

RESOLUTION 2007 -12

A RESOLUTION SUPPORTING THE PRESERVATION OF CUSTOMER CHOICE THROUGH OHIO ELECTRIC GOVERNMENTAL AGGREGATION, AND DECLARING AN EMERGENCY

WHEREAS, the Village of Hiram has established an opt-out electricity aggregation program for eligible electric consumers within the Village, joined the Northeast Ohio Public Energy Council ("NOPEC") and participated in NOPEC's opt-out electricity governmental aggregation program; and

WHEREAS, governmental aggregation has been recognized by The Ohio Consumers' Counsel as the "jewel" of Ohio electric deregulation, and has helped the Village's residents save money on their electric bills; and

WHEREAS, opt-out governmental electricity aggregation has been widely recognized, in Ohio and nationally, as being successful in bringing benefits to residential and small business customers, as shown in the quotations attached to this Resolution as Attachment 1; and

WHEREAS, by the end of 2007, the NOPEC communities of Northeast Ohio will have saved collectively over \$67 million on their constituents' residential and small business electric bills since 2001; and

WHEREAS, the Ohio Legislature and the Public Utilities Commission of Ohio ("PUCO") currently are considering the structure of Ohio's electric markets after the rate stabilization plans currently in effect expire at the end of 2008 and may propose changes that will directly affect electric consumers in the Village; and

WHEREAS, the Village strongly supports the preservation of customer choice for the benefit of the residents of the Village through the continuation and improvement of Ohio opt-out electric governmental aggregation.

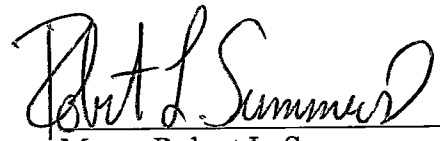
NOW THEREFORE, BE IT RESOLVED BY THE COUNCIL OF THE VILLAGE OF HIRAM, THREE QUARTERS OR MORE OF THE MEMBERS THERETO CONCURRING:

Section 1: The Village of Hiram strongly supports NOPEC's efforts to preserve customer choice through Ohio electric opt-out governmental aggregation.

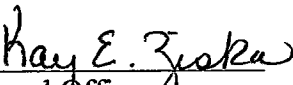
Section 2: The Council of the Village of Hiram urge the Ohio Legislature and the PUCO to institute policies to adopt the Guiding Principles for preserving, continuing and improving customer choice through Ohio governmental aggregation, and making necessary modifications so that Ohio governmental aggregation can be more successful, which are attached to this Resolution as Attachment 2.

Section 3: That this Ordinance be declared an emergency measure becoming immediately effective upon passage by Council and approval by the Mayor for the reason that it is essential to get this Resolution to the Governor of the State of Ohio and our elected State Representatives as soon as possible.

Section 4: It is hereby found and determined that all formal actions of this council concerning and relating to the adoption of this Ordinance were adopted in an open meeting of council and any of its committees that resulted in such formal action were in meetings open to the public in compliance with all legal requirements including §121.22 of the Revised Code of the State of Ohio.


Mayor Robert L. Summers

ATTEST:


Fiscal Officer

I Kay E. Ziska, Fiscal Officer of the Village of Hiram, Ohio, hereby certify that the foregoing Resolution or Ordinance No. 2007-12 has been duly posted in the required 5 places.

11-16-07 
Date Fiscal Officer, Village of Hiram

ATTACHMENT I

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/aggregation.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."

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.”

Colerain Township, Ohio Website at www.coleraintwp.org/gas_aggregation.cfm.

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>.

ATTACHMENT II

OHIO GOVERNMENTAL OPT-OUT AGGREGATION

1. Ohio Governmental Opt-Out Aggregation is the “jewel” of Ohio deregulation.

There have been issues and challenges faced by Ohioans regarding the price of electricity ever since deregulation was passed in SB3. In retrospect, many do not regard electricity deregulation as a success. One area where SB3 clearly succeeded, however, was in creating opt-out governmental aggregation in Ohio. Elected officials and regulators agree that governmental aggregation has been a significant success. It has been recognized by the Ohio Consumers' Counsel as the “jewel” of Ohio deregulation and “the most successful aggregation program in the nation.”

2. Preserve customer choice through governmental aggregation

As recommended by the Governor, Ohio should preserve a customer choice for residential and small business customers through Opt-Out Governmental Aggregation. There are 2 types of governmental aggregation, opt-in and opt-out. Opt-in aggregation has been tried in other states. It has been met with little success and small, if any, savings because it only secures only a 5-8% consumer participation level. Ohio has the most successful governmental aggregation program in the country because it permits communities to vote for Opt-Out aggregation. Voters in hundreds of Ohio communities have voted to aggregate their electricity requirements to increase their purchasing power and save money. The two largest Ohio governmental aggregation groups, NOAC and NOPEC, have experienced 93 to 97% of eligible consumers participating in their aggregation programs. Since 2001, NOPEC and NOAC's consumers have saved an estimated \$100 million on utility costs.

With this track record, it is easy to see why the Governor specifically recommended the continuation of governmental opt-out aggregation in his recent hybrid electricity proposal. NOAC and NOPEC agree that continuing opt-out governmental aggregation will help residential and small business consumers reduce their electric costs by giving them a choice. To enhance the viability of opt-out aggregation NOAC and NOPEC propose a number of improvements.

3. Necessary modifications to make Ohio Governmental Aggregation more successful

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. Governor Strickland's plan recognizes these sizable costs already paid by Ohio ratepayers. While returning to cost-of-service regulation may not be 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' windfall 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. Extending the opt-out period to up to 5 years would provide Ohio's governmental aggregators additional opportunities to secure consumers' savings.

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 payment, bad debt expense, stay-out periods for enrolling customers and others need to be reviewed to promote governmental aggregation.