

Approved by the Board of Trustees
May 19, 2016

24

Board Meeting
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AMEND THE ENERGY COST MANAGEMENT POLICY

Action: Amend the Energy Cost Management Policy

Funding: No New Funding Required

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 December 2011 and September 2014 meetings. This Policy provides a risk management strategy for minimizing the price risk associated with procuring energy commodities to facilitate reliable budget planning. The University relies on the advice of a third party market advisor in executing this strategy. This strategy involves monitoring and analyzing University energy consumption and market pricing to determine the best method to manage price risk. These methods include the use of derivative instruments approved by the Board at its July 2010 meeting. The Policy also includes oversight by an Energy Cost Management Committee (“Committee”), transactional authority to procure on a rolling 36-month basis, authority to approve guaranty agreements, and reporting requirements.

This Policy needs to be amended to take advantage of market opportunities to improve budget certainty and reduce price risk. Based upon the market analyses and

recommendations of the third party market advisor, the current market pricing for energy commodities is near historical lows which provides an opportunity to lock-in favorable pricing beyond the current 36-month rolling basis. Based upon the recommendations of the third party market advisor, it is recommended that the current procurement timeframe be expanded from 36 rolling months to 10 years.

In addition, the Policy currently requires the Committee to meet at least quarterly and this is no longer necessary given the annual planning cycle and the existing management of the operations. It is Prairieland Energy, Inc. (“Prairieland”), a University-Related Organization authorized by the Board in September 1996 and governed by a Board of Directors with campus representation that now procures energy commodities and related energy services from the market with the assistance of a third party market advisor. Prairieland complies with the Policy as directed by the Board at its December 2011 meeting. Because Prairieland is staffed by University personnel who work closely with the campus utility operations to plan and execute procurement activities, it is not necessary for the Committee to meet on a quarterly basis. As a result, it is recommended that this requirement be changed to annual.

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

The President of the University concurs.