

ITEM #:	<u>23</u>
DATE:	<u>04-28-26</u>
DEPT:	<u>ELEC</u>

COUNCIL ACTION FORM

SUBJECT: RESOLUTION CONTINUING COUNCIL SUPPORT FOR THE CONSTRUCTION OF THE NEW THERMAL GENERATION PLANT

BACKGROUND:

At the April 21, 2026 City Council workshop, staff provided a presentation regarding the new thermal generation project for Electric Services. The presentation included:

- Revisiting the need for the new generation;
- An explanation regarding why Reciprocating Internal Combustion Engines (RICE) units remain the best generating option moving forward;
- Major equipment procurement, costs, and when staff will return to Council for contract approval;
- Needed Generator Interconnect study with MISO;
- Planned site layout;
- Estimated annual savings from the discontinuation of waste-to-energy;
- Sargent & Lundy's updated cost estimate for the project; and
- PFM's financial review of funding and impact to electric customer bills .

Staff did not ask Council to take any action at the workshop. However, staff informed Council that it would return at the April 28, 2026 Council meeting to ask for Council's continued support of the project given the information presented at the workshop. This Council Action is that request.

There is a large change in the estimated cost of the project; however, expected savings from the discontinuation of waste-to-energy will cover the majority of the anticipated debt service payments. Based on a review from the City's financing and bond consultant PFM, even with conservative assumptions only small annual rate increases will be needed to fund the generation project.

With the City Council's support, staff will proceed with the next steps, including continued design, major equipment procurement, and plant development.

ALTERNATIVES:

1. Approve a resolution expressing continued support of the New Thermal Generation project, and authorizing staff to continue the plant development, given the new cost estimate for the project.
2. Direct staff to pause the continued development of the project. In doing so, this will delay the purchase of major equipment and subject the City to continued price increases and capacity shortfall risks.

CITY MANAGER'S RECOMMENDED ACTION:

With the Utility's aging electric generation equipment and the Utility's need to maintain capacity to meet its growing electric peak demand, the City has begun a project to build new generation. Sargent & Lundy, the Utility's engineering consultant, was asked to update the project cost estimate that was created in 2024 for the Capital Improvement Plan.

The updated cost estimated has increased to \$190,000,000 from \$84,000,000. Due diligence has been performed to validate and understand this new estimate, and outside financial consultants have reviewed how it will be funded. **It remains in the best interest of the Electric utility to construct a new generating plant that will provide necessary generating capacity, offer price certainty for electric production, and enhance the reliability of electric service for its customers.** Therefore, it is the recommendation of the City Manager that the City Council adopt Alternative No. 1, as noted above.