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Quarterly Newsletter
Winter 2002

President's Perspective

by David F. Grace, President

It has been a very busy fall for the IEC. We have successfully negotiated a very competitive electric supply contract in both the ComEd and the Ameren regions. Schools in both areas should have begun to realize significant savings on either their October or November bills. The new rates are even less than those we had previously paid. However, we are currently unable to compete in the other regions of the state because of insufficient demand for electricity or roadblocks put up by power companies to stifle competition. We are continuing to monitor this situation and work with the Illinois Commerce Commission and legislators to see if we can get more competition in these regions.

We have received numerous requests from school districts to begin to provide a natural gas pool for schools. To determine whether this could be accomplished, the IEC Board authorized a feasibility study. This study was received by the board in October and was very positive, if certain conditions are met. As a result of this feasibility study, we are proceeding to take the preliminary steps for the formation of this gas pool. It is anticipated that school districts that are currently members of the IEC will be able to participate, if we are able to compete in price with their current provider. We anticipate seeking participants in the spring of 2002.

The regions that will be the first eligible to participate will be those originally served by North Shore Gas, Peoples Gas, or NICOR. Many districts are already being served by gas marketers or pools and for those, we hope to be able to compete with their current marketer and thus, get all schools more savings. In these difficult times we can all benefit from savings.

In addition, we are going to work with legislators and the ICC to try to make it possible to bring competition into the other regions of the state. Currently, the smaller meters are not able to benefit in the other regions of the state due to telemetry requirements that make this very expensive. We are looking into what can be done to change this requirement and bring competition into these regions as well.

As we begin to market this new service, school districts in the NICOR, Peoples Gas and North Shore Gas regions will be contacted to join the new IEC pool. Please consider the savings possible and compare with your current provider. We strongly encourage you to do what you feel is in the best interest of your school district. As we are successful in getting changes made in the other regions, we will hope to expand this service statewide.

As we have seen in our electric supply purchases, competition has enabled school districts to experience significant savings. We are very hopeful that we will be able to experience savings on gas as well. Having said this, let me wish you all a great and prosperous 2002!

Board of Trustees

Glossary of Terms for Electric Deregulation

by Kristi Fitzanko, IEC Energy Advisor

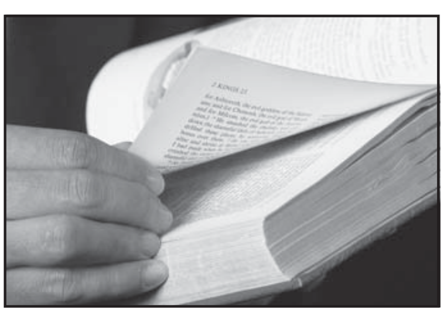
The deregulated energy market has brought a new awareness of energy and its many issues to our schools. In order to make good decisions, understanding the terms associated with deregulation is a first step. Below is a glossary of terms and their meanings to help assist you in your travel through electric deregulation.

Aggregator - An entity that brings customers together to buy electricity in bulk in order to increase the customers' buying power. An example of an aggregator might be a trade association. (Aggregators are defined as ARES only when they sell electricity.)

Bundled - More than one charge included in one price. This usually means combining energy delivery with energy supply and metering.

CTC - Competitive Transition Charge. The Competitive Transition Charge covers costs (stranded costs) incurred by the local utility prior to restructuring and may be charged through the transition period, ending January, 2006. This transition charge is assessed by the delivery utility on any customers that choose to do business with an ARES or RES.

DSP - Delivery Service Provider. When a customer switches suppliers, the traditional utilities' role changes and becomes that of a Delivery Service Provider, providing the services that are necessary for the delivery of power to customers. Some of these services include outage restoration, maintenance of the distribution and transmission systems and installation of new services. The DSP acts as the short-term "supplier of last resort" for customers who involuntarily lose or are terminated by their suppliers. Another name for DSP would be LDC (Local Distribution Company).



Delivery Services - Services provided by the electric utility that are necessary for the delivery of power to customers. Some of these services include outage restoration, maintenance of the distribution and transmission systems and installation of new services. They may or may not include metering and meter reading, depending upon the extent of deregulation (unbundling) in that state for that year.

Deregulation - Utilities are not being DE-regulated so much as they are being RE-regulated. The ICC will still oversee utility operations to insure: fair treatment of all citizens, fair charges for monopoly services, and public safety. However, the ICC will no longer establish rates for energy content, as that will be competitive and priced by the markets. A better term would be DE-monopolization. Utilities are loosing their monopoly rights to provide energy content to the customers in their territories.

Distribution - The use of wires, transformers and other equipment by the local utility to deliver electricity to your home or business.

ESP - Energy Service Provider. The ESP is an ARES, or an Illinois electric utility that is authorized to provide energy to a retail customer.

Generation Charges (Power Supply & Transmission) - The basic charges on a customer's bill for producing electricity. This is the part of your electricity service that will be competitive and may also be referred to as a commodity charge. It includes the cost of fuel (coal, oil or gas), the cost of running the power plant, and the cost of transmission services to get the energy from the power plant to the local utility.

Illinois Commerce Commission - (ICC) Illinois state regulatory body that governs the rates and practices of investor-owned utilities and ARES. The ICC's toll-free number for deregulation questions is 800-524-0795.

