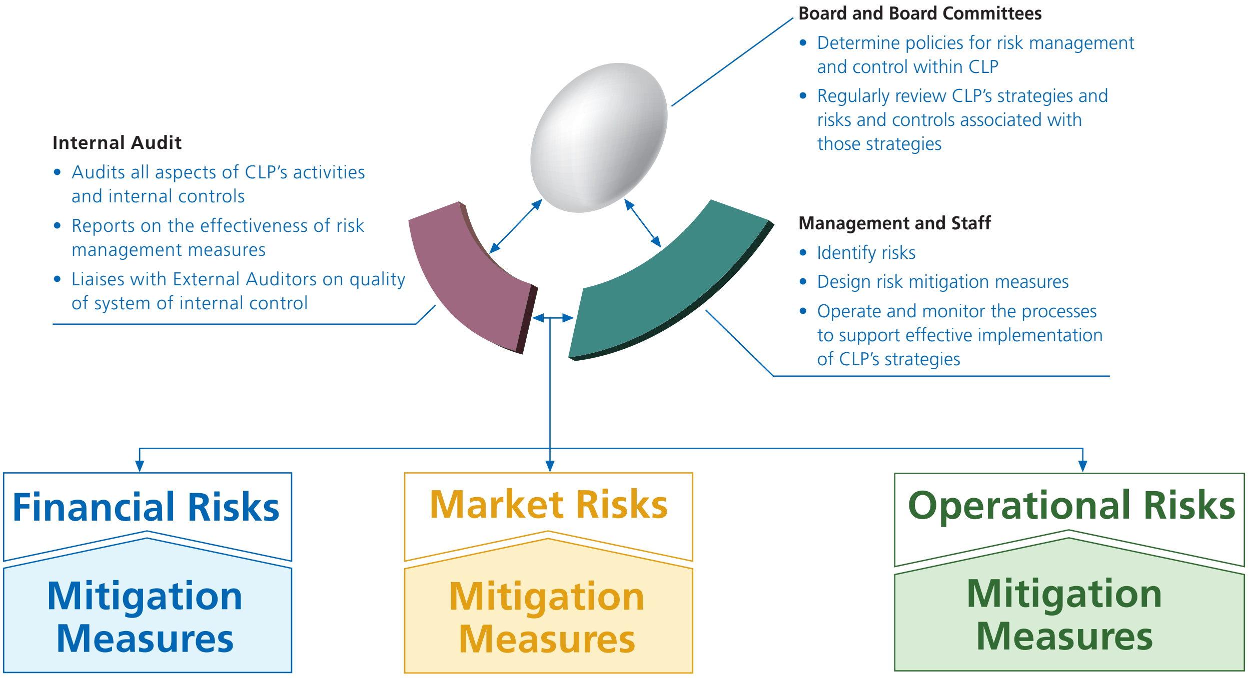
How do we manage risk?



In last year's Annual Report we introduced a section on the management of risk within the CLP Group. We explained that the purpose of this was not to identify each and every risk applicable to CLP's business, but to provide shareholders with an appropriate degree of confidence that the Board and Management of their Company actively review the risks arising from CLP's activities and take steps to mitigate such risks.

The nature of the electricity business and the long-term view that we take of our investments and activities mean that, in large measure, the risks we have identified and the measures we take in response will not vary from year to year.

As was the case last year, we have broken our analysis down into three categories of risk: financial, market and operational. Effective management of risk in these areas contributes to management of CLP's reputational risk – the loss of confidence by shareholders and other stakeholders in the ability of the Company to manage its affairs competently and to meet its obligations to them.

A number of factors would magnify the consequences of any loss of confidence in CLP:

- Our "franchise" from the Hong Kong community to provide an essential service depends on that community's trust in our ability to deliver a first-class electricity supply in all respects, including reliability and reasonable tariffs;
- The significant extent to which our business, in Hong Kong and elsewhere, is subject to regulation (economic and environmental) and, therefore, vulnerable to the exercise of political and regulatory authority;
- Our need for firm support from capital providers, both shareholders and lenders, to support the large-scale and long-term capital commitments which our business demands; and
- Our status as a "traditional" utility company, concentrating on the electricity business and aiming to provide stable earnings to our shareholders and a reliable and predictable performance to all our other stakeholders.

