

MINUTES

Colorado Springs Utilities Board Meeting Wednesday, Aug. 17, 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, Stephanie Fortune, Nancy Henjum, Tom Strand and Yolanda Avila

Staff members present via Microsoft Teams or Blue River Conference Room: Aram Benyamin, Tristan Gearhart, Mike Francolino, Lisa Barbato, Scott Shirola, John Hunter, Al Wells, Andie Buhl, Natalie Watts, Kalsoum Abbasi, Erin Duran, Chris Welch, Jason Rigler and Michael Hemesath

City of Colorado Springs staff members present via Microsoft Teams or Blue River Conference Room: Bethany Burgess, Alex Ryden, Chris Bidlack, Jeff Greene, Jackie Rowland, Ben Bolinger, Sally Barber, and Victoria Classen

Citizens present via Microsoft Teams or Blue River Conference Room: Reverend Jonathan Kern and Mary Shinn

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

Reverend Jonathan Kern with Immanuel Lutheran Church delivered the invocation and Chair Williams led the Pledge of Allegiance.

3. Consent Calendar

3a. Approval of Minutes: July 20, 2022

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

4. Recognition

National Preparedness Month

Mr. Aram Benyamin, Chief Executive Officer, introduced Ms. Erin Duran, Emergency Management Program Manager, and Ms. Tobi Blanchard, Senior Emergency Management Specialist, and thanked them for their hard work and commitment to the organization. He said September is National Preparedness Month and the fourth week in August will be Emergency Preparedness Week at Springs Utilities.

Ms. Duran appreciated the recognition and explained how she and Ms. Blanchard are leading trainings for staff so the organization can better respond to emergencies.

Board Member Fortune also thanked Ms. Duran and Ms. Blanchard for their hard work.

5. Customer Comments

None

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.

- I-2 Financial Condition and Activities (to include Contracts Over \$500K**) G-7 – Q2
- I-4 Risk Management
- I-8 Asset Protection
- I-14 Enterprise Innovation
- E-2 CEO Responsibilities
 - ECA/GCA Monitoring
 - Water Outlook

Ms. Kalsoum Abbasi, Water Conveyance Planning Supervisor, provided an overview of the U.S. Drought Monitor map as of Aug. 9, 2022, which shows moderate to severe drought conditions across much of Colorado, but with continued improvement in portions of central and southern Colorado. She said Colorado's western slope watersheds, the source of over half of Colorado Springs' water supply, primarily shows moderate drought conditions.

Ms. Abbasi explained a 2022 actual consumption graph that shows the effect of variable weather patterns on water use. She said the total year-to-date consumption was 14.5 billion gallons; and the three-year average through Aug. 14 is 14.5 billion gallons. Ms. Abbasi also said the Colorado Springs' system-wide storage is about 205,500 acre-feet, or 79.4% of capacity. She explained how this is above the shorter-term (2001-2021) average of 76.3% for this time of year.

Ms. Abbasi provided updates about the Colorado River. She said on Aug. 16, 2022, the U.S. Bureau of Reclamation (USBR) announced cutbacks to Nevada, Arizona, and Mexico to follow the protocol in the Interim Guidelines that have been used to manage Lake Powell and Lake Mead releases since 2007. She said these cuts are based on the projected level of Lake Mead on Jan. 1, 2023. Ms. Abbasi said the release from Lake Powell is expected to be reduced to 7 million acre-feet, again based on its projected level on Jan. 1. She said there were no additional cutbacks mandated and the total cuts do not equal the 2-4 million acre-feet that USBR had requested the states find back in June. She further explained how the agency stated that they will

continue to assess the need for additional responsive actions or changes to operations and this could include additional releases from upstream reservoirs to boost storage in Lake Powell. Ms. Abbasi said staff is continuing to monitor the situation to see if any further actions requiring a response from Springs Utilities develops in the near term, and are continuing contingency planning to diversify the water supply and boost conservation by customers.

7. Items Called Off Consent Calendar

None

8. Proposed Changes to Utilities Policy Advisory Committee (UPAC) Bylaws – motion and second

Ms. Natalie Watts, Strategic Planning and Governance Manager, explained how the bylaws state that any changes to them must be approved by the Utilities Board. She reviewed suggested changes to the UPAC bylaws.

