

# ILLINOIS MUNICIPAL ELECTRIC AGENCY

## REPORT OF EXECUTIVE BOARD MEETING

WEDNESDAY, AUGUST 26, 2009

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 August 26, 2009.

President Del McCord called the meeting to order at 12:00 p.m. Roll call was taken showing all Executive Board Members present.

Jerry Scott moved to approve the Report of June 24, 2009 which was seconded by Coble. The motion was approved by unanimous voice vote.

### OLD BUSINESS

Bond Issue: Bob Childers reported IMEA priced the Series 2009 Bonds on July 15<sup>th</sup>, with the Closing occurring in Chicago on August 6<sup>th</sup>. The Bond proceeds will be used for the completion of the Prairie State project.

- Total bonds issued were \$321,790,000 and were issued in 3 series:
  - Series A – Tax Exempt Bonds = \$10,040,000
  - Series B – Taxable Bonds = \$16,995,000
  - Series C – Build America Bonds = \$294,755,000
- The Build America Bonds (BABS) were created under the Federal Stimulus package
  - BABS are sold as a taxable bond to investors, but they include a provision for IMEA to be rebated 35% of the interest cost from the US Treasury.
  - IMEA will be required to meet all of the requirements of a tax-exempt bond including private-use restrictions and arbitrage rebate requirements in order to receive the payment from Treasury.
    - Difference – if IMEA does not meet the tax-exempt covenants for a tax-exempt issue the investor loses the tax exemption. Under BABS, IMEA would lose the 35% subsidy payment from Treasury.
  - We will also be required to file a form with the IRS every 6 months in order to receive the payment.
- The use of BABS lowered the average all-in interest cost for this financing to 4.41% which is the lowest cost new money financing that we have ever completed. (2007 financing was 5%)
  - This average interest rate on the bonds was more than 1% lower due to the use of BABS.
  - JP Morgan calculated that the issuance of BABS saved IMEA approximately \$100 million over the life of the issuance which was a present value of approximately \$52 million.
- The bonds were issued without the 10-year par call provision – which is more standard for tax-exempt bond issues. The cost of the 10-year call would have been approximately 40 to 50 basis points, which is very expensive. There is a make whole call provision which allows IMEA to call the bonds under extraordinary circumstances such as Treasury not making good on its promise to pay IMEA for 35% of the interest cost.
- Pricing Statistics:
  - Issued \$321,790,000
  - Orders received for our bonds totaled \$552,185,000 (ratio of 1.72:1) with all but 2 maturities sold out during the order period.
  - Co-manager group worked very well with all Co-manager contributing orders where needed.
- Cost of issuance for this bond issue was approximately \$3,457,000.
  - Underwriters Discount = \$2,889,806 or \$8.98 per \$1000 bond
  - Insurance was obtained for only 1 maturity of BABS with a premium of \$67,674
  - Other Cost of Issuance totaled around \$500,000

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Childers stated the bond issue was very successful and IMEA is 100% funded for the construction cost of Prairie State. President & CEO Earl commended Childers for his hard work and effort put into the bond issue.

### NEW BUSINESS

Generation Committee Meeting: Chairman George Smith reported the Committee met on July 22<sup>nd</sup>. Staff updated the committee on environmental issues currently facing the Agency and its generating Members including IEPA NOx Subpart Q regulations and USEPA New Source Performance Standards and the proposed new federal HAPS rules. Staff also clarified an issue on performance monitoring of station service constant and explained the new RTO required capacity testing which will begin this Summer in the PJM area and next Summer in the MISO area. The bulk of the meeting was held discussing the impact of the proposed new HAPS rules on existing generation. All Members were asked to share their thoughts. Staff recommended a comprehensive study of all generating units. The study would be a benefit to both the IMEA to assist in long-term planning and the generating members to identify expected cost of compliance and options. The study is to begin November 1<sup>st</sup> for the plants in the non-attainment area and then to be expanded to the plants in the attainment area after the final HAPS rules were in place. The Committee voted unanimously to recommend to the Board of Directors that the Agency conduct an IMEA-sponsored comprehensive study on a plant by plant basis of the costs of complying with existing and proposed environmental rules and review the costs and benefits of continued ownership and operation of behind the meter generation by the Members in the IMEA.

Resolution #09-08-670 – Authorizing Comprehensive Study of Member Owned and IMEA Behind the Meter Generation: George Smith moved to approve this resolution, seconded by Scott. Earl noted a separate firm will be performing the emissions testing which needs to begin as soon as possible. The chosen firm to perform the study will need to specify details for the emissions testing. The roll call vote showed all in favor.

Other: Doc Mueller stated the Illinois Petroleum Association is sponsoring an informational rally (mostly energy producers) at the Capitol relating to Cap and Trade. Some coops are planning to attend. Mueller stated a draft letter will be sent out to Members next week outlining concerns about the Climate Change Bill to be sent to Senators Burris and Durbin. IMEA will report back on the rally. Mueller did report that he and AIEC staff recently held productive meetings with the Senate offices in DC.

Jerry Scott moved for adjournment which was seconded by Dintelmann with unanimous voice approval.

Respectfully submitted,



Ron Dintelmann, Secretary/Treasurer

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**ILLINOIS MUNICIPAL ELECTRIC AGENCY  
EXECUTIVE BOARD MEETING**

**WEDNESDAY, AUGUST 26, 2009**

**MEMBERS PRESENT**

Altamont	Larry Taylor
Chatham	Del McCord
Flora	Bob Coble
Freeburg	Ron Dintelmann
Marshall	George Smith
Naperville	Allan Poole
Oglesby	Jerry Scott
Rantoul	Greg Hazel
Rock Falls	Paul Jakubczak

**OTHERS PRESENT**

Breese	Dale Detmer
Peru	Jim Potthoff
St. Charles	Glynn Amburgey
Winnetka	Brian Keys
Rock Falls	Mayor David Blanton
Naperville	Mark Curran
IMEA	Ron Earl
IMEA	Troy Fodor
IMEA	Doc Mueller
IMEA	Mike Genin
IMEA	Bob Childers
IMEA	Kevin Wagner
IMEA	Darren Hulskotter
IMEA	Tammy Kesterson
IMEA	Ed Cobau
IMEA	Glenn Cunningham