

Restructuring TODAY

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Hagler Bailly buying consulting firms

Hagler Bailly's buying of the Washington International Energy Group, a Washington-based worldwide provider of energy and environmental policy consulting and research services firm sends a message.

Hagler Bailly may be one of the top three energy consulting firms in America and has worked for most of the larger IOUs.

The buying company has been on an acquisition spree that led to a stock market disaster just recently when Hagler Bailly stock dropped 47% in one day following a conference call with Wall Street analysts.

About a year ago the stock had risen to about \$31 but at the time of the conference call it fell in one day from \$17 to about \$8.

Something management said during the call frightened analysts and some left the call to sell Hagler Bailly stock. Since then the firm has hired new management in an effort to show the rapidly growing firm can handle critical back office functions.

Founded in 1980 and publicly traded since July 1997, the company in Arlington, Va, and has a network of 23 offices in 12 countries.

The message is that buying WIEG signals they're back on the acquisition road again.

Roger Gale, WIEG founder and president, has experience in electricity restructuring, environmental issues, nuclear economics and global climate change.

Coming tomorrow:

James Pignatelli, CEO at Tucson Electric Power, readies TEP for the new competitive world. Green Mountain Power gets ready too. See the lead story here from its CEO and tomorrow another view from the Philadelphia Inquirer. The co-ops depart from the just-say-no approach to competition as explained by NRECA CEO Glen English.

17 Tenn cities make decade-long gamble at 'low' gas rates

To do nothing is one big gamble. To lock in a contract for 10 years today is another giant gamble.

Tennergy Corp buying energy for 17 munis in western Tennessee and Kentucky signed with CMS Marketing, Services & Trading (CMS Energy). Under the agreement, Tennergy *has pre-paid* CMS-MST for 135 bcf to be delivered from May 1 through April 2009.

"This transaction locks in 10-year supplies of natural gas at favorable market pricing for the benefit of the people and businesses in the 17 cities," said William W Schivley, executive vice president and chief operating officer of CMS-MST.

"By utilizing tax exempt municipal bond financing and today's low interest rates, Tennergy has received and will provide to its customers a firm supply of natural gas, with a single up-front payment to CMS," added Schivley.

The gas supplies will be delivered to Tennergy via several pipelines from the Gulf Coast, he added. Tennergy used a \$234 million **tax-exempt municipal bond transaction** with Bank of America to finance the gas purchase.

Selling generation went well for sellers says Moody's

Most utilities that divest generation assets recover stranded costs for unprofitable plants and reap a sizable cash windfall, Moody's Investors Service said.

The report *Asset Divestiture: Exit From Generating Business Seen as a Benefit Credit Quality*, finds that over 20 IOUs have sold all or a portion of their generating assets since the beginning of last year, resulting in positive rating implications for all the utilities.

The bad news is that gains on plant sales may trigger big tax payments, Moody's added. High premiums paid in the current seller's market should "level off as new market structures develop and bidders become more attuned to nuances created in the process," Moody's said.

But "top tier" assets -- those that produce low-cost power and are favorably situated with regard to dispatch and access to load -- should continue to command a premium, Moody's said.

Green Mt's Kelly sees parallels to Evian water

--- Studying way to sell power on Internet

Dennis Kelly, president of Green Mountain Energy, wants to change the way electricity is made and make money at the same time.

"Making electricity is the top source of industrial air pollution in the world, Kelly reminded NEMA members at a recent conference in Washington.

"You tell this to consumers and they don't believe it."

Then you tell them they have a chance to do something about it and 49% of consumers say I want to help, 51% don't care," Kelly said.

Green Mountain has lined up 100,000 people in one year in Pennsylvania and California as a result of consumer demand.

Green Mountain is endorsed by the National Resources Defense Council, the World Wildlife Fund, the Sierra Club, the Union of Concerned Scientists and 20 more groups, Kelly added.

This is the Dennis Kelly who has been in the consumer products business 20 years with such companies as Coca-Cola and Procter & Gamble, the man who created the soft-drink Fruitopia.

