

**Ohio****Public Utilities  
Commission****ORIGINAL**

PUCO USE ONLY - Version 1.08 May 2016		ORIGINAL CRS
Date Received	Renewal Certification Number	Case Number
		02 - 1829 - GA-CRS

**ORIGINAL****RENEWAL CERTIFICATION APPLICATION  
COMPETITIVE RETAIL NATURAL GAS SUPPLIERS****FILE**

Please type or print all required information. Identify all attachments with an exhibit label and title (*Example: Exhibit A-15 - Company History*). All attachments should bear the legal name of the Applicant. Applicants should file completed applications and all related correspondence with the Public Utilities Commission of Ohio, Docketing Division, 180 East Broad Street, Columbus, Ohio 43215-3793.

This PDF form is designed so that you may directly input information onto the form. You may also download the form by saving it to your local disk.

**SECTION A - APPLICANT INFORMATION AND SERVICES****A-1 Applicant intends to renew its certificate as: (check all that apply)**

☐ Retail Natural Gas Aggregator ☐ Retail Natural Gas Broker ☒ Retail Natural Gas Marketer

**A-2 Applicant information:**

Legal Name Direct Energy Services, LLC  
Address 12 Greenway Plaza, Suite 250, Houston, TX 77046  
Telephone No. 713-877-3500 Web site Address www.directenergy.com  
Current PUCO Certificate No. 02-024G(8) Effective Dates 09/16/2016 through 09/18/2018

**A-3 Applicant information under which applicant will do business in Ohio:**

Name Direct Energy Services, LLC  
Address 12 Greenway Plaza, Suite 250, Houston, TX 77046  
Web site Address www.directenergy.com Telephone No. 1-888-734-0741

**A-4 List all names under which the applicant does business in North America:**

Direct Energy Services, LLC

**A-5 Contact person for regulatory or emergency matters:**

Name Teresa Ringenbach Title Sr. Manager, Gov't & Regulatory Affairs  
Business Address 5200 Upper Metro Place, Dublin, OH 43017  
Telephone No. 614-669-6829 Fax No. 614-220-4674 Email Address teresa.ringnenbach@directenerg

2018 AUG -2 PM 12:42  
PUCO  
That the images appearing are an accurate and complete reproduction of a case file document delivered in the regular course of business/technician Date processed AUG 02 2018

**A-6 Contact person for Commission Staff use in investigating customer complaints:**

Name Paige Harris Title Manager, Customer Solutions  
 Business address 6502 S. Yale Avenue Suite 300 Tulsa, OK 74136  
 Telephone No. 866-670-6771 Fax No. 888-522-6528 Email Address paige.harris@directenergy.com

**A-7 Applicant's address and toll-free number for customer service and complaints**

Customer service address 12 Greenway Plaza, Suite 250, Houston, TX 77046  
 Toll-Free Telephone No. 888-734-0741 Fax No. 800-457-9687 Email Address csdirectenergy@directenergy.com

**A-8 Provide "Proof of an Ohio Office and Employee," in accordance with Section 4929.22 of the Ohio Revised Code, by listing name, Ohio office address, telephone number, and Web site address of the designated Ohio Employee**

Name Teresa Ringenbach Title Sr. Manager, Gov't & Regulatory Affairs  
 Business address 5200 Upper Metro Place, Dublin, OH 43017  
 Telephone No. 614 699-6829 Fax No. 614-220-4674 Email Address teresa.ringenbach@directenergy.com

**A-9 Applicant's federal employer identification number** 20-1340064**A-10 Applicant's form of ownership: (Check one)**

- |  |   |
|--|---|
| <input type="checkbox"/> Sole Proprietorship                 | <input type="checkbox"/> Partnership                                |
| <input type="checkbox"/> Limited Liability Partnership (LLP) | <input checked="" type="checkbox"/> Limited Liability Company (LLC) |
| <input type="checkbox"/> Corporation                         | <input type="checkbox"/> Other                                      |

**A-11 (Check all that apply) Identify each natural gas company service area in which the applicant is currently providing service or intends to provide service, including identification of each customer class that the applicant is currently serving or intends to serve, for example: residential, small commercial, and/or large commercial/industrial (mercantile) customers.** (A mercantile customer, as defined in Section 4929.01(L)(1) of the Ohio Revised Code, means a customer that consumes, other than for residential use, more than 500,000 cubic feet of natural gas per year at a single location within the state or consumes natural gas, other than for residential use, as part of an undertaking having more than three locations within or outside of this state. In accordance with Section 4929.01(L)(2) of the Ohio Revised Code, "Mercantile customer" excludes a not-for-profit customer that consumes, other than for residential use, more than 500,000 cubic feet of natural gas per year at a single location within this state or consumes natural gas, other than for residential use, as part of an undertaking having more than three locations within or outside this state that has filed the necessary declaration with the Public Utilities Commission.)

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<input checked="" type="checkbox"/> Columbia Gas of Ohio	<input checked="" type="checkbox"/> Residential	<input checked="" type="checkbox"/> Small Commercial	<input type="checkbox"/> Large Commercial / Industrial
<input checked="" type="checkbox"/> Dominion East Ohio	<input checked="" type="checkbox"/> Residential	<input checked="" type="checkbox"/> Small Commercial	<input type="checkbox"/> Large Commercial / Industrial
<input checked="" type="checkbox"/> Duke Energy Ohio	<input checked="" type="checkbox"/> Residential	<input checked="" type="checkbox"/> Small Commercial	<input type="checkbox"/> Large Commercial / Industrial
<input checked="" type="checkbox"/> Vectren Energy Delivery of Ohio	<input checked="" type="checkbox"/> Residential	<input checked="" type="checkbox"/> Small Commercial	<input type="checkbox"/> Large Commercial / Industrial

**A-12 If applicant or an affiliated interest previously participated in any of Ohio's Natural Gas Choice Programs, for each service area and customer class, provide approximate start date(s) and/or end date(s) that the applicant began delivering and/or ended services.**

☒ Columbia Gas of Ohio

<input checked="" type="checkbox"/> Residential	Beginning Date of Service	7/1/1998	End Date
<input checked="" type="checkbox"/> Small Commercial	Beginning Date of Service	7/1/1998	End Date
<input type="checkbox"/> Large Commercial	Beginning Date of Service		End Date
<input type="checkbox"/> Industrial	Beginning Date of Service		End Date

☒ Dominion East Ohio

<input checked="" type="checkbox"/> Residential	Beginning Date of Service	9/6/2000	End Date
<input checked="" type="checkbox"/> Small Commercial	Beginning Date of Service	9/6/2000	End Date
<input type="checkbox"/> Large Commercial	Beginning Date of Service		End Date
<input type="checkbox"/> Industrial	Beginning Date of Service		End Date

☒ Duke Energy Ohio

<input checked="" type="checkbox"/> Residential	Beginning Date of Service	8/16/2008	End Date
<input checked="" type="checkbox"/> Small Commercial	Beginning Date of Service	8/16/2008	End Date
<input type="checkbox"/> Large Commercial	Beginning Date of Service		End Date
<input type="checkbox"/> Industrial	Beginning Date of Service		End Date

☐ Vectren Energy Delivery of Ohio

<input checked="" type="checkbox"/> Residential	Beginning Date of Service	9/01/2014	End Date
<input checked="" type="checkbox"/> Small Commercial	Beginning Date of Service	9/01/2014	End Date
<input type="checkbox"/> Large Commercial	Beginning Date of Service		End Date
<input type="checkbox"/> Industrial	Beginning Date of Service		End Date

**A-13 If not currently participating in any of Ohio's four Natural Gas Choice Programs, provide the approximate start date that the applicant proposes to begin delivering services:**

ORIGINAL

<input type="checkbox"/>	Columbia Gas of Ohio	Intended Start Date
<input type="checkbox"/>	Dominion East Ohio	Intended Start Date
<input type="checkbox"/>	Duke Energy Ohio	Intended Start Date
<input type="checkbox"/>	Vectren Energy Delivery of Ohio	Intended Start Date

PROVIDE THE FOLLOWING AS SEPARATE ATTACHMENTS AND LABEL AS INDICATED.

- A-14 **Exhibit A-14 "Principal Officers, Directors & Partners,"** provide the names, titles, addresses and telephone numbers of the applicant's principal officers, directors, partners, or other similar officials.
- A-15 **Exhibit A-15 "Company History,"** provide a concise description of the applicant's company history and principal business interests.
- A-16 **Exhibit A-16 "Articles of Incorporation and Bylaws,"** provide the articles of incorporation filed with the state or jurisdiction in which the applicant is incorporated and any amendments thereto, *only if the contents of the originally filed documents changed since the initial application.*
- A-17 **Exhibit A-17 "Secretary of State,"** provide evidence that the applicant is still currently registered with the Ohio Secretary of the State.

## SECTION B - APPLICANT MANAGERIAL CAPABILITY AND EXPERIENCE

PROVIDE THE FOLLOWING AS SEPARATE ATTACHMENTS AND LABEL AS INDICATED

- B-1 **Exhibit B-1 "Jurisdictions of Operation,"** provide a current list of all jurisdictions in which the applicant or any affiliated interest of the applicant is, at the date of filing the application, certified, licensed, registered, or otherwise authorized to provide retail natural gas service, or retail/wholesale electric services.
- B-2 **Exhibit B-2 "Experience & Plans,"** provide a current description of the applicant's experience and plan for contracting with customers, providing contracted services, providing billing statements, and responding to customer inquiries and complaints in accordance with Commission rules adopted pursuant to Section 4929.22 of the Revised Code and contained in Chapter 4901:1-29 of the Ohio Administrative Code.
- B-3 **Exhibit B-3 "Summary of Experience,"** provide a concise and current summary of the applicant's experience in providing the service(s) for which it is seeking renewed certification (e.g., number and types of customers served, utility service areas, volume of gas supplied, etc.).
- B-4 **Exhibit B-4 "Disclosure of Liabilities and Investigations,"** provide a description of all existing, pending or past rulings, judgments, contingent liabilities, revocations of authority, regulatory investigations, or any other matter that could adversely impact the applicant's financial or operational

ORIGINAL

status or ability to provide the services for which it is seeking renewed certification since applicant last filed for certification.

- B-5 Exhibit B-5 "Disclosure of Consumer Protection Violations,"** disclose whether the applicant, affiliate, predecessor of the applicant, or any principal officer of the applicant has been convicted or held liable for fraud or for violation of any consumer protection or antitrust laws since applicant last filed for certification.

☒ No    ☐ Yes

If Yes, provide a separate attachment labeled as **Exhibit B-5 "Disclosure of Consumer Protection Violations,"** detailing such violation(s) and providing all relevant documents.

- B-6 Exhibit B-6 "Disclosure of Certification Denial, Curtailment, Suspension, or Revocation,"** disclose whether the applicant or a predecessor of the applicant has had any certification, license, or application to provide retail natural gas or retail/wholesale electric service denied, curtailed, suspended, or revoked, or whether the applicant or predecessor has been terminated from any of Ohio's Natural Gas Choice programs, or been in default for failure to deliver natural gas since applicant last filed for certification.

☒ No    ☐ Yes

If Yes, provide a separate attachment, labeled as **Exhibit B-6 "Disclosure of Certification Denial, Curtailment, Suspension, or Revocation,"** detailing such action(s) and providing all relevant documents.

