



# POWERMATTERS

<http://www.abag.ca.gov/services/power>

## NATURAL GAS POOL POSTS 7 PERCENT SAVINGS! ABAG ELECTRIC TEAM IN PLACE

### Sign-Up Now for Both Natural Gas and Electricity Purchasing

The first year savings report is in for ABAG's natural gas program -- and it looks great! The program, which currently purchases gas for 32 local government agencies, posted a strong 7 percent savings.

In total, the program saved participants \$192,000 -- savings achieved by purchasing natural gas for less than PG&E's cost, rebrokering pipeline capacity, using stored gas to supplement winter usage, and earning interest on the Pool's cash-flow. Interest earnings will be credited to member accounts in the September bills (recently mailed to member agencies) in proportion to surplus payments made during the year.

#### Next Year Looks Good, Too: 5 to 8 Percent Savings Forecast

In 1997-98, ABAG estimates the Pool will provide savings in approximately the same range, 5 to 8 percent. The supplier for the program will continue to be Enserch Energy Services, Inc., a Houston-based firm which submitted the low bid in ABAG's May 1997 RFP process. ABAG's contract with Enserch will feature a two-tiered pricing mechanism designed to provide participants with a form of price insurance against the high gas prices forecast for this coming winter.

Under this mechanism, 60 percent of the program's natural gas supply will be purchased at a fixed price, with a provision for the supplier to share savings when the price falls below a set floor price. The remaining 40 percent of the supply will be purchased at PG&E's indexed price minus 2.2 cents.

In addition to saving on the price of gas,



ABAG estimates savings will also be obtained in 1997-98 through commodity management and a reduction in intrastate transportation charges available only to PG&E customers in programs like ABAG's.

In 1997-98, ABAG will expand its natural gas offerings to include "noncore" gas (i.e. large volume accounts). ABAG's noncore offering will include a contract price based on the lower of 90 percent of PG&E's price or the Gas Daily price, which is an industry index, minus a margin.

#### Announcing ABAG's Electric Team

ABAG has selected three suppliers and two service providers to form the core of its electric supply team. The suppliers are Seattle City Light with CNG Energy Services, PG&E Energy Services, and Pacificorp. The service providers are the Northern California Power Agency, which will serve as the Pool's Schedule Coordinator, and Arizona Public Service, which will serve as the Pool's consolidated billing agent.

With the Electric Team in place, ABAG is ready to accept Pool members into the program. Local

## Sign-Up Now *(Continued from page 1)*

governments recently received detailed instructions on how they can sign up. Because power supply arrangements and pricing cannot be finalized until a group of committed buyers is in place, ABAG will be presenting a purchase agreement with an estimated savings rate of about 4 percent.

The estimated savings rate is based on the results of ABAG's competitive bid process, which ABAG believes it can match or improve upon over the course of the first year of operation. The term of the agreement will be one year.

Both programs represent easy and effective ways to reduce energy costs with minimal effort or risk.

**The deadline for signing up for the ABAG Power Purchasing Pool for either natural gas or electricity purchasing is September 30, 1997.**

*For more information, contact Patty Spangler at 510/464-7933, or e-mail PatriciaS@abag.ca.gov.*

## CPUC Rules That Billing and Metering Will Be Competitive

The California Public Utilities Commission (CPUC) has ruled that Energy Service Providers (ESPs) like ABAG will be permitted to provide their own consolidated billing and metering services to customers. The cost of billing and metering will be deducted from PG&E's tariffed distribution rates in the future.

In addition to potential cost reduction, the unbundling of these "revenue-cycle services" will benefit customers by allowing them to receive a single electric bill instead of two bills, one from the utility and one from the ESP. ESPs, in particular, will benefit from the single bill because of the opportunity to reinforce their business identity

with the customer and combine billing for retail electric service with other products. Similarly, the ability to install its own metering system enables the ESP to offer value-added products to their power supply service, such as customized energy usage reports.

