

ELECTRIC AGGREGATION TASKFORCE

Minutes of February 23, 2010

CALL TO ORDER

Chairman/Commissioner Steve Hambley called the meeting of the Electric Aggregation Taskforce to order at 8:00 a.m. The meeting was held in Balcony Room B of the County Administration Building located at 144 N. Broadway Street, Medina.

The following were present:

Kimberly Bolas Miller, Sharon Township Trustee
Jeff Brandon, Montville Township Trustee
Martha Catherwood, Hinckley Township Trustee
Rick Dumpreth, Chatham Township Trustee
Sally Gardner, Medina Township Trustee
Brian Guccion, Sharon Township Trustee (arrived 8:29)
Steve Hambley, County Commissioner

Dennis Kreider, Wadsworth Township Trustee
Ron Oiler, Westfield Township
Rich Pace, Granger Township Trustee
Bill Pavlick, York Township Trustee
Paul Schaefer, Liverpool Township Trustee
Kathleen Scheutzow, Brunswick Hill Township Trustee

APPROVAL OF MINUTES

The minutes of January 20 were either mailed or e-mailed prior to the meeting. There was no discussion; therefore, the minutes will be placed on file as submitted.

OLD BUSINESS

FirstEnergy Solutions/CCAO Proposal

The FirstEnergy Solutions/CCAO contract was e-mailed or mailed prior to the meeting. Mr. Hambley stated that the last attachment showed a 3% commercial discount; it should be 4%. Also, Harrisville Township should be included and grant figures are needed. Kathleen Scheutzow noted that Mr. Bellish from Buckeye Energy had sent an email indicating that Palmer Energy was working as a consultant for CCAO, serving as the electric aggregator and that the program wasn't certified by the PUCO. Mr. Hambley stated that it is a FirstEnergy Solutions program that is certified by the PUCO and Palmer Energy is only the consultant. Subsequent communication from Mr. Bellish indicated that he would match anything that FirstEnergy Solutions provides and promised even greater savings (as much as 8% on residential). It was noted that if Buckeye Energy Brokers could provide greater savings, the taskforce members would like to consider it. On the other hand, FirstEnergy Solutions made it fairly clear that if Mr. Bellish goes through them, it won't be the same deal – it will be 6% and 3% instead of 6% and 4%.

NEW BUSINESS

Independent Energy Consultants, Inc. Presentation

President Mark Burns of Independent Energy Consultants, Inc. (IEC) introduced himself. The firm was certified by the PUCO as brokers and aggregators of natural gas and electricity. They've worked with over 100 communities in the State of Ohio in both gas and electricity programs.

Mr. Burns included his biography, testimonials, and client list (made part of the permanent record). He noted that he is an Electrical Engineer, an MBA, Certified Energy Manager, and is licensed by the State of Ohio and other states. He has worked through the utility company, the predecessor of FirstEnergy Corporation for about 16-17 years, holding various positions and held a Senior Reactor Operators License from the Nuclear Regulator Commission to manage the Davis Besse nuclear plant. He worked as a Strategic Planning Manager for Centerior Energy, leaving in 2000 to form a consultant company. He used to co-own Buckeye Energy Brokers and sold it after approximately three years to form IEC.

There are over 200 natural gas and electric aggregation programs in Ohio. He's been in this business since day one of deregulation in Ohio. The handout showed active governmental aggregation clients and he noted that a couple of counties have gone through extremely exhaustive consultant research projects and suggested that the taskforce members contact them (Mr. Jakab has the names of the county administrators). They work throughout the United States.

