

ILLINOIS MUNICIPAL ELECTRIC AGENCY

REPORT OF EXECUTIVE BOARD MEETING

FRIDAY, MARCH 29, 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 March 29, 2019.

Chairman Greg Hazel called the meeting to order at 2:00 p.m. Roll call was taken which showed a quorum was present. The Report of February 20, 2019 was moved for approval by John Hodapp and seconded by Dick Simon. 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. At that time, Bob Childers expressed his appreciation to the Board and staff for their confidence and friendship for the past 29 years. Having no further comments, the meeting continued.

President & CEO Report – CEO Kevin Gaden welcomed Greg Hubert from Naperville as well as Dave Miller from Carlyle. He also introduced Lucy Podlesny as the new Board member representing Naperville effective April 5 due to Mark Curran's retirement. CEO Gaden then gave a summary of the APPA Legislative Rally noting that 36 representatives from 16 member cities attended and they met with both Senators' offices, Representatives and Congressional staff. The main topics of discussion were municipal finance issues, the pole attachment policy for telecom, transmission cost increases and FERC rate policy along with energy policy and climate change. Gaden stated that staff also met with State and Federal legislators regarding IMEA current and forecasted rates, the IMEA energy efficiency program and administration of policy, contract terms, IMEA member services and economic development rates.

CEO Gaden also reported on the status of the Rochelle sale of transmission assets in which Rochelle sought to sell 20 miles of 138kv line serving a small town north of Rochelle. That sale was awarded to NextEra Energy and ComEd is protesting the sale at the ICC claiming right of first refusal. Rochelle has protested, gained a legislative hearing with the Illinois House and the issue remains on the ICC docket for consideration.

Regarding Prairie State, CEO Gaden reported that the Management Committee approved applying for a Federal DOE grant to investigate preliminary feasibility and design of a Carbon Capture & Sequestration (CCS) system. He also stated that APPA will host a Climate Change Task Force meeting on April 8 in Washington DC in which he will attend to discuss APPA's carbon policy legislative positions moving forward. He thanked Chris Wise and Bob Childers for their participation in the rating agency meetings and that the ratings reviews will likely be completed in Fall 2019 or Spring 2020.

CEO Gaden then thanked Bob Childers for a very noteworthy career and his many years of service with IMEA along with Rick Abell, Dale Detmer, Greg Hazel and Tim Birk for all their efforts in recent legislative visits. He also thanked Mark Curran from Naperville for his 28 years in public power at Naperville and his 9 years as an IMEA Board member. He stated that Mark Curran retires on April 5 and congratulated Lucy Podlesny for her appointment to the IMEA and IMUA Boards representing Naperville.

OLD BUSINESS

Operations – Regarding the PJM Regional Transmission Organization, Alice Schum reported that the 2022/23 Base Residual Auction has been delayed until August. The options going forward are as follows: wait on FERC order, accept the potential for refunds and rerun the August auction; further delay of the Base Residual Auction in which a waiver would be needed from FERC with no guaranty on a timely response (possibly May); run the auction under the current tariff with no refunds and finally, establish an alternative interim rate established with a sunset date that would require a Section 205 filing and would eliminate the need to rerun the auction. Schum reviewed the auction price results for Planning Year 2019/20. She stated that staff had participated in a webinar to improve communications between PJM and the Market Participants. Staff submitted the annual fuel cost policy review for PJM approval. Regarding the Greenhat default, Schum stated that FERC had denied a waiver to PJM to mitigate losses with regard to Financial Transmission Rights (FTRs) and are looking into market manipulations and other potential violations from Greenhat. An independent investigation report of the issue was just released recommending more management oversight from PJM.

Regarding the MISO Regional Transmission Organization, Schum reported that IMEA's forecasting methodology had been approved by MISO and the Organization of MISO States Survey (OMS) had been completed with results posted in June along with the Planning MISO Transmission Expansion Plan Survey (MTEP). Regarding 2019/20 Planning Year, the auction ends March 29, 2019 and Vistra plant closure announcements will start to effect capacity markets.

Schum stated that a Power Plant Operators Workshop will be held on June 4 at the IMEA offices to discuss market dispatch rule changes, Generation Policy changes, the future of aging units, black start capabilities along with penalty calculations and situations.

Greenhat Update - Rakesh Kothakapu reported that IMEA has paid ≈\$78,000 related to the Greenhat FTR default in PJM so far and charges will continue to be incurred until May 2021. FERC denied PJM's request for a waiver to facilitate settling the defaulted FTRs by Greenhat in the Day-Ahead market and PJM filed a motion for re-hearing and a legal hold on the FERC order supported unanimously by all stakeholders. He stated that the losses will likely increase if PJM uses a single auction to settle all the defaulted FTRs.

