

## Sourcing Office Electricity Program – Large Users

This document summarizes the value-added benefits available to participants in Sourcing Office's Electricity Program and provides an overview of the process Sourcing Office followed to develop this best-in-class program.

### SUMMARY OF VALUE-ADDED BENEFITS

Participants in Sourcing Office's Electricity Program receive a wide-range of value-added benefits through Sourcing Office and FirstEnergy Solutions (FES), our electricity provider:

- **OPTIMAL PRICING.** FES prices all large electricity users individually to reflect each entity's load profile and electricity demand. Pricing offers are in effect for a five-day period and are then adjusted to reflect changes in market energy prices, which fluctuate constantly. Sourcing Office participants will receive the optimal pricing made available by FES on that same day to customers with similar load profiles.
- **ALL-INCLUSIVE PRICING.** Sourcing Office participants receive an all-inclusive, fixed price from FES for the term of the contract. Fixed prices are for full requirements service and there is no tolerance or bandwidth requirement. Sourcing Office participants only pay for the energy used and there are no charges for under utilization.
- **DEMONSTRATED SAVINGS.** FES will provide annual savings reports for each member that is participating in the Sourcing Office/FES electricity program.
- **FLEXIBLE TIMING.** Entities may enroll in the Sourcing Office electricity program on an ongoing basis and take advantage of the pricing that will be available to them at the time they choose to enroll.
- **CUSTOMIZED CONTRACTS.** Each participant will receive a contract that is customized to its load profile, electricity demand, and desired term.
- **CONTRACT REVIEW.** Sourcing Office worked with the Ohio Attorney General's office to review and revise the standard FES large customer agreement to meet the specific needs and legal requirements of public sector entities.
- **CUSTOMER SERVICE.** FES will provide a dedicated toll free enrollment and inquiry line for all Sourcing Office member enrollments and questions
- **ACCOUNT MANAGEMENT.** Sourcing Office participants will have early access to the Customer Portal that FES is currently creating. This portal will be accessed through the FES website and will provide Sourcing Office participants with a secure login. The portal will allow them to access and manage their organization's electric information, including:
  - Contracts – copies of contracts with FES
  - Historical usage information
  - Billing information
  - Customer Numbers enrolled with FES
  - Meter Numbers enrolled with FES
- **ACCESS TO EXPERTISE.** Sourcing Office participants will have access to exclusive market update events, information, and resources (ex. Ohio Energy Summit, Ohio Webinar, etc.)
- **ACCESS TO CONSULTING SERVICES.** Participants are eligible to work with an electricity consulting firm regarding alternative energy and federal stimulus opportunities on favorable economic terms.

#### **SUMMARY OF PROGRAM DEVELOPMENT PROCESS**

Sourcing Office was approached by several existing members in April 2009 with a request that Sourcing Office leverage its legal structure as a Council of Governments to create an electricity program for its members. The members wanted to take advantage of changes in northern Ohio's electricity market going into effect as of June 1, 2009.

Beginning June 1, 2009, electricity consumers would for the first time have the opportunity to shop for the company supplies their electricity, just as organizations can shop for natural gas or phone service.

**THE TEAM.** Sourcing Office selected one of Ohio's most-recognized energy attorneys, a leading energy consultant, and a group of 18 local governments, higher education institutions, and not-for-profit organizations to participate in the development of Sourcing Office's electricity program.

**LEGAL REVIEW.** Working with the energy attorney, Sourcing Office reviewed applicable sections of the Ohio Revised Code and Public Utility Commission of Ohio regulations to determine what process Sourcing Office must follow to establish this program and ensure compliance with code.

**LEGAL FINDINGS.** Sourcing Office determined that public sector entities are not required to conduct a formal competitive bid process to establish a contract with their electricity provider. Sourcing Office also determined that Sourcing Office is not required to become a Certified Retail Electric Service Supplier (or "CRES") as long as Sourcing Office established a relationship with a CRES and participants buy their electricity directly from that CRES.

**SUPPLIER SELECTION PROCESS.** Sourcing Office and the electricity steering committee (made up of representatives from the group of 18 initial participants), met in early June with several electricity suppliers to evaluate the marketplace. Following these supplier meetings, the steering committee recommended that Sourcing Office establish a relationship with FirstEnergy Solutions to enable participants to purchase electricity under favorable terms and conditions directly from FES. The steering committee cited the following reasoning in establishing a relationship with FES as opposed to alternative suppliers:

- **Power Generation:** FirstEnergy Solutions is the only supplier in Ohio that owns and manages its own power generation.
- **Pricing:** FirstEnergy Solutions has consistently provided the most comprehensive and aggressive pricing in the market.
- **Buying Local:** FirstEnergy Solutions is an Akron-based company that employs thousands of Ohioans directly and through its Toledo Edison, CEI, Ohio Edison sister companies.

**CONTRACT REVIEW.** Sourcing Office worked with legal counsel and the Ohio Attorney General's office to review the standard FirstEnergy Solutions large entity customer contract to meet the needs of community colleges and other public sector entities.