Kelly is amazed that:

- The compound annual growth rate of recycled waste in the US is 20% a year over the last 10 years;
- The compound annual growth rate of curbside recycling programs (that don't make money for anybody and cost plenty) continues to grow at almost 30% a year;
- The compound annual growth rate of organic foods sold at a premium is 23% a year and,
- The compound annual growth rate of natural product sales taking off in the last two years is almost 25% a year.

"There's a market out there for people who have money who are saying 'I'm going to make a choice to make a difference,'" Kelly said. After 4½ years of research Green Mountain's strategy is to "build a national consumer brand to get scale. It won't work to have one off brand.

"We don't have to have every state,"

Kelly added, "just enough to get critical mass. A national brand gives us marketing efficiencies that go forward that allow us to build the case for action with consumers, educate them about the air pollution problem and tell them they can do something about it.

"We're going to go to the market first with green electricity products. That makes the biggest impact against our mission.

"Our focus is going to be residential and small commercial. The people who have money and have the ability to make a change are in those areas. The marketing is more difficult but it's something we know how to do.

Kelly has learned from the Internet and consumer goods industry that the first person in has the opportunity to win or lose the game.

"The second person in can only succeed if the first mover doesn't. We intend to be the first mover in this area," Kelly said. The Internet has almost a perfect overlay with Green Mountain's target demographics -- the 49% of people who say they care about the environment and are willing to pay money to do something about it, Kelly noted.

"We're working with the best minds in the Internet business right now to build a bundle of goods and services that allow us not only to do marketing and customer service over the Internet but to build ancillary business.

"If you don't have a world class sophisticated information technology system that leap-frogs over the 600 Legacy systems out there for everything from billing to customer care, the economics don't work.

"We've got investors who are lining up with us with that. It takes a lot of money to build a brand like Coca-Cola or Evian," Kelly said.

Is it possible to brand an electron?

"We think so," Kelly said. He noted Evian.

"Who would think we could ship water from France that probably in many respects is no better than the water that you're getting here, pay for all the packaging and all the freight, bring it over here and get a huge brand at a huge premium?" Kelly asked incredulously.

Don't forget American Express with the ultimate commodity -- money. "They have branded and added value to a good

and service called money where they will pay your bills using a commodity. It's far better for you to use cash or other electronic means at your bank. But American Express has built a brand and a business that you and I trust. And that's marketing. It's not advertising," Kelly said.

"Look at Amazon.com -- a bunch of images on a screen. You can get through that information through 15 other people and yet that brand is being built as we speak. Brands target what we know about consumer values and build a strong personality," Kelly said.

Green Mountain is certain only 49% of Americans are possibly, remotely interested in what Green Mountain is doing. "One of the mistakes a lot of us make is assuming we have to sell a little bit to a lot of people. I'd rather sell a little more to a few people," Kelly said.

Kelly's strategy is to customize its products by state. Its first product in Pennsylvania is coal and nuclear free, has 1% new renewables -- erected in the last 12-24 months. The balance is natural gas.

Green Mountain is selling two products at a significant premium in Pennsylvania -- Enviro Blend and Nature's Choice. Enviro Blend has 50% renewables, 3% new. Nature's Choice has 100% renewables, 5% new.

RESTRUCTURING DIGEST

Nebraska PSC can't regulate telecom

The Nebraska Supreme Court has ruled the state PSC does not have jurisdiction over telecom contract carriers. The commission had asserted jurisdiction over the Nebraska Public Power District after determining that the municipal utility was providing intrastate telecom service over its internal fiber optic networks to a contract carrier in addition to its chartered provision of electric service, *PUR Utility Weekly* reported.

13 stories 3 in minutes: KeySpan Energy named David Manning, president of the Canadian Assn of Petroleum Producers since 1995, to be KeySpan senior vice president, responsible for corporate communications, government and community affairs and corporate brand strategy..... **Sprint urged the Illinois Commerce Commission (ICC) to reject outright the**

proposed merger of SBC and Ameritech alleging it would have a "significant adverse effect on competition".....

