

Restructuring Today

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Clearinghouse offerings to boost liquidity — Goodman

The multi-lateral products offered by clearinghouses will produce a 500% gain in liquidity, Craig Goodman, NEMA president, predicted.

Following organizational meetings last month, NEM has begun circulating documents for a recently formed clearing, netting and settlements task force, Goodman told us, and for another group to help find ways of getting accurate data about prices and trades.

Many of the solutions to the credit and liquidity problems faced by the industry, Goodman contended, are “already in the marketplace to augment good trading practices.”

The work of the clearinghouse task force is particularly important, Goodman added, since it will be a while before FERC’s SMD is implemented.

The primary focus of the

clearinghouse task force will be education, Goodman said, because NEMA is “trying to explain some very difficult concepts to regulators, consumers and industry participants.”

The second NEMA task force is “filled with experts” who will work on mark-to-market issues and explore ways to produce reliable market price indices.

“This is sorely missing element that has caused a great deal of consternation in the investment and generating community,” Goodman added.

Goodman reported some “encouraging, early signs” because some members can offer historical data going back to 1996.

Both task forces “are solutions to the liquidity and the credit crisis that we’ve been facing over the last year and a half.”

The process is open to stakeholders who are “urged to participate,” Goodman said.

Ofgem vows to halt gas, power slamming

British energy regulator Ofgem is proposing to give C&I customers more freedom in negotiating their energy purchases and making rules governing C&I supplies the same for electricity and gas.

C&Is have been frustrated, said John Neilson, managing director for customers and supply at Ofgem, because their gas and power suppliers can stop their moving to new suppliers — a practice intended to prevent slamming and make sure suppliers get paid.

“We want to see this practice stopped except when this is what the customer wants,” Neilson noted.

New rules would “place the onus” on suppliers and customers to manage their own relationships, including recourse to normal commercial and legal means of handling disputes.

“Customers should be able to negotiate freely the terms of their energy contracts rather than being dictated to by licenses or industry arrangements,” Neilson noted.

It’s not appropriate to regulate large customers the same as residentials, Ofgem wrote, since C&I customers “are more sophisticated” and can afford to hire advice. Ofgem is seeking comments through Feb 14.

AES’ sudden help questioned in UK

In the face of sporadic shortages and price spikes (RT, 12/11), Ofgem late last month brokered without competitive bidding a contract for National Grid Transco (NGT) for electricity from the AES Drax power station at above-market rates and for daily payment over five days.

The grid was short of power because Drax, the UK’s largest, had cancelled its contracts with bankrupt TXU Europe due to non-payment.

The Assn of Electricity Producers is to meet with NGT officials.

“The market has to be allowed to work and we expect decisions to be transparent and equitable,” explained David Porter, association CEO.

The association met Nov 28 with Ofgem CEO Callum McCarthy, Porter added, “and our members discussed the deal at length in our quarterly board meeting on Dec 5.”

If the generators don’t get satisfactory answers to their concerns, Porter warned, they could file a formal complaint with Ofgem.

Fitch sees light at end of telco tunnel of darkness

Telecom had a tough year, says Fitch Ratings, but it sees light at the end of the tunnel next year.

Like the energy sector, telecom firms faced credit problems and federal probes this year but all operators focused more than ever on freeing up cash and cutting debt (RT, yesterday).

That trend will continue next year as telcos hold back on capital spending and continue to cut operating costs.

They’re likely to spend 35% less on capital projects next year. This year spending was down 50%.

But telecom may face some of the same “event risk” as the power sector next year amid consolidation in wireless, customer “churn” as their customers win the right to take their cell-phone numbers to new vendors and uncertainty over the FCC’s review of local phone unbundling that might affect the future of Unbundled Network Element Platform (UNE-P).

Demand for services is down for local exchange carriers and local companies have been selling off non-core assets, but that will reduce their debt.

Competition among the baby bells (RBOCs) will stunt growth but Verizon Communications with strong revenues from Verizon Wireless is likely to do better, Fitch said, than SBC Communications and BellSouth. But long-distance revenues should grow for the RBOCs as they win approval from the remaining states to get into the business.

Long distance will continue to be competitive, cutting everyone’s profits, but AT&T and Sprint benefited from industry turmoil, Fitch said, as customers flocked to these more stable companies.

It’s unlikely that competitors who’ve just cleaned up their balance sheets will revert to “irrational pricing” to win back customers, said Fitch, since investors are focusing on profits.

