



Utilities Policy Advisory Committee (UPAC)

Wednesday, January 11, 2023, 8:00 a.m. – 10:30 a.m.

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

Join on your computer or mobile app

[Click here to join the meeting](#)

Or call in (audio only)

[+1 719-733-3651,815064373#](tel:+17197333651815064373)

Agenda

8:00 a.m.	1. Call to Order	
8:05 a.m.	2. Approval of December 7, 2022 UPAC Meeting Minutes	Decision
8:10 a.m.	3. Ethics, Open Meetings and Colorado Open Records Act (CORA) Review	Discussion
8:25 a.m.	4. Cost Recovery Mechanisms Assignment <ul style="list-style-type: none">• Scope Review and Roadmap to Recommendations	Discussion
10:25 a.m.	5. Citizen Comment Citizens can provide comment in person, by joining the meeting from computer or by phone using the link above. If you would like to speak during the citizen comment period, please sign up to speak through BoardSubmissions@csu.org prior to the meeting.	Discussion
10:30 a.m.	6. Committee Member General Discussion	
10:35 a.m.	7. Adjournment	

Next meeting: February 1, 2023

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



Minutes
Utilities Policy Advisory Committee (UPAC)
Wednesday, December 7, 2022
Blue River Boardroom, 5th floor, 121 S. Tejon St., Colorado Springs, CO
and Microsoft Teams Virtual Meeting

Committee members present in the boardroom or via Microsoft Teams: Chair Gary Burghart, Vice Chair Larry Barrett, Michael Borden, Katherine Danner, Hilary Dussing, Chris Francis and Ruth Ann Schonbachler

Committee members excused: Scott Callihan

Staff members present in the Boardroom or via Microsoft Teams: Al Wells, Andie Buhl, Monica Indrebo, Natalie Watts, Christian Nelson, Kerry Baugh, Michael Hemesath, Jessica Thiel, Renee Adams, Travas Deal, Scott Shirola, Gabe Caunt, Justin Fecteau, Tristan Gearhart, Tara McGowan, Kim Gortz, Natalie Eckhart, Julia Gallucci, Joe Awad, John Hunter, Jenny Bishop, Danielle Nieves, Abigail Ortega, Patricia Marlow, Pattie Bengler, Jerry Edwards and Bethany Schoemer

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

Citizens Present: Marla Novak, Scott Smith and Dave Donelson

1. Call to Order

Chair Gary Burghart called the meeting to order at 8:00 a.m.

2. Approval of Nov. 2, 2022, UPAC Meeting Minutes

Vice Chair Larry Barrett motioned, and Committee Member Chris Francis seconded the motion to approve the Nov. 2, 2022, meeting minutes. The minutes were unanimously approved with a voice vote.

3. Meet and Greet – Colorado Springs Utilities Leadership and UPAC members

The UPAC members met Acting CEO, Travas Deal. Chair Burghart informed the committee on the process of filling the vacant alternate role on UPAC and that a candidate has been selected and will be formally appointed by the Colorado Springs Utilities Board at the next meeting on Dec. 12, 2022.

4. Guest Speaker – Bob Cope, City of Colorado Springs

Mr. Bob Cope, Economic Development Officer for the City of Colorado Springs, discussed the City cost and recovery mechanisms related to growth and development. There are several ways the City recovers capital costs through the police department,

fire department, including safety fees and taxes, coordination with developers for these land and building developments. Operation and Maintenance Costs are also recovered through the police and fire departments through public safety sales tax and general funds.

In the Parks Department, coordination with the developer, utilizing special districts and land dedication, open space and trail development sales tax contribute to recovery mechanisms. Where there are gaps in funding for any category, the general fund or grant funds help cover the difference. Parks recently updated the Park Land Dedication Ordinance that resulted from a comprehensive study which was based on density, current land costs with inflation adjustment, however this is not for construction maintenance.

Mr. Cope discussed how road development follows similar cost recovery mechanisms, but also include cost recovery agreements with various parties. Stormwater follows suit and includes not only cost recovery agreements but also stormwater and drainage fees. Stormwater is evaluated and prioritizes drainage basins and existing infrastructure. The Stormwater Fee covers several areas of cost recovery.

Mr. Cope responded to committee member questions regarding City involvement in funding for schools, saying cost recovery mechanisms are in school fees, developer land dedication and school district funding via taxes and bonds. He then responded to committee member questions regarding inflation, auditing, bond issues for infrastructure and bond financing.

Overall, funding the capital and operating costs associated with growth requires multiple tools and a layering of those tools. City tools do not provide for 100% cost recovery but recognizes that growth and development create jobs, grows the economy and generates significant city revenue.

