Colorado Springs Utilities
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UTILITIES BOARD FINANCE COMMITTEE
Microsoft Teams
Rosemont Conference Room
121 S. Tejon St., South Tower, 5th Floor
Colorado Springs, CO 80903

AGENDA

Monday, July 15, 2024
1:30 p.m. – 3:30 p.m.
Click here to join the meeting
Or call in (audio only)
+1 719-733-3651,,137427929#

1:30 p.m.	**Call to Order** Statement: Pursuant to the Colorado Open Meetings Law and the City Charter, since three or more members of the Utilities Board may be attending this public meeting, it is noticed and open to the public. Pursuant to the Utilities Board Bylaws, this Committee of the Utilities Board has determined not to accept public comment at this meeting.	Committee Chair Nancy Henjum
1:35 p.m.	**Review:** • June 17, 2024 Finance Committee minutes	Committee
1:40 p.m.	**Compliance Reports** • I-3 Financial Planning and Budgeting G-8	John Hunter, Financial Planning and Risk Manager
1:45 p.m.	**Electric Cost Adjustment / Gas Cost Adjustment**	Scott Shirola, Pricing and Rates Manager
1:55 p.m.	**2025 Budget Review**	John Hunter, Financial Planning and Risk Manager
2:45 p.m.	**Electric and Natural Gas System Extension Cost Recovery**	Scott Shirola, Pricing and Rates Manager
2:55 p.m.	**Review and Design Fee Updates**	Scott Shirola, Pricing and Rates Manager
3:05 p.m.	**Recovery Agreement Unit Recovery Charge**	Scott Shirola, Pricing and Rates Manager
3:15 p.m.	**Water Revenue Report**	Natalie Lovell, Accounting Manager
3:20 p.m.	**Financial Monitoring Update**	Natalie Lovell, Accounting Manager
3:25 p.m.	**Plan Future Meeting: August 19 at 1:30 p.m.**	Committee
3:30 p.m.	**Adjournment**	Committee Chair Nancy Henjum

Minutes
Monday, June 17, 2024
1:30 p.m. to 3:30 p.m.

Committee members present via Microsoft Teams or Rosemont Conference Room:
Chair Nancy Henjum and Dave Donelson

Board Members present via Microsoft Teams:
Randy Helms and Michelle Talarico

Staff members present via Microsoft Teams or Rosemont Conference Room:
Travas Deal, Renee Adams, Lisa Barbato, Mike Francolino, Tristan Gearhart, Somer Mese, Jay Anderson, Kerry Baugh, Paul Bejadhar, Thad Clardy, Andrew Colosimo, April Speake, Marcela Espinoza, Paul Goslin, Jason Green, Lynn, Guido, Kelly Guisinger, Mallorie Hansen, Adam Hegstrom, John Hunter, Mike Maksimowicz, Sarah Matherne, Nicole Means, Angelia Mora, Natalie Lovell, Jared Miller, Danielle Nieves, Abigail Ortega, Robert Perrott, Aishia Rogers, Jeff Rowbotham, Bethany Schoemer, Rodger Scriven, Scott Shirola, Leslie Smith, Debbie Snyder, Matthew Thieme, Tricia Timmons-Malsam, Amy Trinidad, Al Wells, Kyle Wilson and Carlos Wright

City of Colorado Springs staff members present via Microsoft Teams or Rosemont Conference Room:
Shawn Alessio, Sally Barber, David Beckett, Chris Bidlack, Renee Congden and Callie Moyers

Citizens present via Microsoft Teams or Rosemont Conference Room:
Scott Smith

1. **Call to Order**
   Committee Chair Nancy Henjum called the meeting to order at 1:30 p.m. Ms. Henjum read a statement regarding the Colorado Open Meetings Law and the City Charter and noted that public comment would not be a part of the meeting. Individuals in the room introduced themselves.

2. **Review Minutes**
   Minutes from the May 17, 2024, Joint Finance and Strategic Planning Committees meeting were reviewed and accepted for posting.

3. **I-2 Financial Condition and Activities & I-8 Asset Protection - Annual City Auditor's Report G-7 (Annual external)**
   The annual City Auditor's Report was included in the meeting materials packet. No comments were made.

4. **Energy Cost Adjustment/Gas Cost Adjustment Filing**

Mr. Scott Shirola, Pricing and Rates Manager, shared that natural gas prices are slowly starting to rise after the heating season.

At the end of April, Colorado Springs Utilities was at $8.8 million under collected in our Electric Cost Adjustment (ECA). We have improved that balance to $4 million under collected, an improvement of $4.8 million. No rate adjustment will be proposed in July. No questions were asked.

Regarding the Gas Cost Adjustment (GCA) projection, in April we were over collected by $5.7 million. The May over collection changed by $0.1 million to $5.8 million.

The Electric Capacity Charge (ECC) and Gas Capacity Charge (GCC) recover capacity costs associated with transporting and storing natural gas. Specifically, Springs Utilities reserves capacity on the Colorado Interstate Gas (CIG) pipeline to ensure delivery of natural gas on the days of highest demand. Additionally, the ECC recovers the cost of capacity payments to the Western Area Power Administration (WAPA) for reserving transmission capacity to assure delivery of purchased hydropower. The next scheduled quarterly ECA and GCA rate filing is scheduled for a September presentation to the Utilities Board with an Oct. 1, 2024, effective date.

5. **Updated Sales Forecast Review**

Mr. John Hunter, Financial Planning and Risk Manager, reviewed the Sales Forecast.

The 2023 actuals compared to the 2023 Annual Operating Financial Plan (AOFP) showed the following variances:

- ($3.8 million) electric non-fuel, (1.1% variance)
- No variance gas non-fuel, (0.0% variance)
- ($16.1 million) water, (7.2% variance)
- $0.3 million wastewater, (2.7% variance)
- ($19.5 million), (2.7% variance)

The variance in electric and water was because of the cool and rainy summer. 2023 was the second wettest summer in Colorado Springs' history.

The 2024 customer outlook updated forecast shows a 0.1% increase in electric, a 1.1% decrease in gas, a 0.8% decrease in water, and a 1.8% decrease in wastewater. This is due to a slowing population and new housing growth.

The 2024 volume outlook updated forecast decreased by 1.1% compared to the prior forecast (0.1% decrease in electric, 2.1% decrease in gas, 3.1% decrease in water, and 0.1% decrease in wastewater). These changes are primarily due to changes in customer usage.

The 2024 revenue outlook forecast for non-fuel revenue is $8.8 million lower than the prior forecast (electric $1.1 million lower, gas $0.9 million lower, water $6.9 million lower, wastewater $0.4 million lower). The 2025 non-fuel revenue is $8.5 million lower than the prior forecast.

Future considerations will monitor the adoption of electric vehicles and their impact on electric sales and peak demand; monitor state and federal mandates related to energy/clean heat and the impact on electric and gas sales; and will monitor water use and trends on rate pressure.

6. 2025 Budget Draft Review

Mr. Hunter reviewed Springs Utilities' proposed 2025 budget:

- Capital Projects – up 40.7% to $609,094,000
- Operations and Maintenance (fuel) – up 22.5%to $512,980,000
- Operations and Maintenance (non-fuel) – up 7.5% to 435,245,000
- Debt Service – up 8% to $227,976,000
- Surplus Funds to City and Franchise Fees – up 1.7% to $37,404,000

This represents a total increase of $318,381,000 – up 21.2% from the 2024 approved budget.

The total proposed budget for 2025 is $1,822,699,000.

The proposed 2025–2029 budget forecast was also reviewed.

2025	**2026**	**2027**	**2028**	**2029**
$1,822,699	$1,911,828	$2,308,131	$2,480,775	$2,215,127

*Total Budget (in thousands)

Rate increases will be required to fund these budget increases. The proposal is to levelized rate increases to customers over the next several years.

Next steps:

- Next 30 days: Springs Utilities will refine the 2025 budget preliminary draft
- July 15 Finance Committee: Detailed review of the proposed 2025 budget
- Aug. 19 Finance Committee: Address any follow-up 2025 budget items
- Aug. 21 Utilities Board Meeting: 2025 preliminary budget and rate case

7. 2024 Plan of Finance Update

Mr. Adam Hegstrom, Treasury and Finance Manager, spoke to the annual effort to obtain and manage the organization's debt in support of its operational and planning group's capital plan.

The Plan of Finance has four key objectives:

- Fund debt-backed portion of upcoming capital plan
- Manage and optimize current debt portfolio

- Procure and manage debt-supporting instruments and ancillary services
- Manages the organization's reputation and industry relationships to ensure market access

2024As (New Money Debt Issuances), 2024Bs (Refunding Debt Issuances), and Industry and Investor Relationships were reviewed.

This presentation will be given at the June 18, 2024, Utilities Board Meeting, and is scheduled for the first reading at the July 9, 2024, City Council Meeting.

8. Net Metering and Project COPE

Mr. Shirola provided background information on net metering system interaction. There is a state policy on net metering that was established by the Colorado Energy Office as directed by the Governor. A recommendation will be finalized in the summer of 2024.

Project COPE is a non-profit foundation established in 2007, administered through the Colorado Springs Utilities Foundation. It provides emergency utility financial assistance to Colorado Springs Utilities customers. It is exempt from federal income taxes as a 501 (c)(3), and qualified as a charitable contribution deduction. Springs Utilities matches the first $500,000 in donations annually.

In previous Utilities Board meetings, Board Member Mike O'Malley had requested that Colorado Springs Utilities enable net metering customers the ability to donate their excess generation credits to Project COPE. Current Springs Utilities electric rate schedules provide a monthly carry over for customers whose monthly production exceeds their consumption or an annual credit or continuous carry over.

Net metering have elected to indefinitely carry forward is $89,000. In order to implement this option, changes would need to be made to internal systems, which could result in additional costs. Additionally, it is unknown how many customers would want to take advantage of this program. Changes could also occur at the state level with regards to the cash out process. Mr. Travas Deal, Chief Executive Officer, indicated that more research was required regarding cost and system capabilities and requirements. No final decision would be made pending a full Utilities Board vote.

9. Water Revenue Report

Mr. Tristan Gearhart, Chief Planning and Finance Officer, said the organization is up in water revenue as it has been drier this year than last year.

10. Financial Monitoring Update

This is a standard report that was included in the meeting materials packet. No questions were asked.

11. Plan Future Meeting

Plans were made for the July 15 Finance Committee meeting.

12. Closing Remarks and Adjournment

The meeting adjourned at 4:20 p.m.

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Date: July 17, 2024

To: Utilities Board

From: Travas Deal, Chief Executive Officer

Subject: **Excellence in Governance Monitoring Report**
Utilities Board Instructions to the Chief Executive Officer
Financial Planning and Budgeting (I-3)

Desired Action: Monitoring

Compliance: The CEO reports compliance with the instructions.

INSTRUCTIONS			
Category:	**Utilities Board Instructions to the Chief Executive Officer**	Reporting Timeframe:	**June 1, 2023 – May 31, 2024**
Policy Title (Number):	**Financial Planning and Budgeting (I-3)**	Reviewing Committee:	**Finance**
Monitoring Type:	**Internal**	Monitoring Frequency:	**Annual**
Guidelines:	**Water Reserve Account (G-8)**		

The Chief Executive Officer shall direct that financial planning and budgeting is multi-year and includes planning assumptions, capital and operations expenses and projections of revenues and cash flow. Accordingly, the CEO shall:

1. *Maintain financial stability by meeting Utilities Board approved financial metrics that support a AA long-term credit rating.*

Colorado Springs Utilities is committed to achieving the outcomes most important to the Utilities Board and its customers: competitive utility rates; safe, reliable service; and outstanding customer experience, while maintaining financial metrics that support a "AA" credit rating. This "AA" credit rating is ensured by setting targets in the annual budget and five-year financial plan combined with monthly forecast and financial modeling reviews. In July and August 2023, Moody's Investors Service Inc. and S&P Global Ratings affirmed Colorado Springs Utilities' "Aa2" and "AA+" ratings, respectively and S&P removed the negative outlook note from the rating. In November 2023, Fitch Ratings provided a "Review No Action" rating maintaining Springs Utilities' rating at "AA".

2. *Financially position the enterprise to meet long-range infrastructure funding requirements while moderating customers' average base bill adjustments.*

   Colorado Springs Utilities maintains solid financial metrics to ensure the AA bond rating. Conservative budget practices combined with our strong credit profile will help moderate customer bill adjustments while meeting long-range infrastructure funding requirements.

3. *Use planning assumptions that accurately forecast revenues and expenses.*

   Forecasts for revenue requirements, capital spending, bond funding needs, and operating and maintenance expenses are based on assumptions that align with our five-year business plan. Historical weather data and key economic metrics are provided by local and state specific economist and demographers.

4. *Direct that a water reserve account is established and maintained to manage water sales volatility.*

   A water reserve account has been established and is funded annually when actual revenue is greater than budget to manage water sales volatility. The water reserve account enables revenues to be stabilized and is one of the ways Colorado Springs Utilities safeguards current and future customers from being unduly burdened during unpredictable seasonal weather volatility.

   The balance of the account at the end of the reporting period was $16.7 million.

5. *Use financial methods that share the cost of utility infrastructure between current and future customers.*

   The mix of cash and debt financing allows the organization to share the cost appropriately between current and future rate payers. Our current five-year capital plan is approximately $708 million per year, and we expect to cash fund up to 26% of the spend. Strong infrastructure planning practices (I-6 Governance Compliance Reporting) supports our capital investment planning for our current customers.

6. *Use risk-based modeling and a defined enterprise procedure to prioritize operations and maintenance infrastructure.*

   Colorado Springs Utilities uses risk-based modelling and data to plan and prioritize rehabilitation and replacement efforts for high-risk assets. In addition, strong infrastructure planning practices (I-6 Governance Compliance Reporting) support condition assessments of our linear and vertical assets across our services to develop a risk-based prioritization of our capital investment. Used together, risk-based modeling and infrastructure planning determine our prioritization approach for asset maintenance.

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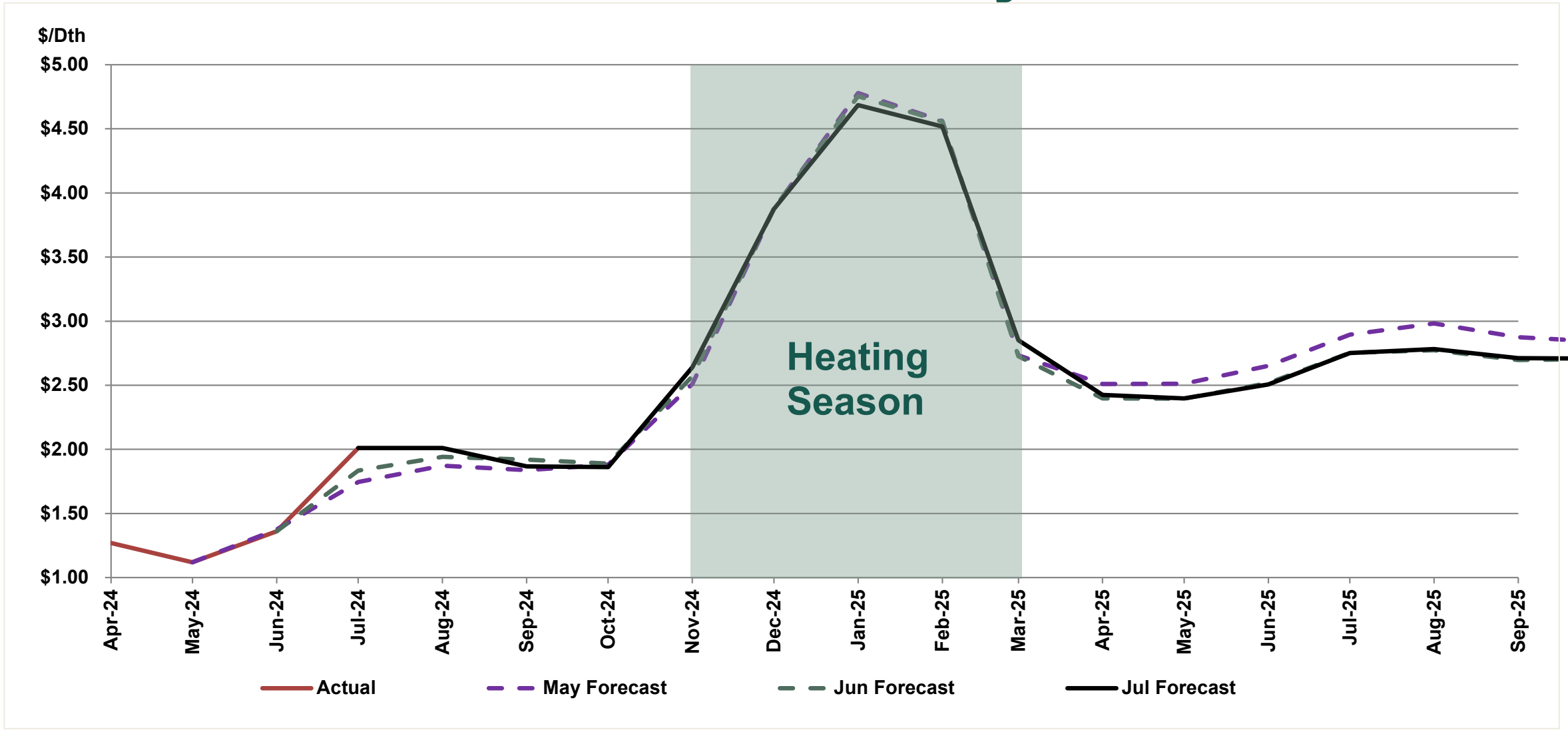
Electric Cost Adjustment
Gas Cost Adjustment

