

RESOLUTION NO. 136-17

**A RESOLUTION SETTING THE WATER RATES
WITHIN THE WATER SERVICE AREA OF
COLORADO SPRINGS UTILITIES**

WHEREAS, Colorado Springs Utilities (Utilities) has analyzed the cost of providing water utility service to its Customers and has analyzed its current and expected revenue needs; and

WHEREAS, Utilities has prepared a Cost-of-Service Study that shows that the water service is currently in an unacceptable net income situation on a *pro forma* basis; and

WHEREAS, to rectify the unacceptable cash net income position, water service revenues will need to increase by approximately \$7.7 million for 2018; and

WHEREAS, Utilities has proposed, and the City Council finds it prudent, to modify the Residential, Nonresidential, Contract, Hydrant, and Nonpotable rates to reflect the appropriate cost for the service; and,

WHEREAS, the details of the changes for each rate class, including the pricing changes noted above and all changes noted in the following clauses, are reflected in the tariff sheets attached to this resolution, are provided in red-line format within Utilities' 2018 Rate Case Filing, and are discussed further in the City Council Decision and Order for this case; and

WHEREAS, Utilities has provided public notice of the proposed changes and has complied with the requirements of the City Code for changing its water rate schedules; and

WHEREAS, the City Council finds that the proposed modifications to the water rate schedules and tariffs are reasonable in light of all circumstances and allow Utilities to collect revenues that enable Utilities to continue to operate in the best interest of all of its Customers; and

WHEREAS, Utilities has proposed to make the water rate schedule and tariff changes effective January 1, 2018; and

WHEREAS, specific rates, policy changes, and changes to any terms and conditions of service are set out in the attached tariffs for adoption with the final City Council Decision and Order in this case.

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF COLORADO SPRINGS:

Section 1: That Colorado Springs Utilities Tariff, City Council Volume No. 5, Water Rate Schedules shall be revised as follows:

Effective January 1, 2018

City Council Vol. No. 5		
Sheet No.	Title	Cancels Sheet No.
Ninth Revised Sheet No. 2	Residential Service – Inside City Limits	Eighth Revised Sheet No. 2
Ninth Revised Sheet No. 3	Nonresidential Service – Inside City Limits	Eighth Revised Sheet No. 3
Ninth Revised Sheet No. 4	Residential Service – Outside City Limits	Eighth Revised Sheet No. 4
Ninth Revised Sheet No. 5	Nonresidential Service – Outside City Limits	Eighth Revised Sheet No. 5
Ninth Revised Sheet No. 6	Contract Service	Eighth Revised Sheet No. 6
Ninth Revised Sheet No. 7	Temporary Service – Hydrant Use	Eighth Revised Sheet No. 7
Fourth Revised Sheet No. 9	Miscellaneous Service - Nonpotable	Third Revised Sheet No. 9
Fifth Revised Sheet No. 10	Contract Service - Nonpotable	Fourth Revised Sheet No. 10



Section 2: The attached Tariff Sheets, Council Decision and Order, and other related matters are hereby approved and adopted.

Dated at Colorado Springs, Colorado, this 28th day of November, 2017.



City Council President

ATTEST:


Sarah B. Johnson, City Clerk




WATER RATE SCHEDULES

RESIDENTIAL SERVICE – INSIDE CITY LIMITS W-R

AVAILABILITY

Available in the corporate limits of the City in Utilities’ water service territory for general residential purposes. Whether or not the end use of the water is residential in nature, this rate is not available for master metered accounts.

RATE

The billing statements are the sum of:

Service Charge, Per Day\$0.7079

Commodity Charge

First 999 cf\$0.0381
1,000 to 2,499 cf\$0.0654
2,500 cf or greater\$0.0988

but not less than

Meter Size

5/8" - 1 inch.....\$0.7079
1 1/2"\$1.4158
2"\$2.2653
3"\$4.2474

RULES AND REGULATIONS

Service under this rate schedule will be in accordance with City ordinances, resolutions and policies, the provisions of Utilities’ Rules and Regulations and *Line Extension & Service Standards* for Water.

Approval Date: November 28, 2017
Effective Date: January 1, 2018
Resolution No. _____



WATER RATE SCHEDULES

NONRESIDENTIAL SERVICE – INSIDE CITY LIMITS W-G, W-M

AVAILABILITY

Available in the corporate limits of the City in Utilities’ water service territory for master meter and general nonresidential purposes.

RATE

The billing statements are the sum of:

Service Charge, Per Meter Size in Inches, Per Day

Less than 2 inch	\$1.6562
2 inch.....	\$2.6499
3 inch.....	\$4.9686
4 inch.....	\$8.2810
6 inch.....	\$16.5620
8 inch.....	\$26.4992
10 inch.....	\$38.0926

Commodity Charge

November through April, per cf	\$0.0451
May through October, per cf.....	\$0.0676

RULES AND REGULATIONS

Service under this rate schedule will be in accordance with City ordinances, resolutions and policies, the provisions of Utilities’ Rules and Regulations and *Line Extension & Service Standards* for Water.

