

Restructuring Today



1-800-486-8201

Tuesday January 13 2004

What happens when state employees decide for customers?

Are customers, utilities and regulators reading off the same page when it comes to the quality of customer service?

Navigant Consulting, in a study for the Center for the Advancement of Energy Markets (CAEM), found a “troubling gap” between regulators from utilities and their customers on what constitutes good service, said Peter Shaw, a Navigant director.

Regulators concentrate on measurable improvements — such as shortening the time customers spend on hold — while customers are more concerned about who they talk to and the response they get when their calls are picked up, Shaw explained.

Penalizing utilities “for occasional non-compliance with answer call-time targets tends to send a message that utilities should focus on meeting speed targets over high-quality interactions,” Shaw added.

Service quality is up, utilities told Navigant, pointing to expanded service options, new self-service features and customer satisfaction research.

Yet regulators see quality declining and blame utility cost cutting as the culprit, Navigant found.

Those self-service applications seem to regulators as compromising customer service.

Utilities find regulators don’t take into consideration their costs of meeting new quality standards and think inflexible measures “ignore the dynamic nature of utility customer demands,” Navigant learned.

Customer service quality (CSQ) measures fall into four categories — call center, billing, meter reading and voice of the customer — but commissioners don’t

always agree how they should be measured, Navigant found.

Commissions may apply standards statewide or to individual utilities and nationwide standards fail to appreciate regional variations, differences in customer and regulator expectations, cost alignment and flexibility, Navigant concluded.

Efforts to standardize nationwide — such as NARUC’s effort to create a Call Center Answer Time Model Rule — are problematic for the same reasons.

BOTTOMLINE: *When markets are open and power marketers are regulated by the discipline of the marketplace the public will be free to walk away from poor service and customers won’t need third-party regulators to determine for them how suppliers should behave. Meanwhile we’re stuck with this.*

Calif PUC breaks with FERC on SMA’s efficacy

The supply margin assessment (SMA) screen and alternatives proposed by FERC staff do not reflect advances in power markets, the California PUC told the commission in comments for the agency’s two-day conference starting today.

SMA and its proposed variations are “relatively static snapshots of market conditions and do not track real-time shifts in market power,” the PUC argues.

Active or passive collusion are not taken into account either, the PUC added. “If collusive behavior among market

participants is not screened for, confidence in and proper functioning of energy markets will always be impaired, the PUC predicted.

The PUC wants “a constantly changing real-time screen with thresholds low enough to actively discourage the abuse of market power.

Mitigation measures applied after the fact to only the largest market participants, the PUC contended, will not protect consumers or the integrity of constantly evolving power markets.

Advocates favor unregulated telecom in Lone Star State

The Texas telecom market should be deregulated, the Progress & Freedom Foundation (P&FF) suggested in a study.

“The telecommunications market in Texas is fully competitive, or at least contestable” and is geared towards protecting the welfare of the consumer, said the study’s authors, Raymond Gifford, P&FF president, and Adam Peters, regulatory counsel.

NEMA cites flaws in NY PSC gas, power bills

A new format proposed by the PSC for gas and electric bills (RT, 12/12) was intended to avoid confusion.

But in NEMA’s view it dampens price signals the PSC had intended to stress.

The result, said NEMA, will baffle customers.

Bills need to identify and emphasize the price to beat, the marketer group advised, and be clear on other services such as metering that customers may now or soon be able to shop for.

Power bills should unbundle products as they are unbundled in the market, NEMA urged, with separate sections for:

- Supply, including risk management, purchased power, ancillary services and other New York ISO charges and production;
- Meter service providers, including

installation, maintenance, testing and removal;

- Meter ownership, and
- Billing and payment processing.

Gas bills should break out supply, storage and billing and payment processes, said NEMA, to provide customers separate prices for items they can shop for.

That kind of information would encourage vendors to launch new products since customers would understand what they are paying for.

The proposed bill format doesn’t even explain the state’s back-out credit for customers shopping for energy, NEMA observed, and fails to explain that customers staying with the utility might have to pay true-up charges if market conditions change.

