



SHAKER HEIGHTS

Memorandum

To: Members of Council

From: Michael Peters, Sustainability Coordinator
William M. Ondrey Gruber, Director of Law

cc: Mayor David E. Weiss
Jeri E. Chaikin, CAO

Date: June 13, 2022

Re: Resolution Supporting City Operated Electric Aggregation Program Providing 100% Renewable Energy Supply

Summary

Council is requested to adopt the accompanying Resolution supporting the City forming its own electric aggregation program.

Since last year, the City has been reviewing options for offering its residents and small businesses 100% renewably-sourced or “green” power as a source of electric supply through an aggregation program on an “opt-out” (automatic) basis. Council held work sessions on the issue of electric aggregation on October 19, 2021, and on November 16, 2021, an update was provided at the April 19, 2022 work session, and another discussion was held on May 31, 2022.

The City hired Aspen Energy as a consultant to perform an independent analysis and provide recommendations and supporting material for the City regarding whether the City should form its own electric aggregation program providing 100% renewable electric supply.

After discussing with Aspen its findings and analysis regarding the availability and pricing of renewable energy, the Administration is making its recommendation to Council that the City should form its own electric aggregation program starting in January 2023.

Process Of Analyzing Electric Aggregation Program Options

The City is currently a member of the Northeast Ohio Public Energy Council (NOPEC) electric aggregation program. NOPEC has made, and is still making, available to its member communities the option, starting in 2023, to offer the City’s residents and small businesses 100% green power as an opt-out or automatic/default program.

NOPEC had originally set a deadline of the end of 2021 for communities to decide whether to join NOPEC’s new 100% renewable “opt out” aggregation program, but NOPEC has since informed the City that the option is still available.

The consensus between Council and the Administration heading into 2022, was that the City would continue to explore the option of forming its own electric aggregation program in the first part of the year, with the goal of making a decision well prior to June 30th, which is the deadline for informing NOPEC as to the City’s decision whether to remain a member of the organization or to leave and form the City’s own program, with the object of starting up in January 2023.

CITY OF SHAKER HEIGHTS

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A 100% green opt-out program would make that supply the default for electric supply for any resident or small business that does not pro-actively elect another option. Switching to a 100% green opt-out program would further the City's intentions of reducing greenhouse gas emissions to address the climate crisis and aligns with recent initiatives such as our LEED for Cities certification and Power a Clean Future Ohio.

The City has experience over the past 16 years of operating its own natural gas opt-out aggregation program that provides residents and small businesses with the ability to purchase their gas supply through the City's selected supplier. Under Ohio law, an opt-out governmental aggregation program automatically enlists customers who are eligible without any action by the customers, after the required notice is sent out to them. For a resident or small business to NOT participate in the program, they must affirmatively opt-out by notifying the supplier of that choice. That resident or business must then select an alternative supplier, or be assigned a supplier. All electricity and natural gas is delivered and billed by the local utility company – Dominion for gas, and the Illuminating Company/FirstEnergy for electricity – regardless of supplier.

In all opt-out utility supply aggregation programs, the aggregator (e.g. the City or NOPEC) may offer opt-in options for customers in addition to the default or automatic opt-out supply. The City has not chosen to offer opt-in rates for its gas aggregation program, but NOPEC does offer them. In addition, customers always have the ability to opt out of the aggregator altogether, and either enter into their own contract with a supplier they select, or allow themselves to be assigned to the utility company (i.e. Dominion or Illuminating Company/FirstEnergy) default supplier. Residents and small businesses in non-NOPEC communities do not have the ability to select NOPEC's supplier options. Thus, for example, Shaker Heights customers do not have the ability to select the NOPEC natural gas supplier that supplies the communities that are members of the NOPEC gas aggregation program.

On July 30, 2021, NOPEC announced that, starting in 2023, it will begin offering 100% green power as an opt-out or automatic/default program for its member communities that specifically choose to offer that program. This program is being offered for the upcoming 3-year NOPEC electric aggregation program term (January 2023 through December 2025).

The City has also been considering whether it should offer 100% green power as an opt-out program through a City-operated independent electric aggregation program, like we do with the City's natural gas aggregation program. An independent City-operated electric aggregation program could start on January 1, 2023 (which is when the current 3-year NOPEC electric supplier contract expires). If the City decides to form its own program, it must notify NOPEC of this decision by June 30, 2022.

Discussion

There are a number of reasons why the City should establish its own electric aggregation program.

