

Restructuring Today



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Will California PUC weigh MRTU's affect on dynamic pricing?

As the California PUC considers how to set up dynamic pricing tariffs for its utilities, it should consider changes afoot in its wholesale and retail markets, said some who filed with the commission yesterday.

The California ISO is still starting up its Market Redesign and Technology Update (MRTU) program -- that will drastically change the way prices are reported, Pacific Gas & Electric noted.

Even if the parties decide to go ahead with dynamic pricing as it stands now, they'll still have to change

it once the MRTU is up and running, the utility added.

Meanwhile the PUC is looking into whether or not it should lift the suspension on direct access, said the Alliance for Retail Energy Markets and the Direct Access Customer Coalition.

PG&E agreed with the two pro-retail groups that widening the roles of direct access customers would have an affect on dynamic pricing.

Since shoppers won't be drawing power from utility generation, should their level of participation differ from customers who stay with the incumbent,

both groups asked in filings.

AREM and the Direct Access Customer Coalition asked why rate structure choice should be offered to those staying with utilities.

The PUC is peering into dynamic pricing via a rate case put up by PG&E -- and is requesting other utilities pay attention so they can set up the system in their own territory.

But PG&E would rather see these "legislative" issues get their own hearing in a separate docket from their rate issues since it could serve to muddle both.

TXU tells stockholders it'll break up if deal falls through

TXU will be forced to break up if its proposed merger doesn't go through, the utility told investors ahead of its scheduled Sept 7 shareholder meeting.

Market, legislative and regulatory challenges could undermine the integrated business model.

TXU is Oncor Electric Delivery, Luminant and TXU Energy.

Kohlberg Kravis Roberts and Texas Pacific Group have put up \$45 billion for the deal, a 25% premium that other options can't

match, TXU said in a filing with the Securities and Exchange Commission.

But the recent downturn in the credit market could spoil the deal since it relies on loans for most of the \$45 billion.

The Texas legislature floated ideas to break up the firm or limit Luminant's generation and the PUC could continue to intervene in TXU Energy's retail business.

Since making the offer, dealing with the government is the buyers' responsibility.

None of the legislative proposals aimed at TXU passed last session.

Luminant faces potential carbon regulations, rising costs and new generation from competitors making it less valuable.

TXU Energy has its own problems with aggressive competitors determined to peel away customers and higher commodity prices -- making turning a profit harder to do.

If shareholders and various government agencies approve the buyout, the new private owners would have to deal with all these problems going forward while stock owners would get a premium.

FERC proposes some NERC transmission standards

FERC is proposing three reliability standards that were drawn up by NERC to force transmission operators to use consistent ways to find out the operating limits of their grids.

FERC tentatively approved 83 standards at its March meeting but sent

NERC back to the drawing board on several of them ([RT, 3/16](#)).

The standards come from the Energy Policy Act of 2005 and were included in response to the cascading blackouts of 2003.

"It is important to ensure that

critical areas identified as causes of the August 2003 and other previous major blackouts are appropriately assigned as potential risks to the reliability of the Bulk-Power system," FERC wrote in a NOPR on the proposed standards.

The three standards are system

operating limits methodology for the planning horizon and for the operations horizon and to establish and communicate system operating limits.

The proposal includes the chance for regional differences in the Western Interconnection that will set up more stringent requirements and model

different contingencies.

FERC wants to make sure that the interconnection is open about its process of making its own rules.

Post rate-cap rate hikes drive shopping web service to Maryland

Recent power rate hikes in Maryland ([RT, 5/25](#)) helped open the door for Texas-based marketer SaveOn Energy to step in and give customers another option.

“Maryland was on the top of the list for that very reason,” SaveOn CEO Brent Moore told us Tuesday of his firm’s expansion into new markets.

SaveOn is moving into Connecticut, Georgia, Indiana, Massachusetts and Michigan, too.

The firm’s expansion started earlier this summer ([RT, 6/12](#)) when it announced plans to offer its web-based service for residential and business markets in New York, New Jersey, Ohio and Illinois.

