



Consolidation in the U.S. Nuclear Power Market

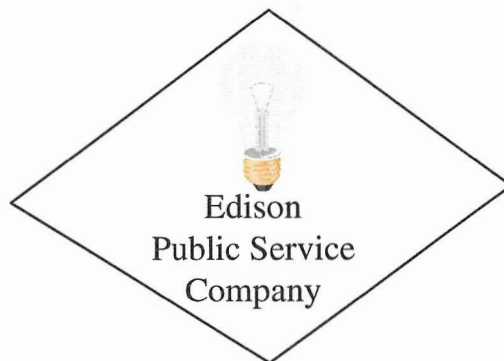
Edward P. O'Donnell
Vice President

NEI Business Forum
Orlando, FL
March 2001

Nuclear Enterprise Management Options

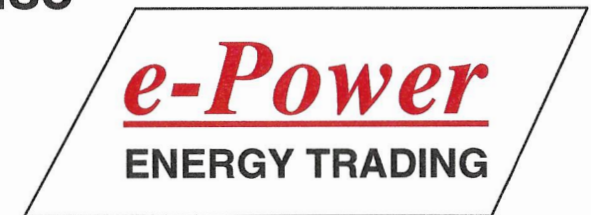
Pre- Restructuring

- Hold (Operate)
- Fold (Decommission)

