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BEFORE  
THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Application of )  
Direct Energy Source, LLC d/b/a ) Case No. 02-1668-GA-CRS  
Vectren Source for Certification )  
as a Retail Natural Gas Supplier. )

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MOTION FOR PROTECTIVE ORDER

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July 3, 2012

{C30880:}

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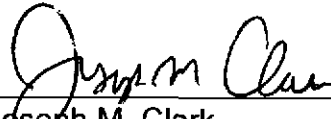
**MOTION FOR PROTECTIVE ORDER**

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Pursuant to the provisions of Rule 4901-1-24(D) of the Ohio Administrative Code ("O.A.C."), Direct Energy Source, LLC d/b/a Vectren Source ("Direct Energy Source") respectfully moves the Public Utilities Commission of Ohio ("Commission") to issue a protective order to protect the confidentiality of and prohibit the disclosure of certain documents filed simultaneously with this motion in the above-captioned docket. The documents in Exhibits C-4 Financial Arrangements ("Exhibit C-4") and C-5 Forecasted Financial Statements ("Exhibit C-5"), contain competitively sensitive and highly proprietary business financial information comprising of trade secrets. These documents have been clearly marked as confidential and are hereby filed under seal, separate from the remainder of the materials filed concurrently with this Motion for Protective Order.

The grounds for the instant Motion are set forth in the attached Memorandum in Support.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Joseph M. Clark". The signature is written in a cursive style with a horizontal line underneath it.

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**MEMORANDUM IN SUPPORT**

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On June 12, 2012, Direct Energy Source filed its Renewal Certification Application for Competitive Retail Natural Gas Suppliers ("CRNGS"). The Application contains all of the required information and materials in accordance with the Commission's Renewal Certification Filing Instructions for Competitive Retail Natural Gas Suppliers and Rule 4901-1-24, O.A.C. As part of the Application materials, the Commission requested information regarding Direct Energy Source's financial arrangements (Exhibit C-4) and forecasted financial statements (Exhibit C-5). In its June 12, 2012 filing, Direct Energy Source submitted Exhibits C-4 and C-5 under seal because the documents contain competitively sensitive and highly proprietary business financial information, which require confidential treatment.

Commission Staff ("Staff") subsequently contacted Direct Energy Source, LLC and requested additional information related to Exhibits C-4 and C-5 as well as credit ratings (Exhibit C-6). Direct Energy Source is providing updated information pursuant to Staff's requests. Direct Energy Source provides the confidential versions of Exhibits C-4

and C-5 with the additional updates under seal, pursuant to this Motion for Protective Order, and requests that the Commission maintain the confidential nature of these documents and the information contained therein as well as protect the documents from public disclosure.

Of note, the Commission previously granted protective treatment of Exhibits C-4 and C-5 in each of Direct Energy Source's previous certification/recertification applications.<sup>1</sup> Direct Energy Source respectfully requests the Commission again grant protective treatment of Exhibits C-4 and C-5 for the reasons explained below, as previously recognized by the Commission in this docket as well as the licensure dockets of many other CRNGS providers.

Rule 4901-1-24(D), O.A.C., provides for the issuance of an order that is necessary to protect the confidentiality of information contained in documents filed at the Commission to the extent that state and federal law prohibit the release of such information and where non-disclosure of the information is not inconsistent with the purposes of Title 49 of the Revised Code ("R.C."). State law recognizes the need to protect information that is confidential in nature, as is the information contained in Exhibits C-4, and C-5. Section 4929.23(A), R.C., specifically permits the Commission to

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<sup>1</sup> See *In the Matter of the Applications of the Following Entities for a Certificate to Provide Competitive Retail Natural Gas Service in Ohio*, PUCO Case Nos. 02-1654-GA-CRS, *et al.*, Entry at 3 (July 14, 2003); *In the Matter of the Applications of Vectren Retail, LLC, d/b/a as Vectren Source, et al., for Certification as Retail Natural Gas Suppliers in the State of Ohio*, PUCO Case Nos. 02-1668-GA-CRS, *et al.*, Entry at 3 (August 11, 2004); *In the Matter of the Application of Vectren Retail, LLC, d/b/a Vectren Source for Certification as a Retail Natural Gas Supplier*, PUCO Case No. 02-1668-GA-CRS, Entry at 3 (August 11, 2006); *In the Matter of the Application of Vectren Retail, LLC, d/b/a Vectren Source for Certification as a Retail Natural Gas Supplier*, PUCO Case No. 02-1668-GA-CRS, Entry at 4-5 (January 8, 2007); *In the Matter of the Application of Vectren Retail, LLC, d/b/a Vectren Source for Certification as a Retail Natural Gas Supplier*, PUCO Case No. 02-1668-GA-CRS, Entry at 4 (July 18, 2008); *In the Matter of the Application of Vectren Retail, LLC, d/b/a Vectren Source for Certification as a Retail Natural Gas Supplier*, PUCO Case No. 02-1668-GA-CRS, Entry at 3 (July 19, 2010).

