



# Municipalization: What It Means for County Customers

Gunbarrel Energy Future Meeting - June 6, 2013

[BoulderEnergyFuture.com](http://BoulderEnergyFuture.com)

# Agenda

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- I. Introductory, 11-minute video explaining the analysis the city has done**
- II. A look at issues of particular interest to potential county customers**
- III. Understanding the Electric Utility of the Future vision**
- IV. Next steps and opportunities for engagement**

# Questions we have heard

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## **What is the service area?**

All of City of Boulder and limited portions of unincorporated Boulder County (approx. 5,800 meters)

## **Why was this area selected?**

To ensure reliability and continuation of service

## **Will the city annex county properties?**

Boulder does not plan to annex properties as part of this effort.

# Questions we have heard



## **Does the city have the legal right to do this?**

Yes. The Colorado Constitution allows home-rule cities to acquire property, by condemnation, if necessary, to provide certain services. This includes utility service.

## **Has this been done before?**

Yes. The Loveland utility, for example, was created in 1926 through a court-upheld condemnation process.

## **Do other municipal utilities serve outside city limits?**

Yes. Longmont, for example, serves approximately 1,100 meters in adjacent areas.

# Questions we have heard



## Why didn't county customers get a vote?

The two votes occurred in 2011 before the service area was defined and they were limited to very specific questions.

- One authorized council to issue bonds to create a local electric utility if certain conditions could be met.
- The other raised money for additional research through a tax on Xcel. Xcel passes this on to its customers in the city. Potential county customers have not been asked to pay for any legal, engineering or other costs related to the analysis.

# Questions we have heard



**Is it typical for customers in Colorado to have a vote on their electricity provider?**

**No. Unlike in some other parts of the country, the industry in our state has not been deregulated.**

**One of the reasons the city began examining creating its own utility was to offer more choice and control to customers.**

**The Xcel we know today has evolved over the years with two mergers and acquisitions that customers played no role in.**

# Questions we have heard



## **What kind of influence do we have as Xcel customers?**

Not much. While some customers occasionally appear before the PUC, Xcel is a private company headquartered in Minnesota. Company execs answer to shareholders and their board meetings are not public.

The company is governed by regulations that require it to treat all of its customers the same – regardless of differences in values or priorities.

Municipal utilities are typically governed by public and accountable officials. Decisions are made in open meetings, and customers can impact policy-making.

# Questions we have heard



**What steps would the city take to make sure that county customers have a meaningful voice?**

Core principle of municipal utility is to give customers a say.

The Charter requires council to establish a nine-member utility advisory board.

Three seats are for non-city residents. Currently requires a business connection to Boulder, but a working group is exploring ways to include other types of county residents.

# Questions we have heard

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## **More about this working group**

**The governance working group includes county residents.**

**Mission is to help ensure representation, both in terms of the make-up of the advisory board and its authority/responsibilities**

**Will make recommendations to City Council in July**

# Questions we have heard



## **Would a local electric utility cost customers more money?**

The City Charter requires rates to be the same or better than Xcel's on the first day of service.

The city's analysis looks beyond day one, however, and examined likely rates under several different scenarios.

Under some scenarios, rates would be lower on average than Xcel's during the entire timeframe.

Charter also includes limiting language about how rates are to be set.

# Questions we have heard



**But how about county customers? Will we pay a premium?**

The city has no plans to ask county customers to pay more than customers within the city limits.

Costs were modeled assuming equal treatment of all customers, divided only by residential, commercial and industrial customer classes.

If, for an unforeseen reason, a future council wanted to charge county customers a higher rate, the city would have to obtain the approval of the PUC.

# Questions we have heard



**How about reliability? How will the city respond to emergencies?**

**Charter says reliability must be same or better than Xcel.**

**By acquiring the same substations that currently serve customers, fewer infrastructure changes are necessary.**

**Municipal utilities have to follow federal mandates for reliability, both in terms of the frequency and duration of outages.**

**Many contract for service with qualified providers and utilize mutual aid agreements for emergency situations. Getting power back on is a priority for all utilities.**

# Questions we have heard



**What kinds of information did the city take into account in its analysis?**

**Financial – Reliability – Resource Mix – Asset Acquisition – Legal**

**Spanned 20 years – 2017 to 2037**

**Inputs and assumptions were vetted by community working groups and expert consultants**

**Used publicly available data; city asked Xcel for data but they have refused**

**All inputs and other modeling data used by city available at [BoulderEnergyFuture.com](http://BoulderEnergyFuture.com)**

# Questions we have heard



**Aren't there costs that won't be known until later?**

**Yes. Stranded Costs and acquisition costs.**

**When the city conducted its analysis, it looked at several variations of these costs and determined what the impact would be on overall costs at three different levels.**

**There are several scenarios where the city could proceed even if these costs come in somewhat higher than what we expect.**

**If these costs come in so high that the city cannot meet the financial requirements in the Charter, the city will not be able to proceed.**

# Questions we have heard



**How about those of us who have entered into solar contracts with Xcel? How will these be handled?**

The city is encouraging continued investment in all technology, whether a utility is formed or not.

Council has said the analysis needs to include a commitment that no “early adopter” customers are harmed.

City is seeking more data from Xcel to confirm that it understands the scope and obligations under these contracts.

