

ILLINOIS MUNICIPAL ELECTRIC AGENCY

REPORT OF EXECUTIVE BOARD MEETING

WEDNESDAY, JANUARY 25, 2017

A regularly scheduled meeting of the Executive Board of the Illinois Municipal Electric Agency was held at the IMEA headquarters building, 3400 Conifer Drive, Springfield, Illinois on January 25, 2017.

Due to Chairman Greg Hazel's absence, Mark Curran, Vice Chairman, called the meeting to order at 10:00 a.m. Roll call was taken which showed a quorum was present.

The Report of December 14, 2016 was moved for approval by Rick Abell seconded by Mayor Scott Harl. The motion was carried by unanimous voice vote.

Opportunity for Public Comment: CEO Kevin Gaden 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 reported that the Energy Efficiency & Conservation Committee had approved recommendations for the 2017-2018 program. These included extending the Recycle My Fridge program and creating a residential LED lightbulb give-away. CEO Gaden stated that the APPA Legislative Rally will be held from February 27 to March 2 and will focus on topics such as tax exempt financing, environmental regulations, regional specific issues and physical/cyber security. He gave an update on the Rating Agencies stating the reviews are commencing and that IMEA expects all ratings will be maintained.

CEO Gaden reported on IMEA staff transitions. These included Chris Jewell being promoted to Resource Planner in the Engineering Department and the hiring of Mary Ann Todd for the new Legal/Regulatory Specialist position. She will begin on February 16, 2017 and work with Troy for "administrative legal" needs and with Bob Thomas and other departments on reliability compliance and regulatory needs. He also reviewed the draft 2017/2018 goals which were distributed to the Board members. The 2017/2018 goals will be reviewed with the full IMEA Board at its February meeting.

OLD BUSINESS

Operations: Regarding the PJM Regional Transmission Organization (RTO), Alice Schum reported that the capacity for delivery year 2017/2018 which staff committed to in the Spring of 2014 will begin delivery in June. The May auction will determine capacity for delivery year 2020/2021. Schum stated that the rules are changing with regard to pseudo ties. These changes include new agreements going through the stakeholder process, breach provisions, replacement capacity changes, the performance assessment hours going from hourly to 5 minute for penalties and the fact that PJM-certified market operators (IMEA operators staff) must take training within six months instead of twelve.

Regarding the MISO Regional Transmission Organization (RTO), Schum reported that the 2017/18 Planning Resource Auction will begin on March 29 for 3 days. MISO is imposing a 50MW threshold physical withholding during the 3-day auction period. Regarding MISO Zone 4 in Illinois, the Competitive Retail States (CRS) proposal is being finalized at FERC. Schum stated she is attending a meeting at MISO tomorrow regarding treatment of Behind the Meter Generation.

Schum reported that the annual updates with required parties on reliability compliance had been completed. Regarding Trimble County, monthly calls continue with LG&E, TVA and PJM. She also stated that four IMEA members hit all-time peak highs in December. Discussion are ongoing with Dynegy regarding changing sources in the Electric Power Supply Agreement (EPSA). Staff has completed EIA 923 reports requested by the US Energy Information Administration along with the annual Electronic Quarterly Reports (EQR).

Trimble County: Kevin Wagner reported the following:

- Safety - The plant experienced no employee OSHA recordable events during December.
- Performance - Neither TC1 nor TC2 experienced any outages during the month of December. The plant took a weekend outage earlier this month on TC2 to wash the air pre-heater and a few other maintenance items. Currently both units are on line and available for full load.
- Coal Combustion Residue Treatment & Transport (CCRT) Project/Landfill status - CCRT contractor (AMEC) poured one of the big tank foundations, however, weather and mud has significantly limited construction activity at the site. The 404 permit for the landfill is expected this March with the first phase of construction estimated to get underway by June.
- 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 that is scheduled to begin February 24th.
- Effluent Limitation Guideline compliance - The plant is responding to bidder questions about the RFP for the water treatment project associated with the scrubber waste water.
- TC2 Participation Agreement - The attorneys are reviewing the proposed amendment to the TC2 Participation Agreement concerning imbalance charges.
- Plant General Manager Change - Mike Buckner recently took over as general manager of the Trimble County plant, replacing Jeff Joyce who retired after a long career with LG&E. He is currently interviewing candidates for his former position as operations manager at the plant.

