

# **ILLINOIS MUNICIPAL ELECTRIC AGENCY GENERATION COMMITTEE MEETING**

**WEDNESDAY, SEPTEMBER 25, 2024**

The meeting was called to order at 12:00 p.m. by Chairman Josh Eckart. Roll call was taken showing that a quorum was present. Participation in this meeting was available in person only for both members and the general public, however, as an accommodation to members that could not physically attend and the general public, a webinar broadcast of the meeting was made available live in listen-only mode.

Opportunity for Public Comment – Chairman Eckart stated that pursuant to the Open Meetings Act, any person attending this meeting in person shall be permitted an opportunity to comment. He then asked if anyone from the public would like to make a comment. Hearing no requests for public comment, Chairman Eckart proceeded with the meeting.

Bob Coble made a motion to approve the minutes of the April 9, 2019 meeting, seconded by Jeff Mangrich. The voice vote showed unanimous approval.

Rakesh Kothakapu discussed inquiries from members regarding the consideration of higher compensation to install new generation or replace existing generation. He explained that in addition to supplying the Agency with capacity and energy, member generation also provides local black start capabilities during storms and grid instability along with providing local infrastructure needs such as water/sewer pumping backup. Kothakapu stated that IMEA reimburses for the fuel when these units are dispatched by IMEA. He discussed that a compensation mechanism should also consider fairness arising from IMEA members paying these costs and not owning generation since 19 members have generation and 13 do not. He stated that IMEA Staff has completed the preliminary analysis and identified areas of improvement. The scope of these changes recommended consider the value of the resources now and beyond 2035.

Kothakapu stated that IMEA Staff believes consideration of increasing the production component should be discussed to reflect the ongoing cost of maintenance and overall long-term market value of these resources. Staff also believes that all dedicated resources should get paid the base component over time – the new IMEA Power Sales Contract sets a \$3.20/KW-month floor for all resources.

Regarding future capacity considerations, Kothakapu reported that there is value in allowing non-dedicated resources to become dedicated to IMEA and if members decide to replace resources by installing higher efficiency resources, there is an opportunity for higher compensation if the Agency can call on units more often in certain market conditions. He also stated that if members are interested in adding additional resources, there is value in these resources becoming dedicated to IMEA. He also explained the necessity to establish parity in the number of times the units are called to dispatch in MISO and PJM.

Kothakapu reported that the existing compensation may be insufficient to upkeep the facilities for the future. This is due to an increase in general maintenance costs, an increase in updating switch gear, SCADA and fuel systems along with increased insurance costs. As a result, members are delaying

potentially needed upgrades and increased staffing needs due to the RTO rules with the shortened notification time.

From a market perspective, Kothakapu stated that both PJM and MISO are in the process of implementing Effective Load Carrying Capabilities (ELCC) rules which will require more member generation operations. He reported that PJM's new capacity construct is already in effect causing ComEd units to run more frequently. MISO's new capacity construct filing is pending at FERC with full implementation in 2028-2029. He explained that both of these filings will lower the available capacity accreditation levels of resources in these markets. PJM is forecasting significant load growth and MISO's excess capacity has largely shrunk. Kothakapu stated that the IMEA Demand Response Program compensation will likely exceed the \$3.20/Kw-month in coming years if the bilateral capacity markets are fully reflected in the auction.

Kothakapu reported that the current production component is \$1.20/kW-month for all non-steam resources and \$2.00/kW-month for steam resources. These amounts need to be adjusted to reflect the ongoing cost of maintenance and overall market value of these resources. By utilizing the cost of O&M using market reference data according to EIA and adjusting for inflation, IMEA Staff recommends increasing the production component by \$1.00/kW-month for non-steam units over a 5-year period and \$1.60/kW-month for steam units. He explained that IMEA Staff recommends adjusting the production component increments of \$0.20/kW-month over 5 years for non-steam units starting in FY2026 and adjusting the production component increments of \$0.20/kW-month over 8 years starting in FY2026 for steam units. This should provide a minimal impact to the IMEA budget and reduce the Agency's exposure to the RTO capacity auctions while providing some certainty to IMEA generating members. IMEA Staff recommends paying the Members' local utilities for local capacity to ensure reliability if it compares favorably with the market-based offers from others. New member contracts set a floor of \$3.20 for all resources. He added that implementing this concept will occur in a phased-in manner over a 5-year period prior to 2035.

Kothakapu discussed the advantages of allowing new/existing resources to become dedicated to the Agency. This provides value not just to the generating member, but it also benefits all members meeting long-term capacity obligations. He explained that there is significant risk in new bilateral contracts due to contingencies and when compared to market offers, IMEA compensation rates benefit all members. Kothakapu also discussed the limitations which apply to ensure that IMEA gets credit in the RTOs for capacity. IMEA Staff recommends allowing new/existing member resources to become dedicated which would be subject to IMEA Board approval.

