

MINUTES OF THE SPECIAL MEETING OF THE AMES CITY COUNCIL

AMES, IOWA

MAY 20, 2008

The Ames City Council met in special session at 7:15 p.m. on the 20th day of May, 2008, in the City Council Chambers in City Hall, 515 Clark Avenue, pursuant to law with Mayor Ann Campbell presiding and the following Council members present: Doll, Goodman, Mahayni, Popken, Larson and Rice. *Ex officio* member Beals was also present.

Present from the Electric Utility Operations Review and Advisory Board (EUORAB) were: Dick Johnson, Anne Kimber, Ron Nelson, and Kevin Geis.

PRESENTATION OF BURNS & MCDONNELL ELECTRIC POWER SUPPLY OPTIONS

STUDY: Mayor Ann Campbell welcomed Kiah Harris of Burns & McDonnell and the EUORAB members. City Manager Steve Schainker stated that Mr. Harris would present the Decision Tree Analysis of Power Supply Options report. He said the City Council will not be asked to make any decisions at this time. Electric Services Director Don Kom explained that this report was presented to EUORAB members on March 18th, a public input session was held on April 21st, and a special briefing to the largest electric customers occurred on May 7th. Mr. Kom explained that this work session to review the study involves EUORAB, the City Council, staff, and Kiah Harris of Burns & McDonnell.

Mr. Harris introduced himself and told the City Council that Ames is certainly not alone in the study of future power supply options. He explained that the decision tree analysis was used to determine several futures to meet Ames' energy and capacity needs in the future. The three futures studied in this report include: Keep Both Units 7 and 8, Retire Both Units 7 and 8, and Retire Unit 7.

Mr. Harris said there were several major attributes to consider including the importance of local control, a renewable energy level of 10% above the level met by using refuse derived fuel (RDF), the continuation of burning RDF, and the effectiveness of Demand Side Management.

Mr. Harris reviewed the futures with the group, and said that the benefit of using a decision tree when looking at major futures is the understanding it can bring to an industry that is changing, like the utility industry. He said that two major drivers for the decisions that will be made are fuel and capital costs.

In summary, the Retire Both Units option had the highest present values. This option would have to be initiated in 2008 to meet the 2013 date assumed. This option would also mean an investment of over \$300 million, all energy would be imported, and AMES would be a minority owner of another facility with limited influence. This option would make AMES vulnerable to market replacement energy.

Keep Both Units fell in the middle. Decisions would be made as they are currently.

The Retire Unit 7 option had the lowest present values. It was explained that the RDF process would remain, and Unit 7 would be replaced with a new coal unit. Mr. Schainker added that replacing Unit 7 has two options: a new coal unit of the same capacity, or a new coal unit beyond that, which would mean a gain of 25MW. Retire Unit 7 allows the option of producing steam to the hospital, provides

the opportunity to burn bio-fuels locally, and reduces single shaft reliability issues.

Ken Kruempel, 2519 Timberland Road, Ames, asked if the units burning RDF would produce any electricity. Mr. Harris said that about 5MW of electricity would be produced.

In closing, Mr. Schainker said that EUORAB would meet again to discuss the study, and more public input would be sought regarding these power supply options. It is expected that EUORAB will present its recommendations to City Council in June.

ADJOURNMENT: Moved by Doll, seconded by Larson, to adjourn the meeting at 8:43p.m.

Diane R. Voss, City Clerk

Ann H. Campbell, Mayor

Erin Thompson, Recording Secretary