

COMMONWEALTH OF MASSACHUSETTS

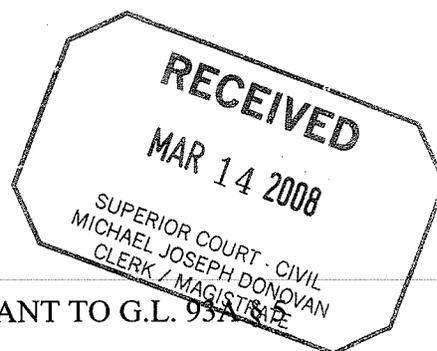
SUFFOLK, SS.

SUPERIOR COURT DEPARTMENT
CIVIL ACTION NO.

08-1228 - A

In the Matter of)
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SPARK ENERGY, L.P.



ASSURANCE OF DISCONTINUANCE PURSUANT TO G.L. 93A

I. Introduction and Factual Background

Pursuant to the provisions of Massachusetts General Laws c. 93A, the Commonwealth of Massachusetts, by its Attorney General Martha Coakley, conducted an investigation into certain methods, acts and practices employed by Spark Energy, L.P. in the marketing of its retail energy supply service to Massachusetts consumers.

Based on that investigation, the Attorney General has reason to believe that Spark Energy, L.P. ("Spark") violated the Massachusetts Consumer Protection Act, M.G.L. c. 93A. In 2007, Spark was contacted by the Attorney General and made aware of the Commonwealth's investigation. The parties discussed the investigation in good faith with regard to the Commonwealth's concerns. As a result of these discussions, the Commonwealth and Spark have agreed to resolve the allegations through an Assurance of Discontinuance rather than an enforcement action.

II. Allegations

The alleged violations, which are denied by Spark, include a variety of alleged acts of wrongdoing, all of which, if proven, violate Massachusetts law.

The Attorney General alleges that Spark has violated Massachusetts consumer protection laws by misleading or confusing customers in its promotion of Spark electric supply service, as to:

1. the existence of a partnership or other relationship with NSTAR;
 2. the disclosure of a monthly customer charge included with Spark's service;
- and
3. the advertised level of savings offered to customers on their electricity supply.

Spark denies that it violated any Commonwealth laws and regulations; but agrees to enter into this Assurance of Discontinuance in the spirit of cooperation and to resolve the allegations without litigation. The Commonwealth agrees to accept this Assurance of Discontinuance, in lieu of commencing an enforcement action pursuant to M.G.L. c. 93A.

III. Assurances

The parties to this Assurance of Discontinuance wish to ensure that any marketing or promotion of Spark is not deceptive or misleading. To further these ends, Spark and the Attorney General have entered into this Assurance of Discontinuance and have agreed as follows:

1. Compliance with Commonwealth of Massachusetts Laws and Regulations
Spark, including its officers, directors, employees, agents, and assigns, and any other person acting under its direct direction or control; whether acting individually, in concert with others, or through any corporation, trust, partnership, association, franchise or other entity or device through which they may now or hereafter act or conduct business in the Commonwealth of Massachusetts, shall comply with M.G.L. c. 93A and the Attorney General's regulations.
2. Spark shall refrain from any deceptive or misleading activities with respect to the marketing of its supply or services at any time in the future.
3. Compliance Counsel
 - a. For a period of two (2) years from the date of execution of this Assurance, Spark shall designate an attorney who shall be a contact for the Attorney General's office and correspond with the Attorney General's Office regarding compliance with Commonwealth of Massachusetts consumer protection laws, regulations, and this Assurance.
 - b. For a period of two (2) years from the date of execution of this Assurance, Spark shall provide to the Commonwealth the name of its counsel assigned to oversee this function.
4. Training Manager
 - a. For a period of two (2) years from the date of execution of this Assurance, Spark shall designate a member of management to be responsible for overseeing the training of Spark employees (whose job

functions involve Spark Energy's electric retail service in the Commonwealth of Massachusetts) (the "Training Manager"), which may be the attorney designated in section 3 a. above.

b. For a period of two (2) years from the date of execution of this Assurance, Spark shall maintain written policies and procedures for training its employees (hereafter "employees") (conducting marketing activities aimed at Massachusetts consumers).

c. Such training shall include the following:

i. The Training Manager, through this Assurance, will certify that all current employees have completed compliance training, and that any new employees, conducting marketing activities aimed at Massachusetts consumers, will complete the training before having any contact with consumers. Such training shall be conducted in a method chosen by Spark Energy, in its sole discretion. However, new employees as part of a supervised training, may under the direct supervision of the Training Manager, or the Training Manager's staff, have contact with consumers, as part of the training;

ii. As part of Spark's training, every employee shall receive and read a summary of the Massachusetts Consumer Protection Act, M.G.L. c. 93A and the Attorney General's regulations, such summary to be

provided to Spark by the Office of the Attorney

General;

