



RATING ACTION COMMENTARY

Fitch Affirms Northern Illinois Muni Power Agency Power Revs at 'A-'; Outlook Stable

Fri 15 Aug, 2025 - 3:21 PM ET

Fitch Ratings - New York - 15 Aug 2025: Fitch Ratings has affirmed the 'A-' rating on the following Northern Illinois Municipal Power Agency (NIMPA) power project revenue bonds:

--\$91.4 million series 2009C;

--\$61.7 million series 2010A;

--\$211.1 million series 2016A.

In addition, Fitch has affirmed NIMPA's Issuer Default Rating (IDR) at 'A-'.

The Rating Outlook is Stable.

RATING ACTIONS

ENTITY / DEBT ⚡	RATING ⚡	PRIOR ⚡
Northern Illinois Municipal Power Agency (IL)	LT IDR A- Affirmed	A-

Northern Illinois
Municipal Power
Agency (IL) /Power
Project Revenue/1
LT

LT A- Affirmed A-

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VIEW ADDITIONAL RATING DETAILS

The rating and IDR continue to reflect the strong purchaser credit quality assessment (PCQ) of NIMPA's three members. The PCQ reflects the member's rate flexibility, mixed service area characteristics, and adequate financial profiles, which consider the members' respective share of NIMPA's total debt outstanding. NIMPA's strong revenue defensibility is also driven by the unconditional payment terms of the take-or-pay power sales agreements (PSA) that extend through the life of the debt and the independent legal ability of NIMPA to raise electric rates.

The rating also reflects Fitch's assessment of NIMPA's operating risk profile, driven by the improved performance and consistently very low operating cost burden of the Prairie State Energy Campus (PSEC) project, a 1,600 megawatt (MW) coal-fired generation station located in southern Illinois, tempered by the weaker operating flexibility given the Agency's reliance on the single coal-fired generating unit.

SECURITY

The bonds are payable from the net revenues of NIMPA after payment of operations and maintenance expenses. NIMPA's revenues are derived from the PSAs with each of its three-member distribution systems.

KEY RATING DRIVERS

Revenue Defensibility - 'a'

NIMPA's revenues are derived from unconditional, take-or-pay contracts with its three members Batavia (IL), Rochelle (IL), and Geneva (IL), which expire in 2041, after the final maturity of the agency's outstanding debt. NIMPA is required to set and collect rates sufficient to cover operating expenses and debt service, and all three purchasers are

required to make payments whether PSEC is operating or operable.

The PSAs additionally include robust step-up provisions that require each member to increase its entitlement share, up to a cap of 200%, if another member system defaults. However, given the sizeable entitlement share for each member, Fitch believes the remaining purchasers are unlikely to be able to absorb higher payments in the event of a default without facing financial burdens.

Purchaser Credit Quality (PCQ) is considered strong based on the credit characteristics of the member systems and a resulting PCI of 2.0. Given Batavia's large entitlement share of 46%, Batavia's credit quality serves as a practical constraint on the rating. Geneva and Rochelle have entitlement shares of 29% and 25%, respectively.

Operating Risk - 'a'

Despite a very low operating cost burden of 4.6 cents per kilowatt hour in 2024, the operating risk assessment is constrained by the agency's reliance on a single generating unit, NIMPA's undivided 7.6% interest in PSEC, which entitles the agency to 120MW of capacity and output of PSEC's generating units. Fitch estimates NIMPA-supplied energy accounted for 88% of the members' energy requirements in 2024.

The Prairie State units are well-utilized, reporting combined equivalent availability and capacity factors of over 79% in 2024. A generator failure at the end of 2024 took Unit 2 offline at the end of the year. It was brought back online the first week of January 2025, and in the first quarter of 2025 Unit 2 performed at capacity and availability factors of over 90%.

Capital needs at the project are moderate and funded, as needed, with payments from the project participants. NIMPA's share of PSEC capital costs is expected to be funded with operating cash flow and existing reserves.

