

City of Fort Collins  
**Electric Energy Supply Policy**  
Adopted March 25, 2003

**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 happen 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 by the end of 2004.
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.

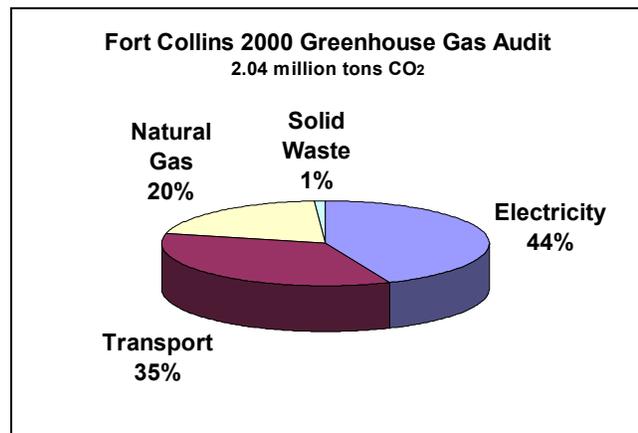
In order for the City to continue being a viable provider of electric service, it will be essential to maintain competitive rates in the future.

#### Objectives for the Future

1. Continue to design and implement electric rates that allocate costs between customer classifications in an equitable manner.
2. Design and implement electric rates that encourage conservation (e.g. market based incentives, block pricing) and demand side management.
3. Maintain rates that are regionally competitive and 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, can be passed along to the City.

#### **The Environment**

There is a growing awareness of and concern about global climate change and the 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 (CO<sub>2</sub>) to the environment. Although there are new and evolving technologies to

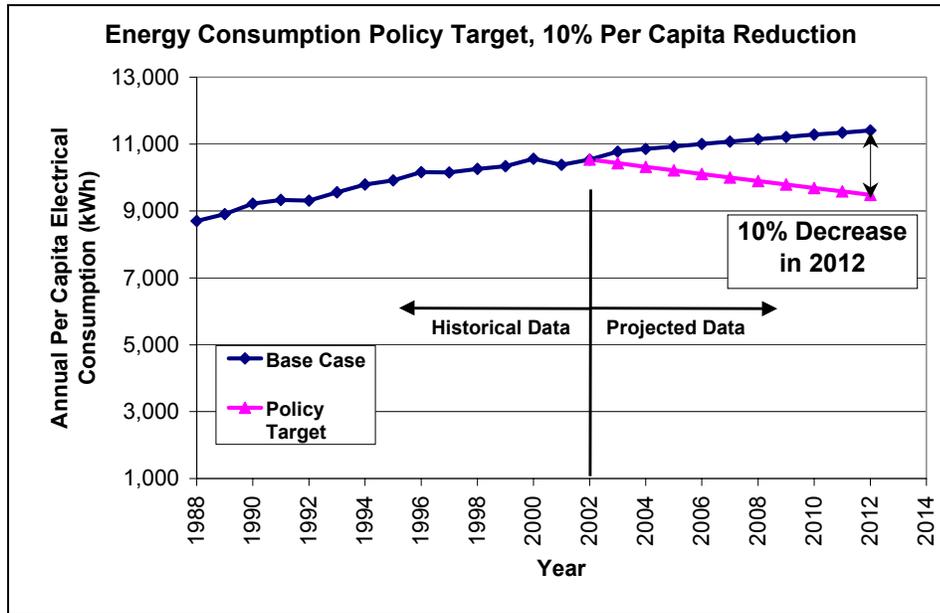


reduce fossil fuel pollutants such as sulfur dioxide and nitrogen oxides (NO<sub>x</sub>) emissions, there are presently no feasible methods of reducing CO<sub>2</sub> emissions at the generating facility. However, CO<sub>2</sub> emissions could be reduced by decreasing the consumption of electricity generated with CO<sub>2</sub> producing fuels and/or generating electricity with energy sources that do not produce CO<sub>2</sub>, such as wind, solar, and water. Decreasing consumption and using these energy sources would also reduce the negative environmental impacts (e.g. habitat destruction, air and water pollution) associated with fossil fuel exploration, mining and transportation.

