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Quarterly Newsletter
Spring 2005

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How High Will Energy Prices Go?

By Louie R. Ervin, IEC Energy Consultant, Latham & Associates Inc., Cedar Rapids, IA

Natural gas markets are totally deregulated and the Illinois electric market will be fully deregulated after December 31, 2006.

Is there any rational basis for how high deregulated gasoline, diesel fuel, electricity and natural gas market prices have recently spiked? Ask the Department of Energy, the Energy Information Administration, the Illinois Commerce Commission or other industry experts and you will likely get a variety of reasons for high energy prices. Predicting energy price futures is a lot like predicting stock market prices, grain futures and the weather - almost everyone has an expert opinion but no one, other than the buyer, will pay for being wrong. So what do smart investors do to reduce market price risks? They purchase a blend of stocks and bonds within a portfolio that is managed by trusted experts. Although the experts will not be 100% correct 100% of the time, the right portfolio manager will, on average, provide greater value with less risk than an individual buyer.

It is nearly impossible for schools to individually monitor energy price market drivers and know how much and when to buy energy. Most schools are too small to have a portfolio of energy purchases at various pricing points. It is difficult to know when it is best to trigger a fixed-price purchase and whether to take advice of a "for-profit" energy marketer.

The IEC is Illinois' largest electric and natural gas purchasing consortium because it has delivered savings and has earned the trust of school districts. The IEC is a not-for-profit corporation that is sponsored by, and its Board members are appointed by, the Illinois Association of School Business Officials (Illinois

ASBO), the Illinois Association of School Boards (IASB) and the Illinois Association of School Administrators (IASA). Last year, the IEC delivered net savings of more than \$5.2 million dollars to Illinois School Districts through the IEC's competitively priced supplies of electricity and natural gas. The IEC electric and natural gas aggregation programs have grown to annual purchases in excess of \$35 million and \$20 million, respectively. The IEC makes multiple large natural gas purchases at various pricing points over time to create a "cost-averaged" price for participants. The IEC electric supplies are competitively priced and meet or beat market indices.

While the IEC delivered to its participants the lowest natural gas prices in the state this past winter and had the foresight to lock-in attractive fixed prices on significant volumes for the upcoming winter, the IEC is not resting on its past successes. The IEC has the resources and experience to make it simple for schools to obtain competitive supplies of electricity and/or natural gas. But of course, that is one reason why the Illinois ASBO, IASA and IASB formed not-for-profit IEC. Through statewide joint purchase contracts school districts feel confident that their best interests are the top priority. Is your district individually contracting with an energy supplier that makes school district budgets a higher priority than profits? If your district is not yet an IEC participant, keep in mind that the IEC takes the burden off district employees to become energy-purchasing experts.

Natural Gas Update

By John Nania and Jean Beacom, Natural Gas Program Administrators, Peoples Energy Services, Naperville, IL

The natural gas program has been in service for three years now. There are now 1,019 schools enrolled and a total of 143 districts. That is a 35% increase from last year. The total annualized volume is approximately 33,000,000 therms (the average school uses just under 39,000 therms). We successfully began deliveries to schools in the Illinois Power area this winter and now service 156 schools there. The idea behind beginning the consortium was to leverage the buying power of all the member schools to get better rates, reduce the effort involved for individual schools managing their programs and to minimize the risk associated with buying such a volatile commodity.

The savings this past year compared to the market were outstanding. Unfortunately, it might not have felt that way because costs were still up from the previous year. When looking at the savings, the benchmark we compare ourselves to is what you would have paid another marketer had you been with them. This is a conservative approach. Our other approach would be to compare your savings

to what you would have paid the utility, which would inflate savings greatly. Since our inception, we have saved schools about

\$1,388,000. During the current fiscal year, your total savings have been an astonishing \$907,000. By either

standard, these are good results. We fared well because we took a long term view of the market early last year and bought much of our gas for this winter then. We again bought on a significant dip in September. While the rest of the market panicked in early winter when spot prices rose to almost \$.90, the IEC was in the fortunate position to be able to strategically liquidate positions at a significant gain and pass back the proceeds to members in the form of yet even lower prices.

The new accounts in Illinois Power were added slowly, much too slowly, than anybody would have liked. We had to cross some significant hurdles with the utility later complicated by Illinois Power buyout by Ameren. The good news is that their utility rates are higher than Nicor's and so the savings they will realize will be even more significant.



