

Minutes

February 28, 2023

Commissioners Present: William Bateson, Timothy Bechtol and Michael Pepple.

Also Present: Lynn Taylor and Phil Johnson.

Commissioner Bateson opened the meeting at 9:30 a.m. in the Commissioners' 1st floor conference room. The Pledge of Allegiance was recited. Minutes from the February 28, 2023 were read with Michael Pepple making the motion to approve, Timothy Bechtol seconded. Motion passed 3-0.

The Clerk presented the following resolutions for consideration:

Resolution #132-23 – Authorizing the payment of the listed and/or attached Purchase Orders. Michael Pepple made the motion to approve, Tim Bechtol seconded. Motion passed 3-0.

Resolution #133-23 – Transfer of funds within the appropriation – Sanitary Landfill #5042. Michael Pepple made the motion to approve, Tim Bechtol seconded. Motion passed 3-0.

Resolution #134-23 – Transfer of funds within the appropriation – ADAMHS Fund #2013. Michael Pepple made the motion to approve, Tim Bechtol seconded. Motion passed 3-0.

Resolution #135-23 – Advance of funds from the General Fund to Community Development Block Grant Fund #5042. Michael Pepple made the motion to approve, Tim Bechtol seconded. Motion passed 3-0.

Phil Johnson presented the following resolutions for consideration:

Resolution #136-23 – Authorizing entry into and execution of an agreement for replacement and installation of three windows and frames at the Hancock County Justice Center. Phil explained that the windows will be replaced from Bigelow Glass at a cost of \$15,715.00. Michael Pepple made the motion to approve, Tim Bechtol seconded. Motion passed 3-0.

Resolution #137-23 – Authorization to enter into a 2023 annual preventative maintenance inspection agreement with Federal Field Services, 12660 CR L, Wauseon, Ohio for warning sirens for Hancock County. Phil stated that this is similar to the contract that was executed in 2022 for the same amount of \$4,950.00 with the same vendor. This will allow for the testing of 11 outdoor sirens throughout the Villages in Hancock County. Michael Pepple made the motion to approve, Tim Bechtol seconded. Motion passed 3-0.

Phil Johnson requested an executive session in regards to pending litigation.

Meetings and Reports

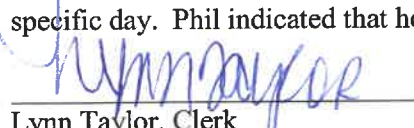
Mike Pepple had nothing to report.

Timothy Bechtol reported that he attended the Community Corrections Board meeting and participated in the Ohio Sunshine Law training for elected officials. Tim also met with the design/build team regarding the Judicial Center. They are working on getting the numbers down and still anticipate a guaranteed maximum price at the end of March. Tim stated that the design build team is meeting with the end users this morning.

Bill Bateson stated that he also attended the Community Corrections Board meeting.

At 9:41 a.m., Bill Bateson made the motion to enter into executive session to discuss pending litigation, Tim Bechtol seconded. A roll call vote resulted as follows; Bill Bateson, yes; Tim Bechtol, yes, Mike Peple, yes. At 10:27 a.m., Bill Bateson made the motion to exit executive session after discussing pending litigation, with no action taken. Tim Bechtol seconded. Motion passed 3-0.

At 10:32 a.m., the Commissioners met with Bob Snavely. Lynn Taylor and Phil Johnson were also in attendance. Bob explained in detail the results of the RFP's obtained as the current County Facilities Contract expires in May 2023. Based on the RFP's, he suggested contracting with Dynegey and Freepoint Energy Solutions for a three-year term beginning in June 2023. Bob indicated that if we go with Dynegey and Freepoint, the bills can be consolidated. Phil inquired if Bob has included JFS in the proposal and Bob stated that he thinks it does include JFS, however, he will check with the office to be sure. Bill Bateson discussed the possibility of a solar field to supply the energy along the 4 properties on County Road 140 and the proposal from Centurion. Bob explained that the CCAO has requested to be in the solar farm que for this as a whole, however, they have not received a response yet. Mike Peple inquired if a standalone or individual solar site is established, would this affect the electric supplier contract. Bob indicated that it could. Furthermore, Bob requested to review the information from Centurion and the Board concurred that he can review the information and try to analyze the information. In addition, Bob reviewed the addendum that he sent to Phil Johnson to review in regards to the pooling meters together will all other counties in Ohio. This would work similar to the natural gas meters. Bob would like that addendum returned sooner rather than later. Bob also requested that one Commissioner be authorized to execute the contract when the contract is ready. This would ensure that the pricing is accurate on the specific day. Phil indicated that he could do that via a resolution.


