



Board Meeting April 18, 2024

The Northern Illinois Municipal Power Agency (NIMPA) held a Board Meeting on Thursday, April 18, 2024, at the City of Geneva Public Works facility, 1800 South Street, Geneva Illinois.

1. Call to Order and Roll Call:

President Holm called the meeting to order at 10:31am

NIMA Members Present at the meeting:

Gary Holm, City of Batavia
Aaron Holton, Superintendent, City of Geneva
Steve Allen, City of Batavia
Members of the Public

Present via teleconference:

Richard Heinemann, General Counsel
Rahat Bari, City of Batavia
Jeff Fiegenschuh, City of Rochelle
David Niles, Avant Energy
Joe Fulliero, Avant Energy
Noah Hansen, Avant Energy
Chris Lindner, Forvis
Abby Dobson, Forvis
Elizabeth Zrelak, Admin

2. Review of 2023 / 2022 Independent Audit Report by Forvis representatives

Mr. Niles introduced Mr. Chris Lindner and Ms. Abby Dobson from Forvis. Ms. Dobson shared that the Forvis group spent one week onsite to review materials for the NIMPA audit, which covered the years ending December 31, 2023 and 2022.

Ms. Dobson reviewed Forvis' objective to form and express an opinion regarding the compliance of NIMPA's financial statements and GAAP accounting principles. Ms. Dobson reminded the NIMPA Board Members that Forvis' audit process is designed to obtain reasonable but not absolute assurance regarding financial statements. Forvis audits are conducted in accordance with FERC, GAAP, GAAS, and GASB standards.

a. Required Audit Communication Letter

Ms. Dobson reviewed the required audit communication letter and directed the board to note that this document is to be viewed as a roadmap of highlights of the audit, the process, and the review of financial statements in regard to NIMPA's Accounting for the investment in Prairie State Generating Company.

i. Significant Accounting Policies

Regarding new accounting standards that were adopted during the year for NIMPA's investment in Prairie State Generating Company, one process required evaluation: GASB Statement #96 on Subscription-Based Information Technology Arrangements. No changes were recorded after Forvis' evaluation.

Potential new accounting standard effective for NIMPA's fiscal year end 2025: GASB 102, *Certain Risk Disclosures*. GASB 102 provides users of government financial statements with essential information regarding risks related to a government's vulnerabilities due to certain concentrations or constraints. GASB 102 defines a concentration and a constraint and requires a government to assess whether a concentration or constraint makes the government that reports a liability for revenue debt vulnerable to the risk of a substantial impact. If a government determines that those criteria for disclosure have been met for a concentration or constraint, GASB 102 defines the requirements for disclosure.

- ii. **Alternative Accounting Treatments**
Accounting for deferral of certain revenue and costs, including amortization periods, in accordance with GASB, and NIMPA's ability to account for certain items under the regulated operations provisions that GASB allows as a rate making entity.
- iii. **Financial Statement Disclosures**
Particularly sensitive financial statement disclosures, including long term bond revenues and commitments and contingencies.
- iv. **Adjustments Identified by Audit**
No matters are reportable.

Mr. Holm questioned the new accounting standards, and Ms. Dobson explained that if there is a constraint, a risk, or a potential risk, ensuring that this is appropriately disclosed within the financial statements, which will be effective in 2025.

Mr. Heinemann questioned material disclosures and risk, vulnerabilities due to constraints, and disproportionate impact, as NIMPA is a single project agency.

