

SOPEC

Southeast Ohio Public Energy Council



**Southeast
Ohio Public
Energy Council:**
2017 General Assembly

Welcome

Welcome to the 2017 Southeast Ohio Public Energy Council General Assembly.

As an elected leader of your community and a representative to the General Assembly of the Southeast Ohio Public Energy Council, you have access to many of the tools and resources needed to change how your community purchases, uses, and thinks about energy utilities. These types of changes can be truly profound for the financial, economic, social, and environmental future of Southeast Ohio.

I have prepared this guide to help you and members of your community better understand the work that the SOPEC Council of Governments performs. I hope it will be helpful and provide useful information for your community and your involvement in the regional energy economy.

Finally, a feedback form is provided at the end of this document. I request that throughout the General Assembly meeting, you reflect on the projects, programs, achievements, and ideas presented and think about how they apply to your community and your leadership. Following the meeting, I would like to schedule a meeting with you early in the year to receive your feedback form and learn more about how SOPEC can be an asset for you and empower you as an elected leader to accomplish your community energy goals.

I look forward to many energetic conversations tonight and in the months to come.

Sincerely,

A handwritten signature in black ink that reads "Eddie Smith". The signature is written in a cursive style with a large, stylized "E" and "S".

Eddie Smith
Southeast Ohio Public Energy Council
Operations Coordinator

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Energy Use in Athens County

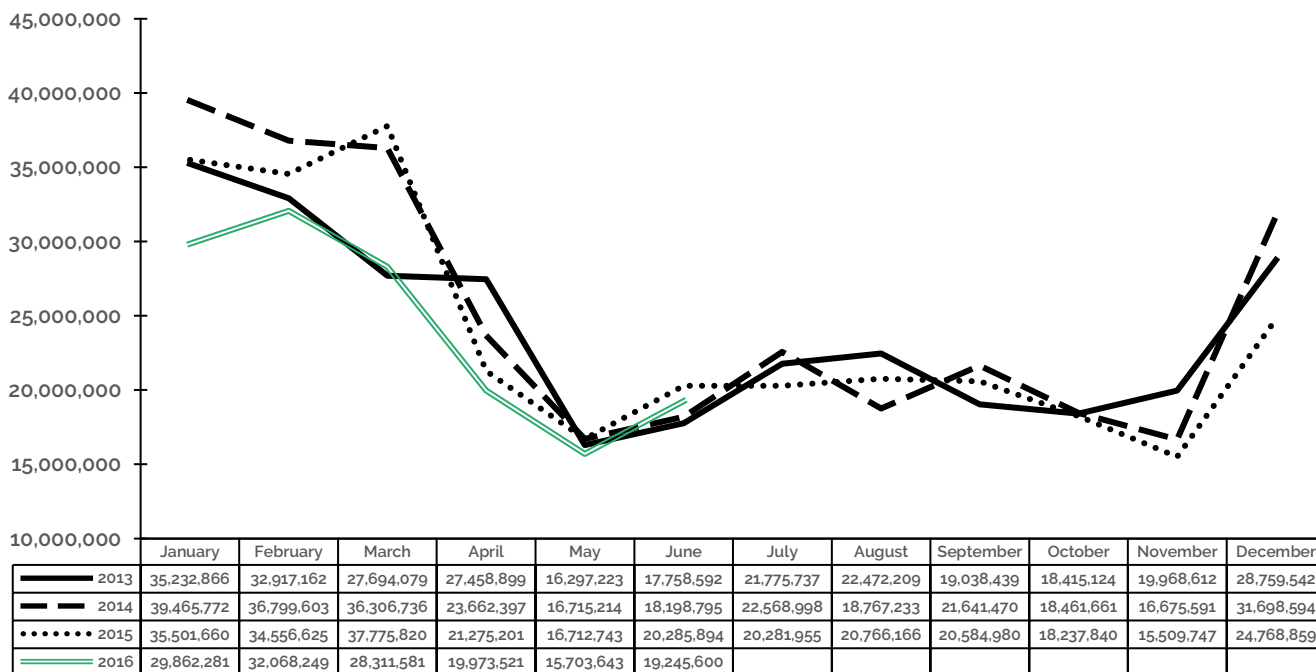
In 2015, Athens County announced its participation in the Georgetown University Energy Prize and committed to reducing energy utility consumption throughout the county.

Electricity

From 2013 to 2016, total annual residential electric consumption for Athens County ranged between 286,257,490 kWh per year and 300,962,064 kWh per year. This level of home energy consumption resulted in approximately \$18 million billed for annual electric generation services and an additional \$16 million billed for transmission and distribution services. Across the four-year period, a total of \$136 million was expended on home electric billing.

