

MINUTES

Colorado Springs Utilities Board Meeting Wednesday, June 21, 2023

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

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

Staff members present via Microsoft Teams or Blue River Conference Room: Travas Deal, Tristan Gearhart, Renee Adams, Somer Mese, Mike Francolino, Natalie Watts, Charlie Cassidy, Andie Buhl, Katie Garrett, David Longrie, Abby Ortega, Adam Hegstrom, Jennifer Alecci, Jessica Davis, Scott Shirola, Bryan English, Bill Davis, Andy Kingery, Nash Ponce, Klint Evans, Matt Bolin, Raul Romero, Cody Solberg, Michael Gudahl, Chris Graves and Joel Trenado

City of Colorado Springs staff members present via Microsoft Teams or Blue River Conference Room: Alex Ryden, Renee Congdon, Jamie Fabos, Chris Bidlack, Jackie Rowland, David Beckett and Peter Wysocki

Citizens present via Microsoft Teams or Blue River Conference Room: Robi Chadborne, Mike Ruebenson, Scott Shaver and Josh Benninghoff

1. Call to Order

Chair Donelson called the Utilities Board meeting to order at 1:00 p.m. and Ms. Andie Buhl, Utilities Board Administrator, called the roll.

2. Invocation and Pledge of Allegiance

Robi Chadborne from Woodmen Valley Chapel delivered the invocation and Vice Chair O'Malley led the Pledge of Allegiance.

3. Consent Calendar

3a. Approval of Utilities Board Meeting Minutes: May 17, 2023

Vice Chair O'Malley moved approval of the Consent Calendar and Board Member Crow-Iverson seconded the motion. The Consent Calendar was unanimously approved.

4. Recognition

Fort Carson Intergovernmental Support Agreement (IGSA)

Ms. Jennifer Alecci, Energy Contractor Operations Maintenance Manager, provided background information about the Fort Carson IGSA. She said its scope comprises of

operating, maintaining, and repairing Fort Carson electric and gas distribution systems, streetlights, and water cathodic protection. She said Springs Utilities provides 24/7 emergency response and completes pre-approved corrective maintenance projects – all of which provides Springs Utilities the unique opportunity to work in a new environment.

Ms. Alecci reviewed first year priorities and key learnings and successes. She also explained emergency response and maintenance completed at Fort Carson. Mr. Charles Cassidy, Operations General Manager, expressed appreciation for Ms. Alecci and her team's work bringing the best utilities practices to Fort Carson.

Board Members thanked Ms. Alecci and Mr. Cassidy for their hard work on this agreement.

5. Customer Comments

There were none.

6. Compliance Reports

- Balanced Scorecard Audit
- E-2 CEO Responsibilities
 - Water Outlook

Ms. Katie Garrett, Engineer III – Water Conveyance, discussed local weather conditions as of May 31, 2023, and the U.S. drought monitor, which shows abnormally dry conditions across some portions of eastern and western Colorado, with most areas of the state free from drought. She said the snowpack in the Arkansas River Basin is 856% of normal as of June 19 and the snowpack in the Colorado River Basin is 1,734% of normal as of June 19.

Ms. Garrett said the statewide SNOTEL (SNOWpack TElemetry) map shows that watersheds in Colorado are above normal snow water equivalent except for the South Platte and Gunnison River basins where no data is available. She explained that the June 1 yield forecast predicts 107% of average yield from Colorado Springs' water collection systems this year. Ms. Garrett said water demand in May averaged 65.2 million gallons per day, which was 20% less than last year. Ms. Garrett reviewed the 2023 actual consumption graph, which shows the effect of precipitation on water use with a noticeable drop in consumption beginning in May and continuing through June 18. She said the total year to date (June 18) consumption is 8.40 billion gallons, which is below the near-term average of 9.36 billion gallons.

Ms. Garrett reviewed monthly water use for May 2023 with a total water use of about 2 billion gallons. She also discussed Colorado Springs' system wide storage is about 222,500 acre-feet, or 85.9% of capacity. This is above the shorter-term (2001-2022) average of 75.2% for this time of year. She said Colorado Springs' system-wide storage was about 204,000 acre-feet on May 31, or 78.7% of capacity, which is above the

longer-term (1991-2021) average of 76% for this time of year. This equates to about 2.9 years of demand in storage.

7. Items Called Off Consent Calendar

There were none.

