

KNOW YOUR POWER **A Community Guide**

Key Questions & Answers About Boulder's Energy Future

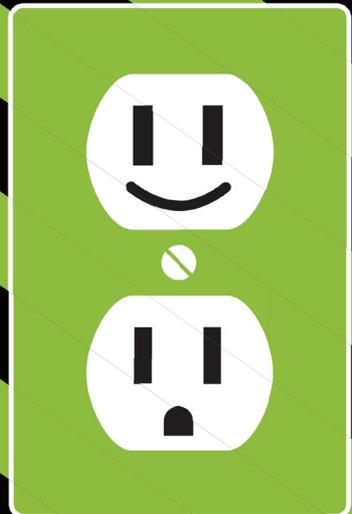


Table of Contents

| | |
|----|--------------------------------|
| 2 | A Letter from the Mayor |
| 3 | First Things First |
| 4 | Boulder's Energy 101 |
| 8 | So What Are the Options? |
| 10 | Local Utility: Technical Specs |
| 14 | Management & Governance |
| 15 | Financial Considerations |
| 18 | Legal |
| 19 | What If |
| 20 | Glossary Link |

Dear Boulder Residents and Businesses,

This is an important moment in Boulder's history. With the support of voters in last November's election, the city initiated an effort to study our energy supply options for the future. This community guide attempts to summarize what we have learned and to answer many of the questions we've heard so far. I hope you will take this opportunity to read it and then join in the discussion.

The very nature of our franchise agreement with Xcel Energy, and its renewal every 20 years, suggests a window of time when our community can—and should—consider its energy goals and options. Carefully exploring all our options is not “declaring war” or suggesting that we should go boldly forward with change simply for the sake of change itself. It is our responsibility to understand our choices in a time of great innovation, and in light of our community's deep concern about climate change.

In 2006, Boulder became the first city in the country to tax itself to lower its carbon emissions (CAP Tax). Then, last November's 2-to-1 vote supported taking the time and spending the money to explore ways to achieve our community's goals for an energy supply that is cleaner, reliable and competitively priced, with as much local generation and decision-making as possible. That is what this effort is about.

Throughout June and July, City Council and city staff will be reviewing and analyzing a lot of information that has been prepared over the past year about our energy supply, as well as our options. These options are discussed throughout this guide. If we decide to pursue a new partnership with Xcel Energy, the city will work diligently to seek an agreement that meets our community's goals. If, instead, we determine that a local utility is the best path, I assure you that the city will follow the rules set by the Federal Energy Regulatory Commission (FERC) for creation of such a utility, and will only do so if it is a sound business decision for energy customers in Boulder.

In the end, the ultimate decision about our energy future lies with Boulder's voters. That's why it is so important for you to understand this information, to be involved in this discussion, and to have your questions answered. Thank you for taking the time to Know Your Power.

Best,

A handwritten signature in black ink, appearing to read "Susan Osborne". The signature is fluid and cursive, with a large initial "S" and "O".

Susan Osborne, Mayor

First Things First

What is this community guide about?

The City of Boulder has prepared this booklet to provide important information about the “energy future” discussion taking place in our community. It summarizes technical information in a manner that is easier to read than consultants’ reports and staff memos (which are posted at BoulderEnergyFuture.com). The booklet is primarily based on the preliminary findings about Boulder’s current energy context and future projections that we have received from our technical consultants and expert advisors. Additional information will be available in mid-June.

Why are we having this discussion?

Boulder currently receives electrical power service from Xcel Energy, a regulated monopoly that serves many communities in several states. Last year, the city’s 20-year franchise agreement with Xcel came to an end—but your lights stayed on! Unless the city decides to form its own local power utility, the law requires Xcel to keep providing service to Boulder, whether a franchise agreement has been signed or not. City Council had concerns about signing a new long-term agreement and decided, instead, to give the city time to study possible alternatives. The city has spent the first half of 2011 studying the issue. Several options are on the table. These are discussed in detail later in this guide.

