

# ILLINOIS MUNICIPAL ELECTRIC AGENCY

## REPORT OF EXECUTIVE BOARD MEETING

WEDNESDAY, JANUARY 23, 2019

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 23, 2019.

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 November 28, 2018 was moved for approval by John Hodapp and seconded by Tom Bruhl. The motion 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.

### OLD BUSINESS

President & CEO Report – CEO Kevin Gaden welcomed Dave Miller from Carlyle and Lucy Podlesny from Naperville. CEO Gaden gave an update on the Ameren WDS Rate case including the proposed rate increase and the Wholesale Connection Agreement with Ameren which will include power factor penalties starting in 2022. He stated that the Energy Efficiency & Conservation Committee (E2C2) is working to extend the program for another three years with the same Commercial/Industrial programs, more residential programs and an incentive for electric vehicle charging.

CEO Gaden also reported that Sue Kelly, current APPA CEO, is retiring on December 31, 2019 and the APPA Board Executive Committee will be hiring a consultant for her replacement. Gaden stated that his term on the APPA Board expires after the June 2019 Board meeting. He explained that IMEA is applying for an APPA DEED intern for the summer of 2019 to assist in the development of expanded E2C2 programs, formalize the Demand Response Program materials and assist with the electric vehicle analysis and incentives.

CEO Gaden then reported that important issues for APPA are to assist with FERC filings on RTO markets issues, Demand Response issues and Behind the Meter Generation treatment along with cyber security issues. IMEA hosted an APPA sponsored Cyber & Physical Security workshop in the summer of 2017. APPA is in its third year of a 3-year grant to assist public power to fortify cyber efforts. As part of that grant, APPA pledged to have 700 APPA members perform an online cyber preparedness survey and to date only 183 have complied. CEO Gaden requested members participate in the survey if they haven't already and reminded members to consider taking advantage of IMUA's cyber initiative.

Regarding legislative matters, CEO Gaden reported that former FERC Chair Kevin McIntyre passed away in early January 2019 and President Trump has not yet named a replacement. In December of 2018, IMEA staff along with the Chair and Past Chair traveled to Washington DC to meet with Senator Duckworth's office discussing the governance of IMEA's Board meetings, IMEA's rates to member and E2C2 program details. They also visited Congressman Bost's office. Gaden also noted that the bond rating visits have been scheduled for March 14 and 15 in New York.

Staci Wilson discussed a substantial legislative agenda expected to be introduced by the Illinois Environmental Council as well as new appointments from the Governor's office. She announced that the Governor had signed an Executive Order supporting Illinois joining the U.S. Climate Alliance. Wilson emphasized the importance of attending the Prairie State Lobby Day to be held in Springfield on April 9.

Executive Session Minutes: General Counsel Troy Fodor recommended that the Executive (closed) session minutes of February 21, 2018 and June 18, 2018 be approved and released as public records. Dan Cook moved to approve and release these Executive (closed) session minutes and David Coston seconded the motion which carried by unanimous voice vote.

## OLD BUSINESS

Operations – Regarding the PJM Regional Transmission Organization, Alice Schum reported the results by MW/day of the base and incremental capacity auctions for the 2019/2020 Planning Year so far. She explained that the 3<sup>rd</sup> incremental auction will be held at the end of February and the 2022/2023 base residual auction had been delayed from May to August of 2019. She discussed PJM's treatment of Non-Retail BTMG. Schum also discussed the GreenHat default. GreenHat Financial Trading Company based in Texas joined PJM in 2014 and defaulted on its FTR position. The other PJM market participants, including IMEA, have had to cover their losses. PJM is trying to go after Shell to mitigate some of the loss as Shell was an FTR trading partner with GreenHat. PJM and Shell Energy have different interpretations of the tariff. PJM believes Shell Energy should indemnify members and Shell Energy believes the tariff allows for netting.

Regarding the MISO Regional Transmission Organization, Schum reported that the 2019/20 Planning Year postings showed that IMEA's EFOR rates have improved for BTMG so more capacity can be claimed. Regarding capacity changes, MISO is possibly changing the notification time of Load Modifying Resources (LMR), suggesting Demand Response must prove capability and proposing better outage coordination. MISO has stated capacity will be counted on Installed Capacity (ICAP) basis and not on Unforced Capacity (UCAP) – actual capacity values are less. She stated that over the next two years, the IT Department will assist in the overhaul of market data submission.

Regarding Operations, Schum reported the number of members who set new monthly peaks in 2018. Staff continues the TC1 pseudo tie coordination set for June 1, 2019. She also stated that both RTOs are upgrading their marketing tools due to increased cyber security and the Energy Information Administration (EIA) 923 data was being gathered regarding generation and fuel.

