

# ILLINOIS MUNICIPAL ELECTRIC AGENCY

## REPORT OF EXECUTIVE BOARD MEETING

WEDNESDAY, OCTOBER 21, 2020

A regularly scheduled meeting of the Executive Board of the Illinois Municipal Electric Agency was held pursuant to proper notice by webinar broadcast from the IMEA headquarters building, 3400 Conifer Drive, Springfield, Illinois on October 21, 2020. Chairman Dale Detmer called the meeting to order at 2:00 p.m. Roll call was taken which showed a quorum was present via webinar as allowed for during the COVID-19 pandemic under Public Act 101-0640.

CEO Kevin Gaden announced the names of guests that were participating in the webinar and acknowledged the staff that was physically present in the Boardroom or on the webinar broadcast.

The Report of August 26, 2020 was moved for approval by Larry Taylor and seconded by Lucy Podlesny. The motion carried by unanimous roll call vote.

Opportunity for Public Comment: Chairman Dale Detmer stated that pursuant to the Open Meetings Act, any person attending this webinar shall be permitted an opportunity to comment. Questions during the rest of the meeting are reserved for Board members. If questions arise during the meeting, they can be raised with an appropriate staff member after the meeting by calling IMEA's main number at 217-789-4632 and being directed by the operator at that time. He then asked if anyone from the public would like to make a comment and hearing none, the meeting continued.

### OLD BUSINESS

Update on Solar Projects: Chris Jewell reported the following:

- Altamont – Commercial Operation was achieved on August 26<sup>th</sup> and the ribbon cutting was held on September 25<sup>th</sup>.
- Rock Falls – Commercial Operation was achieved on September 18<sup>th</sup> and the ribbon cutting was held on October 8<sup>th</sup>.
- Naperville – Sol Systems is still waiting for the storm water permit from IEPA, however, site mobilization is expected the week of October 26<sup>th</sup>.

Legal Matters – General Counsel Troy Fodor reported the following:

- Mascoutah ICC case – On September 23<sup>rd</sup>, the Illinois Commerce Commission (ICC) entered an Order denying the City of Mascoutah the power of eminent domain for the project to connect its system to the new Ameren substation/ring bus. It is likely Mascoutah will appeal this decision. The ICC's preferred alternate route involves rebuilding a high voltage line owned by Ameren to allow for pole sharing which would significantly increase the cost to Mascoutah.
- Ameren Wholesale Distribution Service (WDS) Future Formula Rate – Negotiations on Ameren's proposed formula rate for WDS have re-started and discussions are scheduled every 2 weeks.

- Wholesale Connection Agreement (WCA) – Negotiations have stalled while Ameren generates 3-party agreements with each Member due to Ameren’s insistence that individual IMEA Members connected to Ameren’s system must be signatory parties to the agreements. Staff is planning a workshop to review the technical requirements of these agreements with those Members affected along with electric and management staff of the members and legal counsel, if they choose. The workshop would be called as a Special Meeting of the Board of Directors and will most likely be held in January, 2021 via webinar.

FERC Matters – General Counsel Troy Fodor reported the following:

- Minimum Offer Price Rule (MOPR) – On October 15<sup>th</sup>, FERC entered an Order on the compliance filings made by PJM. The Capacity Auction Schedule has not yet been determined due to another matter pending at FERC which affects one of the elements required for the capacity market floor prices. The schedule will not be set until that Order comes out. The current schedule is for the PJM 2022/23 Delivery Year Auction to be held 6 ½ months after that Order is issued. The new Order continues to verify that IMEA’s existing resources are still exempt from MOPR under the self-supply exemption, although clarifies that existing resources only includes previously approved capacity amounts from existing units which means that IMEA will not have an exemption for any new resources or contracts. The new Order appears to prevent IMEA from meeting any short-term replacement needs bilaterally and since IMEA is deemed to be State Subsidized, IMEA will only be able to avoid MOPR by buying from the PJM Incremental Auctions. The new Order accepts PJM’s short term bilateral (one year or less) language, but it is not clear that this will allow IMEA to avoid penalties in a situation where partial year replacement capacity might be required outside of the Incremental Auctions. Further review and analysis will be done and staff will work with PJM on upcoming implementation. The new PJM rules will adversely affect resource planning going forward including any bilateral contracts and replacement capacity transactions.
- Lee DeKalb Wind Farm Reactive Filing – FERC approved the Settlement Agreement and the final reactive revenue that IMEA will be getting from the contracts with these projects is set. Money is still in the escrow account because IMEA has not received the charges from PJM, but will refund PJM the difference between the amounts received and the settlement amounts with interest.
- Green River Wind Farm Reactive Filing – FERC approved the Settlement Agreement and the final reactive revenue that IMEA will be getting from the contracts with these projects is set. Money is still in the escrow account because IMEA has not received the charges from PJM, but will refund PJM the difference between the amounts received and the settlement amounts with interest.
- Incremental Capacity Transfer Rights (ICTR’s) – Changes in the PJM planning parameters, including COVID-19 related load reduction in ComEd, and auction activities looked to potentially reduce the value of IMEA’s ICTRs for the first year of them being effective (next year). Staff along with consultant, Customized Energy Solutions has been meeting with PJM on the interpretation and application of its auction rules, although the discussions have not yet resulted in relief for IMEA. Troy Fodor stated that IMEA may need to file a Complaint at FERC to protect its interests.
- Additional FERC Matters by Public Power – This matter has been coordinated by APPA/TAPS without any direct intervention by IMEA. FERC Order 841 allowed direct participation by batteries and other storage devices in the RTO markets without local utility consent. In September, FERC entered Order 2222 regarding aggregation of Distributed Energy Resources (DER) which generally requires distribution utilities to allow aggregators of DER to have direct access to the RTO markets without the consent of the utility or State/local authority. However, this Order

allows State/local authority to control DER as it relates to interconnection, system planning, operations and local reliability, but only allows utilities and State/local authorities to block access to RTO markets if the DER is participating in a program operated by a State or utility. Order 2222 includes an opt-in requirement for small utilities which means that aggregators of DER cannot participate directly in RTO markets with DER that is on the system of a small utility unless the small utility specifically authorized direct participation in the real time markets. The RTO's are required to revise their tariffs to implement the Order and issues will be worked out in the stakeholder process. An aggregator of batteries cannot use a battery on a system in the RTO markets without consent, although a stand-alone battery might be able to take part in the RTO market itself without consent.

Economic Development Rate Schedules – Mike Genin stated that staff had reviewed the economic development incentive rates for the coming year and explained that the Trimble County debt service for the 1991 bonds will expire in January 2021. After a financial analysis was conducted, the recommendations are as follows: (1) Offer rates for a dollars per kW/month discount over what the actual costs are, (2) change the B2 rate to 200 kW minimum requirement (currently 150 kW), (3) Members must maintain usage requirements each month to remain on the rate, not just one month in that year, 4) monthly load factor requirement for the B2 and B6 rate of 50% which would be suspended if the load factor is not maintained, (5) a power factor requirement of .95 and (6) CEO final approval of all offers instead of being automatic.

Chris Jewell explained that the analysis was conducted to ensure that the discounts provided for new load did not cause additional incremental charges to other Member bills. He has created a template to model various customer monthly load patterns and then calculated the expected new energy and demand sales created by adding new customer load. Using current IMEA base energy and demand charges, Jewell determined the wholesale charges that would be recovered from new customer load and calculated the incremental cost of capacity in the market, energy, transmission and distribution (WDS) charges associated with serving additional customer load. Staff wants to set a level that ensures no cost shift to other Members. The results determined the rate structure that would be offered and the requirements of customer based on minimum size and load factor. Mike Genin reported that the Board will have the opportunity to vote on the new rates at the December IMEA Board meeting and any approved rates would be effective starting with March 2021 usage (60-day review required by IMEA contract). He stated that all rates will be reviewed annually. Genin reported on “Green Thumb Industries” which is a national chain of recreational and medical marijuana grow facilities doing business in Oglesby. They have been offered a B7 incentive rate and may utilize 24-hour electric usage. This new load will assist the City of Oglesby in improving their electric system as well as reduce rates.

