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**IN THE UNITED STATES BANKRUPTCY COURT
 FOR THE NORTHERN DISTRICT OF TEXAS
 FORT WORTH DIVISION**

In re)	
)	Chapter 11 Case
MIRANT CORPORATION, <u>et al.</u> ,)	Case No. 03-46590-DML-11
)	Jointly Administered
Debtors.)	
)	

SUMMARY FOR THE FIRST AND FINAL APPLICATION OF PA CONSULTING GROUP, INC, CONSULTANT FOR THE OFFICIAL COMMITTEE OF UNSECURED CREDITORS OF MIRANT CORPORATION AND ITS AFFILIATED DEBTORS, FOR ALLOWANCE OF COMPENSATION, TRANSITION FEES, REIMBURSEMENT OF EXPENSES ADVANCED AND REIMBURSEMENT OF HOLDBACKS

Name of Applicant: PA Consulting Group, Inc

Role in the Case: Energy Industry Consultant for the official committee of unsecured creditors of Mirant corporation and its affiliated debtors.

Application Period: July 14, 2003 – January 3, 2006

	Fees	Expenses		Total
Total Amounts Requested	\$14,740,250.95	\$465,254.85		\$15,205,505.80
Amounts Previously Paid	\$14,663,604.95	\$465,254.85	(-)	\$15,128,859.80
Amounts Still Outstanding	\$76,646.00	\$0.00	(=)	\$76,646.00
Less Available Retainer (if any)	---	---	(-)	\$0.00
Total Compensation Due:	---	---	(=)	\$76,646.00

Fees in Total Amounts Requested includes \$76,646.00 in fees for services rendered during a transition period between May 5, 2004 and June 30, 2004, but does not include fees to prepare this Application.

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**FIRST AND FINAL APPLICATION OF PA CONSULTING GROUP, INC
CONSULTANT FOR THE OFFICIAL COMMITTEE OF UNSECURED CREDITORS
OF MIRANT CORPORATION AND ITS AFFILIATED DEBTORS, FOR ALLOWANCE
OF COMPENSATION, TRANSITION FEES, REIMBURSEMENT OF EXPENSES
ADVANCED, AND REIMBURSEMENT OF HOLDBACKS**

PA Consulting Group, Inc (the “Applicant”), energy industry consultant for the official committee of unsecured creditors of Mirant Corporation and its affiliated debtors (the “Mirant Committee”), files this First and Final Application for Allowance of Compensation and Reimbursement of Expenses Advanced and Reimbursement of Holdbacks (the “Application”). This Application requests final approval of fees in the amount of \$14,740,250.95 (“Total Fees Requested”) and expenses in the amount of \$465,254.85 for the entire case, beginning July 14, 2003, through the Effective Date of the Plan, January 3, 2006 (the “Application Period”). The Total Fees Requested includes \$76,646.00 in fees for services rendered during a transition period between May 5, 2004 and June 30, 2004 (“Transition Services”), but does not include fees for the preparation of this Application. Fees for the preparation of this Application are addressed in Section II, item 13. This Application also requests that this Court authorize and direct Mirant Corporation and its affiliated debtors to pay the Applicant’s outstanding fee holdbacks, if any, during the entire case.

This Application contains the following sections:

Section I provides a brief history of this case and an introduction to this Application.

Section II summarizes the fees and expenses previously paid to the Applicant in this case.

Section III contains a narrative description of specific services performed by the Applicant during the Application Period, as well as a summary description of the expenses incurred by the Applicant.

Section IV analyzes the factors this Court should consider when determining the compensation to be approved and paid to Applicant for services performed during this case.

Section V contains a summary of the Application.

I. INTRODUCTION & BACKGROUND

1. This Court has jurisdiction to consider this matter pursuant to 28 U.S.C. §§ 157 and 1334. This is a core proceeding pursuant to 28 U.S.C. § 157(b). Venue is proper before this Court pursuant to 28 U.S.C. §§ 1408 and 1409.

2. This Application is made pursuant to section 330 of the Bankruptcy Code (11 U.S.C. § 101, *et seq.*) (the “Bankruptcy Code”).

3. The Cases. On July 14, 2003 and various dates thereafter (collectively, the “Petition Date”), Mirant Corporation and 82 of its direct and indirect subsidiaries (collectively, the “Debtors”) filed voluntary chapter 11 petitions. The Debtors continue to manage and operate their businesses as debtors-in-possession pursuant to sections 1107 and 1108 of title 11 of the Bankruptcy Code.

4. The Cases are Jointly Administered. This Court has entered orders approving the joint administration of the Debtors’ chapter 11 cases.

5. The Committees. Three official committees (collectively, the “Committees”) have been appointed by the Office of the United States Trustee for the Northern District of Texas (“UST”) in these administratively consolidated cases.

6. The Examiner. On April 7, 2004, this Court authorized the UST to appoint an examiner in these cases to analyze certain potential causes of action and act as a referee with respect to certain disputes that arise among the Debtors, the Committees, or other parties in interest. The UST appointed William K. Snyder as the examiner in these cases.

7. The Plan and Disclosure Statement. On December 9, 2005, the Court entered its Findings of Fact and Conclusions of Law in Support of the Plan (the “Findings and Conclusions”). In an order dated December 9, 2005 (the “Confirmation Order”), the Bankruptcy Court confirmed the Debtors’ Amended and Restated Second Amended Joint Chapter 11 Plan of Reorganization for Mirant Corporation and its Affiliated Debtors Dated December 9, 2005 (attached as Exhibit 1 to the Confirmation Order, the “Plan”) with respect to all of the Debtors (collectively, the “New Mirant Entities”), except Mirant Bowline, LLC, Mirant Lovett, LLC, Mirant New York, Inc., Mirant NY-Gen, LLC and Hudson Valley Gas Corporation (collectively, the “New York Debtors”).

8. On or about May 6, 2004, the Mirant Committee filed their *Application for an Order Authorizing the Employment and Retention of PA Consulting Group, Inc. Pursuant to Sections 328 And 1103 of The Bankruptcy Code to Perform Certain Energy Industry Consulting Services for the Official Committee of Unsecured Creditors of Mirant Corporation, Et Al., Effective As of April 29, 2004*, (the “Application”), together with the *Declaration of Todd Filsinger in Support of the Application of the Official Committee of Unsecured Creditors of Mirant Corporation for an Order Authorizing The Employment and Retention of PA Consulting Group, Inc. to Perform Certain Consulting Services* . On May 27, 2004 the Court entered its *Order Authorizing The Employment and Retention of PA Consulting Group, Inc. Pursuant to Sections 328 And 1103 Of The Bankruptcy Code To Perform Energy Consulting Services For The*

Official Committee Of Unsecured Creditors Of Mirant Corporation, Et Al., Effective As Of April 29, 2004 (the “Retention Order”).

9. On or about August 1, 2003, the Court entered its Administrative Order Establishing Procedures for Interim Compensation and Reimbursement of Chapter 11 Professionals and Committee Members (the “Initial Fee Procedures Order”). Thereafter, on or about August 27, 2003 the Court entered its Memorandum Order Regarding Compensation of Professionals (the “Fee Procedures Memorandum”), providing for the formation of a Fee Review Committee (the “FRC”) to be chaired by Dean Nancy B. Rapoport of the University of Houston School of Law. In support of the Fee Procedures Memorandum, this Court entered its Order Regarding Fee Review Committee Procedures and Standards on November 6, 2003 (the “FRC Procedures Order”). On or about January 20, 2004, the Court entered its Memorandum Order Consolidating Certain Professional Fee Orders (the “Consolidated Fee Procedures Order”), consolidating and amending in some respects the prior fee orders.

II.
REQUEST FOR FINAL APPROVAL AND PAYMENT OF ALL FEES AND EXPENSES FOR THE APPLICATION PERIOD

10. The Applicant did not receive a retainer in this case.

11. In accordance with the terms of the Consolidated Fee Procedures Order, the Application has submitted to the FRC detailed monthly statements of its fees and expenses, as well as quarterly fee and expense summaries, throughout the pendency of these cases.

12. This is the Applicant’s first and final application for allowance of compensation and reimbursement of expenses.

13. Applicant is requesting approval of the aggregate amount of \$15,205,505.80, representing \$14,740,250.95 in fees, and reimbursement of out-of-pocket expenses in the amount of \$465,254.85; but exclusive of fees and expenses to produce this Application. Of such

aggregate amounts requested, \$15,128,859.80 for fees and expenses have been paid to Applicant pursuant to the Consolidated Fee Procedures Order. The unpaid sum of \$76,646.00 represents fees for Transition Services (rendered between May 5, 2004 and June 30, 2004). All out-of-pocket expenses invoiced have been paid pursuant to the Consolidated Fee Procedures Order. The \$14,740,250.95 in total fees requested represents a total of 42,665.7 hours of services, including 189.2 hours for the Transition Services, and 42,476.5 hours for all other services. To date an additional 87.5 hours have been spent to prepare the Application. Copies of the Monthly Fee Statements were previously submitted to the members of the FRC and are incorporated herein by reference. All Transition Services provided between May 5, 2004 and June 30, 2004 are included as "Task 0" on Applicant's May 2004 and June 2004 Monthly Fee Statements. The Monthly Fee Statements describe the specific consulting services performed by Applicant for each billing matter, including:

- a. the date the services were rendered;
- b. by whom the services were rendered,
- c. the nature of the services rendered,
- d. the time required for the performance of such services, and
- e. the fee associated for the performance of each service rendered.

In addition, Applicant estimates it will incur at least an additional \$25,000 in fees and expenses in connection with the preparation of this Application, addressing issues with the FRC and the presentation of this Application to the Court. The final amount will be provided to the Court at the hearing to approve this Application.

14. All services performed by the Applicant's professionals were recorded in time increments of one tenth (0.10) of an hour. Considerable care was taken by the Applicant to use paraprofessionals and staff members to perform purely ministerial tasks as opposed to using professional consultants to perform such tasks.

15. Attached hereto as **Exhibit 1** and incorporated herein by reference is a summary of the total fees billed and hours devoted during the Application Period by each of the Applicant's professionals, along with their billing rates, total hours and total fees billed. Note that this summary includes the 189.2 hours of Transition Services in a separate table, but does not include the 87.5 hours spent preparing the Application.

16. All of the services specified in the Monthly Fee Statements were necessary for the Mirant Committee to perform their statutory duties and fulfill their fiduciary obligations. All of the Applicant's professionals that rendered services in these proceedings made a deliberate effort to avoid unnecessary duplication of work and time expended. In certain instances, however, conferences and/or collaboration was necessary among the Applicant's professionals. Where more routine tasks were involved, the Applicant used the talents of its analysts and professional support staff to reduce the total fees in this case, without sacrifice to the quality of the services rendered.

III.

SERVICES RENDERED BY APPLICANT DURING APPLICATION PERIOD

17. Applicant has segregated its services into the following eleven categories for the purposes of summarizing the services rendered. Each of the eleven categories is further divided into several tasks that can be cross-referenced against the 63 billing activity groups in the Applicant's detailed monthly invoice. The eleven categories described herein are:

- (i) Domestic Generation Cash Flow Forecasting
- (ii) Litigation Support
- (iii) Contracts/Trading/CRM
- (iv) Financial & Operational Analysis
- (v) Communication
- (vi) Administration
- (vii) International Cash Flow Forecasting & Analysis
- (viii) Solvency/Debt
- (ix) Facilities
- (x) Transition Period
- (xi) Fee Preparation

18. Set out below is a brief explanation, summarized by the eleven categories described in 17 above, of the services performed by the Applicant during the Application Period. This information summarizes the detailed time records included in the Applicant's Monthly Fee Statements.

