

Always There. Always On.

Hinsdale Electric: Reliable, Dependable & Affordable

**Village of Hinsdale
Town Hall Meeting
February 2, 2008**

What Will the Referendum Say?

Shall the Ordinance authorizing the Village of Hinsdale to acquire or construct plant, equipment or property in connection with the establishment of a public electric utility, describing the plant, equipment or property to be acquired or constructed, and providing the issuance of mortgage certificates to accomplish said purposes, be adopted?

So What Does That Mean?

- ➔ If the referendum passes, the Village of Hinsdale will have the authority to negotiate with ComEd over the purchase of the existing system.
- ➔ The Village will then be able to determine if it is more feasible to purchase the current system or build a new one.
- ➔ Passing this referendum does not mean that Hinsdale will begin running its own electric utility yet.

Didn't the Village pass this referendum last April?

➔ In order to own and operate a public electric utility, the Village of Hinsdale has publicly committed to a three-step process requiring passage of three distinct referendum questions:

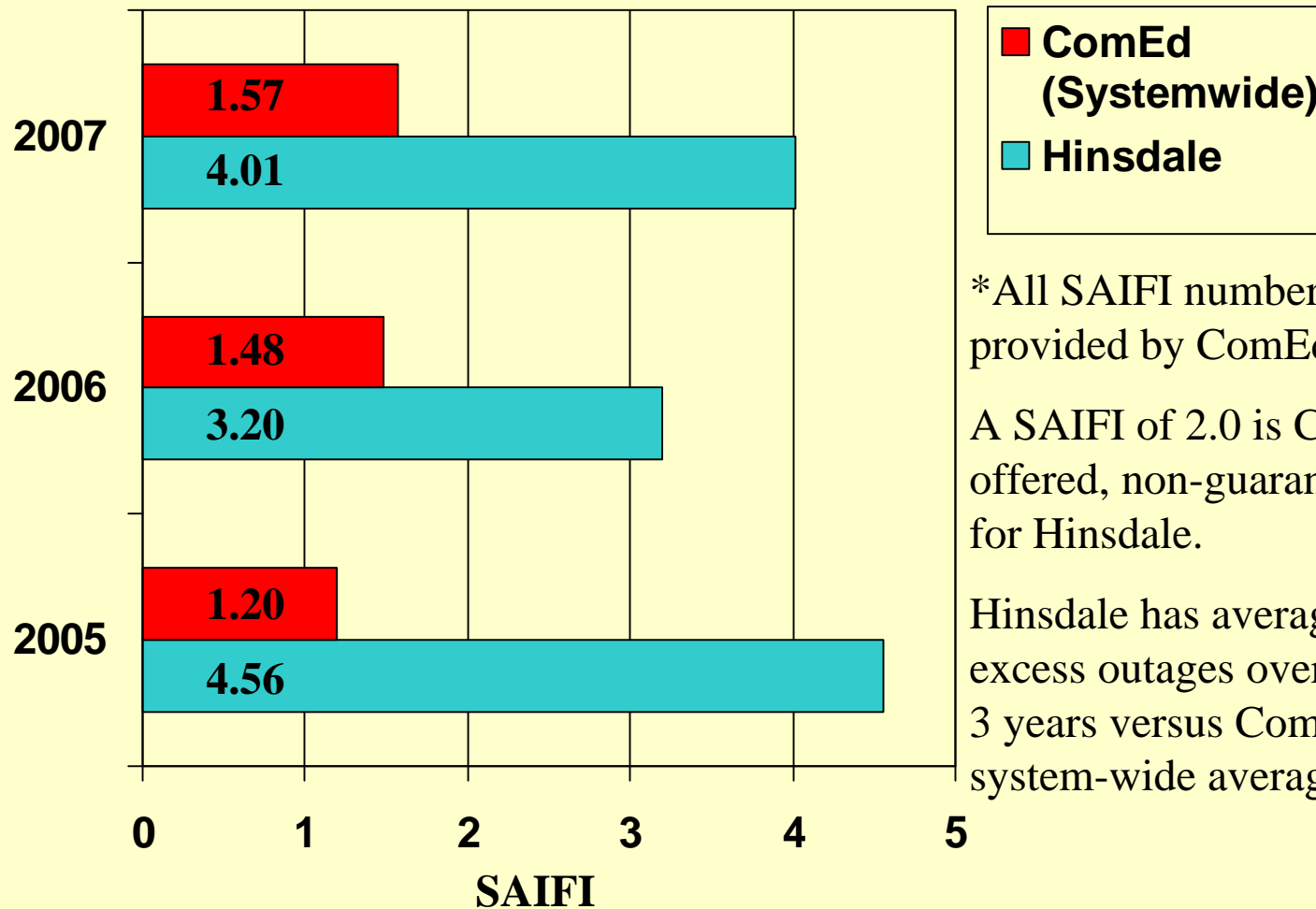
➔ Step 1: Granting the Village authority to establish its own utility and to sell electricity at retail rates. This passed last April with 74% of the vote.

