

ILLINOIS MUNICIPAL ELECTRIC AGENCY

REPORT OF EXECUTIVE BOARD MEETING

WEDNESDAY, JANUARY 24, 2018

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 24, 2018.

Chairman Greg Hazel called the meeting to order at 10:00 a.m. Roll call was taken which showed a quorum was present.

The Report of December 13, 2017 was moved for approval by Mayor Scott Harl, seconded by Dan Cook. The motion was carried by unanimous voice vote.

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 Kevin Gaden introduced Shelly Schaddeg, the new Business Administrator from Breese. He reported that the wind developer had fulfilled all but 19MW of their full subscription of the wind farm and has solicited IMEA for that remaining 19MW. Staff continues to work on the PJM Market Services Agreement. This includes portal submittals, daily settlements of the wind developer's portion of output, regular reconciliation of payments and the management of renewable energy credits. Staff expects this Agreement will be completed before the February Board meeting.

Regarding Federal activities, CEO Gaden stated that FERC had rejected the Dept. of Energy Notice of Proposed Rulemaking (NOPR) to pay coal and nuclear units to recover costs due to the nature of solid fuel and reliability benefits. The EPA is seeking comments to replace the Clean Power Plan and APPA continues to lobby Congress in an attempt to review the status and control of the RTO's and to get more predictability from the outcomes of FERC actions.

At the State level, CEO Gaden reported that Staci Wilson continues to attend hearings the ICC is holding on MISO Zone 4 resource adequacy needs in anticipation for a full report to be published and the General Assembly may consider a Dynegy subsidy. Dynegy is working towards a merger with Vistra Energy for all of the Dynegy fleet nationwide. There is over 8,000MW of Illinois generation owned by Dynegy and staff continues to work with Dynegy to restructure IMEA's current contract. He also reported that the State LIHEAP Advisory Board had accepted Staci Wilson as their municipal representative replacing Doc Mueller and Rodd Whelpy had been appointed as the alternate.

Staci Wilson discussed specifics of a webinar to be held this afternoon at the IMEA offices. The director of the Illinois Power Agency, Anthony Star, will give a presentation on the Long-Term Renewable Resources Procurement Plan and how those changes could impact municipal utilities. She also gave background information on comments from ComEd regarding this issue. Wilson stated that the working group had reviewed the draft amendment on the 5G Small Cell Wireless bill and it does not directly have implications to help municipals, it mostly applies to the cable industry. She also stated that staff had distributed an updated net metering policy with suggested changes to the interconnection agreement to be considered to be used by members.

CEO Gaden stated that the APPA Legislative Rally will be held from February 26 to February 28 and participants should register with Dee Dee Bunch. All attendees must sign a Travel Reimbursement Form and the IMEA Board will approve the travel expenses by formal action at the February Board meeting. He reported that the improvements to the patio and roof have been completed. He also stated that Mayor Bob Tackitt from Flora had passed away on January 22nd and staff will attend the funeral on Friday. Gaden also thanked the Board members for their cards and prayers in the recent passing of his mother.

OLD BUSINESS

Executive Session Minutes: General Counsel Troy Fodor recommended that the Executive (closed) session minutes of June 14, 2017 and October 18, 2017 not be released as public records. He stated that the power supply matters therein are not yet complete and that the need for confidentiality still exists. Rick Abell moved to hold the June 14, 2017 and October 18, 2017 as closed session minutes not subject to public inspection. Tim Birk seconded the motion which carried by unanimous voice vote.

At that time, CEO Kevin Gaden then asked for a motion to go into Executive Session for discussion of the purchase, sale or delivery of electricity. John Hodapp moved to go into closed session, seconded by Tom Bruhl. 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)(23) at 10:25 a.m. The meeting was returned to open session at 11:00 a.m.

Operations: Regarding the PJM Regional Transmission Organization (RTO), Alice Schum reported that PJM had filed market design changes with FERC in order to address the impact of State subsidies and promote fair competition. They have also proposed a two-phase auction instead of the current four-phase auction with a Base Residual followed by the 1st, 2nd and 3rd Incremental auctions. Regarding the 2018-19 planning year, Schum stated that staff is utilizing the Fixed Resource Requirement Plan (FRR) for Naperville and Reliability Pricing Model (RPM) for the rest of the loads.

Regarding the MISO Regional Transmission Organization (RTO), Schum reported on a max generation event in the southern region last week during the recent cold weather snap. The Planning Resource Auction for planning year 2018-19 will be held the end of March when staff submits a load forecast and provides capacity through the various power supply resources in the IMEA fleet in Ameren territory. Staff received transmission approval for excess generation in Princeton and will offer that into the auction and the daily energy markets. MISO announced that generating owners must give notice regarding generation retirements, but will now have three years to establish a fixed date, which is longer than currently provided.

Regarding LG&E, Schum reported that staff is still working with NERC to register pseudo ties for Trimble County units 1 and 2 and that staff recently learned of a pseudo tie concern on Unit 1. PJM stated that the metering may not meet RTO deviation requirements. Schum also offered to file the Energy Information Administration Form #923 on behalf of any generating member.