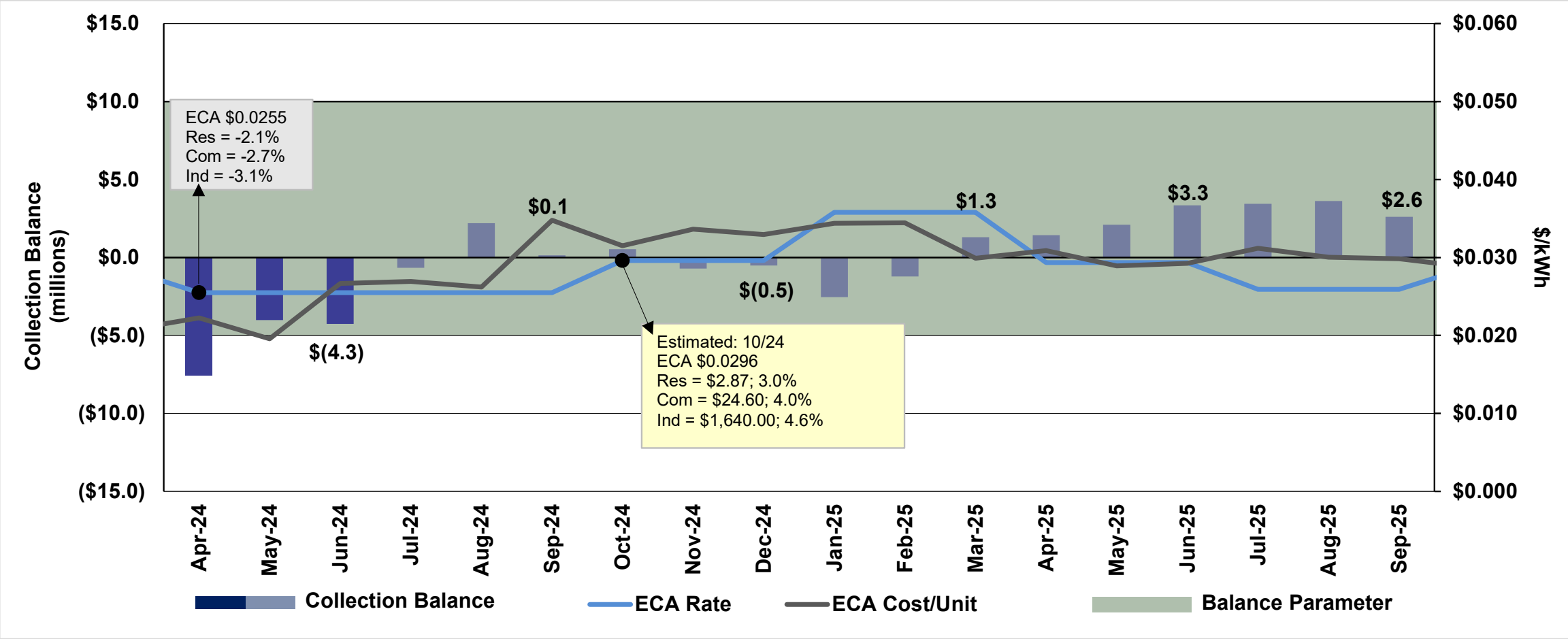
Finance Committee

July 15, 2024

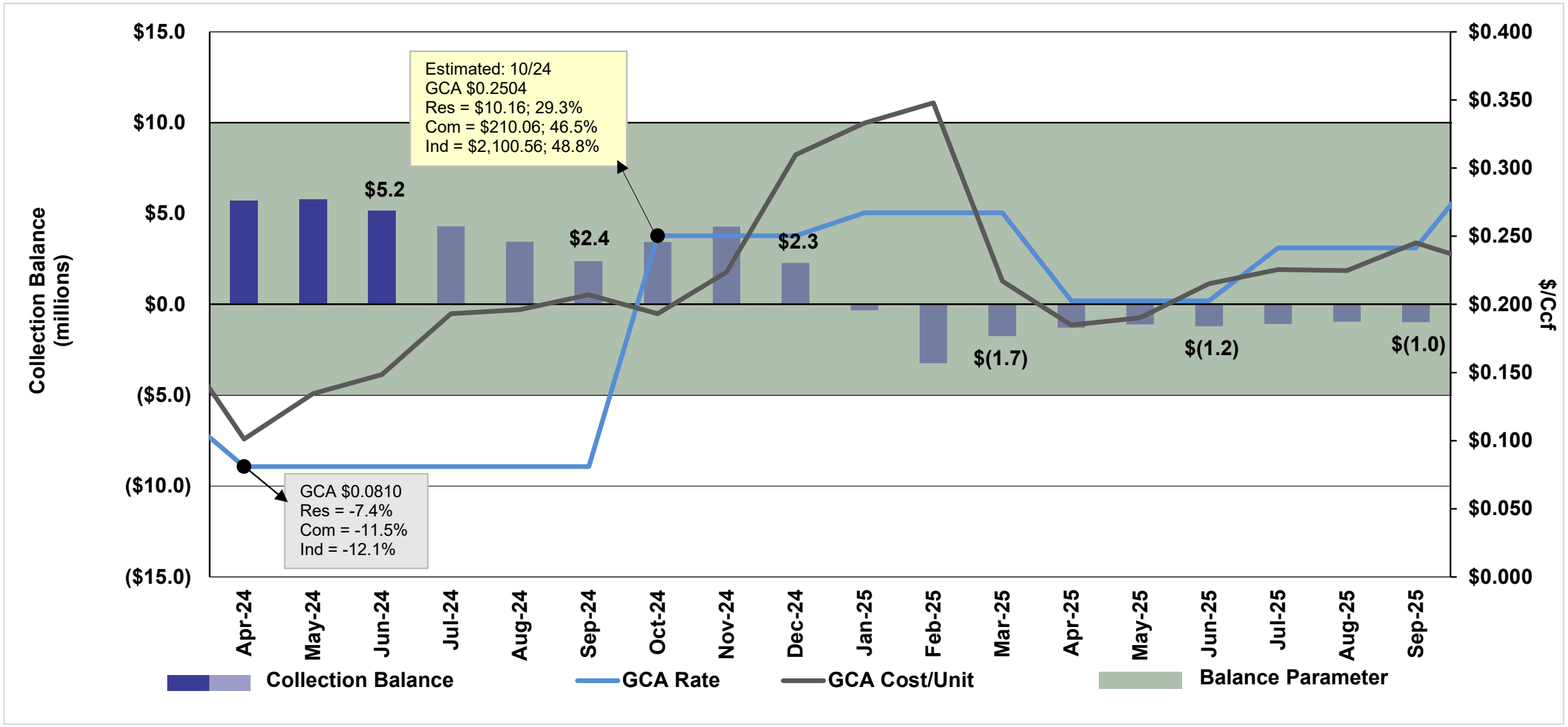
Natural Gas Prices as of July 1, 2024



ECA Projections July 2024



GCA Projections July 2024



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2025 Budget Second Draft

John Hunter, Financial Planning and Risk Manager

Finance Committee
July 15, 2024

Budget Governance

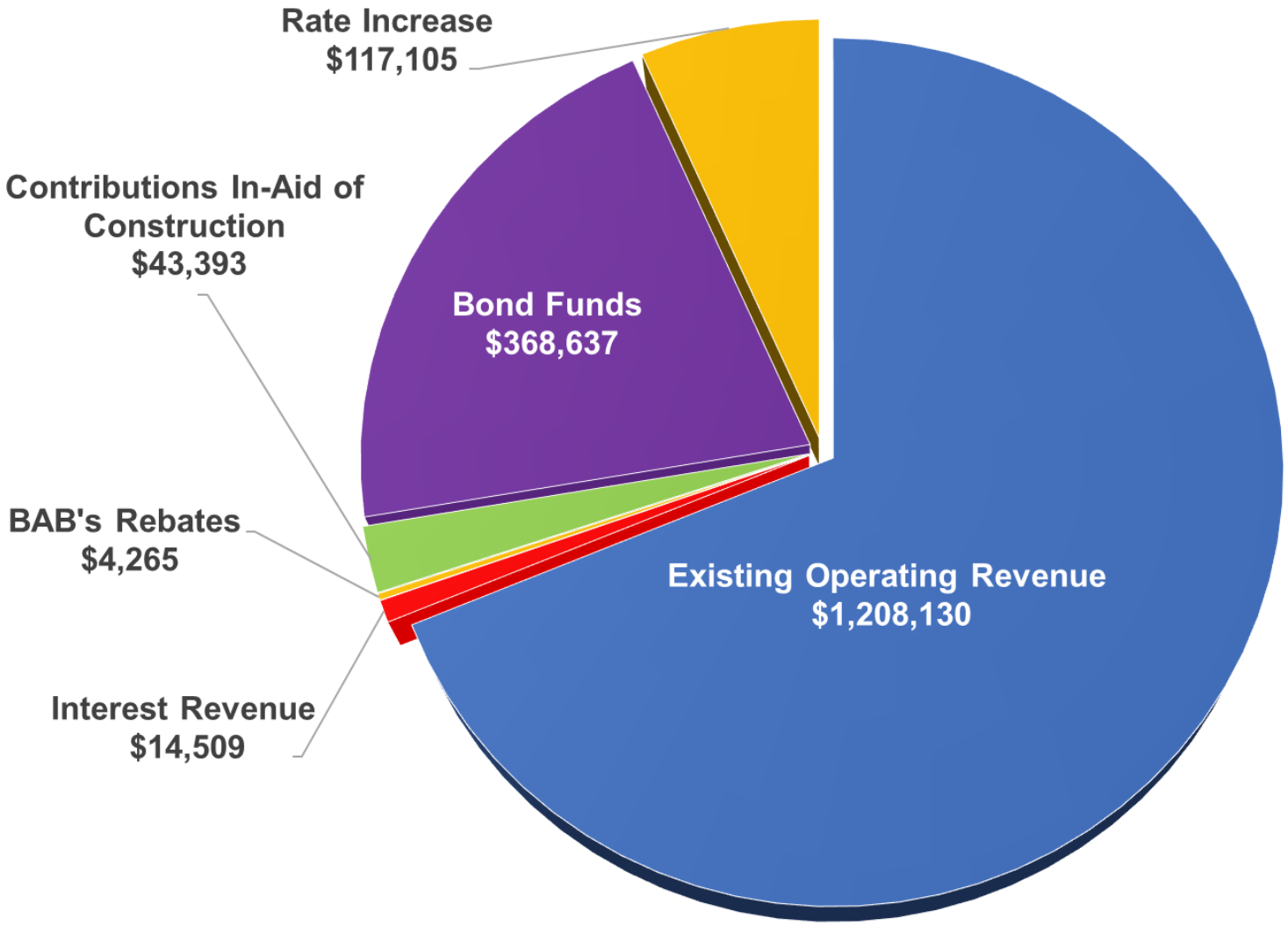
Board Budget Instruction (I-3)

The Chief Executive Officer shall direct that financial planning and budgeting is multi-year and includes planning assumptions, capital and operations expenses and projections of revenues and cash flow

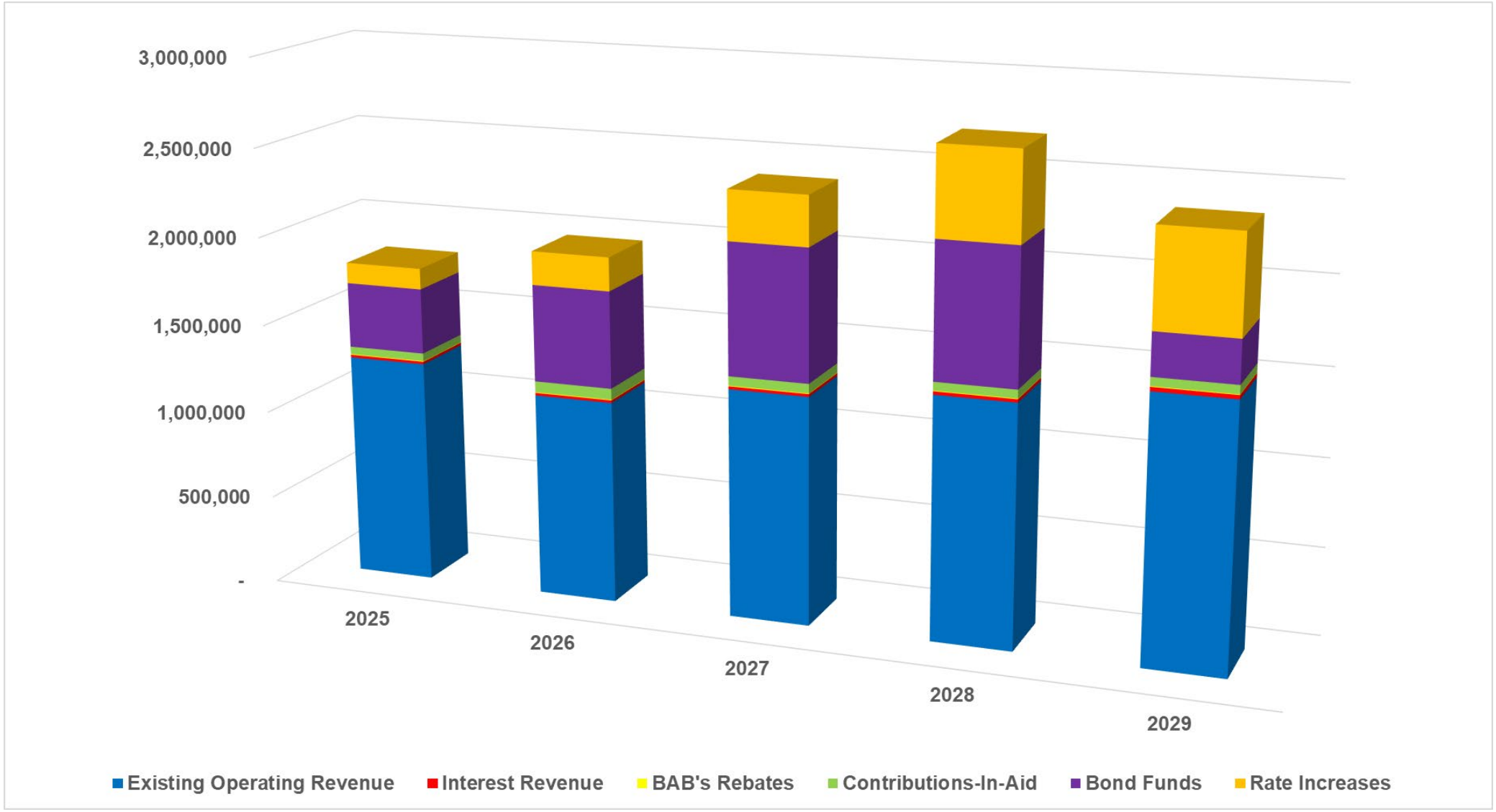
- **Maintain Financial Metrics that support AA Credit Ratings**
- **Financially position to meet long-range infrastructure funding requirements while moderating customers' average base bill adjustments**
- **Use planning assumptions that accurately forecast revenues and expenses**
- Direct that a water reserve account is established and maintained to manage water sales volatility
- Use financial methods that share the cost of utility infrastructure between current and future customers
- **Use risk-based modeling and a defined enterprise procedure to prioritize operations and maintenance infrastructure**

Budget Overview

Funding 2025 Appropriation (in thousands)



Funding 2025-29 Appropriation (in thousands)



Proposed 2025 Budget

Budget Summary (in thousands)

	2025 Proposed Budget	2024 Approved Budget	Increase / (Decrease)	% Change
Capital Projects	$ 613,684	$ 433,018	$ 180,666	41.7%
Fuel Operations & Maintenance	494,939	418,721	76,218	18.2%
Non-Fuel Operations & Maintenance	438,849	404,749	34,100	8.4%
Debt Service	227,795	211,061	16,734	7.9%
Surplus Funds to City & Franchise Fees	37,145	36,769	376	1.0%
TOTAL	**$1,812,413**	**$1,504,318**	**$ 308,095**	**20.5%**

Proposed 2025-29 Forecast (in thousands)

	2025	2026	2027	2028	2029
Capital Projects	$ 613,684	$ 662,920	$ 962,374	$ 954,804	$ 571,096
Operations & Maintenance – Fuel*	$ 494,939	$550,615	$626,293	$742,399	$711,140
Operations & Maintenance – Non-Fuel	$438,849	$453,108	$469,771	$479,018	$488,612
Debt Service	$227,795	$261,398	$291,508	$339,636	$374,109
Surplus Transfers & Franchise Fees	$37,145	$37,398	$37,680	$38,091	$38,285
Total	**$1,812,413**	**$1,965,438**	**$2,387,626**	**$2,553,948**	**$2,184,052**

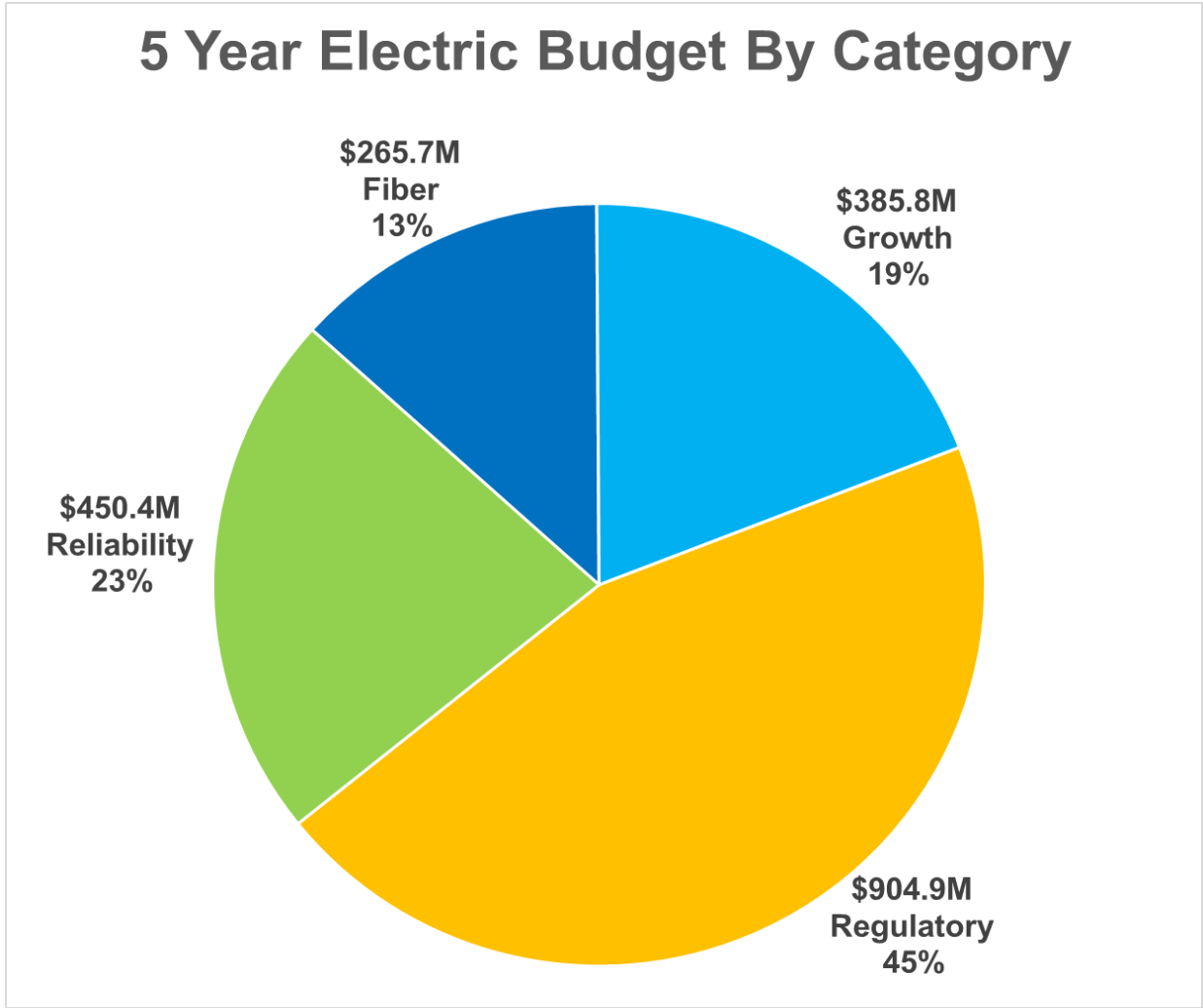
* Contains high fuel case of $177M in each year.

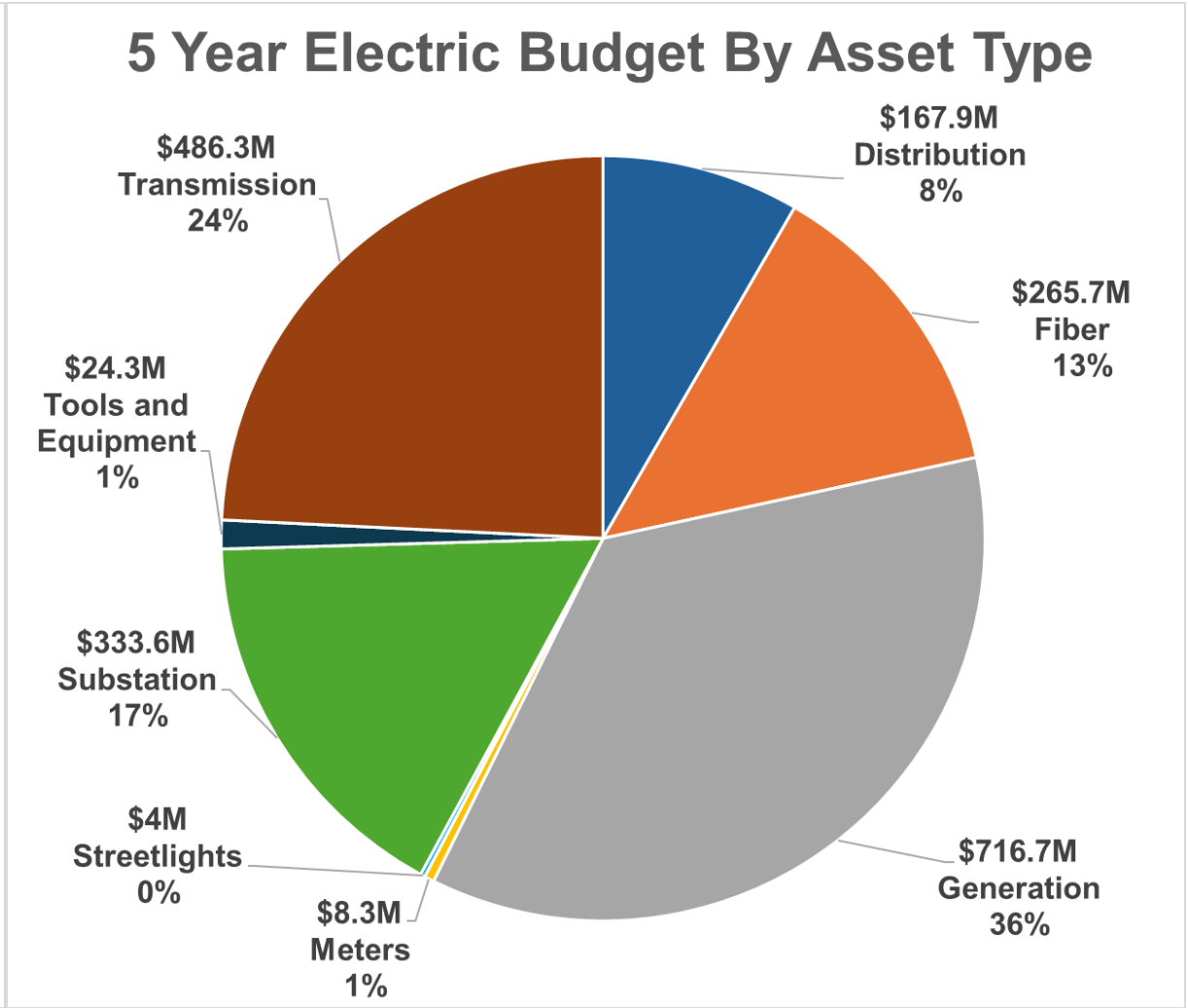
Capital Projects

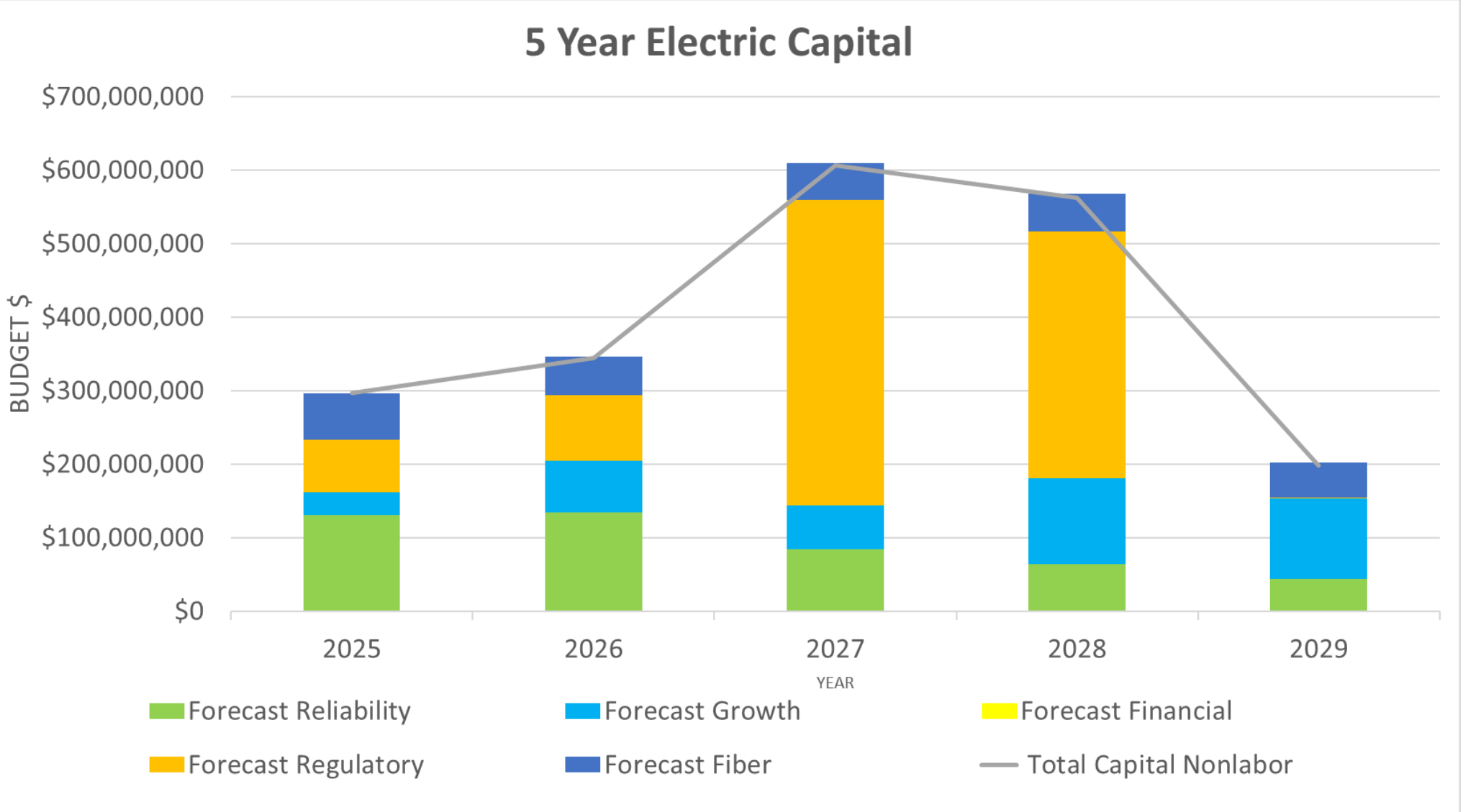
5-Year Electric Budget Allocation

Business Critical Body of Work	Category	Project Name	5 Year Total ($M)
Fiber	Fiber	Operational Fiber Network	266
Transmission	Growth	APIP – Peak Innovation Park(PIP) – 600MW Load	175
Substation	Growth	New Substations for Future Capacity	31
Distribution	Growth	Underground 12.5kV Distribution to New Residential Customers	28
Generation	Regulatory	SEP EIRP Implementation - Generation	646
Transmission	Regulatory	SEP EIRP Implementation - Transmission	200
Substation	Regulatory	SEP IRP Implementation - Substation	60
Substation	Reliability	SEP Kelker Substation Rebuild-Expansion	77
Transmission	Reliability	SEP MW-KE Transmission Line	63
Substation	Reliability	Central Bluffs Substation	24

