

**MINUTES OF THE AUGUST 10, 2009 MEETING OF THE ENERGY
COMMITTEE OF THE ILLINOIS FINANCE AUTHORITY**

The Energy Committee (the “Committee”) of the Illinois Finance Authority (the “IFA”), pursuant to notice duly given, held a Healthcare Committee Meeting via teleconference at 2:00 p.m. on August 10, 2009 at the Illinois Finance Authority, 180 N. Stetson, Suite 2555, Chicago, Illinois:

Members participating:

Ed Lenoard
Bill

**Members participating by
phone:**

Brad Zeller

Staff present:

Christopher B. Meister, Deputy
Director & General Counsel
Kara Nystrom-Boulahanis, Asst.
Secretary

Staff Absent:

None

**Others participating by
phone:**

Steve Trout

GENERAL BUSINESS

Call to Order and Roll Call

The meeting was called to order by Dr. Herrin at 2:34 p.m. with the above members present.

Discussion of Projects

Other Business

Chairman Brandt shared with the Board that Senate Bill 1906 was signed into law by the Governor on July 27, 2009 and is now Public Act 96-0103. There was substantial media interest in the bill. While the IFA has the capacity to undertake a financial credit review, we do not have the expertise to undertake an environmental or feasibility review of projects. In order to ensure that projects meet undetermined environmental, technical and financial criteria for project financing, a thorough vetting process will be established, along with fees to cover any expenses occurred by the IFA during this process. The IFA will receive assistance vetting projects from members of the Illinois Energy Team. A fee schedule for their assistance is being established. Additionally, the relationship between members of the Illinois Energy Team is being formalized through Intergovernmental Agreements (IGAs).

A request for additional information, along with an update on PA 96-0103, was sent to several developers at the beginning of August. That letter set a refundable deposit of \$10,000 as a fee, but Chairman Brandt explained that he would like to seek the input of the board before setting any specific fees. Chairman Brandt also noted that the fees for the Energy sector will be much more significant than for IFA’s traditional sectors due to the increased due diligence required.

Mr. Meister emphasized to the Board that IFA's doors remain open to any energy project interested in talking to a funding manager without any fee. He also informed the Board that from the earlier request for proposals IFA received 3 project submissions – two from Midwest Generation and one from a downstate Biodiesel plant.

Dr. Herrin, the chair of the Energy Committee, explained to the board that this type of financing is unlike anything IFA has undertaken previously, as the business plans, technologies and challenges faced by this sector are new to IFA's staff and no precedent exists.

Mr. Meister agreed with Dr. Herrin and stated that the energy sector is fundamentally different from IFA's traditional non-profit and tax-exempt financing, not solely because of how different this sector is from the other sectors, but also because we are utilizing an unusually high degree of State guaranteed additional security (known as "moral obligation"). The program has \$3 Billion in authorized bonding authority, which includes up to \$2 Billion for either coal or renewable energy sources. Additionally, the legislature increased the Agri-industry guarantee from \$75 million to \$225 million, which is debt backed by the full faith-and-credit of the State of Illinois which can be used in support of energy feedstock crops and biofuels production. IFA hopes to couple these tools with delegated lender authority that may be awarded by the U.S. Department of Energy (US D.O.E.) under the Section 1705 program for projects between \$100 and \$250 million. It is anticipated that the U.S. D.O.E. will issue invitations to the delegated lender program by the end of August. It is further hoped that awards under the US D.O.E. lender program will be awarded on a rolling basis.

Mr. Meister continued by saying that due to the high degree of exposure and the lack of technical renewable energy expertise in-house at IFA, additional resources and levels of due diligence will be necessary at an additional cost to the Authority. These costs could be significant, depending on the size and complexity of a project. Since IFA does not have the ability to absorb these costs, they will be passed on to the project developers.

Dr. Herrin stated that his preference would be to have the fees paid by the developer directly to the institution doing the vetting. This would eliminate the need for estimating a total cost of project vetting to hold in retainer or for allocating IFA funds to cover upfront expenses that would then be reimbursed by the developer.

Chairman Brandt noted that it was very important that IFA assign the team for due-diligence vetting and the developers are not allowed to select their vetting team – even from members of the Illinois Energy Team. All projects must be assigned to a vetting team by IFA staff and a pre-determined, fully disclosed, fair rate that is universal among applicants of a similar project type. He noted that the effective date of Public Act 96-0103 was January 1, 2010, so the IFA still had time to properly implement a program. Chairman Brandt also stated that the Attorney General suggested to him that environmental advocacy groups in Illinois would like the opportunity to give input on projects as well.

Given the procedural and structural issues still outstanding, Chairman Brandt recommends delaying the establishment of a formal fee structure and formalizing the procedures of vetting these projects to the September Board meeting. Dr. Herrin agreed that another month would be prudent and stated he had no objections to the recommendation. With no objections from any other Board Members, it was agreed that the Energy Committee would present a fee schedule and formalized procedures at the September Board meeting. Mr. Meister agreed to reach out to those projects that had already received an invitation from the IFA to convey the Board's decision.

Dr. Herrin then stated that it will also be very important to hire people with the appropriate expertise if we are to carry out any plan put forward by the Energy Committee. Mr. Leonard then asked where the list of projects sent invitations came from. Mr. Meister responded that the project list came from various sources including the promising projects IFA has met with over the last eighteen months as well the projects that have approached our sister agency, the Department of Commerce and Economic Opportunity.

Adjournment

Mr. Zeller made a motion to adjourn and Mr. Rivera seconded it. The motion passed unanimously and the meeting adjourned at 11:38 a.m.

Respectfully submitted,

Kara Nystrom-Boulanhanis, Assistant Secretary