The latest expansion will be directed toward residential customers only during initial roll out and may add C&I later.

“With the success of launching our service in the first four states, the company’s goal continues to be aggressive expansion while becoming the leading internet-based site in every deregulated market,” said Moore.

“We know customers want choices when it comes to their energy service providers.

“SaveOnEnergy.com aims to be the leading clearinghouse connecting customers to the energy companies competing for their business.”

The online firm provides power shopping in a way similar to travel websites such as Travelocity and Expedia.

Direct Energy is one of SaveOn’s providers, and representatives of the energy provider said they see a benefit of working with the web-based

shopping center.

“SaveOnEnergy.com’s services help make a consumer’s ability to choose a competitive energy supplier more efficient,” letting them “take advantage of a key benefit of energy competition -- the ability to gain more control over their energy costs,” said Direct Energy Vice President Mike Beck.

SaveOn’s “web-based convenience supports Direct Energy’s philosophy of being a simple and friendly retailer for consumers who are looking to take advantage of their ability to choose.

“It is also an excellent example of how competitive markets foster innovation.”

SaveOn will continue their expansion -- with the where and how led by the best way to provide a balance of natural gas and power, said Moore.

Connecticut utilities sign up 13,000 power-saving customers

More than 13,000 Connecticut utility customers enrolled in the first month of the 2007 Summer Saver Rewards Program.

That’s 10,011 Connecticut Power & Light and 3,102 United Illuminating customers that signed up.

“These enrollment numbers are encouraging,” said Governor Jodi Rell, R.

“The program provides

customers with incentives to save and clearly that is a message that consumers appreciate.”

Under the program, ratepayers whose power use between July 1 and Sept 30, 2007 is at least 10% less than what the same customer used during that period in 2006, will get a 10% credit for the generation portion of their bills.

Customers may also be able to earn credits of 15% or 20%.

The program is run by the state Department of Public Utility Control and its goal is to get customers to cut use during the peak summer season and reward them for helping to cut grid congestion, said state officials.

A new wave of enrollment is expected in the next few weeks with a direct mail campaign directed to all CL&P and UI customers.

Avista asks for second fuel surcharge on period that got one

Customers of Avista Utilities in Idaho could see a 1.5% rise on their power bills to cover what the firm called “extraordinary” power supply costs.

This comes just a month after getting approval for another fuel surcharge covering the same period.

The newest surcharge would result in bills bumping up by about \$1.04/month for the average customer using 1,000 kwh.

The surcharge varies year to year to account for changing fuel prices, hydroelectric conditions and wholesale market prices.

Most of the firm’s expenses to acquire power supply are included in base rates.

However, during years when water conditions are low and the utility’s hydroelectric generation is short -- or in years where fuel expenses for natural

gas plants are higher than expected, the firm incurs more power supply expense than expected.

To recover the extra costs, the firm is using a method recently approved by the PUC called the Power Cost Adjustment (PCA).

Under the PCA, Avista can recover “prudently incurred expenses” through a one-year surcharge added to base rates.

This PCA streamlines the process

for the utility in asking for and getting the raises they seek.

On paper this process works equally for consumers and Avista because if power supply costs are lower than expected, customers are also permitted a PCA credit subtracted from rates.

The PUC approved a 2.45% surcharge (RT, 7/11) to apply for Avista's customers for power costs.

That surcharge comes in at an average of \$1.63/month.

If the new surcharge is approved the average increase could come in at about \$2.67/month.

Avista claims its annual power supply costs grew to about \$4.6 million more than the \$5 million raised in the existing PCA surcharge.

If approved, the PCA becomes effective Oct 1 and expires Sept 30,

2008.

The PCA surcharge doesn't go towards the firm's bottom line. Instead it's held in a separate account and passed on to the wholesale fuel providers.

If all the money collected isn't needed to pay for supply costs it has to be refunded to ratepayers in the form of a rate credit, said a commission spokesperson.

Utilities team up on Rocky Mountain, Southwest transmission plans

Three utilities in the next six months plan to look at expanding transmission throughout the Rocky Mountain and Desert Southwest regions.

