



**Utilities Policy Advisory Committee (UPAC)
Wednesday, April 5, 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,,603714660#](#)

Agenda

- | | | |
|-------------------|--|------------|
| 8:00 a.m. | 1. Call to Order | |
| 8:05 a.m. | 2. Approval of March 1, 2023 UPAC Meeting Minutes | Decision |
| 8:10 a.m. | 3. Cost Recovery Mechanisms Assignment <ul style="list-style-type: none">Financial Analysis of Alternatives and Benchmarking | Discussion |
| 10:15 a.m. | 4. 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. | 5. Committee Member General Discussion | |
| 10:30 a.m. | 6. Adjournment | |

Next meeting: May 3, 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, March 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, Chris Francis, Michael Borden, Ruth Ann Schonbachler, and Scott Smith

Committee members excused: Katherine Danner and Scott Calihan

Staff members present in the Boardroom or via Microsoft Teams: Al Wells, Monica Indrebo, Justin Fecteau, Kyle Wilson, Tim Benedict, Scott Shirola, Joe Marcotte, John Hunter, Matthew Thieme, Natalie Watts, Tristan Gearhart, Abby Ortega, Tara McGowan, Christian Nelson, Todd Sturtevant, Renee Adams, Thad Clardy, Leslie Smith, Lisa Barbato, April Speake, and Bethany Schoemer

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

Citizens Present: Dave Donelson and Greg Barbuto

1. Call to Order

Chair Larry Barrett called the meeting to order at 8:01 a.m.

2. Approval of Feb. 1, 2023, UPAC Meeting Minutes

Committee Member Burghart motioned, and Committee Member Francis seconded the motion to approve the Feb. 1, 2023 meeting minutes. The minutes were unanimously approved with a voice vote.

3. Review of Feb. 22, 2023 Utilities Board Update Discussion

Chair Barrett reported the presentation to the Utilities Board went well and the Utilities Board provided feedback and suggestions such as defining the new systems and legacy systems, keeping housing costs low as a goal for this assignment, including additional public input and verifying developers are not charged double. Overall, the Utilities Board appreciated the challenges of the assignment to include the impending Utilities Board transition.

4. Cost Recovery Mechanisms Assignment: Cost Recovery Alternatives Analysis

Mr. Scott Shirola, Manager of Pricing and Rates, reviewed the cost recovery policy pillars to help align the discussion.

Mr. John Hunter, Manager of Financial Planning and Risk, explained the financial forecast model background. The long-term financial strategic plan is to maintain AA bond ratings. He explained that annually, the use of funds and the sources of funds work to balance rates and financial stability to maintain the bond rating. Some measures aligned with AA bond ratings include Days Cash on Hand, Adjusted Debt Service and Debt Ratio. A few ways to ensure the balance between actuals and the approved budget involve prioritizing spending, rate adjustments and financing.

Mr. Shirola discussed drivers for change that impact the enterprise and community include new regulations, changes in customer behavior, community planning, and industry transformation. Mr. Shirola explained capital planning takes system operations, reliability, regulatory standards and growth into account.

Three scenarios were projected to forecast finances, including a baseline, no city growth scenario inside city growth scenario and an annexation scenario. The committee discussed these three scenarios in details. It is noted that gas and electric scenarios were excluded from capital expenditures for generation and gas capacity pipeline projects.

The results of the scenarios were reflected in average annual increase to non-fuel revenue requirement above the cost of no growth. Inside city growth saw on average a 1% increase in all four services. Annexation saw more variability in growth between the four services with the largest increase in gas. Mr. Hunter also provided financial ranges of increases in all four services under an annual 1% impact. The committee discussed each scenario forecast in detail and requested a worst-case scenario be provided for consideration.

Next steps on the assignment roadmap involve development fee alternatives, benchmarking and stakeholder input. This will include high-level overview of fees for development.

5. Citizen Comment

None

6. Committee Member General Discussion

The committee discussed approaching stakeholders on this assignment.

7. Adjournment

Chair Barrett adjourned the meeting at 9:12 a.m.

Next meeting: Wednesday, April 5, 2023, at 8:00 a.m.



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Utilities Policy Advisory Committee (UPAC) Cost Recovery Assignment

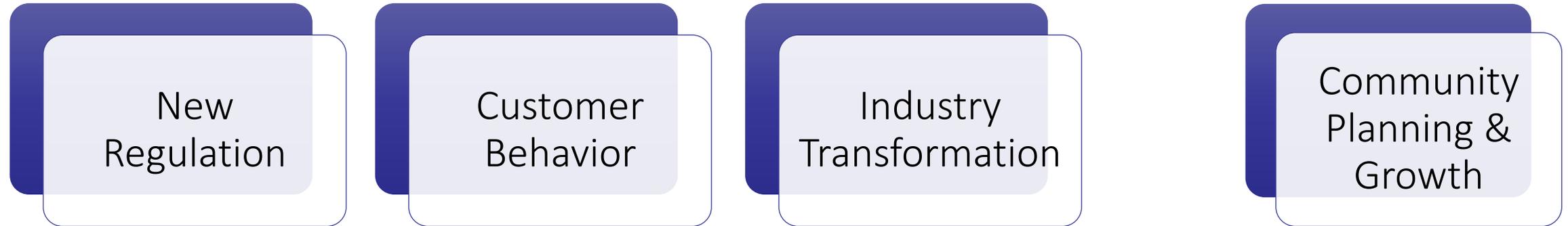
April 5, 2023

Agenda

1. Cost Recovery Assignment
2. Alternative Financial Analysis
 - Recovery Alternatives
 - Rate Impacts
 - Development Impacts
3. Benchmarking
4. Discussion
5. Roadmap

Cost Recovery Assignment

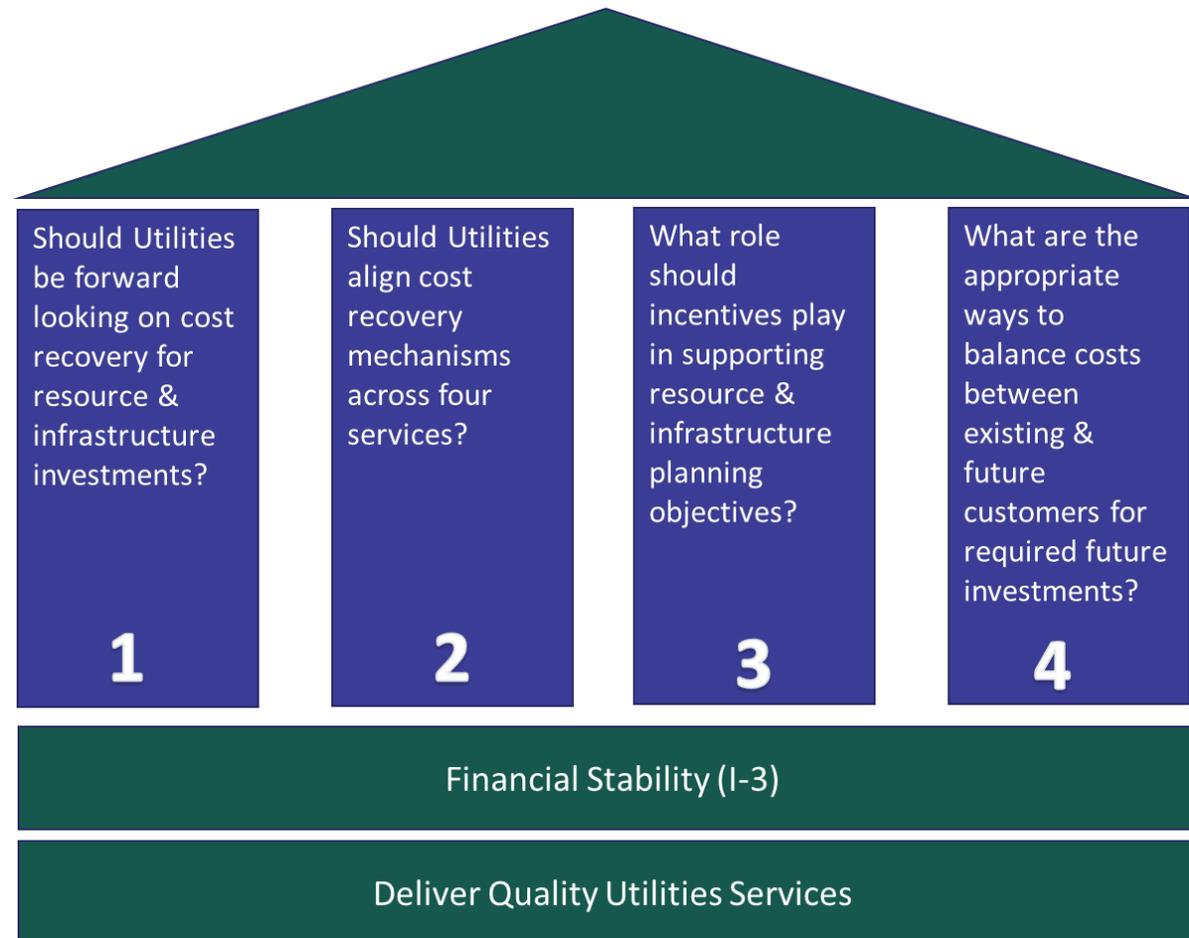
Cost Recovery Assignment - Background



- Increasing pressure on utility rates
 - Complying with new regulations, adapting service delivery to a changing customer, and investing in industry transformations
- Growth and system expansion place additional pressure on rates under existing development policies

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.



Alternative Financial Analysis

Cost Recovery Summary – Current Policy (03/01/23 Recap)

Applicable Fees

Cost Recovery Mechanism	Electric (E)	Natural Gas (G)	Water (W)	Wastewater (WW)
System Extensions Fees	Partial	Partial	100%	100%
Capacity Fee – Existing System (ES)	No	No	Yes R,F,I	Yes F,I
Capacity Fee – Planned Additions (PA)	No	No	Yes R Only	No

Resource (R), Facilities (F), Infrastructure (I)

Impact of Growth on Rates (% and \$ in Millions)

Growth (G)	E	G	W	WW
Inside City (IC)	1-2% \$3.4-\$7.6	0-1% \$0.0-\$0.9	0-1% \$0.0-\$2.8	0-1% \$0.0-\$0.9
Annexation (A)	1-2% \$3.4-\$7.6	3-4% \$2.4-\$3.6	0-1% \$0.0-\$2.8	0-1% \$0.0-\$0.9

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

Year 10 Sample Monthly Bill Impact

G	E	G	W	WW	Total
IC	\$7.29-\$15.26	\$0.0-\$2.29	\$0.0-\$8.38	\$0.0-\$3.58	\$7.29-\$29.52
A	\$7.29-\$15.26	\$7.52-\$10.51	\$0.0-\$8.38	\$0.0-\$3.58	\$14.82-\$37.74

Cost Recovery Summary – Alternative 1

Applicable Fees

Cost Recovery Mechanism	E	G	W	WW
System Extensions Fees	100%	100%	100%	100%
Capacity Fee – Existing System (ES)	No	No	Yes R,F,I	Yes F,I
Capacity Fee – Planned Additions (PA)	No	No	Yes R Only	No

Resource (R), Facilities (F), Infrastructure (I)

Impact of Growth on Rates

Growth	E	G	W	WW
Inside City	0-1%	0%	0-1%	0-1%
Annexation	0-1%	0-1%	0-1%	0-1%

Incremental Development Impact – Per Single Family Equivalent

Cost Recovery Mechanism	E	G	W	WW	Total
Extension Fees	\$ 1,300	\$ 700	\$ -	\$ -	\$ 2,000
Capacity Fee - ES	-	-	-	-	\$ -
Capacity Fee - PA	-	-	-	-	\$ -
Total	\$ 1,300	\$ 700	\$ -	\$ -	\$ 2,000

Cost Recovery Summary – Alternative 2

Applicable Fees

Cost Recovery Mechanism	E	G	W	WW
System Extensions Fees	100%	100%	100%	100%
Capacity Fee – Existing System (ES)	Yes F,I	Yes R,F,I	Yes R,F,I	Yes F,I
Capacity Fee – Planned Additions (PA)	No	No	Yes R Only	No

Resource (R), Facilities (F), Infrastructure (I)

Impact of Growth on Rates

Growth	E	G	W	WW
Inside City	0-1%	0%	0-1%	0-1%
Annexation	0-1%	0-1%	0-1%	0-1%

Incremental Development Impact – Per Single Family Equivalent

Cost Recovery Mechanism	E	G	W	WW	Total
Extension Fees	\$ 1,300	\$ 700	\$ -	\$ -	\$ 2,000
Capacity Fee - ES	500	800	-	-	\$ 1,300
Capacity Fee - PA	-	-	-	-	\$ -
Total	\$ 1,800	\$ 1,500	\$ -	\$ -	\$ 3,300

Cost Recovery Summary – Alternative 3

Applicable Fees

Cost Recovery Mechanism	E	G	W	WW
System Extensions Fees	100%	100%	100%	100%
Capacity Fee – Existing System (ES)	Yes F,I	Yes R,F,I	Yes R,F,I	Yes F,I
Capacity Fee – Planned Additions (PA)	Yes F	Yes R,F	Yes R,F	Yes F

Resource (R), Facilities (F), Infrastructure (I)

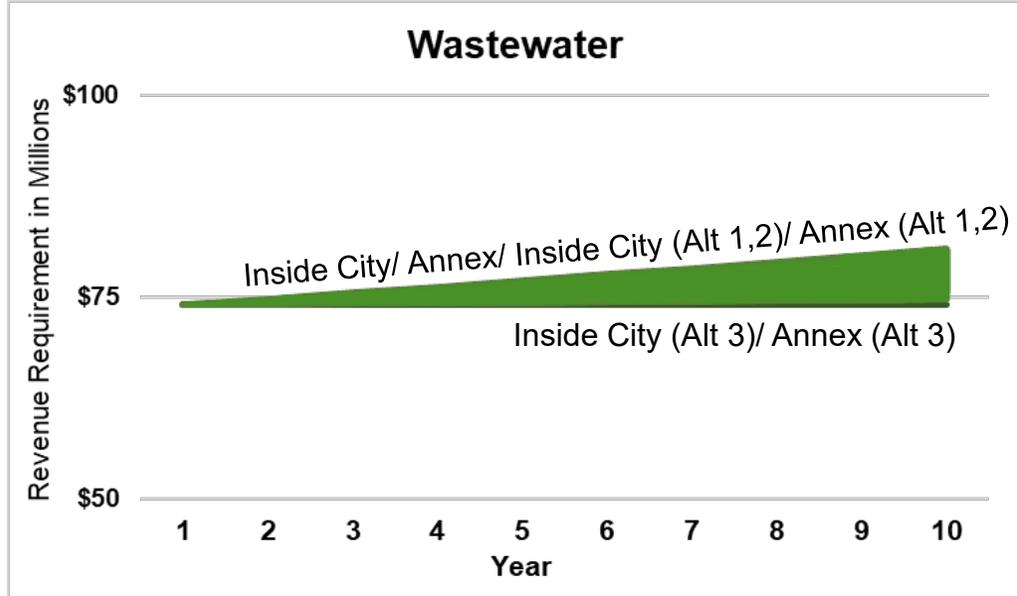
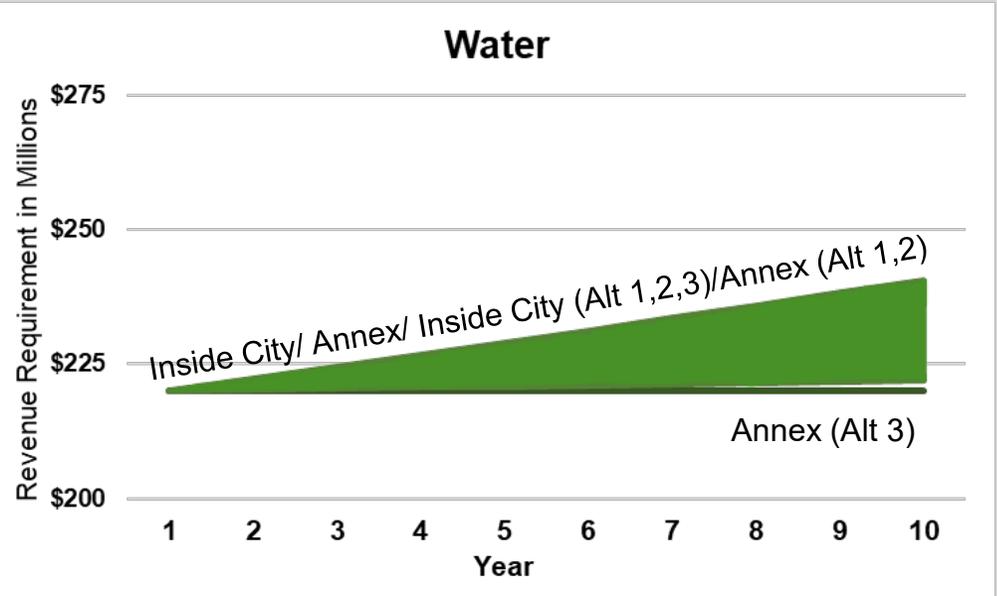
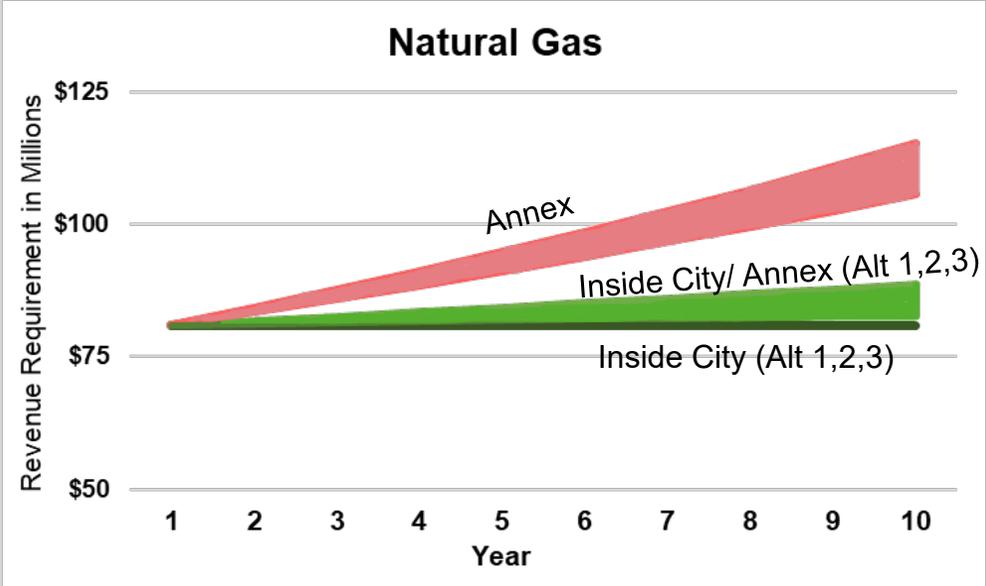
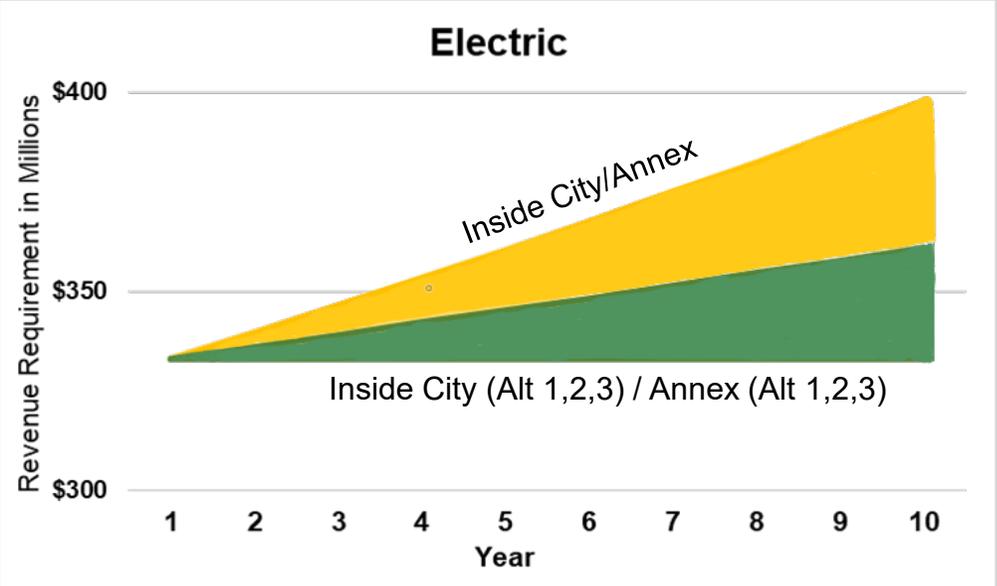
Impact of Growth on Rates

Growth	E	G	W	WW
Inside City	0-1%	0%	0-1%	0%
Annexation	0-1%	0-1%	0%	0%

Incremental Development Impact – Per Single Family Equivalent

Cost Recovery Mechanism	E	G	W	WW	Total
Extension Fees	\$ 1,300	\$ 700	\$ -	\$ -	\$ 2,000
Capacity Fee - ES	500	800	-	-	\$ 1,300
Capacity Fee - PA	400	300	900	5,200	\$ 6,800
Total	\$ 2,200	\$ 1,800	\$ 900	\$ 5,200	\$ 10,100

Rate Impact Summary – Annual Average Rate Increase



0%
 0% - 1%
 1% - 2%
 3% - 4%

Total Sample Onsite Development Cost – Per Single Family Equivalent

Cost Recovery Mechanism	E	G	W	WW	Total
Extension Fees					
Existing	\$ 1,500	\$ 1,700	\$ 6,000	\$ 5,600	\$ 14,800
Incremental	1,300	700	-	-	2,000
Capacity Fee – ES					
Existing	-	-	7,800	1,900	\$ 9,700
Incremental	500	800	-	-	1,300
Capacity Fee – PA					
Existing	-	-	5,800	-	\$ 5,800
Incremental	400	300	900	5,200	6,800
Total					
Existing	\$ 1,500	\$ 1,700	\$ 19,600	\$ 7,500	\$ 30,300
Incremental	<u>2,200</u>	<u>1,800</u>	<u>900</u>	<u>5,200</u>	<u>10,100</u>
Total	\$ 3,700	\$ 3,500	\$ 20,500	\$ 14,400	\$ 40,400

High Case

High Case – Electric Generation

- Fossil Fuel Generation Cost Recovery
 - Capital – Base Rates
 - Fuel/Energy – Electric Cost Adjustment (ECA)
- Renewable Energy (Wind/Solar) Cost Recovery
 - Utility constructed/owned
 - Capital cost with minimal to no energy cost
 - Purchase Power Agreement
 - No capital cost, energy cost recovered through ECA
- Bulk Electric System Optimization (Wholesale Transactions)
 - Bilateral transactions
 - Southwest Power Pool Western Energy Imbalance Service (SSP WEIS)
 - Regional Transmission Organization

High Case Cost Recovery Summary – Current Policy

Applicable Fees

Cost Recovery Mechanism	Electric (E)	Natural Gas (G)	Water (W)	Wastewater (WW)
System Extensions Fees	Partial	Partial	100%	100%
Capacity Fee – Existing System (ES)	No	No	Yes R,F,I	Yes F,I
Capacity Fee – Planned Additions (PA)	No	No	Yes R Only	No

Resource (R), Facilities (F), Infrastructure (I)

Impact of Growth on Rates (% and \$ in Millions)

	G	E	G	W	WW
IC		3-4% \$10.2-\$15.2	2-3% \$1.6-\$2.7	1-2% \$2.2-\$5.6	1-2% \$0.7-\$1.8
A		4-5% \$13.6-\$19.0	3-4% \$2.4-\$3.6	1-2% \$2.2-\$5.6	1-2% \$0.7-\$1.8

Year 10 Sample Monthly Bill Impact

	G	E	G	W	WW	Total
IC		\$23.97-\$33.47	\$4.79-\$7.52	\$8.38-\$17.55	\$3.58-\$7.49	\$41.73-\$66.04
A		\$33.47-\$43.83	\$7.52-\$10.51	\$8.38-\$17.55	\$3.58-\$7.49	\$52.96-\$73.67

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

Peer Utility Research

Cost Recovery Benchmarking

Cost Recovery Mechanism	E	W
System Extensions Fees	<u>Partial:</u> Colorado Springs SRP SMUD ⁽¹⁾ LIPA <u>100%:</u> Austin Fort Collins ⁽²⁾ Tacoma ⁽³⁾	<u>Partial:</u> N/A <u>100%:</u> Aurora Colorado Springs Denver Fort Collins ⁽²⁾ Fountain Pueblo Security
Capacity Fee – Existing System (ES)	<u>No:</u> Austin Colorado Springs LIPA SMUD SRP Tacoma <u>Yes:</u> Fort Collins	<u>No:</u> N/A <u>Yes:</u> Aurora ⁽⁴⁾ Colorado Springs Denver Fort Collins Fountain Pueblo ⁽⁴⁾ Security
Capacity Fee – Planned Additions (PA)	<u>No:</u> Austin Colorado Springs Fort Collins LIPA SMUD SRP Tacoma ⁽³⁾ <u>Yes:</u> N/A	<u>No:</u> Denver Fort Collins Fountain <u>Yes:</u> Aurora ⁽⁴⁾ Colorado Springs⁽⁵⁾ Pueblo ⁽⁴⁾ Security

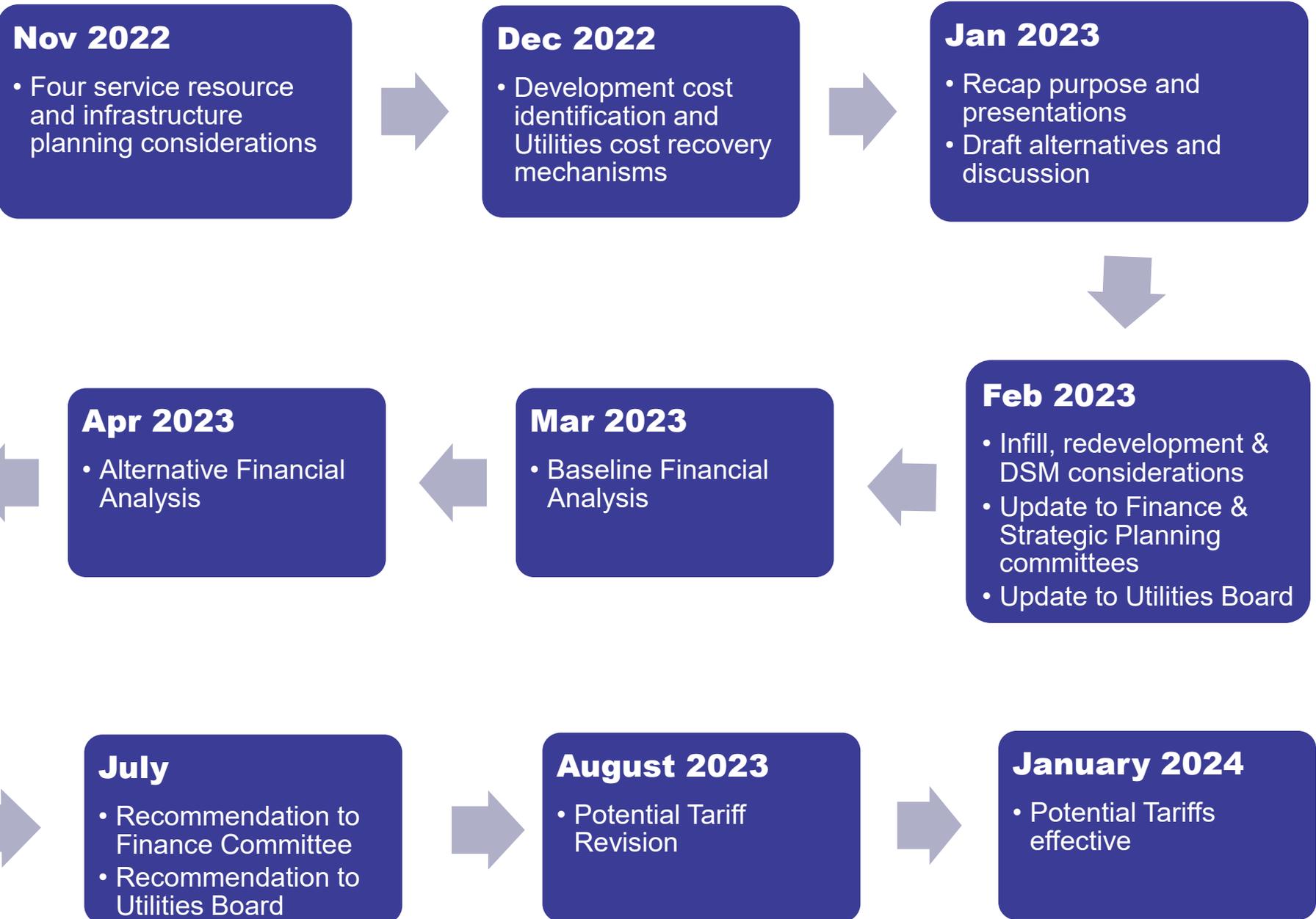
Notes:

- (1) Onsite extensions 100% development funded, off-site extension company/ rates funded
- (2) Fees based \$/ft averages
- (3) Customer responsible for substation cost in certain situations
- (4) Development charge based on hybrid approach (existing system plus a period of planned additions)
- (5) Water Resource Fee

