

Restructuring TODAY

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Wisconsin Gas has idea for power constraints

The industry's reluctance to build needed capacity in Wisconsin has led to ugly impositions on the public to conserve power when a commercial industry would do the opposite.

Wisconsin Gas sees an opportunity now to make money selling back-up generators built by Generac Power Systems running on dependable natural gas or propane. An 8 kw system sells for about \$7,000. Waukesha, Wis.-based Generac is exploring similar deals with other utilities.

Wisconsin Electric Power criticized the gas firm for trying to capitalize on homeowner worries about brown-outs.

6 stories in 2 minutes: The White House has formally given the green light (RT, 3/9) to the renomination of Commissioner Curtis Hébert for a five-year term at FERC. The Senate Energy & Natural Resources Committee will rush it through as a courtesy to Sen Trent Lott, R-Miss, his mentor and the Senate majority leader..... **Southern California Edison claims to be more than 80% complete in its Y2K readiness.....** Sempra Energy-KN Energy got a note from the Federal Trade Commission approving the antitrust aspects of the \$6 billion merger. They still need the OK of shareholders and other federal and state agencies..... **Kansas City Power & Light is to record a 2¢/share write-down from oil reserves and "continued losses" from their telecom group's investment in another telecom firm.....** Enron Corp reported to the Securities and Exchange Commission that it had not accepted an offer for its controlling (53.5%) interest in Enron Oil & Gas from would-be buyers. It wants out of exploration and production but hopes for a better offer..... **Avista Corp sees Jessie McKnight Jr, the former California PUC member, as one who helped lead the effort to open up California's retail market and has named him to its board of directors. He was the managing commissioner at the PUC for telecom.**

It was a slow news day yesterday in Lake Wobegon but we shuffled around the piles on our desks and came up with this gem on tape:

QUOTE OF THE WEEK: The consumer will save \$20 billion from direct and indirect costs from competition ... We want them to be able to pick their telephone system, pick their doctor (inaudible). They should be able to pick their electric power ... Look. This *study* by the Agriculture Department hasn't even been certified by their own people. It's a faulty study. The premise is faulty. And it wasn't even certified by their own economists. It's a draft plan hanging out there. It's as if I suddenly had decided to become the DOE expert on mad cow disease. It's as if they should stay out of my business as I should stay out of theirs. We think this is a good, consumer, rural cost (bill). There are a lot of provisions that will protect them (co-op customers). There are opt-out provisions. The rural co-ops are strong entities. I represented them for many years (as a New Mexico congressman).

DOE Secretary Bill Richardson at the Atlantic Monthly breakfast at the National Press Club (RT, 3/24) response when asked to comment on the USDA draft study claiming competition would boost prices in 16 states.

Iowa bill fails until January

Because the bill to open retail markets failed last week by a certain deadline the issue gets tabled until next year's legislative session beginning Jan 10, said Mike Peterson of MidAmerican Energy Holding.

"We worked so hard for a consensus bill but we didn't have it ready until the end of February so it was introduced the beginning of March and it just wasn't enough time for the legislators to get their arms around something this massive," said Peterson.

HB 218 offered all residential, commercial and industrial customers choice by May 1 (RT, 3/5).

"Legislators are not critical about the bill. It's just clear that they need more time to educate themselves as to what's in it," Peterson added. Legislators didn't feel the public pushing to get the bill through.

ENRON urges FERC:

Help NERC do TLR; they can't do it on their own

NERC's proposal to revise transmission line loading relief (TLR) rules for the Eastern Interconnection and to do a test program this summer is not popular everywhere.

Enron Power Marketing told FERC it should get more involved in helping NERC arrive at a solution. NERC's filings "demonstrate that the industry is not now capable on its own of developing a consistent, interconnection-wide system of economic dispatch."

FERC must "unequivocally require that when TLR is invoked, the bundled retail loads of vertically integrated utilities are not treated preferentially to the disadvantage of retail access customers, utilities that have or are in the process of divesting generation or IPPs and marketers," said ELCON for American industry.

APPA advised FERC to keep a close watch on transactions that are being curtailed.

