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**Morgan Lewis**  
C O U N S E L O R S   A T   L A W

**Kenneth M. Kulak**  
Partner  
215.963.5384  
kkulak@MorganLewis.com

August 30, 2010

**VIA FEDERAL EXPRESS**

Rosemary Chiavetta, Secretary  
Pennsylvania Public Utility Commission  
Commonwealth Keystone Building  
400 North Street  
P.O. Box 3265  
Harrisburg, PA 17105-3265

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AUG 30 2010

PA PUBLIC UTILITY COMMISSION  
SECRETARY'S BUREAU

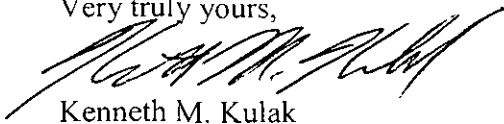
**Re:    Joint Application of West Penn Power Company doing business as Allegheny Power, Trans-Allegheny Interstate Line Company and FirstEnergy Corp. for a Certificate of Public Convenience Under Section 1102(A)(3) of the Public Utility Code Approving a Change of Control of West Penn Power Company and Trans-Allegheny Interstate Line Company, Docket Nos. A-2010-2176520, A-2010-2176732**

Dear Secretary Chiavetta:

Enclosed for filing in the above-referenced proceeding are an original and three copies of the Motion to Dismiss Objections and Compel Response to Set I Interrogatories of West Penn Power Company, Trans-Allegheny Interstate Line Company, and FirstEnergy Corp. To Direct Energy Services, LLC. Pursuant to 52 Pa. Code § 1.11(a)(2), the enclosed Motion shall be deemed filed on August 30, 2010, which is the date it was deposited with Federal Express as shown on the Federal Express delivery receipt.

As evidenced by the attached Certificate of Service, copies of the Motion are being served on the Administrative Law Judges and all parties of record. Also enclosed is an additional copy of this letter and of the Answer, which we request be date-stamped as evidence of filing and returned to us in the stamped, pre-addressed envelope provided.

Very truly yours,



Kenneth M. Kulak

Enclosures

c: Per Certificate of Service (w/encls.)

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**PA PUBLIC UTILITY COMMISSION  
SECRETARY'S BUREAU**

August 30, 2010

**VIA FEDERAL EXPRESS**

Honorable Wayne L. Weismandel  
Office of Administrative Law Judge  
Pennsylvania Public Utility Commission  
Commonwealth Keystone Building, 2nd Floor  
400 North Street  
Harrisburg, PA 17120

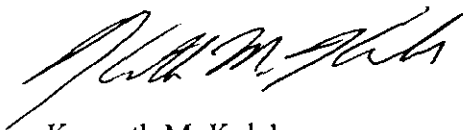
Honorable Mary D. Long  
Office of Administrative Law Judge  
Pennsylvania Public Utility Commission  
Piatt Place, Room 220  
301 Fifth Avenue  
Pittsburgh, PA 15222

**Re: Joint Application of West Penn Power Company doing business as Allegheny Power, Trans-Allegheny Interstate Line Company and FirstEnergy Corp. for a Certificate of Public Convenience Under Section 1102(A)(3) of the Public Utility Code Approving a Change of Control of West Penn Power Company and Trans-Allegheny Interstate Line Company, Docket Nos. A-2010-2176520, A-2010-2176732**

Dear Judge Weismandel and Judge Long:

Enclosed please find copies of the Motion to Dismiss Objections and Compel Response to Set I Interrogatories of West Penn Power Company, Trans-Allegheny Interstate Line Company, and FirstEnergy Corp. To Direct Energy Services, LLC., in the above-referenced proceeding. As evidenced by the attached Certificate of Service, copies of the Motion are being served on all parties of record.

Very truly yours,



Kenneth M. Kulak

KMK/tp  
Enclosures

cc: All parties of record

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**BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

**AUG 30 2010**

**JOINT APPLICATION OF WEST PENN  
POWER COMPANY doing business as  
ALLEGHENY POWER, TRANS-  
ALLEGHENY INTERSTATE LINE  
COMPANY AND FIRSTENERGY CORP.  
FOR A CERTIFICATE OF PUBLIC  
CONVENIENCE UNDER SECTION  
1102(A)(3) OF THE PUBLIC UTILITY CODE  
APPROVING A CHANGE OF CONTROL OF  
WEST PENN POWER COMPANY AND  
TRANS-ALLEGHENY INTERSTATE LINE  
COMPANY**

**PA PUBLIC UTILITY COMMISSION  
SECRETARY'S BUREAU**

**DOCKET NOS. A-2010-2176520  
A-2010-2176732**

**MOTION TO DISMISS OBJECTIONS AND COMPEL RESPONSE TO  
SET I INTERROGATORIES OF WEST PENN POWER COMPANY,  
TRANS-ALLEGHENY INTERSTATE LINE COMPANY,  
AND FIRSTENERGY CORP. TO DIRECT ENERGY SERVICES, LLC**

Pursuant to 52 Pa. Code § 5.342(g) and the Scheduling and Briefing Order of June 23, 2010, West Penn Power Company (“West Penn”), Trans-Allegheny Interstate Line Company (“TrAILCo”), and FirstEnergy Corp. (“FirstEnergy”) (collectively, the “Companies” or “Joint Applicants”) hereby request that Administrative Law Judges Wayne L. Weisman and Mary A. Long (the “ALJs”) dismiss the objections (the “Objections”) filed by Direct Energy Services, LLC (“Direct Energy”) and compel answers to the Joint Applicants’ Interrogatories (Set I) Nos. 26, 28, and 29. A copy of the relevant Set I Interrogatories (with exhibits)<sup>1</sup> is attached as Appendix A, and a copy of the Objections is attached as Appendix B. In support of this Motion, the Joint Applicants aver as follows:

<sup>1</sup> The exhibits to the Joint Applicants’ Set I Interrogatories consist of two presentations available on the website of Centrica, PLC entitled “Centrica PLC Reverse Road Show June 11, 2010” and “Centrica Capital Markets Presentation March 12, 2010”. Direct Energy is a subsidiary of Centrica.

**I. DIRECT ENERGY SHOULD BE COMPELLED TO RESPOND IN FULL TO INTERROGATORY NO. 26**

1. Joint Applicants' Interrogatory No. 26 seeks the identity of any generation assets in PJM that Direct Energy has targeted for acquisition as part of its publicized strategy to source 35% to 40% of its North American energy needs from generation owned by Direct Energy. *See* Set I Interrogatories, Exhibit B, p. 66 (stating Direct Energy's goal of "[a] robust integrated model with 35-40% of our [North American] energy needs from our own sources").

2. Direct Energy objected to Interrogatory No. 26 on two grounds: an alleged lack of relevance of the requested information and the existence of unspecified non-disclosure agreements that purportedly prevent Direct Energy from fully responding to the Interrogatory. Direct Energy asserts that its "business strategy and business plans are not relevant" to any issue in this proceeding and, with respect to the alleged agreements, that it "is bound by non-disclosure and confidentiality agreements" with entities that it may do business with that make responsive information "privileged" and "barred from discovery." *Objections*, pp. 2-3. Neither of these objections has merit.

3. With respect to relevance, Direct Energy has expressly recommended that FirstEnergy be required to divest itself of generation in Pennsylvania based upon general allegations of potential future market abuses. *See* Direct Energy St. No. 3 (Lacey), p. 16; *see also* Direct Energy St. No. 1 (Morey), pp. 31-32 (advocating further analysis to "determine the specific generation divestiture plan that is warranted"). However, Direct Energy has **already made public statements** that it is seeking to acquire electric generation sufficient to supply 35-40% of its retail load, apparently including retail load in Pennsylvania. *See* Set I Interrogatories, Exhibit A, pp. 31 & 40. Given Direct Energy's recommendations that FirstEnergy be required to



divest itself of electric generation capacity and Direct Energy's public statements regarding its interest in acquiring capacity, the Joint Applicants are entitled to discovery to determine the extent to which Direct Energy's purported concerns about Pennsylvania's retail electric markets are, in fact, driven by its desire to free up generating capacity that it could then acquire to advance its own competitive interests. In order to assess Direct Energy's competing interests, Interrogatory No. 26 simply asks Direct Energy to identify those assets in PJM that it has considered for acquisition to meet its publicly stated goal of acquiring additional generation.

4. Direct Energy's additional objection that the information sought is "privileged" because it has entered into unspecified non-disclosure and confidentiality agreements is also unjustified. Direct Energy has provided no details whatsoever with respect to any non-disclosure and confidentiality agreements, nor has it specified any grounds of privilege applicable to information communicated between Direct Energy and "various entities with whom it is either considering or actively discussing potential acquisition or other business arrangements" (Objections, p. 3). To the extent Direct Energy has any concerns that such information would be competitively sensitive, it is free to designate the information as "highly sensitive" under the Protective Order entered in this proceeding. *See* Protective Order, ¶ 4. Direct Energy's objections to Interrogatory No. 26 should therefore be rejected and Direct Energy should be compelled to respond fully to this Interrogatory.

## **II. DIRECT ENERGY SHOULD BE COMPELLED TO RESPOND IN FULL TO INTERROGATORY NO. 28**

5. Joint Applicants' Interrogatory No. 28 also seeks basic information about a public statement Direct Energy has **already made** that that it intends to be "No. 1 or 2" in the North American retail residential, commercial and industrial retail energy markets. *See* Set I

Interrogatories, Exhibit B, p. 66 (identifying goal of “[a] strong retail energy business (No.1 or 2) in our core retail markets (residential and C&I)”).

6. Specifically, Interrogatory No. 28 asks (1) the percentage market share Direct Energy believes is required to be “No. 1 or No. 2” in its “core retail markets”; (2) the number of MWh sales associated with being “No. 1 or No. 2” in the northeastern United States (including Pennsylvania); and (3) the amount of capacity Direct Energy will require to provide that energy (consistent with its publicly-stated goal of covering 35-40% of its retail load with its own generation discussed *supra*). Direct Energy also objected to this Interrogatory on the grounds that the information sought was not relevant, that it had not relied upon the information in this proceeding nor released it to others “in the normal course of business”, and the Protective Order does not provide sufficient protection to Direct Energy. Objections, pp. 3-4. Again, Direct Energy’s objections are without merit.

7. In its direct testimony in this proceeding, Direct Energy has emphasized its concerns about FirstEnergy as a retail competitor. *See, e.g.*, Direct Energy St. No. 3 (Lacey), p. 16 (proposing restrictions on and monitoring of FirstEnergy affiliates). Yet in its public statements, Direct Energy has emphasized its intent to dominate the North American residential and commercial and industrial retail energy markets, and to acquire generation to meet this supply. As with Joint Applicants’ Interrogatory No. 26, the Joint Applicants are entitled to discovery to determine whether Direct Energy’s recommendations with respect to FirstEnergy in this proceeding are driven, in part, by an interest to **eliminate** competition in order to facilitate Direct Energy’s public goal of being “No. 1 or 2,” instead of to **facilitate** competition as it claims.

8. The fact that Direct Energy did not discuss the requested information in its testimony and does not provide such information in the “normal course of business” to others provides no basis for denying discovery to FirstEnergy. Direct Energy’s objections to Interrogatory No. 28 should therefore be rejected and Direct Energy should also be compelled to respond fully to this Interrogatory.

**III. DIRECT ENERGY SHOULD BE COMPELLED TO RESPOND IN FULL TO INTERROGATORY NO. 29**

9. On page 39 of Exhibit A to the Set I Interrogatories, Direct Energy presents a graph identifying competitive electric generation suppliers in the United States by market share. In Interrogatory No. 29, Joint Applicants simply request underlying data about the retail electric energy market information Direct Energy publicly presented, specifically, the identity of the top five competitors in the competitive retail energy markets in the northeastern United States (including Pennsylvania), and confirmation that no FirstEnergy or Allegheny affiliate is among that list of competitors. Direct Energy provides no specific objections to this Interrogatory other than to generally restate its earlier objections to Interrogatory Nos. 26 and 28. As those objections are without merit, as discussed *supra*, Direct Energy should also be compelled to answer Interrogatory No. 29.

#### IV. CONCLUSION

WHEREFORE, for the reasons set forth above, the Joint Applicants respectfully request the Administrative Law Judges and this Commission to:

- (1) grant this Motion; and
- (2) compel Direct Energy to answer Joint Applicants' Set I Interrogatories Nos. 26, 28 and 29.

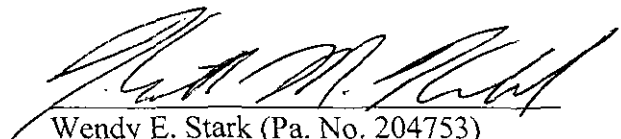
Respectfully submitted,

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Jennifer L. Petrisek (Pa. No. 83411)  
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*Counsel for West Penn Power  
Company and Trans-Allegheny  
Interstate Line Company*

Date: August 30, 2010



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*Counsel for FirstEnergy Corp.*

**APPENDIX A**

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AUG 30 2010

PA PUBLIC UTILITY COMMISSION  
SECRETARY'S BUREAU

**BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

**JOINT APPLICATION OF WEST PENN :  
POWER COMPANY doing business as :  
ALLEGHENY POWER, TRANS- :  
ALLEGHENY INTERSTATE LINE :  
COMPANY AND FIRSTENERGY CORP. :  
FOR A CERTIFICATE OF PUBLIC : DOCKET NOS. A-2010-2176520  
CONVENIENCE UNDER SECTION : A-2010-2176732  
1102(A)(3) OF THE PUBLIC UTILITY :  
CODE APPROVING A CHANGE OF :  
CONTROL OF WEST PENN POWER :  
COMPANY AND TRANS-ALLEGHENY :  
INTERSTATE LINE COMPANY :**

**INTERROGATORIES TO DIRECT ENERGY SERVICES, INC.  
SET I**

West Penn Power Company (“West Penn”), Trans-Allegheny Interstate Line Company (“TrAILCo”), and FirstEnergy Corp. (“FirstEnergy”; collectively, the “Joint Applicants” or “JA”) hereby propound these Interrogatories (Set I) to Direct Energy Services, Inc. (“Direct Energy”), to be answered by such person or persons capable of responding to these Interrogatories and authorized to do so. Telephone or other contact concerning availability and timing of formal responses may be made. The answer to each interrogatory should be started on a new page. The answers should restate the question asked and indicate the person(s) supplying the information.

Dated: August 19, 2010

3. If the strategy to source 35% to 40% of Direct Energy's North American Market from assets owned by Direct Energy is measured against sales within something other than the Core Markets identified on page 31 of the Road Show, please identify those relevant markets.

JA (DIRECT)-I-26. Please identify any generation assets in PJM targeted for acquisition as part of the corporate strategy to source 35% to 40% of Direct Energy's North American Market from assets owned by Direct Energy (Road Show, p. 41).

JA (DIRECT)-I-27. Please explain what Direct Energy means in the Road Show (p. 40) by "vertical integration" and set forth the factual basis for why it is "a competitive necessity."

JA (DIRECT)-I-28. Per the March 12, 2010 Centrica plc-Capital Markets Presentation (attached as Exhibit B to these Interrogatories), p. 66, Direct Energy seeks to be "a strong retail energy business (no. 1 or 2) in our core retail markets (residential and C&I)."

1. Please describe how Direct Energy defines "no. 1 or no. 2" in its core retail markets.
2. Please describe the percentage market share that Direct Energy believes will result in Direct Energy being "no. 1 or no. 2" in its core retail markets.

3. Please provide the estimated MWh sales that Direct Energy will have in its US Northeast Core Market referenced in the Road Show over the next 5 years, assuming it attains the no. 1 or no. 2 market position.
4. How much generating capacity will Direct Energy need to acquire over the next 5 years to provide the estimated MWh sales provided in response to Interrogatory No. 30.3 to meet its strategy to source 35% to 40% of the projected MWh sales from assets owned by Direct Energy?

JA (DIRECT)-I-29. Please provide Direct Energy's estimate of the top 5 providers of competitive electricity services in the US Northeast Core Market referenced in the Road Show (p. 39).

1. Is any affiliate of FirstEnergy Corp. or Allegheny Power considered a top 5 provider of competitive electricity services in the US Northeast Core Market as described by Centrica?

JA (DIRECT)-I-30. Has Direct Energy expanded its services into the Penn Power service territory?

1. If the answer to Interrogatory No. 30 is no, does Direct Energy anticipate expanding its services into the Penn Power service territory?



**DIRECT ENERGY SET I**

**EXHIBIT A**

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**PA PUBLIC UTILITY COMMISSION  
SECRETARY'S BUREAU**

**Centrica plc - Reverse Roadshow**

**11 June 2010**

**centrica**

**Nick Luff**  
Finance Director

**centrica**

# Agenda

10:30	Welcome	
10:45	Introduction to the Centrica investor story	Nick Luff
11:15	Centrica Energy and Centrica Storage	Mark Hanafin and Simon Willis
12:00	Direct Energy	Chris Weston
12:45	Lunch	
13:30	British Gas	
14:15	Summary and Q&A	Phil Bentley
15:00	Close	Sam Laidlaw

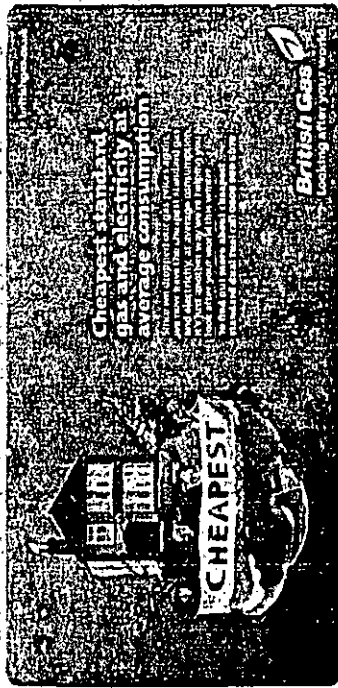
## 2006-2009: the first step in the journey

### Our Strategic Priorities

- 1 Transform British Gas
- 2 Sharpen the organisation and reduce costs
- 3 Reduce risk through increased integration
- 4 Build on our growth platforms

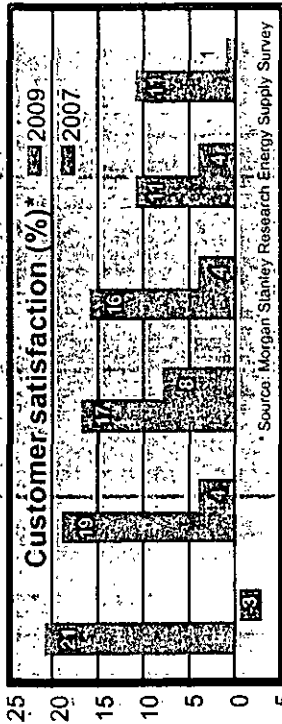
# UK Downstream - British Gas

- British Gas restructured to combine energy and services
- Management team and support functions combined
- Enhanced customer propositions
  - first bundled energy and services offering, 'EnergyExtra'
  - wide range of energy efficiency products
  - FSA approval to sell insurance based products
- Grown 'joint product' household base by 164,000 to over 2m through increased cross selling; 550,000 new customer accounts



Households ('000)	Dec 09	Dec 08	Change
Energy & Services	2,043	1,879	+164
Services only	1,959	1,827	+132
Energy only	8,224	8,328	-104
<b>Total</b>	<b>12,226</b>	<b>12,034</b>	<b>+192</b>

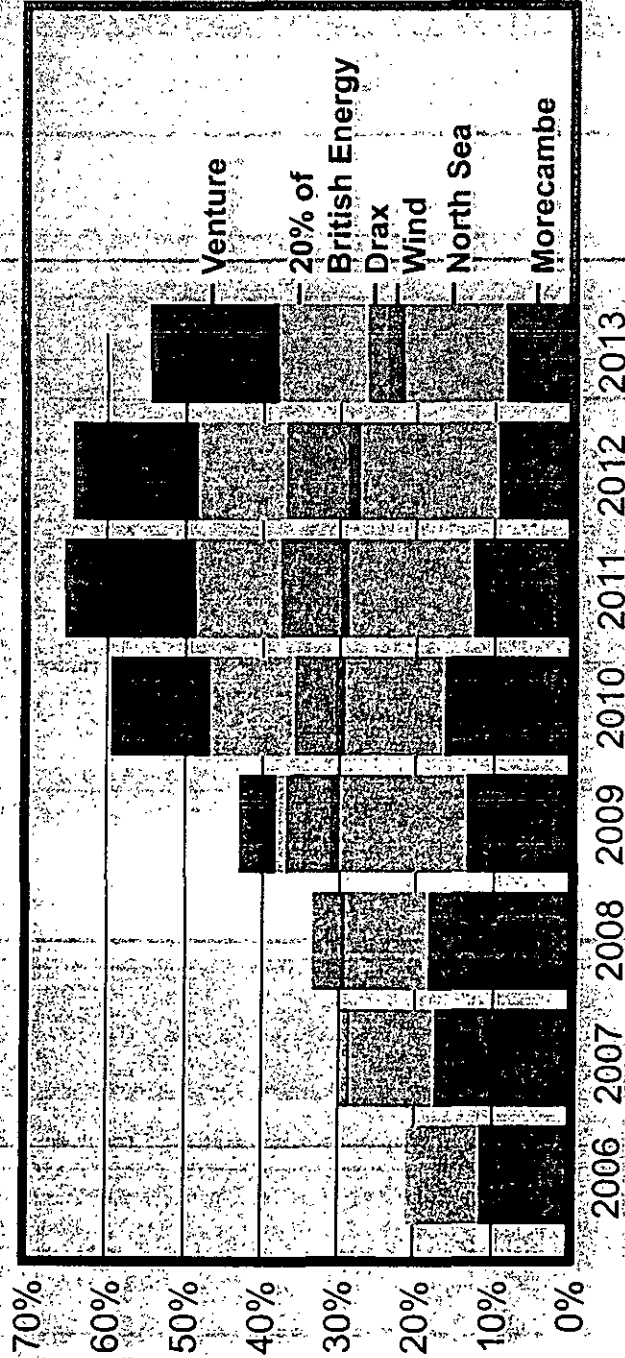
\* Households taking both an energy and related service product



Source: Morgan Stanley Research Energy Supply Survey

Centrica · EDF · SSE · E.ON · SRW · RWE

# Energy hedge ratio



Note: proportion of UK floating gas and power demand covered by own assets. Floating gas demand includes non-fixed price residential energy and business energy demand. I&C gas demand, power station fuel requirements and equivalent gas requirements to meet floating power demand in residential energy and business energy

## The next stage: our strategic priorities

- 1 Grow British Gas**  
... leading the transition to low carbon homes and businesses
- 2 Deliver value from our growing upstream business**  
... securing sustainable energy for our customers
- 3 Build an integrated North American business**  
... with leading positions in deregulated markets
- 4 Drive superior financial returns**  
... through operating performance and our investment choices

***energy for a low carbon world***



# The investor story: Centrica Energy and Storage

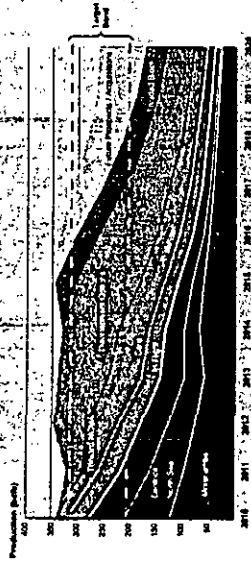
## Our pre-Venture production profile

Upstream Oil and Gas production profiles



Our recent acquisition of gas assets in Trinidad has given us our first producing LNG position – and further options.