The Administration and Council, including the Sustainability Committee, have set as a goal for the City to provide 100% renewable electric supply to aggregation participants on an "opt-out" or automatic basis, and to do so at a competitive price for residents and small businesses.

In the current market for renewable energy, 100% renewable electric power supply must be provided for an aggregation program, either through NOPEC or in an independent aggregation program, through the purchase of Renewable Energy Credits (RECS). It is an additional goal of the City that 100% renewable power supply using RECS should be provided only through Green-e RECS, which are independently verified through a third party and are generally a requirement of certification programs like LEED for Cities.

The market for RECS is currently seeing high demand compared to available RECS.

The Administration believes that the current market provides an opportunity for the City, as a smaller scale aggregation program, to obtain RECS and have a better chance to meet the City's goals as an independent aggregation

program. The City will have more flexibility to go out into the market to seek RECS, and provide supply with very little overhead and no administrative fees being charged to participants that come to the City.

Experience with the City's gas program has found that the City's gas rate has been below NOPEC's gas rate about 70% of the time over the years. Partly this is due to lower overhead for the City's program. NOPEC costs -- administrative, advertising, legal, and programmatic (including grants) --- are paid for through the rates charged to participants in the aggregation programs (gas and electric). On top of those costs are the energy costs of and profit for the supplier, which is determined partly by the market and partly by the supplier.

The City's gas aggregation program includes a fee for the City's consultant (AMP-Ohio) and the energy costs of and profit for the supplier. There are no other overhead costs, and the City does not receive any fee or payment from participants in the City's program.

It is proposed that a City-operated electric aggregation program would operate in the same manner as the gas program in order to keep rates to customers as low as possible.

Under a City-operated program the City would have more flexibility to select a supplier, and the term of the contract and rate.

With its own program, the City would have the flexibility to design specific features that it and residents value. For example, it could elect to source the power from a supplier that generates the electricity within Ohio. This would retain more of the environmental benefits -- such as cleaner air and clean energy jobs -- within the state and closer to the City. The City could also offer opt-in options such as variable rates or conventional generation.

The City has seen with its own electric service for its facilities, which the City has bid out independently, that 100% green power has been very competitive, and even lower in cost, than non-green power offerings.

The market for green power is growing. There may be opportunities for renewable energy for a smaller aggregation that are not available to an aggregation with a much larger load profile. It is expected that there should be a greater availability of Ohio-based renewable power generation by 2026, with negotiations for those supplies commencing in 2023.

Of course, there is no assurance that the City's own program would offer lower rates than NOPEC's program rates, or lower rates than non-green power rates. The markets fluctuate and the availability of green power fluctuates as well. There is, however, a good opportunity for the City to offer a more competitive 100% green rate than NOPEC's program, which may serve to encourage more aggregation participants to stay in the program rather than having them switch to non-green options.

Earlier this year, the City conducted an RFP process and interviewed firms to serve as a consultant to the City to perform an independent analysis and provide recommendations and supporting material for the City regarding whether the City should form its own electric aggregation program providing 100% renewable electric supply. The Administration reported on the process at the April 19, 2022 Council work session, and afterwards the City hired Aspen Energy as a consultant.

The City entered into an agreement with Aspen, whereby Aspen agreed to provide these consulting services without any out-of-pocket cost to the City, and in return the City agreed that, if the City forms its own electric aggregation program, Aspen would provide consultant and broker services to assist the City to form the aggregation in compliance with the laws of Ohio and PUCO regulation, to select an electric supplier, and to assist the City in monitoring and compliance matters, and to act as liaison with the supplier, on an ongoing basis throughout the contract with the supplier.

Aspen researched indicative pricing for a City electricity aggregation program starting in January 2023. The pricing includes \$.45 per mWh that would be paid through the aggregation rates to Aspen. The pricing is for 100% of the supply to be provided through Green-e RECS.

Comparison of Potential Prices:

Period	NOPEC Standard*	NOPEC 100% Green*	AEP (Aspen)*
Standard**	8.7 cents/kwh	9.125	NA
12 months	8.9	9.325	8.710
24 months	8.8	9.225	8.182
36 months	NA	NA	7.928

* The NOPEC rates are *current* rates, while the AEP rates are what supply would have cost for a January 2023 start if the supply was purchased at the time the prices were provided to Aspen. NOPEC rates can be found at: <https://www.nopec.org/residents/pricingrates/electric-pricing/>

** NOPEC standard rate (column 1) is partially renewable/green supply, and this is the “opt out” or automatic rate provided to participants. The 12 and 24 month rates and 100% green rates are available for participants to select by contacting NOPEC to “opt in” to those program rates.

