

# Restructuring TODAY

Wednesday September 6 2000

## Reliant really wants to hear what buyers say

Reliant Energy is listening to its market - really listening. Taking a cue from the Yellow Pages and eBay, Reliant has created a website for you to pour your heart out to -- or even rant and rave.

The site has many listings of businesses and services a la the Yellow Pages. Reliant committed \$10 million to the site's launch and operation this year.

Shoppers choose the company they want, submit a request and the company e-mails back prices.

Consumer comments are used to create a quick glance ratings system.

Reliant wants to bridge the gap between a trusted friend and the Yellow Pages, said Ray Frigo, GuideStreet president. Frigo's getting ready to expand GuideStreet beyond Houston via partnerships in other markets.

Utilities that invest get an equity stake with costs lowered by Reliant's having developed the infrastructure, said Brian Landrum, Reliant Energy Net Ventures president.

Partners will have Reliant Energy Communications to provide enhanced data, voice and internet services in Texas.

## Wash turns spotlight on poor San Diego

The House Commerce Committee's Subcommittee on Energy & Power has set a hearing Monday on location in San Diego to hear stakeholder views on the San Diego electric market.

It's at 9 am PDT in Room 310 of the County Administration Center Building. FERC meanwhile pushed up a San Diego session to Tuesday from Friday of next week. It's to start at 9 am PDT in the Copper Room at the San Diego Concourse, 202 C St. *If the government probes find the evils were caused by governments, would they report that openly?*

San Diego's own Brian Bilbray, R-Calif, is to introduce a bill today giving San Diego IOUs the same access to cheap federal power that munis and co-ops get.

## New entrant takes the big plunge

A new retail energy aggregator, beMany.com, will go live later this month and will first offer long distance phone and teleconferencing services.

Electricity, gas, DSL internet service, wireless and local phone, Web hosting, insurance and home-security are planned by year's end.

"The goal is to cover all the everyday services needed by small business and consumers," said George Jankovic, beMany.com's CEO.

To attract and hold customers, Jankovic said beMany features a patent-pending process that gives customers automatic savings as the website's buying power swells.

Its BillOptimizer each month evaluates services on each bill, comparing individual rates and usage and recommends a different plan if it's less expensive.

The website uses proprietary software centered on Java technology making it more compatible across computer operating systems.

## ISO in New York is cleaning up act

The New York ISO's billing and accounting working group is fixing the way it presents information to the market.

In November, posting will include daily and month-to-date cash and mwh reconciliation as well as hourly ancillary services charges, the ISO wrote FERC.

The New York ISO told FERC it's making improvements as directed, including debugging software blamed for causing exports to be curtailed when reliability was not at risk.

Price corrections in real-time and day-ahead markets are fewer now, it added.

In its 10-minute reserve markets, caps could be removed as other improvements are made, the ISO promised the FERC cap opponents.

Mandatory bidding is to be extended in that market for six months and more generators are to be available for reserve capacity. Lost opportunity costs are to be paid to suppliers. The ISO is trying to make it easier for self-supplying reserves. A test of locational reserve pricing for the 10-minute market begins Nov 1.

The ISO is weighing creation of a Northeastern reserves market. Another aim, they assure, is to remove bid caps.

The ISO is promoting demand side response too, it said.

## NJ incumbents find way to block competitors

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## NEM waging war fearing others may follow

*First in a series*

How much should New Jersey incumbents charge competitors who use its grid?

Just its costs?

Sure, \$25/mwh.

Wait, wait, that's what the power costs?

The incumbents are now asking for much larger fees per month.

Marketers are not challenging cost figures that look phony or the question of who should pick up the tab.

"This fee is a confiscatory tax on competitor profits before the market even opens," said Craig Goodman, president of the National Energy Marketers (NEM).

Goodman sees the pending rule as a barrier to entry and "perhaps one of the most anti-competitive taxes I have ever seen in my 25 years in the industry."

Goodman was director of energy tax policy for Presidents Reagan and Bush.

"There are virtually no margins in New Jersey," to start from, he stressed, but "if marketers end up paying these supplier fees -- even the existing supplier fees -- that would represent almost 50% profit tax but the proposed higher fees represent a 100-200% profit tax.

