

**Minutes
Finance Committee
Colorado Springs Utilities Board
November 15, 2022**

Committee members present via Microsoft Teams or Rosemont Conference Room:
Committee Chair Nancy Henjum, Bill Murray, Dave Donelson and Tom Strand

Staff members present via Microsoft Teams or Rosemont Conference Room: Tristan Gearhart, Renee Adams, Natalie Lovell, Scott Shirola, Adam Hegstrom, Andie Buhl, Natalie Watts, Rick Johnson, Ian Gavin, Andy Funchess, Alex Baird, Al Wells, Angelia Mora, Danielle Nieves, Jennifer Franceschelli, Lindsay Riley, Matthew Thieme, Tara Kelley, Joe Awad, Natalie Eckhart, Somer Mese, John Hunter, JerrieAnn LaLond and Mike Francolino

City of Colorado Springs staff members present via Microsoft Teams or Rosemont Conference Room: Chris Bidlack and Sally Barber

Call to Order

Committee Chair Nancy Henjum called the meeting to order at 9:00 a.m. and read a statement regarding the Colorado Open Meetings Law and the City Charter and noted that public comment would not be a part of the meeting.

Review Minutes

Minutes from the Oct. 14, 2022 Finance Committee meeting were reviewed and approved for posting.

I-2 Financial Condition and Activities (to include Contracts Over \$500K) G-7 – Q3**

Mr. Tristan Gearhart, Chief Planning and Finance Officer, briefly reviewed the I-2 Financial Condition and Activities compliance report. He reported that actual fuel costs are lower than expected. However, fuel expenses are projected to be \$186 million over budget. An increase in the Electric Cost Adjustment (ECA) and Gas Cost Adjustments (GCA) will allow revenue to match with collections. Capital expenses are 10% over the approved budget, primarily due to scope changes with the natural gas generators project and new water rights acquisitions.

Finalize Finance Committee 2022 Accomplishments and 2023 Work Plan

Mr. Gearhart review the Finance Committee accomplishments for 2022 and the focus areas which included Governmental Accounting Standards Board updates, rate modernization, the 2023 scorecard, risk management roles and responsibilities, natural gas hedging policy update and Open Access Transmission Tariff (OATT). The focus areas in 2023 will include strategic rate design, Governmental Accounting Standards Board updates, rate modernization, 2023 scorecard, risk management roles and responsibilities, and natural gas hedging.

Electric Cost Adjustment/Gas Cost Adjustment Monitoring Update

Mr. Scott Shirola, Pricing and Rate Manager, introduced the natural gas prices as of Nov. 1, 2022, and how the forecasted prices dropped, which significantly eases the next scheduled change that will go into effect in January.

Mr. Alex Baird, Manager of Portfolio Management, provided information on the production for Price Line Exports. The U.S. is exporting more natural gas than before and another wave of export facilities will come online in 2025. With this change, risk tolerance will need to be addressed for natural gas hedging and how to manage the ranges in the market. Using assets to mitigate volatility of the gas market will help Colorado Springs Utilities manage better in the market. Mr. Baird also informed the committee that there is sufficient storage of diesel fuel with the contracted firm that we can call on. Diesel is used primarily for emergency back-up and very little is used on a day-to-day basis.

Mr. Shirola reported ECA and GCA adjustments for this quarter will be presented to the Utilities Board on Nov. 16, 2022 and then presented to City Council on Nov. 22, 2022. The decrease in the quarter's ECA and GCA result in a cost reduction close to \$35 per household compared to the winter of 2021. Comparability is a factor and the difference in cost from last winter is meaningful to our customers. The next scheduled adjustment for gas and electric will be effective in April 2023.

Energy Business and Markets Integration Model Energy Markets and Transmission

Mr. Baird addressed the energy and power markets, reviewing Colorado Springs Utilities organized market path and timeline. In 2020, we joined Xcel Joint Dispatch energy imbalance market. In 2021, we announced our intent to move to the Southwest Power Pool's (SPP) Western Energy Imbalance Service (WEIS) market. In 2022 we are participating in the SPP WEIS and exploring additional markets. We are looking into the Regional Transmission Organization (RTO) that monitors and centralizes operations of reliability and commercial activities. There are several other markets we are considering as well, so a decision will need to be made on which market we join.

With the market size of a RTO, it will help reduce fees and promote resource adequacy. As a centralized market with one entity as the overseer, equity is ensured in that market. To achieve this goal of entering the RTO market, there are several variables that need to be achieved and balanced, so we are not joining the market too soon. SPP has drafted a commitment agreement that can be signed in early 2023. However, several other entities need to join the market before we can, so we will continue to monitor interest in joining each market we are considering.

By Exception:

1. Financial Monitoring Update
2. Enterprise Risk Management Report
3. Year-to-Date Water Revenue
4. Financial Forecast Dashboard

There were no comments.

Plan for Future Meeting: Friday, Jan. 13, 2023

The Finance Committee reviewed discussion topics for the next meeting. The agenda will address the Southwest Power Pool. The Finance Committee agreed to cancel the December meeting.

Adjournment: The meeting adjourned at 10:41 a.m.