

ILLINOIS MUNICIPAL ELECTRIC AGENCY

REPORT OF BOARD OF DIRECTORS MEETING

THURSDAY, JUNE 14, 2018

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 June 14, 2018.

Chairman Greg Hazel called the meeting to order at 10:00 a.m. Roll call was taken which showed a quorum was present. Larry Taylor, seconded by John Hodapp, moved the minutes of April 26, 2018 for approval. The motion was carried by unanimous voice vote.

Bob Childers reviewed the financial report for April and noted that the year-end statistics by member were included in the Board packet for review. He reported that the MWh sales to members was 1.5% below budget and since the line of credit expires in October of 2019, staff is working on a 3-year extension to 2022. Childers reported that the May 2018 billing was impacted by the Trimble County and Prairie State outage costs from April along with low load factors from cool temperatures for most of the month in the northern part of the state. Dale Detmer 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 Report – CEO Kevin Gaden recognized Lucy Podlesny, the Deputy Director of Electric Utility, from Naperville and welcomed the newest IMEA staff member, Adam Baker. Adam is the new Systems Administrator under Glenn Cunningham and was previously employed at the Kincaid Power Plant owned by Dynegy.

CEO Gaden congratulated staff members, energy markets consultants and the support of the IMEA Board for four years of effort to achieve the Incremental Capacity Transfer Rights (ICTR) project outcome. This was achieved through technical solutions, regulatory visits to FERC and legislative discussion in Congressional hearings, although potential changes could limit/reduce the benefit to IMEA. A reduction in the overall ComEd load could reduce the need for imports or a change in PJM Capacity rules could possibly lower the ICTR values.

Regarding State issues, CEO Gaden gave an overview on the status of the State budget, the Future Energy Jobs Act (FEJA), telecom and water issues along with long-term Illinois electric resource adequacy. Regarding Federal issues, CEO Gaden discussed FERC considering opening the Public Utility Regulatory Policies Act (PURPA) for review. PURPA passed in November of 1978 and sought a more open regulatory framework to encourage energy efficiency and renewable energy assets.

From an energy market update, CEO Gaden discussed the Texas market at ERCOT with “scarcity energy market” pricing as well as California’s possible reliability issues. Illinois is in relatively good shape pending operation of nukes and coal units.

OLD BUSINESS

Executive Session Minutes: General Counsel Troy Fodor recommended approving the March 29, 2017; April 27, 2017 (2); June 15, 2017 and October 19, 2017 executive session minutes and to release all of them as public records. Bob Coble moved to approve and release the above-referenced executive session minutes. Tim Birk seconded the motion which carried by unanimous roll call vote.

Operations/PJM & MISO Capacity Market Issues – Alice Schum reported on Planning Year 2018/19 which began on June 1. She discussed the capacity swap with the Dynegy contract for capacity in ComEd causing all energy to stay in MISO. Regarding Trimble County 1, for this planning year, IMEA substituted in the FRR Plan and there is no pseudo tie required for the FRR plan. At Trimble County 2, replacements have been made to offset penalties for a 3-month period to allow for completion of the pseudo tie. Designations for Prairie State were changed so all the models had to be corrected. The PJM and MISO proposal for overlapping congestion is still pending at FERC while FERC rejected the MISO proposed Pseudo Tie Agreement. Schum also stated that IMEA Operations will be designated as the Market Operations Center (MOC) for the Trimble pseudo tie projects; Operations staff will be making power plant visits during the URGE tests and ten IMEA communities hit all-time peaks for the month of May.

Schum reported on Zone 4 in MISO explaining the possibility for plant retirements and potential shortages that could occur. She stated that 97% of loads had participated in the Organization of MISO States (OMS) survey and that forced outage rates were going up. She presented a graph representing clearing prices in the annual MISO Capacity Auctions for the past 5 years. She then presented a chart detailing the planning reserve margins for 2019 by zones which showed potential capacity projections along with committed capacity projections.

Regarding the PJM 2021/22 market statistics, Schum reported the clearing prices at the Base Residual Auction and stated that all PJM capacity is “Capacity Performance” product. She also discussed the various types of generation that cleared the recent auction including nuclear and coal units along with demand response and energy efficiency. Schum reviewed the auction clearing prices in PJM for the 2021/22 planning year and showed a graph displaying capacity performance clearing prices from 2016/2017 through 2021/2022 noting zonal price separations and the increasing amount of demand response and energy efficiency.

