

THE BOND BUYER

[TRENDS IN THE REGIONS](#)

Illinois Municipal Electric Agency faces long-term contract uncertainties

By [Jennifer Shea](#) May 07, 2025, 8:07 a.m. EDT 9 Min Read

The Illinois Municipal Electric Agency plans to go to market in July with \$600 million of Series 2025A power supply system refunding bonds, depending on market conditions, but questions around member contracts have added a degree of uncertainty to its long-run credit profile.

Even as the Trump administration makes it easier to reinvest in coal, the IMEA — which owns 15.17% of a Marissa, Illinois-based coal-fired power plant, the Prairie State Energy Campus — is facing uncertainty over a contract extension with Naperville, one of its largest members.

"Naperville contracted with Customized Energy Solutions to study the different ways Naperville can procure energy after the IMEA contract ends in 2035," Linda LaCloche, director of communications for the city manager's office, told The Bond Buyer.

The IMEA had given Naperville an April 30 deadline to approve a 30-year contract extension. The Naperville Public Utilities Advisory Board recommended last month that the city approve the extension.

But the matter was not included on the May 6 City Council [meeting agenda](#), and LaCloche confirmed on Monday that the City Council did not plan to take up the contract extension Tuesday.

The IMEA is a 32-member unit of local government composed of municipal electric systems from across Illinois. Twenty-seven of those members have already agreed to contract renewals, according to the [American Public Power Association](#).

"If IMEA lost Naperville as a participant, it would be negative for IMEA's credit profile," said Gayle Podurgiel, vice president-senior analyst at Moody's Ratings, which affirmed the IMEA's A1 revenue bond ratings and stable outlook [in January](#).

"Naperville is IMEA's largest member, representing about 34% of energy usage in fiscal 2024, and the city of Naperville's Aaa GO rating is a supportive factor for IMEA's A1 credit rating," she added.

THE BOND BUYER

Podurgiel noted that the IMEA's outstanding debt will fully amortize by February 2035, so changes to its membership beyond 2035 don't affect current ratings.

St. Charles, the IMEA's second-largest member for power use, has not yet signed a contract extension, nor have Winnetka, Cairo or Fairfield, according to a May 1 [memo to the Naperville city manager](#) from Naperville Electric Utility Director Brian Groth.

Groth said at the April 23 and 24 IMEA board meetings, the nonprofit's staff recommended the board extend the open offer period for the members that have yet to sign extensions. But some members who had already signed contract extensions called for terminating the open offer period or implementing a progressive premium structure for any member that fails to sign an extension during the period.

Ultimately, "many board members asked IMEA staff to begin preparing a resolution for the board to vote on at its June 2025 board meeting to extend the existing contract offer until the IMEA August 21, 2025, board meeting," Groth wrote.

"Whether a member city can miss the deadline and later participate beyond 2035 will have to be a future decision of the IMEA board," said Staci Wilson, vice president of government affairs and member services for IMEA.

A grassroots advocacy group, [Clean Energy Alliance of Naperville](#), has mobilized citizens against the 30-year contract renewal that IMEA is seeking from all its members, including Naperville.

According to the group, the IMEA generates nearly 80% of its power through coal — 49% of it from Prairie State, and 29% from a coal-fired plant in Trimble County, Kentucky. The alliance did not respond to a request for comment by press time.

Prairie State emitted 12.4 million tons of carbon dioxide in 2023, according to the [Environmental Law and Policy Center](#), a Chicago-based environmental legal advocacy group.

The plant's [startup was rocky](#), with cost overruns that drove up the cost of energy for utility customers.

Since taking office, the Trump administration has issued several executive orders favoring coal-fired generation, including an [April 8 order](#) declaring coal "essential to our national and economic security."

THE BOND BUYER

The order designates coal a mineral, which among other things means it's included in an order directing federal agencies to expedite the issuance of permits for minerals projects.

The administration has also excluded battery storage, solar and wind power from [its definition of "energy"](#) and relaxed the mercury and air toxic pollution standards, which will exempt coal plants from equipment maintenance and upgrade requirements, according to the [Natural Resources Defense Council](#).

"What we're finding is that, for many expensive projects... there's a wait-and-see approach, regardless of whether we're talking about fossil fuel projects or renewable projects," said Pamela Goodwin, co-chair of the environmental practice at Saul Ewing, a Philadelphia-based law firm with 18 offices across the U.S.

The uncertainty around federal policy is creating a legal patchwork, with local governments, utilities and developers struggling to balance state priorities with the expressed objectives of the Trump administration.