## NEW BUSINESS

Energy Efficiency and Conservation Program – Rodd Whelpley reported that the Electric Efficiency and Conservation Committee (E2C2) met on October 1 to review the current year's program performance and to make recommendations for FY2021-22. He stated that the current Commercial/Industrial (C/I) measures are lighting, compressors, refrigeration, variable speed drives for HVAC pumps and motors, custom projects and power factor correction and the current residential measures are the light bulb give away, advanced thermostats as well as AC and air source heat pump rebates. He explained that the usage for FY2020/21 is below normal possibly COVID related, but this is not a “use it or lose it year,” so funds will carry over into next year. All incentives are now being paid by direct deposit with Automatic Clearing House (ACH) payment authorizations. Staff will make arrangements with applicants who are uncomfortable with this method of payment.

Whelpley reported that the recommendations for the E2C2 Program are as follows: To keep the C/I and the Residential Programs operating as they currently are; minor changes to comply with Version 9 of the Technical Reference Manual; add more bulb options to the LED Light Bulb Give Away Program; budget \$1 million for E2C2 incentives (same as last year) and lastly, a not-to-exceed \$12,000 consulting contract with CLEAResult to assist in proper energy savings calculated.

Regarding the EV charging station initiative, Whelpley stated that cities may use these funds to establish locally managed programs. Incentives are \$200 for residential EV charging stations or \$500 for EV charging stations available for public use. Two member cities established programs in FY2019-20 and two member cities have established programs in FY2020-21. The recommendations for the EV charging station initiative was to keep operating as it currently is, but should the State's Electric Policy necessitate a change, staff would have to implement a new operational plan and funding terms for the program. The budget will be \$30,000 for FY2021/22 and there is no carryover to the next year. Each city is allocated \$200 and the remaining \$23,600 is divided on a load-share ratio basis.

Resolution #20-10-852 - Approving Baker Tilly Virchow Krause, LLC to Perform Audit of Fiscal Year Ending April 30, 2021 – Chris Wise stated that 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. Baker Tilly will also perform IPEA's audit (subject to IPEA's approval) at the same time as IMEA's audit. Cory Sheehy moved to approve this resolution, seconded by Shane Hill. The resolution was approved by unanimous roll call vote.

Resolution #20-10-853 – Approval of Phase 2 BTM Solar Generation Project in Rantoul – Chris Jewell stated that in April, the Board authorized staff to solicit interest from member cities with an RFP. Staff sent out the RFP for member site selection on May 19<sup>th</sup> and received responses from Naperville and Rantoul. Staff found that site control and flood plain issues prevented a second project in Naperville and site control issues in Rantoul required that staff work with the existing vendor (Altorfer) in order to have enough land for the project. On August 27<sup>th</sup>, the Board authorized negotiations with Altorfer for site expansion in Rantoul. Staff has had weekly calls with Altorfer and worked through all the terms associated with the Power Purchase Agreement (PPA). Staff recommends authorizing the President & CEO to finalize and execute a 20-year Power Purchase Agreement with Altorfer for 1000kw photovoltaic expansion site and to negotiate and enter into a Site Agreement with Rantoul to accommodate the solar project. IMEA staff recommends Board approval of the Resolution at this time. Bob Coble moved to approve this resolution, seconded by Larry Taylor. The resolution was approved by unanimous roll call vote with the exception of Greg Hazel from Rantoul abstaining.

