**Illinois State**

**University**

Board of

**Trustees**

**Report No. 2014.10/31**

**Authorization to Contract for Electrical Supply Service**

**Resolution**

Whereas, Illinois State University is eligible, under the Electric Service Customer Choice and Rate Relief Act of 1997, to choose an electricity alternative retail supplier, and

Whereas, Illinois State University desires to select an electricity alternative retail supplier before January 1, 2015, and

Whereas, Illinois State University formed an aggregate with four other Illinois public universities to issue a comprehensive Request for Proposal (RFP) for electrical service for a combined demand of approximately 60 megawatts of electricity, and

Whereas, proposals were received from seven electricity suppliers, which were evaluated in accordance with State of Illinois purchasing guidelines, and

Whereas, one vendor, MidAmerican Energy Company of Davenport, Iowa, submitted a proposal that most closely met the requirements and objectives of the RFP, with continued negotiations required to establish agreeable contract terms and rate structures:

Therefore, be it resolved that the Board of Trustees authorizes the University’s administration to conclude negotiations with selected vendor, MidAmerican Energy Company, to achieve a multi-year contract for third-party electrical supply to Illinois State University.

Board Action on: Postpone:

Motion by: Amend:

Second by: Disapprove:

Vote: Yeas: Nays: Approve:

ATTEST: Board Action, October 24, 2014

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Secretary/Chairperson

**Board of Trustees**

**Illinois State University**

**Authorization to Contract for Electrical Supply Service**

Executive Summary

This item seeks authorization for Illinois State University to enter into a four-year agreement with MidAmerican Energy Company of Davenport, Iowa, for the procurement of electricity. On December 31, 2016, the electric supply contract with our current supplier will expire. Prior to that date, the University must either select an alternative retail electric service supplier and negotiate a contract for electricity or default to Ameren Illinois Basic Generation Service (BGS) as the provider.

The university aggregate consists of five Illinois public universities which include: Illinois State University, Southern Illinois University-Carbondale, Southern Illinois University-Edwardsville, Eastern Illinois University and Western Illinois University. In a continuing effort to leverage volume and achieve the most favorable contract, the university electrical aggregate again prepared and solicited new proposals to supply approximately 60 megawatts of electricity per year. In order to be in position to take advantage of favorable pricing beyond December 31, 2016, which may develop during 2015, it is necessary to contract for a new supplier by January 1, 2015.

Board authorization will allow the University to conclude negotiations and sign a four-year contract for electrical service. In addition to the four-year agreement, the University will have six (6) one (1) year renewal options with this supplier for the procurement of electricity at future negotiated rates.

Overview

The supply of electricity in Illinois was deregulated under the Illinois Electric Service Customer Choice and Rate Relief Law of 1997. The law allows consumers to purchase electricity from competing retail electric suppliers, for delivery through the systems of regulated utility companies. Most electricity purchased in Illinois by non-residential customers is now supplied by retail electric suppliers.

Illinois State University’s Current Supply Contract and Preparations

Under a contract approved by the Board in 2006, the University has purchased electricity through a multi-year contract with MidAmerican Energy since January 1, 2007. During this time period, the campus has been provided reliable energy at competitive prices, well below the basic generation prices of our direct service provider (Ameren Illinois).

Illinois State University currently has over 365 electrical utility accounts which are billed under four separate Direct Service Classifications (DS): 1, 2, 3, 4, and 5. The majority of the campus consumption is billed on one account under DS 4. The estimated eight-year cost for this contract is $50,000,000 but will be based on actual electrical prices and usage.

Solicitation for An Alternative Electrical Service Provider

Illinois State University’s Office of Energy Management led the aggregate team in the procurement process with the goal of awarding a contract to the supplier with the best technical qualifications, and who can provide the best terms and price for all universities.

The multi-university utility team developed priorities and requirements based on past experience and future needs desired in an electrical contract. Among these are:

1. Obtain discounts over the future Ameren Illinois Basic Generation Service rates.
2. Minimize risk of market fluctuations.
3. Obtain a defined billing structure for future electrical energy usage to:
4. Allow each university to maximize savings by utilizing existing resources and operating methodologies to further reduce utility costs.
5. Provide incentives to the universities to control energy consumption where high future market costs are likely to occur.
6. Provide a structure to help ensure campus utility projects continue to place the universities in the most advantageous position.
7. Identify value-added services which will benefit the universities in their future decision making processes.
8. Obtain and develop a utility partner to collaborate with the five universities to ensure efficient operations and a mutually beneficial relationship.

The team worked closely with the Illinois State University Purchasing Office, State Purchasing officials, legal and technical consultants in drafting the RFP and in reviewing the responses from qualified responders.

Vendor Recommendation

In accordance with State purchasing guidelines, the university aggregate team unanimously approved MidAmerican Energy Company as the vendor best fulfilling the requirements identified in the RFP.

Upon approval of this selection by each university’s Board of Trustees, negotiations will proceed to develop a contract that addresses pricing structure, risk management, account management process, contract term and potential savings opportunities for each university.

Electrical supply under this contract will begin January 1, 2017. The contract for Illinois State University will include the main campus and any of the smaller campus accounts that would benefit from the approved proposal. Unit prices for the supply of electricity in 2017 will be established after contract award, and will be based on retail electric market conditions and prices at that time.