



Control Number: 31056



Item Number: 748

Addendum StartPage: 0

SOAH DOCKET NO. 473-05-7455
PUC DOCKET NO. 31056

APPLICATION OF AEP TEXAS CENTRAL COMPANY AND CPL RETAIL ENERGY, LP TO DETERMINE TRUE-UP BALANCES PURSUANT TO PURA §39.262	§ § § § §	PUBLIC UTILITY COMMISSION OF TEXAS
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STAFF'S RESPONSE TO STATE OF TEXAS' FIFTH REQUEST FOR INFORMATION
TO THE PUBLIC UTILITY COMMISSION STAFF

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September 20, 2005

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Pursuant to P.U.C. Procedural Rule 22.144©(2)(F), responses to these requests for information can be treated by all parties as if the answers were filed under oath.

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STAFF OF THE PUBLIC UTILITY COMMISSION

**PUC Docket No. 31056
SOAH Docket No. 473-05-7455**

State of Texas

- 5-1. On what date did the Commission Staff circulate and publicize the Request For Information in connection with the search for an Advisor for the Commission?
- A. The ad for the Request for Information was placed in the Wall Street Journal on January 29th, 2003. Please see the attached copy of the ad.

Sponsored by: Darryl Tietjen

000002

STAFF OF THE PUBLIC UTILITY COMMISSION

**PUC Docket No. 31056
SOAH Docket No. 473-05-7455**

State of Texas

- 5-2. On what date was Navigant selected to be the Commission's Advisor?
- A. The Staff selection team picked Navigant in May 2003. The contract with Navigant was signed in September 2003.

Sponsored by: Darryl Tietjen

STAFF OF THE PUBLIC UTILITY COMMISSION

**PUC Docket No. 31056
SOAH Docket No. 473-05-7455**

State of Texas

- 5-3. Please provide the documents, as defined in the "Definitions" section of this Request For Information, which were proffered by Navigant to the Commission that supported and demonstrated Navigant's experience and capacity to professionally serve as Advisor to the Commission, on the sale of the STP.
- A. Please see the attached documents. Part of this response is being filed as PROTECTED MATERIAL pursuant to the Amended Protective Order.

Sponsored by: Darryl Tietjen



February 7, 2003

Public Utility Commission of Texas
William B. Travis Building
Central Records, Project No. 27275 (Room G-113)
1701 North Congress Avenue
P.O. Box 13326
Austin, TX 78711-3326

Subject: Qualification Material in Response to Request for Information for Financial and Legal Advisor for Divestiture of Generating Assets

Reference: Project Number 27275

Dear Madam or Sir:

Navigant Consulting, Inc. (NCI) is pleased to submit this response to the referenced Request for Information (RFI) for providing expert financial and legal advisory services to the Public Utility Commission of Texas (PUCT) for assistance in reviewing the divestiture plan and subsequent auction of generating assets of Central Power and Light (AEP Texas Central), pursuant to paragraph 39.262 of the Texas Utility Code. This letter provides specific information in accordance with the stipulations of the referenced RFI, including a brief overview of the background and scope of work, our firm's extensive experience in the planning and execution of similar engagements in the past three years, certification statements as to these qualifications, project organization and expertise of proposed project advisors, project deliverables, and project administration and control. A separate letter is being forwarded which contains our cost and pricing information for the defined scope of work.

WHY SELECT NAVIGANT CONSULTING – DEPTH OF KNOWLEDGE AND EXPERIENCE

Navigant Consulting has extensive experience in the management and execution of generating asset transactions, with a significant amount over the past three years. Additionally, we continue to assist our energy clients in identification, evaluation, and acquisition of resource opportunities with an informed insight and knowledge base of both the realities of the regional energy markets and their associated transactional terms and conditions. The following attributes encapsulate our unmatched qualifications.

- **Relevant Experience.** Our advisors have been involved in transactions valued in excess of US\$45 Billion, with individual transactions ranging between US\$50 Million and US\$7 Billion. Over the past three years, we have been involved in transactions in excess of US\$29billion.
- **Depth of Expertise.** NCI is making available 20+ advisors with extensive auction experience to draw upon for execution of the project. These advisors have been involved in transactions and strategy development engagements across all sectors of the energy value chain, including fuel supply and storage, generation, transportation,

000006

transmission, distribution, and marketing and trading. Each of our advisors averages 10 years or more of energy and/or financial industry experience.

- **Defined Approach and Process.** We have developed a defined process and structured template for generation asset auctions based on our years of successful, hands-on buying and selling experience in the domestic and international energy markets.
- **Local Presence and Support.** With offices in Austin, Dallas, and Houston, NCI is well positioned to provide the PUCT and Staff with all the support necessary to meet the goals of this assignment.
- **Regulatory and Prudence Examination Support.** Our regulatory and transaction expertise make us uniquely qualified to provide the prudence oversight that regulated asset sales require.
- **Objectivity and Independence.** We have detailed experience in evaluating complex economic, financial, operational, market, and regulatory issues from a detached perspective that impact a myriad of business/asset boundaries, such as stranded costs, market power, convergence and consolidation options, value at risk, prudence of management decisions, and capacity expansion / divestiture programs.

The information provided in the remaining sections of this letter and the enclosed material will provide additional detail to substantiate our unprecedented credentials.

BACKGROUND AND SCOPE

The Public Utility Commission of Texas (PUCT) is seeking assistance from qualified financial advisors for advising the PUCT Staff regarding the auction of the generating facilities by Central Power and Light Company (also known as AEP Texas Central). The selected advisor will participate in a contested proceeding before the PUCT and will likely provide testimony regarding a proposed auction process. The financial advisor and PUCT Staff, the utility and its chosen investment bankers and legal advisors would then participate in the potential auction of coal and gas plants and an interest in a nuclear facility. The advisor will advise the PUCT Staff as to whether the utility has conducted a fair and competitive transaction in accordance with state law and Commission-specified policy goals as provided to the advisor. The advisor will provide a detailed written report that documents the auction process and includes an evaluation of the fairness and competitiveness of the auction, an account of the advisor's contributions, an explanation of how each PUCT Commission-specified policy goal was met, and other relevant issues.

The required duties of the financial advisor shall include, but not be limited to, the following items:

1. Advise PUCT Staff on both the legal and financial issues involved in an auction of generating facilities.
2. Provide written and oral testimony, if needed, in a contested proceeding at the Commission on issues including, but not limited to, how to ensure a fair and competitive auction process, issues, or terms that could affect bid prices in an auction, and other relevant issues as requested.

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3. Participate as the PUCT Staff's advisor in an auction of generating facilities that may include coal and gas plants and an interest in a nuclear facility.
4. Bring to the attention of the PUCT Staff both before and during the auction process, issues that will effect bidding in the auction, the fairness and/or competitiveness of the auction, and the achievement of any of the Commission-specified policy goals as provided to the advisor.
5. Conduct research and provide publicly available information to the PUCT Staff on other auctions of generating facilities performed during the most recent twenty-four months, including bidders, final prices and terms, investment banking and legal fees paid, terms and conditions of sale including any representations, indemnities, and warranties made by the seller.
6. Provide a detailed written report that documents the auction process and includes an evaluation of the fairness and competitiveness of the auction process, the advisor's contributions, and explains how each Commission-specified policy goal was met and other relevant issues.
7. Advise PUCT Staff on the reasonableness of the costs of the transaction including the fees being charged by the utility's legal counsel and financial advisors.
8. Review and comment on transaction documents, including but not limited to: early interest letters, pre-qualification questionnaires, information memoranda, marketing presentations, and sale and purchase agreements.

BACKGROUND AND QUALIFICATIONS OF NAVIGANT CONSULTING, INC. (NCI)

Navigant Consulting, Inc. is a \$250 million, publicly traded firm [NYSE: NCI] of more than 1,100 professionals assisting clients with the challenges accompanying asset transactions, risk exposure and abatement, regulation, and change. For more than two decades, our clients have turned to our highly experienced professionals on their most complex and sensitive matters involving mergers and acquisitions, regulatory investigations, financial analyses, strategy development, and internal control reviews.

With a staff of over 300 professionals, our Energy and Water Practice is one of the largest consulting organizations in the US dedicated to the energy field. Our energy professionals have extensive experience in providing a full range of consulting and transaction services to electric and gas utility clients, independent power producers and marketers, and regulatory agencies in the areas of asset valuations, acquisitions, divestitures, mergers, and industry consolidation. We also have significant financial, economic, technical, and operational capabilities across the gas and power energy value chains, including regulatory and environmental issues, fuel supply and transportation, production and generation, marketing and trading, transmission and distribution. NCI's clients include the 50 largest electric utilities, the 20 largest gas distribution and pipeline companies, the 20 largest non-utility power generators and marketers, and numerous state, regional, and federal regulatory authorities. *(See Appendix 1 – Navigant Consulting, Inc Overview)*

TEXAS PREFERENCE

With both a domestic and international practice, NCI maintains offices in 34 major cities around the world. We staff three offices in the state of Texas – Austin, Dallas, and Houston. These offices have had a long established presence in Texas, providing our firm with a breadth and depth of technical, operational, and regulatory knowledge of the ERCOT marketplace, second to none.

RELEVANT EXPERIENCE

NCI takes a comprehensive approach to conducting asset and corporate transactions to ensure our clients receive the best value available in the market today. Our expertise in this area has been gained from many years of experience assisting clients in all facets of either buying or selling an asset, business line, or enterprise. Our advisors have substantial experience in the strategy creation, structuring, overall management, and execution of a large number of industry transactions – including several of the largest transactions in the United States, Australia, Canada, and New Zealand. Our financial advisory practice has participated in over US\$45 billion dollars of energy asset transactions over the last several years. Approximately 65% of these transactions (US\$29 billion) have been conducted over the past three years. In total these transactions represent nearly two-thirds of all the de-regulation driven, generating asset divestiture transactions to date.