Upstream Oil and Gas production profiles



## Case study – Lincs offshore wind

2008

Business case developed based on LID development, area knowledge, and a positive

Aligned with power generation strategy

Investment returns too low

Financial risks too high

Project rejected

Strong Returns

2009

Improved cost base through supplier negotiation

Flexibility on timing with vessel optionally

Financing facilities established for recycling capital, crystallising development gains and diversifying risk

Business case revisited

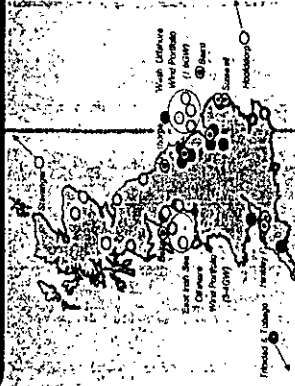
Additional revenue from two ROC's

Project approved

£725m investment

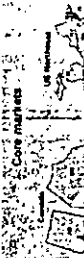
11 to 12% IRR

## Upstream assets and investment opportunities



# The investor story: Direct Energy

Direct Energy has a strong platform on which to build



... and a distinctive set of capabilities

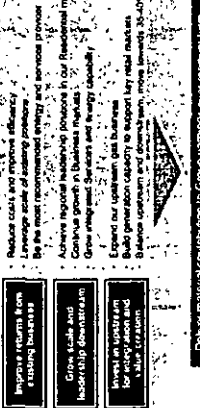
**Relevant Centrica UK capabilities**

- Customer care systems & processes
- Managing UK requirements energy risk

**North American platform**

- Strong downstream position in key residential deregulated markets
- Clear local regulation and incentives
- Large scale C&I business

**Our strategy will build an integrated energy business**



**We will build on the DE platform to create an integrated North American business**

**Material contribution to Centrica earnings**

**Invest in upstream integration**

**Grow scale and leadership downstream**

**Improve returns from existing business**

**Strengthen the platform**

**Establish leading positions**

**2008**

**2009**

**2010**

**2011**

**2012**

- Improve returns through improved efficiency, scale and customer service
- Grow downstream both organically and through acquisitions
- Invest in integration, moving toward 35-40% asset cover within confines of Group financial headroom and Group-wide competition for capital
- Double the earnings from the business over the next 3-5 years

centrica

# The investor story: British Gas

We will build on the transformation of British Gas to deliver our long-term strategic priorities

## Optimise the business



Optimise the business  
 • Focus on core services  
 • Focus on back office  
 • Streamline operations

## Take the lead

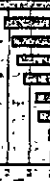
Transform Heating Services Growth  
 • Increase market share  
 • Improve service quality



Energy 2012  
 • Drive conversion of new  
 • Domestically sourced gas  
 • Strong growth in new Ex  
 • British Gas Services, net

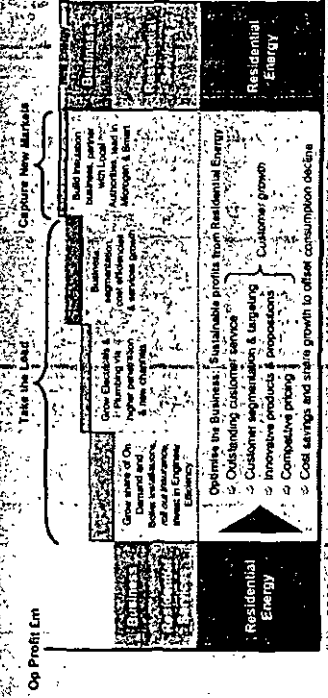
## Capture new markets

Establish a new relationship with British Gas  
 • New market segments  
 • Drive conversion of new  
 • Domestically sourced gas  
 • Strong growth in new Ex  
 • British Gas Services, net

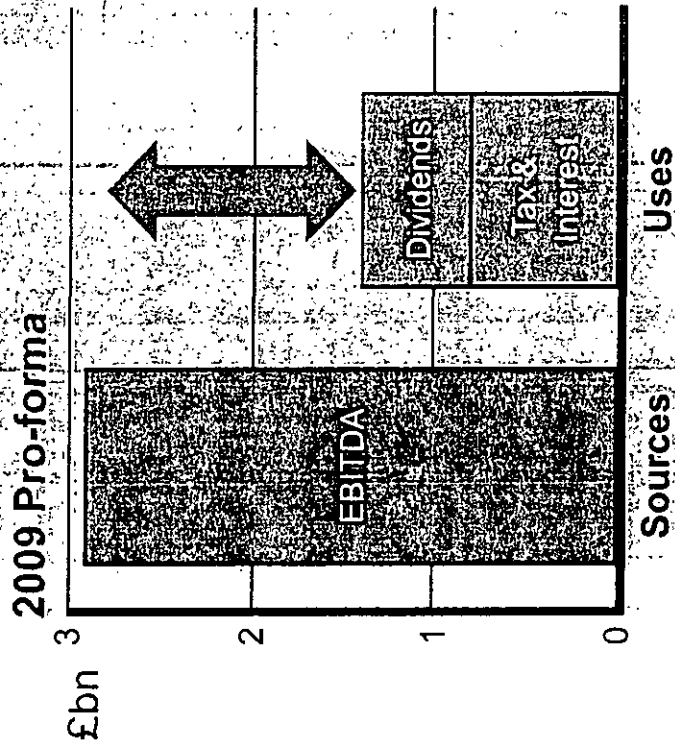


CEI and CES? programmes have created a heating product in the UK  
 • Broad range of capabilities in UK, fuel cell boilers, smart meters  
 • Adopting 'go early' strategy - leveraging small scale trials to 'go early' markets  
 • Forge its design relationships with local authorities

## Grow British Gas good growth prospects with low capital requirements



# Strong cash generation



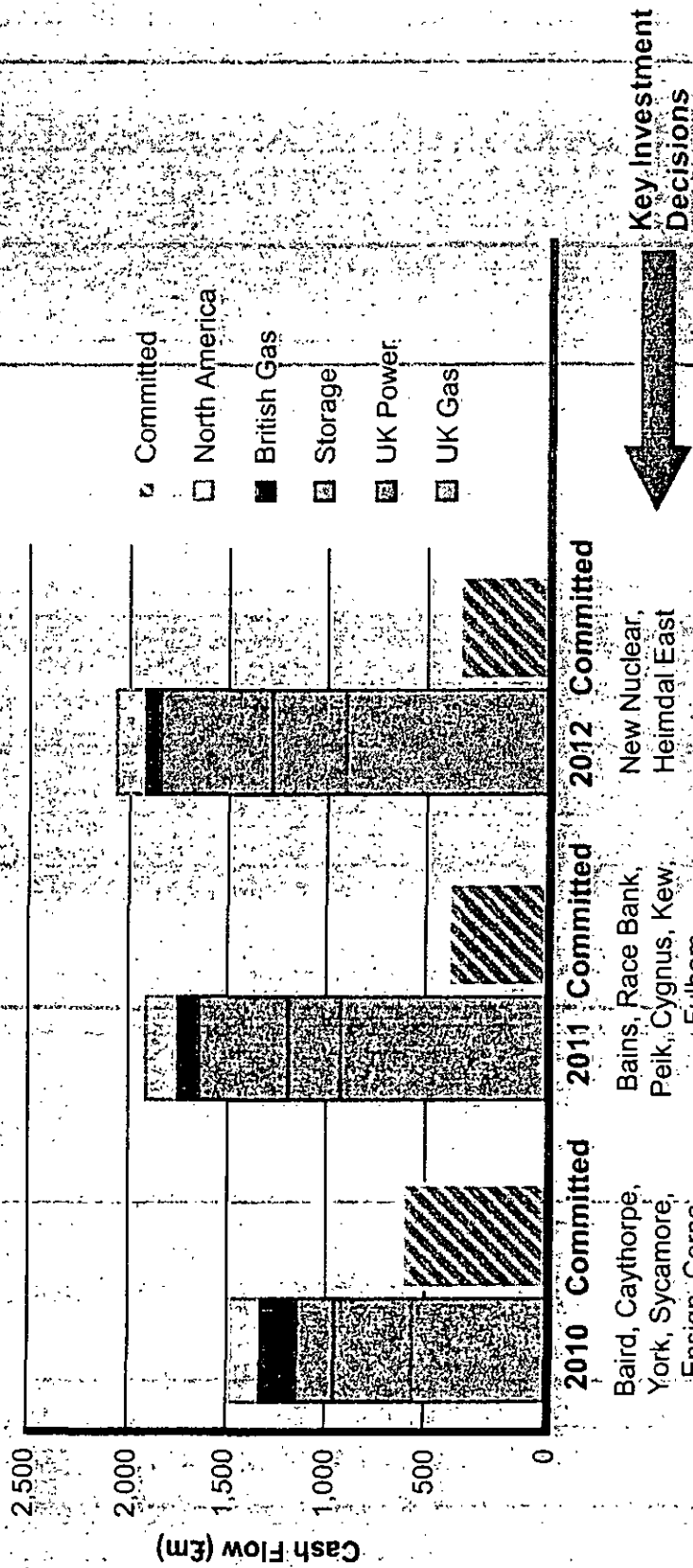
Highly cash generative (~£1.5bn net)

+ Strong balance sheet

= Significant flexibility and investment choices

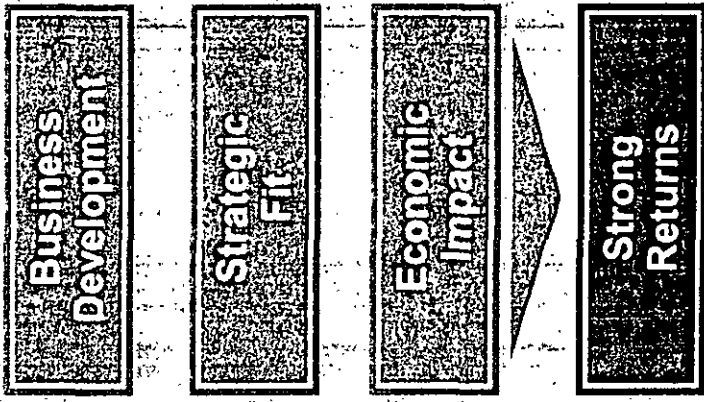
Note: <sup>(1)</sup> Includes Venture and 20% of British Energy on a full year proforma basis  
<sup>(2)</sup> 20% share of British Energy included in each line

# Optionality in investment programme



**2010 Committed** Baird, Caythorpe, York, Sycamore, Ensign, Carna  
**2011 Committed** Bains, Race Bank, Peik, Cygnus, Kew, Fulham  
**2012 Committed** New Nuclear, Heimdal East

# Case study: Lincs offshore wind



## 2008

- Business case developed
- Based on LID development, area knowledge, and expertise
- Aligned with power generation strategy
- Investment returns too low
- Financial risks too high
- Project rejected

## 2009

- Improved cost base through supplier negotiation
- Flexibility on timing with vessel optionality
- Financing template established for recycling capital, crystallising development gains and diversifying risk
- Business case revisited
- Additional revenue from two ROC's
- Project approved
- £725m investment
- 11 to 12% IRR, further enhanced through new partnership structure

# What if gas prices stay low?

## Levers to mitigate / opportunities

- Asset flexibility to preserve reserves
- Optionality in investment programme
  - defer gas exploration / development
  - support mechanism required for new nuclear

## Impact

- Lower gas production profits (some offset from oil production and lower taxes)
- Lower returns from nuclear generation (some offset from hedges in 2010 and 2011)
- Lower wind profits (protected by ROCs)
- + CCGT's advantaged (running baseload)
- + I&C contracts more profitable in 2010
- + / - Storage depends on volatility and spreads

## Upstream

## Downstream

- + Upward pressure on tariff book margins
- + Strong relative competitive position
  - Limited exposure to low dark spreads
  - Very limited exposure to oil linked gas procurement
- Price competitiveness drives growth
- Growing services business uncorrelated to price

Integrated model protects earnings in a low gas price environment

# What if gas prices go up?

## Levers to mitigate / opportunities

### Upstream

- + Higher gas production profits
- + Higher returns from nuclear (post hedges)
- + I&C contracts unwind post 2010
- Pressure on CCGT

- Additional value in investment programme
- CCGT's switch to peaking

### Downstream

- Downward pressure on tariff book margins

- Structural hedge now protects competitive position
  - only relatively disadvantaged if coal and carbon prices low when gas prices high
- Greater demand for new energy / service propositions

Higher gas prices drive increased long-term value



## Centrica: The next 3 to 5 years

### UK Downstream

- Double the number of high value joint energy & services customers
- Lead the transition to low carbon (~2m Smart Meters, leading microgen installer in UK)
- Strong penetration of new markets e.g. local housing authorities
- Leading provider of energy efficiency services to the commercial sector
- Lowest cost service provider in the industry, clear leadership position with online offering

### UK Upstream

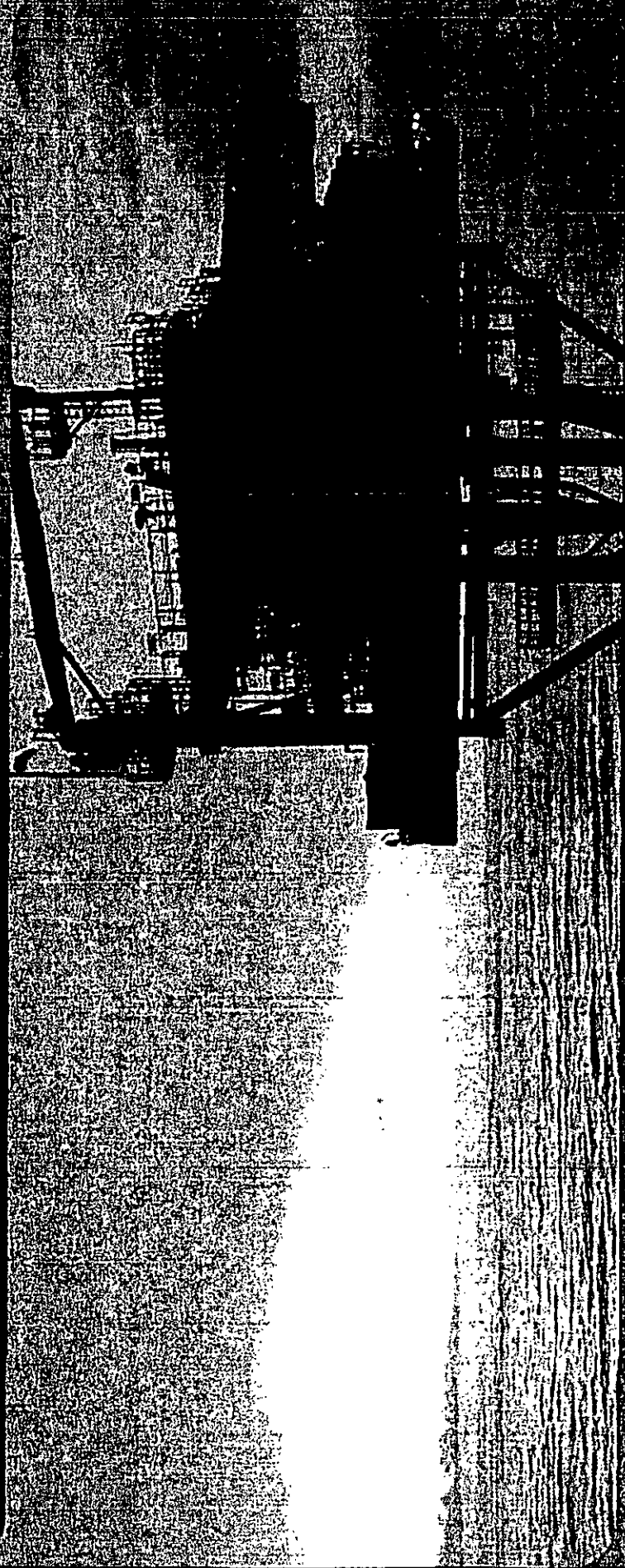
- A sustainable gas business producing around 300bcf per annum
- Leading multi-asset, multi-product gas storage business in UK
- A renewables portfolio of ~1GW, with Lincs operational, Race Bank under development
- Subject to economics, FID on 1st new nuclear project, and construction begun

### North America

- A strong retail energy business (No.1 or 2) in our core retail markets (residential and C&I)
- An enhanced services and energy efficiency capability for our retail customers
- A robust integrated model with 35-40% of our NA energy needs from our own sources
- North American operating profits doubling over the next five years

**Strong earnings growth and superior financial returns**

# Centrica Energy & Storage



centrica

## Agenda

- Recap from Capital Markets Day
- Focus areas:
  - Upstream scale and capability
  - Strong generation capabilities with a differentiated low carbon mix
  - Potential investment opportunities across gas storage, CCGT, wind and new nuclear

# Upstream capabilities and strategy

## Distinctive capabilities

- Transformed scale and capability in upstream gas
- Only 'dual fuel' hedged UK supply business
- Low carbon intensive generation fleet
- Leader in offshore wind
- Leading capability in UK gas storage
- Flexible portfolio

## Strategy

### Deliver value from our existing assets...

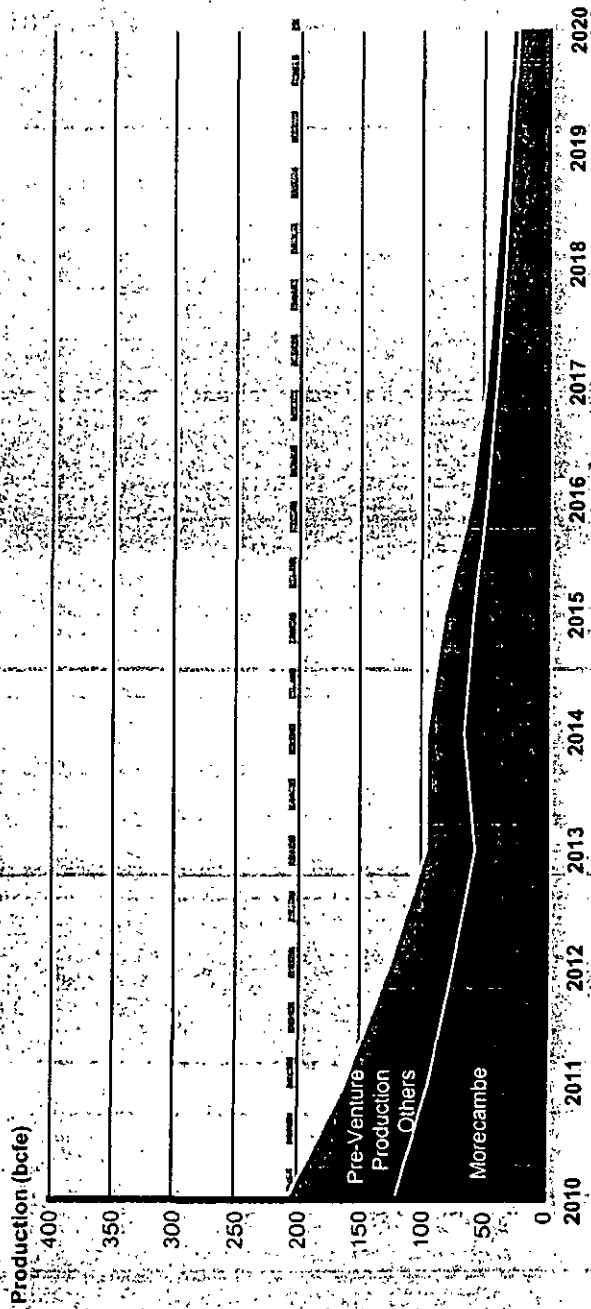
- Leading consolidator of mature and orphaned assets in the UKCS
- Optimisation of power generation fleet

### ... and our pipeline of low carbon investment choices...

- Offshore wind, new nuclear, gas development, gas storage
- ... to secure sustainable sources of energy for our customers

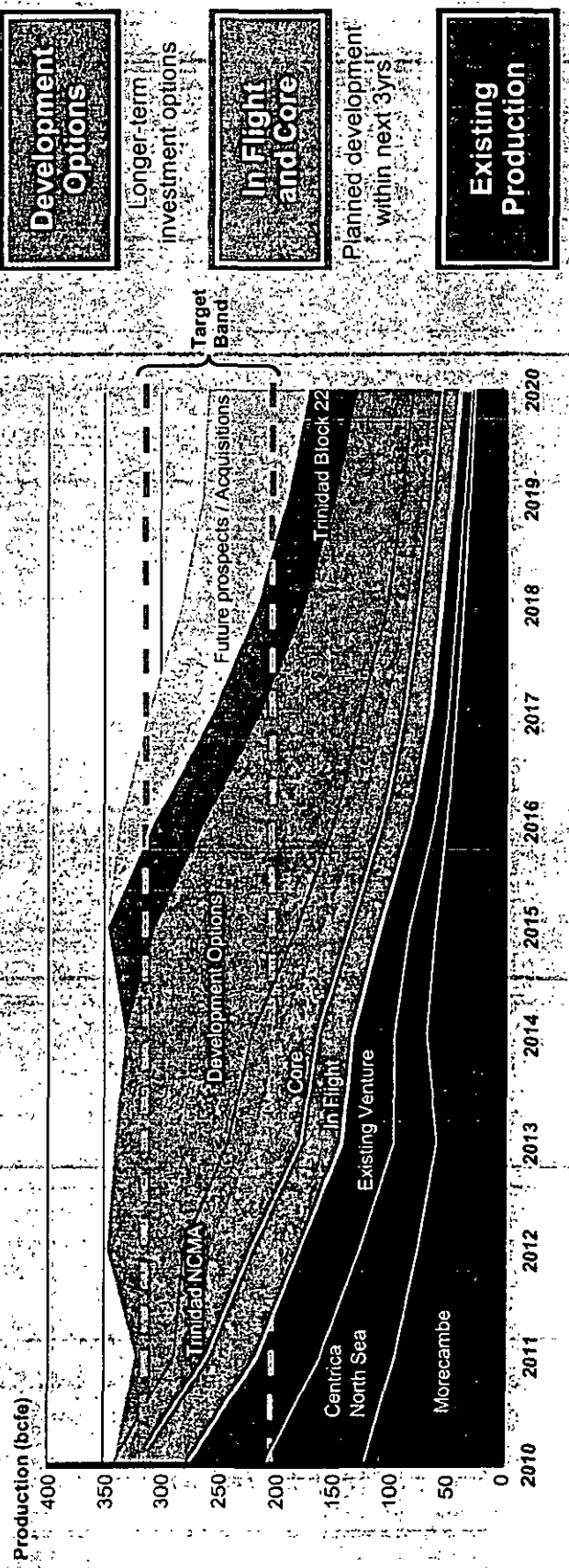
# Our pre-Venture production profile

Upstream Oil and Gas production profile



... combined portfolio provides scale and significant opportunities to target and time investments

Upstream Oil and Gas production profile



# A full service, leading operator of mature and orphaned fields

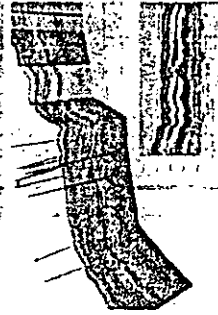
HSE, Commercial and Supply Chain expertise operates across the development-life cycle

## Business Development



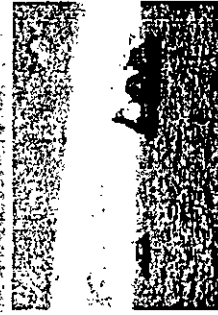
- ✓ Good relationships with the key players
- ✓ Well established reputation as a serious player
- ✓ Strong track record of identifying and acquiring strategic assets, e.g.
  - Venture Production
  - Suncor Energy's Trinidad portfolio

## Subsurface



- ✓ Experienced teams
- ✓ Extensive experience in tight gas reservoirs
- ✓ Proven track record in applying cutting-edge subsurface engineering technologies

## Project Management



- ✓ Industry leading drilling and project management capability
- ✓ Ability to move fast, whilst maintaining flexibility
- ✓ Efficient field development and sub-sea tiebacks
- ✓ Innovative technical solution implementation

## Operations



- ✓ Strong HSE record
- ✓ Proven track record in stewardship of mature assets
- ✓ High uptime performance of existing assets

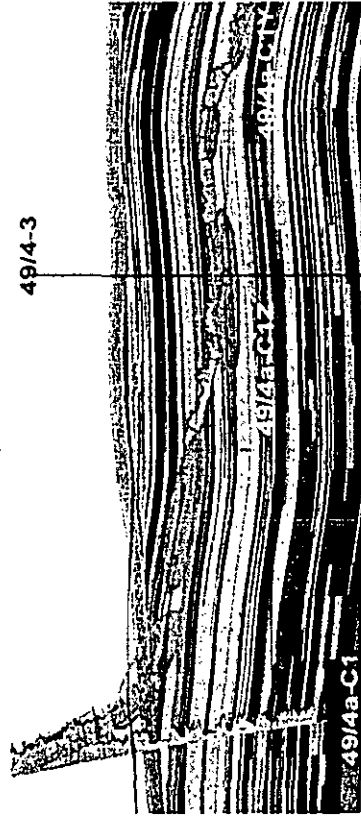


## Case study: Chiswick field development

- Discovered in 1984
- Acquired in August 2006
- Chiswick drilling relied on understanding of complex carboniferous reservoir geometries and required a new technical solution for fracing the wells
- New industry project execution capability was also required to be developed
- On stream in September 2007
- Current production c. 12 mboepd
- Two further wells being drilled in 2010
- Fracing experiences now leveraged across the portfolio



49/4-3



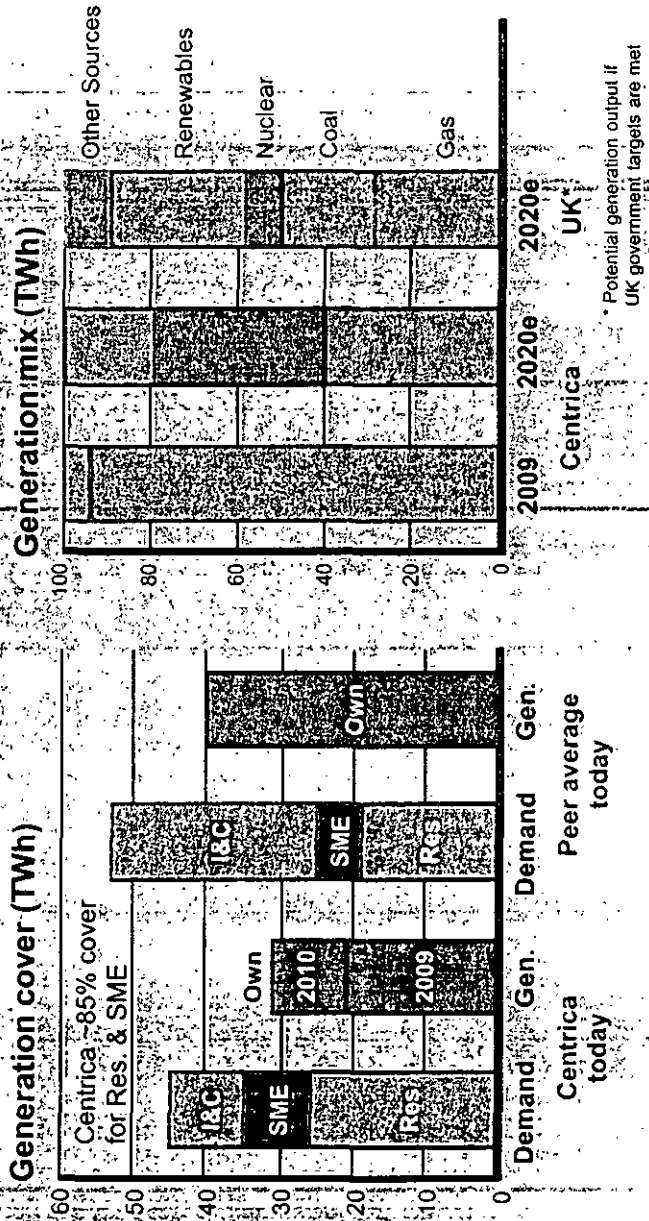


# Our power generation strategy will lead to increased generation cover and a more balanced fleet

Strategy aims for increased cover and balanced fleet

- Target increased cover for downstream
- Target diversified generation fleet
- Specific strategies for:
  - Nuclear - JV with EDF
  - Wind - new build
  - Gas - asset replacement
  - Coal - contractual

