

# RECORD OF PROCEEDINGS

Minutes of

COUNCIL OF THE CITY OF NORTH CANTON

PUBLIC HEARING

Meeting

DAYTON LEGAL BLANK, INC., FORM NO. 10148

Held Monday, January 10 6:30 p.m. 20 05

## CALL TO ORDER:

The public hearing was called to order Monday, January 10, 2005 at 6:30 p.m. by President of Council Jon Snyder.

The following members of council were present for the public hearing: Kiesling, Lane, Lindower, Peters and Snyder. Also present were: Mayor Rice, Director of Administration Miller, Director of Law Pusateri, City Engineer Benekos and Clerk of Council Kalpac.

Notice is hereby given that a public hearing will be held by the Council of the City of North Canton on Monday, January 10, 2005 at 6:30 p.m. in the Council Chamber at North Canton City Hall on the City of North Canton's Natural Gas Aggregation Program Plan of Operation and Governance.

On November 2, 2004, North Canton voters passed a ballot question, which authorized the City to form a governmental natural gas aggregate for the purchase of natural gas on behalf of North Canton residents. The City of North Canton shall adopt its Plan of Operation pursuant to Sections 4929.26(C) of the Revised Code and develop an opt out aggregation program following the procedure set forth in Ohio Revised Code Section 4929.26.

The Plan of Operation will describe services provided, professional assistance used, determination of rates, opt out procedures, customer billing procedures, credit procedures and joining/leaving the aggregation procedures. The offer is expected to begin in October 2005 and run for one or two years. All customers eligible who receive natural gas supply service from Dominion East Ohio will be included in the City's aggregate unless they opt out. All customers eligible to be included in the City's aggregate will receive a mailing notifying them of their right to opt out.

Mr. Snyder: I'd like to call this public hearing to order. Pursuant to the vote of November the 2<sup>nd</sup>, 2004, which the elected passage successfully gas aggregation for the City of North Canton. It is required by the Ohio Revised Code. This is the second of two public hearings. Is there anyone in the audience wishing to speak to this Council or any questions of this Council relative to the public, to the gas aggregation? Is there anyone in the Council have any questions?

Mr. Miller: Mr. Komara's here again if...

Mr. Snyder: Mr. Komara is with us who is the facilitator and the, of our project. He'll gladly answer any questions that, is there any questions from Administration or? Again we will be advising, I think, the citizens of the fact that they are in the program. That they are mandatory into the program as long as they don't use more than 500 cubic feet, is that cubic foot of gas?

Mr. Miller: 500,000 cubic feet.

Mr. Snyder: 5,000?

Mr. Miller: 500,000 cubic feet. 500 MCF.

Mr. Komara: 500 MCF for a resident and 1,000 for commercial.

Mr. Snyder: Ok. And they will be and they have the ability to opt, provided they're not in a qualified provider at this present time, facilitator, whatever they call it. I think most of the questions were answered last week.

Mr. Lane: Could I suggest too, and maybe the Mayor's going to do it in the next newsletter, but maybe we could publish your number and have that 888 number readily available as people start to hear about this.

Mr. Miller: It'll also be on the web page.

Mr. Lane: Yea, and on the web site as well, so.

Mr. Snyder: Ok, I'm seeing no other questions or any, here comes a gentleman he may have a question or he just got his gas bill and he wants to talk about it.

Mr. Lane: He wants to switch now.

Mr. Snyder: But seeing no other questions, any questions of Council or Administration? Sir.

*All citizens speaking from the audience seats.*

Mr. Komara: I do have one, one bit of news on behalf of the City of North Canton, Stark County, City of Alliance and Canal Fulton we have sent out a Request for Proposal for preliminary pricing for the winter of next year and right now it looks like, in deed, we have a bidder other than who is Direct

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Energy, who the City now has. Another supplier has bid lower than the current rate. So that looks like good news. We're going to analyze the bids, have a meeting with all concern and make that known here as soon as all of the rest of the bids are in. Right now, it looks like, going forward there's a supplier out there that could indeed beat the price that's in place today.

Mr. Snyder: My question, that supplier goes onto the spot market and purchases the gas and then resells it. Is that how that works?

