

**MINUTES OF THE NOVEMBER 9, 2009 MEETING OF THE ENERGY COMMITTEE OF THE BOARD OF DIRECTORS OF THE ILLINOIS FINANCE AUTHORITY**

The Energy Committee (the “Committee”) of the Illinois Finance Authority (the “IFA”), pursuant to notice duly given, held its regularly scheduled meeting via teleconference at 1:30 p.m. on November 9, 2009 originating from the Illinois Finance Authority, 180 N. Stetson, Suite 2555, Chicago, Illinois:

**Members participating:**

1. Dr. Roger D. Herrin,  
Chair

**Members absent:**

1. Ronald E. DeNard

**Staff Members Present:**

Chris Meister,  
Deputy Director – General Counsel  
(Authorized Officer)  
Kara Boulahanis, Project Coordinator &  
Asst. Secretary  
Steve Trout, Vice President  
Marnin Lebovits, Senior Funding Manager

**Members participating by telephone:**

1. Michael W. Goetz
2. Bradley A. Zeller
3. James J. Fuentes

*Call to Order*

Committee Chair Dr. Herrin called the meeting to order at 1:34 p.m. with the above members present.

*Chairman’s Remarks*

Dr. Herrin asked Mr. Meister to begin by explaining the agenda. Mr. Meister stated that the agenda was divided into two sections: Policy Issues and Projects. Mr. Meister began with the policy issues.

**Agenda Item II (a): US Dept of Energy Request for Information: Partnerships with Public and Non-Profit Development Finance Organizations Co-Lending Opportunities (Delegated Loan Authority)**

Mr. Meister explained that this program offers the IFA an unprecedented opportunity to work with the U.S. DOE to fund renewable energy generation projects in the State of Illinois. IFA seeks to obtain “Lender Applicant” status from the DOE. This would allow the IFA to couple the SB 1906/SB 390 authority with U.S. DOE’s loan guarantees to finance larger and more complicated projects quickly and with lower credit risk to the State.

IFA Staff requested the Energy Committee direct staff to devote all available resources to completing this application as soon as possible but certainly before the January 15, 2010 deadline. After minimal discussion the Energy Committee approved the staff’s request.

**Agenda Item II (b): In-State vs. Out-of-State Power Purchase Agreements (PPAs)**

Mr. Marnin Lebovits, Senior Funding Manager, presented the issue of long term power purchase agreements (PPAs) for wind farms. He stated that long term PPA’s have been discussed in Illinois for over 5 years, and may be months or even more years before there is a resolution from the IPA

and the ICC. IFA staff would like the Energy Committee to make a recommendation on whether or not IFA should offer the moral obligation support of the State provided for in SB 1906 to projects that have out-of-state PPA's. IFA staff presented two options to the Committee for their consideration:

Option A – It is possible that there will be a final resolution to allow long term in-state PPA's prior to December 15, 2009. If that is in fact the case, then IFA should initially only provide credit support to projects that have in-state PPA's.

Option B – It is also possible that this in-state/out-of-state debate will continue for months or years. If IFA continues to not finance projects with out-of-state PPAs, while knowing full well that in-state PPAs are not available in the near term, then IFA will have delayed the benefit this financing initiative provides through the jobs and economic development these projects create.

In this case, the IFA should consider providing SB1906 financing guarantees for wind projects backed by out-of-state PPAs in order to build-out Illinois wind resources and spur wind-related economic development in Illinois.

Minimal discussion ensued focusing on the details of a timeline for approval of long-term PPAs. Given the possibility of a decision by December 15, 2009 and the lack of urgency for project financing on this issue, the Energy Committee decided to defer this issue to a later meeting..

#### **Agenda Item II (c) i: SB390 Energy Efficiency Financing for Illinois Governments**

Mr. Meister presented the staff concept for an energy efficiency financing tool for local governmental units. He stated that IFA envisions offering financing for a broad range of energy efficiency measures, which qualified Energy Service Companies (ESCOs) have identified as capable of generating sufficient savings to repay the loan that finances them. IFA contemplates offering a mix of incentives to help sponsors of energy efficiency projects to borrow at favorable terms. These incentives might include conveying tax-exempt financing status, a pledge State moral obligation or a debt service reserve.

The staff is requesting the Energy Committee recommend devoting IFA resources to develop financing programs and products that units of government, commercial and industrial businesses and nonprofit organizations can use to cost-effectively finance energy efficiency projects. After minimal discussion the committee approved the request.

#### **Agenda Item II (c) ii: US Dept of Energy Competitive Solicitation: Retrofit Ramp-up Fund**

Mr. Meister then informed the committee about the U.S. DOE's competitive solicitation for the Retrofit Ramp-Up Fund. IFA hopes to IFA seek funds under this competitive announcement for a debt service reserve fund to back a program that will offer low cost, tax-exempt financing for local governments, non-profits and other entities to implement energy efficiency retrofits for their facilities. These bonds would be backed by guarantees of yearly energy savings Energy Service Contractors (ESCOs) and "Additional Security" from Senate Bill 1906/SB 390.

By funding a debt service reserve fund the IFA would create a long-term, sustainable program that will drive down funding costs for energy efficiency projects. This in turn will make energy efficiency projects cost effective for borrowers, further incentivizing facilities considering this type of project.

IFA Staff is requesting the Energy Committee recommend devoting all available resources to completing this application before December, 14, 2009. After minimal discussion the Energy Committee approved this recommendation and instructed staff to make this application the highest priority.

