

Wednesday October 22 2008

## Market advocates urge California to deny PG&E self-build plan

The backers of competition in the power industry want to see the California PUC side with its own ALJs and throw out an application for Pacific Gas & Electric to self-build.

The Independent Energy Producers Assn (IEP), Western Power Trading Forum (WPTF) and the Alliance for Retail Energy Markets (AREM) want to see the proposed decision made final, they said in comments Monday.

PG&E claims it has to build the much-needed Tesla natural gas-fired generator on its own because a request for offers isn't possible but two ALJs disagreed and proposed that

the commission reject the application. WPTF and AREM filed joint comments and IEP filed separately. PG&E has to make a "threshold showing" that a request for offers (RFO) to the open market is unfeasible, said IEP, adding that an allegation to that effect isn't enough.

The utility trotted out examples of RFOs that take seven years from their issuance to project completion but IEP noted not all projects take such a long time. It might be more prudent to start looking for new resources up to seven years before they are needed -- but some plants can be available before that.

The application is fundamentally

at odds with PUC policy -- that favors getting generation from the market except in extraordinary circumstances, and would waste time and resources, said WPTF and AREM.

PG&E is trying to shift the cost of the project into the rate-base rather than have shareholders pay, asking that the PUC let it recover costs incurred even if the project doesn't go through.

But the utility's decision to expend funds on the project before winning PUC approval was done with shareholder funds, noted WPTF and AREM, and it should stay that way.

[\[Comments\]](#)

## EPSA touts Department of Justice report lauding healthy markets

EPSA touted a Department of Justice report that found so-called utility "restructuring" brought tangible benefits to the areas where it was fully implemented.

Restructuring boosted plant operating efficiency -- and wholesale trading has become more efficient, said the report titled "Electricity Restructuring: What Has Worked, What Has Not and What is Next."

As the market continues to develop, investment decisions could be made more efficiently, letting consumers benefit from lower prices in the long run.

Generating firms lowered their costs and boosted operating performance -- and the added efficiency and lower costs boost economic welfare.

Policymakers should focus their attention on perfecting the mechanisms needed to address certain features of the market, not on heavy-handed re-regulation, said the report.

Not all benefits of restructuring have been realized and the further development of market designs should continue.

While some entities push for re-regulation as a response to rising prices, the evidence points to prices being lower than they would have been otherwise, said DoJ.

Recent price hikes are due to higher fuel costs and the basic interaction of supply and demand, not rampant market power abuse or manipulation.

[\[Comments\]](#)

## SaveOnEnergy.com touts new bells, whistles on first 'birthday'

SaveOnEnergy.com yesterday celebrated the first anniversary of its commercial retail exchange portal in Texas.

The portal let nearly 3,000 Texas businesses of all sizes get direct competitive offers for their power service from competing suppliers.

The system lets suppliers compete head-to-head for the customer's business at SaveOnEnergy.com where they enter use data that's sent to suppliers instantly.

Recent upgrades offer the added benefit of an automated customer survey system that provides suppliers with market intelligence.

"SaveOnEnergy.com's service took the stress out of finding an electric provider for my new business," said Metroplex-based small business owner, Susan Dequeant of Special Occasion Chocolates.

Dequeant locked-in a 24 month deal on the site, choosing her supplier based on the customer service of the retailer.

"SaveOnEnergy.com's savvy small-to-medium business owners and operators are among the most knowledgeable in the buying market in understanding the positive impact the exchange portal can have on their businesses," said Vice

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President of Sales at Cirro Energy JP Schlensker.

SaveOnEnergy.com plans to enhance its technology in the coming year after what the firm saw as a successful first year, said CEO Brent Moore.

“Within the last year, our exchange portal has been extremely well received by suppliers, as well as the thousands of customers benefiting from the lower rates and savings,” he added.

[\[Comments\]](#)

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## Conservative think tank calls for nuclear ‘reemergence’

The time is now for a nuclear reemergence, said analysis released yesterday by the conservative think tank National Center for Policy Analysis (NCPA).

“As critics argue that nuclear power isn’t a good option for various reasons and presidential candidates decry the use of foreign oil, I still have yet to hear of an alternative solution that addresses both the concerns of rising demand for electricity and reducing US dependence on foreign imports,” said NCPA Senior Fellow Sterling Burnett, co-author of the report.