## **SECTION C - APPLICANT FINANCIAL CAPABILITY AND EXPERIENCE**

**PROVIDE THE FOLLOWING AS SEPARATE ATTACHMENTS AND LABEL AS INDICATED**

- C-1 Exhibit C-1 "Annual Reports,"** provide the two most recent Annual Reports to Shareholders. If applicant does not have annual reports, the applicant should provide similar information, labeled as Exhibit C-1, or indicate that Exhibit C-1 is not applicable and why.  
(This is generally only applicable to publicly traded companies who publish annual reports.)
- C-2 Exhibit C-2 "SEC Filings,"** provide the most recent 10-K/8-K Filings with the SEC. If applicant does not have such filings, it may submit those of its parent company. An applicant may submit a current link to the filings or provide them in paper form. If the applicant does not have such filings, then the applicant may indicate in Exhibit C-2 that the applicant is not required to file with the SEC and why.
- C-3 Exhibit C-3 "Financial Statements,"** provide copies of the applicant's two most recent years of audited financial statements (balance sheet, income statement, and cash flow statement). If audited financial statements are not available, provide officer certified financial statements. If the applicant has not been in business long enough to satisfy this requirement, it shall file audited or officer certified financial statements covering the life of the business. If the applicant does not have a balance sheet, income statement, and cash flow statement, the applicant may provide a copy of its two most recent years of tax returns (with social security numbers and account numbers redacted).
- C-4 Exhibit C-4 "Financial Arrangements,"** provide copies of the applicant's current financial arrangements to conduct competitive retail natural gas service (CRNGS) as a business activity (e.g., guarantees, bank commitments, contractual arrangements, credit agreements, etc.)

Renewal applicants can fulfill the requirements of Exhibit C-4 by providing a current statement from an Ohio local distribution utility (LDU) that shows that the applicant meets the LDU's collateral requirements.

First time applicants or applicants whose certificate has expired as well as renewal applicants can meet the requirement by one of the following methods:

1. The applicant itself stating that it is investment grade rated by Moody's, Standard & Poor's or Fitch and provide evidence of rating from the rating agencies.
2. Have a parent company or third party that is investment grade rated by Moody's, Standard & Poor's or Fitch guarantee the financial obligations of the applicant to the LDU(s).
3. Have a parent company or third party that is not investment grade rated by Moody's, Standard & Poor's or Fitch but has substantial financial wherewithal in the opinion of the Staff reviewer to guarantee the financial obligations of the applicant to the LDU(s). The guarantor company's financials must be included in the application if the applicant is relying on this option.
4. Posting a Letter of Credit with the LDU(s) as the beneficiary.

If the applicant is not taking title to the electricity or natural gas, enter "N/A" in Exhibit C-4. An N/A response is only applicable for applicants seeking to be certified as an aggregator or broker.

**C-5 Exhibit C-5 "Forecasted Financial Statements,"** provide two years of forecasted income statements for the applicant's **NATURAL GAS related business activities in the state of Ohio Only**, along with a list of assumptions, and the name, address, email address, and telephone number of the preparer. The forecasts should be in an annualized format for the two years succeeding the Application year.

**C-6 Exhibit C-6 "Credit Rating,"** provide a statement disclosing the applicant's current credit rating as reported by two of the following organizations: Duff & Phelps, Fitch IBCA, Moody's Investors Service, Standard & Poor's, or a similar organization. In instances where an applicant does not have its own credit ratings, it may substitute the credit ratings of a parent or an affiliate organization, provided the applicant submits a statement signed by a principal officer of the applicant's parent or affiliate organization that guarantees the obligations of the applicant. If an applicant or its parent does not have such a credit rating, enter "N/A" in Exhibit C-6.

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- C-7 Exhibit C-7 "Credit Report,"** provide a copy of the applicant's current credit report from Experian, Dun and Bradstreet, or a similar organization. An applicant that provides an investment grade credit rating for Exhibit C-6 may enter "N/A" for Exhibit C-7.
- C-8 Exhibit C-8 "Bankruptcy Information,"** provide a list and description of any reorganizations, protection from creditors, or any other form of bankruptcy filings made by the applicant, a parent or affiliate organization that guarantees the obligations of the applicant or any officer of the applicant in the current year or within the two most recent years preceding the application.
- C-9 Exhibit C-9 "Merger Information,"** provide a statement describing any dissolution or merger or acquisition of the applicant within the two most recent years preceding the application.
- C-10 Exhibit C-10 "Corporate Structure,"** provide a description of the applicant's corporate structure, not an internal organizational chart, including a graphical depiction of such structure, and a list of all affiliate and subsidiary companies that supply retail or wholesale electricity or natural gas to customers in North America. If the applicant is a stand-alone entity, then no graphical depiction is required and applicant may respond by stating that they are a stand-alone entity with no affiliate within the two most recent years preceding the application.

## SECTION D – APPLICANT TECHNICAL CAPABILITY

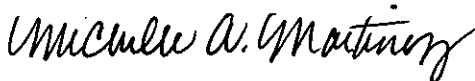
PROVIDE THE FOLLOWING AS SEPARATE ATTACHMENTS AND LABEL AS INDICATED.

- D-1 Exhibit D-1 "Operations,"** provide a current written description of the operational nature of the applicant's business. Please include whether the applicant's operations will include the contracting of natural gas purchases for retail sales, the nomination and scheduling of retail natural gas for delivery, and the provision of retail ancillary services, as well as other services used to supply natural gas to the natural gas company city gate for retail customers.
- D-2 Exhibit D-2 "Operations Expertise,"** given the operational nature of the applicant's business, provide evidence of the applicant's current experience and technical expertise in performing such operations.
- D-3 Exhibit D-3 "Key Technical Personnel,"** provide the names, titles, email addresses, telephone numbers, and background of key personnel involved in the operational aspects of the applicant's current business.

Applicant Signature and Title



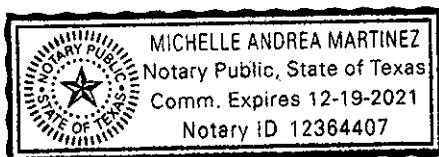
Sworn and subscribed before me this 30th day of July Month 2018 Year



Paolo Berard, Co-Secretary, Direct Energy Services, LLC

Signature of official administering oath

Print Name and Title



My commission expires on

12/19/2021



# The Public Utilities Commission of Ohio

Competitive Retail Natural Gas Service  
Affidavit Form  
(Version 1.07)

In the Matter of the Application of )

Direct Energy Services, LLC )

for a Certificate or Renewal Certificate to Provide )  
Competitive Retail Natural Gas Service in Ohio. )

Case No. 02 - 1829 -GA-CRS

County of Harris

State of Texas

Paolo Berard

[Affiant], being duly sworn/affirmed, hereby states that:

- (1) The information provided within the certification or certification renewal application and supporting information is complete, true, and accurate to the best knowledge of affiant.
- (2) The applicant will timely file an annual report of its intrastate gross receipts and sales of hundred cubic feet of natural gas pursuant to Sections 4905.10(A), 4911.18(A), and 4929.23(B), Ohio Revised Code.
- (3) The applicant will timely pay any assessment made pursuant to Section 4905.10 or Section 4911.18(A), Ohio Revised Code.
- (4) Applicant will comply with all applicable rules and orders adopted by the Public Utilities Commission of Ohio pursuant to Title 49, Ohio Revised Code.
- (5) Applicant will cooperate with the Public Utilities Commission of Ohio and its staff in the investigation of any consumer complaint regarding any service offered or provided by the applicant.
- (6) Applicant will comply with Section 4929.21, Ohio Revised Code, regarding consent to the jurisdiction of the Ohio courts and the service of process.
- (7) Applicant will inform the Public Utilities Commission of Ohio of any material change to the information supplied in the certification or certification renewal application within 30 days of such material change, including any change in contact person for regulatory or emergency purposes or contact person for Staff use in investigating customer complaints.
- (8) Affiant further sayeth naught.

Affiant Signature & Title

*P. Berard*

Sworn and subscribed before me this

30<sup>th</sup>

day of

July

Month

2018

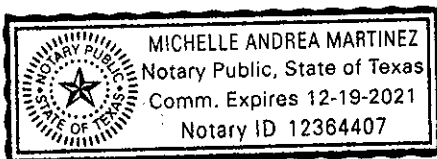
Year

*Michelle A. Martinez*

Signature of Official Administering Oath

Michelle A. Martinez, Notary Public

Print Name and Title



My commission expires on

12/19/2021

(CRNGS Supplier Renewal) - Version 1.08

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## Exhibit A-14

### Officers and Directors

The following is a current list of the Officers and Directors of Direct Energy Services, LLC:

#### Board Positions

Manu Asthana Director	12 Greenway Plaza Suite 250 Houston, TX 77046 (713) 877-3642
John Schultz Director	One Hess Plaza Woodbridge, NJ 07095 (732) 750-6197

#### Officers

Bray Dohrwardt Co-Secretary	12 Greenway Plaza Suite 250 Houston, TX 77046 (713) 877-3851
Paolo Berard Co-Secretary	12 Greenway Plaza Suite 250 Houston, TX 77046 (713)877-3533
Erica Steele Assistant Secretary	1001 Liberty Ave. Pittsburgh, PA 15222 (412) 667-5151
Randy Kruger Co-Treasurer	One Hess Plaza Woodbridge, NJ 07095 (732) 750-6792
Dana Mason Co-Treasurer	12 Greenway Plaza Suite 250 Houston, TX 77046 (713)877-5810
Erin Miles Assistant Treasurer	12 Greenway Plaza Suite 250 Houston, TX 77046 (713)904-7062

## Exhibit A-15 Company History

### Background

Direct Energy Services, LLC is part of the Direct Energy family and its parent company is Centrica plc. Direct Energy is one of North America's largest energy and energy-related services providers with over 4 million residential and commercial customer relationships. Direct Energy provides customers with energy choice and support in managing their energy costs through a portfolio of innovative products and services. A subsidiary of Centrica plc (LSE:CNA), one of the world's leading integrated energy companies, Direct Energy operates in 50 states including the District of Columbia and 8 provinces in Canada.

Direct Energy Services, LLC formerly known as Energy America, LLC, first entered the Columbia Gas of Ohio CHOICE program as a marketer in the third quarter of 1998 and has executed numerous campaigns since in the Columbia Gas of Ohio, Dominion East Ohio, Duke Energy Ohio and Vectren Energy Delivery of Ohio service territories.

As part of Direct Energy's business model, Direct Energy Services, LLC plans to continue to grow our customer base through acquisitions and retention efforts. Upon enrollment by the customer, Direct Energy Services, LLC mails a confirmation letter detailing the terms and conditions of the contract as part of its "Welcome Kit" to new customers.

Exhibit A-16  
Articles of Incorporation and Bylaws

The Direct Energy Services, LLC Articles of Incorporation and Bylaws have been redacted due to the confidential information contained. Please find the Certificate of Formation for Direct Energy Services, LLC issued by the State of Delaware on June 22, 2004.

**Exhibit A-17  
Secretary of State**

Attached is the Order of Good Standing with Office of the Secretary in the State of Ohio.



