role, I coordinated the functions required to deliver physical power to Enron Energy Services' customers throughout the Northeast, Midwest, and Texas. I also worked for Enron Energy Services as a Manager of Commodity Structuring for the Midwest region. In that role, I developed and implemented new power products for commercial and industrial customers.

Prior to joining Enron in December 2000, I worked for Allegheny Energy in numerous roles for approximately ten years. My last position at Allegheny was Manager of Product Pricing and Business Development. In that role, I was responsible for the business functions supporting sales to retail power customers in the mid-Atlantic and Midwest regions. These functions included portfolio management, pricing and product development, marketing, and business development. I also participated in several committees and working groups

involved with the development of market rules within PJM and the Midwest. My résumé is attached as Direct Energy Exhibit 1.1 to this testimony, and includes a list of proceedings in which I have provided expert testimony.

II.
PURPOSE OF TESTIMONY AND GENERAL CONCLUSIONS

Q. What is the purpose of your testimony?

A. I have been asked by Direct Energy to review and comment on CenterPoint Energy Houston Electric, LLC's ("CenterPoint Houston's") discretionary charges for disconnect and reconnect of a pre-pay customer[1] that has an advanced meter with remote disconnect/connect capability. Further, I have been asked to examine the impact of these discretionary charges on the development of pre-pay programs in CenterPoint Houston's service area.

Q. Does CenterPoint Houston have a specific charge that applies only for disconnect and reconnect of a pre-pay customer with advanced metering?

A. No. CenterPoint Houston has one set of discretionary charges that applies whether or not the customer already has an advanced meter and applies whether or not the customer is on a pre-pay program with their Retail Electric Provider ("REP"). Despite the fact that the costs for disconnect and reconnect vary significantly between customers with and without advanced metering, CenterPoint Houston has averaged its costs across both types of customers.

Q. What are CenterPoint Houston's discretionary charges for a standard disconnect and reconnect of a customer that currently has or is scheduled to have advanced metering?

[1] For the purposes of my testimony, I have assumed a pre-pay customer is a customer that is on a pre-pay program with their REP that qualifies under Section 25.498 of the Public Utility Commission of Texas' ("PUCT's") Substantive Rules.

A. Currently, CenterPoint Houston charges REPs $13.19 for a combined standard disconnect and reconnect for a customer with activated remote capability.[2] In this proceeding, CenterPoint Houston has proposed for these charges to be reduced to $7.08 for a combined standard disconnect and reconnect.[3]

Q. How can these discretionary charges negatively impact a customer's experience with pre-pay services?

A. Pre-pay programs can benefit customers in a number of ways, they:

- reduce or eliminate the need for deposits;
- reduce energy consumption;
- shorten the lag time between energy consumption and payment which provides customers with better information about the costs of their consumption decisions; and,
- permit customers to make smaller, more frequent payments for electricity.

Adding costs in the form of discretionary charges artificially inflates the cost of pre-pay service, potentially by nearly 29% or more.[4] In addition, these charges can be a significant source of irritation to the customer, forcing them to pay a fee every time they stop purchasing electricity. As a result, the negative impacts of applying disconnect/reconnect charges would likely deter customers from a pre-pay program, thus impairing the very benefits that an Advanced Metering System ("AMS") was intended to provide.

[2] *See* PUCT Docket No. 38299, Second Annual Compliance Filing of CenterPoint Energy Houston Electric, LLC to Revise Certain Meter-Related Discretionary Charges, page 9 and 10. The total charge is based on the charge for a "standard disconnect of a premise with/planned to have activated remote connect capability" of $6.38 plus the charge for a "standard reconnect of a premise with/planned to have activated remote connect capability" of $6.81 for a total combined disconnect and reconnect charge of $13.19.

[3] *See* PUCT Docket No. 38339, CenterPoint Energy Houston Electric, LLC Cost of Service Rate Adjustment Filing Pursuant to PURA Section 36.102, Schedule IV-J-2, page 4249. Current charge is based on the current price of charge DCS 5.1.1 plus the current price of charge DCS 6.1.1, $8.45 + $9.33 = $17.78. While the proposed charge is based on the proposed price of charge DCS 5.1.1 plus the proposed price of charge DCS 6.1.1, $3.54 + $3.54 = $7.08.

[4] *See* lines 265-272 of this testimony.

Q. How much does Oncor Electric Delivery Company, LLC ("Oncor") charge for disconnect and reconnect of pre-pay customers with advanced metering?

A. Oncor does not charge REPs for disconnect and reconnect of pre-pay customers equipped with an AMS meter, provided by Oncor, with remote disconnect/reconnect capability.[5] This enables REPs the ability to provide a customer-friendly pre-pay product offering throughout Oncor's service area.

Q. Would eliminating disconnect and reconnect fees for pre-pay customers with advanced metering reduce CenterPoint Houston's revenue?

A. No. CenterPoint Houston does not request recovery of costs from disconnect and reconnect of customers equipped with advanced metering. Rather, CenterPoint Houston's discretionary charges for this service are due to the costs associated with disconnect and reconnect of customers **without** advanced metering.[6]

Q. Please summarize your conclusions.

A. CenterPoint Houston's discretionary charges for disconnect and reconnect of advanced meters force customers that use pre-pay services to incur artificial, non-existent costs. These charges are detrimental to the ability of REPs to provide customer-friendly pre-pay programs and, as a result, detract from a key benefit associated with the deployment of advanced meters. The Commission should thus require CenterPoint Houston to immediately eliminate its discretionary charges for disconnect and reconnect of pre-pay customers with advanced metering.

III.
BENEFITS OF PRE-PAY PROGRAMS

[5] *See* Oncor Electric Delivery Company, LLC's "Tariff for Retail Electric Delivery Service", page 123 charge DD32 included as Direct Energy Exhibit 1.2 for reference.

[6] *See* PUCT Docket No. 38339, CenterPoint Energy Houston Electric, LLC Cost of Service Rate Adjustment Filing Pursuant to PURA Section 36.102, Schedule IV-J-2-A, pages 4264 and 4267.

Q. Has CenterPoint Houston recognized that pre-pay services are a key benefit associated with the implementation of advanced metering?

A. Yes. In a brochure advertising energyInSight, CenterPoint specifically notes that advanced metering will enable programs that support retail offerings such as time-of-use rates and pre-paid service.[7]

Q. Has the Commission expressly recognized the benefits for pre-pay programs for customers and REPs?

A. Yes. In the order adopting Substantive Rule 25.498, the Commission concluded that

> (c)urrent commission rules are based on a customer establishing credit or paying a deposit to receive electric service, having the consumption metered on a monthly basis, and allowing the customer more than two weeks after the receipt of a bill for service to pay for the service and notifying the customer at least 10 days prior to the discontinuance of service. This system has several drawbacks for customers and REPs, including the risks to retail providers in extending credit, onerous requirements for many customers to pay deposits, and a long lag between the consumption of electricity and payment.
>
> Based on the information provided in this proceeding, the commission concludes that prepaid service will be a valuable option for REPs' and for many customers, because it can reduce REPs' credit risk, eliminate the need for deposits, permit customers to make smaller, more frequent payments, and shorten the lag between consumption and payment, providing customers better information about the costs of their consumption decisions.[8]

Q. Have you reviewed other evidence that pre-pay programs are beneficial for customers?

A. Yes. One example is the Salt River Project, a large Arizona utility, which has discussed the many benefits of its pre-pay program. Some of these benefits

[7] *See* Direct Energy Exhibit 1.3, page 3.

[8] *See* PUCT "Order Adopting New §25.498 as Approved at the July 31, 2007 Open Meeting" in Project No. 33814, pages 1-2, included as Direct Energy Exhibit 1.4 for reference.

include a 12% reduction in energy consumption, reduced deposit requirements, and a significant increase in customer satisfaction due to the increased ability for customers to manage their energy costs.[9]

IV.

CENTERPOINT HOUSTON'S DISCRETIONARY CHARGES FOR DISCONNECT NON-PAYMENT AND RECONNECT

Q. Does CenterPoint Houston have separate discretionary charges for disconnect and reconnect of pre-pay customers with advanced metering?

A. No. CenterPoint Houston has one set of discretionary charges that applies regardless of whether or not the customer is on a pre-pay program.

Q. Does CenterPoint Houston have separate discretionary charges for disconnect and reconnect of customers with advanced metering and those without advanced metering?

A. No. CenterPoint Houston has one set of discretionary charges that applies regardless of whether or not a customer already has advanced metering.

Q. What is CenterPoint Houston's cost for disconnecting a customer that is scheduled to have advanced metering installed but does not yet have it?

A. CenterPoint Houston has determined that the cost for disconnecting a customer for non-payment when the customer does not have an advanced meter is $9.00. This analysis is based on the costs of labor, dispatch cost, administrative cost and materials.[10]

Q. What is CenterPoint Houston's cost for disconnecting a customer who already has advanced metering?

[9] *See* Direct Energy Exhibit 1.5.