Approval Date: November 28, 2017
Effective Date: January 1, 2018
Resolution No. _____



WATER RATE SCHEDULES

RESIDENTIAL SERVICE - OUTSIDE CITY LIMITS W-R

AVAILABILITY

Available outside the corporate limits of the City in areas where water service is available from Utilities for general residential purposes and only with prior approval by the City Council. Whether or not the end use of the water is residential in nature, this rate is not available for master metered accounts.

RATE

The billing statements are the sum of:

Service Charge, Per Day\$1.0619

Commodity Charge

First 999 cf.....\$0.0572
1,000 to 2,499 cf.....\$0.0981
2,500 cf or greater\$0.1482

but not less than

Meter Size

5/8" - 1 inch\$1.0619
1 1/2"\$2.1237
2"\$3.3980
3"\$6.3711

RULES AND REGULATIONS

Service under this rate schedule will be in accordance with City ordinances, resolutions and policies, the provisions of Utilities' Rules and Regulations and *Line Extension & Service Standards* for Water.

Approval Date: November 28, 2017
Effective Date: January 1, 2018
Resolution No. _____



WATER RATE SCHEDULES

NONRESIDENTIAL SERVICE - OUTSIDE CITY LIMITS W-G, W-M

AVAILABILITY

Available outside the corporate limits of the City in areas where water service is available from Utilities for master meter and general non-residential purposes and only with prior approval by the City Council.

RATE

The billing statements are the sum of:

Service Charge, Per Meter Size in Inches, Per Day

Less than 2 inch	\$2.4843
2 inch.....	\$3.9749
3 inch.....	\$7.4529
4 inch.....	\$12.4215
6 inch.....	\$24.8430
8 inch.....	\$39.7488
10 inch.....	\$57.1389

Commodity Charge

November through April, per cf	\$0.0677
May through October, per cf.....	\$0.1014

RULES AND REGULATIONS

Service under this rate schedule will be in accordance with City ordinances, resolutions and policies, the provisions of Utilities' Rules and Regulations and *Line Extension & Service Standards* for Water.

Approval Date: November 28, 2017
Effective Date: January 1, 2018
Resolution No. _____



WATER RATE SCHEDULES

CONTRACT SERVICE WSC-MIL

AVAILABILITY

Available by contract in Utilities' water service territory to the United States of America at the Fort Carson Military Installation, the Peterson Air Force Base, the United States Air Force Academy, and Cheyenne Mountain Air Force Station.

RATES

The billing statements are the sum of:

Commodity Charge

November through April, per cf	\$0.0375
May through October, per cf.....	\$0.0536

RULES AND REGULATIONS

Service under this rate schedule will be in accordance with City ordinances, resolutions and policies, the provisions of Utilities' Rules and Regulations, *Line Extension & Service Standards* for Water and the conditions of any associated contract.

Approval Date: November 28, 2017
Effective Date: January 1, 2018
Resolution No. _____



WATER RATE SCHEDULES

TEMPORARY SERVICE - HYDRANT USE WHYDM

AVAILABILITY

Available by Utilities' permit for development and construction-related activities, health and safety purposes, or other approved uses, as determined by Utilities.

PERMIT FEE

Per Permit\$100.0000

RATE

The billing statements are the sum of:

Customer Charge (All Permit Classes)

Per Day\$5.4216

Meter Charge (Utilities Owned Meter)

Per Day\$4.0000

Equipment Charge (Utilities Owned Back Flow Preventer)

Per Day\$4.0000

Commodity Charge

Class A Permit, Per 1,000 gallons\$9.8176

Class B Permit, Per 1,000 gallons.....\$9.8176

Class C Permit (Use of Fire Hydrant without Meter - Specified Capacity),
Per 1,000 gallons.....\$9.8176

PAYMENT

Billing statements are due and payable by the date indicated on the statement.

DEPOSIT

A cash deposit of three hundred dollars (\$300.00) may be required to guarantee performance of any permit. Utilities may require an additional deposit in the event the three hundred dollars (\$300.00) deposit is determined by Utilities to be insufficient.

RULES AND REGULATIONS

Service under this rate schedule will be in accordance with City ordinances, resolutions and policies, the provisions of Utilities' Rules and Regulations and *Line Extension & Service Standards* for Water.

Approval Date: November 28, 2017

Effective Date: January 1, 2018

Resolution No. _____



WATER RATE SCHEDULES

MISCELLANEOUS SERVICE - NONPOTABLE W-N

AVAILABILITY

Available to all Customers using Utilities' nonpotable water from a Utilities' owned, operated, and maintained supply system. Nonpotable water may consist of raw water, reclaimed water, groundwater, or any combination of these. Service is based on pressures, quantities, and availability determined by Utilities.

