

K&M NEWS

K&M Engineering and Consulting Corporation

JUNE 2001

K&M Awarded Construction Oversight Assignment by TECO Power Services

K&M was selected in April to assist TECO Power Services (TPS) with Construction Oversight for two combined-cycle power projects under construction in the United States, namely, the McAdams and Dell facilities. As part of the TPS project management team, K&M has mobilized two site project teams to perform such services as progress monitoring, construction quality monitoring, EPC change request reviews, schedule compliance oversight and regular status reporting and forecasting. Riad Khalil will serve as K&M's home office Project Sponsor for both projects, which are targeted for commercial operation in the second half of 2002. The EPC contractor for both facilities is National Energy Production Corporation (NEPCO).

The Dell Power Station Project, located in Arkansas, is a 599 MW natural gas-fired facility. Its 2x1 configuration consists of two GE Frame 7FA combustion turbine/generator sets and two heat recovery steam generators providing steam to a new GE steam turbine generator. K&M's Dell project team consists of C.R. Flynt (Site Manager), James Nolen (Civil Engineer), John Armando (Electrical Engineer), and Ezzie Turvin (Start-up & Commissioning Engineer).

The McAdams Power Station Project, located in Mississippi, similarly, is a 599 MW natural gas-fired facility. Its 2x1 configuration also consists of two GE 7FA combustion turbines, two heat recovery steam generators and one reheat steam turbine.

This project will be interconnected with the Entergy transmission system and will sell electricity to wholesale customers in the Southeast and Midwest. K&M's McAdams project team consists of Dennis Chellew (Site Manager), Charlie Jones (Civil Engineer), John Greenwood (Mechanical Engineer) and James Murphy (Start-up & Commissioning Engineer).

TECO Power Services, located in Tampa, Florida, USA, is a wholly owned subsidiary of TECO Energy and develops, owns and operates domestic and international electricity generation projects and distribution businesses.

For further information contact K&M Project Sponsor Riad Khalil at K&M-Washington. q



K&M Chairman Visits Ilijan Site

In March, K&M Chairman Michael Kappaz joined project owners, utility officials and construction managers for an aerial and ground inspection of the 1,200 MW natural-gas fired Ilijan Plant nearing completion in Batangas, Philippines (view from southeast shown above).

They also inspected the transmission system and fuel supply terminal, as well as held a series of construction progress meetings at the site. Photo (left to right): Dan Arocena, Div. Mgr., National Power; YS Lee, Site Manager, KEILCO; Jerry Santos, Project Mgr., National Power; Oh, In-Taek, President, KEILCO; Mr. Gonzaga, Sr. VP/COO National Power; Jules LaMontagne, K&M Project Mgr.; Michael Kappaz, K&M Chairman; and BC Choi, Exec. VP, KEILCO.



K&M Chairman Visits Seoul, So. Korea

During his recent visit, Mr. Kappaz met with various executives of Korean companies. Photo (right): Korea Gas Corporation (KOGAS) President Kim, Myung-Kyu and K&M Chairman Michael Kappaz. Photo (below): Yong-Taek Park, President & CEO, Korea Power Engineering (left) and S.H. Kim, Executive Managing Director, Dongduk Development Co. (right) with K&M Chairman Michael Kappaz (center).



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K&M Hosts Privatization Workshop



Nigerian Bureau of Public Enterprises

In January, K&M conducted a training workshop for key government and utility officials in Abuja, Nigeria. As a critical component of the U.S. Agency for International Development's (USAID) privatization program in Nigeria, the workshop was designed to support and strengthen the institutional, organizational and technical capacity of the Nigerian Bureau of Public Enterprises (BPE)—the central authority tasked to implement the country's ongoing privatization program.

In conjunction with International Business Technical Consultants, Inc. (IBTCI), K&M's utility privatization training team prepared an agenda focused on Nigeria's electric power and telecommunications sectors.

Four workshop days were aimed at familiarizing the BPE senior core team, staff members, other government officials, and power and telecom utility officials with the principles of utility privatization. In addition, discussions focused on current privatization programs in other developing economies. The K&M training team consisted of George Branscombe, Ronald Behrns and George Lear (see below).

