

Item #7:
Village President Rodriguez
C. Residential Electricity Aggregation Referendum - Update

COMMUNITY CHOICE AGGREGATION (CCA)
Aggregation of Electricity

Municipal Partnership:

Arlington Heights
Buffalo Grove
Lincolnshire
Long Grove
Palatine
Vernon Hills
Wheeling

October 11, 2011

Introduction

The State of Illinois passed a law that allows community choice aggregation. Local governments that choose to develop aggregation programs can customize electricity supply to meet their community’s financial and environmental goals. For example, they can choose to use their community’s purchasing power to buy green energy and encourage local generation. Working together with six other municipalities, we can leverage greater benefits – community education as well as financial gain due to a service population of more than 260,000 customers.

The legislation will allow local governments to work with residents and small businesses to reshape the way electricity is generated and used, creating new green jobs and the following benefits:

- Pursue lower cost electricity as referenced on the attached comparison of electricity rate results.
- Purchase cleaner generation resources, reducing carbon emissions by up to 40%
- Reduce peak demand to reshape load profile, thereby reducing power costs by up to 1 cent per kWh
- Generate revenue by participating in demand response, capacity, and day-ahead markets
- Create local jobs through investment in local clean generation
- Pursue energy efficiency programs

TABLE OF CONTENTS:

| | |
|--|--------|
| Community Partnership | Page 3 |
| Questions & Answers | Page 5 |
| Referendum & Timeline | Page 6 |
| Sample Resolution | Page 7 |
| Public Information Plan | Page 8 |
| Comparison of electricity rate results | Page 9 |

COMMUNITY PARTNERSHIP

Representatives from the communities of Arlington Heights, Buffalo Grove, Lincolnshire Long Grove, Palatine, Vernon Hills and Wheeling met on two occasions to discuss a possible intergovernmental agreement whereby the communities would work together to leverage the higher volume and negotiate more aggressive pricing from contractors. Meetings took place on September 14, 2011 and September 28, 2011.

Following is a breakdown of the population and housing units for each municipality.

| NAME | 2010 Census | |
|-------------------|----------------|----------------|
| | Population | Housing units |
| Arlington Heights | 75,101 | 32,795 |
| Buffalo Grove | 41,496 | 17,034 |
| Lincolnshire | 7,275 | 3,396 |
| Long Grove | 8,043 | 2,593 |
| Palatine | 68,557 | 28,621 |
| Vernon Hills | 25,113 | 9,956 |
| Wheeling | 37,648 | 15,397 |
| TOTAL | 263,233 | 109,792 |

Source: CMAP with Census 2000 SF-1 and Census 2010 PL94-171 totals

John Kelly, Deputy Director of Galvin Power, has provided much guidance to the group on this subject matter. Galvin Power is a not-for-profit organization which has worked with a number of communities in the nation on the community choice aggregation initiative – aggregating electricity for residents and small businesses. Further information about the company can be found at the following web site ~ <http://www.galvinpower.org/>.

As of October 11, 2011, one municipality, the Village of Long Grove, has approved a Resolution initiating the submission of a public question to authorize the Village to adopt an “Opt-Out” Program for the supply of electricity to residential and small commercial retail customers. Each municipality is expected to present the proposed Resolution to their respective Board in November/December, 2011. The last date in which to file a petition for referenda for the submission of questions of public policy is Monday, December 12, 2011. Not more than 3 public questions may be submitted to referendum with respect to a political subdivision at the same election. Voters would have the opportunity to vote on the public question at the March 20, 2012 election.

An Intergovernmental Agreement has been drafted based on a model utilized by the Villages of Lincolnwood, Grayslake and Oak Brook. Subject to Board approval of the above referenced Resolution, the participating municipalities would enter into an Intergovernmental Agreement concerning electric aggregation.

A Scope of Services is currently being drafted for municipal review to engage in consultant services by the parties. The consultant would be sought to assist in drafting the Request for Proposal and analysis of the bids. The Village of Buffalo Grove would act as the clearinghouse for the consultant and then get reimbursed by each participating municipality. Costs for consultant services would be divided equally by each participating municipality. The Scope of Services is expected to be complete by November 1, 2011.

Following are highlights of the preliminary intergovernmental agreement. The draft agreement is expected to be presented to each municipal party by November 1, 2011.

