



**Utilities Policy Advisory Committee (UPAC)
Wednesday, April 6, 2022, 8:00 a.m. – 10:30 a.m.**

Blue River Board Room, 121 S. Tejon Plaza of the Rockies or Microsoft Teams

Join on your computer or mobile app

[Click here to join the meeting](#)

Or call in (audio only)

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Agenda

8:00 a.m.	1. Call to Order	
8:05 a.m.	2. Approval of March 2, 2022 UPAC Meeting Minutes	Decision
8:10 a.m.	3. Citizen Comment Citizens can provide comment in person, by joining the meeting from computer or by phone using the link above. If you would like to speak during the Citizen Comment period, please sign up to speak through BoardSubmissions@csu.org prior to the meeting.	
8:15 a.m.	4. Water Acquisition Funding Assignment <ul style="list-style-type: none">• Fund Framework• Policy and Potential Updates	Discussion
10:15 a.m.	5. Committee Member General Discussion	Discussion
10:30 a.m.	6. Adjournment	

Next meeting: May 4, 2022

Note: UPAC Bylaws, Rule 6: Customer and Public Comment: (b) At the discretion of the Chair, or the majority of the Committee Members present, customers and members of the public will be allowed to comment or ask questions concerning items discussed at regular meetings or concerning matters discussed at special meetings. Comments or questions by individuals will be limited to five minutes each, and all customer or public comments will not exceed twenty minutes on any agenda item unless time is extended by the Chair or majority of the Committee Members present.



Minutes
Utilities Policy Advisory Committee (UPAC)
Wednesday, March 2, 2022
Blue River Boardroom, 5th floor, 121 S. Tejon St., Colorado Springs, CO
and Microsoft Teams Virtual Meeting

Committee members present in the boardroom or via Microsoft Teams: Chair Gary Burghart, Vice Chair Larry Barrett, Rex Adams, Hilary Dussing, Chris Francis, Katherine Danner, Michael Borden, and Alternate Member Ruth Ann Schonbachler

Committee members excused: Scott Callihan

Staff members present in the boardroom or via Microsoft Teams: Cindy Newsome, Natalie Watts, Kerry Baugh, Al Wells, Kim Gortz, Pat Wells, Thad Clardy, Joe Marcotte, Pattie Benger, Abigail Ortega and Christian Nelson

City of Colorado Springs staff present in the boardroom or via Microsoft Teams: David Beckett

1. Call to Order

Chair Gary Burghart called the meeting to order at 8:03 a.m.

2. Approval of February 2, 2022 UPAC Meeting Minutes

Vice Chair Larry Barrett motioned, and Committee Member Michael Borden seconded the motion to approve the February 2, 2022 meeting minutes. The minutes were unanimously approved with a voice vote.

3. Citizen Comment

None

4. Water Acquisition Funding Assignment

Ms. Kim Gortz, Water Planning Resource Supervisor, provided a recap of the February 2 UPAC meeting work session, including water acquisition guiding principles. She then provided an overview of resource requirements, funding structures and cost of resources, including water rights and system development costs for peer utilities. Ms. Gortz explained various types of funding mechanisms and responded to questions from Vice Chair Barrett regarding collection amounts of the Water Resource Fee and history of water acquisition costs.

Ms. Gortz and Ms. Pattie Benger, Public Affairs Specialist, responded to committee member questions regarding the Water Resource Fee, clarifying that the fee only applies to developers in relation to growth. Ms. Gortz responded to committee member

questions regarding tap fees and development fees, the Water Reserve Fund in relation to the Water Resource Fee and growth.

Mr. David Beckett, Senior Attorney, Office of the City Attorney, clarified that the Water Resource Fee were part of the 2022 Rate Case, approved by the City Council on Nov. 23, 2021.

Ms. Gortz discussed the guidelines provided by the Integrated Water Resource Plan (IWRP). She then responded to Chair Burghart's question regarding updates to the IWRP, finally reviewing funding frameworks and water acquisition funding considerations.

Mr. Thad Clardy, Principal Pricing Analyst, explained the alignment of funding and rate making principles, including resource efficiency, equitability for all customers, revenue stability, customer bill stability and customer satisfaction. Mr. Clardy then discussed inherent tradeoffs of different approaches.

Committee members requested additional information regarding revenue raised by development fees, tap fees and the amount needed for water rights acquisition.

Mr. Pat Wells, General Manager, Resource and Demand Management, responded to committee member questions regarding system planning based on growth and resiliency.

Ms. Gortz concluded with next steps for the Water Acquisition Funding assignment.

5. Committee Member General Discussion

Chair Burghart commented that all customers are affected by water availability and climate and that he supports efforts to build our water portfolio and to act quickly to acquire water rights.

