

ILLINOIS MUNICIPAL ELECTRIC AGENCY

REPORT OF BOARD OF DIRECTORS MEETING

THURSDAY, OCTOBER 18, 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 October 18, 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 Pat Barry, moved the minutes of August 23, 2018 for approval. The motion was carried by unanimous voice vote.

Treasurer's Report – Bob Childers reviewed the financial report for August reporting that the average cost of power sold to members was running 2.3% under budget and the MWh sales to members for the first four months of the fiscal year was 2.7% above budget. Brian Keys moved to approve the Treasurer's Report, seconded by Tom Bruhl. 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.

CEO Kevin Gaden recognized Dave Miller from Carlyle, Dan Flannel from Sullivan and Lucy Podlesny from Naperville. CEO Gaden then introduced Jesse Carlton, Public Works Coordinator, as the new Board member representing Mascoutah along with CFO Bob Childers' replacement, Chris Wise. Chris began his employment with IMEA on Monday, October 15 and his title is Vice President & CFO. Bob Childers plans to retire in the first quarter of 2019.

President & CEO Report – CEO Gaden reported on the FERC case filed by the Jacksonville Energy Authority against Municipal Energy Agency of Georgia (MEAG) over Purchase Power Agreement enforceability on the Vogtle nuke plant. Since both entities are deemed non-jurisdictional entities, this case may create a FERC precedent for future cases. APPA, TAPS and Large Public Power Council are all filing amicus briefs to FERC. He also stated that the Appeals Court in Illinois and New York upheld the Zero Emission Credits affirming that they do not infringe FERC's ratemaking authority through the RTOs. The Maryland 2016 case (Hughes vs. Talen) did not apply since it does implicate RTO ratemaking.

CEO Gaden reported on several MISO max generation events in September and stated that this will likely require MISO to restrict the periods when non-essential maintenance will be allowed and require significant changes as to how MISO treats Demand Response Programs and Load Modifying Resources, which includes IMEA's member generators. He also gave a status update on the Greenhat LLC default of PJM FTRs and the impact on all other PJM members including IMEA. CEO Gaden suggested options for a day trip in the spring to visit the St. Charles solar project, the Lee/Dekalb wind farm, the Green River wind farm and/or the PSGC plant and mine tour. It was noted that the last visit to Trimble County had been in 2014 and several current Board members had not been there.

Regarding the Energy Efficiency & Conservation Program (E2C2), CEO Gaden stated that the committee had met recently to consider the next steps with the program. The concepts discussed were

to extend the E2C2 program an additional 3 years, continue the existing annual funding by load ratio share and to allow members to carry over a portion or all of their existing funds from the current account levels. The committee also considered adding more lighting to the residential program and rebates for installation of high-efficiency AC and heat pumps. Staff is concerned about the cost of installation logistics and verification methods. He also gave an update on an APPA Climate Change Task Force meeting he had recently attended noting that it had been discussed that some House and Senate members are interested in a new carbon tax or cap & trade bill and that APPA staff will work to form a legislative position on these matters.

Lastly, CEO Gaden gave an update on two employees from Breese injured in an arc flash accident and reported that they were both recovering at home. He also stated that Bernard McNamee had been officially named as a nominee for the FERC commissioner position.

OLD BUSINESS

Operations – Regarding the PJM Regional Transmission Organization, Alice Schum reported that the fuel cost policies had been approved by the PJM Market Monitor. Trimble County 2 pseudo tie was implemented on August 22 and meetings begin in December to pseudo tie Trimble County 1 beginning on June 1, 2019. She stated that test data had been submitted for generating units and demand response. She also reported that 12 generation runs of the PJM member generation units had been completed in the transmission/capacity savings program and the results will become available on December 1.

