

# Memo

**To:** Trustee Selman  
**From:** Robert Kosin  
**CC:** Board of Trustees, Village President  
**Date:** 5/21/2012  
**Re:** Aggregation Options

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The Illinois statute for aggregation provides one of two ways that small volume consumers of electricity may obtain volume pricing for their purchase. One method through a referendum is known as opt-out and with the failure of the referendum, it is not available to Village of Barrington Hills. The other method is known as Opt-in and since the April meeting of the Board of Trustees, research has been undertaken, found in the attached as well as from other sources about the aggregation process.

To restate the research, the Village has certain choices and they are in the most part mutual exclusive.

**Opt-In** The Village creates a program exclusive for residents and in turn invites them in, hence the term opt-in. The program requires all the same administrative structure as the opt-out feature, with registration, residential notices, and brokerage agreements. A variation on the theme is that the Village joins with other governmental units as part of a consortium of opt-in entities.

**DIY Promotion** The Village promotes aggregation opportunities for its residents without itself creating one. Since the creation of the state statute a varied flavor of aggregation programs exist for the individual consumer such as joining one hosted by an alumni association, or green power proponents. Also technology exists that the consumer can add to an existing home system to control purchase at times of opportune pricing or retrofit appliances to enhance energy efficiency. This latter approach as like the federal Water Sense program exists as the Energy Star Program.

**Private Responsibility** The Village leaves the subject of aggregation with its ever changing landscape of regulations, technologies and participants to the consumer.

Aggregation BOT Memo  
May 21, 2012

Information is regulated by the Illinois Commerce Commission and interested participants would be informed of that path of participation.

The selection of a decision path has a certain commercial urgency for savings as the highest consumption of electricity occurs in the summer months. One broker has stated that if selected an aggregation program could start in ten days after selection. A DIY Promotion or private initiative need not await a decision by the Village.

If the Village waits to create an opt-out program with the next election, action would not occur, assuming passage until December, 2012.

## ELECTRICITY CHOICES FOR BARRINGTON HILLS RESIDENTS

Art Osten, Jr. -- Management Consultant

May 8, 2012

### OVERVIEW & OPTIONS

On August 10, 2009, Governor Quinn signed into law Public Act 096-0176, which allows municipalities to arrange for the provision of electricity to residential and small commercial retail customers by alternative electric suppliers (i.e. suppliers other than ComEd). Under the new law, the municipality may seek bids for the provision of aggregate electricity supply services to these customers, in hopes that the selected rate will be lower than the standard rate offered by ComEd.

In the past, ComEd provided all three parts of electric service cost (supply, transmission, and distribution). Residents now have the ability to select the electricity supplier and reduce the supply cost, which is approximately 2/3's of their electric bill. Small businesses using 1,500 kilowatt hours (kwh) or less per month also qualify for this program. Regardless of the option chosen, ComEd will still handle all the billing and outages.

There are 5 (five) ways for Barrington Hills to proceed.

1. Opt-Out Municipal Aggregation allows residents to approve a referendum to have their municipal elected officials secure the lowest price supplier for all its residents and small businesses. These customers are automatically enrolled unless they notify the supplier that they wish to "opt-out" of the program.

Barrington Hills voters rejected this option by a narrow margin in their March 20, 2012 referendum. Another referendum could be attempted but, because of legal constraints governing when they can be held, implementation during the 2012 summer months of high electricity usage would be missed.

Municipalities whose residents approved the referendum, usually pool their electrical usage with other municipalities and use that leverage to attract a lower price and better terms than they could have gotten individually. Recent consortium prices include:

- a. 4.169¢/kwh -- Northern Illinois Governmental Electric Aggregation Consortium NIGEAC (Genoa, Huntley, Lakewood, Ringwood, Woodstock) via Direct Energy. This is a 2 year agreement with this price good through July 2013, after which a formula is applied. There is no early termination fee. Green energy (that generated by renewable resources such as wind, solar, thermal, hydro, or biomass and is usually more expensive to produce) is not available. There is no civic contribution from the energy supplier to each municipality.

