

City of Bay Village

Minutes of Public Hearing
City Council Chambers

June 8, 2015
7:00 p.m.

Natural Gas Aggregation
Northeast Ohio Public Energy Council (NOPEC)

Present: Mr. Charles Ramer, Senior Consultant, NOPEC

Also Present: Mayor Sutherland, Councilman-at-large Steve Lee

AUDIENCE

The following signed in this evening: Richard Fink

Mayor Sutherland opened the public hearing at 7 p.m. The Mayor introduced Mr. Charles Ramer, Senior Consultant of the Northeast Ohio Public Energy Council (NOPEC), who addressed those present regarding Natural Gas Aggregation as it was approved by the voters of the City of Bay Village on May 5, 2015. This is the second of two required public hearings; the first public hearing was held on June 1, 2015.

Mayor Sutherland left the public hearing at this point to continue her attendance at the Finance Committee meeting taking place in the Conference Room of City Hall.

Councilman Lee referred to an article from the Sunday, March 8 *Plain Dealer*, entitled "Is NOPEC is a viable option for weary shoppers." The article states that NextEra Energy limits the number of customers who can sign up for the variable rate, however, to 7,500 Dominion customers and 3000 Columbia Gas customers. Mr. Lee noted that Bay Village is served by Columbia Gas, and asked if that means that of all Columbia Gas customers network-wide, only 3000 customers can be a part of the variable option of NOPEC.

Mr. Ramer answered affirmatively, and added that as he understands it there is only a very small percentage of people who have signed up for the variable product. Mr. Ramer said he can get an exact number for Mr. Lee. He believes it is less than 1%.

Mr. Lee asked if there is room available for Bay Village residents if they want to choose that option, and they won't be closed out because of this cap placed by NextEra Energy. Mr. Ramer stated that there will be ample room for Bay Village residents to sign up for the variable rate.

In addition to returning with the exact number, Mr. Ramer stated that he also owes the following information to Council, requested at the public hearing held June 1, 2015:

- Examples of the Opt-out letters
- Historical Pricing

Mr. Ramer also offered the following clarifications of information he presented at the June 1, 2015 public hearing:

- Clarification on the actual percentage of vote (The number of people who actually participated in the May election in Bay Village. The number was that 948 people total out of 11,767 registered voters, which is about 8%. Mr. Ramer had represented that on an average in a May election it is about 15%; it was in fact 14.7% countywide. In Bay specifically, it was about 8%. Mr. Ramer had represented that Beachwood, the most comparable size city that has established a program recently, on the November election had an 80% approval rate, and a 3% opt-out. Mr. Ramer represented that they had a 5% opt-out. Richmond Heights, which is also a comparable size city, had a 5% opt-out. That means that 5% of the people who had received the letter either phoned or mailed the opt-out card back in.
- Although NOPEC has been established for 15 years, all 200 communities have not been members for 15 years. Many of them did not start their programs until later.

Mr. Richard Fink asked Mr. Ramer if he would speak a little more about the hedging strategy he discussed at the June 1 public hearing.

Mr. Lee left the public hearing at this point to continue his attendance at the Finance Committee meeting taking place in the Conference Room of City Hall.

Mr. Ramer stated that his first week on the job fourteen months ago was to train in Florida. They have an entire trading floor of folks who do this daily purchase of natural gas. They estimate based on weather simulation, what the projected usage is of natural gas for that day, and they purchase it. They have at their disposal different contracts that have been set up. Not only are the different contracts set up because gas is purchased 90 days, 60 days, 30 days in advance, based on how the market looks, but there are also floor and ceiling contracts that they can avail themselves of, or they can trade on the deal they want. They have the best and brightest mathematical minds in the world in that room, and they are brilliant. They not only do this for NOPEC, they are the largest purchaser of natural gas in the country. They are purchasing natural gas for not only the NOPEC program, but for other communities, for Florida Light and Power Company, and many others. Although there are still unpredictable swings in any marketplace, NOPEC has a very talented team working on their behalf. The one thing that no one anticipated was recently, during the winter months, when you expect price to be at a premium, the market suffered a free fall and the value of natural gas absolutely plummeted, as did the price of gasoline. NOPEC ratcheted their price down accordingly. If the price goes up, they will be in a better position because they purchased gas when the price was down.

Mr. Ramer stated that Columbia Gas is buying their gas on the last day of the month for the next month, whatever that price happens to be. NOPEC is buying it in advance, which takes the peaks and valleys out of the roller coaster ride and also gives the distinct advantage if prices go up because your gas has already been purchased at a lower price.

Mr. Ramer stated that every week they have a conference call of about 10 or 11 people. Those conversations are about what is happening in the market, how NOPEC is positioned, what the futures look like, and how they should adjust their price. The fixed price on some occasions is fixed for a very short period of time, and sometimes it is fixed for six months, based on how volatile the market is. If they did not adjust it down when the market is going down, it would be a disservice to the customers. It is an exercise of science, with a bit of art, done by a very talented team.

Mr. Ramer continued, stating that the advantage of the NOPEC program is that they have the program price. They also have a variable price which is always slightly less than the standard choice. If you are inclined, you can follow the pricing and change from one program to the other based on what gives you a level of comfort.

The NOPEC pricing now is substantially less than it was last year. The expectation is that it is going to stay more affordable because of the resource that they have with the Marcellus and Utica Shale. The transportation costs from Mahoning County to Cuyahoga County is much less than from Henry, Louisiana to Cuyahoga County.

Mr. Fink and Mr. Ramer continued their conversation regarding the hedging marketing strategy.

The public hearing adjourned at 7:30 p.m.

Dwight Clark, Vice President of Council

Joan T. Kemper, Clerk of Council