

Restructuring Today



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Thursday June 9 2005

3 firms link to clear trade in energy markets

You may remember North American Energy Credit & Clearing (NECC) dedicated to creating a clearing solution for physical energy markets (*RT, 5/7/04*).

They've linked up with the Clearing Corp (CCorp) and IntercontinentalExchange (ICE) to launch a physical clearing service for energy markets.

They cleared their first power contract Friday delivered in ERCOT.

The trade was executed using ICE's electronic platform and transmitted to NECC to be cleared, using a solution that combines CCorp's clearing technology and processing services with NECC settlement and scheduling methodology.

As George Sladoje, NECC chairman, sees it that was the first time

in the US physical energy market participants had a chance to clear — and thus credit protect — their power and natural gas positions through delivery.

A big result is that this arrangement promises to free up significant amounts of cash now needed as collateral to separately support forward and physical delivery positions.

That should enhance overall market efficiency and liquidity especially in power markets."

"We are excited about the potential to use NECC's physical clearing to reduce our collateral requirements and expand our access to counterparties in Texas and other markets," said Sean O'Neal, merchant energy director at Calpine.

QUOTE OF THE DAY:

Our electricity transmission system is the weakest link in our electric supply system ... Construction of high-voltage transmission facilities is expected to increase only 6% in line miles over the next decade while electricity demand is projected to increase by 20% ... This is contributing to billions of dollars in increased costs for customers because of transmission congestion and curtailment of otherwise economic transactions. Significant transmission constraints limit access to competing electric resources and impede the realization of competitive benefits for customers.

FERC Chairman Pat Wood in testimony before the House Government Reform Subcommittee on Energy & Resources. The administration's goal is to create the power grid's equivalent of the US interstate highway system.

Free markets lose ALJ decision in NY markets war

Despite pleas by National Fuel Gas and the Small Customer Marketer Coalition, a New York ALJ has backed the right of two Energy East subsidiaries to comment and take part in discussions on NFG's retail market plans.

RG&E and NYSEG share some customers with NFG by serving power in some of NFG's LDC territory.

Energy East's Rochester Gas & Electric and New York State Electric & Gas didn't hide their distaste for shopping-boosting programs the PSC had endorsed in its Retail Markets Policy Statement last year.

The utilities oppose Orange & Rockland Utilities' PowerSwitch

program that boosted small customer shopping far ahead of other New York utilities.

PowerSwitch clones are on the drawing board at other utilities — including Consolidated Edison, NFG and Niagara Mohawk.

RG&E and NYSEG intervened in the NFG case because they fear NFG's plans for capacity release, eliminating subsidies and rate unbundling would set precedents other utilities would have to follow.

Regulators might push for similar programs at the Energy East utilities, they reported, since it would avoid customer confusion.

ALJ Elizabeth Liebschutz let RG&E and NYSEG intervene — a ruling no one objected to.

That changed when the two utilities opposed a settlement put together by other parties that wanted to participate in NFG's collaborative to design market-friendly programs.

NFG then asked Liebschutz to throw out Energy East's comments and bar them from the collaborative — a request the SCMC supported.

Liebschutz refused to do that, finding that throwing the utilities out of the case was "unduly harsh and unnecessary."

The commission is free to consider Energy East's objections to programs such as NFG's proposed discounted retail access transportation service program and mass migration pilot, Liebschutz ruled.

Baltimore-Washington shopping gets lively

Baltimore Gas & Electric and Washington Gas (District of Columbia suburbs) host Maryland's liveliest shopping where close to 140,000 of 980,000 customers were shopping in February.

BG&E customers have the most marketer offers to choose from — Washington Gas Energy Services, Econnergy Energy, MXEnergy, ACN/Commerce Energy and BGE Home —

with nine serving residential customers.

Prices to beat at the LDCs can vary every month, with what looks like plenty of headroom.

Much smaller Columbia Gas has only one active residential marketer — MXEnergy offering three-year deals at a price now higher than Columbia's quarterly price to beat.

Two other LDCs — Chesapeake Utilities and Elkton Gas — don't allow residential

shopping but Chesapeake has healthy C&I shopping.

Nearly half of those customers switched to marketers even though two marketers serve the market.

C&Is taking interruptible service still are the keenest shoppers — particularly at BG&E and Washington Gas, though shopping has heated up at Columbia Gas where nine marketers are chasing business.

Maryland Gas Shopping in February

	Residential Shoppers	C&I Shoppers	Daily-metered & Interruptible	Total
Baltimore G&E	11.2%	17.5%	90.8%	11.7%
Chesapeake Utilities*	NA	45.5%	4.0%	27.6%
Columbia Gas	3.9%	0.4%	77.7%	3.9%
NUI Elkton Gas*	NA	0.0%	0.0%	0.0%
Washington Gas	18.6%	39.3%	100.0%	20.2%
Total	18.8%	25.1%	86.3%	14.7%
Annual Volumes Served by Marketers				
Baltimore G&E	12.6%	51.6%	99.6%	50.6%
Chesapeake Utilities	NA	58.2%	6.9%	26.1%
Columbia Gas	5.6%	0.3%	99.2%	41.2%
NUI Elkton Gas	NA	0.0%	0.0%	0.0%
Washington Gas**	21.7%	65.6%	99.8%	48.8%
Total	16.2%	55.9%	97.6%	49.3%

Source: Maryland PSC

*Chesapeake and NUI residential customers not eligible for choice.

