

Plugging into savings: Communities lower electric bills through competition



Voters in the City of Cincinnati will be voting on electric aggregation (Issue 44) for the first time this November 8, 2011. “Aggregation” means forming a buying group, allowing consumers to reap potential savings due to the size of the buying group pool having more pull to negotiate better rates and terms than an individual does.

Ohio Citizen Action reviewed the results of aggregation in those Greater Cincinnati areas communities that have approved opt-out electric aggregation. State law gave local governments the ability to negotiate better prices for residential and small business customers beginning in 2001.

Key findings

- Many communities in the Greater Cincinnati area have already been saving money through aggregation. There are 10 communities in Hamilton County alone.
- Some estimates show that Cincinnati residents and small businesses could save over \$19 million in the first year of aggregation, depending upon participation rates and price negotiated; individual savings are estimated at \$200-250 per year.
- West Chester Township saved \$4,992,454, or an average of \$332.82 per residential account, the first 10 months of the electric aggregation program from June, 2010 through March, 2011.
- Indian Hill was the first community in the Duke Energy territory to aggregate their electric, voting to do so in 2001.
- The only community in Hamilton County to reject electric aggregation to date was Forest Park in 2010, with a vote of 54% against and 46% in favor.
- Hundreds of communities throughout Ohio have taken advantage of electric aggregation in the past 10 years.

A short history of aggregation in Ohio and Greater Cincinnati

When Ohio deregulated electricity in 1999, Ohio Citizen Action played a critical role in convincing the legislature to enact a new provision known as "public aggregation." This law allows residents of municipalities or townships to vote to have their local government serve as their representative in negotiating with electricity providers. The provision greatly increases the bargaining power of residential customers, and can be used to secure lower electric rates, bargain for the sources of electricity, or devise creative energy efficiency plans.

An opt-out program is the easiest way for citizens to shop since residents need to do nothing to participate in the program. Opt-out aggregation programs usually provide better rates than opt-in programs due to a larger aggregation group and corresponding higher energy demand. With an opt-out system, the electric companies who want to bid on the Cincinnati contract do not have to market individual people like an opt-in. This individual marketing is expensive and can eat up some of the savings consumers are looking for from aggregation. Only an opt-out program needs to be passed by the majority of voters in the city.

Higher rates in Northern Ohio spur first wave of competition votes

As soon as the new law went into effect, a wave of aggregation ballot issues passed in Northern Ohio spurred by decades of higher energy rates in that part of the state. The law also allowed local governments who had aggregated to join together and form even larger buying groups to achieve greater economies of scale. The Northeast Ohio Public Energy Council (NOPEC) is the largest such buying group in the country, with 126 member communities in nine counties, representing 500,000 customers.

Indian Hill led push for competitive rates in Southwest Ohio

Indian Hill was the first community in Southwest Ohio that passed electric aggregation in May, 2001. After the Indian Hill vote was passed, the Public Utilities Commission of Ohio (PUCO) approved the village's application to offer municipal aggregation. The village chose Dominion as its electric provider.

Duke Energy (then the company was Cinergy Corp.) objected to the application and asked the PUCO to reconsider its decision to approve Indian Hill's application. The basis of their objection was that both Indian Hill and Dominion are required by state law to provide a financial guarantee in the event Dominion can't supply electricity for Indian Hill customers. Under aggregation, the community contracts with an outside supplier for the power, but the local utility, such as Duke, continues to be responsible for power delivery, service and billing. On July 8, 2003, the PUCO refused to reconsider its decision to grant Indian Hill's application.

Duke then contemplated appealing to the Ohio Supreme Court to hear its objections to Indian Hill's plan to offer electric service to its 2,200 residents through a buying pool supplied by Dominion. The case was settled out of court. Indian Hill spent between \$80,00 and \$100,000 on legal fees defending its right to aggregate without providing indemnification to Cinergy.

Indian Hill went through with its plans to offer electric service to residential customers through Dominion. Indian Hill is nearing the end of its current contract with Dominion, which expires in December, 2011.