Carmi Unit 11 Repair/Replacement – Kevin Wagner reported that the City of Carmi hired Industrial Diesel Services (IDS) to tear down and prepare a repair estimate on the City's Unit 11 that experienced a significant failure in July 2017. For various reasons, IDS has been unable to perform that work. Recently, Carmi was able to identify another company, Baker Hughes General Electric (BHGE), that specializes in Enterprise diesel engine parts and repair. The City Council is now considering approval of a purchase order for BHGE to proceed with the work originally awarded to IDS. The City has learned that there is a good support network for the Enterprise engines. If Unit 11 is found to be feasible to repair, BHGE believes unit restoration may be possible much sooner than originally thought. Carmi's insurance provider is also supportive of the work that BHGE can offer. Availability of insurance funds are critical to enabling the City to move forward with repair or replacement, but payment has been held up pending the results of the tear down/analysis of the unit. In light of the repair issues that our generating members are facing, there is a Generation Committee Meeting planned for April 9 in which the Generation Policy language will be reviewed with regard to extended outages and replacement of Dedicated Capacity.

Ameren Hilgard/Mascoutah – Wagner stated that the ICC staff filed rebuttal testimony in the eminent domain hearing in response to the City’s rebuttal testimony. The ICC staff appears to have disregarded the cost issues raised by the City as well as the easement and future expansion issues raised by Ameren and remains unchanged in its recommendation to deny the City’s eminent domain request. They suggest that the City can avoid the need for additional easement by simply sharing pole space within the existing Ameren transmission easement. They also continue to question the reasonableness of the land appraisal methods used by Mascoutah when negotiating with the property owners. The City will have one more opportunity to file testimony in response to the latest statements by the ICC staff and an evidentiary hearing is scheduled at the ICC on April 30,

Ameren Jarvis/Highland – Wagner reported that Ameren is progressing with completion of the 138 kV portion of the new Jarvis Substation and appears to be on target for energizing the switchyard by mid-April. Staff is working with Ameren to order and test fiber optic components that will link Ameren’s metering and substation RTU with IMEA’s SCADA system in preparation for the relocation of Highland’s 138 kV delivery point. The railroad that owns Highland’s line right of way was reluctant to allow Ameren access to the rail corridor to start work on line dead end structure at Jarvis until Ameren provided documents confirming Highland’s intent (along with IMEA’s concurrence) to transfer ownership of the 138 kV line section to Ameren upon completion of the Jarvis interconnection. With that approval finally confirmed, Ameren has been able to move forward with scheduling the work required to terminate the City’s line at Jarvis. Ameren will take a couple 2-3 day outages for structure foundation work and another 2 weeks later to install the dead end structure and cut in the City’s 138 kV line. Ameren expects to energize Highland’s new delivery point at Jarvis by April 25th. Staff still waiting on Ameren to provide a draft of the Purchase Agreement that finalizes the terms of the line ownership transfer as outlined in the project MOU signed by the parties last year. Ameren has indicated willingness to energize the new delivery point even if the Purchase Agreement has not been executed, although Highland is reluctant to proceed with the new interconnect before it’s clear that the terms of the Purchase Agreement are consistent with the deal proposed in the MOU.

Solar Projects – The pricing for the solar projects bids was guaranteed for 120 days from the date of bid submission which would have expired on March 9th. Due to some unanticipated delays regarding the scope of the projects, Sol Systems agreed to extend the bid guarantee another 30 days to allow time to complete contract negotiations. Over the past several weeks, IMEA and Sol Systems have worked through a number of issues and now appear to be in agreement on all terms and conditions. Staff is preparing three separate PPAs with Sol Systems – one for each of the host cities (Altamont, Naperville and Rock Falls). The terms and conditions will essentially be the same for each location, however, the attached exhibits will reflect the details specific to each site. With regard to finalizing the Siting Agreements with the host cities, Altamont has signed off and staff is awaiting city council votes on the agreements for Rock Falls and Naperville. Since the PPA pricing with Sol Systems is contingent on solar installations at all three sites, the plan is to execute the PPAs and siting agreements for the entire group at the same time. Earlier this month, staff held an initial conference call with Sol Systems and representatives from Altamont, Naperville and Rock Falls to discuss interconnection and permitting requirements in preparation for developing project time lines. The next steps will include developing and executing the utility interconnection agreements between Sol and the host cities.

Ranger Power Solar PPA – Chris Jewell reported that staff had received an updated contract in mid-February and staff is reviewing the legal terms of the contract such as the terms, start dates, credit and performance criteria. Staff wants to make sure that IMEA has all the attributes of the project except for the RECs sold to the IPA.

IMEA Building Solar System – Glenn Cunningham reviewed several bids from solar providers in the area and recommended IL-Solar due to the evaluation of number of panels, KW output and the price. He is obtaining final contract terms from IL-Solar and plans to seek Board approval at the April Board meeting.

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 has engaged a consultant to analyze Ameren’s numbers; cost to be shared among the group. The Joint Defense Group presented its first offer to Ameren on March 8th and Ameren counteroffered on March 18th. Current IMEA WDS rates and meter charges were discussed along with Ameren’s proposed new WDS rate, revenue requirement and meter charges. The next meeting is on April 4 in Collinsville to continue negotiations. 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 although further meetings have been delayed until after the WDS negotiations are over. The most notable provision which was discussed 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 improve their power factor, Ameren will install equipment on its side of the delivery point that IMEA will be charged for. This charge will then need to be passed through to the member causing the expense.

