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Issuer Brief: A New Microgrid in Chicago and What It Means for Governments Moving Forward.

Microgrid Approved in Illinois — A Case Study

The Illinois Commerce Commission has approved ComEd's plan to construct one of the nation's first utility-scale microgrid clusters in the Bronzeville neighborhood on the South Side of Chicago. The project, which has received more than \$5 million in grant funding from the U.S. Department of Energy, will enable the study of how microgrids support the integration of clean energy onto the grid and increase grid security to keep power flowing even during extreme weather or a catastrophic event.

A microgrid is a small power grid with defined boundaries which can operate both when connected to the larger electric grid and as an "island" when there's an interruption on the main grid. It draws on distributed energy resources, such as solar power or cogeneration facilities, to serve customers within the microgrid footprint.

In this case, the project will serve an area that includes 10 facilities providing critical services, including the Chicago Public Safety Headquarters, the De La Salle Institute, and the Math & Science Academy, a library, public works buildings, restaurants, health clinics, public transportation, educational facilities, and churches. It will also be connected to an existing microgrid at the Illinois Institute of Technology. The completed project will serve about 1,060 residential, commercial, and small industrial customers. It will be constructed in two phases and will include battery storage and solar photovoltaic cells. It is scheduled for completion in 2019.

Our interest here is the technological improvement. Although it is being undertaken by an investor-owned rather than a municipally owned and operated utility, there are clearly many municipally operated utilities which could potentially use and benefit from this technological step, by reducing peak capacity requirements and carbon footprints. So we will look with interest at the results of the project as they impact, cost, efficiency, and reliability for this major urban electric distributor.

Privatization Takes a Hit

From the earliest days of the Trump Administration, Rep. Bill Shuster R-PA has been pursuing an effort to privatize the federal air traffic control (ATC) system. For a while, the ATC privatization plan was the only thing that the Trump Administration could cite as its infrastructure program. Since then, the Administration has put out an infrastructure plan weighted in favor of private interests. Over that same period, the Shuster privatization legislation has met bipartisan resistance, and Rep. Shuster has announced that he will retire at the end of his term in January.

So it is with real interest that we received the news that "despite bipartisan support among lawmakers, industry and labor groups, there isn't enough support to approve the proposal this year," Shuster said. He also said that instead he would work with his counterpart, Sen. John Thune, R-S.D., to approve FAA legislation without air-traffic control privatization.

General-aviation advocates feared that the corporation would favor airlines at busy airports and would have charged higher fees than the government. Groups including the Aircraft Owners and Pilots Association, the General Aviation Manufacturers Association, the National Air Transportation Association and the National Business Aviation Association issued a joint statement opposing the effort.

The moral of the story is that privatization is not the answer for all infrastructure situations. A successful process will concentrate on the best result rather than the method used to accomplish it.

Is the NY-NJ Gateway Tunnel Project Hitting a Wall?

There have been concerns since the unveiling of the Trump administration infrastructure “plan” in mid February about whether funding commitments to the Gateway Tunnel project by the Federal government would be adhered to. In December, the acting administrator of the Federal Transit Administration, K. Jane Williams, said in a letter to officials in New York and New Jersey that any such agreement was “nonexistent.” The signals this week were not very encouraging. First, Transportation secretary Elaine Chao told transportation advocates that federal loan funds provided to participants in the Gateway project would not be counted as part of the states’ equity contributions. This would require N.Y. and N.J. to come up with even more locally generated funding. At a Senate Environment and Public Works hearing Sens. Kirsten Gillibrand (D-N.Y.) and Cory Booker (D-N.J.) pressed Chao about why the administration doesn’t consider federal loans as equity, she said it’s simply not the way things have been done. Gillibrand and Booker disagreed, and at one point Booker cited a DOT webpage he said seemed to invalidate her position. Chao said that wasn’t her understanding, but promised to “look at it.”

The Secretary ran into additional pushback during a hearing held by the House Transportation and Infrastructure Committee Tuesday. Chao said the concern is that the project would consume all of the available federal funding. “If they absorb all of these funds, there would be no others left for the rest of the country,” Chao said. That does echo fears some rural legislators have expressed.

The project is also getting caught up in the maelstrom of chaos engulfing the White House. President Trump is pressing congressional Republicans to oppose funding for a new rail tunnel telling Speaker Paul Ryan this week not to support funding for the \$30 billion project. The stance is likely fueled by Trump’s animus toward N.Y. Sen. Chuck Schumer. The project is widely considered to be among the most pressing and most expensive infrastructure needs in the country, making up 20% of the nation’s GDP. A document issued by Trump’s transition team listed the Gateway project as the No. 1 national infrastructure priority.

Congressional appropriators are looking to spend at least \$950 million in federal funds on the Gateway project in the coming omnibus spending bill. Lawmakers are expected to pass the legislation ahead of a March 23 government shutdown deadline. The chairman of the House appropriations subcommittee on transportation, said the project was among the top priorities to be funded in the new bill. On the Omnibus funding, if the money is added to the New Starts program or State of Good Repair program for it, then it has to be signed off in by Chao which could present problems if Trump is super dug in. However, if the money goes through the Amtrak account, it goes straight to the Amtrak board who then can get it out without DOT signoff.

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