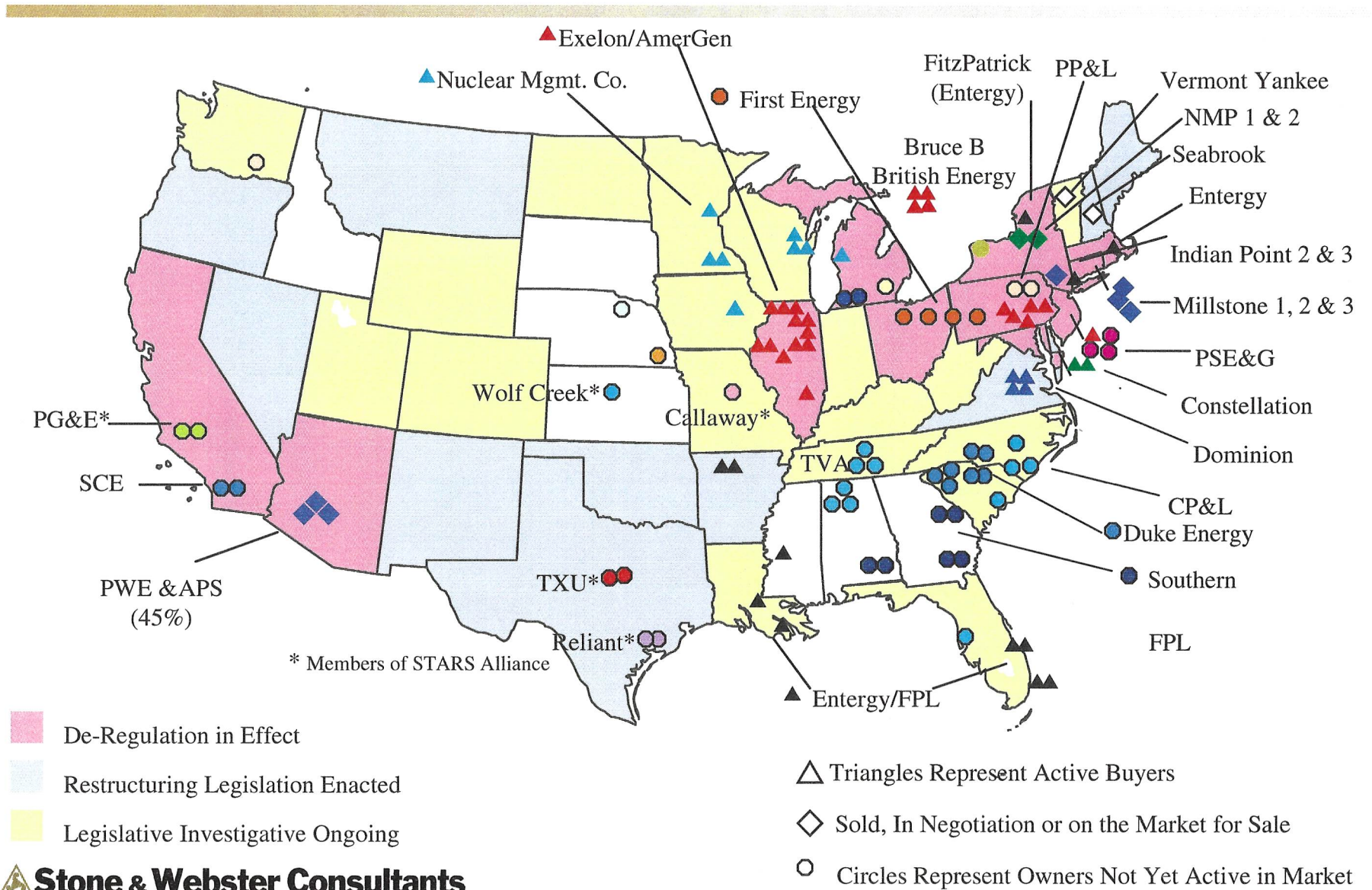


Post- Restructuring

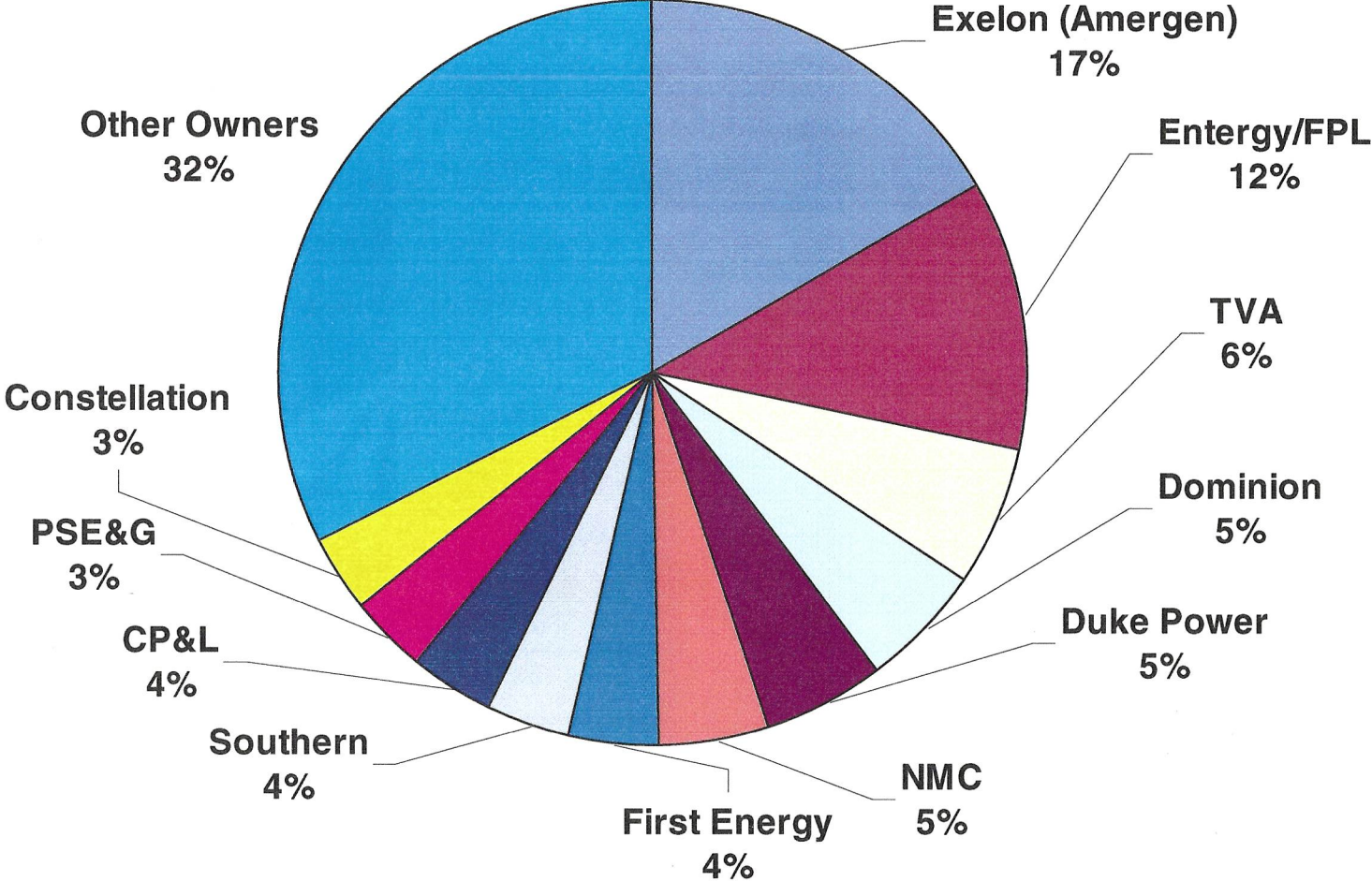
- Hold
- Fold
- Re-License
- Sell
- Buy
- Merge
- Pool
 - Operating Company
 - Alliance



