

2006 Focus on Coal

E3 Consulting® continues to be very active in the evaluation of energy assets, from fuel resources to power production, in response to changes in the marketplace. With the passage of the Clean Air Interstate Rule (CAIR) in 2005, many coal-fired power plants in the Eastern U.S. are being retrofitted with pollution control technology so they can burn locally available coal, which has both higher energy (Btu) content and higher sulfur content. This represents a major shift in fuel supply since most of these plants have been dependent on lower sulfur (and lower Btu) western coal, with a much higher transportation cost. It is also a strong market incentive for the development of new or the expansion of existing coal mine operations. Over the past two years, E3 has rapidly increased its consulting activity related to coal: including coal mining and coal-fired power generation. E3 has completed comprehensive technical and financial due diligence reviews of two large mining operations in the Eastern U.S., each involving several coal mines and support facilities. In 2006, E3 has also been involved in due diligence and construction reviews of eight coal-fired power plants throughout the U.S.

Coal Mining

In 2005, E3 completed an extensive due diligence review of existing and new mining operations on behalf of Calyon Corporate and Investment Bank. The properties are located in southern West Virginia and eastern Kentucky. The technologies used at these mines include surface mining, auger, high wall, and deep mining. Subsequently, in 2006, E3 completed a due diligence effort for Lower Wilgat, LLC, the developer of two mine complexes under construction in Illinois and West Virginia. Again, the work was done on behalf of Calyon. The Lower Wilgat properties will use continuous and long wall mining technologies. The coal in all of the mines has both high



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sulfur and high energy (Btu) content. Flue gas desulfurization systems (“scrubbers”) make it possible and economical for a power plant to utilize higher sulfur coal in its fuel mix.

In both of these projects, E3’s review included: coal sales agreements; numerous and complex operational agreements; permits and licenses; environmental compliance; mining plans; anticipated coal resources; and projected coal pricing.

Coal-Fired Generation

In 2006, E3 continued its activity in the evaluation of coal-fired power generation, including the following facilities:

B.L. England Generating Station, New Jersey – E3 was engaged by a private equity firm to evaluate the prospective purchase of the B.L. England generation station in New Jersey, which was owned by Atlantic City Electric. The plant is rated nominally at 376MW and is comprised of two coal units and one oil unit. The initial scope of our engagement was to perform a fatal flaw analysis to uncover issues that could materially affect future cash flows, and to develop a model of those future cash flows. To accomplish these tasks, E3 analyzed all major existing plant contracts, staffing levels, and plans for major maintenance and capital expenditures, and conducted a site visit. Additionally, since the plant was operating under an Administrative Consent Order which specified certain future levels of emissions compliance, E3 evaluated the emissions compliance strategy and associated costs. In developing the financial model, E3 utilized commodity price forecasts and dispatch models from New Energy Associates, along with internal estimates for going concern costs.

AES Eastern, New York – Serving as Independent Engineer (“IE”), E3 provided a due diligence review and a valuation study of AES Eastern Energy, L.P. projects (“AEE”). AEE owns and operates four coal-fired power plants in western New York. These assets include the Somerset, Greenidge, Cayuga, and Westover Generating Stations. During the due diligence phase, E3 reviewed power marketing activities, plant operations, capital expenditure plans, environmental compliance and plant condition, as well as a financial pro forma. In performing a valuation of these assets, E3 calculated a weighted average of three approaches to valuation: the Sales Comparison Approach, Replacement Cost Approach and the Income Approach to derive a probable range of the market value of the AEE coal-fired electric generating assets.

