

K&M NEWS

K & M Group of Companies

SEPTEMBER 2001



Message from the Chairman

My dear friends and colleagues:

As all of you know, the United States was the victim of a horrific and terrible tragedy on September 11. I want to thank all of you around the world who have sent notes of support, solidarity and sympathy to the K&M family of employees. Sadly, some of our employees have been touched directly by this tragedy. A longtime associate of K&M lost a brother on one of the ill-fated flights.

Out of the rubble Americans have demonstrated their remarkable compassion for their fellow man and their steely resolve to be undaunted by these events. I can assure you that we at K&M remain committed to working alongside all of our international friends to meet the world's infrastructure needs. Our headquarters and field offices will continue to operate normally.

Our thoughts and prayers remain with the victims and their families as well as all of the heroes who have worked tirelessly to save lives. God bless you and your families during this trying time.

Michael H. Kappaz



K&M Engineering and Korea Power Engineering Form Strategic Alliance



ABOVE: Left to Right: Philip Agress, Deputy Assistant Secretary, U.S. Dept. of Commerce; Yong-Taek Park, President/CEO Korea Power Engineering; Michael Kappaz, Chairman/CEO, K&M Engineering; and Dr. Joon Suk Jung, Commercial Counselor, Embassy of Korea.

K&M has formed a strategic alliance with Korea Power Engineering Co., Inc. (KOPEC) to jointly pursue power projects in the United States and selected international markets.

The K&M/KOPEC strategic alliance will offer a full range of expertise in engineering, procurement and construction of power facilities and systems. The two companies have combined resources of 2,100 personnel and experience totaling over 60,000 MW power plant capacity in operation or under construction.

"Through this alliance our two companies offer a remarkable depth of expertise and resources in engineering, procurement and construction of power projects that leverage our individual strengths and global presence," remarked K&M Chairman/CEO Michael Kappaz. "At a time of surging energy demand this new alliance offers immediate resources and proven capabilities to power project sponsors and developers as they seek to keep pace with the market."

KOPEC President/CEO Yong-Taek Park applauded the alliance and observed, "I know that this alliance will benefit from KOPEC's extensive experience in the design and construction of state-of-the-art power plants in Korea and elsewhere. We hope to offer these skills in the engineering and construction of US power plants and contribute to the alleviation of the current electricity shortage."

"The synergies realized by this strategic partnership will propel our companies into aggressively seeking new opportunities and new markets," commented K&M Director of Engineering and Construction William Gay.

See STRATEGIC ALLIANCE page 2



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K&M/KOPEC Form Strategic Alliance



*ABOVE: Left to right: K&M Chairman/
CEO Michael Kappaz, KOPEC President/
CEO Yong-Taek Park and KOPEC Director
of Fossil & Hydropower Plant Project
Development Sung-Choon Kim.*

*BELOW: Michael Kappaz and Yong-Taek
Park sign Memorandum of Understanding.*



continued from cover

During a signing ceremony in Washington, D.C., the companies indicated that the United States will be a major focus for this alliance. The signing ceremony was held at K&M's Washington offices to formalize the Memorandum of Understanding between the two companies. In attendance were representatives of the U.S. and Korean governments (Mr. Philip Agress, Deputy Assistant Secretary, U.S. Department of Commerce, and Dr. Joon Suk Jung, Commercial Counselor, Embassy of Korea).

Since its founding in 1987, K&M has forged an entrepreneurial role in infrastructure project development and construction by combining the latest engineering technologies with innovative project financing strategies. Unique among the industry, the firm houses both technical and financial experts who offer a fully integrated approach to projects. K&M's expertise encompasses every phase of an infrastructure project—from conceptualization, structuring and financing—to engineering, construction, commissioning and operation. K&M has been involved in the successful completion of \$10 billion of infrastructure projects in the United States and 40 countries.

For over 25 years KOPEC has played a pivotal role in every phase of Korean nuclear, fossil and hydroelectric power plant design encompassing engineering services with related technology development and technical support services for operating plants. Moreover, the company has diversified into the areas of power transmission and distribution as well as project management services for other infrastructure facilities.

For further information contact Frank Staszkesky, Jr., Director of Business Development, Engineering and Construction Services, at K&M-Washington (fstaszkesky@kmec.com).

