

The Energy and Technology Committee
March 7, 2008

Raised House Bill No. 5789: AAC Municipal Aggregation

Testimony of Dominion Retail, Inc.

My name is William Barkas and I am Manager of State Government Relations for Dominion Retail, Inc. Dominion Retail is a retail electric supplier of about 300,000 electric customers in seven states, including Connecticut where we have over 60,000 mass market customers with our partner, LEVCO. Additionally, we have over 600,000 retail natural gas customers in the Northeast and Midwest states.

In general, Dominion Retail has been supportive of municipal aggregation legislation for residential and small commercial customers since we have seen the benefits that have accrued to consumers from programs that have been adopted. A pooling of customers creates a more attractive, predictable market for suppliers and lower prices for consumers. Suppliers often develop more creative sales approaches with financial incentives attractive to the aggregation group. Furthermore, the municipal aggregator often hires outside expertise to advise it on contracts, RFP's, and other issues that ensures that the process is fair and equitable to all parties.

However, HB 5789 has several serious deficiencies that, if adopted into law, would likely result in disappointment to governmental aggregation supporters. First, it should be pointed out that the most successful municipal aggregation programs in the country, the Northeast Ohio Public Utility Council (NOPEC), the Northwest Ohio Aggregation Coalition (NOAC), and the Cape Light Compact in Massachusetts are all "opt-out" aggregation programs, not "opt-in" as this bill proposes. (It is my understanding that these two Ohio groups include more than 130 communities and over 800,000 customers. The Cape Light Compact includes 21 towns with 197,000 customers.) Illinois passed legislation last year authorizing municipal aggregation, but is presently considering revising this authorization from "opt-in" to "opt-out." While an "opt-in" program is theoretically feasible, the implementation of the program, at least as spelled out in this bill, is unnecessarily complicated and is likely to confuse and discourage consumers and suppliers from participating in any meaningful way.

When these governmental aggregation programs were first contemplated several years ago by the Ohio and Massachusetts legislatures, we were initially skeptical about how well they would be received by local citizens. What we saw, however, was overwhelming support by nearly every township where the issue was put on the local ballot. It has become clear to us that "opt-out" (not "opt-in") public aggregation is the best approach for consumers to benefit from an aggregation program, while providing citizens' opportunities to withdraw from an approved program if they do not wish to participate. Various rules in these programs have been adopted to accommodate these consumers' wishes.

I have attached a copy of some informative recent legislative testimony by the Executive Director of NOPEC before the Ohio House of Representatives (Exhibit 1). I have additionally

included some information from the Ohio Office of Consumer Counsel, who has been very supportive of aggregation programs, about Ohio's programs and how they have been successfully structured (Exhibit 2). Third, attached are excerpts from a publication entitled, "Guide to Municipal Electric Aggregation in Massachusetts" written by the Massachusetts Division of Energy Resources (Exhibit 3).

A second problem in HB 5789 appears in Section 1 (a) of the bill, line 6, where customer eligibility appears to include "all electric customers within the legal boundaries of such municipality." A large number of commercial and industrial customers (C&I) in Connecticut have already exercised their ability to switch suppliers so it is doubtful that much benefit would be gained from their inclusion in an aggregation program. There would also be a problem in adding their electrical load and a different pricing structure to that of a mostly residential program. Many C&I customers have customized contracts and pricing that would be inappropriate for a mass market governmental aggregation program. Section 1 (e) provides that customers be given no less than "60 days' notice prior to the initiation of an aggregation project." It is unclear what act (-s) constitute "initiation" and why this period is so long.

Another part of HB 5789 requires further clarification. In Section 1 (d), lines 34-36 the language reads, "Such bidders shall include as part of their bids provisions for the implementation and deployment of smart meters and related technologies." It is not clear -- is the winning bidder being required to pay for and install the smart meters for whichever customers want them, not the traditional utilities who are assured full cost recovery?

Section 3 (a) details how the supplier could obtain the customer's account information in order to solicit the customer under this cumbersome "opt-in" process, including independent third-party telephone verification. A winning bidder would require not only the names, addresses, phone numbers, and rate classes of the customers, but the customers' account numbers (currently excluded from this language) for accurate enrollment with the electric distribution company under this program. Otherwise, the supplier would have to contact each customer individually to obtain the account number, a prerequisite for enrollment.

Section 3 (c) prohibits any electric distribution company or electric supplier from including a bill inset in an electric bill. It is unclear why this prohibition exists if such information may be potentially helpful to consumers.

Under Section 3 (d) the electric supplier would be required to pay a fee to the electric distribution company to cover the incremental costs of marketing information. Such fees should be reviewed and approved by the DPUC before approval.

Section 3 (e) again is only relevant under an "opt-in" aggregation process. Under an "opt-out" plan, the winning supplier sends a notice to the aggregation group providing the customer with typically 21 days' advance notice to "opt-out" of the group. The customer may have additional state- required contract rescission rights after this period. The language in this HB 5789 section allows the customer 60 business days (about three calendar months) in which to cancel its contract with the supplier, an unnecessarily prolonged period of time.

EXHIBIT 1

Testimony of Leigh Herington
Ohio House of Representatives Public Utilities Committee
January 30, 2008

Chairman Hagan, members of the Ohio House of Representatives Public Utilities Committee, I am Leigh Herington and I want you to know what an honor it is for me to be before you this morning. When Lou Blessing and I worked with five other members of the legislature to help design Senate Bill 3 in 1999, little did we know the challenges that electric deregulation would face in Ohio and in our Country. There has been one very successful aspect of SB3, however, and that is Opt-Out Governmental Aggregation.

Because of Opt-Out Governmental Aggregation, I come before you today on behalf of the more than 800,000 residential and small business customers that have saved over 100 million dollars through their association with the Northwest Ohio Aggregation Coalition and the Northeast Ohio Public Energy Council.

I am joined today by Lance Keiffer of NOAC, the Northwest Ohio Aggregation Coalition, which is a group of nine Northwest Ohio Communities that has supplied electricity and gas to over 230,000 customers participating in their governmental aggregation program.

I serve as the Executive Director of NOPEC, the Northeast Ohio Public Energy Council, which is a council of governments, formed under Ohio law by the communities that make up its membership. NOPEC is made up of 125 member communities, large and small, spread across nine Northeast Ohio counties. NOPEC has more than 420,000 residential and small business electric customers and about 250,000 natural gas customers. NOPEC is the largest public energy aggregation in the United States.

You have heard much about the failures of SB3. Some of you were here at that time and know that our goal of developing a robust competitive retail market for electricity has not materialized for many reasons. But one thing from SB3 that did materialize was customer choice through Opt-Out Governmental Aggregation.

For many years Northern Ohio residents and small businesses have paid some of the highest public utility prices in Ohio. The Mayor of Toledo has indicated that a typical Toledoan pays about 14% more in electric costs than a similar customer in Columbus and over 40% more than a resident in Findley. And small businesses often pay rates that are even more onerous than residential consumers.

The provisions of SB3 gave municipal corporations, townships and counties the opportunity to provide electricity to their respective communities by a majority vote of the people of those communities. An important aspect of this provision provided that if the voters gave a majority approval of those voting, the community would provide the electricity to the residents, unless an individual resident opted out of the program. And it allowed communities to aggregate together to increase the buying power of the collective communities.

To say that this has been a success is an understatement. Since SB3 was enacted, 215 communities have gone to the ballot. Of those, 204, or 95% of the communities, passed governmental opt-out resolutions. And of those that passed, they passed by an average of 67 percent. Clearly, voters in these communities want to provide residential and small business electricity users customer choice through opt-out governmental aggregation.

