

ILLINOIS MUNICIPAL ELECTRIC AGENCY

REPORT OF BOARD OF DIRECTORS MEETING

THURSDAY, AUGUST 24, 2017

A regularly scheduled meeting of the Board of Directors of the Illinois Municipal Electric Agency was held at the IMEA headquarters building, 3400 Conifer Drive, Springfield, Illinois on August 24, 2017.

Chairman Greg Hazel called the meeting to order at 10:00 a.m. Roll call was taken which showed a quorum was present. Dale Detmer, seconded by Dominic Rivara, moved the minutes of June 15, 2017 for approval. The motion was carried by unanimous voice vote.

Bob Childers reviewed the financial report for June and reported that the MWh sales to members was 4.1% below budget. He also noted that Moody's affirmed IMEA's credit rating of A1 with a stable outlook. Dan Cook moved to approve the Treasurer's Report, seconded by Larry Taylor. The voice vote showed all in favor.

Opportunity for Public Comment: Chairman Greg Hazel stated that pursuant to the Open Meetings Act, any person in attendance at a meeting shall be permitted an opportunity to comment. He then asked if anyone would like to make a comment and hearing none, the meeting continued.

President & CEO Report – CEO Gaden recognized Sue McLaughlin, the interim City Manager from Farmer City, Mike Buckman, the City Superintendent from Carmi and Jeff Stanek from Baker Tilly Virchow Krause. He stated that FERC now has a quorum and staff is planning a visit in the next 60 days with regard to PJM capacity issues. The Illinois Zero Emissions Credit Program was upheld in the northern Illinois courts and will likely be a big precedent moving forward. He reported on the Illinois Energy Roadmap reflecting the ICC's long-term plans for resources, energy efficiency and demand response.

CEO Gaden summarized the status of the issues in Cairo along with updating the Board on a series of articles published in the Southern Illinoisan. He stated that since CPUC had not provided the newspaper with certain information they sought, the Southern Illinoisan had filed a lawsuit on August 10th against CPUC for failure to comply with the State's FOIA laws. Gaden thanked staff for their help as well as the members for being responsive. Gaden then gave an overview of modifications to the IMEA Administrative & General Budget for FY 2017-18 to offset the impact of the recent rate action to help Cairo. These included deferring the Staff Compensation Study, deferring the purchase of a company vehicle, deferring Member Energy Markets sessions and the cancellation of transportation for the PSGC tour. This amount calculates to about half of the anticipated rate concessions for this year's impact.

CEO Gaden then reported that the Geronimo Wind project was nearly subscribed with 20-25 MW still an option. Discussions are ongoing regarding a contract for IMEA to provide PJM market services and test energy sales management.

OLD BUSINESS

Operations: Regarding the PJM Regional Transmission Organization (RTO), Alice Schum reported that the 10 PJM peaks were hit with 11 generation runs in the Peak Shaving Program this year in the ComEd region. The Market Monitor created a Member Information Recording Information system in which sellers are required to report market offers. She presented a chart showing the fuel mix in the PJM region.

Regarding the MISO Regional Transmission Organization (RTO), Schum reported on the results of both of the MISO Market Simulation Events held on July 26 and August 16 and stated that they were very informative and successful.

Regarding pseudo ties, Schum also reported on the overlapping of congestion collecting in MISO and PJM. Staff continues to have discussions with Dynegy regarding the physical capabilities of the Coffeen and Newton units. Staff also filed compliance reports with LG&E as Mod 032 which is a steady state of operation due to reliability standards at the request of the generation operator. Schum also stated that interviews have concluded for the Power Services Coordinator position and Jacob Bouvet began employment on August 21.

IMEA Portfolio – Rakesh Kothakapu gave a detailed overview of how the Auction Revenue Rights (ARRs) process works in both PJM and MISO. He also reported on the results of the Financial Transmission Rights (FTR) auctions in both PJM and MISO. Kothakapu presented a chart of the MISO congestion showing historic 3-year price trend conditions. Staff will continue to monitor monthly auctions and make additional purchases as necessary based on market conditions and regulatory changes.

