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Quarterly Newsletter
Winter 2003 - 04

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President's Perspective

By Dr. David F. Grace, IEC President, Superintendent, Lincoln Elem. SD 156, Calumet City, IL

Dear Members,

It has been a very busy first half of the school year. I hope you have all enjoyed your holiday break and are ready to close out the school year with additional savings from the IEC. Your Energy Consortium has been very busy on your behalf. We continue to grow by adding schools in both our electric supply and natural gas supply pools.

The IEC will deliver more than 423,564,287 kilowatt hours of electricity to schools during 2003. This represents a 20.2% increase in electricity supplied at a savings to schools in Illinois. Year-to-date savings for schools by region are as follows for the period from January 2003 through October 2003:

Ameren Region saved \$ 734,307

ComEd Region saved \$ 1,255,712

Illinois Power Region saved \$ 343,484

On the natural gas side of the IEC, we will deliver more than 24,798,350 therms of natural gas to approximately 739 schools in 2003. This represents more than 82% growth this year alone. Much of this growth is due to the very aggressive and successful natural gas purchasing strategy and the resultant purchases on behalf of schools in Illinois. At a time when there is a great deal of volatility in the natural gas marketplace, the IEC has been able to secure gas prices for its members significantly below the market and thus save money and reduce the volatility to help us meet and preserve our budgets. It is with a great deal of satisfaction that we see our successes benefiting the school children of Illinois. Participation in the IEC has certainly been rewarding for school budgets and school children in Illinois.

As we continue to grow we are careful not to become complacent. The energy

market is constantly changing as seen in the possible sale of Illinois Power to Exelon. In addition, we are constantly looking to expand our service region into the remainder of Illinois so all districts can benefit from similar savings. We are actively marketing electricity in the Illinois Power region and hope to have a very competitive electric supply contract into this region soon. You will receive updates on potential savings in this region as information is available. We are exploring legislative action through our lobbyist and will share more in the future. We have met with the Governor's staff to seek help in making Illinois more competitive for both electric and natural gas supply throughout the state. The IEC has intervened in the Illinois Commerce Commission (ICC) hearings in Springfield. We have impressed upon the ICC the need for a realistic price structure so competition can continue in Illinois. We are concurrently pursuing legislative changes through the Alliance lobbyists.

We have been delivering natural gas to schools in the North Shore Gas, Peoples Gas, and NICOR regions and are in the process of expanding into other regions as well. Our Program Administrator, Peoples Energy, has been extremely helpful in this operation. We have been able to lock in natural gas at very competitive prices for this winter and look forward to serving schools in yet another area.

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

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Focus on . . . Ron Steigerwald

By Ronald C. Steigerwald, Statewide Marketing Director for the IEC, Buffalo Grove, IL

Ron received a Bachelor of Arts Degree and a Masters of Arts Degree from De Paul University. He received his Certificate of Advanced Study from Northern Illinois University in June of 1981.

He holds three certificates besides his teaching certificate. They include the Illinois Administrative Certificate, the Chief School Business Official's Certificate and the Superintendent's Certificate.

Ron began his teaching career in Township High School District 214 at Wheeling High School. He also



coached football, track, cross country and golf. Ron only taught for three years before he moved into administration where he spent the next 30 years.

Ron has held the positions of Dean of Students, Director of Student Activities, Athletic Director, Director of Fiscal Services and Assistant Superintendent for Finance and Operations, all in Township High School District 214.

He has held various positions in education associations. He was President of the Chicago Suburban Deans Association, President of the State Deans Association, Board member of the Illinois Association of School Business Officials and Commissioner on the O'Hare Noise Compatibility Commission.

Now that Ron has retired from Township High School District 214, he spends his full retired time as the Statewide Marketing Director of the Illinois Energy Consortium.

President's Perspective

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very expensive. We are attempting to change this requirement so other schools could benefit by purchasing in our pool as well. As we are successful in getting changes made in the other regions, we hope to expand this service statewide.

Competition has enabled school districts to experience significant savings in both electric and natural gas supply over the past year(s). We are confident that, with your help, we will be able to continue to experience savings for our schools. Enjoy the rest of this school year and I look forward to seeing you at future meetings or conferences.

Ameren Energy Marketing - Your Partner in Electric Choice

By Kristi Fitzanko, Electric Program Administrator for the IEC, Central Illinois Light Co. Peoria, IL

By the time you read this newsletter, the IEC's Electric Program will have been transitioned from AmerenCILCO to the Ameren subsidiary, Ameren Energy Marketing (AEM). The transition took place on January 23, 2004. If your school district is located in the ComEd service area, you may have noticed that a utility meter reader read your meters twice in January. This was necessary so that we had an end meter reading

for CILCO and a beginning reading for AEM. We will add the two readings together and send you only one bill for January. If your school district is located in the Illinois Power and/or AmerenCIPS service areas, your meters will be read on their normal meter read dates and will receive just one bill for the month of January.

