

Platts/Capgemini Utilities Executive Study

With concerns about the environment, infrastructure, workforce management and increasing regulation denying many of them a peaceful night's rest, top North American energy industry executives are increasingly exploring technology as a remedy for their sleeplessness, a recent study by Platts and Capgemini finds.

Completed in February 2008, the Platts and Capgemini study of nearly 100 high-level executives from the North American electric and natural gas industry was crafted to (1) identify and prioritize current industry issues, (2) assess opinions about the future of

the energy industry, and (3) measure steps utility companies are taking to prepare for the future. Based on the study data, the key findings are revealed below.

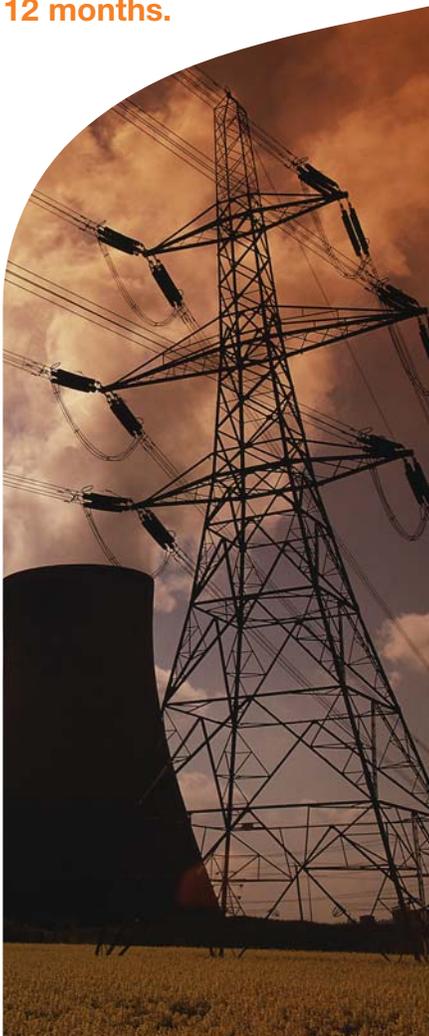
Key Findings

According to respondents, the findings include:

- The top five most critical issues facing the energy industry today are **environment, regulation, workforce management, building new infrastructure** and dealing with aging infrastructure, as well as utilizing **new technology**.



66% say the focus on industry infrastructure has increased in the past 12 months.



- In the next five years to 10 years, environmental regulation, the focus on conservation and energy efficiency, and inclusion of renewables in the resource mix will become increasingly important issues.
- Retail competition in the electricity industry has been unsuccessful and is not expected to move forward in its current form.
- Capital expenditures, generation operations, cyber security, transmission operations and governmental/regulatory affairs are areas where the surveyed executives most often said they plan to increase spending over the next two years.

Top Five Industry Issues

Environmental Issues Looming Larger

As the worldwide focus on environmental protection continues to build, the North American energy industry is clearly taking notice. When asked to name the top three challenges facing the industry, the vast majority (77 percent) of the surveyed executives identified the environment – including such issues as global warming, climate change, and emissions/carbon requirements.

More than ever before, energy executives are focused on the environment. In fact, when respondents were asked to compare the industry's focus on the environment in 2007 against that of 2006, 95 percent of the executives said it had increased. This is indicative of the increasingly pressing nature of the impact of environmental concerns on today and tomorrow's business.

Onset of Regulation Requirements

Participants of the study most strongly agreed that over the next five to 10 years, there will be increased environmental regulation as the focus on energy and conservation increases. Primary concerns cited by executives relate to the costs associated with building new plants and retrofitting existing plants to meet environmental

regulations, as well as the costs associated with incorporating renewable resources into the fuel mix. These increased costs will likely impact monthly bills for end-users, adding to concerns executives face dealing with public opinion.

Workforce Management: Addressing the Aging Workforce

The most pressing workforce management issue is continuity as the workforce ages, raising the equally important elements of knowledge capture and transfer. One of the new elements to the workforce management topic is the increased competition for talent, both locally and globally. As the need for new build increases, so does the industry demand to maintain a strong knowledgeable workforce in order to build, maintain and operate North American utilities.

Infrastructure: On the Edge

As with the environment, the focus on infrastructure has increased dramatically relative to 2006. Two-thirds (66 percent) of the respondents said the focus on industry infrastructure has increased in the past 12 months. Seventy-four percent of executives report that new or aging infrastructure is one of the top three issues facing the industry today. Concerns surround recovering costs for new generation construction, followed closely by similar concerns for recovering new transmission costs, are significant. Unfortunately executives doubt that solutions to cost recovery will be resolved in the near future.