[10] *See* PUCT Docket No. 38339, CenterPoint Energy Houston Electric, LLC Cost of Service Rate Adjustment Filing Pursuant to PURA Section 36.102, Schedule IV-J-2-A, page 4264.

A. CenterPoint Houston has determined that the cost for disconnecting a customer with advanced metering is **zero**.[11]

Q. What is CenterPoint Houston's cost for reconnecting a customer who is scheduled to have advanced metering installed, but does not yet have it?

A. CenterPoint Houston has determined that the cost for reconnecting a customer after disconnecting for non-payment when the customer does not have an advanced meter is $9.00. This analysis is based on the costs of labor, dispatch cost, administrative cost and materials.[12]

Q. What is CenterPoint Houston's cost basis for reconnecting a customer who already has advanced metering?

A. CenterPoint Houston has determined that the cost for reconnecting a customer after disconnecting for non-payment of a customer with advanced metering is **zero**.[13]

Q. If CenterPoint Houston has not identified any costs for disconnecting or reconnecting a customer who has advanced metering, how did it derive a discretionary charge for these customers?

A. CenterPoint Houston only has one charge for disconnecting and reconnecting a customer whether the customer has or does not have advanced metering. It has calculated this charge by taking the costs associated with customers that do not yet have advanced metering and weighting them with the zero cost associated with customers that do have advanced metering.

Q. Can you detail how CenterPoint Houston derives the discretionary charge for a standard disconnect due to non-payment?

[11] *Id.* at page 4301.

[12] *Id.* at page 4267.

[13] *Id.* at page 4301.

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A. Yes. As I described earlier, CenterPoint Houston states that its cost for disconnecting due to non-payment if the customer does not have an advanced meter is $9.00 per disconnect.[14] CenterPoint Houston forecasts that on average in 2011, 39.29% of customers will not yet have advanced metering installed.[15] To calculate the portion of the disconnection charge associated with customers without advanced metering, it multiplies $9.00 by 39.29%, and allocates $3.54 to its disconnect non-payment discretionary charge. For customers with advanced metering, CenterPoint Houston states its costs for disconnecting a customer due to non-payment is $0.00 per disconnect[16] and it forecasts that on average in 2011, 60.71% of customers will have advanced metering installed. To calculate the portion of the disconnection charge associated with customers with advanced metering, it multiplies $0.00 by 60.71%, and allocates $0.00 to its disconnect non-payment discretionary charge. Adding the two allocations together yields a total charge of $3.54 per disconnect, with all costs attributable to customers that do not yet have advanced metering installed.

Q. Can you detail how CenterPoint Houston derives the discretionary charge for a standard reconnect after disconnect due to non-payment?

A. CenterPoint Houston states that its cost for reconnecting a customer who does not have an advanced meter is $9.00 per reconnect. CenterPoint Houston forecasts that on average in 2011, 39.29% of customers will not yet have advanced metering installed.[17] To calculate the portion of the reconnect charge associated with customers without advanced metering, it multiplies $9.00 by 39.29%, and allocates $3.54 to its reconnect discretionary charge. For customers with advanced metering, CenterPoint Houston states its costs for reconnecting a customer after disconnection due to non-payment is $0.00 per reconnect[18] and it

[14] *Id.* at page 4264.

[15] *Id.* at page 4302.

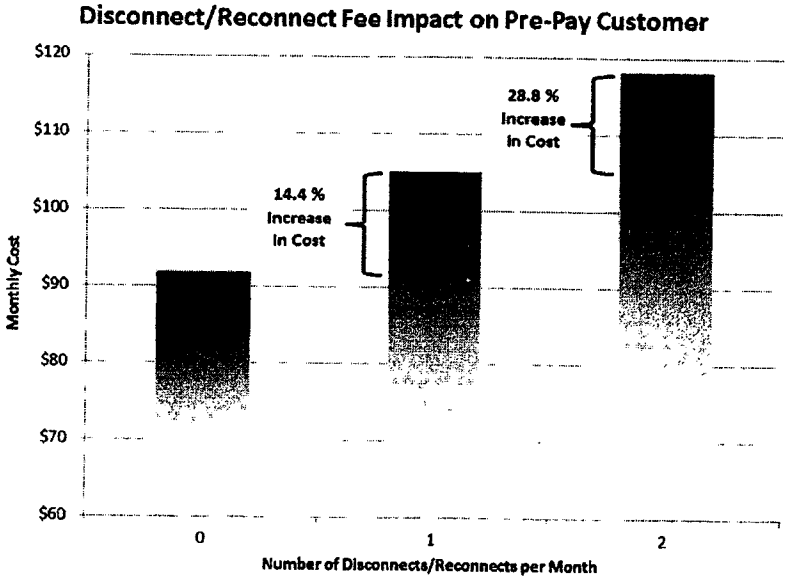
[16] *Id.* at page 4301.

[17] *Id.* at page 4302.

[18] *Id.* at page 4301.

253 forecasts that on average in 2011, 60.71% of customers will have advanced
254 metering installed. To calculate the portion of the reconnect charge associated
255 with customers with advanced metering, it multiplies $0.00 by 60.71%, and
256 allocates $0.00 to its reconnect discretionary charge. Adding the two allocations
257 together yields a total charge of $3.54 per reconnect, with all costs attributable to
258 customers that do not yet have advanced metering installed.
259
260 V.
261 **NEGATIVE IMPACT OF CENTERPOINT HOUSTON'S DISCRETIONARY**
262 **DISCONNECT AND RECONNECT CHARGES ON PRE-PAY CUSTOMERS**
263
264 **Q. How much could disconnect and reconnect fees increase a pre-pay**
265 **customer's bill?**
266 A. For an average customer,[19] one standard disconnect and reconnect per month
267 would increase the customer's cost by 14.4 %, while two standard disconnects
268 and reconnects per month would increase the customer's cost by 28.8 %.
269

[19] An average customer has been based on the average monthly consumption of a CenterPoint Houston residential low winter ratio customer and an assumed price of 10.8 cents per kWh. Average consumption data is obtained from PUCT Docket No. 38339, CenterPoint Energy Houston Electric, LLC Cost of Service Rate Adjustment Filing Pursuant to PURA Section 36.102, Schedule IV-J-4, page 4312.



Q. What are the other negative impacts to a pre-pay customer of CenterPoint Houston's disconnect and reconnect fees?

A. Receiving an extra charge every time you stop buying electricity can cause customer irritation and dissatisfaction with the pre-pay program. Further, the customer may not see this charge for weeks after they are disconnected and reconnected.[20] This can further detract from one of the key benefits of pre-pay programs, which is a shortened lag time between a customer's energy decisions and the cost of those decisions.

VI.

ONCOR'S DISCRETIONARY CHARGES

Q. Does Oncor have discretionary charges for disconnect non-payment and reconnect of pre-pay customers with advanced metering?

[20] Discretionary charges are passed through to the REP after the meter is read each month. The REP then utilizes this information to bill the customer. This can cause days or weeks of delay between the time the customer incurs the disconnect/reconnect cost, and when the customer is charged for it.

A. No. Oncor has a special discretionary charge category, "DD32," that applies to the disconnection and reconnection of a pre-pay customer where an advanced meter is installed. Oncor has **no charge** for this service.[21]

Q. Since CenterPoint Houston has a charge for disconnecting and reconnecting a pre-pay customer and Oncor does not, does that present other problems?

A. Yes. Differences in structure and rules between transmission and distribution utilities ("TDUs") can make it impossible for REPs to provide consistent, scalable service offerings across markets.

Q. Has the Commission expressed a desire for consistency in rules across different TDUs to address this issue?

A. Yes. The Commission's desire for uniformity in rules and standardized TDU terms and conditions has been expressed in the adoption of the amendments to P.U.C. Substantive Rule 25.214 and the Pro-forma Retail Delivery Tariff, and in recent amendments to P.U.C. Substantive Rule Section 25.181.

In adopting comprehensive amendments to the TDU Pro-forma Retail Delivery Tariff, the Commission summarized its goal in that rulemaking as: "In general, the amendments that are being adopted in this rulemaking proceeding will increase the level of standardization, because more standardization will facilitate REP participation in the retail market in all of the TDU service areas."[22]

Similarly, the newly adopted P.U.C. Substantive Rule 25.181 also included amendments which underscore the Commission's desire for uniformity in the TDUs' provision of services and expectation for TDU coordination with REPs to

[21] *See* Oncor Electric Delivery Company, LLC's "Tariff for Retail Electric Delivery Service", page 123 charge DD32 included as Direct Energy Exhibit 1.2 for reference.

