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Boulder plots way forward following municipalization vote

City looks to hire executive director, two legal experts

by Laura Snider, Daily Camera Staff Writer, December 6, 2011

In the month since voters gave Boulder the authority to break from Xcel Energy and create a municipal electric utility, city staffers have been busy working to outline a vision of how to move forward.

And that vision includes tapping outside resources.

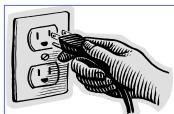
"I woke up really scared on election morning, and decided I need help," City Attorney Tom Carr told the City Council on Tuesday afternoon.

So Carr and his colleagues are looking to contract two attorneys. One will advise the city on issues surrounding condemnation - the legal mechanism the city likely will have to use to take over Xcel's local distribution system - and the other will help the city navigate the process at the Federal Energy Regulatory Commission.

The commission ultimately will determine how much money Boulder will have to pay Xcel in "stranded costs" to compensate the utility for any investments it may have made in anticipation of continuing to serve Boulder.

"I'm very much concerned we'll make a mistake that will hurt us later on without competent advice in these very specialized areas of law," Carr said.

Carr was one of the city staffers who gave an update to the council on Tuesday afternoon on how Boulder is moving forward with its study of municipalization after the November 1 vote.



"We've been busy," said David Driskell, the city's executive director of community planning and sustainability. "We've been trying to figure out really what is the work program going forward."

Driskell told the City Council that staffers also have been working on picking a search firm that will help the city hire an executive director of "energy strategy and electric utility development." And there's a reason that "energy strategy" was included in the title, Driskell said. "We don't think we're looking for someone who knows how to operate a utility - not that we don't want someone who has those skills," he said. "We're actually looking for someone to engage with us in thinking about how are we achieving a set of energy goals, with creating a utility as a possible path for that."

Three Tiers

While voters now have given the City Council the authority to create a municipal utility, the council may decide to stick with Xcel if the costs of starting the utility are too high or if council members believe the city can better reach its goal of reducing greenhouse gas emissions by not creating a city-owned utility.

Driskell told the council that staffers were thinking about Boulder's future energy strategy in tiers. The first tier would be related to continuing or expanding the work that currently is being done under the umbrella of the city's Climate Action Plan, which encourages a reduction in energy use and a ramp-up of small-scale renewable energy.

The second tier of the energy strategy would be to take a closer look at a "localization" strategy, which could include bringing on community-scale renewable energy, creating new financing mechanisms to help people make energy efficiency upgrades to their homes and businesses, or possibly creating "energy districts," which could link heating and

History of Boulder's energy future choice

In November 2011, Boulder voters narrowly approved two ballot measures that give city officials the permission and the funding to move forward with forming a municipal utility.

The vote came almost a year after the Boulder City Council allowed its 20-year franchise agreement with Xcel Energy to expire at the end of 2010.

The fallout between the city and the utility was largely related to Boulder's goal to reduce its greenhouse gas emissions. And while Xcel Energy plans to get 30 percent of its electricity from renewable sources by 2020, that's not fast enough for the city.

The end of the obligation between the city and Xcel also meant the end of the \$4 million franchise fee that the utility collected from Boulder customers and paid to the city. But in November 2010, Boulder voters approved a five-year utility occupation tax that essentially replaces the lost revenue.

Now, after the November 2011 election, city staffers are working on the nuts and bolts of what it will take to actually form a municipal utility.

The city estimates that it will take between three and five years for the city to actually get a utility up and running, if the city chooses to move forward with forming a utility.

cooling systems between buildings to create efficiencies.

The localization strategy would not depend on actually creating a municipal utility.

"We don't want to put all our eggs in the (municipalization) basket or go into a holding pattern while we figure this out," Driskell said. "So there are some things we can do in the short term."

(Continued on page 2.)



Energy Policy:

Brookings' Muro says state clean energy funds could help boost the economy

OnPoint Aired: Thursday, January 12, 2012

With legislative action on clean energy at a standstill, what can states do to develop new energy technologies and benefit the economy? During today's OnPoint, Mark Muro, senior fellow and policy director at the Metropolitan Policy Program at the Brookings Institution, discusses a new report focused on leveraging state clean energy funds for economic development. Muro explains why he believes the private sector cannot manage these technological investments on their own and how CEFs can help spur development.