5 stories in 1.2 minutes

Next year over at Ofgem: The UK regulator, intends to “protect the interests of the consumers, wherever appropriate, by promoting effective competition.” How? By monitoring the wholesale market to ensure competition and the security of supply. It intends too to work with the industry to rewire Britain and meet government targets for renewable energy and cogeneration. Ofgem invited industry and customers to comment on its plans.

PJM team wins first PJM award: PJM has an annual award to “recognize groundbreaking innovation and value-added technology services for the members PJM serves.” The first STAR (superior technological achievement recognition) award went to the team that designed and built PJM’s Energy Management System (EMS) over 30 years ago, allowing PJM to monitor grid operations in real time.

Elizabeth Moler was promoted by Exelon to executive vice president for government and environmental affairs and public policy. She chaired FERC from 1993 to 1997.

FPL testing GE fuel cells: Florida Power & Light (FPL) has officially unveiled the first of five experimental hydrogen fuel cells it plans to install around the state. The 5-kw propane generator at the Hugh Taylor Birch State Park in Ft Lauderdale produces a fraction of the electricity needed to meet needs at the ranger’s house and visitors’ center. FPL’s units cost \$50,000 to \$100,000 and are made by GE Fuel Cell Systems that plans to take the generators apart after the experiment to see how well they worked. Another fuel cell is set for a university in Miami-Dade County.

Alliant building NJ cogen plant: A New Jersey wallboard maker expects to save \$2 million a year when its new cogen plant is up and running next October. Construction begins in January for the \$4.2 million, 3.9-mw project to be built by Alliant Energy Integrated Services, its second outside the Iowa-Wisconsin area. Its first was in California. Homasote will use the steam to break down paper so it can be recycled into wallboard and industrial packaging material.

FirstEnergy wants to continue day-ahead web prices

FirstEnergy is asking the Ohio PUC to extend its five-year-old, day-ahead, real-time pricing programs at Ohio Edison, Cleveland Electric Illuminating and Toledo Edison and make them available to more Ohio Edison commercial users.

The utilities put the day-ahead price on their websites so C&Is with self-generation or some flexibility to manage their load can decide how much to buy the next day.

Though they’ve been around since 1997, the programs still are considered experimental and profit from a bit of “tweaking” every year, said FirstEnergy’s Ellen Raines, adding that competition is only in its second year in Ohio and customers are still becoming familiar with it.

Some 50 customers — large users with flexibility to shift their load most frequently by using self-generation — participate now, Raines said.

All of the customers are fairly large customers that have interval meters and check a website to find out what tomorrow’s prices will be.

Pricing is based on the utilities’ marginal operating costs to supply energy,

including an average cost of generation capacity and wholesale rates for each hour, plus line losses and other adders.

Those benefiting from the program need to have some expertise and the ability to shift their load to save money, the firm added.

Customers pay a monthly fee to belong to the program that offsets administrative and communication costs.

Customers can drop out with three business days notice.

The biggest change next year is to accommodate new tax policies that came with Ohio’s restructuring — the elimination of utilities’ gross receipts taxes and bringing in line the high property taxes utilities used to pay with rates more like those charged to other industries.

The real-time pricing program tariffs had to be rejiggered to add a per/kwh tax that replaced the gross receipts tax.

It’s probably going to stay an experimental program for a while.

If the PUC approves, the programs will continue through the end of next year.

Trans-Elect’s IP grid goes into Midwest ISO

Trans-Elect’s latest acquisition, Illinois Electric Transmission consisting of Illinois Power’s grid it bought in October (RT, 10/10), will join the Midwest ISO.

Dynegy had signed up IP in the PJM West with Exelon, AEP, Allegheny Energy and DQE.

Early in the negotiations Trans-Elect had agreed to honor Dynegy’s RTO choice through 2004 but has “worked diligently” since then to redraw that part of the deal, said Bernie Schroeder, Trans-Elect president.

It made no sense to join PJM then move to MISO in 2005 especially when customers were worried about seams issues, Schroeder explained.

Trans-Elect should find operational efficiency having its other Midwest property — Michigan Electric Transmission (ex-Consumers Power) — already in MISO.

“Going to one city, having one set of meetings to deal with all your problems is a little more efficient than traveling to Indiana and Pennsylvania,” Schroeder noted.

Trans-Elect “hopes and plans” to own property in PJM but at this stage “it made a whole lot of sense for us” to join MISO.

And what about the one that got

away?

