February 26, 2007

Consolidation of the CIS Platform Market and What it Means to the Utility Sector

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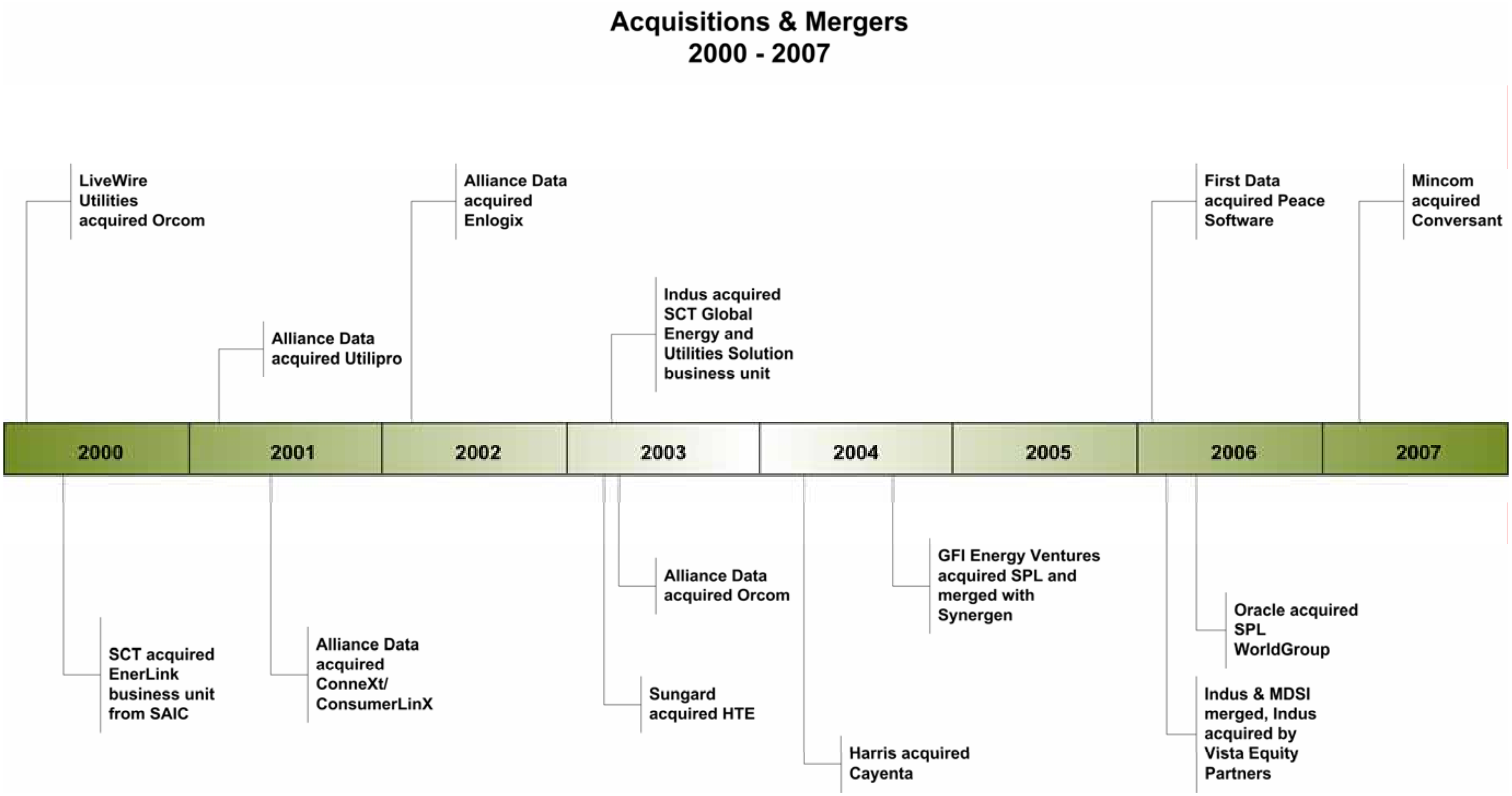
Session Agenda

- Current CIS Platform Landscape
- Typical Challenges Related to Consolidation
- Alliance Data Overview
- Q&A