For these reasons, we pay close attention to the protection of our reputation and to the honesty and openness of our disclosures to all our shareholders, which we consider can contribute significantly to that objective.

Financial Risks

Cash Flow and Liquidity

The electricity business is highly capital-intensive and returns are generated over a long term. It is important that CLP guards against the risks arising from cash flow and liquidity problems. Our overall objective is to act prudently to ensure that the Group has adequate cash flow and access to funding sources from our established businesses to fund dividends to shareholders and potential new investments.

This risk is managed through prudent treasury policies and management which include the following:

- We closely monitor our cash and resources, including contingent liabilities (see chart on pages 42 and 43) that might call on those resources. We maintain a conservative capital reserve, emphasise that capital is expensive, prioritise competing claims on capital and review our position regularly to ensure that cost-efficient funding is available for operating expenses, capital expenditure needs and for business expansion in Hong Kong and overseas;
- To the extent that the Group has surplus cash, our policy is to deposit such funds with creditworthy financial institutions or invest in safe, liquid instruments consistent with our internal treasury policies and business needs; and
- We seek to repatriate dividends back to the Group as soon as practicable unless underlying business needs dictate otherwise. To the extent that our subsidiaries and affiliates have significant cash reserves, we are actively involved in developing and monitoring appropriate cash management policies and strategies.

As at 31 December 2004 the Group has undrawn committed facilities of HK$5,635 million. We shall continue to maintain sufficient liquidity and further diversify funding sources and maturities profile to meet business requirements.

Pension Obligations

Long-term financial exposure can arise from under-funded pension obligations owed to employees, particularly as a result of poorly performing stock markets and the levels of investment returns in recent years.

CLP has managed this risk by transferring all of its employees in Hong Kong (representing more than 80% of our total workforce) from defined benefit schemes (where the level of pension benefits is, in effect, guaranteed by CLP irrespective of the performance of the underlying investments) to a defined contribution scheme (where the contributions by employer and employee are defined, the investment decisions are made by the employees and the final level of benefits payable is determined by the actual performance of the underlying investments).

Accounting and Financial Reliability and Integrity

Corporate failures in Europe and the U.S. have emphasised the risks to companies of inaccurate and improper financial reporting and accounting. Even the perception of misdoing can lead to a massive and irreversible loss of market confidence.

No company can ever be free from the shadow of individual misdeeds, but CLP does everything reasonably possible to protect itself and its shareholders against such risks, including the following:

- Our Value Framework sets out the principles and ethics which cover all aspects of our operations. It also includes our Code of Conduct which places all employees, officers and directors under specific obligations as to the standards of integrity and behaviour CLP requires;
- CLP's Code of Corporate Governance and the Corporate Governance Report on pages 94 to 107 of this Annual Report explain the systems, checks and balances we implement to ensure that the Company's affairs are properly directed and controlled; and
- The Group is subject to the recent U.S. legislation commonly referred to as the Sarbanes-Oxley Act. Pursuant to that legislation, the Group will report on the effectiveness of its internal controls by no later than its year-end 2006 annual report. In 2004, the Group made significant progress on Sarbanes-Oxley compliant documentation of its internal control processes and the preliminary dry run review process with its external auditors.

How do we manage risk?

Credit Risks

The Company, its subsidiaries and affiliates enter into various forms of transactions including interest rate and foreign currency hedging, deposits, energy hedging and trading.