LOA - Letter of Agency. The Letter of Agency is a letter signed by the customer that an agent, or ARES, uses to request delivery services from the utility.

RES - Retail Electric Supplier. A RES, also know as an ESP, is an Illinois electric utility other than the DSP, or another non-utility entity authorized by law to provide retail electric power and energy to a customer. (CILCO can be referred to as a RES. We are an established utility and therefore, not required to be certified by the Illinois Commerce Commission.)

Alternative Retail Energy Supplier - An ARES can be any person, broker, marketer, aggregator or other entity, which seeks to sell electricity to consumers. After certification with the Illinois Commerce Commission, an ARES is referred to as a RES.

Slamming - A switch from one Energy Service Supplier to another, which was initiated without expressed consent from the customer.

Stranded Costs - The difference between the costs of the electric utilities is recovering under the present regulated system, and what they would recover in a competitive market. Stranded costs may include non-economic power plants, high–priced, long-term power purchase contracts and future nuclear decommission costs. In Il-

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IEC and the Energy Markets

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

The energy market prices had incredible volatility and movement this year. New energy providers and their electric power plants have entered the Illinois markets. A major international energy firm, Enron, imploded this year and is now in bankruptcy proceedings. These changes have created challenges and opportunities for the Illinois Energy Consortium.

Through these dramatic changes, the IEC continues to provide significant savings to participating schools. As mentioned last quarter, the primary beneficiaries of this program have been in the ComEd service territory. As advisers to the IEC, we continue to help position it to take advantage of opportunities to enter other energy markets on attractive terms for the longer-term benefit of IEC participants in the ComEd territory and in the other electric service territories of the state.

The relatively high electric market prices last winter and early spring made negotiations for electric supplies difficult. We were able to obtain competitive supplies in the ComEd territory and, to a lesser extent, in the Ameren service territory. Through the summer and fall, we have seen electric prices fall. However, they have not fallen enough so that we can realize significant savings for additional IEC participants. We continue to monitor these electric markets. We are watching for further breaks in electric prices. We are also looking for indications of an expected willingness of suppliers to enter into longer-term agreements on competitive terms with the current slowdown in the regional economy and with the development of new generation capacity in the region in the last few years.

The natural gas market turn-around in the last year has been dramatic. Current natural gas futures market prices for deliveries over the winter are at prices less than 50 percent of those a year ago. These price reductions are, of course, welcome news for schools still reeling from the heating bills last winter. Pricing reductions are of little help, however, if schools do not take advantage by locking in prices for the future.

In neighboring states, public schools are jointly purchasing natural gas for this winter on competitive terms. Their purchasing practices also exhibit a strong desire to minimize the pricing volatility of the last year and to provide for greater assurances of meeting yearly energy budgets. We have been working closely with the IEC in evaluating the viability of an IEC natural gas purchasing consortium for schools and have been pleased with the level of interest in this potential IEC program.

The volatile and falling energy markets of the last year have reinforced the fundamental perspective of seeking longer-term competitive prices for IEC energy supplies and of limiting the pricing volatility in these contracting practices. As noted, we continue to monitor the Illinois energy markets to identify timing and opportunities to provide further longer-term benefits to Illinois schools.

Glossary of Terms for Electric Deregulation

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linois, stranded costs are recovered through a transition charge (CTC). These transition charges expire by 2006. Until that time, customers cannot save all of the money made possible by deregulation-choice.

Tariff - A list of terms, conditions and rates for various types of energy. Tariffs are filed and approved by the Federal Energy Regulatory Commission, (FERC) or the Illinois Commerce Commission (ICC).

Transmission - The delivery of electricity from a generating facility over high-voltage lines to a local utility's distribution system. It must be arranged by the ARES and is part of the cost of energy from the ARES.

Transmission Charges - Part of the generation charge on every customer's bill that pays for transporting electricity from the generator to the distribution system of the electric distribution company.

Transmission System - The network of high-voltage lines over which electricity is transmitted long distances.

Unbundling - Separating the energy portion of a bill from the other products and/or services. This is one of the primary benefits to be derived from restructuring, in that the customer will know what the individual services cost and may elect to buy those services from another entity.

IEC Program Information By Month

by Kristi Fitzanko, IEC Energy Advisor

	# of School Districts Billed by Month	Monthly Savings	Year-to-Date Savings	# of Meters Billed
January, 2001	118	$150,781.97	$150,781.97	880
February, 2001	118	$ 81,678.19	$232,460.16	880
March, 2001	118	$173,905.81	$406,365.97	880
April, 2001	118	$241,679.61	$648,045.58	880
May, 2001	118	$326,571.02	$974,616.60	880
June, 2001	138	$103,402.70	$1,078,019.30	1267
July, 2001	138	$(142,858.58)	$935,160.72	1267
August, 2001	138	$(140,114.73)	$795,045.99	1267
September, 2001	138	$(151,360.80)	$643,685.19	1267
October, 2001	138	$ 34,235.88	$677,921.07	1267
November, 2001	138	$241,275.03	$919,196.10	1267
***December, 2001**	138	$ 41,070.65	$960,266.75	1267
Total		$960,266.75	$960,266.75	

*December 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 507 individual facilities being served in ComEd.

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