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COVER PAGE

Innovation Study Title Boulder's Energy Future: A Community Conversation

Category Community Relationships

Jurisdiction Name Boulder, Colorado

City/County Manager Jane S. Brautigam

Population 103,000

Submit Innovation Study for an Alliance Innovation Award Yes [x] No []

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Innovation Study Presentation Application
Transforming Local Government Conference

April 18-20, 2012
Kansas City, MO



Boulder's Energy Future: A Community Conversation

Breaking free of the government communications mold

Meeting the public where they already are

Forging creative partnerships to convey powerful ideas

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SYNOPSIS

Energy: Where should it come from, how will we get it, who will provide it, and what will it cost?

As communities across the globe confront the challenges of climate change, dwindling fossil fuel resources and rising costs, these questions are becoming more relevant than ever before, and in Boulder, they've taken center stage. The city has long been a leader in demand-side management programs such as efficiency and conservation, but in recent years, it has become increasingly clear that policies, programs and decisions related to our energy supply are just as important. Over the past two years, the Boulder community has worked to define its energy-related objectives, analyze a variety of paths for achieving them and engage the community in this important, and sometimes technical, issue.

The public discussion started in 2010, when Boulder City Council was confronted with a choice. Did council want to sign another 20-year franchise with Xcel Energy, the investor-owned utility that had been supplying electricity and gas to all Boulder customers, or did the community wish to explore other options that might lead to less reliance on coal and more renewable sources of energy? Just four years earlier, voters in Boulder agreed to tax themselves to fund programs that would lead to fewer greenhouse gas emissions. The Climate Action Plan, or carbon tax was one of the first of its kind in the country. Aware of the demonstrated community values and pointing to the rapidly changes in the energy industry, council said no to a traditional franchise.

Under Colorado law, Xcel Energy was required to continue providing electricity to Boulder even without a franchise, so the city elected to take some time to study several possibilities. Would Xcel Energy be willing to enter into a new form of partnership with an agreement that would be more specific to Boulder's values and objectives? Would it make more sense to break ties with Xcel and form a municipally owned electric utility? Or was there some option in between? Council wanted a rigorous analysis of the options, and they wanted it done in eight months in hopes of bringing the possibilities back to voters by Nov. 1, 2011.

The tight timeframe, the complexity of the topic and the potential impact on every electricity user in Boulder called for a bolder than usual strategy for reaching out and engaging the public we serve. A team was assembled that included communications professionals, sustainability, planning and legal specialists and two Boulder creative consultants. Over a period of six intense months, this team brainstormed and implemented a new approach to engagement, bringing our community along in an evolving conversation and decision-making process.

Now at the end of summer, council has decided to ask voters if they want a change to the status quo, specifically: Should the city break ties with Xcel Energy and create its own electric company to provide service that could be more responsive to our community's specific set of goals?

We don't yet know what voters will decide – and for the purposes of our presentation – it doesn't really matter. What we propose to talk about is how we got the community to the point of being able to make a decision. We knew that engaging the community on the issue of energy supply was going to be challenging. Yes, everyone uses electricity. Yes, lots of people in Boulder care about cleaner air, and yes, most people who pay a bill care about what energy costs them. But beyond the advocacy groups, there was an uninvolved public with little concept about the analysis their government was doing – and what it could mean for them. Our approach was designed, specifically, to reach them.

Our intent is to share the communications and outreach strategies and tactics that were used for this project. As we indicated previously, these differed dramatically from the write-a-press-release and hold-a-community-meeting approach that Boulder and many other local governments typically use.

As excited as we are to share many of the unique materials we created for Boulder's Energy Future, we propose to focus our presentation around themes that can be applied to any number of circumstances in cities across America. These include:

- The opportunities and challenges of framing the discussion around community goals, as opposed to a specific outcome or way of achieving them;
- The value of meeting people where they already are – both physically and in terms of their knowledge of an issue – before expecting them to come any farther;
- The importance of identifying and meeting the needs of different stakeholders and audiences;
- The unanticipated rewards of doing away with traditional organizational divisions between message crafters and messengers;
- Strategies for integrating creative consultants with a call-to-action outlook into a government communications initiative; and lastly,
- Challenges and techniques for backing off and letting the community chart its own conversation and direction prior to an election.

We learned valuable lessons throughout this process and look forward to the opportunity to share these with our peer government organizations.

INNOVATION STUDY COMPONENTS

Innovation/Creativity

Our team started out by developing a plan that covered many of more obvious approaches: creating a logo and tagline, building a project website (www.boulderenergyfuture.com), using social media platforms, drawing up a media relations strategy that included regular meetings with the daily newspaper's editorial board, preparing a toolkit and PowerPoint presentation for City Council members to use

during speaking engagements, issuing press releases that marked milestones in the process and developing e-mail listservs for online communication with interested members of the public.

But we knew these efforts were not going to be enough. No matter how interested people are in a topic, life often gets in the way. So we developed a plan that took us out into our community instead of expecting them to come to us. From the end of March 2011 to Aug. 16, 2011, when the ballot language was finalized by council, the Energy Future communications team conducted 10 pop-up conversations with members of the public. Staff teams went, usually for about seven hours at a time, to places where the public was already congregating: grocery stores, soccer fields, recreation centers, libraries. We set up a multi-dimensional, attention-grabbing tactile display that provided information about the community's goals and talked one-on-one with individuals. These were two-way conversations designed to both share information about the project and hear what issues and concerns mattered most to the public. We used these same displays to staff 17 additional community events/festivals, plus twice-weekly Farmers' Markets that draw a large crowd, and three youth outreach sessions at local middle and high schools. In addition to these efforts, project consultants conducted sit-down interviews with 40 private citizens to gauge what they knew about energy, about the city's initiatives and what they hoped to get out of the process.

We created materials that were heavy on visuals and easy-to-understand explanations of what the city was working to accomplish – and why. We ask that you watch the following two, 2-minute videos. The first captures many of our efforts in a fun, time-lapsed account. The second is a motion graphic animation that we created to explain to people – long before a particular ballot item was selected – what the Energy Future project was working to achieve.

Time-lapsed account: <http://vimeo.com/27204264>

Graphic animation: <http://vimeo.com/28169651>

Other efforts included:

- A photo-driven awareness campaign that featured the faces and quotes of semi-public and private Boulder residents talking about the city effort and what they hoped it would achieve. The photographs were used on the project website, in a newspaper insert and in a series of ads on the sides of Boulder buses.
- Business-specific information sessions and coffee chats
- The creation of “Cliffnotes-like” community guides that boiled down technical data, energy consultants' findings and hundreds of pages of staff memos into a more accessible, understandable format.

Outcomes Achieved

While the will of the people as it relates to municipalization won't be known until Nov. 1, we are confident our efforts helped shape a successful public process.

The quantitative outcomes are these:

- Individual contact with approximately 3,500 people at pop-up and other community outreach events
- 287 people signed up for regular e-mail updates on the project
- 4,796 page views (3,277 unique page views) to our project homepage between March 1, 2011, and Aug. 16, 2011; and
- 2,150 views of our localization motion graphic on the city's YouTube channel
- Distribution of approximately 6,000 community guides; and
- Attendance of 300 people at two community forums.

As part of the process, the City of Boulder also conducted a community phone survey. This occurred near the end of our outreach, in mid-July, but at least a month before the start of what we would consider the heavy campaign season. While most surveys of this type have a response rate of about 10 percent, the firm hired to conduct this research achieved a response rate of 32 percent. One of the surveyors said this was the highest she'd seen in Boulder in nine years. Fifty-nine percent of those surveyed said they had been following the issue very closely or somewhat closely prior to being called.

There have been significant outcomes on the qualitative side, too. There is an increased awareness among community members about what is being discussed; an understanding about the importance of the decision; exceptional press coverage/community conversation from a variety of media outlets, including our daily newspaper, which often takes a more adversarial role; and an increase in opportunities for the public to provide feedback at their convenience.

Applicable Results and Real World Practicality

The decision about whether to take on the responsibility of providing electricity to every customer in the City of Boulder is a monumental one. The debt the city will incur, if voters choose to support municipalization, will dwarf all existing debts combined. On the flip side, the revenues will be in the millions of dollars each year. We also knew that once a council decision made its way on the ballot, we would see a significant outpouring of money from interest groups that might be opposed to the direction the city was considering.

As a result of this, we were allocated \$88,000 for communications and outreach. The money came from Climate Action Plan tax money and other sources that did not impact our General Fund.

Boulder utilized existing staff for much of the implementation. This included two communications professionals, skilled and knowledgeable speakers from the overall project team, and some assistance from outreach specialists in another division. In the final months of the effort, the city also contracted, on a temporary basis, with an outreach coordinator. For strategy and creative advice, we hired local consultants: Robb Shurr of Kickstand Communications and Lucia Robinson of Sustineo Creative.

We tell you this upfront because we know we were in a unique position. Most local governments – and Boulder is no different – face significant challenges in finding the budget and resources necessary to experiment with new methods of community engagement. In this case, however, we did – and we believe we can offer a valuable perspective about what worked best, what we might have been able to live without and where we believe we can replicate our efforts, even for projects that don't have this level of support.

Whether the issue is energy, or something else, we are in world where the community expects more. People are interacting in new ways with individuals in their lives, with organizations to which they feel affiliated and with causes that matter to them. It is only logical that they would want a different set of opportunities for interacting with their government, as well.

Innovation Study Presentation

We plan the following:

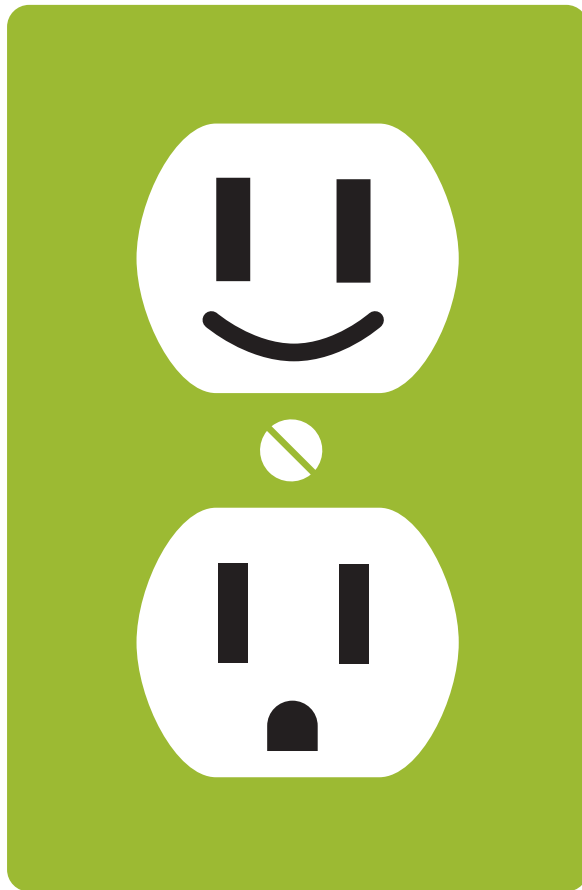
- I. Setting the stage – a brief discussion of the issue at hand and how we approached the community engagement component
- II. The mission of our consultants – what we were striving for
- III. Kicking off the conversation – establishing the community's goals, issuing our first set of fliers, creating the 2-minute motion graphic animation video (which we will show) and the anatomy of a pop-up (this will include the display we used to grab people's attention; we will ship it in advance)
- IV. Interactive exercise on identifying and recognizing the needs of different audiences
- V. Ways to boil down a complex topic – spotlight on making regular people the messengers (the Faces campaign) and the publication of Community Guides
- VI. Discussion and questions/answers about lessons learned centered around the following themes:
 - The opportunities and challenges of framing the discussion around community goals, as opposed to a specific outcome or way of achieving them;
 - The value of meeting people where they already are – both physically and in terms of their knowledge of an issue – before expecting them to come any farther;
 - The importance of identifying and meeting the needs of different stakeholders and audiences;
 - The unanticipated rewards of doing away with traditional organizational divisions between message crafters and messengers;
 - Strategies for integrating creative consultants with a call-to-action outlook into a government communications initiative; and lastly,
 - Challenges and techniques for backing off and letting the community chart its own conversation and direction prior to an election.