Prudent risk management policies include:

- All finance-related hedging transactions and deposits of CLP Holdings and its direct principal subsidiaries are made with counter-parties with acceptable credit quality in conformance with Group Treasury policies;
- Mark-to-market limits are assigned to each counter-party for monitoring credit exposures. The Group monitors potential exposures to each financial institution counter-party utilising value-at-risk methodologies;
- All derivative transactions are entered into at the sole credit of the respective subsidiaries and affiliates. The counter-parties have no recourse (cash collateral, guarantee or other forms of security) to the Company for potential change in market value of derivatives; and
- Yallourn Energy's energy-related hedging and trading are carried out with approved institutions or counter-parties that have acceptable credit standing in accordance with its risk management policies.

Interest Rate Risks

Whether investing or borrowing, interest rate movements create both risks and opportunities that need to be addressed.

It is the Group's policy to mitigate interest rate risk through the use of appropriate interest rate hedging instruments that mitigate current and future corporate profitability from interest rate volatility.

- At CLP Power, this is done through the annual review of a preferred fixed/floating interest rate mix; and
- In the Group's overseas investments, each project company develops its own hedging program taking into consideration project debt service sensitivities to interest rate movements, lender requirements, tax and accounting implications. The purpose of each program is to produce a risk profile appropriate to the specific business, and consistent with the Group's strategic objectives.

At year-end 2004, the Group's fixed rate debt as a proportion of total debt was approximately 59%.

Foreign Currency Risk

Currency exposures exist when assets or liabilities such as cash, receivables, payables (including those related to electricity purchases), securities and project equity investments are denominated in foreign currencies different from the functional currency of the respective Group entity. The Group's primary foreign currency exposure arises from CLP Power Asia's investments outside of Hong Kong. CLP Power also has significant foreign currency obligations related to its U.S. dollar-denominated debt, nuclear power purchase off-take commitments and fuel-related payments.

The Group addresses these risks in the following ways:

- Where appropriate and available on a cost-efficient basis, we seek to finance our overseas project investments through the use of domestic funding sources. In addition, certain projects utilise direct and indirect indexing provisions in their project agreements to match the projects' foreign exchange costs. The objective of each project company is to be resilient to adverse movements in key currency exchange rates in order to continue to meet its debt service requirements and achieve an acceptable investment return;
- We do not hedge foreign currency translation gains and losses that are included in the equity section of the Group's balance sheet as a result of the conversion of project company financial statement accounts into the Group's functional currency. Our view is predicated on the resilience of the Group's debt/total capitalisation ratios to currency movements, the high cost associated with hedging the exposure, and our long-term view on our investments and the underlying economic prospects of our target countries; and
- CLP Power's foreign exchange risk is mitigated through the current regulatory regime that allows for a pass-through of foreign exchange gains and losses. As a measure of additional prudence, CLP Power hedges a significant portion of its forward U.S. dollar obligations (nuclear off-take, coal, gas and oil purchases) for up to five years provided that the hedging can be accomplished at rates below the HKSAR Government's target peg rate of 7.80.

