Exhibit 3

Newsletter Addressing the CAIR Vacatur, Stranded Costs, and Potential Regional Approaches to Replace CAIR

Black & Veatch Pathfinder **(August 2008).**

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BLACK & VEATCH PATHFINDER

Identifying Sustainable Climate Solutions for Water and Energy Enterprises

Inside This Issue: August 2008

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A Word from the Editor-in-Chief

Summer doldrums. Everyone is away. Nobody reads serious stuff. Not much is happening. Well, not this summer. I don't know what the political conventions will bring, but the courts have delivered one big bit of confusion on the emissions control front in the United States. What might this imply for future carbon legislation?

Meanwhile, in Europe, industry complains about carbon credits and does what it usually does; threatens to leave for someplace else. Back to the political front, the UK government wrestles with the impact of high energy prices on low-income households and, in the United States, Presidential candidates concentrate on oil prices, offshore drilling and the petroleum reserve. In the midst of it all, Al Gore made proposals that caused uproar among energy bloggers, but not among the general public. Not to be outdone, T. Boone Pickens made his own appeal. No summer doldrums in this business.

Elsewhere in this issue, Brent Franzel tells the tale of how the U.S. Court of Appeals threw one high and inside, to use a baseball analogy, to the utility industry and participants in the emissions allowances markets when they invalidated the Clean Air Interstate Rule. Our Sam Glasser looks at the financial impact of the decision since utilities are now faced with potentially billions of stranded dollars for emissions allowances that they hold as well as for completed or under-construction emissions control equipment which might not be allowed into the rate base.

Andy Byers from Black & Veatch lays out the draft plan of the Western Climate Initiative, a collaborative effort of seven western states and four Canadian provinces, for controlling greenhouse gas emissions. The group is considering introducing a cap-and-trade program beginning in 2012.

Meanwhile, the Regional Greenhouse Gas Initiative of 10 northeastern states is further along, as their first CO_2 allowance auction is scheduled for late September. Sam Glasser also notes that corresponding exchange-traded futures and options contracts are to be launched a month before the auction which are intended to bring a measure of transparency and provide a means of risk management to the marketplace. One would think that after the CAIR decision, risk management would be a hot commodity. The relative prices of oil, gas, and coal – always important to utility managers – will take on increased significance with the coming climate change/carbon legislation and regulations. Hua Fang, an economist and market analyst at Black & Veatch, takes a look at the recent slide in primary energy prices.

As for the concerns in Europe that cap-and-trade is rendering some areas industrially uncompetitive, Chris Scott in the UK discusses the issue and how energy prices are affecting the market for allowances.

I note that venture capitalists have been putting substantially more money into alternative energy investments, so there must be real opportunities there. Lastly, it seems that history has shown that crusaders for a cause have a persistent streak that typically pays off in the long run. In that vein, the energy industry could do much worse than to devise solutions to the problems identified by the greens (other than just saying "it can't be done.") There's an example there that will open your eyes.

Read this stuff carefully at the office, not at the beach. It involves big money and some real zig zags in policy. Not summer reading for sure. Sorry about that, but enjoy the rest of the summer.

As always, let's hear any comments, corrections, and questions.

— Leonard S. Hyman, C.F.A.

Decision by the U.S. Court of Appeals Throws Cap-and-Trade Regulations, Market into a Tizzy

The U.S. Court of Appeals for the District of Columbia ruling on July 11 in *North Carolina vs. EPA*, issued a decision that wiped away the Environmental Protection Agency's Clean Air Interstate Rule (CAIR), scheduled to take effect in January 2009 for nitrogen oxide (NO_x) and a year later for sulfur dioxide (SO_2). The unanimous ruling by a three-judge panel surprised a wide range of groups following the issue, from utilities to environmental organizations. Most of these groups had supported the rule as a way of bringing certainty to the regulation of power plant emissions.

The court found several problems with the rule which was issued in 2005. The judges found that the rule was not authorized under the Clean Air Act. Specifically, the panel found fault with EPA's method for allocating emissions allowances for downwind versus upwind states.

CAIR covered 28 states and the District of Columbia; it was put into place to reduce SO_2 and NO_x emissions by implementing a cap-and-trade system to essentially protect downwind states on the East Coast from power plant emissions originating in the Midwest. The state of North Carolina brought suit against EPA, arguing that the rule failed to provide adequate protections to downwind states. EPA and its supporters had argued that the rule would save as many as 17,000 lives per year.

Even though CAIR was invalidated, a cap-and-trade program remains in force that allows the trading of SO_2 allowances under the Clean Air Act amendments of 1990 and the seasonal NO_x trading under the EPA NO_x Budget Trading Program.

After the decision, the markets for the affected allowances fell out of bed. The nominal price of SO_2 allowance futures quoted by the New York Mercantile Exchange fell from $300 per ton on July 10 to $130 on July 11, and dipped further before recovering to $132 per ton by the end of the month. The nominal price for the 2009 annual NO_x allowance futures contract dropped from $4,850 per ton on July 10 to $2,500 on July 11, and to $1,000 by July 31.

EPA officials have until the end of August to decide whether to appeal the Court of Appeals ruling or attempt to modify the rule to comply with the court's objections. In the alternative, Congress can pass new legislation to address the problem – either specifically aimed at the CAIR rule or as a modification to the Clean Air Act. That is almost certain not to happen during the current session which is scheduled to end in early October. Additionally, Congress adjourned on August 1, not to return to the Capitol until after Labor Day.

