



To: David A. Hulseberg
Village Manager

From: Timothy Sexton
Director of Finance

Date: May 10, 2011

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

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, 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.

Starting in May 2010, our street lighting accounts were no longer able to purchase power from ComEd under a fixed rate. We bid out our street lighting last year. We have two parts to our street lighting, one major account that makes up about 50% of the electricity for street lighting, and numerous smaller accounts that make up the other 50%. The decision was made last year to lock in rates for the large account for a three year period, and only lock in rates on the smaller accounts for a one year period. With this, we are not locking in all of our street lighting electricity at one rate, but rather hedging the rates with about half of our electricity needs being locked in for a long period and the other half changing annually. This current bid is for the smaller accounts, and will be for a one year period.

Therefore, staff is recommending that the Village Board approve NIMEC as the Village's broker to seek electricity bids for street lighting for a one 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.