



AGENDA
Monday, August 19, 2024
1:30 p.m. – 4:30 p.m.
[Click here to join the meeting](#)
Or call in (audio only)
[+1 719-733-3651,,137427929#](tel:+17197333651)

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: <ul style="list-style-type: none"> • July 15, 2024 Finance Committee minutes 	Committee
1:40 p.m.	Compliance Reports <ul style="list-style-type: none"> • I-2 Financial Condition and Activities (to include Contracts Over \$500K) G-7 – Q2 • I-4 Risk Management (Semi-annual) • I-8 Asset Management (Semi-annual) 	Tristan Gearhart, Chief Planning and Financial Officer
2:00 p.m.	Electric Cost Adjustment / Gas Cost Adjustment Monitoring	Scott Shirola, Pricing and Rates Manager
2:15 p.m.	2025 Budget and Rate Case	John Hunter, Financial Planning and Risk Manager
3:50 p.m.	Plan Future Meeting: October 14 at 1:30 p.m. <i>Please note: There will not be a September Finance Committee meeting because of the conflict with the Chamber & EDC's D.C. Fly In.</i>	Committee
4:00 p.m.	Adjournment	Committee Chair Nancy Henjum



Minutes
Monday, July 15, 2024
1:30 p.m. to 3:30 p.m.

Committee members present via Microsoft Teams or Rosemont Conference Room: Chair Nancy Henjum and Lynette Crow-Iverson

Board Members present via Microsoft Teams:
Brian Risley 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, Irma Aguilar, Jay Anderson, Alex Baird, Timothy Benedict, Thad Clardy, Andrew Colosimo, Kalea Daub, Marcela Espinoza, Jennifer Franceschelli, Andrew Funchess, Paul Goslin, Adam Hegstrom, Eric Isaacson, Chris LeLeux, Natalie Lovell, Mike Maksimowicz, Tara McGowan, Michael Myers, Danielle Nieves, Rich Norton, Jr., Abigail Ortega, David Padgett, Gail Pecoraro, Robert Perrott, Lindsay Riley, Bethany Schoemer, Rodger Scriven, Jessica Sharkey, Scott Shirola, April Speake, Todd Sturtevant, Matthew Thieme, Alex Trefry, Amy Trinidad, Natalie Watts and Angelia Mora

City of Colorado Springs staff members present via Microsoft Teams or Rosemont Conference Room:
Shawn Alessio, Sally Barber, Chris Bidlack, Renee Congdon and Jacqueline Rowland

Citizens present via Microsoft Teams or Rosemont Conference Room:
Marla Novak and 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.

2. Review Minutes

Minutes from the June 17, 2024, Finance Committee meeting were reviewed and accepted for posting.

3. Compliance Reports

The I-3 Financial Planning and Budget report was included in the meeting materials packet. No questions were asked.

4. Energy Cost Adjustment/Gas Cost Adjustment Filing

Mr. Scott Shirola, Pricing and Rates Manager, shared information on natural gas prices as of July 1, 2024. Actual prices from April 2024 through July 2024 are shown with forecasted prices from August 2024 through September 2025 utilizing the three most recent monthly forecasts. The July report shows forecasts in line with the prior two monthly reports.

As of June 30, 2024, the ECA under collection balance was \$4.3 million. This under collection balance changed by \$0.3 million from the \$4 million under collection balance reported last month.

On March 26, 2024, City Council approved the ECA rate of \$0.0255 per kWh effective April 1, 2024. Springs Utilities will continue to provide regular updates to the Utilities Board as needed.

As of June 30, 2024, the GCA over collection balance was \$5.2 million. This over collection balance changed by \$0.6 million from the \$5.8 million over collection balance reported last month.

On March 26, 2024, City Council approved the GCA rate of \$0.0810 per Ccf effective April 1, 2024. Springs Utilities will continue to provide regular updates to the Utilities Board as appropriate.

5. **2025 Budget Review (Second Draft)**

Mr. Tristan Gearhart, Chief Financial Officer, discussed the Board Budget Instruction (I-3).

Budget Overview

Mr. John Hunter, Financial Planning and Risk Manager, shared the proposed 2025 Operating Revenue.

The 2025 Proposed Budget

The proposed 2025 budget is about \$308 million more than the 2024 budget, which is about a 20% increase. The 2024 budget is about \$1.5 billion and the 2025 proposed budget is approximately \$1.8 billion

Proposed 2025 – 29 Forecast (in thousands)

From 2025 through 2029 the total budget is expected to grow from about \$1.8 billion to \$2.2 billion.

Capital Projects

5-Year Electric Budget Allocation

The largest electric drivers of the capital budget for the next five years are: generation for the Sustainable Energy Plan, transmission for the Sustainable Energy Plan, the fiber network and Peak Innovation Park.

5-Year Gas Budget Allocation

The largest drivers of the natural gas budget include the downtown and military gas supply resiliency project, the gas Distribution Integrity Management Program (DIMP), new construction, gas service vehicles and equipment and unplanned maintenance.

5-Year Water Capital Budget Allocation

The biggest drivers of the water budget over the next five years include the Continental-Hoosier System project, water acquisition, the finished water linear asset program, the Tollefson Water Treatment Plant upgrades and public improvement projects.

5-Year Wastewater Budget Allocation

Wastewater system drivers for the five-year budget include the Eastern Wastewater Service Extension project, the Northern Monument Creek interceptor project, the Sanitary Sewer Creek Crossing (SSCC) collection system rehabilitation program and the JD Phillips Water Resource Recovery Facility upgrades.

5-Year Common Budget Allocation

Over the next five years, the common budget drivers include the Geographic Information System (GIS) technology modernization project, the Computer Maintenance Management System (CMMS), service vehicles and equipment, network enterprise services program and data analytics and strategy storage and access.

Total Labor and Non-Fuel Operations and Maintenance

Committee Chair Henjum asked if the labor is being looked at for efficiencies with technologies and attrition over the next five years. Mr. Gearhart and Ms. Renee Adams, Chief Human Resources Officer, said these items were taken into consideration.

Historical Labor Information

Ms. Adams stated that in 2005, there were 2,056 positions in the organization. That number decreased to 1,824 positions between 2015 to 2020, and now there are 2,030 positions in 2024. The turnover rate was reviewed and has leveled off at about 9.1% since COVID.

2025 Labor Position Change Information

Non-Fuel Operations & Maintenance (O&M) and capital history were fairly flat from 2018 to 2020. There is a slight increase in non-fuel operations and maintenance, but a more significant increase in capital. There are position requests for 127 new positions, with a budget for \$16,600,286. Sixty-eight of these requested positions are being asked to meet reliability / growth needs.

Reliability and Growth – Related Programs of Work

Ms. Somer Mese, Chief Operations Officer, said there is a need for 68 positions, with a total cost of \$7,523,485. Labor offsets include Automated Metering Infrastructure (AMI), the Nixon Power Plant and contract locating.

Fort Carson Program of Work

Ms. Mese said Ft. Carson has requested an amendment to their intergovernmental agreement to take on water distribution. This additional work requires 12 additional positions with a total cost of \$1,711,310. This has a zero impact on customer rates, as Ft. Carson will reimburse Springs Utilities for all operations and maintenance expenses and required labor to support.

RTO Related Programs of Work

Mr. Alex Baird, General Manager of Fuels and Purchase Power, explained the organization will join the Southwest Power Pool (SPP) Regional Transmission Operator (RTO) in 2026. This will enhance Springs Utilities' reliability, provide additional low-cost electric options, and provide additional benefits. It will require 14 positions at a total cost of \$2,805,098. The annual estimated benefit of joining the RTO is \$6,000,000.

Fiber Program of Work

Ms. Mese expanded on the new fiber infrastructure, which will improve and expand that network to provide a much denser and deeper communication backbone. The second is upkeep of the program once installation is complete. This requires a total of 22 positions, for a total cost of \$2,760,829.

Regulatory Programs of Work

Ms. Mese stated five positions are required to help support regulations in dam safety as required by the Federal Energy Regulatory Commission (FERC), per- and polyfluoroalkyl substances (PFAS) industrial pretreatment monitoring program, damage prevention, and gas compliance and critical infrastructure program at a total cost of \$707,119.

Technology Program of Work

Mr. Michael Francolino, Chief Customer Service Officer, said four additional positions are being asked for to support the computerized maintenance management system (Maximo) and Enterprise Resource Planning (INFOR). This is at a total cost of \$719,138. This will mostly be offset from long-term temporary labor of \$410,000.

Cybersecurity Program of Work

Mr. Francolino said one additional cybersecurity position is being asked for at a cost of \$214,146. This will support the increase in attacks on critical infrastructure, Operational Technology (OT) systems that are susceptible to modern attacks, and other critical threats.

Grant Program of Work

Mr. Gearhart said that we need one position to ensure the organization is supporting and managing all state and federal grant applications within the finance department. This is at a cost of \$159,161. In 2024, the organization received \$8.91 million in grants, and in 2023, \$866,000.

2025 Budget By Service

Mr. Hunter explained the 2025 proposed budget, broken down by service:

Electric	\$910,878,000
Gas	\$357,338,000
Water	\$408,046,000
Wastewater	\$144,169,000
Streetlighting	\$6,914,000

Potential Rate Adjustments

Mr. Hunter explained the five-year rate plan for each of the four services, ranging from 4% in the gas base rate to 7% in wastewater. There are additional rate increases for fuel commodity and

fuel projects. On average the customer's typical bill will go from \$245.22 (current) to \$356.63 (in 2029).

Board Member Risley asked for dollar amounts of the capital projects. Mr. Hunter said his team will provide this information.

6. Electric and Natural Gas System Extension Cost Recovery

Mr. Shirola explained recommendations for 100% cost recovery on both electric and natural gas extension.

The next steps are a presentation to the Utilities Board at their Aug. 21 meeting. Following that there will be a rate case filing with City Council in October. City Council will vote on the rate case at their Nov. 12 meeting and, if approved, the new rates will go into effect on Jan. 1, 2025.

7. Review and Design Fee Updates

This agenda item was not discussed.

8. Recovery Agreement Unit Recovery Charge

This agenda item was not discussed.

9. Water Revenue Report

This agenda item was not discussed.

10. Financial Monitoring Update

This agenda item was not discussed.

11. Plan Future Meeting

The next Finance Committee meeting is scheduled for Aug. 19, 2024

12. Closing Remarks and Adjournment

The meeting adjourned at 3:28 p.m.



Date: August 21, 2024

To: Utilities Board

From: Travas Deal, Chief Executive Officer

Subject: **Excellence in Governance Monitoring Report
Financial Condition and Activities (I-2)**

Desired Action: Monitoring

Compliance: The CEO reports compliance with the instructions.

INSTRUCTIONS			
Category:	Utilities Board Instructions to the Chief Executive Officer	Reporting Timeframe:	April 1, 2024 – June 30, 2024
Policy Title (Number):	Financial Condition and Activities (I-2)	Reviewing Committees:	Finance; Program Management Review
Monitoring Type:	Internal; City Auditor	Monitoring Frequency:	Quarterly, Annually
Guidelines:	Local Vendor (G-7)		

The Chief Executive Officer shall direct that financial condition and activities and actual expenditures are consistent with Board Expected Results. Accordingly, the CEO shall:

1. *Operate within total appropriations for the fiscal year and inform the Utilities Board of:*
 - a. *Significant financial variances*
 - Fuel expenses are projected to be \$160.1 million or 37% under the approved budget primarily due to lower actual and forecasted 2024 natural gas prices than those projected at the time of the 2024 budget appropriation.
 - Operating revenues are currently \$90.4 million or 16% under the approved budget due to a decrease in fuel costs that are being reflected in lower ECA / GCA revenue.
 - Capital expenses are projected to be \$3.2 million or <1% under the approved budget primarily related to Operational Fiber Network.
 - Non-fuel operating expenses are projected to be \$6.9 million or 2% over approved budget primarily related to unplanned and unbudgeted projects and programs of work.

- b. *Expenditures that exceed the Federal Energy Regulatory Commission capital and operating and maintenance budget classifications in electric, natural gas, water, wastewater and common.*

As of the end of the second quarter of 2024:

- Operating and maintenance expenses are projected to exceed the approved budget by \$0.7 million or 3% in Wastewater and \$2.1 million or 1% in Administrative and General
- Capital expenditures are projected to exceed the approved budget by \$6.8 million or 16% in Gas and \$8.9 million or 9% in Water

- c. *Budget transfers and canceled major capital projects over \$500,000 in the Approved Budget or new major capital projects not funded in the Approved Budget.*

In the second quarter of 2024, there was 2 canceled capital projects, one in Electric and one in Wastewater:

- LVSWRRF I&C Improvements (495371) - \$980,000
- Claremont 230/34.5kV Transform (193884) - \$500000

In the second quarter of 2024, there were 4 new capital projects, two in Electric, one in Water, and one in Common:

- South Suburban Reservoir Emergency Repairs (394802) - \$2,000,000
- Natural Gas Generators (193909) - \$689,986
- Pinkerton Lay Down Yard Expansion (596765) - \$600,000
- Nixon Trans #2 and Switchgear #2 (193962) - \$545,465

2. *Inform the Utilities Board of contracts that have been issued over \$500,000.*

In the second quarter of 2024, there were 34 new contracts initiated over \$500,000.

