



MANAGER'S MEMORANDUM

Prepared for: **Naperville City Council**
By: City Manager's office
2/27/2025

A. MANAGER'S MEMORANDUM

Source:

1. Marcie Schatz,
Assistant to the City
Manager

Subject:

Legislative Priorities
Week of 2-24-25

Action:

FYI

2. Brian Groth,
Director of Public Utilities –
Electric

IMEA February 2025 Executive
Board and Full Board Meeting
Summary

FYI

**CITY OF NAPERVILLE
MEMORANDUM**

DATE: February 27, 2025
TO: Doug Krieger, City Manager
FROM: Marcie Schatz, Assistant to the City Manager
SUBJECT: Legislative positions – Week of February 24, 2025

Purpose:

At the January 21, 2025, the City Council approved the 2025 legislative priorities and the legislative review process which includes reporting on any legislative actions or positions in the Managers Memorandum.

Discussion:

City staff took the following positions this week on bills directly related to the approved legislative priorities. (Same positions as the previous week).

HB 1282

City Legislative Priority: Increasing Local Government Distributive Fund (LGDF)

Position: Witness Slip - Support

Amends the Illinois Income Tax Act and increases the amount transferred from the General Revenue Fund to the Local Government Distributive Fund.

HB1046

City Legislative Priority: Sustainable Public Pensions

Position: Witness Slip – Oppose

For public safety employees, removes Tier 2 limitations on the amount of salary for annuity purposes; provides that the automatic annual increases to a retirement pension or survivor pension are calculated under the Tier 1 formulas; and provides that the amount of and eligibility for a retirement annuity are calculated under the Tier 1 provisions.

HB1310

City Legislative Priority: Sustainable Public Pensions

Position: Witness Slip - Oppose

Provides that the pension of a Tier 2 firefighter with 20 years of service at age 50 shall not be reduced as in current law. Provides that Tier 2 pension increases shall be 3% instead of the lesser of one half of the unadjusted percentage of CPI or 3%.

Recommendation:

Please include in the February 27, 2025 Manager's Memorandum.

**CITY OF NAPERVILLE
MEMORANDUM**

DATE: February 27, 2025

TO: Doug Krieger, City Manager

FROM: Brian Groth, Director – Electric Utility

SUBJECT: IMEA February 2025 Executive Board and Full Board Meeting Summary

Purpose:

The purpose of this memo is to provide an update on the Illinois Municipal Electric Agency Executive and Full Board Meetings that were held on February 19th and 20th, respectively

Discussion:

The City of Naperville entered into a contract to procure energy, capacity and ancillary services from the Illinois Municipal Electric Agency (IMEA) in 2007. IMEA is a not-for-profit agency comprised of 32 member communities across the State of Illinois. Each community has a representative on the IMEA Board of Directors, and the Board of Directors generally meets every other month at the IMEA offices in Springfield, Illinois. The Board of Directors receives reports from staff and votes on agency related matters. Meetings are open to the public and the schedule of meetings, board agendas and meeting minutes can be found on the IMEA website (www.IMEA.org).

The following is a brief summary of the IMEA executive and full board meetings that took place on February 19th and 20th respectively. Formal meeting minutes will be posted to the IMEA website after their review and approval by the board at the next regularly scheduled IMEA board meeting. Additional information about the City's relationship with IMEA can be found on the electric utility portion of the City's website (<https://www.naperville.il.us/services/electric-utility/your-electric-service/imea/>).

Staff have been sharing these summaries as well as approved board minutes with the Naperville Public Utilities Advisory Board (PUAB) and will continue to share these summaries with the public through the Manager's Memorandum process.

IMEA President and CEO Report:

The IMEA Executive Board received a calendar year end update on agency goals. Power supply costs for the agency are currently less than in FY 2013/2014 and the agency continues to invest in renewables as it transitions its generation assets to carbon free resources. In January of 2025, the Agency received an affirmation of its A1 Stable Credit Rating from Moody's Investor Services. The Agency's FY 2026 goals are attached.

The Board of Directors approved Mascoutah, Illinois' contract extension, the 24th contract extension received by the agency.

IMEA Operations Report:

Staff provided an update on Trimble County and Prairie State operations. Trimble County units performed well through the first month and a half of the year with each unit undergoing a short period of de-rating due to various issues. Prairie State Unit 1 had two boiler tube leak outages this year, while Unit 2 has operated at full load since January 6th. Prairie State's year-to-date Equivalent Availability Factor (EAF) is 79.79 and Trimble County's year to date EAF is 92.86, respectively. EAF is generally defined as the portion of the year in which the generating units were available without outage or derating.

IMEA Solar Project Updates:

IMEA is currently working to complete solar energy projects in three member communities. These projects are like the project completed in Naperville. The projects in Marshall and Princeton, Illinois were energized in December with work still being completed on the tracking software which allows the solar panels to move with the sun so they can generate the most amount of energy. The Agency's third project, hosted by Oglesby, IL, is still scheduled to come online in Spring of 2025.

Agency staff provided an update to the Board on their work to secure United States Department of Agriculture grant dollars to help fund four additional solar projects for the agency. IMEA's partner in these projects, SolAmerica, has received initial funding commitments and if projects continue to progress and a final funding award is received by the USDA, it is expected that these projects (which total approximately 13MW) will come online in late 2026.

IMEA Legal Update:

The Board received an update on several matters before the Federal Energy Regulatory Commission (FERC) including one which has the potential of limiting the capacity price auctions in PJM going forward. This issue was brought by the Governor of Pennsylvania and if approved could set not only a price ceiling for capacity price auctions going forward but also a price floor. As previously discussed, IMEA is well hedged against capacity price fluctuations having capacity accreditation from its thermal and renewable resources as well as direct contracts with companies that have excess capacity to sell. Another issue before FERC could change how battery storage is bid into capacity and energy markets. IMEA staff will continue to keep the board up to date on these issues and how they impact the rates and operations of member utilities.