In a related development on the same day as the court decision, the Bush Administration's release of a proposed rule making would also seem to indicate that any action under the Clean Air Act is unlikely until the new president takes over. The EPA asked for public comment on a proposed rulemaking in which it stated the Clean Air Act is not the appropriate vehicle for regulating greenhouse gas emissions. The proposed rule was issued in response to the Supreme Court's *Massachusetts v. EPA* decision in which the court ruled that the regulation of greenhouse gases from motor vehicles falls under the authority of the EPA via the Clean Air Act. The Bush Administration disputes that position and White House officials argued that using the law to regulate greenhouse gas emissions would harm the U.S. economy. Environmental groups and Democrats in Congress were severely critical of the President and EPA Administrator Stephen Johnson following the announcement, which was a reversal of conclusions in a draft EPA study completed last year.

Regardless of what the Bush Administration decides to do on this issue, Congress and the next president will be forced to address it. At a July 29 Senate hearing, members on both sides of the aisle called for action to reinstate the goals of the CAIR rule. Clean Air & Nuclear Safety Subcommittee Chairman Tom Carper (D-DE) pushed for passage of a bill he has introduced to provide even wider coverage of emissions. Sen.

Carper's Clean Air Planning Act would go beyond the rule's coverage of NO_x and SO_2, and would also regulate emissions of mercury and carbon dioxide. "I'm not going to wait another eight years to do what we should have done eight years ago, and that is pass a strong, comprehensive clean air bill that makes deep and meaningful reductions in mercury, nitrogen oxide and sulfur dioxide," he said.

Environment & Public Works Committee ranking member, James Inhofe (R-OK) at the hearing basically said, "I told you so." He pointed to his statements of three years ago that passage of the administration's proposed Clear Skies Act would have been preferable and that the CAIR rule was vulnerable to court intervention. He urged committee members not to use the court ruling for political benefit and to find a way to reinstate a rule that had "direct and measurable health benefits."

Witnesses at the hearing representing both states and utilities called for quick action to address the court's move so that going forward there will be certainty in terms of what is required of industry under the new emissions standards.

— Brent Franzel, Cardinal Point Partners LLC

CAIR Decision Could Have Severe Financial Repercussions; Billions of Dollars Potentially at Stake

The U.S. Court of Appeals decision invalidating the Clean Air Interstate Rule (CAIR) leaves utilities with billions of dollars in stranded costs for capital equipment and severely discounted emissions allowances for sulfur dioxide (SO_2) and nitrogen oxide (NO_x).

The decision provides a lesson to lawmakers and regulators alike who will be tackling climate change issues under the next administration that legislation, as well as subsequent regulations, must be drafted with care and clarity. The Court's decision also reminds us that the uncertainty and financial risks associated with the adjudication of future climate change legislation could be substantial.

Climate change legislation targeting greenhouse gases is also expected to rely heavily on financial instruments – carbon dioxide allowances bought and sold under various cap-and-trade proposals, along with futures and options contracts that could be traded on established commodity exchanges or over-the-counter. The lesson with CAIR is that transactions in the emerging CO_2 emissions market could be subject to considerable risk and market volatility. The potential for stranded compliance assets, such as carbon capture and sequestration investments, could be high, as well.

The Court of Appeals decision affects 28 states in the eastern half of the country. Utilities have spent billions of dollars on selective catalytic reduction units for reducing NO_x emissions and on scrubbers for SO_2 abatement that were slated to come on line within the next two years or so under CAIR.

"Utilities are on the hook for stranded costs and have excess long positions in allowances," says Gary Hart, a Birmingham, AL-based emissions market expert for the trading firm ICAP Energy.

It takes three to four years to build a scrubber or catalytic reduction unit, and "many units are almost ready to go into service," he said, but the regulations under which the units were authorized are no longer in place. He noted that without the regulations, utilities typically cannot be forced to run the costly pollution control units and if they voluntarily operated them it was not clear that they would be allowed to recover the costs.

The *Financial Times* reported that the estimated total loss of value for SO_2 emission allowances ranged from $15 billion to $20 billion. NO_x allowances issued under CAIR which are now invalid had been valued at $21 billion. Additionally, the newspaper reported, at least $75 billion had been invested in pollution abatement equipment for power plants in order to meet the NO_x and SO_2 emissions requirements that were to take effect in 2009 and 2010, respectively.[1]

One power company, PPL Corp. of Allentown, PA, said in a filing with the Securities and Exchange Commission a few days after the court decision, that its combined book value for the affected SO_2 and NO_x emission allowances was approximately $100 million as of the end of June. The company said that it anticipates that all of the annual NO_x allowances may be impaired and noted that the market price of SO_2 allowances had fallen dramatically.

The looming end of the current session of Congress (October), the inauguration of a new administration (January 2009), and an appeal to the U.S. Supreme Court by the Environmental Protection Agency still uncertain means that "those industries that must do long-term compliance planning for emissions are in a quandary," Mr. Hart said. Any decision that they make regarding the use of allowances or capital investment is a "gamble," he said, since they do not know what the final rules may look like.

Some utilities may consider strategies such as deferring the completion of scrubbers and thus saving capital dollars or they may look to the use of higher sulfur coals, Mr. Hart said.

He noted that steam coal prices have increased dramatically, this year, largely driven by export demand for metallurgical coal, so the court ruling and the low SO_2 allowance prices could benefit the high-sulfur coal market. States, however, may begin to file petitions with the EPA regarding emissions transport issues from upwind which "could put a damper on the use of higher emitting coals," Mr. Hart said.

Shifting values for high-sulfur vs. low-sulfur coal are also likely to have an impact on the carbon allowance markets. Legislators, industry regulators, and all market participants must realize that the efforts to deal with climate change involve a series of intricate, interwoven factors; each can affect the other and carries its own measure of risk, which can sometimes be substantial.

