

MEETING OF THE BOARD OF TRUSTEES

AS THE SOLE MEMBER OF
PRAIRIELAND ENERGY, INC.

November 16, 2017

This meeting of the Board of Trustees of the University of Illinois as the sole member of Prairieland Energy, Inc., was held in Michèle M. Thompson Rooms B and C, UIC Student Center West, 828 South Wolcott Avenue, Chicago, Illinois, on Thursday, November 16, 2017, beginning at 8:01 a.m.

Chair Timothy N. Koritz called the meeting to order and asked the secretary to call the roll. The following members of the Board were present: Mr. Ramón Cepeda, Mr. Donald J. Edwards, Mr. Patrick J. Fitzgerald, Dr. Stuart C. King, Dr. Timothy N. Koritz, Mr. Edward L. McMillan, Mr. James D. Montgomery,¹ Ms. Jill B. Smart. Governor Bruce Rauner was absent. Ms. Karina Reyes, voting student trustee, Chicago, was present. The following nonvoting student trustees were absent: Mr. Trayshawn M. W. Mitchell, Urbana, and Mr. Edwin Robles, Springfield. President Timothy L. Killeen was present.

Also present were the officers of the Board: Mr. Lester H. McKeever Jr., treasurer; Dr. Avijit Ghosh, interim comptroller (and vice president/chief financial officer); Mr. Thomas R. Bearrows, University counsel; and Ms. Dedra M. Williams, secretary of the Board of Trustees and of the University.

¹ Mr. Montgomery attended the meeting via telephone.

Dr. Koritz asked the secretary to read the titles of the items on the agenda to be considered. By consensus, the Board agreed that one voice vote would be taken.

(The record of the Board action appears at the end of each item.)

Approve Minutes of Prairieland Energy, Inc., Meeting

(1) The secretary presents for approval the minutes of the Prairieland Energy, Inc., meeting of May 11, 2017.

On motion of Ms. Smart, seconded by Ms. Reyes, these minutes were approved.

Amend Agreement with Prairieland Energy, Inc.

(2) The University procures energy commodity and related energy services from market sources through Prairieland Energy, Inc. (“Prairieland”), a University-Related Organization. Prairieland was authorized by the Board of Trustees of the University of Illinois (“Board”) in September 1996 to provide low-cost energy for the benefit of the University and others. It provides an efficient vehicle for flexible, nimble, and real-time participation in wholesale energy markets, resulting in cost savings and other benefits to the University.

At its November 2014 meeting, the Board approved a Memorandum of Understanding (“MOU”) and an Energy Commodity Procurement Services Agreement (“PSA”) which are the operating agreements between the Board and Prairieland. The MOU focuses on defining the roles and responsibilities of each party. The PSA specifies

the terms and conditions related to the purchase and sale of energy commodities between the parties. The PSA has been amended to better reflect the roles and responsibilities of each party and current operations. To avoid redundancy, necessary provisions from the MOU have been incorporated into the amended PSA. It is recommended that the amended PSA be approved to replace the existing MOU and PSA. Accordingly, the interim vice president/chief financial officer and comptroller recommends approval of the proposed amended PSA.

The Board action 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.

The president of the University concurs.

On motion of Ms. Smart, seconded by Ms. Reyes, this recommendation was approved.

Amend the Energy Cost Management Policy

(3) The Board of Trustees (“Board”) at its March 2009 meeting approved the *Energy Cost Management Policy* (“Policy”) and later approved subsequent amendments to this Policy at its September 2010, December 2011, September 2014, and May 2016, meetings. This Policy provides guidelines for a comprehensive risk management strategy for minimizing the price risk associated with procuring energy commodities to facilitate reliable budget planning. The Policy also includes: (i) oversight by an Energy

Cost Management Committee (“Committee”), (ii) grants the vice president/chief financial officer and comptroller (“Comptroller”) transactional authority to procure fuel market forward transactions and/or the use of Board approved energy risk management instruments, (iii) grants the Comptroller authority to approve guaranty agreements on behalf of Prairieland Energy, Inc. (“Prairieland”), and (iv) requirements for mandatory reporting to the Board.