Comanche 3, Pueblo, Colorado – E3 served as Independent Engineer (“IE”) for a technical due diligence review for financing by CoBank related to Intermountain Rural Electric Corporation’s purchase of a share of a new 750-MW supercritical, pulverized coal-fired generating facility, developed and being constructed by Public Service Company of Colorado (PSCo) at its Comanche Generating Station in Pueblo, Colorado. E3 reviewed all major project agreements related to the development, construction and operation of the additional unit. The review focused on technical design, permit and environmental compliance, the primary construction and operational agreements, adequacy of the estimated project costs, adequacy of the anticipated completion schedule, and the technical assumptions and financial projections utilized for financing. E3 also reviewed the transmission interconnection requirements and how they were being met by Public Service Company of Colorado (PSCO). E3 is providing ongoing construction monitoring services.

Weston 4, Marathon County, Wisconsin – E3 served as Independent Engineer (“IE”) for a technical due diligence review for financing by CoBank related to Dairyland Power Cooperative’s (“DPC”) purchase of a share of a new 530-MW supercritical, pulverized coal-fired generating facility. A construction financing loan was provided by CoBank for DPC’s share of the project and lien accommodations were provided by the Rural Electric Utilities Service’s Lien Machine process. As the project has progressed into the construction phase, E3 has been monitoring, evaluating and reporting on the ongoing progress of engineering, procurement, construction, construction management, project management, compliance with the project budget, and compliance with the project schedule. As IE, E3 has reviewed contracts and agreements, fuel strategies, transmission system requirements, environmental issues, engineering and design documents, project budgets and project schedules.

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Springerville 3, Springerville, Arizona – Tucson Electric Power Company and Tri-State Generation and Transmission Association, Inc., a generation and transmission cooperative based in Westminster, Colorado recently completed the construction of a new 400-MW coal-fired generating facility at the Springerville Generating Station site near Springerville, Arizona. Unit 3 is an expansion of the existing Springerville Generating Station which includes two other 400 MW units. From 2003 through 2006, E3 has been providing technical due diligence and construction monitoring services for the environmental upgrades and common facility improvements to the existing Units 1 and 2 which were necessary to support the permitting and construction of Unit 3.

For further details on the coal mining projects, please contact Jim Short (jim.short@e3co.com) or Mick Gavrilovic (mick.gavrilovic@e3co.com); for BL England, please contact Earl Franklin (earl.franklin@e3co.com); for AES Eastern, Comanche 3 or TEP Springerville, please contact Paul Plath (paul.plath@e3co.com); and for Weston 4, please contact Jim Galambas (jim.galambas@e3co.com).



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SilvaGas Corporation Partners with Joule Asset Advisors To Move Aggressively into Energy Markets



ATLANTA – October 30, 2006 — SilvaGas Corporation, a leader in the science of converting biomass into renewable energy, has entered into a strategic alliance with Joule Asset Advisors to develop projects worldwide that employ the SilvaGas® biomass gasification system.

Joule Asset Advisors is an affiliate company of Denver-based E3 Consulting®, a firm widely respected in the international energy and lending community for its expertise in all aspects of strategic business advice and counsel, project planning, development, deployment, and management. Joule Asset Advisors will join SilvaGas Corporation in developing business relationships and projects that result in expansion of the use of the SilvaGas renewable energy process.

Milton Farris, President of Atlanta-based SilvaGas Corporation (formerly known as FERCO Enterprises), said SilvaGas executives conducted an exhaustive search for an international energy consulting firm that could assist SilvaGas in expanding its market share in the biomass-to-energy industry.

The SilvaGas process is a proven, sustainable, cost-efficient method of converting a wide range of biomass into a medium-Btu product gas that can then be burned as a fuel to create electricity, provide a heat source for industrial uses and be converted into useful chemical feedstocks.

Donald J. Hurd, President of Joule Asset Advisors (and E3), said that under the terms of the partnering agreement, three executive consultants at Joule will become officers of the SilvaGas Corporation in order to focus on a day-to-day basis on project development and finance.

For more information, please visit www.silvagas.com and www.jouleaa.com.

