

ITEM #:	<u>16</u>
DATE:	<u>05-12-26</u>
DEPT:	<u>ELEC</u>

COUNCIL ACTION FORM

SUBJECT: GENERATION INTERCONNECTION AGREEMENT WITH MID-CONTINENT INDEPENDENT SYSTEM OPOERATOR (MISO)

BACKGROUND:

Electric Services is undertaking a project to design and construct a new electric generating facility. 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) = \$7,000.
- Paid by ACH /wire payment only
- 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.
- Paid by ACH/wire payment only

It is these two payments that City staff is seeking approval to complete. If the City receives preliminary approval from MISO to proceed once the initial study is performed, then a third expenditure will be required at a later date for Milestone (M2), as described below:

- 3) Milestone (M2) = \$24,000/MW. This payment is intended to make it costly for a developer to submit a possible new generation project and then back out or does not 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. This amount will be due later in the study process.

- Paid by ACH/wire payment or Irrevocable Letter of Credit

The costs for these studies will be financed from the New Thermal Generation Capital Improvement Project. The adopted 2026-2031 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. In accordance with the staff report delivered to the City Council on April 21, 2026, the total project cost has been increased to a projected amount of \$190 million. The revised estimate will be incorporated into future CIPs and funded from future Electric Revenue Bond issues.

ALTERNATIVES:

1. Approve payment to Mid-Continent Independent System Operator (MISO) in the amount of \$277,000 for a Generation Interconnection Agreement application.
2. Do not approve the agreement.

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 when the new generation is 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.