

PURPOSE

- Is the purpose to raise revenue or to change behavior?

Both. The purpose is to create a new office of *Office of Climate Action, Sustainability, and Resiliency (OCSR)* that focuses exclusively on and elevates the development, management, evaluation, and implementation of plans and programs related to climate mitigation, resiliency, and sustainability in Denver and to create a new funding source that helps Denver achieve the goals from the 80x50 plan and the IPCC report.. As Greg Thomas of DDPHE said, “The goals are in the process of being updated to align with climate science. We are not on a glide path to achieve a 50% reduction by 2030. Additional staff and funding are required to design and implement systems changes in energy, buildings and transportation.” The revenue will be spent to fund the work of the office. Specifically:

- a. Workforce Development (targeting economically disadvantaged and traditionally underemployed workers, including people of color, women, persons with disabilities, the chronically underemployed, and retraining workers transitioning from current energy jobs to sustainable energy)
- b. Residential climate action (incentives to increase energy and water efficiency, electrification, install solar panels and battery storage, and reduce carbon pollution from homes and multifamily buildings.)
- c. Commercial and industrial climate action (incentives to increase energy and water efficiency, electrification, install solar panels and battery storage, waste diversion, and reduce carbon pollution from commercial and industrial buildings.)
- d. Transportation carbon pollution reduction (incentives for electric vehicles, charging infrastructure, reduction in total vehicle miles traveled, and mode shift education and outreach.)
- e. Adaptation to prepare for and respond to changing climate
- f. Staffing

Incentivizing businesses to make energy efficient changes and/or enroll in a renewable electricity program such as WindSource, Renewable Connect, Solar Rewards, or equivalent programs that will result in lower energy bills will be a good motivation to “change behavior.”

If it is to change behavior, please provide specifics on how that will be achieved?

Businesses can use the incentives to increase energy and water efficiency, electrification, install solar panels and battery storage, waste diversion, and reduce carbon pollution from commercial and industrial buildings to offset the cost of the new tax.

IMPACT

- How will success be measured?
If Denver reaches its climate goals, as measured by the IPCC.
- What percentage of metro area buildings are in Denver compared with the greater metro area?
We don't have this data.

PROCESS

- Who was at the table when the bill was conceived and drafted?
Councilman Clark was initially approached in March 2019. The group, which included members from Sierra Club, The Alliance Center, Wind and Solar Denver, Climate Mobilization, Solar United Neighbors of Colorado, environmental consultants and citizen activists, discussed putting forth a ballot initiative that

included a ban on all natural gas installations, a phase out of natural gas heat by a specific date, phase out all gasoline powered vehicles by a certain date and requiring all buildings to be net-zero by 2020. The group met with Councilman Clark and Councilman Kashmann and solicited feedback multiple times from over 130 community organizations including but not limited to faith, labor, education, health businesses, environmental and conservation, immigrant and refugee groups, and many others. Drawing on the recommendations of the large group, the bill was crafted.

- What specific environmental groups were involved?

The Alliance Center, Solar United Neighbors of Colorado, The Climate Mobilization – Colorado, Food & Water Watch, Wind and Solar Denver, Colorado Sierra Club, Conservation Colorado, Colorado People’s Alliance, Southwest Energy Efficiency Project, Community Solar at GRID Alternatives, Natural Resources Defense Council

- Who from the scientific community has been involved?

The science is clear that we need to be doing much more on climate change and we are not hitting our goals. The proposals would align our goals with IPCC and ensure we are on track to hit those targets. The science advisory board, which will advise the Executive Director on goals and strategies for greenhouse gas emissions, including any new developments in climate change, will comprise of atmospheric and climate scientists, as well as energy, built-environment or transportation professionals, ensuring that decisions made by the new office are science-based, not political.

- Have you communicated with our metro neighbors?

With more than 130 community groups involved, we requested feedback from the populations they represent.

- Describe your discussions with Boulder to learn about their tax. Who did you meet with and when?

In 2007, Boulder passed the nation’s first voter-approved tax dedicated to addressing climate change. Boulder residents voted to extend the tax in 2015 to continue through 2023. Jolon met with Kendra Tupper, the City of Boulder’s Sustainable Operations Lead (she is no longer with the city of Boulder) in June. Topics discussed included how Xcel billing process with new tax, their rates, feasibility of the tax, and the impact of CAP on climate change mitigation efforts..

