



**Utilities Policy Advisory Committee (UPAC)
Wednesday, June 7, 2023, 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

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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 May 3, 2023 UPAC Meeting Minutes | Decision |
| 8:10 a.m. | 3. Cost Recovery Mechanisms Assignment | Discussion |
| | <ul style="list-style-type: none">• Background• Public Input Recap• Draft Recommendation• Roadmap | |
| 10:15 a.m. | 4. Citizen Comment | Discussion |
| | 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. | |
| 10:20 a.m. | 5. Committee Member General Discussion | |
| 10:30 a.m. | 6. Adjournment | |

Next meeting: July 5, 2023

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, May 3, 2023
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 Larry Barrett, Vice Chair Hilary Dussing, Gary Burghart, Katherine Danner Chris Francis, Ruth Ann Schonbachler, Michael Borden and Scott Smith

Committee members excused: Scott Callihan

Staff members present in the Boardroom or via Microsoft Teams: Al Wells, Monica Indrebo, Christian Nelson, Todd Sturtevant, Kerry Baugh, Natalie Watts, Abigail Ortega, Scott Shirola, Tara McGowan, Lisa Barbato, Jay Anderson, Jessica Thiel, Justin Fecteau, Chris Prato, Kyle Wilson, Matthew Thieme, Joe Awad, Sydni Sich, Thad Clardy, Gabe Caunt, Patricia Marlow, Danielle Nieves, David Dalton and Juan Santos

City of Colorado Springs staff present in the boardroom or via Microsoft Teams: David Beckett, Chris Bidlack, Renee Congdon, David Leinweber, Peter Wysocki, Nancy Henjum, Dave Dazlich, Dave Donelson, Tim Seibert, Marla Novak and Steve Rossoll

Citizens Present: Tad Foster, Greg Barbuto, Marla Novak, Randy Case, Chris Prato, Joshua Melko, Reneem Ababseh and Laura Nelson

1. Call to Order

Chair Larry Barrett called the meeting to order at 8:01 a.m. and called the roll.

2. Approval of April 5, 2023, UPAC Meeting Minutes

Committee Member Burghart made a motion to approve the April 5, 2023 meeting minutes, Committee Member Danner seconded the motion. The motion carried unanimously.

3. Cost Recovery Mechanisms Assignment: Decision Methods

Mr. Scott Shirola, Manager of Pricing and Rates, reviewed the cost recovery policy pillars, the background of the cost recovery assignment and the alternative cost recovery scenario analyses previously discussed in past meetings.

Mr. Shirola introduced the metric development chart for use by UPAC for the cost recovery assignment with the main scoring metrics of cost causation, customer equity, customer satisfaction and industry benchmarking. The committee discussed possible inclusions for the metric such as enterprise maintenance, refining definitions in the

metric, and citizen cost considerations. An example scorecard was also introduced and discussed in detail.

The committee indicated that they would like a scoring system available at the next committee meeting.

The committee recessed from 9:45 a.m. to 9:57 a.m.

Ms. Tara McGowan, Engineering Manager, introduced potential developer efficiency incentives as part of the fee structure for consideration by the committee. The committee discussed the benefit and necessity of these incentives for Springs Utilities

Mr. Todd Sturtevant, Customer Utilities Connections Manager, presented the current review and design fees, and the effectiveness of these fees for the committee to consider.

Committee Member Dussing made a motion, and Committee Member Burghart seconded the motion recommending the Utilities Board direct staff to update fees inclusive of potential new ones to recover costs. The motion carried unanimously.

Mr. Shirola reviewed the cost recovery assignment roadmap and the next committee meeting which includes refined metric development, vote of policy alternatives compared to staff scoring of alternative and additional time for stakeholder input.

4. Citizen Comment

Ms. Reneem Ababseh, Chemistry Major at the University of North Florida, shared her perspective on the cost recovery discussion. Ms. Ababseh encouraged the use of renewable energy to reduce greenhouse gas emissions and provided information on cost incentives provided by the federal government for renewable energy systems.

Mr. Randy Case, Board Chair of Pikes Peak Association of Realtors, shared that the Pikes Peak Association of Realtors is prepared to participate in the stakeholder process. He stated Pikes Peak Association of Realtors looks forward to helping address and review the data, proposed metrics, and considerations on how to advance the program to satisfy the legal rational nexus test for any fees.

Mr. Steve Rossoll, Director of Development at La Plata Communities, shared frustration that developers and the Colorado Springs Housing and Building Association have not been included in discussions on this assignment because of the potential impacts on affordable housing. Mr. Rossoll also shared concerns over double jeopardy for new home buyers, lack of clarity on rate structures and lack of collaboration on the assignment. Mr. Rossoll requested a more inclusive stakeholder discussion.

