

ILLINOIS MUNICIPAL ELECTRIC AGENCY

REPORT OF BOARD OF DIRECTORS MEETING

THURSDAY, DECEMBER 14, 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 December 14, 2017.

Chairman Greg Hazel called the meeting to order at 10:00 a.m. Roll call was taken which showed a quorum was present. Mayor Scott Harl, seconded by Larry Taylor, moved the minutes of October 19, 2017 for approval. The motion was carried by unanimous voice vote.

Bob Childers reviewed the financial report for October and reported that the average cost to Members was slightly below budget even though MWh sales to members was 4.75%. He also reported there had been a draw on the line of credit to finance capital improvements which included the Trimble County landfill project. Dan Cook moved to approve the Treasurer's Report, seconded by Mayor Brent Maguire. The voice vote showed all in favor. President & CEO Gaden introduced Board members from RECC, Cassie Eigenmann and Jimmy Ayers along with Todd Ely, the consultant for CPUC.

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. David Stuva from RECC thanked the staff of IMEA for their dedicated service since 2009.

President & CEO Report –CEO Gaden reported that staff continues to work hard to optimize resources, costs and member needs which include the PJM transmission project, Dynegy contract change discussion, completion of solar projects, a wind energy project along with a Demand Response Pilot program. All of these items were discussed at the Executive Board meeting yesterday with Stephen Fernands, the CEO of Customized Energy Solutions (CEO), who was present at that meeting. CES assists utilities and energy marketers in energy market analysis and strategy. CES has 400 clients in this industry and have worked with IMEA staff since 2003.

CEO Gaden reported on proposed changes in the tax law. These include the tax exempt financing being spared, advance refunding of bonds were curtailed and the Build America Bond sequestration was sought to be increased. The renewable energy subsidies are being curtailed more quickly. This is a corporate tax reduction proposal and might have a positive impact on "tax gross up" costs on future transmission projects.

CEO Gaden stated that staff had participated in a GridEx webinar hosted by FERC on November 15 and 16. He then introduced Mary Ann Todd, IMEA's legal/Regulatory Specialist for a summarization of that training.

Mary Ann Todd gave an overview of the GridEx IV webinar stating that the 2- day exercise allows participants to test their Incident Response Plans. In simulated combined cyber and physical attacks, participants must react to real-time threats towards transformers, substations, company websites and customer accounts on the internet. This training allows entities to strengthen their event readiness, check their emergency responses for weak areas and strengthen their communication skills. This exercise encourages collaboration with local and federal agencies as well and there was no cost for this webinar.

He also stated that Staci Wilson along with the Public Power Coalition will be attending hearings on the MISO Illinois Zone 4 Resource Adequacy led by the ICC in early 2018. A report will be developed by the end of February for the General Assembly as they fully consider the Dynegy requested subsidy/proposal in the 2018 General Session. Regarding the Demand Response Pilot Program, CEO Gaden reported that IMEA staff from Operations, Member Services, Legal and Energy Markets are reviewing potential changes in the program to allow end use customers to reduce load and save customers money. Staff is developing a template to prepare for the future and looking to complete methodologies and create systems.

OLD BUSINESS

Operations: Regarding the PJM Regional Transmission Organization (RTO), Alice Schum reported that PJM had developed a web tool redesign for markets and transmission that staff participated in. Regarding the fuel cost policy, additional approval will be needed for all policies through the market monitor, variable operations and maintenance costs and emissions reports. For the winter 2017/18, PJM expects 36% more capacity than demand based on the LaNina weather pattern.

Regarding the MISO Regional Transmission Organization (RTO), Schum reported that staff had submitted forecasts with applicable reserves by the November deadline for Planning Year 2018/19. Staff also entered the LMR which is Behind the Meter generation from the URGE tests this summer and registered the demand response. MISO has updated their capacity tracking tool with a major renovation which staff participated in.

Staff submitted parameter limited schedule exceptions to LG&E, registered Trimble County units with NERC and participated in monthly calls to Prairie State regarding pseudo ties which begin on June 1, 2018. Staff made a power plant visit to Prairie State to help coordinate the congestion procedures and to emphasize the importance of following PJM dispatch.

