

MERCHANT ENERGY NEWS

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A NEWSLETTER FOR THE COMPETITIVE WHOLESALE ENERGY BUSINESS OF PHI

Conectiv Energy Wins Contract with Premcor

The Delaware City plant has had a long history with Conectiv Energy and our heritage company Delmarva Power. The plant was owned by Delmarva Power for 35 years. Since 1992 a subsidiary of our company has provided operations and maintenance services as a contractor, Delaware Operating Service Company (DOSC).

In May of 2004 the former owner, Motiva, gave DOSC & Conectiv Energy's management notice to terminate the contract by the end of 2004. Premcor, one of the largest independent petroleum refiners and suppliers of unbranded transportation fuels purchased the Delaware City facility from Motiva early in 2004 and in June they requested proposals for competitive bids to provide O&M services at the plant, from O&M Service providers including DOSC.

The proposal team was lead by Al Kirby, VP of Generation & Engineering and David Rosenstein, Associate General Counsel



Conectiv Energy, with the support of team members Pat Duffy, Jim Becker, and Eric Graber.

In October, Conectiv Energy signed an agreement with Premcor for a 3 year contract, to provide Operations & Maintenance Services for the power station located at the Delaware City Site.

Through the negotiations the team members on both sides of the table gained an appreciation for their new associates. "This new contract should help to resolve plant employee concerns around job security and sets a new direc-

Continued on Page 4



Safety First...Drills That Save Lives...

Steve Brown, Senior Safety Consultant for the Atlantic Fleet submitted this article to The Merchant to demonstrate the everyday practices our teams follow to prepare for an emergency. Preparing for the unexpected is a never ending job. At Conectiv Energy, each of us demonstrate our dedication to each other, by keeping safety first.

"Man down, man down inside the boiler" blares over the portable radio. The Control Room Operator jumps from his seat reaching for the radio.

"Control Room to the Boiler Holewatch, copy your message. What is your emergency?"

The holewatch responds, "We've had a major scaffolding collapse inside the boiler and we have one man missing!"

Control Room to Holewatch: "The Emergency Response Team (ERT) has been alerted. Standby at your location"

As the emergency siren echoes throughout the plant the Shift Supervisor is already taking command of the incident calling for all ERT members to report to the 1st floor of #3 boiler with the Confined Space Rescue equipment. Mutual Aid has been requested by contacting 911.

A quick size up is performed by the Incident Commander. The holewatch is questioned as to what happened. A head count is conducted to confirm which worker is still trapped inside.

As the rescue team gears up for entry, the Confined Space Permit is reviewed and atmospheric readings are taken. Local mutual aid is on its way.

The adrenaline is pumping but concern is visible on the faces of the rescue team as they prepare to make entry. How far into the boiler is the worker? Is he still alive? How badly hurt is he? Is the atmosphere safe? Will there be another collapse? Will we be able to rescue him in time?

For the Emergency Response Team members of B.L. England and Deepwater Stations, this is not just another safety training class. They know the seriousness of working around confined spaces. This is

Continued on Page 3

Strategic Behavior and Pricing

By Stephen Schork

Global energy markets continue to trade at exorbitant levels relative to historic norms. Over the last three months we have watched the NYMEX nat-gas futures contract for January 2005 delivery trade from the mid-\$6 range in September, up to near \$10 one month later, back down to around \$7.70 as of this writing in mid November. To put those numbers into perspective consider that inside the last eight weeks the value of one NYMEX contract (10,000 MMBtus) rose from around \$65,000 up to \$100,000 back down to \$76,000.

That's volatility... and that volatility is not been the exclusive domain of raw commodity markets per se. The cost to ship those commodities is also surging. Specifically for VLCC's, (very large crude carrier) tankers typically between 200,000 and 300,000 deadweight-tons (dwt), capable of hauling upwards of 2.0 MMBbl of crude oil. Stateside freight markets are trading at "obscene" levels as a result of lingering ethnic/civil/political/religious/labor tension in a host of oil/gas producing hotspots, robust seasonal GoM and NWE refining activity, fevered OPEC production and a dearth of tonnage.

