

RETURN TO:

**CITY CLERK OF TROY
116 E. MARKET STREET
TROY, IL 62294**

**CITY OF TROY
RESOLUTION 2024-08**

**A RESOLUTION AUTHORIZING EXECUTION OF A SERVICE AGREEMENT
WITH HOMEFIELD ENERGY (VISTRA) AS RECOMMENDED BY THE CITY'S
CONSULTANT GOOD ENERGY LP FOR THE SUPPLY OF ELECTRICITY FOR
RESIDENTIAL AND SMALL COMMERCIAL RETAIL CUSTOMERS WHO DO
NOT OPT OUT OF SUCH A PROGRAM**

**ADOPTED BY THE CITY COUNCIL OF THE
CITY OF TROY, ILLINOIS
THIS 18TH DAY OF MARCH 2024**

RESOLUTION NO. 2024 - 08

A RESOLUTION AUTHORIZING EXECUTION OF A SERVICE AGREEMENT WITH HOMEFIELD ENERGY (VISTRA) AS RECOMMENDED BY THE CITY'S CONSULTANT GOOD ENERGY LP FOR THE SUPPLY OF ELECTRICITY FOR RESIDENTIAL AND SMALL COMMERCIAL RETAIL CUSTOMERS WHO DO NOT OPT OUT OF SUCH A PROGRAM

(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 of Troy in a referendum held in November 2012, submitted the public question of whether it should operate the program as an opt-out program; and

WHEREAS, the referendum passed by a majority vote of the qualified electors voting on the question; and

WHEREAS, the Troy City Council finds that the best interests of the City are served by entering into an agreement with Homefield Energy pursuant to 20 ILCS 3855/1-92, to aggregate the residential and small commercial retail electric loads located within the City and to arrange for competitive electric supply to these retail electrical accounts; and

WHEREAS, because electricity is a commodity for which supply bids typically are made each morning and may expire at any time during the same day, the city must act promptly to accept any such desired bid in order to contractually guarantee a per kilowatt hour electric rate for its residential and small commercial customers; and

NOW, THEREFORE, BE IT RESOLVED BY THE CITY OF TROY, MADISON COUNTY, ILLINOIS, AS FOLLOWS:

Section 1. The Mayor of the City of Troy, City Administrator, or their designee, be and the same is hereby authorized to execute and deliver and the City Clerk of the City of Troy, Illinois, be and the same is hereby authorized to attest to said execution of a service agreement/supply agreement with Homefield Energy, for the supply of electricity for residential and small commercial retail customers who do not opt out of such a program, said execution and attestation to take place within the applicable time constraints required by the bidder upon recommendation of the City's aggregation consultant Good Energy LP.

Section 2. This Resolution shall be effective immediately and shall remain in effect until such time as the agreement for electricity aggregation program electric supplier selection process has been completed and each time thereafter.

PASSED by the City Council of the City of Troy, Madison County, Illinois, approved by the Mayor, and deposited in the office of the City Clerk this 18th day of March, 2024.

Aldermen:

Dan Dawson	<u>AYE</u>	Sam Italiano	<u>AYE</u>	Ayes:	<u>7</u>
Tim Flint	<u>AYE</u>	Debbie Knoll	<u>AYE</u>	Nays:	<u>0</u>
Elizabeth Hellrung	<u>AYE</u>	Tony Manley	<u>ABSENT</u>	Absent:	<u>1</u>
Nathan Henderson	<u>AYE</u>	Troy Turner	<u>AYE</u>	Abstain:	<u>0</u>



APPROVED

By: *David Nonn*
DAVID NONN, Mayor
City of Troy, Illinois

ATTEST:

By: *Kimberly Thomas*
KIMBERLY THOMAS, Clerk
City of Troy, Illinois

This entire group is comprised of 28 communities. For the most part, we have visited over two-thirds of the communities in the group which comprise over 90% of the households or nearly 100,000 accounts. Of the communities in the group no one has left the group. The remaining communities not yet met with will be met with in the next week. We have the remainder of the communities listed below for reference.