Strategy leads to a mix more closely aligned to the market but with lower carbon risk



\* Potential generation output if UK government targets are met

# We have strong advantages across all key elements of the offshore wind value chain

Leaders along key elements of the offshore wind value chain

## Tendering, Design & Acquisition



- ✓ Continued success in tendering - Round 3 offshore wind 4.2GW in the Irish Sea zone
- ✓ Well-developed pipeline of projects

## Economics & Financing



- ✓ Efficient and prudent financial approach
  - ✓ Sale of a 50% equity stake in Lincs
  - ✓ Sale of 50% of GLID
  - ✓ 15 year PPA off-take for all production
  - ✓ 2 ROCS

## Construction & Commissioning



- ✓ In-house turnkey capability (for e.g. charter of MPI Resolution)
- ✓ LID delivered on budget and on time
- ✓ FID for 270 MW Lincs offshore wind development
- ✓ Preferential access to leading technology through our alliance with Siemens

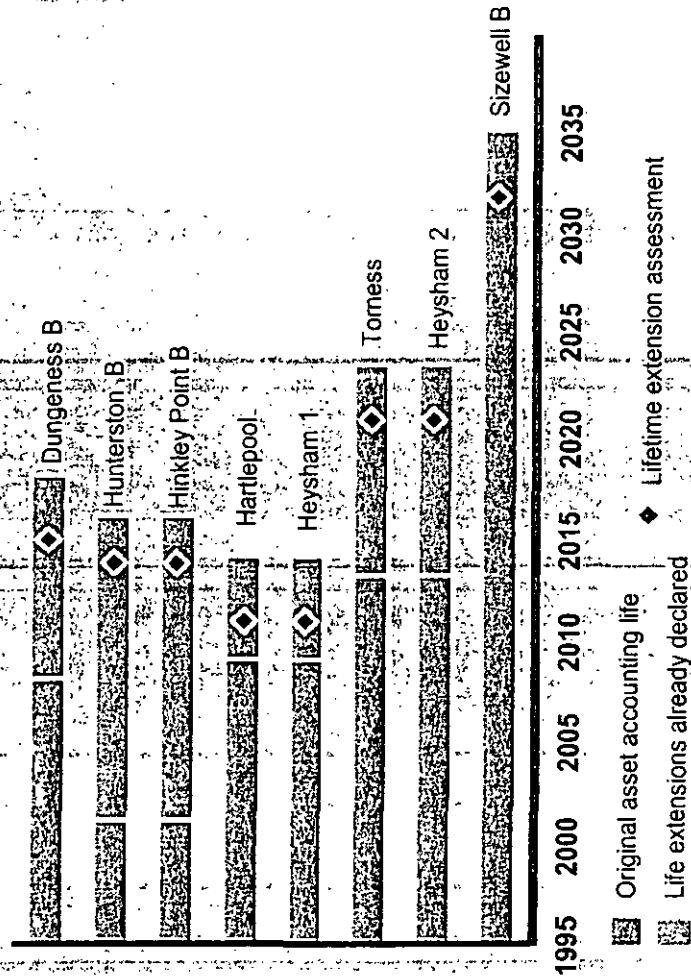
## Operations & Maintenance



- ✓ Extensive first-hand O&M experience provides key insights that are fed back into the design and construction of future wind farms

# Current nuclear fleet & framework for New Nuclear Build

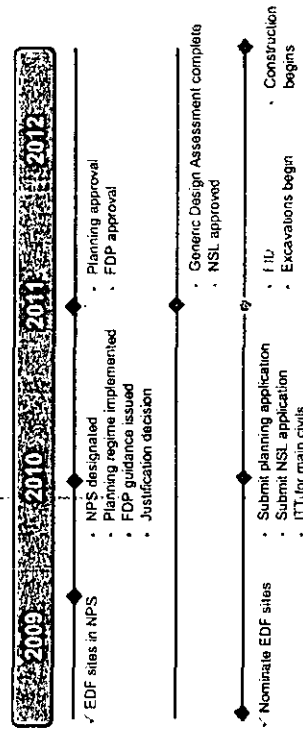
## Current position of BE station lifetimes



## New build trends

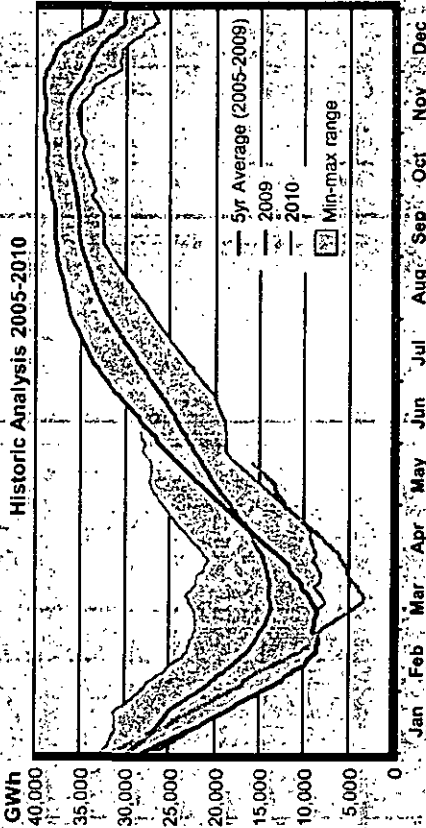
- Increasing recognition of the role of new nuclear in meeting low carbon and security of supply objectives
- Regulatory and planning barriers being addressed
- Centrica engaging with policy-makers to ensure supportive investment climate

## New build development



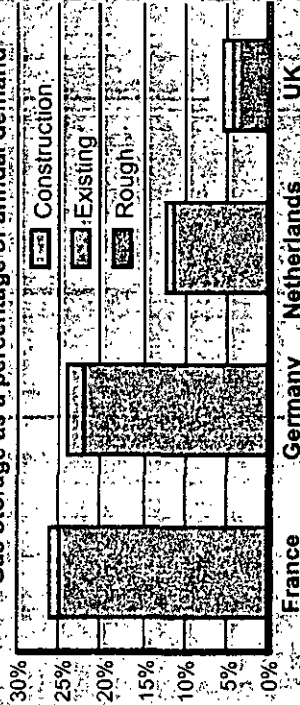
# Centrica Storage

## Rough Storage Strong financial & operational performance



## The case for new investment in the UK

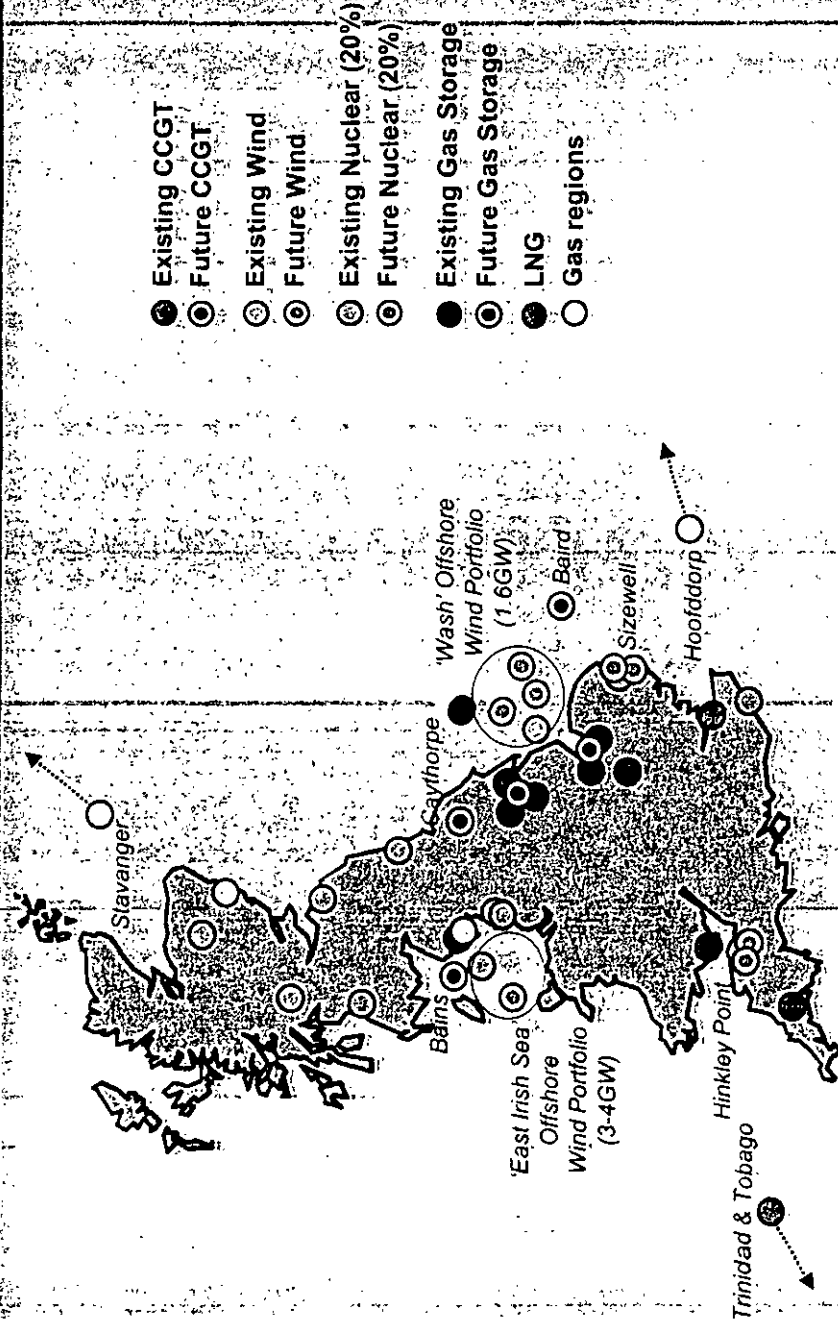
Gas storage as a percentage of annual demand



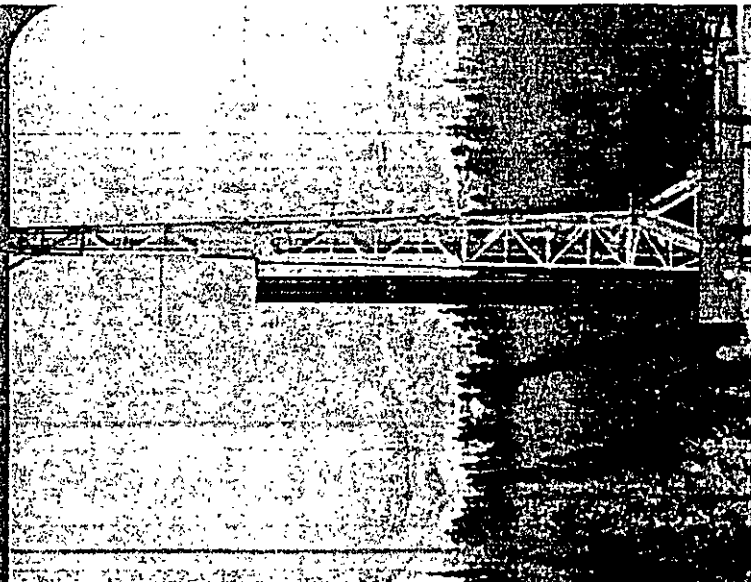
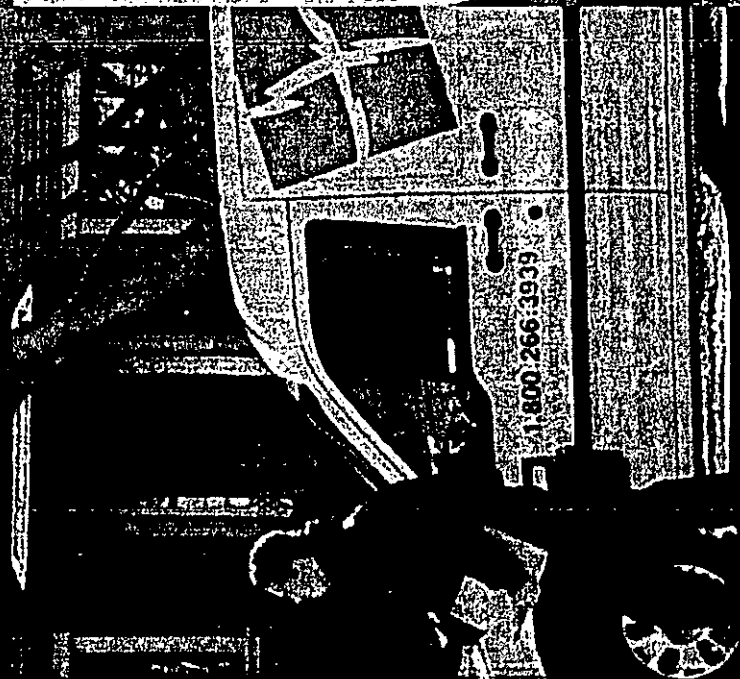
Storage projects - shaping the future through flexible and reliable projects

	Caythorpe	Baird	Bains	Rough
Description	Onshore depleted gas field	Onshore existing gas field	Onshore existing gas field	Onshore depleted gas field
Working Gas (bcf)	7.5	60	15-20	118-128
Cushion Gas Required (bcf)	4	50-70	27	181
Injection / production duration (days)	20-30	60	60	160/70
Cycles	6-7	3	3	1.5

# Significant investment opportunities to deliver Upstream growth



**Direct Energy**



**centrica**

## Agenda

- Recap from Capital Markets Day
- Progress made on our strategic priorities
  - **Residential energy:** launch of prepaid product in Texas, targeting an under served market segment
  - **Home services:** Clockwork acquisition, transforming scale and capability of operations and providing a robust platform for future growth
  - **Business energy:** targeted effort to grow small business, an emerging segment



# Direct Energy has a strong platform on which to build

## Direct Energy businesses

**Residential Energy**

3m customers  
largest retailer in  
North America

**Business Energy**

33 TWh and 690 mmth  
annual volumes  
3<sup>rd</sup> largest retailer

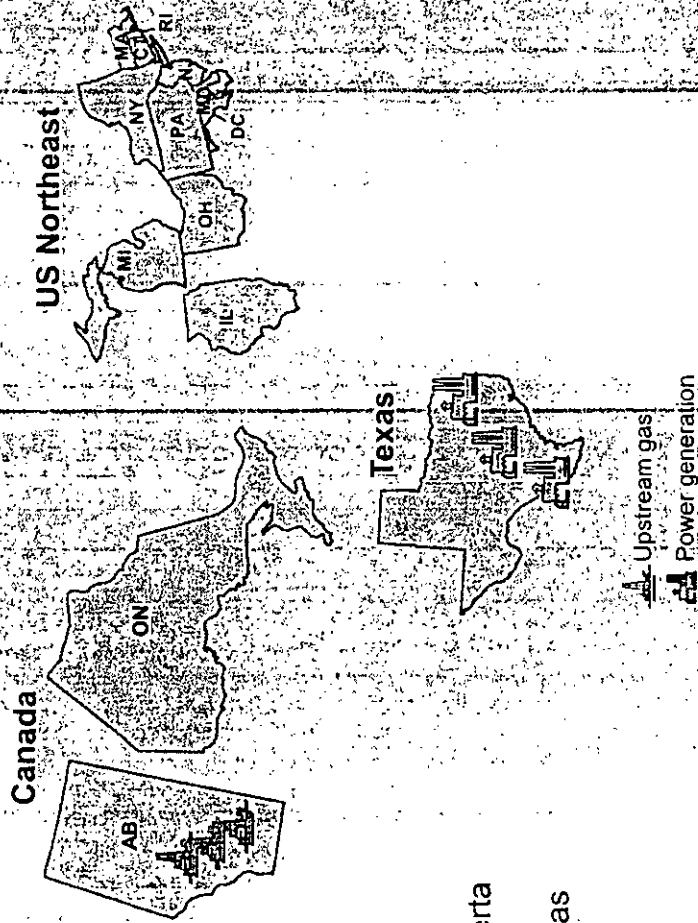
**Services**

2m customers  
Heating/cooling service  
and energy efficiency

**Upstream & Trading**

375 mmth production in Alberta  
4,000 mmth reserves (2P)  
1.2 GW CCGT capacity in Texas

## Core markets





## ... and a distinctive set of capabilities

### North American platform

- Strong downstream position in key residential deregulated markets
- Local regulatory and wholesale market experience
- Large scale C&I business
- Unique services capability
- Existing gas and power assets provide base to build a more vertically balanced business

### Relevant Centrica UK capabilities

- Customer care systems & processes
- Managing full requirements energy risk
- 20 years competitive energy experience across the value chain
- Market leading small commercial business and capabilities
- Creating value from energy / services linkage
- Large scale CCGT fleet
- Extensive and strong asset acquisition track-record

# Our strategy will build an integrated energy business

Improve returns from existing business

Grow scale and leadership downstream

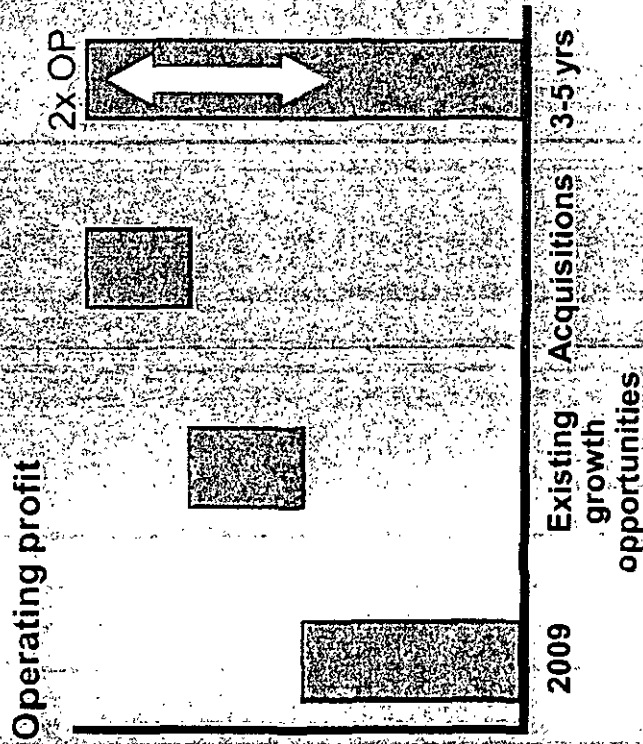
Invest in upstream for integration and value creation

- Reduce costs and improve efficiency
- Be the most recommended energy and services provider
- Achieve regional leadership positions in our Residential markets
- Continue growth in Business markets
- Grow Integrated Services and energy capability
- Balance upstream and downstream, move towards 35-40% cover
- Increase generation capacity to support key retail markets
- Expand our upstream gas business



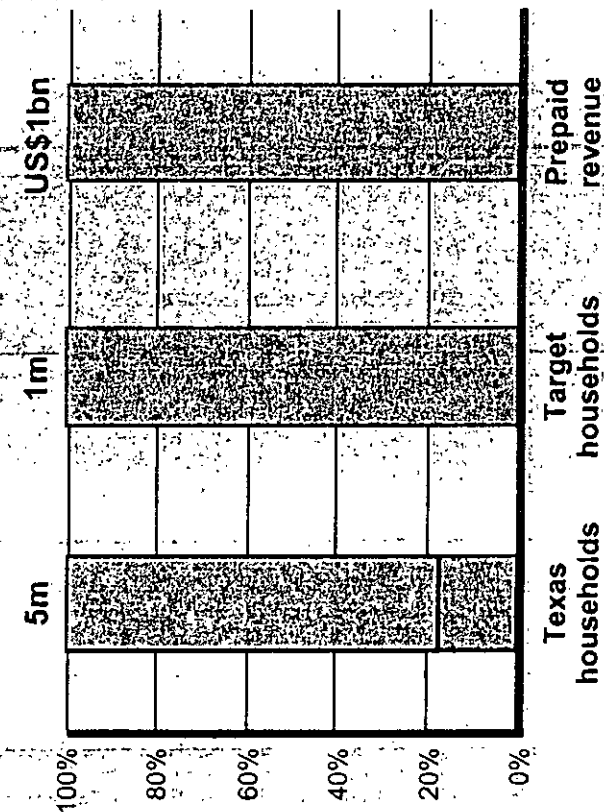
Deliver material contribution to Group earnings over medium term

# Doubling profits: organic growth and acquisitions close the gap



- DE Residential
  - Texas transformation program
  - Prepaid launch in Texas
  - Growth opportunities in US Northeast
- DE Business
  - Small commercial growth strategy
- DE Services
  - Grow scale and local density
- DE Upstream
  - Midstream & Trading growth strategy

# Prepaid: a Texas residential growth opportunity



- Establish market leadership by accessing an untapped customer base
  - Prepaid delivers the right value proposition to this market segment
  - Smart meter deployment underway
- Other benefits of prepaid include
  - Improved bad debt position
  - Improved operating costs
- Acquired REPower to create platform
- Prepaid launch
  - Pilot launched this week
  - Dallas market launch in a few weeks

## Services: the growth opportunity and the vision

### Services vision:

- Support the wider DE strategy through being **North America's leading home services company**
  - Making a material and growing contribution to DE's profitability
  - Redefining the customer experience for the industry
  - Extracting value through integration with our energy business

### Key success factors:

- **Overall scale** to improve cost of goods sold
- **Local market density** to improve operating costs
- **Customer & operational excellence** to increase NPS
- **Platform for ongoing growth and consolidation**
- **Presence across energy footprint** to capitalise on integration

## Clockwork: a major operator and franchisor of heating & cooling, plumbing and electrical services

### Owned operations

- 25 company owned locations in US and Canada
- Providing heating & cooling, plumbing and electrical services

### Franchises

- 470 franchises in the US providing the same services
- Same brands as owned operations

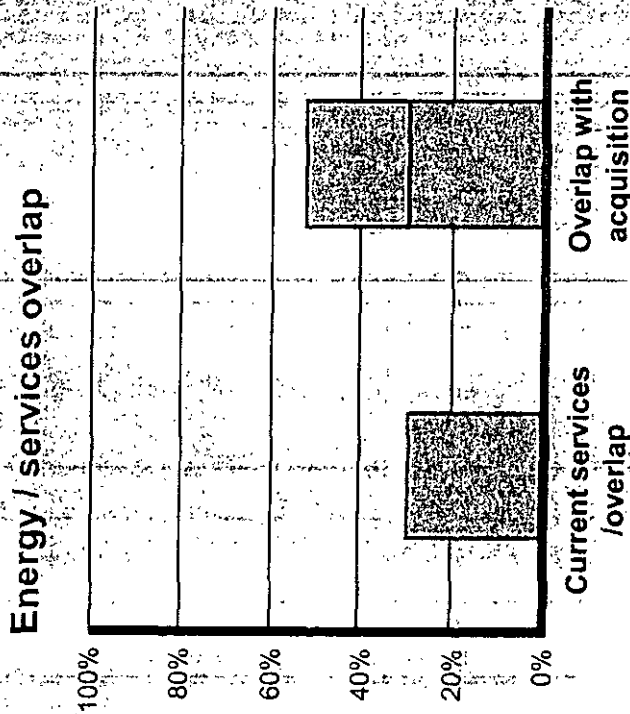
### Affinity members

- 765 independent affinity clients across the US and Canada operating legacy or secondary brands and accessing Clockwork client services

### Client services

- BuyMax group buying facility
- Successware21 enterprise software solution for services industry
- Success Academy training development and delivery

