



**Prospectus for a Sponsored Multi Client Research Study:
Hedge Funds Enter the Energy Trading Space**

Updated: July 28th, 2004



And





1. EXECUTIVE SUMMARY

This unsolicited Prospectus and Proposal provides a summary of UtiliPoint International and Global Change Associate's Sponsored Research Project on Hedge Funds entering energy trading markets.

UtiliPoint is a leader in providing consulting services to the energy industry. Our 71-year history and over 100 clients worldwide have led us to currently operate as an energy consulting and issues analysis firm. Our staff is comprised of leading energy experts with diverse backgrounds in trading & risk management, production & revenue accounting, utility generation, transmission & distribution, retail markets, mergers and acquisitions, new technologies, venture capital, information technology, outsourcing, renewable energy, regulatory affairs, and international issues.

Global Change Associates (GCA) is an international energy and environmental risk management consulting firm. The company was established in New York City in 1991 to service the North and South American, European and Asia Pacific energy markets. GCA founder and president, Mr. Peter Fusaro, is an internationally recognized "thought leader" in energy risk management and energy markets. GCA provides customized solutions to meet the needs of a diversified client base including major market participants in the oil, gas, power, energy services, energy software industries, as well as to the investment banking sector. The company's global network for energy market intelligence is second to none due to GCA's extensive network of energy industry experts and market participants who provide valuable insight, intelligence and perspective

2. BACKGROUND ON RESEARCH

UtiliPoint International is an integral hub on information, insight, and advice in the utility industry. More and more often, our constituency has been asking us to comment on and assess the changes taking place in energy markets particularly with respect to the activities of hedge funds and investment banks. In response to these requests and the need for research on this topic, UtiliPoint is undertaking this multi-client research project in conjunction with Global Change Associates, in order to provide the most accurate, insightful, and actionable research on the subject.

Our current research has shown that there are many gaps in the general industry lexicon and knowledge of the impact of the accelerated entry of the unregulated hedge funds in to energy trading. Its impact on energy markets can not be understated as it is affecting energy price volatility on a daily basis.

3. PROSPECTUS AND SCOPE OF RESEARCH

While much of the energy industry has returned to the relative safety of trading around assets and marketing activities, energy markets are today characterized across all energy commodities by increasing prices and higher price volatilities. Oil markets are booming and were not at all impacted by the Enron collapse. As a result of geopolitical issues and the relative weakness of the US dollar and other supply/demand factors, these higher prices are likely to be sustainable for several years with increased price volatilities set to be the norm. The future for North American natural gas prices and volatility is similar as supply constraint and accelerated production declines have also resulted in higher sustainable prices and increased price volatilities. Meanwhile, robust demand for coal is also apparent with over 90 new coal plants in line for construction in the US as the attraction of natural gas as a generation fuel recedes. Electric power is also seeing unprecedented price volatility.

It is a combination of this price volatility and available trading talent that is creating an opportunity for hedge funds in energy markets. With over 90 hedge funds already playing or set to play, in energy commodities, these funds are primed to bring more risk capital to bear in energy markets. They also bring sophistication, liquidity, the risk culture and trading acumen to bear on energy markets and have access to readily available experienced trading resources that were let go by the mega merchants. While new hedge funds are being created specifically for the energy trading opportunity, existing larger hedge funds are also planning to enter energy markets.

The emergence of hedge funds as energy commodity traders suggests that energy trading will re-emerge; bringing increased liquidity, more sophisticated financial instruments and risk management approaches/strategies. The impact on traditional energy commodity 'trading' firms will likely be to increase volatility and counterparty credit risk while increasing overall risk management sophistication.

The emergence of more speculative trading business models by more sophisticated trading entities will also create new opportunities for software vendors. While the software market has tended to favor vendors with more physical-oriented trading and transaction management solutions, hedge funds and investment banks will require an altogether new breed of more sophisticated trading and risk management systems that may result in a second wave of new entrants from more traditional financial markets.

This multi-client study will focus on assessing the entry of hedge funds and investment banks into energy trading, identifying demographics and attempting to define the broader impact on the industry. The final report will focus on;

- ✓ Why hedge funds are entering energy trading,
- ✓ What are hedge funds and who is funding them,
- ✓ What is the business strategy of the hedge funds,
- ✓ How are hedge funds likely to impact energy trading and risk management,

- ✓ How hedge funds are impacting oil and gas price formation and capital flows,
- ✓ What is the hedge funds exit strategy and what are the market ramifications,
- ✓ What are the impacts on Electric Utilities and other energy companies including opportunities to joint venture or outsource,
- ✓ Global outlook on energy market dynamics.

Additionally, the project will result in the creation of a Global Hedge Fund Directory.

The project will utilize both a survey of hedge funds as well as additional research by both UtiliPoint and Global Change Associates.