Electric Power Sector Privatization—George Branscombe led the first two days of the workshop, which addressed the electric power sector privatization program. Mr. Branscombe covered a range of topics through formal presentations and group discussions. These included regulatory issues, tariffs, cost of service calculations, subsidies, labor/staffing, management, unbundling concepts, allocation issues and debt liability/forgiveness. He also compared the experience of other privatization projects in developing countries by outlining policies, implementation, what has worked and

what has not worked.

Telecommunications Sector Privatization—Ronald Behrns and George Lear led the second two days of the workshop. Mr. Behrns opened the discussion with a review of national telecommunications policy, legal/regulatory reform and commercialization issues. He then focused on specific technologies, services and investor expectations. Other sessions compared/contrasted Nigeria's current situation to programs successfully implemented elsewhere. Dr. Lear, who recently completed a three-year, USAID-sponsored telecommunications privatization project in Egypt for K&M, shared the institutional development experiences he gained there. The



telecommunications workshop included several group exercises. Participants explored and analyzed the status of telecommunications privatization efforts in 42 sub-Saharan African countries. Later, participants were assigned to three groups to identify the top privatization priorities in Nigeria and develop recommended "next steps" for the process.

Conclusion—Overall, discussion periods were comprehensive and explored all phases of the privatization process. The presentation material stimulated additional exchanges and stressed the principles that must be applied to Nigeria's situation. One important aspect was the identification of further privatization training needs and specific high priority topics, advice and technical assistance to support the participants' current and "near term" privatization work.

For further information contact K&M Marketing Manager Karen Harbert Mitchell at K&M-Washington. □

K&M TRAINING TEAM—**George Branscombe**, electric power sector privatization specialist, has over 20 years of experience in electric utility financial management. He has advised foreign governments in the financial restructuring of utilities and the acquisition and consolidation of transmission and distribution assets. He has dealt with stranded cost financing totaling \$2-\$3 billion and the structuring of financial vehicles to resolve asset ownership and transfer issues. **Ronald Behrns**, telecommunications sector privatization specialist, is a recognized expert on the convergence of telecommunications, video and data (IP), market structuring and the liberalization of the global telecommunications markets. He has over 20 years experience in information technology, finance, accounting and project/program management. Mr. Behrns has developed innovative social, political, economic, financial and technical solutions related to the introduction and expansion of competition and market reforms in government-dominated economies. **George Lear**, training specialist for the workshop mission, recently completed a three-year USAID privatization mission in Egypt as K&M's Chief of Party for the Telecommunications Sector Institutional Development Project. He formerly was the Manager of Technical Training at the World Bank headquarters in Washington, DC.

K&M is providing consulting services to the Saudi Petrochemical Company (SADAF) to support development of a cogeneration power project on an IPP/BOT basis. The facility will be located at SADAF's petrochemical complex in the industrial city of Al-Jubail, Kingdom of Saudi Arabia (KSA), in order to provide 230 MW electricity and 510 tons/hour steam to the petrochemical complex.

SADAF is a 50:50 joint venture between Shell Chemicals and Saudi Basic Industries Corporation (SABIC). SABIC builds and operates a wide range of power, oil and gas, petrochemical and manufacturing facilities in two major industrial complexes (Al-Jubail and Yanbu Al-Bahr).

In mid-May SADAF selected CMS Energy and its equity joint venture partner, the A.H. Al-Zamil Group, as preferred bidder for the project. The project will be fueled by natural gas supplied by SADAF. CMS Energy's independent power unit, CMS Generation Co., will co-manage the construction and operation of the project through a joint project company. Construction will commence before year-end with financial close anticipated on a fast-track basis to meet SADAF's stringent completion deadline.

The project is the first IPP undertaken in Saudi Arabia. It will be developed, owned and operated under a 20-year Energy Conversion Agreement. Power generation is not core to the company's operations, thus SADAF elected to implement its proposed captive plant on a IPP/BOT basis in order to harness the expertise of global power developers. Moreover, the IPP/BOT structure provides SADAF with the best risk-sharing scheme.

For further information, contact K&M Senior Vice President William Drotleff at K&M-Washington.

