

April 26, 2012

**FOR YOUR INFORMATION MEMO**

TO: Mayor and Members of Council

FROM: Milton Dohoney, Jr., City Manager *MD*

SUBJECT: **Recommendation for Award of Electric Aggregation Contract**

---

Per City Council Ordinance #2702011, I have completed the evaluation of the proposals submitted for the electric aggregation contract. I went into the decision-making process with no pre-determined outcomes in mind. The following factors were key criteria for my consideration: (1) cost and value of the product(s) offered, (2) company history and experience in the electric generation supply industry, and (3) any other value-added services they offered above the RFP requirements. The Screening Committee consisted of City professional staff as well as legal and technical experts in the area of energy procurement and distribution.

There were seven proposals, which I will address later in this memo. I have chosen First Energy Solutions (FES) as the electricity provider with whom the City will now negotiate a contract for a 100% green energy supply.

I am pleased that this selection will save the average eligible household about \$133 per year on electricity bills. The Administration estimates that there are approximately 52,400 households and small businesses eligible to participate in aggregation. The switch to FES should begin with the June billing cycle.

Further, Cincinnati is the first major city in America to go with a 100% green supply of electricity for its residents and small businesses. In choosing this path, Cincinnati is creating a customer pool to support environmentally-sustainable energy on the larger energy market. In essence, we are collectively becoming a giant consumer to whom the green energy market can sell. This will have an impact in our community over time, but in the shorter term, promotes the production of renewable energy in the larger scheme.

The Request for Proposals did call for conventional electricity supply as well. However, given the opportunity to promote renewable energy, and the difference in savings to consumers of about \$23 annually, I have made the decision to invest in a greener future. This is an opportunity for Cincinnati to be a national leader, at the forefront of green energy in this country. That is where we want Cincinnati to be.

## **Company Background**

FES's offer included that a portion of its green product will come from local sources, namely Renewable Energy Credits produced by the renewable fuel used to power, in part, the University of Cincinnati's generating facility and solar credits generated from the Cincinnati Zoo Solar canopy project.

FES has supplied electricity to governmental aggregation programs in 460 communities, representing 1,400,000 residential and small commercial accounts, over a period of more than 10 years. Importantly, this experience includes four programs within the Duke's Ohio service territory, as well as 129 communities participating in the aggregation program of the Northeast Ohio Public Energy Council (NOPEC).

In the area of customer service, FES boasts a very good record with regard to response time to customer calls. FES states that it typically answers calls in 30 seconds or less, with an objective to resolve 90% of customer issues with one call.

In addition, First Energy's proposal included an offer to work with the City to structure and provide applicable energy kits, energy efficient programs and education seminars at community events to enhance programs.

## **Next Steps for Households and Small Business Electricity Users**

The City will negotiate a contract with FES, which we anticipate will take about two weeks.

The aggregation program is designed to pool the eligible participants in the City to help reduce the cost they pay for electric energy. The City's program is an "opt-out" program, which means that eligible customers are notified by First Energy, and must decline if they do not want to participate. If they do nothing upon notification, they will be included in the aggregate customer base, and realize the savings the City has negotiated on their behalf. Participating customers will be given the opportunity every three years after initial service to opt-out. If customers do choose to "opt-out," they may choose another competing supplier, or continue to receive electric supply from Duke Energy-Ohio at the standard service offer rate.

If a customer does have a contract with another electricity provider, and wishes to become part of the City's aggregation program, they should review the provisions of the contract to determine their options, as the terms of each contract can vary. If customers sign contracts for a provider other than FES in the meantime, they will not be eligible for the rates the City has negotiated.

There is no cost for enrollment in the program with FES for eligible customers.

The Administration will be working with FES in directly contacting eligible households and small businesses about the City's aggregation decision.