Trimble County: Kevin Wagner reported the following:

- The plant had a safety incident in December involving two employees. No injury occurred, but the precautionary use of oxygen constituted two reportable events bringing the total reportables to five for plant employees in 2018. The contractor fatality in November is still under investigation by OSHA. The plant has taken steps to elevate awareness among its employees and contractors of the processes and potential hazards for workers at Trimble. This is especially important since the plant brought in 25 new hires over the past year. The overall Equivalent Availability Factor (EAF) for 2018 was 79% and is the second highest since Unit 2 came on line in 2011. Individually, Unit 1 achieved 93% and Unit 2 came in at 70% reflecting its extended maintenance outage last spring for the turbine work. The Equivalent Forced Outage Rate (EFOR) for the plant

was an exceptional 2.3%. Unit 2 achieved its best annual EFOR since the unit was placed in service. Unit 1 has been on line and available for full load since mid-November. Unit 2 experienced a four-day outage in mid-December as a result of tube leaks in the reheater and boiler water walls. Plans are underway for Unit 2's six-week spring maintenance outage that will begin March 16<sup>th</sup>. Work will focus on the overhaul of both LP turbines and rebuilding of some of the lower slope boiler tubing. The 138 kV cables and oil-filled terminals serving the reserve transformers will also be replaced.

With regard to the Coal Combustion Residue Treatment and Transport (CCRT) Project, AMEC (project contractor) anticipates having the gypsum dewatering system commercially operable by the end of this month and the fly ash system operable by the end of February. The process water system should be mechanically completed by March and commercially available by May. The overland conveyor is scheduled to be in service by the end of the year and installation of the ground water monitoring wells at the landfill is underway. To date, the plant has hired eight new operators for the CCRT.

Prairie State: Kevin Wagner reported the following activities:

- For the month of December, the mine experienced two safety incidents. In 2018, the mine reported 14 incidents, which is 7 less incidents than in 2017. The plant had no incidents during December. In 2018, the plant held the number of recordables to four, which is the same as for 2017 but still below industry average. The plant's annual Equivalent Availability Factor (EAF) came in at 83%, the highest since the full plant went in service in 2012. The plant's Equivalent Forced Outage Rate was 7.3% for the year - the lowest since it began service in 2012. Plant net generation also set a record for the year at 11.5 million mWhr. 2018 also saw the longest continuous runs in the history of the plant for both units (at 81 days) and for a single unit (at 164 days). With regard to recent operational performance, Unit 1 was down for about 7 days in December for a maintenance outage to repair the mist eliminators in the scrubber. Unit 1 was recently taken off line for additional work required on the conveyor. Only one planned maintenance outage is scheduled for the plant in 2019 involving Unit 1 which will begin in early September and run through mid-October.

Local Transmission/Generation: Kevin Wagner reported the following:

- Ameren Hilgard/Mascoutah - Earlier this month Ameren released for execution the Encroachment Agreement for its 138 kV Line 1482 that would enable the City to use part of the Ameren transmission corridor between its existing delivery point tap and the new Hilgard Switching Station for construction of the City's south tie line extension. Ameren also released for signature the Hilgard property easements the City needs to terminate its south and north tie lines at new 138 kV delivery points. As a result of property owner unwillingness to negotiate needed easements located outside the city limits, Mascoutah filed a petition with the ICC on Oct 16<sup>th</sup> for authority to exercise the right of eminent domain for the extension of its south 138 kV tie line. The property owner of the needed easements filed testimony disputing the City's land value assessment process and both the City and Ameren responded to ICC staff questions regarding the project. Last week, ICC staff filed its testimony rejecting Mascoutah's request for eminent domain. While agreeing the line is needed for reliability, ICC staff recommended the City avoid the need for additional easement at this time by paying Ameren to replace several of its wooden H-frame structures with single pole steel structures and double circuiting the City tie line with Ameren's Line 1482. This

option, however, doubles the City's original cost for building this 6/10 mile line, increasing by about \$750K. Should Ameren later decide it needs this conductor space, the City would be forced to abandon the structures and go through the process of acquiring the private easements and build the separate parallel line – essentially tripling its original line cost. ICC staff's testimony did not acknowledge the fact that the double circuit option would require Ameren to renegotiate its Line 1482 easement with the subject property owner in order to replace the wooden poles with steel structures. Ameren and Mascoutah are meeting this week to discuss the next steps in its response to the ICC staff testimony.

