

# Restructuring TODAY

Wednesday March 14 2001

## Enron asks FERC to resolve PX pricing issues, move on

San Diego Gas & Electric in its action against generators Feb 26 drew a comment from the late Power Exchange that it's impossible to recalculate the January invoices with complete accuracy based on FERC's \$150/mw soft cap. Thus the PX offers alternate things to do to get an "acceptable approximation" of the sought after end result. The PX repeatedly has announced that it just can't comply with FERC's soft cap within the time frame ordered and has chosen to disband rather than comply with the Commission's order, Enron Power Marketing Inc (EPMI) wrote FERC.

Enron takes a dim view of revisions "that add complexity or ambiguity" for fear they'll delay closing of January transactions and that would harm the market participants. EPMI is against caps but if one has to be adopted, they support the PX's "method I." Method I implements the breakpoint for uncongested hours only.

FERC's overriding thought should be cut any uncertainty in a market already under enormous stress, Enron added.

Having an extended argument over what the invoice price is will thus only add to uncertainty, EPMI added.

## Calif, Ore, Wash

**keep on asking:** John Kitzhaber MD, Oregon's governor, has a prescription for the state's power market. He assured FERC "we fully recognize the benefits of a free market. Our problem is that we have a shortage of electricity." He's worried about the summer. In mid-March -- today -- contracts in the Mid-Columbia market averaged \$209 for example. Perhaps buoyed by FERC's challenging some California wholesale power prices on Friday the Democratic governors of California, Washington and Oregon Monday asked FERC to put on a temporary price caps to assure prices that are "just and reasonable." In case FERC members can't figure out what J&R is in a free market, California Gov Gray Davis, told them to use costs plus a \$25 per mwh profit.

## 5 stories in 1 minute:

**PG&E OK on gas for now:** The big drop in gas prices has helped Pacific Gas & Electric and the supply outlook for March is good, the firm said, but they're scampering about to lock in April needs. Some gas contracts run out March 31.

## 54 ways to save

**energy listed:** Co-author Anna Shipley, industrial research associate for the American Council for an Energy-Efficient Economy (ACEEE) profiles 54 perhaps exciting new technologies likely to save energy. It was a joint effort of the Lawrence Berkeley National Laboratory and ACEEE but paid for by Pacific Gas & Electric, EPA, DOE, the New York State Energy Research and Development Authority, Northwest Energy Efficiency Alliance and Iowa Energy Center. Copies are \$55 (postpaid). Call 202-429-0063 or e-mail to [ace3pubs@ix.netcom.com](mailto:ace3pubs@ix.netcom.com).

**Dot-com buys dot-com:** Nexus Energyguide, parent of [Energyguide.com](http://Energyguide.com), bought rival [UtilityGuide.com](http://UtilityGuide.com) yesterday and now owns the website's internet platform and the other intellectual property. By absorbing one of its leading competitors, [Energyguide.com](http://Energyguide.com) (RT, yesterday) hopes the move will strengthen its own brand in the fledgling energy services sector, said Harvey Michaels, [Energyguide.com](http://Energyguide.com) CEO.

## NW Democrats would

**protect generators:** Ron Wyden, D-Ore, and Max Baucus, D-Mont, would have the bankruptcy "reform" measure changed to add a graph to make sure generators who have p0upt up the money under California's crazy buy high, sell very low retail plan don't get cheated out of the billions they've sold rto IOUs on on credit. Such debt would not be allowed if one of the big three declared or are forced into bankruptcy.

**CORRECTION:** Xenergy of Burlington, Mass filed with the Pennsylvania PUC last year asking to abandon its electric generation supplier license and the return of its letter of credit but Xenergy has never been a supplier to customers in Pennsylvania and thus didn't return any to the incumbents as reported here (RT, 3/9).

## 5 billion bills are on internet yet less than 10% get paid

Toronto Hydro-Electric System, owned by the city, tapped Dallas-based DocuCorp yesterday to set up an electronic bill presentation and payment system (EBPP) as an extra service for its 650,000 customers.