5. Cost Recovery Mechanisms Assignment

Mr. Scott Shirola, Pricing and Rates Manager, provided a high-level review of the Nov. 2, 2022 UPAC meeting. The community change and the utility impact discussion revealed several variables including searching for new resources, replacing or building new infrastructure, consideration of operation costs, regulatory compliance issues, possible climate variability and service territory expansion. The four-service resource and infrastructure planning consideration discussion included allocating resources to the highest priority needs, managing organizational risk, leveraging opportunities that benefit Springs Utilities and the community, and creating a line of sight between level of service and cost of service.

Mr. Shirola discussed the current annual revenue requirement formula, debt funding of capital projects, and other miscellaneous funding sources, including development fees and charges equal to revenue requirements to be recovered through rates.

He discussed how current cost recovery in engineering design and review fees can be found in each of the four services with water having the most cost recoveries. He also discussed system extension fees, which include distribution extensions in electric and natural gas, along with pipelines and pumping for water and wastewater. There are several current cost recovery mechanisms in all four services for these system extension fees on-site and offsite and potential future recovery can be found in all four services through service lines and mainline extensions.

Current water and wastewater development charges include a one-time charge paid at time of connection to offset cost associated with investments in system capacity, however this charge for connection is based on the replacement value of the existing system capacity.

Mr. Shirola commented that overall, water is the one service with the best cost recovery system in place. Wastewater is close behind, but the electric and natural gas services have few cost recovery mechanisms in place. Potential future recovery could include system extensions fees, existing capacity development charges and future capacity resources fees in all four services. These potential cost recovery methods would help accommodate future growth.

Mr. Shirola responded to committee member questions regarding system lines, electrification goals, State emission goals, battery storage and new annexations.

Next steps will involve considerations to recover costs in areas of infill, redevelopment and Demand Side Management (DSM).

6. Selection of 2023 UPAC Officers

Mr. David Beckett, Senior Attorney – Utilities Division, introduced the 2023 UPAC Officer selection process. According to UPAC Bylaws, the Committee shall elect the Chair and Vice-Chair for the next calendar year at the Committee's December meeting by a majority vote of the Committee members following nomination(s) by a member or members of the Committee, which nomination(s) must be seconded.

Chair Burghart nominated Vice Chair Larry Barrett as Chair of UPAC. Member Hilary Dussing seconded the motion. Nomination proceeded to a vote and it passed unanimously.

Chair Burghart nominated member Hilary Dussing for Vice Chair of UPAC. Vice Chair Barrett seconded the nomination. The motion passed unanimously.

7. Citizen Comment

None

8. Committee Member General Discussion

Chair Burghart asked for further information from staff for input from the developer and real estate community. A case study was also requested of different scenarios.

9. Adjournment

Chair Burghart adjourned the meeting at 10:20 a.m.

Next meeting: Wednesday, Jan. 11, 2023, at 8:00 a.m.



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Ethics, Open Records, Open Meetings 2032 Update

David Beckett

Presented to

Colorado Springs Utilities Policy Advisory Committee

January 11, 2023

UPAC Bylaws – Summary of 2022 Updates

- Done in parallel with similar updates to the Utilities Board's bylaws
- Modernized the methods to provide meeting notices to Committee members
- Removed obsolete provisions
- Updated the provision related to Committee member participation in education and training programs
 - Standard changed from “expected” to “encouraged”

Ethics - Themes of the Ethics Guidelines

- Act with complete honesty, utmost integrity, and fair dealing
- Strive to avoid any conduct creating the appearance of impropriety
- No tolerance for violations

Ethics - UPAC Bylaws Rules of Conduct

- UPAC members may seek employment with Colorado Springs Utilities; if a job application is pending, member receives “excused absences”
- UPAC members may offer products and services to Colorado Springs Utilities after a “no conflict” determination from Colorado Springs Utilities’ CEO (who must consult with the Chair of the Utilities Board)
- UPAC members may not use their position to influence Colorado Springs Utilities’ procurement decisions
- UPAC members may ask for an advisory opinion regarding a potential future action

Ethics – City Code of Ethics

- Conduct your activities with UPAC's best interests in mind
- Safeguard Colorado Springs Utilities' confidential and proprietary information
- Avoid conflicts of interest
 - Engaging in activities that might interfere with one's objectivity; offering preferential treatment; misuse of financial or customer information
- Disclose promptly any circumstances that might constitute a conflict of interest or an appearance of a conflict
- Unofficial messages should have clear disclaimers that the views expressed do not necessarily represent UPAC's views

Ethics: Gifts

Ethics - Gifts

- Applies to “covered persons” and “immediate family members”
- Whether something is a “gift” is fact-based
- Whether the gift is “related to the covered person’s duties and responsibilities on behalf of the City” is an important fact
- Cannot exceed \$65 in value in a year from one donor
- Do not accept gifts (event tickets, tours, etc.,) that could be perceived to influence objectivity or when a substantial interest may exist

Ethics - Gifts Continued

- “Gifts” of fees, meals, lodging and transportation are generally OK when Colorado Springs Utilities pays for an approved conference, seminar, event or meeting
- Keep all documentation
- Report all gifts by contacting Colorado Springs Utilities’ UPAC liaison, Kerry Baugh

Ethics - Gifts are Tricky; If in Doubt, ask Yourself:

- Is the action legal?
- Does it comply with UPAC's and Colorado Springs Utilities' values?
- If you do it/accept it, how will you feel?
"You" includes Immediate Family Members and Covered Persons
- How will it appear to the public and the media?