"People are being very cautious in trying to determine what the implications are of the federal government's priorities, and how those compare and contrast to the various states in which one might be planning to develop a project," Goodwin said.

She said some of the new regulations coming out of the White House will allow coal facilities to continue to operate longer than they might otherwise have done.

"What that means is that for the coal industry, we're not seeing any new coal power plants being built, and I don't anticipate that we will," she said. "Investors aren't looking to reinvent their wheel with coal. The question is, can we extend the life of existing coal facilities? Many of them had already been targeted for deactivation.

"It depends where they are in the life cycle as to whether an operator or a developer would have an interest in continuing to keep the facility going," she added. "Many of them have already been scheduled for transition — for example, to gas."

Moody's in January noted "the significant coal exposure that IMEA has" and the fact that it drew only 10% of its energy from renewable power in fiscal 2024.

However, Moody's pointed to IMEA's favorable take-and-pay member contracts that include a five-year termination notice, and an accelerated debt amortization profile that hastens debt repayment.

THE BOND BUYER

Fitch Ratings [assigns a AA-minus rating](#) to the planned Series 2025A issue. On April 29 it affirmed the same rating on the IMEA's \$644 million of power supply revenue bonds, Series 2009C, 2010A and 2015A. The outlook is stable.

Fitch cited strong revenue defensibility due to the take-and-pay contracts, the IMEA's independent legal authority to raise rates and its largest members' strong credit quality.

The rating agency said it factored into the rating Illinois' Climate Equity and Jobs Act, which aims to significantly curb carbon emissions by 2038 and targets net zero emissions by 2050.

"Fitch does not believe IMEA's operating risk profile or general credit quality are materially impacted by CEJA as all the agency's outstanding debt matures by 2035, which coincides with the start of the carbon reduction goals set out in the legislation," Fitch said.

The rating agency did consider the credit quality of Naperville and St. Charles in rating the IMEA's debt. But the potential loss of Naperville would not impact the rating because the 2035 expiration of the city's contract coincides with the maturity of IMEA's outstanding debt, said Jeff Wark, a Fitch director for U.S. public finance and public power.

The refunding issuance will match the original maturities of the bonds to be refunded, Fitch said.

Wark declined to comment on the implications for coal-reliant issuers like IMEA of potential changes to U.S. Environmental Protection Agency power plant standards that require sharp reductions by 2032 in carbon emissions from coal-fired plants.

"It's difficult to predict what changes may, or may not, come from the new administration with respect to future EPA guidelines on carbon emissions," he said.

S&P Global Ratings affirmed its A long-term rating and underlying rating on the IMEA's revenue bonds in October 2023. The outlook is stable.

"We do think that Naperville is one of the stronger members of IMEA, so if Naperville were to leave membership, that would likely be a credit negative from our perspective," S&P Associate Director Tim Meernik said. "One of the things that we'll be looking at is,

THE BOND BUYER

Naperville is responsible for about one third of the IMEA's energy sales, so how does IMEA respond... with its power supply portfolio?

"Basically, it complicates their power supply planning," he said. The IMEA would need to rebalance its contracts if one of its largest members leaves.

"It's a matter of matching supply and demand," said S&P Director Jeff Panger. "With uncertainty related to Naperville and others... it limits the choices that the joint action agency has in being able to address their future power supply plans.

"This is true for all joint action agencies," he added. "We look to see that the debt maturities are in line with the member contracts. If you don't have people to buy your power, and you have debt coming due, that's a problem for credit. So we want to see that there's a match between power supply and demand."

Panger said the law that governs the emissions of Prairie State will be Illinois' CEJA, until something else is passed. "We rate to what the law is, not the back-and-forth on this," he said of the debate over environmental regulations and Trump's executive orders.

"We realize that there's a lot of fluidity right now, and we continue to monitor the changes," Meernik added. "We haven't seen anything definitive to change our view that over the long term, IMEA remains exposed" to financial and operational challenges from its reliance on coal.

Saul Ewing's Goodwin said most of the changes at the federal level have been through executive orders, and those are not really fully implemented. The question the energy industry is asking, she said, is what can get financed?

"I suppose the right existing and not terribly old coal-fired power plant might be a candidate for interim financing to do some upgrade work and things of that nature," she said.

She noted that nuclear energy is generating a lot of buzz today, but those projects have long timelines. And she predicted that even with the Trump administration's orders, coal usage will decrease by about 5% in 2025, and by another 20% in total between 2025 and 2029.

"What kind of energy operations are going to get the confidence and the backing of the major investors? I think most of that is going to go to natural gas," Goodwin added.

THE BOND BUYER

IMEA Board of Directors Chairman Cory Sheehy did not respond to requests for comment.