Barbara Hingst was general manager of marketing services at Georgia Power but today was named vice president of strategic market planning. She was named director of strategic market planning in October. Her job is to coordinate planning and marketing strategies worldwide in Southern Co markets..... **The Connecticut Siting Council has approved a plan for a 544 mw gas-fired merchant plant in Meriden proposed by El Paso Energy & Power Development with a target on-line date in 2002.....** Homestead, Lake Worth and New Smyrna Beach, Fla, formed the Florida Electric Power Alliance (FEPA) serving 140,000 Floridians peaking in summer at 250 mw. FEPA excess energy typically is about 50 mw. Last week they signed with Florida Power & Light's marketing and trading for FP&L to manage the excess energy sales in the wholesale market. FP&L hopes the deal is the first of many it signs..... **Reliant Energy (was Houston Industries) would like to help out Chicago with any future Midwest price spikes by putting in a 500 mw gas-fired peaking unit in McHenry County. That's just northwest of town along the Wisconsin border where the population has been growing and the Zion nuclear plant is to be decommissioned. The Reliant Energy Wholesale Group took an option on a 125-acre location.....**

Edison Mission Energy, the IPP sister firm to Southern California Edison, is buying Ferrybridge by Leeds and Fiddler's Ferry near Liverpool, two 2,000 mw generating plants from PowerGen for US \$2 billion thus helping PowerGen accomplish an antitrust assignment in the UK. Edison will put about \$3225 million into cleaning up plant emissions..... **Southern is beginning work on a plan to build as much as 2,210 mw of gas-fired capacity in Lee County, Ala.....** CSW Energy has signed an agreement with Eastman Chemical to build and operate a 440 mw gas-fired cogeneration plant at the company's plant in Longview, Texas. The plant is scheduled to begin operation in March 2001..... **Pinnacle West Capital, the holding company of Arizona Public Service, has launched a merchant plant development subsidiary called Pinnacle West Generation that will look for projects in Arizona, Nevada, Utah, California, Colo-**

rado and the Northwest..... Panda Energy International is developing a 1,000 mw gas-fired combined-cycle power plant in Coweta, Okla, expected to be operational in Dec 2001..... **Calpine has entered a joint venture with GenTex to build a 500 mw natural gas-fired plant in Bastrop County, Texas.....** The Industrial Customers of Northwest Utilities urged the Oregon PUC to reject the PacifiCorp-ScottishPower merger. ICNU speaks for 40 industrial electric users the Pacific Northwest and fears higher rates after the merger without tangible benefits.

Calif PX hourly prices

(Unconstrained market clearing prices, supply and demand, day-ahead market for delivery May 3.)

Hour	Price	Volume
1	13.4447	15,721.3
2	11.0048	15,232.9
3	10.7241	15,026.8
4	10.7239	15,109.9
5	13.4441	15,602.1
6	16.9375	17,130.6
7	24.1115	19,240.9
8	25.4995	20,551.1
9	25.9986	21,330.8
10	28.0910	21,996.5
11	30.5340	22,427.0
12	30.5500	22,423.4
13	28.0711	22,524.8
14	28.3736	22,513.8
15	27.6072	22,366.4
16	26.3461	22,179.8
17	25.9927	21,850.4
18	25.8125	21,628.8
19	25.4911	21,300.0
20	26.5983	21,959.7
21	32.0925	22,389.6
22	25.6874	20,950.4
23	23.5328	19,029.4
24	16.2010	17,785.0
Total		478,271.4

Replacement Reserve Generation

(California ISO day-ahead market information for zone SP15 for delivery May 3.)

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	452.34	1.23000
8	405.09	1.50000
9	379.80	5.00000
10	363.87	5.00000
11	363.89	5.00000
12	363.87	5.00000
13	363.88	5.00000
14	363.88	5.00000
15	363.89	5.00000
16	363.86	5.00000
17	379.79	5.00000
18	296.85	5.00000
19	297.81	5.00000
20	379.91	5.00000
21	379.96	5.00000
22	379.88	5.00000
23	7.50	0.00000
24	7.50	0.00000

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