

MINUTES

COUNCIL-MANAGER BRIEFING

APRIL 26, 2010

Mayor Ronald A. D'Epifanio called the Council-Manager Briefing to order at 6:00 p.m. at the Fairfield Municipal Building, 5350 Pleasant Avenue. The following Councilmembers were present: Marty Judd, Tim Meyers, Mike Oler, and Terry Senger, Mitch Rhodus (arrived late). Staff present: Dennis Stuckey, Dave Crouch, Dave Butsch, Arthur Pizzano, Angie Johns, Tim Bachman, John Clemmons.

Preferred Electric Supplier Endorsement Program

City Manager Pizzano explained Duke Energy Retail Sales is making a program available to residents similar to the one the City is participating in. Mr. Paul Smith, Vice President of Duke Energy Retail Sales, LLC explained the difference between Duke Retail Sales, which is the commodity the electricity that is transmitted across the wires, not the wires themselves which will remain regulated by PUCO and will still be provided by Duke Energy Ohio. Mr. Smith stated prices for Duke Energy Ohio were set two years ago by the Public Utility and Commission of Ohio (PUCO) and those prices are set through December of 2011. He explained the only way to compete and take advantage of the low prices was to form a non-regulate affiliate. He briefly discussed this program will be a Preferred Supplier or Endorsement Program, not an aggregation program, which requires voter ballot and approval. Mr. Smith explained they would like the City's endorsement. He further explained they can currently send out letters advertising to residents and small business, but they feel there is a great alliance and a strategic partnership between the City and Duke Energy that adds another level of credibility to residents and small businesses. Mr. Smith explained the program is going to offer an opportunity to have an 18% percentage discount off of the Duke Energy utility price. He explained residents will have the option of choosing 18% off of the utility price or a fixed price in today's market that is 6.39 cents. He briefly explained the "Peace of Mind" guarantee in which the greatest percentage being offered to a community will be automatically modified for any residents or small businesses participating in the program. He further explained on the fixed price, if the utility price is lower than the 6.39 cents, the same price as the utility will be offered. Mr. Smith stated in his mind there are two competitors on the residential side and maybe a dozen on the industrial side. He explained suppliers have to be certified by the State and there are probably 30 certified by the State and then they are registered with the local utility, in our case with Duke Ohio and there are roughly ten with Duke Ohio. Law Director John Clemmons stated those are all potential competitors. Mr. Clemmons explained legislation would be to enter into the agreement being proposed by Duke Energy Retail Sales and they are asking in lieu of them providing this benefit to our consumers that the City agrees that it would not engage in an aggregation process at least not one that is initiated by the City Council. Mr. Smith clarified that their proposal will go through December of 2011 because that is when the Duke price is frozen until. In 2011 Duke Energy Ohio, the utility, has to come back with a new price proposal and his goal is to not lock anyone in case their prices comes down. Mr. Meyers asked what will happen if the competition came before us, will they be asking for the same thing. Mr. Clemmons clarified if competition came to Council we would say that we have entered into an agreement with Duke to be the preferred endorsed supplier. Mr. Smith discussed the promotion of the program through the City's newsletter and website to get the information out to as many residents as they can. He further explained the City will be included in a letter campaign to all residents and small businesses. Mr. Pizzano handed out a draft of the letter, which is attached to the minutes. Mr. Clemmons clarified the out of pocket expenses will be Duke's. Mr. Smith explained they will have an 800 number for questions, and the goal is to avoid having the calls come to the city, but he does not think they will be totally eliminated. Mr. Smith explained because they offer both the fixed rate and the percentage off it is difficult to match lower competitor rates at 5.99 cents because they are actually giving lower than 5.99 to some of the customers with the 18% discount. Councilmember Meyers expressed his concern with receiving calls and trying to explain the difference. Mr. Smith explained a second competitor is offering 50% off the first month and 10% off every month thereafter. Mr. Smith gave examples of how the 18% off could actually save customers more than the 5.99 cents if they lock into 5.99 cents and the Duke rate goes down those that have chosen the percent off discount will pay less. Mr. Clemmons stated the reason their proposal is attractive is that people are used to Duke Energy, however, people are still leery, but if the City puts its stamp of approval on this program because it is an affiliate of Duke Energy people will have some comfort and we will get more people saving money. Further, he commented it would be difficult to have a track record with any of these other companies. Councilmember Rhodus asked why that matters if the companies are invisible. Mr. Smith stated they are invisible, but they may not have credit ratings to stay in business or a bad call center. Mr. Clemmons stated if anyone who wants to take one of the other companies are still free to do that. Mr. Smith commented other communities believe their endorsement will encourage residents to take advantage. Mr. Smith stated they are not proposing aggregation. Mr. Pizzano explained this program is an opt-in, not opt-out. Mr. Smith briefly explained the transmission rate versus distribution rate. He commented the only part not discounted is the distribution fees. He explained they have a call center and the goal is to set up an 800 number solely for the City of Fairfield. Mr. Smith stated the 18% is off the utility price. Mr. Pizzano stated this is the exact program we signed up for six months ago as a City. Mr. Smith explained they will not offer to residents unless endorsed because sending blank flyers to residents tends to get thrown out or they don't understand it. He further explained it is the credibility that the City adds that will make this successful for them. He clarified that this will not be offered to residents unless endorsed. He commented about ten communities have signed up to date, and they are only taking to communities that have signed up for their own accounts. Mr. Smith explained at the end of December 2011 they can go back to the utility or can continue with the program. Resident Keith Davis, 1853 Vernon Place, expressed his concern with a government body endorsing a company.

