



**Utilities Policy Advisory Committee (UPAC)
Wednesday, February 1, 2023, 8:00 a.m. – 11:00 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,,357525611#](#)

Agenda

8:00 a.m.	1. Call to Order	
8:05 a.m.	2. Approval of January 11, 2023 UPAC Meeting Minutes	Decision
8:10 a.m.	3. Guest Speaker, Scott Smith, Colorado Springs Housing and Building Association	Discussion
8:55 a.m.	4. Guest Speakers, Randy Case, Ann Kidd, Clarissa Thomas, Pikes Peak Association of Realtors	Discussion
9:40 a.m.	5. Cost Recovery Mechanisms Assignment <ul style="list-style-type: none">• Demand Side Management (DSM)/Conservation Incentives	Discussion
10:20 a.m.	6. Draft UPAC Cost Recovery Mechanisms Assignment Update to the Utilities Board	Discussion
10:50 a.m.	7. Citizen Comment <p>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.</p>	Discussion
10:55 a.m.	6. Committee Member General Discussion	
11:00 a.m.	7. Adjournment	

Next meeting: March 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, January 11, 2023
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 Larry Barrett, Vice Chair Hilary Dussing, Gary Burghart, Michael Borden, Katherine Danner, Chris Francis, Scott Smith and Scott Callihan

Committee members excused: Ruth Ann Schonbachler

Staff members present in the Boardroom or via Microsoft Teams: Al Wells, Andie Buhl, Monica Indrebo, Natalie Watts, Christian Nelson, Kerry Baugh, Tara McGowan, Kelly Merritt, Joe Awad, Abigail Ortega, Joe Marcotte, Justin Fecteau, Kyle Wilson, Gabe Caunt, Jamie Fabos, Jessica Thiel, Julia Gallucci, Pattie Bengler, Renee Adams, Tim Benedict, Danielle Nieves, Jenny Bishop, David Longrie, Scott Shirola, Elena Nunez, Leslie McKiernan, Pattie Bengler, Thad Clardy, Tristan Gearhart, Todd Sturtevant, and Matt Dudden

City of Colorado Springs staff present in the boardroom or via Microsoft Teams: David Beckett

Citizens Present: Dave Donelson

1. Call to Order

Chair Larry Barrett called the meeting to order at 8:02 a.m.

2. Approval of Dec. 7, 2022, UPAC Meeting Minutes

Committee Member Burghart motioned, and Vice Chair Hilary Dussing seconded the motion to approve the Dec. 7, 2022, meeting minutes. The minutes were unanimously approved with a voice vote.

3. Ethics, Open Meetings and Colorado Open Records Act (CORA) Review

David Beckett, Senior Attorney at the City Attorney's Office, reviewed the UPAC Bylaws updated in 2022 which include modernized meeting notice requirements, removal of obsolete provisions and updated the provision related to committee member education. Mr. Beckett reviewed the UPAC members code of ethics, which involves member position responsibilities and moralities that align with the City code of ethics.

Mr. Beckett addressed CORA in detail regarding open meetings, and that both electronic and paper writings are considered public records and need proper management. Colorado Springs Utilities manages records and writings that pertain to CORA for UPAC. UPAC members are not required to retain records unless specifically asked.

Mr. Beckett defined open meetings as a meeting that has three or more committee members and requires notices of open meetings. UPAC may hold closed “Executive Sessions” however during these sessions, UPAC may not adopt any proposed policy, position, resolution, rule, regulation or other formal actions.

Chair Barrett requested clarification on one-on-one discussion of UPAC related topics, and Mr. Beckett confirmed that if there are just two members present, it is not a violation of the laws.

4. Cost Recovery Mechanisms Assignment

Ms. Tara McGowan, Manager of Water and Wastewater Design, reviewed the assignment scope and roadmap by recapturing the cost recovery mechanism policy pillars. Mr. Scott Shirola, Manager of Pricing and Rates, explained the organization’s financial stability and that it provides the foundation for this project. Ms. McGowan discussed Springs Utilities’ four services’ current cost recovery mechanisms related to community changes found in existing infrastructure upgrades, resource acquisition and construction, infrastructure and facility construction, and staff time for review and analyses.

Historically, water and wastewater do not have rate-based fees like gas and electric due to how the individual services were previously managed. Recently, the reduction of coal use has changed the market. As a unique four-service not-for-profit utility, there are few similar entities to refer to. We often look at large power utility for comparison. Ms. McGowan provided explanations and definitions of individual services in detail regarding infrastructure and delivery systems.

