

Board Meeting
December 2, 2011

CLARIFY COMPLIANCE EXPECTATIONS OF PRAIRIELAND ENERGY, INC.,
REVISE REPORTING SCHEDULE, AND PROVIDE DESIGNATION OF
PRESIDENT OF PRAIRIELAND ENERGY, INC.

Action: Clarify Compliance Expectations of Prairieland Energy, Inc., Revise Reporting Schedule, and Provide Designation of President of Prairieland Energy, Inc.

Funding: No New Funding Required

The Board at its March 2009 meeting expanded the September 2008 approved *Natural Gas Cost Management Policy* and renamed it the *Energy Cost Management Policy*. The expanded Policy governs the cost management activities related to the purchase of natural gas, electricity, and coal. At its July 2010 meeting, the Board approved the *Derivatives Use Policy* which provides a framework for the use of derivative financial products to hedge certain financial risks such as the University's fuel supply price risk. Subsequently, the Board at its September 2010 meeting approved the *Policy for Use of Financial Transactions for Energy Commodities* which states that Prairieland Energy, Inc., is responsible for the procurement activities. The Vice President/Chief Financial Officer and Comptroller recommends clarification of the *Energy Cost Management Policy* and the *Derivatives Use Policy* directing Prairieland Energy, Inc., acting on behalf of the Board, to comply in all material respects with the Policies.

The *Energy Cost Management Policy* requires quarterly reporting for all fuel and electricity forward transactions. As a further enhancement to the overall procurement activity, the Vice President/Chief Financial Officer and Comptroller recommends that reporting of energy activity be revised from the approved quarterly schedule to three times a year, specifically at the September, January, and May Board meetings.

In accordance with the duly authorized bylaws of Prairieland Energy, Inc., the Board Chair will designate the President of Prairieland Energy, Inc. Eugene Waas has fulfilled the responsibilities of Prairieland Energy's President since June 2009. In order to establish appropriate designation, the Vice President/Chief Financial Officer and Comptroller requests the Board Chair provide the appropriate designation of the President of Prairieland Energy, Inc., to Michael B. Bass.

Therefore, the following recommendations are submitted for Board approval:

1. Direct Prairieland Energy, Inc., acting on behalf of the Board, to comply in all material respects with the *Energy Cost Management Policy* and the *Derivatives Use Policy*.
2. Approve a revision to the required energy reporting schedule to three times a year, specifically at the September, January and May Board meetings.
3. Board Chair designates Michael B. Bass as the President of Prairieland Energy, Inc.

The Board actions recommended in this item complies in all material respects with applicable State and Federal laws, University of Illinois *Statutes*, *The*

General Rules Concerning University Organization and Procedure, and Board of Trustees policies and directives.

Accordingly, the Vice President/Chief Financial Officer and Comptroller recommends adoption of the proposed policy modifications.

The President of the University concurs.