

# ILLINOIS MUNICIPAL ELECTRIC AGENCY

## REPORT OF EXECUTIVE BOARD MEETING

WEDNESDAY, OCTOBER 19, 2022

A regularly scheduled meeting of the Executive Board of the Illinois Municipal Electric Agency was held pursuant to proper notice in person and by webinar broadcast from the IMEA headquarters building, 3400 Conifer Drive, Springfield, Illinois on October 19, 2022. Chairman Dale Detmer called the meeting to order at 2:00 p.m. Roll call was taken which showed a quorum was present combining both in-person attendance and webinar participation as allowed under law during the Governor's continuing disaster declaration for the COVID-19 pandemic.

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

The Report of August 24, 2022 was moved for approval by Rick Abell and seconded by Shane Hill. 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. Hearing no requests for public comment, Chairman Detmer continued with the meeting.

### OLD BUSINESS

Update on Solar Projects - Shadi Ahanchi reported that IMEA Staff continues to negotiate with Sol Customer Solutions (SCS) for the photovoltaic projects at Marshall, Oglesby and Princeton. The remaining issues include assignment flexibility for the Seller, ease of assignment to the Host, performance assurance after an assignment to the Host and vegetation management. She stated that the Phase 1 Environmental Site Assessment and the Wetland Delineation studies are completed and that the Engineering Design is underway. Princeton and Oglesby are in the process of reviewing their Interconnection Agreements. Ahanchi reported that staff anticipates completing all of the agreements before the December Board meeting.

Update on Legal Matters – General Counsel Troy Fodor reported the following:

- FERC Orders – Fodor provided information on several Notices of Proposed Rulemaking (NOPRs) for informational purposes only. These NOPRs consisted of Building for the Future/Regional Transmission Planning and Cost; Duty of Candor; Accounting and Reporting Treatment of Certain Renewable Energy Assets; Credit-Related Information Sharing; Generator Interconnection Agreement and Process Reforms and Cybersecurity Rate Incentives. Fodor discussed the results of the Coalition of MISO Transmission Customers Complaint vs. MISO (EL22-60). He explained

that an ad hoc association of large industrial customers with facilities located throughout the MISO region sought to reduce operations during the summer of 2022 to avoid high capacity auction clearing prices claiming that it would provide reliability benefits to MISO. FERC rejected the Complaint on October 3, 2022.

