

MINUTES

Colorado Springs Utilities Board Meeting Monday, August 21, 2024

Utilities Board members present via Microsoft Teams or Blue River Conference Room:

Chair Dave Donelson, Vice Chair Yolanda Avila, Lynette Crow-Iverson, Randy Helms, Nancy Henjum, David Leinweber, Mike O'Malley, Brian Risley and Michelle Talarico

Utilities Board Members Excused:

None

Staff members present via Microsoft Teams or Blue River Conference Room:

Travas Deal, Renee Adams, Lisa Barbato, Mike Francolino, Tristan Gearhart, Somer Mese, Sarah Akins, Jay Anderson, Joe Awad, Bryan Babcock, Alex Baird, Kerry Baugh, Peter Bejadhar, Nathan Bloomfield, Connie Brown, Thad Clardy, Andrew Colosimo, Jessica Davis, Matt Dudden, Erin Duran, Natalie Eckhart, Marcela Espinoza, Brian Fergen, Julian Foster, Jennifer Franceschelli, Kim Girling, Jason Gonzales, Ashly Gunn, Brian Grim, Kelly Guisinger, Lisa Halcomb, Mallorie Hansen, Diane Harmon, Heather Harvey, Jontell Heffernan, Adam Hegstrom, Ellen Hooper, John Hunter, Tyrone Johnson, Megan Johnston, Melissa Jones, Rebecca Kerrigan, Brenda Koskey, Heidi Kourajian, Sarah LaBarre, Birgit Landin, Drew Latrell, Amy Lewis, Mike Maksimowicz, Patrick Malone, Tom Michel, Jared Miller, Kelly Miller, Angelia Mora, Michael Myers, Christian Nelson, Danielle Nieves, Daniel Norton, Jacqueline Nunez, Karen Ochsner, Abigail Ortega, Dave Padgett, Gail Pecoraro, Jason Rigler, Lindsay Riley, Jeff Rowbotham, Bethany Schoemer, Scott Shirola, Ted Skroback, Leslie Smith, Stuart Smith, April Speake, Cali Standard, Admar Susic, Matthew Thieme, Dave Thompson, Tricia Timmons-Malsam, Heather Tocci, Amy Trinidad, Natalie Watts, Al Wells, Kyle Wilson and Jane Zook

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

Sally Barber, David Beckett, Chris Bidlack, Renee Congdon, Tracy Lessig, Alex Ryden and Ryan Trujillo

Citizens present via Microsoft Teams or Blue River Conference Room:

Albert Badeau, Larry Barrett, Robin Bennett, Lisa Bigelow, Tobi Blanchard, Tom Carter, Mark Gebhart, Don Gravette, David Grothe, Carrie Guy, James Howey, Aiden Hulting, Breanna Jent, Chris Loveless, Susan Luenser, Chris Meyer, Michael Montgomery, Andrew Nautbaum, O'Dell Isaac, Mike Ruebenson, Gannon Scudder, Scott Smith, Marlea Tichey, D. Walker, Michelle Young and Alasyn Zimmerman

1. Call to Order

Chair Donelson called the Utilities Board meeting to order at 1:08 p.m., and Ms. Gail Pecoraro, Utilities Board Administrator, called the roll.

2. Invocation and Pledge of Allegiance

Pastor David Grothe with New Life Church delivered the invocation and Board Chair Donelson led the Pledge of Allegiance.

3. Consent Calendar

3a. Approval of July 17, 2024, Utilities Board meeting minutes

3b. Approval of the meeting minutes from the Aug. 5, 2024, Utilities Board Retreat

3c. Reappointment of Michael Borden as a Regular Member of the Utilities Policy Advisory Committee (UPAC)

3d. Reappointment of Katherine Danner as a Regular Member of the Utilities Policy Advisory Committee (UPAC)

3e. Reappointment of David Watson as a Regular Member of the Utilities Policy Advisory Committee (UPAC)

3f. Appointment of Tom Carter as an Alternative Member of the Utilities Policy Advisory Committee (UPAC)

3g. Appointment of Albert Badeau as an Alternative Member of the Utilities Policy Advisory Committee (UPAC)

Vice Chair Avila made a motion to approve the items on the consent calendar. This was seconded by Board Member Crow-Iverson. The Consent Calendar was unanimously approved.