Bob Childers reported on the results of the PJM auction with regard to the net revenue from the ICTRs awarded to IMEA and how it would affect the future average cost projections. He presented a graph outlining the member average cost projection over the next 4 years. Childers discussed the possibility of creating a regulatory asset and deferring some cost of fiscal year 19/20 and 20/21 which would be reversed in 2022 when IMEA received the ICTR revenue to offset. The goal is to level out the cost over a three-year period to reduce a price spike. Staff has had preliminary discussions with the auditors and currently plans to seek approval from the IMEA Board in the fall.

Trimble County: Kevin Wagner reported the following:

- Year to date safety incidents at the plant remain at one recordable finger injury. Year to date plant Equivalent Availability Factor (EAF) stands at 60% with TC1 At 92% EAF and TC2 at 39% EAF due to a maintenance outage this spring for the turbine overhaul. This year's planned maintenance outage for TC2 began in late February with the unit scheduled to return to service in late April. However, the unit missed that date due to additional time required to repair the 2nd and 3rd stage diaphragms in the high pressure turbine. The dewatering plant startup for the Coal Combustion Residue Treatment & Transport project is occurring this month. Process water tank work is moving forward and bids are coming in for the process water ponds. Tree clearing continues in landfill area and site prep work is underway for the coal treatment project that will introduce an additive to the coal as it is conveyed out of the yard and into the unit silos. The additive referred to as M-45-PC will reduce Mercury and NOx emissions from the plant and is expected to result in tax savings shared by the contractor and the owners over the three-year duration of the project. With the help of LGE and IMEA staff, PJM was able to set up communications with the plant RTU and confirm control signals will function as needed to pseudo-tie IMEA's portion of the plant into PJM in the coming months. Preparations are also underway to install the new revenue metering in the 345 kV switchyard for TC1 this fall. This is necessary to achieve the level of metering accuracy required by PJM for resources that are pseudo-tied.

Prairie State: Kevin Wagner reported the following activities:

- The plant incurred a recordable (from a contractor) in April, the first so far this year. The number of recordables at the mine this year has held steady at 4. PSGC staff is crediting strong employee support for its Behavior Based Safety program that is helping the number of plant safety incidents trend below industry averages for the past couple years. Year to date plant Equivalent Availability Factor (EAF) stands at 84%. Unit 2 EAF is at 94% and Unit 1 EAF is at 73%, due to the recent maintenance outage. Unit 2 achieved a record of 164 days of continuous operation prior to tripping off line from a boiler control issue early in April. The Unit has been on line since April 17th. Unit 1 completed its 28-day spring maintenance outage that focused on boiler reinforcement, catalyst replacement and an overhaul of the submerged flight conveyor system. The planned work was completed on time and within budget. Currently test burns of washed coal purchased from 9 neighboring Illinois mines are underway in Unit 2. This is part of a pilot study to help plan for the use of an alternative fuel supply should something happen to the Lively Grove Mine. Data collected during the test burns will help identify any operational issues and capital investments that may be needed to support use of an alternate coal source at the plant for an extended period. PSGC staff is preparing for the 56-day fall maintenance outage for Unit 2 that will begin in late September. Work will focus on boiler reinforcements and equipment overhauls needed to support the 18-month maintenance cycle. The owner committees are beginning the annual review process with PSGC staff to prepare next year's operating and capital budgets with the goal of keeping plant EAF in the top quartile for the industry. With the move to the 18-month maintenance cycle, only one 28-day maintenance outage is planned for 2019. After nearly 2 years of review, the IEPA recently issued our underground injection control permit for disposal of landfill leachate (primarily chloride waste water). Drilling of the two wells is expected to start in late July.