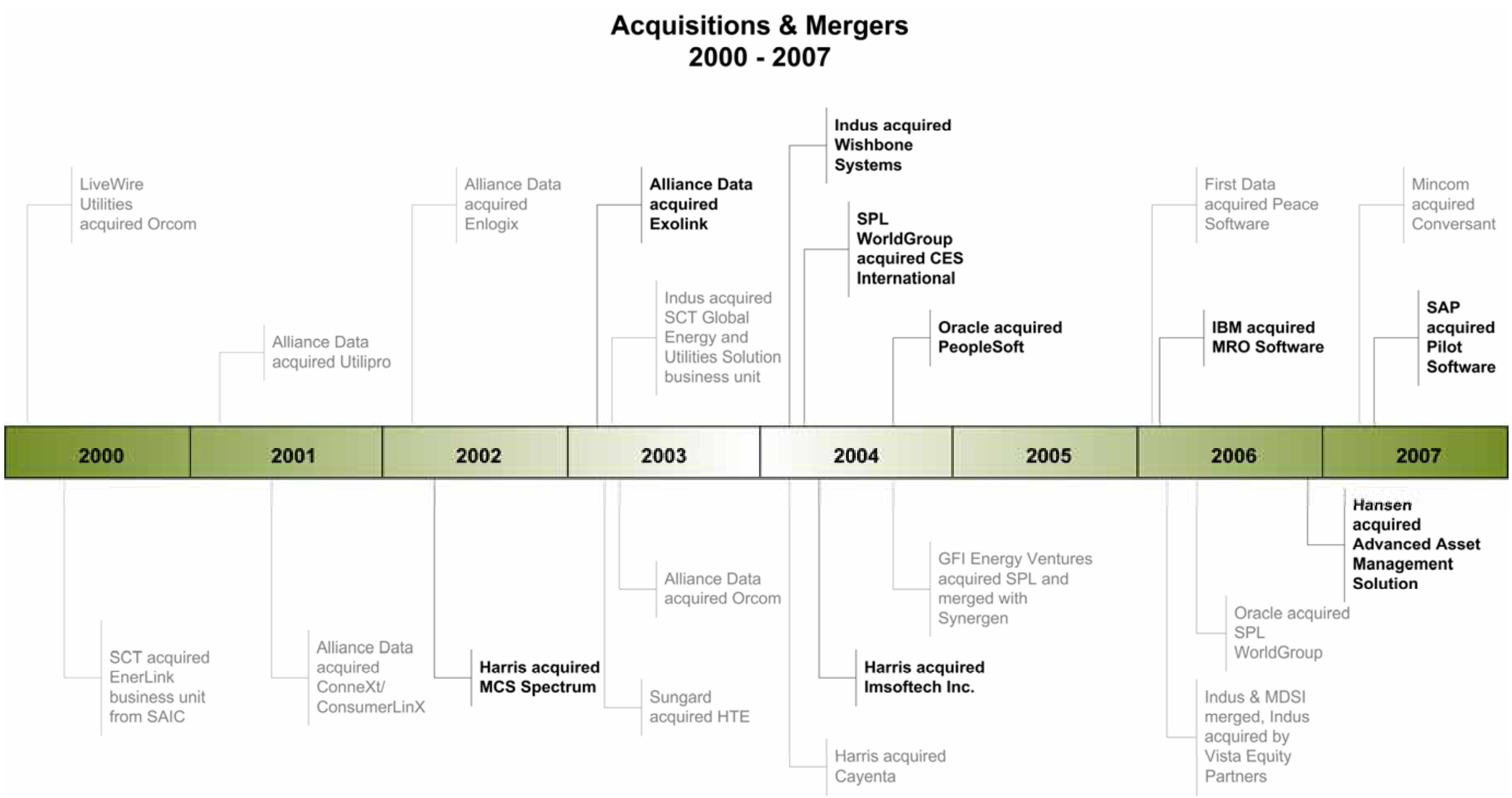
Vendor Landscape Consolidation – CIS Related

There has been a significant level of M&A activity within the CIS software market. This activity includes CIS application vendors acquiring or merging with other CIS software companies or being integrated with outsourcing providers.