Summary Overview of Services

These eleven service categories described in 17 above, and the associated subtasks, supported a comprehensive analysis of the Debtor's business model and an effort to forecast cash flows for each individual generation asset. Over the course of this case, Applicant was required to quickly develop a fundamental high-level view of future cash flows for the Debtor's portfolio including the assets, contracts, and hedges. Applicant developed a ground up financial model of the company starting with a fundamental market model of each region in which the company had a form of participation (domestic and international). This model initially was developed using the limited data Applicant was able to obtain from the Debtor and through the transition process with Risk Capital Management (RCM). Hence the initial analysis was primarily based upon generic information developed within Applicant. The sources for these internal data were Applicant's extensive databases of all facilities in the US and internationally that have been developed for this type of assignment.

Applicant initially constructed a ground-up business-planning model to test the realism associated with the Debtor's business plan. This analysis allowed the Mirant Committee to: a) determine where value resided in the Debtor, b) assess the earnings ability of various assets and subsidiaries of the Debtor, c) understand the recovery time frame for the markets and associated market attractiveness, and d) gauge the EBITDA-earning power of the enterprise. After developing an initial model and providing the Mirant Committee with a high level view of the earnings power of the company, Applicant refined its due diligence on each of the assets and regions. This refinement process centered in part on information shared by the Debtor and

presentations made by Debtor staff. As part of this effort, Applicant gained a better understanding of capital expenditure plans, contractual issues around each plant, fuel costs and deliverability issues. For example, Applicant analyzed the coal delivery constraints from Wyoming to the northeast and within the northeast. Applicant also analyzed gas basis differential issues as well as plant-specific operational constraints and transmission constraints that impact the ability of each facility to deliver power to their relevant market. In addition, Applicant modeled the environmental issues around each facility to gain an understanding of the environmental constraints, risks, capital requirements and environmental costs (SO₂, NO_x and Hg).

As Applicant conducted additional due diligence and received additional information from the Debtor, it continued to update and refine the power model, emissions cost model, and valuation models. Applicant reconfigured these models several times throughout the case to address new information shared by the company, evolving rules from the EPA on Sox, NO_x and Hg regulations as well as ever-changing fuel pricing. Changing fuel prices required additional analysis on the impacts on other commodities (gas versus oil and coal) and the impact on the environmental costs and the markets' response to regulations given the increased commodity prices.

Applicant also conducted a detailed SGA and operating cost analysis on all the facilities to assess the validity of the Corporate Overhead and Operating Performance Initiatives presented in the Debtor business plan. Applicant conducted this benchmarking and performance enhancement analysis based on data accumulated from numerous sources in the industry and the modeling of the Debtor facilities.

The comprehensive analysis of the Debtor business plan with both domestic and international components required a wide variety of expertise. Applicant experts in the wholesale power markets both domestic and internationally were required to develop the required models

and prepare the analysis. The detailed review and representation of the multiple contracts and hedges required individuals with expertise in wholesale power trading. Engineers and environmental experts were required to review and assess the modifications to Debtor's operating and maintenance projections at each asset as well as the required emission control technology choice. This demanded the need for knowledge of the environmental regulations and the impact on the wholesale power market. Fuels expertise was required to analyze the gas, oil and coal supply contracts and projected requirements. Applicant's analysis also leveraged this fuel related expertise to determine basis differentials for natural gas and fuel oil. The evaluation of potential impact of transmission constraints at the various assets required expertise in understanding and modeling the intricate transmission systems and how those systems impact locational pricing. Finally, the development of the business planning model also required significant expertise in financial modeling.

Summary of the Engagement's Novelty and Difficulty

The Mirant Committee was the only stakeholder to conduct an analysis and forecast of the environmental costs and associated capital improvements. This was critical in the negotiation of the plan with respect to capital contributions to MAGI and also in understanding the true economics of the MIRMA coal fleet, including the viability of Potomac River, which was identified early on by Applicant as a large risk factor in Mirant EBITDA projections.

As the valuation trial approached Applicant developed the base line case for the Mirant Committee for presentation in the case and provided the EBITDA projects for the MBLY valuation exercise. The Mirant Committee is the only party in the case that presented a fully integrated company cash flow forecast based on a plant-by-plant, and trading basis using updated power and gas curves. Applicant also was active in all aspects of the trial including the development of expert reports and rebuttal, data requests, the provision of a large quantity of responses to requests from equity, development of direct and cross examination outlines and

exhibits as well as testimony in the case. This entailed review of over 600,000 tif files in a very short amount of time period. Post case Applicant was very active in developing an understanding for the Committee on the meaning of Judge Lynn's decision and the recalculation of the plan with the assumptions. This was utilized in the negotiations with the equity committee.

Applicant also assisted the Mirant Committee's counsel in assessing the viability and magnitude of the Southern Litigation.

Summary of the Skill Required to Perform the Professional Services Properly

The Applicant's skill set required the following areas of expertise:

- Risk control and oversight
- Trading review and analysis
- Risk reporting
- Asset sales review and approval
- Contract rejection analysis
- Claims analysis in conjunction with Capstone
- Business Planning review and analysis
- Transmission system analysis
- Environmental review and analysis
- Asset analysis, EBITDA projection and valuation throughout the case
- Collateral sizing and analysis
- Due Diligence through out the process on the contracts

Assessment of the Debtor's business required a large number of specialists in the fore-mentioned areas. In order to perform the due diligence on a business with such a wide geographic scope it also took many regional specialists. The result is that a large modeling staff was required to perform updates and variances for specific activities in this bankruptcy; hence the extensive list of people on this assignment. In conducting an assignment of this nature Applicant finds it necessary to incorporate expertise across several fields in order to get a realistic picture of the markets and any particular portfolio's performance in these markets. The experts include: power market experts, individual regional and country exerts, fundamental modeling and stochastic modeling experts, trading and risk management experts, operating and maintenance experts.

Summary of Applicants Experience, Reputation and Ability

Applicant has an international reputation for generation asset due diligence and understanding of how regional power markets impact asset performance. Further, Applicant is well known for understanding all aspects of the power market including generating assets, fuel, transmission, and environmental issues. In terms of relevant experience, Applicant has represented creditors in bankruptcy of other major merchant energy companies including NRG, NEG, and TECO / Panda. The Applicant team on this assignment represents years of experience in modeling North American energy markets and valuing generation assets for the purpose of financing, M&A activity, and litigation. Applicant also has comparable experience in international energy markets through energy specialists in offices located outside of the United States.

Category (i), Domestic Generation Cash Flow Forecasting

Category (i) includes the following five billing tasks: Generation Asset Modeling, Internal Conference Call Participation, Asset-by-Asset EBITDA Generation (Domestic), Asset-by-Asset Valuation (Domestic), and Environmental-Related Issues.

1. *Generation Asset Modeling (Task 6)* – Generation asset modeling served as the foundation for much of the analysis that Applicant delivered in its role as an advisor on this case. As part of this modeling effort, Applicant projected wholesale market power prices using an approach that Applicant has consistently applied to evaluate multiple types of power contracts and electric generating assets and asset portfolios. This approach includes the use of several very complex and detailed models and a significant amount of data to represent the power markets of the United States. The approach and the types of models used are widely accepted and commonly relied upon in the energy industry to forecast market conditions. The central components include the simulation of power plant dispatch operations and capacity additions and retirements.

An iterative process of dispatch and capacity simulation is at the core of Applicant’s methodology. After Applicant specifies an initial generic capacity plan to satisfy

load projections, Applicant's model simulates the behavior of the regional power markets and the corresponding dispatch decisions. This requires a detailed modeling approach to represent the hour-by-hour interaction of supply and demand to determine how frequently and how profitably plants dispatch and simulate how the industry operates. The dispatch of the regional markets was simulated using MULTISYM™, an hour-by-hour chronological production cost-based dispatch model. Within MULTISYM™, generating units in each pertinent transmission area are modeled individually, taking into account the unit-specific cost and operating characteristics. This required the development of unit specific data for each generator in the regional markets analyzed.

A separate model is then used to determine the total compensation required in the market to retain a sufficient amount of capacity to meet reliability requirements of the system. This model uses the output from MULTISYM™ as well as additional fixed cost data that Applicant prepared for every generator in the market. Applicant's model then simulates the decisions market participants would make to add or retire capacity given the performance of the plants.

Environmental regulations force generators to incur costs to comply with limits on emissions of certain pollutants. Applicant used its proprietary Multi-Pollutant Optimization Model (MPOM) to project the means by which market participants will satisfy these limits, which affect operating behaviors and market pricing. MPOM is a model that solves for the optimal market-driven decisions to comply with emissions constraints, which drives market coal and emissions allowance prices. In the context of the Mirant portfolio, Applicant projected the optimal timings and types of environmental capital expenditures (given the trade-off between expensive environmentally efficient equipment and higher emissions costs), the optimal fuel types for each plant (given the trade-off between cleaner fuel and higher emissions costs), and emissions cost rates for each of the three pollutants (given

volumetric caps imposed by regulation).

Transmission limitations introduce power price disparities within a region. For favorably located units (for instance, within an area of high demand but limited access to supply due to transmission constraints), these limitations tend to increase prices. For unfavorably located plants (for instance, within an area of low demand and minimal transmission access to areas of high demand), these limitations tend to decrease prices. To assess the impact of transmission congestion on market prices within a market (or locational market prices for the specific delivery points of the contracts) and related cash flows for Debtor plants, Applicant used a load-flow, security-constrained production cost model. This model, GE-MAPS, solves for hourly least cost generation and transmission dispatch while respecting generation constraints and transmission limits. Since GE-MAPS models the system on a chronological hourly basis, it captures the effects of temporal load shape diversity that exists throughout the system.

At the wholesale electric market price forecast level there are multiple assumptions that must be developed, vetted, and uploaded into the model. In addition, all assumptions go through a quality assurance review process. Some examples of assumptions used in the models are: load projections, existing supply, projected supply, power transfer capabilities between regions, reserve margins, transmission constraints, environmental legislation, gas and oil prices, coal prices, historical price volatility, and new build costs. Within each market, Applicant models all existing generating units and projects new capacity additions, totaling approximately 8,000 units. For each unit there are multiple unit characteristics that are specific to that plant. These include unit types, capacities, heat rates, operating constraints, retrofits, emission rates, fuel type and costs, and outage rates. For each assumption, Applicant must perform research across multiple documents, benchmark them against proprietary knowledge and determine the most appropriate assumption. Applicant

consulted more than 100 documents in determining the non-Debtor specific assumptions in this analysis.

Applicant performed a separate due diligence process to review for the assumptions associated with the Debtor generation units. This involved discussions with Debtor engineering and modeling personnel, incorporating information obtained during site visits, and benchmarking against Debtor modeling assumptions.

Once the assumptions are developed and vetted, they must be uploaded into the various databases. Given the format of the databases, this task is very labor intensive. After the assumptions are input, they must be quality assured.