Mr. Christian Nelson, Public Affairs Lead, responded to Chair Burghart's question regarding public input around the Water Acquisition Fund. He discussed public process and education regarding the water system.

6. Adjournment

Chair Burghart adjourned the meeting at 9:31 a.m.

Next meeting: Wednesday, April 6, 2022 at 8:00 a.m.



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UPAC Assignment Water Acquisition Funding

Presenters:

Scott Shirola, Pricing and Rates

Pat Wells, Resource and Demand Management

April 2, 2022

Agenda

1. Work Session 3 Recap
2. Fund Framework
3. Policy and Potential Updates
4. Next Steps

Where We've Been

Work Session 1	Work Session 2	Work Session 3	Today
Water System Planning Fundamentals Risks and Planning Factors	Situation and Issues Current Practices Guiding Principles	Peer Utilities Discussion Review Approaches to Funding Acquisitions Aligning Funding and Rate Making Principles and Processes	Fund Framework (thresholds, process) Policy and potential updates

OBJECTIVE: Review framework concepts and policy that could be revised to establish a dedicated acquisition fund.

Fund Framework

Questions 1 – What parameters need to be established for a dedicated fund?

Thresholds

Question 2 – How could we resource the fund over time?

Process

Threshold – Funding Level

- Water right acquisition @ 10,000 AF per decade
 - Water Sharing and Agricultural Transfers
 - Ditch Shares
- Water System Infrastructure – Yield Expansion Projects
 - Continental-Hoosier
 - Middle Arkansas Storage
 - Restoration of Yield (ROY) Storage
 - Lower Arkansas Storage

