

Sloan.

“Not dealing with it now while industry and legislative leaders are focused on it would result in a lost opportunity...

“Otherwise, down the road we will come back to the deregulation issue and the first question will be -- ‘what do we do about the stranded debt of the municipal power agencies?’

“Then we are back to ground zero... That just doesn’t have to be the case.”

California has a lot to teach other states in crafting open markets, Sloan said.

Calif cities resent being forced to risk PG&E, SoCal failures

The Northern California Power Agency (NCPA) petitioned FERC to correct what it sees as preferential treatment of Pacific Gas & Electric and Southern California Edison at the expense of smaller entities.

NCPA members are cities such as Lodi, Lompoc, Alameda, Biggs, Gridley, Healdsburg, Palo Alto, Port of Oakland, Redding, Roseville, Santa Clara, Ukiah, Turlock Irrigation District and Truckee Donner.

They’re forced to do business with the nearly bankrupt IOUs but fear they will end up not getting their money.

They worry about becoming unsecured creditors in a bankruptcy, explained NCPA Attorney Robert McDiarmid of Spiegel & McDiarmid in Washington.

FERC “isn’t going to do much of anything” in this case, McDiarmid explained. Federal regulators could change the credit requirements, he said.

To keep changing the rules so that the IOU’s can keep getting power is costing everybody, he added, including NCPA members.

It costs money to keep creditworthiness, McDiarmid told RT and it was “tremendously unfair” to release the IOUs from that obligation.

Right now NCPA members have to sell to the IOU’s with a growing fear they will be left holding huge debts.

NCPA wants the utilities’ credit to be guaranteed.

Short of that, NCPA members can best protect themselves by “praying,” McDiarmid counseled.

“Just like what everybody else is doing in California,” he added.

Bankruptcy doesn’t help anyone, he noted. In reality, the FERC petition is

creating a paper trail in case the utilities’ declare insolvency and NCPA has to fight for the munis’ rights in bankruptcy court.

“We want to make sure that we’ve crossed every T and done everything we can,” McDiarmid said, “to make sure FERC and a bankruptcy court understand what’s going on.”

Marketers advise:

Blocking new generation while demand surges can create havoc

“If California has taught us anything,” said Craig Goodman, it’s that “you can’t block construction of new generation and expect prices to remain stable.”

He is president of the National Energy Marketers Assn (NEM) and had just returned from an executive committee meeting in San Diego.

“California style deregulation will never work,” he added. “The laws of economics do not permit prices to remain stable while demand explodes and construction of new supplies are blocked,” he noted.

It’s up to regulators to make sure new supply gets built, he said. “Local energy supply decisions must reflect the needs of the entire state,” he added.

NEM leaders reviewed California issues and concluded that today’s problem is unique to California.

“Supply shortages and price spikes are not likely to spread elsewhere,” he added. Since the factors contributing to the energy crisis are “unique” to California, he said, but new plants are being blocked in other states and that could hurt consumers and local economies, he warned.

Consumers need price signals and to be able to respond to them for markets to work, NEM members cautioned.

“Unfortunately, short-term supply shortages and price spikes are the price that we all are going to have to pay as long as energy prices are distorted by politics and new supplies are not available,” Goodman counseled.

Prices in other deregulated industries have declined “dramatically,” Goodman advised.

A number of NEM members have distributed generation systems that can help in providing supply immediately, “if regulators permit them to be constructed or interconnect.”

DG facilities have saved California

consumers as much as \$100,000/day, Goodman noted. “There are solutions here,” he said.

BOTTOMLINE: *The concept of California’s big errors spreading the way rhinoviruses communicate the common cold is too bogus to deserve credence. When someone worries about the spread of the freedom to choose, ask yourself -- what does this guy do and in what way will competition hurt him?*

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

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; CTC, competitive transition charge used to recover costs stranded by customer freedom; DG, distributed generation; dkt = dekatherm = mmbtu, is roughly = mcf; DOE, Department of Energy; DSM, demand side management; ECAR, East Central Area Reliability Coordination Agreement; EEI, 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; HVAC, heating, ventilating and air conditioning; 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; 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; 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; 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;

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