

**VILLAGE OF DOWNERS GROVE
REPORT FOR THE VILLAGE COUNCIL MEETING
DECEMBER 6, 2011 AGENDA**

| SUBJECT: | TYPE: | SUBMITTED BY: |
|--|--|-----------------------------------|
| Resolutions authorizing execution of Letter of Intent to Join Will County Aggregation Group and to submit the Aggregation Program Referendum | ✓ Resolution Ordinance Motion Discussion Only | David Fieldman Village Manager |

SYNOPSIS

Two resolutions have been prepared regarding Municipal Aggregation of Electricity:

- A resolution authorizing execution of the Letter of Intent to Join the Will County Governmental League’s Aggregation Group
- A resolution has been prepared to submit the referendum of whether the Village may operate an aggregation program for those customers who do not opt out

STRATEGIC PLAN ALIGNMENT

The goals for 2011 to 2018 identified *Exceptional Municipal Services* and *Top Quality Infrastructure*. This item is a High Priority Action for 2012.

FISCAL IMPACT

N/A

UPDATE & RECOMMENDATION

This item was discussed at the November 15, 2011 Village Council meeting. Staff recommends approval on the December 6, 2011 Consent Agenda.

BACKGROUND

ComEd owns and maintains the electrical distribution equipment and is the sole company authorized to distribute and deliver electricity to customers within the region. ComEd is responsible for distributing electricity, but not for generating or supplying the electricity load. Under Illinois law, ComEd customers are permitted to purchase this supply of power through a third-party firm, known as an Alternative Retail Electric Supplier. Under current Illinois law, the Village may create a community-wide electricity aggregation program through which it may contract for electricity supply on behalf of residents and certain small businesses. The goal of a community aggregation program is to reduce the rates paid for the supply of electricity by bundling a significant number of accounts and seeking competitive bids for electricity supply to those accounts. Electricity would continue to be supplied through the ComEd infrastructure and all customers would continue to pay for electricity supply and service through one bill from ComEd.

The Village has been approached by the Will County Governmental League (WCGL) to join with 19 other municipalities to participate in a combined electricity aggregation process to be led by WCGL. The combined group would aggregate electricity supply for at least 150,000 customers (460,000 residents) in Will County and surrounding counties. The benefits to the Village include lower electricity supply rates

than the Village could obtain for the smaller number of accounts on its own and significantly less staff time required to complete the process.

Letter of Intent

The attached letter of intent will signify to the WCGL that the Village will move forward under its process. By signing the letter of intent, the Village is not obligated to join the WCGL's aggregation group at this time; rather, the Council will have an opportunity to review the program again in early 2012 when it considers authorization of the intergovernmental agreement, which would take place no later than February 2012. Further, additional opportunities will exist for the Village to withdraw from participation prior to the publication of a call for bids. The intergovernmental agreement would allow the WCGL to bid and accept the contract on the Village's behalf. The WCGL will only accept a low bid in the process if it provides savings over the ComEd rate. The WCGL estimates that aggregation will result in at least \$150 per year in electricity savings for the average homeowner.

The Will County Governmental League hired a consultant, DaCott Energy Services, Ltd., through a competitive RFQ process. Electricity customers will pay a small fee to cover the services of the consultant and an administrative fee for customers located in non-member municipalities. The WCGL estimates this will be approximately \$2.50 per household per year. Under the proposed WCGL approach the WCGL and the consultant would:

- prepare the Village's operation and governance plan (required to be prepared per the State law)
- solicit bids for the supply of electricity
- enter into a 12 month contract with the selected electricity supplier
- assist the Village in complying with notice and communication requirements

Based on Council's direction to proceed with the WCGL process, staff will begin preliminary work to meet all deadlines required under State law in order to have an aggregation program. The Village will be required to:

- adopt a resolution placing the question on the March 20, 2012 General Primary Election ballot
- hold the required two public hearings on the operations and governance plan
- comply with communication requirements to notify customers that they may opt out of the program

Referendum

Under the state statute, the Village is required to submit for referendum the question of whether the Village shall operate the aggregation program. The attached resolution authorizes the Village Clerk to submit the following question to be placed on the ballot for the General Primary Election to be held on March 20, 2012:

Shall the Village of Downers Grove 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?