There are six major stakeholders: local government, the PUCO, natural gas and electric suppliers, the local utility company, residents, and IEC. A large buying group is brought together, the supplier and acquisition costs are decreased, and savings are passed on. They find favorable terms and conditions, eliminate price volatility, and structure an aggregation program to fit certain needs while residents still retain the power to choose to participate or not. There are approximately 59,000 Medina County residents served by Ohio Edison. The residential discount of 6% and the commercial discount of 3% are minimums. There are offers with other communities and they are seeing numbers of 9.1% discounts along with civic donations (not through FirstEnergy Solutions). IEC would test the market. Mr. Burns noted that the FirstEnergy Solutions/CCAO offer is a 9-year commitment. Most people are looking for a 2- or 3-year agreement; he didn't suggest going with a 9-year agreement. He noted that back in May when Ohio Edison set their regulated rates, there was a wholesale auction. Suppliers from across the country were invited to bid; FirstEnergy bid on the auction expecting getting over 90% of the load – they won 51%. When that happened, Wall Street

wondered about where the output energy would go. FirstEnergy Solutions (FES) went to local governments to partner for a 9-year agreement in exchange for civic donations. This demonstrated to Wall Street that they had “homes” for the output from their power plants. Competing suppliers lost a lot of bids, so they “sharpened their pencils.” He has brokered 13 offers with FES with guaranteed savings of 6% minimums for residential customers.

He noted that he’d recently worked with Aurora, Stow, Silver Lake, Munroe Falls, Euclid, Boardman Township, Austin Township, etc. Erie County will be going to ballot and they’ve been given information for the township trustees to disseminate information. Mr. Burns said that FES isn’t in the business of getting the ballot issue to pass; however, IEC will assist. Mahoning County passed theirs in November 2009 and he is in the final stages of signing the contract with them. Once the issue passes, he will “go out” for bid, all of them will be presented, and recommendations will be given. Most offers are for three years.

Mr. Burns was asked if any of the contracts were placed with another supplier other than FES. Mr. Burns stated that all of the contracts have been with FES.

Tariff Sheet 116 in the Ohio Edison/PUCO-approved tariff, the economic development rider states that it’s for the groups of people paying 1.9¢/kWh discount for all of the electricity they use above 500 kWh a month in the nine winter months (all months except June, July and August). When Ohio Edison calculates the 4% discount, it’s before the credit is discontinued; the customer then needs to ascertain which offer is best for them.

Mr. Burns said that FirstEnergy helped form (about ten years ago) and is trying to lead the MSO (Midwest System Operator). It says that anyone doing business in this part of the country must be granted equal and open access to the transmission lines so there is no discrimination against anyone (Court Ruling 888). FirstEnergy has filed with FERC saying that now that they’ve purchased other companies, they’d like to be in the PJM (Pennsylvania, Jersey, Maryland) market. They’ve had an application before FERC for about a year announcing their intention to get out of MSO and move over to PJM. If that happens, that could change their transmission costs overnight and the contracts they have with everyone. He’s not saying they would exercise that.

If Medina County would accept the FE offer starting in July, the average resident would save \$50-150; small commercials would save about three times what a residential customer saves. This would mean about \$1.3-1.4 million of disposable income in Medina County. If looking at a nine-year agreement, it would be about \$12 million. The estimated civic donation to the general fund is \$30 per account for a total of \$787,000 (assuming a 90% participation rate). It’s up to the county and the townships how to divide the funds.

Mr. Burns said that IEC’s promises are:

- Recommend offers in Medina County’s best interest
- Keep Medina County in compliance with regulations
- Not make wild claims of savings or meaningless comparison
- Structure program to provide maximum flexibility
- Provide frequent and timely reports
- Tell what needs to be heard
- Treat constituents with respect

He listed several examples of supplier errors caught by IEC. The extra set of eyes pays off.

Mr. Burns said that IEC can help because:

- Founded 50+ programs in Ohio
- Design, implement and administer program free of charge
- Is PUCO-licensed energy brokers and aggregators for natural gas and electric
- Has tools to make program run smoothly
- Provides quarterly reports
- Facilitates and resolves residents’ problems

They help to market the program through letters to the editor, press releases, website materials, local TV access scroll messages, League of Women Voters information, quarterly newsletters and reports, and lots of information before and after it goes to ballot. Also, the milestones to start the program were reviewed. IEC can start supplier negotiations now and they can lead public hearings. Mr. Burns noted that Ohio Edison’s rate structure will change June 1, 2011.