The impact to your district should be minimal. Your accounts payable area will notice the logo on the bills will

now read Ameren Energy Marketing. We will also ask that future payment be made payable to **Ameren Energy Marketing** rather than CILCO. A bill insert will be included with the first AEM bill notifying your accounts payable department of the change. If you have any questions about the transition, please feel free to contact Kris Fitzanko, Electric Program Administrator, at 309-677-5246.

Natural Gas Opportunities for Schools

By Louie Ervin, Executive Vice President and IEC Consultant, Latham & Associates Inc., Cedar Rapids, IA

The IEC-Gas Program

Historically it has been difficult for schools to budget annual heating costs because of unpredictable weather patterns. More recently, it has been nearly impossible for schools to budget heating costs because of the volatility of natural gas prices. In many parts of the state, natural gas prices typically vary monthly with changes in market prices and are often not known until after the natural gas has been consumed and an invoice is received from the utility.

Many schools requested an IEC-Gas aggregate purchasing program to help lower costs and to help them budget heating expenses. The IEC-Gas program began last year and has surpassed original targets. Going into its second heating season, the IEC will supply over \$10 million of natural gas to about 70 districts representing approximately 400 facilities. State-wide, Illinois schools purchase natural gas in excess of an estimated \$50 million annually. The IEC-Gas program is not yet available statewide, however, the goal remains to offer aggregate natural gas purchasing to schools on a statewide basis. To achieve that goal, certain utility tariff barriers must be overcome.

The Problem: Utility Tariff Barriers

Most Illinois utility natural gas tariffs were designed over a decade ago to specifically allow individual large industrial and commercial consumers to make a choice of natural gas commodity suppliers. Because individual school facilities have small usage relative to a single large industrial or commercial account, transportation tariffs that were typically designed for large accounts leave significant economic barriers for small school accounts. Large industrial process usage requires extensive daily monitoring with expensive telemetry and these costs are built into the utility trans-

portation tariffs. This type of monitoring and telemetry with its associated expense is not necessary for predictable small volume usage typical of most schools.

In nearly all areas of Illinois, a large industrial or commercial consumer can choose to purchase natural gas supply from a third-party marketer and pay the local gas corporation for delivery/transportation services. Although Illinois schools collectively are among the largest natural gas consumers, most Illinois natural gas corporation tariffs have barriers for Illinois schools to collectively purchase their natural gas supply.

Tariff requirements vary widely among Illinois gas corporations and some natural gas utilities, (primarily in Northern Illinois) do offer tariffs designed for small volume natural gas transportation. However, even those utility tariffs that were designed for small individual account transportation are not uniform and may still contain economic barriers for school aggregate purchasing and transportation.

The Solution: Utility Tariff for Schools

All natural gas corporations in Iowa, Missouri, Kansas and several other states have tariffs designed specifically for schools or consumers with relatively small usage at individual facilities. Illinois public schools would benefit from natural gas transportation tariffs that are designed for small volume users. To achieve uniform statewide school specific tariffs, legislation may be necessary to require all major natural gas utilities to file a school tariff with the Illinois Commerce Commission. These tariffs must remove barriers for Illinois public schools to aggregate purchases and transport. New school-specific tariffs should include:

1. No minimum individual meter usage;

2. Maximum annual usage of 250,000 therms and below;
3. Utility administrative charges of no more than \$5.00 per meter per month for small volume school aggregation and transportation because schools do not require extensive daily monitoring of usage with expensive telemetry;
4. Regular utility meters without telecommunications for public school aggregation transportation tariffs with utility personnel continuing normal monthly meter reading;
5. No penalties for deliveries of third-party supply when schools deliver the aggregate daily volumes specified by the utility, using an industry weather algorithm to project use;
6. Monthly utility imbalance charges of no more than \$0.004/therm; and
7. Provision for public schools to take assignment from and to pay market prices to the utility for pipeline capacity, which is currently being held by the utility for delivery of utility natural gas supply to schools and which capacity may not otherwise be available on a pipeline that serves a specific region of the state.

Benefits for Public Schools

A partial list of benefits that would occur from statewide school-specific tariffs and IEC administration include:

1. A single Request For Proposal for natural gas supply;
2. Joint utilization of industry experts to negotiate contract terms;
3. An IEC committee to monitor market prices and lock-in fixed prices on major portions of purchases for the heating season months in advance of consumption.

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Natural Gas Opportunities for Schools

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4. A single large supply contract that will attract marketers and leverage prices;
5. Batch processing of utility accounts;
6. Aggregate implementation of regulator-approved procedures for pipeline capacity release;
7. Sufficient aggregate pipeline capacity to create efficiencies in contracting for its use;
8. A single daily-use forecast and aggregate nomination of daily deliveries for schools behind a common receipt point on the utility system;
9. Group reconciliation of imbalances between nominations and deliveries;
10. Single payments to utilities, suppliers and taxing authorities for all participants; and
11. Uniform billing, collections, and processes to consolidate all school district facilities on a single invoice for single payment, with individual account detail attached.

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