Mr. Tim Seibert, Senior Vice President of Norwood Development Group, shared concerns on the necessity of the assignment, the suggested figures for tap fees for new homeowners, possible double jeopardy for new homeowners, wastewater treatment system capacity balance and the complexity of a growing city and cost recovery mechanisms. Mr. Seibert requested more inclusion on the assignment.

Mr. Dave Dazlich, Vice President of Government Affairs for the Colorado Springs Chamber & EDC, requested time to collaborate with staff on this UPAC assignment and to engage specifically in the validation of the numbers from today's presentation.

Mr. David Leinweber, Colorado Springs City Council Member, shared concerns over costs to ratepayers and possibly accelerating water recovery costs for future generations or sale of commodities such as electric or water.

Mr. Joe Awad, General Manager of Design and Engineering, provided a statement on behalf of Colorado Springs Utilities Board Chair, Mr. Dave Donelson. Mr. Donelson's statement indicated that UPAC should not make a recommendation based on the numbers provided by staff, but allow the Utilities Board to decide based on the numbers from the assignment.

Mr. Christian Nelson, Community Engagement Lead, reviewed the process for stakeholder engagement thus far for this assignment and adjustments that will be made in response to today's meeting to promote more detailed collaboration with the stakeholders.

Mr. Joshua Melko, Associate Professor from the University of North Florida, spoke on behalf of his family members who reside in Colorado Springs. Mr. Melko provided information on federal government incentives, programs and tax credits that are available to public power entities for clean energy resources.

5. Committee Member General Discussion

None.

6. Adjournment

Chair Barrett adjourned the meeting at 11:29 a.m.

Next meeting: Wednesday, June 7, 2023, at 8:00 a.m.



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Utilities Policy Advisory Committee (UPAC) Cost Recovery Assignment

