

# AGENDA ITEM SUMMARY

## FORT COLLINS CITY COUNCIL

**ITEM NUMBER:** 23

**DATE:** April 20, 1999

**STAFF:** Mike Smith

### SUBJECT:

First Reading of Ordinance No. 59, 1999, Amending Chapter 26, Article VI, Division 4 of the City Code Regarding Sale of Energy Generated from a Renewable Resource.

### RECOMMENDATION:

Staff recommends adoption of the Ordinance on First Reading.

### EXECUTIVE SUMMARY:

Each electric rate schedule contains a "Renewable resource" clause which permits the Utility to sell wind energy at a premium price in accordance with a special services agreement between the Utility and the customer. The clause, adopted in November 1996, sets the premium at an additional two cents per kilowatt-hour. This Ordinance revises each "Renewable resource" clause to eliminate the specific premium amount. If approved, the premium amount will be based on the Utility's cost of providing wind energy and will be specified in the special services agreement. The cost of providing wind energy is now estimated at a premium of 2.5 cents per kilowatt-hour. The Ordinance also contains a housekeeping change to the "Special services" clause of each rate schedule to clarify that rates, fees and charges set through special services agreements must satisfy the applicable cost-of-service criteria required to be followed by the Charter for setting such rates, fees and charges.

### BACKGROUND:

The Wind Power Pilot Program was initiated in 1996 by obtaining customer commitments to purchase wind energy at a premium of two cents per kilowatt-hour. This was the best estimate of costs at that time. The participating customers, "wind power pioneers" signed a three-year special services agreement for the wind energy based on the planned duration of the pilot program. After obtaining the commitments, the City contracted with Platte River Power Authority to build two 600-kilowatt wind turbines. The turbines went on line in April, 1998 and participating customers were billed for the wind premium beginning May 1. Since the implementation of the pilot program, the cost of providing wind power to customers has proven to be somewhat greater than two cents per kilowatt-hour. The utility, however, is committed to honoring the existing special services agreements at the two-cent premium for the three-year pilot period.

The Utility is now contracting with Platte River Power Authority for two and a half additional wind turbines. Existing wind power subscribers are using more energy than the original two turbines can produce, so the half turbine will be dedicated to needs of these existing wind customers. The wind energy from another of the new turbines has been contracted for by New Belgium Brewery. The Utility will seek new customer commitments for the remaining new turbine. The new renewable

resource special services agreements will be for approximately 2.5 cents per kWh, which will also be the price for the "pioneer" subscribers after the original three-year pilot special services agreement term is up. This price may change based on actual costs of the wind energy.

The Ordinance will change the "Renewable resource" clause to provide that the wind power premium be specified in the special services agreement between the Utility and wind power customers instead of being specified in the Code. This will allow the "pioneer" wind customers to continue paying the 2 cent premium during the remainder of the three-year pilot while allowing new customers to subscribe for wind at the "going" rate.

In addition, the Ordinance revises the "Special services" clause in each electric rate schedule to clarify that the rates, fees and charges established in special services agreement must satisfy the applicable cost-of-service criteria that are set forth in Section 6, Article XII of the City Charter.

ORDINANCE NO. 59, 1999  
OF THE COUNCIL OF THE CITY OF FORT COLLINS  
AMENDING CHAPTER 26, ARTICLE VI, DIVISION 4 OF THE  
CODE OF THE CITY REGARDING SALE OF ENERGY  
GENERATED FROM A RENEWABLE RESOURCE

WHEREAS, the City initiated the Wind Power Pilot Program in 1996; and

WHEREAS, at that time, the cost of the wind energy was estimated at two cents per kilowatt-hour; and

WHEREAS, those customers who subscribed to the pilot program entered into a three-year special services agreement with the Utility to pay a premium of two cents a kilowatt-hour for the wind energy; and

WHEREAS, additional customers are interested in purchasing wind energy and more wind turbines will be purchased; and

WHEREAS, the cost of providing the service from the original two wind turbines and future turbines is now estimated at 2.5 cents per kilowatt-hour; and

WHEREAS, the utility will continue to honor the two cent premium specified in the existing special services agreements during the three-year pilot; and

WHEREAS, the future wind power customers will also be required to enter into a special services agreement with the Utility for purchasing wind energy; and

WHEREAS, these future special service agreements for wind energy will specify the premium charge at the full estimated cost of the wind energy; and

WHEREAS, the terms and conditions of such special services agreement shall be established by the General Manager of the Utility Services subject to the cost-of-service criteria that are required by Section 6 of Article XII of the City Charter to be followed in setting the rates, fees and charges to be paid by customers for electric services.

NOW, THEREFORE, BE IT ORDAINED BY THE COUNCIL OF THE CITY OF FORT COLLINS as follows:

Section 1. That paragraphs (d) of Section 26-464, (d) of Section 26-465, (d) of Section 26-466, (d) of Section 26-467, (d) of Section 26-468, (e) of Section 26-469, and (d) of Section 26-472 of the Code of the City of Fort Collins are hereby amended to read as follows:

*Renewable resource.* Energy generated by the power of wind may be available at a premium price ~~of an additional two cents (\$0.02) per kilowatt-hour~~ in accordance

with the provisions of a special services agreement between the utility and the customer, as such agreements are authorized in this Section.

Section 2. That paragraphs (i) of Section 26-464, (j) of Section 26-465, (j) of Section 26-466, (k) of Section 26-467, (m) of Section 26-468, (n) of Section 26-469, and (n) of Section 26-472 of the Code of the City of Fort Collins are hereby amended to read as follows:

*Special services.* The electric utility is authorized to provide special services and capabilities which are beyond those required for basic service, provided that such special services and capabilities are described in a written agreement between the utility and the customer, which agreement shall also set forth the utility charges associated with the provision of such special services and capabilities. The Director shall establish the rates, fees, charges and payment terms for the provision of such special services and capabilities. In setting the rates, fees and charges to be paid by the customer under a special services agreement, the Director shall set them in an amount that satisfies the applicable cost-of-service criteria contained in Section 6 of Article XII of the City Charter.

Introduced and considered favorably on first reading and ordered published this 20th day of April, A.D. 1999, and to be presented for final passage on the 4th day of May, A.D. 1999.

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Mayor

ATTEST:

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City Clerk

Passed and adopted on final reading this 4th day of May, A.D. 1999.

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Mayor

ATTEST:

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City Clerk