Governmental aggregations like NOAC and NOPEC have accounted for over 90 percent of residential switches. Elected officials and regulators agree that governmental aggregation has been a significant success. The Ohio Consumers' Counsel has recognized governmental aggregation as the "jewel" of Ohio deregulation and "the most successful aggregation program in the nation."

In 2003, PUCO Chairman Alan Schriber, in reviewing the Ohio Retail Electric Choice Programs, noted "Where we can point to the greatest success is in those areas that have developed aggregation. Aggregation is the success story in Ohio, accounting for nearly 93 percent of residential switching in Ohio."

As recommended by the Governor and passed by the Senate, Ohio will preserve customer choice for residential and small business customers through opt-out governmental aggregation.

Maintaining Opt-Out Governmental Aggregation and providing the statutory language that gives aggregators the ability to find suppliers that are competitive, is consistent with Speaker Husted's Energy Policy Guiding Principles and Goals.

Governmental Aggregation in the future will continue to give residential and small business consumers a marketplace where they can reduce their electric costs by giving them a choice. It will give them an opportunity to receive what the Speaker believes they deserve: affordable, predictable and reliable power. It will continue to promote competition and provide consumer buying pools in which residential and small business customers can negotiate a lower price through group purchases of energy.

To enhance the viability of opt-out aggregation in the future, NOAC and NOPEC propose a number of improvements.

A. By-passability on generation related charges. The major factor inhibiting governmental aggregation over the past 7 years has been large, non-bypassable generation related utility charges. These charges are expiring in the next few years. Renamed charges of similar size should not be permitted. All charges that are not directly related to the local distribution or transmission of electricity should be bypassable by governmental aggregation customers. This would enhance the opportunity that a choice for aggregation customers will be available in Ohio in the future.

B. Eliminate Deferrals. Ohio utilities have a history of seeking full collection of many costs, only to moderate their request by offering to defer a portion of the charges. If the utilities want to include new non-bypassable charges for generation, fuel, generation investments, or other items that have been deferred, Ohio should recognize the very significant costs already paid by consumers through transition charges since 2001. While returning to cost-of-service regulation is not practical or possible, consumers have paid utilities billions towards paying off utility assets over the past 7 years. Any new increases, even those tied to past deferrals, must be moderated to recognize the costs already paid by Ohio ratepayers.

C. True-up. Any future charges, caps, or deferrals applied to Ohio electric consumers' bills should include true-up or re-look audit mechanisms to ensure consumers are not being overcharged. If audits had been in place during the past seven years, utilities' extra revenues may have been moderated.

D. **Extended Period.** Governmental opt-out aggregators currently must provide customers an opportunity to exit the aggregation without penalty every 2 years. Our experience has been that consumers who initially choose to participate in the aggregation choose to continue in the aggregation every 2 years at an extraordinarily high rate. The net result is that this provision limits the governmental aggregators' ability to secure longer term supply arrangements that could be highly beneficial to these consumers. Senate Bill 221 extends the opt-out period to 4 years, which provides Ohio's governmental aggregators additional opportunities to secure consumers' savings. We ask that you support this extension.

E. **No governmental aggregator switching fee.** In the past, opt-out governmental aggregators were charged switching fees that other groups or consumers did not pay when consumers chose to participate in the aggregation. This is a barrier to market entry. For NOPEC alone, the initial switching fee is \$2.5 million, for simply making a computer change on the bills. NOAC and NOPEC believe this switching charge is not justified, is discriminatory and serves only to benefit the utilities and reduce competition.

F. **Revisit Utility Tariffs.** The PUCO should revisit utility tariffs to ensure that market barriers to governmental aggregation are removed. Items such as order of payment, bad debt expense, stay-out periods for enrolling customers and others need to be reviewed to promote governmental aggregation.

Ohio Governmental Aggregation should continue to have a chance to provide those small business and residential customers with a choice in the future. There should be room provided so that a governmental aggregation can attract suppliers who would be

interested in supplying a stable group of customers, who otherwise would not have the buying power to negotiate a fair price. If the current Bill's "market option" becomes a reality, then Governmental Aggregation will be there to provide even more benefit for the residents of those communities that have chosen to provide power to their residents.

We hope you see the value of Opt-Out Governmental Aggregation programs and will support their continuation and expansion and the language necessary to insure that residential and small businesses that band together can get the benefit of aggregation. Thank you Mr. Chairman, and members of the Public Utilities Committee for your time and interest. We would be very pleased to answer any questions you might have at this time.

**GUIDING PRICIPLES FOR THE PROTECTION OF
CUSTOMER CHOICE THROUGH THE CONTINUATION AND
IMPROVEMENT OF OHIO GOVERNMENTAL AGGREGATION**
Offered by the Northwest Ohio Aggregation Coalition (NOAC) and the Northeast
Ohio Public Energy Council (NOPEC)

Preserve customer choice through Ohio Governmental Aggregation

Necessary modifications to make Ohio Governmental Aggregation more successful

- A. By-passability on generation related utility charges.
- B. Eliminate Deferrals.
- C. True Up
- D. Extended Period.
- E. No governmental aggregator switching fee.
- F. Revisit Utility Tariffs.

Governmental Aggregation Has Been An Overwhelming Success.

“There are successes to report” and “[a]ggregation, specifically governmental aggregation, has led the way.”

“Where we can point to the greatest success is in those areas that have developed aggregation.”

“Aggregation is the success story in Ohio, accounting for nearly 93 percent of residential switching in Ohio.”

A Report by the Public Utilities Commission of Ohio, *The Ohio Retail Electric Choice Programs Report of Market Activity 2001-2002*, May 2003. See, Cover Letter by Chairman Alan Schriber and Executive Summary.

“Aggregation continues to be the success story of Ohio’s electric choice program.”

Ohio State Business News, May 28, 2003, PR Newswire Website at www.prnewswire.com/cgi-bin/stories.pl?ACCT+OHS&STORY=/www/story/05-28-2003.html.

“Electric Aggregation – Ohio’s Success Story.”

Office of the Ohio Consumers’ Counsel Website at www.pickocc.org/electric/aggregation/success.shtml.

“While many forms of alternative power have failed in Ohio, aggregation has been an overwhelming success.”

Aggregation Awareness, Ohio University Website at www.oak.cats.ohiou.edu/~jm305101/info_pub.html.

“‘Opt-out’ programs in other states have proven to be successful. Through such programs, these states have provided their residents with the opportunity to be represented collectively through aggregation and have saved on their utility bills.”

Seema M. Singh, Ratepayer Advocate of the State of New Jersey, referring to Ohio opt-out governmental aggregation in *Energy Deregulation and Aggregation: A story of Dollars and Sense*, at NJ State Governmental Website at www.state.nj.us/rpa/seemalomspeech.html.

Governmental Aggregation Helps Consumers Save On Utility Costs And Promotes Competition & Choice:

“Municipal aggregation is a valuable service that residents and small businesses look for from their local governments. It has proven to be the most effective way to help small consumers manage their utility bills, and has received overwhelming support wherever it’s been tried.”

Independent Energy Consultants Website at www.naturalgas-electric.com/aggrgation.asp.

“Aggregation appears to have given all participating Ohio customers in the aggregators’ jurisdictions at least some access to competitively determined electricity prices.”

Matthew H. Brown, *Part Two: An Analysis of Opt-Out Aggregation in Massachusetts and Ohio*, NEAAP Website at www.neaap.neat.org/experts/parttwo.htm.