## Utilities Propose Direct Access Implementation Plan

PG&E and its fellow investor-owned utilities proposed a *Direct Access Implementation Plan* (DAI Plan) which describes the process utility customers will use to select an Energy Service Provider (ESP) other than their local utility. An ESP is any company interested in providing power and related services to utility customers. ABAG has registered as an ESP this summer to serve the ABAG Power Pool.

According to the proposed DAI Plan, customers may submit Direct Access Service Requests (DASRs) to an ESP beginning November 1, 1997. The ESP will then forward the DASRs to the former utility, which will be called the Utility Distribution Company (UDC), in the restructured market.

The UDCs will provide distribution services to all consumers regardless of who supplies them with electricity and will be responsible for connection and disconnection of service. UDC prices for distribution services and other service obligations will continue to be regulated by CPUC.

Customers interested in switching their power supplier who use less than 20kW can participate in direct access via load profiling while customers utilizing 20kW or more are required to have a meter capable of hourly metering.

## South San Francisco Designates "Preferred" Utility

The City of South San Francisco has chosen First Point Solutions, a subsidiary of Portland General, as the "preferred" utility that will compete with PG&E when electric deregulation begins on January 1, 1998. According to South San Francisco City Manager Michael Wilson, First Point was chosen for its agreement to supply meters to all residents and businesses that request it – while guaranteeing an electric rate 5% lower than PG&E's.

Wilson outlined three rationales for the city's decision. First, Wilson stated that head-to-head competition between PG&E and a "viable option" like Portland General would help guarantee larger immediate rate cuts for residential and commercial customers. Second, the agreement would prevent residential customers from being "left out" as electric companies vied for the more attractive heavy load commercial users. Finally, Wilson believes that rate cuts can become a valuable political tool. "My council," says Wilson, "can go to its community in its election year and say, 'What other city is giving you as much of a (rate) reduction as South San Francisco?'"

Although the agreement does not provide any revenue for the city, Wilson views the partnership as an important economic development tool. "It gives us competitive rates out of the chute," Wilson said, and "provides us with greater flexibility" in working with industry to lower operating costs. First Point has also agreed to reimburse the city for all of its costs in selecting the utility.

In exchange, First Point Solutions receives an important and viable position in the high stakes power bidding war scheduled to begin in 1998.

Also, with subsidiary businesses like long distance and telecommunication services, Portland General could find itself well positioned as these industries continue their restructuring in the years ahead.

*South San Francisco is one of many local government efforts that ABAG is monitoring for its conference on community aggregation models. For further information on the role cities and counties can play as aggregators for residential, commercial, and industrial customers, plan to attend ABAG Power Conference III, Power to the People: Community Aggregation Options for Local Governments. (See page 4 for further details)*

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## Town of Moraga is First POWER Member

On Wednesday, July 23, the Town of Moraga became the first public agency to join ABAG POWER – the new joint powers agency being created to house ABAG's power purchasing program. Karen Stein, Deputy Town Manager, estimates that the program's four percent savings rate will net the Town \$5,000 in 1998.

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## Customer Education Program

To prepare consumers for the restructuring of the electricity industry, a proposed Consumer Education Plan (CEP) is under consideration by the California Public Utilities Commission (CPUC). If adopted, the CEP will include a mass media campaign to alert consumers of the restructuring changes.

The proposed CEP would include extensive public relations and grassroots efforts through community organizations, an individual mailing to each California electric customer explaining the changes in the industry, some television and radio commercials, and a toll-free call center to address customer questions. Program materials related to electric restructuring would also be made available through the call center.

# UPCOMING ACTIVITIES

Announcing ABAG Power Conference III

## Power to the People: Community Aggregation Options for Local Governments

Friday, September 19, 1997  
Holiday Inn Emeryville

Topics include:

An Overview of Aggregation Options for Local Government  
Currents of Change: Local Government Aggregation Initiatives  
Economic, Legal, and Regulatory Considerations  
Updates on What's Happening at the CPUC, ISO, PX and ABAG

Registration Deadline: September 5, 1997

Please contact Debbi Nichols at (510) 464-7965 for a brochure and registration information

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