Mr. Lindner shared the new requirement potential is not believed to impact NIMPA's financial statements or disclosures but included this information in the Forvis report, as there may be additional requirements required in 2025 to NIMPA's financial statements. Mr. Lindner will continue to advise.

b. Review of NIMPA's Independent Auditor's Report and Financial Statements

- i. Clean, unmodified opinion from Forvis on NIMPA's financial statements.
- ii. Ms. Dobson indicated that this document provides good comparability showing three years of financial information, as well as more detailed narrative in what changes occur year over year. She offered kudos to the Avant team and NIMPA Board for their good governance and record keeping.
- iii. Ms. Dobson shared the Forvis report outlining three years of Condensed Statements of Net Position, Revenues, Expenses, and Changes in Net Position and included some of the changes in balances year over year.
- iv. Ms. Dobson highlighted a change in net position for 2023 of \$7.1M.
- v. Ms. Dobson further highlighted NIMPA's investment in Prairie State and pointed out that the report reviewed offers additional information on the arrangement and relationship between the two entities. This report item is of particular importance to the financial statements and transparency to external stakeholders.
- vi. Capital Asset activity was briefly reviewed, which showed a roll forward of balances, and what changes occurred throughout the audit period.
- vii. Activity regarding Long-Term Revenue Bonds were reviewed.
- viii. The report further identified NIMPA's outstanding commitments and contingencies as of December 31, 2023.

Mr. Holm indicated that the change in net position, which had been steady in 2021 and 2022, increased to \$7.1M in 2023, reflects NIMPA's ability to move extra revenue out of the ECA to the Plant Closure Fund. Mr. Niles agreed.

3. Approval of 2023 / 2022 NIMPA Audit

MOTION: To approve and place on file March 2023 / 2022 NIMPA Audit
MAKER: Gary Holm
SECOND: Jeff Fiegenschuh
AYES: 3 (Fiegenschuh, Holm, Holton)
NAYS: 0
The motion passed

Forvis Representatives (Mr. Linden & Ms. Dobson) Exit the Meeting

4. Approval of Regular Session Meeting Minutes from March 21, 2024

MOTION: To approve the regular session minutes from March 2024
MAKER: Aaron Holton
SECOND: Jeff Fiegenschuh
AYES: 3 (Fiegenschuh, Holm, Holton)
NAYS: 0
The motion passed

5. Potential General Manager Position Discussion:

Mr. Holm indicated he had provided the board with an updated memo, and Avant also provided additional information to the board. Mr. Holm recused himself from the discussion.

Mr. Holton reviewed Mr. Holm's outline of responsibilities. Given the reduced focus on carbon capture discussions in 2024, Mr. Holton recommended allocating one hour per day for a dedicated general manager. Mr. Holton indicated that Avant shared a basic scope of service outlining the general manager position and that Mr. Holton agreed that this would relieve some of the administrative responsibilities of the President of NIMPA.

Avant will present a formal fee structured scope of service at the May Board meeting.

Mr. Fiegenschuh indicated that he spoke with Mr. Niles and believed that expanding the relationship with Avant was advantageous. Mr. Holton, Mr. Bari, and Mr. Allen agreed.

Mr. Holm returned to general session.

6. Van Buren Consulting Group, LLC

In Mr. Lanzito's absence, Mr. Holm provided two updates: Bill 5021 and Bill 3637, two bills that would impact NIMPA, do not appear to be moving forward in the current legislative session. The House committee met earlier to discuss IL HB5315, which does not have direct impact on NIMPA, but could impact members individually.

Mr. Holton reported receiving a text from the Mayor of Geneva earlier today, which indicated the introduction of a Second Amendment to HB5315. The House committee is expected to vote on it this afternoon.

Mr. Fiegenschuh indicated that he recently returned from Springfield with Mr. Lanzito, where they met with the sponsor of IL HB5315, Mr. Didech, which resulted in positive conversations.

7. Financial Report – March 2024

- a. Mr. Niles indicated that NIMPA's rate to members was \$1.06/MWh lower than budgeted for February due to lower than budgeted purchase power expense and partially offset by higher than budgeted maintenance, fuel, and production expenses.

For February, NIMPA maintained a \$15M credit facility with PNC Bank. NIMPA has a \$2.5M letter of credit with PJM, leaving \$12.5M of the credit facility unused.