Boulder cont.

The third tier would be to actually start a municipal utility.

'A great start'

Angelique Espinoza, public affairs manager for the Boulder Chamber, told the City Council that she hopes the city will hire an executive director with an open mind. The Boulder Chamber recommended voting against the two ballot measures - 2B and 2C that gave the city the authority to move forward with forming a municipal utility.

"It will be important for that person to be objective about their job, and not come in with an agenda about what the end result will be," she said.

Tuesday's meeting was just a brief sketch of the where the city is at now, Driskell said, but staffers plan to make a more detailed presentation at two City Council meetings in January: a roundtable on January 10 and a study session on January 31.

Despite the preliminary nature of the vision presented Tuesday, many of the members of the public who spoke at the council's meeting said they generally liked the outlined direction.

"I think this looks like a great start," said Sam Weaver, who campaigned for 2B and 2C. "It's a really good way of visioning from the top down."

Transcript

Monica Trauzzi: Hello and welcome to OnPoint. I'm Monica Trauzzi. Joining me today is Mark Muro, senior fellow and policy director at the Metropolitan Policy Program at the Brookings Institution. Mark, great to have you here.

Mark Muro: Yeah, great to be here.

Monica Trauzzi: Mark, you've just authored a new report focusing on leveraging state clean energy funds for economic development. Explain how the state clean energy funds work and whether their existence is broad enough to really have an impact on the clean energy profile of the United States.

Mark Muro: Great question and the funds have been around roughly a little more than a decade, often funded by system charges or surcharges on electricity bills, on utility bills to, you know, raise funds for clean energy purposes, you know, that are defined very tightly in some states, more loosely in other states, all with the idea of promoting clean energy. About 20 states have them, so they're not ubiquitous, none in the South, none in the Intermountain West. Yet in states that have them, they're doing a substantial amount of work. We're talking about leveraging at minimum very conservatively at least \$12 billion in the last decade, probably much, much more. We had to use a very conservative account.

Monica Trauzzi: So then why the need for the report? What's happening with these clean energy funds that makes you perhaps question how the money is being handled?

Mark Muro: Yeah, actually I think we don't question how the money is being handled. It's being used very well, but in one particular way, you know, actual finance through rebates or other forms of projects, individual projects. You know, during the time that the funds have been operating, I think the needs of the country have changed. There's a greater concern about where we're going to finance clean energy, economic development, clean energy industry growth and some of the funds have been experimenting with doing just that. So, we think it's an interesting time to take another look and suggest a second complementary activity that the funds could engage in that would help us create a real vibrant clean

economy in this country at a time where the federal government appears to be pulling back.

Monica Trauzzi: And so is your sense then, at this point, that we won't see any kind of federal action on clean energy for some time?

Mark Muro: You could bet that there will be no action for at least 18 months and I think, you know, the subject of work we are doing also will be - we're going to be seeing a massive pullback in tax programs, subsidies, incentives. Already many of the programs of the stimulus package will be sunseting. Dozens of programs are expiring, so I think over the next five years we're going to have to deal with a different finance and policy background for clean energy. So, we're looking where is there usable funding around and the states have some and we all do well to think about how it could be best leveraged.

Monica Trauzzi: So, since there's no federal policy on all of this, is there a way for the states to sort of link up all of their programs and have a cohesive approach to clean energy?

Mark Muro: Absolutely. One of our - I mean a few of our recommendations are states that don't have a clean energy fund should create one. This is a cheap, smart, efficient way to invest in the future and clean up the economy. States that do have them need to try to leverage this money, partner, get better data on what their regional industries are and then try to work out partnerships to leverage money, either with the private sector or with the federal government. And I think it's something that Department of Energy is increasingly interested in partnering with states and regions.

Monica Trauzzi: So, are there particular regions that may benefit more by putting more of an emphasis on the clean energy funds?

Mark Muro: I think first having one gives a state economic development advantage and, again, more than half of the states don't have them. States I think that have a nascent, clean economy, as we call it, you know, vibrant clusters of industries beginning to create jobs and create new innovative firms should really think about piling on and maybe applying, you know, we suggest a portion, maybe no more than 10 to 15 or 20 percent of their existing clean energy funds to this kind of economic development activity.