“[G]overnmental aggregation is presently the *only* form of competition available to residential customers in the CEI service area who are unable to receive municipal service. The City’s successful aggregation program has saved over 60,000 CEI customers approximately \$3,800,000 since 2001.”

Jane L. Campbell, Mayor of the City of Cleveland, March 8, 2004 Letter to PUCO Chairman Alan Schriber, filed in FirstEnergy Rate Stabilization Plan, PUCO Case No. 03-2144-EL-ATA.

“Governmental aggregating groups have helped thousands of Ohioans save on their electric bills, particularly in Northern Ohio.”

Jeff Brehm, *Deregulation: A look back at the first year*, citing PUCO Chairman Alan Schriber, at Buckeye Power Website at www.buckeyepower.com/news_stories.asp?int_articleID=117.

“These programs won’t make you rich or change your lifestyle. The savings do add up collectively and bring a great deal of disposable income back to the community. ... Finally, these programs let suppliers and the local utility know that you believe in competition and customer choice.”

Governmental Aggregation Permits For Consumer Buying Pools.

“Aggregation allows consumers to combine their energy use to form a buying pool or group. These buying pools benefit residential consumers because suppliers may be more likely to negotiate with an aggregated group for service at a lower price than with an individual. When energy is purchased in large quantities, the cost of the supply is reduced.”

“Aggregation also makes residential consumers more attractive to suppliers because it lowers the suppliers’ costs of marketing to and signing up customers. As a result, suppliers may be able to provide better rates to aggregated groups.”

Office of the Ohio Consumers’ Counsel, *Energy Aggregation in Ohio*, Second Edition, June 2004, p.3, at OCC Website at <http://www.pickocc.org/electric/aggregation/guide/overview.shtml>.

“In 2001, most of the electric choice shopping activity occurred in northern Ohio where electricity traditionally has cost more than in any other part of the state. Statewide, 600,000 – about 15 percent of those eligible – residential electric consumers switched to a new supplier. Some customers shopped on their own, but aggregation proved to be the most popular route to new suppliers – and savings. Across Ohio, 158 communities decided to aggregate or join a local community buying pool last year.”

Office of the Ohio Consumers’ Counsel, *2001 Annual Report*, April 2002, p.9, at OCC Website at <http://www.pickocc.org/annualreports/2001.pdf>.

EXHIBIT 2



The Basics of Governmental Energy Aggregation

Special note: A local government that forms an aggregation program can purchase energy on behalf of its residents or it can contract with another company to supply the energy.

Updated September 2007

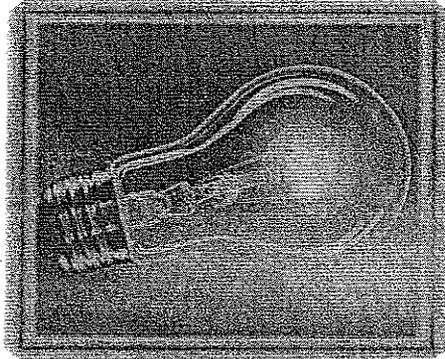
About aggregation

Q. What is aggregation?

A. Aggregation is the process in which energy is sold to consumers who have joined together as a group to buy a product – in this case, electric or natural gas.

Q. Why aggregate?

A. By buying large blocks of energy, aggregated groups may reduce a supplier's marketing and administrative costs. This gives the aggregated group greater buying power. The reduced costs may then be passed on to the individual consumers in the buying group as savings on their energy bills.



Q. What does an aggregator do?

A. An aggregator acts as an agent for a buying group by reviewing energy supplier options, negotiating offers and making decisions about purchasing reliable energy services on behalf of the buying group. The contract that results from this process is between the individual consumer and the supplier at the price negotiated by the aggregator.

Q. What communities can aggregate?

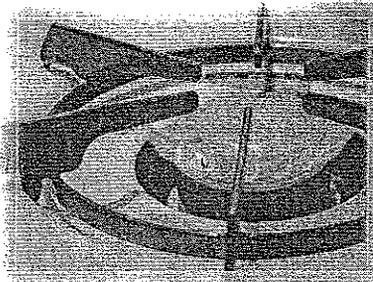
A. Ohio's electric restructuring law has permitted aggregation in areas served by investor-owned utilities since January 2001. Effective in June 2001, state law permitted "opt-out" natural gas

aggregation in areas where choice programs existed.

Local governments, such as cities, counties, townships and villages, may aggregate the energy used by their residents and arrange for the purchase of electricity or natural gas as "governmental aggregators." Local governments may begin their aggregation programs following their certification by the Public Utilities Commission of Ohio.

Q. Which consumers are eligible to participate in governmental aggregation?

A. To participate in electric aggregation, a residential consumer must live in an area served by an investor-owned electric utility. Those served by municipal electric systems are not eligible for aggregation programs. Customers of electric cooperatives are not eligible for aggregation unless their co-op opens their system to retail choice. Consumers who have chosen an alternative supplier **are not** eligible to participate in opt-out aggregation programs.



To participate in natural gas aggregation, a residential consumer must be served by a natural gas company offering a choice program.

Consumers who have chosen an alternative supplier **are not** eligible to participate in opt-out aggregation programs.

In addition, consumers enrolled in the Percentage of Income Payment Program (PIPP) are not eligible to participate in electric or natural gas governmental aggregation programs.

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Forms of governmental aggregation

Local governments can aggregate their residents' electric or natural gas loads on their own or jointly with other local governments. Ohio law gives local governments the option to choose either an opt-in or opt-out form of aggregation.

"Opt-in" – each consumer is required to agree to participate in the program before being included in the aggregation pool. The opt-in method does not require voter approval at an election.

"Opt-out" – each consumer is automatically included in the aggregated pool unless the individual affirmatively decides not to participate. This approach provides a larger and more predictable customer base up front, and may increase groups' bargaining power for lower prices. The opt-out method requires voter approval at an election.

Q. What is required?

A. Local governments must adopt an ordinance or resolution that approves the specific aggregation approach, opt in or opt out. If opt-out aggregation is chosen, the issue must be voted on at an election. Opt-out aggregation requires approval by a majority of the voters. If voters approve the ballot issue, the local government must develop a plan addressing operation and governance for the authorized program. Before adopting such a plan, a minimum of two public hearings on the plan must be held. Once a local government has decided whether to provide energy service directly or to select a certified supplier, a notice specifying the rate and terms and conditions of the offer must be sent

to consumers. The notice must also specify the procedure for consumers who wish to withdraw, or opt out, from the aggregation program.

If local governments decide to choose opt-in aggregation, they first must negotiate the rate and terms and conditions with a supplier or purchase energy themselves. Next, they must notify the consumers within the aggregated area of the offer so consumers can decide whether to join.

Q. What should local governments consider?

A. At a minimum, local governments should:

- Determine needs and the potential for savings.
- Assess the benefits of opt-in versus opt-out methods.
- Determine how residents will be educated and stay informed.
- Review aggregated usage data.
- Determine resource needs, including legal counsel.
- Consider joining with other local governments to create larger aggregation programs.

Call the Office of the Ohio Consumers' Counsel (OCC) at 1-877-PICKOCC (1-877-742-5622) toll free for additional information and to assist you with educating your community about the aggregation process, including free publications and presentations. The OCC also offers a free publication called "Energy Aggregation in Ohio," that will walk local governments through the aggregation process.