The ECA payable to members increased by \$38,000 in February due to a combination of a budgeted ECA increase of \$428,000, lower cost than budget of \$86,000, and a return of members of \$475,000 of ECA funds. At the end of February, the ECA balance was \$10.2M.

b. Capital Adder Fund:

NIMPA's Capital Adder Fund had a balance of approximately \$10.4M at the end of February. The fund balance represents more than four years of NIMPA's share of projected capital costs based on Prairie State's projected capital expenditure outlook over the next five years.

c. Cash Investment Report

NIMPA has a total of \$77.6M of cash and investments of which \$39.4M is related to debt service reserves and debt service. NIMPA's operating account balance was \$15.8M at the end of February.

Mr. Holm requested confirmation from Avant that NIMPA would not be required to post additional credit for the upcoming auctions. Mr. Hanson confirmed.

MOTION: To approve the monthly financials from February 2024
MAKER: Gary Holm
SECOND: Jeff Fiegenschuh
AYES: 3 (Holton Fiegenschuh, Holm)
NAYS: 0
The motion passed

8. Review of Refinancing of Build America Better Bonds

Mr. Niles reviewed BABs.

In 2008/2009, during the height of the financial crisis, Congress developed BABs. The Build America Better Bonds (BABs) program allowed tax-exempt entities, such as NIMPA, to issue taxable bonds. Mr. Niles stated that while the interest on these bonds was not excluded from income, issuers received a federal subsidy that lowered borrowing costs. This made BABs attractive to investors seeking higher yields.

After years of budget issues, sequestration, an automatic reduction on certain expenditures was implemented. Subsidiary payments from the US Treasury to entities, including NIMPA, were subject to an approximately 5.7% rate reduction. The economic benefit to NIMPA was not as transformative as initially projected 15 years ago.

Mr. Niles explained that when a bond is called back early with a make-whole provision, the issuer pays a premium. This premium reflects the lost interest payments the investor would have received if the bond matured naturally. The premium is calculated by summing the present value of the remaining interest and principal payments, discounted at a rate based on adjusted Treasury yields plus 40 basis points (4/10%). Mr. Niles indicated that the higher the discount rate, the lower the present value.

Mr. Niles further indicated that there is an opportunity for what is known as an Extraordinary Optional Redemption of BABs, which is similar to the above but plus 100 basis points (1%). By utilizing a higher discount rate, this creates the potential for a more favorable return for NIMPA. The legal concept of Extraordinary Optional Redemption was recently challenged in court in a case involving IMPA and several colleges and universities. The parties argued that sequestration was a 'material adverse change'. The parties were successful in their lawsuit and were able to pursue Extraordinary Optional Redemption.

Mr. Niles stated that NIMPA could examine utilizing the Extraordinary Optional Redemption provision to refinance. Investment bankers and bond underwriters have called on Avant to determine if there is interest from NIMPA; however, they will not engage directly with NIMPA Board members or with Avant unless NIMPA Board designates Avant as a "municipal advisor". Mr. Niles questioned if the NIMPA Board is interested in Avant engaging in high level preliminary discussions with bond underwriters.

Mr. Holm believes that an analysis is required but that this is a potentially viable path forward. Mr. Holm requested that Mr. Niles share general terms on interest rates and a plan.

Mr. Niles indicated that long term rates are more relevant than short term rates. Long term, lower rates offer benefit. Bonds mature in 2039, 2040, so there might be a good window of opportunity if interest rates come down, which is anticipated.

A discussion ensued regarding interest rates and timing of next steps.

Mr. Holton inquired whether if any new bonds would still be BABs? Mr. Niles responded BABs are no longer being issued, so any new bonds would be regular tax-exempt bonds with a 10-year par call.

