

Always There. Always On.

Hinsdale Electric: Reliable, Dependable & Affordable

Village of Hinsdale
Board of Trustees Meeting
November 29, 2007

How did we get here?

- Unreliable electric service for residents and business owners
- Good faith but largely fruitless discussions with ComEd; no commitment to formal performance targets
- Village commissioned Latham & Associates to review the existing infrastructure and study the feasibility of establishing municipal electric utility; their findings revealed that...
 - More than 70% of the current system is more than 30 years old
 - Using conservative assumptions including a 25% cost variance, projected net savings over 25 years revealed savings of:
 - \$85 million to \$117 million (base scenario)
 - \$51 million to \$81 million (reinvestment scenario)
- ***In the April 2007 election, Hinsdale residents supported the first of three required referendum questions with 74% of the vote***

Hinsdale's reliability continues to dramatically lag that of other communities served by ComEd

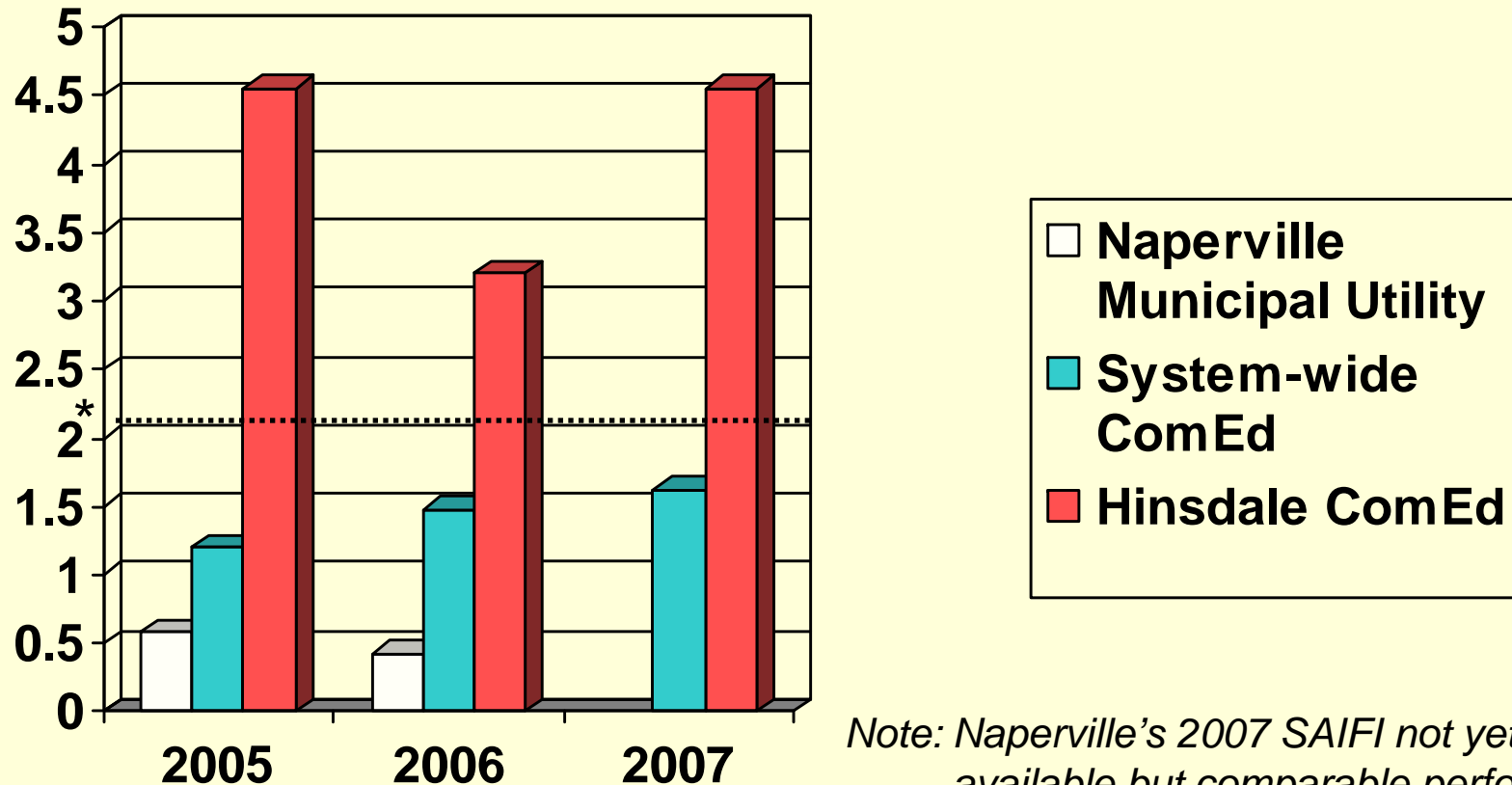
Average Number of Service Interruptions per Customer per Year

