COMMUNITY GUIDE / 2013
QUICK-READ VERSION

CLEAN RELIABLE LOW-COST LOCAL ENERGY

WHAT'S POSSIBLE?

BoulderEnergyFuture.com

City of Boulder

Dear Community Member,

On Nov. 5, Boulder voters will be asked–once again–if they support moving forward with the creation of a local electric utility. This process, called municipalization, would require the city to purchase parts of the system that Xcel Energy currently owns to provide electricity to businesses and residents in the city, as well as a small percentage of customers in unincorporated Boulder County.

As a result of unprecedented analysis, we have learned that Boulder is in a unique position to increase renewable sources of energy and lower greenhouse gas emissions by significant amounts, while also providing comparable or better rates and reliability than those offered by our current provider, Xcel Energy. The analysis also shows a very positive track record that other municipal utilities have in giving their customers a say in decisions that affect them.

Some members of our community have expressed concern that creating a local electric utility would subject the city to unnecessary risk; they are worried about unforeseen costs, reliability, and Boulder's ability to operate the necessary systems.

Whether you are in support or skeptical of a local electric utility, we're eager to share what we've learned through our vetted analysis, so you have a clear picture of our community's energy options. We invite you to find out more, become involved, and share your views with us.

Sincerely,
Heather Bailey, executive director
Energy Strategy and Electric Utility Development

This quick-read guide (the full version is available at BoulderEnergyFuture.com) is being provided so that members of the Boulder community have access to information that has been generated as a result of Energy Future research by staff, consultants, and community working groups.

History

Boulder has one of the most carbon-intensive energy supplies in the country.

In 2002, Boulder became one of the first cities in the nation to pass a resolution in support of the Kyoto Protocol, establishing the goal of reducing greenhouse gas emissions to 7% below 1990 levels by 2012.

Our community has worked hard to get there. In 2006, Boulder voters approved the Climate Action Plan Tax, the nation's first "carbon tax." We have created innovative, nationally acclaimed programs that help our community reduce energy use and greenhouse gas emissions—programs like Energy Smart, curbside composting, and expansion of our bike trail system.

But, as 2012 approached, it became clear that we were not going to meet our Kyoto goal just by changing the way we use our power, even though most of the programs have been very effective.

We realized we had to shift our dependency away from carbon-intensive coal and change the source of our power in order to meet our carbon goals.

Through the approval of ballot measures 2B/2C in 2011, voters directed the city to explore different options that could deliver clean, reliable, local energy to our community in a cost-effective manner.

Over the past two years, teams of city staff, consultants, and community stakeholder working groups undertook a rigorous and detailed analysis of the challenges and opportunities of creating a local power utility as a path to achieving our community energy goals.

We recognize this is just one option. The city has been and remains open to a new form of partnership with Xcel Energy, either in addition to or instead of municipalization. Twelve Boulder citizens—from business, university, federal labs, energy, and non-profit sectors—were selected by the city and Xcel to participate in a task force to explore these options. (A list of the members and the group's complete report are available at BoulderEnergyFuture.com). City Council has directed this work to continue on a parallel track as it begins negotiations to possibly acquire the assets from Xcel Energy that would be necessary to form a local utility.

What we've learned through the local electric utility analysis:

- A local utility, free from state utility regulations and shareholder pressures, would be able to meet voter-approved requirements of increasing renewables and decreasing greenhouse gas emissions

- by significant amounts, while maintaining reliability and rates. A local utility, in fact, would have a strong probability of lowering rates, on average, for a period of 20 years.

- A local power utility would offer at least comparable reliability to what is offered by Xcel Energy, and the community could choose to use revenues from the utility to make service dependability even better.

- Because a local utility would not have pre-existing investments in coal, it would be more agile in responding to favorable market conditions and technology that support the use of cleaner energy sources.

- While the city would issue debt to pay for the acquisition and start up of a local electric utility, repayment of this debt would be included in rates. Xcel uses this exact same system to pay off debts it has incurred over the years, so customers are already feeling the impact of making these payments.

- The city has identified possible risks and developed a variety of strategies for eliminating or mitigating them.

- For reliability purposes, and due to the current system's configuration, acquisition of Xcel's system would require acquisition of facilities that currently serve approximately 5,800 non-city residents and some businesses.

Possible benefits of a local utility:

- A local electric utility based on Boulder values would be uniquely positioned to increase renewable sources of energy and decrease harmful greenhouse gas emissions, with progress starting on the first day of operation.

