

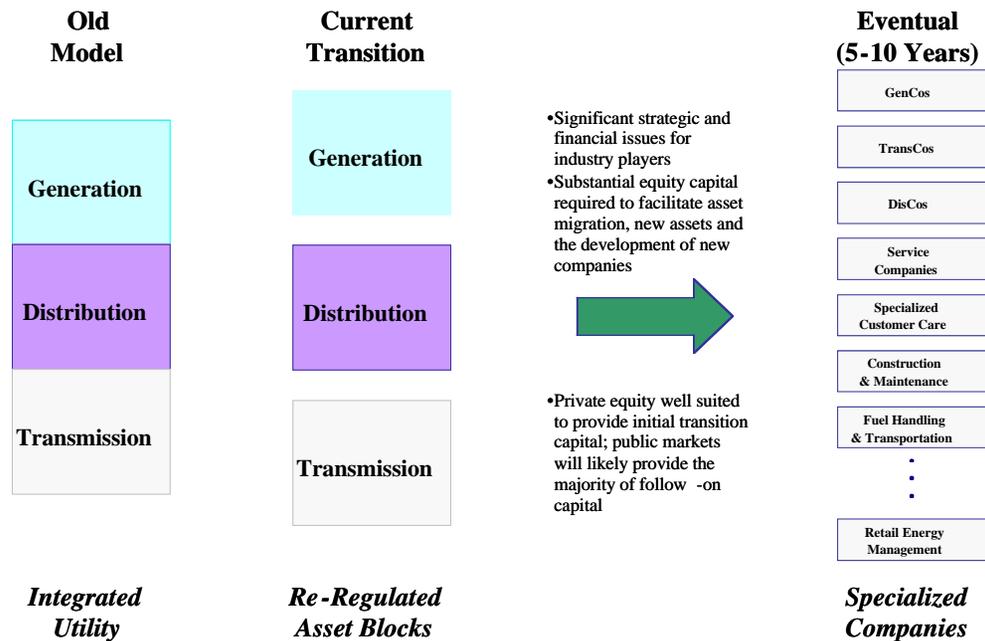


DOE Electric Infrastructure Workshop

ArcLight Capital Partners

- Power industry private capital money management and advisory firm
- \$1.0 billion (target) private equity fund with a focus on the power, utility and related industries
- \$500 million commitment from John Hancock Financial Services
- Size, focus, and team of professionals - leading source of private equity capital to the power industry
- Rapidly changing power, utility and energy industries require significant capital investment in the next five to ten years

Power Industry Overview- Deregulation



ArcLight Investment Focus

- Power Generation
- Transmission & Distribution
- Cross-over Investments (gas storage, coal, utility related telecom)
- Related Power Services, Outsourcing
- Energy Technology

Transmission Situation Analysis

- Patchwork system that needs to be consolidated and run more efficiently
- Small relative investment for a typical utility, but one of the bigger headaches
- Run by “engineers” not “business people”
 - Main focus is on traditional measures of reliability
 - Less concerned about economics (ROA, ROI)
 - Weary of new technology and new ways of doing business
 - Senior management not comfortable with the “black box”
- Limited ability for power markets to “maximize economics”
 - No firm and interruptible pricing available
- Regulators/politicians slow to provide economic incentives
 - Part of the “electricity is an entitlement” mindset
- Unstable general framework (RTO, ISO, TO)

Transmission as an Opportunity

- Private equity is an ideal facilitator
- Consolidate systems and gain operational savings
- Expand systems and increase “intermarket flow throughs”
- Maintain reliability with less “over-engineering”
- Bring world class technology to antiquated systems
- Set up more efficient transmission trading markets and pricing schemes
 - Stimulate more “merchant” lines

Concerns

- Rules of the game are changing quickly
- Not allowed to get proper “return” on technology and efficiency investments in an unfriendly regulated environment
- Better risk/return profile in other areas of power
- Price expectations of sellers
 - Require asset owner to take limited risk
- Lack of senior management talent
 - Balance between business/engineering