K&M Hosts KOGAS Delegation



K&M hosted a week-long briefing for Korea Gas Corporation (KOGAS) representatives at its Washington headquarters which covered a broad range of private power fundamentals. Specific topics included: Contract Fundamentals, Determinants for Successful Financing of Private Power Projects, Tariff Structuring and Technical Considerations.

K&M/KOGAS discussed the status of Korea's power sector restructuring and deregulation efforts and utilized the opportunity to examine a specific project under consideration by KOGAS and how private power principles can be applied to that project as it moves forward toward implementation.

For further information contact K&M Project Development Manager Philip Hetzner at K&M-Washington (phtezner@kmec.com).



ABOVE: (front left to right): KOGAS Manager, Office of Engineering and Project Planning, Mr. Oh, Hong-Yong; KOGAS Head, Managerial Research Team, Dr. Dongin Lee and KOGAS Director, Office of Technology and Project Planning, Mr. Jung, Man-Jin. (Back left to right): K&M Business Development Director Frank Staszkesky, Jr., K&M Senior Vice President William Drotleff, K&M Corporate Counsel Cindy Shepard, K&M Project Development Manager Philip Hetzner and K&M Chairman/CEO Michael Kappaz.

Alexandria Wastewater Treatment Project



K&M is assisting to expand treatment, pumping and support facility capacity at Alexandria's (Egypt) two primary wastewater treatment plants. As the largest single public works investment (US\$95 million) in Alexandria, improvements consist of expansion/modification of the two plants and 6 existing pump stations operated by the Alexandria Government Organization for Sanitary Drainage. During this Phase II expansion the current peak flow capacity of the East Treatment Plant of 525 million liters/day (ML/D)* will be increased to handle 804 ML/D. The West Treatment Plant will be increased from 284 ML/D to 719 ML/D. Phase II completion is targeted for late-2002. (* one gallon = 3.785 liters)

K&M serves as the independent Contractor Quality Control (CQC) subcontractor to ABB-SUSA on this USAID-funded project with 15 mechanical, electrical and civil inspectors on-site. Metcalf & Eddy is the construction manager. K&M performs sampling, testing and inspection activities, and works closely with on-site personnel to establish and maintain quality of workmanship and materials. K&M is also responsible for offshore (USA) factory inspections monitoring compliance to equipment testing specifications.

For further information contact K&M Technical Director Martin Tormey at K&M-Washington (mtormey@kmec.com).



*Top: bar screens installation (West)
Center: pile load test (East)
Bottom: existing clarifiers (East)*



Speakers Bureau

SEPTEMBER

William Drotleff, speaker
Topic: "Private Sector Investment in the Power Sector of Southern Africa: Developer Needs and Conditions"
Conference: "Southern African Development: Energy Investment"
Sponsor: USAID
Victoria Falls, Zimbabwe

AUGUST

Prem Babu, speaker
Topic: "Private Transmission: Recommendations for the Role of Regulator in the Selection of an Independent Private Transmission Company through the International Competitive Bid Process"
Conference: "Global Participation in Indian National Grid, Energy Management and Convergence"
Sponsors: Powergrid Corporation of India and Federation of Indian Chambers of Commerce and Industry
Mumbai, India

JULY

Henry Sandri, speaker
Topic: "Clean Energy Technology Exports Initiative (CETE)"
Sponsor: U.S. Department of Energy and U.S. Energy Association
Washington, DC USA

Douglas Schultz, speaker
Topic: "Power Sector Projects." Advocacy for U.S. business. Roundtable for newly appointed DCMs and Commercial Attaches. Foreign Service Institute. Sponsor: Business Council for International Understanding
Arlington, VA USA

William Kappaz, attendee
Topic: "Global Power Business: Reconciliation of Politics and Profit"
Sponsor: Cambridge Energy Research Associates
Glenegles, Scotland



K&M Holds IGCC Technology Seminar

Commercial Coal-fired IGCC Plants

Cool Water, 96 MW using Texaco Technology. Start-up 1984. (USA) \$4890/kW

Plaquemine, 160 MW using Destec Technology. Start-up 1987. (USA) \$2140/kW

Buggenum, 253 MW using Shell Technology. Start-up 1994. (Holland) \$2100/kW

Wabash River, 262 MW using Destec Technology. Start-up 1995. (USA) \$1590/kW

Polk County, 250 MW using Texaco Technology. Start-up 1996. (USA) \$1940/kW

Pinon Pine, 100 MW using KRW Technology. Start-up 1997+. (USA) \$2125/kW

Puertollano, 300 MW using Prenflo Technology. Start-up 1997. (Spain)