Saudi Arabia's Power Generation Sector

The Kingdom's total installed electricity capacity is 18,780 megawatts, not including power generated by 25 desalination plants. Of these, nine are dual system plants, which provide 3,214 megawatts excess power per day. Demand, growing at 3.8 percent annually, is expected to reach nearly 60,000 megawatts by 2020 to serve a population of over 20 million.

To meet this demand, KSA embarked on a program to attract private sector investment. In 1997, the government issued a decree redefining power generation as an industrial activity. This set the stage for implementing privatization and sector reforms. In late-1998, Resolution 169 established the fundamental framework for the future electricity industry.

The Saudi Electricity Company (SEC), a single country-wide joint stock company, was created in early-2000 by merging 10 national electricity companies. Operated on a commercial basis, SEC consists of vertically integrated generation, transmission and distribution assets managed by four major provincial companies, augmented by six smaller regional companies and 11 special projects.

Relevant to SADAF's Al-Jubail industrial city cogeneration project, the new law allows major industrial customers to buy directly from the transmission sector. Resolution 169 opens the electricity sector to joint ventures, promotes diversification and encourages private sector competition. In addition, an independent regulatory agency was envisioned to review tariffs over the first year period and make recommendations.

The Kingdom anticipates \$200 billion capital investments will be required over the next 20 years in the water,

PRIVATE POWER FUNDAMENTALS



Exerpts reprinted from
"SADAF Highlights" March 2001

نائب رئيس مجموعة K&M يقدم للشركة
عرضاً عن مشروعات الطاقة المستقلة

William Drotleff, Senior Vice President, Washington, D.C.-based K&M group of companies, held a presentation on Independent Power Projects (IPP) at SADAF on March 18, 2001 in line with the company's planned cogeneration project.

Drotleff gave an overview on the description and role of an IPP, touching on the project's structuring (contracts/agreements), development milestones, financing, cost, pricing and tariff. During the presentation, Drotleff delved more on the financing, cost and risks involved in a power generation project. He cited a number of contractual arrangements for the project's implementation such as BOT (Build-Own-Transfer), BOO (Build-Own-Operate), BOOT (Build-Own-Operate-Transfer), F-BOOT (Finance-Build-Own-Operate-Transfer) and some other nomenclatures.

In summary, Drotleff said that IPPs are on the increase worldwide and have provided the momentum for increased activity in new markets. He also said that a private power project has its own advantages, but also costs. He said that structuring a private power project utilizing sound fundamentals would inevitably result in a financially feasible transaction, which is the key to ultimate success.



Drotleff's IPP presentation was attended by the SADAF Senior Management Team, Technical & Expansion staff, Finance Department staff, IS&S personnel and other company employees. □

power and gas infrastructure sectors. Private investment is a key component of the development of the Kingdom's two major industrial complexes operated by The Royal Commission for Jubail and Yanbu.

More than 5 BCFD natural gas, the fuel of choice, will be needed to supply power generation stations by 2020. Plans are to double current natural gas capacity in the next five years alone through the \$12 billion Master Gas Gathering System (MGS) project. One of the largest engineering projects in the world, the MGS project is the foundation for the development of the Kingdom's multi-billion dollar petrochemical industry. □

Project Briefs

INDONESIA

Perusahaan Listrik Negara (PLN), the state-utility, reached tariff agreements with two developers. K&M provided renegotiation assistance to PLN for a series of IPPs. PLN sought to reduce its financial burden in the aftermath of the Asian financial crisis that made many of its IPPs unaffordable in today's market.

BANGLADESH

The Meghnaghat 450 MW IPP/BOT achieved financial close. K&M assisted the Bangladesh Power Development Board to structure and tender the first IPP in the country. Project owner AES Corp. began construction in January 2001 with completion expected by October 2002.

INDIA

POWERGRID Corp. issued its RFP for the country's first private transmission system project. K&M assisted POWERGRID to structure the project on a BOT basis. The RFP identified a specific site to be developed, previously undetermined at the RFQ stage.

SRI LANKA

AES Corp.'s 163 MW Kelanitissa IPP/BOOT achieved financial close in January. Commercial operation is expected by early-2003. K&M provided technical assistance to the Ceylon Electricity Board during the proposal evaluation stage.