RATE

The billing statements are the sum of:

Commodity Charge

per cf\$0.0213

RULES AND REGULATIONS

Service under this rate schedule will be in accordance with City ordinances, resolutions and policies, the provisions of Utilities' Rules and Regulations, Nonpotable policy, and *Line Extension & Service Standards* for Water.

Approval Date: November 28, 2017
Effective Date: January 1, 2018
Resolution No. _____



WATER RATE SCHEDULES

CONTRACT SERVICE – NONPOTABLE W1P

AVAILABILITY

Available to existing special contract Customer for nonpotable water service to the Kissing Camels Golf Course.

RATE

The billing statements are the sum of:

Commodity Charge

per cf\$0.0123

RULES AND REGULATIONS

Service under this rate schedule will be in accordance with City ordinances, resolutions and policies, the provisions of Utilities' Rules and Regulations, Nonpotable policy manual, *Line Extension & Service Standards* for Water and the conditions of any associated contract.

Approval Date: November 28, 2017

Effective Date: January 1, 2018

Resolution No. _____

BEFORE THE CITY COUNCIL OF
THE CITY OF COLORADO SPRINGS

IN THE MATTER OF THE REVISION)
OF THE WATER TARIFF OF) DECISION & ORDER 17-03 (W)
COLORADO SPRINGS UTILITIES)

1. Colorado Springs Utilities, an enterprise of the City of Colorado Springs (“City”), a Colorado home-rule city and municipal corporation, (“Utilities”), provides water utility service within the City.
2. Utilities proposes changes to the Electric and Water Rate Schedules, Utilities Rules and Regulations (“URR”), and the Open Access Transmission Tariff (“OATT”) in the 2018 Rate Case filing.
3. Utilities uses a Cash-Needs method to determine the total electric and water revenue requirement derived from the annual budget. This technique is frequently utilized by other government-owned enterprise utilities in order to set rates at an appropriate level to recover sufficient revenues to cover all cash needs. A major advantage of this technique is consistency with the budgeting and accounting systems used by these entities.
4. Utilities conducted a Cost of Service (“COS”) study for Electric and Water. The test year for this filing is the 2018 proposed budget. The rate analysis concluded rate adjustments are required for the Electric and Water services.
5. The proposed effective dates for Utilities’ tariff changes are January 1, 2018, and January 1, 2019.
6. Utilities noted in its filing that although Wastewater rates are not addressed in the filing, previously approved Wastewater rates will go into effect on January 1, 2018. On November 8, 2016, City Council approved a two-year phase-in of certain Wastewater rates in the 2017 Rate Case Filing. The final phase of the Wastewater rate adjustments is effective January 1, 2018. As a result, rates for Residential Service will decrease by 0.8%, Nonresidential Service will increase by 1.8%, and Contract Services, Military and Outside City will increase by 5.5%.
7. Utilities has an Aa2/AA/AA stable credit rating from Moody’s, Fitch Ratings, and Standard & Poor’s, one of the highest ratings among all public power utilities in the nation. Maintaining this rating requires achieving financial metrics that provide assurance to the rating agencies of a sound financial position. The three metrics most closely monitored by the rating agencies are Debt Service Coverage/Fixed Cost Coverage, Days Cash on Hand and Debt Ratio. While there are guidelines from each agency on the level at which these three metrics should be maintained, it is the combination of these metrics and selected other factors that result in the final credit rating.

