

City of Fort Collins

Proposed Electric Energy Supply Policy

September 23, 2002

Introduction

Motivated by their concern for the welfare of the community, the citizens of Fort Collins created the electric utility in 1935. During the years that followed, the electric system grew both in size and sophistication. In 1973, Fort Collins joined with Estes Park, Longmont and Loveland to create the Platte River Power Authority (PRPA), a joint action agency charged with meeting the electric generation and transmission needs of the four cities.

The City now has a state of the art electric system that provides citizens with highly reliable service at an affordable and competitive price. However, getting to this point did not occur without a lot of effort and thoughtful guidance. The future will be no different. There will be many challenges to overcome if the city is to continue to provide its citizens with a high level of service. The most significant of these challenges will be addressing both important environmental issues and increasing demand, while maintaining high system reliability and competitive pricing. The purpose of this policy is to provide strategic objectives regarding system reliability, rates and the environment to guide the electric utility into the future as it continues to provide the citizens of Fort Collins with reliable and competitively priced electric service, in partnership with PRPA.

System Reliability

System reliability is the core of providing electric service. It is critical for the welfare of the community. It should not be compromised. The Utilities must continue to provide businesses and residents with highly reliable electric service consistent with established reliability goals.

Objectives for the Future

1. Continue to design, build and maintain the electric system utilizing the high standards that have been developed.
2. Maintain an emphasis on system safety for the benefit of employees and citizens.
3. Complete the electric system undergrounding program.
4. Reduce peak electric use in order to minimize overloading of the electric system.
5. Encourage Platte River Power Authority to design, operate and maintain their electric transmission and generation system to minimize the risk of system outages.
6. Encourage Platte River Power Authority to maintain a diverse source of electric generation capacity.
7. Investigate the merits of distributed generation as a method of reducing system peak demands.

Electric Rates

For many years the citizens of Fort Collins have benefited from low electric rates. During the past 18 years, there have been two electric rate increases and two electric rate decreases. Electric rates today are only 0.2 percent more than they were in 1983, while the

consumer price index has increased 77.8%. The City's residential electric rates are lower than 88% of the 51 Colorado utilities surveyed by the Colorado Association of Municipal Utilities.

In order for the City to continue being a viable provider of electric service, it will be essential to maintain competitive rates in the future.

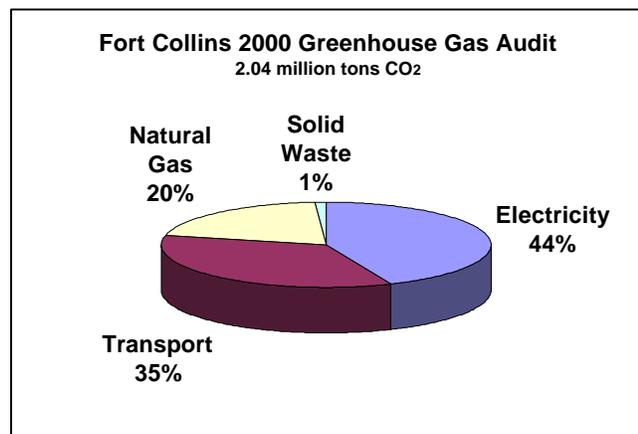
Objectives for the Future

1. Continue to design electric rates that accurately reflect the cost of service while encouraging conservation and demand side management.
2. Maintain rates that are regionally competitive and do not exceed the 25th percentile of those utilities surveyed by the Colorado Association of Municipal Utilities.
3. Maintain rates that are below Xcel Energy.
4. Maintain long-term rate stability.
5. Establish alternative cost based rate structures that reflect the community's interest in and benefit from renewable energy (green pricing, net metering, system benefit charges).
6. Increase productivity and efficiency throughout the Utilities.
7. Work with Platte River Power Authority to delay or mitigate the expected rate impact associated with the construction of new base load generation facilities.
8. Work with Platte River Power Authority to develop a process whereby the avoided generation capacity costs, associated with demand side management (DSM) programs developed by the City, could be passed along to the City.

The Environment

There is a growing awareness of and concern about global climate change and the potentially harmful contributing effects of greenhouse gases. In 1999, the Fort Collins City Council adopted a local action plan to reduce greenhouse gas emissions. In the City's 2000 Climate Protection Status Report, the use of electricity, generated from facilities fueled with either coal or natural gas, was identified as the largest contributor of carbon dioxide (CO₂) to the environment.

Although there are new and evolving technologies to reduce fossil fuel pollutants such as sulfur dioxide and nitrogen oxides (NO_x) emissions, there are presently no feasible methods of reducing CO₂ emissions at the generating facility. However, CO₂ emissions can be reduced by decreasing the consumption of electricity generated with CO₂ producing fuels and/or generating electricity with fuels that do not produce CO₂, such as wind, solar, and water.



Objectives for the Future

1. Reduce per capita electric consumption 10% by the year 2012.
2. Reduce per capita peak day electric consumption 15% by the year 2012.

3. Develop cost effective¹ demand side management (DSM) programs.
4. On or before July 1, 2003, develop a strategic plan for reaching the consumption and demand reduction targets outlined in this policy. The approaches to be evaluated will include, but not be limited to, a systems benefit charge, efficiency programs, incentive programs, educational programs, revolving loan programs and innovative rate structures.
5. Actively promote DSM and renewable energy programs.
6. Encourage Platte River Power Authority to continue to actively pursue reducing emissions from fossil fuels.
7. Work with Platte River Power Authority to diversify the portfolio of energy sources that serve the City.
8. Work with Platte River Power Authority to increase the City's percentage of renewable energy (in addition to the existing large hydro from WAPA) to 10% by the year 2017.
9. Promote policies that integrate efforts related to energy efficiency, renewable resources, global warming, green buildings and sustainable practices and education.

Annual Report

On an annual basis, the City Manager will provide the City Council and the Electric Board with a status report on the objectives included in the Electric Energy Supply Policy.

¹ For the purpose of this policy, cost effective shall mean programs that result in a positive benefit-cost ratio for the community.