1. Term. One (1) year from the effective date of the agreement, unless either party gives written notification of intent to terminate.
2. Additional Parties. Additional local government entities may be added as parties to the agreement subject to approval of the seven municipalities. The additional local government entities would be required to all terms and conditions established by the seven municipalities identified herein.
3. Official Coordinator. For the term of the intergovernmental agreement, Buffalo Grove would serve as the official coordinator to bid the Joint Power Supply Bid.
4. Independent Operation. One Request For Proposal would be issued by the seven municipalities following board approval. Each community would agree to the baseline terms and conditions, for example, "brown" energy would be bid upon, yet each bidder would provide options that each municipality could select, such as grants to the municipality to be provided for energy efficient initiatives within the municipality and/or "green" energy. Once a contractor is selected, each municipality would enter into an Electric Aggregation contract with the possibility of varied terms and conditions – depending on their municipal needs and requests.
5. Price Guarantee. If the rate is higher than the current electrical rate, then each village would reject all bids received and electricity would continue to be supplied by ComEd. The partnership could consider a benchmark of 7% that must be saved in order to move forward with entering to a contract with an alternate supplier. The 7% was utilized by the Northern Illinois Municipal Electric Cooperative, a 140 public entity electric purchasing cooperative.
6. Expenses. A Joint Legal Counsel agreement would be provided for each municipal consideration, with a not to exceed amount for legal counsel. Buffalo Grove's legal counsel, Raysa & Zimmermann, would be contracted to serve as the chief legal counsel for the initiative. Each municipality would agree to the costs for legal fees.
7. Right to Withdraw. Any municipality may withdraw from the intergovernmental agreement prior to going out to bid on the Joint Power Supply Bid no later than 48 hours before issuance of the bid.

QUESTIONS & ANSWERS ABOUT ELECTRIC AGGREGATION

How is this possible?

On August 10, 2009, Public Act 96-0176 amended the Illinois Power Agency Act by providing for the aggregation of electrical load by municipalities and counties. This law authorizes municipalities to develop aggregation programs for the procurement of electricity supply to residential and small business customers. Local governments can now work with community members to purchase lower cost electricity, green or renewable energy, encourage local generation (solar or wind, etc.), and other community initiatives. Municipalities are able to include all residents and small businesses in a Request for Proposal to retail energy suppliers.

Which communities have passed referendums?

- Fulton (the first community in Illinois)
- Campton Hills
- Crest Hill
- Elburn
- Erie
- Fox River Grove
- Glenwood
- Grayslake
- Harvard
- Lincolnwood
- Milledgeville
- Morris
- Mt. Morris
- New Lenox
- North Aurora
- Oak Park
- Oakbrook
- Polo
- Sugar Grove
- Wood Dale

Will residents notice a difference in service?

- No, the only difference is the energy received from the selected supplier and lower, more stable prices. ComEd would continue to deliver energy to homes and businesses. Residents and businesses would also continue to receive a ComEd bill. If residents have an outage or need service, they would continue to contact ComEd.

Where does the electricity come from?

- Using forecasting and hedging methods, the selected supplier procures much of the energy supplied on the open market to find the best price for your aggregation group. Mr. Kelly recommends that we include in the RFP a requirement that contractors identify which plants they are getting their power from. This information would be valuable for research purposes and to ensure that there is quality backing from the supplier and less likelihood of a business failing to meet the supply needs of customers.

What if residents / small businesses don't want to participate?

- The municipality would have a choice in designating an "opt-out" or "opt-in" program. Residents and small businesses may "opt-out" if the referendum is passed. Before the aggregation program begins, all residents would receive an opt-out notice in the mail and given a date by which they must return the opt-out notice or call a number to request to be opted-out of the program. Residents using a third party supplier or residents moving to Buffalo Grove from outside the community would not be automatically included; they would have to "opt-in".

How does electrical aggregation benefit a resident?

- Electric aggregation combines the retail electric loads of customers in a community. By combining the loads of its residents, the community can leverage the buying power of thousands of residents and small businesses. This combined buying power typically provides lower, more stable rates and improved service from suppliers.

