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## Municipalization Charter Requirements

The city must meet these criteria, at a minimum, to form a local electric utility:

- Rates cannot exceed Xcel's rates at the time of acquisition.
- Revenues must be sufficient to pay for operations and debt, plus an amount equal to 25% of debt payments.
- System reliability must be ensured.
- The city must have a plan to show it can reduce greenhouse gas emissions and increase renewable energy sources.
- The city's information must be verified by an independent, third-party analyst.

## City modeled and outlined six options as part of Energy Future analysis project; looking toward the Utility of the Future

Since the 2011 vote, the city has been working with a team of consultants as well as volunteer members of our community with considerable industry expertise to analyze whether municipalization is a feasible option, based on carefully prescribed Charter requirements (sidebar), and to determine what form such a utility might make.

On Feb. 21, the city released a memo that lays out the options for moving forward with Boulder's Energy Future project and the associated municipalization exploration study. The memo will be used to inform City Council and the public about the options at a study session on Tuesday, Feb. 26.

At the study session, staff will present the options and the work that went into building them, including modeling runs and associated risk assessment. Council will answer staff's questions, pose their own and provide feedback on options refinement.

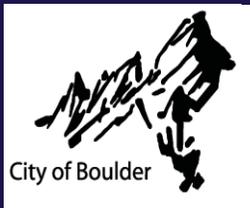
Public comment won't be heard at the study session, but there are ways you can provide feedback. Read page 4 of this newsletter to learn about all upcoming engagement opportunities, and don't forget that you

can always use the project's online comment form to let us know what you think, ask questions, and to sign up to receive the electronic version of this newsletter.

Analysis into the following six options is included in the memo and will be presented at the Feb. 26 study session. More information about each is provided on pages 2 and 3 of this newsletter:

- Xcel Baseline
- Phase Out Power Sold by Xcel Energy
- Low Cost/Low Coal
- Low Cost/No Coal
- Lowest Greenhouse Gases (GHG)
- Lowest GHG with increased efficiency

The city has not made a decision about whether to municipalize. The Feb. 26 meeting is an opportunity for council to hear about each option in detail and provide input about how to move forward. Staff will return to council on April 16 with refined options. Council will be asked then to provide direction about whether any of the municipalization options show enough promise to take the next steps. This is an important milestone, but not the final, and additional off-ramps still exist.



City of Boulder



## Technically optimal service area map created; annexation will not be pursued

As part of the modeling of options, one of the first steps was to define the area that a potential municipal utility would serve. A new “technically optimal service area map” was created by city staff and retained engineers who are specialists in ensuring system reliability.

On the service area map (available on the project website) you will see that there are areas outside of the current city limits that would be included in a potential new utility’s service area. The city has determined that there is no requirement that areas outside city limits be annexed in order to provide electrical service.

For technical and reliability reasons, however, staff is recommending that the city seek to acquire all six of the electrical substations currently serving the city for technical and efficiency reasons. These substations also serve portions of the county, including many of the neighborhoods most immediately adjacent to existing city limits. The city’s engineers have concluded that serving the entire area currently served by these substations is the best way to ensure reliability and the most technically optimal option for separating the existing system from that

## So, what did the city analyze?

The city has embarked on a significant undertaking that could change the future of electric service and energy management for its residents and businesses. As directed by council, staff, along with community stakeholders and consultants, has been analyzing the viability of various options to help the community achieve its Energy Future goals (available on the project website). The process is grounded in a commitment to be objective, to include as many alternate viewpoints as possible and to project out not only the results on the first day of potential service but for 20 years into the future.

Based on current analyses, the answer to whether it is possible to municipalize is yes. Determining whether Boulder should municipalize is a much more challenging question, as it is based on a number of community values related to the economy and environment. Staff anticipates this question will be addressed through a series of decisions as more information becomes available.

At the core of these analyses is a vision of “the utility of the future” that is bold and exciting. No matter what energy path the city chooses to take, it strives to be a leader in reducing the impact its electric use has on climate change and provide local energy services that meet the unique needs and community values of Boulder. For traditional electric utilities, “managing energy” is their core competence. What today’s customers really want from them is advice on how to implement energy systems that are more efficient and use less energy. Boulder’s vision, either in partnership with Xcel Energy or through a municipal utility, is to transform from a utility model centered on selling more electrons to a new business model in which their mission is to advise clients and create programs designed to use fewer electrons.

Some have questioned whether Xcel Energy, working in partnership with city, could be that utility. Maybe it could. A partnership option has not yet been modeled because the city does not have sufficient information from Xcel about the type of agreement the company would be interested in pursuing. The city is hopeful that Xcel will come to the table soon so that this option can be developed more fully during Phase II.