June 7, 2023

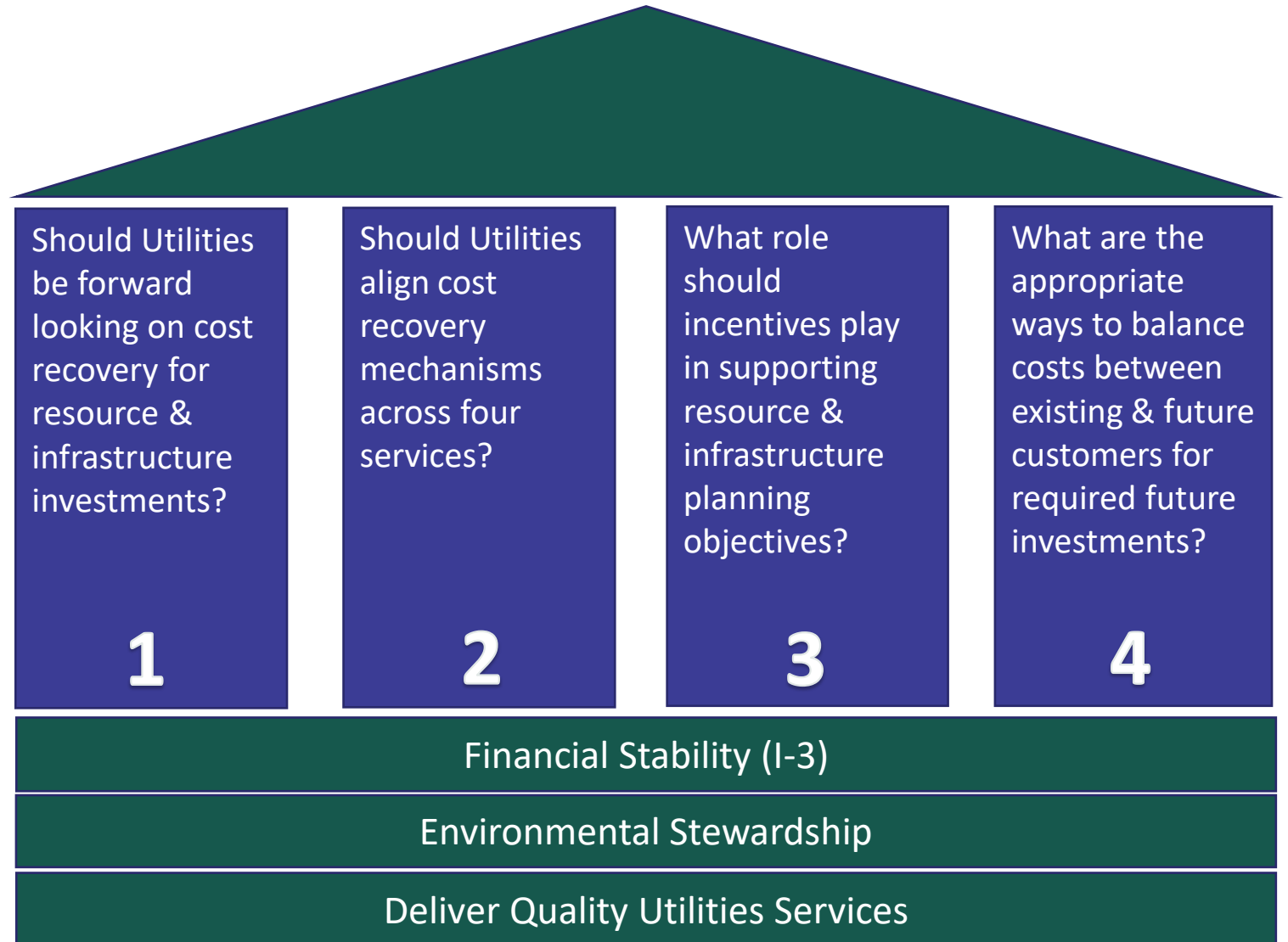
Agenda

1. Cost Recovery Assignment
2. Stakeholder Input Review
3. Develop Draft Recommendation
4. Discussion
5. Roadmap

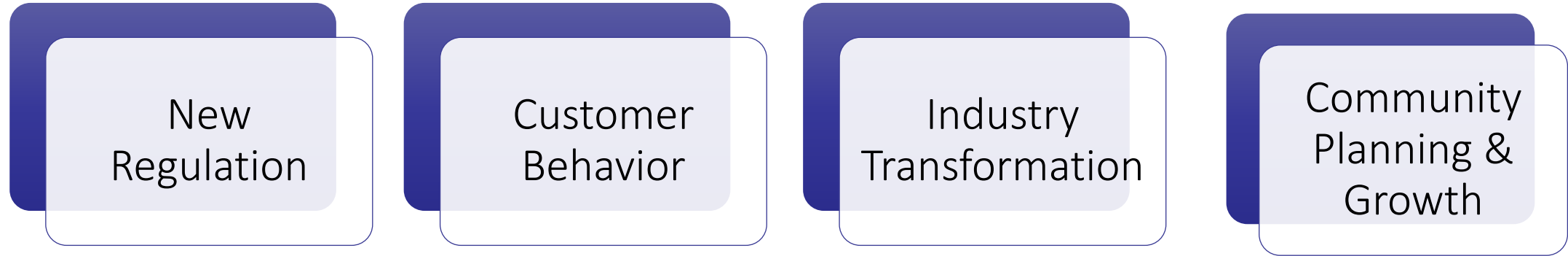
Cost Recovery Assignment

Cost Recovery Assignment - Purpose

- Provide a recommendation to Utilities Board on whether Colorado Springs Utilities should revise and/or establish new cost recovery policies.



Cost Recovery Assignment - Background



- Increasing pressure on utility rates
 - Complying with new regulations, adapting service delivery to a changing customer, and investing in industry transformations
- Growth and system expansion place additional pressure on rates under existing development policies

Stakeholder Input Review

Stakeholder Input

- City of Colorado Springs Planning & Community Development
- City of Colorado Springs Economic Development Office
- Housing and Building Association
- Pikes Peak Association of Realtors



UPAC Draft Recommendation Development

Draft Recommendation Process

Extension and Capacity Fee Draft Recommendation

- Summarize scorecard results as conducted by staff
- Assess consensus of policy recommendations by voice poll by cost recovery mechanism

Incentives Recommendation

- Assess consensus of policy recommendations by voice poll by incentive category

Review and Design Fee Recommendation

- Review May vote on review and design fee recommendation

Scorecard Metric

Metrics	Weight	Description	5	3	1
Reflects Cost Causation	35	Fees promote resource efficient decision-making by reflecting the cost of linear and/or capacity additions	Full cost recovery on applicable linear and/or capacity basis	Partially recovers cost on applicable linear and/or capacity basis	Insufficiently recovers cost on applicable linear and/or capacity basis
Equitable for All Customers	35	Cost appropriately recovered from beneficiaries without rate support for growth related capital projects.	Little to no rate support	Minor rate support	Greater than minor rate support
Customer Satisfaction	20	Fees are transparent and easy to understand	Fee mechanisms can be easily understood by the customer	Nuanced interpretation required for accurate fee estimation	Fee mechanisms are difficult to understand and can only be calculated by Utilities Staff
Industry Benchmarking	10	Fee are defensible and consistent with industry best practices	Fee mechanism used by greater than 50% of benchmarked utilities	Fee mechanism used 50% or less of benchmarked utilities	No industry precedent