Regional Transmission Rate Changes and Rate Schedule B Transmission Charges – CEO Gaden discussed why transmission costs continue to rise causing IMEA Members' rates to rise. He explained that Ameren looks to be adding ≈\$868 million of assets over a 2-year period for huge infrastructure improvements. Others are entering the arena as transmission owners (Gridliance/NextEra) and existing ones (electric coops) are expanding their facilities. He presented the exact verbage discussed 4 years ago that included ways of managing the changing transmission costs to IMEA and its Members. These included fighting the cost adjustments, challenges to overcome, paying the rate from the incumbent providers or investigate becoming a minority, absentee owner of transmission improvements. Gaden also discussed how low interest rates and increased return percentages along with lower income taxes for transmission owners, changes in RTO incentives, formula rate-making and increased RTO administrative fees affect transmission costs. Finally, he explained that there have been a number of events for the



RTOs, like the 2020 MISO Hurricane Laura uplift cost and the PJM Greenhat FTR default that have to be collected by IMEA via rates. He stated that if not for all of these transmission increases, IMEA's power supply cost would be flat for the past six years. Gaden then presented a bar chart showing the effect of transmission on Member average cost over the past six years demonstrating that IMEA's power supply rate has remained consistent in the face of rising transmission costs.

General Counsel Troy Fodor reported that Ameren had posted the results of its inputs to the formula rate for 2021 and held its annual formula rate update meeting last week. He stated that Ameren is increasing their rate to IMEA for network transmission service alone \$0.73/kW-month which is 23.8%. The Net Plant for Ameren is projected to increase \$591.5 million in 2021 which is actually \$610.7 Million in new investment although credits are applied decreasing that figure. Ameren's Rate Base is increasing \$504.1 million in one year. The increase in new Net Plant since the end of 2019 is \$868 million which results in an increase to the Revenue Requirement by \$60 million to \$314.3 million ( $\approx 24\%$ ) for 2021. This is after a \$20.2 million reduction to the Revenue Requirement for over-collection in 2019, but that amount will be added to the rates next year. This increase is due to brand new investments such as replacing aging facilities. The increased investment causes large increases in certain expense items like depreciation (20%) and income taxes (36%). The increase in income taxes, which are passed through the formula rate to transmission customers, reflect increased profits to Ameren because the Rate of Return is applied to a much larger Rate Base.

Fodor reported that ComEd's Revenue Requirement increased in June 2020 by \$13.4 million and its Transmission Rate increased by 1.84%. These increases would have been almost doubled if not for a number of one-time adjustments to the 2020 Revenue Requirement. Staff previously advised that these one-time reductions to Revenue Requirement would be added back for 2021. Fodor stated that ComEd changes its rate twice per year; the first is the new Revenue Requirement in June and the second is a change to the peak demand in January. Staff expects an increase from ComEd in January due to peak loads being down mainly caused by COVID-19 and mild weather. Staff has projected a 7-15% increase in January along with the Revenue Requirement.

Fodor also reported on increasing administrative fees in MISO and PJM to cover their increasing budget costs which are passed through to IMEA proportionately based on load. The RTOs also pass along other costs such as the 2020 MISO Hurricane Laura uplift cost and the PJM Greenhat FTR default. He explained that ARR/FTR revenues offset transmission costs so they are a reduction to the transmission costs. The congestion has been managed better due to the money being invested in the system which means the revenue credits that IMEA is getting back to offset those costs are going down.

Fodor explained that the last adjustment IMEA made to the Delivery Service Charge (DSC) under Rate Schedule B was in 2016 and was mostly due to a 32% increase in 2015 by ComEd. Since that time, Ameren's transmission rate has increased 70.5% and if ATXI and other transmission owners are included, the increase to the combined AMIL Pricing Zone since 2016 is 87%. ComEd's transmission rate has increased 42% in the last 8 years, including the 32% from 2015. MISO/PJM's transmission-related costs have increased 68.5% since 2016 and the ARR/FTR revenues to offset transmission costs have declined. He stated that the DSC in Rate Schedule B should be increased to recover the transmission rate increases by Ameren and ComEd for 2021 and it is appropriate to reset the base DSC to recover the costs rather than continue to recover those costs through the Cost Adjustment.