Arizona Public Service, PacifiCorp, National Grid and the Wyoming Infrastructure Authority reached a deal -- announced Tuesday -- to work together on preliminary development of transmission in the region.

The agreement builds on PacifiCorp's announcements in May that it would build over 1,200 miles of 500 v transmission lines by 2014.

One segment of that proposed project, a southern line from eastern Wyoming into Utah and on to the Desert Southwest, has things in common with a project proposed in October 2005 by APS.

At that time, APS revealed plans to explore the TransWest Express Project's feasibility of building electric transmission lines from Wyoming to Arizona to meet its customers' long-term growth needs.

APS signed a memorandum of understanding in March 2006 -- with the WIA and National Grid -- to

collaborate on the study.

APS in December 2006 completed a feasibility report that showed TWE potentially creates significant benefits for its customers.

In the interim agreement, the four parties agree to work together on initial activities during the next six months to co-develop these projects, with a decision on next steps to be made in 2008.

National grid will act as the lead developer on the project with the other firms and municipal body giving support.

6 stories in 2 minutes

Gas contract slips

a few cents: The NYMEX September natural gas contract saw Monday morning highs on supportive weather but ended up slipping by the end of the day as climate worries were quelled, analyst Jackson Mueller reported. The contract settled down 2.6¢ to \$6.749, after reaching a high of \$7.127 earlier in the day. Those fears of hurricanes came back in full force yesterday as Tropical Storm Dean changed course, heading more towards the Gulf of Mexico. The contract moved above \$7 midday on the news but the storm could still shift away from the Gulf before it makes landfall this weekend.

SPP hits peak record: The Southwest Power Pool can be added to the long list of entities that set a demand record early this month. The relatively new

RTO saw a peak of 43,022 mw Monday, beating its record from last July of 42,226. SPP's smaller market-footprint also saw a new all-time peak of 35,761 mw. The RTO doesn't expect to face any reliability concerns and emergency conditions are considered unlikely.

World Energy Solutions

signs with Connecticut: The firm signed a five-year contract to help the state acquire energy through the World Energy reverse auction. The Connecticut deal marks the third state award this year and sixth overall out of the 11 states that have viable competitive power markets, said World Energy CEO Richard Domaleski Tuesday.

Texas builder commits

to efficient homes: One of the Dallas area's largest construction firms, McGuyer Homes announced

plans for all new buildings it puts up to be energy efficient. The firm will adhere to the Home Builder Assn's Green Built North Texas program. The program calls for homes to be built with Energy Star standards making them 15% more efficient than traditional homes. Texas leads the nation in Energy Star homes with 60,000 of the 200,000 from around the country.

SunEdison opens 3rd

California office: The solar firm is expanding its presence in California by opening up a third office and tacking on some 90 employees. A new office in Ontario -- East of Los Angeles, about half way to San Bernadino -- is taking advantage of what the firm called the most renewable-friendly state in the country. SunEdison sells solar power wholesale, building commercial

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6 stories in 2 minutes

From page three

plants and making deals for the power with retailers and public utilities.

UNH swaps methane

for land fill gas: The University of New Hampshire decided to power its campus with renewable landfill gas. The biomass will replace natural gas as the primary fuel at the university's cogeneration plant. The switch could happen by the end of 2008 and cost about \$45 million. The program was undertaken after reviewing skyrocketing energy costs that now eat nearly 19% of the university's budget. The project also is expected to cut CO2 emission by about 67% below 2005 levels.

Early bird registration discount

ends today – don't miss out! Join *Restructuring Today*, your colleagues, Richard Hudson from the Retail Energy Suppliers Assn, John Hanger of Penn Future, Doug Biden of EPGA, David Kleppinger from the Industrial Energy Consumers and Gibson Armstrong of American Powernet on Sept 14 for a discussion about what to expect from Pennsylvania Gov Rendell's upcoming energy-only legislative session. See last page of this issue for details.

Tell us what you think. We want to hear from you. Send your comments, questions and suggestions about today's RT to editor@restructuringtoday.com.