"That's not only confiscatory but should be illegal," said Goodman.

When the federal government put a windfall profit tax on crude oil, he added, prices were rising and the feds wanted to skim off some of the higher price. In New Jersey the prices are falling and margins are getting smaller, Goodman noted, so these taxes are "regressive as well as confiscatory."

The Bureau of Public Utilities or BPU has agreed to allow incumbents to charge a token \$25/mwh "supplier fee" to pay the grid owner amorphous "costs" of letting the market entrants onto the grid.

Isn't that more than the value of the power?

The closest price we have is \$37

yesterday on PJM West.

The idea is simply to keep trespassers off the grid? Would regulators let them get away with it?

If he were a regulator, replied Goodman, "I would be loathe to give a monopoly a state action doctrine defense for something so blatantly anti-competitive."

"If you have 1 mw of load, you pay one fee per month or if you have 2,000 mw you pay 2,000 times the fee," replied Goodman.

NEM has intervened at the BPU to oppose supplier fees.

As extreme as the \$25/mwh/month is, NEM faces new proposals of \$80/month to \$160.

NEM is mobilizing its forces and non-members to fight the tax.

Those who want to discuss tactics should call or e-mail NEM soon, Goodman added. Regular conference calls may be established.

## Georgia to gas billing errors plaguing market

Georgia's PSC voted 5-0 yesterday to launch a formal rulemaking to fix troublesome billing problems faced by the fledgling first competitive retail gas market.

Commissioners have been beset with consumer complaints about late bills, confusing bills and no bills at all. The PSC gained 3,117 complaints about natural gas billing in July and August, compared with 86 for electric bills and 532 for telephone bills.

Two PSC members are up for re-election as complaints intensify and the winter approaches with the prospect of

more complaints if wholesale gas prices skyrocket.

So they launched the probe with misgivings about the constitutionality of a proposal to allow consumers not to pay bills more than 90 days late and have asked Attorney General Thurbert Baker to address the legality.

The pending rules would require certified natural gas marketers to list charges on bills in a uniform way to aid apples to apples price comparisons.

Bills would have to be 90% accurate.

Customers would not be liable for bills mailed more than 90 days after marketers get meter readings from Atlanta Gas Light.

The rules would not be retroactive. The commission wants public comment via the internet and may change provisions before rules become final.

A final vote is set for Nov 7.

An exemption from the not paying rule would be made for verifiable actions by third parties or acts of God.

Bill under the pending rule would have to clearly state the billing period and identify the cost per therm for the specific quantity of natural gas used by the consumer, the interstate pipeline capacity charge, the amount of Atlanta Gas Light's base charge, customer service charge imposed by the marketer, exact cost of any other charges and any credit owed or balance due from the customer.

Thirty days notice is required for changes.

Although marketers have to report standard monthly charges to the PSC in a uniform "apples to apples" format, they can account for charges as they wish to consumers.

The rules specify that the PSC can

revoke, suspend or put limits on a marketer's operating certificate for repeated violations.

Fines of \$15,000 for each violation plus \$10,000 a day would be authorized. But marketers are digging in to fight the proposed rules -- especially the provision that would forgive late bills on grounds of an alleged unconstitutional "taking" of property without just compensation.

## Mass Electric would boost standard offer

Eager to follow Rhode Island where the standard offer was raised Friday (RT, 8/25), Massachusetts utilities asked regulators to boost their default rate too.

NSTAR seeks a boost from 4.5¢ to 5.08¢ to cover higher fuel costs.

Massachusetts Electric (National Grid USA) asked the Massachusetts Department of Telecommunications & Energy to let it raise its standard offer rate (SRO) by 1.2¢/kwh starting Oct 1 to meet high fuel costs. The price would go from 3.8¢ to 4.99¢.

A monthly residential bill for 500 kwh would increase 12.3% or \$5.97, thanks to higher gas and oil prices. The utility is buying standard offer power under contracts that run through 2004.

The rates would still be lower than they were before deregulation started three years ago, Massachusetts Electric CEO Lawrence Reilly said.

The utility is seeking to hike default service rates too.

State regulators had agreed to set the standard offer low enough to prevent competition from getting started but economic forces seem to be getting in the way.