Lynn Taylor, Clerk

Reviewed and approved by:

William L. Bateson


Timothy K. Bechtol


Michael W. Peple



February 7, 2023

To: Hancock County
 From: CCAO Service Corporation & Palmer Energy Company
 Subject: Electric RFP Results for Hancock County's Facilities

Summarized Recommendation

- Capacity pass-through price structure
- 36-month contract term beginning with the June 2023 billing period through the May 2026 billing period
- Reviewing contracts and securing refreshed pricing from Dynegy and Freepoint Energy Solutions

RFP Background

As the energy consultant for the CCAO Service Corporations' Energy Programs, the CCAOSC and Palmer Energy issued an RFP to obtain electric pricing for facilities in five Ohio counties. This RFP included 30 accounts for Hancock County's facilities consuming just under three million kWh annually and receiving electric distribution service from AEP Ohio. This RFP was sent to nine suppliers and each respondent was asked to provide two pricing structures for terms of 12, 24, and 36 months. Pricing was requested for a May 2023 meter read start date (June 2023 billing period) which coincides with the expiration of the County's current electric contract.

Pricing Structures

The CCAOSC and Palmer Energy requested two types of pricing structures through this RFP:

- All-inclusive – All generation-related costs are included in one price per kilowatt-hour (kWh). This has historically been the most risk-averse and budget-friendly option when other price components, such as Capacity, have remained relatively predictable.
- Capacity Pass-Through – Under this structure, all generation-related components EXCEPT capacity costs are set at a fixed price per kWh. Capacity costs would be passed through as a separate charge at actual cost levels. Capacity costs will vary based upon several factors and will vary monthly based upon calculations that include the specific account's PLC, number of days in the billing cycle, and the system capacity costs for that planning year. This is the structure currently utilized by Hancock County.

How are capacity costs determined for a customer? Capacity costs vary for each individual account and are primarily driven by a customer's Peak Load Contribution or PLC and the Capacity Rate for the given delivery year. The utility annually determines the PLC for each customer by comparing the customer's estimated or actual load (e.g. demand) during the five peak hours on the system from the prior summer.

Price Offers

The table below summarizes price offers received through this RFP from the four respondents.

Supplier	Term (Months)	All-Inclusive Rate (\$/kWh)	Capacity Pass-Through Rate (\$/kWh)	Est. Annual Generation Costs (incl. Capacity)
Freepoint	12	\$0.05660	\$0.05308 + capacity costs	\$167,000
Dynegy	12	\$0.57800	\$0.05426 + capacity costs	\$171,000
AEP Energy	12	\$0.06275	\$0.05921 + capacity costs	\$185,000
Energy Harbor	12	\$0.06350	\$0.05938 + capacity costs	\$186,000



Freepoint	24	\$0.05791	\$0.05365 + capacity costs	\$169,000
Dynegy	24	\$0.05890	\$0.05467 + capacity costs	\$172,000
Energy Harbor	24	\$0.06370	\$0.05904 + capacity costs	\$185,000
AEP Energy	24	\$0.06441	\$0.05964 + capacity costs	\$187,000
Freepoint	36	\$0.05875	\$0.05417 + capacity costs	\$171,000
Dynegy	36	\$0.06000	\$0.05524 + capacity costs	\$174,000
Energy Harbor	36	\$0.06460	\$0.05940 + capacity costs	\$186,000
AEP Energy	36	\$0.06624	\$0.06023 + capacity costs	\$188,000

The prices for all terms and suppliers proposed through this RFP are subject to federal, transmission organization, statewide regulatory changes, and/or material changes of the accounts included resulting in additional costs to the supplier. This is a standard provision across virtually every supplier and contract.

