

AGENDA
Wednesday, July 20, 2022
1:00 p.m.
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[+1 719-733-3651,,231558865#](#)

1:00 p.m.	1. Call to Order	Chair Wayne Williams	
1:05 p.m.	2. Invocation and Pledge of Allegiance		
1:10 p.m.	3. Consent Calendar These items will be acted upon as a whole, unless a specific item is called for discussion by a Board Member or a citizen wishing to address the Utilities Board. (Any items called up for separate consideration shall be acted upon following Compliance Reports.)	Chair Wayne Williams	
	3a. Approval of Minutes: June 15, 2022 3b. Approval of Minutes: June 27, 2022	Chair Wayne Williams	Approval
1:15 p.m.	4. Recognition: <ul style="list-style-type: none"> • Recognition of Community Focus Fund (CFF) Volunteer Program: Catholic Charities 		Information
1:25 p.m.	5. Customer Comments <ul style="list-style-type: none"> • During the customer comment period, comments are accepted for any topic not on the agenda. • Comments for specific agenda items will be taken following the presentation of the item and the Board's discussion. • Comments will be limited to three minutes per speaker, per item. 	Chair Wayne Williams	Information

- **Following the comments from customers that have signed up to speak, an announcement will be made seeking additional comments and the Board will accept all those wishing to comment.**

1:35 p.m.	6. Compliance Reports: I-3 Financial Planning & Budgeting G-8 I-6 Infrastructure G-12 E-2 CEO Responsibilities <ul style="list-style-type: none"> • ECA/GCA Monitoring • Water Outlook 	Aram Benyamin, Chief Executive Officer	Monitoring
1:45 p.m.	7. Items Called Off Consent Calendar		
1:50 p.m.	8. 2022 Standby Bond Purchase Agreement Renewals and 2022 Revolving Loan (Line of Credit) Renewal	Tristan Gearhart, Chief Planning & Finance Officer	Discussion
2:05 p.m.	9. 2022 Balanced Scorecard Change	Tristan Gearhart, Chief Planning & Finance Officer	Approval
2:20 p.m.	10. Utilities Policy Advisory Committee (UPAC) Water Acquisition Funding Assignment Recommendation	Gary Burghart, UPAC Chair Pat Wells, Water Resources and Demand Management General Manager Scott Shirola, Pricing and Rates Manager	Approval

2:35 **11.** Board Member Updates
p.m.

Board of
Directors

Information

2:45 **12.** Adjournment
p.m.

Chair Wayne
Williams

MINUTES
Colorado Springs Utilities Board Meeting
Wednesday, June 15, 2022

Utilities Board members present via Microsoft Teams or Blue River Conference Room: Chair Wayne Williams, Vice Chair Mike O'Malley, Dave Donelson, Randy Helms, Bill Murray, Stephannie Fortune, Yolanda Avila, Nancy Henjum and Tom Strand

Staff members present via Microsoft Teams or Blue River Conference Room: Aram Benyamin, Natalie Watts, Al Wells, Andie Buhl, Adam Hegstrom, Scott Shirola, Charles Cassidy, Erin Duran, Tobi Blanchard, Travas Deal, Mike Francolino and Lisa Barbato

City of Colorado Springs staff members present via Microsoft Teams or Blue River Conference Room: Bethany Burgess, Chris Bidlack, Alex Ryden, Ryan Trujillo and Jacqueline Rowland

Citizens present via Microsoft Teams or Blue River Conference Room: Sam Masias, Gary Burghart, Larry Barrett, Josh Benninghoff and Scott Shaver

1. Call to Order

Chair Wayne Williams called the Utilities Board meeting to order at 1:01 p.m. and Ms. Andie Buhl, Utilities Board Administrator, called the roll.

2. Invocation and Pledge of Allegiance

Pastor Pat Hartsack from First Presbyterian Church delivered the invocation and Chair Williams led the Pledge of Allegiance.

3. Consent Calendar

3a. Approval of Minutes: May 18, 2022

Board Member Strand moved approval of the Consent Calendar and Board Member Helms seconded the motion. The Consent Calendar was unanimously approved.

4. Recognition

Acknowledging the Commendable Performance of Customer Service Center Manager Brenda Koskey

Mr. Mike Francolino, Chief Customer and Enterprise Services Officer, recognized Ms. Brenda Koskey, Customer Service Center Manager, for her hard work on improving the customer service team and how she transformed this department.

Ms. Koskey expressed appreciation for staff and recognized the Customer Service supervisory team at Springs Utilities. She discussed challenges the department has

faced and how she and staff have been improving them. Chair Williams and Board Members Donelson, Avila and Strand also recognized Ms. Koskey for her hard work.

Accounting Team

Mr. Tristan Gearhart, Chief Planning and Finance Officer, introduced the roles and responsibilities of the accounting team and introduced Ms. Mallorie Hansen, Accounting Controller Manager. She explained the auditing process and explained how Springs Utilities successfully received an unmodified opinion (clean) from Baker Tilly. Ms. Hansen expressed gratitude for her team and Chair Williams and Board Member Henjum also praised the accounting team for their audit achievement.

5. Customer Comments

Mr. Sam Masias expressed appreciation for Pastor Pat Hartsack's invocation and shared experiences traveling across the country in an electric vehicle.

6. Compliance Reports

Chair Williams explained that compliance reports are on the agenda by exception and asked if there were any questions. There were none.

- E-2 CEO Responsibilities
 - Water Outlook

Ms. Kalsoum Abbasi, Water Planning Supervisor, said snowpack in the Arkansas River Basin is 42% of normal and snowpack in the Colorado River Basin is 20% of normal. She said June yield forecast predicts 87% of average water collection system yield and reviewed a graph that depicts system consumption compared to the prior three-year average weekly consumption and the Annual Operating and Financial Plan (AOF) sales forecast. Ms. Abbasi said water usage in May 2022 was well above the past three-year average but overall, usage was fairly similar to the AOF forecast, and the year-to-date usage is slightly ahead of the AOF forecast and past three-year average.

Ms. Abbasi said as of May 31, 2022, the system wide storage was 73.5% of capacity, above the 20-year average of 70.6% of capacity. She also reviewed the system-wide storage as of June 5, 2022, which was 76.2% of capacity in storage (the 20-year average for that date is 72.4% of capacity in storage). Ms. Abbasi reviewed Colorado Springs' system wide storage is about 190,200 acre-feet, or 73.5% of capacity. This is above the shorter-term (2001-2021) average of 70.6% for this time of year.

Ms. Abbasi said in May 2022, Lake Powell inflow projection was 5.98 million acre-feet (62% of average). She said over the next 12 months, a 500,000 acre-feet release from Flaming Gorge Reservoir and a 480,000 acre-feet decrease in Glen Canyon Dam releases will prop up Lake Powell. She further explained that the United States Bureau of Reclamation's (USBR) April/May projection of Lake Powell storage. The most probable forecast shows the reservoir level staying just above the 3,525' elevation for most of the year, which is taken into consideration that only 7 million acre-feet will be

released from Lake Powell this year (as opposed to the 7.48 million acre-feet that was originally scheduled) – and an additional 500,000 acre-feet will be released from Flaming Gorge Reservoir to Lake Powell this year.

Ms. Abbasi also discussed the Lake Mead hearing and said lower basin states are required to create a water reduction plan by August 2022, or the USBR will create one.

7. Items Called Off Consent Calendar

None

8. Fuel Filing Update

Mr. Scott Shirola, Pricing and Rates Manager, reviewed the agenda and explained types of fuel costs:

- Energy costs are variable and driven by price fluctuations in the coal, natural gas, and purchase power market.
- Capacity costs are primarily fixed based on contracted/reserved transmission and transportation capacity.

Mr. Shirola said the organization recovers costs with a passthrough rate structure, which is a fair and equitable industry accepted methodology that manages recovery/refund in a timely manner. Mr. Shirola explained natural gas prices as of June 1, 2022 and Mr. Alex Baird, Fuels and Purchasing Power Manager, explained three natural gas price pressures:

1. Increased exports, stable supply
 - Geopolitical issues, coupled with U.S. natural gas infrastructure
 - With increase demand abroad, limited increase in production
2. Coal retirements
 - As coal plants continue to retire across the nation, power generation is being shifted to renewables/natural gas generation
 - Coal commodity prices are not immune to volatility
3. Profit seeking
 - Oil/natural gas producers are comfortable existing in the current energy commodity environment
 - Organization of the Petroleum Exporting Countries (OPEC) have committed to modest increases in supply

Mr. Shirola discussed electric cost adjustment (ECA) projections for June 2022 with and without a multiplier. He also reviewed gas cost adjustment (GCA) projections for June 2022 without a multiplier.

The Utilities Board took a break at 2:51 p.m. and reconvened at 3:05 p.m.

Mr. Tristan Gearhart, Chief Planning and Finance Officer, reviewed natural gas and coal prices as of June 2022, and explained how and why natural gas prices increased last winter. He discussed the timeline for closing the Drake Power Plant and using temporary natural gas generators (TNGGs) instead. He compared TNGGs to Drake's units 6 and 7 coal generation and said a 2020 analysis of all non-fuel cost (O&M, labor, capital) indicated small gas turbines would cost about \$200 million less than running Drake through 2035.

Mr. Shirola reviewed the Large Power and Light (ELG) Supply Credit and said it was designed to attract and retain customers with a large industrial load and high load factor. He explained the rate design guidelines for base or nonfuel rates, as well as the cost adjustment guidelines for ECA and supply credits. Mr. Shirola further explained the ELG Supply Credit and said the annual evaluation utilizes ELG usage characteristics to estimate energy cost relative to the average cost system; however, in July 2019, the Utilities Board directed a phase-out of the ELG Supply Credit. In 2020, a review supported continuing the phase-out and in 2022, it was finalized to be phased-out and removed from the tariff.

Mr. Shirola said the ELG Supply Credit recommendations are to:

- Implement final phase-out of the ELG Supply Credit
 - Bring ELG Supply Credit down to \$0.0000 from the current \$0.0006/kWh effective July 1, 2022
- Remove the ELG Supply Credit reference from the Electric Rate Table in 2023
 - Rate case effective Jan. 1, 2023
- Remove the ELG Supply Credit reference from the Cost Adjustment Guideline (G-6) to be effective in January 2023

Mr. Shirola reviewed both the Electric Capacity Charge (ECC) and the Gas Capacity Charge (GCC) projections for June 2022 and sample bills based on the proposed rate changes. He concluded with payment options and long-term assistance programs for customers.

9. 2022AB Bond Ordinance Update

Mr. Adam Hegstrom, Treasury and Finance Manager, provided an overview of the plan of finance, which is an annual strategic effort to effectively obtain and manage debt obligations to support Springs Utilities' capital needs. He said it is critical to the Utilities Board's strategic focus and it is collectively executed by Springs Utilities' leadership, planning and finance staff, key advisors (financial advisor and bond counsel), and key banking partners and counterparties.

Mr. Hegstrom said the plan of finance efforts are dedicated to four key objectives:

1. Fund the debt-backed portion of Springs Utilities' upcoming capital plan
2. Manage and optimize Springs Utilities' current debt portfolio
3. Procure and manage debt-supporting instruments and ancillary services
4. Manage credit rating agency relationships

Mr. Hegstrom explained objective one, which aims to support Springs Utilities' operations by funding the debt-backed portion of the enterprise's future capital plan ("new money issuances"). He said the enterprise needs an estimated \$400 million in total capital spend between September 2022 and August 2023, support for the continued financial recovery from Winter Storm Uri, and flexibility for potential future capital plan changes – all of which lead to an anticipated action of issuing new money debt in September 2022. Mr. Hegstrom also reviewed the anticipated issuance details, structure and market update of objective one.

Mr. Hegstrom explained objective two, which is to manage and optimize Springs Utilities' current debt portfolio ("refunding issuances"). He said currently, there is \$1.78 billion in outstanding fixed rate bonds and a vast majority can be refinanced 10 years after issuance if interest rate economies are favorable. He said the anticipated action is to issue a current refunding transaction in September 2022 to refinance all parts of debt.

Mr. Hegstrom explained objective four, which is to successfully manage credit rating agency relationships. He said staff is currently preparing messaging materials for upcoming rating agency visits, and the anticipated topics of interest to address are:

- Recovery from Winter Storm Uri
- Major project highlights
- Inflation and supply chain impacts
- Fuel price volatility
- Short- and long-term financial planning processes
- Environmental, Social and Governance Factors ("ESG")

Mr. Hegstrom concluded with a debt issuance working timeline for next steps.

Mr. Josh Benninghoff, Stifel Nicholas Managing Director – Financial Advisor to Springs Utilities, explained the benefits of having two credit ratings at different agencies. Mr. Scott Shaver, Stradling Yocca Carlson & Rauth Shareholder – Bond Counsel to Springs Utilities, explained the bond purchasing process for the City.

The Utilities Board agreed to put this item on Consent at City Council.

