

State of the International Utility Industry Pulse Survey:
EEI International Utility Conference
February 19-22, 2006

24 Individual responses from utility executives (63% of utility executives attending)

How do you feel today about the state of electricity deregulation in the European Union versus your feelings 12 months ago?

54% No change 29% Less Positive 17% More Positive

How do you feel today about the security of supply in Europe versus your feelings 12 months ago?

54% Less Positive 42% No change 4% More Positive

After the repeal of the United States' PUHCA legislation in 2005, which statement about M&A activity in the NA utility industry do you most agree with?

32% 2006 will be the "Year of the Utility Merger"
32% Most utilities do not yet see the benefits of M&A strategies, even though big deals transpired in 2005
28% Regulatory scrutiny will still delay the completion of most deals
8% Many European investors are likely to invest in the U.S. utility market in 2006

In Europe, which statement about M&A activity in the utility industry do you most agree with?

48% Deregulation progress and the need for utilities to gain new market share will drive M&A activity
39% Regulatory scrutiny will still delay the completion of most deals
9% 2006 will be the "Year of the Utility Merger"
4% Most utilities do not yet see the benefits of M&A strategies, even though big deals transpired in 2005

The ability to create generation and commercial synergies will increase the viability of M&A strategies.

67% Maybe 29% Absolutely 4% Definitely Not

The ability to create synergies and efficiencies in back-office management will increase the viability of M&A strategies.

58% Maybe 38% Absolutely 4% Definitely Not

Should utility companies outsource horizontal processes (such as IT, finance, HR and supply chain) before a merger or acquisition in order to gain immediate cost savings?"

54% Maybe 25% Absolutely 21% Definitely Not

In your opinion, what qualities does a best-in-class utilities company exhibit in its investment and growth strategy?

Innovation, speed in execution;
Take over less efficient neighbors & improve;
M&A discipline;
Selective targeting of acquisition opportunities/long-term vision;
Risk awareness;
Strong regulatory relations;
Strong capital penetration;
Discipline, focus;
Efficient use of capital & focus on cash flow valuation metrics better than EPS;

Good risk management policies;
Move to a competitive market model;
Commitment to & confidence in its chosen strategy;
Good balance generation supply;
Clear future vision;
Discipline as timing valuation;
Timing & execution of plan;
Dare to be dull;
Resilience;
Efficient asset management;
Strict cost centre;
Superb customer service;

Is outsourcing of corporate services business processes (finance, HR, IT) to a third-party provider a good thing for the utility industry? (Check all that apply.)

- 42% Yes, business process outsourcing is the wave of the future and will create stronger balance sheets
- 29% Yes, because the industry needs to generate more free cash flow that can be invested in other parts of the business
- 13% No, the risk of outsourcing and loss of control far outweighs any potential benefits
- 8% No, because electricity is a public trust and companies need to be 100% accountable for their actions
- 8% Yes, because outsourcing allows employees exciting new career growth

What is your company's level of planned investment in technology projects for 2006?

59% Increase over 2005 35% Same as 2005 6% Decrease from 2005