

FERC OKs Western Transmission Planning Compliance Filings

FERC Thursday approved the transmission planning filings of 16 western utilities and transmission providers to comply with the reforms in Order 890. The principal aim of Order 890, which took effect last year, was to prevent undue discrimination and preference, and to short circuit the exercise of vertical market power. It also directed transmission owners to engage in the regional transmission planning process.

"The four orders [issued] today represent the collective efforts of 16 different entities — both jurisdictional and nonjurisdictional — working together to build upon and augment their existing subregional planning processes in the West," said FERC Chairman Joseph Kelliher. He believes "the hard work underlying these planning efforts will deliver results — a stronger grid that will not only improve reliability and support competitive markets, but also enable the addition of new generation resources, including renewable resources, to meet the energy needs of the entire western interconnect."

In one order [OA08-30 et al], the Federal Energy Regulatory Commission accepted the Desert Southwest Transmission Providers' compliance filings, each of which incorporated the subregional planning processes of the Southwest Area Transmission Planning Group and WestConnect, along with the regional and economic planning processes of the Western Electricity Coordinating Councils' (WECC) Transmission Expansion Policy and Planning Committee (TEPPC), with modifications to provisions associated with regional participation, economic planning studies and cost allocation.

The parties to the compliance filings included El Paso Electric Co., Public Service Co. of New Mexico, Arizona Public Service Company, Tucson Electric Power Co. and UNS Electric Inc., and Nevada Power Co. and Sierra Pacific Power Co.

In another order, the Commission accepted the transmission planning compliance filing of Xcel Energy's Public Service Company of Colorado, which incorporated the subregional planning processes of Colorado Coordinator Planning Group and WestConnect, along with the regional and economic planning processes of WECC's TEPPC [OA08-35 et al].

FERC also accepted a joint filing by the

transmission providers of agreements establishing a subregional planning process to be conducted by the Northern Tier Transmission Group (NTTG), subject to further revision of the dispute resolution process. In addition, the order accepted the individual transmission planning filings for the transmission providers, each of which incorporates the NTTG subregional planning process and the regional and economic planning processes of WECC's TEPPC.

The filings were submitted by Idaho Power Co., Desert Generation & Transmission Cooperative Inc., Northwestern