The committee had a robust discussion about forecasting cash funding for capital projects, strategic communication with builders, tap fees, inflation impacts on financial stability, how unpaid fees could be recovered, the effects of flexible zoning, precluding existing users from bearing costs of new annexations, system extension fees, staff review fees, historical use of incentives and potential incentives, increased capacity related capital investment, excess capacity utilization, regional contracts and separate economic development contracts.

Staff provided information on several of the discussion topics such as how cash funding is forecasted for the coming year, the complexity of current tap fees, how inflation forecasts are calculated separately, that base rate fees could be used to recover fees, managing utilities in dense residential areas, looking at possible city expansions, differentiating how the infrastructure is categorized in regard to where cost recoveries can be found and that there are no clear incentives identified in the fee structures.

From 9:33 a.m. to 9:45 a.m., the committee took a short recess.

Ms. McGowan continued presenting on cost recovery mechanisms. Currently, most of the timing basis of fees are backwards where customers fund capital investment and financing through rates for already constructed assets and development buys into system equity. Some initial considerations for cost recovery alternatives include rate impact, developer cost impact, timing of fee assessment, balancing cost between existing and future customers, and determining the schedule for construction and acquisition of new resources and infrastructure. Alongside cost recovery mechanisms, the impact on debt and days cash on hand needs to be considered, no growth scenarios, existing utilities staff review fees and possible incentives to offset fees.

Resulting from the discussion, the committee requested to review a balance sheet of the enterprise's current assets and remaining liability. Committee Member Burghart proposed an executive session to review the asset financial information at a future meeting.

5. Citizen Comment

None

6. Committee Member General Discussion

None

7. Adjournment

Chair Barrett adjourned the meeting at 10:32 a.m.

Next meeting: Wednesday, Feb. 1, 2023, at 8:00 a.m.



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

UPAC Cost Recovery Mechanisms Assignment

DSM/Conservation Incentives

February 1, 2023

Agenda

1. Energy DSM
2. Water Conservation

Energy DSM

Policy Drivers for DSM



- Clean Energy Plan – 80% reduction in electric generation emissions
- Clean Heat Plan – 22% reduction in retail natural gas emissions with spending cap
- Integrated Resource Planning to minimize long term cost
- Colorado policies for decarbonization
 - Zero Emission standard for vehicles
 - Transportation Electrification plans for IOU's
- Federal policies
 - Inflation Reduction Act incentives for electrification, efficiency, renewables and energy storage
 - Military resiliency and mission assurance

Energy Incentive Types for New Development



Incentives for efficient new construction



Incentives for decarbonization

Energy Incentives for New Development

Builder Incentive Program (BIP) with electrification bonus

HVAC Equipment Incentive

Smart Thermostat Rebate

Delayed fee payment for low income projects

Energy Design Assistance (planned 2023)

Renewable Energy Rebate (ended 2022)

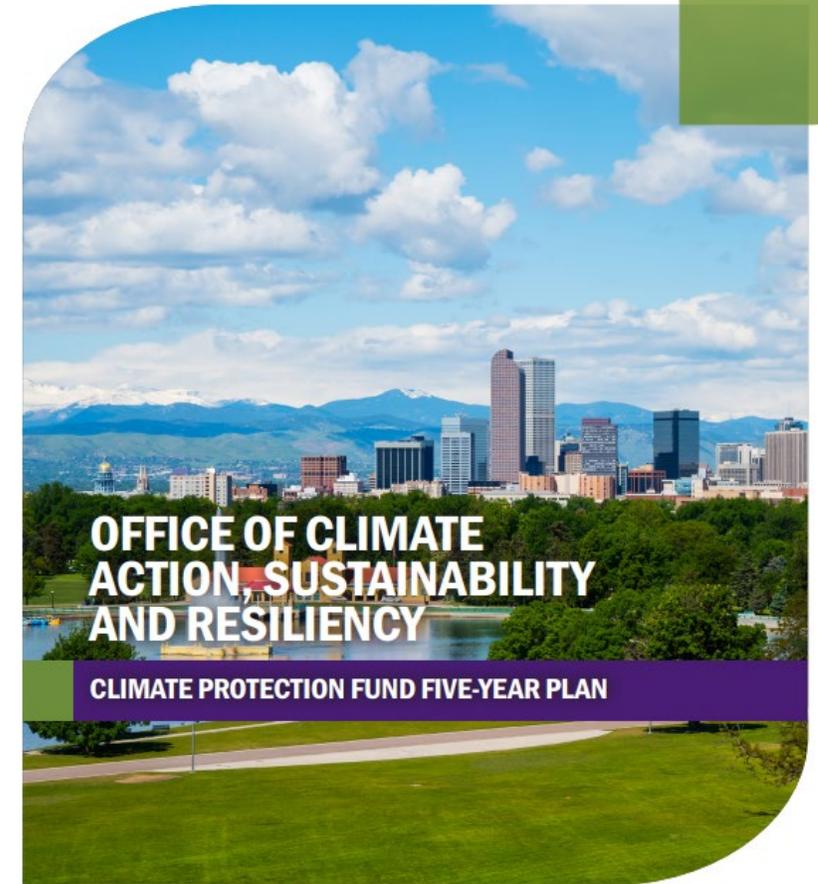
Case Study: City and County of Denver, CO