Regarding the MISO Regional Transmission Organization, Schum reported that generation had been dispatched in September to the St. Louis Metro area due to unexpected heat, inaccurate MISO forecasts and outages. MISO is evaluating solar accreditation in Rantoul with regard to Effective Load Carrying Capability (ELCC) which is defined as a probabilistic approach. She also stated that load forecasts for the 19/20 Planning Year had been submitted and the Behind the Meter Generation tests were registered. Schum reviewed the trends for the Resource Availability Need (RAN) initiative reinforcing the necessity to serve load and provide reserves all year long and not just in the summer.

Schum also stated that seven IMEA members hit an all-time October peak this year. She reviewed FERC's projections scheduled for September 2021 to include the retirements and additions of coal and gas fired units along with nuclear. She also presented a chart showing the current available installed generating capacity with regard to coal and natural gas.

Trimble County: Kevin Wagner reported the following:

- No new safety incidents to report since the August Board meeting. The year to date plant Equivalent Availability Factor (EAF) stands at 75% with TC1 at 94% EAF and TC2 at 63% EAF. The lower percentage for TC2 reflects the maintenance outage this spring for the turbine overhaul. The forced outage rate for the plant stands at 2% for the year, well below the 5% value originally budgeted. TC1 was out of service for 2 days in August due to a boiler leak, and out for about the same amount of time in September as a result of a condenser leak. TC2 has experienced no outages for the past two months. A 10-day maintenance outage for TC1 is planned to begin in early November. During that time, the revenue metering upgrade, needed by PJM to pseudo-tie our portion of the TC1 unit, will be completed, and the lower slope of the boiler will be reinforced.

Regarding the Coal Combustion Residue Treatment & Transport project, the landfill work is running about 1 month behind schedule due to weather-related delays. The gypsum dewatering plant commissioning is also running a little behind schedule but is expected to wrap up later this month. The same goes for the commissioning of the fly ash dewatering system. The process water system is expected to commence start up in December. A pilot study continues to look at effective means of accelerating the evaporation of the water in the bottom ash pond. About 1.6 million gallons have been evaporated to date. As previously reported, the landfill and associated conveyor system should be ready to start accepting materials by the 4th quarter of 2019. Start up began this week for the refined coal project. This is operated by a 3rd party that is treating the coal with magnesium and urea to reduce air emissions. Tax benefits shared with LGE will flow through to the rest of the plant owners resulting in some modest savings over the next three years.

Staff attended the annual owners meeting at the plant on August 28th. YTD key service indicators are showing generally positive performance for both TC1 and TC2. 2018 O&M spending YTD is running a little above budget due, in part, to flooding this spring that affected the barge unloading facilities. However, YTD capital spending overall is below budget due to lower cash requirements for the landfill/CCRT project that more than offset the unexpected TC2 turbine repair costs this spring. Plant staff reviewed major maintenance planned for the coming year for both units along with the draft O&M and capital budgets for next year. O&M should see about a 5% decrease over what was anticipated in last year's business plan primarily due to a slower ramp up in labor cost for CCRT staffing. The 2019 Capital budget, overall, is expected to be lower than what was anticipated last year due, in part, to lower cash requirements and contingency allowances for the landfill/CCRT project which more than offset increases on the plant operational costs.

Prairie State: Kevin Wagner reported the following activities:

- The plant has incurred no safety incidents since the two that were reported at the August Board meeting. After a run of nearly 5 accident-free months, the mine incurred 3 reportables plus 1 involving lost time in September which brings the mine total for the year up to 10. YTD plant Equivalent Availability Factor (EAF) stands at 85%. Unit 2 EAF is at 89% and Unit 1 EAF is at 81%. The YTD forced outage rate for the plant is 7.6%. Unit 2 experienced a 2-day outage in early September due to a lower slope tube leak and another 2-day outage around the middle of September to repair a superheater tube leak. Unit 1 was off line for 6 days in late August/early September to remove slag build up on the superheater. The Unit 2 fall maintenance outage began late September and should wrap up by early November about 10 days earlier than originally planned. With the completion of this major maintenance outage on Unit 2, PSGC staff anticipates the plant will be able to function effectively with shorter planned outages on 18-month intervals for the foreseeable future.