4. Customer Comments

Ms. Michelle Young read a statement on behalf of Virginia Noble. She experienced a wastewater backup at her home on Aug. 3, 2024. Ms. Noble has been in contact with City Risk Management regarding reimbursement of damages.

Ms. Robin Bennett read a statement on behalf of Ron and Kathy Nebb who reside on Timber Wolf Trail. They experienced a wastewater backup on Aug. 3, 2024.

James Howey, who lives on Timber Wolf Trail, spoke about the wastewater backup in his home. He has tried to reach City Risk Management about his claim but has not been able to reach anyone so far.

Chief Operations Officer Somer Mese spoke privately with Ms. Young, Ms. Bennett, and Mr. Howey to discuss the claims process.

Chief Executive Officer Travas Deal apologized to the involved parties and said that the Springs Utilities will work with Risk Management to get this resolved. Mr. Deal also said that the organization is looking at the situation to see what happened to help ensure that it does not happen again.

5. Recognition

- September as National Preparedness Month

Mr. Bryan Babcock, System and Field Operations General Manager, said that preparing for emergencies is essential for quick and appropriate response when events do occur. He then introduced Ms. Erin Duran, Emergency Management Program Manager, who said the third annual Colorado Springs Utilities' Emergency Preparedness Week will take place Aug. 26 through Aug. 30. During this week, the organization will focus on employee training, exercises, and other related preparedness efforts.

- **2024 Colorado Day of Total Worker Health**

Mr. Michael Myers, Safety and Health Manager, and Ms. Heather Harvey, Human Resources Manager, read the State of Colorado's proclamation for Colorado Total Worker Health Recognition Day. Total Worker Health is one of the organization's Strategic Initiatives. Several members of the Total Worker Health Committee were present at the meeting. They are Sara Akins, Julian Foster, Jason Gonzales, Heidi Kourajian, Ashley Gunn, Tricia Timmons-Malsam and Cali Standard.

Board Member Henjum said that the safety culture of the organization is evident, even walking around the Plaza fifth floor where signs outside employees' offices state why they embrace safety.

Chief Human Resources Officer Renee Adams stated that recently the organization's Delta Team sponsored its Multicultural Kaleidoscope, which is an art exhibit featuring employee fine art, which is currently being displayed in the Landing of the Plaza fifth floor.

6. Compliance Reports

The I-2 Financial Condition and Activities (to include contracts over \$500K) G-7 (Q2) was provided in the meeting packet and there were no questions.

The I-4 Risk Management (Semi-annual) was provided in the meeting packet and there were no questions.

The I-8 Asset Protection (Semi-annual) was provided in the meeting packet and there were no questions.

- E-2 CEO / Board Partnership Responsibilities
 - Water Outlook
 - Electric Cost Adjustment / Gas Cost Adjustment Monitoring

These reports were provided in the meeting packet and there were no questions.

7. Items Called Off Consent Calendar

There were none.

8. 2025 Budget and Rate Case

Mr. John Hunter, Financial Planning and Risk Manager, reviewed the 2025 Preliminary Budget. The proposed 2025 budget is a 21.4% increase (\$322,399,000) consisting of capital projects, operations and maintenance (both fuel and non-fuel), debt service, and surplus funds to the City and franchise fees.

Board Member Henjum mentioned that due to the significance of this rate case, the Finance Committee has been aware of this rate case for the past few months.

The proposed forecast is expected to increase from \$1,826,717,000 in 2025 to \$2,141,753,000 in 2029.

The proposed metrics were reviewed in relation to the Proposed five-year Financial Plan. The debt ratio will be 53.6% in 2025; 56.4% in 2026; 58.8% in 2027; 58.8% in 2028; and 57.3% in 2029. Mr. Tristan Gearhart, Chief Finance and Planning Officer, stated that any debt ratio above 54% is reflected negatively on the enterprise scorecard.

Mr. Scott Shirola, Pricing and Rates Manager, reviewed the Preliminary 2025 Rate Case. Mr. Shirola said that the proposed rate case filing is based on 2025 sources and uses budget ordinances and the five-year financial plan. The effective date(s) of proposed changes are Jan. 1, 2025; Oct. 1, 2025; Jan. 1, 2026; Jan. 1, 2027; Jan. 1, 2028; and Jan. 1, 2029.

