

Restructuring TODAY

Thursday August 20 1998

No issue tomorrow: It's Friday in August and we do vacationettes. The next issue will be Monday's.

Transco vs ISO? Which do you think will work better? We're looking into the subject and will put together a panel for intense questioning but we need your carefully thought out questions. We need vital, tough questions. Will grid owners ever lose the feeling that it's their wires? Can an ISO ever work fairly without any hint of favoritism by wires owners to their own marketers. A transco would not be allowed to have a marketing company, we assume, to protect against self-dealing practices.

The concept of an unregulated grid owned by people who want to make money sounds good where use of the grid is auctioned off and transmission fees are set by market forces in a secondary market.

What we need from you are questions. If your writing is legible, scribble them on paper and fax them to 202-298-8210 or e-mail them to rst@wizard.net in the next week.

EEI membership just became more valuable:

GE Information Services (General Electric) agreed to give electronic data interchange services discounts to EEI's 180 member IOUs. The discount increases with use. The rate to be charged depends on how much GE service is used by all in the program.

The discount includes charges for EDI-Express Service for real-time transactions and computer-to-computer document exchange.

The GE application integrator manages workflow and message translation between host systems and multiple trading partners are included along with EDI*PC Advanced System document handling and reporting software.

SCANA hires bank

marketing exec: SCANA's board picked Ann Milligan as senior vice president, marketing for electricity, natural gas and telecom services. That puts her in charge of residential and commercial marketing reporting directly to CEO William Timmerman. SCANA lured her away from Barnett Bank where she has been director of consumer credit marketing. She had created and carried out marketing strategies for the bank's consumer credit businesses. Milligan earlier was senior vice president, marketing for Barnett Card Services and before that vice president and group manager of retail credit services for Firststar Bank in Milwaukee.

5 stories in 2 minutes: A group of what *Dow Jones* calls "electricity experts" yesterday told FERC it should allow the \$250/mwh price cap on ancillary services at least until workable competition has been established. FERC had approved the price setting by the ISO but wanted the committee to see whether the cap was a good idea..... **The PSC and Niagara Mohawk Power in talks yesterday in Albany agreed to allow large industrials in northwest New York State to shop for power Nov 1. They call it the PowerChoice program. Remaining unresolved questions are said to be technical.....** Southern, Entergy and American Energy Solutions filed jointly a Chapter 11 (reorganization) bankruptcy petition against Power Co of America. American Energy was #69 among power marketers last year and does most of its trading with FirstEnergy and Southern Indiana Gas & Electric. PCA's woes were linked to the failure of Federal Energy Sales that has been sued by FirstEnergy Corp..... **CellNet Data Systems is to collect meter data for Hagler Bailly to provide Pacific Gas & Electric on the electricity usage patterns of electric vehicles. PG&E wants to know whether electric vehicle drivers in PG&E's service territory are taking advantage of lower off-peak rates for recharging.....** Springfield City Water Light & Power sued Federal Energy Sales in federal court to get back more than \$3.7 million for electric power that the city says it supplied Federal Energy but not compensation for the default of power options. Craig Perks, the trader linked to the city's default on wholesale electricity power options of City Water Light & Power sued the city to have the court lift an informal city-imposed gag order so he can defend himself in public.

The reason to watch NEMA is ...

... that it's being supported by the marketing affiliates of some of the largest companies as well as large and small independent marketers from all regions across the land -- and technology firms too.

It speaks for the converged gas/electric industry.

For example the chair of the National Energy Marketers Assn (NEMA) is Amy Reese, business development chief at Sempra Energy, the converged largest gas distributor, Southern California Gas and San Diego Gas & Electric.

Divergent service providers were able to come together after many hours in a room working out differences and agree to a set of national guidelines to unbundle the natural gas distribution function, Craig Goodman noted. He's the force behind NEMA. They are about to do a similar collection for electricity.

It's their intention to speak at the state and federal level for marketers.

The year-old group has come up with a set of interesting principles:

"All consumers must be permitted to purchase energy and related products, services and technologies with a minimum of red tape and paperwork burdens."

OK, everyone should be allowed to shop. Outside Tennessee isn't that inevitable for Americans?

Then there's this:

"Any collection of consumers must have the right to voluntarily aggregate, select a third party to service all or any portion of their natural gas supply needs and receive a price for utility transportation services as a single load on a uniform, non-discriminatory basis."