8. In September 2017, all three rating agencies (Moody's, Fitch Ratings, and Standard & Poor's) affirmed a AA (Aa2 Moody's) rating for Utilities with a stable outlook. Moody's stated that its rationale reflects Utilities' above average service area, characterized by a large regional military presence; the history of sound rate setting and board policies to ensure stable financial metrics; and strong liquidity.
9. The stable outlook reflects Moody's expectation that Debt Service Coverage ratios and sound liquidity will continue in the 2017-2018 timeframe. Moody's expects a AA rated utility to achieve Adjusted Debt Service Coverage of at least 2.0x. The 2018 Proposed Appropriation provides for an Adjusted Debt Service Coverage of 1.85, including Surplus Payments to the City in the calculation, which meets the criteria for an A rated utility. Moody's expects a AA rated utility to carry 150 to 250 Days Cash on Hand, including open lines of credit and capacity under the commercial paper program. The 2018 Days Cash on Hand is projected to be 135 days, and when combined with Utilities' current lines of credit and available commercial paper capacity, meets the AA goal and provides additional cash to fund capital projects if proposed revenue from rates are recognized through the course of the year. Moody's expects a AA rated utility that owns generation to maintain a Debt Ratio between 35% and 60%. Due to the large capital program over the past several years, the Debt Ratio exceeded 60% until 2016. A planned approach to cash-fund more capital has allowed for a projected 2018 Debt Ratio of 55.5%, which meets the sub 60.0% target for a AA rated utility.
10. Utilities operates an extensive network of supply, treatment, transmission, and distribution facilities in order to maintain a dependable water supply for the largest city in Colorado not located on a major water source.
11. Utilities conducted the COS utilizing the proposed 2018 Budget. The COS indicates that, in order for Utilities to recover the proposed revenue requirement, it is necessary to increase rates. The rate increase will result in total revenue of \$191.7 million, which is \$7.7 million, or 4.2%, higher than the projected revenues under current rates. The effect of this increase on the typical monthly residential water bill is an additional \$3.19, or 5.1%, over the current typical water bill.
12. The drivers for the proposed Water Service rate increases are operations and maintenance expenses and water debt service.
13. The Water Service requires an operating and maintenance increase of \$7.2 million that is necessary to fund critical programs of work and ensure that drinking water is protected from its source to the tap, in compliance with the Federal Safe Drinking Water Act. Water planning and condition assessments cover planning activities in each of the major Water Service elements: raw water system, water treatment, finished water, and nonpotable water. Efforts start with an assessment of the condition and expected service life of the assets. Other drivers considered include population growth, changes in demand and customer behavior, regulatory requirements, aging infrastructure, system operations, and technology. The planning process leads to preparation of infrastructure investment

plans that will guide decision making to assess and repair critical infrastructure within the water system.

14. Water supply, delivery, and treatment investments are necessary for Utilities' water system and include acquisition of water rights, new raw water storage, delivery of raw water, treatment of water for storage, and delivery to our customers. The water main rehabilitation and replacement program identifies, assesses, prioritizes, and makes near- and long-range plans for needed replacement/rehabilitation of pipes and appurtenances in Utilities' 2,000-mile finished water distribution system. This ensures safe and reliable water service to Utilities' customers. Utilities' Water Main Rehabilitation and Replacement team partners with City Public Works staff to ensure that new or rehabilitated water infrastructure is in place and construction complete before the City's street overlay begins.
15. Year over year projected debt service expense increases \$6.8 million as Utilities continues to pay the debt incurred to fund water capital projects.
16. Utilities performed a COS following generally accepted ratemaking practices to establish a starting point for determining reasonable and appropriate rates in the filing. The COS uses systematic analytical procedures to equitably allocate the revenue requirement between various customer classes of service. As described in the Rate Manual in the Appendix of the filing, COS is used to:
 - a) Functionalize, at the account level, the relevant expenditure items to the basic functional categories (e.g. source of supply, treatment, transmission and distribution and customer);
 - b) Classify each functionalized cost into broad categories utilizing cost causation principles (e.g. commodity, demand, customer); and
 - c) Allocate to the customer Rate Classes based on the service characteristics of each class.
17. In September 2014, Utilities Board approved the Rate Design Guidelines that establish guidance, structure and transparency in the development of revenue requirement by rate class. The fundamental guidance directs that rates should be designed such that each customer rate class recovers costs that are appropriately assigned to that class utilizing COS, professional judgment, and discretion, and, if necessary, is supported by additionally identified Supporting Guidelines. Supporting Guidelines include reasonableness, rate stability, asset maximization, and economic development.
18. With COS as the starting point for establishing each rate class' contribution to the revenue requirement, Utilities proposes rates in compliance with the approved Rate Design Guidelines.
19. With the overall system increase of 4.2% as a baseline, Utilities examined the relationship of the customer rate classes to their respective COS. Utilities sought to bring rate classes within plus or minus 10.0% of their total COS in accordance with the

Reasonableness Guideline while lending credence to the Rate Stability Guideline to mitigate rate shock. Using these guidelines collaboratively, Utilities proposes rate increases ranging from 3.0% to 12.1%. This holistic rate design approach continues to move rate classes closer to COS and achieves full recovery of the system revenue requirement.

