From the desk of:

Judith C. Boyko

August 9, 2013

RE: DISCUSSION ITEMS

Aggregation Program - Electric Supplier Contract

At the Board's July 23rd meeting, I presented, the Township's aggregation program electric supplier contract with First Energy Solutions (FES) expires December 2013. I also presented, at that time, Mark Burns, the Township's broker for its aggregation programs, was conducting an RFP process for an electric supplier.

Although, at that time, no formal action was taken, a majority of the Board of Trustees directed me to proceed with accepting offers from electric suppliers, wishing to contract with the Township for electric supply for its aggregation program.

Mr. Burns has concluded the RFP process and a presentation of his process, review of bidders, and recommended supplier was previously shared with the Board. In summary, forty (40) eligible suppliers were invited to bid and nine (9) responded. The bid terms requested were: 12, 17, 24, and 36 month pricing quotes, including fixed rates versus % discount of Duke Energy rates, no early termination fee, and civic grant options.

Based on Mr. Burns' process for scoring the bids, three (3) suppliers presented competitive bids with really only two (2) for further consideration. A comparison of the competitive suppliers which you already received and is attached, illustrates the alternative terms, fixed rate pricing, and other responses to contract terms.

Mr. Burns presented three (3) primary reasons why an extended term contract would capture competitive pricing initially and secure stable pricing long-term based on projected trends. Mr. Burns shares:

- Energy prices are trading at very attractive prices compared to where they've been over the past decade and are trading mostly flat going out 3-years. That's conducive to longer-term deals.
- Capacity costs are unavoidable and are going up in the next few years; hence, the primary reason "all-in" fixed rates are higher for longer terms. If the increasing cost of the unavoidable capacity charges is considered, the 3-year pricing can be argued to be lower than the 1-year pricing.
- Duke Energy's next Electric Security Plan (ESP) will take effect on 6/1/2015. No drastic decrease in Duke's regulated rates similar to the last time they filed an ESP is anticipated. Duke's regulated rates are now set by auctions and are known for the next few years.

If at least a majority of the Board would like to continue the Township's electric aggregation program, I would suggest the Board direct the Township Administrator to negotiate for electric supply with the top (2) bidders for an extended year contract at a fixed price with no early termination fee and a re-evaluation of pricing to capture any reduced pricing indicative of the effective date of Duke Energy's Electric Security Plan renewal. Further negotiating with the top two (2) bidders would provide a best and final offer and present an opportunity to reduce the quoted prices for electric supply, assuming all other contract terms afforded to the Township are satisfactory.

Since an electric aggregation program has been offered, participating accounts ranged from 16,000 to 12,000 with a calculated average savings per account of $655.81 and aggregate savings of $9,136,646.93 over Duke Energy's costs during the same period. With the Township aggregation programs, there are no guarantees for savings and

although they are opt-out, as with all aggregation provider contracts, any account can cancel at any time with no penalty.

Smith Road Connector

At previous Board of Trustees' meetings, the Smith Road Connector has been discussed. At the introduction of a Trustee, several meetings ago, a majority of the Board directed staff to work with the Butler County Engineer's Office (BCEO) to develop preliminary engineering to more specifically determine the limits, scope, and estimated preliminary cost to construct the subject multi-purpose path and overlay the current path on Smith Road which would link to the subject connector from the west.

Since that time, staff has been working with the BCEO to identify improvements to construct the proposed path. The BCEO consulted with staff on general preliminary plans and offered input on narrowing the scope and materials of the proposed path. Subsequently, on Friday, August 9th, the staff met with the BCEO to discuss revised preliminary engineering on the project's limits, scope, and estimated preliminary cost. I will present the Smith Road Connector as a discussion item at the Board's August 13th meeting and present the proposed limits, scope, and preliminary estimated cost to construct the project. I will also present an update to the construction schedule presented a month or so ago and request Board direction on proceeding. If the scope, limits, and cost estimate are acceptable to the Board, then at a near future meeting, the Board needs to provide formal direction to authorize the project if the Board wishes to continue.

Lowest 3 Bidders per Contract Term

INDEPENDENT ENERGY CONSULTANTS

Bidding Supplier	Price Offer Type	Rate Schedule	Term Months	Fixed Rate cents/kWh	Estimated Civic Donation Total	Renewable Energy Percentage	Early Termination Fee	Program savings difference from low term bid*
FirstEnergy Solutions	Fixed Rate	RS	12	4.99	$0	0.00%	$0.00	NA
Constellation	Fixed Rate	RS	12	5.048	$0	0.00%	$0.00	-$87,696
FirstEnergy Solutions	Fixed Rate	RS	12	5.07	$140,000	0.00%	$0.00	-$120,960
AEP Energy	Fixed Rate	RS	12	5.132	$0	0.00%	$0.00	-$214,704
FirstEnergy Solutions	Fixed Rate	RS	17	5.11	$0	0.00%	$0.00	NA
FirstEnergy Solutions	Fixed Rate	RS	17	5.16	$140,000	0.00%	$0.00	-$107,100
Constellation	Fixed Rate	RS	17	5.215	$0	0.00%	$0.00	-$224,910
Constellation	Fixed Rate	RS	17	5.339	$0	25.00%	$0.00	-$490,518
DPL Energy	Fixed Rate	RS	17	5.347	$0	0.00%	$0.00	-$507,654
FirstEnergy Solutions	Fixed Rate	RS	24	5.28	$0	0.00%	$0.00	NA
FirstEnergy Solutions	Fixed Rate	RS	24	5.32	$140,000	0.00%	$0.00	-$120,960
Constellation	Fixed Rate	RS	24	5.481	$0	0.00%	$0.00	-$607,824
DPL Energy	Fixed Rate	RS	24	5.523	$0	0.00%	$0.00	-$734,832
FirstEnergy Solutions	Fixed Rate	RS	36	5.3	$0	0.00%	$0.00	NA
FirstEnergy Solutions	Fixed Rate	RS	36	5.32	$140,000	0.00%	$0.00	-$90,720
DPL Energy	Fixed Rate	RS	36	5.495	$0	0.00%	$0.00	-$884,520
Constellation	Fixed Rate	RS	36	5.52	$0	0.00%	$0.00	-$997,920

* Assumptions: 14,000 accounts participate, each account consumes 10,800 kWh/year