With carbon constraints, nuclear power will be vital because it’s able to provide baseload power and could offset

the effect of the shrinking use of coal. Building a nuclear power plant is very expensive but the costs of operations and fuel are relatively low.

Existing plants can see their output rise 10-20% from changes to existing pieces of non-nuclear equipment such as motors, turbines and pumps, said NCPA.

Nuclear plants don’t need to run on foreign sources of fuel because the US has an abundant supply of uranium and with plug-in hybrids that could offset oil.

What to do with the spent fuel could remain a major stumbling block but NCPA suggested the fuel be recycled, a process now used in France and Japan.

[\[Comments\]](#)

## Forecasters predict warmer winter overall except for December

Weather Service international’s (WSI) winter forecast calls for a cold start to winter in the Northwest with the upcoming three months to average warmer-than-normal across the eastern half of the US and the Southwest and below-normal temperatures confined to the northwestern quarter of the country.

“The ocean temperature signals in the Pacific Ocean are generally suggestive of a relatively warm period in most of the eastern US during late fall and winter, with the exception of December,” said WSI Seasonal Forecaster Todd Crawford.

“Neither ocean temperatures in the Atlantic nor the snow cover build up at Arctic latitudes are suggestive of sustained cold and snowy weather in the East this upcoming winter.”

The best chances of sustained cold weather are likely before the New Year, with mild conditions after that.

WSI is based in Massachusetts and uses a standard of normal temperatures compiled starting in 1971.

November looks for slightly warmer-than-normal temperatures in the key Northeast and Central regions with cooler temperatures, relative to normal, in the Southeast and in the Northwest.

Due to warmer temperature expectations, early-season heating demand for natural gas should be slightly below-average across the Northern US.

Shoulder season temperatures will moderate power prices in most regions, but generator planned maintenance programs will impact prices in many regions through late November. Early-season winter cold later next month is less likely in the Northeast under the warmer-than-normal outlook, said Energy Security Analysis (ESAI).

If early cold weather arrives in late November, it would be bullish for power prices in areas that haven’t completed maintenance.

The forecast for December is for cooler-than-normal temperatures in key heating regions across the northern US, continuing a trend from November.

This should be bullish for natural gas demand and could help to spark an early rally for natural gas prices due to a strong start to the heating season demand, said ESAI.

Cooler early-winter season weather will be moderately bullish for power prices in the northern states due to above average loads.

With the New Year, WSI expects to see cooler-than-normal temperatures in the western states and warmer-than-normal temperatures in the East.

That will provide a balanced outlook for gas demand in January with higher demand expected in the North Central region and slightly lower demand in the East.

Strong seasonal starting inventories for gas this year should moderate supply concerns. Power prices will be sensitive to gas prices in areas where local deliverability constraints occur under very cold weather conditions such as in New York and New England, said ESAI.

[\[Comments\]](#)

### Weather forecast for November to December

Region	November	December	January
Northeast	Warmer	Colder	Warmer
Southeast	Colder	Warmer	Warmer
N. Central	Warmer	Colder	Colder
S. Central	Warmer	Warmer	Warmer
Northwest	Colder	Colder	Colder
Southwest	Warmer*	Warmer*	Colder

All notations are compared to “than normal”

\* Except CA

## Coming landscape for marketers in Michigan weighed by PSC

With a new law in Michigan (RT, [Oct-07](#)), the PSC is gearing up for a series of moves and determinations on how alternative suppliers will fare in the state.

“Certain things need to happen in a tight timeframe and this is one way to allow for public comment before the clock starts ticking,” the PSC told us yesterday.

By law, the PSC has to have a

temporary order in place within 60 days of Gov Jennifer Granholm’s, D signing of the bill last month.

The PSC opened 25 dockets that will affect alternative suppliers in the state in light of the changing competitive landscape.

The bills, which act as a bailout for the state’s two largest utilities, will cap customer choice at 10% of the load for Consumers Energy and Detroit Edison to

give them the demand stability they said they needed to be able to finance new power plants in the state.

