

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

_____	Resolution or Ordinance (Blue)	_____ <i>Waiver of First Requested</i>
_____	Recommendations of Boards, Commissions & Committees (Green)	
<u> X </u>	Other Business (Pink)	

TO: PRESIDENT AND BOARD OF TRUSTEES

FROM: Scott Niehaus, Village Manager

DATE: March 12, 2014 (COW)(B of T) March 20, 2014

TITLE: Motion to Approve the Recommendation to Proceed with NIMEC Issuing a Request for Proposals for Municipal Aggregation of Electricity

SUBMITTED BY: Timothy Sexton, Director of Finance

BACKGROUND/POLICY IMPLICATIONS:

The current aggregation contract for the Village will be expiring in July 2014. The attached memo presents the various options for the supply of electricity for residents and small businesses. Staff is seeking concurrence with the recommendation to proceed with Northern Illinois Municipal Electric Cooperative (NIMEC) issuing a request for proposals and the proposals being presented to the Village Board for their consideration at the April 3, 2014 Board meeting.

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: Scott Niehaus
Village Manager

From: Timothy Sexton
Director of Finance

Date: March 11, 2014

Subject: Electricity Supply Contract – Municipal Aggregation

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. On April 19, 2012, the Village Board approved Resolution 78-12 which authorized the Northern Illinois Municipal Electric Cooperative (NIMEC) to serve as the broker for the Village in regard to obtaining bids from electricity providers for municipal aggregation.

On May 3, 2012, proposals were received and the Village Board approved the proposal from First Energy for a term of 24 months, with 100% renewable energy, at a rate of 4.64 ¢/kWh. This rate was for all residents and small businesses that did not opt out of the program. The savings during the first 15 months of this contract have been \$3.36 million, or \$246 per household.

It should be noted that the savings for the upcoming period will not be as significant as they have been in the past. After electric deregulation went into effect, the state made ComEd lock up a majority of their electric supply on a long-term basis. Electricity prices fell significantly after this, resulting in ComEd's rate being much higher than the market rate. The Village was able to take advantage of this with our previous aggregation contract, with substantial savings. However, ComEd's rate decreased significantly in June 2013, although it was still higher than the Village's rate. It is anticipated that the ComEd rate this released this June will be around the current market rate.

The current aggregation contract for the Village will be expiring in July 2014. Therefore, at this time, the Village has three options as it relates to the supply of electricity for residents and small businesses.

Move Back to ComEd

The first option is to just move everyone back to ComEd. This option makes sense if we are not able to achieve savings for residents in the future. There are issues to be

aware of with this option. For anyone that goes back to ComEd, they only have a 60 day period to select another supplier, if they wanted to; otherwise they are locked in with ComEd for the following 10 months. Generally, since we would only move customers back to ComEd if there was no additional savings with outside suppliers, being locked in for a 10 month period should not be a significant issue.

Issue Request for Proposals

The second option is to do a Request for Proposals (RFP), similar to what was done in 2012. NIMEC would send out the RFP to alternative suppliers, as approved by the state. The RFP would request pricing for one, two and three year periods, as well as pricing for renewable energy. Based on the timing needed for various notices, the RFP process needs to be completed by early April. Due to the commodity pricing of electricity, the proposals would be received late in the afternoon prior to the April 3, 2014 Board meeting, and the Board would need to make a decision that evening, if this is the chosen option.

There is one additional issue regarding issuing the RFP. ComEd is currently in the process of bidding out its needs, and the new ComEd rates will not be released until late May/early June. Given this, the Village will be making its decision prior to knowing the ComEd rate for the upcoming year. NIMEC has indicated that the ComEd rate will most likely be in the range of 7 ¢/kWh. So part of our RFP process would be to include a clause that if ComEd's rate is lower than the Village's rate, the Village will have the option of moving all residents and small businesses back to ComEd. In addition, as part of the current RFP process, we will look at the option of extending the period selected (1, 2 or 3 years) by several months, so that the Village's contract expiration date would fall after the release of ComEd's new rates in the future.

Direct Negotiations with Current Provider

The final option would be to directly negotiate with the current supplier. There are certain advantages to this option, such as ease of transition for Village residents and lack of confusion over switching to another supplier. However, the negatives are that you can't be certain that the Village received the lowest possible price.

Summary

Given all of these factors, staff is recommending that we proceed with NIMEC issuing an RFP and the proposals being presented to the Village Board for their consideration at the April 3, 2014 Board meeting.