

**ILLINOIS PUBLIC ENERGY AGENCY
BOARD OF DIRECTORS MEETING
NOVEMBER 28, 2018**

A regularly scheduled meeting of the Board of Directors of the IPEA was held pursuant to proper notice at the IPEA headquarters building, 3400 Conifer Drive, Springfield, Illinois, on November 28, 2018. Vice Chairman Mayor Ann Short called the meeting to order at 12:00 p.m. Roll call was taken and a quorum was physically present.

Mayor Brent Maguire made a motion to approve the minutes of August 22, 2018, seconded by Justin Griffith. The voice vote showed all in favor.

The Treasurer's Report for September was presented by Tia King. King stated that gas revenue had decreased by 3% from the previous year and Dth sales had increased by 1% from the previous year. The price per Dth average had decreased by \$.13 from the previous year. With there being no questions, Mike Lebshier made a motion to approve the Treasurer's Report, seconded by Terry Gard. The voice vote showed all in favor.

Opportunity for Public Comment: Vice Chairman Mayor Ann Short stated that pursuant to the Open Meetings Act, any person in attendance at a meeting shall be permitted an opportunity to comment. She then asked if anyone would like to make a comment and hearing none, the meeting continued.

CEO Kevin Gaden introduced CFO Bob Childers' replacement, Chris Wise. Chris began his employment on Monday, October 15 and his title is Vice President & CFO. Bob Childers plans to retire in the first quarter of 2019.

President & CEO's Report: CEO Gaden stated that the summer of 2018 had been a good time to lock in hedges. The gas market has been volatile with the early winter weather affecting storage and production. He reported that long-term exploration debt obligation was increasing which could cause defaults resulting in slower production. CEO Gaden also reported that Jo Carroll had hedged a significant amount of future gas purchases and some had gone beyond their current IPEA contract date. Staff suggested Jo Carroll extend their IPEA agreement to match the IPEA municipal contract length. Jo Carroll will be discussing this opportunity at their December Board meeting and upon their authorization, staff will seek approval of this extension at the next IPEA Board meeting.

CEO Gaden also stated how the explosion in British Columbia in early October caused a rapid escalation in regional prices and showed examples of the increases. He also reviewed the results of November ballot initiatives in Washington, Colorado, Florida and Missouri. In many states, various Governors and State representatives are seeking to limit drilling and increase permitting requirements while the U.S. Congress was discussing carbon tax and cap & trade. He stated that the FERC fuel security issue could put additional volatility on natural gas. Gaden also reported that Earth Justice, Prairie Rivers Network, Environmental Integrity Project and the Sierra Club had issued a 45-page report dated today entitled "*Cap and Run: Toxic Coal Ash Left Behind by Big Polluters Threatens Illinois Waters.*" He noted that Prairie State had been mentioned in the report.

Market Update: Bill Sticka of the Commodities Management Group from Constellation gave an update on the natural gas market stating that this November is one of the coldest on record raising concern over a shortage of gas in storage later in the season affecting prices. The Energy Information Administration (EIA) reported a record-breaking draw of 134Bcf the week of November 16. Last year prices began at \$2.60, summer pricing was at \$2.70 compared to this October at \$3.20.

Regarding storage levels, Sticka stated that with such a strong start to the season, storage inventory is 17% below average levels. Natural gas production is up about 11.4Bcf year over year with historic highs of 87Bcf/day. Demand continues to keep pace due to high gas burns and high LNG gas exports. The market is attempting to make up a 20% deficit and since export levels are so high, pricing is affected. Sticka explained that with current market variances, the long-term approach justifies that there is extreme value in hedging. He reported that NYMEX is trading in 2019 at \$3.13, and years 2020-2023 at \$2.63. Sticka then explained that from a pipeline buildout standpoint, nearly 11Bcf/day in new pipeline capacity was slated to be added nationally this winter. Discussion ensued regarding delivery to Mexico of approximately 4Bcf/day which has slowed due to project delays in Mexico although LNG exports continue to be strong.

Resolution #18-11-165 - Approving Baker Tilly Virchow Krause, LLP to Perform Audit of Fiscal Year ending April 30, 2019 - Bob Childers stated that the letter agreement has been received from Baker Tilly to provide next fiscal year's audit for a cost of \$9,000 which was an increase of 3.5% over last year. Bob Childers recommended Baker Tilly based on their past work performance and reasonable cost. He also stated that Baker Tilly plans to rotate the partner on this engagement and that Russ Hissom was retiring in mid-2019. Mike Lebshier moved to approve Baker Tilly to perform the audit of fiscal year ending April 30, 2019, seconded by Justin Griffith. The roll call vote showed all in favor.

Ordinance 18-11-166 – Amending and Restating Policy to Prohibit Sexual Harassment Pursuant to Public Act 100-0554 for Officers, Directors and Employees of IPEA – 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. In December 2017, the IPEA Board passed Ordinance 17-12-160 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. Greg Hazel made a motion approving the amended Ordinance. Terry Gard seconded the motion which passed by a unanimous voice vote.

