

Meeting Members:
Gary Pilafas, Chairperson
Anna Newell, Vice Chairperson
Michael Gaeta, Trustee
Karen Mills, Trustee
Gary Stanton, Trustee
Karen Arnet, Trustee
William McLeod, Mayor

Village of Hoffman Estates

Special

Finance Committee Meeting Agenda

January 3, 2023

Prior to the Village Board Meeting - 7:00 p.m. - Board Room
Village Hall, 1900 Hassell Road, Hoffman Estates, IL 60169

I. Roll Call

NEW BUSINESS

1. Request authorization to go out to bid in four batches of Village accounts for an electricity contract starting December 2023, select a supplier based on the recommendation of Satori Energy and adopt an ordinance establishing an electricity purchasing process allowing the Village Manager to enter into resulting contracts with a third party supplier for the Village pumping, street lighting and NOW Arena electricity accounts.

II. Adjournment

COMMITTEE AGENDA ITEM VILLAGE OF HOFFMAN ESTATES

SUBJECT: Electricity supplier for Village pumping, street lighting and NOW Arena accounts

MEETING DATE: January 3, 2023

COMMITTEE: Special Finance Committee

FROM: Rachel Musiala, Director of Finance

PURPOSE: Request authorization to go out to bid in four batches of Village accounts for an electricity contract starting December 2023, select a supplier based on the recommendation of Satori Energy and adopt an ordinance establishing an electricity purchasing process allowing the Village Manager to enter into resulting contracts with a third party supplier for the Village pumping, street lighting and NOW Arena electricity accounts.

BACKGROUND In January, 2007, ComEd eliminated subsidized fixed-rate electricity service for non-franchise municipal accounts. To bring a cost-effective electricity supply alternative to municipalities in northern Illinois, the Metropolitan Mayors Caucus and Satori Energy (formerly Energy Choices) joined forces to create the Metropolitan Energy Collaborative (the “Collaborative”). The Collaborative sought supply from a multitude of pre-qualified suppliers to secure lower-priced electricity to municipalities. In the first year, the Collaborative saved municipalities an average of 27% on their electricity supply charges over ComEd’s unsubsidized bundled fixed rate. The Collaborative continues providing cost-effective electricity supply to municipalities for pumping and street lighting accounts, as well as residential accounts for 32 municipalities in northern Illinois.

Although record low energy prices and cost savings for the Village are not part of the current market, the Village does still see a tremendous benefit in utilizing the services of Satori Energy for their expertise and guidance in the electricity market.

DISCUSSION All Village electricity accounts are currently under contract with Constellation Energy and are up for renewal in December, 2023. Pricing under this current contract is \$0.04856/kWh for the pumping sites and \$0.02699/kWh for street lighting. This has been the lowest rate the Village ever paid and was entered into by the Village back in December, 2020 when prices were extremely low. Unfortunately, energy markets have increased substantially since then. Electric prices are up over 100% since the start of 2022. This coming winter could further destabilize the market, especially if it is colder than average.

Current pricing supplied by Satori Energy is around \$0.07/kWh which will result in about a \$30,000 increase in annual Village electric expense. The

NOW Arena, which has a much higher usage, will see about a \$45,000 increase in annual electric expense. This pricing includes a considerable discount for locking in pricing at least 12 months prior to the contract's commencement.

Due to the current high pricing and the uncertainty of the electricity market, the Village's representative from Satori Energy is recommending that we separate all of the Village's electrical accounts into four batches and lock in pricing now for just one of the batches (1/4th of the Village's usage). We then would look at current pricing every three months and lock in another batch of accounts. This would allow us to spread out the pricing risk and potentially be able to realize savings if pricing falls in the near future. If at any point the market falls, the balance of the accounts may be locked into the favorable rates at once.

Because of the timing of the electricity bidding process, bids must be received on the day that contracts are signed. Staff is looking for authority from the Village Board to go out to bid for an electricity supplier in four batches over the next year, select a supplier based on the recommendation of Satori Energy and allow the Village Manager to enter into a contract with the third party supplier at or below a certain rate listed below. Corporation Counsel has drafted an ordinance to give the Village Manager that authority for 2023 and 2024.