- iii. Training shall require that every employee receive and read the Spark Compliance Handbook, then currently in use, and the training policies and procedures utilized by Spark;
 - iv. Spark shall provide the Commonwealth with copies of all training materials and updated materials used to train its employees for a period of one (1) year from the execution of this Assurance; and
 - v. For a period of two (2) years from the date of execution of this Assurance, the Training Manager will continue to maintain a record of all employee training required hereunder. Such training records shall be provided to the Commonwealth upon request.
- d. For a period of two (2) years from the date of execution of this Assurance, Spark shall provide to the Commonwealth the name of the manager responsible for Training and updated information whenever a new Training Manager is appointed.
- e. To the extent that Spark contracts with vendors or other third parties, who shall conduct marketing activities or services aimed at Massachusetts consumers, Spark shall enter into written contracts with such vendors or third parties requiring the vendor or third party to at all

times comply with all state, federal and local laws and regulations; assure compliance with all Commonwealth of Massachusetts consumer protection laws; and refrain from any deceptive or misleading activities with respect to the marketing of Spark's supply or services.

5. Use of Registered Agent

Spark Energy's registered agent within the Commonwealth of Massachusetts is CT Corporation. Through current business practices, CT Corporation sends notice to Spark's corporate headquarters located at 3010 Briarpark Drive, Suite 550, Houston, Texas 77042. For a period of two (2) years from the date of execution of this Assurance, upon request of the Attorney General's Office, Spark shall provide to the Attorney General's Office the current name of its registered agent within the Commonwealth of Massachusetts as well as the address of its Corporate Headquarters. Such correspondence may be directed to the in-house Legal Department of Spark Energy, L.P.

a. Spark will investigate and attempt to resolve consumer complaints in a reasonable and timely manner. Spark will work in good faith with the Consumer Complaint and Information Section of the Attorney General's Office and/or the Local Consumer Programs funded by the Attorney General, as such involvement is deemed reasonably necessary and proper. Spark shall maintain the resulting consumer mediation file for a period of two (2) years from the initial date such consumer complaint was first

received by Spark. Such provision shall be applicable to Spark for a period of two (2) years.

6. Retention of All Consumer Accounts

For a period of two (2) years from the date of execution of this Assurance, Spark shall maintain, and make available to the Commonwealth upon request, all records with respect to each customer account, including, but not limited to:

- i. The name and address, if available, of the consumer;
- ii. The name of the marketing agent and the agent's company, and/or the name of the broker and broker's company;
- iii. The amount and nature (e.g., amount of savings promised) of the alleged benefit to switching to electric power supply from Spark, if such promise is made;
- iv. The date, time and manner (e.g., telephone, letter, e-mail), of every communication;
- v. The employee(s) involved in the marketing activities; and
- vi. The amount of money, if any, collected from such consumer from any such sales.

7. Telephone Recordings

To the extent that Spark contacts potential customers through a telemarketing service campaign or otherwise, Spark shall ensure that it, or a third-party entity contracting with Spark, maintains a recording of all third-party verification calls for its enrollment process. Additionally, to

the extent that Spark contacts potential customers through a telemarketing service campaign or otherwise, Spark shall ensure that it, or a third-party entity contracting with Spark, perform regular audits of its calls to consumers located in the Commonwealth of Massachusetts. Spark will maintain third-party verifications and phone calls recorded as part of the afore-mentioned regular audit for a minimum of ninety (90) days from the date of enrollment of the customer, unless a consumer complaint has been raised through a legal demand, a regulatory complaint, or a lawsuit, in which the recording is maintained as part of Spark's current practice to protect possible evidence in a legal or regulatory dispute.

8. Account Verification

Spark shall send written confirmation of services with all applicable terms of service as negotiated and agreed upon by the Attorney General's Office pursuant to paragraph 12 below to consumers within seven (7) days after its initial communication with a consumer that has agreed verbally to have Spark serve as its retail energy supplier within the Commonwealth of Massachusetts.

9. Communication with Customers that signed up with Spark between December 2006 and January 2007

Spark shall send correspondence, negotiated and agreed upon by the Attorney General, to each Spark customer who received services from Spark between December 11, 2006 and December 31, 2007, which clearly notifies customers of Spark's relationship with NSTAR, the monthly

service charge of \$4.95 and provide a lawful description of the savings offered through Spark's program. Spark will also indicate that any existing customer has the option of terminating its contract with Spark without being subject to an early termination fee.

10. Restitution of Spark's Monthly Base Customer Charge

Spark shall fully refund to each Spark Energy customer that signed up for Spark services between December 12, 2006 and January 25, 2007, all monthly base customer charges paid by each customer between the date service commenced through December 31, 2007. This refund may be passed on to customers through a credit on the energy portion of each customer's bill or by other means deemed appropriate by Spark. Spark may continue to charge a customer charge to customers that voluntarily stay under contract with Spark after receiving the correspondence set forth in paragraph 9 above.