# Clockwork establishes DE as a leading residential services provider in North America

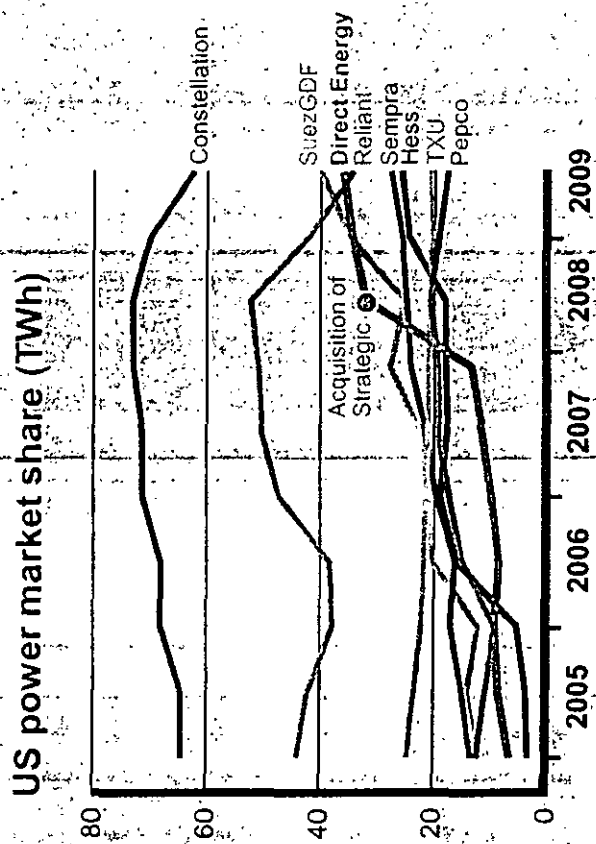


Note: Services overlap with US DE energy markets, by % of single family homes

- Near doubling of services overlap with energy footprint
- Complementary assets:
  - DE's leadership in Canada and protection plans
  - Clockwork strength in US and industry leading systems
- Procurement advantage through \$4bn franchise / affiliate network
- Efficient and low-risk platform for further industry consolidation



# Small Business: an emerging segment delivering a significant growth opportunity for DE Business

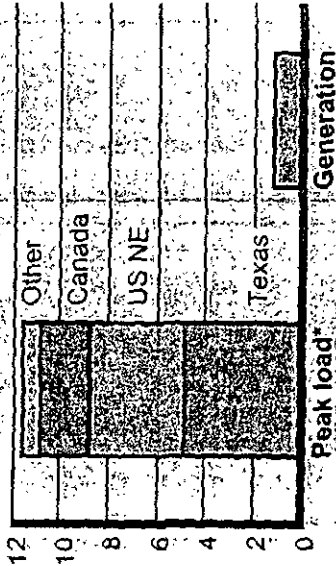


- Substantial Small Business operations today
  - 180k customers
  - US\$45-50m in operating profit
- Under served segment with substantial profit pool in DE Business markets
  - US\$4bn annual gross margin
- Developing improved customer proposition and delivery capability
  - Optimise existing operations
- Leverage BGB capability

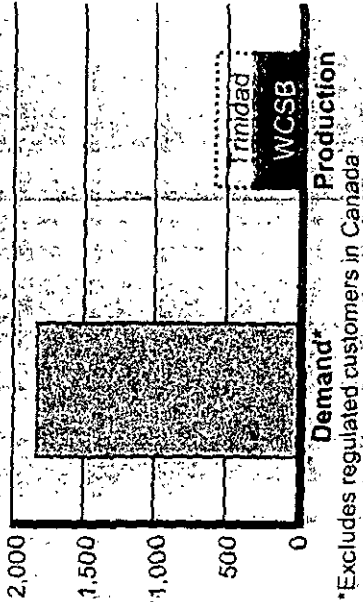


# The path to vertical integration

DE peak load and generation (MW)



DE gas demand and production (mmth)



\*Excludes regulated customers in Canada

- **Integration:** better balance downstream and upstream positions, move towards 35-40% cover
  - like the UK, vertical integration is a competitive necessity
  - offset downstream price and collateral exposure with appropriate asset cover
- **Generation:** targeting expansion of generation in key retail markets
  - ERCOT: open market, and fragmented
  - US NE: capacity constrained markets
  - Base load not being prioritised
- **Gas:** focussing upstream gas growth in WCSB
  - exploring shale opportunities

*Value driven investments competing for Group capital*

**British Gas**



**Installation**

**Servicing &**

**Breakdown**

**Repairs**

## Agenda

- Recap from Capital Markets Day
  - ... with relevant case studies
    - Delivering sustainable profits in Residential Energy
    - Transforming the core Services business
    - Building on current momentum to sustain British Gas Business growth
    - Positioning British Gas at the centre of the 'Home of the Future'

# We are building on the transformation of British Gas to deliver our new strategic priorities

The Energy Experts at the heart of British homes and businesses



2007-08

2009

2010

2011

2012

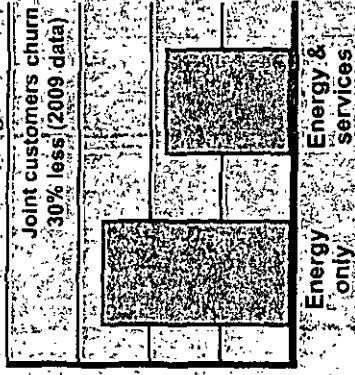
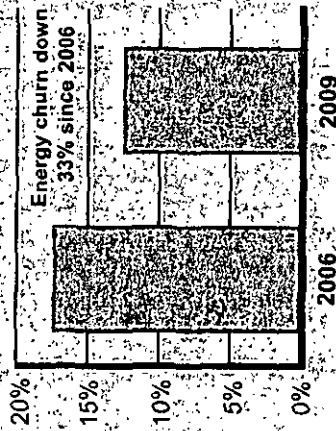
- 'Optimise the business' to leverage scale and efficiency benefits
- 'Take the lead' through innovation in existing growth areas
- 'Capture new markets' by embracing new technologies and channels

# Optimise the business: Deliver sustainable profits in Residential Energy

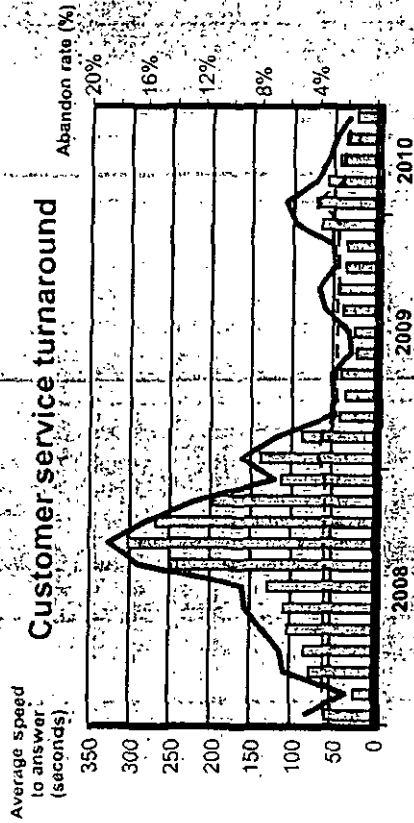
## Driving Energy-Services joint holdings

	Dec 2008	Dec 2009	Growth
<b>Households ('000)</b>			
<b>Energy &amp; Services</b>	1,879	2,043	+164
<b>Services Only</b>	1,827	1,959	+132
<b>Energy Only</b>	8,328	8,224	-104
<b>Total</b>	12,034	12,226	+192

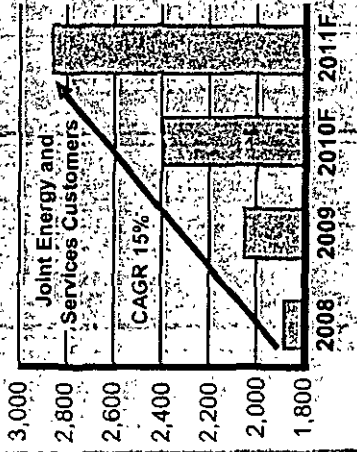
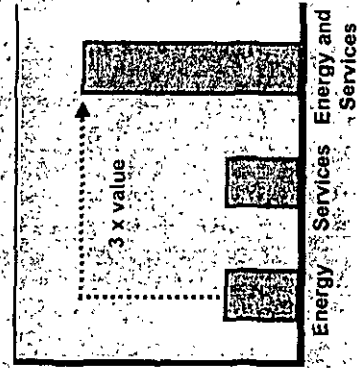
## Reducing churn



## Customer service turnaround

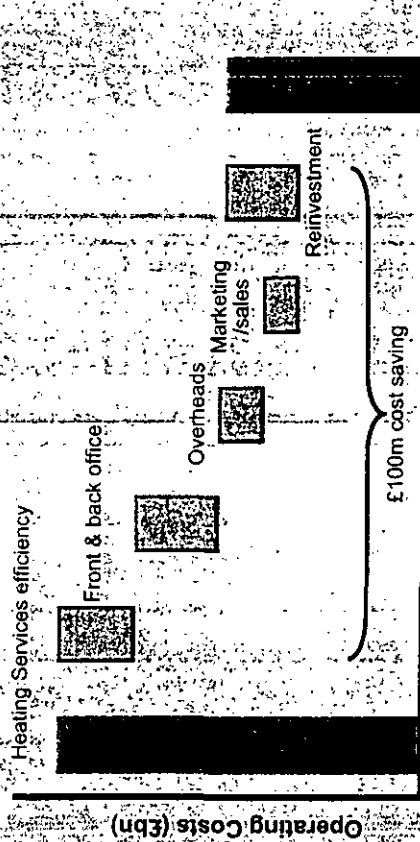


## Maximising customer growth and value



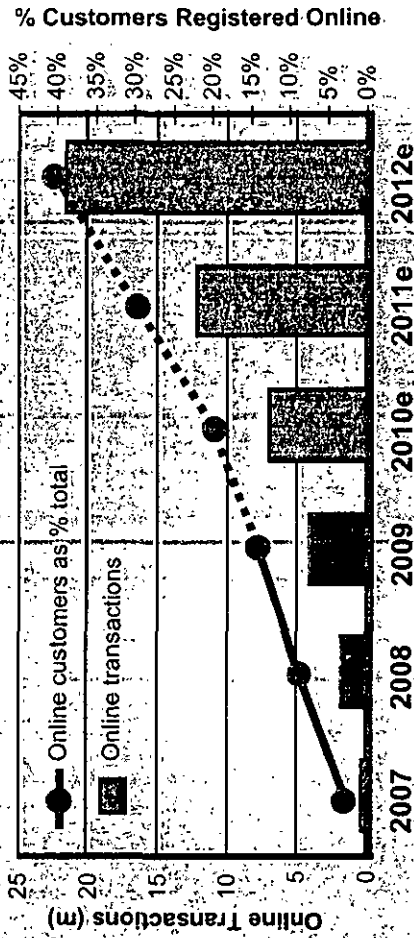
# Optimise the business: Realising cost synergies to invest in future growth

## Creating an efficient and stable operating cost base



- Focus on back office processes has cut costs and improved customer experience
- Re-investment to drive growth in key areas, e.g. online, customer service, new markets

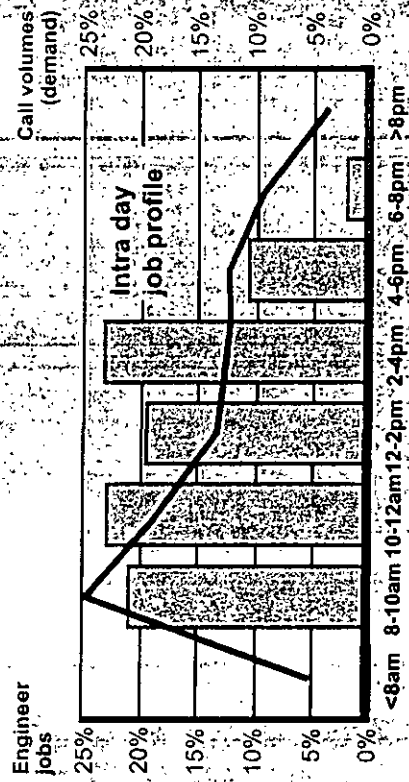
## Innovating to drive step change in online



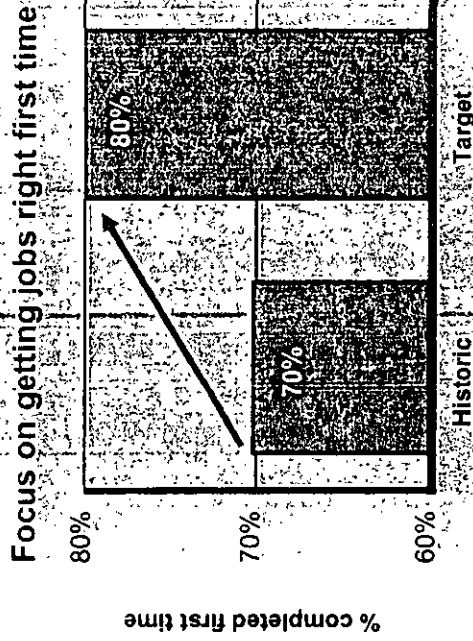
- Online transactions doubled to c:4 million
- Self-serve accounts for 38% of total contacts
- Leading innovation with online account management, EnergySmart and iPhone

# Take the Lead: Transforming the core Services business

## Customers require greater availability



- 98% of current visits are between 8am and 6pm Monday to Friday
- Increased demand for evening/weekend appointments
- Availability unlocks growth in under penetrated segments and on demand market

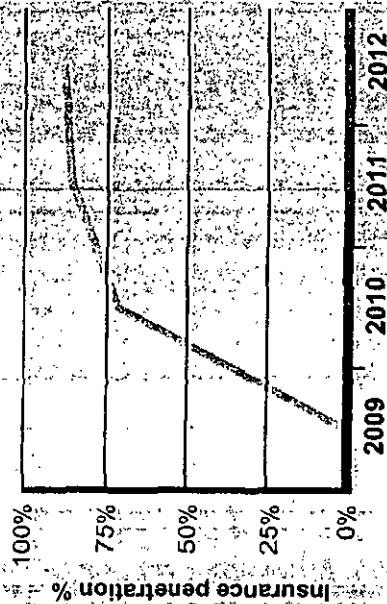


- Success rates at historically high levels from new initiatives
- New IS solutions for job planning and new laptop rollout to drive further



# Take the Lead: Insurance roll out and CHI strategy generating significant growth

Insurance Penetration Growth



- We already have over 1 million Insurance products
- With Insurance, 37% of customers say they are more likely to renew and 57% say it offers better value for money

Doubling CHI Installations by 2012

- Price reduction rolled out nationally in June 2010
- Reduced lead times and greater time slot availability
- Conversion up 50% and doubling of installs by 2012

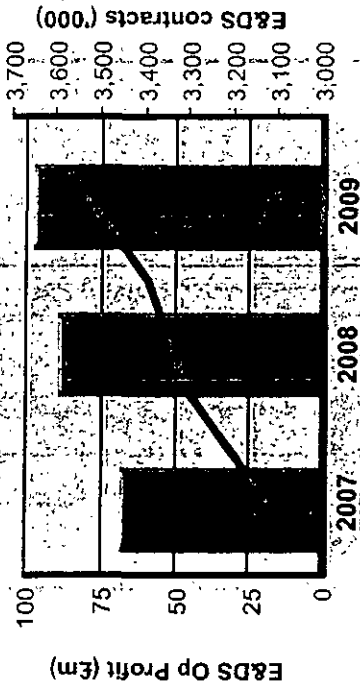


	2009	2010
Average Sales Price	£3,200	£2,560
Average Lead Time	19 days	5 days
Net Sales Conversion	22%	33%



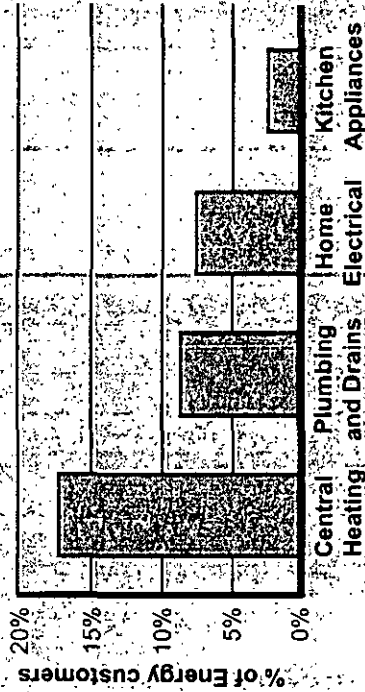
# Take the Lead: Further growth in the Electrical and Dyno business

E&DS: a strong profit business



- 625 electrical engineers, 1.5m customers for emergency / appliance care
- 100 Dyno-rod franchises, 1.7m customers – 66% plumbing, 33% drains
- Dyno Secure (locks, alarms, glazing) – 40k customers

Opportunity for improved penetration



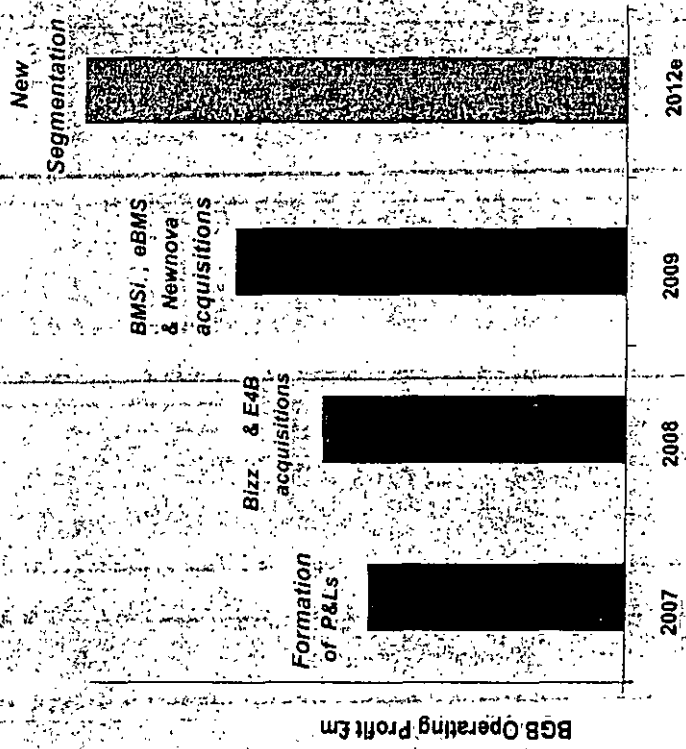
New channels offer significant growth

- | Affiliates                 | Right to Win  |
|----------------------------|---|
| Insurers                   | <ul style="list-style-type: none"> <li>• Capability in emergency services</li> <li>• Existing relationships (e.g. Aviva)</li> <li>• Leveraging claims handling abilities</li> </ul>           |
| Water / Sewerage Companies | <ul style="list-style-type: none"> <li>• Breadth of customer propositions</li> <li>• Experience in regulated markets</li> <li>• Regionalised knowledge through localised workforce</li> </ul> |

# Take the Lead:

## Building on current momentum to sustain BGB growth

BGB future growth from segmented approach



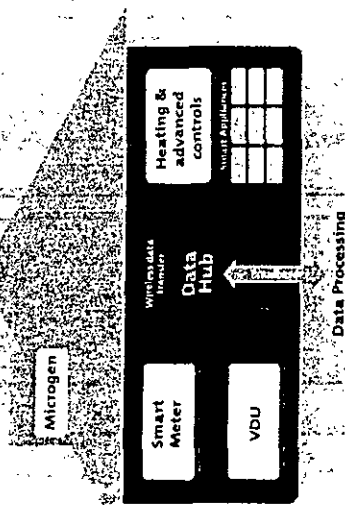
- to build on momentum gained from strategic changes
- Six value creating acquisitions
- Over 35% improvement in net margin 2006 to 2009
- Scaleable solution for Medium Enterprise
- Multi-site leverage and differentiation
- Growing opportunity in Energy Services

### Segmented, customer strategies for growth

Customer Segment	Strategy
Small Enterprises	<b>Cost Leadership</b> <ul style="list-style-type: none"> <li>Fast response at call centre</li> <li>Leveraging residential scale and system</li> <li>Operational efficiency and debt risk focus</li> </ul>
Medium Enterprises	<b>Service Leadership</b> <ul style="list-style-type: none"> <li>Deep account management</li> <li>New channels and retention models</li> <li>Simple, compliance-focused Energy Services</li> </ul>
Multi Sites	<b>Service Leadership and Selective I&amp;C Participation</b> <ul style="list-style-type: none"> <li>Differentiated Energy Services</li> <li>Stronger link with hedging and trading</li> </ul>

# Capture New Markets: Positioning British Gas at the centre of the home of the future

## Home of the Future

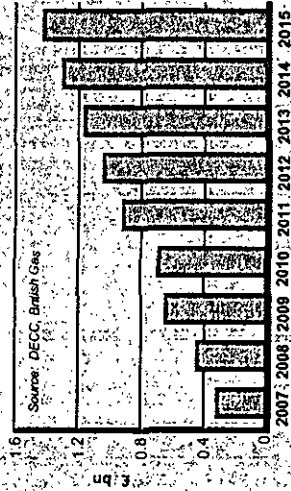


## Smart meter roll out: British Gas

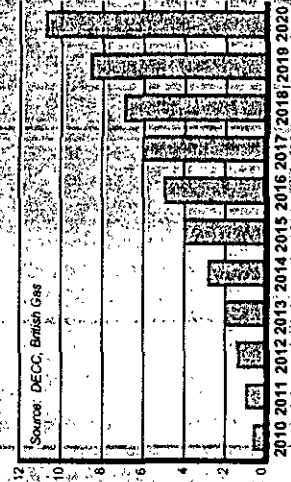


## Capitalise on opportunities from transition to low carbon homes

### Insulation - domestic market forecast



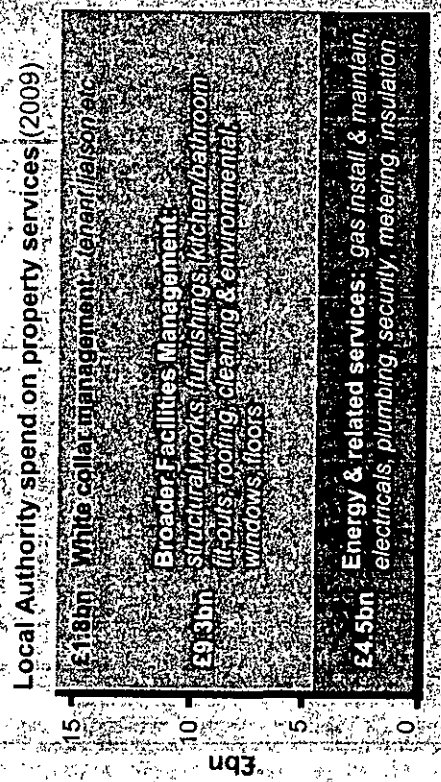
### Microgeneration - installation revenues market forecast



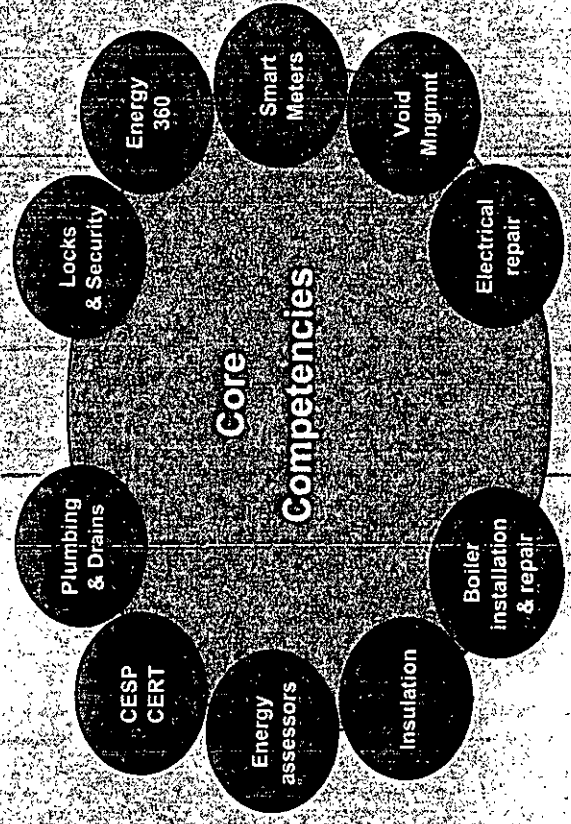
- Market leaders in CERT and GESP
- Creating national installation coverage
- Only energy supplier chosen for Government's "Pay As You Save" trial
- Capabilities in biomass, heating, solar, fuel cell boilers, biomethane