I don’t see a problem. What are we trying to fix?

The energy industry is changing rapidly, and all projections are that the cost of fossil fuels is going to increase significantly in the coming years. Even if the city does nothing differently, Xcel Energy has predicted that customers’ bills will go up. It’s a trend that has already begun.

By passing the CAP Tax in 2006, Boulder made a strong commitment to reducing its carbon footprint in response to the climate change crisis. The city wants to ensure that it is planning for an energy future that is both economically and environmentally responsible. Our overall goal is to ensure that Boulder residents and businesses have access to reliable power that is increasingly clean and competitively priced. Our community has also said it wants as much of its energy as possible to be generated locally and wants more of a say in decision-making about where our power comes from, what we pay for it and what investments are made with the revenues.

Why Boulder? Why now?

Boulder is not the only community in the country having this conversation. This conversation is happening at the national level, and in communities around the state, country and globe. It is also happening in private companies. In fact, Boulder has a number of fast-growing, innovative companies that are leaders or emerging leaders in what is sometimes referred to as “the new energy economy.”

Our community needs to make decisions about how we want to position ourselves in a changing world, carefully considering how our decisions will shape the future of our community, our economy and our planet. In addition, there are several energy efficiency incentive programs and rebates that are due to expire soon. The city would like to maximize those benefits while setting an environmentally and economically responsible path for years to come.

Boulder’s Energy 101

Before we can ask you to consider the future, we want to provide some information about our current system and how it operates. The city has worked to establish a solid foundation by acquiring a clear understanding of the current and potential energy system in Boulder.

How much electricity do we use in Boulder?

In general, Boulder’s electric customers are classified as residential, commercial or industrial. The largest group of customers is residential, although the largest portion of electrical use or demand is from industrial customers.

As you might imagine, electricity use in Boulder fluctuates based on the time of day, seasons, weather and consumer choices. To provide some perspective, total electricity sales in Boulder in 2010 were approximately 1.3 million megawatt hours for the year, or \$114 million based on current rates. About 18 percent of that is from residential customers, 81 percent from commercial and industrial customers, and the remaining 1 percent for street lighting.

The current demand (or “load”) depends on how much electricity consumers are using right now. While the load changes every time someone

switches a light on or off, the sum of loads due to a large number of consumers varies slowly. In addition to the supply needed to meet real-time demand, some “reserve” generating capacity must be kept in case of unexpected events.

The term “peak load” refers to times when everyone is using the most electricity. This is the highest level of demand that the system must provide. In Colorado, peak loads occur during the hot summer days when many people switch on their air conditioners. Responding to short spikes in peak demand is challenging and more expensive for the utility.

So where does all that electricity come from?

We all expect electricity to be available whenever we plug in an appliance, flip on a light switch or run our business machinery. Satisfying this demand requires an uninterrupted flow of electricity. To meet this requirement, we depend on several types of generating units powered by a range of fuel sources. These include fossil fuels (coal, natural gas and petroleum) and renewable fuels (solar, water, geothermal, wind, biomass and other renewable energy sources).

Boulder receives its power from Colorado’s largest investor-owned utility, Xcel Energy, headquartered in Minneapolis, MN. Xcel operates major electricity generating facilities that use a variety of fuel sources, including coal, natural gas and water (hydro). Xcel also has smaller facilities that generate electricity from the wind and sun. In 2010, Xcel generated 61 percent of its Colorado electricity from coal, 28 percent from natural gas, and 11 percent from renewable sources, such as wind and solar.

All of these generation facilities feed into “the grid” from which we get our power. The grid is regional, so although the Valmont Plant is close to Boulder, for example, it does not directly provide generation just for Boulder; it puts electricity onto the regional grid, from which each of us then gets our power.

How does electricity get to my home or business?

The electric utility industry in Colorado is generally divided into three parts: generation, transmission and distribution.