5-Year Electric Capital by Category & Asset Type







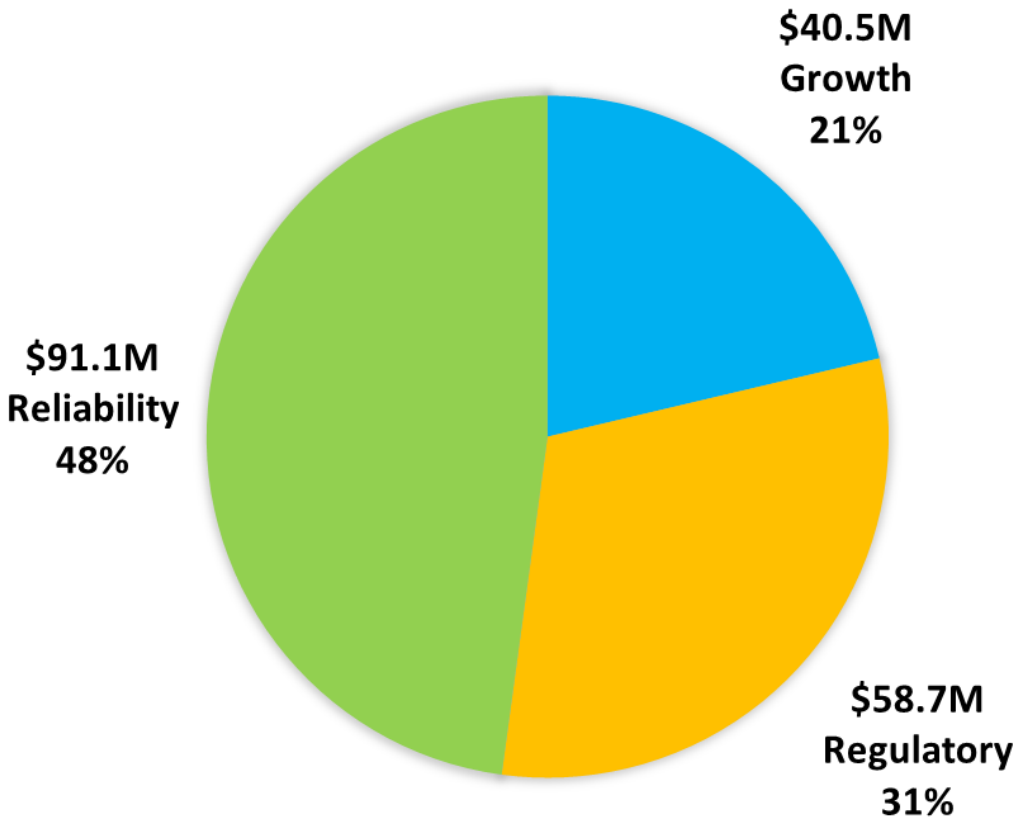
Electric Targets	2025	2026	2027	2028	2029	5-Year Total
Base & Non-Base (Non-Labor)	$ 93,201,102	$ 103,875,031	$ 84,773,568	$ 96,001,815	$ 83,370,778	$ 461,222,294
Peak Innovation Park (APIP)	$ 9,860,000	$ 31,430,000	$ 28,118,545	$ 76,250,000	$ 65,000,000	$ 210,658,545
Fiber	$ 63,045,000	$ 52,445,000	$ 49,900,000	$ 52,302,500	$ 47,992,500	$ 265,685,000
IRP/SEP	$ 130,463,000	$ 156,407,000	$ 443,453,000	$ 337,364,000	$ 1,561,000	$ 1,069,248,000
Total Capital Nonlabor	**$ 296,569,102**	**$ 344,157,031**	**$ 606,245,113**	**$ 561,918,315**	**$ 197,924,278**	**$ 2,006,813,839**

5-Year Gas Budget Allocation

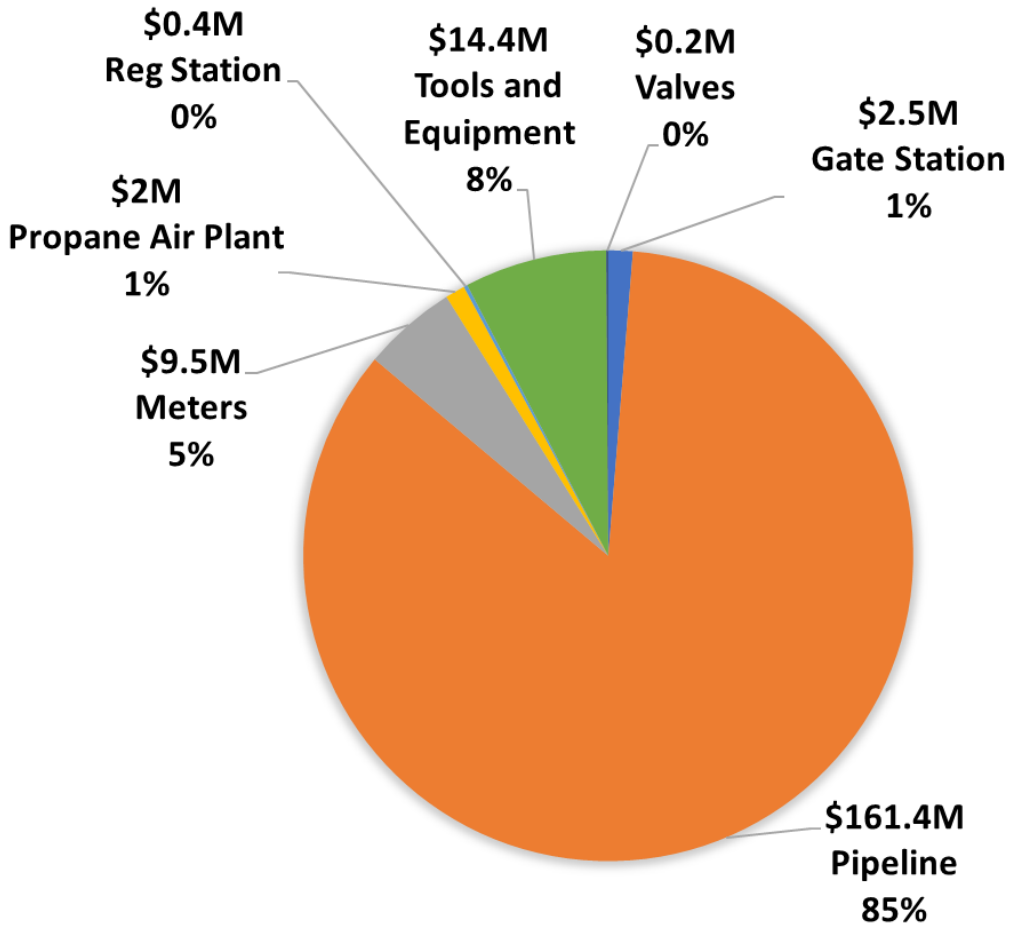
Business Critical Body of Work	Category	Project Name	5 Year Total ($M)
Pipeline	Growth	New Construction Billable	19
Meters	Growth	Gas Meters - Base Requirements	9
Pipeline	Growth	New Construction Non-Billable	7
Pipeline	Regulatory	DIMP - Gas 150P System Renewals	28
Pipeline	Regulatory	DIMP - Gas Coated Steel Renewals	19
Pipeline	Regulatory	DIMP – Gas Vintage Plastic Renewals	5
Pipeline	Reliability	Downtown and Military Gas Supply Resiliency Project	59
Tools and Equipment	Reliability	Gas Service Vehicles & Equipment	11
Pipeline	Reliability	Gas Unplanned Maintenance	11
Pipeline	Reliability	Gas Distribution System Improvements	5

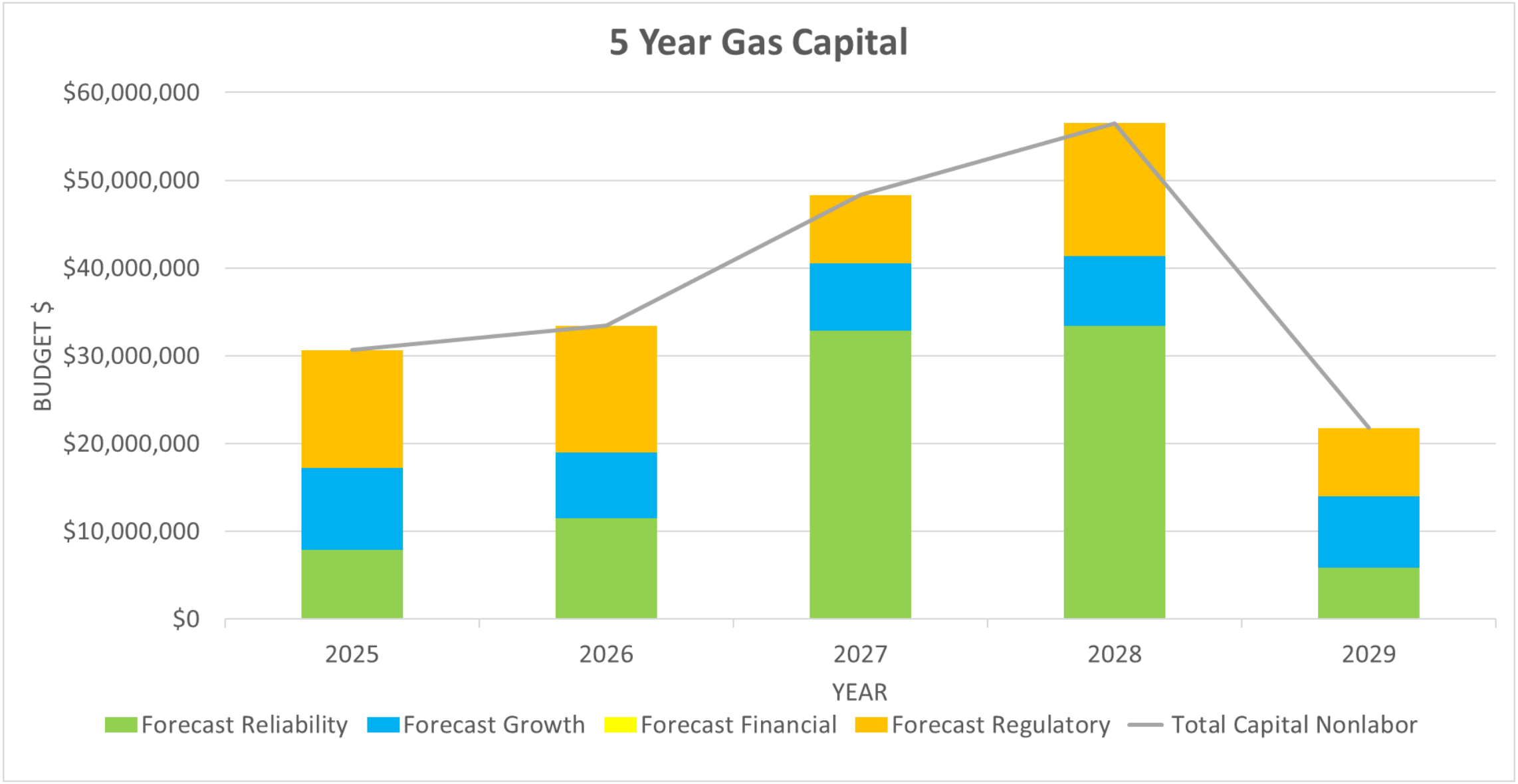
5-Year Gas Capital by Category & Asset Type

5 YEAR GAS BUDGET BY CATEGORY



5 YEAR GAS BUDGET BY ASSET TYPE



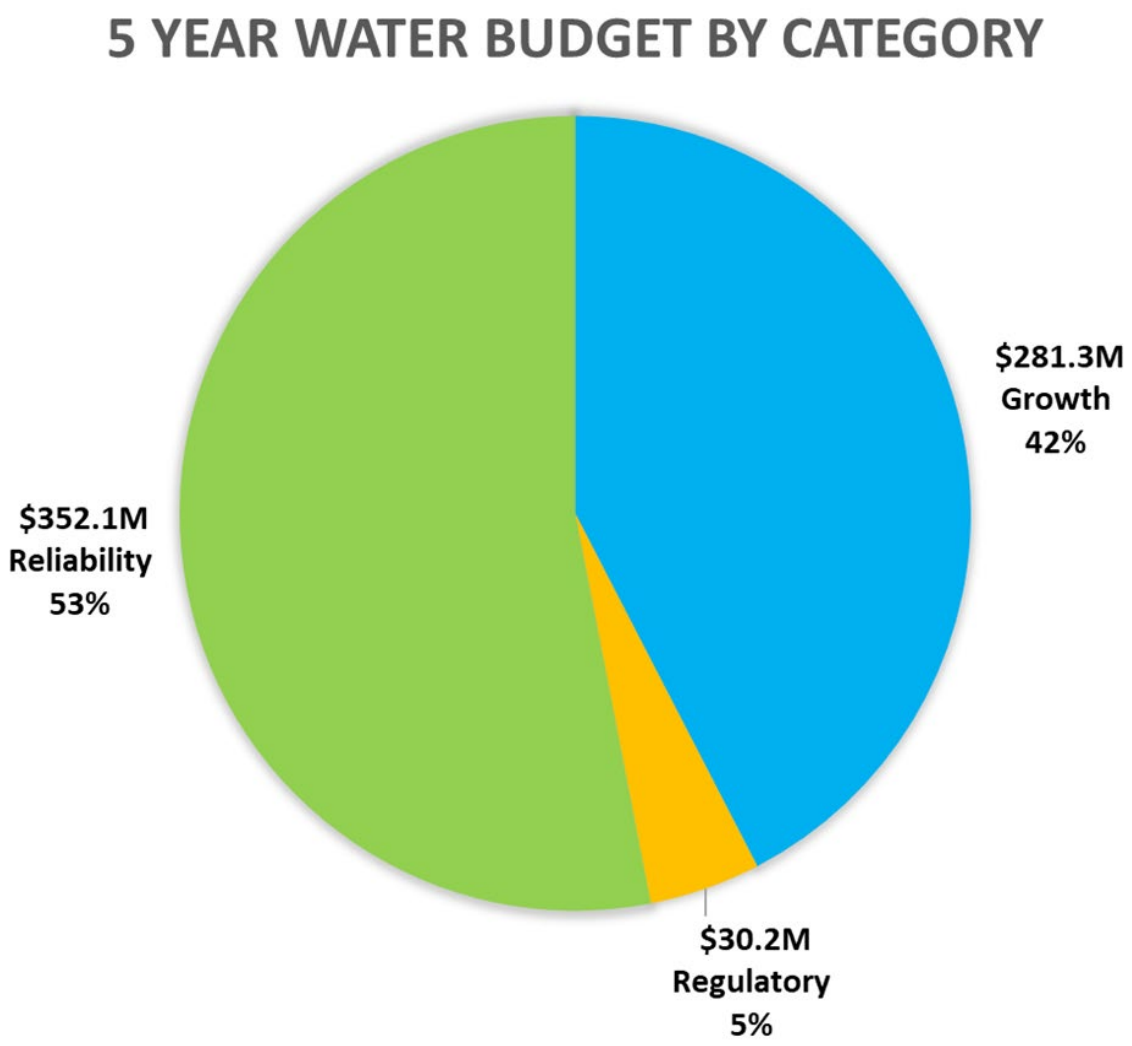


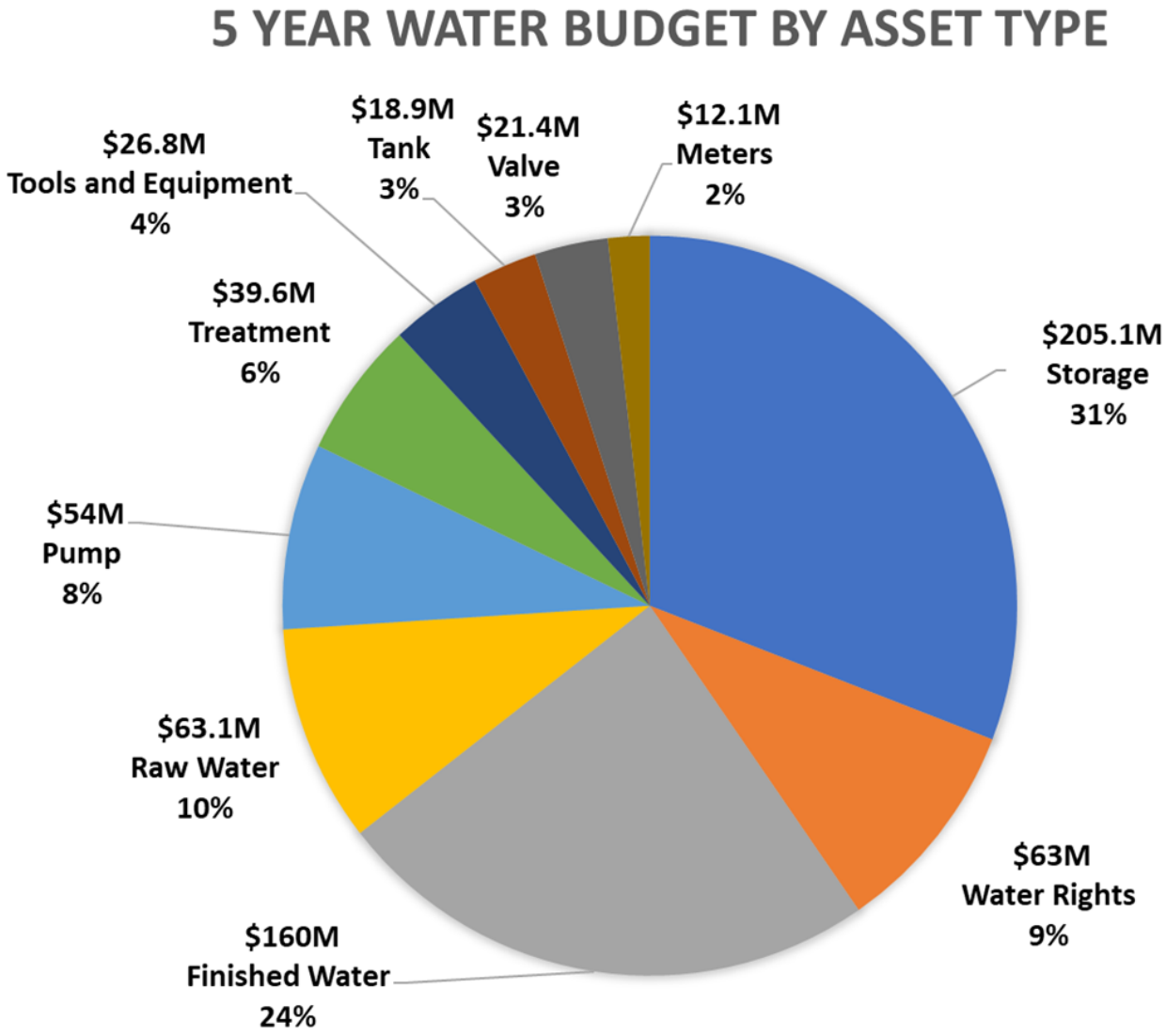
Gas Targets	2025	2026	2027	2028	2029	5-Year Total
Base & Non-Base (Non-Labor)	$ 16,934,345	$ 16,225,922	$ 14,563,260	$ 14,516,979	$ 13,950,115	$ 76,190,621
DIMP	$ 10,894,662	$ 13,869,167	$ 7,425,457	$ 15,185,833	$ 7,818,601	$ 55,193,720
Labor	$ 2,820,000	$ 3,320,000	$ 26,320,000	$ 26,820,000	$ -	$ 59,280,000
Total Capital Non-Labor	**$ 30,649,007**	**$ 33,415,089**	**$ 48,308,717**	**$ 56,522,812**	**$ 21,768,716**	**$ 190,664,341**

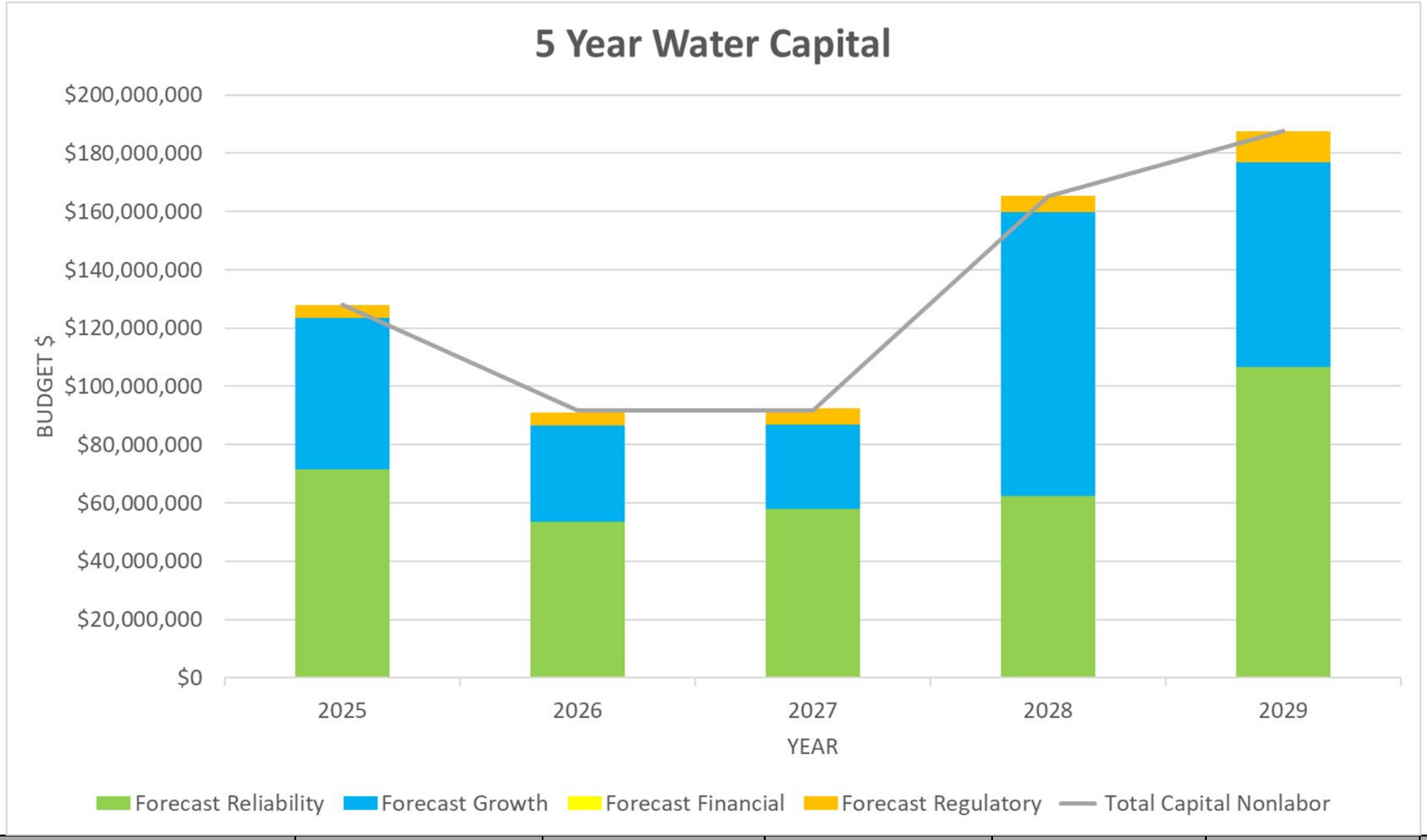
5 Year Water Capital Budget Allocation

Business Critical Body of Work	Category	Project Name	5 Year Total ($M)
Finished Water	Regulatory	Public Improvement Projects – Water	29
Water Rights	Growth (WRF)	Water Acquisition	63
Storage	Growth (WRF)	Continental-Hoosier System Project	172
Finished Water	Reliability	Finished Water Linear Asset Program	72
Treatment	Reliability	Tollefson/Mesa WTP Program Upgrades Ph 2 and 3	35
Raw Water	Reliability	Rosemont Pipeline Replacement	26
Valve	Reliability	Specialty Valves Rehabilitation and Replacement Program	21
Tools and Equipment	Reliability	Water Service Vehicles & Equipment	24
Pump	Reliability	Austin Bluffs Pump Station and Transmission	24
Finished Water	Reliability	WOLF and UBGT Pressure Zone Interconnection - North Segment, Phase 1 of 2	21