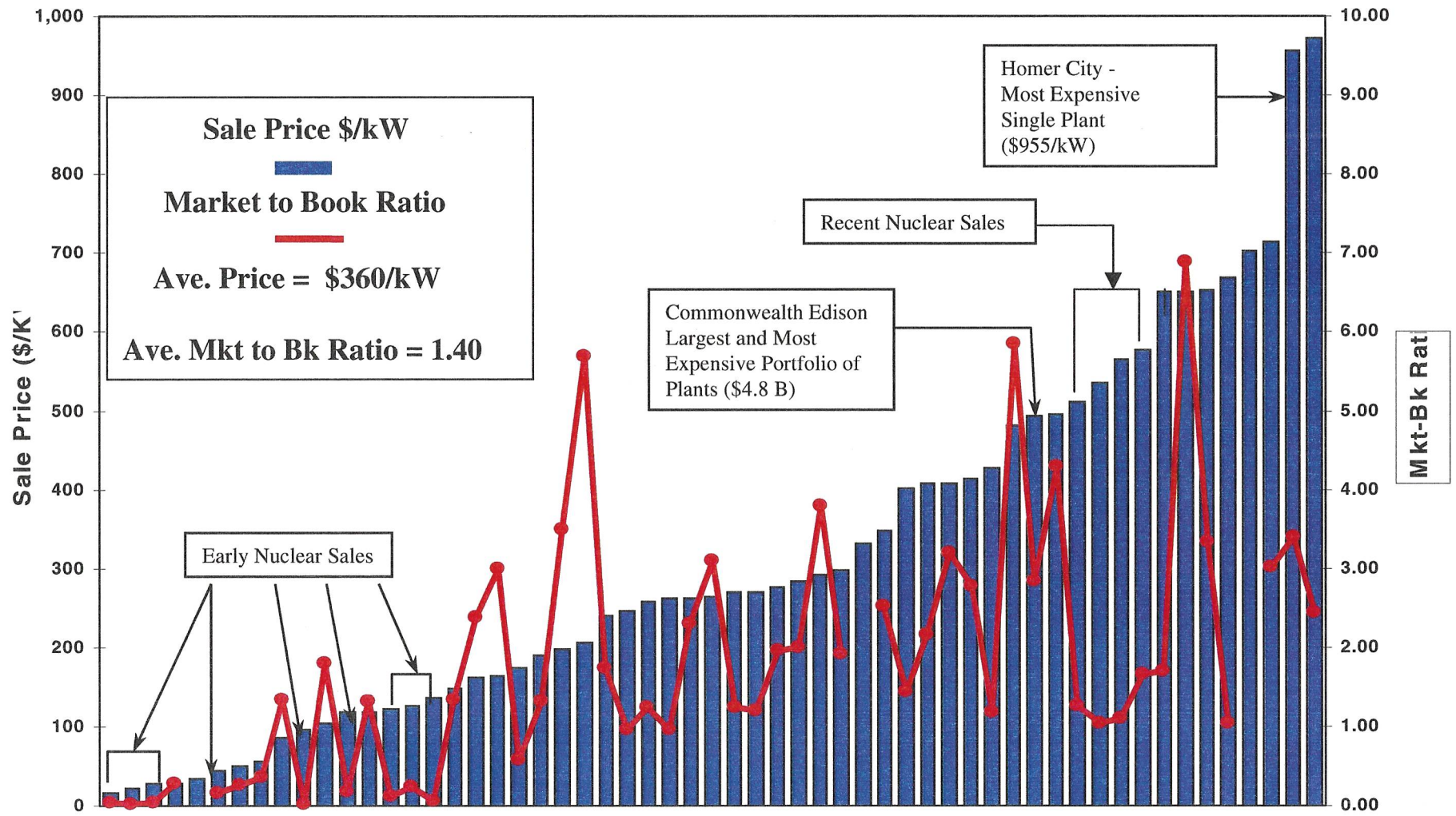
The Market: U.S. Nuclear Units and State Restructuring Status



Ownership Interests By MW Capacity (102 GW Total)

