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KEMA helps utilities define generation strategies, mitigate risk in face of uncertain carbon future

Portfolio approach to climate provides solid ground for cost, investment and operations decisions

BURLINGTON, Mass. (April 15, 2010) – KEMA (www.kema.com) is helping utilities tackle generation portfolio operational- and cost-based risks associated with the uncertain carbon future. KEMA is applying a new [portfolio approach](#) to carbon planning for a number of US utilities that integrates the utility's own generation asset data with KEMA's substantial insight into the costs of generation and direction in carbon policy development. The KEMA model enables utilities to perform comprehensive scenario analysis of variable policy decisions and generation options—securing a clear understanding of the costs and options in defining a carbon strategy and laying the foundation for developing a cleaner, sustainable generation investment plan.

“There is a tremendous amount of uncertainty around where US carbon policy is headed and when,” said Kevin Sullivan, KEMA senior vice president, KEMA, Inc. “And the complex nature of modern utility strategic planning requires a forward-looking, fully integrated portfolio management and optimization tool—one that helps the energy industry create a robust strategy set that will stand the tests imposed by constantly changing regulatory requirements, uncertain funding and rate recovery mechanisms, market dynamics, evolving environmental policies, and uncertain timing.”

Part of the firm's Sustainable Integrated Energy Model (SIEM) initiative, KEMA has developed a suite of quantitative energy and policy tools that brings together all aspects of the [generation management](#) lifecycle in one dashboard. The climate portfolio optimization model provides utility decision makers the framework needed for developing and assessing carbon and environmental compliance strategies, the underlying assumptions, and the potential impact on financial and operational performance. The climate portfolio model is designed to flexibly incorporate the dynamics of any potential compliance strategy at any utility and any legislative variation.

“Asset portfolio management can only be effective if it takes into account and integrated view of supply side and demand side assets in a strategic planning forward-looking model,” said Sullivan. “KEMA's model offers easy to use ‘dashboards’ to allow quick evaluation and integration of strategy results. Risks and uncertainties are addressed in a manner that allows full understanding of the implications, interdependencies, and the technical and commercial interactions between each potential strategy a utility might undertake.”

KEMA's whitepaper, “Strategies for Compliance under Federal Climate Legislation,” demonstrates how the insight gained from the new analytic dashboard helps utilities develop climate portfolio strategies based on rigorous asset and scenario analysis. In the paper KEMA applies its carbon portfolio optimization model to a hypothetical mid-market coal-fired utility. It uses business goals and risk tolerances to define optimal compliance strategies under recently proposed federal climate legislation. The paper is available for download at: www.kema.com/ClimatePortfolio.

KEMA is actively engaged in helping electric utilities develop long-term strategies to ensure that they are prepared for likely upcoming regional or national [carbon](#) dioxide reduction regulations. The SIEM climate portfolio optimization model captures KEMA's market knowledge and experience and helps business leaders and policy makers understand the options, trade-offs, risk profiles, and unintended consequences of different compliance strategies. The model presents comparative analysis in an intuitive “executive dashboard” format that explores the financial flows of various approaches—and the interactions between them—through a reference of core business metrics, including the overall marginal balance sheet, income statement, and cash-flow outcomes.



About KEMA

Founded in 1927, KEMA is a global provider of business and technical consulting, operational support, measurement and inspection, testing and certification for the energy and utility industry. With world headquarters in Arnhem, the Netherlands, KEMA employs more than 1,600 professionals globally with offices and representatives in more than 20 countries. KEMA's US subsidiary, KEMA, Inc., is headquartered in Burlington, Massachusetts and serves energy clients throughout the Americas and Caribbean.

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