After the assumptions have been uploaded and quality assured, the models are run. All of the models are iterative and must be run multiple times in order to capture the capacity transfers, economic retirements and optimal new build plan. The pricing and operational results from the models must also be compared across the Applicant models, historical pricing and operations, and forward and the Debtor forecasts.

Modeling the Debtor units was an iterative process that Applicant refers to as a funnel when providing results. When Applicant was originally retained in April 2004, it provided “top of the funnel” results to the Mirant Committee. This involved developing high-level assumptions, running the model and performing quality assurance. Applicant then refined the assumptions throughout the process as more information became available and as documents that are relied upon for assumption development are updated. With each set of results, Applicant must go through much of the process described above.

As part of later steps in the funnel approach, Applicant ran alternative scenarios to test the impact of changing important key variables to gauge the sensitivity of the portfolio and individual results to changes in assumptions. For this engagement, Applicant ran multiple

scenarios to test the sensitivity of the units to gas prices and various environmental constraints.

2. *Internal Conference Call Participation (Task 7)* - The task tracked time spent by Applicant staff on internal conference calls. The primary purpose of such calls centered on issues surrounding cash flow forecasting. Key cash flow related issues addressed on such calls include: Contracts/Trading/CRM, Environmental, Site Visits and Turbine Facility Analysis, Financial & Operational Analysis, Financial and Operating Forecasting & Analysis, Generation Asset Modeling, and Taxes.
3. *Asset-by-Asset EBITDA Generation – Domestic (Task 9)* - This task involved developing the supporting templates and analysis to prepare EBITDA forecasts at the asset level. As an initial step, Applicant constructed a proforma template. The template was designed to integrate results from other models including gross margins developed in the market modeling tasks and contract revenues from the contract modeling tasks. Applicant developed a standardized template for summarizing the cost line items below the gross margin to determine EBITDA. This included non-fuel operations and maintenance costs, labor costs, property taxes, SG&A, insurance, and overhead allocations.

Applicant performed due diligence on Debtor's assumptions regarding O&M costs.

The due diligence included benchmarking costs to other plants and reviewing costs with Debtor personnel. Based on this analysis Applicant determined what O&M costs to include in each proforma and made adjustments where appropriate. Frequently the O&M had to be adjusted to account for costs already captured in Applicant's production cost model (such as fixed gas fees) or for differences in environmental retrofit strategies. Site visits and various question and answer sessions with Debtor staff provided input to this analysis.

4. *Asset-by-Asset Valuation - Domestic (Task 11)*- This task encompassed modeling and related research and analysis associated with supporting the overall valuation of the domestic

operations. Approximately 67% of the time incurred in this task related to the development of the baseline cash flow models for the domestic assets, including analysis of the inputs and results of Applicant's fundamental market modeling. Applicant started with the results of the fundamental market model. The full cash flow models then layer-in the necessary environmental/major maintenance capital expenditure forecasts, depreciation schedules, associated income taxes and working capital requirements. The result was the derivation of un-levered free cash flow models at the plant, legal entity and consolidated level.

The balance of the time was spent researching specific issues arising during the valuation hearing. Specific tasks that required significant research and analysis due to the complexity of their nature included: income tax related issues (NOLs and tax credits); property tax issues; MAEM trading impacts on operating plants; corporate overhead allocation; specific operating contracts (PEPCO PPA/TPA); MIRMA lease; reinstatement of MAGI debt; proposed restructuring of Debtor at emergence; and fuel price sensitivities.

Following the submission of Applicant's expert report, Applicant prepared sensitivities and benchmark analysis against other expert reports. In addition, Applicant conducted research/benchmarking analysis of peer company valuation comparables and transactions.

5. *Environmental-Related Issues (Task 50)* - Environmental air related due diligence work included determining assumed emission rates, retrofits, removal rates and associated costs to comply with existing and future regulations for all units in Debtor's portfolio. Applicant developed independent forecasts of future retrofits and costs for each plant related to air issues. This independent view -- the only view of its kind in the case -- required detailed modeling of the Debtor portfolio and other coal facilities in the US utilizing Applicant's Multi-pollutant Optimization Model. Applicant also developed fuel plans to match future environmental regulations and existing and future retrofits. Data for this analysis was

developed from a combination of Applicant specialists in coordination with the Debtor's specialists. This analysis was completed on a unit-by-unit basis in order to properly evaluate the implications of local, state and federal air regulations. Due to the uncertainty in future clean air regulations, Applicant completed the environmental analysis for numerous scenarios including a reference case, CAIR, and CAMR. These regulatory scenarios were also analyzed in conjunction with alternative market scenarios including low gas and high gas prices. These analyses were completed at the request of the Mirant Committee.

Applicant also did extensive water related due diligence work in terms of evaluating water intake and discharge costs and operating impacts on all of Debtor's units. Debtor assets were located in areas where there were stringent water regulations. In both California and NY there are stringent fish entrainment permitting issues to consider, as well as stringent water discharge issues. In many cases, the water related permits constrained the operations of the units, especially in California. Applicant's asset cash flow forecast modeling included capturing these material constraints.

Difficulty of Category (i) Issues/Activities – Category (i) produced key inputs, pricing and gross margins, that were needed to develop the asset cash flow forecasts and mark-to-market analyses of contracts and long-term hedge and speculative positions. The result of Category (i) services was also a set of sophisticated valuations that captured all the key valuation issues.

Modeling of electric wholesale market prices and generator unit gross margins is a complex process that requires the development and analysis of critical model inputs, knowledge of the markets being modeled, knowledge of the specific modeling tools, and the skill and experience needed to adjust models so that they are reasonable representations of the real world. Applicant's modeling staff assigned to this task had years of prior experience, which were critical to performing the complex modeling required.

Another critical issue in the valuations was maintaining quality control in the process of linking of the multiple complex data sources and models required to develop the EBITDA forecast and asset valuations. These models then had to link in asset-specific issues with regards to obligations and special tax and reparations issues for the foreign assets.

Finally, correctly capturing the impacts of environmental regulations on operating costs and constraints on plant dispatch required the detailed review of plant specific permits and operations as well as an understanding of local regulations, e.g., Potomac River in Alexandria, Virginia. This process involves not only correctly capturing national programs in the cash flow forecasting models but also customizing the analysis to appropriately reflect plant-specific performance.

Time Limitations in Category (i) Services – At various stages in the bankruptcy Applicant was required to model the Company’s assets and develop forecasts of wholesale market electricity prices. The demand for initial results on a tight timeframe combined with the need for multiple updates to reflect volatile commodity markets generated a high number of modeling iterations. Further, analyses frequently needed to be refined with new data to meet various deadlines related to litigation and other checkpoints during the process of due diligence. These tasks were driven primarily by the time necessary to capture the various changes in Debtor assumptions update results accordingly. Applicant also responded to specific decision milestones set by the Mirant Committee.

Category (ii), Litigation Support

Category (ii) includes the following six tasks: Court Filings and Related Documents, Hearings, Plan of Reorganization and Disclosure Statement, Litigation, Data Request Preparation and Coordination and Project Data Management.

1. *Court Filings and Related Documents (Task 24)* - This task involved the review and analysis of the expert reports, rebuttal reports and exhibits produced during the valuation trial. In

addition, Applicant reviewed and analyzed the deposition transcripts and trial transcripts in preparation and support of the legal team for the Mirant Committee. Approximately 70% of the hours charged to this task were incurred between January 2005 and the end of the valuation hearing.

2. *Hearings (Task 27)* - Task activities principally related to the preparation of Applicant's expert witness direct and rebuttal testimony. Applicant reviewed the other energy market expert witness testimonies and their modeling assumptions as part of the preparation for Applicant's expert and rebuttal testimony. Over 80% of the time charged to this task was incurred between mid-April and mid-May of 2005.
3. *Plan of Reorganization and Disclosure Statement (Task 43)*- Approximately 42% of the total time charged to this task related to reviewing and analyzing the original Plan of Reorganization (POR) and Disclosure Statement that was filed with the Court in the fourth quarter of 2004. This analysis focused on the proposed restructuring alternatives and feasibility analysis as a result of the reinstatement of MAGI debt. It also included reviewing the forecasting assumptions contained in the POR and Disclosure Statement as compared to Applicant's assumptions.

The balance of the time charged to this task related to reviewing and analyzing the subsequent changes proposed in the amended POR and Disclosure Statement. The majority of these efforts focused on analyzing the valuation impact to the Mirant Committee and the MAGI Committee as a result of changes in cash flow forecasts, as prescribed in the valuation hearing, as well as the proposed change in the reorganization of MAGI. In addition, Applicant performed analysis on the feasibility of the reinstated MAGI debt, and sensitivities to Applicant's modeling assumptions for benchmark and comparative purposes.

4. *Litigation (Task 53)* – This task included the review of, and assistance with a wide range of issues associated with the bankruptcy litigation. Different cases that Applicant was involved with include:

- Property tax settlements for a number of generation plants
- CA litigation with respect to over-charging for power
- Perryville and the value of associated claims
- Valuation of Debtor

The majority of the effort in this task was associated with the valuation hearings where Todd Filsinger of Applicant was an expert witness and Applicant was actively involved in rebutting the valuations of other parties. Key aspects of the valuation hearing work included the following:

- Assist attorneys with the development of deposition questions
- Participation in data discovery of other parties and assist with deposition of opposing witness testifying on valuation
- Responding to discovery requests
- Review of expert reports of other witness and providing support
- Preparation of an expert report and associated exhibits on Debtor's value
- Rebuttal of expert reports of the Debtor and other interveners
- On-going trial support including review of transcripts and analysis of alternative theories on valuation
- Expert testimony and associated witness support

As part of the valuation litigation, Applicant evaluated over 600,000 pages of data requests that we received in soft copy and about 20 boxes in hard copy. The timing of discovery data distribution complicated the preparation of litigation support materials.

Specifically, Applicant devoted a fair amount of time drafting and re-organizing of the pre-valuation trial data to reflect new data as it was received.

It is important to note that Applicant was relied on heavily for the backroom analysis during the valuation hearings. This analysis was conducted daily after each day of testimony to assist with direct and cross-examination of witnesses throughout the trial. In this role, Applicant conducted real time analysis often overnight to support questioning and develop trial exhibits. To fulfil this role, Applicant had a small support team available on site in Fort Worth to fully support witnesses and attorney preparation throughout the case.

Applicant also supported litigation efforts surrounding the Perryville and Kern River cases. In the Perryville damage claim, Applicant provided litigation support related to the value of the rejected contract. Applicant conducted analysis, reviewed testimony and discovery responses, and attended depositions. This effort required staff with expertise in market price forecasting, contract valuation, and costs of capital. In the Kern River damage claim, Applicant provided litigation support related to the value of the rejected contract. Applicant conducted analysis, reviewed testimony and discovery responses, attended depositions, and attended the trial. This effort required staff with expertise in gas markets, contract valuation, and costs of capital.

All litigation required support from a team of Applicant experts with the required expertise in the various areas that were addressed in the hearings. Key areas included wholesale power markets, trading expertise, fuel expertise, environmental regulations and associated required power plant retrofits, transmission expertise, and overall financial expertise. Several of these analyses were required to be evaluated in a very short time frame to respond to issues and questions raised by the Mirant Committee as well as their legal and financial advisors.

5. *Data Request Preparation and Coordination (Task 54)* - Time incurred in determining and preparing the necessary data request for Applicant's due diligence process was charged to this task. Requested data focused primarily on plant/unit characteristics, operating contracts, financial contracts, historical financial and operational data, and underlying calculations/assumptions applied in the forecast data.