— Samuel Glasser, Black & Veatch

[1] John Dizard, "A Costly Cap on Utilities' Cap-and-Trade Programme," *Financial Times*, July 29, 2008.

Western Climate Initiative Releases Draft Plan for Regional Regulation of Greenhouse Gas Emissions

The Western Climate Initiative (WCI) on July 23 released its first draft design for implementing a regional cap-and-trade program to achieve the goal of reducing greenhouse gas (GHG) emissions 15 percent below 2005 levels by 2020.

Originally established by the Western Governor's Association in February 2007, the WCI is a collaborative initiative by seven western states (Arizona, California, Montana, New Mexico, Oregon, Utah, and Washington) and four Canadian provinces (British Columbia, Manitoba, Quebec, and Ontario) to reduce emissions of six GHGs (carbon dioxide, methane, nitrous oxide, hydrofluorocarbons, perfluorocarbons, and sulfur hexafluoride) in their power generation, industrial, petrochemical, and transportation sectors. The scope of this current WCI program includes approximately 20 percent of the United States economy, and 73 percent of Canada's economy.

Draft Design Recommendations

Under the WCI draft plan, entities and facilities annually emitting 10,000 metric tons or more of the regulated GHGs, measured in carbon dioxide equivalents, will have to begin reporting their 2010 emissions in early 2011. The cap-and-trade program will begin in 2012 for power generation, industrial and petrochemical companies emitting 25,000 metric tons or more of carbon dioxide equivalent GHGs each year. The regulation of transportation sector emissions would not begin until 2015.

The proposed reach of the emissions trading program would extend outside of the partner state boundaries to include regulation of "first deliverers" of electricity into the region, but would exclude sources that combust biomass or biofuels. Regulated sources would have compliance periods of three years in which to retire allowances equal to their carbon dioxide-equivalent GHG emissions.

Although the draft plan did not specify an emissions cap for the initial year of the program, it provides for the total number of allowances that comprise the cap to decline on a straight line basis through 2020. In 2015, the regional cap will include expected actual emissions from transportation fuels as well as residential, commercial and industrial fuels.

Distribution and Use of Allowances and Credits

The apportionment of allowances to each member state and province has yet to be determined, but will likely be based on their production and consumption of electricity, as well as projected population growth and economic activity among other factors. Each WCI partner will decide how best to distribute allowances to regulated entities within its own jurisdiction. Although recommendations for establishing a minimum percentage of allowances that must be auctioned was deferred until the fall of 2008, the current draft does provide for a minimum percentage of auction proceeds to be directed towards energy efficiency and renewable energy development and incentives, research and development of carbon capture and storage, and promoting reductions and carbon sinks in agriculture forestry and other unregulated sectors.

Each partner will have discretion to award credits for early actions undertaken in advance of 2012, however WCI's draft plan specifies that all such early reduction credits will come out of that partner's allowance budget. Offsets from reductions achieved outside of the regulated program may be used for up 10 percent of a covered facility's compliance obligation. Banking of allowances and credits will be unrestricted, however borrowing from the future will not be allowed.

Reactions and Implications

Shortly after releasing the draft design, WCI held a stakeholder meeting which drew more than 200 representatives from businesses, power companies, public utilities, consultants and environmental groups, with another 250 participating via the internet. All participants shared interest and concerns regarding the lack of details in the draft plan. Attendees from utility and industrial sectors pressured the WCI for more detailed analysis of potential economic impacts of the proposed cap-and-trade program, while labor and environmental groups sought more specifics about the auction and offset strategies being recommended. All these groups questioned why WCI recommended delaying regulation of transportation sector emissions until 2015.

While the final design of the WCI program has significant implications for the partner states and provinces, it has particular importance to California, which is hoping to merge its own GHG program into the WCI regime. Delaying regulation of transportation fuels until 2015 and the absence of any set-aside allowances for early reduction efforts is clearly inconsistent with the mandates of California's Global Warming Solutions Act. Nevertheless, the California Air Resources Board remains optimistic the two programs can be linked or united at some point in the future.

If the WCI is successful in keeping all its partner states and provinces fully committed to the regulatory regime when its design is finalized, it could set a precedent for a national GHG program and beyond. With an additional six states, two Canadian provinces, and six Mexican states signed on as observers, the WCI has the potential to grow into a North American market for trading of GHG credits.

WCI is accepting written comments through August 13, and expects to finalize its draft design recommendations by the end of September, when it will issue a roadmap of activities and milestones through 2009.

— Andrew C. Byers, Black & Veatch

RGGI Carbon Market Could Get Liquidity Boost from New Futures and Option Contracts

The New York Mercantile Exchange, Inc., announced that it will launch a futures contract for Regional Greenhouse Gas Initiative (RGGI) carbon dioxide allowance futures with the opening of the August 25 trading session, just one month before the first quarterly RGGI auction scheduled for September 25.

RGGI is a cooperative effort of 10 northeastern states to reduce CO_2 emissions through a regional cap-and-trade system. Even though the first auction will not be held until early fall, over-the-counter (OTC) trades of physical allowances were reported as early as last March. Other OTC trades previously occurred.

NYMEX will also launch a related options contract on August 26. The new futures contract will provide for physical delivery of CO_2 allowances to the RGGI CO_2 Allowance Trading System and will be available for trading nearly around the clock. The size of the futures contract will be 1,000 RGGI allowances with a minimum price fluctuation of $0.01 per allowance. The options contract can be exercised into the underlying futures contract.