From the electric utility data, energy efficiency programs and improvements launched in 2015 in Athens County may have achieved a sizeable effect during the following year in 2016. After accounting for temperature fluctuations, the first six months of 2016 showed significant electric billing reductions over the same period in prior years. The line graph below displays total electricity billed to Athens County homes from 2013 to 2016.

Total Athens County Residential Electricity Billed in kWh by Month 2013-2016



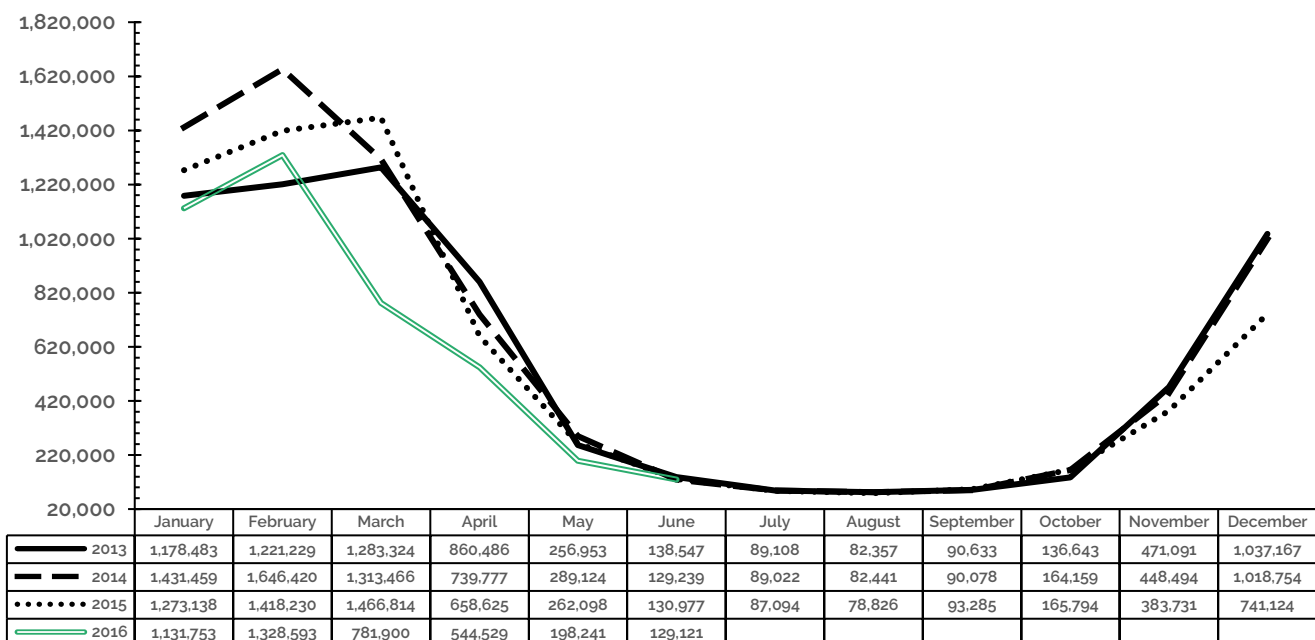
The reduced electric consumption for the first six months of 2016 represents a savings for residential account holders of over \$1,250,000 for electric generation services and over \$1,000,000 in transmission and distribution services.

Natural Gas

From 2013 to 2016, total annual residential natural gas consumption for Athens County ranged between 6,759,736 Ccf per year and 7,442,433 Ccf per year. This range resulted in approximately \$4 million billed for annual natural gas supply services and an additional \$700,000 billed for annual natural gas delivery services. Across the four-year period, a total of \$17 million was expended on home natural gas services.

The 2015 Athens County energy efficiency improvements may have achieved part of the natural gas consumption decline observed in 2016. The line graph below displays total natural gas billed to Athens County homes from 2013 to 2016. Compared to prior billing cycles, observed natural gas reductions in the first six months of 2016 resulted in nearly \$600,000 in natural gas supply savings and over \$100,000 in natural gas delivery services. The line graph below displays total natural gas billed to Athens County homes from 2013 to 2016.

Total Athens County Residential Natural Gas Billed in Therms by Month 2013-2016



Strategic Vision

An important function of the General Assembly is to explore and provide feedback on the strategic vision of the Southeast Ohio Public Energy Council. Developing a long-term vision for improving the regional energy economy requires not only exploration of the long-term desired outcomes, but also an examination of various implementation strategies and projects to ensure that the desired outcomes are achievable. Developing a strategic vision can be challenging, but this vision is important and lays the groundwork for the SOPEC Board of Directors and staff to continue with their work throughout the year.

