

City of Boulder  
**Energy Strategy and  
Electric Utility Development Project**  
2017 Recommended Budget

*The mission of the Energy Strategy and Electric Utility Development (Boulder Energy Future) Project is to ensure that Boulder residents, businesses and institutions have access to reliable energy that is increasingly clean and remains competitively priced.*

## Energy Strategy and Electric Utility Development

### **Project Overview**

The Boulder community has long been committed to climate action that results in meaningful reductions to harmful greenhouse gas emissions. Since 2010, the city has focused on changing its energy supply, which is currently one of the more carbon intensive in the country, to draw from clean renewable sources while also keeping rates and reliability comparable to what is offered through the current provider. Voter-supported research into the possibility of creating a local electric utility has demonstrated the feasibility, as well as the benefits, of such an approach. In 2014, after analysis and exploration resulted in council approval to move forward with condemning assets and forming a local electric utility, staff shifted its efforts to developing and implementing a detailed transition plan. Subsequently, for 2015, 2016 and 2017 staff is focused on high-priority tasks related to acquiring necessary assets and preparing to launch and operate an electric utility in accordance with City Charter requirements and community values. The following pages highlight the project's accomplishments and key initiatives.



### 2016 Accomplishments

City Council directed the Energy Future Project to continue to pursue clean, local, reliable energy. In 2016, the project has achieved several milestones, including continued implementation of the transition plan in the following areas:

- Customer Experience
  - Continued assessment of current billing system
  - Initiated the key accounts program, drafted a customer service manual
- Construction, Operations and Maintenance
  - Continued evaluation and discussions with various vendors who provided qualification statements for ongoing operation and maintenance services
  - Ongoing development of operations, maintenance, construction, and safety policies and procedures
- Resource Acquisition
  - Ongoing evaluation and engagement with Xcel on their response to the power supply request for proposal
- Support Services
  - Integrated information from the Information Technology roadmap project in the transition work plan and budget
  - Developed financial cash flow model and updated modeling of electric system costs
- Energy Services
  - Continued implementation and evaluation of energy services related to solar, electric vehicles, and nanogrids, including launching a Solar + EV group purchase program in partnership with Boulder County
- Legal and Regulatory
  - Pursued discovery process with Xcel to obtain information needed to prepare supplemental application to the Colorado PUC for transfer of assets
  - Ongoing development of separation alternatives consistent with the Colorado PUC order of December 30, 2015
  - Filed supplemental application to the Colorado PUC for transfer of assets
  - Continued work on the transfer of assets application including responding to answer testimony and discovery requests
  - Annexation of selected city-owned properties
  - Participated as intervenors in several Xcel Energy proceedings at the Public Utilities Commission including the Phase 2 Rate Case, Solar\*Connect, Renewable Energy Standard Compliance Plan, Electric Resource Plan, Rush Creek Wind, Decoupling, Demand-Side Management Plan and a recently filed grid modernization proceeding



### 2016 Accomplishments (cont'd)

- Communication
  - Ongoing public information support via the city's various communication channels, including social media, press releases and the website
  - Digital media campaign to support the public's energy literacy, specifically related to the benefits of local generation
  - Development of the Climate and Energy email newsletter, bringing city climate and energy news to the inboxes of over 800 community members
  - Creation of print and digital outreach materials to present in meetings with large commercial businesses in Boulder
- Continued to meet with working groups, with diverse expertise, on the development of a local electric utility: Energy Services, Resource Acquisition, Rates and Reliability & Safety
- Ongoing collaboration in a number of regional, national and international activities in support of the Boulder community's climate and energy goals.