# Capture New Markets: Forge strategic relationships with local authorities

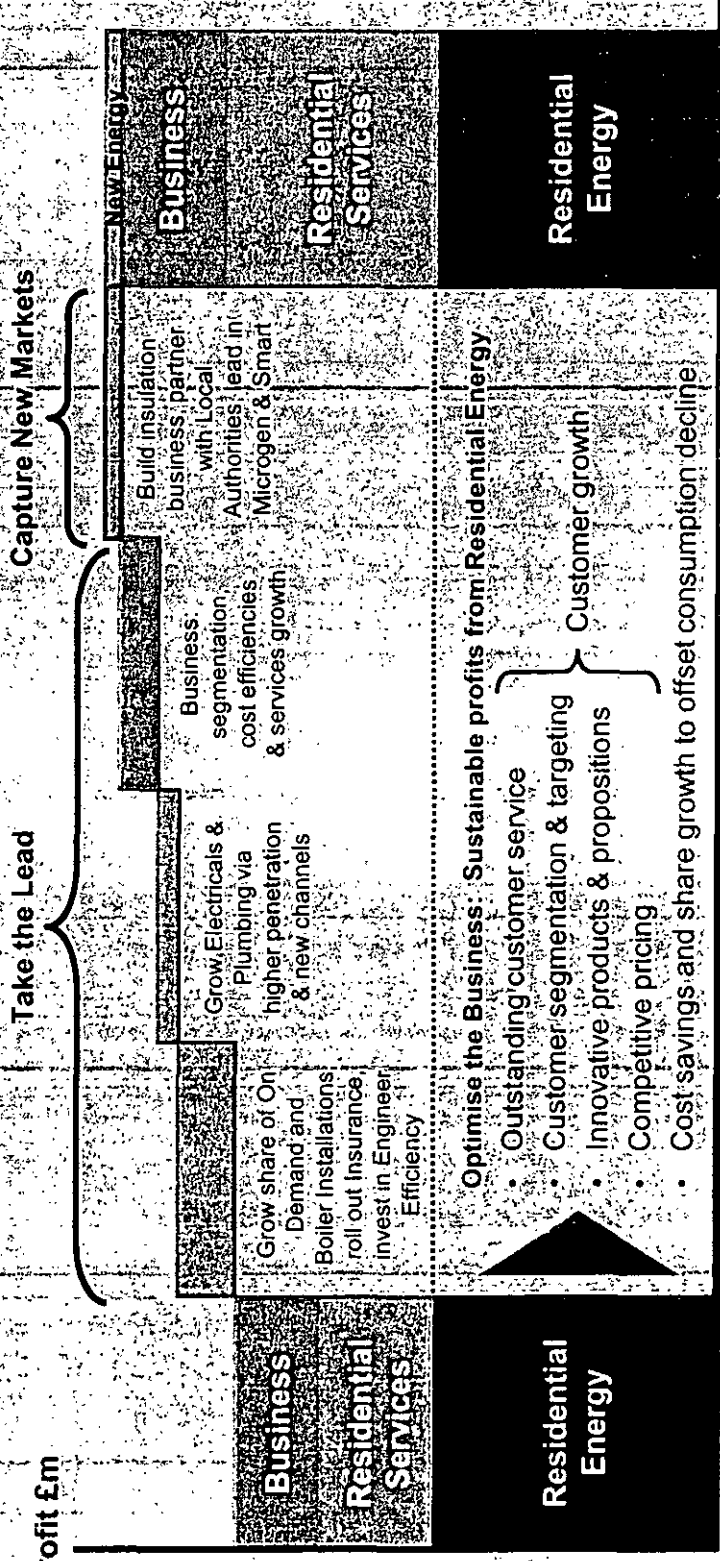
British Gas could target c.25-30% of property services spend



Backed by brand credibility, experience and infrastructure



# We are targeting significant growth in sustainable profits across our three year plan



**Sam Laidlaw**  
Chief Executive

**centrica**

## The investor story: summary

- Positioned for growth, upstream and downstream
- Balanced business in both high and low commodity price environment
- Well positioned to lead in the low carbon world
- Strong cash generation, with significant flexibility and investment choices
- Consistently delivering real dividend growth

**Strong earnings growth and superior financial returns**



**centrica**



**DIRECT ENERGY SET I**

**EXHIBIT B**

**Capital Markets Presentation**

12 March 2010

**centrica**

**Sam Laidlaw**  
Chief Executive

**centrica**

# Agenda

09:00

**Main presentation**

- Context and strategic direction

- British Gas

- Centrica Energy

- Direct Energy

- Financial overview

- Wrap-up and Q&A

Sam Laidlaw

Phil Bentley

Mark Hanafin

Chris Weston

Nick Luff

11:35

**Breakout sessions**

15:50

**Wrap-up**

16:00

**Drinks**

## 2006-2009: the first step in the journey

### Our Strategic Priorities

- ① Transform British Gas
- ② Sharpen the organisation and reduce costs
- ③ Reduce risk through increased integration
- ④ Build on our growth platforms



# The market environment

## Key trends

- 1 Energy efficiency
- 2 Electricity decarbonisation
- 3 Volatile commodity prices
- 4 Security of supply imperative

## Centrica competitive advantages

- Only utility with large-scale services capability
- Low carbon power generation
- Integrated business model
  - Unique dual fuel hedge
  - Gas storage capability
- Diverse gas, renewables, nuclear portfolio
  - Leading LNG importer to UK

The next stage: our vision

Our vision is unchanged:

*To be the leading integrated energy company  
in our chosen markets*

centrica

## The next stage: our strategic priorities

- 1 Grow British Gas**  
... leading the transition to low carbon homes and businesses
- 2 Deliver value from our growing upstream business**  
... securing sustainable energy for our customers
- 3 Build an integrated North American business**  
... with leading positions in deregulated markets
- 4 Drive superior financial returns**  
... through operating performance and our investment choices

*energy for a low carbon world*



**Phil Bentley**  
British Gas



**Installation**

**servicing &**

**Breakdown**

**Repairs**

**centrica**

## Market opportunity

- Imperative to transform energy efficiency of Britain's homes
- Substantial growth in demand for insulation and energy related services
- Commercialisation of green technologies, e.g. microgeneration
- Smart meters leading to home automation and deeper customer relationships



Market winners will be energy suppliers  
with broad servicing capabilities

# British Gas is uniquely placed to capitalise on the market opportunity

## Customers

- 12 million homes, half of UK households
- No 1 domestic gas supplier, No 1 domestic electricity supplier
- One million businesses, No 1 in SME gas and electricity

## Capabilities

- National base of 9,000 highly trained engineers
- No 1 Service & Repair, No 1 Boiler Installations

## Brand

- No 1 in brand metrics, particularly trust

## Scale

- Most advanced IT platform
- Economies of scale to deliver lowest cost to acquire and serve

## Policy

- Unique UK upstream / downstream presence

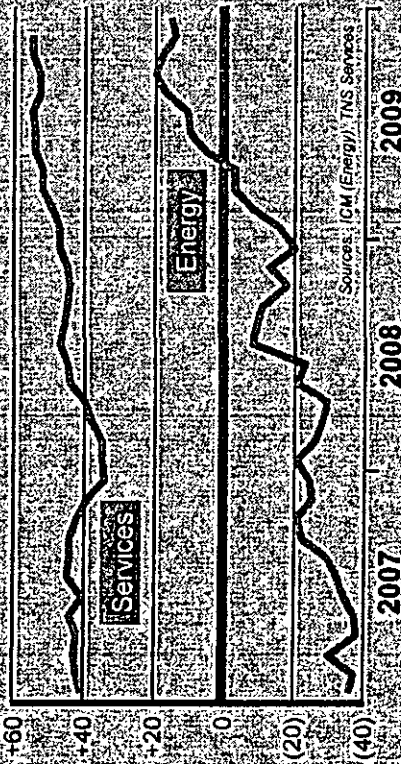
## Innovation

- No 1 for online and smart meters
- Leadership in low carbon technologies

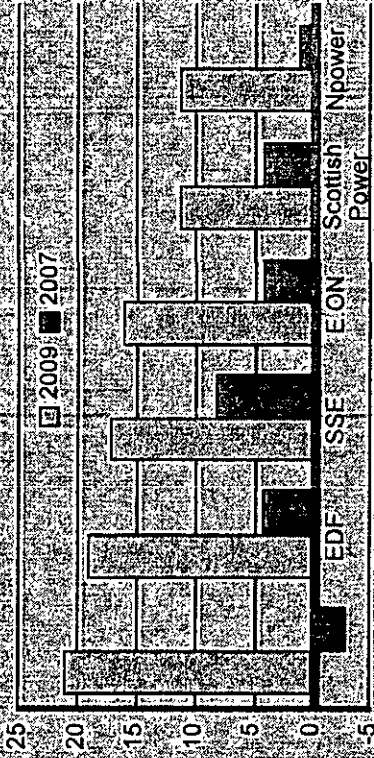


Over the past three years, we have transformed customer service.

Contact Net Promoter Score (NPS)



Customer satisfaction



- Call volumes down 40% since 2006
- Launched engineer call ahead! (+30 impact on Energy NPS)
- Cardiff contact centre recognised as 2009 European Call Centre of the Year

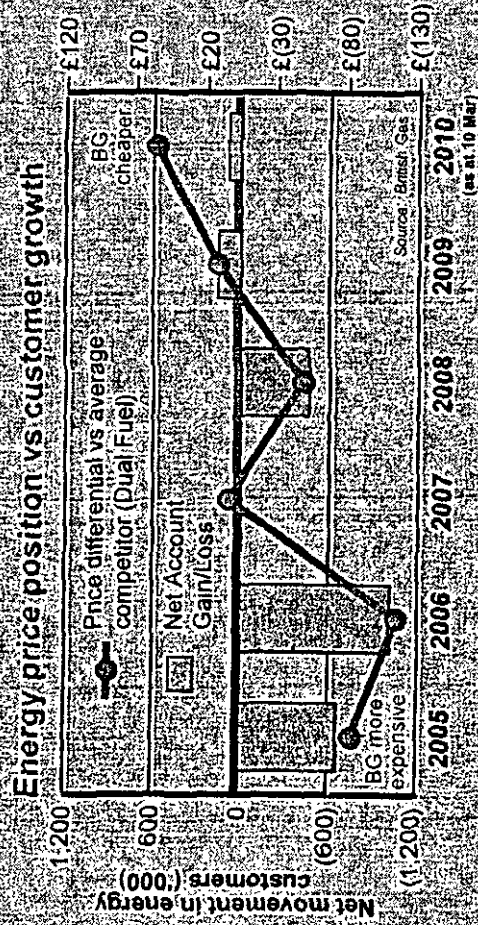


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# We are leading on price and growing customer numbers and value



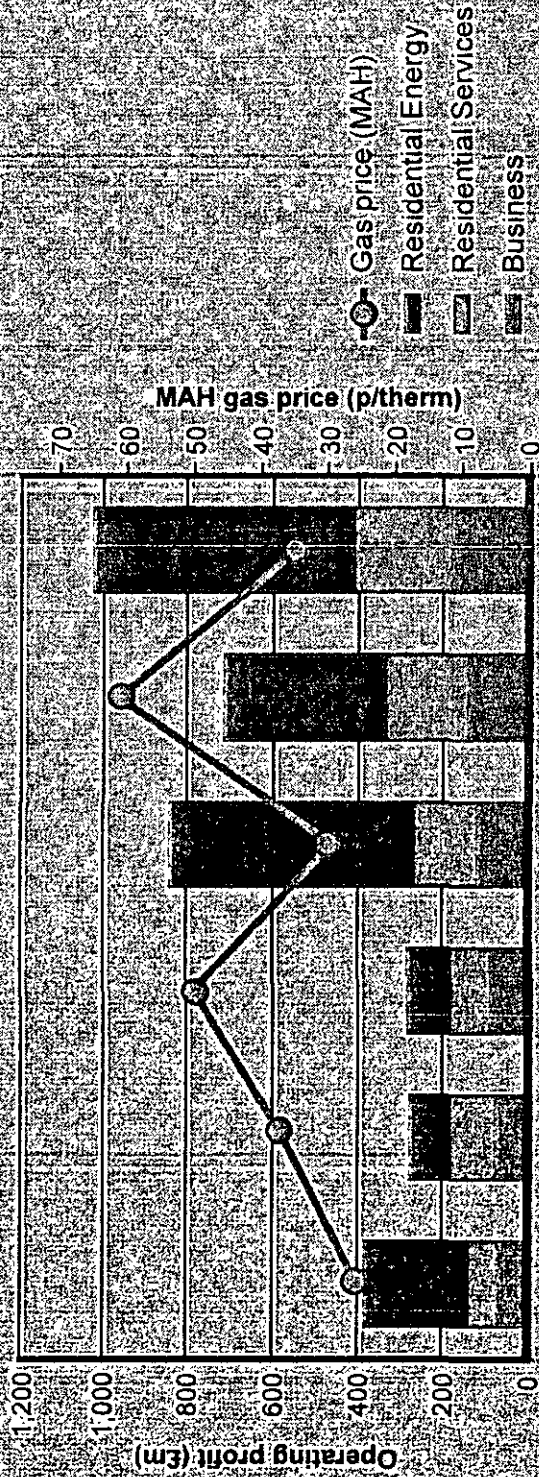
British Gas households ('000)

All in '000	Dec 2008	Dec 2009	Growth
Energy & Services	1,879	2,043	+164
Services Only	1,827	1,959	+132
Energy Only	8,328	8,224	-104
<b>Total</b>	<b>12,034</b>	<b>12,226</b>	<b>+192</b>

- Cheapest major supplier in Britain for both gas and electricity
- Launched bundled energy and services offerings for residential and business customers
- Restructured pricing to reduce loss-making customers across energy and services
- Improved targeting, screening and cross-sell to acquire and retain valuable customers

British Gas is able to deliver sustainable profits even with volatile wholesale markets

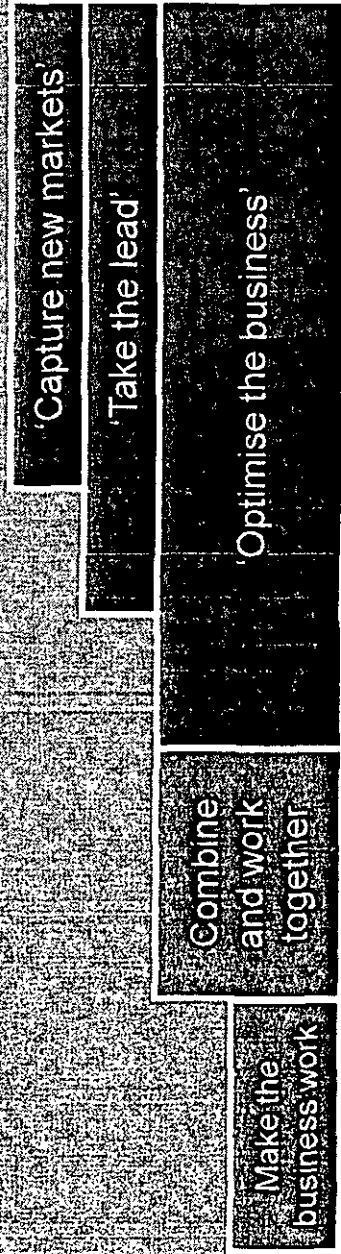
Operating profit (2004-09)



Strong profit growth and low capital requirements

# We will build on the transformation of British Gas to deliver our new strategic priorities

The Energy Experts at the heart of British homes and businesses



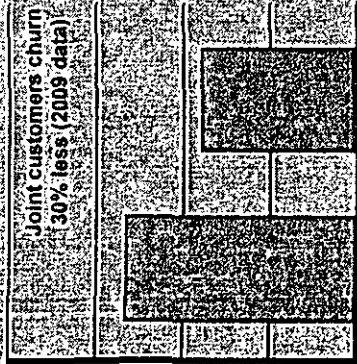
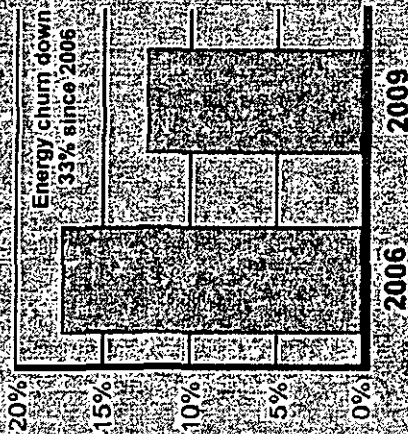
- *Optimise the business* to leverage scale and efficiency benefits
- *Take the lead* through innovation in existing growth areas
- *Capture new markets* by embracing new technologies and channels



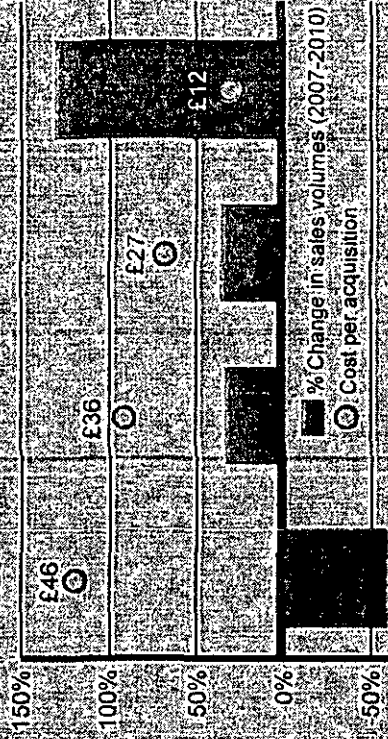
# Optimise the business

## Deliver sustainable profits in Residential Energy

Energy churn



Energy sales - optimised by channel



• Expand bundled products portfolio, building on successful launch of EnergyExtra

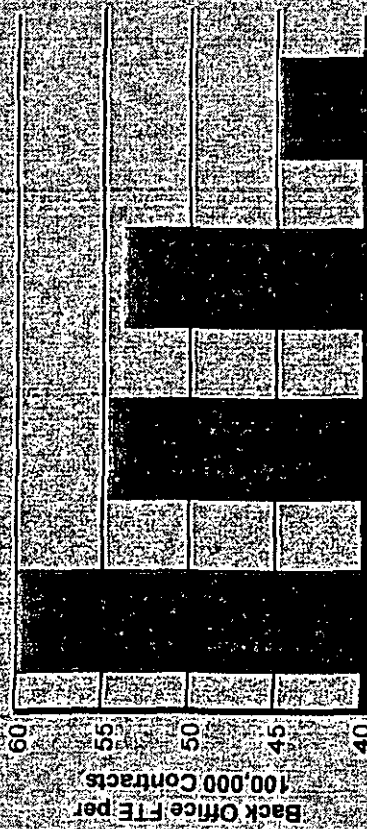
• Focus on cross-serve and cross-sell for energy & services customers

• Engineer channel launched early February, generating high quality leads

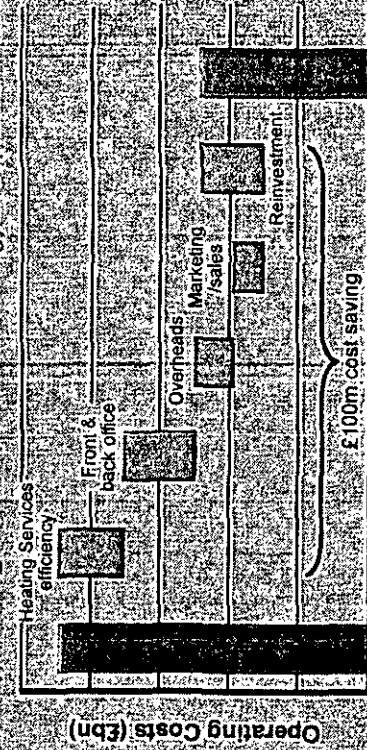
# Optimise the business

## Realise cost synergies to invest in future growth

Heating Services (Back office FTE per 100,000 contracts)



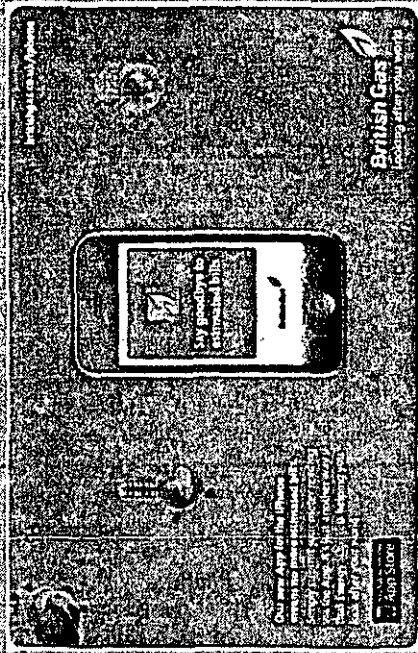
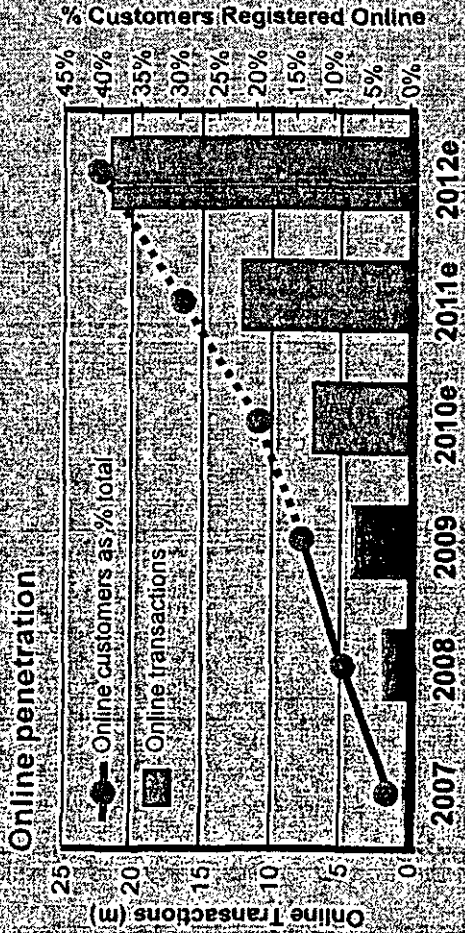
Operating costs (Residential Energy & Services excl. bad debt)



- Focus on back office processes has cut costs and improved customer experience
- Proactive credit management has reduced bad debt charge
- Reinvestment to drive growth in key areas e.g. online, customer service, new markets

# Take the lead

## Innovate to drive step change in online



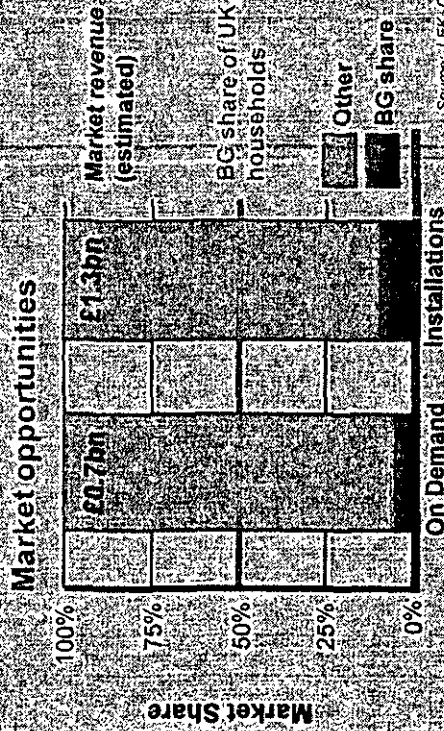
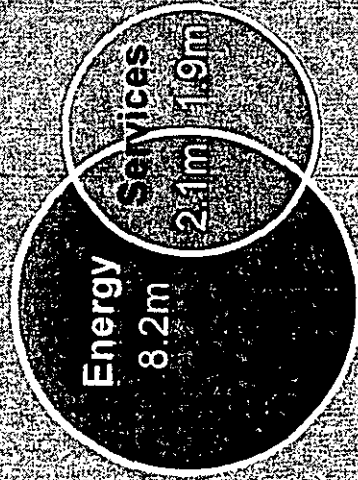
- Online transactions doubled since 2008 to over 4 million
- Self-serve transactions now account for 38% of total contacts
- Leading innovation standards with EnergySmart and iPhone application
- Use online and smart functionality to increase customer control



# Take the lead

## Transform Heating Services growth

British Gas households



Source: LEK Oliver Wyman

- New flexible propositions, including insurance, to tap into 8m energy only customers
- Drive conversion of installation leads via lower pricing, funded by improved productivity
- Dramatically increase On Demand via engineer flexibility, better awareness and new pricing

Investment in engineer efficiency to transform services growth

centrica

Take the lead

## Access new channels in Electricals & Plumbing

### Product holdings

All in millions	British Gas	HomeServe
Plumbing & Drains	1.86	4.15
2008-09 growth	11%	3%
Home Electrical	1.38	0.77
2008-09 growth	9%	3%

Source: HomeServe Interim Results November 2009

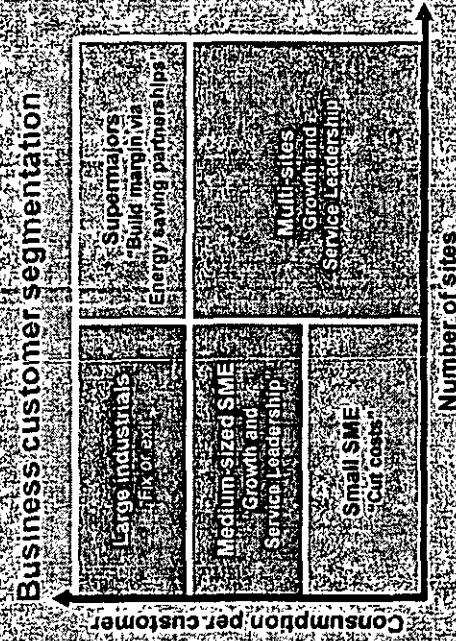
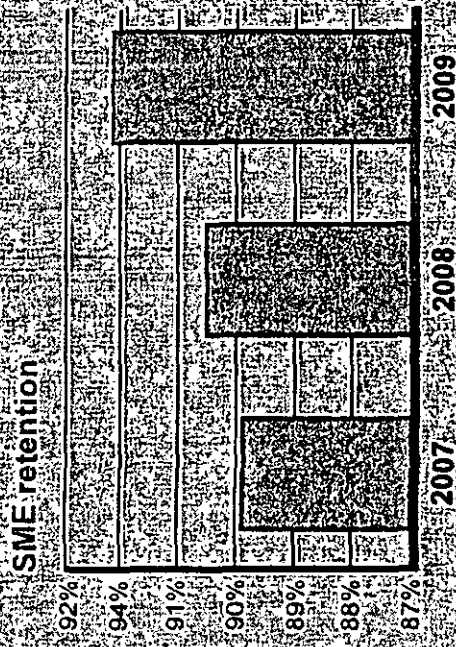
### Product penetration of energy base



