

Virginia Energy Purchasing Governmental Association (VEPGA)

**Virginia Aquarium and Marine Science
Center – Virginia Beach, VA**

May 12, 2016

What is VEPGA?

- Brief History and Purpose
- Who is VEPGA
- Functions
- Benefits

Local Government History in Negotiating Rates for Electricity Services

- VA Code allows for negotiation of elec. rates
- Energy Crisis hit in 1972-73
- Electricity costs increased 100% to 200%
- Local governments in Dominion's (Virginia Power) service territory formed a rate negotiating committee (Steering Committee) through VML/VACO
- APCO Steering Committee

VML/VACo Virginia Power Steering Committee, 1972 to 2002

- Negotiated rates on basis of cost of service
- Assessments (pro-rata) to raise funds to hire legal counsel and consultants
- Generally Provided for 3 year contracts
- Able to develop rates and terms and conditions of service that were lower cost and better met local government's needs than SCC tariffs at a lower rate.

VA Passed Electric Deregulation in 1999

- Electric Deregulation was not successful in Virginia and,
- In anticipation of retail competition, the VML/VACo steering committee formed a joint purchasing association in 2002 to
 - Purchase electricity cooperatively to obtain a better price
 - Give local governments a joint purchasing association to improve their collective position with Dominion, which resulted in..
 - Virtually every county, city and town in Virginia being members

Virginia Energy Purchasing Governmental Association - VEPGA

Established in 2002 as legal entity due to electric competition
Ability to sign contracts for electricity services on behalf of all local government members

Counties, cities, towns, schools, and other local government entities

Board is established to govern a mutually beneficial relationship with the utility.

15 Board members elected from the membership (We currently have 12 w/ 3 to be elected today)

Board members serve staggered 3 year terms

Four meetings per year, one of which is the Annual Meeting

Regional Coordination, Cooperation and Understanding

VEPGA Profile

- Approx. 172 counties, cities, towns and authorities
- Energy Load – 4,730 GWH
- Dominion System – 83,070 GWH
- 5.7% of total Dominion System
- Our over 20,000 individual electric accounts with Dominion are treated as a single customer contributing over \$400 Million in revenue annually – allows us to have a great position with Dominion.

VEPGA Annual Electricity Costs

- 2014 approximately \$400 million per year
 - Depending on fuel costs
- 2015 - 2018 contract with Dominion – 4 year length
 - \$1.6 billion contract

VEPGA Annual Expenses

Legal and consultant services vary from \$220,000 per year to \$440,000 per year

- Depending on contract negotiations mode
- Approximately 1/1000 of a dollar per dollar expenditure on electricity services

VEPGA

Legal and Admin. functions

- Legal – *Christian and Barton*
 - Contract negotiations and interpretation
 - Legislative/Regulatory Monitoring/Education
 - Advice
 - Rate analysis
 - Meetings
- Admin. Services - *VML*
 - Member services/dues assessment/billing
 - Auditing

VEPGA

***Consultant functions* – Technical Assoc.**

- Fuel and rider audit
- Develop projections of costs
- Rate and schedule analysis
- Cost of service analysis
- Contract negotiations
- Meetings and advice
- Educational information

VEPGA Benefits – Lower Rates

- VEPGA rates are on average approx. 3.6% lower than rates set by the State Corporation Commission
- Estimated Savings of \$14.346 million per year
- Current 4 year contract – Is estimated to save \$57.4 million
- Provides updates during the General Assembly on energy bills
- Through negotiations we are able to shift revenue recovery making annual fluctuations in cost more stable for budgeting
- Meet our member's budgeting requirement in a timely manner

VEPGA Committees

- Joint Action Committee
 - Meets quarterly with Dominion
 - Addresses street lighting, construction, relocation, maintenance issues that are not able to be worked out locally
 - and Recently - LED streetlights
- Energy Efficiency Committee
 - Serves as an educational and technical resource to local governments
 - Meets Quarterly

VEPGA Annual Meeting

- April/May each year
- Legislative/Regulatory/Contract updates
- Discussion with members of emerging issues:
 - Energy Efficiency 2007
 - LED streetlights, GHG emissions inventories, Portfolio Manager, power quality, future energy issues, etc.
 - May 7, 2015 in Virginia Beach

Questions?

Web Site is: www.vepga.org