



# Boulder's Clean Energy Future

---

Our goal –

To give the citizens of Boulder the opportunity to have a clean energy future, and stable energy prices.

[www.BoulderColorado.gov/EnergyFuture](http://www.BoulderColorado.gov/EnergyFuture)

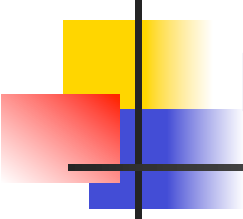
[www.BoulderCleanEnergyFuture.org](http://www.BoulderCleanEnergyFuture.org)



# Why should we be concerned?

---

- Fossil fuels are destroying the environment - global warming, local air pollution, heavy metals.
- Fossil fuel costs are escalating -  
We have already hit Xcel's 2035 coal price forecast.
- Renewable Energy provides stable prices.
- We can expect price parity between Renewable Energy and fossil fuels in 5-10 years. (NREL)
- Renewable Energy and Efficiency Investments will benefit our local economy.



# What about the legal/financial risks from CO2 emissions?

---

- Xcel is in 3 lawsuits over CO2 emissions. We could end up paying.
- **Connecticut v AEP (and 4 Others Including Xcel)**
  - 8 State Attorney Generals Sue 5 Coal Powered Utilities Over CO2 Emissions as a Nuisance Under State and Federal Law
  - Sept 2009--2<sup>nd</sup> Circuit Court Allows Suit to Proceed—Appeals pending
- **Comer v Xcel Energy et al (and 45 others)**
  - Hurricane Katrina victims sue CO2 emitters
  - Oct 2009—5<sup>th</sup> Circuit Court Allows Suit to Proceed—Appeals pending
- **Kivalina v Xcel Energy (and 23 other utilities)**
  - Alaska village threatened by sea level rise sues CO2 emitters
  - Appeals pending in 9<sup>th</sup> Circuit Court

(Information from Xcel Energy 10-K 2009 Annual Report, pages 141-142)



## Is a 20 year franchise necessary?

---

- The franchise – a legal agreement between Xcel and the City.
- Xcel uses the City rights of way.
- The City uses Xcel's power poles.
- *20 years is simply too long.*
- Change is happening very fast.
- The franchise could easily be a year-to-year contract.



# Is there any way out of a 20 year franchise with Xcel?

---

- *There are no practical exits, in spite of the 10 and 15 year "off ramps" in state law.*
- Xcel has an exclusive service area.
- Xcel has the right and obligation to provide energy in this area; unless the City municipalizes.
- If the City signs the franchise and then tries to municipalize, we could be forced to pay millions of dollars to Xcel for its "stranded" power plants.



## We can consider alternatives only when the franchise expires.

---

- This is the only time we can extract any meaningful commitments from Xcel, or escape from Xcel.
- Boulder can continue to intervene at the PUC, even without a franchise.
- The next Legislature or Governor may not be very interested in energy policy, so we should not let this opportunity slip by.



# How does Xcel make money?

---

- Xcel is an investor owned utility (IOU).
- An IOUs' purpose is to make money for its shareholders.
- Customers are only assets to an IOU, not business to be earned.
- Xcel is currently allowed a 10.5% rate of return on equity, courtesy of the PUC.
- IOUs make money by investing their equity in power plants, transmission lines, etc.

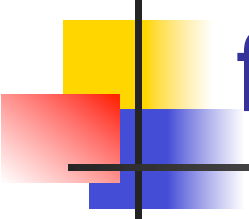
*Our interests and Xcel's are very different.*



# Why does Xcel want the 20 year franchise renewed?

---

- 20 year commitment – allows Xcel to justify the building of more power plants.
- Xcel just completed Comanche 3, a \$1.3 billion coal plant (Xcel owns 2/3).
- Comanche 3 moves Xcel from 50+% to 60+% coal. This overwhelms the benefit from Boulder's Climate Action Plan.
- Xcel proposes to build more natural gas plants. Even natural gas plants put out a lot of CO<sub>2</sub>.



# Where will Boulder's energy come from if there is no franchise?

---

- Xcel is legally obligated to provide energy to Boulder, franchise or no franchise.
- The lights will stay on and houses will stay warm.
- Many areas get power from Xcel without franchises:
  - Parts of Boulder County, Highlands Ranch in Douglas County, the City of Berthoud for example.

*We really don't need a franchise.*

# What is the “franchise fee”?

## Why are we paying it?

---

- The “franchise fee” is, in effect, a 3% sales tax on electricity and natural gas. It’s a line item on our bills. This is \$3.9 million to the City’s general fund.
- We pay it. It is not something Xcel pays to keep Boulder as a customer.
- Last year Xcel had \$130 million in energy sales in Boulder.
- The franchise and “franchise fee” cost Xcel nothing.

*Xcel should pay the franchise fee out of its profits.*



# Where do we stand on the franchise?

---

- The City proposed a 2 year extension to do a Clean Energy Plan with Xcel.
- If the plan and commitments are acceptable, the City would put it on the ballot.
- Xcel wants us to sign a 20 year franchise, then do the plan afterwards, with no commitments to results.
- Xcel can do a special arrangement for Boulder, just like it does for many other customer classes.
- *Sign first and negotiate afterwards? A bad idea!*



# What's wrong with the side agreements to the franchise?

---

- The “Side Agreements” do not accomplish anything significant.
- If the PUC disagrees, any agreement is null.
- Nothing in the agreements will actually reduce energy use.
- Nothing in the agreements will increase our percentage of Renewable Energy.
- There is no commitment by Xcel to **act** on the results from the joint Clean Energy study.



