



Boulder's Path to Municipalization

APPA National Conference: June 17, 2014

Agenda



- I. Community Introduction**
- II. Why Municipalize/History**
- III. Evaluation Process**
- IV. Where We Are Today**
- V. Our Vision – Utility of the Future**
- VI. Challenges**
- VII. Discussion and How to Stay Informed**

Community Introduction

**CLEAN
LOCAL
ENERGY**

reliable
low-cost
possible

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Community Introduction



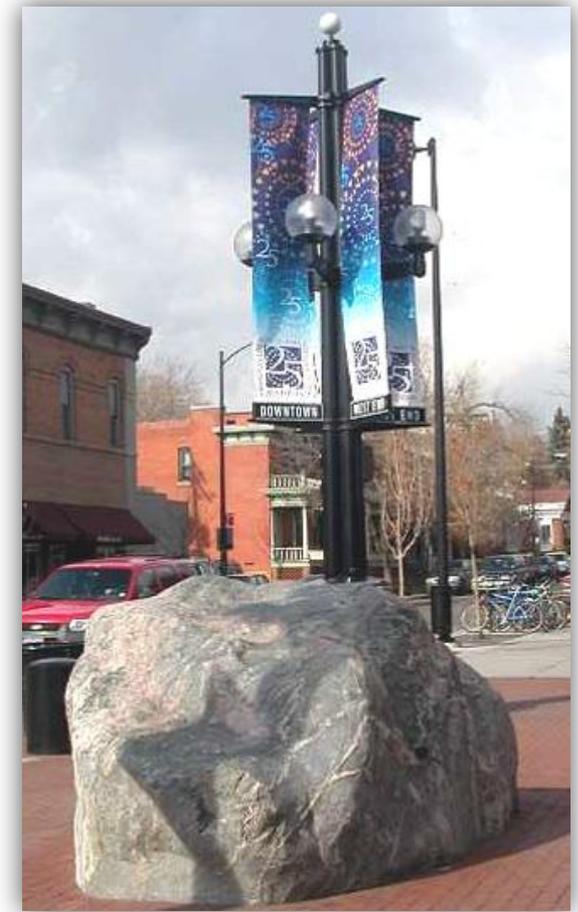
- 25 miles north of Denver
- ~ 100,000 residents (280k in county; 4.3 million in Front Range)
- ~ 50k daily in-commuters
- ~ 100k jobs/6% unemployed
- 25 square miles of urban area
- 95 square miles of open space



Community Introduction



- In the 2012 general election almost 93 percent of voters cast ballots; similar turn out as in 2008
- Regularly recognized as one of the most educated cities in the nation
- 2010 Gallup-Healthways: #1 in overall well-being and work experience, near the top of the list in healthy behaviors, physical health



Community Introduction



- First community to tax itself to preserve open space
- First mandatory green building requirements
- First “carbon tax” in US
- Leader in creating effective and replicable energy efficiency and conservation programs



Why Municipalize?