Local Transmission/Generation: Kevin Wagner reported the following:

- Mascoutah/Ameren Hilgard 138 kV Project - This week the City filed its Petition for Authority to Exercise the Right of Eminent Domain with regard to the property needed to extend its existing 138 kV tie line to the east approximately ½ mile to interconnect at the

new Ameren Hilgard Switching Station. Ongoing negotiations with the single property owner impacted by this line modification have been unsuccessful to date. The City's immediate goal is to get the shorter south side tie line in service before fall 2019 and then focus on acquiring the properties needed for the new 138 kV tie line to be built from Hilgard to a substation on the north side of town. Meanwhile the City continues to work with Ameren to finalize easements within the Hilgard property and line encroachment agreements to minimize transmission corridor requirements. The City also continues to work with Ameren to purchase excess property at the Hilgard site that may be used in negotiations with the property owner contesting the extension of the City's existing tie line.

- Highland/Ameren Jarvis 138kV Project – Ameren is making rapid progress on the construction of the Jarvis Substation that will become the new 138 kV point of delivery for the City of Highland. Initially, Ameren planned to connect Highland temporarily to a feed from its Canteen Substation located to the west along I-55. Progress at Jarvis has been such that Ameren now plans to skip the temporary feed at Canteen and move the Highland Delivery Point from Lochman Rd directly to Jarvis by next spring. Meanwhile, as one of the conditions for this transmission improvement, IMEA staff is working with bond counsel to prepare the documentation Ameren needs to acquire ownership of the western 3 miles of the City's 138 kV line free of IMEA bondholder interests. The Highland line project was financed with the 30-year bonds issued in 1991 for our share of TC1.
- ICTR Project – Regarding the 345 kV E. Frankfort-University Park Line capacity upgrade, ComEd now indicates it will be using an aerial crew as well as a ground crew to complete the splice and dead-end work next month. ComEd anticipates requiring less matting and fewer access permits than originally estimated, which should result in lower overall project cost. Once completed, these improvements will allow IMEA to acquire sufficient Incremental Capacity Transfer Rights (ICTR) by 2021 to offset the cost otherwise incurred of delivering power from the Trimble and Prairie State resources to PJM area loads.
- BTM Genset Repairs- Carlyle anticipates completion of its new EMD unit (Unit 11) early next month that will complete the dedicated capacity replacement of its Unit 1 Worthington that suffered a major failure during the summer of 2017. Industrial Diesel Service (IDS), who is installing the new unit at Carlyle, will then be available to begin the tear down and repair cost estimate for Carmi Unit 11. Carmi has committed to execute a contract to either repair or replace Unit 11 by the end of January assuming IDS delivers its assessment by the end of next month.
- Rantoul Solar – Altorfer reports completion of repairs at the Rantoul solar facility following the wind damage that occurred August 6th. Third quarter net production for the facility was down about 12% for the facility due, in part, to unavailability of a number of panel strings and inverters from the storm.
- St Charles Solar – As of Labor Day, the facility completed its first year of operation. Net production for the first year exceeded expectations by more than 100 MWhrs. - 18% capacity factor for this fixed tilt facility.
- Green River Wind Project - Construction activities have gotten under way in recent months at the Green River Wind Project site south of Rock Falls. The EPC contractor Mortensen has completed the access roads between the turbine sites as well as the O&M building. Foundation work is underway for the substation. ComEd reports completion of the interconnection station with the transmission line tie in work in process. The installation of the wind turbine towers will begin next spring with energization starting by this time next year.