DATE:	DOCUMENT ID	DESCRIPTION	FILING	EXPED	PENALTY	CERT	COPY
06/30/2004	200418201596	REGISTRATION OF FOREIGN LIMITED LIABILITY CO (LFA)	125.00	100.00	.00	.00	.00

**Receipt**

This is not a bill. Please do not remit payment.

C T CORPORATION SYSTEM  
JAMES TANKS III  
17 S HIGH ST  
COLUMBUS, OH 43215

# STATE OF OHIO CERTIFICATE

**Ohio Secretary of State, J. Kenneth Blackwell****1473703**

It is hereby certified that the Secretary of State of Ohio has custody of the business records for

**DIRECT ENERGY SERVICES, LLC**

and, that said business records show the filing and recording of:

Document(s)

**REGISTRATION OF FOREIGN LIMITED LIABILITY CO**

Document No(s):

**200418201596**

United States of America  
State of Ohio  
Office of the Secretary of State

Witness my hand and the seal of  
the Secretary of State at Columbus,  
Ohio this 30th day of June, A.D.  
2004.

*J. Kenneth Blackwell*  
Ohio Secretary of State

JUN-29-2004 17:05

CT CORP

P.02/06

Secretary of State

Prescribed by **J. Kenneth Blackwell**

Ohio Secretary of State

Central Ohio: (614) 466-3910

Toll Free: 1-877-SOS-FILE (1-877-767-3453)

www.state.oh.us/sos

e-mail: busserv@sos.state.oh.us

Expedite this Form: (Select One)

Mail Form to one of the Following:

- ☒ Yes PO Box 1390  
Columbus, OH 43216  
\*\*\* Requires an additional fee of \$100 \*\*\*
- ☐ No PO Box 670  
Columbus, OH 43216

### ORGANIZATION / REGISTRATION OF LIMITED LIABILITY COMPANY

(Domestic or Foreign)

Filing Fee \$125.00

THE UNDERSIGNED DESIRING TO FILE A:

(CHECK ONLY ONE (1) BOX)

(1) <input type="checkbox"/> Articles of Organization for Domestic Limited Liability Company (118-LCA) ORC 1705	(2) <input checked="" type="checkbox"/> Application for Registration of Foreign Limited Liability Company (106-LFA) ORC 1705 6/22/2004      Delaware (Date of Formation)      (State)
--	--

Complete the general information in this section for the box checked above.

Name Direct Energy Services, LLC☐ Check here if additional provisions are attached

\* If box (1) is checked, name must include one of the following endings: limited liability company, limited, Ltd, L.L.D., LLC, L.L.C.

Complete the information in this section if box (1) is checked.

Effective Date (Optional) \_\_\_\_\_ Date specified can be no more than 90 days after date of filing. If a date is specified,  
(mm/dd/yyyy) the date must be a date on or after the date of filing.

This limited liability company shall exist for \_\_\_\_\_  
(Optional) (Period of existence)

Purpose  
(Optional) \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

The address to which interested persons may direct requests for copies of any operating agreement and any bylaws  
of this limited liability company is

(Optional)  
(Name) \_\_\_\_\_  
(Street) \_\_\_\_\_ NOTE: P.O. Box Addresses are NOT acceptable.  
(City) \_\_\_\_\_ (State) \_\_\_\_\_ (Zip Code) \_\_\_\_\_

JUN-29-2004 17:06

CT CORP

P. 04/06

Secretary of State

**Complete the information in this section if box (2) is checked.**

The address to which interested persons may direct requests for copies of any operating agreement and any bylaws of this limited liability company is

Brandon Parcut

(Name)

25 Sheppard Avenue W., Suite 1700

(Street)

NOTE: P.O. Box Addresses are NOT acceptable.

Toronto

(City)

Ontario

(State)

M2N 6S6

(Zip Code)

The name under which the foreign limited liability company desires to transact business in Ohio is

Direct Energy Services, LLC

The limited liability company hereby appoints the following as its agent upon whom process against the limited liability company may be served in the state of Ohio. The name and complete address of the agent is

C T Corporation System

(Name)

1300 East 9th Street

(Street)

NOTE: P.O. Box Addresses are NOT acceptable.

Cleveland

(City)

Ohio

(State)

44114

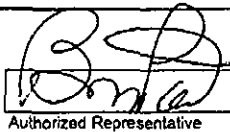
(Zip Code)

The limited liability company irrevocably consents to service of process on the agent listed above as long as the authority of the agent continues, and to service of process upon the OHIO SECRETARY OF STATE if:

- a. the agent cannot be found, or
- b. the limited liability company fails to designate another agent when required to do so, or
- c. the limited liability company's registration to do business in Ohio expires or is cancelled.

**REQUIRED**

Must be authenticated (signed)  
by an authorized representative  
(See Instructions)

  
Authorized RepresentativeJune 28/04  
DateBRANDON PARCUT - ASSISTANT SECRETARY  
Print Name  
Authorized RepresentativeJune 28/04  
DateGORDON A. M. CURRIE  
Print Name



DATE:	DOCUMENT ID	DESCRIPTION	FILING	EXPED	PENALTY	CERT	COPY
06/30/2004	200418201596	REGISTRATION OF FOREIGN LIMITED LIABILITY CO (LFA)	125.00	100.00	.00	.00	.00

**Receipt**

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JAMES TANKS III  
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**Ohio Secretary of State, J. Kenneth Blackwell****1473703**

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**DIRECT ENERGY SERVICES, LLC**

and, that said business records show the filing and recording of:

Document(s)

**REGISTRATION OF FOREIGN LIMITED LIABILITY CO**

Document No(s):

**200418201596**

United States of America  
State of Ohio  
Office of the Secretary of State

Witness my hand and the seal of  
the Secretary of State at Columbus,  
Ohio this 30th day of June, A.D.  
2004.

*J. Kenneth Blackwell*  
Ohio Secretary of State



Prescribed by **J. Kenneth Blackwell**Ohio Secretary of State  
Central Ohio: (614) 466-3910

Toll Free: 1-877-SOS-FILE (1-877-767-3453)

www.state.oh.us/sos  
e-mail: busserv@sos.state.oh.us

Expedite this Form: (Select One)

Mail Form to one of the Following:

<input checked="" type="radio"/> Yes	PO Box 1390 Columbus, OH 43216 <small>*** Requires an additional fee of \$150 ***</small>
<input type="radio"/> No	PO Box 670 Columbus, OH 43216

**ORGANIZATION / REGISTRATION OF  
LIMITED LIABILITY COMPANY**

(Domestic or Foreign)

Filing Fee \$125.00

THE UNDERSIGNED DESIRING TO FILE A:

**(CHECK ONLY ONE (1) BOX)**

(1) <input type="checkbox"/> Articles of Organization for Domestic Limited Liability Company (118-LCA) ORC 1705	(2) <input checked="" type="checkbox"/> Application for Registration of Foreign Limited Liability Company (106-LFA) ORC 1705 6/22/2004 Delaware (Date of Formation) (State)
--	--

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\* If box (1) is checked, name must include one of the following endings: limited liability company, limited, Ltd, L.t.d., LLC, L.L.C.

Complete the information in this section if box (1) is checked.

Effective Date (Optional) \_\_\_\_\_ Date specified can be no more than 90 days after date of filing. If a date is specified,  
(mm/dd/yyyy) the date must be a date on or after the date of filing.This limited liability company shall exist for \_\_\_\_\_  
(Optional) (Period of existence)Purpose  
(Optional) \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_The address to which interested persons may direct requests for copies of any operating agreement and any bylaws  
of this limited liability company is(Optional) \_\_\_\_\_  
(Name)  
\_\_\_\_\_  
(Street) NOTE: P.O. Box Addresses are NOT acceptable.  
\_\_\_\_\_  
(City) (State) (Zip Code)

**Complete the information in this section if box (2) is checked.**

The address to which interested persons may direct requests for copies of any operating agreement and any bylaws of this limited liability company is

Brandon Parout

(Name)

25 Sheppard Avenue W., Suite 1700

(Street)

NOTE: P.O. Box Addresses are NOT acceptable.

Toronto

(City)

Ontario

(State)

M2N 6S6

(Zip Code)

The name under which the foreign limited liability company desires to transact business in Ohio is

Direct Energy Services, LLC

The limited liability company hereby appoints the following as its agent upon whom process against the limited liability company may be served in the state of Ohio. The name and complete address of the agent is

C T Corporation System

(Name)

1300 East 9th Street

(Street)

NOTE: P.O. Box Addresses are NOT acceptable.

Cleveland

(City)

Ohio

(State)

44114

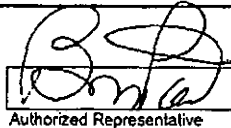
(Zip Code)

The limited liability company irrevocably consents to service of process on the agent listed above as long as the authority of the agent continues, and to service of process upon the OHIO SECRETARY OF STATE if:

- a. the agent cannot be found, or
- b. the limited liability company fails to designate another agent when required to do so, or
- c. the limited liability company's registration to do business in Ohio expires or is cancelled.

**REQUIRED**

Must be authenticated (signed)  
by an authorized representative  
(See Instructions)



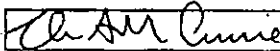
Authorized Representative

June 28/04

Date

BRANDON PAROUT - ASSISTANT SECRETARY

Print Name



Authorized Representative

June 28/04

Date

GORDON A. M. CURRIE

Print Name

Exhibit B-1  
Jurisdictions of Operation  
Direct Energy Services, LLC

<b>Name:</b>	<b>Direct Energy Services, LLC</b>
<b>Business Address:</b>	12 Greenway Plaza, Suite 250, Houston, TX 77046
License #/State of Issuance:	Docket # 06-03-06RE02 (Power)/Connecticut; Registration # 01-04 (Gas)/Connecticut; Case No. EA-05-3-5/Order No. 13816 (Power)/D.C.; Certificate No. 6790 (Power)/Delaware; Docket # 05-0722 (Power)/Illinois; Docket # 05-0086 (Gas)/Illinois; License # CS-047 (Power)/Massachusetts; License # GS-028 (Gas)/Massachusetts; License # IR-719 (Power)/Maryland; License # IR-791 (Gas)/Maryland; Docket # 2005-479 (Power)/Maine; Case No. U-14537 (Gas)/Michigan; License # ESL-0078 (Power)/New Jersey; License # GSL-0088 (Gas)/New Jersey; Letter Order 2017 (Power & Gas)/ New York; License # DM 15-513 (Power)/ New Hampshire; Certificate # 02-024G(8) (Gas)/Ohio; Certificate # 00-19E(9) (Power)/Ohio; License # A-110164 (Power)/Pennsylvania; License # A-125135 (Gas)/Pennsylvania; Docket # D-96-6(U2 )(Power)/Rhode Island; Docket # 2379(T1) (Gas)/Rhode Island;  <b>States Not Currently Serving Customers</b> Case No. U-14724 (Power)/Michigan; License # E-36 (Power)/Virginia

**Direct Energy affiliates other than a regulated electricity of natural gas utility currently serving retail customers or engaged in the retail sale of electricity, or electricity supply services, or natural gas:**

**Name:** Direct Energy Business Marketing, LLC  
**Business Address:** 194 Wood Avenue South Suite 200, New Jersey, NJ 08830