The prices provided by Aspen are not the prices that would necessarily be available for a City program starting in January. These prices do indicate that there are 100% renewable Green-E recs available at prices that currently are very competitive with NOPEC’s rates, both standard and green.

In summary:

- The City has set as a goal to provide 100% renewable electric supply to electric aggregation participants on an “opt-out” or automatic basis, and to do so at a competitive price for residents and small businesses.
- The best way in the current market for renewable energy to provide 100% renewable electric power supply for an aggregation program is through the purchase of Renewable Energy Credits (RECS).
- The City also has a goal that 100% renewable power supply using RECS should be provided only through Green-e RECS.
- The market for RECS is currently seeing high demand compared to available RECS.
- The current market provides an opportunity for the City, as a smaller scale aggregation program, to obtain RECS and have a better chance to meet the City’s goals as an independent aggregation program.
- The City will have more flexibility to go out into the market to seek RECS, and provide supply with very little overhead and no administrative fees being charged to participants that come to the City.
- Providing residents and small businesses 100% green power on an opt out basis is the fastest and most efficient way to impact greenhouse gas emissions in the City and is potentially the largest single action that would reduce these emissions.
- By forming its own electric aggregation program:
 - the City will be able to offer 100% green power at rates that are expected to be competitive with comparable products,
 - the City would have flexibility to design the program, including the possibility of eventually retaining the environmental benefits within the state,
 - the administrative burden is manageable and the City has experience with the operation of its own natural gas aggregation program, and
 - this action would continue the local and regional leadership the City has shown in sustainable practices.

Next Steps:

For the City to start its own electric aggregation program, the City would need to take the following steps:

- Prepare a Plan of Operation (with consultant assistance).
- Request that Council approve the Plan of Operation
 - Conduct 2 public hearings prior to Council approval of the Plan of Operation.
- Submit the Plan of Operation to PUCO for approval.
- Issue Bid Request for and select a supplier, and award and enter a contract.
- The supplier orders the customer list from the Illuminating Company/FirstEnergy.
- The supplier would submit an Opt-out letter to PUCO for approval (10 day period).
- The supplier would mail the Opt-out letters to customers (21 day period to opt-out).
- The supplier would file the enrollment list with the Illuminating Company/FirstEnergy.
- At the end of 2022, the Illuminating Company/FirstEnergy would conduct a meter read for the aggregation customers.
- January 1, 2023 – start of program.

RESOLUTION NO.

BY:

Resolving that Council supports the City taking the steps necessary to form the City's own electric aggregation program.

WHEREAS, starting in 2021, the City has been reviewing options for offering its residents and small businesses 100% renewably-sourced or "green" power as a source of electric supply through an aggregation program on an "opt-out" (automatic) basis, and Council held work sessions on the issue of electric aggregation on October 19, 2021, and on November 16, 2021, and an update was provided to Council at the April 19, 2022 work session; and

WHEREAS, Council and the Administration agreed that the City should continue to explore the option of forming its own electric aggregation program, with the goal of making a decision prior to June 30, 2022; and

WHEREAS, the City hired Aspen Energy as a consultant to perform an independent analysis and provide recommendations and supporting material for the City regarding whether the City should form its own electric aggregation program providing 100% renewable electric supply; and

WHEREAS, after discussing with Aspen its findings and analysis regarding the availability and pricing of renewable energy, the Administration recommends that the City should form its own electric aggregation program starting in January 2023; and

WHEREAS, providing residents and small businesses 100% green power on an opt out basis is the fastest and most efficient way to impact greenhouse gas emissions in the City and is potentially the largest single action that would reduce these emissions; and

WHEREAS, by forming its own electric aggregation program the City will be able to offer 100% green power at rates that are expected to be competitive with comparable products, the City would have flexibility to design the program, including the possibility of eventually retaining the environmental benefits within the state, the administrative burden is manageable and the City has experience with the operation of its own natural gas aggregation program, and this action would continue the local and regional leadership the City has shown in sustainable practices.

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

Section 1. This Council hereby expresses its support for the City taking the steps necessary to form its own electric aggregation program starting in January 2023.

Section 2. This resolution is hereby adopted as an administrative measure not subject to referendum, and therefore this resolution shall take effect immediately upon its enactment and approval by the Mayor.

Adopted

Approved this ____ day of _____, 2022.

DAVID E. WEISS, Mayor

Attest:

JERI E. CHAIKIN
Clerk of Council

Coun22/0613ElectricAggregationRESOLUTION