Environmental Concerns Commission

The Environmental Concerns Commission considered the topic of municipal aggregation at its November 10, 2011 meeting. Staff explained that the Council would consider the motion to sign the letter of intent to participate in the Will County Governmental League's aggregation program. At the request of the commissioners, staff explained that there were two opportunities to include renewable energy in the aggregation of electricity: the Village could request that the WCGL bid include a requirement for the supply of renewable energy or the Village could purchase renewable energy credits separately. The

purchase of renewable energy credits is not provided for in the FY12 budget. The commission unanimously approved a motion with the following three components:

1. The Environmental Concerns Commission endorses the Village's entry into municipal aggregation
2. The Environmental Concerns Commission recommends, as part of the WCGL purchase, the inclusion of renewable energy at a minimum of 15% of the total energy purchase, with a goal to purchase 25%, and
3. In the event that the Will County Governmental League does not pursue a component of renewable energy, the ECC recommends that the Village purchase renewable energy credits to meet the recommended percentage.

ATTACHMENTS

Presentation Prepared by the Will County Governmental League

Resolution Authorizing Execution of a Letter of Intent to Participate in the WCGL Electrical Aggregation

Resolution Placing the Aggregation Question on the March 20, 2012 General Primary Election

Draft Minutes of the November 10, 2011 meeting of the Environmental Concerns Commission

RESOLUTION NO. _____

A RESOLUTION PROVIDING FOR THE SUBMISSION TO THE ELECTORS OF THE VILLAGE OF DOWNERS GROVE, DUPAGE COUNTY, ILLINOIS, THE QUESTION OF WHETHER THE VILLAGE SHOULD HAVE THE AUTHORITY UNDER PUBLIC ACT 096-0176 TO ARRANGE FOR THE SUPPLY OF ELECTRICITY FOR ITS RESIDENTIAL AND SMALL COMMERCIAL RETAIL CUSTOMERS WHO HAVE NOT OPTED OUT OF SUCH PROGRAM

WHEREAS, the Illinois Power Agency Act, Chapter 20, Illinois Compiled Statutes, Act 3855, added Section 1-92 entitled Aggregation of Electrical Loads by Municipalities and Counties, hereinafter referred to as the "Act"; and

WHEREAS, Pursuant to the Act if the Village seeks to operate the aggregation program under the Act as an opt-out program for residential and small commercial retail customers, then prior to an adoption of an ordinance to establish a program, the Village must first submit a referendum to its residents to determine whether or not the aggregation program shall operate as an opt-out aggregation program for residential and small commercial retail customers; and

WHEREAS, the Village Council of the Village of Downers Grove hereby finds that it is in the best interest of the Village of Downers Grove to operate the aggregation program under the Act as an opt-out program and to submit the question to the electors in a referendum pursuant to the Act.

NOW, THEREFORE, BE IT RESOLVED BY THE VILLAGE COUNCIL OF THE VILLAGE OF DOWNERS GROVE, DUPAGE COUNTY, ILLINIOS, AS FOLLOWS:

SECTION 1. The provisions set forth in the preamble are hereby incorporated into this Resolution.

SECTION 2. The Village Council of the Village of Downers Grove finds and determines that it is in the best interest of the Village of Downers Grove to operate the aggregation program under the Act as an opt-out program.

SECTION 3. In the event such question is approved by a majority of the electors voting on the question at the General Primary Election held on March 20th, 2012, the Village Council of the Village of Downers Grove may implement an opt-out aggregation program and if said Village Council adopts the program the Village shall comply with all the terms and provisions of the Act.

