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VEPGA

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About VEPGA

1. What is VEPGA?

   VEPGA is the Virginia Energy Purchasing Governmental Association. VEPGA is forming March 1, 2002 utilizing a Joint Powers Association Agreement ("JPA Agreement") as provided by Virginia statute. VEPGA will, on behalf of its members, negotiate for power generation. VEPGA will also take over the functions historically provided by the VML/VACo Virginia Power Steering Committee, which will include oversight of the current agreement with Dominion Virginia Power, future negotiations with Dominion Virginia Power for distribution rates and terms and conditions of service, monitoring of legislative and regulatory developments and other energy related functions as outlined in VEPGA's Bylaws.

2. Who are VEPGA Members?

   Members are the governmental entities that approve the JPA Agreement by ordinance or resolution. Their authorized representatives will sign the JPA Agreement on their behalf.

3. Who makes decisions on behalf of VEPGA?

   VEPGA is governed by its Board , which is assisted by the advice of consultants and legal counsel and the officers of VEPGA, who are Paul Proto from Henrico County, Steve Sinclair from Fairfax County, and Steve Craig from the Virginia Municipal League. The Board, with the advice and consultation of its consultants and legal counsel, is responsible for procuring bids for electric generation supply, evaluating such bids, and approving the award of the contract(s) based on such bids.

4. Why should our entity join VEPGA?

First, should deregulation result in the opportunity for savings, large volume consumers are likely to realize the greatest benefit. Simply put, there is strength in numbers. The combined annual usage of public entities in the Dominion Virginia Power territory exceeds 3.7 billion kilowatt-hours.

Second, as electric deregulation evolves, local governments will be obligated to competitively procure electric generation. This type of procurement requires specialized expertise that few local governments have in-house. Should your locality not have this expertise in-house, you will have to contract with a vendor to provide such expertise. If you consider that cost compared with your VEPGA assessment, you will likely find it is much more economical to participate in VEPGA.

Joining VEPGA

5. Must a local government approve the JPA Agreement by ordinance/resolution?

Yes. Since the JPA Agreement is being undertaken pursuant to the Joint Powers Act, the JPA Agreement must be approved by ordinance by counties, cities and towns and by resolution by other political subdivisions. Even if the assessment for one separate governmental unit is included within the assessment for another separate governmental unit (for example, a county's assessment payment covers both county buildings and school board buildings), both governmental units must approve by ordinance or resolution participation in VEPGA.

6. Must a local government find that competitive sealed bidding and competitive negotiation are not fiscally advantageous to the public?

Yes, in order to take advantage of the exemption from competitive sealed bidding/competitive negotiation afforded by Section 2.2-4345.A.13 of the Public Procurement Act. This finding is included in the sample JPA resolution/ordinance included with the JPA materials.

7. Can staff of a locality sign the JPA Agreement without the approval of its board?

No. The JPA Agreement must be approved by an ordinance adopted by counties, cities and towns and by a resolution adopted by other political subdivisions.

Fees for Participating in VEPGA

8. What are the fees for participating in VEPGA?

The assessment represents your entity's pro-rata share of the total assessment based on your pro-rata kilowatt-hour usage compared to total usage subject to a $25 minimum.

9. How is the total assessment determined?

A work plan and budget based on the expected activity of the Association for the 12-month period beginning July 1st is developed annually The budget for 2002-03 is $350,000. By way of comparison, local governments in the Dominion Virginia Power territory spend in excess of $230 million annually for electric power.

Conduct of VEPGA Business

10. How were the initial VEPGA Board members selected?

Initial board members were selected from among local governments that actively participate in the VML/VACo Virginia Power Steering Committee process. School districts represent approximately one-third of the total usage of local governments served by Virginia Power, and approximately one-third of the initial board members serve as representatives of school districts. The board members will serve staggered terms as shown on Schedule A of the JPA Agreement. As their terms expire, the Members will re-elect these board members or choose new Board members to serve three-year terms.

11. Why is the maximum size of the VEPGA Board limited to fifteen?

The maximum size of the VEPGA Board is limited to fifteen solely for ease of administration. A larger board (such as one composed of representatives from all VEPGA members) would require a larger quorum and make it more difficult for the board to conduct business. Although formal votes by the VEPGA Board will be limited to VEPGA Board members present at a meeting in which a quorum is present, representatives of all VEPGA members are encouraged to attend board meetings and participate in the discussion of issues being considered by the VEPGA Board.

12. What costs are VEPGA members responsible for?

VEPGA members are responsible for an annual assessment based upon annual energy consumption and for fees associated with any optional VEPGA activities that VEPGA members may choose to participate in. VEPGA members are also responsible for payments due under any contract with a competitive service provider to service that member's accounts.

