



Memorandum

To: Members of City Council

From: William M. Ondrey Gruber, Director of Law

cc: David E. Weiss, Mayor
Jeri E. Chaikin, Chief Administrative Officer

Date: January 25, 2021

Re: **Gas Aggregation Program Supply Contract**

On March 31, 2021, the City's contract with Interstate Gas Supply (IGS) expires, and the City's Natural Gas Aggregation Program (the "Program") would end unless the City enters into a new contract with a supplier. The City's agreement with AMPO for aggregation consulting services would also end at that time unless the City enters a new supplier contract.

The Program has averaged about 6,200 participants with aggregate gas supplies of ~1,000,000 MCF/yr. The City's program participants receive gas distribution service from Dominion Energy Ohio (DEO).

It is recommended that the City enter into a two-year contract with IGS Energy for natural gas supply for the Aggregation Program.

The key points in support of this recommendation are:

1. The City has 14 years' experience with IGS as the City's supplier, and their track record for customer service and responsiveness to the City's needs has been excellent.
2. There is no cost directly to the City in contracting with IGS to serve the Program. The City's facilities that are on the Program may be switched to alternative suppliers if the City finds a better rate.
3. IGS has, through an RFP process, offered a rate that is competitive and less than their current rate.
4. Participants in the Program may opt out or join at any time without a cancellation or sign-up fee.

RFP Process 2020-2021:

The City's energy consultants, AMPO, Inc. and their partner, Palmer Energy, sent out a request for proposals on December 1st to 10 suppliers for the City's Program. The RFP requested rate proposals for term lengths of 12 and 24 months commencing with participants' April 2021 gas usage.

The City received 4 proposals on December 15th:

IGS (the current supplier):	\$3.150/per MCF for 12 months, \$3.050/per MCF for 24 months
AEP:	\$3.030/per MCF for 12 months, \$2.970/per MCF for 24 months
Constellation:	\$3.110/per MCF for 12 months, \$3.070/per MCF for 24 months
Volunteer:	\$3.239/per MCF for 12 months, \$3.210/per MCF for 24 months

AEP was unable or unwilling to provide service to the City's Program unless the City was able to enter into a contract by December 23rd, which was not possible.

Based on the proposal of IGS providing the lowest viable rate for a 2-year period, the current and potential future market conditions, along with attainable savings to City participants, AMPO and Palmer recommend that the City contract with IGS Energy for a fixed rate, 24-month term.

In order to continue the City's Program without any disruption requires that that a contract be entered into with IGS as soon as possible. The PUCO and Dominion Energy require a long lead time relative to an aggregation program start date. For a start date covering City participants' April 2021 gas usage, customers are enrolled on their respective March meter reads (generally anywhere from March 3rd to April 4th, give or take a few days). The supplier submits account enrollments to Dominion Energy around February 27th to March 2nd. The legally mandatory 21-day opt-out letter is issued around the first week of February (with the deadline for residents to opt-out being the final week of February). The opt-out letter is filed with the PUCO 10 days prior to issuance (around the final week in January). The opt-out letter is created by the supplier and approved to form by the City. The letter is sent to the supplier's printer to prep for mass mailing.

NOPEC:

On December 16th the City asked NOPEC to submit a proposal. Their proposal was received on December 30th. NOPEC proposes the rates offered to all of their gas aggregation customers:

1. The opt-out (default or standard) rate is currently \$3.53/per MCF, but it changes periodically and is not fixed. About 99% of all NOPEC gas participants participate in this default offering.
2. A variable rate that is set at 2 cents less than the Dominion standard service offering available if a customer does not contract with a supplier or participate in any aggregation program (currently \$3.026). This rate is not comparable to the proposals made through the RFP process because we asked for fixed rates. Any Shaker resident can always choose to go with a different supplier (there are dozens listed on the PUCO website). Fewer than 1% of NOPEC participants use this option.
3. Fixed rate option – currently \$3.49/per MCF for either a 12 or 24 month term. Fewer than 1% of NOPEC participants use this option.

Comparing NOPEC's default (or standard) rate with the Shaker Heights's Program rates, over a period of 63 months, since 2016, Shaker's gas rate has been lower than NOPEC's rate in 44 of those months (or 70% of the time). That 70% figure is also true for just the winter months (November –March), which is the most important period, when residents spend the most on gas service.

The reasons to go with NOPEC would be to obtain additional grant funds with any program offered by NOPEC, which are typically based on total participant numbers for a community, and administrative convenience and fewer City resources devoted to running the program.

The reason to remain as an independent program is that the City has been able to generally offer lower prices for participants.

The reasons our program has had lower prices most of the time likely include that our overhead/administrative costs are lower. That is, NOPEC likely charges more per customer in addition to the market and supplier rate, which extra costs help fund NOPEC operations and the grant programs. It may also be that having a smaller program actually helps in some circumstances in that some suppliers may have a hard time meeting the large NOPEC demand.