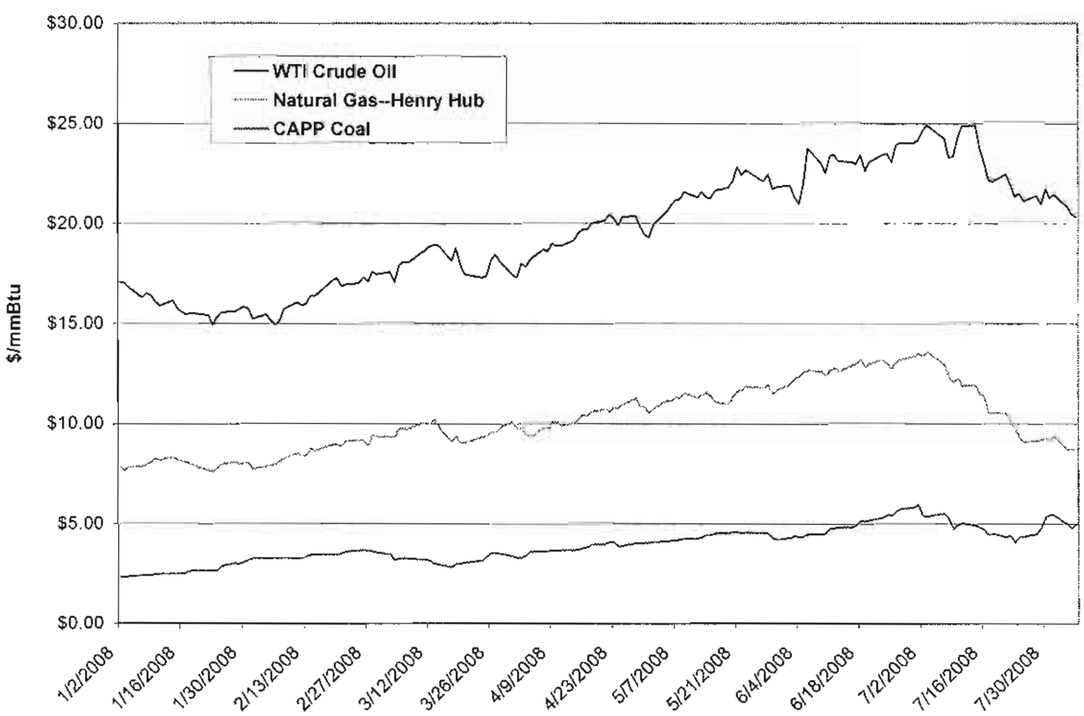
— Samuel Glasser

Have Energy Prices Peaked? Market Began Sliding in Late July

The spectacular climb in oil prices over the past year appears to have snapped. Daily quotations have come off in an equally dramatic manner – with nearly $30 a barrel ($5.15 per million Btus) shaved off of the peak in approximately two weeks. (See chart). Related carbon markets have responded with a steep downward slide.

The relative long-term prices of primary energy – oil, natural gas, and coal – coupled with the severity and cost of new climate change legislation, will be of the utmost importance to utility planners who will need to decide how to fuel new generating capacity. If gas prices go too high, coal becomes the fuel of choice even with carbon legislation. In turn, increased coal use increases the demand for CO_2 allowances, driving allowance prices up. If the potential carbon rules are too onerous or the government fails to send clear signals on where the rules are headed, gas will likely be chosen as at least an interim solution in order to keep the lights on.

West Texas Intermediate Crude Oil, Natural Gas, Coal Spot Month Futures Prices
Source: New York Mercantile Exchange



It is too early to draw any conclusions about oil price direction, but it seems that the market has finally caught up with the profound impact of demand destruction: a renewed and strong demand for smaller cars, less driving, and a looming U.S. recession that could spread to the rest of the world. The oil market has even shrugged off supply events that otherwise would have likely lifted prices -- tropical storms in the Gulf of Mexico and an oil pipeline explosion.

Natural gas prices reversed the upward trend prior to the decline that we have experienced in oil prices. Actually, the run-up in natural gas prices had little fundamental evidence to support it. The 2007 hurricane season was mild; the winter was not cold; and U.S. natural gas production actually rose in 2007. These market fundamentals support our conclusion that oil prices have been a significant influence to the run-up in gas from just above $5 per mmBtu late last summer to nearly $14 just last month.

The forward natural gas futures pricing curve in early August is following the typical seasonal pattern, with prices progressively higher for the fall and winter months through the March '09 contract. The oil to natural gas price ratio stands at nearly 14 to 1, significantly above the historical average ratio of 8 to 1 or 9 to 1, and the direction of price movements in both markets remains interesting.

Our fundamental expectations are for gas prices to be lower than the current market. The key questions are: 1) what will oil prices do? and 2) do we expect the oil-to-gas relationship to widen or tighten as North American natural gas supplies realign? Even though volumes of liquefied natural gas stayed away from U.S. shores due to high oil-linked prices for LNG elsewhere, there is much optimism with regard to the prospects for shale gas and other non-conventional production in the United States.

Central Appalachian coal prices have seen increased volatility since they crossed the $5 per mmBtu line in mid-June. After spending the first three quarters of 2007 in sub-$2 territory, prices began moving upward in 2008, almost hitting $6 per mmBtu early this summer. Since July 1, when energy prices were at or near their peak, to the first week of August, coal has fallen by approximately $1.00 per mmBtu or 17 percent, oil is down nearly $4 per mmBtu or 16 percent, and natural gas is off by $4.74 per mmBtu, or 35 percent.

— Hua Fang, Black & Veatch

European Industry Fears Economic Fallout from Emissions Trading

How is the European Union Emissions Trading Scheme (EU ETS) affecting companies in Europe in the wake of the increases in energy costs over the past year? Is the cap-and-trade system driving the desired behaviors? A report in the German magazine *Der Spiegel* on July 17[2] gives some insight.

