

February 3, 2025

President Rintz and Village Trustees,

Thank you for the time and careful consideration that you have already given to issues facing Winnetka from IMEA's early request to renew its contract until 2055. From our public forum last October and Mark Pruitt's presentation to the council in December, we all continue to learn and wrestle with the complex challenge of balancing terms of renewal with our values as a village. Making your decision even more challenging, you have been asked to renew a twenty-year agreement a full ten years in advance, with just a year to learn about the issue, evaluate the contract, and compare possible options before coming to a determination.

In that context, we've prepared four broad questions which remain largely unanswered. Addressing these questions will help inform any decision about the IMEA contract.

- A) What risks are associated with renewing our long-term contract with IMEA?
- B) What information do we still need to evaluate power purchasing suppliers?
- C) Why might Winnetka consider delaying renewal?
- D) Is environmental stewardship an important community value that requires us to weigh heavily the environmental costs of the contract?

**A. What are the risks associated with renewing our long-term contract with IMEA?**

So far, we have only engaged with financial risks of *not* renewing the contract. We have not heard about the financial risks if we *do* renew. We must assume that over a 30-year time horizon, those financial risks exist, particularly as they involve legacy assets that have faced increasing scrutiny and regulation by federal, state, and local governments in recent years. Now is the time to understand them better.

1. *Despite near-term volatility, we shouldn't assume coal power to remain cost-competitive to market rates during the term of the contract.*

How might the relative market price for different types of energy change over the next 10 or 20 years? How reliable are forecasts that look 10 or 20 years into the future? And if, as current trends have shown, the cost of renewable energy continues to fall—due in part to technological innovation, private sector investment, consumer behavior, and government involvement—would Winnetka

be saddled with paying for more costly electricity when all other municipalities on the North Shore are paying far less? Are we comfortable insisting that a 2012 coal plant will continue to outperform a changing market? Solar and wind energy prices have fallen 67% and 44%, respectively since Prairie State was commissioned.<sup>1</sup>

We have heard how energy demand on our grid is expected to grow and how challenging it has been in recent years to develop utility-scale energy supply. Indeed, we know that in the immediate-term, market prices paid by our peers are expected to rise. But are we confident that private developers, utility regulators, and public sector actors will allow bottlenecked development scarcity to throttle industry over decades? Or is it more likely that industry and/or government will resolve current supply challenges, allowing new development to down market prices?

2. *High-cost, high-risk, and unproven carbon capture technology is being pursued for IMEA coal assets, which could result in serious financial risk to the village.*

State regulations on carbon emissions are mandating changes at Prairie State coal plant. To comply, Prairie State has three options: partial plant closure, plant closure, or carbon capture and storage (CCS).

The CCS option is the most controversial. It is a technology that, despite many efforts, has never been proven to work for coal plants.<sup>2</sup> Yet, the coal lobby has been successful in getting the federal government to appropriate funds for CCS. If Prairie State wins that funding and a massive CCS project starts, plant closure could be delayed even without proving the technology works.

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<sup>1</sup> Rocky Mountain Institute “Transition Opportunities for Prairie State Campus”

<sup>2</sup> There is no successful example of CCS on a coal plant in the U.S. today. The only plant that has demonstrated that it is even technically feasible is Petra Nova, a Texas CCS facility installed on a 260MW plant, which is about seven times smaller than Prairie State. The cost was \$1bn for CCS, and operating it created an energy penalty equivalent to 15% of the plant's output. Moreover, because of Petra Nova’s unreliable operation, it has never yielded more than 58% carbon capture (far lower than what is required by law in Illinois). If we assume that the present value cost of Petra Nova CCS was \$1.5bn, then the cost of applying CCS at Prairie State would be \$10.5bn, with an associated operating energy requirement of 240MW to be deducted from the plant's output. It is worth noting that the Texas plant owner (NRG Energy Inc.) sold its 50% stake for just \$3.6 million in 2022, writing off over \$1bn for the asset.

Before any decision is made on IMEA renewal, Winnetka should evaluate the risks of CCS or other environmentally hazardous problems associated with Prairie State. Prairie's State has a highly toxic 750-acre coal ash landfill. The cost of remediating that landfill has not been discussed.