10. UPAC (Utilities Policy Advisory Committee) Water Acquisition Funding Assignment Recommendation

Mr. Gary Burghart, UPAC Chair, explained the scope of the assignment, which is to evaluate options for funding the acquisition of additional water resources in a timely and proactive manner to meet water system reliability and level of service goals. He provided an assignment overview based on water systems and funding.

Mr. Burghart explained UPAC's recommendations, which are:

1. Immediate establishment of a dedicated fund in associated Board Instructions and Guidelines.
2. Set a fund value of \$40 million as a targeted baseline.
3. Set scope to include water rights and infrastructure that increase water system yield.
4. Resource fund using revenue from Water Resource Fees, Water Reserve Account, revenue from water rates and augmented with debt as needed.
5. Use the fund in a proactive and timely manner.

Mr. Burghart concluded with next steps.

The Utilities Board took a break at 4:32 p.m. and reconvened at 4:46 p.m.

11. December 2021 Windstorm After-Action Report and Improvement Plan

Mr. Charles Cassidy, Energy Construction Operations and Maintenance General Manager, provided an incident timeline from Dec. 14 – 22, 2021. He gave a historical comparison of previous windstorm incidents as well as a timeline of windspeeds from the December 2021 windstorm. Mr. Cassidy gave a cost analysis and said total restoration costs are \$3,390,598 and 84% of the costs are attributed to internal labor (including overhead), mutual aid and contractors and 9% are attributed to material.

Mr. Cassidy reviewed the customer restoration timeline, and the December 2021 windstorm after action plan, which compromised of:

- Four improvement planning meetings
- Teams discussing and providing feedback
- Nine enterprise topics and recommendations
 1. Outage map functionality and usefulness to the customer
 - Recommendation(s):
 - i. Make additional information available for the customer to assist in restoration awareness through outage map functionality improvement.
 2. Community outreach/expanding partnerships with local centers of influence
 - Recommendation(s):
 - i. Springs Utilities will solicit and strengthen the network of community partners to assist information sharing and collaboration within communities.
 3. Incident command system (ICS) and process standardization
 - Recommendation(s):
 - i. Establish standardized ICS structures and processes for most likely major incidents to improve speed of response and efficiency.
 4. Incident scalability

- Recommendation(s):
 - i. Improve incident scalability through augmentation sourcing solutions as part of the ICS structure; revise mutual aid agreements; and build an onboarding process that enables the tactical deployment of augmentation resources.
- 5. Logistics improvement opportunities
 - Recommendation(s):
 - i. Improve depth of contracted services and material distributors, adjust on-hand quantities of materials as needed, and conduct more efficient crew supply and sustainment operations to improve crew efficiency.
- 6. Enterprise command center renovation (ECC)
 - Recommendation(s):
 - i. Evaluate two options for a permanent ECC to improve operational efficiency and improve functionality during crisis incidents.
 - ii. Review adequacy of Tactical Operations Center (TOC) locations.
- 7. Outage response and work management improvements
 - Recommendation(s):
 - i. Conduct a comprehensive review and revision of the electric outage restoration process, including damage assessment and downed wires and supporting technologies to improve overall response and efficiency.
- 8. System resiliency improvements
 - Recommendation(s):
 - i. Conduct comprehensive review of the electric transmission and distribution infrastructure to identify and prioritize opportunities for improving system resiliency.
 - ii. Options for undergrounding and hardening will be explored.
- 9. Building and sustaining an ICS-proficient workforce
 - Recommendation(s):
 - i. Add ICS specific roles and responsibilities to employee job descriptions and training matrices.
 - ii. Develop position-specific training.
 - iii. Designate a week-long emergency preparedness week.

Ms. Erin Duran, Emergency Management Program Manager, said Springs Utilities works with the Pikes Peak Regional Office of Emergency Management, particularly in September, for Emergency Preparedness month.

Mr. Masias expressed improvement opportunities for Springs Utilities based on the December 2021 windstorm, such as updating the outage map.

12. Board Member Updates

There were none.

13. Executive Session

Ms. Bethany Burgess, Office of the City Attorney – Utilities Division Chief, read the following language to enter Executive Session:

In accordance with City Charter art. III, § 3-60(d) and its incorporated Colorado Open Meetings Act, C.R.S. § 24-6-402(4)(a), (b), (e) and (f) and Utilities Board Bylaw Rules 10(c)(1), (2), (5) and (6), the Utilities Board, in Open Session, is to determine whether it will hold a Closed Executive Session on two issues. The first issue to be discussed involves a personnel matter related to compensation of the Chief Executive Officer. The second issue to be discussed involves the purchase and acquisition of an interest in real property, conferences with the City Attorney's Office for the purpose of receiving legal advice on specific legal questions, and instructing negotiators.

The City Attorney's Office, on behalf of the Chair of the Utilities Board, shall poll the Utilities Board members, and, upon consent of two-thirds of the members present, may conduct a Closed Executive Session. In the event any Utilities Board member is participating electronically or telephonically in the Closed Executive Session, each Utilities Board member participating electronically or telephonically in the Closed Executive Session shall affirmatively state for the record that no other member of the public not authorized to participate in the electronic Closed Executive Session is present or able to hear the matters discussed as part of the Closed Executive Session. If consent to the Closed Executive Session is not given, the item may be discussed in Open Session or withdrawn from consideration.

Ms. Burgess polled the Utilities Board and they voted unanimously to enter Executive Session.

The Utilities Board took a break at 5:45 p.m. and entered Executive Session at 5:50 p.m.

The Utilities Board ended Executive Session at 6:26 p.m.

14. Adjournment

The meeting adjourned at 6:28 p.m.

MINUTES
Special Colorado Springs Utilities Board Meeting
Monday, June 27, 2022

Utilities Board members present via Microsoft Teams or City Hall Chambers: Chair Wayne Williams, Vice Chair Mike O'Malley, Dave Donelson, Randy Helms, Bill Murray, Stephannie Fortune, Nancy Henjum and Tom Strand

Utilities Board members excused: Yolanda Avila

Staff members present via Microsoft Teams or City Hall Chambers: Aram Benyamin, Natalie Watts, Andie Buhl, David Padgett, Chris Welch, Andy Colosimo, Tristan Gearhart, Mike Francolino, Steve Berry and Monica Indrebo

City of Colorado Springs staff members present via Microsoft Teams or City Hall Chambers: Bethany Burgess, Jacqueline Rowland, Mari Deminski, Wynetta Massey, Ben Bolinger and Jeff Greene

1. Call to Order

Chair Wayne Williams called the Utilities Board meeting to order at 3:45 p.m. and Ms. Andie Buhl, Utilities Board Administrator, called the roll.

2. Executive Session

Mr. Ben Bolinger, Assistant City Attorney read the following language to enter Executive Session:

In accordance with City Charter art. III, § 3-60(d) and its incorporated Colorado Open Meetings Act, C.R.S. § 24-6-402(4)(b) and (e) and Utilities Board Bylaw Rules 10(c)(2) and (5), the Utilities Board, in Open Session, is to determine whether it will hold a Closed Executive Session. The issue to be discussed involves consultation with the City Attorney for the purpose of receiving legal advice and determining positions relative to matters that may be subject to negotiations, developing strategy for negotiations, and instructing negotiators regarding a regulatory matter.

The City Attorney's Office, on behalf of the Chair of the Utilities Board, shall poll the Utilities Board members, and, upon consent of two-thirds of the members present, may conduct a Closed Executive Session. In the event any Utilities Board member is participating electronically or telephonically in the Closed Executive Session, each Utilities Board member participating electronically or telephonically in the Closed Executive Session shall affirmatively state for the record that no other member of the public not authorized to participate in the electronic Closed Executive Session is present or able to hear the matters discussed as part of the Closed Executive Session.

If consent to the Closed Executive Session is not given, the item may be discussed in Open Session or withdrawn from consideration.

Mr. Bolinger polled the Utilities Board and they voted unanimously to enter Executive Session.

The Utilities Board entered Executive Session at 3:50 p.m.

The Utilities Board ended Executive Session at 4:15 p.m.

3. A Resolution Directing the Utilities Chief Executive Director to Take Action in Accordance with Colorado Springs Utilities' Clean Energy Plan

Board Member Murray moved approval of the resolution and Board Member Strand seconded the motion. The resolution was unanimously approved.

4. Adjournment

The meeting adjourned at 4:18 p.m.



Date: July 20, 2022

To: Utilities Board

From: Aram Benyamin, Chief Executive Officer

Subject: **Recognition of Community Focus Fund (CFF) Volunteer Program:
Catholic Charities**

Desired Action: Information

Catholic Charities of Central Colorado will recognize Colorado Springs Utilities and the Community Focus Fund volunteers with the Matthew 25 Award for the tremendous partnership over the years building the ministry of the Marian House Kitchen. This award is presented with gratitude and appreciation.

For many in our community who struggle, the work of Catholic Charities is critical to their safety, stability and resilience. Colorado Springs Utilities employee volunteers are integral to this life-changing work.



Date: July 20, 2022

To: Utilities Board

From: Aram Benyamin, Chief Executive Officer

Subject: **Excellence in Governance Monitoring Report
Utilities Board Instructions to the Chief Executive Officer
Financial Planning and Budgeting (I-3)**

Desired Action: Monitoring

Compliance: The CEO reports compliance with the instructions.

INSTRUCTIONS			
Category:	Utilities Board Instructions to the Chief Executive Officer	Reporting Timeframe:	June 1, 2021 – May 31, 2022
Policy Title (Number):	Financial Planning and Budgeting (I-3)	Reviewing Committee:	Finance
Monitoring Type:	Internal	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.*

Colorado Springs Utilities is committed to achieving the outcomes most important to the Utilities Board and its customers: competitive utility rates; safe, reliable service; and outstanding customer experience, while maintaining financial metrics that support a “AA” credit rating. This “AA” credit rating is ensured by setting targets in the annual budget and five-year financial plan combined with monthly forecast and financial modeling reviews. In July 2020, Moody’s Investors Service Inc. and S&P Global Ratings affirmed Colorado Springs Utilities’ “Aa2” and “AA+” ratings, respectively. In August 2020, Fitch Ratings provided a “Review No Action” rating maintaining Springs Utilities’ rating at “AA”.

- 2. Financially position the enterprise to meet long-range infrastructure funding requirements while moderating customers' average base bill adjustments.*

Colorado Springs Utilities maintains solid financial metrics to ensure the AA bond rating. Conservative budget practices combined with our strong credit profile will help moderate customer bill adjustments while meeting long-range infrastructure funding requirements.

- 3. Use planning assumptions that accurately forecast revenues and expenses.*

Forecasts for revenue requirements, capital spending, bond funding needs, and operating and maintenance expenses are based on assumptions that align with our five-year business plan. Historical weather data and key economic metrics are provided by University of Colorado, Colorado Springs (UCCS).

- 4. Direct that a water reserve account is established and maintained to manage water sales volatility.*

A water reserve account has been established and is funded annually when actual revenue is greater than budget to manage water sales volatility. The water reserve account enables revenues to be stabilized and is one of the ways Colorado Springs Utilities safeguards current and future customers from being unduly burdened during unpredictable seasonal weather volatility.

The balance of the account at the end of the reporting period was \$14.7 million.

- 5. Use financial methods that share the cost of utility infrastructure between current and future customers.*

The mix of cash and debt financing allows the organization to share the cost appropriately between current and future rate payers. Our current five-year capital plan is approximately \$397 million per year and we expect to cash fund up to 54% of the spend. Strong infrastructure planning practices (I-6 Governance Compliance Reporting) supports our capital investment planning for our current customers.

- 6. Use risk-based modeling and a defined enterprise procedure to prioritize operations and maintenance infrastructure.*

Colorado Springs Utilities uses risk-based modelling and data to plan and prioritize rehabilitation and replacement efforts for high-risk assets. In addition, strong infrastructure planning practices (I-6 Governance Compliance Reporting) support condition assessments of our linear and vertical assets across our services to develop a risk-based prioritization of our capital investment. Used together, risk-based modeling and infrastructure planning determine our prioritization approach for asset maintenance.



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

Date: July 20, 2022

To: Utilities Board

From: Aram Benyamin, Chief Executive Officer

Subject: **Excellence in Governance Compliance Report Infrastructure (I-6)**

Desired Action: Monitoring

Compliance: The CEO reports compliance with the instructions.

INSTRUCTIONS			
Category:	Utilities Board Instructions to the Chief Executive Officer	Reporting Timeframe:	June 1, 2021 – November 30, 2021
Policy Title (Number):	Infrastructure (I-6)	Reviewing Committee:	Strategic Planning
Monitoring Type:	Internal		
Monitoring Frequency:	Semi-Annual		
Guidelines:	Urban Planning Area Utility Infrastructure Master Plan (G-12)		

The Chief Executive Officer shall direct that annual, five-year and twenty-year infrastructure plans are developed for each utility service. Accordingly, the CEO shall:

- 1. Use a reasonable planning period to meet obligation to serve requirements for current and future customers.*

Customer needs, operational and regulatory requirements specific to each service and system define plans with a variety of planning horizons and update frequencies for each plan, detailed in the following table of this report. The Annual Operating and Financial Plan (AOFPP) allocates resources to fund the work required to accomplish strategic initiatives and meet strategic objectives.

