The Energy Daily

627 National Press Building • Washington, D.C. 20045 • (202) 638-4260 • Fax: (202) 662-9744

Wednesday, January 13, 1999 ED Volume 27, Number 8

DOE Inspectors Fault Argonne Accident Response

BY GEORGE LOBSENZ

The operator of the Energy Department's Argonne National Laboratory-West has not adequately addressed radiological control, safety management and emergency response issues raised by an August 1998 incident in which 11 plant workers were contaminated, DOE safety inspectors say.

In a report released last month, investigators with the department's Office of Environment, Safety and Health said a 24-point corrective action plan developed by Argonne officials in the wake of the accident "did not evaluate programmatic issues" leading to the contamination leak or a 30-minute delay in notifying state and local officials about the problem. The offsite notification occurred 15 minutes later than required under DOE rules.

The incident, which occurred during repair of a manipulator at the Fuel Conditioning Facility, was serious enough to prompt an evacuation of workers from the facility and then the

(Continued on page 2)

Geysers Acquisition Pumps Up Calpine's 'Green Power'

BY HOWARD BUSKIRK

In a move that makes it the nation's top geothermal operator—and a key "green power" producer—Calpine Corp. announced Tuesday it is taking steps to become the single owner and operator of The Geysers, the world's largest producing geothermal power complex.

"What we have been trying to do for 10 years is consolidate the ownership [of The Geyers]," said Ron Walter, a Calpine senior vice president.

"What happens is you had a very inefficient utilization of the resource and a very inefficient generation of electricity," Walter added during an interview. "Now, for the first time it will be under a single ownership competing in a new market. Its value has yet to be fully realized."

San Jose, Calif.-based Calpine said Tuesday it will take two separate steps to become the single owner of The Geysers.

First, Calpine plans to acquire for a still undisclosed sum Unocal Corporation's stake in the 14,000-acre steam field that produces the energy for the power plants at the complex. Calpine expects to close this deal within two months.

In addition, Calpine said it will buy the remainder of Pacific Gas & Electric Corp.'s geothermal generating stations at The Geysers, which the company is selling as part of its restructuring.

Calpine said it will exercise its right of first refusal to purchase PG&E's Sonoma County power plants by matching the bid of $139 million made by FPL Energy Inc. for the assets during an auction process.

In December, Calpine already said it would match a $73.8 million bid by FPL to buy PG&E's Lake County plants.

PG&E elected to sell its Sonoma County and Lake County plants as two separate pieces.

(Continued on page 2)

NASA: 1998 Was Hottest Year Ever

Adding more fuel to the already heated climate change debate, National Aeronautics and Space Administration researchers say 1998 was the hottest year on record, easily surpassing the previous record year of 1995.

Scientists James Hansen, Reto Ruedy, Jay Glascoe and Makiko Sato of NASA's Goddard Institute for Space Studies reported Monday that the Earth's mean temperature in 1998 was 58.496 degrees Fahrenheit, a third of a degree hotter than the 1995 record of 58.154 F.

The scientists reached their conclusions using data obtained from thousands of weather stations established by the National Ocean and Atmospheric Administration's National Climate Data Center in Asheville, N.C. They also used satellite measurements of ocean temperatures to obtain a second measure of global temperature change that is more uniformly spaced over the world.

Hansen and his colleagues said they believe the warming is at least partly a consequence of increasing concentrations of human-made gases in the atmosphere, especially carbon dioxide, as well as a strong El Nino effect that warmed the air over the eastern tropical Pacific Ocean in the first half of the year and in turn affected weather around the world.

The largest temperature anomalies in 1998 were in North America, a pattern that commonly occurs in El Nino years. But almost the entire world was warmer in 1998, the researchers said, adding that El Nino by itself cannot account either for the observed long-term global warming trend or the extreme warmth of 1998.

DOE Inspectors Fault Argonne Accident Response...

(Continued from page one)

declaration of a site alert when it was feared some workers may have left the site without being surveyed for contamination.

Ultimately, plant officials determined there was no offsite spread of contamination and that no workers had been contaminated over regulatory or administrative control levels. However, four of the 11 contaminated workers did receive internal doses.

In evaluating the response to the accident, the ES&H inspectors said Argonne officials correctly identified the cause of the accident, the incorrect installation of a "bagging ring" that was supposed to contain radiation during repair of the manipulator. Other contributing causes were poor safety practices, such as failure to conduct rigorous air monitoring during the repair work.

On emergency planning, the inspectors noted that Argonne, operated for DOE by the University of Chicago, had failed to conduct a sitewide emergency drill during the two years leading up to the accident—despite DOE requirements for an annual drill.

But despite the clear lapses, the corrective action plan developed by Argonne left key problems unresolved, the ES&H review said.

"The corrective action plan does not address emergency preparedness issues and only commits to conducting an evaluation of personnel protection requirements," said the review. "The corrective action plan does not evaluate programmatic issues related to this event, such as engineering design changes, unreviewed safety question determinations, emergency preparedness and radiological control."

Among other recommendations, the inspectors called for Argonne to adopt more cautious safety practices, including making more use of protective clothing and portable air monitoring equipment for workers conducting potentially hazardous work.

