OHIO
HUDSON

Public Works 1769 Georgetown Road ● Hudson, Ohio 44236 ● (330) 342-1700

MEMORANDUM

To: Thomas J. Sheridan, City Manager

From: Kevin Powell, Public Works Director

Date: March 28, 2025

Re: Natural Gas Aggregation

This memo is an update the status of the City of Hudson's Natural Gas Aggregation Program, current program and recently received proposal.

Since 2014, the City of Hudson has maintained ongoing renewal agreements with Constellation New Energy to offer Hudson residents, businesses, and other consumers an "opt-in" program for natural gas. In 2024, Constellation decided to discontinue its opt-in residential natural gas aggregation program, prompting the need to secure a new provider.

Due to the limited availability of service providers, staff collaborated with the City's energy broker to review current rate offerings and forecast future gas rates. After an extensive search for opt-in service providers, the broker identified a provider whose services aligned with the City's needs. Considering the current market trends and rising natural gas futures heading into the fall, the broker recommended a one-year fixed-rate agreement with Eastern Power and Gas. Staff presented this recommendation to Council and requested approval to enter into an agreement with Eastern P&G LLC as the City of Hudson's preferred Natural Gas Aggregation Provider for a 12-month term.

In March 2025, the City received notice from Eastern P&G LLC requesting an amendment to their current agreement for the natural gas aggregation program. The most significant change involved replacing the fixed rate of $3.75/MCF with a variable rate tied to Enbridge's Standard Choice Offering (SCO) rate minus $0.05. Per Enbridge, *The SCO is a default rate that customers who are eligible for Energy Choice but have not chosen a supplier or joined a governmental aggregation program, pay for their natural gas consumption.* According to information from various meetings between the City, the broker, and the service provider, this amendment was prompted by several market factors, including colder-than-expected winter temperatures, evolving market conditions, and capacity constraints.

Considering the recent proposal from Eastern P&G LLC to amend the current natural gas aggregation agreement, a list of pros and cons has been compiled for review and consideration.

Accepting Proposal:

- **Pro:** Continued service for residents
- **Pro:** Proposal can be extended until spring of 2026
- **Con:** Minimal saving based on SCO rate
- **Con:** SCO is a variable rate that adjusts monthly
- **Con:** May not be the best price available, potential lack of future opt-out options.

Not Accepting Proposal:

- **Pro:** Based on the current proposal using Enbridge's SCO minus ($.05), a homeowner with a 2,500sf home using 100 MCF/ year would expect annual savings of $5.00 over the default SCO.
- **Pro:** Freedom to seek other providers, potential for lower rates elsewhere.
- **Pro:** Residents have already received the benefits of the plan as the peak season has ended
- **Con:** Due to lack of Opt-In options, a new provider may not be available for a 25/26 program
- **Con:** Due to timing considerations, transitioning to an Opt-Out program would not align with the 25/ 26 season
- **Con:** Potential hassle and uncertainty in searching for a new provider.

Closing Comments:

After careful consideration of the proposal from Eastern P&G LLC to amend the current natural gas aggregation agreement, the recommended course of action is to terminate the agreement. While the proposal does offer continued service and an extension into 2026, the variable SCO rate introduces significant uncertainty and minimal savings for residents. This lack of predictability, combined with the potential for higher costs, detracts from the core objective of providing stable and advantageous aggregation services.