Adjournment

The Council/Manager Briefing adjourned at 6:48 p.m.

Respectfully Submitted,


Angela Johns
Clerk of Council

<<CUSTOMER NAME>>
<<SERVICE ADDRESS OR MAILING ADDRESS>>
<<CITY,>> <<STATE>> <<ZIP CODE>>

SAVE NOW!

Dear <<CUSTOMER NAME>>,

Everyone is trying to save money. Duke Energy Retail Sales and The City of Fairfield are working together to find a way to help you do just that.

Duke Energy Retail Sales is very pleased to be able to offer City of Fairfield residents and small business owners a unique opportunity. Duke Energy Retail Sales is a subsidiary of Duke Energy Corp.

We have constructed a program to reduce your monthly electric bill. This program offers you two savings options:

- **18% guaranteed discount off of utility price:** provides savings certainty, savings will appear on each month's bill, and likely provides greater savings for residents with electric heating
- **6.50¢/kWh fixed price:** provides fixed price, and likely provides greater savings for customers with central air conditioning and gas heating

(Paul, provide a couple of examples of monthly billing charges under each option here)

Duke Energy Retail Sales has quickly adapted to changing market conditions to be able to offer competitive electric rates to the residents and small business owners of The City of Fairfield. All you need to do is request to have Duke Energy Retail Sales become your electric provider and start seeing savings off your current electric rates on the electric generation portion of your bill (the largest component of your electric bill).

- Your electric bills will still come from Duke Energy Ohio
- Duke Energy Ohio will still restore your power in times of an outage
- Your electricity service will continue without interruption

Why pay more for your electric bill when you don't have to?

There are two easy ways to enroll:

1. Go online to www.duke-energy.com/ders
or
2. Fill out the bottom portion of this letter in the enclosed postage paid return envelope.

If you have any questions, please contact Duke Energy Retail Sales at save.ders@duke-energy.com or call 1-877-657-5279. Enroll now as this offer is valid until May xx, 2010.

Please consider taking advantage of this special offer your elected officials have created for you.

Enroll and Save Now!

YES! ENROLL ME WITH DUKE ENERGY RETAIL SALES TODAY!

I WOULD LIKE TO ENROLL IN (PLEASE CHECK ONE)

18% Guaranteed Discount – **CERTAINTY** - savings are listed each month on your electric bill through 2011!