Current Communities Visited

Belleville
Edwardsville
Alton
Granite City
Godfrey
Jacksonville
Bethalto
New Baden
Maryville
Roxana
Shiloh
Columbia
Glen Carbon
East Alton
Pontoon Beach
South Roxana
O'Fallon

Communities Visits Scheduled

Wood River
Pittsfield
Trenton
Jerseyville
Madison
Hartford
Hamel
Albers
Venice
Centralia

As far as the urgency of the group to move forward, the following factors are the major contributors as demonstrated by the graphs we previously shared.

- Ameren's recent and previous purchases of supply at much higher rates will reflect on the future rates to customers. See Exhibit A & B
- Continued closure of coal generation plants will put more emphasis on natural gas generation which will highly impact the cost of natural gas and electric supply generation costs. See attached exhibit. See Exhibits C&D
- Natural gas which is beginning to surpass coal generated power plants is at a 10-year low and all indicators are the rates are about to escalate dramatically.
- The export of natural gas was frozen after it hit all-time highs in 2022. Under pressure from natural gas producers the Biden administration is taking increased pressure to lift these exporting restrictions and it appears he is poised to do so. If a Trump administration should follow, it is even more likely the restrictions will be lifted. Export rates generate producers over 3 times the rate of domestic users. Natural gas exports drove rates up during the beginning of the Russia/Ukraine conflict nearly 300%.
- Chesapeake Energy recently announced it was cutting natural gas production by 20-30% based on the inability to make a profit at reduced rates. Since that announcement the natural gas market has started to push upward. Which is a clear indication it is time to purchase and hedge forward rather than wait.
- The last program purchase was made as a protective purchase for our clients and their residents. The previous projections indicated rates would continue upward well over the programs rates. However, due to capacity and an abundance of unanticipated power the rates plummeted. With that being said, we need to go back to being a prospective buyer and buy at the time it makes the most sense. Which is exactly what we are trying to do. Like the City, we never want to be in the protective marketplace again.
- There is also the potential MISO could extend the capacity auction from April until June or July just like PJM has done. That alone could produce havoc in the marketplace and cause the rates to increase sooner than later. It could also limit Ameren from posting new rates and the delay would put our group back into the protective buyer situation.
- Lastly, keep in mind, although the program may have not been what was anticipated, it did allow for the residents to protect themselves. It also allowed them the ability to opt-out if they choose to do so. Many residents are more comfortable with the aggregation program than the Utility option. Plus, it gives the residents a

clear choice. It is evident by the continued support of the overall program's participation rate of 80%. Many remember the \$0.0429 rate they experienced when the Utility rate was nearly \$0.1300. Also keep in mind regardless of the recent contract, the residents of the City have still accumulatively saved tens of thousands of dollars over the Utility rates. That is money which can be spent back into the community.

As far as the question concerning capacity, we feel it's important to simply make capacity a pass-through component versus a fixed component of the rate. We have always been under or very competitive with the actual power supply component of the rate in past contracts. However, the Capacity portion plays havoc based on its volatility nearly every year. Even MISO, who conducts the annual Capacity auction, has questioned what the future rates of Capacity will be. When capacity goes from \$0.003 one year to \$0.0260 the next year and then falls back again to lower than the previous year, it's time to change the way we deal with Capacity. Our clients have indicated they prefer to stay much more aligned with the Utility rate rather than the large differences seen over the past two contract periods. We feel Homefield will consistently be competitive with the Utility power supply rate. Therefore, by passing through the Capacity rate at the same time as Utility passes it through, it eliminates the large discrepancy in rates. Except for Capacity, our program rate will remain fixed over the 18-month projected term. Keep in mind, Ameren just increased their rate in January 2024 with an unannounced rate increase of nearly \$0.007. This was unpublished and was simply put into the transmission portion of the supply rate. The transmission rates on the supply side have consistently gone up over the past 8 years. Each increase is passed on to the residents in January of each year. The Utility rate is simply no longer a fixed rate and changes much more frequently than in the past.

In closing, Homefield is committed to this metro east group and their history has spoken for itself. They happily and urgently provided a reduced rate several years ago when the Utility rate dropped below the program rate. Through their leadership team, Homefield has explicitly told Good Energy they will work in a steadfast manner to reduce any issue which may surface with the aggregation program. Their customer service has always been impeccable and adds value to the program itself. We have no reason to expect any less of Homefield in the future. Homefield's opt-out letter process is much clearer and more resident friendly than the current program supplier.