



City of Colorado Springs

City Hall
107 N. Nevada Avenue
Colorado Springs, CO
80903

Meeting Minutes - Draft City Council

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Tuesday, October 25, 2016

1:00 PM

Council Chambers

1. Call to Order

- Present:** 8 - Councilmember Larry Bagley, President Merv Bennett, Councilmember Helen Collins, President Pro Tem Jill Gaebler, Councilmember Keith King, Councilmember Don Knight, Councilmember Andy Pico, and Councilmember Tom Strand
- Excused:** 1 - Councilmember Bill Murray

2. Invocation and Pledge of Allegiance

The Invocation was led by Rabbi Mel Glazer, Temple Shalom.

The Pledge of Allegiance was led by Council President Bennett.

3. Changes to Agenda/Postponements

Council President Bennett requested Council hear agenda item 11.A. when the representatives speaking on that item arrive.

Councilmember Pico requested agenda items 4.B.I., 4.B.J. and 4.B.K. be pulled from the Consent Calendar.

Councilmember Collins requested agenda item 4.A.E be pulled from the Consent calendar.

Consensus of Council agreed to these changes to the agenda.

4. Consent Calendar

These items will be acted upon as a whole, unless a specific item is called for discussion by a Councilmember or a citizen wishing to address the City Council. (Any items called up for separate consideration shall be acted upon following the Mayor's Business.)

4A. Second Presentation:

4A.A. 16-540

Ordinance No. 16-98 amending Ordinance No. 15-86 (2016 Appropriation Ordinance) for a Supplemental Appropriation to the Subdivision Drainage Fund in the amount of \$4,000,000 for the purpose of reimbursements to developers for eligible major drainage improvements, to the Cemetery Enterprise Fund in the amount of \$33,500 for the purchase of capital equipment, to the Cemetery Endowment Fund in the amount of \$33,500 for the purpose of increasing the transfer to the Cemetery Enterprise Fund, and to the Gift Trust Fund in the amount of \$500,000 for the purpose of allowing spending for the remainder of the year

Presenter:

Kara Skinner, Chief Financial Officer

Res/Ord Number: 16-98

This Ordinance was finally passed on the Consent Calendar.

4A.B. CPC PUZ
16-00074

Ordinance No. 16-99 amending the zoning map of the City of Colorado Springs pertaining to 13.58 acres located southeast of the future extension of Hawk Stone Drive and Ridgeline Drive A (Agricultural) to PUD (Planned Unit Development; single-family attached residential, 3.679 dwelling units per acre, 30-foot maximum building height).

(Quasi-Judicial)

Related Files: CPC MP 06-00219-A7MN16, CPC PUD 16-00076

Presenter:

Peter Wysocki, Director Planning and Community Development
Katie Carleo, Principal Planner, Planning & Community Development

Res/Ord Number: 16-99

This Ordinance was finally passed on the Consent Calendar.

4A.C. 16-474

Ordinance No. 16-101 amending Ordinance No. 15-86 (2016 Appropriation Ordinance) for a Supplemental Appropriation to the Conservation Trust Fund in the Amount of \$100,000 for the Purpose of Supplementing the Parks, Recreation and Cultural Services 2016 Water Budget

Presenter:

Karen Palus, Director - Parks, Recreation and Cultural Services
Kurt Schroeder, Park Operations and Development Manager - Parks, Recreation and Cultural Services

Res/Ord Number: 16-101

This Ordinance was finally passed on the Consent Calendar.

- 4A.D.** 16-561 Ordinance No. 16-102 amending Article 1 (General Municipal Elections) of Chapter 5 (Elections) of the Code of the City of Colorado Springs 2001, as amended, pertaining to elections

Presenter:
Sarah B. Johnson, City Clerk

Britt Haley, City Attorney's Office
Res/Ord Number: 16-102

This Ordinance was finally passed on the Consent Calendar.

4B. First Presentation:

- 4B.A.** 16-640 City Council Meeting Minutes October 11, 2016

Presenter:
Sarah Johnson, City Clerk

The meeting minutes were approved on the Consent Calendar.

- 4B.B.** 16-643 City Council Special Meeting for Closed Executive Session Meeting Minutes October 18, 2016

Presenter:
Sarah B. Johnson, City Clerk

The meeting minutes were approved on the Consent Calendar.