6.5 Cents per kWh – **STABILITY** - fixed rates each month on your electric bill through 2011.

<<CUSTOMER NAME>>
<<CITY,>> <<STATE>>
<<ACCOUNT NUMBER>>

<<SERVICE ADDRESS OR MAILING ADDRESS>>
<<ZIP CODE>>



**Preferred Electric Supplier Endorsement Program
For
City of Fairfield**

Submitted by

Duke Energy Retail Sales
139 E. Fourth Street
Cincinnati, OH 45202
513-419-5180

Executive Summary

Duke Energy Retail Sales, LLC, a member of the Duke Energy Corporation family of companies and an affiliate of Duke Energy Ohio, Inc., offers this “Preferred Electric Supplier Endorsement Program” proposal for consideration by the City of Fairfield. This program provides Fairfield residents and small businesses (<700,000 KWh annually) significant energy savings and a choice of pricing plans that meet their individual needs.

“Preferred Electric Supplier Endorsement Program” highlights include:

- a) This is an Voluntary participation (Opt-In) program- Your Residents can elect to participate
- b) Two Pricing Options for participants:
 - 1. Guaranteed Discount of 18% from Duke Energy Ohio’s avoidable price through 2011
 - 2. Fixed Price currently at 6.50¢/kWh through 2011
- c) “Peace of mind” Guarantee against a drop is the utility standard service offer price

Duke Energy Retail Sales also offers City of Fairfield residents and small businesses an energy partnership that is built upon trust, value, and flexibility. By selecting Duke Energy Retail Sales, consumers will benefit from:

- Competitive, flexible electric commodity pricing alternatives,
- Consolidated billing convenience – consumers continue to receive just one electric bill each month, and
- Access to our local team of knowledgeable and experienced energy professionals to develop and deliver maximum energy value solutions to residents and small businesses.

Duke Energy Retail Sales is eager to work with the City to shape this proposal to meet your community’s specific requirements. If you have any questions about this proposal, please contact:

Paul Smith
Vice President
Duke Energy Retail Sales, LLC
Phone: (513) 419-5180

Qualifications

Duke Energy Retail Sales, LLC, a member of the Duke Energy Corporation family of companies and an affiliate of Duke Energy Ohio, Inc., is a certified retail electric service provider headquartered and staffed in Cincinnati, Ohio. As part of Duke Energy's Commercial Power business, we leverage a diverse fleet of non-regulated generation and deep commodity risk management capabilities to deliver a wide array of energy solutions to consumers throughout Ohio.

Duke Energy Retail Sales currently supplies competitive electric service to consumers throughout Ohio, and is the preeminent supplier in Southwest Ohio. We currently provide more electric supply to the Greater Cincinnati metropolitan community than all other competitive electric suppliers combined. Our customers include many of the most-recognizable companies in Greater Cincinnati. These customers depend on Duke Energy Retail Sales' demonstrated ability to provide generation services to their facilities.

We offer a wide variety of pricing alternatives aimed at meeting the unique needs of each customer including "guaranteed discount", fixed-price, index-based and customized pricing structures. Our standard terms range from one to two years.

As a member of the Duke Energy Corporation family, Duke Energy Retail Sales is able to leverage the various resources of Duke Energy Business Services to serve customers effectively and efficiently. These resources include: regulatory and legal counsel, call center services, accounting and billing systems, printing services, and marketing and communications support.

The Duke Energy Retail Sales team, located and staffed here in Greater Cincinnati, has hundreds of years of experience in the electric utility and electric services industries. We have experience managing customer campaigns for electric supply, including call center and direct mail response processing. Recently, we successfully completed an electric supply campaign to 55,000 small businesses in Ohio. Our knowledge of local businesses and communities enables us to better anticipate and meet Greater Cincinnati's energy needs, and to play a key part in maintaining the vibrancy of the local economy. We have been here for many years and we will be here tomorrow to serve your energy needs.

Program Overview and Pricing

Duke Energy Retail Sales' preferred electric supplier endorsement program provides residents and small businesses the opportunity to reduce electric costs and the option to choose a program that best meets their energy and financial needs.

Program highlights include:

Branded Community Program

- Duke Energy Retail Sales will work closely with the City of Fairfield to develop and market a co-branded preferred electric supplier endorsement program to eligible residents and businesses that use less than 700,000 kWh per year.
- Duke Energy Retail Sales will utilize the Duke Energy Ohio pre-enrollment list and tax district information to ensure that all eligible residents and small businesses receive an offer from Duke Energy Retail Sales.