"The price of European emission permits is rising so rapidly that German companies are threatening to leave the country. Thousands of jobs could be lost. And the environment may, in the end, be no better off.

"According to calculations by Point Carbon -- a Norwegian company that specializes in analyzing global power, gas, and carbon markets -- this price hike would drive up the marginal cost of energy from an old brown coal power plant by the entire price of carbon. For modern natural gas power plants, it would increase prices by a third. Energy company RWE, which is based in the German city of Essen, reckons it alone will have to pay €9 billion ($14.2 billion) for its own electricity production, which it, of course, will pass on in higher electricity prices. So carbon trading will have a direct impact in which countries firms chose to locate."

The market for EU carbon allowances (EUAs) has always been heavily influenced by energy prices and their daily fluctuations -- particularly natural gas, coal, and electricity prices. The market, however, this year has taken a more direct day-to-day lead from the soaring oil prices and their impact on operating costs for business and industry.

Of course, much of the impact of oil is felt via the price of natural gas. Gas closely follows oil and, when rising, it becomes cheaper for power companies to switch from gas to coal. This, in turn, requires more emission permits for every unit of power produced, thus raising demand for EUAs.

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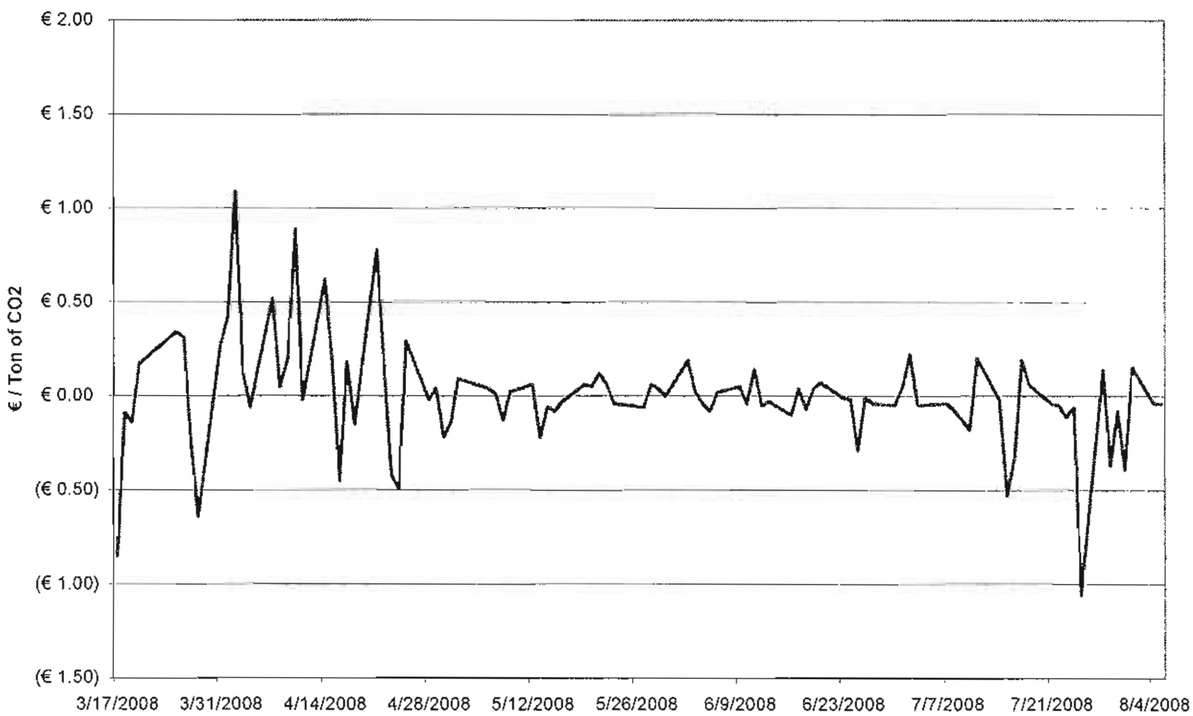
[2] http://www.spiegel.de/international/business/0,1518,566441,00.html

It is interesting to note that the price of EUAs have fallen sharply during the last week of July/first week of August following the drop in oil prices, showing the high sensitivity of the carbon allowances market to the price of the dominant energy commodity. Generally, volatility has been the order of the day in July as can be seen in the accompanying chart of the differential between EUA allowances futures contracts traded in London and New York.

EUA Futures Spread: ECX minus NYMEX December 2008 Contract
Source: European Climate Exchange/NYMEX



The excerpts from the *Der Speigel* article confirm fears voiced at the time of the inception of the EU ETS. A report published in 2007 by Carbon Strategies[3], a research group comprising the Centre International de Recherche sur l'Environnement et le Dévelopement and the Electricity Policy Research Group at the University of Cambridge suggested that the EU ETS faces challenges that potentially undermine its environmental effectiveness and credible survival beyond 2012.

The report said that the most significant of the challenges to the EU ETS is addressing the issue of industrial competitiveness relative to companies based outside the EU. Concern about loss of industrial competitiveness is one of the main obstacles to governments adopting stringent climate policies, the report stated. Governments fear that policies applied to domestic energy-intensive industries which must compete against companies located in regions without similar climate policies could result in the loss of profitability and market share.

