



Utilities Policy Advisory Committee (UPAC)

Wednesday, December 7, 2022, 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,,575369197#](#)

Agenda

8:00 a.m.	1. Call to Order	
8:05 a.m.	2. Approval of November 2, 2022 UPAC Meeting Minutes	Decision
8:10 a.m.	3. Meet and Greet -- Colorado Springs Utilities Leadership and UPAC members	Discussion
8:25 a.m.	4. Guest speaker – Bob Cope, City of Colorado Springs	Discussion
9:30 a.m.	5. Cost Recovery Mechanisms Assignment <ul style="list-style-type: none">Development cost identification and Colorado Springs Utilities cost recovery mechanisms	Discussion
10:15 a.m.	6. Selection of 2023 UPAC Officers	Decision
10:25 a.m.	7. 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.	8. Committee Member General Discussion	
10:35 a.m.	9. Adjournment	

Next meeting: January 11, 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, October 5, 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, Scott Callihan and Ruth Ann Schonbachler

Committee members excused: Chris Francis and Hilary Dussing

Staff members present in the Boardroom or via Microsoft Teams: Al Wells, Andie Buhl, Monica Indrebo, Natalie Watts, Christian Nelson, Kerry Baugh, Justin Fecteau, Pattie Benger, Lisa Barbato, Abby Ortega, Tristan Gearhart, Sydni Sich, Tim Benedict, Renee Adams, Kyle Wilson, Natalie Eckhart, John Hunter, Danielle Nieves, Joe Awad, Scott Shirola, Leslie McKiernan, Tara McGowan, Susan Lovejoy

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

Citizens Present: Marla Novak

1. Call to Order

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

2. Approval of Oct. 5, 2022, UPAC Meeting Minutes

Vice Chair Larry Barrett motioned, and Committee Member Katherine Danner seconded the motion to approve the Oct. 5, 2022, meeting minutes. The minutes were unanimously approved with a voice vote.

3. Cost Recovery Assignment Draft Scope

a. Guest Speaker

Mr. Peter Wysocki, Planning and Community Development Director for the City of Colorado Springs, addressed the city's current and projected growth. The tools the City uses to manage growth include the comprehensive plan, PlanCOS, which supports several types of land use and development, and RetoolCOS, where zoning and subdivision codes were rewritten. RetoolCOS enables flexible residential districts on units per acre, not lot size, multi-family residential permitted in commercial districts, adaptive reuse of functionally obsolete buildings, and is adaptable over time. Both tools for the City recognize densification is inevitable.

In 2021, the residential trend began to change where multi-family developments occurred more often than single-family developments. The City is achieving its density goals, however affordable housing remains an issue. More residential units per acre may result in lower housing costs, efficient use of land and delivery of City services. The change in density also effects roadway lane miles and the goal is to decrease new lane miles. Several current developments are reaching buildout capacity, vacant infill acres are dropping, and more development is occurring outside of City limits.

Developers are reporting the cost of redeveloping older parts of the City is more expensive, so a regional approach is needed for this redevelopment. Infrastructure downtown is dated, so the issue then becomes if infrastructure should come first or be delayed once there is a better idea of what can be built. Additionally, the downtown area has seen an increase in residential development, and with the increase of residential growth the growth of commercial services will need to increase as well. This is a common issue for many downtown areas, not just in Colorado Springs.

Ms. Tara McGowan, Manager of Water and Wastewater Design, provided information on the Utilities Reliability Program (URP) that began a few years ago. This program is a collaborative project with the City to address the aging infrastructure downtown. Springs Utilities has recognized the need to update these areas and several projects have taken place proactively in notable areas of interest. Ms. McGowan reports that Utilities works with HBA and Planning Development and will promulgate new utility service standards. However, in tighter lots there are cost impacts.

b. Four Service Resource and Infrastructure Planning Considerations

Ms. Abby Ortega, General Manager of Water Resources and Demand Management, introduced four service resource and infrastructure planning considerations. Some considerations for cost recovery include whether costs should align across the four services; appropriate ways to balance costs between existing and future customers for future investment, the perspective on cost recovery for resources and infrastructure investments, and what role incentives should have in supporting resource and infrastructure planning objectives.