CLEAN LOCAL ENERGY reliable low-cost possible

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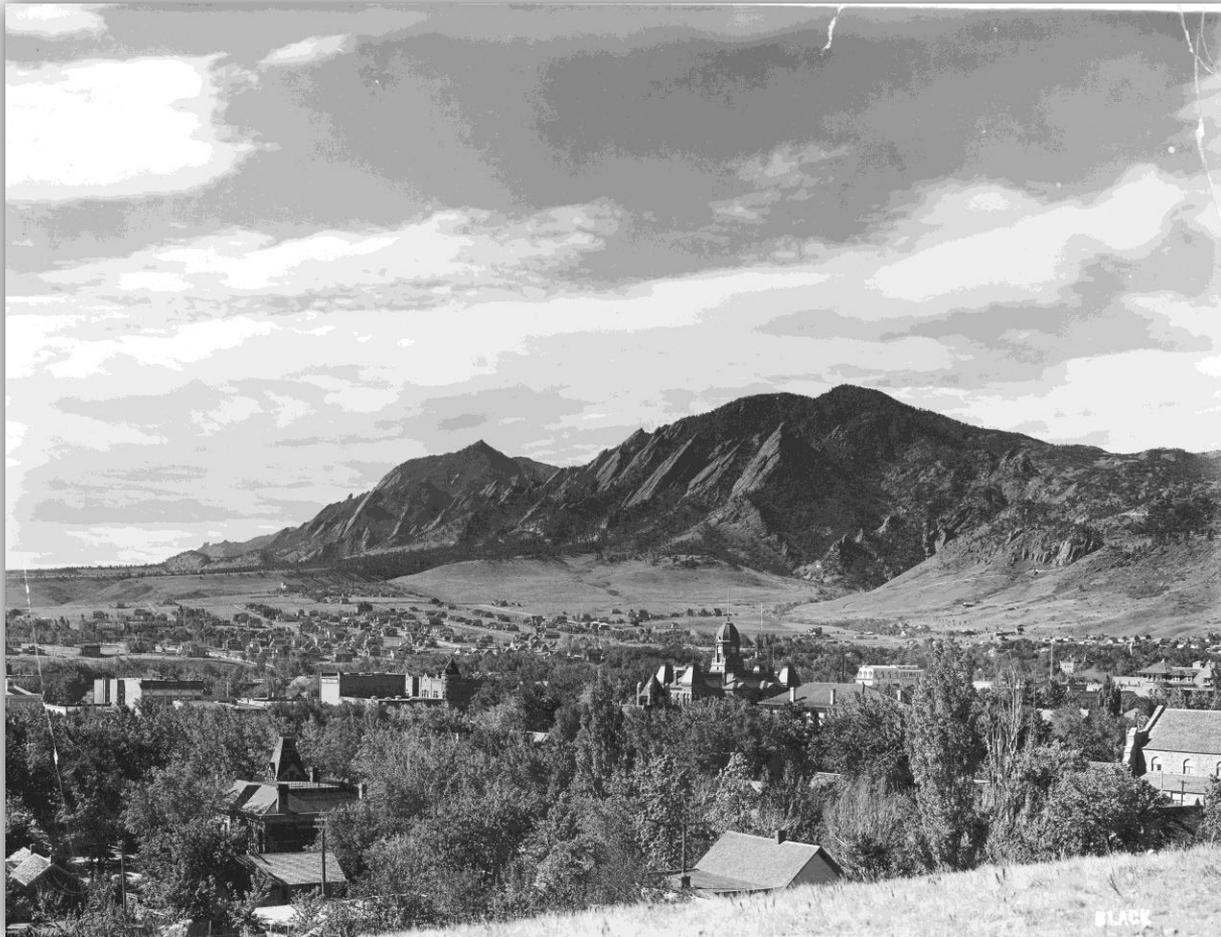


History of Municipalization

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History of Municipalization

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Boulder Electric Light Company

An Ordinance # 266

Granting A Permit To The Boulder Electric Light Company And Their
Assigns To Use The Public Streets And Alleys Of The City Of
Boulder For Constructing, Maintaining And Operating Lines Of
Electric Light Wire.

Be it ordained by the City Council of the City of Boulder:

Section 1. There is hereby granted to the Boulder Electric Light
Company and its assigns a permit, for a period of twenty years

unless sooner ended by the election of the City Council, for the
use of the public streets and alleys of the City of Boulder, for
constructing, maintaining and operating lines of electric light

wire (including the right to set poles therefor), along such
streets and alleys; but such lines shall be constructed and maintained
so as not to obstruct or hinder the usual travel and other legitimate

uses of such streets and alleys, and so as not to interfere with any
rights of private parties owning or using property contiguous to any
portion of such streets and alleys along which such lines may extend.

The use of said streets and alleys in the construction, maintenance,
continuance and operation of said lines shall at all times be subject
to the regulations of the City of Boulder in the premises, which may

exist at any time or be made in the future, whether by ordinance,
resolution or other order. Before this permit to take effect, (Parties
to whom permit is granted, in the sum of \$5000.00, satisfactory to
and approved by the City Council to hold the City harmless for any
liability incurred ^{by said parties} by such use of streets and alleys.

Passed March 6, A.D. 1895.

March 6, A.D. 1895.

Why Municipalize?



- **2005** – City started researching power supply options
- **2006** – Boulder voters pass nation’s first carbon tax
- **2010** – Franchise with Xcel expires, city decides not to renew after extensive negotiations; Boulder voters approve utility occupation tax to replace franchise fee
- **2011** – Continued negotiations with Xcel, which included potential “wind agreement;” wind deal did not meet community goals

Why Municipalize?



Initial motivation stemmed from Boulder's Climate Commitment -

- Integrated planning initiative to **reduce greenhouse gas (GHG) emissions** from city operations and community at large
- In July 2013, council provided direction to formulate strategy to achieve **80 percent GHG reductions** below 1990 levels by 2050

Why Municipalize?