Ethics Guidelines Citations

UPAC members are subject to

- UPAC's Bylaws
- The City of Colorado Springs Ethics Code (City Code §§ 1.3.101, *et seq.*)

Questions about Ethics

Contact the City Attorney's Office 719-385-5909

CORA - Colorado Open Records Act

The Incorrect Approach . . .



Colorado Open Records Act

- Strong presumption that the records you make, maintain or keep are public and can be “inspected”
- Both paper and electronic “writings” are “public records”
- “Writings” include emails (sent, received, opened, unopened), text messages, notes you take in meetings, photos, recordings, receipts, calendars, vendor proposals and other solicitation process documents, etc.
- Emails related to this Project are subject to CORA
- No specific CORA requirement that you retain documents
 - Colorado Springs Utilities will destroy records in accordance with its document deletion practices (such as 3 years for emails)
 - Exception – no destruction of relevant records once a CORA request is received

CORA's Exceptions: Records that are NOT Public

- Work Product: all intra- or inter-agency materials assembled for the benefit of elected officials that advise and express an opinion for the purpose of assisting the elected officials to make a decision
- Work product includes preliminary drafts and discussion copies that are NOT distributed to UPAC for discussion
- The elected official, however, can release any work product prepared by UPAC

Final Thoughts on CORA

- Responding to CORA likely will be the responsibility of Colorado Springs Utilities:
 - Official records: Agendas, minutes, bylaws, meeting recordings
 - Emails that staff have sent or received and retained per retention policy
- Copy Kerry Baugh on any UPAC-related correspondence
- UPAC members have no obligation to keep UPAC-related materials, notes, or correspondence unless there is a current CORA request

Open Meetings

Colorado Open Meetings Law

- Formation of public policy is public business and shall not be conducted in secret: All “meetings” shall be open to the public
- A “meeting” occurs any time **three** or more members of UPAC discuss UPAC or Colorado Springs Utilities’ public business or take formal action in person, over the telephone, or by email
- Assume a “meeting” occurs when using “reply all” by email
 - Avoid “reply all”; get assistance from Kerry Baugh

Open Meetings - What is Not a “Meeting”

A chance meeting at a social gathering at which discussion of public business is not the central purpose.

Open Meetings Require Notice

- Notice is required when UPAC
 - Has **three** or more members present or expected to be present
AND
 - Intends to discuss or conduct UPAC or Colorado Springs Utilities public business; OR
 - Intends to adopt a proposed policy or position; OR
 - Needs to take formal action
- Notice shall be provided no less than 24 hours prior to the meeting
- Notice preferably posted on a public website and be searchable

Public Forum Surprises – No Public Notice

- UPAC Assignment is on the Same Topic as Forum
 - Three UPAC members attend unexpectedly
 - Best Practice: Just listen
 - Report back at next UPAC meeting
 - Less than three UPAC members attend unexpectedly
 - You may speak in your non-UPAC capacity
 - Report back at next UPAC meeting
- UPAC Assignment is not related to forum topic
 - Multiple UPAC members attend unexpectedly
 - You may speak in your non-UPAC capacity
- In all instances, immediately notify Kerry Baugh afterwards

Open Meetings – UPAC May Hold Closed “Executive Sessions”

- UPAC may not adopt any proposed policy, position, resolution, rule, regulation or other formal action in an executive session
- Examples of purposes:
 - Legal advice on specific legal questions
 - Matters required by federal or state law or rules and regulations to be kept confidential
 - Transactions involving real, personal, or other property interests
 - Documents protected by CORA’s mandatory nondisclosure provisions

Final Thoughts on Open Meetings

- Work with Colorado Springs Utilities' UPAC liaison, Kerry Baugh, whenever a meeting needs to be noticed
- Before sharing material with other members that might be discussed as part of UPAC or Colorado Springs Utilities' public business ask yourself:
 - Am I sending this to two or more members of UPAC?
 - Might a discussion commence?
 - Can Kerry Baugh facilitate distribution of this material to the rest of the UPAC members?
- **Questions?**



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Utilities Policy Advisory Committee (UPAC) Cost Recovery Assignment