➔ Step 2: Granting the authority to acquire or construct the equipment necessary to operate an electric utility. *This will be on the February 5th ballot.*

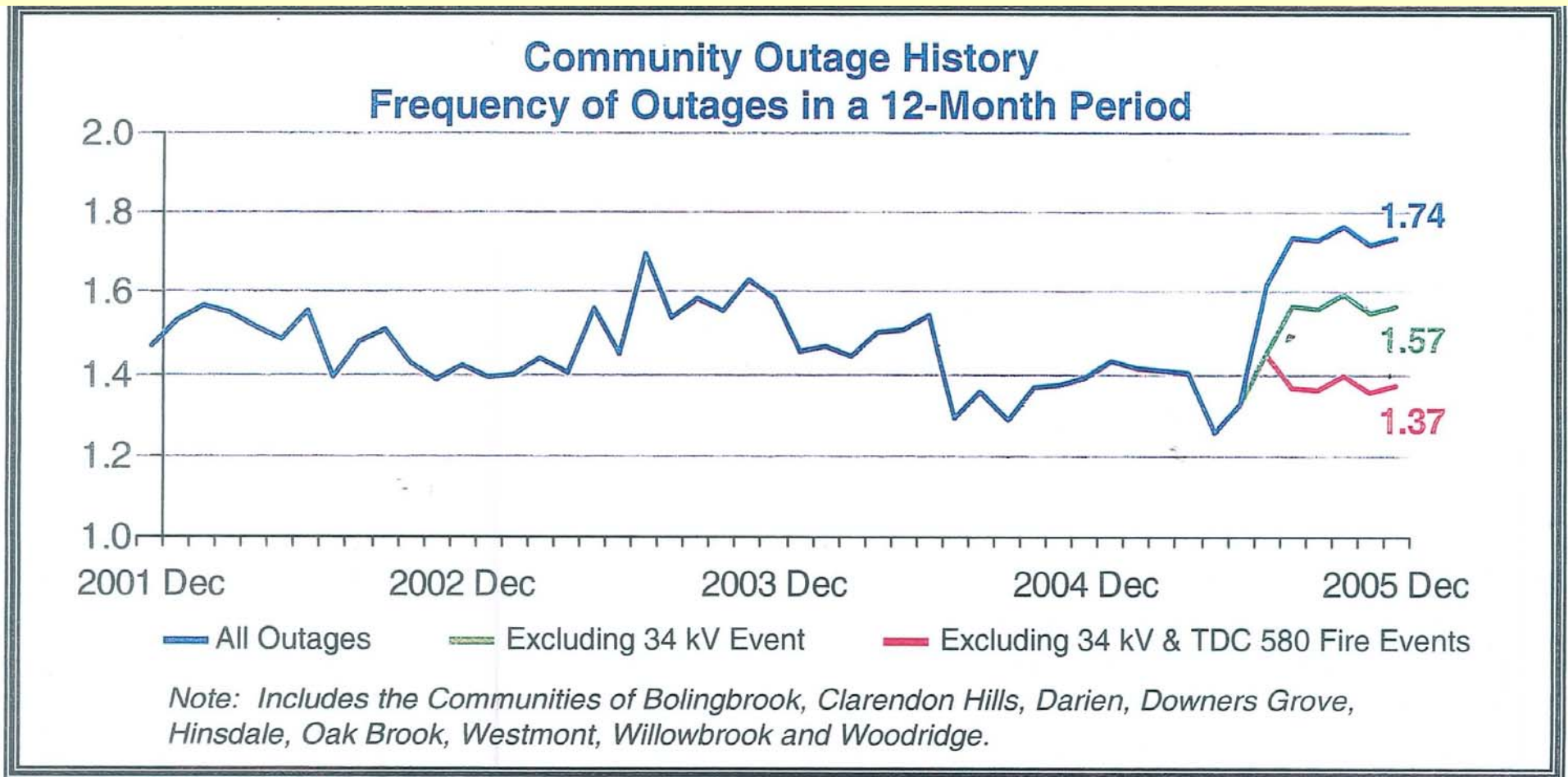
➔ Step 3: Granting the Village authority to issue revenue bonds necessary to finance the acquisition of the existing system, or to construct a new one. This would appear on a ballot no sooner than November 2008.

