

The City of Boulder supports a rigorous and well-rounded dialogue about whether the creation of a municipal electric utility is the best way to achieve our community's energy goals. Over the past several months, I have made numerous presentations and met with community members who have a wide range of perspectives on this important issue. I have been impressed by the depth of knowledge and the questions from both those who support municipalization and those who oppose it. We are working with industry experts and stakeholder teams to conduct the detailed analyses necessary to be able to answer questions at the level of detail we have received.

Earlier this week, however, a community member gave a presentation that included several incorrect assumptions and assertions. This presentation has been widely circulated and resulted in some passionate letters to City Council. I would like to provide my perspective in advance of a council discussion this Thursday evening.

First, I would like to address the concern that the set of metrics the city team is recommending to council is inadequate to fully assess the risks associated with this possible path. It is important to remember that City Council and a majority of voters already approved a baseline set of metrics, which was included in the Charter language. According to the Charter, City Council would have the authority to issue bonds if the following criteria were met:

- 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.

While some supporters advocated after the election that these were sufficient for the city's exploration moving forward, I believed it necessary to seek more specificity and community consensus about how we would measure any strategy's ability to achieve each of these points. Through a series of public discussions over the past several months, it has become clear to me that we need to answer two separate questions:

- *Can* the city create a municipal utility based on the Charter criteria; and
- *Should* the city create a municipal utility?

The "should" question is critically important because both City Council and potential customers of a city electric utility have a right to know what extra value a city utility would bring to the community's goals of increasing renewable and other sources of clean energy, stabilizing rates, and maintaining or improving reliability. We also need to be able to articulate how long it would take before a city utility could achieve the progress the community seeks. No one wants to spend money to simply recreate the system that Xcel Energy currently operates.

The set of metrics staff is proposing would result in detailed data to answer fully the question about whether the city “can” municipalize. But the analysis will not stop there. When city staff presents its recommendations to council in February and March 2013, we are planning to include 20-year projections that take into account rates, reliability and the resource mix that could be achieved over this period of time. It is during this level of review that I anticipate your questions will be addressed.

Some questions have been raised about how these proposed metrics were developed and how public they have been. In early August, the city convened a diverse focus group of large utility customers, representatives of the Boulder Chamber and several activists to discuss possible measurements and vet proposals. The group agreed upon the metrics that are coming before council. The metrics have been shared on the project website (www.BoulderEnergyFuture.com), in the Energy Future Today monthly newsletter, and with more than 450 community members who have signed up for e-mail updates about this effort. In addition, I have discussed them at several well-attended public presentations, and council received information about them at public meetings on July 24, Aug. 28, Oct. 9 and Oct. 16.

I have the utmost respect for the community members who participated in the process to develop the metrics. As we continue to conduct the critically important parts of our analysis, we have invited individuals with specialized knowledge and expertise (as well as diverse views about municipalization) to help vet assumptions and define the data we need. Specifically, we have formed four working groups: Financial, Reliability, Resource Modeling and Communications and Outreach. We will be providing bios of the working group participants in a memo to council in advance of a study session scheduled for Dec. 11. I think you will share my enthusiasm about the collective experience and wisdom we have at the table. In the spirit of transparency, the work these groups produce will be made available to the public on our website.

In closing, I want to assure you that a vote about these metrics is NOT a decision point on whether to proceed with municipalization. The first actual decision point is expected in March 2013, after our more detailed analysis is done. The city’s study is taking time because Xcel Energy is not providing data that could assist with our efforts and because we are striving to reach the specificity necessary to answer both of the key questions before us as a community.

If council gives a go ahead in March to continue with the exploration of municipalization, the city would work to formalize its legal plan and ask potential witness consultants to prepare written reports of their findings. This plan would be presented to council during the third quarter of 2013.

In the meantime, I welcome your continued communication. Let us know if there are additional questions you want to see addressed as we seek to explore whether a city utility would offer additional value to Boulder. Please provide comments and questions using the online form

provided at www.BoulderEnergyFuture.com. All feedback received through this forum is being shared with the staff team, as well as City Council.

Thank you.

Sincerely,

Heather Bailey

Executive Director of Energy Strategy and Electric Utility Development