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Why It Pays To Have The Illinois Energy Consortium (IEC) As Your Supplier

by Ronald C. Steigerwald, Statewide Marketing Director for IEC

Quarterly Newsletter
Spring 2001

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Stock market prices and utility costs are going in opposite directions. Stock prices are going down. Hope you got rid of those tech stocks early. Utility prices are going up. How would you like to own a casino in Las Vegas and have to budget for next year's electric bill? Better yet, how would you like to be living in California with their current electric problems?

The cost of electricity is just one of the problems that the IEC has had to contend with over the past several months. As was stated in a broadcast fax to IEC school districts previously served by Commonwealth Edison, we were able to still provide these school districts savings even with the prices of electricity sky-rocketing.

In addition to dealing with this problem, we learned, after the fact, that Illinois Power rules added additional expense to serving our customers. All of a sudden the IEC is beginning to field frantic calls from IEC school districts, previously serviced by Illinois Power, stating that they were losing money.

The IEC is reviewing all school district accounts in the Illinois Power area to determine districts with negative savings. As we are able to mitigate the losses, accounts will be either returned to Illinois Power or remain with the IEC if there is a savings for the district

The IEC And AE/CILCO Need Your Help

Only **you** can help the IEC and CILCO to ensure that your cost savings are accurate. In order for CILCO, our program

administrator, to be extremely accurate, you must tell them when any changes occur in your district.

The changes that I am specifically addressing are new buildings, additions, demolitions and meter changes.

If you add a building or convert a building to electric heat and air conditioning, we will not be able to accurately project the amount of energy that you need to run your schools. If CILCO under-delivers or over-delivers too much electricity to your school, CILCO is assessed a penalty by your utility company. This expense is passed on to your district through the program, which could increase your costs and thereby lower your savings.

If you are a district preparing to switch accounts to the IEC, any changes suggested above could have a bearing on the projected analysis prepared by CILCO.

Referendums are on the April ballot and construction at the school districts may take place as early as April in some areas. Keep us posted and up to date. Help us to be accurate by notifying AE/CILCO of any changes.

Have You Joined The IEC Yet?

What are you waiting for? Have you forgotten that as of January 1st, 2001, all electric meters are eligible for choice? Our current customers have been saving money, some as early as December of 1999.

Please keep in mind that you can join the IEC at any time. Currently the IEC is looking at purchasing their electric

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President's Perspective

by David F. Grace, President

Your IEC Board has taken steps to ensure the continuing successes we have seen over the past year. We have extended for two years the agreement with CILCO to act as the program administrator for our consortium. This will result in the continued level of service we have enjoyed in the past, accurate and timely billing for our electric services, and audited bills to ensure our receiving the maximum savings possible. I'm sure you all join me in thanking Kristi and the CILCO crew for all their assistance last year and look forward to at least two more years of our partnering with CILCO as a program administrator!

In addition, the IEC Board has bid out the electric supply for the ComEd region and has locked in a very competitive rate for two years as well. We have been very fortunate that the current market condition (as seen by the California Crisis) has not had a significant adverse affect on our organization. We have been able to deliver electricity to schools throughout this

region at significant savings to each based upon their consumption. Last year alone, districts in the ComEd region saved approximately \$1,000,000.00, that they would not have if not for your consortium (IEC). This organization is the only statewide organization delivering electricity to its members. We have accomplished a great deal in the past two years.

We have also been able to reach agreement with a supplier to help augment the smaller than expected savings in the Illinois Power region. As you learned in the last *Power Line* publication, we have encountered some difficulties working with Illinois Power. They have included some very complex formulas in their tariffs that make it very difficult for school districts to realize significant savings on their electric bills. Some changes that are being considered by the Illinois Commerce Commission and the agreement mentioned above, should result in school districts in the Illinois

Power region seeing significantly better savings in the near future. We do need to mention that some accounts that have not been able to benefit from either arrangement will be recommended to move back to the Illinois Power bundled rates to get their best savings. This should only affect a few accounts.

The existing agreement for electric supply in the Ameren region ends in September and we will be looking for another supply at that time in this region as well. Finally, we are in talks for a continued supply agreement in the CILCO region and hope to have news on this front in the near future.

It has been a challenging year for electric supply throughout the US. In Illinois, we have been very successful in helping school districts save money and we look forward to continuing into the foreseeable future. Thanks for your support and patience and we all look forward to another great year!

IEC Responds to Electric Market

by Robert J. Latham, President, Latham & Associates, IEC Energy Advisor

The Illinois Energy Consortium (IEC) succeeds because of the keen interest of schools in saving on electric costs and on its continuing intense involvement in the electric market in Illinois and the region. The primary challenges are in taking advantage of pricing and regulatory opportunities to assure savings for the IEC participant schools.

In the last few months, natural gas prices have dropped materially from the winter price spikes in the upper Midwest. Electric prices in the region have stabilized and fallen since the winter electric price spikes that were tied to natural gas price expectations. Whether these prices will again increase materially is tied to expecta-

tions of weather for the summer, to economic growth of the region, and perhaps most important, to the impact of the much larger use of natural gas for generating electricity due to the many new natural-gas-fired power plants in Illinois and the region.

