

ILLINOIS MUNICIPAL ELECTRIC AGENCY

REPORT OF BOARD OF DIRECTORS MEETING

THURSDAY, DECEMBER 15, 2016

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 December 15, 2016.

Chairman Greg Hazel called the meeting to order at 10:00 a.m. All stood for the Pledge of Allegiance and then roll call was taken which showed a quorum was present.

Mayor Scott Harl moved to approve the minutes of November 4, 2016, seconded by Larry Taylor. The voice vote showed all in favor. Bob Childers reviewed the financial statement for October representing the numbers for the first six months of the fiscal year. He reported that the MWh sales to members is 3.8% above budget. John Hodapp moved to approve the Treasurer's Report, seconded by Dominic Rivara. 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's Report: CEO Kevin Gaden introduced Monte Johnson from Sullivan and recognized Shannon Risley, board member from Bethany and Staci Wilson who will be Doc Mueller's replacement. He then discussed how the federal elections will impact tax reform and energy policy along with a listing of interesting cabinet nominees. Regarding the State Energy Bill, Gaden reported Exelon will receive up to \$235M per year for 10 years to keep two nuclear plants open, there will be a modification of the renewable portfolio standard and an expansion of energy efficiency programs that allows them to collect a rate of return.

CEO Gaden reported that after consideration of two renewable energy projects, Blue Stem Energy and Clean Lines, the decision has been made to not proceed with either one. Solar vendors are getting more aggressive due to "safeharbor" rules being utilized. He also pointed out the importance of attending the APPA Legislative Rally February 27 through March 1.

Regarding the IPEA/IMEA Contract for Management Services, Gaden reported on the long term benefits of working together to provide quality management. IPEA members are looking to hedge future gas costs beyond the current supplier arrangement and in order to accomplish that, IPEA needs to extend this management agreement. The Executive Board voted unanimously to approve this extension.

Gaden reported on the building maintenance issues which was discussed with the Executive Board previously. After nine years, the facility needs repairs which includes heat pumps, sump pumps and the patio terrace roof. Staff is currently evaluating options, getting quotes and will add those costs to the Building Maintenance budget for 2017/18.

OLD BUSINESS

Operations: Regarding the PJM Regional Transmission Organization (RTO), Alice Schum reported that IMEA has been asked to participate in a website re-design and there are ongoing discussions between PJM, staff and Customized Energy Solutions (CES) regarding Capacity Import Limits. Pseudo tie efforts are continuing although there is not a mechanism in place for meter correction once the data is entered. Trimble County pseudo tie is targeted for 2018 and efforts are ongoing for the Dynegy and PSGC units. The base residual auction for delivery year 2020/21 will be held next May and the demand forecast has been reduced by 2.2% due to reduced economic activity, reduced expectations for data centers and distributed solar generation. Schum also stated that PJM had posted the network service peak loads for 2017/18.

Regarding the MISO Regional Transmission Organization (RTO), Schum presented a chart reviewing the summer of 2016 showing demand and capacity. Regarding Zone 4, Schum summarized discussions with MISO concerning the Competitive Retail States, suspensions and Behind the Meter Generation. She also presented slides from MISO showing projected capacity which outlined surplus and deficit through 2021 indicating shortages are probable. Schum reported on discussions with Ameren regarding transmission and distribution service, Dynegy on the Electric Power Supply Agreement (EPSA) and Prairie State regarding the fuel policy.

Trimble County: Kevin Wagner reported the following:

- Safety - The plant experienced an employee OSHA recordable for the first time in over a year. No safety incidents on site involving a contractor have occurred since last summer.
- Performance - TC1 experienced two brief forced outages on November 3rd and 26th. TC2 remained on line throughout the month of November. Currently both units are on line and available for full load.
- Coal Combustion Residue Treatment & Transport (CCRT) Project/Landfill Status - CCRT contractor (AMEC) made good progress during the month of November on earthwork and underground piping. The project remains on schedule for completion by summer 2018. The final version of the KY Division of Waste Management permit is expected to be issued by the end of this year, as well as the KY Division of Water 401 Water Quality Certificate.
- Startup Fuel Conversion Project - The contractor continues with the igniter valve and control wiring work on TC2 in preparation for that unit's conversion to natural gas startup fuel during next spring's maintenance outage.
- Effluent Limitation Guideline compliance - The plant is preparing the Request for Proposals for the water treatment project associated with the scrubber waste water.
- Plant General Manager Change - The current plant general manager, Jeff Joyce, will be retiring around the first of the year after a long career at LGE. Mike Buckner, the current operations manager for the plant, will be taking over as the General Manager.
- Resolution #16-12-793 – Authorizing Negotiation and Finalization of Amendments to the TC2 Participation Agreement – Kevin Wagner explained that the inclusion of imbalance terms in the existing Participation Agreement makes it a contract that must be filed at FERC. To avoid such filing, LGE/KU has proposed amending the Participation Agreement to remove the imbalance terms and replace it with Schedule 9 Generator Imbalance service. This would result in lower imbalance charges for IMEA and IMEA would receive interest paid since commercial operation. Dale Detmer moved to approve this resolution, seconded by Cory Sheehy. The weighted roll call vote showed all in favor.

Prairie State: Kevin Wagner reported the following activities:

- Safety - The plant reported no safety incidents during the month of November and has now gone nearly 450 days since a lost time accident.
- Plant Performance - Unit 1 experienced an 8 day forced outage in mid-November. Unit 2 was off line for nearly the entire month of November due to the extended Fall maintenance outage work. Both units are currently on line with a minor derate in effect due to limitation on the coal mills.
- Mine Performance – The mine’s productivity has been very near the budgeted tons per man hour and there is 880K tons total inventory on the campus.
- U2 Fall Maintenance Outage – Significant work was recently completed during Unit 2 Fall maintenance outage that included extensive inspection and material replacement in the platen superheat area. Unit 2 returned to service on November 30th.
- Coal Combustion Residue (CCR) Beneficial Reuse - At the E&O Committee Meeting in August, approval was given and a recommendation was made to the Management Committee for a three-year extension of PSGC’s CCR marketing agreement with the Headwaters Company. Fly ash and gypsum, used in cement and wall board respectively, are the byproducts targeted for beneficial reuse. Also recommended by the E&O in August was an agreement for capital investment in plant infrastructure to support increased processing and load out of the fly ash.
- Mine Emergency Response Drill – On November 7, PSGC hosted an emergency response drill simulating an earthquake that resulted in subsurface and above ground injuries at the mine. Over 140 PSGC employees were involved in the drill plus emergency response teams from St. Clair County. The exercise not only included firefighting and personnel rescues, but also tested the communication and coordination skills of the responders. Simulated press releases and news conferences were also held throughout the day. This proved to be one of the largest mine emergency exercises that’s been held in the country. PSGC has been receiving very positive feedback from the MSHA and State regulators that were involved.

Local Transmission/Generation: Kevin Wagner reported the following:

- Mascoutah/Ameren Hilgard 138 kV Project - Ameren is wrapping up the soil testing at the site for the Hilgard switching station and have found no unanticipated conditions that would alter the preliminary design and location. Ameren plans to release the bid package for the station work and line terminations by May 1st.
- Highland/Ameren Jarvis 345/138 kV Project - Last week Ameren renewed discussions with Highland and IMEA regarding the acquisition of the City’s Lochman Rd Switching Station. The City has made its expectations clear for compensation from Ameren if such a deal were to be presented to its City Council.
- Gridliance Highland/Mascoutah 138 kV Proposal - Discussions continue between Gridliance, IMEA and the City of Highland staff regarding the value of the Highland 138 kV transmission assets that Gridliance seeks to acquire preparatory to constructing a transmission loop between Highland and Mascoutah. Gridliance has drafted a term sheet for the project that would require the City to pay Gridliance a distribution service fee in the interim period between the transfer of line ownership and the anticipated flow of revenue following completion of the transmission loop.