- 2. Base plans on operational and regulatory requirements to provide safety, system reliability and security.*

Colorado Springs Utilities manages all resource and infrastructure planning based on accepted professional and industry practices, regulatory requirements and prudent planning requirements associated by developing a system plan for each service. This includes integrated resource plan, facility plan and program plan. Integrated resource plans

are updated annually with a true up. Replacement and program plans are also updated annually. Facility plans are updated every five years.

- 3. Maintain an organization-wide long-range infrastructure plan that considers the annual impact to the typical customer bill, maintains strong financial metrics, and sequences infrastructure projects to the extent operationally and financially practical.*

Long range plans have a minimum of 20 years for a planning horizon and address organizational, operational, and financial requirements to maintain a competitive position in each of the Board's strategic focus areas of rates, reliability, and relationships. Projects will be sequenced to moderate the impact on the total four service bill and maintain infrastructure reliability across all four services.

- 4. Plan for replacement of aging infrastructure, information and operational technology upgrades, utility relocations for public works and road projects, life extension of existing systems and services to approved contract customers.*

The AOFPP funds projects for the renewal and replacement of aging infrastructure, life extension of systems and services. These projects require coordination with the City, if required, and approved contract customers as appropriate. Informational and technology upgrades are also addressed in the AOFPP and the 5- and 20-year capital plan.

- 5. Coordinate infrastructure planning with the Municipal Government's Strategic Plan, Comprehensive Plan and Annexation Policy and other governmental agency plans.*

Colorado Springs Utilities coordinates planning efforts in conjunction with the Municipal Government's Strategic Plan, Comprehensive Plan, Annexation Policy as well as other governmental agency plans.

Additionally, Colorado Springs Utilities representatives participate throughout the Municipal Government's land development review process to ensure coordination of activities, compliance with regulations and pursue opportunities to improve the delivery of services.

Staff actively supports the Municipal Government's Annexation Steering Committee, the Municipal Governments' Land Development Technical Committee, Special District Committee, Rapid Response Team and other committees related to utility infrastructure standards to coordinate and support community development activities to provide expedited response levels to stakeholders and economic development prospects.

In addition to coordinating with the Municipal Government, staff also works with the Housing and Building Association of Colorado Springs (HBA), Affiliated Commercial Construction Association (ACCA), the Pikes Peak Regional Building Department (PPRBD) and other development community stakeholders to identify and implement improvements to the land development review process and Line Extension and Service Standards.

G-12 Guideline: Urban Planning Area Utility Infrastructure Master Plan

- 1. Develop and maintain an Urban Planning Area Utility Infrastructure Master Plan which identifies objectives, strategies and principles for urban planning area redevelopment.*
- 2. The Master Plan will align with Colorado Springs Utilities' Strategic Plan, Integrated*

Resource Plans, PlanCOS and other City master plans.

The Urban Planning Area Utility Infrastructure Master Plan team analyzed future population and utility load growth in areas with existing utility infrastructure. The analysis identified the need to upgrade electric, gas, water and wastewater infrastructure to improve the reliability of utility systems and support future growth. Per Springs Utilities' leadership, the Utilities Reliability Program (URP) was established to proactively and holistically address existing infrastructure within developed urban areas. The aim of the program is to proactively identify, assess, prioritize, and coordinate concurrent operating and maintenance (O&M), and capital construction projects across all Springs Utilities' services. The program provides benefits to Springs Utilities and its customers by maximizing project budgets through economy of scale opportunities, improving the reliability of existing infrastructure, and priming the utility systems for future city growth. The program began in January 2021.



Date: July 20, 2022

To: Utilities Board

From: Aram Benyamin, Chief Executive Officer

Subject: **Excellence in Governance Monitoring Report**
Utilities Board/Chief Executive Officer Partnership Expectations (E-2)

Desired Action: Monitoring

EXPECTATIONS	
Category:	Utilities Board/Chief Executive Officer Partnership Expectations
Policy Number:	E: 2 (Chief Executive Officer Responsibilities)

The Utilities Board and the Chief Executive Officer work in partnership to achieve excellence in governance and operations to attain long-term organizational success and sustainability.

July 2022 Water Outlook using data as of June 30, 2022

Locally, temperatures were above average, and precipitation was below average in June. Demands were more than last year at this time.

2022 Demands: June use averaged 93.8 million gallons per day (MGD), which was about 5.5% more than last June. Year-to-date demand is averaging 58.5 MGD, which is 7.2% less than last year at this time. Temperatures in June were above the 30-year average at 68.48 degrees Fahrenheit, which was 1.22 degrees above normal. Year-to-date temperatures have averaged 47.36 degrees Fahrenheit, which is 0.95 degrees above normal. Total precipitation for June was 1.37 inches, which was 60.4% of normal. Year-to-date precipitation is 4.99 inches, which is 70.2% of normal.

Current Reservoir Levels: Local storage is currently at about 51,619 acre-feet (78% of capacity). The 1991-2021 average is 84% of capacity. Rampart Reservoir is at 84% of capacity and Pikes Peak storage is at 71% of capacity. System wide, total storage is about 207,600 acre-feet (80% of capacity). Last year at this time, total system wide storage was 84% of capacity. It was about 86% at this same time in 2020, about 86% of capacity in 2019, about 86% of capacity in 2018, about 93% of capacity in 2017, about 90% of capacity in 2016, about 95% of capacity in 2015, about 79% of capacity in 2014 and about 56% in 2013. The 1991-2021 average system wide storage for the end of June is 83% of capacity.

Water Supply Outlook: Drought conditions remain across most of Colorado, but conditions slightly improved in central Colorado. The 12-week Evaporative Drought Demand Index (EDDI) still shows a mixed evaporative demand with dryness predominantly in eastern and southern Colorado; Persistence of this signal summer could predict deepening drought.

The three-month climate outlook predicts much higher chances of above-average temperatures and higher chances of below-average precipitation across Colorado. Our June yield forecasting predicted 85% of average water collection system yield. The Colorado River Basin has been in persistent drought for the last 20 years. Lake Powell inflow projection is 34% of average. Continued below-average inflows and declining reservoir level at Lake Powell could eventually result in Compact compliance concerns, which will likely impact Colorado Springs' Colorado River basin supplies. We continue to closely monitor runoff, demand and storage to maximize available water supply.

Operational Notes: Total system storage is at 80% of capacity and holds about 2.9 years of demand, which is slightly below average for the end of June. Local storage contains about 261 days of demand.

Electric Cost Adjustment (ECA)

On June 28, 2022, City Council approved the ECA rate of \$0.0523 per kWh effective July 1, 2022. As of June 30, 2022, the ECA under collection balance was \$23.0 million. The under-collection balance changed by \$5.0 million from the \$18.0 million under collection balance reported last month. Colorado Springs Utilities continues to provide regular updates to the Utilities Board and will propose adjustments as appropriate.

Gas Cost Adjustment (GCA)

On June 28, 2022, City Council approved the GCA rate of \$0.7117 per Ccf effective July 1, 2022. As of June 30, 2022, the GCA under collection balance was \$13.1 million. The under-collection balance changed by \$1.3 million from the \$11.8 million under collection balance reported last month. Colorado Springs Utilities continues to provide regular updates to the Utilities Board and will propose adjustments as appropriate.



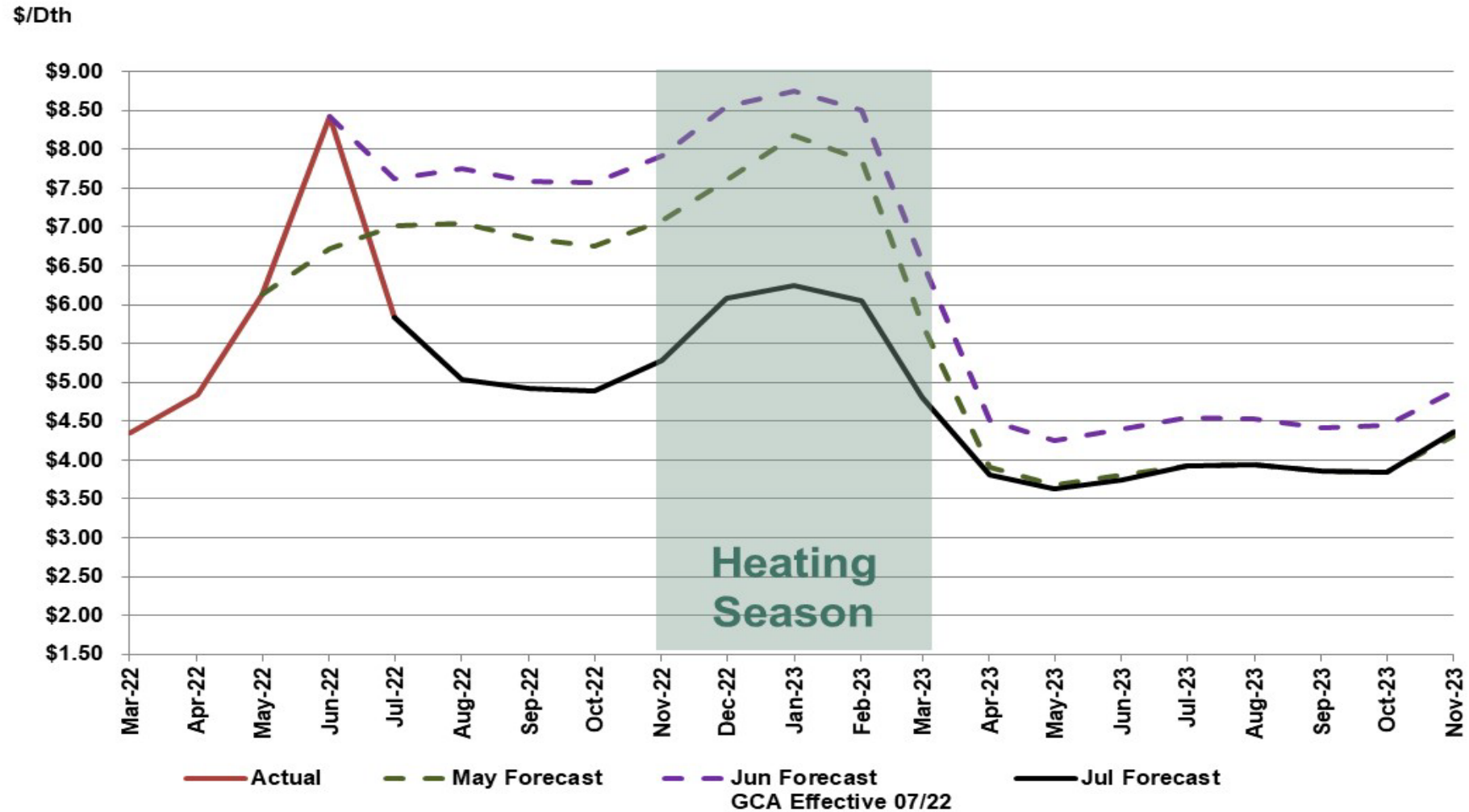
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Electric Cost Adjustment Gas Cost Adjustment

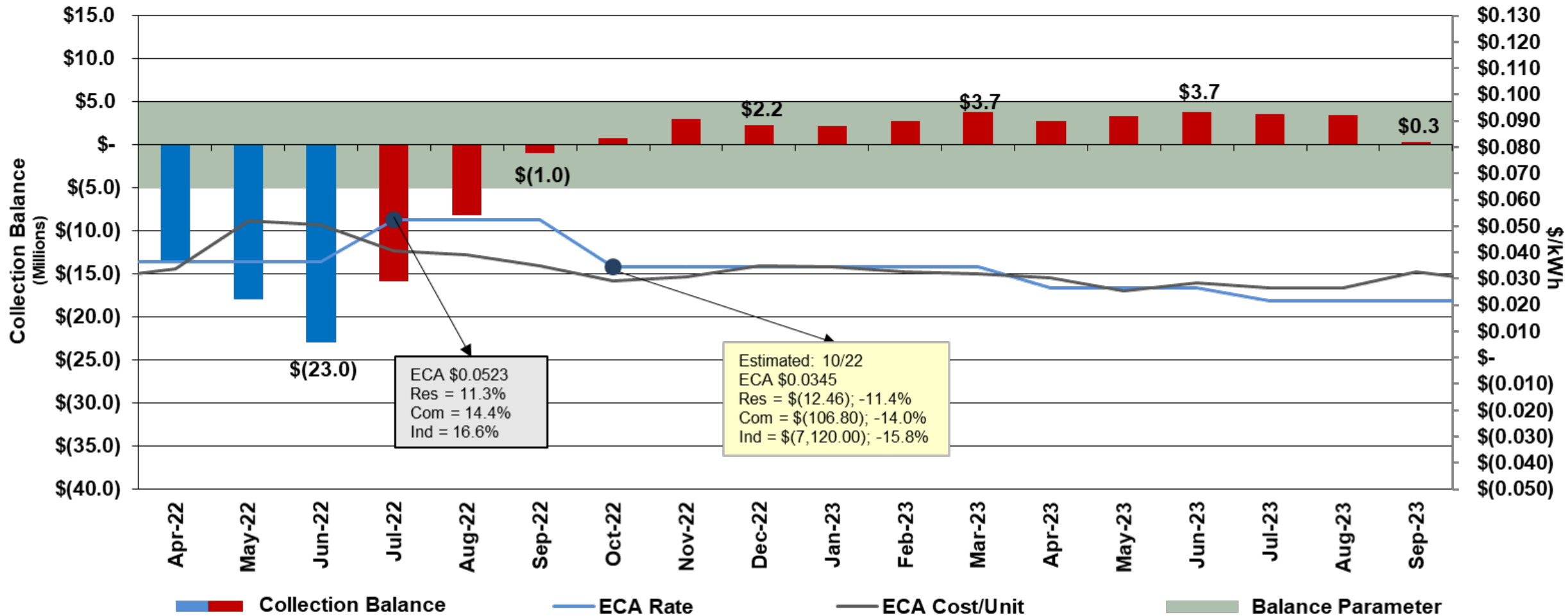
Scott Shirola, Pricing and Rates Manager

