



AGENDA

**UNITED STATES ENERGY ASSOCIATION (USEA)
ENERGY INDUSTRY PARTNERSHIP PROGRAM**

PP&L, Inc. / Centrenergy

**Fossil Fuel Procurement
Executive Exchange Visit**

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Sponsored by

U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT

And

UNITED STATES ENERGY ASSOCIATION

Location: Allentown, PA

Dates: March 18-31, 2000

Participants

- 1. Salymon Mykhaylo, Deputy Director**
- 2. Mykhola Dikhtyar, Deputy Director on General Issues**
- 3. Petro Kravets, Head of the Fuel Supply Department**
- 4. Anatoliy Vodolazhskyy, Deputy Head of the Fuel Supply Department**
- 5. Oleksandr Dolgvy, Deputy Head of Commercial Department**
- 6. Alla Kachurovska, Head of Legal Department**
- 7. Halyna Avramenko, Interpreter**
- 8. Veronica Razuvaeva, Interpreter**

BACKGROUND:

In 1992, the United States Agency for International Development (USAID) entered into a cooperative agreement with the United States Energy Association (USEA) in a series of definitional missions to determine the scope of U.S. government assistance effort in the energy sector of the New Independent States (NIS) of the former Soviet Union. To administer this task, USEA and USAID jointly developed Energy Industry Partnership Program (EIPP) for the NIS. The objective of the EIPP is to establish long-term cooperative relationships between U.S. and NIS energy enterprises that provide a mechanism for the U.S. energy industry to transfer its experience in market-based energy production, transmission, and distribution to its counterparts in the NIS.

In December 1998, PP&L, Inc. and the European Bank for Reconstruction & Development (EBRD) entered into a contract for a twinning project between PP&L, Inc. and Centrenergy, one of the largest electric generating companies in Ukraine. The U.S. Energy Association (USEA), through its Energy Industry Partnership Program (EIPP) with the U.S. Agency for International Development, will supplement this contract by providing funding for logistical support. The purpose of the twinning project is to provide personnel training in the areas of general management, financial management, accounting, environmental management and fuel market operations (procurements).

This exchange visit will be the sixth activity under the twinning project. A two week seminar on Fossil Fuel Procurement issues was conducted in Ukraine, in September for senior representatives of Centrenergy. A delegation of these representatives will travel to the U.S. to continue the discussions initiated during the seminar. The discussions will be in greater detail and the visit will provide an opportunity to see first-hand how PP&L, inc. practices its fuel procurement functions.

Topics to be discussed during the ten day program include the organization of PP&L, Inc.'s fuel procurement departments including the positions and responsibilities; the identification, classification, and qualifications of fuel suppliers; types of contracts; the solicitation process; the evaluation process; pricing; the delivery process and the determination of the quality of the fuel. In addition, there will be several site visits including trips to coal and gas power plants; oil/gas pipelines; oil refineries; and the New York Mercantile Exchange.

OBJECTIVES

The objectives of this visit are as follows:

- 1) To provide an opportunity for Centrenergy commercial representatives to see first-hand how PP&L, Inc. operates its fuel procurement departments.

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- 2) To examine in detail PP&L, Inc.'s procedures for developing, analyzing and implementing fuel procurement contracts
- 3) To continue discussions initiated during the Fossil Fuel Procurement Seminar conducted September 26-October 1, 1999 at Centrenergy.
- 4) To determine future activities and deliverables.

Program:

The program will include meetings and site visits with PP&L, Inc. in their Allentown, PA headquarters. Site visits will also be scheduled with the Interstate Energy Company to discuss oil pipeline operations; the Marcus Hook oil receiving facilities to discuss off-loading, storage, and blending of oil and the pumping equipment that is utilized; the New York Mercantile Exchange; as well as several of PP&L's largest power plants.

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Saturday, March 18, 2000

- 7:50 am Depart Kyiv on Ukraine International flight #401 for Frankfurt.
- 9:30 am Arrive Frankfurt.
- 1:20 pm Depart Frankfurt on United Flight #3515 for Newark
- 4:05 pm Arrive Newark Met at gate by Jerry Trexler (from PP&L, Inc.) Travel to Allentown Hilton Hotel - Approximately a 1 hour drive.
- 6:00 pm Check into Allentown Hilton Hotel

Hilton Hotel
904 Hamilton Mall Road
Allentown, PA 18101
Tel: 610-433-2221

Sunday, March 19, 2000

- Full Day Opportunity to get acclimated to Allentown, PA area. Site visit with PP&L, Inc. representatives - to be determined.

Monday, March 20, 2000

- 9:00 am **Meeting with representative from United States Energy Association.**

- Overview of USEA and WEC
- Energy Industry Partnership Program (EIPP)
- Role in Centrengo / PP&L, Inc. EBRD Twinning Program

Review of Document

- Distribution of Per Diem Allowance
- Signing of tax forms
- Program evaluation forms
- Objectives

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- 10:00 am **Overview of PP&L, Inc.**
 - Overview of the company - Vision, mission and strategy
 - Organizational structure
 - Service territory
 - Customers groups
 - Generation, transmission and distribution
 - History
 - Board of Directors
 - Shareholders

- 11:00 am Break

- 11:15 am **Overview of agenda. Discussion of possible additions, subtractions and changes to proposed schedule.**

- 12:00 pm Lunch

- 1:00 pm **Orientation to PP&L, Inc.'s Power Production and Fossil Fuels Division, with an emphasis on generation and fuel mix.**
 - Position responsibilities
 - Delegation of authority
 - Management Control
 - Time-line emphasizing the changes since the 1970's and today's current strategies

- 3:00 p.m. **Overview of PP&L, Inc.'s oil/gas pipeline operations**
 - Where do they get their oil/gas?
 - What are the steps in the process?
 - What do they do with the oil once they get it?

