

RTO Car Talk – September 12, 2003 Edition

NEWS FROM DEREG UTOPIAS

* PENNSYLVANIA (Land o'FERComm'r Nora Brownell): Wendell Holland, a board member of Allegheny (the financially teetering Merry Marketeer) has been nominated to serve on the state PUC. State law requires him to resign from the board in order to serve on the PUC.

Holland was a PUC member from '91-'93, and complained about the low pay. The PUC salary is now \$109,455 -- twice what it was back then.

[Ed. note: See 3/2/03 and 8/1/03 RTO Car Talks for the story of Allegheny -- and how its survival depends on its juicy, long-term power sales contract with California, entered into when Gray Davis was desperately buying power. Former FERComm'r and dereg fan Jim Hoecker is also an Allegheny board member.]

Source: The Patriot-News (Harrisburg), 9/7/03 (by David DeKok)

* MORE PENNSYLVANIA NEWS: Competition barely exists. A couple of green suppliers have made some inroads into consumers willing and able to pay about a 2.5 cent/kWh premium over existing rates.

The state deregulated itself in 1996. Retail rates are capped for as long as it takes utilities to collect their stranded costs, and even consumers who switched suppliers are required to pay the stranded costs of their original supplier. The squeeze between high wholesale costs, the high cost of serving residential accounts, and the stranded cost surcharge ran competitors out of the state.

A lawyer and dereg fan named John Quain, who headed the PUC when the dereg plan was conceived, figures that competition will really arrive when the rate caps end.

[Ed. note: "Competition" often does pick up when rate caps end, because rates then rise dramatically -- and competitors follow suit by increasing their prices, as is the case in Texas, for example. See 8/29/03 RTO Car Talk.]

Source: Pittsburgh Post-Gazette, 9/7/03 (by Frank Reeves)

* NEW JERSEY: Jersey Central Power & Light (JCP&L) ratepayers were offered a green energy pilot program with a budget payment plan (fixed monthly bills). The company selected to provide the green power (9.75% of which is generated from renewables) was a subsidiary of FirstEnergy, which itself is the parent of JCP&L.

[Ed. note: Whotta surprise.]

So few signed up that last April that the state regulatory comm'n informed tens of thousands of customers that they were now on the pilot program. As of 8/1/03, those customers are enjoying new, improved, much higher bills. On that date the retail rate caps came off, and the budget payment plan was ended.

Source: Asbury Park Press, 9/10/03

* GREAT BRITAIN: A second blackout hit central England (Birmingham) on 9/5 for forty minutes. Nat'l Grid's tx system was again the cause. It seems that two years ago, an incorrect protection relay was installed.

Sources: Reuters, 9/8/03; Platts, 9/10/03

BLACKOUT FALLOUT

* India has experienced an average of one regional grid collapse every six months, but now suffers only one every 18 months.

FERComm'r Bill Massey and others are so impressed by this improvement that they traveled to India to find out how to fix a failed grid. Indian officials pointed out that although the tx system is automated to some degree, actual human beings are stationed at dispatch centers where they monitor the grid 24 hours a day. Thus when load/resource imbalances occur, manual intervention can avert a grid collapse.

Indian officials will soon visit the U.S. to show the Dep't of Energy (DOE) and FERC how to balance loads and resources using human intervention.

Source: http://www.indianexpress.com/full_story.php?content_id=31168, by Navika Kumar, 9/8/03

* Meanwhile, reports abound of how old, antiquated, rundown, useless, etc. tx facilities in the U.S. are.

[Ed. note: You'd think the subject was PUHCA!]

Hence utilities are accelerating plans to automate facilities, for example, replacing aging monitoring systems with digital switches and other high-tech gear. But it seems that this is creating another problem. Computer hackers and viruses can black out substations, cities and entire states.

- A cybersecurity researcher in British Columbia says he and his team could shut down "not the whole North American grid, but a state, [for] sure."

- Last January, the "Slammer" Internet worm took down monitoring computers at a Midwest nuclear plant and blocked commands that operated other facilities.

- Researchers have discovered how to hack into a remote terminal unit and command it to trip and reset a breaker, thus incapacitating a substation.

- Hackers could lower settings on circuit breakers from 500 amps to 200, while raising others to 900 amps. With the former, lines could easily overload and trip off; with the latter, equipment would melt.

[Ed. note: Really makes all that new, improved, computerized high-tech gear sound attractive, doesn't it?]

Sources: Associated Press, 9/11/03; Dow Jones Newswires, 9/11/03

* FERC Chairman Pat M. Wood announced that what FERC needs, in order to save the country from blackouts, is the power to force utilities to join RTOs, and, by intimation, the nationwide imposition of standard market design (SMD).

[Ed. note: Whotta surprise. Moreover, Wood evidently believes that tax breaks, higher rates of return and, of course, PUHCA repeal are the other ingredients for dereg utopia. The fate of consumers force-fed this poisonous concoction is clear.]