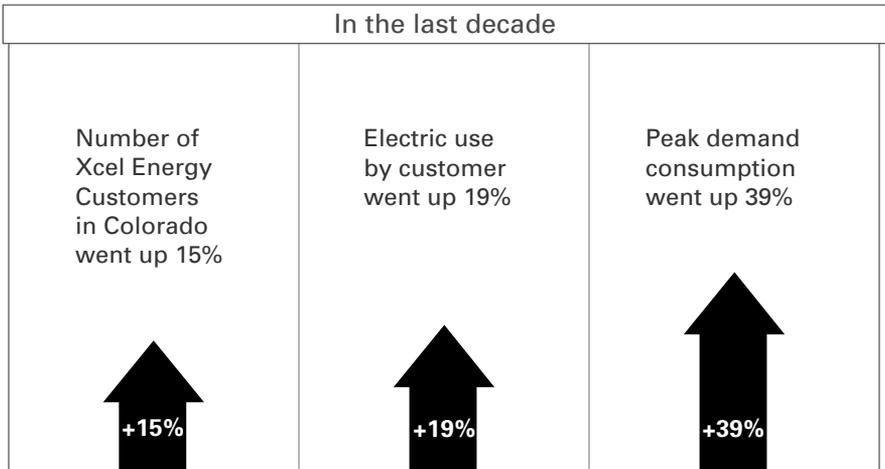
Generation of electricity uses a variety of fuel sources to produce electricity and supply it to the transmission system. As mentioned above, coal is the principal fuel source for electric generation in Colorado. It’s also the biggest fuel source for electric generation in the US.

Transmission typically consists of large towers that efficiently move high-voltage electricity over long distances from the generation source to population centers, where the electricity is to be used. Transmission lines connect to distribution lines at local substations. The substations reduce voltage to levels used in homes and businesses.

Distribution is the part of the system that actually delivers the electricity to the customer. It's the part of the system with which you are probably most familiar: the power lines running to your house, the pole in your backyard and the "big green box" in the park or the alley. Most electrical outages experienced by customers are caused by problems in the distribution system.

When do we use the most power? Does it matter?

Managing electricity consumption is extremely important, because when customers need more power, the power provider must make sure it's available. Having more generation capacity typically means investment in expensive new generation plants, which often increase rates and create pollution. The following chart shows Xcel's Colorado customer demand in the last decade, starting in 2000:



So, while the number of customers has grown with the population, the use per customer has outpaced that growth. Not only are there more people using electricity, but more is being used by each person, and, as the increase in peak demand shows, more is being used during times of the day when energy is the most expensive for the utility to produce or purchase.

What do customers in Boulder pay on average? And what is likely to happen to my bill over the next several years?

Boulder customers spent approximately \$114 million for their electricity in 2010. The average annual costs for a residential customer was approximately \$700, while the average annual costs for a commercial customer was approximately \$10,500.

Xcel is projecting rate increases over the next few decades because of its investments in new generation. Not taking into account any potential new taxes or other regulations that might create a price on carbon emissions, Xcel expects its rates to increase by about 4 percent in constant dollars by 2020 (33 percent after inflation) and about 8 percent by 2030 (78 percent after inflation). However, many factors shift over time. If carbon prices come into play, higher rate increases are likely.

Who makes decisions about where Xcel Energy gets its power and how much it costs us?

In short: Xcel Energy, the Colorado Public Utilities Commission (PUC), and the state Legislature. Decisions about Boulder's energy supply and costs are made by Xcel Energy, which is regulated by the PUC. The PUC operates under the state Legislature's policies and laws. Boulder residents and businesses have very limited say over where their energy comes from and how it is managed, but they can and do try to influence decisions by engaging in proceedings at the PUC, or lobbying the Colorado legislature for statewide policy changes.

How is technology and innovation impacting the field of energy? Are there opportunities that exist today that didn't exist a decade ago?