Higher Duke rates spark competitor interest

Duke sought and received rate increases that made its rates the highest in the state over recent years, spurring more competitors to come in to the service territory with offers that were marketed to individual consumers, and prompting more Southwest Ohio communities to take a look at aggregation.

Greater Cincinnati electric aggregation votes

Community	Year voted on	Yes %	No %
Indian Hill	2001	93%	7%
Green TWP	2004	52%	48%
Springfield TWP	2005	65%	35%
West Chester TWP	2005	58%	42%
Colerain TWP	2005	60%	40%
Symmes TWP	2009	64%	36%
Lockland	2009	55%	45%
Glendale	2009	77%	33%
Greenhills	2010	70%	30%
Forest Park	2010	46%	54%
Evendale	2010	94%	6%
Cheviot	2010	67%	33%

Source: Hamilton and Butler County Board of Elections archived election results

Duke Energy Ohio's price-to-compare

The best way to compare how much can be saved per kilowatt hour is to compare a negotiated fixed price with Duke Energy Ohio's "price-to-compare." The difficulty when comparing is that Duke Energy Ohio, like other regulated energy companies, has fluctuating prices and various "riders" that change throughout the year. Most often, Duke Energy Ohio's price-to-compare hovers around \$.0900 (9 cents) per kilowatt hour, though it has been cited by Greater Cincinnati communities in the range of \$.0745 to \$.1025. Duke Energy Ohio's price-to-compare is on every monthly Duke bill.

If you use the Duke Energy Ohio's most common price-to-compare of \$.0900 per kilowatt hour, you can get pretty close to estimating how much of a residential bill can be shaved off by negotiating a better fixed price.

How communities save money through aggregation

Deregulation means the “generation” portion of the electricity service is the portion that is open to competition, and that’s where the money can really be saved. There are many different sources for electric generation: coal, nuclear, wind, solar, natural gas. In addition, serious energy efficiency programs, while they do not generate electricity, reduce the amount we need to generate by not wasting electricity unnecessarily. No matter who bids on Cincinnati’s electric generation, Duke Energy Ohio, our local utility company, will remain responsible for providing maintenance, customer services, and billing for the transmission and distribution of the customer’s electric.

Greater Cincinnati communities electric aggregation terms

Community	Rates/kWh	Provider	Contract expires
Indian Hill	5.89¢ fixed	Dominion Energy Solutions	Dec. 2011
Green TWP	6.75¢ fixed	Dominion Energy Solutions	Dec. 2011
Springfield TWP	5.70¢ fixed	Dominion Energy Solutions	Jan. 2012
West Chester TWP	6.20¢ fixed	FirstEnergy Solutions	Dec. 2012
Colerain TWP	6.19¢ fixed or 18% discount off Duke Energy Ohio’s “price to compare”	Duke Energy Retail	Dec. 2011
Symmes TWP	6.19¢ fixed or 18% discount off Duke Energy Ohio’s “price to compare”	Duke Energy Retail	Dec. 2011
Lockland	5.98¢ fixed	Dominion Energy Solutions	Jan. 2012
Glendale	5.98¢ fixed	Dominion Energy Solutions	Sept. 2011, renegotiating now
Greenhills	5.60¢ fixed	FirstEnergy Solutions	Dec. 2012
Evendale	6.39¢ fixed	Duke Energy Retail	Dec. 2011
Cheviot	5.80¢ fixed	Dominion Energy Solutions	Dec. 2011

Source: community websites and conversations with administrative officials in individual communities.

RESULTS: Case studies

West Chester Township

West Chester Township reports they have saved \$4,992,454.56, or an average of \$332.82 per residential account, from June, 2010 through March, 2011. West Chester Township has a contract with FirstEnergy Solutions, Corp. for a fixed price of 6.20¢ per kilowatt hour. The contract runs through December, 2012. (source: <http://www.westchesteroh.org/Aggregation.cfm> - download West Chester Electric Aggregation Usage Report or see attached.)

