

# City of Bay Village

Minutes of Public Hearing  
City Council Chambers

June 1, 2015  
7:00 p.m.

Natural Gas Aggregation  
Northeast Ohio Public Energy Council (NOPEC)

Dwight Clark, Vice President of Council, Presiding

Present: Mr. Charles Ramer, Senior Consultant, NOPEC

Also Present: Councilman David Tadych, Ward 1; Councilman Paul Vincent, Ward 2;  
Councilwoman Karen Lieske, Ward 3; Councilman Tom Henderson, Ward 4

## **AUDIENCE**

The following signed in this evening:

Lydia DeGeorge, Jerrie Barnett, Conda Boyd, Pam Cottam, Suzanne Graham, Walt VanTilburg, Marty Mace, Richard Fink, Denny Wendell, Tara Wendell

Vice President of Council Dwight Clark opened the public hearing at 7 p.m. He introduced Mr. Charles Ramer, Senior Consultant of the Northeast Ohio Public Energy Council (NOPEC), who addressed those present.

Mr. Ramer stated that NOPEC has been in existence for 15 years. They manage programs of natural gas and electrical aggregation for about 200 different communities in the northern part of the state of Ohio, covering 13 different counties. They began this in 2000, after the industry was de-regulated, giving cities, townships, and villages the opportunity to either join a Council of Governments or bid their natural gas or electric load individually to get a better price for the supply that individuals could otherwise obtain.

The most reasonable bidder is a company called NextEraEnergy, a Fortune 100 company, and the largest gas purchaser in the country. NOPEC uses a particular type of hedging strategy to purchase the gas at a competitive rate. In 2014, on a seasonal average, there are two pricing structures. One is called standard choice. If a customer has not chosen their own supplier, Columbia Gas puts you on standard choice, their default rate. NOPEC has a fixed rate, which is about 6% less than the standard choice of 2014. They also have a variable rate, which is always about 2 cents lower than the standard choice. Ninety-five percent of customers use the standard rate and NOPEC has a good track record of being below the standard choice.

The program is called an opt-out program. It passed at the ballot in November with 87% approval. After legislation is passed by Council to proceed, customers will receive an opt out letter in the mail this August. The opt out letter will define the pricing, and the program. If customers want to participate they take no action. If they do not want to participate, they call or mail in the opt out card and they can opt out at no charge. If a customer is ever dissatisfied with the program they can opt out at no charge.

Legislation to proceed will be introduced today, June 1, second reading on June 15, and final action on June 22, 2015. A second public hearing will be held on Monday, June 8, 2015 at 7 p.m.

The folks who are not currently in contract with another supplier will receive the opt-out letter. Customers who are currently in a contract with a supplier, will not receive an opt out notification from NOPEC. If the customer dissolves their current contract, or allows it to expire, they would be automatically enrolled in the next billing cycle and get an opt-out letter in the mail.

Questions and Answers:

Denny Wendell: "You said 5% in 2014 compared to standard choice. Previous years: 13, 12, 11%?"

Mr. Ramer: "I don't know if it is relevant because we have a new supplier now. I don't know the answer to that. I have been around for a year and a few months, and I think that previous to that we may have had some periods of time when we were above standard choice."

Denny Wendell: "How long have you had these 200 communities enrolled?"

Mr. Ramer: "We have had a gas aggregation program available since 2000."

Denny Wendell: "Anyway to find out what those savings were in those other years?"

Mr. Ramer: "I can get you that information."

Mr. Clark: "I am on Columbia Gas. When this matter completes itself, we automatically revert to the program you have?"

Mr. Ramer: "Yes. There is a 21 day opt out period in August when you receive your letter. After that, there is an additional 10 day rescission period.

A customer who is not current on their account (more than 30 days behind) will not get the opt-out letter."

Mr. Fink: "I think this is a great program but I was quite surprised that you do not have the information on the previous cost. Can you see it at your website? Is that information transparent?"

Mr. Ramer: "We do not have the history on our site but I can certainly provide you with that history."

Mr. Fink: If the variable cost has been considerably lower, it is worth looking into.

Mr. Ramer: "I cannot pledge that we will always be the lowest in the market place because there are always different competitive rates. If you go on the PUCO website there is something called Apples to Apples. They list every current offer that different suppliers have for natural gas. When I was here last time there were 37 different offers for that month. Our rate at the time I was at the last Council meeting was lower than 35 of those offers. You have our assurance that we will be at the lower end of the market. You are not going to overpay, and being a Council of Governments we are a transparent, non-profit organization. The program also includes engagement tools and a conservation program for equipment to be installed in homes to lower gas bills."

Mr. Majewski: "If Council takes this action, basically we are on our own after that to opt out. Is there a contract limit that Council is setting with NOPEC, or is this in perpetuity that Council is going to be part of that?"

Mr. Ramer: "The expectation is to sustain the membership but the City always has the option to cease. We would want to have a conversation with them before that happens."

Mr. Majewski: "What does that 87% represent for the affirmative vote on May 5, 2015, as far as total voting population?"

Clerk of Council: "948 votes were cast. 821 for aggregation; 127 against."

Mr. Majewski: "800 out of how many eligible voters?"

(The answer will be researched). (11,767, per the Board of Elections website at this writing of 6-4-15 and confirmed with Board of Elections).

"Mr. Ramer stated that at a special election it is usually a 12 to 15% voter turnout."