A price comparison is attached of current pricing. This pricing changes daily. We are looking to execute a 1 year contract for the NOW Arena and a 2 or 3 year contract for the Village's pumping and street lighting accounts, in four batches. We are requesting permission to sign a new contract at or below \$0.075/kWh for pumping accounts and the NOW Arena and at or below \$0.055/kWh for street lighting accounts.

RECOMMENDATION: Request authorization to go out to bid in four batches of Village accounts for an electricity contract starting December 2023, select a supplier based on the recommendation of Satori Energy and adopt an ordinance establishing an electricity purchasing process allowing the Village Manager to enter into resulting contracts with a third party supplier for the Village pumping, street lighting and NOW Arena electricity accounts.

ATTACHMENTS
CURRENT PRICING
ORDINANCE

Village of Hoffman Estates (Pumping - Batch 1)

Electric Supply Pricing Proposal

QUOTE
DATE:
12/13/2022

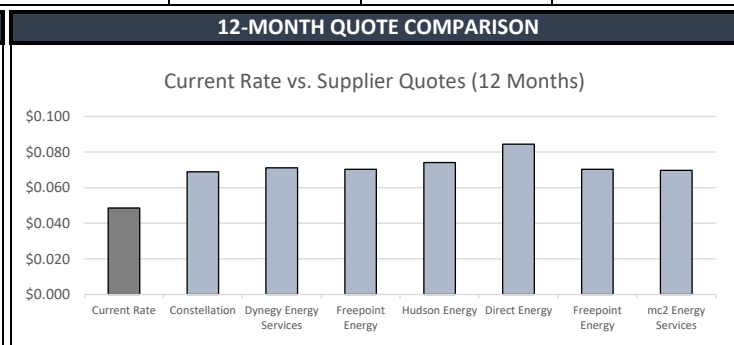
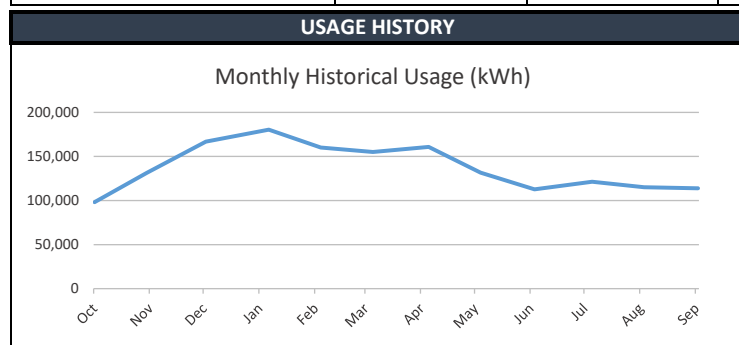


QUOTE INFORMATION	
Projected Start Date:	December 2023
Utility:	ComEd - IL
Number of Accounts:	5
Annual kWh:	507,539
Product Quoted:	Fixed

CURRENT PROVIDER INFORMATION	
Supply Provider:	Constellation
Electric Rate (\$/kWh):	\$0.04856
Annual Contract Expense:	\$24,646
Product:	Fixed
Contract End Date:	December 2023

MOST COMPETITIVE SUPPLY QUOTES						
Term Length	Rate (\$/kWh)	Supplier	Annual Contract Expense	Annual Impact (\$)	Total Contract Impact (\$)	Bandwidth
12 Months	\$0.06888	Constellation	\$34,959	↑ \$10,313	↑ \$10,313	100%
18 Months	\$0.06856	Constellation	\$34,797	↑ \$10,151	↑ \$15,226	100%
24 Months	\$0.06666	Constellation	\$33,833	↑ \$9,186	↑ \$18,373	100%
36 Months	\$0.06552	Constellation	\$33,254	↑ \$8,608	↑ \$25,824	100%