Freight rates charged by ship owners on crude oil cargos from the Arabian Gulf (AG) to the U.S. Gulf Coast (USGC) are trading at WS 240, nearly \$7 a barrel, up more than 400% on the year. Meanwhile freight on West African barrels has quintupled as well. The freight charged on Nigerian Bonny and Forcados crudes destined for U.S. refineries are trading now at WS 300 or around \$4.50 a barrel... a fivefold 52-week increase!

Since the last time we chatted global crude oil prices are off nearly \$10 a barrel from all-time highs. Price action that is highly suggestive of the amount of speculative-money being thrown around in today's energy markets.

From the middle of September to the middle of October crude oil prices on the NYMEX surged more than 30 percent. In the two weeks since W.'s victory crude oil prices are off 20 percent.

So don't fool yourself. Crude oil at \$45 a barrel is not cheap. Yes, compared to \$55 crude oil it seems cheap, but it is still expensive. This Bull Market is not dead. As I noted in the beginning of this discussion, freight markets are trading at record highs. It only makes sense to pay a premium to transport a commodity that is in high demand. As we all know from econ-101, an asset in high demand, commands a high price... A price that is going to be paid by you and me.

New Opportunities for STG

The competitively bid procurement of Standard Offer Service ("SOS") supply by the electric distribution companies ("EDCs") throughout PJM has created new power marketing opportunities for Conectiv Energy's Structured Transactions Group ("STG"). These competitive wholesale bidding processes are the result of electric restructuring settlements that have been passed in many states. The settlements allow for retail competition for all customers and require the EDCs to provide full requirements electric service to customers that are not served by third-party suppliers ("Standard Offer Service"). Some of the settlements require the EDCs to procure wholesale supply for their SOS service through competitive bidding processes. Approximately 18,000 megawatts of SOS load was procured through multi-round bidding processes conducted by New Jersey, Maryland, the District of Columbia, and part of Virginia in 2004. The load being auctioned in these processes comes in various terms and block sizes. In New Jersey and Virginia, the SOS load is bid out in blocks that average 50 megawatts in size, while in Maryland and DC they average 25 megawatts. Because the Settlements require the SOS load to be bid out with terms of various lengths, each state's process occurs once a year at approximately the same time of the year. CESI has successfully participated in these processes in New Jersey, Maryland, the District of Columbia, and part of Virginia. Delaware and Pennsylvania will soon be implementing SOS bidding processes of their own, so STG will have more opportunities to place CESI's excess generation into the market at profitable prices.

Unit Retirements

Conectiv Energy has taken proactive steps to reduce shareholder costs with the decision to retire two small units in our fleet.

Earlier this month PJM, the commissions, and environmental regulators were notified that we intend to shut down Madison Street (11 MW) in Wilmington, Delaware on December 31, 2004 and CT 'A' (19 MW) at Deepwater in New Jersey on April 1, 2005.

The decision was based on economic factors including high fuel costs, every growing maintenance costs (the units are both over 40 years old), and the lack of run time for the units.



“This refresher training helps all of us re-enforce the importance of *Team Work*, learning our strengths and how to protect each other during an emergency. We appreciate the time dedicated to refresher training in the Fall of each year.”

With OSHA reporting that more than 60% of the fatalities related to confined space entry consist of the would-be rescuers, it is easy to see the importance of being properly trained.

“It is important to have a strong management commitment” states Bill Gibson, the retiring Manager of Generation at the B. L. England Station. “We need to take the time to practice and be ready in the event a real emergency does occur. Employee involvement is the key. Fortunately, this was just a drill, I am confident in our ERT members and applaud them for their commitment to *Team Work* and their focus on *Safety*.”

why they are committed to learning and practicing the necessary skills to effectively rescue a co-worker if such an incident was ever to occur.

Many hours are spent in the classroom preparing for just such an emergency. Simulated rescues are a routine way to practice and sharpen ones skills preparing employee for the real thing.

At B.L. England Station and Deepwater Station, each ERT member spends approximately 24 hours a year on confined space rescue training. Additional time is spent training with local fire departments.

Med-Tex Services, Inc. out of Philadelphia has been providing the training and expertise to our ERT members for several years. Many of their instructors are professional fire and EMS members and serve on the emergency FEMA Search and Rescue Taskforces, giving the company an unique approach to industrial safety and health which makes them a great fit for our line of work. .

