

Village of Lake in the Hills Municipal Electrical Aggregation Referendum

Background Information

Recent changes in electrical regulation by the State of Illinois have given residents the ability to purchase their electricity from another supplier besides Commonwealth Edison (ComEd). As part of those regulation changes, municipalities may also bid the cost of electricity on behalf of residents in order to achieve even greater savings. However, in order to do so, the Village must first gain public support through an advisory referendum.

At the November 10, 2011 Village Board Meeting, the Board of Trustees approved Ordinance 2011-31 - Providing for the Submission to the Electors of the Village of Lake in the Hills, Illinois, McHenry County, the Question 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.

Should the voters support this referendum, the Village would have the ability to bid the cost of electricity on behalf of residents from another supplier besides Commonwealth Edison (ComEd) in order to achieve greater savings.

The Village's goal is to provide residents with as much information as possible to be fully informed of their options prior to voting.

Frequently Asked Questions (FAQs)

Q: What does the referendum ask?

A. The following referendum question will be on the Tuesday, March 20, 2012, primary election ballot: "Shall the Village of Lake in the Hills 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 _____

Q: What is municipal electrical aggregation?

A: Electrical aggregation is simply the ability of the Village to negotiate directly with a supplier for the cost of electricity (purchased by kilowatt hour) that can be consumed by the Village's residents. The Village has the ability to leverage the size of the population in negotiations, and this generally results in greater discounts. Think of it in terms of buying in bulk - you receive greater discounts because you can buy more. In this case, the buying power for an entire community can result in significant discounts beyond what an individual can get alone.

This type of program will only address the electricity supply costs for a community's residents and does not, in any way, modify or reduce the associated distribution costs that are charged on their electric bills by ComEd.

Q: Why is the opportunity for municipal electric aggregation available?

A: On August 10, 2009, Governor Quinn signed into law Public Act 096-0176 amending Illinois' original electric deregulation legislation. This is the last part of the deregulation process. Until this Act was amended, only larger customers such as industrial, commercial, and governmental entities could participate. Three-fourths of this commercial load is currently purchased from sources other than ComEd. The new law allows municipalities to transfer their residents' and small business owners' electric accounts to alternative electric suppliers.

Q: What is electric deregulation?

A: On December 16, 1997, the State of Illinois implemented a plan to deregulate Commonwealth Edison (ComEd). Under this plan, ComEd no longer generates electricity for its customers but continues to provide power generated by others through its distribution system. Deregulation means that power can be purchased through any one of 23 Illinois Commerce Commission-approved power suppliers.

Q: How does the electrical aggregation process work?

A: Under state law, a municipality must place a referendum on the ballot to ask its voters to give the municipal government the authority to aggregate electric accounts and seek bids for power generation. Assuming voters approve the referendum, the municipality must then hold at least two public hearings to discuss and create an aggregation plan. Once the plan is in place, municipal staff with the assistance of energy experts will prepare and publicize a request for proposals. Only energy suppliers certified and regulated by the Illinois Commerce Commission may respond. The bid that comes closest to achieving the goals of the aggregation plan would be accepted. However, if none of the bids meet the plan's goals, there would be no obligation to accept one, and the aggregated accounts would continue to receive power from ComEd at prevailing rates. A resident or small business would have no obligation to participate and could choose to opt out of the program altogether.

Q: How does electrical aggregation impact me?

A: Aggregation will have no impact on you as an individual beyond the cost savings you will receive by participating. Three companies are involved in electrical power:

Generation Companies: These companies generate electric power. Aggregation has no impact on them.

Supplier Companies: These companies purchase power from the generators for resale. Aggregation solely impacts your relationship with the supplier by letting the Village arrange for the supply of electricity for all residents in the Village; and

Transmitter Companies: A transmitter company is responsible for operating the grid that brings power to you home. ComEd is the transmitter for most of northern Illinois. Aggregation has no impact on the transmitter companies.