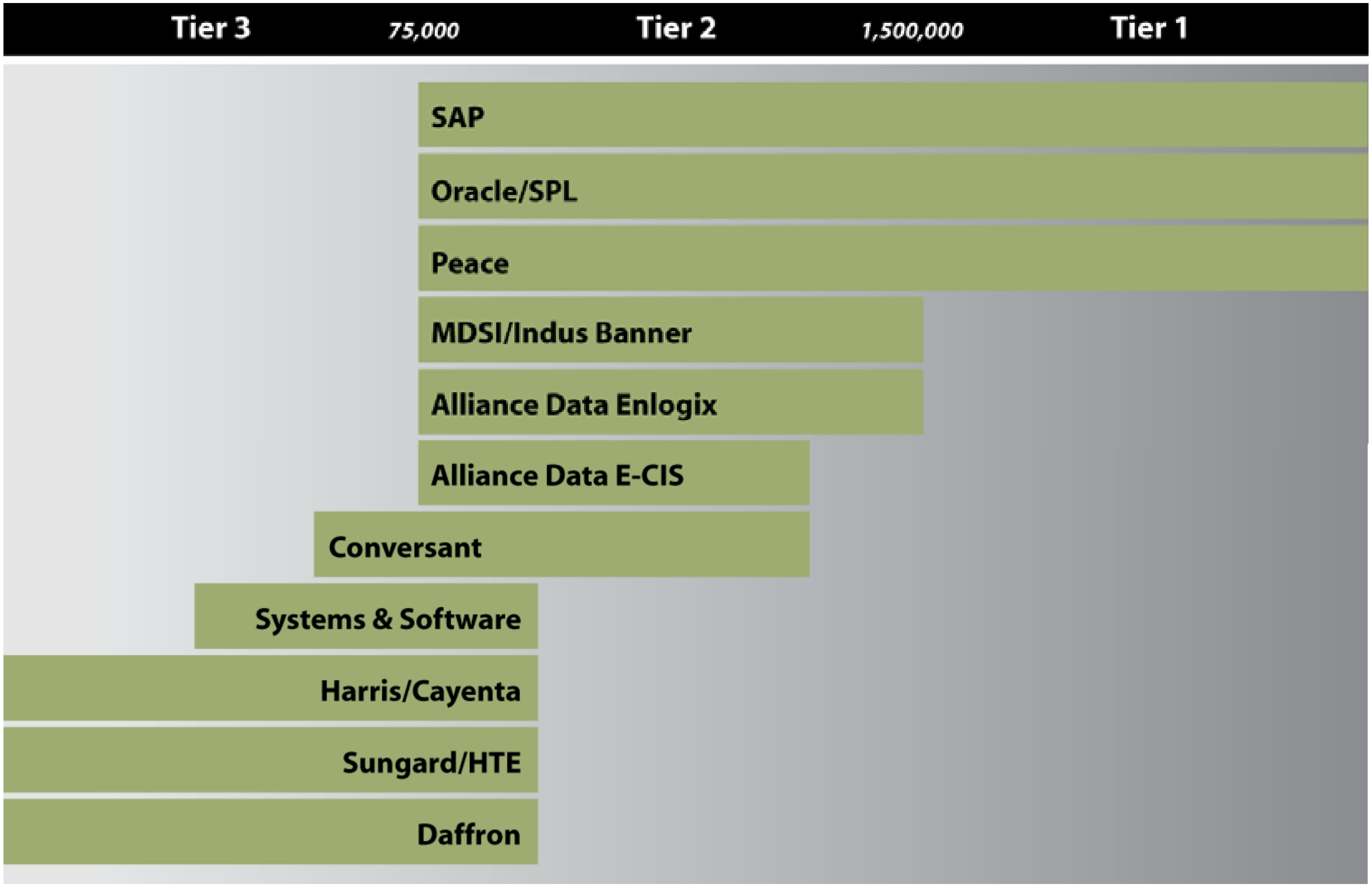


Vendor Landscape Consolidation - All

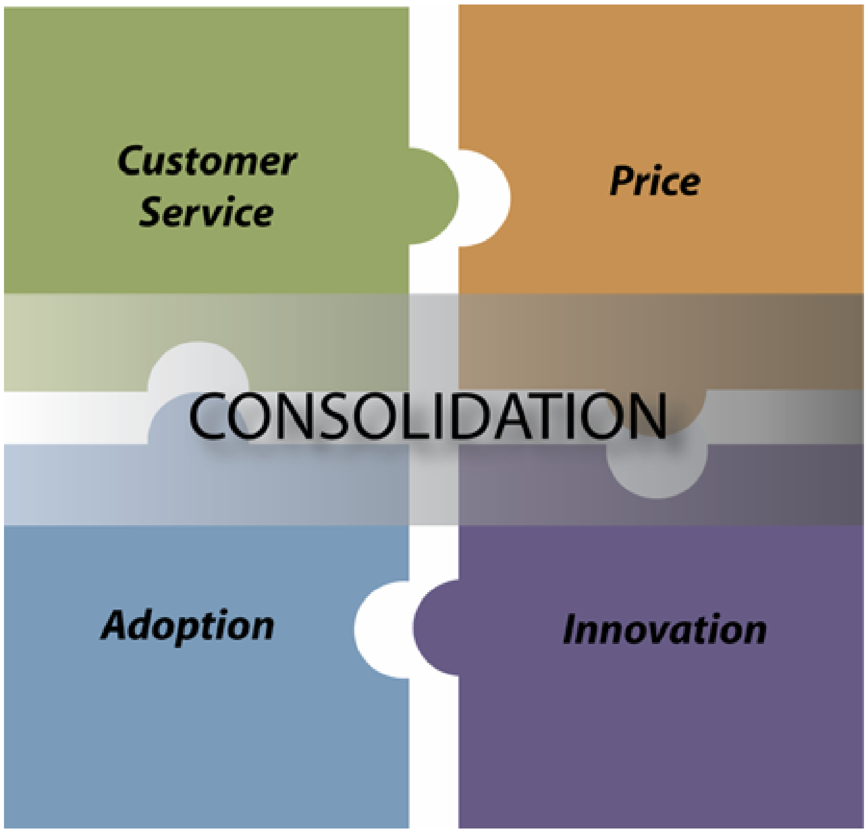
Additional industry acquisitions include key tuck-in investments to fill capability gaps or extend functionality.



The End Result: Fewer, More Robust CIS Choices



Typical Issues Related to Consolidation



- **Customer Service** – How will the degree of flexibility and responsiveness we've come to expect change?
- **Price** – What can we expect to see in terms of license prices?