- Revenue collected from customers would stay within the community, supporting local businesses, and Boulder residents and businesses would have much more direct say in how and where their energy dollars are invested.

- A local utility would stimulate Boulder's economy by providing

partnership opportunities and enhancing Boulder's reputation as a hub for clean energy innovation.

Possible concerns associated with a local utility:

- Some costs related to acquisition and start up are still unknown and could come in higher than the city has projected. This might result in higher costs for customers.

- The process to determine these costs is likely to include lengthy and expensive court disputes, utilizing financial resources that might be used in other ways.

- The benefits to municipalization could be outweighed by risks, as well as by potential negative impacts on business customers, in particular. High debt amounts could limit the local utility's ability to innovate and acquire clean energy while still meeting financial requirements in the charter.

Detailed information on this analysis is available at **BoulderEnergyFuture.com.**

Last time we voted ...

Measures 2B/2C, approved by voters on the 2011 ballot, included several conditions that must be met before moving forward with creating a local electric utility. The requirements are:

- Rates must be equal or less than those offered by Xcel Energy at the time of acquisition.

- The utility must have sufficient revenue to cover operating costs and debt, plus carry a reserve of 25% of the debt amount, referred to as "Debt Service Coverage Ratio."

- Reliability must remain comparable to that being offered by Xcel Energy.

- There must be a plan to increase renewables.

- There must be a plan to decrease greenhouse gas emissions.

The analyses conducted to date and reviewed by an independent third-party reviewer have demonstrated that these requirements can be met given currently available information.

This november, you will be asked to vote again.

A group petitioned to place a ballot item on this year's ballot in opposition to the authority that was granted in the 2011 vote. As a result, voters will see TWO ballot measures related to creating a local energy utility on the ballot this November.

One measure was created in support of a local utility. It provides the city flexibility in moving forward with the initial voter-approved path toward exploring the creation of a local electric utility, while also recognizing concerns about unforeseen costs and customer representation. It specifically:

- Sets a debt limit of $214 million for acquisition of Xcel's assets, but does not limit the issuance of other debt, as long as previous charter requirements can be met*
- Allows potential out-of-city customers to serve on the advisory board of a potential local electric utility
- Facilitates utility choice on a neighborhood by neighborhood basis to those potential out-of-city customers
- Sets standards, including explicit language that prohibits differences in rates, for how the city would serve out-of-city customers
- Limits brokerage fees associated with acquiring debt to industry standards

**Subject to Council's final determination on August 20. Check BoulderEnergyFuture.com for updates.*

The other measure is an initiative by petition that limits the city's ability to carry out the previously approved vote by requiring additional approval by all utility customers before the issuance of any debt, regardless of whether charter conditions are met. It specifically:

- Requires future voter approval of any debt prior to issuance
- Limits such votes to November of odd-numbered years, in effect delaying all debt issuance until after November 2015
- Limits the ability of the city to serve out-of-city customers unless they vote in any city election related to utility debt (but does not set up a legal procedure to allow this)

- Limits brokerage fees on issuing any debt to 1% of proceeds

Is the city capable of running an electric utility?

Boulder currently operates three utilities. Boulder's water utility dates back to 1874, when voters passed a bond issue to publicly fund the city's water works. The city sought and received voter approval for sewer bonds in 1895, and established a municipal flood-control and storm water management utility in 1973.

Today, these utilities all have AAA ratings and rates are on par with peer utilities across the Front Range. None of Boulder's current utilities rely on tax revenue––each utility's rates and fees pay for the services they provide as well as any overhead.

Cities that have leveraged their electric utilities and begun the process of leaving behind the existing outdated utility model have experienced success in attracting new businesses and reducing carbon emissions. Municipal electric utilities close to home are thriving and have invested their revenues in measures that are benefitting businesses and the local economy. In Fort Collins, this has involved underground all of the city's electric lines to increase reliability. Longmont recently announced that it is planning to use electric utility savings to install fiber for high-speed Internet throughout its community.

What's next?

While some details will become clearer after City Council takes action and provides additional direction on Aug. 20, our energy future is likely to involve one of the four following scenarios:

1. Council directs staff to move forward with the exploration of municipalization and acquire from Xcel the electrical system serving the city.
2. Council directs staff to move forward and continue evaluating a new business relationship with Xcel Energy.
3. Council decides to approve both of the above options and move them forward on parallel paths for a final determination about which path is best in the future.
4. Council directs staff to wait until the community votes on the issue to take any additional, concrete steps toward creating a local electric utility.

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