Technology: Smart Metering and AMI – Critical in Helping to Meet the Industry's Toughest Challenges

Long viewed as being averse to change, the energy industry appears to be quickly breaking that mold. Perhaps nowhere is this more evident than in the use of technology. For these challenges, industry executives said they see technology in general – and smart meters, automated metering infrastructure (AMI) and clean-coal

technology in particular – as critical elements for meeting them. In fact, nearly a third (27 percent) of the respondents rated smart meters as “very important” for the industry. The respondents rated AMI and clean-coal technology as “very important” by 25 percent and 39 percent, respectively. As part of the study, respondents were asked about their current level of involvement in a variety of areas including performance based regulation (PBR), AMI, outsourcing, and off-shoring. Participants were most likely to have fully implemented AMI. Similarly, the majority of those interviewed reported they were in partial implementation, piloting, or testing of AMI, smart meters, and smart grid technologies.

Future Industry Issues: Leaders’ Predictions

When asked to predict the future direction of the energy industry, the respondents offered a wide range of opinions. Based on participants’ responses there will be increased environmental regulation, increased focus on conservation and energy efficiency, increased inclusion of renewables and nuclear energy in the fuel mix and continued volatility in natural gas prices.

Additionally, respondents were unlikely to think there would be:

- A resolution on how to finance new generation construction
- An increase in industry consolidation
- An increase in outsourcing of non-core functions
- Increased collaboration among industry leaders
- Significant movement away from deregulation

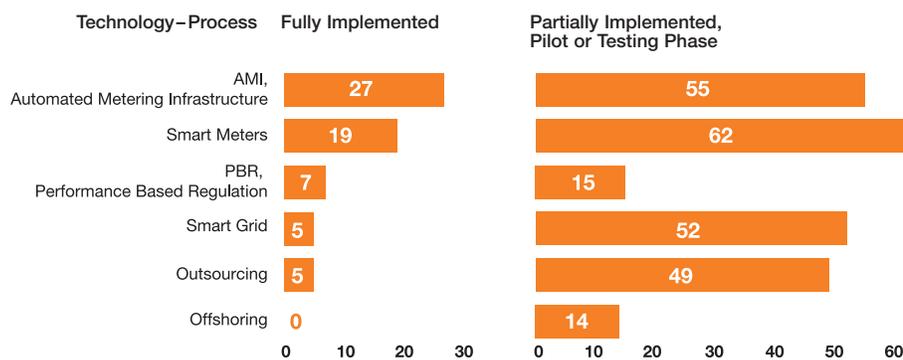
A New Era: Innovation in the Energy Industry

As the Platts/Capgemini Utility Executives Study shows, energy industry leaders are shaking free of long-held beliefs and traditions and embracing innovative ways to address the new challenges they face.

The study was conducted in two phases. Phase I was qualitative and consisted of in-depth telephone interviews. Data for the quantitative Phase II was collected via an online survey. A detailed analysis report (71 PowerPoint slides) is available for Phase II and a written report (108 pages) is available for Phase I. To download the full study results go to: www.us.capgemini.com/PlattsStudy



Technology: Meeting the Industry’s Toughest Challenges



Source: Platts/Capgemini Utilities Executive Study



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Capgemini provides its clients with insights and capabilities that boost their freedom to achieve superior results through a unique way of working—the Collaborative Business Experience—and through a global delivery model

called Rightshore®, which aims to offer the right resources in the right location at competitive cost. Present in 36 countries, Capgemini reported 2007 global revenues of EUR 8.7 billion (approximately US\$12 billion) and employs over 83,000 people worldwide.

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If you have questions, please contact a member of the Platts/Capgemini project team:

Patsy Wurster

Director, Platts Strategic Media Solutions
3333 Walnut Street
Boulder, Colorado 80301
Office: +1 720-548-5583
E-mail: patsy_wurster@platts.com

Laura Heiserman

Analyst, Platts Market Intelligence
3333 Walnut Street
Boulder, Colorado 80301
Office: +1 720-548-5522
E-mail: laura_heiserman@platts.com

Tia Hensler

Director, Platts Market Intelligence
3333 Walnut Street
Boulder, Colorado 80301
Office: +1 720-548-5614
E-mail: tia_hensler@platts.com

Jenifer Bush

Sector Marketing Leader
Energy and Utilities, North America
Capgemini
7701 Las Colinas Ridge, Suite 600
Irving, Texas 75063
Mobile: +1 214-914-4297
E-mail: jenifer.bush@capgemini.com