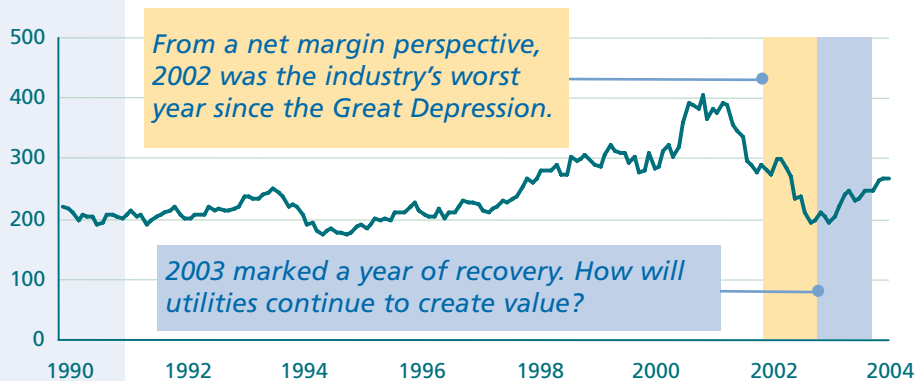


# Rethinking performance improvement in energy delivery

The energy delivery business faces pressures on several fronts:

- Heightened customer sensitivity to reliability, even as the infrastructure ages
- Regulatory uncertainty in transmission, and in distribution as transition charges and rate freezes expire
- Investor pressure to increase profits and sustain the current rebound, since contributions from wholesale businesses are expected to remain depressed