Service	Description	Type	Contract Amount
Electric Service	Conceptual Fiber Network Architecture and System Level Design and Market Analysis	STANDARD	\$62,955,038
Electric Service	Contract_SingleSource_SPP RTOW Implementation (Yr. 2024_2026)	RELEASE	\$4,147,263
Electric Service	Front Range Power Plant Long Term Service Agreement	RELEASE	\$2,462,654
Water Service	Broadmoor Valley/Regency Dr Pipe Replacement Project	RELEASE	\$1,958,187
Electric Service	Nixon 1 Turbine and Generator Minor Inspection and EHC Piping and Actuator Rebuild	STANDARD	\$1,956,585
Electric Service	SEP Kelker - 230kV and 115kV High Steel Structures	RELEASE	\$1,834,451
Multi Service	GreenLake DHCI 2site Computer And Storage	RELEASE	\$1,761,071
Water Service	Continental Hoosier System (CHS) Selected Alternative Design Firm Contract	STANDARD	\$1,716,139
Multi Service	Purchase new unit U9010, 2024 Caterpillar D9	RELEASE	\$1,429,907
Electric Service	Central Bluffs Substation Engineering	RELEASE	\$1,314,750

Service	Description	Type	Contract Amount
Multi Service	2024 Tandem dump replacements	RELEASE	\$1,227,603
Electric Service	Front Range Steam Turbine B Minor Inspection	RELEASE	\$1,163,215
Electric Service	Central Bluffs_ 72.5kV, 115kV, and 230kV SF6 Circuit Breaker Alliance	RELEASE	\$1,150,930
Multi Service	WO#: 3791789 AMI Warehouse Stock Material	RELEASE	\$952,052
Water Service	Cresta Alley Water and Wastewater Service Line Relocation	RELEASE	\$882,334
Multi Service	Computer Equipment, Peripherals and Related Services under NASPO201600000000000000142	RELEASE	\$866,090
Electric Service	Irby allocation HELD AT IRBY	RELEASE	\$789,120
Electric Service	Monthly Forecast Held at Irby	RELEASE	\$789,120
Water Service	Purchase new Tractors for GVP	RELEASE	\$743,737
Water Service	2024 USGS Joint Funding Agreement	RELEASE	\$690,451
Electric Service	Purchase Substations 34.5KV SF6 Breakers VSO Replacements and Spares	RELEASE	\$661,402
Water Service	Point of the Pines Pipeline Installation	RELEASE	\$641,500
Multi Service	Landis+Gyr AMI Warehouse Stock Material	RELEASE	\$633,840
Electric Service	Power Line Clearing Services - NW-1	RELEASE	\$623,565
Waste Water Service	Wastewater Rehabilitation Program_2024 LCERP 129 CIPP	RELEASE	\$614,264
Electric Service	Cable & Wire Alliance HELD AT IRBY	RELEASE	\$613,448
Water Service	Colorado State Forest Service 2021-2026 Service Agreement	RELEASE	\$600,000
Multi Service	Blanket Contract for CISCO Products and services.	RELEASE	\$596,843
Gas Service	Purchase new unit U4214, 2025 Western Star 47X Rival T-10 vac	RELEASE	\$563,938
Electric Service	Boiler and Associated Plant Repair Services Blanket Total Western	RELEASE	\$561,228
Multi Service	2024-2025 Renewal, Mythics Oracle Exadata System	RELEASE	\$556,758
Multi Service	3-year Renewal - 2024-2027 - SolarWinds Enterprise Agreement	RELEASE	\$539,286
Electric Service	LYSC.AP	STANDARD	\$525,985
Electric Service	Cable & Wire Alliance HELD AT IRBY	RELEASE	\$507,048

In the second quarter of 2024, there were five existing contracts increasing to over \$500,000.

Service	Description	Type	Contract Amount	
			Prior Qtr. Amount	Q2 Amount
Water Service	S Catamount Dam Rehabilitation Project CMGC Services	STANDARD	\$48,150	\$4,709,205
Electric Service	Design/Build - Fiber Communications Buildings Site..	STANDARD	\$327,802	\$1,924,662
Gas Service	Over Pressure Protection Project - CMGC Services	STANDARD	\$457,767	\$1,267,323
Waste Water Service	GEC Plan and CSWMP for Monument Creek	RELEASE	\$338,511	\$567,535
Multi Service	Infor - Change Requests (5)	RELEASE	\$462,325	\$502,432

3. Invest funds in accordance with Bond Ordinance requirements and Utilities Investment Plan.

All cash and investments are in U.S. Treasury Notes, U.S. Agency securities, repurchase agreements, Local Government Investment Pools, and secured bank accounts that comply with Bond Ordinance investment requirements and the Colorado Springs Utilities Investment Plan.

4. Ensure controls are in place for receiving, processing, or disbursing funds and allow only bonded personnel access to material amounts of funds.

Colorado Springs Utilities maintains adequate controls that are reviewed annually by an external auditor. Appropriate personnel have access to material amounts of funds. In addition, the City of Colorado Springs’ Risk Management team has expanded insurance coverage of high-risk employees through a shared Crime Insurance Policy, which affords a financial backstop for employee theft, forgery, money order tampering, counterfeit money, and other elements of potential fraud and misappropriation.

5. Ensure receivables are resolved within a reasonable grace period.

Days Sales Outstanding (DSO) is the average number of days receivables remain outstanding before being collected. At the end of the second quarter of 2024, there is 30.8 of DSO.

6. Settle payroll and debts in a timely manner.

These conditions have been achieved as of this monitoring report.

- 7. Ensure tax payments or other government ordered payments are timely and materially accurate.*

These conditions have been achieved as of this monitoring report.

- 8. Operate within the applicable sections of the Colorado State Procurement Code and Springs Utilities procurement policies and procedures assuring legal and fiscal compliance with competitive acquisition practices, conflict of interest, favoritism and procurement from local vendors.*

Colorado Springs Utilities maintains written purchasing regulations that assure legal and fiscal compliance with competitive acquisition practices, avoid conflicts of interest, avoid favoritism, and promote procurement from local vendors. Total spending associated with purchase orders and contracts with local area addresses is at 30.3% for the second quarter, with a target of 30%.

- 9. Inform the Utilities Board of significant financial impacts on the Municipal Government.*

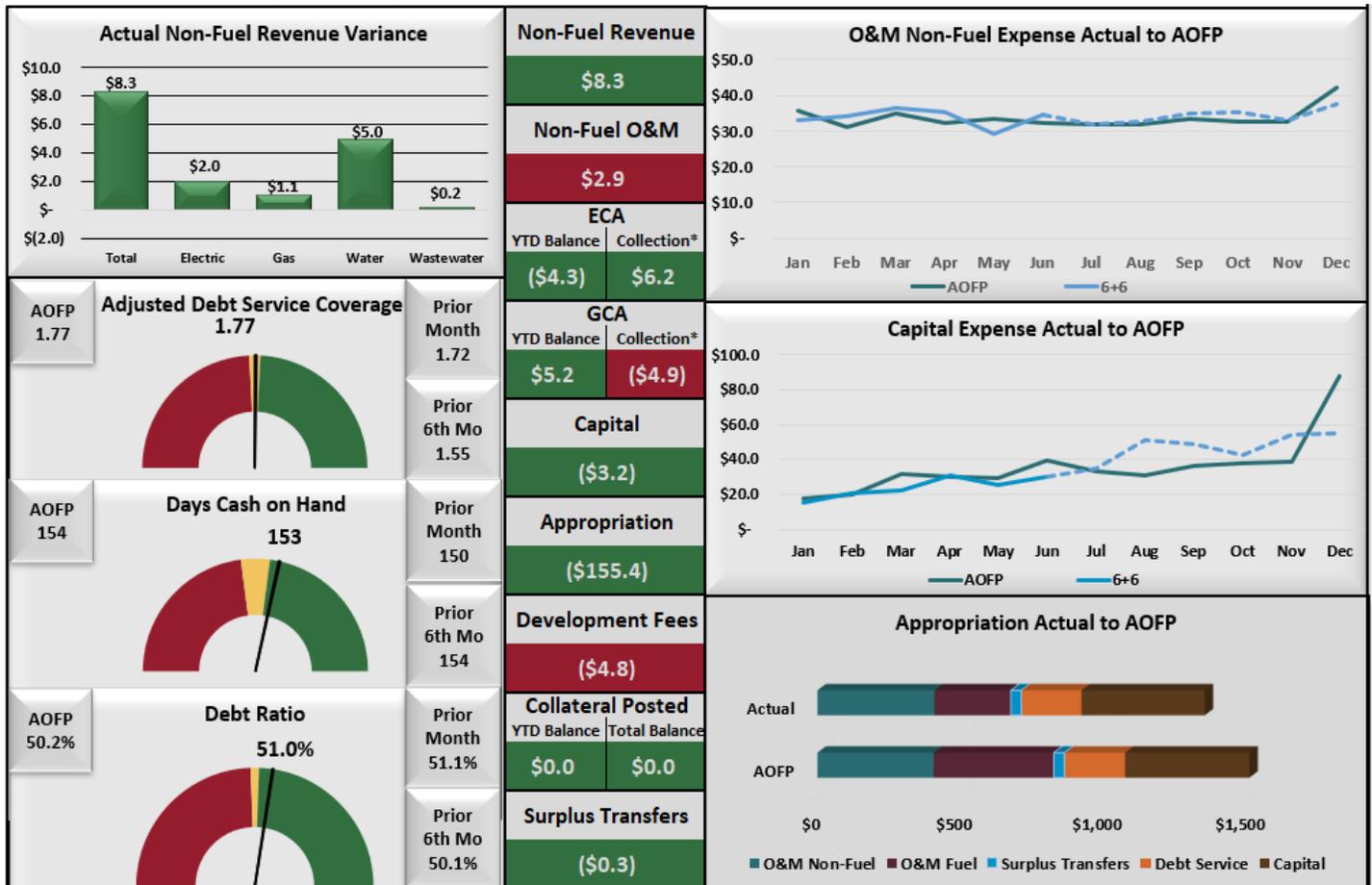
During the second quarter of 2024, there were no significant financial impacts on the Municipal Government.

Colorado Springs Utilities Executive Summary - Variance Analysis For the 6+6 Projected Year-End December 31, 2024

The Executive Summary - Variance Analysis is intended to serve as an objective, easily readable analysis of the significant financial activities for the projected year-end December 31, 2024.

2024 Financial Forecast Dashboard (6+6)

This Financial Forecast Dashboard and analysis is provided to the Utilities Board Finance Committee monthly. The following is the high-level preview of projected financial results for the year end 2024:



- **Non-Fuel Revenue** - Projected Non-Fuel Revenue is \$8.3 million or 1.1% over the AAFP. Electric is over by \$2.0 million, Gas is over by \$1.1 million, Water is over by \$5.0 million, and Wastewater is over by \$0.2 million.
- **ECA & GCA** - Projected ECA over collection is \$6.2 million, GCA is forecasting an under collection of \$4.9.
- **Metrics** - Adjusted Debt Service Coverage is projected to meet AAFP targeted level of 1.77. Days Cash on Hand is projected to be under the AAFP target by 1 day. Debt Ratio is projected to be higher than AAFP by 0.8%.
- **Development Fees** - Projected development fees are under AAFP by \$4.8 million. This is due to lower tap permits due to high interest rates and economic conditions that have slowed building.
- **Surplus Payments to the City** - Surplus transfers projected to be under AAFP in 2024 by \$0.3M or 1.0%, this is within the +/- \$1.0 million.

Budget Summary (in thousands)

	2024 Approved Budget	2024 Year-end	Increase/ (Decrease)	% Change
Capital Projects	\$ 433,018	\$ 429,838	\$ (3,180)	-0.7%
Fuel Operations & Maintenance	418,721	266,174	(152,547)	-36.4%
Non-Fuel Operations & Maintenance	404,749	407,685	2,936	0.7%
Debt Service	211,061	208,743	(2,318)	-1.1%
Surplus Payments to the City	36,381	36,032	(349)	-1.0%
Franchise Fees	387	400	13	3.4%
Total Uses of Funds	\$ 1,504,318	\$ 1,348,872	\$(155,446)	-10.3%

The 2024 projected Total Uses of Funds is \$1.3 billion, a **decrease** of \$(155.4) million or (10.3)% from the 2024 Approved Budget. This **decrease** is a result of lower Capital Projects, Fuel Operations & Maintenance, Debt Service, and Surplus Payments to the City.

Capital Projects

The 2024 projected Capital Projects expenditure is \$429.8 million, a **decrease** of \$(3.2) million or (0.7)% from the 2024 Approved Budget. Capital Projects represent 31.9% of the total year spend and 2.0% of the total year-end variance.

- \$(31.5) million Operational Fiber Network [Budget is \$68.4M, Forecast is \$36.9M] due to underperforming Contractor (May 2024).
- \$20.9 million Sustainable Energy Plan (SEP) [Budget is \$30.1M, Forecast is \$50.9M] related to:
 - \$11.8 million Kelker Substation Rebuild-Expansion to nearly double the substation size to accommodate the growing energy demands in the southeastern area of Colorado Springs. The design package estimate, as well as the CM/GC's pricing for the first phase of construction came in higher than originally planned due to increasing material, labor, and equipment costs.
 - \$7.3 million Jackson Fuller Energy Storage 2023 year -end shift to 2024 for required upgrades at the Fuller substation to support interconnection of the new BESS.
 - \$5.7 million Horizon Sub (New) to support two-line positions and two distribution transformers to allow for future expansion. It is located southeast of Colorado Springs Airport. Increases due to estimating gap for shared costs of the Advanced Technologies Campus (ATC) detention pond and road removal scope, as well as the distribution feeder scope that was added to the project.
 - \$(4.0) million net decreases, most significantly influenced by EIRP Implementation and Risk Tracking. EIRP Implementation is the construction of new replacement generation needed to support the decommissioning of Drake, Nixon 1 and the Birdsall units and to meet system load growth. A Request for Proposal (RFP) was issued in 2023 to obtain project proposals for 1,700 megawatts (MW) of new generation and storage. The type and location of the new generation will be determined in the first half of 2024 after proposal review. Risk Tracking is cancelled due to risk contingency required to cover portfolio level risk expenses identified within SEP.
- \$7.5 million net increases, most significantly influenced by Labor, Benefits, and Administrative & General (A&G) Overhead costs [Budget is \$51.1M, Forecast is \$59.9M] related to:
 - \$5.7 million A&G Overhead and Employee Benefits shift from Non-Fuel Operations & Maintenance.

- \$1.3 million 2023 payroll accrual accounted for in 2024.
- \$0.5 million remaining most significantly influenced by new positions to support Advanced Metering Infrastructure (AMI)

Operations & Maintenance - Fuel

The 2024 projected Operations & Maintenance - Fuel is \$266.2 million, a **decrease** of \$(152.5) million or (36.4)% from the 2024 Approved Budget. Operations & Maintenance - Fuel represents 19.7% of the total year spend and 98.1% of the total year-end variance.

- \$(141.1) million contingency (budgeted 1 Standard Deviation (SD) due to price volatility in the fuels market)
- \$7.5 million Inter-Service Eliminations due to changes in fuel costs, Utilities pays these as well for internal operations, therefore eliminated higher inter-service revenue than planned
- \$(18.9) million net decreases, most significantly influenced by price changes in the natural gas market

Operations and Maintenance - Non-Fuel

The 2024 projected Operations & Maintenance - Non-Fuel is \$407.7 million, an **increase** of \$2.9 million or 0.7% from the 2024 Approved Budget. Operations & Maintenance - Non-Fuel represents 30.2% of the total year spend and (1.9)% of the total year-end variance.