5-Year Water Capital by Category & Asset Type







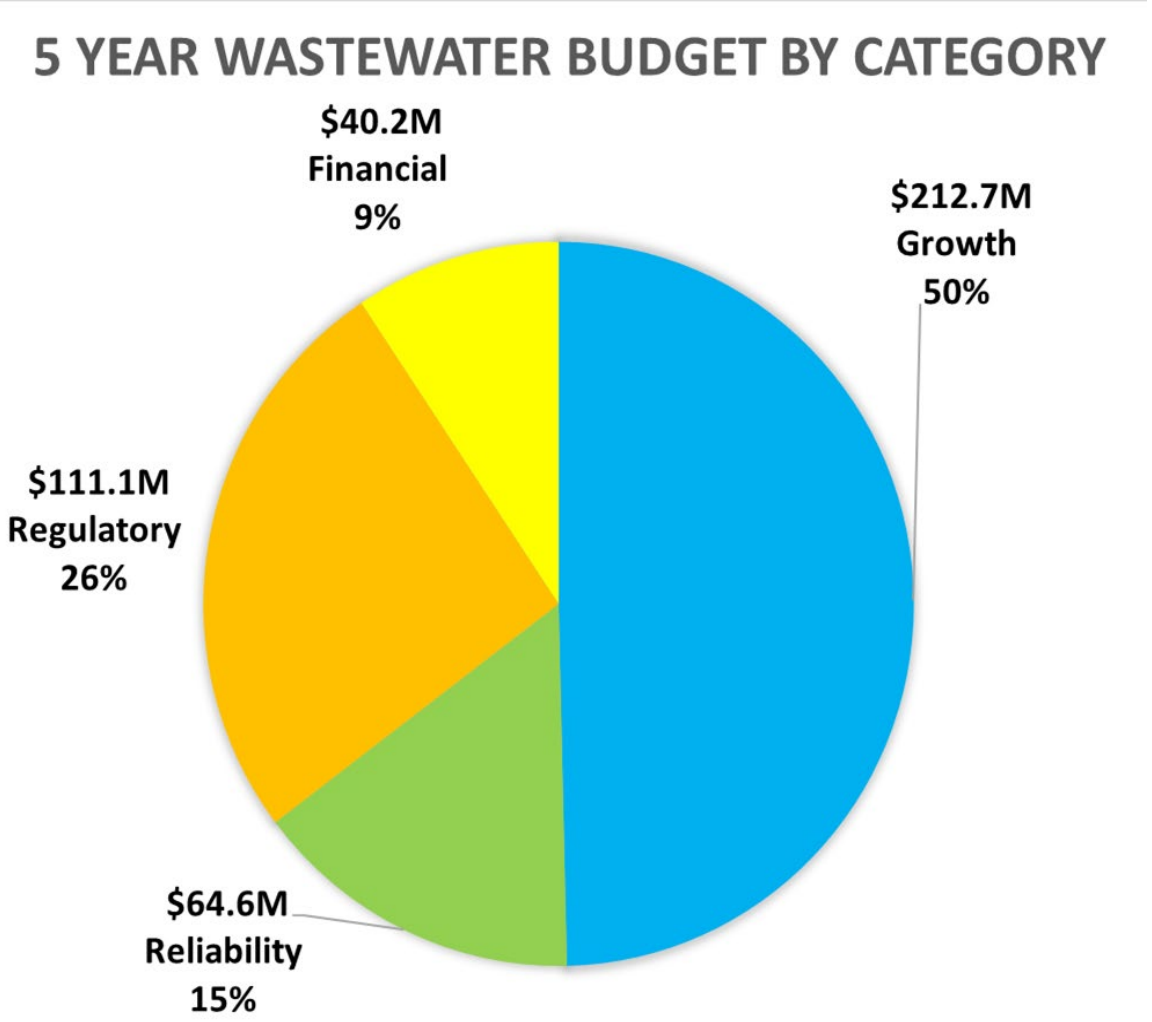
Water Targets	2025	2026	2027	2028	2029	5 Year Total
Base & Non-Base (Non-Labor)	$ 86,875,208	$ 72,252,121	$ 64,402,244	$ 67,570,289	$ 121,561,695	$ 412,661,556
Water Resource Projects	$ 36,881,095	$ 18,783,055	$ 26,542,872	$ 97,240,529	$ 70,051,745	$ 249,499,296
Total Capital Nonlabor	**$ 123,756,303**	**$ 91,035,176**	**$ 90,945,116**	**$ 164,810,818**	**$ 191,613,440**	**$ 662,160,852**

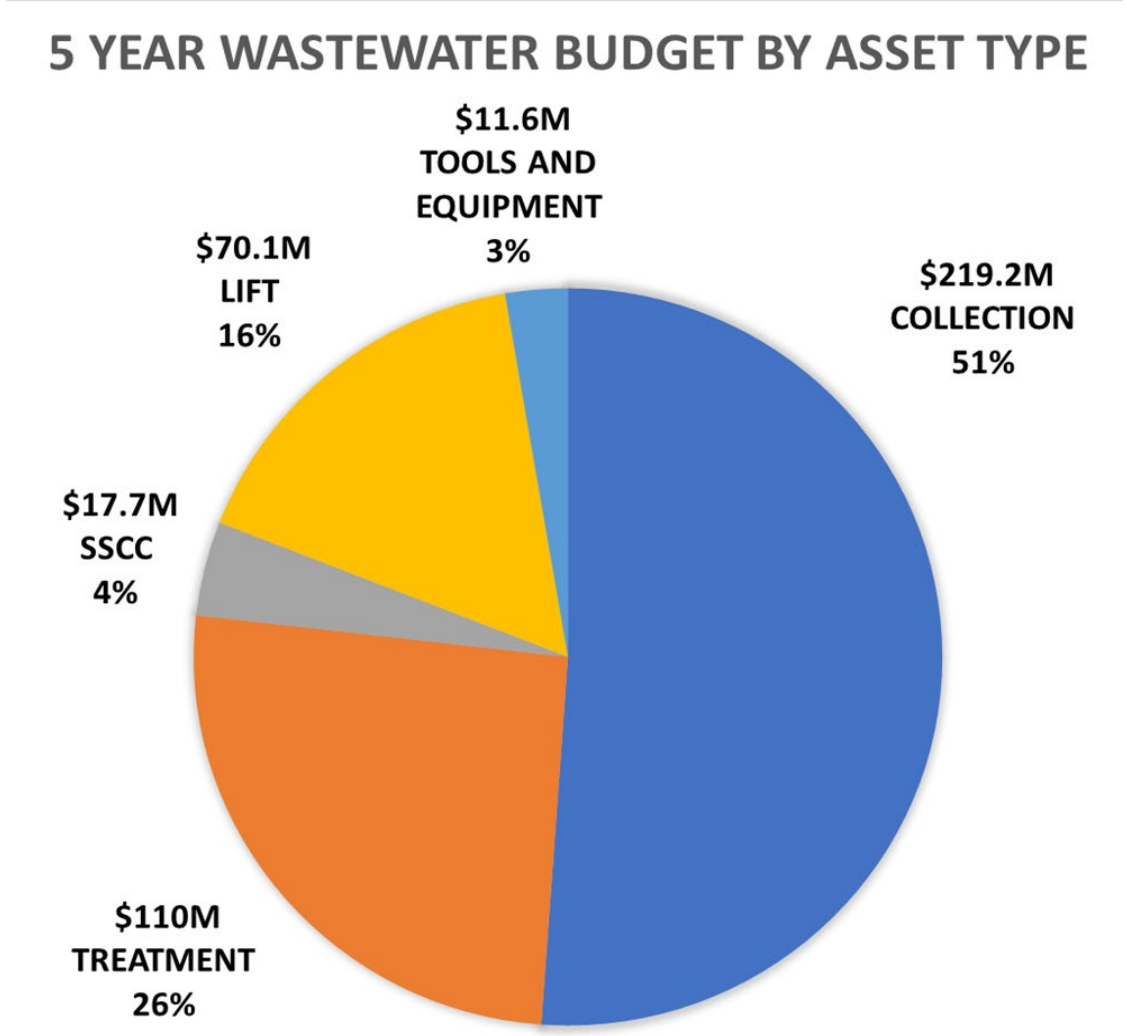
5 Year Wastewater Budget Allocation

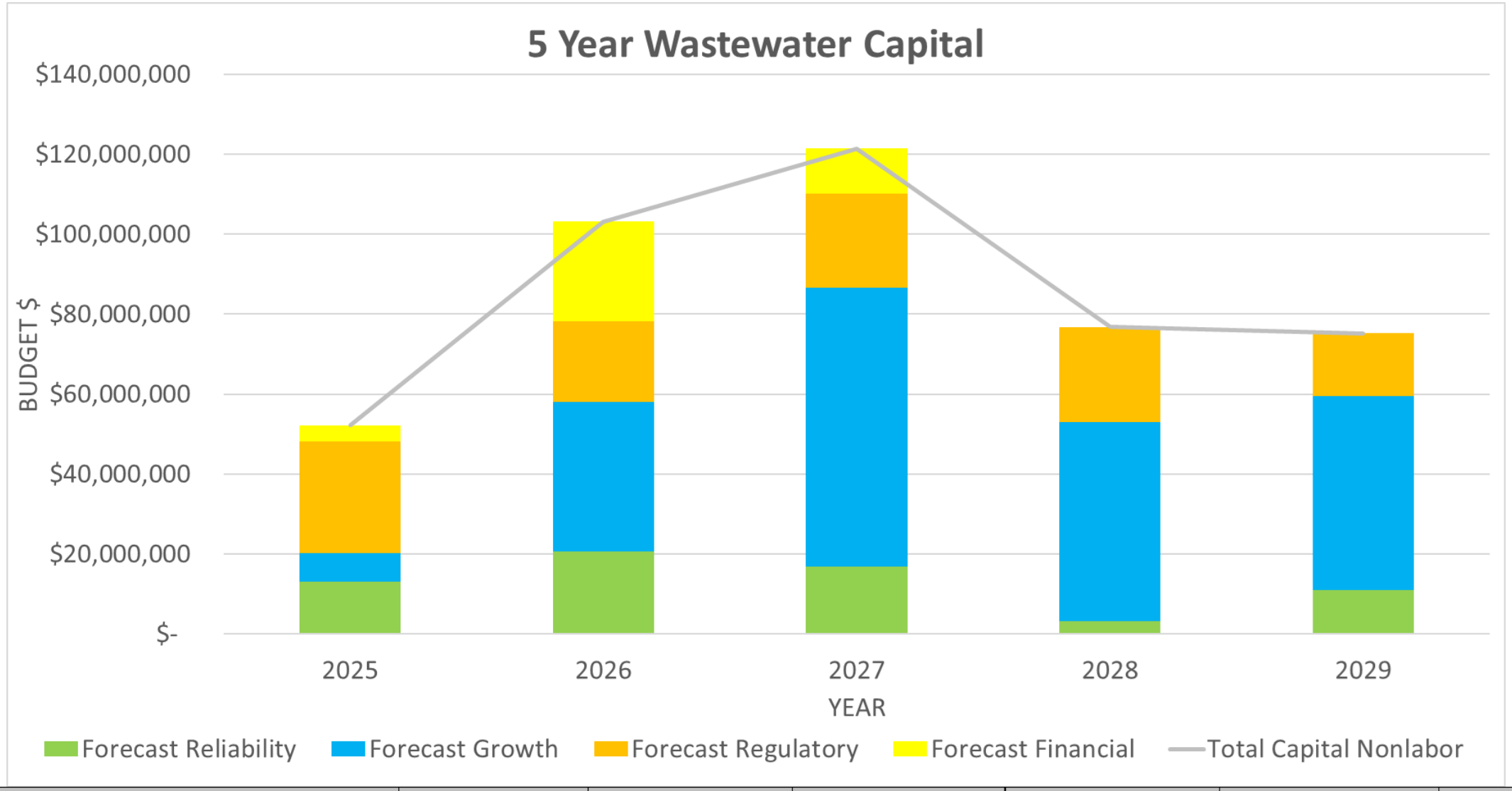
Business Critical Body of Work	Category	Project Name	5 Year Total ($M)
Collection	Financial	Northern Monument Creek Interceptor	40
SSCC	Regulatory	SSCC Collection System Rehabilitation/Replacement Program	18
Treatment	Regulatory	JDPWRRF Facility-Wide EI&C Upgrades & Power Quality Protection	17
Collection	Regulatory	Local Collectors Evaluation and Rehabilitation Program (LCERP)	15
Collection	Growth (CR)	EWSE Crosstown Interceptor	84*
Collection	Growth (CR)	EWSE Milton Proby Interceptor	60*
Lift	Growth (CR)	EWSE New Lift Station and Force Main Phase 1	34*
Lift	Growth (CR)	EWSE-BLR-Collection Sand Creek Lift Station and Force Main	21*
Lift	Growth (CR)	EWSE-BLR-Collection New Lift Station and Force Main Phase 2	12*
Treatment	Reliability	LVSWRRF Influent Junction Box Replacement	15

*Class V estimates used here, we now have Class IV

5 Year Wastewater Capital by Category & Asset Type





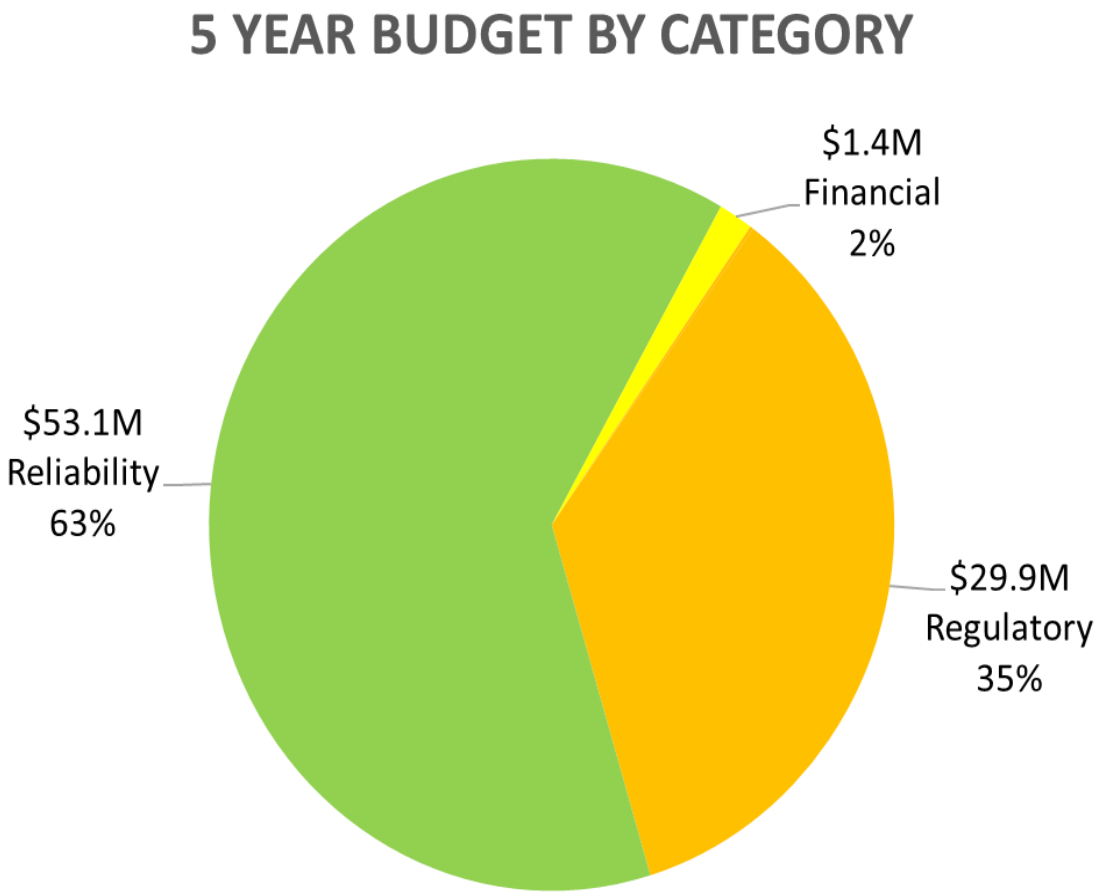


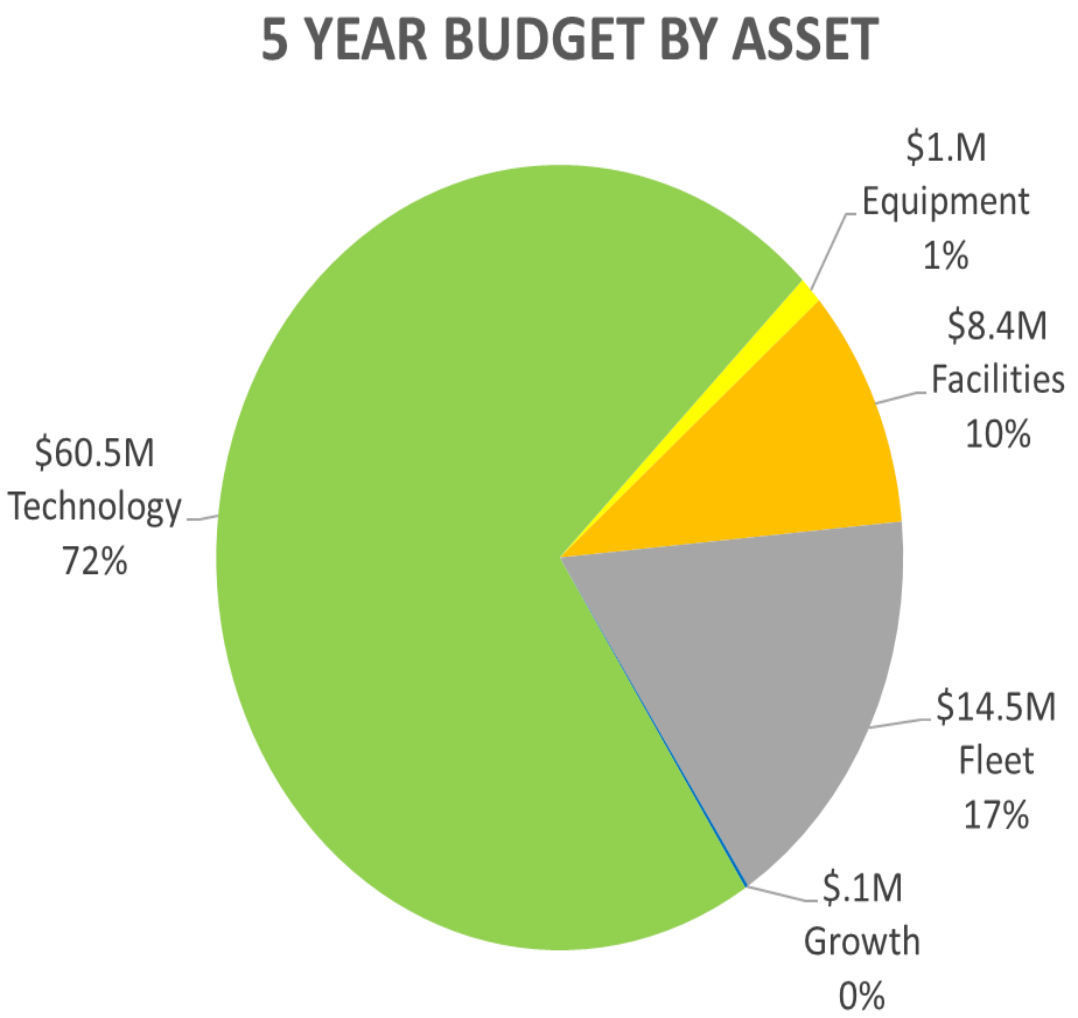
Wastewater Targets	2025	2026	2027	2028	2029	5-Year Total
Base & Non-Base (Non-Labor)	$ 41,176,718	$ 40,919,073	$ 40,634,345	$ 27,340,912	$ 26,922,061	$ 176,993,109
NMCI	$ 4,000,000	$ 25,000,000	$ 11,190,000	$ -	$ -	$ 40,190,000
Eastern WW *Class V Estimate	$ 6,974,000	$ 37,204,000	$ 69,544,000	$ 49,392,000	$ 48,294,000	$ 211,408,000
Total Capital Nonlabor	**$ 52,150,718**	**$ 103,123,073**	**$ 121,368,345**	**$ 76,732,912**	**$ 75,216,061**	**$ 428,591,109**

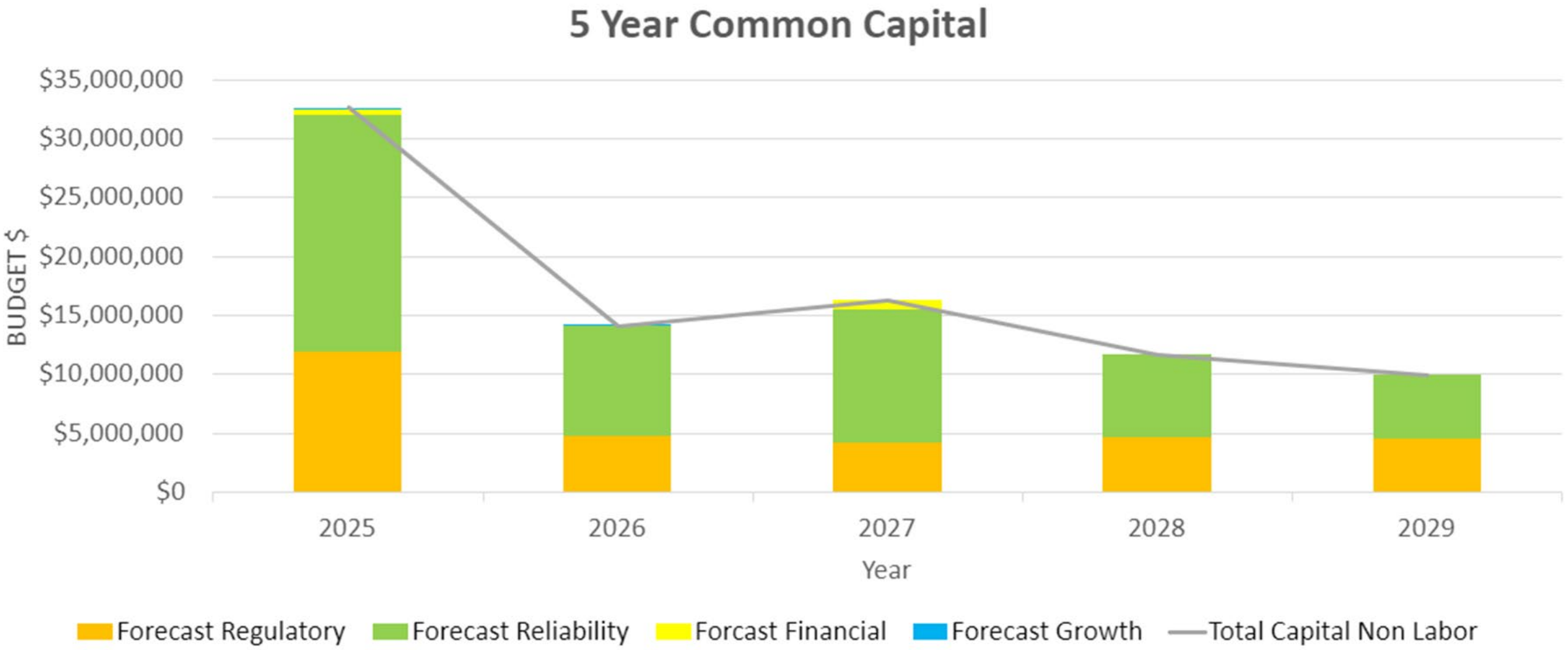
5 Year Common Budget Allocation

Business Critical Body of Work	Risk Type	Project Name	5 Year Total ($M)
Technology	Regulatory	GIS Technology Modernization Project	10.0
Technology	Regulatory	Data Analytics and Strategy - Storage & Access	8.5
Technology	Regulatory	Trunked Radio System Replacement Program	3.8
Technology	Regulatory	Vac Material Processing Wash Plant Recovery System	2.6
Technology	Regulatory	SCADA	1.6
Fleet	Reliability	Common Service Vehicles & Equipment	14.5
Technology	Reliability	Computer Maintenance Management System (CMMS)	11.9
Technology	Reliability	Network Enterprise Services Program	11.5
Technology	Reliability	Infrastructure Platform Program	7.4
Technology	Reliability	BRDS02 Data Center PDU/UPS Upgrade	1.5

5 Year Common Capital by Category & Asset Type







Common Targets	2025	2026	2027	2028	2029	5 Year Total
Base (Non Labor)	$32,622,056	$ 14,090,982	$ 16,283,102	$ 11,599,590	$ 9,935,547	$ 84,531,277
Total Capital (Non Labor)	**$32,622,056**	**$ 14,090,982**	**$ 16,283,102**	**$ 11,599,590**	**$ 9,935,547**	**$ 84,531,277**

Total Labor and Non-Fuel Operations & Maintenance

By Account Group Overview (in thousands)

Account Group	FY25 Proposed Budget	FY24 Approved Budget	FY23 Actuals	FY25 Proposed Budget Increase/ (Decrease) from:			
				FY24 Budget		FY23 Actuals	
Labor	$ 249,002	$ 228,222	$ 206,335	$ 20,780	9.1%	$ 42,667	20.7%
Benefits	77,792	$ 65,094	$ 63,764	12,698	19.5%	14,028	22.0%
Outside Professional Services	57,881	50,716	52,887	7,165	14.1%	4,993	9.4%
Equipment Lease & Maintenance	33,162	27,829	29,222	5,332	19.2%	3,939	13.5%
Buildings & Utilities	24,974	25,711	25,040	(737)	-2.9%	(66)	-0.3%
Office Expenses, Materials & Supplies	42,900	38,657	40,590	4,243	11.0%	2,311	5.7%
Travel, Education & Employee Expenses	4,736	3,637	3,314	1,099	30.2%	1,422	42.9%
Conserve, Safety, Customer Assist & Financial Info	5,280	6,156	3,801	(876)	-14.2%	1,479	38.9%
Professional/Industry Memberships & Publications	1,893	1,802	1,977	91	5.0%	(84)	-4.3%
Misc. Accounting General	23,539	19,420	8,340	4,119	21.2%	15,199	182.2%
Total [1]	**$ 521,159**	**$ 467,245**	**$ 435,270**	**$ 53,914**	**11.5%**	**$ 85,889**	**19.7%**

[1] Totals exclude inter-service eliminations, Administration & General overhead, and GASB 68 and 75 pension expense.

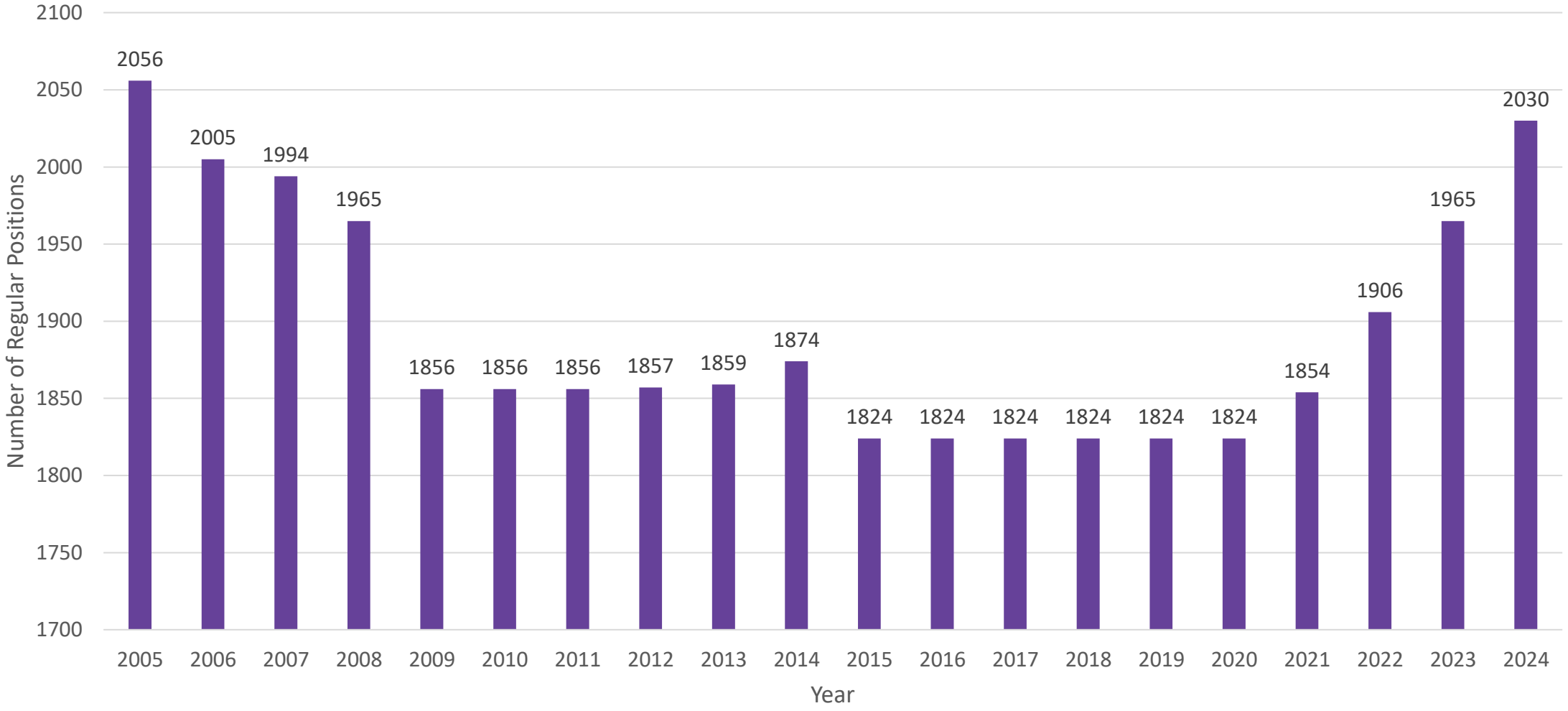
By Division Overview (in thousands)

Division	FY25 Proposed Budget	FY24 Approved Budget	FY23 Actuals	FY25 Proposed Budget Increase/ (Decrease) from:			
				FY24 Budget		FY23 Actuals	
Corporate	$ 18,657	$ 14,907	$ 9,108	$ 3,749	25.2%	$ 9,548	104.8%
CEO Direct Reports (Division 1)	1,313	1,240	1,214	73	5.9%	98	8.1%
Admin and Human Resources (Division 2)	110,907	98,056	82,324	12,851	13.1%	28,583	34.7%
Planning and Finance (Division 4)	23,707	19,501	19,129	4,206	21.6%	4,578	23.9%
Customer & Enterprise Services (Division 5)	77,247	66,849	66,825	10,398	15.6%	10,422	15.6%
Operations Division (Division 7)	225,254	210,622	202,489	14,631	6.9%	22,765	11.2%
System Planning and Projects (Division 9)	64,075	56,069	54,180	8,006	14.3%	9,896	18.3%
Total [1]	**$ 521,159**	**$ 467,245**	**$ 435,270**	**$ 53,914**	**11.5%**	**$ 85,889**	**19.7%**

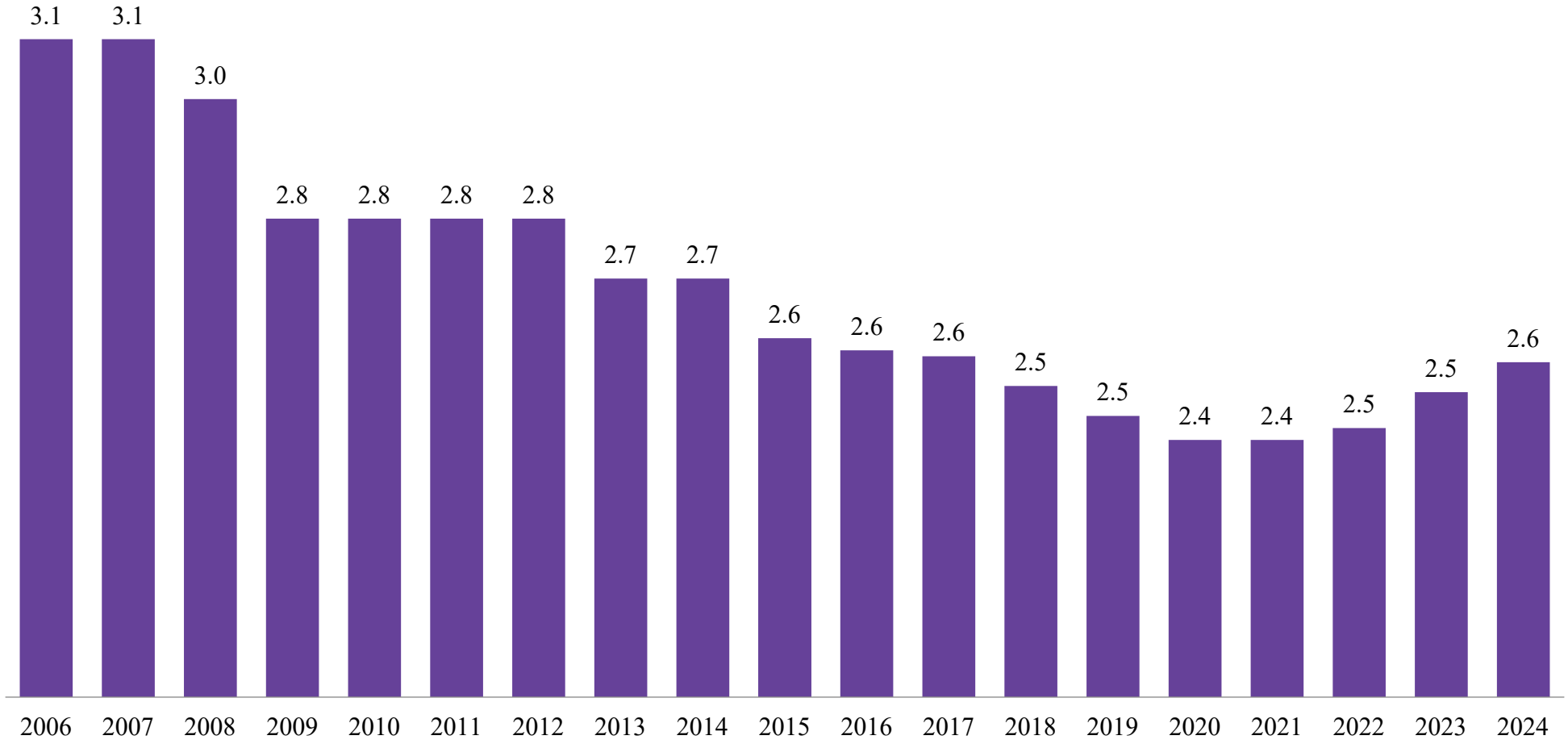
[1] Totals exclude inter-service eliminations, Administration & General overhead, and GASB 68 and 75 pension expense.

Historical Labor Information

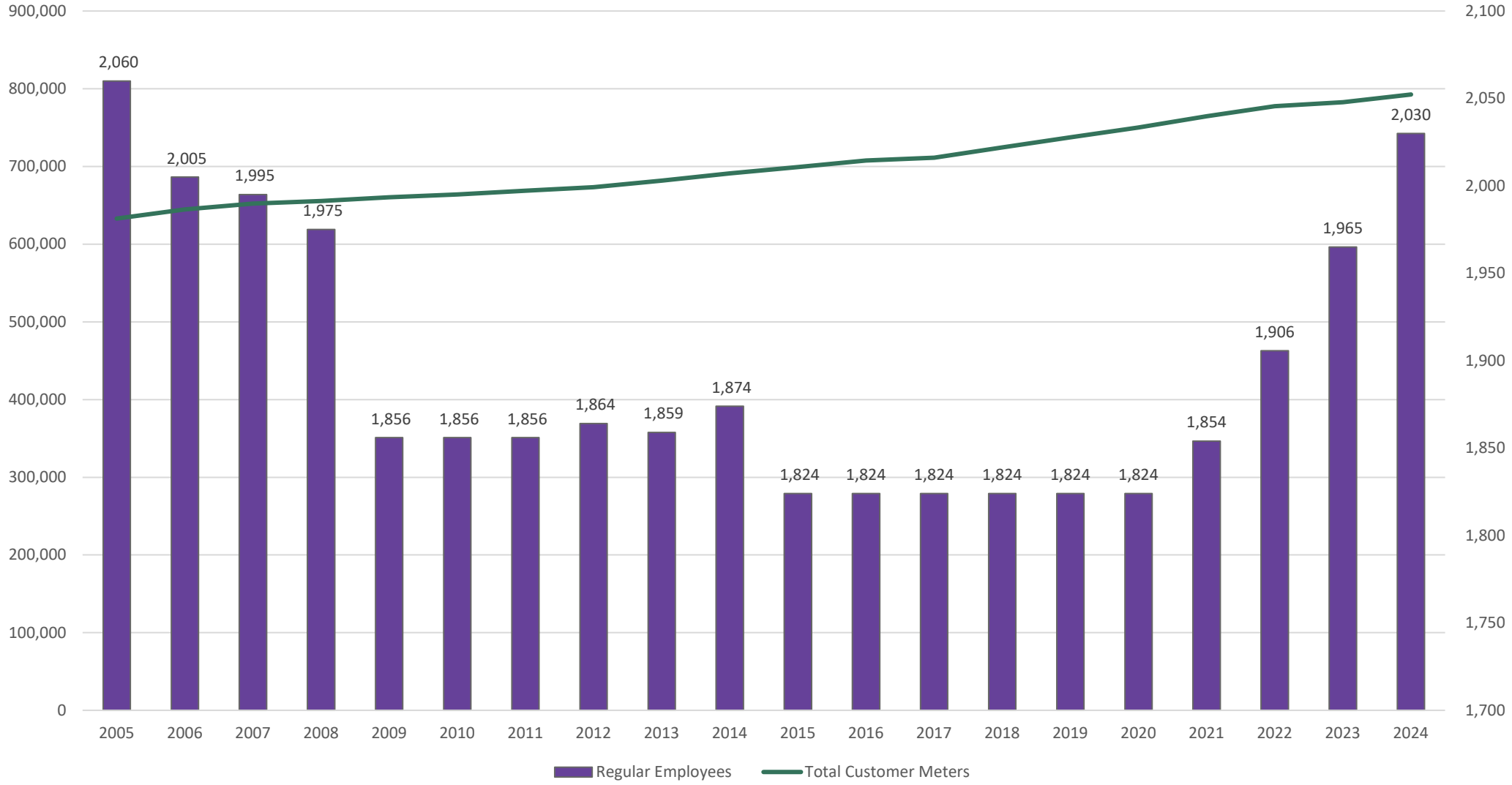
Regular Positions Budgeted 2005 - 2024



Employee Regular Positions Per Thousand Customer Meters

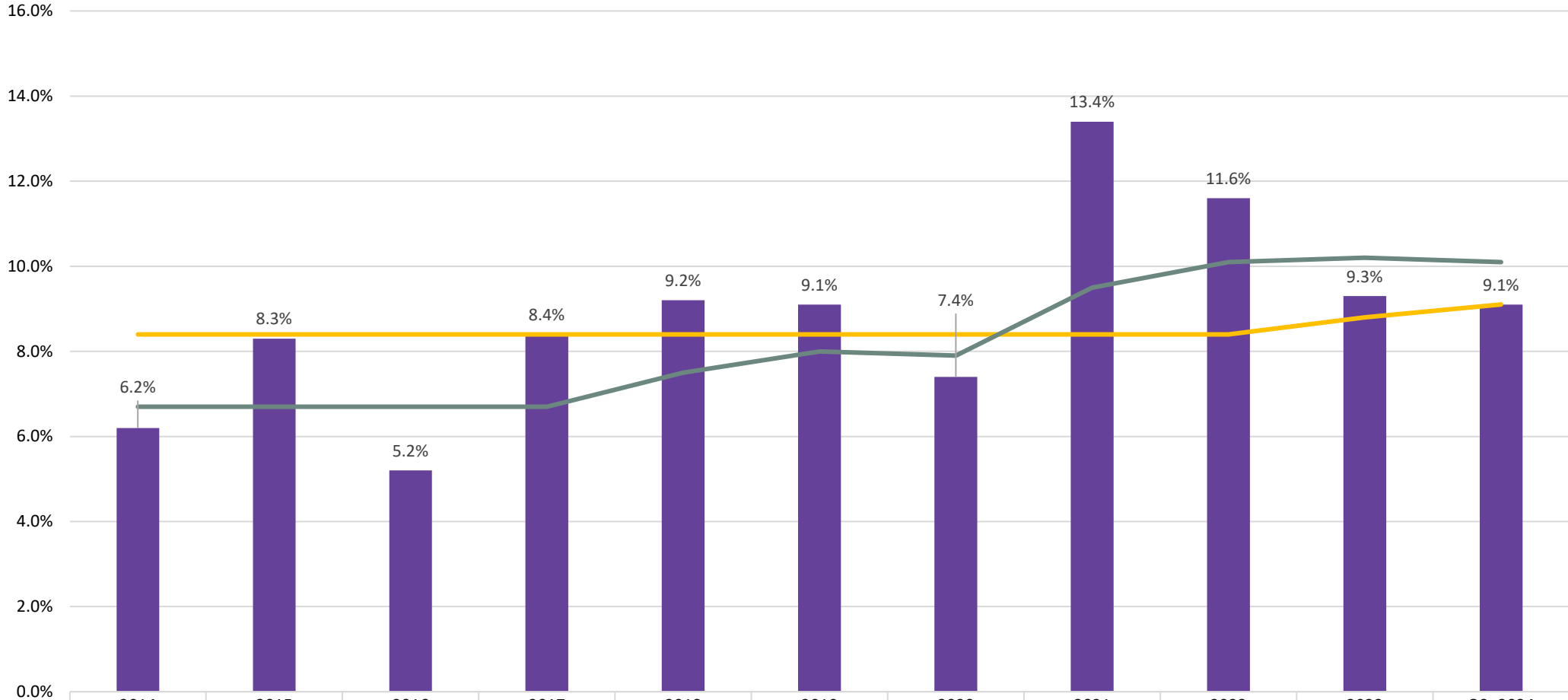


Regular Positions Budgeted and Total Customer Meters Served 2005 - 2024



10-Year Turnover Rate

*Rolling 12-Month Average Turnover

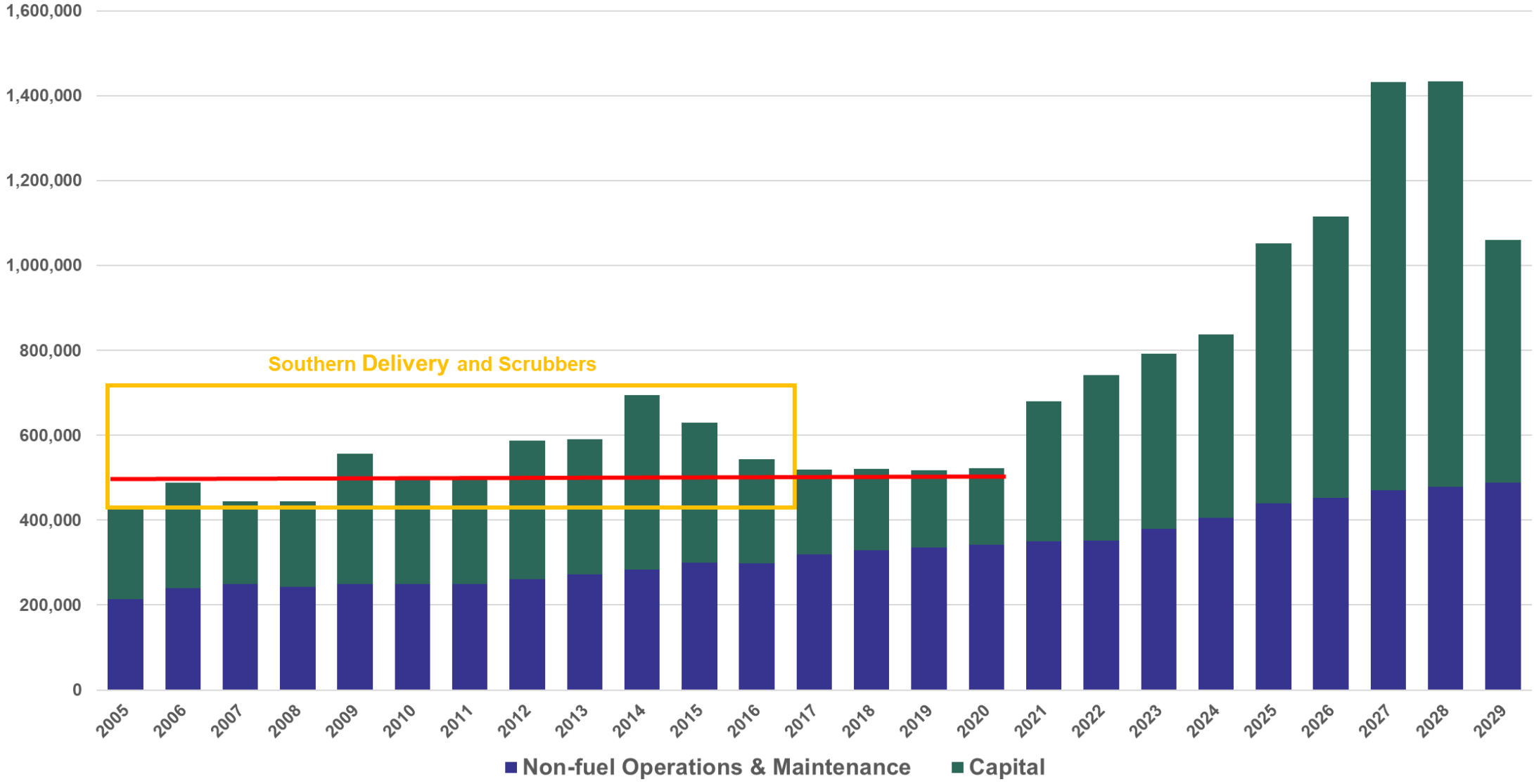


	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Q2, 2024
Turnover Rate	6.2%	8.3%	5.2%	8.4%	9.2%	9.1%	7.4%	13.4%	11.6%	9.3%	9.1%
10-Year Average	8.4%	8.4%	8.4%	8.4%	8.4%	8.4%	8.4%	8.4%	8.4%	8.8%	9.1%
5-Year Average	6.7%	6.7%	6.7%	6.7%	7.5%	8.0%	7.9%	9.5%	10.1%	10.2%	10.1%

Turnover Rate 10-Year Average 5-Year Average

2025 Labor Position Change Information

Non-fuel O&M & Capital History *in thousands



Position Requests

Program of Work	Positions	Budget
Reliability /Growth	68	$7,523,485
Ft Carson	12	$1,711,310
RTO	14	$2,805,098
Fiber	22	$2,760,829
Regulatory	5	$707,119
Technology	4	$719,138
Cyber	1	$214,146
Grants	1	$159,161
Total	**127**	**$16,600,286**

Reliability & Growth-Related Programs of Work

Positions will support the operations and maintenance of existing infrastructure as well as all new infrastructure for growth. Impacts to reliability directly impact residents and businesses of our Community.

- 68 Positions
- Total Cost: $7,523,485
- List off Non-Labor offsets to support positions
  - AMI – Reduction of 31 positions by 2026. Labor reduction of $1.8 million
  - Nixon – Attrition of employees through 2029 with closure. Final determination of staffing based on new generating assets. Current estimated savings of $3.5 million.
  - Contract locating services to supplement internal crews during times of increased work (estimated savings of $1.6 million)

Fort Carson Program of Work

Fort Carson has requested an amendment to the original IGSA for Utilities take on water distribution systems, including ongoing maintenance, assisting in the upgrade of the control system, as well as learning more about the sites chilled water and high temperature hot water systems starting in 2025.

- 12 Positions
- Total Cost: $1,711,310
- Zero impact on customer rates as Fort Carson will reimburse Utilities for all operations and maintenance expenses and required labor to support.

RTO Related Programs of Work

Utilities will join the Southwest Power Pool (SPP) Regional Transmission Operator (RTO) in 2026 which will enhance electric reliability, provide additional low cost electric options, lower the number of generation assets to be built, and aid in mandated carbon reductions. Positions required to meet the requirements of the RTO related to planning, outages, settlements, continuous data reporting resource adequacy & tariff compliance

- 14 Positions
- Total Cost: $2,805,098
- Annual Estimated Benefit of RTO Participation: $6,000,000

Fiber Program of Work

New fiber infrastructure will improve and expand that network to provide a much denser and deeper communications backbone for demand side management solutions, enabling microgrids, as well as enhancing Utilities systems & infrastructure monitoring & response times.

- 22 Positions
- Total Cost: $2,760,829

Regulatory Programs of Work

Positions will support regulatory requirements to include Dam Safety (FERC), PFAS Industrial Pretreatment Monitoring Program, Damage Prevention and Gas Compliance and Critical Infrastructure Program

- 5 positions
- Total Cost: $707,119

Technology Program of Work

Positions will support Computerized Maintenance Management System (Maximo) and Enterprise Resource Planning (INFOR). Upgrade of these systems reduces the amount of manual work of outdated end of life system and the amount of Cybersecurity risk, due to limited patching.

- 4 Positions
- Total Cost: $719,138
- Mostly offset from long-term temporary labor of $410,000

Cybersecurity Program of Work

Position will support:

- Increase in attacks on critical infrastructure by nation state actors
- OT systems are becoming interconnected and susceptible to modern attacks
- Multiple advisories from the FBI and DHS highlighting cyber threats against critical infrastructure
- The White House released a National Security Memorandum regarding concerns with critical infrastructure security

- 1 Position
- Total Cost: $214,146

Grant Program of Work

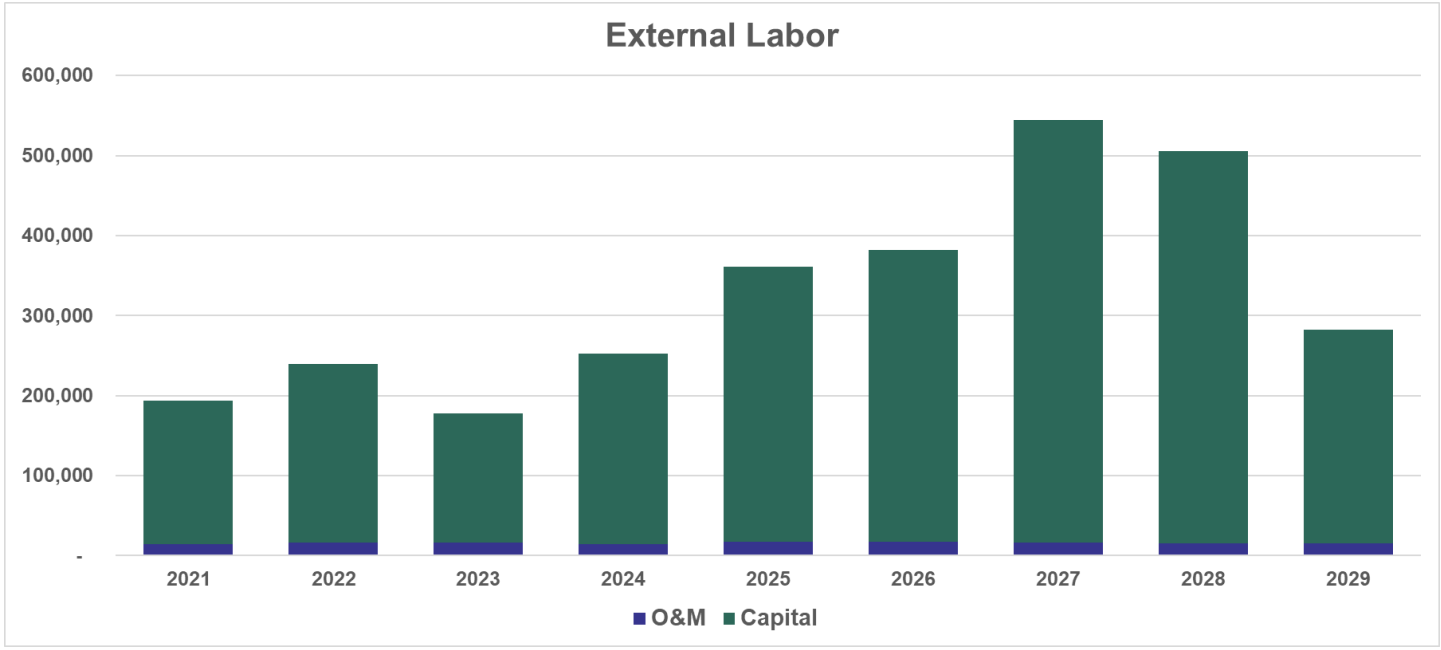
Position will support and manage grant writing applications submittals to state and federal agencies to include financial accounting.

- Position 1
- Total Cost: $159,161
- Total Amount of Grants Awarded:
  - 2024 - $8.91 M
  - 2023 - $866 k
- Amount of Grants applied for still awaiting decisions:
  - 2024 - $146 M

Sourcing & Delivery Models

Given the amount of capital spend and time frame various sourcing & delivery models will be evaluated; leading to an increase in outsourcing. The following models will be analyzed weighing various pros and cons to determine best fit.

- **Design-Bid-Build (DBB)**
- **Design Build (DB)**
- **Progressive Design-Build (PDB)**
- **Engineering, Procurement & Construction (EPC)**
- **Construction Management at Risk (CMAR)**
- **Integrated Project Delivery (IPD)**



Engineering, Procurement, & Construction (EPC)

In an EPC contract, a single entity (the EPC contractor) is responsible for the entire project lifecycle, from design and engineering to procurement and construction. Commonly called Turnkey Model.

Advantages

- Certainty: EPC contracts offer a fixed time and fixed price nature, providing certainty to project owners.
- Control: Owners can retain control over project design and execution, especially in complex engineering projects.
- Fast-Track Option: EPC allows for fast-track schedules.
- Reduces the need for many internal resources.

Benefits

- Comprehensive Management: EPC provides end-to-end project management, streamlining coordination and reducing interface risks.
- Risk Reduction: By bundling design, procurement, and construction, EPC minimizes interfaces and potential gaps.
- Efficiency: EPC optimizes resource allocation, leading to cost savings and efficient project execution.
- Prevents adding large amount of fixed labor costs for periods of high project volume in years 2025-2029.

2025 Budget By-Service

2025 Service Level Summary

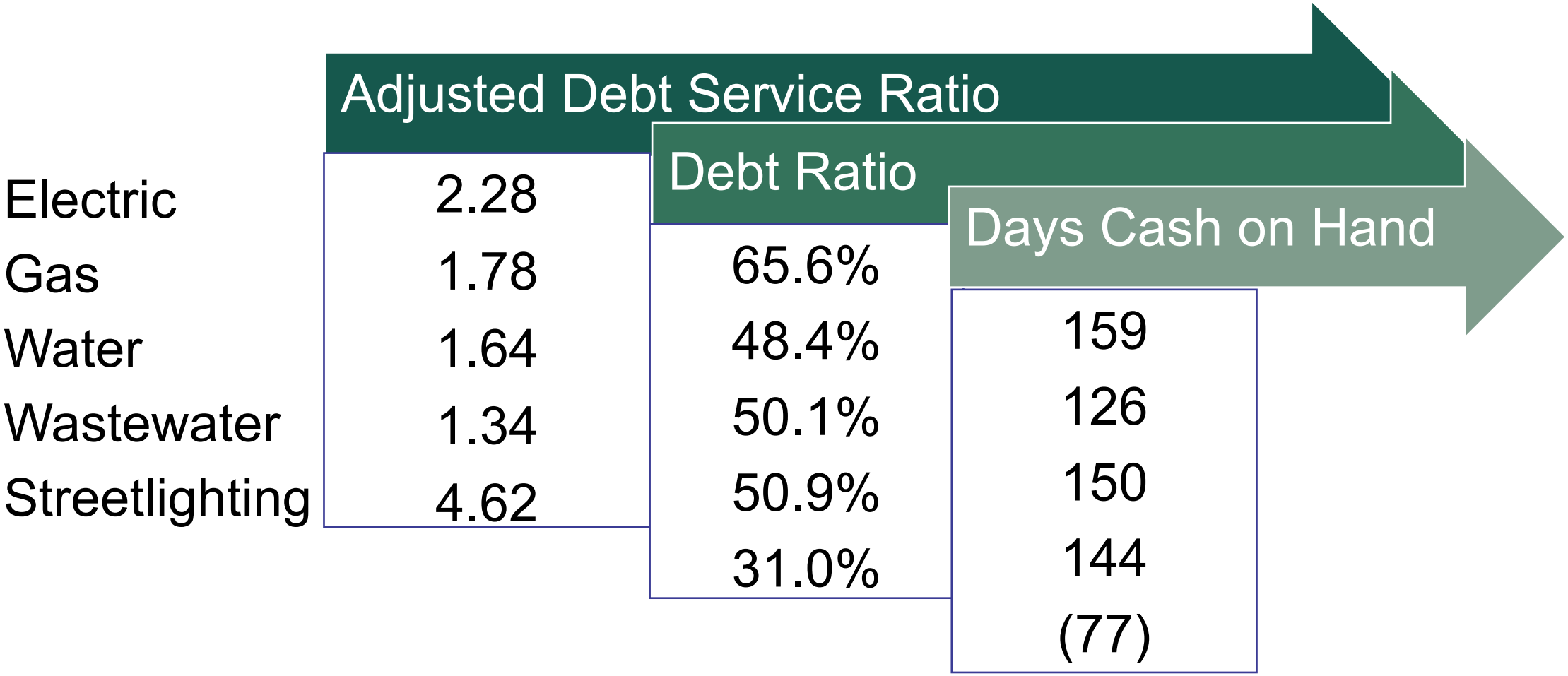
Budget Summary (in thousands)

	2025 Proposed Budget	2024 Approved Budget	Increase / (Decrease)	% Change
Electric	$ 910,878	$ 730,387	$ 180,491	24.7%
Gas	357,338	333,904	23,434	7.0%
Water	408,046	333,702	74,345	22.3%
Wastewater	144,169	117,119	27,050	23.1%
Streetlighting	6,914	6,396	518	8.1%
Inter-Service Eliminations	(14,933)	(17,191)	2,258	-13.1%
TOTAL	**$1,812,413**	**$1,504,318**	**$ 308,095**	**20.5%**

5-year Service Level Summary (in thousands)

Service	2025	2026	2027	2028	2029
Electric	$ 910,878	$ 1,031,461	$ 1,402,875	$ 1,677,864	$ 1,305,356
Gas	$ 357,338	$ 362,318	$ 381,137	$ 390,079	$ 367,812
Water	$ 408,046	$ 380,454	$ 383,295	$ 451,537	$ 496,466
Wastewater	$ 144,169	$ 199,479	$ 227,899	$ 190,962	$ 200,543
Streetlighting	$ 6,914	$ 6,891	$ 7,113	$ 7,272	$ 7,273
Inter-Service Eliminations	$ (14,933)	$ (15,164)	$ (14,694)	$ (14,766)	$ (14,759)
Total	**$ 1,812,413**	**$ 1,965,438**	**$ 2,387,626**	**$ 2,702,947**	**$ 2,362,692**

5-Year Average Service Level Financial Metrics



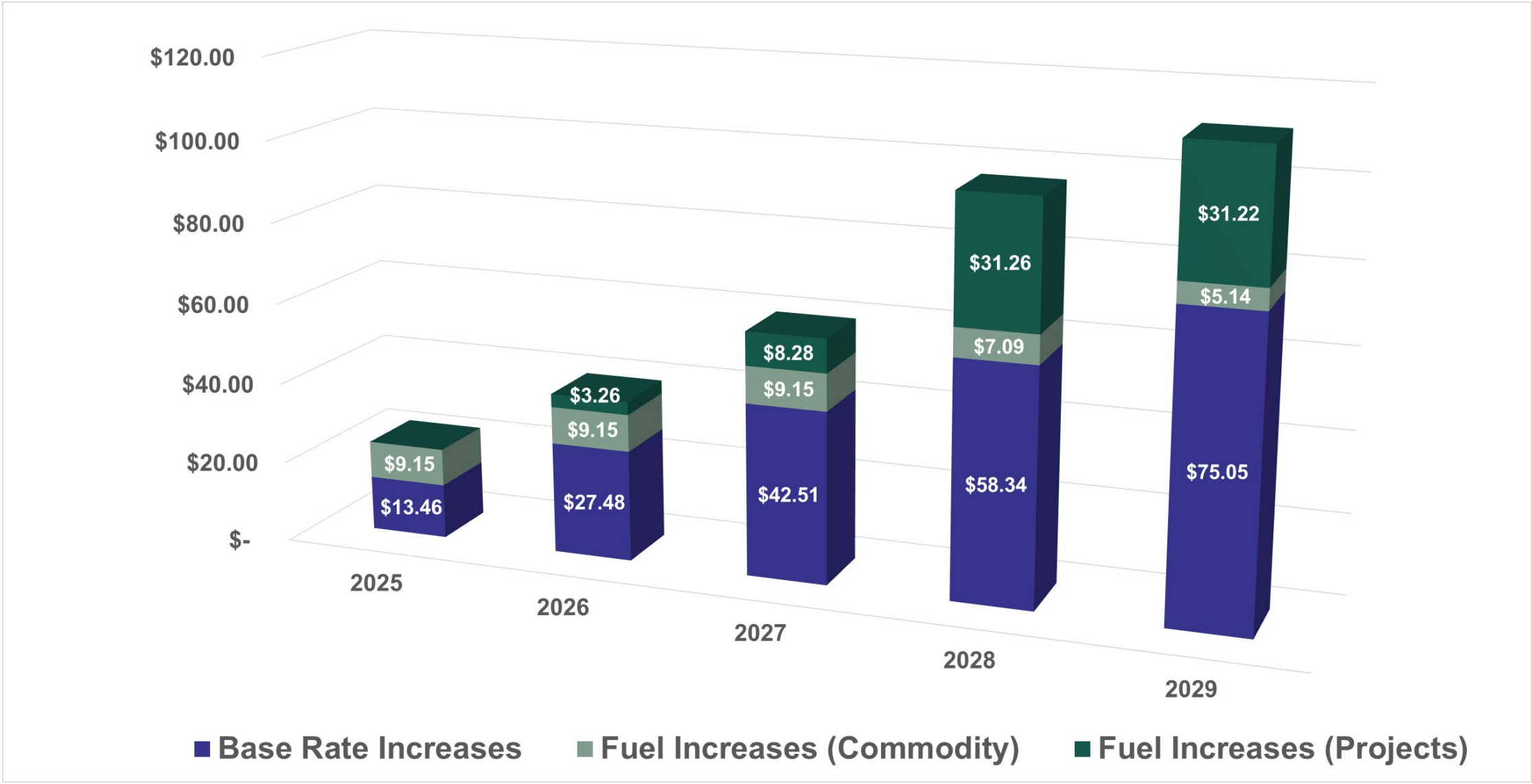
Potential Rate Adjustments

Proposed 2025-29 Budget Overview (in thousands)

Proposed Metrics	2025	2026	2027	2028	2029	5 Year Average
Adjusted Debt Service Coverage	1.83	1.93	1.90	1.90	1.90	1.89
Debt Ratio	53.5%	55.9%	58.4%	58.2%	56.2%	56.4%
Days Cash on Hand	151	151	152	151	151	151

Proposed Rate Increases Needed	2024 Typical Bill	2025 Rate Increases	2026 Rate Increases	2027 Rate Increases	2028 Rate Increases	2029 Rate Increases	2029 Typical Bill
Electric (Base Rates)	$75.63	6.5%	6.5%	6.5%	6.5%	6.5%	$103.62
Gas (Base Rates)	$23.23	4.0%	4.0%	4.0%	4.0%	4.0%	$28.26
Water	$80.14	6.5%	6.5%	6.5%	6.5%	6.5%	$109.80
Wastewater	$34.22	7.0%	7.0%	7.0%	7.0%	7.0%	$46.47
Fuel Commodity	$32.00	28.6%	0.0%	0.0%	(5.0%)	(5.0%)	$37.26
Fuel Projects	$0.00	0.0%	6.5%	9.5%	37.7%	0.0%	$31.22
Total	$245.22	9.2% $267.83	6.5% $285.11	7.0% $305.16	12.0% $341.91	4.3%	$356.63

Typical Bill Increase for the 5 years



Next Steps

August 19: Finance Committee –
- 2024 Proposed Budget – final review
- Address any follow-up items

August 21: Utilities Board – 2024 Proposed Budget and Preliminary Rate Case Presentation

October 22: City Council –
- 2024 Budget - 1st Reading
- 2024-29 Rate Case Hearing

November 12: City Council –
- 2024 Budget – 2nd Reading
- 2024-29 Rate Case Decision & Order

Colorado Springs Utilities

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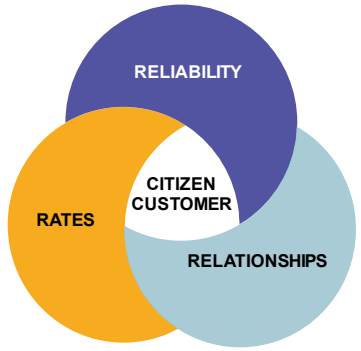
Electric and Natural Gas System Extension Cost Recovery

Finance Committee

July 15, 2024

Strategic Alignment



Colorado Springs Utilities Strategy Map

Utilities Board Focus Areas: Rates, Reliability, Relationships

OUR MISSION	Provide safe, reliable and competitively-priced utilities to our customers.
OUR VISION	Ready for today, prepared for a sustainable future.
OUR VALUES	Safety, People, Trust, Responsibility, Collaboration, Continuous Improvement.

STRATEGIC OBJECTIVES				
Deliver quality utilities	Focus on the customer	Financial accountability	Support our community	Enable employee empowerment

System Extension Background

- Utilities Rules and Regulations establish System Extension Policy
- Review of Electric and Natural Gas policy identified opportunities for:
  - Improved recovery of direct cost
  - Greater consistency between services
  - Improved ease of doing business

System Extension Cost Recovery

Current

System Extension Type	Electric	Natural Gas	Water	Wastewater
Service Lines*	100%	100%	100%	100%
E: 100 & 200 AMP, G: Mains/Stubs & Mainlines	Partial	Partial	100%	100%
E: 600 AMP, G: 150PSIG	Partial	Partial	100%	100%

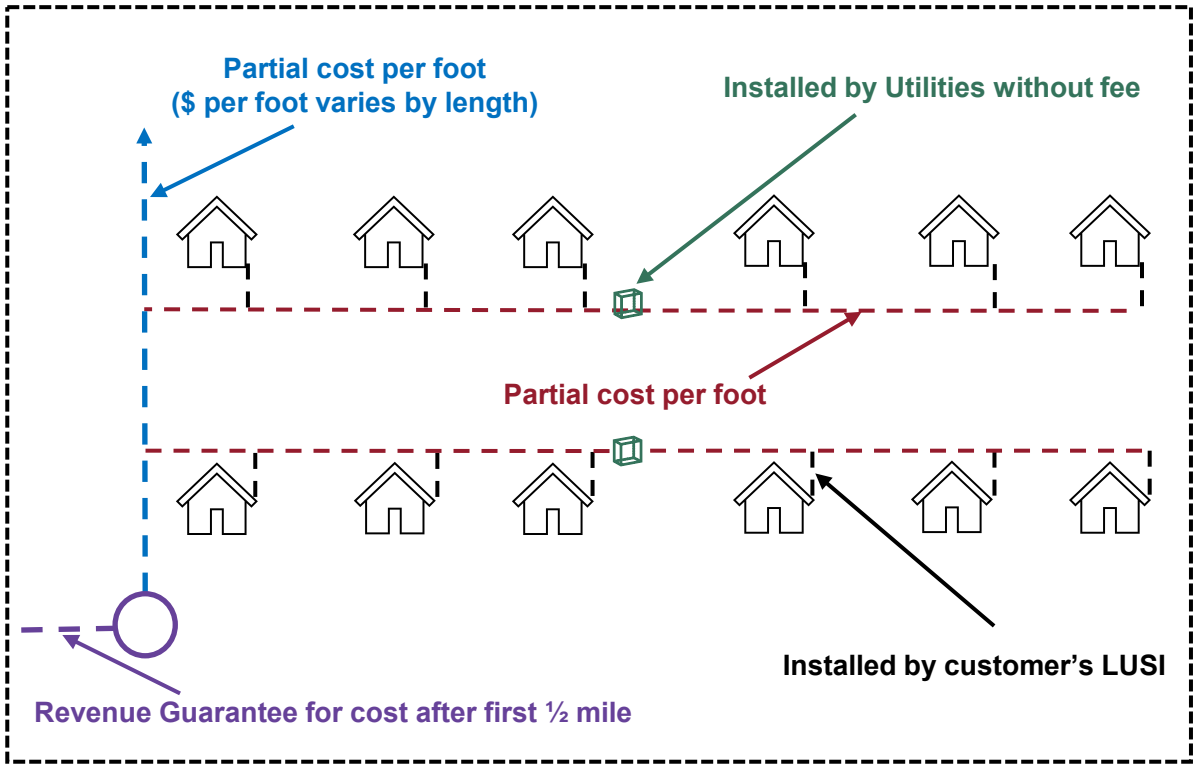
Recommended

System Extension Type	Electric	Natural Gas	Water	Wastewater
Service Lines*	100%	100%	100%	100%
E: 100 & 200 AMP, G: Mains/Stubs & Mainlines	**100%**	**100%**	100%	100%
E: 600 AMP, G: 150PSIG	**100%**	**100%**	100%	100%

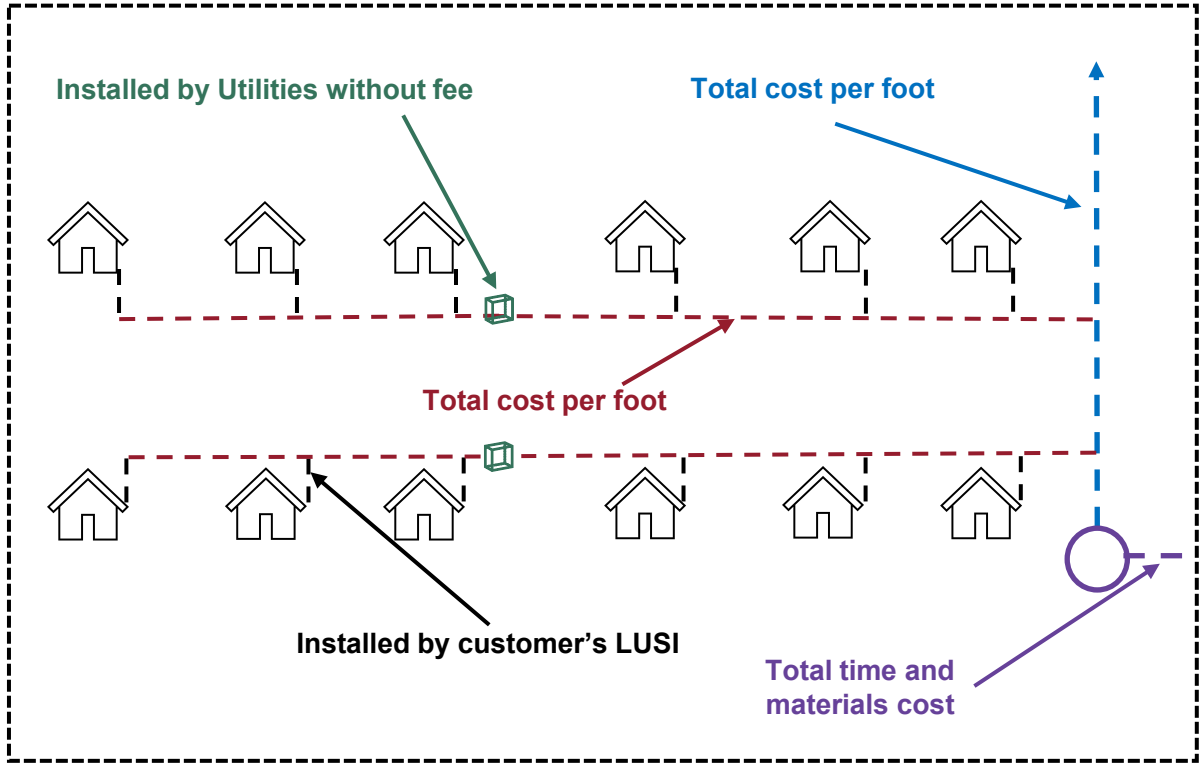
*Service Lines are installed by the customer or customer's Licensed Utility Service Installer (LUSI).

Electric Extension Policy - Recommendation

Current



Recommended



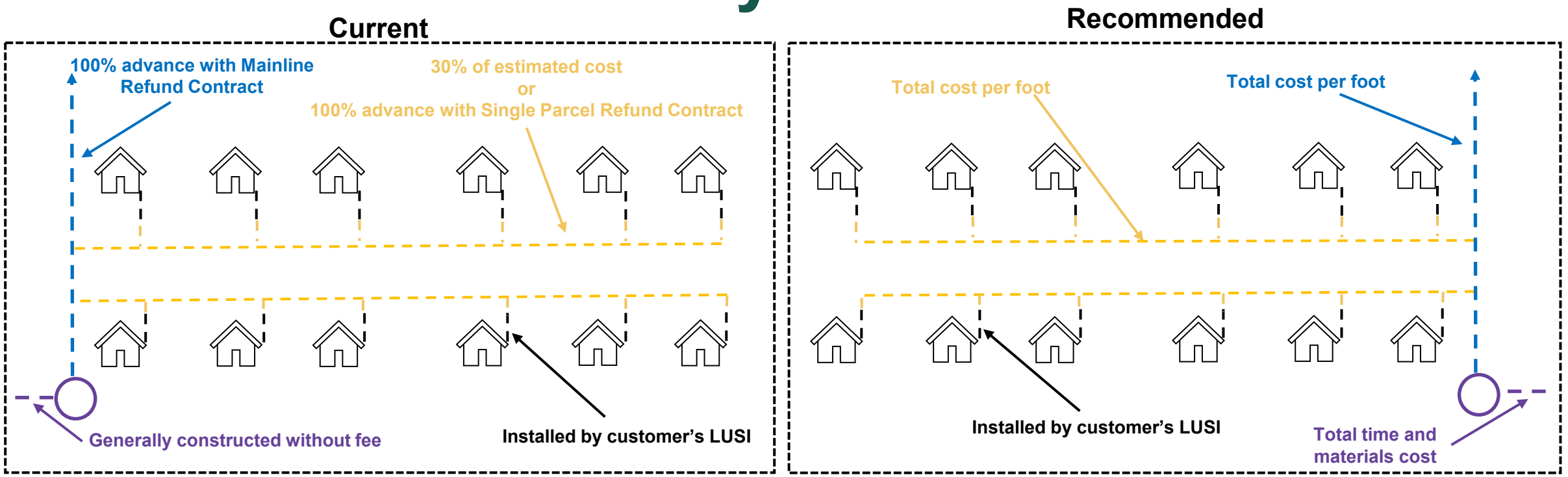
Electric Legend

Service	– – – –
100 Amp	– – – –
Transformer	▣
200 Amp	– – – –
600 Amp	– – – –
Switch	○

Summary of Recommended Changes

100 Amp:	• Increase fee to full cost per foot. • Addition of confined space per foot charge.
200 Amp:	• Replace varying cost per foot with one cost per foot for all lengths. • Addition of confined space per foot charge.
600 Amp:	• Replace revenue guarantee with full time and materials cost with option for Recovery Agreement.

Gas Extension Policy - Recommendation



Gas Legend

Service	
Main & Stub	
Mainline	
150 PSIG	
Regulator	

Summary of Recommended Changes

Main/Stub:
- Replace 30% of project estimated cost for feasible projects and 100% advance with refund contract for non-feasible projects with total cost per foot fee.
- Addition of confined space per foot charge.

Mainline:
- Replace 100% advance with refund contract with full cost per foot fee with option for Recovery Agreement.
- Addition of confined space per foot charge.

150 PSIG:
- Add time and materials cost with option for Recovery Agreement.

System Extension Cost Recovery - Electric

System Extension Type	Current (per foot)	Recommended (per foot)
Service Lines	Installed by LUSI[1]	Installed by LUSI[1]
100 AMP		
Single Service	$19.78	$60.47
Joint Trench	$16.71	$54.85
200 AMP Main Line		
Single Service		$55.83 all lengths[2]
22-75 feet	$12.22	
75-175 feet	$24.45	
>175 feet	$58.85	
Joint Trench		$50.66 all lengths[2]
22-75 feet	$12.22	
75-175 feet	$24.45	
>175 feet	$58.85	
600 AMP Main Line	Revenue Guarantee after first half mile	Time and materials cost[2][3]
Additional Charge for Confined Space	Included in project cost	
Single Service		$11.55[2][3]
Joint Trench		$5.78[2][3]

Notes:

[1] Service Lines are installed by the customer or customer's Licensed Utility Service Installer (LUSI)

[2] Recommended cost per foot applies to all lengths beginning with the first foot

[3] Eligible for Recovery Agreement for footage and capacity utilized by subsequent development.

System Extension Cost Recovery - Gas

System Extension Type	Current (per foot)	Recommended (per foot)
Service Lines	Installed by LUSI[1]	Installed by LUSI[1]
Gas main and Service Stub Single Service Joint Trench	<u>Single Service and Joint Trench</u> Feasible: 30% of estimated cost Non-feasible: 100% Advance with Single Parcel Refund Contract	$30.75 $21.12
Mainline Facilities Single Service Joint Trench	100% Advance with Mainline Facilities Refund Contract	$33.71[2][3] $23.83[2][3]
150 PSIG	Generally constructed by Utilities without fee	Time and materials costs[2][3]
Additional Charge for Confined Space Single Service Joint Trench	Included in project cost	$11.55[2][3] $5.78[2][3]

<u>Notes</u>:

[1] Service Lines are installed by the customer or customer's Licensed Utility Service Installer (LUSI)

[2] Recommended cost per foot applies to all lengths beginning with the first foot

[3] Eligible for Recovery Agreement for footage and capacity utilized by subsequent development.

Next Steps

- Identify items for follow-up
- Prepare URR revisions for 2025 Rate Case
  - August 2024: Utilities Board Presentation
  - September 2024: File Rate Case with City Council
  - October 2024: Rate Case Public Hearing
  - November 2024: City Council Decision and Order
  - January 2025: Changes effective

Colorado Springs Utilities

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Review and Design Fees

Finance Committee

July 15, 2024

Review and Design Fees - Background

- Utilities Rules and Regulations establish review and design fees associated with development services, contract administration, and field engineering
  - Fees offset rate impact for direct Utilities support
- Evaluation of review and design fees identified opportunities for:
  - Updating existing fees to current cost
    - Development Review
    - Water Review
    - Connection and Design
    - Water and Wastewater Recovery Agreement
  - Establishment of new fees for services currently provided without fee
    - Wastewater Review
    - Construction Drawing Review
    - Nonstandard Reviews

Update Existing Fees - Development Review

Fee	Current	Recommended
City of Colorado Springs Major Development Application Review	$479.00 per Application	$800.00 per Application
City of Colorado Springs Minor Development Application Review	$111.00 per Application	$600.00 per Application
City of Manitou Springs Development Application Review	$61.00 per Application	$200.00 per Application
El Paso County Development Application Review	$54.00 per Application	$200.00 per Application
All Other Jurisdictions' Development Application Review	$45.00 per Application	$200.00 per Application

Update Existing Fees - Water Review

Fee	Current*	Recommended*
Utilities' Preparation of Hydraulic Analysis Report – Large Application	$3,200.00 • For sites greater than 30 acres and within a single pressure zone or sites located within multiple pressure zones	$6,400.00 • For all sites greater than 960-Acres
Utilities' Preparation of Hydraulic Analysis Report – Complex Application		$4,800.00 • For sites between 40-acres and 960-acres, within multiple pressure zones
Utilities' Preparation of Hydraulic Analysis Report – Moderately Complex Application		$3,200.00 • For sites less than 40-acres and 960-acres, within a single pressure zone and no other coordination with other pressure zones required • For sites less than 40-acres, within multiple pressure zones
Utilities' Preparation of Hydraulic Analysis Report – Basic Application	$1,600.00 • For sites 30 acres or less and located within a single pressure zone	$1,600.00 • For sites less than 40-acres in a single pressure zone and no coordination with other pressure zones required
Fire Flow Reports	New Development • Initial two fire flow reports – No charge (within twelve-month period). Existing Hydrants Report • First request, per site, no charge. Thereafter, all requests, per site, assessed $50.00 per instance	

*Revisions billed at $200.00 per hour

Update Existing Fees - Water and Wastewater Recovery

Fee	Current	Recommended
Water or wastewater 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	$2,210.00 for contracts involving 50 acres or less $4,413.00 for contracts involving more than 50 acres
Water or wastewater recovery agreement processing fee	$31.00 per service contract with recovery agreement reimbursements	$62.00 per service contract with recovery agreement reimbursements

Update Existing Fees - Connection and Design

Fee	Current	Recommended
Electric Tie-In Fee (Residential)	$401.94 (Residential Single Service) $299.98 (Return Trip Fee Single Service) $303.98 (Joint Trench) $263.22 (Polyethylene service less than 2” Joint Service) $247.91 (Return Trip Fee Joint Service)	$585.00 (Residential) $450.00 (Return Trip Fee Single Service) $450.00 (Joint Trench) $389.66 (Polyethylene service less than 2” Joint Service) $367.00 (Return Trip Fee Joint Service)
Electric Temporary Service Connection Fee	$130.00 (Residential/Commercial)	$260.00 (Residential/Commercial)
Gas Tie-In Fee (Residential/Commercial)	$389.17 (Residential/Commercial) $319.97 (Return Trip Fee Single Service) $332.97 (Polyethylene service less than 2”) $299.16 (Joint Trench) $259.04 (Polyethylene service less than 2” Joint Service) $243.98 (Return Trip Fee Joint Service)	$585.00 (Residential/Commercial) $450.00 (Return Trip Fee Single Service) $496.85 (Polyethylene service less than 2”) $450.00 (Joint Trench) $389.66 (Polyethylene service less than 2” Joint Service) $367.00 (Return Trip Fee Joint Service)
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	• Electric Residential - $249.00 per extension contract plus $49.50 per lot • Electric Commercial - $597.00 per building • Gas - $249.00 per extension plus $49.50 per service stub
Water Tap Fee – Existing water main – CSU is tapping new service	$250.00 (¾” tap) $290.00 (1” tap”) $430.00 ($1\frac{1}{2}$” to 2” tap)	$525.00 (2 Hrs CSU Labor for ¾” tap) $600.00 (1” tap”) $900.00 ($1\frac{1}{2}$” to 2” tap)

Update Existing Fees - Connection and Design

Fee	Current	Recommended
Water Tap Fee – developer-installed water main – CSU is tapping new service Taps larger than 2”	$2,586.32 - $6,716.32 (4” to 30” Extension Fees) $3,148.32 - $9,229.32 (4” to 30” Service Line) $2,851.22 - $3,894.19 (6” to 42” Welded 150#) $2,887.21 - $3,894.19) (6” to 42” Welded 300#)	Time and Materials cost
Wastewater Permit Fees (Inspections)	Residential $80.00 (Residential) $100.00 (Residential Additional installation) $50.00 (Residential Return Trip Fee) Multi-Family $100.00 (Multi Family) $120.00 (Multi-Family Additional installation) $70.00 (Multi-Family Return Trip Fee) Nonresidential without grease trap $100.00 (Nonresidential) $120.00 (Nonresidential Additional installation) $70.00 (Nonresidential Return Trip Fee) Nonresidential with grease trap $175.00 (Nonresidential) $195.00 (Nonresidential Additional Installation) $145.00 (Nonresidential Return Trip Fee)	Residential $160.00 (Residential) $200.00 (Residential Additional installation) $100.00 (Residential Return Trip Fee) Multi-Family $200.00 (Multi Family) $240.00 (Multi-Family Additional installation) $140.00 (Multi-Family Return Trip Fee) Nonresidential without grease trap $200.00 (Nonresidential) $240.00 (Nonresidential Additional installation) $140.00 (Nonresidential Return Trip Fee) Nonresidential with grease trap $350.00 (Nonresidential) $390.00 (Nonresidential Additional Installation) $290.00 (Nonresidential Return Trip Fee)

Establish New Fees - Wastewater Review

Fee	Current	Recommended
Utilities' Preparation of Wastewater Analysis Report (WAR) – Large Application	N/A	$4,800.00 • For all sites greater than 960-Acres
Utilities' Preparation of Wastewater Analysis Report (WAR) – Complex Application		$3,200.00 • For sites between 40-acres and 960-acres
Utilities' Preparation of Wastewater Analysis Report (WAR) – Moderately Complex Application		$1,600.00 • For sites less than 40-acres and 960-acres

*Revisions billed at $200.00 per hour

Establish New Fees - Construction Drawing Review

Fee	Current	Recommended
First through Third Submittal of Construction Drawings	N/A	Three reviews at no cost
All additional submittals (after three) of Construction Drawings		$500.00 each
Submittal for Signatures		$100.00
Revisions to Original		$200.00 Flat Fee per Revision #
Utility Service Plan (Service lines only)		$300.00 Flat Fee per Submittal (No Signature Fee)

Establish New Nonstandard Review Fees

Fee	Current	Recommended
Requests or applications that require nonstandard engineering analysis as defined in Line Extension and Service Standards for each service, including but not limited to: • Utility routing studies • Interim wholesale service agreements • Service territory invasion analysis • Nonstandard annexation applications • Water quality analysis • Stranded assets analysis • Facility studies	N/A	Time and Materials Cost

Next Steps

- Identify items for follow-up
- Prepare URR revisions for 2025 Rate Case
  - August 2024: Utilities Board Presentation
  - September 2024: File Rate Case with City Council
  - October 2024: Rate Case Public Hearing
  - November 2024: City Council Decision and Order
  - January 2025: Changes effective


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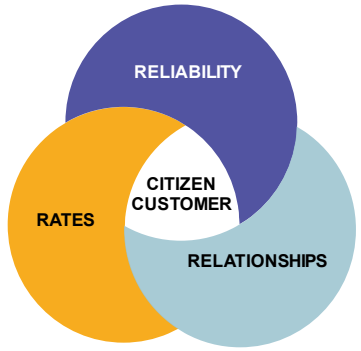
Recovery Agreement
Unit Recovery Charge Calculation

Finance Committee

July 15, 2024

Strategic Alignment



Colorado Springs Utilities Strategy Map

Utilities Board Focus Areas: Rates, Reliability, Relationships

OUR MISSION	Provide safe, reliable and competitively-priced utilities to our customers.
OUR VISION	Ready for today, prepared for a sustainable future.
OUR VALUES	Safety, People, Trust, Responsibility, Collaboration, Continuous Improvement.

STRATEGIC OBJECTIVES				
Deliver quality utilities	Focus on the customer	Financial accountability	Support our community	Enable employee empowerment

Recovery Agreement Background

- Utilities Rules and Regulations (URR) establish System Extension Policy
  - Property owner/developer (developer) is responsible for the cost of collection system infrastructure necessary to serve the premises or development
  - Generally, developer is responsible for infrastructure engineering and construction
    - Utilities may require construction of infrastructure larger than is required for the developer's needs to provide service beyond the development
      - Developer may recover the capacity cost of oversize requirement through Recovery Agreement – Unit Recovery Charges (URC)
  - At Utilities' discretion, Utilities may construct infrastructure when Utilities determines it is in the best interest
    - Cost recovered through Recovery Agreement – URC

URC Background

Current Computation

The amount of the URC per lot, per acre or per single family equivalent is computer by the following:

$$URC = \frac{a * (1 + (b + .03) * 5)}{c}$$

where a = total construction cost less the cost of service lines.

where b = Federal Reservice Daily Bank Prime Load interest rate prevailing at the time the computation of the URC is made, express as a decimal.

where c = the number of equal or nearly equal units upon which the URC is based.

Observations

- URC includes 5-years of simple interest regardless of time of payment
  - Same charge in year one and year 20
  - Less contract administration
- 3% premium
  - Recognizes risk premium with accrual of interested limited to 5-years.

URC Recommendation

Recommended Computation Options

The amount of the URC per lot, per acre or per single family equivalent is computer by the following:

a. Standard Method

$$URC = \frac{a * (1 + (b + .03) * 5)}{c}$$

b. Nonstandard Method

$$URC = \frac{a}{c} * (1 + d + .01)^{n}$$

where a = total construction cost less the cost of service lines.

where b = Federal Reservice Daily Bank Prime Load interest rate prevailing at the time the computation of the URC is made, express as a decimal.

where c = the number of equal or nearly equal units upon which the URC is based.

where d = the 20-year yield of the BVAL AAA Municipal Curve at the time the computation of the URC is made, expressed as a decimal.

where n = the number of years since the execution of the recovery agreement.

