

080057

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: William T. Lichter, Village Manager

DATE: January 30, 2008 (COW)(B of T) February 7, 2008

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 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.

Review (as necessary):

Village Attorney X _____
Finance Director X *Timothy Sexton*
Village Manager X *William T. Lichter*

Date _____
Date 1/30/08
Date 1/30/08

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: William T. Lichter
Village Manager

From: Timothy Sexton
TS
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.

**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 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 2007, the Village spent just over \$360,000 on electricity, with over 36% 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;

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, 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, 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.

ADOPTED this 7th day of February, 2008, pursuant to a roll call vote as follows:

AYES: _____

NAYS: _____

ABSENT: _____

APPROVED by me this _____ day of February, 2008.

William J. Mueller, Village President

ATTEST:

Brigitte O'Brien, Village Clerk