

080478
All Districts

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

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

PRESIDENT AND BOARD OF TRUSTEES

TO:

David A. Hulseberg, Village Manager *DAH*

FROM:

August 11, 2008 (COW)(B of T) August 21, 2008

DATE:

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 FOR THE PERIOD OF JUNE 2009
THROUGH MAY 2012 AND AUTHORIZING THE VILLAGE MANAGER
TO APPROVE A CONTRACT WITH THE LOWEST COST
ELECTRICITY PROVIDER

TITLE:

SUBMITTED BY: Timothy Sexton, Director of Finance

BACKGROUND/POLICY IMPLICATIONS:

A staff report on this matter is attached.

Review (as necessary):

Village Attorney X _____
Finance Director X _____
Village Manager X _____

Date _____
Date 8-11-08
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: August 11, 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 2008 the Village of Lombard spent just over \$462,000 on electricity with over 42% 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. NIMEC subsequently served as the Village's broker for the period of June 2008 through May 2009.

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 this bid is for water pumping and treatment, which is approximately 42% of the total electricity that the Village pays for. Electricity for street

lighting, which makes up approximately 40% of the total electricity cost of the Village, was bid out separately in May 2008.

As previously discussed, NIMEC handled the bid for electricity suppliers for the period of January 2007 through May 2008, and then for June 2008 through May 2009. NIMEC believes now is a good time to lock in electricity prices for a three year period for water pumping and treatment. NIMEC anticipates a 10% increase for year one, and then no increases for the additional two years of the contract.

Therefore, staff is recommending that the Village Board approve NIMEC as the Village's broker to seek electricity bids for the period of June 2009 through May 2012. 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.

**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 FOR THE PERIOD OF
JUNE 2009 THROUGH MAY 2012 AND
AUTHORIZING THE VILLAGE MANAGER 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 2008, the Village spent just over \$462,000 on electricity, with over 42% of the total being in regard to water pumping and water treatment;

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 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; NIMEC also served as the Village's broker for the period of June 2008 to May 2009;

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 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 for the period of June 2009 through May 2012, 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 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, for ratification by the President and Board of Trustees.

ADOPTED this 21st day of August, 2008, pursuant to a roll call vote as follows:

AYES: _____

NAYS: _____

ABSENT: _____

APPROVED by me this _____ day of August, 2008.

William J. Mueller, Village President

ATTEST:

Brigitte O'Brien, Village Clerk