

Restructuring Today



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Despite challenges, 2006 was good year for ISO New England

The ISO saw lower wholesale prices and implemented its Forward Capacity Market in hopes of building new generation, said its annual markets report that was released yesterday.

Efficient wholesale markets should deliver competitive prices that reflect underlying economic conditions and support the reliable operation of the regional power system, said ISO CEO Gordon van Welie.

"In each of these areas, New England's wholesale electricity markets continued to perform well under challenging circumstances in 2006," he added.

The decline in wholesale prices is mostly attributable to a drop in natural gas prices following the post-Katrina spike. The region gets 40% of its power

from gas.

Less consumption of power across the region also put downward pressure on wholesale prices.

Average prices adjusted for fuel costs fell from \$44.99/mwh to \$42.64, a 5% drop.

Without the fuel adjustment, prices fell 21%.

Total power use fell 3.2% from 2005 to last year but peak demand grew 4.6% requiring the availability of more generation.

The region set a new peak record Aug 2 of 28,130 mw, passing 2005's peak by 1,245. Hourly prices hit \$1,000/mwh for five hours during the peak.

Demand response grew 47% from 460 mw in 2005 to 675 mw with the extra resource playing an important role during

the summer's record peak.

The region called in 625 mw of its DR resource on its peak day, setting a record.

Over the whole year, 52,161 mw were interrupted, leading to payouts of \$7.8 million to DR participants.

The cost to run power plants under non-market based cost of service agreements grew, though the Forward Capacity Market and transmission system improvements are designed to cut reliability costs.

Average price separation among states was less pronounced last year than in 2005, but wholesale prices were highest in Connecticut and lowest in Maine.

High generator availability continued in the year. After markets kicked in, availability rose from 81% to 89%, where it stayed since.

Did HQ Energy game market to land 9,800% profit margin?

DC Energy wants some relief from FERC against alleged market manipulation by HQ Energy that cost the former firm \$2 million in under six weeks.

HQ brings hydropower in from Quebec to sell into New York and New England.

HQ recently bought 1,500 mw of transmission congestion contracts (TCC) injected into the HQ Node.

DC owns 244 mw of TCC running the opposite way to the Marcy Node.

It alleged HQ used its large TCC

resource as a hedge to offer prices below the market level at the Marcy Node.

HQ can offer the artificially low prices at the Marcy Node and still get congestion rent that guarantees revenues, DC argued.

HQ bought the TCCS at \$2.17/mw-day this spring and started making \$215.13/mw day May 1.

The firm tried to keep prices low so it could stay competitive up until recently when it employed its TCC advantage, DC charged.

HQ paid \$3,270 a day for all its mw

and was getting \$322,700 from May on, representing a profit margin of 9,870%.

DC Energy isn't against making profits -- and itself makes a profit -- but the firm believes that the excessive returns are clear evidence of market manipulation by HQ Energy.

DC asked that FERC force HQ to reimburse it and any other participants in the market adversely affected by HQ.

And DC wants fast track processing for its complaint because as the summer heat drives up prices HQ will only make more of the allegedly elicited profit

Congressional leaders report views on emerging energy bill

Senate Majority Leader Harry Reid, D-NV, pushed Senate Bill 1419 Monday as a way to promote renewable energy, raise awareness of efficiency and cut the cord on foreign dependence.

"Increasing energy efficiency is the single largest source of energy we can tap into without breaking a sweat,"

said Reid at the Center for American Progress (CAP).

Reid also used the opportunity to outline energy goals for the 110th Congress.

"In the future we need to build homes and office buildings that use little or no energy. We need to

change the tax code and government regulations to reward efficiency rather than energy consumption."

He praised visionaries and inventors throughout American history such as Henry Ford, widely known for his use of the assembly line that provided mass-produced automobiles -- and Thomas Edison, long celebrated as the

inventor of the light bulb.

Reid referred to a conversation between the two men.

"I put my money on the sun and solar energy, what a source of power," he quoted Edison to Ford. "I hope we don't have to wait until oil and coal run out before we tackle that."