Mr. Komara: Correct.

Mr. Miller: It's, basically the situation is that we set two of the components of the price. First component's set that's their consulting price which is 4¢ per thousand cubic feet. Then the next part is the adder, which is added on by whoever the bidder is and that basically the lower is the better. Right now it's a \$1.64 from Direct Energy per thousand cubic feet. Then, basically, we sit down and for lack of a better term we watch the market and pick the point in the market where we think the prices is as low as it's going to go or at least we don't think, we don't, we think it might go higher we want to go ahead and lock in at that price at that point in time. That ends up being the third component and the point that we strike that price, is the term that's used, they go out and buy the supply then for the next winter based on what they think it's going to be. But that sets our price then the third component of the price. This year, I believe, it was set at....

Mr. Komara: \$8.34.

Mr. Miller: It was \$8.34 so if you back out \$1.64 and 4¢, I'm trying to think what the actual price was that, the day we struck. Seven....

Mr. Komara: It was about \$7.05, somewhere around there.

Mr. Miller: I'll have to do the math quick.

Mr. Komara: \$6.50, \$6.50.

Mr. Snyder: Well in other words, the credibility of the supplier or that person's ability is based on the, they have the fate of the residents that are going to use the gas.

Mr. Komara: That's correct. And it's mandated by law by the Public Utilities Commission that they pass three credit tests and have the physical supply in order to ensure the residents are...

Mr. Snyder: Yea, that would be my only question that the supplier is not a thin, financially, and come around January you turn your...inaudible...

Mr. Komara: That's correct.

Mr. Snyder: ...and the gas wouldn't come through.

Mr. Komara: No, Dominion will never, a resident by law can never be without gas if it's there to be had. Dominion would be the provider of last resort. Always be...inaudible.

Mr. Snyder: Are the same, I mean I hope that it doesn't happen, but I know that in the utility, in the winter time should a person, a resident fall upon hard financial times where they couldn't pay the bill timely, their gas would not, again, would not be shut off due to the fact, or is that...

Mr. Komara: There's, there's, you make an excellent point. There's two points. They can be out of the program, left out of the program and switch back to Dominion; however, for the months of November through April gas companies, determining on date and temperature, cannot just go out and turn...

Mr. Snyder: Yea, just shut somebody off as you would a private bill. I did see, and I don't know, that the Representative Schurring has now introduced legislation to prohibit not reading your gas meter. You must read that meter every month November through April. Because gas companies love to estimate your gas in the winter months. Especially when the heating degree days are like they are right now. But now he's introduced legislation that requires the utility to read that meter monthly no matter what.

Mr. Komara: Currently, Dominion reads every other month.

Mr. Snyder: Right. They're going to be forced to read monthly.

Mr. Komara: Then, then they will.

Mr. Snyder: Yea, because it's a lot easier to estimate.

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Mr. Komara: They will. If they, then you can get an actual reading.

Mr. Snyder: Right. That's what he said because people are on a budget they're expecting a little less and all the sudden they...

Mr. Komara: They're hit with a larger bill.

Mr. Snyder: ...hit with a larger bill predicated on the last year's weather.

Mr. Komara: That's correct.

Mr. Snyder: That's cash flow. Any other questions?

Mr. Peters: Yea, I do. This new bidder, is that for the residential only?

Mr. Komara: It's the program that's in place right now.

Mr. Peters: Ok.

Mr. Komara: Going forward, the price may start as early as May but it might start in October; however, the retail adder that we spoke about previously, currently it's \$1.64, the new bidder is at \$1.59 which we feel is excellent. It's at it's lowest...inaudible.

Mr. Peters: This wouldn't apply to City buildings or anything like that. That was all discussed.

Mr. Komara: No, well...

Mr. Miller: City buildings less than 1,000 cubic feet would fall into this program; however, the larger building or larger operations still would go through SCOG. And SCOG bids out that separate.

Mr. Komara: The SCOG price is in at \$7.00 I think it was. And I'll prepare a report that substantiate what your savings are but overall the program last year saved \$250,000 in Stark County. This year it's going to be closer to \$350,000 or \$400,000 because gas prices are so high and the government prices so low.