Operating as a “last of its kind” plant almost guarantees higher costs for Prairie State as it ages. Labor availability, expertise in managing coal-fired power plants and the requisite support infrastructure, maintenance capabilities, and other considerations all suggest that costs will rise as the plant ages. Does the village feel comfortable with the risks of relying heavily on a facility so freighted with uncertainty?

3. *The IMEA contract restricts local autonomy both for the village and for households.*

Paradoxically, our independent-minded decision to participate in IMEA restricts our autonomy as a municipality and the energy choices of our residents.

Winnetka established our electric utility on Tower Road Beach in 1900. One hundred and twenty-five years on, Winnetkans still value local ownership, maintenance, and operation of our electric utility. It is a point of pride and rightly so. However, the new power purchasing contract limits Winnetka’s ability to develop energy through 2055 to just 10% or ~3MW. Are there other arrangements in which we can maintain and protect our local utility, while purchasing power in a less restrictive manner?

Moreover, in neighboring villages, individual households are empowered to select from an array of power purchasing contracts marketed on the grid. Households are able to choose contracts which reward conserving energy throughout the day, reducing overall rates. Households can choose to prioritize carbon zero energy sources today, rather than wait for the 2040s. Households can participate in community solar, incentivizing broad installation and adoption. Energy choice is appealing in our community, particularly where the overwhelming alternative is coal.

No doubt over the next 30 years, new innovations will allow us to develop more sustainable energy, reduce or optimize our energy consumption, or store energy locally. By renewing the IMEA contract a decade early, Winnetkans miss out on any such opportunities, while our peers along the North Shore will not.

4. *IMEA faces unresolved problems with transparency and accountability which need to be addressed and better understood.*

Municipally-owned electricity coops are not governed by the same transparency and oversight rules as investor-owned utilities. This is in large part because “muni coops” have been able to avoid regulations during legislative negotiations.<sup>3</sup> Moreover, because of the way Prairie State’s ownership is structured, the plant’s full emissions, financial, and operations data remain confidential. Other issues include insufficient resource planning, lack of transparency into investments, and clarity around lobbying.

#### **B. What information do we still need to evaluate power purchasing suppliers?**

5. *We still have no way to directly compare power purchase arrangements on important attributes, such as cost, reliability, independence, sustainability, etc.*

While Mark Pruitt qualitatively surveyed power purchasing options in his color-coded overview, a quantitative comparative analysis of options would strengthen confidence in our ultimate decision-making. It may make sense for Winnetka to retain a consultant for more in-depth study and comparative recommendations.

6. *The village has only heard one contract proposal to date.*

Typically, a public contract of this value and term length would go to bid. It would be prudent for trustees to hear from multiple power purchase providers. During the December study session, possible suppliers were described and discussed at a high level, without market research or modeling. Given that the council will hear from IMEA twice during this process, it’s reasonable to hear from other suppliers. For example, the small town of Newton, Illinois just had nine responses to its RFP for power supply and energy management services. They selected Dynegy.

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<sup>3</sup> The Prairie State Energy Campus (PSEC) is owned by nine public power agencies including IMEA, but is not subject to OMA and FOIA, as the plant itself is not a public body under Illinois law. Additionally, PSEC and its nine public power owners, including IMEA, block transparency by invoking confidentiality agreement provisions in the PSEC participation agreement.

### **C. Why might Winnetka consider delaying renewal?**

7. *Naperville and St. Charles may not renew their contracts by April 30 and instead, take their time to study the issue more carefully.*

We understand that Naperville and St. Charles do not plan to sign the renewal contract before newly elected councilors are seated following municipal elections. Naperville has retained a consultant to better understand its options.

8. *Uncertainty around Prairie State and unpredictability in energy markets make such an early renewal unwarranted.*

In most business settings, renewing a contract 10 years before it expires sounds unusual. And when that renewal would take place (1) amid a rapidly changing environment for power supply technology and (2) has a 30-year time horizon that is virtually impossible to predict with any accuracy, then that is all the more unusual. Such uncertainty and unpredictability weigh heavily against taking such an unusual step.

The uncertainty of Prairie State's future dependence on the unproven and potentially costly technology of carbon capture makes renewing a decade early all the more risky. Our village council should consider ways in which any decision to renew may be deferred—for example for three to five years—to allow it to more fully assess all the risks, opportunities, and alternatives that we do not fully understand now.