8. Amara Annexation Application of Water Extension Ordinance

Mr. Bryan English, Project Manager III, said Ordinance No. 23-03 passed on Feb. 14, 2023, and was codified as City Code section 12.4.305. This requires the Utilities Board to recommend and City Council to approve to extend the water service boundary. He said it does not apply to in-City development or areas already receiving City water service. Mr. English said approval must be based on substantiated and written record demonstrating one of the following:

- B. 1. 128% of existing water usage* plus projected demand for proposed water extension(s), and 25% of the perimeter of the area is contiguous
 - or -
2. A unique and extraordinary event or circumstance necessitates an extension of water services to serve critical interests of the City;
 - or -
3. The area is an enclave, or the area is owned or leased by the City, or the extension will have a de minimis impact on the overall City's available water supply.

**Calculated using a five-year rolling average of unrestricted weather normalized usage data.*

Mr. English reviewed Springs Utilities' application of ordinance language and overall calculations process. He gave overviews of the Amara development, annexation petition status and application of the Water Extension Ordinance. He also reviewed the Amara annexation exhibit, annexation agreement and conditions for annexation.

Mr. English concluded with Springs Utilities capital cost for Amara capacity (as submitted in 2022, based on the current annexation agreement) and next steps.

The Utilities Board took a break at 2:31 p.m. and returned at 2:43 p.m.

Chair Donelson made a motion to recommend approval of the extension of the water service boundary under City Code section 12.4.305 to include the Amara series of annexations, subject to the condition that the annexation plats be resubmitted to City Planning demonstrating 25% contiguity with the City's existing boundary. Board Member Leinweber seconded the motion.

Citizen Comment:

Mr. Mike Ruebenson, La Plata Chief Operating Officer, clarified the reasoning for Amara's platted 25% contiguity. He said the application was submitted and accepted in November 2021.

Mr. Peter Wysocki, City Planning and Commercial Development Director, further explained the Amara annexation exhibit map.

Ms. Buhl polled the Utilities Board members on the motion made by Chair Donelson and seconded by Board Member Leinweber. Board Members Avila, Donelson, Henjum, Leinweber, Risley and Talarico voted in favor with Board Members Crowlerson, Helms and Vice Chair O'Malley voted against. It passed with a 6-3 vote.

9. Outside City Request for Water/Wastewater Service – 5290 Turquoise Drive

Mr. Bryan English, Project Manager III, said owners of 5290 Turquoise Dr. have requested Springs Utilities' water service for single-family residential use. He said the property is currently served by a well and Springs Utilities provides natural gas and electric service to the property and enclave. He reviewed the provision of water/wastewater service as well as the water service extension ordinance.

Mr. English discussed Springs Utilities' considerations 7.6.210 and agreement to annex. He concluded with next steps, and the Utilities Board agreed to put this item on consent at the July 25, 2023, City Council meeting.

10. 2023AB Bond Ordinance

Mr. Adam Hegstrom, Treasury and Finance Manager, reviewed the 2023 Plan of Finance regarding the 2023AB Bond Ordinance. He said the Plan of Finance is an annual strategic effort to effectively obtain and manage debt obligations to support Colorado Springs Utilities' capital needs. He said the Plan of Finance is critical to the Utilities Board's strategic focus on rates and its core tenets are prudence, efficiency and flexibility.

Mr. Hegstrom said collectively, the Plan of Finance is executed by Springs Utilities leadership, planning and finance staff, key advisors (financial advisor and bond counsel), and key banking partners and counterparties. He reviewed and discussed each key objective:

1. New Money Debt Issuance: 2023As
 - a. Support Springs Utilities' operations by funding the debt-backed portion of the enterprise's future capital plan
 - b. Enterprise Need:
 - i. Estimated \$432 million in total capital spend between September 2023 and September 2024
 - c. Anticipated Actions:
 - i. Issue new money debt in August 2023
 - d. Anticipated Issuance Details:
 - i. Current Estimated - \$225 million (proceeds)
 - ii. Ordinance Ceiling - \$250 million
 - iii. More clarity in coming months surrounding 2024 Annual Operating Plan/Capital Plan

