



**Utilities Policy Advisory Committee (UPAC)
Wednesday, June 1, 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,,920902506#](#)

Agenda

| | | |
|-------------------|--|------------|
| 8:00 a.m. | 1. Call to Order | |
| 8:05 a.m. | 2. Approval of May 4, 2022 UPAC Meeting Minutes | Decision |
| 8:10 a.m. | 3. Water Acquisition Funding Assignment <ul style="list-style-type: none">• Draft UPAC Recommendation to the Utilities Board | Discussion |
| 10:00 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 |
| 10:10 a.m. | 5. Committee Member General Discussion | |
| 10:30 a.m. | 6. Adjournment | |

Next meeting: July 6, 2022

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, May 4, 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, Rex Adams, Chris Francis, Michael Borden, Hilary Dussing and Katherine Danner

Committee members excused: Vice Chair Larry Barrett, Scott Callihan and Ruth Ann Schonbachler

Staff members present in the boardroom or via Microsoft Teams: Natalie Watts, Kerry Baugh, Al Wells, Lisa Barbato, Kim Gortz, Scott Shirola and Monica Indrebo

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

1. Call to Order

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

2. Approval of April 6, 2022, UPAC Meeting Minutes

Committee Member Hilary Dussing motioned, and Committee Member Chris Francis seconded the motion to approve the April 6, 2022, meeting minutes. The minutes were unanimously approved with a voice vote.

3. Water Acquisition Funding Assignment

a. Work Session 4 Recap

Ms. Kim Gortz, Water Resource Planning Supervisor, reviewed fund thresholds and processes, parameters for building a fund, potential planning, and cost recovery process. She discussed the funding process where the revenue inflow can contribute to a general fund and a dedicated fund. The dedicated fund is something that could be utilized for water acquisition. Ms. Gortz also detailed the water acquisition scope and how the water system yield must meet parameters in water rights, hydrology, and infrastructure.

b. Consideration Table

Ms. Gortz introduced the consideration table that can be utilized to formulate UPAC's recommendation to the Utilities Board as it maps out the differences between board instructions, thresholds, scope and process inflows and outflows.

Ms. Gortz and Mr. Scott Shirola noted necessary language needed in the policy to allow flexibility of fund management. Chief Financial Officer, Mr. Tristan

Gearhart, advised UPAC on funding logistics and metric management using other fund examples.

c. UPAC Recommendation

UPAC Chair Burghart said the committee should avoid an amorphous recommendation and instead, establish a detailed policy recommendation. The UPAC recommendation will consider policy language for implementation of Board Instruction and guidelines. In consideration of the guideline, the committee will take thresholds, scopes, and processes of fund acquisition, management, and disbursement into account.

4. Citizen Comment

None

5. Committee Member General Discussion

None

6. Adjournment

Chair Burghart adjourned the meeting at 9:53 a.m.

Next meeting: Wednesday, June 1, 2022, at 8:00 a.m.



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UPAC Assignment Water Acquisition Fund Draft Recommendation to the Utilities Board

