

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

 X Resolution or Ordinance (Blue) *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: January 11, 2012 (COW)(B of T) January 19, 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 water pumping for a three year period 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 _____ Date _____
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: January 11, 2012

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

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

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

NIMEC previously bid out the Village's water pumping electricity for the period of May 2009 through May 2012. This current bid is for after 2012. The Village has the option of selecting a 1-year or a 3-year contract for electricity. Prices for electricity have come down significantly recently, and therefore staff is recommending that the Village lock in prices for a 3-year period from May 2012 to May 2015. Currently, we are paying anywhere between 6.54 and 9.01 cents per kilowatt hour for our water pumping accounts. It is anticipated that these costs will drop to somewhere in the vicinity of 4.30 cents per kilowatt hour.

Therefore, staff is recommending that the Village Board approve NIMEC as the Village's broker to seek electricity bids for water pumping for a three year period. 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 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 Village spent just under \$540,000 on electricity, with just over 41% of the total being in regard to water pumping;

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 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 needs for water pumping, 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.