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Firm Power Price Bulletin

For Power Delivered on July 18, 2008
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| Hub | High | Low | Weighted Average Index | Change | Volume (Mwh) | Number Trades | Counter- parties |
|-----------------------|--------|--------|---------------------------|--------|-----------------|------------------|---------------------|
| AD Hub Real Time | 126.50 | 124.50 | 125.53 | -4.72 | 12,000 | 15 | 11 |
| AEP Dayton | 126.00 | 125.00 | 125.82 | -3.43 | 8,800 | 11 | 8 |
| Cin Hub | 125.00 | 125.00 | 125.00 | n/a | 800 | 1 | 2 |
| Cin Hub Real Time | 127.00 | 119.00 | 122.56 | -14.23 | 41,600 | 50 | 29 |
| Cin Hub RT Off-Pk | 32.00 | 31.00 | 31.88 | -0.99 | 6,800 | 17 | 6 |
| COB | 94.00 | 86.75 | 92.15 | -6.58 | 20,000 | 25 | 16 |
| COB Off-Peak | 68.00 | 66.00 | 67.15 | -6.62 | 8,400 | 21 | 7 |
| Entergy | 104.00 | 104.00 | 104.00 | -4.08 | 800 | 1 | 2 |
| Ercot | 107.00 | 101.50 | 105.07 | +0.26 | 14,400 | 18 | 13 |
| Ercot Off-Peak | 65.00 | 63.00 | 64.00 | -1.29 | 4,000 | 9 | 10 |
| Ercot-Houston | 120.00 | 116.00 | 118.87 | +3.67 | 34,400 | 39 | 20 |
| Ercot-Houston Off-Pk | 69.00 | 69.00 | 69.00 | -1.14 | 2,400 | 6 | 5 |
| Ercot-North | 113.00 | 109.00 | 110.85 | +2.72 | 70,400 | 83 | 24 |
| Ercot-North Off-Pk | 68.00 | 65.00 | 66.38 | -1.19 | 7,600 | 19 | 19 |
| Ercot-South | 121.00 | 118.50 | 119.95 | +2.62 | 7,200 | 9 | 10 |
| Ercot-South Off-Pk | 70.00 | 68.50 | 69.70 | -0.30 | 2,000 | 5 | 10 |
| Four Corners | 102.00 | 91.00 | 98.24 | -0.86 | 16,800 | 21 | 9 |
| Four Corners Off-Pk | 69.50 | 67.00 | 68.50 | +1.97 | 2,400 | 6 | 6 |
| Mead | 109.00 | 101.75 | 104.85 | -2.88 | 13,600 | 17 | 10 |
| Mead Off-Peak | 76.00 | 73.00 | 73.50 | +0.33 | 2,400 | 6 | 6 |
| Mid C | 83.50 | 80.00 | 81.66 | -10.14 | 131,200 | 156 | 27 |
| Mid C Off-Peak | 67.00 | 60.00 | 64.21 | -8.45 | 46,800 | 114 | 27 |
| Mona Off-Peak | 64.00 | 64.00 | 64.00 | n/a | 400 | 1 | 2 |
| N Illinois Hub Off-Pk | 37.00 | 37.00 | 37.00 | -1.00 | 800 | 2 | 2 |
| Nepool MH | 98.00 | 95.00 | 96.33 | +1.68 | 3,600 | 9 | 8 |
| Nepool MH DA LMP | 180.00 | 175.00 | 178.23 | +12.23 | 32,800 | 41 | 19 |
| NI Hub Real Time | 124.00 | 121.00 | 121.90 | -6.60 | 4,000 | 5 | 6 |
| NOB N-S | 90.75 | 90.25 | 90.50 | -9.50 | 1,600 | 2 | 3 |
| NP-15 | 103.10 | 99.50 | 101.65 | -6.64 | 78,400 | 95 | 18 |
| NP-15 Off-Peak | 77.00 | 71.75 | 73.40 | -2.86 | 37,200 | 92 | 19 |
| NYISO A | 147.00 | 143.50 | 145.15 | +20.57 | 16,000 | 19 | 15 |
| Palo Verde | 106.50 | 93.00 | 99.95 | -0.11 | 28,800 | 36 | 19 |
| Palo Verde Off-Peak | 72.75 | 67.00 | 69.56 | +0.13 | 7,200 | 18 | 13 |
| Pinnacle 230 | 104.45 | 103.00 | 103.73 | -5.35 | 1,600 | 2 | 4 |
| Pinnacle 230 Off-Pk | 71.00 | 71.00 | 71.00 | n/a | 400 | 1 | 2 |
| PJM WH Real Time | 173.00 | 164.00 | 168.76 | +5.78 | 101,600 | 118 | 39 |
| PJM-West | 169.00 | 169.00 | 169.00 | n/a | 3,200 | 4 | 2 |
| SOCO | 102.00 | 102.00 | 102.00 | -8.63 | 800 | 1 | 2 |
| SP-15 | 103.25 | 99.40 | 101.82 | -6.54 | 243,200 | 297 | 32 |
| SP-15 Off-Peak | 77.00 | 72.00 | 73.75 | -2.85 | 40,400 | 101 | 24 |

Includes all trades done from 6AM to 11AM Central Prevailing Time on the trade date specified for financially firm power delivered during the on-peak hours (6AM - 10PM CPT for Eastern hubs / 6AM - 10PM Pacific Prevailing Time for Western hubs) on the delivery date specified. © 2008 IntercontinentalExchange, Inc.

Corp., PacifiCorp, Black Hills Power Inc. and Portland General Electric [OA08-23 et al].

In a fourth order, the Commission accepted the transmission planning compliance filings of Avista Corp. and Puget Sound Energy subject to modifications to the regional participation and cost-allocation provisions. The order also granted Bonneville Power Administration's petition for a declaratory order for its Order 890 transmission planning compliance filing. Each of the parties uses the ColumbiaGrid subregional planning process and the regional and economic planning processes of WECC's TEPPC.

Texas Regulators Choose Middle Plan For Wind Power Transmission

The Public Utility Commission of Texas (PUCT) took the middle path to constructing transmission infrastructure in support of new wind power development in West Texas and the Panhandle, approving a \$4.93 billion proposal to construct power lines for 18,456 MW of wind power.

A study completed earlier this year by the Electric Reliability Council of Texas (ERCOT) outlined four scenarios for transmission to support 12,000 to 24,000 MW of wind power (see *Power Market Today*, April 4). They were:

- Scenario 1, Plan A, 12,053 MW, \$2.95 billion.
- Scenario 1, Plan B, 12,053 MW, \$3.78 billion.
- Scenario 2, 18,456 MW, \$4.93 billion.
- Scenario 3, 24,859 MW, \$6.38 billion.
- Scenario 4, 24,419 MW, \$5.75 billion.

