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Quarterly Newsletter
Spring 2006

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The Power to Choose

By Kristi L. Fitzanko, Account Management Executive, AmerenEnergy Marketing, Peoria, IL

Energy workshops were held throughout the state during the month of March beginning in Downers Grove and wrapping up in Collinsville. Whether your school district resides in the ComEd service area or downstate in the Ameren service areas, the message was the same – you have the **Power to Choose**.

The opportunity to choose an energy provider, which began in October 1999, will be reaching a milestone on January 1, 2007. The transition from a regulated marketplace to a fully deregulated market will occur at the end of this year. Utility rates have been frozen since 1997 and some utilities have not increased their electric rates for over 25 years. With both events occurring simultaneously, electric costs will be increasing. The IEC is committed to helping school districts off-set these increases with below market prices for energy.

Your local utility company or delivery service provider (DSP) has filed with the Illinois Commerce Commission rate increases in the delivery of energy. The ComEd increase should be announced in July and the Ameren increases are expected to be made public in October or November. These increases will be substantial, but more so for the customers in the AmerenCILCO and AmerenCIPS service areas. The customers of these two utilities have enjoyed significantly lower rates than customers in the ComEd and AmerenIP service areas because

their companies owned only coal fired power plants. It is anticipated that these rates could increase for ComEd and AmerenIP customers by 10% - 15% and 20 - 30% for AmerenCIPS and AmerenCILCO accounts. This is a cost to school districts that is regulated, and, cannot be mitigated by the IEC or any other supplier.

The IEC can help you control the price you pay for your energy. Beginning January 2, 2007, you will be able to choose from either your local delivery service provider (utility) or a supplier (IEC). The PPO (Purchased Power Option) will no longer be an alternative. This may not be new for customers in the ComEd and AmerenIllinois Power regions, but school districts in the AmerenCIPS and AmerenCILCO areas will also be able to choose a supplier other than their utility company.

The IEC is expecting to secure supplies for all service areas after the utility auction process (discussed in the previous Power Line newsletter) is finalized in September. Communications with current and prospective school districts will be faxed or mailed as soon as prices are known. In the event that we secure a supply prior to the completion of the auction, communication will take place immediately. We suggest that any school district who is interested in joining the Consortium contact us immediately! The end of the year will be very busy. Act today!

An Update from the Statewide Marketing Director

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

Electric Deregulation

If you have not taken action on who your electric supplier for your district is by now, your district is losing money. The Illinois Energy Consortium (IEC) has positioned itself in such a way that school districts are going to save money during the transition into full deregulation on January 1, 2007.

What do you do to take advantage of this? It is simple. In fact, I am going to make it even simpler by addressing each power area so you know exactly what is available with the IEC.

If your district resides in the Commonwealth Edison area, the IEC has secured a supply of electricity for this May through December at a very low price which means current members continue to save money and new members can now join and reap these same benefits.

If your district is in the AmerenIP territory, we also have a supply of electricity through December of this year which again means member districts continue to save money and new members receive this same benefit.

School districts in the AmerenCIPS area will remain with AmerenCIPS until January 1, 2007. That is when the IEC will have a new independent supply of electricity at a cost lower than the reverse auction price. This means savings for member districts and it also

gives those districts that are not members of the IEC an opportunity to join and gain these savings.

Any school district in the AmerenCILCO area will have the opportunity on January 1, 2007 of becoming a member of the IEC and save money on their electric bill. We will also have an independent supply of electricity for school districts in this area so that they can now save money on their electric bill.

As I write this article, our independent consultants, Latham & Associates, are trying to seek a contract for electricity in these same areas for January 1, 2007 – May 2008 that will give us a price at a certain % lower than the reverse auction price that will be determined in early October of this year. Even if they do not obtain this contract, there will be one to two dozen power suppliers that will have plenty of electricity to sell to very large organizations, such as the IEC, at a price lower than the reverse action price.

What are you waiting for? Time is money and you need to take the time right now to fax me a copy of last month's bill for each electric meter. Do not delay.

DO IT NOW! Send your fax to 847.634.8254.

Current Member Alert

As I have traveled the state the past two months, I keep coming across school districts that question me as to why all of their electric accounts are not with the

IEC. The answer is simple. When deregulation started in 1999 only certain meters were selected via a lottery to be eligible to switch to another company for their electric power. Please double check your bills to make sure they are all in the IEC to save money!

