

Item #13B:
Village Manager Lothspeich
Village Electric Aggregation Program - Update

Special Notice Regarding Changes to Your Electric Bill Effective June 2016

Village of Long Grove residents and small business owners who are participants in the Village's electric aggregation program will be receiving a letter in early April from Constellation advising customers of their new electric supply rate effective with their June 2016 meter read.

During the 2014-2015 polar vortex, the power grid was at capacity and very close to requiring brown outs during a dangerous weather condition. As a result, regulatory changes made to the generation of electricity called "Capacity Performance" will be implemented in June of 2016. The reforms are designed to increase the reliability of the power grid, particularly during times of extreme weather or system emergencies. Additionally, the reforms result in an increase to electricity costs for all suppliers, both residential and commercial, including Commonwealth Edison.

The Village's current aggregation contract with Constellation ends in May of 2017. However, as a result of the regulatory change, the Village's aggregation rate will change from **\$6.529 cents per kWh** to **\$7.06 cents per kWh** effective with the June 2016 meter read (to be first seen on your July ComEd bill). ComEd releases their new annual rate at the end of May. It is very possible that the Village's aggregation rate will be above the ComEd rate beginning in June. Based on an average home in the aggregation program, the Village estimates the price increase amounts to approximately **\$3 monthly** per the average home.

The Village urges aggregation participants to stay informed about electric supply options whether through ComEd or other suppliers through Plug In Illinois (pluginillinois.org). Customers who wish to leave the Village's aggregation program can do so by contacting Constellation directly at 1-888-340-1983. There are NO early termination fees.

Should you have any questions about the information provided, please call the Village's aggregation consultants (NIMEC) at **1-800-727-3820**.



Aggregation History

In 2012, the Village of Long Grove established a municipal aggregation program designed to provide reduced rates for eligible residents and small business customers.

The Village partnered with the Villages of Palatine, Buffalo Grove, Wheeling, Lincolnshire, Vernon Hills, and Arlington Heights to form the Northwest Consortium in order to combine our purchasing efforts and obtain better pricing.

Since the inception of the Consortium's electric aggregation program, the Consortium has saved participating residents and small business customers a cumulative total of **\$27.3 million**. The Village of Long Grove has alone saved our residents and small customers **\$1.6 million**. This has resulted in savings of **\$745** to the average sized residential account.

For more information on the Village's electrical aggregation program, please visit **www.longgrove.net**.



Change in Law Impacting Electricity Pricing

<<Date>>

<<Name>>

<<Address>>

<<City>><<State>>< <Zip>>

Dear <<First Name>>,

We are sending this letter to explain recent changes in the electricity market. PJM Interconnection, which operates the power grid in your region, has implemented new market reforms called "Capacity Performance" designed to increase the reliability of the power grid. This change is designed to encourage new generation as well as upgrades and modernization of existing generation, to reduce the likelihood of power outages and price spikes during extreme weather or system emergencies. This market change affects all electricity suppliers and utilities in PJM, including ComEd.

This change in law will result in an increase in your electricity costs beginning with your June 2016 meter read and will increase your electricity supply rate to \$.07152 per kWh through your May 2017 meter read. We are notifying you now of these changes as they will affect your electricity supply rate in the near future. As a reminder, you may terminate your electricity agreement with us at any time without penalty by contacting our Customer Care department at the number below.

Constellation appreciates your business and will continue to do everything possible to provide you with the best value in energy and related services. In the meantime, if you have any questions concerning this change, please feel free to visit our FAQ page at constellation.com/CapacityPerformanceFAQs or contact Customer Care, 24/7, at 1-888-340-1983.

Sincerely,

Constellation

Memo

To: President and Board of Trustees, Village of Arlington Heights
President and Board of Trustees, Village of Buffalo Grove
President and Board of Trustees, Village of Lincolnshire
President and Board of Trustees, Village of Long Grove
President and Board of Trustees, Village of Palatine
President and Board of Trustees, Village of Vernon Hills
President and Board of Trustees, Village of Wheeling

From: Robert Kenney, Village Attorney, Village of Palatine and Village of Vernon Hills
William Raysa, Village Attorney, Village of Buffalo Grove
Robin Ward, In-House Counsel, Village of Arlington Heights

Date: March 29, 2016

Re: Constellation Electric Aggregation Program

Our electric aggregation program has been a great success, saving our residents substantial monies over the life of the program. However, pricing among the providers has tightened substantially and the gap between ComEd and other providers has all but disappeared. In fact, given the soon to be imposed charge by our provider, Constellation, it is expected that ComEd pricing will be at or below Constellation's price.

Constellation is planning to pass through to its customers a capacity charge in June 2016 that was instituted as a result of a federal regulatory agency's action. That charge is expected to make Constellation's rate higher than ComEd as of June 2016.

The agreement between each member community of the Consortium and Constellation ("Consortium Agreement"), states that when a Regulatory Event occurs, the parties will negotiate to mitigate the impact of the Regulatory Event. It is our position that a Regulatory Event has occurred and Constellation should negotiate. If negotiation is not successful, then Constellation as the impacted party could terminate the Aggregation Agreement and our residents would be returned to ComEd whose rates are expected to be lower than Constellation's rate after the charge is tacked on.

We cannot force Constellation to negotiate and we have no independent grounds to terminate the Consortium Agreement. We could file a court action to determine whether or not the regulatory event language in the Consortium Agreement or the terms and conditions language in the Customer Agreement should be applied to this situation. However, since the Consortium Agreement and the Customer Agreement both permit our residents to terminate their relationship with Constellation at any time without a penalty upon 30 days written notice, we believe our best course of action is to provide our residents the most accurate, complete

information related to this price increase and allow them to choose whether or not to stay with Constellation.

Constellation will notify all customers of this increase in the very near future. The notice will contain the price increase and will also contain the information that the customer can choose to cancel their agreement with Constellation. However, the notice will not explain how the new price compares to ComEd or explain that there are other providers out there. The notice from Constellation will say that customers can terminate their relationship with Constellation at any time and permit them to cancel by telephone.

While we disagree with Constellation's unwillingness to declare this a Regulatory Event, the Customer Agreement does permit Constellation to pass through the increased cost. We do not see any value in pursuing legal action. While we do not know the exact new price, we do know that the impact on each resident is likely to be around a total of \$35 or \$40 for the remaining 12 months of the aggregation program.

At this time, the Consortium managing group believes that the best course of action is to educate our residents by making available through a variety of avenues – web page, newspaper article, social media – the facts related to Constellation's action, including the right to drop Constellation at any time, the price (once we know it) that ComEd will be charging as of June 1 and a resource for those who want to research green versus brown electricity. Staff members from some of the member communities are working on information that all of the Consortium members will be able to use to educate residents and to answer residents' questions. It is anticipated that this information will be ready to disseminate by the end of this week, in advance of Constellation's letters, which we anticipate will be mailed sometime in the first two weeks of April.

Long Grove vs ComEd Rate, Apr 2016

(Since inception)

Resident Savings: \$745

Community savings: \$1,589,251

*ComEd rate includes supply, transmission, PEA