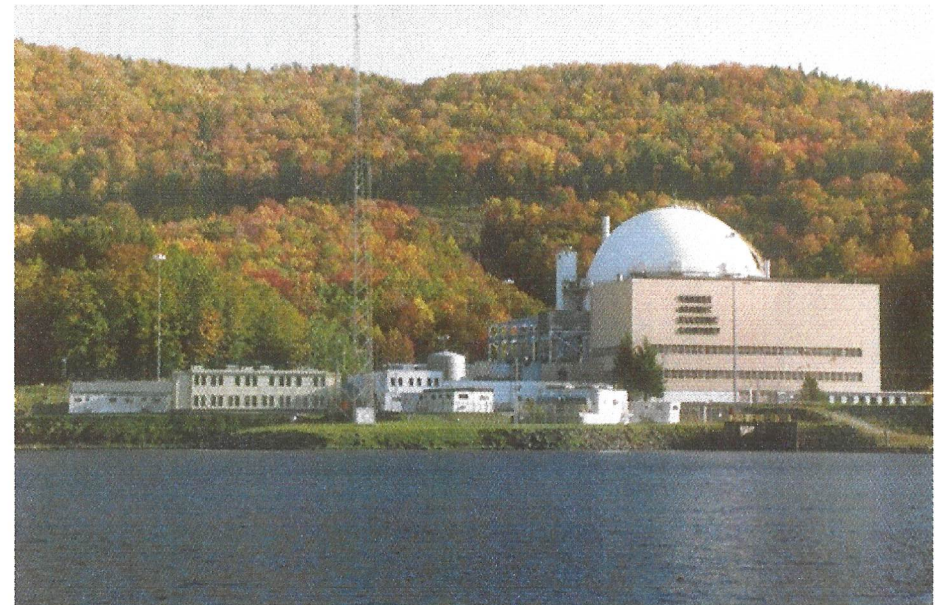


Price Paid for Divested Generation

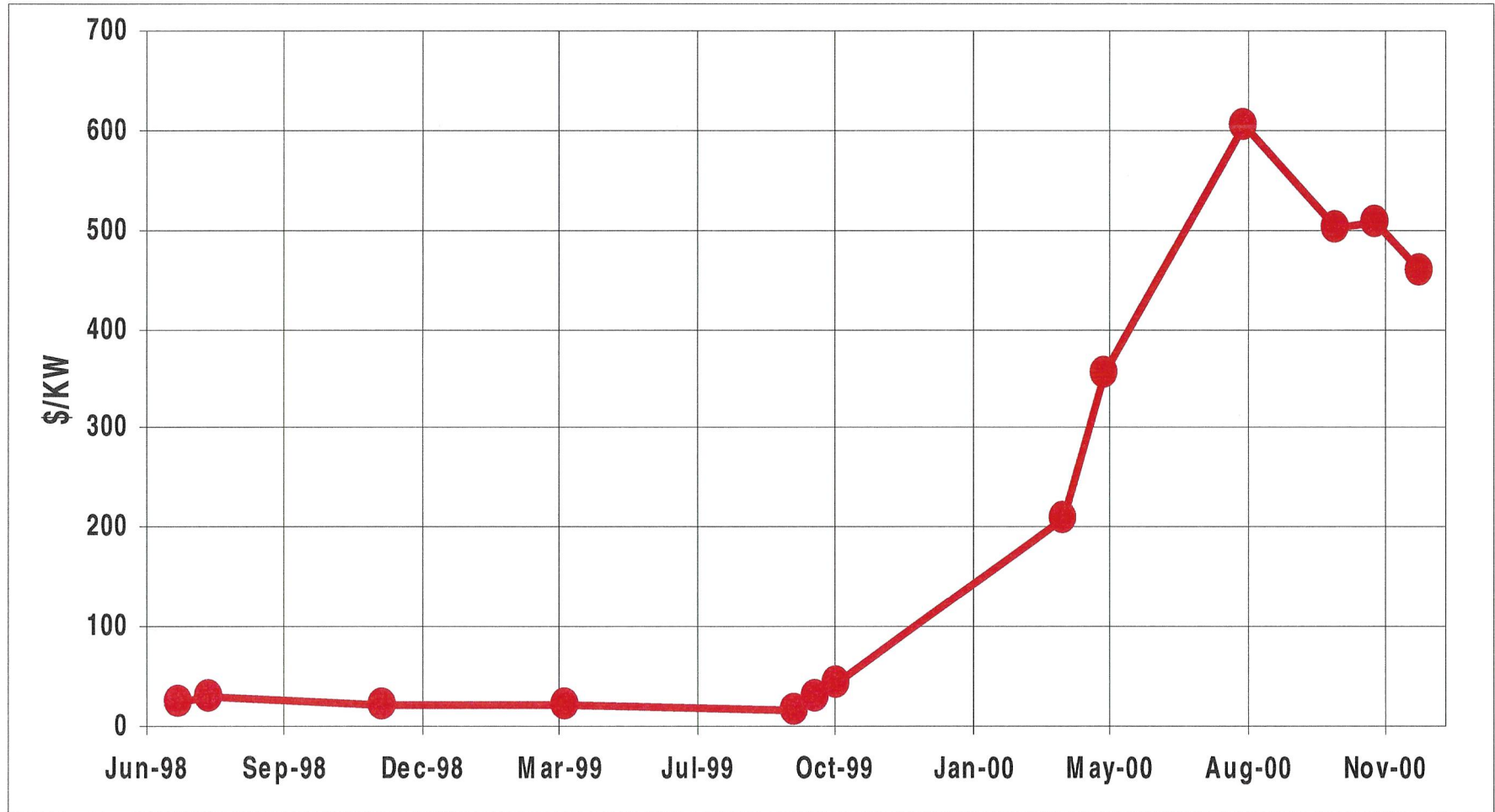


Nuclear Divestiture/Acquisition Market Drivers

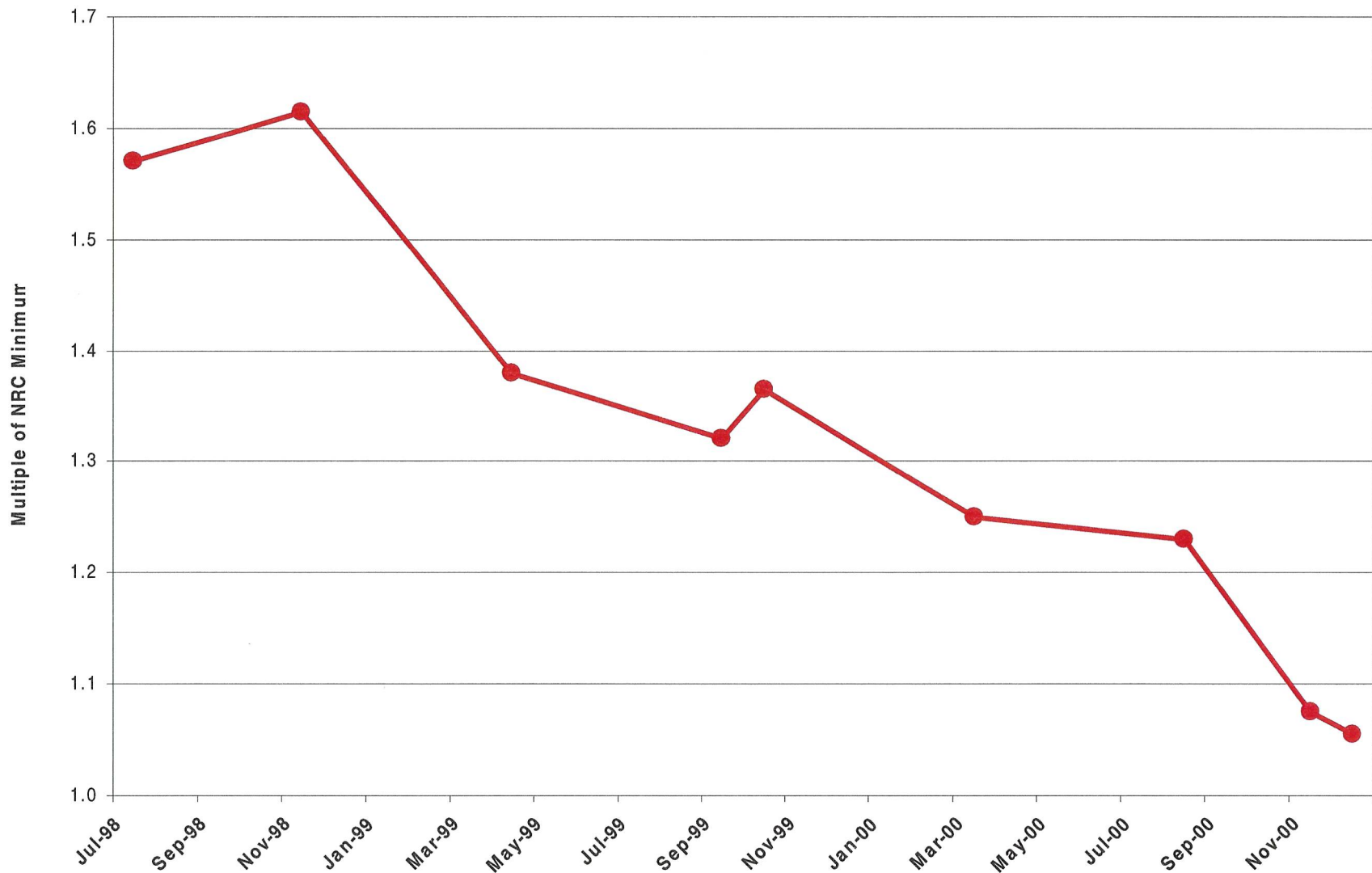
- Seller Motivations
 - Quantify, Cap, & Recover Stranded Costs
 - Exit Generation
 - Eliminate Nuclear Operating, Regulatory, and Financial Risks
- Buyer Motivations
 - Achieve Benefits of Scale & Specialization
 - Acquire Capacity at Reasonable Price
 - Optimize Decommissioning Opportunities