Gary Burghart
UPAC Chair

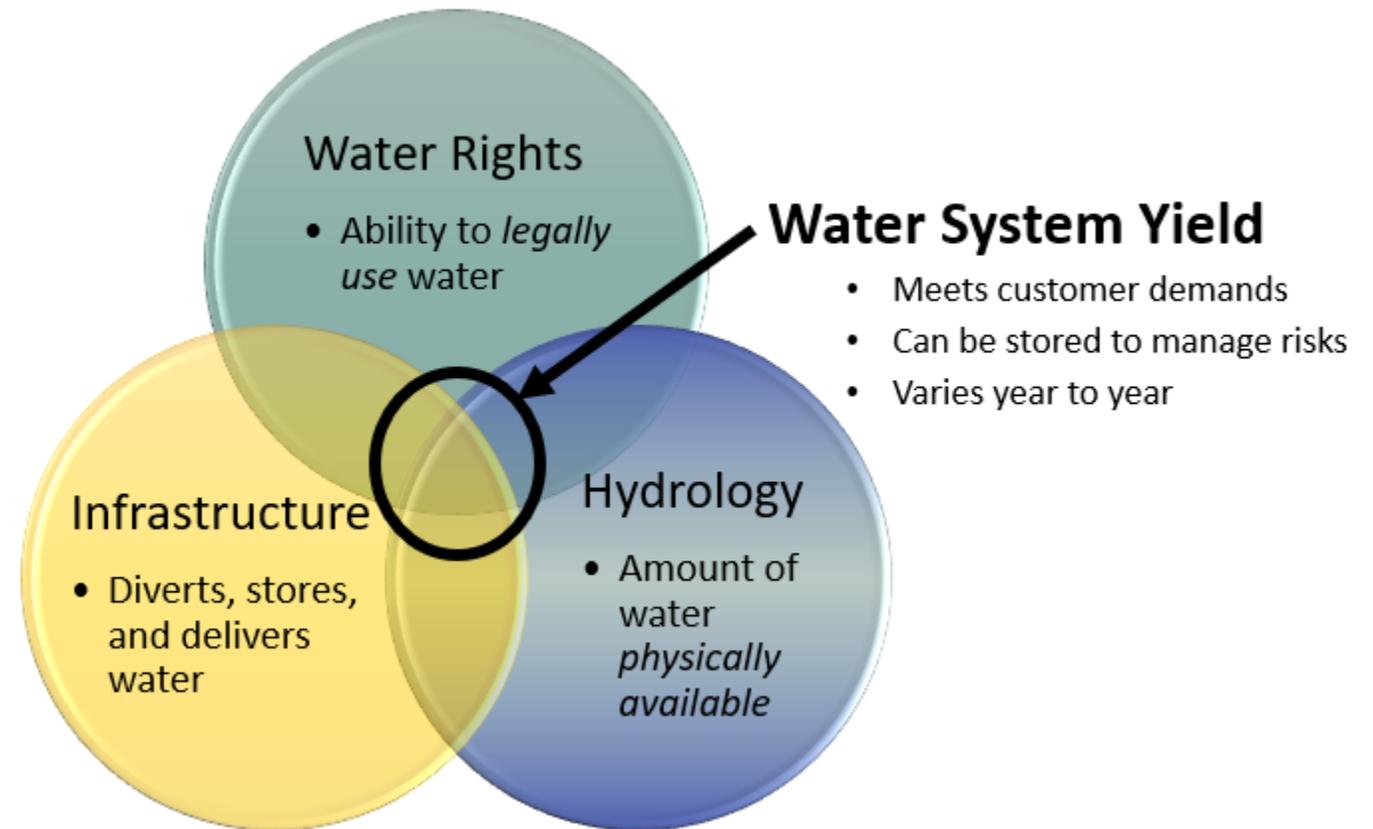
June 1, 2022

Agenda

1. Assignment Scope and Overview
2. UPAC Recommendation
3. Discussion

Assignment Scope

Evaluate options for funding the acquisition of additional water resources in a timely and opportunistic manner to meet water system reliability and level of service goals.



