

Partnering for Rapid Decarbonization

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Background

Boulder residents have committed themselves to decarbonizing their energy future. They have voted to tax themselves to fund efforts toward that goal; they have the highest rate of WindSource subscriptions and solar rewards installations of any other municipality; they have helped write and lobby for state legislative changes; and they have supported a wide range of demand side management programs, including the city's award-winning GreenPoints program, the ClimateSmart loan program and the soon-to-launch Two Techs and a Truck program.

The City of Boulder and Xcel Energy have a unique partnership, and a history of working together to advance a shared agenda for a clean energy future. This partnership has resulted in many significant outcomes, the most notable being development of the country's first citywide "smart grid" local distribution network.

Xcel and the city are now engaged in negotiations to renew the company's franchise as the sole provider of energy services to Boulder residents and businesses. Because that agreement will establish the foundation for Boulder's energy future over the coming 10- to 20-year period, it is the subject of considerable public interest. On April 13, the Boulder City Council voiced profound concerns about the franchise negotiations. Council members want a clear understanding of how the city will partner with Xcel to achieve its carbon reduction goals. They do not want to take an agreement to the voters until the path to a clean energy future is clearly defined. Defining that path is one of their highest priorities, if not *the* highest priority.

Proposal

The City of Boulder seeks to partner with Xcel Energy to define a clear path to a clean energy future, building on the smart grid's implementation as well as the commitment of Boulder residents and businesses to achieving this goal. The Boulder community is committed to defining and traveling that path.

The city recognizes that Xcel is in the energy business, and needs to protect both the near-term and long-term financial interests of its investors. The city also recognizes that Xcel needs to make full use of its investment in smart grid, and that it needs to chart a course to corporate success in a rapidly changing energy environment. The central focus of the proposed study is to collaborate on finding a path that achieves decarbonization in a financially viable way. In doing so, the city wishes to engage with Xcel not only as owners of the public rights-of-way on which the company's distribution system is built and operated, but as potential investors in the creation of new energy generation facilities.

The city proposes a three-step process for moving forward:

1 Extend the Franchise Agreement through December 2012

This will allow the necessary time to engage in the joint study outlined in point 2 below.

2 Engage in a Joint Study and Strategy Development for Rapid Decarbonization

The purpose of the study will be to define the technological, financial and legal options for pursuing a "rapid decarbonization" strategy that builds on: full implementation of the smart grid; recent commitments by Xcel in relation to its regional energy mix; recent and current local

actions related to DSM and local renewable generation; and additional potential actions that could achieve rapid decarbonization. The study's outcomes would inform negotiations related to the franchise as well as potential concurrent agreements that might be made between the city and Xcel (and potentially others) to partner on the development of new energy generation or other projects that could reduce Boulder's carbon emissions. The study and its implementation would serve as a demonstration project for the potential utilization of smart grid technologies in overcoming the barriers to rapid decarbonization.

The study would be jointly funded. We expect the study will take one year from its launch to its conclusion. Preliminary thoughts regarding the study structure and process include:

- ***Hire the Best Minds in the Business***
Together, the city and Xcel would engage the services of a consultant or consultant team that represents the preeminent authorities on new energy technologies, smart grid, and decarbonization. We would jointly define the parameters for success and scope of work, and jointly issue the RFP. In addition to a consultant, we would also form an Experts Group that would review the consultant team's work and provide objective evaluation and feedback.
- ***Develop an Energy Stakeholders Group***
In addition to the consultant analysis and experts group, the city would convene an Energy Stakeholders Group representing key Boulder businesses, institutions and citizen organizations. This group would provide a formal feedback mechanism for the study and be the focal point for initial conversations regarding trade-offs between alternative decarbonization scenarios.
- ***Provide Regular Feedback Loops with City Council and the Community***
The city would also manage the public review and feedback processes, including regular updates to City Council and the community to ensure transparency and to seek input regarding priorities and trade-offs.

3 Define Commitments Based on the Study's Outcomes

The joint study provides the opportunity to develop mutually understood and verified information regarding options for decarbonization and their relative trade-offs. At the conclusion of the study process, Xcel and the city would re-engage in the franchise negotiations as well as potential parallel discussions regarding new forms of partnership related to energy generation. These discussions would conclude in the first half of 2012 to provide the time necessary for ballot approval for November 2012. This could coincide with a community vote on extension of the carbon tax, depending on the outcome of the decarbonization strategy.

The City of Boulder is committed to continuing a constructive relationship with Xcel that results in achievement of shared goals. But it is also committed to pursuing a rapid decarbonization strategy. The challenges of climate change call for new partnerships and creative, innovative, well-informed strategies. The city believes that the proposal presented here provides a positive path forward that could be rewarding for the company while resulting in significant carbon reductions.