NEW BUSINESS

Rating Agency Visits – Chris Wise reported that Kevin Gaden, Bob Childers, himself and Mike Mace, IMEA’s financial advisor, had participated in presentations at Standard & Poor’s, Moody’s and Fitch on March 14 and 15. The outcome of those visits reflected IMEA’s high quality credit worthy of high ratings. Notable attributes included improved asset performance, debt service coverage, debt retirement and equity growth.

Legislative Update – Staci Wilson also encouraged members and their elected officials to attend Prairie State Lobby Day to be held on April 9 in Springfield. This will include a luncheon followed by legislative visits and is an opportunity to showcase public power ownership.

Wilson distributed a list/summary of several energy bills which were recently introduced. They were passed out of committee with the understanding that they are going to be negotiated. Staff anticipates these bills are intended for an overall energy package and are not as a stand-alone piece of legislation.

Clean Energy Jobs Act – SB2132/HB3624 – Initiated by environmental groups requesting carbon free electric sector by 2030. This would increase the Renewable Portfolio Standard (RPS) to 100% by 2050 and require municipal utilities to develop a plan equivalent to the state’s RPS.

Path to 100 – SB1792/HB2966 – Initiated by wind and solar developers to increase Renewable Portfolio Standard (RPS) to 40% by 2030. Municipal utilities are not specifically referenced.

HB3152/SB2080U – Initiated from ComEd and Ameren to extend the Grid Modernization Action Plan (MAP) formula for ratemaking process for 10 years.

Clean Energy Progress Act – HB2861 – Initiated by Exelon requesting the Illinois Power Agency (IPA) take over responsibility for developing capacity procurement plans and processes to meet the load of ComEd retail customers and would coordinate with the PJM auction process. There are no new mandates on municipal utilities.

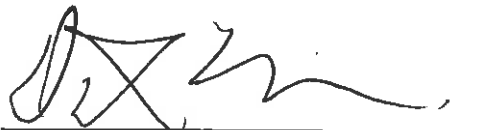
Wilson also reported that Vistra had announced plans to retire 2,000mW of Illinois based coal-fired generation capacity. In return, the IEPA allowed a reduction in Vistra annualized gross emissions and paved the way for economic decision on which plants to run. Specific plants scheduled to be closed have not been announced yet, although this will be 32% of Vistra’s Illinois coal-fired generation fleet. Wilson presented a list of Vistra’s coal-fired power plants in Illinois involved in this ruling and noted that the Kincaid power plant is not involved. In Vistra’s administrative agreement with the IEPA, the timeline for the closing of these plants would be the end of year pending MISO approval.

Wilson then reported on the Coal to Solar and Energy Storage Act of 2019 – HB2713 which was initiated by Vistra. Their at-risk plants must operate until 2024 and retire by 2030 if they accept transitional funding. They want the Energy Storage Grant Program up to \$66M over 10 years and new utility-scale solar and energy storage. The bill proposes that the Illinois Power Agency (IPA) would award 15-year contracts for solar RECs for \$35 per REC. They are also requesting transitional assistance to existing downstate at-risk plants up to \$150 per MW/day of capacity for each year lasting through 2024. The coal to solar energy storage charge for the first 5 years will be ≈\$1 per residential customer per month which lowers to \$0.25 per month in 2025 and does exclude coal facilities owned by municipal utilities.

CEO Kevin Gaden discussed the possible considerations from the Vistra retirement announcement which included the capacity impact, energy LMP market impacts, transmission availability, markets & regulatory considerations, legislative issues along with future considerations such as new solar opportunities and market capacity and energy purchases.

Chairman Greg Hazel asked for a motion to adjourn the meeting. The motion was made by John Hodapp, seconded by Dick Simon and carried unanimously. The meeting was adjourned at 3:40 p.m.

Respectfully submitted,



Secretary/Treasurer

**ILLINOIS MUNICIPAL ELECTRIC AGENCY
EXECUTIVE BOARD MEETING
MARCH 29, 2019**

MEMBERS PRESENT

Carlyle	John Hodapp
Carmi	David Coston
Metropolis	Rick Abell
Rantoul	Greg Hazel
Rock Falls	Dick Simon
Waterloo	Tim Birk

MEMBERS ABSENT

Highland	Dan Cook (listened via teleconference)
Peru	Mayor Scott Harl
St. Charles	Tom Bruhl

OTHERS PRESENT (or listening via teleconference)

Altamont	Larry Taylor
Breese	Dale Detmer
Carlyle	Dave Miller
Marshall	Cory Sheehy
Mascoutah	Jesse Carlton (listened via teleconference)
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	Shadi Ahanchi
IMEA	Rakesh Kothakapu
IMEA	Glenn Cunningham
IMEA	Adam Baker
IMEA	Cindy Evans
IMEA	Chris Jewell
IMEA	Staci Wilson
IMEA	Ed Cobau
IMEA	Tammy Hall