20. Specifically, for Residential – Inside City Limits, Utilities’ filing proposes a 9.2% or \$0.0032 per cf increase to the Block 1 commodity charge, changing the rate from \$0.0349 to \$0.0381 per cf. This rate is priced approximately 22% below the average commodity cost. Block 1 size is the first 999 cf of consumption and represents approximately 70% of total annual unit sales. As a result, the proposed increase is estimated to produce stable revenue while maintaining the customer’s ability to influence their bill through reduced usage. There is no change to the daily Service Charge or Block 2 and 3 commodity charges.
21. Utilities filing also proposes changes to Contract Service. This service is available to the United States of America at the Fort Carson Military Installation, the Peterson Air Force Base, the United States Air Force Academy and the Cheyenne Mountain Air Force Station. This filing increases the total Contract Service by 7.0% with changes to the winter and summer commodity charges of 7.8% and 6.8% respectively. The winter commodity charge is increased by \$0.0027, changing from \$0.0348 to \$0.0375 per cf, while the summer commodity charge is increased by \$0.0034, changing from \$0.0502 to \$0.0536 per cf. This filing continues a phased-in approach which started in 2016 to bring the Contract Service rates within an appropriate range of the COS study results. The phased-in approach is based on the Supporting Guideline of Rate Stability, which seeks to mitigate and levelize impacts of rate increases. With the proposed increase, this service is within plus or minus 10.0% of their total COS in accordance with the Reasonableness Guideline.
22. Changes are also proposed to the Miscellaneous Service – Nonpotable rate class. This service is available to all customers using Utilities’ nonpotable water from a Utilities owned, operated, and maintained supply system. The Miscellaneous Service – Nonpotable rate remained unchanged from 2009 through 2015. This filing increases the Nonpotable rate by 12.1%, or \$0.0023, changing the rate from \$0.0190 to \$0.0213 per cf. The Revenue Requirement from the COS for Nonpotable Rate Class is \$3.3 million. Revenues are projected to be \$2.8 million. The \$0.5 million shortfall is offset by the Non-residential Rate Class. This filing continues a phased-in approach which started in 2016 to bring the Nonpotable rate within an appropriate range of the COS study results. The phased-in approach is based on the Supporting Guideline of Rate Stability, which seeks to mitigate and levelize impacts of rate increases.
23. In addition to the changes to the Water tariff explained above, Utilities proposes the following changes.

24. Temporary Service – Hydrant Use: This filing increases the Temporary Service - Hydrant Use commodity charges by 6.2%, or \$0.5714, changing the rate from \$9.2462 to \$9.8176 per 1,000 gallons for Classes A, B, and C. (*Water Rate Schedule Sheet No. 7*)
25. Contract Service – Nonpotable – This tariff is available to existing special contract customer for nonpotable water service to the Kissing Camels Golf Course. This filing increases the Contract Service – Nonpotable rate by 11.8%, or \$0.0013, changing the rate from \$0.0110 to \$0.0123 per cf. (*Water Rate Schedule Sheet No. 10*)
26. In addition to the proposed Water Tariff revisions, Utilities proposes changes to the Electric Tariff, OATT, and the URR.
27. Utilities filed its COS study supporting the OATT and the Electric and Water services base rate and Tariff changes with the City Auditor, Mr. Denny Nester, and with the City Attorney, Ms. Wynetta Massey, on September 8, 2017. Utilities then filed the enterprise’s formal proposals on October 10, 2017, with the City Clerk, Ms. Sarah Johnson, and a complete copy of the proposals was placed in the City Clerk’s Office for public inspection. Notice of the filing was published on-line at www.csu.org on October 10, 2017, in *The Gazette* on October 12, 2017, and mailed on October 13, 2017. These various notices and filings comply with the requirements of §12.1.107 of the City Code and the applicable provision of the Colorado Revised Statutes. Copies of the published and mailed notices are contained within the record. Additional public notice was provided through Utilities’ website, www.csu.org, and a complete copy of the proposals was placed on that website for public inspection.
28. The information provided to the City Council and held open for public inspection at the City Clerk’s Office was supplemented by Utilities on November 9, 2017. The supplemental material contained updated typical bill comparisons, corrections to typographical errors, copies of the publications of required legal notice, public outreach information, the City Auditor’s report, and the Statement Position of the Department of Defense.
29. Prior to the public hearing, Utilities provided a copy of the complete rate filing to the City Auditor and to the City Attorney for review. The City Auditor issued his findings on the proposed rate and tariff changes, dated November 2017. A copy of that report is contained within the record.
30. On November 14, 2017, the City Council held a public hearing concerning the proposed changes to the Electric and Water Tariffs, the URR, and the OATT. This hearing was conducted in accordance with §12.1.107 of the City Code, the procedural rules adopted by City Council, and the applicable provisions of state law.
31. President of the Council Richard Skorman commenced the rate hearing.
32. The presentations started with Mr. Christopher Bidlack of the City Attorney’s Office, briefing the City Council on its power to establish rates, charges, and regulations for

Utilities' services. In setting rates, charges, and regulations for Utilities' services, the City Council is sitting as a legislative body because the setting of rates, charges, and regulations is necessary to carry out existing legislative policy of operating the various utility systems. However, unlike other legislative processes, the establishment of rates, charges, and regulations is quasi-judicial and requires a decision based upon evidence in the record and the process is not subject to referendum or initiative. Mr. Bidlack provided information on the statutory and regulatory requirements on rate changes. Rates for Electric service must be just, reasonable, sufficient, and not unduly discriminatory, City Code §12.1.107(E). Rates for Water service must be reasonable and appropriate in light of all circumstances, City Code § 12.1.107(F).