License #/State of Issuance: License # 0031 (Gas)/California;  
Registration # 13-03 (Gas)/Connecticut;  
Docket # 13-08-02 (Power)/Connecticut;  
Docket # GA-2013-03-1 (Gas)/D.C.;  
Docket # EA-2013-12 (Power)/D.C.;  
Certificate No. 8425 (Power)/Delaware;  
Docket # 2013-00404 (Power)/Maine;  
License # IR-3108 (Gas)/Maryland;  
License # IR-3123 (Power)/Maryland;  
License # GS-051 (Gas)/Massachusetts;  
DM 13-260 (Power)/New Hampshire;  
DM 13-121 (Gas)/New Hampshire;  
License # ESL0142 (Power)/New Jersey;  
License # GSL0128 (Gas)/New Jersey;  
Letter Order 2017 (Power & Gas)/New York;  
Certificate # 13-707E(2) (Power)/Ohio;  
Certificate # 13-303G(2) (Gas)/Ohio;  
License A-2013-2368464 (Power)/Pennsylvania;  
License A-2013-2365792 (Gas)/Pennsylvania;  
Docket # D-96-6(J6) (Power)/Rhode Island;  
Docket # 2379(Y2) (Gas)/Rhode Island;  
License G-7 (Gas)/Virginia

**Name:** Direct Energy, LP  
**Business Address:** 12 Greenway Plaza, Suite 250, Houston, TX 77046

License #/State of Issuance: Rep# 10040 (Power)/Texas

**Name:** CPL Retail Energy, LP  
**Business Address:** 12 Greenway Plaza, Suite 250, Houston, TX 77046

License #/State of Issuance: Rep# 10023 (Power)/Texas

**Name:** WTU Retail Energy, LP  
**Business Address:** 12 Greenway Plaza, Suite 250, Houston, TX 77046

License #/State of Issuance: Rep# 10022 (Power)/Texas

**Name:** First Choice Power, LLC  
**Business Address:** 12 Greenway Plaza, Suite 250, Houston, TX 77046

License #/State of Issuance: Rep# 10008 (Power)/Texas

**Name:** Bounce Energy, Inc.  
**Business Address:** 12 Greenway Plaza, Suite 250, Houston, TX 77046

License #/State of Issuance: License # 10162 (Power)/Texas

**Name:** Gateway Energy Services Corporation  
**Business Address:** 12 Greenway Plaza, Suite 250, Houston, TX 77046

**License #/State of Issuance:** Case No. GA 03-4 (Gas)/D.C.;  
License # A-2009-2137275 (Power)/Pennsylvania;  
License # A-2009-2138725 (Gas)/Pennsylvania;  
License # IR-334 (Gas)/Maryland;  
License # IR-340 (Power)/Maryland;  
License # GSL-0146 (Gas)/New Jersey;  
License # ESL-0166(Power)/ New Jersey

**Name:** Direct Energy Business, LLC  
**Business Address:** 1001 Liberty Avenue Suite 1200, Pittsburgh, PA 15222

**License #/State of Issuance:** License # 1351 (Power)/California;  
License #0013 (Gas)/California;  
Docket # 00-05-14RE01 (Power)/Connecticut;  
Registration # 12-03 (Gas)/Connecticut;  
Certificate # 5267 (Power)/Delaware;  
License # EA-04-4-4 (Power)/D.C.;  
Docket No. 04-0811 (Power)/Illinois;  
Docket No. 2011-201 (Power)/Maine;  
License # IR-437 (Power)/Maryland;  
License # CS-021 (Power)/Massachusetts;  
License # GS-052 (Gas)/Massachusetts;  
Docket # U-13609 (Power)/Michigan;  
License # ESL-0165 (Power)/New Jersey;  
License # GSL-0145 (Gas)/New Jersey;  
License # DM 15-373 (Power)/New Hampshire;  
Letter Order 2017 (Power & Gas) /New York  
Certificate # 00-005(9) (Power)/Ohio;  
License # A-110025 (Power)/Pennsylvania;  
License # A-125072 (Gas)/Pennsylvania;  
Docket # D-96-6(Z) (Power)/Rhode Island;  
Docket # 2379(A3) (Gas)/Rhode Island;  
Certificate # 10011 (Power)/Texas  
License # E-38 (Power)/Virginia

**State Not Currently Serving Customers**  
License # IR-2697 (Gas)/Maryland

**Name:** NJR Retail Services Company  
**Business Address:** 194 Wood Avenue South Suite 200, New Jersey, NJ 08830

**License #/State of Issuance:** License # A-2017-2620839 (Gas)/Pennsylvania;  
License # IR-3857 (Gas)/Maryland;  
License # GSL-0173 (Gas)/New Jersey

## Exhibit B-2 Experience & Plans

Direct Energy Services, LLC is part of the Direct Energy family and its parent company is Centrica plc. Direct Energy is one of North America's largest energy and energy-related services providers and serves 4 million residential and commercial customers across North America. Direct Energy provides customers with choice and support in managing their energy costs through a portfolio of innovative products and services. A subsidiary of Centrica plc (LSE:CNA), one of the world's leading integrated energy companies, Direct Energy operates in 50 states plus the District of Columbia and 8 provinces in Canada.

Direct Energy Services, LLC, formerly known as Energy America, LLC, first entered the Columbia Gas of Ohio CHOICE program as a marketer in the third quarter of 1998 and has executed numerous campaigns since in the Columbia Gas of Ohio, Dominion East Ohio, Duke Energy Ohio and Vectren Energy Delivery of Ohio service territories. Direct Energy Services, LLC plans to continue customer acquisitions and retention efforts as part of Direct Energy's business model. Upon enrollment by the customer, Direct Energy Services, LLC mails a confirmation letter detailing the terms and conditions of the contract as part of its "Welcome Kit" to new customers.

Regarding customer inquiries and complaints:

Normal customer service hours are Monday – Friday, 8 AM – 8PM, Eastern Standard Time and Saturday from 8 AM – 5 PM Eastern Standard Time. When customer concerns are received at Direct Energy Service's Customer Care Center, the issue is researched to determine all factors influencing the concern. Once the factors involved in the issues are established, contact with the customer is made to reach an amicable resolution through our Office of the President Department. If a public agency is involved in the dispute resolution process, once an investigation is complete, the agency is notified of the results and, assuming concurrence, the matter is closed. If the customer disputes the investigation results, Direct Energy Services will inform the customer that PUCO Staff is available to mediate complaints.

## Exhibit B-3 Summary of Experience

Direct Energy Services, LLC, formerly known as Energy America, has provided natural gas service to residential and small commercial customers in Ohio since July 1998. Direct Energy Services, LLC has marketed and acquired customers in Dominion East Ohio, Columbia Gas of Ohio, Duke Energy Ohio and Vectren Energy Delivery of Ohio service territories. Direct Energy Services, LLC serves approximately 300,000 natural gas customers in the Ohio service territories, as of December 31, 2017. The most current volume supplied for the 2017 customer base was 33.7 bcf.

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## **Exhibit B-4 Disclosure of Liabilities and Investigations**

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Direct Energy Services, LLC ("DES") has not been the subject of any license revocations. However; in the interest of full disclosure, DES has been the subject of legal and regulatory proceedings since the last natural gas registration. That proceeding is detailed below.

### **Direct Energy Services, LLC: Michigan**

PUC Case U-18121

Date of Resolution: January 12, 2017

On January 12, 2017, the Michigan Public Service Commission ("MPSC") issued an order relating to a settlement with Direct Energy Services, LLC ("DES"). The terms of the settlement agreement is that DES agrees to: (1) pay a fine of \$35,000 to be paid to the State of Michigan within 30 days of the Commission order approving the agreement; (2) continue a moratorium on door-to-door sales that began on November 1, 2016, that shall continue for 90 days following the date of the order approving this agreement; (3) submit new training materials within 45 days of the order approving this agreement with actual training of DES' Michigan agents to be completed within 90 days; (4) present Michigan Agency for Energy (MAE) Staff by March 31, 2017 with technologies that enhance customer identification and consent, and secure enrollment processes; (5) implement the Whitepages process described in Attachment 1 to the settlement agreement; (6) meet monthly with the MAE Staff for a period of 12 months to discuss progress with compliance with this settlement agreement and any other related matter; (7) develop with MAE Staff a template for processing complaints; and (8) reopen this docket should the MAE State Response Division identify any reoccurrence of the unauthorized switching of any customers by DES salesperson, which may result in fines, permanent moratorium on door-to-door sales and telemarketing, and or potential license revocation.



## Exhibit C-1 Annual Reports

Please see the previous two annual reports.

2017

[https://www.centrica.com/sites/default/files/aras/centrica\\_annual\\_report\\_and\\_accounts\\_2017.pdf](https://www.centrica.com/sites/default/files/aras/centrica_annual_report_and_accounts_2017.pdf)

2016:

[https://www.centrica.com/sites/default/files/aras/centrica\\_annual\\_report\\_and\\_accounts\\_2016.pdf](https://www.centrica.com/sites/default/files/aras/centrica_annual_report_and_accounts_2016.pdf)

Exhibit C-2  
SEC Filings

Direct Energy Services, LLC is an indirect wholly owned subsidiary of Centrica plc. Centrica plc is headquartered in Windsor, UK. As a foreign entity, Centrica is not subject to SEC jurisdiction, and thus does not have SEC filings.

**Exhibit C-3**  
**Financial Statements**

Please see attached for Direct Energy Services, LLC's parent company Centrica plc's Summary Financial Statements for 2017 and 2016.

## Financial Statements

## Group Income Statement

Year ended 31 December	Notes	2017			2016		
		Business performance £m	Exceptional items and certain re-measurements £m	Results for the year £m	Business performance £m	Exceptional items and certain re-measurements £m	Results for the year £m
<b>Group revenue</b>	4(b)	<b>28,023</b>	<b>–</b>	<b>28,023</b>	<b>27,102</b>	<b>–</b>	<b>27,102</b>
Cost of sales before exceptional items and certain re-measurements	5	(23,981)	–	(23,981)	(22,711)	–	(22,711)
Re-measurement of certain energy contracts	7	–	153	153	–	1,058	1,058
<b>Cost of sales</b>	5	<b>(23,981)</b>	<b>153</b>	<b>(23,828)</b>	<b>(22,711)</b>	<b>1,058</b>	<b>(21,653)</b>
<b>Gross profit</b>		<b>4,042</b>	<b>153</b>	<b>4,195</b>	<b>4,391</b>	<b>1,058</b>	<b>5,449</b>
Operating costs before exceptional items	5	(2,848)	–	(2,848)	(3,054)	–	(3,054)
Exceptional items – net impairment of retained assets	7	–	(678)	(678)	–	(71)	(71)
Exceptional items – net (loss)/gain on disposal <sup>(i)</sup>	7	–	(62)	(62)	–	157	157
Exceptional items – restructuring and business change costs	7	–	(144)	(144)	–	(228)	(228)
Exceptional items – other	7	–	–	–	–	131	131
<b>Operating costs</b>	5	<b>(2,848)</b>	<b>(884)</b>	<b>(3,732)</b>	<b>(3,054)</b>	<b>(11)</b>	<b>(3,065)</b>
Share of profits/(losses) of joint ventures and associates, net of interest and taxation	6, 7	51	(28)	23	130	(28)	102
<b>Group operating profit/(loss)</b>	4(c)	<b>1,245</b>	<b>(759)</b>	<b>486</b>	<b>1,467</b>	<b>1,019</b>	<b>2,486</b>
Financing costs	8	(364)	–	(364)	(337)	–	(337)
Investment income	8	20	–	20	37	–	37
<b>Net finance cost</b>		<b>(344)</b>	<b>–</b>	<b>(344)</b>	<b>(300)</b>	<b>–</b>	<b>(300)</b>
<b>Profit/(loss) before taxation</b>		<b>901</b>	<b>(759)</b>	<b>142</b>	<b>1,167</b>	<b>1,019</b>	<b>2,186</b>
Taxation on profit/(loss)	7, 9	(191)	352	161	(282)	(242)	(524)
<b>Profit/(loss) for the year</b>		<b>710</b>	<b>(407)</b>	<b>303</b>	<b>885</b>	<b>777</b>	<b>1,662</b>
Attributable to:							
Owners of the parent		698	(365)	333	895	777	1,672
Non-controlling interests		12	(42)	(30)	(10)	–	(10)
<b>Earnings per ordinary share</b>				<b>Pence</b>			<b>Pence</b>
Basic	10			6.0			31.4
Diluted	10			6.0			31.2
<b>Interim dividend paid per ordinary share</b>	11			3.60			3.60
<b>Final dividend proposed per ordinary share</b>	11			8.40			8.40

(i) Gains and losses on disposal include any impairments and write-backs associated with the assets disposed of upon classification as held for sale.

