

Commonwealth Energy System *weekly* **Highlights**

Topics

- Ample gas supply for 1994-1995
- Quebec hydro project shelved
- Natural gas good investment opportunity
- Utility deregulation

Informing you about our energy industry.

week in review...

December 1, 1994

COM/Electric Salutes the New Bedford Fire Department



Christmas came early this year for the New Bedford Fire Department, thanks to a gift from COM/Electric. In a city hall ceremony, COM/Electric president Russell D. Wright presented a freshly painted box van, complete with ribbon and bow, to New Bedford mayor Rosemary Tierney and acting fire chief Roger Nadeau.

(left to right) COM/Electric employees Manny Rebello, Jint Uvanitte, Paul Rocha, Sherry Banzi, as well as Mayor Rosemary Tierney, COM/Electric president Russ Wright, Chief Roger Nadeau, and Deputy Chief Warren Ide stand in front of the newly donated van.

The van, formerly part of COM/Electric's fleet, will be put into service as the fire department's new hazardous materials response vehicle.

Mayor Tierney thanked COM/Electric, adding, "These are tough budget times and COM/Electric has stepped forward to answer our call for assistance. This truck will be a major boost to our continued public safety efforts."

In the past 18 months, COM/Electric and its employees have donated a bucket truck to New Bedford, conducted training programs on the underground electrical safety system for every firefighter in the city, read to school children, volunteered at the Summer Festival, raised money for the United Way and other good causes, assisted local industry in becoming more competitive, and collected food and clothing for needy families.

AGA: U.S. Gas Supply Adequate for 1994-95 Winter

The American Gas Association (A.G.A.) projects that the country's supply of natural gas will meet or outpace demand for the fuel during the pending heating season. "Available peak month natural gas supplies are expected to be about 2.619 trillion cubic feet, meeting or more likely exceeding demand for the 1994-95 winter heating season's peak month," said A.G.A. President Michael Baly. A.G.A.'s study is based on "an aggressive" peak month demand maximum of 2.614 trillion cubic feet for next January, even though it is unlikely that the nation will encounter conditions severe enough to reach that level. Last January holds the record for demand, at 2.538 trillion CF.

— *Oil & Gas Journal* 11/07/94

Decision To Shelve Quebec Dam Project Pleases Environmentalists, But Not Labor

Last Friday's decision by Quebec Premier Jacques Parizeau to indefinitely postpone the \$9.72-billion Great Whale hydroelectric project has won environmentalists' praise, but industry and labor groups in the province were "angered" by the decision. The project had been promoted by previous governments and supporters as a clean source of power for export to the U.S., but critics decried the potential environmental impact. The Great Whale project was expected to flood 673 square miles near Hudson Bay. Hydro-Quebec spent C\$256 million on designing the project and preparing environmental impact studies. A spokeswoman for Parizeau said the province-owned utility would conduct "a sweeping review" of provincial energy policy next spring. The issue of "how much money does a new megawatt cost, versus a megawatt conserved" will be a "guiding question" in developing the new policy, she said. Bond traders said yields by Hydro-Quebec's government bonds were unchanged yesterday, because traders viewed the project as "an obvious political minefield" and the dam

project was not "factored into the utility's yield."

— *WALL STREET JOURNAL*, 11/22/94

Taking Stock in Our Industry

The November issue of *Better Investing*, the magazine of the National Association of Investors Corp., passed on to more than 260,000 members its opinion that the natural gas industry is undervalued and therefore a perfect investment opportunity. While that news was more than welcome, writes American Gas Association (A.G.A.) President Michael Baly III, it is just one example of A.G.A.'s commitment to a number of financial outreach programs designed to benefit members by providing them with the capital necessary for growth. The ability to unite a variety of A.G.A. members with the cream of the financial and banking industries—including mutual funds, money managers, pensions funds, and trust departments—is something Baly says the association is proud of, and it will continue to strive to provide such services. "After all, in an industry that is growing by some 4 percent a year, it is crucial that our member companies maximize shareholder values as they obtain the capital they need to keep pace," Baly writes. "Helping them get this capital in a least-cost, highly efficient manner is what A.G.A.'s financial outreach programs are all about."

— *American Gas* 11/94

Down To The Wire

In recent weeks, representatives from New England utilities, independent power producers, regulators and environmental groups have been working to develop a model of a "regional body to oversee and price the transmission of electricity." The Regional Transmission Group is working with public utility commissions to design a system to level the playing field for IPPs and utility companies that own

transmission wires. The commissioners have set an April 30 deadline for a transmission pricing proposal.

"We've taken the challenge and we hope we can get there. I won't predict whether we'll make it or not," said RTG chief Arnold Turner, vice president and director of transmission marketing for New England Power Co. On October 28, the Federal Energy Regulatory Commission "gave added urgency to the process" by releasing a statement that "underlined" the significance of fair rates for transmission service, known as "comparability." DPU Chairman Kenneth Gordon said FERC's statement was "encouraging" and exhibited the agency's new flexibility on pricing structures.

