

AGENDA ITEM SUMMARY

FORT COLLINS CITY COUNCIL

ITEM NUMBER: 19

DATE: September 15, 2009

STAFF: Brian Janonis
Steve Catanach
Terri Bryant

SUBJECT

Resolution 2009-091 Directing the City Manager to Submit a Request Letter to Platte River Power Authority Modifying the Composition of Renewable Energy Resources Acquired for Delivery to the City.

RECOMMENDATION

Staff makes no recommendation on this Resolution.

The Electric Board will address the proposed resolution at its September 14, 2009 meeting and a summary of the discussion will be provided to Council in the read-before packet on September 15, 2009.

FINANCIAL IMPACT

The Utility previously submitted a request letter to Platte River Power Authority ("Platte River") to purchase 96,000 megawatt hours ("MWh") of renewable energy in 2010 and 2011. Platte River's current forecasted blend for this same period is approximately 58% renewable energy certificates and 42% delivered renewable energy. The resolution authorizes the submission of a request letter to Platte River modifying the composition of the renewable energy purchases acquired for delivery to the City so that it is different from the other member municipalities. Specifically, the request letter will specify that of the 96,000 MWh purchased in 2010 and 2011, Platte River should purchase an additional 30,700 MWh of delivered wind energy. Platte River will in turn attempt to sell the equivalent of 30,700 MWh of the renewable energy credits (RECs) for delivery to the City. The additional projected cost is \$1,100,000 per year. The blended premium cost for renewables would increase from the 2010 rate of \$0.019 per kWh to \$0.031. The projected cost is contingent on existing RECs being sold for the contract purchase price of about \$7/MWh. The change would increase electric monthly rates approximately 1.3% for a total projected 2010 rate increase of 10.8%. Any modifications would be incorporated into the electric rates proposed to Council in October 2009, effective January 1, 2010.

EXECUTIVE SUMMARY

The Utility previously submitted a request letter to Platte River Power Authority to purchase 96,000 MWh of renewables in 2010 and 2011. The forecasted blend of renewable energy resources for each of the member municipalities is a delivered wind energy component of approximately 42% and 58% composed of supply from renewable energy certificates (RECs). The renewable energy purchases

support the City's Electric Energy Policy Goals and the Colorado renewable energy standard. Replacing existing RECs with 30,700 MWh of delivered wind energy would change the City's renewable mix to 79% delivered renewable energy (including the associated RECs) and 21% RECs.

If the request letter submitted to Platte River is consistent with the resolution, the effect will be to increase the 2010 electric rate from 9.5% as proposed in the City Manager's recommended 2010 budget to 10.8%. This would also increase the renewable energy premium charge for voluntary customers in the Green Energy Program from the proposed 2010 rate of \$0.019 to \$0.031 per kWh.

The City and Platte River became aware of this opportunity very recently and the availability of the delivered wind energy is time sensitive. Platte River has requested a commitment from the City by September 21, 2009.

BACKGROUND

Platte River has identified an opportunity to purchase the energy and environmental attributes from 10 megawatts (MW) of wind generation that would amount to approximately 30,700 megawatt-hours (MWh) of energy. Council has indicated to staff at work sessions and in other discussions that its goal is to eliminate RECs from the City's green energy portfolio. Council has also instructed staff to honor the existing REC contracts and not to purchase additional RECs. The next REC contract expires in 2012. The price for this 30,700 MWh of wind energy is in line with other existing wind energy contracts held by Platte River. Additionally, an equivalent level of RECs will be sold. The market value of the existing RECs is unknown, but the goal will be to sell the RECs at or near their approximate purchase cost of \$7/MWh. The price of the energy, coupled with the opportunity to support Council's goal of eliminating RECs from the City's portfolio, provides an opportunity that should be considered.

What is a REC?

A Renewable Energy Certificate, or REC, is a uniquely identified certificate that comes into being each time a qualified renewable energy facility generates a megawatt-hour (MWh) of output. A REC represents the legal right to the environmental benefits associated with the displacement of one MWh of undifferentiated energy on the grid (most of which comes from coal and gas in the Rocky Mountain region) with one MWh of renewable energy. In REC tracking systems, each certificate is tagged with an identifying number that is used to track ownership throughout its life. Certificates may remain attached to their MWh of energy, in which case the energy and the certificate are sold together (bundled) as renewable energy, or they may be detached from the energy and sold separately. Once the certificate has been detached from the energy with which it originated, that energy can no longer be sold as renewable energy. It becomes conventional, commodity energy, and must be traded as such. The REC can then be separately sold either on its own or in combination with conventional grid energy as a renewable energy product.