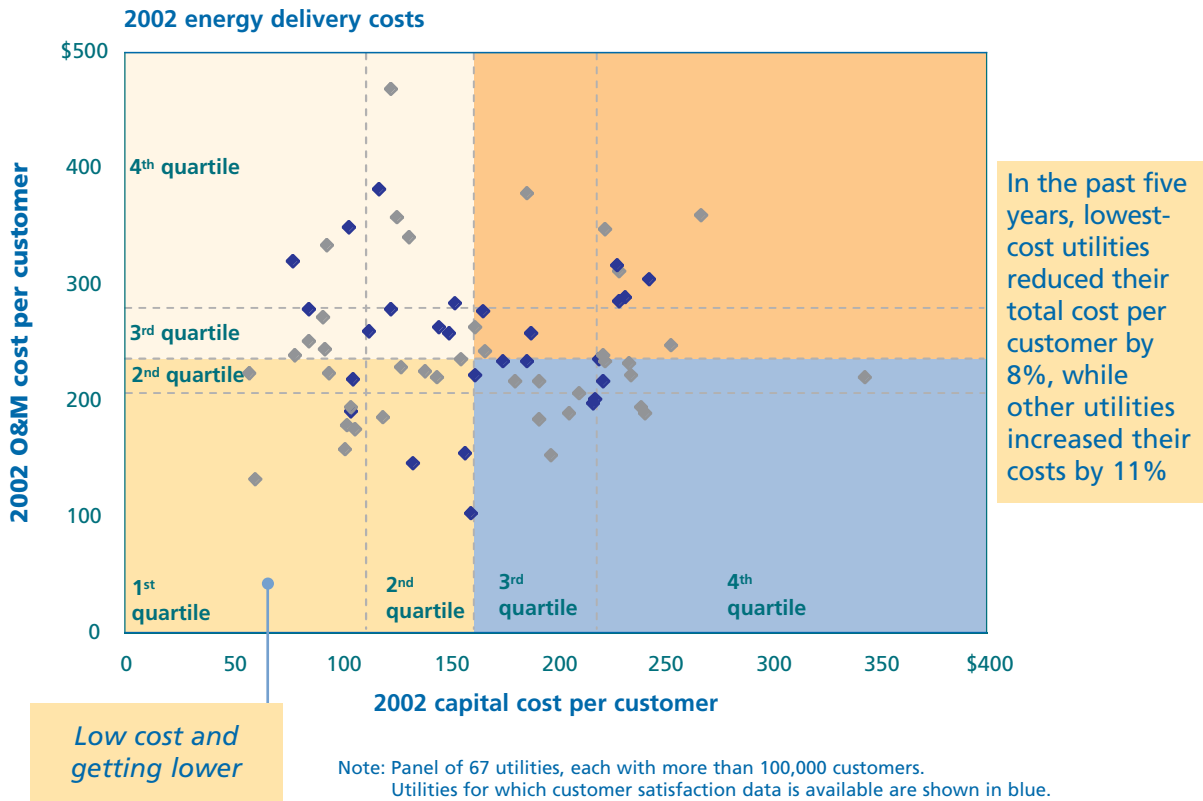
## Dow Jones Utility Index performance



Source: Yahoo Finance, Oliver Wyman analysis

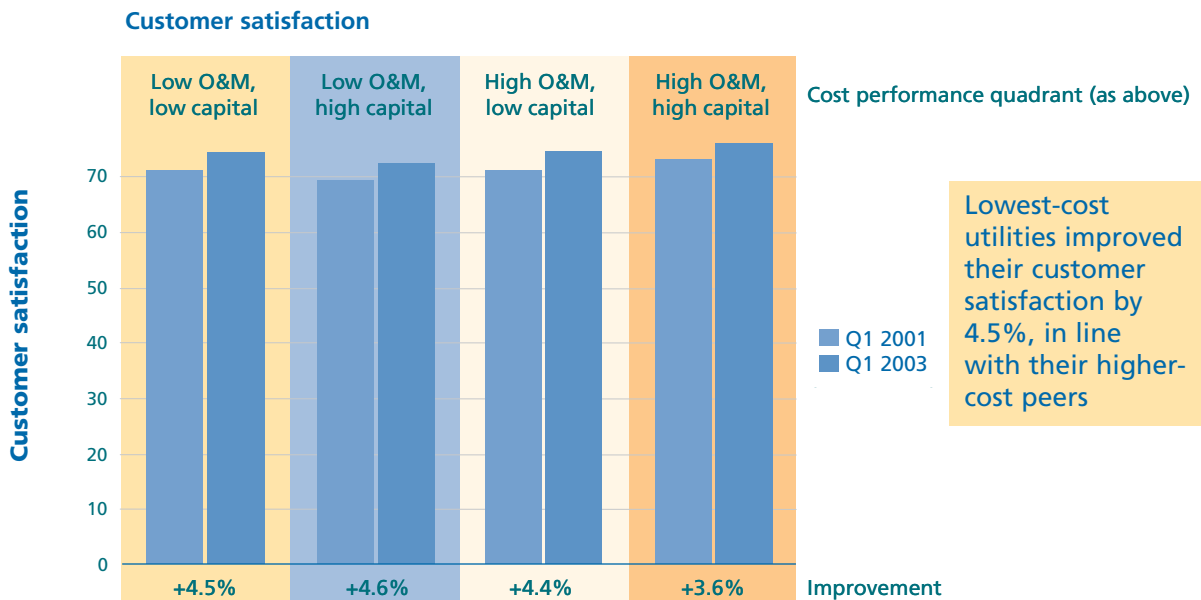
Delivery is a mature, low-growth business. New customer additions and increased energy usage will not be enough to drive earnings growth. As part of a broader strategy to create value, companies are therefore focusing on ways to safely meet customer needs while also reducing costs. The more effective energy delivery operators are positioning themselves to prosper in a slowly consolidating industry.

More effective energy delivery operators are reducing their costs . . .