The modeling and analysis process to develop the potential options for moving forward was based on the principle that the Energy Future goals could be achieved to varying degrees through either of two broad paths:

1. Boulder residents and businesses could remain customers of Xcel Energy; or,
2. Boulder could form a local electric utility.

### Modeled Options

The purpose of modeling options is to examine how various paths toward a “utility of the future” compare to the status quo - sticking with Xcel Energy as the situation is today.

#### Option: Xcel Baseline

This option represents the status quo, with service and electricity provided solely by Xcel Energy, in the absence of a franchise agreement. The status quo must be modeled to provide both a comparison point for municipalization options and to explore to what degree the community’s energy goals could be met under current and potential future considerations. As with each of the alternatives, there are benefits as well as disadvantages and risks associated with maintaining the current system and relationship with Boulder’s existing energy provider.

#### Option: Phase Out Power Sold by Xcel Energy

This is a risk-mitigation option that would result in the creation of a city-run electric utility but would involve a five-year power purchase agreement (PPA) with Xcel Energy. This PPA would be based on Xcel’s current wholesale energy mix, much of which is coal-generated. At the end of the phase-out period, the city utility would be free to enter into Power Purchase Agreements (PPA) with other energy providers, including those that offer more renewable sources of electricity. The model used Xcel’s own projections for inputs such as fuel costs and load growth that were pulled from recent publicly available information such as PUC documents, annual reports and FERC filings.

#### Options: Lowest Cost and Low Cost, No Coal

These options attempt to balance the community’s desire to reduce emissions with concerns about

*Continued on page 3*



## And what did the analysis find?

costs. They set a goal of keeping generation costs as low as possible while also lowering GHG emissions. They seek to answer the question: Could the city exceed the Kyoto Protocol, the community's original energy future goal, and Xcel's state-mandated emissions goals (30% renewable energy by 2020), but do so more cost effectively and with a different mix of fuel sources? The Lowest Cost option was modeled for least cost with 25% coal as compared to Xcel's 50% coal, based on purchases from the wholesale energy market. The Low Cost, No Coal option completely excludes coal from the modeled fuel supply.

### **Options: Lowest Greenhouse Gas (GHGs) and Lowest GHGs, Reduced Use**

These options put the community goal of reducing Boulder's carbon footprint and reducing the release of harmful emissions first. It explores the effect that a maximum-impact renewable energy portfolio and greatly increased renewable energy investments could have on customer rates. These options represent the most dramatic and fastest shift from the status quo. Unlike the Low Cost options, these options were modeled without any requirement that the lowest generation costs be achieved. Like the Low Cost, No Coal option, these were modeled as no-coal options. The Lowest GHGs option was modeled with current energy efficiency and renewable energy investments and current community electricity consumption trends. The Lowest GHGs, Reduced Use option is a variation that reflects the impact increased local energy efficiency investment would likely have in reducing energy consumption.

While six options are being presented, they are illustrative and council is not being asked to choose a specific option at this time. Rather, the analysis is intended to provide the level of information needed for council to make a decision on April 16 about whether to take the next steps toward forming a municipal utility, including preparing for litigation proceedings. If council's direction is to move forward with the municipal exploration study, this will be an important step in the process, but not the final one, and off-ramps will remain available.

### **Key findings that resulted from the modeling analysis include:**

- All of the municipal utility options meet or exceed the Charter requirements of reliability, debt service coverage, GHG reductions, and more renewables.
- There are municipal utility options that are likely to meet the Charter requirement of rate parity under different stranded and acquisition costs.
- Four of the municipal utility options exceed the Kyoto Protocol in year one and a fifth would exceed it by year five.
- The two most aggressive GHG reduction options meet all the Charter requirements except the rate parity metric.
- The following variables have the highest impact on feasibility: stranded & acquisition costs, wind prices, gas prices, operations and maintenance (O&M) expenses, debt service coverage, a carbon tax, and borrowing interest rates.
- The differential between the Low Cost options and the Lowest GHGs options was not as significant as expected due to diminishing returns on carbon reduction per unit of cost under current resource cost assumptions.
- A municipal utility could with high likelihood: offer all three customer classes lower rates than what they would pay Xcel; maintain or exceed current levels of system reliability and emergency response, and use future investments to further enhance reliability and rate stability; reduce GHG emissions by more than 50% from current levels; and, obtain more than 54% of its electricity from renewable resources
- Municipal utility options that meet all the Charter metrics also have the potential, over time, to create an "electric utility of the future" business model focused on leading edge innovations in reliability, energy efficiency, renewable energy, economic development, and customer service.