In addition to having the “certainty” the utilities wanted, they can hit 10% in cost overruns on new plants without needing PSC approval.

The 10% seems to be the bar in the state, with 10% of power from renewables by 2015 on the books, too.

[\[Comments\]](#)

## Captured CO2 used to grow useful algae

While the focus of CO2 control has been mostly on emissions capture and sequestration, two firms have teamed up to push the novel approach of using CO2 to grow useful algae.

Massachusetts-based GreenFuel Technologies and Spanish firm Aurantia are starting up phase two of their joint project on the Iberian Peninsula to

develop and scale algae farming using captured CO2.

Industrial CO2 emissions can be economically recycled to grow algae for use in high-value animal feeds, foods and fuels. The project began in December 2007 and features a series of development stages that could eventually scale to 100 hectares of algae greenhouses producing

25,000 tons of algae biomass/year.

“Algae are a very promising solution to diminishing oil reserves, escalating oil and food prices and climate change caused by greenhouse gas emissions, a fact that is underscored by our growing partnership with Aurantia,” said Simon Uphill-Brown, GreenFuel CEO.

[\[Comments\]](#)

## Oregon power shopping perks up after slump

Oregon power switching in September was up a bit as Pacific Power & Light (PP&L) added 119 shoppers and Portland General Electric (PGE) added 717 choice accounts.

Switching has been all over the map since the year started with PP&L

adding 613 shoppers and PGE seeing 1,002 new choice accounts.

Switching dwindled to a low of 225 new shoppers at PGE while PP&L lost 65 in March.

The pair of firms in July saw 926 new shoppers, 772 of them at PGE -- and

August saw 269 for PP&L and 1,217 for PGE. Shopping at PGE ended September at 20.2% -- about 0.9% above August’s mark -- while PPL came in at 0.7%, unchanged from recent months.

[\[Comments\]](#)

### Oregon power shopping - September 2008

C&I direct access load	Cost of service	Market options	Direct access
Portland General	78.3%	1.5%	20.2%
Pacific Power & Light	99.3%	0.0%	0.7%

  

Portfolio Options	Portland General		PP&L	
	Customers	Customer %	Customers	Customer %
Fixed renewable	11,515	1.4%	7,830	1.4%
Renewable usage	52,759	6.6%	20,777	3.8%
Renewable future	2,855	0.2%	-	0.0%
Habitat	-	0.0%	4,746	0.9%
Habitat rider **	9,346	1.1%	-	
Time of use	2,056	0.3%	1,709	0.3%
Total choosing	78,531	9.9%	35,062	6.4%
Total eligible	795,381		548,164*	

Source: Oregon PUC Electric Rates & Planning

\* As of Jan 1, 2008

\*\* Available to existing renewable customers only.

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## 3 stories in 1 minute

**Monday's NYMEX gas rallies then falls:** NYMEX natural gas futures closed down slightly Monday, negating an early rally that saw it rise past \$7, analyst Jackson Mueller reported. The contract shed 4.5¢ to close at \$6.741. Traders took profits ahead of the closing bell after a surge up on expectations for higher winter demand and an advance in the broader energy sector.

**Georgia opts to drop extended cut-off ban:** In a three-to-two decision, the Georgia PSC voted to remove a provision from a proposed rule that would have extended a ban on disconnections during extreme heat to two days following the date a National Weather

Service Heat Advisory or Excessive Heat Warning was in effect. The commission approved an order in September 2007 requiring Georgia Power Company to file an inclusion in its tariff providing for a ban on disconnections if at 8:00 am on the scheduled disconnection day, the forecasted high temperature for the day is 98 degrees or more or the heat index for the day is forecasted to be 110 degrees or higher.

**Goucher College buys green power certificates:** Goucher College in Baltimore, Md will buy renewable energy certificates from Constellation NewEnergy to match 25% of the schools expected power use for the next three years. [\[Comments\]](#)

**Abbreviations:** To see a glossary of *Restructuring Today*'s abbreviations, go to [www.restructuringtoday.com/glossary](http://www.restructuringtoday.com/glossary).

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[service@restructuringtoday.com](mailto:service@restructuringtoday.com)  
[www.restructuringtoday.com](http://www.restructuringtoday.com)