Trimble County: Kevin Wagner reported the following:

- The plant had four recordable safety incidents involving contractors engaged in the Unit 1 fall outage and the CCRT (coal combustion residue transport and treatment) project. The Unit 1 fall outage began in late September and wrapped up Thanksgiving weekend. Outage activities focused on three major items: 1) installation of the submerged bottom ash conveyor system needed to support the material handling process for the CCRT project, 2) completion of the startup fuel system conversion to natural gas, and 3) turbine inspection and overhaul. YTD Equivalent Availability Factor for the plant is about 77%.

Prairie State: Kevin Wagner reported the following activities:

- The plant had one recordable safety incident last month involving an employee who suffered a toe fracture; but the mine enjoyed an accident-free November. The one month-long Unit 2 fall outage wrapped up by the end of October and met its budget and schedule goals. Lower than anticipated costs achieved during the unit maintenance outages have helped bring the forecast capital expenditures down. The plant had no forced outages in November which has helped bring the YTD Equivalent Availability Factor up to 76.5%. PSGC is currently moving forward with a permitting process that will allow the plant to conduct a pilot study next year involving test burns of blended combinations of washed and unwashed coal in one of the unit boilers.

Local Transmission/Generation: Kevin Wagner reported the following:

- Mascoutah 138 kV Project /Ameren Hilgard Switching Station – Ameren has completed the foundations and subsurface work for the Hilgard Station and is now completing the fencing. Ameren reports the project is on schedule to be completed by this time next year. Meanwhile the city continues its negotiations with property owners to acquire the 138 kV line easements needed to connect to Hilgard. Ameren has been notified by the city that delays in securing right of way may push completion of the new 138 kV line interconnections into 2019.
- Highland/Ameren Jarvis 345/138 kV Substation - The parties seem to be getting closer to finalizing arrangements for Ameren to acquire a portion of Highland’s 138 kV line as an additional outlet for the proposed Ameren Jarvis bulk sub planned for 2019. Once Jarvis is on line, Highland’s 138 kV delivery point would be relocated a few miles closer to the city and reduce the outage exposure.
- Gridliance Highland/Mascoutah 138 kV Project - Gridliance informed us that they recently restructured and is focusing on investments in larger scale transmission projects. Gridliance is no longer interested in pursuing the proposed 138 kV transmission project looping Highland and Mascoutah with the grid.
- Carlyle Unit 1 replacement - The city received the permit from the IEPA to move forward with making its Fairbanks Unit 7 NESHAP-compliant. The diesel oxidation catalyst will be arriving in a few weeks and the unit is expected to be ready for testing by late January. The permit for the new EMD diesel genset (which will become Unit 11) is expected to be issued in early February.
- Altorfer 6-Year Maintenance Agreement – Letter agreements with the participating members were recently finalized and the purchase order was issued to Altorfer for the extension of the maintenance agreement for the Model 3516 Cat gensets which includes the IMEA Flora units. Service under the new agreement will commence January 1.
- IMEA Flora CAAPP Permit Renewal – Staff received and reviewed the draft permit revisions from the IEPA. Relatively minor changes have been required to the existing permit and issuance of the final version is expected by spring.

Solar Demonstration Projects: Regarding the St. Charles solar project, Kevin Wagner reported that commercial operation began September 1 and has a 16.2% capacity factor YTD. The Open House is planned for May of 2018.

Regarding the solar project in Rantoul, Kevin Wagner reported that the facility has been in operation almost a year and will most likely exceed annual projections. Its good performance has an average capacity factor of almost 20%. The PPA costs are partially offset by the avoided LMP costs, additional value in MISO capacity and renewable energy credit value as well.