Final Report Draft Contents

Title: *Hedge Funds Enter the Energy Trading Space*

Chapter 1 - The Business Opportunity: Why Hedge Funds are Entering Energy Trading

1. The opportunities in oil trading
2. Analysis of natural gas trading
3. Power trading opportunities
4. Movement into renewable energy & carbon trading
5. Distressed generation asset plays
6. Commodity/equity interest

Chapter 2 - What are Energy Hedge Funds & Who's Funding Them?

1. What exactly are hedge funds?
2. What is alternative risk?
3. Why are they entering energy markets now & why did they fail 8 years ago?
4. Market sizing and number: how large and how many?
5. How are they accountable being unregulated?

Chapter 3- What's Their Business Strategy: 2 Tiers

1. Extension of Existing Trading Platforms
2. Entrance of Energy-Only Funds
3. Other strategies to be discovered

Chapter 4- How are They Impacting Energy Trading & Risk Management?

1. Oil price formation and volatility (NYMEX & IPE open interest)
2. Natural gas pricing and volatility
3. Impacts on electric power trading
4. What trading strategies are they using?

5. Is this sustainable?

Chapter 5- What is Their Exit Strategy and What are the Market Ramifications?

1. What are the primarily goals of funds rate of returns?
2. What could be the end result of funds leaving the market?

Chapter 6 - Other Energy Market Changes Changing the Structure of Energy Trading

1. Greater Wall Street/City of London Involvement
2. New Credit Facilities: Including Credit Derivative Hedge Funds
3. Impacts on both short-term and longer-term energy markets

Chapter 7- What are the Potential Impacts on the Energy Industry?

1. Impacts on oil and gas drilling
2. Impacts on refiner margins
3. Impacts on gas trading
4. Impacts on Utilities
5. Impacts on the consumer
6. Credit issues

Chapter 8 – Process, Technology and Systems Impacts

1. Business process impacts
2. Impacts on energy trading systems
3. Impacts on energy trading & risk management vendors and systems
4. Impacts on credit risk systems and vendors
5. Impacts on other trading and risk management technologies
6. Vendor and systems market dynamics

Chapter 9 - Global Outlook on Energy Market Dynamics

1. Assessment of North American markets
2. Market Impacts in Europe
3. Investigation of Asian energy markets

Hedge Fund Directory

(Note: Hedge Fund Directory will be bundled with the report but will also be available as a stand alone product. The Hedge Fund Directory will be available stand-alone as an annual subscription service with monthly updates of new funds for \$2500 pa or as a single snapshot issue for \$1,000)

4. QUALIFICATIONS

UtiliPoint International, Inc. is a highly regarded energy consulting firm headquartered in Albuquerque, New Mexico, with extensive experience in energy markets and transactions in the United States and internationally. With origins that date back to 1933, UtiliPoint is a prominent consulting firm dedicated to helping energy companies, investors, regulators, and governments maximize the value of unfolding markets. UtiliPoint is a recognized leader within the energy industry for competitive issues consulting, market intelligence, information analysis, economic analysis, customized research, analyst reviews, surveys, strategic management, and public affairs.

UtiliPoint's executives have demonstrated expertise in key competitive areas benefiting today's energy companies, including:

- Diverse management experience in electric operations, energy trading, market support, research and development, and startup business environments;
- Leading the development of information technology and business design strategies and implementation for competitive and regulated retail electric markets;
- Strategic training for the electric, natural gas, water, telecommunications industries and both federal and state regulatory commissions; and
- Overseeing diverse market research programs in support of utilities' ongoing operations and information technology decisions.

Global Change Associates (GCA) is an energy advisory boutique located in New York and Houston founded in 1991 noted for leading edge consulting research reports and strategic advice. Most notably GCA assists clients in identifying and assessing their exposure to energy risk. GCA then develops policies, procedures and controls for trading and risk management infrastructure for oil, gas, electric power, coal and LNG. GCA will implement the risk management strategy to ensure the plan is effective.

GCA also helps to ensure the effectiveness of the risk management plan by identifying software solutions necessary to support the designed plan.

GCA provides Environmental Risk Management for emissions, renewables, and energy efficiency by assisting in the development of environmental trading programs for clients. GCA can create innovative energy efficiency, emissions, and renewable energy solutions for clients including wind, solar and biomass sources and advise energy companies on the most advanced environmental technologies.