CFO Chris Wise discussed the proposed DSC changes for delivery at 100kV and above and delivery at less than 100kV with no current change to WDS. He then summarized a breakdown of how specific monetary values would be applied to the increases previously described. These include resetting the Base

Rate for the under recovery of transmission costs through the current DSC rate that IMEA has been recovering through the Cost Adjustment in Rate Schedule B and the Ameren and ComEd increases. If Ameren and ComEd's increases go up, this monthly figure will likely be adjusted. Beginning the summer of 2019, the DSC has been under collecting for transmission costs and this amount has risen dramatically. He explained that credits for PJM Auction Revenue Rights (ARR's), Transmission Enhancement fees and revenues collected under the DSC have all declined. Transmission costs have increased \$7.8 million from FY2019 to FY2020 and the DSC has not been adjusted to allow for collection of these increased costs. Wise presented a chart showing the trend in IMEA's transmission costs for the last six years in total dollars and a list of the average cost proposed overall cost increase by Member due to the transmission rate charge, which varies by load factor.

Lucy Podlesny from Naperville asked whether or not the increase could be challenged at FERC. General Counsel Troy Fodor explained that transmission expansion and formula rates are favored by FERC and that it would be very difficult to win a challenge to a formula rate caused by transmission expansion. Podlesny then asked if MISO and/or PJM had any committees that review these projects. Fodor stated that MISO and PJM have processes in place, specifically the MTEP process at MISO that reviews projects regarding the reliability needs/requirements for the system and planning criteria. Ameren will use that as their justification for their formula rate to defend themselves at FERC.

Troy Fodor reported that the overall rate will be going down due to the debt service on Trimble County Unit 1 being paid off in January. He discussed specific administrative changes which will be made to the Rate Schedule B and those will be included in the December Board packet. Fodor stated that there is no official action sought today and staff will be seeking approval to the changes in the Rate Schedule B at the December Board meetings. Upon Board approval of a new Rate Schedule B for transmission, an official notice of this rate change will be mailed out in December and the proposed changes would be effective March 1, 2021 if approved.

Chairman Dale Detmer asked for a motion to adjourn the meeting. The motion was made by Cory Sheehy, seconded by Lucy Podlesny and carried unanimously by voice vote. The meeting was adjourned at 3:45 p.m.

Respectfully submitted,



Assistant Secretary/Treasurer

**ILLINOIS MUNICIPAL ELECTRIC AGENCY  
EXECUTIVE BOARD MEETING  
WEDNESDAY, OCTOBER 21, 2020**

**MEMBERS PRESENT VIA WEBINAR**

Altamont	Larry Taylor
Breese	Dale Detmer
Carmi	David Coston
Chatham	Shane Hill
Flora	Bob Coble
Marshall	Cory Sheehy
Naperville	Lucy Podlesny
Rantoul	Greg Hazel

**MEMBERS ABSENT**

Metropolis	Rick Abell
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**OTHERS PRESENT (or listening via webinar)**

Bethany	Shannon Risley
Bushnell	Justin Griffith
Fairfield	Tyler Lampley
Naperville	Brian Groth & Greg Hubert
Rantoul	Jake McCoy
Red Bud	Josh Eckart
Waterloo	Tim Birk
IMEA	Kevin Gaden
IMEA	Troy Fodor
IMEA	Chris Wise
IMEA	Mike Genin
IMEA	Alice Schum
IMEA	Kevin Wagner
IMEA	Rakesh Kothakapu
IMEA	Glenn Cunningham
IMEA	Adam Baker
IMEA	Chris Jewell
IMEA	Staci Wilson
IMEA	Rodd Whelpley
IMEA	Cindy Evans
IMEA	Shadi Ahanchi
IMEA	Sean McCarthy
IMEA	Tammy Hall