

CITY COUNCIL CONFERENCE MINUTES

August 27, 2019

The City Council of the City of Norman, Cleveland County, State of Oklahoma, met in a conference at 5:10 p.m. in the Municipal Building Conference Room on the 27th day of August, 2019, and notice and agenda of the meeting were posted at the Municipal Building at 201 West Gray and the Norman Public Library at 225 North Webster 48 hours prior to the beginning of the meeting.

PRESENT:

Councilmembers Bierman, Carter, Hickman, Holman, Petrone, Scanlon, Scott, Wilson, Mayor Clark

ABSENT:

None

Item 1, being:

DISCUSSION REGARDING THE OG&E FRANCHISE AND RELATED AGREEMENTS AND PROGRAMS.

Mr. Tom McCurdy, Norman Community Affairs Manager for Oklahoma Gas and Electric (OG&E), said in 2018, OG&E had the lowest combined electric rates in the United States (U.S.). He said OG&E is ready to re-engage the City on the renewal of the franchise agreement, which partnership began in 1917. OG&E has been proud to be a vital supporter of the growth of Norman's great community. He said OG&E's corporate stewardship began with the belief that OG&E is only as strong as the 280 communities it serves with approximately 49,200 customers in Norman. He said OG&E strives daily to balance delivering reliable and affordable electricity to help communities in the Oklahoma economy and continually evaluates needs and wants to stay close to the process of retiring or replacing equipment while honoring the commitment to minimize its environmental footprint. He said between 2030 and 2050, OG&E expects to retire 95% of its current fossil fuel generation fleet and meet future capacity needs by replacing this retiring generation with newer technology, which includes renewables and high efficiency natural gas.

Mr. McCurdy said in 2017, OG&E presented a franchise agreement proposal to the City of Norman that was to expire in December 2018, but Councilmembers expressed concerns and sought solutions from OG&E. Since that time, OG&E has worked to address vegetation management strategies to include chemical use, tree trimming, and tree removal. Another concern addressed is service in Downtown Norman and OG&E invested approximately \$70 million to revitalize the downtown distribution service. He presented two documents to Council that include a Memorandum of Understanding (MOU) and a revised franchise agreement. The proposed MOU is a mechanism to change the narrative from OG&E's previous franchise effort and demonstrate OG&E's willingness to collaborate with Norman to achieve the City's goals and address concerns heard from Council and their constituents. The MOU highlights OG&E's desire to help Norman achieve further renewable energy initiatives, create an ad hoc committee to sort through renewable

energy solutions, cost savings, and opportunities through energy efficiency, reliability improvements, and customer experiences.

Mr. McCurdy said OG&E will provide an annual reliability report to the City comparing OG&E circuits within the City of Norman to overall OG&E system averages. He said OG&E agrees to work with City Staff to implement mutually acceptable performance standards to report Light Emitting Diode (LED) street light outages and provide a City employee access to real time data on all LED maintained lights. He asked Council and citizens to show patience with the current LED rollout because OG&E has undertaken a five year plan to replace all (300,000) street lights to LED.

The franchise agreement is simply a document that allows OG&E to use City streets, alleys, and roadways to provide electricity to Norman customers. Mr. McCurdy said OG&E is asking Council's approval to send the franchise agreement to Norman voters for their consideration. He said provisions for the franchise agreement include giving OG&E the right, privilege and authority to produce, transmit, distribute, and sell electricity within Norman for a period of 25 years. He said the 25-year period is standard among communities served by OG&E, which allows for lower costs and cheaper rates. He said OG&E will furnish Norman, without charge, electric current to operate traffic signal lights, buildings occupied and operated by the City for municipal purposes providing that such electric current shall not exceed one-half of one percent of the kilowatt hours sold by OG&E to customers within the City limits during the preceding fiscal year, a benefit of \$557,000 (2018). He said language has been added stating OG&E and the City of Norman agree to explore solar power options as an alternative to the provision of free service and any agreement reached would be subject to necessary regulatory approvals. The goal of this language provides additional flexibility to Norman and OG&E as they work together on renewable energy goals.