We will also bring extra materials that people can peruse and take with them.

In closing, we would love to share our experiences with other Innovation for Alliance members and government organizations that are committed to creative thinking and processes. Thank you for your consideration.

Appendix A – PDF portfolio of created materials

Appendix B – Insights report



Boulder's
ENERGY
FUTURE

You Have the Power to Decide

Palette:



C:38 M:3 Y:100 K:9
R:157 G:185 B:50



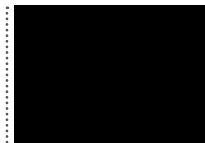
C:38 M:3 Y:100 K:48
R:98 G:122 B:28



C:0 M:60 Y:100 K:0
R:245 G:130 B:32



C:0 M:0 Y:0 K:80
R:88 G:89 B:91



C:78 M:65 Y:65
K:100
R:0 G:0 B:0

The logo in action on stickers and banners



(Left) The logo and url as removable building clings (Right) Portable, interactive exhibit





“I think the attitude of ‘we want to do better’ is what makes Boulder great. When it comes to our power, we need to do better. And we can.”

Lynn Hill
Elite Rock Climber

BoulderEnergyFuture.com



“It’s brilliant that Boulder is looking at changing its relationship with our power supply. That is the real issue.”

Alex Bogusky
Creative Insurgent, COMMON

BOULDER'S ENERGY FUTURE

In 2006, Boulder voters passed the nation's first "carbon tax" to reduce the city's greenhouse gas emissions. Last year, Boulder's 20-year franchise agreement with Xcel Energy expired, giving the city the opportunity to thoroughly research the future of its energy. Now, Boulder is looking at the best paths for achieving the goals that the community has said are important. These goals are:

CLEAN: Cleaner energy that makes use of more renewable sources of power;

LOCAL: As much local generation as possible to stimulate Boulder's economy and drive competition;

RELIABLE: Reliable power at affordable, stable rates;

POWER: More local control of energy decisions and investments.

There are several different ideas about how these goals might be met. In the coming months, we, as a community, will have the opportunity to learn more, and to decide the path we think is best. While our City Council is expected to make a recommendation this summer, the ultimate choice will be up to voters this November.

You have the power to decide: The city has been working with a team of industry experts to collect and analyze information about our energy goals and options. They have been looking at the opportunities and benefits, the drawbacks and potential costs, and the possibilities and potential pitfalls of various options.

There are still questions left to answer, but much of what we have learned so far was outlined in a May 10, 2011, memo to City Council. This memo, the formal presen-

tation to council, and a taped version of the council's study session are available at boulderenergyfuture.com. The city is also preparing a community guide to help provide concise, easy-to-understand answers to key questions you might have.

The city's commitment to you is this:

Our community's decision will be grounded in solid data, an understanding of the implications and clear communication to support an informed choice by Boulder voters.

City Council is currently considering three paths to accomplish our goal of reliable energy that is increasingly clean and competitively priced:

1. A NEW PARTNERSHIP WITH XCEL ENERGY

What this path might look like: The city could work with Xcel Energy—our current energy provider—to reach a Boulder-specific set of agreements that would better achieve our community's goals. Xcel would remain our primary power provider. Based on feedback from Xcel, it is likely the utility would only consider this path if the city agrees to sign (and voters approve) a new, 20-year franchise agreement.

What we're hearing: Very little, mostly because the specifics of this option remain unclear. While the city has been talking with Xcel about the community's goals for many months, and the company has said it is working on some ideas, the utility had not presented a proposal as of May 19 when this booklet went to press. Without details, it is difficult to compare this option with the others that are on the table or to consider the potential benefits and drawbacks of this approach.

2. FORMING A LOCAL POWER UTILITY

What this path might look like: The city could form a new energy utility, giving Boulder local control of its energy decision-making. Twenty-nine cities in Colorado run their own energy utilities and there are a variety of models. Some cities run the utility themselves, while others contract with vendors to maintain day-to-day operations. A locally owned and operated utility would choose where it gets its power and how to invest its revenues. It could purchase energy from Xcel or from other providers. Regardless, Boulder would still be "tied" to the regional energy grid and state law would provide us with access to constant power.

What we're hearing: This option represents the biggest change for Boulder—and there are many viewpoints.

Some say a local power utility, which would be free from Public Utility Commission regulations and shareholder pressures that govern Xcel Energy, could increase renewables, encourage more market competition and support local energy-related businesses, while maintaining reliability and ultimately lowering rates. These community members believe Boulder would get more of a say in how and where it gets its energy. They want the revenue that comes from providing energy to Boulder residents and businesses to stay in Boulder and be invested according to community values. (Revenues from the utility would, however, have to be used for energy-related purposes; they could not be used for other needs.)

Others worry about the costs of starting up a new endeavor and of acquiring the system that Xcel currently owns to distribute power. They point out that the process could involve lengthy court disputes. Some say rates would have to go up to support these issues. They have questions about who would make the utility's decisions and want assurances that the supply would be reliable.

3. KEEPING THE CURRENT SYSTEM AS IS

What this path might look like: There would be no obvious changes. Under state law, even without a franchise agreement, Xcel Energy is required to provide electricity and gas service to residents and businesses in Boulder. The utility would follow its existing business model and treat Boulder the same as the rest of its service area, with the exception of collecting the Climate Action Plan tax and the Utility Occupation Tax. These are fees customers pay to support energy conservation programs in our community and to replace money Boulder would have received to fund core city services if the city had signed a 20-year franchise agreement. These taxes expire in 2013 and 2015.

What we're hearing: Some say that Xcel already has a good record of investing in renewable energy, and that it will continue to do so under the new Clean Air-Clean Jobs Act and the state's "Renewable Portfolio Standard." They say the utility has provided reliable and affordable service and see little reason to make a change.

Others believe the utility has not done enough to expand its use of renewable energy sources and has financial incentives, due to its investments in coal plants, to continue to rely on fossil fuels. They say the company, because of the regulations it must follow and the business model it chooses to follow, is slow to change and has been insufficiently responsive to our community's goals. Pointing to rising coal costs and the company's own projections, they say that customers are likely to see significant increases in their bills over the next 10 years.

We hope this overview has given you a basic idea of the energy choices we face. No matter where you stand, the city hopes you will learn more and encourages you to give us feedback at www.BoulderEnergyFuture.com.



“If you want to actually get things done, if you want to make positive changes, you start at the local level.”

Shawn Coleman
Business/Political Expert



“We do our children a disservice if we teach them that our resources are endless. This is our time, our planet. We only have one chance to do this. To do it right.”

Elaine McCarthy
2010 Educator of the Year



“If you look at anything that’s changed over time, it was once seen as something that couldn’t be changed. Since society is man-made, we can change anything we want.”

Isaac Karsen
CU Student

Please Join Us

Learn more and give feedback at these events:

Info Forum: *Know Your Power*

Thursday, June 2 | 6 to 8:30 PM

East Boulder Community Center
5660 Sioux Drive, Boulder

Speakers: Tom Plant, former director of the Governor’s Energy Office; Steve Catanach, Power & Light Manager of the Fort Collins Utilities; and Paul Fenn, director of Local Power, Inc. Xcel Energy has been invited to participate. City staff will be available to answer your questions.

City Council Study Session

Tuesday, June 14 | 6 to 9 PM

1777 Broadway St., Boulder

www.BoulderEnergyFuture.com features a comment form. All comments submitted there will be shared with City Council.

Feedback Forum:

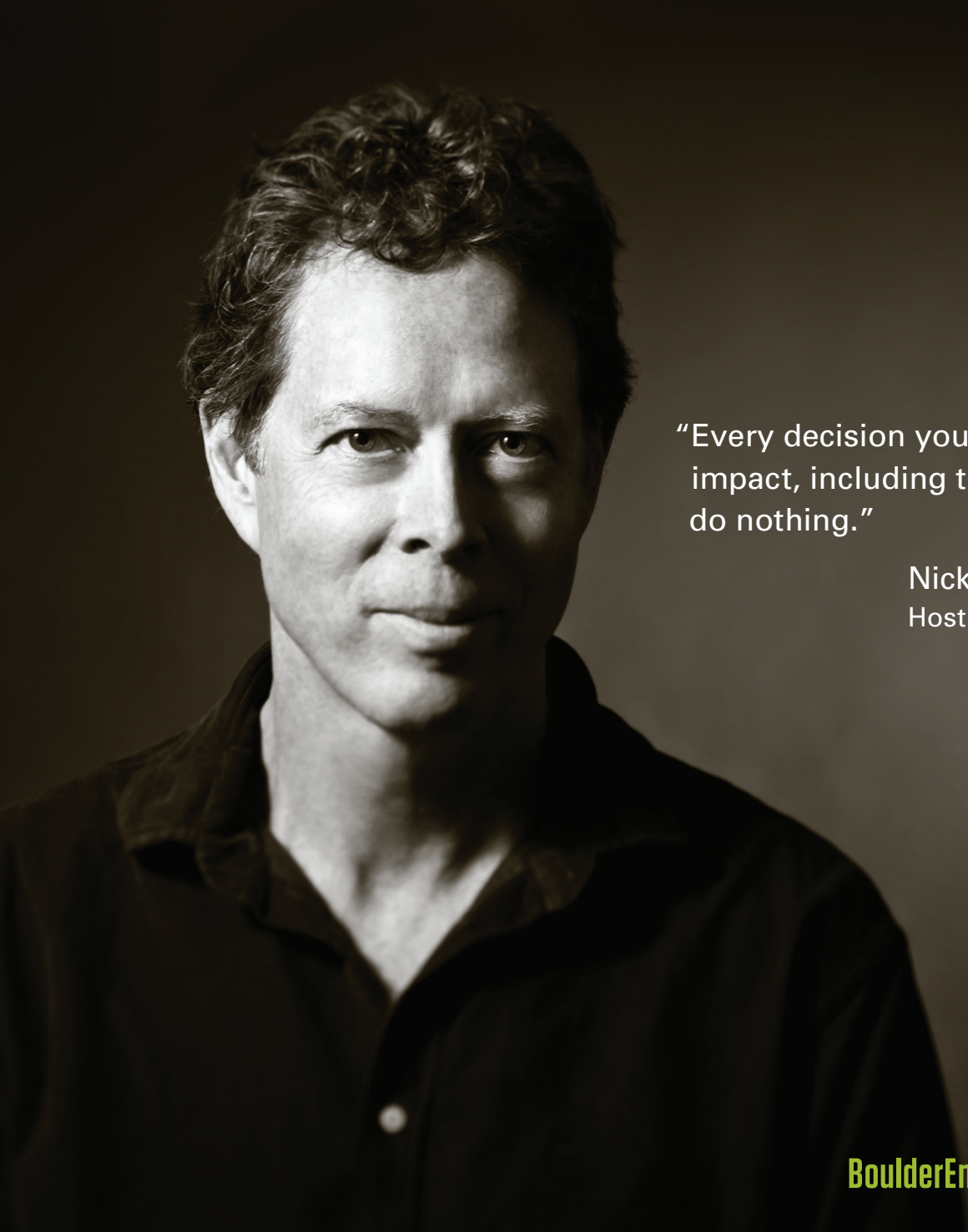
You Have the Power to Decide

Tuesday, June 28 | 6 to 8:30 PM

East Boulder Community Center
5660 Sioux Drive, Boulder

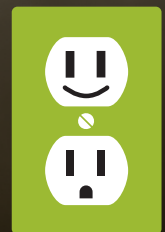
Speakers to be determined



A black and white portrait of Nick Forster, a man with curly hair, looking directly at the camera. He is wearing a dark polo shirt. The background is dark and out of focus.

“Every decision you make has an impact, including the decision to do nothing.”