DTE recently sold its grid to Kohlberg Kravis Roberts, a new player vying with Trans-Elect in buying up IOUs’ transmission systems (RT, 12/4).

DTE’s decision that it made sense to sell its grid was heartening, Schroeder noted, adding that Trans-Elect welcomed the competition.

“There’s movement in this space” and when companies come to the same conclusion as DTE “we’re going to be there to make them an offer,” Schroeder vowed.

Trans-Elect continues to look for IOU grids it can buy and usually has “a half-dozen” deals in some stage of negotiation, Schroeder added.

Some remember Schroeder as the organizer of the Partnership for Customer Choice, about 10 large IOUs in favor of a federal competition mandate.

Restructuring Today’s mission

To show where the converging energy and communications industries are headed as they create America’s biggest industry, focusing especially on the opening up of competitive wholesale and retail markets.

Va lawmakers look at CTC impact on competition

A Virginia General Assembly committee has decided it's time to give the state's moribund retail electric market a boost by calculating utility stranded costs.

Alternate suppliers have complained that the CTC has kept competitors from entering the Virginia market since they can't beat the incumbent utility's low rate with the CTC tacked on.

The committee has decided the State Corporation Commission (SCC) will organize a group of lawmakers, power suppliers, consumers and utilities to find a

way to figure stranded costs and report back by July 1.

"If we don't go there, we won't get competition," said State Sen John Watkins who sits on the Commerce & Labor Committee.

When the Virginia General Assembly passed the state's deregulation law in 1999 it decided computing stranded costs was too complicated and instead gave utilities authority to collect a CTC from customers who switch.

Dominion Virginia Power had argued

that the effort to define stranded costs was best led by lawmakers but bowed to the inevitable.

"We're pleased it's going to be a methodological kind of process," said Eva Hardy, Dominion senior vice president for public affairs.

Competition began at the first of the year but only one competitor is serving 2,500 of the more than 2 million eligible customers. SCC staff is expected to use the method devised by the stakeholders to calculate stranded cost total by Nov 1.

Texas do-not-call list grows

More than 800,000 Texans have paid to have their telephone numbers put on two separate "do-not-call" lists since the first of the year, the PUC reported yesterday.

For \$2.40/phone number, Texans were placed on the statewide "Do-Not-Call" and the "Electric No-Call" lists but the charge goes up to \$4.80/phone number at the first of the year.

"Signing up now not only gets you a discount but it will put you on next year's updated list," noted Commissioner Julie Parsley. The new list comes out in March and is good for five years.

The statewide list is for customers who want to stop getting telemarketing

calls in their homes, while the electric list is to protect residential and business numbers from retail electric providers.

Charities and non-profit groups that are not offering a product are exempt from the law, as are debt collectors and companies that already have a business relationship with a customer.

Telemarketers with a state license, including insurance agents, real estate agents and stockbrokers, are excluded as well but any sales must be closed with a face-to-face meeting. Texans can get on the lists by phone, mail or web (www.texasnocall.com).

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Here's a CLEC that's growing

Knology Broadband, West Point, Ga, (the k is silent of course) is one CLEC that thinks it's seen the bottom after a rough 18 months.

Revenues this year are up 30+% with 60,000 new customer connects and the outlook is for more of the same next year.

Knology has been building its own hybrid fiber-coaxial network since 1998 paying cities a franchise fee and often a pole attachment fee to municipal electric companies or Southern Cos.

Knology expects similar growth next year without expanding beyond the eight

cities — Huntsville, Ala; Montgomery Ala; Charleston, SC; Panama City, Fla; Columbus, West Point, and Augusta in Ga, and Knoxville, Tenn.

Private-investor funding of \$39 million awarded in November will enable the completion of the Knoxville network.

Cities like telecom competition, says Knology. The firm offers over 200 channels of digital cable TV, local and long distance digital telephone service and high-speed internet access.

Knology is not alone in its upbeat outlook. It closed a \$39 million debt restructuring transaction Nov 7.

Left delays power progress in

Russia: In the face of opposition from the left-leaning members of the ruling coalition, Russia's Duma, the lower house of parliament, put off until next year a vote on electricity reform. A bill calling for the breakup of the post-Soviet power monopoly Unified Energy System and establishment of an electricity market cleared the Duma in a first reading. A second reading scheduled this week would have formalized the regulatory structure of the proposed power market and other key details. It may be spring before the Duma acts. "The equality of reforms is more important than the speed. We still haven't built a consensus," said Alexander Voloshin, Premier Vladimir Putin's chief of staff.