The notes on pages 115 to 189 form part of these Financial Statements.

## Group Statement of Comprehensive Income

Year ended 31 December	Notes	2017 £m	2016 (restated) (i) £m
<b>Profit for the year</b>		<b>303</b>	<b>1,662</b>
<b>Other comprehensive income/(loss):</b>			
<b>Items that will be or have been reclassified to the Group Income Statement:</b>			
Gains on revaluation of available-for-sale securities, net of taxation	S4	5	8
Transfer of available-for-sale reserve gains to Group Income Statement	S4	–	(5)
Net gains on cash flow hedges	S4	24	161
Transferred to income and expense on cash flow hedges (ii)	S4	(34)	(129)
Transferred to assets and liabilities on cash flow hedges	S4	(7)	(4)
Cash flow hedging reserve recycled to Group Income Statement on disposal	S4	10	5
Taxation on cash flow hedges	S4	1	(3)
		(6)	30
Exchange differences on translation of foreign operations (iii)	S4	(128)	549
Exchange gains/(losses) on translation of actuarial reserve	S4	1	(7)
Exchange differences recycled to Group Income Statement on disposal	S4	8	–
Share of other comprehensive loss of joint ventures and associates, net of taxation	S4	–	(9)
		(120)	566
<b>Items that will not be reclassified to the Group Income Statement:</b>			
Net actuarial gains/(losses) on defined benefit pension schemes	S4	222	(1,174)
Taxation on net actuarial gains/(losses) on defined benefit pension schemes	S4	(38)	194
		184	(980)
Share of other comprehensive income of joint ventures and associates, net of taxation	S4	43	65
<b>Other comprehensive income/(loss), net of taxation</b>		<b>107</b>	<b>(349)</b>
<b>Total comprehensive income for the year</b>		<b>410</b>	<b>1,313</b>
<b>Attributable to:</b>			
Owners of the parent		437	1,287
Non-controlling interests	S10	(27)	26

(i) Prior year comparatives have been re-presented to show exchange differences on translation of actuarial reserve as an item that will be reclassified to the Group Income Statement, and cash flow hedging reserve recycled to Group Income Statement on disposal separately from share of other comprehensive loss of joint ventures and associates.

(ii) Cash flow hedging gains have been transferred to the following lines of the Group Income Statement: financing costs of £29 million (2016: £124 million), operating costs before exceptional items £5 million (2016: nil) and cost of sales before exceptional items and certain re-measurements nil (2016: £5 million).

(iii) Includes £3 million gain (2016: £36 million gain) of exchange differences on translation of foreign operations attributable to non-controlling interests.

The notes on pages 115 to 189 form part of these Financial Statements.

## Financial Statements

**Group Statement of Changes in Equity**

	Share capital (note 25) £m	Share premium £m	Retained earnings £m	Other equity (note 54) £m	Total £m	Non-controlling interests (note 510) £m	Total equity £m
1 January 2016	317	1,135	482	(756)	1,178	164	1,342
Profit/(loss) for the year	–	–	1,672	–	1,672	(10)	1,662
Other comprehensive (loss)/income	–	–	–	(385)	(385)	36	(349)
Employee share schemes	–	–	1	32	33	–	33
Scrip dividend	4	121	–	–	125	–	125
Dividends paid to equity holders (note 11)	–	–	(651)	–	(651)	–	(651)
Distributions to non-controlling interests	–	–	–	–	–	(12)	(12)
Issue of share capital	21	673	–	–	694	–	694
31 December 2016	342	1,929	1,504	(1,109)	2,666	178	2,844
Profit/(loss) for the year	–	–	333	–	333	(30)	303
Other comprehensive income	–	–	–	104	104	3	107
Employee share schemes	–	–	4	31	35	–	35
Scrip dividend	6	192	–	–	198	–	198
Dividends paid to equity holders (note 11)	–	–	(661)	–	(661)	–	(661)
Distributions to non-controlling interests	–	–	–	–	–	(3)	(3)
Acquisition of business (note 12)	–	–	–	24	24	721	745
Disposal of business (note 12)	–	–	–	–	–	(152)	(152)
Investment by non-controlling interests	–	–	–	–	–	12	12
<b>31 December 2017</b>	<b>348</b>	<b>2,121</b>	<b>1,180</b>	<b>(950)</b>	<b>2,699</b>	<b>729</b>	<b>3,428</b>

The notes on pages 115 to 189 form part of these Financial Statements.

## Group Balance Sheet

	Notes	31 December 2017 £m	31 December 2016 £m
<b>Non-current assets</b>			
Property, plant and equipment	13	4,132	5,298
Interests in joint ventures and associates	14	1,699	1,697
Other intangible assets	15	1,676	1,769
Goodwill	15	2,650	2,614
Deferred tax assets	16	568	356
Trade and other receivables	17	87	66
Derivative financial instruments	19	463	582
Securities	24	231	219
		<b>11,506</b>	<b>12,601</b>
<b>Current assets</b>			
Trade and other receivables	17	4,668	5,102
Inventories	18	409	372
Derivative financial instruments	19	927	1,291
Current tax assets		289	241
Securities	24	5	13
Cash and cash equivalents	24	2,864	2,036
		<b>9,162</b>	<b>9,055</b>
Assets of disposal groups classified as held for sale	12(c)	-	238
		<b>9,162</b>	<b>9,293</b>
<b>Total assets</b>		<b>20,668</b>	<b>21,894</b>
<b>Current liabilities</b>			
Derivative financial instruments	19	(733)	(1,100)
Trade and other payables	20	(5,412)	(5,525)
Current tax liabilities		(336)	(355)
Provisions for other liabilities and charges	21	(264)	(457)
Bank overdrafts, loans and other borrowings	24	(707)	(398)
		<b>(7,452)</b>	<b>(7,835)</b>
Liabilities of disposal groups classified as held for sale	12(c)	-	(42)
		<b>(7,452)</b>	<b>(7,877)</b>
<b>Non-current liabilities</b>			
Deferred tax liabilities	16	(173)	(245)
Derivative financial instruments	19	(287)	(493)
Trade and other payables	20	(167)	(69)
Provisions for other liabilities and charges	21	(2,684)	(3,099)
Retirement benefit obligations	22(d)	(886)	(1,137)
Bank loans and other borrowings	24	(5,591)	(6,130)
		<b>(9,788)</b>	<b>(11,173)</b>
<b>Total liabilities</b>		<b>(17,240)</b>	<b>(19,050)</b>
<b>Net assets</b>		<b>3,428</b>	<b>2,844</b>
Share capital	26	348	342
Share premium		2,121	1,929
Retained earnings		1,180	1,504
Other equity	S4	(950)	(1,109)
<b>Total shareholders' equity</b>		<b>2,699</b>	<b>2,666</b>
Non-controlling interests	S10	729	178
<b>Total shareholders' equity and non-controlling interests</b>		<b>3,428</b>	<b>2,844</b>

The Financial Statements on pages 110 to 189, of which the notes on pages 115 to 189 form part, were approved and authorised for issue by the Board of Directors on 21 February 2018 and were signed below on its behalf by:

**Iain Conn**  
Group Chief Executive

**Jeff Bell**  
Group Chief Financial Officer

## Financial Statements

## Group Cash Flow Statement

Year ended 31 December	Notes	2017 £m	2016 £m
Group operating profit including share of results of joint ventures and associates		486	2,486
Less share of profits of joint ventures and associates, net of interest and taxation	6	(23)	(102)
Group operating profit before share of results of joint ventures and associates		463	2,384
Add back/(deduct):			
Depreciation, amortisation, write-downs, impairments and write-backs		1,794	1,068
Profit on disposals		(41)	(126)
Decrease in provisions		(227)	(32)
Defined benefit pension service cost and contributions		(104)	(179)
Employee share scheme costs		47	46
Unrealised gains arising from re-measurement of energy contracts		(45)	(737)
Operating cash flows before movements in working capital		1,887	2,424
(Increase)/decrease in inventories		(56)	90
Decrease in trade and other receivables		258	221
Increase in trade and other payables		29	140
Operating cash flows before payments relating to taxes and exceptional charges		2,118	2,875
Taxes paid	9(d)	(102)	(206)
Payments relating to exceptional charges		(176)	(273)
<b>Net cash flow from operating activities</b>		<b>1,840</b>	<b>2,396</b>
Purchase of businesses, net of cash acquired		17	(335)
Sale of businesses		593	35
Purchase of property, plant and equipment and intangible assets	4(e)	(882)	(829)
Sale of property, plant and equipment and intangible assets		14	13
Investments in joint ventures and associates		(6)	(17)
Dividends received from joint ventures and associates	14(a)	58	117
Disposal of interests in joint ventures and associates		218	94
Interest received		22	91
(Purchase)/sale of securities	24(c)	(2)	28
<b>Net cash flow from investing activities</b>		<b>32</b>	<b>(803)</b>
Issue of ordinary share capital		–	694
Payments for own shares	S4	(11)	(17)
Distribution to non-controlling interests		(7)	(10)
Financing interest paid		(318)	(204)
Repayment of borrowings and finance leases	24(c)	(271)	(477)
Equity dividends paid		(463)	(532)
<b>Net cash flow from financing activities</b>		<b>(1,070)</b>	<b>(546)</b>
<b>Net increase in cash and cash equivalents</b>		<b>802</b>	<b>1,047</b>
Cash and cash equivalents including overdrafts at 1 January		1,960	860
Effect of foreign exchange rate changes		(25)	53
<b>Cash and cash equivalents including overdrafts at 31 December</b>		<b>2,737</b>	<b>1,960</b>
Included in the following line of the Group Balance Sheet:			
Cash and cash equivalents	24(c)	2,864	2,036
Overdrafts included within current bank overdrafts, loans and other borrowings	24(c)	(127)	(76)

The notes on pages 115 to 189 form part of these Financial Statements.