Assignment Overview – Water System

Water System Overview

Water Planning Fundamentals

Risks and Planning Factors

Water Market Situation Assessment

Springs Utilities Current Practices

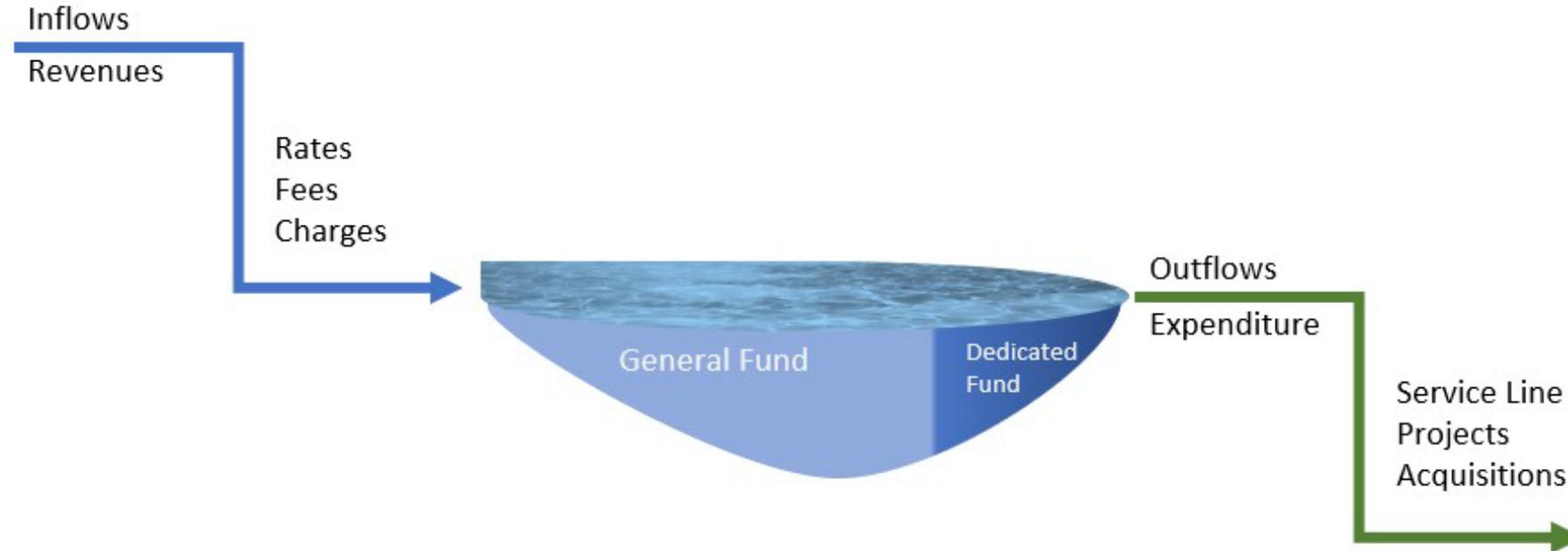
Guiding Principles

Peer Utilities Approaches



Assignment Overview -- Funding

- Approaches to Funding Acquisitions
- Aligning Funding and Rate Making Principles and Processes
- Fund Framework (thresholds, process)
- Policy Review and Potential Updates



Draft UPAC Recommendation

UPAC Recommends:

The dedicated water acquisition fund recommended in the 2017 Integrated Water Resource Plan (IWRP) be implemented as an adaptive management strategy that supports timely and proactive water acquisitions.



Draft UPAC Recommendation cont.

UPAC Recommends:

A framework for funding water acquisitions be outlined by updating Utilities Board policies:

- Board Instructions 3 (Financial Planning and Budgeting) and 7 (Water Supply Management)
- Guideline 8 (Water Reserve Account) under I-3
- New Guideline under I-3

Using the following considerations:

- Thresholds – the maximum or minimum value of the fund
- Scope – what is included in the scope of water acquisitions
- Process – how could the fund be resourced
- Process – management of fund and disbursement approval process

Draft UPAC Recommendation cont.

