



Reevaluating Naperville's Energy Future

A Strategic Analysis of the IMEA Contract Renewal Proposal

Presented by: Michelle Ackmann and Phil Schrieber

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Naperville advisory board recommends city stay with IMEA as its electricity provider



The Prairie State Energy Campus near Mazon, Illinois, from where some of Naperville's electricity is generated. (E. Jason Wambegans/Chicago Tribune)

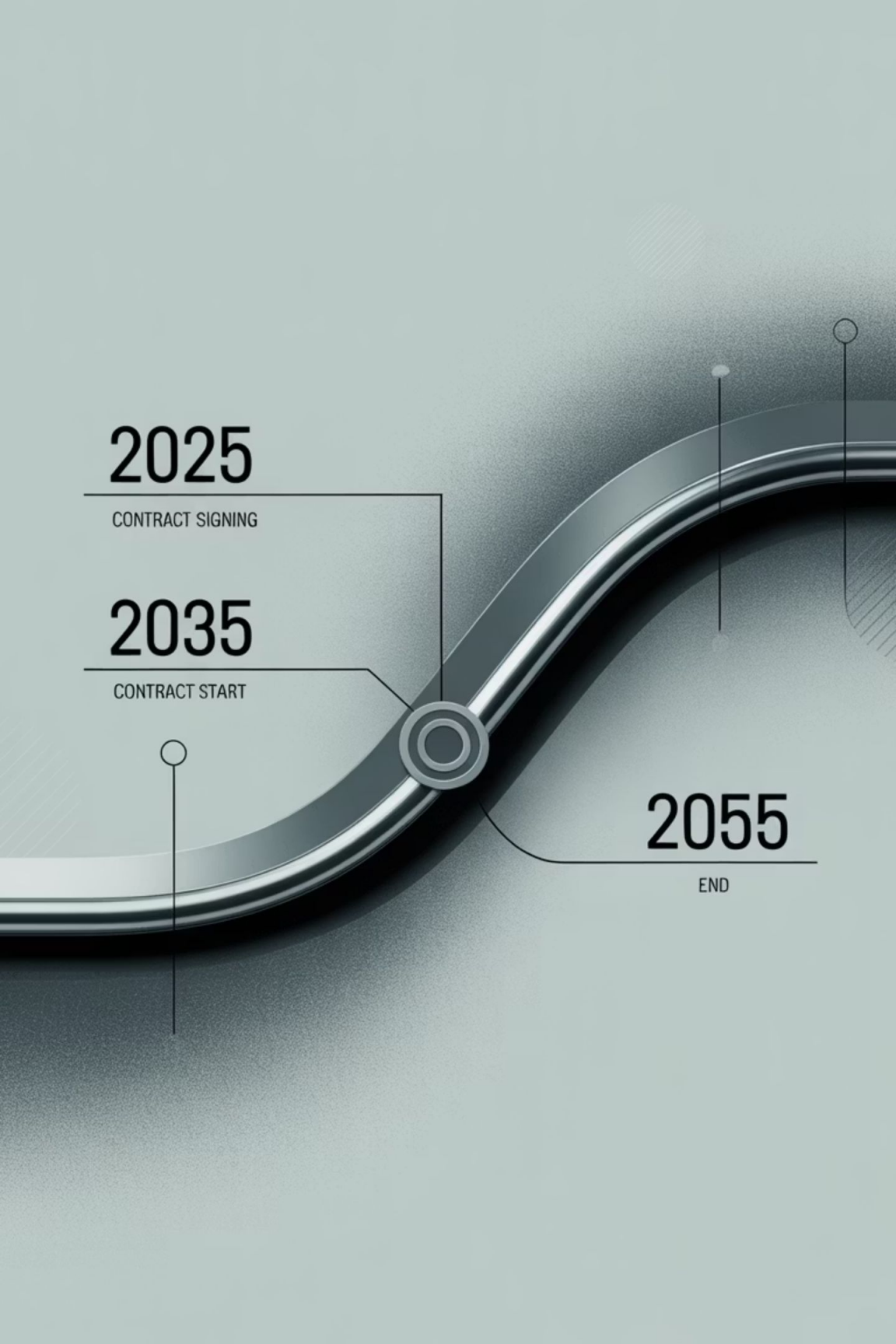


By **TESS KENNY** | tkenny@chicagotribune.com | Chicago Tribune

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While the PUAB Board recommended to stay with IMEA, 3 of 7 members voted against it.