Kothakapu discussed additional compensation for quick start, dual fuel, high efficiency resources. He stated that any resource dispatch requests from the RTO goes through IMEA. In MISO, IMEA participates in a Load Modifying Resource (LMR) Program which limits IMEA units to be dispatched only during MISO emergencies. In PJM, IMEA participates in the capacity market as Demand Response as well as a voluntary dispatch during system peaks which limits IMEA units to be dispatched for limited critical needs. IMEA Staff supports higher compensation if a member with a high efficiency unit is willing to follow RTO dispatch via an ICCP communication link that allows the RTO to monitor and adjust the output. IMEA requires the unit to be dual fuel to avoid curtailments associated with fuel supply. He stated that Quick Start provides additional benefits such as participating in the Ancillary Service Market, 30-minute reserve (in MISO) and Supplemental Reserves (in PJM). Kothakapu

explained that the proposed total compensation is justified by the anticipated revenue from the energy market alone. IMEA Staff recommends an additional incentive of \$1.00/kW-month for units with a heat rate better than 8,000btu/KWH and for resources with a heat rate greater than 11,000btu/KWH, the incentive will be lowered to \$0.50/kW-month. Resources electing this are subject to approval from the IMEA Board. He also stated that heat rates will be tested during the URGE tests performed on the units annually.

Kothakapu discussed the differences in dispatch protocols between MISO and PJM resources primarily due to requirements, how they are processed and what the RTOs define as capacity. He reported on a recent ComEd filing that all generation must be reported to PJM for billing purposes. In anticipation of the outcome of this filing and in order to implement a compensation mechanism, IMEA Staff is proposing an adjustment to the fixed production adder based on the difference in dispatch between MISO and PJM resources. Kothakapu explained that since the number of dispatches are not known until the end of the fiscal year, the compensation would be adjusted the following fiscal year to avoid retroactive payments. He stated that IMEA Staff is only recommending this as a concept and will explore additional details regarding compensation levels based on the outcome of the ComEd filing.

President & CEO Kevin Gaden asked for motions to approve IMEA Staff's recommendations on the issues discussed to be brought before the IMEA Board for approval in the form of a Resolution approving these revisions in the IMEA Generation Policy.

Bob Coble moved to approve IMEA Staff's recommendation of adding the base component of \$2.00/kW-month for all dedicated resources in \$0.40/kW-month increments starting in FY 2026 over 5 years ending in 2030. This motion was seconded by Shannon Risley and the voice vote showed all in favor.

Jeff Mangrich moved to approve IMEA Staff's recommendations of adjusting the production component increments of \$0.20/kW-month over 5 years for non-steam units starting in FY2026 and adjusting the production component increments of \$0.20/kW-month over 8 years starting in FY2026 for steam units. Josh Eckart seconded the motion and the voice vote showed all in favor.

Bob Coble moved to approve IMEA Staff's recommendation of allowing new/existing resources to become a dedicated resource up to the Member's peak amount. Shannon Risley seconded the motion and the voice vote showed all in favor.

Josh Eckart moved to approve IMEA Staff's recommendation to create a program for additional compensation for members who are willing to move forward with Quick Start, Dual Fuel and High Efficiency fully-staffed units that would get paid compensation higher than the base premium due to higher dispatchability inside the marketplace. Jeff Mangrich seconded the motion and the voice vote showed all in favor.

With no other business to be discussed, Shannon Risley moved to adjourn the meeting at 2:32 p.m. Josh Eckart seconded the motion, which was unanimously approved by voice vote.

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GENERATION COMMITTEE MEETING  
WEDNESDAY, SEPTEMBER 25, 2024**

**MEMBERS PRESENT**

Bethany	Shannon Risley
Bushnell	Joe Fosdyck
Flora	Bob Coble
Marshall	Cory Sheehy
Princeton	Jeff Mangrich
Red Bud	Josh Eckart

**MEMBERS ABSENT OR LISTENED VIA WEBINAR**

Carlyle	Brad Myers
Oglesby	Rich Baldridge

**OTHERS PRESENT**

Altamont	Larry Taylor
Breese	Jason Deering
Freeburg	John Tolan
Highland	Dan Cook
Farmer City	Adam Turpen
Naperville	Brian Groth
Peru	Eric Carls
Rantoul	Jake McCoy
Sullivan	Mike Kirk
Waterloo	Tim Birk
Winnetka	Brian Keys
IMEA	Kevin Gaden
IMEA	Troy Fodor
IMEA	Rakesh Kothakapu
IMEA	Eric Weinant
IMEA	Staci Wilson
IMEA	Jonathon Wygant
IMEA	Ellen Woehrmann
IMEA	Mandy Ripperda
IMEA	Sean McCarthy
IMEA	Shadi Ahanchi
IMEA	Tammy Hall
IMEA	Mike Genin
Guest	Raheel Arshed (Naperville)

**OTHERS ATTENDING VIA WEBINAR**

Carmi	David Coston
Rock Falls	Larry Hanrahan
IMEA	Rodd Whelpley
Guest	Greg Hubert (Naperville)
Guest	Jean Korte (Highland)