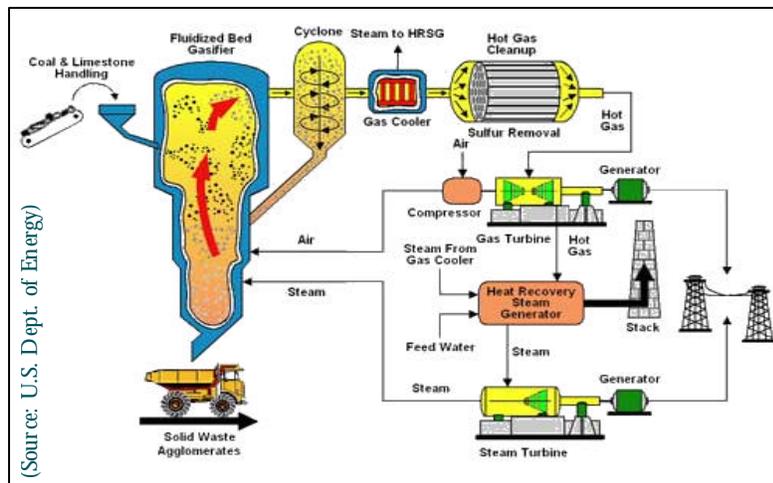
Litinov, 350 MW using Lurgi Technology. Start-up 1997. (Czech Republic)



Gas cleanup system
(Source: U.S. Deptt. of Energy)

In July, K&M Chief Civil Engineer Augusto Pagano and Chief Mechanical Engineer Lenny Golbin made a presentation to K&M employees as part of the company's ongoing in-house training seminar series. The two chief engineers gave an extensive overview of Integrated Gasification Combined Cycle (IGCC) technologies and reviewed the status of their commercial application.

Mr. Golbin addressed the numerous independent technical assessments of IGCC projects that K&M has performed over the past decade on behalf of the U.S. Department of Energy's Clean Coal Technology program, which is managed by the National Energy Technology Laboratory. In addition, K&M has com-



(Source: U.S. Dept. of Energy)

Existing Gasifier Technologies

Type	LURGI Fixed bed	TEXACO Entrained Flow	SHELL Entrained Flow	KRW Fluidized Bed
Oxidant	Steam, Oxygen	Oxygen	Oxygen	Air
Operating Pressure	2-3 MPa	2-3 Mpa	3 Mpa	2 Mpa
Reaction Temp.	1,100° C	1,200-1,500° C	1,400-1,550° C	950-1,100° C
Ash Handling	Dry	Slagging	Slagging	Dry
Coal Feed	Granular	Slurry	Dry Pulverized	Crushed
Installations	Sasol 90,000t/d Beulah 13,000t/d	Ube 1,500t/d Polk 2,000t/d	Buggenum 2,000t/d	Pinon Pine 800t/d

pleted several assignments on behalf of commercial clients seeking to utilize IGCC technologies in greenfield projects. Specifically, K&M completed an extensive technical assessment in connection with the equipment selection for KEPCO's 1,200 MW Ilijan Power Plant in the Philippines. K&M recommended utilizing the MHI 501G combustion turbines, which recently achieved successful first fire of Unit #1. Presently, K&M is performing an independent review of the engineering rework for the Pinon Pine IGCC facility in Nevada, one of USDOE's major IGCC demonstration projects. The start-up at Pinon Pine is still going on and Global Energy, a unit of Destec, is performing the modifications that, eventually, will make the system operational.

Mr. Pagano explained that gasification is achieved by reacting the coal, at high temperature and pressure, with a limited amount of oxygen. This produces a fuel gas mostly consisting of carbon monoxide and hydrogen. The raw fuel gas passes to a clean-up stage where particulates, sulphur, and nitrogen compounds are removed. At least 99 percent of the coal's sulfur is removed during this process.