TUNISIA

PSEG Global/Marubeni acquired Sithe Energie's equity in the 471 MW Carthage IPP/BOT. Financial close was achieved in October 1999. Commercial operation is expected late-2001. K&M assisted the state-owned utility (STEG) to structure and tender the country's first private power project.

Structuring Successful Private Water Projects

International Desalination Association

“IDA’s Singapore conference takes place at an important juncture in the desalination industry’s history. The worldwide explosion of demand for desalination in all its forms and the expanding use of membrane technology beyond its original uses into raw water purification, domestic and industrial effluent treatment, and general environmental purposes has extended into the Asian market.”

Lim Swee Say, Acting Minister for the Environment, Singapore

“We need to look beyond conventional sources of fresh water and tap into technology to generate additional water supply. The advances in desalination technology have made it a practical and cost effective solution. IDA’s 2001 conference increases awareness and interest in desalination in the region.”

*Ghassam Ejjeh
IDA President*

Water service providers throughout the world, including those in the Asia region, are faced with the challenge of meeting growing demand. A number of approaches may be considered. One approach is to improve water distribution systems’ operations in order to reduce unaccounted for water. This results in augmenting water supplies by reducing losses from leaks, theft or other causes. Other alternatives include better supply source management, promotion of water conservation technologies, and the introduction of tariff structures that discourage excessive water use. At some point, however, water utilities will likely require additional water supplies to meet growing demand from domestic, commercial, and industrial customers. Given that the cost of water produced from desalination has declined, it could become a more attractive supply option for many Asian countries. This option becomes even more viable when desalination and power projects are combined. These combined projects may allow Asian utilities to plan simultaneously for their growing needs, while taking advantage of technical and economic efficiencies to reduce production costs.

In addition to the planning decisions faced by utility providers, governments also play a pivotal role. They must consider how to fund the large investment required to in-

K&M Chairman Michael Kappaz recently spoke at IDA’s Singapore conference, where he presented a technical paper() outlining growing potential to attract private sector participation in large-scale desalination projects. (Exerpts presented here.)*

crease water supplies. Tight budgets, lower aid availability and other investment priorities mean that water projects must compete for scarce government financial resources. Therefore, private sector investment can provide a much-needed source of funding for the water sector. In addition, private sector–government partnerships can provide other benefits such as advanced technology, improved operational performance, and more efficient commercial operations.

There are various approaches to promote private sector participation in the water sector. These include service contracts, management contracts, operations and management services, leases, system-wide concessions, asset divestitures and Build-Own-Operate/Transfer (BOO/T) structures for new infrastructure. In selecting the most appropriate approach, governments must assess their specific infrastructure and operations requirements, as well as an overall strategy for partnering with the private sector.

The BOO/T structure, which has been successful in mobilizing technology, capital, and operational expertise for large-scale infrastructure projects, can be adapted to implement new water treatment projects. It utilizes a well-known security structure that allows off-balance sheet financing. While there are other approaches for private sector participation, the BOO/T structure contains many elements that are particularly appropriate for large-scale desalination projects in Asia, as well as other parts of the world. □

Co-authors: K&M Chairman Michael Kappaz and K&M Communications Specialist Linda Ivanov. (*) copies available by request to: livanov@kmec.com.

Compare—Contrast Private Power and Water Projects

Independent power projects (IPPs) structured on a BOO/T basis are a useful model for examining private water projects. IPPs in the late 1980s and early 1990s contended with many of the same issues currently faced by private water projects. For example, during the early days of IPPs, developers and lenders had to address deficiencies in many countries’ institutional and regulatory framework for private power. In addition, developers, lenders and government entities engaged in extensive risk allocation negotiations. Furthermore, developers and lenders had to creatively structure credit enhancements to support the contractual obligations of financially weak state-owned utilities as power purchasers (otherwise known as “offtakers”).

In many ways IPPs laid the groundwork for private investment in other infrastructure sectors, including the development of BOO/T water treatment projects in many parts of the Asia–Pacific region. Government officials who have worked on IPPs are now familiar with the issues of risk allocation, security structures and developer–lender requirements. This knowledge transfer has and will continue to play an important role in promoting private water projects in Asia.