Nick Forster
Host of E-Town



BoulderEnergyFuture.com

Bus ad series featuring photos and quotes of prominent Boulderites

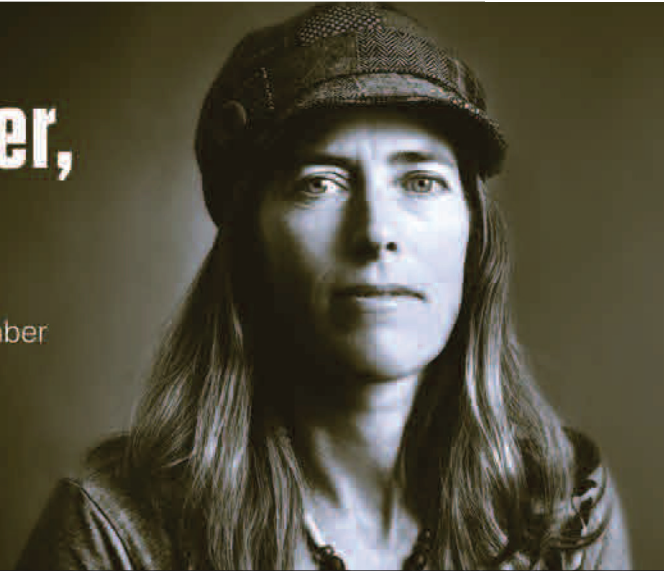


Two of 12 bus ads featuring photos and quotes of prominent Boulderites

**“When it comes to our power,
we need to do better.”**

Lynn Hill | Elite Rock Climber

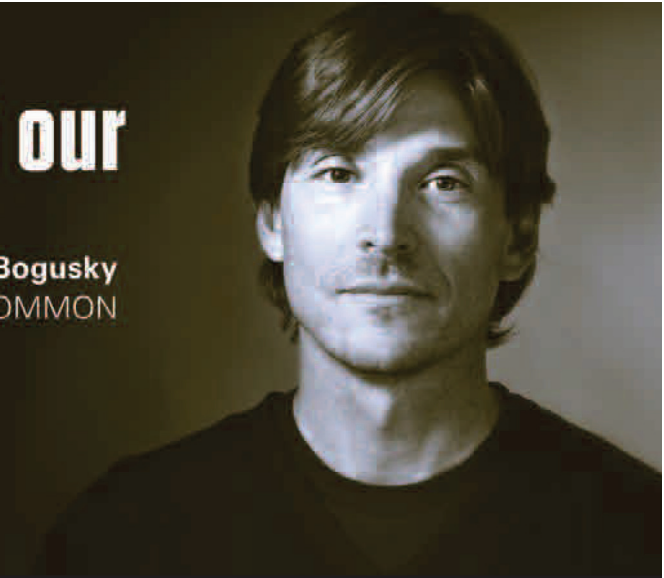
 BoulderEnergyFuture.com



**“It’s time to take control of our
energy future.”**

Alex Bogusky
FearLess Cottage/COMMON

 BoulderEnergyFuture.com



BOULDER'S ENERGY FUTURE

REVISED, VERSION 2.0

KNOW YOUR POWER **A Community Guide**

Key Questions & Answers About Boulder's Energy Future

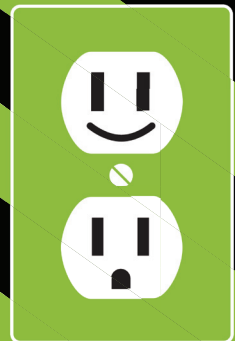


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This information is designed as a factual summary of an issue of official concern before the electorate. It is not intended to urge a vote in favor of or against the proposed energy future ballot question.

A Letter from City Council

Dear Boulder Residents and Businesses,

After months of rigorous analysis, hundreds of e-mails, questions and comments from members of our community and hours of debate in Council Chambers, the important issue of where Boulder gets its energy is moving to a new arena—the voting booth.

On November 1, we will be asking registered Boulder voters several key questions that will determine how the city proceeds. Some of you will have the opportunity to make your voices heard for the first time. Others of you have been engaged in this conversation in a variety of ways already and are awaiting an outcome.

Throughout this process, Boulder City Council has adhered to an important set of community goals. We have heard from you that you want an energy supply that must be reliable and competitively priced, but cleaner and with as much local generation and decision-making as possible. While we do not all agree on the best way to get there, we are united in our support for these values and objectives.

We also are united in our belief that this is one of the most important issues of our time. For decades, our community has discussed the idea of breaking ties with the incumbent investor-owned utility and setting up its own electric company. We have never before been as well-positioned as we are today to ask if you choose to act on that idea. The decisions that stem from this discussion will affect our residents and businesses, both now and for generations to come. It is only fitting, therefore, that we make them together.

We know there are many questions about the Energy Future items we have put on the ballot and what the options mean for Boulder. Over the next few months, supporters and opponents will work hard to make their views known. This guide, updated from an earlier one released in June, represents the city's most up-to-date attempt to provide clear and objective answers to the questions we've been hearing. We hope you find it helpful.

As City Council members, we serve you, and we want you to feel empowered—no matter which way you vote—to play a part in this historic and momentous community decision. You Have the Power to Decide.

Suzy Ageton	George Karakehian
Matt Appelbaum	Lisa Morzel
KC Becker	Susan Osborne
Macon Cowles	Ken Wilson
Crystal Gray	

Key Points, At A Glance *[New!]*

This guide is intended to provide the Boulder community with the technical, legal and financial analyses performed by city staff and consultants over the course of the past year. It has been updated from an earlier version that was published in early June. While the city encourages the community to read the guide in its entirety, many members of the public may not have as much time to spend on all the information. Following is a summary of the key points from the guide.

1. Voters will see two energy-related issues on the ballot in November.

The **first** asks voters to authorize the creation of a locally-run electric utility. The utility would only be created once all start-up costs are determined, and if rates would be no more than those of Xcel Energy at the time of acquisition.

The **second** asks voters to extend and increase the Utility Occupation Tax to fund the preliminary costs associated with determining concrete start-up expenses and setting up the local utility. More information on the ballot options can be found on pages 5 and 13.

2. Creating a local utility is technically feasible.

The City of Boulder can separate the portion of the distribution system that serves our community from Xcel's larger system and provide electricity to homes and businesses using existing facilities. A new utility could access wholesale energy markets, and provide cost-competitive, reliable service.

The rates charged by a municipal utility could be comparable to Xcel Energy's rates. A detailed cost analysis, based on publicly available information about Xcel Energy's system, showed this to be the case. A comprehensive cost model was created to look at how customers' costs would be affected when varying start-up costs are considered. In the low and initial case models, rates would be lower than those projected by Xcel Energy. Medium-risk and "worst-case" modeling shows bills could increase by 7% to 16%, respectively. The proposed charter language provides that council may create the

electric utility only if it can demonstrate that the utility can acquire the electrical distribution system in Boulder and charge rates that do not exceed those rates charged by Xcel Energy and that a careful consideration of rates be a key factor in all rate-setting.

3. Boulder has the legal authority under the Colorado Constitution and the city charter to municipalize utility services in the city.

The ballot items this November are limited to electric utility services. Natural gas service would still be provided by Xcel Energy.

4. There are two principal costs associated with forming a local utility that are not fully known at this time.

Acquisition costs, the cost of “purchasing the wires,” would be more finely tuned if voters approve going forward with forming the local utility. **Stranded costs** refer to investments Xcel Energy has made in facilities that generate electricity in the belief that it would continue to serve Boulder. Any dispute between the city and Xcel Energy regarding the cost of Xcel Energy’s reasonable and necessary investments would be negotiated or determined by the Federal Energy Regulatory Commission (FERC).

5. Off-ramps have been built into the process.

This is to ensure that at any time during the process, Boulder could decide not to proceed with creating a local utility, if creating it turned out to be too costly.

6. If the ballot questions are approved by voters, the percentage of clean energy Boulder chooses would be determined through a “resource planning” process.

With input from a broad range of electricity consumers, the City of Boulder would decide what type of energy it wants, and wholesale providers would bid on providing the service. The city would consider price, reliability and environmental considerations in determining our fuel mix.

7. The City of Boulder would not have access to unlimited bonding authority.

City Council approved a debt-service ratio of 1.25%, meaning that the utility would not be created unless it shows that it can cover 100% of the operational and annual debt costs plus an amount equal to 25% of the annual debt costs. This cannot be done by increasing rates; the local electric utility cannot be created unless rates are the same or less than Xcel projected rates.

What Are Voters Being Asked to Consider? *[New!]*

The City Council passed two ballot measures that will appear on the Nov. 1, 2011, ballot. There is a municipalization ballot measure and an interim revenue measure.

The first ballot measure requests authority from the voters to create, maintain, and operate a municipal electric utility. The utility would be able to deliver services that include energy generation, renewable energy, energy conservation, and electricity distribution systems. It also asks the voters for the authority to issue enterprise revenue bonds. This type of bond is paid back solely from the revenues of the utility. They are not paid with tax revenues. The proceeds of the bonds would be used to finance the costs of acquiring the electrical distribution system from Xcel Energy and other vendors.

The ballot measure provides that the City Council would be required to determine that it can acquire the electrical distribution system in Boulder and charge rates that do not exceed rates charged by Xcel Energy at the time of acquisition. The rates would need to produce revenues sufficient to pay for operating expenses and debt payments of the utility, plus an amount equal to twenty-five percent (25%) of the annual debt payments. In addition, the utility must have reliability comparable to Xcel Energy and a plan for reduced greenhouse gas emissions and other pollutants and increased renewable energy.

The ballot measure also includes an amendment to the City Charter that provides for the governing principles for the electric. The charter amendment details utility service standards, the creation of an electric

utilities department and electric utilities board, and the general powers and limitations of the utility.

There is also a ballot issue that provides for interim revenue. The ballot issue authorizes an increase in the Utility Occupation Tax by \$1.9 million annually. The purpose of the tax would be to fund the costs of further exploration of and planning for both the creation of a municipal electric utility and acquiring an existing electric distribution system. The tax would expire on the earlier of: (1) Dec. 31, 2017, (2) when the city decides not to create a municipal utility, or (3) when it starts providing municipal electric utility services.

ARGUMENTS USED FOR AND AGAINST *[New!]*

Those IN FAVOR OF a local utility say:

- ▶ A local utility, free from the state regulations and shareholder pressures that govern Xcel Energy, would be able to increase renewables and support local energy-related businesses while maintaining reliability and lowering rates.
- ▶ The community would benefit from more of a say in how and where it gets its energy.
- ▶ Other local governments run energy utilities successfully.
- ▶ Opportunities exist in Boulder to tap local resources to generate more power here and less from coal plants.
- ▶ A local utility would stimulate Boulder's economy by providing partnership opportunities and enhancing Boulder's reputation as an energy innovator.
- ▶ Revenue collected from customers would stay with the city to pay off debt associated with the creation of the utility and support its energy goals.
- ▶ City staff and consultants have performed a detailed cost analysis based on publicly available information about Xcel Energy's system. If Boulder voters support forming a local util-

ity, the city will be able to begin negotiations and court actions, and Xcel Energy will be required to provide more detailed information. With that more detailed information, an enhanced analysis of final costs can be performed.

- ▶ Several off-ramps exist in the city's plan that would allow council to change direction later and not issue bonds if the community's goals, including those related to costs, cannot be achieved.
- ▶ The municipal utility would not be created if its rates would exceed Xcel Energy's rates.

Those OPPOSED TO formation of a local utility say:

- ▶ The costs of starting up and acquiring the system that Xcel Energy currently owns to distribute power would be too expensive and put the city at unacceptable financial risk.
- ▶ The accuracy of the city's cost estimates are questioned, and opponents point to figures provided by a consultant for Xcel Energy who says expenses would be millions of dollars higher.
- ▶ The process could involve lengthy and expensive court disputes — and these expenses, as well as higher acquisition and start-up costs, would lead to increased rates. Fixed-income residents and businesses cannot afford higher rates.
- ▶ Higher rates could have negative impacts on the community's economic vitality by discouraging business development.
- ▶ The City Council cannot be depended upon to make prudent decisions about rates and utility operations. The business community, which pays some of the highest electric bills, will not be adequately represented in the ratemaking process so their specific needs will not be addressed.
- ▶ Reliability of service could be at risk.
- ▶ The city could better use its money working within the current system and finding ways to increase renewable sources on a local level.

