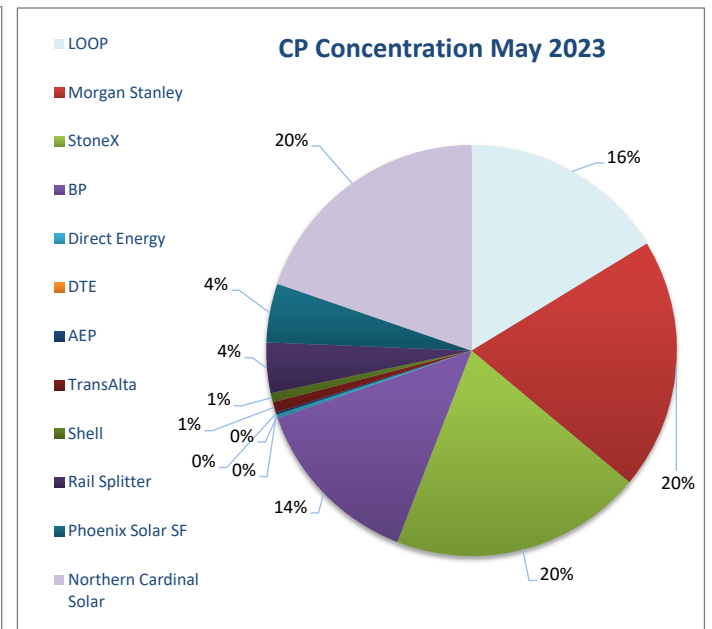
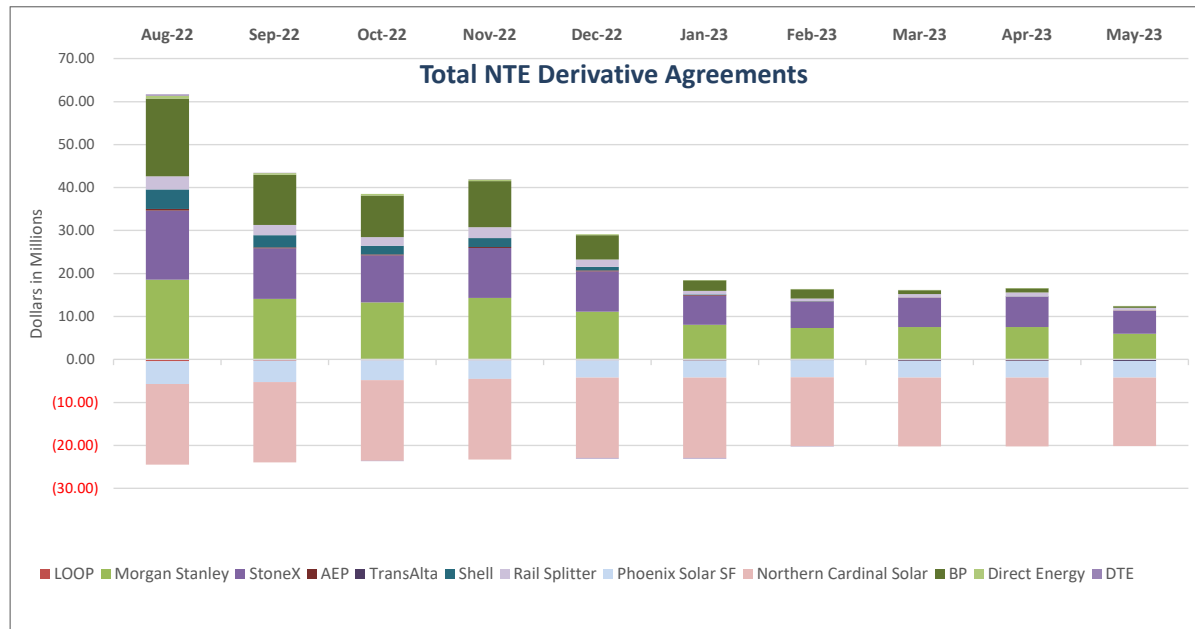


Policy Counterparty (CP) Requirements		Hedging Position Summary (In Millions)		Collateral Summary		
		Notional	NTE			
Reporting Requirements Met	Yes ^{(1) (2)}	Interest Rate Swaps	\$ 12.85	\$ (0.16)	Collateral Held by PEI on behalf of Counterparties:	
CP Rating Qualification Met	Yes ^{(2) (3) (4)}	Futures Contracts, Financial	15.66	5.39	Rail Splitter Wind (HSBC Bank LOC)	\$ 2,500,000
Within CP NTE Limits	Yes ^{(3) (6)}	Forward Purchase, Physical ⁽⁵⁾	31.21	6.84	TransAlta (Bank of Nova Scotia LOC)	\$ 25,000
Under CP Concentration Limits	Yes	Solar PPAs ^{(2) (4)}	19.24	(19.85)	Northern Cardinal (Common Wealth Bank Australia LOC)	\$ 1,000,000
					Direct Energy/NRG (Deutsche Bank NY LOC)	\$ 200,000
		Total	\$ 78.96	\$ (7.78)	Collateral Held by Counterparty on behalf of PEI:	
					Margin Exposure on Futures	\$ 532,296