[22] *See* PUCT "Order Adopting Amendments to 25.214 as Approved at the April 13, 2006, Open Meeting," filed April 24, 2006, in Project No. 29637, page 5 included as Direct Energy Exhibit 1.6 for reference.

facilitate the availability of uniform offerings across TDU service areas. Specifically, 25.181 (i)(5)(A) states:

> (5) Each electric utility in an area in which customer choice is offered shall conduct programs to encourage and facilitate the participation of retail electric providers and energy efficiency service providers in the delivery of efficiency and demand response programs, including:
>
> (A) Coordinating program rules, contracts, and incentives to facilitate the statewide marketing and delivery of the same or similar programs by retail electric providers.[23]

VII.
CONCLUSION

Q. What have you concluded after reviewing CenterPoint Houston's discretionary charges for disconnect non-payment and reconnect of advanced metering customers on pre-pay programs?

A. CenterPoint Houston's discretionary charges for disconnect and reconnect of advanced meters for customers that use pre-pay services are detrimental to the offering of pre-pay services. Further, the charges do not recover actual CenterPoint Houston costs for providing such services and eliminating these discretionary charges would not impact CenterPoint Houston's revenue. As such, I recommend that the Commission require CenterPoint Houston to immediately eliminate its discretionary charges for disconnect and reconnect of pre-pay customers with advanced metering.

Q. Does this conclude your direct testimony?

A. Yes.

[23] *See* PUCT Substantive Rule Section Per 25.181(i)(5) included as Direct Energy Exhibit 1.7 for reference.

Direct Energy

Exhibit 1.1

intelometry

Jeffrey Merola
Vice President, Consulting Services

KEY QUALIFICATIONS

Jeffrey Merola has over twenty years of diversified experience in energy marketing including the start-up and management of an unregulated retail energy marketing company. In his present position, he leads Intelometry's Business Services Practice focused on wholesale and retail marketing in the power and natural gas industries. Jeff has been instrumental in designing Intelometry's inRetail product suite for managing customer data and pricing and billing retail power deals across the country. His experience covers a broad mix across the power industry including wholesale market operations, transmission, risk management, product structuring, pricing and valuation, operations, and retail marketing. He has also testified on numerous occasions before federal court, the American Arbitration Association, state regulatory commissions and the Federal Energy Regulatory Commission an as industry expert. In addition, he has experience in valuing and negotiating acquisitions of generation assets, provider of last resort obligations, and natural gas and electric marketing firms.

EDUCATION

BE Electrical Engineering, Youngstown State University, 1990.

INDUSTRY EXPERIENCE

Econ One Research, Inc. (2002 – 2004)

Managing Director responsible for the creation and development of a consulting practice focused on wholesale and retail marketing in the power and natural gas industries. Originated new business, developed key contacts, managed client relationships and set the overall vision and direction for the practice.

Enron (2001)

Manager responsible for Logistics and Commodity Structuring functions. In Logistics role, coordinated all functions associated with the delivery of physical energy to customers throughout the eastern interconnect. Responsibilities included structured wholesale supply, retail product structuring, account management, operations, forecasting, and settlements. In Commodity Structuring role, managed the development of structured commodity products for commercial and industrial customers in the Midwest.

Allegheny Energy (1999-2000)

Part of Retail Management Team responsible for interfacing with wholesale trading group, negotiation of structured deals for commercial and industrial accounts, business planning and implementation for new commodity markets, development and implementation of products complementing core commodity business, and providing supporting analysis and negotiations for generation asset acquisitions. Developed industry leading systems and techniques used for pricing, retail risk assessment, and internal transfer pricing.

Allegheny Energy (1998-1999)

Manager responsible for developing retail power pricing strategies based on a thorough understanding of the costs and risks associated with the supply, transmission and delivery of power for forward retail contracts with commercial and industrial accounts.

Allegheny Energy (1997-1998)

Member of management team charged with "ground floor" start-up of new retail energy marketing company. Developed and managed structuring desk.

Allegheny Power (1997-1998)

Project manager that led team responsible for developing the company's deregulation strategy and the formation of an unregulated retail energy marketing company. Coordinated market

research, product pricing and advertising efforts. Analyzed and negotiated acquisitions and joint ventures related to the development of new products and services to complement the core energy business.

Allegheny Power (1990-1996)

Engineer. Designed and evaluated energy efficiency programs including heating, air conditioning, refrigeration, lighting, motors and motor drives. Performed market studies to analyze the load patterns of specific customer segments to determine the profitability of each segment and make recommendations for implementation of marketing programs. Responsible for sales to industrial, government, and wholesale customers. Developed the company's power quality program.

Hagerstown Junior College (1991-1992)

Adjunct Professor of Electrical Engineering

SELECTED CONSULTING EXPERIENCE

Influence of Retail Competition on Texas Residential Prices

Analyzed how residential prices for electricity changed before and after the introduction of retail competition in Texas. Developed a complex model to adjust prices for changes unrelated to retail competition including regulated distribution rates, fuel prices and inflation.

Energy Contract Sale

Assisted a national energy company with the sale of a large number of energy contracts. Provided recommendations on the content and organization of the data room, developed an information packet to inform buyers of the details associated with the sale, and valued the contracts for assistance in negotiating with potential buyers.

Review and Valuation of Wind Generation Contracts

Reviewed the contract terms of two wind generation contracts entered into the by a northeast utility. Assessed the value of these contracts and the long-term impacts to customers and competitive markets.

Energy Asset Sale

Assisted a retail energy marketer with the sale of the company's equity. Provided guidance on the development of financial forecasts and prospectus information. Worked with client to find potential buyers and negotiated terms of the sale.

Portfolio Management Process and Infrastructure

Advised a retail energy marketer on the development and definition of an overall portfolio management strategy. Provided guidance on the development of short and long-term load

forecasts, development of a procurement strategy and the design of a risk management strategy and policy.

Retail Market Analysis

Engagement director for client project that analyzed historic cost differentials between utility tariff prices for supply and market based supply alternatives across the Midwest and northeastern US in support of efforts to develop wholesale auction structures that are conducive to retail market development. Developed methods and processes for developing forward curves for all elements of generation and ancillary service costs as well as real options pricing methods for assessing full requirements power risk.

Retail Business Plan Strategic Advisement

Advised a national energy provider on development of their five-year business plan to support funding efforts. Developed forward curves and associated retail cost projections over the five-year period and estimated overall monthly supply costs for various small to medium customer market segments. Presented thorough review of the status of key deregulated markets across the country and advised client on strategy

Billing Business Process and Implementation

Engagement Director for the implementation of Intelometry's inRetail billing functionality for a northeastern energy marketer. Responsible for overall relationship with client and for guiding the direction of the project. Implementation includes developing all business processes associated with billing and for the integration of these processes into the calculation of tariffs for the purpose of presenting customer savings estimates on their bill. Product structures include fixed price, block and index, index, and green energy structures.

inTariff and inMonitor

Project Manager for the implementation of Intelometry's inTariff and inMonitor services for calculating utility rate tariffs across the country. These calculations are used to support the

development of marketing strategy for retail marketers and for providing savings estimates to customers for switching to third party supply.

National Energy Marketer inRetail Implementation

Project Manager for the implementation of Intelometry's inRetail product suite for a national energy marketer. The product suite installation is focused on processing and profiling historic customer load data, managing forward curve and market spot price data, pricing and structuring retail power deals for large and small consumers, and integrating to settlement and position management systems.

New York Retailer

Project Manager for the development of an operations guide for a retailer looking to enter a new market. The operations guide was created to assist the retailer with the identification of business and technical infrastructure gaps existing as a result of recent activities to penetrate several key markets. The scope of the project covered five major utility markets.

Class Action Energy Litigation

Lead investigation related to the practices of a major energy marketer related to off-balance sheet financing, mark-to-market accounting, and market manipulation. Served as an industry expert to assist counsel in preparing for mediation and settlement negotiations related to a class action shareholder suit.

Ohio Marketers Group

Consulted and testified as an industry expert on the impact of First Energy's filed rate structures after the end of Ohio's market development period. Examining the impact of the proposed rate plan on competition and consumers and providing an alternate plan.

Building Owners and Managers Association (BOMA) Chicago

Advised client on the implications of ComEd's planned integration into the PJM market. Assessed how the new marketplace would impact retail rates, customer supply options, and determined effective regulatory strategies to address these concerns.

Midwestern Energy Marketer

Examined Michigan retail natural gas and power markets and advised client on market entry strategy. Examined issues associated with market entry, operations, target market, market risks, wholesale supply, product structuring, and potential marketing channels.

International Exploration and Production Company

Designed all business processes necessary to support wholesale and retail power marketing including deal entry, risk management, trade control, scheduling, accounting, and settlements. Advised client on necessary system infrastructure and design to support business processes.

Retail Energy Marketer

Provided advice on tailored sources of gas and power supply to support retail operations in Illinois and Ohio. Recommended structured supply options and portfolio management strategies to enhance client's business in the Midwest.

California Attorney General

Provided analysis and expert testimony related to Enron trading strategies utilized in conjunction with trading partners in the California market from 1997 to 2001. Analyzed and evaluated the impact of complex transactions and strategies and their influence on the market.