Boulder is exploring its options against a backdrop of rapidly moving technological developments in energy. We are already seeing innovative new ways to monitor and manage flows of power through the local electricity distribution system. As we discuss below, smart grid technologies are changing the ways that distribution systems operate. While this has not been fully realized with the smart grid in Boulder, some believe these types of technologies will pave the way for more local control of both energy supply and demand. These technologies also permit the addition of advanced storage devices, such as batteries, flywheels and fuel cells, and facilitate sophisticated energy conservation programs

that can reduce demand through customer interactivity. In other words, the electrical grid is increasingly starting to look like the Internet—an infrastructure for which innovative applications can be developed.

What portion of our community is taking advantage of existing programs and rebates to promote efficiency, conservation and use of renewables?

Many Boulder residents and businesses take part in existing programs and incentives that include: energy efficiency, demand response (reductions in demand during system peak hours that help reduce costs), green pricing (customer purchases of renewable generation above and beyond what Xcel provides to all customers), and solar (installation of photovoltaic systems that generate onsite electricity).

In fact, Boulder’s customers represent a substantial share of the participants in Xcel’s green pricing program called Windsource. While Boulder represents approximately 3 percent of Xcel’s total annual residential sales, 6 percent of its business sales, and 5 percent of overall sales, Boulder customers represent:

- 16 percent** of Windsource purchases;
- 20 percent** of rooftop solar installation;
- 7 percent** of energy efficiency rebates, including
- 9 percent** of rebates to business customers; and
- 3 percent** of residential load management installations.

Because these programs are so important to Boulder customers, any future changes to Boulder’s energy supply would look to enhance these programs to offer even more incentives and services that drive conservation and green energy.

So What Are the Options?

The city’s commitment to you is this: *Our community’s decision will be grounded in solid data, an understanding of the implications and clear communication to support an informed choice by Boulder voters.* We have teams of experts researching the best paths for reaching Boulder’s energy goals. And now, the top options:

Option 1: Keeping the system the way it is

What would this path look like? There would be no obvious or immediate changes. Xcel would continue to provide electricity and natural gas service to Boulder, using its existing business model and treating Boulder the same as the rest of its service area, with the exception of collecting the CAP tax and the Utility Occupation Tax. These are fees Xcel charges on your bill and returns to the city to support energy conservation programs and to replace money Boulder would have received to fund core city services, if the city had signed a 20-year franchise agreement. These taxes expire in 2013 and 2015, respectively. Voters would need to make a decision about whether to extend these taxes. Without these taxes the city would have to discontinue energy efficiency programs and/or make cuts to the general budget.

Option 2: Forming a new partnership with Xcel

What might this path look like? The city could continue to work with Xcel as our primary provider but reach a Boulder-specific set of agreements that would better achieve our community's goals. Based on feedback from Xcel, it is likely it would only consider this if the city agreed to sign (and voters approved) a new 20-year franchise agreement.

Why doesn't the city know more about the specifics? As of May 30, when this booklet went to print, Xcel had not come forward with any public proposal for the city or voters to consider. The city has been talking with Xcel Energy about this option for many months. The utility has said recently that it is working on some ideas, but it is not certain if, or when, it will be able to present an outline or a detailed plan. Without these, it is difficult to compare this option with others or consider the potential costs and benefits of this approach. The city remains open to hearing from the company about ways we can partner to achieve the community's objectives. The city will engage the public fully in understanding and evaluating any proposal that Xcel puts forth.

Option 3: Forming a local power company

What might this path look like? The city could form a new energy utility, giving Boulder local control in decision-making. Twenty-nine cities in Colorado run their own energy utilities and there are a variety of models for this. Some cities run their utilities themselves, while others contract with vendors to maintain day-to-day operations. A Boulder-owned utility would choose where it gets its power and how to invest its revenues. It could continue to purchase energy from Xcel, or from other

providers. Regardless, Boulder would still be “tied” to the regional energy grid, and state law would provide us with access to reliable power.

Is Option 3 as complicated as it sounds?

