

COUNCIL ACTION FORM

SUBJECT: **CONSULTING SERVICES FOR MISO TRANSMISSION
RATE REVIEW/CALCULATION**

BACKGROUND

Ames Electric Services has significant investments in high voltage transmission equipment to serve electric customers. This equipment connects the City's electric system to the regional electric grid. Prior to 2015, the utility had to pay other utilities to use their transmission systems to deliver or "wheel" power from generation sources to the City. In 2015, after the utility built its latest high voltage transmission line to Ankeny substation, Ames Electric Services was able to join the Midcontinent Independent System Operator (MISO) as a Transmission Owner (TO).

This status as a TO is significant because the utility is now able to offset wheeling costs using the value of transmission investments the utility has made over time. However, annual reports determining the book value of the utility's transmission assets must be prepared and adjusted as equipment ages, new equipment is brought into service, and obsolete equipment is removed from service.

At the time the utility became a MISO Transmission Owner, staff made straightforward assumptions regarding which assets should be classified as "transmission". With staffing changes, much of the institutional knowledge regarding asset classification is gone. Therefore, the utility would benefit greatly by hiring an experienced consultant to review the current asset allocations, review the most recent transmission rate filing, train staff in developing future rate templates, and assist in the creation of the FY 2022/23 transmission rate.

Staff believes that the detailed review of the utility's transmission assets provided by a consultant could identify additional assets to count towards the transmission the utility brings to MISO. As the utility's share of transmission assets increases, the utility collects a greater share of transmission revenue from MISO. This revenue benefits Ames Electric customers by reducing the Energy Cost Adjustment on their electric bills.

Staff contacted several consulting firms and talked to other municipal electric utilities in MISO to identify firms with the unique skill set to perform the work desired. It was determined that this expertise is quite specialized with very few firms having the expertise. MCR Performance Solutions was determined to have the necessary knowledge and could perform the work in the time needed to meet Ames' MISO deadline. Therefore, staff is requesting a waiver of the Purchasing Policy for competitive bids to allow a contract to be awarded to this consultant.

This Council Action Form is requesting approval of a contract with MCR Performance Solutions, LLC of Deerfield IL, in an amount of \$94,500, to provide the following services:

Phase 1

- MCR will review the City of Ames FY 21/22 MISO Transmission Rate filing (Also known as Attachment O)
 - Cost Integrity – proper recording of costs affecting the Attachment O
 - Revenue Optimization
 - Create a training and education workshop for city staff on Attachment O development

Phase 2

- MCR will develop the FY22/23 Attachment O and working papers
 - Data request
 - Review of costing data
 - Interview staff and follow-up questions
 - Submit Attachment O to MISO by due date

Funding for this work will be charged to the transmission expense account within the Fuel and Purchased Power division. It is believed that the findings by the consultant, if adopted, will increase transmission revenues to more than offset the study expenses. Estimated payback is less than two years.

ALTERNATIVES:

1. A. Waive the City's purchasing policy requirement for competitive proposals
 - B. Award a contract to MCR Performance Solutions, LLC of Deerfield IL, in an amount of \$94,500, to provide consulting services for MISO transmission rate review and calculation.
2. Reject and direct staff to issue a request for proposal.

CITY MANAGER'S RECOMMENDED ACTION:

The use of a consultant with a transmission rate skillset will benefit the City in several ways. First, review of our transmission asset classification should result in increased revenue. Second, education of staff regarding rate development will ensure good rate design moving forward. Third, oversight and development of the City's FY 2022/23 rate template will bridge to education of staff with practical experience.

Therefore, it is the recommendation of the City Manager that the City Council adopt Alternative No. 1 as stated above.