SECTION 4. The Village Clerk of the Village of Downers Grove is directed to certify and submit on or before January 12, 2012, the following question to be placed on the ballot for the General Primary Election to be held on March 20, 2012 in the following form:

| | |
|--|-----|
| Shall the Village of Downers Grove 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 5.: If any section, paragraph, clause or provision of this Resolution is held invalid, the invalidity of such section, paragraph, clause or provision shall not affect any other provisions of this Resolution.

SECTION 6: That all resolutions or parts thereof in conflict with the terms of the resolution are hereby repealed and of no further force and effect to the extent of any such conflict.

Mayor

Passed:

Published:

Attest: _____

Village Clerk

*EXCERPT FROM DRAFT MINUTES – Environmental Concerns Commission
(November 10, 2011)*

Chairman Sterner asked Ms. Deitch to discuss electricity aggregation. Ms. Deitch stated that the Village Council will consider a motion to operate an aggregation program for residential and small retail commercial electricity customers. There are 22 retail electric suppliers. The Will County Governmental League is joining together 20 municipalities to bid competitively on electricity supply on behalf of those cities and their residents for a period of 12 months. The program requires a referendum in March, which is why the process is beginning now. The electricity will be bid competitively over the summer. Ms. Deitch stated that staff believes there could be two ways to incorporate renewable energy into the program if the Council decides to join the Will County Governmental League's program. The first renewable energy option would be to have the Will County Governmental League include in its bid a certain percentage of renewable energy credits. The other option would be for the Village to purchase renewable energy credits. Ms. Deitch stated that staff welcomed the ECC's feedback and would include the ECC's comments in the agenda memo that would be provided to the Council.

Ms. Vitt Sale stated that independently of Ms. Deitch's presentation, she had been contacted by Blue Star Energy, as she is personally a customer of the company. She stated that municipalities can enter individually into a purchasing agreement. The overarching strategy of the program is to give residents and small businesses the opportunity to buy power at a scale. It is a community-based buying program. The reason that she was contacted is that she is a green power advocate. She is interested in the program because she would like to be able to bring electricity bills down considering the tight economy, but she stated that she thinks there should be a mix of green power. She stated that she personally purchases 100% green power and she pays less than she would pay from ComEd. It is not as big of a discount as she would get through an aggregation program. Ms. Vitt Sale stated that the Integrys presentation given at the Village Council meeting stated that the Village could expect rate savings of as much as 18% and she stated that she would imagine that joining the Will County program would make the buying power much stronger. The reason that she asked for the program to be considered by the ECC is that the ECC could make a recommendation to go back to the Council for a percentage of mix of green power in that program.

Mr. Sterner asked what kind of savings the Village would see. Ms. Deitch stated that residents could see around \$150 in savings per year. Ms. Deitch stated that the ComEd rate now is around 7.5 cents per kilowatt hour and most of the contracts being bid right now are around 5.5 cents per kilowatt hour.

Ms. Vitt Sale asked where the Village would get its supply of power under a new scenario. Ms. Deitch stated that she was not sure, but would clarify. She stated that the Village now has a contract with Champion Energy for its revenue-producing buildings. ComEd does not actually sell electricity; the rate is a pass-through.

Mr. Hose asked if there would be a difference in savings between a scenario where Downers Grove runs its own aggregation program or where it joins the Will County program. Ms. Deitch stated that the price would be comparable to what the other communities had received in a contract. North Aurora is a recent example of a community that went alone; they have a rate of 5.7 cents per kilowatt hour.

Mr. Hose asked who would make the payment to the consultant. Ms. Deitch stated that the electricity customers would pay a fee as part of the rate. The fee would be equivalent to about \$2.40 per customer per year.

Chairman Sterner asked if the Village had sought out the Will County program. Ms. Deitch stated that the Village had been approached to join by the Will County Governmental League and that other communities outside the league have also been invited. Mr. Sterner asked if DuPage County is considering a similar program. Ms. Deitch stated that they are not. She stated that the Council is considering a letter of intent and will have opportunities to withdraw prior to when bids are sought.

