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"Alive and Well"

by Ronald C. Steigerwald, Statewide Marketing Director for IEC

As I write this newsletter article, I pulled up my e-mail and learned from CILCO, our program administrator, that there are currently 263 school districts, 872 facilities and 1319 electric meters in the Illinois Energy Consortium (IEC). The breakdown by power supply companies is as follows:

	<u>School Districts</u>	<u>School Bldgs.</u>	<u>Meters</u>
Commonwealth Edison	120	396	602
Illinois Power	53	195	379
AMEREN CIPS	69	214	254
AMEREN UE	1	17	18
CILCO	20	50	66

Not bad for the consortium's initial start up into the marketplace all by itself. The numbers show that about one third of the school districts in Illinois are members of the IEC. We understand that some districts cannot save money as members of the IEC or that we are unable to provide power in their region for various reasons but there are very few school districts in these categories. However, almost two thirds of the school districts in Illinois have not stepped up to the plate to even get a no cost, no obligation quote from the IEC to determine what their savings might be.

Keep in mind that these totals reflect the information we have in our computer for May's billing. This **does not** include the school districts that will be transferred over to the IEC in July.

Based on the results of our broadcast faxes regarding our new rates and savings in the Commonwealth Edison region we expect to have over 300 schools districts signed up and ready to go when we transfer them over to the IEC in July.

Even though we sent out two broadcast faxes in the Commonwealth Edison area about joining before July 1 to save more dollars, do not assume that you cannot still join the IEC and save significant dollars. Why wait? Send last month's electric bill for each meter in your district to Judy Sharp at the IASBO office in DeKalb. That is all you have to do. It is quick and easy. We take it from there and send you a cost savings analysis. Then you make the decision. It is truly totally free.

GAS UPDATE

After a conversation with Robert Latham of Latham & Associates, our energy consultants, it was brought to my attention that they have received a tremendous response to the natural gas survey. The survey was broadcast faxed and also handed out to conference attendees at Pheasant Run in early May. Bob stated it is still not too late to return your survey. Every survey we receive helps us to determine the feasibility of starting up a natural gas consortium. If you do not have a survey, please call Judy Sharp at IASBO, 815.753.9840, or fax your request for a survey to 815.753.9367. We will mail you a survey immediately.



Quarterly Newsletter
Summer 2001

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President's Perspective

by David F. Grace, President

Dear Members,

I hope that you are all having a relaxing and productive summer. The IEC, Latham and Associates, and your program administrator, CILCO, have been very busy on your behalf. One such indication of this is the fact that we have passed another milestone. As of last month we have been successful in saving member school districts more than \$2.1 million dollars. Yes, that's right, members have saved more than \$2,100,000.00 on their electric bills because they had faith in their professional organizations and acted quickly to become eligible and join the IEC. More than 269 school districts are currently members with IEC purchased electricity going to more than 1,440 schools. As we continue to grow, it is good to know

that we have been able to reduce costs for so many members. If you have not joined yet, please talk to your neighboring school district (they have probably already joined) or call Ron Steigerwald or Judy Sharp at 815.753.9840 for more information.

As I had indicated in my last newsletter, we have entered into a two year contract for supply at very competitive rates in the ComEd region and are in the process of seeking bids for supply in the IP, Ameren, CILCO, and other regions. We hope to come back with good news in the future for these regions as well. The Illinois Commerce Commission (ICC) has now ruled on rate proposals for these regions and we are evaluating the implications of these rulings and will attempt to explain some of the po-

tential impacts in future newsletters. So far the results look positive!

In addition, we have been asked repeatedly to consider the formation of a natural gas purchasing pool. The IEC board has authorized a feasibility study to evaluate the possibility and profitability of such a venture for our members. We anticipate a report in the early fall with the possible implementation in early spring 2002. As we continue to grow, we hope to be able to do more than just provide savings on electricity to schools. What we can all accomplish together is limited only by our imagination and our willingness to dream. It has been a very exciting and gratifying first year! We all look forward to the future with all the possibilities it holds. Enjoy the rest of your summer and recharge for your students and the start of another new school year.

"Alive and Well"

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After reading about several school districts and their mounting natural gas costs, I hope every school district in Illinois will return this survey. As an example, I just read about two school districts that experienced 100% and 112% increases in their natural gas bills this past school year. Those kinds of increases definitely create a budgeting headache. A large consortium could take the mounting pressure and headache of trying to determine the best time to lock in your natural gas price.

Latham & Associates will report on their feasibility study to the IEC Board of Directors at their August 16th meeting. Hopefully at this meeting a decision will be made as to whether or not the IEC will be entering the natural gas arena. Keep your eyes and ears alert for our next announcement via broadcast fax.

Be Prepared

by Kristi Fitzanko, IEC Energy Advisor

As warmer weather is upon us, be prepared to experience higher summer energy costs. As was experienced last year, market prices will be higher than your local utility's summer rates. Last summer many school districts saw negative savings during the months of June through September due to the higher market prices. Our experience has demonstrated that October through December brought positive savings that offset the higher summer pricing. To date, through the IEC program, savings have exceeded \$2.1 million.