## TURN crafts image by attacking executive pay

Electricity executives should not be able to profit personally from the dysfunctional California market at the expense of consumers, TURN grouched over Labor Day weekend.

"Perhaps their shareholders had more foresight than the legislators did," a TURN official told us since shareholders benefit too.

"They (lawmakers) made some huge mistakes. Our concern is that consumers not be robbed by these companies because of those mistakes," she added.

TURN compared apples to oranges by looking at compensation increases from 1998 to 1999 and retail electricity

### Next Day PowerTrax Index, Wednesday September 6, 2000

|              | Contract Size (x16 hrs) mw | Total Contract Volume mwh | Highest Executed Trade \$/mwh | Lowest Executed Trade \$/mwh | Weighted Average Index \$/mwh | August Average \$/mwh |
|--------------|----------------------------|---------------------------|-------------------------------|------------------------------|-------------------------------|-----------------------|
| Cinergy      | 50                         | 70400                     | 22                            | 16.25                        | 18.92                         | 46.79                 |
| Entergy      | 50                         | 15200                     | 45                            | 38                           | 41.84                         | 74.38                 |
| TVA          | 50                         | 12000                     | 23                            | 17                           | 20.25                         | 57.83                 |
| ComEd        | 50                         | 2400                      | 19.25                         | 12                           | 14.75                         | 43.75                 |
| PJM West     | 50                         | 18400                     | 22.75                         | 22                           | 22.28                         | 48.49                 |
| Palo Verde   | 25                         | 7600                      | 117                           | 101                          | 109                           | 230.39                |
| Mid Columbia | 25                         | 10000                     | 130                           | 115                          | 120.76                        | 216.55                |
| COB          | 25                         | 2400                      | 125                           | 123                          | 124.33                        | 217.21                |
| Four Corners | 25                         | n/a                       | n/a                           | n/a                          | n/a                           | 252.02                |
| Mead         | 25                         | n/a                       | n/a                           | n/a                          | n/a                           | 195                   |
| NP 15        | 25                         | 8400                      | 127                           | 105                          | 118.67                        | 178.17                |
| SP 15        | 25                         | 8400                      | 107                           | 98                           | 103.24                        | 206.01                |

For additional information contact PricewaterhouseCoopers at 877/363-6275.

prices in San Diego and California wholesale prices this summer.

But the group expects that the compensation will be even better this year. Claiming no change in generator costs since last year, TURN charges "CEOs were rewarded handsomely for ripping off Californians."

Listing CEOs and their compensation from six generation companies, including Duke and Enron, TURN did not mention that the companies do more than generation and have national and international operations.

TURN's point is that a significant portion of profits are coming from California.

Yet in citing the compensation of the CEOs of the parent companies of California's big three utilities and their presidents, TURN did take note of operations outside of California.

"While the corporations that own PG&E and SoCal Edison reap huge profits from their deregulated operations (up 29 and 47% respectively) they spent the final days of the legislative session lobbying hard for various bills that would have locked in their post-freeze profits at consumers' expense – regardless of how unreasonable prices become," TURN wrote.

The group made noise last week by attributing to PG&E and Edison two drafts of raw legislative language considered favorable to the utilities.

Among those listed by TURN were Duke Energy CEO Richard Priory with 53% gain to \$2 million while Dynegy's Chuck Watson soared 165% to \$5.3 million.

Among California's big three last year, only the compensation of Sempra's former CEO Richard Farman and then president Stephen Baum dipped -- by 36% and 40% respectively -- to \$2.2 million and \$1.8 million.

So we don't see much rip-off there. Imagine, for someone who put together the likes of Sempra Energy and ran it, including America's largest gas company, the \$2.2 million is embarrassingly low. We hope they gave him something else.

## Enron has wood products web sales system

Enron Industrial Markets has launched Clickpaper.com, an internet-based transaction system dedicated to the forest products industry.

Clickpaper provides a marketplace to buy and sell physical and financial pulp, paper and wood products in real-

time.

"Using the EnronOnline model, the website offers competitive pricing transparency that will provide liquidity to this market," said Jeffrey McMahon, CEO of Enron Industrial Markets.

Enron claims to be the world's leading provider of financial risk management services to the pulp and paper industry.