Board Member Henjum asked leadership to explain why the organization is asking for a rate increase. Mr. Deal said there are many needs within the organization that necessitate this ask. The first is the closure of the Nixon Power Plant. This plant is being closed due to a regulatory requirement. With the closure of Nixon, new gas generation is needed to replace the energy once provided by Nixon.

The second is the organization's wastewater system and outreach capacity that needs to be resolved. The third is increased and continued work with water and water rights and the expansion of the Montgomery Reservoir. And the last is gas distribution, ensuring that we are very safety minded as a provider to our customers. One of the organizations main focuses is customer reliability. The capital spend is more than it has been in the past but is now a necessity.

Electric Service

The 2025 base rate drivers include substation and transmission lines, Sustainable Energy Plan projects, supporting growth and resiliency, inflationary increases in labor/benefits, and system maintenance. The total electric proposed revenue from rates is \$395.6 million (\$24.2 million higher than revenue under current rates). The overall system increase is an average of 6.5%.

Board Member Leinweber asked if a comparison is done among other comparable utilities for industrial customers. Mr. Shirola said that comparisons are done, and that with the proposed increases, Springs Utilities is still very competitive.

Natural Gas Service

The 2025 base rate drivers include the Distribution Integrity Management Program (DIMP), supporting growth and resiliency, and inflationary increases in labor, benefits, and system maintenance. The total natural gas proposed revenue from rates is \$92 million (\$3.6 million higher than revenue under current rates). The overall system increase is an average of 4%.

Water Service

The 2025 base rate drivers include sustainable water plan projects, supporting growth and resiliency, water debt additions, inflationary increases in labor/benefits, and system maintenance. The total water proposed revenue rates is \$228.7 million (\$13.9 million higher than revenue under current rates). The overall system increase is an average of 6.5%.

Wastewater Service

The 2025 base rate drivers include collection and treatment system rehabilitation and upgrades, supporting growth and resiliency, and inflationary increases in labor/benefits and system maintenance. The total wastewater proposed revenue from rates is \$79.7 million (\$6.6 million higher than revenue under current rates). The overall system increase is an average of 9%.

Board Member Henjum asked how growth plays a role in rate increases. Mr. Shirola said that the Utilities Policy Advisory Committee (UPAC) completed a previous assignment on review and design fees. This focused on bringing fees to full cost –having growth pay for growth.

Bill Assistance

Information is available for those customers who need assistance in paying their bills through the Low-Income Energy Assistance Program (LEAP) and Project COPE, as well as by setting up payment options through Springs Utilities.

Board Member O'Malley asked for an update on his proposal to having solar customers with net metering credits give those credits to Project COPE. Mr. Shirola advised that the organization is waiting to hear more about what is being done at the state level before making any decisions. Mr. Deal said that the organization needs to find an equitable way that net metering is being determined back to the customer.

Mr. Gearhart added that internal system would also need to be upgraded at a cost of approximately \$80,000 with a possible benefit of \$60,000 into the Project COPE fund. The alternate is to notify solar customers of personally donating their excess solar generation directly to Project COPE. Board Member Leinweber asked if this could change

fiber installation in the future. Mr. Deal stated this could allow for more options in the future.

Board Chair Donelson asked what the difference is between base rates and cost adjustments. Mr. Shirola explained that for electric and gas, the base rate is the portion of the rate case. Base rates fund the construction, the operation and the maintenance of the system. The last electric base rate increase was in 2018 and the last gas base rate increase was in January 2024. There are four additional line items that are fuel-related. These are adjusted quarterly and are not included in this rate case.

Electric – Energy-Wise Time of Day (TOD)

In 2018, Springs Utilities began working on a roadmap to position themselves for the new future of energy. Industry best practices and lessons learned have been researched. Customer research and analyses has been performed and the Utilities Board has been engaged. Based on these findings, the Energy-Wise Time of Day rate has been developed.

Energy-Wise rates can play a significant role in incentivizing customers to shift their electric use to periods when demand is lower, and the cost of providing electricity is cheaper – before 5 p.m. and after 9 p.m., Monday through Friday and anytime on weekends (off-peak periods).