Local Transmission/Generation: Kevin Wagner reported the following:

- Mascoutah 138 kV Project /Ameren Hilgard Switching Station – Ameren reports completion of all outside work at the Hilgard 138 kV Switching Station. Crews are working this summer in the control house to complete wiring and protective relay testing. Energization of the station is set for next spring. The City is awaiting Ameren’s review and cost estimate for doing joint pole line construction to accommodate the City’s two 138 kV tie lines to Hilgard using the Ameren 138 and 345 kV line corridors on the south and east side of Mascoutah. This approach is believed to satisfy demands of the property owners who have thus far resisted easement negotiations with the City.
- Ameren Network Operating Committee Meeting – Staff met with Ameren engineering and operations personnel on May 3rd for the annual Network Operating Committee Meeting. Operating conditions for this coming summer were discussed. Ameren still reports risk of low voltage in the Sullivan/Bethany area should a critical line outage occur on the Ameren system during peak conditions. Ameren is looking at several possible remedies – including the addition of capacitor banks at Moweaqua and Arthur. New Ameren projects underway or planned in the next couple years that will provide benefit to IMEA members were discussed. In addition to Hilgard and Jarvis, Ameren is still planning the 138 kV ring busses near Princeton, Oglesby and LaSalle and the 69 kV line improvements for the Hutsonville-Marshall line. The non-climbable Ameren 69 kV poles on the line serving Carlyle and Breese will likely soon be repaired with C trusses. Staff reviewed metering and power factor issues, plans for rebooting the draft Wholesale Connection Agreement discussions and, in particular, recent communication issues between our operating teams during outages and maintenance activities.
- Line Upgrade for PJM ICTR – Staff began discussions with the ComEd project team that is responsible for the line upgrade on the East Frankfort-University Park North 345 kV Line that will provide IMEA with PJM Incremental Capacity Transfer Rights. The splice and dead end hardware replacement is scheduled to occur this October. The ComEd project engineer provided us with vendor details on the hardware to be installed which is expected to last as long as the conductor (or about 40 years).
- BTM Generator Repairs/Replacements – The City of Carlyle is beginning to get equipment needed for the installation of the new EMD Unit 11. The City of Carmi remains undecided about the cost effectiveness of repairing its Unit 11. The City is aware of the July 20th deadline for making a financial commitment to the repair or replacement of this unit in order to get the additional 12 months granted by the Board for returning the unit to service.
- URGE Test Schedule – Shadi Ahanchi reported that URGE testing got underway last week beginning at Flora, Rantoul and Breese. Testing at Freeburg, Peru and Princeton are underway this week. No mechanical engine issues have been noted so far.

Wagner also noted that metering work recently wrapped up at the member delivery points to accommodate ComEd’s pending transition to AMI at wholesale customer locations. ComEd decided to remain with the Transdata meters for all the SCADA interfaces which has avoided the programming/billing issue initially encountered with the Nexus meter.

Future Energy Jobs Act Update - Mike Genin discussed rulings related to whether or not municipal systems are included in this solar development plan. In December of 2017, the Illinois Power

Agency (IPA) submitted a plan to the Illinois Commerce Commission (ICC) for approval. After various hearings, the most recent ruling from the ICC denied ComEd's rehearing petition last May

which means municipals are currently included in this program. Genin recommended members prepare for inquiries and interconnect requests from their customers. He also reported that ComEd has 35 days (June 21) to appeal the ICC denial of rehearing at the appellate court level and the IPA is planning for a December 2018 rollout of the adjustable block program and community solar although the Solar for All will follow a few months later. Legislators have raised concerns over the ruling to allow munis/coops to participate in these incentive programs.

Chris Jewell presented a chart showing the updated REC pricing as of June 4 by the IPA although the IPA has not published any updates to the plan itself. He also reviewed a timeline showing the process IMEA would take for future IMEA solar sites to include RFP member site selection submittals, IPA acceptance for qualified vendors for REC program, developer bids and final Board approval. Jewell also stated that IMEA staff sent out member site selection RFPs to members on May 30th.

Legal/RTO Pseudo Tie Issues – General Counsel Troy Fodor reported on the following:

- ComEd Transmission Rate Annual Update – ComEd increased their rates by less than 1% effective June 1. ComEd's revenue requirement went down approximately 4% due to the Federal income tax rate reduction, but the usage levels which are peak levels upon which rates are set also were down. Rates have levelled off for the one year, but have increased significantly over the past 5 years. The usage numbers get adjusted again in January.
- PJM Replacement Capacity (ER18-988) – PJM filed to change its replacement capacity procedures and not offer to sell into the incremental auction at a price less than what the price had cleared in the original Base Residual Auction. This would have affected not only the auction clearing prices, but also the bilateral market. FERC rejected PJM's replacement capacity filing.
- PJM Capacity Auction Adjustments for State (Nuclear et al) Subsidies (ER18-1314) – PJM submitted revisions to the PJM tariff to propose two alternative proposals for addressing the impacts of state public policies on the PJM capacity market. They include Option A, the Capacity Repricing proposal and Option B, the Minimum Offer Pricing Rule (MOPR)-Ex proposal (has a public power exception). IMEA filed minimal comments although there has been no action yet by FERC.

