The Societal Economic Benefits of an Economic Development Utility Rate in Pueblo and Fremont Counties

Prepared by

Data-Driven Economic Strategies

Tatiana Bailey, Ph.D., Executive Director

Kathryn Zenoni, MSEd



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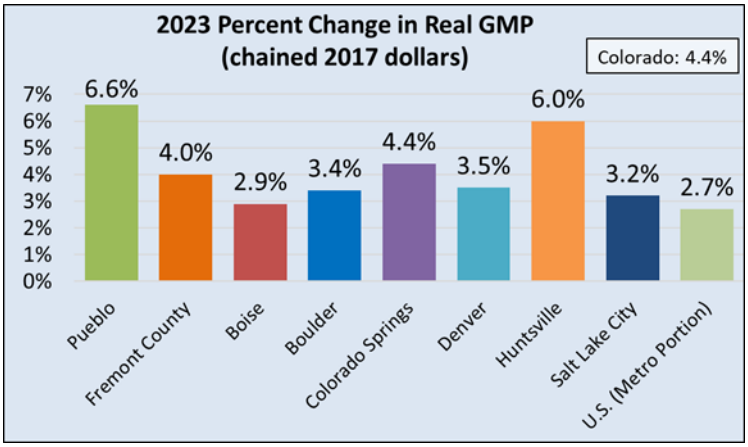
BACKGROUND

Introduction

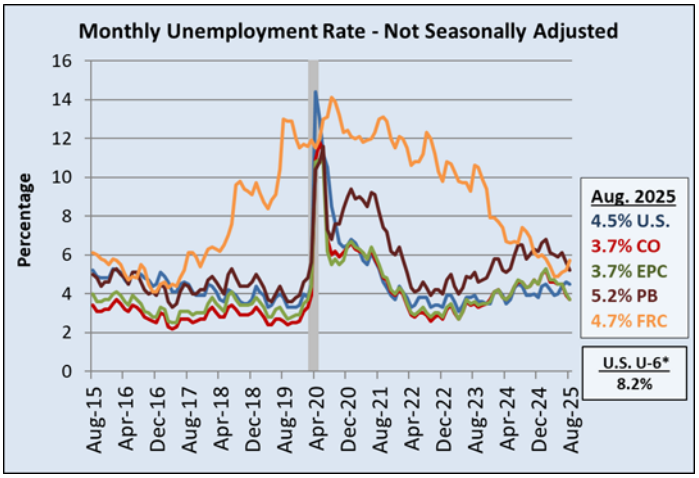
In order to help inform the potential economic impact of additional industrial activity as a result of the proposed economic development utility rate, it is important to understand the current and potential economic landscape of the Pueblo and Fremont regions. Under House Bill 25-1177, investor-owned utilities may offer discounted electric rates to qualifying commercial and industrial customers provided rates remain above marginal cost and generate measurable societal and community benefits verified through an economic benefit test and supporting analyses. This report is intended to assist the Colorado Public Utilities Commission in evaluating the potential usefulness of such a tariff by illustrating how it could enhance the region's competitiveness for large-scale industrial investment. The first part of this analysis reviews key regional economic and demographic indicators and then looks to the potential for the region's economic trajectory under labor-market and industry dynamics—particularly in manufacturing. It is important to note that most metrics in this background section focus on Pueblo County simply because smaller geographic regions like Fremont County do not have as much economic data available. Finally, this report includes an economic impact model that estimates the potential benefits of new, industrial investments under the proposed rate structure.

Pueblo County's Economic Landscape

As is true in most second-tier (Pueblo) and semi-rural or rural areas (Fremont), there are high fluctuations in annual economic performance. Less developed regions are highly vulnerable to macroeconomic conditions although they are also ripe for new investment as land and labor costs can be highly competitive.