13. Can VEPGA expand its authority on its own?

The JPA Agreement and the JPA bylaws establish the authority of VEPGA. Any revision of the JPA Agreement would require the agreement of all Members. A two-thirds vote of the entire Board or a two-thirds vote of all the Members may amend the JPA Bylaws.

14. What is the planned scope of duties and responsibilities of VEPGA members?

Once VEPGA members have executed the JPA Agreement, their ongoing obligations will be the payment of annual assessments and the election of the Board at annual meetings.

Procurement by VEPGA

15. Will joint procurement be undertaken pursuant to competitive sealed bidding/competitive negotiation requirements of Public Procurement Act?

    It is expected that the joint procurement process will be exempt from the competitive sealed bidding/competitive negotiation requirements of the Public Procurement Act pursuant to the exemption afforded by Section 2.2-4345.A.13 of the Procurement Act. The JPA Agreement establishes a membership association to conduct the joint procurement pursuant to such exemption.

16. Will competitive principles be employed in the procurement?

    Yes. Competitive principles are required to be utilized pursuant to the exemption afforded by Section 2.2-4345.A.13 of the Procurement Act, and the procurement process to be authorized by the VEPGA Board will be based on competitive principles.

17. On what basis will the winning supplier(s) be selected?

    Suppliers will be selected based on their qualifications and the price savings they offer, as described in more detail in Section 2 of the JPA bylaws.

18. Is VEPGA authorized to execute contracts on behalf of its Members?

    Yes. The JPA Agreement and the Bylaws permit the Chair or Vice Chair of VEPGA to execute on behalf of a VEPGA member one or more contracts for electricity generation services.

19. Who will be obligated to pay individual bills corresponding to each account?

    The same entity that pays the bills now will be obligated to pay the bill in the future. There will be no obligation on behalf of one VEPGA member to pay the electric bills of another VEPGA member.

20. Is the payment obligation subject to annual appropriation?

    Yes.

21. What is the target date for submitting JPA materials?

    March 1, 2002 is the target date for submitting to Virginia Municipal League a signed JPA Agreement and documentation that a resolution or ordinance has been adopted. Payment of the 2002-03 assessment is not due until August 1, 2002.

22. When is the procurement process expected to commence?

    On or after April 1, 2002.

23. When are contracts for supply expected to be awarded?

On or after May 1, 2002.

24. How do these dates correspond to the dates for energy deregulation in Virginia?

Although one-third of local government accounts may purchase electricity competitively as of January 1, 2002, our assessment is that the number of suppliers participating in retail access at the beginning of 2002 will be limited. This limited number is based on the fact that the shopping credits the suppliers will have to beat has not yet been determined for jurisdictional customers, and the shopping credits for local governments will not be determined until 30 days after the jurisdictional shopping credits are determined. In addition, one competitive supplier that participated in the local government pilot program has informed us that the shopping credits for jurisdictional customers are too low for it to serve retail access load in Virginia in 2002. Accordingly, the timing of the procurement process for VEPGA is currently geared for serving the two-thirds of local government load that will be eligible for retail access on September 1, 2002, and, if market conditions warrant, the 100% of local government load that will be eligible for retail access on January 1, 2003.

Evaluation of Joint Procurement for Competitive Electricity Purchases

25. Can a local government achieve similar results by purchasing electricity competitively on its own rather than joining VEPGA?

It is possible, but unlikely, that a local government could achieve similar savings by purchasing electricity competitively on its own. Smaller unaggregated accounts are likely to get higher price bids due to increased transaction costs for competitive suppliers and due to the suppliers' inability to take advantage of potentially better load profiles offered by a larger aggregation of accounts. In addition, using joint procurement permits consultant's fees and legal fees to be spread out over a larger group. Having expertise in evaluating bids may be particularly helpful due to the currently volatile and evolving nature of the market for competitive electricity supply.

26. Are savings guaranteed to VEPGA members?

No. Savings depend upon whether competitive electricity suppliers can beat the shopping credit, which is based on the Virginia State Corporation Commission's estimate of what future market prices will be. The shopping credit is the amount not paid to Virginia Power when the supply is purchased from a competitive supplier. Participating in VEPGA should make it more feasible for local governments to realize any available savings that the competitive electricity market can offer. However, if actual market prices are higher than the shopping credit, then competitive electricity suppliers will not be able to offer savings.

27. Is participation in VEPGA required?

No. Local governments do not have to participate in VEPGA to procure electricity competitively.

