



Minutes
Utilities Policy Advisory Committee (UPAC)
Wednesday, January 11, 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, Michael Borden, Katherine Danner, Chris Francis, Scott Smith and Scott Callihan

Committee members excused: Ruth Ann Schonbachler

Staff members present in the Boardroom or via Microsoft Teams: Al Wells, Andie Buhl, Monica Indrebo, Natalie Watts, Christian Nelson, Kerry Baugh, Tara McGowan, Kelly Merritt, Joe Awad, Abigail Ortega, Joe Marcotte, Justin Fecteau, Kyle Wilson, Gabe Caunt, Jamie Fabos, Jessica Thiel, Julia Gallucci, Pattie Bengner, Renee Adams, Tim Benedict, Danielle Nieves, Jenny Bishop, David Longrie, Scott Shirola, Elena Nunez, Leslie McKiernan, Pattie Bengner, Thad Clardy, Tristan Gearhart, Todd Sturtevant, and Matt Dudden

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

Citizens Present: Dave Donelson

1. Call to Order

Chair Larry Barrett called the meeting to order at 8:02 a.m.

2. Approval of Dec. 7, 2022, UPAC Meeting Minutes

Committee Member Burghart motioned, and Vice Chair Hilary Dussing seconded the motion to approve the Dec. 7, 2022, meeting minutes. The minutes were unanimously approved with a voice vote.

3. Ethics, Open Meetings and Colorado Open Records Act (CORA) Review

David Beckett, Senior Attorney at the City Attorney's Office, reviewed the UPAC Bylaws updated in 2022 which include modernized meeting notice requirements, removal of obsolete provisions and updated the provision related to committee member education. Mr. Beckett reviewed the UPAC members code of ethics, which involves member position responsibilities and moralities that align with the City code of ethics.

Mr. Beckett addressed CORA in detail regarding open meetings, and that both electronic and paper writings are considered public records and need proper management. Colorado Springs Utilities manages records and writings that pertain to CORA for UPAC. UPAC members are not required to retain records unless specifically asked.

Mr. Beckett defined open meetings as a meeting that has three or more committee members and requires notices of open meetings. UPAC may hold closed “Executive Sessions” however during these sessions, UPAC may not adopt any proposed policy, position, resolution, rule, regulation or other formal actions.

Chair Barrett requested clarification on one-on-one discussion of UPAC related topics, and Mr. Beckett confirmed that if there are just two members present, it is not a violation of the laws.

4. Cost Recovery Mechanisms Assignment

Ms. Tara McGowan, Manager of Water and Wastewater Design, reviewed the assignment scope and roadmap by recapturing the cost recovery mechanism policy pillars. Mr. Scott Shirola, Manager of Pricing and Rates, explained the organization’s financial stability and that it provides the foundation for this project. Ms. McGowan discussed Springs Utilities’ four services’ current cost recovery mechanisms related to community changes found in existing infrastructure upgrades, resource acquisition and construction, infrastructure and facility construction, and staff time for review and analyses.

Historically, water and wastewater do not have rate-based fees like gas and electric due to how the individual services were previously managed. Recently, the reduction of coal use has changed the market. As a unique four-service not-for-profit utility, there are few similar entities to refer to. We often look at large power utility for comparison. Ms. McGowan provided explanations and definitions of individual services in detail regarding infrastructure and delivery systems.

The committee had a robust discussion about forecasting cash funding for capital projects, strategic communication with builders, tap fees, inflation impacts on financial stability, how unpaid fees could be recovered, the effects of flexible zoning, precluding existing users from bearing costs of new annexations, system extension fees, staff review fees, historical use of incentives and potential incentives, increased capacity related capital investment, excess capacity utilization, regional contracts and separate economic development contracts.

Staff provided information on several of the discussion topics such as how cash funding is forecasted for the coming year, the complexity of current tap fees, how inflation forecasts are calculated separately, that base rate fees could be used to recover fees, managing utilities in dense residential areas, looking at possible city expansions, differentiating how the infrastructure is categorized in regard to where cost recoveries can be found and that there are no clear incentives identified in the fee structures.

From 9:33 a.m. to 9:45 a.m., the committee took a short recess.

Ms. McGowan continued presenting on cost recovery mechanisms. Currently, most of the timing basis of fees are backwards where customers fund capital investment and financing through rates for already constructed assets and development buys into system equity. Some initial considerations for cost recovery alternatives include rate impact, developer cost impact, timing of fee assessment, balancing cost between existing and future customers, and determining the schedule for construction and acquisition of new resources and infrastructure. Alongside cost recovery mechanisms, the impact on debt and days cash on hand needs to be considered, no growth scenarios, existing utilities staff review fees and possible incentives to offset fees.

Resulting from the discussion, the committee requested to review a balance sheet of the enterprise's current assets and remaining liability. Committee Member Burghart proposed an executive session to review the asset financial information at a future meeting.

5. Citizen Comment

None

6. Committee Member General Discussion

None

7. Adjournment

Chair Barrett adjourned the meeting at 10:32 a.m.

Next meeting: Wednesday, Feb. 1, 2023, at 8:00 a.m.