Demand Response Pilot Program: Mike Genin stated that staff is updating the terms of the current Demand Response Program and will seek approval of the updated program at the February IMEA Board meeting. Initial discussions were conducted with Naperville, St. Charles, Peru and Riverton, although a company from Peru is the only likely participant at this time.

Trimble County: Kevin Wagner reported the following:

- Safety – There were no recordable incidents at the plant in the month of December.
- Plant Performance – The Equivalent Availability Factor (EAF) for the month of December was 79.1% with an average EAF for the year of 76.5%. He presented a graph reflecting the plant's annual EAF values over the past 5 years. The availability dropped about 5.5 % in 2015 primarily due to lengthy maintenance outages needed to convert the start-up fuel system to natural gas and prepare the upgrades to the new Coal Combustion Treatment & Transport system (CCRT). Last month TC1 experienced forced outages due to a plugged screen and the unit was taken off line this past weekend to correct excessive vibration in a generator bearing. TC2 had one forced outage in December, mainly the result of waterwall tube leaks. Currently both units are on line and available for full load. The TC2 spring maintenance outage will be complete before the summer season begins. During that outage, Inconel-clad waterwall panels will be installed that should significantly reduce down time from tube leaks. The critical activity during the planned extended outage will be the inspection and reblading of the turbine.
- Coal Combustion Residue Treatment & Transport (CCRT) - Contract crews continue the installation of pilings and steel required for the CCRT system including the conveyor bridge over the county road. Tree clearing work continues in the landfill ravine.

Prairie State: Kevin Wagner reported the following activities:

- Safety - Workers at the plant have stayed accident free since November. The mine had one recordable in December and one this month.
- Plant Performance - The plant Equivalent Availability Factor (EAF) for the month of December was 92.2% with an average EAF for the year of 77.8%. He presented a graph reflecting plant annual EAF values over the past 5 years. 2017 was the second highest equivalent availability during this period and the annual Net Capacity Factor was in the top 10% of comparable plants in the industry. The plant also experienced its lowest annual Equivalent Forced Outage Rate in 2017. Staff reported actual costs for the year came in 52 cents/mWhr below budget. Unit 1 experienced forced outages in December and the next 28-day planned maintenance outage is scheduled for Unit 1 this spring. This will involve upgrades that should prolong the catalyst on the NOx removal system. Currently all units are on line and available for full load.

Local Transmission/Generation: Kevin Wagner reported the following:

- Ameren Hilgard 138 Kv Switching Station - Staff continues to work with the City of Mascoutah and Ameren to track the progress of the Hilgard Switching Station construction that will provide two new 138 kV delivery point terminals for the City. The City reports delays in acquiring easements needed to complete its tie lines to the switching station by the end of this year as originally planned. Pending breakthrough in negotiations with property owners, the new interconnections will likely not be completed until sometime next year. IMEA staff has made itself available to assist the City in the event it needs to seek eminent domain authority with the Illinois Commerce Commission for properties outside city limits.
- Ameren Jarvis 345/138 Kv Substation - The City of Highland and Ameren have reached an agreement on the terms of the Memorandum of Understanding for acquisition of the western end of Highland's 138 kV line by Ameren and the new delivery point that will be created at the proposed Ameren Jarvis Substation. The terms of the agreement request Ameren to study options for providing a 2nd 138 kV line to serve Highland and support efforts to construct such line.

- Carlyle's Unit 1 Replacement - Carlyle has recently completed installation and testing of the diesel oxidation catalyst system on its Unit 7 generator that is being converted from "emergency only" status to dedicated capacity to partially replace Unit 1 (Worthington) that experienced a crankshaft failure last summer. Unit 7 successfully completed its URGE testing yesterday. The City is also in the process of obtaining an air permit for a new EMD generator that will make up the balance of capacity lost with Unit 1.
- Replacement of Generators - Rock Falls is reviewing options for either relocating its two 20-year old Avenue A generators in larger enclosures or replacing them with newer diesels. Another option being considered is installation of a couple of high efficiency natural gas fired reciprocating engines that would provide an opportunity for as much as 1000 hours/year economic dispatch for the Agency in the PJM market. Staff is currently reviewing the project scope with the City's engineering consultant .

Kevin Wagner reported that the St. Charles solar facility completed the last four months of 2017 with net production exceeding 200 mWhr at a 14% capacity factor. This is on target with performance goals for the first year of operation that began September 1. A ribbon cutting and public open house at the facility in planned for May.

Wagner also stated that the Rantoul solar facility exceeded the first year production goal with 1,650 mWhr net output at a 19% capacity factor. At the April Board Meeting, staff anticipates reviewing "lessons learned" to date with these solar projects and considerations for future solar projects. Staff is also analyzing the cost impact of the recently announced tariff increase on imported solar panels.