Retail Gas Marketer

Analyzed and developed business processes required to support client's natural gas retail operations. Developed detailed design for system to manage contracts, deal capture, nominations, settlements, and invoicing.

North American Energy Company

Analyzed the viability of a potential power plant purchase in ERCOT. Examined physical transmission infrastructure, ancillary service market opportunities, and market risks associated with acquisition.

Multi-Commodity Energy Marketer

Assisted client with the selection of a new trading and risk management system to support power, natural gas, crude oil and natural gas liquid operations. Thoroughly analyzed client's business objectives to develop tailored requirements and establish priorities.

Consortium of Major Financial Institutions

Analyzed and valued financial derivatives and valued debt and equity of a company related to ongoing litigation. Utilized real options techniques to determine theoretical equity value of business under various scenarios.

TESTIFYING EXPERIENCE

Commonwealth Edison Investigation of Rate Design

Testified on behalf of Request Equitable Allocation of Costs Together (REACT), a coalition of energy companies and industrial customers before the Illinois Commerce Commission (ICC). Performed an embedded cost of service study to properly allocate Commonwealth Edison's customer care costs between the delivery and supply portion of its tariff.

California Department of Water Resources Contracts

Testified on behalf of Reliant Energy, Inc. before the Public Utilities Commission of the State of California regarding the net benefits of novating and/or assigning energy contracts held by the Department of Water Resources to the California Investor Owned Utilities (IOUs). Performed detailed analysis on the value of the DWR contracts and the impacts on the credit ratings of the IOUs.

Commonwealth Edison Rate Case

Testified on behalf of Request Equitable Allocation of Costs Together (REACT), a coalition of energy companies and industrial customers before the Illinois Commerce Commission (ICC). Testimony focused on the proper allocation of Commonwealth Edison's supply related costs to the supply portion of their tariffs and the potential impacts of improper allocation.

PG&E Energy Trading - Power, L.P. v. Southaven Power, LLC

Testified on behalf of PG&E Energy Trading in a tolling agreement dispute before the American Arbitration Association. Testified regarding the damages incurred by Southaven Power, LLC due to the termination of the toll. Developed a dispatch model to project the operations of a natural gas combined cycle generating unit in order to project operating cash flows from the facility over the life of the agreement that were used to assess damages.

First Energy Corporation Rate Stabilization Plan

Testified on behalf of a coalition of energy companies and a manufacturer's association in a case before the Public Utilities Commission of Ohio (PUCO) on the market impacts of a rate stabilization plan proposed by First Energy Corporation. Testimony analyzed the impacts that the proposed plan would exert on regional energy markets, and provided the PUCO with alternative options to the plan including a wholesale Provider of Last Resort (POLR) auction.

Enron Power Marketing, Inc., and Enron Energy Services, Inc.

Testified before the US Federal Energy Regulatory Commission, Docket EL03-180. Testified on behalf of the California Parties concerning Enron's profits from wholesale power transactions in the Western power markets from January 2000 to June 2001.

El Paso Electric Company, Enron Power Marketing, Inc., and Enron Capital and Trade Resources Corporation

Testified before the US Federal Energy Regulatory Commission, Docket EL02-113. Retained by the California Attorney General to evaluate the trading strategies employed by Enron and El Paso Electric. Assessed the conduct and its violation of CAISO tariffs and the Federal Power Act and the appropriate remedies.

Portland General Electric Company and Enron Power Marketing, Inc.

Testified before the US Federal Energy Regulatory Commission, Docket EL02-114. Retained by the California Attorney General to evaluate the trading strategies employed by Enron and PGE in the California market. Assessed the Death Star trading strategy and the impact of affiliate transactions. Examined the conduct and the resulting violations of the CAISO tariffs and the Federal Power Act and the appropriate remedies.

