



## MEMORANDUM

TO: Mayor Laurel Lunt Prussing and Members of the Urbana City Council  
FROM: Bart Hagston, Environmental Sustainability Manager  
DATE: December 8, 2011  
RE: Resolution to Hold a Referendum on Municipal Electric Aggregation

### **INTRODUCTION**

City of Urbana staff have been looking into the issue of municipal electric aggregation (aggregation). State law (Illinois Power Agency Act, 20 ILCS 3855/1-92) allows local governments to aggregate the electric accounts from residences and small businesses in order to receive bids from alternate retail electric suppliers (ARES). Aggregation has the potential to save consumers money and, if desired, to increase the use of renewable energy. “Opt-out” municipal electric aggregation must be approved by voters via a referendum. Several dozen local governments in Illinois are exploring the placement of aggregation on the March 20, 2012 ballot, including Champaign, Savoy, and Champaign County.

This matter was previously discussed with the City Council on November 14, 2011. Staff was directed at that time to bring the matter back to the City Council for further discussion. This memo is designed to answer outstanding questions about aggregation and introduce a resolution which would place a referendum question on the March 20, 2012 ballot to authorize the City to undertake municipal aggregation.

### **BACKGROUND**

#### **Municipal Electric Aggregation**

Municipal aggregation is a program that allows local governments the option to bundle together, or aggregate, residential and small commercial retail electric accounts and seek bids for a cheaper, and possibly cleaner, source of power. Municipal aggregation allows ARES to acquire a large number of customers without many of the anticipated marketing costs, thereby allowing them to reduce their pricing accordingly.

Aggregation is the way most commercial and institutional electricity is purchased in Illinois. 80% of the non-residential load within Ameren territory is supplied by ARES. Aggregation is predicted to become the standard practice by which residential electricity is also purchased.

#### **Opt-Out Referendum**

“Opt-out” aggregation means that all eligible residential and small business electric accounts become part of the aggregated program, unless they elect to opt-out and return to the default supplier or choose another alternate supplier. Such an effort has to be approved by voters as a referendum. Opt-out programs typically see participation around 90% of eligible participants. Residents and small businesses which are under supply contracts with other alternate suppliers at the time of the aggregation are not eligible, but may become eligible after their contract expires. Alternately, “opt-in” aggregation programs, which do not require a referendum, have traditionally seen low participation rates (roughly 10%) and, therefore, large-scale savings and environmental benefits are not achieved.

## **Benefits of Aggregation**

Some benefits of aggregation were detailed to the City Council via a staff memo dated November 10, 2011 and a presentation given on November 14, 2011.

Municipal aggregation can be viewed as a package by which numerous goals can be met. These goals can include saving participants money on their energy bills, increasing the use of renewable energy and reducing greenhouse gas emissions. While saving money is typically the chief reason behind undertaking aggregation, the ability of such programs to meet environmental goals is substantial.

For example, the Urbana Sustainability Advisory Commission has been working with City staff to develop a plan to reduce greenhouse gas emissions community-wide. Part of the planning process has involved investigation into a myriad of emissions reduction measures which could be employed. No single measure, or even a combination of several measures, has the projected impact on emissions that large-scale use of green power could achieve. This conclusion has been reached by running numerous scenarios with climate planning software. No other approach identified, besides municipal aggregation, could result in community-wide green power use in Urbana, while saving residents money at the same time.

During the November 14 presentation, consultant Mark Pruitt provided a conservative projected electric bill savings estimate of 8% through aggregation. Other consultants and sources estimate the projected electric bill savings to be around 15%. Working from this estimated range, Urbana residential customers could expect total annual savings between \$80 to \$150/year. Incorporating green power into the supply, through the purchase of bundled renewable energy credits (RECs), might alter the range of projected savings to \$60 to \$130/year.

As discussed previously, the most significant savings under municipal aggregation would be during the first year or so of the program. This situation is due to the default rate for electricity from Ameren being priced under older supply contracts which will be expiring in 2012 and 2013. Therefore, if approved on the March 2012 ballot, the City needs to be prepared to proceed expeditiously and plans would be made to accomplish program implementation by June or July 2012. Safeguards would be built into the supply contract so that the aggregation rate would never be greater than Ameren's default rate, minimizing the risk to those that participate in aggregation.

Even though the greatest savings would come early under the program, continued savings and environmental benefits beyond that period could be realized. The factors to ensuring future program success would include use of a knowledgeable consultant to help time supply contracts with energy market pricing changes, reducing risk through appropriate contract language, and other proactive measures.

## **FISCAL IMPACT**

The costs to undertake municipal aggregation are largely undetermined at this time. The two main costs will be to hire a consultant and for voter education materials.