Mr. Sterner asked the Commission if it wanted to give a recommendation regarding the program. Mr. Cavallo stated that the motion should encourage the Council to consider the program and in the Commission's judgment, it is a benefit to the resident and that the Commission hopes there will be a high level of renewable energy included. Ms. Vitt Sale stated that she would like the Commission to give direction on a percentage of renewable energy.

Mr. Hose stated that the Oak Park model to purchase 100% green power was interesting and asked if there would be an opportunity for residents to choose 100% green power or a portion of green power. Ms. Deitch stated that the Will County Governmental League representatives stated that it would be an administrative burden to administer a program like that due to the high number of customers.

Mr. Sterner asked Mr. Speta if he would like to provide his opinion. He stated that he was in agreement.

Ms. Vitt Sale stated that she was able to find the State of Illinois' renewable energy standard and that the current standard is that by the year 2025, 25% of energy sold in Illinois will be from renewable sources. Mr. Eisenhart asked whether there was a standard in place now. Ms. Vitt Sale stated that the current percentage is 5% and increases each year by 1% to 25% by 2025. Mr. Eisenhart stated that the Commission's role is to think about the environmental component as opposed to only the cost and that the motion should encourage the Village to purchase renewable energy credits separately if it is not included in the Will County Governmental League program. Ms. Vitt Sale stated that helping residents purchase electricity at a lower rate in an aggregation program is also a good thing to do and that social equity is a component of sustainability. She stated that she can buy green power by choice but that this program could really help residents to pay lower electricity. Mr. Eisenhart agreed.

Mr. Hose stated that he would like to see the Commission recommend a percentage of renewable power. Mr. Cavallo stated that 25% is a good goal that would be appropriate. Mr. Sterner stated that it could be a range, with a minimum of 5% and a goal of getting to 25%. Mr. Hose stated that the range could be higher. Mr. Cavallo stated that the range could be between 15% and 25%.

Mr. Hose made a motion that stated that the Commission endorses the Village's entry into a municipal aggregation program and that as part of the purchase, there would be a minimum of 15% with a goal of reaching 25% renewable energy and that in the event that the Will County program does not meet a minimum of 15%, that the Village purchases renewable energy credits to make up the difference. Ms. Vitt Sale seconded the motion. Mr. Sterner asked for a roll call.

Ays: Cavallo, Eisenhart, Speta, Hose, Vitt Sale, Sterner

Nays: None

The motion passed 6-0.

MUNICIPAL
ELECTRICITY
AGGREGATION

WILL COUNTY GOVERNMENTAL LEAGUE

- ☼ Membership of 32 Municipalities in Will County
- ☼ Purpose is to foster intergovernmental cooperation on common issues

TWO TRACK PROCESS

☼ Electric Aggregation Process for Municipalities

☼ Will Utility Aggregation Group: Will County Governmental League Program

PURPOSE

☀️ Seek lower electricity rates for residential and small commercial retail customers.

PROCESS

- ✿ A municipality or county may adopt an ordinance under which it may aggregate residential and small commercial retail electrical roads
- ✿ Prior to the adoption of the ordinance a municipality or county shall submit a referendum to its residents
- ✿ After successful referendum, a municipality or county shall develop a plan of operation and governance
- ✿ Prior to adopting a plan, the municipality or county shall hold at least 2 public hearings on the plan

REFERENDUM

- ☼ Shall the (municipality or county in which the question is being voted upon) 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?
- ☼ General Primary Election-March 20, 2012

PROCESS CONTINUED

- ✦ Prepare a Request for Proposal (RFP) for new electrical rates for residential and small commercial retail customers
- ✦ Only rates which are lower than prevailing ComEd rates will be accepted
- ✦ Notify residents they can opt-out of program before their electric supplier changes

KEY DATES

- ☀December 18th, 2011-Last day for municipalities to notify County Clerk an intention to place referendum on the ballot
- ☀January 3rd, 2012- Last day for municipalities to adopt an ordinance to submit referendum
- ☀January 12, 2012- Last day for circuit clerk and local election
- ☀March 20, 2012- General Primary Election