The more aggressive of the scenarios would have built transmission to carry wind power as far as Houston in Southeast Texas. But commissioners didn't go that far. One fear of building too much transmission in support of wind power is that it would be a disincentive to developers of other generation resources, such as coal and nuclear, all of which the state needs, commissioners said.

PUCT Chairman Barry Smitherman and Commissioner Paul Hudson both favored Scenario No. 2. Smitherman noted that the City of Austin initially supported Scenario 1B but migrated to Scenario 2. "The fact that they were unwilling to go to Scenario 3 or 4 really is good evidence of the balance that we tried to strike," Smitherman said. "More importantly, perhaps, is the fact that there really is a lack of analytical data with regard to either [Scenario] 3 or 4 in my opinion. Neither ERCOT nor the GE study [of wind power interconnection and ancillary services] took a hard look at the benefits of those scenarios. And in particular the GE study went to 15,000 MW and, of course, Scenario 3 and 4 are both 10,000 more than that."

Further, Smitherman said, the more modest plans would be a disincentive to wind power development and could lead developers to pursue projects outside of Texas.

Commissioner Julie Caruthers Parsley expressed concerns that the choice of Scenario 2, while probably the best option for the long term, would lead to too-rapid development if checkpoints to measure interconnection success and other factors were not put in place. She said she was con-

NRC Power Reactor Status Report

Units operating at less than, or returning to, full power.

July 17, 2008

| Unit | %Power ¹ | change ² | MDC ³ | Approx. MWe ⁴ offline |
|---------------------|---------------------|---------------------|------------------|-------------------------------------|
| Calvert Cliffs 2 | 94% | -6% | 835 | 50 |
| Fitzpatrick 1 | 86% | 30% | 813 | 114 |
| Hope Creek 1 | 97% | | 1031 | 31 |
| Susquehanna 1 | 94% | | 1090 | 65 |
| Vermont Yankee | 50% | 26% | 506 | 253 |
| Vogtle 2 | 98% | | 1162 | 23 |
| Clinton | 97% | | 930 | 28 |
| Dresden 2 | 99% | | 784 | 8 |
| Duane Arnold | 98% | | 520 | 10 |
| Prairie Island 1 | 99% | | 525 | 5 |
| Quad Cities 1 | 99% | | 762 | 8 |
| Quad Cities 2 | 98% | 1% | 762 | 15 |
| Columbia Generating | 100% | 19% | 1107 | 0 |
| San Onofre 2 | 98% | | 1070 | 21 |
| Total U.S. | | | | 631 |

Notes: Units listed are only those that were reported at less than full power or as returning to full power in the status report for July 17, 2008 furnished by the NRC with the exception of Browns Ferry unit 1 which has been at 0% power for a number of years. ¹Percent power as reported by the NRC. ²Change in percent power from July 16, 2008. ³Net Maximum Deliverable Capacity of the unit which is defined as the electrical output as measured at the output terminals of the turbine generator during the most restrictive seasonal conditions (usually summer) net of normal station service loads. ⁴An approximation of the amount of electrical megawatts of capacity that is offline given the MDC of the unit and the percent power it is operating at. Note that this is only an approximation and will tend to be understated in the winter months.

cerned that this would thwart in-state clean-coal and nuclear generation being considered and could put the ERCOT grid at risk for jurisdiction under the Federal Energy Regulatory Commission as it could lead to interstate transmission of wind power. This spring FERC Commissioner Suedeen Kelly assured a Texas audience that ERCOT would remain on its own (see *Power Market Today*, April 11).

Smitherman acknowledged concerns of coal and nuclear power generators that wind power might back down their generation. "I know there's been some concern about backing down nuclear or coal units during those periods of time when we have low load and we have high wind, and I think that's a legitimate concern," Smitherman said. "But I think if you do the math out to when the wind will be interconnected at the scale that we're talking about, which is four or five years into the future, that we're unlikely to have new nuclear on the grid by then. We need to respect the nuclear that we have. It would be insane from either an operational perspective or an economic perspective to ever back down nuclear. And I think we should say that. I also think that we've made a policy decision that we need more clean coal. It is abundant. It is cheap. In the

United States it provides 50% of our generating capacity. I think so long as we are a gas on the margin state we are going to continue to suffer high prices. And so we need more coal.”