Abbreviations: To see a glossary of RT's abbreviations, go to www.restructuringtoday.com/about/glossary.html.

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Thinking of operating in Pennsylvania?

What to expect from Pennsylvania's special energy session

A live audio event presented by *Restructuring Today*
Sept 14, 12:00 PM – 1:30 PM EDT

Pennsylvania Gov Ed Rendell has been friendly towards energy markets but has warned too that if he doesn't get his program through he may favor continuing caps on markets rather than let prices go wild. Meanwhile the Energy Information Administration sees the need to invest \$400 billion by 2030 yet the industry is skittish about investing where the rules may be changed -- especially in the time of global warming.

Join us, your colleagues and these important members of the Harrisburg community on Sept 14 for a discussion about what to expect from Rendell's upcoming legislative session:

- **Richard Hudson** is a marketer who'll speak for the Retail Energy Suppliers Assn (RESA). He's this year's state chairman and an official of Strategic Energy;
- **John Hanger** is a former member of the state regulatory commission and founder of Penn Future, an environmental advocacy group that favors competition;
- **Doug Biden** speaks for generators (Electric Power Generation Assn). They have a lot at stake in preserving markets;
- **David Kleppinger** is spokesman for Industrial Energy Consumers of Pennsylvania and for the PJM Industrial Customer Coalition, and
- **Gibson Armstrong** is vice president of energy management with American Powernet and a former member of Pennsylvania's House of Representatives.



YES, please sign me up for
What to expect from Pennsylvania's special energy session audio event
on Sept 14, 12:00 - 1:30 EDT.

Register by Aug 15 and save \$25!

Registration options:

- \$125 Live participation (Reg \$150)
- \$150 Audio CD
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An audio CD of this event will be available for paid registrants that can't attend. If you attend the live conference and are not satisfied, you'll receive a full refund.

To register, visit www.restructuringtoday.com/conferences/pa-reg.html, call 800-486-8201 (202-298-8201), fax (202-298-8210) or mail this form to **GHI**, 4418 MacArthur Blvd, NW, Suite 202, Washington, DC 20007-2500.

Meet the panel:

Richard Hudson is the manager of regulatory and government affairs for Strategic Energy. Hudson has closely tracked the legislative proposals presented as part of Gov Rendell's energy independence strategy. Hudson also serves as the Pennsylvania chair of the Retail Energy Supplier Association. Both Strategic Energy and RESA support the development of robust competitive retail markets for electricity as the best way to deliver efficient pricing and provide businesses and consumers with products and services that meet their needs.

John Hanger is president and CEO of PennFuture. PennFuture serves as a watchdog of state government to enforce existing environmental laws and to transform markets in order to conserve Pennsylvania's natural resources. Hanger was a Commissioner with the Pennsylvania PUC from 1993 to 1998. He advocated for policies that allow consumers to choose their electric, gas and telephone companies, for policies that assist low-income families and those that benefit the environment, such as net metering, energy conservation and renewable energy.

Doug Biden became the first full-time president of the Electric Power Generation Association (EPGA) in 2000. EPGA is a regional trade association of electric generating companies with headquarters in Harrisburg, Pa. Biden had been the staff economist, director of environmental affairs and secretary treasurer for the Pennsylvania Electric Association. He has published numerous papers on environmental and economic issues affecting the electric generation industry.

David Kleppinger is the managing attorney of McNees, Wallace & Nurick and chairs the management committee. He is a member of the energy, communications and utility law practice group. Kleppinger primarily represents large commercial and industrial consumers of fixed utility services including electricity, natural gas, water/wastewater, communications and the providers of these services. He led legislative and regulatory initiatives to restructure these industries for customer benefit.

Gibson Armstrong is vice president of energy management with American Powernet. He is responsible for maintaining communication with clients and prospective clients and developing innovative new products and services. He is a former member of Pennsylvania's House of Representatives. As chairman of the House Renewable Energy Caucus he was a strong advocate for clean energy alternatives and played a key role passing the state's Advanced Energy Portfolio Standard law.