- **Innovation** – Will the acquirers pour their money into expanding the functional footprint or integrating acquisitions?
- **Adoption** – Do fewer choices translate into changing adoption rates?

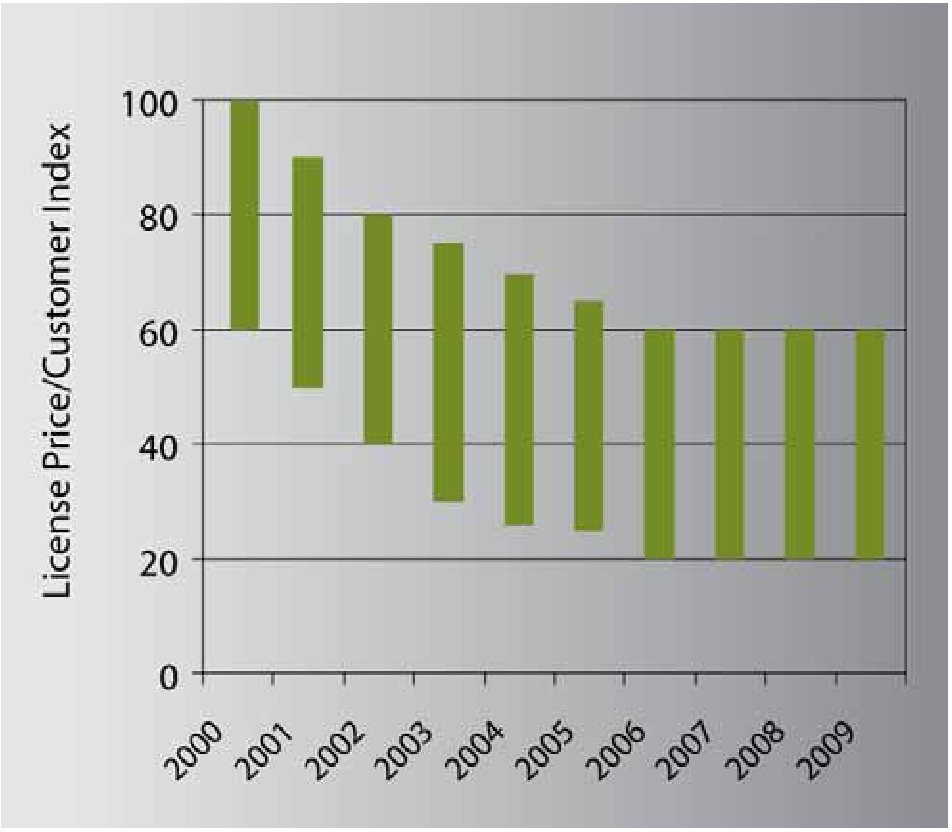
Consolidation and Customer Satisfaction

- According to a BusinessWeek study, customers were significantly less satisfied on average even two years after a merger
- American Customer Satisfaction Index data indicates that consumers report lower service scores in more than 50% of mergers
  - Major reason: *lack of choice*

