

STEVEN H. LEVINE**Principal**

Steven Levine works on consulting and litigation support engagements primarily in the natural gas and electric power industries. His work focuses on financial modeling, valuation, damages estimation, regulatory economics, analysis of competition, and business strategy. He received a B.A. *magna cum laude* in economics from Brandeis University, where he was elected to *Phi Beta Kappa*, and an M.B.A. with a concentration in finance from Columbia Business School. Before attending Columbia, he worked for three years as a research associate at Putnam, Hayes & Bartlett, where he focused on litigation and strategic matters in the electricity, natural gas and oil industries. He was also a summer intern at MBIA (Municipal Bond Investors Assurance Corporation).

CONSULTING EXPERIENCE

- On behalf of an interstate natural gas pipeline involved in a rate proceeding, Mr. Levine assisted in the preparation of testimony responding to intervenors who proposed that a recent expansion of the pipeline should be priced on an incremental basis. The testimony explained that intervenor arguments for incremental rates were not valid, and that rolled-in rate treatment was appropriate. The testimony also explained that the continuation of postage stamp pricing for the pipeline's transportation services was appropriate, contrary to intervenor proposals for zonal rates on the pipeline.
- Mr. Levine managed a multi-year investigation of the activities of a regulated natural gas utility and its unregulated affiliates during the 2000-2001 California energy crisis. He submitted testimony before the California Public Utilities Commission regarding the storage activities of the regulated gas utility that contributed to large spikes in the price of natural gas at the California border and the utility's physical and financial trading activities that allowed it to profit from these price spikes.
- On behalf of a natural gas utility, Mr. Levine assisted in the preparation of testimony responding to claims that the utility was imprudent for failing to hedge its gas purchases. The testimony explained that the utility's purchasing practices were consistent with industry norms and that the disallowance proposals were not appropriate because they unfairly used hindsight information.

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- On behalf a group of Alaskan gas producers, Mr. Levine was part of a team that evaluated whether the open season regulations proposed by FERC provided an appropriate framework for the development of an Alaskan gas pipeline. Mr. Levine was one of the authors of a white paper that concluded that the proposed regulations and existing FERC policy provided the appropriate incentives for the development of an Alaskan pipeline.
- As part of an arbitration proceeding, Mr. Levine oversaw the development of a discounted cash flow model that estimated the value of a natural gas pipeline.
- Mr. Levine assisted in the preparation of an expert report that estimated the damages incurred by a natural gas marketing company as a result of the termination of a gas sales contract (and associated amendments). The damages were the result of a series of fixed-price agreements between the gas marketer and a municipal gas utility that covered future time periods. The municipal utility terminated its contract with the gas marketer at a time when spot and future market prices were lower than the fixed-price agreements, resulting in damages to the gas marketer. NYMEX future prices (adjusted for location differences) on the date of contract termination were used to estimate the damages to the gas marketer. In addition, Mr. Levine assisted in the preparation of reports that critiqued the damages estimates provided by an opposing witness.
- On behalf of a large paper manufacturing company, Mr. Levine assisted in the preparation of an expert report that estimated the damages that resulted from the breach of a steam contract between the paper manufacturer and the owner of a natural gas-fired electricity cogeneration plant. The price of steam specified in the contract was based on the price of four fixed-price, fixed-escalation natural gas supply contracts that the cogeneration facility had entered into with four natural gas suppliers. When one of the natural gas suppliers terminated its contract with the cogeneration facility, the cogeneration facility entered into replacement gas contracts that were indexed to monthly gas prices. These indexed replacement contracts resulted in higher gas prices than the fixed-price fixed-escalation gas contract that

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was terminated, and higher steam prices to the paper manufacturer. Mr. Levine helped estimate the damages to the paper manufacturer from the higher steam prices that resulted from the replacement gas contracts.

