

Restructuring TODAY

Tuesday April 27 1999

Optimum time to get RT?

On alternate Wednesdays we hold up on delivery of RT to get the actions relating to restructuring delivered to you that day. We find internally that can lead to late delivery the next day and so on. We want very much to please you. We work for you.

What is your favorite time to get RT each day? Please write it here and fax this page back to us at (202-298-8210):

Favored arrival time:

EPSA finds off-color

fruit from NEPOOL: EPSA wants FERC to reject a proposed congestion management system proposed by the New England Power Pool (NEPOOL), calling it the "spoiled fruit of a rotten governance procedure." FERC has ordered NEPOOL twice to revise its governance procedures to eliminate the dominance of vertically integrated utilities.

NEPOOL doesn't want to do that. The next attempt to keep the power -- while making it seem as if they haven't -- may just insult FERC's intelligence enough that the chairman can nudge along the faint hearted members to action.

NYSEG parent to aid South Jersey seize day in new market

Energy East is the newish firm that owns New York State Electric & Gas, Xenergy (consulting and energy services company), Energy East Solutions (retail marketer) and several small gas LDCs in New England.

The parent has formed a limited liability joint venture with South Jersey Industries to market retail electricity, gas and energy management services throughout the mid-Atlantic.

They have their eyes on the Jersey market that opens in August for power and gas in December. The new company, South Jersey Energy Solutions combines the Jersey firm's knowledge of gas and NYSEG experience with power.

Avista buying 200 PEM generators for beta testing

Avista Labs picked Logan Industries to make under a one-year contract 200 proton exchange membrane (PEM) fuel cell generators to be field tested this spring -- the first to be delivered by May 31.

Avista sees a big market overseas. They picked Logan for "technical excellence" and for its having local service around the globe, Avista Labs President Kim Zentz said.

Logan's vendors should boost Avista Labs' domestic and international presence in the emerging distributed generation markets, Avista added. With both firms having headquarters in Spokane, Wash, communications and visits are easy.

Logan had been the contract assembly division of Telect and continues to support Telect as a contract supplier of cable assemblies. Outsourcing by original equipment manufacturers worldwide is a fast growing market.

Logan customers include Hewlett Packard, Intermec and many other large corporations. When staffed the firm will have about 140-160 employees and revenues of more than \$10 million.

Plasma engine debuts at Amsterdam show

Smart Energy Solutions from North Sydney, Australia is to launch a plasma turbine engine (PTE) at Sustain '99 in Amsterdam May 25 - 27.

We're hard pressed to describe the PTE except that it has one spark plug used only in starting up, few moving parts and can run on most any fuel.

It's to be used for power generation replacing the need for a stand-by generator or grid connection, explained CEO Stephen Riddell (612-9959-1024 energys@ibm.net) who sees beauty in simplicity.

"Better still, it's cheaper and cleaner than most grid electricity and you are not paying for the electricity lost during transmission from the power station.

"It is very quiet, can be built in a range of sizes to meet all needs and can even be used, by trapping the heat from exhaust gases, to produce hot water for household or commercial use in cogeneration. When used this way, its thermal efficiency approaches 95%," he added.

FPL affiliate stokes RI dormant retail power market

The number of electric customers switching suppliers tripled in the first quarter under Rhode Island's partly open market.

Only about 1,824 customers (0.4%) of the 456,000 served by the three incumbent utilities have left the system.

Whether the defectors went to marketing affiliates of the incumbents or not doesn't show in the records but local sources report little marketing activity by the incumbent's affiliates.

Rhode Island thinks it was the first state to open at retail 15 months ago when a half dozen or so big industrials got the right to shop.

The public has been told that it's the first state to get competition but the standard offer for those who don't shop was set below market levels to prevent residential customers from leaving the incumbents.

Only 559 had left the state's three major electric utilities as of Dec 31. The three-month spurt may have been caused by aggressive marketing efforts of Sunshine Energy that last fall set up a booth at the Warwick Mall and began signing residential.

Sunshine offered an 8% discount on generation for 12 months, plus a \$25 signing bonus. It's owned by FP&L Corp (Florida Power & Light) with 3.6 million customers there. FP&L recently took title to 35 power plants from Central Maine Power for \$846 million.

Sunshine is thought to be the only marketer going after the residential market. Sunshine targeted Narragansett Electric's market and is believed to have recruited 800 to 1,000. A quarterly report filed with the state by Narragansett said 948 customers had left the system as of the end of March, up from 407 on Dec 31.

Sunshine recently closed its information kiosk in the mall claiming to have learned what they set out to learn, said Dale Thomas of Sunshine.

Sunshine officials were vague three months ago in discussing the risks that customers face by leaving their established utility.