Acting as a trusted advisor to two complementary customer groups has enabled NCI to develop extensive working relationships within both the electric and gas utility industries and with several respected firms in the financial community. This balanced and independent perspective provides our clients with (a) an expanded understanding of the marketplace, (b) identification of strategic alternatives in asset transactions (either buying or selling), and (c) access to an array of creative financial and legal solutions. From pre-deal strategic activities through closing details, we use our extensive experience and dedicated energy focus to the advantage of our clients by providing:

- Perspectives of the regional marketplace
- Insights into the transaction arena
- Expertise in valuing and structuring deals
- Modeling analysis of financial transactions
- Industry access and knowledge through extensive relationships
- Proven negotiating skills and knowledgeable commercial perspectives in both the auction process and the negotiated sale process
- Due diligence across all transaction disciplines

After a two-year period of unprecedented turbulence and volatility, there has not been a clear picture of how the energy industry will emerge as we enter 2003. However, Navigant Consulting continuously reviews and analyzes the domestic energy marketplace, on a national and regional scale, as well as a statewide basis. We have been assisting a number of energy clients in identifying and evaluating resource opportunities with an informed insight and knowledge base of both the realities of the regional energy markets and their associated transactional terms and conditions. Specifically, we develop national and regional energy market outlooks for both the gas and power sectors, which provide insights and perspectives into critical industry issues (e.g., liquidity and credit concerns, fuel supply, re-financing,

competitive market structure, regulatory uncertainty, etc.) and market fundamentals (e.g., supply/demand dynamics, reserve margins, cancelled or partially completed plants, projects experiencing difficulty, site availability, transmission and interconnection constraints, competitive market activity, turbine availability, etc.). We share our perspectives in these topical areas, as well as other relevant issues and opportunities within a regional marketplace, with our clients in all of our transactional assignments.

Attached to this letter is additional material which provides more detail of our qualifications, expertise, and transaction knowledge, including representative tombstones from some of our transactions. (*See Exhibit 1 – Selected NCI Transactions [Tombstones] and Appendix 2 – Transaction Experience*)

AUCTION PROCESS - KNOWLEDGE BASE AND TEMPLATE

Over the past several years, NCI has developed a very successful knowledge base and structured template for the implementation and execution of the asset transaction processes in general, and in specific, the auction of generation assets. Our experience, knowledge, and access to internal databases detailing the auction processes are unparalleled in the energy industry. This process framework has been developed and segmented into a number of discrete steps. Examples of the these key steps are provided below:

- **Program Management** – overall program and project management of the divestiture process.
- **Documentation** – development of a comprehensive records management strategy to ensure proper documentation of the transaction process, including an index of documents, a cataloguing system and database, and a procedures manual for maintaining the data room / secure web site.
- **Terms of Sale** – management of the terms of the sale process and establishment of an extensive database for the terms and provisions from other salient deals, including a list of critical terms, options, warranties, indemnities, and other representations, including examples of each.
- **Information Memorandum** – maintenance of data templates, suggested approaches and outlines, and a library of previous industry Information Memoranda.
- **Marketing and Bidding** – management of the marketing and bidding process through utilization of our extensive database and personal contacts and the development of early Letters of Interest (LOIs), Confidentiality Agreements (CAs), Bid Instructions (BIs), and Requests for Quotations (RFQs).
- **Transition Power Agreement** – maintenance of a library of TPA's resulting from previous transactions to serve as a base in the development of pricing options and terms.
- **Environmental** – management of the environmental aspects of the transaction through working with the client's organization on key environmental compliance issues and terms and managing the RFP/scoping process for Phase I and Phase II assessments.
- **Labor** – management of the development of the labor terms of the sale, employee asset documents, and labor transition planning.
- **Communications** – management of the communications process from developing and implementing a strategic communications approach to the actual development of the information tools and delivery to the key stakeholders.

- **Due Diligence** – management of all due diligence components including the development of plant/corporate presentations, Q&A process and database, curb appeal program, and all aspects of site tours including training and logistics.
- **Legal** – management of the legal effort, from the development of term sheets through final documentation and closing.

This auction template and step processes are further defined in material attached to this letter. (*See Appendix 3 – Generation Auction Process Template*)

PROJECT ORGANIZATION AND STAFFING

NCI will staff this engagement with its most experienced and senior team. Mr. John Dingle, Senior Managing Director, will be the Responsible Officer for this entire engagement and, as such, will be responsible for overall engagement direction and execution. He will also serve as Strategy and Transaction Advisor to the project team. Mr. Daniel Hudson, Managing Director, will be responsible for the day-to-day management of the project and will assist Mr. Dingle with the engagement strategy. Both Messrs Dingle and Hudson have significant industry experience in leading acquisition and divestiture engagements. Mr. Dingle has had lead roles in transactions valued in excess of US\$20 billion, and Mr. Hudson's transaction responsibility is over US\$5 billion.

The project management team will be supported by the following NCI senior advisors in the execution of the proposed scope of work. In addition to the below listed team members, NCI has access to an additional 12 - 15 professionals who have also worked on asset transactions in the energy sector, as well as for the federal government in the US Navy privatization program for their electric, gas, and waters assets. **

- Mr. John Moore - Director
- Ms. Susan Hersey - Principal
- Mr. Michael Ballaban - Senior Engagement Manager
- Mr. Andrew Greene - Senior Engagement Manager
- Ms. Sandi Hennequin - Senior Engagement Manager
- X Ms. Danielle Powers - Senior Engagement Manager
- Mr. Gary Torrent, Senior Engagement Manager
- Mr. Mathew Campbell - Senior Consultant
- X Mr. Perrin McCormack – Senior Consultant

**** Note** - Navigant Consulting is currently assisting the US Navy in the privatization of 60 domestic installations comprising of 109 physical sites, 80 electrical systems, 105 water systems, 100 wastewater systems, and 31 natural gas systems. These facilities range from the very large-scale installations (such as PWC Norfolk and NTC Great Lakes) to the very small-scale installations (such as NAVHOSP Charleston and DISA Arlington). The privatization of these Navy utilities represents assets in excess of \$1 billion. NCI is providing the financial valuation and technical analysis of these assets, as well as support in the development and negotiations of the privatization contracts.

In addition to the assigned individuals, the project team will have access to the intellectual capital and analytical support of the entire NCI organization to respond to specific engagement needs and requirements as they may arise. These resources include:

- **Various technical disciplines** (generation, transmission and distribution, natural gas, water supply, financial advisory services, regulatory and litigation support, environmental licensing and permitting, marketing and customer services, advanced energy systems, and portfolio management and optimization)
- **Modeling and energy analysis** (dispatch analysis, load projections, reserve margins, transmission constraints, fuel supply, regional energy prices, forwards, spark spreads, etc)

These senior advisors have been specifically selected for this engagement because of their depth of knowledge and hands-on experience across the following five areas: (1) generation asset auctions; (b) generating asset technologies – coal, gas, and nuclear; (c) regulatory and litigation support; (d) market research; and (e) familiarity of the regional (ERCOT) marketplace. A project organization chart, resumes of the team members, and a qualifications matrix are included in the attached material. *(See Exhibit 2 - – Project Team Qualifications Matrix and Appendix 4 – Proposed Project Team Structure).*


It is anticipated that these individuals will be dedicated to this project until successful completion. However, in the unlikely event that an individual has to be reassigned, PUCT approval shall first be obtained.

PROJECT ADMINISTRATION, PRODUCT DELIVERY, AND CONTROL

Our project manager will provide periodic oral and written reports to the PUCT project coordinator to apprise the PUCT Staff of the project's progress; impending deadlines and issues; items for discussion and/or resolution; status of committed products, reports, and other documentation, etc. These reports shall be made on a weekly basis and communicated either in person, by e-mail or by telephone, however the PUCT project coordinator prefers.

The deliverables of this engagement will be a detailed written report that documents the following:

- The auction process
- Evaluation of the fairness and competitiveness of the auction process
- Accounting of NCI's contributions
- How each of the PUCT's specified policy goals, if any, were met
- Other relevant issues as directed by the PUCT Staff

Additionally, NCI may be required to provide written testimony in a proceeding before the PUCT and may be required to appear at a hearing for cross-examination. The NCI project team members are very knowledgeable of regulatory and legal proceedings, have developed testimony, and have responded to interrogatories. Additionally, many of the team members have served as expert witnesses in numerous state and federal jurisdictions. 

REQUIRED QUALIFICATION STATEMENTS

The following certification statements are made in compliance with Section 2.1 of the referenced RFI:

- NCI certifies that the proposed project team members for this engagement are senior level advisors of Navigant Consulting, Inc and have a minimum of three years experience in the field of utility asset purchases or sales, either as a participating utility manager or director, or as a legal or financial advisor to the buyer, seller, or the involved state or regulatory agency. (Of the proposed project team, the average experience is 10 years).
- NCI certifies that it has worker's compensation insurance as required by law in each state in which the firm practices and has the appropriate professional liability insurance coverage for all damages resulting from negligent actions of our employees.
- The list of representative clients for whom similar work has been performed within the past five years is provided as an attachment to this letter. (See Appendix 2)
- NCI certifies that it has not represented a client before the PUCT within the past six months and that it will not represent a client before the PUCT within one year after termination of this engagement with the PUCT.
- NCI certifies that neither the firm nor any member or employee of the firm will counsel, advise, or represent any party who is seeking recovery of stranded costs before the PUCT in a matter related to Subchapter F of the Texas Utility Code, at any time before, during, or after this engagement with the PUCT. NCI also certifies that neither the firm nor an employee of the firm will counsel, advise, or represent AEP Texas Central within one year after the end of NCI's engagement with the PUCT, without first receiving the express written approval of the PUCT, such approval not to be withheld unreasonably.
- NCI certifies that neither the firm nor its affiliates will act as an underwriter for AEP Texas Central in future issuances of securitization bonds pursuant to Subchapter G of the Texas Utility Code.
- NCI certifies that during the term of this engagement that it will not serve as an advisor to potential bidders in a purchase of electric utility generating assets, nor advise another utility, state, or regulatory agency on a sale of generating assets that may compete with this sale without first receiving the express approval of the PUCT.

HISTORICALLY UNDERUTILIZED BUSINESS AND MINORITY PARTICIPATION

Navigant Consulting, Inc is not categorized as a historically underutilized business entity as defined by the Texas Government Code, paragraph 2161.001. Additionally, because of our depth of internal professional talent and the cohesive nature of this work scope, we shall be using all full-time NCI employees on this assignment and will not be seeking subcontracting opportunities with minority business entities, sole practitioners, or HUB firms.

Navigant Consulting, Inc. is fully committed to the concept and practice of equal opportunity and affirmative action in all aspects of employment. The Company has developed an Affirmative Action Plan in compliance with the Office of Federal Contract Compliance Programs (OFCCP). Navigant Consulting is committed to equal employment opportunity, both in principle and as a matter of corporate policy. This commitment applies to all persons involved in the operations of the company and prohibits unlawful discrimination by all NCI employees based on race, color, national origin, ancestry, citizenship status, religion, creed, physical or mental disability, medical

condition, marital status, sex, sexual orientation, age, or any other basis protected by law, ordinance, or regulation.