July 20, 2022

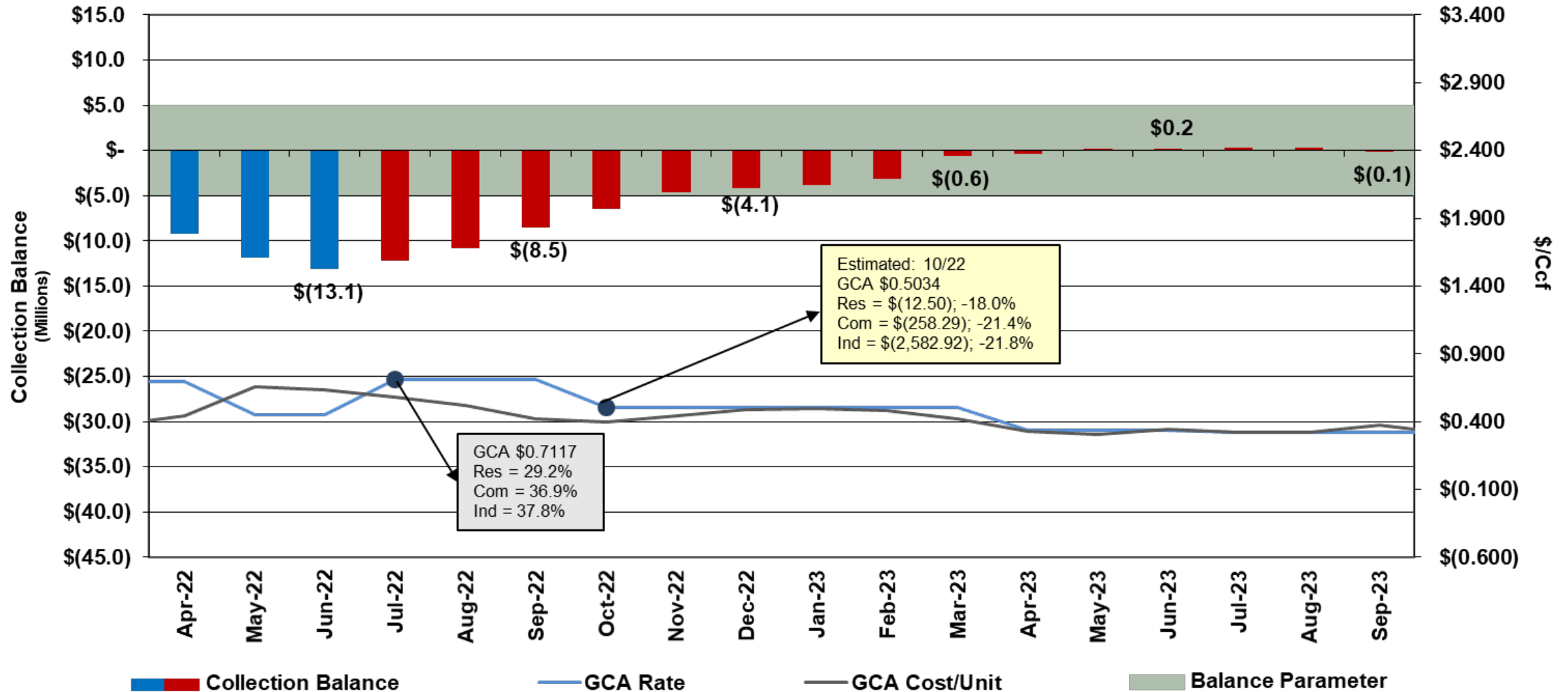
Natural Gas Prices as of July 1, 2022



ECA Projections July 2022



GCA Projections July 2022





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Water Outlook

Kalsoum Abbasi

Planning Supervisor, Water Conveyance

July 20, 2022

Local Weather Conditions as of June 30, 2022

Precipitation (Inches of Moisture)

- June 2022 – 1.37 in. (60.4% of normal)
- 2022 YTD Total – 4.99 in. (70.2% of normal)

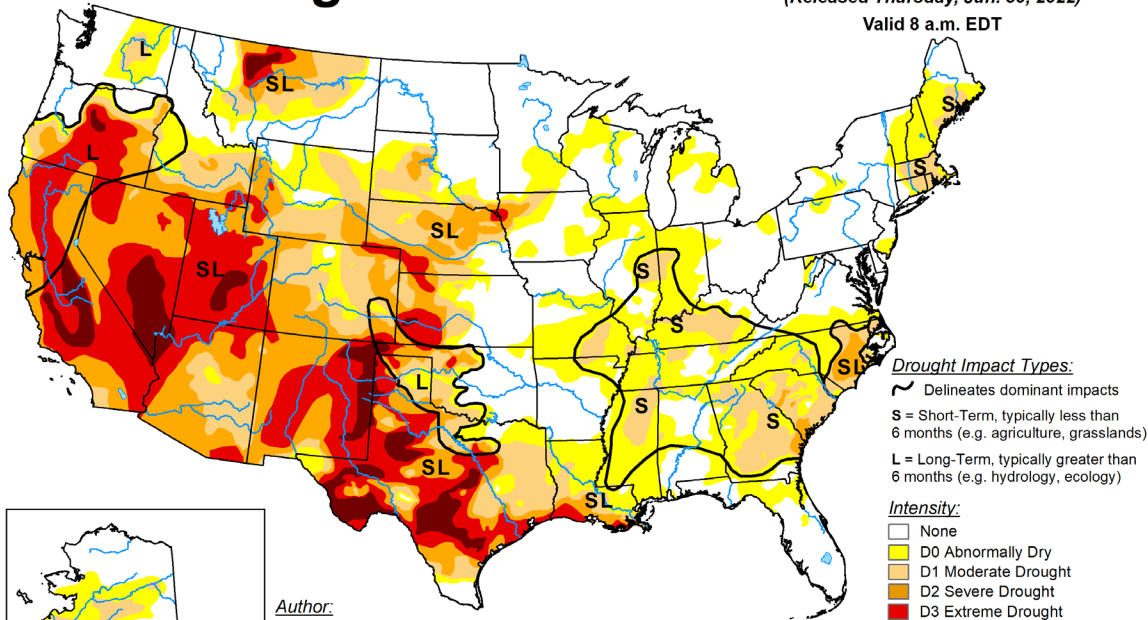
Average Temperature (Degrees F)

- June 2022 – 68.48 Deg. (1.22 deg. above normal)
- 2022 YTD Average – 47.36 Deg. (0.95 deg. above normal)



U.S. Drought Monitor

June 28, 2022
 (Released Thursday, Jun. 30, 2022)
 Valid 8 a.m. EDT



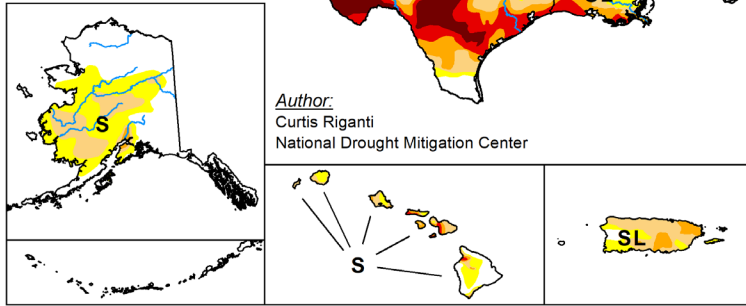
Drought Impact Types:
 ~ Delineates dominant impacts
 S = Short-Term, typically less than 6 months (e.g. agriculture, grasslands)
 L = Long-Term, typically greater than 6 months (e.g. hydrology, ecology)

Intensity:
 None
 D0 Abnormally Dry
 D1 Moderate Drought
 D2 Severe Drought
 D3 Extreme Drought
 D4 Exceptional Drought

The Drought Monitor focuses on broad-scale conditions. Local conditions may vary. For more information on the Drought Monitor, go to <https://droughtmonitor.unl.edu/About.aspx>



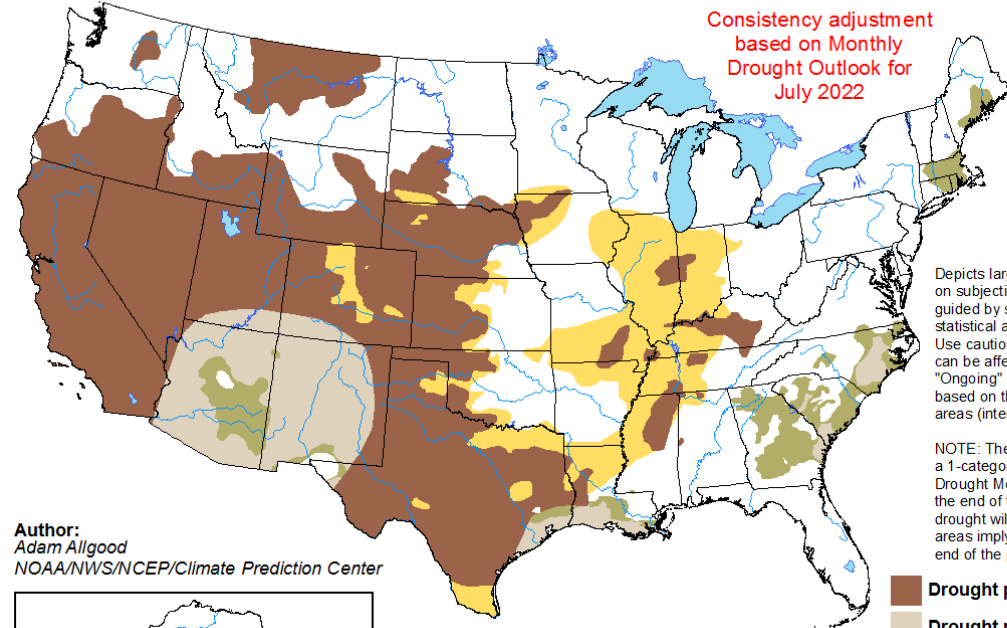
Author:
 Curtis Riganti
 National Drought Mitigation Center



U.S. Seasonal Drought Outlook

Drought Tendency During the Valid Period

Valid for July 1 - September 30, 2022
 Released June 30, 2022



Consistency adjustment
 based on Monthly
 Drought Outlook for
 July 2022

Depicts large-scale trends based on subjectively derived probabilities guided by short- and long-range statistical and dynamical forecasts. Use caution for applications that can be affected by short lived events. "Ongoing" drought areas are based on the U.S. Drought Monitor areas (intensities of D1 to D4).

NOTE: The tan areas imply at least a 1-category improvement in the Drought Monitor intensity levels by the end of the period, although drought will remain. The green areas imply drought removal by the end of the period (D0 or none).