68 turbines to use Kan wind

Kansas Wind Power (KWP) CEO Troy Helming's goal is to farm "the winds of a state that's been called the Saudi Arabia of wind power."

He's formed a joint venture with Composite Technology Corp (CTC). CTC will support KWP's plans to install an initial 100 mw of wind

power at various locations throughout Kansas pending end-user agreements to finance the project costing over \$150 million.

Under their agreement, KWP will supply 68 1.5-mw turbines and CTC provides up to 175 miles of transmission lines and support structures.

Abbreviations: AGA, American Gas Assn; ALJ, administrative law judge, a hearing examiner within a regulatory agency, a fact finder; APPA, American Public Power Assn; API, American Petroleum Institute; ATC, available transfer capability; bcf, billion cubic feet; BPA Bonneville Power Administration; cfd, cubic feet/day; CFO, chief financial officer; CIO, chief information (IT) officer; C&I, commercial and industrial; CLEC, competitive local exchange carrier; CTC, competitive transition charge used to recover costs

stranded by customer freedom; **DG**, distributed generation; **DSL**, digital subscriber line, **dkt** = **dekatherm** = mmbtu, is roughly = mcf; **DOE**, Department of Energy; **DSM**, demand side management; **ECAR**, East Central Area Reliability Coordination Agreement; **EI**, Edison Electric Institute; **ELCON**, Electricity Consumers Resource Council; **EPA**, Environmental Protection Agency; **EPRI**, Electric Power Research Institute; **EPSA**, Electric Power Supply Assn; **ERCOT**, Electric Reliability Council of Texas (but not all of Texas); **FCC**, Federal Communications Commission; **FERC**, Federal Energy Regulatory Commission; **FRCC**, Florida Reliability Coordinating Council; **G&T**, generation and transmission; **GAPP**, General Agreement on Parallel Paths; **GRI**, Gas Research Institute; **gwh**, gigawatt hours = 1,000 mwh; **HVAC**, heating, ventilating and air conditioning; **ILEC**, incumbent local exchange carrier; **INGAA**, Interstate Natural Gas Assn of America; **IOU**, investor owned utility; **IPP**, independent power producer; **ISO**, independent system operator; **ISP**, Internet service provider; **kv**, kilovolt; **kwh**, kilowatt hour; **LADWP**, Los Angeles Department of Water & Power; **LDC**, local gas distributing company; **MAIN**, Mid-America Interconnected Network; **MAPP**, Mid-Continent Area Power Pool; **mcf**, thousand cubic feet; **mmbtu**, million btu generally equal to mcf; **1 mw** = 1 megawatt or 1 million watts, enough power to supply 330 homes for one hour on a hot summer's afternoon; **mwh**, megawatt hour; **NAESB**, North American Energy Standards Board (replaced GISB); **NARUC**,

National Assn of Regulatory Utility Commissioners; **NERC**, North American Electricity Reliability Council; **NOPR**, notice of proposed rulemaking; **NPCC**, Northeast Power Coordinating Council; **NRECA**, National Rural Electric Cooperative Assn; **OASIS**, open access same time information system; **Ofgem**, the UK Office of the Gas & Electricity markets; **OMB**, Office of Management & Budget (White House); **PEM**, proton exchange membrane (type of fuel cell); **PJM**, the Pennsylvania-New Jersey-Maryland ISO and reliability region; **POLR**, provider of last resort; **ppm**, **ppb** parts per million, billion; **PSC**, Public Service Commission; **PUC**, Public Utilities Commission; **PUHCA**, Public Utilities Holding Company Act; **PURPA**, Public Utilities Regulatory Policy Act; **PX**, Power Exchange (California trading center); **QF**, qualifying facility under PURPA; **RBOC**, regional Bell operating company; **RFP**, request for proposal; **RTO**, regional transmission organization; **SEC**, Securities & Exchange Commission; **SERC**, Southeastern Electric Reliability Council; **SPP**, Southwest Power Pool; **T&D**, transmission and distribution; **tcf**, trillion cubic feet; **therm**, tenth of an mmbtu; **TLR**, transmission line loading relief, the failure of a transmission provider to make good on a firm agreement to move power; **TURN**, The Utility Reform Network, California ratepayer group; **TVA**, Tennessee Valley Authority; **USDA**, US Department of Agriculture; **WSCC**, Western Systems Coordinating Council. **UTC**, United Telecom Council.

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