

Minutes
Monday, June 17, 2024
1:30 p.m. to 3:30 p.m.

Committee members present via Microsoft Teams or Rosemont Conference Room:

Chair Nancy Henjum and Dave Donelson

Board Members present via Microsoft Teams:

Randy Helms and Michelle Talarico

Staff members present via Microsoft Teams or Rosemont Conference Room:

Travas Deal, Renee Adams, Lisa Barbato, Mike Francolino, Tristan Gearhart, Somer Mese, Jay Anderson, Kerry Baugh, Paul Bejadhhar, Thad Clardy, Andrew Colosimo, April Speake, Marcela Espinoza, Paul Goslin, Jason Green, Lynn, Guido, Kelly Guisinger, Mallorie Hansen, Adam Hegstrom, John Hunter, Mike Maksimowicz, Sarah Matherne, Nicole Means, Angelia Mora, Natalie Lovell, Jared Miller, Danielle Nieves, Abigail Ortega, Robert Perrott, Aishia Rogers, Jeff Rowbotham, Bethany Schoemer, Rodger Scriven, Scott Shirola, Leslie Smith, Debbie Snyder, Matthew Thieme, Tricia Timmons-Malsam, Amy Trinidad, Al Wells, Kyle Wilson and Carlos Wright

City of Colorado Springs staff members present via Microsoft Teams or Rosemont Conference Room:

Shawn Alessio, Sally Barber, David Beckett, Chris Bidlack, Renee Congden and Callie Moyers

Citizens present via Microsoft Teams or Rosemont Conference Room:

Scott Smith

1. Call to Order

Committee Chair Nancy Henjum called the meeting to order at 1:30 p.m. Ms. Henjum 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. Individuals in the room introduced themselves.

2. Review Minutes

Minutes from the May 17, 2024, Joint Finance and Strategic Planning Committees meeting were reviewed and accepted for posting.

3. I-2 Financial Condition and Activities & I-8 Asset Protection - Annual City Auditor's Report G-7 (Annual external)

The annual City Auditor's Report was included in the meeting materials packet. No comments were made.

4. Energy Cost Adjustment/Gas Cost Adjustment Filing

Mr. Scott Shirola, Pricing and Rates Manager, shared that natural gas prices are slowly starting to rise after the heating season.

At the end of April, Colorado Springs Utilities was at \$8.8 million under collected in our Electric Cost Adjustment (ECA). We have improved that balance to \$4 million under collected, an improvement of \$4.8 million. No rate adjustment will be proposed in July. No questions were asked.

Regarding the Gas Cost Adjustment (GCA) projection, in April we were over collected by \$5.7 million. The May over collection changed by \$0.1 million to \$5.8 million.

The Electric Capacity Charge (ECC) and Gas Capacity Charge (GCC) recover capacity costs associated with transporting and storing natural gas. Specifically, Springs Utilities reserves capacity on the Colorado Interstate Gas (CIG) pipeline to ensure delivery of natural gas on the days of highest demand. Additionally, the ECC recovers the cost of capacity payments to the Western Area Power Administration (WAPA) for reserving transmission capacity to assure delivery of purchased hydropower. The next scheduled quarterly ECA and GCA rate filing is scheduled for a September presentation to the Utilities Board with an Oct. 1, 2024, effective date.

5. Updated Sales Forecast Review

Mr. John Hunter, Financial Planning and Risk Manager, reviewed the Sales Forecast.

The 2023 actuals compared to the 2023 Annual Operating Financial Plan (AOFP) showed the following variances:

- (\$3.8 million) electric non-fuel, (1.1% variance)
- No variance gas non-fuel, (0.0% variance)
- (\$16.1 million) water, (7.2% variance)
- \$0.3 million wastewater, (2.7% variance)
- (\$19.5 million), (2.7% variance)

The variance in electric and water was because of the cool and rainy summer. 2023 was the second wettest summer in Colorado Springs' history.

The 2024 customer outlook updated forecast shows a 0.1% increase in electric, a 1.1% decrease in gas, a 0.8% decrease in water, and a 1.8% decrease in wastewater. This is due to a slowing population and new housing growth.

The 2024 volume outlook updated forecast decreased by 1.1% compared to the prior forecast (0.1% decrease in electric, 2.1% decrease in gas, 3.1% decrease in water, and 0.1% decrease in wastewater). These changes are primarily due to changes in customer usage.