Other suppliers that have recently returned bids have included Dominion Retail and JEXA Energy. IEC’s objective is to create competition. The RFP process typically takes two weeks. IEC has six employees and two consultants, and they outsource legal, website design and accounting.

The PUCO's Do Not Aggregate List is a new list and is similar to the Do Not Call or Do Not Solicit lists. There are 11 million people in Ohio; when Mr. Burns looked at it, there are approximately 3,000 people on the list who do not wish to receive information about electric aggregation. Some day, there may be a similar list for gas.

Mr. Hambley asked if Mr. Burns had seen anything similar to the CCAO/FES terms where there is something additional based on kWh usage money coming back to the townships and the county on an annual basis. Mr. Burns answered that when they go out with the RFP, he'll ask for lots of things – pricing for one year, two years, three years, etc., fixed prices, variable prices, guaranteed rates, other value-added services, civic donations, etc. He cautioned to not lose sight that the programs are for residences and small businesses. While the supplier can't be changed during the contract period, the consultant would make the supplier aware that there are better offers and renegotiate. His role is that he's a consultant who brings suppliers together with the communities and clients and then makes sure that the program is administered properly.

It was asked about the clause in FES' contract that states that "FES deserves the right to terminate the service and return members to standard offer service for the period June 2011 to May 2019 if the EDU standard service offer pricing and/or care structure is modified." Mr. Burns said that if FES is chosen, that clause will be in there; everyone will have the same clause. It's there in case the PUCO makes some rule change that penalizes government aggregation.

It was asked what the customer will see on their bill as price to compare. It will show that FES (for example) is the supplier and it will show the kWh and the cost per kWh (the % off the price to compare). The price to compare is different for everyone. No one else except the electric company will be able to control what shows on the bill. There was further discussion about how FirstEnergy delivers the energy and IEC negotiates the best costs. The message will be that there aren't other alternatives, local government is helping to provide a valuable service to help consumers get better rates, and it's a voluntary service.

DISCUSSION

Mr. Hambley stated that as more information was obtained, it was premature to make a recommendation at the last meeting. It's been valuable to obtain more information before moving forward. Maybe the nine-year contract is too long.

There was discussion about whether FES would be willing to agree to a three-year agreement. Also questioned was whether FES would perform the monitoring that a broker would. Another concern was that FES seemed to be the successful bidder in northeast Ohio. Mr. Hambley noted that Tom Bellish had stated after the meeting that he's starting to see 8% from other suppliers. Mr. Bellish said that whatever proposal is agreed on, community grants would be included.

Kimberly Miller stated that she would contact the fiscal officer from Westchester Township that has 60,000 residents to get a reference.

Mr. Pace stated that there was only one municipality (Munroe Falls) that he discovered that had a different length of terms and percentage of discount.

The following were noted concerns in the FES contract:

- Article 2.1 shows "November 2009 ballot issue"
- Article 4 states that if additional metering or monitoring equipment is required, it shall be installed by the aggregation... - will residents have additional charges
- Article 1.1.1 talks about boundaries. If someone lives in a township and that property is annexed into a city, will they be eligible for the program? The EDU is never defined.
- Section 2.2, Part 3 – the entire section is one sentence and never really ends; it doesn't make sense

It was noted that Tom Karris from the Prosecutor's Office is reviewing the contract.

It was questioned about what the townships will be charged for placing this issue on the ballot. Mr. Hambley answered that Chris Jakab is reviewing what can legally be charged back to the townships.

It was asked that the draft of the IEC contract be forwarded to the taskforce members and to the prosecutor's office.

PUBLIC COMMENT

There was no one from the public in attendance.

NEXT MEETING

The next meeting will be held March 9, 2010, at 8:00 a.m. in Balcony Room B of the County's Administration Building. Someone from the Prosecutor's Office will be invited to attend to answer any questions.

ADJOURN

There being no further business, the meeting adjourned at 10:07 a.m.

*Minutes transcribed by Peggy Folk CAP
Assistant Clerk to the Medina County Commissioners*