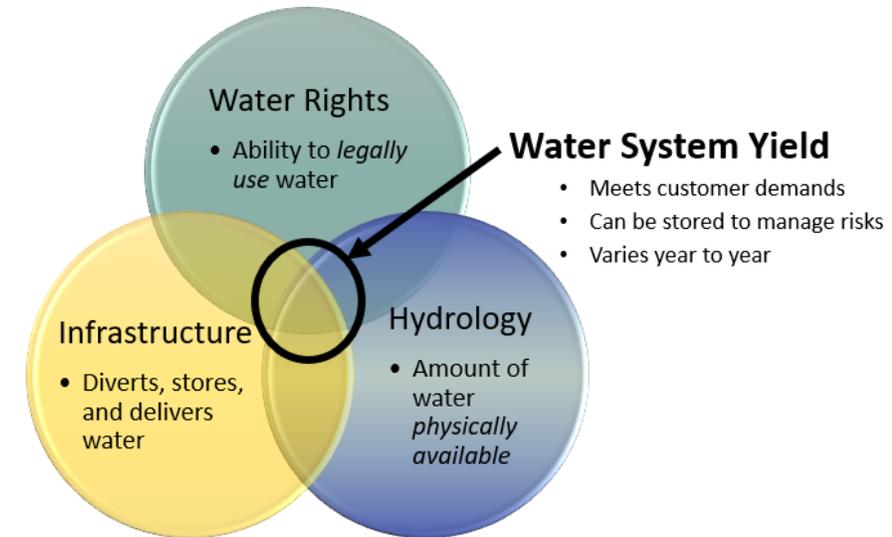
Policy Considerations

Thresholds – establish a baseline value for the fund.

UPAC Recommends: \$X M with (...)

Scope – what the fund can be used for.

UPAC Recommends: the fund could be used for water acquisitions and infrastructure needed to increase water system yield.



Draft UPAC Recommendation cont.

Policy Considerations cont.

Process – how the fund is resourced.

UPAC Recommends: the fund uses collections from the Water Resource Fee, Water Reserve Account, rates and sources of debt, as necessary to maintain the fund.

Process – management of the fund.

UPAC Recommends: a dedicated fund should streamline and improve the approval process for disbursements.

UPAC Recommendation Request for Approval

UPAC recommends the Utilities Board directs staff to draft policy using the UPAC considerations to include:

1. Establish a dedicated fund in associated Board Instructions and Guidelines.
2. Set a fund value of \$X M as a targeted baseline.
3. The scope for the use of the fund should include water rights and infrastructure that improve water system yield.
4. The fund can be resourced by Water Resource Fees, Water Reserve Account, rates or leveraged for sources of debt.
5. Reinforce timeliness of building and use of the fund.

Next Steps

July 20 Utilities Board Meeting – Draft policy review





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INSTRUCTIONS

| | | |
|------------------------|--|---------------------------------------|
| Category: | Utilities Board Instructions to the Chief Executive Officer | Date of Adoption: May 16, 2018 |
| Policy Title (Number): | Financial Planning and Budgeting (I-3) | Revision Date: |
| Monitoring Type: | Internal | Revision Number: |
| Monitoring Frequency: | Annual | |
| Guidelines: | Water Reserve Account (G-8) | |

The Chief Executive Officer shall direct that financial planning and budgeting is multi-year and includes planning assumptions, capital and operations expenses and projections of revenues and cash flow. Accordingly, the CEO shall:

1. Maintain financial stability by meeting Utilities Board approved financial metrics that support a AA long-term credit rating.
2. Financially position the enterprise to meet long-range infrastructure funding requirements while moderating customers' average base bill adjustments.
3. Use planning assumptions that accurately forecast revenues and expenses.
4. Direct that a water reserve account is established and maintained to manage Water sales volatility.
5. Use financial methods that share the cost of utility infrastructure between current and future customers.
6. Use risk-based modeling and a defined enterprise procedure to prioritize operations and maintenance infrastructure.

INSTRUCTIONS

| | | |
|------------------------|--|---------------------------------------|
| Category: | Utilities Board Instructions to the Chief Executive Officer | Date of Adoption: May 16, 2018 |
| Policy Title (Number): | Water Supply Management (I-7) | Revision Date: May 20, 2020 |
| Monitoring Type: | Internal | Revision Number: 2 |
| Monitoring Frequency: | Annual | |

The Chief Executive Officer shall direct that new and existing water resources and systems are aggressively developed, protected and optimized to maintain and enhance water system sustainability and responsibly balance costs and risks to reliably meet the needs of current and future customers. Accordingly, the CEO shall:

1. Defend Colorado Springs Utilities' water rights against claims and filings by others if these would in any way injure, hinder, or decrease Colorado Springs' current or future yield or use.
2. Conduct periodic evaluations of Colorado Springs Utilities' existing decreed water rights and take legal and administrative actions necessary to optimize the water system.
3. Provide a reliable water supply to existing and future customers, including requests for regional service contracts and annexations, by planning for, developing, and managing water resources and infrastructure in accordance with the following criteria:
 - A. At all times maintain a minimum of one year of customer demand in water system storage.
 - B. Meet or exceed 90 percent reliability for maintaining a minimum of 1.5 years of customer demand in water system storage.
 - C. Conduct an evaluation of the need for water shortage response measures when water system storage is forecast to fall below 1.5 years of customer demand on or after April 1 of any year.
4. Plan for and implement water use efficiency and demand management measures to support and enhance water system reliability.
5. Use Denver Basin groundwater in Colorado Springs Utilities' exclusive water service territory only for emergency supplemental supply, limited non-potable uses, aquifer storage and recovery, or periodic exercising of groundwater infrastructure for operation and maintenance purposes.
6. Not develop or allow development of controlled ground water in the Dawson Aquifer in Colorado Springs Utilities' exclusive water service territory.

7. Not reserve Colorado Springs Utilities' water supplies, infrastructure, or capacity for any person, organization, property or development regardless of whether that entity is inside or outside the city limits or Colorado Springs Utilities' exclusive water service territory, except that the Utilities Board may evaluate and approve such a reservation to ensure that Colorado Springs Utilities can meet the reasonably anticipated water and wastewater demands of the Pikes Peak Region's military installations on a case by case basis.
8. Only provide water and wastewater-related services including, but not limited to, water leases, storage, conveyance, or treatment (collectively referred to as "water-related services"), outside Colorado Springs Utilities' exclusive water service territory pursuant to regional service contracts that comply with City Code, the guidelines set forth in the Regional Water and Wastewater Service Management Plan (Plan), and other applicable Utilities Board approved policies or directives. Regional service contracts are also subject to the following requirements:
 - a. All regional service contracts must be approved by the Utilities Board. Colorado Springs Utilities may deny any service request, modify the type of service to be provided, request mitigation to offset water system impacts and risks, or impose terms and conditions on the provision of service necessary to offset impacts and risks.
 - b. Regional service contracts shall provide a net benefit to Colorado Springs Utilities and the City of Colorado Springs' ratepayers, appropriately balancing costs and risks, and recognizing historic and planned investments.
 - c. For each contract requested, Utilities will perform an evaluation of impacts to water system reliability, level of service, and water resources for new water and wastewater regional service per the Plan based on a 10 year planning horizon.
 - d. Regional service contracts for water-related services shall include a premium on rates that will benefit the City of Colorado Springs' ratepayers and no more than 50 percent of such premium will be dedicated as surplus revenue, which may be appropriated to the general revenues of the City of Colorado Springs by the City Council in its Annual Budget and Appropriation Ordinance pursuant to the City Charter.
 - e. In accordance with the City Charter and City Code, regional service contracts shall not exceed a 25-year term limit.

GUIDELINES

| | | | |
|-----------------------------------|---|-------------------|---------------------|
| Guideline: | Water Reserve (G-8) | Date of Adoption: | May 16, 2018 |
| Applicable Policy Title (Number): | Financial Planning and Budgeting (I-3) | Revision Date: | |
| | | Revision Number: | |

Water Reserve

1. A water reserve account is established and maintained to mitigate water revenue volatility.
2. The water reserve account is used to supplement current year water revenues only.
3. Fifty percent (50%) of actual revenue greater than budget will be allocated monthly to the water reserve account.
4. The water reserve account will only be used when the reserve account balance is greater than \$5 million and water revenues are \$10 million below budget in the current fiscal year.
5. Up to thirty-three percent (33%) of the water reserve account, as of January 1 of the current fiscal year, will be used to supplement current year budgeted expenditures.