The bill pushes efficiency, CO2 sequestration and vehicle fuels.

"If we can turn darkness into light -- and we did -- surely today we can use that light more efficiently," said Reid.

The energy bill Reid hopes to see passed within the next three weeks will focus on harnessing power, the clean renewable energy that's in the air we breathe and sun that shines down.

He talked of the hundreds of windmills that he saw on a recent trip to California and lamented that they

weren't everywhere.

CAP is headed by John Podesta, former chief of staff to former President Bill Clinton and a professor at Georgetown University.

A recent poll CAP commissioned showed Americans want to see less dependence on oil and coal to stop global warming.

"That was the second most important domestic issue, barely behind health care," said Kit Batten, a member of CAP.

Global warming also finished ahead of education, retirement security and globalization in the survey, according said CAP.

The bill received some support from the Energy Future Coalition but the organization would like to see some changes, including modernization of the

nation's power grid and clear vision for renewable energy.

Sen Maria Cantwell, D-WA, may offer an amendment to strengthen grid modernization and another amendment may be coming that looks at setting a national goal of 25% of energy from renewable resources by 2025, said Reid Detchon, executive director for the EFC.

"As a nation we cannot continue on our current energy course," said Detchon.

An alternative Republican bill will likely be presented today, said a representative of Sen Pete Domenici, R-NM.

His bill will likely put a stronger emphasis on power generation that's missing from the democratic proposal, said his spokesperson.

7 stories in 3 minutes

Air National Guard orders 566 solar panels:

Armory in Fresno, Calif is going green with a \$2.2 million solar project. Akeena Solar sold the base 566 panels that will together produce 300 kw of power from the hot Central Valley sun. The deal will likely solidify Akeena's presence in the area and boost its commercial customer business.

CPS Energy does

big Texas solar: CPS Energy is installing the largest solar panel system ever in Texas on San Antonio's historic Pearl Brewery. The municipal is installing a \$1.35 million, 200 kw array of solar panels on top of the 67,000 square foot former warehouse. The brewery is being converted into apartments and commercial space. The deal is part of a CPS goal of reaching 15% renewable power by 2020. It's got 11% now putting it among a handful of utilities with double digits in renewable power.

Gas contract keeps

on sliding down: The NYMEX July natural gas contract continued to fall Friday, shedding 16.2¢ after Thursday's 25.5¢ loss,

analyst Jackson Mueller reported. The contract settled at \$7.663, successfully breaking \$7.70 support, though still range-bound in the \$7.50 to \$8.20 that it's been in for months. The contract was likely pulled down by crude, Mueller noted.

House Democrats let-

down big power users: The Industrial Energy Consumers of America isn't pleased with the "no" vote of 23 House Energy & Natural Resources Committee Democrats that essentially killed an amendment to HR 2337 that would have protected its members. IECA has vociferously opposed the measure that it claims would shut down natural gas production, exacerbating recent price increases. The amendment would have put off the bill going into law until several department heads signed off that it wouldn't lessen energy supplies.

Dominion Retail lures

Nicor Gas customers: Dominion Retail is offering residential customers in the Nicor Gas service area 10% off their natural gas prices in an effort to take some of Nicor's customers. Nicor Gas customers who enroll in the program will get the discount until Oct 31, even if the price changes, said

firm officials, with the hope that customers will then stay with Dominion when the discount runs out. Customers will get one bill from Nicor and the firm will still continue to deliver gas, read meters, provide service and respond to emergencies.

FERC cuts California advocacy group slack:

The commission is willing to hear cases for a rehearing on its April 19 decision rebuking the Californians for Renewable Energy's complaints against power purchase agreements approved by the state's PUC. Parties have 30 days to put in requests for rehearing. If nobody makes a request, a rehearing won't happen.

Maryland regulators

plan 2-day conference: The Maryland PSC will conduct a planning conference in July on the state's future energy needs. The conference is expected to last two days and will look at the growth of power demand and use, the status of current and future generation plants, the reliability of the transmission grid and steps the state can take to curb power use.

