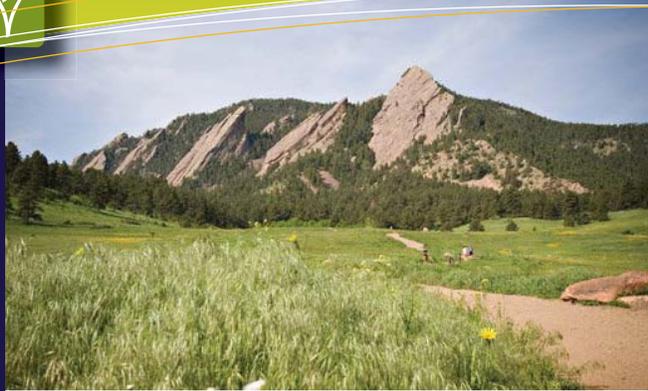




Boulder's

Energy Future Today



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Municipalization Charter Goals

The city must meet these criteria 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.



November 2012

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Council approves baseline metrics to aid with energy strategy comparisons; significant research underway

On Nov. 15, City Council approved metrics that will be used to aid Boulder's energy strategy assessment process before a recommendation is made to council in the first quarter of 2013 (see page 4 for calendar).

The metrics, designed by the city and several stakeholders with a diverse set of perspectives, will help council determine if the continued pursuit of municipalization exploration is viable given Charter requirements, or if another route needs to be taken.

When voters authorized council to issue bonds to acquire Xcel Energy's system, they defined a set of requirements and guiding principles that must be met. The voter-approved language did not detail, however, the specific metrics or quantitative measures that will be used. Metrics are important to promote common understanding and due diligence prior to providing data to an independent evaluator for final review.

The approved metrics include:

- Average cost per kilowatt hour (kWh) of electricity by class as provided by Xcel (residential, commercial and industrial) compared to Xcel's average cost per kWh at time of acquisition;
- Debt service coverage ratio (DSCR) will be measured by dividing net annual operating income by the total annual debt service, using a standard rating agency methodology;
- Maintain comparable electric equipment, facilities and services as those of Xcel at time of acquisition, which will be designed to achieve the same System Average Interruption Duration Index

(SAIDI) of 85 and a System Average Interruption Frequency Index (SAIFI) of .85, which is slightly better than the Xcel four-year average for the Boulder region;

- Maintain an adequate reserve margin of 15%;
- Meet applicable North American Electric Reliability Cooperation (NERC) compliance requirements;
- A short-term plan (five years) demonstrating that emissions will be reduced, as calculated based on metric tons equivalent, and that renewables will be increased proportionally beyond the levels that would have been achieved by staying with Xcel at the time of acquisition; and,
- A long-term plan (20 years) will demonstrate that the city's carbon intensity from electricity in its portfolio will be less than Xcel's, and renewables (as a proportion of the resource mix) will be greater than Xcel's.

Executive Director Heather Bailey made it clear that these metrics won't be the only criteria staff and City Council will use to make a decision. These criteria, she said, will strive to answer the question: *Can* the city municipalize and meet the voter requirements?

In addition to knowing if municipalization is technically and financially feasible, the city will also need to determine if enough value is added to the community to make any given strategy worth pursuing. The question that will remain -- *Should* the city proceed with municipalization? -- is even more important. Staff and stakeholder work groups are currently analyzing parts of the work plan to help answer both questions.

Rebates offered until Dec. 31 to help keep warm air in and cold air out this winter

With colder weather on its way, now is a great time to make sure your home is warm and will stay that way until spring returns. Proper insulation increases your comfort, lowers energy bills and helps our community reduce greenhouse gas emissions by reducing the energy used to heat your home.

Through the EnergySmart service, homes in Boulder are eligible to receive a rebate for 50 percent of the cost of attic or ceiling insulation and air sealing upgrades, up to \$1,000.

Rebates are funded by Boulder's Climate Action Plan (CAP) tax and are only available for work completed before Dec. 31, or until funds are exhausted. This rebate is not available to rental units working towards SmartRegs compliance.

The City of Boulder and the EnergySmart service offer additional rebates for other energy efficiency upgrades. These rebates are only available to EnergySmart participants.

Afraid that applying might be a hassle? Don't be, because EnergySmart pairs each participant with an Energy Advisor who helps identify all available rebates and financing opportunities. They also help prioritize residents' energy saving goals and connect them with qualified contractors.

For more information on the insulation/air sealing rebates, visit EnergySmartYES.com or call 303-544-1000. EnergySmart is funded by the American Recovery and Reinvestment Act through the Department of Energy's BetterBuildings Program and sponsored in partnership by Boulder County and the City of Boulder.

Will the city need to annex adjacent communities in order to create a municipal electric utility?

