Colorado Springs Utilities
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Utilities Policy Advisory Committee (UPAC)
Wednesday, May 3, 2023, 8:00 a.m. – 10:30 a.m.

Blue River Board Room, 121 S. Tejon Plaza of the Rockies or Microsoft Teams

Join on your computer or mobile app

Click here to join the meeting

Or call in (audio only)

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Agenda

8:00 a.m.	**1. Call to Order**	
8:05 a.m.	**2. Approval of April 5, 2023 UPAC Meeting Minutes**	Decision
8:10 a.m.	**3. Cost Recovery Mechanisms Assignment (Decision Methods)** • Cost Recovery Assignment Recap • Decision Method-Cost Recovery • Decision Method-Incentives • Decision Method-Review Fees • Roadmap	Discussion
10:15 a.m.	**4. Citizen Comment** Citizens can provide comment in person, by joining the meeting from computer or by phone using the link above. If you would like to speak during the citizen comment period, please sign up to speak through BoardSubmissions@csu.org prior to the meeting.	Discussion
10:20 a.m.	**5. Committee Member General Discussion**	
10:30 a.m.	**6. Adjournment**	

Next meeting: June 7, 2023

Note: UPAC Bylaws, Rule 6: Customer and Public Comment: (b) At the discretion of the Chair, or the majority of the Committee Members present, customers and members of the public will be allowed to comment or ask questions concerning items discussed at regular meetings or concerning matters discussed at special meetings. Comments or questions by individuals will be limited to five minutes each, and all customer or public comments will not exceed twenty minutes on any agenda item unless time is extended by the Chair or majority of the Committee Members present.

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Minutes
Utilities Policy Advisory Committee (UPAC)
Wednesday, April 5, 2023
Blue River Boardroom, 5th floor, 121 S. Tejon St., Colorado Springs, CO
and Microsoft Teams Virtual Meeting

Committee members present in the boardroom or via Microsoft Teams: Chair Larry Barrett, Gary Burghart, Chris Francis, Michael Borden and Scott Smith

Committee members excused: Vice Chair Hilary Dussing, Ruth Ann Schonbachler and Scott Callihan

Staff members present in the Boardroom or via Microsoft Teams: Al Wells, Monica Indrebo, Justin Fecteau, Kyle Wilson, Kerry Baugh, Scott Shirola, Joe Marcotte, John Hunter, Natalie Watts, Tristan Gearhart, Abby Ortega, Tara McGowan, Christian Nelson, Todd Sturtevant, Thad Clardy, Bethany Schoemer, Juan Santos, David Reeve, Danielle Nieves, Pattie Benger, Scott Winter, David Longrie, Jay Anderson, Joe Awad, Jennifer Franceschelli, Natalie Eckhart, Tyrone Johnson and Kate Singh

City of Colorado Springs staff present in the boardroom or via Microsoft Teams: David Beckett, Chris Bidlack and Renee Congdon

Citizens Present: Tad Foster, Greg Barbuto, Dave Donelson, Nancy Henjum and Marla Novak

1. **Call to Order**
   Chair Larry Barrett called the meeting to order at 8:01 a.m.

2. **Approval of March 1, 2023, UPAC Meeting Minutes**
   Committee Member Danner made a motion, and Committee Member Francis seconded the motion to approve the March 1, 2023 meeting minutes. The motion carried unanimously.

3. **Cost Recovery Mechanisms Assignment: Financial Analysis of Alternatives and Benchmarking**
   Mr. Scott Shirola, Manager of Pricing and Rates, reviewed the cost recovery policy pillars and discussed the background of the cost recovery assignment.

   Mr. Shirola reviewed the current policy of cost recovery mechanisms. He explained there are capacity fees collected in water and wastewater for existing systems. There are partial mechanisms for cost recovery with the electric and natural gas systems through extension fees.

Mr. Shirola presented alternative financial analysis scenarios. Committee members discussed the financial estimates for the current policy and each alternative analysis.