**Includes balancing gas

Source: Maryland PSC

7 stories in 4 minutes

Continued on page three

Calif ISO comes

to Washington: Yakout Mansour, ISO CEO, came to Washington yesterday to underscore the ISO's warming relationship with FERC. He sees an unprecedented improvement in the working relationship of the two and that promises constructive approaches to working together as the ISO puts the crisis behind it. Mansour is launching a long-term transmission plan to search for the most congested areas get them fixed. He hopes to get the market redesign

complete by February but finding a consensus is "a tough task."

Tariff OKd where

generation is boosted: A Detroit Edison tariff, Rider 13, that lets the utility pay DG customers when they generate power at the utility's request is now permanent. The tariff had expired three years ago but Detroit Ed asked the PSC to renew it and make it permanent since it benefits all customers and the DG owners. Making the tariff permanent gives strong incentive to building DG, the IOU

reported. The PSC OKd making Rider 12 permanent. It lets the utility pay large customers for short-notice cuts in energy use. The new permanent version lets Detroit Ed negotiate with individual clients rather than having customers bid a ¢/kwh price such as the Wisconsin Public Service demand-management program OKd by the PSC this week (RT, 6/8).

3 elected to

CAEM board: Named to the board were Frank Lacey, president of

From page two

7 stories in 4 minutes

Starlight Energy; James Hoecker, former FERC chair and now attorney with Vincent & Elkins, and David Svanda, former Michigan regulator and president of NARUC, now with Svanda Consulting. CAEM hired Gary Clouser as executive director.

Energy bill may reach Senate floor

Monday evening with finance provisions still to be marked up next week and added as an amendment. Whatever the full Senate comes up with still has to be aligned with the House bill.

ComEd reliability

is way up: Commonwealth Edison

has a 15% power reserve even with the system peaking at 22,700 mw, President Frank Clark told a Chicago city council committee this week. That's 15% higher than last summer's peak, Clark said. ComEd (Exelon) invested \$3 billion in reliability improvements since the dark days of 2001 and cut outages and their durations, the IOU told local leaders.

NY PSC sets green

power meeting: The PSC called a meeting for June 22 in New York City on planning green-power programs at Consolidated Edison. It's part of the unfinished business of ConEd's recent marketer-friendly rate case that included provisions to encourage shopping. The meeting will focus on ways ConEd and marketers can support green-power buying, including having the IOU refer

interested customers to green marketers. Sign up by emailing shirley_rabideau@dps.state.ny.us.

SJ Gas would hike

price to beat: South Jersey Gas (SJI Industries) asked New Jersey regulators for a bump up in its gas price-to-beat that would cost residential customers about \$5.88/month. It can halve that, it said, if the Board of Public Utilities OKs a package of cost-saving plans that pass on to customers some of its portfolio-management savings. SJG has 315,000 customers and the highest shopping rates in the state. SJG passed along to customers \$131 worth of bill credits in the past 15 months, it said, from good management of its storage and pipeline assets.

Southern turns to price in Atlanta gas market

Southern Co Gas beat its competitors in Atlanta Gas Light's open market with an 81.9¢/therm variable offer this month.

The offer is good through July 5 and beats closest competitor Walton EMC Natural Gas by over 4¢.

New customers pay a \$5.95/month service charge or \$12.95 if they have low credit scores compared with \$5.75/month at Walton.

Gas prices came down a bit this month, ranging 81.9-98.9¢/therm

compared with 92.9¢-\$1.06/therm last month for the commodity only.

Customers pay monthly flat fees too with one marketer, ACN/Commerce Energy, charging for capacity and balancing.

The two electric membership corporations (co-ops) Walton and Coweta-Fayette have the best deals on fixed contracts this month with Walton offering the best 12-month deal at 96.9¢/therm and Coweta-Fayette lowest among longer or shorter-term deals at

91.9¢ for six months.

Infinite Energy's \$1.069/therm is the highest 12-month price.

Senior citizens can choose among eight marketer plans — fixed and variable — or the regulated-provider option at 80.98¢ or 98.48¢/therm depending on their credit scores.

Georgia once had one provider with one plan — incumbent AGL — but today customers can choose from 33 marketer offers, not including the regulated provider and senior citizen plans.