The electric summer market continues to push upwards in the Midwest. And while the problems in California are not expected to be repeated in Illinois, fuel costs will continue to be a concern. Currently, there are plans by utilities and independent system operators to add additional capacity by 2003.

CILCO and the IEC need your help! Are you updating your current school with new classrooms, new lighting or new heating/air conditioning? CILCO wants to know!! In order to accurately deliver energy to your school, we need to know if you have made any significant changes to your buildings. If you have made changes that could have an impact on how much electricity you are using today versus yesterday, please fill out the **Customer Notification of Load Change** form and fax or mail it to:

Central Illinois Light Company
Attention: Kris Fitzanko
IEC Program Administrator
300 Liberty St.
Peoria, IL 61602
Fax: 309.677.5458

Assuring Savings Through the IEC

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

The Illinois Energy Consortium (IEC) has delivered a net of \$2.1 million in savings to Illinois schools on their electric bills! While we are very pleased with these overall savings to schools, we remain concerned that the primary beneficiaries of this program are in the ComEd service territory. On a continuing basis, our primary challenges for the IEC are in taking advantage of pricing and regulatory opportunities to assure savings for the IEC participant schools. This also means that we must occasionally change direction when it is in the best longer-term interests of some individual schools.

In the last few months, natural gas prices have temporarily stabilized on the NYMEX Henry Hub futures market at about \$4 a dekatherm for the next year. The natural gas cost volatility impact on the electric power market is not nearly as obvious as it was last winter. The electric market is now driven more by short-term weather conditions. The electric market continues to focus with a long-term eye to coal and natural gas prices, construction of new generation facilities and the overall level of economic activity in this region.

Regarding generation plant construction, investors continue to construct Illinois power plants, with some coming on line this summer. Construction continues in neighboring states of Wisconsin and Indiana. Iowa's legislature just passed a bill that will facilitate power plant construction in that state as well. These investments suggest that there will be more competitive future power supply options for the region for the benefit of schools through the IEC.

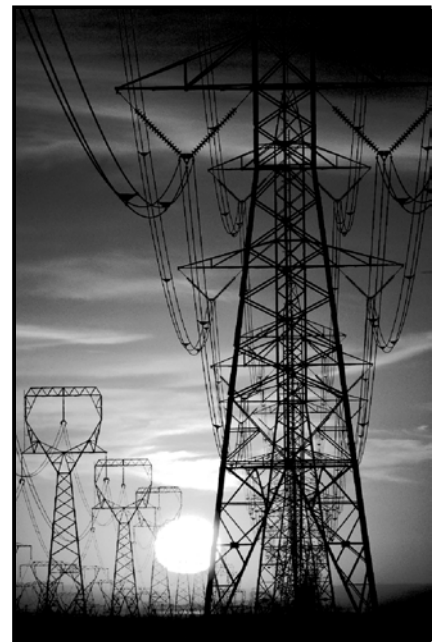
As mentioned last quarter, the IEC was able to lock-in a longer-term electric supply in the ComEd service territory. This should assure continuing, significant net savings on a yearly basis to schools in that service territory. Under this power supply agreement, the primary net savings will come during the months during the school year when school is normally in session. Because of this attractive power supply, we have observed very strong interest in joining the IEC by schools in the ComEd region. These schools are joining the IEC in significant numbers.

In the Illinois Power (IP) region, the issues are different from those in the ComEd territory. Last quarter, we committed to a power supply agreement to provide assurance of savings for participants on the IP system. Unfortunately, for the IEC participants in the IP territory, that agreement fell through at the last minute. With the loss of that agreement and the lack of certainty of electric choice terms and conditions in the IP territory, there is decidedly less assurance of the IEC generally delivering net savings to those schools over the next year. As a result, based on expected power supply prices in the IP territory, we are again individually evaluating nearly 300 facilities to determine whether the best alternative for each facility is with the IEC supply or to return the facility to IP supply.

The continuing challenge facing the IEC, is when to take positions in the Illinois electric market. For the IEC participants on the IP system, we are continually monitoring the power supply market to lock in assured net

savings on opportunity. Other service territories are continually monitored as well to identify the best timing for assurances of long-term savings for participants.

As mentioned last quarter, remember that the IEC savings are based on a full-year period. For most schools, net savings will be much higher in the non-summer months. The IEC power supply agreements may result in negative savings for some of the summer months for some schools. Please be assured that this possibility has been recognized. The decision was made to base the price, on costs each month, rather than shielding schools from higher summer prices by artificially increasing non-summer prices when schools typically have their highest usage.



IEC Program Information By Month

by Kristi Fitzanko, IEC Energy Advisor

	# of School Districts Billed by Month	Current Monthly Savings	Savings Year-to-Date	# of Meters Billed	Average Savings by Meter
January	118	\$149,869.11	\$149,869.11	880	\$170.31
February	118	\$ 90,009.44	\$239,878.55	880	\$102.28
March	118	\$183,877.75	\$423,756.30	880	\$208.95
April	118	\$237,453.15	\$661,209.45	880	\$269.83
May	118	\$296,473.09	\$957,682.54	880	\$336.90

**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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