Scope Review and Roadmap to Recommendations

January 11, 2023

Agenda

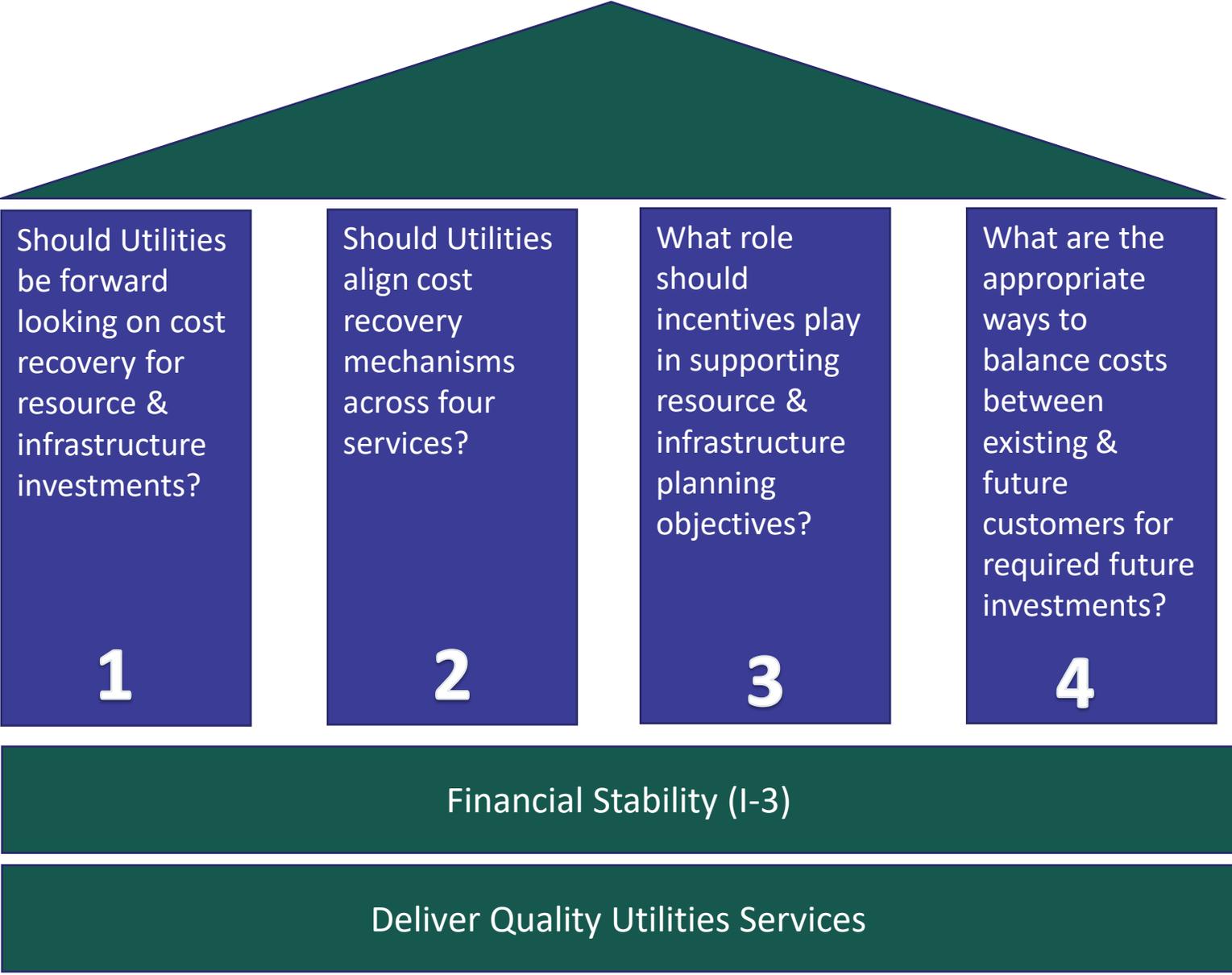
1. Assignment Scope
2. Roadmap and Recap
3. Preview of Alternatives and Considerations
4. Questions
5. Next Steps