Are There Any Statistics That Show Electric Reliability in Hinsdale?

SAIFI: System-wide Average Interruption Frequency Index.
Average number of outages, per customer, per year.



How does Hinsdale's reliability compare to surrounding communities?



*Numbers provided by ComEd.

What about duration of outages?

CAIDI: Customer Average Interruption Duration Index.
Average customer-hours of interruption per customer interruption.

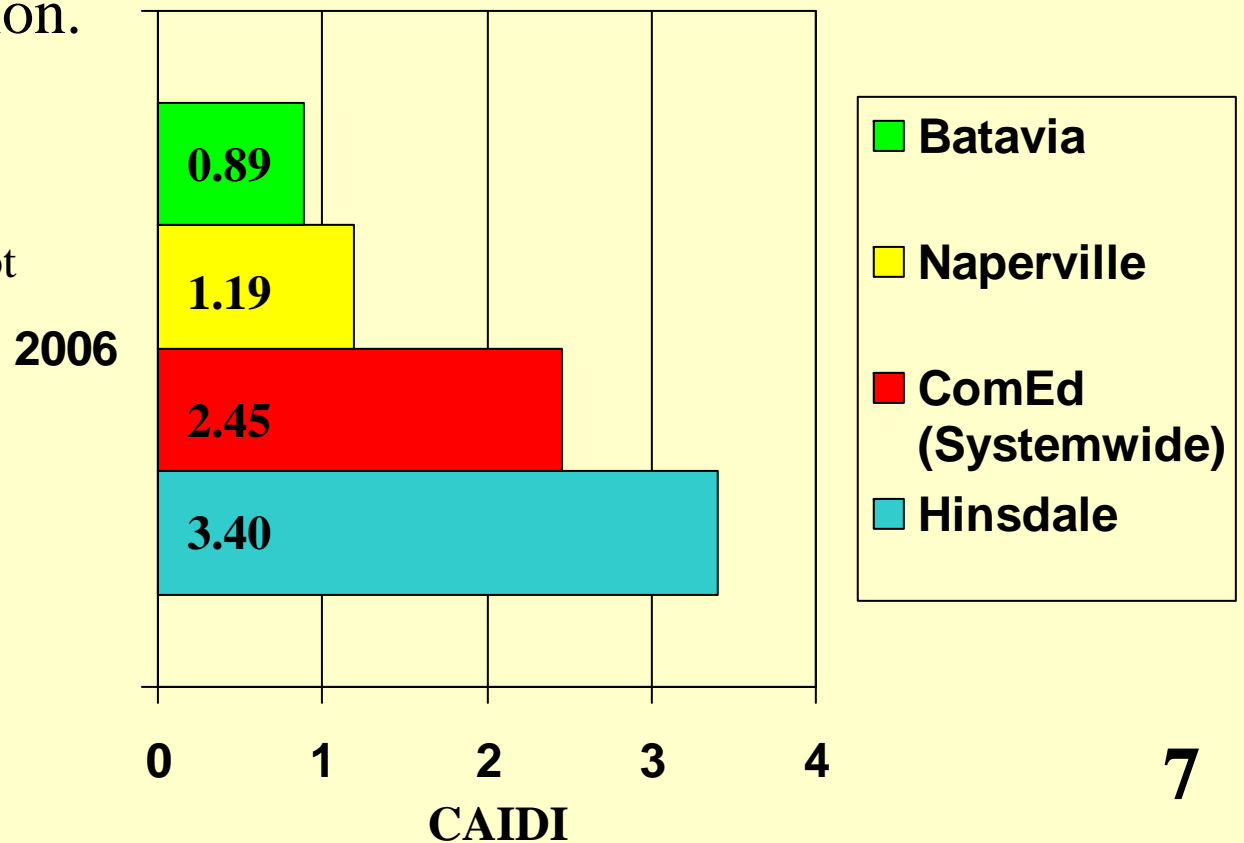
➔ Approximates average length of time required to complete service restoration.