- 5:00 pm Adjourn

Tuesday, March 21, 2000

- 8:30 am Depart Hilton hotel for Interstate Energy Company

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- 9:30 am **Meeting with Interstate Energy Company to discuss oil/gas pipeline operations and to tour the facility.**
- 12:00 pm Lunch
- 1:30 pm **Travel to Marcus Hook oil receiving facilities**
- 2:00 pm **Tour of the facilities**
- Viewing of off-loading, storage, blending and pumping equipment
- 5:00 pm Return to hotel.

Wednesday, March 22, 2000

- 9:00 am **General overview of contracting process**
- Types of contracts
 - Solicitations
 - Evaluation
 - Term contract negotiations
- 10:30 am Break
- 10:45 am **Solicitations**
- Purchase agreement (spot) solicitations
 - Term contract solicitations
 - Term contract solicitation handling
 - Further handling
- 12:00 pm Lunch
- 1:30 pm **Evaluation**
- Evaluation of spot bids
 - Responses to bid solicitation
 - Convert \$/ton to cents/mmbtu
 - Add transportation cost
 - Add sulphur adjustment

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- Add Nox adjustment
- Total adjusted cost
- Present value calculations
- Present value table
- Calculate present value of adjusted costs

3:00 pm Break

3:15 pm **Overview of PP&L, Inc.'s non-fuel procurement procedures**

- Acquisition of material, tools & services
- Storage of material & tools
- Job order filling
- Delivery services
- Tools services
- Various contract provisions

5:00 pm Adjourn

Thursday, March 23, 2000

8:30 am Depart Hilton hotel for a full day of site visits to the following facilities

- Martin's Creek oil/gas/coal fired Power Plant
- Tank Farm at termination of Interstate Energy Corporation pipeline
- Proposed site of future Mount Bethel gas-fired power plant

4:00 pm Return to Hilton hotel

Friday, March 24, 2000

9:00 am **Tour of PP&L's Energy Marketing Center**

10:30 am Break

10:45 am **Fuel Strategy Development**

- Determining the optimum fuel mix
- Different fuel strategies

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- Detailed fuel strategy examples currently in use.

12:00 pm Lunch

1:30 pm **Fuel Strategy Development (Continued)**

3:00 pm Break

3:15 pm **Review of week's discussions / next week's planned discussions**

4:30 pm Adjourn

Saturday, March 25, 2000

Free day.

Sunday, March 26, 2000

Free day.

Monday, March 27, 2000

9:00 am **Depart Hilton hotel for site visit to Montour Power Plant (baseload coal fire power plant)**

11:00 am **Full day tour of Montour Power Plant with a focus on the fuel operations**

3:00 pm **Depart plant**

5:00 pm **Arrive Hilton Hotel**

Tuesday, March 28, 2000

9:00 am Meeting with representative from the U.S. Department of Energy - Energy Policy Department

- Overview of the U.S. energy policy
- Overview of the U.S. energy policy with regard to the electricity industry
- Future plans and the effect on the industry

10:30 am Break

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- 10:45 am Meeting with representative from the U.S. Department of Energy - Energy Policy Department (Continued)
- 12:00 pm Lunch
- 1:30 pm **PP&L, Inc.'s environmental activities**
- Overview of environmental department
 - Roles & Responsibilities of key personnel
 - Federal requirements
 - State Requirements
- 3:00 pm **PP&L, Inc.'s environmental activities**
- Methods of Compliance
 - Public perception and company image
 - Costs
- 5:00 pm Adjourn

Wednesday, March 29, 2000

- 8:30 am Depart Hilton hotel for Sun Co. Oil refinery
- 10:30 am **General tour of facilities**
- 11:30 am **Overview of operations**
- Roles & responsibilities of key personnel
 - How the refinery works with different power plants and utilities
- 12:00 Lunch
- 1:00 pm Travel to PJM Interconnection (Tentative)
- 2:00 pm Site visit of PJM Interconnection (Tentative)
- Overview of operations
 - Electricity competition in the U.S.
- 6:00 pm Return to Hilton Hotel

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Thursday, March 30, 2000

- 7:30 am Check out of hotel
- 7:45 am Depart hotel for New York City
- 9:30 am **Tour of New York Mercantile Exchange**
 - Overview of operations
- 12:00 pm Lunch
- 1:30 pm Depart for Newark Airport
- 2:30 pm Arrive Newark Airport - check in for flights to Ukraine
- 4:45 pm Depart on United flight #3514 to Frankfurt.

Saturday, April 1, 2000

- 7:20 am Arrive Frankfurt.
- 11:10 am Depart Frankfurt on Ukraine International Flight #402 for Kyiv, Ukraine
- 2:45 pm Arrive Kyiv/Borispol Airport.