In addition to preparing and coordinating data requests for Applicant's due diligence process, time incurred in preparing and responding to data requests relating to the discovery phase of the valuation hearing was charged to this task. These activities accounted for approximately 35% of the total time charged to this task.

6. *Project Data Management (Task 57)* - The four main functions associated with this task were:

- Receiving data from the Debtor or outside parties/sources in the form of e-mails, hard copies and downloadable web based documents
- Filing data within Applicant's internal data room
- Creating and updating a log of all data received
- Researching/Locating documents for use in on-going analysis.

Throughout the project Applicant received e-mails in regards to various subjects including collateral, risk, optimization, court filings, cash projections, unit characteristics and multiple other subjects from the debtor. These e-mails were forwarded to the appropriate staff within Applicant as well as to other advisors within the Mirant Committee. The individual within Applicant who received the forwarded email filed the e-mail as well as the data contained within onto a designated spot within the Applicant server known as the Applicant Data Room. The Applicant Data Room now contains approximately 15,000 files of which majorities were received through e-mail. The data was then documented in a central log to

ensure, among other things, quick retrieval of documents to assist in Applicant's analysis.

The central log now catalogs approximately 10,000 documents/files.

Applicant received hard copy documents from the Debtor on a less frequent basis as compared to e-mailed data. Hard copy documents were filed within a specified area of Applicant's Boulder Office. These documents were cataloged in the central log.

Applicant had access to two web based databases. The first web site, www.intralinks.com, was specifically set-up for the Mirant Committee. The second web site, www.mirantdataroom.com, was set-up by White & Case LLP on behalf of the debtors. Applicant staff would be called upon to search these websites for data required for specific analyses. When data was located, a Applicant staff member would download the data onto the Applicant Data Room and cataloged the data in the central log.

Difficulty of Category (ii) Issues/Activities. As this was a major bankruptcy with extensive litigation, litigation support became a complex set of tasks. Defending the valuation and underlying cash flows required extensive support due to differences in market structures across the U.S. and the detail of the processes used to derive the cash flows and valuation of the Company. The difficulty of developing a valuation of the Company's business was compounded by the complexity and lack of maturity in the development of competitive wholesale electric markets in the U.S. and the volatility of key underlying variables such as fuel prices.

Time Limitation in Category (ii) Services. The complexity of the litigation, its duration, and the very stringent time deadlines all required a concentrated ongoing effort on the part of PA staff

Category (iii), Contracts/Trading/CRM

This category includes the following thirteen tasks: Power Purchase Agreement Analysis, Fuel Commodity Analysis, Routine Risk Oversight, Analysis of Proposed Marketing Transactions, Analysis of Position and Risk Reports, Analysis of MTM Reports, Risk Policy Amendments, Contract Valuation, Analysis of Trading Collateral Requirements, Analysis of Terminated

Contracts, Inter-company Transactions, Trading Operations (MAEM), PEPCO and FERC Negotiations.

1. *Power Purchase Agreement Analysis (Task 4)* - Applicant analyzed the Company's multiple power purchase agreements as part of the overall advisory effort to forecast cash flows and value the enterprise. This involved reviewing the contract documents, constructing models to project the EBITDA and cash flow impacts, and marking the fuel and power contracts to market using Applicant's market models. Review of such contracts required detailed review of any appendices and amendments to the original agreements. This type of analysis demanded a careful review of the contracts to understand all the parameters defined in the contract and then correctly representing those characteristics in the model.
2. *Fuel Commodity Analysis (Task 5)* - Fuel forecasts served as key inputs to Applicant's cash flow forecasting analysis. This task related to preparing and updating the fuel forecasts. Fuel forecasting involved: analyzing long-term forecasts of gas and oil from third parties, monitoring ongoing and projected infrastructure changes (such as natural gas pipeline construction and liquefied natural gas terminals), reviewing historical locational basis relationships, researching local delivery charges & taxes, and studying plant-specific fuel issues.
3. *Routine Risk Oversight (Task 14)* - The Mirant Committee tasked Applicant with monitoring Debtor's trading activities to identify key risks and developments in the portfolio of assets, hedges, and speculative positions. Applicant worked with Debtor to: identify data requirements (including detailed transaction data), review the trading portfolio on a periodic basis (usually monthly), and provide periodic summary reports to the Committee. Applicant also responded to ad hoc questions from Mirant Committee members and investigated any risk limit violations and portfolio changes.

4. *Analysis of Proposed Marketing Transactions (Task 15)* - Debtor's risk management policy required that the Mirant Committee explicitly approve new transactions that exceeded certain time length and economic thresholds. When the Debtor identified prospective transactions of this nature it would typically host a conference call and provide information regarding the proposed transaction. Applicant was then tasked with analyzing the transaction and making recommendations to the Mirant Committee regarding whether or not and under what conditions the Mirant Committee should authorize the transaction. Often this involved identifying Mirant Committee concerns and discussing with the Debtor ways to address these concerns.
5. *Analysis of Position and Risk Reports (Task 16)* - Debtor provided summary performance and risk reports periodically (some daily, some weekly, some monthly). Applicant reviewed these reports to identify key actual or projected performance variances.
6. *Analysis of MTM Reports (Task 17)* – This task was associated with the need to track daily, monthly and quarterly portfolio exposure and changes. The principle duties associated with this task were:
 - Every quarter (or as required by Credit Committee), review the daily Market Risk Reports, Combined Position Reports and Optimization Reports.
 - Extract relevant information from these reports and summarized the positions and exposures as compared to past quarters and year-to-date changes.
 - Investigated the causes for significant changes in risk exposure and MTM valuation.
 - Develop presentation slides quarterly (or as required) that summarize changes in risk exposure and MTM valuation.
 - Provided insight into changes in exposure and MTM value.

7. *Risk Policy Amendments (Task 18)*- This task evaluated approaches for using cross-commodity hedging as a means of managing price risk exposure in the absence of market liquidity. The following comprised the main duties associated with this task:
- Reviewing the Debtor’s “Global Risk Management Policy” documentation.
 - Reviewing the Debtor’s documentation describing the proposed analytics for implementing cross-commodity hedging. This included:
 - Hedging gas price exposure with liquid term contracts on gas.
 - Hedging power price exposure with liquid term contracts on power.
 - Hedging power price exposure with liquid term contracts on gas.
 - Hedging residual oil price exposure with liquid term contracts on crude oil.
 - Reviewing RCM’s documentation assessing the debtor’s suggested amendments in the risk policy.
 - Reviewing of FAS 133 rules for qualifying hedging transactions.
 - Communicating findings to the Debtor’s Risk Committee.
8. *Contract Valuation (Task 19)* - Applicant analyzed Debtor’s multiple contracts as part of the overall effort to project the company’s cash flows and value the enterprise. This involved reviewing the contract documents, constructing models to project the EBITDA and cash flow impacts, and valuing the contracts.
9. *Analysis of Trading Collateral Requirements (Task 20)* – This task addressed the need to evaluate the amount of credit collateral requirements to run trading activities for managing price exposure of commodity prices. Applicant assessed collateral requirements with a specialized model. The model is used to provide estimates of expected and potential collateral needs associated with implementing the selected hedging strategies. The model takes into account the unpredictable nature of commodity prices (market price volatility) and the benefits of diversification when executing hedging transactions across different regions

and commodities with counter-party. Since the modeling is very data intensive, Applicant developed a number of preprocessing routines to transfer data from Debtor systems to the collateral model. These routines involved several spreadsheets and computer programs in the form of macros to automate the activities. The following list comprised the main activities associated with this task:

- Calibrating historical market data for determining the stochastic behavior of future energy commodity prices (market price volatility) for different terms and regions. This also encompassed assessing the degree of association (correlation) that exists between price movements of different commodities across different regions.
- Compiling the projected monthly power production and fuel consumption during on-peak and off-peak hours for each generation unit in the debtor's portfolio.
- Receiving data from the debtor, in the form of spreadsheets, containing individual transactions for the current hedging portfolio.
- Consolidating and processing the generation and current hedging portfolio.
- Selecting combined hedging strategies for different terms (short, medium and long), regions, and commodities.
- Performing gap analysis for creating additional hedging transactions for implementing the selected strategies.
- Creating a final batch of individual transactions that included the generation and hedging portfolio plus additional hedges.
- Populating the collateral model database with the final batch of transactions, calibrated parameters, and the set of agreements associated with the debtor's counter-parties.
- Executing the collateral model and analyzing the results.

10. *Analysis of Terminated Contracts (Task 21)* - Settlement terms for terminated contracts generally required Committee approval. Applicant was tasked with reviewing the transactions and opining whether or not the settlement terms met the standard of reasonableness.
11. *Inter-Company Transactions (Task 35)*- Until all parties accepted that MAG was solvent, inter-company transactions were viewed as potentially critical issues. Applicant was tasked with analyzing the economic and operating impacts of key inter-company relationships, including inter-company hedging (which resulted in significant litigation) and MAEM's contracts and operating relationships with the other Mirant entities.
12. *Trading Operations (MAEM) (Task 47)* - Applicant was tasked with analyzing Debtor's trading organization (MAEM) as part of the business planning and cash flow projecting process. Applicant analyzed MAEM's historical performance, staffing levels, risk management infrastructure, trading book structure, staff incentive programs, and performance projections.
13. *PEPCO and FERC Negotiations (Task 51)*- The litigation with PEPCO was complex and had far-reaching implications in the Debtor's case. Applicant provided support to the PEPCO litigation by responding to specific requests from committee legal counsel regarding the contractual aspects of the Debtor's contract with PEPCO, the numerous settlement possibilities that were exchanged by the parties, the fraud allegations and the review of the District Court rulings in the case.

In addition, it was requested that Applicant review and opine on the approval of the settlement agreement that was negotiated between Debtor and various California parties. The California settlement agreement was a complex agreement that attempted to settle a wide range of issues related to the 2001 energy crisis in California. Various FERC, state, local, regulatory and market structure entities were involved in this settlement. Applicant provided

an overview of this settlement to the Mirant Committee along with a recommendation for approval.

Difficulty of Category (iii) Issues/Activities – The results of these activities are grouped into four categories.

- First, the analysis of fuel prices and historical prices was a key input into the cash flow forecasting models and the models used to assess future risk associated with market positions.
- Second the ongoing review of trading activities and approval of transactions was critical for the continued operation of the Debtor, the ongoing management of risk on behalf of the creditors, and the Mirant Committee’s approval of the Debtor’s trading program. The trading collateral analysis was also a key report for estimating working-capital requirements for the trading units.
- Third, the contract and trading analysis was used as a component of the total Debtor valuation and to assist the Mirant Committee in understanding settlement proposals.
- Fourth, Applicant prepared ongoing reports were prepared on behalf of the Mirant Committee to keep creditors up to date with the risk exposure of the Debtor.

These tasks were extremely complex and required specialized knowledge of the power industry, risk management systems, technical modeling, and risk management. In addition, the ongoing analysis of risk and trading activities is a labor-intensive process. The complexity of the activities was a result of:

- The requirement to analyze and evaluate a large number of power purchase agreements with non-standard and / or unique terms that required detailed individual review.
- The need to forecast fuel prices in a multitude of regions and also address a large number of plant-specific fuel supply issues.

