Black Hills Mythbusters

The Top 16 Lies About Pueblo’s Public Power Plan along with Truthful, Fact-based Responses

Terms:

- **Pueblo C.A.R.E.S.**: Black Hills’ fake “citizen-driven” website, funded by Black Hills and managed by Denver political consultant Steve Welchert.
- **Vance Crocker**: Vice President of Operations for Black Hills Energy Colorado. Vance has been with the company since 1990, serving mainly in Rapid City, S.D., but also in Kansas and now Pueblo.
- **BOWW**: The Pueblo Board of Water Works
- **SIEA**: San Isabel Electric Association: The Rural Electric Association nearest to Pueblo. Member-owned, non-profit.
- **TABOR**: The Taxpayer’s Bill of Rights. Limits growth in government spending to inflation and population growth.
- **APPA**: The American Public Power Association—The voice of not-for-profit, community-owned utilities that power over 2,000 towns and cities nationwide.
- **FERC**: The Federal Energy Regulatory Commission—The federal regulatory agency that governs certain aspects of the power industry.

**Myth #1: The Public Power Movement is a government take-over (Pueblo CARES)**

Pueblo’s BOWW is an enterprise utility, independent from City government, run by a board of directors that is elected by the people. State law allows the off-ramp when an investor-owned utility fails to provide satisfactory service—in our case service that is too expensive—to its customers. “Government take-over” invokes images of the federal government taking over health care or student loan debt, issues that have divided our nation. Public power is not a partisan issue and does not involve adding additional government powers. State law already assigns local governments the authority and responsibility for provision of utility services. They can delegate this through a franchise agreement for a limited time only.

**Myth #2: A government-run utility effort is unlikely to succeed (Pueblo CARES)**

There have been 40 successful break-away public utilities over the last 40 years and we can and will learn from all of them. We can also learn from Boulder’s pioneering legal work charting the path to breaking free, along with how to not repeat their mistakes. When pressed on this issue, EES feasibility study consultant Gary Seleba said the primary reason most communities fail to break away is because of lack of political will, especially from the City Council, NOT because the costs outweigh the benefits. He noted that the economics of municipalizing almost always justify the breakaway.
Myth #3: In Boulder’s case, they said they would spend $10 million on the transition costs. They have now spent $23M, with a final cost of $30M probable (Vance Crocker)

Pueblo has smartly avoided Boulder’s key pitfalls. Pueblo will most certainly not be an instant replay of Boulder. Boulder pioneered new ground on estimating separation costs for the public power utility. They made mistakes including setting up a “paper utility” early in the municipalization process; beginning condemnation proceedings without full PUC rulings; setting cost caps in their ballot initiatives which led to an Xcel lawsuit for exceeding those; and underestimating the amount of city staff commitment that would be necessary to complete the process. Pueblo benefits from this pioneering work and from Boulder’s mistakes by now knowing the rules of the game. Thank you Boulder!

Myth #4: Not every resident in Pueblo will be served by the new utility (Pueblo CARES)

Yes they will, if the BOWW follows the consultant’s advice: have both Pueblo and County leave, which greatly simplifies the separation costs. But even if just the City breaks away, the only neighborhood difficult to serve would be portions of Eilers. AND, Power can be bought from the surrounding utility to remedy this problem. Black Hills totally exaggerates this problem.

Myth #5: $400 million wasted in taxes (Pueblo CARES)

This one is really a zinger. The BOWW will neither receive nor spend tax dollars. It will remain an “enterprise utility”, which means it lives entirely off its revenues for services provided. BOWW will borrow the purchase price for the electric distribution system and pay it off via your monthly bill payments. Savings on bills may be small in the beginning but will grow dramatically over decades.

Myth #6: You will pay higher electric bills (Pueblo CARES)

BHE residential customers paid 49% more for 700 kWh/month of electricity in 2018 than the average Colorado customer served by public power. The E.E.S. municipalization feasibility study concluded that we will save 10-15% off our current bills. Only the Black Hills-funded feasibility study, based on biased and inadequate assumptions, somehow concluded that the costs will go up.

Myth #7: Service will be less reliable

Publicly-owned electric utilities service 85% of the land area of Colorado and roughly 1/3 of the population. In the 3rd quarter of 2018, the Black Hills benchmark for downtime was 101 minutes (p. R56) per year. The Ft. Collins public power utility experienced average downtime of 12.8 minutes per year in that same quarter. The regional average for that quarter was 33.8 minutes. Nationally, customers of public power utilities experience 13% less outage time/year than IOU customers.
Myth #8: **BOWW: running a water utility is nothing like a running electric utility (Vance Crocker)**

BOWW will partner with experienced professionals such as SIEA to run daily operations and maintenance. It will buy power on the open market through a wholesale power provider in order to provide reliable, affordable electricity.

Myth #9: **BOWW: no cost controls over operations**

BOWW directors are elected by the public; if they don’t control costs, vote them out. But we can’t vote out Black Hills’ executives who increased our bills to the highest of the 20 largest cities in Colorado. And the PUC didn’t slow them down until most of the financial damage was done (2012). This is a classic case of the pot calling the kettle black.

Myth #10: **BOWW: no TABOR (constitutional spending limits)**

A board will control costs or be voted out. And avoiding TABOR will allow Black Hills’ linemen and others to keep their current wages, rather than taking a pay cut, when the BOWW takes over. The BOWW is exempt from TABOR because it is not even authorized to collect, receive or spend tax dollars. They can’t raise taxes because they can’t tax us! Because they are a public entity, they are required to disclose to us exactly how much they collect in fees, and exactly what they pay out for expenses. There will be no profits. If we think they are collecting more revenue than they need, we can raise holy you-know-what! You sure can’t do that with Black Hills.

Myth #11: **BOWW: blank check—won’t know what the costs will be when you vote**

During 2016, the Las Vegas casinos that left Nevada Power didn’t know the exit fee when they decided to leave. Their “gamble” paid off. Courts and the PUC will decide the costs, and precedents set elsewhere indicate the costs will make financial sense. The cost estimates in the E.E.S. feasibility study show several different scenarios based on real costs for real services, and it outlines the probable ranges with independent, unbiased estimates. If the estimates turn out to be too low, we won’t proceed.

Myth #12: **BOWW: $10 M—shouldn’t those funds be used to lower water rates? (Vance Crocker)**

BOWW water rates are already the lowest among Front-Range cities. The $10M down-payment, leveraged through a land asset that BOWW owns near Leadville and no longer needs, is worth hundreds of millions to Pueblo’s economy over the long term. Owning is better than renting. It starts here.
**Myth #13: BOWW: 5-year average service shut-off rate of 9.37 percent; we have better options (Vance Crocker)**

In 2018, Black Hills shut off 5,345 customers for failure to pay (about 9.7% of their Pueblo customer base), and they reconnected only 2,991 customers, leaving 2,354 customers without power. This was a substantial improvement for the company over the past decade of data reported to the National Association of Regulated Utilities (BHE PUC Proceeding 08M-305EG). The community needs to further examine water service shutoff policies before trying to make a comparison with electric service.

**Myth #14: BOWW has increased rates 32 times in last 38 years; rates up 25% in the last 8 years (Vance Crocker)**

Again, Black Hills is grossly misrepresenting this issue. In the past few years, Pueblo Water has agreed to collect the City’s Stormwater, Wastewater, and Street Utility’s fees for the City. So the “water bill” now includes these other utilities as well, and the overall bill has increased to reflect these additional utility services. But Pueblo Water DOES NOT set those fees. It only collects the fees as a service to the City. Over the last decade, the water portion of the total bill has increased slightly faster than the rate of inflation, and at a significantly slower rate than the rates at which BHE raised its bills to customers.

*Bottom Line:* Pueblo has the lowest rates for water of any large city along the Front Range.

**Myth #15: BOWW: doesn’t have to answer to the PUC—no accountability or oversight (Vance Crocker)**

We don’t want PUC oversight! For most of recent history, PUC oversight has meant a blank check to the investor-owned utility, and it is close to impossible for ratepayers to intervene in any PUC decisions. Pueblo’s BOWW is a local entity. Pueblo’s voters will have direct oversight over the utility. No more hiring lawyers to fight BHE’s lawyers at the PUC in Denver—right now we pay for both sides of the legal battle! Customers could go to monthly meetings of the BOWW and have a voice at the decision-making table.