10-year projection of approximately \$320 million – prior to financing

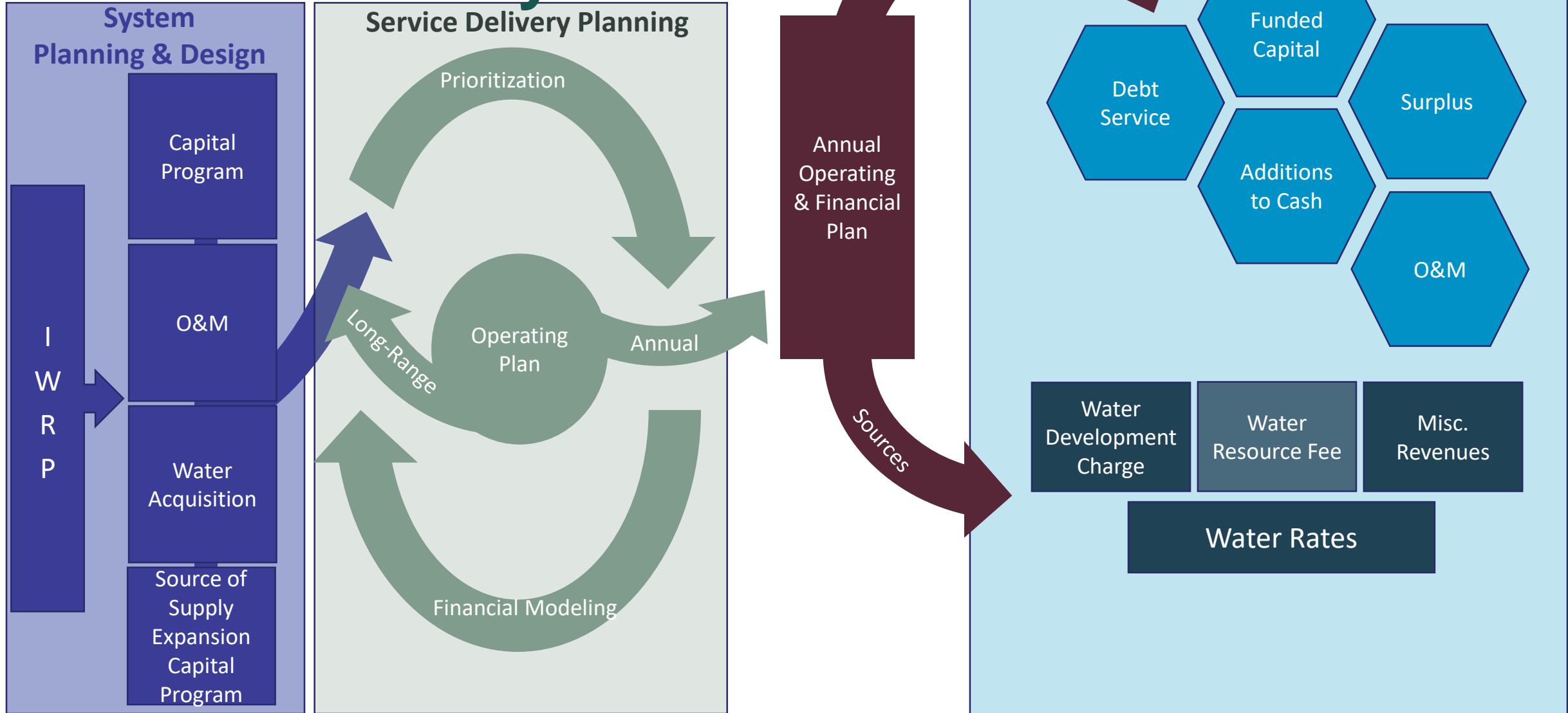
Process – Resourcing the Fund

- Water Resource Fee
 - EXAMPLE: single-family residential connection with a $\frac{3}{4}$ inch meter
Inside City Limits – Between 7,000 and 8,999 square foot lot:
 - WRF Effective July 2022: \$2,899
 - WRF Effective July 2023: \$5,798
- Existing Water Reserve Account – Board Guideline G-8
 - Established to mitigate water revenue volatility
 - May be funded when revenues greater than budget
 - Up to 33% of the fund may be utilized when revenues are \$10 million below budget
- Other funding opportunities – as identified by Springs Utilities

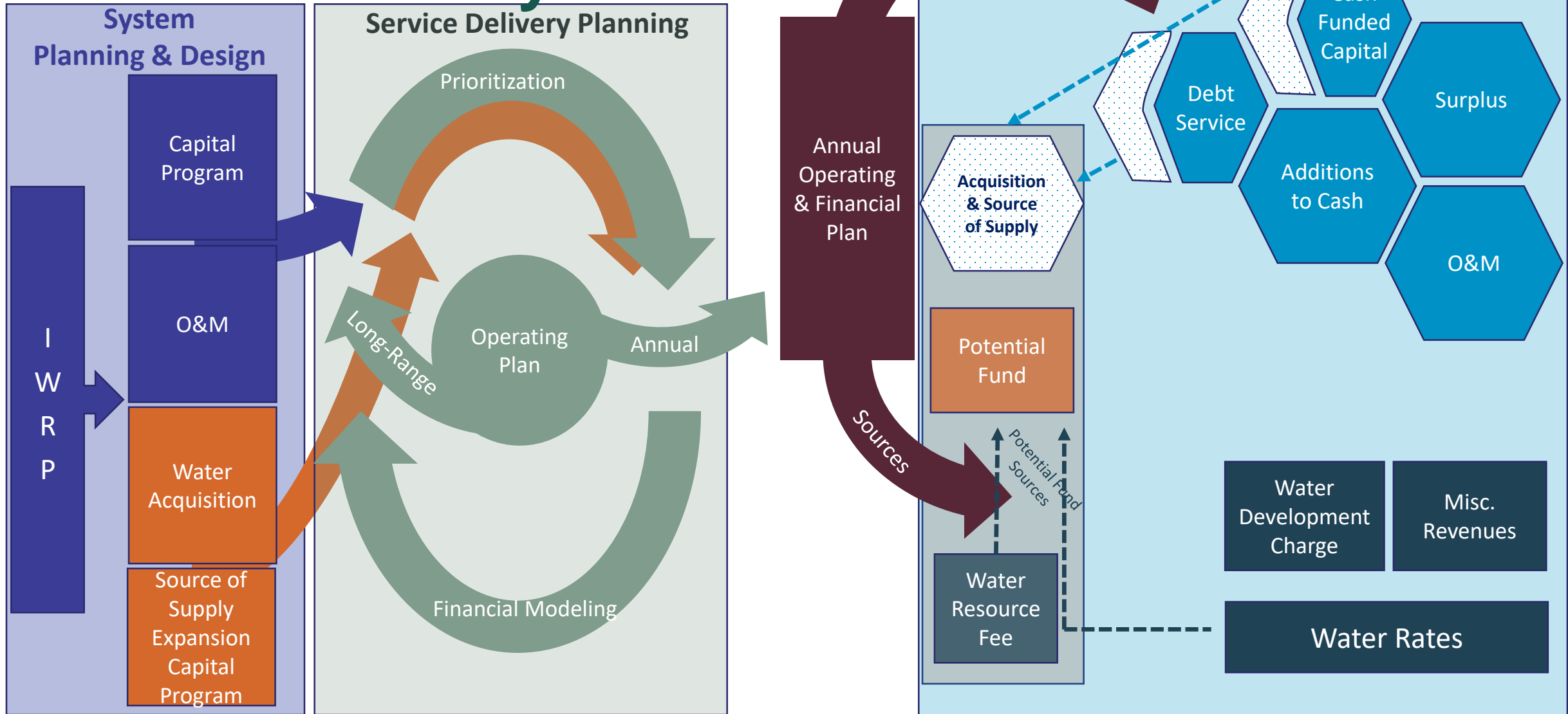
Process – Parameters for Building Fund

- Water Resource Fee
 - 10-year revenue projection approximately \$120 million
- Existing Water Reserve Account
 - Current fund balance: \$14.7 million