Rates are highest Monday through Friday from 5 p.m. to 9 p.m. (on-peak times). Rates will also be higher during the summer when demands are higher (June through September) and lower in the winter (October through May).

The proposed effective date of these changes is Oct. 1, 2025, with a customer transition schedule to be determined by Springs Utilities, based on the installation date of their Advanced Metering Infrastructure (AMI) meter.

Without any change in current usage, it is estimated that 49.9% of customers will benefit from utilizing the Energy-Wise rate. This averages to a \$3.97 per month savings, or 2.8%.

Of the 50.1% of customers not changing usage to off-peak hours, they should expect an average 3% increase to their bill, or \$3.42 per month. These average impacts vary by season and by customer.

Board Member Leinweber asked what putting customers into the program “over time” means. Mr. Shirola said that depending on the customer bill cycle and installation of their AMI meter will determine transition into the Energy-Wise rates. For customers who have solar, the proposal is to keep them with their current rate schedule until information at the state level becomes available. Mr. Leinweber asked if rate classes can change based on customer usage, such as with water. Mr. Shirola stated this is possible.

Mr. Helms asked how this will affect customers who have opted out of AMI meter installation (approximately 145 residential customers). Mr. Shirola said they will be placed on the Fixed Seasonal Rate Option.

Estimated Customer Bill Impacts

The residential bill impact estimates for residential customers is an average decrease of 2.8% for 49.9% of customers.

Mr. Leinweber said that Water Wise communication was great. He asked if a communication plan is being developed for Energy-Wise rates. Mr. Shirola said that a comprehensive three-phase communication plan is being developed.

Mr. Leinweber asked if the base rate is still in effect if a customer goes on the Energy-Wise rate. Mr. Shirola said that customers will still have the base rate increase which will begin in January 2025, and the Energy-Wise TOD rate which goes into effect in October 2025. It is important for the communication plan to outline the effective dates for both the proposed rate increase beginning in January 2025 and the Energy-Wise rate in October 2025, then subsequent rate increases in 2026 and future years. Mr. Shirola said there is a current Time of Day rate that customers can voluntarily sign up for before October 2025.

Board Member O'Malley asked what the sensitivity/timeline is for 5:30 p.m. to 9:30 p.m., will this need to shift in the future? Mr. Shirola stated that it is on-peak period is projected to last through 2030.

Ms. Henjum said it is important to recognize that the organization has made changes to recover costs for growth and development.

Next steps include establishing a public hearing date and formal filing of the 2025 Rate Case with the City Clerk on Sep. 10, 2024. The 2025 Utilities Budget First Reading and 2025 Rate Case Hearing will be at City Council on Oct. 22, 2024 and the 2025 Utilities Budget Second Reading and 2025 Rate Case Decision and Order will take place on Nov. 12, 2024.

9. 2024 Balanced Scorecard Mid-Year Results

Ms. Natalie Watts, Manager of Strategic Planning and Governance, reported on the 2024 Mid-Year Scorecard results. These measures were approved at the November 2023 Utilities Board Meeting. There are a total of 24 measures. Mid-year results are 3.70 on a scale of 1 to 5, which is Meets Expectations. All results are as of June 30, 2024.

Eight measures fell within the Far Exceeds Expectations:

1. Residential Electric Service - Front Range Comparison
2. Residential Natural Gas Service - Front Range Comparison
3. Residential Wastewater Service Bill - Front Range Comparison
4. Small Commercial 4 Service Bill - Front Range Comparison

5. Large Comm/Indust 4-Service Bill - Front Range Comparison
6. Indust Electric-intensive Cust Bill - Front Range Comparison
7. Environmental Index
8. Safety: Occupational Injuries and Illnesses Rate

Three measures were Exceeds Expectations:

1. Bond Rating
2. Electric - SAIDI - Interruptions in minutes per year
3. Workforce Index

Eleven measures were Meets Expectations:

1. Residential Water Service Bill – Front Range Comparison
2. Days Cash on Hand – Current Year
3. Days Cash on Hand – 3 Year Average
4. Adjusted Debt Service Coverage – 3 Year Average
5. Debt Ratio – Current Year
6. Debt Ratio – 3 Year Average
7. Natural Gas – Failures per 100 miles of pipe
8. Water – Failures per 100 miles of mainline
9. Wastewater – Failures per 100 miles of mainline
10. Customer Satisfaction – Residential
11. Customer Satisfaction – Business

One measure was Partially Meets Expectation

1. Adjusted Debt Service Coverage - Current Year

Mr. Gearhart explained that the third quarter's water revenue should improve actuals to a Meets Expectations rating. This goal is between 1.8 and 2.0 and the rating was 1.77.