Assignment Scope

Cost Recovery Assignment Purpose

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

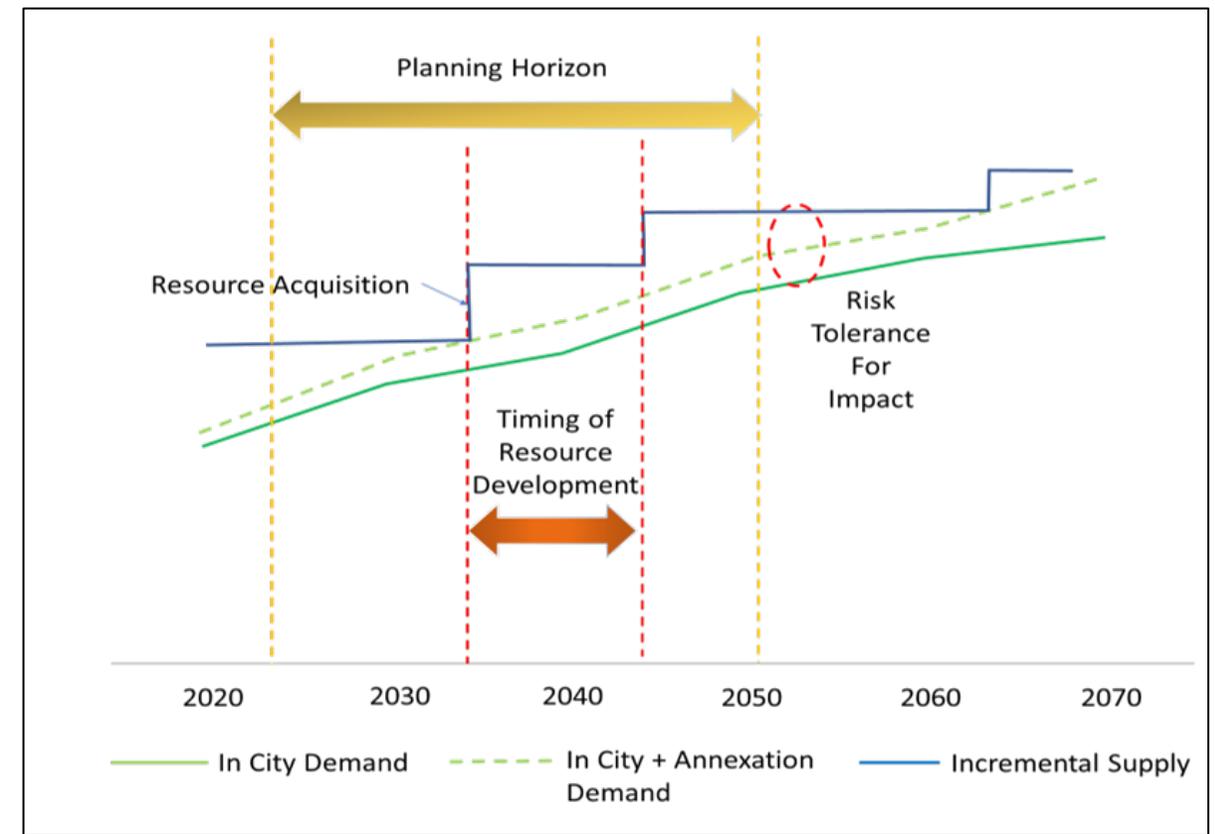
Cost Recovery Mechanism Policy Pillars



Roadmap and Recap

Cost Recovery Assignment Scope Recap

1. Utilities four service costs related to community changes
 - Existing infrastructure upgrades
 - Resource acquisition and construction
 - Infrastructure and facility construction
 - Staff time for review and analyses
2. The timing basis of fees
 - Backward = Customers fund capital investment and financing through rates for already constructed assets; development buys into system equity
 - Forward = Development funds future capital investment needs; rates balance capital investment timing
3. Utilities Revenue Requirements



$$RR = F + O + C - M$$

RR: **R**evue **R**equirement to be recovered through rates

F: **F**inance cost (principal and interest) associated with debt funding of capital projects

O: **O**perating and maintenance expense

C: **C**ash funding required for capital projects, maintaining financial targets, and other costs or transfers

M: **M**iscellaneous revenue offsets from other sources including development fees and charges

Cost Recovery Assignment

Scope Recap

1. The four-service cost recovery mechanisms related to community change
2. Customer cost of energy and water efficiencies, infill, redevelopment, and new development – Future Presentation
3. The current balance of cost recovery between rates and cost recovery mechanisms – Future Presentation

Current Cost Recovery

Cost Recovery Mechanism	Electric	Natural Gas	Wastewater	Water
System Extensions Fees	Partial	Partial	100%	100%
Existing Capacity Development Charge	X	X	✓	✓
Future Capacity Resource Fee	X	X	X	✓