Fodor reported that the Newton and Coffeen pseudo-ties ended May 31, 2018 which reduced congestion cost for delivery of this energy. He stated that PJM is requiring all new and existing pseudo-ties to sign a new Pro Forma Agreement. He also reported that the Prairie State pseudo-tie has been effective since June 1, 2016 and since PJM has refused to make substantive changes, staff has directed PJM to file the document unsigned and let FERC decide. Fodor explained that Trimble County is not pseudo-tied yet although the target date was June 1, 2018. He discussed difficulties with LG&E regarding implementation conditions and congestion management issues. Trimble County Unit 1 has been delayed until June 1, 2019 for upgrades to LG&E metering and Trimble County Unit 2 has been delayed until September 1, 2018 to allow for further negotiations.

Sexual Harassment Policy – CEO Gaden stated that the IMEA Board had passed an ordinance in December of 2017 which directed that the IMEA Employee Policy & Procedures Manual be updated to reflect new policy as of June 2018. The legislature recently made changes and staff is reviewing the impact of those changes. The ordinance and current policy meet all the current statutory requirements. Rick Abell moved to authorize the CEO be given until the December Board meeting to finalize the Employee Policy & Procedures Manual, seconded by Pat Barry. The motion passed by unanimous roll call vote.

Engagement of Employment Recruiter – CEO Kevin Gaden stated that the current CFO is planning to retire at the end of March 2019. The Succession Plan approved by the Board in 2015 calls for a replacement in the position with the existing CFO for 90-120 days. Gaden stated that ads had been placed with APPA, GFAO (national and regional) along with NRECA and will run for another 30 days. He gave an update on the status of resumes received and number of qualified candidates. His recommendation was to make a final determination on whether or not to engage a recruiter by mid-July and, if he sought to recommend, he and would seek approval at the July 18 Executive Board meeting. That action would need to be ratified by the full IMEA Board in August.

NEW BUSINESS

With no other business to be discussed, Pat Barry moved to adjourn the meeting at approximately 12:05 p.m. John Hodapp seconded the motion, which was unanimously approved by voice vote.

Respectfully submitted,



Secretary/Treasurer

**ILLINOIS MUNICIPAL ELECTRIC AGENCY
BOARD OF DIRECTORS MEETING
THURSDAY, JUNE 14, 2018**

MEMBERS PRESENT

Altamont	Larry Taylor
Breese	Dale Detmer
Casey	Shelby Biggs (via teleconference)
Cairo	Todd Ely
Carlyle	John Hodapp
Carmi	David Coston (via teleconference)
Chatham	Shane Hill
Flora	Bob Coble
Freeburg	John Tolan
Highland	Dan Cook (via teleconference)
Ladd	Pat Barry
Marshall	Cory Sheehy
Metropolis	Rick Abell
Naperville	Mark Curran
Oglesby	Dominic Rivara
Peru	Mayor Scott Harl
Princeton	Jeff Mangrich
Rantoul	Greg Hazel
Roodhouse	Mayor Tom Martin
St. Charles	Tom Bruhl
Waterloo	Tim Birk
Winnetka	Brian Keys (via teleconference)

MEMBERS ABSENT

Bethany	Shannon Risley
Bushnell	Justin Griffith
Farmer City	Sue McLaughlin
Fairfield	Mayor Brent Maguire
Greenup	Mike Ryder
Mascoutah	Cody Hawkins
Red Bud	Josh Eckart
Riverton	Russ Patrick
Rock Falls	Dick Simon
Sullivan	Mayor Ann Short

OTHERS PRESENT

Naperville	Lucy Podlesny
IMEA	Kevin Gaden
IMEA	Troy Fodor
IMEA	Bob Childers
IMEA	Alice Schum
IMEA	Mike Genin
IMEA	Rodd Whelpley
IMEA	Kevin Wagner
IMEA	Shadi Ahanchi
IMEA	Rakesh Kothakapu
IMEA	Glenn Cunningham
IMEA	Adam Baker
IMEA	Cindy Evans
IMEA	Chris Jewell
IMEA	Tammy Hall