



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

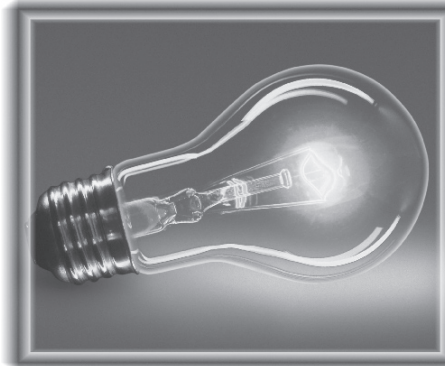
About aggregation

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:

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