



To: William T. Lichter  
Village Manager

From: Timothy Sexton  
Director of Finance

Date: January 30, 2008

Subject: Resolution Regarding Village Participation in Northern Illinois Municipal Electric Cooperative (NIMEC)

On January 2, 2007, the State of Illinois implemented a plan to deregulate Commonwealth Edison. Under this plan, ComEd no longer generates electricity for its customers but continues to provide power through its distribution system. Currently, approximately 25% of each ComEd bill is for distribution services with the remaining 75% going towards the cost of electricity. In FYE 2007 the Village of Lombard spent just over \$360,000 on electricity with over 36% of the total for water pumping and treatment.

As a result of this deregulation, electricity is now purchased based on market price and Exelon, the parent company of ComEd, no longer is the sole supplier of electricity in Northern Illinois. This has resulted in new electricity suppliers being able to compete against Exelon and as a result, competitive forces now dictate the price of electricity. ComEd had prices fixed for the nine years prior to the end deregulation on January 2, 2007 by the Illinois Commerce Commission (ICC). However, the cost of electricity rose approximately 25% in 2007 according to information received from ComEd.

In September 2006, the Village interviewed two firms, Energy Choices, Inc. and NIMEC which provide similar broker services. Based on these interviews, NIMEC was recommended to serve as the Village broker of electrical energy for the period of January 2007 through May 2008. The Village Board approved this recommendation. NIMEC was selected due to its more reasonable pricing structure and municipal experience. In addition the firm is a municipal cooperative which would be pooling the energy needs of members of the cooperative in order to secure more competitive pricing based on higher volumes than can be provided individually to a single municipality.

The amount of compensation that NIMEC, or any broker, receives is built into the prices bid by the power supplier, so there will be no other direct payments made to NIMEC by the Village. Since the Village first entered into an agreement with NIMEC in September 2006, the cooperative has grown to 110 members, mostly municipalities, with \$20 million of aggregated energy purchases. It is important to note that the only electricity that we are able to seek bids through NIMEC at this time is for water pumping and treatment, which is approximately 36% of the total electricity that the Village pays for. For street lighting, which makes up approximately

46% of the total electricity cost of the Village, the lowest cost option is still ComEd, as the rate we pay for street lighting is roughly half of the rate we pay for other electricity.

As previously discussed, NIMEC handled the bid for electricity suppliers for the period of January 2007 through May 2008. The winning bid was awarded to Constellation New Energy. It is estimated that this has saved the Village approximately 6% from what we would have been paying ComEd to supply the electricity.

Therefore, staff is recommending that the Village Board approve NIMEC as the Village's broker to seek electricity bids. Because of the way the bidding process works, the Village Manager will need to have the authority to sign a contract with the lowest cost electricity provider within hours of the bids being received by NIMEC. The resolution attached for Village Board consideration directs the Village Manager to engage the services of NIMEC and provides Village Board authorization to allow the Village Manager to execute a contract with the successful energy supplier upon receipt of the bids by NIMEC. Such contracts would be brought to the Village Board at the next available meeting for ratification.