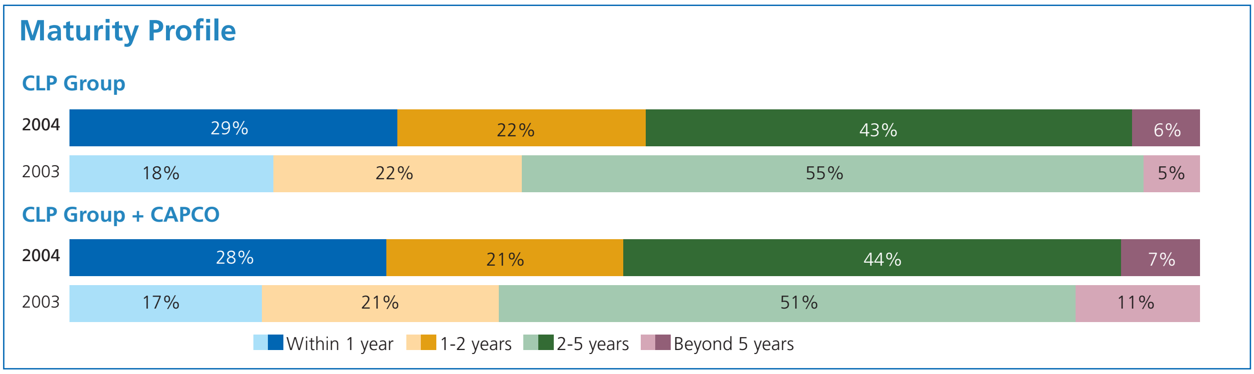
Off-Balance Sheet Financial Instruments

The Group uses different derivative instruments to manage its exposure to foreign currency, interest rate risks, and price risks associated with the sales and purchases of electricity in Australia, with an objective to minimise the impact of exchange rate, interest rate and electricity price fluctuations on earnings, reserves and tariff charges to customers. Other than certain limited electricity trading activities engaged by Yallourn Energy, all derivative instruments are employed solely for hedging purposes.

The fair value of the Group's outstanding derivative instruments as at 31 December 2004 was at deficit of HK$1,199 million (HK$1,452 million deficit for the Group and CAPCO combined), which represents the net amount we would pay if these contracts were closed out at 31 December 2004. The deficit was largely caused by a significant year-end decline in the forward currency markets for the U.S. dollar. The fair market value of Yallourn Energy's energy trading activities was at surplus of HK$4 million. In 2005, upon adoption of the new Hong Kong Accounting Standard 39 – Financial Instruments: Recognition and Measurement, the fair value of these outstanding derivatives will be recognised as assets or liabilities with net effect adjusting to the balance of retained profits on 1 January 2005.

As at 31 December 2004, we had gross outstanding derivative instruments amounting to HK$74 billion (HK$79 billion for the Group and CAPCO combined), out of which HK$0.3 billion was energy trading contracts. The breakdown by types and maturity profile of the Group's derivative instruments are shown in the charts below:

	Notional Amount		Fair Value Gain/(Loss)	
	2004	2003	**2004**	2003
	HK$M	HK$M	**HK$M**	HK$M
CLP Group				
Forward Foreign Exchange Contracts	**44,961**	45,322	**(1,192)**	(316)
Interest Rate Swaps	**16,295**	16,098	**(358)**	(348)
Currency Swaps & Options	**4,680**	4,709	**255**	356
Energy Hedging & Trading Options	**6,128**	6,994	**–**	–
Energy Hedging & Trading Swap Contracts	**2,330**	3,110	**96**	113
	74,394	76,233	**(1,199)**	(195)
CAPCO				
CAPCO's Interest Rate Swaps	**4,378**	4,548	**(253)**	(133)
Total	**78,772**	80,781	**(1,452)**	(328)



How do we manage risk?

Market Risks

Reliance on a Single Earnings Source

Reliance on the Hong Kong's electricity business as the sole source of our earnings would expose the Company to "single market risk" through vulnerability to slowing electricity demand growth in Hong Kong and potential adverse regulatory change.

In response to this risk, CLP has developed businesses in the Chinese mainland and Asia-Pacific region, so as to move the Group away from dependence only on earnings from the existing Hong Kong business. Outside Hong Kong, we have sought to establish a meaningful presence in a number of countries, as opposed to focusing on any one country only and thereby creating a substantial financial exposure to regulatory and market risks in that country.

Uncertain China Sales from Hong Kong

Whilst in the short term electricity sales to Guangdong are expected to remain strong due to the acute shortage of generation capacity, in the medium term the supply/demand imbalance will reduce.

To mitigate the risk of an earlier than expected decline in China sales, we:

- provide reliable power to those customers and maintain an excellent working relationship with them;
- are exploring the possibility of a longer-term supply agreement with Guangdong with a competitive pricing strategy; and
- are looking for alternative opportunities to participate in the supply of power to the Mainland.

Regulatory Change in Hong Kong

In Hong Kong, CLP faces regulatory risk in the form of possible adverse regulatory change post-2008 and more stringent environmental control.

