

**Minutes
Finance Committee
Colorado Springs Utilities Board
March 18, 2024**

Committee members present via Microsoft Teams or Rosemont Conference Room:
Committee Chair Nancy Henjum, Lynette Crow-Iverson and Dave Donelson

Board Members present via Microsoft Teams: Michelle Talarico

Staff members present via Microsoft Teams or Rosemont Conference Room:
Renee Adams, Tristan Gearhart, Travas Deal, Scott Shirola, Natalie Lovell, John Hunter, Adam Hegstrom, Somer Mese, Alex Baird, Marcela Espinoza, Natalie Watts and Kim Girling

City of Colorado Springs staff members present via Microsoft Teams or Rosemont Conference Room:
Renee Congdon, Sally, Chris Bidlack and Bob Jagger

1. Call to Order

Committee Chair Nancy Henjum called the meeting to order at 1:30 p.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.

2. Review Minutes

Minutes from the Jan. 12, 2023, Finance Committee meeting were reviewed and accepted for posting.

3. Compliance Reports:

- I-4 Risk Management (Annual City Auditor Report)
- I-8 Asset Protection (F) (Semi-annual)

The committee discussed the content of both compliance reports. No questions were asked.

4. Updated No Fault Wastewater Policy

Ms. Somer Mese, Chief Operations Officer, provided an update on recent proposed changes to the Utilities' No Fault Wastewater Policy due to a recent no-fault incident. Ms. Mese said due to city growth, maintenance windows need to be improved and regular upkeep needs to be provided on wastewater service lines. She described the updated policy, which would include a cap on the dollar amount Springs Utilities would pay and explained that it will better define parameters for future instances, such as the time in which the customer has discovered the

incident. Committee Member Lynette Crow-Iverson advised staff to research different insurance options when it comes to customers. Staff clarified the policy should be taken as a public assistance program and would only be used in circumstances where Springs Utilities is not at fault. Ms. Mese discussed next steps included providing a timeline on instructions to the Utilities Board, educating customers about their service lines, rebates and insurance options. Chair Henjum gave staff approval on the direction of the updated policy.

5. Electric Rate Design Strategy Time-of-Day Rates

Mr. Scott Shirola, Pricing and Rates Manager, started the presentation by discussing how Time-of-Day (TOD) rates fit in Springs Utilities' strategic objectives and explained one of the reasons for rate design changes is due to recent changes in state regulations regarding greenhouse gas emissions. This has caused a shift in how Colorado Springs Utilities' needs to deliver services to customers going forward. TOD rates are a type of electricity pricing structure where energy rates vary based on the time of day, day of the week and/or season. He explained the benefits including giving customers more control, fair rate structure, opportunity for bill savings, reduced peak demand and cost and support sustainable energy transition.

Committee Member Crow-Iverson asked if Springs Utilities is looking at only residential or if it will be selective in starting with commercial customers. Mr. Shirola clarified large commercial customers are already on TOD rates and this project is to make TOD rates standard for both residential and commercial customers.

Mr. Shirola gave an overview on electric peak demands for both the summer and winter seasons explaining peak periods for residential customers is expected to be from 4 p.m. to 8 p.m. Monday through Friday, excluding defined holidays and weekends. The committee discussed the impact TOD rates would have on low-income households as well as the impact on different demographics. Mr. Shirola stated that with TOD rates roll out, there will be different programs available to customers. Some examples include rebates for using smart thermostats and credits available on customers' bills for adjusting their thermostats during different time frames. He stated with TOD rates, about 50% of customers will pay less and 50% will pay more and the difference in customers' energy bills will average about \$4.

Mr. Shirola summarized the pathway of the new rate design was initially started in 2019. Springs Utilities is currently in the process of implementation and developing customer outreach and the timeline has the project taking effect mid to end of 2025. Chair Henjum asked if reducing peak demand and cost and supporting sustainable energy transition are the primary driving factors for TOD rate design for Colorado Springs Utilities. Mr. Travas Deal, Chief Executive Officer, confirmed and said rate recovery is also a driving factor.

The recommended rate design includes three different options for both residential and commercial customers to pick from based on their needs. Mr. Shirola provided an overview of the timeline which included with rate filing being later this year and

stated this topic will be brought again to Finance Committee in May 2024 with a possibility for a joint Finance Committee and Strategic Planning Committee meeting.

The meetings will discuss TOD rates more in depth. Chair Henjum asked if there are any unforeseen challenges that may occur with the given timeline. Mr. Shirola said the team is confident that the roll out for the project will happen sometime in 2025.

6. Fuel Related Rate Adjustments

Mr. Shirola provided a background of the different types of fuel-related costs. He explained energy costs, Electric Cost Adjustment (ECA) and Gas Cost Adjustment (GCA), are monitored monthly/adjusted quarterly and vary depending on energy price fluctuations. Capacity costs, Electric Capacity Charge (ECC) and Gas Capacity Charge (GCC), are reviewed/adjusted annually and primarily fixed based on contracted or reserved transmission capacity. Mr. Shirola then gave an overview of the natural gas prices as of March 1, 2024. Mr. Alex Baird, Fuels and Purchasing Power Manager, explained the lower cost in December 2023 and February 2024 were due to weather being warmer than historical months.

Mr. Shirola reported the primary drivers of the cost adjustment was a decrease in the forecasted natural gas expense. He discussed the projections for ECA and GCA as of March 2024. Committee Chair Henjum asked if the committee would be voting on the item. Mr. Shirola said the item would be going to the Utilities Board meeting on March 20 and it would be going to City Council March 26 for approval.

The capacity charge adjustments primary drivers for ECC and GCC were reviewed and decreased adjustments went into effect July 1, 2023. Committee Chair Henjum asked for clarification on how capacity adjustments and base rates work. Mr. Shirola explained on a customer's electric and gas bill, ECC and GCC, are displayed as capacity charges. The charges are primarily used to recover the costs of the Kinder Morgan Pipeline to transport gas for the city that Springs Utilities purchases. Committee Chair Henjum then asked if Colorado Springs Utilities could adjust these charges throughout the year. Staff clarified, based on city code, changes are passed through a resolution.

The ECC and GCC projections for March 2024 were presented to the committee. Mr. Shirola went over a sample resident bill to discuss the changes for the decrease of GCA and ECA and the increase of GCC and ECC. The proposed effect would result in an overall decrease of about \$1.53 on a customer's bill. The presentation concluded by discussing demand side management resources and customer service resources available to customers.

7. Financial Monitoring Update

Ms. Natalie Lovell, Accounting Manager, gave an overview of March's total revenues and expenses. She explained as of February 2024, Springs Utilities is slightly under due to warmer weather causing reduced revenue and expenses.

8. Electric and Natural Gas System Extension Cost Recovery

Mr. Shirola reviewed the background for system extensions and stated Utilities Rules and Regulations (URR) is what establishes the System Extension Policy. Through research, Springs Utilities has identified opportunities to improve recovery of direct cost, greater consistency between services and improve the ease of doing business. He explained the current system extension cost recovery for electric, natural gas, water and wastewater. Mr. Shirola further reviewed the current electric and gas extension policies have a partial cost recovery.

Mr. Shirola recommended an alternate system extension cost recovery where Colorado Springs Utilities would have 100% cost recovery of new service lines and an implementation of alternative fees that could be phased in over time. The committee went over next steps for the remainder of 2024, including industry outreach to prepare for URR revisions for the 2025 Rate Case.

9. Plan for Future Meeting: Monday, April 15, 2024

The Committee reviewed the agenda for the upcoming meeting in April.

10. Adjournment

The meeting adjourned at 3:28 p.m.