- Energy Trading and Risk Management
- Competitive Intelligence and Market Intelligence
- Strategic Advice on Energy Deregulation, Markets and Privatization
- Energy Asset Evaluation and Acquisition Opportunities
- *Training through its Energy & Environment College Division



UtiliPoint's Recent Presentations

CBI's Outsourcing Conference
World Energy Council
U.S. House Committee hearings on Enron and Global Crossing
USA Today
Coal Gen Conference
International Cogeneration & Environment Conference
Energy Venture Fair
Outsourcing for Energy Companies
Western Coal Council, Pacific Coal Forum
CIS Conference
Distributed Generation Conference
EEI/AGA CIO Technical Advisory Committee (TAC)
EEI/AGA Energy-IT
Software selection seminar – Houston January 2003
Risk Waters Energy Risk conference, Houston 2002
CBI – Current Challenges in Energy Trading – Houston 2003
Center for Public Utilities - Current Issues 2002

GCA's Recent Presentations

July 2004 "Today's Energy Markets: The Acceleration of Financial Trading by Hedge Funds and Banks" Web Seminar
June 2004 "Market Entry Strategies for Hedge Funds" New York City
June 2004 "Overview of Energy Market Developments: Energy Procurement & Use Conference" Insight Conferences, New York City
May 2004 "Overview of North American Energy Trading & Business Opportunities for the Toronto Stock Exchange"
April 2004 "Impacts of "Green" Issues on Oil Firms," 31st Annual International Energy Conference, Boulder, Colorado
April 2004 "Introduction to Green Trading: The Next Financial Market, Columbia University, New York, NY
March 2004 "Green Trading: The Convergence of Capital Markets & the Environment," 3rd Annual Green Trading Summit, New York City
February 2004 "Natural Gas & LNG Trading & Risk Management, Mitsubishi Research Institute, Tokyo, Japan
February 2004 "Fundamentals of Green Trading", Institute of Energy Economics, Japan (IEEJ), Tokyo Japan
February 2004 "The New Factors in US Electric Power Market Investments," Tokyo Electric Power Seminar, Tokyo, Japan



January 2004, “Fundamentals of Green Trading,” EUEC Workshop, Tucson, Arizona



UtiliPoint International Clients (Selected)

AEP ADB Systems, Inc.	EnerX Development, Inc.	PECO
AEP	Enlogix (Canada)	Pegasus Engineering
Alaska EL&P	Enmax (Canada)	PEPCO
Allegheny Power	Envenergy	Platts
Alliance Data Systems	EPCOR (Canada)	PowerTrade, Inc.
Allegro Development Corp	EPCOR Merchant and	PNM
@thermostat, Inc.	Capital	Progress Energy
Allete	ESSA (Australia)	Puget Sound Energy
AMX International	Exelon	Quorum Business
Automated Energy	First Contact	Solutions, Inc.
BC Hydro (Canada)	Florida Power & Light	Raft International
Bermuda Power	GeoKnowledge, Inc.	RCS Capital Management
(Caribbean)	Global Change Associates	Risk Advisory
Black Hills Corp.	Goldman Sachs	S & C Electric
BusinessEdge Solutions,	Hydro Quebec (Canada)	Salt River Project
Inc.	Hydro Quebec CapiTech	SCANA
Cayenta	(Canada)	Scott Madden & Associates
CENfuel FPU (Australia)	IBM	SeeCommerce, Inc.
CH2M-Hill	Iconixx	SEMPRA
ChemEn	Idaho Power	SoftSmiths
Chroma Energy	Itron	Sogeti USA LLC
CHUBU (Japan)	Japan NUS (Janus)	SolArc, Inc.
Cogency Software, Inc.	Kansai Electric (Japan)	Southern California Edison
Collins Capital Corporation	KCP&L	SPL WorldGroup
CommonVision, LLC	Kentucky Utilities	Structure Group
Commonwealth Edison	Kiodex	Tampa Electric
Conroe Pipe	KPMG Canada	Telerox
Consumers Energy	KWI	TradeWell Systems, Inc.
Conversant	LG&E	TXU
DataSol, Inc.	Lockhart Power	Ulysses Systems, Inc.
Denki Shimbun (Japan)	Mississippi Power	Utility Solutions
Dominion	Nevada Power	VasMark Group
DownstreamEnergy, Inc.	Northern States Power	Verdant Power
DPL Inc.	Northwestern	Vertex (U.K.)
Duke	Oildom Publishing	Vision Monitor, LLC
Duquesne Light	OneOffshore, Inc.	Viterra Energy Services
E.ON (Germany)	Ontario Power	WaveOne.com, Inc.
El Paso Electric	Technologies (Canada)	WellSpring Solutions, Inc.
Energex (Australia)	Open-C Solutions	Western Power (Australia)
EnergyEdsoftware, Inc.	OpenLink Financial	Western Resources
Energy and Power	Orcom	(Canada)
Solutions	Otter Tail Power	Woodlands Technology,
Energy Solutions	PacifiCorp	Inc.
International	Peace Software (New	Xcel Energy
Enermetrix.com, Inc.	Zealand)	



Selected GCA Clients:

North America:

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| <input type="checkbox"/> ABB Power T&D | <input type="checkbox"/> Mobil LNG & Power |
| <input type="checkbox"/> AGL Resources | <input type="checkbox"/> Montana Power |
| <input type="checkbox"/> AGIP Gas | <input type="checkbox"/> Natural Gas Supply Association |
| <input type="checkbox"/> American Electric Power | <input type="checkbox"/> NICOR |
| <input type="checkbox"/> Amoco Energy Trading | <input type="checkbox"/> NIPSCO |
| <input type="checkbox"/> ANR Pipeline | <input type="checkbox"/> Northeast Utilities |
| <input type="checkbox"/> Arch Coal | <input type="checkbox"/> NRG Energy |
| <input type="checkbox"/> Armitage Associates | <input type="checkbox"/> Nxegen |
| <input type="checkbox"/> Atlantic Energy | <input type="checkbox"/> NYMEX |
| <input type="checkbox"/> Automated Power Exchange | <input type="checkbox"/> NYSERDA |
| <input type="checkbox"/> Bank of America | <input type="checkbox"/> Old Dominion Electric |
| <input type="checkbox"/> Bloomberg LLP | <input type="checkbox"/> Ontario Hydro |
| <input type="checkbox"/> Bominflot | <input type="checkbox"/> Optimum Energy Brokers |
| <input type="checkbox"/> Booz Allen | <input type="checkbox"/> Orlando Utilities Commission |
| <input type="checkbox"/> Boralex | <input type="checkbox"/> Otter Tail Power |
| <input type="checkbox"/> BP Amoco | <input type="checkbox"/> Pacer Power |
| <input type="checkbox"/> BP Energy Corp | <input type="checkbox"/> Pacificorp |
| <input type="checkbox"/> BP Oil Supply | <input type="checkbox"/> Peco Energy |
| <input type="checkbox"/> Cape Wind Associates | <input type="checkbox"/> PEPEX |
| <input type="checkbox"/> Carbon Services LLC | <input type="checkbox"/> PetroCanada |
| <input type="checkbox"/> Cargill | <input type="checkbox"/> Phibro Energy |
| <input type="checkbox"/> Charles River Associates | <input type="checkbox"/> Pinnacle West |
| <input type="checkbox"/> Chase Manhattan Bank | <input type="checkbox"/> Plantergy |
| <input type="checkbox"/> Chemconnect | <input type="checkbox"/> Pratt & Whitney |
| <input type="checkbox"/> Chicago Board of Trade | <input type="checkbox"/> Prebon Yamane |
| <input type="checkbox"/> Chicago Corporation | <input type="checkbox"/> Primary Power International |
| <input type="checkbox"/> Clinton Energy | <input type="checkbox"/> Proliance Energy |
| <input type="checkbox"/> CINC | <input type="checkbox"/> Public Service Electric & Gas |
| <input type="checkbox"/> Cinergy | <input type="checkbox"/> RedMeteor.com |
| <input type="checkbox"/> Citizens Power | <input type="checkbox"/> Reuters America |
| <input type="checkbox"/> Citrus Corp (Enron/Sonat) | <input type="checkbox"/> Risk Publications |
| <input type="checkbox"/> CLECO | <input type="checkbox"/> SeaWest Wind Power |
| <input type="checkbox"/> Coal Trading Association | <input type="checkbox"/> Semptra Energy Trading |
| <input type="checkbox"/> Columbia Energy | <input type="checkbox"/> Siemens |
| <input type="checkbox"/> Con Ed of New York | <input type="checkbox"/> SigCorp |
| <input type="checkbox"/> Con Ed Solutions | <input type="checkbox"/> SMUD |
| <input type="checkbox"/> CT Clean Energy Fund | <input type="checkbox"/> Socal Edison |
| <input type="checkbox"/> Dayton Power & Light | <input type="checkbox"/> Societe Generale |
| <input type="checkbox"/> Deloitte Touche LLP | <input type="checkbox"/> Solarc |
| <input type="checkbox"/> Detroit Edison | <input type="checkbox"/> Southern Indiana |
| <input type="checkbox"/> Dominion Resources | <input type="checkbox"/> Spectron Energy |