- ▶ There are other, less risky ways to accomplish the community's Climate Action Plan and energy goals.

Article X, Section 20, of the Colorado Constitution (TABOR) and CRS § 1-7-901 allow citizens to file written comments in favor of or against any ballot question related to taxes or debts with the City Clerk by Friday, Sept. 16, the forty-fifth day before this year's Nov. 1 election. The City Clerk must mail a 500-word summary of properly filed comments to each registered elector before the election. If you have particular questions about any of these materials, please contact Alisa Lewis, city clerk.

Want to Know More?

Why are we having this discussion?

Boulder currently receives electrical power service from Xcel Energy, a regulated monopoly that serves many communities in several states. Last year, as the city's 20-year franchise agreement with Xcel Energy was coming to an end, City Council had concerns about signing a new long-term agreement and decided, instead, to give the city time to study possible alternatives. The city spent the first part of 2011 building upon earlier studies to develop the analysis the city has done to date. Now two options are on the table. These are discussed in detail later in this guide.

I don't see a problem. What are we trying to fix?

By passing the Climate Action Plan tax in 2006, Boulder made a commitment to reducing its carbon footprint in response to the climate change crisis. The city wants to ensure that it is planning for an energy future that is both economically sustainable and environmentally responsible. The overall goal is to make certain that Boulder residents and businesses have access to reliable power that is increasingly clean and competitively priced. Our community has also said it wants as much of its energy as possible to be generated locally and wants more of a say in decision-making about where our power comes from, what we pay for it and what investments are made with the revenues.

Why now?

Boulder has a history of engaging the entire community in planning

for our future. This discussion is part of that history. Boulder has spent several years analyzing its energy options. Despite efforts on both sides to reach a new partnership with Xcel Energy, that does not appear to be an option at this point. The city has produced a feasibility study of a local utility using all the data available at this time. The city needs additional information to develop a firm cost model, but Xcel Energy is not required by law to participate in the process necessary to obtain these costs unless the voters authorize formation of a municipal utility.

Our community needs to make decisions about how we want to position ourselves in a changing world, carefully considering how our decisions will shape the future of our community, our economy and our planet. In addition, Xcel Energy is poised to make significant investments in fossil fuel generating resources. If a municipal utility is created, the city hopes to maximize the benefits for our local businesses and residents while setting an environmentally and economically responsible path for years to come.

Boulder Energy Basics

Before we can ask you to consider the future, we want to provide some information about our current system and how it operates. The city has worked to establish a solid foundation by acquiring a clear understanding of the current and potential energy system in Boulder.

How much electricity do we use in Boulder?

In general, Boulder's electric customers are classified as residential, commercial or industrial. The largest group of customers is residential, although the largest portion of electrical use or demand is from industrial customers.

As you might imagine, electricity use in Boulder fluctuates based on the time of day, seasons, weather and consumer choices. To provide some perspective, total electricity sales in Boulder in 2010 were approximately 1.4 million megawatt hours for the year, or \$114 million based on current rates. About 18 percent of that is from residential customers, 81 percent from commercial and industrial customers, and the remaining one percent for street lighting. The current demand (or "load") depends on how much electricity consumers are using right now. While

the load changes every time someone switches a light on or off, the sum of loads due to a large number of consumers varies slowly. In addition to the supply needed to meet real-time demand, some “reserve” generating capacity must be kept in case of unexpected events.

The term “peak load” refers to times when everyone is using the most electricity. This is the highest level of demand that the system must provide. In Colorado, peak loads occur during the hot summer days when many people switch on their air conditioners. Responding to short spikes in peak demand is challenging and more expensive for the utility.

So where does all that electricity come from?

We all expect electricity to be available whenever we plug in an appliance, flip on a light switch or run our business machinery. Satisfying this demand requires an uninterrupted flow of electricity. To meet this requirement, we depend on several types of generating units powered by a range of fuel sources. These include fossil fuels (coal, natural gas and petroleum) and renewable fuels (solar, water, geothermal, wind, biomass and other renewable energy sources).

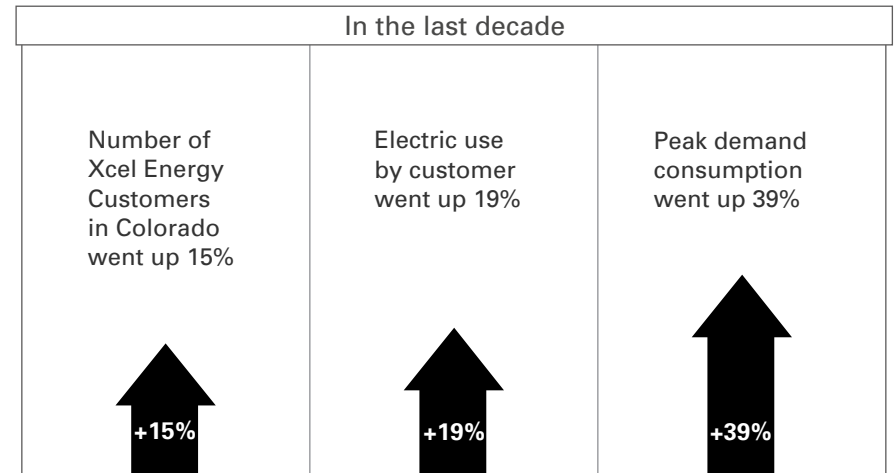
Boulder receives its power from Colorado’s largest investor-owned utility, Xcel Energy, headquartered in Minneapolis, MN. Xcel Energy operates major electricity generating facilities that use a variety of fuel sources, including coal and natural gas. Xcel Energy also has smaller facilities that generate electricity from the wind and sun. Xcel Energy also purchases energy from City of Boulder-owned hydroelectric plants. In 2010, Xcel Energy generated 61 percent of its Colorado electricity from coal, 28 percent from natural gas, and 11 percent from renewable sources, such as wind and solar.

All of these generation facilities feed into “the grid” from which we get our power. The grid is regional, so although the Valmont Plant is close to Boulder, for example, it does not directly provide generation just for Boulder; it puts electricity onto the regional grid, from which each of us then gets our power.

When do we use the most power? Does it matter?

Managing electricity consumption is extremely important, because when customers need more power, the power provider must make sure it’s available. Having more generation capacity typically means investment in expensive new generation plants, which often increase rates

and create pollution. The following chart shows Xcel Energy’s Colorado customer demand in the past decade, starting in 2000:



So, while the number of customers has grown with the population, the use per customer has outpaced that growth. Not only are there more people and businesses using electricity, but more is being used by each customer, and, as the increase in peak demand shows, more is being used during times of the day when energy is the most expensive for the utility to produce or purchase.

What do customers in Boulder pay on average? And what is likely to happen to my bill over the next several years?

Boulder customers spent approximately \$114 million for their electricity in 2010. The average annual cost for a residential customer was approximately \$700, while the average annual cost for a commercial customer was approximately \$10,500. Since January of this year, Xcel Energy’s rates have increased by 7 percent. The utility is projecting additional rate increases over the next few decades because of its investments in new generation. Not taking into account any potential new taxes or other regulations that might create a price on carbon emissions, Xcel Energy expects its rates to increase by about 4 percent in constant dollars by 2020 (33 percent after inflation) and about 8 percent by 2030 (78 percent after inflation). However, many factors shift over time. If carbon prices come into play, higher rate increases are likely.

Who makes decisions about where Xcel Energy gets its power and how much it costs us?

In short: Xcel Energy, the Colorado Public Utilities Commission (PUC), and the state legislature. Decisions about energy supply and costs are made by Xcel Energy, which is regulated by the PUC. The PUC operates under the state legislature's policies and laws, and its three members are appointed to staggered terms by the governor. Boulder residents and businesses have very limited say over where our energy comes from and how it is managed, but the city can and does try to influence decisions by formally engaging in proceedings at the PUC, or working with the Colorado legislature for statewide policy changes.

How are technology and innovation impacting the field of energy? Are there opportunities that exist today that didn't exist a decade ago?

Boulder is exploring its options against a backdrop of rapidly moving technological developments in energy. Renewable energy is creating a new trend toward distributed generation. We are already seeing innovative new ways to monitor and manage flows of power through the local electricity distribution system. As we discuss below, smart grid technologies are changing the ways that distribution systems operate. While this has not been fully realized with the smart grid in Boulder, some believe these types of technologies will pave the way for more local control and balancing of both energy supply and demand. These technologies also permit the addition of advanced storage devices, such as batteries, flywheels and fuel cells to maintain reliability as renewable energy is increased. These new technologies also facilitate sophisticated energy conservation programs that can reduce demand through customer interactivity. In other words, the electrical grid is increasingly starting to look like the Internet—a platform for innovative applications where energy and information can flow in a decentralized way.

What portion of our community is taking advantage of existing programs and rebates to promote efficiency, conservation and use of renewables?

Many Boulder residents and businesses take part in existing programs and incentives that include: energy efficiency, demand response (reductions in demand during system peak hours that help reduce costs),

green pricing (customer purchases of renewable generation above and beyond what Xcel Energy provides to all customers), and solar (installation of photovoltaic systems that generate onsite electricity).

In fact, Boulder's customers represent a substantial share of the participants in Xcel Energy's green pricing program called Windsource. While Boulder represents approximately 3 percent of Xcel Energy's total annual residential sales, 6 percent of its business sales, and 5 percent of overall sales, Boulder customers represent:

- 16 percent** of Windsource purchases;
- 20 percent** of rooftop solar installation;
- 7 percent** of energy efficiency rebates, including
- 9 percent** of rebates to business customers; and
- 3 percent** of residential load management installations.

What Are the Options? *[New!]*

Throughout this analysis, the city made this commitment: our community's decision will be grounded in solid data, an understanding of the implications and clear communication to support an informed choice by Boulder voters. City Council has now reviewed the findings of consultants and staff, considered the options and decided what items it will place on the ballot.

Option 1: Gathering firm costs associated with the possible purchase of Xcel Energy's distribution system and authorizing the formation of a municipal power company

This option requires a positive vote on two separate ballot questions:

1. A temporary tax to fund final legal and engineering studies
2. Authorization to create a local utility and issue bonds

First, voters will be asked whether they approve funding to begin the final engineering and legal steps required to arrive at firm acquisition and startup costs. The second ballot question asks for authorization to form a new energy utility.

If the voters approve the first ballot question, the city will be allowed to raise the money necessary to initiate the additional steps that are key to determining final acquisition and related costs, as these are decided by independent courts and regulators. If the voters approve the second ballot question, the city will have authority to create the utility and issue bonds to purchase Xcel Energy's system if the final costs result in comparable rates.

Option 2: Keeping the system the way it is

If voters do not approve the ballot issue regarding the creation of a local electric utility, Xcel Energy would continue to provide electricity and natural gas service to Boulder, using its existing business model and treating Boulder the same as the rest of its service area, with the exception that it would not set aside 1% of revenues collected in the city for the purpose of undergrounding overhead wires.

In addition, it would collect the Utility Occupation Tax rather than a franchise fee and it would continue to collect the CAP Tax. Xcel Energy passes the Utility Occupation Tax through to its Boulder customers on their monthly bill and remits the amounts collected to the city to replace money Boulder would have received if the city had signed a 20-year franchise agreement. The CAP Tax is also collected by Xcel Energy on its Boulder customers' monthly bills and is remitted to the city to support energy conservation programs. These taxes will expire in 2015 and 2013, respectively, unless voters approve an extension of these taxes. Until then, or for a longer period if voters extended these taxes, the city would conduct an analysis of its current programs and work to determine what, if any, additional localization strategies are possible. Current laws and regulations that apply to cities under investor-owned utilities could limit Boulder's ability to enact significant changes under this option. More information about this is presented later in this guide.