- \$9.7 million Nonlabor increases [Budget is \$173.9M, Forecast is \$183.6M, 2023 Actual was \$164.6M]
 - \$1.9 million New Fleet Program (A&G allocation) [Budget is \$5.5M, Forecast is \$7.4M, 2023 Actual was \$10.5M] overall costs are trending high in parts and heavy-duty equipment.
 - \$1.6 million City Attorney's Office (CAO) Outside Counsel (A&G allocation) [Budget is \$3.4M, Forecast is \$5.0M, 2023 Actual was \$4.0M]
 - \$1.0 million Mesa litigation
 - \$0.2 million Natural Gas Generators (GE)
 - \$0.2 million Designated
 - \$0.2 million Non-Designated
 - \$1.5 million Utilities Locating [Budget is \$0.8M, Forecast is \$2.3M, 2023 Actual was \$1.7M], added contract companies to fill gaps on the increased number of requests, primarily by Fiber (internal & external), and calls for new development and homeowners.
 - \$1.1 million Electric Power Plant and Admin expenses [Budget is \$16.0M, Forecast is \$17.1M, 2023 Actual was \$15.4M]
 - \$0.6 million Front Range Emerson Ovation Support Agreement, Greenhouse Gas Emission expenses, outage work, and increase cost for the Eta Pro software agreement.
 - \$0.3 million Natural Gas Generators has incurred costs that were not anticipated this time last year for tools and consumable item, system mapping, and software.
 - \$0.1 million Remotes building leases, maintenance, safety supplies, and carryover expenses from 2023.
 - \$0.1 million Multiple smaller increases; Nixon, Gas Propane Air Plant, and Energy Supply Administration
 - \$1.1 million Financial System Upgrade [Budget is \$0.1M, Forecast is \$1.2M, 2023 Actual was minimal], unplanned and unbudgeted software maintenance fees, outside professional service fees, consultants, and agency temporary labor to support the project.
 - \$1.0 million Cyber Operations & Resiliency (A&G allocation) [Budget is \$1.2M, Forecast is \$2.2M, 2023 Actual was \$1.1M] majority of the increase is offset by Department of Energy (DOE) grant awards to implement measures and technologies to enhance Colorado Springs Utilities' cyber security. Remaining increase is primarily related to Hurricane Labs Managed Monitoring – New

- vendor/agreement for Splunk, SOC, and SOAR managed monitoring. Now includes OT monitoring.
- \$0.6 million Energy Resource Planning studies [Budget is \$0.5M, Forecast is \$1.1M, 2023 Actual was \$1.0M] were unplanned and unbudgeted for new generation acquisitions. Additionally, the Plexos/Energy Exemplar distribution and transmission modeling software came in higher than anticipated.
 - \$0.5 million Gas Construction and Maintenance expenses [Budget is \$1.3M, Forecast is \$1.8M, 2023 Actual was \$1.5M] increase most influenced by · renewals, · emergency leaks, and · the condition assessment program.
 - \$0.5 million Water Construction and Maintenance expenses [Budget is \$3.3M, Forecast is \$3.8M, 2023 Actual was \$3.8M] increase most influenced by · main line repairs, · service line repairs, and · hydrant repairs.
 - \$0.7 million Labor and Benefits expense [Budget is \$245.7M, Forecast is \$246.4M, 2023 Actual was \$225.2M]
 - \$1.4 million 2023 payroll accrual accounted for in 2024.
 - \$1.4 million New positions to support Fiber, Utility Fleet Operations, Procurement Services, Intern Program, Regional Transmission Organization (RTO), and the Rotational Engineering Program.
 - \$(2.1) million net decreases most significantly influenced by Employee Benefits shift to Capital Projects.
 - \$(3.5) million A&G Overhead [Budget is \$(8.2M), Forecast is \$(11.7M), 2023 Actual was \$(9.2M)] shift from O&M to Capital
 - \$(4.0) million Inter-Service Eliminations [Budget is \$(6.7M), Forecast is \$(10.7M), 2023 Actual was \$(12.6M)]



Date: Aug. 21, 2024

To: Utilities Board

From: Travas Deal, Chief Executive Officer

Subject: **Excellence in Governance Monitoring Report
Risk Management (I-4)**

Desired Action: Monitoring

Compliance: The CEO reports compliance with the instructions.

INSTRUCTIONS			
Category:	Utilities Board Instructions to the Chief Executive Officer	Reporting Timeframe:	January 1, 2024 – June 30, 2024
Policy Title (Number):	Risk Management (I-4)	Reviewing Committee:	Finance
Monitoring Type:	Internal, External, City Auditor	Monitoring Frequency:	Semi-Annual, Annual, Years ending in 0 and 5

The Chief Executive Officer shall direct that the enterprise maintains enterprise risk management activities that identify, assess and prudently manage a variety of risks including strategic, financial, operational, legal and hazard. Accordingly, the CEO shall:

1. Maintain a Risk Management Committee to identify, measure, monitor, manage and report risk on an enterprise-wide basis.

A Risk Management Committee (RMC) was maintained with a structure and procedures specified in the Enterprise Risk Management (ERM) Plan. RMC meetings were restructured to capture a top-down approach to risk management. Elements at each scheduled RMC meeting included:

- Enterprise risk registry – A tracking tool is used to identify, measure, monitor, and report on risks. This tracking tool incorporates elements of the Financial Risk Report, which monitors energy and interest rate market risks and various financial risks.
- Special topic review – Reporting of current projects and their efforts to manage and/or mitigate identified risks and special topics.

2. *Operate under and maintain a written Enterprise Risk Management (ERM) Plan and its required plans listed below that each include management level approval, detailed procedures, internal controls and reporting requirements, and external audits.*

The Enterprise Risk Management (ERM) Plan was maintained and is currently approved. Due to the continuous evaluation of business needs of Colorado Springs Utilities, the ERM Plan was revised to better align with the risks the organization is, and will be, facing.

The current ERM Plan ensured risks were identified, measured, monitored, managed, and reported for each of the five risk categories.

A. Energy Risk Management Plan - establishes procedures for limiting organizational exposure to price volatility and supports the acquisition or sale of energy that does not unreasonably jeopardize the ability to meet customer needs.

The Energy Risk Management Plan was maintained and remains current. This Plan reports energy-related commodity risks to operational groups and executive management. Additionally, the plan's processes and controls were in place for trade and settlement activities associated with transactions in these commodity markets.

B. Investment Plan - establishes investment scope, objectives, delegation of authority, standards of prudence, eligible investments and transactions, risk tolerance and safekeeping and custodial procedures for the investment of all funds.

The Investment Plan was maintained and remained current. Compliance was met by the handling of cash management investments with clear delegation of authorities as defined by the plan and adherence to Colorado state law regarding municipal investments.

C. Financial Risk Management Plan - establishes objectives and procedures for minimizing risk to support responsible compliance.

The Financial Risk Management Plan was maintained and remained current. Compliance was met by monitoring, managing, and reporting of the portfolio of financial derivatives and associated counterparties and the enterprise exposure to interest rate risk. During the first half of 2024, Colorado Springs Utilities did not enter into any financial derivative transactions which are governed by the plan.



Date: August 21, 2024

To: Utilities Board

From: Travas Deal, Chief Executive Officer

Subject: **Excellence in Governance Compliance Report
Asset Protection (I-8)**

Desired Action: Monitoring

Compliance: The CEO reports compliance with the instructions

INSTRUCTIONS			
Category:	Utilities Board Instructions to the Chief Executive Officer	Reporting Timeframe:	January 1, 2024- June 30, 2024
Policy Title (Number):	Asset Protection (I-8)	Reviewing Committee:	Finance
Monitoring Type:	Internal; City Auditor	Monitoring Frequency:	Semi-Annual; Annual

The Chief Executive Officer shall direct that enterprise assets are protected, adequately maintained and not unnecessarily risked. Accordingly, the CEO shall:

- 1. Protect enterprise assets including, but not limited to, water rights, real property interests, physical assets, cyber assets, intellectual property, records and information from loss or significant damage.*

Plans and programs are in place that address and comply with the expectations of this policy to include, but not limited to:

	Frequency of Update	Last Updated	Planning Horizon	Responsible Division
Cyber Security:				Customer and Enterprise Services
Cyber Security Incident Response Plan	Every 5 years	2024	5 years	
Cyber Security Vulnerability Management Program	Every 3 years	2024	Ongoing	
Cyber Security (Risk Management) Framework	Every 3 years	2023	Ongoing	
Security Operations:				Operations
Physical Security Program	5 years	2021	10 years	
Physical Security for Rampart Dam and Reservoir and Tesla Hydro Plant	1 year	2023	Ongoing	
Emergency Management:				Operations
Emergency Operations Plan	3 years	2024	Ongoing	
Dam Emergency Action Plans	1 year	2023	Ongoing	
Water Resource Recovery Facility Flood Emergency Evacuation Plans	1 year	2023	Ongoing	
Facilities Management:				System Planning and Projects
Facilities Master Plan	5 years	2021	10 years	
Facilities Maintenance Program	Annual	2024	10 years	
Records and Information Management:				Human Resources and Administration
Records Retention Program provides ongoing records compliance and disposition review and support	Ongoing	2023	3 years	
Water Resources Management:				System Planning and Projects
Reporting of water use in accordance with decrees, permits and agreements	Ongoing	Ongoing	Ongoing; updated as needed	
Watershed Management Plans	Ongoing; updated as needed	Ongoing	Ongoing; updated	

			as needed	
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2. *Allow real estate transactions that comply with the City of Colorado Springs Procedure Manual for the Acquisition and Disposition of Real Property Interests, Revised 2021.*

Colorado Springs Utilities collaborates with the Real Estate Services Office to ensure compliance with all requirements of:

- City of Colorado Springs Procedure Manual for the Acquisition and Disposition of Real Property Interests, Revised 2021 which was approved by City Council by Resolution 39-21 on March 23, 2021.

3. *Only sell, dispose of or allow use of assets at fair market value, except for de minimis contributions to community-oriented organizations.*

Colorado Springs Utilities is in compliance with Colorado Springs City Code §1.5.205, which states that all sales of personal property which are obsolete and unusable shall, except as otherwise specifically provided in this part, be based whenever possible on competitive bids.

4. *Protect the enterprise's public image and reputation.*

Colorado Springs Utilities strives to build and enhance the enterprise's public image through proactive communications, media relations, marketing communications and community relations. In 2024, the Public Affairs department has invested more resources into producing educational campaigns. The department used a variety of multimedia formats to reach customers to explain growth, rate comparisons and the importance of building our systems to continue supporting our community. In 2024, we also conducted a brand and reputation survey that provided valuable information about the impact of our communications, marketing and customer service efforts.



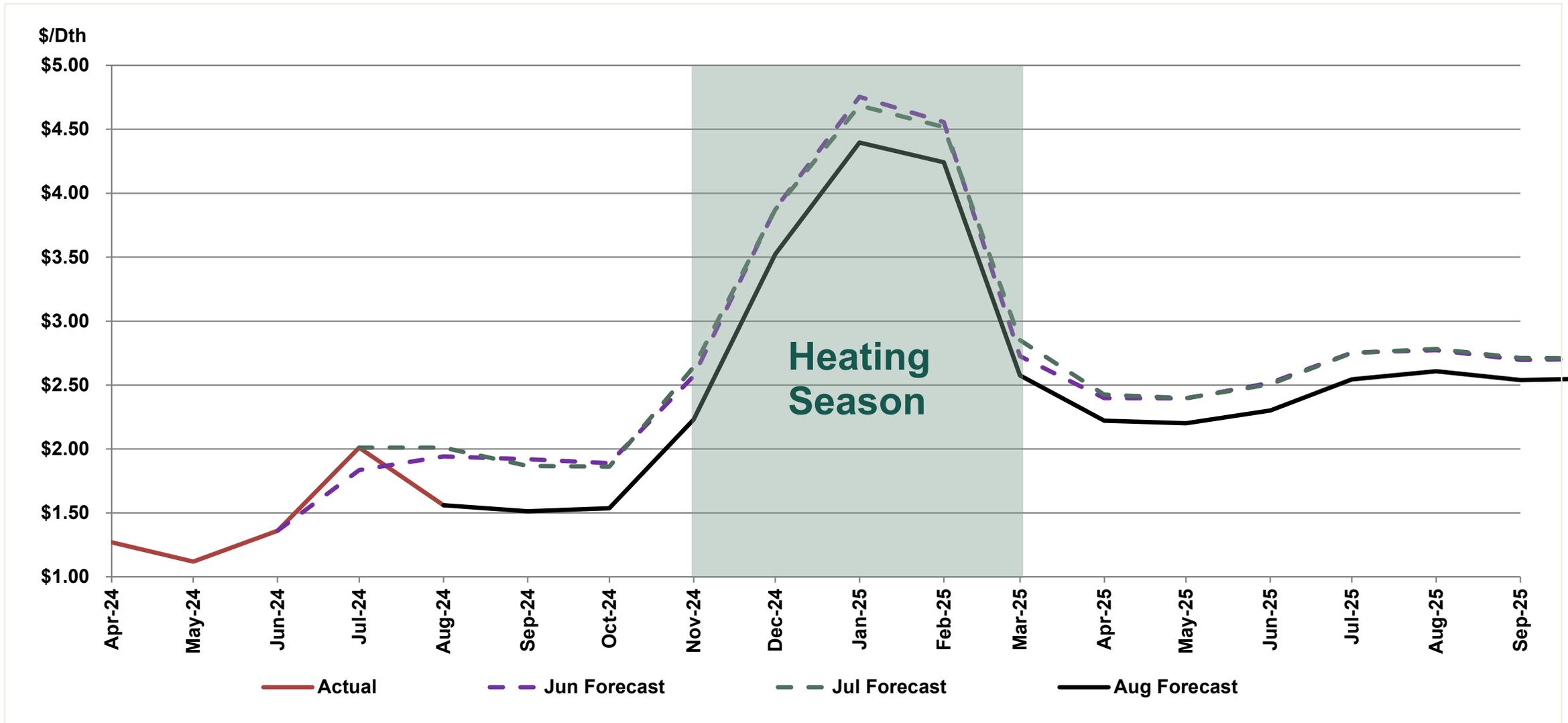
Colorado Springs Utilities
It's how we're all connected

Electric Cost Adjustment Gas Cost Adjustment

Finance Committee

August 19, 2024

Natural Gas Prices as of August 1, 2024





Colorado Springs Utilities[®]