Climate Protection Fund

- Dedicated sales tax to support decarbonization programs in new and existing construction
 - Sets a policy objective to move toward Net Zero Energy Buildings
 - Supports “new building resources to support NZE new developments becoming standard practice and enable a NZE code”

Building Code

- Adopted 2021 IECC
- EV charging requirements for new construction



Case Study: Fort Collins, CO / Fort Collins Utilities

Emissions Reduction Policy

- Community-wide emissions reduction goals

Efficiency and Decarbonization

- Integrated Design Assistance Program

Affordability

- Density Bonus and Fee reduction for affordable housing
- Affordable housing EV charging credit

Building Code

- Adopted 2021 IECC
- EV charging requirements for new construction



Project Details

Facility

Poudre School District Fossil Ridge High School
(opened August 2004)

Size

1,800 student capacity
296,375 square feet total

Location

Fort Collins, CO

Project Cost

\$122 per square foot

Energy Use (energy model)

Approximately 30 kBtu per square foot annually for gas and electricity

Case Study: Xcel Energy

Emissions Reduction Policy

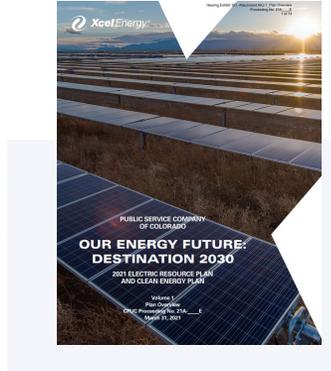
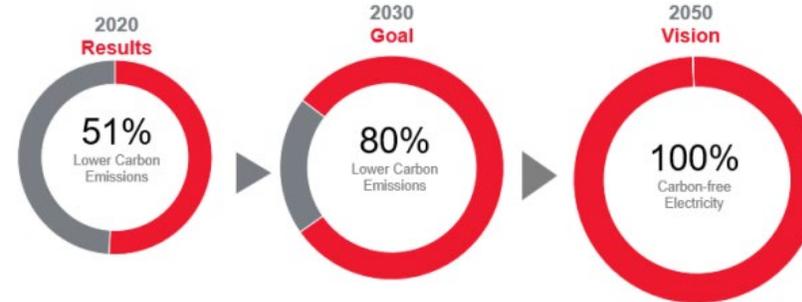
- Electric and Gas decarbonization goals aligned with state policies

Cost Recovery

- Demand Side Management Rider
- Transportation Electrification Plan Rider

Efficiency and Decarbonization

- Energy Design Assistance for commercial construction
- Transportation Electrification Plan



SERVICE ADDRESS	ACCOUNT NUMBER	DUE DATE
JOHN E. CUSTOMER MARTHA W. CUSTOMER 1234 ELECTRIC AVENUE TAKUHIER, CO 00000-0000	53-123456789-1	MM/DD/YYYY
	STATEMENT NUMBER	STATEMENT DATE
	012346789	MM/DD/YYYY
		AMOUNT DUE
		\$00.00

SERVICE ADDRESS: 1234 ELECTRIC AVENUE TAKUHIER, CO 00000-0000
 NEXT READ DATE: 06/06/17

ELECTRICITY SERVICE DETAILS

PREMISES NUMBER: 0123456789
 INVOICE NUMBER: 0123456789

METER READING INFORMATION		
METER 82302823	Read Dates: 04/06/17 - 05/05/17 (29 Days)	
DESCRIPTION	CURRENT READING	USAGE
Total Energy	000 Actual	000 kWh