Mr. Shirola reviewed findings from peer utility research for cost recovery benchmarking. He shared that Colorado Springs Utilities aligned similarly to other water service utilities but cost recovery mechanisms for electric service varied among other utility companies.

The next steps will be for the committee to address review and design fees along with further policy discussion.

4. **Citizen Comment**
   Utilities Board Member Nancy Henjum requested an addition to the language of the policy pillars. Ms. Henjum also suggested including regulatory requirements in the foundation of the cost recovery mechanisms assignment scope.

5. **Committee Member General Discussion**
   None.

6. **Adjournment**
   Chair Barrett adjourned the meeting at 9:56 a.m.

   Next meeting: Wednesday, May 3, 2023, at 8:00 a.m.

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Utilities Policy Advisory Committee (UPAC) Cost Recovery Assignment (Decision Methods)

May 3, 2023

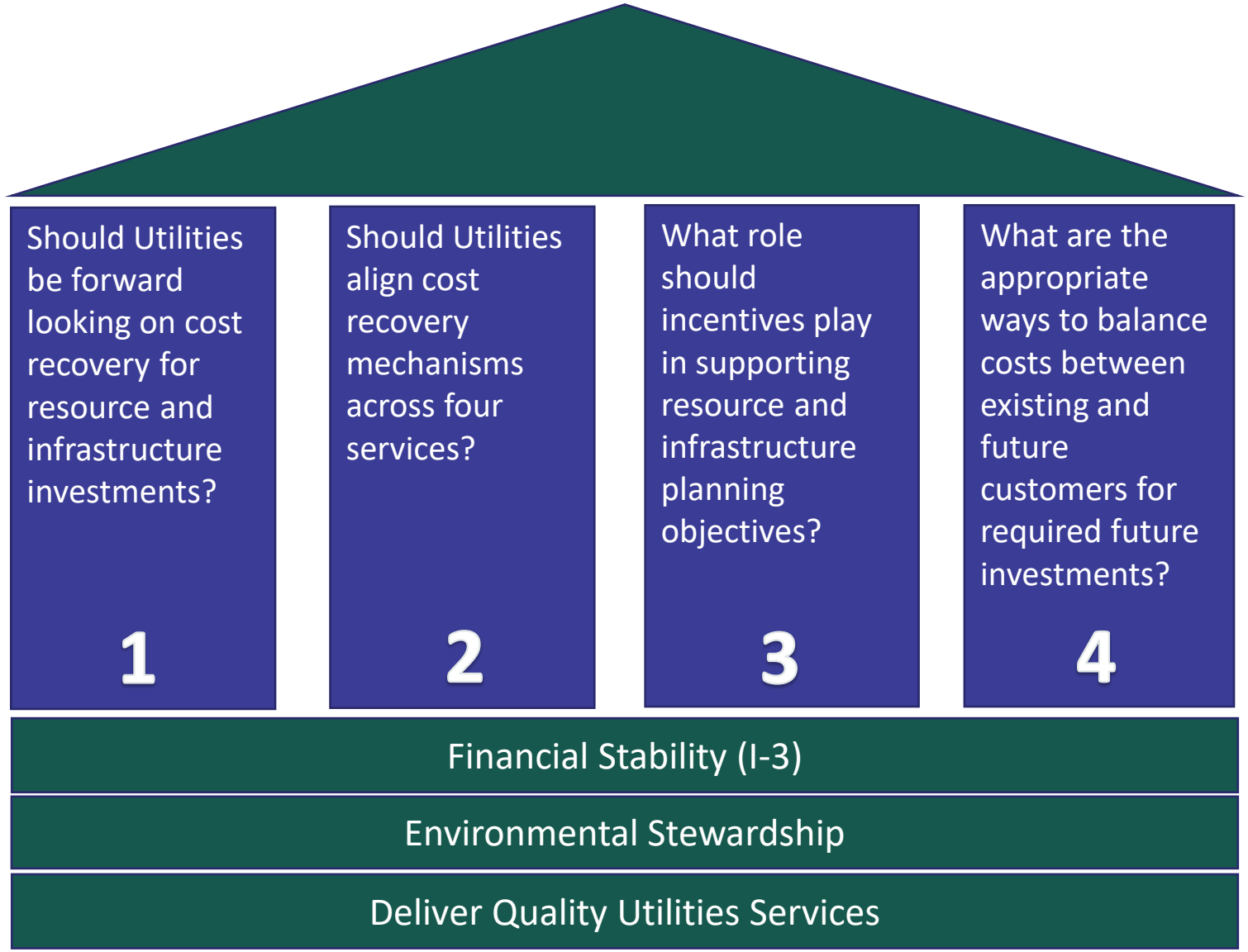
Agenda

1. Cost Recovery Assignment Recap
2. Decision Method – Cost Recovery
3. Decision Method – Incentives
4. Decision Method – Review Fees
5. Roadmap

Cost Recovery Assignment Recap

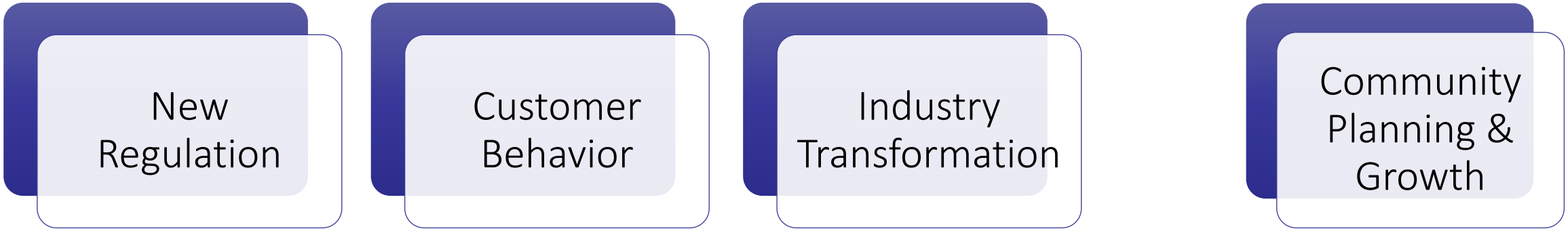
Cost Recovery Assignment - Purpose

- Provide a recommendation to Utilities Board on whether Colorado Springs Utilities should revise and/or establish new cost recovery policies.



Decision Method
Capital Cost Recovery

Cost Recovery Assignment - Background



- Increasing pressure on utility rates
  - Complying with new regulations, adapting service delivery to a changing customer, and investing in industry transformations

- Growth and system expansion place additional pressure on rates under existing development policies

Cost Recovery Summary – Current Policy (03/01/23 Recap)

Applicable Fees

Cost Recovery Mechanism	Electric (E)	Natural Gas (G)	Water (W)	Wastewater (WW)
System Extensions Fees	Partial	Partial	100%	100%
Capacity Fee – Existing System (ES)	No	No	Yes R,F,I	Yes F,I
Capacity Fee – Planned Additions (PA)	No	No	Yes R Only	No

Resource (R), Facilities (F), Infrastructure (I)

Impact of Growth on Rates (% and $ in Millions)

Growth (G)	E	G	W	WW
Inside City (IC)	**1-2%** $3.4-$7.6	**0-1%** $0.0-$0.9	**0-1%** $0.0-$2.8	**0-1%** $0.0-$0.9
Annexation (A)	**1-2%** $3.4-$7.6	**3-4%** $2.4-$3.6	**0-1%** $0.0-$2.8	**0-1%** $0.0-$0.9

Average Annual Increase to Revenue Requirement Above the Cost of No Growth

Year 10 Sample Monthly Bill Impact

G	E	G	W	WW	Total
IC	$7.29-$15.26	$0.0-$2.29	$0.0-$8.38	$0.0-$3.58	**$7.29-$29.52**
A	$7.29-$15.26	$7.52-$10.51	$0.0-$8.38	$0.0-$3.58	**$14.82-$37.74**

Cost Recovery Summary – Alternative 1

Applicable Fees

Cost Recovery Mechanism	E	G	W	WW
System Extensions Fees	100%	100%	100%	100%
Capacity Fee – Existing System (ES)	No	No	Yes R,F,I	Yes F,I
Capacity Fee – Planned Additions (PA)	No	No	Yes R Only	No

Resource (R), Facilities (F), Infrastructure (I)

Impact of Growth on Rates

Growth	E	G	W	WW
Inside City	0-1%	0%	0-1%	0-1%
Annexation	0-1%	0-1%	0-1%	0-1%

Incremental Development Impact – Per Single Family Equivalent

Cost Recovery Mechanism	E	G	W	WW	Total
Extension Fees	$ 1,300	$ 700	$ -	$ -	$ 2,000
Capacity Fee - ES	-	-	-	-	$ -
Capacity Fee - PA	-	-	-	-	$ -
Total	$ 1,300	$ 700	$ -	$ -	$ 2,000

Cost Recovery Summary – Alternative 2

Applicable Fees

Cost Recovery Mechanism	E	G	W	WW
System Extensions Fees	100%	100%	100%	100%
Capacity Fee – Existing System (ES)	Yes F,I	Yes R,F,I	Yes R,F,I	Yes F,I
Capacity Fee – Planned Additions (PA)	No	No	Yes R Only	No

Resource (R), Facilities (F), Infrastructure (I)

Impact of Growth on Rates

Growth	E	G	W	WW
Inside City	0-1%	0%	0-1%	0-1%
Annexation	0-1%	0-1%	0-1%	0-1%

Incremental Development Impact – Per Single Family Equivalent

Cost Recovery Mechanism	E	G	W	WW	Total
Extension Fees	$ 1,300	$ 700	$ -	$ -	$ 2,000
Capacity Fee - ES	500	800	-	-	$ 1,300
Capacity Fee - PA	-	-	-	-	$ -
Total	$ 1,800	$ 1,500	$ -	$ -	$ 3,300

Cost Recovery Summary – Alternative 3

Applicable Fees

Cost Recovery Mechanism	E	G	W	WW
System Extensions Fees	100%	100%	100%	100%
Capacity Fee – Existing System (ES)	Yes F,I	Yes R,F,I	Yes R,F,I	Yes F,I
Capacity Fee – Planned Additions (PA)	Yes F	Yes R,F	Yes R,F	Yes F

Resource (R), Facilities (F), Infrastructure (I)

Impact of Growth on Rates

Growth	E	G	W	WW
Inside City	0-1%	0%	0-1%	0%
Annexation	0-1%	0-1%	0%	0%

Incremental Development Impact – Per Single Family Equivalent

Cost Recovery Mechanism	E	G	W	WW	Total
Extension Fees	$ 1,300	$ 700	$ -	$ -	$ 2,000
Capacity Fee - ES	500	800	-	-	$ 1,300
Capacity Fee - PA	400	300	900	5,200	$ 6,800
Total	$ 2,200	$ 1,800	$ 900	$ 5,200	$ 10,100

Cost Recovery Summary – Alternative 4*

Applicable Fees

Cost Recovery Mechanism	E	G	W	WW
System Extensions Fees	100%	100%	100%	100%
Capacity Fee – Existing System (ES)	No	No	Yes R,F,I	Yes F,I
Capacity Fee – Planned Additions (PA)	No	No	Yes R,F	Yes F

Resource (R), Facilities (F), Infrastructure (I)

Impact of Growth on Rates

Growth	E	G	W	WW
Inside City	0-1%	0%	0-1%	0%
Annexation	0-1%	0-1%	0%	0%

Incremental Development Impact – Per Single Family Equivalent

Cost Recovery Mechanism	E	G	W	WW	Total
Extension Fees	$ 1,300	$ 700	$ -	$ -	$ 2,000
Capacity Fee - ES	-	-	-	-	$ -
Capacity Fee - PA	-	-	900	5,200	$ 6,100
Total	$ 1,300	$ 700	$ 900	$ 5,200	$ 8,100

*New Alternative

Total Sample Onsite Development Cost – Per Single Family Equivalent

Cost Recovery Mechanism	E	G	W	WW	Total
Extension Fees					
Existing	$ 1,500	$ 1,700	$ 6,000	$ 5,600	$ 14,800
Incremental	1,300	700	-	-	2,000
Capacity Fee – ES					
Existing	-	-	7,800	1,900	$ 9,700
Incremental	500	800	-	-	1,300
Capacity Fee – PA					
Existing	-	-	5,800	-	$ 5,800
Incremental	400	300	900	5,200	6,800
Total					
Existing	$ 1,500	$ 1,700	$ 19,600	$ 7,500	$ 30,300
Incremental	2,200	1,800	900	5,200	10,100
Total	$ 3,700	$ 3,500	$ 20,500	$ 14,400	$ 40,400

Alternative Development

Pillar	Developer Cost Responsibility				
	Current Policy	**Alternative 1**	**Alternative 2**	**Alternative 3**	**Alternative 4***
Pillar 1 & 2 & 4					
System Extensions	E/G Partial, W/WW 100%	**E/G**/W/WW 100%	**E/G**/W/WW 100%	**E/G**/W/WW 100%	**E/G**/W/WW 100%
Existing System Development Charges	E/G No, W/WW Yes	Current Policy	**E/ G**/W/WW Yes	**E/ G**/W/WW Yes	E/G No, W/WW Yes
Forward System Development Charges	E/G/WW No, W YES	Current Policy	Current Policy	**E/ G/W/WW** Yes	E/G No, **W**/**WW** Yes

*New Alternative

Pillar 1: Should Utilities be forward looking on cost recovery for resource and infrastructure investments?

Pillar 2: Should Utilities align cost recovery mechanisms across four services?

Pillar 4: What are the appropriate ways to balance costs between existing and future customers for required future investments?

Metric Development

Metrics	Description	5	3	1
Reflects Cost Causation	Fees promote resource efficient decision-making by reflecting the cost of linear and/or capacity additions	Full cost recovery on applicable linear and/or capacity basis	Partially recovers cost on applicable linear and/or capacity basis	Insufficiently recovers cost on applicable linear and/or capacity basis
Equitable for All Customers	Cost appropriately recovered from beneficiaries without rate support for growth related capital projects.	Little to no rate support	Minor rate support	Greater than minor rate support
Customer Satisfaction (Developers/ Homebuilders)	Fees are transparent and easy to understand	Fee mechanisms can be easily understood by the customer	Nuanced interpretation required for accurate fee estimation	Fee mechanisms are difficult to understand and can only be calculated by Utilities Staff
Industry Benchmarking	Fee are defensible and consistent with industry best practices	Fee mechanism used by majority of benchmarked utilities	Fee mechanism used by minority of benchmarked utilities	No industry precedent

Example Scorecard

Pillar	Score				
	Status Quo	**Reflects Cost Causation**	**Equitable for All Customers**	**Customer Satisfaction**	**Benchmarking**
Pillar 1, 2 & 4					
System Extensions	G/E Partial, W/WW 100%	3	1	1	3
Existing System Development Charges	G/E No, W/WW Yes	3	3	5	5
Forward System Development Charges	G/E No, W YES,WW No	1	1	3	5
Total Score			**34**		

Pillar 1: Should Utilities be forward looking on cost recovery for resource & infrastructure investments?
Pillar 2: Should Utilities align cost recovery mechanisms across four services?
Pillar 4: What are the appropriate ways to balance costs between existing & future customers for required future investments?

Decision Method Incentives

Existing Energy Incentives for New Development

- Builder Incentive Program (BIP) with electrification bonus
- HVAC Equipment Incentive
- Smart Thermostat Rebate
- Delayed fee payment for low income projects
- Energy Design Assistance (planned 2023)
- Renewable Energy Rebate (ended 2022)

Potential Developer Efficiency Incentive Examples

- Immediate credit in water development fees
- Tap fee reduction program
- Density bonuses or Infill incentives
- Priority inspections
- Delayed fee payment
- Fee guarantee for future building permits in the development

Alternative Development – Example Recommendation

Pillars	Developer Cost Responsibility		
Pillar 3	**Current**	**Establish Incentive**	**Incentive Design Notes**
Infill	None	Yes	Utilities and developer should share construction cost.
Densification	None	Yes	Utilities should provide a fee reduction.
Redevelopment	Meter Credit	Yes	Utilities and developer should share construction cost.
Utility Efficiency	Builder Incentives	Yes	Utilities should provide builder/developer incentives.

Pillar 3: What role should incentives play in supporting resource & infrastructure planning objectives?

Decision Method Review and Design Fees

Existing Fees Paid to Colorado Springs Utilities

Request	Fee	Current Amount	Payable at Time of:
City of Colorado Springs Major Development	Review	$479.00 per Application	Plan Submittal to City Land Use Review
City of Colorado Springs Minor Development	Review	$111.00 per Application	Plan Submittal to City Land Use Review
City of Manitou Springs Development	Review	$61.00 per Application	Review of Submittal
El Paso County Development	Review	$54.00 per Application	Review of Submittal
All Other Jurisdictions' Development	Review	$45.00 per Application	Review of Submittal
Recovery Agreement	Contract Application Fee	$1,473.00 for contracts involving 50 acres or less $2,942.00 for contracts involving more than 50 acres	Submittal of recovery agreement request
Recovery Agreement	Processing Fee	$31.00 per service contract with recovery agreement reimbursements	Service contract execution

Existing Fees Paid to Colorado Springs Utilities

Request	Fee	Current Amount	Payable at Time of:
Hydraulic Analysis Report	Complex Utilities Modeling and Report	$3,200.00 for sites greater than 30 acres and within a single pressure zone or sites located within multiple pressure zones (Revisions billed at $200.00 per hour)	Plan Submittal to City Land Use Review
Hydraulic Analysis Report	Utilities Modeling and Report	$1,600.00 for sites 30 acres or less and located within a single pressure zone (Revisions billed at $200.00 per hour)	Plan Submittal to City Land Use Review
Fire Flow Report	Utilities Modeling and Report	New Development • Initial two fire flow reports – No charge (within twelve-month period). Additional reports charged $200.00 per hour with minimum one-hour charge Existing Hydrants Report • First request, per site, no charge. Thereafter, all requests, per site, assessed $50.00 per instance	Review of Submittal
Electric and/or gas line extension	Design	• Electric Residential - $166.00 per extension contract plus $33.00 per lot • Electric Commercial - $398.00 per building • Gas - $166.00 per extension plus $33.00 per service stub	Submittal of extension contract, except electric commercial to be submitted at time of service contract

Existing Fees Paid to Colorado Springs Utilities Customer Contract Administration

Request	Fee	Current Amount	Payable at Time of:
Water Tap Fee – Existing water main	CSU is tapping new service	$250.00	Time of tap request
Wastewater Permit Fees	Inspections	$80.00 (Residential) $50.00 (Return Trip Fee) $100.00 (Multi Family) $175.00 (Non Residential w/GT)	Service Contract
Water Permit Fees	Inspections	$80.00 (Residential/Commercial) $50.00 (Return Trip Fee)	Service Contract and/or Time of tap request
Electric Design Fee (Per Building)	Commercial Design	$398.00 (Commercial)	Service Contract
Gas Tie-In Fee (Residential/Commercial)	Construction and Inspection	$389.17 (Residential/Commercial) $299.16 (Joint Trench) $319.97 (Return Trip Fee)	Service Contract (Residential) Extension Contract (Commercial)
Electric Tie-In Fee (Residential)	Construction and Inspection	$401.94 (Residential) $303.98 (Joint Trench) $299.98 (Return Trip Fee)	Service Contract
Electric Temporary Service Connection Fee	Construction and Inspection	$130.00 (Residential/Commercial)	Service Contract

Services with No Existing Fees

Request	Fee
Wastewater Master Facility Form Report (Complex-Basic)	Modeling and Report
Construction Drawing Submittal	Review
Alternatives Analysis	Modeling and Report
Design	Engineering

Review and Design Fee Benchmarking

Cost Recovery Mechanism	E	W
Engineering Design/Plan Review Fees	No: LIPA Tacoma SMUD SRP Yes: Austin **Colorado Springs** Fort Collins	No: Fountain Pueblo Security Yes: Aurora **Colorado Springs** Denver Fort Collins

Long Island Power Authority (LIPA), Salt River Project (SRP), Sacramento Municipal Utility District (SMUD)

Alternative Development – Example Recommendation

Pillars	Developer Cost Responsibility		
Pillar 4	**Current**	**Establish Recovery**	**Recovery Design Notes**
Review and Design Fees	E, G, W, WW	Yes	Utilities should engage in a study to evaluate fees to recover the cost of service.

Discussion

Roadmap

Roadmap

November 2022
- Four service resource and infrastructure planning considerations

December 2022
- Development cost identification and Utilities cost recovery mechanisms

January 2023
- Recap purpose and presentations
- Draft alternatives and discussion

February 2023
- Infill, redevelopment & DSM considerations
- Update to Finance & Strategic Planning committees
- Update to Utilities Board

March 2023
- Baseline Financial Analysis

April 2023
- Alternative Financial Analysis

May 2023
- Review & Design Fees
- Alternative and Metric Development

June 2023
- Alternative scoring based upon metrics
- Draft recommendation

July 2023
- Recommendation to Finance/Strategic Planning Committee
- Recommendation to Utilities Board

August 2023
- Potential Tariff Revision

January 2024
- Potential Tariffs effective

Additional Information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Alternative Development

Pillars	Developer Cost Responsibility	
Pillar 3	**Current**	**Considerations**
Infill	None	Infill lots can be costly to develop from a Utilities perspective. Given challenges with existing infrastructure these lots are often more expensive to develop than greenfield. These projects may improve system redundancy and reliability as they can represent a "missing piece of our infrastructure". They can also help utilize existing infrastructure more efficiently.
Densification	None	The customer demand to infrastructure ratio for densification maximizes the revenue to operation and maintenance cost for Utilities making these projects financial beneficial to Utilities. Additionally, denser development can lead to efficiencies in utility use given the more communal aspects of these developments.
Redevelopment	Meter Credit	Areas identified for redevelopment are typically underutilized. However, infrastructure that serves these areas are often in poor condition or not up to current standards. Restoration, traffic control, and infrastructure conflicts can make these projects more expensive than "greenfield" and can make redevelopment infeasible.
Utility Efficiency	Builder Incentives	Reducing energy and water demand helps maximize the use of Utilities existing resources. Acquiring additional resources is very costly to Utilities making demand side management a relatively inexpensive alternative.
Electrification	None	Greenhouse gas reduction targets are driving the industry toward electrification. Any new investments in gas infrastructure may result in stranded capacity and assets increasing cost to operation and maintenance cost Utilities while eliminating the revenue associated with the service.

Alternative Development – Example Scorecard

Pillars	Developer Cost Responsibility		
Pillar 3	**Current**	**Establish Incentive**	**Incentive Design Notes**
Infill	None	Yes	Utilities and developer should share construction cost in proportion to the financial gain in reliability to Utilities infrastructure and potential additional revenue generated from the project.
Densification	None	Yes	Utilities should provide a fee reduction to account for the additional revenue generation based upon average lot demand per linear foot.
Redevelopment	Meter Credit	Yes	Utilities and developer should share construction cost in proportion to the financial gain in reliability to Utilities infrastructure and potential additional revenue generated from the project.
Utility Efficiency	Builder Incentives	Yes	Utilities should provide builder/developer incentives to recognize the cost savings realized by the reduction in resource acquisition needed as compared to an average development.
Electrification	None	Yes	Utilities should provide builder/developer incentives to recognize the cost savings realized by the reduction in gas resource acquisition, new infrastructure and needed as compared to an average development.