## Group Income Statement

Year ended 31 December	Notes	2016			2015		
		Business performance £m	Exceptional items and certain re-measurements £m	Results for the year £m	Business performance £m	Exceptional items and certain re-measurements £m	Results for the year £m
<b>Group revenue</b>	4(b)	27,102	–	27,102	27,971	–	27,971
Cost of sales before exceptional items and certain re-measurements	5	(22,711)	–	(22,711)	(23,734)	–	(23,734)
Re-measurement of energy contracts	7	–	1,058	1,058	–	116	116
<b>Cost of sales</b>	5	(22,711)	1,058	(21,653)	(23,734)	116	(23,618)
<b>Gross profit</b>		4,391	1,058	5,449	4,237	116	4,353
Operating costs before exceptional items	5	(3,054)	–	(3,054)	(3,039)	–	(3,039)
Exceptional items – restructuring costs	7	–	(228)	(228)	–	–	–
Exceptional items – impairments	7	–	(176)	(176)	–	(2,284)	(2,284)
Exceptional items – impairment write-backs	7	–	161	161	–	16	16
Exceptional items – net gain on disposal	7	–	101	101	–	–	–
Exceptional items – other	7	–	131	131	–	(90)	(90)
<b>Operating costs</b>	5	(3,054)	(11)	(3,065)	(3,039)	(2,358)	(5,397)
Share of profits/(losses) of joint ventures and associates, net of interest and taxation	6, 7	130	(28)	102	200	(13)	187
<b>Group operating profit/(loss)</b>	4(c)	1,467	1,019	2,486	1,398	(2,255)	(857)
Financing costs	8	(337)	–	(337)	(334)	–	(334)
Investment income	8	37	–	37	55	–	55
<b>Net finance cost</b>		(300)	–	(300)	(279)	–	(279)
<b>Profit/(loss) before taxation</b>		1,167	1,019	2,186	1,119	(2,255)	(1,136)
Taxation on profit/(loss)	7, 9	(282)	(242)	(524)	(286)	538	252
<b>Profit/(loss) for the year</b>		885	777	1,662	833	(1,717)	(884)
Attributable to:							
Owners of the parent		895	777	1,672	863	(1,610)	(747)
Non-controlling interests		(10)	–	(10)	(30)	(107)	(137)
<b>Earnings per ordinary share</b>				Pence			Pence
Basic	10			31.4			(14.9)
Diluted	10			31.2			(14.9)
<b>Interim dividend paid per ordinary share</b>	11			3.60			3.57
<b>Final dividend proposed per ordinary share</b>	11			8.40			8.43

The notes on pages 112 to 189 form part of these Financial Statements.

## Group Statement of Comprehensive Income

Year ended 31 December	Notes	2016 £m	2015 £m
<b>Profit/(loss) for the year</b>		<b>1,662</b>	<b>(884)</b>
<b>Other comprehensive income/(loss):</b>			
Items that will be or have been recycled to the Group Income Statement:			
Gains on revaluation of available-for-sale securities, net of taxation	S4	8	5
Transfer of available-for-sale reserve gains to Income Statement	S4	(5)	-
Net gains on cash flow hedges	S4	161	20
Transferred to income and expense on cash flow hedges	S4	(129)	(12)
Transferred to assets and liabilities on cash flow hedges	S4	(4)	7
Taxation on cash flow hedges	S4	(3)	(6)
		25	9
Exchange differences on translation of foreign operations		549	(256)
Share of other comprehensive (loss)/income of joint ventures and associates, net of taxation	S4	(4)	3
		573	(239)
Items that will not be recycled to the Group Income Statement:			
Net actuarial losses on defined benefit pension schemes	S4	(1,174)	(321)
Exchange (loss)/gain on translation of actuarial reserve	S4	(7)	3
Taxation on net actuarial losses on defined benefit pension schemes	S4	194	50
		(987)	(268)
Share of other comprehensive income/(loss) of joint ventures and associates, net of taxation	S4	65	(8)
<b>Other comprehensive loss net of taxation</b>		<b>(349)</b>	<b>(515)</b>
<b>Total comprehensive income/(loss) for the year</b>		<b>1,313</b>	<b>(1,399)</b>
Attributable to:			
Owners of the parent		1,287	(1,227)
Non-controlling interests	S10	26	(172)

## Group Statement of Changes in Equity

	Share capital (note 25) £m	Share premium £m	Retained earnings £m	Other equity (note S4) £m	Total £m	Non-controlling interests (note S10) £m	Total equity £m
1 January 2015	311	931	1,825	(332)	2,735	336	3,071
Total comprehensive loss	-	-	(747)	(480)	(1,227)	(172)	(1,399)
Employee share schemes	-	-	2	58	60	-	60
Share dividend	6	204	-	-	210	-	210
Dividends paid to equity holders (note 11)	-	-	(598)	-	(598)	-	(598)
Taxation on share-based payments	-	-	-	(2)	(2)	-	(2)
31 December 2015	317	1,135	482	(756)	1,178	164	1,342
Total comprehensive income	-	-	1,672	(385)	1,287	26	1,313
Employee share schemes	-	-	1	32	33	-	33
Share dividend	4	121	-	-	125	-	125
Dividends paid to equity holders (note 11)	-	-	(651)	-	(651)	-	(651)
Distributions to non-controlling interests	-	-	-	-	-	(12)	(12)
Issue of share capital	21	673	-	-	694	-	694
31 December 2016	342	1,929	1,504	(1,109)	2,666	178	2,844

The notes on pages 112 to 189 form part of these Financial Statements.

## Group Balance Sheet

	Notes	31 December 2016 £m	31 December 2015 (restated) (i) £m	1 January 2015 (restated) (i) £m
<b>Non-current assets</b>				
Property, plant and equipment	13	5,298	4,829	6,377
Interests in joint ventures and associates	14	1,697	1,839	2,395
Other intangible assets	15	1,769	1,775	1,991
Goodwill	15	2,614	2,049	2,609
Deferred tax assets	16	356	497	354
Trade and other receivables	17	66	61	87
Derivative financial instruments	19	582	440	313
Retirement benefit assets	22(d)	—	91	185
Securities	24	219	233	263
		12,601	11,614	14,574
<b>Current assets</b>				
Trade and other receivables	17	5,102	4,905	6,226
Inventories	18	372	395	555
Derivative financial instruments	19	1,291	936	617
Current tax assets		241	126	88
Securities	24	13	11	11
Cash and cash equivalents <sup>(i)</sup>	24	2,036	1,158	775
		9,055	7,531	8,272
Assets of disposal groups classified as held for sale	12(c)	238	13	—
		9,293	7,544	8,272
<b>Total assets</b>		<b>21,894</b>	<b>19,158</b>	<b>22,846</b>
<b>Current liabilities</b>				
Derivative financial instruments	19	(1,100)	(1,460)	(1,565)
Trade and other payables	20	(5,525)	(5,034)	(5,667)
Current tax liabilities		(355)	(389)	(348)
Provisions for other liabilities and charges	21	(457)	(396)	(395)
Bank overdrafts, loans and other borrowings <sup>(i)</sup>	24	(398)	(773)	(1,789)
		(7,835)	(8,052)	(9,764)
Liabilities of disposal groups classified as held for sale	12(c)	(42)	(46)	—
		(7,877)	(8,098)	(9,764)
<b>Non-current liabilities</b>				
Deferred tax liabilities	16	(245)	(98)	(663)
Derivative financial instruments	19	(493)	(508)	(588)
Trade and other payables	20	(69)	(70)	(83)
Provisions for other liabilities and charges	21	(3,099)	(2,839)	(3,203)
Retirement benefit obligations	22(d)	(1,137)	(210)	(123)
Bank overdrafts, loans and other borrowings	24	(6,130)	(5,993)	(5,351)
		(11,173)	(9,718)	(10,011)
<b>Total liabilities</b>		<b>(19,050)</b>	<b>(17,816)</b>	<b>(19,775)</b>
<b>Net assets</b>		<b>2,844</b>	<b>1,342</b>	<b>3,071</b>
Share capital	25	342	317	311
Share premium		1,929	1,135	931
Retained earnings		1,504	482	1,825
Other equity	64	(1,109)	(756)	(332)
<b>Total shareholders' equity</b>		<b>2,666</b>	<b>1,178</b>	<b>2,735</b>
Non-controlling interests	S10	178	164	336
<b>Total shareholders' equity and non-controlling interests</b>		<b>2,844</b>	<b>1,342</b>	<b>3,071</b>

(i) Cash and cash equivalents and current bank overdrafts, loans and other borrowings have been restated for 2015. An opening balance sheet for 2015 has been presented in accordance with the requirements of IAS 1: 'Presentation of financial statements'. See note 1 for further information.

The Financial Statements on pages 108 to 189, of which the notes on pages 112 to 189 form part, were approved and authorised for issue by the Board of Directors on 23 February 2017 and were signed below on its behalf by:

Iain Conn  
Group Chief Executive

Jeff Bell  
Group Chief Financial Officer

## Group Cash Flow Statement

Year ended 31 December	Notes	2016 £m	2015 £m
Group operating profit/(loss) including share of results of joint ventures and associates		2,486	(857)
Less share of profit of joint ventures and associates, net of interest and taxation	6	(102)	(187)
Group operating profit/(loss) before share of results of joint ventures and associates		2,384	(1,044)
Add back/(deduct):			
Depreciation, amortisation, write-downs and impairments		1,068	3,482
Profit on disposals		(126)	(14)
Decrease in provisions		(32)	(2)
Defined benefit pension service cost and contributions		(179)	(131)
Employee share scheme costs		46	45
Unrealised gains arising from re-measurement of energy contracts		(737)	(12)
Operating cash flows before movements in working capital		2,424	2,324
Decrease in inventories		90	138
Decrease in trade and other receivables		221	769
Increase/(decrease) in trade and other payables		140	(604)
Operating cash flows before payments relating to taxes, interest and exceptional charges		2,875	2,627
Taxes paid	9(d)	(206)	(349)
Payments relating to exceptional charges		(273)	(81)
<b>Net cash flow from operating activities</b>		<b>2,396</b>	<b>2,197</b>
Purchase of businesses, net of cash acquired		(335)	(79)
Sale of businesses		35	8
Purchase of property, plant and equipment and intangible assets	4(e)	(829)	(970)
Sale of property, plant and equipment and intangible assets		13	9
Investments in joint ventures and associates		(17)	(13)
Dividends received from joint ventures and associates	14(a)	117	180
Repayments of loans to, and disposal of investments in, joint ventures and associates		94	190
Interest received		91	38
Sale of securities	24(c)	28	26
<b>Net cash flow from investing activities</b>		<b>(803)</b>	<b>(611)</b>
Issue and surrender of ordinary share capital, including issue for share awards		694	28
Payments for own shares	S4	(17)	(11)
Distribution to non-controlling interests		(10)	—
Financing interest paid		(204)	(311)
Repayment of borrowings and finance leases	24(c)	(477)	(1,650)
Cash received from borrowings, net of linked deposit	24(c)	—	1,000
Equity dividends paid		(532)	(387)
<b>Net cash flow from financing activities</b>		<b>(546)</b>	<b>(1,331)</b>
<b>Net increase in cash and cash equivalents</b>		<b>1,047</b>	<b>255</b>
Cash and cash equivalents including overdrafts at 1 January		860	621
Effect of foreign exchange rate changes		53	(16)
<b>Cash and cash equivalents including overdrafts at 31 December</b>		<b>1,960</b>	<b>860</b>
Included in the following line of the Group Balance Sheet:			
Cash and cash equivalents	24(c)	2,036	1,158
Overdrafts included within current bank overdrafts, loans and other borrowings	24(c)	(76)	(298)

The notes on pages 112 to 189 form part of these Financial Statements.