The RTG still must reach consensus on several issues: membership and voting in the transmission group; state participation; and pricing for utilities with "stranded" generation facilities that are no longer needed. Gordon said he is "very hopeful" that the RTG will come up with a workable plan before FERC unilaterally imposes a plan. "We think there's room for compromise and maneuver," he said.

— *Boston Herald*, 11/21/94

Why It Was Easier To Put A Man On The Moon Than Build Electric Car

In a speech in Washington, D.C. last Thursday, Chrysler Chairman Robert Eaton outlined the industry's efforts to develop electric vehicles in the face of government mandates and technological challenges. Eaton said that "technology is the referee" between consumer demands for safe, affordable cars that perform well and society's demands for "automobiles that are environmentally benign." Eaton: "Unfortunately, there are too many policy-makers today who don't understand that the 'perfect' car will be the product of compromise." Eaton said the effort that put men on the moon 25 years ago set a poor precedent for technological development because "it created the expectation that if we want to do something badly enough, and if we spend enough money on it, anything is possible." Eaton

said a manned trip to the moon was an easier task than producing an EV since much of the technology needed for a practical EV has yet to be created. Eaton also criticized federal and state EV mandates and said officials should accept auto industry proposals for more efficient, low-emissions vehicles since "they would do at least as good a job" as EVs in reducing pollution and cost "a lot less."

— *Detroit News* 11/20/94

Future Shock: A Choice of Utilities

The "old world of electricity ... is giving way to a new national industry, in which utilities will raid each other's turf and battle for market share as aggressively as MCI, AT&T and Sprint now battle for the long-distance telephone market," reports the WASHINGTON POST. The "dramatic transformation of a once-stodgy industry" is the result of several forces: regulators who want more competition; industrial consumers who want cheaper electricity; and computer technologies that allow utilities to manage distribution across a nationwide grid. Regulators in California and a dozen other states are studying ways to allow utilities to compete for customers and distribute electricity over common transmission lines. Roger Hale, chairman and CEO of Louisville-based LG&E Energy Corp.: "The velocity for change in our business is even stronger today than it was for telecommunications a decade ago." But "the prospect of a massive shake-up" of the industry "has rattled investors." Since September 1993, utility stocks have plunged more than 20% in response to rising interest rates and the industry's "uncertain future." Other critics fear industry layoffs and a lessening of interest in the environment or energy-efficiency programs. Consumer advocates fear industry cost-cutting will produce "higher rates and a poorer quality of service" for low-income and residential consumers who lack the clout of industrial customers.

— *Washington Post* 11/27/94

Damage by Woodpeckers Driving Up Utility Costs

Growing numbers of pileated woodpeckers in central Idaho are knocking "huge holes" in power-line poles, utility officials report. The 18-inch-tall birds can knock out wood chips the width of a pinkie and create nest holes five feet deep, leaving "a wooden shell" and the possibility of "havoc if the weakened poles fall." Damage in the past year to poles owned by the Salmon River Electric Co-Op has amounted to about \$200,000 or \$350 per customer, according to Frank Corrales, the co-op's director of finance and administration. Corrales said he is working with the state Fish and Game Dept. to find a solution, but the bird is protected by federal law and shooting them would require federal approval.

— *St. Louis Post-Dispatch* 11/24/94

Power-line Cancer Scare Strings America Along

A number of epidemiological studies have suggested links between power-line electromagnetic fields and cancer, but

two recent studies have concluded the link is based on research that is "long on alarm and short on meaningful science." Britain's National Radiological Protection Board concluded the EMF-cancer link is "inconsistent and inconclusive," and the Oak Ridge Associated Universities also said the risk was overblown. Epidemiology is a "crude" science in which researchers often ignore claims that disprove their thesis and accentuate those that agree with them, the author writes. However, "The cost to society of public anxiety about EMF now exceeds \$1 billion annually," according to H. Keith Florig of Resources for the Future, a Washington-based environmental-research institute. Florig's estimate includes the fall in real estate prices near power lines, the cancellation of power-transmission projects based on EMF worries, and active efforts to reduce EMF exposure. Public concern "has ensured a steady flow of funding for further research," Taubes writes, including a \$65-million DOE research program and a \$5-million study by the National Cancer Institute.

— *Washington Times* 11/25/94

COM/Energy Stock and Vanguard Accounts

Item	12/31/92	12/31/93	9/30/94	11/29/94	% Change YTD
CES	\$42 ⁵ / ₈	\$46 ¹ / ₄	\$38 ⁵ / ₈	\$35 ⁵ / ₈	-23.0
MMR-P	3.2%	3.0%	4.5%	4.9%	
STCorp	\$10.87	\$10.90	\$10.46	\$10.32	-5.3
IdxExt	\$17.35*	\$19.43*	\$19.39	\$18.70	-3.8
IntlGr	\$9.41*	\$13.51*	\$13.97	\$13.66	+1.0
Welltn	\$19.16	\$20.40	\$19.97	\$19.31	-5.3
WindsII	\$15.91	\$17.04	\$16.00	\$16.67	-2.2

*Fund only available to Commonwealth Energy System employees since 10/1/93
Price on 10/1/93 of IdxExt was \$19.58 and IntlGr was \$12.11