

DATE: July 15, 2008**COUNCIL ACTION FORM****SUBJECT: EXERCISE OF OPTIONS TO ACQUIRE EASEMENTS ON THE
ORIGINALLY PROPOSED ROUTE OF 161-KV TRANSMISSION LINE****BACKGROUND:**

In order to improve electric service reliability for our customers, there is the need for an additional transmission line to connect to the regional electric transmission grid. Following years of system impact studies, a route study, and substation and transmission line design work, the City determined that the best route for an additional transmission line extends from Ames to Ankeny. This project has been underway since 2004.

On July 2, 2008, the Iowa Utilities Board issued its final ruling, effectively denying the City's petition for a franchise to construct its 161kV transmission line outside the city limits to NE Ankeny along the current proposed route. In its final decision, the IUB acknowledges the need for the line and does not contest the route specifically, but rather takes issue with the basis for the initial route planning. The final order cites the Iowa Code requirement that route planning must begin with roads, railroad rights-of-way and division lines of land.

While the proposed route follows these primary features, the judge determined that the routing study itself was deficient in that it referenced additional route features (specifically an existing transmission corridor) as a primary route feature, rather than referring to I-35, the road which it also follows. The final ruling states, "It is important to note that the Board is not saying that the route selected by Ames could not be ultimately approved in a subsequent franchise case. However, the route cannot be granted because the planning process inappropriately, and in violation of statute and rules, considered other routes in the initial planning phase on an equal footing with routes along division lines of land, roads and railroads."

Given the extensive research that went into determining the original proposed route, staff does not anticipate that a new routing study would determine a better primary route than the one that was proposed. However, a new or revised routing study is needed and will address the issues raised in the final order.

The City has obtained options to acquire easements for the location of a transmission line along the original proposed route. Two of the options to acquire an easement will expire on August 2 and August 12; the respective cost of acquiring these easements is \$7,000 and \$1,250, for a total cost of \$ 8,250. These properties are all in Story County; one is just north of Hwy 30 and one is just south of the City of Ames Waste Water Treatment Plant.

It is not possible at this time to guarantee that a new proposed route will follow the previously proposed route. However, it is likely that the portion of the original route which includes these parcels will become part of any newly proposed route, given the extensive amount of research done to date reviewing alternatives east and west of this route.

Staff will endeavor to negotiate additional extensions for these and all options coming due, but may not be successful in those negotiations before the options expire.

ALTERNATIVES:

1. The City Council can authorize staff to exercise the options to acquire the easements due to expire on August 2 and August 12, in the total amount of \$8,250.
2. The City Council can allow the easement options to expire and direct staff to begin the process of securing new options for easements in these locations once a new proposed route is determined.

MANAGER'S RECOMMENDED ACTION:

These easements will likely be needed in order to be able to run a transmission line from the Ames Plant, south to the Ankeny Mid-American Energy substation. A new routing study may determine that parts of the original route may need to be redesigned and these easements may no longer be of use to the City, but that is unknown at this time. To let these options expire may mean that the easements would need to be repurchased later at a higher cost. Staff feels that the risk of purchasing several unusable easements is outweighed by the possible cost of having to renegotiate these easements at a later date.

Therefore, it is the recommendation of the City Manager that the City Council adopt Alternative #1, authorizing staff to exercise the Options to acquire these easements due to expire on August 2 and August 12 in the total amount of \$8,250.