Discussion

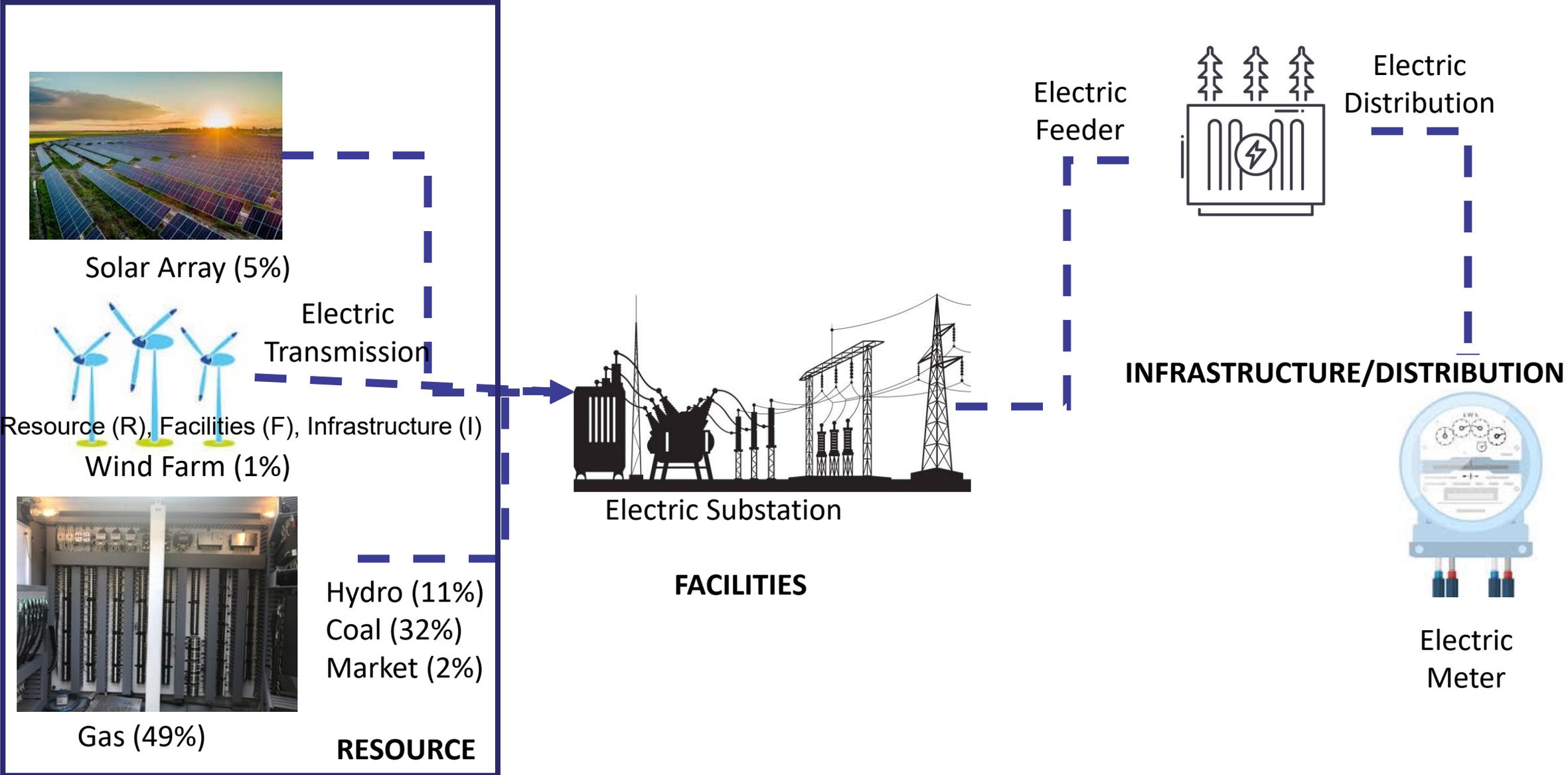
Roadmap

Roadmap



Additional Information

Electric



Natural Gas

RESOURCE

Reserved
Interstate
Pipeline
Capacity



City Gates

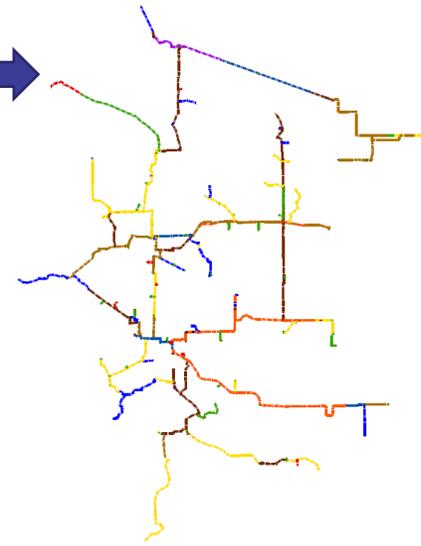
FACILITIES

RESOURCE



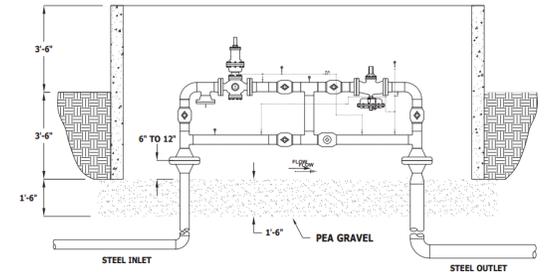
Propane Plant

INFRASTRUCTURE/DISTRIBUTION