Four service planning objectives include proactively identifying resources and infrastructure investment needs, 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.

Springs Utilities tries to proactively obtain resource demand for incremental supply prior to growth scenario. The growth scenario is a higher estimate than in-City growth. Planning risks include regulatory factors such as the Clean Heat Plan and Clean Energy Plan, climate related risks from drought and Colorado River supply, and resource supply and infrastructure. Ms. Ortega reviewed specific needs for each utility service.

Ms. Ortega briefly reviewed the enterprise budget process that includes maintenance investment, service increase investment, growth investment, future growth, and the target. Next month UPAC will review current cost recovery mechanisms and further meetings will dive deeper into these issues.

4. Citizen Comment

None

5. Committee Member General Discussion

Ms. Kerry Baugh reported that committee member Ruth Ann Schonbachler has become a regular committee member is no longer an alternate. Additionally, several applications have come in to fill the vacant alternate role and interviews will take place in late November.

6. Adjournment

Chair Burghart adjourned the meeting at 9:56 a.m.

Next meeting: Wednesday, Dec. 7, 2022, at 8:00 a.m.



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Utilities Policy Advisory Committee (UPAC) Cost Recovery Mechanisms Assignment

Current Cost Recovery Mechanisms

December 7, 2022

Agenda

1. Guest Speakers Bob Cope and Peter Wysocki – City Costs and Recovery Related to Growth and Development
2. November 2nd Recap
3. Current Cost Recovery Mechanisms
4. UPAC Officer Selection for 2023
5. Next Steps

City costs and recovery related to growth and development

**Bob Cope
Peter Wysocki**

November 2nd Recap Resource and Infrastructure Planning

Community Change - Utility Impacts

Nov 2022

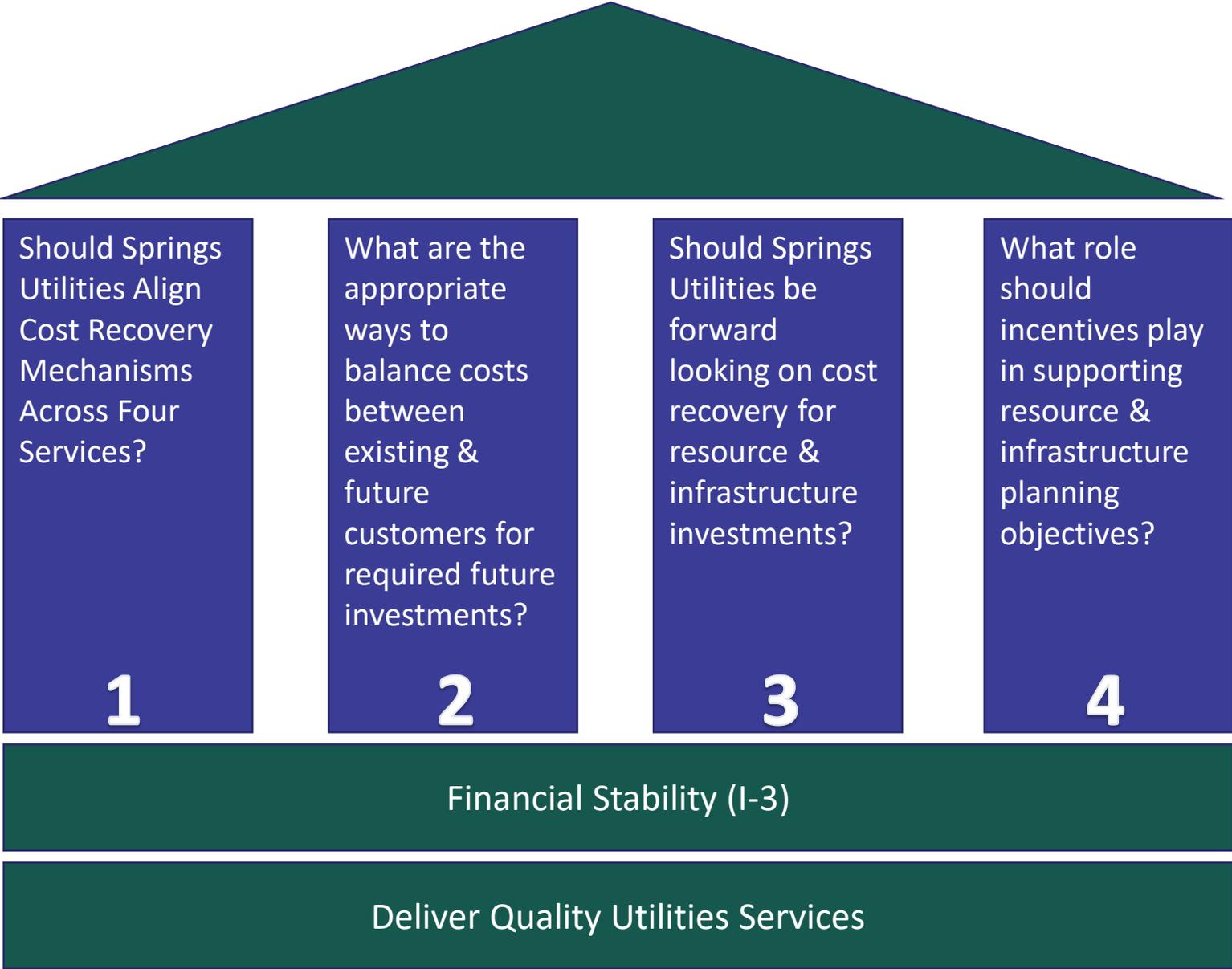
Four service resource and infrastructure planning considerations