Legal: General Counsel Troy Fodor reported on the following:

- PJM Transmission Project – General Counsel Troy Fodor reported that staff continues to track this Incremental Capacity Transfer Rights (ICTR) project to get IMEA’s long-term transmission rights back. On the legislative side, staff met with the FERC commissioners on October 24th and briefed them on the price separation issues pertaining to IMEA. As hearings continue, there has been no action by FERC or PJM. Congressman Shimkus’ office has had continued involvement and he has been very supportive. Fodor stated that the system impact study is to be completed by the end of January which is an extension of the current proposal. Staff will withdraw the backup project if the current project is approved and ICTR’s are gained. Fodor explained that PJM had completed the facility study although staff has only received a draft because the terms of the Upgrade Construction Services Agreement still have to be negotiated. The PJM Board has already approved this project back in October and staff will continue to work with PJM to complete this project and track model changes. Staff anticipates all agreements to be in place for the ICTR project by the February Board meeting.
- PJM Capacity Markets – FERC accepted PJM’s proposed pseudo-tie filing establishing requirements for new external resources and transitioning current pseudo-ties as “just and reasonable”. This means that FERC approved a unilateral right for PJM to consider whether IMEA is deliverable every single year and potentially terminating pseudo-ties. The draft for rehearing is due on Monday, December 18, and should this ruling be finalized, it would terminate any self- supply rights.
- MISO Capacity Status – FERC issued a Letter Order accepting MISO’s amended pseudo-tie tariff revisions and staff has filed a Request for Rehearing with basically the same argument as in the PJM case. On October 6, 2017, FERC granted a rehearing for further consideration.
- Ameren Transmission Rates - There was a 12% increase in the transmission rate last year and there will be a 16% increase beginning on January 1, 2018. This rate increase is based on an increase in Ameren’s net plant and rate base. There is no increase in the IMEA delivery service rate to Members at this time. The wholesale distribution rate (WDS) rate that was negotiated with a 3-year moratorium is almost expired. Staff is taking steps to get ready to dispute future distribution rates.

Purchase Power Agreement with Dynegy – CEO Gaden gave background information on IMEA’s current agreement with Dynegy and stated that Dynegy is merging with Vistra based in Texas in mid-2018. Vistra and Dynegy continue to discuss long-term plans for the Southern Illinois resources. Staff has had discussions with Dynegy to change the structure of capacity delivery and Dynegy has stated that they would like to have control of the Newton and Coffeen units. The concept which is being considered is in exchange for allowing the pseudo-tie agreements to terminate early, Dynegy would agree to serve IMEA’s capacity from its resource in ComEd starting June 1, 2018. IMEA could then buy out of its Newton and Coffeen positions in PJM’s incremental capacity auction or a bilateral transaction allowing control to be returned to Dynegy. This operates completely separate from and does not harm the PJM ICTR transmission project. Gaden also discussed opportunities, risks, current analysis and the next steps going forward.

Update on Cairo Public Utilities Company (CPUC) – CEO Gaden gave background information and a timeline from April 17 through November 2, 2017 detailing interactions with CPUC and Cairo. He stated that legal counsel has been retained to provide insight on legal issues and staff continues to work with CES on utility operations efficiency and cost containment strategies. He explained that at the October IMEA Board meeting, CPUC asked IMEA to engage an outside market consultant to conduct a study reviewing IMEA’s operations. There has been very little consensus from the IMEA Board to move forward with that request and the scope of the consultant work is unclear. The cost of a credible market consultant is very high and has not been budgeted for. Gaden used a regional utility as an example of conducting such a study along with the cost and man hours. There was no action taken by that utility to change their resources after spending over a million dollars. Staff recommended discussing any additional resource optimization with CES and allow IMEA to continue to complete projects that assist IMEA in keeping rates stable and ensuring long-term stability. It is the staff’s recommendation that if the IMEA Board is interested in hiring an independent consultant, the Chair set up a temporary Ad Hoc Working Group to review a draft scope and oversee the process. It was the consensus of the Board to not engage an outside consultant at this time.

NEW BUSINESS

Ordinance #17-12-808 – 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, 2018. There are currently three customers using the B-2 rate, two customers using the B-6 rate and one customer using the B-4 rate. There are three additional customers approved for the Schedule B-6 rate, but they are still ramping up to the 1MW load requirements. John Hodapp motioned to approve extending the Rate Schedules through 2018, seconded by Larry Taylor. The voice vote carried unanimously.