The 2024 revenue outlook forecast for non-fuel revenue is \$8.8 million lower than the prior forecast (electric \$1.1 million lower, gas \$0.9 million lower, water \$6.9 million lower, wastewater \$0.4 million lower). The 2025 non-fuel revenue is \$8.5 million lower than the prior forecast.

Future considerations will monitor the adoption of electric vehicles and their impact on electric sales and peak demand; monitor state and federal mandates related to energy/clean heat and the impact on electric and gas sales; and will monitor water use and trends on rate pressure.

6. 2025 Budget Draft Review

Mr. Hunter reviewed Springs Utilities’ proposed 2025 budget:

- Capital Projects – up 40.7% to \$609,094,000
- Operations and Maintenance (fuel) – up 22.5%to \$512,980,000
- Operations and Maintenance (non-fuel) – up 7.5% to 435,245,000
- Debt Service – up 8% to \$227,976,000
- Surplus Funds to City and Franchise Fees – up 1.7% to \$37,404,000

This represents a total increase of \$318,381,000 – up 21.2% from the 2024 approved budget.

The total proposed budget for 2025 is \$1,822,699,000.

The proposed 2025–2029 budget forecast was also reviewed.

<u>2025</u>	<u>2026</u>	<u>2027</u>	<u>2028</u>	<u>2029</u>
\$1,822,699	\$1,911,828	\$2,308,131	\$2,480,775	\$2,215,127

*Total Budget (in thousands)

Rate increases will be required to fund these budget increases. The proposal is to levelized rate increases to customers over the next several years.

Next steps:

- Next 30 days: Springs Utilities will refine the 2025 budget preliminary draft
- July 15 Finance Committee: Detailed review of the proposed 2025 budget
- Aug. 19 Finance Committee: Address any follow-up 2025 budget items
- Aug. 21 Utilities Board Meeting: 2025 preliminary budget and rate case

7. 2024 Plan of Finance Update

Mr. Adam Hegstrom, Treasury and Finance Manager, spoke to the annual effort to obtain and manage the organization’s debt in support of its operational and planning group’s capital plan.

The Plan of Finance has four key objectives:

- Fund debt-backed portion of upcoming capital plan
- Manage and optimize current debt portfolio

- Procure and manage debt-supporting instruments and ancillary services
- Manages the organization's reputation and industry relationships to ensure market access

2024As (New Money Debt Issuances), 2024Bs (Refunding Debt Issuances), and Industry and Investor Relationships were reviewed.

This presentation will be given at the June 18, 2024, Utilities Board Meeting, and is scheduled for the first reading at the July 9, 2024, City Council Meeting.

8. Net Metering and Project COPE

Mr. Shirola provided background information on net metering system interaction. There is a state policy on net metering that was established by the Colorado Energy Office as directed by the Governor. A recommendation will be finalized in the summer of 2024.

Project COPE is a non-profit foundation established in 2007, administered through the Colorado Springs Utilities Foundation. It provides emergency utility financial assistance to Colorado Springs Utilities customers. It is exempt from federal income taxes as a 501 (c)(3), and qualified as a charitable contribution deduction. Springs Utilities matches the first \$500,000 in donations annually.

In previous Utilities Board meetings, Board Member Mike O'Malley had requested that Colorado Springs Utilities enable net metering customers the ability to donate their excess generation credits to Project COPE. Current Springs Utilities electric rate schedules provide a monthly carry over for customers whose monthly production exceeds their consumption or an annual credit or continuous carry over.

Net metering have elected to indefinitely carry forward is \$89,000. In order to implement this option, changes would need to be made to internal systems, which could result in additional costs. Additionally, it is unknown how many customers would want to take advantage of this program. Changes could also occur at the state level with regards to the cash out process. Mr. Travas Deal, Chief Executive Officer, indicated that more research was required regarding cost and system capabilities and requirements. No final decision would be made pending a full Utilities Board vote.

9. Water Revenue Report

Mr. Tristan Gearhart, Chief Planning and Finance Officer, said the organization is up in water revenue as it has been drier this year than last year.

10. Financial Monitoring Update

This is a standard report that was included in the meeting materials packet. No questions were asked.

11. Plan Future Meeting

Plans were made for the July 15 Finance Committee meeting.

12. Closing Remarks and Adjournment

The meeting adjourned at 4:20 p.m.