



**Utilities Policy Advisory Committee (UPAC)
Wednesday, March 1, 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,,380404492#](#)

Agenda

8:00 a.m.	1. Call to Order	
8:05 a.m.	2. Approval of February 1, 2023 UPAC Meeting Minutes	Decision
8:45 a.m.	3. Review of February 22, 2023 Utilities Board Update Discussion	Discussion
9:00 a.m.	4. Cost Recovery Mechanisms Assignment <ul style="list-style-type: none">• Cost Recovery Alternatives Analysis	Discussion
10:15 a.m.	5. 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
10:20 a.m.	6. Committee Member General Discussion	
10:30 a.m.	7. Adjournment	

Next meeting: April 5, 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, Feb. 1, 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, Katherine Danner, Chris Francis, Scott Smith, Scott Callihan and Ruth Ann Schonbachler

Committee members excused: Michael Borden

Staff members present in the Boardroom or via Microsoft Teams: Al Wells, Monica Indrebo, Kerry Baugh, Christian Nelson, Natalie Watts, Tara McGowan, Scott Shirola, Joe Awad, Brian Grim, Ian Gardone, Jessica Thiel, Joe Marcotte, John Hunter, Justin Fecteau, Kyle Wilson, Larry Dunn, Matthew Thieme, Patricia Marlow, Sydni Sich, Thad Clardy, Tiffany Runge, Tim Benedict, Jamie Fabos, Abigail Ortega, Danielle Nieves, Leslie McKiernan, Todd Sturtevant, Lisa Barbato, Tristan Gearhart, and David Longrie

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

Citizens Present: Dave Donelson, Greg Barbuto, Diedre Smith and Robert Knapp

1. Call to Order

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

2. Approval of Jan. 11, 2023, UPAC Meeting Minutes

Committee Member Kate Danner motioned, and Vice Chair Hilary Dussing seconded the motion to approve the Jan. 11, 2023 meeting minutes. The minutes were unanimously approved with a voice vote.

3. Guest Speaker, Scott Smith, Colorado Springs Housing and Building Association (HBA)

Mr. Scott Smith introduced the Housing & Building Association's development market data to help UPAC consider development impacts on the broader community. This included review of data collected over several years on building permits, housing costs, median incomes and development trends for the Colorado Springs area. Mr. Smith also broke down single family lot expenses for water, wastewater, electric and gas into individual fees and charges.

Mr. Smith said the current cost recovery structure is a significant cost percentage per new home and the implementation of new capital recovery fees shifts additional costs

to new ratepayers and will add more challenges to the housing affordability problem. Water and wastewater recoveries currently are in place for all phases from the utility plant to the consumer. However, the current recovery fee program for water and wastewater should be evaluated and considered for fairness and equity. The determination of Electric and Gas recovery fees is complex, and the cost benefit will require more analysis. Additionally, infill and redevelopment issues are a case-by-case basis and new policies should be considered for fairness on cost impacts that can prevent an otherwise desirable project. Though sustainability and conservation incentives can be built into the connection rates, economic development incentives need to be considered up front.

4. Guest Speakers Ann Kidd and Clarissa Thomas, Pikes Peak Association of Realtors

Ms. Ann Kidd, former Chair of the Pikes Peak Association of Realtors (PPAR) and Ms. Clarissa Thomas, Vice President of Public Policy at PPAR, introduced the impact of development costs and utilities rates on new homebuyers and renters in Colorado Springs. Ms. Kidd explained qualifying and maintaining homeownership in Colorado Springs is becoming more and more difficult in newer developments. The cost of development fees today cost a new homeowner a minimum of \$25,000 based on a smaller-sized lot. Outside of utility related fees, there are other impact fees such as fire and police services that have recently increased. In addition to these tied-in costs, inflation, high interest rates and low housing supply remain issues in El Paso County. The presentation concluded by asking UPAC ‘How much additional costs to the price of housing can ratepayers sustain?’.

The committee broke for recess at 9:37 a.m. and reconvened at 9:45 a.m.

5. Cost Recovery Mechanisms Assignment

Mr. Gabe Caunt, Interim Supervisor for Demand Side Management (DSM), introduced Energy DSM policy drivers in relation to new development, including electric and natural gas energy efficiency, demand reduction, decarbonization, resiliency and equity. There are also state and federal policies that effect DSM. Some examples of recently passed policies are the Clean Energy Plan which affects electric generation emissions, and the Clean Heat Plan that affects natural gas emissions with spending capitals.