Texas Senate Bill 20 (2005) directed the PUCT to designate Competitive Renewable Energy Zones (CREZ), after consultation with ERCOT and Southwest Power Pool, in areas with sufficient renewable resource potential and financial commitment from developers and to designate a plan for transmission to the areas. The PUCT issued an interim order in July 2007 designating five CREZ areas of the Panhandle and West Texas. The PUCT directed ERCOT to perform optimization and reliability studies and recommend a transmission plan for four different levels of wind capacity from the designated zones (see *Power Market Today*, March 6; July 23, 2007; April 26, 2007).

Earlier this year ERCOT released another study it had commissioned to determine the level of ancillary services needed to preserve grid reliability in an era of increasing reliance on wind power resources (see *Power Market Today*, April 3). Texas leads the nation in the amount of power it generates from wind resources.

Hudson noted that the CREZ docket contains more than 1,400 documents and that the PUCT has been pondering the issue for three years. He said the additional wind power supported by the CREZ transmission development will give Texas more wind power than the 14 states that follow Texas in wind power development currently have combined.

Now the state must select developers to build the transmission. The new infrastructure could be up as soon as 2012-2013.

Term Power Tumbles as Natural Gas Bulls Beat a Hasty Retreat

Term power fell hard and fast Thursday, yet buyers were reluctant to step up to the plate. Next-day power at western points fell, and in Texas loads were forecast to approach 2007 record levels.

Falling natural gas prices triggered by a bearish supply report took term power lower. “I think buyers kind of hung back a little bit. There were not a lot of outright buyers, but we did do a number of PJM/Cinergy spreads. People were buying those back inasmuch as they have collapsed over the last five days,” said a Mid-Atlantic broker. He added that August PJM was trading at \$125, down about \$6 from Wednesday, and the August PJM/Cinergy spread was quoted at \$30.25, down from \$32 on Wednesday.

In spite of the lack of activity, he said buyers would likely emerge, but Thursday was a good day to “hang back” and watch prices fall. “Power prices dropped like a rock when the gas supply number came out. It was weird for heat rates stayed the same. The calendar 2009 PJM heat rate was pretty much where it was the day before, about 8.90 [MMBtu/MWh],” he said.

The 10:35 EDT release of government natural gas inventory data triggered much of the selling. The report indicated an addition to supplies of 104 Bcf, well ahead of the 88 Bcf expected in Reuters and Bloomberg polls. Inter-

continentalExchange (ICE) said August Mid-Columbia dropped \$5.10 to \$94.40 and August SP-15 slumped \$9.25 to \$104.00. August natural gas futures imploded 86.1 cents to \$10.537.

Temperatures across the West were forecast to slide below normal Friday, and next-day power prices retreated. According to The Weather Channel, thunderstorms would traverse the West Friday from the Rockies to the high Plains, and a disturbance heading east along the Canadian border would help to trigger severe thunderstorms in central and eastern Montana and eastern Wyoming. It added that lingering moisture in the Four Corners region would fuel more thunderstorms in Colorado and New Mexico. “Much of the West could be dry Saturday before scattered thunderstorms again surge westward across the Four Corners states and into the desert Southwest Sunday and Monday,” said meteorologist M. Ressler.

ICE disclosed that in the Pacific Northwest next-day power into Mid-Columbia fell \$10.14 to \$81.66 and deliveries to COB dropped \$6.58 to \$92.15. In the desert Southwest the declines were not so extreme. Friday power into Palo Verde fell 11 cents to \$99.95 and parcels into Four Corners dropped 86 cents to \$98.24.

In California Friday deliveries declined as well. Power destined for NP-15 slid \$6.64 to \$101.65 and deliveries to SP-15 skidded \$6.54 to \$101.82, the exchange said.

The Weather Channel forecasted the high in Seattle Friday would be a degree below its seasonal norm of 75, but in San Francisco the high Friday was forecast to be four degrees below its normal 68. In Los Angeles the high Friday was expected to reach 82, two degrees below normal.

The National Weather Service reported an above-normal high Thursday in Los Angeles of 86 and a below-normal high in San Francisco of 65. On-peak prices in California rose as loads approached forecast maximums. The California Independent System Operator said early on-peak power at NP-15 and SP-15 advanced from \$34.41 to \$89.34 by early afternoon. Loads were running 39,475 MW, about 1,500 MW less than the expected peak of 41,006 MW.

Next-day prices in Texas rose modestly as loads were forecast to increase. The Electric Reliability Council of Texas (ERCOT) reported a forecast peak load Thursday of 58,123 MW, a bit lower than Friday’s forecast peak load of 59,004 MW. ICE said power for delivery Friday into the ERCOT North transmission zone serving Dallas-Fort Worth rose \$2.72 to \$110.85 and deliveries to the ERCOT Houston zone gained \$3.67 to \$118.87. The ERCOT record load of 62,118 MW was reached in 2007 during a cooler-than-normal summer.