- Ameren Jarvis/Highland - Ameren is proceeding with installation of the 138 kV circuit between its Jarvis and Canteen Substations that will initially feed Highland's 138 kV delivery point at Jarvis this spring. The Jarvis 345/138 kV transformer is planned to go into service later in the year. IMEA staff continues to work with bond counsel to certify the City's ability to sell to Ameren the western portion of the Highland 138 kV line that Ameren needs to reinforce its transmission system with the Jarvis Substation. Substation work at Jarvis is continuing through the winter with steel erection and the arrival of the control house expected this month. The City and IMEA staff also met with Ameren transmission planners in December to review long-term options for providing a 138 kV backup source for Highland. Ameren agreed to perform the studies at its expense and anticipates reviewing results with us next month.
- BTM repairs – The City of Carlyle successfully ran its new EMD Unit 11 at full load just before Christmas. IDS, the contractor, is finishing the installation of NESHAP compliance equipment on the unit's exhaust. Capacity testing will follow shortly thereafter. Staff anticipates Carlyle Unit 11 will be officially available as dedicated capacity well in advance of the June 2019 in-service date originally contemplated a year ago when the Board granted waiver of the 12-month requirement for replacing continuously unavailable dedicated capacity.

The City of Carmi is still waiting on IDS to complete the tear down and preparation of the repair estimate of its Unit 11. At this point, it is unlikely that the City Council will be in a position to vote by January 31<sup>st</sup> to either approve repair or replacement of Unit 11 which is a condition required by the IMEA Board for granting the extension of time to get the Unit 11 dedicated capacity back on line by July 20, 2019 or face permanent loss of the unit's capacity payment. Carmi has informed IMEA staff of its difficulty in scheduling a tear down and repair evaluation primarily because of the limited availability of qualified contractors who can work on this aging, slower-speed equipment. Staff recognizes that about 60% of IMEA's generating members have similar equipment that may soon face the same issue of securing timely repair work when major breakdowns occur or risk permanently losing capacity payments. Staff recommends that the Board schedule a Generation Committee Meeting in the next several months to discuss this issue and consider possible modifications to the Member Generation Policy on dedicated capacity repair and replacement.

- Solar Activities: – The one-megawatt solar facility in Rantoul completed its second full year of operation last November. It generated 1,542 mWhrs of net energy at a capacity factor of 17.6%. This was down about 4% from the previous year primarily due to last summer's storm damage that took about 10% of the panels out of service for several weeks. The Village of Rantoul recently received the deed from the Air Force that includes the acreage used by our solar facility. IMEA's Siting Agreement with the Village allows operation under either land control scenario, although Rantoul's ownership of the property is now official and land control no longer depends on the terms of the master lease agreement with the U.S. Air Force.

The half-megawatt solar facility in St. Charles generated 734 mWhrs of net energy in 2018. The final quarter of 2018 was down about 10% from the same period last year, which was likely weather related. The City commissioned informational signs for placement at the site and were illustrated in the slides. The City has offered the templates for use at other member solar sites.

- **Solar Project Bid Evaluation** - Over the past month IMEA staff has focused its evaluation of the solar power purchase agreement (PPA) bids on the three lowest cost offers. These were provided by Bidders A, C and F. Thus far, staff has seen no “fatal flaws” in the proposals from a technical, legal or financial standpoint. The bell-shaped daily energy production profile was adjusted for Bidder A to make it comparable to the “mesa-shaped” profiles used by Bidders C and F. This resulted in 10% more panels for Bidder A which reduced its \$/mWhr cost. The release of the geotechnical reports for the Oglesby and Naperville sites were delayed by crop harvesting at these sites. Consequently, the bidders were not able to review these reports until after their bids were submitted Nov 9<sup>th</sup>. However, to date, no issues have been raised or cost adjustments requested by the bidders who have now had an opportunity to view the soil tests. IMEA staff was recently advised that the City of Oglesby has decided not to move forward with the offer of its proposed solar site at this time. Site studies and surveys have been completed that support the use of this acreage for a solar arrays and it will be reconsidered at a later date should the Board decide to install an additional BTM array in the future and the City of Oglesby wishes to offer it.