Memphis Biodiesel—Fatal Flaw Review and Construction Monitoring

E3 Consulting® was retained by Cohen & Company in 2006 to perform an engineering due diligence review of the proposed Memphis Biodiesel Project. This is a 36 M gallon per year biodiesel production facility sited at an existing cotton seed and rendered animal fat processing facility in Memphis, Tennessee. E3 was engaged to review: the status of the conceptual design and project development with regard to estimated costs and schedule; production throughput assumptions; production cost assumptions and comment on reasonableness of feedstock, chemical, labor, and other production costs; the construction scope and major equipment supply agreements; the project construction, engineering and procurement schedules and on the likelihood of achieving construction milestones; the scope of construction, used equipment rehabilitation and new equipment purchases; the overall suitability of the site to accommodate the project; and the proposed “Shockwave” reactor technology, with comments on the suitability of the proposed technology of the biodiesel process and any significant risks in using the technology.

**E3 retained to review
36 M gallon per year
biodiesel facility.**

The Memphis Biodiesel plant completed construction during November 2006 and is expected to start production by the end of 2006.

For additional information, please contact Paul Plath (paul.plath@e3co.com)

E3 Completes Due Diligence on Spindle Hill Energy Center

During 2006, E3 Consulting® assisted lenders and the project sponsor with various phases of a due diligence review of the planned Spindle Hill Energy Center in Frederick, Colorado. The project is a 300 MW gas-fired single cycle power plant that will supply peaking power to Public Service Company of Colorado (PSCo). As part of its review, E3 investigated the planned use of two GE 7FA combustion turbine generators that were unused but had been in storage since 2002. E3 also reviewed the major project documents, including operational agreements, power purchase agreement, interconnection agreement, and procurement agreements. E3 provided Independent Engineer services through the successful loan syndication. The project is under construction with GE providing EPC services. Invenergy, who owns the project, will provide ongoing operations, maintenance and administrative support. The project is expected to commence commercial operations in April 2007.

For additional information please contact Paul Plath (paul.plath@e3co.com).

E3 Evaluates Financial Performance of U.S. District Heating and Cooling Plants

Thermal North America owns 12 district heating and cooling plants throughout the U.S., most of which were acquired from Trigen in 2005. The majority of these assets are managed and operated by Johnson Controls, Inc. E3 Consulting® assisted Lehman Brothers and Calyon with the technical and financial evaluation of Thermal North America's district heating assets in 2006. E3 inspected seven of the district heating and cooling assets to assess the condition of the assets and to offer its expert opinion on the necessity of the major capital expenditures. E3 also reviewed the company's pro formas and internal rate of return models for the revenue generating projects, as well as the contracts for these projects.

The E3 project team confirmed that the previous owner of the assets had deferred some maintenance activities pending the sale of the assets to the current owner. Much of the increase in maintenance capital expenditure was to "catch-up" with maintenance that should have been done by the previous owner. With regard to revenue generating capital expenditures, E3 determined that these projects can be expected to have a positive impact to EBITDA and the senior debt holders' debt service coverage ratio requirements.

For additional information please contact Scott Vanderau (scott.vanderau@e3co.com).

Seasoned Mining Industry Veteran Joins E3 Consulting®



We are pleased to announce that Mick Gavrilovic has joined the E3 team as an Executive Director in 2006. He brings nearly 25 years of diverse experience within the international mining, minerals, and construction industries, including project management, and international sales and business development. Mick has significant experience with the appraisal and valuation of mining and processing plant and equipment, together with subsequent international market development and maximum corporate asset realization. He has been actively engaged in mining construction, operations, and maintenance for Australian and U.S. mining operations, holding engineering, senior management, and business development positions. He has managed mineral processing plants and personnel; managed the construction and commissioning of a gold processing plant; directed business development for an international brokerage firm that handled mining, chemical plants, and equipment sales; and led the development and commercialization of cost-effective, innovative industrial rock breaking products to improve productivity in mining. Mick holds a Bachelor's degree in Mechanical Engineering from the University of Western Australia.

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