*Hinsdale & ComEd CAIDI numbers provided by ComEd.

2007 CAIDI numbers were not available at this time.

Hinsdale's 2006 average outage length was 139% longer than ComEd's, 286% longer than Naperville's, and 382% longer than Batavia's.

Naperville and Batavia have municipal electric utilities.



What is ComEd currently saying about reliability?

“...our focus on reducing the number of outages and their duration is yielding remarkable results in Hinsdale.” –Fidel Marquez, Vice President, External Affairs and Large Customers Services, ComEd, from *The Doings*, 1/31/08

“Remarkable: Worthy of being or likely to be noticed especially as being uncommon or extraordinary.”
–Merriam-Webster’s Dictionary

Why is there such a discrepancy between the service received by Hinsdale vs. Other Communities?

➔ Hinsdale's excessive outages are caused by:

➔ Antiquated overhead distribution lines

➔ Insufficient transmission capacity

➔ Aged substations

➔ ComEd has been investing more money to build out the grid for additional customers in newer communities so that they can make more money from the additional customers.

If it's such a good idea, wouldn't other towns, including our neighbors, consider municipal ownership?

➡ Over 40 municipalities in Illinois, including Naperville, Batavia, Winnetka, Geneva, and St. Charles currently have municipal ownership.

➡ Several other area cities and towns are looking closely at the 3-step process in Hinsdale and have indicated that they may be interested in exploring options for municipal ownership.

I'm generally pleased with my electrical service. Why would municipal control be effective and even advantageous?

- ➔ The distribution infrastructure would be upgraded and modernized for the entire Village, not just the areas that are currently hardest hit by outages.
- ➔ There will be re-investment into the community from the revenues brought in by the utility. Revenue paid by Hinsdale residents will be invested in Hinsdale.
- ➔ In the event of a major storm or catastrophe, the Village would have mutual aid agreements, like it does now, for other emergencies.
- ➔ Response time for outages would be much faster since the department would be located within Hinsdale or the Village would contract with outside experts with priority standing as a stipulation.

How quickly do local municipal electric utilities respond to outages?

<u>Municipality</u>	<u>Typical Response Time</u>	<u>Typical Repair Time</u>
GENEVA	30 Minutes to Arrive	1-2 Hours After Outage is Reported
NAPERVILLE	30 Minutes to Arrive	No More Than 2 Hours After Outage is Reported
ST. CHARLES	5-10 Minutes During Regular Hours, 20-30 Minutes During Off-Hours	20-60 Minutes After Outage is Reported

How can the Village ensure that there will actually be power to purchase? How will the Village ensure that the price it pays for power will be affordable?

- ➔ Currently, Adventist Hinsdale Hospital and Hinsdale's local school districts purchase electricity on the open market.
- ➔ Some municipalities in Illinois work together to purchase electricity through cooperatives such as the Illinois Municipal Electric Agency (IMEA).
- ➔ Three municipalities in the Chicago area currently purchase from the IMEA: St. Charles, Naperville, and Winnetka.

Why doesn't the Village negotiate with ComEd?

- ➔ The Village has been in talks with ComEd for over 2 years now. Unfortunately, Hinsdale's electric reliability is still substantially below ComEd's systemwide average.
- ➔ ComEd refuses to update our antiquated electrical system by burying overhead lines underground and increasing transmission capacity, unless Hinsdale residents foot the bill.
- ➔ Hinsdale will continue to negotiate with ComEd throughout the 3-step process.

Will my taxes be raised to pay for the Hinsdale Electric Utility?

- ➔ Residents would not pay additional taxes to establish the municipal electric utility.
- ➔ Bonds would be issued to pay for the entire system, which would be repaid with revenue generated by the utility. In other words, a Hinsdale electric utility would be self-funding.
- ➔ The Village intends to hold the line on rates, should a municipal electric utility be established.
- ➔ Down the line, additional revenue may be available for customer rate reduction or for return to the overall Village budget to help pay for things like street maintenance. Through its municipal electric utility, the Village of Winnetka reportedly has significant “profits” to its general fund to do just that.

ComEd has decades of experience in operating an electric utility. How can we be expected to do so?