The current vision of the Southeast Ohio Public Energy Council is to achieve stronger regional economic development through the regional energy economy. Regional economic development is achieved when dollars flow into a community and region faster than they flow out. The intuition behind this theory is clear—greater dollar inflows and smaller dollar outflows for a region yield ever-increasing dollar balances for the regional economy. And ever-increasing dollars in the regional economy create the capital supply needed to start new business, expand housing, and improve public infrastructure.

This approach to economic development yields two basic strategies: (1) avoid exporting dollars out of the region by reducing the prices paid for imported products, such as electric generation and utility services; (2) substitute imported products for similar goods produced by locally-owned and -operated providers.

While these strategies appear straightforward on the surface, implementing these strategies through projects and programs can be complex. The following section outlines some prospective projects and programs that SOPEC is exploring. The projects fall into two broad categories based on the two strategies described above. The first set of projects are program-oriented, and result in administrative programs or services that achieve price reductions electric generation and utility services that are being imported. In contrast, the second set of projects outlined in the next section are capital projects that achieve locally-sited, -owned, and/or -operated generation and utility assets—these types of projects align with the second strategy of import substitution.

Programs and Projects

The purpose of this section is to familiarize General Assembly members with the projects and programs being pursued by the SOPEC Council of Governments to fulfill the SOPEC Strategic Vision. The following section contains a series of projects and programs the Southeast Ohio Public Energy Council is either already conducting or exploring. These projects and programs cover a wide range of energy- and customer-related areas, and are in various stages of the planning and implementation process. The projects and programs are listed in each section with prospective projects in the early planning stages listed first, and instituted projects with on-going planning and refinement listed last.

In reviewing these projects and programs, consider the mechanisms they use to accomplish their strategies of price reductions or import substitution. Also, consider where they fit into the broader SOPEC vision of regional economic development. Of course, this list of prospective projects is by no means exhaustive of all options, and the SOEPC vision and strategies always remain open to feedback and democracy within the SOPEC Council of Governments.

Capital Projects – Local Generation and Utility Assets

Carpenter Road Solar Project – this prospective solar project is in the middle planning stages. The project is prospectively sited outside the Albany village limits in Southwest Athens County. The project features a three-year Power Purchase Agreement (PPA) between the project developer and both the Athens City and Athens County government. The project PPA would supply 40% of the electric load demanded by the city and county municipal electric accounts from the solar field at an above-market price. The other 60% of the electric load demanded by the city and county government accounts would be supplied by a retail supplier at a competitive price. The final price paid by the city and county government across the three-year period would be weighted by these percentages.

Next Steps

1. SOPEC should follow up with Hecate (prospective developer) to request that a revised cost-benefit analysis, including discounting of future tax revenue and local spending, be submitted to the city and county governments for their review.
2. SOPEC should also follow up with other developers, such as New Resource Solutions, to explore their interest in submitting an improved project proposal.
3. With a completed proposal, SOPEC should actively attend Athens City Council and Athens County Commissioners meetings to answer questions, receive feedback, and eventually execute the project with sufficient buy-in.

Industrial Park Biogas Facility – this prospective methane biogas project is in the very early planning stages. The project is prospectively sited in the Athens industrial park on Poston Road adjacent to large industrial electric customers at the park (e.g. Athens-Hocking Recycling Center, Le-Ax Water District). The biogas facility uses anaerobic digestion to convert the organic matter in wastewater bio-solids from wastewater treatment plants along with solid food waste and other compostable waste streams into a blend of methane gas with other impurities. Carbon dioxide, hydrogen sulfide, and water vapor are then scrubbed resulting in a high concentration natural gas product. The natural gas can be used to fuel an on-site gas-fired electric generation system that operates the facility and feeds into the grid, or compressed into CNG and used for vehicles and other purposes. Because of the proximity of other large industrial electric customers at the park, supplying directly into the industrial park electric grid to offset the other local users would likely provide the most benefit.

Next Steps

1. Submit a Local Government Innovation Fund (LGIF) grant application to request funding for a feasibility study of the biogas facility at the industrial park. The proposed feasibility study will cost between \$60,000 and \$70,000.
2. Issue an RFP to biogas facility developers listed under the American Biogas Council to conduct the feasibility study. The feasibility study will examine all of the

surrounding waste streams and contracts to determine if sufficient waste streams are available for the project.