Utilities are embracing EBPP systems at a tremendous rate, says Mike Andereck, DocuCorp CEO, but people haven't been using the option as expected.

About five billion bills from all businesses are now online, but less than 10% of the customers use the service. That number is expected to grow substantially over the next three years as an internet wary older generation grows more confident in web security and more younger people join the ratepayer ranks.

Some consumer confusion exists on how to pay.

Models are available with one payment through a bill consolidator such as [Checkfree.com](http://Checkfree.com) or dealing directly with the utility via its website.

"The market hasn't evolved enough to make it as easy for consumers as it should be," said Andereck, but is evolving at a good pace.

"DocuCorp provides software to utilities or any other company wanting to have an online EBPP system.

A feature of the company is being able to gather large amounts of data and present it to consumers as a personalized bill.

Ancillary services include software management and system training services. If a utility needs help with printing bills, DocuCorp does that too.

Toronto Hydro-Electric began using the company's print services two years and just now decided to implement EBPP. Since DocuCorp has a turnkey system, the utility will be offering EBPP within 90 days.

Toronto Hydro-Electric will promote the service through billing inserts, on its website and with payment partners, including local banks.

The insurance and financial services industries were DocuCorp's specialty for most of its 21-years. Deregulation opened an opportunity to offer high volume automated document processing to utilities. "The utilities

years ago viewed all of us as ratepayers but now they're beginning to look at us as customers and having to compete for customers, so they want to provide a higher level of service and improve customer communications and improve customer retention," Andereck explains.

Since DocuCorp had highly-tuned up software systems, catering to the utilities was easy. DocuCorp's system is a fast fix for a utility looking to overhaul its backoffice at much less cost than what could be developed from scratch.

One immediate benefit for the utility is having a billing system that can up-sell and cross-sell services, he said.

Conventional utility billing systems can't do that. They were designed years ago to bill only for one product at a fixed price.

Most utilities can't offer consolidated bills for customers with several locations either, something DocuCorp can.

Redesigning bills is very important to utilities, Andereck noted.

He counts Southern Co and Consolidated Edison among his customers and "the first thing they wanted to know was how to make bills look better."

Having a well designed bill opens opportunities for utilities to make advertising pitches for other products so the need to improve customer communications is a very hot topic in the utility industry, he added.

The shift toward a customer oriented backoffice has only occurred within the last two years and one that many utilities have yet begun to address. This aspect of the new

industry provides Andereck with a huge niche market to grow his own business.

Over 80% of DocuCorp's business is selling software with 20% via outsourcing, although that number is growing.

Outsourcing in the utility industry is growing the fastest of any industry, Andereck said, as more utilities want EBPP but don't want to do it in-house.

Cobb Electric Membership Corp, an Atlanta co-op, is one of the firm's largest outsourcing customers.

Educating residential customers to the ease and security of using EBPP is where utilities will realize their biggest efficiency savings.

Most homeowners want a hard copy bill along with the opportunity to pay electronically, Andereck said.

A utility that can ease the bulk of its customers into using EBPP only would save a tremendous amount of money in postage alone besides printing and labor. Getting customers to feel comfortable with printing a bill from the utility's website is the first step in weaning them from the perception that a mailed hard copy is better, Andereck advised.

Some retailers in Texas are promoting EBPP by discounting the monthly fee (RT, 3/9).

### ERCOT pops on \$1,000 wholesale bid cap

In looking over ERCOT rules last week, the Texas PUC realized they didn't have a cap on bid prices. The

PUC doesn't believe in price caps but thought "a temporary offer or bid cap of \$1,000/mwh" would make sure the price ERCOT pays for electricity "is not unexpectedly high," the PUC wrote.

The bid cap expires in 2003 and doesn't apply to customers who offer to cut power use in ERCOT.

A bid cap, the PUC said, will limit the ability of producers to exercise market power while still allowing price signals to be conveyed to the market.

