

The Franchise Off-Ramp Opportunity

- We are urging Pueblo City Council to pass a resolution declaring that City Council will take steps to determine the legal, financial, and operational feasibility of taking back its right to provide electric utility service in Pueblo in the year 2020.
- As background, the Colorado Constitution and Colorado state law puts the primary responsibility on home rule cities and towns for providing electric utility service within their boundaries.
- Pueblo is a home rule city, along with 96 other cities and towns in Colorado. About one-third of home rule cities provide their own, not-for-profit electric utility service.
- Home rule cities are allowed to outsource their responsibility to provide electric service to a for-profit utility under a franchise agreement, but that agreement cannot be for more than a 20-year term.
- Pueblo outsourced its right to provide electric utility service to the predecessor of Black Hills Energy on August 11, 2010, for a term of 20 years.
- Home rule cities may reclaim their right to provide electric service at the end of the franchise agreement, or in years 10 and 15 of the franchise agreement. We are referring to this legal right as an “off-ramp.”
- Pueblo’s first “off-ramp” occurs in 2020, just three years from now.
- The “off-ramp” is exercised by purchasing or condemning the city-wide electric distribution system within a city’s boundaries.
 - Pueblo has no right or obligation to purchase the generating equipment owned by Black Hills Energy within the city limits (a \$500 million+ investment).
 - Pueblo would have the right to purchase power generated by third parties outside the city, or to purchase or build its own generation, and transmit power across high-voltage transmission lines.
 - Pueblo would have the right to set its own electric rates so as to stabilize and eventually reduce the cost of energy.
 - Pueblo would have the right to create low-income service policies that reflect Pueblo’s social values.
 - The state Public Utilities Commission does not regulate municipal electric utilities.
- The process of assuming responsibility for providing not-for-profit municipal electric service involves:
 - Identifying the equipment included in the distribution system to be purchased or condemned;
 - Determining the purchase price of the distribution system;
 - Arranging favorably priced sources of purchased or generated power;
 - Obtaining favorable financing based on expected revenues from the sales of electricity;
 - Arranging for the physical operation of the local distribution system, managed either by the city or outsourced to a management company specialized in working with not-for-profit municipal electric utilities; and
 - Obtaining a Certificate of Public Convenience and Necessity from the Public Utilities Commission, which will relieve Black Hills Energy of its obligation to serve Pueblo, and authorize Pueblo to commence its own electric utility service.