

MINUTES OF THE SPECIAL MEETING OF THE AMES CITY COUNCIL

AMES, IOWA

OCTOBER 18, 2016

The Ames City Council met in Special Session at 6:00 p.m. on the 18th day of October, 2016, 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: Bronwyn Beatty-Hansen, Gloria Betcher, Amber Corrieri, Tim Gartin, Chris Nelson, and Peter Orazem. *Ex officio* Member Sam Schulte was also present.

PLAT OF SURVEY FOR 301 S. 4TH STREET: Moved by Gartin, seconded by Corrieri, to adopt RESOLUTION NO. 16-615 approving the Plat of Survey with the following condition:

1. That the Plat of Survey be revised to include public easements for storm sewer, sanitary sewer, and electric facilities on the site prior to signature by the Planning & Housing Director.

Roll Call Vote: 6-0. Resolution considered adopted unanimously, signed by the Mayor, and hereby made a portion of these Minutes.

CITY COUNCIL COMMENTS: Moved by Betcher, seconded by Gartin, to refer to staff the letter from Main Street Cultural District requesting \$3,000 to allow the District to complete the National Register of Historic Places nomination application.

Vote on Motion: 6-0. Motion declared carried unanimously.

ADJOURNMENT: Moved by Gartin, seconded by Beatty-Hansen, to adjourn at 6:03 p.m.

SPECIAL JOINT MEETING OF THE AMES CITY COUNCIL AND ELECTRIC UTILITY OPERATIONS REVIEW AND ADVISORY BOARD*

The Special Joint Meeting of the Ames City Council and Electric Utility Operations Review and Advisory Board (EUORAB) was called to order by Mayor Campbell pursuant to law. Present from the City Council were Bronwyn Beatty-Hansen, Gloria Betcher, Amber Corrieri, Tim Gartin, Chris Nelson, and Peter Orazem. *Ex officio* Member Sam Schulte was also present. Members of the EUORAB in attendance were Cathy Brown, Jim Converse, Justin Dodge, Steve Goodhue, and John Russell.

EVALUATION OF COMMUNITY SOLAR POWER OPTIONS: Electric Services Director Donald Kom stated that one of the items that came up as a goal of the City Council was to look at solar power. He introduced Tom Wind from Wind Utility Consulting.

Mr. Wind explained three options for the financial structure for a community solar project:

1. City-built and owned project with all costs socialized. There would be no customer involvement. The City would manage the project.

2. City-owned project with voluntary customer contributions to offset the higher cost of solar power. Billing credits would be offered for those who make contributions. The City would operate the project and manage the billing credits to utility customers.
3. Non-City developed and owned project with voluntary customer contributions. Under this option, a for-profit company would develop, finance, and own the solar project, so that it could receive the federal income tax benefits provided to solar projects. The for-profit company could be an outside solar-related company or a Limited Liability Corporation (LLC) could be formed and funded by a group of Ames Electric customers (not exceeding 34 customer-owners). It would be possible for the City to buy out (at a greatly discounted cost) the Solar Project in Year 7; after which, the Power Purchase Agreement would be terminated and the Limited Liability Corporation would be dissolved. The project would be non-City-owned, would allow customer contributions, and have the option for buy-out. The City would manage the Agreement and billing credits to utility customers.

Mr. Wind noted that under Option 1 or Option 2, the 25-year levelized cost of solar power would be 9.5 to 11 cents per kilowatt hour. Under Option 3, the cost would be 7.0 to 8.0 cents per kilowatt hour.

Ms. Betcher asked how much a solar project would cost a customer who does not voluntarily contribute to it. Mr. Wind stated that it varies from option to option. Under Option 1 or Option 2, there would be an increase to the City over 25 years of \$500,000 to \$2 million. Under Option 3, it could range between a savings to the City over 25 years of \$800,000 or a cost of \$500,000.

The pros and cons of each option were given by Mr. Wind.

Council Member Orazem asked about the availability of tax credits. Mr. Wind stated that State Income Tax Credits would be available under Options 1 and 2; there would be no Federal Income Tax Credits. The State Tax Credits would be limited to \$40,000/year. Federal Tax Credits and State Income Tax Credits would be available under Option 3.

Council Member Betcher asked if everyone would pay a higher cost. Mr. Wind confirmed that was true; however, those who voluntarily contribute would receive credits on their utility bill.

Mr. Wind provided information about the solar power project undertaken by the City of Cedar Falls, which turned out to be a very successful project.

Finance Director Duane Pitcher said that the City could base the credits to customers on a basis of avoided costs to the City. Mr. Wind noted that the cost of power off the grid at this time is low; there is plenty of power available.

Council Member Betcher cited a portion of Mr. Wind's report stating that it would take about ten acres of land for a solar project. She asked if that had to be one large parcel of ten acres. Mr. Wind said the City could have several smaller projects on less land, but the City would lose the economy-of-scale benefit.

At the inquiry of Council Member Beatty-Hansen, Director Kom explained the next steps. Several questions will need to be answered based on the City's preferences.