Prairie State: Kevin Wagner reported the following activities:

- Safety - The plant reported no safety events during the month of December ending the year with only 2 OSHA recordables and no lost time incidents for 2016. The mine had 2 recordables in December ending the year with a total of 15 recordables and 13 lost time incidents for 2016.
- Plant Performance - Neither U1 nor U2 experienced an outage during December. The plant saw its best monthly Equivalent Availability (EAF = 98.5%) and Net Generation (~1.2 M MWhr) in the history of the facility in December. While plant EAF for 2016 fell a little shy of the record high annual EAF set in 2015 (~77% vs ~81%), 2016 saw the lowest number of forced outages for the plant. U1 experienced its longest continuous run (121 days) operating at better than 98% EAF for half the year, and U2 ran better than 90% EAF for 5

months of the year. Prairie State plant moved from 11th to 7th place for best heat rate among the country's top coal-fired plants and among these plants with the best heat rate, Prairie State had the best average capacity factor.

- Mine Performance - As of the end of the year, PSGC had ~720K tons of total coal inventory.
- Unit 1 Spring Maintenance Outage - PSGC staff is gearing up for a scheduled maintenance outage on Unit 1 that will begin in early March and run through mid-May. This will involve the first major overhaul of the turbine and a planned rebuild of the Toshiba generator stator (as is customary for a unit that is 5-6 years old). Air pre-heater baskets will be replaced, Platen tube material will be upgraded in the boiler and retractable scaffold beams will be installed in the upper boiler walls (as was done recently in U2).

Local Transmission/Generation: Kevin Wagner reported the following:

- Mascoutah/Ameren Hilgard 138 kV Project - Ameren continues work of the switching station bid package expected to be released this May with station work getting underway in early 2018. Ameren delivered to the City its draft of the long awaited 345 kV encroachment agreement.
- Gridliance Highland 138 kV Proposal - Discussions continue between Gridliance and IMEA and City of Highland staff regarding the value of the Highland 138 kV transmission assets that Gridliance seeks to acquire. Gridliance proposed the idea of just doing a purchase option that would not be exercised until the proposed 138 kV network loop between Highland and Mascoutah was in service. Gridliance is now extending its project discussions next month to include Mascoutah.
- Marshall/Ameren Gallatin 69 kV Project - Ameren has indicated that the new 69 kV line to Marshall should be in service by this coming June. The City has experienced two prolonged outages this month due to problems with the Ameren Hutsonville 69 kV line. Ameren load growth in the Martinsville area coupled with a history of poor reliability and outage exposure on the lengthy Hutsonville line appears to have helped push Ameren forward on the Gallatin project.
- SCADA Data Sharing Agreement with Ameren - Ameren and IMEA have now executed the SCADA Data Sharing Agreement. The IT department will work on completing the hardware and implement the initial list of data points. Once in place, the old Harris RTU that have previously been shared with Ameren will be eliminated.
- Member Power Plant operator training – Shadi Ahanchi reported that staff is in the process of finalizing the details for the upcoming training sessions. Twenty-three operators have registered for training session at Marshall, fourteen at Highland, and eighteen at Sullivan. The registration is now closed as full capacity has been reached at each location.
- RICE NESHAP performance testing – Ahanchi stated that RICE NESHAP performance testing is due this summer for IMEA-Flora and seven other members with comparable high-speed Caterpillar units. BHMG and Hastings Engineering will perform the testing for IMEA-Flora units. The performance testing is required every 3 years by IEPA for non-limited use engines to demonstrate that each engine meets the applicable emission limits.

Solar Demonstration Projects: Kevin Wagner reported that staff and Altorfer are reviewing the draft Power Purchase Agreement (PPA) language for the St. Charles installation and anticipate commercial operation by July of 2017. Staff is also updating the language in the existing Generation Siting & Operating Agreement with the City to correspond with scope changes in the proposed PPA. The City is also reviewing a draft of the Interconnection Agreement with Altorfer.

Regarding the solar project in Rantoul, Kevin Wagner reported that commercial operation was achieved on December 31, 2016 and the 20-year term of the Power Purchase Agreement started on January 1, 2017. Staff is currently getting SCADA readings on power output and weather station data. Altorfer anticipates remaining items on the “punch list” to be completed by March 1st and IMEA staff is planning a dedication ceremony later this spring.