For the group that defended regulated monopoly in the SMD days, the advocates have switched to vigorously urging competition.

The pair want the Texas legislature to “propose a set of more market-oriented principles,” after its sunset review of state agencies with telecom oversight.

P&FF called for a move away from cross-subsidies such as intrastate access fees paid to incumbent phone companies, a shift towards cost-based rates, elimination of tariffs and quality of service regulation, targeting of universal service and POLR funds to high-cost areas with market mechanisms such as reverse auctions and technically neutral regulations that provide equal incentives for market

13 stories in 3 minutes

CLARIFICATION:

Dominion Virginia Power's municipal aggregation pilots are on a different timetable, not "on hold" (RT, 1/9), versus the competitively bid supply pilot that attracted 80,000 volunteers and C&I pilot than lured 2,000.

Ariz regulators set

two conferences: An Arizona Corporation Commission (ACC) workshop Thursday on DSM will look at criteria to apply in finding the best DSM opportunities, cost effectiveness, the three best opportunities in each customer class and potential DSM savings and cost numbers. The meeting is 1-5 pm at the ACC office in Phoenix (www.cc.state.az.us). A workshop on reliability must run generators is 9-3 pm the same day at the Salt River Project in Tempe. ACC staff is to report on its study of constrained areas.

El Paso to lump

upstream with down: El Paso Corp picked Lisa Stewart, now executive vice president for business development at Apache to run El Paso's production, midstream, power, marketing and petroleum units.

IdaTech gets Koyama: A veteran of fuel cell makers Capstone Turbine and International Fuel Cells, Harol Koyama, is IdaTech's new senior vice president of sales and marketing. Boise-based IdaTech markets fuel-cell systems up to 50 kw, often capable of using several fuels.

Xcel picks DG for

juvenile jail: Xcel Energy is installing a Mariah Energy cogeneration system at a juvenile detention facility in a Minneapolis suburb. The 120/60 Heat PlusPower — 120 kw of heat and 60 kw of electricity — is the first Xcel has installed though it's bought more than a dozen of Mariah's 60/30 systems. The plant uses a Capstone Turbine and Mariah heat-recovery unit to provide domestic hot water for the campus — a good year-round application for cogen, Mariah said.

participants.

That would require "the most dramatic alteration" in Texas wireline rules, as P&FF sees it.

Retail deregulation would speed up CLEC entry into residential areas, the

study predicted, causing dramatically lower long-distance prices if access rates are adjusted accordingly.

The regulatory regime in Texas should be technologically neutral and create equal opportunities, the study added.

Green power pedigree program doubles in '02

Green-e, the voluntary credentials program for renewable energy run by the Center for Resource Solutions, provided twice as many pedigrees for renewable power in 2002 as it did the year before.

Green-e certified more than 1.9 million mwh in 2002 and more than a third of customers buying renewable energy got a Green-e vetted product and 63% was energy produced from new sources — defined as being built after a particular

date that varies by state.

Products bearing the Green-e sold to 147,000 households and businesses, the group's auditor verified, and that's 58% of US green power retail sales.

Business customers accounted for 23% of renewable power sales in 2002, the group found, only 6% of accounts were businesses.

Five retail suppliers, four utilities and

The system is to cut utility bills 25% and improve energy efficiency at the facility that uses 2,300 mwh/year.

Tucson buyers

can pay on line: Tucson Electric Power (TEP) residential and small business customers now can view and pay their bills online on the utility's web site via a system provided by CheckFree. Customers had asked for the new feature, said Steve Glaser, the utility's COO. TEP is Arizona's second largest IOU and has 360,000 customers.

CFTC probes gas

traders: The Commodity Futures Trading Commission (CFTC) has subpoenaed recorded phone conversations of NYMEX gas traders — all companies trading gas — in a probe of possible market manipulation, Syntegra, the company hired to do the recording, has reported. The commission wants records back to Dec 15 when prices hit a 10-month high. The price of gas has risen 48% since Thanksgiving.