“Nonetheless, a slim majority of the board advanced CES’ recommendation to council. Hoeft as well as members Michelle Ackmann and Philip Schrieber cast dissenting votes.”Naperville Sun



Proposal Timeline & Structure

Proposed Renewal
Contract To Be Signed

2025

Contract Begins
2035

10 years after signing

Contract Ends

2055

20-year term

Combined Contract Terms 2025 – 2055

Effectively a 30-year Uncompeted Sole-Source Supply Contract

Context: Most long term power purchase agreements initiate within 1–3 years of signing due to market volatility.

Executive Summary

- IMEA's renewal offer: 20-year contract starting in 2035, requires 2025 execution
- Renewal decision has spun into a debate of IMEA vs Renewables. This is not the problem we see.
- Key problem is lack of pricing guarantees, unprecedented sole source structure, inflexibility
- Focus has been lowest price but lowest price \neq lowest cost if price escalators or penalties emerge
- No suppliers price energy 10 years out due to market volatility—IMEA's proposal carries the same risk, with no cap or fixed rate to protect the City
- If 'cheap power' is the priority for the City, the IMEA proposal does not provide any clarity or guarantees on its cost to the City ratepayers 10 years from now.
- Naperville must define the priorities for energy procurement using community involvement (due diligence). Then, either explore competitive options or renegotiate IMEA contract to meet those requirements.



Industry Benchmarking & Lack of Precedent

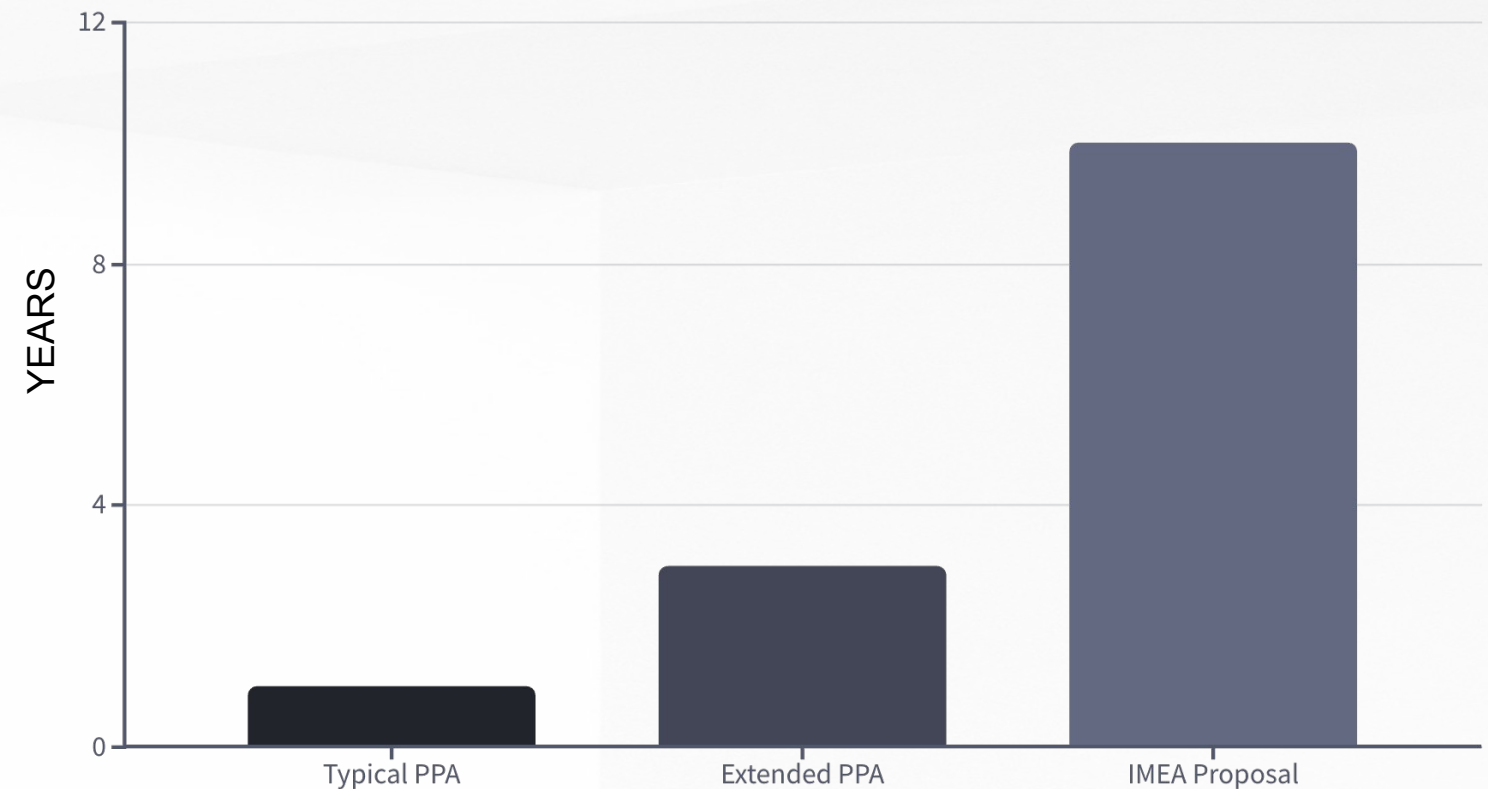
No examples in Illinois or nationally of such long-deferred power purchase agreements.