- 4B.C.** 16-549 A Resolution approving and authorizing the Mayor to execute the amendment to the Intergovernmental Agreement with the Colorado Department of Transportation (CDOT) regarding funding of the 31st Street Bridge Project

Presenter:
Mike Chaves, P.E., Engineering Manager

Res/Ord Number: 105-16

The resolution was adopted on the Consent Calendar.

- 4B.D.** 16-583 A Resolution Authorizing the Executive Director of Colorado Springs Utilities to Execute Agreements Providing Water Service and/or Wastewater Service for Single-Family Residential Uses to Land

Located Outside the City Limits of the City of Colorado Springs and Agreement to Annex for Properties Located in the Park Vista Estates and Park Vista Estates Addition Subdivisions

Presenter:

Brian Whitehead, Systems Extension Manager
Jerry Forte, P.E., CEO, Colorado Springs Utilities

Res/Ord Number: 106-16

The resolution was adopted on the Consent Calendar.

4B.E. CPC PUZ
16-00089

An ordinance amending the zoning map of the City of Colorado Springs pertaining to 15.169 acres located southwest of Woodruff Drive and Wattle Creek Road from A (Agriculture) to PUD (Planned Unit Development; single-family detached residential, 3.49 dwelling units per acre, 35-foot maximum building height).

(Quasi-Judicial)

Presenter:

Katie Carleo, Principal Planner, Planning & Community Development
Peter Wysocki, Director Planning and Community Development

The ordinance was approved on first reading on the Consent Calendar.

4B.F. CPC PUD
16-00090

Flying Horse Number 4 Torino PUD Development Plan to develop 53 single-family residential lots on 15.169 acres, located southwest of Woodruff Drive and Wattle Creek Road. (Quasi-Judicial)

(Quasi-Judicial)

Related File: CPC PUZ 16-00089

Presenter:

Katie Carleo, Principal Planner, Planning & Community Development
Peter Wysocki, Director Planning and Community Development

The Development Plan was approved on the Consent Calendar.

4B.G. CPC PUZ
16-00084

An ordinance amending the zoning map of the City of Colorado Springs pertaining to 10.34 acres located east of Old North Gate Road at the extension of Pride Mountain Drive from A (Agriculture) to PUD (Planned Unit Development; single-family detached residential, .86 dwelling units per acre, 35-foot maximum building height).

(Quasi-Judicial)

Related File: CPC PUD 16-00085

Presenter:

Katie Carleo, Principal Planner, Planning & Community Development
Peter Wysocki, Director Planning and Community Development

Res/Ord Number: 16-106

The ordinance was approved on first reading on the Consent Calendar.

4B.H. CPC PUD
16-00085

Flying Horse No. 16 Madonie Development Plan to develop 12 new single-family residential lots, located east of Old North Gate Road as the extension of Pride Mountain Drive.

(Quasi-Judicial)

Related File: CPC PUZ 16-00084

Presenter:

Katie Carleo, Principal Planner, Planning & Community Development
Peter Wysocki, Director Planning and Community Development

This item was approved on the Consent Calendar.

4B.L. 16-462

Request to Set a Public Hearing on November 22, 2016 to Confirm a Report and Consider an Ordinance for the Special Assessment of Costs for Demolition, Remediation and Administrative Work Performed For the Dangerous Building at 418 East Cucharras Street, Colorado Springs, Colorado.

Presenter:

Mike Chaves, P.E., CIP Engineering Manager
Aaron Egbert, P.E., Senior Engineer

This item was approved on the Consent Calendar.

Approval of the Consent Agenda

Motion by President Pro Tem Gaebler, seconded by Councilmember Strand, that all matters on the Consent Calendar be passed, adopted, and approved by unanimous consent of the members present. The motion passed by a vote of 8-0-1

Aye: 8 - Bagley, Bennett, Collins, Gaebler, King, Knight, Pico, and Strand

Excused: 1 - Murray

5. Recognitions

Council President Bennett read a proclamation declaring October 3, 2016 as World Habitat Day. Chris Medina with Pikes Peak Habitat for

Humanity thanked Council for their support and spoke about the program.

5.A. 16-627 Colorado Association of Transit Agencies Transit Agency of the Year Award

Presenter:

Ann Rajewski, Co-Executive Director, Colorado Association of Transit Agencies

Ann Rajewski, Co-Executive Director, Colorado Association of Transit Agencies, presented the Transit Agency of the Year Award to Metropolitan Transit.

Craig Blewitt, Transit Services Manager, provided a summary of the achievements leading to this reward and thanked his staff for their work.

5.B. 16-536 Colorado Lottery Starburst Award Presentation

Presenter:

Karen Palus, Director - Parks, Recreation and Cultural Services
Colin Waters, Community Relations Specialist - Colorado State Lottery

Karen Palus, Director of Parks, Recreation and Cultural Services, stated the City has been selected for this award for improvements made to America the Beautiful Park.

Laura Solana, Colorado State Lottery Director, provided a history of this award and praised the City for their efforts leading to the receipt of the grant and this award.

6. Citizen Discussion

Citizen Deborah Stout-Meiningner expressed concern about the taxes collected in this city.

7. Mayor's Business

There was no Mayor's Business.

8. Items Called Off Consent Calendar

4A.E. 16-562 Ordinance No. 16-103 amending Part 2 (Fair Campaign Practices; Candidate and Committee Funds and Disclosures) of Article 2 (Campaign Disclosures) of Chapter 5 (Elections) of the Code of the City of Colorado Springs 2001, as amended, pertaining to campaign

practices

Presenter:

Sarah B. Johnson, City Clerk

Britt Haley, City Attorney's Office

Res/Ord Number: 16-103

Councilmember Collins stated she requested this item be called off the Consent Calendar because she would like additional information about the recommendations regarding the amount of money donated to a campaign finance fund that must be reported.

Britt Haley with the City Attorney's Office explained this recommendation is the result of a challenge to the Colorado Constitution's definition of an Issue Committee resulting in a March 2016 Federal Court ruling that the regulation of Issue Committee's at the level of \$200 and above was unconstitutional. As a result, the Colorado regulatory methodology was revised to conform by the State Legislation in their 2016 session. This proposal will align the City Code with the State and Federal requirements.

Councilmember Collins commented on the money given to the three at large Councilmembers by unidentified donor sources to support their campaign efforts and stated the individuals that tried to recall her Council seat did not have to identify themselves on the petition. Ms. Collins urged citizens to pay attention to State and Federal Legislative actions because they affect local government.

Motion by President Pro Tem Gaebler, seconded by Councilmember Bagley, that the Ordinance amending Part 2 (Fair Campaign Practices; Candidate and Committee Funds and Disclosures) of Article 2 (Campaign Disclosures) of Chapter 5 (Elections) of the Code of the City of Colorado Springs 2001, as amended, pertaining to campaign practices be finally passed. The motion passed by a vote of 7-1-1

Aye: 7 - Bagley, Bennett, Gaebler, King, Knight, Pico, and Strand

No: 1 - Collins

Excused: 1 - Murray

9. Utilities Business

9.A. 16-570

A Resolution Authorizing the Acquisition of Property Owned by Armida Barraza to be Used for Colorado Springs Utilities 33rd Street Intake

and Pump Station Upgrade Project

Presenter:

Kirk Olds, Manager, Engineering and Project Management
Jerry Forte, P.E., CEO, Colorado Springs Utilities

Res/Ord Number: 107-16

Councilmember Knight stated he will not support this item because he believes the cost of the land is too high and he would like to see a second opinion on the appraisal of the property.

Moved by President Pro Tem Gaebler, seconded by Councilmember Strand, that the Resolution be adopted. The motion passed by a vote of 6-2-1

Aye: 6 - Bagley, Bennett, Gaebler, King, Pico, and Strand

No: 2 - Collins, and Knight

Excused: 1 - Murray

- 9.B.** 16-619 An Ordinance Approving Inclusion of a Portion of the City of Colorado Springs, Colorado within the Lower Fountain Metropolitan Sewage Disposal District upon the Terms and Conditions Set Forth by the Board of Directors of the Lower Fountain Metropolitan Sewage Disposal District.

Presenter:

Brian Whitehead, System Extensions Manager
Jerry Forte, P.E., CEO, Colorado Springs Utilities

Res/Ord Number: 16-107

There were no questions or comments on this item.