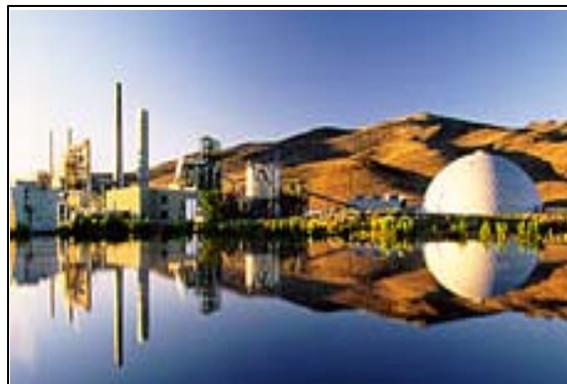
The cleaned gas is burned in a conventional gas turbine to produce electrical power and the hot turbine exhaust is used to produce steam for a conventional steam turbine. The gas and steam turbines operate together as a combined cycle. Typically, the gas turbine produces 65 percent of the power, while the steam turbine produces about 35 percent.

The IGCC is suitable for a wide range of fuels. Other than coal, significant opportunities exist for low value, poor quality fuels such as oil residuals, orimulsion, biomass and waste materials (such as municipal rubbish).

While the Lurgi fixed bed reactors are the dominant coal-gasifier in commercial operation around the world, most of the newer plants are based on Shell or Texaco entrained flow designs. The KRW air-blown fluidized-bed gasifier technology uses hot gas clean-up with an in-bed sulfur capture process, ceramic filters, and external desulfurization. The use of air as the catalyst, therefore, eliminates the need of a high cost oxygen plant. In addition, it is the only technology capable of using any type of coal without elaborate preparation.

For further information contact K&M Chief Civil Engineer Augusto Pagano at K&M-Washington (apagano@kmecc.com).

100 MW Pinon Pine IGCC, Nevada
(Source: U.S. Department of Energy)



Hugo Coal Plant Due Diligence



In May, K&M completed an independent technical assessment of the Hugo Plant, a 475 MW coal-fired electric generating facility located near Fort Towson in Southeastern Oklahoma. This technical assessment was used to evaluate the financial security of the proposed sale and lease back transaction.

K&M was also retained to review certain commercial documents related to the proposed transaction and render an independent opinion relative to the commercial aspects of the Service Contract Term Sheet.

The technical report issued by K&M offers an assessment of the physical condition, expected continued performance, and remaining useful life of the Facility. This assessment was developed based upon an inspection of the facilities, interviews with plant personnel and review of plant documentation.

For further information contact K&M Chief Civil Engineer August Pagano at K&M-Washington (apagano@kmec.com).

Hugo Power Plant Components

- The steam generator is a Babcock & Wilcox pulverized-coal fired boiler with balanced draft furnace. Fuel oil is used as a start-up fuel.
- Westinghouse manufactured the original 440 MW turbine. The high-pressure, intermediate-pressure and low-pressure turbines were upgraded to the ABB design and it is now capable of producing 475 MW. Westinghouse manufactured the generator and exciter.
- The Bailey Control System is used to monitor the boiler operating parameters and functions.
- Three 116-car unit trains deliver the fuel coal to the plant. Each unit train carries approximately 11,000 tons of sub-bituminous coal from the Powder River Basin in Wyoming.
- The Plant make-up water is extracted from the Kiamichi River and stored on site in an 80-acre storage pond.
- The power output from the plant is evacuated through four 138 kV transmission lines and distributed to off-takers through several switching stations and substations. The 138 kV substation has nine high-voltage circuit breakers and associated disconnecting switches arranged in three breaker-and-a-half bays.
- The Air Quality Control System consists of Low NOx burners and overfired air for NOx control and electrostatic precipitators to limit particulate emission.

Teco Power Services Breaks Ground on Dell and McAdams Power Plants



Dell



TPS President Richard Ludwig and Gov. Mike Huckabee



McAdams

In June, TECO Power Services (TPS) held a groundbreaking ceremony for its 599 MW independent power project in Dell, Arkansas. Gov. Mike Huckabee was the keynote speaker. TPS President Richard Ludwig joined the governor in turning the first spade. Earlier, in April, a similar ceremony took place for the 599 MW McAdams power project in Kosciusko, Mississippi, attended by Gov. Ronnie Musgrove.

The two projects are being constructed by NEPCO under a turnkey EPC contract, with K&M serving as on-site Owners Representative since mid-May. GE is responsible for installation of the two switchyards and associated transmission lines. Yates is responsible for the site work and water supply systems at the McAdams site, and Lane is installing the wells at the Dell site.