- Strong growth in operating profit to over £100m in 2009 (3.8m products)
- Similar scale business to HomeServe plc and currently growing more rapidly
- Increase energy customer penetration through awareness, pricing and bundling

# Take the lead

## Build on the current momentum to sustain growth in British Gas Business



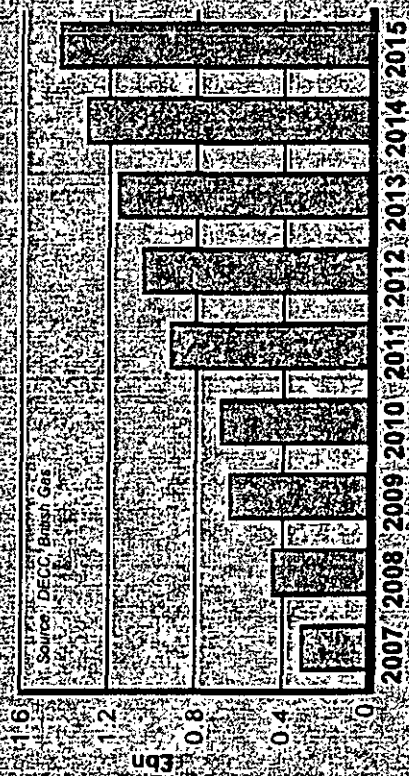
- Consistent profit growth (c25% p.a.) to £183m in 2009, with six value-creating acquisitions
- Leading in smart meter installations. Energy360 analysis and remote multi-site monitoring
- New segmented strategy: cut costs in small SMEs, invest to grow medium-sized SMEs, drive rapid value in multi-sites service solutions, fix or exit unprofitable majors



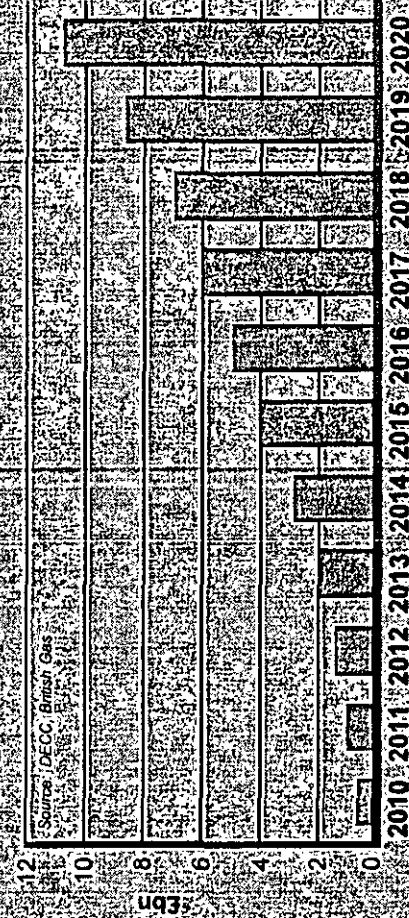
# Capture new markets

## Capitalise on opportunities from transition to low carbon homes

Insulation - domestic market forecast



Microgeneration installation - revenues market forecast

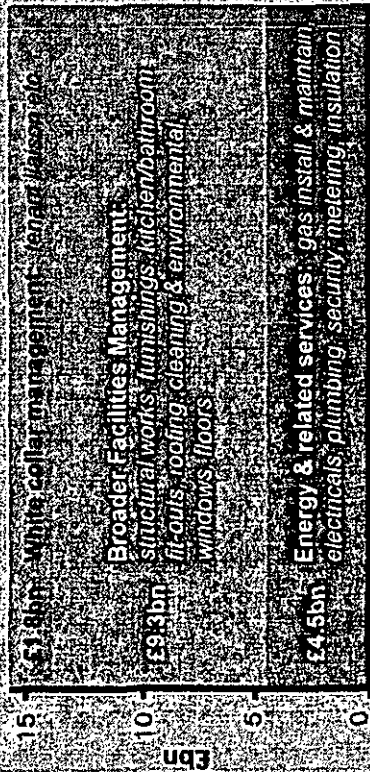


- CERT and CESP programmes have created a leading position in insulation market
- Creating national installation coverage exclusive partnership with Rockwool
- Broad spread of capabilities in solar, fuel cell boilers, biomass, biomethane
- Only energy supplier chosen to participate in Government's "Pay As You Save" trial

# Capture new markets

## Forge strategic relationships with local authorities

Local Authority spend on property services (2009)



Source: Crib6

We are setting out a new strategic role for local authorities. Those that respond to the challenge will be able to lead, drive and co-ordinate local action – and energy companies will be obliged to work with them in this effort.

**Ed Milliband, Energy Secretary**

Under the Green Deal, trusted retailers, social enterprises, housing associations, local authorities and local businesses would be entitled to provide energy efficiency improvements to people's homes.

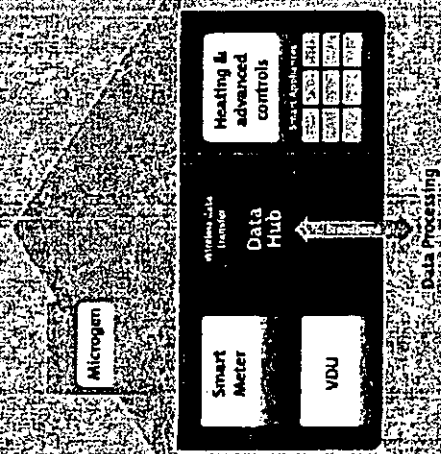
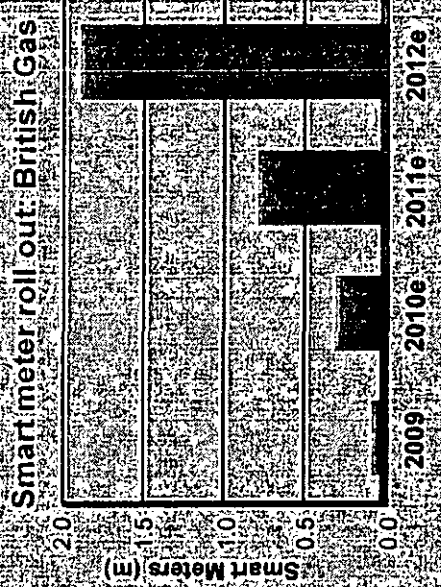
**Greg Clark, Shadow Energy Secretary**

- £15bn total market, £4bn within our core energy & services capabilities
- 5 million homes in social housing, market will grow driven by environmental obligations
- Local Authorities will be key partners for rolling out HEMs / Green Deal
- We have existing relationships with over 100 Local Authorities (25% of total)



# Capture new markets

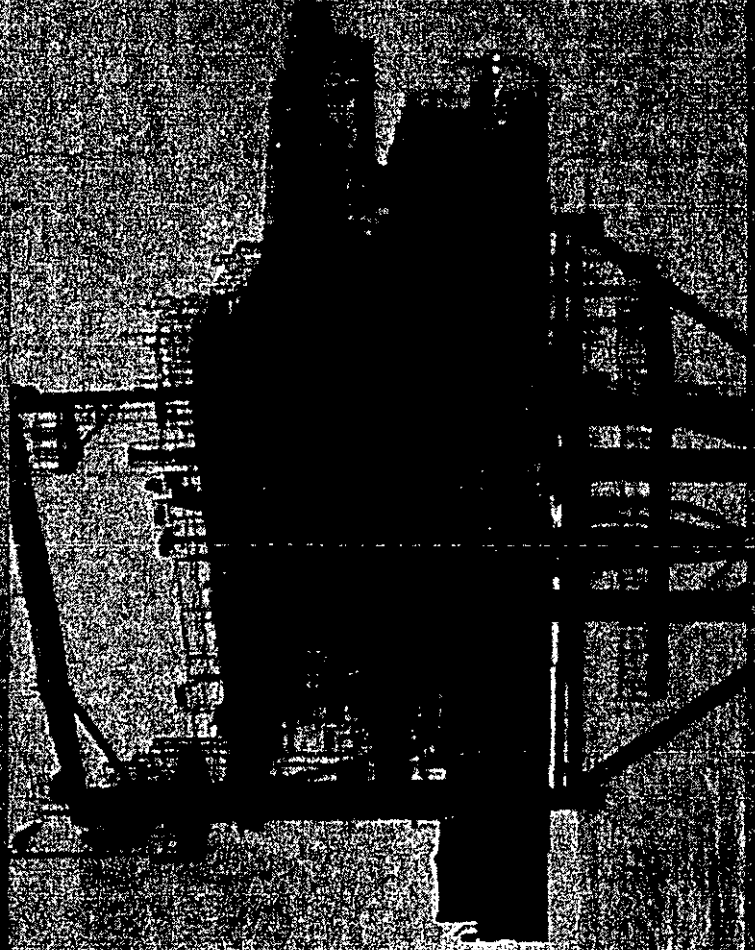
## Leverage smart as a platform for Home of the Future



- Adopting "go early" strategy with smart meter roll-out to gain first-mover advantage
- Creating British Gas smart metering with national network of 2,300 engineers
- Leveraging smart meter install with a customer "home energy makeover"
- Building technology partnerships



**Mark Hanafin**  
Centrica Energy



**centrica**



## Market opportunity

### Upstream Gas

- UK and Norway gas remain lowest cost for UK gas delivery
- Majors exiting the North Sea
- Extensive infrastructure (gas pipelines) already present in the UKCS and NCS
- Gap between UK supply and demand expected to be filled by LNG

### Power Generation

- Medium term shift to low carbon generation
- Government focus on renewable energy (offshore wind) to continue
- Increasing recognition of the role of new nuclear in meeting low carbon and security of supply objectives
- Tightening reserve margins due to plant closures beyond 2015 with increased intermittency



Volatile prices and threat of supply disruption underscores need for UK security of supply and supports long term need for vertical integration

**Our distinctive capabilities and ability to execute strategy are key to delivering value from our growing upstream business**

### Distinctive capabilities

- Transformed scale and capability in upstream gas
- Only dual fuel hedged UK supply business
- Low carbon intensive generation fleet
- Leader in offshore wind
- Leading capability in UK gas storage
- Flexible portfolio

### Strategy

**Deliver value from our existing assets ...**

- Leading consolidator of mature and orphaned assets in the UKCS
- Optimisation of power generation fleet ... and our pipeline of low carbon investment choices ...
- Offshore wind, new nuclear, gas development, gas storage ... to secure sustainable sources of energy for our customers

# The CE Upstream gas strategy has transformed the scale and capability of the business

## Upstream Gas strategy

### UK, Netherlands Offshore

Be the leading consolidator and operator of mature and orphaned assets

### Norway

Partner with leading NCS operators, progress into operation

### LNG off-taker

Develop LNG structures with path to direct off-take rights into the Atlantic Basin

Capability

Sustainability

Flexibility

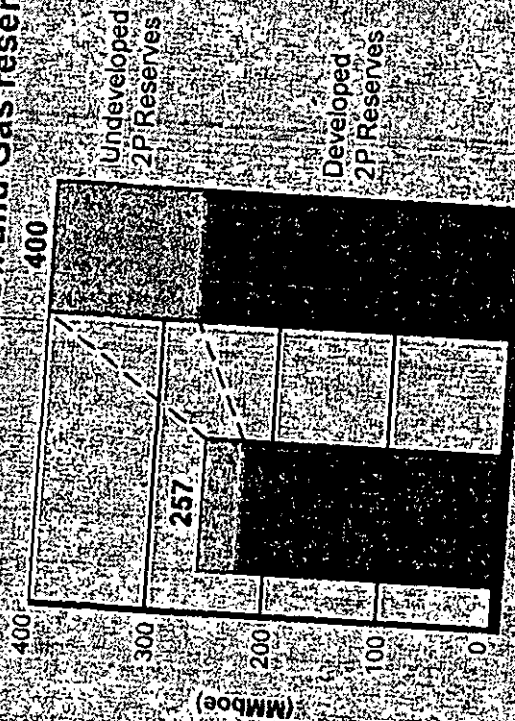
## Benefits realised

- Experienced Venture team with industry leading skills = commercial, geoscience and engineering
- Strong presence in the UKCS
- Transform Centrica Upstream business from 'blow down' to sustainable production
- Portfolio of valuable development options
- A full service operator (89% of Ventures production for 2009 is operated)
- Greater control and flexibility in 'make or buy' decisions



**While our gas and oil reserves have increased by 50%, the change in their composition has also brought key benefits**

**CE Upstream 2P Oil and Gas reserves**



**CE Upstream reported year-end 2008 reserves**      **CE Upstream reported year-end 2009 reserves**

Full audit of Venture gas and oil reserves complete  
 Reserves determined using internationally accepted and prudent 2P recognition methodology  
 2P reserves are equivalent to the sum of Proved plus Probable Reserves

**Benefits of changes in portfolio composition**

- Lower effective tax rate
  - induction of younger assets with lower tax rates has reduced the overall effective tax rate
- Increased flexibility control and a clear pipeline of future development options
  - increase in relative and absolute size of undeveloped reserves
  - significant opportunities to target and time investments
  - a majority operated portfolio across combined assets

# Our pre-Venture production profile

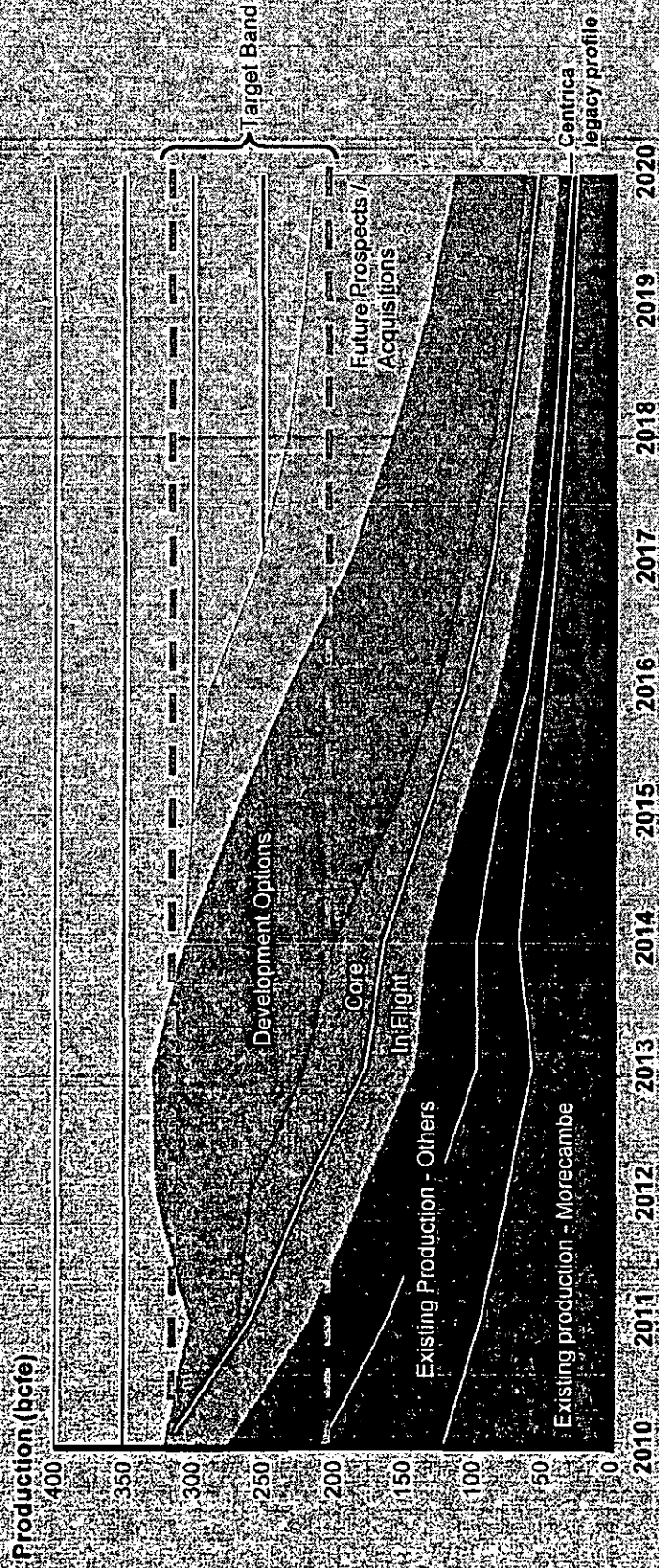
## Upstream Oil and Gas production profiles





Our production profile is now sustainable, both in the near and long term

### Upstream Oil and Gas production profiles



... the combined portfolio has enough scale to present significant opportunities to target and time investments

### Development optionality

**Existing Production**

- Bulk of our portfolio and has lower finding and development costs and lifting costs
- These assets satisfy our base-line gas requirements
- ~£100m capex between 2010 - 2012
- Underpins 60-65% of production by 2012

**In Flight and Core**

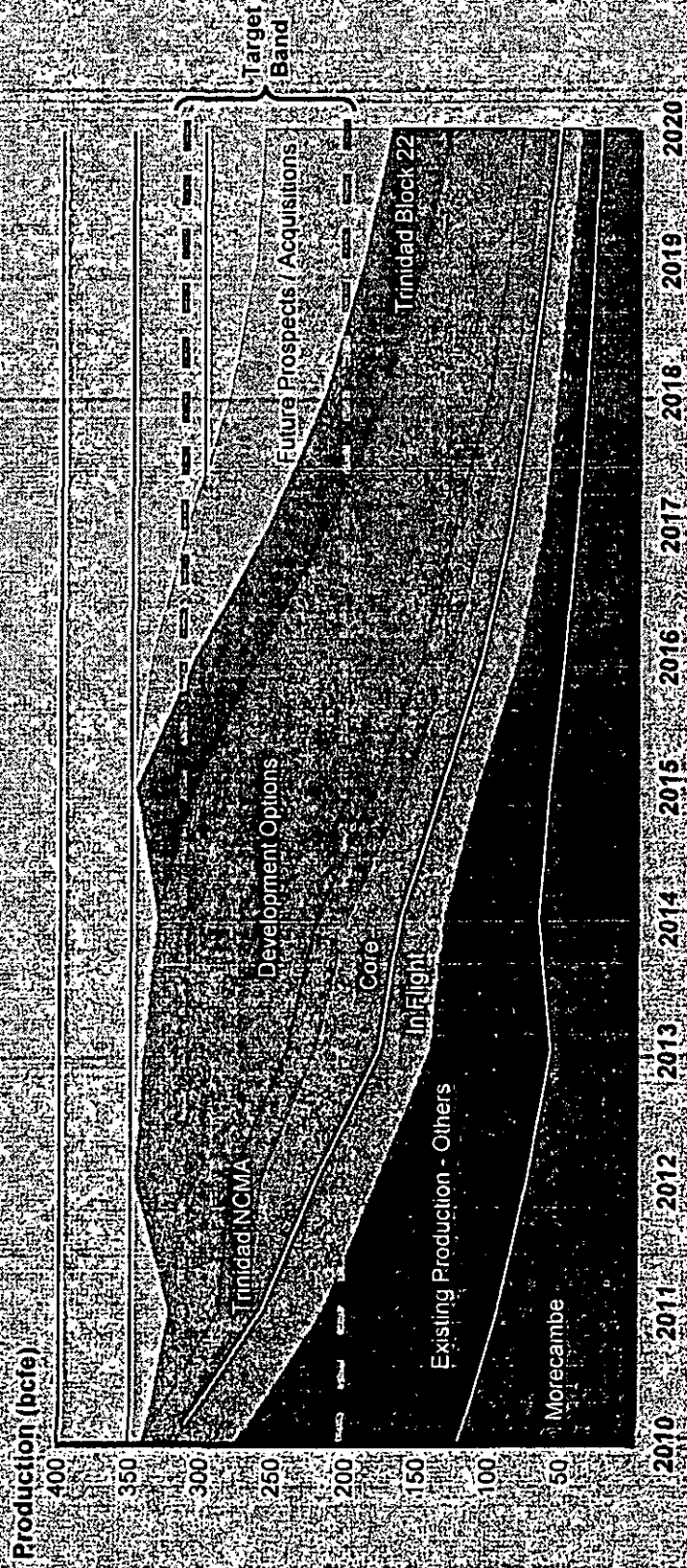
- This represents our next class of assets
- In flight - already in development
- Core - planned development in next 3 years
- Will maintain production at close to 80% of 2009 levels
- ~£600m of capex between 2010 - 2012
- Will provide 15-20% of production by 2012 and beyond

**Development Options**

- Represents the longer-term investment options
- Will support production beyond 2012
- ~£1,100m capex between 2010 - 2012
- Increasing to ~40% production by 2015
- Peik
- Sycamore
- Ensign
- Kew
- Fulham / Arrol
- Christian
- Carna
- Stafford
- Chiswick
- F3FA
- Stamford
- York
- Cygnus

Our recent acquisition of gas assets in Trinidad has given us our first producing LNG position – and further options

### Upstream Oil and Gas production profiles





# As the largest UK storage facility, Centrica Storage is focusing on improving flexibility

## Centrica Storage – key facts

- Roughly operationally strong
  - >98% reliability
  - increased storage capacity through investment
- Projects in progress
  - Caythorpe – planning permission granted
  - Baird – acquired 70% stake in Feb 09, FEED commenced
  - Bains – onshore planning granted

Historical profile (2004-2009)

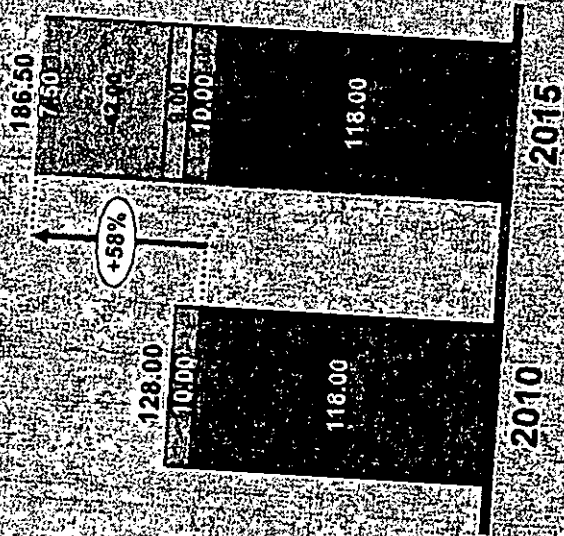


Project	Capacity	Operational
Caythorpe	7.5 bcf	2012-13
Baird	60 bcf	2013-14
Bains	15-20 bcf	2013-14

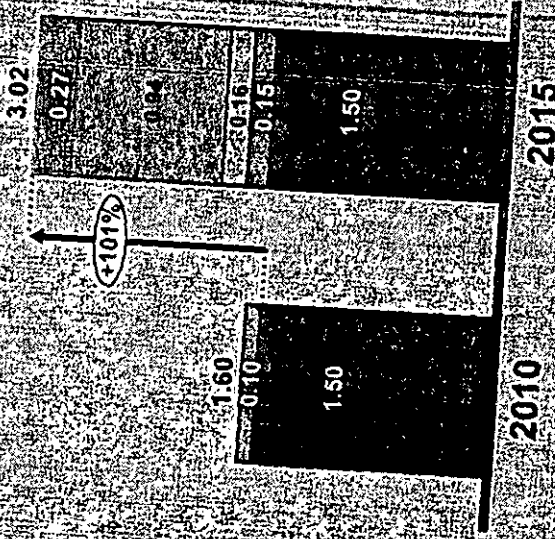
\* FEED = Front End Engineering Design

... while developing three more storage assets that will make a significant contribution to UK storage capacity

CSL storage capacity (BCF)



CSL withdrawal capability (BCF/day)



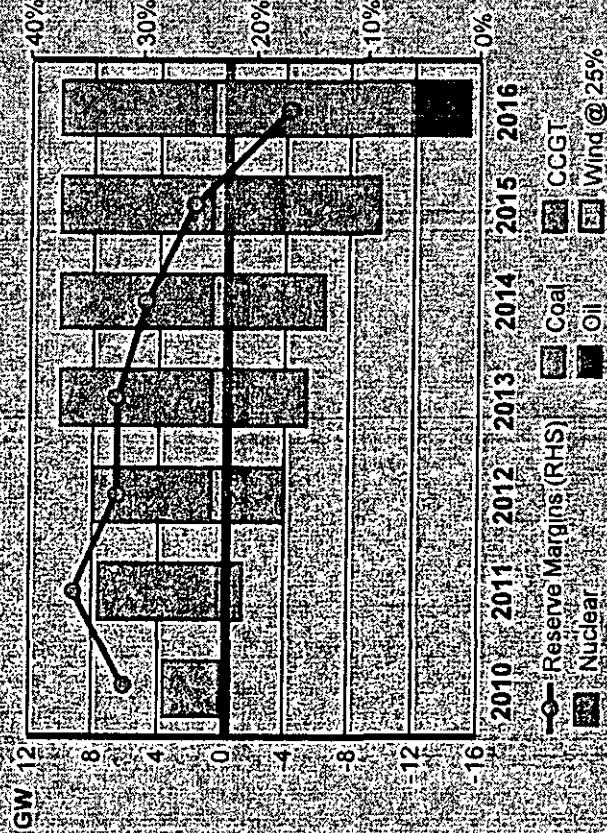
- Gaythorpe (100%)
- Baird (70%)
- Rough Improvement Initiatives
- Rough (100%)

