



# POWERMATTERS

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

## ABAG POWER Members Save Millions

ABAG POWER's Electrical Aggregation Program members will find something extra under the tree this winter when they receive millions in energy savings provided by the Program. This success surpasses what any of the major energy service providers can offer during the energy crisis.

The California electrical market has gone through some trying times within the past several months, and there is no near-term change in sight. Over the past year, energy costs soared, many energy service providers (ESPs) went out of business, and PG&E warned of an early end to rate freezes that would cause rate increases due to its own financial crisis.

The ABAG POWER Electrical Aggregation Program has also felt the impact of the volatile market, and has endured its own share of hardships and headaches. Yet, not only has the Program survived, it is now providing significant savings to its members including millions in rebates and energy cost reductions. "Finally, ABAG POWER members are realizing the savings we had always expected this program could deliver, and these savings are exceeding our wildest imagination because of the current market uncertainties and volatility," stated Eugene Leong, ABAG Executive Director.

### Price Stability and Green Energy

The Program's new energy purchase contract with Calpine Corporation also gives members much-needed price stability and the use of nearly 100% "green" energy. Meanwhile, PG&E is billions of dollars in debt and seeking to pass its burdens onto customers.

In the 1999-2000 fiscal year, the Program's power costs were roughly equivalent to PG&E's cost. However, members received a savings even after program expenses through rebates received from the Program's participation in the California Energy Commission's (CEC) Renewable Energy Program for the use of renewable energy. In November 2000, the Program's overall savings on electrical energy was over \$2,400,000—a 55 percent savings over the CalPX Day-Ahead prices.

On behalf of its electric program members, ABAG POWER has received a total of \$1,140,365 in State renewable energy program rebates for the 1999–2000 electric program year. Each Program member received a renewable rebate for the first half of the year in February 2000, and has just received

**In November 2000, the Electrical Aggregation Program's overall savings on electrical energy was over \$2.4 million.**

a second credit for the remainder of the rebate this December. The renewable rebates are allocated to each program member based upon the specific energy generated by each electric account or meter in the program. The rebate is currently at one cent per kWh, and expected to remain at this rate through December 2001. Program members will continue to receive the benefits of this program through the end of 2001.

In order to take advantage of the Renewable Credit Program, ABAG POWER entered into a contract with Calpine in May 1999 to use renewable geothermal electric energy from their geyser facilities in Northern California.

In September 2000, ABAG POWER entered into another contract with Calpine to purchase power at a fixed cost, providing a very competitive rate and price stability. With this contract, over 90 percent of the energy provided is renewable energy. Prior to this contract, ABAG POWER staff called energy providers monthly to secure commitments for power for the following month depending on prices being offered. Typically, quoted prices were within a small band defined by the California Power Exchange (PX) price, plus the provider's administrative fee. With the new contract with Calpine, the Program has a realistic potential for savings from the cost of energy alone for the first time.

*(see **Members Save** page 2)*

*Members Save (cont. from page 1)*

Members are also saving money in supplementary costs. In December 1999, the fee that ABAG POWER charges its members to cover program expenses was cut in half, from eight to four percent. The remaining fee is more than offset by the rebates received from the renewable energy program.

ABAG POWER is pleased to report that the Program is now in the best position in its history to take advantage of the potential benefits of the deregulated market. Program members will continue receiving benefits this fiscal year, despite the volatile market. Although there are many challenges ahead, ABAG POWER will continue to seek and pass along savings to its members. For more information on ABAG POWER's Electrical Aggregation program, contact Jerry Lahr, Program Manager, at 510/464-7908 or e-mail [jerry@abag.ca.gov](mailto:jerry@abag.ca.gov).