Select Energy, affiliate of Northeast

Utilities, has signed three contracts with aggregation groups. The customers include large industrial and commercial companies and institutional customers such as universities, hospitals and school districts.

The reports filed by incumbents don't give the names of acquiring marketers and market share is to be a guarded secret.

Five of Narragansett's major commercial customers have switched along with 594 smaller commercial customers and 205 accounts held by local municipalities, school districts and other governmental organizations.

Blackstone (Eastern Utilities Associates) tells of 1,648 customers and metered accounts leaving its system but a spokesman said the vast number are individual street lighting accounts.

The company estimates that about 77 customers have left its service, all commercial customers, yet the report says only one residential customer has left the system.

Newport Electric (EUA) seems to have lost 56 customers and nine of them are residential. The two executives of the parent company of Blackstone Valley Electric and Newport Electric are in line to receive more than \$11.5 million in pay and bonuses for leaving the firm when it merges with New England Electric System.

Donald Pardus, EUA CEO is eligible for \$6,334,986 in termination and bonus payments. COO John Stevens can get \$5,244,870 as a golden parachute too.

Pardus gets 43,841 shares worth about \$1,359,071 while Stevens gets 34,565 shares worth \$1,071,515.

Such termination packages of top executives have become increasingly common. Carol Bowie, editor of *Executive Compensation Reports* this month told *USA Today* that more than 80% of Fortune 500 companies have termination packages for chief executives, up from 44% in 1988.

Supporters of such termination plans say they make it more palatable for chief executives to consider mergers by removing the fear that they will lose their paycheck.

QUOTE OF THE DAY: Delivery 2000 Project Features InService Offerings Intergraph Utilities today announced that Florida Power Corporation (FPC), the second largest investor-owned electric utility in Florida, has gone on-line with phase one of its Delivery 2000 (D2K) project. This phase included concurrent development and implementation of

Intergraph's FRAMME, industry-leading AM/FM/GIS, and the Outage Management System (OMS) component of Intergraph's InService, comprehensive outage and fieldforce management products from Intergraph in partnership with FPC. FPC migrated existing primary data from a mainframe database into FRAMME, moving the GIS portion of the project into full production.

Intergraph Utilities Stephanie Ferree, 256/730-8900 slferree@ingr.com desperately trying to tell us something. Imagine, migrating as a transitive verb! We're going to migrate ourselves right out of here. Do you believe this is a weather story? Listen to this:

Dr Roger Coupland, president, Intergraph Utilities, commented (that) FPC's integration of dispatch and outage management with their Geospatial Resource Management system is a phenomenal achievement. The system positions them as the industry leader in weaving together these technology and will undoubtedly prove its value against the inclement weather that tends to plague utilities in this region.

And here's another new verb -- to transition, vt, not in the dictionary of course:

FPC is currently running the OMS in parallel with an existing trouble call system and will transition to exclusive use of the InService OMS once parallel testing is complete. The automated solution will cover an area of approximately 20,000 square miles in the central and northern portions of the state with approximately 1.3 million customers.

Creating new verbs is OK with us but not William Safire of the New York Times. We're sorry we can't translate this into people talk for readers.

7 stories in 2 minutes:

PECO Energy's nuclear Unit 1 at its Limerick Generating Station about 35 miles north of Philadelphia is generating 1,134 mw after five days of maintenance. Unit 2 is in the tenth day of a biannual scheduled refueling and maintenance outage..... To the north, eight of the 20 nuclear generators are not operational but three of the remaining 12 Ontario nuclear units are off line for maintenance. Ontario Power Generation replaced the generation part of the former Ontario Hydro..... **CNIC Pipeline & Processing (MCN Energy**

Group) and KCI Inc have a new partnership to develop KCI's full-service natural gas compression business..... SPL WorldGroup sells information technology consulting and what they call "enterprise solutions." They've captured the Omaha Public Power District (OPPD) for the CIS PLUS (customer information system plus) presumably to better communicate with customers. The product puts lots of data on the customer service rep's screen and that lessens the need to switch the caller to another department..... **Robert Dryden was named CEO yesterday of ConneXt. It develops software solutions for the energy industry. He's replacing Robert Bismuth who is leaving to do start-ups.....** Directors of Providence Energy today elected Kenneth Hogan vice president and CFO..... **Michael German was elected president and COO of New York State Electric & Gas. Before joining the firm in 1994 German was senior vice president of the American Gas Assn where he worked for 16 years as an economist.**

Oregon Senate votes Enron-backed bill

The Oregon Senate last week passed SB 1149, (RT, 4/8) to open up the retail market in 2001. PacifiCorp is fighting opening up and the bill's being voluntary for munis. Portland General Electric (Enron) supports the bill.