Natural Gas

With all that is going on with electricity these days and the summer approaching, many of us forget about our large natural gas bills. You do not have to go through another winter with huge increases in your natural gas bills. The IEC continues to save school districts money on their natural gas bills.

The IEC is able to purchase natural gas when it wants to, not when the marketer comes in and says here is the price today and that is only good for ten days. Now you are stuck and have to make a quick decision without the expertise of our independent consultants and our program administrator.

Joining the IEC for natural gas is just as simple as joining our electric program. Just fax me a copy of last month's bill for each natural gas meter. We will do a cost savings analysis and send it back to you. It is that simple.

Be sure and contact me with any questions about savings through the IEC by phone at 847.567.3051, by fax at 847.634.8254 or by email at rsteigerwald@hotmail.com.

A Natural Gas Update

By John Nania, Natural Gas Program Administrator, Peoples Energy Services, Naperville, IL and Stephanie Gureno, Account Manager, Peoples Energy Services, Naperville, IL

The natural gas program has been in service for four years now. There are now 1,034 schools enrolled and a total of 172 districts. That is an 11% increase from last year. The total annualized volume is approximately 33,000,000 therms (the average school uses just under 39,000 therms). 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 in individual schools managing their programs and to minimize the risk associated with buying in 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 \$1,626,000. During the current fiscal year, your total savings have been \$481,000. We beat the market in 10 out of 12 months. By any 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 November. While the rest of the market panicked in early winter when spot prices rose to almost \$1.30 per therm, the IEC was in very good shape.

The winter began with some very cold weather in early December; it was the 4th

coldest ever. The markets hit an all time high on December 13th of \$1.53 per therm. Conversely, January turned out to be the warmest ever which then pushed spot prices down quickly. By the time March rolled around, prices were cut almost in half. Our two fold goal is and remains to provide savings and price stability. Sometimes these come into conflict. To provide the savings, we try to purchase fixed price contracts when they appear to be good values. This also effectively hedges your costs. Generally, when the weather reacts normally or is colder, we are ahead. When extreme warm weather shows up, it works against us. Such is the world of natural gas.

We have maintained a much disciplined strategy regarding our purchases. We have already hedged about 50% of our

purchases between now and through November and are about 20% hedged for next winter.

Budgeting

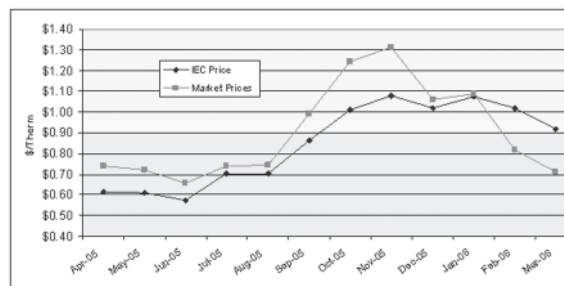
If you are budgeting for this next fiscal year, not even our best

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%. Your total cost per therm, including your utility charges, will be about \$1.15 per therm.

We want to welcome our newest members:

Bourbonnais Elem. SD 53
Burbank SD 111
Central CUSD 301
Manhattan SD 114
Mt. Prospect SD 57
Ohio CCSD 17 & 505
Streator Elem. SD 44



Electric Program Statistics

Savings to Date - July 2005 through March 2006

	3rd Quarter 2005	4th Quarter 2005	1st Quarter 2006	Savings to Date
ComEd	\$ 872,710.16	\$448,632.93	\$228,864.23	\$1,550,207.32
AmerenIP	\$ 364,512.71	\$ 74,282.28	-\$ 75,847.53	\$ 362,947.46
Total	\$1,237,222.87	\$522,915.21	\$153,016.70	\$1,913,154.78

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Power Line/Pipe Line

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Dear Members,

As we come to the end of another school year, it is important to remember why we are here and celebrate the savings we have brought to our school districts through our IEC energy programs! The IEC delivered more than 454,530,966 kilowatt hours of electricity to schools during 2005. Savings to school districts (net savings actually seen through reduced bills) for the period from January 2005 through December 2005 exceeded \$3,574,000. In addition, these savings were realized by our member districts without them having to reduce programs or services to their students or communities! We are all faced with deficit budgets and rising costs. It is nice to be able to show our Boards that we have saved significant amounts by wisely purchasing energy through such a cost saving pool. 2006 is presenting more challenges in terms of pricing as energy costs and supply prices are extremely high. For the period from May through December in the ComEd region, there will be no PPO option, so almost all other options for savings for schools will disappear. However, the IEC was able to lock in prices for this region and the Illinois Power regions that still provide significant savings even during this period and are still adding school districts each month. In addition, beginning January 1, 2007, all electric transition charges will disappear and electric supply will become

totally deregulated. The price that utilities will be able to charge will be determined in a market driven "Reverse Auction" held in September. Your IEC is confident we will continue to be able to compete and provide you with a significantly reduced rate for your supply of electricity and thus save your schools money.