As a city organization, we know there are a lot of questions about the impact that creating a local electric utility might have on our neighbors, and we are committed to answering these as straightforwardly as we can. One question that has recently come up is whether the city will have to seek to annex, or bring into the city limits, neighborhoods that are currently in unincorporated Boulder County. These typically include areas that are already surrounded on all sides by the city, usually called enclaves, as well as neighborhoods that are immediately adjacent to the city borders.

The issue is not new to this discussion. The city answered questions about the possible need for annexation prior to the election in November 2011. But it recently became the focus of more attention as a result of a City Council discussion and coverage by the Daily Camera. Some residents have also received a letter from Xcel Energy about this topic.

In Boulder's history, annexation has been a challenging and sometimes contentious issue. So we are not surprised that the recent attention is raising questions, and we'd like to address them.

The short answer is that we do not know yet what, if any, annexation efforts will be worthy of consideration. As part of an effort to remain transparent, however, the city mailed a letter of its own to residents in areas that could be affected by the city's municipalization exploration work. The letter explained the process, including how the issue of annexation will fit into the ongoing analysis, and reiterated the city's commitment to involving potentially affected property owners.

Here are the key points of the city's response:

- The city has not made any decision at this time about whether to seek to annex any neighborhoods.
- The city is in the early stages of developing a "separation plan" that will help determine if the city needs to explore annexation in order to form a complete electrical grid. This will involve hiring an electrical engineer to study the system that Xcel currently has in place. This engineer

will advise the city about what it would take, both technically and financially, to separate Xcel's system from the poles and wires that are necessary to provide power within existing city limits.

- It is anticipated that the separation planning process will result in a spectrum of options, each of which will need to go through a rigorous cost-benefit analysis.
- Some analysts have said there could be some parts of our community that will be more difficult than others to separate from Xcel's system. If this is true, it would be because of the way Xcel's substations and power lines are currently operated and routed.
- Depending on what the separation options show, it is possible that the city would begin to evaluate the pros and cons of seeking to annex some enclaves or neighborhoods that are on the edge of existing limits.
- The city is also likely to explore the options for providing electric service to these neighborhoods, if it makes sense to do so, without annexing them.
- The city knows that issues around annexation are complex and vary from neighborhood to neighborhood. We are 100 percent committed to involving any potentially impacted residents and businesses in the evaluation and discussion process when and if we reach that point in the overall effort.

So what's next? At this point, we anticipate having more information in the early part of 2013. If annexation becomes an option that city needs to consider, we will begin providing regular updates, engaging residents in the conversation, hearing their feedback and working with our neighbors to respond to their questions.

Annexation is addressed on the project website: www.BoulderEnergyFuture.com. Right now, the page includes basic information, a copy of the city's letter and a link to the BVCP map where individuals can enter their address to see if their property is in an area that may be considered for annexation. We anticipate posting more details and answers to frequently asked questions as they become available.

Voters overwhelmingly approve CAP tax extension; new and enhanced programs and tracking coming

In early November, 82 percent of Boulder voters approved a five-year extension to the Climate Action Plan tax (CAP tax). The existing CAP tax has been in place since 2007 and is collected by Xcel Energy as part of its Boulder customer's energy bills. The extension will remain in place until March 2018 and will not result in any new taxes.

"The Boulder community has once again proven its commitment to reducing greenhouse gas emissions and mitigating climate change," said City Manager Jane Brautigam. "Boulder remains a strong steward of the environment, and I'm proud of our city for being a leader in the region, state and nation."

Current CAP tax-funded programs and services were developed to help reduce citywide greenhouse gas (GHG) emission and promote energy conservation and efficiencies.

Programs developed since the tax was originally adopted include, but are not limited to:

- Commercial and Residential EnergySmart
- 10 for Change
- Small-Building Tune-Ups
- Efficient lighting
- Neighborhood sweeps
- Weatherization

Thanks to these tax-funded programs and other services, the Boulder community has leveled off GHG emissions and, in some areas, started to achieve modest reductions. This has occurred despite commercial and industrial growth in our community.

The amount of tax varies according to the sector and usage by each customer. The less energy an individual uses, for example, the less he or she pays each month.

The average annual cost for residents is \$21; the average for businesses is \$94; and, the average for industrial customers is \$9,600.

How will extension money be spent?

In June, the city retained The Brendle Group, an external consultant, to determine the best strategies for how future funding should be used. The goal was to evaluate gaps in existing CAP programs and to collect ideas from community stakeholders to enhance existing efforts and create new programs and ways to achieve the best possible results.

The Brendle Report recommended a package of CAP-tax funded programs that builds on existing successful areas, like commercial and residential EnergySmart. The proposal included other new components, as well, such as reserving funds for an open request-for-proposals (RFP) program that would be used to encourage innovative energy and emissions savings programs each year. Key elements include:

- Consolidating existing commercial programs to make them the cornerstone of the community's efforts;
- Combining voluntary and mandatory approaches to promote efficiencies;
- Allocating significant funding for creative thinking and innovation around ways to address our energy needs; and,
- Including renewable energy programs for residential, commercial and industrial customers.