- Explain how 7 councilmembers came to be sponsors when the bill was only shared on August 8

Councilman Clark met with all council members and discussed the bill which was in draft form to solicit edits. Upon offering meetings with all council members, the 7 sponsors provided edits and input to craft the final bill.

- Four of the sponsors, took office on July 15. What was their role?

See above.

- There was public knowledge of a proposal in early 2019. When were the first discussions? When was the initial draft written?

From the proposal to the final draft, there have been numerous changes and extensive input from stakeholders. Councilman Clark was initially approached by a group in March 2019. The group included members from Sierra Club, The Alliance Center, Wind and Solar Denver, Climate Mobilization, Solar United Neighbors of Colorado, environmental consultants and citizen activists. They discussed putting forth ballot initiatives that included a ban on all natural gas installations, a phase out of natural gas heat by a specific date, phase out all gasoline powered vehicles by a certain date and requiring all buildings to be net-zero by 2020. The goals were aspirational, but would have been very hard to realistically implement. Councilman Clark worked with the group to move toward a bill that could be referred by Council that was feasible and satisfied the climate goals that the City has committed to. The group met with Councilman Clark and Councilman Kashmann and solicited feedback multiple times from over 130 community organizations including but not limited to faith, labor, education, health businesses,

environmental and conservation, immigrant and refugee groups, and many others. Given the uncertainty of a Council Referral, Resilient Denver took a climate bill and filed it with the Clerk to begin gathering signatures for the 2019 November ballot. CM Clark reached out to the Mayor's office who shared that they were willing to meet with representatives of Resilient Denver, of the larger 130+ interested group, and Councilman Clark and Kashmann in order to see if there was a path forward on a 2019 climate bill. The weekly meetings started on July 1 and met four times. Unable to reach consensus and with the short timeline to make the 2019 ballot, Councilman Clark introduced the current bills.

Councilmembers were notified of the proposal and were invited to learn more and ask questions in April of 2019.

- Why was there no stakeholder process during the many months when the proposal was being crafted?
There was a stakeholder process that involved the Resilient Denver campaign, 130 community organizations that comprised of faith, labor, education, health businesses, environmental and conservation, immigrant and refugee groups, and many others. A smaller work group was formed to represent the larger 130 community groups and met with the Mayor's staff four times to work out the differences but were unable to reach consensus.
- Why weren't commercial and industrial property owners, who will pay the proposed tax, part of the process?
Due to the reduced timeline between the citizen initiative and the mayor's small work group, there wasn't sufficient time to bring commercial and industrial owners to the discussion.
- Two Safehouse meetings were planned for Aug 14 and Aug 21 for the councilmembers to learn about the city's many efforts to address climate change. The climate tax bill was discussed at Fingov on August 13. Please explain this timing.
Although addressing the same issue, the timing of the climate changes series and the climate bills is unrelated. The Climate Change series was initiated by Councilman Kashmann in April 2019. Due to schedule coordination and time needed to plan and research the presentation topics, coincidentally, the series fell on the same week as our climate bills. The timing for the climate bills were to ensure that the referred measure made it on the 2019 ballot. August 26, 2019 is the deadline for council-referred measures.
- Are you planning on proposing additional legislation in 2020?
Not at this time.
- Are you planning on sponsoring another ballot measure related to residential?
I am interested in working with community stakeholder groups on a residential component that ensures equity and that our vulnerable populations are not overly burdened with energy costs.
- Have you communicated with the state? What related state bills passed in 2019? What are the efforts at the state? What state bills are anticipated in 2020? How will this law and state laws impact each other?
The 2019 Colorado General Assembly had a historic session and passed bills covering energy efficiency, electric vehicles, climate/utility policy. Some highlights include:
 - Senate Bill 19-236: directs the PUC to establish a social cost of carbon dioxide emissions; directs Xcel Energy to submit a plan to achieve an 80 percent reduction in greenhouse gas emissions below 2005 levels by 2030
 - House Bill 19-1261: Sets statewide goals to reduce 2025 greenhouse gas emissions by at least 26 percent; 2030 greenhouse gas emissions by at least 50 percent; and 2050 emissions by at least 90 percent of the levels that existed in 2005.