The bill gives large customers of investor-owned utilities the ability to choose their power supplier by Oct 1, 2001 and allows the utilities' residential customers to select from a portfolio of options beginning on the same date.

Residential customers could continue to receive power under regulated rates, or they could opt for a "green" power plan or a plan based on market prices.

The bill also stipulates a 3% tax for electricity bills that would provide money for energy conservation, low-income weatherization and other public purpose programs that have traditionally been funded through utility bills.

But PacifiCorp fears that this tax and other bill add-ons could end up being unfairly borne by residential customers.

SB 1149 goes before the Oregon House Commerce Committee.

The Oregon legislature convenes every other year. They tried, but failed, to

pass a similar electricity deregulation bill in 1997.

Calif PX hourly prices

(Unconstrained market clearing prices, supply and demand, day-ahead market for delivery April 27.)

Hour	Price	Volume
1	14.9989	16,878.7
2	13.9977	16,223.5
3	13.9931	15,898.4
4	13.9916	15,772.7
5	13.9961	16,296.9
6	16.4981	18,011.1
7	21.9905	19,862.8
8	26.5089	21,195.9
9	28.5328	21,703.4
10	28.1297	22,020.4
11	28.4974	22,505.3
12	28.9911	22,717.1
13	28.7960	22,634.7
14	28.9334	22,574.0
15	27.6723	22,374.5
16	27.1897	22,072.4
17	26.3152	21,641.0
18	25.9772	21,214.0
19	25.3966	20,840.2
20	28.4979	21,440.5
21	32.4963	21,958.0
22	29.2503	20,771.9
23	21.9964	19,321.8
24	18.0054	18,024.9
Total		483,954.1

Branding may be key to profit as energy markets open

Kevin Stoffer considers branding an art form.

Imagine putting water -- some of it no better than good tap water -- into a bottle with a lovely picture of mountains and selling it for \$2 per 1.5 liter plastic bottle (as the store does downstairs) compared with selling crude oil with acquisition costs and expensive processing and transport costs converted into gasoline that sells for about \$1.20 for four liters.

No wonder Enron bought Azurix.

Stoffer believes the ones who can figure out how to brand gas, power and communications will drive the new industry. He is CEO of NICOR Energy, a joint venture of NICOR and Dynegy.

"We're paying \$3 for a cup of coffee," Stoffer added. As yet no one has figured out how to apply the Starbucks magic to energy, he told a NEMA confer-

ence in Washington last week.

Early entrants made some critical mistakes, Stoffer observed.

"They mistook advertising for marketing, throwing advertising dollars out there to create demand and make themselves a household name overnight without having products and services to back it up," he said.

"Companies moved into retail markets not understanding the cost of service or the cost of sale. They built infrastructures that were not supportable by the market. They created direct channels, went out and hired salespeople to go out and try to aggregate customers on a door to door basis, an expensive venture," Stoffer added.

Utility services are all steak and no sizzle, Stoffer told the group of wholesale and retail gas and electricity marketers.

"No one is really interested in the energy business at the consumer level. We have to develop some level of interest in these markets," Stoffer urged NEMA.

Stoffer sees a lull in federal regulation with few drivers moving forward with *significant* unbundling and deregulation legislation.

"We don't have strong voices for competition in the states," Stoffer observed. "Consumers aren't standing up waving their hands saying 'I want competition.' Our schmoozing (proselytizing) state regulators in every state isn't going to get it done," he added.

Stoffer sees several trends:

- A flurry of merchant plant activity followed by a flood of generation assets;
 - International consolidation of the energy market;
 - Two distinct business emerging -- software and hardware;
 - More successful generation of new products and services;
 - Mass customization and segmentation of the market;
 - Competition for "share of relationship" not share of products or services;
 - Increased investment in information technology;
 - Proliferation of new channels to reach consumers;
 - Outsourcing;
 - Continued unbundling and repackaging and
 - Musical chairs
- Stoffer is a veteran of restructuring wars going back to the 1980s and AT&T.

He was one of the first people in the country to start aggregating demand with natural gas energy marketing through his Broad Street company, noted Craig Goodman, NEMA CEO.

"Generation is taking center stage. We've got a development boom, like real estate development. The price of turbines is skyrocketing. People are scouring the world trying to find these things in third world countries to scoop them up off their platform, put them on a ship and get them into the US.

"There's no doubt in my mind we will overbuild and have a excess capacity situation.

"You're going to see a lot more distributed power all the way down to the residential level," added Stoffer.

Mass marketing is out, customizing is in for industrial, commercial and residential customers, Stoffer said.

"Why do we need 700 different billing systems? Why aren't we as an industry getting together and putting one of these things in Arizona somewhere and have it crank out 10 million bills and reduce our costs?" Stoffer asked NEMA members.