Village of Indian Hill

The Village of Indian Hill estimates their average resident saves \$74 per month on electricity with the guaranteed fixed rate of 5.89¢ per kilowatt hour. Indian Hill's contract is with Dominion Energy Solutions and runs through December, 2011. (source: <http://www.ci.indian-hill.oh.us/council/council.aspx> - downloadable PDF or see attached)

Village of Evendale

According to Jack Cameron, Village of Evendale Administrative Assistant to the Mayor, Evendale decided to move forward with an "opt-in" program with Duke Energy Retail even before the election results in 2010. Because the opt-in program is already in place, the results of Evendale's electric aggregation vote garnered the highest percentage in favor of opt-out electric aggregation in our area— 94% of Evendale voters voted in favor of opt-out electric aggregation. Evendale's opt-in program has 625 participants and a greater than 50% participation rate in the community. From the program's inception in June, 2010 through September, 2011 customers in Evendale's opt-in electric program saved an estimated \$200,000 according to Cameron.

Village of Lockland

Krista Blum, Finance Manager for the Village of Lockland, estimates Lockland residents who participate in their electric aggregation program have saved close to 30% on their bill. Lockland has a contract with Dominion Energy Solutions for a fixed rate of 5.98¢ per kilowatt hour. Lockland's residential contract with Dominion runs through January, 2012.

If Issue 44 passes and Cincinnati negotiates as a larger buying pool, residents and small businesses have the potential to save money and make local decisions about the sources of our electricity.

How much could Cincinnati residents and small businesses save through electric aggregation?

The two biggest factors when estimating how much Cincinnati residents and small businesses could save through electric aggregation are the percentage of the community that is eligible to participate, and the estimated cost per kilowatt hour rate of the winning contract.

There are a few groups that are not eligible to join the aggregation buying group:

- Consumers enrolled in the Percentage of Income Payment Program (PIPP)
- Consumers whose accounts are “in arrears” with Duke Energy, meaning they owe Duke money for past balances
- Consumers who do not live within the boundaries of the aggregated community
- Consumers who have already switched to another provider independently will not automatically be placed in the aggregation buying group but may contact the city and their current provider to see when they could join, generally at the end of their current contract

On August 2 Charlie Luken, a lobbyist for FirstEnergy Solutions, emailed a chart of potential participation rates and annual savings to all councilmembers (Attachment D.) This was the day before Cincinnati City Councilmembers voted on the ordinance. Voting to place electric aggregation on the November 8 ballot were Vice Mayor Roxanne Qualls, who had introduced the ordinance, and council members Chris Bortz, Cecil Thomas, Laure Quinlivan, Wendell Young and Charlie Winburn.

The chart shows impressive estimated savings for residents and small businesses. Currently, Duke Energy Ohio and the Cincinnati USA Regional Chamber estimate that 65% of the Cincinnati consumers will be eligible to participate in the buying group. That conservative estimate would mean 76,773 participants would be in the buying group. If each of these participants saved an estimated \$250 per year, the entire group would save an estimated \$19,193,250 in the first year alone.

FirstEnergy Solutions used information available publicly on the PUCO website to make some general estimates on how much Cincinnati consumers could save through aggregation.

Based on comparisons between Duke’s price to compare and current contracts with aggregated communities, Brenda Fargo, Manager of Government Aggregation at FirstEnergy Solutions, estimated annual savings of about \$250 annual savings per consumer due to aggregation. (Attachment E)

While Luken was Mayor of Cincinnati he looked into municipal aggregation. As a lobbyist for FirstEnergy Solutions, who would like to be able to bid on the electric contract for the City of Cincinnati’s electric aggregation program, Luken approached council in August 2010 to urge them to consider opt-out aggregation.

Attachments

Attachment A – Enquirer article about Cinergy’s complaint vs. Indian Hill

Attachment B – Indian Hill electric aggregation information (PDF)

Attachment C – West Chester savings report (PDF)

Attachment D – “Participation levels and total community savings” chart emailed to all city councilmembers from Charlie Luken, lobbyist for FirstEnergy Solutions, on August 2nd, one day prior to council vote to place electric aggregation on November’s ballot

Attachment E – Email from Charlie Luken to all city councilmembers, forwarding methodology for analysis by Brenda Fargo, Manager of Government Aggregation at FirstEnergy Solutions.