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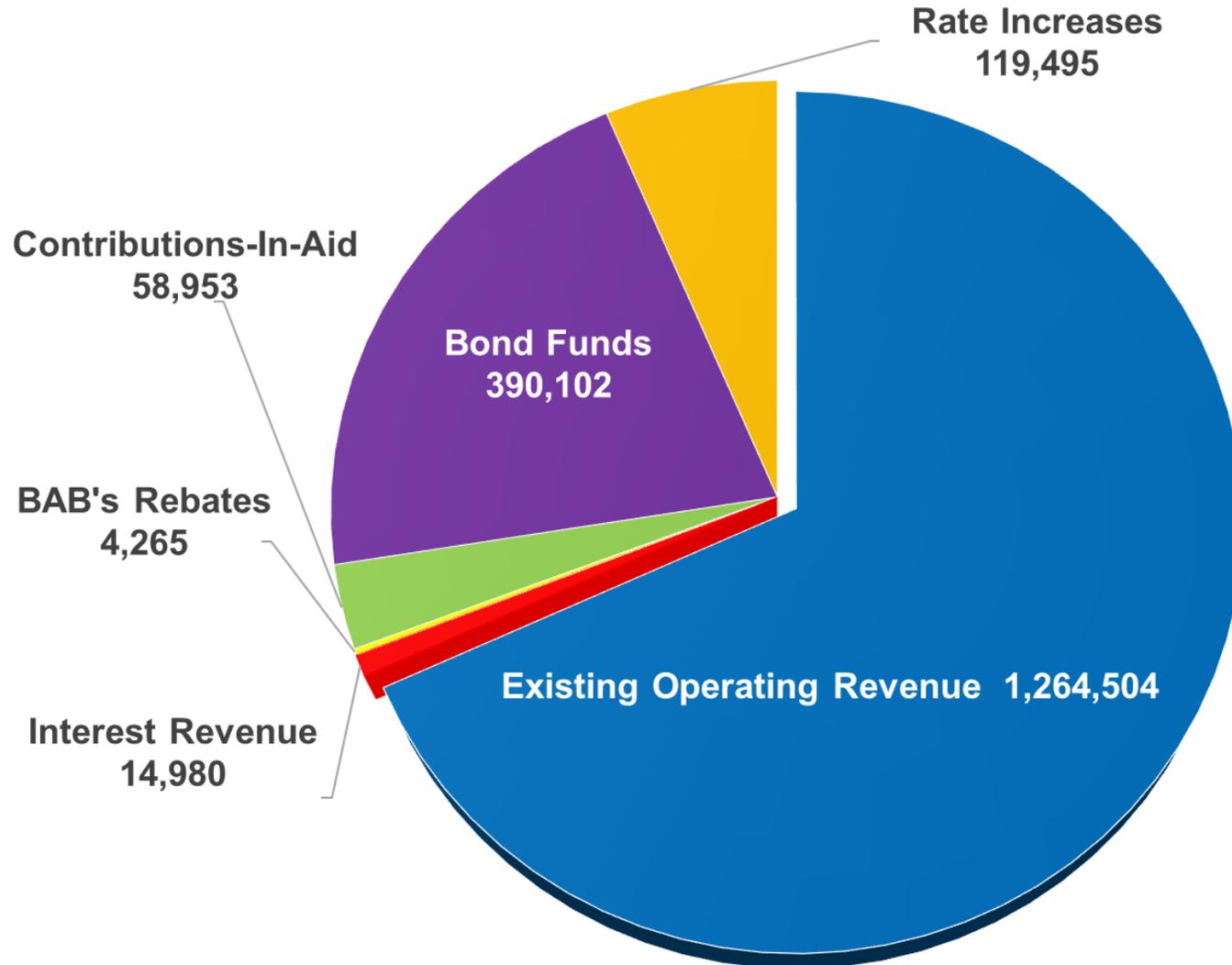
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2025 Preliminary Budget and Rate Case

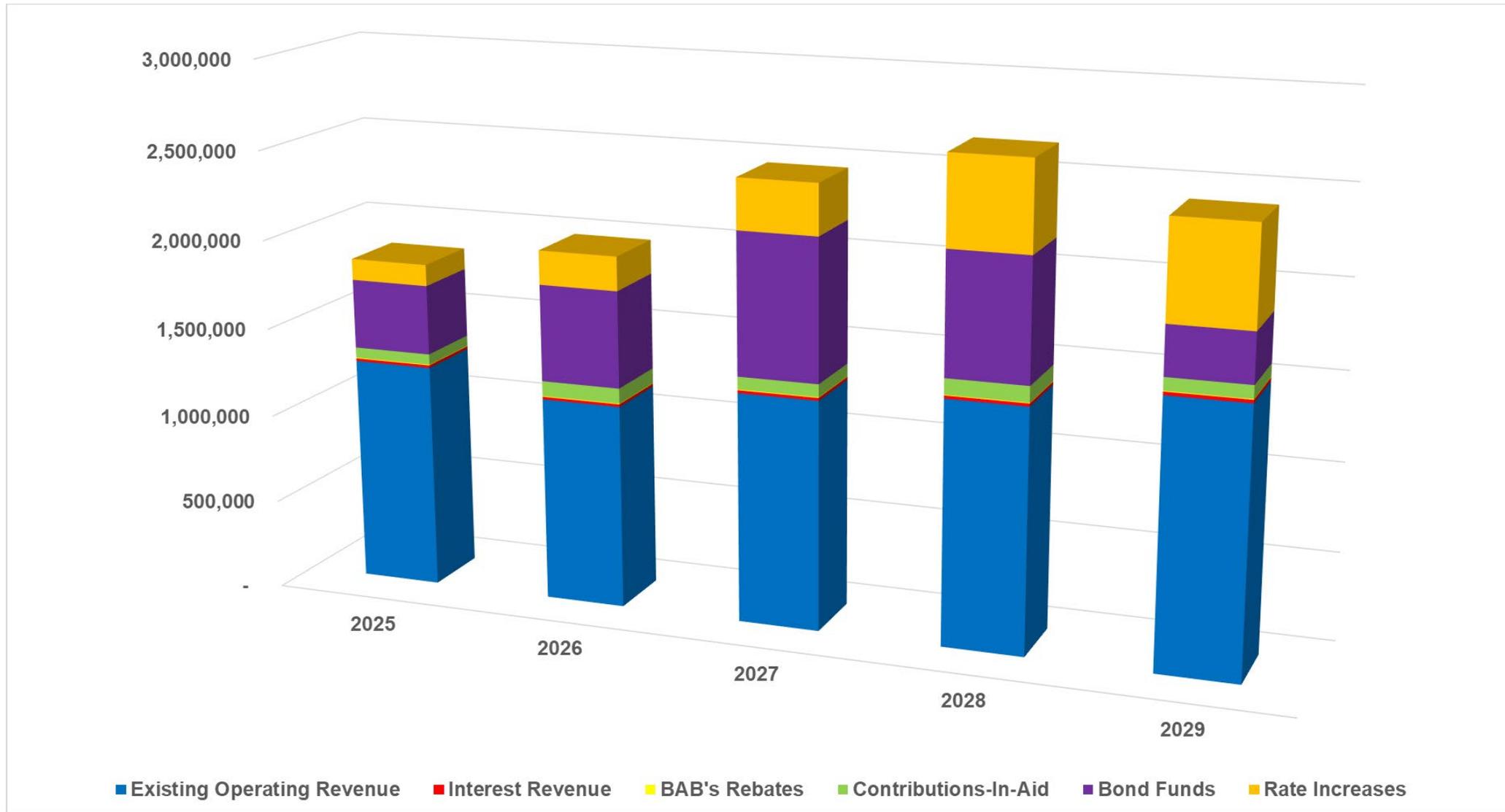
Finance Committee
August 19, 2024

2025 Preliminary Budget

Funding 2025 Appropriation (in thousands)



Funding 2025-29 Appropriation (in thousands)



Proposed 2025 Budget

Budget Summary (in thousands)

	2025 Proposed Budget 3rd Consol	2025 Proposed Budget 2nd Cosol	Increase / (Decrease)	% Change
Capital Projects	\$ 628,752	\$ 433,018	\$ 195,734	45.2%
Operations & Maintenance - Fuel	493,961	418,721	75,240	18.0%
Operations & Maintenance - Non-Fuel	437,774	404,749	33,025	8.2%
Debt Service	228,711	211,061	17,650	8.4%
Surplus Funds to City & Franchise Fees	37,518	36,769	749	2.0%
TOTAL	\$ 1,826,717	\$ 1,504,318	\$ 322,399	21.4%

Proposed 2025-29 Forecast (in thousands)

	2025	2026	2027	2028	2029
Capital Projects	\$ 628,752	\$ 697,046	\$ 997,463	\$ 985,384	\$ 602,274
Operations & Maintenance – Fuel*	\$ 493,961	\$525,842	\$652,033	\$651,979	\$647,616
Operations & Maintenance – Non-Fuel	\$437,774	\$454,909	\$468,627	\$477,675	\$487,509
Debt Service	\$228,711	\$263,034	\$293,292	\$338,909	\$365,380
Surplus Transfers & Franchise Fees	\$37,518	\$37,709	\$38,392	\$38,826	\$38,974
Total	\$1,826,717	\$1,978,540	\$2,449,807	\$2,492,773	\$2,141,753

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

Proposed 5-Year Financial Plan (in thousands)

Proposed Metrics	2025	2026	2027	2028	2029	5 Year Average
Adjusted Debt Service Coverage	1.87	1.94	1.90	1.90	1.90	1.90
Debt Ratio	53.6%	56.4%	58.8%	58.8%	57.3%	57.0%
Days Cash on Hand	157	151	151	151	151	152

Proposed System Rate Increases Needed	2025 Rate Increases	2026 Rate Increases	2027 Rate Increases	2028 Rate Increases	2029 Rate Increases
Electric (Base Rates)	6.5%	6.5%	6.5%	6.5%	6.5%
Gas (Base Rates)	4.0%	4.0%	4.0%	4.0%	4.0%
Water	6.5%	6.5%	6.5%	6.5%	6.5%
Wastewater	9.0%	9.0%	9.0%	9.0%	9.0%
Base Rate Sub-Total	6.6%	6.6%	6.6%	6.6%	6.6%
Estimated Fuel Rates	12.0%	22.0%	45.2%	(1.2%)	(1.1%)
Total Rate Increases	7.3%	8.7%	12.5%	5.1%	5.2%

2025 Preliminary Rate Case Review

2025 Rate Case Overview

- 2025 Rate Case filing based on 2025 Sources & Uses Budget Ordinances and five-year financial plan
- Rate Case filing includes proposed changes to:
 - Electric, Natural Gas, Water, Wastewater Rate Tables and tariff provisions
 - Utilities Rules and Regulations (URR)
- Effective date of proposed changes
 - January 1, 2025; October 1, 2025; and January 1, 2026 - 2029
- The 2025 Rate Case filing will contain the comprehensive proposed changes
 - Reports, Resolutions, Tariffs, Cost of Service Studies (COS), Worksheets, and other supporting materials

Total Service Sample Bill

Building the Future – Five-year Financial Plan

Line No.	Rate Class	Current Effective	Proposed 1/1/25	Proposed Increase/ (Decrease)	% Change	Proposed 1/1/26	Proposed Increase/ (Decrease)	% Change	Proposed 1/1/27	Proposed Increase/ (Decrease)	% Change	Proposed 1/1/28	Proposed Increase/ (Decrease)	% Change	Proposed 1/1/29	Proposed Increase/ (Decrease)	% Change
(a)	(b)	(c)	(d)	(e) (d) - (c)	(f) (e) / (c)	(g)	(h) (g) - (d)	(i) (h) / (d)	(j)	(k) (j) - (g)	(l) (k) / (g)	(m)	(n) (m) - (j)	(o) (n) / (j)	(p)	(q) (p) - (m)	(r) (q) / (m)
1	Residential⁽²⁾																
2	Electric	\$ 96.98	\$ 101.93	\$ 4.95	5.1%	\$ 107.09	\$ 5.16	5.1%	\$ 112.60	\$ 5.51	5.1%	\$ 118.40	\$ 5.80	5.2%	\$ 124.65	\$ 6.25	5.3%
3	Gas	34.62	35.50	0.88	2.5%	36.42	0.92	2.6%	37.38	0.96	2.6%	38.36	0.98	2.6%	39.39	1.03	2.7%
4	Water	80.14	85.10	4.96	6.2%	90.56	5.46	6.4%	96.36	5.80	6.4%	102.48	6.12	6.4%	109.06	6.58	6.4%
5	Wastewater	34.22	37.33	3.11	9.1%	40.66	3.33	8.9%	44.34	3.68	9.1%	48.31	3.97	9.0%	52.65	4.34	9.0%
6	Total	\$ 245.96	\$ 259.86	\$ 13.90	5.7%	\$ 274.73	\$ 14.87	5.7%	\$ 290.68	\$ 15.95	5.8%	\$ 307.55	\$ 16.87	5.8%	\$ 325.75	\$ 18.20	5.9%
7	Commercial⁽³⁾																
8	Electric	\$ 617.85	\$ 658.50	\$ 40.65	6.6%	\$ 687.39	\$ 28.89	4.4%	\$ 718.19	\$ 30.80	4.5%	\$ 750.32	\$ 32.13	4.5%	\$ 784.37	\$ 34.05	4.5%
9	Gas ⁽²⁾	451.63	464.68	13.05	2.9%	477.67	12.99	2.8%	491.34	13.67	2.9%	505.68	14.34	2.9%	520.72	15.04	3.0%
10	Water	241.65	260.39	18.74	7.8%	277.07	16.68	6.4%	294.88	17.81	6.4%	313.70	18.82	6.4%	333.85	20.15	6.4%
11	Wastewater	126.76	138.02	11.26	8.9%	150.31	12.29	8.9%	163.78	13.47	9.0%	178.44	14.66	9.0%	194.62	16.18	9.1%
12	Total	\$ 1,437.89	\$ 1,521.59	\$ 83.70	5.8%	\$ 1,592.44	\$ 70.85	4.7%	\$ 1,668.19	\$ 75.75	4.8%	\$ 1,748.14	\$ 79.95	4.8%	\$ 1,833.56	\$ 85.42	4.9%
13	Industrial⁽⁴⁾																
14	Electric	\$ 35,692.80	\$ 36,902.86	\$ 1,210.06	3.4%	\$ 38,427.78	\$ 1,524.92	4.1%	\$ 40,042.27	\$ 1,614.49	4.2%	\$ 41,755.49	\$ 1,713.22	4.3%	\$ 43,570.60	\$ 1,815.11	4.3%
15	Gas	4,304.06	4,434.30	130.24	3.0%	4,553.30	119.00	2.7%	4,678.57	125.27	2.8%	4,810.09	131.52	2.8%	4,947.89	137.80	2.9%
16	Water	3,160.35	3,416.44	256.09	8.1%	3,635.22	218.78	6.4%	3,869.23	234.01	6.4%	4,116.00	246.77	6.4%	4,380.55	264.55	6.4%
17	Wastewater	1,630.76	1,778.32	147.56	9.0%	1,936.31	157.99	8.9%	2,109.58	173.27	8.9%	2,298.14	188.56	8.9%	2,507.02	208.88	9.1%
18	Total	\$ 44,787.97	\$ 46,531.92	\$ 1,743.95	3.9%	\$ 48,552.61	\$ 2,020.69	4.3%	\$ 50,699.65	\$ 2,147.04	4.4%	\$ 52,979.72	\$ 2,280.07	4.5%	\$ 55,406.06	\$ 2,426.34	4.6%

Notes:

⁽¹⁾ Immaterial differences may occur due to rounding.

