



POWERMATTERS

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

Despite Deregulation Delay, ABAG is off to a Jump Start 30% of California's Direct Access Customers are ABAG Power Accounts!

California's electric industry deregulation, slated to start January 1, 1998, has been postponed until March 31, 1998. Computer glitches with the California Independent System Operator (ISO) caused the delay. The ISO, in charge of allocating electric transmission equitably, is working on fixing and testing the system. The market will begin fifteen days after the ISO notifies the Federal Energy Regulatory Commission that they are ready to start.

The delay has been a costly one. The ISO is estimating an additional \$27 million in expenses to the start-up costs. This could impact the ISO's grid management charge by increasing it from 75 cents per megawatt hour, which is paid by all ratepayers, to 77 cents per megawatt hour. However, the ISO may be able to apply for tax-exempt status and issue bonds for the additional costs, plus refinance existing debt at a better rate.

The Power Exchange (PX), the organization in charge of creating the hourly market for electricity, does not have the same options. The PX has a potentially limited life, and may not be around after the four-year stranded cost recovery period. Or, if the utilities lose all their customers to non-utility providers, before the end of the four-year period, the PX will also be obsolete. As a result, the PX does not have access to long term debt financing. Currently, Pacific Gas and Electric (PG&E), Southern California Edison and San Diego Gas and Electric are footing the bill for the PX. It remains to be seen if they are willing to pick up the additional \$15

million that has resulted from the delay.

ABAG Hasn't Slowed Down

The ABAG Publicly Owned Energy Resources (ABAG POWER), a newly created Joint Powers Agency, will begin supplying electricity to its members as soon as the ISO allows. As one of the Energy Service Providers (ESPs) registered with the California Public Utilities Commission (CPUC), ABAG POWER successfully submitted 5,600 Direct Access Service Requests (DASRs) to switch consumers from Pacific Gas and Electric (PG&E) to ABAG. This constitutes over half of all requests submitted to PG&E as of January 1, 1998!

ABAG POWER also accounted for 29 percent of total DASRs received by all utilities in California. By mid-December 1997, PG&E had received 10,823 DASRs from between fifteen and twenty ESPs, Southern California Edison had received 7,978 DASRs from 22 ESPs, and San Diego Gas and Electric had received 780 from 12 ESPs. The DASR submittal process was done electronically using a web application for uploading and downloading information to and from the utility.

The ABAG POWER program has two energy purchasing pools, a natural gas pool, and an electricity pool. Participating agencies comprise the Board of Directors. This gives them the control over their energy needs and costs. ABAG POWER looks forward to providing members with reliable and low-cost energy.

Electric Education Call Center

Do you receive calls from local residents and businesses regarding the deregulation of electricity? If so, the *Electric Education Call Center* (EECC) hotline number may be of value to your agency.

The EECC hotline, established at the request of the CPUC and funded with ratepayer dollars, offers customers four service options:

1. They can listen to prerecorded messages on issues or frequently asked questions.
2. They can obtain a faxed summary of information approved by the CPUC.
3. They can receive brochures on the electric deregulation through the mail.
4. They can speak to a customer service representative to answer questions not addressed in the prerecorded messages.

In addition, callers can receive a list of registered Energy Service Providers.

You may reach the EECC at the following numbers:

Electric Education Call Center
1-800-253-0500

Hearing-impaired residents
1-800-933-3119

Also, check out the [Knowledge is Power](http://www.knowledgeispower.org) website to obtain information about the changing utility industry at:

www.knowledgeispower.org

Martinez's Three-Bill Reform Package

In early January, Assemblywoman Diane Martinez (D-Monterey Park) introduced a new rate reduction bill before the Assembly Utilities and Commerce Committee. The new bill, AB 597, is one of three in Martinez's public utility reform package. AB 597 would provide an additional 10 percent rate cut to small businesses and residents served by investor-owned utilities, on top of the 10 percent reduction that went into effect January 1, 1998.

Martinez, who chairs the Assembly Utilities and Commerce Committee, has been skeptical of the plan to use \$7.3 billion in state bonds to pay off electric utilities' bad investments, which includes numerous nuclear power plants. In addition to AB 597, she is attempting to move AB 1154, which would prohibit electric utilities from forcing consumers to pay for their failed investments in nuclear power, through Legislature.