Estimated capacity costs for Hancock County for June 2023 – May 2024, based on known PLCs and system capacity rates, are approximately \$11,000, or \$900 per month. Actual costs for all years will vary based on final capacity rates, PLCs, etc.

Offer Evaluation

Hancock County’s current electric supply agreement captured one of the lower points in the wholesale market over the last decade, resulting in an exceptionally low rate. However, the wholesale electric market has increased significantly over the last 12-18 months resulting in higher prices for customers regardless of whether they elect to shop for third-party power supplies or remain on utility default supply service. This is reflected in the higher rate offers proposed above.

Historically, these writeups have provided a cost comparison versus the estimated annual utility Standard Service Offer (SSO, or the price-to-compare). That is not a valid comparison at this point as AEP Ohio PTCs in January are about 6.7¢ per kWh for general service customers at secondary voltage, but appear likely to exceed 12¢ per kWh starting in June. The utility’s Standard Service Offer (SSO) rates are established through a series of auctions. The initial auction encompassing 45% of the total for the June 2023 through May 2024 delivery year resulted in a rate just under 12¢ per kWh. While future auction results are likely to be lower, SSO rates are expected to be dramatically higher than recent years.

Why Capacity Pass-Through?

The CCAOSC and Palmer Energy recommend that Hancock County continue to utilize the capacity pass-through price structure for several reasons.

- System Capacity rates are unknown beyond May 2024. These rates are usually known several years in advance, but the current regulatory status prevents it. Since future capacity costs are unknown, all-inclusive prices from suppliers include capacity cost estimates. This may result in a higher chance of additional pass-through costs under a standard regulatory change clause in most supply agreements.

In standard supplier contract language, if a supplier underestimates the capacity level, it will frequently charge the cost difference between the estimated and actual costs charged to the end user. Conversely, if the capacity cost is lower than what the supplier estimated, the customer is unlikely to see the difference returned to them through a credit or lower price adjustment.



- The supplier charges the customer its actual costs rather than an estimated average over a term. This reduces supplier risk premiums as they do not need to account for changes in capacity levels over a multi-year deal. This becomes especially pertinent over a long-term contract and allows the customer to take advantage of long-term wholesale electric market opportunities.
- Capacity pass-through pricing allows a customer to see a direct benefit from the implementation of energy efficiency projects, energy and building management, demand response, peak shaving, etc., as capacity costs are charged at actual cost levels.

Contract Length

Palmer requested terms ending in May 2024, May 2025, and May 2026 billing periods (12, 24, and 36 months) as this coordinates Hancock County's renewal cycle with other counties in the CCAOSC Electric Program for future RFPs.

The current wholesale market has predominantly displayed a backwardation trend over the last several years, where longer term pricing is lower than shorter term. While there have been slight fluctuations, as shown with the offers provided, based on the relatively small difference in pricing and the ability to lock in pricing for a long term with decreased risk of additional pass-through costs under this price structure, **the CCAOSC and Palmer Energy recommend contracting for a 36-month term.**

On the day refreshed pricing is requested, capacity pass-through pricing for all three terms will be requested to ensure the recommended 36-month term remains the most appropriate option.

Facility Changes

Please note, if the County is planning facility changes that could impact operation and/or energy consumption moving forward, including any efficiency or renewable projects, please let us know as this may alter the recommendation outlined in this document.

Supplier Selection

The wholesale power market continually fluctuates, therefore, to help ensure the most competitive offers, Palmer recommends including two to three suppliers in all refreshed price requests. This will require contract review and approval for multiple suppliers. Based on the top capacity pass-through offers for the 36-month term, Palmer recommends moving forward with **Dynegy and Freepoint Energy Solutions.**

As of the date of this document, Dynegy only offers dual billing under a capacity pass-through contract; meaning, Dynegy charges are billed on a separate invoice from the utility charges each month. Freepoint can provide utility-consolidated billing, where the supplier charges will appear on the monthly utility bill. If this capability changes prior to contracting, the County will be notified.

Please note that the electric market has seen heightened volatility over the last year. This has resulted in increased time-sensitivity on pricing proposed as all suppliers have the right to rescind pricing at any time based on intraday price updates. The rates shown in this recommendation are not final until a contract document has been fully executed by both parties, therefore returning a signed contract as quickly as possible will help ensure these rates are locked in.