Note that a “civic contribution” is sometimes included in suppliers’ proposals and is a dollar amount returned to each member municipality based on the previous year’s usage and can be justified if used to purchase energy saving equipment, building renovations, etc. When a supplier cannot afford (or does not wish to) reduce their profit by lowering rates but does have some leeway, this leeway can be captured and used to benefit the taxpayers. It is often avoided because it is sometimes seen as a kick back.

- b. 4.775¢/kwh -- Northwest Consortium (Arlington Heights, Buffalo Grove, Lincolnshire, Long Grove, Palatine, Vernon Hills, Wheeling). Uses 100% renewable energy. The contract price is good through June 30, 2013 with an option to extend for two years depending on market rates with the suppliers’ profit margin locked in. A defined rate could have been provided but included a risk factor due to the uncertainty of market prices. The consortium chose a “wait and see” approach. The contract does not include a civic contribution to the member municipalities.
  - c. 4.836¢/kwh -- North Shore Electricity Aggregation Consortium (Deerfield, Glencoe, Highland Park, Lake Bluff, Lake Forest, Northbrook, Park Ridge and Skokie). 3 yr contract rate good through May 2013 bill. Afterwards, rate is guaranteed to be below ComEd’s then current rate. \$25 early termination fee. Green power is available. There is no civic contribution.
  - d. 4.750¢/kwh -- Owego) 100% green. 2 yr contract at same rate. \$25 early termination fee. No civic contribution.
2. Opt-In Municipal Aggregation -- While elected officials might be politically gun-shy or not want to commit additional staff resources to an issue that does not directly usually generate revenue for the municipality, the closeness of the vote in those municipalities which did not pass the Op-Out Aggregation referendum suggests a large number on interested residents who would attract bids from suppliers. Those who voted against it might also have been influenced by misinformation from suppliers who market door-to-door. However, because Opt-In programs require affirmative action on the part of residents (returning a card or calling in) they sometimes generate only 10-25% participation vs. the 90% in Opt-Out programs but direct mail solicitation can generate only 3% participation. Communication must be robust. Municipal address lists or supplier purchase of same from commercial sources is required. Two methods are available:
- a. An individual municipality can receive or request bids from suppliers for its residents only. However a buyer group of at least 20,000 is generally required to receive competitive bids. Integrys has offered Barrington Hills residents a rate of 5.6¢/kwh.

- b. A municipality can form a consortium with other municipalities whose voters voted down an “Opt-Out” program. Each would have to adopt an Opt-In Municipal Aggregation Ordinance. With greater buying power, prices would likely be much lower than could be obtained by one municipality alone. The bidding process would benefit from the use of a municipal aggregation consultant. The consultant’s fee can be negotiated and is paid for by the winning electricity supplier.
3. Resident Initiative Options -- This option has been pursued by many municipalities whose voters rejected the “Opt-Out” municipal aggregation. It provides voters with the information they need to select their own supplier if they wish to do so. Sources for individual household rates are:
  - a. The Metropolitan Mayors Caucus (organization of 272 mayors in Chicago metropolitan area) has created an energy savings program through Integrys Energy through June 2013 of 6.100¢/kwh. Residents can enroll online, with their Account Number, Service and Mailing Address, and Telephone Number from their ComEd account. \$50 early termination fee if customer wants to switch to another supplier before the contract ends. ComEd's current price of 7.733¢/kwh will change in June to an amount not known at this time. If ComEd's price is lower, Integrys has the option to meet it or void the contract.
  - b. Plug In Illinois.org is the State of Illinois Commerce Commission site for residents with 27 different suppliers, some with multiple pricing options. The suppliers can be sorted by price, term, etc.
  - c. Numerous firms have been and will continue to solicit businesses by direct marketing to individual homes and businesses. Those already being supplied electricity from a supplier other than ComEd will want to consider their termination cost and rate with that supplier before switching.
4. ComEd Real Time Pricing -- Resident contracts with ComEd to pay the market price of electricity at the hour it is used. Prices rise and fall every hour depending on supply and demand so the resident is motivated to use their major appliances when most people aren’t. ComEd provides and installs a special meter for free and provides subscribers with ongoing access to its prices.
5. Stay Put -- Resident stays with ComEd and does nothing. ComEd is currently soliciting bids from energy suppliers and will issue a new rate in June 2012. Preliminary information suggests that this will rise from 7.73¢/kwh to 8.5¢/kwh. Apparently, ComEd has a large number of long-term contracts at older, higher rates that offset the lower priced contracts they are able to secure today.