"There is no precedent for this type of arrangement in the industry."

- Chris Townsend, Energy Lawyer with CJT Energy Law
Consultant presenter at PUAB Meetings Spring 2025

What other contracts or purchases has the City justified to start in 10 years, last for decades, and have a value in excess of hundreds of millions?

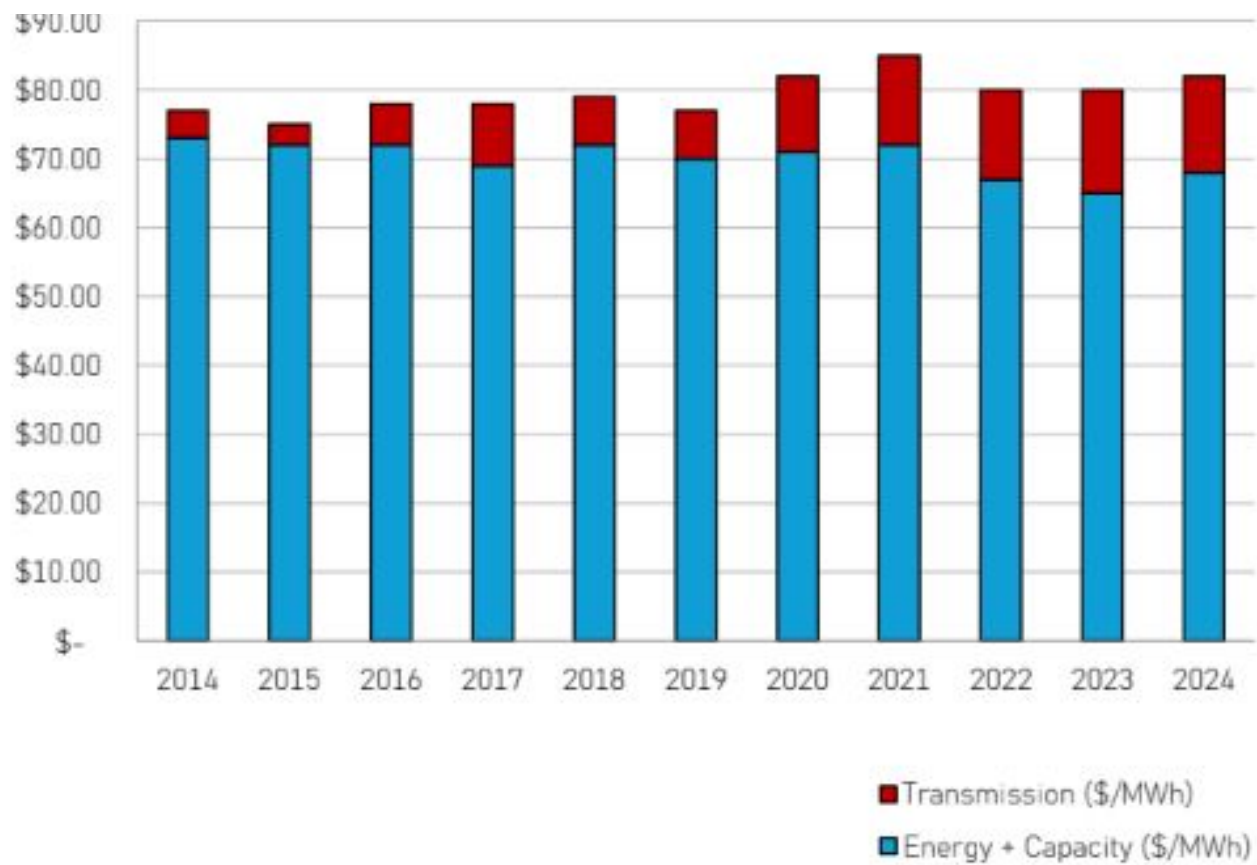
Just because other small cities in Illinois are renewing doesn't justify the City should renew as well.