ELECTRICITY CHARGES		RATE: RETOU Res Energy TOU	
DESCRIPTION	USAGE UNITS	RATE	CHARGE
Service & Facility			\$0.00
Trans Cost Adj	000 kWh	\$0.000000	\$0.00
Demand Side Mgmt	000 kWh	\$0.000000	\$0.00
PurchCapCostAdj	000 kWh	\$0.000000	\$0.00
CACJA	000 kWh	\$0.000000	\$0.00
Renew. Energy Std Adj			\$0.00
GRSA			-\$0.00 CR
Subtotal			\$00.00
Franchise Fee		0.00%	\$0.00
Sales Tax			\$0.00
Total			\$00.00



See LED bulbs in a new, wallet-friendly light

Still using old light bulbs? Brighten your home and your wallet by switching to LEDs. You'll enjoy all the ways the savings can add up.

Today's LED bulbs use 70-90 percent less energy than traditional bulbs, and last at least 15 times longer.*

Water Conservation

Water Conservation Policy Drivers/ROI



- Integrated Resource Planning: water savings to stretch supplies, achieve widespread efficiency regardless of use type and meet increased need for resilient landscapes.

-
- Cost to reach one acre-foot of saving programs = \$6,000-8,000
 - By 2030, goal is to gain 85 AF a year of savings from incentivized development charges

Efficiency Actions to Incentivize



Low water landscape model designs, plant choices and irrigation equipment



Ultra-high efficiency fixtures (indoor)



Best efficiencies in evaporative cooling (large building)



Land use types (that save water)

Developer Efficiency Incentive Examples

Immediate credit in water development fees

Tap fee reduction program

Density bonuses or Infill incentives

Priority inspections

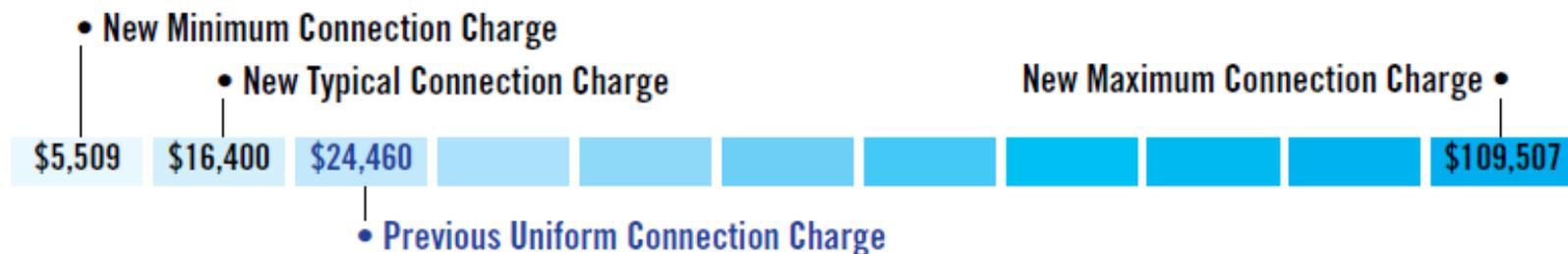
Delayed fee payment

Fee guarantee for future building permits in the development

Case Study: City of Aurora, CO

- Charge moved from uniform to size of home (# bathrooms) and lot
- Added average daily demand to commercial and multi-family
- Z-Zone incentive (no irrigation after establishment) offers significant cost savings
- Developer must agree to a water budget pricing system for landscaped areas

A-Figure 1. Single-Family Residential Charges Under Aurora's New & Old Connection Charge Structures



The "typical" charge shown represents a home with an 8,000 sq. ft. lot. The minimum charge shown represents a 0 sq. ft lot, and the maximum charge shown represents a 100,000 sq. ft lot. The previous, uniform connection charge did not vary with lot size.

Case Study: Sacramento, San Antonio, Corpus Christi

Infill Redevelopment Strategy

- Waive water development (connection/tap) fee for small residential projects in redevelopment areas
 - Median age of the housing is earlier than 1965
 - Proposed development would be consistent with community plans and zoning
 - Surrounded by development on three sides



Case Study: Westminster, CO

Requires separate irrigation meters on all non, single-family projects.

- Incentivizes water efficiency in large landscaped areas, such as commercial landscapes and common areas
- Irrigation connection charges are based on the area of landscaping and the projected annual water demand, as determined by the water requirements of the plants.
- The cost per square foot is highest for turf areas and lowest for low-water-use landscapes.
- The cost to use reclaimed water is about 80% the cost of potable water because no additional water acquisition is necessary.