Legislative & Regulatory: Regarding federal issues, Staci Wilson gave an update on the election stating that the US House of Representatives now has a Democrat majority and the US Senate has an increased Republican majority. In Illinois, the Chicago suburbs voted in two new Democratic representatives: Casten and Underwood. Wilson anticipates more investigations, infrastructure legislation as a possible area of compromise and a carbon tax discussion. She emphasized the importance of the Legislative Rally in February and getting acquainted with the new Congressional members.

Wilson then addressed a piece of legislation to be introduced in a Senate Committee hearing tomorrow that would repeal and replace Section 433 of the Energy and Independent Security Act with language to help new and renovated federal government buildings improve efficiency guidelines. APGA is submitting comments to Congress on this proposal. She also reported on S.1875 which includes language that advances electrification and could result in a reduction or the elimination of natural gas. APGA is sending a letter to Senator Wyden expressing concerns and focusing on customers' usage in homes and businesses with regard to appliances in their homes. APGA has created a task force regarding the cost of electrification and the benefits of natural gas.

Regarding State issues, Wilson gave an election update stating that Democrats had swept all levels of government: Governor, Attorney General and a super majority in the Illinois House of Representatives and Senate. She stated that with a new Governor, it was unlikely to be an active veto session and there will be a record number of new legislators in the spring session of the General Assembly along with the expectation of major energy legislation next year.

Prepay Opportunities – Mike Genin discussed possible prepay discount arrangements possibly available in the gas market. These are based on the ability of municipal entities to issue municipal tax-exempt bonds with interest rate advantages in order to sell natural gas at a discounted price which acts as a savings to all parties involved. Under such an arrangement, IPEA would extend a 30-year agreement to its members to buy certain volumes of natural gas at certain pricing points with a 30¢ discount per Dth. These 30-year contracts would need IPEA member city council approval and the volumes would be committed for that period of time and cannot be recommitted. Indexes are fixed and the deal may unwind after commitment although IPEA would work to ensure there would be no administrative fee if that happens.

Genin stated that the volume of natural gas would be predicted by month and delivery point for 30 years along with the percentage of volumes in the program. Members would be able to liquidate excess volumes and there is flexibility with the current supplier, Constellation. Current prepays are offering a bigger discount at the end of five years essentially resetting the original discounted price which ultimately could change the IPEA administrative fee.

Genin gave examples regarding prepay efforts of Clayton Energy in Nebraska, BP, John Norman, Royal Bank of Canada, PEAK, Tennergy, Patriot Energy and MEAG. Staff recommends determining IPEA member interest, amounts of gas committed and vendors/brokers IPEA would like to solicit. Discussion ensued and it was the consensus of the Board members to have staff review concepts and investigate options regarding prepay opportunities, however, no definitive action was taken. Staff to report their findings at future IPEA Board meetings.

2019 Annual Conference – Mike Genin stated that this year's conference will be held in Effingham on April 11th and 12th and will have the same format as in past years. He identified potential topics to include prepay opportunities, market update and an APGA speaker on corporate tax reduction impact on pipelines. Genin then asked members for their suggestions.

Training Opportunities – Mike Genin reported that the Ameren training in Pawnee (originally scheduled for October 2018) was being rescheduled due to trainer scheduling conflicts and vendors backing out. Since Ameren is no longer providing trainers, staff is considering retirees or current professional workers using vacation days, current contract IMUA trainers, APGA consultants or reaching out to other municipal utilities. Staff is also considering moving the training to a

centralized location in a member town and using member or vendor equipment. Genin reviewed pricing with regard to different types of training and will evaluate the best value for all options.

There being no further business, the meeting was adjourned at approximately 1:35 p.m. by a motion from Justin Griffith. Terry Gard seconded the motion and it was unanimously approved by voice vote.

Respectfully submitted:



~~Assistant~~ Secretary/Treasurer

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BOARD OF DIRECTOR'S MEETING
NOVEMBER 28, 2018**

MEMBERS PRESENT

Bethany	Shannon Risley
Bushnell	Justin Griffith
Edinburg	Mike Lebshier
Fairfield	Mayor Brent Maguire
Flora	Bob Coble
Martinsville	Terry Gard
Rantoul	Greg Hazel
Roodhouse	Mayor Tom Martin
Sullivan	Mayor Ann Short

MEMBERS ABSENT

Casey	Shelby Biggs
Greenup	Mike Ryder
Marshall	Cory Sheehy

OTHERS PRESENT

Constellation	Bill Sticka (via teleconference)
Constellation	Brian Hirshberg (via teleconference)
IPEA	Kevin Gaden
IPEA	Troy Fodor
IPEA	Mike Genin
IPEA	Staci Wilson
IPEA	Tia King
IPEA	Bob Childers
IPEA	Chris Wise
IPEA	Tammy Hall
IPEA	Rodd Whelpley
IPEA	Dee Dee Bunch
IPEA	Ed Cobau