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| <input type="checkbox"/> DTE Energy Trading | <input type="checkbox"/> Sterling Planet |
| <input type="checkbox"/> Duane Morris LLP | <input type="checkbox"/> STM Power |
| <input type="checkbox"/> Duke | <input type="checkbox"/> Sungard |
| <input type="checkbox"/> Dynegy | <input type="checkbox"/> Swiss Re |
| <input type="checkbox"/> El Paso Energy | <input type="checkbox"/> Sybase Inc. |
| <input type="checkbox"/> Enron Capital & Trade Resources | <input type="checkbox"/> Talisman Oil |
| <input type="checkbox"/> Electric Power Research Institute (EPRI) | <input type="checkbox"/> Taylor Companies |
| <input type="checkbox"/> Emission Credit Brokers | <input type="checkbox"/> Teton Energy Partners |
| <input type="checkbox"/> Entergy Nuclear | <input type="checkbox"/> Tosco/Philips |
| <input type="checkbox"/> Ernst & Young LLP | <input type="checkbox"/> Toyota Motor Sales |
| <input type="checkbox"/> Eugene Water & Electric Board | <input type="checkbox"/> Tradespark LP |
| <input type="checkbox"/> Florida Progress Corp. | <input type="checkbox"/> Tractebel Energy |
| <input type="checkbox"/> GPU Energy | <input type="checkbox"/> TransAlta Energy |
| <input type="checkbox"/> Harlow Butler | <input type="checkbox"/> TransCanada Pipeline |
| <input type="checkbox"/> Hydro Quebec | <input type="checkbox"/> TransCurrent (Vattenfall) |
| <input type="checkbox"/> Idaho Power | <input type="checkbox"/> TrueQuote |
| <input type="checkbox"/> Infinity Sungard | <input type="checkbox"/> TU Electric |
| <input type="checkbox"/> Irving Oil | <input type="checkbox"/> TVA |
| <input type="checkbox"/> Itochu International | <input type="checkbox"/> U.S. Department of Energy |
| <input type="checkbox"/> JP Morgan | <input type="checkbox"/> Utilicorp United |
| <input type="checkbox"/> Kema Consulting | <input type="checkbox"/> Virginia Power |
| <input type="checkbox"/> Kentucky Utilities | <input type="checkbox"/> Wheelabrator Technologies |
| <input type="checkbox"/> Koch Energy Services | <input type="checkbox"/> Williams Energy Services |
| <input type="checkbox"/> LaFarge | <input type="checkbox"/> Wintex Energy |
| <input type="checkbox"/> Lawrence Berkeley Laboratory | <input type="checkbox"/> Wisconsin Electric |
| <input type="checkbox"/> McKinsey & Company | <input type="checkbox"/> WPS Power |
| <input type="checkbox"/> Midcon Power Services | <input type="checkbox"/> Zilkha Renewable Energy |

Europe:

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| <input type="checkbox"/> ABB | <input type="checkbox"/> Humber Power |
| <input type="checkbox"/> BP | <input type="checkbox"/> Lorentsen & Stemoco |
| <input type="checkbox"/> Dong Naturgas | <input type="checkbox"/> Hungarian Oil & Gas Company |
| <input type="checkbox"/> E-Control GmGH | <input type="checkbox"/> Kotka Energy Ltd. |
| <input type="checkbox"/> Electrabel | <input type="checkbox"/> Magnox Electric |
| <input type="checkbox"/> Elf Trading | <input type="checkbox"/> Nuon Renewable Energy |
| <input type="checkbox"/> ENI SNAM | <input type="checkbox"/> OMV |
| <input type="checkbox"/> Eastern Power & Energy Trading | <input type="checkbox"/> Ranghieri Associates |
| <input type="checkbox"/> Fortis Bank/Meespierson NV | <input type="checkbox"/> Shell Enco Energy |
| <input type="checkbox"/> FSD International | <input type="checkbox"/> Syntegra (British Telecom) |
| <input type="checkbox"/> Gaz de France | <input type="checkbox"/> Tractebel |
| <input type="checkbox"/> Gerling Security Reinsurance | <input type="checkbox"/> Voimatori Oy |

Asia, Australasia & Africa:

- Australia Gas & Light
- Energy Australia
- Eskom
- Institute for Energy Economics, Japan
- Japan Electric Power Information Center
- Kansai Electric Power
- Korea Electric Power
- Korea Hydro & Nuclear Power
- METI
- Mitsubishi Oil
- Mitsubishi Research Institute
- Mitsui
- Nippon Oil
- Nomura Research
- Petroleum Association of Japan
- Petroleum Energy Center Japan
- Rand Merchant Bank
- Thai Oil
- Tohoku Electric Power
- Tokyo Electric Power
- Tokyo Gas



5. PROJECT TEAM

UtiliPoint International puts client success as our highest priority. We stand shoulder-to-shoulder with the companies we do business with because we know that our business success is tied to that of our clients. Hence, UtiliPoint will always put the best resources we have available in providing Advisory Services to clients, and we will not hesitate to tap our deep experience and “bench” of staff anytime a client has a specific request or need.

For this engagement, UtiliPoint is working with Global Change Associates an expert consultancy in energy trading and risk management.

Mr. Peter Fusaro, Chairman, Global Change Associates

Mr. Fusaro is Chairman and Founder of Global Change Associates. Mr. Fusaro is recognized as an international expert on energy and environmental price risk management, industry restructuring, energy security and the Asia Pacific region. He has written six books on energy & environmental trading and risk management including two new books - **Green Trading: Commercial Opportunities for the Environment** (January 2004) and **Energy Hedging in Asia** (Palgrave Macmillan, 2004). He has authored four other books on energy trading and risk management including the New York Times best seller **What Went Wrong at Enron** (John Wiley, July 2002), **Energy Convergence: the Beginning of the Multicommodity Market** (John Wiley, May 2002), **Energy Derivatives: Trading Emerging Markets** (Energy Publishing, 2000) and **Energy Risk Management** (McGraw Hill, 1998). He contributed to **Global Markets and Nation Interests: The New Geopolitics of Energy, Capital and Information** (CSIS Press, 2002) and **Distributed Generation: The Power Paradigm for the New Millennium** (CRC Press 2001). He wrote a Financial Times special report entitled **Asia Pacific Energy Derivatives** (1997).