"Direct all public utilities (and the utilities that act as their agents in many of these matters) to submit data to NERC and FERC to assess the effectiveness of the Market Dispatch Pilot to demonstrate that all curtailments were nondiscriminatory in their effects on ultimate customers," APPA urged.

"When curtailments become necessary, NERC and the other affected public utilities should be directed to explain to FERC why all redispatch options were not exhausted first," APPA added.

APPA is unhappy with NERC's proposals requiring security coordinators to evaluate the contribution to a constraint made by both firm system customers and firm point-to-point customers in deciding which transactions to cut.

Thirteen flowgates where congestion has been a problem, firm and non-firm transmission customers and individual generation owners will be allowed to arrange bilateral agreements for "counterflows" to avoid curtailment under NERC's plan filed last month at FERC.

EPSA is "troubled" by several aspects

of the proposed congestion methodology, it told FERC. For the plan to work:

- Participation by transmission providers in the test program must be mandatory;
- The pilot procedures must be workable and not unduly complex;
- Transmission customers should not pay twice for the same transaction;
- Firm transactions must be honored;
- Those who choose not to be redispatched should have that option;
- TLR and market redispatch must be properly "scaled" to address actual transmission constraints; and

Parties whose transactions are curtailed should be fairly compensated.

FERC should make "very clear" that NERC's proposal "is a pilot program, not a permanent approach to redispatch," EPSA added.

NEMA has come up with its own transmission loading relief (TLR) curtailment and redispatch procedures and filed them with FERC.

"The utility should take all reasonable measures, including resorting to voluntary, market-driven curtailments, to avoid involuntary curtailments," NEMA said last week.

Transmission-providers should do the following when faced with an operational events that could trigger TLR curtailments:

- Call on all services, including ancillary services that are available to the utility. Such ancillary services should include those being paid for by the transmission customers under the pro forma tariff

- Use decremental bids and schedules (market-based bids, submitted by transmission customers, for the voluntary curtailment of those customers' transactions) if the utility's use of available services is inadequate to avoid curtailments.

The transmission provider should allow customers the option of opting out of paying any incremental charges for congestion if decremental bids cannot be processed by the transmission provider.

- Allocate costs equitably to those parties whose transactions benefited from involuntary curtailments if the utility incurs incremental costs

"No transaction should be exempted from curtailment once the TLR process has reached the involuntary curtailment stage," NEMA said. "Parties whose transactions

have been involuntarily curtailed as a result of implementation of TLR procedures should be reasonably compensated for the result of their curtailments," NEMA added.

NEMA wants FERC to implement NEMA's approach to TLR this summer.

Calif PX hourly prices

(Unconstrained market clearing prices, supply and demand, day-ahead market for delivery April 6.)

| Hour | \$/mwh | Supply/Demand(mwh) |
|--------------|---------|--------------------|
| 1 | 19.5044 | 17,553.7 |
| 2 | 19.5064 | 16,871.8 |
| 3 | 18.9972 | 16,733.5 |
| 4 | 18.9956 | 16,664.7 |
| 5 | 19.5036 | 17,016.0 |
| 6 | 20.2526 | 18,348.9 |
| 7 | 28.5032 | 20,500.3 |
| 8 | 29.0084 | 21,747.1 |
| 9 | 29.0060 | 22,389.0 |
| 10 | 28.6490 | 22,493.5 |
| 11 | 28.5021 | 22,530.6 |
| 12 | 28.5051 | 22,733.6 |
| 13 | 28.5030 | 22,596.7 |
| 14 | 28.5008 | 22,605.9 |
| 15 | 25.9841 | 22,420.1 |
| 16 | 24.3282 | 22,181.4 |
| 17 | 23.7452 | 21,720.8 |
| 18 | 22.9037 | 20,975.3 |
| 19 | 22.2645 | 20,550.0 |
| 20 | 28.5020 | 22,390.5 |
| 21 | 35.8783 | 23,084.5 |
| 22 | 29.9905 | 22,121.6 |
| 23 | 28.5096 | 20,294.2 |
| 24 | 21.3685 | 18,319.1 |
| Total | | 494,842.8 |

Today's California ISO day-ahead market information for zone SP15 Replacement Reserve Generation will appear in tomorrow's issue.