Member Solar Sites – Kevin Wagner reported that on September 14th, staff issued a Request for Proposals (RFP) for 20-year power purchase agreements (PPA) for solar facilities (totaling 3 MW in nameplate capacity) to be developed at proposed sites in Altamont, Naperville, Oglesby and Rock Falls, as discussed at the August Board meeting. To date, nine prospective bidders have expressed interest in responding to the RFP. Staff hosted site visits for the prospective bidders in late September and a second round of visits just this week. Staff is working with local engineering firms recommended by the four Member cities to conduct boundary and topographic surveys of the site and perform soil testing to support design of the rack anchoring. Bids are due on November 9th and staff will review the results and prepare recommendations to be presented for consideration at next month's IMEA Board meeting.

Future Energy Jobs Act (FEJA) Update – Staci Wilson reported that the ICC and the IPA have approved a plan that included municipal and coops in the incentives for the Adjustable Block Program, the Community Solar and the Solar For All Programs which ComEd has contested. The IPA is currently completing the Lottery Stakeholder process and developing final lottery procedures. This will include criteria for approved vendor registration (published October 25 with the portal to accept vendor applications opening on November 1) and distributed generation marketing guidelines and disclosure forms scheduled to be posted on November 15. The Community Solar consumer protections and marketing guidelines scheduled to follow on December 21. The Program Guide is scheduled to be completed on January 4, 2019. Wilson stated that on January 15, 2019, applications will be accepted for distributed generation and community solar projects from approved vendors. Fourteen days will be allowed for the IPA to review applications and fourteen days for developers to correct any deficiencies from approved vendors. The system also allows for reallocation of projects by vendors after being selected.

Wilson also discussed articles concerning net metering policies and system support charges. She then quoted verbatim from the Illinois Power Agency's frequently asked questions website detailing the muni and coop incentives through the Adjustable Block Program, the Community Solar and the Solar For All Programs.

Legal – General Counsel Troy Fodor reported on the following:

- FOIA Request – IMEA received a Freedom of Information Act request from the City of Highland regarding the 138kV transmission line. Staff responded that it was a voluminous request and the parties have mutually agreed to suspend the normal FOIA time deadlines and review the documents together in order to narrow the request.
- ICTR's – The backup project is still pending in the PJM queue. Conversations with IMEA's consultant resulted in considering a strategy of putting in future projects each year to protect against IMEA's rights being diluted by future projects put in by others. There has been no action at this time.
- Transmission Rates – Staff received Ameren's 2019 projected formula transmission rates. The transmission rate on a kilowatt per month basis is increasing \$.48 cents for a new rate of \$3.43 (16% increase) effective January 1, 2019. A list of new projects was presented. A key issue is that Ameren's 2017 system peak usage was below the amount projected – a reduction of 6.2% from budget expectations. Over the last 7 years, Ameren's transmission rate has increased 110% along with its revenue requirement and rate base. At this time, IMEA is not changing the transmission rate to members, however, once the WDS rate change takes effect in June 2019, IMEA will need to consider a rate change in the transmission rate to members.

- FERC Matters – Regarding the Minimum Offer Price Rule (MOPR) Section 206 case, IMEA submitted comments to PJM and worked through the stakeholder process on the development of PJM’s proposal. This proposal includes language that will not harm IMEA at this time and, if adopted by FERC, will not adversely affect IMEA’s interests as proposed. Staff did not file 1st round comments with FERC although may file reply comments to proposals by others.

Regarding the Tilton pseudo-tie complaint, PJM gave Tilton notice to cancel their pseudo-tie for PY 2019/20 due to the new pseudo-tie rules. Tilton challenges PJM’s interpretation of the rule. FERC has set the matter for paper hearing and since IMEA has an exception to the new rule in question, IMEA is not harmed in the current status of this ruling.

LG&E has made a filing asking FERC to allow them to charge pancake transmission rates. LG&E is imposing transmission charges for use of their system in addition to the MISO/PJM charges. This will affect Kentucky municipals and electric cooperatives, but specifically excludes IMEA. IMEA is not impacted by this charge, but staff will continue to monitor this issue to see that LG&E does not try to get any rulings that might allow it to charge IMEA for Trimble County exports in the future.