11. Payment to Consumer Aid Fund in Lieu of Penalty

Upon execution of this Assurance, Spark shall deliver to the Commonwealth a certified check, payable to the Commonwealth of Massachusetts, for \$55,000 (Fifty-five Thousand Dollars), for the Local Consumer Aid Fund, pursuant to M.G.L.c.12, 11G. Payment of such funds is in lieu of payment of civil penalties pursuant to G.L. c. 93A, section 4. Such funds shall be used consistently with G.L.c.12, 11G, to provide assistance to eligible local or regional agencies that deal with the resolution of consumer problems.

12. Terms of Service and Offer

In order to fully comply with M.G.L. c. 93A and the Attorney General's regulations promulgated pursuant to M.G.L. c. 93A, Spark shall amend its terms of service and any other material describing its offer of service to (1) clearly state the \$4.95 monthly customer charge; and (2) more fully describe customer supply savings, if Spark elects to utilize any supply savings in its offering materials. Language stating a savings "up to" a certain amount shall not be used. Spark will submit for preliminary review by the Attorney General's office a copy of the terms of service and offers to be provided to Massachusetts consumers. After such initial review of its Terms of Service, for a period of one year from the date of execution of this Assurance, Spark shall submit a new version of the Terms of Service if the Terms of Service undergo any legally material modification.

13. Business Statement of Spark

Spark ceased doing business with Consumer Sales Solutions ("CSS"), the telemarketing company employed by Spark between approximately December 12, 2006 and January 25, 2007, in the Commonwealth of Massachusetts upon learning of customer complaints that arose immediately following the start of Spark's sales campaign and a lack of communication between NSTAR, CSS, and itself. Due to this lack of communication, Spark has no current plans or intentions to work with this

call center with respect to offers or solicitations made in the Commonwealth of Massachusetts.

In the future, should Spark decide to participate in Massachusetts' retail market, it is Spark's current intention to deploy more traditional sales channels, such as the use of licensed brokers. The foregoing shall not preclude Spark from utilizing telemarketing activities in the future as long as such use is consistent with this Assurance of Discontinuance and complies with all applicable consumer protection laws of the Commonwealth of Massachusetts.

IV. Miscellaneous Provisions

1. This Assurance shall not relieve Spark of any of its obligations to comply with all applicable federal and state laws and regulations.
2. If the Office of the Attorney General in its reasonable sole discretion, determines that Spark has failed to comply with any of the terms of this Assurance of Discontinuance, the Attorney General will notify Spark in writing of such failure to comply, and Spark shall then have twenty (20) business days from the day following receipt of such notice, before which time the Attorney General will not commence any action for violation of this Assurance of Discontinuance, to provide a good faith written response to the Attorney General's reasonable determination. The response shall contain, at a minimum, either:
 - i. A statement explaining why Spark believes it is in full compliance with the Assurance of Discontinuance;

- ii. A detailed explanation of how the alleged violation (s) occurred; and
- iii. A statement that the alleged breach has been cured and a description of the action taken by Spark to cure the breach; or
- iv. A statement that the alleged breach cannot be reasonably cured within the above-referenced twenty (20) day time period, but (1) Spark has begun to take corrective action to cure the alleged breach; (2) Spark is pursuing such corrective action with reasonable and due diligence; and (3) Spark has provided the Attorney General with a detailed and reasonable timetable for curing the alleged breach.

Nothing herein shall prevent the Attorney General from agreeing to provide Spark with additional time beyond the twenty (20) business day period to respond to the notice, before which time the Attorney General will not commence any action for violation of this Assurance of Discontinuance.

3. Nothing in this Assurance shall affect any right of private action that any person may have against Spark.

4. In the event that Spark transfers, assigns or sells all or substantially all of its assets to another entity engaged in the marketing of electricity to residents of the Commonwealth of Massachusetts, Spark shall transfer the obligations and liabilities under this Assurance to the successor entity, to the extent allowed by law.

5. Nothing contained in this Assurance shall be construed as an

admission that Spark has engaged in any unlawful, fraudulent, illegal, or improper activity.

6. This Assurance contains the complete agreement between the parties. No promises, representations, or warranties other than those set forth in this Assurance have been made by either party. This Assurance supersedes all prior communications, discussions, or understandings, if any, of the parties, whether written or oral. This Assurance can be modified or supplemented only by written memorandum agreed to and executed by both parties to this Assurance.

7. Any notices or communications required to be transmitted between the parties to this Assurance shall be sent by first class mail or facsimile to the following parties or individuals at the following addresses:

Casey P. Adkins, Assistant General Counsel
Spark Energy, L.P.
3010 Briarpark Drive, Suite 550
Houston, TX 77042
Fax: (832) 217-1892

Jed Nosal, AAG
Office of the MA Attorney General
Energy and Telecommunications Division
One Ashburton Place
Boston, MA 02108
Fax: 617-727-1047

8. The undersigned officer of Spark, is duly authorized to execute this Assurance on behalf of Spark and to bind Spark to all of its provisions, and on behalf of Spark, hereby enters into this Assurance of Discontinuance voluntarily.

SPARK ENERGY, L.P.

By: 

Name: Michael D. Osowski

Title: Senior Vice President

Dated: March 11, 2008