On the Natural Gas side of the IEC, during calendar year 2005, the IEC delivered approximately 29 million therms of natural gas to approximately 1,018 schools. During this 12 month period from January 2005 through December 2005, the IEC was able to save member school districts approximately \$1,051,689 on their natural gas purchases. This savings has been the result of the IEC out performing the market in purchasing natural gas at a discount to the then current pricing. The IEC member school districts in the Nicor, North Shore and Peoples regions of Northern Illinois and in the Illinois Power region of central Illinois have realized these savings without making any of the efforts or reductions in services to students generally associated with cutting costs. During 2006 and early 2007, we are looking forward to being able to expand the IEC services into the other regions of the state eligible for deregulated energy supply.

Participation in the IEC has been rewarding for school children in Illinois. Since we began supplying energy to schools, the IEC has saved schools in Illinois more than \$22.5 million. Sav-

ings identified earlier in this letter identified more than \$4.6 million in 2005 alone, thus enabling our districts to provide more services and improve the quality of educational opportunities for our students.

Competition has enabled school districts to experience significant savings in both electric and natural gas supply over the past year(s). Even with the challenging market conditions and volatile energy costs, we are confident that, with your help, we will be able to continue to experience savings for our schools. As we look forward to the start of another school year, let us improve opportunities for our most precious resources, our students, by more wisely using our financial resources. If you know of any neighboring school districts that are not receiving their electric or natural gas supply from the IEC, share your experiences with them and encourage them to contact us to begin saving in their district as well.



Dr. David F. Grace
President
IEC Board of Directors
and
Superintendent
Lincoln Elem. SD 156
Calumet City, IL

2006 and 2007 Electricity for Schools – The Time to Act Is Now

By Robert J. Latham, Ph.D., President, Latham & Associates Inc., Cedar Rapids, IA

This is the year of making decisions for potential Illinois Energy Consortium participants. There are critical decisions to be made and time is of the essence for some.

2006---Opportunities for independent IEC supplies and savings for schools in these service territories:

ComEd service territory-

--The power purchase option (PPO) will cease June of 2006. Savings will only be achieved with independent supplies. The IEC has independent supplies for net savings this June through the end of 2006. Net savings are averaging about 13%. Existing IEC participants continue to see significant savings and opportunities exist for new participants. ACT NOW for NEW PARTICIPANTS

Ameren Illinois Power service territory---

The IEC has existing competitive independent electric power

supplies for now and through the end of 2006. Existing IEC participants in this service territory continue to see significant savings. Current opportunities exist for new participants. ACT NOW for NEW PARTICIPANTS

Ameren CIPS and Ameren CILCO service territories-

--Independent electric supply is not available on competitive terms for the balance of 2006 without significant unforeseen electric price reductions. The IEC is prepared to switch its participants to independent supply on electric pricing opportunity. PREPARE TO ACT BY SUMMER for NEW PARTICIPANTS

2007---Opportunities for independent IEC supplies and savings for schools in all four electric service territories:

Impact of market supplies for incumbent utilities-

--As of January, 1, 2007,

electric power supplies from all incumbent utilities are planned to be market-based. Significant rate increases are anticipated in the **Ameren CIPS and Ameren CILCO service territories**. PPOs will not be available.

The IEC independent supplies for 2007---

The IEC plans to have competitive independent supplies for **ComEd, Ameren IP, Ameren CIPS and Ameren CILCO** for net savings to schools in each of these service territories. IEC is seeking preemptive power supply offers now that will beat the auction prices this fall.

The IEC power supply options for 2007---

The IEC plans to offer a wider array of electric pricing options for 2007, particularly for participants with larger electric usage.



Ronald C. Steigerwald, Statewide Marketing Director, Illinois Energy Consortium (IEC) and Dr. David F. Grace (President, IEC Board of Directors) Superintendent, Lincoln Elem. SD 156 met with Superintendents at the IASA Conference in Springfield in April.