ICMA Community Partnership Award Narrative for the SRPEDD Electric Aggregation Group

# Problem

From December, 2012 to Dec. 2014, electric supply rates for Eversource-a private investor owned utility and one of two such utilities serving the group-increased from a low of $.067/kwh to $.094/kwh or 40% in two years. While this created concern among our residents, it also created concern among municipal government officials and managers. Ross Perry, who was the Director of Municipal Management for the Southeast Regional Planning & Economic Development District (SRPEDD), started reaching out to communities in April, 2015. At first, there was little interest as only four communities responded. However, Mr. Perry pursued this and by the summer of 2015 a small informal group-seven communities-was starting to explore how to put together an electric aggregation program and whether to do it. The group decided that the next step was to hire an Aggregator consultant. Mr. Perry prepared the Request for Proposals. This resulted in responses from three firms. The proposals were reviewed and Good Energy was selected as the best consultant to assist the group especially considering that they had recent experience doing this in Illinois and New Jersey. By November, 2014, Mr. Perry and Good Energy were starting to have meetings with municipal officials and managers about the process for adopting energy aggregation. At this time, residents and town officials were becoming more concerned about electricity costs as the Eversource supply price rose from $.094/kwh to $.15/kwh-a sixty percent increase! This generated more interest in pursuing electric aggregation and the group was now close to 20 participants. However, it was an informal group.

**Program Implementation**

While the Massachusetts Electricity Restructuring Act of 1997 created the legal authority for municipalities served by private utilities to engage in electric energy aggregation for their residents, until 2014, there was only one multi-community electric energy aggregation in operation. Most municipal managers and officials had not engaged in implementing such a program. Compounding this problem, very few residents had experienced purchasing electricity on their own. Instead, most residents took the default electric supply rate. This occurred for several reasons. First, when electric de-regulation started in 1997 very few electric suppliers offered a product to residential customers. Second, since 1997, the electric suppliers who had offered a product to residential customers did not have the best reputation for customer service. At times, they were known for low introductory rates for a short term period and then followed by rates often higher than the default rate and/or contracts which were industry favorable including termination charges. Compounding this, municipal officials who had participated in some early electric aggregation contracts for their municipal accounts had a bad experience with one electric supplier who tried to run from a contract when wholesale electric prices rose. This necessitated the intervention of the Attorney General. Finally, Massachusetts has a strong historical value towards home rule and participatory democracy. Thus, counties in some parts of Massachusetts have been abolished or are a shell of limited services or functions and the adoption of regional municipal programs and services without strong incentives from the state and/or federal governments have been difficult. Complementing almost 400 years of history, most Massachusetts municipalities except for cities have a Town Meeting which serves as its legislative body. Massachusetts law, Chapter 164, section 134(a) required authorization from the legislative body to enter into an electric aggregation program. Town Meeting may have elected representatives in some municipalities or they may be an open Town Meeting which means the registered voters who attend for that session are the Town Meeting representatives for that session of Town Meeting. Another challenge was that in addition to strong participatory democracy among the municipalities, there was a strong tradition-of holding one Annual Town Meeting in the Spring of each year and Special Town Meetings within the Annual or in the Fall of each year. None of the Town Meeting municipalities have monthly or even quarterly Town Meetings. In contrast, cities with a City Council usually meet several times a month. Thus, for most municipalities, there was one shot at adopting this if they wanted to be set up to avoid the winter electric supply rates again!

Good Energy took the lead in visiting the interested municipalities to explain the process and the electric aggregation plan. In most municipalities, this required meetings with the Board of Selectmen prior to Town Meeting or the City Council. However, this often also required other meetings with other municipal authorized groups which would recommend to Town Meeting or the City Council. For example, this could include meetings with a Finance Committee in a town, a City Council sub-committee, and sometimes other committees focused on Alternative Energy, plus meetings with mayors and managers and their employees. Throughout this process, some of the communities shared the proposed electric aggregation plans with their legal counsels. In some cases, this was due to prior experience with regional contracts which were not drafted in the interest of the municipalities combined with managers’ review of the plan and particularly the proposed electric supply contract. From this review, legal counsels in Dartmouth, New Bedford and Somerset expressed concerns with the terms of the proposed electric supply contracts as being too industry favorable. This led to several communities requesting that a sub-group of municipal legal counsels meet with Good Energy’s legal counsel to revise the electric supply contract. This proceeded from late April, 2015 to July, 2015.

During this time, most municipalities had adopted the energy plan which allowed the plans to be submitted to the Commonwealth’s Department of Energy Resources (DOER). Since Massachusetts did not have many prior electric energy aggregation contracts and a growing number were being developed due to the high cost of energy and the growth of a market for residential energy aggregation, it took several months for DOER to approve the plans as we had decided that each community, while operating within a group for the purpose of purchasing the electricity, would have its own plan and contract.