John Nania, Natural Gas Program Administrator, Peoples Energy Services, Naperville, IL; Dr. David F. Grace, (President IEC) Superintendent, Lincoln Elem. SD 156; Stephanie Gureno, Acct. Mgr., Peoples Energy Services, Naperville, IL met with members in the Exhibit Hall at Illinois ASBO's Annual Conference in St. Charles.

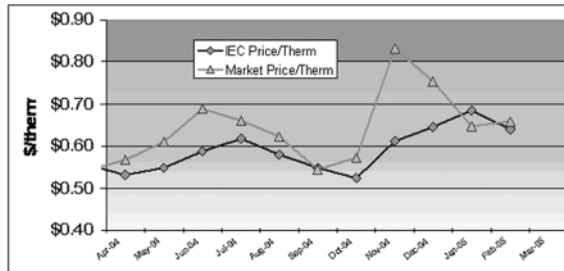
We have maintained a very disciplined strategy regarding our purchases. This past winter was actually much warmer than normal for the second straight year; yet, we had record high prices. This suggests that if we have more traditional winters in the next couple of years, prices would only get much worse. We are positioning ourselves accordingly. We have purchased a significant amount of gas for the next winter already at prices that,

as I write this, are about 30% below market.

Budgeting

If you are budgeting for this next fiscal year, not even our best efforts, I am afraid, will keep costs constant from this year. The energy market is on an upward trend that could last

for a long time. My suggestion would be to take this year's costs and add about 15-20%.



We want to welcome our newest members:

- Alwood CUSD 225
- Blue Ridge SD 18
- Carlinville CUSD 1
- Champaign CUSD 4
- Clinton CUSD 15
- Country Club Hills SD 160
- Deland-Weldon CUSD 57
- Evergreen Park Elem. SD
- Hamilton CCSD 328
- Knoxville CUSD 202
- LaSalle Peru Twp. HSD 120
- Liberty High School
- McHenry CCSD 15
- Panhandle CUSD 2
- Park Forest Chicago Hgts. SD 163
- Princeton Twp. HSD 500
- St. Anne CHSD 302
- Sunset Ridge SD 29
- Taft SD 90
- Triad CSD 2

Ameren Power Up - \$900,000 in Education Programs Brings Technology, Support to Classrooms, Teachers

By Kristi Fitzanko, Electric Program Administrator, Ameren Energy Marketing, Peoria, IL

Ameren Corporation, established programs valued at \$900,000 to promote quality education by offering innovative new teaching tools and technologies plus flexible, direct Power Up grants to teachers for a range of classroom needs. "These programs came in response to survey results from Ameren customers who said they care most about improving education," says Gary L. Rainwater, Ameren chairman, president and chief executive officer. "We care about our customers - and the communities where we provide electricity and natural gas. These three distinct programs are aimed at supporting education throughout Ameren's 64,000-square-mile service area in Illinois and Missouri - where school systems face some tough financial pressures."

Here are details on the three Power Up programs:

- With Ameren Power Up SMART Boards™ - the company becomes the first in the nation to supply grant money for SMART Boards™ in schools. An interactive whiteboard, SMART Board™ is a touch-sensitive display about the size of a standard whiteboard. Hooked up to a computer and projector, it operates like a giant computer screen students and teachers simply touch to operate. Students can also write over applications in digital ink, then save their work for future study and review. The whiteboard engages students with diverse learning styles by providing both immediate accesses to a wide range of digital materials and a common focus for the entire class. In 2005, Ameren will donate more than 200 Ameren Power Up SMART Boards™ to area classrooms through a program valued at \$500,000. The funding covers the costs of the boards, the software, connecting cables and training. Ameren Power Up SMART Boards™ will go to public or private K-12 schools. Eligible schools must be an electric and/or natural gas customer of AmerenCILCO, AmerenCIPS, AmerenIP or AmerenUE. Applications must be submitted electronically through the Ameren website, www.ameren.com, ONLY. The two 2005 application periods run from April 1 – May 15 and from September 1 – October 15.
- Ameren Power Up - Fuel Cell Kits: Ameren is providing self-contained solar hydrogen fuel cell energy systems---kits that high school science teachers can use to build awareness of renewable energy sources through hands-on experiments, and a curriculum that reinforces Ameren's commitment to the environment and explains energy generation through renewable resources. In 2005, Ameren will donate fuel cell kits totaling \$150,000 to teachers. Teachers who receive kits must teach at public or private high schools that are electric and/or gas customers of AmerenCILCO, AmerenCIPS, AmerenIP or AmerenUE. Teachers must submit applications electronically via www.ameren.com between September 1 and October 15.
- Ameren Power Up Teacher Grants: In 2005, the company will award \$250 Ameren Power Up Teacher Grants totaling \$150,000 - directly to teachers. This flexible grants program is for individual classroom teachers who could use the Ameren Power Up Teacher Grants for everything from calculators to basic supplies. Ameren Power Up Teacher Grants may be for any classroom-related project that has an academic focus to improve student achievement. Teacher grants must fund projects or materials in public or private K-12 schools that are electric and/or gas customers of AmerenCILCO, AmerenCIPS, AmerenIP or AmerenUE. Teachers must submit applications electronically via www.ameren.com. There will be two grant periods in 2005. Applications will be accepted between April 1 and May 15 or between September and October 15.