A range of measures address these risks:

- Continued competent and effective operation of the Hong Kong electricity business as measured, for instance, through supply reliability, tariff control and quality of customer service. This demonstrates the merits of the current regulatory regime and reinforces our reputation as a responsible and trusted public service provider;
- Engagement with our stakeholders, so that they have a realistic and informed appreciation of our performance under the existing regulatory regime and the risks and implications of alternative regulatory structures; and
- Proactive participation in the management of Pearl River Delta air quality issues, such as by the development of long-term gas supply to our generating plants in Hong Kong and implementation of plans to reduce emissions from our coal-fired power station. We also liaise closely with the Hong Kong Government regarding the development of emission caps for the power generation sector.

Increased Competition

Competition for our electricity business in Hong Kong might come in a number of forms:

- Competition from gas suppliers in the domestic and commercial sectors;
- Aggregation of load demand by customers so as to become a single large customer with stronger purchasing influence; and
- Loss of business to electricity competitors, whether domestic or from Guangdong, for major contestable customers in the event of regulatory change in Hong Kong.

In the face of such risks, we:

- aim to provide a quality service which ensures that our customers would choose CLP, even if alternative energy suppliers were or became available;
- make considerable efforts in product development and the promotion of the all-electricity concept for commercial and residential customers; and
- are developing a competitive strategy which focuses on tariff redesign and the changing needs of strategic customers. Account management plans are already in place for all these customers. We are extending our account management services to small and medium-sized enterprises, offering creative and cost-effective energy solutions which address their specific business needs.

Mainland Power Tariffs

A key risk in the China market is the need to agree tariffs with the relevant authorities for each new generating plant as it is commissioned and then for tariff levels to be reviewed and approved by them on a regular basis.

This tariff risk can be addressed through:

- careful pre-investment analysis to ensure that the cost of generation from the proposed asset (whether greenfield or existing) will be competitive in the market to which electricity will be supplied. This also involves consideration of the supply/demand balance in that market, so as to provide assurance that the plant will actually be despatched to an extent and at prices which will be economically viable;
- on-going cost control disciplines, including with respect to fuel procurement, to enable the asset to continue to deliver shareholder value, notwithstanding future downward tariff pressure; and
- establishing and maintaining a good relationship with the tariff approval authorities, based on a reputation for responsible and efficient plant operation.

Electricity Sales and Purchase Risks

Yallourn Energy's revenue is predominantly derived from the sale of electricity into Australia's National Electricity Market (NEM). There are risks in the Australian electricity sector resulting from price volatility and the possibility of continuing low pool prices.

We aim to manage these risks by:

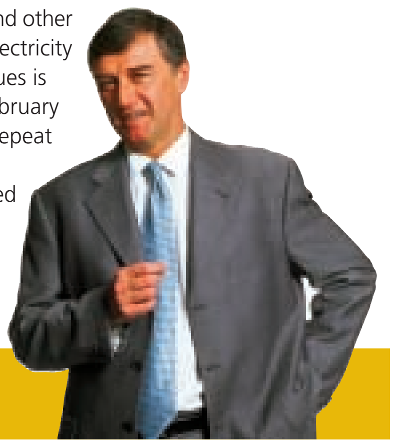
- maintaining Yallourn Energy's position as a low-cost electricity generator;
- entering into electricity energy contracts, including forward electricity pricing contracts, swaps and options contracts to help reduce the impact on earnings of the volatility of NEM pool prices;
- engaging in limited energy trading activities;
- strengthening the controls and procedures within Yallourn Energy to ensure trading and marketing activities are conducted within a clear and appropriate framework; and
- seeking to diversify from ownership of a single generating asset towards a broader-based Australian business including an increased presence in the retail sector.

Recently, some legislators suggested the interconnection of CLP and Hongkong Electric as well as the opening up of electricity market. Will CLP be affected?

