

AGENDA ITEM SUMMARY

Utility Enterprise Board



STAFF

Tyler Marr, Deputy City Manager
Travis Walker, Director of Light and Power

SUBJECT

Second Reading of Ordinance No. 018, Authorizing an Amended and Restated Contract with Platte River Power Authority for the Supply of Electric Power and Energy.

EXECUTIVE SUMMARY

This Ordinance, unanimously adopted on First Reading on September 16, 2025, extends and makes modifications to the Power Supply Agreement ("PSA") with Platte River Power Authority ("Platte River").

STAFF RECOMMENDATION

Staff recommends approval of the agreement as written and adoption of the Ordinance on Second Reading.

SECOND READING BACKGROUND / DISCUSSION

At first reading, several questions were asked. In addition to staff answers provided that evening, the following information is intended as additional clarification.

A question was asked pertaining to the 1% cap on local generation and if it was impeding any of the City's own goals. As noted, the Power Supply Agreement does not cap net-metered generation, and does allow in agreed upon instances for off-site net metering consistent with changes in state law passed in 2024. It should be noted that for other reasons, the City itself does cap net-metered generation at 200% of a customer's average annual usage.

Community members have expressed concern in both comment and email that potential customer-generated energy may be utilized without compensation or consent for the virtual power plant (VPP). Staff from both the City and Platte River are well aware of 3rd party aggregators who are also working in the VPP space and are expected to try and monetize participation in their own programs through compensating customers for the ability to control their assets. Staff believe based on early conversations with some of these aggregators that there is not yet a deep appreciation toward grid-reliability, sustainability, or cost-effectiveness of the utility's systems by these aggregators. As such, PRPA and staff expect that there will be competition in incentives, program design, and education about having folks participate in whatever program they choose. These all represent likely future policy conversations with Council and the Platte River Board. That said, Light & Power or PRPA *do not* intend to compel participation or aggregation of VPP resources for contribution toward the energy portfolio without clear authorization from asset owners.

Council also asked a question that has been suggested at numerous junctures by certain community members about requiring that PRPA only operate gas-fired resources on days where high-ozone is not present. A question was specifically asked at the 1041 hearing permitting the new turbines about PRPA working with the Regional Air Quality Control Council to implement measures that limit emissions during high ozone season. This was PRPA's response:

"Platte River is always willing to consult with local- and state-level agencies.

A common feature of "high ozone days" is that temperatures are high and there is often little wind. This means that when ozone levels are high along the Front Range, electricity use is most likely high as well. Utilities must produce exactly the right amount of power to meet current need—this is why we cannot rely solely on intermittent renewable energy. This also means that if Platte River is running gas turbines, they are the most efficient resources available to meet current needs. It is wrong to assume that something else can "fill in" if Platte River turns off the turbines; Platte River cannot just "turn on" more wind or solar, so either the load "gets dumped" (a blackout) or the burden shifts to some other resources, likely less efficient, with higher emissions.

Fortunately, solar energy is most abundant during the high ozone season. As Platte River and other regional utilities add new solar resources, they can help provide needed energy during the worst ozone hours (when the sun is most intense and temperatures are hottest)."

FIRST READING BACKGROUND / DISCUSSION

Platte River Board of Directors has recommended the Power Supply agreement be extended for an additional fifteen (15) years beyond the current terms (which expires on December 31, 2060), modernizing the language and increasing flexibility to reflect current and future functionality.

The proposed amendment is intended to (1) better accommodate the electric industry's rapid change, with distributed energy resources playing an important role in our clean energy transition, (2) enable outcomes related to the City's policy goal of 100% renewable electricity by 2030 and (3) a 15 year extension of the Organic Contract and Power Supply Contract to provide favorable ratings in future Platte River bond issuances for financing to construct new power generation facilities.