Having worked in Washington, D.C. and New York, he brings 28 years of experience in the global energy industry from both the regulatory and commercial experiences. He was formerly senior vice president for energy consulting at ABB Financial Services, where he led the practice in strategy consulting, energy risk management, and IT trading solutions. Other former employers besides ABB Financial Services include Petroleos de Venezuela, the U.S. Department of Energy, and the New York City Mayor's Office of Energy and Telecommunications. Fusaro was one of the leaders in transmitting energy analysis through electronic media over 10 years ago. He co-founded the Deloitte Touche Power and Energy Service in 1995 in New York.

Mr. Fusaro is a frequent speaker at energy conferences worldwide and is a contributor to numerous energy publications, including Edison Electric Institute's Power Marketers Yearbook & Power Perspectives magazine, GARP Risk Review, Hart's Energy Markets, The Petroleum Economist, IPE Pipeline, NYMEX Energy in the News, and Energy & Power Risk Management (formerly Energy Risk). He is on the board of the Connecticut Clean Energy Fund, National Photovoltaic Initiative, Energy & Environment Forum in New York, NYU Energy Forum, and he is a member of the Institute of Petroleum, New York Academy of Sciences (Environmental Section), Pacific Energy Cooperation Council (PECC), the Global Association of Risk Professionals (GARP), Professional



Risk Managers International Association (PRMIA) and the Energy Management Association (ERMA). He is New York Chapter President of the International Association of Energy for that professional organization and served on their board for three years.

Mr. Fusaro has a Bachelors Degree from Carnegie-Mellon University and a Masters Degree in International Relations from Tufts University

Gary M. Vasey, Ph.D.

Vice President, Trading & Risk Management Practice, UtiliPoint International, Inc.

Over the course of a twenty-year career, Gary has acquired extensive experience in energy information technology, marketing and business development. With a professional background with BP Exploration, Price Waterhouse, Cap Gemini Sogeti, Sybase, Inc. and TransEnergy Management, Inc., Gary has experienced all aspects of energy software and consulting as an end user, implementer, creator and seller. For the last seven years, Gary has specialized in energy trading & risk management business processes, software and technologies specifically while maintaining an interest in production, midstream, pipeline, refining and marketing, and environmental, health & safety issues, software and technologies. Additionally, Gary founded VasMark Group in 2000 and has served more than 50 clients in North America and Europe across the energy and utilities space with market research, strategy consulting and marketing expertise.

VasMark Group was acquired by UtiliPoint International in January 2004. Gary is now responsible for building UtiliPoint's Trading & Risk Management practice and continues to provide valuable strategic and tactical marketing and marketing communications expertise to clients through UtiliPoint's VasMark Group practice.

Gary is well known in the energy industry, widely published and a popular speaker on energy software, IT issues and trends. He also serves on the editorial advisory board for Hart's Energy Markets magazine, as a contributory editor for Power & Gas Marketing magazine and served on the editorial advisory board of Hart's PetroSystems World. Gary holds a B.Sc. (Hons.) degree in Geological Sciences from the University of Aston in Birmingham, England and a Ph.D. in Geology from the University of Strathclyde, Scotland.

Jon T. Brock, MBA

COO, VP Energy-IT Practice, UtiliPoint International, Inc.

Mr. Brock manages UtiliPoint's day-to-day operations as well as the strategic intelligence practice. In addition, Mr. Brock's expertise includes energy business design, business plan development and review, investment capital, metering, energy outsourcing, and information technology infrastructure design and deployment. Mr. Brock has served as Chair of the Energy Venture Fair, a forum of seventy-five emerging technology companies in the utility industry looking to raise growth capital. Mr. Brock has recent experience serving as director for Central and South West Corporation's (CSW) Retail Services. In this position, Mr. Brock created and managed the budget and staff of internal and external resources to implement a separate infrastructure enabling CSW to do business in a retail environment serving 1.7 million customers. His previous work history includes experience



at SCIENTECH, CSW, Public Service Company of Oklahoma, and Amerada Hess. He has served on several energy-related boards in the member and advisory member positions. He holds a B.S. in management science/computer systems from Oklahoma State University and an M.B.A. from the University of Tulsa.

J. Christopher Perdue, MA

Director, Market Research, UtiliPoint International, Inc.

Mr. Perdue directs UtiliPoint's market research efforts, which result in special reports/analyses for corporate clients. In addition, Mr. Perdue's expertise includes forecasting of load, economic development, financial consulting, research, and retail solutions development and support at energy companies. Mr. Perdue has work experience at Excelergy, DukeSolutions, Central and South West Corporation, and Gulf States Utilities. Mr. Perdue most recently served at American Electric Power in roles with the software and technology company Excelergy. He holds a B.B.A. in Economics from Belmont College and a M.A. in Economics from Vanderbilt University.