- New resources
- Infrastructure
 - Existing infrastructure replacement
 - New infrastructure
- Operation cost
 - Planning and engineering, labor, maintenance, DSM, etc.
- Regulatory compliance
 - Clean Heat and Clean Energy Plans
- Climate
 - Colorado River and drought
- Service territory expansion

 <ul style="list-style-type: none">• 168 MW TNGGs by 2023• 100 MW Battery Energy Storage by 2024• 17 Miles of 230kV Transmission by 2027• 117 MW Battery Energy Storage by 2030• 300 MW Wind Generation by 2030• Multiple substations and distribution circuits	 <ul style="list-style-type: none">• 15-25K AF New Supply from Water Sharing• 11-13K AF Water Conservation Savings• 90-120K New Reservoir Storage• 10-15K AF Colorado River Projects
 <ul style="list-style-type: none">• Propane Air Plant Expansion for 300 Dth/hr by 2032• New Propane Air Plant for 650 Dth/hr by 2034• New Gas Supply Resource for 630 Dth/hr by 2041• Demand-Side Management Programs• Multiple distribution mains	 <ul style="list-style-type: none">• Water Resource Recovery Facility upgrades to meet future regulations by 2035• Pipeline and Facility rehabilitation/replacement ongoing• Conveyance and Treatment for 5 Million Gallons per Day by 2032

Current Cost Recovery Mechanisms

Cost Recovery Mechanism Policy Pillars



Annual Revenue Requirement Formula

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

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: Miscellaneous revenue offsets from other sources including development fees and charges

Miscellaneous Revenue - Full or Partial Rate Offsets

- Engineering Design/Review Fees
- Contributions in Aid of Construction (System Extension Fees)
 - Electric and Natural Gas Line Extension Fees
 - Water and Wastewater Extension Policies
- Water and Wastewater Development Charges (WDC/WWDC)
- Water Resource Fee (WRF)

Engineering Design/Review Fees

- Electric and/or Natural Gas line extension design
- Water and/or Wastewater recovery agreement contract application
- Water and/or Wastewater recovery agreement processing fee
- Hydraulic Analysis Report
- Fire Flow Report
 - New Development
 - First two reports no charge
 - Existing Hydrant Reports
 - First report no charge