Not every household or business in the City is eligible to participate in aggregation. Households must be current in their payments to their current electricity provider, and may not be Percentage

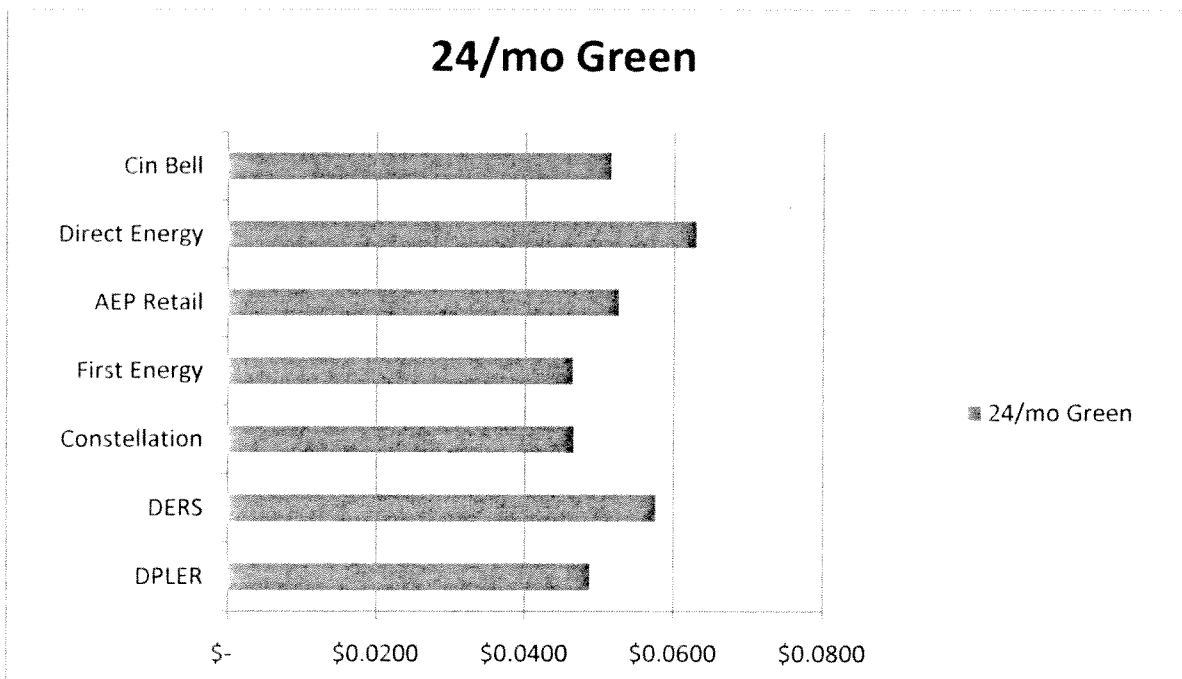
of Income Payment Plan (PIPP) customers. Small businesses are eligible only if they use less than 700,000 kilowatt hours/year of electricity.

### Aggregation Proposals

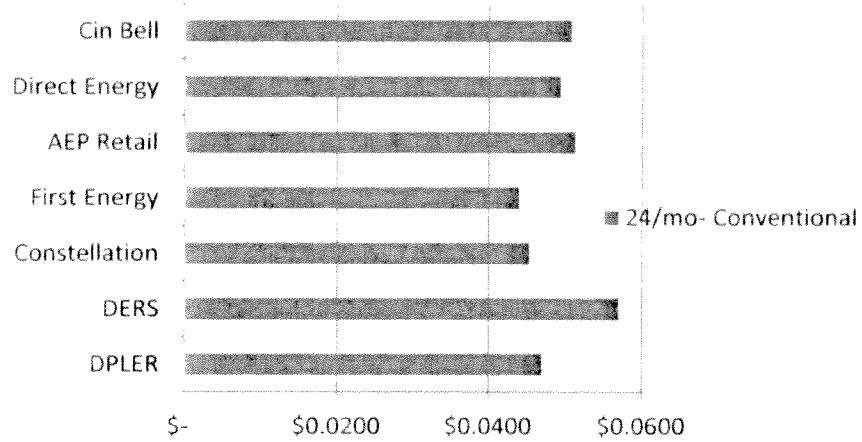
After voters passed a ballot measure approving aggregation in November 2011, the City issued a Request for Proposals (RFP) and received seven responses. The RFP requested a percentage discount off of the then Duke Energy Standard Service Offer for a 24-month period. The chart below shows the City's calculation of estimated **annual** savings for eligible households over a 24-month period based on those proposals. .