In addition, specialized knowledge was necessary:

- Analyze the Debtor’s trading portfolio that spanned many regions and included new and legacy speculative trading positions as well as hedging activities.
- Assessing the material economic and risk implications (including volatility) of ongoing transactions required advanced statistical knowledge to understand time dependent behavior and to quantify the value of regional and cross-fuel diversification.
- Review of cross-commodity hedging requires a mastery of advanced mathematics and statistics, as well as best practices in the industry for managing price risk.

Time Limitations in Category (iii) Services – The nature of the tasks were that frequently updated valuations of power purchase agreements and trading positions were required under tight time constraints, due to requests from counsel or Mirant Committee members. In addition, Mirant Committee approval of new trading transactions typically had a time window of only a few days to execute them. This created the need for Applicant to complete and present its analysis to the Mirant Committee very quickly. Under the agreed settlement protocol, the Mirant Committee typically had 10 days to object to each proposed settlement, so Applicant’s analysis had to be complete within a few business days.

Category (iv), Financial & Operational Analysis:

This category includes the following eleven tasks: Asset sales, Interaction, Calls and Meetings with Debtors and Debtors' Advisors, KERP, Historical Financial Results Analysis, Operating and other Reports, Cash Flow Analysis (consolidated, legal entity and plant level), Projections, Business Plan and Related Financial Analysis, Securities and Exchange Commission Filings, Corporate overhead allocation, Operating Performance Initiatives and Income Tax Analysis.

1. *Asset Sales (Task 22)* - Applicant reviewed each announced asset sale to determine whether the proposed sale price reflected a fair market value. Applicant prepared a recommendation and presentation to the Mirant Committee as to whether it should support the proposed sale. The major asset sales reviewed during this engagement were Coyote, Wrightsville and Mint

Farm. Applicant's opinion on whether the sale reflected fair value was based upon its own valuation and cash flow analysis as well as reviewing comparable sales in the marketplace. The comparable sales analysis included research into other asset sales and the circumstances around each sale in order to determine if the sale was comparable. Applicant also looked into the proposed terms of the sale from the buyer.

2. *Interaction, Calls and Meetings with Debtors and Debtors' Advisors (Task 30)* - This task encompasses various communications between Applicant and the company and its advisors. The communications occurred over the entire duration of the case and covered a wide spectrum of topics and meetings. The following listing provides an overview of the communications between Applicant and the Debtor. The overview is not purported to be a comprehensive listing of all communications or topics of the communications between Debtor and Applicant over the course of an approximate year and a half. However, the following list is intended to provide a perspective on the scope of issues that were discussed.
 - Meet with Debtor's chief risk officer and head of commodity trading on a weekly basis at the beginning of the engagement (bi-weekly or monthly thereafter through the conclusion of the valuation ruling) to understand the risk characteristics of the portfolio and future risk mitigation strategies of the generation and optimization portfolios. This continuous task required specific Applicant personnel that had previous industry experience in managing and evaluating the multitude of risks in an energy commodity portfolio. Applicant's task was to understand the strategies, risks and objectives of the physical and financial portfolio and specific markets in which the company was operating, and convert these complex strategies into understandable summaries for our Committee. If the Mirant Committee disagreed with any particular strategies, Applicant was required to communicate this back to the Debtor and resolve any issues.

- Multiple calls and meetings with the Debtor regarding potential new transactions that required Mirant Committee approval. For example, the purchase of power from the Northeast Maryland Waste Disposal Authority required direct Committee approval prior to execution or the participation in Standard Offer Service contracts in the northeast U.S. In the course of evaluating these potential transactions, multiple calls and communications were held between Applicant and the Debtor. These communications led to an independent analysis of these transactions by Applicant that was shared with the Mirant Committee chairperson prior to granting approval.
- Multiple calls and meetings with the Debtor and its advisors related to claims settlements. The claims settlement process ran through the entire course of the case. On any material claims settlement, Applicant had multiple communications with the Debtor to understand the terms of the transactions that supported the contract, the definitive terms of the proposed settlement, the company's view on the exposures under the contract and discussions of various settlement options. Depending on the nature of the claim settlement, various Applicant financial, energy commodity or financial modeling personnel were required to execute this task. On an on-going basis, Applicant kept the Mirant Committee informed on the nature of these settlements and their financial impact, if any.
- Meetings with the company regarding the projected business plan. The Mirant Committee directed Applicant to understand all financial and modeling characteristics of the business plan of the Debtor. In order to execute this committee directive, Applicant invested resources and time to understand the complex business model that the company utilized to generate the business plan. This business model was a series of nested spreadsheets that were created to the lowest level of the corporate hierarchy and then consolidated upwards. The business plan communications were especially extensive in

the period from September 2004 through year-end 2004. These business plan communications were managed by Applicant financial, risk management and financial modeling experts. Ultimately, these communications assisted Applicant in generating its independent cash flow forecast for the company that underpinned the committee testimony at the valuation trial.

- Meetings with the Debtor on having Applicant personnel visit certain generating plant sites in order to gather due diligence. This information was incorporated into Applicant's eventual cash flow forecast that was presented at the company's valuation trial.
- Meetings with the Debtor regarding the contractual specifics of the MIRMA lease facility. These meetings informed Applicant of the default, cure and renegotiation provisions of the contract. This particular lease was especially contentious when it was being determined if the contract should be rejected, assumed or restructured. Numerous meetings occurred with the Debtor so that Applicant could inform the Mirant Committee of the actual terms and remedies within this contract.
- As part of its on-going due diligence, Applicant negotiated with the Debtor to receive a monthly electronic download of all transactional information within its generating and optimization portfolios. This transactional information was extremely extensive and complex, and multiple conversations were required with Debtor personnel in order to understand the specific data tags within the raw data and negotiate the format of the data structure that would be used to transfer the information to Applicant. This transfer of transactional detail ran from the beginning of our engagement through the delivery of the valuation ruling.
- Meetings with Debtor regarding the COI and OPI initiatives that were incorporated into the business plan. Applicant was required to understand the cost savings of these initiatives so that a determination could be made as to what extent these projected cost

savings were achievable and properly incorporated into the business plan, or simply unattainable stretch targets. After making these determinations, Applicant included the proper amount of cost savings into its cash flow projections.

- Numerous communications with the Debtor regarding the transfer of comprehensive information to Applicant and our constituents. During the course of the case, data management was an on-going challenge for both Applicant and the Debtor, since the volume of information exchange was so great. Discrete due diligence data request lists were generated for all questions, and managed concurrently between the Debtor and Applicant.
 - Participation in the weekly and monthly Debtor communications related to cash flow forecasts and financial results. These calls assisted in keeping our Committee informed of the current operational performance of the Debtor and the challenges that they were currently facing. The output of these calls was incorporated into operational overviews to our Committee.
 - During the course of the case, the Debtor proposed or executed various dispositions of assets. Applicant was required by the Mirant Committee to opine on each of these specific transactions prior to formal approval. Therefore, any time a sale was proposed, Applicant worked closely with Debtor personnel to understand the financial characteristics of the transaction, the risks surrounding these terms and the Debtor's economic analysis of these terms.
3. *KERP (Task 31)*- Applicant, at the request of the Mirant Committee, was asked to research and analyze the terms and conditions of the Key Employee Retention Program and potential impacts to the operations of the debtor. The work on this task was performed in July and August of 2004.
 4. *Historical Financial Results Analysis (Task 39)* – The analysis of historical results included

benchmarking the performance of the Debtor's power plants with a nation-wide panel of comparable plants based upon technology, fuel type, and configuration. The focus of the analysis was to provide insights into savings potential and opportunities to improve performance. The performance metrics included: heat rate, availability, forced outages, and similar metrics. In order to develop meaningful comparisons it was necessary to carefully review and verify all the plant data and make appropriate adjustments to ensure comparability of key factors used in the analysis.

- 5 *Operating and Other Reports (Task 40)* - Each month, the Debtor distributed an operating report file that discussed key metrics of its generation fleet (such as capacity factors, EFOR rates, MWh sold, fuel quantities burned) as well as monthly internal un-audited financial statements. Applicant analyzed the detailed Debtor reports and summarized the data for presentation to the Mirant Committee. Preparation of the summary required more than distilling the data, it also involved providing insights into how the Debtor was operating. For example, generation facility analysts were charged with understanding the nature of forced or unforced plant outages and financial analysts were charged with consolidating the monthly results into a summarization of key financial events. Within this process, Debtor was benchmarked against its industry peers for operational results.

In addition to the monthly recurring task above, this task captured Applicant's market analysis of the international assets. In the early stages of the engagement, a market participant made an unsolicited offer to purchase on the Philippine assets. Applicant was asked to review current market conditions and supply feedback to the Mirant Committee regarding other potential purchasers of the assets. Applicant used its international staff located in Southeast Asia to capture comprehensive market information and evaluate Debtor's position.

As the beginning of the process to retain a new Debtor chief executive officer and new Board of Directors, Applicant was asked to gather a comprehensive summary report of the composition of Debtor and its current operating results. Applicant created a presentation that was given to the search firm who was in the process of locating interested candidates that fulfilled this need.

In the summer of 2005, Debtor's Potomac River generating facility was shut down due to air quality issues. The specific issues surrounding this shut down and the resulting negotiations between various interested parties were complex and contentious. Applicant was tasked with keeping our committee informed of the various issues and the various resolution options that would present themselves.

6. *Cash flow analysis - Consolidated, Legal Entity and Plant Level (Task 41)* - The Cash Flow Analysis task consisted of two primary activities; analysis of the Debtor's periodic cash flow forecasts, and preparation, review and analysis of Applicant cash flow projections. Analysis of the Debtor's periodic cash flow forecasts was an ongoing activity. Applicant participated in the weekly calls with the debtor and other advisors/participants to determine the impact of changes in the cash flow forecast to the Mirant Committee.

The more significant effort related to cash flow analysis and review of the cash flow projections contained in the Debtor's business plan for each of the plants/legal entities, as well as the development of Applicant's cash flow forecasts contained in the expert and rebuttal reports/testimony.

The Applicant cash flow forecast was developed from an independent market forecast for each of the plants, including revenue, operating costs and, in certain instances, capital expenditures. These forecasts were used to develop robust cash flow models at the plant, legal entity and consolidated basis for use in the discounted cash flow analysis

prepared by Miller Buckfire. Translation of the market forecasts into cash flow forecasts involved:

- Determination of timing for environmental/maintenance capital expenditure forecasts,
- Working capital analysis/requirements,
- Impact of varying tax impacts (e.g. NOLs, foreign restructuring),
- Inter-company cash flow (e.g. trading, cost allocations), and
- Trading operations collateral requirements/roll-off.

7. *Projections, Business Plan and Related Financial Analysis (Task 42)* - Applicant was tasked with assessing Debtor's business plan as well as alternative plans that were raised by the Mirant Committee. As part of this assessment, Applicant would analyze key business plan assumptions and compare them to Applicant assumptions. These comparisons relied heavily on Applicant's independent forecast based on bottom up analysis of individual plants, contracts, and trading activities that compose the Mirant portfolio. As part of related tasks, Applicant forecasted conditions in each of Debtor's regional markets, simulated the performance of Debtor's facilities, constructed cash flow forecasts, and valued the assets. Applicant also updated its forecast and ran sensitivities as part of the post-hearing valuation settlement process.