- Mr. Levine conducted a comprehensive review of the gas procurement and contracting practices of a major electric utility over a four year period. He reviewed all aspects of the utility's procurement including its gas supply, transportation, and storage contracts, as well as its operational balancing agreements. He assisted in the preparation of testimony describing how the utility's procurement practices were appropriate in light of the significant uncertainty in its gas requirements. The testimony also described appropriate policies for evaluating a utility's gas hedging program.
- On behalf of a large pipeline company, Mr. Levine assisted in the preparation of testimony describing the competitive environment in which the pipeline operated and how competition impacted the pipeline's competitive position and business risk.
- On behalf of an electric generator, Mr. Levine helped analyze potential savings from rate reductions on a pipeline serving several of the generator's power plants. Mr. Levine quantified the savings due to the pipeline's lower operating and maintenance expenses, lower cost of capital, and a reduction in the pipeline's net plant. Mr. Levine analyzed several settlement offers proposed by the pipeline.
- Mr. Levine helped prepare a report submitted to the FERC detailing anti-competitive activity by the affiliate of a large interstate pipeline company holding a large block of the pipeline's capacity.
- On behalf of a New York electric utility accused of breaching a contract to interconnect with a gas-fired generator, Mr. Levine critiqued an opposing expert's damage claim and estimated damages that reflected appropriate mitigation strategies.

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- On behalf of a New England gas utility, Mr. Levine assisted in the preparation of testimony regarding a proposed risk management program and deferred cost recovery plan. The testimony addressed the benefits of hedging and suggested a framework for appropriate regulation of gas utility hedging programs.
- For the owner of a power plant located in the Caribbean, Mr. Levine prepared a report analyzing worldwide Liquefied Natural Gas (LNG) markets in order to assist the owner in evaluating fuel alternatives for additional generating capacity. The report analyzed the supply and demand of LNG, recent LNG import and export projects, and compared price forecasts for LNG to forecasts for alternative fuels.
- For an interstate gas pipeline, Mr. Levine analyzed a peaking service rate proposed by a local distribution company designed to prevent uneconomic bypass of its gas transmission system. Mr. Levine assisted in the preparation of testimony illustrating that the proposed rate would also discourage economic bypass, an outcome that would be detrimental to both the construction of new gas-fired power generation in the region (which had experienced shortages of electric generation capacity) and to gas and electricity consumers in the region who could receive lower gas and electricity prices if economic bypass were encouraged.
- For the owner of a major gas processing plant involved in a contract arbitration, Mr. Levine managed a team analyzing the competitiveness of the gas processing, gathering, and liquids transportation markets in Texas. Mr. Levine assisted in the preparation of a report that was presented before the arbitrator, and helped analyze and critique the opposing expert's damage claim.
- Mr. Levine worked on behalf of the users of an overseas port who were paying excessive wharfage charges on products shipped through the port. Mr. Levine worked as part of a team to develop a revenue requirements

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model that calculated the fair and reasonable price for wharfage charges. He also developed a model to calculate damages resulting from the excessive prices. Finally, he analyzed whether the excessive charges had allowed the port company to fully recover the investment it made at the time the port was privatized, including a fair rate of return on that investment.

- For a trade association, Mr. Levine prepared and presented a report comparing the financial performance of Canadian and U.S. gas pipelines. The report analyzed stock market returns, market-to-book ratios, allowed returns, earnings, and bond ratings. The report concluded that the financial performance of Canadian gas pipelines lagged that of U.S. pipelines.
- On behalf of a concerned party, Mr. Levine was part of a team that evaluated the competitive implications of the merger of two large energy companies. The team reviewed the merging entities' gas gathering, transportation, storage, production, and marketing operations, in addition to their ownership of electricity generation and international energy assets. Mr. Levine helped present the team's analysis to the client's general counsel.
- For the owner of a gas-fired electricity generation plant, Mr. Levine supervised a team of consultants that prepared a valuation of a power plant in a property tax dispute. The Inter-Regional Market Model (IREMM) was used to forecast electricity prices, plant dispatch and plant revenues. The report prepared by *The Brattle Group* was used to negotiate a settlement of the plant's assessed value.
- On behalf of a natural gas pipeline company, Mr. Levine prepared presentations to potential purchasers of options on pipeline expansion capacity. The presentations explained how such options could be designed, quantified the benefits of such options relative to building a greenfield pipeline, and demonstrated how uncertainty in future gas demand impacts the value of the options. In addition, Mr. Levine created a decision-tree framework that quantified the value of the options under alternative scenarios of future demand.