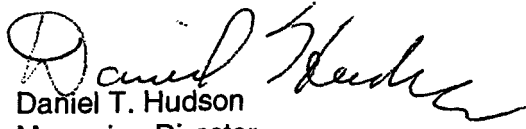
POTENTIAL CONFLICT OF INTEREST

NCI certifies that there does not exist a potential conflict of interest with either former or existing clients that may arise in representing and advising the PUCT and Staff in the execution of the identified scope of work. NCI further affirms that:

- It has had no preliminary discussions with potential clients representing a matter before the PUCT and that no potential conflict of interest exists; and
- To the best of our knowledge, there is no known business, personal, or social relationship between the firm or its employees and any electric utility or electric utility employee that would constitute a conflict of interest.

On behalf of Navigant Consulting, Inc., we appreciate this opportunity to assist the PUCT and Staff with this important assignment. We look forward to learning the results of your selection process.

Sincerely,


Daniel T. Hudson
Managing Director
Financial Advisory Services

Attachments

Exhibit 1 - Overview of selected NCI transactions



<p>Eastern Utilities</p> <p>All generation April 1999 178 MW US \$57.4 Million</p> <p>Sale Advisor</p> <p><i>Dan</i></p>	<p>pepco <small>Potomac Electric Power Company</small></p> <p>Generation Business June 2000 5,889 MW US \$2.8 Billion</p> <p>Sale Advisor</p> <p><i>Dan</i></p>	<p>Central Hudson</p> <p>All generation January 2001 1,700 MW US \$948 Million</p> <p>Sale Advisor</p> <p><i>Dan</i></p>	<p>NSTAR</p> <p>Non-nuclear generation December 1997 1,987 MW US \$657 Million</p> <p>Sale Advisor</p> <p><i>Dan</i></p>	<p>pepco <small>Potomac Electric Power Company</small></p> <p>Conemaugh Station January 2001 166 MW US \$152.5 Million</p> <p>Sale Advisor</p> <p><i>Dan</i></p>	<p>Eastern Utilities</p> <p>Power Purchase Agreements December 1998 177 MW US \$210 Million</p> <p>Sale Advisor</p> <p><i>Dan</i></p>	<p>GPU</p> <p>Non-nuclear generation November 1999 4,204 MW U.S. \$1.72 Billion</p> <p>Sale Advisor</p> <p><i>Sue</i></p>	<p>DENTON MUNICIPAL ELECTRIC</p> <p>City of Denton, TX Generation 273 MW US \$98 Million (Book)</p> <p>Sale Advisor</p> <p><i>Sandy</i></p>	<p>National Grid</p> <p>Sale/Transfer Of All New England Power Company Generation Entitlements (GE) and Load and Supply Obligations (L&SO) December 2001 364MW (GE) 456MW (L&SO)</p> <p>Sale Advisor</p> <p><i>Sue</i></p>	<p>Sithe</p> <p>Independence Station: Tolling and Swap Agreements July 2001 954 MW</p> <p>Sale Advisor</p> <p><i>Sue Sandy Dan</i></p>	<p>Energizing the World</p> <p>Oyster Creek Nuclear Station August 2000 619 MW US \$10.0 Million</p> <p>Sale Advisor</p> <p><i>Sandy</i></p>	<p>Sithe</p> <p>Independence Station: Tolling and Swap Agreements July 2001 954 MW</p> <p>Sale Advisor</p> <p><i>Sue Sandy Dan</i></p>	<p>connectiv</p> <p>Fossil Generation June 2001 1,081 MW US \$630 Million</p> <p>Sale Advisor</p> <p><i>Sandy</i></p>	<p>connectiv</p> <p>Nuclear Generation January 2001 707 MW US \$77.3 Million</p> <p>Sale Advisor</p> <p><i>Sandy</i></p>
<p>Niagara Mohawk</p> <p>Energy Marketing Affiliate of Niagara Mohawk Energy January 2002 2000 Revenues of US \$635 Million</p> <p>Sale Advisor</p> <p><i>Sue</i></p>	<p>Boston Edison</p> <p>Pilgrim Nuclear Plant July 1999 670 MW US \$80 Million</p> <p>Sale Advisor</p> <p><i>Sandy</i></p>	<p>Energizing the World</p> <p>Homer City Station March 1999 1,884 MW US \$1.8 Billion</p> <p>Sale Advisor</p> <p><i>Sue</i></p>	<p>Bainbridge Hydro <small>Electric Company</small></p> <p>All Generation September 1998 89 MW US \$89 Million</p> <p>Sale Advisor</p> <p><i>Sue</i></p>	<p>Boston Edison</p> <p>Non-nuclear generation December 1997 1,987 MW US \$657 Million</p> <p>Sale Advisor</p> <p><i>Dan Sue</i></p>	<p>connectiv</p> <p>Fossil Generation June 2001 1,081 MW US \$630 Million</p> <p>Sale Advisor</p> <p><i>Sandy</i></p>	<p>connectiv</p> <p>Nuclear Generation January 2001 707 MW US \$77.3 Million</p> <p>Sale Advisor</p> <p><i>Sandy</i></p>							

Exhibit 1 - Overview of selected NCI transactions (cont'd.)



<p>IPALCO ENTERPRISES Investor-owned Utility July 2000 433,000 Customers 3,000 MW US \$3.0 Billion Acquisition Advisor</p>	<p>Mercury Energy Generation Business New Zealand 183 MW US \$65 Million Acquisition Advisor</p>	<p>Con Edison Non-nuclear generation January 1999 5,478 MW US \$2.4 Billion Acquisition Advisor</p>	<p>Niagara Mohawk Nine Mile Point Nuclear Plant December 2000 1,550 MW US \$903 Million Acquisition Advisor</p>	<p>Duke Energy Peaking Generation November 2000 1,710 MW US \$1.03 Billion Acquisition Advisor</p>	<p>NEES Companies Non-nuclear generation and PPAs September 1998 5,117 MW US \$1.8 Billion Acquisition Advisor</p>	<p>Fellon-McCord & Associates Alliance Energy Services Energy Consulting and Energy Management Businesses November 2001 Sale Value Confidential Acquisition Advisor</p>
<p>Western Resources Western Energy Assets November 2000 5,310 MW US \$1.5 Billion Acquisition Advisor</p>	<p>ELECTRICITIES Fossil and Nuclear Generation 1,400 MW June 2000 Valuation Advisor</p>	<p>Northal Utilities System Milestone Nuclear Plant April 2001 2,890 MW US \$1.3 Billion Acquisition Advisor</p>	<p>NYSEG Non-nuclear generation May 1999 1,424 MW US \$950 Million Acquisition Advisor</p>	<p>Duke Solutions Energy Services Company March 2002 Price Not Disclosed Acquisition Advisor</p>	<p>Various District Energy Enterprises Numerous District Energy Transaction Engagements Over US \$100 Million (2001 - 2003) Acquisition Advisor</p>	<p>Ameren Illinois Generation Assets 2,700 MW US \$600 Million Restructuring Advisor</p>
<p>Enerco Gas Gas Retailer Business New Zealand October 1998 112,459 Customers US \$34.7 Million Acquisition Advisor</p>	<p>SOUTHPower Retailer Business New Zealand October 1998 159,000 Customers 2,582 GWh Sales US \$48.7 Million Acquisition Advisor</p>	<p>BGE Fossil and Nuclear Generation 6,000 MW US \$2 Billion April 2002 Restructuring Advisor</p>	<p>ENRON Peaking Generation December 2000 998 MW Price Not Disclosed Acquisition Advisor</p>	<p>ENRON Peaking Generation December 2000 998 MW Price Not Disclosed Acquisition Advisor</p>	<p>Contract Generation, Electricity & Gas Trading Business New Zealand 2,424 MW 315,000 Customers US \$830 Million Acquisition Advisor</p>	<p>Duke Solutions Energy Services Company March 2002 Price Not Disclosed Acquisition Advisor</p>

000016



Transaction Experience

Exhibit 1 - Overview of selected NCI transactions (cont'd.)

CallEnergy Approx 50% Interest In QF Projects 896 MW US \$260 Million Acquisition Advisor	ONTARIO POWER GENERATION Bruce Nuclear Station July 2000 6,216 MW C\$1 Billion (approx) Acquisition Advisor	ComEd a Greenwood Company Generation Assets December 1999 9,772 MW US \$4.8 Billion Acquisition Advisor	Duquesne Light A DGE Company Distribution System and other related energy businesses Transaction Postponed May 2001 Acquisition Advisor	CILCO A AES Company Integrated Utility 1,250MW Generation 405,000 Electric and Gas Customers US \$1.4 Billion Acquisition Advisor	Central Maine Power All generation April 1999 1,185 MW US \$846 Million Acquisition Advisor	LOY YANG POWER April 1997 2,000 MW US \$3.8 Billion Acquisition Advisor	Vermont Yankee Nuclear Power Corporation 540 MW July 2002 US \$180 Million Acquisition Advisor	HAZELWOOD POWER July 1996 1,600 MW US \$1.9 Billion Acquisition Advisor	Niagara Mohawk Non-nuclear generation August 1999 2,021 MW US \$780 Million Acquisition Advisor	Con Ed Indian Point 2 Nuclear Plant 900 MW US \$602 Million Acquisition Advisor	United Illuminating Non-nuclear generation and PPAs April 1999 1,058 MW US \$272 Million Acquisition Advisor	PG&E National Energy Group Distributed Generation Business 744 MW US \$200 million (Est.) Acquisition Advisor	PG&E National Energy Group Generation Assets 1300 MW Transaction Pending January 2002 Acquisition Advisor	MISSISSIPPI POWER a Southern Company Escalawapa Funding, L.P. 1,064 MW US \$400 Million Valuation Advisor	Northeast Utilities System North Atlantic Energy Corporation Seabrook Nuclear Station November 2002 1023 MW US \$798 Million Acquisition Advisor	Con Edison Development Newington Energy, LLC 526 MW US \$350 Million Valuation Advisor
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Qualifications Matrix

Exhibit 2 - Proposed Project Team Experience Matrix

	Generation Auction Experience													Generation Asset Knowledge			Regulatory/ Litigation Support			Market Research					ERCOT	
	Communications Plan	Regulatory/Legal Issues	Financial Analysis	Valuation	Information Memorandum	Documentation	Terms of Sale	Marketing and Bidding	Stranded Cost Analysis	Due Diligence	Environmental Support	Labor Analysis & Support	Transition Power Agreement	Transition Programs and Closing Process	Coal	Gas	Nuclear	Policy Development & Analysis	Testimony Development / Interrogatory Response	Expert Witness	Deal Analysis	Comparable Values	Terms / Conditions of Sales	Fee Structure Analysis		Knowledge of ERCOT Marketplace
John Dingle	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■
Daniel Hudson	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■
Susan Hersey	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■
Michael Ballaban		■	■	■	■	■	■	■		■	■	■	■	■	■	■	■	■	■	7	■	■	■	■	■	■
Andrew Greene		■	■	■	■	■	■	■		■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■
Sandi Hennequin	■	■		■	■	■	■	■		■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■
Danielle Powers	■	■	■	■	■	■	■	■		■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■
Jary Torrent	■	■	■	■	■	■		■	■	■					■	■	■	■	■	■	■	■			■	
Mathew Campbell		■	■	■	■	■	■	■		■			■		■	■	■	■	■	■	■	■	■		■	
Perrin McGormack	■				■	■		■		■		■		■	■	■	■	■	■	■	■	■	■		■	



Navigant Consulting, Inc.