Why is there no option that involves a new partnership with Xcel Energy?

The city and Xcel Energy have worked over the past several months to develop and refine possible scenarios that would allow for a new partnership that would keep Xcel Energy as the community's provider of electricity and accomplish Boulder's energy goals. The most recent, and most specific, was a wind purchase proposal that Xcel Energy brought to the table at the end of May. Representatives from city staff and the

utility negotiated over several weeks to see if they could reach mutually agreeable terms and present this alternate proposal to council for its consideration. These negotiations broke down on July 12.

Why do we have to buy the poles and wires of an old system to accomplish our goals? Why can't we just put more money into renewable energy here in Boulder?

In Colorado, the law requires that an area (called a "service territory") be served by just one retail provider of electricity. That sole provider of electricity, most commonly an investor-owned utility, owns the generation, transmission and distribution systems necessary to deliver electricity to the retail customers within its service territory.

Because it has this monopoly status within its service territory, an investor-owned utility, like Xcel Energy, is also highly regulated by the Colorado Public Utilities Commission (PUC). The PUC reviews filings made by an investor-owned utility regarding the cost of operations throughout the utility's service territory and approves the utility's rates to ensure that the public interest is being protected.

The PUC has ultimate approval authority over issues that involve any cost to ratepayers including rate-making, metering, billing, customer service and operations. But control over these areas is needed in order to implement many of the "localization" strategies and technologies that have been discussed in Boulder in recent years. In order to implement a localization strategy, Boulder must seek the approval of both Xcel Energy and the PUC before it may pursue many of the localization strategies.

The PUC considers the interests of all ratepayers in a utility's service territory. Boulder represents about 5% of Xcel Energy's service territory in Colorado. The rules of the PUC prohibit Xcel Energy from treating Boulder differently than it does every other community in its service territory, so unless a particular localization strategy is available to all similar customers, the PUC cannot approve it.

Municipal utilities are governed by different laws and are not subject to the jurisdiction of the PUC. Instead, municipal utilities set their own rates and determine how and from whom they will acquire power. However, in order to be subject to the laws that govern municipal utilities, a city must acquire the "poles and wires" necessary to distribute electricity throughout the city.

These two factors—the authority needed to implement new localization strategies and the regulatory structure under which the existing utility must operate—are central to why the question of municipalization is being considered in Boulder.

Local Utility: The Technical Specs

What systems would the city have to take over to provide energy to residents and businesses?

In today's environment, forming a local power company requires the purchase—either through voluntary sale or through a condemnation process—of the existing utility's distribution system. Distribution is the part of the system that actually delivers the electricity to the customer, and includes mains, conduit, electric wires, poles, feeders, substations, transformers, etc. It could also include street lighting facilities. A major component of the acquisition process is determining the value and final purchase price of the distribution system.

What would the sources of our power be? What about renewable energy?

A Boulder municipal utility would purchase electricity for delivery to the local distribution system from the competitive energy market, just as all utilities in the region do. The type of energy (renewable versus non-renewable) would be determined through the creation of the local utility's "resource plan," which would take into consideration cost, environmental characteristics and other factors. Any resource plan would need to take into account the volatility of fossil fuel costs, just as utilities everywhere are recognizing the financial risk involved in carbon intensive fuel sources.

Does this vote involve natural gas? *[New!]*

The current ballot measures only anticipate that the city would purchase the electric distribution system and do not include purchase of the existing pipes that deliver natural gas to Boulder customers.

Would our electricity be as reliable as it is now?

Yes. The highest priority goal of Boulder's energy planning effort is to

"ensure a stable, safe and reliable energy supply." All utilities in the US are required to maintain strict reliability standards put in place by the North American Electric Reliability Corporation (NERC). NERC has the legal authority to enforce compliance with its Reliability Standards, which it achieves through a rigorous program of monitoring, audits and investigations, as well as financial penalties and other enforcement actions for non-compliance.

Municipal utilities have a strong record in terms of power reliability, quite logically because their customers care about this, and they need to keep their customers happy. Municipal utilities can respond quickly to emergencies because local crews live in the community, are accountable to local officials and possess expert knowledge of the system. In addition, a Boulder utility would be focused on ensuring reliability within a well-defined, compact community. It would not need to address service reliability in very low-density rural areas, where system maintenance is more challenging and costs per customer are generally higher. Also, in the event of a major outage, public power utilities coordinate with other utilities through mutual assistance programs. Such programs already exist between regional public power companies, such as Longmont, Loveland and Fort Collins.

Is more local power and local renewable energy generation possible?

To help answer that question, the city contracted with the firm Local Power, Inc. (LPI) to conduct a preliminary study and develop the outline for a potential "energy localization plan." The firm considered a range of technical options for developing and enhancing local and renewable energy generation (including hydroelectric, solar, bio-gas, storage/backup and heat districts) as well as options for increasing the efficiency of energy use and management in the city.

The most important finding from the preliminary analysis is that substantial opportunities exist to generate renewable energy locally both within Boulder and within a 10-mile radius of the city. Some of these opportunities are: deployment of small- to medium-sized solar projects; district heating; and partnering with large commercial and industrial facilities to develop co-generation systems and innovative electric storage. These localization efforts include system redundancy for increased reliability and technology to dynamically balance electricity demand and supply.

Local government isn't alone in exploring these possibilities. Apart from the city's efforts, the University of Colorado (CU) campus is investing in its own "localization" strategy. CU is bringing back online a natural gas generation facility that will supply both electricity and district heating to the campus. The university is also utilizing "intelligent grid" technology to achieve high levels of efficiency.

I want to know more about Smart Grid. What is it, how does it work and how might it factor into a local power utility?

In general, "smart grid" refers to information and communications technologies being integrated with the electric grid to make it more efficient, flexible, and reliable. It has potential benefits for consumers.

Smart grid technologies can help utilities know how much power is being used on each part of the grid, and where there are problems. They can also support the integration of wind and solar power, and control voltage to reduce power losses and manage demand. Consumers can see benefits in the form of improved power quality and faster (even automatic) restoration of outages. This can be particularly appealing to businesses and research institutions, as even micro-second outages can ruin sensitive industrial processes or interrupt supercomputers.

Additionally, a smart grid can give consumers the ability to see how they use energy with much more detail than their monthly bill. They can learn how much power they consume, when they consume it, and even know its environmental impact. Consumers can use this information to make choices about investing in energy-efficiency measures for their home or business. These decisions could vary from unplugging a phone charger when not in use to adding attic insulation, using less air conditioning, or re-tooling a business process to use power when it is less expensive.

Increasingly, utilities and vendors are offering consumers devices—even smart phone apps—that customers can use to automate their energy use in response to price or environmental signals. For example, consumers can program their dishwashers to run at night, when power is cheaper and wind power is more available. They can even be compensated with lower rates for doing so, as choices like these help shift consumption away from peak periods and reduce the cost of supplying power for everyone.

Utilities throughout the world are installing smart grid systems, and Boulder is the site of Xcel Energy's SmartGridCity™ project. Xcel Energy is piloting different rate structures and home energy control systems that could help homeowners shift their energy use away from expensive peak periods.

The city is currently working to better understand the system that Xcel Energy has deployed, and the specific technologies upon which it is based. This information will be helpful regardless of whether a local utility is formed. However, in the event that voters choose to create their own utility, additional analysis will help inform whether or how the installed smart grid might be utilized to help Boulder meet its energy goals. Municipal utilities in Sacramento, CA; Tallahassee, FL; and Naperville, IL, among others, have deployed well-regarded smart grid upgrades to their electric distribution grid that could provide valuable shareholders.

Wouldn't a municipal electric utility have the same expenses as an investor-owned utility?

Xcel Energy's business model—like those of most investor-owned utilities—is a response to financial incentives that have developed over time in the governance of regulated utilities. Since utilities are usually monopolies, they are regulated by Public Utility Commissions. Because they are required to provide energy at "least cost" to ratepayers, they are guaranteed a rate of return (profit) on their capital investments. This means that the more power plants and transmission infrastructure that utilities build, the more money they make. Xcel Energy has a strategy called "Building the Core" that focuses on building or upgrading facilities and getting those investments included in customer rates. One example is Xcel Energy's new coal-fired power plant in Pueblo, which has necessitated several rate increases. The rates for a municipal electric utility would not include this return on investment to shareholders.

Local Utility: Management & Governance

Is the city capable of running a utility?

Utilities are typically a division of the city that is engaged in regularly supplying the public with some commodity or services. Boulder already

operates three utilities. Boulder's water utility dates back to 1874, when the voters passed a bond issue to publicly fund the city's water works. The city sought and received voter approval for sewer bonds in 1895. And while the establishment of a flood control and storm water management utility occurred more recently, it was still decades ago, in 1973. There is strong history here.

It is not uncommon in Colorado for cities to also operate utilities for gas distribution, electric distribution, or transportation services. Twenty-nine cities in Colorado already run their own energy utilities and there are a variety of models for this. Some cities run their utilities themselves, while others contract with vendors to maintain day-to-day operations. No decision has been made yet about how Boulder would operate its utility, but a Boulder-owned utility would be able to choose where it gets its power and how to invest its revenues. It could continue to purchase energy from Xcel Energy, or from other providers. Regardless, Boulder would still be "tied" to the regional energy grid, and state law would guarantee Boulder customers maintain access to reliable power. Key goals of this new utility would be to increase renewables and emphasize local generation as much as possible.

None of Boulder's current utilities rely on tax revenue—each utility's rates and fees pay for the service.

A variety of options are being considered for how a new electric utility could be operated. Currently, the day-to-day operations for the city's utilities are the responsibility of the city manager. The city manager hires an executive director of public works who is responsible for ensuring that service is delivered to local customers and for the maintenance, long-term planning, capital construction, billing, and day-to-day operations.

Boulder's City Council serves as the board of directors of existing city utilities. The City Council sets the general direction for the utilities and acts as the approving authority for budgets, rates, regulations, disposal of property and the use of eminent domain. The activities of the existing utilities are further supported by the Water Resources Advisory Board (WRAB). WRAB is a board of citizen volunteers who provide recommendations to the City Council and the city manager on capital improvements, environmental assessments, utility master plans, and policies related to utility operations.

City utilities are highly accountable to their customers because they are regulated locally, not by the statewide Public Utilities Commission. In

addition, the City Council meets publicly with open comment forum at least twice a month, providing customers with an opportunity for direct access to those responsible for operations. The council members are elected at large and are held accountable by the voters. Also, advisory board members often serve terms that are longer than the council members. This provides another layer of accountability and stability over time.

While the city's current management of its utilities is one option, some cities contract with outside vendors who have considerable experience and expertise in managing a public utility. That is another option being considered, as these companies would bring extensive utility operations experience. In fact, some of the potential vendors operate electric utility systems that are larger than Xcel Energy's Colorado service territory. This is a decision that would occur after a vote of the people and further refinement of how a utility should be structured.

How would an advisory board be structured? *[New!]*

The advisory board would have nine members who would serve staggered five-year terms. All members would be appointed by City Council. The board could include up to four non-residents to allow for involvement of business owners and employees of businesses that pay electric bills within city limits.

Local Utility: Financial Considerations

What kinds of costs are associated with forming a local power utility?

Forming a local power utility in Boulder would involve buying the distribution system (poles and wires) from Xcel Energy. Initially, the local utility would buy power services from third parties and pay a transmission fee. The local utility might also purchase and operate its own generation facilities at a later date.

The primary costs associated with forming a local utility include: Legal and engineering fees to negotiate the purchase of the system from Xcel Energy and to determine the local utility's boundaries based on the technical capabilities of the system.

Acquisition costs to purchase the distribution grid from Xcel Energy, as well as potential “stranded costs.” Stranded costs are those that an existing utility is allowed to try to recoup from a new local power company to make up for prior investments made on behalf of the departing customers, or for loss of revenue. There are specific and legally regulated guidelines for calculating these.