Pricing options to meet different needs

- Customers will be offered an opportunity to choose between our "Guaranteed Discount" and "Fixed Price" programs.
- "Guaranteed Discount" participants receive generation and transmission service at an 18% discount from Duke Energy Ohio's then-current Standard Service Offer rates for all avoidable generation and transmission services through 2011. The discount will be shown as a separate line-item on the Duke Energy Ohio monthly utility bill, thereby clearly highlighting each customer's monthly savings. Two unique and important features of the Duke Energy Retail Sales Guaranteed Discount Program: 1) the discount applies to all transmission services including transmission-related services identified in a separate tariff approved by the PUCO, and 2) the Guaranteed Discount program is not contingent upon Duke Energy Ohio maintaining a certain Standard Service Offer price.
- "Fixed-price" participants receive generation and transmission service at a fixed price currently at or below 6.50¢/kWh for electricity delivered through the customer's January 2012 meter reading. Duke Energy Retail Sales' fixed price offer is not contingent upon DE Ohio maintaining a certain Standard Service Offer price. This price may be adjusted should local officials decide to participate in the community investment program described below.

“Peace-of-mind” Guarantee

- Participating customers can rest assured that they will receive the greatest discount offered to any community through the preferred supplier program. If Duke Energy Retail Sales offers an enhanced percentage discount to another community, customers enrolled in the “Guaranteed Discount” program will be presented the enhanced offer.
- Duke Energy Retail Sales will notify participating “Fixed Price” customers if the Duke Energy Ohio Standard Service Offer rate falls below the customer’s contracted price. The customer will then have the option to return to Duke Energy Ohio’s Standard Service Offer supply.

Duke Energy Corporation Overview

Duke Energy Corporation is one of the largest electric power companies in the United States. We supply and deliver energy to approximately 4 million U.S. customers. We have approximately 35,000 megawatts of electric generating capacity in the Midwest and the Carolinas, and natural gas distribution services in Ohio and Kentucky. In addition, we have more than 4,000 megawatts of electric generation capacity in Latin America.

Local Employer

- Over 3200 employees in Greater Cincinnati
- Duke Energy Employees are residents of your community
- Duke Energy and employees are Local Tax Payers

Industry Leadership

- 3rd largest electric holding company in the U.S. based on kilowatt-hour sales
- Fortune 500 company
- Total assets of \$53.1 billion as of Dec. 31, 2008

Recent Recognition

- Dow Jones Sustainability Index for North America
- America's Most Admired Companies, Fortune Magazine
- World's Most Ethical Companies, Ethisphere Institute
- 100 Best Corporate Citizens, CRO Magazine
- Top 5 Customer Satisfaction, National Key Accounts Benchmark Survey
- Green Energy Ohio Business of the Year

Commitment to Greater Cincinnati

- Approximately 3,300 employees in Greater Cincinnati
- Annual charitable giving in Greater Cincinnati has averaged more than \$3.5 million over the past 5 years
- Duke Energy Corporation and our employees have been among the Top 10 contributors to the Greater Cincinnati United Way for the past 10 years.
- Duke Energy Corporation has ranked among the Top 10 contributors to the Fine Arts Fund for the past 16 years
- Duke Energy Corporation employees completed more than 190 service projects, assisting 120 non-profit agencies in 50 communities during the past year

DISCLOSURE STATEMENT

This document is provided to the City of Fairfield, solely for the purpose of evaluation of this Duke Energy Retail Sales, LLC proposal to provide competitive electric supply to residents and businesses located in Fairfield, Ohio.

The information contained herein is proprietary and is not intended for public use or voluntary disclosure to any third party without the written consent of Duke Energy Retail Sales, LLC.

APPLICABLE REGULATION

All of the products and services described in this proposal will be coordinated by Duke Energy Retail Sales, LLC and provided by Duke Energy Retail Sales, LLC or a Duke Energy Corporation affiliate.

Services provided within the service territories of Duke Energy Ohio will be provided in strict compliance with all laws, regulations, and the regulatory orders of the Public Utilities Commission of Ohio.