Legal: General Counsel Troy Fodor reported the following:

- IMEA Contracts – Negotiations were finalized yesterday with LG&E regarding the proposed amendment to TC2 Participation Agreement as to the imbalance charges provision which will reduce penalties. Regarding Dynegy, discussions are ongoing with PJM and MISO about swapping pseudo-ties from Newton 1 and Coffeen 1 to Duck Creek. Illinois Power Generating Company (IPG), owner of Newton and Coffeen plants, filed for bankruptcy in December of 2016. This proposed reorganization may affect the cost-basis under the IMEA contract. Staff is continuing to meet with Dynegy to manage these changes.
- FERC Matters – MISO filed tariff revisions for a new capacity construct for retail choice areas (Illinois and 10% of Michigan). IMEA intervened and filed limited comments. Multiple parties have filed comments and MISO has answered. MISO has requested approval by March 1, 2017 so the new rules are in place for the capacity auction in March of 2018. On August 25, 2016, Tilton Plant owned by Rockland Capital filed a complaint against MISO at FERC for double charging congestion. Two of the other joint owners in Prairie State, NIMPA and AMP, also filed similar complaints against MISO and PJM. IMEA is also being double charged with regard to pseudo-tied congestion between MISO and PJM. IMEA is monitoring all activity on this matter, but is not ready to file a complaint. There has been no FERC ruling yet.
- Update on PJM Capacity Market Issues – 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 on October 31, 2016. 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 number of ICTR’s, but they have identified the type of upgrade required and a cost estimate. They will try to get the project approved for the May 2017 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

At that time CEO Gaden then asked for a motion to go into executive session for discussion of personnel matters. Dick Simon moved to go into closed session, seconded by Tim Birk. Voice vote showed all in favor. The meeting was closed to the public pursuant to Section 2(c)(23) of the Open Meetings Act, 5 ILCS 120/2(c)(1) and (23) at 11:20 a.m. The meeting was returned to open session at 12:46 p.m.

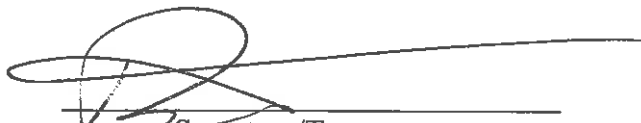
Past Chairman Rick Abell asked for a motion to approve the following recommendations:

1. An increase to the base salary pool for all employees (except CEO) a total of 2.75% effective May 1, 2017.
2. An increase to the base salary pool for all employees (except CEO) a total of 1.00% effective May 1, 2017, to be distributed to employees based on merit and salary comparability, at the CEO's discretion.
3. The approval of an annual pool of \$20,000 to be placed in the salary budget to provide for the Employee Incentive Plan payments that would begin on May 1, 2017 for that fiscal year.
4. Adjusting the CEO salary to an annual sum of \$400,000 from the current salary effective May 1, 2017.

Rick Abell moved to approve the above referenced four recommendations, seconded by John Hodapp. The roll call showed unanimous approval.

Vice Chairman Curran asked for a motion to adjourn the meeting. The motion was made by Dick Simon, seconded by Tim Birk and carried unanimously. The meeting was adjourned at 12:15 p.m.

Respectfully submitted,



Secretary/Treasurer

**ILLINOIS MUNICIPAL ELECTRIC AGENCY
EXECUTIVE BOARD MEETING
WEDNESDAY, JANUARY 25, 2017**

MEMBERS PRESENT

Carlyle	John Hodapp
Flora	Bob Coble
Metropolis	Rick Abell
Naperville	Mark Curran
Peru	Mayor Scott Harl
Rock Falls	Dick Simon
St. Charles	Tom Bruhl
Waterloo	Tim Birk

MEMBERS ABSENT

Rantoul	Greg Hazel
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OTHERS PRESENT

Altamont	Larry Taylor
Breese	Dale Detmer
Bushnell	Justin Griffith
Carmi	David Coston
Chatham	Shane Hill
Marshall	Cory Sheehy
Red Bud	Josh Eckart (via teleconference)
Roodhouse	Mayor Tom Martin
Winnetka	Brian Keys
IMEA	Kevin Gaden
IMEA	Troy Fodor
IMEA	Bob Childers
IMEA	Alice Schum
IMEA	Mike Genin
IMEA	Staci Wilson
IMEA	Cindy Evans
IMEA	Kevin Wagner
IMEA	Shadi Ahanchi
IMEA	Rakesh Kothakapu
IMEA	Chris Jewell
IMEA	Glenn Cunningham
IMEA	Ed Cobau
IMEA	Tammy Hall