REFERENDUM & TIMELINE, 2011-2012

1. November/December, 2011. Each municipal board would approve placing a referendum on the ballot concerning electricity aggregation. Monday, December 12, 2011 is the last day for filing petitions for referenda for the submission of questions of public policy (local). 10 ILCS 5/28(a). Not more than 3 public questions may be submitted to referendum with respect to a political subdivision at the same election. The first 3 validly initiated, by the filing of a petition or by the adoption of a resolution or ordinance, as the case may be shall be submitted at that election.
2. December, 2011. Each municipal board would approve the Intergovernmental Agreement between the seven participating municipalities (Arlington Heights, Buffalo Grove, Lincolnshire, Long Grove, Palatine, Vernon Hills, and Wheeling).
3. Tuesday, December 27, 2011. Last day to file objections to petitions for the submission of questions of public policy (local). 10 ILCS 5/10-8. (Note #1)
4. Tuesday, January 3, 2012. Last day for local governing boards to adopt a resolution or ordinance to allow *binding* public questions to appear on the ballot. This date set forth in the Illinois State Board of Elections "Election and Campaign Finance Calendar 2012." Pursuant to 10 ILCS 5/28-2(c), the governing board must adopt a resolution or ordinance not less than 79 days before a regularly scheduled election for a public question to be eligible for submission on the ballot at such election. Pursuant to 10 ILCS 5/1-6(a), if the last day for any act falls on a Saturday, Sunday or State Holiday it is extended through the first business day following the day otherwise fixed as the last day.
5. December through March. Municipalities would market the program through a combined effort.
6. December/January, 2012. Buffalo Grove would approve a scope for consulting services. The municipal committee would review consultant proposals and select a preferred consultant which said contract would be presented to the Buffalo Grove Corporate Authorities for formal consideration. Participating municipalities would reimburse Buffalo Grove for costs incurred based on the consultant proposal.
7. Tuesday, March 20, 2012. General Primary Election Day. This date is set forth in the Illinois State Board of Elections "Election and Campaign Finance Calendar 2012."
8. If the Referendum is approved, the community partnership would work together and issue one RFP that each municipal board or council would approve for each of our community residential and small commercial customers.
9. Two public hearings would be held prior to the acceptance of any bids. Municipalities could partner together to conduct the hearings so they are at locations which are convenient for the general public. The list of all public hearings would be promoted by all municipalities.
10. Bid rates would be compared to ComEd's current rates. The municipalities would only move forward with entering to a contract for electricity supply with an alternative supplier if the rates are lower than those being offered by ComEd.

11. A one year contract at a fixed rate would be executed, with options for two or three year options.
12. Annually, new competitive bids would be sought by the community partnership.
13. If the rate is higher than the current electrical rate, then each village would reject all bids received and electricity would continue to be supplied by ComEd. The partnership could consider a benchmark of 7% that must be saved in order to move forward with entering to a contract with an alternate supplier. The 7% was utilized by the Northern Illinois Municipal Electric Cooperative, a 140 public entity electric purchasing cooperative.

Again, municipalities would each enter into their own contract for electricity supply based on the joint RFP. Each municipality would have the ability to select options such as green energy, and multiple term agreements.

SAMPLE RESOLUTION

A RESOLUTION INITIATING THE SUBMISSION OF A PUBLIC QUESTION TO AUTHORIZE THE VILLAGE TO ADOPT AN "OPT-OUT" PROGRAM FOR THE SUPPLY OF ELECTRICITY TO RESIDENTIAL AND SMALL COMMERCIAL RETAIL CUSTOMERS

WHEREAS, Section 1-92 of the Illinois Power Agency Act, 20 ILCS 3855/1-92 ("Act"), permits the corporate authorities of the Village, if authorized by referendum, to adopt an ordinance creating a program to allow the Village to solicit bids and enter into service agreements for the sale and purchase of electricity and related services and equipment to residential and small commercial customers in the Village who do not chose to opt-out ("Program"); and

WHEREAS, pursuant to the requirements of Illinois law, the President and Board of Trustees of the Village of _____ hereby desire to place on the _____, 2011 ballot a public question to be considered by the voters in the Village regarding the authorization of the Village to pursue the implementation of the Program;

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF TRUSTEES OF THE VILLAGE OF _____, _____ COUNTY, ILLINOIS, as follows:

SECTION ONE. RECITALS. The foregoing recitals are incorporated as set forth in this Resolution.

SECTION TWO. PUBLIC QUESTION ON PROGRAM FOR AGGREGATION OF ELECTRICITY. A public question shall be submitted to the voters of the Village of _____, County of _____, State of Illinois, at the _____, 2011 general election (or at the next available election permitted by the general election law), as follows:

| | | |
|--|--------------|-------------|
| Shall the Village of _____ have the authority to arrange for the supply of electricity for its residential and small commercial retail customers who have not opted out of such program? | YES _____ | NO _____ |
|--|--------------|-------------|

SECTION THREE. FILING. The Village Clerk is hereby authorized and directed to file this authorizing Resolution and other related matters with the appropriate election officials in accordance with applicable law.

SECTION FOUR. EFFECTIVE DATE. This Resolution shall become effective following its passage and approval in the manner provided by law.