Material Events Since Last Report	Counterparty (CP) Qualification Risk Management ^{(3) (4)}	Counterparty (CP) NTE Risk Management ^{(3) (6)}
None	<p>The energy industry necessitated action by the PEI Board of Directors to approve a policy accepting a lower credit rating than the System policy to qualify CPs for physical hedges (forward purchases). This exception has been approved by the U of I System CFO in accordance with the University Policy.⁽³⁾ Rail Splitter is not rated but has provided a \$2.5 million LOC from HSBC Bank. TransAlta's rating declined below acceptable limits, so they have provided a \$25,000 LOC from the Bank of Nova Scotia to meet policy qualifications. Direct Energy, through parent NRG, provided LOC from Deutsche Bank AG for \$0.2 million. Northern Cardinal is not rated but has PCG, LOC, and approved qualification exception.⁽⁴⁾</p> <p>The System and PEI policies require regular due diligence reviews of the financial strength of CPs. It is the responsibility of the hedging transaction originator to review the related CPs regularly and ensure in compliance with policy.</p>	<p>Exposure to a CP is determined by NTE value net of collateral and is limited based on CP credit rating. The PEI policy accepts a higher exposure limit on the BBB/Baa category than the university Policy; an approved policy exception.^{(3) (6)}</p> <p>BP, DTE, and AEP provide recourse through Credit or Adequate Assurances provisions if reasonable grounds exist regarding unsatisfactory creditworthiness or performance. It is incumbent upon PEI to monitor and request Performance Assurance if a rating change triggers the policy collateral requirements.</p> <p>The swap agreement was approved by the BOT and executed prior to the policy. The collateral requirements for the CP on the interest rate swap is more risk tolerant than the System policy, however the current NTE exposure amount is within Policy limits.</p>

Reported to the Board of Trustees
July 20, 2023



Responsible Unit/Dept.	Counterparty (CP)	CSP Rated Entity/ Exchange	Bond Rating S&P / Moody's	Expires FY Range	Underlying Asset / Liability	Orig Contract	Current Notional / Contract In Millions	Market Value In Millions	*MTM or NTE ⁽⁵⁾ In Millions	System Guarantee (Credit Limit) In Millions	PCG - LOC (Credit Limit) In Millions	CP Threshold (Collateral Requirements)
Financial Hedges												
Qualifying Rating A- / A3												
System Interest Rate Swaps												
SO Capital												Rating Triggers
Financing	Deutsche Bank AG	Deutsche Bank AG (CSP)	A- / A1	10/1/2026	HSFS 2008	\$ 40.88	12.85		(0.16)			Predate Policy
PEI Energy Futures Contracts							SUBTOTAL	40.88	12.85	(0.16)		
SO Utilities		InterContinental										None Exchange
Admin	StoneX Financial Inc.	Exchange (ICE)	A- / A3	2023-2028	Natural Gas	18.40	15.66	21.05	5.39			Traded
Physical Hedges							SUBTOTAL	59.28	28.51	5.23		
Qualifying Rating (3) BBB-/Baa3 or BB+/Ba1 with LOC or PCG												
PEI Energy Forward Purchases												
SO Utilities	BP Canada Energy	BP Corporation North										Adequate
Admin	Marketing Corp	America, Inc. (PCG)	A- / A3	2023-2025	Natural Gas	19.09	10.87	11.23	0.36	10.00	1.00	Assurance
SO Utilities	Direct Energy Business	Deutsche Bank AG, NY										LOC
Admin	Marketing	Branch (LOC)	A- / A1	2023-2024	Natural Gas	0.42	0.22	0.25	0.03	2.50	0.20	
SO Utilities		DTE Energy Company										Adequate
Admin	DTE Energy Trading, Inc.	(PCG)	BBB+/Baa2	2023	Natural Gas	0.78	0.00	0.00	0.00	5.00	5.00	Assurance
SO Utilities	Morgan Stanley Capital											Rating Triggers
Admin	Group, Inc.	Morgan Stanley (PCG)	A- / A1	2023-2027	Natural Gas	17.14	15.63	21.58	5.95	5.00	Unlimited	
SO Utilities	Shell Energy North	Shell Energy North										Rating Triggers
Admin	America (US), L.P.	America (US), L.P.	A / A2	2023	Natural Gas	2.54	0.17	0.15	(0.02)	5.00		
SO Utilities		American Electric Power										Credit Assurance
Admin	AEP Energy Partners Inc.	Co, Inc.	A- / Baa2	2023-2024	Electricity	0.25	0.14	0.20	0.06	0.50	0.10	
SO Utilities	Morgan Stanley Capital											Rating Triggers
Admin	Group, Inc.	Morgan Stanley (PCG)	A- / A1	2023	Electricity	0.07	0.00	0.00	0.00	5.00	Unlimited	
SO Utilities	TransAlta Energy	The Bank of Nova Scotia										LOC
Admin	Marketing (US) Inc.	(LOC)	A+ / Aa2	2023-2024	Electricity	0.65	0.65	0.47	(0.18)	2.50	0.025	
SO Utilities	Shell Energy North	Shell Energy North										Rating Triggers
Admin	America (US), L.P.	America (US), L.P.	A / A2	2023-2025	Electricity	0.44	0.39	0.41	0.02	5.00		
SO Utilities	Rail Splitter Wind Farm											LOC
Admin	LLC	HSBC Bank USA, (LOC)	A+ / Aa3	2023-2027	Renewable	4.04	3.14	3.76	0.62	2.50	2.50	
Solar PPAs							SUBTOTAL	45.42	31.21	38.05	6.84	
UIUC Energy	Phoenix Solar South											
Services - SF1	Farms ⁽²⁾			12/20/2025	Electricity	13.76	3.65		(3.86)			
SO Utilities	Northern Cardinal Solar	Commonwealth Bank of	AA- / Aa2									LOC, \$1M
Admin - SF2	SCS IL 1, LLC ⁽⁴⁾	Australia (LOC) CD Clean Energy and Infrastructure (PCG)	NR NR	2/2021 - 2/2041	Electricity	15.91	15.59		(15.99)	22.20	4.00	
Grand Total							GRAND TOTAL \$	134.37	78.96	(7.78)		

