

AGENDA
SPECIAL MEETING OF THE AMES CITY COUNCIL
ELECTRONIC MEETING - ZOOM*
AUGUST 28, 2026

NOTICE TO THE PUBLIC: The Mayor and City Council welcome comments from the public during discussion. The Standards of Decorum, posted at the door and available on the City website, define respectful conduct for public participation. If you wish to speak, please fill out the form on the tablet outside the door to the Council Chambers or scan the QR Code to the right to fill out the same form on a personal device. When your name is called, please step to the microphone, state your name for the record, and keep your comments brief so that others may have the opportunity to speak.



*** This will be an electronic meeting. If you wish to provide input on any item, you may do so as a video participant by going to: <https://us02web.zoom.us/j/87336845496>. Or by telephone by dialing: 888-475-4499. Zoom Meeting ID: 873-3684-5496**

CALL TO ORDER: 12:00 p.m.

PUBLIC FORUM:

ELECTRIC:

1. Resolution approving M2 Milestone payment in the amount of \$435,200 for Generation Interconnection Agreement with Mid-Continent Independent System Operator (MISO) for the Ames Municipal Energy Center

DISPOSITION OF COMMUNICATIONS TO COUNCIL :

ADJOURNMENT:

Please note that this agenda may be changed up to 24 hours before the meeting time as provided by Section 21.4(2), Code of Iowa.

ITEM #:	1
DATE:	08-28-26
DEPT:	ELEC

COUNCIL ACTION FORM

SUBJECT: M2 MILESTONE PAYMENT TO MID-CONTINENT INDEPENDENT SYSTEM OPERATOR (MISO) FOR AMES MUNICIPAL ENERGY CENTER

BACKGROUND:

Electric Services is undertaking a project to design and construct a new electric generating facility, referred to as the Ames Municipal Energy Center (AMEC). The City has retained Sargent & Lundy to provide the standard design services, along with support in obtaining all permits and regulatory permissions required to construct the facility. **One of the permissions needed is a Generation Interconnection Agreement (GIA) from the Mid-Continent Independent System Operator (MISO).**

MISO is the regional transmission grid operator. The operator studies the impact of new generation on the electric grid and determines whether the proposed new generating assets will require system upgrades to support generation-to-load requirements. These studies include a steady state, short circuit analysis, and stability studies. The completed studies will identify overloads or limitations on the electric grid which must be corrected before the new generation can be connected.

When a generator interconnect project is submitted to MISO for study, MISO requires the developer/utility to make certain financial commitments to support the costs of the studies. The payments include:

1. A non-refundable application fee (D1) = \$7,600.
2. Study Deposits (D2) based on the amount of new Interconnection Service and/or Interconnection Rights requested. Based on the size of Ames' proposed generation, the study deposit amount is \$270,000. The deposit is used by MISO to cover the study costs listed above. If the study does not require a substantially complex analysis and the actual costs to perform the study are less, any funds not spent are returned to the developer/utility.

The City Council approved the payment of these two payments, D1 and D2, at the City Council meeting on May 12, 2026.

3. Milestone (M2) = \$8,000/MW. This payment is intended to disincentivize a developer from submitting a possible new generation project and subsequently failing to build the project after receiving an approved Generator Interconnection Agreement. This is paid in the form of cash or a Letter of Credit that is only "cashed" if the developer does not proceed with the generation project. **Based on the size of Ames' proposed generation, the M2 milestone amount is \$435,200.**

The M2 payment is held by MISO while it determines whether Ames must pay for a share of system upgrades as a result of bringing the AMEC online. The cost to Ames of such upgrades could vary depending on whether other planned projects proceed or withdraw from interconnection. It is possible that the AMEC project necessitates additional payments for upgrades in excess of the M2 payment amount. If no system upgrades are required, or if Ames' cost share for system upgrades is less than the M2 payment amount, then Ames may receive a refund of the unused M2 amount once AMEC enters into commercial operation.

The M2 milestone payment is due to MISO on or before August 28. If the payment is not made by that date, the D1 application fee (\$7,600) will be forfeited to MISO, and the City's \$270,000 study deposits would be refunded. The City would then have until September 9 to post a new application fee, resubmit the Study Deposits, and make the M2 Milestone payment. **After September 9, the MISO study period for 2026 closes, and the study would be delayed one year.** Of particular concern is the fact that if MISO finds any errors or discrepancies in a new application, it can hold the application's acceptance in abeyance for several days, which would delay its acceptance until after September 9. Therefore, approval of the M2 payment at this special meeting is necessary to avoid significant project delays.

Electric staff originally intended to use the Letter of Credit option to satisfy the milestone payment. However, after discussion with the City's bond counsel, it was determined that MISO's obligations stipulated with this particular Letter of Credit would be considered a debt obligation. This would trigger a series of obligations for filings, notices, and hearings. Based on the time and costs associated with these obligations, staff has determined that the best alternative is to make the cash payment instead.

The costs for these studies will be financed from the New Thermal Generation Capital Improvement Project. The adopted 2027-2031 Capital Improvements Plan contains a New Thermal Generation Project that indicates a total project cost of \$84 million, financed from a combination of Electric Revenue Bonds and the Electric Utility Fund balance. The estimated project cost has since been updated and presented to the City Council. In accordance with the staff report delivered to the City Council on July 28, 2026, the total project cost has been increased to a projected amount of \$192 million. The revised estimate will be incorporated into future CIPs and funded from future Electric Revenue Bond issues.

ALTERNATIVES:

1. Approve a cash M2 payment to Mid-Continent Independent System Operator (MISO) in the amount of \$435,200 for a Generation Interconnection Agreement application.
2. Do not approve the agreement and forfeit the application fee of \$7,600 that has already been paid.

This alternative will likely move the GIA study period into calendar year 2027, delaying the commercial operation date of the new generation.

CITY MANAGER'S RECOMMENDED ACTION:

Electric Services is in the process of adding new electric generation resources. It is required that MISO perform a series of studies to ensure the regional grid is not negatively impacted once the new generation is installed and operating. Without the completion of these studies, MISO will not provide a Generator Interconnection Agreement, preventing Ames from connecting the new generation plant to the transmission system. Therefore, it is the recommendation of the City Manager that the City Council adopt Alternative 1, as described above.