Nonstandard URC Observations

- Applicable by request in limited circumstances when:
  - Facilities have a minimum 18-inch diameter
  - Recoverable cost exceeds $1.5 million
- Includes compound interest specific to the year of payment
  - Reflects typical financing structures
  - Same principal factor but different interest factors years one through 20
  - Increase effort in contract administration
- Municipal Curve plus 1% premium
  - Recovery agreement holders recover financing cost at tax free and low default risk yields
  - Does not include risk premium for buildout uncertainty
- 3% minimum interest factor
  - Provides minimum threshold for recovery of financing cost

URC Method Comparison - Example

Example Assumptions
a: $1,500,000 (Recoverable Cost)
b: 8.5% (Prime Interest Rate)
c: 1,000 (# of Units)
d: 3.4% (20-yr BVAL Muni AAA)
n: # of years

$$URC = \frac{a * (1 + (b + .03) * 5)}{c}$$

$$URC = \frac{a}{c} * (1 + d + .01)^{n}$$

Year after execution of Recovery Agreemnt	Standard Method			Nonstandard Method		
	Principal	Interest	Total URC	Principal	Interest	Total URC
0	$ 1,500	$ 863	$ 2,363	$ 1,500	$ -	$ 1,500
1	1,500	863	2,363	1,500	66	1,566
2	1,500	863	2,363	1,500	135	1,635
3	1,500	863	2,363	1,500	207	1,707
4	1,500	863	2,363	1,500	283	1,783
5	1,500	863	2,363	1,500	361	1,861
6	1,500	863	2,363	1,500	443	1,943
7	1,500	863	2,363	1,500	529	2,029
8	1,500	863	2,363	1,500	618	2,118
9	1,500	863	2,363	1,500	712	2,212
10	1,500	863	2,363	1,500	809	2,309
11	1,500	863	2,363	1,500	911	2,411
12	1,500	863	2,363	1,500	1,017	2,517
13	1,500	863	2,363	1,500	1,128	2,628
14	1,500	863	2,363	1,500	1,244	2,744
15	1,500	863	2,363	1,500	1,365	2,865
16	1,500	863	2,363	1,500	1,492	2,992
17	1,500	863	2,363	1,500	1,623	3,123
18	1,500	863	2,363	1,500	1,761	3,261
19	1,500	863	2,363	1,500	1,905	3,405
20	1,500	863	2,363	1,500	2,055	3,555

Next Steps

- Identify items for Finance Committee follow-up
- Prepare URR revisions for 2025 Rate Case
  - August 21, 2024: Utilities Board Presentation
  - September 10, 2024: File Rate Case with City Council
  - October 22, 2024: Rate Case Public Hearing
  - November 12, 2024: City Council Decision and Order
  - January 1, 2025: Changes effective

Colorado Springs Utilities

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Water Revenue 2024

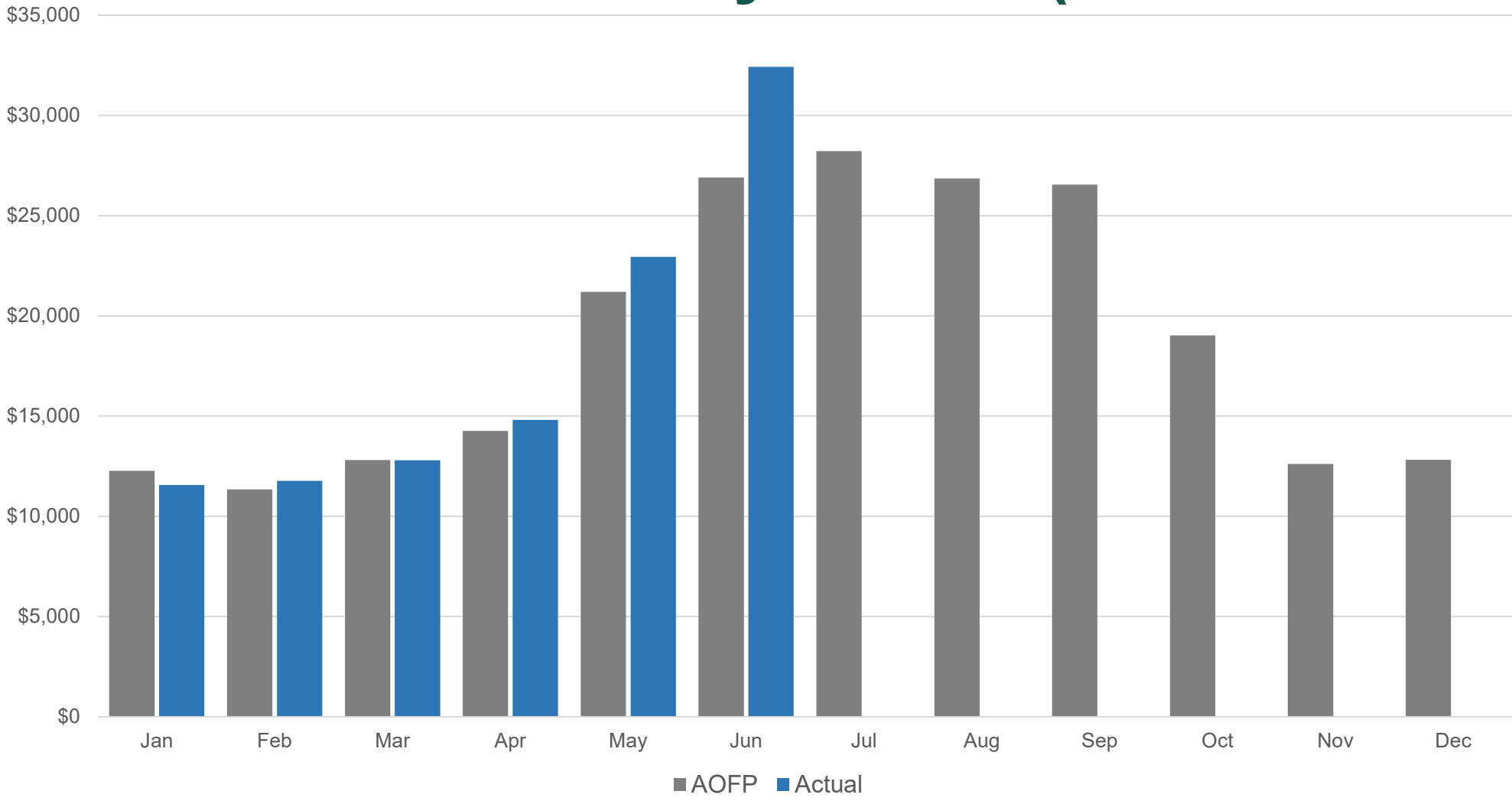
Natalie Lovell, Accounting Manager

Finance Committee – July 15, 2024

2024 Highlights

- Water Operating Revenue
  - Month of June is $ 5.5 million or 20.5% over the Annual Operating Financial Plan (AOFP)
  - Year to date is $ 7.5 million or 7.6% over the AOFP
- Water Reserve account as of June 2024 is $16.8 million
- Water Acquisition account as of June 2024 is $7.8 million

2024 Water Revenue by Month (in thousands)



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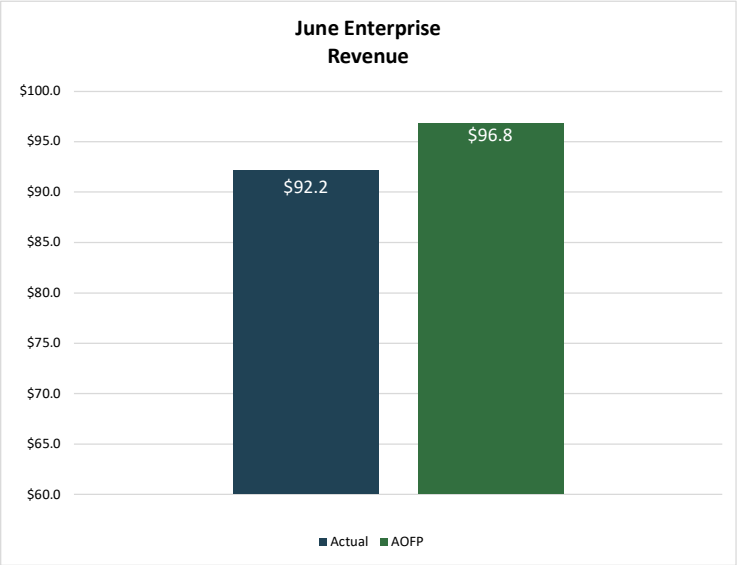
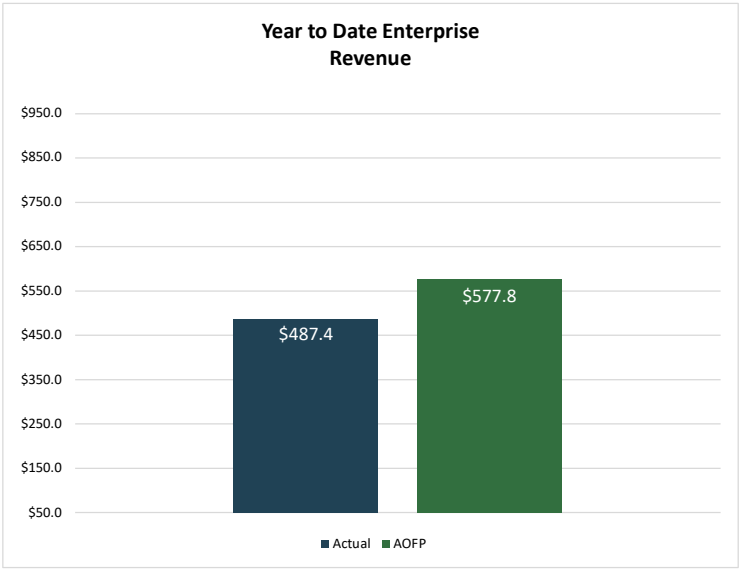
COLORADO SPRINGS UTILITIES

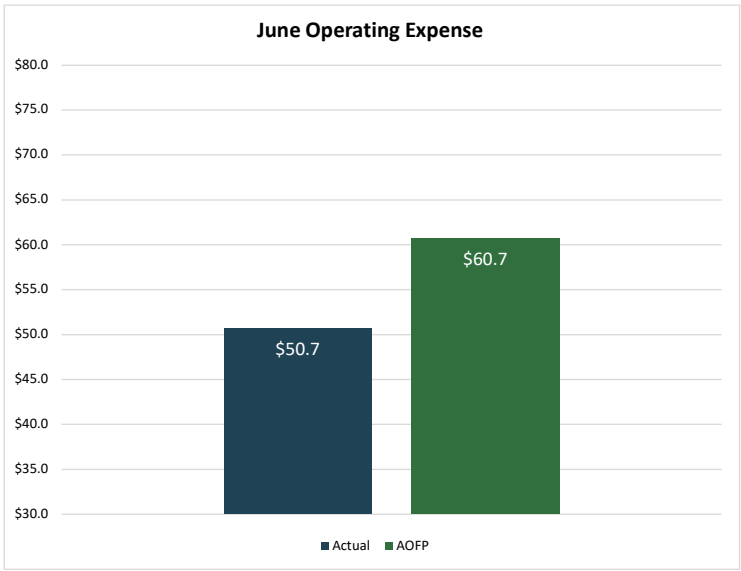
Financial Monitoring Update

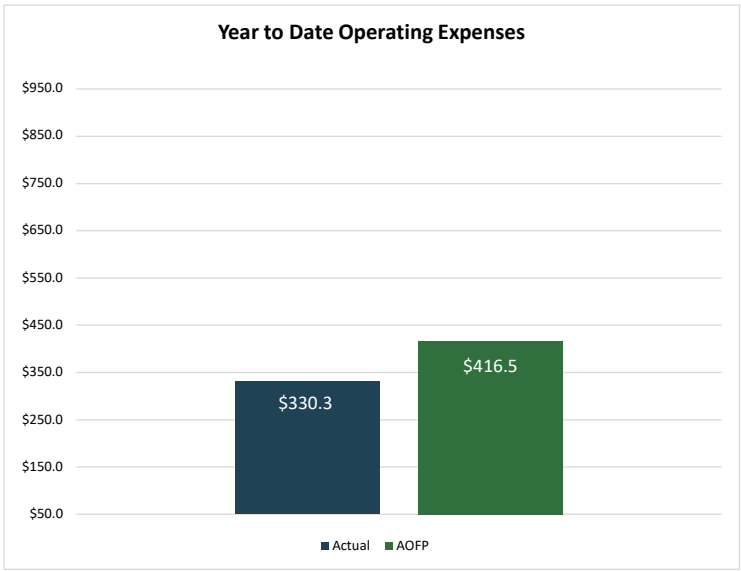
June 2024

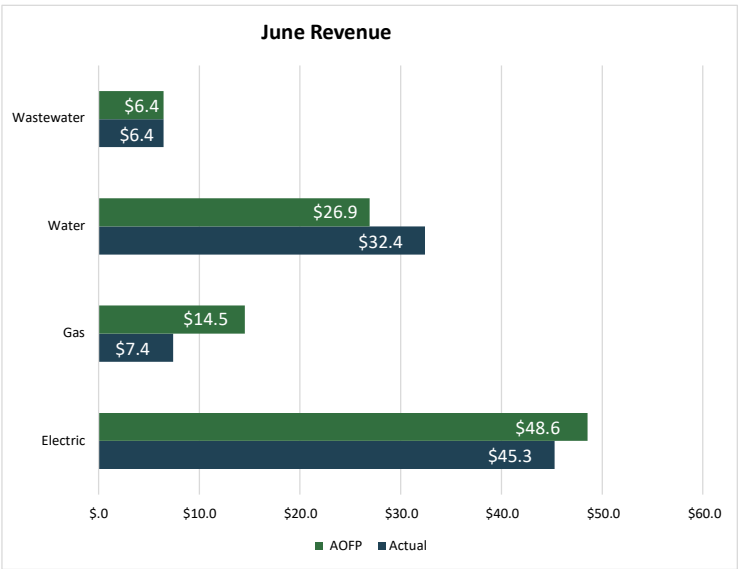
Colorado Springs Utilities
June 2024 Financial Highlights (Net of Depreciation, Pension, and OPEB)
(In Millions)

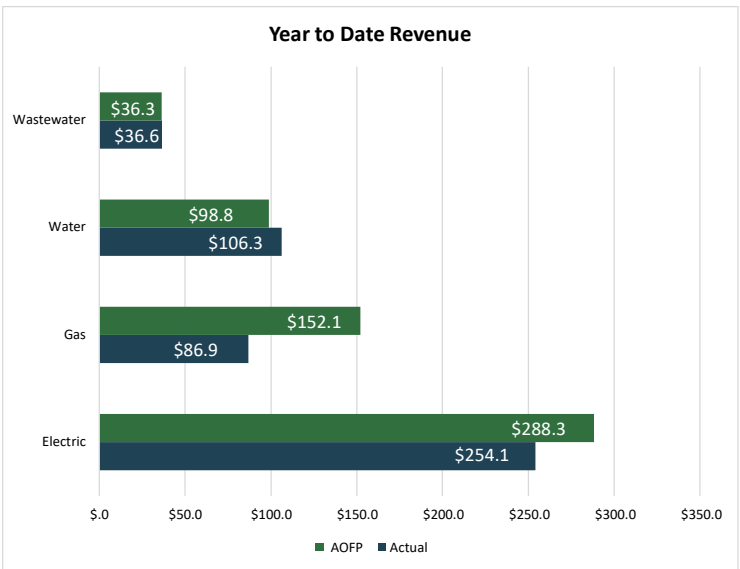






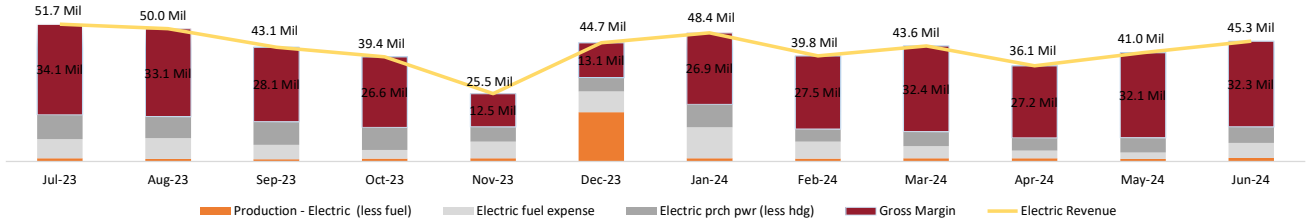






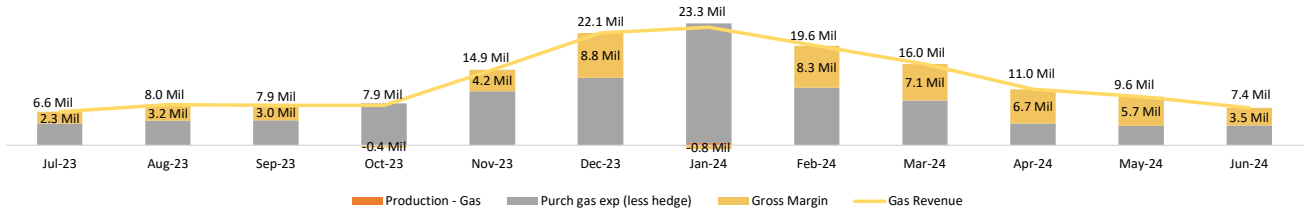
Colorado Springs Utilities
June 2024 Financial Highlights
(In Millions)

Electric Gross Margin



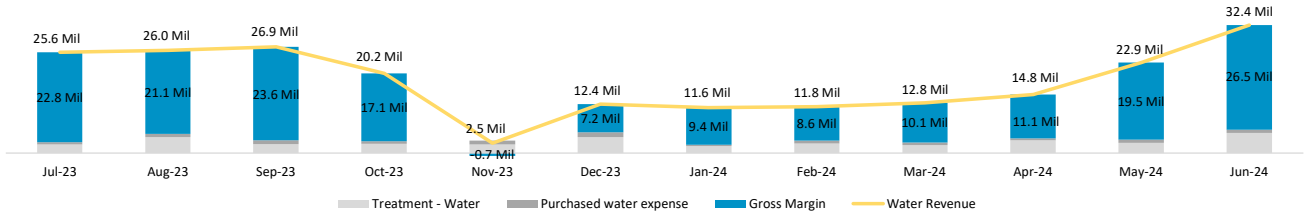
	Actual - PTD	AOFP - PTD	Var $	Var %	Actual - YTD	AOFP - YTD	Var $	Var %
Electric Revenue	$ 45,297,804	$ 48,553,504	$ (3,255,700)	(6.7%)	$ 254,139,124	$ 288,280,846	$ (34,141,722)	(11.8%)
Production - Electric (less fuel)	1,315,074	694,290	620,784	89.4%	7,086,966	4,150,754	2,936,212	70.7%
Electric fuel expense	5,640,350	10,792,050	(5,151,700)	(47.7%)	33,515,804	70,384,085	(36,868,281)	(52.4%)
Electric prch pwr (less hdg)	6,069,398	5,812,559	256,839	4.4%	35,186,275	32,290,926	2,895,349	9.0%
Electric Gross Margin	$ 32,272,982	$ 31,254,605	↑ $ 1,018,377	↑ 3.3%	$ 178,350,079	$ 181,455,081	↓ $ (3,105,002)	↓ (1.7%)

Gas Gross Margin



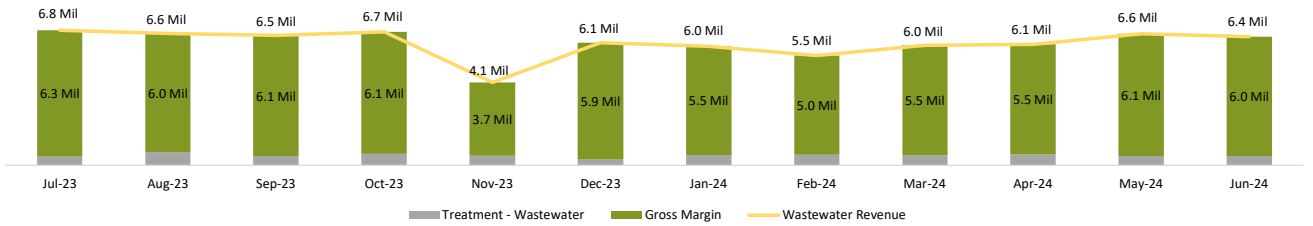
	Actual - PTD	AOFP - PTD	Var $	Var %	Actual - YTD	AOFP - YTD	Var $	Var %
Gas Revenue	$ 7,386,082	$ 14,514,030	$ (7,127,948)	(49.1%)	$ 86,873,674	$ 152,118,448	$ (65,244,774)	(42.9%)
Production - Gas	2,578	-	2,578	0.0%	496,292	-	496,292	0.0%
Purch gas exp (less hedge)	3,870,949	11,502,462	(7,631,513)	(66.3%)	55,728,387	113,026,031	(57,297,644)	(50.7%)
Gas Gross Margin	$ 3,512,555	$ 3,011,568	↑ $ 500,987	↑ 16.6%	$ 30,648,995	$ 39,092,417	↓ $ (8,443,422)	↓ (21.6%)

Water Gross Margin



	Actual - PTD	AOFP - PTD	Var $	Var %	Actual - YTD	AOFP - YTD	Var $	Var %
Water Revenue	$ 32,422,252	$ 26,899,990	$ 5,522,262	20.5%	$ 106,303,246	$ 98,760,976	$ 7,542,270	7.6%
Treatment - Water	5,174,844	2,996,528	2,178,316	72.7%	17,369,669	19,161,099	(1,791,430)	(9.3%)
Purchased water expense	776,182	832,353	(56,171)	(6.7%)	3,772,381	4,994,118	(1,221,737)	(24.5%)
Water Gross Margin	$ 26,471,226	$ 23,071,109	↑ $ 3,400,117	↑ 14.7%	$ 85,161,196	$ 74,605,759	↑ $ 10,555,437	↑ 14.1%

Wastewater Gross Margin



	Actual - PTD	AOFP - PTD	Var $	Var %	Actual - YTD	AOFP - YTD	Var $	Var %
Wastewater Revenue	$ 6,439,720	$ 6,434,501	$ 5,219	0.1%	$ 36,551,807	$ 36,272,464	$ 279,343	0.8%
Treatment - Wastewater	471,633	653,405	(181,772)	(27.8%)	3,044,080	4,078,583	(1,034,503)	(25.4%)
Wastewater Gross Margin	$ 5,968,087	$ 5,781,096	↑ $ 186,991	↑ 3.2%	$ 33,507,727	$ 32,193,881	↑ $ 1,313,846	↑ 4.1%

Colorado Springs Utilities

Condensed Income Flash AOFP

For period ending June 30, 2024

	Actual		AOFP		Variance			
Operating revenue	YTD	PTD	YTD	PTD	YTD	YTD %	PTD	PTD %
Electric	$ 254,139,124	$ 45,297,804	$ 288,280,846	$ 48,553,504	$ (34,141,722)	-11.8%	$ (3,255,700)	-6.7%
Streetlight	2,376,540	396,090	2,379,220	396,537	(2,680)	-0.1%	(447)	-0.1%
Gas	86,873,674	7,386,082	152,118,448	14,514,030	(65,244,774)	-42.9%	(7,127,948)	-49.1%
Water	106,303,246	32,422,252	98,760,976	26,899,990	7,542,270	7.6%	5,522,262	20.5%
Wastewater	36,551,807	6,439,720	36,272,464	6,434,501	279,343	0.8%	5,219	0.1%
Product & Service	1,188,678	218,767	-	-	1,188,678	0.0%	218,767	0.0%
Total operating revenues	487,433,069	92,160,715	577,811,954	96,798,562	(90,378,885)	-15.6%	(4,637,847)	-4.8%
Operating and other expenses								
Operating expenses								
Electric fuel expense	33,515,804	5,640,350	70,384,085	10,792,050	(36,868,281)	-52.4%	(5,151,700)	-47.7%
Purch gas exp (less hedge)	55,728,387	3,870,949	113,026,031	11,502,462	(57,297,644)	-50.7%	(7,631,513)	-66.3%
Other operating expenses	241,041,819	41,152,728	233,097,858	38,375,406	7,943,961	3.4%	2,777,322	7.2%
Depreciation	93,419,324	15,904,492	81,181,833	13,965,309	12,237,491	15.1%	1,939,183	13.9%
Total operating expenses	423,705,334	66,568,519	497,689,808	74,635,227	(73,984,474)	-14.9%	(8,066,708)	-10.8%
Operating income (loss)	63,727,735	25,592,196	80,122,146	22,163,335	(16,394,411)	-20.5%	3,428,861	15.5%
Nonoperating revenue (expense)								
Nonoperating revenue	27,596,424	3,923,373	9,114,724	1,407,003	18,481,700	202.8%	2,516,370	178.8%
Nonoperating expense	(48,115,073)	(8,789,321)	(51,154,793)	(8,296,125)	3,039,720	-5.9%	(493,196)	5.9%
Total nonoperating rev (exp)	(20,518,649)	(4,865,948)	(42,040,069)	(6,889,122)	21,521,420	-51.2%	2,023,174	-29.4%
Inc(loss) before other changes in net position	43,209,086	20,726,248	38,082,077	15,274,213	5,127,009	13.5%	5,452,035	35.7%
Capital contributions	32,910,950	3,125,299	28,086,686	4,610,727	4,824,264	17.2%	(1,485,428)	-32.2%
Transfers-surplus payments to the City	(17,707,719)	(2,837,762)	(18,104,182)	(2,720,620)	396,463	-2.2%	(117,142)	4.3%
Special Item-Drake 5 Impair	-	(1,739)	-	-	-	0.0%	(1,739)	0.0%
Change in net position	$ 58,412,317	$ 21,012,046	$ 48,064,581	$ 17,164,320	$ 10,347,736	21.5%	$ 3,847,726	22.4%
Net position-beginning of period	2,525,592,276							
Net position-end of period	$ 2,584,004,593							