The organization had no measures that Did Not Meet Expectations. The last time this happened was in mid-year 2020.

Year-end scorecard results for 2024 will be presented to the Strategic Planning Committee and the Utilities Board in March 2025.

Board Member Henjum asked when scorecard weightings could be changed. Ms. Watts said that these could be changed at the end of 2024.

10. Board Member Updates

Board Member Helms said that there was an abbreviated Program Management Review (PMR) Committee meeting earlier this week. During the committee meeting, they reviewed the 58 items on the project dashboard. The sustainable energy portfolio was reviewed as was the acquisition of new energy resources. Mr. Helms said that fiber installation in the north end of Colorado Springs is going well. Springs Utilities is doing a great job with installation and repair of landscape that was damaged during installation.

Mr. Helms thanked Springs Utilities for their help in allowing cadets access to hike up to replace the American flag on a World War II aircraft on Blodgett Peak.

Board Member Leinweber said that during the last two weeks, his fiber service (not provided by Springs Utilities) has been down twice.

Board Member Henjum appreciated attention of fellow Board Members during rates presentations, this is a significant process for transparency to the residents of the community. She recognized the members of the organization's Pricing & Rates Department for their diligence in preparing the presentations and the work they put into the data and research. Ms. Henjum also recognized Somer Mese for her quick response and going above and beyond on a recent constituent concern. Ms. Henjum reminded everyone that the City of Colorado Springs is kicking off their Annex COS process on Aug. 28, 2024, at Hybl Sports Center addressing ways the City can grow thoughtfully and be economically viable.

Vice Chair Avila said that the Personnel Committee met this past Monday to discuss the Workforce Plan. In 2005, there were 2,056 regular employees, then cuts were made down to 1,824 employees for several years, and now there are 2,030 regular employees. A presentation was made on compensation and benefits. CEO Competencies were also discussed at this meeting. Ms. Avila recently attended Summerfest. It was a great event. Ms. Avila thought the 2024 Board Member Retreat was helpful.

Board Member Crow-Iverson attended the Water Congress Conference and found it very interesting.

Board Member O'Malley felt that a great deal of time was spent going over rate increases today. He always looks to the source as to why this is happening. The organization had an unfunded requirement of being 80% green by 2030.

Board Chair Donelson stated that he recently attended the Utilities Policy Advisory Committee (UPAC) meeting. UPAC Members are currently underway with their nuclear generation assignment. The next meeting will be Sep. 4, 2024.

Board Member Talarico thanked Mr. Helms and Mr. Donelson for stepping into chair the PMR meeting earlier this week. Ms. Talarico will follow up with members of the Strategic Planning and Governance staff and fellow Board Members on the purpose of the PMR Committee and how it can be more valuable to the entire Board.

Mr. Deal stated before the D.C. Fly-In, on Monday, Sep. 16, there will be a utilities day, with many joint action agencies participating.

11. Summary of Board Actions

- Approval of the Utilities Board minutes from the July 17, 2024, meeting and the Aug. 5, 2024, Utilities Board Retreat.

- Approval of the re-appointments of Michael Borden, Katherine Danner, and David Watson as regular members of the Utilities Policy Advisory Committee (UPAC).
- Approval of the appointments of Tom Carter and Albert Badeau as Alternative Members of UPAC.
- Budget and Rate Case will move forward to City Council.

12. Executive Session

City Attorney Renee Congdon read the notice for the Closed Session for two issues. The first issue to be discussed involves conferences with the City Attorney's Office regarding determining positions relative to contract negotiations regarding gas resources, including consideration of documents containing confidential and proprietary information. The second issue to be discussed is the 2024 mid-year performance review of the Chief Executive Officer. Board Members were polled and agreed to go into executive session by a unanimous vote.

13. Adjournment

The meeting adjourned at 5:23 p.m.