Doesn't everyone agree with that?

Not really. That's a goal NEMA will be working towards. We think NEMA is the first organization to have such a goal.

What they're saying is that for utilities that would divide up customers into a lot of little groups with different prices -- making it harder for marketers to aggregate -- the segmentation is wrong and anti-competitive.

To NEMA that's important.

What's important to NEMA too is "optional" provisions.

One NEMA goal seeks to make load

management tools previously available to LDCs separated from regulated distribution services and properly priced and available on a non-discriminatory and *optional* basis to all classes of suppliers.

Optional is the key word.

Another basic provision is this:

“A competitive natural gas market requires that curtailment rules be established to recognize property rights to the maximum extent possible. When such recognition is not possible, full compensation should be made to those whose rights have been breached.”

At the heart of what NEMA is working for is choice. They put it like this:

“The right to switch energy suppliers is the ultimate protection. Choice must exist in order to serve the public interest and it should not be complicated or expensive.”

Duke lost at Fla PSC but now has hard-to-block merchant plant filing

New Smyrna Beach Utilities Commission (UCNSB) leaders like the idea of generating their own power.

They have name-plate capability of producing 14,000 kw from oil and 5,235 from gas in serving about 20,000 customers just down the coast a bit from Daytona Beach, Fla, or about 60 miles northeast of Orlando.

New Smyrna Beach buys its power from Tampa Electric, Florida Power and Enron. Most of the contracts run out at the end of 1999 so they hope to get a new plant on line by 2001.

They'll need new interim power from 1999 until 2001.

They generated about \$27 million in revenues in 1996.

This week the city and Duke Energy Power Services filed plans with the PSC to put in a \$160 million, 500-mw merchant plant in New Smyrna Beach.

The plant will run on natural gas and will sell power on the open wholesale power market and also to the UCNSB. It is expected to be operational in 2001.

They're looking for and expect to get reliable, low-cost wholesale power for the UCNSB and the bustling Florida market.

They say it'll be Florida's first merchant plant. They could certainly have

made money with it in June when the state was hit by excess heat early on with inadequate generation capacity and constrained ability to import power.

Duke and the city have timed the application well. In June, Florida Power reported getting 60 calls an hour from irate customers who volunteered for interruptible power to save money (RT, 6/9).

Many residential switched out of the interruptible program when power was cut off. Businesses reported big losses in sales where power has been turned off at the hottest time of day.

Burdines department store in Tyrone Square Mall figures it's lost \$90,000 in sales in the first week of June because of three outages lasting eight hours.

New Smyrna leaders won't have trouble getting friendly witnesses to testify if the PSC has a New Smyrna Beach hearing.

The muni's management said yesterday that to be successful, merchant plants have to keep prices below the tariffs set by the state.

“This plant will lower our cost for purchased power and allow our utility to strengthen its financial position,” said Ronald Vaden, director of UCNSB. They want to put the plant next to a wastewater treatment plant under construction near Interstate 95.

The new plant would hook up to the grid at a UCNSB substation connecting the city with Florida Power & Light and Florida Power.

Florida has been considered closed to competition but the PSC last month agreed to allow reasonable prices to at least 25 customers fearing they'll pull out of the state. Tampa Electric was permitted to sign 25 contracts or up to 300 mw of load — whichever is reached first -- at negotiated prices (RT, 7/23).

Florida Power & Light is buying generation assets of Central Maine Power but is expected to fight a new merchant plant at home with the support of Florida Power, a firm that may feel called upon to check the need for electricity in North Carolina where Duke has done little to open up markets, where competition is regarded with suspicion except by the public.

Duke had worked on a plan with IMC-Agrico that was discouraged even before filing. IMC-Agrico is a joint venture of IMC Global (IGL) and Phosphate Resource Partners (PLP). This time Duke

has the heat wave and crisis on its side along with state estimates of 8,000 mw more capacity in the next decade.

Under quaint Florida law only utilities can apply to put in generation. With the IMC-Agrico plan the staff considered Duke “another industrial entity,” Tom Ballinger, a PSC engineer supervisor told *Dow Jones*.

New Smyrna Beach is a utility, he said. That makes this case different, he said, but the plant has a way to go before certification.

Duke ticked off the three requirements for approval -- need for capacity, a cost-effective means of providing it and meeting the need with wise use of Florida natural resources.