Municipal Grid Purchasing – this prospective utility procurement project is in the very early planning stages. The project requires local governments to issue municipal bonds to levy funds for purchasing the utility assets in their community. The funds are transferred to the SOPEC Council of Governments, which negotiates with the utility and purchases the utility grid on behalf of the community. With the power poles and lines, transformers, and substations of multiple communities owned and operated by the SOPEC Council of Governments, community members receive the benefits of municipal grid operation while also enjoying the benefits of an economy of scale achieved by the state-regulated utilities. Additional benefits for municipal grids include access to tax-exempt project financing, exemption from federal income tax, and government executive salaries that are cheaper than corporate executive salaries paid by shareholder-owned utilities.

Next Steps

1. Identify energy research firms that can conduct cost-benefit analyses and feasibility studies for municipal grid purchasing in rural communities.
2. Review the research capabilities, expertise, credibility, and client feedback for each research firm.
3. Submit RFPs to research firms and compare costs with research strengths.
4. Submit a Local Government Innovation Fund (LGIF) grant application to request funding for a feasibility study of municipal grid purchasing in multiple communities.

Programming Developments – Price Reduction Services

Demand-Response Accounts – This programming is in the early planning stages. The program enrolls large mercantile electric customers in demand response accounts. Demand response accounts provide financial incentives to customers to reduce their electric consumption during a critical demand reduction event. A critical demand reduction event occurs when demand on the electric grid is high, supply is short, and power interruptions are becoming likely. Critical demand reduction events can result from damage caused by major storms, increased demand during severe heat waves, or a drop-

in supply due to power plant repairs and maintenance. During these events, the incentives can be as high as \$27,000 paid to an electric customer for each MWh they can reduce their energy load. Additionally, customers can benefit from the payments for energy load reduction while still continuing their operations if they have on-site backup systems, such as a generator.

Next Steps

1. Partner with the electric utility or a retail supplier to identify potential Demand Response beneficiaries in Southeast Ohio.
2. Explore financing options for prospective Demand Response account holders to purchase on-site generators.
3. Develop research partnerships with research stakeholders.

Energy Exchange (SOPEC-EX) – This programming is in the early planning stages. The SOPEC Energy Exchange (SOPEC-EX) would provide an online energy commodity and energy securities trading platform. The primary service offered through SOPEC-EX would be a procurement auction platform provided at a significantly reduced margin to businesses, manufacturers, or communities in Southeast Ohio that have a sufficient electric load to attract competitive suppliers. Energy utility procurement auctions provide an inverted auction structure where large energy utility customers or aggregated communities invite many retail electric suppliers to compete over the business of the available electric load by bidding lower and lower prices until the lowest price is reached and the auction is concluded. SOPEC-EX could also provide a platform for issuing and trading community solar securities or securities tied to other distributed energy resources. Depending on the structure of community solar projects, the platform could allow stock shareholders or fund investors in the community solar project to trade their shares online without the high exchange fees charged in traditional securities markets.

Next Steps

1. Identify potential program users in Southeast Ohio, user preferences, platform requirements, and maximum price users could afford.

2. Examine various trading and auction platforms (e.g. EMEX, Enernoc) and review the capabilities, reliability, limitations, and customer feedback for each platform.
3. Issue RFPs to platform providers and compare how the strengths, weaknesses, and costs of each fit program requirements and user price constraints.

SE Ohio Advocacy – This program project is in the middle planning stages. This program aims to conduct quantitative analyses and publish reports about how particular policies, regulations, projects, and programs will positively or negatively impact the production, distribution, sale, or use of energy utilities in Southeast Ohio, and to deliver those reports and advocate on behalf of Southeast Ohio with lawmakers and regulators. Policy analysis examines proposed and existing state laws that typically originate from the Ohio House and Ohio Senate Energy and Natural Resources Committees and Public Utilities Committees. Regulation analysis examines rulings and cases typically filed with the Public Utilities Commission of Ohio and the enforcement of those regulations carried out by the agency. Project analysis requires a study of state, regional, and local energy and utility capital investment projects and how those investments impact the Southeast Ohio economy. Program analysis examines how state, regional, and local energy utility programming offered by the public sector, utility companies, retail energy suppliers, and non-profits improves or weakens regional economic development. Currently, SOPEC has purchased a license to use IMPLAN econometric modeling software and database to conduct its analysis work and produce reports. Additionally, SOPEC has completed a lobbying agent filing for SOPEC staff to deliver and discuss these reports with state lawmakers and regulators.

Next Steps

1. Identify state, regional, and local policies, regulations, projects, and programs relevant to the SOPEC mission.
2. Identify other research stakeholders, such as policy and economics departments in higher education institutions.
3. Develop research partnerships with research stakeholders to produce mutually beneficial reports, publications, or other research output.