As a strategy, Platte River has chosen to balance its renewable source portfolio by including both delivered renewable energy and RECs. Platte River's current forecasted blend for 2010 and 2011 is approximately 58% RECs and 42% delivered renewable energy. Renewable energy sources (such as a new wind plant) provide electricity, but are more costly, require transmission, impact efficiency of existing plants and incur additional operational costs associated with backing up the wind.

Since the adoption of the Electric Energy Supply Policy in 2003 and the subsequent update in 2009, Utilities and Platte River Power Authority staffs have worked together to assure progress on achieving the renewable energy goals set in the Policy. Platte River has identified an opportunity to purchase energy from an additional 10 Megawatts of wind generation. Platte River has presented this opportunity to the City as an option for increasing wind energy supply to the City. The source of the energy is wind turbines located in the northeast part of Colorado, with transmission and delivery provided by Xcel Energy. The 10 MW plant is estimated to produce approximately 30,700 MWh of wind energy (including the associated RECs) per year. It is estimated that this energy can be purchased for 2010 and 2011 at an additional cost of \$1.1 million per year.

The current recommended 2010 and 2011 Light and Power Fund budget includes the renewable mix price of \$0.019 per kWh bringing the Utilities' expense for 96,000 MWh to \$1,824,000.

The additional \$1.1 million would require 2010 electric rates to increase an additional 1.3% above the 9.5% proposed in the City Manager's recommended 2010 budget, resulting in a total increase of 10.8%. The increased cost of the new blend of delivered wind in the renewable portfolio would also be reflected in the voluntary Green Energy Program, increasing that rate to \$0.031 per kWh. Since this is a voluntary program, it is expected there may be attrition in the Green Energy Program as a result of the rate increase.

RESOLUTION 2009-091
OF THE COUNCIL OF THE CITY OF FORT COLLINS
DIRECTING THE CITY MANAGER TO SUBMIT A REQUEST LETTER
TO PLATTE RIVER POWER AUTHORITY MODIFYING THE COMPOSITION OF
RENEWABLE ENERGY RESOURCES ACQUIRED FOR DELIVERY TO THE CITY

WHEREAS, the City is one of four member municipalities that have entered into an organic contract establishing Platte River Power Authority (“Platte River”); and

WHEREAS, pursuant to Platte River’s Renewable Energy Supply Policy dated July 27, 2007, the City must submit a “request letter” to Platte River stating its commitment to purchase fixed amounts of renewable energy for a specific term; and

WHEREAS, on September 27, 2007, the City submitted to Platte River a request letter requesting that Platte River acquire renewable energy for delivery to Fort Collins under Platte River’s tariff schedule 7 in quantities of 96,000 megawatt hours (“MWh”) per year beginning the year 2010 through the year 2027; and

WHEREAS, Platte River’s current forecasted blend of renewable energy resources for the 2010 through 2011 time period is approximately 58% renewable energy certificates and 42% delivered renewable energy, consistent with the forecasted blend for each of the Platte River member municipalities; and

WHEREAS, the City Council has expressed a strong interest in eliminating renewable energy credits from the renewable energy purchases that Platte River acquires for delivery to Fort Collins; and

WHEREAS, Platte River has recently identified an opportunity to purchase wind energy in an amount roughly equivalent to 30,700 MWh of energy per year; and

WHEREAS, in the request letter to be submitted to Platte River by the City Manager, the City would both request that Platte River purchase the wind energy in an amount roughly equivalent to 30,700 MWh of energy per year and attempt to sell the equivalent of 30,700 MWh of renewable energy credits previously acquired on behalf of the City; and

WHEREAS, if that change is implemented, Platte River’s forecasted blend of renewable energy resources for the City for the 2010 and 2011 time period will be approximately 21% renewable energy certificates and 79% delivered renewable energy; and

WHEREAS, the City Manager’s 2010 recommended budget calls for an increase to the City’s electric rate by 9.5%; and

WHEREAS, the contemplated change in composition of renewable energy resources will cost the City an additional \$1.1 million per year and this would require Utility customer electric rates to

increase 1.3% above the 9.5% proposed in the City's Manager's recommended budget resulting in a total increase of 10.8%; and

WHEREAS, the contemplated change in composition of renewable energy resources would also result in an increase to the renewable energy premium charge from the proposed 2010 rate of \$0.019 to \$0.031 per kilowatt hour.

NOW, THEREFORE, BE IT RESOLVED BY THE COUNCIL OF THE CITY OF FORT COLLINS, that the City Manager is hereby directed to submit a request letter to Platte River Power Authority modifying the composition of renewable energy resources acquired for delivery to the City consistent with the terms described above.

Passed and adopted at a regular meeting of the Council of the City of Fort Collins this 15th day of September A.D. 2009.

Mayor

ATTEST:

City Clerk