



McCullough Research  
Energy and Resources  
For The Future

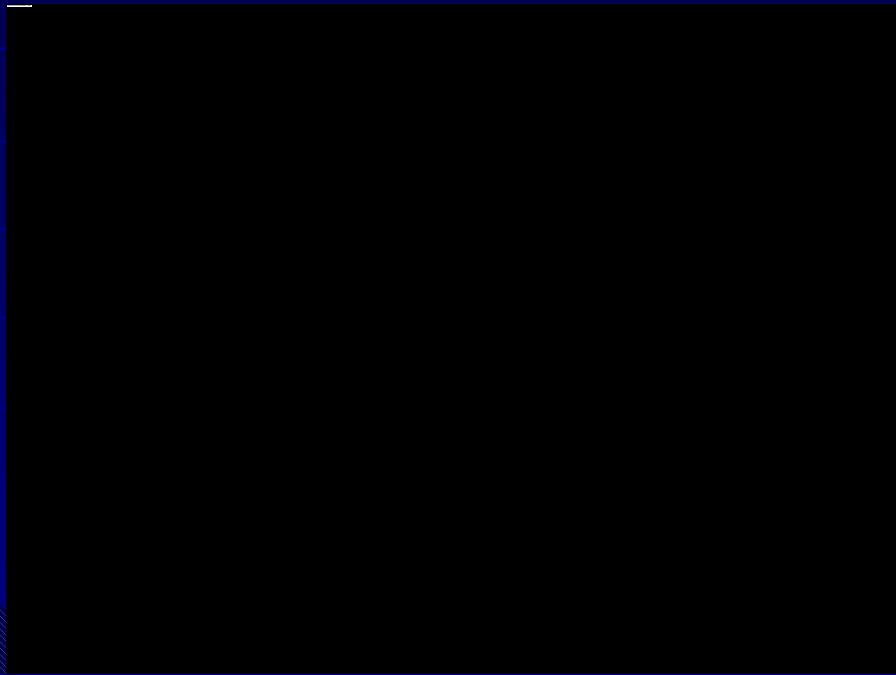
**Teaching the Hippo To  
Dance:  
Bringing the Competitive  
Electric Market to Evanston**

*Robert McCullough  
Managing Partner  
McCullough Research*

# Teaching the Hippo To Dance

- **Bringing Competition To An Uncompetitive World**
- **Evanston**
- **Springfield**
- **Clark County**
- **Components of Utility Cost**
- **Establishing Regional Energy Options**
- **Carpe Diem**