After classroom work, learning the advanced rescue skills, and even practicing tying life saving knots, it’s time to put the training to the test.

“There’s nothing better to re-enforce classroom training than a real-life scenario” states Bob Kerr, OMT. “Practice makes perfect! When you practice live scenarios and a real event does take place you are better prepared and hopefully you can affect a better outcome”, says Bob Kerr,

Service Anniversaries NOV & DEC

Name	Location	Hire Date	Years of Service
Harvey D. Saunders	Deepwater Operations	11/17/1969	35
Wayne E. Adamson	B. L. England Operations	12/17/1969	35
Kevin V. Fabryka	Delaware City Maintenance	12/16/1974	30
Christopher Swift	Edge Moor Maintenance	11/8/1979	25
John V. Kutys	Edge Moor	11/26/1979	25
Paul J. Margiotta	Merchant Energy	12/3/1979	25
Gary S. Alexander	Edge Moor Maintenance	12/17/1979	25
Donald M. Taylor, Sr.	Edge Moor Maintenance	11/5/1984	20
James S. Klickovich	Energy Environmental	11/23/1984	20
Christian C. Eckert, Jr.	BL England Maintenance	11/30/1984	20
Eric S. Graber	Delaware City Management	12/24/1984	20
Robert J. Favazza	Delaware City Operations	11/16/1989	15
David A. Glenn	Merchant Risk Management	12/4/1989	15
Gary W. Ferenz	Merchant Energy	11/24/1999	5
Robert L. Clausen	Edge Moor Technical	12/6/1999	5
Bill D. Fehr	Merchant Energy	12/13/1999	5

tion for both the owner and operator.” said Al Kirby, who lead the negotiations.



The team at the plant has unparalleled experience at the facility. This was a key factor in winning the bid. The new contract highlights safe and successful operations for the plant, setting a rejuvenated direction for Premcor and Conectiv Energy.

“During the negotiations we came to believe that Premcor is a business built on proactive policies”, said David Rosenstein, “which includes being committed to the daily safe operation of the entire facility.”

Congratulations goes to the entire team for a job well done.

The Holidays & Stress



Recently, the Engineering SAC committee had a meeting that focused on Stress Management the seminar was conducted by Chris Sopa, a professional speaker on human development.

With the holidays upon us & those New Years resolutions just around the corner, here are some reminders to help keep the balance in our lives:

Exercise—use the time to get fit and let your mind wander to get in touch with who you are.

Know your boundaries.

Know your personal definition of success.

Have goals in each area of your life which are a priority for you.

Keep a list of goals & achievements you have accomplished for the days you feel less than stellar.

“Invest” your time; do not simply “spend” it.

Lotus Notes Tips

Our new email software does take some time to get used to. As with anything new, learning the shortcuts quickly helps build confidence when using the program.



Carol Buckalew, who participates on the Lotus Notes Users Group for Energy, has offered to compile tips for using Lotus Notes. If you have figured out a shortcut or simply found a really cool feature please email them to Carol Buckalew, so that the tips can be shared with a larger audience—for the greater good.

How do I archive email in Lotus Notes?

The proper steps for archiving are:

Actions - Update folder design (Before the first archive only)

Select document that you want to archive.

Either: Action, Archive, Archive Now

Or: drag and drop the items into Tools, Archive, Notes Mail Archive.

Every user already has a standard archive database created for them.

How can I create a “private” calendar entry?

From your Calendar view, create an appointment or meeting and click the Mark Private checkbox.

How can I quickly populate my Address Book?

If you want to add a person to your Address Book: open an email from that person and go to Tools, Add Sender to Address Book.

To create an email from anywhere in Notes, press CTRL + M.

Veterans Day and then some...

On the 11th of November our country observed Veterans Day. It originally celebrated Armistice Day & the end of WWI. Now it annually is a day to remember those soldiers who have served for our country, with the hope that some day wartime soldiers will be a thing of the past. No matter what your politics may be, as we once again enter the holiday season, with American soldiers deployed overseas in occupation and fighting scenarios—please remember them and their families and the sacrifices they make for their country, in our honor. Don't forget to say thanks to a Vet.