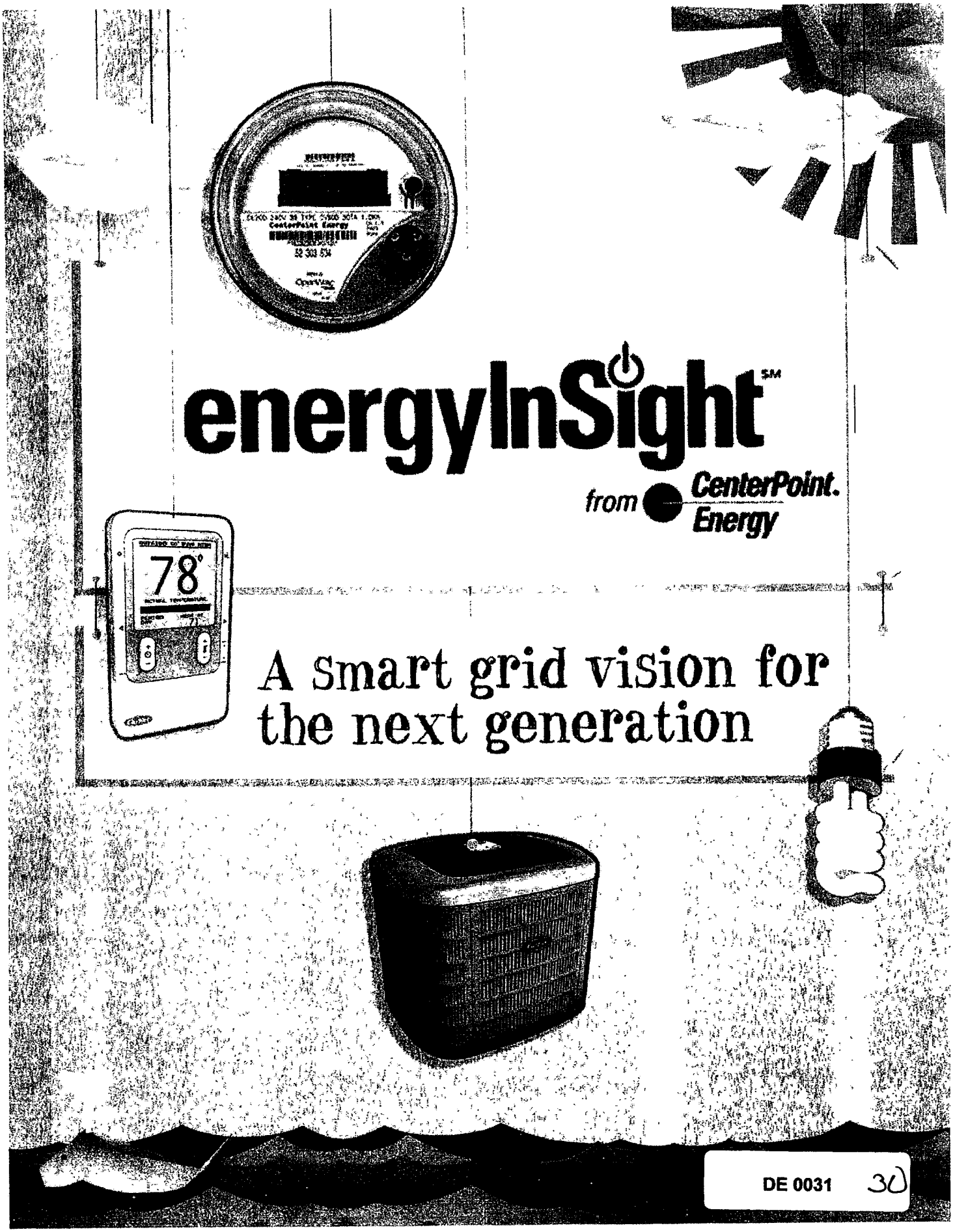
Direct Energy

Exhibit 1.2

DD25	**Retail Delivery Service Switchover Charge** Applicable to request to switch electric service of a consuming facility from Company to another utility that has the right to serve the consuming facility. Switchovers shall be handled pursuant to Substantive Rule §25.27, a copy of which will be provided upon request. Self Contained A. Base Charge B. Base Charge Adder Instrument Rated C. Base Charge D. Base Charge Adder E. Facilities Recovery Charge	 $ 514.60 $ 147.45 $ 754.25 $ 320.20 As Calculated
DD26	**Miscellaneous Discretionary Service Charge** Applicable to requests for discretionary services not covered by the standard conditions above and are provided in accordance with Commission Substantive Rules and are charged on the basis of an estimate for the work or the Company's cost plus appropriate adders.	As Calculated
DD27	**Street Light Painting Service Charge** Applicable to requests to paint Company-owned street light poles and fixtures.	As Calculated
DD28	**Street Light and Other Pole Straightening Service Charge** Applicable to requests to straighten Company-owned street light poles and other Company-owned poles.	As Calculated
DD29	**Street Light Patrolling Service Charge** Applicable to requests from a governmental entity for Company to provide additional street light patrolling within a specific geographic area.	As Calculated
DD30	**Street Light Numbering Service Charge** Applicable to requests from a governmental entity for Company to number Company-owned lighting facilities.	As Calculated
DD31	**Street Light Circuit Bulb and Photocell Replacement Service Charge** Applicable to requests from a governmental entity for bulb and photocell replacement of an entire street light circuit on a predetermined schedule.	As Calculated
DD32	**Advanced Metering Pre-pay Customer Connect/Disconnect Charge** is made for disconnection or reconnection of a pre-pay Retail Customer's distribution service at a premise where a provisioned AMS meter with remote disconnect/reconnect capability is installed and when the Competitive Retailer uses Oncor's prescribed process for disconnection/reconnection for a pre-paid customer with a provisioned AMS meter.	$ 0.00
DD33	**Advanced Metering Time of Use Programming Charge** is made for requests to program a provisioned AMS meter to collect metered data in the manner necessary to bill under time of use profiles existing on August 8, 2008.	$ 0.00
DD34	**Evaluation of Retail Electric Provider Requests for Non-Standard Advanced Meters, Additional Metering Technology, or Advanced Features not Specifically Offered by Company** Applicable to requests in accordance with Subst. Rule §25.130(g)(2)(C) for a study evaluating the costs of providing non-standard advanced meters, additional metering technology, or advanced features not specifically offered by Company.	As Calculated
DD35	**Cost Differential for Non-Standard Advanced Meters or Features Pursuant to Requests Received Pursuant to DD34** Applicable to requests in accordance with Subst. Rule §25.130(g)(2)(A) and (B) for the differential costs of providing non-standard advanced meters, additional metering technology, or advanced features not specifically offered by Company that are in excess of the Company's standard advanced meters and features	As Calculated

Direct Energy

Exhibit 1.3


energyInSight℠
from CenterPoint. Energy
78°
A smart grid vision for the next generation
DE 0031
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Imagine ...

Imagine if buying gasoline were like buying electricity. What if every time you went to the gas pump, you saw spinning question marks? You wouldn't know how much gas you were buying or how much you were spending.

That's what buying electricity is like today. You don't know how much you are spending until you get your bill a month later. You may be surprised when you open your bill in the middle of a hot Houston summer. By then it's too late for you to cut back on your usage – at least for that bill.

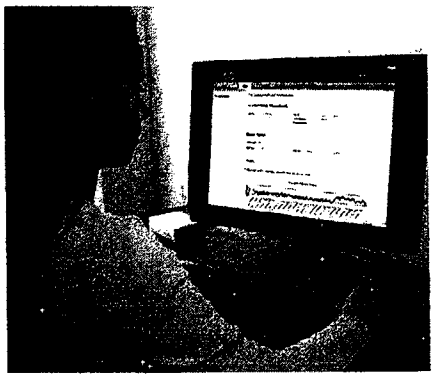
For Houstonians, Energy InSight will change all that.

Energy InSight℠

Energy InSight,℠ a system of smart energy technologies from CenterPoint Energy, gives Houston-area consumers a powerful new tool to better understand and manage their electric usage. The ability to monitor energy use will enable consumers to make more informed energy choices. Using less energy can save consumers money and means less power may need to be produced – which is good for consumers and great for the environment.

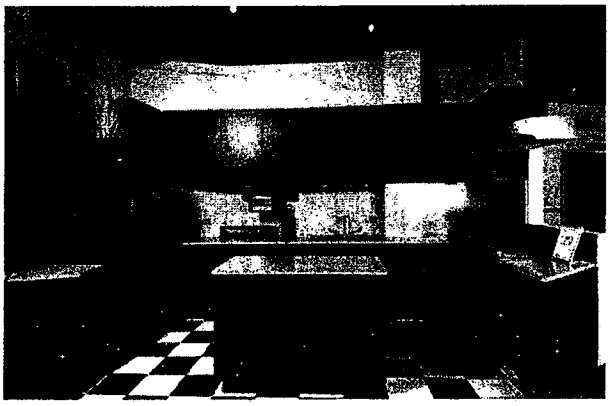
Smart meters make a new energy future possible

- **Remote Meter Reading** – CenterPoint Energy can read smart meters remotely, virtually eliminating the need to go house-to-house to read meters, which means fewer trucks on the road.
- **Smoother Transactions** – Remote connection and disconnection of electric service should reduce the time it takes to process service orders for most homes and some businesses.
- **Automatic Outage Notification** – Smart meters will automatically notify CenterPoint Energy about power outages, to help us restore power more quickly.
- **Energy Efficiency and Savings** – Consumers can monitor their electricity usage history to better manage energy costs by making small changes such as adjusting their thermostat.
- **Environmental Benefits** – If consumers conserve energy, less power may have to be produced, which is good for the environment, as are fewer trucks on the road.
- **New Products and Savings** – Retail Electric Providers (REPs), who sell electricity to consumers, can offer new, innovative products and services.
- **Home Area Networks (HAN)** – Smart meters can interact with ZigBee-compatible devices such as thermostats or other electric appliances so consumers can operate them remotely.



Smart meters enable consumers to view their detailed historical electricity use.

In smart homes of the future, consumers will be able to remotely monitor and control appliances.



A smart grid can benefit the environment by reducing consumption of fossil fuel resources, thereby reducing emission of greenhouse gases and other air pollutants.

Potential benefits and savings for Texas consumers

Based on pilot programs from across the country,* consumers with a smart meter can significantly reduce their power consumption during peak periods. Reduced peak period demand could translate to lower electricity costs for all consumers.

Example:

– A consumer with a typical 2,000 square-foot house, a 4-ton air conditioning unit and maximum power consumption of about 4 kilowatts (kW) per month might save 1 kW during summer peak conditions.

– If as few as 250,000 Houston-area consumers with a smart meter were to save 1 kW during summer peak conditions, this would equate to a 250 megawatt (MW) reduction in demand.

According to the Electric Reliability Council of Texas (ERCOT), 1 MW of electricity powers 500-700 average homes under normal conditions in Texas, or about 200 during hot weather when air conditioners are running for longer periods. Reducing demand by 250 MW is the equivalent of avoiding generation for 125,000 to 175,000 homes during normal conditions in Texas or 50,000 homes in the summer.

In this scenario, society would benefit from building two to four fewer peaking power plants,** avoiding both the construction costs and the environmental concerns associated with those plants.

When combined with other price responsive behavior over the rest of the year, annual market savings could yield approximate annual power savings of between $90 million and $120 million,† depending on the actual amount of energy conservation achieved. All residential consumers, even those with no change in energy usage, could save about $3.35 per 1,000 kilowatt hours (kWh) of consumption.

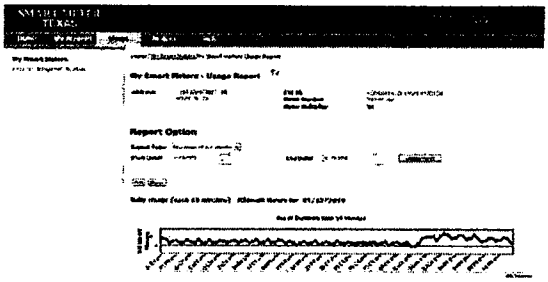
Smart Meter Texas:

A very smart way for Texans to manage their electricity usage

The Smart Meter Texas web site gives consumers with smart meters in Texas more control over their electricity use. Consumers can register at www.SmartMeterTexas.com to access detailed views of their electric usage history in 13-month, 30-day, or 24-hour snapshots down to 15-minute intervals including usage data up to the previous day.

The Smart Meter Texas portal also allows retail electric providers (REPs) to access their smart meter customers' usage information to support retail offerings such as energy analysis tools, time-of-use rates, and pre-paid service. Through the portal, REPs can also connect Home Area Network devices to smart meters to help consumers better manage their electricity use by remotely controlling smart electric appliances and thermostats, which are under development by a number of manufacturers.

For more information, or to register your meter, visit www.SmartMeterTexas.com.



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2. Report to the 81st Texas Legislature. Scope of Competition in Electric Markets in Texas. Public Utility Commission of Texas. January 2009.
3. A National Assessment of Demand Response Potential. Staff Report. Federal Energy Regulation Commission. June 2009.
4. Estimating the Benefits of the GridWise Initiative. Phase 1 Report. Walter S. Baer, Brent Fulton, Sergej Mahnovski. TR-160-PNNL. May 2004. (Prepared for the Pacific Northwest National Laboratory.)
5. Pacific Northwest GridWise Testbed Demonstration Projects. Part I. Olympic Peninsula Project. October 2007. Prepared for the U.S. Department of Energy under Contract DE-AC05-76RL01830. Pacific Northwest Laboratory. Richland, Washington 99352.
6. Pacific Northwest GridWise Testbed Demonstration Projects. Part II. Grid Friendly Appliance Project. October 2007. Prepared for the U.S. Department of Energy under Contract DE-AC05-76RL01830.
7. Ontario Energy Board Smart Price Pilot Final Report. July 2007. Prepared by IBM Global Business Services and eMeter Strategic Consulting for the Ontario Energy Board.
8. California Statewide Pricing Pilot Program. Overview and Results. 2003 – 2004.