Other Benefits:

- **Rates** - Stable, predictable, competitive, dynamic
- **Reliability** - Resilience through upgrades and local generation
- **Local Economic Development** - Reinvesting locally, platform for innovation
- **Local Decision-making** – Increasing the voice of customers in decisions about rates and investments

Why Municipalize?



It's about Decarbonization, Decentralization, and Democratization of our Electricity Services



Why Municipalize?



Community members engaged and vocal on the topic of clean energy



Why Municipalize?



What we want ↓



What we have ↓



History



- **November 2011** – Boulder voters passed measures to fund a careful evaluation of municipalization (\$1.9 million a year) and establish Charter requirements that would drive creation
- **January 2012 to August 2013** – Conducted analysis to determine if municipalization could meet Charter requirements and add community value

Evaluation Process



Evaluation Process



City of Boulder Charter requirements:

- Rates equal to or less than Xcel's at acquisition
- Sufficient revenue to cover operating costs plus earn a debt service coverage margin of 25%
- Reliability comparable to that offered by Xcel
- Increase renewable energy and decrease emissions
- Independent 3rd party review
- \$214 million cap on debt for acquisition
- Representation of any non-city customers

Evaluation Process



Rigorous quantitative analysis:

- Detailed data collection, vetting and modeling of baseline and alternative scenarios
- Working groups formed to advise staff
- Models approved by independent 3rd party
- Showed it was not only feasible but there are several models under which we could make significant environmental progress while keeping rates on par over 20 years and improve reliability

Evaluation Process



Rigorous qualitative analysis:

- Evaluated existing publicly owned utilities (POUs)
- Learned there are exemplary POUs with proven track records in many areas including rates, reliability and renewable energy

Evaluation Process



What we learned from other POUs:

- *Hermiston, OR, HES est. 2001*
 - Low Rates - well below average rates IOUs charge residential & commercial customers
- *Sacramento Municipal Utility District, CA, est. 1946*
 - Renewable Energy - one of nation's top 4 utilities to implement green programs, increase solar & see high participation rates

Evaluation Process



What we learned from other POUs:

- *Denton Municipal Electric, TX, est. 1905*
 - Economic Development - jobs created through utility, business development to improve efficiency & renewable energy
- *Jefferson County, WA, est. 2008*
 - Decreased CO₂ Emissions: Over time rates projected to be lower than IOUs with decreased carbon emissions

Evaluation Process



What we learned from other POUs:

- *Winter Park, FL, est. 2005*
 - Increased Reliability - POU formed due to outages with IOU; strong program to improve reliability includes putting significant portion of power lines underground
- *Fort Collins Utilities, CO, est. 1887*
 - Resilience & Reliability - one of the most reliable electric distribution systems in the country, 99% of lines underground

Evaluation Process



What we learned from other POUs:

- *88 new public power utilities have formed in United States in the last 40 years:*
 - Formed in half the US states
 - The largest serves over a million customers, the smallest just a few
 - In the last 10 years 17 new POUs have formed
- *Colorado has 29 public power utilities including Longmont, Fort Collins and Colorado Springs*

Where We Are Today

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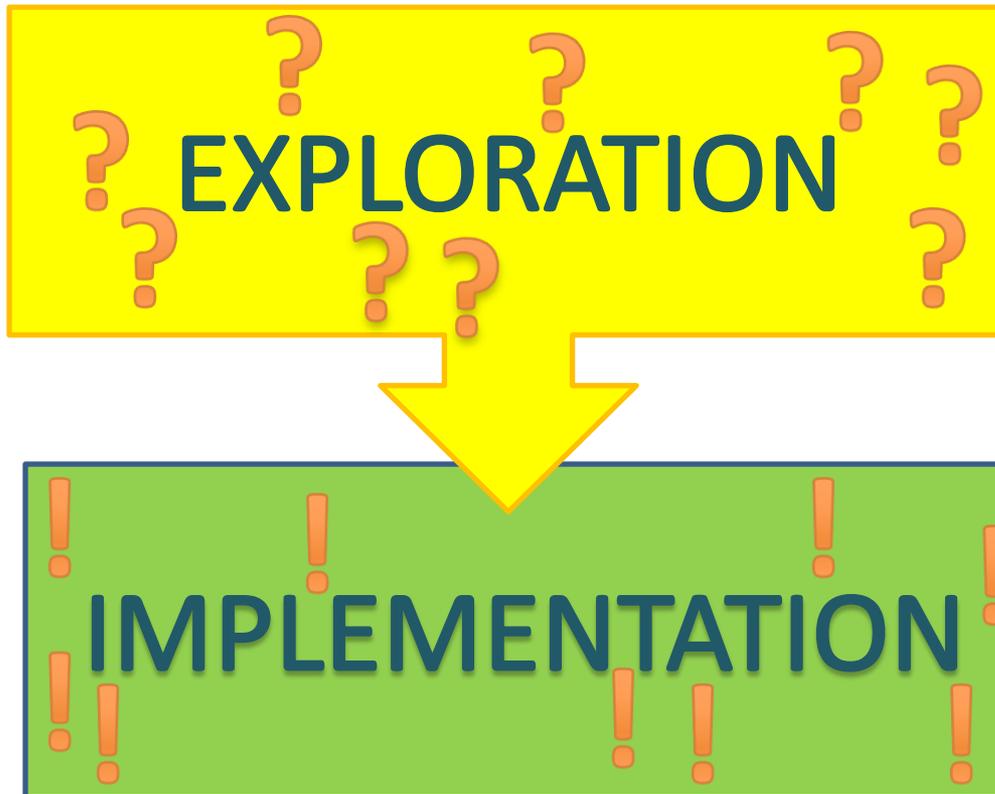