FERC Approves Modifications Of Reliability Standards

FERC moved to make improvements to grid reliability by modifying five reliability standards related to interchange scheduling and coordination, and approved the North American Electric Reliability Corporation’s (NERC) interpretation of five specific requirements of Commission-approved reliability standards.

The unanimous vote, taken during the Federal Energy Regulatory Commission's (FERC) Thursday meeting in Washington, DC, marked the first time FERC has acted to modify and strengthen the reliability standards first approved in Order 693 last year (see *Power Market Today*, March 16, 2007). Previous to implementing those mandatory electric reliability standards with powers of enforcement through both monetary and nonmonetary penalties, compliance with reliability standards had been voluntary. At the same time, FERC directed NERC to develop modifications to 56 of the 83 standards it approved.

Also on Thursday FERC directed NERC to clarify how a sixth proposed standard is responsive to both Commission's determination in Order 693 regarding the use of transmission loading relief procedures for interconnection reliability operating limit violations and the U.S.-Canada System Outage Task Force report's recommendations. Formed in the wake of the power outage that turned out the lights on 50 million North Americans in August 2003, the task force issued its final report in October 2006 that outlined all of the actions taken to prevent or minimize the likelihood of future blackouts, reduced the scope of those that do occur and improved the security of the North American electric power grid (see *Power Market Today*, Oct. 4, 2006).

FERC designated NERC as the Electric Reliability Organization in 2006 and approved 83 reliability standards in March 2007. In May 2007 FERC approved NERC's assignment of "violation risk factors," which link the violation of a requirement of a reliability standard with its potential reliability impact on the Bulk-Power System. Last month FERC voted to approve a matrix for assessing penalties for violations of power system reliability rules (see *Power Market Today*, June 20).

In a separate order, FERC agreed with NERC's decision that ReliabilityFirst Corp. include the Department of Energy's Portsmouth-Paducah Project Office (DOE Portsmouth) on the NERC compliance registry as a transmission owner, transmission operator and distribution provider, but remanded the issue whether DOE Portsmouth is a load-serving entity to NERC for further consideration. DOE Portsmouth had argued that the two 345 kV substations do not have a material impact on the bulk power system and that its responsibility to comply with the reliability standards was transferred to a company that leases the premises and operates the facilities. FERC found no evidence of such a transfer to a third party.

Sierra Pacific Starts 541 MW Northern Nevada Plant

Touting newfound supply independence, Sierra Pacific Power Co. officials Wednesday started the utility's 541 MW Tracy combined-cycle natural gas-fired generating plant east of Reno, NV. Parent company executives from Sierra Pacific Resources hailed the startup as a move closer to power supply independence for the smaller of the holding company's two Nevada utilities.

Nevada Gov. Jim Gibbons, along with other state and local officials, helped flip the ceremonial switch on the plant

in Storey County. Instead of the usual "cutting of the ribbon," Sierra Pacific Resources CEO Michael Yackira and Gibbons cut "chains" that were used to symbolize the end of northern Nevada's dependence on outside energy suppliers, a utility spokesperson said.

The new plant boosts the northern Nevada utility's generating capacity by more than 50%. The \$467 million facility (originally pegged at \$420 million) will be the largest new generating plant in northern Nevada in more than 20 years, according to Roberto Denis, senior vice president for generation and energy supply at both of the Sierra Pacific utilities (see *Power Market Today*, May 23, 2006). When construction began, Denis said Tracy would be the most efficient plant in the Nevada utilities' fleets.

Yackira echoed Denis' earlier claims, noting the Tracy plant will require a third less fuel than the average plant in the Nevada utilities' fleets. "That will result in cost savings to customers and reduce northern Nevada's exposure to volatile market prices from sources outside the state," he said. Yackira added that the plant's air cooling system means it will use "significantly" less water than similar facilities using older gas-fired technologies.

CEC Approves 563 MW Hybrid Plant, OKs Peaker Review

The California Energy Commission (CEC) Wednesday unanimously approved a 563 MW hybrid natural gas/solar electric generation plant in the high desert town of Victorville, CA, about 100 miles northeast of downtown Los Angeles.