Construction on the facilities began in March at both sites. Dell has reach approximately 16% completion with major civil works components well under way. GT #1 has been installed on its foundation (two months ahead of schedule). Engineering for McAdams is nearly complete, with construction approximately 18% complete. Commercial operation at both plants is scheduled for late-2002.

Dell and McAdams are natural gas-fired, combined-cycle plants utilizing highly efficient GE 7F technology. They have two heat recovery steam generators with selective catalytic reduction for lowering NOx emissions and one reheat steam turbine. They are designed to interconnect with the Entergy transmission system and sell electricity to wholesale customers in the Southeast and Midwest, including AK, LA, MS, AL, GA, TN and KY.

For further information contact K&M Project Manager Riad Khalil at K&M-Washington (rkhalil@kmec.com).



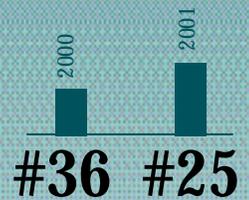
GE 7F gas turbines arrive on site (Left: Dell—Right: McAdams)

HISPANIC BUSINESS

July/August
"Super Companies"
 11 leading USA Hispanic companies that rank on both High-Tech 50 and Fastest-Growing 100

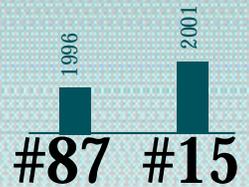
July/August TOP 50

HIGH TECH
 HISPANIC
 COMPANIES



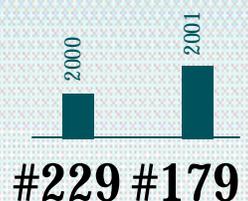
July/August FASTEST GROWING 100

1,351.61%



June TOP 500

LARGEST
 HISPANIC-OWNED
 COMPANIES





K&M Chief Electrical Engineer Prem P.C. Babu addresses the international conference in Mumbai on the role of the regulator in the private transmission of electricity.

Excerpts of technical paper by Prem P.C. Babu, K&M Chief Electrical Engineer, presented at "Global Participation in Indian National Grid, Energy Management and Convergence" international conference in Mumbai, India in August. Full text available by contacting K&M News Editor Linda Ivanov (livanov@kmec.com)

"Recommendations for the Role of Regulator in the Selection of an Independent Private Transmission Company through the International Competitive Bid Process"

(EXCERPTS). It is my pleasure and privilege to share with you my findings on the role of the Regulator in the selection and operation of an Independent Private Transmission Company (IPTC) in other countries and my recommendations for the Regulator's role in the selection of the IPTC in India.

Let me also share with you the privilege my company, K&M Engineering and Consulting, and I, as Project Manager, are currently enjoying in providing consulting services to Powergrid Corporation of India (Powergrid) in their effort to conduct an International Solicitation and Selection of an IPTC through competitive bidding.

Private sector participation in the transmission of electricity is relatively new and in the early stages worldwide. There are not many private transmission line companies compared to private generating companies. Additionally, there have not been many transmission projects done on an International Competitive Bid basis.

First I will explain the background and how the solicitation of the IPTC is structured. As you know, following the Central Government's decision to encourage private investment in the transmission sector, the Electricity Act of 1998 was enacted and further revisions of it are currently underway in the form of the Electricity Act of 2001. Powergrid was appointed as the Central Transmission Utility (CTU) and entrusted with the responsibility to recommend qualified IPTCs for licenses to develop, finance, construct, own, maintain and transfer transmission lines. The Central Regulatory Commission, commonly known as CERC, was given the authority to issue licenses to the IPTCs. CERC is currently reviewing its role in the selection and operation of the IPTC.

In the capacity of the CTU, Powergrid is currently in the process of soliciting IPTCs for the construction of two 400 kV transmission lines between Bina, Nagda and Degham substations in the States of Gujarat and Madhya Pradesh. The IPTC is proposed to build and terminate these lines on the gantries built by Powergrid in the Powergrid's and State Electricity Board's (SEBs) substations. The extension of the substation bay to receive these lines, installation of circuit breakers and protective relays,

and metering will be the responsibility of Powergrid. For constructing and maintaining these lines between the gantries, the IPTC will be paid a competitively bid and availability based Transmission Service Charge over the term of the license. At the end of the license period these lines will be transferred back to Powergrid.