Power generation companies can decide whether the construction of new power plants is needed or not, the agency added.

Market price signals are crucial to stimulate investment in power plants where needed, the commission assured.

The agency created a Market Oversight Division to participate in the development and review of the ERCOT rules and monitor markets.

ERCOT's grid is entirely in Texas so as to get out of FERC jurisdiction.

ERCOT serves 12 million+ customers and about 85% of the state's load. It oversees more than 65,000 mw of generation and 37,000 miles of transmission lines.

### Marketers working with FTC on guides to market fairness

Way seen for uniform national codes that trump states rights

Billy Tauzin, La, and Joe Barton, Tex, made the right move in asking the Federal Trade Commission to make a comparative study of the electric competition programs in the various states (RT, 1/22) to see what's working and what's not.

As Craig Goodman sees it, the results of the probe could include guidelines to states that would help smooth out the states rights opposition to a uniform marketing code that means so much to marketers.

The idea of moving power or gas through several states to a customer with a patchwork quilt of rules along the way is not a pretty sight.

Counter that with the reality of ego-centered rule makers in each state who want to dictate the rules for their share of the grid.

Goodman is president of NEM, the National Energy Marketers Assn and is

#### Next Day PowerTrax Index, Wednesday March 14, 2001

	Contract size (x16 hrs) mw	Total contract volume mwh	Highest executed trade \$/mwh	Lowest executed trade \$/mwh	Weighted average index \$/mwh	Last Month's average index \$/mwh
Cinergy	50	65600	32	29	30	36
Entergy	50	8800	41	38	39	43
TVA	50	2400	30	30	30	35
ComEd	50	8800	33	31	32	36
PJM West	50	30400	39	38	38	37
Palo Verde	25	2800	165	157	162	222
Mid Columbia	25	4800	213	200	208	285
COB	25	800	210	208	209	285
Four Corners	25	n/a	n/a	n/a	n/a	193
Mead	25	n/a	n/a	n/a	n/a	181
NP 15	25	4400	178	175	176	253
SP 15	25	3200	172	165	168	222

Pennies have been omitted and numbers rounded to the nearest dollar. For additional information contact PricewaterhouseCoopers at [www.pgtrax.com](http://www.pgtrax.com).

mobilizing his people to respond to FTC's probing questions.

He had urged Congress (Feb 13) to encourage development of more uniform rules, operating procedures, tariff structures, scheduling coordination and technology platforms.

Barton asked the FTC to find out which features of state competition programs yielded consumer benefits and which didn't. He and Tauzin want to learn about what jurisdictional limits states face in the authority to design successful retail programs.

FTC is specifically looking for:

- Difficulties suppliers encounter getting into markets;
  - Conditions and incentives that attract suppliers to retail markets and then what causes suppliers to exit the market after beginning to provide service;
  - Customer acquisition costs and operational costs to service retail customers and the comparison of these costs to profit margins for generation services;
  - Customer switching incentives and penalties;
  - New products and services offered by suppliers, and
  - Benefits and drawbacks to various approaches to the supplier of last resort function for customers who don't shop.
- As for pricing, the FTC wants to know:
- About the impact on market entry of the price for provider of default service;
  - Rationale and effect of state-mandated retail rate cuts on retail competition, and
  - Effect of seasonal price fluctuations in the price of wholesale generation on market entry.
  - The effect of RTO development on retail competition;
  - The need for divesting generation assets;
  - How and who should regulate retail sales of bundled and unbundled transmission;
  - Can states actually remedy transmission constraints or does it take federal action, and
  - What is the effect of state siting regulations for new G&T facilities on retail competition and is federal jurisdiction needed?

**BOTTOMLINE:** The FTC -- no matter which party is in office -- is enthusiastic about competition. It can be depended on to paint Barton and Tauzin a fairly vivid picture of the coast-to-coast disaster following the federal cop out called "leave it to the states."

Then what? It looks like Goodman & Co will get national level guidelines that should have some positive impact except where state officials choose what makes the incumbent happy over federal guidelines.