Separately, the state power plant siting agency agreed unanimously to accept as data adequate application for a proposed 96 MW natural gas-fired peaking plant to be constructed on San Diego Gas and Electric Co. (SDG&E) utility property in north San Diego County. This paves the way for the CEC to start its yearlong review process of the project.

For the hybrid plant the CEC set the conditions recommended by presiding member James Boyd. Last March CEC staff determined that the Victorville 2 Hybrid Power Project complied with all laws, regulations and ordinances and can avoid significant adverse impacts with prescribed mitigation (see *Power Market Today*, June 3).

The project is estimated to cost \$450 million and is expected to be under construction this summer with start-up in 2010. The plant that will have a 50 MW solar component with a 513 MW gas-fired combined-cycle plant,

The city of Victorville, which would own the plant, will have to purchase and preserve at least three times the 388 acres to be occupied by the plant and its solar facilities as habitat replacement lands for the desert tortoise, Mohave ground squirrel and burrowing owl.

Victorville 2 Hybrid would be located immediately north of the Southern California Logistics Airport on part of a former U.S. Air Force Base. The plant's two gas-fired combustion turbines, heat recovery systems and steam turbine would be capable of delivering power 24 hours a day, the CEC said.

The 50 MW solar component would consist of para-

bolic solar-thermal collectors and associated heat transfer equipment, adding to the facility's total output during daylight hours.

In other action Wednesday, the CEC named Boyd as the lead commissioner on the proposed Orange Grove Energy Peaking Power Project, a simple-cycle gas-fired generating facility to be developed and owned by J-Power USA Development Co. The independent power plant developer proposed the project in a request for offers bidding process conducted last year by Sempra Energy's SDG&E utility.

Orange Grove is proposed to be sited on SDG&E-owned land five miles east of Fallbrook, CA, and two miles west of Pala, CA.

U.S. Chamber Pushes For Revamped U.S. Energy Policy

In an open letter to Congress and the next president, the U.S. Chamber of Commerce and a bipartisan group of energy officials and industry leaders this week called for a strategic long-term energy policy for the United States.

The chamber's Institute for 21st Century Energy unveiled 13 "fundamental pillars" that it said would build the foundation for a new policy.

"We are long overdue for energy solutions that will keep our nation on track and our economy strong," said Chamber CEO Tom Donohue. "We are building the ideas and the support to help our elected officials move forward in a constructive way."

A group of 27 current and former government officials and industry leaders joined the chamber to urge the country's future political leadership to expand the U.S. supply of affordable fuel and power from traditional and alternative sources, bolster energy efficiency and expand and modernize energy infrastructure. The group includes former secretaries of energy, state, defense, commerce and treasury; former members of congress and national security experts.

"With a challenge as great and urgent as securing our energy future, America's leaders must come together in support of a sensible long-term approach that promotes economic growth at home and strengthens our national security," said retired U.S. Marine Corps Gen. James L. Jones, who is CEO of the chamber's energy institute. "How we solve our energy challenges will define who we are as a nation in the 21st century."

The 13 energy principles include accelerating energy efficiency across all sectors; modernizing and expanding energy infrastructure; transforming the transportation sector including greater use of alternative and renewable fuels; and expanding the use of nuclear power, coal, and renewable energy as well as new domestic exploration and production of oil and natural gas.

The chamber group advocates reducing the environment impact of energy use and increasing investments in climate change research, and it calls for addressing critical shortages in scientists and engineers through education and training programs, incentives and visa policies.

"Above all...this is America's opportunity to demonstrate leadership in innovation and solve what is not solely an American challenge but a global one," the chamber noted.

Texas oilman T. Boone Pickens, who earlier this month unveiled "the Pickens Plan" to reduce U.S. dependence on foreign oil (see *Daily GPI*, July 11), called the chamber's announcement "meaningless" and said it didn't "go nearly far enough in addressing the single biggest problem facing America today: reducing our dangerous dependence on foreign oil.

"I find it most unusual that this group chose to ignore the only domestic fuel available immediately to address our \$700 billion problem of oil imports — which is moving natural gas into our transportation system," he said. "This group is focusing on fuels that will be decades in development and our foreign oil exposure will crush our economy and security in a few short years."

To view the chamber's plan and its 13-point platform, visit www.energyxxi.org.

Gore Touts 10-Year, All-Renewable Goal

Former Vice President Al Gore Thursday challenged the nation to produce all of its electricity through renewable resources within 10 years, a goal that he said he wanted the next president to embrace.

Gore's call echoed those by the U.S. Chamber of Commerce and a bipartisan group of energy officials and industry leaders, which this week urged the next president and Congress to set a strategic long-term energy policy for the United States (see related story).