The Office of the Ohio Consumers' Counsel (OCC), the residential utility consumer advocate, represents the interests of 4.5 million households in proceedings before state and federal regulators and in the courts. The state agency also educates consumers about electric, natural gas, telephone and water issues and resolves complaints from individuals. To receive utility information, brochures, schedule a presentation or file a utility complaint, residential consumers may call 1-877-PICKOCC (1-877-742-5622) toll free in Ohio or visit the OCC website at www.pickocc.org.

The Office of the Ohio Consumers' Counsel is an equal opportunity employer and provider of services.

For additional information from the Office of the Ohio Consumers' Counsel:

Call: 1-877-PICKOCC (1-877-742-5622) toll free or (614) 466-8574
Write: 10 West Broad Street, 18th Floor, Columbus, Ohio 43215-3485
E-mail: occ@occ.state.oh.us • Internet Address: www.pickocc.org



Governmental Aggregation: Where Do We Go From Here?

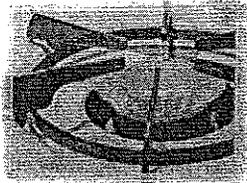
Special note: A local government that forms an aggregation program can purchase energy on behalf of its residents or it can contract with another company to supply the energy.

Updated September 2007

Ohio's electric restructuring and natural gas laws allow local governments such as cities, townships and counties to pool residents and businesses together as a buying group for the purchase of energy. By buying in large blocks, aggregated

groups may possess greater bargaining power than individual consumers.

The Office of the Ohio Consumers' Counsel (OCC) has produced this fact sheet for residents of communities that have decided to aggregate. This information will make you aware of important steps that will occur as your local government moves forward in the aggregation process.



► **STEP 1:** **Aggregation options**

Local governments may choose either an "opt-in" or "opt-out" form of aggregation. Opt-in aggregation requires that you sign up for the program if you wish to participate. Opt-out aggregation automatically includes all eligible consumers located in the community except consumers who choose not to participate. Certain low income customers and customers who have already chosen an alternative supplier are not eligible to participate in the aggregation program.

► **STEP 2:** **Government approval**

Both opt-in and opt-out efforts require the local government to adopt an ordinance or resolution that creates an aggregation program.

► **STEP 3:** **Ballot issues**

If a community decides to form an opt-out aggregation program, a ballot issue must be voted on by the citizens at a primary or general election. The ballot issue must be submitted to the county Board of Elections at least 75 days before the election. To continue the aggregation process, a majority of those voting on the ballot issue must approve the measure.

► **STEP 4:** **Plan adoption**

After the opt-out ballot issue passes, a plan must be developed to address how the aggregation program will work and how the local government will oversee the process. At least two public hearings must be held to give residents a chance to comment on the plan.

► **STEP 5:** **Certification**

For both opt-in and opt-out programs, the next step is for the local government to become certified by the Public Utilities Commission of Ohio (PUCO) to be authorized to contract with customers and/or electric or natural gas suppliers.

► **STEP 6:** **Shopping for the best rate**

Using the bargaining power of its aggregated residents and businesses, the local government shops for an attractive rate and negotiates other important terms and conditions.

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▶ **STEP 7: Notification**

After the local government decides to purchase the energy directly or chooses an electric or natural gas supplier, a notice containing supplier information (if applicable), rates, terms and conditions must be sent to you.

In opt-out communities, this notice must also specify how you can choose to opt-out or withdraw from the aggregation program. Typically, this involves you returning a postcard or letter. Customers with existing supplier agreements will not be switched automatically.

In opt-in communities, you should carefully review the information sent to you from your community and determine if you wish to sign up for the aggregation program. Instructions should be included that specify how to enroll in the program.

▶ **STEP 8: Enrollment processing**

If you have decided to participate in an aggregation program, your new supplier will notify your electric or natural gas utility. Once the utility receives the notification, it sends you a confirmation letter in the mail. This letter includes important details, including the date you are to be switched and the right to withdraw from the offer within a specified period of time.

Next, the enrollment will take place. Typically, the supplier will mail you information about the company and contact information. Be sure to read this information carefully and save it for future reference.

▶ **STEP 9: Switching suppliers**

If you participate in the aggregation program, you should be switched to the new supplier on your next billing date. If you are on a budget billing plan you should contact the new supplier for information about your options. The local electric or natural gas utility – not the new supplier – will still be responsible for maintaining the distribution system (poles, pipes and wires) and bringing energy into your home.

▶ **STEP 10: New billing information**

You will continue to be billed by your local utility company, but you will see the new supplier's charges separately identified on your electric or natural gas bill.

Who to call

If you have questions about electric or natural gas choice, aggregation or any issue involving a publicly owned electric, natural gas, telephone or water company, you may call the OCC toll free at **1-877-PICKOCC (1-877-742-5622)**.

If you have questions about the specific process or offer in your community, you may contact your local government or the supplier of the aggregation program.

If you have billing questions or need to report a power outage or gas leak, you should contact your local electric or natural gas utility.

The Office of the Ohio Consumers' Counsel (OCC), the residential utility consumer advocate, represents the interests of 4.5 million households in proceedings before state and federal regulators and in the courts. The state agency also educates consumers about electric, natural gas, telephone and water issues and resolves complaints from individuals. To receive utility information, brochures, schedule a presentation or file a utility complaint, residential consumers may call 1-877-PICKOCC (1-877-742-5622) toll free in Ohio or visit the OCC website at www.pickocc.org.

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What do we do next?

A Post-Election Process for Aggregated Communities

Special note: A local government that forms an aggregation program can purchase energy on behalf of its residents or it can contract with another company to supply the energy.

Updated September 2007

Ohio's electric restructuring and natural gas laws allow local governments such as cities, counties, townships and villages to pool residents together as a buying group to purchase energy. By buying in large blocks, aggregated groups may possess greater bargaining power.

The Office of the Ohio Consumers' Counsel (OCC), the residential utility consumer advocate, is providing this fact sheet to local governments whose voters have approved an "opt-out" aggregation ballot issue. Opt-out aggregation automatically includes all eligible residents in the buying pool except those who affirmatively decide not to participate.

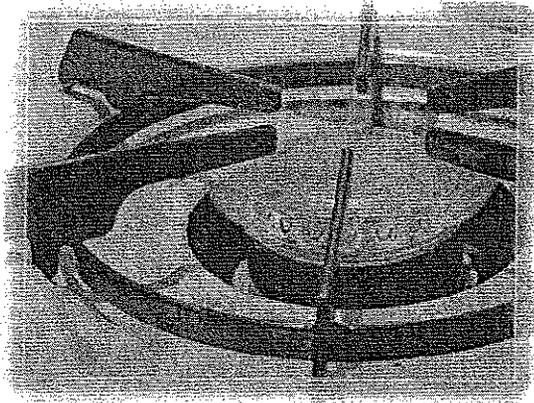
Contacting communities with established programs

After passing a ballot issue, you may want to talk with local governments that have successfully completed the aggregation process and selected an energy supplier or that have decided to purchase energy itself. The OCC offers an online map at www.pickocc.org to help inform you about the status of other aggregated communities.

Using your mouse, scroll over either the Electric or Natural Gas menus at the top of the front page and select "Aggregation." The map will show you which communities have passed ballot issues in any of Ohio's 88 counties and, if applicable, the supplier that is serving their residents.

Set goals and budget

Your community should set goals to help evaluate whether offers will meet the needs of your residents. Goal setting may involve surveying



residents about their expectations from the aggregation effort. Items that could be included in your goals may be the desired level of savings, the ideal duration of a potential offer and what services are expected from the energy provider. To help plan for any administrative or implementation expenses related to the aggregation process you also may want to prepare a budget.