"…billing industry restructuring and vendor consolidation is having a direct impact on customer-satisfaction levels overall; operators remain fairly satisfied with their Billing and Customer Care systems, however there is nevertheless a small but clear downward trend in customer-satisfaction ratings"

Neil Philpott, Global Billing Association President

As the Market Consolidates, Price Pressure Continues



- Prices will remain low as the market continues down a consolidation path
- Historical prices in the consolidating software world have remained low while competitors seek to gain market share
- As an industry with significant other capital needs, utilities will continue to demand low cost solutions in software and services purchases

"The period of consolidation will see many of the market's large companies meet head to head as they attempt to diversify their operations into other software sectors. This will pit companies with similar economies of scale and scope into direct competition, creating significant pricing pressures as companies attempt to garnish market share."

Mark Wood, Associate Editor, Datamonitor

Source: Alliance Data Research

Innovation is a Critical Differentiator

Insight on Technology Directions/Innovative Services Are Extremely/Very Important Factors in Decision Making

	Extremely/ very important	Somewhat important	Not very/ not at all important
Insight on technology directions	87%	12%	2%
Innovative services	86%	14%	0%
Breadth of service offerings	77%	22%	2%
Brand reputation/market share	67%	29%	4%
Level of investment in R&D	64%	31%	5%

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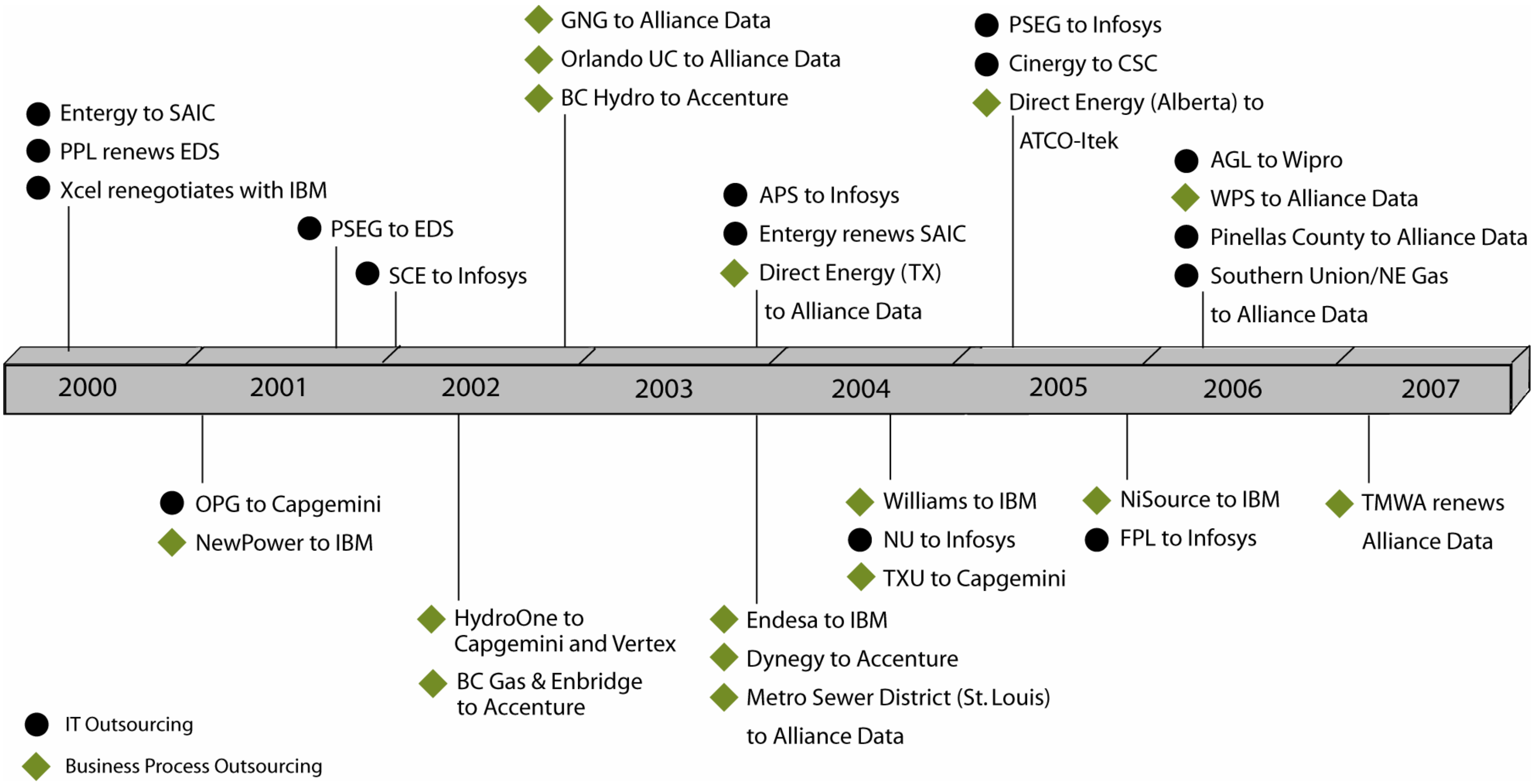
Source: "Innovation: Telecom's Deal-Maker"; research conducted by CXO Media, sponsored by Orange Business Services