Staff has subsequently re-evaluated the three lowest cost bidders assuming only three of the proposed solar sites (Naperville, Altamont, and Rock Falls) will be awarded by March 1<sup>st</sup>. Bidders A and C offered comparable pricing for either individual or comprehensive site bids. Bidder F, however, had a significant difference between its individual site bids and its comprehensive bid. When approached with the possibility that the Oglesby site may be withdrawn, Bidder F agreed to offer pricing for a 3-site comprehensive offer that’s comparable to its original 4-site comprehensive offer. A present value analysis of the various buyout scenarios between Bidders A, C and F for a three-site comprehensive award showed no material change in either the cost or the ranking of the bidders compared with the four-site comprehensive award. Consequently, staff recommends moving forward with preparing siting agreements for Naperville, Rock Falls and Altamont plus the PPA with the lowest cost qualified bidder for these three sites. Assuming this process proceeds in a timely manner, staff proposed bringing these agreements in final (or near final) form to the February Board meeting for approval with the goal of executing these agreements by March 1<sup>st</sup>. This timetable keeps these projects on schedule to issue a Notice to Proceed for the three sites in early March so material deliveries can be arranged and contractors can take full advantage of the 2019 construction season. Wagner presented a chart illustrating the present value analysis of the original 4-site comprehensive bids including the modified panel pricing for Bidder A (identified in the table as Bidder “A1”). He also presented a chart illustrating the present value analysis of the comprehensive 3-site bids which assumes Oglesby is *not* included. While the total annual dollars reflect the reduction in installed capacity, the \$/mWhr rates and rankings are comparable to the previous comprehensive site analysis that included Oglesby.

**Ranger Power Solar PPA** – Chris Jewell reported that staff had received a draft contract on December 16, a legal and market review was ongoing and a follow-up meeting was scheduled with Ranger Power for early February. Staff was contacted by other vendors who recently cleared IPA REC auctions although the Ranger Power project appears to be the best pricing for a 2025 start. He stated that unlike Ranger, the other projects do not currently have any volumes contracted.

Legal Matters– General Counsel Troy Fodor reported the following:

- Ameren Wholesale Distribution Service (WDS) Rate Case – IMEA has signed a Joint Defense Agreement with a group of electric cooperatives and have engaged a consultant to analyze Ameren’s numbers; cost to be shared among the group. Ameren delivered a Cost of Service Study on December 20, 2018. IMEA staff met with Ameren on January 14 and the next meeting with the joint defense group along with Ameren is scheduled for January 29. Current IMEA WDS rates and meter charges were discussed along with Ameren’s proposed new WDS rate, revenue requirement and meter charges. Ameren is proposing June 1, 2019 for an effective date although they may file to have the rate go into effect subject to refund while negotiations continue. IMEA’s Delivery Service rate would need to be increased when the Ameren WDS rate is implemented, even though it would be subject to refund.
- Wholesale Connection Agreement (WCA) – Generally, the WCA provides technical standards and rules for interconnection of member distribution systems with Ameren’s transmission and distribution systems and the operations and maintenance of those systems as they affect each other. The Umbrella Construction Agreement (UCA) is a template with the terms and conditions for construction and financial obligations associated with new interconnection points. Staff met with Ameren on December 7, 2018 to discuss Ameren’s draft documents and the next meeting date is yet to be determined. The provisions included were discussed although the most notable would be the voltage regulations requirement that a power factor of .95 or better would have to be maintained. Once the agreement is finalized, the deadline for power factor improvements is three years. If the member fails to make their power rate, Ameren will do it and IMEA will be charged.
- FERC – Two filings were made by MISO regarding BTMG and Demand Response on December 21, 2018. One rule change would impose annual real power test requirements on Demand Response resources. Testing requirements could be avoided for a non-performance penalty. The other rule change would impose greater availability and shorter start time notice to BTMG and Demand Response that are used as Load Modifying Resources (LMR). Specifically, changing from summer only availability to all season availability requirements and changing from a 12-hour start time notice to the Unit’s shortest physical limitations start up notice, with a maximum of 12 hours notice. IMEA’s Capacity Purchase Agreement provides for 10 hours notice for normal operations and the Generation Policy gives less notice time for emergencies. Should this proposal be approved by FERC, each IMEA and member BTMG will need to determine its minimum physical limitation start time notice and include it for IMEA’s registration of the unit with MISO.
- FERC Counsel Search - CEO Gaden and Troy Fodor plan to travel to Washington DC to interview prospective new FERC counsel in the near future.