Councilmember Scott said Section 8 of the ordinance explicitly states "solar power" as a renewable option, but does not mention wind or other forms of renewable energy. She asked if that was an oversight and Mr. McCurdy said OG&E will work with the City Attorney to add other renewable energy goals to this language. Councilmember Scott asked if information regarding OG&E's use of coal, oil, gas, and other renewable energy is available to the public and Mr. McCurdy said yes, the information is on OG&E's website. She asked if OG&E's capital investment information is available to the public and Mr. McCurdy said that information is not available to the public at this time. She said by 2030, OG&E hopes to reduce levels of Carbon Dioxide (CO2) and other variables and asked if there is a plan outlining this goal available to the public and Mr. McCurdy said he is not sure, but will check into that. Councilmember Scott asked what the percentages were of coal, oil and gas, and renewables OG&E has used and Mr. McCurdy said that information is on the website as well, but felt comfortable saying approximately 40% for oil and gas, 30% for coal, and 12% for renewables. Councilmember Scott said she would like language added to the MOU stating OG&E will eliminate coal entirely and Mr. McCurdy said that is something the ad hoc committee can review. He said every year OG&E is required to prepare a presentation to its regulatory body on what source of energy will be retired, replaced, or eliminated.

Councilmember Scott said there has been discussion regarding a franchise agreement provision for the City to revisit the franchise agreement more frequently than every 25 years and Mr. McCurdy said that provision is not in the ordinance because if an ad hoc committee is created

the committee will be working with OG&E and City Staff on a monthly or quarterly basis to continually review all aspects of service. He said the ad hoc committee gives current and future Council the ability to address issues over the next 25 years.

Councilmember Wilson said 25 years is a very long time in today's technological environment and is concerned the City will have zero recourse if the 25-year franchise agreement is approved.

She would like to see some type of recourse built into the document before she approves a 25-year franchise agreement. She needs assurance that every five years Council will have an opportunity to hold OG&E responsible for providing the electric service the City wants. She said that assurance should include eliminating the use of coal because Council wants what is best for the environment and wants to be able to hold OG&E accountable for that. Councilmember Bierman said she is concerned about the 25-year franchise agreement as well because OG&E needs to be held accountable for moving forward with renewable energy goals. Mr. McCurdy said OG&E is investing multi-millions of dollars so OG&E wants certainty from the City as well. Councilmember Bierman said Council needs some way to negotiate for an agreement that is shorter than 25 years because if the City is not seeing the progress it would like, then there is no recourse for Council to take during that 25 years. Mr. McCurdy said his goal is to spread all costs to over 850,000 customers, not 44,000, and hopes the MOU makes it apparent that OG&E is committed to helping the City meet their goal.

Councilmember Scott asked if the City has the ability to establish a municipal utility and Ms. Kathryn Walker, Interim City Attorney, said yes, but the difficulty is obtaining enough money to fund that endeavor. She said under State law there is a moratorium on condemnation of other electric utilities and the City would have to buy OG&E out in Norman. She said there is also the problem of Norman requiring a vote of the people to raise utility rates and being able to adapt to a new electric service business.

Councilmember Petrone asked the longest term loan OG&E generally goes under and Mr. McCurdy said he is not sure, but believes it is typically 25 years. Councilmember Petrone asked why the typical life of the loan is 25 years and Mr. McCurdy said when OG&E borrows money they want to borrow as much as possible when they have investments coming down the pipeline. He said OG&E wants to get the cheapest money they can for the longest period of time possible.

Councilmember Petrone said Oklahoma Electric Cooperative (OEC) rolls meters back for customers who produce their own energy; would OG&E be willing to do the same if the City approves the franchise agreement? Mr. Zach Gladhill with OG&E, said OG&E is currently drafting a tariff to be approved by the Corporation Commission that will make it more favorable for a producer that has their own energy generation. He said the rate will be relatively consistent with the market's general energy rate.