33. At the conclusion of his presentation, Mr. Bidlack polled the City Council Members concerning any *ex parte* communication that they may have had during the pendency of this proceeding. City Council indicated there were no *ex parte* communications.
34. Mr. Bidlack then presented the hearing agenda, noting that the OATT presentation would precede the general rate case presentation. He then noted that Utilities' filing fulfilled proper procedural compliance requirements by (1) filing a preliminary COS study with the OCA on September 8, 2017, (2) requesting a public hearing date and filing the 2018 Rate Case with the City Clerk on October 10, 2017, (3) posting the filing to www.csu.org on October 10, 2017, (4) publishing notice on October 12, 2017, and (5) mailing required legal notices on October 13, 2017.
35. Mr. Nester, the Colorado Springs City Auditor then presented his report on the entirety of Utilities filing. Mr. Nester explained that his office reviewed Utilities' cost of service and concluded that it supports the proposed rate changes and was accurately and properly prepared. He noted that his report provided one observation for future improvement and that Utilities agreed to work on that issue.
36. Councilmember Tom Strand asked Mr. Nester for additional information on his observation. Mr. Nester explained that in reviewing historical information, projected amounts have not matched actual funds received by Utilities. Mr. Nester clarified that his observation represents an opportunity for improvement, not a finding.
37. Ms. Sonya Thieme, Utilities' Rates Manager, provided the enterprise's proposals.
38. Ms. Thieme first gave Utilities presentation on the OATT. She explained that the OATT sets forth terms and conditions for wholesale high voltage electric transmission service and was adopted in 2000, and updated in 2005 and 2009. The proposed changes in the 2018 Rate Case Filing: (1) Modernize terms and conditions provisions; and (2) Update the Annual Transmission Revenue Requirement ("ATRR") based on Utilities' 2018 Electric COS. The primary driver of the filing is the Mountain West Transmission Group study and possible future participation in a Regional Transmission Organization.
39. She explained Utilities' recommendation to phase the ATRR increase over two years is due to the *de minimus* impact such a phase in would have on Utilities' base customers.

40. To conclude the OATT presentation, Ms. Thieme highlighted City Council's regulatory authority and noted that City Council may determine whether to follow Utilities' recommendation of a two-year phase in.
41. Following the OATT presentation, President Skorman opened public comment regarding the proposed OATT changes.
42. Mr. Curtis Mitchell, the Utilities Director for the City of Fountain spoke. Mr. Mitchell noted that the City of Fountain is the largest OATT customer and that it supports the proposed changes to the OATT. Mr. Mitchell also noted his appreciation for Utilities' staff's inclusion of Fountain in OATT discussions.
43. President Skorman then opened City Council comments and discussion.
44. Councilmember Don Knight commented that Utilities and City Council received a statement from the Department of Defense. The statement indicated that the Department of Defense has several concerns regarding Utilities' selected methodologies, but that the solution is to work with Utilities in future years to address the concerns. Utilities told the Department of Defense it will continue to work with them.
45. Following the conclusion of City Council comments, Mr. Bidlack presented the issues for decision related to the OATT. City Council directed that the terms and conditions be approved as proposed and that the ATRR be phased in over two years.
46. Ms. Thieme then presented Utilities' Rate Case presentation. She started by providing an overview of the 2018 Rate Case. She noted that the 2018 Rate Case filing includes proposed changes to the (1) Electric Rate Schedules, (2) Water Rate Schedules, and (3) URR. Additionally, the COS is prepared following industry standards and practices and rates are designed in compliance with Rate Design Guidelines.
47. Ms. Thieme first noted the proposed changes to the URR. Those proposed changes are as follows:
 - a) Contributions in Aid of Construction - Electric Line Extensions and Services: This change is the final year of a three year phase-in plan approved with the 2015 Rate Case to increase all Line Extension fees to full Colorado Springs Utilities costs. The changes are two Electric fee increases at \$1.04 and \$2.23 per linear foot to achieve full cost fees for all line extensions and services effective January 1, 2018. (*Utilities Rules and Regulations Section I, Sheet 12 and 13*)
 - b) Infill and Redevelopment - Economic Development and Special Contracts: This change expands Economic Development Special Contract use to include infill/redevelopment projects by adding infill/redevelopment to the list of justifications for entering a contract under this provision. This supports increased revenue from available assets by removing utility barriers for infill and

redevelopment projects. The Economic Development process will be updated to include return on investment analysis for infill/redevelopment projects. (*Utilities Rules and Regulations Section III, Sheet 32.1*)