The Bush Administration, via Congressional testimony of DOE Sect'y Spence Abraham, supports voluntary RTOs.

Source: Environment & Energy Daily, date unknown but recent (by Mary O'Driscoll); Dow Jones Newswires, 9/10/03 (by Rob Wells)

* The blackout hurt 82% of small businesses in Ontario and cost the provincial economy between \$1-\$2 billion, said the Canadian Federation of Independent Business. Production cuts, inventory loss, transportation delays and vandalism were some of the consequences.

Source: Canadian Press, 9/11/03

* Public power utilities are unlikely to embrace proposals allowing tx owners higher rates of return in order to finance tx improvements, says the big cheese of the American Public Power Ass'n.

Why not? Because FERC already allows IOUs (owners of most of the U.S. tx facilities) at least a 12% return on their tx investments.

[Ed. note: Considering what you Gentle Readers are probably earning on your own investments, 12% ain't bad -- and ought to be plenty of incentive for IOUs to invest in their systems.]

Of course, the big cheese of the Edison Electric Institute, the IOU nat'l trade ass'n, believes higher returns are necessary. And, like his Texas cohort Pat M. Wood, diehard dereg politician (Rep. Joe Barton, D-TX) believes that the free market and PUHCA repeal will result in the necessary capital investment.

Source: Fort Worth Star-Telegram, 9/9/03

* The chair of the NW Power Planning Council notes that the NW took actions (after the blackout of 1996) that reduce the probability of another major outage.

Future problems, she said, may relate to dereg. In the days of regulation, utilities were forced to build generation and tx to keep up with demand. Under dereg, utilities, Merry Marketeers and the Trans-Elects of the world are unlikely to build when prices are low.

[Ed. note: Hallelujah! And, to finish the thought, why in the world would they build when prices are *high*?]

Source: Missoulain, 9/12/03 (by Michael Jamison)

SPEAKING OF JOE BARTON . . .

Public Citizen, a political watchdog group founded by Ralph Nader, said that Joe Barton and Rep. Billy Tauzin (R-LA) must recuse themselves from the energy bill conference committee. The reason? "[U]nresolved allegations of potential criminal bribery" stemming from the controversy about Westar's plan to bribe them and others last year.

Source: Platts, 9/12/03

MIRANT NEWS

Bankrupt Mirant, the Merry Marketeer that bought PEPCO's generation units in '00, seeks to reject its below-market price power supply contracts with PEPCO. What is one source of power serving PEPCO under those contracts? The very plants PEPCO sold to Mirant. If the bankruptcy court allows termination of the contracts, PEPCO must buy power at market rates and will pass the increased costs on for its ratepayers to enjoy.

State agencies in Maryland (that state is also served by PEPCO) filed a petition asking FERC to stop Mirant from canceling the contracts. As in the NRG-Connecticut Light & Power dispute, FERC -- and PEPCO -- argued in the Texas bankruptcy court that the contracts should not be abrogated.

The bankruptcy judge has said he would probably rule next Wednesday in favor of Mirant.

Sources: Washington Post, 9/7/03 (op/ed by Elizabeth A. Noel, D.C. Office of People's Counsel); Fort Worth Star-Telegram, 9/11/03 (by Dan Piller); Reuters, 9/11/03; Reuters, 9/11/03 (by Chris Baltimore)

DUELLING LOBBYING

State regulators from the NW and the SE were in D.C. last week lobbying against FERC's dereg in general, and in particular for a provision in the energy bill that would delay the imposition of SMD until 2007.

At the same time, NE, Midwest and Mid-Atlantic regulators were in D.C. lobbying in favor of mandatory RTOs and SMD.

[Ed. note: Wake up, you NE, Midwest and Mid-Atlantic folks! From everything I've read, your consumers are already basking in the pleasures of blackouts, bankruptcies, lawsuit costs and high retail rates. Press on for more of the same, if you must -- but do it in your own jurisdictions!]

Sources: Tacoma News Tribune, 9/10/03 (by Les Blumenthal); PRNewswire, 9/10/03

CONNECTING THE DOTS -- an editorial

Last week I mentioned a couple of NW folks who took a stand against the '90s stampede toward dereg. To those two souls I add Rep. Peter DeFazio (D-OR). He is the only elected official I know to have mounted a knowledgeable campaign against dereg when there was still a chance to forestall the harm -- years before it became apparent what a fiasco dereg is.

End of editorial.

CRIMES AND BAD FINANCIAL NEWS SPONSORED BY DEREG

* Ben Glisan, Jr., 37, Enron's former treasurer, and was sentenced to five years in Club Fed -- a low-security federal prison in Bastrop, Texas. He also faces three years of probation following his prison term; and forfeits claims to a net of nearly \$1 million (and forfeits any claim to the \$412,000 in taxes he paid on the gross amount of \$1.4 million).