- MISO Capacity Market Filings (Docket Nos. ER22-495 and ER22-496) - MISO filed tariff revisions with FERC that would make changes to the MISO capacity market. The 1<sup>st</sup> filing would create a new seasonal reliability capacity requirement, replacing the current annual capacity auction with four seasonal auctions and the 2<sup>nd</sup> filing requires load-serving entities to procure 50% of their planning reserve margin requirement through ownership or bilateral contract, not from the MISO capacity auction. FERC approved the seasonal construct filing on August 31, 2022, but rejected the 50% minimum capacity obligation. A number of parties have requested rehearing of the seasonal construct decision and the deadline for comments on the compliance filing regarding the seasonal construct is tomorrow. This will apply to the auction in March of 2023 for Delivery Year that starts on June 1, 2023.
- Ameren Audit Refund (Docket No. FA20-6) - FERC staff audited Ameren's books for the period January 1, 2016 through December 31, 2019 and their Audit Report contained findings and recommendations which required refunds. The \$1.3M refunds for all customers were reduced to \$729,000. IMEA and an electric cooperative group filed a protest of the refund report and IMEA staff is awaiting a FERC ruling to determine next steps.
- MISO Transmission Owners Return on Equity (ROE) Cases (Docket Nos. EL14-12 and EL15-45) On August 9, 2022, the DC Court of Appeals vacated and remanded FERC Orders approving new methodology for determining ROE and setting ROE rates in the MISO transmission owner ROE case. The possible outcome may be a small reduction in ROE and the Ameren transmission rate along with additional small refunds.
- MISO System Support Resource (SSR) Agreement and Cost Allocation Filings (Docket Nos. ER22-2691 & ER22-2692) – MISO declared that Ameren Missouri's Rush Island power plant in Festus, Missouri has to keep running and cannot retire due to voltage support issues. Load serving entities in the Ameren portion of Missouri along with affected Elemental Pricing Nodes in Illinois will be paying the costs of continuing to run this generator which includes IMEA. IMEA and Wabash Valley filed protests challenging the need for both Rush Island units as SSR and the allocation of costs to Illinois based on the 2<sup>nd</sup> unit. Staff has also responded to MISO Answers.
- Ameren Missouri SSR Revenue Requirement/Rate Filing (Docket No. ER22-2721) – IMEA and Wabash Valley have filed rate case protests challenging cost of service elements along with the recovery by Ameren Missouri of return on rate base, depreciation and income tax dollars associated with the 2<sup>nd</sup> unit designation. IMEA Staff has engaged Sandra Rizzo of Arnold & Porter and is awaiting a FERC Order.
- Annual Update on Ameren 2023 Transmission Rate – Ameren posted the results of its inputs to the high-voltage transmission formula rate for 2023 and held its annual formula rate update meeting recently. Ameren has increased their Net Plant by \$560.8 million (15%) and their Rate Base by \$434.8 million (14%) for 2023. The increased investment causes large increases in certain expense items, such as depreciation (15%), income taxes (13%) and return on rate base (16%). The Revenue Requirement for Ameren Illinois increased by \$33 million to \$424.5 million (8.4%) for 2023. This lower figure accounts for 2021 peak loads true-up. The bottom line rate increase for Ameren Illinois Company (AIC) alone is 14%. Other smaller transmission owners that collect their charges through the AIC Pricing Zone have also increased/decreased their revenue requirements, These entities are ATXI, Prairie Power Inc., Hoosier and Gridliance. These rate increases were also amplified by a 4.9% decrease in peak usage on the AIC system.

- Ameren Wholesale Connection Agreements/Umbrella Construction Agreements (WCA/UCA) – The WCA will govern the interconnection points where the Member electric facilities interconnect with the Ameren electric facilities and the effects that they have on each other’s systems; UCA will govern upgrades and new construction projects. IMEA Staff has prepared a summary of issues and explanations for each document. Staff will seek another round of discussions with Ameren to get final issues identified for ultimate decision by members and begin education of member representatives and attorneys about the contents of the documents.
- Rantoul Customer – Possible Public Utility Regulatory Policies Act (PURPA) Contract – Prominic, a web hosting company, is proposing a microgrid project, including solar generation, backup natural gas generation and battery facilities. The solar generating facilities portion of the project would likely be a Qualifying Facility (QF) under PURPA. An initial project review for interconnection requirements is being studied by outside engineers under consideration by Rantoul and IMEA will negotiate with Prominic for a contract if the project proceeds. Prominic is paying for the interconnect impact study.
- Vistra Dispute – The Power Supply Agreement with Vistra ended May 31, 2022 and the final true-up invoice was a higher energy price than expected. IMEA Staff is doing its due diligence for supporting documents and information on the increased costs underlying the higher energy price in the final month of the contract. Staff sent a dispute letter and withheld final payment pending resolution of the dispute. Dispute resolution efforts continue.
- Build America Bonds Payment Sequestration – All Appellate Court briefs have been filed. An oral argument date has not been set. After oral argument, Staff will be awaiting a ruling by the Appellate Court.
- Chatham SERC Registration - SERC Reliability Corporation (SERC) believes there is a reliability compliance registration gap with respect to the 138 kV components of CWLP’s Spaulding to Auburn transmission line that are located in the Chatham substations and owned by Chatham. SERC’s preliminary determination is Chatham or another entity needs to register as a Transmission Owner (TO) for these 138 kV components. Chatham management is pursuing a path where they would register directly with SERC as a Transmission Owner (TO) and attempt to receive transmission revenues for Chatham’s 138 kV assets from CWLP network transmission rates. Chatham sent out Requests for Proposals (RFP) for a consultant on the registration, compliance and transmission revenue issue. RFP responses were received on October 3, 2022 and IMEA Staff is assisting in reviewing those proposals. IMEA Staff continues to work towards a final resolution to address SERC’s position in the coming months.