S&P looks hard at LNG: Sempra Energy is well placed to emerge as a major player in the US LNG market, Standard & Poor's (S&P) reported. Several companies have proposed LNG facilities, S&P noted, but Sempra's leads them when it comes to getting regulatory approvals and will likely be the first among new LNG projects to supply the US market in late 2006 or early 2007. Sempra is developing Costa Azul in Baja California and the Cameron Project near Lake Charles, La. Sempra's credit ratings could change, S&P noted, because they do not incorporate its LNG business.

Duke aspires to

tight ship: Duke Energy will combine its North American and international operations, the company said yesterday, partly due to the fall in the value of merchant power plants. Duke will sell its power plants in the Southeast, exit the European market, divest its power assets in Australia and take a \$3.3 billion non-cash charge in the fourth quarter. Bobby Evans, Duke Energy North America president is to head up the consolidated unit. Robert Ladd, former Duke Energy North America president has elected to leave the company and his post will be eliminated.

Motorola getting

big pact with China: Motorola's Global Telecom Solutions Sector is expected to announce today that it has been awarded more than \$1 billion in infrastructure contracts with China Communication Corp and China United Telecommunications Corp.

Italy's Enel, EdF

to sign markets pact: The accord provides ENEL access to the French market via buying up to 10% of Electricite de France (EdF) output to sell on the French markets. Enel and EdF would set up a joint venture to take advantage of privatization in eastern Europe. EdF has an 18% interest in Italergeria Bis but the Italian government has frozen its voting shares at 2% to prevent the French from taking advantage of Italy's market because until now EdF has banned competitors from the French market. EdF's status as a government company

Continued

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will change this year, French Prime Minister Jean-Pierre Raffarin confirmed yesterday.

Enron documents

sought by Snohomish: The PUD #1 has asked FERC to compel Enron to release documents related to the agency's probe of the relationship between California ISO and PX spot markets and markets in the Northwest.

Sununu drafts bill to keep US out of

VOIP regulation: Broadband telecom should not be "smothered by state and federal regulators," Sen John Sununu, R-NH, told reporters at the Consumer Electronics Show in Las Vegas on Saturday. Sununu is writing legislation that would provide a "clear, pre-emptive remedy" directing state utility regulators to take a hands-off stance and giving the FCC main authority over VOIP service providers. "Congress must establish pre-eminence of federal authority in this area and provide major direction for any action by the FCC." Utility commissioners in California, New York and Minnesota intend to impose rules on VOIP. The FCC is to act next month on petitions asking that VOIP not be regulated by the feds.

seven marketers of tradeable renewable credits (TRCs) accounted for Green-e sales in California, Texas, Pennsylvania, New Jersey, Connecticut, Maryland, the District of Columbia, Wisconsin, South Carolina and in TVAland in 2002, the audit found.

Four of the TRC marketers sold some of their TRCs to other retailers.

Nearly half of the Green-e products were 100% renewables, five were 50% renewable and one utility offered a 25% renewable product — 32 products in all, with most in the form of kwh blocks, the group reported.

Almost half of the energy certified by Green-e came from wind (922,000 mwh) — all of it qualifying as "new" resources.

(The old wind is still hard to sell).

Geothermal made up one-third of certified renewables while biomass was 16%, small and low impact hydro contributed 3% and solar less than 1% (1,100 mwh).

Growth came in new markets like Texas' competitive market, sales of TRCs and higher sales volumes in California's direct-access market and in open retail markets in the Mid-Atlantic.

New programs offered at monopoly utilities boosted 2002 sales too, Green-e said.

Competitive power markets accounted for the lion's share of Green-e sales — 118,000 of 138,000 residential customers and 8,000-9,000 business customers.

TRCs were sold to some 2,000 residential and 187 C&I buyers and made up almost all wholesale sales.

Utility green pricing programs — a program for utilities that counts renewables only from new sources — had 18,700 residential and 678 business customers in 2002.

Most customers buying Green-e

products are in Texas and California (109,200 accounts) while 16,300 are in the Mid-Atlantic and Connecticut, Green-e explained.

Residential customers average 760 kwh/month of renewable buying, 410 kwh from new sources. Business customers averaged 3,150 kwh/month.