QUOTE PRESENTATION						
Supplier	12 Months	18 Months	24 Months	36 Months	Credit Status	Bandwidth
Constellation	\$0.06888	\$0.06856	\$0.06666	\$0.06552	Approved	100%
Dynegy Energy Services	\$0.07118	\$0.07096	\$0.06950	\$0.06856	Approved	100%
Freepoint Energy	\$0.07029	\$0.07007	\$0.06868	\$0.06759	Approved	100%
Hudson Energy	\$0.07410	\$0.07370	\$0.07220	\$0.07140	Approved	100%
Direct Energy	\$0.08439	\$0.08475	\$0.08344	-	1 Invoice Required	100%
Freepoint Energy	\$0.07029	\$0.07007	\$0.06868	\$0.06759	Approved	100%
mc2 Energy Services	\$0.06975	\$0.06916	-	-	Approved	100%



ACCOUNT INFORMATION			
Account Number	Service Address	Annual kWh	Usage %
0348064040	2094 Carling, Hoffman Estates, IL 60169	7,777	1.5%
0363080175	1513 Golf Road, Hoffman Estates, IL 60169	132,394	26.1%
0423038233	S/Higgings, W/Old Sutton, Hoffman Estates, IL 60169	66,780	13.2%
0447752007	5400 W Golf Road, Hoffman Estates, IL 60169	288,725	56.9%
1127176006	2 N Hillcrest Jones Rd, Hoffman Estates, IL 60195	11,863	2.3%

CAPACITY INFORMATION		
Electricity supply rates are typically comprised of six major components: energy, capacity, transmission, ancillary costs, line losses, and Renewable Portfolio Standard (RPS) costs. Capacity itself is a regulated cost, meaning that the cost will be the same regardless of which supplier you choose to purchase your energy from. The table to the right shows the fluctuating costs of capacity over the next several years.	Planning Year	Est. Cost (\$/kWh)
	June 2019 - May 2020	\$0.02006
	June 2020 - May 2021	\$0.01978
	June 2021 - May 2022	\$0.02067
	June 2022 - May 2023	\$0.00690
	June 2023 - May 2024	\$0.00356

NOTES AND DISCLAIMERS

- Pricing as quoted is typically valid on the Quote Date; however, unforeseen market conditions could invalidate pricing without notice.
- This offer is presented on behalf of the named providers and is to the best knowledge of Satori Energy.
- Satori Energy is not responsible for any changes relative to this offer that are unknown to us.
- Historical annual kWh is determined by calculating the last 12 months of usage as provided from the local utility.
- This proposal incorporates all costs except meter rentals, facility costs, delivery costs, and any city, county, or state sales tax and gross receipts tax (which are not subject to deregulation).
- This analysis is only for the named client's review and the client agrees not to share this proprietary information with any third parties unless required by law. Either party breaking this covenant will be liable for damages.
- All suppliers retain the ability to adjust prices due to a change in law imposed by a Governmental Authority or the regional Independent System Operator ("ISO").
- All savings and expense impact figures displayed in the above proposal are estimates based on historical usage.