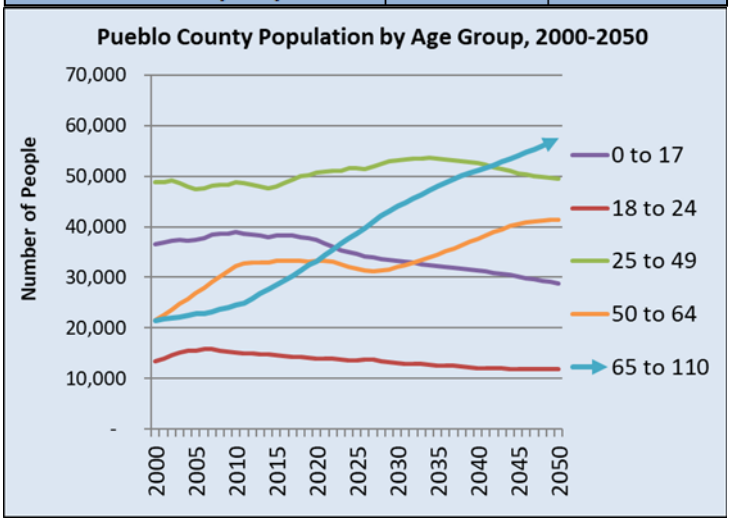
In 2023 (most recent data available), Pueblo County's economic output grew at a faster pace than both the state and national averages. Between 2022 and 2023, Pueblo's real **Gross Metropolitan Product** (the regional equivalent of Gross Domestic Product) increased by 6.6%, compared with 4.0% in neighboring Fremont County, 4.4% in Colorado, and 2.7% across U.S. metropolitan areas. This performance reflects the area's capacity for recovery following pandemic-related disruptions.



More recent data is available for the labor market conditions and this data shows that as the nation slows down economically, Pueblo and Fremont Counties experience a more rapid decline. As of August 2025, Pueblo's **Unemployment Rate** stood at 5.2%, above both the state (3.7%) and national (4.5%) averages. Neighboring El Paso County, which is part of the Front Range,

had the same unemployment rate as the state at 3.7%.

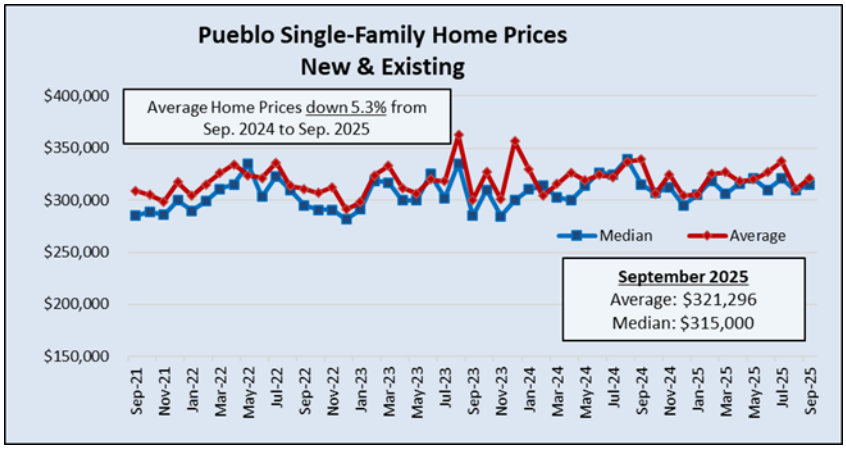
Population Estimates		
Region (Growth Rate)	2023	2050
Pueblo County (12%)	169,427	188,889
Fremont County (1.7%)	50,372	51,224
Colorado (26%)	5,876,300	7,416,589



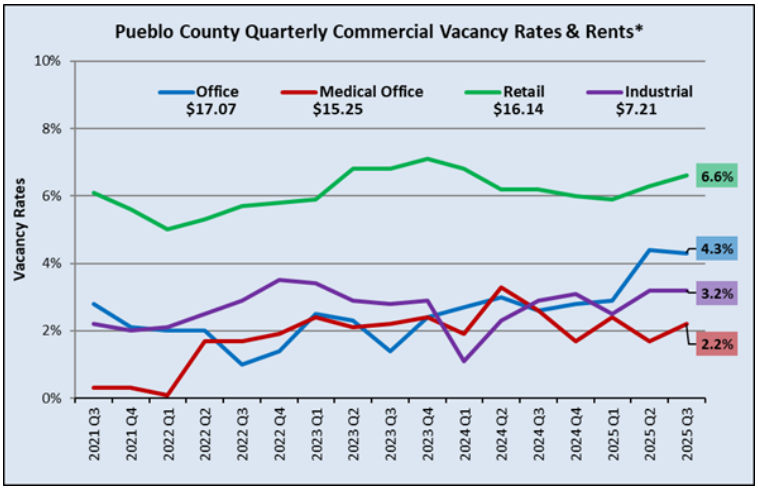
Population Estimates show the demographic reality of regions that lagging behind the state. Pueblo County has a 12% projected growth rate in population from 2023 to 2050 while the state (dominated by the Denver/Boulder economies) has a 26% projected growth rate. Fremont County is essential stagnant with a paltry 1.7% growth rate. While **Population Growth** in Pueblo County is projected to remain modest—reaching about 189,000 residents by 2050—the county's current age distribution provides an advantage in labor availability for new employers considering relocation or expansion. Pueblo benefits from a relatively young labor pool compared with other southern Colorado counties. While the majority of the population is expected to be 65 and older by 2050, a substantial portion of its residents fall within the prime working-age range of 25 to 49 which provides Pueblo a particular competitive advantage in its workforce—if that advantage is capitalized upon in the next five to ten years. The converse is also true: if economic development opportunities do not materialize in regions (such as Pueblo/Fremont), populations will continue to age without sufficient working-age people who can turn around the demographic and economic realities of the future.

Median Existing Single-Family* Home Price 2025 Q2 (CS, Denver, U.S.) and Sep. 2025 (Pueblo)				
Location	Colorado Springs	Denver	Sep. 2025 Pueblo (*New & Existing)	United States
Price	$480,600	$667,200	$315,000	$429,400
1-year % Change	0.2% increase	0.4% decrease	unchanged	1.7% increase
MSA Rank	49	22	143	n/a

Housing and real-estate trends in the Pueblo region show gradual economic expansion and relative affordability. The **Median Home Price** stood at roughly $315,000 in September 2025, unchanged from a year prior, while the **Average Price** came down about 5% from a year prior to $321,296. By comparison, Colorado Springs (+0.2%) and the United States (+1.7%) saw slight *increases* in median single-family home prices in Q2 at $480,600 and $429,400 respectively. The **Home-Buyer Difficulty Index** fell to 69.3 in August 2025, well below the national average of 78.3, signaling improved purchasing power for local buyers. Pueblo's **Cost of Living**—92.9 % of the national urban average—is among the lowest in Colorado providing a

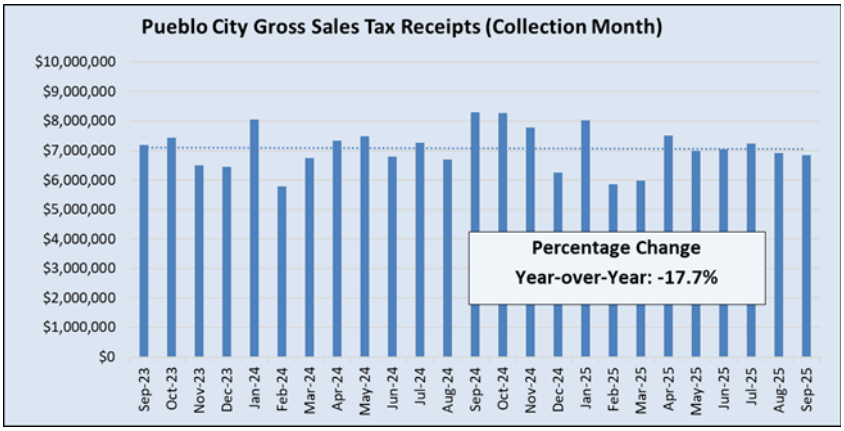


The Societal Economic Benefits of an Economic Development Utility Rate



competitive advantage compared to larger Front Range metros in the state.

The commercial and industrial property sectors continue to perform well, with **Industrial Vacancies** at 3.2 % and office space at 4.3 %. **Retail Vacancies** are modestly higher at 6.6 %, and medical-office space is especially tight at 2.2%. Second tier cities have not seen the spikes in vacancy rates that have characterized larger markets mostly because larger speculative spaces were never built out. These low vacancy rates suggest a constrained but healthy market, with capacity for new (relatively low cost) commercial and manufacturing development.



Sales- and- Use- Tax Collections were down 17.7 % year-over-year in September 2025, mirroring softening consumer spending nationwide but consistent with broader macroeconomic trends affecting smaller metros.

Even with some economic challenges that mirror the broader national economy, Pueblo's cost profile and industrial specialization continue to attract attention from energy-intensive manufacturers. Pueblo's combination of industrial infrastructure, available workforce, and manageable operating costs positions it as one of Colorado's most promising environments for growth in advanced manufacturing, logistics, and energy-related industries. As subsequent sections will outline, this foundation provides the economic and workforce conditions necessary to catalyze further investment.

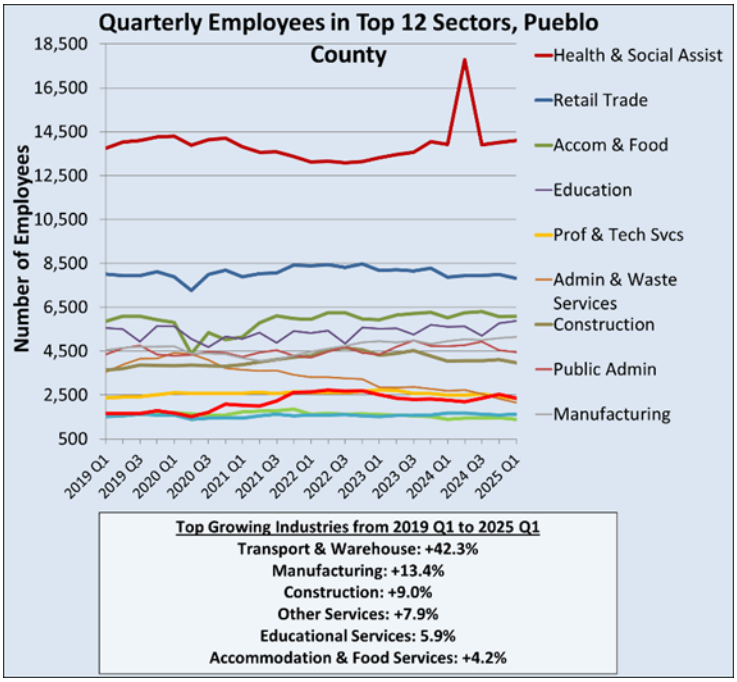
Pueblo MSA, August 2025
TOTAL Job Openings: 3,069
TOTAL Unemployed: 3,767
Workers Available per Job Opening: 1.23

Economic Potential

In August 2025, Pueblo had 1.23 **Available Workers per Job** opening highlighting labor availability. Core industries continued to expand as evidenced in the **Quarterly Employees in the Top 12 Sectors** chart (next page), which show growth amongst select sectors with the highest growth rates from 2019 to 2025 (Q1) in transportation and warehousing (+42.3 %), manufacturing (+13.4 %), and construction (+9.0 %). Both Pueblo and Fremont counties have an existing manufacturing base that is well poised for expansion in today's shifting, national landscape.

The local industrial manufacturing ecosystem in (primarily) Pueblo County and Fremont County includes steel and heavy metals production, wind and renewable energy tower production, construction-related manufacturing, and machinery/food-processing equipment manufacturing (among others). All these subsectors depend upon competitively priced electricity for production, process efficiency, and

competitiveness. Even modest rate reductions can materially influence investment decisions, output levels, and long-term competitiveness in these subsectors. Combined with Pueblo and Fremont's geographic position along the I-25 corridor and proximity to Denver, Colorado Springs, and major freight lines, the community offers both the workforce and logistics access required to support large-scale manufacturing and clean-energy industries.



While many of the **Top Employers** remain in the healthcare sector, the recent acquisition of EVRAZ North America's steel operations by Atlas Holdings underscores Pueblo's growing potential as a national manufacturing hub. The mill—recognized as the world's largest solar-powered rail-production facility—employs more than 1,000 workers and represents a long-term commitment to industrial reinvestment in southern Colorado. That transaction signals both market confidence and the region's ability to attract new capital in sectors that align with Colorado's clean-energy and infrastructure priorities.

A few particularly promising workforce initiatives further highlight the potential for Pueblo's economy. The U.S. Department of Labor's Strengthening Community Colleges Training Grant is investing $5.75 million in Southern Colorado to expand and align advanced manufacturing career pathways across higher education, industry, and workforce partners. Led by Trinidad State College in collaboration with Pueblo Community College and regional stakeholders, the initiative will modernize training programs in robotics, automation, welding, and construction to meet growing workforce demands. This grant expands the scope of industries and builds upon the Opportunity Now grant, awarded by the Colorado Office of Economic Development and International Trade. This grant provides $3.5 million to expand its rural innovation and workforce development model in Pueblo County, Fremont County, and Trinidad, Colorado. The project will establish a new incubator and training hub connecting students, educators, and employers to high-skill, high-wage career pathways in information technology. Through partnerships with Trinidad State College, Pueblo Community College, Trinidad School District, and other regional organizations, the initiative will create a collaborative ecosystem where education and industry intersect to drive rural economic growth, entrepreneurship, and workforce resilience across Southern Colorado. These grants also exemplify the confidence in the region's economic potential by both public and private stakeholders.

With an economic development utility rate, Pueblo and Fremont Counties could capture projects that might otherwise locate in lower-cost regions of the U.S. The combination of stable industrial infrastructure, existing large-load users, and growing interest in on-site renewable generation makes the region an ideal testing ground for rate structures that balance affordability and grid reliability.

ECONOMIC IMPACT ANALYSIS

A comprehensive economic impact analysis measures the monetary contribution of a business and/or program as well as the "ripple effects" throughout the economy emanating from the business and/or program. The "**direct**" jobs and revenue streams are the dollars that result from the transactional aspects of a business within its own walls. In order to conduct operations, there are inputs that businesses must purchase from other businesses and this "B to B" activity makes up the "**indirect**" component of an economic impact analysis. Likewise, employees of the studied business or sector are active consumers in society buying houses, cars, appliances, groceries, retail, haircuts, and other goods and services. The same can be said about the employees linked to the business-to-business activity described above. All associated jobs and revenue streams from the consumption of the direct and indirect employees comprise the "**induced**" component of an economic impact analysis. In other words, the induced impact measures the community-wide consumption benefit of people being employed by the relevant businesses. The indirect and induced impacts are more commonly known as the **"economic multiplier."**

All of this additional economic activity has associated **taxation revenue** streams that go to local, state and federal government coffers. These figures are also part of an economic impact study. Finally, all impacts are aggregated in a final "contribution to regional GDP," or gross domestic product. One can think of contribution to regional GDP as the sum of all the goods and services within a specified region that result from the new business or program. This will show as the **"value added"** figures presented in the results tables.

This economic impact analysis can help quantify the broader societal benefits of an economic development utility rate in the (Pueblo and Fremont County) communities. As described above, Pueblo and Fremont counties have not thrived economically as have other (primarily Front Range) regions across the state. As such, the State of Colorado pursues initiatives that can attract businesses or help existing businesses in the region grow. Jobs are at the center of everything as they allow households, businesses and the regional economy to thrive. Additional tax revenues also enable government entities to maintain infrastructure and invest in programs that facilitate the virtuous cycle of sustainable economic development.

For the purposes of this analysis, Black Hills Energy requested the impact analysis include the ongoing revenue streams from additional manufacturing businesses in two scenarios. The details for both the "low" and "high" scenarios are below and were provided by Black Hills leadership and are shown in Table 1 (next page). It is important to note that the one-time construction revenue streams were excluded from this analysis precisely because those benefits are one-time events. Black Hills and the State wish to focus on the ongoing economic benefits that could emanate from the incentive implicit in competitive utility fees.

Table 1. Low and High Scenario Assumptions

		NAICS Title	NAICS code	Total Gross Revenues (annual)	Total Headcount (FT and PT)
Low Scenario Companies	Company A	Fabricated structural metal manufacturing	332312	$ 2,700,000	26
	Company B	Turbine and turbine generator set units manufacturing	333611	$ 85,000,000	650
	Company C	Other snack food manufacturing	311919	$ 20,000,000	85
High Scenario Companies	Company W	Other aircraft parts and auxiliary equipment manufacturing	336413	$ 1,000,000,000	227
	Company X	Semiconductor and related device manufacturing	334413	$ 4,400,000,000	850
	Company Y	Cement manufacturing	327310	$ 50,000,000	175
	Company Z	Paper (except newsprint) mills	322121	$ 120,000,000	446

Low Revenue Scenario Impact Results

The tables below show the economic impacts of three, new manufacturing facilities as the "low revenue" scenario" over a ten-year timeframe. The one-year extrapolation is also included.

Table 2. Economic Impacts of Three New Manufacturing Facilities—Low Revenue Scenario

Impact	Employment	Labor Income	Value Added	Output
1 - Direct	7,727	$313,303,327	$390,600,485	$1,139,212,392
2 - Indirect	1,033	$42,425,491	$66,427,180	$161,967,891
3 - Induced	1,080	$51,970,238	$106,429,013	$180,296,735
TEN-YEAR TOTALS	**9,839**	**$407,699,056**	**$563,456,679**	**$1,481,477,018**
ONE-YEAR EXTRAPOLATION	**984**	**$40,769,906**	**$56,345,668**	**$148,147,702**

Table 2 shows that as a result of an economic development utility rate, three new manufacturing facilities located in the Pueblo/Fremont region over a ten-year timeframe would generate 9,839 new jobs with an associated $408 million in labor income. The associated total gross revenue ("output") would be $1.48 billion with a net contribution to regional gross domestic product (GDP) of $563 million. The corresponding one-year extrapolations are the final line in Table 2. By way of reference, the total inflation-adjusted regional GDP in 2023 (most recent data available) was $8.44 billion and the estimated average number of new jobs in the region has typically been ~500 although annual fluctuations are large.

These totals reflect the direct (manufacturer's), indirect (business-to-business), and induced (employee's consumer spending) impacts. The associated taxation over the ten-year timeframe for the direct, indirect and induced components combined are enumerated in Table 3.

Table 3. Taxation Benefits from Three New Manufacturing Facilities—Low Revenue Scenario

Impact	Sub County General	Sub County Special Districts	County	State	Federal	Total
1 - Direct	$1,358,584	$1,972,534	$1,531,397	$11,502,389	$73,164,688	$89,529,592
2 - Indirect	$569,512	$806,136	$632,223	$2,592,629	$10,329,366	$14,929,866
3 - Induced	$1,933,672	$2,715,639	$2,136,541	$6,300,105	$13,800,579	$26,886,536
TEN-YEAR TOTALS	**$3,861,767**	**$5,494,309**	**$4,300,161**	**$20,395,123**	**$97,294,633**	**$131,345,993**
ONE-YEAR EXTRAPOLATION	**$386,177**	**$549,431**	**$430,016**	**$2,039,512**	**$9,729,463**	**$13,134,599**

As Table 3 above shows, the combined ***county*** taxation benefits over ten years comes to $13.7 million (adding the sub county, special districts, and county tax revenues), ***state*** tax revenues total $20.4 million, and ***federal*** tax revenues total $97.3 million. In aggregate, new taxation revenue as a result of the three new manufacturing facilities comes to $131.3 million. The associated one-year extrapolations are shown in the last line of Table 3.

High Revenue Scenario Impact Results

The tables below show the economic impacts of four, new manufacturing facilities as the "high revenue" scenario" over a ten-year timeframe. The one-year extrapolation is also included.

Table 4. Economic Impacts of Four New Manufacturing Facilities—High Revenue Scenario

Impact	Employment	Labor Income	Value Added	Output
1 - Direct	25,799	$10,842,676,223	$17,088,664,275	$61,481,193,329
2 - Indirect	53,693	$2,845,657,575	$4,572,991,553	$10,423,411,344
3 - Induced	41,493	$1,997,066,504	$4,090,838,203	$6,929,752,615
TEN-YEAR TOTALS	**120,986**	**$15,685,400,302**	**$25,752,494,030**	**$78,834,357,288**
ONE-YEAR EXTRAPOLATION	**12,099**	**$1,568,540,030**	**$2,575,249,403**	**$7,883,435,729**

Table 4 shows that as a result of an economic development utility rate, four new manufacturing facilities located in the Pueblo/Fremont region over a ten-year timeframe would generate 120,986 new jobs with an associated $15.7 billion in labor income. The total gross revenue ("output") would be $78.8 billion with a net contribution to regional gross domestic product (GDP) of $25.8 billion. The corresponding one-year extrapolations are the final line in Table 4. By way of reference, the total inflation-adjusted regional GDP in 2023 (most recent data available) was $8.44 billion and the estimated average number of new jobs in the region has typically been ~500 although annual fluctuations are large.

These totals reflect the direct (manufacturer's), indirect (business-to-business), and induced (employee's consumer spending) impacts. The associated taxation over the ten-year timeframe also for the direct, indirect and induced components are enumerated in Table 5.

Table 5. Taxation Benefits from Four New Manufacturing Facilities—High Revenue Scenario

Impact	Sub County General	Sub County Special Districts	County	State	Federal	Total
1 - Direct	$124,869,997	$177,099,227	$138,783,317	$614,969,894	$2,666,046,766	$3,721,769,202
2 - Indirect	$49,348,486	$69,662,142	$54,693,372	$201,383,376	$702,001,495	$1,077,088,871
3 - Induced	$74,327,831	$104,385,497	$82,125,818	$242,157,240	$530,364,152	$1,033,360,538
TEN-YEAR TOTALS	**$248,546,314**	**$351,146,866**	**$275,602,507**	**$1,058,510,510**	**$3,898,412,414**	**$5,832,218,611**
ONE-YEAR EXTRAPOLATION	**$24,854,631**	**$35,114,687**	**$27,560,251**	**$105,851,051**	**$389,841,241**	**$583,221,861**

As Table 5 shows, the combined ***county*** taxation benefits over ten years comes to $875 million (adding the sub county, special districts, and county tax revenues), ***state*** tax revenues total $1.1 billion, and ***federal*** tax revenues total $3.9 billion. In aggregate, new taxation revenue as a result of the four new manufacturing facilities over a ten-year period comes to $5.8 billion. The associated one-year extrapolations are shown in the last line of Table 5.

Conclusion

Both the high- and low-revenue scenarios exemplify the extraordinary catalyst that new manufacturing can be to Colorado regions that struggle economically. Competitive utility rates undoubtedly attract new business as energy costs are a significant portion of ongoing operating costs. In today's domestic and internationally competitive landscape, any cost advantage can be a linchpin for new investment decisions. Pueblo and Fremont Counties are ripe for such investment. Competitive utility rates can be that linchpin for the creating the upward trajectory towards robust and sustainable economic growth.