- Drought persists
- Drought remains but improves
- Drought removal likely
- Drought development likely

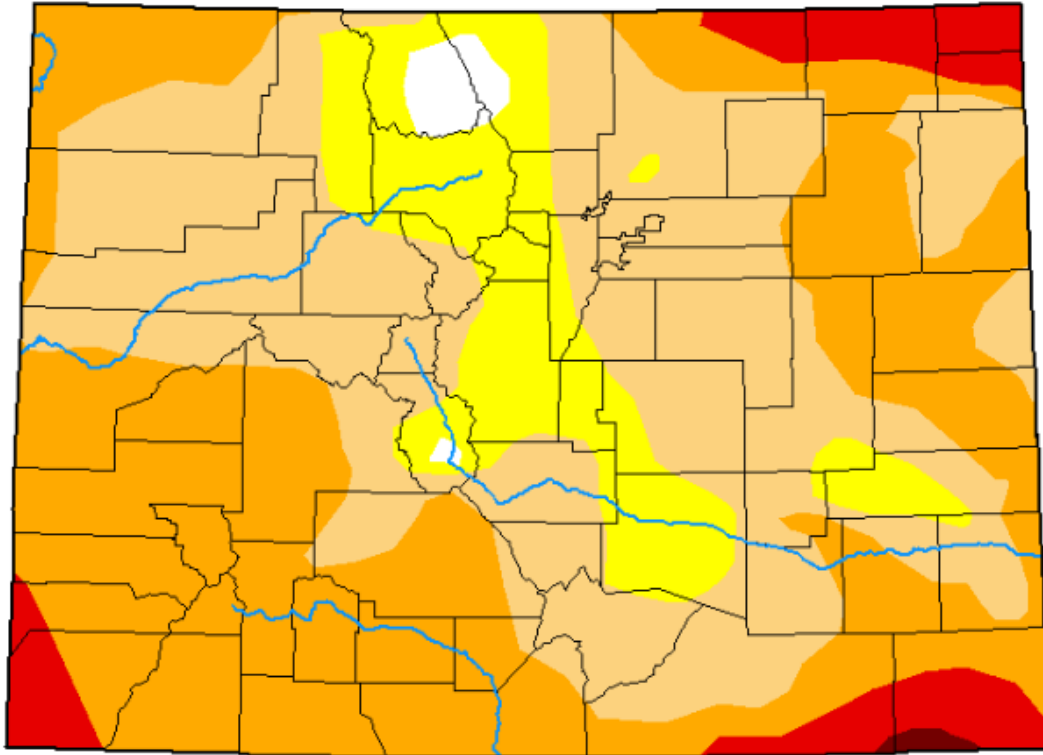
Author:
 Adam Allgood
 NOAA/NWS/NCEP/Climate Prediction Center









<http://go.usa.gov/3eZ73>

U.S. Drought Monitor Colorado

June 28, 2022
(Released Thursday, Jun. 30, 2022)
Valid 8 a.m. EDT



Intensity:

-  None
-  D0 Abnormally Dry
-  D1 Moderate Drought
-  D2 Severe Drought
-  D3 Extreme Drought
-  D4 Exceptional Drought

The Drought Monitor focuses on broad-scale conditions. Local conditions may vary. For more information on the Drought Monitor, go to <http://droughtmonitor.unl.edu/About.aspx>

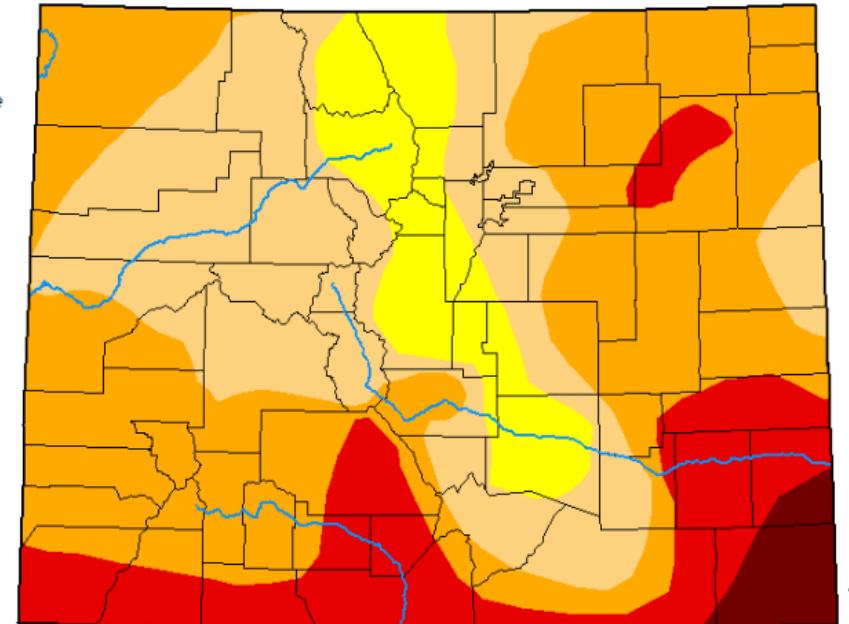
Author:

Curtis Riganti
National Drought Mitigation Center



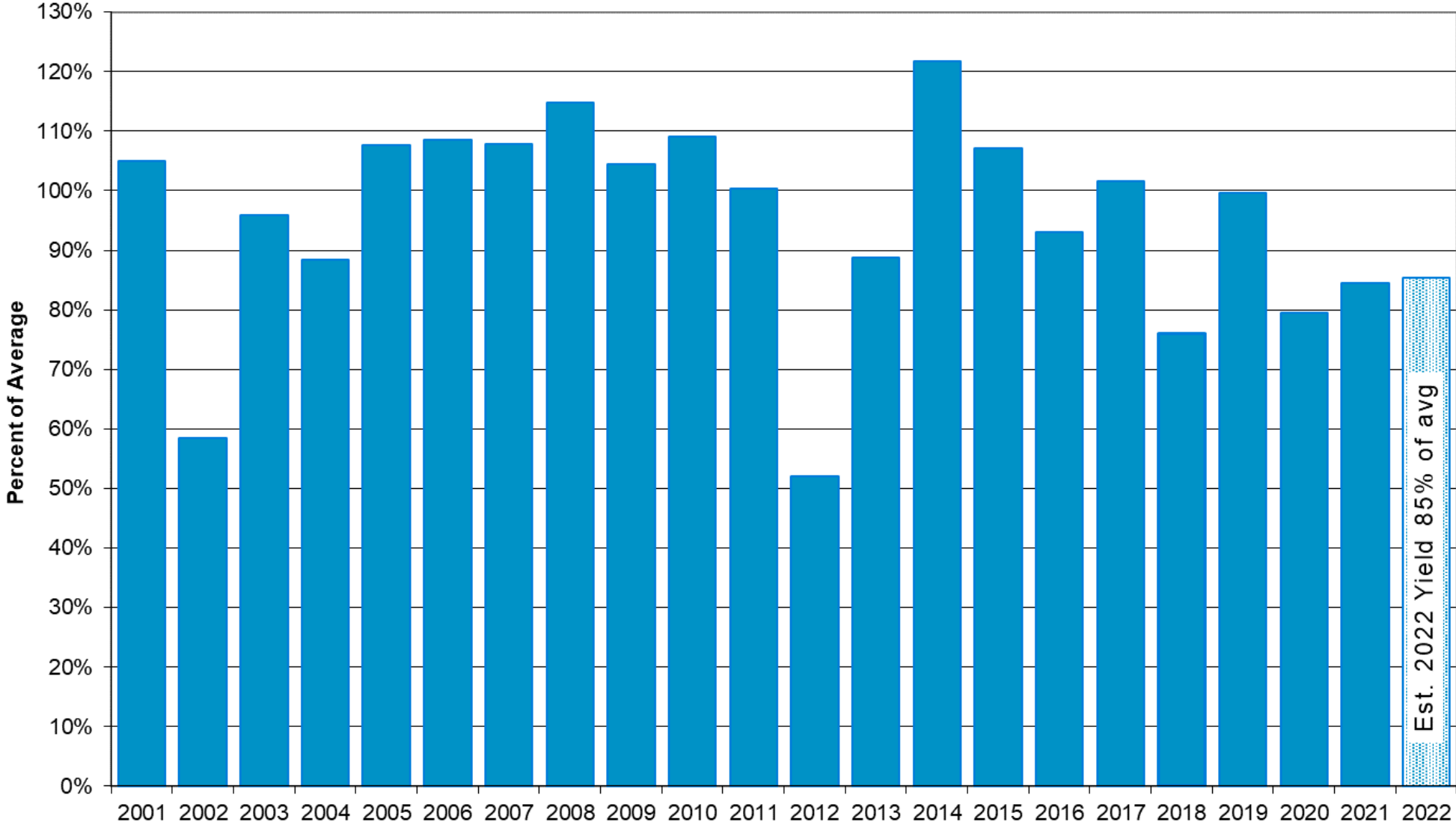
droughtmonitor.unl.edu

**Last Month:
May 24, 2022**



Colorado Springs Water Yields 2001 - 2021

Percent of Average Yield



2022 Demands

June

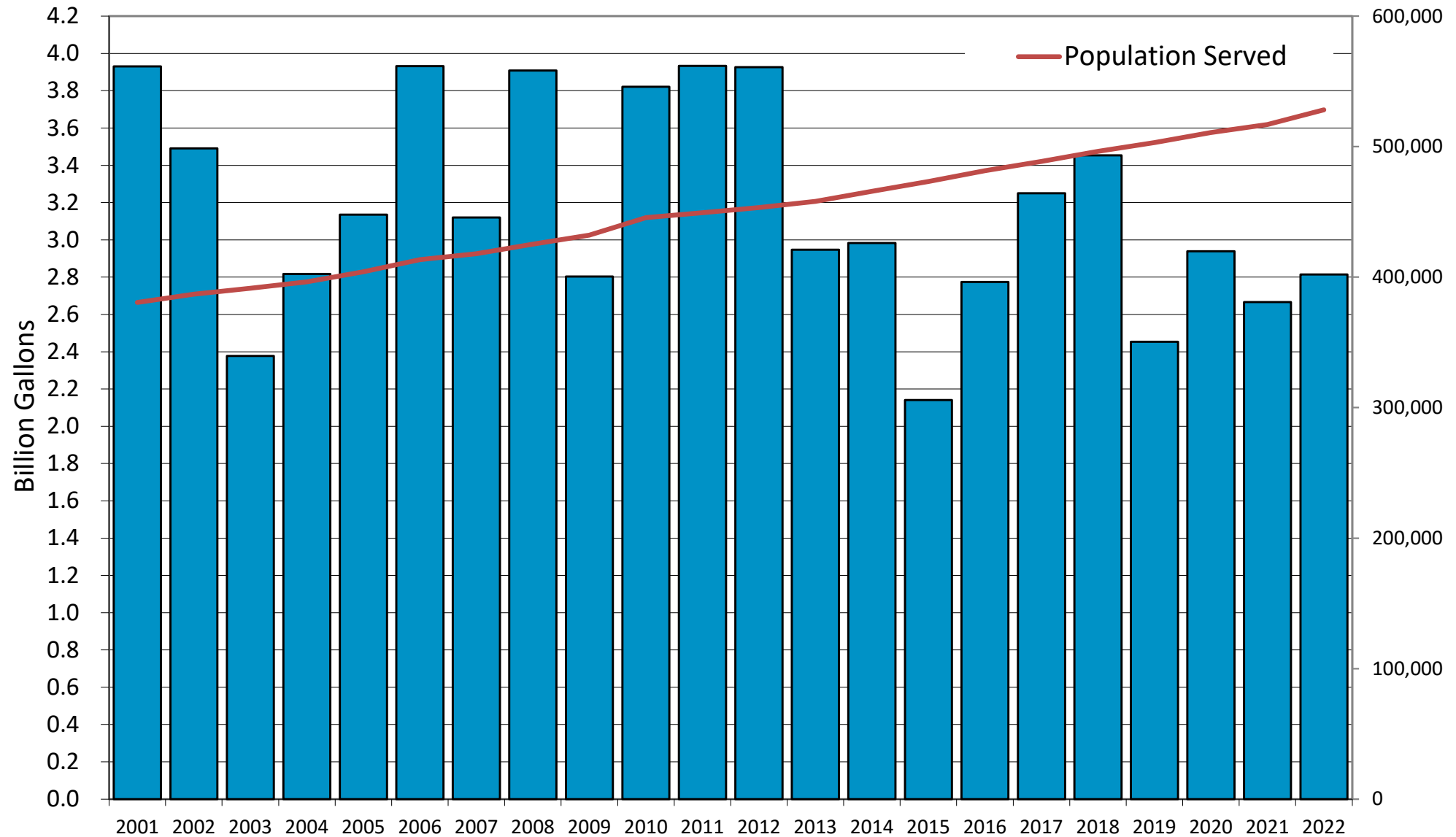
- Averaged 93.8 MGD
- 5.5% more than June 2021

2022 Year to Date

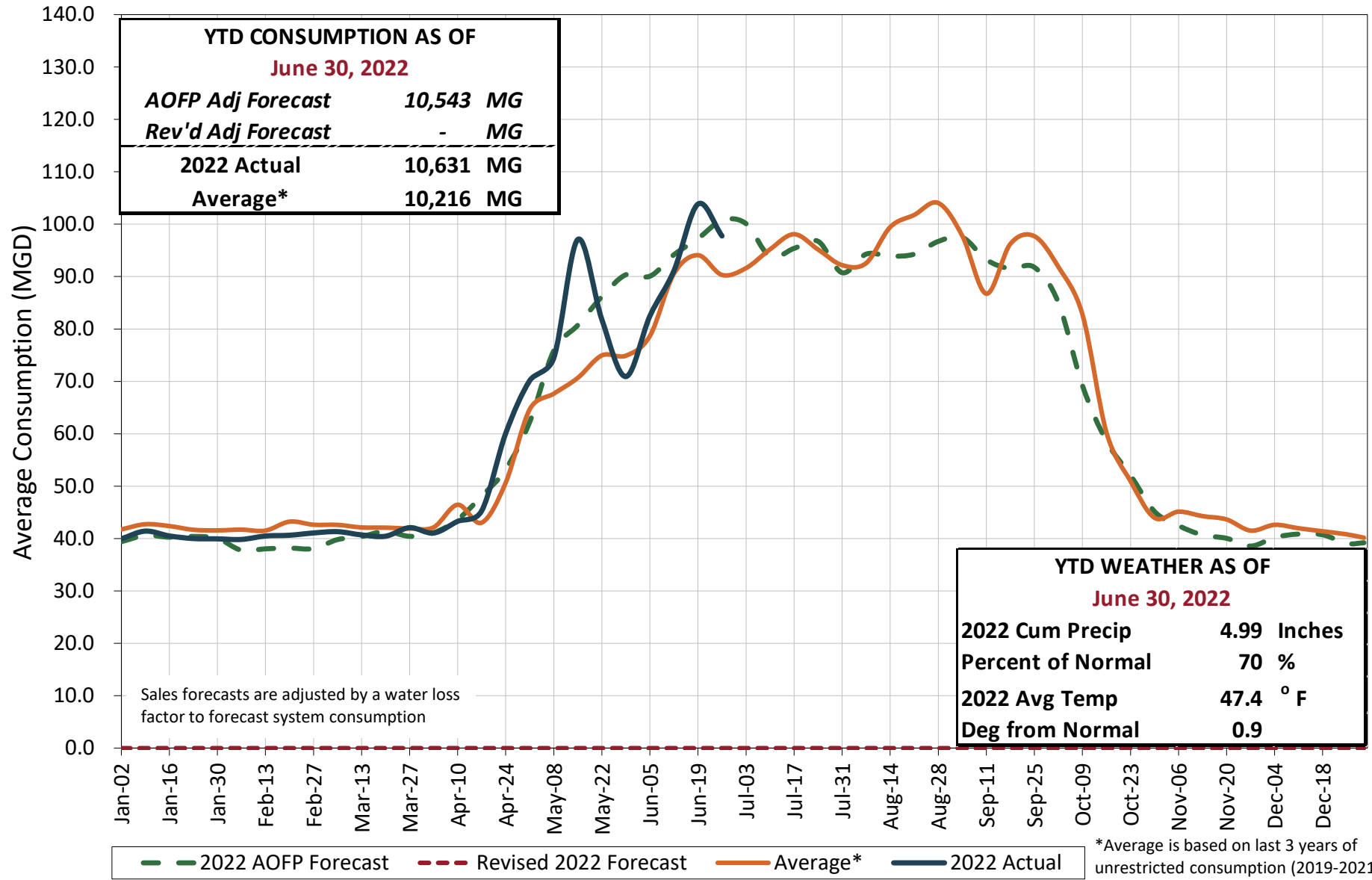
- Averaging 58.5 MGD, 10.6 BG total
 - 7.2% more than 2021
 - 0.71 Billion Gallons more than 2021



Monthly Water Use for June



2022 Actual Consumption (Weekly Data)



Reservoir Levels

June 30, 2022

- Pikes Peak 65 %
 - 91-21 Avg. 71 %
- Rampart 86 %
 - 91-21 Avg. 84 %
- Local Total 78 %
 - 91-21 Avg. 79 %
- System Total 80 %
 - 91-21 Avg. 84 %



Colorado Springs' System Wide Storage:

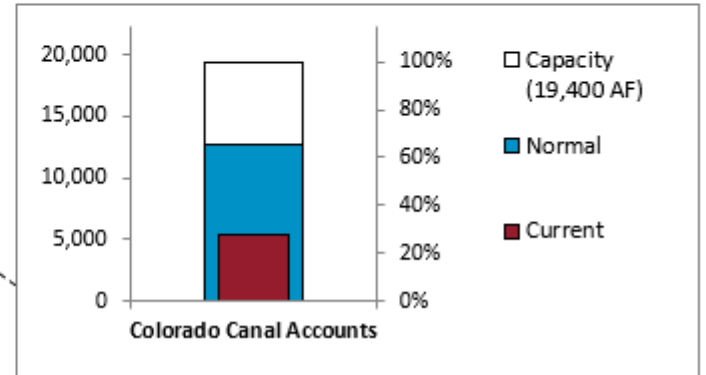
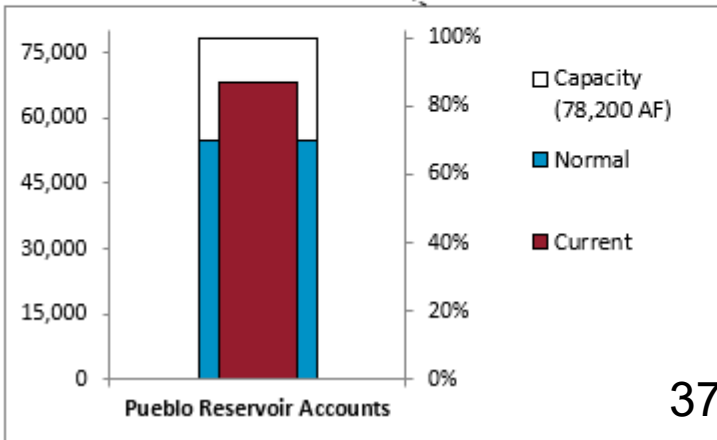
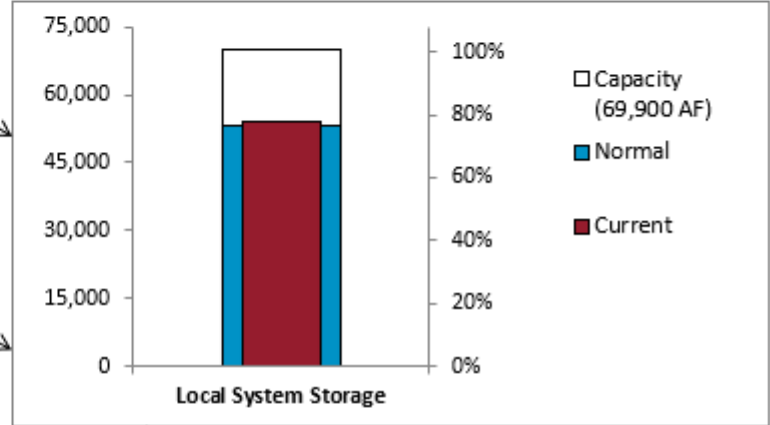
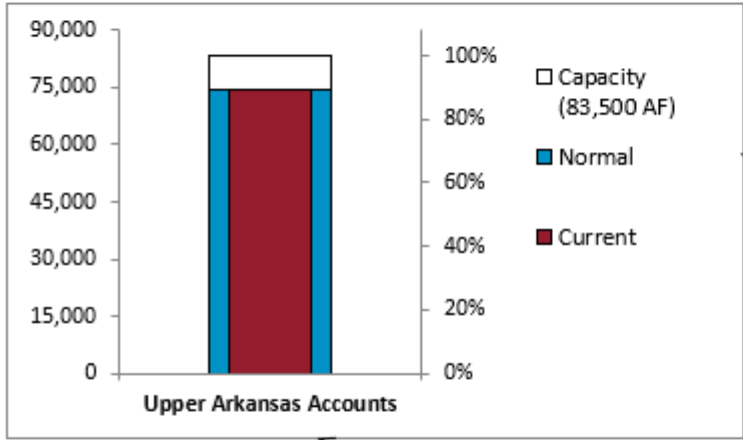
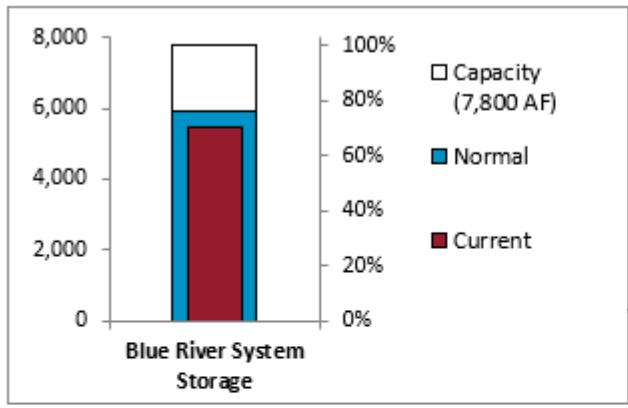
June 30, 2022 207,600 af

80.2 %

2001-2021 avg 200,800 af

77.6 %

Average YTD Demand 58.4 MGD

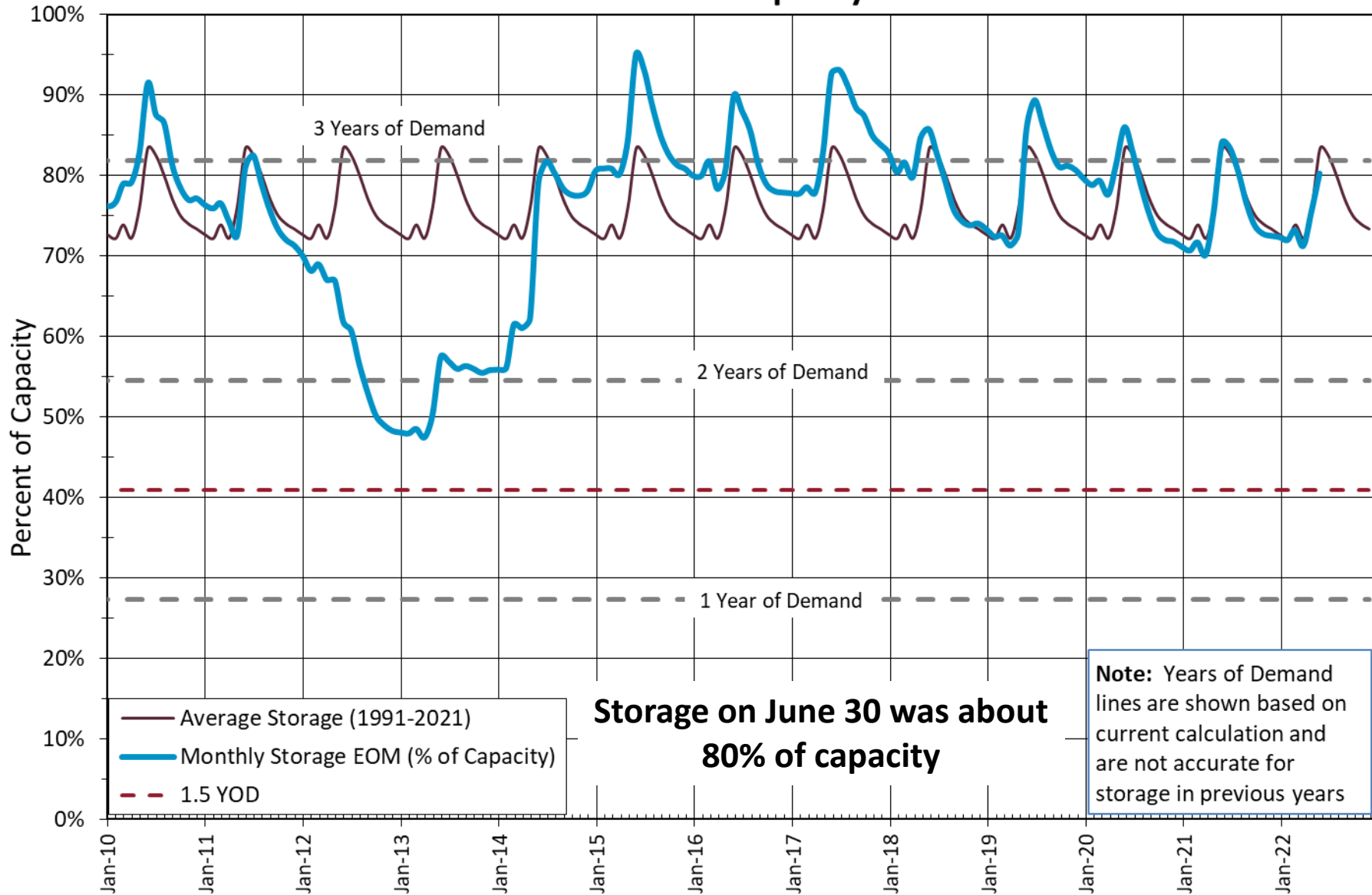


MAX. 20 MGD

MAX. 68 MGD

37 of 76

Monthly Storage Percent of Capacity



2022 Regional Water Contracts

Donala Water & Sanitation District

- Through June 30, 2022: Conveyed 47.675 AF for \$190,939
- Premium to Municipal Government: \$31,823.17

Security Water District

- Through June 30, 2022: Conveyed 15.657 AF for \$72,172
- Premium to Municipal Government: \$12,028.64

Outside Service Area Augmentation Leases - PF, LLC (Seven Falls), Emerald Valley Ranch

- Through June 30, 2022: Leased 3.0 AF for \$1,647
- Premium to Municipal Government: \$274

Total 2022 YTD Revenue from Regional Contracts: \$264,758



Water Outlook

- Situation Outlook Summary
 - System-wide storage at 80% of capacity, slightly below our long term average
 - About 2.9 years of demand in storage, based on the past 3 years of demand
 - Have 261 days of demand in local storage
- The June yield forecast predicted 85% of average yield
- The 12-week EDDI shows dry evaporative demands in eastern and southern CO; Conditions remain primarily dry across the state with slight improvement in central CO; Persistence of the dry signal could predict a summer drought
- Three-month outlook predicts
 - Much higher chances of above-average temperatures across Colorado
 - Higher chances of below-average precipitation across Colorado
- We continue to monitor runoff, demand, and storage to maximize available water supply



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Date: July 20, 2022

To: Utilities Board

From: Aram Benyamin

Subject: **2022 Standby Bond Purchase Agreement Renewals: Ordinance Approving 2009C**

Desired Action: Discussion

Previous Board Communications/Discussion: Utilities Board Finance Committee reviewed this topic at the July 15, 2022 meeting.