BACKGROUND / DISCUSSION

In June of 1975, the Town of Estes Park and the Cities of Fort Collins, Longmont and Loveland established Platte River as a separate governmental entity via an Organic Contract (OC) for the primary purpose of generation and transmission of electricity to the four owner community's utilities. In addition to the Organic Contract forming the basis for Platte River's governance and existence, each owner community has a (PSA) with Platte River directly that sets the general terms and requirements of both the City and P in the relationship. Since 1975 the PSAs have run concurrently with the Organic Contract. The PSAs are functionally identical across all four member cities and obligate each to purchase substantially all the electricity they distribute within their services areas from Platte River (the "all-requirements" obligation). The PSAs are the revenue-generating security pledged against the bonds issued by Platte River to finance the capital assets that generate and deliver wholesale electricity to the member cities. These multi-year agreements are currently effective through 2060.

The Platte River board adopted a Resource Diversification Policy in 2018 that instructed Platte River to decarbonize rapidly with a goal of 100% non-carbon energy by 2030, so long as reliability or fiscal sustainability ("cost-effectiveness") were not compromised. That work is well underway with substantial progress anticipated toward the goal, especially with the planned closure of the coal-fired Rawhide Unit 1 at the end of 2029. This transition and policy has resulted in the need for Platte River to make a number of changes in how they operate to generate electricity. These changes include:

- Joining an organized market in the Southwest Power Pool's Regional Transmission Organization West market.

- Managing more intermittent resources such as wind and solar, that need firming currently provided by having large dispatchable thermal generation on the system. Some of these firming methods, such as batteries, will require deeper integration with the distribution utility than has previously been necessary.
- Launching a virtual power plant (VPP) that will use utility and customer owned resources (batteries, electric vehicles, appliances, distributed solar) to provide power in certain circumstances that can also help firm renewable resources.
- These are combined with the need to issue hundreds of millions of dollars in new financing to construct new power generation facilities, both renewable and dispatchable aeroderivative turbines, to enable the closure of Rawhide Unit 1.

Proposed Changes

The evolution in Platte River's model has resulted in the desire to update the PSA. In addition to extending the agreement by the same 15 years as the OC, the following summarize the changes in the PSA:

- Changed recitals to reflect shared commitment to a reliable, cost-effective and rapidly decarbonized energy portfolio and indicate that a collaborative, flexible approach will be necessary to meet current energy goals.
- Simplified carve-out terms, without changing base all-requirements provisions, to align solar and net-metering provisions with current law, increase flexibility in those areas, and enable the VPP to stand up effectively. It also clarifies that a resource's connection point being on high-voltage or distribution infrastructure is not what is relevant in determining carve-out eligibility.
- Removing reference to specific metering requirements pertaining to distributed energy generation and instead use flexible language that encourages and allows for innovation and adaptation.
- Numerous changes to support joining an organized market, including ensuring rate provisions are compatible and that market and surplus sales terms are modernized.

CITY FINANCIAL IMPACTS

This agreement obligates the City to purchase its power from Platte River for an additional 15 years, through 2075. The extension of the Organic Contract, in conjunction with the Updated Supply Contract (also to be adopted separately by the Electric Utility Enterprise Board), will extend the life of the Platte River organization and commit a portion of ratepayer revenues to Platte River for wholesale power costs for an additional fifteen years beyond the current term.

BOARD / COMMISSION / COMMITTEE RECOMMENDATION

Platte River hosted a joint work session with all four owner communities on June 20th. Four council members and the Mayors were in attendance. What was presented at that time is substantially the same as what is presented as part of this ordinance.

A staff presentation was made at the August 26th work session, also highlighting these changes. Council requested information on Platte River's history and intentions to utilize renewable energy credits (RECs). In confirming with Platte River, staff understands that Platte River has purchased RECs in the past to help meet the State's renewable energy standards. Today, Platte River meets these obligations directly from its contracted renewable generation and moving forward it does not anticipate purchasing market RECs.

The other three owner communities are working to approve both the Organic Contract and Power Supply Agreements in September or early October.

On August 12, 2025, Staff presented to the Energy Board related to the high-level changes intended for both the Organic Contract and Power Supply Agreements. The Energy Board recommendation will be provided to Council in the September 11 packet.

PUBLIC OUTREACH

No public outreach was identified outside of the Council and Energy Board considerations.

ATTACHMENTS

First Reading attachments available in September 16, 2025, agenda materials at the following link:
<https://fortcollins-co.municodemeetings.com/>

1. Ordinance No. 018