



## MEMORANDUM

TO: Mayor Laurel Lunt Prussing and Members of the Urbana City Council  
FROM: Bart Hagston, Environmental Sustainability Manager  
Mike Monson, Chief of Staff  
DATE: January 19, 2012  
RE: Update on Consulting Services for Municipal Electric Aggregation

### **INTRODUCTION**

On December 19, 2011, the Urbana City Council passed a resolution placing a referendum on the March 20, 2012 ballot which, if approved, would allow the City of Urbana to undertake municipal electric aggregation (aggregation). Aggregation would allow the City to bundle the electric accounts from residences and small businesses in order to receive bids from retail electric suppliers for a cheaper, and possibly cleaner, source of power. The process of municipal electric aggregation is governed by State law (Illinois Power Agency Act, 20 ILCS 3855/1-92).

Twenty Illinois communities have undertaken aggregation in the past year and over 150 will have the issue on the ballot this spring, including the City of Champaign.

Staff have explored the use of a consulting firm to assist in undertaking municipal electric aggregation, since the process is: a) governed by State law and highly technical in nature; and b) City staff do not possess experience in this arena. This memorandum describes the process by which a consultant recommendation has been developed and the services that would be provided under the contract.

### **BACKGROUND**

#### **Municipal Aggregation Consultants**

Within the past three months, City staff have had contact with no fewer than ten companies wishing to provide consulting services to the City of Urbana on municipal electric aggregation. Most of these companies were based in Illinois. Most of them had extensive experience in energy procurement, but few had experience with municipal electric aggregation, as it is a relatively new type of program in Illinois.

Informal discussions with these companies revealed that there were three proposed types of consulting arrangements that were typically utilized in these types of situations.

- 1) Selecting a consultant whose services would be paid for by program participants over the life of the resulting electric supply contract.
- 2) Selecting a consultant for a limited scope of services and paying them a set amount for those services.
- 3) Selecting a sole source provider which would provide consulting services, then would be the electric supplier.

The following table displays the pros and cons of each types of arrangement:

Service Type	Pros	Cons
Type 1	Full support, both pre and post-referendum. No out-of-pocket costs to City.	Potential for extensive consulting fees.
Type 2	Lower level of support. Out-of-pocket costs to City.	May not result in needed level of support.
Type 3	Only select one company which assumes both consulting and supplier roles.	Sole source not typical method of government procurement.

The consultants which were suggesting Type 1 services would provide needed support, but some of them were suggesting a greater level of involvement and expenditures on voter education prior to the referendum. The proposed fee of one interested consulting firm would have been in the range of \$150,000/year for each year of the resulting electric supply contract. Staff felt that, while public education is important and essential, having such a process be run by a consultant and involving great expense was not the desired approach for Urbana. It was felt that a hybrid between Type 1 and Type 2 services would allow for appropriate control of expenditures and City control, but allow for the needed level of consultant support both pre-referendum and post-referendum.

**Services to be Provided**

Consultants are typically interested in providing services both pre-referendum and post-referendum. Pre-referendum services would include activities like development of outreach and education materials for websites, printed literature, and community meetings. These materials would be used by the City and other interested parties to inform residents about aggregation in an unbiased manner.

Post-referendum services would include activities like holding community meetings./hearings, developing a Plan of Governance and Operation for the aggregation program, issuing a Request for Proposals from electric suppliers, making recommendations on supplier selection, evaluating utility data, assisting with opt-out notices, and ongoing management services. Some of the post-referendum services could be conducted prior to the referendum to speed up the process to ensure faster implementation and greater savings realization.

**Selection Process**

City of Urbana staff met several times with staff from Champaign, Savoy and Champaign County on this issue and decided to partner in soliciting interest from potential consultants. A letter of interest went out, under City of Champaign letterhead, on November 14, 2011, to all consultants which had expressed an interest. Notice was published in the News-Gazette. The letter of interest was crafted to exclude consultants that wished to charge exorbitant fees and conduct extensive pre-referendum educational campaigns. Even though four units of government were exploring consulting services together through one letter of interest, it was specifically stated that all four governments might select different consultants and have separate consulting contracts.

