

Approved by the Board of Trustees
November 16, 2017

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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 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.