For more information and to apply, educators should visit www.ameren.com – go to Community and then to the Power Up Teacher Grants programs as the first links.

With assets of more than \$17 billion, Ameren, through its subsidiaries, serves 2.3 million electric and more than 900,000 natural gas customers in a 64,000-square-mile area of Illinois and Missouri.

Electric Program Statistics

Service Area	Savings 6/04-12/04	# of Districts	# of Accounts	Meters (Avg. 2.5 meters/ acct.)
AmerenCIPS	\$ 510,420.25	83	240	600
ComEd	\$1,562,004.59	157	571	1,428
IP	\$ 471,066.45	46	128	320
Totals	\$2,543,491.29	286	939	2,348

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Update from the Statewide Marketing Director

By Ronald C. Steigerwald, Statewide Marketing Director, Illinois Energy Consortium (IEC), Buffalo Grove, IL

Budgeting for 2005-06 School Year

If you are a member of the Illinois Energy Consortium (IEC) and are budgeting your electric and natural gas costs for the next school year, there are two very important people you may want to talk to. For electricity, it is Kristi Fitzanko of Ameren Energy Marketing. Kristi's telephone number is 309.677.5246. If you are budgeting for natural gas, that person is Jean Beacom of Peoples Energy Services. Her telephone number is 708.445.7550.

Additions/New Construction/Closings

It is that time of the year again when school districts are starting new construction or adding on to buildings. If any of these types of activities are taking place on your campus, have you notified the IEC about these changes? We need to know this so we can either add a meter(s) or cancel a meter(s) and to also make sure your billing is correct when we calculate your savings.

If any of these types of activities are taking place, please notify either Kristi Fitzanko of Ameren Energy Marketing or Jean Beacom of Peoples Energy Services at the telephone numbers listed above.

Legislative Update

House Bills 564 and 565 are still alive. We have two sponsors, State Representative Kathleen Ryg of Vernon Hills and State Representative Daniel Bieser of East Alton. We are waiting for these bills to be called and hopefully sent to the floor of both Houses and approved rapidly. We will keep you posted.

Illinois Power Region Customers

Did you know that the IEC has just secured an electric supply for two years in the Illinois Power Region? The price for this electricity is cheaper than Illinois Power's PPO. That means that the IEC has the lowest priced electricity in the Illinois Power Region. No one can beat it.

If you are not currently a member of the IEC and want to take advantage of this extremely low pricing, you must do it now. Don't delay.

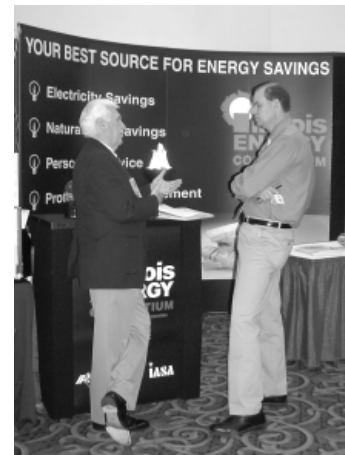
Get to your fax machine now and fax a copy of last month's electric bill for each meter to: Ron Steigerwald at 847.634.8254. Ron will have Ameren Energy Marketing, the IEC's program administrator, do a cost savings analysis that will be forwarded to you along with instructions on how to join the IEC.