Ms. Wong Yuen Wah
Shareholder

The Consultation Paper issued by the Hong Kong Government on 31 January 2005 discusses these and other options for the development of the Hong Kong electricity market beyond 2008. CLP's position on these issues is set out in the document which we issued on 1 February and which is available on our website. I will not repeat here the views we have set out in depth in that document, save to note that I am not yet convinced that increased interconnection with Hongkong Electric will lead to any substantial benefits for customers in the near to medium term.

Opening up the electricity market for some form of competition does not seem to be a practical option, since genuine and meaningful competition would require multiple competitors in the industry. To do so, Hong Kong would need to introduce electricity producers in Guangdong Province to the Hong Kong market. In circumstances where Guangdong is suffering from a significant shortage of electricity, in addition to problems in the adequacy and reliability of its transmission system, I do not see the prospect of importing firm power from Guangdong as being likely for a considerable time.



Andrew Brandler
Chief Executive Officer

How do we manage risk?

Operational Risks

Supply Reliability

A major risk for an electricity supplier, and one to which the community would rightly be extremely sensitive, comes through the possibility of prolonged shutdown of generating plant due to critical plant systems breakdown or high unplanned outages and abnormal voltage deviations.

Amongst the many steps taken by CLP in Hong Kong in response to these risks are:

- Hazard and Operability (HAZOP) and Re-HAZOP studies of plant systems; for example, in 2004 more than 10 plant systems or key processes were assessed in detail;
- Backup systems for critical process control;
- Continued identification and implementation of supply reliability and quality improvement projects such as switchgear upgrading, cable replacement and the extension of Integrated Protection and Control Systems;
- Close monitoring of 11kV voltage by enhancing our online Disturbance Monitoring System; and
- Continuous assessment of the potential risks that might be caused by rapid development in the South China Grid. Improvements such as revising the under-frequency decoupling scheme have been implemented on the interconnection to reduce system risks.

Availability of Generating Units

The environment for private sector operators in the Thailand and Taiwan markets that sell their output to the state-owned generators under long-term PPAs is favourable. The main risk is the need to achieve high availability of the generating units in order to earn the planned revenue.

We are an experienced power plant constructor and operator. Our core industry skills form the basis for our management of this risk.

Information Technology (IT)

All aspects of our business, right through from power generation to customer billing, are heavily dependent on the quality and reliability of our IT infrastructure. In addition to the risk of system failure, new threats to IT security are constantly emerging in the IT and Internet community.

CLP manages these risks by:

- maintaining a strong and experienced in-house IT capability;
- avoiding the introduction of new IT systems which have not yet been fully tried, tested and proven;
- effective anti-virus and intrusion protection and the enforcement of proactive security management;
- proactively managing and monitoring IT systems availability through sophisticated software tools; and
- regular testing of Disaster Recovery Plans.

Coal Prices

The increase in internationally traded coal prices by a factor of two and freight costs by a factor of four over the past year has been dramatic, and is unprecedented both in severity and the speed at which it has occurred. Increases in PRC domestic coal prices have been less severe, but nevertheless significant. Any power business using these sources of coal as a primary fuel will be adversely affected under such circumstances.

We believe that the current levels are not sustainable, but there is no clear consensus as to when prices will moderate and what will be the longer-term position. However, the underlying availability of coal in the region is adequate to meet demand. We therefore assume that, at some stage, prices will move back towards the marginal cost of coal extraction and handling, as they have in the past.

We aim to manage coal price risk by:

- entering into firm contracted supplies at stable and reasonable prices where possible;
- maintaining the maximum possible flexibility in the range of coal types and qualities that we can use. We

thereby obtain the maximum diversity in sources, though we must recognise that there are often technical limits to the extent that this strategy can be applied at individual sites;

- entering into power purchase agreements that enable coal price changes to be reflected in power off-take prices; and
- maintaining detailed knowledge of the coal supply market and thereby selecting the appropriate times to contract forward.

Fuel Supply in Hong Kong

Continuous and adequate supply of fuel to our generating plant in Hong Kong is essential to sustain a reliable electricity supply to our customers. The risks associated with fuel supply can include matters such as the loss of the gas supply from the Yacheng-13 field, inability to maintain adequate coal stocks and a significant increase in fuel costs.