Village of Hoffman Estates dba NOW Arena

Electric Supply Pricing Proposal

QUOTE
DATE:
12/13/2022

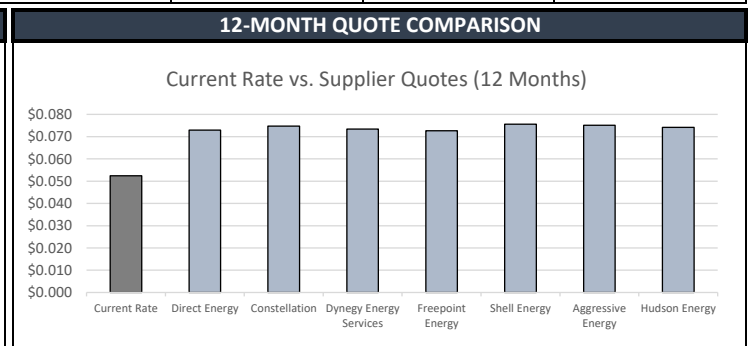
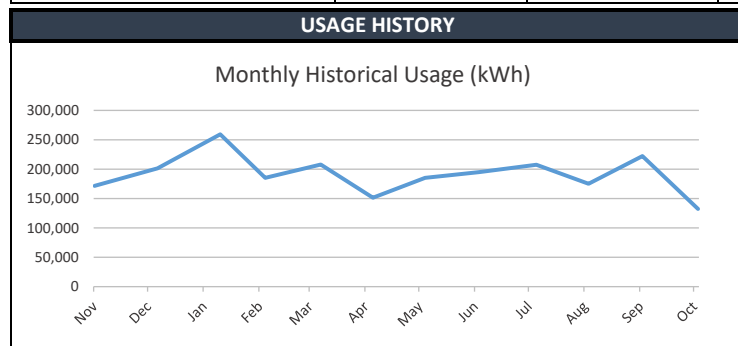


QUOTE INFORMATION	
Projected Start Date:	December 2023
Utility:	ComEd - IL
Number of Accounts:	1
Annual kWh:	2,293,859
Product Quoted:	Fixed

CURRENT PROVIDER INFORMATION	
Supply Provider:	Dynegy Energy Services
Electric Rate (\$/kWh):	\$0.05243
Annual Contract Expense:	\$120,267
Product:	Fixed
Contract End Date:	December 2023

MOST COMPETITIVE SUPPLY QUOTES						
Term Length	Rate (\$/kWh)	Supplier	Annual Contract Expense	Annual Impact (\$)	Annual Impact (%)	Total Contract Impact (\$)
12 Months	\$0.07269	Freepoint Energy	\$166,741	↑ \$46,474	↑ 38.6%	↑ \$46,474
18 Months	\$0.07206	Direct Energy	\$165,295	↑ \$45,028	↑ 37.4%	↑ \$67,543
24 Months	\$0.07127	Direct Energy	\$163,483	↑ \$43,216	↑ 35.9%	↑ \$86,433
36 Months	\$0.07057	Freepoint Energy	\$161,878	↑ \$41,611	↑ 34.6%	↑ \$124,832

QUOTE PRESENTATION						
Supplier	12 Months	18 Months	24 Months	36 Months	Credit Status	Bandwidth
Direct Energy	\$0.07290	\$0.07206	\$0.07127	\$0.07085	Pending Approval	100%
Constellation	\$0.07477	\$0.07491	\$0.07278	\$0.07189	Approved	100%
Dynegy Energy Services	\$0.07339	\$0.07331	\$0.07198	\$0.07124	Approved	100%
Freepoint Energy	\$0.07269	\$0.07263	\$0.07139	\$0.07057	Approved	100%
Shell Energy	\$0.07557	\$0.07593	\$0.07529	\$0.07535	Approved	100%
Aggressive Energy	\$0.07514	\$0.07484	\$0.07295	-	Approved	100%
Hudson Energy	\$0.07420	\$0.07400	\$0.07260	\$0.07190	Approved	100%



ACCOUNT INFORMATION			
Account Number	Service Address	Annual kWh	Usage %
5684045006	5333 Prairie Stone Pkwy, Hoffman Estates, IL 60169	2,293,859	100.0%

CAPACITY INFORMATION	
Planning Year	Est. Cost (\$/kWh)
June 2019 - May 2020	\$0.02006
June 2020 - May 2021	\$0.01978
June 2021 - May 2022	\$0.02067
June 2022 - May 2023	\$0.00690
June 2023 - May 2024	\$0.00356

Electricity supply rates are typically comprised of six major components: energy, capacity, transmission, ancillary costs, line losses, and Renewable Portfolio Standard (RPS) costs. Capacity itself is a regulated cost, meaning that the cost will be the same regardless of which supplier you choose to purchase your energy from. The table to the right shows the fluctuating costs of capacity over the next several years.