- c) Recovery Agreement-Water Extension Policy: This change allows a developer who installs an oversize main to recover on a standard size main after developer is reimbursed for the oversize portion. The existing tariff language allows for either reimbursement or recovery, but not both. The proposed change clarifies that Colorado Springs Utilities will reimburse the developer for differential cost of an oversize main. The developer can then initiate a recovery agreement on the remaining standard size main. (*Utilities Rules and Regulations Section 42, Sheet 118*)
- d) Water Development Charges – Lot size less than 1,500 square feet: This change adds a water development charge for Inside City and Outside City Limits for lot sizes less than 1,500 square feet for new connections to Utilities’ supply system. (*Utilities Rules and Regulations Section 41, Sheet 108*)

48. Next, Ms. Thieme provided a summary of the Electric Service changes. The revenue requirement reflects the implementation of Phase 3 of a three phase plan to address Electric revenue shortfall as directed by the Utilities Board in April of 2016. The total base (non-fuel) Electric revenue is \$329.9 million. This is \$7.8 million higher than the 2017 Electric revenue requirement, with an overall system increase of 2.4% compared to current rates. This increase moves the electric revenue requirement back to the approximate 2016 revenue requirement. This phased approach is primarily due to the previously anticipated revenue shortfall from the Industrial Service - Time of Day 1,000kWh/Day Minimum (ETL) class.

49. Ms. Thieme then summarized the rate impacts to the different customer types. The proposed rates include a 1.8% increase for Residential and Small Commercial rate classes and a 7.1% increase for Large Commercial customers. The Industrial Rate Classes rate increases range from 0.0% to 12.5%, as follows: (1) No required increase for Industrial TOU 500 KW Minimum (E8T) or Industrial TOU 1,000 kWh/Day Minimum (ETL); (2) 3.0% Large Power and Light (ELG); (3) 12.5% Industrial TOU 4,000 kW Minimum (E8S); and (4) 12.5% Industrial Transmission Voltage TOD (ETX). There is also a proposed 5.0% increase for Contract Services – DOD.

50. The presentation then specifically noted the optional rate option, Commercial Time-of-Day (ETC). Optional Time-of-Day rates provides a price signal to help reduce system peak demand and provide customers: the opportunity to adjust usage patterns to align with off-peak periods and the potential to realize savings over the standard rates. The ETC rate does not currently reflect the appropriate price signal. The proposed ETC rate addresses the price signal by increasing the rate by 18%, which represents a \$279,353 increase in revenue.

51. Ms. Thieme concluded her presentation on Electric service changes by noting the additional proposed Electric tariff changes: (1) the Enhanced Power Service Reserved Capacity Charge (“RCC”) was evaluated and the filing proposes to reduce the RCC from \$0.0499 to \$0.0265 per kW per day based on a revised methodology to the RCC pricing; (2) the Community Solar Garden (CSG) Pilot Program Bill Credit is updated to reflect the proposed Electric service rate increases; and (3) the CSG Non-Pilot Bill Credit is updated based on the proposed Electric service rate increases.
52. Ms. Thieme then addressed the proposed changes to the Water tariff.
53. Councilmember Knight noted his appreciation that the start of the Water tariff presentation started with a picture of the late Gary Bostrom. His appreciation was roundly echoed.
54. The proposed total water revenue is \$191.7 million, which is \$7.7 million higher than revenue under current rates. The overall system increase is 4.2% higher than current rates. The increase breaks down as a 3.0% increase for Residential, 5.3% increase for Nonresidential, 7.0% increase for Contract Services – DOD, and 12.1% increase for Nonpotable customers. The Large Nonseasonal rate class is not impacted by the proposed filing, but is subject to a 3.5% increase effective January 1, 2018, that was approved on November 8, 2016.
55. The proposed water rate increases are driven by (1) operating and maintenance increases (a) to assess and repair critical infrastructure in support of long-term asset management goals, (b) for planning and investment in supply, delivery, and treatment to ensure continued compliance of drinking water regulations, and (c) for allocated costs for technology upgrades; and (2) debt service related to water capital projects and financial metrics to maintain “AA” Credit Rating.
56. The proposed water rate increases are consistent with the Rate Design Guidelines. All rate classes are within +/- 10% of COS, with the exception of Nonpotable service which will be at 84.5% of the proposed revenue as a percentage of COS as part three of a five year phase in. Additionally, the proposed increase for Residential Water Service is limited to Block 1. The proposed Block 1 increase is from \$0.0349 to \$0.0381 for the first 999 cubic feet. This price increase results in the Block 1 price being approximately 22% below the Average Commodity Cost of \$.0488 per cubic foot. This approach stabilizes revenue as approximately 70% of unit sales are estimated in Block 1. This also increases total water bill in proportion to use and provides customer control.
57. Ms. Thieme concluded her review of proposed changes to the service tariffs by addressing Wastewater. While there are no proposed Wastewater changes in Utilities’ filing, Wastewater rate changes were approved by City Council in 2016 and will be effective on January 1, 2018. The changes include a 0.8% decrease for Residential service, a 1.8% increase for Nonresidential service, and a 5.5% increase for Contract Services – Military and Outside the City service.