⁽²⁾ The Residential sample bill is calculated using the existing and proposed rates assuming: 30 days per month; 700 kWh for Electric; 60 Ccf for Natural Gas; 1,100 cf for Water-Inside City Limits; 700 cf for Wastewater-Inside City Limits.

⁽³⁾ The Commercial sample bill is calculated using the existing and proposed rates assuming: 30 days per month; 6,000 kWh for Electric; 1,240 Ccf for Natural Gas; 3,000 cf for Water-Inside City Limits; 3,000 cf for Wastewater-Inside City Limits.

⁽⁴⁾ The Industrial sample bill is calculated using the existing and proposed rates assuming: 30 days per month; 400,000 kWh and 1,000 kW for Electric; 12,400 Ccf for Natural Gas; 50,000 cf for Water-Inside City Limits; 50,000 cf for Wastewater-Inside City Limits.



Electric Service

- 2025 Electric base rate drivers
 - Funding reliability, regulatory, and growth infrastructure investments
 - Substation and transmission line
 - Sustainable Energy Plan projects
 - Supporting growth and resiliency
 - Inflationary increases in labor, benefits, and system maintenance
- Total Electric proposed revenue from rates is \$395.6 million
 - \$24.2 million higher than revenue under current rates
- Overall system increase 6.5%

2025 COS and Rate Design Summary - Electric

Line No.	Rate Class	Net Revenue Requirement	Revenue Under Current Rates	Proposed Increase / (Decrease)	Percent Revenue Change	Proposed Revenue from Rates	Percent of Net Revenue Requirement
<u>(a)</u>	<u>(b)</u>	<u>(c)</u>	<u>(d)</u>	<u>(e)</u> <u>(g) - (d)</u>	<u>(f)</u> <u>(e) / (d)</u>	<u>(g)</u>	<u>(h)</u> <u>(g) / (c)</u>
1	Residential (E1R/ETR)	\$ 193,224,211	\$ 182,067,590	\$ 11,935,183	6.6%	\$ 194,002,773	100.4%
2	Small Commercial (E1C)	11,148,970	10,834,869	719,456	6.6%	11,554,325	103.6%
3	Commercial General (E2C/ETC)	61,593,659	57,508,757	5,425,597	9.4%	62,934,354	102.2%
4	Industrial TOD 1,000 kWh/Day Min (ETL)	57,708,937	57,527,524	1,838,619	3.2%	59,366,143	102.9%
5	Industrial TOD 500 kW Min (E8T)	31,912,182	31,012,220	1,550,922	5.0%	32,563,142	102.0%
6	Industrial TOD 4,000 kW Min (E8S)	3,109,333	2,369,283	241,891	10.2%	2,611,174	84.0%
7	Industrial Service - Large Power and Light (ELG)	20,789,143	14,671,283	1,746,786	11.9%	16,418,069	79.0%
8	Industrial Transmission Voltage TOD (ETX)	3,416,344	3,006,014	240,349	8.0%	3,246,363	95.0%
9	Contract Service - Military (ECD)	12,215,546	11,864,083	439,625	3.7%	12,303,708	100.7%
10	Contract Service - Military Wheeling (ECW)	265,214	231,565	11,142	4.8%	242,707	91.5%
11	Traffic Signals (E2T)	206,989	163,188	15,080	9.2%	178,268	86.1%
12	Street Lighting (E7SL)	205,650	186,772	18,856	10.1%	205,628	100.0%
13	Total Electric	\$ 395,796,178	\$ 371,443,145	\$ 24,183,508	6.5%	\$ 395,626,653	100.0%

Building the Future – Five-Year Financial Plan

- Proposed Electric Base Rate Changes (6.5% Annually)

Line No.	Rate Schedules	2025 Percent Change ⁽¹⁾	2026-2029 Annual Percent Rate Change ⁽²⁾⁽³⁾
<u>(a)</u>	<u>(b)</u>	<u>(c)</u>	<u>(d)</u>
1	COS Rate Classes:		
2	Residential (E1R/ETR)	6.6%	6.4%
3	Small Commercial (E1C)	6.6%	6.4%
4	Commercial General (E2C/ETC)	9.4%	6.0%
5	Industrial TOD 1,000 kWh/Day Min (ETL)	3.2%	5.9%
6	Industrial TOD 500 kW Min (E8T)	5.0%	6.0%
7	Industrial TOD 4,000 kW Min (E8S)	10.2%	10.2%
8	Industrial Service - Large Power and Light (ELG)	11.9%	11.9%
9	Industrial Transmission Voltage TOD (ETX)	8.0%	7.9%
10	Contract Service - Military (ECD)	3.7%	6.5%
11	Contract Service - Military Wheeling (ECW)	4.8%	6.5%
12	Traffic Signals (E2T)	9.2%	9.3%
13	Street Lighting (E7SL)	10.1%	6.5%
14	Other Rate Changes:		
15	Commercial Non-Metered (ENM)	10.5%	10.5%
16	Enhanced Power Reserved Capacity	12.1%	6.5%
17	Community Solar Garden Bill Credit (Program and Pilot)	1.9 - 14%	6.5%
18	Electric Vehicle (EV) Public Charging Service	5 - 10%	6.5%

Notes:

⁽¹⁾ Percent shown reflects change in rate class revenue for COS Rate Classes.

⁽²⁾ Proposed rate increases may vary from percent increase shown due to rounding.

⁽³⁾ Figures shown do not reflect changes resulting from EnergyWise Time-of-Day implementation..



Natural Gas Service

- 2025 Natural Gas base rate drivers
 - Funding reliability, regulatory, and growth infrastructure investments
 - Distribution Integrity Management Program
 - Supporting growth and resiliency
 - Inflationary increases in labor, benefits, and system maintenance
- Total Natural Gas proposed revenue from rates is \$92.0 million
 - \$3.6 million higher than revenue under current rates
- Overall system increase 4.0%

COS and Rate Design Summary – Natural Gas

Line No.	Rate Class	Net Revenue Requirement	Revenue Under Current Rates	Proposed Increase / (Decrease)	Percent Revenue Change	Proposed Revenue from Rates	Percent of Net Revenue Requirement
(a)	(b)	(c)	(d)	(e) (g) - (d)	(f) (e) / (d)	(g)	(h) (g) / (c)
1	Residential/Commercial Service - Small Firm (G1R, G1CS)	\$ 66,115,708	\$64,127,640	\$ 2,525,852	3.9%	\$66,653,492	100.8%
2	Commercial Service - Large Firm (G1CL, G8M)	19,232,908	17,562,595	885,582	5.0%	18,448,177	95.9%
3	Commercial Service - Large Firm (G1S)	439,573	496,176	5,115	1.0%	501,291	114.0%
4	Industrial Service - Interruptible (G2I, G3M)	738,061	720,192	18,371	2.6%	738,563	100.1%
5	Industrial Transportation Service - Firm (G4T)	2,236,515	2,336,027	51,999	2.2%	2,388,026	106.8%
6	Contract Service - Military Firm (GCS-FIRM, GCS-G6M)	2,634,533	2,588,122	51,515	2.0%	2,639,637	100.2%
7	Contract Service - Military Interruptible (GCS-INTS, GCS-G7M)	591,381	576,826	14,784	2.6%	591,610	100.0%
8	Total	\$ 91,988,679	\$88,407,578	\$ 3,553,218	4.0%	\$91,960,796	100.0%

Building the Future – Five-Year Financial Plan

- Proposed Natural Gas Base Rate Changes (4.0% Annually)

Line No.	Rate Schedules	2025 Percent Change ⁽¹⁾	2026-2029 Annual Percent Rate Change ⁽²⁾
(a)	(b)	(c)	(d)
1	COS Rate Classes:		
2	Residential/Commercial Service - Small Firm (G1R, G1CS)	3.9%	3.8%
3	Commercial Service - Large Firm (G1CL, G8M)	5.0%	5.1%
4	Commercial Service - Large Firm (G1S)	1.0%	0.6%
5	Industrial Service - Interruptible (G2I, G3M)	2.6%	4.0%
6	Industrial Transportation Service - Firm (G4T)	2.2%	2.3%
7	Contract Service - Military Firm (GCS-FIRM, GCS-G6M)	2.0%	4.0%
8	Contract Service - Military Interruptible (GCS-INTS, GCS-G7M)	2.6%	4.0%
9	Other Rate Changes:		
10	Industrial Service - Interruptible Prescheduled (G3D)	4.0%	4.0%

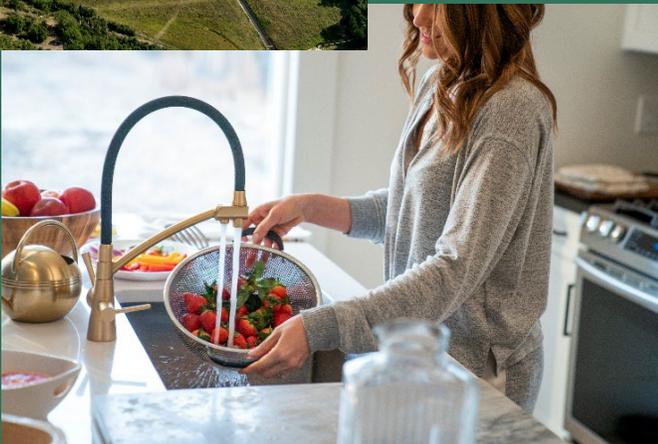
Notes:

⁽¹⁾ Percent shown reflects change in rate class revenue for COS Rate Classes.

⁽²⁾ Proposed rate increases may vary from percent increase shown due to rounding.

Water Service

- 2025 Water rate drivers
 - Funding reliability, regulatory, and growth infrastructure investments
 - Sustainable Water Plan projects
 - Supporting growth and resiliency
 - Water debt additions
 - Inflationary increases in labor, benefits, and system maintenance
- Total Water proposed revenue from rates is \$228.7 million
 - \$13.9 million higher than revenue under current rates
- Overall system increase 6.5%



COS and Rate Design Summary – Water

Line No.	Rate Class	Net Revenue Requirement	Revenue Under Current Rates	Proposed Increase / (Decrease)	Percent Revenue Change	Proposed Revenue from Rates	Percent of Net Revenue Requirement
<u>(a)</u>	<u>(b)</u>	<u>(c)</u>	<u>(d)</u>	<u>(e)</u> <u>(g) - (d)</u>	<u>(f)</u> <u>(e) / (d)</u>	<u>(g)</u> <u>(d) + (e)</u>	<u>(h)</u> <u>(g) / (c)</u>
1	Residential Service	\$ 117,348,265	\$ 111,596,267	\$ 6,053,373	5.4%	\$ 117,649,641	100.3%
2	Nonresidential Service	91,841,634	85,598,439	6,751,195	7.9%	92,349,634	100.6%
3	Large Nonseasonal Service	3,974,124	3,892,365	115,113	3.0%	4,007,478	100.8%
4	Contract Service - Military	15,420,663	13,745,054	941,610	6.9%	14,686,664	95.2%
5	Total	\$ 228,584,687	\$ 214,832,126	\$ 13,861,291	6.5%	\$ 228,693,417	100.0%

Note: Residential and Nonresidential values are inclusive of Inside and Outside City Limits service.

Building the Future – Five-Year Financial Plan

- Proposed Water Base Rate Changes (6.5% Annually)

Line No.	Rate Schedules	2025 Percent Change ⁽¹⁾	2026-2029 Annual Percent Rate Change ⁽²⁾
<u>(a)</u>	<u>(b)</u>	<u>(c)</u>	<u>(d)</u>
1	COS Rate Classes:		
2	Residential Service ⁽³⁾	5.4%	6.4%
3	Nonresidential Service ⁽³⁾	7.9%	6.4%
4	Large Nonseasonal Service	3.0%	6.5%
5	Contract Service - Military	6.9%	7.8%
6	Other Rate Changes:		
7	Contract Service - Regional (Full Service)	9.2%	6.5%
8	Contract Service - Regional (Convey, Treat, Deliver)	12.2%	6.5%
9	Nonpotable - Miscellaneous Service	6.5%	6.5%
10	Nonpotable - Contract Service	6.5%	6.5%
11	Augmentation	6.5%	6.5%
12	Temporary Service - Hydrant Use	9.6%	6.5%

Notes:

⁽¹⁾ Percent shown reflects change in rate class revenue for COS Rate Classes.

⁽²⁾ Proposed rate increases may vary from percent increase shown due to rounding.

⁽³⁾ Residential and Nonresidential values are inclusive of Inside and Outside City Limits service.



Wastewater Service

- 2025 Wastewater rate drivers
 - Funding reliability, regulatory, and growth infrastructure investments
 - Collection and treatment system rehabilitation and upgrades
 - Supporting growth and resiliency
 - Inflationary increases in labor, benefits, and system maintenance
- Total Wastewater proposed revenue from rates is \$79.7 million
 - \$6.6 million higher than revenue under current rates
- Overall system increase 9.0%

COS and Rate Design Summary – Wastewater

Line No.	Rate Class	Net Revenue Requirement	Revenue Under Current Rates	Proposed Increase / (Decrease)	Percent Revenue Change	Proposed Revenue from Rates	Percent of Net Revenue Requirement
(a)	(b)	(c)	(d)	(e) (g) - (d)	(f) (e) / (d)	(g) (d) + (e)	(h) (g) / (c)
1	Residential Service	\$60,759,379	\$ 55,745,250	\$ 5,015,936	9.0%	\$60,761,186	100.0%
2	Nonresidential Service	18,723,726	17,169,958	1,559,601	9.1%	18,729,558	100.0%
3	Contract Service - Military	247,889	231,622	15,919	6.9%	247,541	99.9%
4	Total	\$ 79,730,994	\$ 73,146,830	\$ 6,591,455	9.0%	\$ 79,738,285	100.0%

Note : Residential and Nonresidential values are inclusive of Inside and Outside City Limits service.

Building the Future – Five-Year Financial Plan

- Proposed Wastewater Base Rate Changes (9.0% Annually)

Line No.	Rate Schedules ⁽¹⁾	2025 Percent Change ⁽²⁾	2026-2029 Annual Percent Rate Change ⁽³⁾
<u>(a)</u>	<u>(b)</u>	<u>(c)</u>	<u>(d)</u>
1	COS Rate Classes:		
2	Residential Service ⁽⁴⁾	9.0%	9.0%
3	Nonresidential Service ⁽⁴⁾	9.1%	9.0%
4	Contract Service - Military	6.9%	9.0%
5	Other Rate Changes:		
6	Contract Service - Regional	8.0%	9.0%
7	Liquid Waste Hauler	10.5%	9.0%

Notes:

⁽¹⁾ BOD/TSS rates vary, see Rate Table in the Wastewater Rate Schedules for detail.

⁽²⁾ Percent shown reflects change in rate class revenue for COS Rate Classes.

⁽³⁾ Proposed rate increases may vary from percent increase shown due to rounding.

⁽⁴⁾ Residential and Nonresidential values are inclusive of Inside and Outside City Limits service.

Sample Total Service Bill

(Proposed Effective January 1, 2025)



SAMPLE BILL CALCULATIONS ASSUME:

- 30 Day Billing Period
- 700 kWh Electric
- 60 Ccf Natural Gas
- 1,100 cf Water inside city limits
- 700 cf Wastewater inside city limits

Sample Residential Monthly Bill

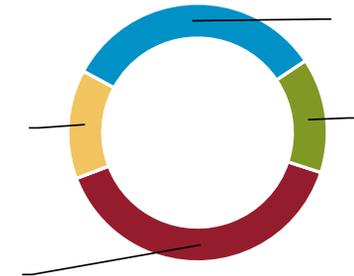
Proposed Residential Changes (Sample Bill)

Current Average Sample Bill	\$ 245.96
Proposed Four-Service Increase	\$ 13.90
Proposed Total Avg. Sample Bill	\$ 259.86

*Actual bill impacts will vary based on individual customer usage.

Sample Total Residential Monthly Bill

Electric (Proposed)	\$ 101.93
Gas (Proposed)	\$ 35.50
Water (Proposed)	\$ 85.10
Wastewater (Proposed)	\$ 37.33
Total (Proposed)	\$ 259.86



Front Range Bill Comparison – As of July 1, 2024

Residential	Electric	Gas	Water	Wastewater	Total
Front Range Average	\$ 120.42	\$ 52.42	\$ 71.55	\$ 40.37	\$ 284.76
Colorado Springs	\$ 96.98	\$ 34.62	\$ 80.14	\$ 34.22	\$ 245.96
Percent Above (- Below)	-19.47%	-33.96%	12.01%	-15.23%	-13.63%

Notes:

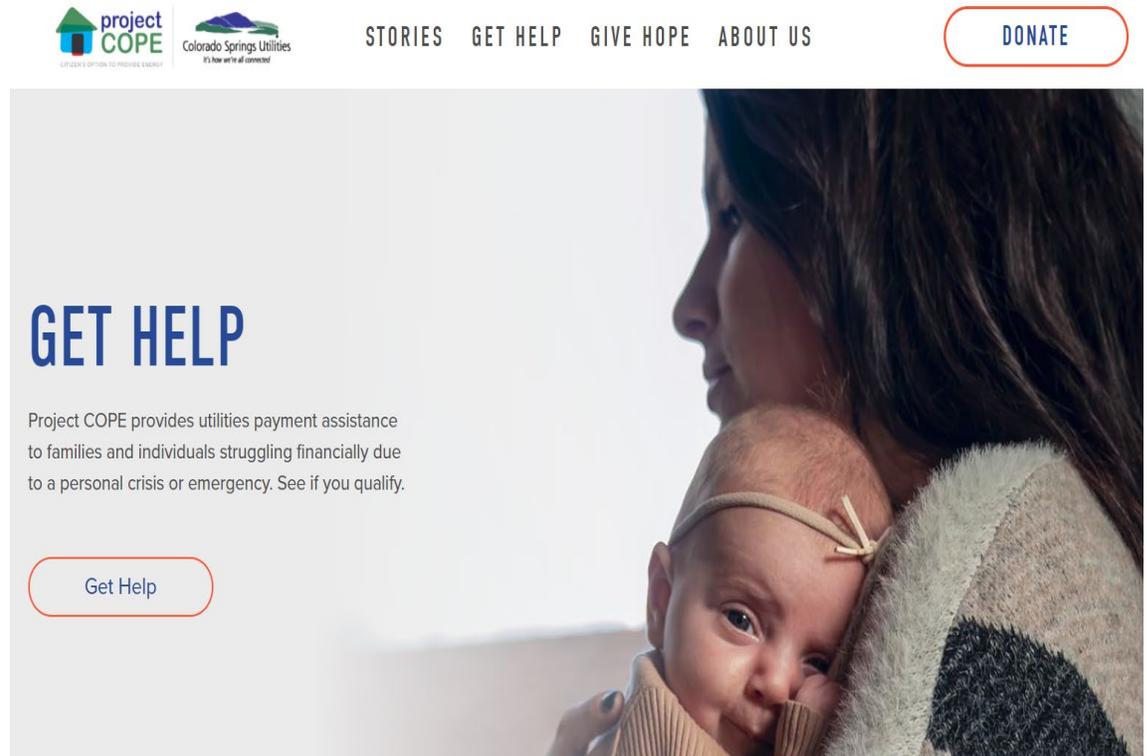
Residential bill based on 30 day billing period, 700 kWh (electric), 60 CCF (gas), 1,100 cf (water), and 700 cf (wastewater).

Front Range communities include Aurora, Denver, Fort Collins, Fountain, Monument, and Pueblo.

Rate computations are estimated using assumed billing determinates, tariff rates publicly available on websites effective July 1, 2024.

Helping Customers Today

- Bill assistance
 - Low-Income Energy Assistance Program (LEAP) Nov – Apr
 - Project COPE
- Payment options
 - Payment plans
 - Pick my payment date
- Contact information
 - 2-1-1 for customer assistance
 - 719-448-4800 for billing questions



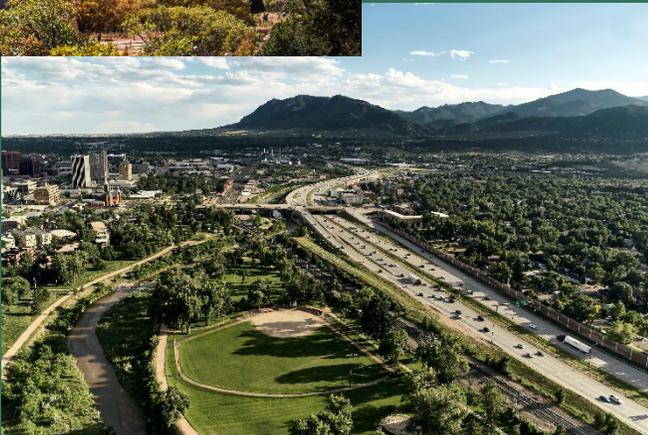
Long-term Assistance

- Free efficiency home upgrades
 - Home Efficiency Assistance Program (HEAP)
- Efficiency tips & education
 - Online at csu.org
 - Conservation and Environmental Center
- Rebates
 - Water heater
 - Furnace
 - Smart thermostat
 - Insulation



Other Tariff Changes

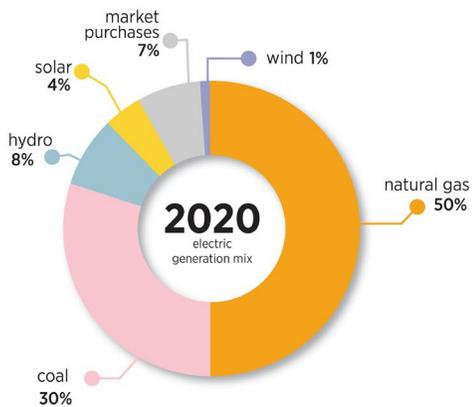
- Electric Rate Schedules
 - Electric Energy-Wise Time-of-Day (TOD)
- Natural Gas Rate Schedules
 - Interruptible Service
 - Transportation Service
- Electric, Natural Gas, Water and Wastewater Rate Schedules
 - Clerical revisions
- URR
 - Large Load Interconnection Fee
 - Electric and Natural Gas Line Extensions
 - Update of existing and addition of new fees
 - Recovery Agreement Unit Recovery Charge
 - Clerical revisions



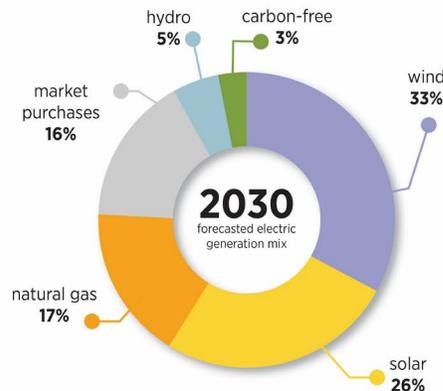
Electric – Energy-Wise TOD Background

- The energy future is transforming
 - State requirements
 - Sustainable energy transition
 - Growing community
 - New customer and metering technologies

- Pathway to modernize rates
 - 2018 initiative to position Utilities for energy future
 - Energy vision, Board workshops, Integrated Resource Planning



a greener
FUTURE



Industry Best Practices & Lessons Learned



Peer Utility Interviews



Consultants & Industry Groups



Published Reports



News Articles



Utility Websites & Sample Bills

Customer Centricity – Research & Analyses

Customer &
Employee
Focus Groups

Customer
Surveys

Journey
Mapping

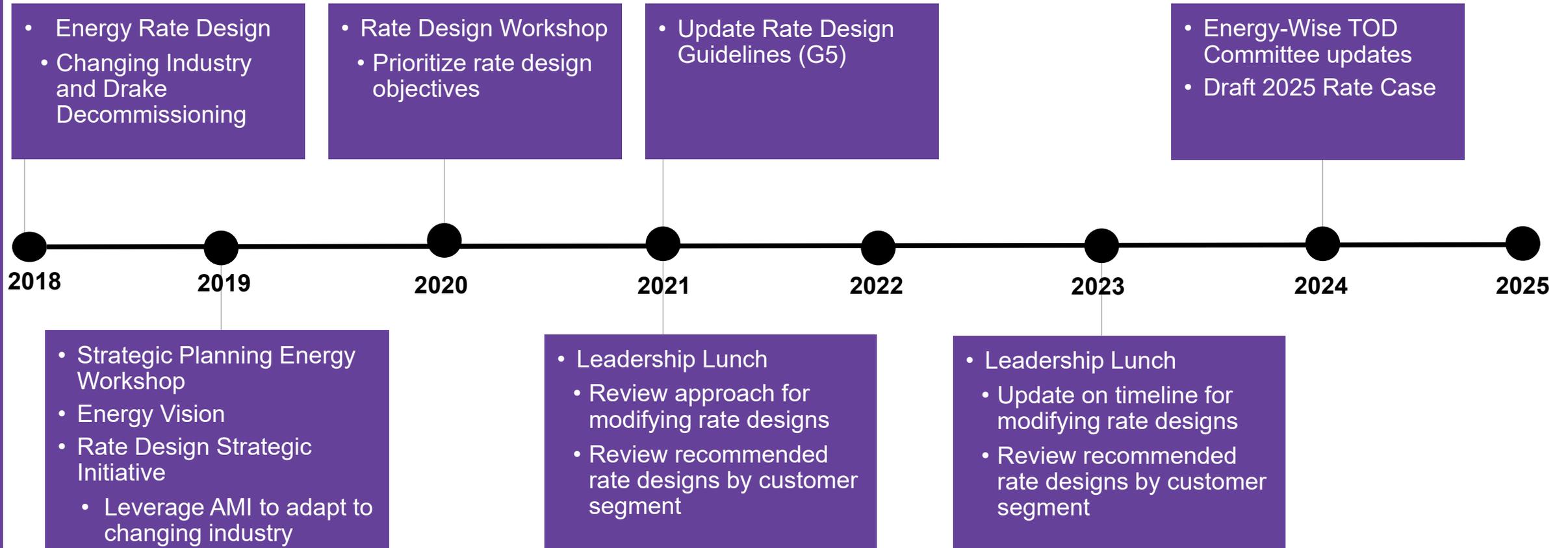
Experience
Design
Workshops

Cross-
Departmental
Collaboration

Personalization

Electric – Energy-Wise TOD Background

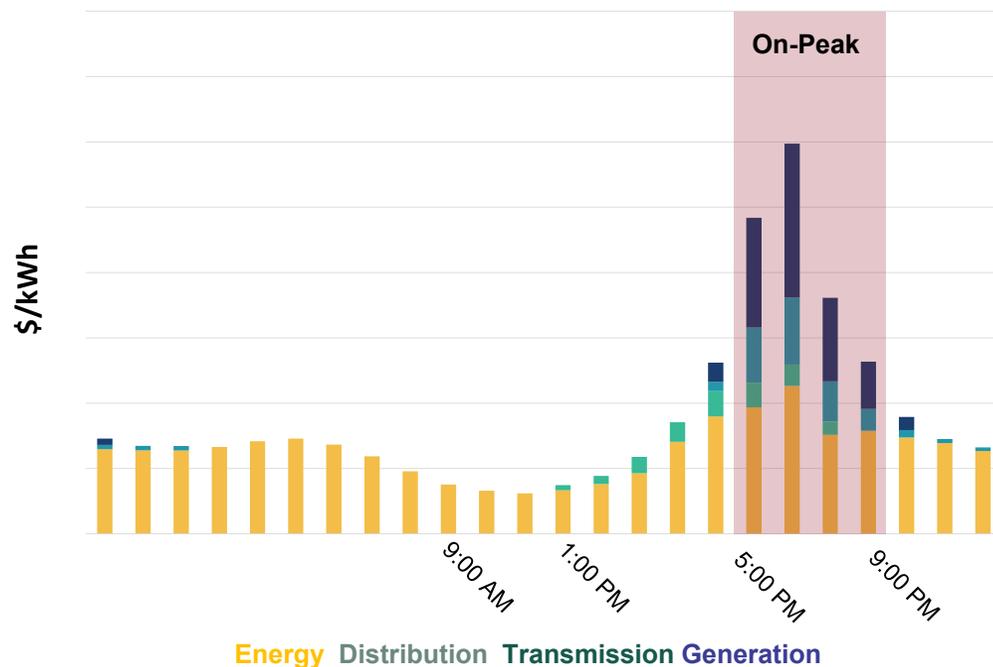
Utilities Board Engagement



Electric – Energy-Wise TOD Background

- Energy-Wise rates can play a significant role in incentivizing customers to shift electric use to periods when demand is lower and the cost of providing electricity is cheaper.
- With Energy-Wise rates customers pay different rates for electricity based on the time-of-day it is used which more equitably recovers the costs of providing service to customers.

Illustration of System Cost

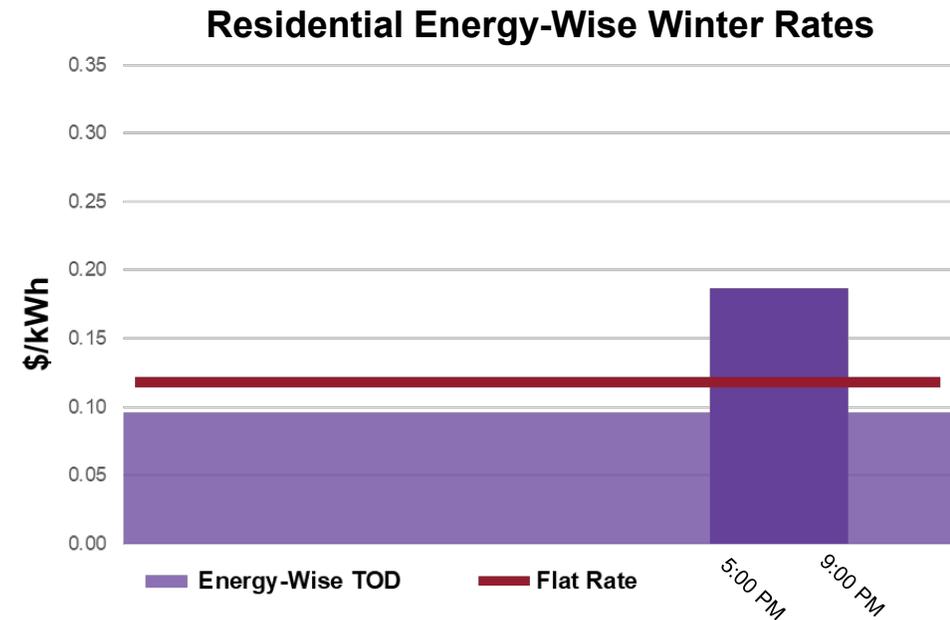
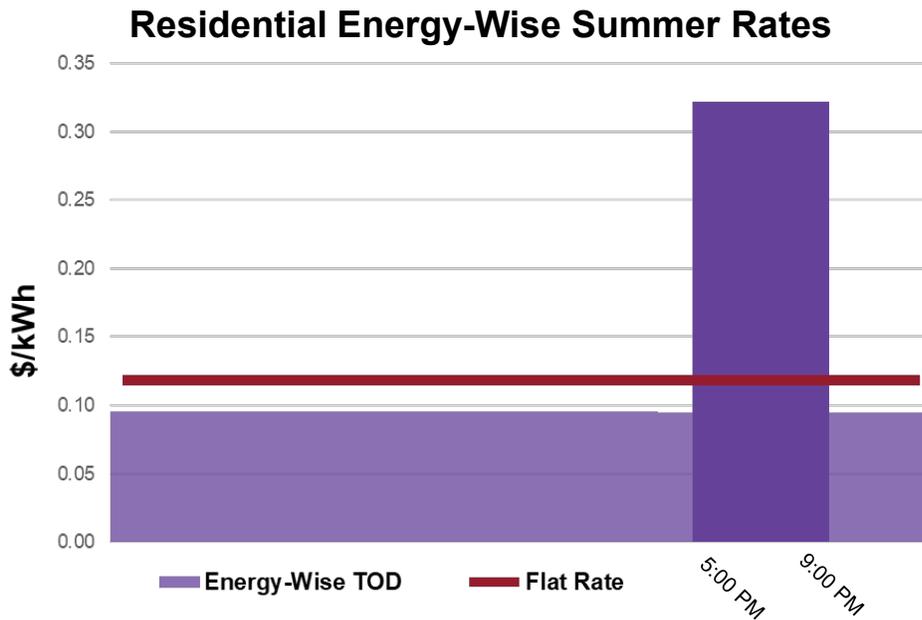


Benefits of Energy-Wise Rates



Electric – Energy-Wise TOD Background

- Rates are lowest on weekdays before 5 p.m. and after 9 p.m., and anytime on weekends and holidays. These times are called “off-peak”.
- Rates are highest Monday through Friday from 5 p.m. to 9 p.m. These are called “on-peak” times.
- Rates will be higher in summer when demand is highest (June-September) and lower in winter (October-May).



Electric – Energy-Wise TOD Proposed Changes

Utilities’ Energy-Wise initiative includes:

<p>Alignment of TOD periods On-Peak 5:00PM-9:00PM</p>	<p>Transition customers to Energy-Wise Standard TOD Rate Option</p>	<p>Addition of Energy-Wise Plus Rate Option</p>
<p>Addition of Fixed Seasonal Residential and Small Commercial Rate Option</p>	<p>Restructure from two to three Commercial Classes Small, Medium, Large</p>	<p>Addition of demand charge Medium and Large Commercial</p>

Energy-Wise Rate Options			
Customer Type	Energy-Wise (Standard TOD)	Energy-Wise Plus (Optional TOD)	Fixed Seasonal (Optional anytime rate)
Residential & Small Commercial	✓	✓	✓
Medium & Large Commercial	✓	✓	
Industrial & Contract Service	✓	✓	

TOD periods provide Customers opportunities to control and reduce their bill by shifting a portion of their energy usage to the Off-Peak period

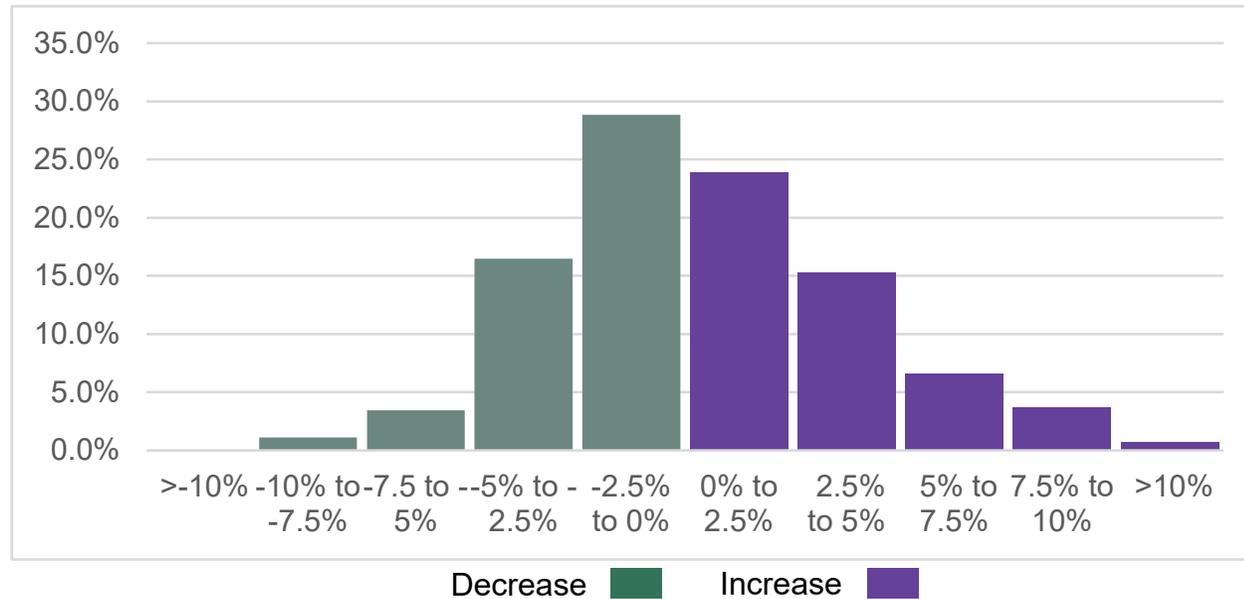
Additional opportunities for Customer bill control and savings by shifting energy usage to the Off-Peak and Off-Peak Saver periods and reducing usage during Critical Peak Events

Opportunities for reduced bill fluctuation from month to month with enhanced Access and Facilities per Day charges and fixed seasonal energy rates

Changes proposed effective October 1, 2025, with customer transition schedule to be determined by Utilities

Electric – Energy-Wise TOD

- Residential bill impact estimates



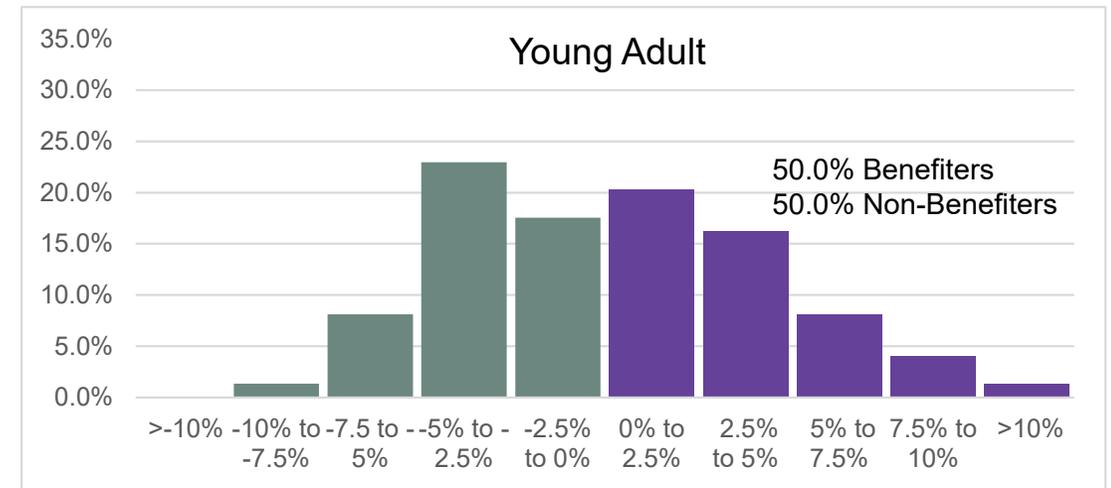
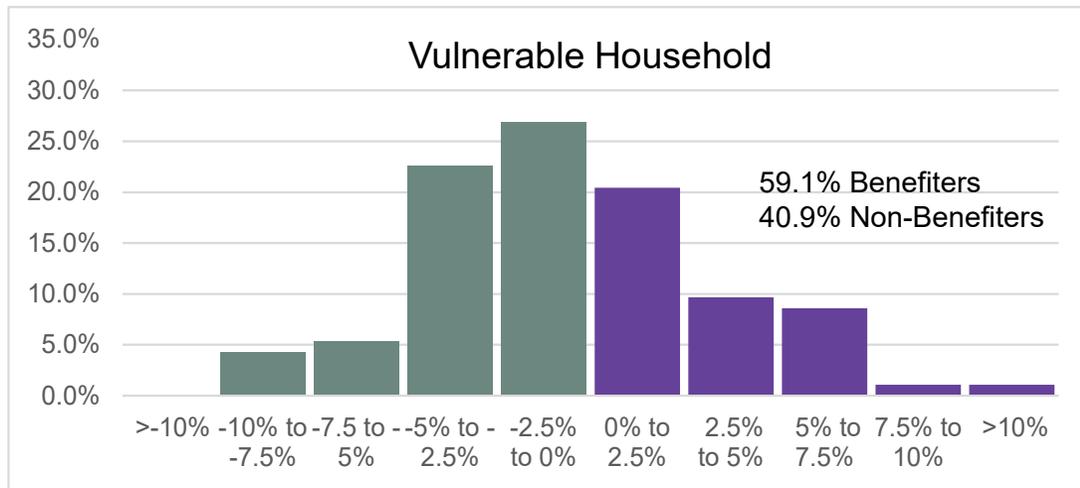
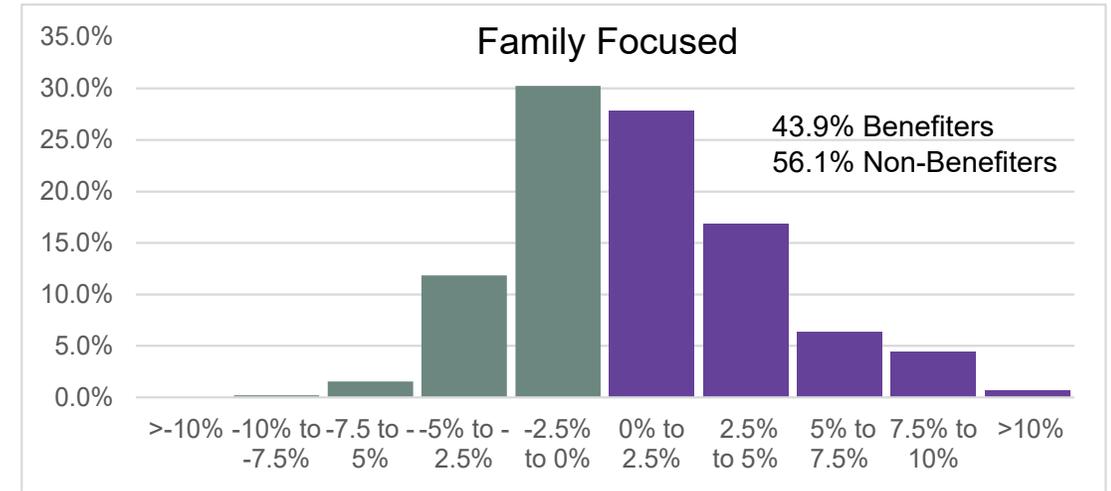
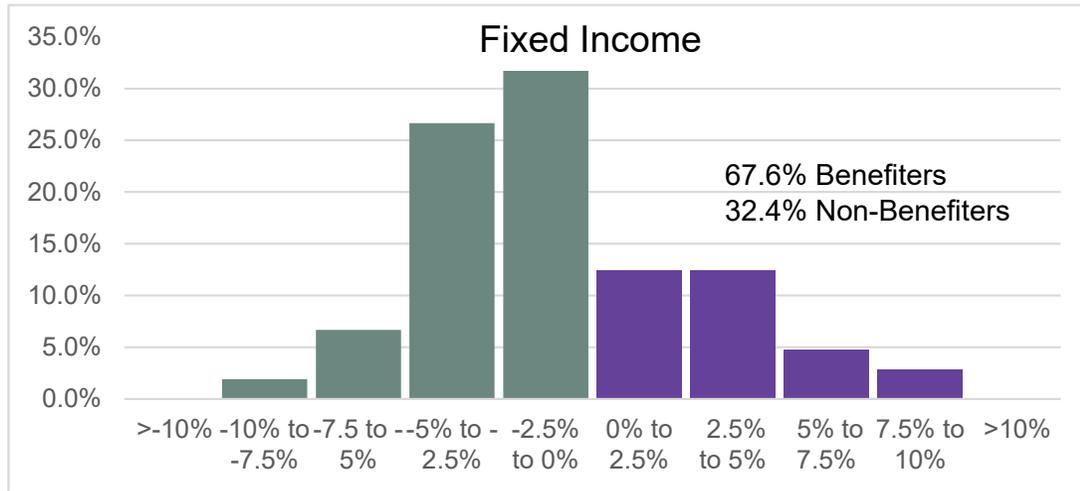
- Annual bill impacts
 - 49.9% benefit
 - Average bill decrease \$3.97, 2.8%
 - 50.1% non-benefitters
 - Average bill increase \$3.42, 3.0%
- Bill impacts vary by season and by customer