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- Satori Energy is not responsible for any changes relative to this offer that are unknown to us.
- Historical annual kWh is determined by calculating the last 12 months of usage as provided from the local utility.
- This proposal incorporates all costs except meter rentals, facility costs, delivery costs, and any city, county, or state sales tax and gross receipts tax (which are not subject to deregulation).
- This analysis is only for the named client's review and the client agrees not to share this proprietary information with any third parties unless required by law. Either party breaking this covenant will be liable for damages.
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VILLAGE OF HOFFMAN ESTATES

AN ORDINANCE AUTHORIZING TO GO OUT TO BID IN FOUR BATCHES OF VILLAGE ACCOUNTS FOR AN ELECTRICITY CONTRACT STARTING DECEMBER 2023, SELECT A SUPPLIER BASED ON THE RECOMMENDATION OF SATORI ENERGY, AND ADOPT AN ORDINANCE ESTABLISHING AN ELECTRICITY PURCHASING PROCESS ALLOWING THE VILLAGE MANAGER TO ENTER INTO RESULTING CONTRACTS WITH A THIRD PARTY SUPPLIER FOR THE VILLAGE PUMPING, STREET LIGHTING AND NOW ARENA ELECTRICITY ACCOUNTS

WHEREAS, in 2007 the Village joined in a collaborative electricity purchasing process with the Metropolitan Mayors Caucus and electricity consultant, Satori Energy in response to the elimination of subsidized fixed-rate electricity service for non-franchise municipal accounts; and

WHEREAS, utilizing the electricity purchasing process provided through the Collaborative has resulted in significant electricity savings over the unsubsidized ComEd rate for the Village; and

WHEREAS, the current Village electricity accounts for pumping, street lighting, and the NOW Arena are under contract with Constellation Energy and set to expire in December 2023; and

WHEREAS, the Village anticipates an increase in electricity prices due to market conditions, and believes it to be in the best interest of the Village to continue utilizing the services of the Collaborative's consultant, Satori Energy, for their expertise and guidance in navigating the electricity market; and

WHEREAS, Satori Energy has advised the Village that bidding and executing electricity purchase agreements for the Village accounts in batches and at different times will help the Village recognize the greatest electricity cost savings; and

WHEREAS, volatility in the electricity purchasing market requires the ability to bid and lock-in prices within a short amount of time.

NOW, THEREFORE, BE IT ORDAINED by the President and Board of Trustees of the Village of Hoffman Estates, Cook and Kane Counties, Illinois, as follows:

Section 1: The Village Manager shall have the authority to engage in the electricity purchase bidding process for the Village electricity accounts with contracts expiring in December 2023, and that upon the advice of the Village's electricity purchasing consultant, the Village Manager may bid the Village accounts in batches and at different times.

Section 2: The Village Manager shall have the authority to execute electricity purchase contracts for the Village electricity accounts with contracts expiring in December 2023, provided that the contract rates do not exceed \$0.075/kWh for the pumping and NOW Arena accounts and \$0.055/kWh for the street lighting account.

Section 3: This electricity purchasing policy shall remain in effect for fiscal years 2023 and 2024 and may be amended, terminated, or extended by Ordinance.

Section 4: The Village Clerk is hereby authorized to publish this Ordinance in pamphlet form.

Section 5: This Ordinance shall be in full force and effect immediately from and after its passage and approval.

PASSED THIS _____ day of _____, 2023

VOTE	AYE	NAY	ABSENT	ABSTAIN
Trustee Karen V. Mills	_____	_____	_____	_____
Trustee Anna Newell	_____	_____	_____	_____
Trustee Gary J. Pilafas	_____	_____	_____	_____
Trustee Gary G. Stanton	_____	_____	_____	_____
Trustee Michael Gaeta	_____	_____	_____	_____
Trustee Karen Arnet	_____	_____	_____	_____
Mayor William D. McLeod	_____	_____	_____	_____

APPROVED THIS _____ DAY OF _____, 2023

Village President

ATTEST:

Village Clerk

Published in pamphlet form this _____ day of _____, 2023.