It is not recommended to end the City's program in order to join NOPEC's natural gas aggregation program.

IGS:

The City and its residents have received excellent service from IGS over the past fourteen years, and the City has been able to offer competitive rates for natural gas. IGS has been very flexible in its willingness to work with our consultant AMPO and the City to make gas purchases for various periods to take the best advantage possible of market conditions.

The IGS competitive rates, combined with its flexibility and excellent service, present a good reason to remain with IGS.

The City has always considered the following in selecting a supplier:

1. Price
2. Customer service (including customer call center track record and experience; responsiveness to complaints and issues; satisfaction of residents and businesses; willingness to offer a notice to customers of other suppliers (an “opt-in” notice), so all City residents have an opportunity to join the aggregation; note, only the “opt-out” mailing is required, and it may not be sent to customers of other suppliers; flexibility on re-opening the aggregation to allow new members (e.g. new residents who move into the City); and the policy on early cancellation by individual customers, and whether participants must pay an early termination fee (IGS charges no early cancellation fee).
3. Ease of working with the City (including flexibility in pricing; i.e. will allow a mix of variable and fixed, and/or different summer and winter rates, in order to respond to market fluctuations and volatility;
4. Responsiveness to City concerns; and
5. Working with the City closely on notices to customers (City reviews and approves all correspondence.

Recommendation:

Therefore, it is recommended that the Council authorize the City to enter into a 2-year contract with IGS Energy as the supplier for the City’s Natural Gas Aggregation Program (that is, from April 1, 2021, through March 31, 2023).

It is requested that Council adopt the legislation authorizing this contract on first reading and as an emergency to allow the Program to continue without any disruption to participants.

ORDINANCE NO.

BY:

Authorizing a renewal of the Master Services Agreement with Interstate Gas Supply, Inc. for provision of Retail Natural Gas Services for the City's Natural Gas Aggregation Program, for a period from April 1, 2021 through March 31, 2023, and declaring an emergency.

WHEREAS, in November 2003, the City's voters authorized the City to form a Natural Gas Aggregation Program to provide an opportunity for residential and small business customers collectively to participate in the potential benefits of the competitive retail natural gas market; and

WHEREAS, in Ordinance No. 06-21, enacted on February 27, 2006, City Council approved the City's Plan of Operation and Governance for the Municipal Natural Gas Aggregation Program; and

WHEREAS, on March 24, 2006, the City first applied to and was certified by the Public Utilities Commission of Ohio ("PUCO") as a Governmental Aggregator, and the City has renewed its PUCO Certification each year thereafter; and

WHEREAS, in Ordinance No. 19-01, enacted on January 14, 2019, this Council authorized the City to enter into a 24 month contract with Interstate Gas Supply, Inc. ("IGS"), for the period from April 1, 2019 through March 31, 2021; and

WHEREAS, on December 1, 2020, the City's gas consultant AMPO, through its sub-consultant Palmer Energy, sent out a Request for Proposals (RFP) for the City's natural gas provider for the City's Aggregation Program to ten gas suppliers; and

WHEREAS, on or about December 15, 2020, Palmer received proposals from four suppliers; and

WHEREAS, the City's consultants from AMPO-Palmer Energy have recommended that the City enter into a contract with IGS for a period of two years as the City's Program supplier; and

WHEREAS, IGS is certified by the PUCO as a Competitive Retail Natural Gas Service ("CRNGS") Provider to sell competitive retail natural gas and related services to consumers and governmental aggregation programs in the State of Ohio; and

WHEREAS, the City desires to renew the Master Services Agreement with IGS to provide natural gas supply and related services necessary to serve the natural gas accounts of residential and small business customers enrolled in the City's Natural Gas Aggregation Program.

NOW, THEREFORE, BE IT ORDAINED by the Council of the City of Shaker Heights, State of Ohio:

Section 1. This Council hereby authorizes a Master Services Agreement with Interstate Gas Supply, Inc. for provision of Retail Natural Gas Services, for a period from April 1, 2021 through March 31, 2023.

Section 2. The Mayor is hereby authorized to enter into a renewal of the Master Services Agreement with Interstate Gas Supply, Inc. Said renewal of the Master Services Agreement shall be as approved by the Director of Law.

Section 3. This ordinance is hereby declared to be an emergency

measure necessary for the immediate preservation of the public peace, health, safety and welfare for the reason that it is necessary in the current operation of the City in order to continue the City's Natural Gas Aggregation Program without interruption for customers of the Program, and therefore, this ordinance shall take effect immediately upon its enactment and approval by the Mayor.

Enacted

Approved this _____ day of _____, 2021.

DAVID E. WEISS, Mayor

Attest:

JERI E. CHAIKIN
Clerk of Council

coun21/0119IGSagreementrenewal