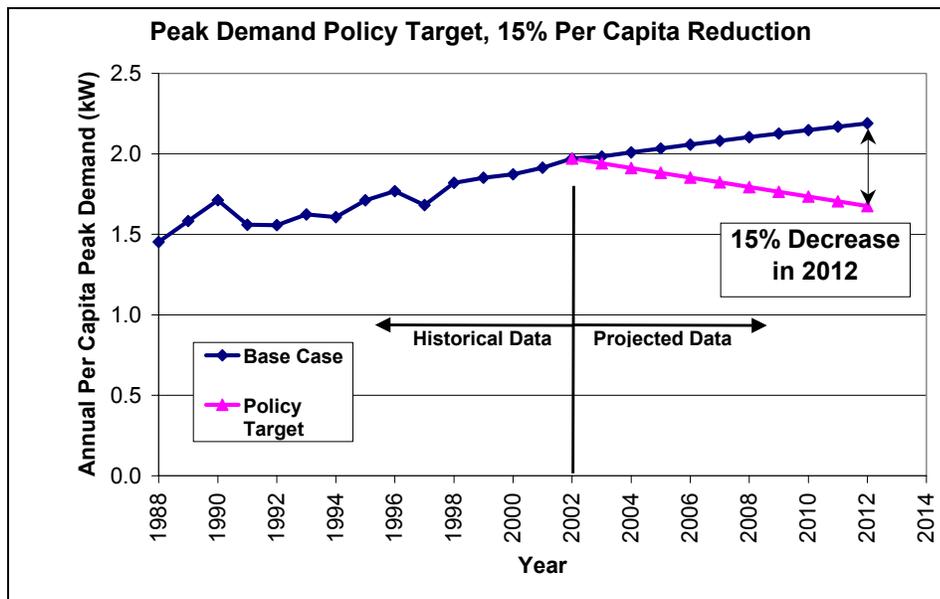
#### Objectives for the Future

1. Reduce per capita electric consumption 10%, from the baseline of 2002, by the year 2012. The 10% per capita consumption reduction target will reduce overall electric consumption approximately 17% by 2012 (see the following graph).

During this time period (2002-2012), the overall reduction in electric consumption amounts to approximately 1.7 billion kilowatt-hours of electricity and the avoided production of over 1.8 million tons of CO<sub>2</sub>.



2. Reduce per capita peak day electric demand 15%, from the baseline of 2002, by the year 2012. The 15% per capita demand reduction target will reduce the peak demand by approximately 80 MW by 2012 (see the following graph). This projected reduction in peak day demand is approximately equal to the output of one combustion turbine, which presently costs about \$25 million.



3. Develop and implement effective demand side management (DSM) programs.
4. Develop a strategic plan by July 1, 2003 for reaching the consumption and demand reduction targets outlined in this policy. The approaches to be evaluated will include, without limitation, a systems benefit charge, efficiency programs, incentive programs, educational programs, revolving loan programs and innovative rate structures.
5. Increase community awareness and understanding of DSM and renewable energy programs.
6. Encourage Platte River Power Authority to continue reducing emissions from fossil fuels and to avoid the use of coal in any new generation facilities (Rawhide Unit 2 or other potential generation facilities that PRPA may pursue).
7. Work with Platte River Power Authority to continue 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 2% by the end of 2004 and to 15% by the year 2017.
9. Develop and implement policies and programs that support:
  - the development and use of renewable resources,
  - sustainable practices,
  - the City's effort to reduce global warming, and
  - the design and construction of energy efficient buildings
10. Develop and implement policies that require the use of energy efficient design principles in the renovation and construction of all City facilities.
11. Whenever possible, integrate efforts related to energy efficiency, renewable resources, green buildings (energy code), 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.