Green marketers using Green-e in 2002 included Green Mountain Energy, Mack Services, Energy Cooperative of Pennsylvania, Pepco Energy Services, Sacramento Municipal Utility District and Commonwealth Energy in California.

TRC products were offered by Bonneville Environmental Foundation, Community Energy, Sterling Planet, Renewable Choice Energy, Aquila, Sun Power Electric and 3 Phases Energy, most of them selling certificates nationwide.

Sales were highest in the West at 43% (most sales were to monopoly utilities), with PJM accounting for 37%, the Midwest 16% and NEPOOL sales at 2%. The Southeast, Texas and New York made up the last 2% of demand.

Energy credits certified by Green-e came from Oklahoma and Kansas (65%), WECC (18%), PJM (15%) and NEPOOL (1%) with less than 1% coming from the Southeast, Midwest and Texas.

Most TRCs were sold to customers in blocks of 150 kwh/month or 100 kwh/month with a minimum purchase of two blocks. Green-e rules require customers to buy at least 150 kwh/month and at least 25% of their total demand.

Residential customers favored blocks of 150-200 kwh/month (65% chose these) with 20% choosing 2,000-kwh blocks and the rest buying a percentage-of-usage option.

Residential TRC customers averaged 360 kwh/month while businesses averaged 30,000 kwh of TRCs.

PECO shopping gains while Pennsylvania sleeps

PECO's obligation to find a low-cost supplier for 20% of its customers under the market share threshold (MST) program nearly trebled shopping in PECOLand late last year, Pennsylvania's consumer advocate reported.

Elsewhere in the state, power shopping is stagnant (see power table).

PECO was obligated when it merged with Unicom to turn over a fifth of its customers to competitive suppliers if marketers weren't serving that share of its customers by January of last year.

Just 6.6% were shopping last summer (RT, 10/6). Commonwealth Energy/ElectricAmerica was awarded 49,172 of PECO's small C&I customers in MST bidding but nearly 20% opted

out of the company's offer that delivered a mere 1.25% in savings. It's Electric & Gas (IE&G) — the name of a company — won 2,000 and US Power & Gas picked up 13,000 in the same auction.

PECO's first RFP found no generators interested in serving the residential but a second round attracted winning bids from Dominion Retail for 250,000 small customers and IE&G of Swarthmore, a Philadelphia suburb, for about 3,000.

MST suppliers get to serve the customers for 12 months.

Dominion Retail's marketing to Duquesne Light customers is the only other shopping bright spot.

The marketer has lured many of the

143,886 customers shopping there as last year ended.

That's down from October.

Residential shopping declined in Duquesne country but commercial shoppers grew by nearly 20% and industrial shopping grew.

In other utility footprints shopping declined even among C&Is.

Sadder still is to compare today's shopping with the competitive market of 2000 when more than half a million Pennsylvanians bought their power from competitors who served 7,487 mw of customer load versus 3,127 mw last month.

Residential gas shopping was up last year in PECO territory but down elsewhere in the state, declining to 7.7%

of residential customers from 10.5% last January (see gas table).

Shopping was higher — 12.3% — in January 2002.

BOTTOMLINE: *What's wrong*

with the Pennsylvania market? The consumer advocate's office. The advocate, Sonny Popowsky, will battle to the death removal of retail price caps and no one has the courage to take him on. Meanwhile few

marketers want to risk selling into a market where the retail price is fixed and the wholesale price can spike through the roof. Will Pennsylvanians figure out that the consumer advocate is their worst enemy? Maybe not.