grant confidentiality to competitive information.<sup>2</sup> Sections 4901.12 and 4905.07, R.C., facilitate the protection of trade secrets in the Commission's possession.<sup>3</sup> Sections 4901.12 and 4905.07, R.C., reference Section 149.43, R.C., and therefore incorporate the provision that excepts from the public record information and records of which the release is prohibited by law.<sup>4</sup> State law prohibits the release of information meeting the definition of a trade secret. Additionally, non-disclosure of the information will not impair the purposes of Title 49 as the Commission and its Staff will have full access to the requested information in order to complete their review process.

The documents and information contained in Exhibits C-4 and C-5 are comprised of competitively sensitive and highly proprietary business financial information falling within the statutory characterization of a trade secret as defined by Section 1333.61(D), R.C. The definition of trade secret contained in Section 1333.61(D), R.C., is as follows:

"Trade secret" means information, including the whole or any portion or phase of any scientific or technical information, design, process, procedure, formula, pattern, compilation, program, device, method, technique, or improvement, or any business information or plans, **financial information**, or listing of names, addresses, or telephone numbers, that satisfies both of the following:

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<sup>2</sup> Section 4929.23(A), R.C., provides: "A retail natural gas supplier or governmental aggregator subject to certification under section 4929.20 of the Revised Code shall provide the public utilities commission with such information, regarding a competitive retail natural gas service for which it is subject to certification, as the commission considers necessary to carry out sections 4929.20 to 4929.24 of the Revised Code. The commission shall take such measures as it considers necessary to protect the confidentiality of any such information."

<sup>3</sup> Section 4901.12, R.C., provides: "Except as otherwise provided in section 149.43 of the Revised Code and as consistent with the purposes of Title XLIX [49] of the Revised Code, all proceedings of the public utilities commission and all documents and records in its possession are public records."

Section 4905.07, R.C., provides: "Except as provided in section 149.43 of the Revised Code and as consistent with the purposes of Title XLIX [49] of the Revised Code, all facts and information in the possession of the public utilities commission shall be public, and all reports, records, files, books, accounts, papers, and memorandums of every nature in its possession shall be open to inspection by interested parties or their attorneys."

<sup>4</sup> Section 149.43(A)(1)(v), R.C., provides in part: "'Public record' does not mean records the release of which is prohibited by state or federal law."

(1) It derives independent economic value, actual or potential, from not being generally known to, and not being readily ascertainable by proper means by, other persons who can obtain economic value from its disclosure or use.

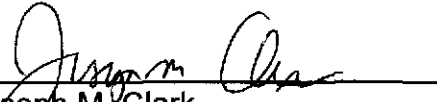
(2) It is the subject of efforts that are reasonable under the circumstances to maintain its secrecy.

Section 1333.61(D), R.C. (emphasis added).

Financial arrangements and forecasted financial statements contain proprietary data and are confidential as trade secrets. Public disclosure of this information would jeopardize Direct Energy Source's business position in negotiations with other parties and its ability to compete. Direct Energy Source asserts that this information is not generally known by the public and is held in confidence in the normal course of business. The financial and business information in Exhibits C-4 and C-5 have independent economic value to Direct Energy Source's competitors and could be used against Direct Energy Source as it competes in Ohio's retail natural gas marketplace. Therefore, Direct Energy Source requests that the identified financial information contained in Exhibits C-4 and C-5, as submitted with this supplemental filing of additional information, be deemed to contain trade secrets, and thus, be treated as confidential by this Commission and its Staff.

WHEREFORE, Direct Energy Source respectfully requests that this Motion for Protective Order be granted for the reasons set forth herein.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Joseph M. Clark", is written over a solid horizontal line.