Calpine's 'Green Power'...

(Continued from page one)

If completed, the deals will give Calpine about 800 megawatts of comparatively low-cost geothermal generating capacity—compared to the 477 net MW it now owns.

Walter said Calpine will sell the power generated to large customers who specifically want to buy "green" electricity, as well as on the open market and possibly to third-party marketers who are selling green power.

"We think that's going to be a substantial market, but we don't know," Walter observed. "We didn't rely on the green premium, if you will, to buy these assets. We're perfectly happy to go toe-to-toe with other sources of electricity because of the low marginal costs."

Walter also said that while Calpine is always interested in geothermal properties, the extent to which it can make such investments is limited.

"Our major thrust as a corporation is to build gas-fired facilities," he said. "Geothermal is more of a niche market to us. It's pretty limited in the United States in that most of the usable geothermal resources are already tapped. It's sort of a mining operation to extract as many kilowatt hours as you can."

In a press release, Calpine noted that it has a history of getting maximum power out of geothermal sites. Specifically, Calpine was part of a partnership that built a 26-mile long pipeline to bring treated wastewater to The Geysers for injection.

The program, launched in 1997, has increased geothermal production by approximately 50 MW, the company said.

Calpine, a major builder and operator of power plants, currently has 5,900 MW of capacity in operation, under construction or in development. Calpine has been involved at The Geysers, but with a more limited role, since 1987.

Goldman Sachs Hired For Possible Enron Oil And Gas Company Sale

Enron Oil and Gas Co. has hired Goldman Sachs and Company to help it analyze a third-party offer it received from an unnamed party for all of its outstanding common stock, the company announced Tuesday.

A special committee of EOG's Board of Directors took the step, the company said.

EOG is one of the largest independent oil and gas producers the United States, with substantial proved reserves in the U.S., Canada, offshore India and Trinidad. The company is also a majority owned subsidiary of Enron Corp., the Houston-based energy giant.

THE ENERGY DAILY
COPYRIGHT 1999 BY KING PUBLISHING GROUP
Llewellyn King, Publisher.
PUBLISHED MONDAY THROUGH FRIDAY. (ISSN: 0364-5274).
SUBSCRIPTION PRICE: $1,575 PER YEAR. FAX PRICE: $1,775 PER YEAR.
EDITORIAL STAFF:
George Lobsenz, Executive Editor, (202) 662-9725, Howard Buskirk, (202) 662-9739, Chris Holly, (202) 662-9720.
ANCHORAGE, ALASKA: Tim Bradner.
SPECIAL CORRESPONDENTS: Mark Crawford, Thomas Stauffer.
BUSINESS STAFF:
Rita Robinson, Sherry Sellner, Karen McHugh, Joan Cassedy (Chief Executive), Keith Payne, Thomas Carter, Charlene Collins, Lynly Boor, Sheryl Ashley.
CIRCULATION/CUSTOMER SERVICE: Sabrina Ousmaal (202) 662-9724.

New State-Local Group Warns Against Heavy Federal Hand On Electricity Restructuring

A new coalition of 11 state and local government organizations Tuesday unveiled an electric restructuring wish list for Congress aimed at ensuring that federal action on restructuring does not ride roughshod over states.

The State and Local Electric Restructuring Coalition, the first broad coalition of state and local government groups to reach agreement on a set of restructuring principles, said it intends to remain unified and become a key player as the restructuring debate advances on Capitol Hill.

Given the complexity of the issues surrounding electric industry restructuring and the regional interests that tend to dominate the debate on many of these issues, the ability of the 11 organizations to reach agreement itself is an accomplishment. The groups met for a year before finalizing agreement on a statement of 10 principles on federal restructuring legislation.

"The most important thing, I think, is that 11 state and local groups that do not generally come together have done so on this issue," said Jeff Genzer, counsel for the National Association of State Energy Officials and a partner at the Washington law firm of Duncan, Weinberg, Genzer and Pembroke. "They intend to stay together and will help present a unified front as restructuring legislation advances in Congress."

Coalition officials said their foremost priority is ensuring that Congress does not usurp states' authority to craft their own restructuring programs. Existing restructuring programs must be allowed to remain in place by any federal legislation, the coalition said.

"The process by which a state decides whether or not to restructure is a long, complicated and arduous process—one that is not taken lightly by the parties in the process," said Oklahoma state Senator Larry Dickerson (D), representing the National Conference of State Legislators. "If ever there was not a case for a 'one-size-fits-all' approach in Congress, it is this issue. Let the states continue to take the lead."

The coalition stressed that under a federal restructuring bill, the "safety, reliability, and sustainability of services must be maintained or improved," and that structural changes to the industry "should not impede compliance with federal environmental laws, including the Clean Air Act."

It also called for access by all consumers to energy services at fair and reasonable prices, and stressed that all consumers share the benefits of restructuring and be protected from anti-competitive behavior.

And the coalition said states should continue to have clear authority to determine what utility costs are "stranded" by retail competition and to decide whether those costs should be recovered. And state and local governments must maintain their authority governing rights-of-ways, franchises, zoning or revenues.

