


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

Resolution or Ordinance (Blue) _____
Recommendations of Boards, Commissions & Committees (Green) _____
Other Business (Pink) _____

TO: PRESIDENT AND BOARD OF TRUSTEES

FROM: David A. Hulseberg, Village Manager 

DATE: May 12, 2010 (COW)(B of T) May 20, 2010

TITLE:

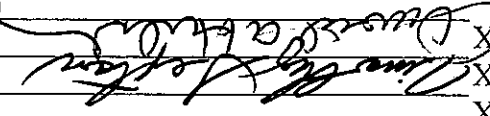

A RESOLUTION AUTHORIZING THE NORTHERN ILLINOIS MUNICIPAL ELECTRIC COOPERATIVE (NIMEC) TO SERVE AS THE BROKER FOR THE VILLAGE IN REGARD TO OBTAINING BIDS FROM ELECTRICITY PROVIDERS AND AUTHORIZING THE VILLAGE MANAGER OR DIRECTOR OF FINANCE TO APPROVE A CONTRACT WITH THE LOWEST COST ELECTRICITY PROVIDER

SUBMITTED BY: Timothy Sexton, Director of Finance

BACKGROUND/POLICY IMPLICATIONS:

Staff is recommending that the Village Board approve NIMEC as the Village's broker to seek electricity bids for street lighting. 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. The resolution attached for Village Board consideration directs the Village Manager engage the services of NIMEC and provides Village Board authorization to allow the Village Manager or Director of Finance to accept prices for a 12, 24 or 36 month term, and 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 _____
Finance Director X  _____
Village Manager X  _____
Date 5/12/10 _____
Date 5/12/10 _____

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.

Currently, 1-year rates and 3-year rates are nearly identical. The Village has the option to lock in rates for a multi-year duration, if the bid results are favorable and we so elect.

NIMEC has been working on bidding out this street light load with its suppliers. They are currently able to offer a fixed rate, which is comparable to our current rate. The fixed rate would avoid the 15% increase projected under the floating rate.

Street lighting, however, has remained with ComEd since 2007, as ComEd had a pricing advantage. That advantage will end in May 2010, when our street lighting accounts will no longer be able to purchase power from ComEd under a fixed rate. ComEd will only offer a floating rate after May. If no changes are made, the street lighting accounts will move to this floating rate. Over the last 2 years, this floating rate has averaged 15% higher than our current fixed rate.

Lombard has worked with the Northern Illinois Municipal Electric Cooperative (NIMEC) since 2007 to purchase power for water pumping operations, and more recently Village Hall heating. We have had a favorable relationship with NIMEC, as we have enjoyed substantial savings by purchasing power through NIMEC.

As a result of the deregulation that took place in Illinois on January 2, 2007 for electricity, 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).

Subject: Resolution Regarding Village Participation in Northern Illinois Municipal Electric Cooperative (NIMEC) for the Supply of Electricity for Street Lighting

Date: May 12, 2010

From: Timothy Sexton
Director of Finance

To: David A. Hulseberg
Village Manager



Therefore, staff is recommending that the Village Board approve NIMEC as the Village's broker to seek electricity bids for street lighting. 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. The resolution attached for Village Board consideration directs the Village Manager engage the services of NIMEC and provides Village Board authorization to allow the Village Manager or Director of Finance to accept prices for a 12, 24 or 36 month term, and 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

**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 2009, the Village spent almost \$543,000 on electricity, with over 41.6% of the total being in regard to street lighting;

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 has risen significantly since this time;

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 September 2006, Village Staff conducted broker interviews and, based on said interviews, Village Staff recommended, and the Village Board approved, that the Northern Illinois Municipal Electric Cooperative (NIMEC) serve as the Village's broker relative to the acquisition of electrical energy for the period of January 2007 through May 2008, due to NIMEC's more reasonable pricing structure, municipal experience, and the fact that NIMEC is a municipal cooperative which will 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;

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 needs, 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, provided the bid is at a rate that is less than is being offered through Commonwealth Edison, 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, for ratification by the President and Board of Trustees.

Brigitte O'Brien, Village Clerk

ATTEST:

William J. Mueller, Village President

APPROVED by me this _____ day of May, 2010.

ABSENT: _____

NAYS: _____

AYES: _____

ADOPTED this 20th day of May, 2010, pursuant to a roll call vote as follows: