NOTICE OF MEETINGS OF THE EXECUTIVE COMMITTEE
OF THE PUEBLO CITY COUNCIL

A MEETING OF THE EXECUTIVE COMMITTEE OF THE PUEBLO CITY COUNCIL WILL BE HELD ON OCTOBER 28, 2019 COMMENCING AT 5:30 P.M. IN THE CITY COUNCIL CHAMBERS, THIRD FLOOR, CITY HALL, ONE CITY HALL PLACE, PUEBLO, COLORADO 81003.

Executive Committee meetings are special meetings of the City Council and are informal Council meetings for the purpose of receiving information and discussion among Council Members; no official action is taken at such meetings. The public is invited to attend, but public comment is generally not received unless otherwise noted.

Individuals requiring special accommodation are requested to please notify the ADA Coordinator of their needs at (719) 553-2295 by noon on the Friday preceding the meeting.

THE AGENDA FOR THE EXECUTIVE COMMITTEE MEETING IS AS FOLLOWS:

AGENDA

I. Call To Order And Welcome - Bob Schilling, Work Session Chair

II. Topics

1. EES CONSULTING ELECTRIC MUNICIPALIZATION PHASE II (5:30 P.M. - 7:00 P.M.)
   PURPOSE: Presentation to City Council by EES Consulting on the Electric Utility Phase 2 Feasibility study.

   CALL TO PODIUM
   Mr. Gary Saleba, President/CEO-EES Consulting, Inc.
   Mr. Howard Choy, Senior Associate-EES Consulting, Inc.

   TIME ALLOTTED:
A MEETING OF THE EXECUTIVE COMMITTEE OF THE PUEBLO CITY COUNCIL WILL BE HELD ON OCTOBER 28, 2019 COMMENCING AT 5:30 P.M. IN THE CITY COUNCIL CHAMBERS, THIRD FLOOR, CITY HALL, ONE CITY HALL PLACE, PUEBLO, COLORADO 81003.

Executive Committee meetings are special meetings of the City Council and are informal Council meetings for the purpose of receiving information and discussion among Council Members; no official action is taken at such meetings. The public is invited to attend, but public comment is generally not received unless otherwise noted.

Individuals requiring special accommodation are requested to please notify the ADA Coordinator of their needs at (719) 553-2295 by noon on the Friday preceding the meeting.

The agenda for the Executive Committee meeting is as follows:

90 Minutes--Presentation

**SUPPORTING BACKGROUND:**
Presentation to City Council by EES Consulting on the Electric Utility Phase 2 Feasibility study.

Documents:

10-28-19 EES CONSULTING PHASE II PRESENTATION.PDF

III. Adjournment
AGENDA

- Introductions
- Phase 2 Scope
- Phase 2 Study vs. Phase 1 Study Assumptions
- Field Inspections
- Phase 2 Findings
- Feasibility Results
- Comparison to Concentric Study
- Findings and Recommendations
- Question/Answer Period
PHASE 2 SCOPE

- **Objective: Refine Phase 1 Technical Feasibility Analysis**
  - 3 study areas: City, Pueblo County, All BHE Electric Customers in Colorado
  - Issue Request for Information (RFI) for indicative power cost information from independent power suppliers
  - Detailed engineering investigation of separation costs
  - Update stranded generation costs
  - Review relative merits of Pueblo airport generation station
  - Update economics
PHASE 1 VS. PHASE 2 STUDY ASSUMPTIONS

- **Field Investigation**
  - Phase 2 adds detailed separation costs

- **Power Prices**
  - Phase 2 issued RFI and received multiple responses.
  - Phase 2 power prices similar to Phase 1, but contain higher renewable content

- **Stranded Generation**
  - Reviewed PAGS: good access to local markets, but not often in the money, not renewable
  - Proforma assumes utility would pay cost stranding up front

- **Fair Market Value**
  - Updated given new boundaries and new customer account information

- **Municipal Utility Operating Costs**
  - Operating Expenses updated based on new proposed service areas