Note: % in brackets indicates Centrica share of equity

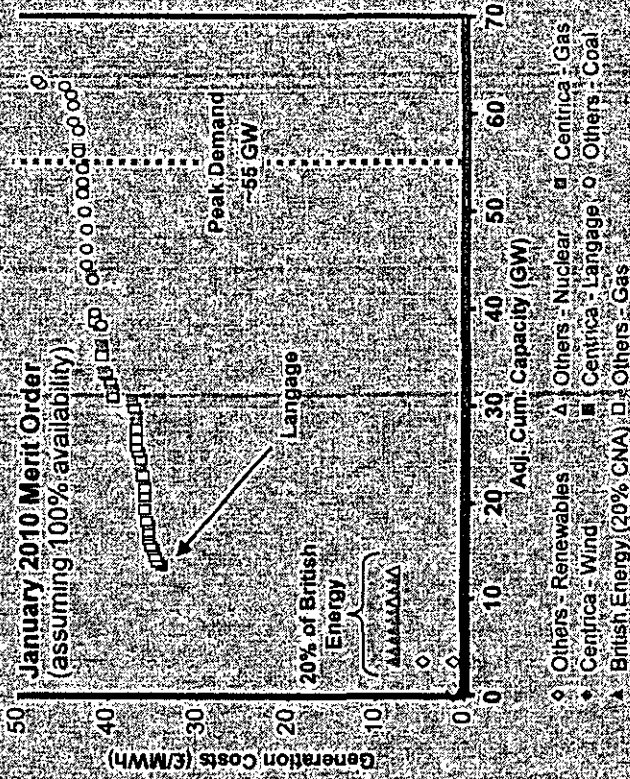
# On the power generation side, Centrica CCGT plants will continue to benefit from market conditions

## Key market trends

Longer term, declining reserve margin due to plant closures



CCGT fleet benefiting from short-term market conditions





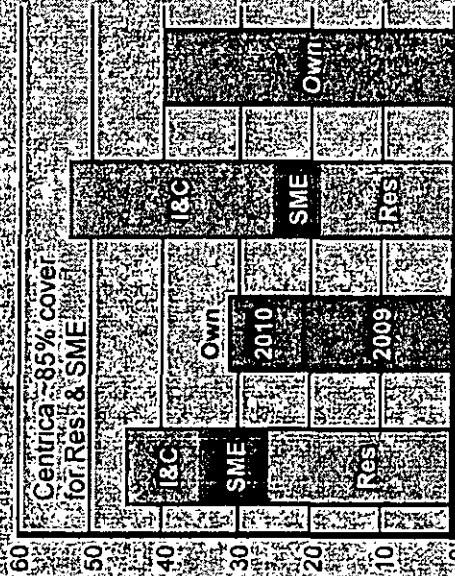
# Our power generation strategy will lead to increased generation cover and a more balanced fleet

Strategy aims for increased cover and balanced fleet

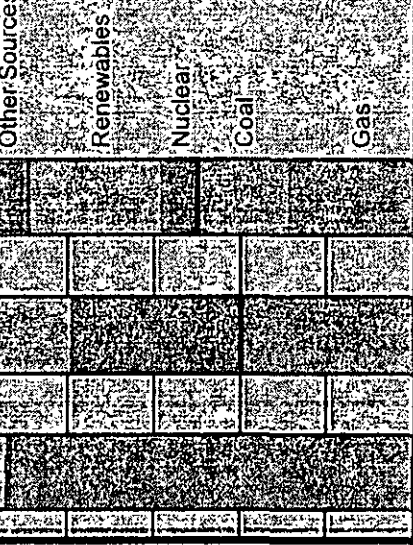
- Target increased cover for downstream
- Target diversified generation fleet
- Specific strategies for:
  - Nuclear - JV with EDF
  - Wind - new build
  - Gas - asset replacement
  - Coal - contractual

Strategy leads to a mix more closely aligned to the market but with lower carbon risk

Generation cover (TWh)



Generation mix (TWh)



Potential generation output if UK government targets are met



... and we have strong advantages across all key elements of the offshore wind value chain

Leaders along key elements of the offshore wind value chain

Tendering, Design & Acquisition



- ✓ Continued success in tendering - Round 3 offshore wind 4.2GW in the Irish Sea zone
- ✓ Well-developed pipeline of projects

Economics & Financing



- ✓ Efficient and prudent financial approach
- ✓ Sale of a 50% equity stake in Lincs
- ✓ Sale of 50% of GEID
- ✓ 15 year PPA off-take for all production
- ✓ 2IROCS

Construction & Commissioning



- ✓ In-house turnkey capability (for e.g. charter of MP Resolution)
- ✓ LID delivered on budget and on time
- ✓ FID for 270 MW Lincs offshore wind development
- ✓ Preferential access to leading technology through our alliance with Siemens

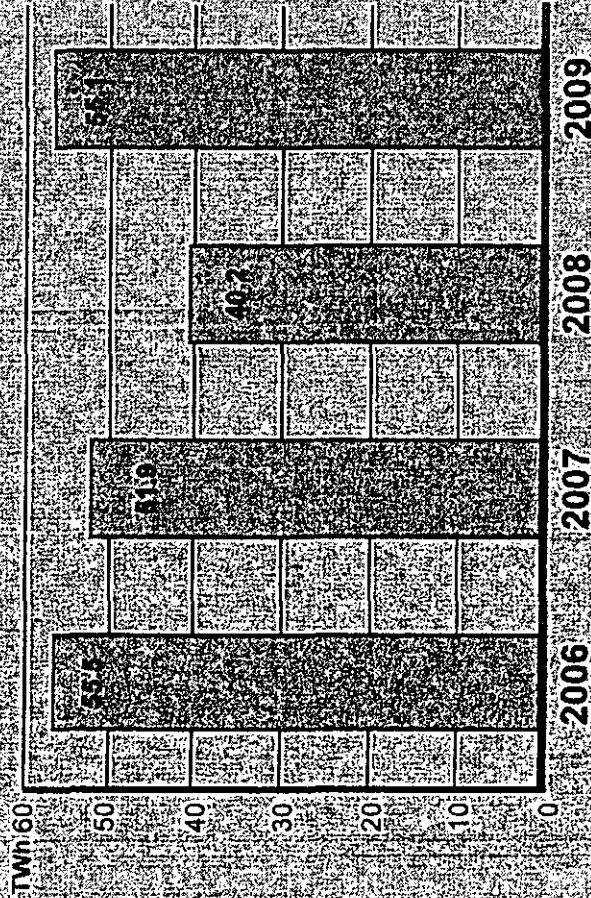
Operations & Maintenance



- ✓ Extensive first-hand O&M experience provides key insights that are fed back into the design and construction of future wind farms

# The performance of the BE nuclear fleet is improving

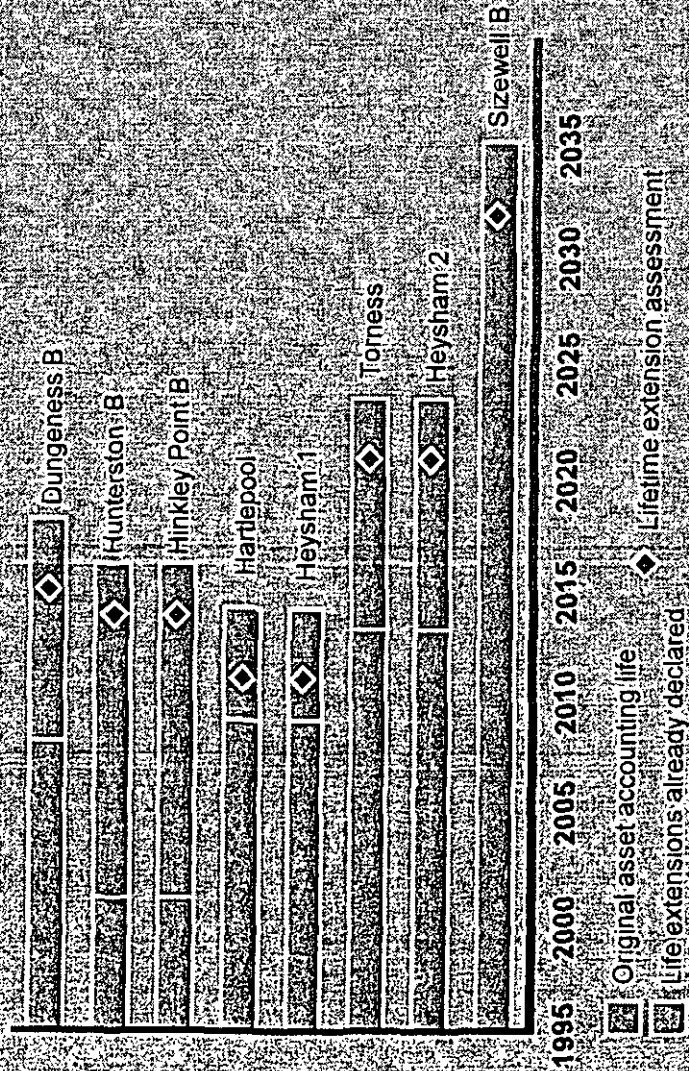
Historical output of BE nuclear fleet



- 2008 was a technically challenging year
- Significant improvement in 2009 output from the British Energy nuclear fleet, benefiting from investment in plant and in human performance
- Trends encouraging
- Older technology plants requiring continual maintenance

# Scope for possible life extensions but committed government engagement is needed for future new build

Current position of BEI station lifetimes

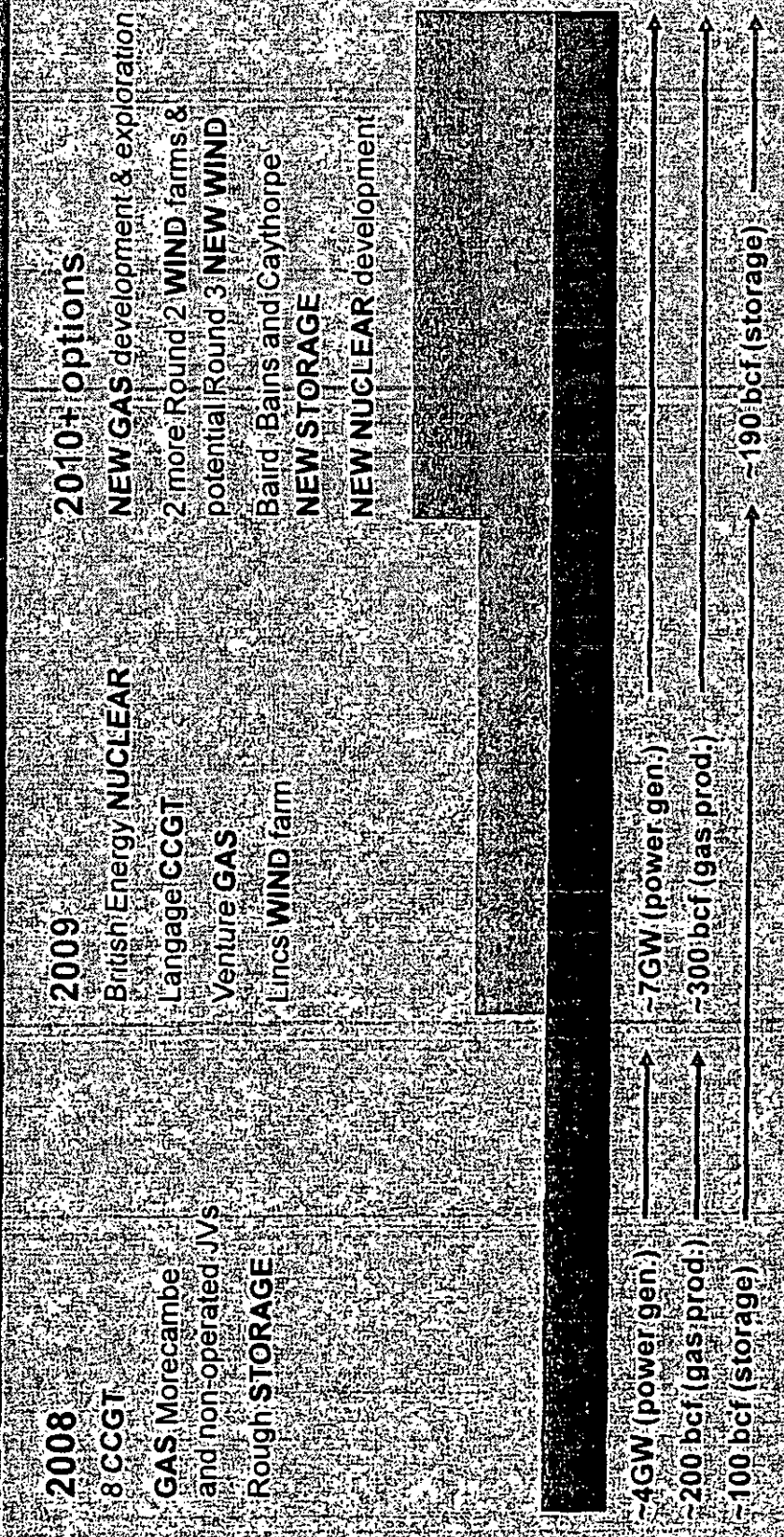


## New build trends

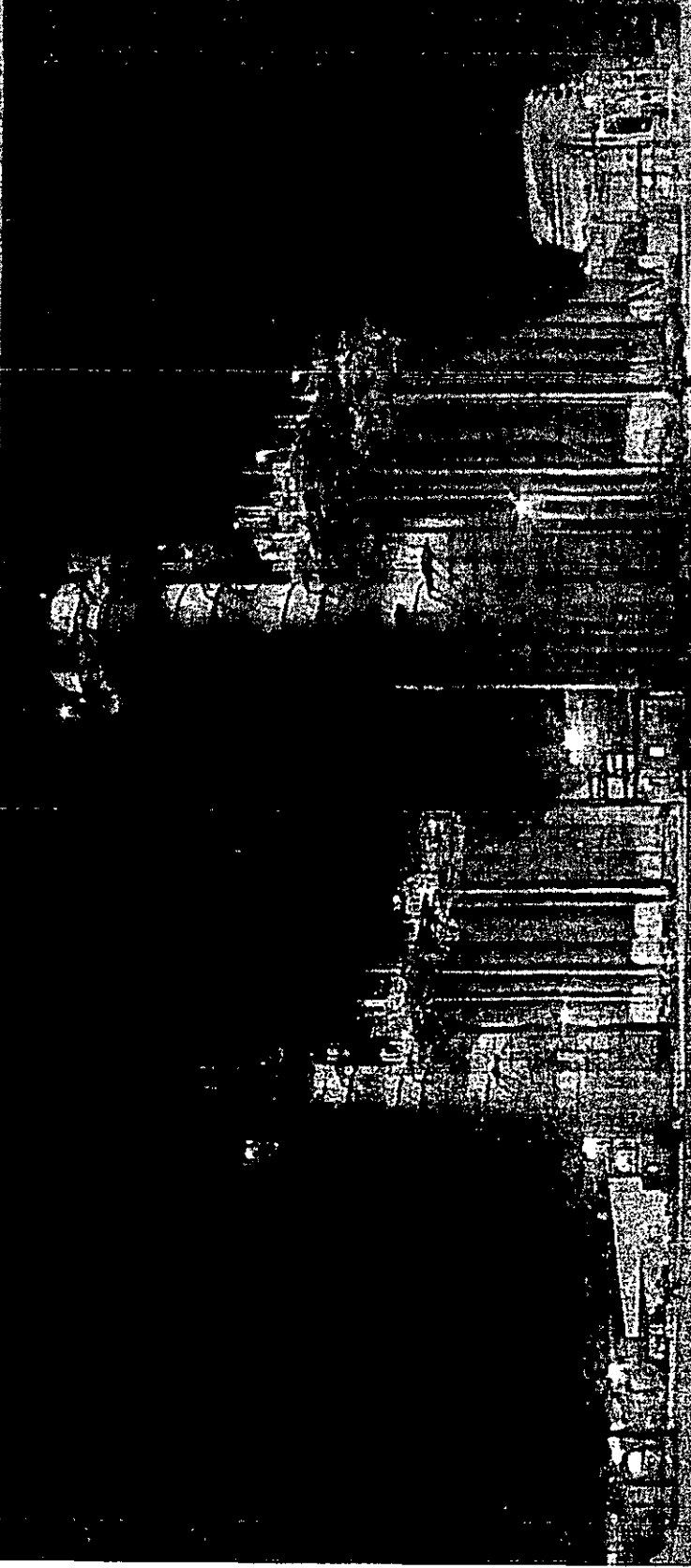
- New build FID in 2011
- Increasing recognition of the role of new nuclear in meeting low carbon and security of supply objectives
- Government and Conservatives support a new nuclear programme
- Regulatory and planning barriers being addressed
- Centrica engaging with policy-makers to ensure supportive investment climate
- Looking to Government to underpin the carbon price signal following Copenhagen



# A well-defined and robust platform for growth



**Chris Weston**  
Direct Energy



**centrica**



## Market opportunity

- **Downstream energy** market growing with new states opening and increasing customer switching
- **Services** recovering with US economy and buoyed by efficiency incentives
- Attractive fundamentals in **power generation** with shrinking reserve margins, little current new build and investment requirement for new capacity
- **Technology improvements** creating material **upstream gas** growth opportunity in Shale



Underlying growth in each 'integrated energy' market segment supports Centrica's growth ambition in North America

# Chosen markets offer attractive potential for growth

	Deregulated markets	DE target markets	Profit pool in target markets	UK market
<b>Residential Energy</b> (accounts)	65m	40m	€\$4bn	48m
<b>Business Energy</b> (volumes)	1,000 TWh 90 bth	975 TWh 30 bth	€\$3bn	190 TWh 8 bth
<b>Services</b> (homes)	112m	90m	€\$3bn	24m
<b>Upstream Gas</b> (production)	250 bth	50 bth	€\$9bn	26 bth
<b>Power Generation</b> (capacity)	590 GW	540 GW	€\$14bn	80 GW



# Direct Energy has a strong platform on which to build

## Direct Energy businesses

- Residential Energy**
- Business Energy**
- Services**
- Upstream Gas**
- Power Generation**

3m customers  
largest retailer in  
North America

33 TWh and 690 mmth  
annual volumes  
3rd largest retailer

2m customers  
Heating/cooling service  
and energy efficiency

375 mmth production in Alberta  
4,000 mmth reserves (2P)

1.2 GW CCGT capacity in Texas

## Core markets



## ... and a distinctive set of capabilities

### North American platform

- Strong downstream position in key residential deregulated markets
- Deep local regulation and wholesale market experience
- Large scale C&I business
- Unique services capability
- Existing gas and power assets provide base to build a more vertically balanced business

### Relevant Centrica UK capabilities

- Customer care systems & processes
- Managing full requirements energy risk
- 20 years competitive energy marketing experience
- Market leading small commercial business and capabilities
- Creating value from energy / services linkage
- Large scale C&I fleet
- Extensive and strong asset acquisition track-record

# Our strategy will build an integrated energy business

Improve returns from existing business

Grow scale and leadership downstream

Invest in upstream for integration and value creation

- Reduce costs and improve efficiency
- Leverage scale of existing positions
- Be the most recommended energy and services provider
- Achieve regional leadership positions in our Residential markets
- Continue growth in Business markets
- Grow Integrated Services and energy capability
- Expand our upstream gas business
- Build generation capacity to support key retail markets
- Balance upstream and downstream, move towards 35-40% cover



Deliver material contribution to Group earnings over medium term



# DE Residential: transformation will enable growth

	DE customers (millions)	DE market position (rank)	Key competitors
Canada:	1.9	1	Just Energy ENMAX
Texas:	0.7	3	TXU Reliant
US Northeast:	0.6	3	Dominion IGS
NA overall:	3.1	1	n/a

## Improving returns

- In-sourced Texas operations enabling cost and churn reduction
- Stabilise Ontario in challenging regulatory environment

## Growing scale

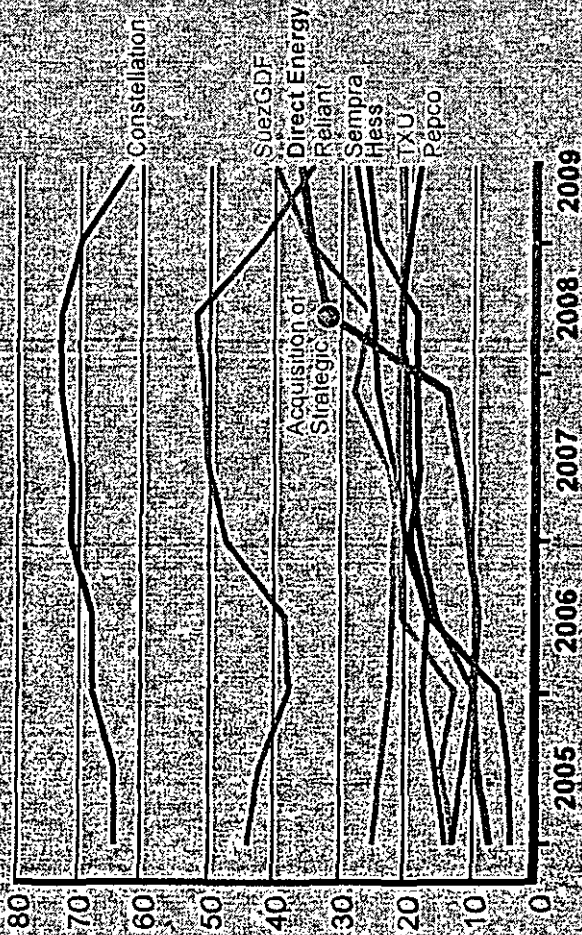
- Capitalise on US Northeast growth opportunities
- Extend overall scale into regional leadership positions

## Distinctive capabilities

- Managing full requirements retail energy risk
- Customer care systems & processes
- Scale economics

# DE Business: continuing to gain share

US power market share (TWh)



Source: KEMA

## Improving returns

- Leveraged platform and scale following combination with Strategic
- Reduce costs
- Price for credit/capital utilisation

## Growing scale

- Continue organic growth
- Focus on most attractive customers segments

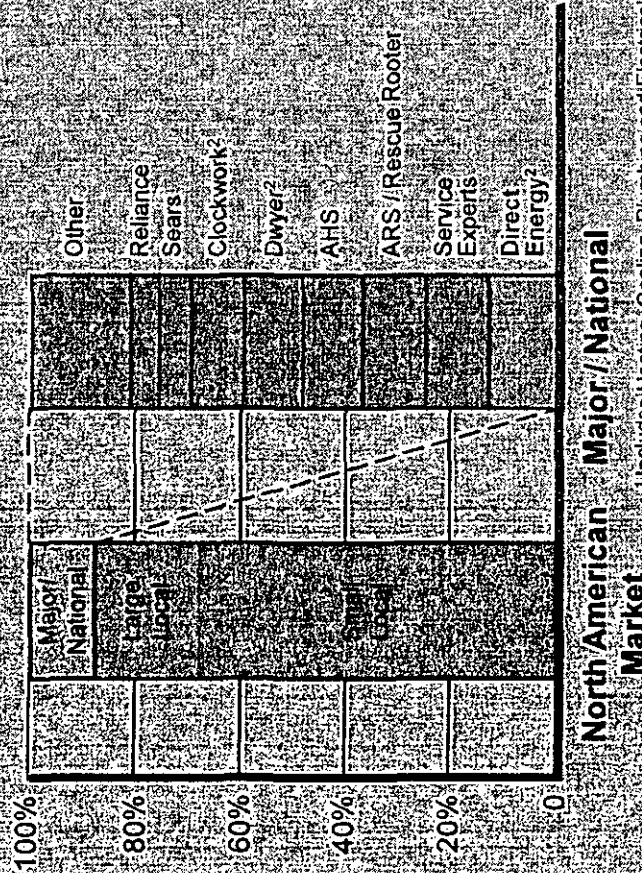
## Distinctive capabilities

- Managing full requirements retail energy margin
- Unique product offering
- UK small-commercial experience



# DE Services: increasing efficiency, focus and energy linkage

Services market share<sup>1</sup>



<sup>1</sup> Includes Heating, Cooling, Plumbing and Electrical services  
<sup>2</sup> Includes franchisee revenues

## Improving returns

- Optimising costs
- Leveraging scale in procurement

## Growing scale

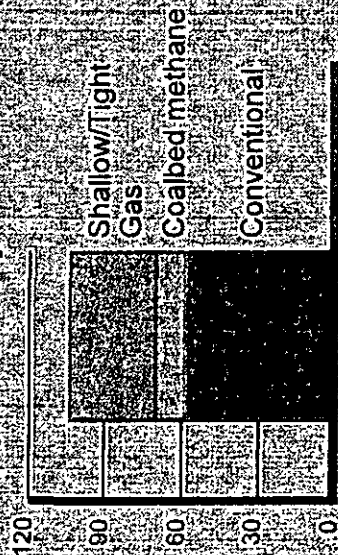
- Expanding services offering in US
- Focus on local market density in key metropolitan areas

## Distinctive capabilities

- One of largest in fragmented market
- Leveraging UK market experience and learning
  - energy/services linkage
  - smart metering/home energy management