Given the role of Prairieland in the governance and management of the University’s energy commodity procurement, the role of the Energy Cost Management Committee has become redundant and no longer necessary. The Board is the sole shareholder of Prairieland, an Illinois corporation authorized by the Board in September 1996 to provide low-cost energy for the benefit of the University and others. The Board appoints Prairieland’s board of directors which include a University trustee who serves as the chair; four University employees including: the Comptroller, senior associate vice president for business and financial services, vice chancellor for administrative services at Chicago, and executive director, facilities and services at Urbana-Champaign; and two outside independent directors. Prairieland operates according to bylaws, policies, and a service agreement that are approved by the Board including the Board’s direction to comply with the Policy at its December 2011 meeting. Prairieland is managed and operated by University personnel and supported by third party market advisors who together work closely with the universities’ utility operations staff to plan and execute procurement activities. As a result, it is recommended that the Committee be dissolved and its role in the Policy be replaced with Prairieland. It is also recommended that

Prairieland be authorized to execute transactions according to the Policy.

The Policy also includes references to coal and fuel oil which are procured via the Board's normal purchase agenda items not according to this Policy. Thus, to clarify the scope of the policy, it is recommended that references to coal and fuel oil be removed and natural gas replace fuel(s). The Policy currently requires a report "detailing" all fuel and electricity forward transactions be provided to the Board. To assist in providing the appropriate information to the Board, it is recommended that the requirement be changed to "summarizing" rather than "detailing" and that "energy risk management instruments" be added to the report content.

The Board action 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 interim vice president/chief financial officer and comptroller recommends adoption of the proposed policy modifications.

The president of the University concurs.

On motion of Ms. Smart, seconded by Ms. Reyes, this recommendation was approved.

Appoint Directors, Prairieland Energy, Inc.

(4) The University procures energy commodity and related energy services from market sources through Prairieland Energy, Inc. ("Prairieland"), a University-

Related Organization. Prairieland was approved by the Board of Trustees of the University of Illinois (“Board of Trustees”) in September 1996 to provide low-cost energy for the benefit of the University and others. It provides an efficient vehicle for flexible, nimble, and real-time participation in wholesale energy markets, resulting in cost savings and other benefits to the University. The Board of Trustees is the sole member of Prairieland, and as such is responsible for appointing directors and the chair and vice chair of the Prairieland board.

Trustee Karen Hasara served as Prairieland director and chair until her term as University trustee expired on January 18, 2017. Pursuant to its authority, the Board of Trustees hereby appoints University trustee Dr. Stuart King to serve as a Prairieland director and chair to replace Ms. Hasara. Walter Knorr served as Prairieland director and treasurer until he retired August 31, 2017. Pursuant to its authority, the Board of Trustees hereby appoints Dr. Avijit Ghosh to serve as Prairieland director to replace Mr. Knorr. Dr. Ghosh is the designated treasurer for Prairieland according to the Prairieland bylaws based upon his University position as interim comptroller.

The Prairieland bylaws indicate that directors shall serve terms of three years with staggered terms for at-large directors. The two at-large directors, Michael Bass and Larry Altenbaumer are near the end of their terms. Pursuant to its authority, the Board of Trustees hereby reappoints Michael Bass as Prairieland director and vice chair to a three-year term and Larry Altenbaumer as an independent Prairieland director to a two-year term.

The Board action 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.

On motion of Ms. Smart, seconded by Ms. Reyes, these appointments were approved.

MOTION TO ADJOURN MEETING

On motion of Mr. McMillan, seconded by Mr. Cepeda, the meeting adjourned at 8:03 a.m. There were no “nay” votes.