"I don't remember a time in our country when so many things seemed to be going so wrong simultaneously," Gore told an audience at Constitution Hall in Washington, DC. "Our economy is in terrible shape and getting worse; gasoline prices are increasing dramatically and so are electricity rates. Jobs are being outsourced. Home mortgages are in trouble. Banks, automobile companies and other institutions we depend upon are under growing pressure. Distinguished senior business leaders are telling us that this is just the beginning unless we find the courage to make some major changes quickly. The climate crisis, in particular, is getting a lot worse — much more quickly than predicted."

Presumptive presidential nominees Democratic Sen. Barack Obama of Illinois, and Arizona Republican Sen. John

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McCain both are “way ahead of most politicians in understanding global climate change,” Gore said. However, U.S. dependence on foreign oil has created “a new political environment” that requires major steps to wean the country from fossil fuels.

When all of the “intractable challenges” are viewed at the same time, “we can see the common thread running through them, deeply ironic in its simplicity: our dangerous over-reliance on carbon-based fuels is at the core of all three of these challenges — the economic, environmental and national security crises,” he said. “We’re borrowing money from China to buy oil from the Persian Gulf to burn it in ways that destroy the planet. Every bit of that’s got to change. But if we grab hold of that common thread and pull it hard, all of these complex problems begin to unravel and we will find that we’re holding the answer to all of them right in our hand. The answer is to end our reliance on carbon-based fuels.”

Earlier this month Texas oilman T. Boone Pickens unveiled the “Pickens Plan,” which also calls for the United States to end its reliance on foreign oil supplies. At the recent Rocky Mountain Energy Epicenter in Denver, Pickens said he had spent “more than an hour” earlier this month speaking with Gore about U.S. energy independence (see *Power Market Today*, July 11).

The Pickens Plan is centered on renewables and natural gas; Gore did not specifically mention natural gas in his speech Thursday, but he said the United States had to stop using foreign oil and relying on coal.

However, following the speech Pickens criticized Gore’s plan and said that while Pickens’ plan centered on renewables and natural gas, Gore’s would not end U.S. reliance on foreign oil.

“My plan is aimed squarely at breaking the stranglehold that foreign oil has on our country and the \$700 billion annual impact it has on our economy,” Pickens said. “We import 70% of our oil and that number is growing larger every year. Vice President Gore’s plan does not address this enormous problem, it is clear that he and I have two different objectives and our plans should be viewed with that in mind.” Of Gore’s plan, Pickens asked, “Will it slash oil imports by at least 30% in 10 years? Does it rely 100% on domestic energy resources? Does it rely on existing and proven technologies? Can it be on line within 10 years? Can it be done by private investment?”

The Alliance for Climate Protection, a bipartisan group led by Gore, estimated that the cost to transform the United States to “clean” electricity sources would be \$1.5-3 trillion over 30 years in public and private money. Gore noted that it would cost nearly as much to build more fossil fuel power plants to meet current U.S. demand.

“This is an investment that will pay itself back many times over. It’s an expensive investment but not compared to the rising cost of continuing to invest in fossil fuels,” Gore said.

“To those who say the costs are still too high: I ask them to consider whether the costs of oil and coal will ever stop increasing if we keep relying on quickly depleting energy

sources to feed a rapidly growing demand all around the world,” he said. “When demand for oil and coal increases, their price goes up. When demand for solar cells increases, the price often comes down.

When we send money to foreign countries to buy nearly 70% of the oil we use every day, they build new skyscrapers and we lose jobs. When we spend that money building solar arrays and windmills, we build competitive industries and gain jobs here at home.”

Gore compared the challenge to move to renewables within 10 years to President John Kennedy’s pledge in 1961 to land a man on the moon by the end of that decade.

To meet the 10-year goal, nuclear energy output would continue at current levels, but there would be dramatic increases in the use of solar, wind, geothermal and clean coal energy. Investments also would be required in technologies to reduce energy waste and link existing power grids.

While electricity production is only part of the nation’s energy and climate change problem, Gore said, “If we meet this challenge we will solve the rest of it.”

For a full copy of Gore’s speech, visit www.wecansolveit.org.

CEO: Black Hills New Utility Emphasis Eyes More Assets

After closing two deals since last Friday that greatly reduce its independent power generation holdings and greatly increase utility assets, Rapid City, SD-based Black Hills Corp. has an ideal base to make additional acquisitions in both the utility and independent power sectors, CEO David Emery told financial analysts Tuesday.