Extension and Capacity Fee: Electric

Cost Recovery Mechanism	Current Policy	Option 1	Option 2
System Extension Fees	Partial recovery	<p>Maintain current policy</p> <p><i>Scorecard result: 1.2</i> R .35, E .35, C .2, B .3</p>	<p>100% recovery</p> <p><i>Scorecard result: 4.4</i> R 1.75, E 1.75, C .6, B .3</p>
Capacity Fee: Existing System	No fee	<p>Maintain current policy</p> <p><i>Scorecard result: 2.9</i> R .35, E 1.05, C 1, B .5</p>	<p>Adopt fee</p> <p><i>Scorecard result: 3.0</i> R 1.05, E 1.05, C .6, B .3</p>
Capacity Fee: Planned Additions	No fee	<p>Maintain current policy</p> <p><i>Scorecard result: 2.9</i> R .35, E 1.05, C 1, B .5</p>	<p>Adopt fee</p> <p><i>Scorecard result: 3.5</i> R 1.75, E 1.05, C .6, B .1</p>

Reflects Cost Causation (R), Equitable for All Customers (E) , Customer Satisfaction (C), Industry Benchmarking (B)



Extension and Capacity Fee: Natural Gas

Cost Recovery Mechanism	Current Policy	Option 1	Option 2
System Extension Fees	Partial recovery	<p>Maintain current policy</p> <p><i>Scorecard result: 1.2</i> R .35, E .35, C .2, B .3</p>	<p>100% recovery</p> <p><i>Scorecard result: 4.4</i> R 1.75, E 1.75, C .6, B .3</p>
Capacity Fee: Existing System	No fee	<p>Maintain current policy</p> <p><i>Scorecard result: 2.9</i> R .35, E 1.05, C 1, B .5</p>	<p>Adopt fee</p> <p><i>Scorecard result: 3.0</i> R 1.05, E 1.05, C .6, B .3</p>
Capacity Fee: Planned Additions	No fee	<p>Maintain current policy</p> <p><i>Scorecard result: 2.9</i> R .35, E 1.05, C 1, B5</p>	<p>Adopt fee</p> <p><i>Scorecard result: 3.5</i> R 1.75, E 1.05, C .6, B .1</p>



Extension and Capacity Fee: Water

Cost Recovery Mechanism	Current Policy	Option 1	Option 2
System Extension Fees	Partial recovery	N/A	
Capacity Fee: Existing System	Yes Fee	N/A	
Capacity Fee: Planned Additions	Fee for resource	Maintain current policy <i>Scorecard result: 2.7</i> <i>R 1.05, E .35, C 1, B .3</i>	Add facilities to Fee <i>Scorecard result: 4.1</i> <i>R 1.75, E 1.05, C 1, B .3</i>

Reflects Cost Causation (R), Equitable for All Customers (E) , Customer Satisfaction (C), Industry Benchmarking (B)



Extension and Capacity Fee: Wastewater

Cost Recovery Mechanism	Current Policy	Option 1	Option 2
System Extension Fees	100%	N/A	
Capacity Fee: Existing System	Fees for: facilities and infrastructure	N/A	
Capacity Fee: Planned Additions	No Fee	Maintain current policy <i>Scorecard result: 2.0</i> <i>R .35, E .35, C 1, B .3</i>	Adopt fee for facilities <i>Scorecard result: 4.8</i> <i>R 1.75, E 1.75, C 1, B .3</i>

Reflects Cost Causation (R), Equitable for All Customers (E) , Customer Satisfaction (C), Industry Benchmarking (B)

Incentives Review

Incentive	Current	Definitions
Infill	None	Infill lots are located within existing City limits and are typically surrounded by existing infrastructure. Infill lots can be costly to develop due to topography, geotechnical constraints, and drainage concerns. Infill projects may improve system efficiency, redundancy and reliability.
Densification	None	High density developments maximize utilization per linear foot of installed service yielding lower operation and maintenance cost per customer. Additionally, more dense development can lead to efficiencies in utility use given the more communal aspects of these developments.
Redevelopment	Development Charge Credit	Redevelopment includes rehabilitating or new construction of existing structures. Areas identified for redevelopment are typically underutilized and infrastructure that serves these areas are often in poor condition or not up to current standards. Restoration, traffic control, and infrastructure conflicts can make these projects more expensive than "greenfield" and can make redevelopment unfeasible.
Utility Efficiency	Builder Incentives	Reducing energy and water demand helps maximize the use of Springs Utilities existing resources. Acquiring additional resources is very costly to Springs Utilities making demand side management a relatively inexpensive alternative.