Financial Profile - 'bbb'

NIMPA's leverage profile is considered midrange at 9.1x in 2024. Liquidity is neutral, with a Fitch-calculated Coverage of Full Obligations (COFO) of 1.1x and unrestricted cash at YE 2024 was \$13.9 million, or 170 days on hand. Liquidity is further enhanced by a \$15 million committed line of credit with PNC Bank, which brings the agency's liquidity cushion to 324 days.

While leverage should continue to decline gradually over the remaining life of the project, NIMPA's financial profile is less of a consideration than the PCQ assessment in the final rating.

Asymmetric Additional Risk Considerations

No overall asymmetric additional risk considerations were factored into the rating determination.

RATING SENSITIVITIES

Factors that Could, Individually or Collectively, Lead to Negative Rating Action/Downgrade

-- Deterioration in the members' credit quality.

Factors that Could, Individually or Collectively, Lead to Positive Rating Action/Upgrade

--The rating is largely driven by the credit quality of the three members. Any improvement in the collective credit quality of the members could positively affect the rating on the bonds.

PROFILE

NIMPA is a joint-action agency composed of three members located in Illinois, which was formed in 2004 to participate in the joint development of power generation resources. NIMPA's members include the cities of Batavia, Geneva, and Rochelle, all of which are within 80 miles of Chicago. NIMPA's sole generating asset is a 7.6% ownership share of the Prairie State Energy Campus project.

Pursuant to the PSAs, which expire in 2041, NIMPA is also required to provide firming capacity and replacement energy to the members from alternative sources if output from the PSEC project is unavailable. This could potentially lead to significantly higher operating costs that would need to be passed through to its members.

Execution of the PSAs and the creation of NIMPA were consistent with each member's strategy to increase owned generation for greater control and predictability of long-term power supply. Once the PSEC generating units became commercially operable in 2012, the members reduced third-party power purchases. Members could face periods of excess base load capacity if expected customer growth and demand does not

materialize.

In 2021, Illinois passed the Climate and Equitable Jobs Act (CEJA) that requires all coal-fired generating units in the state, including PSEC, to eliminate carbon emissions by Dec. 31, 2045. The effect of the legislation that could result in the closure of PSEC is factored into the rating. In Fitch's view, the CEJA legislation provides a significant time horizon for the project's ownership and counterparty utilities to manage the transition, and we do not expect the legislation to impact the project's credit quality or the credit quality of the participants over the intermediate term.

Sources of Information

In addition to the sources of information identified in Fitch's applicable criteria specified below, this action was informed by information from DIVER by Solve.

REFERENCES FOR SUBSTANTIALLY MATERIAL SOURCE CITED AS KEY DRIVER OF RATING

The principal sources of information used in the analysis are described in the Applicable Criteria.

ESG CONSIDERATIONS

The highest level of ESG credit relevance is a score of '3', unless otherwise disclosed in this section. A score of '3' means ESG issues are credit-neutral or have only a minimal credit impact on the entity, either due to their nature or the way in which they are being managed by the entity. Fitch's ESG Relevance Scores are not inputs in the rating process; they are an observation on the relevance and materiality of ESG factors in the rating decision. For more information on Fitch's ESG Relevance Scores, visit <https://www.fitchratings.com/topics/esg/products#esg-relevance-scores>.

Additional information is available on www.fitchratings.com

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APPLICABLE CRITERIA

[U.S. Public Sector, Revenue-Supported Entities Rating Criteria \(pub. 10 Jan 2025\)](#)
(including rating assumption sensitivity)

[U.S. Public Power Rating Criteria \(pub. 24 Feb 2025\)](#) (including rating assumption sensitivity)

ADDITIONAL DISCLOSURES

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ENDORSEMENT STATUS

Northern Illinois Municipal Power Agency (IL)

EU Endorsed, UK Endorsed

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