CG&E aims to zap Indian Hill plan

Company asks high court to weigh in on utility law

By Mike Boyer
The Cincinnati Enquirer

Cincinnati Gas & Electric Co. asked the Ohio Supreme Court Friday to review a state utility commission order allowing Indian Hill residents to buy electricity more cheaply.

Advocates of Ohio's 3-year-old electric deregulation law said if the court upholds CG&E's position, it would be a setback for efforts to allow residents to negotiate for lower power rates.

At issue is an order by the Public Utilities Commission of Ohio allowing Indian Hill residents to form a buying pool, known as municipal aggregation, to obtain lower power rates. Indian Hill has contracted with a unit of Dominion Resources Inc., one of the nation's largest energy providers, to provide power - a plan that the city's consultant says would save residents about \$183 annually.

CG&E, which would continue to deliver the power and provide service and billing, objected to Indian Hill's plan. The unit of Cinergy Corp. argues that state law requires both the municipality doing the aggregation and the power supplier to provide a financial guarantee in the event the supplier defaults and CG&E has to provide backup power.

Rob Tongren of the Ohio Consumers' Counsel called CG&E's argument "goofy."

"We've never had a utility argue they need a financial guarantee from both the provider of electricity and the community receiving the power," he said. "If that was the case, it would wipe out the reason to do aggregation."

Alan Schriber, PUCO chairman, said Friday that he was disappointed in CG&E's decision. "They have a lot of more important issues to deal with," he said.

He said he didn't think the utility would prevail in court.

Glenn Krassen, lawyer for the Northeast Ohio Public Energy Council, which has combined the purchasing of half a million residential customers in the Cleveland area, also said he didn't think CG&E would prevail.

"If they do, it's a setback," he said.

While municipal aggregation has been popular in northeast Ohio, where electric rates are higher, Indian Hill is the first community in CG&E's service area to attempt it.

Schriber and others have suggested that Indian Hill's plan could spur more aggregation in southwest Ohio.

City Manager Mike Burns said earlier this week that Indian Hill was putting the aggregation plan on hold pending the outcome of the court challenge.

E-mail mboyer@enquirer.com

OPT-OUT ELECTRIC AGGREGATION PROGRAM TO BE OFFERED THROUGH DOMINION RETAIL

Village Council has approved an opt-out electric aggregation program utilizing Dominion Retail services as the electric generation supplier. This program will begin with the August or September 2010 billing period and extend at least through 2011. It may be extended additional years depending upon the electric market conditions in 2012. There is one significant difference from the program that was in place during 2004-2005, which was a residential only offering. We are now able to also include some customers who are under a commercial rate structure. The program will be available to all customers who use less than 700,000 kilowatt-hours (kWh) per year.

Most residents will receive notices in late June or early July directly from Dominion Retail regarding the Village's "Opt-Out" Electric Aggregation Program. Any residents who are participating in an electric service choice agreement with an alternative supplier to Duke Energy, including any current Dominion voluntary program, will not receive a notice of the opt-out offering because these customers will not appear on the list of current Duke customers. This does not mean that you are not eligible to participate in the new opt-out plan, but in order to participate; you will need to cancel any agreement with an alternative supplier, and in some cases pay a cancellation fee. This will not be the case if you are in a Dominion program. Current Dominion customers will just need to contact Dominion Customer Service directly and make arrangements to switch over to the opt-out program at no additional cost.

Residents who participate in the aggregation program should realize an average savings of approximately \$74 per month during the term of the contract with Dominion. Savings will be higher for residences with very high electric loads and qualifying commercial customers. The generation rate offered by Dominion is \$0.0589 per kWh and the Duke comparable rate, which changes quarterly, is currently \$0.0961 per kWh for an average home.

