



Minutes
Monday, August 19, 2024
1:30 p.m. to 4:30 p.m.

Committee members present via Microsoft Teams or Rosemont Conference Room:

Nancy Henjum, Dave Donelson and Lynette Crow-Iverson

Board Members present via Microsoft Teams:

Randy Helms

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, Peter Bejadhar, Kory Bond, Kimberly Chaltry, Thad Clardy, Andrew Colosimo, Kalea Daub, Matt Dudden, Natalie Eckhart, Marcela Espinoza, Jennifer Franceschelli, Kim Girling, Paul Goslin, Kelly Guisinger, Adam Hegstrom, John Hunter, Chad Jolly, Birgit Landin, Natalie Lovell, Mike Maksimowicz, Sarah Matherne, Julie Mathis, Justine Mitchell, Angelia Mora, Danielle Nieves, Jacqueline Nunez, Robert Perrott, Scott Read, Lindsay Riley, Amy Ryan, Rodger Scriven, Scott Shirola, Leslie Smith, Debbie Snyder, Matt Thieme, Tricia Timmons-Malsam, Amy Trinidad, Natalie Watts and Kyle Wilson

City of Colorado Springs staff members present via Microsoft Teams or Rosemont Conference Room:

Sally Barber, Chris Bidlack and Renee Congdon

Citizens present via Microsoft Teams or Rosemont Conference Room:

Representative from KOAA

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 July 15, 2024, Finance Committee meeting were reviewed and accepted for posting.

3. Compliance Reports

I-2 Financial Condition and Activities (to include Contracts Over \$500K) G-7 – Q2

Mr. Tristan Gearhart, Chief Planning and Financial Officer, shared highlights of I-2 report. He noted that July financials have not yet closed, so numbers may change. Ms. Henjum asked about the variance on the dashboard regarding development fees. Mr. Gearhart said that this is related

to new connections to the system (mostly residential). Through the end of the year, these are expected to be lower than originally budgeted for due to higher interest rates for consumers and a decrease in new builds. This line has been adjusted in the 2025 budget.

I-4 Risk Management (Semi-annual)

The I-4 Risk Management semi-annual report was included in the meeting materials packet. No questions were asked.

I-8 Asset Management (Semi-annual)

The I-8 Asset Management semi-annual report was included in the meeting materials packet. No questions were asked.

4. Energy Cost Adjustment/Gas Cost Adjustment Filing (ECA/GCA)

Mr. Scott Shirola, Pricing and Rates Manager, shared information on actual prices for natural gas from April 2024 through August 2024 are shown with forecasted prices from September 2024 through September 2025 utilizing the three most recent monthly forecasts. The August forecast reflects slightly lower fuel prices than the prior two monthly forecasts.

Because the September Finance Committee meeting and Utilities Board meeting are both cancelled (due to the Chamber & EDC's D.C. Fly In occurring the same week as Board activities), any proposed increases will go directly to City Council without Utilities Board approval in September.

5. 2025 Budget and Rate Case

2025 Preliminary Budget

Mr. John Hunter, Financial Planning and Risk Manager, reviewed the 2025 Preliminary Budget. The proposed 2025 budget is a 21.4% increase (\$322,399,000) consisting of capital projects, operations & maintenance (both fuel and non-fuel), debt service, and surplus funds to City & franchise fees.

Ms. Henjum asked with the proposed 45% increase in capital, how much will be built into increasing full-time employees versus contract employees? Mr. Gearhart explained that inside the five-year window, it is differentiating what work is "forever" work that will remain versus project-related work that is directly related to the capital spend.

2025 Preliminary Rate Case Review

2025 Preliminary Rate Case Overview

Mr. Shirola said that the proposed rate case filing is based on 2025 sources and uses budget ordinances and the five-year financial plan. The effective date(s) of proposed changes are Jan. 1, 2025 for the 2025 base rate increases; Oct. 1, 2025 for the new Energy-Wise rate; Jan. 1, 2026; Jan. 1, 2027; Jan. 1, 2028; and Jan. 1, 2029 for each sequential base rate increase.

Ms. Henjum asked what considerations are taken into account for the additional funds being requested from Project COPE and LEAP in light of the upcoming rate increases. Ms. Renee Adams, Chief Human Resources Officer, said that more opportunities (grants, donations) are being looked

at to assist. Mr. Gearhart stated that assistance is available for a one-time balance assistance during a 12-month period. There are a number of factors considered before disconnection occurs.