- iv. Effective balance between cash and debt to optimize financial metric performance
 - e. Structure:
 - i. Traditional tax exempt fixed-rate debt
 - ii. Maturity-by-maturity optimization near issuance date
 - f. Market Update:
 - i. Interest rates are roughly unchanged since last issuance
 - ii. However, the yield curve has shifted greatly
 - iii. Inflation is still above the Federal Reserve's target range
 - iv. Municipal supply has dropped dramatically
 - v. Investor flows have stabilized after large outflows in 2022
 - vi. To best match short-term market supply and demand/liquidity, pricing date has been accelerated to mid -August
- 2. Refunding Debt Issuance: 2023Bs
 - a. Manage and optimize Springs Utilities' current debt portfolio
 - i. \$1.78 billion in outstanding fixed rate bonds
 - ii. Vast majority can be refinanced 10 years after issuance if interest rate economics are favorable
 - b. Anticipated Actions:
 - i. Issue a current refunding transaction in August to refinance all/parts of the 2013A, 2013B-1, and 2013B-2 issuance
- 3. Procure and manage debt-supporting instruments and ancillary services
- 4. Industry and Investor Relationships
 - a. Manage Springs Utilities' financial reputation and industry relationships to ensure market access
 - b. JP Morgan Investor Conference
 - i. Presentation to ~50 institutional investors on the state of Colorado Springs Utilities and our credit
 - ii. Q&A meetings with interested portfolio managers and analysts
 - c. Underwriter Pool Selection
 - i. Competitive process from 12 banks
 - ii. Six chosen for pool for an anticipated five-year term
 - iii. Team selected for 2023AB issuance:
 - iv. Senior Manager - Goldman Sachs
 - v. Co-Managers - Bank of America, Morgan Stanley, and Piper Sandler
 - d. Credit Rating Agencies
 - i. Currently preparing messaging materials for upcoming rating agency meetings
 - ii. Site tours included
 - iii. Anticipated topics of interest to address:
 - 1. Fuel price volatility management
 - 2. Funding of large future capital programs
 - 3. Environmental regulation
 - 4. Colorado River Compact implications
 - 5. Major project highlights

6. Inflation and supply chain impacts

Short- and long-term financial planning processes

Mr. Hegstrom concluded with next steps. The Utilities Board agreed to put this item on Regular Business at the June 27, 2023 City Council meeting.

11. Fuel Related Rates Filing

Mr. Scott Shirola, Pricing and Rates Manager, explained non-fuel (base) and fuel related rates for electric and natural gas. He reviewed the three types of fuel-related costs:

1. Energy cost: Electric Cost Adjustment (ECA) and Gas Cost Adjustment (GCA)
 - Energy costs are variable and driven by price fluctuations in the coal, natural gas and purchase power market
 - Monitored monthly and adjusted quarterly
2. Capacity cost: Electric Capacity Charge (ECC) and Gas Capacity Charge (GCC)
 - Capacity costs are primarily fixed based on contracted/reserved transmission capacity
 - Reviewed and adjusted annually
3. Two-part fuel rate composition
 - Part one: Forecasted expense for the period the rate will be in effect
 - Part two: True-up of over/under collected cost over 12 or 24-month period

Mr. Shirola provided natural gas prices as of June 1, 2023, and highlighted prices during the heating season (November – March). Mr. Alex Baird, Portfolio Management Manager, further explained natural gas prices from an energy market perspective. Mr. Shirola concluded with ECA, GCA, ECC and GCC projections for June 2023. He reviewed sample bills based on the proposed effective date of July 1, 2023 and financial assistance programs for customers.

Mr. Shirola concluded with next steps, and the Utilities Board agreed to postpone the ECA rate change and put the remaining items on Regular Business at the June 27, 2023 City Council meeting.

The Utilities Board took a break at 3:48 p.m. and returned at 3:54 p.m.

12. A Resolution Finding a Public Purpose in a Lease for Less Than Fair Market Value to the State of Colorado

Ms. Jessica Davis, Information Technology Manager, provided background information and reviewed the proposal, which is to continue the existing partnership with Trinidad State Junior College and lease a portion of Pinello Ranch to Trinidad State Junior College. She reviewed the benefits, which are:

- Excellent pool of electric lineworkers for Colorado Springs Utilities and other regional utilities
- Well-paying jobs (for non-college degreed individuals and veterans seeking a career or new career path)

- Local candidates, local training, local benefits – community
- 90% successful placement in lineman industry
- Classroom and training facilities in one location
- Long-term use of property benefits the community
- Commitment for the College, City Council Utilities Board and Community
- Recruits from region most likely to stay in region

Ms. Davis concluded with next steps, and the Utilities Board agreed to put this item on Consent at the July 11, 2023, City Council meeting.

13. A Resolution Authorizing the Acquisition of Real Property to be Used for the Central Bluffs Substation Project

Ms. Davis said the Central Bluffs Substation Project will combine three aging substations into one. She said the benefits of this project include long-term operations and maintenance (O&M) savings, system reliability and safety upgrades. She said there are seven total properties that Springs Utilities is purchasing for the Central Bluffs Substation Project.

Ms. Davis reviewed details of the property acquisitions for one of the sites: 2910 Austin Bluffs Parkway. She concluded with next steps, and the Utilities Board agreed to put this item on consent at the July 11, 2023, City Council meeting.