	2005	2006	2007*
ComEd System-Wide	1.20	1.48	1.63
Village of Hinsdale	4.56	3.20	4.55
Excess Outages	380%	216%	280%

*Through August 31st

Averaging 292% more outages per customer per year since 2005, promised action steps to remedy service issues have not produced results

System-wide Average Interruptions Frequency Index (SAIFI)



Note: Naperville's 2007 SAIFI not yet available but comparable performance level cited by their operations

* ComEd expressed a target SAIFI of '2' for Hinsdale but would **not** guarantee such a service level and noted that the figure excluded severe storms or other major events

Over the last few years, the Village has been committed to maintaining an ongoing dialogue with ComEd

State political representatives formulated a plan to address the lack of reliability in Hinsdale, and the Village supplemented this effort with its own detailed 18-point plan. To date, ComEd has...

Agreed to:

- A more aggressive tree-trimming schedule
- Additional thermal imaging and inspection of lines
- Redundant transmission line tie to Western Springs

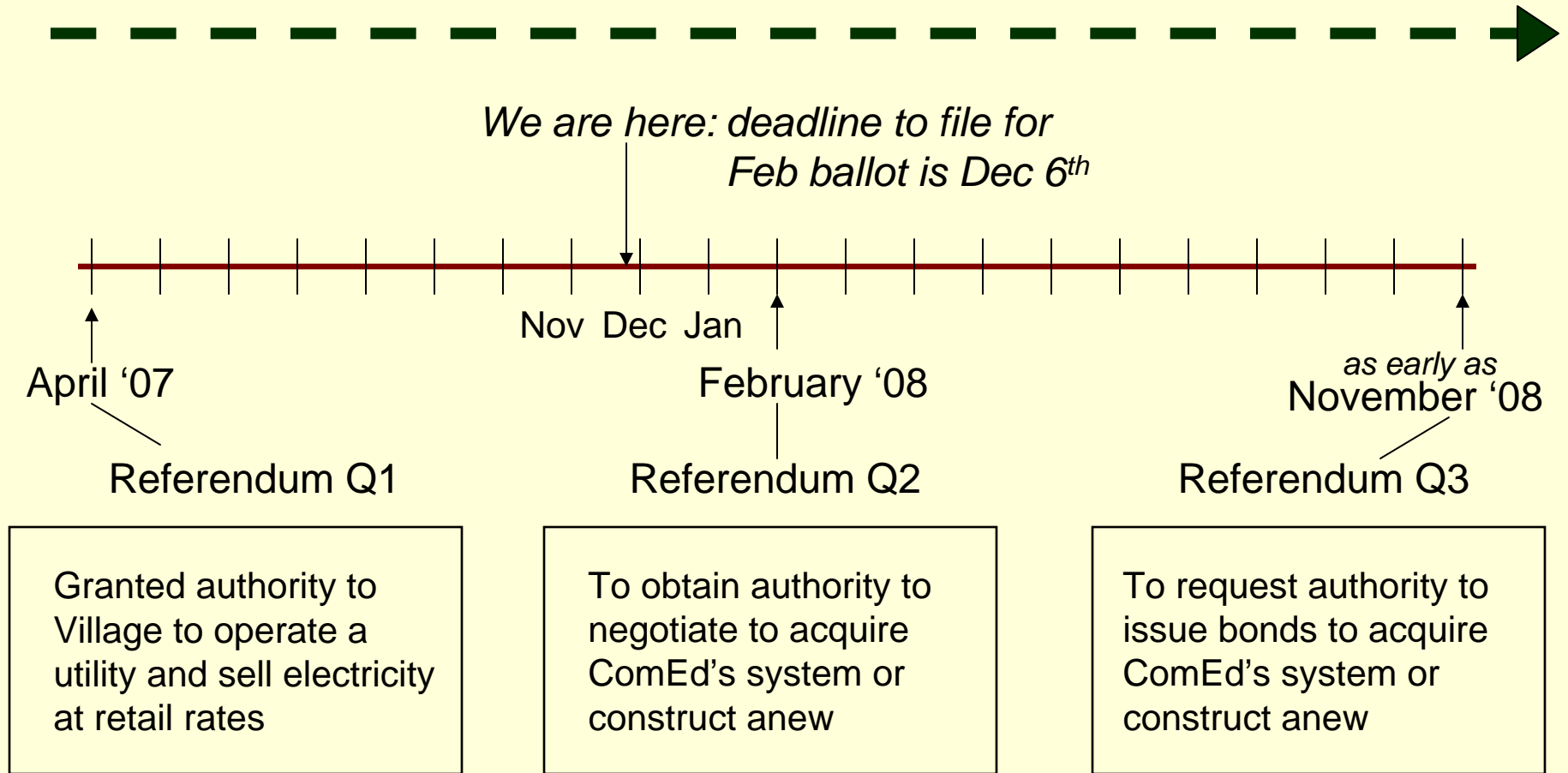
Not agreed to:

- Burial of distribution system unless residents pay for it
- Upgrading to modern 138kV transmission level
- Quantifiable reliability targets

Negotiation with ComEd would continue even with the passing of a second successful referendum question

Timeline

Ongoing Negotiation and Dialogue with ComEd



Ongoing Communication with Hinsdale Residents

The second referendum question continues the Village's plan to address reliability, rates, and reinvestment

Reliability

- Planned burial of 90% of the distribution system within 10 years
- A networked transmission system with 138kV service and new and upgraded substations
- Dedicated staff (internal or contractual) ensures responsiveness
- Potential mutual aid agreements or cooperative membership to protect against catastrophic events

Rates

- ComEd is implementing significant rate hikes and asking for more
- With its own utility, the Village could hold the line on rates; residents would no longer be subject to arbitrary rate increases with little or no recourse

Reinvestment

- Any "profit" earned from a Village-owned utility would be utilized for improving the electrical system and for other Village purposes

Proposed Question for February 5, 2008 Election Ballot

VILLAGE OF HINSDALE ACQUIRE ELECTRIC POWER TRANSMISSION FACILITIES REFERENDUM

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?	YES	_____
	NO	_____

Second Step of a Three-Step Process

A valuation range has been calculated for the acquisition or construction of electrical infrastructure

Best-case cost to condemn existing system & upgrade transmission → Acquire current system and improve transmission → \$40.0 million

Cost to replace current system → Rebuild “as is” → \$42.8 million
Includes all but burial of lines but would do so in pay-as-you-go fashion

Cost to construct new system → Build to ensure reliability → **\$80.6 million**

Note: Cost figures include 10% contingency for administrative costs

Issues that Require Further Review

Financial

- What amount of bonds is actually needed?
- What is the cost to finance the bonds?
- What is the timing for the receipt of first revenue?
- How would the issuance of bonds affect the Village's financial standing?

To address these questions and others, detailed exploration that requires time and financial investment is needed between February 2008 and the third referendum question

Issues that Require Further Review

Operation & Maintenance

- Would Hinsdale own the equipment?
- Would Hinsdale contract with someone else for the equipment?
- Would Hinsdale staff run the system?
- Would Hinsdale contract with someone else to run the system?

To address these questions and others, detailed exploration that requires time and financial investment is needed between February 2008 and the third referendum question

Issues that Require Further Review

Market Factors

- From where would the Village purchase its power?
- Would the Village be able to join the Illinois Municipal Electric Agency (IMEA)?
- What assurances would the Village have for a guaranteed supply of power?

To address these questions and others, detailed exploration that requires time and financial investment is needed between February 2008 and the third referendum question

Issues that Require Further Review

Timing

- What would the length of the negotiation process be?
- What would the length of the acquisition process be?

To address these questions and others, detailed exploration that requires time and financial investment is needed between February 2008 and the third referendum question

Issues that Require Further Review

Engineering

- Where would overhead distribution lines be buried?
- Would other utilities be buried alongside?
- Would burial be coordinated with street reconstruction?

To address these questions and others, detailed exploration that requires time and financial investment is needed between February 2008 and the third referendum question

Issues that Require Further Review

Intergovernmental / Cooperation

- Will other municipalities join the Village's effort?
- Would the Village be able to join a cooperative such as the IMEA?
- Would the Village be able to secure mutual aid agreements?

To address these questions and others, detailed exploration that requires time and financial investment is needed between February 2008 and the third referendum question

Concluding Remarks / Next Steps

Placing the second referendum question on the February 5, 2008 ballot and receiving a favorable vote from residents...

- Provides the Village and Task Force the opportunity to further develop a plan for implementing a more reliable system and investigate any open issues
- Enhances Village's position as it continues its dialogue and negotiation with ComEd to improve reliability
- Does not mean that a utility is established or that any bonds will be issued; the Village would still have to go to the citizens before such action could occur

Establishing a Municipal Electric Utility is truly a long-term proposition and an investment in our community's future

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