IMEA Bond Refinancing Opportunity:

As previously reported in the December IEMA full board meeting and January IMEA executive board meeting, IMEA is looking to potentially refinance up to \$650 million in outstanding bonds. The refinancing of these bonds will not extend the commitments of any member as they will all be paid off by the existing contract's expiration date of 2035.

Member communities could potentially save up to \$25 million in interest payments over the life of the loans by completing this refinancing. The board authorized agency staff to sell bonds beginning in May of 2025 subject to conditions set forth in the bond resolution.

The bond resolution was drafted by IMEA's bond consultant, reviewed by IMEA's general counsel, and was shared with Naperville finance staff.

IMEA Revised Operating and Capital Budget for FY2025:

Staff provided the board with an update on FY2025 Capital and Operating budgets. In general, energy sales across the agency were down about 1.8%; this is consistent with the trend of lower energy sales in Naperville. These lower energy sales led to lower revenue for the agency. Operating expenses for the agency were also down, generally due to lower fuel costs because of lower than projected plant availability. Overall, the agency ended the year with about 3% of the budget being administrative and general expenses. The Board of Directors voted to adopt the revised operating and capital budget for FY2025.

IMEA Operating and Capital Budget for FY2026:

Agency staff outlined the agency's FY2026 Operating and Capital budgets. The agency is again projecting a decline in energy sales to its members and as previously reported, begin collecting for the decommissioning of Prairie State and Trimble County generators. The collection of the decommissioning funds will be reported at each board meeting in the treasurer's report and will begin appearing as a line item in the FY2027 budget of the agency. Also included in the budget is an increase in fuel costs due to reduced maintenance at both Prairie State and Trimble County plants. Overall administrative and general expenses of the agency will move slightly higher in FY2026 to 3.1% compared with 3% in FY2025. The board discussed with staff the amount of cash on hand and whether this cash should be returned to ratepayers. Staff and the board agreed that as the agency goes through its bond re-issuance as well as continuing to sign renewable energy contracts it is beneficial and cost effective, in the long term, to have a strong cash position. Updated agency financial and rate projections are attached.

IMEA Officer and Executive Board Positions:

Finally, the full board of directors voted on the executive board and officers for the IMEA 2025 fiscal year. Brian Groth remains on the executive board and holds the Vice Chairman position within the organization for the second year.

Closed Session:

Neither the IMEA Executive Board nor the Full Board went into closed session.

Recommendation:

Please include this response to the City Council request in the Manager's Memorandum.

President & CEO's Report

IMEA Goals for FY 25/26

- Complete FY 25/26 below approved budget
- Maintain Debt Service Coverage of 1.20 at fiscal year end
- Visit each Member at least once in fiscal year
- Maintain all current financial ratings agency status
- Complete Ameren Wholesale Connection Agreements with members and work with Ameren regarding filings and approval at FERC
- Review status of outstanding IMEA Member Power Sales Contracts and provide criteria for terms beyond April 30, 2025
- Complete IMEA bond refinancing
- Extend IMEA Demand Response Program for FY 25/26 and sign up at least 4 retail customers
- Evaluate Ameren WDS rate change proposal and determine IMEA's efforts to mitigate increases
- Complete study of installing utility scale, BTM battery storage unit within a member system to be completed by December 31, 2025
- Determine options and most cost-effective method(s) for a Conservation Voltage Reduction Program by December 31, 2025
- Evaluate member interest and logistics to approve the Transmission Joint Ownership Agreement with Ameren to build 138kv line between Peru and Princeton as well as larger MISO Tranche 2 transmission opportunities



Updated Financial Projections – in 000's

	FY 2023 Actual	FY 2024 Actual	FY 2025 Projected	FY 2026 Projected	FY 2027 Projected	FY 2028 Projected	FY 2029 Projected
Participating Members Load (GWh)	3,761	3,660	3,732	3,733	3,748	3,763	3,778
Member Revenues	\$302,769	\$302,188	\$320,355	\$331,612	\$341,604	\$349,764	\$352,788
Other Revenues	\$20,879	\$26,966	\$26,832	\$22,679	\$20,819	\$20,308	\$19,789
Total Revenues	\$323,648	\$329,155	\$347,187	\$354,291	\$362,423	\$370,072	\$372,577
Operating Expenses	\$201,318	\$207,731	\$233,496	\$248,056	\$246,722	\$254,886	\$257,914
Net Revenues before Debt Service	\$122,330	\$121,423	\$113,691	\$106,235	\$115,701	\$115,186	\$114,663
Debt Service	\$89,502	\$89,055	\$88,432	\$85,052	\$84,536	\$83,988	\$83,435
Projected Coverage	1.37	1.36	1.29	1.25	1.37	1.37	1.37
Projected Member Average Rate	80.50	82.56	85.83	88.83	91.14	92.95	93.38
Ending Unrestricted Cash ⁽²⁾	\$103,639	\$112,270	\$118,836	\$112,825	\$117,439	\$125,208	\$138,239
Unused Portion of Liquidity Line ⁽³⁾	\$48,000	\$50,000	\$50,000	\$50,000	\$50,000	\$50,000	\$50,000
Days Operating Cash on Hand	188	198	186	166	174	180	196
Days Liquidity	275	286	264	240	248	252	266

(1) Projections as of February 2025

(2) Includes operating fund, general reserves and rate stabilization fund

(3) Assumes current \$50M line of credit has been renewed in October 2027



IMEA Rates are Very Stable and have been Sustained for many years