8. *Securities and Exchange Commission Filings (Task 44)*- This task encompassed activities associated with the review of the Debtor's SEC filings, including 8-Ks, 10-Qs, and 10-Ks, to research specific issues, including the following

- Litigation involving property tax disputes, shareholder disputes and claim disputes
- PEPCO acquisition disclosures and GAAP accounting treatment for the PEPCO PPAs and TPAs
- MAEM hedge accounting treatment for accrual vs. cash financial statement impacts

- Disclosures of plant development and mergers/acquisitions activities
- Financing activities (debt and equity) used to fund organic and merger/acquisition growth activities
- Deferred tax and NOL disclosures
- Historical domestic and international segment disclosures and related contractual obligations
- Commitments and obligations disclosures for operating leases, equipment/fuel purchases and PPAs/TPAs

The majority of this research and analysis was performed to assess the potential cash flow impacts to Applicant's cash flow forecasts produced in the expert report, as well as to provide insight to the Mirant Committee and their legal/financial experts.

9. *Corporate Overhead Allocation (Task 48)* - The task was associated with analyzing and reviewing the methodologies and assumptions applied by Debtor in deriving their business plan. The analysis included benchmarking overhead costs and analyzing the reasonableness of the forecasted corporate overhead. In addition, Applicant analyzed and benchmarked the reasonableness of the assumptions included in the business plan relating to the Cost Optimization Initiatives (COI) and Operating Performance Initiatives (OPI) to reduce corporate overhead over the forecast horizon.

The efforts to analyze and understand the assumptions and methodologies applied by the debtor were imperative to correctly modeling the cash flow for each of the legal entities, as well as to ascertain the reasonableness of the overall projections.

10. *Operating Performance Initiatives (Task 49)* - Applicant reviewed the Debtor's Phase I and Phase II presentations and independently evaluate the timing and projected savings for the Committee. The review included a project-by-project assessment of costs, benefits, timing, and implementation risks associated with each project. It also required a detailed peer bench

marking assessment. The results of Applicant's review and analysis were provided as inputs into other Applicant work streams including modeling of cash flow and EBITDA.

11. *Income Tax Analysis (Task 61)* - The majority of work on this task related to researching and analyzing the valuation impacts of Debtor's proposed foreign restructuring initiatives and Debtor's Net Operating Losses (NOLs). Applicant modeled the NOL usage to determine the impact of the limitations on NOL usage per IRS restrictions for the various scenarios Debtor was considering as it related to maximizing the value of the NOL.

Difficulty of Category (iv) Issues/Activities – Applicant's assessment of Debtor projections and operating results contributed to the independent cash flow forecast prepared as part of the overall asset valuation effort. This assessment was ongoing throughout the majority of the case and was delivered via multiple work products. The culmination of the effort was Applicant's expert report delivered to the Court as part of the valuation hearing. The Mirant Committee was provided with the information necessary to decide whether to approve proposed asset sales. Applicant also provided an evaluation of the KERP and associated impacts to the Mirant Committee.

Analysis of cash flows and ongoing corporate performance was complicated by the scope of the Debtor's operations. Development of comparable sales for power generation assets requires detailed investigation of the assets sold and terms of the sale since unique attributes of the power plant and associated contracts can have significant impacts on the value.

The treatment of NOLs and the history of the property tax litigation is complex. However, no major obstacles were encountered in completing the fore-mentioned analyses.

Time Limitations in Category (iv) Services - After its initial engagement by the Mirant Committee, Applicant was required to produce initial forecast and valuation results quickly to support litigation. Review of proposed transactions needed to be completed on a fixed time schedule as part of the process of moving the deals forward.

Category (v), Communication

This category includes the following three tasks: Interaction, Calls and Meetings with Unsecured Creditors Committee and Counsel, Interaction, Calls and Meetings with other Advisors to Unsecured Creditors Committee, and Interaction, Calls and Meetings with Examiner.

1. *Interaction, Calls and Meetings with Unsecured Creditors Committee and Counsel (Task 28)*

- Applicant staff participated in frequent calls with the Mirant Committee members and counsel. Topics discussed included Debtor forecasts, risk management issues, terminated contracts, valuation litigation, company organizational structure, company management developments, business planning, data requirements. The broad range of agenda topics and frequent detailed questions from Mirant Committee members necessitated Applicant's attendance on most Mirant Committee calls.

2. *Interaction, Calls And Meetings With Other Advisors To Unsecured Creditors Committee*

(Task 29)- Time incurred throughout the engagement associated with calls and meetings with Andrews Kurth, Sherman Sterling, Miller Buckfire and Capstone was charged to this task. Specifically, coordination of cash flow and valuation related work efforts required various Applicant staff to provide analysis and support to Miller Buckfire related to Applicant's cash flow forecasts. In addition, Applicant coordinated working capital and balance sheet related analysis and research with Capstone.

Specific tasks that required significant coordination with the legal and financial advisors to the Mirant Committee due to the complexity of their nature included: income tax related issues (international and domestic); property tax issues (domestic); MAEM trading impacts on operating plants; corporate overhead allocation; specific operating contracts (international and domestic); MIRMA lease; reinstatement of MAGI debt; proposed restructuring of Debtor at emergence; and fuel price sensitivities.

3. *Interaction, Calls and Meetings with Examiner (Task 45)* - On several occasions during the bankruptcy proceedings, the Mirant Committee requested Applicant's participation in meetings with the Examiner. Topics ranged from inter-company hedging relationships to cash flow forecast assumptions and findings.

Category (vi), Administration

This category includes the following five billing tasks: Project administration, Project Management, Coordination, Case Administration, Fee application, and Mirant Project Travel Time.

1. *Project Administration (Task 8)*- Activities included compiling of project data, conducting a high level review of data analysis, preparing meeting arrangements, preparing, agenda and minutes (notes), administrative duties, report preparation, and time tracking. Administrative duties performed included photocopying documents, data filing, and maintaining records. Report preparation included assembling of data for report and presentations and distributing reports. Time tracking included the collection and inventory of timecard narrative data, high level review of monthly and quarterly fees statements, and preparation of timecard detail by staff.
2. *Project Management, Coordination (Task 13)* - Given the considerable scope of the project, Applicant incurred time related to managing a significant number of internal resources to meet the deadlines for the submission of expert and rebuttal reports, preparation of valuation trial exhibits, and responding to specific requests from the Mirant Committee. Approximately 83% of the total time charged to this task was incurred by the project managers over the core functions required of Applicant, including: general project management; fundamental market modeling, trading/risk management and financial/accounting analysis.

3. *Case Administration (Task 23)* - Time charged to this task entailed review of documents filed with the Court, as well as preparation of presentations and supporting documents for use by the counsel of the Mirant Committee. Approximately 80% of the time charged to this task occurred in April 2005 and related to the valuation hearing.
4. *Fee Application (Task 26)* – This task consisted of several activities that supported the tracking of narrative and development of monthly and quarterly fee applications. Key subtasks include: research of fee application policies provided by the bankruptcy courts; initial development and on-going maintenance of automated narrative compilation system for staff and company to maintain bankruptcy fee application compliance; staff communications and training on timecard narrative processes; collection and inventory of timecard narrative data; processing of monthly and quarterly fees statements; and preparation of timecard detail by staff.
5. *Mirant Project Travel Time (Task 60)*- The purpose of this task was to record time spent by Applicant staff on traveling to key meetings including: depositions, company presentations, and support of the various litigation efforts.

Difficulty of Category (vi) Issues/Activities - The data management process and other administrative activities helped support Applicant in its development of quality analysis that went into many deliverables throughout the project. The difficulty of these activities was primarily related to the large number of meetings and data management necessary to keep the Committee up to date on a complex Company that was continually changing as a result of the internal circumstances and the rapidly changing marketplace. The meetings and data management required a significant amount of time. However, the time spent on data management was critical to ensuring that our analysis relied on the most relevant data and was done as efficiently as possible.

Time Limitations in Category (vi) Services - Applicant needed to process data as quickly as possible to make certain that all relevant data was used in its on-going analysis. The project had a large number of key interim deadlines and decisions on the sale of assets often had to be done on tight time frames.

Category (vii), International Cash Flow Forecasting & Analysis

This category includes the following four billing tasks: International Operations Analysis, Asset-by-Asset EBITDA Generation – International, Asset-by-Asset Valuation – International, International Debt Analysis.

1. *International Operations Analysis (Task 2)*- Applicant developed cash flow forecasts for the Debtor’s Philippines and Caribbean electric generation assets. Cash flow forecasts and related valuations of these assets involved analysis of the wholesale electricity markets in these locations, review of the specific assets based upon documents provided by the Debtor, investigation of tax implications of these off-shore investments, and review debt instruments. Applicant prepared a presentation to the Mirant Committee providing an overview of the relevant international energy markets and its valuation of these assets along with special considerations associated with the assets. The cash flows and related asset valuations were incorporated into the overall valuation of the Debtor.
2. *Asset-by-Asset EBITDA Generation – International (Task 10)* - This task related to reviewing and analyzing the financial forecasts provided by the debtor for their Philippines and Caribbean operations. Applicant reviewed the existing contracts, including the Build, Operate Transfer (BOT) and related agreements with the government of the Philippines. Applicant also analyzed the forecasted results for the vertically integrated utility holdings of the Debtors in the Caribbean.
3. *Asset-by-Asset Valuation – International (Task 12)* - This task encompassed various modeling, research and analysis associated with supporting the overall valuation of the

international operations. Approximately 89% of the time incurred in this task related to the research and development of the baseline cash flow models for the international assets that were included in Applicant's expert witness report. The balance of the time was spent researching specific issues arising during the valuation hearing.

Given that the valuation assumption required repatriation of foreign generated cash, Applicant was required to prepare a levered cash flow forecast. This required significant research and analysis into the forecasted debt repayments and cash paid for the put-option at the Philippines related to Pagbilao and Sual. In addition, significant efforts were required to analyze the sovereign income tax rates for both the Philippines and Caribbean operations, foreign tax credits, and specific contractual agreements that impacted the ultimate cash flow generation/value of the assets.

Following the submission of Applicant's expert report, Applicant prepared sensitivities and benchmark analysis against other expert reports. In addition, Applicant conducted research/benchmarking of peer company valuation comparables and transactions.

4. *International debt analysis (Task 56)* - Applicant reviewed and analyzed the international asset portfolio debt terms and conditions as part of the due diligence in developing the Philippines and Caribbean asset cash flow forecasts. Given the need to develop a levered cash flow to determine the total cash available for repatriation by Debtor, Applicant analyzed the payment terms and maturity schedules of the associated debt.

Difficulty of Category (vii) Issues/Activities - The result of the tasks in this service category was a set of sophisticated cash flow forecasts and valuations that captured all the key asset and contract performance issues. A critical issue in developing the international asset cash flow forecasts was maintaining quality control in the process of linking of the multiple complex data sources and models required to develop the EBITDA forecast and related asset valuations. These models then had to link in asset-specific issues with regards to obligations and special tax and

reparations issues for the international assets. Applicant relied on expertise of its South American office and Southeast Asia offices to assist in the valuation of the Caribbean and Philippines assets respectively.

Time Limitations in Category (vii) Services – Analyses frequently needed to be refined with new data as it was released by the Debtor to meet key litigation deadlines.

