

COUNCIL ACTION FORM

SUBJECT: AUTHORIZE PAYMENT OF FINAL PHASE I COSTS FOR THE CITY'S PARTICIPATION IN THE RIDGEPORT WIND ENERGY PROJECT

BACKGROUND:

This project is for the City of Ames to participate in an overall wind energy supply development called Ridgeport. In doing so, the City is seeking to purchase renewable energy from a wind facility to be developed by a private company. The Iowa Association of Municipal Utilities (IAMU) has served as the facilitator of this project, and has contracted with private firms to locate possible sites for such a facility, and to identify a possible developer for the project. Several potential utilities in Iowa, including Ames, would act as an overall consortium to purchase the renewable energy, should it be developed. This is one of several options the City is exploring for renewable energy at this time. The current project is divided into Phase I and Phase II.

Phase I

Phase I of the project was authorized by City Council in March of 2007. The initial authorization was for a cost not to exceed of \$50,600. Phase I was to consist of a site selection for a possible wind farm development. As part of the project the negotiations of easements for construction of the future project was included, but not the actual purchasing of easements. The City's original intent in joining the project was to obtain 21 megawatts of renewable power and this is what the cost estimates were based on.

As participant levels have fluctuated, the City has been able to obtain a potential increase in megawatts to approximately 22 megawatts, which would come with a slight increase in cost. Iowa State would be interested in purchasing approximately 5 of the 22 megawatts which the City is reserving.

To date, the City has paid an amount of \$28,457.00 for Phase I. The City has received a final invoice of \$27,681.00, which will complete the Phase I assessment. The Council approved an expenditure of \$50,600 for Phase I on March 6, 2007. This second invoice brings the total cost of the Phase I portion to \$56,138.00. Staff is asking the City Council to authorize the additional funding to complete the City's Phase I commitment, keeping in mind the potential increase in renewable energy for the additional cost. Funding for Phase I was designated back in March of 2007 to come from the CIP project budget for Base Load Generating Capacity. Since no budget exists for that project in the current year, the funding for this additional assessment will come from the Electric Utility fund balance. Iowa State University will be billed for its portion of the cost, approximately \$14,140.

Phase II

Phase II of the project is intended to provide information on wind data, environmental assessment of the site, negotiation services to secure a private contractor to provide the generation, permitting, the transmission studies, and financing. The ultimate goal of Phase II would be to provide information to the participating utilities on the feasibility of obtaining generation from the site and the cost of doing so. A 28E agreement between all partner utilities will need to be approved by all participants in order for Phase II to commence. Again, the intent is for a private contractor to develop the generation facilities, and the participating utilities will reimburse the private owner for these costs (plus profit margin) through a power purchase agreement that would be in effect for 10 years or more. **Staff is still engaged in a process of conversation with the other primary stakeholder utilities, to arrive at acceptable terms for the 28E agreement between all interested parties. Staff will keep you posted as the process for Phase II progresses.**

ALTERNATIVES:

1. The City Council may allocate additional funding of \$5,538 and approve the final payment of the expenses for Phase I of the Ridgeport Wind Energy project, in the amount of \$56,138. Iowa State University will then be billed for its share of the project, approximately \$14,140.
2. The City Council may deny the request for additional funding for Phase I of the Ridgeport Project and direct staff to research other alternatives.

MANAGER'S RECOMMENDED ACTION:

It is the goal of the City Council to add renewable energy to the City's power portfolio. Should the Ridgeport Project prove to be feasible the City would have the potential to add approximately 22 megawatts of wind energy to its portfolio. The work done during Phase I of the project will help to determine whether this location will provide sufficient wind availability to make a cost-effective wind energy facility feasible at the Ridgeport site. Answers to these unknowns will help determine the City's continued interest in participation in the Ridgeport Project.

Additional expenses being billed on the Ridgeport have been incurred by the contractor, IAMU. Therefore, it is the recommendation of the City Manager that the City Council adopts Alternative No. 1, authorizing the additional funding and final payment of Phase I participation in the Ridgeport Wind Energy Project in the amount of \$56,138.00. Iowa State will be billed for its portion of Phase I expenses of approximately \$14,140.