Executive Summary:

The Ordinance addresses approval of the Standby Purchase Agreements (“SBPA”) for the Variable Rate Demand Utilities System Refunding Revenue Bonds, Series 2009C. The current amendment to the SBPA for the Bonds is set to routinely expire this fall. Springs Utilities has elected to renew the 2009C agreement with Sumitomo Mitsui Banking Corporation for a term of five years. They intend to present the Ordinance at the July 26 and Aug. 9 City Council meetings.

Background Information:

The current Bond Ordinance for the City’s 2009C Bonds requires that the City “maintain a Liquidity Facility in full force and effect at all times when the bonds are bearing interest at a Variable Rate other than Auction Mode Rate, except as otherwise provided in Section 1212 of the Bond Ordinance”. A Standby Bond Purchase Agreement is one of the acceptable financial instruments to provide liquidity for the City’s variable rate bond issues.

Options:

The Utilities Board could recommend that Colorado Springs Utilities not present the Ordinance to City Council for review and approval, which would be a violation of the Bond Ordinance.

Recommendations: The Utilities Board supports proceeding to City Council at the July 26, 2022 meeting for further consideration of the Ordinance approving the 2009C Standby Bond Purchase Agreement.



Date: July 20, 2022

To: Utilities Board

From: Aram Benyamin

Subject: **2022 Standby Bond Purchase Agreement Renewals: Ordinance Approving 2012A**

Desired Action: Discussion

Previous Board Communications/Discussion: Utilities Board Finance Committee reviewed this topic at the July 15, 2022 meeting.

Executive Summary:

The Ordinance addresses approval of the Standby Purchase Agreements (“SBPA”) for the Variable Rate Demand Utilities System Improvement Revenue Bonds, Series 2012A. The current amendment to the SBPA for the Bonds is set to routinely expire this fall. Utilities has elected to renew the 2012A agreement with U.S. Bank National Association for a term of five years. The Utilities intends to present the Ordinance at the July 26 and August 9 City Council meetings.

Background Information:

The current Bond Ordinance for the City’s 2012A Bonds requires that the City “maintain a Liquidity Facility in full force and effect at all times when the bonds are bearing interest at a Variable Rate other than Auction Mode Rate, except as otherwise provided in Section 1212 of the Bond Ordinance”. A Standby Bond Purchase Agreement is one of the acceptable financial instruments to provide liquidity for the City’s variable rate bond issues.

Options:

Utilities Board could recommend that Colorado Springs Utilities not present the Ordinance to City Council for review and approval, which would be a violation of the Bond Ordinance.

Recommendations: Utilities Board supports proceeding to City Council at the July 26, 2022 meeting for further consideration of the Ordinance approving the 2012A Standby Bond Purchase Agreement.



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2022 Standby Bond Purchase Agreement Renewals

Tristan Gearhart
Chief Planning and Finance Officer
July 20, 2022

Plan of Finance Overview

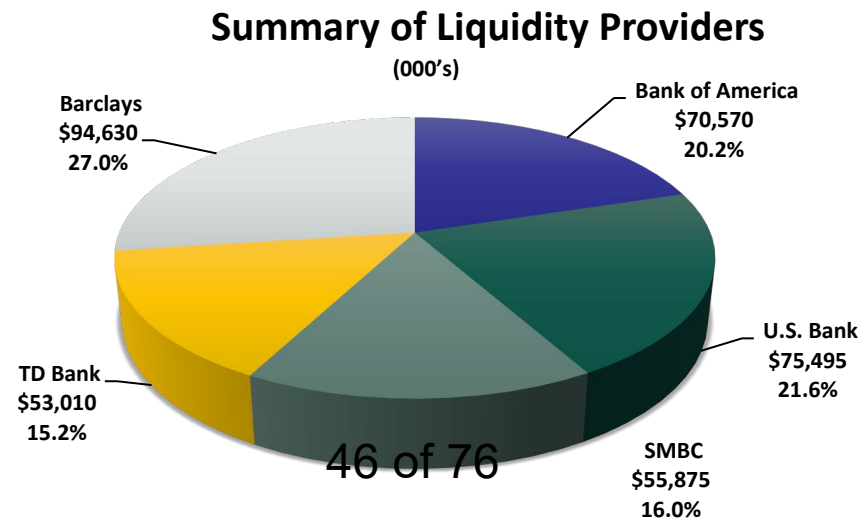
Plan of Finance efforts are dedicated towards four key objectives:

1. Fund the debt-backed portion of The Utilities' upcoming capital plan
2. Manage and optimize The Utilities' current debt portfolio
3. Procure and manage debt-supporting instruments and ancillary services
4. Manage credit rating agency relationships



Background Information

- Variable Rate Demand Bonds (VRDBs) - \$350 million outstanding
 - Long-term bonds whose interest rate resets weekly
 - Remarketers set said rates, and place bonds current holders no longer want with new owners
 - **Liquidity providers temporarily backstop the bonds if no buyers are available**
 - NOTE: All CSU VRDBs have a matched interest rate swap to hedge any movements in rates (synthetically fixed).



Liquidity Renewal/Replacement

- Utilities' 2009C Standby Bond Purchase Agreement ("SBPA") expiring in September 2022
- Cost analysis performed to determine whether to renew or replace
- Result:
 - Renew with Sumitomo Mitsui Banking Corporation ("SMBC") for a 5-year tenor at an annual fee of 35bps (down from 37bps currently)

Liquidity Renewal/Replacement

- Utilities' 2012A Standby Bond Purchase Agreement (“SBPA”) expiring in September 2022
- Cost Analysis performed to determine whether to renew or replace
- Result:
 - Renew with U.S. Bank National Association for a 5-year tenor at an annual fee of 35bps (down from 41bps currently)

Next Steps

- Renewing or replacing these agreements require authorization from City Council
- Below are key dates in this process

SBPA / Liquidity Renewal Actions:	Date:
Renewal Negotiations	May 2022
Update to Finance Committee	July 15
Presentation to Utilities Board	July 20
Ordinance Readings at City Council	July 26 and August 9
Facility Execution Date	September 14 and 16



Colorado Springs Utilities[®]

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Date: July 20, 2022

To: Utilities Board

From: Aram Benyamin

Subject: **2022 Revolving Loan (Line of Credit) Renewal: Ordinance Approving Revolving Loan Agreement**

Desired Action: Discussion

Previous Board Communications/Discussion: Utilities Board Finance Committee reviewed this topic at the July 15, 2022 meeting.

Executive Summary:

The Ordinance addresses approval of the Revolving Loan Agreement for the \$75 million Line of Credit. The current amendment to the Revolving Loan Agreement expires this fall. Springs Utilities has elected to renew the Revolving Loan Agreement with U.S. Bank National Association for a term of three years. They intend to present the Ordinance at the July 26 and Aug. 9 City Council meetings.

Background Information:

Springs Utilities maintains a Line of Credit primarily to provide a source of cash for use only in an emergency liquidity situation. Colorado Springs Utilities has maintained a Line of Credit since 2002 with the most recent Agreement for \$75 million with U.S. Bank National Association. This agreement was executed in 2016 for three years and was subsequently extended in 2019 and amended in 2020 increasing the line from \$60 million to \$75 million. Springs Utilities has elected to renew the agreement with U.S. Bank National Association.

Options:

The City could choose not to renew the Revolving Loan Agreement for a line of credit when it expires in 2022. This alternative would not be advantageous to the City.

Recommendations: The Utilities Board supports proceeding to City Council at the July 26, 2022 meeting for further consideration of the ordinance approving the Revolving Loan Agreement.



Colorado Springs Utilities
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2022 Revolving Loan (Line of Credit) Renewal

Tristan Gearhart
Chief Planning and Finance Officer
July 20, 2022

Plan of Finance Overview

Plan of Finance efforts are dedicated towards four key objectives:

1. Fund the debt-backed portion of The Utilities' upcoming capital plan
2. Manage and optimize The Utilities' current debt portfolio
3. Procure and manage debt-supporting instruments and ancillary services
4. Manage credit rating agency relationships



Line of Credit Renewal/Replacement

- Meant to be used only in emergency situations
- Added benefit bolster liquidity ratings with rating agencies
- Utilities' \$75 million Revolving Loan Agreement for a Line of Credit expires in September 2022
- Cost analysis performed to determine whether to renew or replace
- Result:
 - Renew with U.S. Bank National Association for a 3-year tenor at an annual fee of 25bps for unused balance

Next Steps

- Renewing or replacing this agreement requires authorization from City Council via ordinance
- Below are key dates in this process

SBPA / Liquidity Renewal Actions:	Date:
Renewal Negotiations	May 2022
Update to Finance Committee	July 15
Presentation to Utilities Board	July 20
Ordinance Readings at City Council	July 26 and August 9
Facility Execution Dates	September 9



Colorado Springs Utilities[®]

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Date: July 20, 2022
To: Utilities Board
From: Aram Benyamin, Chief Executive Officer
Subject: **2022 Balanced Scorecard Change**

Desired Action: Approval

Executive Summary: The Industrial Electric-intensive Customer Bill - Nationwide Comparison measure has been on the Colorado Springs Utilities enterprise scorecard since 2017. It was based on the Lincoln Electric System (LES) national electric rate study. However, starting in 2021, this study has been discontinued.

For the discontinued industrial electric-intensive customer bill - nationwide comparison:

- LES compared electric bills for approximately 100 cities in the United States.
- Typical customer usage for the comparison was 400,000 kWh.

Background Information: The Strategic Planning Committee reviewed this information at the June 10, 2022, meeting. The Personnel Committee reviewed this information at the July 15, 2022, meeting.

Recommendation: Remove the Industrial Electric-intensive Customer Bill - Nationwide Comparison measure and assign the 1.0% weight to the regional electric intensive measure, which would bring the total weight of this measure to 3.0%. The Electric-intensive Customer Bill – Front Range Comparison measures approximately the same bill comparison in our local region and there is decreased emphasis on economic development for electric intensive users.

2022 Balanced Scorecard Change

2022 Balanced Scorecard Change

Background

- The Industrial Electric-intensive Customer Bill - Nationwide Comparison measure has been on the Colorado Springs Utilities enterprise scorecard since 2017.
- It was based on the Lincoln Electric System (LES) national electric rate study.
- Starting in 2021, this study has been discontinued.
- The Industrial Electric-intensive Customer Bill - Front Range Comparison looks at roughly the same information for our local area.

2022 Balance Scorecard Change

Recommendation

- Remove the nationwide comparison measure and assign the 1.0% weight to the regional electric intensive measure, which would bring the total weight of this measure to 3.0%.
- The Electric-intensive Customer Bill – Front Range Comparison measures approximately the same bill comparison and there is decreased emphasis on economic development for electric intensive users.

