OFFICE OF
STATE TREASURER
DENISE L. NAPPIER

NEWS

FOR IMMEDIATE RELEASE
Monday, July 11, 2005

Institutional Investors, Including Connecticut, Call on Power Sector to Focus Attention on Financial Risks from Climate Change

Citing the financial risks that electric power companies face from climate change, Connecticut State Treasurer Denise L. Nappier and a dozen leading U.S. investors today sent letters to 43 of the country's 50 largest investor-owned greenhouse gas emitters in the industry requesting that they report within a year how future greenhouse gas limits will affect their financial bottom lines and steps they are taking to reduce those financial impacts and improve their competitive positioning. *(See company list attached)*

The letter to company CEOs was sent by 15 institutional investors managing more than $550 billion of assets. Joining Connecticut are state treasurers from California and Maryland, controllers and comptrollers from New York City, New York State and California, and a half-dozen labor pension funds, socially responsible investment funds and foundations. Many of the investors are part of the Investor Network on Climate Risk, a leading U.S.-based investor coalition working on climate risk issues.

The request comes as a growing number of electric power companies are preparing climate risk evaluation reports at the request of shareholders, including four that have already been done by American Electric Power (AEP), Cinergy, TXU and Southern. According to a recent analysis of three of those reports by the Boston-based Ceres investor coalition, there is widespread concern in the industry about regulatory uncertainty and the potential financial exposure it is causing for long-term capital investments.

"These first-in-the-industry reports underscore the need for electric power companies across the industry to take a serious look at the business ramifications of climate change," said State Treasurer Denise L. Nappier, principal fiduciary of the $20 billion Connecticut Retirement Plans and Trust Funds. "The opportunities and challenges posed by the changing regulatory and business environment should be thoroughly evaluated, and that analysis should be shared with investors," added Nappier, whose office has been active in urging electric power, oil & gas, and auto companies to analyze the financial impact of climate change.

Nappier and the other investors said the climate risk reports from power sector companies should include financial analysis of likely regulatory scenarios and the strategic actions being taken to prepare for those scenarios.

New York City Comptroller William C. Thompson, Jr. said that "shareholders need to know if the companies they own are adopting strategies that will enable them to survive or thrive in a world of increasing environmental concern and regulation regarding global climate change."

CONTACT: BERNARD L. KAVALER
DIRECTOR OF COMMUNICATION
(860) 702-3277 FAX (860) 702-3043
BERNARD.KAVALER@PO.STATE.CT.US

"Wall Street firms should insist upon climate risk analysis as standard practice and all companies should be preparing them voluntarily without investors having to file shareholder resolutions," added Mindy Lubber, president of Ceres, a coalition of investment funds, environmental organizations and public interest groups that has been spearheading investor activity on the climate risk issue. Ceres also coordinates INCR.

The report comes as the industry is proposing to build more than 100 new coal-fired power plants in the coming years – investments that could be substantially affected when greenhouse gas regulations are adopted in the U.S., as is widely expected.

"Managing a power company in these uncertain times is an enormous challenge with both risks and opportunities for investors if they don't watch these investments carefully," Lubber said.

Ceres has convened a group of investors, environmentalists and industry representatives that this fall will recommend best practice guidelines for analyzing and disclosing climate risks. The results will immediately be shared with power sector companies and Wall Street firms.

Four companies – AEP, TXU, Cinergy and Southern – agreed last year to prepare reports, at the urging of Connecticut and other institutional investors, and three more have agreed this year to do the same, including FirstEnergy, Progress Energy and DTE Energy.

An analysis of those reports by Ceres underscores shareholders' concerns. All three of the companies acknowledged that carbon limits are inevitable in the U.S. and also voiced widespread concern that impending climate regulations might make today's investments and operating decisions obsolete. The report is available at http://www.ceres.org/industryprogams/

Among the key findings in the Ceres report:

- All of the companies are concerned about financial risks from regulatory uncertainty
- All of the companies are concerned they will be penalized for early voluntary emissions reductions, an issue that calls into question the effectiveness of a voluntary approach to greenhouse gas reductions.
- Two of the three companies – AEP and Cinergy – said national carbon regulations can be implemented without causing significant harm to the U.S. economy.

Investors consider the electric power industry as likely to be included in regional and national carbon regulations because it is the largest source of greenhouse gases in the United States, contributing 39 percent of the country's emissions and 10 percent of the world's.

Two states in the Northeast – Massachusetts and New Hampshire -- have already imposed carbon emission limits on power plants and a handful of other states, including California, Colorado and Utah, now expect power companies to factor carbon emission costs into their proposals for new power plants.

List of companies receiving the letter is attached. A copy of the letter is available upon request.

CONTACT: BERNARD L. KAVALER
DIRECTOR OF COMMUNICATION
(860) 702-3277   FAX (860) 702-3043
BERNARD.KAVALER@PO.STATE.CT.US

Letters were sent to 43 of the 50 investor-owned electric power companies listed below. The companies are the top 50 investor-owned CO2 emitters in the U.S. power industry based on Ceres 2004 Benchmarking Air Emissions Report.

(The seven companies that did not receive letters have prepared or are preparing to plan climate risk reports. They are identified with an asterisk.)

1. *American Electric Power, Columbus, Ohio
2. *Southern Company, Atlanta, GA
3. Xcel, Minneapolis, MN
4. *Cinergy, Cincinnati, Ohio
5. *Progress Energy, Raleigh, NC
6. Ameren, St. Louis, MO
7. Edison International, Roemead, CA
8. *FirstEnergy, Akron, Ohio
9. ScottishPower, Scotland
10. Dominion, Richmond, VA
11. Allegheny Energy, Greennsberg, PA
12. AES, Arlington, VA
13. Duke Energy, Charlotte, NC
14. FPL Group, Juno Beach, FL
15. Entergy, New Orleans, LA
16. *DTE Energy, Detroit, MI
17. CenterPoint Energy, Houston, TX
18. Reliant Resources, Houston, TX
19. E.ON, Germany
20. Mirant, West Atlanta. GA
21. PPL, Allentown, PA
22. Westar Energy, Topeka, KA
23. Dynegy, Houston, TX
24. Wisconsin Energy, Milwaukee, WI
25. OGE Energy, Oklahoma City, OK
26. Alliant Energy, Madison, WI
27. CMS Energy, Jackson, MI
28. MidAmerican Energy, Des Moines, IA
29. PG&E, San Francisco, CA
30. *TXU, Dallas, TX
31. Calpine, San Jose, CA
32. PSEG, Newark, NJ
33. Constellation Energy Group, Baltimore, MD
34. TECO Energy, Tampa, FL
35. Great Plains Energy, Kansas City, MO
36. SCANA, Columbus, SC
37. DPL, Dayton, Ohio
38. NiSource, Merrilville, IN
39. Pinnacle West Capital, Phoenix, AR
40. Exelon, Chicago, IL
41. WPS Resources, Green Bay, WI
42. UniSource Energy, Tucson, AZ
43. KeySpan, Brooklyn, NY
44. Sierra Pacific Resources, Reno, NV
45. TransAlta, Canada
46. Oglethorpe Power, Tucker, GA
47. Aquila, Kansas City, KA
48. Vectren, Evansville, IN
49. ALLETE, Duluth, MN
50. PNM Resources, Albuquerque, NM

CONTACT: BERNARD L. KAVALER
DIRECTOR OF COMMUNICATION
(860) 702-3277 FAX (860) 702-3043
BERNARD.KAVALER@PO.STATE.CT.US