- SCADA Data Sharing Agreement with Ameren - IMEA and Ameren settled on the cyber insurance requirement that was essentially the only remaining issue in our effort to finalize an agreement for more easily exchanging real time T&D data between our SCADA systems. The new SCADA agreement with Ameren is expected to be executed in the next few weeks.
- Member Power Plant Operator Training – Shadi Ahanchi reported that IMEA staff held a conference call with the Generation Committee members on November 14th to review the agenda for the upcoming power plant operator training sessions in 2017. The training sessions will be at three locations starting at the Marshall power plant on Feb 9th, Highland power plant on Feb 16th and the Sullivan power plant on March 9th. An email will be sent out to the generating members at the beginning of January regarding the registration details.
- IMEA Flora – CPMS audit and Method 9 testing – Ahanchi reported that per the IMEA/Flora CAAPP permit, IMEA units are subject to performance of an annual Continuous Parameter Monitoring System (CPMS) audit that verifies that the NESHAP emission controls on the units are correctly monitoring catalyst inlet temperature and differential pressure. The permit also requires an annual Method 9 testing of exhaust opacity. On November 15th, IMEA engineering staff conducted the Method 9 testing for IMEA’s five units. The results for all five units remained at 5% opacity which is acceptable. On November 17th, BHMG conducted the CPMS audit and all five units successfully passed the audit. The results of the testing have been reported to the IEPA.
- Fuel maintenance - Ahanchi stated that staff was asked to provide recommendations and guidelines for properly testing and maintaining diesel fuel that sits for long periods in the storage tanks before being used. Staff distributed information to the generating members via email last week. All member diesel units must be fueled with ultra-low sulfur fuel (15 ppm or less) as of January 1, 2017.

Solar Demonstration Projects: Kevin Wagner reported that due to the inability to secure financing, Convergence was unable to meet the project completion dates specified in the Power Purchase Agreement (PPA). Convergence and IMEA executed a PPA Termination Agreement effective December 9th releasing the parties from all obligations. Staff is now reviewing an updated 20-year PPA proposal from Altorfer for a ≈500 kW PV solar array without the frequency regulating battery. Staff recommends not rebidding the St. Charles solar project and proceed with negotiating a new PPA with Altorfer.

Regarding the solar project in Rantoul, Kevin Wagner reported that Altorfer’s partner ITG Construction completed installation of racking, panels, inverters and switchgear; IMEA completed installation of metering/SCADA and the Village completed installation of transformer and 12kV interconnection. Altorfer anticipating an in-service date for entire array by December 31, 2016. Discussion continues between the Air Force, IEPA and the Village on the language in the Illinois Uniform Environmental Covenant Agreement (UECA).

Legal: General Counsel Troy Fodor reported the following:

- Update on MISO Capacity Construct – MISO filed tariff revisions for a new capacity construct for retail choice areas (Illinois and 10% of Michigan). These revisions included a 3-year forward construct starting 2018/19, a sloped demand curve and are intended to apply only to retail choice loads, so municipalities would be excluded. IMEA Comments were filed by IMEA yesterday, citing no opposition.

- Pseudo-Tie Congestion Charges – On August 25, 2016, Tilton Plant owned by Rockland Capital filed a complaint against MISO at FERC for double charging congestion. IMEA is also being double charged with regard to pseudo-tied congestion between MISO and PJM and would need to file its own complaint to receive any refunds. IMEA has had discussions with AMP and NIMPA about filing a joint complaint. There has been no FERC ruling yet.
- MISO 2016 Capacity Auction - A complaint was filed on September 8, 2016 by the coalition of MISO South transmission customers challenging the 2016/17 MISO capacity auction results in MISO North. They claim that MISO improperly limited exports from MISO South into MISO North and are seeking to have the auction results recalculated. FERC ruled that MISO did not violate its tariff, but that going forward, changes would be required.
- Update on PJM Capacity Market Issues – General Counsel Troy Fodor provided an update on the PJM Capacity issues facing IMEA. PJM made the decision in 2014 to model the ComEd zone as a separate locational delivery area. This led to price separation for the 2018/2019 and 2019/2020 capacity auctions meaning IMEA will pay more for capacity than its resources are paid. Conversations are ongoing with PJM senior management staff. They are not willing to accept IMEA's suggestion to increase capacity transfer from Ameren into the ComEd zone or make changes to PJM's base model. However, IMEA staff worked with IMEA's consultant, Customized Energy Solutions (CES) to develop and submit a transmission improvement project into the PJM Merchant Network Upgrade Process. The benefit of this project to IMEA, if accepted by PJM and funded by IMEA, would be to eliminate the impact of the price separation. Either prices would not separate after the improvement or IMEA would get paid for Incremental Capacity Transfer Rights (ICTR).