To maintain the initiative, the communities started to have conference calls where all the communities could discuss the process. This was necessitated as the group had expanded from the boundaries of SRPEDD so that the straight line distance from the most western community to the most eastern community was almost 60 miles. From that eastern community which would be one of the most southern communities to the most northern community, the distance was over 70 miles. The conference calls focused on the process and keeping everyone informed.

After attaining DOER approval, the next step in the process was to attain approval of our plans from the Massachusetts Department of Public Utilities (DPUC). By this time, the group had grown to the following twenty-three municipalities representing 518,566 residents with approximately 180,000 accounts: Acushnet, Attleboro, Carver, Dartmouth, Dedham, Dighton, Douglas, Dracut, Fairhaven, Fall River, Freetown, Marion, Mattapoisett, New Bedford, Northbridge, Norton, Plainville, Rehoboth, Seekonk, Somerset, Swansea, Westford, and Westport. Due to how each community handled its adoption of the energy plan combined with their attaining approval from the DOER, there was concern whether the DPUC would be able to review all twenty-three energy plans in time for a bid prior to the implementation of winter electric energy prices. Fortunately, everything came together and the DPUC held a joint hearing on the plans and approved them. This was an important hurdle as the group had some concern that the private energy companies might oppose the potential movement of a large group of their customers to competitive electric plans.

After attaining the DPUC approval, the group now had to work with the two private utilities to attain customer data for the bid. The group also had to start to market the program to residents. In addition to doing newspaper and radio press releases, the group had Good Energy use one municipality’ s community cable TV station to produce a public affairs program which could be shown on each community’s governmental channel. Also, at this time, Good Energy created a website about the program for the residents. Finally, a group of officials started to focus with Good Energy on energy market to determine when to go out to bid and for how long. By November, the group had received two bids-one from ConEd Solutions and one from Constellation. Since the ConEd Solutions bid was better, each of the twenty-three municipalities agreed to accept a two-year agreement at a flat rate of $.0949/kwh. Even the contract signing was a significant event as twenty-three representatives had to be in the same room and all had to have the authority to sign the contracts, despite the fact that many of the municipalities have different requirements for who has authority to sign contracts on behalf of the municipality.

Once the contracts were signed, Good Energy and ConEd Solutions moved forward with rolling out the program so that it would start in January, 2016.

Looking back, the direct out of pocket costs for the twenty-three municipalities was minimal as most of the cost was attributed to people working on this project rather than another issue. With the residents’ fear of rising electric costs over the prior three years, an effort to quell those fears and provide a product with known costs was important. Good Energy costs are covered as part of the electric supply charges on each customer’s bill. Thus, the only direct costs were for the municipal legal counsels who were assigned the responsibility to review the energy supply contract. I would estimate the cost to be less than $20,000 but the benefits immeasurable.

**Outcomes**

The creation of the third largest electric aggregation program in the United States with 164,000 residential and commercial accounts as of January, 2017 after one year’s operation.

Maintenance of participants in the program as 91% of the eligible participants are participating after one year of operation.

The program allows customers to leave without penalty and only 7000 have left from a peak in August, 2016.

The program provides long term budget certainty while saving money. To date, the program has had a residential savings of $115,688 vs the utility’s rates but is projected to save $7.4 million in 2017.

Customer concerns during the transition and program implementation have been minimal and manageable as Good Energy and ConEd Solutions combined with the municipalities have done an excellent job in handling customer service.

Residents have access to electric supply costs similar to what businesses can enjoy via bulk purchase and having twenty-three communities participating assists the smaller communities with less than 10,000 population.

Residents have access to an electric supply contract which has been reviewed by a group of municipal legal counsels which means the terms are fairer to the consumer than what the industry offers to individual residents.

**Lessons Learned**

With a large group of diverse municipalities, there needs to be constant communication among the municipalities and their residents to make the program work.

Using competitively sourced consultants assists in developing a good program

Municipalities must involve their legal counsel in reviewing contracts involving many municipalities to ensure that they are getting the best legal terms.

Despite 400 years of tradition, Massachusetts municipalities can work together as group and promote regionalism and efficiency.

Developing a new service within a government structure with a high degree of democratic participation involved in adopting the service can be accomplished in a relatively short period of time.

With proper marketing, over 90% of our residents vote to accept the program that we were advocating.

With proper customer service, over 90% of our residents voted to accept the program that we were advocating.

**Awareness of Local Government Managers Contributions**

In response to increasing private electric utility rates, Local Government Managers have had the opportunity to be responsive to residents’ concerns and provide a new service to their residents. In accomplishing this, Local Government Managers have had to make presentations to various boards, committees and most importantly their legislative bodies to achieve acceptance of this new service. This has allowed residents to see the benefit of Local Government Managers.

Local Government Managers have had the opportunity to provide a superior service to their residents than individual residents could attain individually.

Local Government Managers have been able to assist residents in saving on their electric utility costs without creating a costly infrastructure to support this new service.

Local Government Managers have demonstrated the benefits-price stability, savings, good customer service, and a fair contract-from collaboration and cooperation among a large group of municipalities.