Mr. Caunt reviewed some energy incentive types for new developments such as energy efficiency in new construction and decarbonization. Mr. Caunt shared a few examples from other cities that utilize creative cost recovery mechanisms that are used in conjunction with incentives.

Ms. Julia Gallucci, Water Conservation Supervisor, discussed the policy drives for water conservation, including Colorado River Projects, agricultural transfers, demand management, storage and reuse. There are currently no incentive programs for new developments, though a few efficiency actions to incentivize can be found through low water landscapes and irrigation equipment, ultra-high efficiency fixtures indoors, best

efficiencies in evaporative cooling for large buildings and land use types that save water. Developer efficiency incentives include credit in water development fees, tap fee reductions, density bonuses of infill incentives, priority inspections, delayed fee payment and fee guarantee for future building permits in the development. Ms. Gallucci shared a few case studies of water incentives from other cities for consideration.

Mr. Scott Shirola, Pricing and Rate Manager, reviewed the UPAC Cost Recovery Mechanisms Assignment scope, policy pillars and the roadmap where in March the committee will cover financial analysis of alternatives.

6. Draft UPAC Cost Recovery Mechanisms Assignment Update to the Utilities Board

The committee reviewed the presentation drafted to update the Utilities Board. There were no comments or questions regarding the presentation.

7. Citizen Comment

None

8. Committee Member General Discussion

None

9. Adjournment

Chair Barrett adjourned the meeting at 10:33 a.m.

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



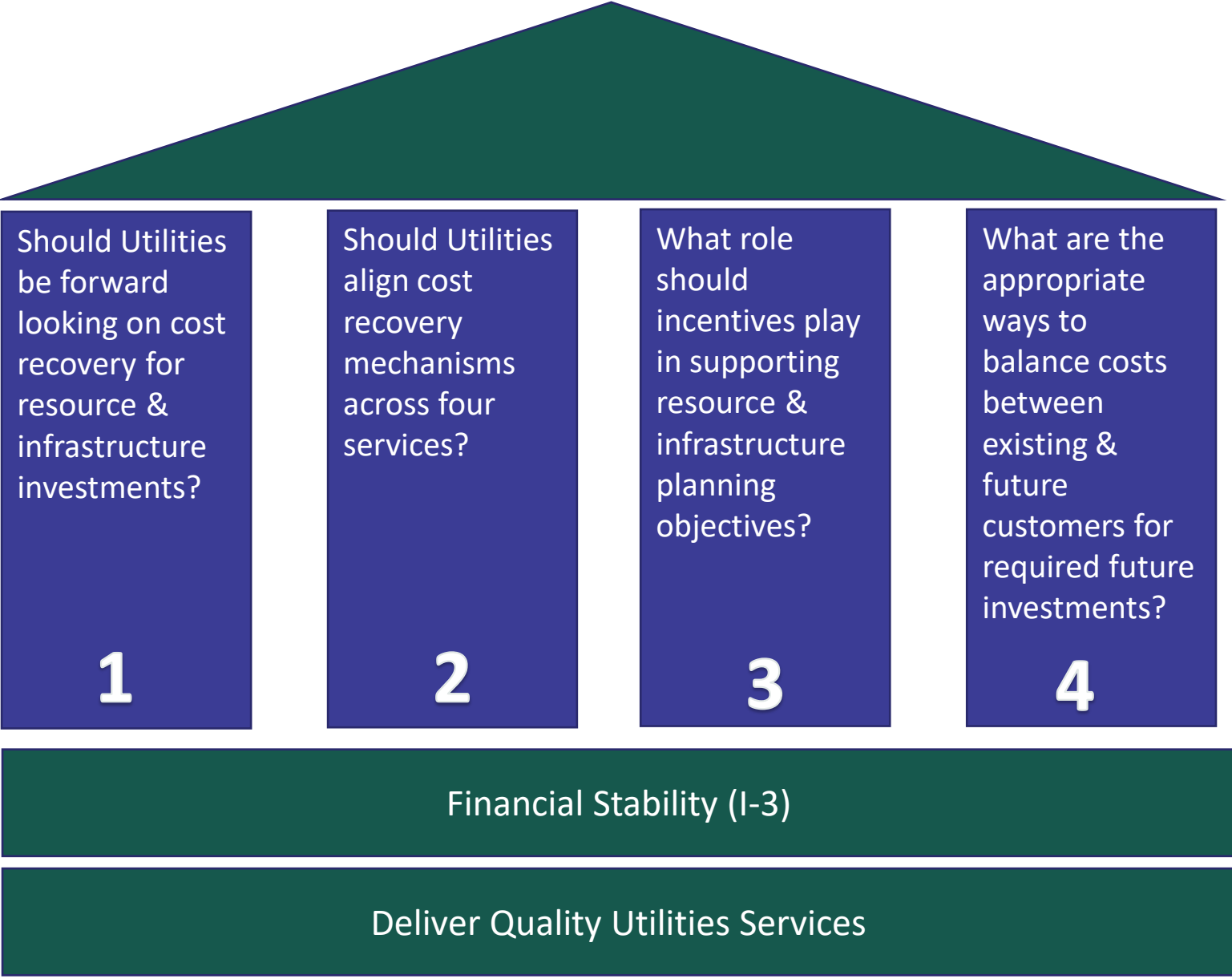
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UPAC Cost Recovery Mechanisms