As the move from a block allocation of permits to the auctioning of permits draws closer these concerns are only likely to increase. Starting in 2013, the inception of the third trading period of the EU ETS, every European company will have to acquire pollution permits from a central marketplace similar to a stock or commodity exchange. So far the permits have been handed out for free, or largely free with companies using the market to either sell excess permits to purchase the additional permits that their operations

[3] http://www.climate-strategies.org/uploads/Compet_report_070530.pdf

require. In the coming months, the European Council and European Parliament are supposed to give their blessings for the European Commission's plans. And then the pressure to relocate abroad will likely rise for affected German firms.

Companies in energy-intensive industries are already looking to relocate to places outside of the emissions trading zone to manage their costs and maintain competitiveness. Suggested solutions to this are the creation of a sector-specific allocation of permits to better address industrial competitiveness.

— Chris Scott, Black & Veatch

Water in Pleasantville (and Other Points of Interest)

That upholder of conventional values, *The Reader's Digest*, with the idyllic post office address of Pleasantville (the magazine is located elsewhere but the founder liked the sound of Pleasantville) asks, "Is America running out of water?" [4] The picture on the opposite page shows an orange sunset over a depleted reservoir, in which a boat sits atop a cracked mud bottom. Lake Mead could run dry by 2021 the article says. Climate change in the southwest would lead to more evaporation and more demand for water. The governor of Georgia and a 250-voice chorus prayed for rain during a recent drought. Less religious officials have launched water conservation, recycling and supply management programs.

What's the big deal, you ask? You've heard most of this before. True. The big deal is that a mass circulation publication thinks that this is something to write about. Industry people tend to talk to each other. Mass media gets the message out.

Financial Corner

Venture capital firms have turned their attention to alternative energy, which received about 10 percent of venture capital dollars in 2007, twice the average of the previous five years.[5] That number, probably, does not include investment in firms that will produce new communications and metering, or other services. A sample of three top VC firms shows that alternative energy investment deals in 17 months from January 2007 exceeded every other sector in volume. They believe. Follow the money.

Manufacturing Opinion

Many moons ago, the public relations chief of Mobil Oil decided that if the newspapers would not pay attention to Mobil's views, he would present those opinions to the public as advertisements. Mobil put its views into an advertisement that always appeared in the lower right corner of the page opposite the editorials in the *New York Times*. Mobil provided serious commentary, undisguised. The reader knew who furnished the opinion, who paid for it, and nobody pretended otherwise.

Businesses today set up fronts, instead, maybe a "grass roots" organization or a "think tank," usually adorned with a patriotic and high sounding name, such as Americans for the Cleanest Possible Economically Competitive Energy. The organizations have web sites, and they issue predictable opinions and predictable studies. Some of them hire prominent people to do public relations and bear witness. Let's say that your firm emits toxic "gunk" that pollutes rivers. You'd like to encourage the idea that gunk enriches the environment. You've convinced the ex-president of the International Society for the Prevention of Cruelty to River Catfish that gunk makes catfish healthier and want to get him on the road telling your side of the story, but who would believe him if you sponsored the presentations? What to do?

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[4] Joseph K. Vetter, "Dry Times," *Reader's Digest*, May 2008, p.120.

[5] "Technology Strategy: What Does VC Activity Suggest about Future Growth Opportunities?," Bernstein Research, June 19, 2008, p.3.

Fund a nonprofit grass roots organization, Americans for Naturally Healthy Catfish, give it $10 million and have it put the catfish man on the road.

I bring this up because almost every energy or environmental news item, nowadays, features two quotes, one from an obviously pro-environmental organization, often one that you have heard of, and another quote, usually skeptical of environmental regulation or changes in energy policy that would not benefit incumbent energy companies, from an organization with a patriotic name. We know that the National Audubon Society represents thousands of people who want to protect wildlife. Whom does the patriotically named entity represent?

Last year, I heard a presentation in which the speaker advocated something he and his old organization had opposed vigorously. Nothing wrong with that. But being of a suspicious turn of mind, I asked myself, "Who funds him?" It appears that the industry whose product he now advocates put up a bundle to establish his grass roots organization. Aren't people entitled to know?

Last month, after Al Gore's latest presentation (more on that later) I noticed two anti-Gore comments, one in an op-ed piece and one in a news story, each from an impressively named think tank. I found that a lot of the same people and organizations contribute to both think tanks, and their charters are such that they do not even make a pretense of looking at issues objectively. Shouldn't the news organizations tell us this before accepting the quote?

Several years ago, a distinguished economist and I proposed to do a study for a well-known Washington think tank, on a topic of interest to the organization. The think tank people rejected the proposal, they said, because we did not tell them what the study would conclude. We, innocently, thought that the purpose of the study was to find the answer. They seemed to view the study as a decoration to hang on a pre-determined answer. We found other things to do.

So back to Mobil. It was an ad. But it was an honest ad.

The Al Gore Effect

He did it again. He made a speech in Washington, D.C. in which he advocated that the electric industry get off carbon fuels within 10 years.[6] (I think that T. Boone Pickens has come out for something similar, but he gets more respectful treatment.) Reporters did what they always seem to do nowadays: get a quote from someone affiliated with an environmental group ("We need to change the debate...from what we can't do to what we can") and from a representative of one of those think tanks that also has a predictable line ("We couldn't come close...").[7] Right after that, the internet blog attack began, apparently sponsored by another think tank that receives support from the same sources that support the think tanker that didn't like the idea. The attackers produced a Michael Moore-style film clip that showed that the Gore family and many attendees at the speech did not take public transit to the Gore presentation. That made for an amusing show, but did not advance the discussion. After all, Al Gore is a retired politician turned venture capitalist, not Mother Teresa, so let's not criticize him for not being what he isn't, and stick to the issues, please.

From an environmental-political strategy standpoint, Al Gore chose the right target. Electric companies account for one-third of carbon emissions, and they make easier targets than vehicles owners or industrial concerns. Most of the time, they can pass on costs to consumers, and renewable portfolio standards have put the industry on the path to less carbon, anyway.

