

SPECIAL MEETING OF THE AMES CITY COUNCIL

AMES, IOWA

OCTOBER 31, 2008

The special meeting of the Ames City Council was called to order by Mayor Campbell at 12:00 Noon on October 31, 2008, in the City Council Chambers in City Hall, 515 Clark Avenue. Present from the Ames City Council were Goodman, Larson, Popken, and Rice, and Council Member Doll was brought in telephonically.

City Manager Schainker gave an update on the Ridgeport Wind Project. He recalled that the City Council had adopted a Resolution on October 28, 2008, approving the 28E Agreement with IAMWind with the understanding that it would take unanimous approval to change it. It has now been determined that the other entities have approved the 28E Agreement without that contingency. Mr. Schainker said that staff was unsure whether the Council members intended to approve a "package" deal that included approval of the 28E Agreement, Bylaws, and the Participation Agreement. Since it had now been confirmed that unanimous approval of changes to the 28E Agreement will not be required, staff is seeking direction as to whether the City Council still wanted the City to be involved in this Project.

Electric Services Donald Kom advised that he had had a phone conversation on Wednesday, October 29, 2008, with other entities, which confirmed that they had received approval to sign the 28E "as is," i.e., it did not include the requirement of unanimous consent to any changes. At that time, Mr. Kom conveyed to the entities that Ames would not be signing the 28E Agreement as it was originally presented.

Assistant Director of Electric Services Brian Trower explained the fundamental differences of signing the Participation Agreement and the 28E "as is." He explained that if the City signed the 28E Agreement, it was also approving to abide by the ByLaws; that would give the City of Ames rights as a member. Mr. Trower said that "membership" means that the City would have a seat on the board and be allowed to participate in policy decisions of IAMWind; if the City signed only the Participation Agreement, the City would not have a part in policy decisions. Mr. Trower emphasized that incumbent with that membership would be the need for a very large investment of staff time. Whether the City signed all agreements or just the Participation Agreement, in both cases, the City would need to pay up to \$400,800. The outcome at the end of Phase II, also in both cases, would be that if the City chooses to go forward, the City would sign a Purchase Power Agreement. At the end of Phase II, if it is decided not to go forward beyond that point, the City would still have access rights to approximately four megawatts of generation from the Carroll County Wind Farm.

Assistant City Manager Sheila Lundt advised that the Participation Agreement allows for future membership in IAMWind.

Council Member Larson asked if there had been any indication that non-member organizations would pay a higher rate structure. Mr. Trower stated that it is unknown at this time if members would pay a lower fee for generation.

Mr. Larson reiterated his concerns that there are too many unknowns at this point for the City to enter into such a business venture. It still remains to be seen if a consortium of 22 entities can work together more efficiently than the private sector. He pointed out that the cost of this Project for the City of Ames, at this point, is going to be the same whether the City is a member or only a participant in the Project.

Council Member Rice pointed out that if the City were a member, it would have staff involved in decision-making; however, it also would require the commitment of a large amount of staff time. Council Member Goodman voiced his concerns that if the City chooses to sign only the Participation

Agreement, it could be decided, after the completion of Phase II, that non-members would be charged a substantially higher rate on the Purchase Power Agreement. Mr. Trower noted that the City would still be guaranteed approximately 4 megawatts from the Carroll County Wind Farm.

Explaining the voting structure proposed, Mr. Trower expressed concern over the validity of the 28E Agreement if it calls for 60% approval of any changes. City Attorney Marek advised that it was legal to approve the 28E Agreement; however, he has concern as to the validity if the 28E Agreement is amended in the future with only a 60% vote. It allows for the issuance of debt with only a 60% approval of the entities. It is his belief, after talking with IAMU, that if debt was to be issued, unanimous approval of all entities would be required, and the 28E Agreement would need to be amended to so state.

Director Kom noted that there are still issues surrounding the Carroll County Wind Farm. It is not known how much generation will be achieved, and transmission issues will need to be worked out. He emphasized that he is only aware of a Letter of Intent that Carroll County Wind Farm will be built at a certain price. The IAMU has no formal contract. There are no turbines yet in place; there is no energy being produced today.

Council Member Goodman asked what the downside was to having some control over this Project. Director Kom said that a very large amount of staff time will be needed, and there are also many components of the 28E Agreement that City staff still does not endorse. He said that staff has made some concessions that they would have preferred not to make, but not requiring unanimous approval of changes to the 28E Agreement is very troublesome. Director Kom emphasized that the City of Ames would be only one member, not be in control, of the Project.

Council Member Larson recommended that the Iowa Association of Municipal Utilities be asked to get an extension on its contract with the developer. He does not feel that Ames, or any of the other entities, are in a position to make sound business decisions with the number of unknowns that still exist.

City Attorney Marek pointed out that the Resolution formerly passed approving the 28E Agreement is now moot as is approval of the Bylaws. The Resolution approving the Participation Agreement is valid. This meeting was called to clarify whether the City Council wanted to continue its participation without entering into the 28E Agreement. One option would be to approve the 28E Agreement with no contingencies. If no action is taken at this meeting, the City's Resolution to approve the Participation Agreement will stand as originally passed.

Council Member Larson asked Anne Kimber, an employee of the Iowa Association of Municipal Utilities, if any thought had been given to allowing only the largest committed entities to be the governing body. Ms. Kimber, 3517 Oakland, Ames, said that the original vision was to have a much smaller board; however, it did not end up that way. The voting structure now requires two votes, one per member entity and one that is weighted on the size of the commitment. Ms. Kimber advised that it is felt that this model can function very competitively. She noted that a really good site was found, and there was a lot of interest in this Project. It is the opinion of Ms. Kimber that having a project one-county-over is a rare opportunity for Ames.

Council Member Goodman said that he, too, sees this as a unique opportunity for Ames and feels that it is worth the risk. To him, it makes more sense to be involved as a member in the 28E Agreement. He noted that there will be a legal avenue to pursue if the City is not in favor of changes.

Director Kom advised that there is one additional nuance to signing the 28E Agreement; i.e., a one-year

notice is required to withdraw and all debts and obligations must be paid. He advised that that notice is not necessary for withdrawing from the Participation Agreement.

Moved by Goodman, seconded by Rice, to adopt RESOLUTION NO. 08-478 approving the 28E Agreement in the form that was originally presented (Article VII, as written).

Roll Call Vote: 4-1. Voting aye: Doll, Goodman, Popken, Rice. Voting nay: Larson. Resolution declared adopted, signed by the Mayor, and hereby made a portion of these minutes.

Moved by Doll, seconded by Goodman, to adjourn at 12:44 p.m.

Diane R. Voss, City Clerk

Ann H. Campbell, Mayor