Electric – Energy-Wise TOD Residential Customer Personas

- Fixed Income - customers living on retirement or income that does not adjust up or down. Tend to be older with smaller households.
- Vulnerable Households - communities facing barriers like health, access, and income.
- Family Focused - busy, active households with two or more generations. Moderate income levels.
- Young Adult - smaller households with active social and professional lives. Focused on making ends meet and future growth.

Electric – Energy-Wise TOD

- Residential bill impact estimates - Customer personas



Colorado Springs Utilities Case Study



Customer profile:

Gen X
Middle-class
Homeowner
AC must be used for health reasons
Enrolled in budget billing



Home profile:

Small to medium sized home, built in 1999
Empty on weekdays during the day in fall, winter and spring
1-2 people home during the day in summer
HVAC is standard, not energy efficient
Appliances are Energy Star rated

No behavior changes



\$54.55

Annually

/



\$4.55

Monthly*

*Consistent change due to budget billing.
Without budget billing, monthly increases up to \$26.60 in the summer and monthly decreases of up to \$6.62 in spring.

What could shift

- Timing of laundry
- Timing of dishwasher

What could not shift

- Timing and temperature of air conditioning
- Timing and method of cooking meals

With behavior changes



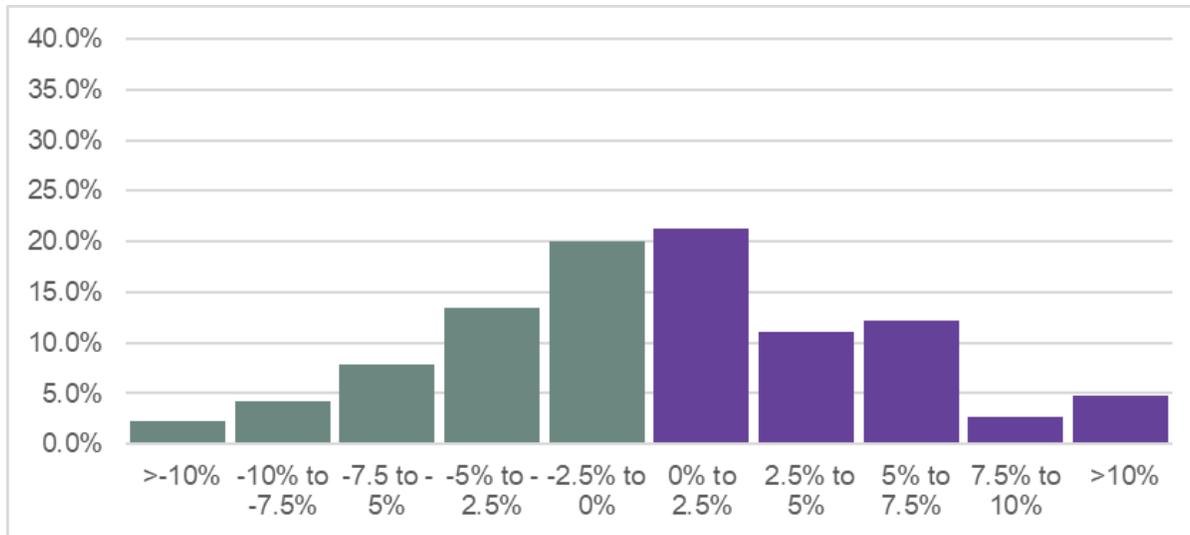
\$48

Annually

Could save more with appliance upgrades, changing meal preparation methods, pre-cooling home in summer and more.

Electric – Energy-Wise TOD

- Commercial bill impact estimates

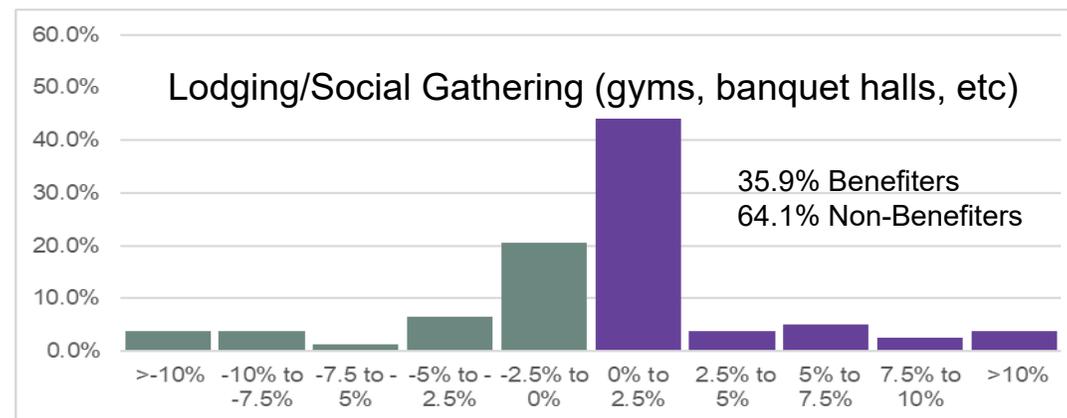
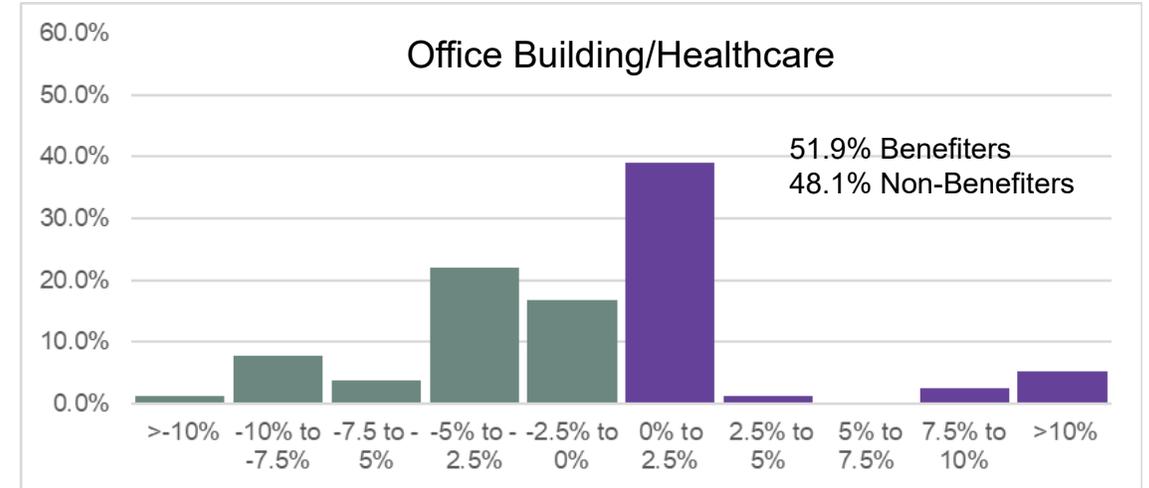
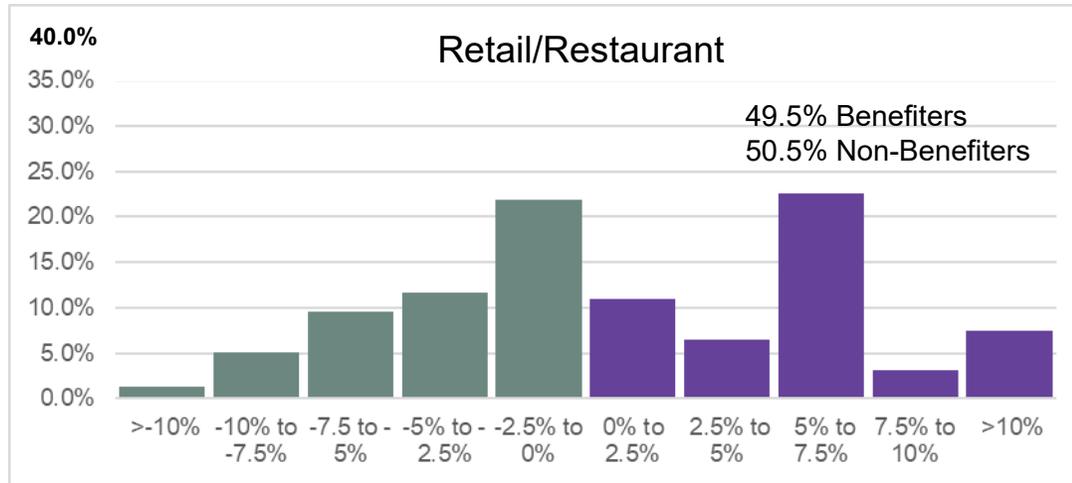


Decrease ■ Increase ■

- Annual bill impacts
 - 48.2% benefit
 - 51.8% non-benefitters
- Bill impacts vary by season and by customer

Electric – Energy-Wise TOD

- Commercial bill impact estimates - Customer segments



Customer Communication

Phase 1



Phase 2



Phase 3

Raise Awareness

- Internal education
- Customer education:
 - E-Newsletters
 - Bill insert
 - Social media
 - Media
 - Website
 - Videos
 - Community outreach

Prepare for Change

- Internal education and training
- Multi-media mass communication
- Community outreach & events
- Promote: behavior change tips, tools

Readiness for Change

- Customer specific info
 - Direct-to-customer communication
 - Emails, letters, phone
- Continue: Internal education and training
- Multi-media mass communication
- Community outreach
- Promote tips, tools

Natural Gas

- Interruptible Service (Industrial, Industrial Prescheduled, Military)
 - Elimination of Utilities conducted curtailment test event
 - Addition of expectation for customers to perform test of backup equipment prior to the heating season
 - Limited to two adjustments per customer per premise in 36-month period
- Industrial Transportation Service
 - Addition of Long and Short Restricted Delivery Day (RDD) event definitions
 - Application of RDD Imbalance Charges for all over-delivered volumes during RDD Long events, and all under-delivered volumes during RDD Short events
 - Clarification of Central Time basis of nomination schedule

Electric, Natural Gas, Water, and Wastewater

- Clerical revisions
 - Modification to Rate Schedules of each service to reflect the name of the Peterson Space Force Base and Cheyenne Mountain Space Force Station

URR

- Large Load Interconnection Study and Fee
 - Addition of requirement for Large Load Interconnection Studies for customers requests for interconnection of loads equal to or greater than
 - Electric – 5 MW
 - Natural Gas – 2.5 Dth per hour
 - Water and Wastewater – .25 MGD
 - Addition of Large Load Interconnection Studies Fees for customers request for interconnection of loads equal to or greater than:
 - Electric – 20 MW
 - Natural Gas – 10 Dth per hour
 - Water and Wastewater – 1 MGD

URR

- Electric Line Extension Fees
 - Modify electric single phase 100 amp and a 3-phase 200 amp fees to full cost per foot
 - Addition of congested space fees
 - Replace 3-phase 600 amp revenue guarantee contracts with time and materials cost and option for recovery agreement
- Natural Gas Line Extension Fees
 - Replace 30% of estimated project cost fee for feasible natural gas main and service stubs with full cost per foot fee
 - Replace 100% advance of estimated cost and refund contract for non-feasible natural gas main and service stubs with full cost per foot fee
 - Replace 100% advance and refund contract for natural gas mainline extensions with full cost per foot fee and recovery agreement option
 - Addition of congested space fees
 - Addition of time and materials cost for 150 psig mainline extensions and option for recovery agreement

URR

- Update of existing fees to full cost
 - Development application, Electric and Gas design, Water and Wastewater recovery agreement application and processing, hydraulic analysis, Water and Wastewater permits, connection and inspection, and Water tap fees
- Addition of new fees for service currently performed without fee
 - Construction drawing review, Wastewater analysis report, annexation application review
- Water and Wastewater Recovery Agreements
 - Addition of optional alternate Unit Recovery Charge computation method incorporating compound interest factor
 - Available by request when minimum requirements are met
- Other clerical revisions

Next Steps

- ✓ • August 10 Preliminary COS studies and 2025 Rate Case Filing Reports to OCA
- August 21 Utilities Board:
 - 2025 Proposed Utilities Preliminary Budget and Rate Case Presentation
- September 10 City Council:
 - Request to establish a Public Hearing date and formal filing of the 2025 Rate Case with City Clerk
- October 22 City Council:
 - 2025 Utilities Budget First Reading
 - 2025 Rate Case Hearing
- November 12 City Council:
 - 2025 Utilities Budget Second Reading
 - 2025 Rate Case Decision & Order



Colorado Springs Utilities[®]

It's how we're all connected