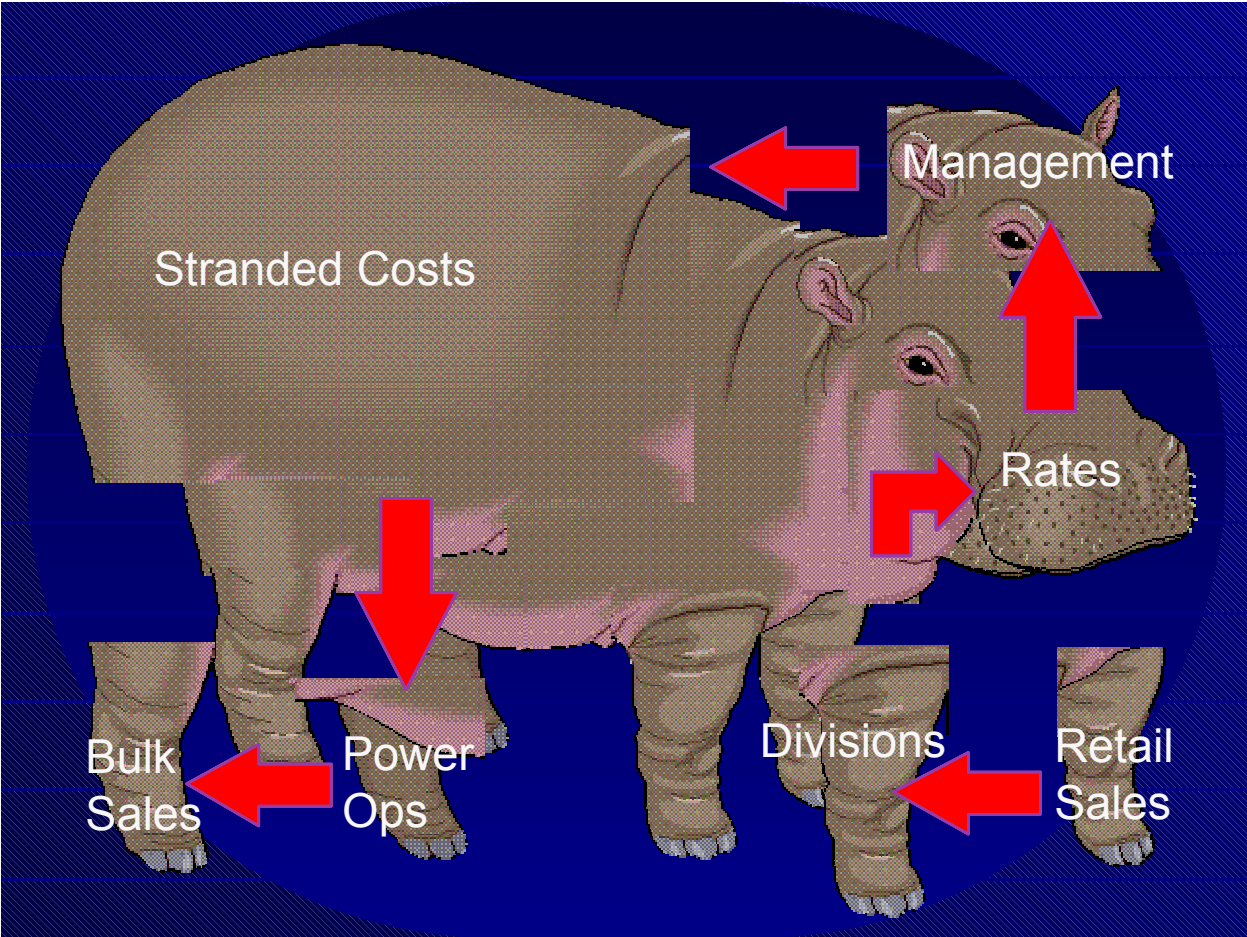
# Commonwealth Edison



## The first tentative steps . . .



The first faltering steps can  
be tricky . . .



## Terminology

- Evanston is 70 average "megawatts"
- Evanston has a "peak" of 110 megawatts
- Evanston's current costs are 8 cents per kilowatthour
- Evanston's cost per household are approximately \$1,500 per year
- Future costs will fall to 4 to 5 cents per kilowatthour
- Cost per household will fall to \$750 to \$900 per year



## Competition Is Here



- Spot prices have plunged more overbuilt than average. The WSCC spot market is 15,000 average megawatts
- New plants cost 2.5 cents to 3.0 cents per kilowatt-hour. 2,000 average megawatts
- Options, hedges, and future supplies haven't waited for NYMEX
- Rates have ranged from 1.5 to 22.0 mills this year
- Over 4,000 megawatts of industrial loads are currently open for retail wheeling

# Evanston

- 70 average megawatts of load
- Approximately 110 megawatts of peak
- Average rates of 8-10 cents per kilowatthour

# Springfield

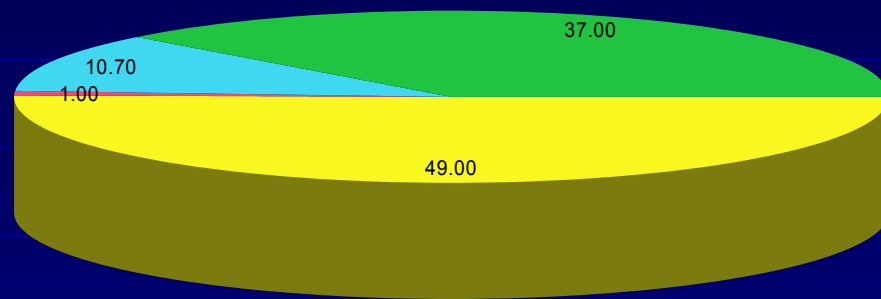
- 164 average megawatts
- 345 peak megawatts
- Average rate is 5 cents per kilowatthour