The SOPEC Academy – This program is in the early planning stages. This program is focused on providing energy education services for the public in Southeast Ohio. Potential programming includes developing a free online learning program hosted on the SOPEC website consisting of 10 online course modules with narrated PowerPoints, readings, links to resources, a pool of questions, and an automated quiz for each module that allows passing students to begin the next module. Modules would focus on related energy topics, ranging from basic principles of electricity to state and federal laws and regulations. Upon completion of the entire curriculum, students can download and print out a SOPEC Academy certificate. Additional programming includes developing short information videos relating to important energy topics, such as understanding the PUCO, differentiating generation, transmission, and distribution, and understanding PJM and the interstate grid.

Next Steps

1. Identify curriculum goals, learning platform requirements, and module content.
2. Meet with prospective regional academic partners, such as members of the Patton College of Education and the Voinovich School, to further develop curriculum, lessons, modules, and teaching methods.

Mercantile Program – This programming has been instituted for one year. The SOPEC mercantile program currently serves 135 municipal electric utility accounts at a rate of \$49.17/MWh through the end of February 2017. The current participants in the program are Athens County (55 utility accounts) and Athens City (80 utility accounts). SOPEC has received interest from many local governments to include their electric accounts in the next round of pricing for the mercantile program beginning March 2017. In total, 92 new prospective accounts have been added to the mercantile pool and are awaiting pricing. The table below displays the current number of prospective mercantile accounts from each community:

Community/Board	Number of Accounts
Amesville	11
Athens City	80
Athens County	55
Athens-Hocking Recycling Center	3
Buchtel	6
Chauncey	7
Coolville	21
Shawnee	23
Somerset	16
Trimble	6
TOTAL	227

Next Steps

1. Identify various energy brokers that could secure pricing for the mercantile program and review the capabilities, reliability, limitations, and customer feedback for each.
2. Authorize a select broker to conduct a procurement auction or RFP for the municipal electric load in the mercantile program accounts.
3. Accept or reject pricing results of procurement auction or RFP.

Government Aggregation – This programming has been instituted for two years. The governmental aggregation program provides value to residential and small business electric utility customers who have not chosen a retail generation supplier and are paying higher rates through the utility as their default generation provider. The governmental aggregation program educates communities on the value of governmental aggregation and assists with public information and non-political outreach efforts for communities that have placed electric aggregation on the ballot. For communities that have passed an electric aggregation ordinance and joined the SOPEC Council of Governments, the governmental aggregation program bundles the retail electric load of multiple communities together, allowing smaller communities to benefit from the lower rates large communities are able to secure. For information regarding the SOPEC-AEP Energy

Partnership Extension and negotiations, turn to [Guide to Understanding the SOPEC-AEP Energy Capacity Performance Resolution](#).

Next Steps

1. Identify additional Southeast Ohio communities interested in voting on electric aggregation.
2. Develop relationships with aggregated communities and provide their leadership with information about SOPEC and their option to switch when their contract expires.
3. Continue public information campaigns and education and outreach efforts.

Re-Branding

Over the past year, the Southeast Ohio Public Energy Council has conducted an extensive re-branding campaign. From the ground up, the re-branding campaign focused on the core values and traits of SOPEC, and communicated those elements first through a redesign of the SOPEC logo.



The logo features the rolling hills of Southeast Ohio to communicate the unique regional geography SOPEC serves. The hills also signify SOPEC's commitment to protect Southeast Ohio's most precious natural

resources, including the land, air, and water that future generations depend on. The logo also features the sun rising over the horizon, symbolizing the rise of renewable and alternative energy sources. Finally, the logo is enclosed within the state of Ohio, signifying SOPEC's attention to and participation in broader statewide energy issues and policies as a regional public energy council.

From the newly adopted logo, SOPEC developed a set of brand guidelines. These guidelines provide basic rules and templates to ensure that all SOPEC materials communicate a consistent message and maintain a cohesive impression of the SOPEC mission and the SOPEC institution. These guidelines include the SOPEC color palette, font, headings and type treatment, logo application guide, business card templates, PowerPoint templates, and letterhead.

Finally, with brand guidelines in place, SOPEC was able to begin work on a new website, print materials, and promotional video. The SOPEC website includes a front-page marquee with news and announcement auto-scrolling as well as powerful features for communicating project and program specifications and costs and benefits to the public. Brand-driven print materials have included brochures, aggregation handout cards, and self-mailers. And the SOPEC promotional video briefly outlines the SOPEC mission and activities, and is featured on Youtube as well as Facebook.