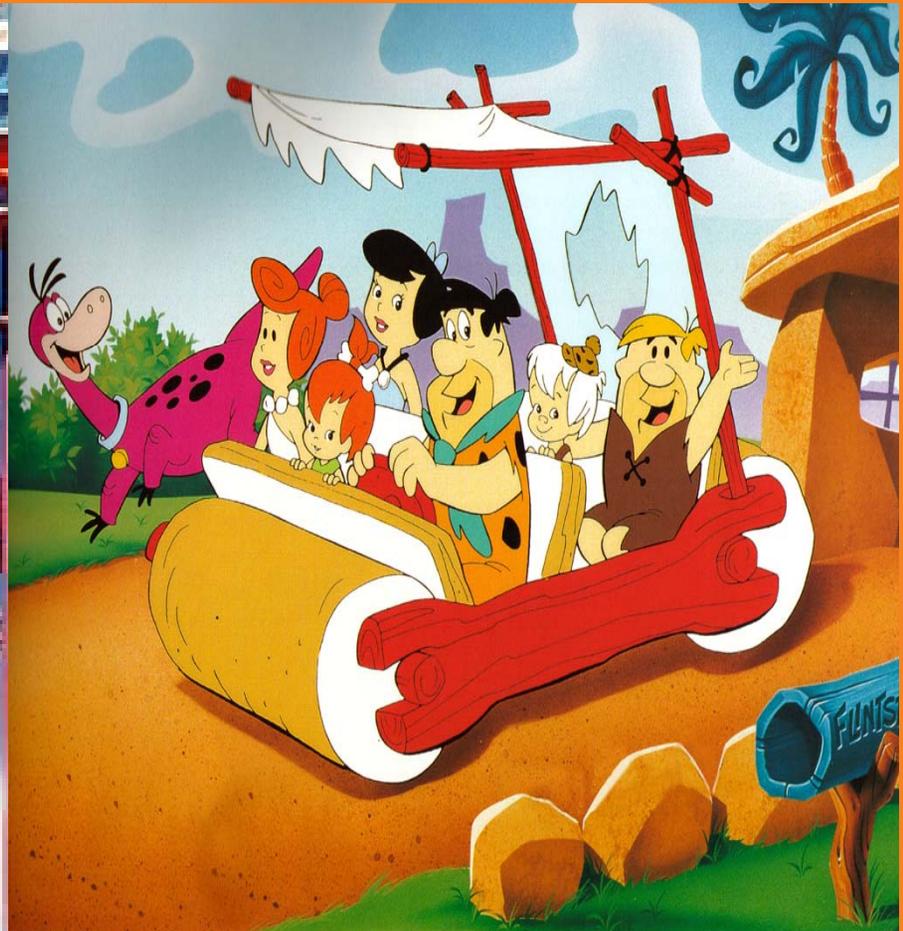
A Boulder electric utility would be committed to incentive programs and maximized local and distributed generation.

# Opportunity for Innovation

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## **The Electric Utility of the Future – An Opportunity for Innovation**



# Why is this innovative?



**Boulder is not the first city to do this, just the first to do it on the basis of community values and environmental concerns**

- **Many successful municipal utilities in CO**
- **Many successful municipal utilities in the nation**
- **PublicPower.org - American Public Power Association**

**Ability to create a resource plan from the bottom up - not constrained by existing generation investments**

**Opportunity to create the electric utility of the future and bring innovation to the industry**

# What else could a local utility do?



**Design and tailor energy efficiency programs and services that meet community needs and wants**

**Tailor rate structures to help customers**

**Utilize knowledge of local clean-tech sector and labs and integrate emerging innovations quickly and effectively**

**Keep money in the local community and offer incentives to bring more business and industry to the Boulder area**

**Provide economic and system incentives for business to relocate to area – create jobs**



# Vision for Utility of the Future

“The Utility of the Future is the unifying entity that connects the wants, needs, and desires of the user with the core values of the community in the most efficient and sustainable way possible.”

## How can we...

- *Be positioned for a low-carbon future?*
- *Focus on customer choice and treat energy as a “service,” rather than a “commodity?”*
- *Become a hub of innovation and technological advances?*
- *Leverage infrastructure and ensure reliability?*
- *Change the business model to reflect values and economics of the 21<sup>st</sup> century?*



# What's next?



## City Council Study Session on July 23

- Third-party examination
- Presentations to bonding agencies
- Appraisal and preparation for possible condemnation
- Clarification sought from federal regulators
- Analysis on what added-value a local electric utility might offer
- Participation in partnership working group

## Council Meeting on Aug. 6

Council is expected to vote on whether to enter into good-faith negotiations with Xcel and if these fail, condemnation

# Want to learn more?



## [BoulderEnergyFuture.com](http://BoulderEnergyFuture.com)

- Background info and FAQs
- Council memos and consultant reports
- Informational links
- Newsroom, newsletter, video library
- Comment & question form
- Sign up for e-mail updates

**Send questions and comments by email to:  
[energyfuture@bouldercolorado.gov](mailto:energyfuture@bouldercolorado.gov)**

# Possible ballot item



**A citizen petition committee is attempting to collect sufficient signatures to ask voters to approve debt limitations on a municipal electric utility. The measure also seeks to limit the service area to just the city or require county customers to be included in future votes vote – not on the creation of a utility – but on any debt a utility would incur.**

**Debt is common among all utilities – even Xcel. It is likely the city would issue bonds to improve infrastructure make and take advantage of emerging technology. The city has concerns about the ability to run a utility prudently with these restrictions.**

**The lending industry for utilities provides checks and balances.**