**Simple cycle gas turbines valued at $80 per KW-yr (kilowatt-year), which is used by the PUCT in valuing energy efficiency savings. The sizes assumed are between 90 MW and 120 MW, thus two to four plants.

†The savings example assumes a mature Advanced Metering System and [illegible] responsive market: the $90 million is made of capacity savings valued at $80 per year (i.e. 250,000 kW times $80 per kW-yr) plus the energy savings [illegible] and energy market clearing price reductions of $10 million per year. [illegible] million is energy conservation.

Imagine ...

Imagine a major hurricane striking the Texas gulf coast with winds over 100 miles per hour mowing down 50-foot-tall trees and flooding coastal areas. Imagine more than two million homes and businesses losing power, some for several weeks. Imagine the human hardship and the economic impact on the fourth-largest city in the nation, home to N.A.S.A. and the Texas Medical Center, the "energy capital of the world."

Houstonians don't have to imagine ....

The Intelligent Grid will improve power reliability and outage restoration in Houston

Because CenterPoint Energy's service territory is located in the heart of "Hurricane Alley," it is vital to equip its grid with intelligent grid (IG) functions that allow it to be more resilient, more reliable, and more quickly restored in the event of outages. In the aftermath of Hurricane Ike, the Mayor's Task Force Report concluded that a smart grid "offers the best return-on-investment for improving grid resilience and enabling storm recovery system-wide" and that "[f]inding the means to accelerate CenterPoint Energy's deployment of intelligent grid technology in the Houston area is the Task Force's strongest recommendation."*

An intelligent grid can reduce the costs associated with power interruptions. When outages do occur, CenterPoint Energy's IG will reduce their duration. Substation and distribution line monitoring equipment will be able to accurately locate permanent faults as they occur. This in turn will speed recovery since the repair crews will not be required to search for the location of an outage and can begin repairs much sooner. The self-healing functionality of IG will also reduce costs because the system will be able to analyze data from the substation and line monitors and then develop recommendations or switching commands to isolate the fault and reroute the consumers on undamaged lines back into service within seconds or minutes.

This graphic illustrates the self-healing grid demonstration at CenterPoint Energy's Technology Center.

Faster power restoration through the Intelligent Grid

The power outages that have been a fact of life for electric consumers meet their match with the Intelligent Grid.

Localized outages are largely self-healing in the Intelligent Grid. Most breaks in a power line – a tree limb falling, for example – will be detected and communicated by sensors and the associated event data transmitted using wireless and/or other communications technologies. As a result, power will be re-routed around the break or fault and service continues, virtually uninterrupted, while CenterPoint Energy personnel are dispatched to the repair site.

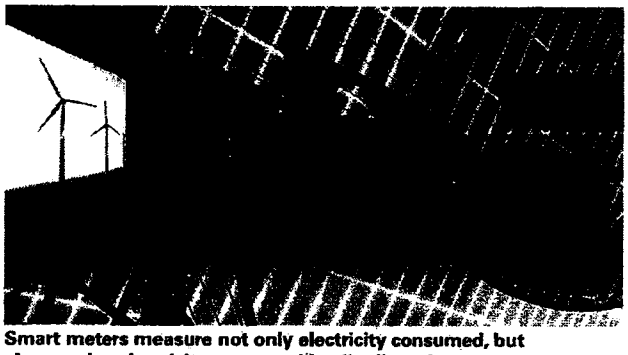
In the event of larger outages, such as a major storm, the Intelligent Grid will first employ self-healing techniques to restore power to as much of the system as possible. Then the damage to the system as a whole is diagnosed and mapped.

Using that information, CenterPoint Energy will be able to restore the greatest part of the system in the shortest time and then continue on to full restoration. In many cases, the time to restore power through the Intelligent Grid in CenterPoint Energy's service area will be a fraction of the current averages.

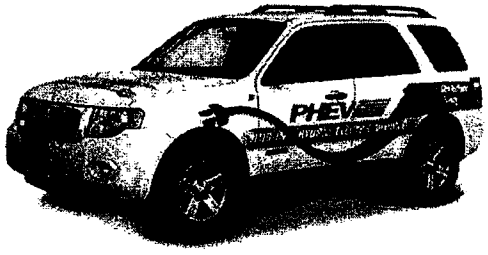
* Source "Final Report: Mayor's Task Force on Electric Service Reliability" April 21, 2009.

"Efforts to reduce greenhouse gas emissions will dovetail into higher use of a smart grid. A smart grid can directly help achieve the goals of proposed climate change legislation."

Tom Standish,
Group President
CenterPoint Energy
Regulated Operations



Smart meters measure not only electricity consumed, but also surplus electricity generated by distributed generation sources such as solar panels or wind turbines.



CenterPoint Energy is part of a nationwide industry group studying PHEVs to help ensure compatibility with the electricity infrastructure.

CenterPoint Energy's smart grid will be a green grid

CenterPoint Energy's smart grid can significantly benefit the environment by reducing consumption of fossil fuel resources, thereby reducing emission of greenhouse gases (GHG) and other air pollutants. Environmental benefits can be achieved in three ways:

Increasing transmission and distribution efficiency and reducing electricity consumption

The energy efficiency and conservation capabilities of a smart grid can significantly benefit the environment by reducing fossil fuel consumption associated with electricity generation and by reducing the need for new fossil fuel generation plants in the future. Because consumers in the company's service area consume about 15 percent of the electricity used in Texas, these savings could be significant.

Reducing CenterPoint Energy's vehicular needs

CenterPoint Energy's smart grid will also reduce the consumption of resources associated with performing basic utility services such as connections, disconnections, and meter readings. Installation of smart meters and related communications equipment will allow for the electronic delivery of data and the remote completion of service orders. This will significantly decrease CenterPoint Energy's transportation fuel consumption and associated emission of greenhouse gases and other pollutants, as the company will not be required to "roll a truck" for all basic services.

Promoting the development and use of distributed and renewable energy production and enabling widespread use of plug-in hybrid electric vehicles (PHEVs)

Finally, the company's smart grid will create a platform that will allow for the development and deployment of technologies for increasing distributed generation (DG) and energy storage capacity, such as wind and solar generation, and plug-in hybrid electric vehicles (PHEVs). Our smart meters measure electricity delivered and generated, eliminating the need for installation of expensive specialized DG metering. Distributed generation can help reduce the need for new fossil-fuel-generated capacity, now and in the future, and therefore benefit the environment. The smart grid will also include technologies that facilitate the use of PHEVs, thereby reducing the consumer's reliance on gasoline and diesel-fueled vehicles.

Research Studies

1. "The Smart Grid: an Introduction," U.S. Dept. of Energy
2. "Electricity Sector Framework for the Future," Aug. 2003
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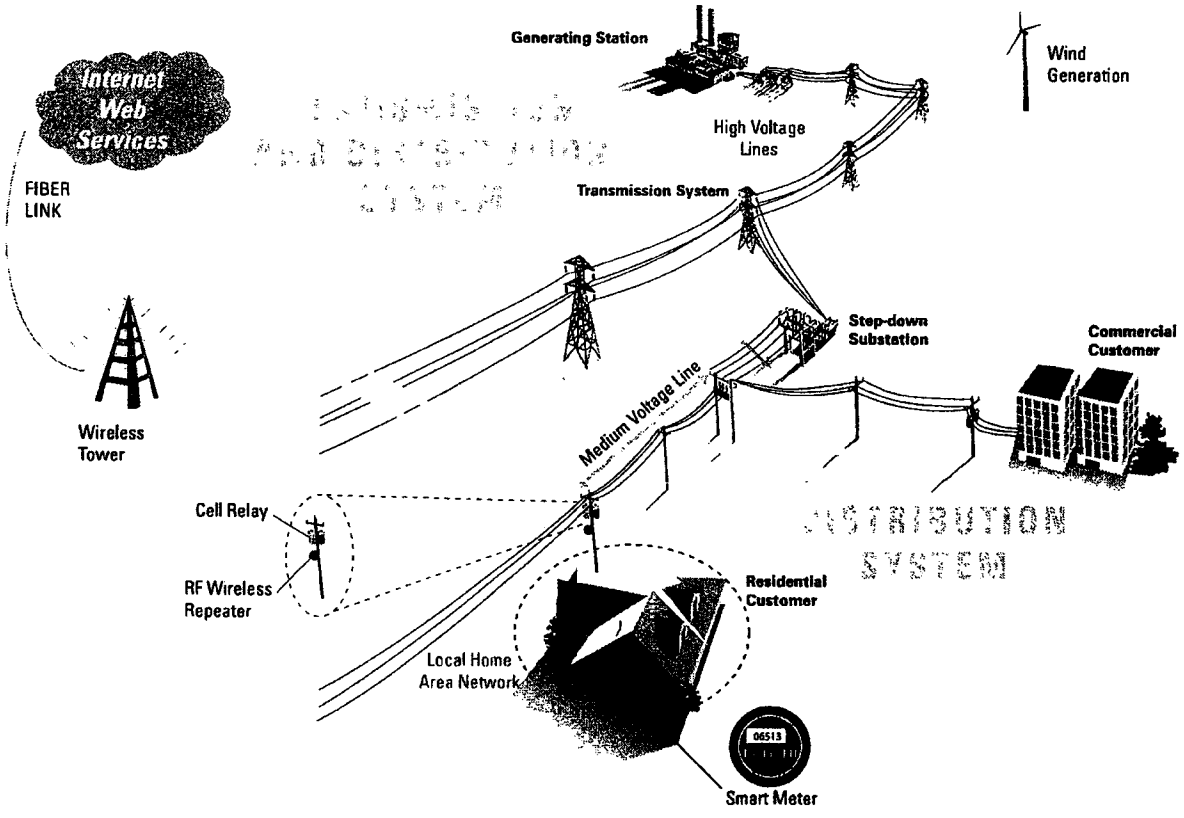
4. "Smart 2020: Enabling the low carbon economy in the information age," 2008
5. "Reducing U.S. Greenhouse Gas Emissions: How Much at What Cost?," Dec. 2007