Web-based energy shopping to move from Texas into new markets

Texas-based SaveOn Energy is launching a campaign to expand into New York, New Jersey, Ohio and Illinois.

SaveOn expects to push into the residential and business markets in the four states in a prelude to what it hopes is an expansion into Canada and Europe.

“We know our business model works in Texas’ deregulated energy market and with our enhanced website we’re now ready to expand

into other competitive markets,” said CEO Brent Moore.

“We believe in competition and have learned consumers want a choice when it comes to their energy service providers.”

The planned expansion also includes SaveOn entering into the natural gas arena.

SaveOn’s web-based model lets customers “shop, compare and save” on competitive energy prices the same way Travelocity and Expedia offer price comparisons to travelers.

“Our experience has shown that it’s important for customers to have simple ways to evaluate their energy options in order to encourage choice and create a successful competitive market,” said Phil Tonge, president of operations for Direct Energy.

Direct Energy has partnered with SaveOn in Texas and Tonge said he looks forward to SaveOn’s movement into other areas as an expansion of their overall relationship.

Maine PUC’s shopping for power for bigger accounts

The Maine PUC issued RFPs Monday for retail standard service for medium and large C&I’s.

The service would be for customers in the Central Maine Power and Bangor Hydro-Electric territories for three or six month terms starting in September.

Now about 55% of medium C&I load and 5% of large in the two territories get their load from SOS.

“The PUC is hopeful that the bid process will be competitive, ensuring that Maine’s businesses get the best price possible for their electricity,” said Commission Chairman Kurt Adams.

The two firms serve over half a million customers in southern Maine and about 114,000 in the central part of the state.

Retail sales to CMP medium and

large C&I customers last year were about 4.9 million mwh with current rates at 8.68¢/kwh and 9.25¢ respectively.

For BHE medium and large C&I, 2006 sales were about 860,000 mwh with rates at 8.81¢/kwh and 10.31¢ respectively.

SOS is the only type of default service in Maine and is offered directly by providers to customers at retail.

ISO New England takes uncharacteristic neutral stance on Ivenergy complaint

ISO New England isn’t taking a position on whether FERC should approve a recent complaint by Ivenergy Thermal.

Ivenergy wanted FERC to allow a peaking plant it’s building to take part in the forward capacity market (FCM) but the ISO was denied when it missed a deadline for a deposit ([RT, 6/5](#)).

Normally the ISO would ask

FERC to rule against the firm but since this is the first run of its FCM, it’s open to the commission’s will.

But the ISO doesn’t want any FERC ruling to set a precedent and explained that any ruling should apply to the specific and unique facts of the individual case.

The deposit due date was filed with the FCM rules that came out of a lengthy stakeholder process -- and they were

unambiguous on the date, the ISO noted.

Strict enforcement of rules and deadlines is of critical importance to the orderly and fair administration of markets by the ISO.

ISO staff told Ivenergy its tariff forbade letting the firm use its project due to the late deposit, alleged Ivenergy.

The ISO denies that.

Poll finds Tennesseans want wind power

By a 12-1 margin, Tennesseans support added use of wind energy.

So said a poll of 1,047 registered voters by Telephone Strategies Group June 5 and 6.

“This poll clearly indicates the people of Tennessee support wind

energy and they see it as a viable way to help the state access energy and reduce pollution,” said Karl Eiermann, a manager of the Buffalo Mountain Wind Energy center.

Buffalo Mountain has an interest in the poll results, having generated 133

million kwh of power over the last 2 ½ years.

The poll results include:

- Added wind power won 74.5% support with 6.2% against and 19.3% undecided;
- Just over 78% of those polled said

they were aware the state ranks near the bottom of states that produce power from wind, and

- Among those with an opinion, 82.2% believe wind energy is a viable source of pollution-free power.

The poll results countered the stance of US Sen Lamar Alexander who criticized wind energy nationwide, said Jaimey Sexton, president of TSG, the mid-west based polling firm.

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