Hiring a consultant

The aggregation process can be complex and many communities have contracted with a consultant to provide expertise. An aggregation consultant may be used to help define the goals of your program, prepare the bidding criteria and evaluate energy rates. Some consultants may be able to help operate the aggregation program. By talking with other local governments, you will be able to identify a list of consultants who have helped develop successful aggregation programs in other communities.

Adopt an aggregation plan

Under Ohio law, an "operation and governance plan" must be developed to address how the aggregation program will work and how the local government will oversee the process. At least two public hearings must be held to give residents a chance to comment on the plan. More information and sample plans are available in the OCC's "Energy Aggregation in Ohio" publication.

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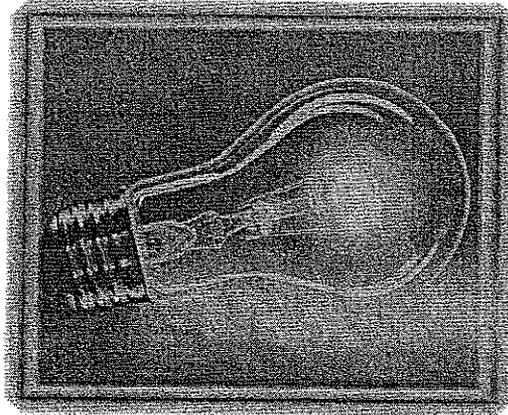
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Certification

Your local government must file its operating and governance plan with the Public Utilities Commission of Ohio (PUCO) and become certified as a "governmental aggregator" by the PUCO.

Develop bidding criteria

Using the bargaining power of your community, you may be able to obtain an attractive rate and additional benefits as part of the aggregation agreement. This often involves a competitive bidding process that begins with a Request For Proposal (RFP). The RFP can be used to outline the type of energy offer that your community desires. For example, an RFP may specify the desired level of savings, type of rate (fixed or variable), length of the offer or a preference for renewable energy.



Communicating with residents

Once an offer is selected, communicating with your residents is vital. From a consumer-friendly opt-out notice to working with the news media, it is important that you assist residents in making an educated decision about the aggregation offer. You should be prepared to provide the name of the supplier and background information about the company, if applicable, the rate, the opt-out process and any important terms and conditions of the agreement.

The OCC is available to help you and your community. For assistance with developing and implementing an education plan or to obtain a copy of "Energy Aggregation in Ohio," contact Erin Biehl at (614) 387-2962 or by e-mail at biehl@occ.state.oh.us

Evaluate offers

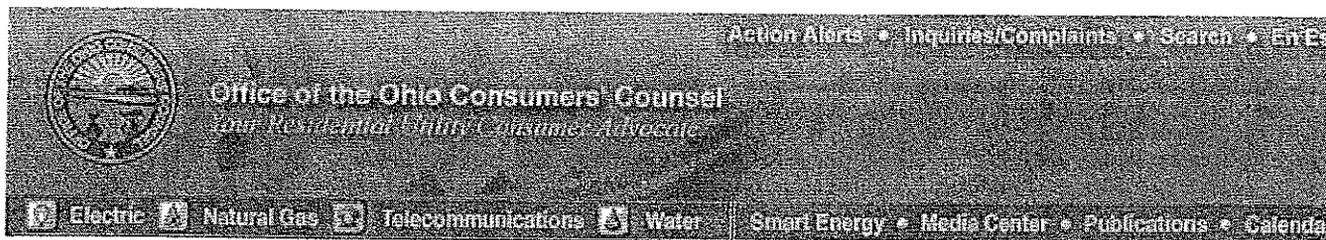
As you evaluate bids obtained through the RFP process, refer to your goals and decide which offer will best meet the needs of your residents.

The Office of the Ohio Consumers' Counsel (OCC), the residential utility consumer advocate, represents the interests of 4.5 million households in proceedings before state and federal regulators and in the courts. The state agency also educates consumers about electric, natural gas, telephone and water issues and resolves complaints from individuals. To receive utility information, brochures, schedule a presentation or file a utility complaint, residential consumers may call 1-877-PICKOCC (1-877-742-5622) toll free in Ohio or visit the OCC website at www.pickocc.org.

The Office of the Ohio Consumers' Counsel is an equal opportunity employer and provider of services.

For additional information from the Office of the Ohio Consumers' Counsel:

Call: 1-877-PICKOCC (1-877-742-5622) toll free or (614) 466-8574
Write: 10 West Broad Street, 18th Floor, Columbus, Ohio 43215-3485
E-mail: occ@occ.state.oh.us • Internet Address: www.pickocc.org

**Electric**[Top News](#)[Authorized Payment Centers](#)[Aggregation](#)[Fact Sheets](#)[Ohio Electric Companies](#)[Tree Trimming](#)[Education Sites](#)**Electric****Ohio Aggregation Highlights**

May 2005 - Residents of the cities of Ravenna and Tallmadge and the townships of Burton and Troy should look for a letter in the mail regarding their electric aggregation programs. The programs continue to use FirstEnergy Solutions to provide electricity to residents. Eligible consumers are automatically included in the buying group unless they "opt out," or withdraw, from the program. The deadline to opt out is June 8 for the cities and June 13 for the townships. For more information, residents should contact FirstEnergy Solutions toll free at 1-866-636-3749

Northeast

The largest aggregation pool in the state is found in Northeast Ohio. The Northeast Ohio Public Energy Council (NOPEC) is made up of over 100 member communities in the FirstEnergy, Columbia Gas of Ohio and Dominion East Ohio territories. The group offers electric and/or natural gas opt-out programs to approximately 500,000 residents. Currently, NOPEC has an agreement with Green Mountain Energy to provide electricity to many of its member communities. Based on the group's opt-out notice, residents participating in the program receive a discount equal to 6 percent off of FirstEnergy's shopping credit, also known as the "price to beat."

Northwest

Nine communities in Toledo Edison's service territory in Northwest Ohio have banded together to purchase electricity from FirstEnergy Solutions. The group, called the Northwest Ohio Aggregation Coalition (NOAC), includes the cities of Maumee, Oregon, Sylvania, Toledo, Northwood and Perrysburg, the Village of Holland, the unincorporated areas of Lucas County and Lake Township in Wood County. The NOAC electric aggregation program serves about 133,000 residential households.

NOAC expects each participating household to save approximately \$83 in 2005. Overall savings for consumers through the program is anticipated to be \$2 billion.

Central

Several communities served by American Electric Power plan to join together to purchase electricity by January 1, 2006. The group known as Central Ohio Public Energy Council (COPEC) includes 56,000 households in the cities of Upper Arlington, Dublin, Reynoldsburg, Dublin, Bexley and Gahanna.

Southwest

The Village of Indian Hill is the first community to offer an electric aggregation program in the Duke Energy service territory. Residents enrolled in the aggregation program can purchase power from Dominion Retail at a fixed rate of \$.0475 per kilowatt hour (Kwh). On average, Indian Hill expects to save its 2,066 households up to \$129 a year.

Southeast

There is no aggregation activity to date.



