

April 16, 2014

Dear ,

Thank you so much for sharing your numbers regarding the budget for Boulder's Energy Future Project, including the exploration of municipalization. We welcome the opportunity to address your concerns.

I have a correction to share with you, in addition to a very different perspective about what you are choosing to include in money "spent" on municipalization.

The line item in which there is a clear discrepancy is in the 2013 budget. Our records show that we had non-staff time expenditures last year totaling \$2,512,615, rather than the \$3,251,935 shown in your figures. I realize that you pulled your numbers from media reports, but the \$2.5 million is a more accurate reflection of our expenditures and what was reported to council in the December 17 budget update.

In addition, the actual amount spent for 2012 was \$1,033,761 for non-staff time versus your \$1,477,254.

With these changes, it is our position that the budget associated with the exploration of municipalization, *as of the end of 2013*, which is the last complete year of accounting, has been \$3.5 million.

We are still compiling all of the figures associated for 2014 and will be providing an update to City Council later this year. I am not disputing the amount you have indicated for 2014, nor the fact that this amount is likely to increase due to a variety of reasons related to Xcel Energy's lack of willingness to work with the city on this effort. However, I believe it would be more appropriate to assess the 2014 budget later this year when more complete figures and context are available.

So, in the meantime, let's look at what else you are including in your pre-2014 figures.

I see that you have chosen to include the estimated staff time expenses for 2013 and 2012 in your figures. While the team compiled these figures at the request of some members of City Council, we do not consider this estimated \$600,000 for 2013 nor the amount you had included as part of our 2012 spending to be part of our project budget. It is a routine and long-standing practice for city staff members from across the organization to be assigned to large city initiatives to provide their expertise. Most, if not all, of these staff members are continuing to perform their regular duties as well. This practice allows us to leverage existing resources in a way that is more fiscally prudent than hiring additional consultants to do this same work. Contributions of this type have never been considered part of the budget of any other city initiative, and we believe it is misleading to characterize it as you have.

Likewise, we respectfully disagree with your inclusion of the \$4.8 million – more than a third of your total estimate -- in undergrounding fee revenue that Xcel is choosing to withhold from Boulder. As long as Xcel provides our electricity, we are required by state regulations to pay into the undergrounding fund. This is true for Boulder County as well, although the county does not and never has directly benefited from the fund. It is unfortunate that Xcel has chosen to continue to collect this money without benefiting Boulder after we declined to renew our franchise agreement. This is, in fact, an area that we may choose to dispute later. It is not in any way accurate, however, to suggest that this money amounts to an expenditure related to municipalization or that it could be reallocated for any other use by the city.

To continue on the topic of funds that are going toward Energy Future and municipalization exploration work being applied to other uses, this is not something the city could legally do. In 2011, Boulder voters passed a specific tax to be used for these purposes, and City Council and city staff could not choose to ignore this mandate even if we wished to.

Finally, I would like to offer some context on the scale of the numbers. In 2012, Xcel Energy made approximately \$35 million in profit on City of Boulder customers alone. A municipal utility, if created, would generate net revenues with no obligation to turn a profit for shareholders. Instead, existing municipal utilities, of which there are 29 in Colorado, are able to reinvest any excess revenue beyond what's needed to run the utility to achieve community priorities, including lowering customer rates, improving the system, increasing the resilience of the system in the face of natural disasters such as fire or flood, energy efficiency and conservation, investing in renewable energy and market innovations, etc. There are myriad potential local uses for \$35 million a year here in Boulder.

I hope the information above is helpful in providing a complete and accurate picture of the investment our community is making in this important initiative, as well as the potential value it could have for us over time. I have watched your video and I hope at some point we are able to get together to discuss the concerns you have about a city-owned electric utility.

Sincerely,

Heather Bailey,
Executive Director of Energy Strategy and Electric Utility Development
City of Boulder