Glisan, the first Enron officer to be incarcerated, pled guilty to one count of conspiracy to commit wire and security fraud. He was indicted on 23 other charges that were dropped. The allegations against him (as well as against Andy Fastow, Enron's former CFO, and Dan Boyle, Enron's former finance exec) are that they schemed to manipulate company books and records to make Enron look more successful than it was; to boost fraudulently Enron's share prices; to circumvent federal regulations so Enron would be unjustly enriched; and to help themselves to those unjust riches.

Glisan has not yet ratted on his pals and former colleagues, but if he does, they will be in a heap o'trouble. In any event, his admission to conspiracy can be used against co-conspirators. Glisan's guilty plea will also help numerous plaintiffs who are suing Enron officers, directors, auditors and bankers for billions of dollars in civil suits.

Moreover, the Securities & Exchange Comm'n (SEC) charged Glisan with playing a role in padding Enron's balance sheet through a scheme involving barges moored off the coast of Nigeria. Without admitting or denying the charges, he accepted an SEC judgment barring him from serving as a director or officer of a public (shareholder-owned) company.

Sources: Houston Chronicle, 9/10/03 (by Mary Flood); Platts, 9/10/03; Washington Post, 9/11/03 (by Carrie Johnson and Peter Behr); Business Week, 9/11/03 (by Lorraine Woellert)

* John Forney, the former manager of Enron's trading desk in Portland, is in preliminary plea negotiations with prosecutors. Forney is charged with creating illegal trading strategies (e.g., Ricochet, Get Shorty and Death Star) intended to evade California price caps during the western energy "crisis".

Source: Bloomberg, 9/12/03

* Merry Marketeer Aquila, still trying to avoid bankruptcy, has asked the Missouri regulatory comm'n for permission to use its regulated utility subsidiaries as collateral for loans. Consumer and industry groups, and, it is suspected, the comm'n staff, oppose the application.

The Colorado comm'n approved a similar request. Aquila did not need comm'n approval in Michigan and Nebraska, so Aquila is already using its utility assets in those states as collateral. Like Missouri, state laws in Kansas, Iowa and Minnesota require comm'n approval for the action. It's unknown what comm'n staffs in those states will recommend.

Source: Kansas City (Mo.) Star, 9/12/03

A ROSE BY ANY OTHER NAME IS STILL A MERRY MARKETEEER

PG&E, the parent of bankrupt Nat'l Energy Group (NEG), plans to rename its Merry Marketeer. The new name will be Nat'l Energy & Gas Transmission, Inc., and it will be legally separated from PG&E.

Source: Reuters, 9/11/03

MORE WOES FOR FirstEnergy

Merry Marketeer FirstEnergy, a company under the microscope for the 8/14 blackout, last week revised three of its SEC filings (two '03 quarterly reports and its '02 annual report), 'splainin' that they contained tens of millions of dollars of errors owing to "typographical and minor computational errors".

As soon as the revisions were filed, the SEC sent FirstEnergy an informal request for data.

Sources: Reuters, 9/11/03 (by Carolyn Koo); Reuters, 9/12/03

WHAT? SUBSIDIZED HYDRO POWER IN THE EAST?

The New York Power Authority (NYPA), a state-owned nonprofit power producer, sells power from its 17 power plants, about half of which are hydro facilities. The agency must sell 8.5% of the power from one of its hydro projects, *at a discount*, to neighboring states.

The license for that project is up for renewal. NYPA wants to reduce the amount of the output it shares with other states, while an ass'n of 40 public power utilities in Massachusetts wants the sharing increased to 20%.

The big cheese of the Massachusetts group says that the cheap power belongs to the entire region, not just to New York. One of the member utilities' managers complains, "It bothers me that there's a constant 'It's ours, it's ours' attitude on the part of [NYPA]."

[Ed. note: Sound familiar? Dick Munson, and his merrie band of NE-MW Coalition-ers, whine bitterly about the "subsides" afforded the NW through BPA. Do I smell the fetid odor of hypocrisy]

Sources: Boston Herald, 9/11/03; <http://www.nypa.gov/>

THE MONTANA COLUMN

The New York Stock Exchange sent NorthWestern, One-Company-Formerly-Known-As-The-Montana-Power-Company, a second formal notice that NorthWestern is in violation of yet another criteria for being listed on the exchange -- and that delisting is in the air.

A Delaware bankruptcy court has approved the sale of Touch America's (Another-Company-Formerly-Known-As-The-Montana-Power-Company) private line and dedicated Internet business for \$43 million to the winning bidder, 360networks. The company's headquarters building in Butte was not sold.

[Ed. note: Sic transit gloria Bob Gannon.]

Sources: <http://www.mtstandard.com/articles/2003/09/10/newsstate/hjjgaijihbha.txt> ;
http://www.mtstandard.com/articles/2003/09/11/newsbutte_top/hjjgaiihjgi.txt