Due to the complexities of aggregation and energy purchasing, the services of a consultant would be needed to guide the City through the process and manage the supply bidding. City staff have been working with staff from Champaign and Savoy, which are also considering municipal aggregation, to explore the availability of consultant services. If the Urbana City Council approves a resolution to place a referendum on the March 2012 ballot, we anticipate making a consultant recommendation to the City Council in early to mid January.

City staff would work with the consultant and others to develop a pre-referendum educational campaign. Educational tools to be used could include the City's website, printed materials, information disseminated through various groups and newsletters, speaking to interested organizations, holding open house meetings, and social media. For consistency and clarity to the public, messages will be coordinated as much as possible with the other

local units of government working on municipal aggregation. The City can develop voter education materials on this issue, but these items must remain factual and neutral in tone, as per State law.

Many consultants with which staff have spoken proposed to conduct a large pre-referendum educational campaign. However, these services would have resulted in significant costs, paid out over the life of the electric supply contract. The approach we are proposing, with consultants providing key advice and handling the bidding process and staff coordinating pre-referendum education, will result in greater program savings. The costs for reduced-scope consultant services and City educational materials will likely be recovered via a nominal fee on the electric supply contract.

### **OPTIONS**

1. Do not approve a resolution to place a referendum on opt-out municipal aggregation on the March 20, 2012 ballot. Residents and small businesses continue to utilize the default supplier or select their own alternate supplier.
2. Approve a resolution to place a referendum on the March 20, 2012 which, if approved, would authorize the City to undertake an opt-out municipal aggregation program. Staff would subsequently select a consultant for consideration by the City Council and develop and implement a voter education campaign.

### **RECOMMENDATIONS**

Staff recommends the approval of a resolution to place opt-out municipal electric aggregation on the March 20, 2012 ballot.

**RESOLUTION NO. 2011-12-044R**

**A RESOLUTION INITIATING THE SUBMISSION TO THE VOTERS OF THE CITY OF URBANA OF THE PUBLIC QUESTION OF WHETHER TO AUTHORIZE THE CITY TO ARRANGE FOR THE SUPPLY OF ELECTRICITY FOR RESIDENTIAL AND SMALL COMMERCIAL RETAIL CUSTOMERS WHO DO NOT OPT OUT OF SUCH A PROGRAM**

**(Municipal electric aggregation)**

**WHEREAS**, Section 1-92 of the Illinois Power Agency Act, 20 ILCS 3855/1-92, permits a municipality, if authorized by referendum, to adopt an ordinance by which it may operate a program to solicit bids and enter into service agreements for the sale and purchase of electricity and related services and equipment to residential and small commercial customers who do not opt-out of such a program; and

**WHEREAS**, the City Council desires to submit the question to the qualified electors of the City in a binding referendum concerning whether the City should have authority to arrange for the supply of electricity for its residential and small commercial retail customers who do not opt out of such a program; and

**WHEREAS**, Section 28-5 of the Election Code, 10 ILCS 5/28-5, provides that not less than 68 days before a regularly scheduled election, each local election official shall certify the public questions to be submitted to the voters of his or her political subdivision at that election which have been initiated by action of the governing board of the political subdivision, which such certification shall include the form of the public question to be placed on the ballot, the date on which the public question was initiated by the adoption of a resolution or ordinance by a governing body, and a certified copy of any court order or political subdivision resolution or ordinance requiring the submission of the public question.

**NOW, THEREFORE, BE IT RESOLVED** by the City Council of the City of Urbana, Champaign County, Illinois, as follows:

**Section 1.**

A public question in substantially the following form be and the same is hereby initiated for the purpose of submitting such question to the voters of the City of Urbana at the general primary election, a regular election within the meaning of the Election Code, to be held on March 20, 2012:

<b>Shall the City of Urbana have the authority to arrange for the supply of electricity for its residential and small commercial retail customers who have not opted out of such a program?</b>	<b>Yes</b>
	<b>No</b>

**Section 2.**

The notice of said public question to be voted upon shall be in the manner and time as provided by law.

**Section 3.**

The City Clerk shall certify and submit said public question to the Champaign County Clerk on or before January 12, 2012.

Motion was made by Alderman \_\_\_\_\_, seconded by Alderman \_\_\_\_\_ that the Resolution be adopted.

**PASSED BY THE CITY COUNCIL** this \_\_\_\_ day of \_\_\_\_\_, \_\_\_\_\_.

AYES:

NAYS:

ABSENT:

ABSTAINED:

\_\_\_\_\_  
Phyllis D. Clark, City Clerk

**APPROVED BY THE MAYOR** this \_\_\_\_ day of \_\_\_\_\_, \_\_\_\_\_.

\_\_\_\_\_  
Laurel Lunt Prussing, Mayor