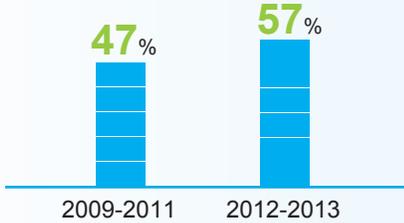


Pulling the lever

M&A can unlock value for both utility shareholders and customers

The power and utilities industry stands at the center of converging forces that are poised to reshape traditional business models. In this disruptive phase, merger and acquisition (M&A) stands out as a compelling and expedient strategy to deliver value and manage strategic risks.



Deals focused on nonconventional companies

BENEFIT: EVOLVE BUSINESS MODELS

Acquiring nonconventional businesses provides access to new earnings streams and creates incremental value for customers – both up to and behind the meter.



BENEFIT: ACHIEVE ECONOMIES OF SCALE

The conventional reason of pursuing M&A to become financially stronger remains a key motivator.



BENEFIT: SHIFT RISKS WITHIN GENERATION PORTFOLIOS

Enhancing asset optionality with a more diverse portfolio can lower the overall corporate risk profile.



BENEFIT: ACCESS LOWER COST CAPITAL

M&A can help build stronger balance sheets to meet rising capital requirements, thus providing access to the necessary capital to rebuild aging infrastructure and upgrade systems.

\$1 trillion+

Capital investment needed by US electric power industry over next two decades*



BENEFIT: LEVERAGE NEW SYNERGIES

Larger entities may be better positioned to afford high-ticket technologies such as advanced metering infrastructure and customer relationship management systems. Similarly, merging entities can gain from each other's expertise in managing imperatives such as environmental compliance and cyber risk.

CONFRONTING REGULATORY BARRIERS

Despite compelling reasons to consider M&A as a strategic lever, power and utility executives often hesitate to move forward because they perceive the regulatory barriers as too high.

Yet, M&A can benefit customers and shareholders alike. Utilities and regulators should consider opening a dialogue to examine issues such as:

- The allocation of synergy savings to incentivize M&A
- The playing field for the utility and its nonregulated affiliates behind the meter

* Source: The Edison Foundation, "Transforming the Electric Power Industry: The investment challenge 2010 to 2030," November 2008, http://www.edisonfoundation.net/ei/Documents/Transforming_Americas_Power_Industry.pdf



Read *Evaluating M&A through a changing utility lens*:
www.deloitte.com/us/UtilitiesMA

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