Residents who would like to participate in the program do not have to do anything to be included. You will continue to receive your bill via Duke Energy, but you will notice the savings. Duke retains the portion of the bill attributable to distribution services such as restoration of service and meter reading. The Dominion letter will explain the opt-out process and provide a reply card for those residents who prefer to remain with their current energy supplier. The Village will provide additional information on the program in the next edition of the bulletin and on our website: www.ihill.org.

Any questions regarding the aggregate purchase of residential electric power may be directed to the City Manager, Michael Burns, at 561-6500.

**West Chester Township Electric Aggregation Residential Usage Report
Since Conception**

MONTH	TOTAL RESIDENTIAL ACCOUNTS	AVERAGE RESIDENTIAL ACCOUNT USAGE	AVERAGE RESIDENTIAL ACCOUNT SAVING	TOTAL RESIDENTIAL SAVINGS
1-Jun-10	15,233	866	\$29.53	\$449,830.49
1-Jul-10	16,037	1,341	\$43.31	\$694,562.47
1-Aug-10	15,616	1,432	\$46.25	\$722,240.00
1-Sep-10	15,313	1,263	\$40.79	\$624,617.27
1-Oct-10	14,764	818	\$30.25	\$446,611.00
1-Nov-10	14,973	796	\$29.44	\$440,805.12
1-Dec-10	14,555	912	\$33.76	\$491,376.80
1-Jan-11	14,555	1,139	\$28.59	\$416,127.45
1-Feb-11	14,051	1,091	\$27.38	\$384,716.38
1-Mar-11	13,683	936	\$23.49	\$321,413.67
TOT. RES. SAVINGS JUN 2010 - MAR - 2011			\$332.82	\$4,992,454.56
Report updated as data becomes available. Calculations based on FirstEnergy Solutions, Corp. fixed price of 6.2 cents/Kwh thru December 2012.				

Participation Levels and Total Community Savings

If 25% of the community is eligible, participants will save a total of \$7.5 million per year

- 30,105 participants x \$250 savings/year = \$7,526,250 per year

If 50% of the community is eligible, participants will save a total of nearly \$15 million per year

- 59,712 participants x \$250 savings/year = \$14,928,000 per year

If 65% of the community is eligible, participants will save a total of nearly \$20 million per year

- 76,773 participants x \$250 savings/year = \$19,193,250 per year

If 77% of the community is eligible, participants will save a total of nearly \$23 million per year

- 91,167 participants x \$250 savings/year = \$22,791,750 per year

From: Luken, Charlie
To: Jennifer O'Donnell (jennifer.o'donnell@cincinnati-oh.gov) <jennifer.o'donnell@cincinnati-oh.gov>
Sent: Wed Jul 27 14:47:02 2011
Subject: FW: Standard Residential Customer Savings

you might want to look at these numbers. Pretty impressive!

From: fargob@firstenergysolutions.com [fargob@firstenergysolutions.com]
Sent: Wednesday, July 27, 2011 2:42 PM
To: Luken, Charlie
Cc: cappolito@firstenergycorp.com
Subject: Standard Residential Customer Savings

Below is the potential savings as of today for a residential customer using less than 1,000 KWh monthly (Our guess is most in the city are well below this level)

Duke Price To Compare: 8.95¢ per KWH

Below are the current offers from the PUCO Apples to Apples chart on their website :

Duke is offering a fixed 15% off (equivalent to 7.61¢ per KWh)

The lowest offers are only through the rest of 2011 so I won't use those for comparison as they are so short term. I will use the FES offer through July 2013.

Duke PTC = 8.95¢ per KWH

FES Offer = 6.14¢ per KWH

This equals a 31% discount.

For a customer using 750 KWH a month, this would equate to a savings of \$21.08 per month (\$252.96 annually).

Aggregation groups get even lower pricing than individual offers like these so the discount would be considerably greater.

For example, below are the current rates for several recent aggregation programs in the Duke area:

Green Hills - 5.7¢ (36% savings)

Glendale - 5.89¢ (34% savings)

Indian Hill - 5.89¢ (34% savings)

Springfield Twp = 5.7¢ (36% savings)

Also you may want to mention that the market is going up so the longer they wait to do this, the less discounts they will get from suppliers.