- House Bill 19-1314: Creates the Just Transition Office in the Division of Employment and Training in the Department of Labor to provide benefits and access to job training for coal workers and grants to eligible entities in communities that want to diversify their economies.
- House Bill 19-1231: Updates and adopts energy- and water- efficiency standards for new equipment sold in Colorado and requires that certain appliances, plumbing fixtures and other products sold for residential or commercial use meet energy efficiency and water efficiency standards that will be phased in over three years.

Some environmental activists argue that Colorado should set even more ambitious goals. HB-1261 will include a long rule-making and implementation process, and it is unclear what the impact will be for Denver. As the state’s capital, Denver should and will lead the charge with these climate bills, that will work in harmony with the state.

- It has been said that this law can be “fixed” after it passes:
 - Explain why would we propose a law that needs to be fixed?
Many laws need to be revisited to make necessary adjustments to reach the goal. These bills are no different and is a start in a long process to accelerate our work to mitigate climate change.
 - Council-referred measures can’t be “fixed” for a year. Are you aware that it could not be fixed before it goes into effect on July 1?
Yes.

FINANCIAL ANALYSIS

1. Who did the financial modeling to come up with \$43m/yr? Why did it change to \$35m? How was it calculated?
\$43 million/year was based on the initial rates for commercial and industrial gas. Those rates were later reduced in the bill, which lowered the projection. The raw data comes directly from Xcel and is the same localized datasets that Boulder used to model their projections.

Here is the data at the rates in the latest draft:

Revenues

Electricity	Energy Consumption (kWh)	Rate	Total
Commercial	4,192,595,621	0.006	25,155,574
Industrial	781,498,286	0.006	4,688,990
Total:	4,974,093,907		29,844,563

Natural Gas	Energy Consumption (therms)	Rate	Total
Commercial	126,039,123	0.030	3,781,174
Industrial	67,020,906	0.015	1,005,314
Total:	193,060,029		4,786,487

Total possible revenue	\$ 34,631,051
------------------------	---------------

- Was Xcel Energy asked to provide their estimates?

We reached out to Xcel if they had different datasets that they would like to use to calculate and unfortunately, they did not provide any. The usage numbers provided by Xcel are publicly available here: https://www.xcelenergy.com/working_with_us/municipalities/community_energy_reports

- Exemptions & Rebates:

- How did you determine what types of businesses and properties will be excluded or will receive rebates? Who specifically did you talk to?

We understand that some businesses may have difficulty paying the new tax. We do not want to overly burden businesses that may experience a hardship paying the tax. The goal was to provide flexibility for the office to create rules and regulations around rebates and ensure that businesses are able to thrive while getting resources for energy efficient changes.

- Explain the exemptions, exclusions and rebates. Why did you decide on them?
 - i. "To promulgate any rules necessary to create a hardship exemption application process that allows small businesses, energy intensive industrial manufacturing, and other organizations to apply for and receive a rebate for a portion or all the tax paid, based on hardship experience." - We do not want to overly burden businesses that may have hardship paying the tax.
 - ii. Non-profits, schools and government buildings – this is standard in many tax exemptions
 - iii. "To promulgate rules to create a tax rebate program for any customer enrolled in a renewable electricity program offered by Xcel Energy, including but not limited to WindSource, Renewable Connect, Solar Rewards, or equivalent programs as may be approved by the office. The renewable electricity program must cover seventy percent of the customer's annual electricity demand." – This rebate is to incentivize enrollment in these energy savings programs.
 - iv. "To promulgate rules necessary to create a rebate program for electric vehicle 10 charging station site hosts for the annual electricity demand for fuel for electric vehicles." – There is a concern that businesses would hold back on installing charging stations if they would receive an additional tax.

- The bill does not include details about exemptions and rebates. Will they be determined during a rule-making process? Council does not control the rule-making process so how will your promised exemptions and rebates be assured?

They will be decided during the rule-making process, which will include oversight by the advisory boards.

- Provide the financial analysis of the revenue impacts from exemptions, exclusions and rebates.

This will depend on the rules and regulations process by the new office.

- The Metro Lodger's Assn was told that hotels can improve their energy efficiency and apply for rebates from the city. What financial modeling has been done around rebates?

The partial or full rebate will depend on the rules and regulations by the new office. As an example, The Springhill Suites Denver Airport's monthly energy bill without the tax in 2017 was \$7,700. The monthly savings from installing energy efficiency fixtures in 2018 resulted in a 22% more energy efficient and \$1,700 saved. The estimated monthly with the new tax in 2020 would \$450 or or less than the amount saved by becoming energy efficient.

- Residential properties were included but were removed at a later date. Why?
There was disagreement with the community organizations on how to tax residential without overly burdening low-income households.
- What is the budget for year-one?
The office will be tasked with creating a budget from the tax revenue generated that includes staffing.
- Have you done a financial analysis on the costs of energy efficiency upgrades that the tax is supposed to fund?
This will be determined by the new office. With one year of the adoption, and every three years after, the executive director, must hold a public hearing and submit a three-year plan for approval by City Council on the planned revenue uses in the climate action, sustainability, and resiliency fund. The public hearing must seek input from community stakeholders, equity stakeholders, and labor stakeholders. In a report by the “United States Building Energy Efficiency Retrofits: Market Sizing and Financing Models,” with numbers scaled to Denver, for every \$340 million invested results in \$1.3 energy savings.
- What does it cost to install an EV charger?
The cost of installation is variable generally ranging from \$300-\$2000.

ECONOMIC IMPACTS & UNINTENDED CONSEQUENCES

- How will the tax impact efforts to bring businesses (like grocery stores) to certain parts of the city? Did you talk to grocery stores specifically about this?
We looked at the impact to King Soopers at 825 S. Colorado. Monthly energy bill without the tax in 2017 is \$13,000. Monthly savings from energy efficiency in 2018 resulted in 7% more energy efficient \$910 saved. The estimated monthly tax in 2020 would be \$770 or less than the amount saved by becoming energy efficient.
- What would the burden be for small businesses like restaurants?
We asked the restaurant association if they could provide average restaurant energy use or a range. They have not provided any datasets. A local mid-sized restaurant provided a year’s worth of electricity receipts and their monthly electricity bill would have been 6% higher with the tax. (\$323 increase on a roughly \$5k monthly bill.) The restaurant did not provide natural gas data. There is also a financial hardship exemption.
- Have you done a financial analysis of the impacts of this tax along with other recent taxes and fees, and anticipated taxes, fees and costs (e.g. \$15/hr min wage, Pay as Your Throw, mobility tax, sidewalk fee, homeless tax)
These are all speculative taxes and fees so it would be difficult to determine. Ultimately it should be up to the voters to approve or disapprove.
- Have you considered any unintended consequences (e.g. will owners forego making energy efficiency improvements because they’ll have to spend their money on the tax? Will businesses have to downsize? Will businesses consider leaving Denver?) Please explain.
Unintended consequences are important to consider on any piece of legislation we pass. We tried to reduce unintended consequences by providing broad full or partial rebates.

IMPLEMENTATION

- With building owners participating in Energize Denver and other green building programs, investing in energy efficiency and successfully reducing their energy consumption, explain the justification behind taxing them.
The office must create a tax rebate program for any customer enrolled in a renewable electricity

program offered by Xcel Energy, including but not limited to WindSource, Renewable Connect, Solar Rewards, or equivalent programs as may be approved by the office. The renewable electricity program must cover seventy percent of the customer's annual electricity demand.

- Since Xcel has the burden of collecting and disbursing the tax, have you worked with them to understand what's possible and what's not? What are the challenges? How much will it cost? Who will pay for the administration costs? Can they figure it out by July 2020?

Xcel has developed a customized billing system for Boulder's Climate Action Tax and did not charge them extra to administer it. They have not stated if they plan to charge Denver extra. If they do, the new office will pay for the administrative costs.

- How will steam customers be assessed? The tax is only on natural gas and electricity.
- Some of the biggest gas consumers aren't billed by Xcel. How will you assess them?
All natural gas providers will be required to remit taxes.
- Many buildings have EV chargers. Will the electricity used for the EV chargers be taxed? Xcel says that they cannot disaggregate that usage.

This will be a rebate that will be determined by the rules and regulations by the office.

OTHER

- How many electric cars are registered in Denver?

There are about 25,000 electric vehicles registered in Colorado, and annual sales have been increasing between 15% and 70% per year. We did not have sufficient time to compile the data for Denver.