Forming a local power utility would represent a significant undertaking for the city and for our community, but others have done so successfully both in years past and more recently. We recognize there are lots of questions. The rest of this guide aims to answer as many of these as possible. **Again, NO decision has been made that this is the way council or voters will choose to go. However, because this would be a significant change, the city has spent considerable time analyzing this option. The analysis is continuing; and this is what we know as of May 30.**

Local Utility: The Technical Specs

What systems would the city have to take over to provide energy to residents and businesses?

In today’s environment, forming a local power company requires the purchase—either through voluntary sale or through a condemnation process—of the existing utility’s facilities. In the case of Boulder, those facilities would include Xcel’s local distribution system.

Remember that distribution is the part of the system that actually delivers the electricity to the customer, and includes mains, conduit, electric wires, poles, feeders, substations, transformers, etc. It could also include street lighting facilities. A major component of the acquisition process is determining the value and purchase price of the distribution system.

Would new systems have to be built?

Theoretically, Boulder could “municipalize” without condemning and purchasing the utility’s assets. That is, the city could over-build the utility infrastructure with a new system. The city would have its own infrastructure in addition to that owned by Xcel. However, it is almost impossible to operate an electric utility system without substantial physical utility property; and for a local utility to develop

and construct such property from scratch—rather than purchase an existing system—is most likely not feasible economically.

That said, if Boulder creates a local utility, it could choose to invest in system improvements at any point. New facilities could be constructed to enhance the system, such as undergrounding all of the power lines to reduce accidents and improve reliability, or developing new local generation facilities.

What would the sources of our power be?

A Boulder municipal utility would purchase electricity for delivery to the local distribution system from the competitive energy market, just as all utilities in the region do. The type of energy (renewable versus non-renewable) would be determined through the creation of a resource plan based on cost, environmental characteristics and other factors. The wholesale power price would be the same for Boulder as it is for Xcel Energy. Any resource plan would need to take into account the volatility of fossil fuel costs, just as utilities everywhere are recognizing the financial risk involved in carbon-intensive fuel sources.

Would it be as reliable as what we have now?

Yes, absolutely. The highest priority goal of Boulder’s energy planning effort is to “ensure a stable, safe and reliable energy supply.” All utilities in the US are required to maintain strict reliability standards put in place by the North American Electric Reliability Corporation (NERC). NERC has the legal authority to enforce compliance with its Reliability Standards, which it achieves through a rigorous program of monitoring, audits and investigations, as well as financial penalties and other enforcement actions for non-compliance.

Municipal utilities have a strong record in terms of power reliability, quite logically because their customers care about this, and they need to keep their customers happy. Municipal utilities can respond quickly to emergencies because local crews live in the community, are accountable to local officials and possess expert knowledge of the system. In addition, a Boulder utility would be focused on ensuring reliability within a well-defined, compact community. It would not need to address service reliability in very low density rural areas, where system maintenance is more challenging and costs per

customer are generally higher. Also, in the event of a major outage, public power utilities can coordinate with other utilities through mutual assistance programs. Such programs already exist between regional public power companies, such as Longmont, Loveland and Fort Collins.

Is more local power generation possible?

To help answer that question, the city contracted with the firm Local Power, Inc. (LPI) to conduct a preliminary study and develop the outline for a potential “energy localization plan.” Their work considers a range of technical options for developing and enhancing local energy generation (including hydroelectric, solar, bio-gas, storage/ backup and heat districts) as well as options for increasing the efficiency of energy use and management in the city.

The most important key finding from the preliminary analyses for the localization report is that substantial energy localization opportunities exist in Boulder and within a 10-mile radius of the city. Some of these opportunities are: innovative electric storage; deployment of small- to medium-sized solar projects; looking at district energy sources and partnering with large commercial and industrial facilities to develop back-up generation systems.

Local government isn’t alone in exploring these possibilities. Apart from the city’s efforts, the University of Colorado (CU) campus is investing in its own “localization” strategy. CU is bringing back online a natural gas generation facility that will supply both electricity and district heating to the campus. The university is also utilizing “intelligent grid” technology to achieve high levels of efficiency.