Start-up costs to set up the infrastructure to operate a utility. This could include the costs of transferring data from Xcel Energy, purchasing software and computers, recruiting skilled employees and finding a building for them, and other administrative expenses. Once the utility is open for business, the costs include:

Power purchases: Costs to buy the power supply that will be delivered in Boulder. (Estimated to be 70 percent of annual costs)

Operations: Costs to operate, administer, and manage day-to-day utility operations. (Estimated to be 11 percent of annual costs)

Debt service: Repayment of debt on the acquisition and start-up costs. (Estimated to be 19 percent of annual costs)

These costs are similar to the costs paid in Xcel Energy’s current electric rates (power purchases, operations, and debt service). The debt service included in Xcel Energy’s rates is for any capital improvements or new projects that Xcel Energy finances, such as expanding a distribution system or building a new coal generation plant.

How would the city fund this? [New!]

If approved by the voters, the increase in the Utility Occupation Tax would be used to fund initial legal and engineering costs. These costs would be incurred from the time of a vote until the time that the electric utility is operational or City Council decides to not move forward with acquiring the distribution system.

If voters approved creation of the utility and the final acquisition costs were deemed reasonable (i.e., would not result in higher rates than Xcel Energy’s), the city would issue municipal revenue bonds to purchase

the system from Xcel Energy. These bonds would be repaid completely through revenues generated by the utility, not from taxes.

How do bonds work? How would the city assure lenders that the bonds would be repaid? [New!]

Our current electricity rates include debt repayment for bonds that Xcel Energy has issued to build and expand its system. So, the issuance of bonds and the customer’s role in helping to raise the revenue to repay them is not unique to creating and operating a local utility. Boulder customers are already repaying debt for the system. It is simply debt that has been incurred by Xcel Energy instead of a local power utility.

The city routinely issues bonds to borrow money for investments. The bonds are repaid with interest over a certain period of time. For the purposes of a local utility, the bonds issued would be revenue bonds. In other words, the revenues of the utility are used to repay the debt.

Are there any limits on the bond amount? [New!]

Bond limits are not included on the ballot since the city does not know the exact costs of acquiring the system. Additional measures were included in the ordinance to limit the bond amounts at the time of acquisition. A provision is included that rates cannot exceed those offered by the current provider, Xcel Energy, at the time the city purchases the system from Xcel Energy. This provision, coupled with the requirement that the utility must be able to generate revenue sufficient to pay its operational expenses plus 125% of the annual debt service, essentially places a cap on the amount of money that the city can borrow to acquire the system.

I’ve been hearing the term “cost model.” What is that and what is it used for?

A cost model is a tool to test the financial viability of the creation and operation of a locally owned, non-profit power utility. Utilities across the country, including Xcel Energy, use cost models to analyze likely expenses and set utility rates based on revenues, operating costs, power purchase prices, and anticipated debt service. The city’s model also includes reasonable estimates, determined by the city and its consultants, about what the city should pay to purchase Xcel Energy’s distri-

bution system. The city's model was created with flexibility built in, so some increases in costs could be absorbed without impacting customer's bills. The city's model was reviewed by several independent industry experts, and was determined to be sound.

While useful, no cost model is proof positive that a potential utility's plans would be financially feasible. All cost models include estimates. The city's Energy Future team used conservative estimates to ensure this model is as reliable as possible. The team then confirmed these estimates with numerous utility experts. By law, Xcel Energy is not required to provide detailed data regarding purchase of their system and other related expenses until the residents of Boulder vote to create a local power utility. If this process moves forward, the model will be refined with firm costs to determine the final feasibility before any bonds are issued and a formal decision is made about whether to start a utility.

What do the City of Boulder's financial analyses and cost models show? [New!]

The financial analyses show that it would be possible to purchase Xcel Energy's distribution system, launch a locally owned power utility using the same fuel portfolio that Xcel Energy does, purchase power, operate the utility and repay debt without raising rates above what Xcel Energy is already charging or has estimated that it will charge in the future. The consultants have determined that the utility would have a net present value of \$112 million over 10 years. The cost model is limited, because it only includes costs that can be determined now. It is possible that there will be additional costs and higher amounts, although as stated before, there are limitations to what council can accept.

What numbers has the city plugged into the base case cost model and why?

1. Facility Acquisition - \$121.3 million

The facility acquisition price includes the cost of purchasing the electric distribution system that currently serves the city. Facility acquisition can also include stranded costs: money that might be owed to Xcel Energy in recognition of prior investments that were made in anticipation of continued service to Boulder's customers.

The facility acquisition price represents the city's position about the

value of Xcel Energy's electric facilities serving the city. Every utility has a component in its rates that represents the cost of its facilities. The cost of acquiring Xcel Energy's assets would be the new utility's facility cost. While the facility acquisition cost of \$121.3 million is likely to be contested by Xcel Energy, it is derived from a well-established engineering methodology for determining the value of a utility's facilities known as Replacement Cost New Less Depreciation (RCNLD). Two assumptions included in this acquisition price valuation involve both stranded asset costs and the smart grid assets at zero. The reasoning for this is described below:

Stranded Costs: The stranded cost obligation of an acquiring municipality is based upon a formulaic approach adopted by the Federal Energy Regulatory Commission (FERC). On June 3, 2011, the city received a letter from Xcel Energy stating its estimate of stranded costs was \$335.7 million. The city has responded with a letter explaining why it does not agree with this assessment.

There is a legal question about whether Xcel Energy is entitled to stranded costs at all. There are also significant factual disputes. As a result, staff views Xcel Energy's stranded cost estimate as too speculative for inclusion in the cost model at this time.

Smart Grid: No value has been assigned to smart grid assets that have been installed by Xcel Energy. Smart grid is essentially a communications infrastructure installed by Xcel Energy to support system management and maintenance, as well as to enable a number of new energy management tools. The city has not yet made any determination about which, if any, of Xcel Energy's smart grid assets should be acquired. The city has, however, plugged in some possible figures for the purchase of smart grid, in case the city determines that it has value.

2. Purchasing Power Supply - \$59.1 million

The power supply costs are the annual costs to provide power to meet the utility's electricity requirements. The \$59.1 million figure is the power supply cost estimated for one year. The model incorporates the average power supply costs derived by the current market indices for power supply (the costs the city utility would pay if it started today).

Under this scenario, Boulder's fuel mix would be comparable to Xcel Energy's current mix and projected resource portfolio. If a local power utility is created, local decision-making would impact future decisions on how and when to increase renewable energy. All decisions to purchase renewable energy would be governed by the utility governing board, its policies and customer feedback on rate impacts. In the short term, most of the city's renewable energy would be from power purchases on the open market. Over time, investment in local generation opportunities could shift the percentage of external purchase and local generation assets.

Xcel Energy's current customer programs, such as Solar Rewards rebates and demand-side management (DSM) incentives, would sunset on the first day the city began utility operations. Prior to this, the city would develop and vet new reward programs so that new renewable energy and energy conservation services and rebates would go into effect on the same day. In order to ensure a continued level of incentives for Boulder customers, a "public purpose program fund" has been factored into the local utility cost model at a level equal to Xcel Energy's spending in Boulder, in addition to the CAP Tax currently used to supplement Xcel Energy's rebate programs in Boulder.

3. Utility Operations - \$13 million

The cost associated with operating and managing a local utility includes: general administration; customer service; maintenance; billing; metering; scheduling; and distribution system repair and replacement. The cost used for utility operations is derived from industry averages from similarly sized and situated utilities. Consultants have developed a plan for the costs associated with operating a local utility and have compared that amount to industry averages to determine the value used. This valuation is conservative. The cost model includes operating cash reserves of roughly \$50 million included in the feasibility study. These amounts are incorporated in the cost model to assist the utility in meeting operational crises that could be brought about by storms, equipment failures, etc.

4. Financing - \$24.7 million

Financing costs, or annual debt service, represent the annual amortized value of the acquisition costs, start-up costs, debt costs, and debt insurance costs. Consultants are estimating that the utility's financing needs could be met by taxable bonds of approximately \$229 million and non-taxable bonds of approximately \$57 million.

The cost model assumes that principal payments on the debt would begin in year three of operations. Until year three, the city utility would pay only the interest payments as a safety measure to ensure revenues are flowing and any unanticipated start-up costs are able to be covered. The annual amount of both interest and principal repayment is estimated at \$24.7 million. These financing costs would be equivalent to paying the city's "mortgage" for the acquisition price of the electric facilities purchased from Xcel Energy, having the required level of bond reserves, utility operating cash reserves, and certain start-up expenses.

If the city's model is correct, what would it mean for my rates? Does more renewable energy mean I will pay more?

The cost model the city has prepared would keep customers' rates comparable to what they are now. Once established, the utility would have the power and ability to explore how best to achieve the community's carbon reduction goals. The consultants have analyzed a variety of scenarios using power mixes that include more renewable energy and more locally generated energy over time. Initial analysis shows that savings generated from the operation of a local utility can be reinvested in solar or wind generation and maintain rate parity with Xcel Energy's projected rates.

What could my bill look like under a local utility? *[New!]*

The city understands that customers have questions about what the creation of a local power utility could mean for their monthly bills. The "sample bill" on the following pages reflects average monthly bills for residential and commercial customer classes. While there are some nuances, particularly as they pertain to commercial pricing, staff believes the column that shows costs from the initial model comes close to what customers could expect.

Current Xcel Energy bills include a "base rate" along with a variety of riders (adjustments to the base rate). Some of these riders would not apply under a municipal utility. Rather than predict these riders for this illustration, the following bills are calculated using "composite rates" by simply dividing the number of customers in each particular rate class by the usage in that sector.

The “alternate” columns represent the estimated impacts if the city were able to secure a lower interest rate for the bonds or if one-time costs associated with buying and launching a municipal utility were higher than what have been included in the initial model run.

Sample Bill

Customer Name	Service Address	Account No.	Due Date	Amount Due
BILL MODEL	5555 PEARL ST. #155 BOULDER, CO 80304	55-000000-1	NOV 2014	See Below

BILLING MODELS

Average Monthly Usage (kwh)	Current Rates	Initial Case	Alternate 1	Alternate 2	Alternate 3
RESIDENTIAL	\$60	\$55	\$59	\$64	\$71
COMMERCIAL	\$811	\$731	\$776	\$843	\$937

BILLING MODEL ASSUMPTIONS

Initial Model

- Taxable Interest Rate = 8%
- Initial costs (acquisition, smart grid, stranded costs) = \$121.3 million
- Rate impact: average rate decreases of 10% for commercial customers and 7% for residential and industrial customers

Alternate Model 1

- Taxable Interest Rate = 7%
- Initial costs (acquisition, smart grid, stranded costs) = \$187 million
- Rate Impact: average rate decreases of 4% for commercial customers, 1% for residential and 2% for industrial

Alternate Model 2

- Taxable Interest Rate = 8%
- Initial costs (acquisition, smart grid, stranded costs) = \$255 million
- Rate Impact: average rate increases of 4% for commercial customers, 7% for residential and 8% for industrial

Alternate Model 3

- Taxable Interest Rate = 8%
- Initial costs (acquisition, smart grid, stranded costs) = \$351 million
- Rate Impact: average rate increases of 16% for commercial customers, 19% for residential and 20% for industrial

Are there variables in the model—costs that could go up or down from what consultants have estimated?

Yes. There are four areas that could change depending on negotiations and court decisions:

1. The cost to purchase the distribution system from Xcel Energy;
2. The potential for stranded costs;
3. A potential cost to purchase the smart grid infrastructure; and
4. The actual interest rate for bonds that would be issued for the purchase of the system and start-up costs. seven percent bond interest rate.

Could I be on the hook for higher rates if these costs are higher than expected? *[New!]*

While City Council would have bonding authority, the bonding tax measure puts strict limitations on issuance of these bonds. The ballot language includes a provision that council cannot proceed with acquiring the system if city rates would have to exceed Xcel Energy's rates on the date of the purchase. If this occurs, the status quo would remain, with Xcel Energy providing power to Boulder customers and the city would take some time to evaluate the next best steps.