Pennsylvania Power Shopping — January 2004

	Residential Shoppers		Commercial Shoppers		Industrial Shoppers		Total Shoppers		Oct-04	Jan-03
		%		%		%		%	%	%
Allegheny Power	807	0.1%	88	0.1%	0	0.1%	895	0.1%	0.1%	0.2%
Duquesne Light	131,065	24.9%	12,217	20.5%	604	38.9%	143,886	24.4%	24.9%	25.9%
MetEd/Penelec	2,320	0.2%	131	0.1%	65	1.4%	2,516	0.2%	0.3%	0.3%
PECO Energy*	280,499	20.4%	60,331	39.8%	134	4.3%	340,964	22.2%	9.8%	7.6%
Penn Power	502	0.3%	28	0.1%	0	0.0%	530	30.0%	0.4%	0.4%
PPL	1,692	0.1%	1,504	1.0%	90	1.8%	3,286	1.8%	0.3%	0.4%
UGI	54	0.1%	3	0.0%	0	0.0%	57	0.1%	0.1%	0.1%
Total	226,096		76,928		892		303,716			
Customer load served	mw	%	mw	%	mw	%	mw	%	%	%
Allegheny Power	1.6	0.1%	0.3	0.0%	0	0.0%	1.9	0.1%	0.1%	0.1%
Duquesne Light	291.9	23.4%	722.4	34.2%	195.4	27.3%	1,209.7	29.7%	29.3%	26.9%
MetEd/Penelec	4.0	0.2%	24.0	1.6%	325	29.7%	353.0	7.5%	6.6%	8.1%
PECO Energy*	659.3	21.9%	584.3	24.0%	325	4.6%	1,365.2	16.8%	11.6%	8.3%
Penn Power	2.1	0.3%	0.5	0.1%	0	0.0%	2.6	0.3%	0.7%	0.2%
PPL	5.2	0.1%	101.3	5.2%	87.6	6.5%	194.0	2.8%	3.0%	5.1%
UGI	0.1	NA	0.1	NA	0	NA	0.2	NA		
Total	964.2		1,432.9		729.6		3,126.6			

* includes 26,822 residential customers assigned to Competitive Discount Service (CDS) and 197,188 residential customers on the Market Share Threshold Program (MST). Also includes 45,024 commercial customers on the MST. Not included: 137,380 former CDS customers served by Peco on CDS rate.

Source: Pennsylvania Office of Consumer Advocate

Pennsylvania Residential Gas Shopping — January 2004

	Total	Shoppers	Shopping %	Shopping % Oct 03	Shopping % Year ago
Columbia Gas	344,527	79,694	23.1%	23.6%	25.4%
Dominion Peoples	326,382	89,629	27.5%	27.8%	30.3%
Equitable Gas	238,167	20,627	8.7%	8.8%	9.2%
National Fuel Gas	199,044	0	0.0%	0.0%	0.0%
PECO Gas	415,871	1,709	0.4%	0.4%	0.3%
PG Energy	139,415	0	0.0%	0.0%	0.0%
PGW*	487,009	0	0.0%	0.0%	NA
PPL Gas	65,860	0	0.0%	0.0%	0.0%
TW Phillips	56,092	0	0.0%	0.0%	0.0%
UGI Gas	268,206	3,231	1.2%	1.4%	1.5%
Valley Cities (NUI)	4,612	0	0.0%	0.0%	0.0%
Total	2,545,185	194,890	7.7%	7.8%	10.5%

*PGW opened its market Sept 1

Source: Pennsylvania Office of Consumer Advocate

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

Restructuring Today (ISSN 1522-7324) 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 grid for others to see. Todd Cunningham, conference director; Season Hawksley, marketing director; Joan Henderson, managing editor; Arthur Kingdom, Washington editor; George Spencer, editor & publisher.

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- **Thomas Kuhn**, as president of the **Edison Electric Institute**, speaks for the nation's investor-owned utilities. Kuhn served in the White House as a naval officer.
- **John Anderson** speaks for **large electricity buyers**, firms such as General Motors, Weyerhaeuser, Dupont, Intel, and ExxonMobil who depend on power to be competitive in world markets.
- **David Nevius**, as senior vice president of the **North American Electric Reliability Council**, is active in reengineering NERC from a voluntary, peer-review organization into an industry self-regulatory group that enforces mandatory reliability rules. He has been at the heart of reliability issues since 1977.

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- Should Congress authorize an electric reliability organization (ERO)? Should EROs create mandatory reliability standards and have both enforcement authority and the ability to impose penalties?
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- If an ERO had been up and running before Aug 14, what kind of penalties should it have imposed after this blackout? Who would collect the fines and how would that money be used?
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