FOR RESIDENTS

- ✦ Only supply portion of bill will change (approx. 60% of bill)
- ✦ ComEd still delivers power
- ✦ Bills will still come from ComEd
- ✦ If lights go out, call ComEd
- ✦ Can opt-out of program for before any change happens

WILL UTILITY AGGREGATION GROUP (WUAG)

- ✿ An effort of the Will County Governmental League to aggregate the electric loads of member communities together
- ✿ Power in numbers, the more participation the greater the potential savings

WUAG PROCESS

- ✿ Electric Aggregation process must still be followed as directed by state statute
- ✿ Each municipality must still pass referendum, hold 2 public hearings, and adopt an ordinance
- ✿ Operations and Governance Plan must still be adopted, but will be developed collectively for WUAG members

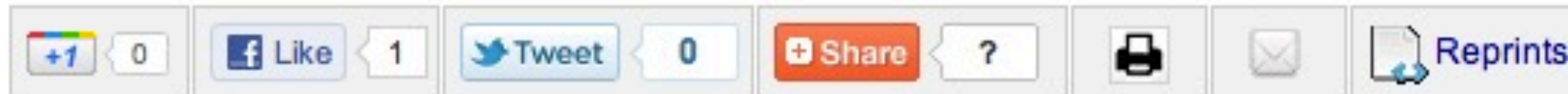
WUAG PROCESS

- ☀ Formal membership in Will Utility Aggregation Group will come through Intergovernmental Agreement
- ☀ Opportunities will exist for communities to leave membership prior to being taken to bid
- ☀ WUAG members loads will be aggregated and taken to bid collectively

IN THE NEWS

Shorewood move could cut electric bills

By Clare Walters For The Herald-News September 28, 2011 8:18AM



Updated: October 2, 2011 2:51AM

SHOREWOOD — Village officials Tuesday joined a countywide initiative to lower consumer electricity rates.

The village board unanimously approved the signing of a letter of intent to participate in the Will County Governmental League's Will Utilities Aggregation Group, developed with the goal of aggregating the electric loads of residential and small commercial retail customers to lower electricity rates.

Mayor Richard Chapman said this initial measure will allow the village to move forward with the placement of a referendum question regarding electricity rates on the March election ballot. The passage of a referendum question is a formality of the process.

FOR COMPARISON

| | Length of Contract in Months | Rate per kw/h | Household Supply Cost @ 8500 kw/h annually | Annual Household Savings vs ComEd Rate |
|-------------------------------------|-------------------------------------|----------------------|---|---|
| ComEd Non-Summer | - | \$0.07753 | \$659.01 | \$0.00 |
| Joliet Chamber (Opt-In) | 12,18 or 24 | \$0.06300 | \$535.50 | \$123.51 |
| Metro Mayors Caucus (Opt-In) | 18-24 | \$0.06200 | \$527.00 | \$132.01 |
| Glenwood (Opt-Out) | 24 | \$0.05990 | \$509.15 | \$149.86 |
| Crest Hill (Opt-Out) | 24 | \$0.05890 | \$500.65 | \$158.36 |
| Wood Dale (Opt-Out) | 24 | \$0.05920 | \$503.20 | \$155.81 |
| North Aurora (Opt-Out) | 24 | \$0.05750 | \$488.75 | \$170.26 |

CURRENT PARTICIPATION

| WUAG Program Summary | 8500 kw/h Annually | 10000 kw/h Annually |
|--|-------------------------------|--------------------------------|
| Number of Communities | 20 | |
| Participating Population | 494,174 | 494,174 |
| Households | 172,218 | 172,218 |
| Total kw/h annually | 1,463,853,000 | 1,722,180,000 |
| | | |
| Potential Annual Savings for Participants | \$29,320,975.59 | \$34,495,265.40 |

SUMMARY

- ✿ Goal is to save money on electric rates
- ✿ Voters must approve referendum
- ✿ Residents can opt-out before anything changes
- ✿ If rates aren't lower, they aren't accepted

QUESTIONS?