

REPORT OF COMMUNICATIONS WITH THE ILLINOIS POWER AGENCY

This form must be completed and submitted to the Illinois Procurement Policy Board within 30 days for each communication report required by 30 ILCS 500/50-39. Submit reports to:

PROCUREMENT POLICY BOARD
511 W. CAPITOL AVENUE, SUITE 102
SPRINGFIELD, IL 62704

Or you may send a signed, scanned copy via email with "IPA Communication Report" in the Subject line to: ppb@illinois.gov

Date of Communication: May 4, 2012 Time of Communication: 10:00 a.m.



Type of Communication:

- Telephone
- In Person
- Electronic (Email, Fax, Etc.) – Attach A Complete Copy of the Entire Communication String
- Written – Attach Copy
- Other

Initiator:

Initiator of Communication: Arlene Juracek
Representing: Illinois Power Agency
Location: Michael A. Bilandic Bldg., 160 N. LaSalle, Chicago, Illinois

Email Address (if communication was via email)

Telephone Number (if telephonic):

Duration of Call or In-Person Communication: 2 hours

Is this person a Lobbyist required to register under the Lobbyist Registration Act Yes No

Recipient(s): (If there are additional persons involved in the communication, attach an additional sheet that lists the other participants' names, job titles, which entity they represent, email address and/or telephone number, if applicable)

Recipient One Name: See attached Addendum for meeting participants

Recipient Title:

Representing:

Location:

Email Address (if communication was via email)

Telephone Number (if telephonic):

Recipient Two Name:

Recipient Title:

Representing:

Location:

Email Address (if communication was via email)

Telephone Number (if telephonic):

Recipient Three Name:

Recipient Title:

Representing:

Location:

Email Address (if communication was via email)

Telephone Number (if telephonic):

If any of these additional participants are lobbyists required to register under the Lobbyist Registration Act, they must submit a written report to be submitted with this communications report to the Procurement Policy Board that memorializes the communication that includes, but is not limited to (i) the date and time of each communication; (ii) the identity of each person from whom the written or oral communication was received, the individual or entity represented by that person, and any action the person requested or recommended; (iii) the identity and job title of the person to whom each communication was made; (iv) if a response is made, the identity and job title of the person making each response; (v) a detailed summary of the points made by each person involved in the communication; (vi) the duration of the communication; (vii) the location or locations of all persons involved in the communication and, if the communication occurred by telephone, the telephone numbers for the callers and recipients of the communication; and (viii) any other pertinent information.

Communication Details:

Provide a detailed summary of the points made by each person involved in the communication:

See attached Addendum for meeting summary

Was a response made? If so, complete the following for each person making the response (attach an additional sheet that lists the other respondents' names, job titles, which entity they represent, email address and/or telephone number, if applicable):

Respondent Name:

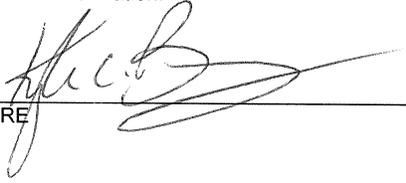
Respondent Title:

Location:

Telephone Number (if telephonic):

Provide a detailed summary of the response:

Other pertinent information:



SIGNATURE

June 1, 2012

DATE

Addendum to Communications Report with Illinois Power Agency for May 4, 2012 Meeting

On May 4, 2012, the Acting Director of the Illinois Power Agency, Arlene Juracek, hosted a meeting with officials at ComEd and Ameren, as well as officials representing various ARES, and representatives of the FutureGen Industrial Alliance at the Chicago office of Kelley, Drye & Warren.

Meeting Participants:

Name	Employer	Party represented
Arlene Juracek	Acting Director, Illinois Power Agency	Illinois Power Agency
Michael Strong	Illinois Power Agency	Illinois Power Agency
Henry Kelly	Kelley Drye & Warren	Illinois Power Agency
Michael Borovik	Kelley Drye & Warren	Illinois Power Agency
Kyle Barry	McGuire Woods	FutureGen Industrial Alliance
John Buchovecky	Van Ness Feldman	FutureGen Industrial Alliance
Paul Champagne	Acting Project Director, FutureGen Industrial Alliance, Inc., and President, PKM Energy Consulting, LLC	FutureGen Industrial Alliance
Bill McNeil	Commonwealth Edison	Commonwealth Edison
Tom Russell	Commonwealth Edison	Commonwealth Edison
Stephen Lesniak	Commonwealth Edison	Commonwealth Edison
Richard McCartney	Ameren	Ameren
Jim Blessing	Ameren	Ameren
Chris Flynn	Ameren	Ameren
Kevin Wright (via telephone)	Illinois Competitive Energy Association	Illinois Competitive Energy Association
Ray Boston	Noble Americas	Noble Americas
David Fein	Exelon Generation	Exelon Generation
Stephen Bennett (by telephone)	Constellation Energy	Constellation Energy
Cynthia Brady (by telephone)	Constellation Energy	Constellation Energy
John Gomol (by telephone)	Ameren Energy Marketing	Ameren Energy Marketing
Jeffrey Levine (via telephone)	GDF Suez	GDF Suez
Louis D'Alessandris (via telephone)	First Energy Solutions	First Energy Solutions

Summary of Substantive Content of Communication:

The participants discussed the following substantive matters/issues during the meeting:

- Mr. Champagne provided an overview of the FutureGen 2.0 project and project schedule and status. Mr. Champagne next provided an overview of the proposed sourcing agreement submitted to the Illinois Power Agency by the FutureGen Alliance for the FutureGen 2.0 project. Mr. Champagne explained that all capital costs for the FutureGen 2.0 project will be paid for by a combination of Alliance contributions, third party lender(s), third-party equity and grants from the U.S. Dept. of Energy, and that operational costs would be pass-through costs as part of the sourcing agreement.
- Mr. Kelly asked whether the \$1 billion in U.S. Dept. of Energy grants would apply to the total project. Mr. Champagne explained that approximately 60% of the grant funds would go toward repowering and retrofitting the Meredosia power plant and approximately 40% of the funds would go toward the CO2 pipeline and storage facility.
- Mr. Fein asked whether the Alliance had developed total cost figures yet. Mr. Champagne stated that the Alliance had not yet finalized cost numbers, but that it would be submitting those cost numbers to the U.S. Dept. of Energy in about three weeks. Director Juracek advised that the Alliance should try to provide the cost information to the IPA by the end of May to stay on track for the IPA's procurement schedule.
- Mr. Levine asked whether the Alliance had attempted to find other off-takers for the project's power. Mr. Champagne responded by stating that the Alliance planned to work through the IPA's existing statutory mechanism to obtain sourcing agreements to sell power for the project.
- Mr. McNeil asked about the marginal costs of the project and whether it would be in the coal stack. Mr. Champagne stated that he anticipated that the project will be in the coal stack and that it will run as a base load facility and operate as many hours as possible.
- Mr. Levine asked whether there was a formula for meeting the strike price. Mr. Champagne stated that the Alliance intends to incorporate a mechanism to recover costs via a contract for differences, and he said he anticipates that costs will be reported to the Illinois Commerce Commission on a periodic basis.
- Mr. Levine asked how often costs would vary. Mr. Champagne stated that the Alliance will likely try to set costs for as long as possible, perhaps quarterly, but that the Alliance would be open to discussing the mechanism because it is important to make sure that costs are trued up.
- Mr. Boston asked how much above market the power price will be. Mr. Champagne explained that while the costs are still being developed, he anticipated that the power price would be above \$100 per MWh. He said the

Alliance will seek to minimize the impact to ratepayers by spreading the costs over the largest base of customers possible.

- Mr. Strong asked whether ratepayers would benefit if a carbon-trading system were developed. Mr. Champagne responded by saying that ratepayers would benefit because carbon credits would be used to lower the price of power. Mr. Strong also asked whether the Alliance would consider selling CO₂. Mr. Champagne stated that the project could not sell the CO₂ initially due to restrictions contained in the Alliance's agreements with the U.S. Dept. of Energy. Mr. Buchovecky stated that it is possible that the project could have excess CO₂ in which case the Alliance would seek to monetize that excess.
- Director Juracek stated that the contract for differences approach was not found in the current draft of the sourcing agreement, and she asked whether the Alliance could insert that concept in a new draft. Mr. Champagne stated that the Alliance would submit a revised draft that includes a contract for differences approach. Mr. McNeil stated that ComEd would prefer a contract for differences approach. Mr. Blessing stated that Ameren is indifferent as to the approach.
- Mr. Boston stated that the ARES would have an issue with the length of the contract for the sourcing agreement on the grounds that the ARES do not have long-term contracts with their customers. Mr. Kelly stated that the interested parties had discussed an option about spreading the obligation to buy power under the sourcing agreement based on load. Mr. Boston stated that he was concerned about accounting lags associated with measuring load.
- Mr. Levine asked whether the sourcing agreements would require ARES to purchase power from the FutureGen 2.0 project. Director Juracek responded yes, and explained that the ARES have an obligation to purchase clean coal under the Illinois Power Agency Act.
- Director Juracek stated that the price lag is a problem for the ARES, and she indicated that she does not like the price volatility associated with a monthly reconciliation. Mr. Champagne asked whether fixing prices on an annual basis might work. He explained that in the draft sourcing agreement, the Alliance attempted to account for load ratio changes. Director Juracek advised that the utilities calculate load ratios for PJM and MISO, and Mr. Champagne stated that there is still a lag for those calculations for up to 105 days. Mr. Blessing stated that there may be confidentiality restrictions relating to providing the load ratio information to parties other than PJM and MISO. Mr. Champagne referenced sub-section 6 of the Clean Coal Portfolio Standard and stated that there might be an option to set a tariff.
- Mr. McNeil stated that ComEd's preference was that the cost of the power purchased through the sourcing agreement be made part of the supply cost for the power. Mr. Kelly asked whether PJM or MISO could act as a clearinghouse. Mr. Lezniak stated that a third party was needed to reconcile the costs.
- Mr. Buchovecky asked whether there was a way to create a "wires charge" to avoid problems with lag. Mr. Buchovecky asked whether the ARES could include an adder on their customer invoices as part of a transmission charge.

- Mr. Wright stated that would be a “huge ask” for the ARES due to customer relations issues. He indicated that the ARES have repeatedly fought against such issues in the past.
- Mr. Wright asked what the ARES would get out of entering into sourcing agreements with the FutureGen 2.0 project. Mr. Barry responded that the ARES would achieve statutory compliance by meeting their obligation to purchase electricity generated from a clean coal facility under Illinois law.
- Director Juracek stated that in terms of next steps, the ball is in the Alliance’s court to provide cost projections for the FutureGen 2.0 project and to submit a revised sourcing agreement. Mr. Kelly requested that the Alliance also submit an analysis showing that the prices for the project will fall under the Clean Coal Portfolio Standard’s price caps. Mr. Levine suggested that interested parties give thought to sub-section 6 of the Clean Coal Portfolio Standard which allows utilities to obtain cost recovery via a tariff mechanism.
- Director Juracek ended the meeting by stating that ultimately, decisions about sourcing agreements with the FutureGen 2.0 project will be placed in the hands of the Illinois Commerce Commission. She stated that she cannot predict the outcome, but that it is her intent to place in the IPA’s Procurement Plan the best product possible for sourcing agreements for the FutureGen 2.0 project.