The regulated monopoly may have appropriately allowed people in Vermont to do things their way and not the Mississippi way, but short distances in commerce have given way to the www and a need for uniform codes as in other industries.

The states in the US have adopted a uniform fire code that allows self service gasoline pumping in every single state (except New Jersey where the public is considered not safe enough yet).

Is not a uniform code on selling energy inevitable?

## New Power signs with web hook-up firm to save buyers money

### To be first with smart house controls

NewPower today becomes the first to announce "a true smart home initiative in the US."

Its linking up with Coactive Networks, a firm said to be the leading supplier of residential connections to the web for all home and business devices in a first step to bring competitively priced, perhaps easy-to-use smart home controls into the mass market.

Managing energy costs is a key part of the plan and the timing looks great going into the summer of 2001.

The plan is to hook up to the internet control of thermostats, meters, lighting fixtures, appliances, security systems and home automation systems.

New Power intends launching a pilot this year in the East.

On its way to becoming the leading retail energy company in the US -- went public at \$27 last fall but has fallen recently as the stock market tries to correct itself for year 2000 frothiness, closed Tuesday at \$5.70/share.

Sell your house and the boat and put that money to good use but keep quiet about it.

Later you won't have to go to work.

They have 30+ Enron risk and trade experts, \$600 million+ in the bank

and no debt.

*...in California*

## If you use 20% less power, of course you save 20%

### — Gov Davis will award an extra 20% bonus if you save 20%

... probably on the October bill, we're told.

The big three IOUs will calculate use in June through September and compare use with year-ago power use.

The governor *really* wants the public to cut back and he's fighting uphill against the disincentive of his artificially low prices that have become a reelection campaign doctrine.

No one knows for sure how hot it's going to get in the coming months.

Peaks must be shaved when prices spike.

That lowers prices too.

That saves consumers money but it saves the state lots of money in undermining price spikes. The program will be sold hard in TV ads, bill stuffers and with other media telling the public the ways to save.

Where will he get the money to pay for the extra 20% savings for those October bills?

From the water department monies, his office tells us.

Davis calls it the 20/20 program to stress the good vision it displays.

We hear that the buying of the grid isn't going well just now but that's all behind closed doors.

The governor has the authority to do the "20/20" by way of executive order. His office figures the smaller load can save the state \$1.3 billion in power costs by reducing the amount of electricity the state must buy during expensive summer peak periods.

"This program helps us take control of our own energy destiny," Gov Davis said. "We will save money and reduce costs to consumers."

The 20/20 program will save up to 2,200 mw on summer peak days, his office said.

He wants to pay the voters for cutting back rather than see the money go to those horrible, out-of-state generators.

For C&I customers the 20% is figured only on the peak load cutbacks while residential and small businesses

multiply 20% times total use for the summer.

The executive edict adds these extra measures:

- More than \$800 million for programs to improve conservation and efficiency.
- Implementing aggressive conservation measures in state buildings, resulting in about 200 mw of savings during energy emergencies.
- Developing a comprehensive outreach and education campaign to reach businesses, organizations and millions of California consumers.
- Partnering with government bodies to get all 475 cities, 58 counties and 8,300 schools in California cut back.
- Adopting the strongest energy efficiency standards in the world for residential and non-residential buildings and appliances.
- Incorporating energy efficient, sustainable building designs in new state building projects.

His executive order puts the use target at 3,500 gigawatt hours over 24 hours.

**Restructuring Today** (ISSN 1522-7324) is published 247 times a year on business days by US Publishing Co at 4418 MacArthur Boulevard, Washington DC 20007. Phone 1-800-486-8201 or 202-298-8201 and fax to 1-202-298-8210. One year's subscription is \$487 in US funds (plus 8% sales tax in the District of Columbia). Significant discounts for site licenses that allow you to put our copyright-protected issues on your internal grid for others to see. Samuel Spencer, publisher; George Spencer, editor.

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