**BUYING ELECTRICITY THROUGH SOURCING OFFICE'S ELECTRICITY PROGRAM.** Entities seeking to participate in Sourcing Office's electricity program should complete and submit a Letter of Authorization, which authorizes FirstEnergy Solutions to develop customized pricing for that entity based on the entity's load profile and electricity demand. Should an entity then choose to begin buying electricity from FES as part of the Sourcing Office electricity program that entity would enter into a contract with FES directly.

## MEMORANDUM

**TO:** Public Sector entities interested in the Sourcing Office electricity program  
**FROM:** Sourcing Office  
**REGARDING:** Joint procurement of electricity in the First Energy (FE) service footprint

### IN THIS DOCUMENT:

1. Overview of the Sourcing Office Electricity Program
2. Why participate in an electricity group purchasing program?
3. Required Letter of Authorization – attached as Page 3

### OVERVIEW OF THE SOURCING OFFICE ELECTRICITY PROGRAM

Sourcing Office developed a group purchasing program for the acquisition of electricity. Sourcing Office currently has approximately 300,000,000 KWH committed to the Sourcing Office Electricity Program.

Sourcing Office specializes in designing, procuring, and managing group purchasing programs for various types of public sector entities, including municipalities, colleges & universities, counties, school districts, and special districts. Sourcing Office performs three key roles, every single day:

- Sourcing the programs through a state-authorized procurement process
- Matching the programs Sourcing Office develops to meet the needs of potential participants
- Managing the programs over the life of the contract to ensure that suppliers are living up to the contract terms

Sourcing Office is a Council of Governments and, as such, is empowered to conduct public sector procurements processes on behalf of its members and affiliates to establish contracts with winning suppliers. Sourcing Office follows the same procurement methodology as the Department of Administrative Services (the “state bid”), so that participating entities don’t have to go through the process of developing their own RFP documents, advertise those RFPs, collect and score responses, select winning suppliers, negotiate contracts, and manage those contracts throughout the contract term. Sourcing Office does that work on behalf of its participants.

### WHY PARTICIPATE IN AN ELECTRICITY GROUP PURCHASING PROGRAM?

The Retail Electric Choice Program in the State of Ohio has entered a new phase in its development with the introduction of Sub. Senate Bill 221 (SB221) in May of 2008. This law reinforces the right of Ohioans to choose the company that generates (and therefore receives the payment for) their electricity. It outlines how the four investor-owned electric utility companies in Ohio (FirstEnergy, Duke Power, American Electric Power, Dayton Power & Light) will make their Standard Service Offers (SSO) to their customers who are captive to their Distribution systems. The SSO’s for FE, Duke and AEP have been approved by the Public Utilities Commission (PUCO), which has set the stage for this Sourcing Office opportunity.

On May 14, 2009, FirstEnergy conducted an auction to find the most economic supplier of Generation for their customer base. Companies that supply Generation capacity will compete for that business. This auction will establish the market rate in the FirstEnergy Distribution territory through May 2011. The key for individual organizations is to achieve discounts below that market rate. In this new frontier, purchasing

electricity jointly through a group is perhaps the most effective way to establish leverage with suppliers to drive down pricing and extract other concessions.

In addition to joining a group that will procure significantly more electricity than any one participant, Sourcing Office will be worked with two subject matter experts. One who has deep knowledge and understanding of the electricity market, whose job was to help shape an RFP that achieved the best possible responses from suppliers in the marketplace while meeting the critical energy needs of participating entities. The second is a lawyer with expertise in purchasing and contracting for electricity and who has in depth knowledge of the inner-workings of Senate Bills 3 and 221. Sourcing Office's team of public sector procurement experts worked hand in hand with these two electricity subject matter experts to develop the strongest possible program.

Finally, Sourcing Office will work continues to work with First Energy Solutions, and participants to document the value achieved by participating in the program. In addition to the "soft cost" time savings from being able to avoid conducting individual RFP processes and managing the supplier on an ongoing basis, significant hard costs have also been avoided (not having to hire consultants or lawyers, avoiding advertising fees, etc.).



**Letter of Authorization (LOA) for Release of Usage Information**

To: FirstEnergy Corp You are hereby authorized and instructed to produce and release, to Sourcing Office, and / or any other Electric Generation Supplier licensed by the Public Utilities Commission of Ohio, our utility history including, but not limited to, consumption history for 12 months, load profiles, and 12 months of interval metered data if available and necessary for the account listed and on additional accounts list, if attached. This authorization is to be used for the sole purpose of determining my offer price of electric service.

**Organization Information**

Contact Name: \_\_\_\_\_

Organization Name: \_\_\_\_\_

Mailing Address: \_\_\_\_\_ City \_\_\_\_\_ State **OH** Zip \_\_\_\_\_

Contact Phone: \_\_\_\_\_ Fax: \_\_\_\_\_ Email: \_\_\_\_\_

\_\_\_\_\_  
Organization Representatives Signature (Required)      Date

**Please include most recent copy of utility bill per account.**

Customer Account Number: \_\_\_\_\_

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***Please fax executed Sourcing Office Commitment Letter and Letter of Authorization to Sourcing Office at 216.581.6213.***