Board Member Strand moved approval of the UPAC bylaw changes and Board Member Helms seconded the motion. Proposed changes to the UPAC bylaws were unanimously approved.

9. Proposed Changes to Utilities Board Bylaws – motion and second

Ms. Watts explained how the bylaws state that any changes to them must be approved by the Utilities Board. She reviewed suggested changes to the Utilities Board bylaws.

Board Member Strand moved approval of the Utilities Board bylaws and Board Member Helms seconded the motion. Proposed changes to the Utilities Board bylaws were unanimously approved.

10. 2023 Budget and Rate Case

2023 Preliminary Budget

Mr. John Hunter, Financial Planning and Risk Manager, said the proposed 2023 budget consists of financial metrics, rate adjustments and proposed expenditures – all of which need to be responsibly balanced. He reviewed the 2023 funding appropriations and explained the budget summary by line item:

- Capital Projects (26.4% of proposed appropriation)
 - Debt funding – 41.7%
 - Largest capital portfolio expenditures:
 - Operational Fiber Network: \$78.8 million
 - Sustainable Energy Plan (SEP): \$31.1 million
 - Advanced Metering Infrastructure (AMI): \$29.1 million
 - Central Substation: \$15.2 million
 - New Generation: \$12.8 million

Mr. Hunter explained that the increased cost scenario represents one standard deviation (68%) in fuel prices for 2023 and given the volatility in the current fuel market added to the low forecast for July, this helps cover the need for a supplemental appropriation. He also reviewed the forecasted gas prices last heating season.

Mr. Hunter reviewed a chart that demonstrates an example of natural gas price volatility. He said November 2021 through March 2022 heating season, the forecasted natural gas prices increased with each monthly forecast update.

- Operations & Maintenance (O&M) – Fuel (33.4% of appropriation)
 - Key drivers:
 - Increasing natural gas and coal costs
 - Generation Mix (Coal/Gas/Purchase Power)
- Operations & Maintenance (O&M) – Non-Fuel (24.3% of proposed appropriation)
 - Key drivers:
 - Labor & Benefits
 - Plant Outages & Maintenance
 - Fort Carson Intergovernmental Agreement
- Debt Service (13.5% of appropriation)
 - Key drivers:
 - 2021 new bond issue \$230.0 million, \$150.0 million in 2022
 - Principal and Interest (P&I) increase of existing debt
 - 53.1% bond funded capital program in 2021, 32.8% in 2022
- Total Labor and Benefits (including O&M and Capital)
 - 2023 proposed budget: \$274,277
 - 2022 approved budget: \$249,302
- Regular Base Pay (including O&M and Capital)
 - Key Drivers:
 - Salary Structure Adjustments - \$11.9 million
 - Pay Adjustments - \$3.4 million
 - New Positions - \$2.5 million
 - Fort Carson Intergovernmental Agreement - \$1.3 million

2023 Preliminary Rate Case Review

Mr. Scott Shirola, Pricing and Rates Manager, said the 2023 rate case filing is based on 2023 Sources and Uses Budget Ordinances, and explained the proposed changes for water and wastewater services:

- Water Service

- Rate drivers:
 - Inflationary increases in labor, benefits and system maintenance
 - Funding infrastructure investments
 - Advanced Metering Infrastructure (AMI) and Airport Highline projects
 - Water debt additions
- Total Water proposed revenue from rates is \$219.8 million
 - \$10.4 million higher than revenue under current rates
- Overall system increase - 5.0%

Mr. Shirola gave a cost analysis and rate design summary for water service by rate class. He reviewed each rate class and the percent revenue change. He also said the proposed revenue from rates is calculated using the rate design completed to collect the overall net revenue requirement. Mr. Shirola said the residential rates are designed to be consistent with rate design guidelines in support of water conservation, affordability and revenue stability. He also reviewed a sample water bill and additional water rate changes.

- Wastewater Service
 - Rate drivers:
 - Inflationary increases in labor, benefits and system maintenance
 - Funding infrastructure investments
 - Clear Springs Ranch Biogas and N. Monument Creek Interceptor projects
 - Total Wastewater proposed revenue from rates is \$73.6 million
 - \$2.8 million higher than revenue under current rates
 - Overall system increase - 4.0%

Mr. Shirola gave a cost analysis and rate design summary for wastewater service by rate class. He reviewed each rate class and the percent revenue change. He also said the proposed revenue from rates is calculated using the rate design completed to collect the overall net revenue requirement.