In the United States, a Canadian-based company (one of the few companies formed to be an IPTC), is presently in the process of developing a DC transmission line under Long Island Sound that will connect to the grids of New England and Long Island (NY). This interconnection will provide additional power transfer capacity in either direction between New Haven (CT) and Shoreham, Long Island (NY).

The licensing and citing of transmission lines in the United States is the responsibility of the specific states involved. The transmission rates and tariffs are, however, the responsibility of the U.S. Federal Energy Regulatory Commission (FERC). It is interesting that for regulatory purposes, FERC ruled that the DC line looks more like an Independent Power Producer than it does as a Transmission Provider on the interconnected grid. FERC determined that the IPTC in this case does not possess an "inordinate" market power and could, therefore, charge market-based rates for its services rather than a cost-based regulated tariff. FERC's view was influenced by the fact that the DC line did have competition in the form of accessing the market through interconnected generation and transmission. Simply stated, FERC's policy with regard to the IPTC appears to be that if the facility is not an "essential bottleneck" and if it does not possess monopoly power, then it will be allowed to charge market rates.

In Australia, this same IPTC has also constructed and operates a transmission line interconnecting the grids of Queensland and New South Wales. These lines were not built in response to a solicitation, but a business opportunity that the IPTC saw and seized among the efforts going on there to disaggregate and privatize its electric power industry. The IPTC proposed to build a transmission line connecting the Queensland and New South Wales grids and derive its revenues through Buy-Sell arrangements it enters into with generators and offtakers, and by providing wheeling services where the IPTC does not take any proprietary interest in the power flow through their lines. In Australia, licensing and citing responsibilities lie with the individual municipalities through which the line passes. The rates for the transmission services, however, do require regulatory review from the National Electricity Code Administrator (NECA). In the case of the IPTC, NECA created a safe harbor that allowed a great deal of freedom for the IPTC in pricing its services. It allowed the IPTC to perform Buy-Sell transactions and to provide the wheeling services. This is unique because in most cases the regulators consider transmission lines as bottleneck facilities and do not allow such operators to have any interest in the outcome of competitive energy transactions. Generally, most regulators would implement mechanisms, either structural or behavioral, that would restrain the ability of the Transmission Service Provider to "play" in the energy market. In the IPTC's case, perhaps NECA saw that there were alternatives that precluded the IPTC from exercising inordinate market power or simply overlooked the issue to encourage private sector participation.

In Brazil, the government is required to publish an annual "Determinative Transmission Plan" outlining new transmission lines required for the upcoming three years. This plan identifies and defines specific projects, which are then offered for competitive bid to private investors. The actual solicitation and bidding process itself is conducted entirely by the government. Neither the national regulator, ANEEL, nor any

Private Transmission: Role of Regulator

of the state regulatory agencies are formally involved in the bidding process, although it is likely that they are consulted and afforded the opportunity for informal participation in the planning process and in the drawing up of the terms of the bidding. Depending upon the nature of the project, the regulatory agency issuing the license may be either national, state or local. While ANEEL does not conduct bids nor issue licenses, all the pricing aspects of the license are specifically subject to the rates and tariffs set by ANEEL. The operation of the grid is entrusted to the national system operator, ONS, which is subject to ANEEL's jurisdiction.

In Peru, the Ministry of Energy and Mines set up an independent body called COPRI (privatization committee) to conduct the solicitation for privatization of state-owned enterprises or assets and for private sector participation in concessions on a Build-Own-Operate-Transfer (BOOT) basis for new infrastructure facilities, including transmission line projects. The selection of the transmission lines for development by private investors is carried out by the Ministry and is published in an annual report called "Indicative Transmission Expansion Plan." This selection is approved by the regulator, Commission de Tarifas de Energie (CTE). The tariff ceiling is also set by CTE. The actual bidding and selection process is conducted by COPRI with no further review by CTE.

From these examples of IPTCs in other countries, it can be seen that the industry is still in its infancy. In some countries, the IPTC was unsolicited and market driven. In Brazil and Peru, the IPTC responded to a well-defined solicitation.