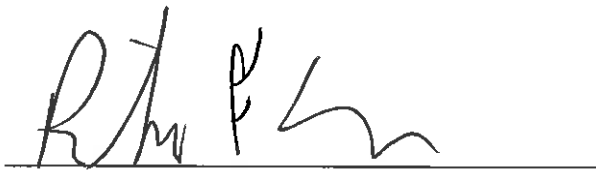
Resolution #17-12-809 - Approving Baker Tilly Virchow Krause, LLC to Perform Audit of Fiscal Year Ending April 30, 2018 – Bob Childers stated Baker Tilly’s engagement letter shows a 2.8% increase over last year’s audit fee and stated this amount continues to be very low compared to other joint action agency fees for such service. Baker Tilly will also perform IPEA’s audit at the same time as IMEA’s audit in June. John Hodapp moved to approve this resolution, seconded by Dale Detmer. The voice vote showed all in favor.

Ordinance #17-12-810 – Establishing Policy to Prohibit Sexual Harassment – Staci Wilson reported on SB 402 which was signed by the Governor on November 16. This bill required local government units to adopt an ordinance or resolution establishing a policy prohibiting sexual harassment. This policy must be adopted within 60 days (January 15, 2018) for compliance and applies to Board members as well as employees. This policy applies outside the workplace as well and is defined in the Illinois Human Rights Act. Wilson explained how an individual can report an allegation including options for a confidential report. She also reported on the prohibition of retaliation for reporting sexual harassment allegations and possible penalties. This Ordinance also directs the CEO to update the Employee Policy and Procedures Manual to reflect these changes within the next 6 months and will be brought to the Board for approval. General Counsel Troy Fodor advised municipals to use the Illinois Municipal League’s model as a sample reference. Mayor Ann Short moved to approve this Ordinance, seconded by Pat Barry, which passed by unanimous voice vote.

Demand Response Pilot Program – Mike Genin stated that staff works with MISO and PJM with regard to transmission ensuring that adequate capacity needs are fulfilled. IMEA staff provides MISO and PJM with estimates of loads along with proving to them that IMEA has enough generation capacity in ownership or under contract plus reserves to handle the Agency’s needs. He stated that IMEA has had a Demand Response Policy in place since 2010 although no one has participated. Staff is developing a pilot program for 2018 and Genin discussed specific offerings. Initial discussions have been conducted with Naperville and St. Charles in PJM and Peru and Riverton in MISO. If this program is successful, staff will expand the program in 2019. Work to develop the pilot will continue and staff will seek Board approval for the full pilot at the February 2018 meetings.

With no other business to be discussed, Cory Sheehy moved to adjourn the meeting at approximately 11:50 a.m. Dale Detmer seconded the motion, which was unanimously approved by voice vote.

Respectfully submitted,



Secretary/Treasurer

**ILLINOIS MUNICIPAL ELECTRIC AGENCY
BOARD OF DIRECTORS MEETING
THURSDAY, DECEMBER 14, 2017**

MEMBERS PRESENT

Altamont	Larry Taylor
Bethany	Shannon Risley
Breese	Dale Detmer
Bushnell	Justin Griffith
Carlyle	John Hodapp
Carmi	David Coston (via teleconference)
Fairfield	Mayor Brent Maguire
Farmer City	Sue McLaughlin (via teleconference)
Freeburg	John Tolan
Greenup	Mike Ryder
Highland	Dan Cook
Ladd	Pat Barry
Peru	Mayor Scott Harl
Marshall	Cory Sheehy
Mascoutah	Cody Hawkins (via teleconference)
Metropolis	Rick Abell
Naperville	Mark Curran
Oglesby	Dominic Rivara
Peru	Mayor Scott Harl
Princeton	Jeff Mangrich
Rantoul	Greg Hazel
RECC	David Stuva
Red Bud	Josh Eckart
Riverton	Russ Patrick
Rock Falls	Dick Simon
Roodhouse	Mayor Tom Martin (via teleconference)
Sullivan	Mayor Ann Short
Waterloo	Tim Birk

MEMBERS ABSENT

Casey	Shelby Biggs
Chatham	Shane Hill
Flora	Bob Coble
St. Charles	Tom Bruhl
Winnetka	Brian Keys

OTHERS PRESENT

RECC	Jimmy Ayers, Cassie Eisselman
Ely Consulting	Todd Ely
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	Shadi Ahanchi
IMEA	Rakesh Kothakapu
IMEA	Glenn Cunningham
IMEA	Chris Jewell
IMEA	Mary Ann Todd
IMEA	Ed Cobau
IMEA	Tammy Hall