Legal: General Counsel Troy Fodor reported on the following:

- PJM Transmission Project – General Counsel Troy Fodor reported that the final Facility Study and draft Upgrade Construction Services Agreement (UCSA) was received on January 11, 2018. Staff requested changes to the draft UCSA for clarification purposes regarding the life of the project and future tariff changes. Fodor discussed options going forward to include filing with FERC for approval if PJM agrees to clarifications; file agreement with FERC unsigned and ask FERC to make clarifications if PJM does not agree, or accept the draft UCSA as is. Regarding IMEA's Incremental Capacity Transfer Rights (ICTR) backup project, the System Impact Study is estimated to be completed by the end of this month. At that time, IMEA can extend the current proposed project or withdraw it if the current project is approved and ICTRs are gained.

Fodor discussed the income tax reform issue and how expediting tax reductions through the formula rates will have a downward effect on transmission rates. He explained that the State of Illinois has a statute requiring transmission owners to participate in an RTO. Based on a FERC ruling, ComEd and Ameren are currently receiving a 50 basis point incentive adder for participating in the RTO's. A recent California court decision overturned that same ruling so another party could perhaps challenge the Illinois ruling and have the 50 basis point incentive adder removed from ComEd and Ameren's rate formulas. Staff will continue to review the court's ruling.

Fodor also reported that he had requested a rehearing regarding the PJM capacity performance construct two years ago. He explained that IMEA believed it should not be subject to penalty for following dispatch in accordance with PJM parameters. The final ruling upheld the penalty provisions.

NEW BUSINESS

Energy Efficiency and Conservation Program – Rodd Whelpley reported that the FY2017-18 program had already broken the annual record for the number of applications even though there are still three months to go in the IMEA fiscal year. The Energy Efficiency & Conservation Committee will meet by conference call on February 7 at 2:00 pm. The committee will discuss options for expanding the use of program funding for city projects only. These ideas include solar installations, electric vehicles, electric vehicle charging stations along with utility system improvements. Whelpley explained that the FY2018-19 will be a “use it or lose it” year.

Please contact Rodd Whelpley if you would like to participate in the conference call on February 7 or if you have ideas for the upcoming FY2018-19 program year. Those recommendations will be presented to the IMEA Board at the February meeting for approval.

At that time, Chairman Hazel then asked for a motion to go into Executive Session for discussion of personnel matters. Rick Abell moved to go into closed session, seconded by Dick Simon. Voice vote showed all in favor. The meeting was closed to the public pursuant to Section 2(c) (1) & (2) of the Open Meetings Act, 5 ILCS 120/2(c) (1) & (2) at 11:50 a.m. All staff except for CEO Kevin Gaden and guest left the meeting at this time. The meeting was returned to open session at 12:40 p.m.

Past Chairman Rick Abell made a motion to approve the following:

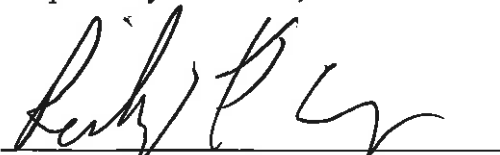
1. An increase to the base salary pool for all employees (except CEO) a total of 2.50% effective May 1, 2018 to be distributed based on merit
2. An increase to the base salary pool for all employees (except CEO) a total of 1.25% effective May 1, 2018, to be distributed to employees based on merit and 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, 2018 for that fiscal year (CEO is ineligible for these funds)

This motion was seconded by John Hodapp and the voice vote showed unanimous approval.

Past Chairman Rick Abell made a motion to increase the CEO salary by \$33,000 effective May 1, 2018, seconded by Tom Bruhl. The voice vote showed unanimous approval.

Chairman Greg Hazel asked for a motion to adjourn the meeting. The motion was made by Dick Simon, seconded by Dale Detmer and carried unanimously. The meeting was adjourned at 12:45 p.m.

Respectfully submitted,



Secretary/Treasurer

**ILLINOIS MUNICIPAL ELECTRIC AGENCY
EXECUTIVE BOARD MEETING
WEDNESDAY, JANUARY 24, 2018**

MEMBERS PRESENT

Carlyle	John Hodapp
Carmi	David Coston
Highland	Dan Cook
Metropolis	Rick Abell
Peru	Mayor Scott Harl
Rantoul	Greg Hazel
Rock Falls	Dick Simon
St. Charles	Tom Bruhl
Waterloo	Tim Birk

MEMBERS ABSENT

OTHERS PRESENT

Altamont	Larry Taylor
Breese	Dale Detmer & Shelly Schaddeg
Bushnell	Justin Griffith
Chatham	Shane Hill
Flora	Bob Coble (via teleconference)
Freeburg	John Tolan
Marshall	Cory Sheehy (via teleconference)
Mascoutah	Cody Hawkins
Naperville	Mark Curran
Red Bud	Josh Eckart (via teleconference)
IMEA	Kevin Gaden
IMEA	Troy Fodor
IMEA	Bob Childers
IMEA	Alice Schum
IMEA	Mike Genin
IMEA	Staci Wilson
IMEA	Kevin Wagner
IMEA	Shadi Ahanchi
IMEA	Rakesh Kothakapu
IMEA	Cindy Evans
IMEA	Rodd Whelpley
IMEA	Glenn Cunningham
IMEA	Chris Jewell
IMEA	Tammy Hall