## Energy exchanges' popularity grows

Energy exchanges are rising to the top of the preferred methods of doing business, said Al Dunn, vice president of emerging technology for Enermetrix.

But keeping users' trust is a major goal exchange operators have to answer in a world of cynicism about technology.

Reliability includes keeping an exchange up and running, guaranteeing that transactions are going to get through and guaranteeing the data that's sent is the data that's received.

"These are multi-million dollar deals being done online," Dunn said, so the issue of not being able to renege is a major concern.

A seller, for example, may send a buyer a proposal and then renege claiming the network sent incorrect information.

Dunn works to make sure Enermetrix's technology is functioning properly and can't be blamed.

Enermetrix built its IT network from scratch.

Dunn believes that systems exist now for those who want to have an exchange to simply buy the software.

Security IT has come far enough that a majority of the commercial and industrial community is not afraid of doing business online, Dunn said.

"Most people are less concerned with the security of the data than the privacy of the data," Dunn volunteered.

To help protect privacy, Enermetrix put into the rules of the exchange detailed clauses of who can access data and how it can be used.

Dunn thinks Enermetrix has overcome its IT challenges since the firm was put together six years ago in Boston. Now it's a matter of enhancing and upgrading.

Enermetrix has an IT division that focuses on the latest in applications technology. Dunn has an entire duplicate of Enermetrix in the lab where IT researchers experiment with new software.

"We do all these things like shutting off the system in the middle of a transaction to see what happens,"

Dunn said.

The next IT step for Enermetrix is making the exchange more flexible where new product suites can be offered in turn adding to the liquidity of the exchange, Dunn noted.

Enermetrix's technology guru would like to see a standardization of software languages and he is keying on XML, the eXtensible Markup Language.

XML allows information in databases to be easily imported to a web page and Dunn said that a standard in XML use will "help us all." Well-implemented technology fosters retail market expansion, he noted.

## Portland General, Sierra merger advances in Ore

Sierra Pacific Resources has gained the support of the Oregon PUC staff and Friday filed regarding its purchase of Enron's Portland General Electric unit.

The company, Oregon PUC staff, industrial customers and consumer advocate groups agreed to the buy-out on the condition that it include a six-year price freeze on distribution, customer services and transmission services for Portland General customers starting Oct 1 2001, as well as an acquisition credit of \$95 million to customer bills that would continue through Sept 30 2007.

Sierra Pacific agreed to unbundling prices in a filing with the Oregon PUC to be made Oct 1.

The Oregon supplier will put up \$2.1 billion in cash, assume \$1 billion in debt and preferred stock, as well as \$80 million of Enron's merger payment obligation. The sale needs FERC and the SEC's OK.

**14 stories in 4 minutes:**

### Enron signs Westin et

**al to \$1 billion deal:** Enron Energy Services got off to a troubled start as Enron's retail operation but has hit its stride with the sign-up of Starwood Hotels and its 2 million guest rooms in the Westin, Sheraton St Regis, Luxury Collection, Four Points and W hotels in North America. Enron supplies gas and power, manages energy infrastructure and provides energy price stability. The chains expect to save over \$200 million over the 10 contract.

### NH market takes

**big step forward:** The PUC approved yesterday Public Service of New Hampshire's plan to reorganize and open up the retail market later this year

**FTC may force Time Warner to open access to cable**

As conditions of AOL's \$129 billion acquisition of Time Warner, the Federal Trade Commission may force Time Warner to open access to its cable lines to broadband competitors and could order it to cut ties to AT&T, *The Wall Street Journal* reported yesterday.

The FTC is concerned that too much access to media will be held in too few hands. While Time Warner argues the open access issue is a matter for the FCC and that agency is reviewing it, apparently the FTC wants to examine open access too.

Time Warner and AOL have promised to open access and Time Warner recently agreed to allow Juno Online Services onto its cable lines.

AT&T has minority investments in Time Warner and Time Warner Entertainment. AT&T and Time Warner are among the joint venture partners behind Road Runner, a broadband service provider claiming 1 million customers.

In meetings last week FTC officials and company executives did not see eye to eye.

AOL and Time Warner are in separate markets so that FTC doesn't have grounds for blocking the deal.

The FTC views the companies' promise to open the lines as dubious, considering Time Warner could give them slower data rates or dampen service in other ways, according to the *Journal*.

