

VILLAGE OF LOMBARD
REQUEST FOR BOARD OF TRUSTEES ACTION
For Inclusion on Board Agenda

 X Resolution or Ordinance (Blue) X *Waiver of First Requested*
 Recommendations of Boards, Commissions & Committees (Green)
 Other Business (Pink)

TO: PRESIDENT AND BOARD OF TRUSTEES

FROM: David A. Hulseberg, Village Manager

DATE: April 3, 2012 (COW)(B of T) April 12, 2012

TITLE: A RESOLUTION AUTHORIZING THE NORTHERN ILLINOIS
MUNICIPAL ELECTRIC COOPERATIVE (NIMEC) TO SERVE AS THE
BROKER FOR THE VILLAGE IN REGARD TO OBTAINING BIDS
FROM ELECTRICITY PROVIDERS AND AUTHORIZING THE
VILLAGE MANAGER OR DIRECTOR OF FINANCE TO APPROVE A
CONTRACT WITH THE LOWEST COST ELECTRICITY PROVIDER

SUBMITTED BY: Timothy Sexton, Director of Finance

BACKGROUND/POLICY IMPLICATIONS:

A staff report on this matter is attached.

Staff is recommending that the Village Board approve NIMEC as the Village's broker to seek electricity bids for municipal aggregation and authorization to allow the Village Manager or Director of Finance 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.

Review (as necessary):

Village Attorney X	_____	Date	_____
Finance Director X	<i>Timothy Sexton</i>	Date	<u>4/4/12</u>
Village Manager X	_____	Date	_____

NOTE: All materials must be submitted to and approved by the Village Manager's Office by 12:00 noon, Wednesday, prior to the Agenda Distribution.



To: David A. Hulseberg
Village Manager

From: Timothy Sexton
Director of Finance

Date: April 3, 2012

Subject: Resolution Regarding A Village Agreement with Northern Illinois Municipal Electric Cooperative (NIMEC) to Agregate Residents' Electric Load to Procure Lower Electric Rates

On March 20, 2012, residents passed a referendum to authorize the Village of Lombard to arrange for the supply of electricity for its residential and small commercial retail customers. Beginning in 2011, NIMEC became the leader in Municipal Aggregation across northern Illinois, helping municipalities to negotiate lower power rates for their residents' ComEd bills. Nineteen municipalities in Illinois have already contracted to purchase power at rates significantly lower than ComEd's. In addition, NIMEC secured the lowest-rate contract achieved for residential municipal aggregation in 2011. We are pleased to have been working with NIMEC for many years, purchasing our Village's power (water pumping and street lighting) collectively with 100 other municipalities at competitive market rates.

NIMEC can provide template documents, help run the public hearings, bid out the residential load, possibly with other NIMEC members, and assist in the transition from ComEd to the new electric supplier. NIMEC can also assist the Village with any other issues during the duration of the program. Below is the estimated timeline for the municipal aggregation process.

- Mid-May
 - Hold two public hearings
 - BOT passes ordinance authorizing aggregation and adopting plan of operation
- Early June -- Go to bid
- June/Early July – Opt-out letters will be sent to residents
- August/Early September (approximately 60-90 days after bid)– Transfer of all accounts that did not opt-out

Therefore, staff is recommending that the Village Board approve NIMEC as the Village's broker to aggregate its residents' electric load to procure lower electric rates. Because of the way the bidding process works, the Village Manager or Director of Finance will need to have the authority to sign a contract with the lowest cost electricity provider within twenty-four 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 or Director of Finance 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.

RESOLUTION _____-12

**A RESOLUTION AUTHORIZING THE
NORTHERN ILLINOIS MUNICIPAL ELECTRIC COOPERATIVE (NIMEC)
TO SERVE AS THE BROKER FOR THE VILLAGE IN REGARD TO
OBTAINING BIDS FROM ELECTRICITY PROVIDERS AND AUTHORIZING
THE VILLAGE MANAGER OR DIRECTOR OF FINANCE TO APPROVE
A CONTRACT WITH THE LOWEST COST ELECTRICITY PROVIDER**

WHEREAS, the President and Board of Trustees find as follows:

A. On January 2, 2007, the State of Illinois implemented a plan to deregulate Commonwealth Edison;

B. Under the aforementioned deregulation plan, Commonwealth Edison no longer generates electricity for its customers, but continues to provide electric power through its distribution system;

C. As a result of this deregulation, electricity is purchased based on market price and Exelon, the parent company of Commonwealth Edison, no longer is the sole supplier of electricity in Northern Illinois, resulting in new electricity suppliers competing against Exelon, and competitive market forces dictating the price of electricity;

D. During fiscal year 2010, the State of Illinois created further advantage for individual electric customers: A bill was signed into law enabling municipalities to take steps to negotiate electric contracts (in bulk) on behalf of their entire communities, allowing residents to take advantage of lower rates in the marketplace;

E. Since Commonwealth Edison had prices fixed for the nine (9) years prior to the end of deregulation on January 2, 2007 by the Illinois Commerce Commission (ICC), the cost of electricity rose approximately 25% in 2007, according to information received from Commonwealth Edison;

F. Municipalities across the State looked at ways to enter the market to purchase electric power in order to mitigate some of the economic impact of these rising rates, which, on a practical basis, can only be done using a third party who will serve as a broker for the municipalities and has the knowledge and experience to seek bids from the various electricity providers;

G. In March and April of 2012, Village Staff conducted broker interviews and, based on said interviews, Village Staff recommended that the Northern Illinois Municipal Electric Cooperative (NIMEC) serve as the Village's broker relative to the acquisition of electrical energy, due to NIMEC's more reasonable pricing structure, municipal experience, and the fact that NIMEC is a municipal cooperative which has the ability to pool 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; NIMEC also served as the Village's broker since that time on several bids for various Village accounts;

H. That the cost to join NIMEC was a one time fee of \$100, with the amount of compensation that NIMEC receives, if the Village chooses the NIMEC electricity supplier, being built into the prices bid by the electricity supplier, so there will be no direct payments made to NIMEC by the Village other than the one time fee that was previously paid;

I. That because of the way the bidding process works, the Village Manager or Director of Finance 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; and

WHEREAS, it is in the best interest of the Village to use NIMEC as its electricity supply broker;

NOW, THEREFORE, BE IT RESOLVED, by the President and Board of Trustees of the Village of Lombard, DuPage County, Illinois, that the Northern Illinois Municipal Electric Cooperative (NIMEC) is hereby appointed as the Village's broker for purposes of obtaining a supply of electricity for the Village's municipal aggregation, and Village Staff is hereby directed to take all actions necessary to establish said broker relationship.

BE IT FURTHER RESOLVED that, in light of the time constraints applicable to the acceptance of a competitive bid for a supply of electricity, once the bids are received by NIMEC, the Village Manager or Director of Finance is hereby authorized to sign the contract with the lowest bidder, with Village Staff being hereby directed to place said contract on the first available Village Board meeting following the execution thereof by the Village Manager or Director of Finance, for ratification by the President and Board of Trustees.

ADOPTED this 12th day of April, 2012, pursuant to a roll call vote as follows:

AYES: _____

NAYS: _____

ABSENT: _____

APPROVED by me this _____ day of April, 2012.

William J. Mueller, Village President

ATTEST:

Brigitte O'Brien, Village Clerk

This agreement dated _____ is between the Village of Lombard, Illinois (“Village”) and the Northern Illinois Municipal Electric Collaborative, Inc. (NIMEC).

The Village agrees to use NIMEC exclusively as its consultant and broker to aggregate its residents’ electric load to procure lower electric rates. The Village passed a referendum on March 20, 2012 authorizing the Village to implement an aggregation program.

NIMEC agrees provide template documents, help run the public hearings, bid out the residential load, possibly with other NIMEC members, and assist in the transition from ComEd to the new electric supplier. NIMEC will assist the Village with any other issues during the duration of the program.

NIMEC will do this at no charge to the Village. NIMEC is compensated by the winning electric supplier at a rate of \$0.000275/kWh. In the event that the Village does not enter into an agreement with a power supplier for the residential load, there will be no charge to the Village.

Village of Lombard
255 East Wilson Avenue
Lombard, Illinois 60148

Northern Illinois Municipal Electric Collaborative, Inc.
417 Cherry Creek Lane, Suite 250
Prospect Heights, Illinois 60070