Mr. Heinemann reviewed the options available to NIMPA, including exploring the Extraordinary Optional Redemption opportunity. If it is premature to engage underwriters, as interest rates are still high, there is no harm in waiting. However, with only minor costs projected to NIMPA for Avant and Mr. Niles' time to explore, Mr. Heinemann suggested it is worth allowing Avant to engage with bond underwriters.

Mr. Niles indicated two additional factors to consider:

Further legal challenges. If sequestration was discontinued, the language of 'material event' would no longer be pertinent, but interest rates would increase another 6%.

When NIMPA reenters the bond market, there is potential risk.

Mr. Fiegenschuh questioned a shortened amortization period on current bonds.

Mr. Niles indicated that 2016 bonds are eligible for refinancing in December 2026.

Mr. Holm indicated that over the next couple of years, NIMPA needs to be very cognizant of refinancing opportunities and the potential to shorten amortization periods.

MOTION: To authorize Avant, as NIMPA’s municipal advisor, to explore the potential of refinancing of BABs through the Extraordinary Optional Redemption provision with underwriters

MAKER: Gary Holm

SECOND: Aaron Holton

AYES: 3 (Holton Fiegenschuh, Holm)

NAYS: 0

The motion passed

9. Resolution 2024-1: Authorizing Investment of Plant Closure Fund & Permitting the NIMPA President to execute the PNC documents related to the new account.

Mr. Niles reviewed the Plant Closure Fund, currently earning 3.5%. Last month, discussions ended with agreement to establish a short term government money market fund with monthly monitoring of interest rates in anticipation of a longer term investment when the yield curve un-inverts. Short term money market rates are currently at 5.25%, which is higher than current earnings.

Mr. Heinemann provided an overview of the 2024-1 Resolution, which authorizes investment of the Plant Closure Fund and designates NIMPA representatives, including the President of NIMPA, to complete and sign documents to open a new account at PNC Capital.

MOTION: To approve Resolution 2024-1 and authorize Avant to monitor on a monthly basis and present to the board when timing dictates to invest in longer term securities.

MAKER: Jeff Fiegenschuh

SECOND: Gary Holm

ROLL CALL: AYES: 3 (Holton Fiegenschuh, Holm)

NAYS: 0

The motion passed

Mr. Fiegenschuh exited the meeting

10. Management and Operations Reports for February 2024

Mr. Hansen reviewed the February operations reports. In February, Prairie State had 75,576MWh of generation in the month for approximately \$1.7M in revenue in PJM. Prairie State also generated just 23MW in MISO for the month in covered station service for a small amount of revenue, under \$1,000. Prairie State Unit 2 had two boiler tube leaks in February. The first outage lasted two days, while the second outage resulted in four and one half days outage for repair. Overall, Prairie State had one unit out for a total of six and one half days in February. Overall capacity factor for the month of February was 87.6%. In comparison to the budget, total generation for the month, including both PJM and MISO, was in line with budget and unfavorable by only 700MWh, which is less than 1% of the budget on a volume basis.

In February, NIMPA’s delivery costs to members was \$1.7M.

NIMPA’s FTRs had a loss of \$83,000 for the month of February due to Prairie State prices being higher than the members’ city delivery points on average. This was offset through the higher generation revenues on Prairie State production. ISO miscellaneous charges were \$6,000. RPM auction revenues were \$106,000 in February.

The final PJM settlement activity, filed and approved by FERC, for the performance assessment event for Winter Storm Elliott were settled on the February invoice. The final true up on the

February invoice with a net cost of \$130,000 reflected three additional months of performance bonus and payments and a reduction in the total dollars associated with the event across the nine months that NIMPA received the bonus payments. \$130,000 is anticipated to close out the event, but there is potential for a small amount of residual dollars to flow through on the March invoice.

Overall, PJM had an ISO cost of \$123,800 for the month of February. Compared to budget, this is \$15,000 favorable to budget due to slightly lower energy costs on delivery volumes to members.

MISO congestion costs in February were a revenue of \$132,000, which is approximately \$200,000 favorable compared to budget. The loss costs were at cost to NIMPA at \$50,000, which aligned with budget.