Opponents of the deal include Walt Disney Co, Sen Jesse Helms, R-NC, and Sen Edward Kennedy, D-Mass.

They asked regulators to scrutinize the deal. The European Commission called AOL and Time Warner to a meeting to be held this week in Brussels to discuss antitrust concerns.

The US House Commerce Committee's Subcommittee on Telecommunications, Trade & Consumer Protection plans to hold a hearing this month on the deal.

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at an unstipulated time. New Hampshire had tired to be the first state to open but without paying all of the costs PSNH deemed needed. The move led to years of court inaction. Market opening will depend on the timing of stranded cost bonding.

**Peace would block**

**green power for cities:** Sen Steve Peace slipped into the electric legislation now on the governor's desk a provision that prohibits green power incentives from being paid to cities that sign up for it. The incentive is now 1¢/kwh. The El Cajon Democrat seems able to get what he wants. Some cities have turned solely to green power with much ado. The Peace amendment would kill the economics of any further clean power deals. Don't be critical. He's just doing what he's paid to do.

**Calpine buys**

**steam plant:** Calpine Corp, geothermal leader in America, bought the remaining 45% stake in Aidlin geothermal facility in the Geysers region of Northern California from Summit Power (Sumitomo). The company owns and operates 19 of the 21 plants at the Geysers that generate 850 mw.

**Green Mountain gets**

**Energy East contract:** A bit short of cash these days, Green Mountain Power (not GreenMountain.com) sold a \$15 million option to Energy East allowing the buyer access to 30,000 mwh/year of power from Green Mountain oil-fired peakers in Vermont. GMP has asked Vermont regulators for a 3.9% rate hike.

**Dynegy named Robert Ray** from its corporate finance department to be vice president of strategic investments, reporting to Hugh Tarpley, the senior vice president of strategic investments.

**IPP buys Pa plant:** WPS Power Development expanded in PJM by buying CinCap VI, owner of Westwood generating station, 30-mw, coal-fired plant in Joliett, Pa. The unregulated affiliate of Wisconsin Public Service owns generators in Maine, Arkansas, Kentucky, Oregon and the Canadian province of New Brunswick.

**A first to remember**

**Fibrominn set for Minn:** Xcel Energy (was NSP) said that it plans to buy 50 mw of poultry waste-generated power from the Minnesota-based green generator Fibrominn (UK Fibrowatt) late next year. Fibrominn is to build a

largely turkey waste-fired generator in Minnesota by the end of next year. Xcel had agreed to buy 125 mw of biomass-generated fuel in exchange for the right to build nuclear fuel storage units for Xcel's 1,100 mw Prairie Island plant in Minnesota. Ten-year-old Fibrowatt built the world's first three poultry litter-fired power plants in England that produces about 65 mw.

**PG&E Corp gains**

**footing in ECAR:** Its marketing firm, PG&E National Energy Group signed a tolling agreement with DTE Energy Services getting capacity at DTE's an Indiana plant for 10 years.

**Rochester serious**

**about digital future:** Rochester Gas & Electric has enlisted Convergent Group to help transform the utility into a digital company. Convergent will advise Rochester Gas for three-years on how to become more efficient and beef up customer service by implementing online payment systems among others.

**Conectiv sells**

**services unit:** Conectiv sold the commercial and residential services units of its Conectiv Services in southeastern Pennsylvania and northern Delaware to CGI Group. The remainder will be sold before the end of the year.

**Ballard testing cell:** Ballard Power Systems will field test its third 250 kw fuel cells at Elektra Birseck, one of Switzerland's largest power providers.

**New era calls for**

**better view:** EPRI and Schlumberger have developed radar that can find and display underground utility lines showing them in three dimensions. The ground penetrating radar's enhanced software creates detailed 3D images utilities can use to for maintenance and to prevent digging accidents. The growing economy has put new pressures on utilities to better manage their underground infrastructure, said Ralph Bernstein, a technical leader at EPRI.

**CORRECTION:** In a story yesterday about Select Energy, Massachusetts was omitted from the list of states where most of its 19,000 customers are located. Select's HEC, the energy efficiency firm, does 60% of its energy efficiency work at federal facilities but not 60% of the government's contracts.