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Direct Energy Source, LLC

02-1668-GA-CRS

Exhibit C-4  
Financial Arrangements

Public Version - Redacted

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Exhibit C-5  
Forecasted Financial Statements

Public Version - Redacted

**Direct Energy Source, LLC**

**Exhibit C-6  
Credit Rating**

**Please see attached for Direct Energy Source, LLC dba Vectren Source's parent company Centrica, plc's Credit Rating from Moody's Investor Service.**

**Please note that no Direct Energy company (including Direct Energy Source, LLC d/b/a Vectren Source) maintains a credit rating. All Direct Energy companies (including Direct Energy Services, LLC) rely on the credit rating of the parent company, Centrica, plc.**

# MOODY'S

## INVESTORS SERVICE

### Credit Opinion: Centrica plc

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Global Credit Research - 12 Aug 2011

Windsor, United Kingdom

#### Ratings

Category	Moody's Rating
Outlook	Stable
Issuer Rating	A3
Sr Unsec Bank Credit Facility	A3
Senior Unsecured	A3
Commercial Paper	P-2
Other Short Term	(P)P-2

#### Contacts

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Helen Francis/London	
Monica Merli/London	

#### Key Indicators

##### Centrica plc[1]

	12/31/2010	12/31/2009	12/31/2008	12/31/2007	12/31/2006
(CFO Pre-W/C + Interest) / Interest Expense	8.1x	7.2x	7.7x	9.2x	6.1x
(CFO Pre-W/C) / Net Debt	50.4%	43.9%	84.8%	126.6%	54.3%
RCF / Net Debt	37.4%	31.1%	58.5%	100.1%	38.9%
FCF / Net Debt	18.4%	21.8%	-47.0%	71.4%	-16.8%

[1] Standard adjustments in accordance with "Rating Methodology: Moody's Approach to Global Standard Adjustments In the Analysis of Financial Statements for Non-Financial Corporations, Part 1, Part 2 and Part 3." In addition, Moody's adjusts for one-time items.

*Note: For definitions of Moody's most common ratio terms please see the accompanying [User's Guide](#).*

#### Opinion

##### Company Profile

Centrica was demerged from British Gas in 1997. It is the UK's dominant energy supplier providing, mostly under the "British Gas" brand, both gas and electricity to 16.1 million residential customers and one million small- to medium-size businesses, as well as energy-related services (such as central heating and boiler maintenance) to 8.7 million residential customers. This activity accounted in the first half of 2011 for approximately 41% of the group's adjusted operating profit.

In the first half of 2011, Centrica satisfied around 36% and 65% of its total UK gas and electricity supply

requirements, respectively, from its own energy sources, including notably its Morecambe Bay gas field and power generation capacity of 7.1 GW (including its 20% share of British Energy's output). The UK upstream business represented, in the first half of 2011, 42% of the company's adjusted operating profit. Other activities in the UK include gas storage (through the Rough facility) accounting for 3% of the group's adjusted operating profit in the first half of 2011. Finally, Centrica has developed via its subsidiary Direct Energy and successive acquisitions its customer-focused strategy in North America, which represented 14% of its total adjusted operating profit in the first half of 2011.

### **Rating Rationale**

Centrica's rating reflects (i) a well established position in UK energy supply but also the competitive nature of that market; (ii) a balanced generation portfolio with a mix of gas and nuclear capacity and the hedge provided by the supply business; (iii) the company's moderate scale compared to some of its European peers; (iv) a significant ongoing capital investment programme; (v) a history of opportunistic M&A activity; and (vi) the historic strength of the group's financial metrics.

### **DETAILED RATING CONSIDERATIONS**

The following key factors influence Centrica's rating under Moody's methodology for Unregulated Utilities and Power Companies, published in August 2009.

#### **FACTOR 1: MARKET ASSESSMENT, SCALE AND COMPETITIVE POSITION**

Compared to its pan-European peers, Centrica remains a regional player, albeit sizeable. Its asset base has grown markedly in the past three years to close to GBP19 billion as at 30 June 2011, placing the group in the single-A rating category for the "Size and Scale" sub-factor.

Given that Centrica earns the vast majority of its profits in the UK, the group is exposed to any potential deterioration in conditions in its domestic market. With currently six major players, the liberalised UK gas and electricity supply market is one of the most competitive in Europe as a result of the ability of customers to switch supplier quickly and easily. However, UK companies are free to set tariffs without (so far) major political or regulatory hindrance; therefore, they are ultimately able to pass on - over time - wholesale gas and electricity prices to their business and residential customers. In this regard, we note that Ofgem (the regulator for the gas and electricity markets in Great Britain) announced in June that it was to press ahead with a review having found that action is needed to make energy retail markets work more effectively in the interests of consumers.