Ethan L. Cohen

Director, Utility and Energy Technology Practice

Mr. Cohen provides custom management consulting, marketing consulting, and energy and utilities industry analysis for energy and utility industry players, vendors, and investors. Cohen's current research focuses on utility customer service and customer care operations and financial benchmarking. Mr. Cohen has recently been engaged in assisting utility companies identify underleveraged assets to determine best outcomes. He has also been engaged with a number of companies on business process outsourcing projects and has assisted several companies in the utility automation space with business strategy development. Prior to joining UtiliPoint International, Mr. Cohen was a manager at UtiliPoint International, Research Director of Energy and Communications at Aberdeen Group, and a Senior Analyst with The Yankee Group, where he built the first energy technology focused market research and advisory practice. Mr. Cohen holds an AB with subject honors from Vassar College and an MA from Brandeis University.



6. METHODOLOGY AND APPROACH

UtiliPoint International and GCA will employ a variety of techniques to complete this project. UtiliPoint and GCA will primarily rely on primary research collected by our experts via survey, interview, observation, and case study. UtiliPoint differentiates itself from others by conducting surveys via phone with qualified experts in the energy industry. GCA prides itself on its network on the energy trading floors around the world to gather market intelligence that is not available in any energy publication or consultancy.

In assembling the Executive Summary of the Study, the Research Findings and Analysis and any web conferences or presentations based on the research, UtiliPoint and GCA will also evaluate secondary research, and tertiary periodical based research and reporting. Energy companies, technology suppliers, regulators, and other parties that elect early sponsorship for these will be invited to provide input into survey questionnaire design and analysis planning.

7. CONFIDENTIALITY

UtiliPoint International and GCA will handle confidential information provided to us during this effort in a manner consistent with the highest professional standards commonplace in the research and consulting industries. Unless otherwise made explicit by a sponsor all sponsorships and the terms of sponsorship for this effort will be kept confidential.



8. PROJECT TIMING DELIVERABLES AND COST

Timing

At this stage, specific timing of the research is planned to take place during the Summer/Fall of 2004 with project completion by September 30th, 2004.

Deliverables

The deliverables for this multi-client sponsored research project are as follows:

- 4-6 pp. (est.) page Executive Summary highlighting research project key findings and actionable insights
- 70 pp. (est.) an electronic report in Acrobat (PDF) format detailing research insights, data findings, and comprehensive analysis of the industry
- A one-year subscription to UtiliPoint/Global Change Associates' Hedge Fund Directory
- half-day consulting session, including a customized presentation with a UtiliPoint International project team member to discuss the results of the research effort and to assist sponsor organization in further analyzing research results and planning action or business strategy.

Cost

The total cost and professional services fee for this project is \$10,000 USD and \$7,500 USD for current UtiliPoint and/or GCA retainer clients.

A payment of \$5000 will be due upon election of sponsorship for this multi-client research effort. The balance of professional services fees will be due UtiliPoint International upon completion of the executive summary, and research report. UtiliPoint will handle all administration for this engagement for Global Change Associates.

Professional service fees are not inclusive of travel, lodging, meal or other out-of-pocket expenses. Travel, lodging, meal, and out-of-pocket expenses are due UtiliPoint International upon invoice.

UtiliPoint International reserves the right to modify the pricing and deliverables described in this proposal on an ad hoc basis in response to individual client requests, and needs.

It is UtiliPoint's privilege to present this prospectus to you and look forward to the opportunity to assist you in your efforts in benchmarking IT in natural gas companies. Please contact me with any additional questions or requirements. My contact information is as follows:

Gary M. Vasey
UtiliPoint International
25301 Borough Park Drive
Suite 112
Woodlands, TX 77380



Ph: 281.681.8020

Fax: 281. 681. 8067

Email: gvasey@utilipoint.com

Sincerely,

Gary M. Vasey

UtiliPoint International, Inc.



9. TERMS AND CONDITIONS

1. Payment & Taxes

1.1 Taxes. Client will pay any taxes resulting from the Parties' performance under this Agreement, including without limitation, any sales, use, and excise taxes on any Services and Deliverables provided by UtiliPoint International to Client under this Agreement, but not including taxes on UtiliPoint International' income. Client will indemnify, defend, and hold UtiliPoint International harmless against any failure by Client to report or pay any such taxes.

1.2 Payment. It is our normal practice to invoice our client on an estimated basis at the beginning of each month for services and expenses estimated for that month. Upon completion of the assignment, a final adjusted bill will be submitted with the appropriate debit or credit amount. Credits shall be paid immediately thereafter. Should the project be terminated prior to completion, we would be reimbursed for the actual time charges and expenses up to that termination date. Our invoices will be payable upon receipt

1.3 Expenses. Client will reimburse UtiliPoint International' reasonable expenses incurred in connection with the Services and development of any Deliverables. Such expenses shall include, without limitation, local travel to and from Client's facilities, other approved project-related travel expenses (transportation, lodging, telephone, and meals), and any other items directly associated with the project. Any travel expenses will be discussed and approved by Client beforehand.