The only relationship that changes is the supplier. Therefore, you will not see a change in service - just a change in the cost of purchasing power.

Q: Do I have to participate in aggregation?

A: No. If this referendum passes, that means that the Village may bid on behalf of the residents to get better electric supply rates. If the Village does find a favorable rate and decides to proceed, all residential and small commercial electricity users will be included in the customer base unless they actively choose not to participate. That means that you still have the option to *opt out* of the program when the Village notifies residents of its choices. Instructions for doing so will be provided at that time.

Q: If I choose to opt out of the program, do I have an option to opt back into the program?

A: Yes, a resident would be able to opt back into the program.

Q: What are the benefits of electrical aggregation?

A: The most important benefit is the opportunity for residents and small businesses to save money on electric supply rates.

Q: Can savings be guaranteed under an aggregation program?

A: A municipality can structure its request for proposals so that bidders set their rates at a specified percentage under ComEd's established rate. Market fluctuations make it impossible to guarantee that bids would come in under the current energy rate paid by ComEd customers. However, since that current rate is set every May, the market can react to it and often provide a lower rate. Right now, residents and small businesses pay a higher rate than most large commercial, industrial, and institutional accounts that have sought open market bids.

Q: What happens if a municipality cannot purchase or negotiate lower rates than ComEd?

A: Your account would stay at ComEd, and ComEd would remain both the supplier of your power and the distributor of your power. Either way, ComEd would be your distributor.

Q: If aggregation means lower energy costs for customers, wouldn't ComEd simply increase charges on the distribution side to protect its profit margin?

A: ComEd owns the distribution system only and so does not realize profits or losses from the sale of energy. ComEd has worked for several years with large commercial and industrial customers who have switched to third-party energy suppliers and remains supportive of other customers who switch to third-party suppliers. In other words, there would be no impact on distribution rates. Illinois Commerce Commission (ICC) regulations dictate that ComEd cannot introduce any separate distribution fees on municipalities that aggregate.

Q: If a referendum is approved, how long will it be before the program is implemented?

A: There are several steps required by State law that must be followed to approve and implement any electrical aggregation program. If the referendum is approved in March, two public hearings must be held to gather citizen input for an aggregation plan. Once the plan is created and adopted, the Village would seek competitive bids from energy suppliers via a formal request for proposals (RFP) process. Assuming a bid is received that meets the goals of the plan, a contract with that supplier would then be negotiated.

Q: I have received mailings from retail electric suppliers offering lower electricity rates now. What should I do?

A: Consumers who decide to switch to a retail electric supplier before the Village's program is available should consider several aspects of the retail supplier's offer:

Length of contract: Many retail suppliers require a minimum 1-year contract, which would prevent a customer from getting the Village's aggregation rate until the contract ends.

Termination fees: Look at the cost of early termination. Some companies charge fees and others do not.

Q: What is considered a "small business" eligible for the aggregation program?

A: Small businesses are those which have an annual peak demand of 100 kilowatt or less - comparable to a fast-food restaurant. The amount of electricity a property utilizes can be obtained on an electricity bill.

Q: If I were to participate in electric aggregation, would I get two bills - one from ComEd for delivering the power, and another from the company that provided it?

A: No. ComEd would remain responsible for billing customers for all electricity, regardless of the electric supplier. The only change would be in the name of the electricity provider on the bill's power generation line.

Q: What is ComEd's role in this program?

A: ComEd distributes electricity, but does not generate it. ComEd is responsible for infrastructure, like power lines that bring electricity into homes and businesses, responding to outages and billing. ComEd will continue to bill customers for power generation and individual electric usage regardless of the supplier of electricity. ComEd is indifferent to the aggregation program as it does not impact them financially.

Q: Who would take care of my power if there was a power outage?

A: By law, any loss of power, downed wires, or other distribution issues will continue to be serviced by ComEd.

Should you have additional questions, please contact Shannon Andrews at sandrews@lith.org or (847) 960-7412.