

## I. Market Overview / Key Challenges

For decades utilities have struggled to manage the issue of energy theft, or more formally known as Un-Accounted for Energy (UFE). Although there have been countless efforts at addressing this issue, including extensive studies involving university professors working with the utilities themselves to pinpoint more applicable solutions to energy losses, the solution has remained elusive.

Drivers such as deregulation, Sarbanes-Oxley and volatile fuel prices, as well as the removal of rate caps have spurred many utilities into action to find feasible and effective practices to combat UFE and increase revenue protection. This is contrasted from past efforts that in many cases were exerted to the extent to appease internal audit requirements or commission requirements.

Traditionally, utilities' efforts have been limited to tips from employees and members of the public, lists generated through the experience and ingenuity of revenue protection resources, and lists generated from analyzing meter data – all only partial components to a much more complex solution. Not only have these efforts been limited, but they have also been unintentionally directed to the residential sector – a sector that accounts for only 20 percent of all revenues lost.

Past efforts at addressing this issue involving a myriad of different analytical methods have been largely unsuccessful, garnering average accuracy rates from three to five percent. The collected data would be measured and analyzed at the meter level rather than at a business level, and in essence, left the utilities unaware of their clients or their energy usage on a business level.

## II. Award Category & Relevance

In response to this complex and expensive issue of energy theft, Detectent has responded with its unprecedented blend of meter and business level analysis. Through this innovative analysis, Detectent can offer its clients an accurate and effective solution to UFE and also strengthens the clients' bottom line by significantly identifying and recovering lost revenue. Founded by industry pioneer Michael Madrazo, Detectent has rapidly gained a reputation throughout the industry as the leading provider of theft of services solutions.

Detectent, while consistently gaining recognition – and new business – for being the leader in energy theft detection, faces the same challenge each up-and-coming business does – continued growth while maintaining excellence in products and services. Detectent's story of success is a unique one in that the company is literally pioneering a new and innovative set of services never before offered at this level of efficiency and feasibility.

Detectent's products and services are designed to facilitate a collaborative day-to-day working environment that allows clients to focus on their core business. Detectent provides tools and resources that have not typically existed in most utilities. Detectent's unique offer of value derived from vast experience in providing engineering and analysis, operations support and enterprise solutions is catching on not only throughout the electric power industry, but also the water and gas sector as well. This equates to enormous growth opportunity for a company that just three years ago consisted of two people.

One year ago, Frost & Sullivan recognized Detectent as the 2006 U.S. Energy Management Services Entrepreneurial Company of the Year. This Award was presented for its unprecedented ability to successfully compile a set of existing technologies and procedures and add innovative research and data utilization to effectively target, identify, and eliminate energy theft at impressive levels of accuracy. Now Detectent is taking the next step by combining its unmatched products and services with its effective growth strategy to experience record growth and development.

### III. 2007 North American Energy Management Services Growth Excellence of the Year Award

Award Description	Research Methodology	Measurement Criteria
<p>The Frost &amp; Sullivan Award for Growth Excellence of the Year is presented each year to the company that has demonstrated excellence within its industry. The Award is based on numerous factors including the company's business development, competitive strategy, and leadership within a particular Frost &amp; Sullivan Industry Research Group (IRG). This company is perceived to exhibit outstanding management, high growth, and positive social and economic impact on local and national communities and customers. Exceptional customer service has been noted as crucial to success, coupled with the ability to combine technology and successful strategic initiatives. The Award recipient has also demonstrated superior market growth skills through significant gains in the market during the research period. This company has the exceptional know-how to take advantage of market changes through the execution of innovative strategies within the existing competitive landscape.</p>	<p>In order to select the Award recipient, analysts quantify several market factors for each market participant according to predetermined criteria, paying close attention to their combined operations efforts. This process includes interviews with all the market participants, customers, and suppliers, along with extensive secondary and technology research. The companies' efforts are then analyzed based on the number of new customers, new segments, and commitment to business expansion coupled with market growth. Industry participants are then ranked based on the predetermined measurement criteria.</p>	<p>In addition to the methodology described above, there are specific criteria used to determine final competitor rankings in this industry. The recipient of this Award has excelled based on one or more of the following criteria:</p> <ul style="list-style-type: none"> <li>• Market potential</li> <li>• Proof of success executing a restructuring, marketing strategy, and revenue growth</li> <li>• New market penetration</li> <li>• Marketing, promotion, and visibility of the company</li> <li>• Degree of strategy innovation</li> <li>• Improvement in patient satisfaction level</li> <li>• Technological innovation and leadership</li> <li>• Increased name recognition</li> </ul>

## 2007 North American Energy Management Services Growth Excellence of the Year Award Award Recipient: Detectent

The Frost & Sullivan Award for Growth Excellence of the Year in the Energy Management Services Market in 2007 is given to Detectent for its continued excellence and pioneering in a new, innovative, and vibrant market. For the second consecutive year, Detectent is recognized by Frost & Sullivan as an innovative leader in technology and strategy which has directly translated into furthered growth and market leadership.

