

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.