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Electric Aggregation

- [Electric Aggregation: Ohio's Success Story](#)
- [Energy Aggregation in Ohio: A Guide For Local Governments](#)
- [Map of Aggregation Communities by County](#)

General Aggregation Information

- [Fact Sheets](#)
- [Ohio Aggregation Ballot Issue Results](#)

Office of the Ohio Consumers' Counsel - Your Residential Utility Consumer Advocate
10 West Broad Street, Suite 1800, Columbus, Ohio 43215-3485
1-877-742-5622 (toll-free in Ohio) or 614-466-8574
[Contact us](#)



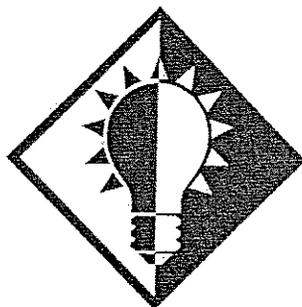
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EXHIBIT 3

Commonwealth of Massachusetts
Office of Consumer Affairs and Business Regulation

Division of Energy Resources

GUIDE TO
MUNICIPAL ELECTRIC
AGGREGATION
IN MASSACHUSETTS



January 2003

Mitt Romney
Governor

Kerry Healey
Lieutenant Governor

Beth Lindstrom
Director, Office of Consumer Affairs and Business Regulation

David L. O'Connor
Commissioner, Division of Energy Resources

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List of Abbreviations

DOER	Division of Energy Resources
AG	Office of the Attorney General
DTE	Department of Telecommunications and Energy
LDC	Local Distribution Company (see DISCO)
DISCO	Distribution Company
ESA	Electric Service Agreement
HEFA	Massachusetts Health and Educational Facilities Authority
MMA	Massachusetts Municipal Association
RFP	Request for Proposal (or RFR – Request for Response)

1. Load Aggregation

Definition of Load Aggregation

Load aggregation is the formation of a group of consumers into a single buying pool for the direct purchase of electricity supply. There are two basic types of aggregation. The Restructuring Act of 1997 created a process⁴ under which a municipality, or group of municipalities, may aggregate the entire electric load within the boundaries of the participating communities and solicit contracts to serve that load. One successful example is the Cape Light Compact Pilot, serving the towns of Cape Cod⁵. This is a **public aggregation (Municipal Aggregation)**.

Public aggregations are unique in that they allow the aggregators to access the energy efficiency system benefit charge funds generated by the participants (all Massachusetts electricity customers). If they choose to access the funding, they must design and carry out an approved energy efficiency plan, in the same way the Distribution Company does. In addition, a public aggregation is "opt-out," all customers within the municipality are participants automatically, unless they request not to be. Public aggregators must also secure contract prices that are less than the standard offer price.

More common are aggregations of like entities pooling their load to attract favorable rates. The Massachusetts Health and Educational Facilities Authority (HEFA) is perhaps one of the best known aggregations (PowerOptions), and the Massachusetts Municipal Association (MMA) has a power program available to municipalities, serving municipal buildings. We refer to this form of aggregation as **market aggregation**.

In load aggregations, each participant ultimately enters a service agreement directly with the supplier chosen by the aggregator. This Guide focuses on load aggregations where the municipality or group of municipalities acts as an agent, on behalf of the constituents to identify, compare, and choose among competing suppliers.

Aggregator's Role

The aggregator's primary role is to act as a catalyst or agent, introducing interested customers to a suitable supplier. The aggregator determines the service constituents want to acquire, solicits bids, and chooses a supplier. Once formed the aggregation and its participants enter a service agreement with the chosen supplier. At this point, the aggregator's role is monitoring and overseeing the contract. The supply service and distribution service used by members of an aggregation are subject to the same laws, regulations and tariffs as the service used by other retail customers. Similarly, the Competitive Supplier serving the aggregation is automatically subject to all regulations established under the Act, including licensing, consumer information, air emission standards and renewable portfolio standards.

Customer Sectors or Types

There are three broad customer sectors: residential, commercial, and industrial. Each sector's electricity demand and pattern usage (load profile) varies (See Appendix B for typical load profiles). Customer mix is a key cost determinant for distribution and other rate components. DOER's Market Monitor Report states that systems with a high proportion of load (electric demand) concentrated in large-usage customers are less costly to serve and tend to exhibit lower prices. Price comparisons and corresponding customer mix figures for each LDC indicate some correlation between low industrial/large commercial customer mix and higher rates.⁶

⁴ Section 247, Chapter 164, The Acts of 1997, which became section 134 of M.G.L. chapter 164. See Appendix C

⁵ The Cape Compact's first successful procurement of supply is known as its Community Choice Pilot Program, as they will offer supply to default customers and do not anticipate prices less than the standard offer (a requirement of the Act), but will provide default customers with an alternative.

⁶ *Market Monitor Report, 2000* Division of Energy Resources

II. Advantages and Disadvantages of Municipal Aggregation

Incentives and Limitations

When considering whether to aggregate or not, carefully weigh the advantages and disadvantages, including the cost of organizing and maintaining a municipal load aggregation, negotiating a contract, educating consumers, providing customer service, and administration against any perceived savings.

Advocates argue that aggregation fulfills a public interest and/or equity role, ensuring that the benefits of group efficiencies and purchasing power of retail electric competition reach all customers, including low-usage customers. Others point to advantages for municipal aggregators deriving from the attributes of local government – that it is non-profit, non-discriminatory, subject to ethics and open-bidding laws, and under local consumer control. Municipal officials can identify constituent preferences in an open democratic arena. Further, because participants are geographically concentrated, power procurement costs may be less. The provision of certain advanced metering technologies may also be more efficient given the concentration of customers. Advanced metering may allow consumers a greater choice of rate options and other services. Options that use communications technologies could provide access to lower prices and other services. Lower electricity costs through municipal aggregation may possibly enhance economic development efforts by attracting businesses to the community.

Municipal aggregation may also help constituents purchase energy efficiency services, and electricity from cleaner-than-average or renewable sources. For example, under the Act, a municipal aggregation that adopts a certified energy plan may seek implementation funding from the Massachusetts Renewable Energy Trust Fund and from demand side management (DSM) system benefit charges levied on retail electricity ratepayers by the distribution companies. The Department of Telecommunications and Energy (DTE) establishes the processes and requirements aggregators must meet to expend DSM funds only.

An aggregation may create opportunities, but it may also create challenges for municipalities. Potential considerations include the possible lack of political support, and/or potential adverse impacts on municipal finances.

Making use of resources with the skills necessary to analyze load data and negotiate favorable terms is essential in the process of aggregation. The challenges to municipalities wanting to aggregate are the technical and legal aspects of:

- Analyzing load data
- Administering the RFP process
- Leading negotiations with suppliers
- Providing ongoing management and monitoring on behalf of constituents.

Gaining understanding of how individual load factors, cost of service, and supply objectives impact pricing for members of the aggregation is resource intensive and time consuming. Municipalities seeking the expertise required of an aggregator need to consider the cost of acquiring that expertise.

Benefits of Load Aggregation for Consumers

Load aggregation may offer retail customers several purchasing advantages, such as:

- **Lower Transaction Costs.** By alleviating most of the effort associated with the screening and selection process, the load aggregator enables individual consumers to choose a Competitive Supplier at either little or no transaction cost⁷ to those individuals. Aggregating individual customers lowers these costs.

⁷In order to carry out a market transaction it is necessary to discover who it is that one wishes to deal with, to conduct negotiations leading up to a bargain, to draw up the contract, to undertake the inspection needed to make sure that the terms of the contract are being observed, and so on. , Ronald Coase "The Problem of Social Cost".