Centrica's ability to withstand competitive pressure and ultimately defend its market share is mainly determined by (i) its pricing decisions and those of its competitors, which have so far been disciplined; (ii) the level of competitiveness of its cost base - mostly driven by commodity prices - which in turn stems from its level of vertical integration, which we discuss below; and (iii) its levels of service. Of the six leading electricity suppliers to residential customers, British Gas has the largest market share (estimated at around 25%), although this is not materially greater than the shares of its closest competitors. However, as a result of Centrica's dominant position in UK gas supply and especially in the residential sector where it holds an estimated 42% market share, Moody's scores the group Baa for the "Competitive Position and Market Structure" sub-factor.

#### **FACTOR 2: CASH FLOW PREDICTABILITY OF BUSINESS MODEL**

The large gas-fired component of Centrica's power generation fleet (in excess of the market average) is partly balanced by the position it gained in nuclear generation market through its acquisition in 2009 of a 20% interest in British Energy. Combined with a lower carbon intensity relative to its UK peers, its fuel mix positions Centrica in the Baa rating category for the "Fuel Strategy and Mix" sub-factor.

Centrica has historically been short on own-power generation. However, as a result of the completion of the Langage CCGT and the investment in British Energy, its power generation fleet now allows the group to fully cover the electricity needs of its residential customers in the UK. Moody's views the vertical hedge of Centrica's power supply obligations provided by its physical and contractual positions as a risk mitigant, as the negative impact of higher wholesale power prices on supply margins is mitigated by the incremental cash flows generated by the group's power plants. Conversely, the impact of weaker wholesale power prices is offset by lower procurement costs for its electricity customers and potentially lower fuel costs for Centrica's gas-fired generation capacity. Centrica's upstream gas operations also provide a natural fuel hedge, whereby the negative impact of rising gas prices on

supply margins and the challenge to pass these on to customers in the form of tariff increases is mitigated by the additional earnings generated by gas production activities. Moody's notes that Centrica's vertical gas integration is relatively unique in the UK market and, combined with its vertical power integration, positions the group in the single-A rating category for the associated sub-factor.

In line with its growth strategy for the upstream business, Centrica continues to project material capital expenditure (capex) plans. In particular, Centrica has the option to further develop its portfolio of gas assets following the acquisition of Venture and also has investment opportunities in offshore wind and gas storage. Total group capex for the full-year 2011 is projected at around GBP1.3 billion (excluding acquisitions), of which 46% and 27% dedicated to UK upstream gas and upstream power, respectively. Such volume of investment carries important execution risk and therefore maps Centrica, like most of its European peers, to the single-B rating category for the sub-factor relative to capital requirements. In addition, Centrica has the opportunity, through its stake in British Energy, to invest in new nuclear build projects in partnership with EDF. Moody's notes that such a participation could result in a re-assessment of the group's business risk profile given the construction risk associated with new nuclear generation capacity.

All of Centrica's cash flows are derived from competitive markets. Whilst energy services represent a relatively stable income stream for the group (operating profit from UK residential services was GBP111 million in the first half of 2011, equivalent to 9% of the group, and has consistently been around 10% of the group's total), the North American operations are relatively riskier than the domestic UK business due to greater competition, in Moody's view. In addition, Direct Energy has a short generation position although it is targeting an increase in this position as part of its strategic priorities. All in all, the group maps to the Baa rating category for the sub-factor "Contribution from Low/High-risk Businesses".

#### FACTOR 3: FINANCIAL POLICY

Moody's scores Centrica in the Baa rating category for this factor given its history of share buy-backs and opportunistic M&A strategy, which has resulted in a number of sizeable transactions, notably the GBP2.3 billion British Energy investment and the GBP1.3 billion acquisition of Venture. Whilst such transactions were aimed at de-risking the business and were funded prudently - e.g. through a GBP2.2 billion rights issue in 2008 and the disposal of a majority shareholding in SPE to EDF for GBP1.2 billion, Moody's believes that Centrica is likely to continue to pursue external growth opportunities should they arise. In particular, management has stated its intention to increase its level of vertical integration in North America, where it targets a 35%-40% upstream cover of its supply business (vs. 15%-20% today).