Financial Forecast Model Baseline Scenarios

March 1, 2023

Cost Recovery Mechanism Policy Pillars



Financial Forecast Model Background

Strategic Plan

(includes Financial Strategy – AA rating)



Balance

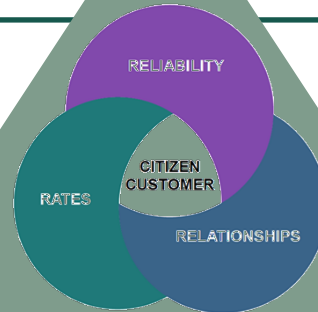
Uses of Funds:

- Reliability
- Alignment with IRPs

Sources of Funds:

- Revenue from Rate and Fees
- Debt

=



Rates - Financial Stability

Measures aligned with AA rating:

- Days Cash on Hand
- Adjusted Debt Service
- Debt Ratio

Financial Forecast Model – Annual

Inputs



Established Annually
Does Not Change

FINANCIAL FORECAST MODEL

Output From Evaluating Pros & Cons

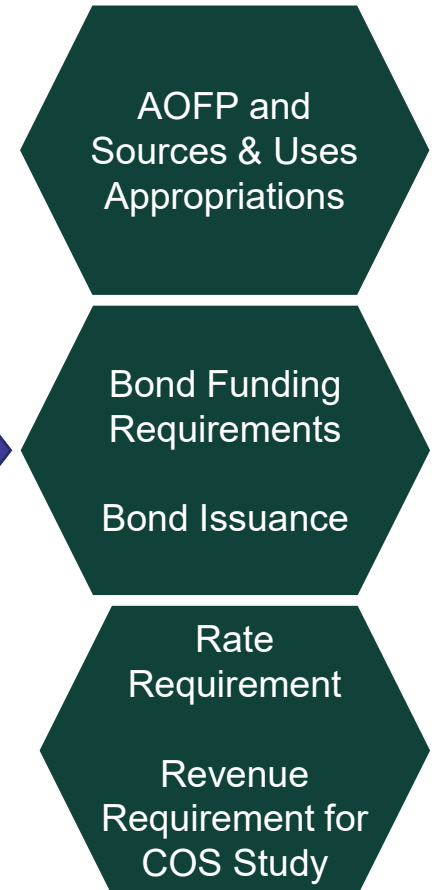
- Reduce Uses
- Increase Sources

Fine-tuning to AA rating:

- Days Cash on Hand
- Adjusted Debt Service
- Debt Ratio

Model Verified and Validated – Results Repeatable
Model Not Modified

Outputs

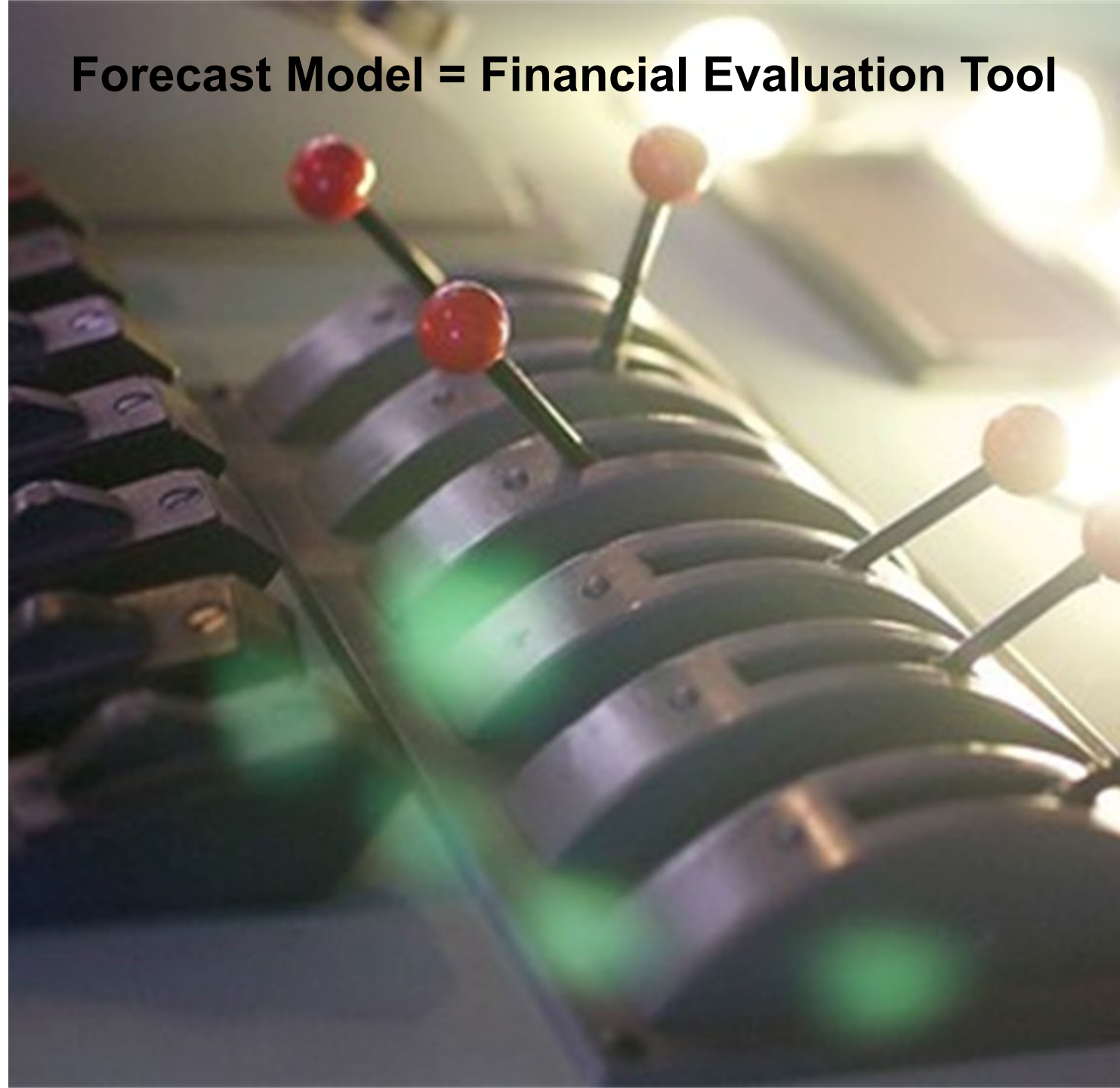


Revenue Requirement for COS Study

Monitoring & Managing to Approved Budget

- Manage to Approved Budget and Total Uses & Sources of Funds appropriations
- Monitoring
 - Revenue
 - Expenditure
- No modifications are made to annual inputs or the Financial Forecast Model
- Levers - Balance variance between actuals and Approved Budget
 - Spending prioritization
 - Rate adjustments
 - Financing

Forecast Model = Financial Evaluation Tool



Assignment Scenarios

Drivers for Change



New Regulation

Customer
Behavior

Community
Planning

Industry
Transformation

Capital Planning

- System Operations
- Reliability / Regulatory
- Growth



Financial Modeling Scenario Assumptions

No Growth	Inside City Growth	Annexation
Revenue Held Flat	Expected Revenue Forecast	Revenue Forecast Increased For Growth
No Development Fee Revenue	Expected Development Fee Forecast	Development Fees Increased For Growth
O&M Growth Decreased	Expected O&M Expense	O&M Growth Increased
No Capital Expense for Growth	Expected Capital Expense	Capital Projects To Support Growth Added

Notes:

All Electric and Gas scenarios exclude capital expenditures for generation and gas capacity pipeline projects. The Financial analysis period for these model runs was 2023 -2032.