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- On behalf of an electric utility intervenor in a pipeline rate case, Mr. Levine helped quantify the effect of higher gas prices (due to higher gas transportation rates) on electricity prices in the California power exchange, and the subsequent effect on the utility's power exchange purchases. The utility was concerned that a proposed rate settlement served to increase prices in the power exchange, thereby reducing the utility's ability to recover stranded costs under a legislated rate freeze.
- On behalf of an electric utility, Mr. Levine was part of a team that assessed natural gas market conditions in California as part of a statewide restructuring proceeding. Mr. Levine analyzed competitive conditions in transmission, storage, and procurement, including the alternatives available to shippers in meeting transmission company balancing requirements. The study proposed several changes to increase competition and limit opportunities for anticompetitive behavior. Mr. Levine also worked with the utility's attorneys during hearings to formulate cross-examination questions for other witnesses, and assisted the attorneys in the development of post-trial briefs.
- Mr. Levine evaluated the use of alternative rate designs for a natural gas transmission company. He participated in group planning sessions with company management to evaluate the future scenarios under which alternative rate designs might be implemented. These scenarios characterized future supply and demand conditions, based on additions of pipeline capacity and gas-fired electricity generation facilities. The company's internal ratemaking model was utilized to calculate seasonal and term-differentiated rates. These rates were compared to current basis differentials, projected basis differentials, and the rates of competing pipelines.

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- On behalf of an independent power producer involved in a property tax dispute, Mr. Levine developed price forecasting and valuation models to determine the value of a coal-fired power plant in competitive power markets. Mr. Levine also wrote a section of a report submitted to a state tax board. He also prepared an expert witness for trial, worked with attorneys during the trial to develop cross-examination questions, and assisted the attorneys in the development of post-trial briefs.
- On behalf of a California electric utility, Mr. Levine analyzed vertical market power concerns associated with a proposed merger between an electric utility and a gas transmission and distribution company, and assisted in the preparation of a protest before FERC and testimony before the California Public Utilities Commission.
- Mr. Levine developed line-of-business earnings estimates and valuations for a utility in the Midwest. He utilized the company's internal financial model to quantify an earnings gap, and also analyzed the impact of new investments on the company's earnings under different scenarios.
- On behalf of a California electric utility, Mr. Levine analyzed competitive concerns associated with the release of gas transmission capacity in secondary markets in the U.S. Southwest, and assisted in the preparation of a complaint before FERC.
- For a leading provider of long-distance telecommunications services, Mr. Levine assisted in the preparation of expert testimony regarding a local exchange carrier's request for accelerated depreciation of its regulated assets. The testimony addressed the importance of competitively neutral recovery of restructuring-related transition costs.
- For a large purchaser of electricity, Mr. Levine developed a market model to forecast electric power prices for the relevant region of the country. The model forecasted long-term price developments taking account of seasonality and peak and off-peak periods. The model had the flexibility to run scenarios

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reflecting alternative fuel price and load growth forecasts, and possible future environmental regulations.

- For the senior management of a Midwestern electric utility, Mr. Levine helped develop a presentation analyzing electric industry restructuring and alternative regulatory and business strategies for a day-long management retreat.
- On behalf of an electric utility considering a significant capital expenditure to convert one of its oil-fired steam generating units to natural gas, Mr. Levine developed a valuation model to assess the economics of the conversion. Mr. Levine analyzed the value of the generating unit as an oil-only unit and the incremental value of having the option to burn either gas or oil under different scenarios of gas, oil, and electric power prices. Mr. Levine also analyzed the likely dispatch of the converted generating unit in the regional power pool.
- For a New England electric utility, Mr. Levine valued the stranded cost exposure of the company resulting from proposed retail competition in the company's service area. Working with utility management and staff, Mr. Levine developed a financial model to analyze stranded costs attributable to each of the company's owned generating units, as well as its purchase power agreements, regulatory assets and nuclear decommissioning expenses. He also analyzed the sensitivity of the valuation to alternative electricity and fuel forecasts.
- For a client in Australia, Mr. Levine assisted in the preparation of expert testimony in an arbitration proceeding in which the price of gas under a long-term contract was in dispute. Specifically, he analyzed competitive developments in the South and Eastern Australian natural gas markets and reviewed the effects of increased competition on natural gas prices in the United States and Canada. He also used a gas producer's own profitability model to demonstrate that a reduction in the gas price would not significantly alter producer profitability and the contractual bargain that was struck at the time the gas purchase contract was signed.