Category (viii), Solvency/Debt

This category includes the following eleven tasks: MAGI Solvency Analysis, DIP Financing Issues, Recovery and Lien Analysis, Claims Analysis, Liquidation Analysis Leases and Executory Contract Analysis, Preferential Payment Issues, Letters of Credit Analysis, Alternative Restructuring Proposals, Exit Financing and MIRMA Lease Analysis.

1. *MAGI Solvency Analysis (Task 3)* - Applicant reviewed the analysis of MAGI debt reinstatement and the Debt Trader analysis. This task required staff with expertise in financial analysis, valuation, and cash flow forecasting and analysis.
2. *DIP Financing Issues (Task 25)* - Time charged to this task related to reviewing the terms and conditions of the Debtor In Possession (DIP) financing with an emphasis on how those terms related to trading collateral requirements and cash management processes and procedures.
3. *Recovery and Lien Analysis (Task 32)* - The recovery and lien analysis task included activities involving research and analysis of the recovery of the claim base and ascribed value to each legal entity. The majority of these efforts focused on the recovery between Mirant Asset Generation, Inc. (MAGI) and Mirant Corporation. Analysis also included sensitivity analysis of the impact of the proposed reorganization of Debtor, including the transfer of Mirant Asset Energy Marketing (MAEM).
4. *Claims Analysis (Task 33)* - For this task Applicant reviewed several claims related cases. For one of the more material cases, Applicant reviewed the September 9th decision of the United States Court of Appeals for the Ninth Circuit in *State of California, ex rel. Bill*

Lockyer, Attorney General v. FERC, Docket No. 02-73093. The decision addressed potential refunds for power sold into the California Independent System Operation (ISO) and California Power Exchange (PX) prior to October 2, 2000 and certain spot transactions. The documents were reviewed to determine Debtor's potential exposure from this ruling.

5. *Liquidation Analysis (Task 34)* - Applicant reviewed and analyzed the terms and conditions of asset/project liquidations to determine if the agreements reflected reasonable market values. The primary projects analyzed were Coyote Springs, Mint Farm and the El Paso Transportation contract.
6. *Leases and Executory Contract Analysis (Task 36)* – This analysis included the development and support of opinions on the rejections of several contracts that were not directly connected to or associated with the acquisition or part of the due diligence on specific generating assets. Applicant needed to use its experience with wholesale electric markets and knowledge of Debtor's portfolio to determine whether rejection would have any direct or indirect effects on the remaining portfolio.
7. *Preferential Payment Issues (Task 37)* - Applicant analyzed value transfers and the related impacts on the Mirant Committee incurred in the third quarter of 2004.
8. *Letters of Credit Analysis (Task 38)* - The purpose of this task was to evaluate the credit position and terms of agreement through an analysis of various historical debenture documents of Debtor. One area of research focused on comparing basis point values across a time span of 3-5 years in order to evaluate the inherent solvency and financial strength of Debtor embedded within the terms of the debenture agreements.
9. *Alternative Restructuring Proposals (Task 46)* – Applicant, at the request of the Mirant Committee, was actively involved in evaluating various potential merger candidates for Debtor. As part of this analysis, Applicant was required to develop forecasts of cash flows and EBITDA related to various combination options. In particular, Applicant was required to

perform a cost savings analysis that projected savings of general & administrative expense, trading and marketing expenses and other costs if a business combination were executed. These findings were presented to a sub-committee of the corporate creditors committee as high-level discussions were on going with certain interested market parties. In addition to cost savings, the potential business combination was analyzed to ascertain whether commodity acquisition and sale opportunities could be enhanced under the terms of the merger. The asset portfolios of merger candidates were layered on to the Debtor portfolio in order to visually depict the combined portfolios and indicate where either fuel, or locational diversification could be obtained. All of these merger synergies were estimated so that a negotiating position could be derived when, and if, substantive conversations were ever advanced with a potential merger partner. For one particular potential partner, a high-level asset modeling analysis was generated to reflect the expected cash flows from its portfolio under current market pricing. This task required active communication and meetings with the committee co-chairs and the members of the sub-committee.

10. *Exit Financing (Task 52)* – Time charged to this task related to reviewing the term sheet of the proposed \$2.4 billion of exit financing. Applicant also performed covenant coverage and feasibility analysis as it related to the exit financing, as well as reviewing the rating agency presentation.

11. *MIRMA Lease Analysis (Task 59)* – Applicant analyzed the MIRMA leases under three different scenarios (as-is, re-characterization, and rejection of leases) in order to develop a recommendation to the Mirant Committee as to which of the three options is preferred. The analysis required an analysis of the cost and timing of potentially significant environmental retrofit costs required by these facilities. The analysis also examined the tax benefits (value of tax shield of depreciation and use of the NOLs) associated with the three options. The

results of the analysis were an opinion on the NPV and cash flows of the three options as well as a presentation provided to the Mirant Committee.

Difficulty of Category (viii) Issues/Activities - Much of this analysis was needed to ensure that the Mirant Committee was current with information related to key financial issues related to the Debtor. Applicant staff specializing in accounting and finance directed these tasks. While no alternative restructuring was pursued, the evaluation of alternative deals was complex in that it involved the potential combinations of major merchant energy companies. The potential for creating additional value could have been significant hence detailed analysis was required to support preliminary findings and recommendations.

Time Limitations in Category (viii) Services – Most of the specific tasks were completed in response to issues or situations that were time sensitive.

Category (ix), Facilities

This category includes three tasks: Turbine Facility Analysis, Property Tax Analysis and Participation/Preparation, Follow-Up on Site Visits.

1. *Turbine Facility Analysis (Task 1)* - The purpose of this task was to facilitate the sale of the Bowline turbines. This entailed analysis of replacement costs for turbines as well as the associated operating costs in order to prepare a projection of the turbine values. Applicant also discussed market values with a broker and with a client on possible sale opportunity.
2. *Property Tax Analysis (Task 55)* - Approximately 50% of the work related to research and analysis of the New York property tax disputes and the associated impacts on the applicable plants' cash flow forecast and valuation. The remainder of the work was related to research and analysis of property tax issues pertaining to the Contra Costa, Canal, Mint Farm, Hillburn and Wawayanda plants.
3. *Participation / Preparation and Follow-Up on Site Visits (Task 58)* - Applicant staff visited each MAGI power plant to assess the plants' conditions, operations, and operating

constraints. The purpose of the site visit was for Applicant to identify for the modeling team critical factors that affected Applicant's modeling and analysis of each plant. The site visits also were used to identify key factors (including O&M costs and capital requirements) that affect the cash flows of each plant.

Applicant staff visited 12 MAGI power plants spread across six states. The review teams included specialists in the areas of: power plant engineering, environmental and power and fuel markets. Prior to conducting the visits, Applicant developed a complete questionnaire/data request form to ensure data required for modeling and valuation analysis would be collected. Applicant staff then traveled to each plant and met with key plant staff and regional asset managers. Applicant prepared a thorough report describing the site visit findings and key conclusions regarding each facility.

Difficulty of Category (ix) Issues / Activities – Facility specific analysis increased the accuracy of Applicant's cash flow forecasts. Site visits supported the Mirant Committee's interest in ensuring that cash flow forecast incorporated plant specific operational parameters and accurate non-fuel operating costs associated with each generation facility. The site-visits involved assembling a team of experts with areas of specialization within the power industry. Facility analysis also captured plant specific property tax issues. These issues posed a significant burden in some areas, especially for older power plants located in New York State.

Time Limitations in Category (ix) Services – Assessments had to be completed on a timely basis to ensure that results of field inspections were incorporated in the valuation models without delaying the completion of the plant-by-plant valuations.

Category (x), Transition Period

This category includes one task: Transition Period Hours.

1. Transition Period Hours (Task 0) – The Mirant Committee requested that Applicant replace RCM as an advisor on the case. As part of that process, Applicant worked with RCM to

understand valuation/risk management work delivered to the Mirant Committee prior to the engagement of Applicant. This transition work consisted of multiple meetings and conversations between Applicant and RCM. The goal was to make the change in advisors invisible to the Debtor. For this reason, discussions between Applicant and RCM centered mainly the data discovered to date to requesting that company answer the same questions or provide the same data multiple times. Work performed under this task included QA/AC and review of the inputs for analysis of the power plants, development of the valuation model, time associated with RCM meetings, and accumulation/review of data from RCM.

As part of this transition, Applicant leveraged a strong understanding of Debtor's domestic and international assets developed in its role as advisor in the pre-petition period.

Category (xii), Fee Preparation:

This category includes one task: Preparation of this fee application. Applicant incurred approximately \$34,500 to complete the final fee application. Based on the order that establishes the fee application guidelines, Applicant is requesting \$25,000 to cover costs associated with the preparation of this application.

Explanation of Expenses

The out-of-pocket expenses incurred by the Applicant during the Application Period are detailed on the Monthly Fee Statements submitted to the FRC. All out-of-pocket were charged at cost, with the following exceptions: (i) in-house copying charges were billed at \$.20 per page, for copying of project related documents, and (ii) cell phone usage were billed as percentage of usage. Miscellaneous copying as well as long distance phone calls, were not charged. The Applicant did not charge for in-house facsimile transmissions. The use of email has been significant in this case and has greatly reduced the cost of telecopies.

Expenses incurred during the Application Period total \$465,254.85.

A breakdown of the professional fees by the eleven categories of services described in Section III

is show in the following table. Note that the total includes \$25,000.00 for the Application preparation. Excluding that category, the total fees are \$14,740,250.95.

<u>Category</u>		Total Professional Fee
(i)	Domestic Generation Cash Flow Forecasting	\$4,723,177.15
(ii)	Litigation Support	\$4,282,693.50
(iii)	Contracts/Trading/CRM	\$2,081,050.75
(iv)	Financial & Operational Analysis	\$1,623,223.50
(v)	Communication	\$772,105.25
(vi)	Administration	\$492,360.90
(vii)	International Cash Flow Forecasting & Analysis	\$331,787.90
(viii)	Solvency/Debt	\$252,853.50
(ix)	Facilities	\$104,352.50
(x)	Transition Period	\$76,646.00
(xi)	Fee Preparation	\$25,000.00
	Total	\$14,765,250.95

IV.
FACTORS TO BE CONSIDERED BY THE COURT

19. Pursuant to the decisions of the United States Court of Appeals for the Fifth Circuit in *In re Lawler*, 807 F.2d 1207 (5th Cir. 1987), *Cooper Liquor, Inc. v. Adolph Coors Co.*, 684 F.2d 1087 (5th Cir. 1982), *In re First Colonial Corp. of America*, 544 F.2d 1291 (5th Cir.) *cert. denied* 97 S. Ct. 1696 (1977), and *Johnson v. Georgia Highway Express, Inc.*, 488 F.2d 714 (5th Cir. 1974), the Applicant requests the Court to consider the factors set forth below when determining the reasonableness of the Applicant's requested compensation for its services rendered during these cases.

These factors include (i) time and labor required, (ii) novelty and difficulty of issues, (iii) the skill required to perform the legal services properly, (iv) preclusion from other employment, (v) customary fees, (vi) fixed or contingent fees, (vii) time limitations imposed by client or other circumstances, (viii) results achieved, (ix) experience, reputation and ability, (x) the undesirability of the case, (xi) the nature and length of professional relationship with client, and (xii) awards in similar cases

V.
SUMMARY

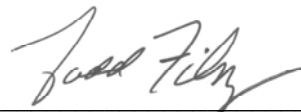
20. These highlights and the narrative entries on the Applicant's Monthly Fee Statements show the beneficial services rendered by the Applicant for the Debtors for which final approval and payment of fees and expenses as requested herein is appropriate.

