

COUNCIL ACTION FORM

SUBJECT: AMES COMMUNITY SOLAR INITIATIVE

BACKGROUND:

At the September 8th City Council meeting, Council forwarded to staff an August 31st letter from Bob Haug on behalf of the Ames Community Solar Initiative. The letter requested the following:

"We ask for two actions by the City Council. First, that the City submit a simple, no-obligation application to the Iowa Utilities Board that will put the City in the queue for possible use of a limited block of state tax credits that have been set aside for community solar projects sponsored by municipal utilities. Second, affirm support for the concept of a community solar project and for a timely initial investigation and recommendation regarding feasibility."

TAX CREDITS:

The Iowa Utilities Board (IUB) has initiated a rule that proposes amendments to the Board's facility ownership eligibility following the adoption of House File 645, which modified Iowa Code chapter 476C. **This modification allows municipal utilities and others to be eligible for the tax credits.**

Iowa Code Chapter 476C creates a state production tax credit of 1.5¢ per kWh available for energy sold by eligible wind energy facilities and certain other non-wind renewable energy facilities, such as solar panels.

For other non-wind renewable facilities, the maximum total eligibility is 53 MW. For non-wind facilities seeking eligibility on or after July 1, 2011, applications are limited to facilities with a nameplate capacity of 60 MW or less, and total eligibility for each non-wind facility is limited to 10 MW. **The tax credit certificates are transferrable and may be applied toward the state's personal income tax, business income tax, financial institutions tax, or sales and use tax.**

To qualify for the tax credits, wind and other renewable energy facilities must be approved as eligible by the IUB. IUB rule 199 IAC 15.19 describes the 476C eligibility application process.

Applications in excess of maximum capacity limits are placed on waiting lists in the order received. If there is a reduction in capacity for eligible facilities, or if facilities are not

operational within the time specified, released capacity will become available to those on the waiting list who either did not receive a full allocation of their requested capacity, or who filed an application after capacity limits were fully subscribed. If any capacity is released, applications will be processed in the order received.

At the present time the IUB is working on incorporating changes to add municipal electric utilities as an eligible owner under Iowa Code chapter 476C. In anticipation of this addition, several municipal electric utilities have already made application for these tax credits. The program has set aside 10 MW and at present between 10 and 12 MW have already filed an application. It is possible that not all projects will be built nor will all be built at the size requested.

The application itself is simple to complete. The information requested includes:

- Type of facility
- Location
- Expected in service date

It is the staff's understanding that these tax credits will expire at the end of 2016 and will be eligible only to projects that are in service by the end of 2016 as well. **Given the number of issues that must be resolved before such a project can be completed, it is doubtful that these deadlines can be met by the City for this first round.**

INITIATING A COMMUNITY SOLAR PROJECT:

The Ames Community Solar Initiative also is requesting that the City Council declare its support for the concept of a community solar project and for a timely initial investigation. It is staff's position that an initial analysis should be performed by City staff. Issues such as determining community interest in a solar project, the size of the project, the possible locations for the project, the numerous ownership models, and the funding options should be explored.

EUORAB'S INTEREST

It is interesting to note that, at their last meeting, members of the Electric Utility Operations Review and Advisory Board (EUORAB) expressed a desire to devote their next meeting to hearing suggestions from the public regarding possible renewable energy projects. This interest stems from the fact that board members have received inquiries not only about a community solar project, but also about the possibilities for electric charging stations in the community. The Board has tentatively set aside their November 2015 meeting to discuss these projects and any others that are suggested by the public.

ALTERNATIVES:

- 1) The City Council can direct the staff to immediately (a) submit an application to the Iowa Utilities Board that will put the City in the queue for possible use of state tax credits that

have been set aside for community solar projects, and (b) initiate an analysis regarding options for accomplishing a community solar project.

- 2) The City Council can direct the staff to immediately (a) submit an application to the Iowa Utilities Board that will put the City in the queue for possible use of state tax credits that have been set aside for community solar projects, and (b) wait to initiate an analysis regarding options for accomplishing a community solar project until April 2016.
- 3) The City Council can direct the staff to either (a) submit an application to the Iowa Utilities Board that will put the City in the queue for possible use of state tax credits that have been set aside for community solar projects, or (b) initiate an analysis regarding options for accomplishing a community solar project.
- 4) The City Council can delay action on this request until a recommendation regarding these requests is presented by the EUORAB following their November public meeting.

MANAGER'S RECOMMENDED ACTION:

The City staff is supportive of increasing our renewable energy portfolio to include a solar component. However, as Council is aware, the Electric Services engineering staff is currently engaged in a historic project to transform our Power Plant from a coal burning facility to natural gas, thereby reducing our carbon footprint by 40%. Needless to say, this is a very complex project that must be accomplished within a federally mandated deadline. We had hoped that our staff could devote their full attention to finalizing this critical project through early spring 2016 before engaging in another major initiative.

Since EUORAB has recently expressed interest in weighing in on this subject and hearing from our electric customers, it is the recommendation that the City Council support Alternative #4, thereby delaying action on this request until a recommendation regarding these requests is presented by the EUORAB following their November public meeting.

However, if the City Council is concerned that that the City might lose an opportunity to take advantage of the state tax credits, the Council could support Alternative #2, thereby directing the staff to immediately (a) submit an application to the Iowa Utilities Board that will put the City in the queue for possible use of state tax credits that have been set aside for community solar projects, and (b) wait to initiate an analysis regarding options for accomplishing a community solar project until April 2016.

If Alternative #2 is pursued, it should be noted that several assumptions would need to be made to complete the application in a timely manner, since we are at the beginning stages of discussing this project and have no defined plan.