

TO: Mayor and City Council

FROM: Gary Holm

DATE: June 18, 2021

RE: State of Illinois Energy Legislation  
Devastating Financial Impact of Potential 2035 Prairie State Closure (PU)

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Attached is DRAFT correspondence for City Council's consideration and approval. It is anticipated that the correspondence would be sent to our local state legislators, other key legislative members, and the Governor's office.

The attached correspondence is written in a tone that is decidedly different from the City's prior correspondence. Previously the City had expressed its desire to work cooperatively with the environmental community towards the long-term goal of achieving renewable energy in Illinois. The City pledged its support for the transition to renewable energy so long as the timeline was such that the City did not incur devastating financial impacts. Unfortunately, the City's cooperative and positive tone in its prior correspondence did not achieve the desired results.

The latest draft energy legislation from the Governor's office contains a number of provisions that will negatively impact Batavia. The most significant provision is the proposed premature closure of Prairie State in 2035. Staff feels that it is critical for the City to express the very serious nature of the impacts to Batavia associated with that date. The attached DRAFT correspondence has been written in a professional but forceful manner to clearly communicate that Batavia does not approve of the closure of Prairie State prior to our bonds being fully paid.



Month ##, ####

Legislator Name  
Street Address  
City, State Zip code

DRAFT

RE: State of Illinois Energy Legislation  
Devastating Financial Impact of Potential 2035 Prairie State Closure

Legislator,

On behalf of the City Council, Citizens and Business Community of the City of Batavia we are writing to express our objection to the latest draft energy legislation that would result in the premature closure of Prairie State in 2035 and devastating financial impacts to Batavia.

The City of Batavia will still owe more than \$88 million in outstanding bond principal and interest payments in 2035. Batavia's bonds will not be fully paid until 2042. In addition, if Prairie State closes in 2035 Batavia will be required to purchase replacement energy and capacity to serve our electric customers. Replacement capacity alone is estimated to cost more than \$4 million annually. In addition, Batavia will be responsible for paying its share of Prairie State's decommissioning costs. Batavia will incur the decommissioning costs while it is also still paying the bonds and purchasing replacement energy and capacity. Batavia will be forced to raise its electric rates more than 20% to cover the costs associated with the premature closure of Prairie State.

We recognize that you have heard environmental lobbyists claim that prices will go down for the owners of Prairie State if the facility is closed. The lobbyists reference a study prepared by the Rocky Mountain Institute. It is important for you to know that the RMI study is fundamentally flawed and does not accurately account for the specific costs that Batavia will incur if Prairie State is closed prematurely. The RMI study does not consider a scenario in which Batavia is forced to pay principal and interest bond payments, purchase replacement energy and capacity and concurrently incur decommissioning costs. RMI's projected "savings" are for energy alone. RMI assumes that utilities, such as Batavia, will purchase energy directly from the wholesale market. Utilities who rely solely on direct market purchases, without any hedge contracts or generation ownership, place themselves at risk for market volatility. An example of this occurred last winter in Texas. Batavia elected to mitigate its long-term risk by investing in Prairie State. RMI's estimate of potential "savings" for Batavia's energy will not be sufficient to mitigate the need for substantial rate increases to cover the costs that are not accounted for in RMI's report.

The City of Batavia has expressed its support for a goal to achieve 100% renewable energy in the state of Illinois; However, we cannot support an accelerated timeline that will result in devastating impacts to our community. Batavia is opposed to any proposed closure of Prairie State prior to the full satisfaction of our bond debt in 2042.

On behalf of the City Council, Citizens and Business Community of the City of Batavia we ask for your vote in opposing the premature closure of Prairie State.

As always, the City of Batavia is very appreciative of your consideration of these critical matters for our community. Please do not hesitate to contact our City Administrator, Ms. Laura Newman, at (630) 454-2000 or our Director of Public Works, Mr. Gary Holm, at (630) 454-2300 should you have any questions or need any further assistance.

Sincerely,

Honorable Jeffery D. Schielke  
Mayor, City of Batavia