Relevant mitigation measures include:

- Maintaining a diversified fuel mix of coal, natural gas and nuclear;
- Optimising our coal procurement contracting strategy by balancing the use of term and spot contracts;
- The majority of our coal needs for 2005 have already been contracted;
- Proactive supplier management and development;
- Maintaining a strategic coal and oil inventory;
- Moves to consume a wider range of coals;
- Flexible operations at Castle Peak and Black Point Power Stations (including the potential for plant to operate on dual fuel sources such as coal/gas and gas/oil);
- Maintaining multiple fuel sources, to guard against the risk of reliance on a single supply source; and
- An active programme of communication and information vis-à-vis the Hong Kong Government, community leaders and the general public so that the critical importance is understood of the need to take steps now to ensure the availability of LNG by the end of the decade in order to safeguard supply reliability.

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Coal price keeps upsurging in these recent years. What is its impact on the operating costs of the Company? How does CLP react?

Ms. Wong Yuen Wah
Shareholder

Within the CLP Group, in 2004, rising coal prices predominantly affected the power stations at Shandong in the Mainland and Ho-Ping in Taiwan, in which CLP holds an interest through local joint ventures. Compared to stations closer to coal mines, these bore the brunt of the combination of high coal prices and increased transport costs. The financial and operating consequences are explained in this Annual Report on pages 26 in respect of Shandong and 29 to 30 with regard to Ho-Ping.

In our Hong Kong electricity business, fuel costs are passed on to customers, with CLP making neither a loss nor profit on the fuel element of our operating costs. In line with our commitment to effective management of electricity costs for our consumers, we have been successful to date in avoiding any tariff increase under the Scheme of Control. This is the result of a number of measures we have taken, including the use of nuclear power and gas–fired generation instead of relying solely on coal, as well as our contracting strategy in the international coal market and the ability of the plant at Castle Peak Power Station to burn a variety of coals (which gives us flexibility in the sources from which we can buy coal).

Peter P. W. Tse
Chief Financial Officer

How do we manage risk?

Environmental Regulations

Our power generation and distribution operations in Hong Kong, the Chinese mainland and Asia-Pacific region are subject to local laws and regulations relating to environmental performance and safety. Operations may be affected by mitigation measures such as those required under the Kyoto Protocol, which addresses increasing concerns about greenhouse gas emission and global climate change.

We mitigate these risks by:

- close monitoring of the environmental aspects of our business at all levels of the Group – from front-line staff to the Board;
- analysing and addressing environmental issues at all stages of our activities – from pre-investment due diligence through to on-going operations;
- aiming for continuous improvement in environmental performance across the range of our assets, including those in which we have less than a majority stake;
- investigation and, where feasible, adoption of technology and renewable energy opportunities to improve environmental performance; and
- willingness to make the additional investment required to enhance environmental performance, recognising that this will be to the long-term benefit of our asset.

Physical Damage and Liabilities

Management is responsible to shareholders for the effective stewardship of the Group's physical assets. These are at risk of physical damage if there are any shortcomings in the way in which they are designed, constructed, operated and maintained.

CLP uses its Operations Integrity Management System (OIMS) as a framework for the disciplined and proactive management of such risk. The framework includes 11 broad management principles (for example, that inherent safety can be enhanced by using sound standards, procedures and management systems for facility design, construction and start-up activities) and 60 requirements (for example, that a quality control and inspection system must be in place to ensure that facilities meet design specifications and that construction is in accordance with the applicable standards).

OIMS includes a process of Operations Integrity Assessment and Improvement to assess the degree to which requirements are met, to improve operations integrity and maintain accountability. These assessments are conducted by multi-disciplinary teams including expertise from outside the immediate unit.

The OIMS framework was first applied by CLP to its facilities in Hong Kong and forms part of the disciplines applied at our assets elsewhere to manage risk to personnel, facilities, the public and the environment.