Other principles on the coalition's list include:

• Actions that facilitate local, regional or statewide aggregation must not be precluded;

• States must retain authority to require public benefits programs such as energy efficiency and low-income assistance;

• The U.S Treasury Department should take administrative action to permanently preserve the tax-exempt status of existing debt associated with the transmission systems of public power utilities that choose to participate as independent system operators.

The coalition comprises the following organizations: the National Governor's Association, the National Conference of State Legislatures, the Council of State Governments, the National Association of Counties, the National League of Cities, the National Association of Towns and Townships, the National Association of State Energy Officials, the National Association of Regulatory Utility Commissioners, the National Association of State Utility Consumer Advocates, the Association of State Energy Research and Technology Transfer Institutions, and the National Energy Assistance Directors' Association.

—CHRIS HOLLY

New Energy Ventures Targets Texas Deregulation

New Energy Ventures, targeting the largest electricity-consuming state in the nation, has opened an Austin-based office to press for electricity deregulation in Texas.

The company said its Texas lobbying efforts will be headed by Ray Palmer, an energy services executive who has held positions with Planergy Inc., Encon Systems Inc. and Puget Energy Services Inc.

As president of NEV Texas L.L.C. Palmer will immediately begin working with the Texas legislature on the issue of electric deregulation. He also will lead NEV efforts to obtain distributed generation and energy services business throughout the state.

"Texas represents a unique opportunity for the competitive electric industry," said Michael Peevey, president and chief executive officer of New Energy Ventures. "It consumes more electricity than any other state, and thus could become not only the largest, but the most vibrant electricity market in the nation."

Palmer said while Texas has always been a leader in the energy industry, the state "needs to act decisively on electric deregulation to keep that leadership role."

New Energy Ventures, a leading energy service provider headquartered in Los Angeles, also has regional offices in Boston, Chicago, New York, Philadelphia, Phoenix, Tucson and the San Francisco Bay area. New Energy Ventures is 50 percent owned by UniSource Energy Corp. and 50 percent owned by New Energy Holdings Inc., which is owned by the senior officers of New Energy Ventures.

Marketers: New York Tax Could Kill Competition

BY HOWARD BUSKIRK

The National Energy Marketers Association and marketers in New York are pulling out all the stops to defeat a tax on electric transportation services, which the group says would in large measure kill efforts to open the state's power markets to competition.

"We have mobilized incredible numbers of consumers—industrials and even the state agencies that have been trying to promote choice—to talk directly to the tax department and the governor's office to try to get reconsideration of this new policy," NEMA President Craig Goodman said Tuesday.

But Goodman and other officials said it is still unclear whether the state agency will reverse the ruling.

On Jan. 1, the New York Department of Taxation and Finance issued an opinion that electricity transportation should be subject to the state's tax on energy sales.

The ruling reversed more than a decade of law in New York, NEMA said.

NEMA said last week in a filing with the state tax department the ruling will undermine New York's goal of a restructured and competitive power industry by effectively raising prices for power sold by marketers. The tax would have a $2 million impact on one marketer alone, sources said.

"The net effect of this ill-advised and ill-timed opinion is that energy marketers will depart from the New York market," NEMA said in the filing. "Worse yet, many consumers will have the prices they negotiated under preexisting transportation contracts increased, changing radically the economics of many past transactions."

NEMA added, "Instead of fostering a competitive business climate with which to attract new businesses and jobs to New York, the opinion renders energy prices uncompetitive to the detriment of economic development and consumers."

NEMA also criticized the state tax department for changing the rules of the game "without a vote of the legislature and before restructuring has had an opportunity to benefit the New York economy."

Various members of NEMA and industrial consumers in New York have contacted officials in the administration of Gov. George Pataki (R) to talk about changing the opinion. Pataki, who began his second term this year, has promoted restructuring as a spur to economic growth in New York.

Matt Picardi, general counsel to Niagara Mohawk Energy, the marketing arm of Niagara Mohawk Power Corporation, said marketers are very concerned about the effect the opinion will have on their ability to attract customers.

"The numbers indicate that at this point the [tax change] has a significant impact on the New York City effort and could have a significant effect upstate, depending on other issues that unfold," Picardi said.

Picardi also said the tax change will have the most detrimental effect on the pursuit of commercial customers—one of Niagara Mohawk's target markets.

Goodman suggested that the tax decision could damage New York's economy by raising energy costs.

"This is contrary to every policy statement New York has issued about lowering energy costs to consumers and becoming a more competitive environment in which to relocate new jobs," he added. "Clearly, many other states understand that the cost of energy is a major factor in the global competitiveness of the businesses located within their state. We urge the state to rescind this untimely and ill-considered tax."

Goodman, former director of energy tax policy in both the Reagan and Bush administrations, said states tend to promulgate energy tax policy that ends up having a negative effect on their economies.

"Typically, energy taxation is extremely regressive and it's also counterproductive in less than obvious ways," he said. "An energy tax increases the costs of most goods and services, lowers corporate profits, negatively impacts state budgets—because state [agencies] are the largest energy consumers in their states—and reduces sales taxes indirectly because consumers have less disposable income."