PASSED this ___th day of _____, 2011.
AYES:
NAYS:
ABSENT:
APPROVED this ___th day of _____, 2011.

Village President

ATTEST:

Village Clerk

PUBLIC INFORMATION PLAN

Following Board approval to advance this initiative, each municipality would begin public education which would include, but not be limited to the following:

1. Village newsletter articles
2. Village web site
3. Informational press releases
4. Electronic newsletters
5. Government Access Channel information
6. Chamber of Commerce newsletter
7. Chamber of Commerce meeting presentation by staff representatives
8. Public hearings
9. Local area marquees
10. Community organization presentations (Rotary, Lions Club, etc.)

COMPARISON OF ELECTRICITY RATE RESULTS

The following information provides a comparison of residential and small business pricing versus ComEd and Alternate Retail Electric Suppliers (ARES).

| Description of residential pricing | Rate \$ / kWh | % Savings |
|--|---------------|-----------|
| ComEd Summer Rate | \$0.0792 | |
| Average ARES 12 month offer - 8 samples | \$0.0686 | 13.4% |
| Average ARES 24 month offer - 10 samples | \$0.0673 | 15.0% |
| Average Aggregation 24 month offer - 8 samples | \$0.0590 | 25.5% |

| Description of residential pricing | Rate \$ / kWh | % Savings |
|--|---------------|-----------|
| ComEd Non-Summer Rate | \$0.0775 | |
| Average ARES 12 month offer - 8 samples | \$0.0686 | 11.5% |
| Average ARES 24 month offer - 10 samples | \$0.0673 | 13.2% |
| Average Aggregation 24 month offer - 8 samples | \$0.0590 | 23.9% |

| Description of small business pricing | Rate \$ / kWh | % Savings |
|--|---------------|-----------|
| ComEd Summer Rate | \$0.0797 | |
| Average ARES offer | offer varies | |
| Average Aggregation 24 month offer - 8 samples | \$0.0591 | 25.8% |

| Description of small business pricing | Rate \$ / kWh | % Savings |
|--|---------------|-----------|
| ComEd Non-Summer Rate | \$0.0782 | |
| Average ARES offer | offer varies | |
| Average Aggregation 24 month offer - 8 samples | \$0.0591 | 24.3% |

Source: Blue Star Energy Solutions

To: Municipal Partners – Community Choice Aggregation
From: Ghida S. Neukirch
Deputy Village Manager
Date: October 19, 2011
Subject: Community Choice Aggregation of Electricity – meeting overview with LEAN Energy and The Power Bureau



On this day, the individuals below convened met with representatives of LEAN (Local Energy Aggregation Network) Energy and The Power Bureau. The purpose of the meeting was for the municipalities to provide an overview of the effort to aggregate electricity and offer savings to municipal residents and small businesses. The purpose of the meeting was also to discuss LEAN Energy and The Power Bureau's partnership and not-for-profit status, and their interest in working with municipalities in the State of Illinois on aggregation of electricity. Within this capacity, as a not-for-profit, they could serve as a consultant, supplier, or a resource assisting with the selection of a consultant.

ATTENDEES:

Scott Shirley, Village of Arlington Heights
Ghida Neukirch, Village of Buffalo Grove
Bob Irvin, Village of Lincolnshire
Mike Allison, Village of Vernon Hills

Ms. Shawn Marshall, Executive Director, LEAN Energy, shawnmarshall@LEANenergy.org
Mr. Mark Pruitt, The Power Bureau, Energy Planning/Procurement, markpruitt@gmail.com

DISCUSSION HIGHLIGHTS AND RECOMMENDATIONS:

1. LEAN Energy formed aggregation authority in California; cities own the aggregation rather than serving as an agent.
2. Ms. Marshall stated LEAN is considering forming a potential partnership called Illinois Municipal Aggregation Center housed at IIT between Galvin Center at IT, The Power Bureau and LEAN Energy. Municipalities could choose this Center as the consultant or as a supplier. The Center is a not-profit. It has not yet been determined if there would be a membership fee to join the Center or if the Center would be utilized as a consultant for fee-for-service.
3. Recommended to have a plan of action that locks prices.
4. Build into contracts with suppliers that the municipalities get consumer information at the aggregate level so municipalities can report back market price.