Trimble County: Kevin Wagner reported the following:

- Safety - The plant had one lost time incident in July.
- Performance - TC1 was down for two days on June 9 and again on June 25 to repair tube leaks. TC2 experienced forced outages due to a boiler feed pump in late May as well as on July 30 due to a tube leak. Currently both units are on line and available for full load.
- Coal Combustion Residue Treatment & Transport (CCRT)/Landfill Project - CCRT construction activity continues to progress on the tanks, process buildings in the dewatering, ash/gypsum conveying and storage complex. The Owners have executed a revised EPC contract with AMEC to include the process water system work that (with closure of the ash pond) covers the physical and chemical treatment of the effluent required by law prior to discharge into public waterways. The Army Corp of Engineers finally issued the 404 landfill permit on June 28. This has opened the way to award the bid for Phase I of the landfill construction. The winning bid came in under the original budget estimate and that contract is in the process of being executed. LGE/KU indicates that this work is being authorized to begin a month sooner than previously planned to expedite clearing of vegetation and grading while the weather is still favorable.
- Annual Joint Coordination Meeting - Staff will be at the plant next week for the owners' annual coordination meeting to review and approve draft operating and capital budgets for next year.

Prairie State: Kevin Wagner reported the following activities:

- Safety - In June and July, the mine experienced 2 employee recordable incidents and the plant had a recordable in June. The mine continues to implement the seven modules in its CORE Safety program that encompasses both supervisory and hourly workers. The new miner initiative program conducted by the Miner Safety & Health Administration (MSHA) focused on the less experienced miners that are most at risk of serious injury. MSHA staff spent a couple weeks working closely with the 80+ employees in this category and the experience seemed to be well received.
- Plant Performance – In July, Unit 1 experienced forced outages due to tube leaks on July 2nd and 19th. Unit 2 experienced a tube leak outage on June 21 and was forced out on July 17 due to an operator misinterpreting a lube oil pump failure on an ID fan. Fortunately, down time for boiler repairs has been decreasing as staff has become more adept at this task and the retractable scaffold beams have been utilized. Both units are currently on line and available for full load. Unit 2 will be offline this fall starting on September 30 for a 28-day planned maintenance outage. Boiler inspection, repair, and reinforcement will take place at that time as well as replacement of catalyst, air heater baskets and maintenance on the turbine driven boiler feed pump.
- 2018 Budget Under Consideration - The Owners' Finance and E&O Committees have reviewed and endorsed staff's proposed Operating and Capital budgets for next year. The Operating Budget for 2018 is about 50 cents per MWh lower than the average operating cost anticipated for 2017. The Capital budget for 2018 is about \$6M lower than the capital anticipated for 2017. Most of the mine capital is for regulatory requirements, equipment replacements and continuing expansion of conveyor and ventilation systems. The 5 and 7 year budget plans are focused on keeping overall costs competitive with those of new combined cycle natural gas units.
- Coal Combustion Residue (CCR) Beneficial Reuse - Rail car loading facility has been in service since April.

Local Transmission/Generation: Kevin Wagner reported the following:

- Ameren Hilgard Switching Station - Ameren has indicated that it plans to have both 138 kV delivery point terminals for Mascoutah completed by September 2018. The City continues with property appraisals and related line right of way acquisition efforts to coordinate with the completion schedule for Hilgard.
- Ameren Jarvis 345/138 kV Substation (Highland) - Ameren has indicated that it plans to send Highland a draft Memorandum of Understanding (MOU) setting forth the terms for acquiring the western part of the City's 138 kV line that Ameren needs to utilize as one of the outlets for its proposed 345/138 kV Jarvis Substation. The MOU is intended to also address a new 138 kV delivery point for the City as a result of that acquisition. Ameren has indicated they need to finalize this MOU prior to purchasing the available substation property. Ameren estimates the Jarvis Sub will be in service by December 2019.
- Gridliance Highland/Mascoutah 138 kV Project - Gridliance recently learned that MISO could not provide assurance upfront that the proposed 138 kV tie line between Mascoutah and Highland would be treated as an addition to the grid that could be included in the MISO tariff. Without that assurance, construction of the project as originally contemplated would be an unacceptable financial risk to Gridliance. The Gridliance team is meeting with staff tomorrow to review other options.
- Ladd Substation Upgrade - Earlier this summer, the Village of Ladd completed installation of a second 34.5 kV delivery point transformer to provide backup for the single substation transformer.