Mr. Peters: The only reason I ask is, as far as residential, I mean that's really, as far as these gas companies go, that's not where the money is as at. The money's at here, water treatment plants, that type of thing.

Mr. Komara: Sure.

Mr. Peters: Why would they come in at a lower rate for the residential and not try to undercut the...

Mr. Komara: Remember this buying group has 50,000 members. That's 50,000 individual pieces of mail or marketing effort that's all cut. We're bringing, we're bringing down a large buying pool that they can get the business. It's a known quantity. They're good paying customers and it just eliminates eighty percent of the work ...inaudible. It's easier for them to go out and purchase the gas for the entire buying group in one fell swoop rather than doing individually as the apples to apples and wait for the phone calls to come in. This way they have one boot group handed to them, they have a list, they have all the addresses, they have everything they need without any efforts so those things can be passed along to the buying group as a whole.

Mr. Miller: Reason the business ones are, ends up with the lower prices because again volume. Even with the number of customers that we have to offer on residential, based on what they consume in a winter versus what you consume adding up our Water Treatment Plant, Canton's Water Treatment Plant, Waste Water Treatment Plant and that, there's just a lot more volume in that business and again based on volume that's where they can do the cutting of the price. And again going back to marketing, you got to market to far fewer people when you're talking about SCOG versus the residences that we have with North Canton, Alliance, Canal Fulton and Stark County.

Mr. Peters: Right, ok.

Mr. Snyder: Any other questions? Yes sir.

Unidentified: Yea, I signed up for that, is it Direct Energy, effective October/November. I got my first gas bill, and we're only comparing the cost of gas I believe, but I got hit with a \$23.00 transportation charge and \$6.00 sales tax charge on top of the gas. So what does that mean?

Mr. Komara: Transportation charge that you pay, transportation charge rather you're with Dominion or rather you're with Direct Energy. The difference in sales tax versus if with you're with Dominion you pay gross receipts tax. On an Energy Choice Program you pay county sales tax. That's the

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difference. County sales tax is 6.5% in Stark County and gross receipts tax is 4.875% so it is a little bit different tax wise, the PUCO is looking at making it the same across the board however the Energy Choice Program you pay a sales tax fee versus gross receipts tax. So in affect, the, I have a note here as to those who would have stayed with, those who would have stayed with Dominion in, let's just take this month right now, total gas price with Dominion, a Dominion customer would pay \$11.22 someone in the Direct Energy Program that signed up in November would pay \$10.99. So in affect the program is working, North Canton residents are saving money.

Unidentified: I saved a total of \$6.00 for that period. Because I asked Dominion what my bill would be if I stayed with them and they told me there's a \$6.00 difference.

Mr. Komara: \$6.00, and when you are in a program longer than one year, when you're away from Dominion for a period longer than twelve months, there are unrecovered gas costs associated with an Energy Choice Program they go away and you save more, the second year you'll save more money. And what the program tries to achieve, although \$6.00 doesn't sound like a lot for one month, if it was a very cold month, it would be more but if over the six or seven winter months, the program usually saves a resident between \$50-\$75 and we feel that's substantial other than just writing a check to Dominion.

Mr. Snyder: Let me ask you a question, am I understand now that if a person would, their bill would be say for math purposes \$500 and there's a 6.5% sales tax which would be roughly \$33.00. That \$33.00 ...inaudible...to the County, versus the 4% that would go directly to the State. So in other words we're actually bringing more revenue to our own County.

Mr. Komara: I believe it does get back to the County. Not the entire, not the entire 6%. I'm not sure but I can certainly...inaudible...but it does come back...inaudible. It's County sales tax discharge.

Mr. Snyder: Well in essence, it's actually helping the County because...

Mr. Komara: The County brings a little bit more revenue in...inaudible.

Mr. Snyder: In overall, the County are the people but because if you pay sales tax direct to the State, such as that, there's a discounted rate of 4% but the volume has to be so great that so actually that might work out. That'd be interesting to find that out.

Mr. Peters: I have one more question. Actually for this gentleman, when you talked to Dominion, was the, was there a difference in the transportation?

Unidentified: Quite a bit.

