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From: Bob Haug <bhaug.ames@gmail.com>
Sent: Tuesday, May 28, 2024 11:32 AM
To: City Council and Mayor
Subject: A More effective EUORAB

[External Email]

In 2018, I sent the council a list of questions I thought the utility advisory board (EUORAB) should be asking. Two years ago, I sent a similar proposal for a more effective advisory board. I am resending last year's proposal because I live in hope.

I recently attended a two-day conference highlighting transformative changes in electricity markets and technologies. I came away convinced that the current form of governance of the Ames electric utility was simply not up to the job at hand. My experience working closely with municipal utilities in Iowa and around the country has led me to believe that there is a good reason why more than two-thirds of similarly sized public power systems are governed by independent boards. The council or a citizen's petition could put establishment of a board on the ballot, but some of the benefits of an independent board could be achieved by empowering EUORAB to do what its name implies.

The following is the text of my February 2022 proposal:

A Proposal for a More Effective Utility Advisory Board

The Ames Electric Department is one of the community's largest and most important businesses and it operates in a highly-complex, rapidly changing industry. It was just in the 1990s that regional transmission organizations began developing. In our region, MISO now operates day-ahead and real-time energy markets, as well as markets for capacity and ancillary services. In the real-time market, energy prices can change every five minutes at hundreds of pricing nodes across the region. MISO also manages the transmission system and plans for its expansion.

It's not just an interconnected grid and complex markets that make today's electricity business interesting. Faced with a climate emergency, utilities must navigate a transition from reliance on large central power stations fueled by coal and natural gas to distributed generation with significant investments in renewable energy and, increasingly, storage technologies. Consider, for example, that Ford and GM expect that all the vehicles they produce by 2032 will be electric. If Ames residents and businesses add 2,000 electric cars with stage-two charging. That could add over 14 MW of load or nearly 10 percent of the city's current available generating capacity.

While we have a well-managed electric utility, it is up to the city council to establish the policies that guide it. Many other Iowa municipal utilities operate under 3- or 5-member independent boards of trustees whose members are appointed by the mayor for staggered six-year terms. Trustees can focus on utility operations. They establish goals, participate in the strategic planning, and monitor performance of the utility. In theory, the city council gets some of the benefits of a trustee-governed utility from the Electric Utility Operations Review and Advisory Board (EUORAB). As its name seems to imply EUORAB monitors utility operations and makes recommendations to the council. However, the council's current use of EUORAB appears to fall short of what it could offer. To re-make it as a true advisory body to the council, these or similar steps should be taken:

1. Establish regular meeting dates (at least monthly). [Why? According to the City website the board currently meets as needed. Apparently, they were not much needed in 2020 because they met for less than two hours that year, including a 46-minute meeting to unanimously recommend that the council approve the 2020-21 utility operating budget. Meetings were more frequent in 2021 (there were 7), but they typically ran one to two hours consisting mostly of reports from the utility. The minutes do not indicate any discussion of the board's involvement in planning or ongoing review of utility performance. Without regular, substantive meetings, the board appears to lack the necessary background to adequately test the recommendations it makes to the council.] 2024 update: 4 of 6 monthly meetings cancelled.

2. Create a comprehensive set of financial and operational metrics on which to follow and assess the utility's operation. [Why? Because meaningful oversight requires data and the opportunity to ask informed questions.]
3. Give the board the time and resources to hear from outside industry experts and leaders from other utilities in the region about industry trends, risks, and opportunities. When possible, members should undertake field trips to other utilities or attend conferences intended for utility boards and councils. [Why? Just as council members should be encouraged to attend meetings of the National League of Cities or the Iowa League of Cities, the utility advisory board should also be encouraged to hear what boards and councils in other public power communities are doing to support and oversee their utilities. Meetings of the American Public Power Associations have tracks for policymakers, but hearing from industry leaders or field trips to other utilities might be as valuable. The recommendations that EUORAB brings to the council need to be informed by knowledge about what is going on in the industry and the range of views must include those from outside Ames.]
4. The advisory board should participate in the electric department's strategic planning. [Why? Strategic planning is an essential activity in a well-run utility. When possible, it should be facilitated by an outside expert to ensure consideration of a full range of ideas and to enable utility management to participate without the burden of having to direct the process. Ideally, at least one member of the council should also participate, so that when recommendations are brought forward to the council for further consideration and approval, the council will have an insider understanding of the details that inform them.]
5. The council should provide time on its agenda to hear periodic reports and recommendations from the board with time for discussion of project updates and planning. [Why? Without an open, unfiltered exchange of information between the council and its advisory board, there is little purpose served in having one.] An alternative would be to have a council member serve on the advisory board, just as it has representation on the Chamber of Commerce and the Development Board.

A more effective EUORAB would be an asset to the council, to the city manager, to the utility's professional management, to ratepayers, and to the community. An informed board is an asset to management for feedback in weighing difficult investment decisions, for bringing community input into goal-setting, and especially for asking tough questions that lead to good decision-making.

Sincerely,
Bob Haug
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