



CITY COUNCIL AGENDA ITEM STAFF REPORT

MEETING DATE:	MAY 12, 2026
TITLE:	ORDINANCE AUTHORIZING THE CITY MANAGER TO ENTER INTO AGREEMENTS WITH PRIORITY POWER RELATED TO THE PROCUREMENT OF ELECTRICITY SUPPLY
DEPARTMENT:	ADMINISTRATION
PROJECT MANAGER:	DEREK JACKSON, AICP, CITY MANAGER
REQUESTED ACTION:	APPROVAL
STRATEGIC PLAN GOAL(S):	GOAL #7: "SUPPORT EXCELLENT MUNICIPAL SERVICES"
ATTACHMENTS:	ORDINANCE, ELECTRIC SUPPLY BIDS AS OF MAY 7, 2026, ELECTRIC SAVINGS HISTORY ANALYSIS

Overview

The subject ordinance allows the City Manager to enter into agreements for electric supply with competitive suppliers for city-owned and operated facilities located within Ameren Illinois territory.

Executive Summary

This ordinance authorizes the City Manager to enter into an agreement for electric supply for city facilities located within Ameren Illinois territory utilizing a fixed all-inclusive kilowatt hour (kWh) rate. Competitive suppliers periodically provide fixed-rate options that can provide budget stability and potentially reduce electricity supply costs compared to Ameren Illinois' market-based pricing.

The city has previously entered into fixed-rate electricity agreements beginning in 2018. Priority Power, formerly Affordable Gas and Electric (AGE), continues to serve as the city's procurement consultant to solicit competitive bids from qualified electric suppliers for varying contract terms.

Based on the proposals received in May 2026, staff is recommending a twenty-four (24) month agreement with Direct Energy at a fixed rate of \$0.08381/kWh. The proposal is projected to save approximately \$100,040 annually compared to Ameren Illinois' current price-to-compare rate of \$0.11398/kWh.

The proposed two-year term is intended to balance budget certainty while limiting the city's long-term exposure to future market fluctuations and evolving facility energy consumption trends related to the city's ongoing solar initiatives.

Background

The city originally partnered with AGE in 2018 as part of a collaboration between the Collinsville Chamber of Commerce and the local business community. Since that time, the city has periodically utilized fixed-rate electricity agreements to provide budget certainty and reduce exposure to volatile utility market pricing.

Historically, the city experienced significant savings under the 2018-2020 and 2020-2022 agreements.

Term	Contract Rate	Average Ameren Rate	Savings vs Ameren IL
2018-2020	\$0.04798	\$0.55817	\$22,399.30
2020-2022	\$0.04371	\$0.05421	\$92,261.93
2022-2026	\$0.09930	\$0.10854	\$238,702.17

The 2022-2026 agreement provided significant savings during periods of elevated market volatility in 2022 and early 2023 when Ameren Illinois market rates exceeded the city's fixed contract rate. However, during portions of 2023 through 2025, Ameren Illinois market pricing periodically fell below the city's contracted rate, resulting in mixed overall financial performance while still providing long-term budget certainty and protection from major market spikes. See the Electrical Savings History Analysis attachment for additional information.

Performance History

Staff reviewed the historical performance analysis of the city's electricity supply agreements from 2018 through 2026. The analysis demonstrates that the city's fixed-rate agreements performed exceptionally well during periods of elevated energy market volatility, particularly during 2022 and early 2023 when Ameren Illinois market rates significantly exceeded the city's contracted rate.

However, the analysis also reflects that during portions of 2023 through 2025, Ameren Illinois market pricing periodically dropped below the city's fixed contract rate, resulting in periods where the city may have paid slightly more under the fixed-rate agreement than under market pricing.

Overall, the agreements successfully achieved the city's primary objective of providing budget stability and protecting the city from substantial market spikes during periods of uncertainty. The agreements also reduced exposure to short-term volatility that could have significantly impacted operating budgets for large utility-consuming facilities such as the Water Treatment Plant and Wastewater Treatment Plant.

Staff believes the proposed 2026 agreement reflects a more favorable market position than the 2022 procurement cycle, with the recommended Direct Energy rate being materially lower than the city's current contract rate and below current Ameren Illinois pricing projections.

Scope of City Facilities

The city currently maintains approximately ninety-three (93) Ameren Illinois accounts included within the proposed agreement. This includes facilities such as:

- Wastewater Treatment Plant
- Water Treatment Plant
- City Hall
- Police Department
- Fire Station 1 & 2
- Street Department facilities
- Parks facilities
- Traffic signals
- Public right-of-way lighting and infrastructure

This agreement does not apply to facilities served by Southwestern Electric Cooperative, including the Gateway Convention Center, Activity Center/Aqua Park, and the Animal Control Facility.

Staff Analysis

Energy markets continue to experience uncertainty due to inflationary pressures, regional transmission capacity concerns, utility infrastructure investments, and broader state and federal energy policy changes. While market pricing has moderated from the historic highs experienced in 2022, long-term pricing forecasts remain uncertain.

The recommended Direct Energy proposal provides the following pricing options:

Term	Supplier	Rate
12 Months	Direct Energy	\$0.07669
18 Months	Direct Energy	\$0.08197
24 Months	Direct Energy	\$0.08381
36 Months	Direct Energy	\$0.08751

Staff is recommending the twenty-four (24) month option to balance near-term cost savings and budget stability while limiting long-term commitment risk.

Additionally, the city is currently implementing multiple solar energy projects at major facilities including City Hall, Fire Station 1, the Water Treatment Plant, and Wastewater Treatment Plant. As these projects become fully operational, the city's purchased kWh demand from Ameren Illinois is expected to decrease over time.

Because the city's energy consumption profile is expected to materially evolve over the next several years, staff believes a two-year term is more prudent than a longer three or four-year agreement. The recommended approach allows the city to:

- Capture favorable fixed pricing in the near term
- Reduce exposure to future market volatility
- Allow current solar projects to become fully operational
- Evaluate actual realized solar savings and reduced consumption trends
- Reassess future electricity procurement strategies with better operational data

The proposed agreement is projected to save approximately \$200,081 over the total twenty-four-month term compared to current Ameren Illinois pricing assumptions.

Alternatives

The city may choose not to enter into an agreement with a competitive supplier and instead default to Ameren Illinois market pricing. While this approach may create opportunities for savings during lower-rate periods, it also exposes the city to increased budget uncertainty and potential volatility in electricity supply costs. Additionally, this would leave some electric supply costs at the city's largest consumers of electricity, the wastewater treatment plant and water treatment plant, unable to be net metered against when the solar projects are energized resulting in lower savings from solar.

Alternatively, the city could select a shorter or longer contract term. Staff believes the recommended twenty-four month term best balances current market opportunities with the city's evolving long-term energy strategy.

Recommendation

Staff recommends approval of the subject ordinance authorizing the City Manager to enter into a twenty-four (24) month electricity supply agreement with Direct Energy for a fixed rate of \$0.08381/kWh for city facilities located within Ameren Illinois territory.