Response to Request for Information for Financial and
Legal Advisory Services for Divestiture of Generating Assets

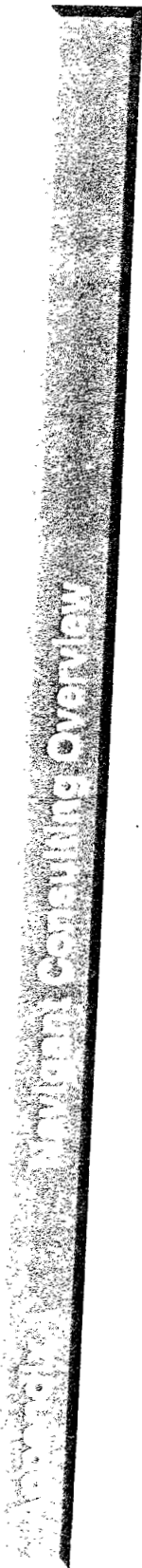
Supplemental Information

Public Utility Commission of Texas

February 7, 2003



Table of Contents



Appendix 2	Transaction Experience
Appendix 3	Generation Auction Process Template
Appendix 4	Proposed Project Team Structure and Expertise

000020



Navigant Consulting, Inc – NYSE: NCI

Annual Revenue: \$235 million

Navigant Consulting, Inc Overview

Financial & Claims Practice

Consultants: 800+

2001 Revenue: \$148 million

Energy & Water Practice

Consultants: 300+

2001 Revenue: \$87 million

Key Service Offerings

Operations Support

Financial and Transaction Advisory

Regulatory Support

Asset Optimization

Strategic Planning

Litigation Support

Claims Management

Key Industries

Energy

Water

000021



NCI assists energy companies and debt/equity stakeholders in developing solid strategies and making sound investment decisions

- ***Involved in transactions valued in excess of \$45 Billion***

- ***Extensive industry and investment community relationships***

- IPP's, IOUs, Municipalities, Cooperatives
- Private equity investors
- Debt holders, including insurance companies, pension funds, etc.
- Fund managers

- ***Enterprise wide portfolio modeling***

- ***In depth valuation, accounting, financial, regulatory and overall due diligence experience:***

- Fuel supply and transportation
- Generation and distributed generation
- Marketing and trading
- Distribution, pipelines and transmission
- Emerging and renewable energy
- Telecommunications
- Water

2. Transaction Advisory Services and Private Equity:

Provide a proven, comprehensive approach in executing asset and corporate transactions to realize the optimal value available in today's marketplace. Assist clients in accelerating growth strategies or in pursuing consolidation initiatives through private equity partnerships.

1. Strategy Development:

Define enterprise and business unit strategy and financial expectations, develop implementation plan with specific growth elements and defined targets, outline business resource requirements for execution.

3. Portfolio Optimization and Risk Management:

Measure economic efficiency and balance of existing assets, assess trade-offs of risk/reward of prospective opportunities, and leverage successful life-cycle templates across the portfolio.

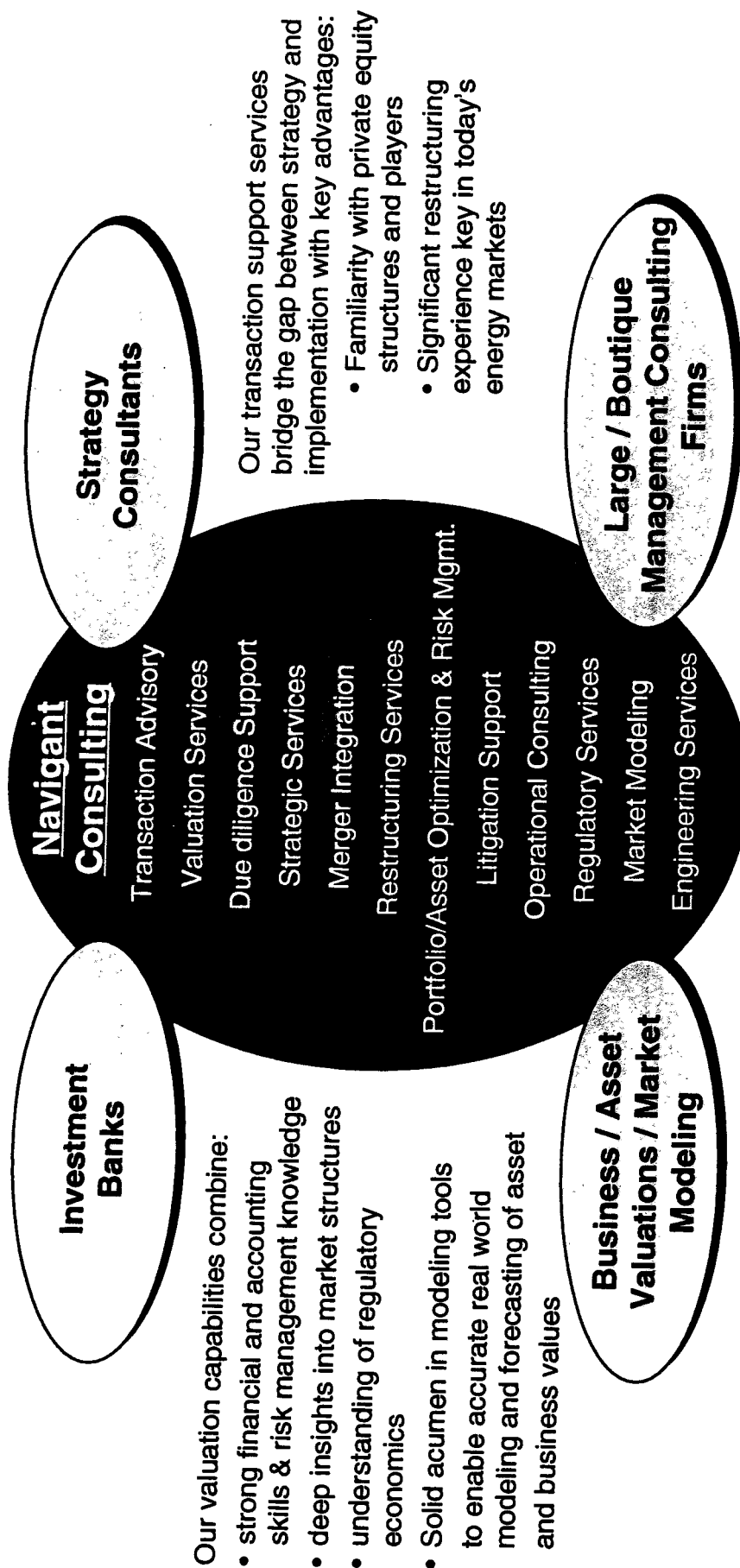
4. Valuation Services:

Provide independent assessment of the value/worth of a client's businesses and assets, and develop financial framework for investment strategies, decisions, and alternatives.

000022



Navigant Consulting has integrated services that link the critical functional and industry skills and experience



Ultimately, we are able to bring an integrated set of skills and experience to support strategic challenges and opportunities. We can bring end to end support or bridge the gaps between other advisors.



Range of Financial Advisory Services

Navigant Consulting, Inc Overview

Nuclear Generation

Over a period of four years, advised a merchant generation company in 6 nuclear acquisitions in North America. These included plants of capacities of 500MW, 900MW, 1000MW, 2000MW, 2000MW, and 6000MW baseload generation. Engagement responsibilities included initial opportunity sourcing, political relationship development, due diligence coordination, bid strategy development, financial and market analysis, decommissioning funding analysis, purchase power contract analysis, and bid preparation. For the assets that were acquired, NC/BEP also prepared ancillary agreements, engaged in negotiations, and supported financing placement and transaction closure.

Transmission Asset Strategy

Retained by the a mid-sized integrated electric and gas utility company to examine their electric transmission strategy and execution of their operational assets in the context of the FERC's long-term policy on RTOs and the implications of the Standard Market Design (SMD) criteria, as well as the commitments and requirements of the state legislature and PSC. This engagement required the conduct of investigation into the technical and regulatory complexities of the transmission assets; jurisdictional interfaces between federal and state regulatory agencies; tariff design; RTO membership options; regional planning, constraint, and reliability issues; transmission asset valuation; and finally, financial leverage opportunities.

Fossil Generation

Performed due diligence and valuation analysis for a 1,200 MW fossil fleet in the context of an acquisition of an integrated electric utility. Determined market, regulatory, and operational parameters to analyze the value of base load coal facilities under a range of scenarios. Coordinated commodity market evaluations, technical examination, and evaluation of a range of potential acquisition structures.

Integrated Energy Company

With private equity partner, proposed the acquisition of a mid-size integrated energy company in a leveraged transaction with company management. Provided strategic analysis of the generation, transmission and distribution assets, as well as advice on operational and regulatory dimensions to the proposed transaction. Due diligence efforts included generation valuation of the 3,000 MW fossil fleet under regulated and deregulated scenarios. Determined operations and market parameters to analyze the value of baseload, cycling and peaking plants. Coordinated review of environmental compliance and capacity up-rate programs by technical consultant. Integrated valuation into corporate valuation. A buyout offer by a competing strategic acquirer was eventually selected over the jointly proposed transaction.

000024



Range of Financial Advisory Services (cont'd)

Navigant Consulting, Inc Overview

District Energy Assets

Over a period of two years, advised a major energy company in the acquisition of numerous gas/oil fired cogeneration and district energy system assets (steam and hot water, chilled water systems) including surfacing the initial opportunities, financial screening analyses, due diligence coordination, modeling various market scenarios, bid strategy development, bid preparations and transaction negotiations.

Electric and Gas Wholesale Business

Performed due diligence and valuation analysis of an electric and gas wholesale business for a large integrated energy company in the context of a potential acquisition. Engagement responsibilities included determining market, regulatory, and operational parameters for regional electric and natural gas businesses under a range of competitive scenarios. Coordinated commodity market evaluations, technical examination, and evaluation of a range of organizational structures. After extensive due diligence, client elected to proceed with offer.