Isn't it irresponsible for CLP to be involved with nuclear energy?

Christine Loh
Chief Executive Officer
Civic Exchange

CLP's involvement in nuclear energy is our 25% stake in the Daya Bay Nuclear Power Station, from which we take about 70% of the output. Since operations commenced in 1994, the facility has provided power to Hong Kong, safely and reliably. Our ownership interest and right to take electricity both expire in 2014. We will need to take steps well beforehand to secure the generating capacity necessary to succeed this source of power. I do not yet know whether this will be in the form of nuclear energy or not – this will depend on a range of operational and commercial issues. However, our policy of maintaining a diversified fuel mix of coal, gas and nuclear has served our customers well in recent years.

Looking ahead, the world faces some stark choices between the sustainability, in terms of effect on climate, of increasing use of fossil fuels for electricity generation and the risks associated with nuclear energy, such as safety, nuclear proliferation and treatment of radio-

Human Resources Capability

In common with other utilities, CLP faces the risks associated with an aging workforce and accelerating retirement. Recruitment difficulties may lead to shortages in technical skills to meet operational needs, as well as in our pool of talent to provide the future leadership and general management strength for our business.

In response to these risks, CLP is

- applying a clear and consistent recruitment and promotion policy – driven by an ongoing assessment of the long-term needs of our business;
- monitoring, at Board and senior management level, our management development and succession planning and the progress made in developing colleagues with high potential;
- actively managing the movement and development of technical and professional staff;
- establishing knowledge management platforms to facilitate the sharing of technical and managerial skills;
- recruiting trainees and apprentices and providing them with structured training and development programmes; and
- setting up a new Training School to give trainees real-life experience in the installation, operation and maintenance of the power systems in a training environment.

Technology Developments

Technology development can present both risks and opportunities for us.

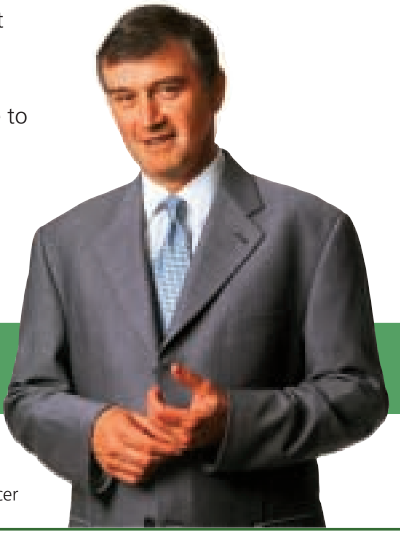
The early identification and management of technologies, trends and influences relevant to our business is provided by CLP Research Institute (CLP-RI). In 2004, CLP-RI was engaged in a wide range of initiatives including the launch of renewable energy research projects, the development of an energy efficiency research project based on combined generation, heating and cooling at a customer site and exploring customer services technology such as Internet-based intelligent building and load recognition.

Looking ahead, CLP-RI perceives two major change drivers in our service areas – competitive pressure and environmental concerns (including climate change). In addition to building knowledge for us to manage these issues, CLP-RI will contribute by:

- proactively bringing emerging issues to the attention of Management, thereby expanding our global perspective on emerging technologies;
- growing the practice and means of knowledge sharing;
- demonstrating a culture of innovation and learning in critical areas; and
- building and maintaining productive relationships with the academic and research communities.

active waste. Presently, nuclear energy appears to be the only technology capable of the large-scale generation of the electricity needed to support economic growth in developed and developing countries – without producing the conventional emissions of fossil fuels and without a major increase in electricity costs.

The future development of nuclear energy requires the careful balancing of complex issues. It gives rise to choices and decisions that cannot, and should not, be made by individual utilities, but by societies themselves and the governments which represent and speak for them. CLP's involvement in nuclear energy will depend on the direction which this debate takes and the considered and long-term public policy which emerges in the communities in which we operate.



Andrew Brandler
Chief Executive Officer