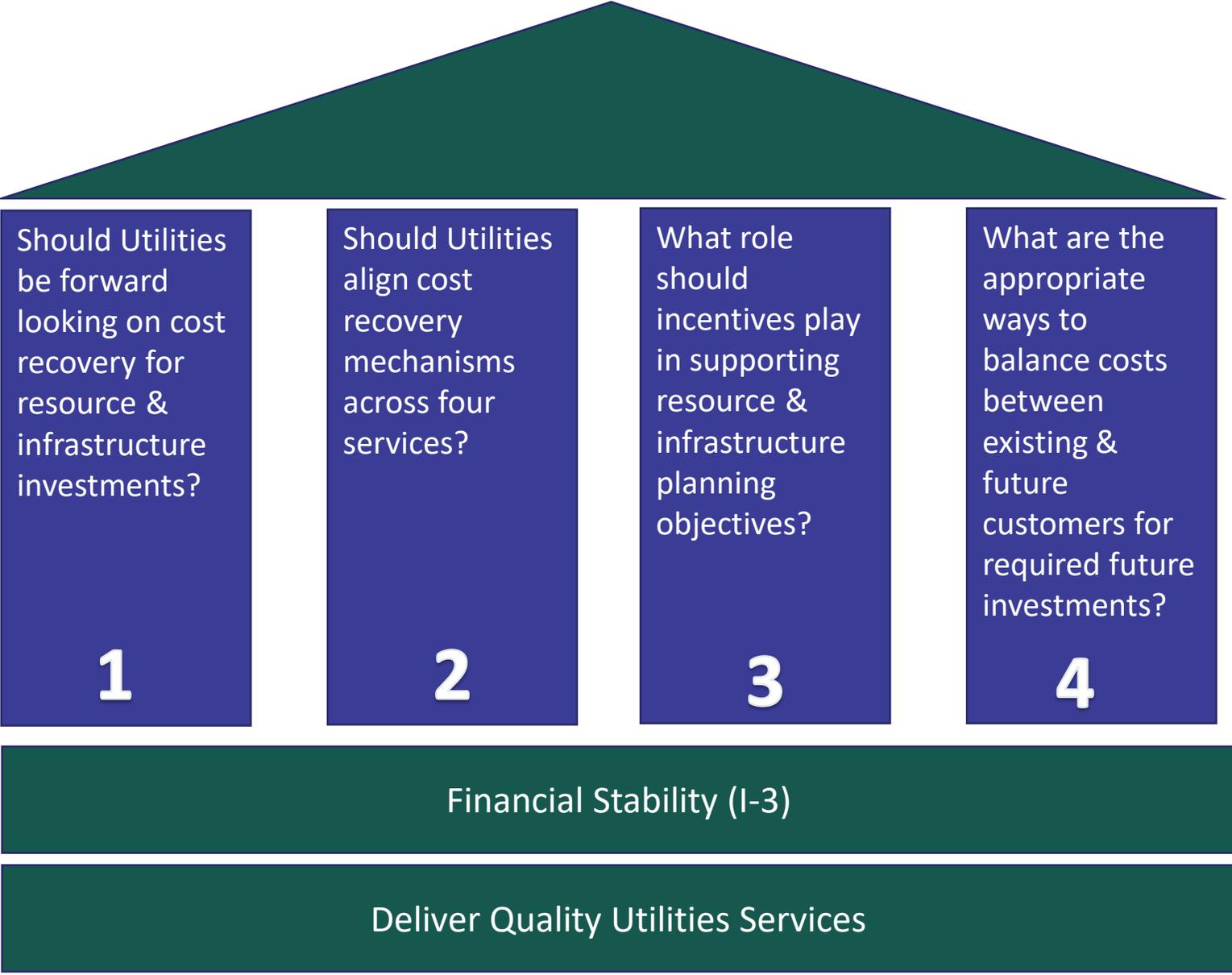


Review

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



Next Steps



Colorado Springs Utilities[®]