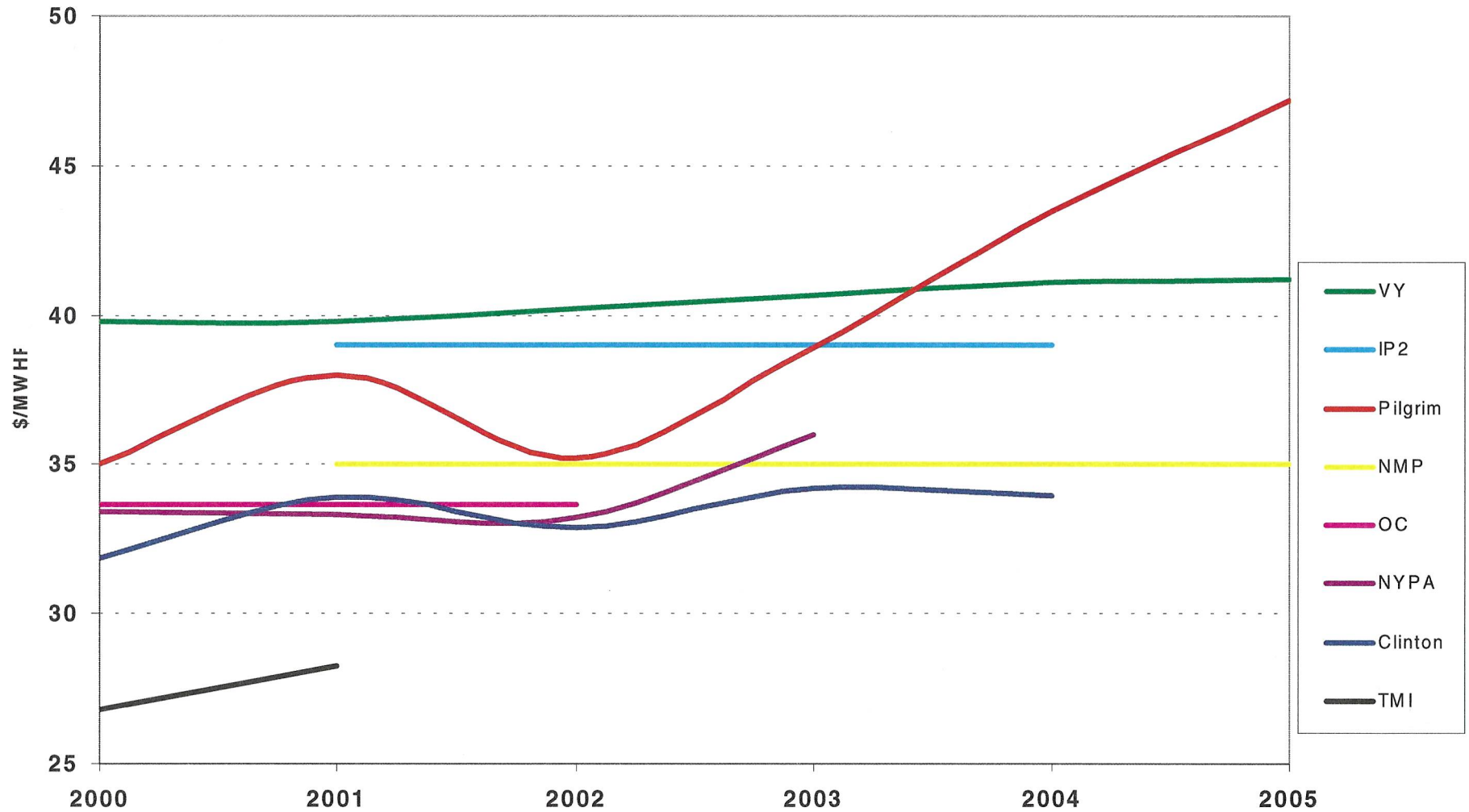
Trend of Nuclear Sale Values



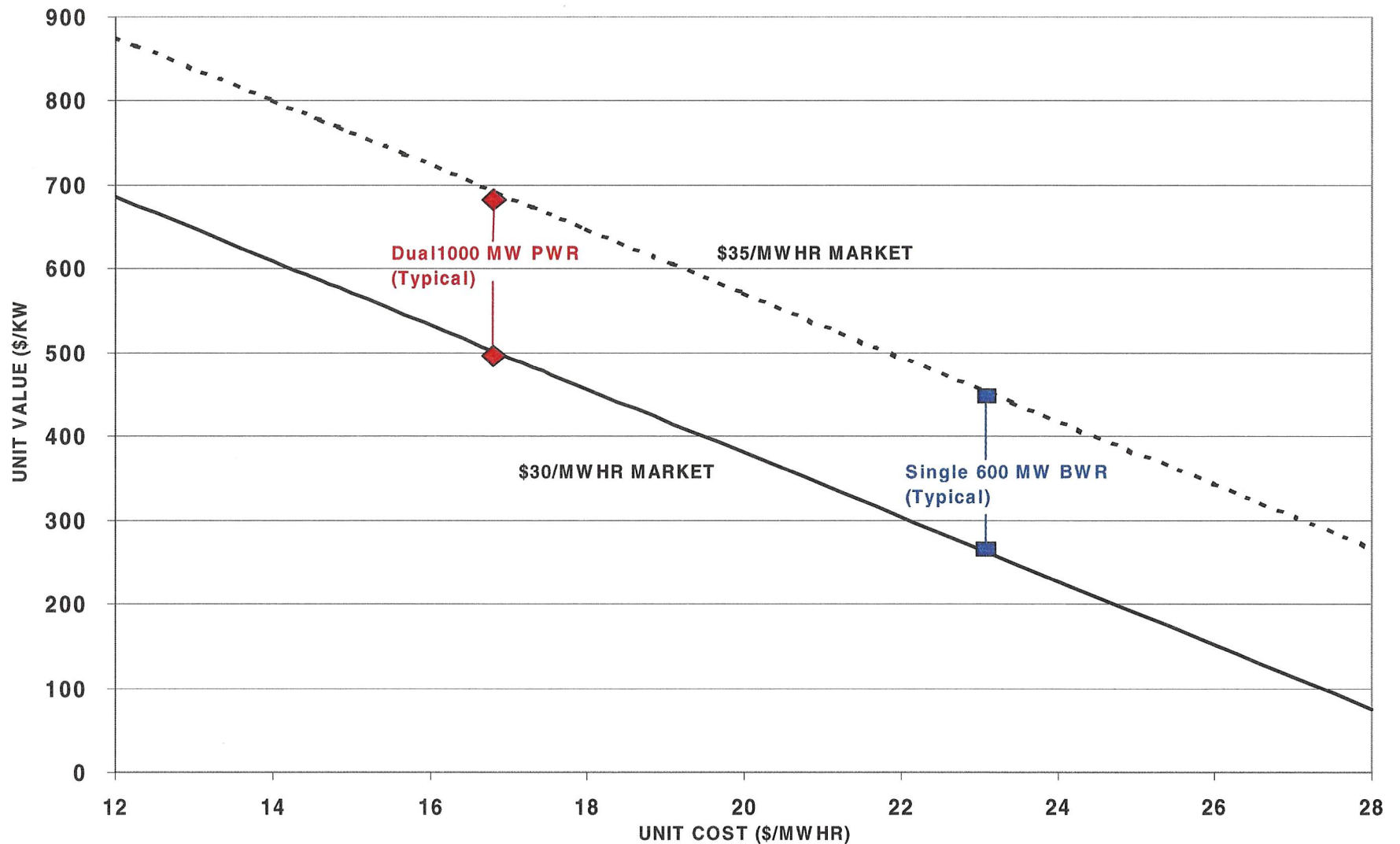
Nuclear Sales - Trend of Decommissioning Pre-Funding Levels