Exhibit C-4  
Financial Arrangements

Public Version - Redacted

## Exhibit C-6 Credit Rating

Direct Services, LLC's is a fully owned subsidiary of Centrica plc. As such, Direct Energy Services, LLC relies on the credit rating of our parent company,

As evidenced in Exhibit C-6 "Credit Report", which is also summarized in the table below, Centrica plc maintains a long-term credit rating of Baa1 with Moody's, and an A- with Fitch and is rated as having a "Stable" outlook by both Rating Agency.

### Agency Credit Ratings:

Rating Agency	Long Term Rating	Outlook	Short Term Rating
Moody's	Baa1	Stable	P-2
S&P	BBB+	Negative	A-2
Fitch	A-	Stable	F2

Exhibit C-7  
Credit Report

Please find attached the most recent credit reports for Direct Energy Services, LLC's ultimate parent company, Centrica plc. The credit ratings and reports from Centrica plc have remained stable and unchanged since 2017.

**Centrica plc (/gws/en/esp/issr/83410063)**

# Fitch Ratings

## Fitch Affirms Centrica at 'A-'; Stable Outlook

Fitch Ratings-London-09 August 2017: Fitch Ratings has affirmed Centrica plc's Long-Term Issuer Default Rating (IDR) and senior unsecured notes at 'A-' and Short-Term IDR at 'F2'. Fitch has also affirmed the ratings on Centrica's deeply subordinated EUR750 million and GBP450 million hybrid securities at 'BBB'. The Outlook on the Long-Term IDR is Stable.

The affirmation and Stable Outlook reflect our view that Centrica's commitment to, and execution of its deleveraging strategy through asset sales, new equity and cost-cutting throughout 2016 and 2017 has helped to offset the ongoing strategic redirection towards asset-light customer-facing businesses and the pressures in its UK supply segment. The business mix with lower debt capacity and the execution risk in Centrica's growth areas are reflected in our tighter leverage guidelines for the rating.

### KEY RATING DRIVERS

**Consumer Strategy Execution Risk:** Fitch believes that Centrica faces execution risk and limited earnings visibility in its strategy to pursue growth in less established, asset-light new customer-facing businesses such as Connected Home. The company is diversifying its earnings away from businesses exposed to energy and gas prices, but we expect that earnings from this and the more established services segments will continue to be *limited and may not immediately be sufficient to counter the negative trend* within its UK supply business.

**Continued Pressure in UK Supply:** Centrica continued to feel the effects of greater competition as it suffered further customer losses in UK electricity and gas supply and in services with the total number of customer accounts falling by 3.1% in 2016. However, it has maintained its position as the largest player in the UK with around a 22% market share in electricity supply in Q117. We



expect that Centrica's decision to raise electricity tariffs by 12.5% from September 2017 will quicken the pace of customer losses in the UK but for the segment to still contribute around 50% of Centrica's earnings. Further political intervention or increased competition could also weaken earnings and margins.

**Merger Supports E&P Earnings:** We consider that Centrica's agreement to place its European oil and gas exploration and production (E&P) in a joint venture with Bayerngas Norge AS is positive for the segment. The joint venture should strengthen earnings from E&P, which contributed around 24% to EBITDA in 2016, through greater economies of scale, asset diversity and longer asset life.

However, the joint venture will increase the distributions to the minority partners by around GBP40 million per year. We expect that the JV will maintain a prudent growth strategy that does not require external debt. We see Centrica's E&P earnings as providing it with good diversification and the potential for greater financial flexibility in the future.

**Supportive Credit Metrics:** Centrica has continued to improve its credit metrics and reduce leverage with the help of around GBP900 million of asset sales in 2016 and 2017 and around GBP630 million of cost-cutting. These actions build on the additional equity issuance of GBP700 million in 2016 and the GBP1,000 million hybrid bond issuance in 2015. Fitch's funds from operations (FFO) adjusted net leverage fell to 1.9x at the end of the financial year to December 2016 (FYE16) from 2.7x at FYE15. We expect that the company will reach its net debt target of between GBP2.5-GBP3 billion by the end of 2017 and return to a progressive dividend policy.

We expect that Centrica's FFO adjusted net leverage will remain between 1.5x to 2.0x during 2017-2020 which is commensurate with the rating, and that the group's significant cash balance will be used to repay debt over time. We expect Centrica's cash flows to provide it with sufficient headroom to allow for earnings volatility, small bolt-on acquisitions and to increase shareholder returns without drawing on further borrowings.

## DERIVATION SUMMARY

Centrica has the largest proportion of unregulated earnings among its peer group, but it is similar to Fortum (BBB+/Stable) and Statkraft (BBB+/Stable), which also have limited regulated or quasi regulated earnings. This is unlike its UK peer SSE plc (BBB+/Stable) which has around 70% of earnings from more predictable regulated and quasi-regulated operations. Centrica's rating is supported by its significantly lower leverage compared than SSE and Statkraft and stronger geographical footprint than Fortum. We consider that Centrica benefits from its partially integrated business model, and significant scale and market share in the UK which supports its competitive position relative to smaller players in the UK supply segment such as Drax Group Holdings Limited (BB+/Stable).

#### KEY ASSUMPTIONS

Fitch's key assumptions within our rating case for the issuer include:

- UK customer accounts losses between 2%-3% between 2017 and 2020;
- UK power prices around GBP44/MWh;
- Improving NBP (National Balancing Point) price from 5.75USD/thousand cubic feet in 2016 to 6 from 2019 onwards (according to Fitch's price deck);
- cost savings of GBP250 million in 2017;
- income tax expense at 25% of pretax income
- capex at GBP1 billion for 2017, according to guidance and then around GBP1.1-1.2 billion;
- dividends increasing toward GBP700 million pa.

#### RATING SENSITIVITIES

Future Developments That May, Individually or Collectively, Lead to Positive Rating Action

- We view an upgrade as unlikely reflecting the sector risk profile of Centrica's core businesses of supply and customer services.

Future Developments That May, Individually or Collectively, Lead to Negative Rating Action

- FFO adjusted net leverage consistently higher than 2x and FFO fixed charge cover below 5.0x
- Further pressure in the key areas of operations, including adverse supply regulation in the UK, acceleration of customer losses or significant margin reduction

## LIQUIDITY

As of end-June 2017, Centrica had unrestricted cash of GBP2,311 million and undrawn committed facilities totalling GBP4,359 million. This is more than adequate to meet operating needs and debt maturities totalling GBP970 million through 2020. We expect Centrica to be free cash-flow positive in 2017 before returning to a broadly neutral position during 2018-20.

## FULL LIST OF RATING ACTIONS

### Centrica PLC

- Long-Term IDR affirmed at 'A-', Stable Outlook
- Senior unsecured rating affirmed at 'A'
- Short-Term IDR affirmed at 'F2'
- Subordinated notes rating affirmed at 'BBB'

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Summary of Financial Statement Adjustments - GBP155 million of cash was treated as restricted. GBP139 million of payments related to terminating

energy contracts were considered exceptional.

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Additional information is available on [www.fitchratings.com](http://www.fitchratings.com). For regulatory purposes in various jurisdictions, the supervisory analyst named above is deemed to be the primary analyst for this issuer; the principal analyst is deemed to be the secondary.

### **Applicable Criteria**

Corporate Rating Criteria (pub. 07 Aug 2017)

(<https://www.fitchratings.com/site/re/901296>)

Non-Financial Corporates Hybrids Treatment and Notching Criteria (pub. 27 Apr 2017) (<https://www.fitchratings.com/site/re/896881>)

### **Additional Disclosures**

Dodd-Frank Rating Information Disclosure Form

(<https://www.fitchratings.com/site/dodd-frank-disclosure/1027618>)

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Fitch Ratings was paid to determine each credit rating announced in this Rating Action Commentary (RAC) by the obligatory being rated or the issuer, underwriter, depositor, or sponsor of the security or money market instrument being rated, except for the following:

### Unsolicited Issuers:

Entity/Security	ISIN/CUSIP/COUPON RATE	Rating Type	Solicitation Status
Centrica plc	-	Long Term Issuer Default Rating	Unsolicited
Centrica plc	-	Short Term Issuer Default Rating	Unsolicited
Centrica plc GBP 400 mln 7% Notes 19 Sep 2018	XS0388006552	Long Term Rating	Unsolicited
Centrica plc EUR 100 mln 3.2133% Notes 1 Feb 2019	XS0738593796	Long Term Rating	Unsolicited
Centrica plc USD 80 mln Floating Rate Notes 25 Sept 2020	XS0975608208	Long Term Rating	Unsolicited
Centrica plc HKD 450 mln 3.68% Notes 22 Feb 2022	XS0747399466	Long Term Rating	Unsolicited

Entity/Security	ISIN/CUSIP/COUPON RATE	Rating Type	Solicitation Status
Centrica plc GBP 500 mln 6.375% Notes 10 Mar 2022	XS0416397338	Long Term Rating	Unsolicited
Centrica plc USD 750 mln 4% Notes 16 Oct 2023 ser RegS	USG2071AAE04	Long Term Rating	Unsolicited
Centrica plc USD 750 mln 4% Notes 16 Oct 2023 ser 144A	US15639KAA07	Long Term Rating	Unsolicited
Centrica plc GBP 200 mln Floating Rate Notes 4 Sep 2026	XS0265184589	Long Term Rating	Unsolicited
Centrica plc USD 70 mln 5.9% Notes 16 Apr 2027	XS0502919797	Long Term Rating	Unsolicited
Centrica plc GBP 750 mln 4.375% Notes 13 Mar 2029	XS0753789980	Long Term Rating	Unsolicited
Centrica plc EUR 50 mln Zero Coupon Notes 5 Jan 2032	XS0721258860	Long Term Rating	Unsolicited
Centrica plc GBP 770 mln 7% Notes 19 Sep 2033	XS0388006123	Long Term Rating	Unsolicited
Centrica plc USD 600 mln 5.375% Notes 16 Oct 2043 ser 144A	US15639KAB89	Long Term Rating	Unsolicited
Centrica plc USD 600 mln 5.375% Notes 16 Oct 2043 ser RegS	USG2071AAF78	Long Term Rating	Unsolicited
Centrica plc GBP 500 mln 4.25% Notes 12 Sep 2044	XS0825385858	Long Term Rating	Unsolicited
Centrica plc GBP 450 mln Variable Rate Subordinated Notes 10 Apr 2075	XS1216019585	Long Term Rating	Unsolicited
Centrica plc EUR 750 mln Variable Rate Subordinated Notes 10 Apr 2076	XS1216020161	Long Term Rating	Unsolicited
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# S&P Global Ratings

## (/en\_US/web/guest/home) U.K.-Based Energy Company Centrica Ratings Affirmed Amid Difficult Market Conditions; Outlook Negative

19-Apr-2018 07:19 EDT

[View Analyst Contact Information](#)

Centrica management's commitment to lower overall debt levels through disposals, stabilized dividend payments, and reduction of other liabilities such as asset retirement obligations has allowed the company to improve its financial risk profile. Metrics were commensurate with our 'BBB+' rating at the end of 2017.