Incentives Draft Recommendation

Incentive	Should Springs Utilities Vary From Standard Extension and Capacity Fee Policies to Provide incentives?	
Infill	No	Yes
Densification	No	Yes
Redevelopment	No	Yes
Utility Efficiency	No	Yes

Review and Design Fee Recommendation



- At the May 3, 2023 UPAC meeting, a motion was approved recommending an update to review and design fees to fully recover appropriate cost including:
 - Update of existing fees to current cost
 - Addition of new fees for services currently provided without fee

Break

Draft Recommendation Review

Roadmap

Roadmap



Additional Information

Electric and Gas Extension and Capacity Fee Scorecard

Recommendation Option #1 – Maintain Current Policy

Cost Recovery Mechanism	Policy	Reflects Cost Causation	Equitable for All Customers	Customer Satisfaction	Benchmarking	Score
		Weight				
		.35	.35	.2	.1	
System Extension Fees	Partial Recovery	1	1	1	3	1.2
Capacity Fee Existing System	No Fee	1	3	5	5	2.9
Capacity Fee Planned Additions	No Fee	1	3	5	5	2.9

Recommendation Option #2 – Revise Policy

Cost Recovery Mechanism	Policy	Reflects Cost Causation	Equitable for All Customers	Customer Satisfaction	Benchmarking	Score
		Weight				
		.35	.35	.2	.1	
System Extension Fees	100% Recovery	5	5	3	3	4.4
Capacity Fee Existing System	Yes Fee (F,I)	3	3	3	3	3
Capacity Fee Planned Additions	Yes Fee (F)	5	3	3	1	3.5

Resource (R), Facilities (F), Infrastructure (I)

Red signifies changes from current policy 23

Water Extension and Capacity Fee Scorecard

Recommendation Option #1 – Maintain Current Policy

Cost Recovery Mechanism	Policy	Reflects Cost Causation	Equitable for All Customers	Customer Satisfaction	Benchmarking	Score
		Weight				
		.35	.35	.2	.1	
System Extension Fees	100%	NA	NA	NA	NA	NA
Capacity Fee Existing System	Yes (R,F,I)	NA	NA	NA	NA	NA
Capacity Fee Planned Additions	Yes (R)	3	1	5	3	2.7

Recommendation Option #2 – Revise Policy

Cost Recovery Mechanism	Policy	Reflects Cost Causation	Equitable for All Customers	Customer Satisfaction	Benchmarking	Score
		Weight				
		.35	.35	.2	.1	
System Extension Fees	100%	NA	NA	NA	NA	NA
Capacity Fee Existing System	Yes (R,F,I)	NA	NA	NA	NA	NA
Capacity Fee Planned Additions	Yes (R, F)	5	3	5	3	4.1

Resource (R), Facilities (F), Infrastructure (I)

Red signifies changes from current policy 24

Wastewater Extension and Capacity Fee Scorecard

Recommendation Option #1 – Maintain Current Policy

Cost Recovery Mechanism	Policy	Reflects Cost Causation	Equitable for All Customers	Customer Satisfaction	Benchmarking	Score
		Weight				
		.35	.35	.2	.1	
System Extension Fees	100%	NA	NA	NA	NA	NA
Capacity Fee Existing System	Yes (F,I)	NA	NA	NA	NA	NA
Capacity Fee Planned Additions	No	1	1	5	3	2.0

Recommendation Option #2 – Revise Policy

Cost Recovery Mechanism	Policy	Reflects Cost Causation	Equitable for All Customers	Customer Satisfaction	Benchmarking	Score
		Weight				
		.35	.35	.2	.1	
System Extension Fees	100%	NA	NA	NA	NA	NA
Capacity Fee Existing System	Yes (F,I)	NA	NA	NA	NA	NA
Capacity Fee Planned Additions	Yes (F)	5	5	5	3	4.8

Resource (R), Facilities (F), Infrastructure (I)

Red signifies changes from current policy 25

Review and Design – Existing Fees

- Existing fees include but are not limited to:
 - Electric and gas extension
 - Design
 - Connection and inspection
 - Water tap fee
 - Water and wastewater inspection
 - Electric and gas extension inspection and connection
 - Electric temporary service connection
 - Development application review
 - Recovery agreement processing
 - Hydraulic Analysis
 - Fire flow reports

Review and Design – Services No Existing Fee

- Wastewater Master Facility Form Report
- Construction drawing review
- Alternative analysis
- Design



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