*Negative termination value, the System or PEI is obligated to the counterparty. (transaction is "underwater").

CP - Counterparty
 CSP - Credit Support Provider
 DUP - Derivatives Use Policy
 LOC - Letter of Credit

NTE - Net Termination Exposure
 PCG - Parental Company Guarantee
 PEI - Prairieland Energy Inc.

PPA - Power Purchase Agreement
 SO - System Offices
 WR - Withdrawn Rating

Footnotes:

- (1) Policy exceptions approved by the CFO for Agriculture Property Services (APS) forward grain sales include release from counterparty credit rating, contract form, and monthly reporting requirements. APS reported \$62,775.53 in outstanding forward sales contracts as of 05/31/2023.
- (2) In Dec 2015, UIUC issued a Power Purchase Agreement (PPA) in conjunction with their Solar Farm I. ERM learned of the PPA in July 2019 and began reporting the derivative Oct 2019. Since there is no CP risk, a policy exception was approved by the CFO for (a) minimum counterparty credit rating requirement, (b) required parental guarantee or LOC, and (c) minimum market capitalization requirement.
- (3) Policy exceptions approved by the CFO for PEI include less restrictive CP credit rating for forward purchases and corresponding collateral requirements. For physical transactions, allows for unrated CP to qualify with LOC.
- (4) On 10/3/19, a CP Exception for Urbana Solar Farm 2.0 was approved by the PEI Treasurer qualifying Northern Cardinal Solar SCSIL 1, LLC (NCS) as a counterparty to be assigned the Power Purchase Agreement (PPA) for Solar Farm 2.0 from Sol Systems, LLC. This exception also qualified Capital Dynamics Clean Energy and Infrastructure VII JV, LLC as the guarantor for NCS. This exception also approved the PPA requirement for any unrated successor guarantor to qualify with \$100 million in tangible net worth. Contract term to 2/2/2041. CD Clean Energy and Infrastructure VII JV (InvestCo), LLC changed their name to "Arevon Energy InvestCo VII, LLC" and, notwithstanding such name change, all obligations of Guarantor under the Guaranty remain unchanged and in full force and effect.
- (5) Contracted hedge prices on gas and electricity remain favorable to market prices overall. The natural gas storage balance increased due to a mild 22-23 winter, resulting in lower near term natural gas prices. Natural Gas prices remain elevated in outer years due to global impacts and forecasted demand. Due to the correlation of electricity prices to natural gas prices, electricity prices have also decreased in the near term, but remain higher in the outer years due to the expected cost of electric generation from natural gas and the forecasted increase in demand.
- (6) Exposure to a CP is determined by the NTE value net of collateral and limited based on CP credit rating. The PEI policy accepts \$10M exposure on BBB/Baa category versus the University policy limit of \$0 on the same rating category. The PEI exposure limit difference to the university policy is an approved policy exception. Increased market prices on energy commodities have resulted in several "in the money" or positive NTE values. Those CPs in the BBB/Baa category that exceed the University policy exposure limit but are still within the PEI limit include: AEP \$0.06M.