Mr. Tadych: "Am I correct in assuming that you are buying this gas cheaper than you are selling it to us so you can make your payrolls for your organization, and then you are taking a cut and giving us the 6%?"

Mr. Ramer: "Yes, we have a staff of 8 and have an overhead. We are buying it slightly less than we are offering it to you. We have a hedging strategy. We buy some portion three months ahead, 60 days ahead, 30 days ahead, and right before so we can insure a smooth pricing structure. Otherwise, it is just a roller coaster."

Mr. Henderson: "If Council votes for this, is the City or the people at risk for financial liability if any of your hedging strategies go awry?"

Mr. Ramer: "If our NOPEC rate was way out of market compared to standard choice?"

Mr. Henderson: "In energy markets there have been companies that have gone out of business, like Enron. Is there a situation where we would have to, if something went wrong with your strategies and your company went out of business, be liable as member participants for a bail out?"

Mr. Ramer: "No. The financial burden is really being managed by our contractor, which is NextEraEnergy. NextEraEnergy is a Fortune 100 Company, and the largest gas supplier in the country. They are the ones that are financially responsible for purchasing and paying for the gas that we use. The utilities then reimburse them. Being a Council of Governments we have some immunity in that respect."

Mrs. Lieske: "In the room here you have five members of Council, five residents who are at almost every Council meeting, and two from the newspapers. There is no one else from the community here. How are residents who aren't so inclined to come like these five dedicated citizens, supposed to find out about this, and especially the need to opt-out if they want to? There are still senior citizens that aren't tapped into the internet. How are they supposed to be well informed about all of this, especially the need to opt out rather than everything would stay the same and they could opt in."

Mr. Ramer: "In the opt out letter they will get it is very graphically detailed, with a question and answer section, and terms and conditions. It is very well outlined with language that is provided by the PUCO."

Mrs. Lieske: "Can we (Council) see the letter before it goes out?"

Mr. Ramer: "Absolutely. We are doing one for Gates Mills on the fifth of June. I sent them a copy of the letter so they are completely aware of all the terms and conditions, and prices."

Mrs. Lieske: "Are they addressed by name, or just to the occupant?"

Mr. Ramer: "They are addressed to the utilities mailing list; whoever has the account with the utility."

Mrs. Lieske: "So, if it is a renter and the renter pays for the utilities it would go to the renter?"

Mr. Ramer: "Yes."

Pam Cottam: "What is the name of the parent company?"

Mr. Ramer: "NextEraEnergy."

Mr. Tadych: "Charlie, you are offering two plans: a fixed plan and a monthly variable plan. The fixed is only like three months. Is there any anticipation in extending that period to a longer, true, fixed term policy that people used to get in the days past?"

Mr. Ramer: "The answer is yes. But, the reason we have been keeping that term short is because the market has been in such a roller coaster ride. It has dropped precipitously. Had we had that price fixed, we would not have been able to have savings when that market took a tumble in the third quarter of last year. So, we adjusted our price then accordingly, and if that price goes back up again we'll have opportunities by purchasing the gas now to hold that price down. When it makes sense to keep the term short because the market is in free fall, then we have the responsibility to adjust our prices."

Mr. Tadych: "It seems to me to be ridiculous to call it a fixed term for a three month plan but it is a variable three month plan."

Mr. Ramer: "In the past it has been fixed way longer than that, because the market was pretty stable until the third quarter of last year."

Mr. Vincent: "Have you ever gone less than the three months for any of your plans?"

Mr. Ramer: "Yes, we have gone two months. In November and December we were on two months because the price was dropping so we had to keep the term down so we could adjust our price down."

Mr. Vincent: "But, when it is going up you benefit from the short plan? You don't want to be at the low if the market is going high. It is a detriment to the consumer."

Mr. Ramer: "Yes, we are bright enough to purchase when it is low. We can try to shave the top off of that roller coaster rate."

Mr. Vincent: "Is it a fixed rate for all municipalities?"

Mr. Ramer: "Yes, it is the same for all members."

Mr. Vincent: "Typically what is the range for opt out per city?"

Mr. Ramer: "We did the Beachwood program. Beachwood had a 4% opt-out. Ten percent were already enrolled in another program for supply."

Mr. Vincent: "Is the educational part of it typically what is happening in our City, now that we've passed it. Is the educational part of two meetings across the Board? My thought is how many people will know about it; is there a level above the two meetings so we can educate folks or is this the standard for NOPEC?"

Mr. Ramer: “What I had talked with the Mayor about, is if Council takes action this month I will work with her on a promotional/educational campaign such as a booth at Bay Days over the Fourth of July. The two public hearings are required by law.”

Mr. Vincent: “What does NOPEC do if Council requests additional public hearings?”

Mr. Ramer: “Of course we would accommodate that request.”

Mr. Fink: “That was a very strange thing that you said that you vary a fixed period, sometimes three months, sometimes less. So, every period, you choose what that next period will be. It is not transparent at all how you set the period. You don’t have a fixed period at all. You choose a period. It is very bad terminology.”

Mr. Ramer: “There is a monthly variable. We have been calling it the program price. The program price has traditionally been fixed for three to six months. But, it was until just recently variable for a couple of months because what happened recently was just unprecedented in the history of natural gas.”

The public hearing adjourned at 7:30 p.m. The next public hearing will be held on Monday, June 8, at 7 p.m.

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Dwight Clark, Vice President of Council

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Joan T. Kemper, Clerk of Council