Complete information on all modeling and associated analysis, including risk assessment, is available in the Feb. 26 memo to City Council, which can be found at [www.BoulderEnergyFuture](http://www.BoulderEnergyFuture).

*continued from page 2 sidebar*

which the city would operate. This means that the city-run-utility, if created, would provide electrical service to all residences and businesses served by these substations, including those that are outside of the city limits.

The city wishes to invite all potential customers to become involved in the analysis and discussion about the possibility of municipalization. See page 4 for opportunities to provide feedback

Research suggests that customers of a city-owned utility would be able to draw more of their electricity from renewable resources and experience the same level of reliability while paying rates comparable or lower than those charged by Xcel Energy. Customers outside of city limits would enjoy the same benefits. These uniquely situated customers would also be entitled to an additional layer of regulatory oversight. If a city-run utility wanted, at any point in time, to charge these customers different rates, those rates could not become effective until after they had been reviewed and approved by the Colorado Public Utilities Commission (PUC).

## Do you know of an organization or community group that would like to host a presentation?

We know how important it is to provide as much of the Boulder community as possible with information on the Energy Future Project and the options explored in this municipalization study.

We have found there are many established organizations, civic and neighborhood groups, and other frequent community gatherings that would like to hear about the city's work at one of their events, and we'd be happy to come speak at others, if you'll have us.

Executive Director of Energy Strategy and Electric Utility Development and project staff are available to come to your meeting at your location and provide a presentation on the work to-date and listen to your feedback.

To schedule a presentation:

- Send an email to [energyfuture@bouldercolorado.gov](mailto:energyfuture@bouldercolorado.gov)
- Call 303-441-3274
- Use the online project comment form at [www.BoulderEnergyFuture.com](http://www.BoulderEnergyFuture.com)

Provide us with a bit of background information on your group and what you'd be most interested in hearing about and we'll work on scheduling a meeting.



## Opportunities for you to join the discussion, provide feedback and get involved today

### Friday, Feb. 22, through Friday, April 5 - Options discussion on InspireBoulder

Beginning on Friday, Feb. 22, one option for moving forward will be featured each week on [www.InspireBoulder.com](http://www.InspireBoulder.com). InspireBoulder is a community collaboration site that allows people to openly discuss each option and comment on other users' feedback.

### Tuesday, Feb. 26 - 6 p.m. - 1777 Broadway - Study session with City Council on possible energy future options - Meeting will be aired and streamed live on [BoulderChannel8.com](http://BoulderChannel8.com).

- City Council will receive new information about how Boulder can best meet its energy goals. A memo was released on Thursday, Feb. 21 (see pages 2 and 3) and is available at [www.BoulderEnergyFuture.com](http://www.BoulderEnergyFuture.com).
- Possible options based on staff, consultant and stakeholder group analysis will be presented and discussed. No decision will be made at this meeting, but council will provide questions for staff to answer as well as general feedback before staff returns to council on April 16.
- Study session broadcast and streamed live on Boulder Channel 8 - [www.BoulderChannel8.com](http://www.BoulderChannel8.com) and will be available for viewing when the meeting is over.

### Tuesday, March 12 - noon to 1 p.m. - Business community-oriented conference call

The business community is invited to phone-in to a discussion about the analysis. A panel of experts on reliability, finances, and the project in general will provide information and answer questions posed by conference call participants. Register today at [www.BoulderColorado.gov/energyfuture/businesscall](http://www.BoulderColorado.gov/energyfuture/businesscall). The discussion will be recorded and made available on the project website for those that cannot participate live.

**Wednesday, March 13 - 6:30 to 8:30 p.m. - West Boulder Senior Center - 909 Arapahoe Ave. - Community Open House on Options for Moving Forward.** The city is working with community partners to host an open house for all potential residential city electric utility customers who wish to provide feedback about the energy future options. Staff will be on-hand to provide detailed information on each option, answer questions and collect feedback. Learn more at [www.BoulderEnergyFuture.com](http://www.BoulderEnergyFuture.com).

### Tuesday, April 16 - 6 p.m. - 1777 Broadway - Meeting with City Council and public hearing on refined energy options - Meeting will be aired and streamed live on [BoulderChannel8.com](http://BoulderChannel8.com).

- Staff will return to council with answers to questions posed on Feb. 26 and with further refined options about how to achieve Boulder's energy goals.
- Public comment will be heard at this meeting.
- Decisions made at this meeting will guide the next phase of the city's work.

### Additional Opportunities to Provide Feedback:

- Online comment form - [www.BoulderEnergyFuture.com](http://www.BoulderEnergyFuture.com)
- Send an email to [energyfuture@bouldercolorado.gov](mailto:energyfuture@bouldercolorado.gov)
- Invite us to your event or meeting - see the sidebar on this page



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