The bottom line is that Black Hills is going to continue to add rural utilities to its upper Midwest and western-based portfolio of companies, Emery said during a conference call. The call was focused on wrapping up the holding company’s \$940 million purchase of a natural gas utility and four electric utilities spread over four states (Colorado, Kansas, Iowa and Nebraska) from Aquila, and the earlier close last Friday of Black Hills’ sale of seven independent power projects totaling 974 MW for \$840 million (\$756 million net pre-tax).

The two deals (see *Power Market Today*, July 15), along with several other growth opportunities on Black Hills’ radar right now considered together will “truly transform the company,” Emery said. “Going forward we have an excellent opportunity to add value for shareholders with a lot of different growth opportunities.”

Emery stressed that Black Hills is not exiting the independent power sector, despite the fact that the divestiture has shrunk its holdings from more than 1,000 MW of independent plants to 158 MW. “Going forward, this divestiture does not indicate we are exiting that business; we believe the planning, permitting, constructing and operating of generation facilities is a core strength of ours.”

He emphasized that additional opportunities might be available in the future, but he said they would be fewer and farther between because of “the recent trend among utilities for more self-building” of generation.

As part of the filings leading to Colorado regulators approving Black Hills' purchase of the Aquila electric operations, the South Dakota company officials assured the state public utilities commission that they will file by mid-August their resource plan for the newly acquired utilities, and that plan will emphasize more utility self-built generation to replace a huge purchased power agreement (PPA) that the former Aquila utilities have with Xcel Energy's Public Service of Colorado utility for 75% of its power supplies in the state. The PPA expires in 2011.

Emery said in response to analysts' questions that some of the new Colorado generation longer term may come from baseload coal-fired generation, perhaps located in Wyoming for the Colorado market.

In response to other questions, Emery added a little more detail regarding his future acquisition plans. "Clearly, utility operations is a strength for us," he said. "We are continuing to grow our utility purchase opportunities.

"We believe it makes a lot of sense for a lot of the smaller utilities, particularly in the Great Plains and northern Rockies region, to be consolidated together with more urban-serving larger utilities to the east and the west. Customer demographics and expectations are very similar, regulatory expectations and the way you conduct business is more similar.

"We believe this is right in our sweet spot in terms of our skill set. Clearly, we are interested in opportunities if they arise, and we do have a lot to do right now with the integration of the five [Aquila] utilities. But the opportunity to acquire other utility properties is always something we will be interested in," said Emery, 44, who has been Black Hills CEO for the past four years.

Nevada PUC Gas Price Hearing Sidetracked by Labor Dispute

A union dispute over proposed pension fund changes at Nevada Power Co. upstaged a Nevada Public Utilities Commission (PUC) meeting with consumers in Las Vegas Tuesday. The meeting had been called to discuss the prospects of higher natural gas prices and their impact on retail utility electric rates for Nevada Power and the other Sierra Pacific Resources' utility, Sierra Pacific Power Co.

Members of the International Brotherhood of Electrical Workers Local 396 flooded the public meeting to state their opposition to the utility's proposed pension changes.

As a result, the *Las Vegas Review-Journal* reported Thursday that for the first time in 18 years a bitter labor dispute threatened the reliability of future electricity supplies in the air conditioning-dependent Southern Nevada region, one of the fastest growing areas in the nation.

A PUC spokesperson said the regulators nevertheless were able to deliver their primary message on the gas price situa-

tion, urging local consumers to "start preparing now for increased costs."

Regulators called the session also to explain a potentially confusing situation for the immediate future in which retail electricity rates have been lowered due to deferred rate adjustments. Both PUC and Nevada Power utility representatives tried to explain the situation at the workshop while the major of the attendees were utility employee union members who were more concerned about the utility's effort to allegedly cut worker pension benefits by up to 70%.

The thrust of the PUC's message was that even though Nevada Power retail rates are set to drop a little more than 5% beginning Oct. 1, the decrease will be short lived because natural gas prices for Nevada are expected to "soar this winter. Nationally, natural gas futures have also risen substantially," according to PUC staff analyst David Chairez.

Natural gas prices for the Nevada utilities have increased "significantly" this year, compared to 2007, Chairez told the PUC meeting attendees. "Southern Nevada is particularly reliant on gas because it fuels 80% of the Nevada Power's electrical generating capacity."

The PUC tried to stress that so far consumers have been shielded from the wholesale gas price hikes, but that will end this winter. The added costs of the gas will have to begin showing up in retail utility bills, Chairez said.