Financial Modeling Scenario Results

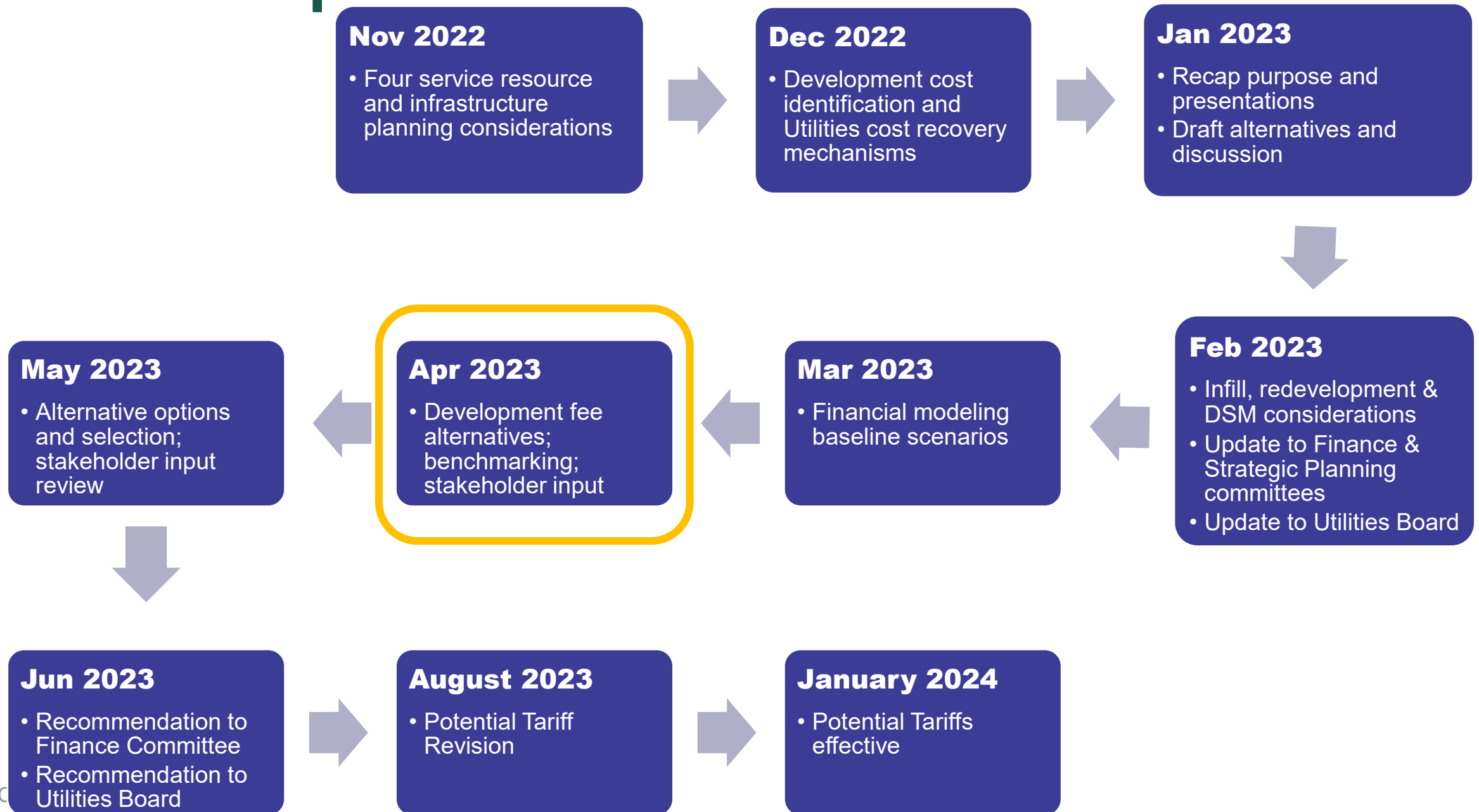
Average Annual Increase to Non-Fuel Revenue Requirement Above the Cost of No Growth

Service	Inside City	Annexation	Annual 1% Impact
Electric	1-2%	1-2%	\$3.4 - \$3.8M
Gas	0-1%	3-4%	\$0.8 - \$0.9M
Water	0-1%	0-1%	\$2.2 - \$2.8M
Wastewater	0-1%	0-1%	\$0.7 - \$0.9M

Discussion

Next Steps

Roadmap





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