### Summary of Best Practices

Positioned at its inception as a novel and ingenious approach to revenue protection, Detectent created an entire market sector based on the acceptance of early adopters of its technology. Now, Detectent has established itself as the standard for proactive revenue protection and has 30 percent of all commercially metered electric service in its systems. The company has demonstrated an impressive growth rate that began in November of 2004 with two employees, to a projected 65 employees by October of this year. In addition to more employees has come more efficiency which has directly translated to growth ratios that continually increase year to year.

Within the past year, Detectent has expanded its offerings from solely revenue protection to revenue assurance. Rather than focusing only on theft cases, Detectent now performs quality assurance for the meter-to-cash process and presently does more with non-theft cases than with theft cases. The company now also provides benchmarking audits where it utilizes its extensive database of customer stats on theft and errors that cost revenue, offering its clients a clear view of how they compare with peer companies.

Along with continuing to increase its efficiency in its core services, Detectent is also constantly demonstrating furthered innovation. The company has expanded into consulting services including studies and custom consulting on revenue assurance, specifically in the area of validating and providing input to AMI/AMR business cases. Because of these and other expanded offerings, Detectent has seen its customer base grow from seven to 20 utilities including 40 percent of the top 20 largest utilities in North America.

In addition to expanding the value and quality of its service in the electric utility market, Detectent has already begun signing gas-only utilities and are integrating gas and electric services where two utilities overlap. This can even include gas and electric utilities partnering up in order for Detectent to acquire a huge wealth of data and increased value for both utilities. The company is also actively pursuing water cases and plans to further utilize its water/electric ratio-based algorithms that have been deployed at several utilities already.

As “Smart Metering” continues to sweep the country, rapidly driving utilities to install automatically read meters, Detectent is leveraging this to more fully supplement the value of its core services. The company has created tools for automatically loading relevant tampering information from the major AMR suppliers’ systems. Detectent has also developed schemes for separating false tamper flags from valid flags, using both geospatial information and many existing consumer models. Additionally, by creating tools and processes for quantifying increased revenue by performing a wholesale meter exchange, and the financial risks associated with poor asset control, Detectent expects to become the monitoring service for the nation’s meters as AMI is deployed and field staffs are reduced.

Detectent has also expanded its customer base by moving into the residential sector. The company has developed a unique approach that focuses on specific features of the residence such as square footage, heating/cooling type, home age, lot size, swimming pool, etc. While this type of information is available in most cities through public record websites, it is only available in a limiting format. Detectent uses these purchased real estate databases to teach a feature detection engine and the multi-dimensional patterns that represent each feature. An example of this would be the engine successfully identifying homes with swimming pools in a medium sized city by looking only at electric consumption statistics. This accuracy is further increased by adding gas and water statistics. This same approach is strategically used by Detectent for identifying many other peer features, which can help identify anomalies among a peer group.

With its state-of-the-art approach and proven research methodology and its impressive rate of furthered growth, Detectent continues to forge ahead as the sole leader of this new market. The company’s impressive growth along with added innovation and improved developments of its service offerings make it the very deserving recipient of the Frost & Sullivan Award for Growth Excellence of the Year in the Energy Management Services Market for 2007.

#### About Best Practices

Frost & Sullivan Best Practices Awards recognize companies in a variety of regional and global markets for demonstrating outstanding achievement and superior performance in areas such as leadership, technological innovation, customer service, and strategic product development. Industry analysts compare market participants and measure performance through in-depth interviews, analysis, and extensive secondary research in order to identify best practices in the industry.

#### About Frost & Sullivan

Frost & Sullivan, a global growth consulting company, has been partnering with clients to support the development of innovative strategies for more than 40 years. The company’s industry expertise integrates growth consulting, growth partnership

services, and corporate management training to identify and develop opportunities. Frost & Sullivan serves an extensive clientele that includes Global 1000 companies, emerging companies, and the investment community by providing comprehensive industry coverage that reflects a unique global perspective and combines ongoing analysis of markets, technologies, econometrics, and demographics. For more information, visit [www.frost.com](http://www.frost.com).