

UTILITY DIRECTORS MEETING

Friday, October 16, 2020
10:00 a.m. – 1:00 p.m.

Conference call/Teams

AGENDA

- | | |
|--------------------------------------------------------|-------------------------------|
| (1) Estes Park technical discussions | Reuben Bergsten |
| • None | |
| (2) Fort Collins technical discussions | Tim McCollough/Theresa Connor |
| • Net metered solar requests from industrial customers | |
| (3) Longmont technical discussions | David Hornbacher |
| • None | |
| (4) Loveland technical discussions | Joe Bernosky |
| • None | |
| (5) Platte River technical discussions | |
| • 1% self-generation | Sarah |
| • Resolution bullets | Sarah |
| • Budget updates | Dave |
| • Series KK bond issuance | Dave |
| • New solar | Andy |
| (6) Roundtable | All |

UPCOMING TOPICS



Estes Park • Fort Collins • Longmont • Loveland

Memorandum

Date: 10/16/2020

To: Owner community utility directors

From: Sarah Leonard, general counsel

Subject: Interpretation of one-percent limit under power sales agreements - DRAFT

Background

The Power Sales Agreements between Platte River Power Authority (Platte River) and each of its owner communities are the foundation upon which Platte River's financial stability rests. Subject to limited exceptions, each Power Sales Agreement obligates the applicable owner community to purchase from Platte River "all electric power and energy [the owner community] requires for the operation of its municipal electric system to the extent that Platte River shall have such power and energy available."

Each owner community is permitted to "generate power and energy for its own use from any new generation resource(s) owned and operated by [the owner community] provided that the total rated capacity of all such new generation is no greater than 1,000 kW or one percent of the peak load of [the owner community], whichever is greater."

The contractual limit on owner communities' freedom to deliberately reduce their reliance on Platte River power and energy is a fundamental tool to enable Platte River to comply with master bond resolution covenants and maintain high credit ratings.

Interpretation

In recent years, Platte River and its owner communities have discussed how to implement the one-percent limitation. This memorandum summarizes how Platte River and the owner communities have agreed to interpret and apply the limitation.

Time and Basis of Measurement

- The one-percent limitation is calculated based on the applicable owner community's historic non-coincident peak load (measured as demand over an integrated hourly period). For example, if an owner community's highest non-coincident peak load happened five years ago and was 250 MW, the one-percent limitation for that community would be 2.5 MW.
- The size of an owner community's owned and operated generation is determined based on the following:
 - facility output rating in alternating current (as opposed to direct current), and
 - facility output net of station service.

If actual values are not available or difficult to obtain, the owner community will provide estimated values.

Owner Community-Owned Generation Above Allowed Capacity; Other Exceptions

If an owner community owns and operates facilities with aggregate output ratings above the one-percent limit, Platte River will purchase the output from the excess capacity (through a power purchase or similar agreement) and resell it to the owner community. Platte River will invoice the owner community for the excess generation, grossed up for distribution losses, so the generation does not reduce the owner community's purchases from Platte River. Platte River purchases and credits the owner community for this excess energy based on the marginal value provided to Platte River's system during the hour when the excess energy was produced. Platte River does its best to prevent these kinds of power purchase agreements from adversely affecting other owner communities.

Over the years, Platte River and its owner communities have continued to clarify their mutual understandings of other generation development activities (particularly distributed energy resources) that could affect how much energy an owner community requires for operation of its municipal electric system (as well as its non-coincident peak load). These include power production resources (for example, rooftop solar panels and emergency backup generation) located on or at an owner community's municipal facilities. This memorandum is not intended to revisit or modify how Platte River and the owner communities have developed and memorialized those further understandings.

Subsequent Changes to Load

If the annual non-coincident peak load of an owner community decreases after the owner community has installed new generation based on the one-percent limitation, the owner

community may continue to rely on its historic peak. There is no obligation to scale down output or capacity of owner community generation.

If the annual non-coincident peak load of an owner community increases after the owner community has installed generation based on the one-percent limitation, the owner community may expand an existing facility or install new facilities, so long as the owner community's aggregate self-generating capacity does not exceed one percent of its newly established non-coincident peak load. If the aggregate capacity of existing facilities owned and operated by an owner community exceeds the one-percent limitation and its non-coincident peak load increases, the increased allowance will apply to the owner community's facilities.

To simplify billing adjustment timing, Platte River and each owner community will review for changes to non-coincident peak load on an annual basis. Any billing changes driven by increased peak load figures would be implemented starting Jan. 1 in the first year after a new peak load occurred.

Treatment of Power Purchase Agreements

The Power Sales Agreements are clear that the one-percent limitation permits generation resources "owned and operated" by the applicable owner community. An owner community that wishes to develop local energy resources through a power purchase agreement may not rely on the one-percent limitation to do so. Instead, Platte River and the owner community will coordinate in the same way described above under *Owner Community-Owned Generation Above Allowed Capacity*.