# DE Upstream gas: a strong base from which to build

DE upstream production (mmcf/d)



DE Production WCSB producer cash costs (\$/mcf)



2009 cash costs for WCSB producers > 50% gas weighted

- Competitively positioned Western Canadian (WCSB) business
  - top quartile cost position
- Using flexibility to pace development in current commodity price environment
  - reducing costs
  - increasing reserves
- Focus on currently attractive opportunities to increase WCSB reserves
  - expand conventional production
  - explore Shale opportunities

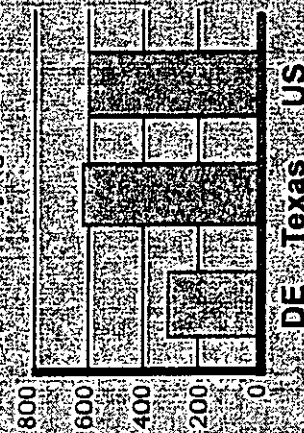


# DE Power generation: capabilities are foundation for growth

## DE CCGT generation assets

Power Station	Start year	Capacity (MW)	Heat-rate (BTU/kWh)	Year acquired	Acquisition cost (US\$/kW)
Bastrop	2002	525	7,200	2004	265
Frontiera	2000	450	7,200	2004	281
Paris	1990	1240	8,300	2006	195

Generation carbon intensity (g/kWh)



DE asset reliability (%)



- Low current spark spreads but fundamentals strong
  - 2015 reserve margin forecast below minimum
- Well positioned portfolio
  - low heat-rate
  - low carbon intensity
- Leveraging Centrica generation experience and capabilities
  - disciplined acquisition track-record in NA
  - improved reliability



# Potential to increase integration benefits

DE peak load and generation (MW)



DE gas demand and production (mmth)



- Currently asset cover of 10% of power load and 20% of gas demand
- Aim to better balance downstream and upstream positions moving towards 35-40% cover
  - offset downstream price and collateral exposure with appropriate asset cover
  - balance opportunity and financial capacity
- Targeting expansion of generation in key retail markets (Texas & US NE)
- Focussing upstream gas growth in WCSB
  - exploring Shale opportunities
- Investments will be value driven
  - will wait for right opportunities
  - competing for Group capital

Excludes regulated customers in Canada

# We will build on the DE platform to create an integrated North American business

Invest in upstream integration

Grow scale and leadership downstream

Improve returns from existing business

Strengthen the platform

Material contribution to Centrica earnings

2000-08

2009

2010

2011

2012

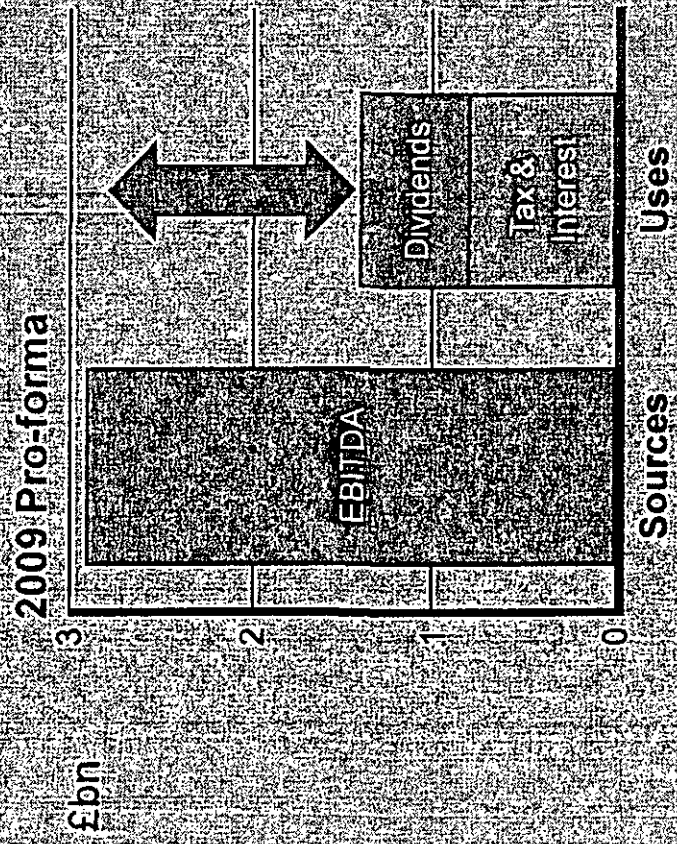
- *Improve returns* through improved efficiency, scale and customer service
- *Grow downstream* both organically and through acquisitions
- *Invest in integration*, moving toward 35-40% asset cover within confines of Group financial headroom and Group-wide competition for capital
- *Double the size of the business* over the next 3-5 years

**Nick Luff**  
Finance Director

**centrica**



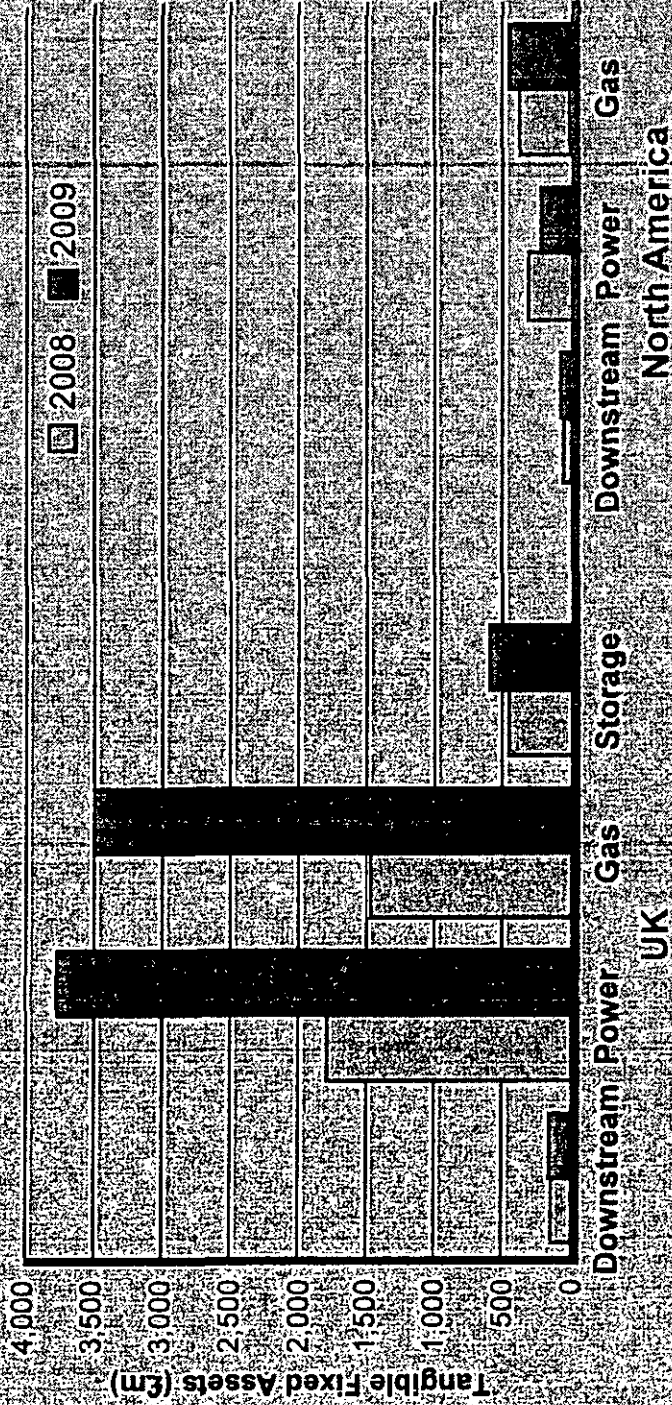
# Strong cash generation



Highly cash generative (~£1.5bn net)  
 + Strong balance sheet  
 = Significant flexibility and investment choices

Note: (1) Includes Venture and 20% of British Energy on a full year proforma basis  
 (2) 20% share of British Energy included in each line

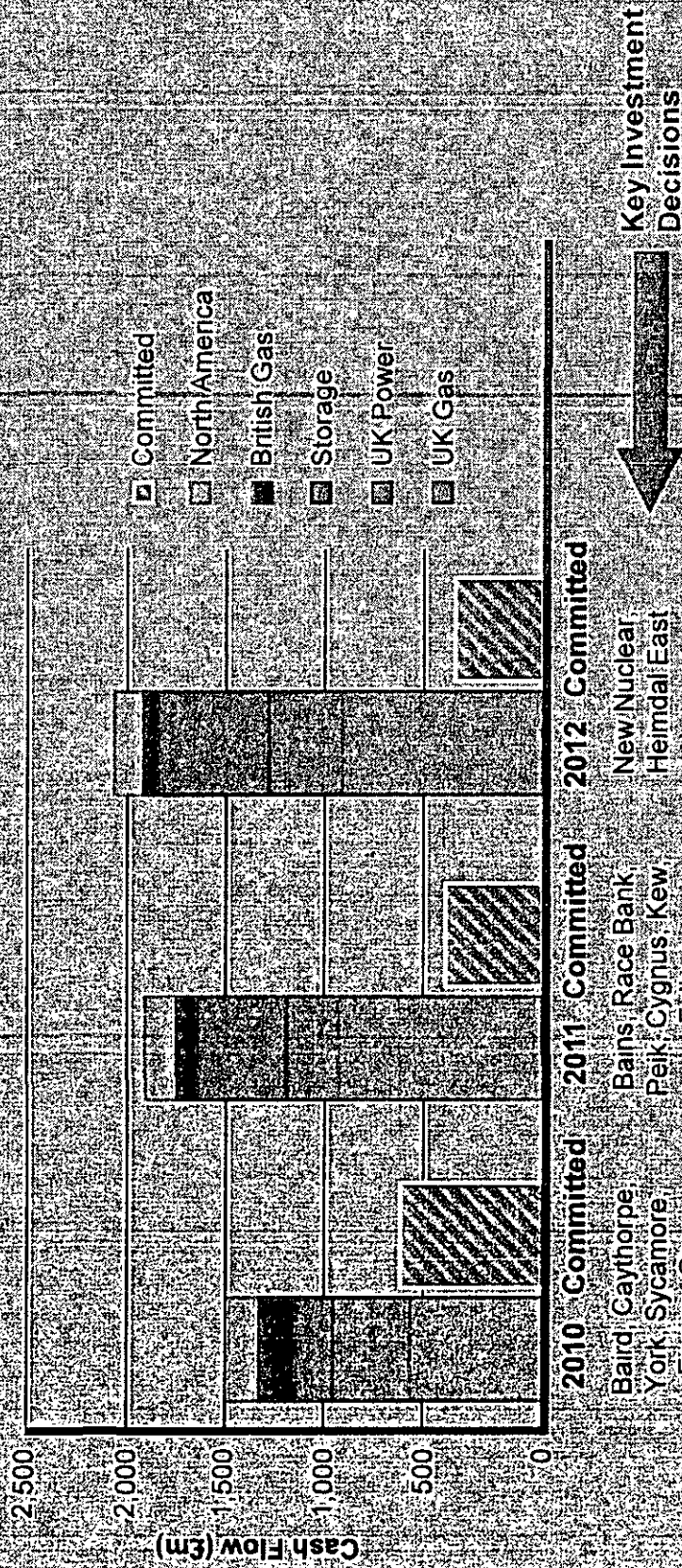
# Capital intensity has increased



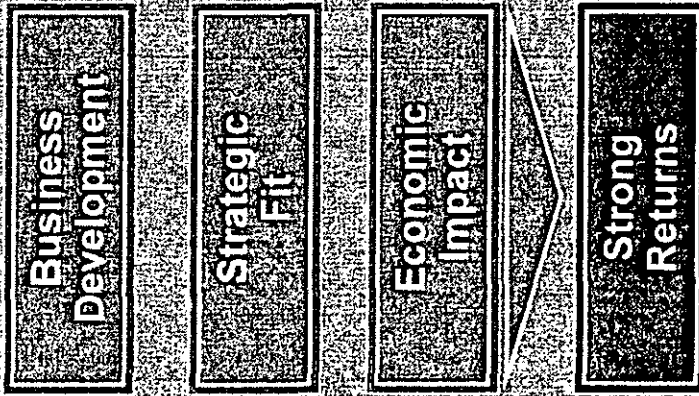
Note: (1) Based on closing Property, Plant and Equipment.  
 (2) UK power includes investment in JVs and associates.  
 (3) UK Gas includes Trinidad.



# Optionality in investment programme



# Capital discipline ensures high returns



- Identification and prioritisation of opportunity pipeline
- Business level screening
- Assessment of risks — e.g. commodity, financial, operational
- Ensure investments are on strategy
- Tie investment choices to competitive advantages
- Growing technical expertise provides capability to deliver
- Financial metrics consider both the long and short term
- Alternate financing options considered
- Invest in projects with returns in excess of hurdle rates
- Select projects with the highest returns and exercise choices around timing
- Hurdle rates established to deliver strong returns
- Post investment reviews ensure learning transferred
- Provides balanced portfolio of investments across Group



# Case study – Lincs offshore wind

**Business Development**

**Strategic Fit**

**Economic Impact**

**Strong Returns**

## 2008

- Business case developed
- Based on LID development area knowledge and expertise
- Aligned with power generation strategy
- Investment returns too low
- Financial risks too high
- Project rejected

## 2009

- Improved cost base through supplier negotiation
- Flexibility on timing with vessel optionality
- Financing template established for recycling capital, crystallising development gains and diversifying risk
- Business case revisited
- Additional revenue from two ROC's
- Project approved
- £725m investment
- 11 to 12% IRR

## Capital deployed to generate earnings

Year	Projects contributing to earnings
2010	Langage, F3FA, Chiswick, Eris, Ceres
2011	Sycamore, Christian
2012	Lincs, York, Ensign, Carna, Kew, Caythorpe
2013+	Bains, Baird, Cygnus, Race Bank, Docking Shoal, New Nuclear



# What if gas prices stay low?

## Upstream

### Impact

- Lower gas production profits (some offset from oil production and lower taxes)
- Lower returns from nuclear generation (hedges protect 2010 and 2011 to a lesser extent)
- Lower wind profits (protected by ROCs)
- + CCGT's advantaged (running base load)
- +/- Storage depends on volatility and spreads
- + Upward pressure on tariff/book margins
- + Strong relative competitive position
- Limited exposure to low dark spreads
- Very limited exposure to oil-linked gas procurement

## Downstream

### Levers to mitigate / opportunities

- Asset flexibility to preserve reserves
- Optionality in investment programme
  - defer gas exploration / development
  - support mechanism required for new nuclear
- Price competitiveness drives growth

Integrated model protects earnings in a low gas price environment

# What if gas prices go up?

## Impact

- + Higher gas production profits
- + Higher returns from nuclear (post/hedges)
- Pressure on CCGT

## Upstream

- Downward pressure on tariff book margins

## Downstream

- Structural hedge now protects competitive position
  - only relatively disadvantaged if coal and carbon prices low when gas prices high
- Greater demand for new energy service propositions

## Levers to mitigate / opportunities

- Additional value in investment programme
- CCGT switch to peaking

Higher gas prices drive increased long-term value

**Sam Laidlaw**  
Chief Executive

**centrica**



# Centrica: The next 3 to 5 years

## UK Downstream

- Double the number of high value joint energy & services customers
- Lead the transition to low carbon (~2m Smart Meters, leading microgen installer in UK)
- Strong penetration of new markets e.g. local housing authorities
- Leading provider of energy efficiency services to the commercial sector
- Lowest cost service provider in the industry, clear leadership position with online offering

## UK Upstream

- A sustainable gas business producing around 300bcf per annum
- Leading multi-asset, multi-product gas storage business in UK
- A renewables portfolio of ~1GW, with Lincs operational, Race Bank under development
- Subject to economics, FID on 1st new nuclear project and construction begun

## North America

- A strong retail energy business (No.1 or 2) in our core retail markets (residential and C&I)
- An enhanced services and energy efficiency capability for our retail customers
- A robust integrated model with 35-40% of our NA energy needs from our own sources
- North American operating profits doubling over the next five years

*Strong earnings growth and superior financial returns*



**Capital Markets Presentation**  
12 March 2010

**centrica**

**APPENDIX B**

**RECEIVED**

AUG 30 2010

PA PUBLIC UTILITY COMMISSION  
SECRETARY'S BUREAU

**BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Joint Application of West Penn Power :  
Company d/b/a Allegheny Power, Trans- : Docket No. A-2010-2176520  
Allegheny Interstate Line Company and : Docket No. A-2010-2176732  
FirstEnergy Corp. for a Certificate of Public :  
Convenience under Section 1102(a)(3) of the :  
Public Utility Code approving a change of :  
control of West Penn Power Company :  
And Trans-Allegheny Interstate Line Company :

**OBJECTIONS OF DIRECT ENERGY SERVICES  
TO THE INTERROGATORIES (SET I) OF WEST PENN POWER COMPANY, TRANS-  
ALLEGHENY INTERSTATE LINE COMPANY, AND FIRSTENERGY CORP**

Pursuant to 66 Pa. C.S. § 333(d) and 52 Pa. Code §§ 5.342(c) and (e), Direct Energy Services (“Direct Energy”) object to Set I Interrogatory Nos. I-26, I-28 and I-29 propounded by West Penn Power Company, Trans-Allegheny Interstate Line Company, and FirstEnergy Corp. (collectively, “Joint Applicants”). Notwithstanding and without waiver of these objections, Direct Energy will provide responses to each of the questions to which an objection is being lodged.

**I. Introduction**

On August 19, 2010, Joint Applicants served Direct Energy with its first set of Interrogatories containing 46 questions, 12 subparts and two exhibits from presentations by Direct Energy’s parent company, Centrica. Direct Energy is preparing responses to all of these questions and plans to serve them on August 30, 2010 in accordance with the discovery schedule set forth in this proceeding. There are, however, three questions I-26, I-28 and I-29 to which Direct Energy objects as set forth herein. Notwithstanding these objections and without waiver of them and in the interests of attempting to provide a full and complete record for the Commission, Direct Energy will provide responses to each of them.

## **II. Objections**

The Commission's regulations permit a party to seek discovery regarding any matter, not privileged, which is relevant to the subject matter involved in the pending action. 52 Pa. Code § 5.321. However, the regulations prohibit discovery if it "would cause unreasonably annoyance, embarrassment, oppression, burden or expense to a party." 52 Pa. Code § 5.361(a)(2). As explained below, while questions I-26, I-28 and I-29 seek information that should not be required to be disclosed, Direct Energy will provide responses notwithstanding and without waiver of its objections.

### **A. Direct Energy's Objections to Question I-26**

Interrogatory I-26 states as follows:

**Request: -JA(DIRECT)-I-26** Please identify any generation assets in PJM targeted for acquisition as part of the corporate strategy to source 35% to 40% of Direct Energy's North American Market from assets owned by Direct Energy (Road Show, p. 41).

Direct Energy objects to this request on the basis that it is not relevant nor is it reasonably calculated to lead to the discovery of admissible evidence. In addition, this questions seeks information related to a matter which is privileged because it seeks data that Direct Energy is prohibited from disclosing due to non-disclosure and confidentiality agreements with other entities.

First, the information sought is not relevant nor is it reasonably calculated to lead to the discovery of admissible evidence in this proceeding. 52 Pa. Code § 5.321(c). At its core, this proceeding is about whether Joint Applicants' request to merge should be approved by the Commission as consistent with the statutory requirements that it provide an affirmative public benefit. In its testimony, Direct Energy has explained why the proposed merger fails to meet the statutory requirements and what measures must be implemented to the extent the Commission



chooses not to deny the merger. Direct Energy's business strategy and business plans are not relevant to these issues which are rightly focused on the Joint Applicants. As this information is not relevant to any issue in this proceeding, Direct Energy submits that this request not only does not meet the relevancy test but also is being sought to cause unreasonably annoyance, embarrassment, oppression, burden or expense and should be prohibited. 52 Pa. Code § 5.361(a)(2).. Notwithstanding this objection and without waiver of it, Direct Energy will provide a response.

Second, and in the normal course of business, Direct Energy is bound by non-disclosure and confidentiality agreements with various entities with whom it is either considering or actively discussing potential acquisition and/or business arrangements. Pursuant to these agreements, therefore, the information is privileged and barred from discovery, even pursuant to the protective order entered in this case. 52 Pa. Code § 5.361(a)(3). To the extent Direct Energy is not bound by any non-disclosure or confidentiality agreements, it will provide a response notwithstanding and without waiver of its objections.

#### **B. Direct Energy's Objections to Question I-28**

Interrogatory I-28 states as follows:

**Request: -JA(DIRECT)-I-28** Per the March 12, 2010 Centrica plc-Capital Markets Presentation (attached as Exhibit B to these Interrogatories), p. 66, Direct Energy seeks to be "a strong retail energy business (no. 1 or 2) in our core retail markets (residential and C&I)."

1. Please describe how Direct Energy defines "no. 1 or no. 2" in its core retail markets.
2. Please describe the percentage market share that Direct Energy believes will result in Direct Energy being "no. 1 or no. 2" in its core retail markets.
3. Please provide the estimated MWh sales that Direct Energy will have in its US Northeast Core Market referenced in the Road Show over the next 5 years, assuming it attains the no. 1 or no. 2 market position.
4. How much generating capacity will Direct Energy need to acquire over the next 5 years to provide the estimated MWh sales provided in

response to Interrogatory No. 30.3 to meet its strategy to source 35% to 40% of the projected MWh sales from assets owned by Direct Energy?

Direct Energy objects to subparts 2-4 of I-28 for two reasons. First, this question is not seeking relevant information nor is it reasonably calculated to lead to the discovery of admissible evidence. 52 Pa. Code § 5.321(c). As discussed above, Direct Energy's business strategy and business plans are not relevant to the issues in this proceeding and is being sought to cause unreasonable annoyance, embarrassment, oppression, burden or expense and should be prohibited. 52 Pa. Code § 5.361(a)(2).

Second, Direct Energy objects to these questions to the extent they are seeking highly detailed information related to Direct Energy's business plans and marketing strategy. Such information is at the core of Direct Energy's business and is highly sensitive such that the release of it would be prejudicial and damaging to Direct Energy's business. 52 Pa. Code § 5.361. Direct Energy has not relied upon the information sought in this question to support its position in this case, it has not released such information to the other parties in this case, nor does it in the normal course of business release such information to other entities. While there is a Protective Order, the terms of the Protective Order would not mitigate potential damage to Direct Energy to releasing this information nor can the Protective Order be used as a tool to require Direct Energy to produce information that is not relevant to the issues of this proceeding and, if released, would substantially harm a party. Notwithstanding and without waiver of this objection, Direct Energy will provide a confidential response to these questions.

### **C. Direct Energy's Objection to Interrogatory I-29**

Interrogatory states as follows:

**Request: -JA(DIRECT)-I-29** Please provide Direct Energy's estimate of the top 5 providers of competitive electricity services in the US Northeast Core Market referenced in the Road Show (p. 39).

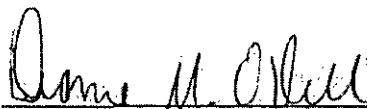
1. Is any affiliate of FirstEnergy Corp. or Allegheny Power considered a top 5 provider of competitive electricity services in the US Northeast Core Market as described by Centrica?

Consistent with its previously explained objections as to relevancy and to the extent this question is seeking highly detailed information related to Direct Energy's business plans and marketing strategy, Direct Energy objects to this question. Notwithstanding this objection and without waiver of it, Direct Energy will provide a response.

### **III. Conclusion**

For all the reasons set forth above, Direct Energy's objections to Joint Applicants' Interrogatories I-26, I-28 and I-29 should be granted.

Respectfully submitted,



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Dated: August 25, 2010

BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION

RECEIVED

AUG 30 2010

JOINT APPLICATION OF WEST PENN  
POWER COMPANY doing business as  
ALLEGHENY POWER, TRANS-  
ALLEGHENY INTERSTATE LINE  
COMPANY AND FIRSTENERGY CORP.  
FOR A CERTIFICATE OF PUBLIC  
CONVENIENCE UNDER SECTION  
1102(A)(3) OF THE PUBLIC UTILITY CODE  
APPROVING A CHANGE OF CONTROL OF  
WEST PENN POWER COMPANY AND  
TRANS-ALLEGHENY INTERSTATE LINE  
COMPANY

PA PUBLIC UTILITY COMMISSION  
SECRETARY'S BUREAU

DOCKET NOS. A-2010-2176520  
A-2010-2176732

CERTIFICATE OF SERVICE

I hereby certify and affirm that I have this day served a copy of the **Motion to Dismiss Objections and Compel Response to Set I Interrogatories of West Penn Power Company, Trans-Allegheny Interstate Line Company and FirstEnergy Corp. to Direct Energy Services, LLC** on the following persons in the matter specified in accordance with the requirements of 52 Pa. Code § 1.54:

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FEDERAL EXPRESS DELIVERY

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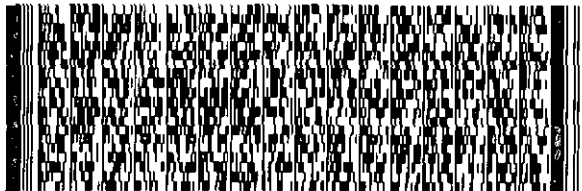
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