How will we know programs and services are working?

The Brendle Report recommendation calls for the creation of a detailed tracking system to measure each program's success. Measures of success will include GHG emissions reductions, but also other targets, such as reductions in vehicle miles traveled. The tracking system will give Boulder residents, business owners and city staff a more complete and timely understanding of the progress that is being made and allow the city to make adjustments as needed to stay on track with the community's goals.

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Greenhouse gases hit record high in 2011

According to the World Meteorological Organization's (WMO) annual Greenhouse Gas Bulletin, greenhouse gases in the atmosphere hit a new record high in 2011 as carbon dioxide levels reached 391 parts per million.

Carbon dioxide levels appear to have been rising at a level of two parts per million each year for the last 10 years. The latest measure is 40 percent higher than those at the start of the industrial revolution in 1750. The WMO estimates that 375 billion tons of carbon have been released into the atmosphere over the last 260 years, and about half that amount is still present in the atmosphere.

The National Oceanic and Atmospheric Administration (NOAA) contributed to WMO's report with its Annual Greenhouse Gas Index, which indicated that between 1990 and 2011, carbon dioxide's role in the radiative forcing that leads to warming had increased by 30 percent. The report estimates that carbon dioxide accounts for 85 percent of the "radiative forcing" that leads to global temperature rises.

Other potent greenhouse gases have also reached record highs, such as methane, which is over 20 percent more potent as a greenhouse gas than carbon dioxide. Levels of methane hit a new record at 1,813 parts per billion - more than 2.5 times the pre-industrial level.

Concentrations of nitrous oxide, estimated to be nearly 300 times more potent than carbon dioxide, rose slightly to a record 324 parts per billion.

As you can see, it is more important than ever to start taking climate change seriously, so visit BoulderColorado.gov/ClimateAction and learn how you can help today.

City plans to seek feedback on possible energy strategies in January

Prior to bringing strategies for moving forward with Energy Future work to City Council for consideration in February, the city will be seeking to hear what you think.

From Monday, Jan. 21, through Thursday, Jan. 31, the public will be given a variety of opportunities to review and comment on the data that has been collected and the strategies that have been formed as a result of the work plan analysis.

It is likely there will be a community open house scheduled to provide a forum for receiving the community's feedback, but the city also plans to provide other options for sharing your input.

Strategies will be available on the BoulderEnergyFuture.com website and an electronic comment form will be available. In addition, strategies may be posted on InspireBoulder.com so that anyone who is interested can see other feedback and add to the comments, allowing for more of a dialogue.

Input received will be considered and may be factored into the draft recommendations that are provided to City Council at a Study Session on Tuesday, Feb. 26. More information on this meeting and other important sessions is available on the main portion of this page.

CAP tax passes continued from page 3

"With the renewed funding, Boulder will be able to refine existing programs to better support our community's goal of reducing energy use and keep Boulder at the forefront of local governmental efforts to mitigate the effects of climate change," said Executive Director of Community Planning and Sustainability David Driskell. "Implementation of the tracking database will ensure that our efforts are reaching the objectives our community has set, improve transparency and allow us to make changes quickly and efficiently if factors call for a new approach. Our community has made tremendous progress over the past five years, and we are poised to make additional progress in the next five."

The complete Brendle Report is available at www.BoulderEnergyFuture.com and was also summarized in the July edition of this newsletter, which is also available on the Energy Future website.

Upcoming events

Tuesday, Dec. 11 - 4:30 p.m. - 1777 Broadway - Roundtable with City Council regarding ways the city could partner with Xcel Energy

City staff will present a white paper to City Council that lays out options for how the city could continue to work with Xcel Energy to meet community greenhouse gas emission reduction and climate change mitigation goals. The white paper will be available on the Energy Future website prior to the meeting.

Tuesday, Dec. 11 - 6 p.m. - 1777 Broadway - Study session with City Council on current climate work

City Council will learn about and discuss current work surrounding the city's new Climate Commitment, climate action programs and services, and the municipalization exploration study. The city's financial advisors and reliability engineers will provide an introduction about the work they'll be undertaking as part of their analysis regarding municipalization exploration. A complete agenda and all information provided to council will be available on the Energy Future website by Friday, Dec. 7.

Tuesday, Feb. 26 - 6 p.m. - 1777 Broadway - Study session with City Council on recommended energy strategies

City Council will receive new information about how Boulder can best meet its energy goals. Staff, consultant and stakeholder work group recommended strategies will be presented for discussion and analysis. 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 in March. A memo to council will be available on the Energy Future website Friday, Feb. 22.

Tuesday, March 19 - 6 p.m. - 1777 Broadway - Meeting with City Council and public hearing on recommended energy strategies

Staff will return to council with answers to questions posed on Feb. 26 and with further refinement of its recommended strategies 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. The meeting memo and any attachments will be posted on the Energy Future website by Friday afternoon, March 15.



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