IT Systems Analyst Position – CEO Gaden discussed adding a new IT position in FY 23/24 to allow Glenn Cunningham to update software systems while this new IT person would learn the coding logic long term and assist in system upgrades throughout the building. Adam Baker would continue to provide system administrator functions and oversee other areas while Glenn updates the software coding. Interviews for the new position would be conducted near end of Q1 2023 with placement at the beginning of FY 23/24. Bob Coble made a motion to recommend hiring a new IT position to the Board of Directors, seconded by Rick Abell. The motion carried by unanimous roll call vote.

## NEW BUSINESS

Resolution #22-10-876 – Approving Baker Tilly US, LLP to Perform Audit of Fiscal Year Ending April 30, 2023 – Chris Wise stated that Baker Tilly’s engagement letter shows a 4.9% 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. Shane Hill moved to approve this Resolution, seconded by Tim Birk. The Resolution was approved by unanimous roll call vote.

Annual Review of Revenue Requirements for IMEA Rate Schedule B – CFO Chris Wise reviewed the IMEA rates. He explained that transmission cost increases continue to be an ongoing issue. He reviewed the transmission costs and the Delivery Service Charge (DSC) in the current Rate Schedule B. He reported that the intent of review is to make sure the DSC is sufficient to recover current charges and that transmission costs stay in the DSC and do not flow through the Energy Cost Adjustment (ECA). The annual review evaluates transmission increases that are not included in the current DSC along with planned increases from transmission owners. He gave estimates of Debt Service Coverage standing and ending days of operating cash for the current fiscal year. He stated that other charges within Rate Schedule B are sufficient to cover IMEA's Revenue Requirement. Wise reported that it is appropriate to reset the base DSC to recover fully for all transmission costs, rather than recovering these costs through the energy cost adjustment. Since the last increase on January 1, 2022, the DSC has been collecting sufficiently to cover transmission costs for the year. This over-collected amount is largely due to excess FTR/ARR MISO credit and transmission costs have increased \$4M (9.6%) from FY2021 to FY2022. Wise presented a chart showing the trend in IMEA's transmission costs for the past 8 years along with a bar chart reflecting the effect of transmission on Member average cost.

CEO Kevin Gaden explained that the IMEA Rate Schedule B is typically reviewed and adjusted in October of each year to allow for the required 60-days notice to take effect starting January 1 of each year. He stated that the Ameren network transmission rate is going up approximately 14% in January 2023. Since 2014, transmission and RTO costs have increased 205%. ComEd's network transmission rate is looking flat for now, but staff anticipates an increase in 2023. Gaden reiterated to the Board that IMEA is currently over collecting through the DSC for transmission cost due to excess credits received from the FTR/ARR revenues. The current mechanism available through the Rate Schedule B for the over collected amount is to give the credit back to Members through the Energy Cost Adjustment. IMEA Staff recommends using these excess ARR credits to forgo an otherwise needed transmission rate increase. Gaden stated that a portion of these excess credits from the MISO FTR/ARR revenues would be used to pay off the ICTR payment obligation and the remainder would be used to establish a transmission regulatory credit that would be evenly allocated per month during FY2024. Since there were no objections from the Executive Board Members, Staff will prepare a resolution for consideration and approval at the December IMEA Board meeting.

Ordinance #22-10-877 – Approval of IMEA Load Retention and Economic Development Rates – Sean McCarthy explained that IMEA's Economic Development and Load Retention rates are reviewed by staff annually and approved by the Board each subsequent year. He stated that in August of 2022, IMEA temporarily suspended the offering of the economic development rates due to the dramatic change in electric market conditions. The temporary suspension of these rates allowed Staff to study the economic impact of adding new load in these market conditions and how adding additional incentives could affect overall member costs. Staff's analysis of IMEA rates and current market conditions determined that using IMEA's currently approved economic development rates in 2023 would increase average costs to Members in most circumstances. McCarthy reported that Staff had developed changes for the IMEA load retention and economic development rates to become effective January 1, 2023. He explained that any customer already approved for IMEA load retention or economic development rate will be unaffected by these changes for the remaining term of their approved rate. The proposed changes will only affect future rate offers extended to new, expanding or distressed customers. The proposed changes for 2023 are as follows:

Schedule B-2 applies to new or expanding commercial/light industrial loads 200 kW and above. Recommend setting the policy to increase the qualifying monthly load factor level from the current 50% level to a new level of 60% to more closely mirror IMEA's overall system load factor.