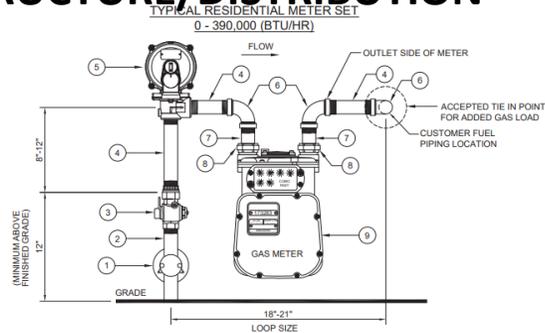
150P System

District Regulator Station



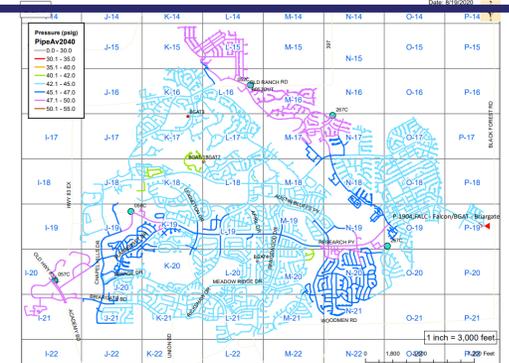
Pressure Cut

INFRASTRUCTURE/DISTRIBUTION



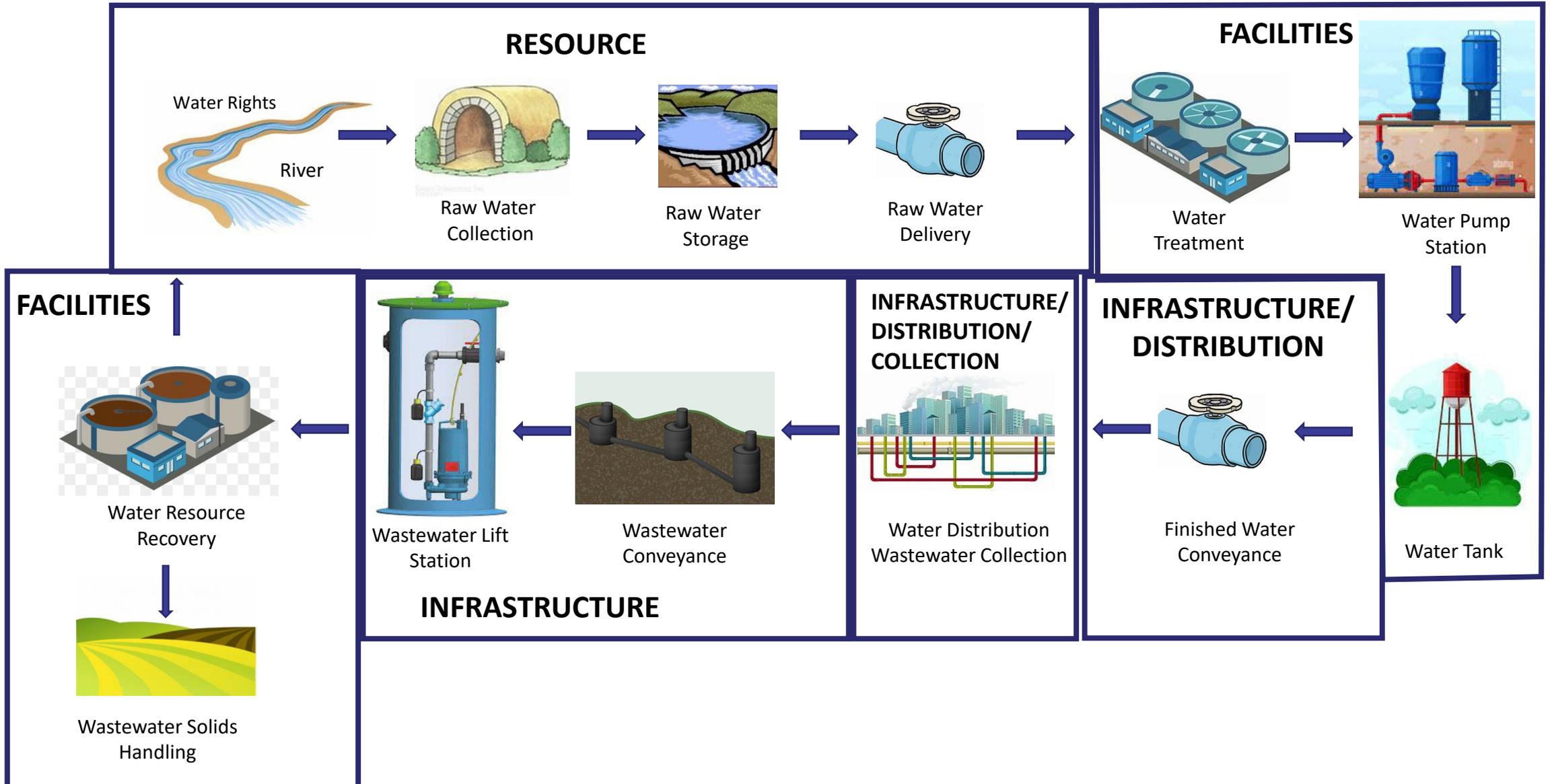
Residential Meter

Pressure Cut



Pressure District

Water and Wastewater





Colorado Springs Utilities[®]

It's how we're all connected