Considering the costs of new generation already facing the industry, the renewable standards and the age of facilities already in operation, maybe going off carbon altogether would not make as big a difference as one

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[6] Dina Cappeilo, "Gore Calls for Historic U.S. Effort to Switch to New Energy Sources," *The Journal News*, July 18, 2008, p. 5B.

[7] Fiona Harvey, "Gore Seeks 100% Green Energy," *Financial Times*, July 18, 2008, p.3.

might think. New coal-fired plants won't be cheap either. Maybe how much extra the cost depends on timing. By the end of 10 years, some of those objectionable plants will reach antique status.

The electric industry, in its previous stab at good carbon citizenship, said that it opposed being singled out. In other words, it did not oppose carbon reduction measures, in theory, as long as everyone else reduced output. Did industry people really believe that the industry would not be singled out? Who said life was fair?

Now for the reactions. Environmentalists -- the smart ones-- will admit the difficulty of the goal, but point to America's ability to achieve difficult goals. Others will produce studies to show that we can reach the goals in a cost-free manner, or with little difficulty. The opponents will explain why reaching the goals either cost too much or are impossible in the 10-year time frame.

Will the electric industry say anything, hope that the issue goes away, bank on opposition from coal state legislators, or reply with the usual stuff? Anyway, who is Al Gore, nowadays? Nobody official, for sure. But neither was Ralph Nader, Rachel Carlson, Harriet Beecher Stowe, Ida Tarbell, or Upton Sinclair. Crusaders do affect business as well as public policy.

What happens if, after November, Al Gore's opinions begin to affect public policy? That leads to my suggestion for corporate strategy. Every energy company should establish a task force that meets far from the main office, with a staff of the brightest and most flexible employees. The electric company should empower the task force to write a corporate policy statement that begins, "That's a good idea, Al. Let's talk about how to get there. Let's talk about how timing makes a difference, too." The natural gas company task force should ask, "How will the shift of gas sales away from electric generation, our fastest growing market, open up new opportunities for us?" The coal producers might have to ask, "Can we turn our product into something that people want, or do we sell it overseas to happy polluters?"

If you view this as a preposterous scenario, not worth insuring against or preparing for, take a look at those people puffing away outside the main door of your office building, the ones that have to go out for a smoke in the middle of the winter. They did not end up out there because the cigarette companies planned it that way. A multi-decade crusade made it happen. If you start with James Hansen's first warnings about climate change, then we are already 20 years into the crusade, with more decades to go.

— Leonard S. Hyman

About the Contributors

Leonard S. Hyman, a financial analyst and economist specializing in public utility finance, regulation and economics, is a senior advisor to Black & Veatch, and editor-in-chief of Black & Veatch's *Pathfinder* and *Energy Strategies* reports. Previously, as senior industry advisor to the Global Power Group at Salomon Smith Barney, he advised on industry restructuring projects. Before that, he headed the utility research group at Merrill Lynch, with responsibility for coverage of energy and telecommunications utilities. While at Merrill Lynch, he participated in privatization teams for companies in the UK, Spain, Mexico, Brazil, and Argentina. Mr. Hyman is author, co-author or editor of six books: *Energy Risk Management: A Primer for the Utility Industry*, *America's Electric Utilities: Past, Present and Future*, *The Privatization of Public Utilities*, *The New Telecommunications Industry* , *The Water Business,* and *Unlocking the Benefits of Restructuring: A Blueprint for Transmission.* Mr. Hyman is a Chartered Financial Analyst (CFA). He received a bachelor of arts degree from New York University and a master of arts in economics from Cornell University. You can reach Leonard at 631-348-4090.

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Chris Scott took up the post of managing director for the Europe and Middle East Region of Black & Veatch's water business in January 2008. Prior to this, Chris held a variety of senior positions within the company's UK water operations. He is also the champion for Black & Veatch's Sustainable Solutions initiative. Chris graduated from Imperial College in London in 1983 and has worked in the water industry in the UK and overseas since joining Black & Veatch in 1984. He spent five years in Hong Kong in the 1990s and has worked in many countries of Asia. Contact Chris at scottc@bv.com.

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A list of Mr. Hyman's most recent presentations are cited below. To obtain a copy, please direct your request via e-mail to petersondk@bv.com.

"Back to Basics or Forward to Basics" -- Presented to the EPRI Power Delivery and Markets Council; March 6, 2003.

"Financial Crisis in the Electric Power Industry or What Else is New?" -- Presented to the Northeast Energy and Commerce Association; March 6, 2003.

"Let's Talk About What's Important or Where the Electricity Industry May or May Not be Heading" -- Presented to the Energy Bar Association; March 13, 2003.

"Risk Management" -- Presented to Global Power 2003 Conference; New Orleans, Louisiana; March 31, 2003.

"May Day in Houston or How the Energy Industry Has Changed" -- Presented to Acquiring Distressed Energy Assets Conference; May 1, 2003.

"The Next Big Crunch Is Not The Latest Export From Hershey, PA" -- Presented at the Energy Association of Pennsylvania Annual Conference; May 30, 2003.

"Finance, Commerce and Reliability" -- Presented to Northeast Power Conference; June 24, 2003.

"Would a Sane Person Invest in Electric Technology in the U.S.A.?" – Presented at NARUC Winter Meeting; March 9, 2004.

"T&D Redux" – Presented to the Committee on Power Delivery, Association of Edison Illuminating Companies; March 25, 2004.

"Just the Facts, Ma'am" – Presented to the Conference on Understanding and Managing Business Risk in the Electric Sector (UMBRES); April 15, 2004.