**NEW BUSINESS**

Energy Efficiency & Conservation Program – Rodd Whelpley reported that the E2C2 had met several times and recommended to re-authorize the program for FY2019-20 through FY2021-22 at \$1 million per year and annual funding will be allocated to the members on a load share ratio basis. The program will continue to have both commercial/industrial and residential components and funding can be split between the two. The remaining funds from FY2016-17 through FY2018-19 may roll over, but must be used by April 30, 2020. At that time, he reviewed a spreadsheet showing funds currently available and amounts of roll over funds in jeopardy of being lost if not used. Whelpley stated that cities with outstanding public-sector projects from FY2015-16 would need to clear them or risk losing them. Staff will notify these cities and help make arrangements to clear these projects. He explained that the commercial/industrial measures for FY2019-20 would include lighting, air compressors and compressed air nozzles,

refrigeration, variable speed drives for HVAC pumps and motors, commercial programmable thermostats, custom projects and power factor correction of .95. He also discussed proposed residential program options for FY2019/20 to include:

1. LED lightbulb giveaway to include floodlights and dimmable bulbs
2. Advanced thermostat (NEST/Ecobee)
3. Central AC and air source heat pump replacement (included incentive levels per unit)
4. "From scratch" – member cities could propose a residential measure and its program administration. IMEA would need to approve these programs which would have to comport with the State Technical Reference Manual

Whelpley explained the concept of the proposed Level 2 Electric Vehicle (EV) Charging Station initiative. IMEA would budget an additional \$30,000 annually for incentives for this program. Each qualifying residential Level 2 or better installation would be eligible for a \$200 incentive or \$500 if the unit was made available for public use. The total program budget of \$30,000 would be divided by first assuring each city would have enough to incentivize one unit at \$200. The remaining \$23,600 would then be divided on a load share ratio basis, rounded to the nearest \$200 unit incentive. Cities would be allowed to transfer funds from their C/I allocations although there are no carryovers; funds zero out at the end of the fiscal year. The member cities would administer this program on a local level, collect the approved applications, pay incentives to customers and then submit materials to IMEA for reimbursement. This program would most likely launch in the summer of 2019. Whelpley then described the different types of EV charging stations, their typical cost and rebates offered by other utilities. Resolutions authorizing the continuance of the Electric Efficiency Program and the EV Charging Station Rebate Program will be presented at the February Board meeting.

Glenn Cunningham presented a proposal for a non-public dual EV charging station and a solar array (10kW system) at the IMEA offices both of which were recommended by the E2C2. Discussion ensued regarding cost, location and maintenance. It was the consensus of the Board members to budget for these expenses, formalize these proposals and present findings 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. Dan Cook moved to go into closed session, seconded by David Coston. 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 12:18 p.m. All staff except for CEO Kevin Gaden left the meeting at this time. The meeting was returned to open session at 12:58 p.m.

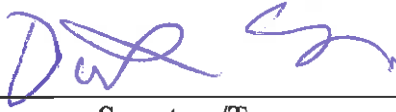
Past Chairman Rick Abell made a motion to approve the following:

1. An increase to the base salary pool for all employees (except CEO) a total of 2.50% effective May 1, 2019 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, 2019, 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, 2019 for that fiscal year (CEO is ineligible for these funds); and
4. To increase the CEO salary to \$482,000 effective May 1, 2019.

The motions were seconded by Tom Bruhl and the voice vote showed unanimous approval.

Chairman Greg Hazel asked for a motion to adjourn the meeting. The motion was made by John Hodapp, seconded by David Coston and carried unanimously. The meeting was adjourned at 1:05 p.m.

Respectfully submitted,

A handwritten signature in blue ink, appearing to be "David Coston", written over a horizontal line.

Secretary/Treasurer



**ILLINOIS MUNICIPAL ELECTRIC AGENCY  
EXECUTIVE BOARD MEETING  
WEDNESDAY, JANUARY 23, 2019**

**MEMBERS PRESENT**

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

**MEMBERS ABSENT**

Peru	Mayor Scott Harl
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**OTHERS PRESENT (or listening via teleconference)**

Altamont	Larry Taylor
Breese	Dale Detmer
Carlyle	Dave Miller
Flora	Bob Coble (listened via teleconference)
Freeburg	John Tolan (listened via teleconference)
Marshall	Cory Sheehy
Mascoutah	Jesse Carlton
Naperville	Mark Curran & Lucy Podlesny
Princeton	Jeff Mangrich (listened via teleconference)
Red Bud	Josh Eckart
Winnetka	Brian Keys
IMEA	Kevin Gaden
IMEA	Troy Fodor
IMEA	Bob Childers
IMEA	Chris Wise
IMEA	Alice Schum
IMEA	Mike Genin
IMEA	Kevin Wagner
IMEA	Rakesh Kothakapu
IMEA	Glenn Cunningham
IMEA	Adam Baker
IMEA	Cindy Evans
IMEA	Chris Jewell
IMEA	Staci Wilson
IMEA	Ed Cobau
IMEA	Rodd Whelpley
IMEA	Tammy Hall