Biden assures Pa PUC of 26% reserve capacity

Power generators, utilities and officials of two ISOs assured Pennsylvania regulators they could meet peak load with margin to spare this summer — despite PJM's forecast of a peak at 132,983 mw — up 12,615 mw from last year and 12,500 mw higher than its all time peak in summer 2002 before Dominion Virginia Power joined its system.

Yet Pennsylvania has a 26.5% reserve margin, PJM said.

PJM retired more mw than it hooked up since last year but still can count on 165,640 mw of installed capacity.

The system can call for demand cuts of 1,479 mw at 4,299 sites to maintain reliability and 1,940 mw at 2,026 through various economic incentive plans.

The Midwest ISO has a slimmer but still generous margin of 19.4% at peak demand forecast to be 132,000 mw this summer and 161,000 mw of resources.

The cloud on the horizon is 50 PJM coal-fired units — nearly three dozen in Pennsylvania — that can't be economically upgraded to meet clean

air standards, noted Doug Biden, president of the Electric Power Generation Assn.

That's over 4,000 mw in Pennsylvania alone that could be forced into retirement since the 50+-year-old plants can't make up their upgrade costs in a PJM capacity market that collapsed, Biden noted.

Margins would narrow more if tougher SOx, NOx and mercury emissions standards are adopted, Biden added, compounded by a loss of fuel diversity.

New York PSC orders real-time meters at LDC

Central Hudson Gas & Electric is one of the last New York LDCs to put in meters that aid reliability by giving the utility a better real-time fix on whether gas put into its system equals what customers are taking out.

New York regulators lost patience with delays in putting in real-time meters for large customers at Central Hudson and ordered the LDC to put in the meters so it could start daily balancing for its largest customers.

It's not a problem for customers who buy through a retail marketer but does pop up when large customers buy at wholesale.

The utility held off on putting in the meters while it shopped around but that delayed daily balancing that the PSC encourages.

Daily balancing offers system reliability plus better data on the cost to serve large customers including interruptible ones who get cheaper rates in exchange for being able to cut their gas use on command.

Without the interval meters, Central Hudson can't verify that interruptible customers stopped using gas without manual meter reads just before and just after it orders them to stop.

The danger is other customers end up subsidizing those lower rates without accurate data.

LDC customers whose suppliers over- or under-deliver gas would pay penalties if their daily balance is off by 10% or more — and penalties reflect the size of the imbalance. The PSC wants comments on the proposed penalties by Aug 8.

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.

Restructuring Today (ISSN 1527324) is published 247 times a year on business days by **ghi llc** at 4418 MacArthur Boulevard, Washington DC 20007. Phone 800-486-8201 or 202-298-8201 and fax to 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 intranet site for others to see. George Spencer, editor& publisher; Joan Henderson, managing editor; Season Hawksley, marketing director.

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Live Interactive Audio Conference

Jim Baller: Report from the war for muni broadband

Leading municipal broadband advocate **Jim Baller, a principal of the Baller Herbst Law Group**, is at last able to report — now that state legislative sessions are closing — on this year's battles to defend the rights of municipalities to provide or facilitate providing broadband.

Join *BPL Today* on June 27 from 12:00 - 1:00 Eastern to hear his report and ask him your own questions about the war for muni broadband.

See the last page of this issue for details.

Jim Baller: Report from the War for Muni Broadband

Audio Conference with Live Q&A • June 27, 2005, 12:00 - 1:00 Eastern • Don't miss early registration discount!

Leading municipal broadband advocate **Jim Baller, a principal of the Baller Herbst Law Group**, is at last able to report — now that state legislative sessions are closing — on this year's battles to defend the rights of municipalities to provide or facilitate providing broadband.

This epic battle was fueled when a large number of municipalities of all sizes announced plans to explore the possibility of offering fiber-to-the-home or WiFi broadband service and was intensified by ILEC Verizon's success in winning a right-of-first-refusal over muni broadband in Pennsylvania.

Broadband incumbents got legislators in over a dozen states to try to erect similar roadblocks around the US while Baller and many other organizations and individuals worked together to stop them.

The outcome of these battles not only directly affects localities that wish to offer broadband to their residents and businesses — by any variety of technologies including BPL, optical fiber, wireless and others — but may set the tone for future battles at the federal and state levels.

At **Jim Baller: Report from the War for Muni Broadband** join us for answers to these and other key questions:

Your questions answered:

- Did Baller and other defenders of muni broadband win the day? If so where and what were the pivotal issues?
- Where did incumbents find success?
- What did Baller learn and what can munis and others take away from the events of 2005?
- What's likely to happen now and how is the outcome of the 2005 war for muni broadband likely to affect the future?
- **Live Q&A session:** Join *BPL Today* Editor Sam Spencer to ask Jim Baller your own specific questions by phone or email.

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- **Hurry — discount ends June 20!** Registration is just \$150 US/phone. Hurry though — the price goes up to \$175 US on June 21.

BPL Today's Jim Baller: Report from the War for Muni Broadband Audio Conference -- Hurry: Price goes up \$25 on June 21, 2005!

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