Energy Services

Supported and advised a non-regulated business entity of a large energy holding company in the examination and valuation for an energy services company that would integrate into their current business model. This support included detailed analysis of the Information Memorandum and associated documentation, attending numerous fact-finding meetings, conducting detailed business valuations and financial models under a wide range of market scenarios, and supporting the negotiation and closing processes. After extensive due diligence, client elected to proceed with offer.

Asset Transaction Fairness Opinion

We provided a fairness opinion for the sale of two unregulated energy subsidiaries – an energy consulting services business and a gas supply and transportation services enterprise. This appraisal included the examination and valuation of the operations, determination of the cash flow of the businesses, and development of comparable asset transactions. We worked collaboratively with the client's bankers and attorneys.

000025



Range of Financial Advisory Services (cont'd)

Asset Ownership

Performed a full valuation analysis and conducted due diligence for a municipal power agency that included their ownership interests in three nuclear and two fossil units totaling over 1400 MW. The study was presented to the Board of Directors and was utilized as a basis for a potential sale and for use in addressing municipal stranded costs in the state.

Emerging

Retained by the ownership of a fuel cell technology company with specialization in metallurgical design for fuel cell membranes to evaluate strategic alternatives, define optimal market scenarios, develop a business plan, and seek additional strategic equity investors. This engagement required the conduct of investigation into the understanding the emerging energy marketplace (issues, players, risks, etc.), positioning of the technology as to maturity and design compatibility with the major manufacturers, and evaluating the domestic and international venture capital markets.

Gas Retail

Retained by ownership of this retail gas business for selling the entire enterprise. Engagement responsibilities included assisting in divestiture strategy, development of Information Memorandum, development of targeted firms for approach, initiation of discussions between parties, facilitation of meetings and due diligence activities.

Distribution Energy

Supported and advised a strategic buyer in the bidding and valuation process for the utility business as well as several other energy related businesses that were included in the offering package. Support included business valuation, transaction structuring including private equity alternatives, negotiation support, and detailed modeling.

000026



Range of Financial Advisory Services (cont'd)

Merchant Generation Portfolio Strategy

Performed portfolio analysis and optimization for this energy client. The engagement included reviewing the portfolio mix and balance with corporate strategy, linking opportunities with obligations, leveraging the business "life cycles" by examining opportunities to either grow or harvest the assets, etc. The examination included external competitive evaluations, as well as balance sheet implications.

Distressed Asset Opportunities

Retained by a number of different financial entities (private equity firms, hedge fund managers, etc.) to perform market research and forensic analysis on specific assets currently owned by energy companies under financial stress and credit scrutiny. Engagement responsibilities included determining market, regulatory, and operational issues within the regional electric and natural gas business sectors under numerous competitive scenarios and developing a range of asset values under these scenarios.

Energy Consulting/ Advisory Services

Retained by the a large international firm to assist in the examination of the opportunities and advantages in North American for offering high-end energy consultancy/advisory services to the energy marketplace. The engagement responsibilities included competitive analysis, identification of major energy value chain activities requiring support, customer segmentation, projected size and scale of market, market entry strategies, analytical and managerial talent required and potential joint-venture / acquisition candidates.

Marketing and Trading Business

Retained by this unregulated business of an energy holding company to conduct research and assist in the acquisition of a small gas and electric trading business in a specific geographic area (13 state region). Engagement responsibilities included regional market research to identify initial opportunities, financial screening analyses, initiation of discussions between parties, facilitation of meetings, and due diligence activities. After preliminary discussions with four firms, client elected to organically develop from internal talent.

000027



Range of Financial Advisory Services (cont'd)

Gas Business and Trading Operations

We have assisted this unregulated business unit in the acquisition of a gas business and trading operations, which included energy management services, procurement, transportation, and marketing and trading of gas and electricity for industrial, large commercial, and utility clients across the US. This project scope included the aspects of market analysis, competitive assessment, financial modeling, and rigorous due diligence. We also worked collaboratively with their investment banker and legal representatives. On this project we were particularly focused on the analysis and validation of the trading book of business.

Asset Valuations

Retained by a number of different project-investor interests (bond holders, trustees, pension funds, insurance companies) to assess the value of individual, distressed generation assets under a variety of market parameters and scenarios. The purpose of these engagements has been twofold: (1) establishing the value of a firm's investment across a widely changing marketplace and (2) understanding a company's liabilities and repayment milestones in order to identify those "trigger points" which may require organizational restructuring.

Regulated Generation Strategy

Currently assisting a regulated utility to re-examine its generation supply strategies and to re-structure its generation portfolio. This includes answering the question of "How prepared / balanced is my generation portfolio for the next market upswing or downturn?" by examining such items as (a). financial implications (balance sheet, credit ratings, earning targets, etc.), (b) regulatory commitments, challenges, and responses (IRP, recovery mechanics, prudence issues, environmental requirements, etc.), (c) marketing and trading positions, (d) regional market analysis and response (transmission SMD issues, reserve margins, competition, resource opportunities, etc.), and (e) corporate goals, strategies, and aspirations (risk / reward parameters, revenue targets, commitments to stakeholders, etc.).

Mid Stream Acquisition

Advised a mid-western gas utility on the acquisition of specific pipeline assets, gas production contracts, and related gathering facilities. Responsibilities included conducting a comprehensive valuation of the businesses, and assessing the operational, financial, and regulatory risk parameters of the transaction.

000028



Table of Contents

Appendix 1 Navigant Consulting Overview

Appendix 3 Generation Auction Process Template

Appendix 4 Proposed Project Team Structure and Expertise

000029



NCI has transaction experience at a variety of levels

Overview of Various Transaction Types

Corporate Entities

- Confidential client bid for Eastern Enterprises—Boston Gas (\$2.5 billion)
- \$7.0 B Long Island Power Authority acquisition of Long Island Lighting Company

Individual Assets

- NSTAR's fossil and nuclear generation divestitures (\$737 million)
- Central Hudson Gas & Electric generation divestiture (\$948 million)
- Nine Mile Point 1 and 2 divestiture (\$1.2 billion)
- Pepco generation divestitures (\$2.8 billion)
- Bangor Hydro asset divestiture (\$1000/ KW)

Business Unit Affiliates

- CH Resources divestiture (\$61.1 million)
- NIMO Energy Services and Distributed Generation Business divestiture (price confidential)
- NIMO Energy Marketing affiliate (\$635 million)
- Santa Fe's purchase of PSNM's Water Business (\$70+ million)

In depth valuation, accounting, regulatory and overall due diligence experience across all energy sectors:

- Fuel supply and transportation
- Generation and distributed generation
- Marketing and trading
- Distribution, pipelines and transmission
- Emerging and renewable technology
- Telecommunications
- Water

000030

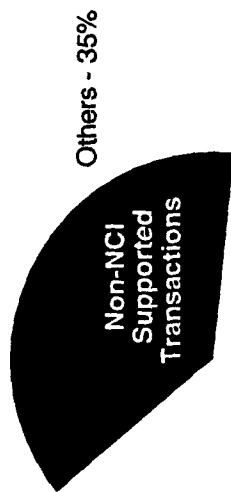


Transaction Experience

NCI's market leadership in regulated generation asset divestitures demonstrates ability to leverage our expertise to a client's advantage

NCI Market Leadership

Total 108,003 MW
(Fossil and Nuclear)



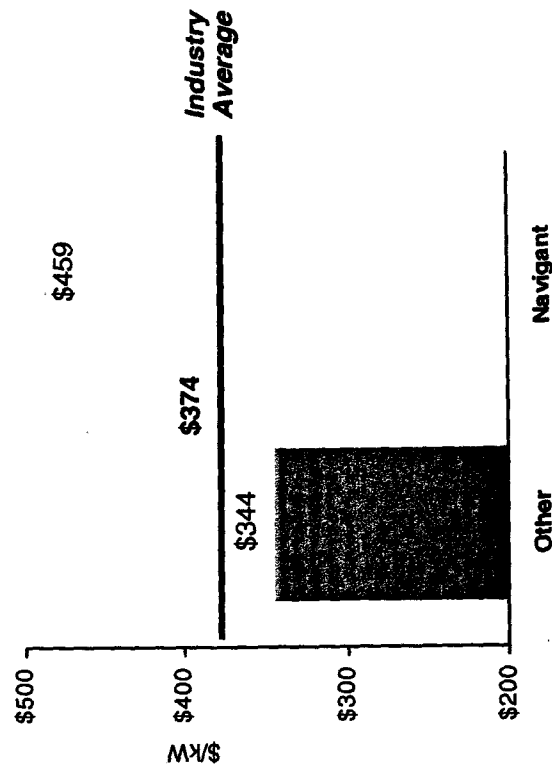
NCI - 65%

NCI Supported Transactions

NCI has supported the majority of transactions conducted to-date in this arena.

Value-Added Results

Total Generation Asset Sales



000031



NCI has played a key role as a sourcing agent and transaction expert for a variety of energy investors as well

Recent Engagements

Sithe-New England

Tax Advisor on Purchase Price Allocation Issues

Nine Mile Point

Acquisition advisor to Constellation

CILCO

Acquisition advisor to Ameren;

Provided quantitative support to Goldman Sachs

IPALCO

Advisor to private equity fund
("cover bid")

Current Engagements

Regulated Utilities and Cooperatives

Supporting all aspects of generation asset acquisition from asset identification through regulatory justification and transaction execution

Multiple Energy Companies

Assessing acquisition opportunities for companies and assets such as interstate natural gas pipelines, and distressed generation assets

Private Equity Investor

Integrated Utility Acquisitions and Distressed Generation
Asset Partnerships

Multiple Financial Investors

Assessing distressed debt and equity values of merchant assets and companies

000032



Transaction Experience

Example of NCI's role as a divestiture advisor

	Pepco	Connectiv Fossil	Connectiv Nuclear	Nine Mile Point	Central Hudson	Nevada Power/ Sierra Pacific	NStar
Offering Memorandum	Navigant Consulting, Inc.	Navigant Consulting, Inc.	Navigant Consulting, Inc.	Navigant Consulting, Inc. JP Morgan	Navigant Consulting, Inc.	Navigant Consulting, Inc. CSFB	Navigant Consulting, Inc.
Marketing and Bidding	Navigant Consulting, Inc. Merrill Lynch	Navigant Consulting, Inc. Credit Suisse First Boston (CSFB)	Navigant Consulting, Inc. CSFB	Navigant Consulting, Inc.	Navigant Consulting, Inc.	Navigant Consulting, Inc. CSFB	Navigant Consulting, Inc.
Terms of Sale	Navigant Consulting, Inc.	Navigant Consulting, Inc.	Navigant Consulting, Inc.	Navigant Consulting, Inc.	Navigant Consulting, Inc.	Navigant Consulting, Inc. CSFB	Navigant Consulting, Inc.
Site Tours/Q&A	Navigant Consulting, Inc.	Navigant Consulting, Inc.	Navigant Consulting, Inc.	Navigant Consulting, Inc.	Navigant Consulting, Inc.	Navigant Consulting, Inc.	Navigant Consulting, Inc.
Bid Evaluation/ Final Negotiations	Navigant Consulting, Inc. Merrill Lynch	Navigant Consulting, Inc. CSFB	Navigant Consulting, Inc. CSFB	Navigant Consulting, Inc. JP Morgan	Navigant Consulting, Inc.	Navigant Consulting, Inc. CSFB	Navigant Consulting, Inc.
Regulatory/ Prudence Support	Navigant Consulting, Inc.	Navigant Consulting, Inc.	Navigant Consulting, Inc.	Navigant Consulting, Inc.	Navigant Consulting, Inc.	Navigant Consulting, Inc.	Navigant Consulting, Inc.



