

# **In Search of the Value Proposition**

## ***Back to the Future***



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# In the Regulated Utility Value Is Created by Efficient and Reliable Operation of Assets

- Maximizing service reliability
- Minimizing operational expense
- Maximizing the productivity of deployed capital
- Maximizing the opportunity to productively deploy new capital

# Restructuring Is Changing the Business Environment for Wires Utilities

- Emergence of innovative rate structures
  - Performance based rates
- Complex market dynamics
- Increased regulatory scrutiny
- Increased customer expectation for:
  - Higher reliability
  - Lower rates
- Increasingly adversarial relationships with organized labor

# Companies Are Shifting Their Value Creation Tactics

- **Expanding service scope**
  - Traditional services to non-traditional customers
  - Non-traditional services to customers
  - Non-traditional services to non-traditional customers
- **Expanding service scale**
  - Geographically expanding operations

# Expanding Scale and Scope Enables Value Creation by Capturing Synergies

- Capitalizes on economies of scale
  - Increases utilization of human and capital resources and assets
- Provides opportunity for revenue growth

# Convergent Strategies Do Not Produce Shareholder Value in the Long Run

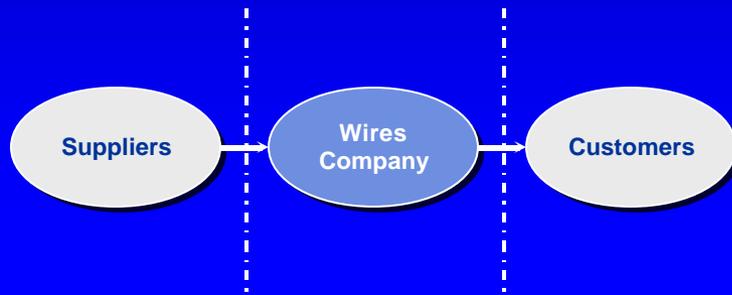
With many companies embarking on the same path, this value creation strategy can only yield industry “average” returns to the best performers.

# Companies Must Use Unique Strategies to Create Shareholder Value

- Expand management focus from the value chain to the value network (become "*connected*")
  - Establish effective, collaborative connections to all value network participants
  - Use technology to enable internal and externally-facing processes and communication channels

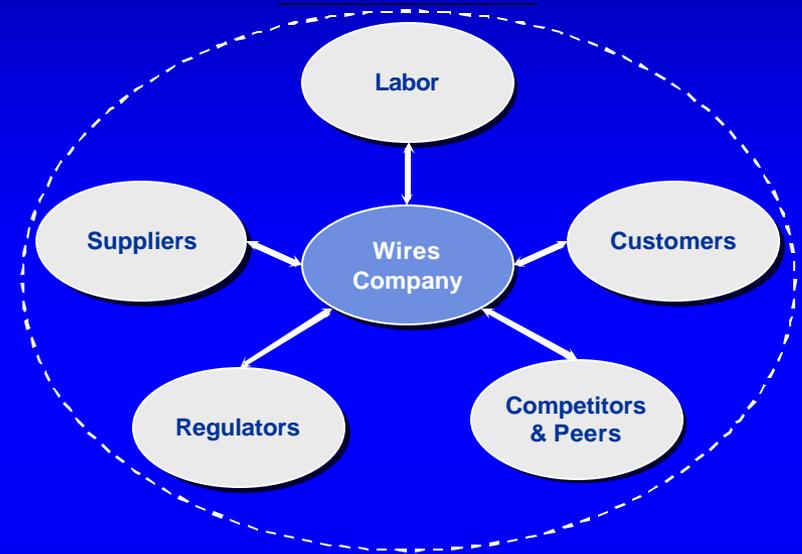
# Connectedness Enables Value Creation by Mining Value From the Entire Value Network

Value Chain



By concentrating attention only on the one-way flows through the value chain (suppliers, the company and its customers), businesses have historically ignored the value potential of their other relationships.

Value Network



By focusing on and collaborating with the entire value network, businesses can become connected with and create value with their customers, suppliers, peers and competitors, regulators and labor.

# Becoming *Connected* Enables Value Creation by Transcending Space and Time

- Provides efficient access to information
- Enables distributed decision making
- Uses market forces to allocate resources
- Overcomes internal and external process barriers

# The Nature of Photovoltaic Investments Holds the Key to the Value Proposition

Photovoltaic investments offer a significantly different assemblage of capabilities offering new cost/performance and locational characteristics for investments in the network driving new competencies and offering the potential for enhanced market relationships

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