

Agenda
Village of Glen Ellyn
Village Board Workshop
Monday, May 14, 2012
7:00 P.M. – Galligan Board Room
Glen Ellyn Civic Center

1. Call to Order

2. Preliminary Year End Financial Report – Finance Director Wachtel

3. Municipal Electric Aggregation – Assistant to the Village Manager Schrader

4. Other items?

5. Adjournment

MEMORANDUM

TO: Mark Franz, Village Manager

FROM: Kristen Schrader, Assistant to the Village Manager - ADM *KS*
Andrew Letson, Administrative Intern *AL*

DATE: May 8, 2012

RE: Municipal Electric Aggregation



Background

Municipal Electric Aggregation is a method by which municipal governments can enter into electricity purchasing agreements on behalf of consumers within their jurisdiction. Municipal Electric Aggregation is possible in Illinois due to the 2007 passage of the Illinois Power Agency Act, which authorized municipal and county authorities to negotiate electric power supply arrangements for their residential and small business consumers. Customer choice in electric power supply, through deregulation of the electricity market, was first created under Illinois law by the Electric Service Customer Choice and Rate Relief Law of 1997.

Prior to deregulation, ComEd supplied both the electricity and the infrastructure. However, with deregulation ComEd no longer generates electricity for its consumers, but continues to provide power generated by others through its distribution system. Deregulation means that power can be supplied through any of the 23 Illinois Commerce Commission approved power suppliers (such as Exelon, BlueStar Energy, Integrys Energy). Currently, ComEd customers receive power generated by Exelon at a price set each year by the Illinois Power Agency (IPA), a not-for-profit quasi-governmental body that buys electricity on the wholesale market on behalf of utility customers. The price of electricity previously purchased and set by the IPA is more than the current market price of electricity, leading to the trend of municipal aggregation. However, these contracts expire in May 2013 and the price of electricity that ComEd charges will be closer to the market rate.

There are two basic ways for local governments to aggregate their communities for the purchase of energy – through an “opt-in” or an “opt-out” program. Opt-in aggregation requires the individual to enroll in the program before being included in the aggregation pool of customers. Opt-out aggregation automatically includes each household in the aggregated pool unless the individual affirmatively “opts-out,” or decides not to participate. Within the opt-in category there are two options. The Village can either manage an opt-in program or promote a program that is being managed by another organization.

During the November 21, 2011 Village Board Workshop, staff recommended that the Village pursue the promotion of an opt-in program known as the Energy Savings Program (ESP), which was created and managed by the Metropolitan Mayors Caucus through its Clean Air Counts Campaign, of which the Village is a member. The ESP enables residents and small businesses to avail themselves of savings in the immediate future. The program leads to savings for property

owners as soon as the next billing cycle after they sign up. The ESP guarantees that property owners enjoy savings compared to the ComEd rates through June 2013. ESP also provides each household with four energy-saving compact fluorescent light bulbs (CFLs). Installing these CFLs will result in not only a significant reduction in local air pollution, but also enhanced cumulative savings (\$70 per customer) through June 2013. This program is managed by the Metropolitan Mayors Caucus and not the Village.

During that meeting, the Village Board supported staff's ESP recommendation, but requested that the Environmental Commission also attempt to find a similar program that could be offered to residents that includes renewable energy.

Issues

Environmental Commission Recommendation

Between November, 2011 and February, 2012, the Environmental Commission went through an extensive process to research possible alternatives to the ESP. The Commission developed a subcommittee that was tasked with contacting knowledgeable individuals and organizations to determine if any viable alternatives to the ESP exist. Through their research, the subcommittee determined that a green energy program managed by another organization does not exist. Therefore, the subcommittee settled on a basic recommendation of developing a Village-managed opt-in program.

During the February 21, 2012 meeting of the Environmental Commission, two motions were approved. The first stated that the Commission recommends that the Village pursue a Village-managed opt-in aggregation program and the second stated that the Commission recommended the Village pursue such a program with BlueStar Energy. Each motion was approved unanimously.

The Commission chose BlueStar Energy for multiple reasons. Through research, the Commission determined that four companies would be good candidates for recommendation (Integrays Energy, BlueStar Energy, First Energy and Direct Energy). BlueStar was chosen due to their experience in administering a similar program with the City of Aurora. In addition, multiple individuals working on this issue throughout the Chicago region noted that BlueStar is a reputable company.

Moving Forward

Through this process staff has also researched the requirements to establish a Village-managed opt-in program. It has been determined that the Village would be required to develop a plan of governance, hold two public hearings to discuss that plan, adopt an ordinance, develop a request for proposals and request bids from electricity suppliers. This process could take a minimum of six months to complete.

With this information, staff is recommending general pursuit of the Environmental Commission's recommendation. Staff's recommendation is marketing for the ESP and in addition, the green energy option offered by BlueStar Energy as advertised on the Plug In Illinois website. The Plug In Illinois website (www.pluginillinois.org), developed by the Illinois Commerce Commission, is designed to provide residents with the opportunity to find all available alternative electricity rates in a single location. Village staff is making this recommendation because the Village could promote these programs without taking the lengthy steps of developing a Village-managed opt-in program

since neither is being directly managed by the Village. The Environmental Commission has been made aware of this recommendation.

Promoting the ESP and the BlueStar green energy option provides many advantages to Village residents. First, residents are provided with both a green energy and a financial savings option, providing them with the opportunity to make a choice based on what is best for their family. In addition, promoting these programs requires less time and expertise than developing a Village-managed opt-in program. Finally, residents would have the opportunity to realize immediate savings as registration could occur immediately (versus opt-in 6-month delay). The current ComEd rate is 7.733 cents/kWh. The ESP rate is 6.100 cents/kWh representing a 20% savings. BlueStar's green energy rate is 7.320 cents/kWh representing a 7.5% savings. This option includes 100% wind energy.

The Village can also make residents aware that Plug In Illinois has other energy options available to provide them with a greater number of choices. As customer choice continues to grow, this website will be a valuable asset for residents.

Recommendation

It is recommended that the Village promote the Energy Savings Program, the green energy option provided by BlueStar Energy as advertised on the Plug In Illinois website, and the availability of additional options on the Plug In Illinois website.

Action Requested

It is requested that the Village Board provide direction on whether or not staff should pursue the promotion of the Energy Savings Program, the green energy option provided by BlueStar Energy as advertised on the Plug In Illinois website, and the availability of additional options on the Plug In Illinois website.