

# POWER DAILY

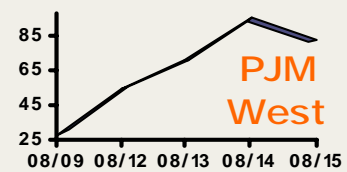
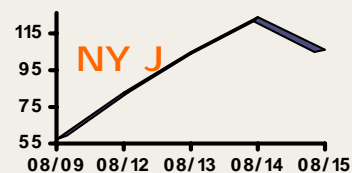
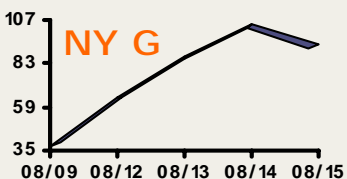
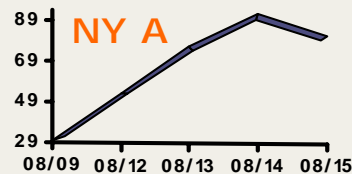
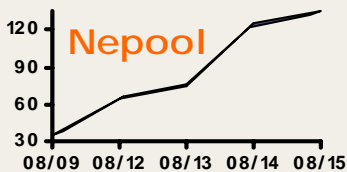
NORTHEAST

Covering New York, New England and the mid-Atlantic

To Market Section

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5-DAY PRICE TREND \$/MWh



TODAY'S PRICES \$/MWh

POINT	MEDIAN	VOLUME
Nepoch	135.00	550
New York A	81.00	1,150
New York G	93.00	1,300
New York J	106.00	1,050
PJM West	82.00	6,700

## LIPA calls on U.S. Energy Dept. to force Cross Sound Cable to begin operations

The U.S. Energy Dept. should use its authority under the Federal Power Act to allow TransÉnergie U.S. to immediately fire up its newly built Cross Sound Cable system because the region is facing a power "emergency," Long Island Power Authority Chairman Richard Kessel said Wednesday.

Operating Cross Sound Cable could mean the difference between continued service and blackouts on Long Island, southwestern Connecticut and the entire region, Kessel said. "Such conditions meet the definition of 'emergency' under the DOE regulations," he added.

LIPA sent a letter yesterday to DOE Secretary Spencer Abraham requesting the action. The authority said it expected demand to reach within 400 MW of its 5,500-MW peak capacity on Wednesday.

The 24-mile Cross Sound Cable sys-

tem stretches across the Long Island Sound and has the capacity to carry 330 MW from northern Connecticut to southwest Connecticut via power-strapped Long Island. The cable is fully installed and operational, but there are several hundred feet of cable at seven locations that do not meet the required 48-foot burial requirement.

Cross Sound Cable said it cannot perform any remediation work on the cable until Oct. 1, after the high-demand summer season.

A declaration by DOE of an "emergency" under the FPA would be the first time the emergency provision has been used since Bill Richardson, energy secretary in the Clinton administration, used it in late 2000 to address high electricity prices in Cali-

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## Long Island town gets concessions from KeySpan, drops objections to power plant

Realizing that the state siting board was unlikely to take its side, the town of Huntington on Long Island has dropped its opposition to a proposed 250-MW KeySpan Energy power plant in return for a number of significant concessions, including grants and loans for town projects.

Huntington dropped its opposition when it realized the New York State Board on Electric Generation Siting and the Environment would likely not side with the town in its opposition because of Article X. This provision in state law allows the state to override local zoning restrictions in siting power plants.

Huntington Councilwoman Marlene Budd said that when the town had decided to enter into negotiations, "it was clearly understood that history put the Siting Board and the courts on

KeySpan's side."

"The reality of the situation was to enter into an agreement with KeySpan," Huntington Town Attorney John Leo said. "Brookhaven didn't negotiate and they didn't get any concessions," he said, referring to the decision of the siting board to approve a 580-MW plant, which the town of Brookhaven on Long Island had opposed (*see related story, page 2*).

"We're very satisfied with the concessions and it's [the agreement] in the best interests for everyone" Leo said.

The proposed KeySpan plant, which will be called the Spagnoli Road Energy Center, will be located in a light industrial area on land where it currently has a training facility. KeySpan hopes that the natural gas-fired plant will

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## Nepool dailies hit \$260; Ontario jumps C\$19 to C\$115 ... from page 4

Zone G sold Friday-only for \$85. Next-week deals traded for \$65.75 to \$66.50. September went for \$38.75, with a fourth quarter of 2002 going for \$36.60.

