# Governmental Aggregation

CCAO Energy Training

March 11, 2015

# Aggregation Background

- Opt-out natural gas aggregation permissible under RC4929.26.
- Opt-out electricity aggregation permissible under RC4928.20.
- “Opt-out” means consumers are included in the aggregation unless they say no or “opt-out”.
- 165 communities have gas aggregations (Cleveland to small townships).
- 330 communities have electric aggregations (Clev & Cinn to 100 house townships).

# Who Can & Can’t Aggregate?

- Cities, Villages, Townships or Counties.
- Municipalities must pass their own aggregations.
- A County can aggregate all their unincorporated areas unless a township as already aggregated previously.  You cannot have two aggregations in the same area.
- Electric cooperative areas and municipal utilities are not eligible for aggregations.

# Aggregation Cooperation

- Communities can work together in multiple ways:
- Separate aggregations but in a collaboration or coalition (e.g. NOAC or CCAO).
- Municipalities and townships can cede their authority to the County or COG.
- Council of Governments can also be the aggregator for multiple communities (NOPEC).

# The Aggregation Process

- Community wants to aggregate and puts it on the ballot.
- Communication through public meetings, press reports and word of mouth about the potential benefits of aggregation.
- Voters consider and approve the opt-out aggregation.
- Community holds 2 public hearings and passes a plan of governance.
- Community files with PUCO for certification.
- PUCO certifies govt. aggregator after 30 days for a period of 2 years.

# After PUCO Certification

- After certification, utility will provide customer data.
- Data is evaluated & an RFP is issued individually or collectively depending upon the timing and situation.
- RFP responses are evaluated and recommendations provided to the County.
- County contracts are finalized and opt-out letters to consumers are issued.
- Consumers who do not opt-out are enrolled in govt. agg. for the next billing period.
- After ballot it typically takes 5 to 7 months to get customers' flowing.

# Gas & Electric Divergence

- At this point gas and electricity aggregations start to diverge.
- Gas aggregations must provide another opt-out at least every 2 years.
- Initial gas opt-outs must last at least 12 months.
- Electric aggregations must provide another opt-out at least every 3 years.
- Like gas, electric aggregations don’t occur unless they run at least a year.

# CCAO Electric Gov. Agg. Info.

- 23 different Counties & over 100,000 households and businesses participating in the program.
- Consumers are saving approximately $12 million per year vs. utility charges.
- Total est. participants use >1,400 GWH annually.
- Additional counties and townships flowing in next few months.

# Future of CCAO Elec. Agg.

- We expect to expand the number of Counties participating in the program.
- Over the next year we anticipate adding up to 20,000 additional households.
- Supplier offers will create competition for those who are want to shop on their own.
- Most consumers probably will not if they think they are getting a reasonable deal through the aggregation.
- Palmer will be diligent on “Price to Compare” from utilities to maximize savings potential.

# Should We Do an Elec. Govt. Agg?

- **<u>Yes</u>**.
- Well operated electric govt. agg.'s have consistently saved money compared to the utility.
- Palmer expects that to continue.
- It gives your constituents savings opportunities without the effort.
- Provides a positive message of helping consumers save money.

# CCAO Natural Gas Gov. Agg. Info.

- CCAO gas program does not exist currently.
- Why?  Two reasons…

**History**.  Residential 3rd party supply for gas developed robust offerings in most areas before aggregation existed while electric 3rd party supply offerings were not prevalent for years.

**Pricing**.  Low variable pricing from the utilities made it challenging to obtain consistent savings.

# Natural Gas 3rd Party Offers

| Utility | # of Suppliers | Fixed | Variable | Total Offers | Residential % Shopping | Commercial % Shopping |
|---|---|---|---|---|---|---|
| Columbia Gas | 19 | 29 | 15 | 44 | 36% | 49% |
| Dominion (DEO) | 21 | 27 | 26 | 53 | 71% | 98% |
| Duke - Ohio | 19 | 29 | 14 | 43 | 49% | 45% |
| Vectren | 10 | 22 | 10 | 32 | 42% | 44% |

# Current Utility Pricing

- Columbia @ NYMEX + $1.40 per MCF. April @ NYMEX + $1.29.
- Dominion East Ohio @ NYM + $0.43 per MCF.  Apr @ NYM + $0.02.
- Vectren @ NYM + $1.05 per MCF.  Apr. @ NYM + $1.15.
- Duke-Ohio still on GCR mechanism.  Wtd @ NYM + $1.79 over past year.

# Why the difference?

- 7 or 8 years ago gas auction process allowed gas marketers to compete to serve non-shoppers. This caused prices to decline.
- DEO is so much lower due to dramatically increasing production in PA, WV & Eastern Ohio.
- Duke-Ohio is skewed a little higher than typical due to last winter.

# Can Govt. Agg. Compete on Gas?

- Yes but understand what you are signing up for…
- Some offers to Govt. Agg. can **beat** the current utility offers but they vary by area and utility.
- **Premise**: If the variable price from the supplier can't beat the utility then floating @ NYMEX + is not a reasonable an option.
- Other marketers make relatively competitive offers that focus on fixing or hedging the participant's gas pricing.
- Fixing to beat the current utility offer cuts both ways….

# Floating

- **<u>Customer #1</u>** is paying NYMEX plus $1.20 thru SCO supply from the utility.  County gets an agreement that secures deliveries at NYMEX plus $1.10 from a supplier.  Customer uses 100 MCF per year.

| Status | Price Structure | Annual Cost if gas is $3.00 | Annual Cost if gas is $4.00 | Annual Cost if gas is $5.00 |
|---|---|---|---|---|
| Utility SCO | NYM + $1.20 | $420 | $520 | $620 |
| Supplier A | NYM + $1.10 | $410 | $510 | $610 |
| Difference | | $  10 | $  10 | $  10 |

# Fixed

- **<u>Customer #2</u>** is paying NYMEX plus $1.20 thru SCO supply from the utility. County gets an agreement that secures deliveries at NYMEX plus $1.30 from a supplier but fixes the NYMEX at $3.50. Customer price is $4.80 per MCF. Customer uses 100 MCF per year.

| Status | Price Structure | Cost NYMEX @ $3.00 | Cost NYMEX @ $3.50 | Cost NYMEX @ $4.00 | Cost NYMEX @ $4.50 |
|---|---|---|---|---|---|
| Utility | NYM + $1.20 | $420 | $470 | $520 | $570 |
| Supplier A | $4.80/MCF | $480 | $480 | $480 | $480 |
| Difference | | ($ 60) | ($ 10) | $ 40 | $ 90 |

# Should We Do Gas Gov. Agg.?

- Yes BUT…
- Think through your objectives.
- Do you want to get customers price stability or savings in all situations?
- Who is your customer…are they already buy from a supplier or not?
- What do the consumers you are going to serve want?
- Do you want an extra tool to assist consumers?

# Already Doing Gas Agg?

- Analyze the supplier's results against your objectives.
- Has it achieved your objectives…savings or price stability?
- Did the prices beat the utility over the past 3 or more years?
- If not what has the premium been vs. the utility?
- Has the premium been worth it?
- Is there a termination fee if a customer wants to shop on their own?

# CCAO Can Help

- Well versed in evaluating existing govt. agg. deals.
- CCAO can help you through the govt. agg. process step by step.
- If you have questions please contact:
- **<u>CCAO</u>**: Suzanne Dulaney, Executive Director, @ 614-221-5627.
- **<u>Palmer</u>**: Kirk Mizerek @ 419-349-5990.

# Questions?

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