Calif PX hourly prices

(Unconstrained market clearing prices, supply and demand, day-ahead market for delivery August 20.)

Hour	\$/mwh	Supply/Demand (mwh)
01	19.2305	20,078.5
02	19.0040	19,149.7
03	14.9728	18,540.8
04	13.9978	18,417.2
05	14.9792	18,755.3
06	22.9960	19,985.5
07	20.5117	22,266.6
08	25.9992	23,926.6
09	29.4116	25,053.4
10	29.4148	25,389.1
11	29.4169	26,171.2
12	29.9975	26,734.7
13	29.6929	27,429.4
14	30.7250	28,247.4
15	30.7292	28,978.7
16	32.1097	29,393.8
17	31.3202	29,218.3
18	30.7238	28,237.4
19	29.9945	27,041.2
20	29.4124	27,346.9
21	29.9912	26,652.0
22	29.4296	25,177.4
23	26.1230	23,090.3
24	23.6013	21,314.5
Total		586,595.9

TVA to build capacity

Bill Museler, TVA executive vice president for transmission and power supply, told TVA's board it should put in gas-fired peaking units at TVA coal plants by 2000.

Short-term needs can be met by

exercising options to buy peaking power, he said.

Existing plants should be upgraded to produce more power, he added, and power should be bought from IPPs.

The board voted support for the program. CEO Craven Crowell stressed that the added capacity is for the benefit of Tennessee Valley.

Maryland tax authors face the music

Tax writers are always eager to find new sources of revenue. But Maryland lawmakers like counterparts across the land are looking at three plans to make up for the expected loss of utilities as state tax collectors when competitive markets open in July 2000.

Two plans under consideration are designed to win voter support while driving industrial activity to Pennsylvania.

One such plan would trim residential taxes 15%, commercial taxes by 2.6% and boosts taxes on industry 56.2%. A similar plan would do the 15% cut for residents, and lower commercial rates while hiking industrial taxes 50%.

The third raises residential taxes 18%, lower commercial taxes by 10.7% and trim 38% from industrials' taxes.

IOUs have asked lawmakers not to require them to collect taxes while independent marketers don't.

Optimism told for year 2000 problem: Electric utility system engineers and consultants working to find a cure for the year 2000 computer problem (Y2K) say their companies will be ready by Jan 1 2000. A "blind survey" of utilities was made public at an Infocast seminar.

Only 1% of those polled have completed testing and have "fixed" all problems.

Another 19% expect all "critical systems" to be certified as ready by New Year's Eve 1998 and the vast majority -- 99% -- believe they'll be fully compliant by Dec 31 1999. The survey is on their website www.informationforecast.com or from 818-902-5405 ext 37.

At least 20% of the surveyed companies have more than 50 employees dedicated to remediation efforts, 50% say their

companies have "less than 5" employees working full-time to resolve any possible problems.

Nearly two-thirds of the 78 polled company representatives were from full service electric utilities, with the remainder from municipal agencies, support organizations, power pools or independent power producers.

Meanwhile EEI has joined with many associations in writing the White House and Congress to coordinate year 2000 readiness -- what with only 500 days left.

Replacement Reserve Generation

(California ISO day-ahead market information for zone SP15 for delivery August 20.)

Hour	Procured Capacity	CapacityMCP
1	470.97	0.78000
2	500.00	0.78000
3	500.00	0.78000
4	500.00	0.78000
5	500.00	0.78000
6	535.87	0.78000
7	439.20	2.97000
8	664.13	2.98000
9	694.53	2.98000
10	812.97	2.98000
11	824.97	
4.15000		
12	767.97	4.38000
13	712.96	7.89000
14	583.58	7.90000
15	507.56	35.00000
16	554.07	7.90000
17	614.70	7.90000
18	546.60	7.90000
19	799.96	6.55000
20	742.96	4.38000
21	767.97	4.38000
22	795.86	4.38000
23	400.00	3.08000
24	882.47	3.10000

RESTRUCTURING DIGEST

Paper firm seeks FERC help with

self generation: The New England Power Pool and its ISO New England have been charged by Champion International in a FERC filing with trying to block at 174-mw cogen plant at the paper firms'

Bucksport, Me, plant, *Electric Power Daily* reported. "ISO New England rejected its application and CMP (Central Maine Power) made it wait 10 months for a system impact study," EPD said.

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