Zone J sold Friday-only for \$98. January-to-February of 2003 was reported at \$51.

### New England

Real-time prices ran up against the \$1,000 price cap in Nepool, and stayed there for more than two hours as the peak load reached record levels Wednesday.

"The system was just way, way, overloaded," a trader said. "This was more than it can handle."

Traders said they expected at least a third hour at \$1,000, before any relief would arrive.

At 1404 EDT, the pool's load reached 25,864 MW, 628 MW more than Tuesday's record load of 25,236 MW. The previous record of 24,967 MW was set on Aug. 9, 2001. Even the ISO New England's forecast of an 851-MW deficiency was surpassed as the pool demanded an additional 464 MW.

Making a tight situation even more difficult, the available capacity had dropped by almost 1,000 MW since Tuesday.

Wisvest's 400-MW coal-fired Bridgeport Harbor plant tripped Tuesday after a small fire and had not returned as of Wednesday afternoon. Wisvest said the plant is expected to return soon but probably no earlier than the weekend. A trader said the plant should be back on Tuesday.

Dailies were volatile and traded between \$122 and \$260 as the day progressed. Thursday-Friday traded between \$120 and \$135. Friday pieces were popular and sold for between \$85 and \$130. The balance of the day traded for \$180 late Wednesday morning.

Deficiencies of 1,167 MW and

267 MW were forecast for Thursday and Friday, respectively. The ISO bumped the expected capacity up for both days. Monday and Tuesday are also expected to be tight.

Next week sold between \$62.50 and \$65. "You'd think it'd be going crazy, but it didn't," said a trader.

The ISO also requested emergency power between 1400 and 1800 EDT.

### Ontario

High loads and high real-time prices kept traders focused on bilateral daily trades in Ontario.

Deals were done at C\$115 to C\$118. The median price of C\$115 was up C\$19 from Tuesday. Sources reported a price fall later in the day. Deals were heard, though not confirmed, as low as C\$103.

"It's been a little bit more interesting today; real-time prices were running high and I think that helped keep the dailies going," one source said.

Next-week also drew a few trades, with deals ranging from C\$80 to C\$88.

At least one trader wasn't sure the high prices were going to continue. "We've had some good heat this week and it should continue into the weekend, but I think it will fall away as we go into next week," he said.

Further out, things were quiet, with no confirmed trades, though September did come close, with bids at C\$47 and offers at C\$47.50. December remained wide at C\$47 at C\$53; January-February winter peak was C\$53 at C\$58. MSL/RS/AE

### OUTSIDE THE NORTHEAST IN BRIEF

**Sierra Pacific Resources** reported a second quarter 2002 loss of \$41.9 million, or 41¢/share, compared to earnings of \$54 million, or 69¢/share, in the second quarter the year before. The company said the loss was due largely to a one-time charge of \$53.1 million related to a decision by Nevada regulators to deny affiliate Sierra Pacific Power the ability to recover that amount, which came from high wholesale power prices between December 2000 and November 2001. Cool weather in May and a rate reduction also contributed to the affiliate's loss. Affiliate Nevada Power reported second quarter earnings of \$5.7 million. In March, the company took a one-time charge of \$434.1 million, the amount state regulators would not let Nevada Power recover, also for wholesale power purchases.

**Nevada Power** claimed state regulators were pressured by lobbyists, particularly from the casino industry, when they rejected the utility's request to recover \$922 million in purchased power costs. The Las Vegas Review-Journal reported that Nevada Power made the claim in a district court brief. The utility, a subsidiary of Sierra Pacific Resources, has sued to overturn the Public Utilities Commission of Nevada's March order allowing it to recover \$485 million, claiming it is entitled to the full amount. Nevada Consumer Advocate Tim Hay, in his own brief, said regulators should have rejected the utility's entire claim.

**Nebraska Public Power District** confirmed Wednesday that it is currently shopping around for a site for a proposed 400-MW, coal-fired facility that could be operational by 2010. NPPD spokeswoman Marcia Cady explained that the utility has been looking at a variety of options to meet native long-term demand. NPPD has also been planning a 229-MW, combined-cycle facility for Beatrice, Neb. The utility recently received approval from the Nebraska Power Review Board to go ahead with that project, which is expected to begin operation in 2005, Cady said.