- **No Fuel Cost Adjustment-Related Charges Assumed but Included in Sensitivity Analysis**
FIELD INVESTIGATION
FIELD INVESTIGATION FINDINGS

- Separation Costs Fairly Significant for a City of Pueblo Boundary and Would Still Involve Service Agreements with BHE for Some Areas
  - BHE services some City customers
  - City serves some County customers
  - $4 million in separation costs estimated

- Little To No Separation Costs to Service Pueblo County or All of BHE Facilities in Colorado
Issued in July 2019, Responses Provided August 2019

- 7 Responses

Pricing Similar to Phase 1 Study but With Higher Renewable Content

- Phase 1 study: $45/MWh all-in pricing for 10% renewable energy
- Phase 2 RFI: $45/MWh all-in pricing including 70% renewable content
PUEBLO AIRPORT GENERATION STATION (PAGS)

- Plant Owned 50/50 BHE and BHC IPP
- Baseload and Peaking Capabilities
  - Can be used to integrate wind resources
  - Not often “in the money”
- Ultimately, the Plant is Not Renewable and, therefore, Not Consistent With the City’s Renewable Energy Procurement Goals
### Table 1
**Base Case 20-Year Proforma Analysis Results**

<table>
<thead>
<tr>
<th></th>
<th>City of Pueblo</th>
<th>Pueblo County</th>
<th>All BHE Colorado</th>
</tr>
</thead>
<tbody>
<tr>
<td>Distribution and General Plant Value, $M</td>
<td>$132</td>
<td>$214</td>
<td>$334</td>
</tr>
<tr>
<td>Average Annual Rate Discount</td>
<td>10%</td>
<td>12%</td>
<td>14%</td>
</tr>
<tr>
<td>NPV Ratepayer Savings, $M over 20 years</td>
<td>$246</td>
<td>$455</td>
<td>$832</td>
</tr>
<tr>
<td>Year 1 Number of Customers</td>
<td>54,626</td>
<td>79,458</td>
<td>98,660</td>
</tr>
<tr>
<td>Year 1 Retail Sales, MWh</td>
<td>788,559</td>
<td>1,281,146</td>
<td>2,000,771</td>
</tr>
<tr>
<td>Average Customer Use, kWh/month</td>
<td>14.436</td>
<td>16.123</td>
<td>20.279</td>
</tr>
</tbody>
</table>

### Table 2
**Sensitivity with FCA Included**

<table>
<thead>
<tr>
<th></th>
<th>City of Pueblo</th>
<th>Pueblo County</th>
<th>All BHE Colorado</th>
</tr>
</thead>
<tbody>
<tr>
<td>Average Annual Rate Discount</td>
<td>30%</td>
<td>31%</td>
<td>33%</td>
</tr>
<tr>
<td>NPV Ratepayer Savings, $M over 20 years</td>
<td>$557</td>
<td>$933</td>
<td>$1,527</td>
</tr>
</tbody>
</table>
PHASE 2 FINDINGS

- Acquire Distribution Equipment and Substations in All of BHE’s Colorado Service Territory
  - Makes description of requested BHE property much easier
  - No damages to “remaining” Colorado BHE retail customers
  - Avoids joint use agreement negotiations with BHE/CPUC
  - Avoids most, if not all, distribution facility separation costs

- All Wholesale Power and Transmission Needs Should be Provided; Contracts with Third Parties

- Base Case Retail Rate Savings of 10% - 14% are Forecast Based Upon Conservative Input Assumptions. If FCA Included Savings are Between 30 – 33%.

CRITIQUE OF CONCENTRIC STUDY

- Overall, a High-Level Study with Significantly Inflated Costs for Municipal Power Supply and Underestimated Costs for BHE Generation
- Going Concern Costs Should be Excluded
- Separation Costs
  - Prorated based on other studies
- Power Supply Costs
  - ~$68/MWh, 50% higher compared with offers received through RFI
- Transaction Costs
  - Assumes significant legal effort
- Start-Up Costs
  - Too high since power costs too high