The parallels between IPPs and private water projects, however, have limitations. Generally, IPPs are not subject to sub-sovereign political and financial risks. In addition, there are fewer government agencies involved in IPPs. This simplifies deal structuring and reduces the time involved in negotiating contracts and obtaining government approvals. Negotiating a fair and affordable tariff for IPPs has proven significantly easier than for private water projects. Water tariffs generally have been subsidized and it is difficult to cut off service to consumers who do not pay their bills. It is challenging to convince consumers to pay for water produced by private treatment facilities. Ironically, many consumers—including the lowest income group—already pay a significant amount of their monthly household income for bottled water or water delivered by private tankers. These consumers would be better off paying tariffs to support private water projects. Other differences between private power and water projects include concern over foreign ownership and operations of water resources, the need to implement further reforms in the water sector and government officials’ lack of experience in private water projects. □

Frontiers in Infrastructure Finance

K&M Chairman Michael Kappaz participated in a World Bank-sponsored distance learning course, which focused on financing of greenfield private infrastructure projects, as part of its Global Development Learning Network program. Topics covered included how private infrastructure projects are analyzed, appraised, financed and managed. In addition, international best practices and techniques were discussed. Participants included host government officials, project sponsors and creditors.

Mr. Kappaz' presentation, "Determinants for Successful Financing of Private Power Projects: TermoCandelaria Case Study," was simultaneously broadcast to European and Asian participants in Bosnia-Herzegovina, China, Vietnam, Singapore, India and Thailand.

The first segment featured an overview of project fundamentals followed by a case study of K&M's recently commissioned merchant plant in Colombia, South America. Participants then posed questions via a video conferencing link to the World Bank's television studio in Washington.

Mr. Kappaz outlined key elements that must be addressed when structuring a project in order to achieve financing. He discussed sound investment environment, sound project fundamentals, risk mitigation strategies and proper project structuring. He then reviewed the various project finance agreements that must be in place and the key elements of each agreement.

Next, he focused on the innovative financing structure implemented for K&M's 320 MW TermoCandelaria project, "A New Approach: Insurance-based Project and Capital Market Financing." He reviewed existing regional and country-specific market conditions when the project was seeking financing. At the time Latin America, and Colombia specifically, were affected by the global recession provoked by the Asian financial crisis. In addition, local demand was in a



K&M Chairman Michael Kappaz participates in video conference at World Bank Institute.

decline based on adequate rainfall that generated power at many of the country's hydro plants. Traditional project financing options were not available. K&M sought a financing partner that understood and was willing to structure the deal based on the long-term viability of the project.

A creative structure was implemented to overcome unfavorable market conditions. The project attracted the first-ever use of an insurance guarantee as a surrogate for capital in a Latin American power plant deal. Subordinated debt was guaranteed by Centre, which opened the door for funding by Bank of America. Senior debt was provided by Bank of America and Centre. The project was awarded the "Latin America Merchant Plant Deal of the Year" by Project Finance magazine in 2000.

For further information about the World Bank Institute course visit www.worldbank.org/wbi or www.gdnet.org. □

CERA WEEK 2001 INTERVIEW

"EnergyNewsLive.com"
Web broadcast streaming video
www.cera.com/ceraweek
hosted by Cambridge Energy
Research Associates



Moderator: The emphasis here today is GAS—looking at the newest wave in exploration, production and investment (in the United States).

Q. The question right now for many companies—Is it "too little, too late?" Our correspondent spoke with K&M Chairman Michael Kappaz.

Michael Kappaz: Currently there are about 200,000 MW in either construction or development. That quantity can serve in the order of 200 million people. The whole country right now has 700,000 MW and plans to build an additional 200,000 MW which will require significant amounts of fuel. Most of those plants will be fueled by

natural gas. Some are going to be coal, but most likely natural gas.

Q. There is talk that there are ample power generating plants being built in the New England area, but the infrastructure will not be there to service these plants. What can you tell us about that?