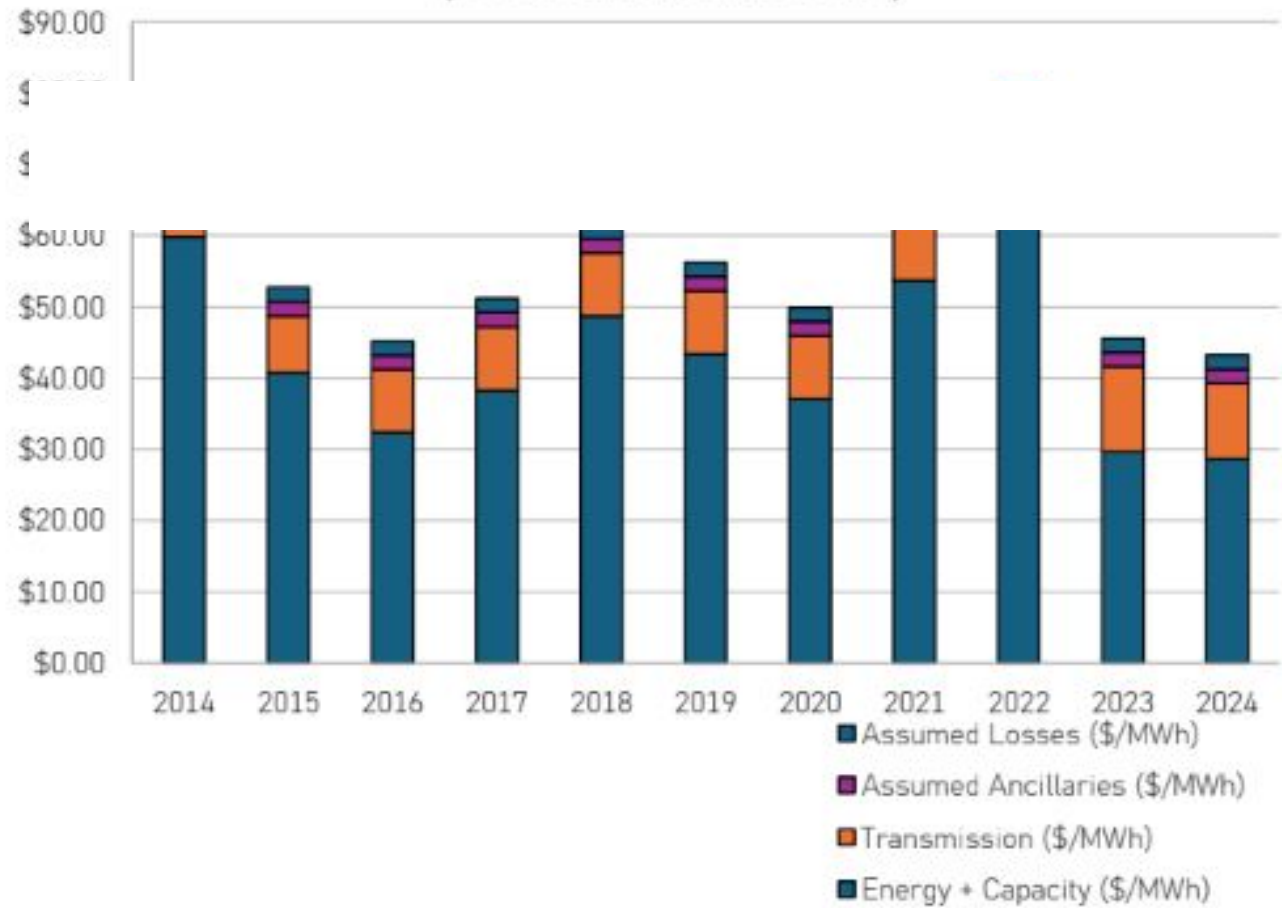
IMEA's Historical Overpayment & Risk Exposure Based on NEST Analysis

Naperville ratepayers estimated to have overpaid \$300M. This same risk is not mitigated in the renewal proposal, especially if ‘lowest price’ is a high priority requirement?