The Fitch ratings agency lowered several ratings of **Ameren's** Missouri subsidiary, AmerenUE, taking into account the utility's July rate settlement that includes \$150 million in phased-in rate reductions and a multi-billion dollar commitment to infrastructure investments. AmerenUE's rating outlook was changed from "stable" to "negative," but Fitch said, "AmerenUE's financial profile remains strong."

## LIPA extends KeySpan management services agreement

The New York State Public Authority Control Board has approved a management services agreement between KeySpan Energy and the Long Island Power Authority that extends by 31 months KeySpan's contract to manage LIPA's transmission and distribution system, the companies said this week.

LIPA agreed to grant KeySpan the management services agreement extension through Dec. 31, 2008, in return for KeySpan's decision earlier this year to give LIPA more time to decide on whether it should purchase KeySpan's Long Island power plants totaling 4,000 MW of capacity (*PDN*, 3/12). The original term to the management services agreement was scheduled to expire May 28, 2006.

In March, KeySpan and LIPA agreed to amend the generation purchase right agreement, as the purchase option is called, by providing LIPA a six-month window from

Nov. 29, 2004, through May 28, 2005, to elect to purchase KeySpan's Long Island electric generating units. LIPA's original option was scheduled to expire this past May 27.

LIPA and KeySpan said the generation purchase right extension resulted from a decision to work together to review Long Island's long-term energy needs. LIPA and KeySpan said they plan to jointly analyze new energy supply options, including repowering existing plants, and will assess renewable energy technologies, distributed generation and retail competition.

Suffolk County government officials and Long Island environmentalists had protested KeySpan's proposed sale of its Long Island generation plants to LIPA.

"Extending the management services agreement as part of the decision to extend the generation purchase option makes sense for all concerned," LIPA Chairman Richard

Kessel said in a statement.

Kessel has said previously that LIPA plans to put the management services agreement out to bid in 2006 in preparation for the contract termination with KeySpan in 2008.

In May 1998, LIPA purchased Long Island Lighting Co.'s retail business, including its transmission and distribution system. At the same time, Brooklyn Union Gas merged with LILCO to form KeySpan and retained LILCO's gas business and electric generation facilities.

"This approval was an important step in extending the successful and unique public-private partnership that exists between LIPA and KeySpan for the benefit of Long Island customers," said Robert Catell, chairman and CEO of KeySpan.

The New York Public Authority Control Board is a state agency responsible for approving the financial projects proposed by state public benefit corporations such as LIPA. MH

## DOE intervention sought in Cross Sound case ... from page 1

fornia, LIPA said.

"We are asking the DOE to do that for Long Island and New England," LIPA Chief of Staff Edward Grilli said.

In the letter to DOE, LIPA requested that Cross Sound operate the cable on a day-ahead basis when LIPA forecasts that its generation margin will be less than 600 MW in excess of its anticipated load for the day. The margin, which is less than the state's required 18% reserve capacity, is equal to the capacity of one of the existing Cross Sound transmission cables between Long Island and the mainland.

Opposition to the Cross Sound system has been led by Connecticut Attorney General Richard Blumenthal.

In a statement, Blumenthal yesterday called LIPA's request "outrageous" and "a power grab"

and said he would go to court to prevent the "illegal federal action autocratically overriding valid state authority that is protecting customer and the environment."

He blamed Long Island for failing to meet its own energy needs and warned that operating the cable would increase ISO New England power prices. "New England is using virtually all of its available power already. Operating the cable would harm, not help, Connecticut and New England by seizing and siphoning our power to meet Long island's endless appetite," Blumenthal said.

LIPA and TransÉnergie contend that the cable poses no threat to the environment, navigation or public safety. TransÉnergie said it intends to remedy the problems as soon as it is permitted to work in the water.

"The cable imposes no environ-

mental hazards. The [depth requirements] were placed there only for potential future dredging of the harbor," Grilli said.

LIPA said it is still reviewing all possible actions to get the cable in operation but considers this the most prudent and expeditious. Earlier this month, LIPA threatened to terminate its 20-year contract with the Cross Sound (*PDN*, 8/5).

Cross Sound Cable Chairman and CEO Jeff Donahue said he understood LIPA's frustration. "We certainly agree that the cable is complete. The cable as it is currently installed has no impact on the environment," Donahue said.

"There are challenges on Long Island today, but there will also be problems in Connecticut next week," he said. "This cable works in both directions and can help both sides." AE