# City of Boulder & Xcel Energy Working Group

Summary of May 13, 2013 Meeting

The following document is a summary of the proceedings of the City of Boulder & Xcel Energy Working Group at their May 13, 2013 meeting.

I. **Partnership Components**

a. Wholesale contracts will be subject to Federal regulation. Xcel's preference is to maintain Boulder as a retail contract/customer. But is willing to talk about different wholesale pricing within a retail contract.

b. There are ways to provide the "highest level of reliability", but customers pay for that. The better question is perhaps, what is needed to provide Boulder's reliability needs. [IDEA – Baseline reliability across the system, then determine different areas of the city that may need a different levels of reliability to accommodate new technologies.]

c. We discussed the possibility that Boulder may want a different grid configuration. Can Boulder identify areas within this grid which would be different in reliability, source of energy, etc.?

d. The working group would like to reach consensus on a process for unwinding, should that be necessary. Almost like a prenuptial agreement. We don't want to plan on the relationship failing, but we do want to cover all eventualities. Any contract will probably require some unwinding component. We cannot resolve the actual costs, but we may be able to agree upon a defined process with assumptions and variables.

e. We need to further define what Boulder means by "joint decision making."

f. A conflict resolution process will need to be further defined and discussed.

II. **Charter Amendment**

a. We briefly discussed the current proposed charter amendment by some Boulder citizens. We were reminded that Xcel and Boulder were both continuing their efforts outside this group, but the focus of this group is to find a collaborative solution and propose this to City Council in July. We agreed that these types of issues will come and go and should not impact the work of this group.

III. Idea Matrix Discussion

a. Phased Community Choice Aggregation (PCCA). There was extensive discussion of the plan as outlined in the Idea Matrix. It is similar to Boulder-Xcel plan proposed by the City, but there are significant differences and the plan is more evolved.

b. Points of discussion;

i. Establishing a verifiable way for communities to choose their energy source, based on needs and profile, and less on capacity is an important component.

ii. Changes must be made to how energy is dispatched allowing for an accurate method to allocate costs and other factors.

iii. Where is the point that added energy resources (wind, solar, etc.) hit capacity and we must deal with the stranded cost issue? Xcel believe this will not happen for some time, allowing us opportunity to discuss and prepare a solution. Boulder provided an explanation of stranded cost evaluation. The equation is less of an issue than the variables and assumptions used to reach the final cost. As a starting point, out idea matrix suggested a possible process, which we'll discuss and evaluate at a subsequent meeting. (There have been several proposed ways to approach this challenge, but additional discussion and refinement is needed.)

iv. One of the major difficulties we face is accessing alternative energy through existing transmission lines.

v. What integrated costs will need to be considered?

vi. Avoided costs will need a capacity component which is transparent. We believe that renewables can be given a capacity rating and this can be resolved.

vii. Is it possible to get approval from the PUC for flexibility with respect to retail pricing rate, maybe a "range of rates"? This would allow a level of flexibility and autonomy for Boulder to set appropriate pricing, but within the package approval set by the PUC. Xcel and Boulder will look at community specific rate design processes.

viii. How will a community make the decision regarding the source of energy they desire? A transparent and fair process will need to be designed.

c. The PCCA proposal attempts to get the wholesale rate, rate to capital, and retail rate correctly identified. Additionally, the PCCA proposal separated out the job of "keeping the lights on."

d. Some identified benefits of the PCCA plan are;
   i. Avoiding stranded cost and condemnation, initially.
   ii. Focuses on getting the wholesale rates right.
   iii. Defines a retail relationship, a pure entity focused on meeting Boulder's needs, while addressing Xcel's concerns.

IV. Xcel's Increased Renewables

a. We briefly re-visited Xcel's proposed renewable mix. They identified a number of ways that the delivery of these increased renewables can be delivered differently than in the past.

b. We began discussing using gas to "firm up" renewables. I believe we agreed this was the best approach. Details will need to be discussed.

V. Boulder said they were putting together a "revised" plan which they'd submit within the week, so we skipped forward to the Aggregated Community Coal Plant Replacement Plan (ACCPRP).

VI. Aggregated Community Coal Plant Replacement Plan (ACCPRP)

a. The intent of this proposal is to provide the ability for participating communities to retire coal plants and permanently reduce carbon output. Communities would be able to aggregate enough capacity to replace a coal plant. The working group agreed on the essence of the plan, with details to be determined. However, there was disagreement once the details moved away from specifically the closing of coal plants.

b. The essence of the plan being;
   i. Participating Communities would determine their community's desire to switch capacity serving their load in whole or part to non-fossil fuel mix, which would be firmed (completely backed up) with Natural Gas (or Storage, Bio-Gas, etc.).
   ii. The option must demonstrate a lower emission per energy produced, to benefit the system as a whole, with lower emissions and risk from carbon prices, should these be implemented.
   iii. Once the aggregated amount of communities' capacity reaches a coal plant equivalent, Xcel would be compensated for the equity in the coal plant and given a chance to compete to reinvest the equity back into the backup gas

plants by bidding competitively for the firm low-emission contract or just a firming contract for an independent low-emission contract.

iv. The coal plant retired would be chosen by the capacity requirement and its emission/kWh being the worst.

v. Xcel would still charge for integration of wind at the same cost as it system wind energy but reduced by any component supplied by the contract, if any. The rest of the required mix would be provided by Xcel as wholesale to the city as a municipal utility operating as described in the PCCA proposal.

c. Our agreed-upon process for determining stranded cost will then apply.

d. We believe this is a market solution to try to get a firm capacity resource with renewable thrown in. The goal being to transform old capacity into a cleaner capacity.

e. The working group liked the fact that this begins to move us toward permanently reducing carbon emissions. (We need more information on both the process and cost of closing down a coal plant. Is there a “resource desire” v. “capacity” part of this discussion?/

VII. Cost

a. We discussed the importance of resolving cost issues. We agreed that unbundling the costs is a necessary step. We also agreed that just introducing a long list of “add on” costs is not the answer. DSM incentives provide some answers, but do not address all the cost concerns.

b. We will examine the cost issue in more detail over the next two weeks. Specifically, what unbundled costs will remain the same? Which can be impacted most effectively? What can be accomplished if we are able to change the pricing outside the PUC? What incentives give us the best results and are most accessible to the full community? What are we able to do with cost management inside the “ring fence”? What type of tiered rates should be proposed?

c. How will Boulder continue to take advantage of Xcel’s DSM programs and add additional ones of their own in an equitable manner?

d. DSM programs need to meet “total resource test.” Who pays when customer defaults? We may need a resolution that involves both partners in the solution.

e. How do we incentivize customers who don’t have discretionary income to take advantage of the incentives?

f. We may establish a sub-group to bring recommendations.