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Utility Industry Faces Greatest Challenges in 30 Years, EUCG Workshop Reveals

Dallas, TX (Sept. 29, 2006) – The electric utility industry is confronting a host of strategic and operational issues similar to ones faced during the 1970s, according to industry leaders attending EUCG’s annual fall workshop. Approximately 150 industry professionals representing more than 40 electric utilities gathered in Dallas for a three-day session to examine industry issues, discuss potential paths forward and share newly collected benchmarking data and best-practices concepts among the organization’s membership.

“When you list the challenges facing electric utilities today, folks who lived through the 1970s see many parallels to today’s marketplace,” said EUCG President and Tennessee Valley Authority General Manager Stephen Saunders. “Our industry has aging infrastructure and work force, so we have a need for new power plants and new employees to run them. We need to strengthen our nation’s transmission and distribution networks. We need to refurbish older power plants with new environmental technologies, just to name a few of our challenges. As a consequence, the electric utility industry is about to undergo a huge construction build-out and asset revitalization that may rival what we did back in the seventies,” Saunders said.

Inflation pressures are beginning to impact the cost of these projects, said Mark Derry, EUCG vice president and an Exelon (NYSE: EXC) employee. “The volatility of the price of crude oil is impacting the costs of commodities and associated equipment integral to utility success. Add to that the demand for these commodities in emerging markets, and you have a 1970s-like formula for price uncertainty.”

The future role of nuclear power generation within the United State and the world was also on the minds of workshop participants. “The 1970s were the last time nuclear power was part of a utility’s new capacity strategy,” said David Ward, EUCG Nuclear Committee chairperson, of Duke Power (NYSE: DUK). “Nuclear power is once again gaining popularity as a viable power generation alternative, and our membership believes there is a high likelihood we’ll see a newly commissioned nuclear power plant before 2020. But many cost, technical and regulatory challenges do remain, and we’ll need to manage these issues to be successful.”

EUCG members discussed dozens of benchmarking, best practices and change management presentations during the workshop, reported George W. Sharp, EUCG national marketing director, of American Electric Power (NYSE: AEP). “This fall’s workshop agenda was one of the most robust in recent memory, and the topics reflect current industry trends and issues,” he said. According to Sharp, the EUCG committees focused on issues and ideas relevant to their respective business functions:

- **Transmission & Distribution (T&D) Committee:** Highlights included a continuing focus on managing the transition of the industry’s aging work force into retirement. “Almost 50 percent of the electric utility work force will be retiring over the next decade. This depletion of a highly trained work force has the potential to impact a utility’s ability to function effectively if not managed properly,” said Joe Martucci, T&D Committee chairperson, of Public Service Enterprise Group (NYSE: PEG). Other T&D workshop topics included alternatives to Six Sigma approaches to quality and an analysis of best practices in the new service installation process.

- **Information Technology (IT) Committee:** Primary workshop activities included the impact deregulation has had on the role of information technology within a utility. Other topics included IT benchmarking experiences and issues. The IT committee, EUCG's newest committee, also selected officers and established plans for collecting IT benchmark data. "The EUCG IT Committee has successfully transitioned from an idea to a fully functioning entity within EUCG. We welcome other utilities to join our core group," said Jack Flack, IT Committee chairperson.
- **Nuclear Committee:** Highlights included a state-of-the-industry update by the Nuclear Energy Institute, a review of contractor cost collection and auto-billing programs by member utilities and a work-management benchmark study. The committee also spent time reviewing outsourcing trends and capital spending. "Our committee databases on costs and staffing are the industry's best, and our members get a lot of value in their use as a benchmarking tool," said Ward, committee chairperson.
- **Fossil Committee:** Key issues discussed during the conference included a review of the cost escalation impact within North American scrubber programs, the causes of and cures for boiler tube failures, the use of Lean Sigma approaches to outage planning and panel discussion on spare-part program philosophies. In addition, the Fossil Committee heard presentations about the operational experiences of a South Korean power plant. "The Fossil Committee continues to focus on construction, outage planning and operational processes that drive value for member utilities," said James Patrick, Fossil Committee chairperson, of Ameren (NYSE: AEE).
- **Hydroelectric Committee:** Highlights included an overview of the new web based hydroelectric database presentations around plant maintenance performance drivers, a review of utility condition assessment programs, and the use of interactive electronic training manuals. "The Hydro Committee focused its attention on asset management issues because of the aging condition of the majority of hydro facilities," said Joe Hoagland, Hydro Committee Chairperson.

EUCG will hold its 2007 spring workshop in Savannah, GA. All energy professionals are invited. Interested parties should visit the EUCG website (<http://www.eucg.org>) for more information.

About EUCG: EUCG is a global association of energy and electric utility professionals who discuss current and emerging industry issues, share best practices and exchange data for benchmarking purposes. The association is organized into five separate committees that represent specific utility functions: Transmission & Distribution (T&D), Fossil Plants, Hydro Plants, Nuclear Plants, and Information Technology (IT) departments. Members attend semi-annual workshops that focus on strategic planning, maintenance practices, operations management, outage management and various other aspects of the electric utility business. Membership is open to all utility companies and professionals worldwide. Interested parties should contact Pat Kovalesky, EUCG executive director, at 1-623-572-4140. Email: eucgexec@cox.net . Website: <http://www.eucg.org> .

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