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- As part of a study undertaken for the Edison Electric Institute, Mr. Levine researched and analyzed the market for telecommunications services and co-authored an appendix to a study comparing the electricity and telecommunications industries. The telecommunications industry experience offered important lessons for the electricity industry, including using access fees as a stranded cost recovery mechanism, switching to price-cap regulation, and accelerating the depreciation of overvalued assets.
- For an electric utility protesting the merger of two neighboring utilities, Mr. Levine analyzed the proposed merger benefits and drafted sections of the protest that was submitted to FERC. He examined the extent to which projected benefits could be achieved absent a merger. He evaluated the need for pre-merger rate reductions by the merging entities and contributed to memorandums sent to state public utility commissions. He also analyzed the merging utilities' mitigation proposals and helped draft testimony that was ultimately presented at FERC.
- For a natural gas transmission company, Mr. Levine analyzed the structure of the California natural gas market and assisted in the preparation of expert testimony regarding a competitor's role in that market as both a gas distribution company and the owner of a transmission pipeline. As part of the testimony, Mr. Levine estimated the magnitude of stranded interstate pipeline capacity costs.
- On behalf of the Official Bondholders' Committee of a bankrupt electric utility subsidiary, Mr. Levine analyzed the northeast electric power market and helped prepare a bid in response to an RFP for new generating capacity.
- For a collaborative of utilities in the northeast, Mr. Levine researched and analyzed past financial trends and future external financing requirements. He also helped prepare a report on the financial impact of industry restructuring.
- Mr. Levine assisted in the preparation of expert testimony on behalf of a large oil company regarding the valuation of crude oil in a tax dispute with

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the state of Alaska. He constructed a database of west coast crude oil characteristics and developed a model to value crude oil.

- For a group of oil producers involved in a refund proceeding, Mr. Levine assisted in the preparation of expert testimony regarding the appropriate allocation of the refund between refiners and end-users. He developed a model to estimate the historical level of price passthroughs from refiners to end-users.
- For an interstate natural gas transmission company interested in marketing storage services, Mr. Levine helped develop presentations to local distribution companies. Mr. Levine also helped evaluate the company's ten-year strategic plan.

Publications

"Evaluation of the Proposed Regulations Governing Open Seasons for Alaska Natural Gas Transportation Projects," (in part with several authors) prepared on behalf of BP Exploration (Alaska) Inc., ConocoPhillips Company, and Exxon Mobil Corporation, FERC Docket No. RM05-01, December 17, 2004

Oil Pipeline Complaint Procedures Are Being Clarified, (with Matthew P. O'Loughlin and Daniel S. Arthur), *Natural Gas*, Vol. 20, No. 2, (September 2003).

Volatile Markets Demand Change in State Regulatory Evaluation Policies, (with Frank C. Graves), *Electric & Natural Gas Business: Understanding It!*, Robert E. Willett, Editor, 2003.

Long-Term, Fixed-Price Supply Contracts for LDCs Solves Problems, (with Matthew P. O'Loughlin), *Natural Gas*, Vol. 19, No. 7, (February 2003).

Regulatory Policy Should Encourage Hedging Programs (with Frank C. Graves), *Natural Gas*, Volume 19, No. 4, November 2002.

Gas Use in Electricity Generation: Increases Uncertain in Northeast, Midwest (with Daniel S. Arthur and Matthew P. O'Loughlin), *Natural Gas Industry Analysis For Gas Year 2000-2001*, Robert E. Willett, Editor, 2000.

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Anticompetitive Implications of the El Paso-NGC Transaction for the Southwest Capacity Release Market, (in part with several authors) filed on behalf of Southern California Edison in Federal Energy Regulatory Commission Docket No. RP97-287-010, March 20, 1998.

Turners Falls Valuation Report – Market Conditions and Revenues Assessment, (in part with several authors) filed on behalf of Turners Falls Limited Partnership in Commonwealth of Massachusetts Appellate Tax Board Docket Nos. F225191, F225192, F233732, F233733, F240482, F240483, January 1998.

Testimony

Before the California Public Utilities Commission, *Order Instituting Investigation into the Gas Market Activities of Southern California Gas Company, San Diego Gas and Electric, Southwest Gas, Pacific Gas and Electric, and Southern California Edison and their Impact on the Gas Price Spike Experience at the California Border from March 2000 through May 2001* on behalf of Southern California Edison, Docket No. I. 02-11-040, December 2003, May 2004, June 2004 and November 2005.