Engineering Design/Review Fees

Current Cost Recovery

Electric	Natural Gas	Wastewater	Water
<ul style="list-style-type: none"> • Line extension design 	<ul style="list-style-type: none"> • Line extension design 	<ul style="list-style-type: none"> • Wastewater recovery agreement <ul style="list-style-type: none"> - Application - Processing 	<ul style="list-style-type: none"> • Water recovery agreement <ul style="list-style-type: none"> - Application - Processing • Hydraulic analysis report • Fire flow reports

Potential Future Recovery (in addition to those listed above)

Electric	Natural Gas	Wastewater	Water
		<ul style="list-style-type: none"> • Wastewater master facility report review 	

Four service fees:

<ul style="list-style-type: none"> • Annexation review 	<ul style="list-style-type: none"> • Plan review <ul style="list-style-type: none"> - Concept plan - Master plan - Development plan - Construction plan 	<ul style="list-style-type: none"> • Easement review 	<ul style="list-style-type: none"> • Variance review and analysis 	<ul style="list-style-type: none"> • Alternatives analysis • Integrated Resource Planning • System Planning • Facility Plans
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System Extension Fees

Electric and Natural Gas

- Distribution extensions
 - Onsite
 - Developer pays partial cost through fees (Electric) or percentage of project cost (Natural Gas) with credits for expected future revenue from rates
 - Offsite
 - Developer pays partial cost through fees or percentage of project cost with credits for expected future revenue from rates
 - Recovery available from benefited future development (Natural Gas)

Water and Wastewater

- Pipelines and pumping
 - Onsite Extensions
 - Developer pays 100% of actual cost
 - Offsite Extensions
 - Developer pays 100% of actual cost
 - Recovery available from benefited future development

System Extension Fees (Onsite)

Current Cost Recovery

Electric	Natural Gas	Wastewater	Water
• Partially funded with credit for future rate revenue		• 100% funded	
<ul style="list-style-type: none"> • Service lines • Secondary lines • Primary lines • Transformers 	• Mainline extensions	• Mainline extensions	<ul style="list-style-type: none"> • Service lines • Mainline extensions

Potential Future Recovery

Electric	Natural Gas	Wastewater	Water
• 100% funded			
<ul style="list-style-type: none"> • Service lines • Secondary lines • Primary lines • Transformers 	• Mainline extensions	• Mainline extensions	<ul style="list-style-type: none"> • Service lines • Mainline extensions

Note: Utilities funds installation of meters through rates.

System Extension Fees (Offsite)

Current Cost Recovery

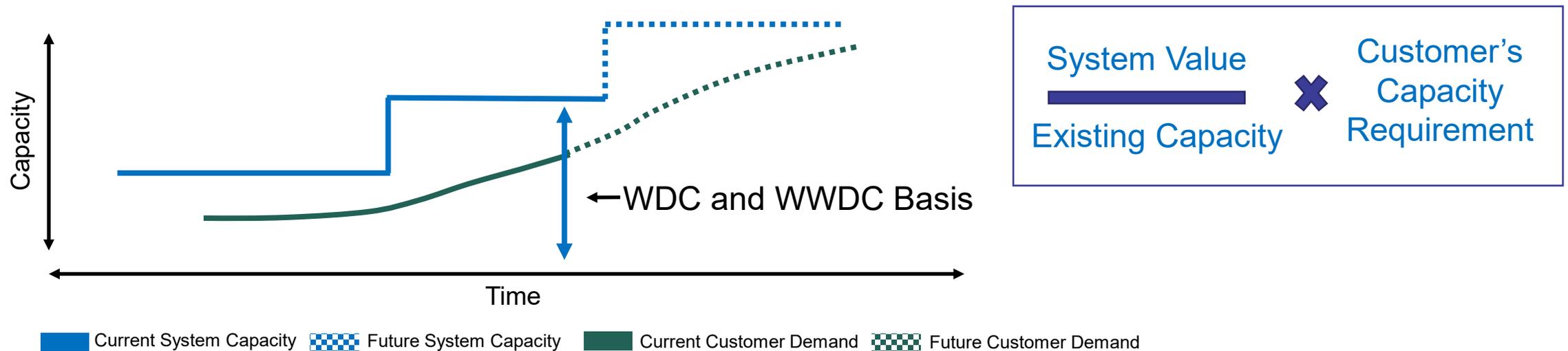
Electric	Natural Gas	Wastewater	Water
<ul style="list-style-type: none"> Partially funded with credit for future rate revenue 		<ul style="list-style-type: none"> 100% funded 	
<ul style="list-style-type: none"> Mainline extensions 	<ul style="list-style-type: none"> Mainline extensions 	<ul style="list-style-type: none"> Mainline extensions Lift stations Force mains 	<ul style="list-style-type: none"> Mainline extensions Pumping