Electric Service

The 2025 base rate drivers include substation and transmission lines, Sustainable Energy Plan projects, supporting growth and resiliency, inflationary increases in labor/benefits, and system maintenance. The total electric proposed revenue from rates is \$395.6 million (\$24.2 million higher than revenue under current rates). The overall system increase is an average of 6.5%.

Natural Gas Service

The 2025 base rate drivers include the Distribution Integrity Management Program (DIMP), supporting growth and resiliency, and inflationary increases in labor, benefits, and system maintenance. The total natural gas proposed revenue from rates is \$92 million (\$3.6 million higher than revenue under current rates). The overall system increase is an average of 4%.

Water Service

The 2025 base rate drivers include sustainable water plan projects, supporting growth and resiliency, water debt additions, inflationary increases in labor/benefits, and system maintenance. The total water proposed revenue rates is \$228.7 million (\$13.9 million higher than revenue under current rates). The overall system increase is an average of 6.5%.

Ms. Henjum asked if the organization has water policy set that would direct City Council and the Chamber of Commerce when they recruit new businesses (non-residential services) to Colorado Springs. Currently the organization provides a use case for each prospective company. The organization does not have a policy statement.

Wastewater Service

The 2025 base rate drivers include collection and treatment system rehabilitation and upgrades, supporting growth and resiliency, and inflationary increases in labor/benefits and system maintenance. The total wastewater proposed revenue from rates is \$79.7 million (\$6.6 million higher than revenue under current rates). The overall system increase is an average of 9%.

Mr. Donelson asked where the eastern wastewater project falls into the five-year breakouts. Mr. Shirola said that the costs fall in different areas all across the five-year period. The big spend begins ramping up in 2027. The bond will be utilized for these dollars in addition to rate increases and development fees for new construction.

Sample Bill 2025

The 2025 sample bill was reviewed. This example shows a customer with a current bill of \$245.96, having a bill of \$259.86 after the proposed four-service increase (an increase of \$13.90).

Comparing Springs Utilities bills against the average bill across the Front Range, as of July 1, 2024, the average residential customer pays 19.47% less for electric, 33.96% less for gas, 12.01% more for water, and 15.23% less for wastewater. This is a total of 13.63% less on the overall bill.

Electric – Energy-Wise Time of Day (TOD)

In 2018, Springs Utilities began working on a roadmap to position themselves for the new future of energy. Industry best practices and lessons learned have been researched. Customer research and analyses has been performed and the Utilities Board has been engaged. Based on these findings, the Energy-Wide Time of Day has been developed.

Energy-Wise rates can play a significant role in incentivizing customers to shift their electric use to periods when demand is lower, and the cost of providing electricity is cheaper – before 5 p.m. and after 9 p.m. Monday through Friday and anytime on weekends (off-peak periods).

Rates are highest Monday through Friday from 5 p.m. to 9 p.m. (on-peak times). Rates will also be higher during the summer when demands are higher (June through September) and lower in the winter (October through May).

The proposed effective date of these changes is Oct. 1, 2025, with a customer transition schedule to be determined by Springs Utilities, based on the installation date of their AMI meter.

Without any change in current usage, it is estimated that 49.9% of customers will benefit from utilizing energy TOD. This averages to a \$3.97 per month savings, or 2.8%.

Of the 50.1% of customers not changing usage to off-peak hours, they should expect an average 3% increase to their bill, or \$3.42 per month. These average impacts vary by season and by customer.

Customer Communication

A detailed three-phase communication plan is being developed to keep Springs Utilities customers well informed throughout implementation of Energy Wise Time of Day rates.

Ms. Henjum asked if there are any fee increases that are being looked at. Mr. Shirola stated there are two additional fee increases. The first is the electric and natural gas line extension fees, bringing them to full cost of service. The second fee being considered is for designing electric extensions related to growth and development (new customer connections).

Next Steps

The 2025 Budget and Rates case will be presented to the Utilities Board on Aug. 21, 2024. Then on Sept. 10 the case will go to City Council to establish a Public Hearing date and for formal filing of the 2025 Rate Case with the City Clerk. Next, the rate case will go to City Council for the first reading on Oct. 22, 2024. Finally, on Nov. 12, 2024, the rate case will go to City Council for the second reading and final decision and order.

6. Plan Future Meeting

The next Finance Committee meeting is scheduled for Oct. 14, 2024. The September Finance Committee meeting is cancelled because of a conflict with the Chamber & EDC's D.C. Fly In.

7. Closing Remarks and Adjournment

The meeting adjourned at 4:06 p.m.