Guide to Understanding the SOPEC-AEP Energy Capacity Performance Resolution

As a result of the Federal Energy Regulatory Commission approval of the PJM capacity performance program – a PJM pricing program that increases penalties for retail suppliers who fail to meet capacity obligations – AEP Energy requested that the Southeast Ohio Public Energy Council authorize AEP Energy to pass through a capacity performance charge of \$5.42/MWh to all SOPEC customers, effectively increasing the aggregation program rate from \$64.30/MWh up to \$69.72/MWh. SOPEC did not authorize the pass-through charge. As a result, and to avoid litigation, AEP Energy and SOPEC have begun negotiations to resolve the capacity performance charge. The negotiations have included Blend and Extend Pricing proposals for the SOPEC aggregation program as well as an increase in renewable attributes and SOPEC grant income from AEP Energy.

This document provides members of the SOPEC General Assembly with an explanation of the various options considered by the SOPEC Board of Directors and staff, a record of the negotiations and offers proposed by and between SOPEC and AEP Energy, and ultimately a rationale for the capacity performance resolution decision adopted by the SOPEC Board of Directors.

Terms and Concepts

The following section provides an explanation of terms used during the CP Resolution negotiations.

Blend and Extend Pricing – As a part of their CP resolution, AEP Energy has offered numerous Blend and Extend Pricing proposals. Blend and Extend Pricing significantly extends a contract beyond its end-date in order to blend the present financial burden of above-market rates with the lower market rates expected during the extended periods in the future. In a Blend and Extend Pricing proposal, the supplier does not give up the above-market margin owed under contract in the present, but simply restructures the obligation across additionally-contracted periods while also gaining income security through the longer contract extension. The extended contract price offered by suppliers

usually includes an additional risk premium that is priced-in to account for the risk of higher-than-expected market rates during the extended periods.

Tiered Pricing – As a part of their CP Resolution, AEP Energy also offered many proposals with Tiered Pricing. Unlike Blend and Extend Pricing, Tiered Pricing does not involve contract extensions, and simply transfers some of the financial burden of rates owed during one period onto the pricing of another period. Tiered Pricing can involve higher rates upfront with lower rates to follow. However, most often, this pricing structure is used to create attractive pricing offers in the present with higher rate obligations in the future. Suppliers may pair Tiered Pricing with Blend and Extend proposal so long as the average price paid across all of the periods recovers the full above-market margin owed prior to the contract extension.

Renewable Attributes – As another part of their CP resolution, AEP Energy has offered a completely renewable product to replace the 25% renewable product SOPEC currently features. Renewable energy products require documented attribution of registered Renewable Energy Certificates. Renewable Energy Certificates (RECs) are accounting credits attributed to approved forms of electric generation that use renewable energy sources, with one REC issued to a supplier for each Megawatt hour of renewable generation. Suppliers can sell their RECs separate from the sale of their electricity generation in order to provide the needed credits to form renewable electric products demanded in the retail market. When one supplier purchases RECs from another supplier in order to create an "All-Green-Product", the final price of the product is composed of the base generation price plus the price paid for the renewable attributes. Currently, due to low demand, RECs can be purchased across state lines in voluntary markets for less than \$1.00 each, allowing an all renewable energy product without a relatively large increase in price (e.g. \$60/MWh with 0% renewable versus \$61/MWh with 100% renewable).

SOPEC Commission – SOPEC recovers the cost of its operations (e.g. staff salary, legal counsel, state certification fees, accounting services, and other administrative expenses) through a volumetric administrative fee charged to SOPEC customers. The commission (fee) is included in the agreed rates charged by the generation supplier and then billed through the local utility. The commission rate is currently set at \$2.00/MWh (\$0.002/kWh). It is important to note that SOPEC is a regional Council of Governments and does not make

profit. As such, residual (excess) commission revenue that is not needed to cover administrative expenses is strictly used by SOPEC as matching grant contributions to bring sizeable federal and state government grants into Southeast Ohio communities.

Community Grants –SOPEC sometimes partners with utilities and retail suppliers to undertake community development projects. These projects feature generous donations from retail suppliers and utilities in the form of community grants that are intended for energy improvement projects that benefit the public. These grants do not require matching funds from SOPEC.

Negotiation Timeline

Below is a timeline of negotiations with AEP Energy regarding the capacity performance resolution.

October 6, 2016

Proposal: AEP Energy offered SOPEC a blended flat price of \$60.76/MWh with 100% renewable attributes and \$5,000 in annual community grants for SOPEC in addition to SOPEC's \$2.00/MWh commission beginning December 2016 through the end of May 2020.

Analysis: The average price paid across the 41-month period is \$60.76/MWh.