Fodor reported that PJM has indicated that the improvement proposed by IMEA is potentially eligible for ICTR's and there do not appear to be any competing projects in front of IMEA. PJM does not yet know the cost of the upgrade, the exact substation equipment that would need to be upgraded or the number of ICTR's. They will try to get the project approved for the May 2016 auction and would need a signed Construction Agreement from IMEA by mid-April. Fodor stated that if this solution goes forward, IMEA would own the ICTR's for 30 years.

NEW BUSINESS

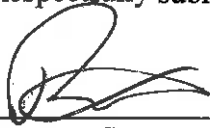
Ordinance #16-12-791 – Approval of Extension of Economic Development Rate Schedules B-2, B-6 and Load Retention Rate B-4 – Mike Genin reported that this ordinance extends the rate schedules through December 31, 2017. There are currently two customers using the B-2 rate, one customer using the B-6 rate and one customer using the B-4 rate. Tom Bruhl motioned to approve extending the Rate Schedules through 2016, seconded by Tim Birk. The weighted roll call vote carried unanimously.

Resolution #16-12-792 - Approving Baker Tilly Virchow Krause, LLC to Perform Audit of Fiscal Year Ending April 30, 2017 – Bob Childers stated Baker Tilly's engagement letter shows a 2.9% increase over last year's audit fee and stated this amount continues to be very low compared to other joint action agency fees for such service. Baker Tilly will also perform IPEA's audit at the same time as IMEA's audit in June. Brian Keys moved to approve this resolution, seconded by Pat Barry. The roll call vote showed all in favor.

Resolution #16-12-794 – Authorizing the Extension of the Contract for Management Services with IPEA – CEO Kevin Gaden stated that the current contract expires April 30, 2019 although IPEA needs to make future commitments beyond 2019 with its natural gas vendor and, therefore, needs an extension. The only substantive change in the contract is an increase in accounting fees. The agreement would extend through April 30, 2029. Mayor Ann Short moved to approve this resolution, seconded by Cory Sheehy. The roll call vote showed all in favor.

There being no other new business, Chairman Greg Hazel asked for a motion to adjourn the meeting. The motion was made by Dominic Rivara, seconded by John Hodapp and carried unanimously. The meeting was adjourned at 11:40 am.

Respectfully submitted,



Secretary/Treasurer

**ILLINOIS MUNICIPAL ELECTRIC AGENCY
BOARD OF DIRECTORS MEETING
THURSDAY, DECEMBER 15, 2016**

MEMBERS PRESENT

Altamont	Larry Taylor
Bethany	Shannon Risley
Breese	Dale Detmer
Bushnell	Justin Griffith
Carlyle	John Hodapp
Carmi	David Coston
Chatham	Shane Hill
Flora	Bob Coble
Freeburg	John Tolan
Greenup	Mike Ryder
Highland	Dan Cook
Ladd	Pat Barry
Marshall	Cory Sheehy
Mascoutah	Cody Hawkins
Metropolis	Rick Abell
Naperville	Mark Curran
Oglesby	Dom Rivara
Peru	Mayor Scott Harl
Princeton	Jeff Mangrich
Rantoul	Greg Hazel
Red Bud	Josh Eckart
Rock Falls	Dick Simon
Roodhouse	Mayor Tom Martin
St. Charles	Tom Bruhl
Sullivan	Mayor Ann Short
Waterloo	Tim Birk
Winnetka	Brian Keys

MEMBERS ABSENT

Cairo	Karl Klein
Casey	Shelby Biggs
Fairfield	Mayor Charles Griswold
Farmer City	Larry Woliung
RECC	David Stuva
Riverton	Russ Patrick

OTHERS PRESENT

Sullivan	Monte Johnson
IMEA	Kevin Gaden
IMEA	Troy Fodor
IMEA	Bob Childers
IMEA	Alice Schum
IMEA	Mike Genin
IMEA	Doc Mueller
IMEA	Staci Wilson
IMEA	Cindy Evans
IMEA	Kevin Wagner
IMEA	Shadi Ahanchi
IMEA	Rakesh Kothakapu
IMEA	Chris Jewell
IMEA	Rodd Whelpley
IMEA	Ed Cobau
IMEA	Tammy Hall