I want to know more about Smart Grid. What is it, how does it work and how might it factor into a local power utility?

In general, “smart grid” refers to information and communications technologies being integrated with the electric grid to make it more efficient, flexible, and reliable. It has potential benefits for consumers.

Smart grid technologies can help utilities know how much power is being used on each part of the grid, and where there are problems. They can also support the integration of wind and solar power,

and control voltage to reduce power losses and manage demand. Consumers can see benefits in the form of improved power quality and faster (even automatic) restoration of outages. This can be particularly appealing to businesses and research institutions, as even micro-second outages can ruin sensitive industrial processes or interrupt supercomputers.

Additionally, a smart grid can give consumers the ability to see how they use energy with much more detail than their monthly bill. They can learn how much power they consume, when they consume it, and even know its environmental impact. Consumers can use this information to make choices about investing in energy-efficiency measures for their home or business. These decisions could vary from unplugging a phone charger when not in use to adding attic insulation or using less air conditioning.

Increasingly, utilities and vendors are offering consumers devices—even smart phone apps—that customers can use to automate their energy use in response to price or environmental signals. For example, consumers can program their dishwashers to run at night, when power is cheaper and wind power is more available. They can even be compensated with cheaper rates for doing so, as choices like these help shift consumption away from peak periods and reduce the cost of supplying power for everyone.

Utilities throughout the world are installing smart grid systems, and Boulder is the site of Xcel Energy's SmartGridCity™ project. Xcel Energy is piloting different rate structures and home energy control systems that could help homeowners shift their energy use away from expensive peak periods.

This project has not been without controversy, though, in terms of how Xcel has used the technology, what it has cost and the limited direct benefits to consumers. The city is currently working to better understand the system that Xcel has deployed, and the specific technologies it is based on. This information will be helpful regardless of whether a local utility is formed. However, in the event that voters choose to create their own utility, additional analysis will help inform whether or how the installed smart grid might be utilized to help Boulder meet its energy goals. Municipal utilities in Sacramento, CA; Tallahassee, FL; and Naperville, IL, among others, have

deployed well-regarded smart grid upgrades to their electric distribution grid that could provide valuable lessons.

Local Utility: Management & Governance

Is the city capable of running a utility?

Utilities are typically a division of the city that is engaged in regularly supplying the public with some commodity or services. Boulder already operates three utilities. Boulder's water utility dates back to 1874, when the 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 while the establishment of a flood control and storm water management utility occurred more recently, it was still decades ago, in 1973. There is strong history here. It is not uncommon in Colorado for cities to also operate utilities for gas distribution, electric distribution, or transportation services.

None of Boulder's utilities rely on tax revenue—each utility's rates and fees pay for the service.

A variety of options are being considered for how a new electric utility could be operated. Currently, the day-to-day operations for the city's utilities are the responsibility of the city manager. The city manager hires an executive director of public works who is responsible for ensuring the service is delivered to local customers and for all of the maintenance, long-term planning, capital construction, billing, and day-to-day operations.

Boulder's City Council serves as the board of directors of existing city utilities. The City Council sets the general direction for the utilities and acts as the approving authority for budgets, rates, regulations, disposal of property and the use of eminent domain.

The activities of the existing utilities are further supported by the Water Resources Advisory Board (WRAB). WRAB is a board of citizen volunteers who provide recommendations to the City Council and the city manager on capital improvements, environmental assess-

ments, utility master plans, and policies related to utility operations.

City utilities are highly accountable to their customers because they are regulated locally, not by the statewide Public Utilities Commission. In addition, the City Council meets publicly with open comment forum at least twice a month, providing customers with an opportunity for direct access to those responsible for operations. The council members are elected at large and are held accountable by the voters. Also, advisory board members often serve terms that are longer than the council members. This provides another layer of accountability and stability over time.