Transaction Experience

Example of NCI's role as a divestiture advisor (cont'd)

	Boston Edison	BECo Pilgrim	GPU	GPU/Homer City	Oyster Creek	Bangor Hydro	Pepco (Entitlement)
Offering Memorandum			 Goldman Sachs				
Marketing and Bidding			 Goldman Sachs				
Terms of Sale			 Goldman Sachs				
Site Tours/Q&A			 Goldman Sachs				
Bid Evaluation/ Final Negotiations			 Goldman Sachs				
Regulatory/ Prudence Support			 Goldman Sachs				



Transaction Experience

Example of NCI's role as a divestiture advisor (cont'd)

3 yrs, 2000-2002

EUA	Bangor Hydro PPAS	EUA PPAS	TXU	Sithe PJM	Denton	EMI
-----	-------------------------	-------------	-----	--------------	--------	-----

Offering
Memorandum



Goldman Sachs



Fieldstone Capital

Marketing and
Bidding



Goldman Sachs



Terms of Sale



Goldman Sachs



Fieldstone Capital

Site Tours/Q&A



Bid Evaluation/
Final
Negotiations



TBD

Goldman Sachs



Regulatory/
Prudence
Support



TXU

000035



Transaction Experience

Example of NCI's role as a divestiture advisor (cont'd)

	SPP	Sithe Independence	BEC Energy/ ComEnergy	XcelEnergy	National Grid	CH Resources	NM Energy Marketing
Offering Memorandum				Lehman Brothers			
Marketing and Bidding				 Lehman Brothers			
Terms of Sale				 Lehman Brothers			
Site Tours/Q&A							
Bid Evaluation/ Final Negotiations				N/A			
Regulatory/ Prudence Support							

Xcel



Table of Contents

Appendix 1 Navigant Consulting Overview

Appendix 2 Transaction Experience

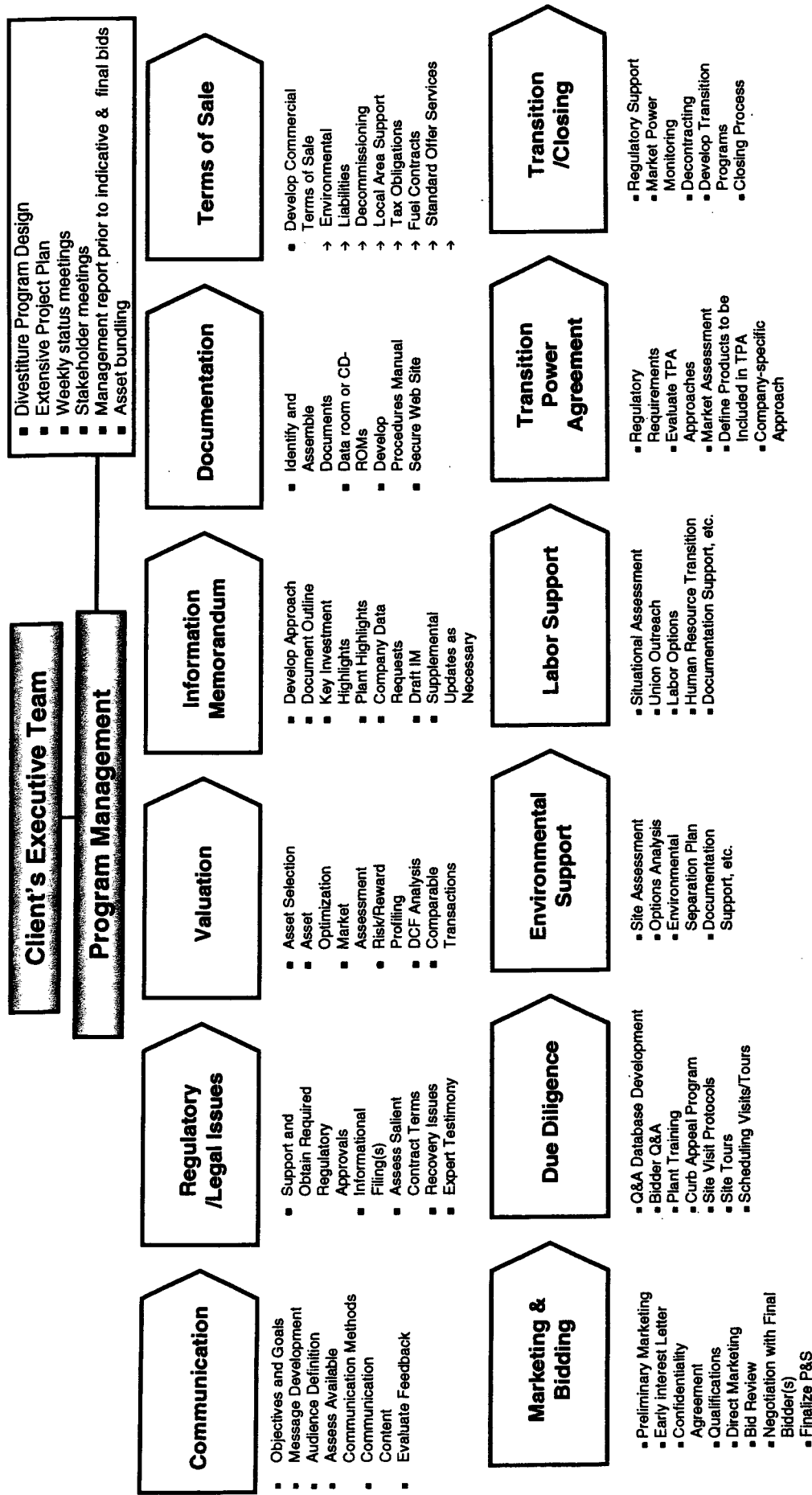
Appendix 4 Proposed Project Team Structure and Expertise

000037



Generation Auction Process Template

Auction Template



000038



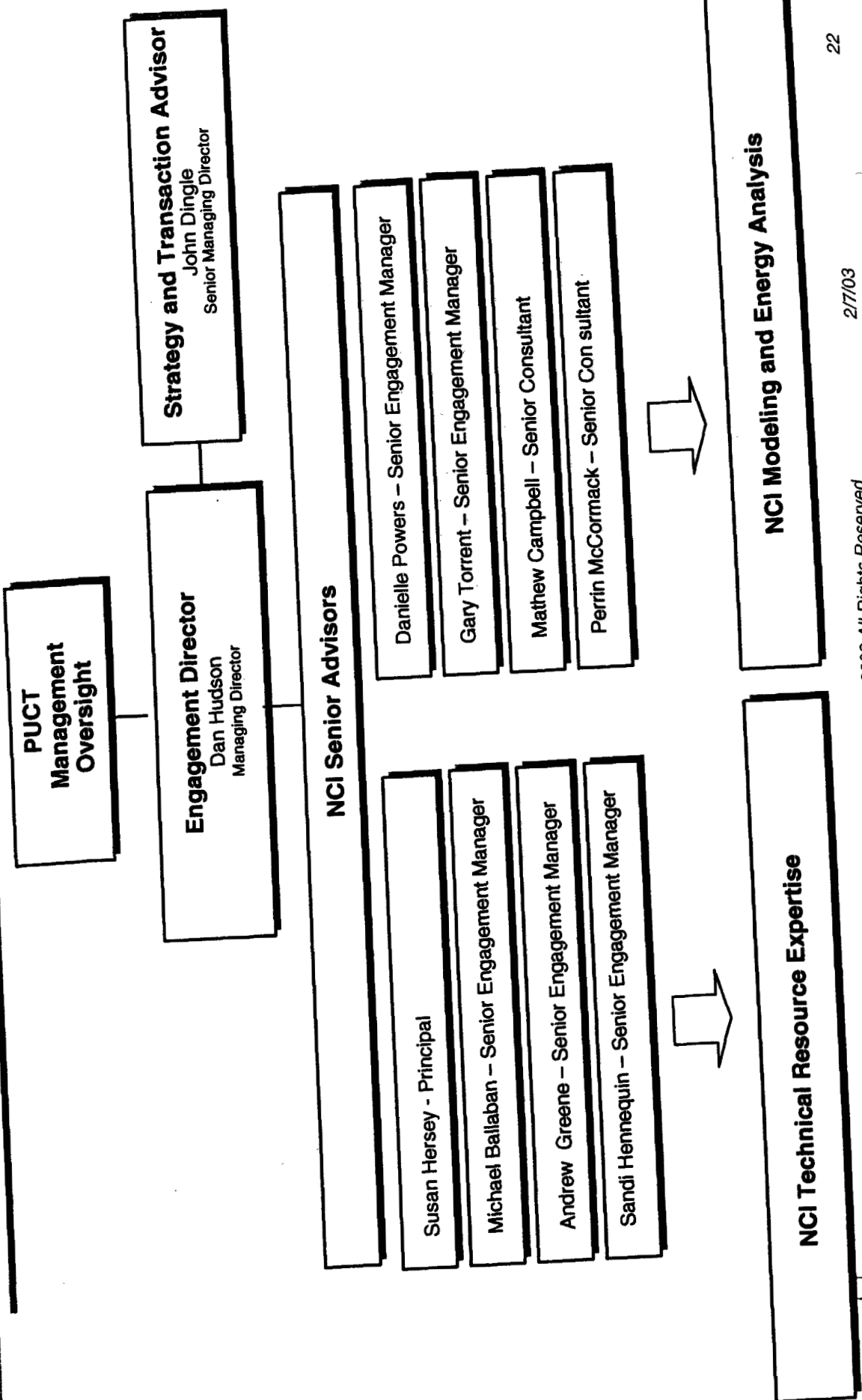
Table of Contents

Appendix 1	Navigant Consulting Overview
Appendix 2	Transaction Experience
Appendix 3	Generation Auction Process Template