RESTRUCTURING DIGEST

Breathitt favors broad FERC policy on RTOs

If FERC Commissioner Linda Breathitt had her way, FERC would be considering a broad policy on RTOs. Breathitt's speech to the American Bar Assn in Denver this month is one of the first public hints of where she stands on FERC's upcoming action on RTOs.

FERC should be neutral on the form and structure of RTOs and should consider "limited use" of incentives for transmission-owning utilities, she said. Regional differences must also be recognized, Breathitt added.

Existing ISOs should not be required to immediately modify their structure as a result of generic FERC action, *Electric Power Daily* reported.

Salt River marketing in Calif defensive

IOUs have little to fear from Salt River Project (SRP) plans to compete for customers in California through its New

West Energy marketing affiliate since the goal is to replace customers "we lose when we open up our territory," Richard Silverman told *Energy Daily*.

The \$1.5-billion, state-owned utility serves about 1 million people in the Phoenix area.

SRP launched New West Energy two years ago to buy power at wholesale and market it.

"Our strategy is not to become some big supplier in the West. We have to generate enough revenue to pay our operating costs. Our goals are not to become an Enron or some other megamarketer," Silverman said.

SRP has learned it doesn't want all customers -- only those with loads that match its ability to serve them. Silverman used fast food restaurants as an example.

"One fast food restaurant specializes in the luncheon crowd. Another specializes in early morning and late night... It turns out that you really don't want the noon fast food restaurant. You want the fast food restaurant that has to run its lights early in the morning and at night, instead of being busiest at noon during your peak.

"You think intuitively you'd know that, but things like that have to be learned," he said.

"It seems so obvious. In Arizona we take everyone who comes to us. We can't worry about the load shift. We don't have people who think that way," Silverman added.

Reliant wants Orlando

619 mw plant: Reliant Energy (was Houston Industries) has jumped into the bid to buy a 619 mw steam generating unit from the Orlando Utilities Commission (OUC) and sell the energy back to the municipal utility.

Reliant's offer was among the top five proposals Orlando received to buy the unit. Sixteen companies originally signaled interest. OUC began negotiations last year to sell the plant to AES Aurora of Arlington, Va.

Discussions between OUC and AES failed to result in an agreement, *Energy Daily* reported.

Amoco likes scheduled capacity auctions

Amoco Energy Trading and Amoco Production have pitched an idea to FERC supporting capacity auctions that has caught the attention of the Natural Gas

Supply Assn.

Pre-arranged deals that aren't subject to competitive bidding would be used during intra-day cycles, under Amoco's proposal.

Auctions for two-day or more capacity rights would be held at regularly scheduled intervals, depending on the term of the capacity being auctioned.

Auctions for remaining intra-month firm capacity and for firm transportation capacity available for the entire next calendar month would be held daily.

Auctions for capacity available within the following calendar month up to the next 15 months would be held once a week and auctions for capacity exceeding 15 months would be held no more than once a month.

Amoco urged FERC not to be "dissuaded by comments opposing a capacity auction with no reserve price for next-day capacity," *Natural Gas Week* reported.

Replacement Reserve Generation

(California ISO day-ahead market information for zone SP15 for delivery April 27.)

Hour	MW Procured	Market Price
1	7.50	0.00000
2	7.50	0.00000
3	7.50	0.00000
4	7.50	0.00000
5	7.50	0.00000
6	7.50	0.00000
7	448.39	0.23000
8	448.47	0.96000
9	443.48	0.93000
10	427.51	0.93000
11	427.51	0.93000
12	427.49	0.93000
13	427.49	0.65000
14	427.50	0.65000
15	427.48	0.65000
16	427.46	0.96000
17	443.37	0.93000
18	443.41	0.70000
19	417.43	0.80000
20	346.74	2.38000
21	415.60	1.85000
22	113.99	1.15000
23	7.50	0.00000
24	7.50	0.00000

Montana tax bill

would tax power: Montana Gov Marc Racicot has until May 2 to sign a bill cutting the tax rate on utility property in half and taxing electricity sales. Montana

passed a bill two years ago to open retail electric markets. Most customers will be able to choose an electric supplier in 2002, *Megawatt Daily* reported.

Selling PowerGen units cures market problem

Britain's third-largest generating firm, PowerGen PLC, is to announce soon sale of two power plants to Edison Mission Energy of Irvine, Calif, the *Financial Times* said.

PowerGen hopes to sell the coal-fired stations by the end of the week, spokeswoman Esther Kaposi said Monday, in a deal reported to be worth about \$2 billion. The plants are in Fiddler's Ferry in Cheshire and one in West Yorkshire.

PowerGen's buying of East Midlands Electricity excited market power concerns that are being eased by sale of the two plants.

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