While the city's current management of its utilities is one option, some cities contract with outside vendors who have considerable experience and expertise in managing a public utility. That is another option being considered, as these companies would bring extensive utility operations experience. In fact, some of the potential vendors operate electric utility systems that are larger than Xcel's Colorado service territory.

Local Utility: Financial Considerations

This sounds expensive. What kinds of costs are associated with forming a local power utility?

Forming a local power utility in Boulder would involve buying the distribution system (poles and wires) from Xcel Energy. Initially, the local utility would buy power services from third parties and pay a transmission fee. The local utility might also purchase and operate its own generation facilities at a later date.

The primary costs associated with forming a local utility include:

Legal and engineering fees to negotiate the purchase of the system from Xcel Energy and to determine the local utility's boundaries based on the technical capabilities of the system.

Acquisition costs to purchase the distribution grid from Xcel

Energy, as well as potential “stranded costs.” Stranded costs are those that an existing utility is allowed to try to recoup from a new local power company to make up for prior investments made on behalf of the departing customers, or for loss of revenue. There are specific and legally regulated guidelines for calculating these.

Start-up costs to set up the infrastructure to operate a utility. This could include the costs of transferring data from Xcel Energy, purchasing software and computers, recruiting skilled employees and finding a building for them, and other administrative expenses.

Once the utility is open for business, the costs include:

Power purchases: Costs to buy the power supply that will be delivered in Boulder.

Operations: Costs to operate, administer, and manage day-to-day utility operations.

Debt service: Repayment of debt on the acquisition and start-up costs.

How would the city fund this?

If the city decided to purchase the system from Xcel Energy, municipal revenue bonds would be issued to fund the cost of buying the system and starting the utility. These bonds would be repaid through revenues generated by the utility. The initial legal and engineering costs that would be incurred from the time of a vote until the time the city is ready to buy the utility would be funded either through an existing funding source, through utility revenue bonds, or by asking the voters to increase an existing tax or to create a new tax. The city is evaluating each of these options to determine which is the most practical or feasible.

How do bonds work? How would the city assure lenders that the bonds would be repaid?

Our current energy rates include debt repayment for bonds that Xcel

Energy has issued to build and expand its system. So, the issuance of bonds and the customer's role in helping to raise the revenue to repay them is not unique to creating and operating a local utility. Boulder customers are already repaying debt for the system. It is just debt that has been incurred by Xcel instead of a local power utility.

The city routinely issues bonds to borrow money for investments. The bonds are repaid with interest over a certain period of time. For the purposes of a local utility, the bonds issued would be revenue bonds. In other words, the revenues of the utility are used to repay the debt.

The city has a strong financial history and a very good track record in the national bond markets. This history, together with a solid business plan and financial model, would be valuable in assuring lenders that the debt would be repaid. Especially in today's market, lenders would review the city's business plan carefully to determine if they have the necessary confidence in Boulder's ability to own and operate a local power utility.

Could I be charged new taxes?

Once the utility is operational, debt would be paid through revenue from the utility, not taxes. The costs incurred between a vote to create a municipal utility (primarily legal and engineering) and the opening of the new utility could potentially be funded through new taxes, if approved by voters.

Would the city have to increase my rates to pay for these efforts? Will more renewable energy mean higher rates?

The cost model the city is considering would keep customers' rates comparable to what they are now. The initial goal would be to form the utility, giving the community local control that currently doesn't exist, while providing reliable service similar to what Xcel offers now. From that point on, the utility would have the power and ability to explore how best to achieve the community's other goals. The consultants have analyzed a variety of scenarios using power mixes that include more renewable energy and more locally generated energy over time. There is evidence that the cost of renewables will become as cheap or cheaper than fossil fuels, so future decisions to increase

renewable energy would not necessarily increase rates. In addition, as the local utility raises revenue and repays its debt, remaining money would be invested based on our community's decisions and goals, instead of those of an investor-owned corporation. Also, any future debt incurred by an existing city utility would be tax-exempt, which represents significant savings as compared to the cost of debt for an investor-owned utility.