Potential Future Recovery

Electric	Natural Gas	Wastewater	Water
<ul style="list-style-type: none"> 100% funded 			
<ul style="list-style-type: none"> Mainline extensions 	<ul style="list-style-type: none"> Mainline extensions 	<ul style="list-style-type: none"> Mainline extensions Lift station Force mains 	<ul style="list-style-type: none"> Mainline extensions Pumping

WDC and WWDC – Existing System Capacity

- One-time charge paid at time of connection
- Offset cost associated with investments in system capacity
- Charges based on the replacement value of **existing** system capacity and the customer's capacity requirement
 - Charges vary by water meter and residential lot size



Development Charges – Existing Capacity

Current Cost Recovery

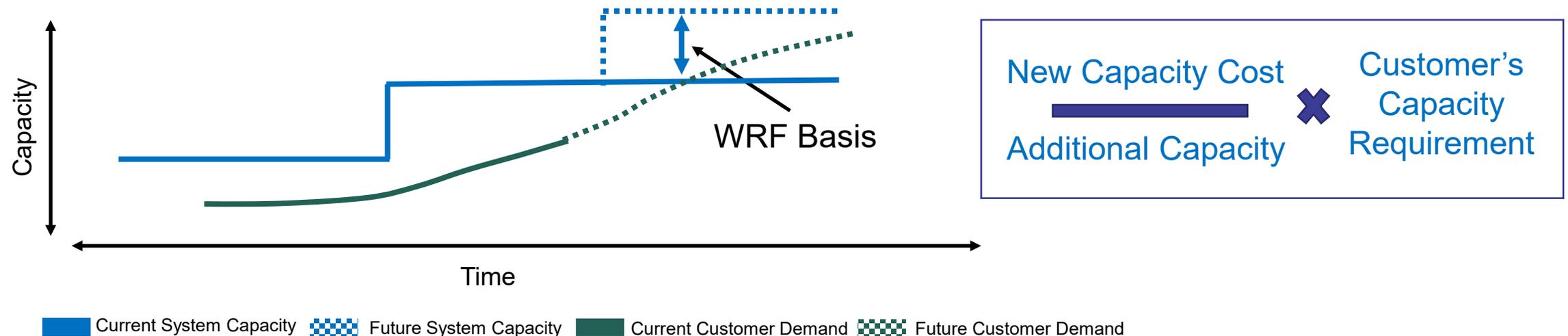
Electric	Natural Gas	Wastewater	Water
<ul style="list-style-type: none"> • No charge, cost recovery entirely through rates 		<ul style="list-style-type: none"> • Development charges offset existing system capacity cost • Charges based on the value of equity in existing system capacity and the customer’s capacity requirement 	
		<ul style="list-style-type: none"> • Treatment • Collection system 	<ul style="list-style-type: none"> • Source of Supply • Treatment • Pumping • Finished water storage • Distribution

Potential Future Recovery

Electric	Natural Gas	Wastewater	Water
<ul style="list-style-type: none"> • Development Charges offset existing system capacity cost • Charges based on the value of equity in existing system capacity and the customer’s capacity requirement 			
<ul style="list-style-type: none"> • Generation • Transmission • Substation • Distribution 	<ul style="list-style-type: none"> • Interstate transmission • City gate • Propane air plant • Distribution 	<ul style="list-style-type: none"> • Treatment • Collection system 	<ul style="list-style-type: none"> • Source of Supply • Treatment • Pumping • Finished water storage • Distribution

WRF – Future System Capacity

- One-time charge paid at time of connection
- Offset cost associated with water right acquisitions and projects that will increase raw water system yield
- Charges based on the **forecasted** cost of **new** system capacity and the customer's capacity requirement
 - Charges vary by water meter and residential lot size



Resource Fees – Future System Capacity

Current Cost Recovery

Electric	Natural Gas	Wastewater	Water
<ul style="list-style-type: none"> No fees, cost recovery entirely through rates 			<ul style="list-style-type: none"> WRF's offset future capacity cost Charges based on the cost of future capacity additions and the customer's capacity requirement
			<ul style="list-style-type: none"> New Source of Supply projects that increase raw water yield

Potential Future Recovery

Electric	Natural Gas	Wastewater	Water
<ul style="list-style-type: none"> Resource Fees offset future capacity cost Charges based on the cost of planned capacity additions and the customer's capacity requirement 			
<ul style="list-style-type: none"> New generation New transmission New substation 	<ul style="list-style-type: none"> New interstate transmission New city gates New or expanded propane plants 	<ul style="list-style-type: none"> New or expanded Treatment 	<ul style="list-style-type: none"> New Source of Supply projects that increase raw water yield

Cost Recovery Summary

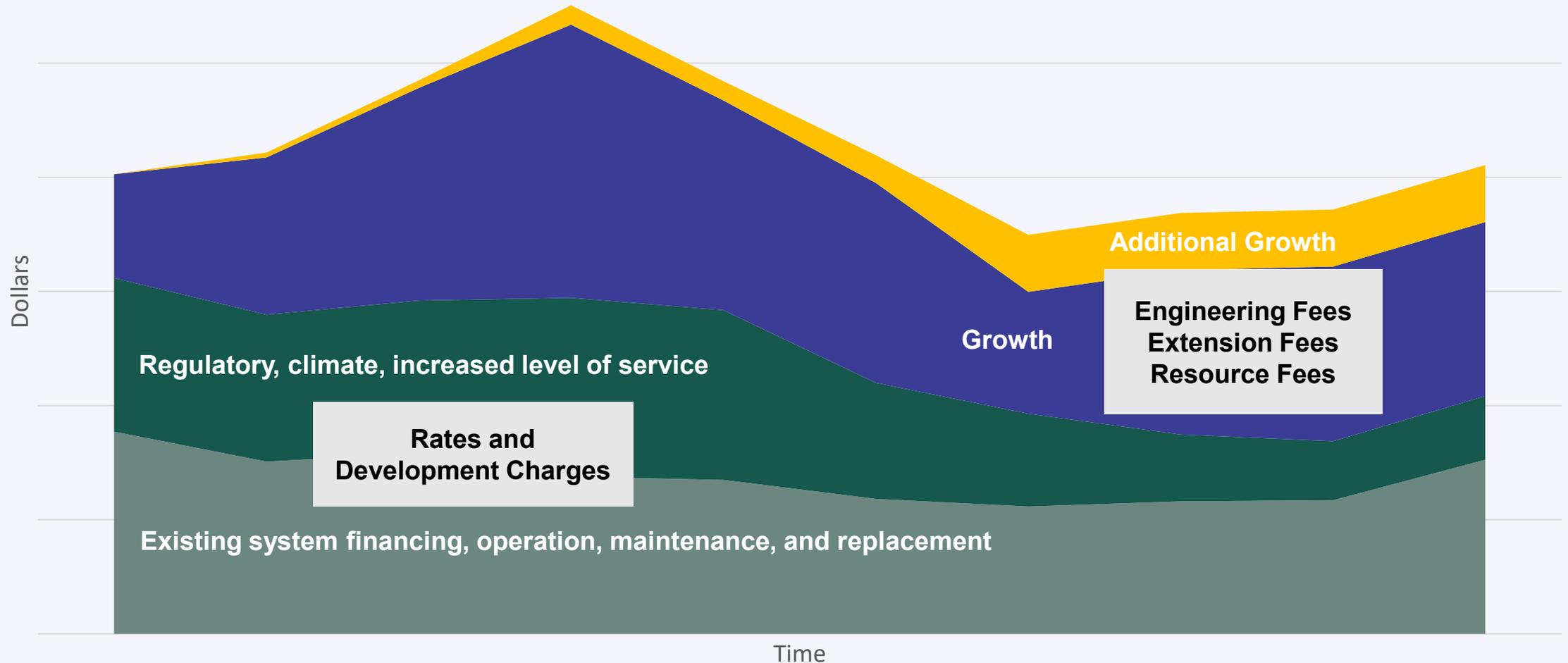
Current Cost Recovery

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	✓

Potential Future Recovery

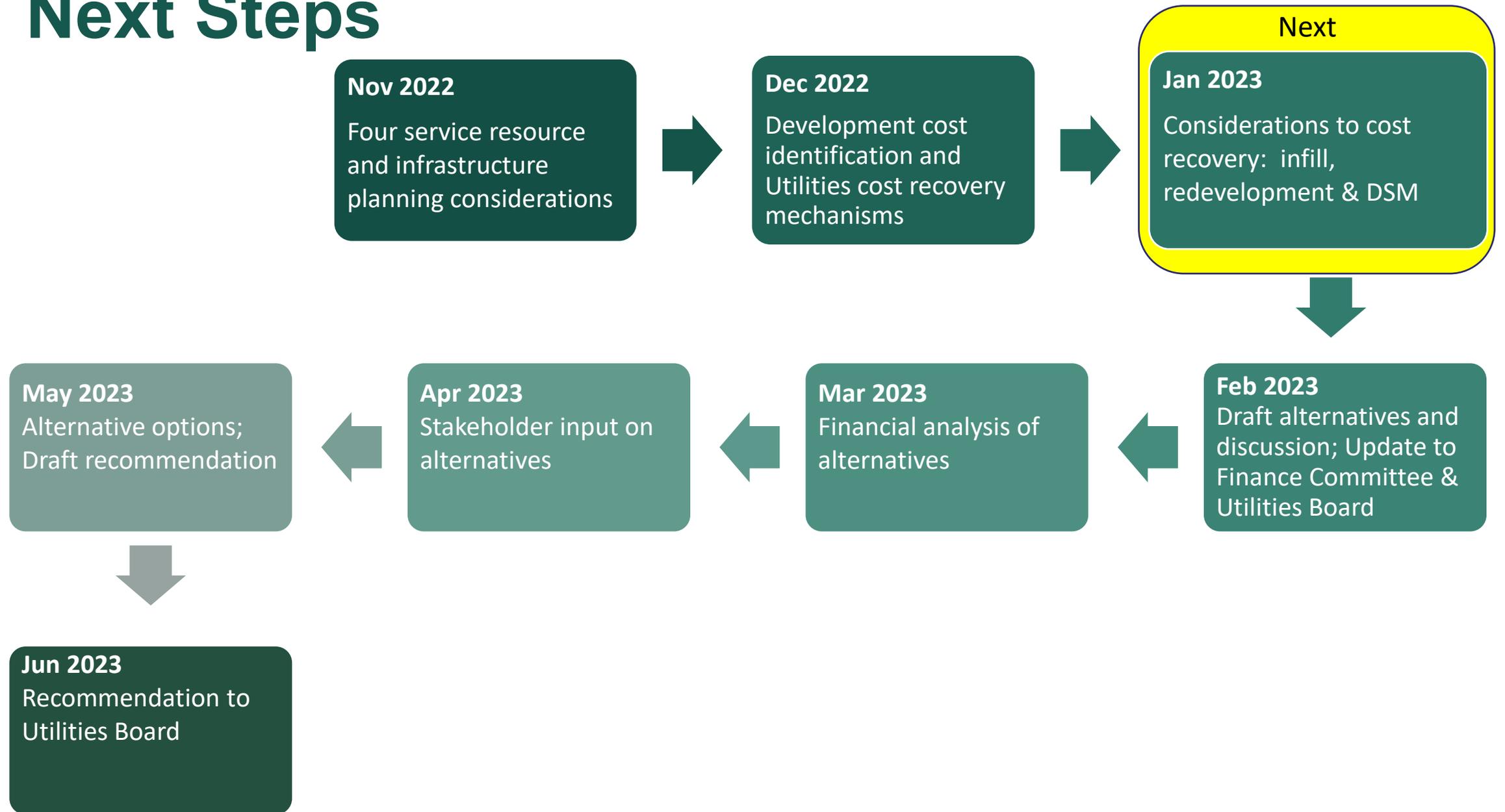
Cost Recovery Mechanism	Electric	Natural Gas	Wastewater	Water
System Extensions Fees	100%	100%	100%	100%
Existing Capacity Development Charge	✓	✓	✓	✓
Future Capacity Resource Fee	✓	✓	✓	✓