"Building the Transmission Network: Past, Present, Future or Maybe Never" – Presented to the T&D World Expo; May 27, 2003.

"The Heart of the Matter or Foundation Flaws Fell Feeble Fixes" – Presented to the ELCON Member Meetings in the Big Easy; June 21, 2005.

"Wires as a Business, or If the Network is the Answer, What is the Question?" – Prepared for International Grid Conference; Toronto, Canada; 15 June 2006.

"How Wall Street Views Electric Utilities of the Future" – Presented to RMEL Fall Convention; San Antonio, Texas; 12 September 2006.

"Reliability for Whom or Cui Bono?" – Presented to the Chartwell Reliability Summit; Atlanta, Georgia; 8 March 2007.

"The Ten Challenges/Issues/Opportunities/Roadblocks/Requirements to Ensure that the Electricity Supply Industry Has the Physical and Human Resources Needed for the Next Thirty Years" – Presented to the Third Annual Carnegie Mellon Conference on the Electricity Industry; Pittsburgh, Pennsylvania; 13 March 2007.

"Notes on Electricity Restructuring: What Did Customers Get From It?" Presented to Gulf Coast Power Association; Spring Conference; The Woodlands, TX; 5 April 2007.

"Random Thoughts on Picking the Sample of Comparable Firms for the Rate Case," Presented to Society of Utility and Regulatory Financial Analysts (SURFA) 39th Financial Forum; Washington, DC; 19 April 2007.

"Aligning Rewards to Risks and Responsibilities and Other Random Thoughts Relevant to Planning," Presented to Power Systems Engineering Research Center Executive Forum: Planning, Markets and Investment; 7 March 2008.

"A Business-Like Approach to Electricity Policy," Presented to United Kingdom Energy Research Centre; 9 and 10 July 2008.

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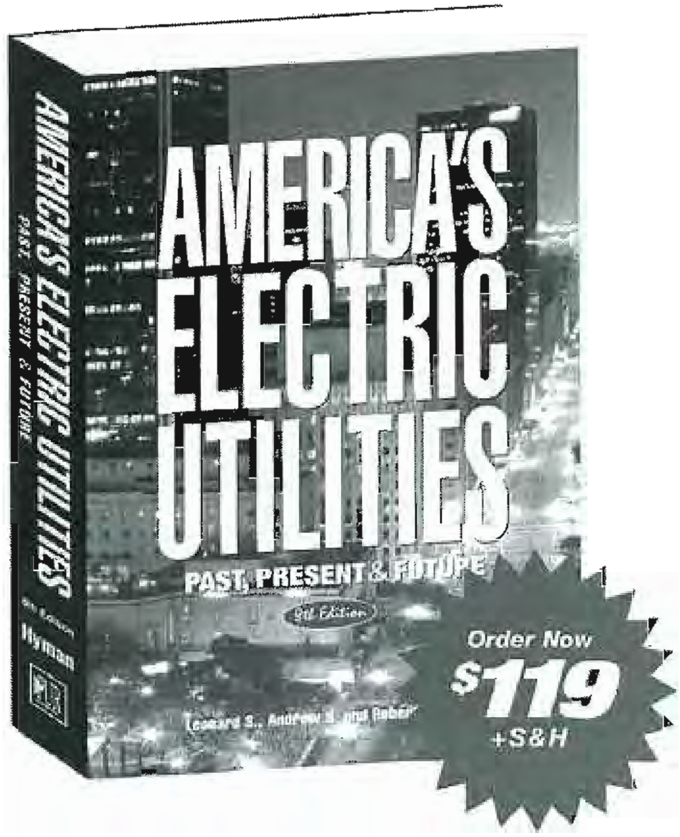

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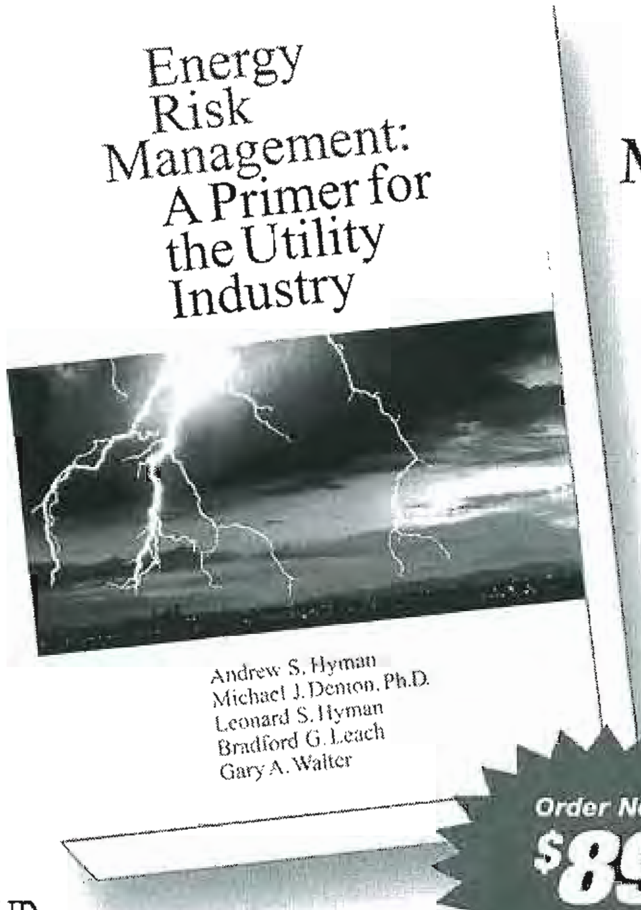

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