


9C Sunday, October 12, 1997

Bucks County Courier Times

Stocks

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|---|---|---|
|  |  |  |
| DOW | NASDAQ | AMEX |
| 8,045.21 | 1,739.03 | 717.37 |
| -16.21 | -6.82 | +1.15 |

Money

■ BUCKS COUNTY / CONSUMER

Peco zaps Texas power provider's plan

If Enron, a Houston-based power supplier, wants to horn in on the Philadelphia market, Peco Energy Co. says it will have to enter on a level field.

By Elizabeth Fisher

Courier Times

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Peco to Enron: No deal.

On Tuesday, Enron Corp. (NYSE:ENE) filed a proposal with the PUC to provide power in this area at a reduced cost. But unlike other wannabe electric suppliers, Enron also offered the carrot for Peco. It offered to pay a \$5 billion lump sum to ease that utility's transition pains when the market is opened to competition.

Peco Energy Co. will not accept a \$5 billion offer from the Texas-based power company, saying that would allow Enron to corner a \$2 billion market in energy sales in southeastern Pennsylvania.

Enron not only offered to defer Peco costs, but also said they would cut customer rates 20 percent compared with Peco's 10 percent promised cut.

In December 1996, the Pennsylvania General Assembly passed the Electricity Generation Customer Choice and

Competition Act, which provided the framework for restructuring the state's electric industry to allow retail customers direct access to a competitive generation market.

In August, Peco filed a partial settlement plan to the law, which was opposed by a coalition of utilities and power marketers, including Enron. The current proposals provide for customer savings to begin Sept. 1, 1998.

Peco is conducting a pilot program for some customers to choose providers in an effort to iron out kinks in the program before deregulation becomes effective Jan. 1, 1999, for a third of the customer base. A second third would be

phased in by Jan. 1, 2000, and deregulation is expected to be complete by Jan. 1, 2001.

Peco has accused Enron of manipulating the regulatory process.

Enron, based in Houston, is one of the world's largest integrated natural gas and electric companies. Previously, it sold energy to large commercial companies but has set out to make its mark in the consumer market with deregulation.

Last year, the company reported revenues of \$13.3 billion and earnings of \$584 million. Its current proposals provide for customer savings to start Sept.

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Consumer: Peco slams deal

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1, 1998, and continue through 2000.

Enron's tactics are a smoke-and-mirrors deal that misleads potential customers, says Peco spokesman Neil McDermott. What will really happen is that Enron will make a profit of \$2 billion "off the backs of our customers, our employees and our shareholders," he said.

If Enron's deal were accepted, Peco would have to issue bonds and hand them over to Enron at 9.66 percent, even though the market rate is now at 6.5 percent. Enron could then sell the bonds at 9.66 percent and rake in a profit of more than \$2 billion, Peco officials said.

Peco says it has its own plan in place to save customers money. That plan has been hammered out by all the major consumer advocates in Pennsylvania, state Sen. Vincent Fumo, and the office of trial staff on behalf of the PUC and Peco.

The plan calls for a guaranteed 10 percent rate reduction for all customers and guaranteed rate caps on transmission, delivery and cost of energy. It also will provide for a doubling of the number of customers who are eligible for subsidies for the poor.

The savings to Peco customers will come from a \$2 billion reduction in shareholders equity. But success by Enron would sabotage that agreement, McDermott said.

Before you shop around...

A Yardley attorney who once worked for the PUC cautioned consumers who are considering shopping around for power.

Gilbert Hamberg, who now specializes in utility and bankruptcy law, said current electric bills are divided into three categories. Customers would realize savings on only one part.

"Right now, the costs of transmission, delivery and generation are combined. When competition starts, the generation are combined. When competition starts, the

only thing that will be competitive will be the generation — not the other two parts," Hamberg said.

Furthermore, Hamberg said, there are no solid numbers available yet, so it's too soon for customers to make a decision.

"About 20 marketers have filed applications with the PUC. Very few have filed anything but proposals. If you as a consumer want to choose, there's no way to do that yet," he said.

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