Has the city looked a “worst-case scenario?” *[New!]*

Yes. Several versions of the cost model have been run to test the sensitivity of the city's feasibility analysis. This helps identify how much “wiggle room” there is in the model; it defines a reasonable worst case; and provides council with enough information to identify the point beyond which it no longer makes sense to pursue creation of a local utility. There are off-ramps available after a vote for municipalization that would allow council to choose not to proceed if costs come in higher than acceptable.

As explained previously, the city created an “initial case” cost model that was based on what the city's consultants considered to be conservative and reasonable assumptions. At council's request, city staff has run additional model runs that look at reasonable low, medium and high cost scenarios.

Stranded costs: Since a federal court could rule on stranded costs, the low, medium and high cost scenarios vary the estimates for stranded costs.

Acquisition costs: If the acquisition costs could not be negotiated between the city and Xcel Energy, the amount would be determined by the courts. Therefore, the various model runs include low, medium and high costs associated with acquisition. This also includes low, medium and high costs for Xcel Energy's smart grid communication components, since this may be included in the acquisition costs.

Interest rate: A bond issuing agency will make a recommendation of the final interest rate associated with a local utility's debt. The initial model uses a very conservative bond interest rate of eight percent, but since the final interest rate may be lower, some of the model runs include a seven percent bond interest rate.

What are the results of the low, medium, and high cost model runs? *[New!]*

Initial cost model

Taxable Interest Rate = 8 percent

Initial costs (acquisition) = \$121.3 million

Rate Impact: As compared to Xcel Energy, the average rate decreases 10 percent for commercial customers and 7 percent for residential and industrial customers

Alternate Model 1

Taxable Interest Rate = 7 percent

Initial costs (acquisition, smart grid, stranded costs) = \$187 million

Rate Impact: As compared to Xcel Energy, average rate decreases 4 percent for commercial customers, 1 percent for residential and 2 percent for industrial

Alternate Model 2

Taxable Interest Rate = 8 percent

Initial costs (acquisition, smart grid, stranded costs) = \$255 million

Rate Impact: As compared to Xcel Energy, average rate increases 4 percent for commercial customers, 7 percent for residential and 8 percent for industrial

Alternate Model 3

Taxable Interest Rate= 8 percent

Initial costs (acquisition, smart grid, stranded costs) = \$351 million

Rate Impact: As compared to Xcel Energy, average rate increases 16 percent for commercial customers, 19 percent for residential and 20 percent for industrial

[New!] Under current assumptions, rate parity with Xcel Energy's projected rates can be maintained if one-time costs do not exceed \$295.4 million with a bank interest rate of 8% or \$334.9 million at a 7% interest rate. This means that under current assumptions, the new utility could achieve rate parity if it incurred \$72.4 million in additional acquisition costs from the initial model at an 8% interest rate or \$111.9 million at a 7% interest rate (above the \$121.3 million acquisition estimate).

What is the bottom line of these model runs? *[New!]*

In both the low cost and city's initial scenarios, bills for residential, commercial and industrial customers are expected to be a little lower than they would be under Xcel Energy. Under the medium and high cost scenarios, the models show that customer electric bills would increase. Financing structures, power costs, or other assumptions could change and, in turn, affect these results.

What about rebates that are currently available through Xcel Energy for energy efficiency and solar?

Will the local utility be able to offer these? *[New!]*

The initial model run included funding for energy efficiency rebates similar to the amounts offered by Xcel Energy. Additional models were run to include funding for energy efficiency programs and solar installations at levels higher than those currently offered by Xcel Energy. The model results show that under these assumptions, a local utility could still operate at rate parity with Xcel Energy's projected rates.

I have heard that Xcel Energy pays taxes that fund Boulder Valley School District. Would the schools lose funding if a local utility was created? *[New!]*

Municipal utilities often collect revenues called Payment in Lieu of Taxes (PILOT). PILOT funds can be used for a variety of purposes and can include making payments to other entities that would otherwise receive tax funding. The city's cost models have included sufficient funding to replace the current Utility Occupation Tax paid to the city as well as property tax revenues for the school district and other local governments. The ballot language requires a local utility to collect revenues and pay taxes to the school district that would otherwise have been paid by Xcel Energy. With the addition of funds to the PILOT and the energy efficiency and solar rebates, a local utility would be at rate parity with Xcel.

Is council committed to rate parity? How can I be sure that council won't move ahead regardless of what the final numbers show? *[New!]*

A provision is included in the ballot and proposed charter amendments that rates cannot exceed those offered by the current provider, Xcel Energy, on the date that the city purchases the system from Xcel Energy. There are also requirements in the ballot question that are prerequisites to the issuance of bonds.

Does any of this involve new taxes? *[New!]*

Once the utility is operational, debt would be paid through revenue from the utility, not taxes. The costs incurred between a vote to create a municipal utility (primarily legal and engineering) and the opening of the new utility would be funded through an increase in the utility occupation tax, if approved by voters.

Local Utility: Legal

What does state law say about a local government breaking off from a regulated monopoly and forming its own utility?

As a home rule city, Boulder has a great deal of discretion in determining its energy future. The Colorado Constitution and Boulder's home rule charter authorize the creation of local utilities. Additionally, since the creation of utilities is a matter of local concern under Colorado home rule laws, there is wide latitude in how the utility is governed. A number of cities operate electric utilities, including Longmont, Lyons, Estes Park, Fort Collins, Fort Morgan, Julesburg, and Loveland, to name a few.

Would there be a legal fight with Xcel Energy, and, if so, what would it be about?

Some communities have been able to negotiate settlements with existing power providers, and the city hopes Xcel Energy would come to the table in a similar fashion. If the utility does not, however, there could be court proceedings. The disputed issues could include the cost to acquire the assets. If negotiations were unsuccessful, the city could exercise the right of eminent domain and condemn Xcel Energy's distribution assets.

Another potential area of litigation is stranded costs. Under federal regulations, a utility that loses customers can, under some circumstances, charge the new utility for assets that were acquired to serve the departing customers. While there are guidelines for calculating these costs, Xcel Energy could force the city to litigate these amounts.

How long would it take to get a final decision?

Most lawsuits are resolved in less than two years. However, if a condemnation case went to trial and was followed by appeals, it could last longer.

What if the city fights for firm costs and then decides

not to proceed? How much would have been spent at that point? *[New!]*

The ballot language related to the Utility Occupation Tax provides for up to \$1.9 million a year to cover these costs, plus engineering expenses related to the city separating its distribution system from Xcel Energy's. City officials have estimated this process could take anywhere from three to six years. The purpose of the tax is to provide the funding for the period before the city could actually launch a utility without having to move forward on issuing bonds. This minimizes the community's long-term risk.

How would this litigation be paid for? *[New!]*

These transition costs would be funded through an increase to the current utility occupation tax. This increase would impact the average residential bill by approximately \$1.20 per month. These costs would no longer be necessary once the transition was completed and a local utility was up and running.

Local Utility: What If

If council and voters approved the creation of a local power utility, what happens next? How long would this take?

A vote by Boulder residents to create a local utility would put in motion several processes that are necessary to develop and launch the actual utility. It would likely be three to five years before a decision would be made about whether to issue bonds and move forward. This decision would be made by City Council and involve a public process and input from the community. During that time, Xcel Energy would continue to be the city's utility provider.

Glossary

Need definitions for unfamiliar terms found in this booklet? The City of Boulder has posted a glossary of terms associated with this issue online at www.boulderenergyfuture.com.

Notes

**Boulder Energy Future
Insights Report**



Robb Shurr
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“People don’t care about energy, they just want warm showers and cold beer”
(Amory Lovins)

“Energy, what a curious thing, we only notice it when its not there...”
(Overheard)

Interview Process

Over the past 4 weeks, we interviewed 40 adults within the city of Boulder with regard to their attitudes and opinions surrounding Boulder’s energy future. We spoke with people on the Pearl Street mall, in downtown and “hill” neighborhoods, soccer fields, and at the farmers market. This is an effort to get a pulse and gain insights on how the voting public feels, and what they know today about this very important issue. This report can provide a useful and early “take” on what the community is thinking on this issue. While the sample size is modest, we are confident in the general and thematic findings of this report.

The Value of One-On-One interviews

There is no substitute for talking with people one-on-one. In this report, we begin by exploring people’s awareness levels and opinions without any prompting or back and forth exchange. From a top-of-mind awareness level question, we then go on to explore their understanding of where our power comes from in the city.

As the interview continues, we gauge their excitement about the issue and began to focus more specifically on their personal energy situation, in addition to their views on Xcel, the city of Boulder, and renewables. We then look to gain an understanding of their sense of the benefits and risks of a shift toward more local control of our energy and an increased use of renewables.

Every discussion involves an interchange of ideas and information. In those exchanges we discovered that while the “excitement level” appears rather low in most cases at the beginning of our conversation, by the end of our discussion many people respond with increased levels of engagement and interest. As they are exposed to some of the basic facts and issues that surround energy in our community today, throughout our conversation, they often seem to begin to make better sense of what is going on and the choices before us.

Executive Summary/Quick Recap of Findings

- **People have heard bits and pieces, but rarely know enough to have a solid opinion of the issue regarding our energy future in Boulder.**
 - Most have heard some things, typically reported in the newspaper, but they know few details and have trouble understanding what is going on, why things are changing and what the future might hold.
- **In general, people are not “excited”**
 - The possibilities associated with our power generation in general do not “light people up” in interviews. With the exception of a small group of “energy geeks,” people rarely showed genuine enthusiasm when it came to this issue. We believe it stems from lack of information and awareness, as people became more engaged through our conversation of the issue.
- **A good number of people have reservations about Xcel, and a similar number have reservations about the city government running our power.**
 - In conversations, we heard both positives about Xcel and optimism about the city in charge of our power. We also heard a roughly equal measure of negatives about Xcel from customers as well as doubts about the city’s competence to take on this critical service for Boulder.
- **Very few understand “what’s in it for me and my family”**
 - The persuasive case has not been made yet to our public as to how it could affect them directly. As people learn more, during the interview, they begin to respond positively to benefits around local control, air quality, jobs, and other possible future energy outcomes.
- **Quick Summary Conclusion**
 - A high level of uncertainty exists out there, but armed with compelling facts, proper issue framing, and a clear sense of potential benefits, many people can get engaged and even excited about a new energy paradigm in Boulder.

Report Findings

Awareness

There appears to be a significant awareness level regarding “something going on” with energy in Boulder, in terms with its relationship with Xcel. Our sense of participants’ awareness is that it is a mile wide and an inch deep. Most people we spoke with referenced recent articles in the Daily Camera. Only a small number mentioned the franchise fee replacement vote as top of mind. We frequently heard, from otherwise very informed citizens:

“I know something is going on, but really don’t understand it enough to have an opinion on it yet.” (Garret, Non-profit Director)

“I’ve heard something about replacing Xcel, but that’s all I know.”
(Julie, Boulder Stay at home Mom)

“I generally don’t engage too much in following the issue, given my schedule, but it always seems that Boulder is pushing the frontiers as a city. I like that.”
(Ron, Marketing professional)

There is broad and vague awareness that something is going on with the city and Xcel around energy. After that, there seems to be some varying degree of knowledge about the city not signing another 20 year agreement, even less certainty about the vote to replace the franchise fee, and after that it all gets very fuzzy and vague for most people. It’s like the first or second day of the semester, the mid- term exam is on the horizon, but people haven’t felt the urgency yet to really study and figure out what is going on with this issue.

While only a trickle of information has come through in the paper, and those articles have provided some background for many people. People mentioned Xcel relatively often, while only a few even mentioned Valmont as a key part of the issue. Unless an individual has made independent and proactive steps to get involved or become very informed on this issue, as only a few of the participants have, most people express that they are under-informed. The information available has, in general, awakened the lowest level of understanding for most, with a few much more aware of what is at stake and following it as closely as possible.