#### **Agenda Item II (d): Tax-Exempt and Taxable Financing for Wind-Farms**

Mr. Lebovits explained that with the moral ob support mechanism of SB 1906/SB 390 project developers may save 100 – 175 basis points in interest costs per annum. If IFA could create a tax exempt funding model, developers could save up to an additional 100 – 125 basis points on their interest cost per annum. Three models for financing wind farms are currently under discussion: (a) a traditional taxable bank financing structure that is supported by the moral obligation of the State of IL; (b) a tax exempt financing structure for projects owned by a municipal entity such as IPA (or possibly IFA); or (c) an electricity prepayment financing model.

IFA staff is requesting the Energy Committee’s opinion on continuing to pursue alternative financing structures given the limited resources IFA is currently operating with and the complexity of this subject. However, if an effective tax-exempt model could be structured it would be a powerful financing tool. Dr. Herrin requested to see diagrams of the potential models as more information became available and expressed his disinterest in IFA owning any energy efficiency assets. The Energy Committee decided to defer this issue pending further information.

#### **Agenda Item II (e): Senate Bill 390 – Status**

Mr. Meister shared an updated on Senate Bill 390, which expands IFA’s authority under SB 1906 to energy efficiency project, with the Energy Committee. SB 390 passed both chambers during veto session with wide majorities. IFA anticipates it will be signed into law by the Governor. It has an effective date of January 1, 2010.

Mr. Meister then moved on to the projects.

#### **Agenda Item III (a): Eagle River Coal**

Eagle River Coal, LLC has recently approached the IFA to request debt financing for a new surface coal mine in Saline County, just south of Harrisburg, IL. IFA’s only financing option for the Eagle River Coal Project appears to be general moral obligation bonds, which have been traditionally reserved for units of local government. The state and IFA only have an estimated \$45 million remaining in general purpose moral obligation. This request, if granted, would use between 22 – 25% of this scarce remaining resource. However, this project is a very strong credit and is supported by the Office of Coal Development.

IFA staff would like the Energy Committee to decide if IFA should allocate scarce staff resources to developing financing options for this project and presenting to the Governor’s Office for approval. After minimal discussion the Energy Committee directed IFA staff to continue to pursue all available financing options for this project.

#### **Agenda Item III (b): Museum of Science and Industry**

The Museum of Science and Industry (“MSI”) has asked IFA to own certain energy efficiency assets to permit MSI to obtain off-balance sheet, tax-exempt financing through IFA. Taxable financing may be available at an interest rate increase of 2% to 3%. Mr. Meister explained that

the MSI has had debt limits imposed on it by their lenders which they have already reached, which is why they would prefer this financing model over the SB 1906/SB 390 route. Dr. Herrin asked if refusing this request would effectively end the project. Mr. Meister replied that it would not necessarily as the project could still be done with a bank owning the assets and the additional security of SB 390. Dr. Herrin reiterated that he does not support the IFA taking ownership of any assets. After minimal discussion the Committee recommended IFA offer MSI the additional security of SB 390 in lieu of asset ownership.

### **Agenda Item III (c): Biofuels Manufacturers of Illinois (BMI)**

Mr. Steve Trout, Vice President, presented an update on Biofuels Manufacturers of Illinois (BMI). BMI is seeking an IFA Agricultural Guarantee for \$21,250,000 or 85% of total debt sought from banks to finance a 45 million gallon Biodiesel plant near Peoria. BMI's CEO, Sudhir Seth, has asked IFA staff to seek: (1) a waiver from the Board's Risk Asset Acceptance Criteria (RAAC) that requires BMI obtain term sheets for long-term, fixed price output sales agreements and supply purchase agreements prior to IFA processing an application for a State Guarantee; (2) an early conditional approval for issuance of an Agriculture Guarantee, subject to enactment of a federal Renewable Fuel Standard and extension of the federal blender's tax credit.

Mr. Trout presented a brief discussion of the issues BMI raised and the IFA's RAAC. After minimal discussion the Committee decided not to grant a waiver at this time.

### **Agenda Item III (d): "Cinespace" Ryerson Steel Westside Movie Studio Development**

Cinespace Film Studios, an operator of a 750,000 square-foot film studio in Toronto (Canada's largest film studio), has approached the City of Chicago and State of Illinois for assistance in developing a film studio complex at the former Ryerson Steel plant on the Westside of the City of Chicago. Mr. Trout reported that a preliminary review of the project budget indicated that only a small portion of it would qualify for financing under the Energy Efficiency Initiative (SB 390) and none would qualify under the Renewable Energy Generation Initiative (SB 1906). He recommended that any offer of debt financing from IFA should be contingent on 1) the project meeting IFA Program Guidelines and representing an acceptable credit risk and 2) funding commitments for the remainder of the project.

Dr. Herrin requested Mr. Trout make a list of all of the documentation required from this project to thoroughly analyze it and request it from the developer. When Mr. Trout has received all of this documentation and analyzed it the Board will resume discussion of this project.

### **Agenda Item III (e): DCEO Renewable Energy – Energy Efficiency Grants**

A summary of applications to the Department of Commerce and Economic Opportunity (DCEO) State Energy Plan Renewable Energy-Energy Efficiency Grants program was distributed.

### **Agenda Item IV (a): Blackhawk Biofuels, LLC**

Mr. Trout updated the Committee on the progress of the Blackhawk Biofuels, LLC merger. It is still in the SEC process of being approved as well as the amended term loan. Mr. Trout will have an additional update at the Board Meeting on November 10, 2009.

*Closing Remarks and Adjournment:*

A motion to adjourn was made by Mr. Goetz and seconded by Mr. Zeller. The meeting was adjourned at 2:58 p.m.

Respectfully Submitted,

Kara Nystrom-Boulahanis, Assistant Secretary