A total of five responses were received prior to the November 30 deadline. Collectively, staff decided to interview three consultants which we determined, through qualifications, were best suited to provide the desired services. These interviews were conducted on December 15. (Savoy and Champaign County subsequently chose not to place municipal electric aggregation on the March 2012 ballot). After the interview, Urbana staff followed up with questions via e-mail to the top two interviewed firms, BlueStar Energy Services and the Illinois Community Choice Aggregation Network (ICCAN). BlueStar did not respond and was subsequently removed from consideration (and it has now announced its withdrawal from the consulting business).

**RECOMMENDATION**

Based upon the results of the selection process, staff are recommending an agreement with the Illinois Community Choice Aggregation Network (ICCAN) / Intelligent Power Partners for pre and post-referendum consulting services. ICCAN is a newly developed partnership of organizations working in concert to assist local governments in Illinois with implementation of municipal electric aggregation. Communities working with ICANN must join their network to receive their services. Partners in the network include: Intelligent Power

Partners, LLC; The Power Bureau; LEAN Energy US; and the Robert W. Galvin Center for Electricity Innovation at the Illinois Institute of Technology.

Since ICANN is in its infancy and is in the process of formalizing itself legally, the consulting agreement will be with Intelligent Power Partners, LLC. However, all of the partner organizations within ICANN will play defined roles. Mark Pruitt of the Power Bureau, former head of the Illinois Power Agency who spoke previously to the City Council on this issue, will be the overall project leader.

The agreement terms and language are currently being negotiated and will be brought forward to the City Council at the earliest possible opportunity. The attached resolution will allow the City Council to approve and authorize the execution of the agreement, pending its completion and review.

### **FISCAL IMPACT**

There are two costs associated with the consulting agreement for municipal electric aggregation. The first cost is \$2,000 for the City of Urbana to become a member of the Illinois Community Choice Aggregation Network. Only network members will be allowed to utilize the services of ICCAN. This cost can be taken out of the Public Work's current budget for sustainability training and education.

The second cost will be to cover the pre and post-referendum consulting services. These fees will be paid as a per kilowatt hour fee by all electric customers participating in the aggregation program and there will be a not-to-exceed amount. No City dollars will be used for these services. This type of payment arrangement is typical of consultants in the power industry. The exact fees and scope of services are still being negotiated at this time.

The proposed agreement would be for one year, with the option of an additional year. The bulk of the consulting work would be expected during the first year.

### **OPTIONS**

Once a proposed agreement is available for review, City Council will have two options available:

1. Approve a resolution to execute a consulting agreement with the recommended firm.
2. Do not approve a resolution to execute a consulting agreement with the recommended firm. Provide staff with guidance.

RESOLUTION NO. 2012-\_\_\_\_-\_\_\_\_\_

**A RESOLUTION AUTHORIZING EXECUTION OF A PROFESSIONAL SERVICES AGREEMENT WITH INTELLIGENT POWER PARTNERS, LLC**

**(Municipal electric aggregation consulting)**

**WHEREAS**, the City of Urbana, on December 19, 2011, passed a resolution placing a public question on the March 20, 2012 ballot, which, if approved by voters, would allow the City of Urbana to undertake municipal electric aggregation, as allowed under the Illinois Power Agency Act, 20 ILCS 3855/1-92; and

**WHEREAS**, the process of municipal electric aggregation requires technical expertise possessed by certain professional consulting practices and the City of Urbana, through a formal review process, has determined that Intelligent Power Partners, LLC is best qualified to provide the desired services.

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

**Section 1.**

A preliminary professional services agreement with Intelligent Power Partners, LLC, in substantially the form of the copy of said Agreement attached hereto and hereby incorporated by reference, be and the same is hereby authorized and approved.

**Section 2.**

The Mayor of the City of Urbana, Illinois, be and the same is hereby authorized to execute and deliver and the City Clerk of the City of Urbana, Illinois, be and the same is authorized to attest to said execution of said Agreement as authorized and approved for and on behalf of the City of Urbana, Illinois.

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