### Key initiatives for 2017

- Continued implementation of transition work plan including finalization of separation plan and selection of key vendors for utility operations
- Legal proceedings for PUC regulatory filings and condemnation
- Hiring key staff positions essential to the implementation of the transition plan: Chief Engineer, Customer Service Manager, Energy Resource Specialist and Energy Sustainability Strategy Specialist/Financial and Regulatory Analyst
- Community outreach and engagement on expanding the Utility of the Future vision and the implementation of the transition plan



**Energy Project Detail/Budget**

In 2015, City Council approved an accelerated appropriation of the Utility Occupation Tax (UOT) for municipalization, to allow for flexibility due to unknown timing and amount of expenses (i.e. litigation and transition costs). The remaining project balance will be carried over into next year's budget and will be the primary source of funding for a seamless continuation of the work plan in 2017. This funding created a timing difference in cash flow between when the expenses might be incurred and when the revenues would flow into the city from the UOT. To solve this potential cash flow conflict, General Fund reserves were approved in 2015 to bridge the timing difference in support of implementation of the Transition Work Plan, including legal and regulatory proceedings. As the actual UOT revenue collections occur in 2016 and 2017, they will return to the General Fund reserves. Also in 2015, additional General Fund dollars (City Manager Energy Contingency) were approved to be used to fund positions and contract support and are available through 2017. Tables 6-01 through 6-03 provide further detail and history of the Energy project to date and the project budget going forward.

**Energy Project Summary**

Table 6-01 shows actual costs incurred through 2015, the 2016 approved budget, 2016 projected budget and 2017 recommended limited term FTEs.

**Table 6-01: Energy Strategy and Electric Utility Development Project Summary**

	2012 - 2014 Actual	2015 Actual	2016 Approved	2016 Projected [1]	2017 Recommended
<b>STAFFING</b>					
Energy Strategy and Electric Utility Development Project	4.50	6.50	12.25	11.00	11.00 [2]
<b>TOTAL STAFFING</b>	<b>4.50</b>	<b>6.50</b>	<b>12.25</b>	<b>11.00</b>	<b>11.00</b>
<b>FUND</b>					
Personnel	\$ 1,492,397	\$ 699,677	\$ 1,107,323	\$ 827,948	<b>See Table 6-03</b>
Operating	3,929,756	1,321,813	2,844,815	1,832,252	
Interdepartmental	21,953	-	-	-	
Capital	44,570	-	-	-	
<b>TOTAL EXPENDITURE</b>	<b>\$ 5,488,677</b>	<b>\$ 2,021,490</b>	<b>\$ 3,952,138</b>	<b>\$ 2,660,200</b>	
General - Utility Occupation Tax	\$ 4,833,610	\$ 2,015,710	\$ 2,015,710	\$ 2,015,710	<b>See Table 6-03</b>
General - Other One Time Funding	655,067	5,780	1,936,428	644,490	
<b>TOTAL FUNDING</b>	<b>\$ 5,488,677</b>	<b>\$ 2,021,490</b>	<b>\$ 3,952,138</b>	<b>\$ 2,660,200</b> [3]	

[1] The 2016 approved budget includes significant litigation costs in 2016. Many of these costs are now anticipated to occur 2017 and are represented in the 2016 projected expenditures.

[2] In 2017, there was a 1.25 FTE reduction for the Key Accounts/Community Relations Manager and Customer Information Services Technician positions. These positions are not needed to support the project in 2017, but there may be a future need for these positions in 2018.

[3] In 2015, \$6,943,235 was approved for project funding to be sourced from Utility Occupation Tax (\$2,015,710) and other one-time funding (\$4,927,525) from the General Fund. The \$4.9 million was in advance of receipt of Utility Occupation Taxes to be collected through 2017. These taxes will be used to repay the advance from the General Fund. Actual amount received in 2015 is \$2,015,710 with the same amount projected to be received in 2016 and 2017.



**Energy Contingency Summary**

Table 6-02 shows actual City Manager’s (CM) Energy contingency (General Fund) used in 2015 and dollars set aside in 2016 but not allocated to the project to support unexpected transition work plan implementation costs. The table also shows the projected use in 2016. The CM Energy Contingency funds are set aside and are available for transition staffing and unexpected costs (to date, it has only been used for transition staffing).