Mr. Peters: You say it was \$23 for Direct Energy?

Unidentified: For Dominion's. Dominion they charge the transportation cost.

Mr. Miller: Your bill looks completely different between the two and in essence it is confusing because when you look at a Dominion bill you have three entries on the bill. When you look at Direct Energy or any of the other competitors, there's at least four and sometimes five entries on the bill because on Direct Energy they don't split out the transportation costs. As soon as you go with a Choice Program, they split the transportation costs out so you can see it. They want you to see that so that it raises something in your mind well wait a minute this dropped but this one went up. In essence it's still the basically the same as the \$1.67 versus the \$1.69 what the difference is and what it referred to is the migration rider. Public Utilities Commission allows Dominion the first year that you split away from them no matter when that year is to charge a migration rider on top of the transportation costs. And that's the difference between \$1.67 and the \$2.10 that you're seeing on your bill per thousand cubic feet for transportation right now. They don't call it a migration rider, they split the transportation out and add the migration rider in rather than showing that as a separate entity. And it'd be a lot simpler for people to understand this is Dominion's money going back to them if you sell that separate on the bill in addition to them breaking out the transportation costs. Now the sales tax is just on the gas usage. It's on the thousand cubic feet, \$8.34. It's not on the transportation cost. Am I correct?

Mr. Komara: Correct.

Mr. Miller: Got it all right?

Mr. Peters: So they can just charge you a small percentage more based on the fact that they loose your future business. That's nice.

Mr. Komara: Dominion, Dominion for the first year is permitted to charge a fee to recover those costs for those who leave and go into an Energy Choice Program. Because they have to provide the gas regardless so they're permitted to charge a fee. So the first year your bill, the transportation

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charge is split out and may be higher than the normal Dominion customer. However, the offsetting savings North Canton has versus the Dominion GCR of \$9.08, North Canton residents are paying \$8.34 by far and away still saves North Canton residents money.

Mr. Miller: You just, you gotta make sure that the difference in price that first year is hot and big enough between whoever you pick and this year it's the \$8.34 and Direct Energy versus Dominion that it offsets that migration rider for those who have to pay it. A lot of folks who are in other programs, if you're already broken away with the Shell or Vectron or whoever, and you go to this program you aren't going to get charged that migration rider again. You only get charged once during the first twelve months away unless you go back to Dominion for a twelve month period of time.

Mr. Komara: So in essence the, where the City is achieving savings this first year for everyone who remains in the program the savings will increase the second year. So it should be anywhere from \$75-100 next year. Residents in Canton in eighteen months saved \$260 so and they've been in a program now for four or five years. So right now, last month for instance in December, the month of December that just passed, Dominion's total rate was \$11.47, residents in North Canton paid \$10.98. That's almost a 50¢, a 50¢ differential MCF and if you use twenty MCF in a normal December in Ohio that's \$10.00 for one month you saved. Multiply that times five or six months it does add up. The program is working and it's, that's what it's designed to do.

Mr. Snyder: Normally speaking when this becomes fully operational to the consumer will not realize any difference other than the bill will be typed differently and there are different perimeters how it's spelled out, how they're charged.

Mr. Komara: That's, that's correct.

Mr. Snyder: But to the average person and to a senior who would have a little more difficulty in determining which way to go that person would not really experience anything different. They'd send their remittance and everything identical to what they're doing right now.

Mr. Komara: That is correct. But what's good about that, the very senior that you're talking about that is, you know, on a fixed income ...inaudible...the City has really helped the citizens by entering a program that everybody saving, saving those who need it the most. Ya know, it's symbolic. And we will provide quarterly reports to the City to analyze the program.

Mr. Snyder: Good. Any other questions? Seeing none. I'll entertain a motion to adjourn the public meeting.

Mrs. Kiesling moved and Mr. Lane seconded to adjourn the public meeting.

Mr. Snyder: Those in favor signify by saying "aye".

All members present voting signified by saying "aye".

Mr. Snyder: Those oppose same sign.

The public hearing was adjourned at 6:43 p.m.

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PRESIDENT OF COUNCIL

ATTEST:

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CLERK OF COUNCIL

01/11/05-ALG