NERC – Naperville Deregistration – Maryann Todd reported that IMEA had been notified in August by Reliability First Corporation (RF) that IMEA/Naperville might not need to continue to be registered as a Distribution Provider. RF confirmed that NERC had accepted its determination in late September and IMEA submitted paperwork to officially deregister IMEA/Naperville on October 9 which was accepted the same day. IMEA is no longer registered for any functions in RF and the pending Inherent Risk Assessment by RF will likely be cancelled along with the audit scheduled for December of 2019. SERC will likely schedule an audit for 2019. Mark Curran from Naperville recognized IMEA’s efforts in this regard and thanked the staff responsible.

Ordinance 18-10-816 – Amending and Restating Policy to Prohibit Sexual Harassment Pursuant to Public Act 100-0554 for Officers, Directors and Employees of IMEA – Chairman Hazel reported that yesterday after the Executive Board meeting, staff had identified an adjustment with regard to a timeline that should be made within Ordinance 18-10-816. General Counsel Troy Fodor stated that the Illinois Municipal League had reviewed the statute and reported that the Dept. of Human Rights had increased the number of days for filing a complaint of a Human Rights violation which includes sexual harassment from 180 days to 300 days. Staff recommends amending the current Ordinance to change 180 days to 300 days. Mayor Ann Sullivan made the motion for approval, which was seconded by Dominic Rivara. The roll call vote passed unanimously.

General Counsel Troy Fodor reported that Public Act 100-0554 required local government units to adopt an ordinance establishing a policy prohibiting sexual harassment by January 15, 2018. On December 2017, the IMEA Board passed Ordinance 17-12-810 prohibiting sexual harassment and establishing policy, which applied to Board members and employees, as well as any agents. Staff is recommending an amendment to the Confidential Consultation provision of the policy. This amendment includes deletion of the concept of one male and one female employee to offer confidential consultation and replace it with the Illinois Dept. of Human Rights Sexual Harassment hotline as an opportunity for an independent third party to act as the confidential consultation. Staff has also rolled the provisions of the sexual harassment policy into the IMEA Employee Policy and Procedures Manual. Mayor Ann Short made a motion approving the amended Ordinance. Tom Bruhl seconded the motion which passed by a unanimous roll call vote.

Proposed Change in Ameren Wholesale Distribution Service (WDS) Rate – CEO Kevin Gaden reported that Ameren notified IMEA that they plan to update IMEA’s Wholesale Distribution Service (WDS) rates on June 1, 2019. Staff has had two calls with the Coop group who have previously worked together in 2011. IMEA worked closely with this group to push down a proposed substantial rate increase in 2011. The outcome reduced IMEA’s Ameren WDS rate by 70% from the proposed rate which resulted in a multi-million dollar refund.

CEO Gaden stated that staff along with the Coop group met with the Senior VP of Transmission (SVP) at Ameren and he has agreed to set up meetings to review analysis and seek to find common ground with Todd Masten from Ameren leading this effort. Technical and legal positions are currently being considered to approach these negotiations by IMEA and other customers.

NEW BUSINESS

Cyber Security Program – Glenn Cunningham, Director of IT and Security, reported that in response to an increasing number of nationwide cybersecurity threats, the IMEA is launching a cybersecurity initiative to offer monitoring services that protect utilities. The service provider is N-Dimension, a market leading managed security service provider with innovative solutions to protect utility networks from cyber threats. N-Dimension’s monitoring service, N-Sentinel Monitoring provides each city with regular reports on breaches, hacking attempts and infections introduced internally. IMEA currently uses N-Sentinel because today’s firewall and malware/virus software is not enough - malware can embed itself easily and go undetected for over 6 months.

The key features of N-Sentinel are 24/7 intrusion detection monitoring and alerts, detection of utility-centric threats, intelligent cloud-based threat analysis and data aggregation. Other features include actionable steps to reduce risk and remediate threats, cloud-based customer reports, utility community cyber intelligence and access to cybersecurity experts. Cunningham presented an annual cost per member which decreases the more members that participate and recommended every member take advantage of N-Sentinel’s 60 day free trial.

