



Edward M. Augustus, Jr.
City Manager

CITY OF WORCESTER

cm2017jun16111258

Attachment for Item # 8.27 A

June 20, 2017

TO THE WORCESTER CITY COUNCIL

COUNCILORS:

I respectfully request City Council's review, consideration and authorization to commence with a Municipal Electric Aggregation, as recommended by John Odell, Director of Energy & Assets and forwarded for the consideration of your Honorable Body.

Work to coordinate the process of a municipal aggregation has been proceeding with National Grid and a third party consultant, Source One. This work has resulted in an MOU between the City and National Grid to work together to include the approximately 20% of city ratepayers participating in the SmartGrid Pilot into the Aggregation. These steps were a necessary prerequisite before asking the Council for Authorization to proceed with the aggregation.

Respectfully submitted,

Edward M. Augustus, Jr.
City Manager



OFFICE OF THE CITY MANAGER, CITY HALL, WORCESTER, MA 01608
TELEPHONE (508) 799-1175 | FAX (508) 799-1208
EMAIL: citymanager@worcesterna.gov





Edward M. Augustus, Jr.
City Manager

Thomas F. Zidelis
CFO

CITY OF WORCESTER
Division of Administration and Finance

John Odell
Director, EAM

Memorandum

To: Edward M. Augustus, Jr., City Manager
From: John Odell, Director of Energy & Assets
CC: Thomas Zidelis, Chief Financial Officer
Date: June 13, 2017
Re: **Municipal Aggregation - Authorization**

Municipal Electric Aggregation (“MEA”) is a method by which the City can buy electricity on behalf of a group of ratepayers (i.e. a single buying pool) within City boundaries. Since 2009, the City of Worcester has been investigating the feasibility and desirability of MEA, which was enabled by the state Restructuring Act of 1997 (Chapter 164).

This year, having carefully considered the options, with assistance of a consultant (SourceOne, Inc.), I am recommending pursuing MEA in the City of Worcester.

The benefits and goals of the Worcester MEA would include:

- ✓ **Cost stability** (as compared to the default semi-annual electrical rate swings when electrical supply is procured by National Grid);
- ✓ **Modest reductions in electrical costs** (see Table 1 on p2), due to aggregating within the WCMA (West/Central Massachusetts) electrical load zone¹;
- ✓ **Providing an option for green electricity for customers**, thus advancing City’s sustainability goals; and
- ✓ **Providing modest additional funding for municipal sustainability staff and programs.**

There is little risk to the electrical rate payers, as the program allows for an easy opt-out at any point of time. Also, the city is intent on making the ratepayer experience seamless when transitioning to municipal aggregation. The city also wants to be sure that the 15,000 ratepayers in National Grid’s SmartGrid Pilot (also known as the Smart Energy Solutions Program) realize similar savings as those not in the Pilot area, while not negatively impacting the Pilot.

While many communities in the state and the country have been successfully implementing MEA, to the best of our knowledge, no community has done it with time-of-use customers. The City is in the process of finalizing a Memorandum of Understanding with National Grid with the goal of working together to establish a framework to enable continuation of core elements within the Pilot while realizing equivalent cost savings for participating ratepayers.

¹ The cost reduction estimates for an MEA in Worcester are derived from a fact that the cost of electrical capacity is the lowest for WCMA as compared to the remaining two load zones in Massachusetts (SEMA and NEMA), making it cheaper to do an MEA solely for WCMA zone, vs. being part of the aggregation of the blend of all three zones, which is what National Grid is doing when it procures electricity for its customers..



Indicative cost savings based on current market conditions are noted below:

Table 1. Indicative 3rd Party Electrical Supply Pricing (assuming start date of Dec '17)					
	Electrical Supply Cost (\$/kWh)	Potential Savings %	Potential Total Yearly Savings \$	\$ Saved for Residential Rates	Yearly Savings for Average Residential Customer
12 month term	\$ 0.10950	3.0%	\$ 2,476,975	\$ 1,681,927	\$ 29.99
18 month term	\$ 0.11050	4.4%	\$ 3,654,979	\$ 2,481,820	\$ 44.26
24 month term	\$ 0.10950	0.1%	\$ 111,531	\$ 75,732	\$ 1.35

Recommendation:

I respectfully recommend that the Council authorizes the commencement of a Municipal Electric Aggregation, to allow my staff to proceed with developing the Aggregation Plan.

If so authorized, the next steps and estimated timelines in the MEA process are as follows:

<i>RFP for Aggregation Agent.</i> City (with the consultant assistance) develops a Request for Proposals for Aggregation Agent Services.	Jul-Aug 2017
<i>Developing Aggregation Plan.</i> Aggregation Agent is hired and develops Aggregation Plan in consultation with the City (internal and external input) and Division of Energy Resources (“DOER”). Aggregation Plan is approved by the Council and filed with the Department of Public Utilities (“DPU”) for approval.	Aug – Oct 2017
<i>MA DPU Approval.</i> Timeframe for review and approval of the Aggregation Plan by the MA Department of Public Utilities.	Oct 2017 – Mar 2018
<i>Pilot’s Cost Recovery Plan.</i> National Grid files a cost recovery plan for the Pilot with the DPU and obtains approval.	Dec 2017 (TBD)
<i>RFP for Competitive Electrical Supply.</i> Aggregation Agent drafts a Competitive Electrical Supply Request for Proposals (in accordance with the Aggregation Plan), which is reviewed, approved and posted by the City.	Mar 2018
<i>Electricity Supply Procurement.</i> The City reviews submitted bids and makes the selection with the licensed competitive supplier.	Apr 2018
<i>Implementation.</i> The City, with assistance from the Aggregation Agent, implements MEA until the end of the term of the contract.	June 2018