Response: SOPEC highlighted the value that the SOPEC aggregation program provides for AEP Energy through \$50 in avoided customer acquisition and retention costs per account in the SOPEC aggregation program. SOPEC expressed this value as \$500,000 in avoided costs for AEP Energy, and requested that AEP Energy pass a larger part of these savings through to SOPEC by increasing the annual community grant from \$5,000 to \$25,000. In addition, SOPEC requested AEP Energy use part of the savings to reduce the price across the 41-month period to under \$60.00/MWh.

November 4, 2016

Proposal: AEP Energy offered a \$25,000 annual grant to SOPEC while also providing the 100% renewable attributes. As a part of this proposal, AEP Energy offered SOPEC a tiered price of \$59.99/MWh from January 2017 through the end of May 2018 (17 months)

followed by a price of \$61.44/MWh from June 2018 through the end of June 2020 (24 months).

Analysis: The average price paid across the 41-month period is \$60.84/MWh, an increase of \$0.08/MWh. For every 10,000 MWh in the SOPEC aggregation program, the \$0.08/MWh increase would mean that SOPEC account holders would pay an extra \$9,600 to AEP Energy annually. In addition, this proposal included a reduction of the SOPEC commission from \$2.00/MWh down to \$1.75/MWh. For every 10,000 MWh in the SOPEC aggregation program each month, the \$0.25/MWh decrease in commission would mean an annual loss of \$30,000 in revenue for SOPEC. As a result, it is important to note that AEP Energy sourced the requested \$20,000 increase in annual community grants through a \$30,000 decrease in SOPEC commission while also increasing the average price paid by SOPEC customers to AEP Energy throughout the contract. Thus, the November 4 proposal offered a net position that was \$19,600 worse off than the October 6 offer.

Response: SOPEC again requested an average price beneath \$60.00/MWh across the entire term of the contract. To accomplish this result, SOPEC first offered to reduce the SOPEC commission from \$2.00/MWh down to \$1.61/MWh (a reduction of \$0.39/MWh) to decrease the price from \$60.76/MWh (offered October 6) down to \$60.37/MWh over the 41-month period. In addition, SOPEC offered to give up the \$5,000 in annual grants offered by AEP Energy from the October 6 offer. In exchange for the decreased commission and foregone grant revenue, SOPEC requested AEP Energy "match" SOPEC's reductions to bring the price down from \$60.37/MWh and achieve a final price beneath \$60.00/MWh for the entire term of the contract.

November 14, 2016

Proposal: AEP Energy offered the 100% renewable product with a tiered price of \$59.79/MWh from January 2017 through the end of May 2018 (17 months) followed by a price of \$60.79/MWh from June 2018 through the end of June 2020 (24 months). This proposal included no grants to SOPEC and a decrease of the SOPEC commission from \$2.00/MWh down to \$1.61/MWh.

Analysis: The average price paid across the 41-month period is \$60.37/MWh, the price exactly achieved through the \$0.39/MWh reduction of the SOPEC commission. For every

10,000 MWh in the SOPEC aggregation program each month, the \$0.39/MWh decrease in commission would mean an annual loss of \$46,800 in revenue for SOPEC. It is important to note that with the decrease in SOPEC commission and the foregone grants from AEP Energy, AEP Energy still did not reduce the price on their side. As a result, the October 6 offer would have been an improvement on the November 14 offer, as SOPEC could simply request a pass through (discount) of \$0.39/MWh to SOPEC customers while SOPEC also receives \$5,000 in annual grant revenue. Thus, the net position of the November 14 offer is \$5,000 worse off than the October 6 offer.

Response: SOPEC requested the pricing (\$60.76/MWh), renewable attributes (100% Green), grant income (\$5,000/year), and SOPEC commission (\$2.00/MWh) offered in the October 6 proposal along with one of either of the following amendments to the contract:

1. AEP Energy does not retain exclusive supplier rights over communities that joined the SOPEC Council of Governments after June 2015, and these new SOPEC communities can seek and enter into supplier agreements with other retail providers.
2. AEP Energy guarantees that all communities that joined the SOPEC Council of Governments after June 2015 receive a price that floats beneath AEP Energy's retail pricing (e.g. X% beneath the PUCO Apples-to-Apples AEP Energy rates).

November 17, 2016

Proposal: AEP Energy offered the 100% renewable product with a tiered price of \$59.79/MWh from January 2017 through the end of May 2018 (17 months) followed by a price of \$60.79/MWh from June 2018 through the end of June 2020 (24 months). This proposal included no grants to SOPEC, but only decreased the SOPEC commission from \$2.00/MWh down to \$1.75/MWh. This proposal also included an exclusive supplier carve-out for the community of Somerset, allowing SOPEC to conduct a procurement auction or RFP process and contract with another supplier for the aggregation program in Somerset.