### **D. How does Winnetka balance environmental responsibilities with other priorities?**

9. *Winnetka indirectly owns the eighth dirtiest power plant in the country. Coal power is a dirty, dangerous, carbon-intensive way to generate electricity, with unaccounted costs to climate and health.*

So far, we have focused our discussion on financial risks and the prudence of patience. Now, it is important to directly address the environmental costs associated with our participation in IMEA. Prairie State is the eighth dirtiest power plant in the U.S., generating ~13.6m tons of CO<sub>2</sub> each year, in addition to other dangerous pollutants.<sup>4</sup>

Coal-burning is one of the most carbon-intensive ways to generate electricity, emitting greenhouse gases which we now know directly impact climate change,

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<sup>4</sup> [Top ten emitting power plants](#). E&E by POLITICO, 2022.

destructive weather patterns, wildfires, drought, famine, ecological and species collapse, and a rising drumbeat of new and unpredictable disasters. Coal power contaminates water sources with heavy metals. Coal mining ruins local ecosystems. Coal-burning contributes pollutants (sulfur dioxide, nitrogen oxide, mercury) which dramatically increase rates of cancer, heart disease, and respiratory diseases.<sup>5</sup> Coal power leaves behind toxic coal-ash pits, which require costly long-term remediation.

No one, including our coalition, expects an immediate decarbonization of our energy sources. But among all power-generating alternatives, ranging from renewables to nuclear to fossil fuels, it is undeniable that burning coal is the most polluting way to generate power and is the most harmful to our planet.

As we balance cost, reliability, and local control over our energy supply, so too must we prioritize our community's continued commitment as responsible stewards of our local, regional, and global environment for our children and grandchildren.

10. *Under IMEA's recent sustainability plan, Winnetka continues to pay primarily for coal power through at least 2045.*

IMEA has laid out aspirational goals for transitioning to more sustainable energy sources in the future. Laudable as these goals are, they lack specificity as to where, how, how much, and when that transition to generate more sustainable energy would take place. IMEA has referred to a small solar farm that it plans to bring online in 2026 and that is encouraging. Yet we have not heard any specifics on other similar projects. Relatively small steps toward sustainable generation should not obscure the fact that coal will still be powering 80%+ of IMEA's energy portfolio for decades to come. Winnetka's carbon intensity from generating electric power would far exceed any other town on the North Shore through 2055.

11. *Winnetka is responsible for coal burning, whether we pay for the power or use it ourselves.*

During council study sessions, remarks have been made that Winnetka's energy "electrons" come from a variety of sources. Our immediate consumption of whatever energy is passing along our wires does nothing to mitigate our responsibility for paying for coal power to be added onto the grid elsewhere. We

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<sup>5</sup> Despite Prairie State's efforts to claim superior air quality credentials, the complex emits more methane, SO<sub>2</sub>, and NO<sub>x</sub> than any other power plant in our state.

cannot ignore the reality that at Prairie State and Trimble County, through IMEA, we pay for coal to be mined, processed, and burned for electricity. That responsibility falls squarely on us.

*12. In 2025, a long-term bet on coal seems like a mistake.*

Prairie State is likely one of the last coal plants built in the Midwest or even the nation, coming online in 2012.<sup>6</sup> Might Winnetka, over time, become one of the last places to receive much of its electricity from coal? And if our village is tied for decades to a dirty and disappearing way of generating power, would that not be contrary to the values of a growing majority of our residents in ten or twenty years? Would they not find it disturbing and years later ask, “What were they thinking in 2025?”

The decision about renewing the IMEA contract goes far beyond those who happen to live in Winnetka today. Such a long-term contract would bind our children and grandchildren. This decision calls us to consider those who will come after us and even those who live beyond our village. Any decision such as this involves risks. But as the questions we have discussed show, the much greater risk to our village and the wider world is to renew now. The scales weigh heavily against it. We urge the village council to decline to renew the IMEA contract as proposed.

Respectfully submitted,

Laith Amin, Tom Barron, Teri Cross, Katie Scullion, Patrick Hanley, Roger Hochchild, Liz Kunkle, King Poor, Derek van der Vorst, Marcus Wedner, Craig Witty, Bob Zabors

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<sup>6</sup> Since then, Sandy Creek (Texas, 2013) is the only significant new U.S. coal capacity.