**Table 6-02: Energy Contingency Summary**

	2015 Actual	2016 Approved	2016 Projected	2017 Recommended	
<b>EXPENDITURE</b>					
Energy Contingency-Transition Costs	\$ 134,709	\$ 1,000,000	\$ 447,639	<b>See Table 6-03</b>	
<b>TOTAL EXPENDITURE</b>	<b>\$ 134,709</b>	<b>\$ 1,000,000</b>	<b>\$ 447,639</b>		
<b>FUND</b>					
General - Energy Contingency	\$ 134,709	\$ 1,000,000	\$ 447,639		
<b>TOTAL FUNDING</b>	<b>\$ 134,709</b>	<b>\$ 1,000,000</b>	<b>\$ 447,639</b>		



## Energy Strategy and Electric Utility Development Project

### Energy Project Detail

Table 6-03 shows the project budget for the transition work plan and all sources and projected uses (both UOT funded and CM Energy Contingency funded) through 2017. In 2015, funds were appropriated for a multi-year (2015-2017) project budget. Unspent amounts of the \$6.9 million UOT budget from 2016, specifically for the Energy Project, will be carried over into 2017 as the beginning budget balance, and no additional budget recommendations are being proposed at this time. Also, any unspent CM Energy Contingency will be carried over into 2017 as the CM Contingency beginning balance and available for use on potential transition costs. Since timing of many costs are unpredictable, frontloading the costs and carrying forward remaining amounts provides maximum flexibility.

**Table 6-03: Energy Strategy and Electric Utility Development Project Detail**

	Original Project Budget - Approved 2015	Project Budget 2015 Revised (to include carryover from 2014)	2015 - 2017			2017 Recommended
			Actual Sources & Uses Total through 2015	2016 Projected Sources & Uses	2017 Projected Sources & Uses	
<b>ENERGY FUTURE PROJECT</b>						
<b>Beginning Balance Energy Project</b>	\$ -	\$ -	\$ 937,092	\$ 5,858,837	\$ 3,198,637	[1]  Replenish CM Contingency with 2016 Projected Use
<b>Beginning Balance CM Contingency</b>			\$ 1,000,000	\$ 1,000,000	\$ 1,000,000	
<b>Sources of Funding</b>						
General - Utility Occupation Tax	2,015,710	2,015,710	2,015,710	-	-	\$ -
General - Other One Time Funding	4,927,525	4,927,525	4,927,525	-	-	-
General - City Manager Contingency	1,000,000	1,000,000	-	-	-	447,639
2014 Encumbrance Carryover	-	495,731	-	-	-	-
2014 ATB Carryover	-	441,361	-	-	-	-
<b>Total</b>	<b>\$ 7,943,235</b>	<b>\$ 8,880,327</b>	<b>\$ 8,880,327</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 447,639</b>
<b>Uses of Funding</b>						
Personnel	\$ 891,900	\$ 1,999,223	\$ 699,677	\$ 827,948	\$ 1,035,992	\$ -
Operating	6,051,335	5,881,104	1,321,813	1,832,252	2,162,644	-
CM Contingency-Potential Transition Costs	1,000,000	1,000,000	134,709	447,639	933,547	-
<b>Total</b>	<b>\$ 7,943,235</b>	<b>\$ 8,880,327</b>	<b>\$ 2,156,199</b>	<b>\$ 3,107,839</b>	<b>\$ 4,132,183</b>	<b>\$ -</b>
<b>Remaining at End of FY-Energy Project</b>			<b>\$ 5,858,837</b>	<b>\$ 3,198,637</b>	<b>\$ 1</b>	
<b>Remaining at End of FY-CM Contingency</b>			<b>\$ 865,291</b>	<b>\$ 552,361</b>	<b>\$ 66,453</b>	

[1] These amounts are carryover of remaining budget from year to year and are not in addition to the 2015 beginning balance of \$7.8 million (\$7.8 million in 2015 revised is comprised of personnel plus operating minus contingency).

[2] \$447,639 is recommended in 2017 to replenish funds used out of the \$1 million City Manager's Energy Contingency budget in 2016 making the 2017 beginning balance \$1 million. The contingency is available for transition staffing and unexpected costs.