000039



NCI proposes an engagement team comprised of its most senior advisors specializing in the auction process of generation assets

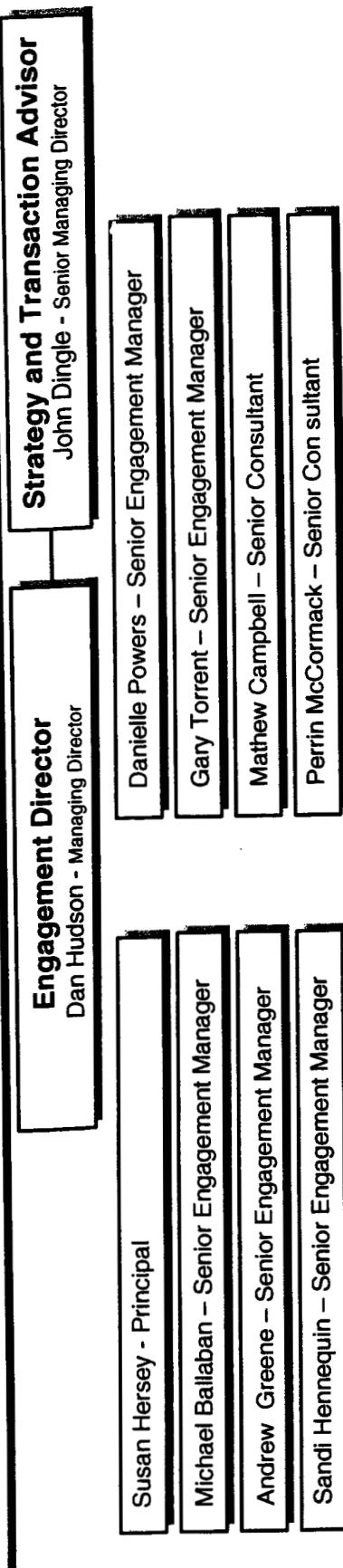


000040



Individual team member credentials and expertise

Project Team Structure and Expertise



Dan Hudson – Engagement Director

Mr. Hudson is a Managing Director of Navigant Consulting, Inc. and is responsible for leadership in the areas of asset valuation, corporate restructuring, acquisitions, divestitures, privatization, risk management, and asset optimization. His extensive industry experience includes responsibility for over \$5 Billion in acquisitions, asset optimization programs, and risk assessment / risk mitigation initiatives of gas and electric assets in North America. For the past nineteen years, Mr. Hudson's professional focus has been in the following areas:

- Acquisition and divestiture strategy and execution
- Market analysis and competitive assessment
- Asset appraisal and valuation
- Trading and risk management strategies
- Deal structuring and negotiations
- Due diligence efforts
- Joint venture and partnering opportunities

Mr. Hudson has previously held senior management positions at Duke Energy North America, NRG Energy, and Northern States Power. Mr. Hudson holds a BA in Mechanical Engineering and an MBA in Finance (one course remaining).

John Dingle – Strategy and Transaction Advisor

Mr. Dingle is a Senior Managing Director of Navigant Consulting, Inc. and has a significant experience in the areas of acquisition strategy and execution, sale transaction management and negotiation, and energy industry restructuring. He has personally had lead roles in transactions valued in excess of US\$20 billion spanning North America, Australia and New Zealand. Focused on the energy industry, his areas of expertise include:

- Acquisition strategy and execution
- Managing sale transactions
- Deal structuring and negotiations
- Financing options, strategies and private equity
- Opportunity sourcing and valuation
- Portfolio optimization and risk assessment
- Market analysis and industry restructuring

Mr. Dingle previously held senior management positions with Barrington Energy Partners, LLC and Reed Consulting Group. Mr. Dingle holds a BA in Economics and an M.B.A.

000041



Individual team member credentials and expertise (cont'd)

Engagement Director

Dan Hudson - Managing Director

Strategy and Transaction Advisor

John Dingle - Senior Managing Director

Susan Hersey - Principal

Michael Ballaban - Senior Engagement Manager

Andrew Greene - Senior Engagement Manager

Sandi Hennequin - Senior Engagement Manager

Danielle Powers - Senior Engagement Manager

Gary Torrent - Senior Engagement Manager

Mathew Campbell - Senior Consultant

Perrin McCormack - Senior Consultant

Susan Hersey - Principal

Ms. Hersey has eighteen years of experience and proficiency in multiple electric utility business functions, particularly electric generation divestitures. She has served as senior project manager in engagements for which NCI was acting as either the financial advisor and/or divestiture manager for electric utilities selling over 30 different generation assets and purchased power agreements. In addition to divestiture, her areas of expertise include:

- Electric utility unbundling and restructuring
- Marketing and energy conservation
- Key customer management
- Utility operations
- Product development and implementation
- Financial and strategic business planning
- Pricing
- Resource planning and power procurement
- Utility finance and accounting.

Prior to NCI Ms Hersey held positions with Mass Electric, New England Power, Utilil Service Corp, and EUA Service Corporation, Inc and the New England Power Company. She has a BS in Electrical Engineering and a MBA.

Michael Ballaban - Senior Engagement Manager

Mr. Ballaban is an energy sector management consultant with twenty years of experience working for investor-owned utilities in acquisition, divestiture, and financial advisory roles. He has broad experience in business strategy development using creative problem solving, financial, and economic analytical skills with a focus on bottom line impacts. Mr. Ballaban has worked at both the state and federal levels, testified at the Federal Energy Regulatory Commission (FERC), and participated in the restructuring of New England retail electric markets. His additional areas of focus include:

- Strategic planning
- Cost-of-service development
- Rate Design
- Financial planning and forecasting
- Corporate financial modeling

Mr. Ballaban previously held Stone & Webster Management Consultants, Boston Edison, and the New England Electric System. He holds a BS in Transportation and Public Utilities and and MBA in Finance.



Individual team member credentials and expertise (cont'd)

Engagement Director Dan Hudson - Managing Director

Strategy and Transaction Advisor John Dingle - Senior Managing Director

Susan Hersey - Principal

Michael Ballaban - Senior Engagement Manager

Andrew Greene - Senior Engagement Manager

Sandi Hennequin - Senior Engagement Manager

Danielle Powers - Senior Engagement Manager

Gary Torrent - Senior Engagement Manager

Mathew Campbell - Senior Consultant

Perrin McCormack - Senior Consultant

Andrew Greene - Senior Engagement Manager

Mr. Greene is an energy and environmental consultant with an extensive background in regulatory policy development, asset divestiture, and environmental compliance requirements. He has been in the project management role of several divestitures of generation and other assets of large electric utilities over the past four years. He has also prepared environmental sections of offering documents, reviewed existing and prospective regulatory issues, advised on scope and preparation of environmental site assessments, responded to bidder inquiries, and conducted site tours with potential buyers and plant personnel. Areas of additional professional focus include:

- Finance
- State utility regulation
- Strategic planning
- Project development
- Energy marketing
- Corporate environmental improvement programs

Mr. Greene previously held positions with Greene Energy and Environmental, the MA Office of Environmental Affairs, the MA DPU and Data General. He holds a BA in Economics and an MBA.

Sandi Hennequin - Senior Engagement Manager

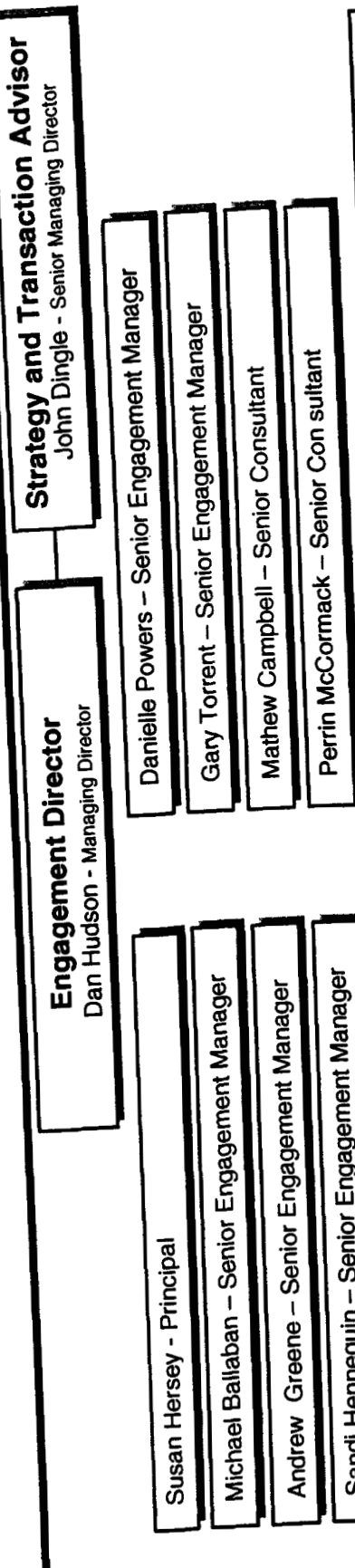
Ms. Hennequin brings nearly a decade of experience in the energy industry, particularly in regulatory and energy policy issues and generation asset divestiture transactions. She has specialized in all facets of generation asset divestiture, providing leadership specifically in the areas of environmental, labor policy, marketing, regulatory, and bid evaluation. She has been actively involved in 11 transactions in the past four years, with a net worth of \$8.3 billion. In addition to asset acquisitions, she has also focused in the following areas:

- Regulatory and political analysis
- Regulated generation strategy
- Due diligence processes
- Purchase power contracts

Prior to joining Navigant, Ms. Hennequin has held consulting and advisory positions with Barrington Energy, Reed Consulting, and the Energy Research Group. She holds a BA in Political Communications and an MPA with a focus on environmental policy and management.



Individual team member credentials and expertise (cont'd)



Danielle Powers – Senior Engagement Manager

Ms. Powers is an energy industry professional with twelve years of experience in the utility and consulting fields. During this period of time she has been involved in the sale of over 12,000 MW of generation assets and purchased power contracts. Her contribution in these successful divestitures include regulatory, marketing, labor, environmental, transmission, market analysis, terms of sale, legal, transition power sales, bid evaluation, due diligence, document center, and the preparation, organization, and maintenance of divestiture documentation. In addition to asset divestiture, her areas of expertise include:

- Energy planning and procurement for the retail market
- Retail market analysis
- Corporate/business development
- Transmission interconnections
- Power plant operations

Prior to NCI Ms Powers held positions with XENERGY, Inc and the New England Power Company. She has a BS in Mechanical Engineering and an MBA.