28. What is the amount of savings, if any, envisioned by participating in VEPGA?

The amount of savings is not known because it depends on whether actual market prices are lower than the shopping credits. In the local government pilot program, savings ranged from 3% to 33% with average savings exceeding 5% of the amount that would otherwise be paid to Virginia Power.

29. Who participated in the local government pilot program JPA?

The 18 school boards, 5 agencies, 8 cities, and 7 counties who joined the JPA for the local government pilot program are as follows:

School Boards	Agencies	Cities	Counties
Albemarle County	Alexandria Sanitation	Alexandria	Albemarle
Alexandria City	Fairfax County Water	Chesapeake	Arlington
Appomattox County	Norfolk Airport	Fairfax	Augusta
Chesterfield County	Norfolk RDHA	Fredericksburg	Chesterfield
Fairfax County	Rivanna Water & Sewer	Hampton	Fairfax
Fredericksburg City		Hopewell	Henrico
Henrico County		Richmond	Loudoun
Isle of Wight		Virginia Beach	
Loudoun County			
Norfolk City			
Powhatan County			
Prince Edward County			
Prince William County			
Rockingham County			
Shenandoah County			
Spotsylvania County			
Stafford County			
Virginia Beach City			

30. Did everyone who joined the JPA participate in the pilot program?

No. The pilot program was limited by Virginia Power to 117 million kWh on an annualized basis. All pilot JPA members' accounts totaled approximately 1 billion kWh. The pilot JPA participants whose accounts were awarded in the pilot (based on the most savings and based on a split between school and non-school accounts) were as follows:

School Boards	Agencies	Cities	Counties
Alexandria City	Fairfax Co. Water Auth.	Alexandria	Albemarle
County of Chesterfield	Norfolk RDHA	Fairfax	Chesterfield
Fairfax County		Hampton	Fairfax
Isle of Wight County		Richmond	Henrico
Prince Edward County		Virginia Beach	Loudoun
Prince William County			
Shenandoah County			
Stafford County			
City of Virginia Beach			

31. Are all the entities listed in question 30 projected to realize savings based on the accounts they have participating in the pilot program?

Yes. The projected savings range from 3% to 33%, with average savings exceeding 5%.

32. Will there be restrictions on the number of accounts that can purchase electricity competitively?

On January 1, 2003, there will be no restrictions on the number of local government accounts that can purchase electricity competitively. During 2002, "retail access" will be phased in so that as of January 1, 2002, one-third of local government accounts may purchase electricity competitively, and as of September 1, 2002, two-thirds of local government accounts may purchase electricity competitively.

Quality of Service Offered by Competitive Electricity Suppliers

33. Will the winning supplier(s) be required to guarantee power quality and reliability equal to or greater than existing guarantees from Virginia Power?

Yes.

34. What is the risk with regard to reliability and quality of power being supplied by a non-Virginia Power supplier?

The electricity will still be delivered through Virginia Power's transmission and distribution lines as well as its other distribution facilities, including the existing customer meter. Nothing will change with respect to the reliability of such transmission and distribution service, so there should not be any greater risk as to reliability and quality as a result of purchasing from a non-Virginia Power generation supplier.

Virginia Power's Role

35. Does the electricity supply service agreement with Virginia Power, which is effective as of July 1, 2000, address retail access?

Yes. In the agreement that was negotiated by the VML/VACo Virginia Power Steering Committee and finalized in July of 2001, to be effective as of July 1, 2000, Virginia Power has agreed to permit retail access on terms that are similar to the terms offered to its jurisdictional customers. Local governments have the right to remain on capped rate service through June 30, 2007, or (subject to a phase-in period over 2002), local governments may purchase electricity supply from competitive suppliers providers between 2002 and 2007. All accounts may freely go back and forth between capped rate service and retail access service, except for larger accounts with an annual peak demand of 500 kW or greater. If these larger accounts purchase from competitive suppliers and then decide to return to capped rate service, they will have to stay on Virginia Power's capped rate service for a minimum of one year before they can purchase from competitive suppliers again.

36. Will there be any risk that Virginia Power will not service an account that has been dropped by a competitive service provider?

Virginia Power will be obligated to supply a returning customer upon the same terms as if the returning customer had not taken supply from a competitive service provider. The risk of entering into a supply contract with a non-Virginia Power supplier is not the risk of whether "the lights will stay on," but, rather, whether the supplier will walk away from the contractual obligation to provide the electricity at the agreed upon price. The joint procurement documentation will include requirements related to the obligation of the proposer to honor its commitment as to price.

Additional Questions

37. Who can answer additional questions about VEPGA?

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