Timing of the project was fortunate since the existing substation transformer experienced a failure about 2 weeks after the backup installation and had to be taken from the site for repair.

- Summer '17 URGE Testing – Shadi Ahanchi reported that 2017 URGE testing for generating members had been completed and staff is analyzing and distributing the draft reports. Two units are out of service and untested due to extended repair work, although they are expected to return to service in a few weeks and will be URGE tested at that time. Final numbers for the total net tested capacity and declared net capacity values will be available at the next meeting, however, the 2017 values are comparable to last year's.
- IMEA Flora Update – Ahanchi stated that nine members including IMEA-Flora units were tested for RICE NESHAP performance requirements to determine the carbon monoxide concentration in each exhaust stream for each engine and the destruction efficiency of the catalytic oxidation system installed in each exhaust. The testing was conducted by BHMG in conjunction with each units' URGE testing. All engines at IMEA-Flora passed the requirement by exceeding 70% destruction of carbon monoxide and 23 ppm carbon monoxide limit in each exhaust stream. During the summer readiness events this summer, all five units at IMEA-Flora were able to run simultaneously at full load with no issues.

Resolution #17-08-802 – Adopting Revisions to Member Generation Policy – Troy Fodor gave an overview of background information regarding revisions to the Member Generation Policy. He summarized the proposed language drafted by staff as inserts to the Member Generation Policy based on members' concerns. This language states that if a member refuses to perform an URGE test, the Dedicated Capacity payment would be zero. If a test was attempted, yet failed, the Dedicated Capacity payment would be one-half. This language also provides an option for members to avoid a loss of capacity credit if it reimburses IMEA for the penalty. This policy would take effect on September 1, 2017. Fodor stated that there had been a consensus from the Executive Board along with the Generation Committee yesterday to approve these revisions. Larry Taylor made a motion recommending this resolution, seconded by Dale Detmer. This resolution passed by a unanimous roll call vote.

Solar Demonstration Projects: Regarding the St. Charles solar project, Kevin Wagner reported that the inverters, AC panels, DC combiner boxes and switchgear had been installed and underground cabling had been trenched in and terminated. The panel support racks have been assembled and set in place. All of the PV panels are now in place and wired to the combined boxes. The commercial operation date will likely be in September. Once remaining fencing and site work is complete (including establishing low growing vegetation under the panels), an open house/ribbon cutting ceremony will likely be planned for next spring.

Regarding the solar project in Rantoul, Kevin Wagner reported that the solar facility at Rantoul continues to perform very well. YTD net production exceeds 1100 MWhr and the summer capacity factors are averaging better than 26%. Representative Shimkus visited the solar site on August 14th and was very complimentary of the facility and expressed a lot of interest in how it was financed. Wagner presented a chart showing the production profile for the Rantoul solar site during last Monday's partial solar eclipse. The output tracked closely with the progression of the coverage of the sun during the entire event that lasted about 2 hours. Output was down to about 50 kW at the apex of the eclipse when solar coverage reached about 93%.