The challenge facing the IEC is when to take positions in the Illinois electric market. Fortunately, many factors came together in the last few weeks to provide greater assurances of electric price savings for IEC participants. As a result, the IEC has made commitments for long-term price levels particularly in the ComEd and Illinois Power service territories. Other service territories are continually being

monitored to identify the best timing for assurances of long-term savings for participants.

For the ComEd region, the IEC has committed to a two-year fixed price power supply on competitive market terms. As a result, IEC participants will have greater long-term assurance of savings on electric bills. In addition, IEC can provide more certainty on future savings to schools contemplating joining the IEC. We are very pleased that this opportunity was available to the IEC and that the decision was made to enter into this two-year agreement.

In the Illinois Power (IP) region, it has been difficult to estimate potential

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What To Expect This Summer - The Market vs. The Utility

by Kristi Fitzanko, IEC Energy Advisor

Year-to-date district savings range from acceptable to outstanding. Many districts want to switch more schools as quickly as possible. But CILCO, the IEC Program Administrator, has advised to proceed slowly as the summer-months approach. There is a good reason why. Summer months bring higher market prices and lower savings. Therefore, it is advisable to hold up switching new accounts until the fall.

The Market vs. The Utility

Your host utility (AMEREN UE/CIPS, ComEd, or Illinois Power) has designed their bundled rates to balance their costs throughout the year. This

means that, while their summer rates are higher than their winter rates, the disparity is less than their true costs. On the other hand, in a competitive environment, winter and summer prices reflect what the costs are in the market. The objective of the IEC is to purchase energy that is competitive year around. In order to insure savings and energy, supply purchases must be obtained in advance without the security of knowing where market prices will be tomorrow. Our experience to date has been that winter prices bring substantial savings to our members. But due to the higher summer prices, summer savings have been minimal to non-existent. But over a twelve-month

period, our schools in the ComEd service area have seen positive savings.

With this in mind, it is our position that new facilities be switched in the fall rather than in the spring or summer months. This will bring the greatest savings to your school district. As you prepare for the next school year, we will be preparing to contact you with a reminder to sign up your additional facilities. If you have any questions about the status of pending switches, please feel free to contact Kristi Fitzanko, IEC Program Administrator, at 309.677.5246.

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supply for the Commonwealth Edison area. It is our hope, based on how the market price for electricity is going down, that the savings for our customers in this area will be significant.

In the Illinois Power and AMEREN CIPS area, we are on hold. However, that does not mean that you should not submit last month's bills for each of your electric meters. Be in position so that when we send out a broadcast fax saying that now is the time to join in these areas, your district will be ready.

Unfortunately, we still do not have anything in place yet for the Mid America and Alliant region. We are still working on it. Please be patient.

Update On The IEC And Natural Gas

At the March Board of Directors meeting, the Board revised and approved a contract with their consultant, Latham & Associates, to do a feasibility study for natural gas and to report back to the Board of Directors by July 15, 2001.

Keep your eyes and ears open for further updates on natural gas from the IEC and make sure you do not miss our next newsletter.

IEC Responds to Electric Market

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savings because IP prepares individual charges for most school facilities based on their individual historical usage and IP had proposed significant modifications in the way these charges would be calculated. The Illinois Commerce Commission has apparently agreed that the IP method of calculating charges should move toward the general method used by ComEd. This will facilitate analyses of potential IEC participant savings. Finally, we have committed to a longer-term power supply agreement to provide assurance of savings for participants on the IP system. We are individually evaluating over 300 facilities to determine the best alternative for each facility, on IEC supply or returning the facility to IP supply. As a result, we will have greater assurance that the remaining IEC facilities in the IP service territory will realize long-term savings with the IEC.

IEC Program Information By Month

by Kristi Fitzanko, IEC Energy Advisor

	<u># of School Districts Billed by Month</u>	<u>Current Savings</u>	<u>Monthly Savings Year-to-Date</u>	<u># of Meters Billed</u>	<u>Average Savings by Meter</u>
January, 2001	118	\$149,869.11	\$149,869.11	880	\$170.31
February, 2001	118	\$90,009.44	\$239,878.55	880	\$102.28
March, 2001	118	\$86,583.50	\$326,462.05	880	\$98.39
April, 2000	99	\$117,147.91	\$245,214.84	452	\$259.18
May, 2000	103	\$114,775.72	\$359,990.56	470	\$244.20
June, 2000	103	\$187,825.50	\$547,816.06	470	\$399.63
July, 2000	102	\$(44,366.63)	\$503,449.43	466	\$(95.21)
August, 2000	108	\$(58,884.12)	\$333,018.93	493	\$(119.44)
September, 2000	118	\$(79,654.38)	\$253,364.55	880**	\$(90.52)
October, 2000	118	\$85,038.50	\$338,403.05	880**	\$96.63
November, 2000	118	\$266,835.63	\$605,238.68	880**	\$303.22
December, 2000	118	\$226,851.62	\$832,090.30	880**	\$257.78

* March 2001 billing has not been completed as of this report. These amounts will be revised in the next report.

**We track billing information by district and individual account, not by meter. This is an average of 2.5 meters per school facility in the ComEd service area. Currently there are 352 individual facilities being served in ComEd.

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