Schedule B-4 is available for use with existing at risk electric customers with demands of over 1,000 kW. Recommend suspending until further notice due to market factors discussed.

Schedule B-6 applies to new or expanding large demand medium load factor loads over 1,000 kW. Recommend setting the policy to increase the qualifying monthly load factor level from the current 50% level to a new level of 60% to more closely mirror IMEA's overall system load factor. Additionally, the proposed policy would recommend requiring the customer to create a minimum of 20 new full-time equivalent jobs in the participating member community. Finally, the proposed policy would recommend that discounts be adjusted down for Year 1 and 2 of 5-year discount period to reduce adverse short-term pricing effects to Members.

Schedule B-7 is available to new or expanding very large demand high load factor loads. Require the customer to create a minimum of 20 new full-time equivalent jobs. Finally, the proposed policy would recommend that discounts be adjusted down for Year 1 and 2 of 5-year discount period to reduce adverse short-term pricing effects to Members.

Larry Taylor made a motion to approve Resolution #22-10-877, to continue offering IMEA economic development rates and the suspension of load retention rates for 2023 with changes as presented. The motion was seconded by Bob Coble and the motion carried by unanimous roll call vote.

Resolution #22-10-878 – Authorizing the Engagement of Arnold & Porter as Special FERC Litigation Counsel – General Counsel Troy Fodor explained that the Rush Island System Support Resource (SSR) cases discussed earlier in his Legal Report may have a significant cost impact on IMEA and its Members. Staff determined to intervene and protest the Rush Island SSR cases and to engage special FERC counsel with proven litigation skills. Fodor stated that he had worked with Sandra Rizzo of Arnold & Porter on the successful settlement of the pseudo-tie double congestion cases against MISO and PJM. Rick Abell made a motion to approve Resolution #22-10-878 to engage Arnold & Porter as Special FERC Litigation Counsel. That motion was seconded by Dale Detmer and the motion carried by unanimous roll call vote.

Chairman Dale Detmer asked for a motion to adjourn the meeting. The motion was made by Rick Abell, seconded by Larry Taylor and carried unanimously by voice vote. The meeting was adjourned at 3:18 p.m.

Respectfully submitted,



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Secretary/Treasurer

**ILLINOIS MUNICIPAL ELECTRIC AGENCY  
EXECUTIVE BOARD MEETING  
WEDNESDAY, OCTOBER 19, 2022**

**MEMBERS PRESENT (or listening via webinar)**

Altamont	Larry Taylor
Breese	Dale Detmer
Chatham	Shane Hill
Flora	Bob Coble
Marshall	Cory Sheehy (via webinar)
Metropolis	Rick Abell
Waterloo	Tim Birk

**MEMBERS ABSENT**

Freeburg	John Tolan
Winnetka	Brian Keys

**OTHERS PRESENT (or listening via webinar)**

Carmi	David Coston (via webinar)
Highland	Dan Cook
Naperville	Brian Groth (via webinar)
Princeton	Jeff Mangrich (via webinar)
Rantoul	Jake McCoy
Red Bud	Josh Eckart (via webinar)
Rock Falls	Dick Simon
IMEA	Kevin Gaden
IMEA	Troy Fodor
IMEA	Chris Wise
IMEA	Mike Genin
IMEA	Alice Schum
IMEA	Gary Stephenson
IMEA	Sean McCarthy
IMEA	Glenn Cunningham
IMEA	Adam Baker
IMEA	Staci Wilson
IMEA	Shadi Ahanchi
IMEA	Tammy Hall
IMEA	Eric Weinant
IMEA	Rodd Whelpley
IMEA	Ed Cobau
IMEA	Cindy Evans (webinar)
Guest	Greg Hubert, Naperville (webinar)