5. Get best value – not only best price. Review long term picture – what is supply, where is it from, what happens when ComEd rates drop in 2 years? Suppliers will not necessarily provide this information unless requested.
6. If a consultant is hired, the Center could be utilized as a type of auditor to ensure that the consultant is meeting state regulations and meeting demands of the municipalities.
7. Contracts in ComEd service territory extend through May, 2013.
8. Incorporate language in contract that would prohibit financial penalties if volume falls below expectations.
9. In the Intergovernmental Agreement, include language to allow for contract amendments.
10. Environmental regulations are getting more restrictive (for the State) and it is believed that local governments will be impacted in the long-term. Mr. Pruitt indicated he believe aggregation of electricity will
11. Competitive declaration comes from the ICC. The ICC declares that 30% of rate payers have a supplier; there are sufficient suppliers and buyers – no longer need for fixed rate for consumer. Rate class declared competitive. Hourly energy pricing then becomes the only option.
12. Compliance obligations: renewable, energy efficiency, clean coal.
13. Consider labeling requirements for suppliers, such as 33%– where the energy is sourced. Third party auditor will make sure that the supplier entered into a contract for “green” energy. Review metrics and accountability. In Illinois, Renewable Portfolio Standards (RPS) requirement is 25% renewable by 2025.

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6. **Village President Rodriguez – Administration/Legislative.**
 - A. IL Route 53 Extension – *Update.*
 - B. Old McHenry Road & Robert Parker Coffin Road Intersection – *Update.*
 - C. Board/Commission/Committee Appointments.
7. **Village Trustee Barry – Finance/Transportation.**
 - A. Treasurer’s Report For October 31, 2011 As Reported On November 8, 2011.
 - B. Actual & Budget Comparisons For The Period Ending October 31, 2011.
8. **Village Trustee Marshall – Building, Planning & Zoning.**
 - Monthly Building Department Report – *October 2011.*
9. **Village Trustee Schmitt – Communications/Sustainability Initiatives**
 - Solid Waste Agency Of Lake County (SWALCO) Board Meeting – *August 25, 2011.*
10. **Village Trustee Underwood – Community Involvement/Historical.**
 - Mosquito/West Nile Virus – *October 2011 Report.*
11. **Village Trustee Wachs – Public Works/Security.**
12. **Village Trustee Weber – Business Development.**
13. **Village Clerk Schultheis.**
14. **Village Manager Lothspeich.**
15. **Village Planner Hogue.**
16. **Village Attorney Filippini.**
17. **Approval Of Board Meeting Minutes: October 25, 2011.**

EXECUTIVE SESSION: Executive Session Meeting Minutes; Disposition Of Property; & Litigation.

OTHER BUSINESS: Approval Of Executive Session Meeting Minutes: October 25, 2011.

ADJOURNMENT. Next Regular Meeting: November 22, 2011 at 7:00 p.m.

The Village of Long Grove is subject to the requirements of the Americans with Disabilities Act of 1990. Individuals with disabilities who plan to attend this meeting and who require certain accommodations in order to allow them to observe and/or participate in this meeting, or who have questions regarding the accessibility of the meeting or the facilities, are requested to phone David Lothspeich, Long Grove Village Manager at 847-634-9440 or TDD 847-634-9650 promptly to allow the Village of Long Grove to make reasonable accommodations.



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Article updated: 10/11/2011 5:26 PM

Oak Brook chooses new electric supplier offering 30 percent savings

By Anna Madrzyk

Oak Brook residents will be able to save 30 percent on electricity supply rates starting in January if they switch from ComEd.

Oak Brook, Grayslake and Lincolnwood locked in an electricity rate of 5.52 cents per kilowatt hour for residential customers from Wisconsin-based Integrys Energy Services, Inc. ComEd's comparable rate is 7.90 cents per kilowatt hour.

The three communities — all with the same village attorney, Holland & Knight — had entered into an intergovernmental agreement to jointly solicit bids from alternative retail electric suppliers for eligible residential and small business customers.

"There are a lot of towns talking about banding together, but we're the first ones to do it," said Oak Brook Village Manager Dave Niemeyer.

In April, voters in Oak Brook gave the village the authority to look for another electric supplier.

Residents and businesses will receive letters later this year allowing them to "opt out" of the contract with Integrys and stay with ComEd.

Those who choose the cheaper supplier will still receive their power through ComEd's infrastructure. ComEd still will send the bills and be responsible for fixing power outages.

"People won't notice the difference," Niemeyer said.

However, the 30 percent savings on the electrical supply rate doesn't mean residents' total bills will decrease 30 percent, since there are other charges that won't change. The savings will be reflected on electric bills in February.

The three villages handled the bidding process without using an energy broker or consultant, saving the communities an estimated \$150,000, officials said.

Niemeyer said he is getting calls from other communities interested in the electric aggregation program, which must be approved by voters.

"There's really no downside to doing this," he said.

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