Local Utility: Legal

What does state law say about a local government breaking off from a regulated monopoly and forming its own utility?

As a home rule city, Boulder has a great deal of discretion in determining its energy future. The Colorado Constitution and Boulder's home rule charter authorize the creation of local utilities. Additionally, since the creation of utilities is a matter of local concern under Colorado home rule laws, there is wide latitude in how the utility is governed. A number of cities operate electric utilities, including Longmont, Lyons, Estes Park, Fort Collins, Fort Morgan, Julesburg, and Loveland, to name a few.

Would there be a legal fight with Xcel, and, if so, what would it be about?

It is difficult to say with certainty whether there would be a legal fight with Xcel. Some communities have been able to negotiate settlements with existing power providers. Nonetheless, if the local utility path is chosen, the city would need to be prepared for the possibility of court proceedings. The issue most open to dispute would be the cost to acquire the assets. The new local utility would likely attempt to negotiate a price with Xcel. However, if those negotiations were unsuccessful, the city could exercise the right of eminent domain and condemn Xcel's distribution assets. This would in all likelihood result in court proceedings, where the parties would argue about the value of the assets. Another potential area of litigation is stranded costs. Under federal regulations, a utility that

loses customers can, under some circumstances, charge the new utility for assets that were acquired to serve the departing customers. While there are guidelines for calculating these costs, Xcel could force the city to litigate these amounts.

How long would it take to get a final decision?

Most lawsuits can be resolved in under a year. However, if a condemnation case went to trial and was followed by appeals, it could last longer. While it is important to recognize this, the city has been involved in protracted litigation previously and has been successful at managing the litigation while minimizing negative impacts on day-to-day operations.

Is the cost of legal support being considered?

Yes. The city realizes that these costs can be difficult to predict and depend upon the nature and length of litigation.

Local Utility: What If?

If council and voters approved the creation of a local power utility, what happens next? How long would this take?

A vote by Boulder residents to create a local utility would put in motion several processes that are necessary to develop and launch the actual utility. It would likely be two to three years before an official switch to a local utility would take place. During that time, Xcel Energy would continue to be the city's utility provider.

What is the city asking of voters?

While specific ballot language has not been determined yet, the initial question would likely ask voters if they wish to create a local utility for energy services. An affirmative vote would establish the utility's bonding authorities, governance structure and operating principles. A second ballot item is unlikely, unless a decision is made not to include key areas of authority in the initial ballot.

Once the necessary authorities are established as part of the City Charter, decisions would be made in accordance with the utility's governance structure and operating principles. As in all local matters, there would be regular opportunities for public input. Additional decisions about investments or operations could be put to voters in the future, depending on whether they fall within or outside the authority granted by the Charter.

Glossary

Need definitions for unfamiliar terms found in this booklet? The city has posted a glossary of terms associated with this issue online at **www.boulderenergyfuture.com**.

Notes:

Boulder's Energy Future Events

Coffee Meetups

Friday, June 3
7:30 - 9 AM
Caffé Sole
637R S. Broadway St.

Business Matters

Wednesday, June 8
7:30 - 9 AM
Boulder Dinner Theater
5501 Arapahoe Ave

Wednesday, June 8
4:30 - 6 PM
Namasté Solar
4571 Broadway St.

Friday, June 10
7:30 - 9 AM
Hotel Boulderado
2115 13th St.

Monday, June 13
7:30 - 9 AM
Covidien, Bldg. #6
5920 Longbow Dr.

Feedback Forum

You Have the Power to Decide

Tuesday, June 28
6 - 8:30 PM
East Boulder Rec Center
5660 Sioux Dr.

City Council Meetings

Tuesday, June 14
STUDY SESSION
6 PM
1777 Broadway St.

Tuesday, July 19
6 PM
1777 Broadway St.

Tuesday, August 2
6 PM
1777 Broadway St.

Tuesday, August 16
6 PM
1777 Broadway St.



City of Boulder