## Clark County

Clark County recently decided to procure their own bulk power supplies

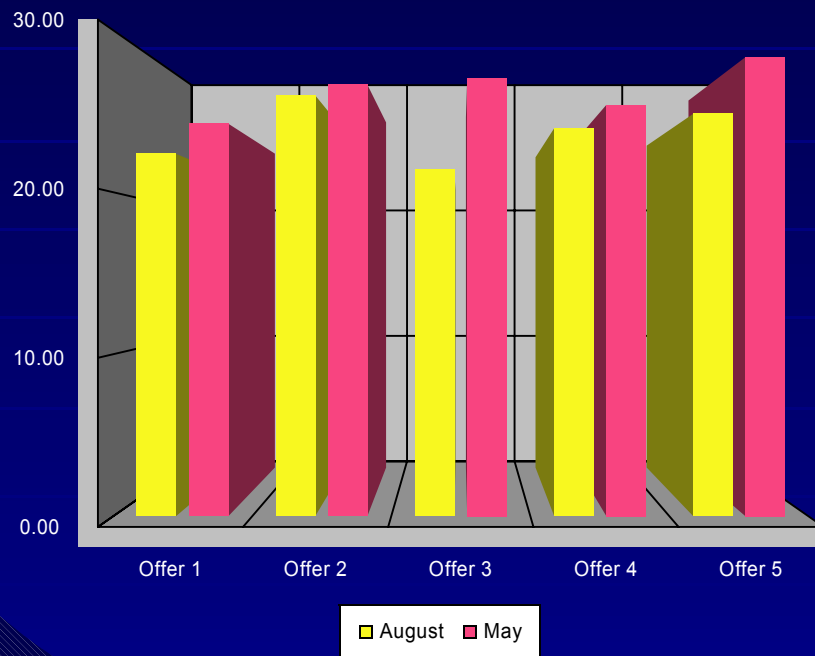
- They purchased energy and capacity from multiple suppliers
- They purchased additional services from other utilities
- They averaged 2.5 cents per kilowatthour for their bulk power supply

# Components of Utility Costs

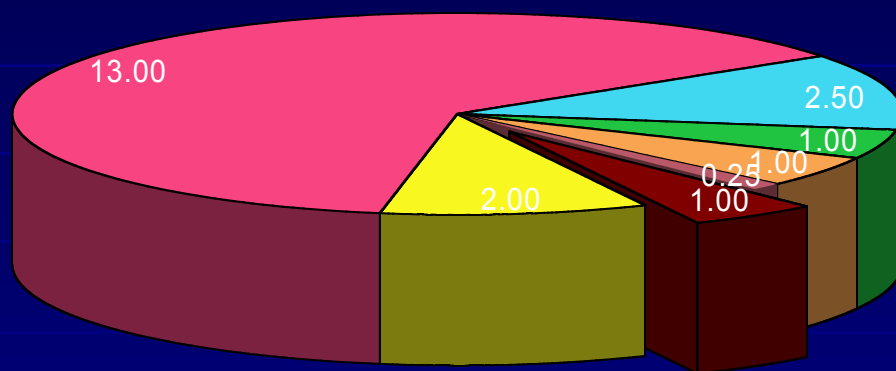


- Production
- Distribution
- Transmission
- Other

# Typical West Coast Prices



# Components of a power deal:



- Capacity
- Energy
- Transmission
- Reserves
- Load Following
- Voltage Stability
- Hedges

## Carpe Diem

- An aggressive negotiating position yields the best results
- Bulk power prices are currently very low
- Commonwealth will delay and delay to avoid resolution