Cost Recovery Assignment Scope

Definitions

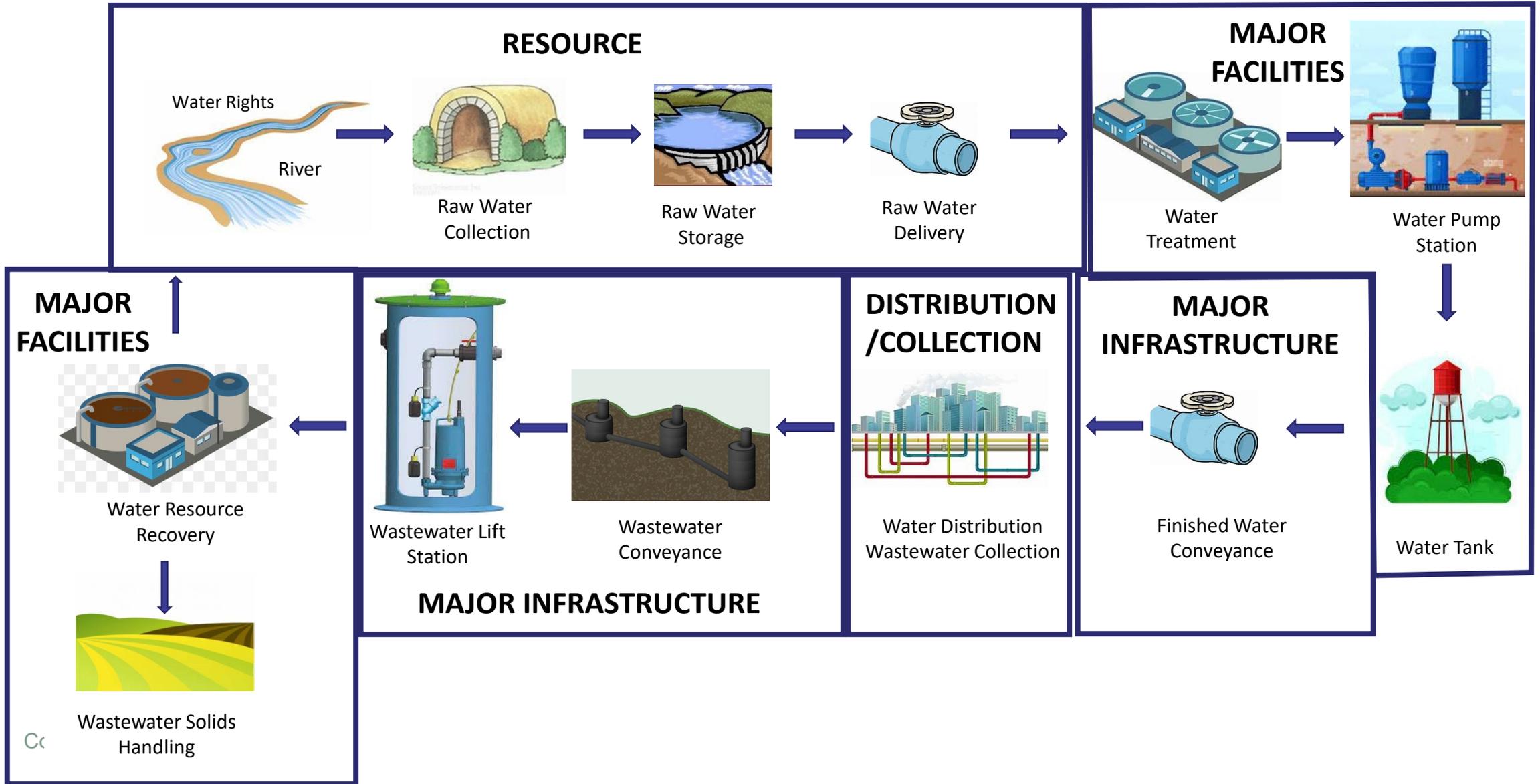
Resources: Acquisition of Utilities resources and delivery of Utilities resources from the source of supply to the service territory. Examples include water rights, generation plants, propane plants, solar fields, wind farms, electric transmission, tunnels, raw water pipelines, storage, and batteries.

Major Facilities: Utilities vertical assets that treat and or convey resources to the major infrastructure. Examples include substations, gate stations, treatment plants, tanks, pump stations.

Major Infrastructure: Utilities linear assets and appurtenances that convey utility service from Major Facilities to the distribution system. Examples include oversized mains and conduits, feeders, regulator stations, and lift stations.

Distribution: Utilities distribution system assets and appurtenances that convey service from Major Facilities and Infrastructure to the customer. Examples include pipes, wires, fire hydrants, valves, manholes, vaults, transformers, junction boxes, service lines, and meters.