Source: FERC Form 1 data, Oliver Wyman analysis

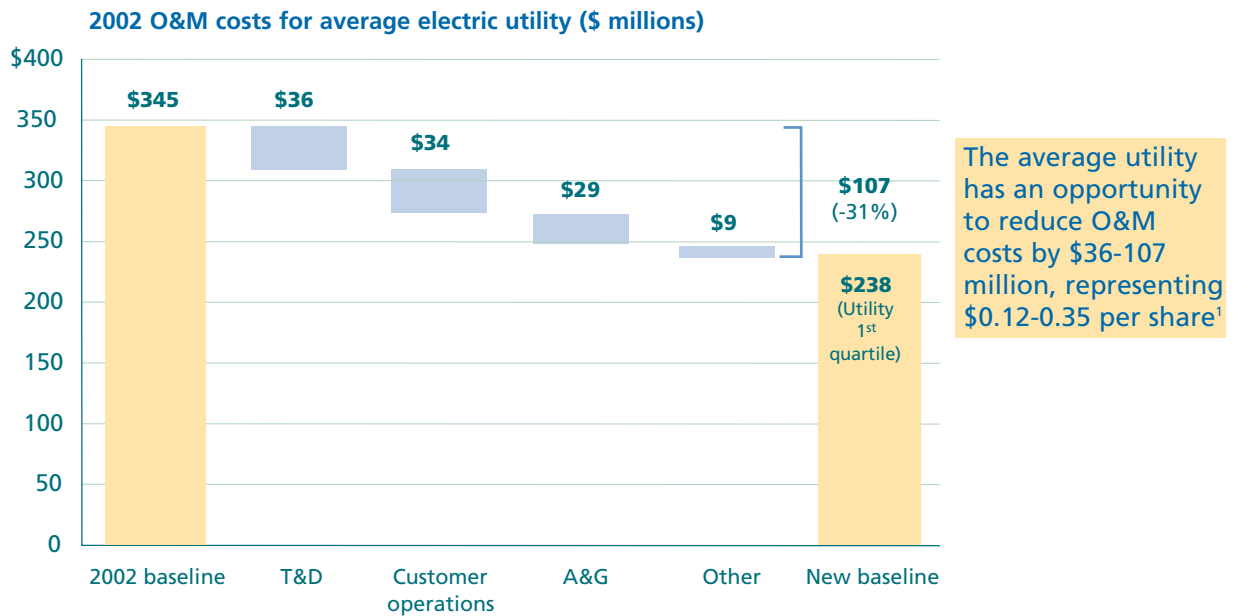
. . . while also improving customer satisfaction in line with their peers.



Note: Based on customer satisfaction data for 27 of the 67 utilities in panel (as highlighted above).

Source: ACSI

## Utilities have a substantial opportunity to create value . . .



1. Average based on a panel of 67 U.S. utilities with more than 100,000 customers. \$0.12 - \$0.35 per share calculated based on following: median market value of utilities in benchmarking study ~\$2.6 billion; group of companies near median have average of 200 million shares outstanding and average P/E ratio of 13; assumed effective tax rate of 35% (e.g., \$36M reduction contributes \$24M after tax or ~\$0.12 per share; \$107 million reduction contributes \$70M after tax or ~\$0.35 per share).

Note: Numbers may vary due to rounding.

Source: FERC Form 1 data, Oliver Wyman analysis

## . . . by re-thinking the basics in the three key areas of energy delivery.

**Establishing and ensuring the right level of service**

**Expenditures**

- What are customers' priorities and, therefore, what is the right level of service for us to provide?
- Are we doing the right things to meet customer needs and ensure reliability?

**Spending and investing in the right areas**

**Expenditures**

- Are we spending O&M and capital funds on the activities that will improve performance the most?

