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## ***Enron pact reduces CVP rates***

**by Dave Christy**

A Memorandum of Understanding between Enron Power Marketing and Western that will significantly reduce rates in the SN Region has been approved by the Federal Energy Regulatory Commission.

The agreement is expected to reduce Central Valley Project rates by approximately 2 mills per kilowatthour due to lower purchase power costs.

"This accomplishment is a major step toward achieving SN's rate goal of 15 mills per kWh," said **Jerry Toenyas**, regional manager. Toenyas and SN employees **Bob Cheskey**, a supervisory public utilities specialist, and **Mark White**, a power system dispatcher, received SOAR awards for their work in negotiating the agreement.

SN will pay a total of \$42 million to Enron by Dec. 31, 1998, subject to availability of appropriations, as a buy down on a long-term power purchase agreement with Portland General Electric Company. Western made an initial \$10 million payment in May and a second \$5 million payment in July. Enron merged with PGE and renegotiated the contract, substantially reducing the total purchase price required over the life of the contract.

Late last year, the cities of Santa Clara and Palo Alto notified Western they intended to withdraw from bill crediting, the alternative funding mechanism used to pay for purchase power. Other large customers also indicated they were considering withdrawing from bill crediting.

Western began exploring alternatives to make up the projected shortfall such as signing other customers up for bill crediting and requesting additional appropriations, and also opened discussions with Enron on restructuring the contract.

The original contract called for Western to purchase 65 megawatts of firm capacity at \$21.15 per kW month plus energy purchases of 227.7 to 569.4 gigawatthours per year. The energy rate was based on a formula related to Bonneville Power Administration's surrogate nuclear costs, but the end result was a composite rate of approximately 106 mills per kWh compared to a market rate of 20 to 22 mills per kWh.

Under the revised contract, from 1999 to 2004, Western will make a firm purchase of 65 MW with the price based on the Dow Jones California-Oregon Border On-Peak Daily Index Price plus \$2 per megawatthour. From 2005 to 2014, Western will buy 50 MW of firm energy at the index price plus \$8.50. The contract revision is expected to cut the composite rate of 106 mills by more than half.

The agreement meets Western's goal of rate reduction to customers and meets Enron's goals of preserving the value of the contract and reducing the risk of default. Customers rescinded their notices of intent to withdraw from bill crediting after agreement was reached on the contract changes.

**(Note: Christy is a public affairs specialist in Folsom.)**