**This fiscal year, ABAG POWER's Electrical Aggregation Program is offering its members:**

- Continued savings on energy costs
- Additional energy savings through rebates from the State Renewable Energy Program
- Protection from energy price volatility by purchasing electricity at a fixed price
- Close to 100% renewable (green) energy at no additional cost
- Control of energy costs when the electric market fully deregulates

**ABAG POWER members have received \$1,140,365 in State renewable energy program rebates for the 1999–2000 electric program year.**

## Executive Committee Discusses Successes and Plans for the Future

ABAG's Power Pool's success and plans for future progress were the critical focus of ABAG POWER's Executive Committee meeting on November 15. Jerry Lahr, ABAG POWER Program Manager, and Dave Finigan, Program Advisor, reported member savings of over 20 percent for the Electrical Aggregation Program and 11 percent for the Natural Gas Program. The Executive Committee, as part of its commitment to maintaining this success and improving programs, took action on a series of power policy issues.

The Committee confirmed ABAG POWER's current deposit policy in light of the volatile state of the market. Other deposit policies reviewed included possibilities for providing flexibility and methodology for calculating deposit amounts for new members. Part of the Committee's review also included developing strategies for long-term power purchasing. Currently, the main constraint that the Power Pool faces is that the program maintains only one-year agreements with mem-

ber agencies. Recognizing that longer-term agreements would most likely result in much lower prices, the Power Pool's goal is to move into this next phase.

**New Member and a New Committee Announced**  
Committee Chairman Mark Lewis appointed Executive Committee Members for the 2000–2001 Program Year, including newcomer **Natasha Merkuloff Nichols** from Napa County's Department of Public Works.

Chairman Lewis announced the formation of a financial subcommittee, indicating that an invitation would be sent to Finance Directors to join the meetings on an ongoing basis. Many Finance Directors had expressed interest in Power financial issues during the Power Pool Annual Board Meeting. This subcommittee would help facilitate finance directors' understanding of ABAG Power financials and related accounting issues. Interested Finance Directors can contact Joe Chan at 510/464-7944 about upcoming subcommittee meetings.

## ABAG'S PROGRAM SAVINGS CONTINUE TO INCREASE

### *Gas Program Provides Record 11% Savings*

ABAG POWER's Natural Gas Program provided its members with a record total savings of 11 percent, or \$188,084, when it completed its fourth successful year this summer. These savings more than double the 5 percent savings gained last year. The savings are especially welcome this year, when natural gas prices in California have increased dramatically from a low of \$2.48/Dth in January to over \$6.00/Dth this winter.

Since the Program began in 1996, it has provided substantial savings to member agencies and taxpayers. Savings have totaled approximately \$500,000 (an average of 6.5 percent) for this four-year period.

Each participating member receives a specific savings report that includes a monthly analysis of the gas consumed and purchased under the Program, with a comparison to the bundled PG&E rate. Each member's savings will vary, reflecting their individual use of natural gas during the year.

In addition to total cost savings, the Program provides cost stability that insulates members from significant price fluctuations in the monthly natural gas market. The Program's billing system uses a levelized payment method, which ensures that program costs are maintained at a unified level and reconciled to expenses at the end of the program year.

The Natural Gas Program is composed of three general cost elements:

- 1) **Transportation and distribution costs** are charged by PG&E and set by the Public Utilities Commission.
- 2) **The natural gas commodity** is provided by ABAG POWER through its contract with TXU Energy Services and is currently based upon a rate that is a discount to the National Gas Index rate.
- 3) **Operational expenses**, such as billing, which is provided by IQ Solutions and administrative support provided by ABAG, have remained under three percent.

The increase in gas prices has elevated the natural gas commodity proportion of the program cost. Price increases are expected to continue next year, increasing natural gas costs for ABAG POWER's program as well as PG&E. However, ABAG POWER program manager Jerry Lahr states that ABAG is "working with TXU to determine whether there are ways to reduce commodity costs, perhaps through a fixed rate contract."

**In addition to savings, the Natural Gas Program provides cost stability that insulates members from significant price fluctuations.**

ABAG POWER is proud of the success of its Natural Gas Program and looks forward to working with member agencies to provide continued savings in 2001. The Program is open for new member participation any time during the year. If your agency is interested in joining or finding out more about the Program, please contact Jerry Lahr, Program Manager, at 510/464-7908 or e-mail [jerryl@abag.ca.gov](mailto:jerryl@abag.ca.gov).