Energy IQ

Only slightly more than half of participants know that most of our power in Boulder comes from the Valmont plant. We often had to point out, “the smokestacks out there” and then people clicked in. As a concern, or a worry to add to the stresses of every day, power gets put at the bottom of the list for most people. It works, and people rarely ever think of it. There seems to be very little incentive for people to learn or know more about it. On the other hand, for a small number of folks, it is an area of interest and a clear priority in terms of addressing a sustainable future. Overall, however, energy IQ, reportedly extremely low nationally, appears to also be low here in Boulder.

Excitement about Energy in General

Early in the conversations we asked everyone, “are you excited about our energy future?” We received lots of blank stares. Once again, a few, very informed people showed something resembling excitement, but for a strong majority, this issue did not inspire genuine excitement. For most people, power just arrives at the door, and its generation remains somewhat of an abstraction. So, what is there to get excited about...?

Things that hit home like air pollution and job creation, even local control, got people to see some benefits they can relate to. But in the beginning of almost all of the interviews, there was almost no palpable excitement around the issue:

“I can’t say I’m excited, I know it is an issue that the city is dealing with.”
(Jim, schoolteacher)

“umm...(blank stare) ..no....”
(Andrew, web entrepreneur)

“Not as much excited as concerned. I think we need to have businesspeople handle our energy supply, not our city government...”
(Bea, retired)

Some excitement was more evident during interviews with the small segment of more informed individuals. Some of them shared a sense of disliking large corporations in general. Also, there was some talk of Boulder being Boulder and showing leadership in this realm. One journalist tied it into previous Boulder visionary leadership:

“I think it would be great for Boulder to take control of this. I liken it to the Open Space efforts years ago. Imagine if we left development of the mountain backdrop to corporate interests...”
(Phil, independent journalist)

Opinions about Xcel

We found a wide range of opinions about Xcel. They are divided three ways, comprised of roughly equal segments with a positive view, a neutral opinion, and a negative opinion of Xcel.

Positive remarks were never glowing, but generally reflected a matter of fact view that Xcel delivers power at a reasonable rate and seems to “keep the lights on.”

“I think Xcel does a good job, and the rates seem fine to me. I think it would be hard to compete with them on price and reliability.”
(Matt, Boulder Real Estate owner)

“When was the last time we lost power in the city of Boulder...many, many years...that speaks well of Xcel.”
(Dave, Solar Salesman)

The negative views were in some cases attached to the Smart Grid effort.

“Xcel really has no clue. The Smart Grid has been really lame.”

(Andrew, Internet entrepreneur)

“I’ve heard that they are more “progressive” than other utilities, but I don’t see it. I see them building more coal plants and dragging their feet with renewable energy...”

(Tom, Boulder event sales and management professional)

Awareness of Rate Increases

The vast majority of people had not noticed an appreciable rate increase in the past few years. Many mention that bills fluctuate month-to-month, and that they hadn’t really felt the pain of rate increases specifically in the past few years.

“In winter, we get a few really big bills from them, but overall, it hasn’t seemed to change much in the past few years.”

(Tim, Boulder Investment Advisor)

“I don’t pay that close attention to it...can’t say that I’ve noticed it change much...”

(Char, Boulder Artist)

It appears that the seasonal and month-to-month fluctuation, combined with the complexity of the electricity bills, are in large part main responsible for the disconnect here. Unless people save bills and compare them month to month using at least 2 years of information, it is hard to have a clear sense of how rates are changing. Most people would mention a few months when they pay a lot, but overall this is not seen as an area of economic pain.

Where’s the Pain?

If it aint broke? And it aint (really) expensive, and I barely notice it in my daily life... please remind me...what is the problem again?

Most of the people we talked to come from this general point of view. They are busy, of course, and have lots of fires to put out in their lives. So, off the top of their heads, they aren’t really feeling the urgency of this problem. They don’t know enough yet, are not sure of the goals, the benefits, the reason to take a risk here.

More Renewables in the Mix

When asked about adding more renewables (more on that in a minute) they almost always answer yes. It is one of those questions that is hard to disagree with for many people.

“Moving away from fossil fuels seems like a good idea. Burning coal, although plentiful in supply, should not be our first choice. Hydroelectric power, solar energy and possibly wind power are much preferred...” (James, Investment Professional)

Of course, the devil is in the details, and people are concerned about cost and concerned about reliability. Rolling blackouts are perceived as too big a price to pay:

“I’m all for renewables in our mix because I believe in us all being part of one world and polluting our one world is an infamia. However, we need to balance this with reliable power. I trust no one will be excited about rolling blackouts in order to decrease our dependence on fossil power.” (Tony, Industrial Engineer)

Boulder’s Energy Future...What are the Benefits of a Change?

Most people are generally at a loss when discussing our energy future as well as specific benefits of “going local” with our power. They tend to pause and think about it. Some mention that an alternative to Xcel would be one benefit. A few people mentioned Boulder taking leadership on this issue was positive -- a case where “Boulder can be Boulder (again).”

Only a small few could easily articulate clear benefits and those very informed individuals mentioned more renewables in the mix faster, as well as local jobs both being a benefit. Overall, however, people just don’t have a good enough handle on this issue to really “know” much of anything. The lack of a general ability to articulate benefits ties into a similar lack of excitement about this issue or opportunity.

Some see the positives around renewables:

“I want to see Boulder move away from a reliance on coal to more renewable energy, staying with Xcel would not be a strong step in that direction.”

(Jenny, nonprofit project manager)

“The more renewables can prove out as efficient/cost effective, which comes in part by building its own volumes/economies of scale—the more affordability becomes a reality.” (Derek, software engineer)

When Prompted: Localization

When we mentioned that Boulder could take control of its energy and promote local energy generation, create more jobs, and make decisions that are best for Boulder, people seemed generally amenable.

Also, in terms of local, people seem to be more aware of the phenomena, through local food and local merchants (the idea that money spent locally stays in our economy). The local argument was powerful with most people, but was almost always prompted as opposed to self-generated.

When Prompted: More Renewables

When asked about more renewables as a core benefit of changing our energy equation, most people said “Yeah.”

A large group said YES, and are in favor of more of them:

“Yes. The more renewable can prove out as efficient/cost effective, which comes in part by building its own volumes/economies of scale—the more affordability becomes a reality”

(Rodney, Boulder entrepreneur)

“It just makes sense, why NOT. We have so many creative people in this town that we should be able to make it happen.” (Jim, High School Coach)

Others say “yeah,” followed by “but.” “Yeah but” in terms of cost, in terms of time to develop, and “yeah but” in terms of reliability.

This group tends to be a little more informed on the specifics of energy generation, peak loads, and some of the inherent challenges in integrating renewables onto the grid. Most of them seem to understand that integrating a small amount of wind and solar is a lot easier than big chunks. And we need to be careful, according to some, because this power can be expensive and the cost needs to be competitive. There is definitely some caution out there around getting too carried away in this effort, perhaps before the technology has matured and become efficient enough to compete with “cheap power.”

“I work in the energy industry. Everyone wants the lights to come on when you flip a switch - renewable energy is simply not that reliable - therefore it will need to be backed up by more reliable power that would need to be bought - probably bought at higher rates and at a significantly less concern for fuel - in other words maybe highly polluting fuels would create our back up energy...”

(Nate, salesman, Energy Infrastructure Company)

Trust Boulder City Government To Run Power?

We heard a very wide range of opinions on this issue. The most enthusiastic group behind renewables and often unhappy with Xcel seemed fine with having the city manage this issue.

“Better the city, with our best interests in mind, than a fortune 500 company.”

(Lane, Graphic Designer)

“City Council should be able to hire, and manage, experts in this. I think it could work just fine.” (David, Software engineer)

Most people were cautious here and have mixed feelings about the city taking this over. They see the city as an alternative that could work out better than what we have now, but they also see the risk of the city possibly making missteps and costing the city money in debt or significant increases in debt.

“I don't have enough info to know if City of Boulder can do a better job to meet Boulder goals than sticking with Xcel.” (Jane, Real Estate Agent)

A small group is very nervous about this happening.

“City Council comes and goes. They vote things in, then vote them out, I'm not comfortable with them running our electricity. They are far from stable.”

(Cindy, teacher)

“Setting up a municipal power authority is deadly serious business. Do it wrong and they will quite literally bankrupt the city and its residents...”

(Jordan, Independent Journalist)

The opportunities and potential pitfalls of municipalization seem to be unknowns for nearly everyone. The opportunity and the risks have not been in the news or available for people to begin to understand. A few knew that we would have to negotiate with Xcel to give them a price for their energy assets, and a couple people had heard that it is challenging and hasn't been done in 30-50 years successfully in Colorado.

There's No Model: A Problem and An Opportunity

A group of people are inspired that Boulder is out front on this issue and that the nation is watching us. Some are energized by that and liken it to the wisdom and vision we exhibited back when the open space efforts took shape.

"I'm intrigued by the idea of a change in how we get power in our future and proud to be living in a place that it is possible to happen." (Kate, Boulder Mom)

The largest group sees the opportunity for leadership but also sees the potential for concern. They see some positives and some negatives in terms of cost and reliability. Some see that we have a problem and feel some pain, others really don't. These people need more solid information to be confident in their position and express a wide range of concerns mixed with opportunities:

"Adding renewable energy mandates on top of existing environmental and building regulations may make it all the more difficult to grow and retain local business... It would be great to see an integrated long-term municipal vision that encompasses incentives as well as regulations, so renewable energy/environmental quality is recognized as a benefit of doing business in Boulder instead of another cost of doing business." (Steve, Marketing Professional)

"I would be willing to pay slightly higher rates to increase the amount of renewable power into the city of Boulder's power mix." (Dan, engineer)

"There's always the worry that the county says it will keep prices low and try to help consumers BUT they could also totally mess it up and everyone ends up paying a lot if they don't hold true to what they've been telling everyone..."

(Jenny, nonprofit project manager)

This group wants Xcel to do better, and generally agrees that pushing them in that direction is by far the better alternative.

"The issue is renewables and less coal...how can we do it in partnership with Xcel but get what we want..." (Dave, Solar Salesman)

"Far better to go back to Xcel and hash out an agreement with them that increases use of renewables. They and Xcel missed a gigantic opportunity with the Smart Grid city plan. They can get a mulligan on that if they choose."

(Jordan, independent Journalist)

Discussion Facts that Seemed to Catch People's Attention and Resonate

Cost

There are over 20 municipalities in Colorado and they pay an average of 12% less for their power than communities with Investor Owned Utilities. That percentage is roughly equal to the profit margin on the \$100 million of power Xcel sold to Boulder residents last year.

Competition

Getting companies to “compete” to provide us power is a very popular notion. To the extent possible with PUC regulations, incorporating a bidding process into the mix seemed to go over very well. Most everyone liked the idea of injecting some competition into the utility paradigm.

Air Quality

This is one issue that caught people's attention and seemed to resonate especially with Moms. When they hear about the air quality impacts of the Valmont Coal plant they think of their family and get a bit more engaged. For example, “Valmont emits more than 80 pounds of mercury into the atmosphere every year (the size of a small refrigerator).

Create Jobs/ Keep Money here in Boulder

People seemed to relate to the idea that taking more local control of our energy would result in job creation in the City. The “multiplier effect” of that money staying in the community, as opposed to going to the shareholders of a Fortune 500 company resonated with many people. The concept of more community self-reliance on energy, as well as food, is something people seem to be naturally in favor of in this economy.

City Runs Power and Sewer

When people are reminded that the city handles services like water, with individual billing and a nearly identical customer base, this seems to inspire confidence. Those against city management emphatically do not shift their view, but it does help others less firm in their opinions to be reassured that the city could take this on and manage it effectively.

Concluding Thought

Today in Boulder, people don't know enough, they are not excited, and while many of them can be persuaded to become informed and engaged, they are not presently poised to become passionate advocates of remaking our power. That's the bad news, that people are not excited or informed enough to be mobilized right now. The good news is that, when presented with a clearly explained context and meaningful facts, many people become significantly more engaged and convinced of the importance of our shared energy future, and each person's role in it.