Where We Are Today



- **August 2013** – Council authorized filing of condemnation to acquire Xcel assets if negotiations fail
- **November 2013** – Boulder voters defeated opposing ballot measure, reaffirmed commitment
- **Fall 2013 – ongoing** – Legal and regulatory processes; transition planning; additional community visioning

Where We Are Today



Where We Are Today



Refined goals for implementation:

- Position the city to safely, reliably and cost-effectively operate the electrical system
- Integrate the utility with the city organization
- Provide a seamless customer interface
- Manage legal, regulatory and technical issues, processes and requirements
- Proactively identify and mitigate risks

Where We Are Today



We're developing a transition plan, or roadmap, for implementing a retail utility operation.

Key Milestones:

- Day 1 (3rd quarter 2016) – City funds local electric system & takes ownership of assets
- Day 2 (18-24 months after Day 1) – City completes separation from Xcel Energy & assumes full operation
- Post Day 2 – Transition to the utility of the future

Where We Are Today



Legal and regulatory outcomes will determine which scenario will be implemented.

Areas of activity:

- Condemnation
- PUC
- Federal Energy Regulatory Commission (FERC)

Vision – Utility of the Future



Vision – Utility of the Future



“The Utility of the Future connects the wants, needs and desires of the user with the core values of the community in the most efficient and sustainable way possible.”

How can Boulder -

- Focus on customer choice & treat energy as a service not a commodity?
- Become a hub of innovation and technological advances?
- Change the business model to reflect the values & economics of the 21st century?



Vision – Utility of the Future



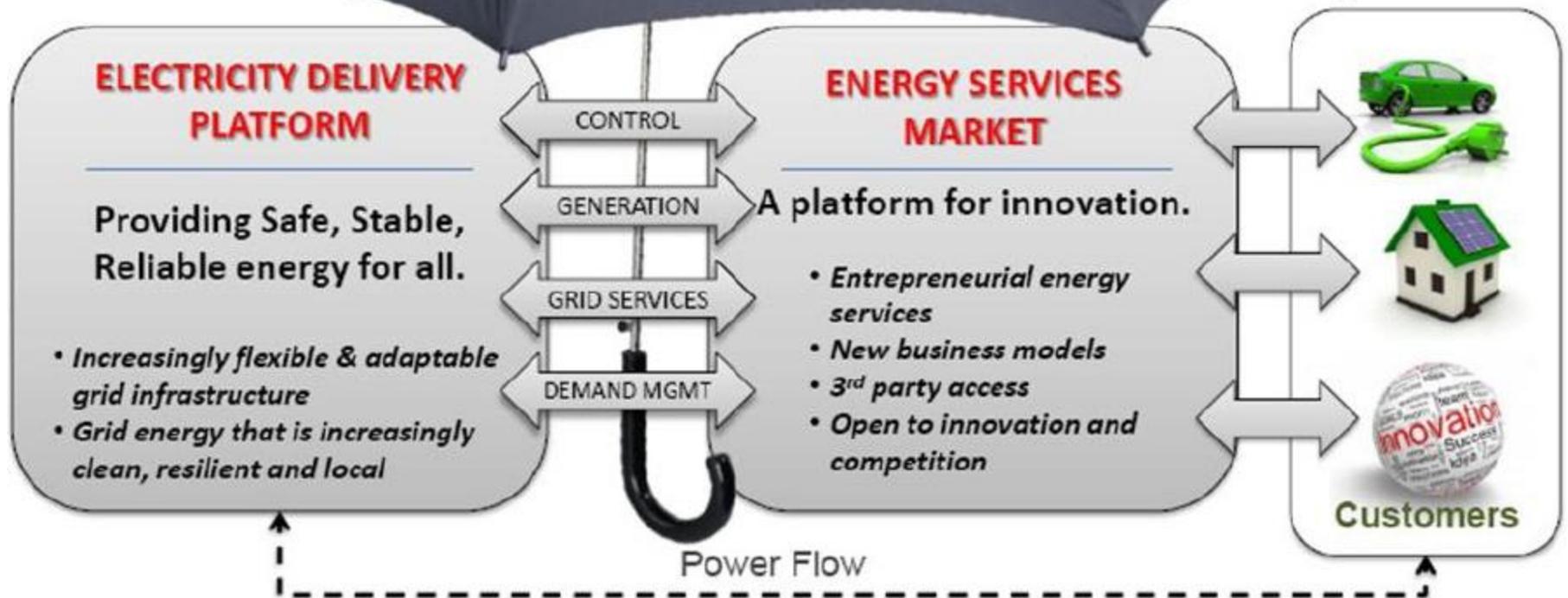
**The energy utility market is changing.
This shift is necessary and inevitable.**