Michael Kappaz: I am not sure that the total infrastructure will not be there. What is happening, and I am not exactly familiar with the specifics of New England, but it is almost like having too many cars and a highway with two lanes only, or having a super highway with eight lanes that eventually converges into a two-lane highway. You know what happens, you have a bottleneck.

The same thing happens with electricity. You have a lot of plants, this would be the equivalent of having a lot of cars, sending a lot of electricity and not enough wires to transmit that electricity. You have had on the one side a major upsurge in building of the generation capacity, meaning the power stations, but very little done in the infrastructure of transmission lines to deliver that power down to the consumer. □

K&M in the News

"Managing Nature with Market Means" re: TermoCandelaria Power Project
LatinFinance
February

"Structuring and Financing Power Projects in Today's Complex International Market"
Private Power Executive Handbook 2000-2001

"Global Water"
Michael Kappaz guest interview on The Exchange News 12 Connecticut 24 hour news channel
Cablevision of Connecticut Norwalk, Connecticut
March

**WASHINGTON
BUSINESS
JOURNAL**

May
TOP 25

ENGINEERING
FIRMS IN WDC
—K&M Engineering—



#22 #13

Community Relations

Washington Opera Gala
Sponsor. June

Latino Student Fund Gala.
Colombian ambassador's
residence. Sponsor. May

Our Lady of Mercy School
"April in Paris" Spring Ben-
efit. Sponsor. April

Catholic Charities Gala
"Faith Works Wonders"
Sponsor. February

K&M Employees: Our Most Valuable Asset



Frank Staszkesy, Jr.



Philip Hetzner



Henry "Rick" Sandri



Vincent DeSomma

A regular feature of K&M News, employee profiles, takes on a new dimension in this issue. Deservingly, additional space is devoted to "Our Most Valuable Asset."

K&M welcomes a group of new employees and pays tribute to others who have recently shifted responsibilities—some moving into completely new directions within the company. Over the coming months, familiar faces may appear in unfamiliar roles.

A newly created senior-level position, Director of Engineering and Construction, was implemented to focus exclusively on the provision of these services. Consulting and Project Development responsibilities have become the primary focus of our Senior Vice President.

As K&M Chairman Michael Kappaz noted in his announcement to employees in April, "Join us in welcoming our new managers. I am sure you share our excitement for the challenges that lie ahead as well as optimism for the growth and future of the company. K&M continues its tradition of excellence in providing quality services to its clients."

So, who are these new people? What changes have taken place?

WILLIAM DROTLIEFF

Senior Vice President, Consulting and Project Development

Under the leadership of Mr. Drotleff, this unit will manage K&M's consulting services assignments in the areas of privatization, restructuring, due diligence, feasibility/market studies, greenfield project development and project finance.

WILLIAM GAY

Director, Engineering and Construction

Under the leadership of Mr. Gay, this unit will manage K&M's engineering, construction management, owner's engineer and EPC services as well as alliances and consortiums with other firms. The engineering department will report to Mr. Gay, yet serve both the engineering and consulting business lines, depending upon the scope of work. (See "Meet Our Manager" next page for detailed profile).

WILLIAM KAPPAZ

Managing Director and Chief Financial Officer

Formerly the head of K&M's Financial Advisory Services Group (which now falls under Mr. Drotleff's unit), Mr. Kappaz has been promoted to CFO. He will head K&M's controller and accounting organization. In addition, Management Information and Information Technology will be under his supervision. Mr. Kappaz also takes the lead on the company's new entry into e-commerce, K&M E-Ventures. The principal unit of this new company, Freewills.com, is being developed in partnership with a Canadian group, which elected Mr. Kappaz as its President and CEO.

FRANCIS (FRANK) STASZESKY, JR.

Director, Business Development
Engineering and Construction

After four years with KMR Power Corporation, a K&M-affiliated company, Mr. Staszkesy rejoins K&M. He has over 30 years executive management and business development expertise. He is an expert in infrastructure project

development and implementation. Representative projects include thermal and nuclear power facilities, airports, technology parks, commercial buildings and retail centers implemented in the United States, Africa, Asia, Europe (Western, Central and Eastern) and Russia. He is an expert in all aspects of major project development, finance, structuring and negotiation. Moreover, he has extensive experience in power plant design, construction, start-up and commissioning. His career highlights include management positions at Bechtel Power Corporation and Bovis International.