Analysis: This proposal was identical to the November 14 offer except for the improvement in the SOPEC commission. The average price paid across the 41-month period is \$60.37/MWh. This price reduction is achieved through the \$0.25/MWh reduction in the SOPEC commission matched with \$0.14/MWh reduction in AEP Energy's margin. For every 10,000 MWh in the SOPEC aggregation program each month, the \$0.25/MWh decrease in

commission would mean an annual loss of \$30,000 in revenue for SOPEC. With the \$0.39/MWh reduction for customers, for every 10,000 MWh in the SOPEC aggregation program each month, SOPEC customers will achieve \$48,600 in additional savings each year. This savings benefit more than offsets the \$30,000 annual loss in SOPEC commission revenue and the \$5,000 annual loss in SOPEC community grants offered in the October 6 proposal. As a result, the November 17 offer provides a higher value than all prior proposals for advancing the SOPEC mission.

Response: SOPEC requested all of the terms in the November 17 proposal with additional amendments to the contract. SOPEC requested that the SOPEC-AEP Energy mercantile endorsement be terminated to allow SOPEC to seek competitive pricing among additional suppliers for the SOPEC mercantile program. Additionally, SOPEC requested that SOPEC reserve the right to notify SOPEC customers if the aggregation program price exceeds the utility price-to-compare. Finally, SOPEC requested that the Change-in-Law provision in the contract be modified according to SOPEC legal counsel to comply with PUCO rulings without placing additional risk or liability on the SOPEC aggregation program.

Throughout the month of December, AEP Energy approved these requests as a part of the November 17 proposal and negotiations were completed.

Decision Rationale

On December 23, 2016, the SOPEC Board of Directors authorized the SOPEC Operations Coordinator to execute an agreement with AEP Energy to accept the November 17 proposal pending the termination of the SOPEC-AEP Energy mercantile endorsement and the right for SOPEC to notify its customers if the aggregation program price exceeds the utility price-to-compare.

The SOPEC Board of Directors arrived at this decision considering both the benefits and the costs of each proposal. The single greatest benefit of the November 17 proposal was the high priority for SOPEC customer savings, including both the generation rate as well as a focus on the SOPEC right-to-notify customers of better options. Additionally, the termination of the SOPEC mercantile endorsement creates space for the SOPEC organization to partner with other brokers and suppliers for government accounts and seek the most competitive pricing available for municipal users. Additionally, the increase

from a 25% renewable product to a 100% renewable product aligns with SOPEC values on protecting the air, land, and water for future generations. Finally, the amendments to the Change-in-Law provision allowed AEP Energy to remain in compliance with PUCO without exceeding compliance---this amendment was critical to mitigate risk for SOPEC if the Ohio retail electric market is re-regulated.

These benefits were weighed against the costs of the November 17 proposal. These costs included the foregone community grant funds awarded to SOPEC through other proposals submitted by AEP Energy. Additionally, these costs also included the 12.5% loss in the SOPEC administrative fee, which has a negative impact on the annual budget, a loss in income, and foregone opportunities for achieving the mission. These costs were considered against the benefits by the SOPEC Board of Directors throughout the six months of negotiation with AEP Energy, proposal and pricing reviews, consultation with SOPEC legal counsel, and research into energy markets and utility pricing.

Ultimately, the public mission of achieving greater customer savings was valued highest above program revenue and grant income for SOPEC. The decision to accept the November 17 proposal was reached by the SOPEC Board of Directors because it held the highest overall value for advancing the SOPEC mission while also resolving the capacity performance billing requirements.

Reflections and Feedback

As a community leader, what are some energy-related goals you have for your community? Try to list three. (Ex. *Replacing aging and inefficient heating/cooling in municipal buildings; on-site solar generation for school or government buildings*)

How do your goals align with the current SOPEC vision and strategies? Do they result in a price reduction on utility bills, import substitution, perhaps both, or perhaps another value or strategy for the community?

Please list and briefly describe any businesses in your community that are interested in electric savings and could benefit from participation in areas of SOPEC programming, such as the Renewable Energy Development Assistant (REDA) grant program?

Please list and describe any energy or utility projects or programming areas you would like to see SOPEC develop that were not described in this guide.

Please provide any additional feedback that would be helpful to SOPEC staff or the SOPEC Board of Directors in better serving your community.

Contacts and Resources

Please feel free to share these resources and contact information with members of your community who have questions about their energy utility bills, energy projects, or want to get involved with the Southeast Ohio regional energy economy.

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State Government Resources

Visit the sites below to review information about state-regulated utilities and compare retail electric and natural gas rates available in the de-regulate market.

www.puco.ohio.gov

www.energychoice.ohio.gov