**Myth #16: BOWW: costly battle and waste of taxpayer money (Vance Crocker)**

BOWW will not use taxpayer money to make the purchase or fight Black Hills in court. Their revenue bonds would be paid off through monthly electric bill payments. Right now we pay debt on PAGS generators every month through our present very-high electric bills, but we’ll never own the generators—we just “rent them”, and with a 7+% rate of return to the Black Hills shareholders!
Solutions Black Hills Proposes: “A Better Path for Pueblo”

1. **$300 million to $500 million in value over next 10 to 20 years**

   This sounds impressive until you unpack the deal and examine the details. Much of it includes normally required maintenance and investment, and the like.

2. **200 MW investment in RE/batteries will lower rates by $117 to $234 million (10-20 yrs)**

   There is no assurance that the PUC will allow Black Hills to overbuild its current peak capacity (400 megawatts of power) by 50% (an additional 200 megawatts of power).

3. **5-year rate freeze**

   HA! Freezing rates that are the highest among Front Range cities is no special deal. Deep freeze!

4. **$200 million investment for continued system reliability**

   It is not at all clear how much this might be above and beyond normal expansion and maintenance. $40 million for a new transmission line was PUC-approved years ago.

5. **$400,000 for low-income energy assistance programs**

   The PUC mandates this type of program. How much of an increase will it be?

6. **$9.5 million in economic development support**

   BHE’s support for economic development during 2019 was for a shell company that posed as wanting to build a $100M plant. It was a sham, had no shot, failed badly; the PUC shamed BHE.

7. **$4 million for local community groups through 2030**

   Nationwide, public power utilities gave back over 5% to their communities, according to APPA.

8. **$2.6 million for lighting (parks, streets, parking lots, playgrounds)**

   Public Utilities nationwide provide payments in lieu of taxes to communities nationwide. This type of investment could be made with such payments.
**Criticisms of Public Power by Black Hills’ supporters**

9. **The forecast numbers are all untrustworthy and underestimate real costs.**

This comment is based on Boulder’s difficulties. Winter Park (FL) spent more than they thought early on, yet 14 years after their break-away their rates were 17% lower than the utility from which they broke away, and their system is just a few years from being fully-undergrounded by the city; in hurricane territory, that’s a big deal!

10. **Boulder shows how long it takes and how costly the break-away effort is.**

We have good cost estimates now, but we won’t know the actual cost numbers until after the Federal Energy Regulatory Commission and condemnation court pass judgment. At the fork in the road, we can chose: either focus on the financial risks and feel like a deer in the headlights, or focus on how to best achieve a better financial future for Pueblo.

11. **Few cities have ever broken away, despite all the consultants’ numbers**

There are over 2000 public electric utilities nationwide. According to the APPA, 40 have broken away during the last 40 years. We’ve talked with six. Years later, they all like their decisions.

12. **Voter approval not needed for increases in electricity rates**

Pueblo Water’s five board members are elected by the public. If people don’t like the policies of those board members, they can vote them out and elect different representatives. No such voter approval has been or will ever be available regarding BHE’s rate increases and rate shifts. In addition, the public will be able to weigh in on policies set by the board, including rate structures.

13. **Lack technical capability + financial strength to buy cheap bulk power**

The BOWW proposal has not yet discussed their plan to work with a professional wholesale power team to have them coordinate wholesale power purchases; at least eight have expressed interest. The wholesalers arrange the financing for power purchase agreements.

14. **Capability to arrange transmission capacity for bulk power purchased**

The transmission capacity is there. The FERC’s Open Access Transmission Tariff requires owners of transmission lines to provide access to customers who pay the tariff. BHE already buys power and brings it in from others at a much cheaper rate than they charge us for the power they produce at the Pueblo airport.

15. **We’ll be buying the distribution system in an era when it is becoming obsolete because of the growth of rooftop solar and microgrids. It will soon be worthless!**

Currently approximately 2% of Puebloans have rooftop solar, and access to rooftop solar is still financially out of reach for most. To go off-grid, solar owners must add battery storage, which is still a long way from being cost-effective. Microgrids and solar gardens require a distribution system. The electric distribution system will be important for the community for a long time to come.