Current Planning and Cost Recovery Process



Potential Planning and Cost Recovery Process



Current Policy

Water Supply Management (I-7)

Utilities Board Instructions to the Chief Executive Officer

The Chief Executive Officer shall direct that *new and existing water resources and systems are aggressively developed, protected and optimized* to maintain and enhance water system sustainability and responsibly balance costs and risks to reliably meet the needs of current and future customers.

Water Supply Management (I-7)

Generally, I-7 policy establishes the CEO shall:

- Defend water rights
- Conduct periodic evaluations
- Provide reliable water supply per performance criteria
- Plan and implement water use efficiency
- Limit groundwater use
- No reservation of resources
- Allows for regional service contracts per certain requirements

Financial Planning and Budgeting (I-3)

Utilities Board Instructions to the Chief Executive Officer

The Chief Executive Officer shall direct that financial planning and budgeting is multi-year and includes planning assumptions, capital and operations expenses and projections of revenues and cash flow. Accordingly, the CEO shall:

1. Maintain financial stability by meeting Utilities Board approved financial metrics that support a AA long-term credit rating.
2. Financially position the enterprise to meet long-range infrastructure funding requirements while moderating customers' average base bill adjustments.
3. Use planning assumptions that accurately forecast revenues and expenses.
4. Direct that a water reserve account is established and maintained to manage water sales volatility.
5. Use financial methods that share the cost of utility infrastructure between current and future customers.
6. Use risk-based modeling and a defined enterprise procedure to prioritize operations and maintenance infrastructure.

Water Reserve (G-8)

Excellence in Governance Utilities Board Guideline G-8

Water Reserve

1. A water reserve account is established and maintained to mitigate water revenue volatility.
2. The water reserve account is used to supplement current year water revenues only.
3. Fifty percent (50%) of actual revenue greater than budget will be allocated monthly to the water reserve account.
4. The water reserve account will only be used when the reserve account balance is greater than \$5 million and water revenues are \$10 million below budget in the current fiscal year.
5. Up to thirty-three percent (33%) of the water reserve account, as of January 1 of the current fiscal year, will be used to supplement current year budgeted expenditures.

Policy Questions

Is the water acquisition fund recommended in the IWRP an appropriate adaptive management strategy for Colorado Springs Utilities to implement?

Option: Instruction to establish or maintain a dedicated fund

What is the appropriate framework to fund future acquisitions?

Option: Instruction or Guideline definition of fund (uses, thresholds, process)

- Water Reserve policy as mechanism or template

Assignment Timeline

Work Session 1

- Background
- Water System
- Risk based Planning

Work Session 2

- Situation Assessment
- Drivers
- IWRP Implementation

Work Session 3

- Peer Utilities
- Funding Approaches
- Principles

Work Session 4

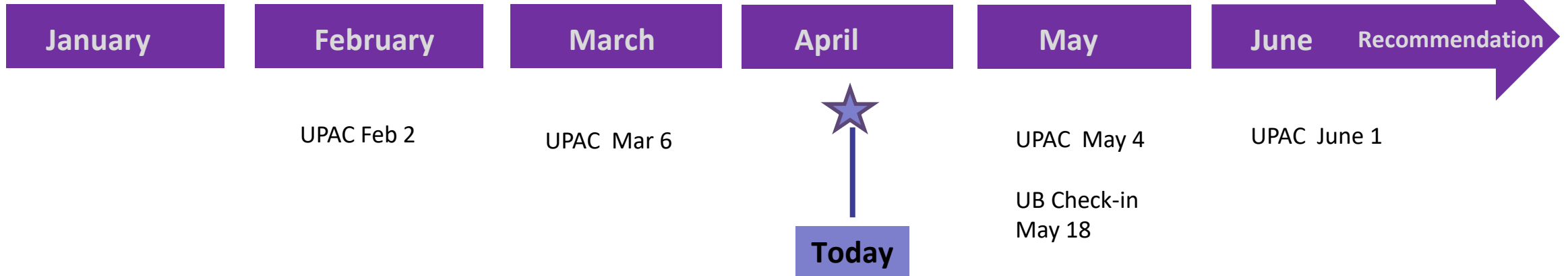
- Fund Approaches, cont.
- Potential Policy Discussion

Work Session 5

- Preparation for UB Update.

Work Session 6:

- Formulate Recommendation





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