Also keep in mind the new natural gas program the IEC implemented in the Illinois Power Region recently. School districts that have joined, are seeing savings on an average of 19%. So fax Ron your natural gas information as well.

Are You Tired of Paying 80 and 90 Cents a Therm for Natural Gas?

Natural gas and oil prices continue to rise. You see it every day when you drive by your local gasoline station and glance at the price board for gasoline that day. What is keeping you from sending the IEC your natural gas information? It only takes a few minutes to send us your information. Just fax a copy of last month's bill for each natural gas meter to Ronald C. Steigerwald

at 847.634.8254. That's it. Ron will have Peoples Energy do a savings analysis for you.



Ronald C. Steigerwald, Statewide Marketing Director, Illinois Energy Consortium promotes IEC services at the IASA Conference in Springfield.

Bits & Pieces

By Kristi Fitzanko, Electric Program Administrator, Ameren Energy Marketing, Peoria, IL

Did you know?

- The IEC's official mailing address is: c/o Illinois ASBO, Northern Illinois University (IA-103), 108 Carroll Ave., DeKalb, IL 60115-2829.
- The IEC's website is www.illec.org.
- We have a toll free number to call if you have questions about the **electric** program or billing—1.888.451.3911, Press 2.
- All of the IEC's **electric** payments should be mailed to Ameren Energy Marketing, P.O. Box 932926, Atlanta, GA 31193-2926.

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Spotlight on Dr. David Grace



It is always difficult to try to tell others about your life and accomplishments. We often modestly minimize accomplishments

listing instead resume type data. I will attempt to digress from this pattern and talk about what I feel is the value I may have added personally to our profession. I would be remiss if I did not start with what I feel are my personal accomplishments (i.e., my family). I have been happily married for 33 years to my beautiful and patient wife Mary and have five wonderful children ranging in age from 20 to 30 years old (2 boys and 3 girls). I also have two grandchildren who are a great joy to us all and help keep me young at heart!

After my family, I have always valued education in both my professional and my personal life. I fully subscribe to the concept and practice of being a life long learner and have received a Bachelors Degree in Education, a Masters Degree in Zoology, a Masters Degree in Business Administration and a Doctorate Degree in Educational Organization and Leadership. In addition, one of the most exciting parts of our occupation is the opportunity to continue to learn from new experiences each day we work. Professionally, I have taught for 10 years at the Middle School level and High School level. I have served as an Assistant Superintendent for Business for an additional 19 years and for

the past 4 years have served as Superintendent of Schools. I have enjoyed working in districts with less than 1,000 students and districts with approximately 10,000 students with several in between. I have worked in rural districts and urban districts, wealthy districts and impoverished districts. Each has provided opportunities to learn and opportunities to help students and communities to learn and grow.

In all of these positions, I have looked forward to the challenges of improving opportunities for improving student achievement and at the same time improving the financial stability and status of the school district. Contrary to some popular beliefs, these two are not mutually exclusive goals. As a result of an excellent staff, a consistent and constant vision of improving educational opportunities for our students and a supportive Board of Education, my current district has increased the number of students meeting or exceeding the state standards as measured on ISATs over the past four years by more than 26.6% in Reading and 53.9% in Math. My current district is an urban school district with 87% poverty and 93% minority population. During this same time period, the district moved from the Financial Watch List to Financial Recognition without issuing any debt. I have been very fortunate in working with exceptional staff toward a common goal. Our professional lives can be very rewarding and our accomplishments great when we act for the improvement of opportunities of our students and communities.

I have also been pleased to have been involved with the Illinois Energy Consortium from its inception as President of its Board of Directors and have enjoyed seeing its members, including my districts, save significant dollars without changing or diminishing services to our students or community. My district's membership in this energy pool as well as various insurance pools has allowed us to save money without having to sacrifice services or programs for our students. I have continued to learn through volunteering my time to help others in many of these pools, the Lion's Club and my church and feel very blessed by the many friends and acquaintances I have made throughout This GREAT State.

Bits & Pieces

continued from page 3

- This represents over 939 individual **electric** facilities.
- The IEC recently celebrated its 5th birthday along with deregulation of the Illinois **electric** marketplace.

If you would like more information about the IEC's electric program, you can contact myself at the toll free number above or Ronald C. Steigerwald, Statewide Marketing Director at 847.567.3051.