- **Competitive Opportunity.** Load aggregation may foster better competition by allowing low-use consumers to take advantage of the market. Suppliers are more willing to compete for a large group of individual consumers by responding to a single Request for Proposal (RFP). Because of the high cost of customer acquisition, relatively few suppliers are willing to compete for low-use individual customers one at a time.
- **Greater Buying Power.** Local governments use aggregation as a way to obtain services or products at favorable prices and terms. The same is true for the purchase of electricity. Because of economies of scale, load aggregation may increase the buying power of participating consumers; particularly if they seek customized service. For example, a load aggregation seeking custom services, such as "cleaner-than-average" electricity, load control and energy efficiency services, or a range of pricing options has more buying clout and product options as a group than as individuals. Even a load aggregation seeking to simply acquire electricity supply service may have more buying power than an individual consumer seeking to buy that service from a Competitive Supplier. The load aggregation may enable the Competitive Supplier to capture market share at a relatively low transaction cost
- **Savings from Load Diversity.** The best way to understand energy consumption patterns is to create an annual load profile. Residential, commercial and industrial customers use electricity differently at various times of the day. Residential and small commercial sector's electricity use can vary substantially during the day, resulting in erratic load profiles (see Appendix B). Generally, supplying an even load profile is less expensive than serving an erratic one. Offering a larger, more diverse load (one that is more even) increases the possibility of receiving better prices than individual consumers receive.

Public Benefits for Municipalities

If a number of towns want to form a municipal aggregation together, several factors require examination:

- The same understanding of the aggregation's potential benefits, including a common expectation that participating in the aggregation is beneficial to all involved.
- Similar interests in the structure of supply arrangements, whether they are price structure, term, or stability, the sources of the supply or the availability of other services (such as energy efficiency advice, installation and financing or other services).
- Confidence in the aggregation, including an expectation that risks, pricing, and rules, (including allocation of costs and benefits) are equitably applied.

When evaluating benefits, consider the merits of services and features in terms of likely levels of participation, savings per participant, economic development implications, business retention and recruitment benefits, costs to the municipal government and potential sources of funding.

III. Becoming a Municipal Aggregator

Municipal Aggregation Process

There are a number of steps local governments must execute in order to become a municipal aggregator. (See Figure 1 on the following page) A town may initiate a process to aggregate electrical load upon authorization by a majority vote of town meeting or town council. A city may initiate a process to authorize aggregation by a majority vote of the city council, with the approval of the mayor, or the city manager in a Plan D or Plan E city. Two or more municipalities may initiate, as a group, a process jointly to authorize aggregation by a majority vote of each particular municipality.⁸

Local governments need an affirmative vote to start the aggregation process. After confirmation of an affirmative vote, a municipality or group of municipalities wanting to create an aggregation develops a plan in consultation with the Division of Energy Resources (DOER).⁹ DOER provides assistance to municipalities and governmental bodies seeking aggregation of their citizens' demand for electricity.

For purposes of aggregating retail customers within their jurisdiction, municipalities are exempt from the purchasing requirements of M.G.L. chapter 30B. If municipalities become "aggregators", the Restructuring Act establishes purchasing processes and requirements.

Citizens review and approve the completed plan. Once voters accept the Municipal Aggregation Plan, the Municipal Aggregator submits the plan to the Department of Telecommunications and Energy (DTE) for certification.

Prior to its decision of whether or not to approve the Aggregation Plan, the DTE conducts a public hearing.

Additionally, the Restructuring Act allows Municipal Aggregators access to energy efficiency funds collected by distribution companies and establishes the processes and requirements needed to expend these funds.

As in the process for initiating and developing a Municipal Aggregation Plan, Municipal Aggregators may seek voter approval to develop and submit for certification an Energy Efficiency Plan to the Department of Telecommunications and Energy (DTE).

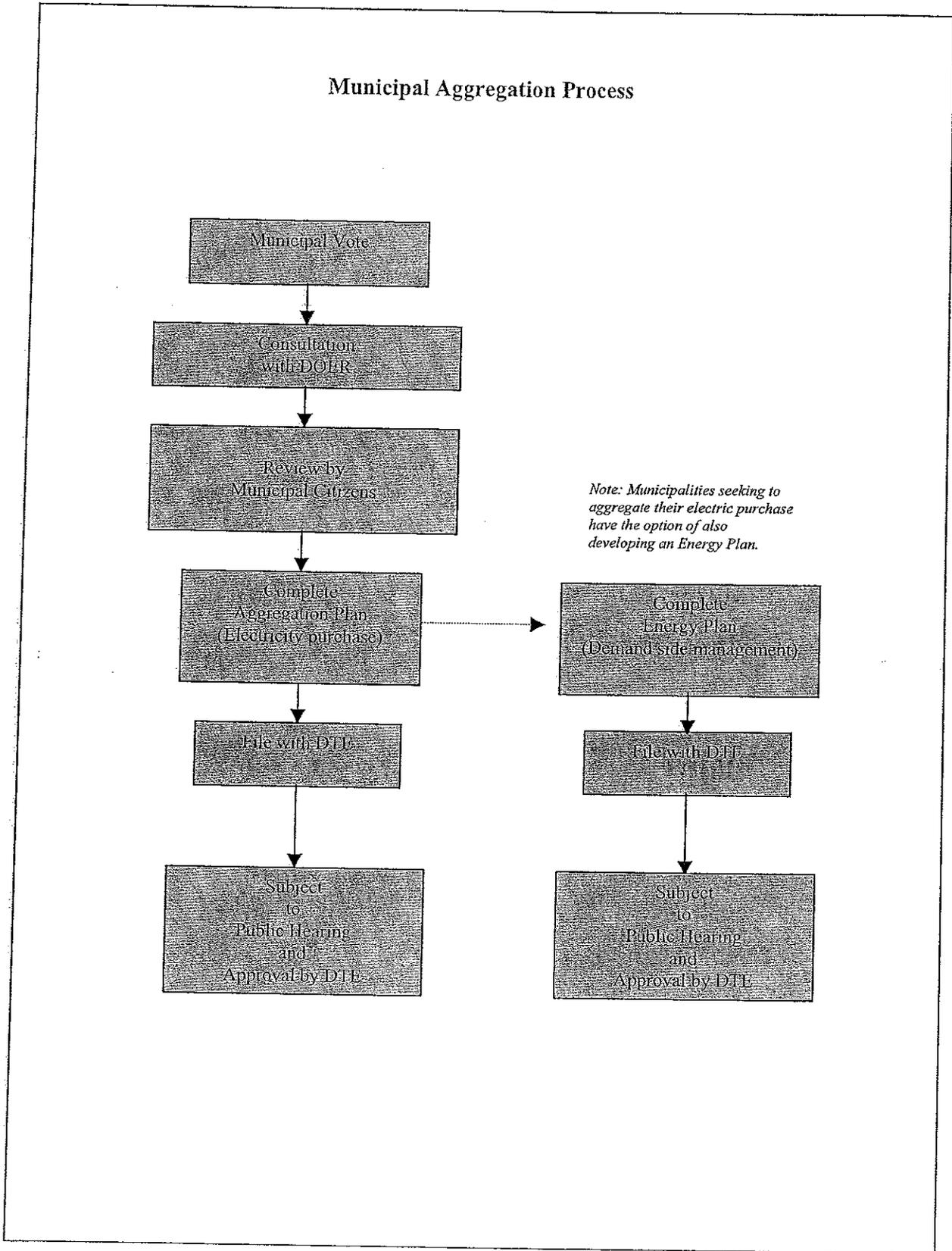
Similarly, prior to its decision of whether or not to approve the Energy Efficiency Plan, the DTE conducts a public hearing.

You will find these basic steps outlined in Figure 1 on the following page. Appendix A of this document summarizes additional provisions in the Act and Appendix C is the full and complete text. As stated elsewhere, you are encouraged to search actively for the most recent updates of governmental regulations. You may find recent updates at www.mass.gov/dte.