PHILIP HETZNER

Manager, Project Development

Mr. Hetzner is an experienced infrastructure project developer and financial analyst with a strong background in domestic and international project structuring and non-recourse financing. He is an expert in project finance, structuring and development, debt solititation/evaluation and asset valuation. He has negotiated large-value infrastructure financing packages with local/host governments as well as international banking, power, and accounting firms. His experience includes due diligence reviews and extensive analyses and negotiation of power supply and purchase agreements in emerging markets in Asia. He served as K&M's Senior Project Finance Manager assisting the Indonesian state-owned utility to renegotiate its 27 IPPs following the Asian financial crisis. Previously he held senior positions with Kafus Industries, Stone & Webster Development Corp. and Stone & Webster Engineering Corp. MBA, Business Administration, Boston University. BS, Civil Engineering, Purdue University.

HENRY (RICK) SANDRI

Manager, Consulting

Dr. Sandri is a specialist in strategic planning, business development, financial evaluation, mergers and acquisitions, project financing, asset valuation, and operational management. He has experience in project financing and financial advisory services, energy and mineral economics, cost-benefit studies, due diligence reviews and independent engineering assessments. His work focuses on primary industries (resources, utilities, transport and manufacturing), with additional projects for environmental, R&D, technology and internet businesses. He has held senior management positions with Behre Dolbear & Co., a natural resource consulting firm, Inco Ltd., an international mining and material processing company, and Burlington Northern, a major transportation and resource conglomerate. His early career included positions at Booz Allen & Hamilton, American Iron & Steel Institute, and the World Bank. BS, Foreign Service (International Trade & Transportation), Georgetown Univ., MA, Applied Economics, American Univ., and PhD, Mineral Economics, Colorado School of Mines.

VINCENT DESOMMA

Manager, Business Development
Consulting and Project Development

Mr. DeSomma specializes in business development and marketing for the consulting services industry, primarily targeting overseas markets through a wide range of clients, including national and local governments, the private sector, multilateral development banks, and US government agencies. Prior to joining K&M, he served for five years as Director of

(CONTINUED next page)

Meet Our Manager

William Gay, K&M's new Director of Engineering and Construction, joined the firm in early-2001 after a distinguished career spanning 35 years as senior management in the domestic and international infrastructure sectors.

He takes on responsibility for K&M's engineering, construction management and EPC services. In that role, he will supervise the engineering and construction management teams being dispatched to complete K&M's recently awarded Owner's Representative/Construction Management assignment on behalf of TECO Power Services at their Dell and McAdams sites. (*See related story cover page*).

Mr. Gay brings to K&M his extensive experience in infrastructure project supervision, claims negotiation, contract administration and project control systems for both lump-sum and cost-reimbursable contracts.

He has developed, managed and constructed a variety of infrastructure, industrial and commercial projects in the United States, Canada and the Middle East (Saudi Arabia, United Arab Emirates, Oman and Qatar).

In the power sector, Mr. Gay has experience in constructing and decommissioning nuclear facilities, as well as constructing combined-cycle thermal plants.

As an expert in team building and start-up of new business units, he will also manage K&M's corporate alliances and consortiums with other firms.

In his role as President and CEO of two large international corporations from 1986-2000, Al Yusr Townsend and Bottum Co. (Jubail, Saudi Arabia) and Townsend and Bottum Family of Companies (Ann Arbor,



William Gay

Director, Engineering and Construction

—EXPERTISE—

Engineering and
Construction Management

Infrastructure, Industrial
and Commercial
Project Supervision

Contract Administration

Project Control Systems

Claims Negotiation

Michigan), he successfully grew these companies into multi-million dollar enterprises. Under his leadership the firms' labor force doubled to implement an expanded portfolio of projects.

Previously, he served in a variety of general and project management roles for Townsend and Bottum, Inc. (Riyadh, Saudi Arabia and throughout the western and mid-western United States) and for Ralph M. Parsons Co. (Los Angeles, California).