Water and Wastewater



Natural Gas

RESOURCE

Reserved
Interstate
Pipeline
Capacity



City Gates

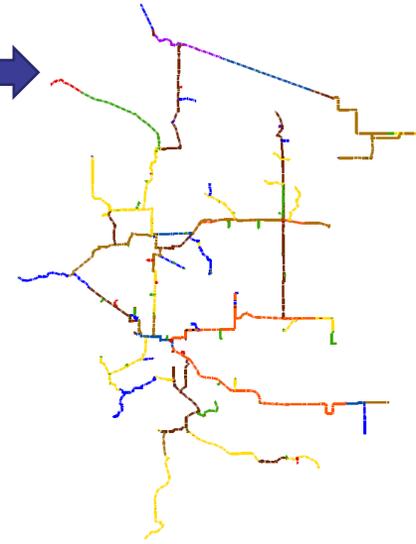
MAJOR FACILITIES

RESOURCE



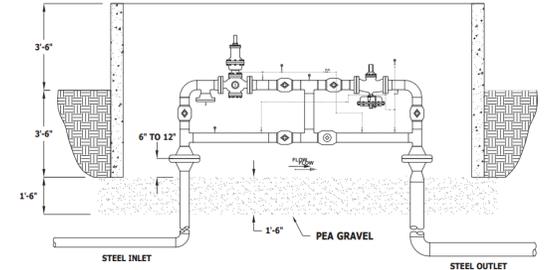
Propane Plant

MAJOR INFRASTRUCTURE



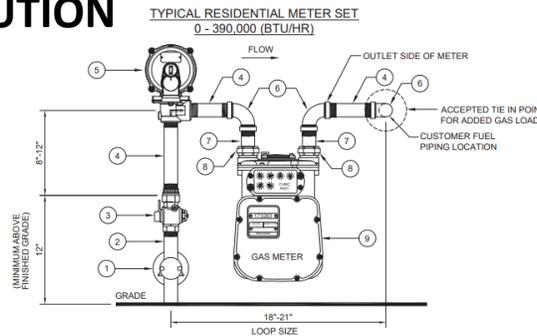
150P System

District Regulator Station



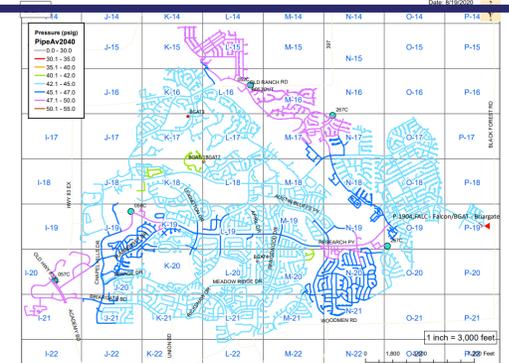
Pressure Cut

DISTRIBUTION



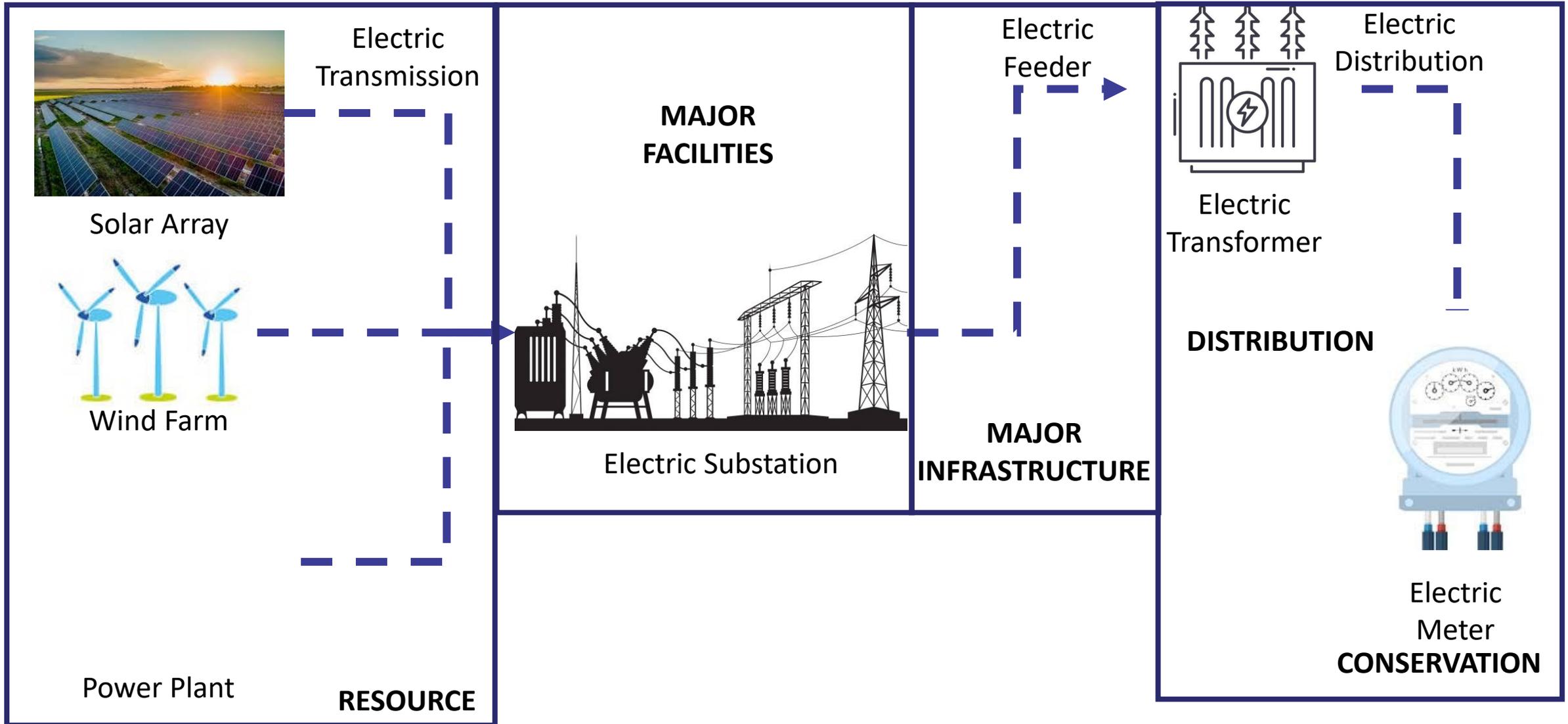
Residential Meter

Pressure Cut



Pressure District

Electric



Alternatives Preview

Cost Recovery Alternatives

Initial Considerations

- Rate impact
- Developer cost impact
- Who carries financial risk for the necessary investments?
 - Timing of fee assessment
- How do we balance cost between existing customers and future customers?
- Who determines schedule for construction and acquisition of new resources and infrastructure?
- What incentives should be considered to offset fees?
- How do cost recovery mechanisms impact debt and days cash on hand

Closely related Consideration:

- Existing Utilities Staff review fees

Cost Recovery Alternatives – Baseline

$$RR = F + O + C - M$$

RR: **R**evue **R**equirement to be recovered through rates

F: **F**inance cost (principal and interest) associated with debt funding of capital projects

O: **O**perating and maintenance expense

C: **C**ash funding required for capital projects, maintaining financial targets, and other costs or transfers

M: **M**iscellaneous revenue offsets from other sources including development fees and charges

- No growth scenario (moratorium on any new connections)
- F = Capital investment for level of service
 - Growth related capital investment = 0
- M=0

Cost Recovery Alternatives - Resources

Cost Recovery Policy Alternatives Resources	Description	Service
Current Policy – Existing Resources	Development pays Development Charges based on equity value of capacity in the existing resources No fee for Electric or Gas	W= Yes WW=Yes G/E=No
Current Policy – New Resources	Development pays water resource fee No fee Electric or Gas	W= Yes WW=NA G/E=No
Policy Alternative – Existing Resources	Development pays resource fees based on equity value of capacity in existing resources	W=Yes WW=Yes G/E=Yes
Policy Alternative – New Resources	Development pays resource fees based on cost of new capacity	W=Yes WW=N/A G/E=Yes

Cost Recovery Alternatives – Major Facilities

Cost Recovery Policy Alternatives Major Facilities	Description	Service
Current Policy – Existing Facilities	Developer pays development charges based on equity value of capacity in the existing water and wastewater systems No fee for Electric or Gas	W/WW = Yes G/E=No