2. Confidentiality

2.1 In connection with this effort, each party will have access to confidential information made available by the other; each party shall use the confidential information of the other only as in connection with the arrangement and each party will protect such confidential information in the same manner as it protects its own confidential information of like kind.

2.2 Subject to obligations of confidentiality, each party shall be free to use the concepts, techniques and know-how used and developed on the project. In any event, UtiliPoint International shall continue to be free to perform similar services for its other clients using its general knowledge, skills and experience.

3. Warranties and Indemnification

3.1 By UtiliPoint International. UtiliPoint International warrants that it has the right to enter into this Agreement and to perform all obligations hereunder. For a period of ninety (90) days following the delivery of any Deliverable, UtiliPoint International warrants that such Deliverable will perform according to the applicable written functional specifications provided to UtiliPoint International by Client and incorporated into the Project Description or an amendment thereto. During that period, UtiliPoint International will, at its option, correct or replace any such nonconforming Deliverable, or refund the fees paid by Client for the nonconforming Deliverable. UtiliPoint International warrants that its execution and performance of this Agreement will not breach any agreement between UtiliPoint International and a third party. UtiliPoint International will indemnify, defend, and hold Client, its officers, directors, employees, contractors, and agents harmless from any breach of any of the warranties contained herein

3.2 By Client. Client warrants that it has the right to enter into this Agreement and to perform all other obligations hereunder. Client represents that UtiliPoint International' providing any Services and Deliverables that Client requests will not, to Client' knowledge; infringe any Intellectual Property right of any third party. Client warrants that its execution and performance of this Agreement will not breach any agreement or any contractual right of a third party. Client will indemnify, defend, and hold UtiliPoint International, its officers, directors, employees, contractors, and agents harmless from any breach of any of the representations or warranties contained in this Section 3.2 and from any claim for damages by any third party that is based in whole or in part upon an allegation of fact which would constitute a breach of any of the representations or warranties contained herein.

3.3 Mutual Indemnity. Client and UtiliPoint International each will defend, indemnify, and hold the other harmless from any claim connected with this Agreement that may be asserted against the indemnitee by third parties based on the negligence or willful misconduct of the indemnitor. If such claim arises from the joint negligence or misconduct of Client and UtiliPoint International, each Party shall indemnify the other in proportion to its allocable share of such negligence or misconduct.

4. Limitation of Liability

4.1 No Special Damages. Neither Party will be liable to the other Party for indirect, special, incidental, punitive, or consequential damages (including without limitation, damages resulting from loss of profits, data, or records of



Client), even if such Party has been notified of the possibility or likelihood of such damages.

4.2 Actual Damages. UtiliPoint International' liability will be limited to actual damages, which will not exceed the amount paid to UtiliPoint International by Client for the portion of the Services or Deliverables directly causing the damages. UtiliPoint International will not be liable for any damages resulting from the creation or use of any Deliverable after such Deliverable has been accepted by Client or has been the subject of a final Rejection by Client.

4.3 Disclaimer of Additional Warranties. UtiliPoint International makes no representations or warranties other than those expressly stated herein, including any warranties of merchantability or fitness for a particular purpose, noninfringement of intellectual property, or that services will be performed in a workmanlike manner

4.4 Applications. The limitation of liability shall apply to claims of every kind, whether based on contract law, tort law, or otherwise, even if these limitations have the effect of exculpating a party from responsibility for its negligence, fault, or other conduct.



***Hedge Funds Enter the Energy Trading Space. A UtiliPoint International and Global Change Associates Sponsored Research Multi-Client Research Study, September 2004
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ENROLLMENT FORM

☐ Yes, I want to purchase the special multi-client study entitled “**Hedge Funds Enter the Energy Trading Space**” The cost of the study for current UtiliPoint International clients is \$7,500 and \$10,000 for non-clients.

FAX to (281) 681 8067

☐ Please have someone contact me to provide additional information.

Information

Name: _____

Signature: _____

Title: _____

Company: _____

Street Address: _____

City, State, Zip Code: _____

Telephone: _____ Fax: _____

E-mail Address: _____

Return this completed form to:

Gary M. Vasey

25301 Borough Park Drive, Suite 112

The Woodlands, Texas 77380 USA

Phone: 281.681.8020

Fax: 281.681.8067

E-mail: gvasey@utilipoint.com

UtiliPoint International reserves the right to modify the pricing deliverables described in this proposal on an ad hoc basis in response to individual client needs. In the unlikely event that this sponsored research project does not reach a critical mass of participation UtiliPoint International at its own discretion further reserves the right to discontinue this effort. In the unlikely case of such a decision clients will be notified and any funds paid to UtiliPoint refunded in full.