Total Wholesale Cost of Electricity from IMEA (Source: NEST Presentation to Naperville PUAB 4/8/25)



Total Wholesale Cost Of Electricity PJM/COMED Zone (Source: EIA and PJM)



Point: Naperville paid \$300M more via IMEA in past 10 years than PJM market

Commentary: IMEA cost overruns during construction led to outsized cost burden

Key Risk Categories in the Renewal Proposal

Risk Type	IMEA Proposal	Typical PPA	Comments
Pricing Certainty	✗ None	✓ Fixed/Indexed	No floor or ceiling defined
Market Liquidity	✗ Low	✓ Moderate	No supplier quotes starting in 2035
Regulatory Landscape	✗ Moderate to High Risk	✓ Often insured	CEJA, Coal exposure risk
Flexibility	✗ Minimal	✓ Customizable	Few pathways for consumer program enhancements
Procurement Compliance	✗ Single Source	✓ Competitive	No bidding with IMEA

Risk vs Opportunity

Market volatility is shared risk—but IMEA's structure offers limited to no visibility or tools to manage it

Consider:

- No suppliers offer pricing 10 years in advance because of market volatility and unknowns
- This implies IMEA is subject to similar market risk and can pass that through to the City in the future with a contract that lacks a fixed price or cap.

Fixed Contract

- Clear price terms
- Defined escalators
- Transparent structure

IMEA Proposal

- Undefined price mechanism
- Potential volatility
- No contractual ceiling

IMEA
Contract

Competitive
market strategy.



What Are the City's Strategic Goals and How Do the Future Pathways Align?



Potential Strategic Goals

- Net zero emissions
- Affordable price
- Energy choice for residents
- Energy program options like residential demand response
- Marketability - “Best City to Live”



IMEA Considerations

- Proven energy supplier
- Starting to integrate renewables
- Coal-heavy portfolio
- City as investor creates conflict of independence
- Limited flexibility of choice
- Restricted innovation
- No incentive to change during 20 years of fixed terms



Market Considerations

- Greater flexibility of energy sources
- No effect on reliability
- Aligns consumer energy cost risk to open market volatility like rest of 70%+ of the US
- Market not liquid beyond 2-3 years

Naperville's Priorities for Energy Procurement?

Priority	IMEA Proposal	Desired Future Path
Price certainty	✗ Undefined	✓ Structured rates
Flexibility for innovation	✗ Limited	✓ Open-ended programs
Net zero & environmental	✗ Coal-heavy	✓ Renewable roadmap
Consumer energy choice	✗ None	✓ Participation options
Resiliency & market agility	✗ Low	✓ Diversified sourcing

Naperville needs to define our priorities for energy procurement before securing a contract.

Parallel Process Once Priorities are Defined: Enhanced IMEA Contract or Market Transition

Renegotiate IMEA Terms

- ☐ Use consultants and lawyers to advise and negotiate terms
- ☐ Add pricing floor/ceiling
- ☐ Expand renewable % (beyond 10%)
- ☐ Enable resale/transfer rights
- ☐ Other?

IMEA Negotiation Fails: Begin Market Transition Planning

- ☐ Use consultants to evaluate options
- ☐ Study similar cities in PJM
- ☐ Evaluate subaccount management or other contract models

Recommended Call to Action:

Decline premature
sole-source contract

Avoid committing to undefined
terms a decade in advance

Define energy requirements
using community informed
due diligence

Engage stakeholders and energy
experts in requirements and
evaluation process

Explore competitive
options or renegotiation

Pursue market alternatives or
improved IMEA terms

Path Forward

Step 1: Stakeholder Engagement

Involve community in process of determining/validating the City's energy requirements

Step 2: Define the City's Energy Procurement Priorities and Requirements

City to provide guidance on its energy priorities and requirements with feedback from stakeholder engagement.

Step 3: Evaluate IMEA's Ability to Meet the City's Requirements

Can IMEA meet the City's requirements? If so, negotiate contract. If not, move to Step 4.

Step 4: Begin Market Transition Planning

Engage consultants and community to refine the requirements and define a strategy that aligns to the City's strategic objectives.

Step 5: Market Research and Benchmarking

Study comparable cities and contract structures

Analyze and assess various market procurement options and develop recommendations

Step 6: Transparent Evaluation and Negotiation

Pursue competitive procurement with clear objectives