PJM Capacity Import Issues – CEO Gaden gave background information on the capacity issues in PJM. He reported that staff had filed protests on PJM & MISO pseudo-tie filings to protect IMEA’s transmission rights. Staff had met with Representative John Shimkus resulting in his mentioning IMEA’s issues in Congressional hearings. Staff is also planning to meet with FERC staff in the fall. Gaden stated that in October of 2016, staff had submitted a ComEd Zone transmission improvement project as a Merchant Network Upgrade. The project was rejected in January of 2017, but IMEA did not withdraw. In early July, a very similar project was proposed by ComEd during the initial application process at PJM for 2021/2022 Delivery Year. Staff had a meeting with PJM Senior Management a few weeks ago that seemed to be positive and consequently, IMEA is working with consultant to analyze PJM models to gain back long term transmission rights via Internal Capacity Transfer Rights (ICTR’s). The deadline for the submission of this project is September 30th and staff will continue to track the PJM process for system upgrades.

General Counsel Troy Fodor reported that staff continues to work with Dynegy to finalize the terms of the Settlement Agreement. Dynegy had provided IMEA with pseudo-tie agreements through May of 2021 to allow for IMEA bidding into PJM. They are seeking more flexibility to make long-term decisions on contracted units in MISO and are considering replacing IMEA capacity with PJM capacity. Staff is considering options to mitigate cost impacts over the next 3 years and beyond and will update the Board as actions are taken.

NEW BUSINESS

Audit Report: Jeff Stanek of Baker Tilly gave the IMEA Audit Report for fiscal year ending April 30, 2017. Stanek reported it was a clean Audit and the financial statements received an Unmodified Opinion. Stanek thanked the accounting staff for their preparation regarding the audit. There being no questions, Brian Keys moved to approve the audit, seconded by Dominic Rivara. The roll call vote showed unanimous approval.

Resolution #17-08-803 – Designating Authorized Signatories on the Accounts of the IMEA – John Hodapp moved to approve the resolution authorizing Mike Genin to become a signatory on the accounts of the IMEA replacing Doc Mueller. Cory Sheehy seconded the motion and the resolution passed by unanimous roll call vote.

With no other business to be discussed, Dick Simon moved to adjourn the meeting at approximately 12:00 p.m. Tom Bruhl seconded the motion, which was unanimously approved by voice vote.

Respectfully submitted,



Secretary/Treasurer

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BOARD OF DIRECTORS MEETING
THURSDAY, AUGUST 24, 2017**

MEMBERS PRESENT

Altamont	Larry Taylor
Breese	Dale Detmer
Bushnell	Justin Griffith
Carlyle	John Hodapp
Carmi	David Coston
Chatham	Shane Hill
Flora	Bob Coble (via teleconference)
Freeburg	John Tolan
Highland	Dan Cook
Marshall	Cory Sheehy
Mascoutah	Cody Hawkins (via teleconference)
Metropolis	Rick Abell
Naperville	Mark Curran
Oglesby	Dom Rivara
Princeton	Jeff Mangrich (via teleconference)
Rantoul	Greg Hazel
Red Bud	Josh Eckart
Rock Falls	Dick Simon
St. Charles	Tom Bruhl
Waterloo	Tim Birk
Winnetka	Brian Keys

MEMBERS ABSENT

Bethany	Shannon Risley
Cairo	Karl Klein
Casey	Shelby Biggs
Fairfield	Mayor Brent Maguire
Farmer City	Larry Woliung
Greenup	Mike Ryder
Ladd	Pat Barry
Peru	Mayor Scott Harl
RECC	David Stuva
Riverton	Russ Patrick
Roodhouse	Mayor Tom Martin
Sullivan	Mayor Ann Short

OTHERS PRESENT

Carmi	Mike Buckman
Farmer City	Sue McLaughlin (via teleconference)
Baker Tilly	Jeff Stanek
IMEA	Kevin Gaden
IMEA	Troy Fodor
IMEA	Bob Childers
IMEA	Alice Schum
IMEA	Mike Genin
IMEA	Rodd Whelpley
IMEA	Staci Wilson
IMEA	Cindy Evans
IMEA	Kevin Wagner
IMEA	Rakesh Kothakapu
IMEA	Glenn Cunningham
IMEA	Chris Jewell
IMEA	Mary Ann Todd
IMEA	Ed Cobau
IMEA	Tammy Hall