1. **Statement of Purpose**

Natural gas and electricity purchases are a large component of the University’s utility budget. The purpose of this policy is to minimize the price risk of securing these resources in order to facilitate reliable budget planning.

2. **Objectives**

The primary policy objective is to improve energy-related budget predictability by reducing the price volatility of natural gas and electricity. The secondary policy objective is to achieve cost levels that over time approximate market averages.

3. **Strategy**

The risk management strategy involves monitoring and analyzing University energy consumption and market pricing to determine the best method to manage price risk. Natural gas consumption and electricity usage are projected on a near term and a longer term basis. Utilizing fundamental and technical analyses, with input from the University’s third party market advisors, future requirements of natural gas and electricity may be acquired through the use of cash market forward purchases and/or the use of Board of Trustees (“Board”) approved energy risk management instruments. All such transactions will be consistent with approved University policies and established limits.

4. **Definition of Duties**

**Vice President/Chief Financial Officer and Comptroller**

The Vice President/Chief Financial Officer and Comptroller (“Comptroller”) will authorize all natural gas and electricity forward transactions and/or the use of Board approved energy risk management instruments and may delegate this transactional authority. The Comptroller is authorized to act on behalf of the Board to enter into to guarantee agreements on behalf of Prairieland Energy, Inc. (“Prairieland”) in favor of energy vendors, as required, with guarantee limits appropriate for the transaction or transactions contemplated with each vendor. The Comptroller will ensure the Energy Cost Management Policy is appropriate and effectively implemented. The Comptroller is responsible for generating recommendations to improve/maintain the policy and shall review the policy on an annual basis or more often if needed.

**Prairieland Energy, Inc.**

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. Prairieland’s primary mission is to provide energy commodities that support the reliable provision of energy services to the universities and regional campuses while achieving an effective balance of cost efficiency, acceptable price volatility and desired budget certainty.
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 this 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.

Prairieland is authorized to execute all natural gas and electricity forward transactions and/or the use of Board approved energy risk management instruments requested by the universities’ utility operations staff. Prairieland is responsible for following the requirements of the Energy Cost Management Policy, and to implement the policy utilizing utility industry best practices.

The Prairieland Board will meet at least semi-annually to consider University consumption trends/needs and energy market trends/pricing to determine strategies and direct implementation activities. The Prairieland Board will also review the status/valuation/results of implementation transactions.

5. Scope

The Energy Cost Management Policy shall be used by Prairieland and the universities’ utilities operation staff to guide their duty to execute, monitor, and manage the procurement of natural gas and electricity for the University of Illinois.

6. Fiduciary Duty and Controls

In seeking to attain the goals of the Energy Cost Management Policy, Prairieland’s directors and officers must act with care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person in like capacity and familiar with such matters would use in the conduct of an enterprise of like character with like aims. All actions and decisions by the Prairieland directors and officers must be based solely in the interest of the University.

The Comptroller or delegate and Prairieland are authorized to contract for deliveries of natural gas and electricity for the current fiscal year and to secure supply as deemed appropriate by the universities’ utility operations staff for a rolling, forward-looking 10 year period. Future year monthly purchase commitments cannot exceed the University’s forecasted natural gas and/or electricity budget for each future fiscal year.

A report summarizing all natural gas and electricity forward transactions and energy risk management instruments will be provided to the Board at the September, January, and May meetings.