In India, the IPTC is intended to bring private investment into the transmission sector. To facilitate this the government has prepared guidelines for the International Competitive Bid process after consultations with various stakeholders and reviewing recommendations made in the report "The Framework to Facilitate Private Investment in Transmission Projects," prepared by an expert committee set up by the government. India already has a well-established planning process in which the Central Electricity Authority (CEA), a government agency, prepares advanced planning studies for the construction of transmission lines based on load and generation forecasts. These plans are finalized after consultations with Powergrid, the various concerned SEBs and the Ministry of Power for implementation by Powergrid or the SEBs. Based on the consultations, the Ministry of Power issues an order under Section 18A of the Electricity Supply Act of 1948 for Powergrid or the SEBs to construct these transmission lines. From among these planned transmission lines, Powergrid has identified specific transmission lines for development, construction, ownership, maintenance and transfer by an IPTC.

As the IPTC merely provides the transmission line for Powergrid's use, it is not permitted to trade in the electricity that goes through these lines, nor control the flow of power, the IPTC is no position to influence the price of electricity other than passing on its competitively bid, availability-based Transmission Service Charge to the SEBs through the Powergrid tariff for the length of the license period. One sure way to attract a greater number of bidders and make the privatization process more competitive is to make projects attractive by not overburdening them with excessive regulations. As soon as a few projects are completed and are successfully operated by an IPTC, there will be greater confidence among the investors to participate in future solicitations. Their Return on Equity expectations will be lowered and be comparable to the expectations in other countries where privatization has been successful. The banks would



Prem Babu receives commemoration from conference sponsors

also perceive the projects as lower risk and offer more favorable interest rates and loan terms.

The following regulatory process is, in my opinion, an efficient and workable approach that may be adopted in the selection and operation by the IPTC in India. I believe these recommendations meet the objectives of the regulator and the concerns of the investors.

1. Powergrid to consult with CERC and arrive at a consensus on the Terms of Reference for the solicitation to assure transparency and competition. The actual solicitation may be carried out by Powergrid.

2. CERC to set a ceiling for the Transmission Service Charge that may be charged by the IPTC on a case-by-case basis. The ceiling should be arrived at based on the capital costs for constructing the specific transmission lines, the prevailing interest rates for the debt available to the IPTC and the market expectations of the Return on Equity for private investors. It is unlikely that the ceiling set by CERC will unduly influence the Transmission Service Charge set by the IPTC. The Transmission Service Charge is more likely to be determined by competitive forces. The reason for setting the ceiling is to protect the public from very high charges should the investment climate be unfavorable and to give confidence to the IPTC that once its proposal has been evaluated by Powergrid as the lowest responsive bid, and its proposed transmission service charge is below the ceiling, its proposal will not be open to renegotiation. It should be noted that if the ceiling to the Transmission Service Charge is set too low there will be no bidders.

3. Once the successful IPTC is selected and license issued, no further review of the Transmission Service Charge will be made by CERC.

As private investment in the transmission sector is very new and is yet to take hold, it is recommended that incentives in the form of minimum regulation and a realistic ceiling price for the Transmission Service Charge be adopted to encourage greater participation by the private sector. A direct and tangible benefit of such greater participation by the private sector will be greater competition among participants and, therefore, result in lower charges to the public. The government will be free to use its resources for other essential public projects. (END EXCERPTS)

For further information contact K&M Chief Electrical Engineer Prem P.C. Babu at K&M-Washington (pbabu@kmec.com).

Community Relations

In May, K&M was a corporate sponsor for the Latino Student Fund's (LSF) benefit gala held at the Colombian ambassador's residence in Washington, D.C. Amb. and Mrs. Moreno hosted a reception and silent auction that raised over \$30,000 for student programs and scholarships. K&M donates office space to the LSF and is a regular sponsor of the organization's activities. LSF strives to expand and improve educational opportunities for Hispanic students in the Washington area through tutoring, financial aid, internships, workshops and summer camp. Most scholarship students are second-generation Americans, whose average family income ranges from \$20-30,000/year. LSF helps these families obtain scholarships to private and magnet schools.



K&M Chairman Michael Kappaz, Mrs. Virginia Williams, Mrs. Moreno and Leonardo Cruces (LSF Scholar)



LSF Board of Trustees President Kathe Williamson with K&M Chairman Michael Kappaz



LSF Scholars

TIME SENSATIVE MATERIAL



CHANGE SERVICE REQUESTED

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Consulting Corporation**
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Washington, DC 20036

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