Maryland governor may sign retail bill, maybe not

Several issues are left unresolved by Maryland's new retail competition bill (RT, 4/5) including whether the governor will sign the bill and what happens when the \$2 billion in stranded costs gets to the PSC.

We had been told Friday the governor will sign the bill. Yet his office told us yesterday that he'll decide Friday.

Lawmakers wanted to get Gov Glendening the bill by Friday so they could

vote to override if necessary, said Senate Minority Leader Martin Madden (R-Howard).

The 94-36 vote in the House and 37-9 in the Senate indicate a veto override would carry but this session ends Monday.

Consumer advocates, fostering fears that electric bills will skyrocket once regulation ends are pressuring Glendening to veto and to try for a larger rate cut.

Do they know that the larger the legislated price cut, the less likely a competitive market is to appear? They do know that as soon as a competitive market takes off, they lose their political sway in the regulatory arena.

"Unfortunately, this legislation fails in many respects to protect the interests of Maryland's residential customers," said Michael Travieso, the state's people's counsel, who represents residents before the PSC.

"If no fix is forthcoming, residential customers might consider saving now for the increases they will face in the not-so-distant future," Travieso added.

"The legislation is a great framework but all of the details are left to the PSC," said Gary Alexander, a lawyer and lobbyist who represents the Mid-Atlantic Power Supply Assn and Enron.

"That's where the real battle will now be fought," he added.

The measure provides for:

- One-third of residents statewide to begin choosing in July of next year with a second third a year later and the balance in 2002. Businesses would chose Jan 1 2001.
- The PSC will collect names of those who don't choose a utility at the end of the phase-in period and ask for bids to generate power for them.

- Residents to get 3-7.5% rate cut for four years. Glendening has demanded a 6% minimum savings for residents.

- A \$34 million fund to help poor residents pay their electric bills. Industrial companies would pay 72% of the cost for the new fund and residents would pay 28%.

- The PSC picks someone to educate consumers about how to choose an electric company to cost about \$6 million per year for three years.

- Utilities must report every six months how much power they get from renewable resources such as the sun and wind, so residents could choose providers offering more "green power."

Glendening proposed a \$10 million

program to study and develop conservation methods and renewable energy sources but lawmakers rejected his idea as too costly.

Baltimore Gas & Electric (BG&E) likes the bill because it has "numerous environmental safeguards and consumer protections," said Robert Fleishman, vice president.

RESTRUCTURING DIGEST

Mich goes to WWW

for filing 'papers': The Michigan PSC has launched a website for electronic filing on a trial basis. Companies, MPSC staff and others are to submit pleadings such as applications, complaints, testimony, exhibits, notices of hearing, interventions, briefs, replies, rulings and proposals for decisions in an electronic format. Go to <http://ermisweb.cis.state.mi.us/mpsc>. The one-year trial is to be fully implemented within two years, *Gas Daily* reported.

Consumers Energy

signs 135,000: Consumers Energy's customer choice pilot has more than 135,000 customers to mark its first anniversary this month, said Paul Elbert, president. The program allows up to 100,000 customers a year for three years to choose their own supplier from 13 participating. Choice pilots in the service territories of Michigan Consolidated Gas and SEMCO Energy were officially launched Thursday. Consumers is competing for customers too offering a guaranteed price of 28.4¢/therm through March 2002, *Gas Daily* reported.

Va Power's firm

signs Premier: Evantage, the energy services division of Virginia Power, has signed a contract to provide natural gas buying to Premier's 150 hospitals and other facilities in Maryland, Pennsylvania, North Carolina, Virginia, West Virginia and Washington, DC, *Gas Daily* reported.

GE to push

Jenbacher: GE Power Systems agreed to be the distributor of the Jenbacher Group's gen-sets, cogeneration systems and natural gas engines.

"The Jenbacher deal is another example of GE's strategy to bring new technologies to market faster," said Robert

Nardelli, president and CEO of GE Power Systems, *Natural Gas Week* reported.

"Combined with our recent deals including microturbines, fuel cells and heavy fuel diesel engines, it broadens our product offering basket in the 0-30 mw small power generation arena and prepares us for meeting the increasing demand for distributed generation," Nardelli added.

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