Early in his career, Mr. Gay supervised construction of a variety of light industrial and commercial facilities on behalf of W.H. Cooper Construction company in Canada.

He served in the United States Army in Vietnam in the early 1960s, and studied at the Johns Hopkins University in Baltimore, Maryland.

Born in Buenos Aires, Argentina and raised in Canada, he recently transitioned from Santa Barbara, California to Washington, D.C. He enjoys outdoor activities.

"Bill Gay brings to K&M not only a distinguished career in management and construction, but a keen ability to grow companies and work with people."

*Michael Kappaz,
K&M Chairman and CEO*

Business Development for an international consulting services firm specializing in public utility restructuring, privatization/decentralization, urban infrastructure planning and energy/environmental sector policy development. MA, Diplomacy, Univ. of Vermont, MA, International Political Economy, Univ. of Chicago, BA, Political Science, Bethany College.

DOUGLAS SCHULTZ
Manager, Project Development and Finance

In addition to continuing his work with K&M's Project Development Group, Mr. Schultz will take an active role with the company's new entry into e-commerce, K&M E-Ventures. The principal unit of this new company is FreeWills.com, for which he will serve as Vice President for Finance and Business Development. Previously he served as Manager, Project Development in K&M's Financial Advisory Services Group, and Manager of Project Development and Finance for KMR Power where he directed the evaluation, development, structuring, project agreement negotiation and risk mitigation for greenfield power projects valued at \$3 billion. He has managed projects in Asia, Africa, Europe, Latin America and the Middle East. MA, Economics (all but thesis),

Virginia Polytechnic Institute and State University, BA, Political Economy, Tulane University, coursework, Johannes Gutenberg-Universitat, Mainz, Germany.

JOSE KAPPAZ
Resident Manager, K&M-Americas

Mr. Kappaz serves as K&M's Latin America regional representative. He is an expert in project management and quality control. Previously, he was responsible for day-to-day management of three major power projects in Colombia developed, constructed, owned and operated by a former K&M affiliated company. Moreover, he managed the Colombia side of activities leading to financial close of those transactions, provided logistical support for construction activities, served as in-country liaison during start up and operation, and provided oversight for the operation and management contracts. In addition, Mr. Kappaz served as legal representative to KMTel, assisting the company to develop a new private digital telecommunications system in Cartagena, Colombia. Prior to joining K&M, he was a senior corporate executive, private practice attorney, independent businessman and professor. JD, Law, University of Cartagena.

Speakers Bureau

APRIL

Michael Kappaz, *speaker*
Poly Podium: Alumni Leadership Seminars
Topic: "Entrepreneurship Inside the Corporation: K&M Approach"
Web broadcast streaming video [http://web.poly.edu/alumni/spotlight/leadership_lectures.cfm]
Sponsor: Polytechnic University, Brooklyn, New York USA

MARCH

Michael Kappaz, *speaker*
Ambassadors' Roundtable. Topic: "Fundamentals for Private Sector Investment in Water Projects." Sponsor: Forum for World Affairs, Stamford, Connecticut USA

Douglas Schultz, *speaker*
Private Power in the Caribbean. Topic: "Privatization, Liberalization and the Opportunities for Investment"
Sponsor: Center for Business Intelligence Miami, Florida USA

FEBRUARY

Karen Harbert Mitchell, *speaker*
"Electricity Sector Panel" Commercial Tradecraft Course. Participants: Economic, Commercial and Political officials, Foreign Service Institute, U.S. Dept. of State. Sponsor: Business Council for International Understanding, Arlington, Virginia USA

K&M Group of Companies

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53 El Manial Street, Eighth Floor
Manial Rodah, Cairo, Egypt
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Fax: (011) 202-365-4346/7

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c/o Raytheon Ebasco Overseas Ltd.
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Omar Ibn El-Khattab Tower
Maadi, Cairo, Egypt
Tel: (011) 202-378-7025/6/7
Fax: (011) 202-378-7024

Alexandria Wastewater Project

c/o ABB-SUSA
AGOSD East Wastewater Treatment Plant
Gate No. 1, Agricultural Road, Samouha
Alexandria, Egypt
Tel: (011) 203-426-4680
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