Proposer	Est Savings per household	
	24 mo Conventional	24 mo 100% Green
DPL Energy Resources	\$ 127.68	\$ 110.88
Duke Energy Retail Sales	\$ 31.84	\$ 26.05
Constellation NewEnergy	\$ 143.62	\$ 132.10
First Energy Solutions	\$ 156.30	\$ 133.14
AEP Retail	\$ 85.85	\$ 74.25
Direct Energy	\$ 104.64	\$ (24.96)
Cin Bell Energy	\$ 91.20	\$ 84.48

In addition to the chart above, the following charts also provide a graphical view of how the offers compared using a standard price to compare.



## 24/mo- Conventional



Attached is a Frequently Asked Questions sheet for your reference.

No additional Council action is required.

cc: Scott C. Stiles, Assistant City Manager

APRIL 26, 2012

## **City of Cincinnati Aggregation**

The City of Cincinnati is negotiating on behalf of its citizens and small businesses for a favorable price for electricity. It is expected that this new supply will begin with customers' billing cycle beginning in June, 2012.

## **Questions & Answers**

### **What is Governmental Aggregation?**

Adopted by the Ohio General Assembly in 1999, governmental aggregation gives communities like ours the ability to shop for electric generation service on behalf of residential and small business customers. By combining (aggregating) the electric load of eligible residential and small commercial customers, these customers are able to obtain better pricing than if they shop individually. In November, 2011, and by a wide margin, the voters in the City authorized the City to form the aggregation program.

### **Who will be the supplier for the program?**

The City has chosen First Energy Solutions (FES) as the electricity provider with whom the City will now negotiate a contract for a 100% green energy supply.

### **Do I have to participate in the program?**

The City's program is an "opt-out" program, which means that eligible customers are notified by First Energy, and must decline if they do not want to participate. If they do nothing upon notification, they will be included in the aggregate customer base, and realize the savings the City has negotiated on their behalf. Participating customers will be given the opportunity every three years after initial service to opt-out. If customers do choose to "opt-out," they may choose another competing supplier, or continue to receive electric supply from Duke Energy-Ohio at the standard service offer rate.

### **What does it cost to participate in the aggregation program?**

There is no cost for enrollment in the program with FES for eligible customers.

### **Who is eligible to participate in the program?**

With certain exceptions, all residential and non-residential customers that use less than 700,000 kilowatt-hours per year, that are located within the municipal boundaries of the City are eligible to be included in the aggregation program. However, customers on Duke Energy-Ohio's PIPP program and customers that are currently behind in their payments to Duke, will not be included in the program. Also, eligible customers who are currently receiving electric supply from a competitive supplier will not be automatically enrolled in the program, but may elect to participate subject to the terms and conditions of their current supply agreement.

**Will I still receive a bill from Duke?**

The electric aggregation program only affects your supply of electricity. You will still be a customer of Duke for the delivery of your electric supply under the program and you will still receive a bill from Duke for both the delivery of your electric service, as well as for the electricity supplied under the aggregation program. Your Duke bill will clearly indicate which charges relate to delivery service and which relate to electric service. A contact number for questions related to your electric service will be included on every bill.

**When will I begin to receive service under this program?**

The electric supply that the City is currently negotiating is expected to begin with the customer billing cycles starting in June, 2012. This, however, is subject to change, depending on the outcome of the negotiations with the competing electric suppliers.

**What if I have an existing contract with another electricity provider?**

If a customer does have a contract with another electricity provider, and wishes to become part of the City's aggregation program, they should review the provisions of the contract to determine their options, as the terms of each contract can vary. If customers sign contracts for a provider other than First Energy Solutions in the meantime, they will not be eligible for the rates the City has negotiated.

**How can I learn more?**

Information that explains in detail the terms and conditions of the electric aggregation program, including the price that customers can expect to pay, will be mailed to eligible customers by First Energy Solutions before they are included in the program. This information will include the "opt-out" ballot, and all eligible customers will have at least 21 days in order to "opt-out" of the program.