Under ACA 15, Assemblywoman Martinez is advocating a state constitutional amendment to replace the governor-appointed, five-member California Public Utilities Commission, with a board of four elected members similar to that of the Board of Equalization. It would also require the Commission to create a nine-member advisory panel to help with deliberations.

AB 597 and AB 1154 are similar to voter initiatives currently being put together by two consumer groups, which include The Utility Reform Network (TURN) and Consumers Against Utility Taxes (CUT). Many believe Martinez will have difficulty finding support among legislators due to their support of the current plan. This does not discourage Martinez though, who intends to present other bills to fine tune deregulation.

The outcome of the recent Assembly Utilities and Commerce Committee hearing resulted in AB 597 and AB 1154 being sent to interim study which effectively kills the bill, since legislative deadlines require action on bills before the end of January 1998. ACA 15 is in committee review. It is very likely that it will eventually come up for a vote.

ABAG POWER Selects CellNet for Metering Services

To participate in Direct Access, members of ABAG POWER are required to buy and install meters capable of hourly meter reads. These are required on every account that has a maximum demand greater than 20 kilowatts and that does not currently have this kind of meter. The number of meters required by an individual member ranges from one to ten or more.

To facilitate the installation of these meters, ABAG conducted an RFP process in November and December. Five proposals were received and evaluated. The recommended firm approved by the ABAG POWER Executive Committee at its December meeting was CellNet, a full service meter technology company, offering the most competitive pricing and best overall qualifications.

CellNet offers a range of metering technology but is best known for its proprietary radio frequency devices that allow an inexpensive meter to be modified to take hourly reads at a minimum cost. ABAG POWER staff is currently negotiating a sample contract with CellNet and will forward additional information about meter requirements and the CellNet program in early February.

Other services CellNet is getting ready to offer include online access to real-time load information and downloadable software packages to analyze the available data. ABAG POWER will examine the feasibility and value of these resources when they become available.

As a competitive bidder and a local business located in San Mateo County, we are happy to have CellNet as part of the ABAG POWER team of services.

ABAG Power Rated "BBB" No Deposits Required

Pacific Gas and Electric (PG&E) has imposed certain credit obligations for an Energy Service Provider (ESP) to provide consolidated billing. The options are a cash (or equivalent) security deposit or a credit rating from a company such as Moody's, Standard and Poor's, or Fitch.

ABAG POWER has received a credit rating from Fitch IBCA of BBB. This rating, according to Fitch is investment grade, and demonstrates to creditors that there is currently a low expectation of credit risk.

The rating was based on Fitch's analysis of several factors: ABAG POWER's cash flows, participants' contracts, ESP contract with PG&E, and the fact that the program is not funded with debt.

Receipt of the rating has eliminated the need for ABAG POWER to collect a two-month deposit from members to meet credit-worthiness standards imposed by PG&E and approved by CPUC.

ABAG POWER WELCOMES HEIDI CRUZ

ABAG is pleased to have Heidi Cruz on board as the new Power Pool Manager for ABAG POWER. Heidi has a background in gas and electricity purchasing for a Texas utility, the Lower Colorado River Authority. She looks forward to working closely with ABAG POWER members and welcomes any questions or concerns. Heidi can be reached at 510/464-7908, or by e-mail at heidic@abag.ca.gov

Gas Accord Expands Competition, Reduces Transport Costs for ABAG

Implementation of the Gas Accord, a large multi-party settlement agreement approved by CPUC is beginning to affect the gas market directly. The former limit of 10 percent of the utility's core customers allowed to purchase gas from a non-utility supplier has been lifted. In order to allow more non-utility gas providers to compete for consumers' business, the minimum required aggregation amount of core customers has been lowered from 250,000 therms to 120,000 therms. Also, the cost of transporting gas within California has been unbundled, and customers may choose alternate transportation suppliers. ABAG projects that changes in transportation will reduce the overall cost of gas service in the ABAG Natural Gas Program by approximately one and a half cents per therm.

The CPUC continues to explore ways to provide customers with a competitive marketplace for purchasing gas with their current Gas Strategy. They are exploring issues such as the unbundling of revenue cycle services (e.g. billing and meter-reading) and improved rate design. The CPUC hopes to eventually create an open market similar to the electricity market.

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