#### MEET ABAG POWER'S MANAGER

### *Jerry Lahr Stabilizes Program During Deregulation Roller Coaster*

Jerry Lahr joined ABAG as the Power Pool Manager in April just before deregulation sent prices soaring early last summer. Not surprisingly, Jerry states that his biggest challenges so far have been

caused by deregulation's unpredictability. "Regulatory uncertainty has been a challenge to moving forward...we expected that power prices would decrease, but instead they went up," he added. For ABAG POWER, Jerry could not have come at a better time. Despite the volatile market, Jerry's expertise and resourcefulness have led the POWER Program to unprece-



Jerry Lahr, Power Pool Manager

(see *Jerry Lahr* page 4)

# Program Management

*Jerry Lahr (cont. from page 3)*

dented success this Fall. Thanks to the ingenuity and hard work of Jerry and the ABAG POWER staff, members are now benefiting from both record price savings and stability.

Jerry's extensive expertise in both the supply and demand side of the energy business has certainly contributed to his tremendous success with the Power Pool Program. Before joining ABAG, he was an operations manager for Honeywell Energy Services in Oakland, where he managed several energy-efficiency programs. As an Energy Development Consultant for CalEnergy in Jakarta, Indonesia, Jerry was responsible for financial analysis and general development

activities of new energy projects in Asia. He has also worked for California Energy Company, an Energy Producer; and as a lieutenant in the U.S. Navy, Jerry performed as an Assistant Professor of Naval Science, a Navigator, and a Division Officer.

Jerry is supported by Vina Maharaj, who assists member agencies and ABAG POWER contractors. Vina is also the liaison for billing services and performs various administrative duties. She comes from the private sector, where she worked as an administrative assistant in a benefit consulting firm.

## ABAG POWER POOL MEMBERS as of December 2000

<b>Gas Program Members</b> City of Alameda City of Belmont City of Fremont City of Monte Sereno City of Oakland City of San Rafael City of Sebastopol City of Watsonville County of Santa Clara Vallejo Sanitary & Flood Control District  <b>Gas and Electric Program Members</b> City of Albany City of Benicia City of Cupertino City of Daly City City of Foster City City of Gonzales City of Half Moon Bay	City of Hercules City of Los Altos City of Menlo Park City of Mill Valley City of Millbrae City of Milpitas City of Orinda City of Pacifica City of Petaluma City of Pinole City of Pleasanton City of Salinas City of San Carlos City of San Mateo City of Santa Rosa City of Saratoga City of Union City City of Vallejo City of Winters	Town of Atherton Town of Hillsborough Town of Moraga County of Contra Costa County of Napa Golden Gate Bridge, Highway & Transportation District Regional Administration Facility Corporation  <b>Electric Program Members</b> City of Antioch City of Arcata City of Berkeley City of Cloverdale City of Cotati City of Davis City of El Cerrito City of Newark	City of Patterson City of San Leandro City of San Pablo City of Vacaville Town of Los Altos Hills Town of Windsor County of Butte County of Monterey County of San Mateo County of Sonoma H.A.R.D. Housing Authority of County of Alameda Los Trancos County Water District South County Fire Authority West County Wastewater District	<b>ABAG POWER 2001 EXECUTIVE COMMITTEE</b> Mark Lewis (Chair) City Manager City of Union City  Robert Fugle (Vice Chair) Deputy Auditor Controller Golden Gate B.D.  Alan Nadritch Finance Director City of Benicia  Natasha Merkuloff Nichols Administrative Manager, Department of Public Works County of Napa  Wayne Green Assistant to City Manger City of Salinas  Michael Garvey City Manager City of San Carlos  John Lisenko Public Works Director City of Foster City  Kathy Brown Deputy General Services Director County of Contra Costa  Jeff Kolin City Manager City of Santa Rosa  <b>Staff to the                  Committee:</b> Eugene Leong Jerry Lahr Dave Finigan Ken Moy Vina Maharaj
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