### **RECOMMENDATIONS**

*This is a hierarchy based on savings potential.*

*Factors other than savings might be deemed more important.*

1. Form an Opt-In Consortium with other Municipalities whose voters rejected Opt-Out Aggregation.
  - a. Reach out to as many as possible to generate the most favorable prices and terms.
  - b. Hire an experienced aggregation consultant(s) to attract the municipalities and oversee the bidding process. Notable bidding consultants include: David Hoover of NIMEC, Mark Pruitt of Intelligent Power Partners, and Mark Burns of Independent Energy Consultants.
  - c. Go to bid after ComEd's new prices come out officially in June so that the amount saved can be accurately stated.
  - d. Note that an aggregation option is being considered by State legislators for natural gas. Any experience gained with an electricity consortium could lay the groundwork for similar intergovernmental cooperation and resulting economies of scale in the future with natural gas.
2. Solicit Opt-In bids from suppliers for Barrington Hills residents only.
  - a. Note that Integrys' proposal of 5.6¢/kwh is significantly higher than that received by Opt-Out municipalities and not much lower than residents can get on their own through Plug In Illinois. However, it is much better than ComEd's rate. Given the low volume from one municipality, a significantly better rate is unlikely but a civic participation stipend to fund Village energy efficiency projects might be negotiable with this or other suppliers.
3. Provide residents with the information they need to explore their current options.
  - a. Provide a website ala Village of Wauconda.

#### **BIDDERS LIST**

1. Suppliers Who Contacted Barrington Hills, thereby showing possible interest in an Opt-In program:
  - a. Rock River/MC2
  - b. Integrys
2. Consortium Bidders with **Winners**:
  - a. North Shore --BlueStar, Direct Energy, Dominion, IGS Energy, Integrys, **MC2**, Next Era Energy.
  - b. Northwest -- Constellation, Direct Energy, **Integrys**, MC2, New Energy, Northern, Reliant, XOOM.

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- c. NIGEAC --BlueStar, ConEd Solutions, Constellation, **Direct Energy**, ENCOA, First Energy Solutions, IGS, Integrys, Liberty Power, MidAmerican Energy, MC2, Nicor Electric/Dominion Retail, Nordic.
  - d. Oswego -- **First Energy Solutions**, Constellation, Direct Energy, Integrys, MC2, Nordic.
3. Suppliers Consortiums have found noteworthy:
    - a. Integrys, Constellation, MC2, First Energy, Direct Energy.
  4. Suppliers from the Plug In Illinois list not already listed above. Not recommended. Stability, size, and experience might be an issue given that they do not bid on consortiums. Limiting the number of bidders also encourages the competitiveness of those remaining.

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Wed, May 16, 2012 at 9:53 AM

To: rkosin@barringtonhills-il.gov

Cc: james.dudek@comed.com

Good Morning Bob,

The information I received back is that have not received a definitive answer on the application of an Opt In plan but it our is Energy Acquisition Dept's understanding that we can send the same type of information (usage/load aggregated and customer name and address list) to you. The same fee schedule would apply.

ComEd will need to get a filled out GAAF with contact names/addresses and FED Tax ID for billing purposes. We would also want a complete copy of the MAADRF (data request form) for our files. Please forward this information to Jim Dudek and he can then get you the information you desire.

Sincerely,

Diane

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