Current Business Model



Desired Business Model

BOULDER ENERGY COMMUNITY MARKETPLACE



Vision – Utility of the Future

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Can I charge my electric vehicle with solar?

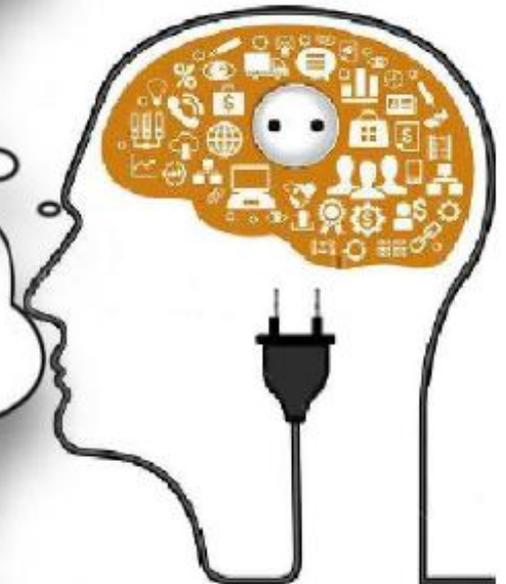
Can my business create and store energy on-site?

How do I choose the rate that works best for me?

Will the utility help me finance new efficient windows or solar?

How can the utility help customers on low- or fixed incomes?

Can I generate my own energy and sell/donate the excess?



Challenges



- Largely uncharted legal and regulatory areas PLUS an uncooperative seller
- Big-bucks campaign to defeat efforts, including hiring of anti-municipalization consultant; currently incorrectly quoting cost numbers and calling them “city numbers”
- Confusion within the public, leveraged by those who oppose municipalization who are, in some cases, being backed in a non-transparent way by Xcel Energy

Challenges



Example email from person working for Xcel's paid anti-municipalization consultant:

Subject: Boulder Energy Municipalization

Hi,

My name is [REDACTED] and I'm reaching out to you regarding Boulder's attempt to municipalize their electric utility.

I'm working with a group of concerned Boulder citizens who believe that the city's municipalization plan contains serious flaws, which could potentially:

- Place Boulder's renewable energy goals at risk or out of reach
- Reduce reliability and increase costs
- Financially impede other city priorities and opportunities

If you'd like to learn or become more involved in our efforts please see the attached fact sheet and get back to us at [REDACTED]

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Transparent Municipalization

Challenges



- Unproductive task force process
- Skepticism by some in the business community
- The need for two different transition plans, depending on whether Xcel is required to work with us

Discussion and Stay Informed



Follow along at www.BoulderEnergyFuture.com

- Sign up for E-News updates and newsletter
- Use online comment form for questions, feedback or suggestions

Send an email to staff team

- energyfuture@bouldercolorado.gov

Contact Heather Bailey with questions/comments

- BaileyH@BoulderColorado.gov or 303-441-1923