

# Top 10 Lies about Municipalization: Mythbusters!

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## **MYTH #1: The city of Boulder isn't capable of running an electric utility**

Cities can and often do run their own public power utilities. In fact, there are 29 other municipal utilities in Colorado, including Colorado Springs, Fort Collins, and Longmont that have been running municipal utilities for decades. City officials won't be running the day-to-day management of the utility, but would probably contract out those services to a company in that line of work. Also, Boulder already runs the utility that provides water to the city and it's credited as having some of the best water in the country. In just the last few years Boulder has been ranked as "America's 'Brainiest' City" (Portfolio.com), "Most Educated City in America" (Forbes Magazine), and the "Smartest City in America" (Forbes Magazine), we believe that we are well equipped to handle our own power.

## **MYTH #2: Creating a utility is handing over a blank check to the city council**

Other than being a zinger of a talking point, this one just doesn't make any sense. The language in 2C outlines that very stringent financial requirements must be met before the city can move forward. Once given the authority to create the utility, the city will purchase bonds (like a big loan from a bank) to finance the initial acquisition costs of the infrastructure. The rates collected over a few decades will pay off the bonds (not taxes). This is the same way cities pay for all sorts of things like roads, schools, bridges, etc. It is pretty much the same thing that Xcel does when they want to build a new coal-fired power plant. Additionally, Boulder's bond rating is currently AAA, better than the US government. Xcel's bond rating is BBB.

## **MYTH #3: We're moving too fast and don't know all the risks.**

Quite the contrary. The city has considered breaking away from Xcel every time the 20-year contract has been up for renewal—in 1950, 1970, and 1990. Over the past several years the city has spent over \$1 million with national experts to study the feasibility of creating a municipal power utility and the results have consistently shown that it is in Boulder's best interest to pursue this. The only information we don't have exact numbers for at this point, such as costs associated with purchasing the poles and wires from Xcel, can only be figured out if we take this step to create a utility board and settle on a price in court. Don't forget, passing 2B and 2C does not guarantee or require that we will get a municipal utility. It only gets us a court mandate to have Xcel play nice and once we know the numbers, there are clear requirements written into the ballot language that will determine if it is cost effective to proceed.

## **MYTH #4: A municipal utility will result in higher utility rates and taxes.**

First off, the utility will be paid by rates collected from energy bills, NOT FROM TAXES. Second, if you look at our neighbors (you know, the ones who have municipal electric utilities like Longmont, Lyons and Fort Collins) you'll see that most municipal electric utility in Colorado have cheaper rates than Xcel customers. If 2C passes, it will be written in the city charter (sort of like the city's version of a constitution) that rates are not allowed to be more than the rates offered by Xcel energy at the time of acquisition. Staying with Xcel does not mean rates won't increase—in fact, Xcel's rates have increased by 20% in just the last four years. And the more a municipal utility invests in renewable energy, the less likely our rates will increase in the future because the cost of renewables are falling while the cost of coal is inherently going up.

## **MYTH #5: The city council doesn't know anything about running a utility and shouldn't be in charge.**

Xcel is right: the city council members don't have experience running an electric utility. That's why the municipal utility would be overseen by a utility board made up of technical experts and industry representatives (very similar to how the city currently runs the city's water utility). The utility board would probably contract out to one of the many utility companies out there to run the day-to-day services that Xcel currently provides as our electric utility.

## **MYTH #6: Once we create a municipal power utility there is no turning back.**

Actually, the roadmap to move forward was purposely developed to have several points where the city can decide to stop its efforts in forming a municipal utility. In order to get a "green light" at each step along the

way, the process must continue to produce results and data that show the project to be feasible with rates and reliability that are consistent with what Xcel currently delivers. If at any point it is no longer feasible, the city will stop pursuing the local utility and come back to the negotiating table with Xcel.

**MYTH #7: Xcel is one of the greenest power utilities.**

Well, sort of. Xcel, headquartered in Minneapolis, MN, is a very large corporation and provides services in 8 different states and therefore it does provide a considerable amount more renewable energy than other investor owned power utilities. But, at the end of the day, they still provide the city of Boulder with 90% fossil fuels.

**MYTH #8: If the city runs the utility, we'll have constant and unexpected power outages**

Actually, the other 29 municipal utilities in Colorado have the some of the most reliable electricity in the state. On the contrary, Xcel's Boulder territory has the worst reliability in the state, according to the Public Utilities Commission. There are technical reasons for this, but the point is this: the city is required to prove reliability will be the same or better than Xcel before it's able to create the utility.

**MYTH #9: There's no guarantee that the city will provide more renewable energy than Xcel.**

The major purpose and goal why the city wants to break from Xcel is to have the freedom to increase the level of renewable energy on Boulder's electrical grid. Current modeling shows the city could switch to 40% renewables with a 60% reduction in greenhouse gas if it ran a municipal utility. As the cost of renewable energy continued to decrease, the city would purchase more. On the contrary, Xcel owns many coal-fired power plants in the state and is committed to continue to sell large amounts of fossil fuel energy in order to pay off its investments.

**MYTH #10: Didn't the Daily Camera newspaper say this would cost \$600 million?**

This is an old trick in the book (maybe not the oldest, but a damn old one). The Daily Camera article that Xcel loves to quote was actually quoting a misleading statement said by Xcel. In other words, Xcel is quoting itself when they refer to that newspaper article. Consultants and technical experts have estimated the acquisition costs to be significantly cheaper than this. But, again, the only way to know the true costs is to pass 2B & 2C in order to have a judge decide the acquisition cost.

**BONUS MYTH: Xcel put a wind farm offer on the table to provide 90% renewable energy to Boulder.**

Not so much. The deal Xcel offered isn't what they claim it to be. First, the wind deal would have cost millions per year and would just be placing all the risk on Boulder. Second, Boulder would have been purchasing Renewable Energy Credits—we could have claimed it was our wind power but the energy created would have actually flowed onto the still predominantly fossil fuel powered Xcel grid. It would not have been a pipeline of wind delivered to our front door that Xcel would have liked us to believe. Once Xcel withdrew the wind offer, Xcel went ahead and signed the contract to build the wind farm anyway. In other words, Xcel was just trying to get Boulder to pay for a big wind project that was already going to happen. Further, when a predominantly coal-based company like Xcel runs a wind farm, a considerable amount of the wind energy is wasted because it's more profitable for them to burn more coal instead (this is called "curtailment").