WHEREFORE, PREMISES CONSIDERED, the Applicant respectfully requests that the Court:

- a. Grant final approval of all fees and expenses in the aggregate amount of \$15,205,505.80, representing \$14,740,250.95 in fees (for 42,665.7 hours of services rendered) and reimbursement of out-of-pocket expenses in the amount of \$465,254.85 for the entire Application Period;
- b. Approve and direct the Debtors to pay to the Applicant the sum of \$76,646.00 which represents the remaining unpaid fees and expenses for the entire Application Period; and
- c. Grant the Applicant such other and further relief as is just, including fees and expenses for the preparation of the Application.

RESPECTFULLY SUBMITTED this 1st day of March, 2006.

PA Consulting Group, Inc
Suite 410
Broomfield, CO 80021
Phone: 720 566 9920
Fax: 720 566 9680

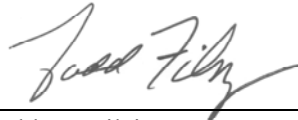


Todd W. Filsinger

CERTIFICATION OF CERTIFYING PROFESSIONAL

The undersigned hereby certifies that he has been designated by PA Consulting Group, Inc as the Certifying Professional with respect to the Application, and that (a) he has read the Application; (b) to the best of the certifying professional's knowledge, information and belief, formed after reasonable inquiry, the compensation and expense reimbursement sought is in conformity with the Guidelines for Compensation and Expense Reimbursement of Professionals for the United States Bankruptcy Court, Northern District of Texas, effective January 1, 2001; and (c) the compensation and expense reimbursement requested are billed at rates in accordance with practices no less favorable than those customarily employed by similar consulting firms doing similar work and generally accepted by Applicant's other clients.


The certifying professional certifies under penalty of perjury that the information contained in the Application and the foregoing statements are true and correct to the best of his knowledge.



Todd W. Filsinger

CERTIFICATE OF SERVICE

The undersigned hereby certifies that he caused a true and correct copy of the foregoing document has been served upon all persons on the Official Limited Service List on the 1st day of March, 2006 in accordance with the Federal Rules of Bankruptcy Procedure.



Todd W. Filsinger

Exhibit 1

**Summary of Total Fees Billed and Hours Devoted During The Application Period
by each of Applicant's Professionals with Billing Rates, Total Hours and Total Fees Billed**

Consultant	Title	Total Hours	Average Rate	Total Fees
A Dalal	Managing Consultant	5.1	\$240.00	\$1,224.0 0
A Duffy	Consultant/Analyst	919.9	\$227.50	\$211,003.50
A Karpel	Administrator	5.1	\$75.00	\$379.50
A Pathare	Principal Consultant	15.0	\$380.00	\$5,700.00
A Swartz	Analyst	476.8	\$215.00	\$103,771.00
B Cassidy	Principal Consultant	1058.7	\$322.50	\$339,978.00
B Courtney	Principal Consultant	453.0	\$340.00	\$154,020.00
B Daryanian	Managing Consultant	687.4	\$347.50	\$239,651.50
B Linden	Managing Consultant	607.6	\$495.00	\$298,188.00
B Sands	Managing Consultant	895.3	\$437.50	\$398,302.50
C Bolardi	Administrator	40.0	\$75.00	\$3,000.00
C Breeden	Consultant	270.3	\$265.00	\$70,397.25
C Coleman	Analyst	24.1	\$225.00	\$5,422.50
C Hart	Principal Consultant	91.5	\$340.00	\$31,110.00
C Janecek	Principal Consultant	980.7	\$272.50	\$269,482.50
C Livermore	Principal Consultant	1081.6	\$425.00	\$451,583.75
C Matson	Analyst	90.6	\$175.00	\$15,855.00
C Stephenson	Managing Consultant	2709.3	\$391.67	\$1,103,857.50
D King	Analyst	8.0	\$75.00	\$600.00
D Taylor	Administrator	16.6	\$75.00	\$1,245.00
E Bernardotti	Managing Consultant	52.0	\$240.00	\$12,480.00
E Evon	Principal Consultant	413.7	\$305.00	\$122,471.00
E Kee	Partner	2.3	\$570.00	\$1,311.00
E Paterno	Consultant/Analyst	189.2	\$240.00	\$45,412.80
F Kuo	Principal Consultant	205.7	\$367.50	\$75,855.00
F Stern	Managing Consultant	573.1	\$377.50	\$206,399.75
G Germeroth	Managing Consultant	2031.5	\$490.00	\$1,001,169.00
G Gonzalez	Consultant/Analyst	40.0	\$210.00	\$8,400.00
G Mininno	Consultant	218.6	\$195.00	\$42,627.00
I O'Donoghue	Principal Consultant	102.3	\$215.00	\$21,994.50
J Abad	Analyst	37.1	\$190.00	\$6,891.50
J Evans	Analyst	176.0	\$225.00	\$39,600.00
J Eyster	Managing Consultant	202.9	\$457.50	\$92,274.00
J Fagot	Managing Consultant	3317.8	\$401.67	\$1,319,696.25
J Fassi	Partner	80.5	\$300.00	\$24,150.00
J George	Managing Consultant	32.2	\$300.00	\$9,660.00
J Heidell	Managing Consultant	95.9	\$442.50	\$43,384.50
J Jacobs	Managing Consultant	417.6	\$425.00	\$175,263.00
J Koziara	Principal Consultant	144.1	\$285.00	\$41,054.25
J Moore	Principal Consultant	76.0	\$300.00	\$22,800.00
J Sullivan	Managing Consultant	252.6	\$422.50	\$105,265.00
J Tapias	Principal Consultant	206.5	\$345.00	\$71,242.50

Consultant	Title	Total Hours	Average Rate	Total Fees
K Nelson	Principal Consultant	131.2	\$315.00	\$41,328.00
K Stephens	Principal Consultant	2513.5	\$302.50	\$761,446.50
K Willhoit	Analyst	1909.4	\$217.50	\$417,354.75
L Boulden	Analyst	47.5	\$225.00	\$10,687.50
L Delisa	Administrator	292.5	\$75.00	\$21,937.50
L Lau	Principal Consultant	31.0	\$315.00	\$9,765.00
L Riavitz	Principal Consultant	78.4	\$220.00	\$17,248.00
M Aagaard	Consultant	4.5	\$245.00	\$1,102.50
M Cheng	Managing Consultant	8.0	\$245.00	\$1,960.00
M Ellis	Managing Consultant	8.8	\$350.00	\$3,080.00
M Hormell	Managing Consultant	1859.6	\$505.00	\$936,449.00
M Marelli	Principal Consultant	3.0	\$325.00	\$975.00
M Mooren	Principal Consultant	929.7	\$302.50	\$282,295.50
M Repsher	Consultant/Analyst	1130.2	\$237.50	\$268,548.50
M Uffhausen	Principal Consultant	452.1	\$352.50	\$158,420.00
O McShane	Analyst	72.1	\$190.00	\$13,699.00
P Issler	Principal Consultant	516.2	\$385.00	\$197,217.00
R Bowmaker	Consultant	240.9	\$205.00	\$49,384.50
R Gandhi	Consultant/Analyst	981.4	\$217.50	\$214,701.75
R Hardy	Principal Consultant	1156.9	\$302.50	\$352,099.00
R Inoussa	Consultant	4.0	\$295.00	\$1,180.00
R Keliher	Consultant	1130.4	\$267.50	\$308,027.00
R Norman	Managing Consultant	625.6	\$500.00	\$324,241.40
R Riavitz	Consultant	132.0	\$210.00	\$27,720.00
R Wilkinson	Principal Consultant	1474.8	\$290.00	\$425,241.50
S Becker	Principal Consultant	1825.8	\$342.50	\$625,466.50
S Brandon	Consultant	412.7	\$255.00	\$105,238.50
S Hancock	Principal Consultant	514.7	\$302.50	\$156,668.00
S Jacobson	Managing Consultant	147.3	\$480.00	\$74,043.00
S Luedeking	Analyst	540.1	\$235.00	\$126,923.50
S Pariente-David	Partner	1.0	\$525.00	\$525.00
T Filsinger	Partner	1421.2	\$587.50	\$840,291.25
T Gaalaas	Principal Consultant	137.4	\$305.00	\$41,907.00
T Latva-Kiskola	Consultant	309.5	\$230.00	\$70,127.50
T Montano	Administrator	1.8	\$75.00	\$135.00
T Robinson	Consultant/Analyst	6.0	\$195.00	\$1,170.00
W Miller	Principal Consultant	143.7	\$342.50	\$47,666.50
W Morton	Principal Consultant	292.8	\$390.00	\$114,192.00
W Shi	Consultant/Analyst	1242.0	\$255.00	\$312,531.50
Y Wei	Consultant	67.7	\$325.00	\$22,002.50
Z Liao	Analyst	375.3	\$225.00	\$84,435.75
		42476.5		\$14,663,604.95

Hours by Consultant For Transition Services

<u>Consultant</u>	<u>Title</u>	<u>Time</u>	<u>Rate</u>	<u>Total</u>
B Cassidy	Principal Consultant	4.5	\$ 290.00	\$ 1,305.00
B Courtney	Principal Consultant	2.3	\$ 340.00	\$ 782.00
B Daryanian	Principal Consultant	3.6	\$ 345.00	\$ 1,242.00
C Janecek	Consultant	1.6	\$ 255.00	\$ 408.00
C Livermore	Principal Consultant	12.3	\$ 425.00	\$ 5,227.50
C Stephenson	Principal Consultant	16.4	\$ 350.00	\$ 5,740.00
G Germeroth	Managing Consultant	37.3	\$ 460.00	\$ 17,158.00
J Fagot	Principal Consultant	29.2	\$ 365.00	\$ 10,658.00
J Koziara	Principal Consultant	1.2	\$ 285.00	\$ 342.00
J Tapies	Principal Consultant	1.5	\$ 345.00	\$ 517.50
K Stephens	Principal Consultant	2.3	\$ 290.00	\$ 667.00
M Hormell	Managing Consultant	16.1	\$ 490.00	\$ 7,889.00
M Mooren	Principal Consultant	4.0	\$ 290.00	\$ 1,160.00
M Repsher	Consultant Analyst	12.6	\$ 215.00	\$ 2,709.00
R Gandhi	Consultant Analyst	4.2	\$ 210.00	\$ 882.00
R Keliher	Consultant	1.1	\$ 255.00	\$ 280.50
S Becker	Principal Consultant	2.2	\$ 330.00	\$ 726.00
S Brandon	Consultant	2.2	\$ 255.00	\$ 561.00
S Hancock	Principal Consultant	2.4	\$ 290.00	\$ 696.00
T Filsinger	Managing Partner	30.0	\$ 570.00	\$ 17,100.00
T Latva-Kiskola	Consultant Analyst	0.9	\$ 225.00	\$ 202.50
W Miller	Principal Consultant	0.8	\$ 335.00	\$ 268.00
W Shi	Consultant Analyst	0.5	\$ 250.00	\$ 125.00
		189.2		\$ 76,646.00