Smart meters are the hub of the Energy InSight system

Our Energy InSight℠ system features digital smart meters with two-way communications able to send and receive information to and from consumers, and CenterPoint Energy. Energy InSight is more than a meter, however. It's a complex system that integrates many technologies.

Data is transmitted from the meters to cell relays, which are wireless devices installed on distribution poles. Cell relays pick up signals from meters in the vicinity and transmit the data via radio to a Take Out Point (TOP). TOPs collect data from cell relays within a several-mile radius and deliver it via microwave or fiber optic cable to CenterPoint Energy's data center, where computing systems gather and process 96 daily reads per meter.



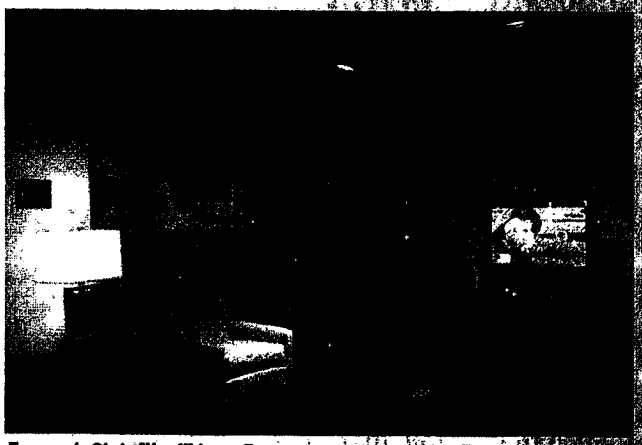
An investment in the future

Upgrading the electric grid to facilitate true two-way digital communication requires investment in new technologies and infrastructure. CenterPoint Energy's smart meter deployment will require an estimated $640 million in capital expenditures, including $5.6 million for consumer education and $7.5 million to assist low-income consumers, while the cost of the first phase of the company's inteligent grid deployment is approximately $100 million.

CenterPoint Energy will apply $150 million of a Department of Energy (DOE) smart grid investment grant toward the cost of deploying smart meters. Another $50 million of the company's $200 million DOE grant will match CenterPoint Energy's investment in the first phase of its intelligent grid.

CenterPoint Energy is recovering the costs of deploying smart meters through a monthly surcharge assessed on retail electric providers. The surcharge for each residential consumer for the first 24 months, which began in February 2009, will be $3.24 per month; thereafter, the surcharge will be reduced to $3.05 per month. In addition to the meter, the surcharge includes the communications infrastructure and back-office computer systems to manage the increased electric usage data.

With this investment in Houston's future, CenterPoint Energy will be putting a world of opportunities in the hands of millions of Houston-area consumers.



Energy InSight℠ will benefit consumers' everyday lives to help them better manage their energy use.

CenterPoint Energy's Technology Center showcases some of the benefits of a smarter grid.

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For more information visit CenterPointEnergy.com/EnergyInSight

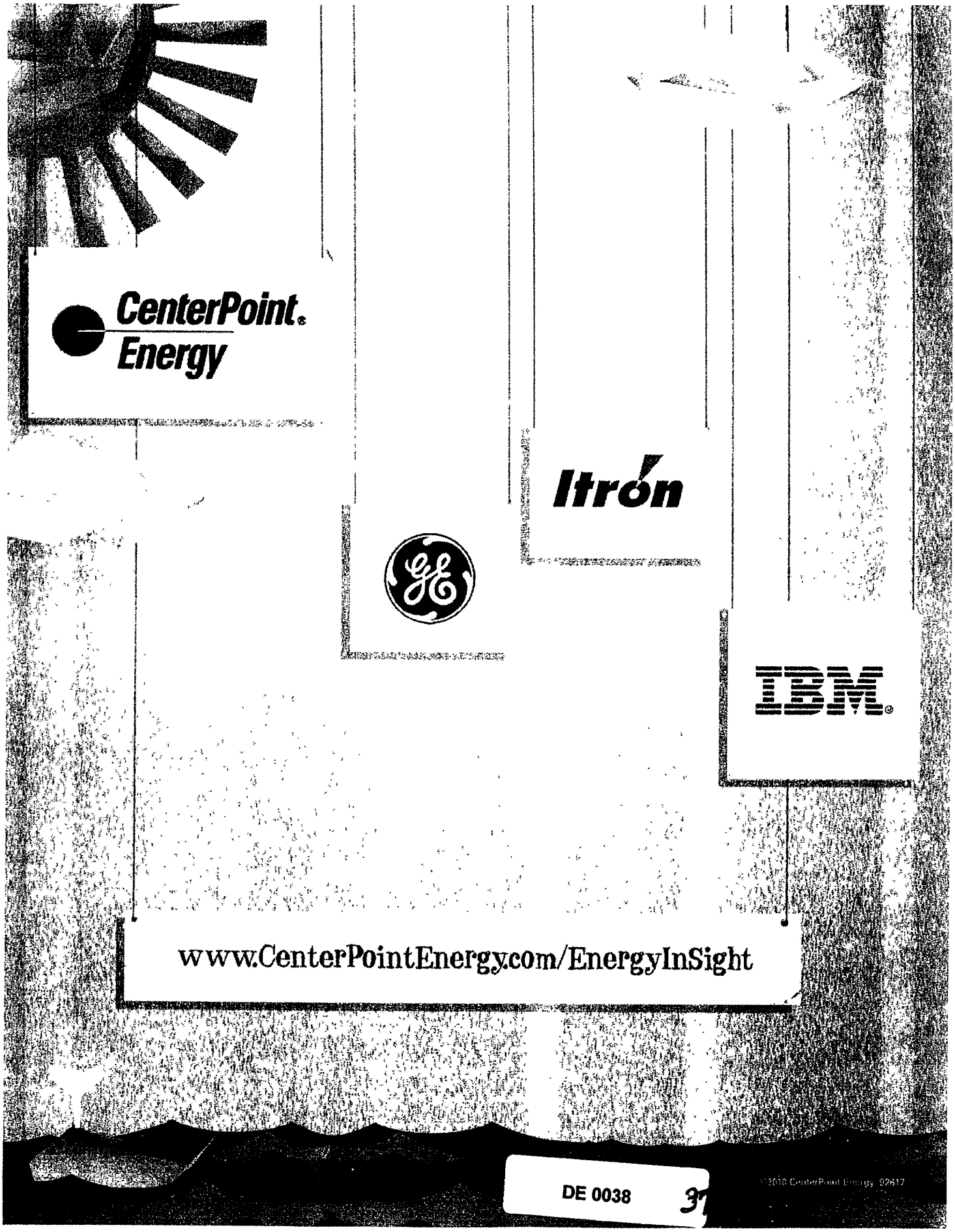
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Exhibit 1.4

PROJECT NO. 33814

RULEMAKING CONCERNING PREPAID RETAIL ELECTRIC SERVICE USING A CUSTOMER-PREPAYMENT DEVICE OR SYSTEM	§ § § §	**PUBLIC UTILITY COMMISSION OF TEXAS**

ORDER ADOPTING NEW §25.498 AS APPROVED AT THE JULY 31, 2007 OPEN MEETING

The Public Utility Commission of Texas (commission) adopts new §25.498, relating to Retail Electric Service Using a Customer Prepayment Device or System, with changes to the proposed text as published in the February 23, 2007 issue of the *Texas Register* (32 TexReg 698). This rule is a competition rule subject to judicial review as specified in PURA §39.001(e). This new section is adopted under Project Number 33814.

