

AGENDA ITEM SUMMARY

City Council



STAFF

Brian Tholl, Utilities, Energy Services Manager
Phil Ladd, Utilities, Utilities Finance Manager

SUBJECT

First Reading of Ordinance No. 003, 2024, Authorizing Transfers and Reappropriation of Funds Previously Appropriated for the Utilities' Grid Flexibility Programs.

EXECUTIVE SUMMARY

The purpose of this item is to receive approval for the funding of grid flexibility programs through the appropriation of prior year reserves and reappropriation of previously approved Light and Power funds. The ordinance does not appropriate any new funding, but rather optimizes previously appropriated funds to accelerate progress toward Our Climate Future (OCF) goals.

STAFF RECOMMENDATION

Staff recommends adoption of the Ordinance on First Reading.

BACKGROUND / DISCUSSION

Fort Collins Utility Services ("Utilities") has 10+ years of implementing grid flexibility programs, which have been branded as "Peak Partners." Utilities has regularly included both ongoing and enhancement offers through the Budgeting for Outcomes (BFO) process to build a portfolio of capabilities for grid flexibility. Grid flexibility is the ability to develop and utilize technology and systems to match community electricity load with available energy resources for economic, distribution, grid benefits, or carbon reduction purposes. This capability is foundational to the continued development of a virtual power plant in partnership with Platte River Power Authority.

Utilities staff is proposing a series of transfers of previously appropriated funds within the Light and Power Fund to further ongoing grid flexibility efforts. The total amount of funding across the two-year cycle of 2023/2024 will not change under the proposal, rather, it would be repurposed for implementation of similar technologies and will result in similar outcomes. The goal of the funding reallocation is to better align the approved 2023/2024 budget with the business needs and in response to changing program, business, and customer dynamics, while achieving the grid flexibility goals in Our Climate Future.

Staff recently proactively stopped work on a project that was identified and approved in the 2023/2024 budget process as offer, "Grid Flexibility Communication Protocol," due to the absence of technologies available in the market. While initiating the project, staff learned that solar/battery manufacturers have inconsistent technical capabilities which could have prevented staff from effectively communicating with customer installed solar/battery equipment. Staff assessed the risk of continuing the project, determined it

to be too high, and made the recommendation to cancel work immediately. Any negative impacts attributable to the unforeseen challenges of this project have been mitigated.

Additionally, customers unexpectedly oversubscribed to the approved 2023 thermostat replacement budget offer, creating a waitlist of over 380 customers. Staff proposes to transfer funds to the thermostat offer from other technology asset offers, taking advantage of customer’s thermostat demand to increase progress towards meeting 2030 OCF goals.

A summary of the funds redistribution is provided in Table 1 below, and followed by a narrative and justification.

Offer Description	Offer Type	Original 2023 Budget	Original 2024 budget	2024 Budget Difference	2024 Revised Budget
Ongoing Demand Response	Ongoing	\$ 860,000	\$ 900,000	\$ 291,202	\$ 1,191,202
Water Heaters	Capital	\$ 175,000	\$ 355,000	\$ (148,985)	\$ 206,015
Electric Vehicles	Enhancement	\$ 100,000	\$ 100,000	\$ -	\$ 100,000
Thermostats	Capital	\$ 100,000	\$ 100,000	\$ 107,783	\$ 207,783
Communication Protocol	Enhancement	\$ 200,000	\$ 50,000	\$ (250,000)	\$ -
Total				\$ -	\$ 1,705,000

Staff recommends redeploying the following appropriated 2023/2024 funds to support a faster and larger implementation of proven technologies that minimizes risk to Utilities:

- \$250,000 from Budget offer “Utilities: Light and Power: Grid Flexibility Communication Protocol Project” and
- \$148,985 from offer “Utilities: Light and Power - Grid Integrated Water Heater Installations”

This requires reappropriating \$200,000 from 2023 approved budget in Light and Power reserves and redeploying \$50,000 from the 2024 budget offers through the following funding allocations:

- \$107,783 to Offer “Utilities: Light and Power - Direct Install Demand Response Thermostat Replacement.” This recommendation better leverages the fixed cost of standing up a technology refresh program by increasing the overall number of units deployed in the same period, and
- \$291,202 to Offer “Utilities: Light and Power - Demand Response.” The extra funds will be used to expanded hosting software services, expanded project management, customer care, and field services.

CITY FINANCIAL IMPACTS

The Ordinance does not appropriate any new funding. The Ordinance provides for the use of existing appropriations for similar intended purposes which would otherwise be paid from Light and Power reserves.

BOARD / COMMISSION / COMMITTEE RECOMMENDATION

The proposed strategy for 2024 funding was presented to the Energy Board on October 12, 2023. A motion was made to support and was unanimously supported.

PUBLIC OUTREACH

None.

ATTACHMENTS

1. Ordinance for Consideration