Mr. Shirola reviewed a sample total service bill with a proposed effective date of Jan. 1, 2023. He also explained changes to electric rate schedules – rate design and other tariffs:

Electric Rate Schedules – Rate Design

- Residential Service Time-of-Day (TOD) Option
 - Modification to on-peak and off-peak period definitions
 - On-Peak Periods: 4:00 p.m. – 8:00 p.m. Monday through Friday
 - Modification to seasonal definitions
 - Summer Period: June through September

- Adjustment to On-Peak and Off-Peak Access and Facilities Charges
- Commercial Service – General TOD Option
 - Adjustment to On-Peak and Off-Peak Access and Facilities Charges
- Green Power Service
 - Increase program availability from 7 million kWh per month to 12 million kWh per month
 - Modify pricing to reflect firm nature of service and transfer of Renewable Energy Credit (REC)
- Industrial Service - Interruptible
 - Addition of new interruptible rate schedule
 - Available to customers whose maximum demand exceeds 500 kW
 - Customers are subject to Springs Utilities' direct load control without notice
 - Interruptible credit based on Colorado Springs Utilities' avoided capacity cost
- Electric Vehicle (EV) Public Charging – TOD
 - Addition of new EV public charging rate schedule
 - On-Peak and Off-Peak TOD pricing for two levels of service:
 - Level II
 - Direct Current Fast Charging (DCFC)
 - Idle fees apply starting 15 minutes after charge is complete

Other Tariff Changes

- Electric Rate Schedules
 - Industrial Service – Large Power and Light (ELG)
 - Remove reference to ELG Supply Credit
 - Community Solar Garden Bill Credit Pilot Program
 - Broaden the availability currently limited to residential customers to include non-profit organizations
- Natural Gas Rate Schedules
 - Industrial Service and Contract Service – Military Interruptible
 - Addition of provisions allowing waiver of Overrun Charges
 - Removal of exemption from backup fuel supply for warm weather process loads
 - Lengthen customer termination notice from 30 to 60 days
- Water Rate Schedules
 - Contract Service – Regional
 - Addition of Standby Service for customers requiring temporary service
- Electric, Natural Gas, Water and Wastewater Rate Schedules
 - Rate Option Contracts
 - Modifications to standardize contract expiration and renewal dates
 - Other administrative corrections
- Utilities Rules and Regulations (URR)

- Account Access
 - Addition of provisions allowing Springs Utilities to provide information to authorized agencies
- Water and Wastewater Oversize Recovery
 - Modification of capacity determinations and elimination of Large Main Extension Fund 25% upfront requirement
- Water Regional System Availability Fee (WRSAF)
 - Addition of Standby Service WRSAF
- Open Access Transmission Tariff (OATT)
 - Large Generator Interconnection Agreement and Procedures
 - Elimination of credit provisions related to network upgrades

Mr. Shirola concluded with next steps, and the Utilities Board unanimously agreed to put this item on Consent at City Council.

11. 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), and (e) and Utilities Board Bylaw Rules 10(c)(1), (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 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 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 3:27 p.m. and entered Executive Session at 3:40 p.m.

The Utilities Board ended Executive Session at 3:49 p.m.

12. Board Member Updates

Board Member Donelson thanked Springs Utilities employees for their excellent service over the last few months.

Board Member Fortune praised staff for coordinating the Utilities Board tour of Clear Springs Ranch.

Board Member Strand thanked local restaurants for donating profits to El Paso County Deputy Andrew Peery's family. He also reminded and encouraged all Board Members to attend the City Planning Commission meeting on Friday, Aug. 19, 2022.

Board Member Henjum thanked staff for coordinating and facilitating the Utilities Board workshop: Future Utilities Infrastructure Build Out Plans and Funding Sources. She also thanked Springs Utilities staff for streamlining communication processes.

Board Member Helms expressed concerns about the potential for ratepayers to push back once rates increase in the fall.

Chair Williams thanked everyone from both Springs Utilities and the City who helped with the Utilities Board workshop last week.

13. Adjournment

The meeting adjourned at 3:52 p.m.