14. Electric Integrated Resource Plan (EIRP, Clean Energy Plan) and Clean Heat Plans (CHP)

Mr. David Longrie, Engineering Manager, reviewed the energy load forecast and resource adequacy including the planning reserve margin and effective load carry capacity (ELCC). He provided generation resource retirement dates and explained other considerations – specifically gas supply, regional transmission organization and advanced utility infrastructure.

Mr. Longrie explained new resource additions through 2050: portfolio comparison of recommended portfolio (solar, wind, other non-carbon, storage, and natural gas aero) vs. no new fossil fuel. He also explained the proposed additional resources available by 2030:

- 175 MW solar underway
- 200 MW battery storage underway
- 525 MW solar
- 100 MW storage
- 625 MW wind
- 350 MW gas generation

Mr. Longrie reviewed future total emissions and cost allocations:

- Owned resources will be purchased with capital dollars - Gas generators, substations, interconnection fees, transmission, and possibly storage

- Purchased Power Agreements (PPAs) will be applied to the Electric Cost Adjustment - Solar, wind, possibly storage, and other renewable resources

Mr. Longrie concluded with next steps. Board Member Henjum moved approval of the resolution outlining the revised EIRP and Board Member Talarico seconded the motion. The resolution was unanimously approved.

Ms. Heather Tocci, Engineer III, provided a recap of the Clean Heat Plan. She reviewed the public process for the CHP and explained the portfolio definitions:

- Forecast – Gas use without CHP intervention
- Cost Cap – Using the 2%/2.5% to reduce carbon output in the most cost-effective methods possible while maintaining a robust collection of options to assist as many customers as possible
- Target – Meeting the targets of 4% in 2025 and 22% in 2030, assuming Colorado Springs Utilities pays 100% of the install cost and maintains a 22% reduction in years after 2030

Ms. Tocci reviewed estimated greenhouse gas reductions and additional considerations (portfolios). She summarized what the portfolios showed, and the cost cap expenditure plan. She also discussed current greenhouse gas (GHG) reduction tools used in workbooks and concluded with next steps.

Board Member Henjum moved approval of the resolution outlining the CHP and Board Member Talarico seconded the motion. The resolution was unanimously approved.

15. Board Member Updates

Board Member Helms applauded the success of the Western Street Breakfast which took place earlier in the day in downtown Colorado Springs.

Board Member Henjum recognized the dedication of renovating the 1930s lamp posts in the Old North End neighborhood and expressed appreciation for Springs Utilities' employees for supporting this effort. She also expressed concerns about the immense rainfall Colorado continues to receive and how it impacts water revenue at Springs Utilities.

Board Member Risley expressed concerns about the annexation and water ordinance processes, and explained how he plans to improve both.

Board Member Talarico echoed Board Member Risley's comments.

Vice Chair O'Malley resigned his position as Vice Chair.

Chair Donelson expressed how important it is to keep the City Attorney's Office in the conversation when discussing difficult topics. He said he appreciates all Board Members' input and patience.

Mr. Travas Deal, Chief Executive Officer, provided a safety update about storms in the area.

16. Summary of Board Actions

There were none.

17. Executive Session

Ms. Renee Congdon, City Attorney Division Chief – Utilities, read the following language to enter Executive Session.

In accordance with City Charter art. III, § 3-60(d) and its incorporated Colorado Open Meetings Law, C.R.S. § 24-6-402(4)(b) and Utilities Board Bylaws Rules 10(c)(2), the Utilities Board, in Open Session, is to determine whether it will hold a Closed Executive Session on one issue. The issue to be discussed involves conferences with the City Attorney's Office and outside counsel for the purpose of receiving legal advice on specific legal questions.

The City Attorney's Office, on behalf of the Chair of the Utilities Board, shall poll the Utilities Board members, and, upon consent of two-thirds of the members present, may conduct a Closed Executive Session. In the event any Utilities Board member is participating electronically or telephonically in the Closed Executive Session, each Utilities Board member participating electronically or telephonically in the Closed Executive Session shall affirmatively state for the record that no other member of the public not authorized to participate in the electronic Closed Executive Session is present or able to hear the matters discussed as part of the Closed Executive Session. If consent to the Closed Executive Session is not given, the item may be discussed in Open Session or withdrawn from consideration.

Ms. Congdon called the roll and polled the Utilities Board. They voted 6 to 0 to enter Executive Session, with Board Member Avila, Board Member O'Malley and Board Member Leinweber excused. They took a break at 4:37 p.m. and entered Executive Session at 4:49 p.m. They returned to Open Session at 5:18 p.m.

18. Adjournment

The meeting adjourned at 5:21 p.m.