Moody's therefore expects Centrica to continue to undertake small bolt-on acquisitions but cautions that further material debt-financed transactions could fall outside the parameters underpinning the current ratings and outlook.

#### FACTOR 4: FINANCIAL STRENGTH METRICS

Centrica recorded in the six months ended 30 June 2011 a small (1%) increase in net debt as adjusted earnings fell 24%, with operating profit in the UK downstream residential energy business less than half the (unusually high) levels seen in the first half of 2010 and the profitability of the company's gas storage activities significantly reduced. This was only partly offset by higher returns from upstream activities due to higher commodity prices although the change in the mix of profits, together with the increase in the UK supplementary charge payable in respect of profits from oil and gas production in the UK and UK Continental Shelf, led to a higher tax rate. Centrica expects to deliver year on year earnings growth for 2011 as a whole but with a shift from downstream to upstream and with increases at the operating profit level being largely offset by higher taxes. The current A3 / P-2 ratings are based on Moody's expectation that, taking into account its current business risk profile and financial policy, as discussed above, Centrica will maintain its ratio of retained cash flow (RCF) to net debt in the mid-twenties or higher.

#### Liquidity

Centrica's liquidity profile is strong, underpinned by (i) GBP2.7 billion of committed bi-lateral banking facilities most of which don't mature until July 2016; and (ii) GBP439 million of cash and cash equivalents on balance sheet at the end of June 2011. All bi-lateral agreements have no financial covenants and a non-recurring material adverse change (MAC) clause applicable only at the time of signing of these agreements which, given that the agreements have been signed, does not impair the strength of the facilities. In addition, Moody's takes comfort from the group's policy to maintain sufficient cash and undrawn facilities to allow the group to survive 12 months under a stress tested scenario.

The combination of Centrica's cash flows and stand-by facilities allows it to cover comfortably its capex (approximately GBP1.3 billion earmarked for 2011, excluding acquisitions), dividends and refinancing needs (short-term debt was GBP78 million at 30 June 2011) over the next 12 months. In addition, the group faces limited refinancing risk as its next debt maturity (other than the bi-lateral bank facilities) is not before November 2012, when a GBP285 million bond matures.

### Rating Outlook

The stable outlook is based on Moody's expectation that Centrica will maintain its ratio of RCF to net debt in the mid-twenties or higher.

### What Could Change the Rating - Up

Given Centrica's ambitious growth strategy, which may entail M&A activity, its ratings are unlikely to see upward pressure.

### What Could Change the Rating - Down

- A large debt-funded acquisition with little near-term earnings, or a sustained deterioration of the company's residential retail margins, resulting either way in financial metrics falling outside the parameters supporting current ratings, as discussed above.

- Inability to replace cash flows from depleting upstream production would, over the long-term, exert downward pressure on the ratings.

### Rating Factors

#### Centrica plc

Unregulated Utilities	Aaa	Aa	A	Baa	Ba	B	Caa
<b>Factor 1: Market Assessment, Scale &amp; Competitive Position (25%)</b>							
a) Size and Scale			X				
b) Competitive Position and Market Structure				X			
<b>Factor 2: Cash Flow Predictability of Business Model (25%)</b>							
a) Fuel Strategy and Mix				X			
b) Degree of Integration and Hedging Strategy			X				
c) Capital Requirements and Operational Performance						X	
d) Contribution from Low/High Risk Businesses				X			
<b>Factor 3: Financial Policy (10%)</b>							
a) Financial Policy				X			
<b>Factor 4: Financial Strength Metrics (40%) [1][2]</b>							
a) (CFO Pre-W/C + Interest) / Interest Expense (3 year Avg)			7.7x				
b) (CFO Pre-W/C) / Net Debt (3 year Avg)		53.2%					
c) RCF / Net Debt (3 year Avg)		38.1%					
d) FCF / Net Debt (3 year Avg)				9.4%			
<b>Rating:</b>							
a) Indicated Rating from Grid				Baa1			
b) Actual Rating Assigned			A3				

[1] Standard adjustments in accordance with "Rating Methodology: Moody's Approach to Global Standard Adjustments in the Analysis of Financial Statements for Non-Financial Corporations, Part 1, Part 2 and Part 3." In addition, Moody's adjusts for one-time items. [2] As of December 31, 2010; Source: Moody's Financial Metrics™

# MOODY'S

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