ARRs – Revenue of \$44,000; ISO miscellaneous costs were \$18,000.

MISO - NIMPA had an overall revenue for February of approximately \$110,000, which is approximately \$200,000 favorable to budget.

PJM and MISO – NIMPA had ISO costs for the month of February of just \$14,000, favorable to budget of approximately \$210,000 for the month of February, primarily due to MISO congestion costs that came in better than budget due to overall lower energy prices.

YTD: Mr. Hansen highlighted the main numbers for 2024 YTD. NIMPA has an overall favorable variance to budget of approximately \$700,000. NIMPA has 3,500MWh greater than budget in generation volume on the PJM side and approximately 4,000MWh greater generation volume when you add both the PJM and MISO generation, which is approximately 2.6% greater than the budget for the first two months of 2024. According to Prairie State, the EFOR is approximately 7.6% for the first two months of 2024 for the entire facility compared to the budget assumption of 8.5%. NIMPA has an unfavorable variance in generation resource revenues of \$1.3M, as LMPs were less than budget, given the mild winter conditions and lower natural gas and energy prices. Overall YTD prices are averaging \$32.85/MWh compared to the budgeted amount of \$41.60. Energy prices resulted in lower delivery costs to members and are under budget by \$1.7M, which is \$9.85/MWh less than budget. Overall, FTRs have been unfavorable to budget by \$91,000, but those have performed as designed. Prairie State prices have been coming in slightly higher than member city pricing by approximately \$2MWh, compared to a budgeted basis of \$1MWh.

Overall, PJM ISO activities have had an overall favorable variance budget of \$210,000, attributable to strong Prairie State production volume and overall lower LMPs. On a per MWh basis, lower LMPs benefit NIMPA.

MISO congestion costs are coming in under budget year to date by approximately \$435,000, and loss costs are coming in under budget year to date and have a favorable balance of \$40,000. ARR are in line with budget. Total favorable variance for NIMPA is just under \$700,000 YTD.

11. General Counsel Update

No update at this time

12. Approval of Licensure Purchase for NIMPA for Remote Meeting App

Mr. Holm indicated there is a need for:

- a. Remote collaboration and a licensure purchase for NIMPA's remote meeting format.
Mr. Niles indicated that Zoom would be an appropriate choice for licensure and could include a shared email so that administrators can access and lead NIMPA's remote meetings.
Mr. Holton agreed. Mr. Niles will write up instructions for Mr. Holm to purchase.
- b. Utilization policy for monthly meetings to include a link for the general public.

13. Interest in Natural Gas Facility

Mr. Holm indicated that a battery storage project and a gas generation facility near DeKalb have reached out to both Mr. Holm and Mr. Holton to invite NIMPA to bid and become investors.

Mr. Holton shared that more energy will be required in the coming years, but currently, this is not of interest.

Mr. Holm indicated the board will review annually.

14. Executive Session (Discussion of contracts relating to the purchase, sale, or delivery of electricity from the Prairie State Project; Litigation related to the Prairie State Generating Company).

MOTION: To move into Executive Session @ 11:53am
MAKER: Aaron Holton
SECOND: Gary Holm
ROLL CALL: AYES: 2 (Holton, Holm)
NAYS: 0
The motion passed

Return to Regular Session @ 12:13pm

15. Action Items from Executive Session: None

16. Old Business: None

17. New Business: Save the Date – Prairie State Plant Tour

A discussion ensued regarding invitees and appropriate dates for a tour of Prairie State. Mr. Holm will circle back on dates for summer, tentatively the week of August 19, 2024.

18. Public Comments – None

19. Motion to adjourn:

MOTION: To adjourn the February NIMPA meeting @ 12:19pm
MAKER: Aaron Holton
SECOND: Gary Holm
VOICE VOTE: All in favor, motion carried