In this rule, the commission is establishing standards for the provision of prepaid electric service. This is applicable to Retail Electric Providers (REPs') using either special devices installed at the customer's home or business to record electric consumption and make payments, or using advanced meters installed by the transmission and distribution utilities and other payment mechanisms at or near the customer's home or business. Current commission rules are based on a customer establishing credit or paying a deposit to receive electric service, having the consumption metered on a monthly basis, and allowing the customer more than two weeks after the receipt of a bill for service to pay for the service and notifying the customer at least 10 days prior to the discontinuance of service. This system has several drawbacks for customers and REPs, including the risks to retail providers in extending credit, onerous requirements for many customers to pay deposits, and a long lag between the consumption of electricity and payment.

Based on the information provided in this proceeding, the commission concludes that prepaid service will be a valuable option for REPs' and for many customers, because it can reduce REPs' credit risk, eliminate the need for deposits, permit customers to make smaller, more frequent payments, and shorten the lag between consumption and payment, providing customers better information about the costs of their consumption decisions. The rule that the commission is adopting exempts REPs that are providing prepaid service under this rule from certain customer protection rules, but the commission's objective in adopting this rule is to provide customers an option that they may find valuable and preserve customer protections that are appropriate for this service. In addition, the commission is adopting customer protections that are peculiar to this prepaid service, such as requirements regarding how payments may be made and how quickly service must be restored if a customer allows its credit balance to expire and then makes an additional payment to restore service. Prepaid service has been used in other states and countries and is being used by at least one electric cooperative in Texas, and the commission believes that this service will meet a need in the competitive retail market.

The commission received initial written comments on the proposed new rule from the Electric Reliability Council of Texas (ERCOT), CenterPoint Energy (CenterPoint), Office of Public Utility Counsel (OPUC), Reliant Energy Inc. (Reliant), REPower Energy (REPower), TXU Cities Steering Committee (Cities), TXU Energy Retail Power Company (TXU Energy), and Texas Legal Services Center (TLSC). Reply comments were filed by AARP Texas (AARP), CenterPoint, Cities, OPUC, REPower, TLSC, and Texas Ratepayers Organization to Save Energy (Texas ROSE).

Direct Energy

Exhibit 1.5

{GUEST OPINION}

The Prepay Option

SALT RIVER PROJECT GETS RESULTS // BY MICHAEL LOWE

THE SALT RIVER PROJECT'S M-POWER PROGRAM serves almost 100,000 customers, making SRP the largest provider of prepaid electric service in North America. M-Power helps customers experiencing difficulties paying their monthly electric bills. The typical customer on M-Power reduces energy consumption by 12 percent, resulting from the budgeting discipline required by prepayment combined with the real-time consumption information provided by an in-home display. SRP M-Power is voluntary for all customers.

M-Power relies on an outdoor smart meter, an indoor user display terminal, a smart card and SRP PayCenter payment kiosks. The smart card uses power-line communication technology to communicate with the meter when inserted into the customer's terminal. Customers purchase energy usage credit at payment kiosks. When the card is inserted into the in-home terminal, prepaid energy credits are loaded onto the meter while the meter writes energy usage and meter information onto the smart card. The meter information is uploaded the next time the card is used for a purchase. If a customer exhausts available credit, the disconnect switch opens. The customer must load energy credit to the meter to allow the disconnect switch to close and restore electricity service.

M-Power customers, on average, have reduced their annual energy consumption by 12 percent and have saved 375 gigawatt-hours since 2000. The terminal displays available credit dollars remaining and the expected number of days of supply remaining based on credit dollars and current usage. The terminal also displays the current cost per hour, rate per kilowatt-hour, cost today, cost yesterday, cost this month, and the cost last month. M-Power makes electricity tangible and provides a tool to help customers control their consumption. Surveys conducted in 2009 show that 87 percent like the ability to control their electricity usage and 91 percent believe they use electricity more wisely.

SRP offers M-Power to customers with large unpaid balances under credit billings. Once on M-Power, 40 percent of a customer's energy purchase is automatically applied to the outstanding balance. SRP estimates that one-half of these credit balances would not have been recovered outside of the M-Power program. Moreover, the expenses of reading meters, generating bills, answering credit calls, attempting collections, and disconnecting for non-payment are eliminated. In 2009 alone, more than $18.5 million in overdue balances was collected.

Several major community-based organizations advocate for M-Power, acknowledging the program as a better way to keep customers in power. M-Power customers maintain eligibility for utility assistance programs, and M-Power's lower deposits and reduced monthly consumption stretch agency relief funds, while the voluntary nature of the program preserves customer choice.

Customers facing difficulties in paying their monthly electric bill can be among the least satisfied. M-Power has transformed "very dissatisfied" customers into "very satisfied" customers. Frequent conflicts over bill collection and embarrassingly visible field disconnection activity are eliminated, restoring dignity to the customer.


Michael Lowe

The M-Power deposit is $99, which covers the cost of the in-home display if it is not returned at the end of service, versus a $275 deposit for standard credit billing for the traditional two-month credit line. In addition, M-Power prepay is a popular choice for customers seeking an easier way to manage their monthly electric costs. The result is that M-Power has achieved a 92 percent satisfaction rating among customers, one of the highest levels of customer satisfaction of any SRP customer program.

Michael Lowe is Salt River Project's manager of customer services.

Direct Energy

Exhibit 1.6

Commission response

The commission understands that there may be certain Discretionary Services that are company specific (not standardized) but one of the purposes of this rulemaking is to establish standardized terms and conditions of service. In general, the amendments that are being adopted in this rulemaking proceeding will increase the level of standardization, because more standardization will facilitate REP participation in the retail market in all of the TDU service areas. Therefore, the commission declines to make the requested changes to the rule.

The REP Coalition commented that to the extent that BPL is addressed in this rulemaking, including through the addition of a placeholder in the tariff, language should be added in subsection (a) to recognize that §25.214 applies to BPL. The TDUs disagreed with this proposal and argued that BPL should be addressed separately, outside of this rule and tariff.

Commission response

The commission disagrees that the requested changes to subsection (a) or (c) are necessary but does agree that the tariff should address the secondary nature of BPL to reliability and makes changes to Sections 4.2.5 and 5.2.5 in this regard.

The TDUs commented that the proposed sentence referencing "minimum, mandatory requirements...unless otherwise specified" should not be included in subsection (c) of the rule or in Section 3.1 of the tariff, and argued that the statement has no clear meaning and creates confusion.

Direct Energy

Exhibit 1.7

changes program documents, to the extent that such changes are not considered in the Energy Efficiency Implementation Project described in subsection (q) of this section.

(5) Each electric utility in an area in which customer choice is offered shall conduct programs to encourage and facilitate the participation of retail electric providers and energy efficiency service providers in the delivery of efficiency and demand response programs, including:

(A) Coordinating program rules, contracts, and incentives to facilitate the statewide marketing and delivery of the same or similar programs by retail electric providers;

(B) Setting aside amounts for programs to be delivered to customers by retail electric providers and establishing program rules and schedules that will give retail electric providers sufficient time to plan, advertise, and conduct energy efficiency programs, while preserving the utility's ability to meet the goals in this section; and

(C) Working with retail electric providers and energy efficiency service providers to evaluate the demand reductions and energy savings resulting from time-of-use prices, home-area network devices, such as in home displays, and other programs facilitated by advanced meters to determine the demand and energy savings from such programs.

(j) **Standard offer programs.** A utility's standard offer program shall be implemented through program rules and standard offer contracts that are consistent with this section. Standard offer contracts will be available to any energy efficiency service provider that satisfies the contract requirements prescribed by the utility under this section and demonstrates that it is capable of managing energy efficiency projects under an electric utility's energy efficiency program.

(k) **Market transformation programs**. Market transformation programs are strategic efforts, including, but not limited to, incentives and education designed to reduce market barriers for energy efficient technologies and practices. Market transformation programs may be designed to obtain energy savings or peak demand reductions beyond savings that would be achieved through compliance with existing building codes and equipment efficiency standards or standard offer programs. Utilities should cooperate with the REPs, and, where possible, leverage existing industry-recognized programs that have the potential to reduce demand and energy consumption in Texas and consider statewide administration where appropriate. Market transformation programs may operate over a period of more than one year and may demonstrate cost-effectiveness over a period longer than one year.

(l) **Requirements for standard offer and market transformation programs.** A utility's standard offer and market transformation programs shall meet the requirements of this subsection. A utility may conduct information and advertizing campaigns to foster participation in standard offer and market transformation programs.

(1) Standard offer and market transformation programs:

(A) shall describe the eligible customer classes and allocate funding among the classes on an equitable basis;

(B) may offer standard incentive payments and specify a schedule of payments that are sufficient to meet the goals of the program, which shall be consistent with this section, or any revised payment formula adopted by the commission. The incentive payments may include both payments for energy and demand savings, as appropriate;

(C) shall not permit the provision of any product, service, pricing benefit, or alternative terms or conditions to be conditioned upon the purchase of any other good or service from the utility, except that only customers taking transmission and distribution services from a utility can participate in its energy efficiency programs;

(D) shall provide for a complaint process that allows:

(i) an energy efficiency service provider to file a complaint with the commission against a utility; and