That said, strong competition in the supply markets in the U.K. and the U.S. continue to weigh on Centrica's core ratios, and thus on our assessment of Centrica's business risk.

We are affirming our 'BBB+/A-2' long- and short-term issuer credit ratings on Centrica.

The negative outlook signifies that, despite the company's reduced leverage, management still faces difficult market conditions in the U.K. and the U.S.

LONDON (S&P Global Ratings) April 19, 2018--S&P Global Ratings today affirmed its 'BBB+/A-2' long- and short-term issuer credit and issue ratings on U.K.-based energy utility Centrica PLC. The outlook remains negative.

At the same time, we affirmed our 'BBB+' issue rating on the senior unsecured notes and our 'BBB-' rating on the junior subordinated notes.

Management has significantly cut Centrica's reported net debt over the past four years, to £2.6 billion by the end of 2017. It achieved this through the company's intrinsic free operating cash flow (FOCF) generation capacity, cost-cutting measures, and through its disposal program. S&P Global Ratings-adjusted debt fell to about £5.1 billion in 2017 from £6.7 billion in 2016, as the sale of Canadian exploration and production (E&P) assets reduced asset retirement liabilities to £1.4 billion from £1.8 billion.

This said, competition in the supply markets in the U.K. and the U.S. remains very high. The U.S. operations are not growing as well as initially expected, which contributed to the profit warning Centrica announced in November 2017. Political risk remains high in the U.K., where a tariff cap could be implemented in the first half of 2019. In our view, Centrica's strategy of moving toward being a more asset-light company may structurally increase cash flow volatility. The company has announced its intention to divest its stake in British Energy and views its E&P business as nonstrategic. Although we don't expect any changes in the short term, a reduced cash flow diversity would weaken the company's business risk profile, in our view.

Nevertheless, Centrica's strong commitment to debt reduction and the company's strong market positions in the U.K. offset some of these risks. We also understand that Centrica has already locked in a recovery of profit from its U.S. activities for 2018 and 2019, supporting our assumption of a moderate increase in operating profit over the next few years. In addition, Centrica has announced a further £500 million of cost-cutting programs, which should support operating performance.

Our base case depends on Centrica maintaining its operating profit overall, despite some reduction in the U.K., while increasing U.S. market penetration. In the U.K., our base case is that Centrica will offset some of the reduction of its operating profit thanks to achieving improved customer margins, despite losing further market share in gas supply markets. Centrica's strategy of offering connected home products and selling additional services to its customers supports the company's margins. However, there is political tension in the U.K. regarding the standard variable tariff (SVT). SVT tariffs are the default tariff a consumer will be charged for their gas or electricity if they do not actively search for a new tariff. (For more details, please refer to: "U.K. Energy Suppliers Could Have The Flexibility To Withstand A Potential

Price Cap (/en\_US/web/guest/article/-/view/sourceId/10280015)," published on Oct. 9, 2017.)

In our base case, we assume:

Market environment in Centrica's core businesses to remain tough.

Gradual reduction in market share and margins due to increasing competition in the U.K. and the potential impact of a retail tariff cap, but growth in the U.S. retail and business services, including a roll-out of connected homes products.

Subdued wholesale power prices and gas prices in the U.K., declining consumption, and continued low spark spreads in an oil price environment of about \$50/barrel, providing some upside.

Operating profit to be supported by cumulative hefty cost efficiencies reaching £1.25 billion per year by 2020 (versus 2015), two-thirds of which have already been delivered.

Downsizing of E&P to an output of 50 million barrels of oil equivalent annually (from 79.5 million in 2014). Centrica has a 69% share in E&P via its Spirit Joint venture.

No dividend increase unless operating cash flow grows.

Capex of up to about £1 billion a year, including £400 million-£600 million in the E&P segment in the near term.

Based on these assumptions, we arrive at the following credit measures:

Adjusted EBITDA of £2.2 billion-£2.6 billion (from £2.1 billion in 2017, close to 2016 performance of £2.4 billion). There is uncertainty in the medium term due to the tariff cap discussions.

Ongoing FOCF of £750 million-£1 billion, before disposals.

Funds from operations (FFO) to debt remaining at or above 35%.

The negative outlook signifies that, despite the company's reduced leverage, management faces difficult market conditions in the U.K. and the U.S. Centrica could find it hard to maintain FFO to debt at 35%-40%.

We would consider a downgrade if Centrica's business environment declined such that it was unable to maintain its operating cash flow. This could occur if reforms significantly affected Centrica's profitability in the U.K. retail market or it saw a further increase in competitive pressures on retail markets. Alternatively, it could occur if there were no recovery in the U.S. operations.

We would also consider lowering the ratings if we considered that Centrica's business risk profile was weakening, for example, if the company's business diversification were to reduce; operating margins in the U.K. retail business weakened; customer retention became increasingly testing; the U.S. business underperformed our expectations; or political intervention in the U.K. materially affected Centrica's residential retail activities.

We would revise the outlook to stable if we saw reduced pressure in the U.K. retail market, sustainably improving operating performance in the U.S., and improved performance from the E&P operations, which would ultimately result in reduced uncertainty regarding the group's future performance and stronger credit metrics, comfortably in line with our expectations for the rating.

At this stage, we view upside as unlikely in the medium term. An upgrade would depend on good operating performance and market positions, in both the U.K. and the U.S., such that FFO to debt could be sustainably maintained above 45%.

#### RELATED CRITERIA

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U.K. Energy Suppliers Could Have The Flexibility To Withstand A Potential  
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Certain terms used in this report, particularly certain adjectives used to express our view on rating relevant factors, have specific meanings ascribed to them in our criteria, and should therefore be read in conjunction with such criteria. Please see Ratings Criteria at [www.standardandpoors.com](http://www.standardandpoors.com) for further information. Complete ratings information is available to subscribers of RatingsDirect at [www.capitaliq.com](http://www.capitaliq.com). All ratings affected by this rating action can be found on the S&P Global Ratings' public website at [www.standardandpoors.com](http://www.standardandpoors.com). Use the Ratings search box located in the left column. Alternatively, call one of the following S&P Global Ratings numbers: Client Support Europe (44) 20-7176-7176; London Press Office (44) 20-7176-3605; Paris (33) 1-4420-6708; Frankfurt (49) 69-33-999-225; Stockholm (46) 8-440-5914; or Moscow 7 (495) 783-4009.

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## Exhibit C-8 Bankruptcy Information

Over the past two years, Direct Energy Services, LLC has not sought financial reorganization, protection from creditors or had any other form of bankruptcy filing. The same is true of the Directors and Officers of Direct Energy Services, LLC that are referenced on Exhibit A-14.

## Exhibit C-9 Merger Information

Direct Energy Services, LLC has not experienced any mergers since the previous license renewal submitted in 2016.

Exhibit C-10  
Corporate Structure

Public Version Redacted

## Exhibit D-1 Operations

Direct Energy Services, LLC, part of the Direct Energy family, has operational backing with one of DE's affiliates to maximize efficiency in providing high quality service to customers. Direct Energy has integrated all the key components in-house for natural gas supply and trading. This includes the complete supply cycle of contracting the natural gas purchases for retail sales, nomination and scheduling of retail natural gas for delivery, and other components for producing, storing and supplying of natural gas. Direct Energy Business Marketing, LLC, who is the wholesale trading affiliate of Direct Energy for US trading, has the contractual relationships with outside parties and partners to provide energy supply to end use customers.

## Exhibit D-2 Operations Expertise

John Schultz is currently the President, Centrica North America and Direct Energy Business. Direct Energy Business is responsible for the natural gas supply and trading activities on behalf of all of the Direct Energy family of entities. John's office is located in the Iselin, New Jersey. He has 20+ years of experience in the energy industry and has held various positions in the field including natural gas and electricity trading and operations, commercial and industrial sales and energy infrastructure development. John has a B.S in Agricultural Economics from Penn State University and has attended executive development programs at the Fuqua School of Business at Duke University and Harvard Business School.

His team for natural gas is led by David Brast, SVP, North American Power & Gas, and Steve Dixon, Head of North American Sales.

David joined the company in August 2013. He is an experienced energy professional who previously held a role as Senior Vice President of Business Segments for Reliant/NRG Business Solutions. He has in excess of 20 years' experience specializing in risk management, power and gas trading and commercial operations. He has a Bachelor's degree in Accounting and Finance from Texas A&M University.

Steve is currently Head of North American Sales for Direct Energy Business. He joined Direct Energy in 2013 as the Head of the East Region Gas Operations and prior to that, he served as Vice President of Natural Gas Operations for Hess Corporation's Energy Marketing business. He joined Hess Corporation in 1998 after serving in positions at Resource Energy, Aquilla Energy and Phillip's Petroleum Company (now Conoco Phillips). He has 30 years of experience in the energy industry in a variety of roles, including operations, sales, marketing and trading. In his current role at Direct Energy, he is responsible for leading all aspects in developing a best in class customer facing sales team. Mr. Dixon has a BS in Business Administration from Lyon College and an MBA from the Walton College at the University of Arkansas. He has also attended Executive Development Programs at both Harvard Business School and Harvard Law School.

## Exhibit D-3 Key Technical Personnel

John Schultz, President – Centrica North America & Direct Energy Business  
[John.schultz@directenergy.com](mailto:John.schultz@directenergy.com)  
(732) 750-6197

Mr. Schultz has in excess of 20 years of experience in the energy industry and has held various positions in the field including natural gas and electricity trading and operations, commercial and industrial sales and energy infrastructure development. Mr. Schultz was previously the Senior Vice President of Hess Energy Marketing, LLC and was promoted to President of Direct Energy Business, LLC ("DEB") and is currently the President of Centrica North America as well.

Mr. Schultz is a graduate of Penn State University and has attended executive development programs at both the Fuqua School of Business at Duke University and Harvard Business School.

Steve Dixon, SVP, North American Sales – Direct Energy Business  
[Steve.dixon@directenergy.com](mailto:Steve.dixon@directenergy.com)  
(732) 750-6240

Steve is currently SVP of North American Sales for Direct Energy Business. In this role, he is responsible for leading all aspects of developing a best in class customer-facing sales team.

Steve joined DEB as Head of the East Region Gas Operations in November 2013, and prior to that he was Vice President of Natural Gas Operations for Hess Corporation's Energy Marketing business. He joined Hess Corporation in 1998, after serving in positions at Resource Energy, Aquila Energy, and Phillips Petroleum Company (now ConocoPhillips). He has 30 years of experience in the energy industry in a variety of roles including operations, sales, marketing, and trading.

Steve is originally from Houston, TX and has a B.S. in Business Administration from Lyon College and a MBA from the Walton College at the University of Arkansas. He has also attended executive development programs at both Harvard Business School and Harvard Law School.

David Brast, SVP North American Power & Gas – Direct Energy Business  
[David.brast@directenergy.com](mailto:David.brast@directenergy.com)  
(713) 877-3642

David is the SVP of North American Power & Gas where his responsibility is overseeing retail supply, trading, asset optimization and power generation.

David joined the company in August 2013. He is an experienced energy professional who previously held a role as Senior Vice President of Business Segments for NRG Energy. He has more than 20 of years of experience specializing in risk management, power and gas trading and commercial operations. He has a Bachelor's degree in Accounting and Finance from Texas A&M University.