Council Member Corrieri asked if the City would know the approximate cost of a share prior to going out for a Request for Proposals. Mr. Kom said that EUORAB had not had a chance to discuss this in detail; it was the first time the Board members had heard the presentation by Mr. Wind. He said that the City would probably need a consultant to help guide the process.

Board Member Goodhue left the meeting at 6:40 p.m.

DISCUSSION OF POTENTIAL CHANGES TO NET ELECTRIC METERING: Director Kom noted that what has caused the City to look at this has been the explosion in the growth of solar panels. He noted that they are still gathering information from customers on this topic. The EUORAB met on this a couple times; the last time was just about an hour ago.

Mr. Kom gave a presentation on net electric metering. He advised that Ames has 16 residential and 115 commercial systems in service and/or having Interconnection Agreements submitted as of October 5, 2016. The residential systems have a capacity of 84 kilowatts, and the commercial systems have a capacity totaling 728 kilowatts. According to Director Kom, on 12/31/2015, there was a total of 20 systems installed with an aggregate of 164 kilowatt capacity. There was an increase of 655% in the number of systems and a 495% increase in kilowatt hours.

A definition of net metering was given: It allows customers to generate their own electricity in order to offset their electricity usage. It allows customers to receive credits for excess electricity generated, but not used.

Director Kom stated that the City of Ames had adopted net metering limited to ten kilowatts in August 2010. The Unitarian Church was its first customer. The Net Metering Ordinance was modified in November 2015: the limit was increased to 500 kilowatts and included a cap of the first 2,000 kilowatts.

Mr. Kom explained how metering works under a typical single-direction meter and with a solar bi-directional meter. Charts were shown to indicate how many kilowatts are generated at different times of the day and customer usage vs. solar output, which showed consumption and generation at various times during the day. Solar energy produced is used to meet the customer's needs first. The excess solar energy above the customer's load is delivered to the Electric Utility. The excess energy amount is recorded in a separate register in the meter. At the time the bill is produced, the total kilowatt hours flowing to the Utility is subtracted from the total kilowatt hours flowing to the customer. A sample residential customer bill participating in the solar program was shown.

Director Kom shared Electric Utility's concerns about net metering, as follows:

1. The rate design encourages vendors to oversize their solar system. Customer's payback assumes Utility will bank the energy.

2. Solar customers do not pay for the recovery of the Utility's fixed costs: rebates, transmission, distribution, generation.
3. Cross subsidization with other customers.
4. Utility is serving as an energy storage device, which can result in the City foregoing purchasing energy at a lower rate off the grid (e.g., 2.5 cents) than what it is paying for energy being generated by solar panels (e.g., 11 cents).
5. "Hand" billing is required.
6. Redesign distribution system to accept energy, rather than deliver.

Mr. Kom presented a chart showing the solar energy being produced by certain commercial and residential customers. It also showed the percent of excess energy being produced by some of the customers; those are oversized systems. Those customers are not contributing or under-contributing to the fixed costs of the Utility.

A cost breakdown was provided by Mr. Kom. He also gave the energy breakdown from the three sources: Power Plant, wind, and the market. Mr. Kom noted that two things are benefitting Ames right now: extremely low-priced natural gas and an abundance of wind. Those having wind turbines receive tax credits when their turbines are running, so some are willing to sell energy at zero or even pay someone to take the energy.

Director Kom said that he did not want to spend much time on options available to the City at this meeting. The EUORAB is listening to the customers and has realized that other options exist. At the inquiry of Council Member Gartin as to how customers know that there could be changes, Mr. Kom stated that they have placed a caution into the Agreement that the customer should not assume that there will be banking of excess energy allowed. In addition, City staff also pointed out potential Municipal Code changes during face-to-face meetings. The Utility began notifying potential solar customers/vendors of probable changes on April 11, 2016.

A cost breakdown for wholesale energy was shown for the three sources (Power Plant, wind, market). Mr. Kom also gave the average purchase price for on-peak energy for 2012, 2013, 2014, 2015, and 2016.

Again, Mr. Kom noted that EUORAB was still working through possible options; therefore, he was hesitant to share those with the City Council.

Tom Wind noted that industrial solar customers are regulated by the State. Any excess energy goes into a bank for the industry to use. The industries appropriately size their systems to generate the amount of energy that they will need.

Council Member Orazem surmised that what the City wants then is for solar customers to have the right-size system for the use that they need. It occurred to him that the City perhaps should have reward those customers who size their solar systems correctly.

Council Member Gartin commented that he thinks there are two models: (1) what is the most-cost-effective means for acquiring energy for the City’s electric customers and (2) where the City demonstrates that it values solar as a renewable form of energy. He asked what path the City should take to encourage renewables and whether there should be disincentives to oversizing solar systems and producing too much energy. Director Kom emphasized that the City does not want to discourage “green;” it loves renewable energy resources; however, it has to ask itself “what is the value of green,” and how does the model pay for the fixed costs.

ADJOURNMENT: The meeting was adjourned at 7:55 p.m.

Ann H. Campbell, Mayor

Diane R. Voss, City Clerk