It's how we're all connected



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

Utilities Policy Advisory Committee (UPAC) Cost Recovery Assignment Update

Larry Barrett, UPAC Chair

February 22, 2023

Agenda

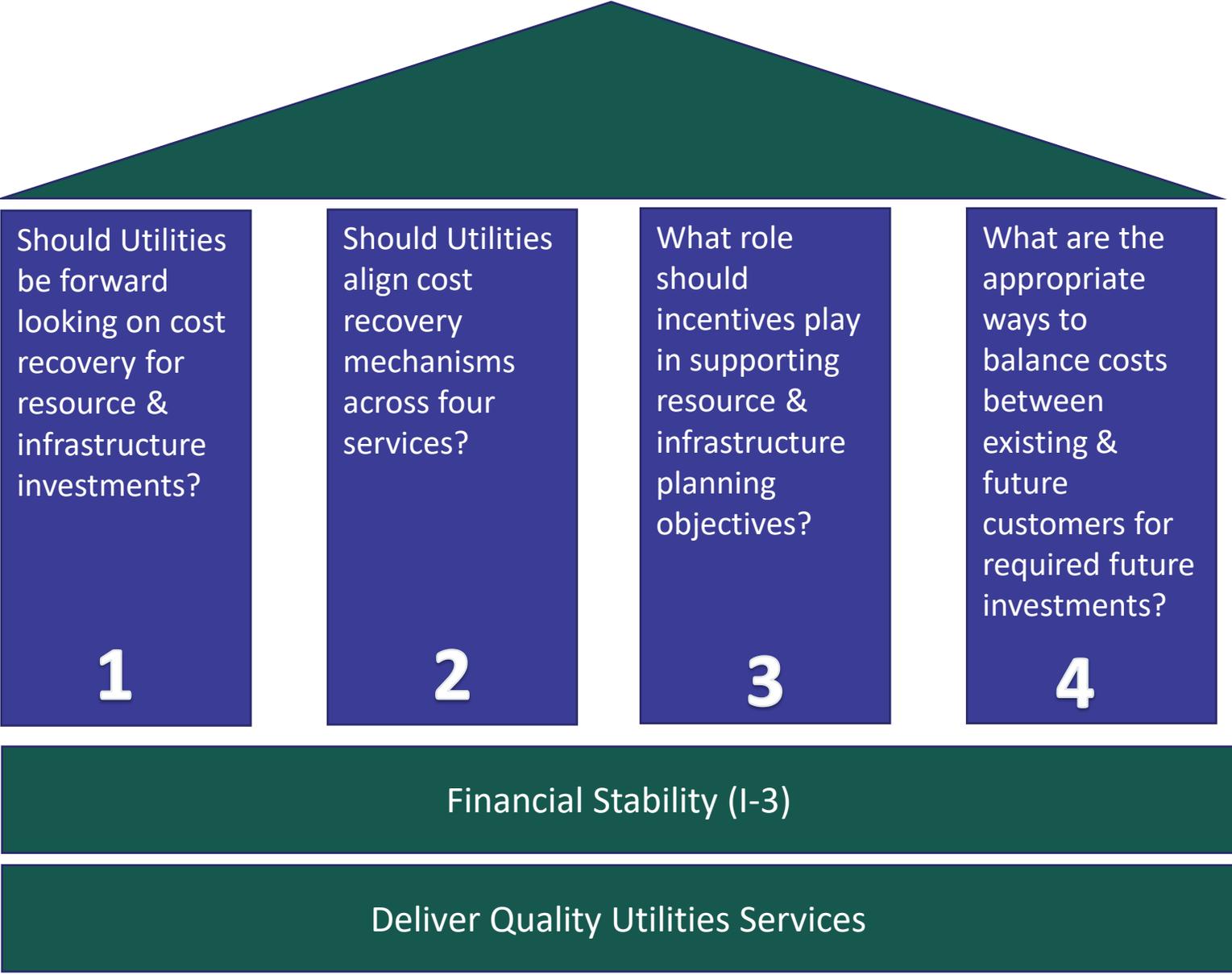
1. Assignment Scope
2. Roadmap and Recap
3. Questions

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

Roadmap



Cost Recovery Assignment Alternatives

4. Alternatives for cost recovery mechanisms

- Maintain current policy
- Charge four service development fees for capacity (resources and major facilities)
 - Existing system
 - Future system
- New infrastructure to support proposed and future development
 - Developers share cost
 - Utilities shares cost with developer
 - Utilities pays
- New infrastructure to support proposed development demand/load
 - Developer pays
 - Utilities shares cost with developer
 - Utilities pays

Initial Questions?

- What are the rate and development impacts of policy alternatives on customers and developers?
- 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 for new assets?

Closely Related Consideration:

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

Stakeholder Presentations

November

- City of Colorado Springs Planning & Community Development

December

- City of Colorado Springs Economic Development Officer:

February

- Housing and Building Association:
- Pikes Peak Association of Realtors

March

- Colorado Springs Chamber & EDC



Next Steps



Colorado Springs Utilities[®]

It's how we're all connected