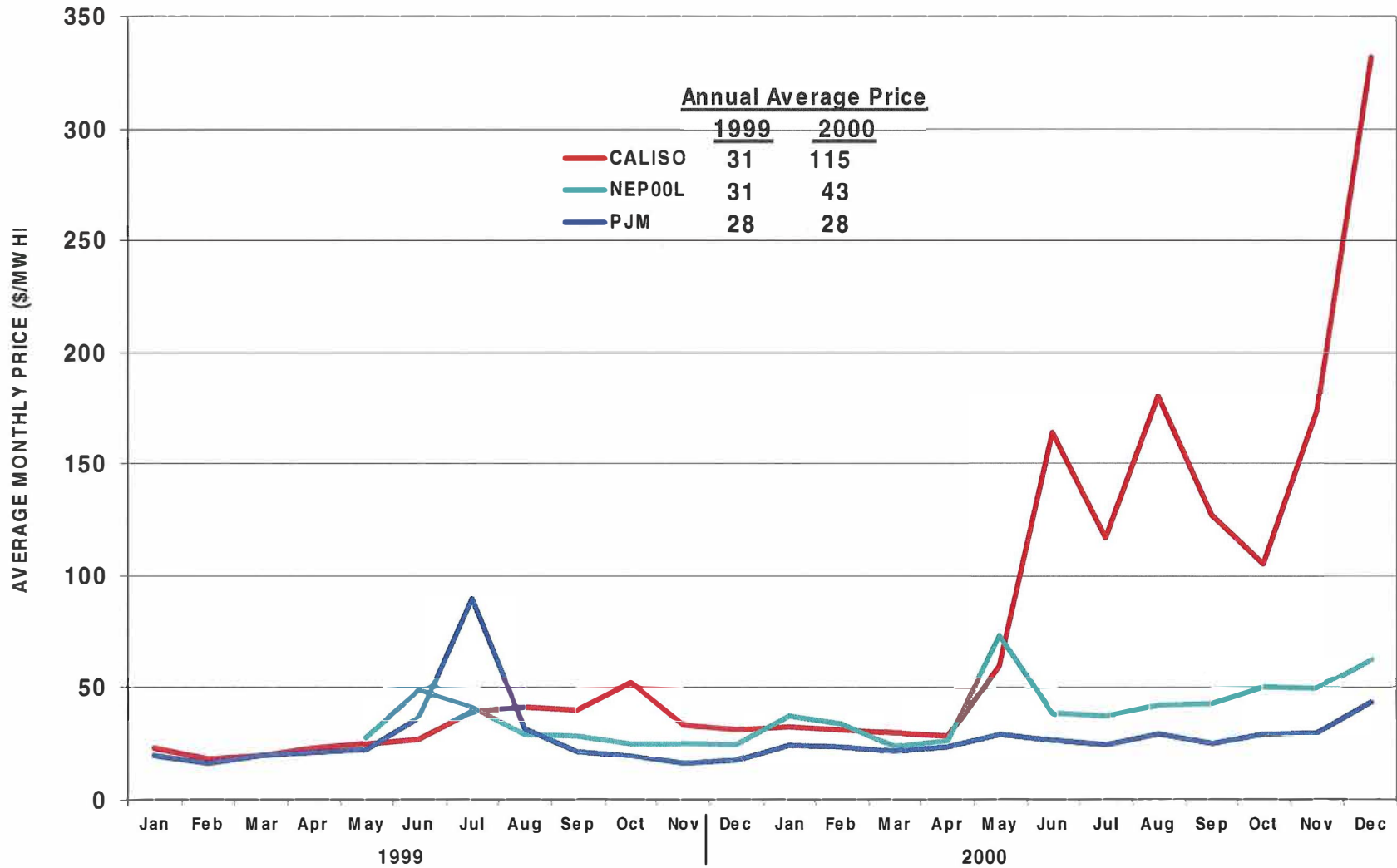
Nuclear Sales PPA Prices



Relationship of Unit Value to Operating Cost



Power Prices in Selected Regional Markets



Divestiture Activity - What's Next (After VY & Seabrook)?

- Competitive Auctions will be the Rule
- Near Term Divestiture Activity May be Dampened
 - California Problems will Slow De-Regulation
 - Market Price Volatility Urges Caution
- Sellers Will Have Market Power
 - Can Obtain Longer Term Fixed PPA
- Entry Barriers May Stabilize Buyer Competition
 - Need for Acquisition Financing
 - Current Buyers Have a Plateful
 - Potential for New Foreign Participants
- Potential Future Sales Activity
 - Selected Units
 - Re-Sales Among Buyers for Regional/Strategic Alignment
 - TVA Privatization
 - Assets of Regional Operating Companies

Resource Pooling - Alternative Path to Divestiture?

- Probable Evolution of Resource Pooling Concept
 - Alliance
 - Joint Service Company
 - Joint Operating Company
 - Phase 1 - Maintain Current Ownership of Specific Assets
 - Phase 2 - Pooled Ownership of Assets by Equivalent Share
 - Phase 3 - Auction of Shares to Co-Owners or Others
 - Stand-Alone Nuclear Genco Through IPO
- Past and Current Initiatives
 - Yankee Atomic (Service Company Sold to Duke)
 - USA Alliance (Precursor to NMC/STARS)
 - Northeast Alliance (Overtaken by Divestitures)
 - NYNOC (Overtaken by Divestitures)
 - STARS (Evaluating Operating Company Formation)
 - NMC (Expanding & Evolving Ownership)

Conclusions

- Consolidation will Continue as Industry Restructuring Proceeds
- Fewer and Larger Nuclear organizations will be a By-product of Mergers among Utility Generators
- The Market for Nuclear Assets is Strong
 - Competition has driven prices to new level
 - Re-Structuring Uncertainty may Delay Near Term Sales
- Resource Pooling will Offer an Alternative Path Towards Consolidated Ownership and Divestiture
- Significant Potential Benefits can Result from Consolidation
- Ability to Achieve Benefits and Avoid Pitfalls will be a Major Management Challenge