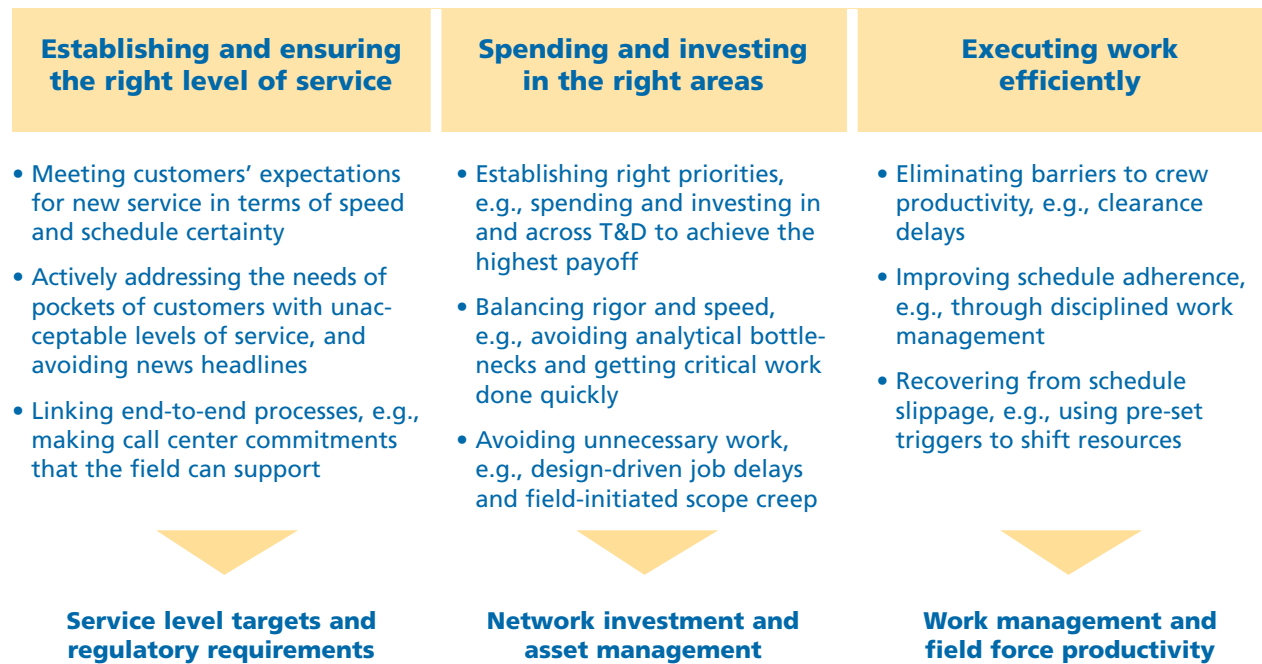
**Executing work efficiently**

**Expenditures**

- Are we executing safely and efficiently?

Performance improvements come from systematically working across these areas.

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### Questions for managers

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- Do you understand your customers' priorities?
- In what area is your performance strong and where are there opportunities to improve it?
- Are you satisfied that you are systematically pulling the right levers to achieve the improvements?
- Are you confident that performance improvement is happening on a sustainable basis?

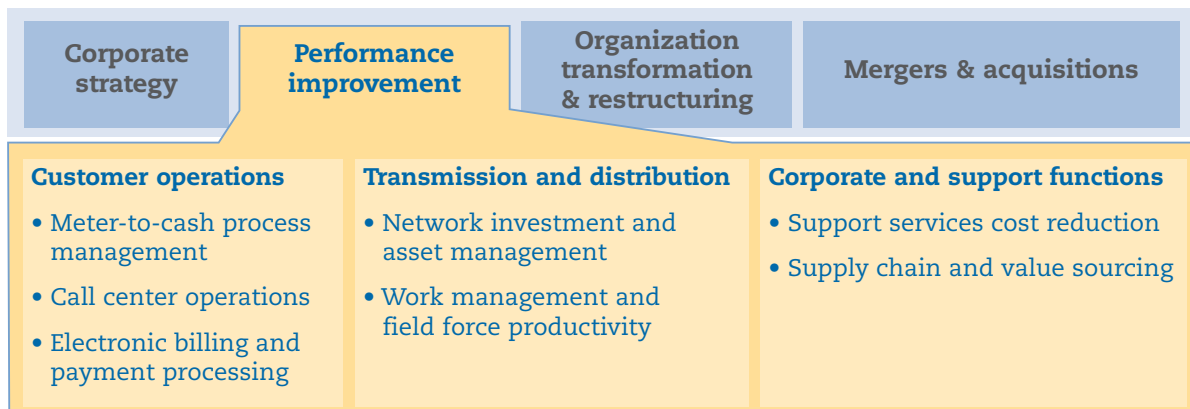
## Oliver Wyman

Oliver Wyman is building the leading global management consultancy, combining deep industry knowledge with specialized expertise in strategy, operations, risk management, organizational transformation, and leadership development. The firm works with clients across a range of industries to deliver sustained shareholder value growth. We help managers to anticipate changes in customer priorities and the competitive environment, and then design their businesses, improve their operations and risk profile, and accelerate their organizational performance to seize the most attractive opportunities.

## Oliver Wyman's Energy Practice

Our dedicated consultants have significant experience in the energy and utilities sector. Previous clients include more than 75 electric and natural gas utilities in North America and Europe, as well as a range of unregulated service providers to energy companies and utilities.

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