Gary Torrent – Senior Engagement Manager

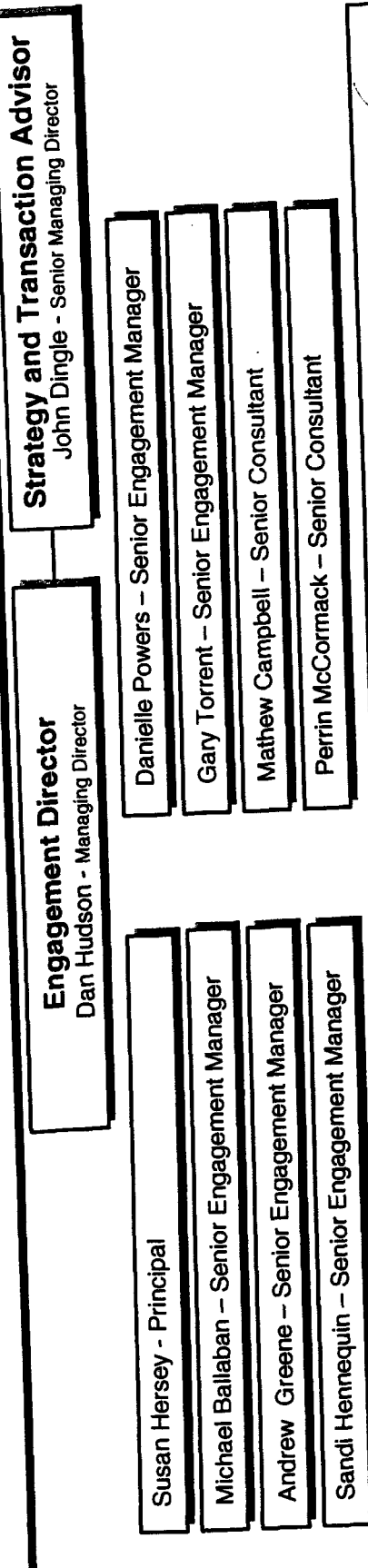
Dr. Torrent has over 11 years of experience in providing strategic, policy, and economic advice to clients in the regulated and unregulated energy markets. At NCI his attention has been focused in the areas of electric restructuring, strategy development, and regulatory support, primarily in the Texas energy marketplace:

- Advises clients on the impact of current restructuring initiatives on business strategies
- Serves as an expert on the wholesale and retail markets in ERCOT providing insights on issues regarding the purchase and sale of wholesale power and the effects of the deregulated retail market
- Assists parties in the purchase of electricity including preparing, issuing, and evaluating responses to RFPs
- Analyzes the economics, transmission constraints, regulatory commitments, and legal issues in the valuation of power plant purchases
- Maintains a contemporary understanding of restructuring activities at the Texas Commission, ERCOT, and FERC, as well as other states.

Prior to NCI, he served at the Texas Public Utility Commission as legal and policy advisor to the Commissioners. Dr. Torrent has a BA and MA in economics and a PhD in Political Science. He also has a law degree.



Individual team member credentials and expertise (cont'd)



Mathew Campbell - Senior Consultant

As a senior consultant, Mr. Campbell provides research, analysis, and advisory services to a wide variety of energy clients. He has participated in the administration and management of generation divestiture processes for three major electric utilities over the past four years. These divestiture responsibilities included due diligence, asset market modeling and analysis, testimony development, management of industry intelligence database relating to asset acquisition and divestiture, and the support and production of asset marketing documentation. Mr. Campbell also assisted in the valuation of an electric generating asset for acquisition in the PJM Power Pool. In addition to divestiture, he has also focused in the following areas:

- Regulatory issue research
- Computer model development
- Cost of service studies
- Industry restructuring and unbundling
- Research paper development

Prior to joining Navigant, Mr. Campbell has held consulting and research positions with Bay State Gas Co, and NEC Technologies. He holds a BA in English.

S. Perrin McCormack - Senior Consultant

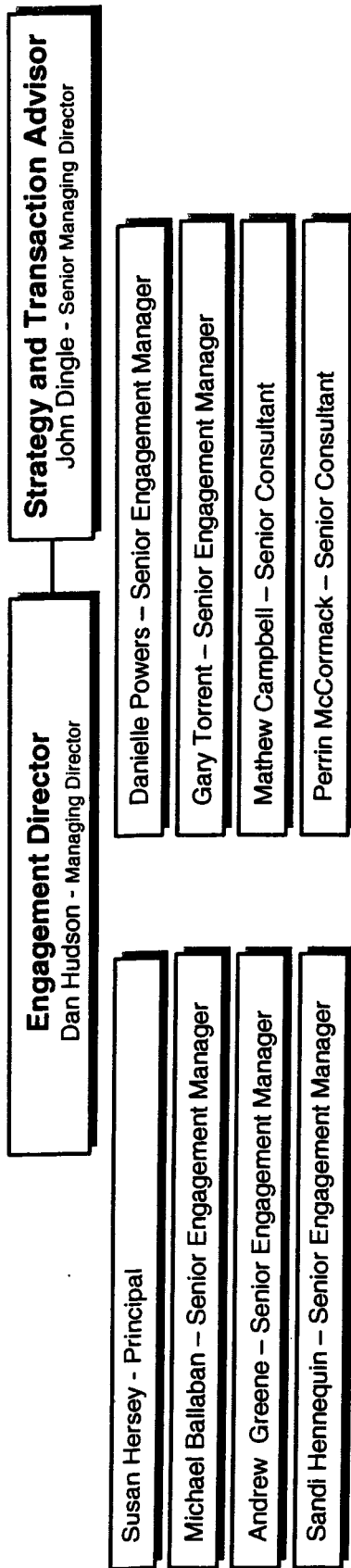
Ms. McCormack has a background in human resources management and experience in the electric utility industry. She typically provides market research analysis and analytical advice to clients on a variety of energy market issues, with an emphasis on mergers and acquisitions. Ms. McCormack has participated in generation asset sale transactions with a market value of more than \$5 billion. Her engagement responsibilities have included documentation management, development of transaction agreements, bid evaluations and comparative analyses, bid negotiations, and regulatory support in both pre and post divestiture filings. In addition to divestiture transactions, Ms. McCormack has focused in the following areas:

- Industry restructuring
- Energy market assessments
- Performance-based ratemaking
- Strategic planning
- Human resources and benefits services

Prior to joining Navigant, Ms. McCormack has held positions with Graphique de France and Newbury College. She holds a BA in Economics and an MA in Art History.



Underpinning the engagement is the support of over 300 NCI energy experts, as well as the products and services of our modeling and energy analysis group



NCI Technical Resource Expertise	
Power Generation	Regulatory / Litigation Support
Transmission and Distribution	Environmental Licensing / Permitting
Natural Gas	Marketing / Customer Strategies
Water Supply / Waste Water	Advanced Energy Systems
Financial Advisory Services	Portfolio Management / Optimization

NCI Modeling and Energy Analysis	
2003 Power Market Outlook ¹	National / Regional Market Assessment Energy prices, forwards, spark spreads, etc Supply / Demand balance Fuel supply / delivery Reserve margins / gas reserves & storage Status of power projects / E&P activity Transmission / pipeline constraints Regulatory / environmental impact Financial performance / metrics
2003 Gas Market Outlook ¹	
Individual Company Research ²	

¹ NCI publishes its 2003 Power and Gas Market Outlook in February. These reports include our insights and perspectives on the energy sector, including critical industry issues (e.g., liquidity and credit concerns, fuel supply, re-financing, competitive market structure, regulatory uncertainty, etc.) and market fundamentals from a regional and national perspective (e.g., supply/demand dynamics, reserve margins, status of power and gas projects, environmental issues, transmission constraints, etc.). There is also a conclusion section which provides our near-term and longer range energy forecasts.

² NCI also publishes periodic individual energy company reports which examine and provide insights into such areas as revenue and profit projections, business line diversity, financial valuation and outlook, liquidity, cash flow analysis, portfolio holdings, recent sales / acquisitions, risks and mitigation initiatives, regulatory / legal positions, geographic focus, etc.

February 7, 2003

VIA FEDERAL EXPRESS

Central Records
Project No. 27275
Room G-113
Public Utility Commission of Texas
1701 N. Congress Avenue
P.O. Box 13326
Austin, TX 78711-3326

Dear Ladies and Gentlemen:

Enclosed please find an original and five (5) copies of Brown Rudnick Berlack Israels' Response to the Request for Information for legal services with regard to Project No. 27275. This response outlines Brown Rudnick's ability to provide the Commission with expert legal advisors who can assist them in reviewing the divestiture plan and subsequent auction of the generating assets of AEP Texas Central.

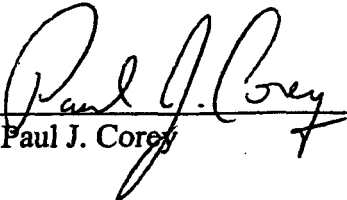
We understand that your Request for Information seeks both financial and legal advisors for this Project, and we wish to be clear that our response is intended to apply to legal services only. In this regard, if we were to be engaged by the PUCT, we would expect and look forward to be working closely with your selected financial advisor to provide the legal support required for effective, coordinated services in meeting your overall requirements for this Project.

We welcome the opportunity to meet and discuss these issues further and answer any questions you may have regarding this proposal. I can be reached at (860) 509-6523.

Thank you for your consideration to this matter.

Very truly yours,

BROWN RUDNICK BERLACK ISRAELS LLP

By: 
Paul J. Corey

PJC/kac
Enclosures



BROWN
RUDNICK
BERLACK
ISRAELS LLP

PROPOSAL FOR LEGAL SERVICES
FOR THE
PUBLIC UTILITY COMMISSION
OF TEXAS



IN RESPONSE TO REQUEST FOR INFORMATION
PROJECT NO. 27275

Submitted:
Monday February 10, 2003

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TABLE OF CONTENTS

REQUEST FOR INFORMATION FOR LEGAL SERVICES

I. SUBMISSION FORM	2
II. INTRODUCTION	4
III. QUALIFICATIONS	4
A. SENIOR LEGAL ADVISORS ASSIGNED	4
B. REPRESENTATIVE TRANSACTIONS	5
1. SEABROOK STATION	5
2. DPUC-CL&P AUCTIONS	14
3. WISVEST-CONNECTICUT, LLC	16
C. OVERVIEW OF BROWN RUDNICK BERLACK ISRAELS LLP	17
D. ENERGY PRACTICE	18
IV. HUB AND MINORITY PARTICIPATION	21
V. POTENTIAL CONFLICTS OF INTEREST	21
VI. COST AND PRICE ANALYSIS	21
A. PROFESSIONAL FEES (UNDER SEAL)	21
B. STATEMENT OF INDEPENDENT PRICE DETERMINATION	21
APPENDIX A. ATTORNEY BIOGRAPHIES	23