⁸ M.G.L Chapter 164: Section 134 (a)

⁹ Pursuant to Chapter 25A, § 6

Figure 1: Municipal Aggregation Process



IV. Basic Considerations

There are a number of basic considerations when deciding whether or not to aggregate, such as assessing market conditions, making organizational choices, creating a citizens committee, becoming familiar with legislation, regulations and tariffs and determining communication needs. On page nine (9) is a case study of Cape Light Compact, an existing aggregation, outlining challenges and lessons learned.

Market Assessment

Load characteristics such as size and shape have an effect on whether the aggregation attracts any proposals. A market assessment can determine the potential offers that the characteristics of the aggregated load may attract. A small load, with a load profile deemed expensive to supply might not attract any offers. Communities in this position can possibly join with other communities to provide a larger, more attractive energy demand. Conversely, a sizeable city with a large energy demand and diverse customer types (residential, commercial, and industrial) may provide load characteristics that attract a number of offers.

Key Decisions

The following list presents some of the organizational decisions municipalities will encounter early in the process:

- Whether to become an independent aggregation or join with others
- Organizational role/responsibility of the public entity for the buying group
- Whether to aggregate for municipal and retail customers (e.g. commercial, industrial and residential) or municipal buildings only
- Resources needed and level of investment
- Degree of local control preferred
- Energy services sought
- Renewable energy components desired
- Timetable

Before evaluating the option of an aggregation, a municipality must obtain authorization from its local legislative body. If approved by town or city council vote, the municipality may pursue aggregation options, including development of an aggregation plan. During the development of a municipal aggregation plan there are three major phases the community needs to address in deciding whether to proceed to the next stage. These phases are:

- Conducting a Feasibility Study
- Issuing an RFP
- Selecting a Qualified Supplier

Proceeding through all three phases requires time and money, which varies according to the size of the municipal aggregation. Determining the decision-making processes and at what point to bring important matters to the town or city council is another issue municipalities will encounter.

Key Participants

The opportunity to select an electricity supplier on behalf of consumers is a new phenomenon. Creating a citizens committee is an effective way to involve the community, while bringing relevant local expertise into the discussion process. The appointment of a municipal aggregation committee can start the evaluation process by having the committee examine, and report on, available electricity supply purchasing opportunities.

The local distribution company has experience and information on providing electricity to your geographic area and important information about the area's electricity demand and behavior. After forming the aggregation committee, start discussions with the local Distribution Company (LDC) or companies as soon as feasible.

**Legislation, Regulation,
and Tariffs**

Municipalities who aggregate retail customers within their jurisdiction are exempt from the purchasing requirements of Massachusetts General Law Chapter 30B. However, as established in the Act, would-be “aggregators” are subject to purchasing processes and requirements. Further, the Act recognizes load aggregation, including municipal aggregation, as a purchasing arrangement undertaken by or on behalf of a group of retail customers. As such, the Act defines load aggregation as:

A municipality or group of municipalities which aggregates its electrical load and operates pursuant to the provisions of this section shall not be considered a utility engaging in the wholesale purchase and resale of electric power. Providing electric power or energy services to aggregated customers within a municipality or group of municipalities shall not be considered a wholesale utility transaction. The provision of aggregated electric power and energy services as authorized by this section shall be regulated by any applicable laws or regulations, which govern, aggregated electric power and energy services in competitive markets.¹⁰

Municipalities wanting to implement a public aggregation plan must file the plan and receive approval from the Massachusetts Department of Telecommunications and Energy (DTE). Before seeking DTE approval, municipalities “shall, in consultation with the Division of Energy Resources, pursuant to section 6 of chapter 25A, develop a plan” [C164, § 134 (a)].¹¹ In particular, the plan must comply with the following three mandatory policy objectives: universal access, reliability, and equitable treatment of all customers. Section VI, on page 13 contains a further explanation.

Communication

The primary reason for establishing a municipal load aggregation is to provide constituents with a service they want in a manner they cannot obtain competitively from other sources. Moreover, the Act requires that citizens review the municipal aggregation plan, and that the majority of the citizens support its implementation.

To achieve this goal, creation of a communication and education plan can facilitate two-way interaction, enabling the municipality to supply information to constituents, while also obtaining their input. The design and content of education materials alternatively reflects the needs of constituents for desired services and pricing options. It indicates interest in participating in a municipal load aggregation, which is critical to the feasibility analysis and subsequent decisions, such as goals and RFP development.

The emphasis of the communications changes as the aggregation progresses. Initial communication informs constituents about deregulation, purchasing opportunities, and basic terminology. Subsequent consumer education materials focus on keeping constituents apprised of project status and decisions. Finally, they may provide formal notification to constituents as required by the Act.

It shall be the duty of the aggregated entity to fully inform participating ratepayers in advance of automatic enrollment that they are to be automatically enrolled and that they have the right to opt-out of the aggregated entity without penalty. In addition, such disclosure shall prominently state all charges to be made and shall include full disclosure of the standard offer rate, how to access it, and the fact that it is available to them without penalty.¹²

Consumer education materials must be appropriate for all audiences and written in a clear, concise manner. The region’s local, community-based organizations may assist efforts to reach special audiences.

¹⁰ M.G.L Chapter 164: Section 134 (a)

¹¹ For a synopsis of Municipal Aggregation provisions of this section see Appendix A.

¹² M.G.L. Chapter 164: Section 134 (a)

Figure 2: Case Study, Cape Light Compact

Cape Light Compact

As of the date of this publication, only two states, Massachusetts and Ohio, have provisions that facilitate Municipal Aggregation. To date, the Cape Light Compact is the only Municipal Aggregation operating in Massachusetts or New England.

Background:

The Cape Light Compact represents 180,000 potential consumers and approximately 300MW of average demand. The Compact formed in 1997 through an intergovernmental agreement of twenty-one towns and two counties for establishing competitive power supply, energy efficiency, and consumer advocacy. The Compact provides an option for purchase of power supply and, through access to system benefits charge, an option for energy efficiency and conservation programs. The member towns are Aquinnah, Barnstable, Bourne, Brewster, Chatham, Chilmark, Dennis, Eastham, Edgartown, Falmouth, Harwich, Mashpee, Oak Bluffs, Orleans, Provincetown, Sandwich, Tibbury, Truro, Wellfleet, West Tibbury, and Yarmouth.

Status:

The Cape Compact is currently servicing approximately 45,000 default service customers under the Community Choice Pilot Program with a twenty-month supplier contract that started on May 1, 2002. This choice, expected to bring electricity consumers nearly \$2 million in savings in 2002, is the first of its kind in Massachusetts. In addition to savings for consumers, the contract also includes an important commitment to renewable energy or "green power" and provides an option for consumers who want to purchase 50 percent or 100 percent renewable energy.

Additionally, the Cape Compact administers the energy efficiency system benefits and programs for all residential, commercial and industrial electric customers in member towns. The programs are too numerous to list here - for complete information go to <http://www.capelightcompactenergysave.com>.

Also under examination are distributed generation options as part of an integrated distributed resources approach that would include premium power, peak shaving, and improvements in reliability.

Start-Up Challenges:

- A general lack of understanding about Municipal Aggregation. (Although local governments have historically used aggregation as a way to obtain services or products at favorable prices and terms, this procedure for purchasing electricity is recent.)
- Lack of consumer awareness
- Establishing a call center
- Determining the schedule for expanded consumer education activities

Lessons Learned:

- The importance of communication and consumer education
- Understanding market volatility and market barriers - creating ways to address them
- Maintaining flexibility
- Having a comprehensive approach
- Incorporating lessons from other cities and towns
- Involving elected officials and consumers in the process and on the committee
- Maintaining choice for participants