

**Town Hall Meeting** (version 4)  
**Pueblo's Energy Future**  
**Thursday, March 30th, 2017 - 5:30 p.m. - 7:30 p.m.**

**Welcome and Introductions:** Larry Atencio, Pueblo City Councilman, and Terry Hart, Chair Pueblo County Commission

**Brief overview of the agenda:**

Kevin Olsen

**How did we get here?**

David Cockrell & Paul Huber

- Unnecessary capital spending.
- A steady stream of rising electric utility bills.
- Less than robust incentives to install rooftop solar, or for energy efficiency programs.
- Harsh reconnection policies and practices for low-income households.
- A very unfavorable low demand charge threshold (10kW) for business class customers.
- A high financial cost to the City and County to intervene in rate cases.
- Rooftop solar in Pueblo has been very popular despite Black Hills Energy's punitive rate designs and mismanaged solar incentives.

**Trends in energy production & energy efficiency programs-**

Steve Andrews

- From 1930 until 2016: the shifting roles of hydropower, coal, oil, nuclear, natural gas, wind and solar in our electricity generation mix.
- Addition of new power plants during 2000 to 2016 has been at the highest ever in our history.
- Rapidly shifting costs of new construction have driven major changes since the year 2000.
- Both energy efficiency and hits to the US economy have contributed to a leveling of electricity demand over the last 10 years.

**Where do we go from here?**

Kevin Olsen

- If you're like us we don't feel like we have much power and or control over our energy future.
- Is the status quo acceptable to you?
- Casting a new vision! Dream Big!
- The good news is that we do have options, and that's what we'd like to briefly discuss with you tonight.

**The Franchise off-ramp opportunity -**

Susan Perkins

- 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.

**The role of energy efficiency and renewable energy in any of the options:**

Tom Corlett

- Energy efficiency is the best way to reduce bills and keep more of Pueblo's money in Pueblo.
- Pueblo County is gearing up to provide energy efficiency and renewable energy support to Pueblo's businesses and residents.
- Together, the City and County of Pueblo could create a Sustainable Energy Utility, similar to Washington D.C., and others, to drive down energy bills, improve the local economy, and the environment. (Show video.)

**Moving forward:**

Kevin Olsen

- Which of these options would be best for Pueblo?
- Pueblo needs and deserves an energy future that is sustainable, affordable, fair, just, and competitive; locally controlled, energy wise, efficient and environmentally clean.
- The window of opportunity is now!

**Comments by Steve Nawrocki, President, Pueblo City Council**

**Questions from the audience**

(PEF panel)

- This is your time to ask questions and give input concerning Pueblo's Energy Future.
- If you haven't already please complete the 1/2 page survey before you leave. (collection box in the back)

**Closing announcements:**

Kevin Olsen

- PEF will be presenting a Resolution to the Pueblo City Council on Monday, April 10th during the work session which will begin at 6:30p.m., we need you there by about 6:15p.m.!

**By working together we can make a difference.**

**Thanks so much for being here! Exploration of utility provider options-** (see the yellow page handout) David Cockrell, Steve Andrews & Tom Corlett

### **A Municipal Utility:**

David Cockrell

- In Colorado, municipal utilities are governmental operations owned by the communities they serve. There are 29 such utilities in Colorado.
- Local Citizens are elected (or appointed) to a Board of Directors.
- Professional staff together with the Board, make policy and operational decisions in the best interests of both utility and community.
- The rates cover the costs and expenses of providing the electric service including, generation and or power purchase costs, electric transmission and distribution costs, capital expenses, debt service and operating costs. .
- Any remaining revenues, after expenses, are reinvested into the community in a number of ways.
- The Public Utilities Commission does not regulate municipal utilities. Rates and tariffs are left to the local governing group, elected by the citizens.
- Municipal utilities are self-supporting (not funded through taxes), and they qualify as enterprises under the Colorado Constitution. The local city councils or utility boards set the rates for the utilities.

### **A Utility Enterprise:**

David Cockrell

- The utility's board would have the power to make and execute contracts in the name of the city, engage in litigation affecting its powers and duties and property under its management.
- The enterprise might generally operate independently of municipal budget processes, and the City council might exercise limited control over the utility board.
- The enterprise could engage in extraterritorial service delivery outside the City under contracts with other units of local government.
- The utility would be a self-sustaining entity that is funded through user charges. Thus the utility enterprise would not be subject to TABOR restrictions.

### **A Cooperative Electric Utility:**

Steve Andrews

- A cooperative electric utility is a private, independent, non-profit business that is owned by its customers.
- Nationwide, today's 900 co-ops were mostly created in under-served rural areas during the 1930s and 1940s.
- There are 22 co-ops in Colorado, averaging about 80 years in business and serving roughly ¼ of the state's electric meters.
- Two Colorado co-ops serve populations roughly the size of the Black Hills service territory.
- The Cooperative Finance Corporation, started in 1969, is a member-owned, non-profit financing cooperative that provides financing for electric cooperatives.

### **Variants of the above:**

Steve Andrews

- Pueblo (and possibly other communities) can issue a Request for Proposals (RFP).
- Existing entities, such as neighboring co-ops (San Isabel Electric Assoc., Southeast Colorado Power Assoc., Sangre de Cristo Power Assoc.) may be interested in merging with either parts of or the entire Black Hills service territory.
- Some existing entities might be interested in supplying competitive (market-priced) power to Pueblo and other parts of the territory.
- Some existing entities might be interested in supplying financing and management to the new utility entity.
- It is assumed that in all the options above, the current line crews and many support staff working for BHE would be offered positions with the new utility entity.