# So...what are our alternatives to Xcel?

---

- We can become a municipal utility, a “muni”.
- There are 29 municipal public power systems in Colorado.
- Fort Collins, Colorado Springs, Longmont, Estes Park, Aspen, Loveland, Lyons – all “munis”.
- Los Angeles and Sacramento – really big “munis”.
- The preliminary work by RW Beck, Consultants, showed that “municipalization” is economically feasible for Boulder.



# What are the benefits of being a “muni”?

---

- Rates are lower on average – no shareholders.
- Financing is cheaper: we can use municipal bonds, and don't have to pay a 10.5% return on equity.
- These savings could quickly pay off the initial costs; then we get all the benefits.
- Muni's have no multi-million dollar executive salaries.
- Muni's are run locally, do not require PUC approvals.
- Muni's are responsive to their customers, and can innovate much faster.



# What opportunities are there for a Boulder “muni” right now?

---

- Existing independent gas-fired generation plants are looking for new customers. They would be good backup for wind and solar.
- Interest rates are low.
- Renewable Energy is available. Xcel asked for 1,000 MW; got bids for 15,000 MW.
- Boulder has smart business and technical people to help make this succeed.
- *So...let's evaluate this alternative fully.*



# What assistance is available for muni's?

---

- Nebraska Municipal Power Pool – provides power and management services – serves 23 communities in Colorado; almost 200 total in the Midwest and Rockies.
- Companies are offering turn-key electric distribution services. We can competitively bid all parts of a utility system. We don't have to do it all ourselves.
- Local and national companies are already spending money to earn our business. No 20 year commitments required!



# Can Windsource be a long term solution for Boulder?

---

- *Windsorce can not provide long term price stability. It is not a long term solution. Here's why:*
- Xcel already owns around \$2 billion worth of fossil fuel plants and is planning on building more.
- When Renewable Energy prices drop below fossil fuel prices, Xcel will have to abandon or radically change Windsorce.
- Otherwise, everyone will jump to Windsorce, and "strand" Xcel's multi billion dollar investment in fossil fuel plants.



# What should Boulder's Clean Energy Plan include?

---

- Invest in Efficiency – Very cost effective.
- Invest in Renewable Energy – Wind is cheap; PV prices are dropping very fast; and they have no fuel or pollution costs.
- Develop a decentralized energy management system – to integrate the supply and demand side.
- Shift towards energy storage (flywheels, batteries, super-capacitors, pumped storage, etc.)
- Shift towards electricity for transportation.



# Please do not put the Xcel “status quo” franchise on the ballot.

---

- There are too many downsides:
  - The public doesn't understand what it really means – the survey shows this.
  - It forecloses our options for 20 years.
  - There will be massive citizen opposition.
  - If Xcel commits to a clean energy franchise, we can put it on the ballot in the future.



Let's take the time necessary to evaluate the "muni" option.

---

- **Municipalization Has Great Potential Benefits**
  - Accelerate decarbonization
  - Make decisions locally
  - Avoid the PUC morass
  - Create a revenue stream for the City
  - Lower rates
  - Provide cleaner energy choices.
  - Drive innovation and economic development: more PV, real smart grid, spinoff R&D.



# What are the next steps?

---

- Pass the 5 year Replacement Energy Excise Tax.  
It can win!
- Evaluate municipalization fully –  
Understand the benefits, costs, and timeline.
- Evaluate Xcel's proposals –  
See what some competition brings.
- Inform Boulder's citizens and businesses.
- Let the voters decide at the ballot box.



Thank you for your time and  
interest.

---

- More information can be found at

[www.BoulderColorado.gov/EnergyFuture](http://www.BoulderColorado.gov/EnergyFuture)

[www.BoulderCleanEnergyFuture.org](http://www.BoulderCleanEnergyFuture.org)

I can be reached at stevepomrance @ yahoo.com



# Are there any benefits to the Xcel-proposed side agreements?

---

- Valmont coal plant – The HB 1365 process will determine the outcome, not Xcel. Valmont can already run on natural gas.
- Community Choice Aggregation – Not in Xcel's interest, so they will fight it, or obstruct, if it happens.
- SmartGridCity – Xcel says that if they don't get the CPCN, they'll stop work with <half the meters installed.
- Energy Efficiency Rebates – Even if Xcel opposes rebates where there are strong energy codes, like in Boulder, we have legal fixes.



# Isn't Colorado's 30% Renewable Energy Standard (RES) enough?

---

- "30%" actually means 26%; in-state RE suppliers get a 1.25X multiplier. (Current RE level is 12%.)
- Xcel – \$1.6 billion commitment (approx.) to coal plants – limits ability to decarbonize.
- Xcel – Plans to build more gas plants; makes future progress even tougher.
- *Getting to 30% RES is not magic. As FF costs go up, rates go up, so the 2% cap goes up. RE costs are going down, so it's easier to meet the RES.*