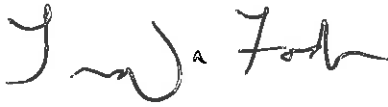
Resolution #18-10-817 - Approving Baker Tilly Virchow Krause, LLC to Perform Audit of Fiscal Year Ending April 30, 2019 – Brian Keys moved to approve this resolution, seconded by Mayor Brent Maguire. Bob Childers stated Baker Tilly’s engagement letter shows a 3.0% increase over last year’s audit fee and stated this amount continues to be very low compared to other joint action agency fees for such service. Baker Tilly will also perform IPEA’s audit (subject to IPEA’s approval) at the same time as IMEA’s audit in June. The Resolution was approved by unanimous roll call vote.

Resolution #18-10-818 – Approving IMEA Regulatory Asset Related to PJM Capacity Costs – Tom Bruhl moved to approve this resolution, seconded by Mark Curran. CFO Bob Childers reported on the net revenue from the ICTRs awarded to IMEA as a result of the PJM auction 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 recommended creating a regulatory asset and deferring some of the cost of fiscal year 19/20 and 20/21 which would be reversed in 21/22 when IMEA received the ICTR revenue to offset. The objective is to level out the member supply cost over a three-year period to reduce a price spike.

Todd Ely representing Cairo via teleconference spoke up and indicated his belief that the Board did not have enough information to properly consider the establishment of the regulatory asset. He requested additional information on the use of regulatory assets and a financial analysis showing how rates would be affected. He asked that consideration of the resolution be delayed. There being no other comments or motions, the vote was called. The weighted roll call vote passed unanimously. Under Illinois law and the IMEA Bylaws, a member is not present when listening in via teleconference. Therefore, Mr. Ely requested that his opposition to the Resolution be noted for the record.

With no other business to be discussed, Mayor Brent Maguire moved to adjourn the meeting at approximately 12:30 p.m. Tim Birk seconded the motion, which was unanimously approved by voice vote.

Respectfully submitted,



Assistant Secretary/Treasurer

THURSDAY, OCTOBER 18, 2018

MEMBERS PRESENT

Altamont	Larry Taylor
Bushnell	Justin Griffith
Carlyle	John Hodapp
Flora	Bob Coble
Fairfield	Mayor Brent Maguire
Freeburg	John Tolan
Ladd	Pat Barry
Mascoutah	Jesse Carlton
Naperville	Mark Curran
Marshall	Cory Sheehy
Oglesby	Dominic Rivara
Princeton	Jeff Mangrich
Rantoul	Greg Hazel
Red Bud	Josh Eckart
Rock Falls	Dick Simon
St. Charles	Tom Bruhl
Sullivan	Mayor Ann Short
Waterloo	Tim Birk
Winnetka	Brian Keys

MEMBERS ABSENT

Bethany	Shannon Risley
Breese	Dale Detmer
Cairo	Todd Ely (via teleconference)
Carmi	David Coston (via teleconference)
Casey	Shelby Biggs
Chatham	Shane Hill
Farmer City	Sue McLaughlin (via teleconference)
Greenup	Mike Ryder
Highland	Dan Cook
Metropolis	Rick Abell (via teleconference)
Peru	Mayor Scott Harl
Riverton	Russ Patrick
Roodhouse	Mayor Tom Martin

OTHERS PRESENT

Carlyle	Dave Miller
Naperville	Lucy Podlesny
Sullivan	Dan Flannel
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	Staci Wilson
IMEA	Rakesh Kothakapu
IMEA	Glenn Cunningham
IMEA	Cindy Evans
IMEA	Chris Jewell
IMEA	Maryann Todd
IMEA	Adam Baker
IMEA	Tammy Hall