Policy Alternative – Existing Facilities	Developer pays development charges based the equity value of capacity in the existing system	W/WW=Yes G/E=Yes
Policy Alternative – New Facilities	Development pays development fees based on capacity of new Major Facilities	W/WW=Yes G/E=Yes

Cost Recovery Alternatives – Major Infrastructure

Cost Recovery Options Critical Infrastructure	Description	Service	Debt Holder
Current Policy	Development pays for 100% Water and Wastewater system capacity with cost recovery from other developments as they connect and a portion of Electric and Gas extension with credit for future rate revenue; W/WW developers hold balance; G/E	W/WW = 100% G/E = Partial	
Policy Alternative – 100%	Developer pays 100% with cost recovery from other developments as they connect	W/WW = 100% G/E = 100%	
Policy Alternative – Cost Share	Developer pays partial cost of system extensions with credit for future potential rate revenue ; Utilities holds the balance	W/WW=Partial G/E=Partial	

Cost Recovery Alternatives – Distribution Infrastructure

Cost Recovery Options Distribution Infrastructure	Description	Service
Current Policy	Development pays for 100% Water and Wastewater system extension and portion of Electric and Gas extension with credit for future rate revenue	W/WW = 100% G/E= Partial
Policy Alternative – 100%	Developer pays 100% for system extensions	W/WW = 100% G/E = 100%
Policy Alternative – Cost Share	Developer pays partial cost of system extensions with credit for future potential rate revenue	W/WW=Partial G/E=Partial

Initial Questions?

- What are the rate and development impacts of policy alternatives?
- Should development pay into existing system capacity and future system capacity?
- What role should incentives play in fee design?
- Who should assume financial and schedule risk assets?

Closely Related Consideration:

- Should Utilities reevaluate staff time to review plans, perform modeling, evaluate alternatives, and develop resource plans and update fees?

Next Steps

Roadmap



February Presentation Agenda

- What are the existing energy and water efficiency incentive programs for new development? DSM
- What are other utilities doing to incentivize and/or mandate efficiency in new development? DSM
- What are the development costs for redevelopment, infill, and greenfield construction? HBA
- How does military growth impact Colorado Springs? HBA
- How does development recoup costs for Utilities' infrastructure? HBA
- How does Utilities' development costs compare to other utilities? HBA
- What is the impact of development costs and Utilities' rates on new home buyers and renters in Colorado Springs? RA
- What drives consumer decision making in housing choices in today's market? RA



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