2022 Balanced Scorecard Change

Current:

Strategic Objective	Measure Prefix	Performance Measure	Weight	1 Does Not Meet Expectations	2 Partially Meets Expectations	3 Meets Expectations	4 Exceeds Expectations	5 Far Exceeds Expectations
Keep Bills Competitive	FS1a	1. Residential Electric Service - Front Range Comparison	4.5	>10.0% higher than average	5.1 – 10.0% higher than average	+/- 5.0% of average	5.1 – 10.0% lower than average	>10.0% lower than average
Keep Bills Competitive	FS1b	2. Residential Natural Gas Service - Front Range Comparison	4.5	>10.0% higher than average	5.1 – 10.0% higher than average	+/- 5.0% of average	5.1 – 10.0% lower than average	>10.0% lower than average
Keep Bills Competitive	FS1c	3. Residential Water Service - Front Range Comparison	4.5	>35.0% higher than average	30.1 – 35.0% higher than average	20.1 – 30.0% higher than average	15.0 – 20.0% higher than average	<15.0% higher than average
Keep Bills Competitive	FS1d	4. Residential Wastewater Service - Front Range Comparison	4.5	>10.0% higher than average	5.1 – 10.0% higher than average	+/- 5.0% of average	5.1 – 10.0% lower than average	>10.0% lower than average
Keep Bills Competitive	FS1e	5. Small Comm 4-Service Bill - Front Range Comparison	4.5	>10.0% higher than average	5.1 – 10.0% higher than average	+/- 5.0% of average	5.1 – 10.0% lower than average	>10.0% lower than average
Keep Bills Competitive	FS1f	6. Large Comm/Indust 4-Service Bill - Front Range Comparison	4.5	>10.0% higher than average	5.1 – 10.0% higher than average	+/- 5.0% of average	5.1 – 10.0% lower than average	>10.0% lower than average
Keep Bills Competitive	FS1g	7. Indust Electric-intensive Cust Bill - Front Range Comparison	2.0	<5.0% lower than average	5.0 - 9.9% lower than average	10.0 – 15.0% lower than average	15.1 – 20.0% lower than average	>20.0% lower than average
Keep Bills Competitive	FS1h	8. Indust Electric-intensive Cust Bill - Nationwide Comparison	1.0	<5.0% lower than average	5.0 - 9.9% lower than average	10.0 – 15.0% lower than average	15.1 – 20.0% lower than average	>20.0% lower than average
Build Financial Strength	FS2a	9. Days Cash on Hand - Current Year	1.0	<140 days	140 - 150 days	151 - 160 days	161 - 180 days	>180 days
Build Financial Strength	FS2b	10. Days Cash on Hand - 3 Year Average	1.0	<140 days	140 - 150 days	151 - 160 days	161 - 180 days	>180 days
Build Financial Strength	FS2c	11. Adjusted Debt Service Coverage - Current year	1.0	< 1.75 times	1.75 - 1.79 times	1.80 - 1.90 times	1.91-1.95 times	> 1.95 times
Build Financial Strength	FS2d	12. Adjusted Debt Service Coverage - 3 Year Average	1.0	< 1.75 times	1.75 - 1.79 times	1.80 - 1.90 times	1.91-1.95 times	> 1.95 times
Build Financial Strength	FS2e	13. Debt Ratio - Current Year	1.0	>56.3%	56.3 - 54.3%	54.2 - 50.2%	50.1 - 48.1%	<48.1%
Build Financial Strength	FS2f	14. Debt Ratio - 3 Year Average	1.0	>56.3%	56.3 - 54.3%	54.2 - 50.2%	50.1 - 48.1%	<48.1%
Build Financial Strength	FS2g	15. Bond Rating	4.0	Any 2 of the 3 ratings from the agencies less than AA (S&P)/Aa2 (Moody's)/AA (Fitch)	Any 1 of the 3 ratings from the agencies less than AA (S&P)/Aa2 (Moody's)/AA (Fitch)	Standard & Poors AA Moody's Investors Service: Aa2 Fitch Ratings : AA	Any 1 of the 3 ratings from the agencies greater than AA (S&P)/Aa2 (Moody's)/AA (Fitch)	Any 2 of the 3 ratings from the agencies greater than AA (S&P)/Aa2 (Moody's)/AA (Fitch)

2022 Balanced Scorecard Change

Proposed:

Strategic Objective	Measure Prefix	Performance Measure	Weight	1 Does Not Meet Expectations	2 Partially Meets Expectations	3 Meets Expectations	4 Exceeds Expectations	5 Far Exceeds Expectations
Keep Bills Competitive	FS1a	1. Residential Electric Service - Front Range Comparison	4.5	>10.0% higher than average	5.1 – 10.0% higher than average	+/- 5.0% of average	5.1 – 10.0% lower than average	>10.0% lower than average
Keep Bills Competitive	FS1b	2. Residential Natural Gas Service - Front Range Comparison	4.5	>10.0% higher than average	5.1 – 10.0% higher than average	+/- 5.0% of average	5.1 – 10.0% lower than average	>10.0% lower than average
Keep Bills Competitive	FS1c	3. Residential Water Service - Front Range Comparison	4.5	>35.0% higher than average	30.1 – 35.0% higher than average	20.1 – 30.0% higher than average	15.0 – 20.0% higher than average	<15.0% higher than average
Keep Bills Competitive	FS1d	4. Residential Wastewater Service - Front Range Comparison	4.5	>10.0% higher than average	5.1 – 10.0% higher than average	+/- 5.0% of average	5.1 – 10.0% lower than average	>10.0% lower than average
Keep Bills Competitive	FS1e	5. Small Comm 4-Service Bill - Front Range Comparison	4.5	>10.0% higher than average	5.1 – 10.0% higher than average	+/- 5.0% of average	5.1 – 10.0% lower than average	>10.0% lower than average
Keep Bills Competitive	FS1f	6. Large Comm/Indust 4-Service Bill - Front Range Comparison	4.5	>10.0% higher than average	5.1 – 10.0% higher than average	+/- 5.0% of average	5.1 – 10.0% lower than average	>10.0% lower than average
Keep Bills Competitive	FS1g	7. Indust Electric-intensive Cust Bill - Front Range Comparison	3.0	<5.0% lower than average	5.0 - 9.9% lower than average	10.0 – 15.0% lower than average	15.1 – 20.0% lower than average	>20.0% lower than average
Keep Bills Competitive	FS1h	8. Indust Electric-intensive Cust Bill – Nationwide Comparison	1.0	<5.0% lower than average	5.0 – 9.9% lower than average	10.0 – 15.0% lower than average	15.1 – 20.0% lower than average	>20.0% lower than average
Build Financial Strength	FS2a	9. Days Cash on Hand - Current Year	1.0	<140 days	140 - 150 days	151 - 160 days	161 - 180 days	>180 days
Build Financial Strength	FS2b	10. Days Cash on Hand - 3 Year Average	1.0	<140 days	140 - 150 days	151 - 160 days	161 - 180 days	>180 days
Build Financial Strength	FS2c	11. Adjusted Debt Service Coverage - Current year	1.0	< 1.75 times	1.75 - 1.79 times	1.80 - 1.90 times	1.91-1.95 times	> 1.95 times
Build Financial Strength	FS2d	12. Adjusted Debt Service Coverage - 3 Year Average	1.0	< 1.75 times	1.75 - 1.79 times	1.80 - 1.90 times	1.91-1.95 times	> 1.95 times
Build Financial Strength	FS2e	13. Debt Ratio - Current Year	1.0	>56.3%	56.3 - 54.3%	54.2 - 50.2%	50.1 - 48.1%	<48.1%
Build Financial Strength	FS2f	14. Debt Ratio - 3 Year Average	1.0	>56.3%	56.3 - 54.3%	54.2 - 50.2%	50.1 - 48.1%	<48.1%
Build Financial Strength	FS2g	15. Bond Rating	4.0	Any 2 of the 3 ratings from the agencies less than AA (S&P)/Aa2 (Moody's)/AA (Fitch)	Any 1 of the 3 ratings from the agencies less than AA (S&P)/Aa2 (Moody's)/AA (Fitch)	Standard & Poors AA Moody's Investors Service: Aa2 Fitch Ratings : AA	Any 1 of the 3 ratings from the agencies greater than AA (S&P)/Aa2 (Moody's)/AA (Fitch)	Any 2 of the 3 ratings from the agencies greater than AA (S&P)/Aa2 (Moody's)/AA (Fitch)



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Date: July 20, 2022

To: Utilities Board

From: Aram Benyamin, Chief Executive Officer

Subject: **Utilities Policy Advisory Committee (UPAC) Water Acquisition Funding Assignment Recommendation**

Desired Action: Approval

Previous Board Communications/Discussion: The Utilities Board approved the UPAC Water Acquisition Funding Assignment at the Dec. 15, 2021 Utilities Board meeting. Assignment updates were provided at the March 10 and June 10, 2022 Utilities Board Strategic Planning Committee meetings and the May 13, 2022 Finance Committee meeting. UPAC presented its recommendation at the June 15, 2022 Utilities Board meeting. Draft Utilities Board Governance Policy updates were presented at the July 15 Finance Committee meeting.

Executive Summary: The purpose of the Water Acquisition Funding Assignment is to evaluate options for funding the acquisition of additional water resources to help increase water system yield in a timely and proactive manner to meet water system reliability and level of service goals. At its June 15, 2022 meeting, the Utilities Board accepted the UPAC recommendation to advise staff to draft Utilities Board Governance Policy updates creating a framework for establishing a dedicated Water Acquisition Account.

Background Information: UPAC is a fact-finding body whose mission is to review, analyze and, when appropriate, provide recommendations to the Utilities Board regarding the various overall strategic operating and financial policies for Colorado Springs Utilities.

Options: N/A

Recommendations: Approve proposed Utilities Board Governance Policy updates.



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Utilities Policy Advisory Committee (UPAC) Water Acquisition Funding Assignment Recommendation

July 20, 2022

Agenda

1. June 15 Utilities Board Presentation Review
2. Proposed Utilities Board Governance Policy Updates
3. Next Steps

June Utilities Board Presentation Review

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

1. Immediate establishment of a dedicated fund in associated Board Instructions and Guidelines.
2. Set a fund value of \$40 million as a targeted baseline.
3. Set scope to include water rights and infrastructure that increase water system yield.
4. Resource fund using revenue from Water Resource Fees, Water Reserve Account, revenue from water rates and augmented with debt as needed.
5. Proactively use the fund in a timely and opportunistic manner.

Utilities Board Governance Policy Updates

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: <u>July 20, 2022</u>
Monitoring Type:	Internal	Revision Number: <u>1</u>
Monitoring Frequency:	Annual	
Guidelines:	Water Reserve Account (G-8) <u>Water Acquisition Account (G-13)</u>	

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. Direct that a water acquisition account is established and maintained to fund expenditures that enable timely acquisitions and participation in supply projects that increase raw water system yield.
- ~~5.6.~~ Use financial methods that share the cost of utility infrastructure between current and future customers.
- ~~6.7.~~ Use risk-based modeling and a defined enterprise procedure to prioritize operations and maintenance infrastructure.

GUIDELINES			
Guideline:	Water Reserve (G-8)	Date of Adoption:	May 16, 2018
Applicable Policy Title (Number):	Financial Planning and Budgeting (I-3)	Revision Date:	<u>July 20, 2022</u>
		Revision Number:	<u>1</u>

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~~One hundred percent (~~50~~100%) of actual revenue greater than budget will be allocated ~~monthly~~annually 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~~fifty percent (~~33~~50%) of the water reserve account, as of January 1 of the current fiscal year, will be used to supplement current year budgeted expenditures.
6. Funds in excess of \$10 million in the water reserve account may be transferred to the water acquisition account.

GUIDELINES

<u>Guideline:</u>	<u>Water Acquisition Account (G-13)</u>	<u>Date of Adoption:</u> <u>July 20, 2022</u>
<u>Applicable Policy Title (Number):</u>	<u>Financial Planning and Budgeting (I-3)</u>	<u>Revision Date:</u>
		<u>Revision Number:</u>

Water Acquisition Account

1. A water acquisition account is established and maintained to fund expenditures that enable timely acquisitions and participation in supply projects that increase raw water system yield.
2. The water acquisition account will be used to partially or completely fund acquisitions and projects that fulfill long range water supply and resiliency goals and levels of service.
3. The water acquisition account will be funded by the Water Resource Fee and potential transfers from the water reserve account. The water acquisition account may also be supported by other sources of water revenue and/or sources of debt in accordance with the Annual Operating and Financial Plan or as directed by Utilities Board.
4. An account balance of at least \$40 million will be targeted through a combination of cash and access to other sources of liquidity.
5. Colorado Springs Utilities will periodically evaluate, in light of approved enterprise financial metrics: (a) whether the sources of funding of the water acquisition account are sufficient to maintain the water acquisition account balance target and (b) whether the water acquisition account balance target is sufficient to fulfill long range water supply and resiliency goals and levels of service.

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 July 20, 2022
Monitoring Type:	Internal	Revision Number:	23
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~~ in a manner that responsibly balances 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. Utilize Colorado Springs Utilities' dedicated water acquisition account to fund expenditures that enable timely acquisitions and participation in supply projects that increase raw water system yield.
- 4.5. Plan for and implement water use efficiency and demand

management measures to support and enhance water system reliability.

- ~~5.6.~~ 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.
- ~~6.7.~~ Not develop or allow development of controlled ground water in the Dawson Aquifer in Colorado Springs Utilities' exclusive water service territory.
- ~~7.8.~~ 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.
- ~~8.9.~~ 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.

Next Steps

July 15 Finance Committee

July 20 Utilities Board Meeting

- Draft policy language and Board Instruction changes (provided by staff)





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