Councilmember Petrone said she recently read that some OG&E customers received rebates for being overcharged and asked why that happened and Mr. Gladhill said in the last rate case there was zero impact to customers (no rate increase), but there was no rebate of any type.

Councilmember Wilson asked how much revenue OG&E receives from leasing space on their poles to other companies and Mr. McCurdy said he does not have that information. She said she would like to release all obstacles that might be in the way of getting internet infrastructure in her ward, make those options less stringent for internet companies, or for the City to share in those revenues.

Councilmember Holman asked if OG&E would be interested in helping with other renewable energy options such as wind or solar farms and Mr. McCurdy said yes. Mr. McCurdy said to supply all of the municipal buildings in Norman would require about ten megawatts worth of renewable energy (approximately 80 acres of solar farm).

Councilmember Scott asked when the ad hoc committee would be created and said she would like a written commitment to do more than “explore” solar power options and move away from coal within a specific timeframe.

Councilmember Petrone said she would like the Environmental Control Advisory Board (ECAB) to be the oversight committee of the ad hoc committee or the designated committee referenced in the MOU. Mr. McCurdy said his only concern about that is there is no utility company person on that board, which he considers to be a flaw of that board.

Councilmember Petrone asked the percentage of LED street lights that have been replaced and Mr. McCurdy said he cannot say at this time. Councilmember Petrone asked if there will be an expedited process to switching street lights to LED and Mr. McCurdy said if there are ten to twelve lights on a circuit strand and one light fails, all the lights will be replaced. Councilmember Petrone asked the timeline of having all street lights replaced and Mr. McCurdy said approximately five years to replace 300,000 street lights (60,000 per year).

Councilmember Petrone said she agreed with the Councilmember Scott regarding a written commitment in the franchise agreement for a renewable energy timeline in Norman.

Councilmember Holman asked how many power plants supply Norman and Mr. McCurdy said all power plants within the region are connected so it is not possible to determine which plant is serving one specific place unless there is only one connection to that facility. Councilmember Holman said he would like a guarantee that any power coming to Norman is not coming from coal and would like to have documentation that confirms Norman’s power is not coming from coal.

Councilmember Scanlon said he understands the 25-year agreement is driven by financing, e.g., loan structure and understands the only leverage the City has in this agreement is the proposed ad hoc committee; however, he does not see the leverage of having four utility members and four City Staff members on a committee sitting across the table from one another. He felt nothing would really be accomplished for the City’s benefit and suggested the committee be comprised of five City members and four utility members.

Councilmember Bierman said a five-year reoccurring opt out clause would give the City the ability to put consumer pressure on the company as well as the ability for the City to go its own way if technology changes allow for that over the next 25 years. She said as technology changes, the City might need right-of-way for something else, such as the next wave of energy generation that may come in the future. She said OG&E will be getting everything they want with a 25-year agreement and that is not a good compromise.

Councilmember Bierman asked the City Attorney in what way the MOU is legally binding and Ms. Walker said it is not. She said a MOU is an agreement to work on something, but does not hold OG&E to particular results. Councilmember Bierman said she wants a means of recourse and there is nothing in the franchise agreement or MOU that gets the City to its goal.

Councilmember Bierman said ten days is too long for an LED outage and felt there should be a mutually agreeable plan for access to real time data for the operating status of all OG&E maintained LED lights in Norman.

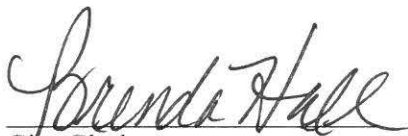
Items submitted for the record

1. Draft ordinance
2. Memorandum of Understanding (MOU) by and between Oklahoma Gas and Electric Company and the City of Norman, Oklahoma

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The meeting was adjourned at 6:23 p.m.

ATTEST:



City Clerk



Mayor