- ➔ Over 40 municipalities in Illinois alone, and hundreds across the country, own and operate their own electric utilities.
- ➔ Local control enables the Village to effectively run a utility (Water & Sewer).
- ➔ Hinsdale had its own electric utility and sold it in the 1950s due to under-capacity of its power plant. Today, however, we would not be generating our own power. It would be purchased from a 3rd party cooperative, such as the Illinois Municipal Electric Agency.

...But the Village can't even repair the roads, how could it run an electric utility?

- ➔ Repairing existing infrastructure, such as roads, is a function of the Village's budget constraints.
- ➔ Hinsdale places a premium on education, and more than 81% of a typical resident's property tax bill funds the three school districts (District 86, District 181, and Community College District 502).
- ➔ A Hinsdale electric utility would be self-funding. The utility would be entirely funded initially from bonds, then continuously from the revenue it generates.
- ➔ All revenue generated by a municipal electric utility would be reinvested in the Village versus the very limited reinvestment by ComEd currently.

The Village intends to convert the distribution system from overhead lines to underground cabling. Does an underground system come with its own problems?

➔ An underground system is significantly more reliable than an overhead system. It is not subject to falling tree limbs and weather-related damage.

➔ Underground cabling has a life expectancy, as all mechanical things do. However, with guaranteed reinvestment, underground cable would be replaced on a planned schedule.

Won't Underground Burial Rip Up Our Streets and Destroy Our Trees?

- ➔ Directional boring/horizontal directional drilling/augering is a burial technique designed to protect trees and other infrastructure.



- ➔ Utility burial could be coordinated with planned road reconstruction projects.

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Electric Municipalization Village of Hinsdale, Illinois

Latham & Associates, Inc.

Louie R. Ervin, Executive Vice President



Latham and Associates, Inc.

- Independent utility engineering and economics consulting
- No affiliation with utilities
- Principals have upper management experience with investor-owned and municipal utilities
- Conducted approximately 30 municipalization feasibility studies over the past 3 to 4 years





Electric Municipalization Driving Forces

- Improved service reliability
- Lower rates
- Local control of:
 - Rates
 - Reliability standards
 - Service policies
 - Re-investment decisions
- Better aesthetics





Electric Utility Industry

- Ownership: investor (ComEd), municipal (Naperville), rural electric cooperative
- Investor-owned: focus on profits, rates include income taxes, rates regulated by the ICC in Springfield
- Municipal-owned: non-profit, income tax exempt, rates regulated locally
- ComEd no longer owns generation and its transmission is operated by PJM





What Electric Municipalization Is

- Village acquires local distribution facilities (substations, distribution lines, transformers, services and meters –not transmission lines)
- Purchases power at wholesale, same as ComEd
- Pays for transmission to local substations
- Operates and maintains the local system (line personnel, meter reading, billing, collections, administrative and general)
- Sets rates locally
- Re-invests in the system






Current Hinsdale System

- High Rates
- Predominately old, relatively unreliable overhead lines
- Old transmission lines and inadequate in-village capacity of substations
- Heavily dependent on substations and lines in neighboring communities
- Old 34.5 kV sub-transmission typically requires drive time to do switching





Approximate System Vintage

Over 70% of lines over 30 years old

Est. Vintage Decade	% Total	% Cummulative
1950s	15%	15%
1960s	44%	59%
1970s	12%	71%
1980s	13%	83%
1990s	9%	92%
2000s	8%	100%
	100%	



Village Plan to Improve Service Reliability

- Shorten local outage response time
- Phase out majority of old overhead lines and replace with new underground circuits
- Increase circuit capacities and redundancy
- Evaluate new, automated technology for transmission lines and substations





Estimated Municipal Utility Savings

- Preliminary Study Base Case - Operate existing system:
NPV savings = \$85 M to \$117 M, 25-yrs
- Replace most overhead lines with underground:
NPV savings over \$60 M, 25-yrs
- Largest savings of 30 studies





Included in Estimated Savings

- Municipal utility rates will recover *all* expenses (buyout, re-investment, financing, purchased power, transmission, operations, maintenance, administrative and general)
- Est. NPV of savings = ComEd revenues less municipal revenues over 25 years, discounted to current dollars





Summary

- Expect lower rates
- Expect more reliable service
- Expect benefits of underground lines/upgraded service
- Expect local attention



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