



www.LibertyPowercorp.com
For more information contact:
Nelson Reyneri Vice President, Governmental Affairs
and Corporate Communications
T 954 771 1463 ext 132 | nreyneri@libertypowercorp.com

MiamiHerald.com

Lauderdale-based Liberty Power grows

BY BEATRICE E. GARCIA
bgarcia@MiamiHerald.com

Posted on Mon, Jan. 08, 2007

For most folks, electric power is something you don't shop around for. Often, there's not much choice -- usually one seller per city or region.

But all that has changed in the past decade as 20 states and the District of Columbia have deregulated their electric utilities. For consumers and businesses, that means a chance to find better prices and service.

For a group of South Florida entrepreneurs, it has meant an opportunity to step into a new business.

Liberty Power Corp., based in Fort Lauderdale, sells power in Maryland, the state of New York, Texas and Washington, D.C. It has plans to expand into six states, including California, in the coming year. The electricity industry has been deregulated in all these states to allow for competition and has permitted Liberty Power's entry.

In four years, it has emerged as one of the major electric-power retailers, delivering power to more than 10,000 customers. It's also one of the largest U.S. Hispanic-owned businesses.

However, Liberty Power has no customers in Florida because the industry isn't deregulated here. Where it operates, Liberty Power caters mostly to small- and medium-size businesses, but also counts several major companies and government agencies among its customer roster, which includes JCPenney, New York Life Insurance, Ryder, the Department of Defense and the Department of Homeland Security.

"Deregulation has enabled us to reach customers who usually are ignored by the big power companies," says David Hernandez, CEO and one of the founders of Liberty Power.

Liberty Power's sales hit \$100 million in 2005, a far leap from the \$800,000 the company made during 2002, its first full year of operation. Company officials weren't ready to disclose 2006 revenues, but said they should exceed the 2005 level.

And while Liberty Power is in the energy business, it doesn't own a single transmission line or generating plant.

It buys power from a power generator, which could be a local utility or a wholesale generation company, or even financial firms that sell power on a wholesale basis. It pays a fee to the local electricity company to transmit the power from the generator to the customer.

"In a regulated environment, the public service commission sets prices," says Nelson Reyneri, Liberty Power's vice president for government affairs and corporate communications.

But Liberty Power can negotiate prices, depending on which supplier it comes from and a customer's particular needs.

DIFFERENT NEEDS

"Some customers want two- to three-year contracts," says Alberto Daire, the company's chief operating officer.

That can be especially beneficial to customers and the company because electricity is the one commodity that can't be stored. Once it's transmitted, it's use it or lose it. Demand and fuel costs have caused wild fluctuations in prices in the past decade.

Hernandez says it's unfair to blame deregulation for the spikes in power costs. Rather, he points to high fuel prices and continued lack of competition on the retail front.

Although both the phone and electric industries have emerged from more than a century of operation as regulated monopolies, Hernandez says the electricity industry has avoided some of the pitfalls that have hampered competition in a deregulated telecom world.

The phone companies held onto their networks and phone lines, including the last piece of wire that connects phone poles to a client's home or business. Everything was deregulated in the electricity industry, so there's no squabbling over who owns what.

"The electric industry learned from the mistakes of the phone companies" where deregulation came first, says Daire.

The ability to better serve customers is Liberty Power's edge against its competitors. It faces other independent retailers like itself as well as unregulated companies owned by the incumbent local utilities in the states where it operates.

For instance, in the state of New York, there are more than 75 power retailers providing gas or electricity.

FAMILY TIES

Hernandez, who was named 2005 Entrepreneur of the Year by Hispanic Business Magazine, founded Liberty Power with his brother, Eliezer Hernandez, who handles marketing and who, as chief relationship officer, also deals with customer and employee relations.

Daire, whom he met while working at Nortel Networks and who serves as chief operating officer, was also a founder.

The company's start-up so far has been self-funded, though it set up a line of credit this year to help fund its future growth.

"We founded the company with our own savings, support from family and maxed-out credit cards," says Hernandez.

ENRON BACKGROUND

Energy wasn't Hernandez's first career choice. He earned a degree in accounting from Palm Beach Atlantic University in West Palm Beach and an MBA from New York University. He became interested in the energy business while working at Enron Corp. During this tenure at Enron, the Houston company was a leader in energy deregulation.

Also, Hernandez says he started to see there were certain customer segments -- primarily small- and medium-size businesses -- that were ignored. After Enron failed in 2001, Hernandez, Daire

and another co-worker from Enron, Roshena Ham, began plans to launch Liberty Power. (Ham is no longer with Liberty Power. She left shortly after the company was launched.)

As more states are opening their electricity markets, Liberty Power now has more opportunity. Its focus as it moves into new markets will be on the smaller businesses, says Reyneri. Despite Enron's demise, there were lessons learned, not scars, for Hernandez.

"Before the fall of Enron, one should recall that [the company was] effective in promoting competition in the energy sector," he says.

Another lesson was the importance of ethics.

"The lack of integrity of a few individuals destroyed the value built up by many other hard-working people," he says.

Energy service providers

- **WHAT THEY ARE:** Independently owned companies such as Liberty Power and many unregulated providers owned by local utility companies.
- **MARKET:** Currently serve 2.2 percent of the electric power customers in the United States, but the market, now about \$170 billion in revenue, is growing with more states considering deregulating their utility markets.
- **DEREGULATION:** Since 1996, 20 states and the District of Columbia have opened their markets to competition. A report on the state of competition in the electric utility industry in the state of New York found that electricity prices dropped nearly 16 percent for residential customers between 1996 and 2004. Commercial users saw a drop of more than 17 percent in the same period.