Potential Future Cost Recovery



Next Steps

Next Steps



UPAC Officer Selection for 2023



UPAC Officer Eligibility and Selection

- According to UPAC Bylaws, the Committee shall elect the Chair and Vice-Chair for the next calendar year at the Committee's December meeting.
- The Chair shall be elected 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. The Vice-Chair shall be elected in the same manner as the Chair. If a nominee fails to get elected, nominations shall be reopened.
- The Chair and Vice-Chair shall have a voice and shall vote in the selection of the officers of the Committee.
- Committee members shall not serve more than two consecutive years as Chair and not more than two consecutive years as Vice-Chair.

UPAC Officer Eligibility

UPAC Chair

Larry Barrett

Michael Borden

Kate Danner

Hillary Dussing

Chris Francis

Ruth Ann Schonbachler

UPAC Vice Chair

Michael Borden

Gary Burghart

Kate Danner

Hillary Dussing

Chris Francis

Ruth Ann Schonbachler



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Utilities Policy Advisory Committee Members

Categories and Terms

As of November 1, 2022

All regular members typically begin with one, three-year term. The member may be reappointed by the Utilities Board for up to two additional three-year terms. No member may consecutively serve more than three, three-year terms. Vacancies will be filled for the unexpired term by Utilities Board appointment, in which event an additional partial term can occur. The Utilities Board may fill any vacancy with either an alternate or another selected candidate.

Up to two Committee members may reside outside of the corporate limits of the City of Colorado Springs, so long as either (1) the member resides within Utilities service area for at least one utility service, or (2) the member resides in El Paso County and works at business or organization premises located inside the corporate limits of the City of Colorado Springs.

The Committee, when considering all of its members, shall comprise balanced professional, business, and community perspectives.

Regular Members	Original Appt.	Exp. Of Term	Re Appt.	Exp. Of Term	Re Appt.	Exp. Of Term	Re Appt.	End of Eligibility
Burghart	9/30/17	9/30/20	9/30/20	9/30/23			N/A	9/30/26
Barrett	10/17/18	9/30/20	9/30/20	9/30/23			N/A	9/30/26
Dussing	6/01/21	9/30/22	9/30/2022	9/30/2025			N/A	9/30/31
Borden	9/30/21	9/30/24					N/A	9/30/30
Danner	9/30/21	9/30/24					N/A	9/30/30
Francis	9/30/21	9/30/24					N/A	9/30/30
Schonbachler	11/01/22	9/30/23					N/A	9/30/32
Alternate Members								
Callihan	9/30/21	N/A						
	1/1/2023	N/A						