58. Ms. Thieme then provided a summary of the overall impact of the proposed rate changes (and the previously approved Wastewater changes) to a four service utility bill. The typical Residential customer will see a 1.9% or \$4.21 increase to their bill. The typical Commercial customer will see a 2.7% or \$39.57 increase to their bill. And, the typical Industrial customer will see a 0.54% or \$194.89 increase to their bill.
59. Next, Ms. Thieme addressed the customer outreach Utilities performed in relation to the 2018 Rate Case filing. The customer outreach was carried out throughout October and November and included newsletter information about the proposal and hearing dates, required public notice, and meetings with commercial and industrial customers. She then noted Utilities programs that are in place to assist customers: (1) bill assistance through Project COPE and the Low income Energy Assistance Program, (2) high bill counseling through conservation education and the Home Energy Assistance Program, and (3) payment plans through Utilities' Budget Billing program.
60. Ms. Thieme concluded by addressing the statement provided by the Department of Defense and the discussions Utilities held with the Department of Defense. Ms. Thieme concurred with the characterization of the statement provided by Councilmember Knight previously. She also noted the strong working relationship between Utilities and the Department of Defense.
61. After Utilities' presentation, President Skorman opened the floor for public comment. President Skorman explained that the questions would be collected, both from the public and the City Council, and then Utilities would have a short break to formulate responses, if necessary.
62. No customers made comments on Utilities' proposed changes.
63. Following the opportunity for public comment, President Skorman opened the floor to questions from the City Council.
64. Councilmember David Geislinger provided the first comment. He explained that he does not have any concerns regarding the proposed rates, but asked Utilities' CEO, Mr. Jerry Forte, to address and facilitate a discussion on the customer concerns regarding high water bills in August 2017 in the northeast portion of Colorado Springs.
65. Councilmember Strand spoke next and emphasized that the apparent ease of the rate proceedings should not discount the extensive work that was done by Utilities' staff on the 2018 Rate Case. He expressed his appreciation for Utilities' staff and noted the difficult work that goes into capturing the cost to provide utility service to the varying customers that Utilities serves.
66. Next to speak was Councilmember Andy Pico. He echoed Councilmember Strand's comments and emphasized that the Utilities Board Finance Committee spent significant time working with Utilities' staff to vet all of the proposed rates and changes.

67. Councilmember Knight concluded Council comments. He expressed similar appreciation for Utilities' Staff and noted the diligent work of the current and former Finance Committee members. Councilmember Knight explained to the public that the proposed changes were not being approved without careful review, because the changes were reviewed, discussed, and modified over more than a year.

68. At the conclusion of the City Council discussion, President Skorman determined that neither a break to formulate responses to questions nor an executive session were needed.

69. Mr. Bidlack then polled Council Members regarding the issues central to the Electric and Water Tariffs and the URR.

70. The following are the proposed changes and the votes by City Council addressing the Water Tariff:

- a) Is an increase to the Water Service revenues of approximately \$7.7 million appropriate for the 2018 rate case test-year period?

The City Council held that an increase to the Water Service revenues of approximately \$7.7 million is appropriate.

- b) Should rates and tariffs for the following Water Service Rate Schedules be revised as proposed:

- i. Residential Service – Inside City Limits
- ii. Nonresidential Service – Inside City Limits
- iii. Residential Service – Outside City Limits
- iv. Nonresidential Service – Outside City Limits
- v. Contract Service
- vi. Temporary Service – Hydrant Use
- vii. Miscellaneous Service – Nonpotable
- viii. Contract Service – Nonpotable

The City Council held that the rates and tariff for the following Water Service Rate Schedules shall be revised as proposed: 1) Residential Service – Inside City Limits; 2) Nonresidential Service – Inside City Limits; 3) Residential Service – Outside City Limits; 4) Nonresidential Service – Outside City Limits; 5) Contract Service; 6) Temporary Service – Hydrant Use; 7) Miscellaneous Service Nonpotable; and 8) Contract Service – Nonpotable.

71. President Skorman then concluded the 2018 Rate Case Hearing.


ORDER

THEREFORE, IT IS HEREBY ORDERED that:

The Water Tariff sheets as attached to the Resolution are adopted and will be effective on and after January 1, 2018. Such tariff sheets shall be published and held open for public review and shall remain effective until changed by subsequent Resolution duly adopted by the City Council.


Dated this 28th day of November, 2017.

CITY OF COLORADO SPRINGS



Council President

ATTEST:


Sarah B. Johnson, City Clerk