Adoption of New Business Models

Over the short term, adoption related to new CIS software will remain flat. However, utilities will expand their evaluation of alternative business models, including outsourcing & SaaS to leverage best practices and technology innovation.



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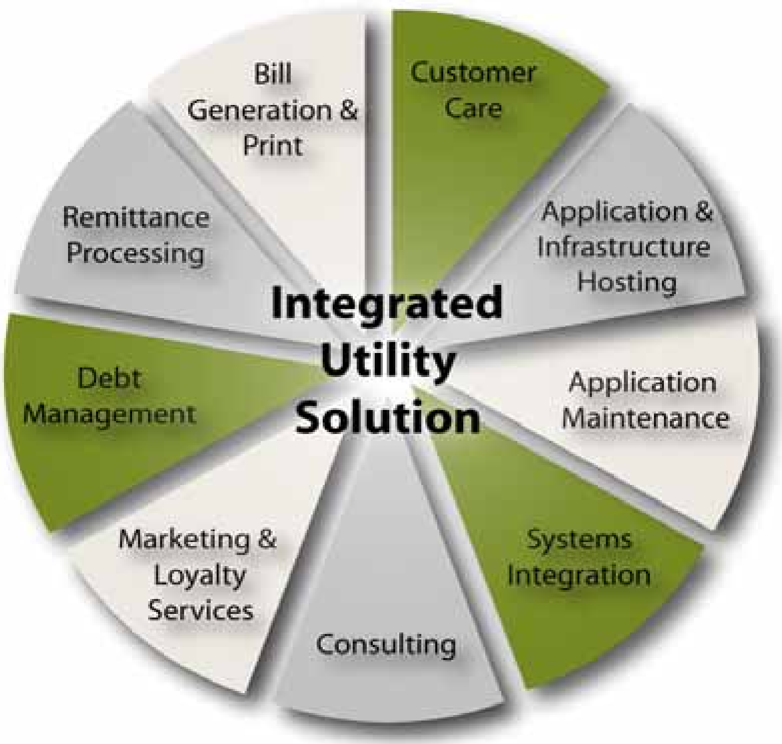
What Does This Mean To You?

Legacy	▪ Monitor system capabilities and expected future integration requirements to assess need for system replacement ▪ If system replacement is considered, reduce selection work requirement and evaluate the survivors for technical, functional and cultural fit
Stranded	▪ Validate access to source code to support inhouse ▪ Review license Ts & Cs to ensure your ability to work with partners to maintain and modify system as needed ▪ Evaluate support providers to access deep technical and functional skills to support your system
Survivor	▪ Expect continued integration and expanded capabilities around core platform functionality ▪ Aggressive pricing is expected for the foreseeable future

Alliance Data Overview

Alliance Data is the market-leading provider of comprehensive, outsourced billing and customer care services to utility and energy companies.

- Customer Care – Approximately 1,700 seats at seven major operational centers
- Application Maintenance & Infrastructure Hosting – Host and maintain the leading CIS applications
- Systems Integration – Several active CIS projects underway
- Consulting – Key competency areas include Change Management, Customer Analytics and Technology Strategy
- Marketing & Loyalty Services – Unique customer satisfaction and retention programs for the utility market
- Debt Management – Operators of a 550 seat collections contact center including integrated automated outbound call services
- Remittance Processing – 80 million payments processed and over $8 billion deposited annually
- Bill Generation, Print & Mail – Over one billion pieces of mail processed annually



Alliance Data Client Overview

Natural Gas
25 clients

Electric
29 clients

Multi-Service
27 clients

Retail Energy
11 clients

Muni / Government
17 clients

Water / Wastewater
20 clients

Representative sample of utility and retail energy clients

Q & A

Thank you for your time and interest.

For more information:

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