Motion by President Pro Tem Gaebler, seconded by Councilmember Bagley, that the Ordinance approving inclusion of a portion of the City of Colorado Springs, Colorado within the Lower Fountain Metropolitan Sewage Disposal District upon the Terms and Conditions Set Forth by the Board of Directors of the Lower Fountain Metropolitan Sewage Disposal District approved on first reading. The motion passed by a vote of 8-0-1

Aye: 8 - Bagley, Bennett, Collins, Gaebler, King, Knight, Pico, and Strand

Excused: 1 - Murray

- 9.C.** 16-525 Public Hearing for the Consideration of Resolutions Regarding Certain Changes to Utilities Rules and Regulations and Setting Electric, Water, and Wastewater Rates Within the Service Areas of Colorado Springs Utilities

Presenter:

Sonya Thieme, Rates Manager
Jerry Forte, P.E., CEO, Colorado Springs Utilities

Chris Bidlak with the City Attorney's Office, Utilities Division, read the rate case hearing questions, responded to Councilmember questions and recorded Councilmembers desires regarding the rate case. Please see the attached documents for additional details.

Jackie Rowland, Assistant City Auditor, stated the City Auditor's Office has reviewed the proposed rate case and finds the proposal acceptable.

Nicole Nicoletta, Mayor of Manitou Springs, requested the rate increase be phased in over two years.

Shelly Cobau, Public Services Director, Manitou Springs, stated Manitou Citizens are paying higher wastewater rates than Colorado Springs residents and requested the rate increase be spread over time.

Citizen Jason LaChance, CFO, DPiX, LLC, expressed concern about the proposed rate increases.

Citizen Dan Molinaric, VP, Microchip Plant, (provided hand-out) spoke in opposition to the rate increase.

9.D. 16-573 An Ordinance Identifying and Accepting the Annual Sources of Funds for Colorado Springs Utilities for the Year Ending December 31, 2017

Presenter:

Bill Cherrier, Chief Planning and Finance Officer, Colorado Springs Utilities

Jerry Forte, P.E., CEO, Colorado Springs Utilities

Res/Ord Number: 16-108

Scott Shewey, General Manager of Financial Services, CSU, presented the proposed budget.

Council President Pro Tem Gaebler expressed concern about the services offered by the 211 program being largely duplicative of the proposed 311 program. Ms. Gaebler also expressed concern about the role of Utilities in regard to non-profit organizations and funding United Way's 211 program when funding was eliminated for other non-profits in our community.

Councilmember Pico stated Council did fund the COPE partner agencies and the 211 program is essentially the referral process to COPE partner agencies. Not funding the 211 program will likely increase costs to Utilities more than this contribution. He is not sure the 311 program will provide the same services as the 211 program.

Bret Waters, Deputy Chief of Staff, stated the City intends to fund the 311 program through the cable franchise fees. This will not be implemented prior to the end of the year. The City believes 211 and 311 are distinctly separate services, with 211 providing information on social services, human services and shelter while 311 provides citizens access to government services.

Councilmember Strand stated 28 percent of the calls to the United Way 211 program are for utilities assistance. Carl Cruz, Customer and Corporate Services Officer, spoke about the cost of utilities taking on those calls.

Jason Wood, President and CEO of Pikes Peak United Way, spoke about the resource, cost and services provided through the 211 program stating many municipalities have both 211 and 311 programs. The United Way 211 program is not self-supporting. Mr. Wood stated the state stopped financially supporting the 211 program when they centralized the child care assistance number. Council continued to discuss the costs and funding sources of providing the 211 program.

Motion by Councilmember Knight, seconded by Councilmember Bagley, that the ordinance as amended excluding \$149,000 allotted for funding the large non-seasonal water users for a total amount of \$1,025,144,906 be approved on first reading. The motion passed by a vote of 7-1-1

Aye: 7 - Bagley, Bennett, Gaebler, King, Knight, Pico, and Strand

No: 1 - Collins

Excused: 1 - Murray

9.E. 16-574

An Ordinance Approving the Annual Budget for Colorado Springs Utilities and Appropriating Monies for the Several Purposes Named in the Annual Colorado Springs Utilities Budget for the Year Ending December 31, 2017

Presenter:

Bill Cherrier, Chief Planning and Finance Officer, Colorado Springs Utilities

Jerry Forte, P.E., CEO, Colorado Springs Utilities

Res/Ord Number: 16-109

Please see comments in agenda item 9.D.

Motion by Councilmember Knight, seconded by Councilmember Strand, that the ordinances as amended to reflect a total budget amount of \$1,025,144,906 be approved on first reading. The motion passed by a vote of 7-1-1

Aye: 7 - Bagley, Bennett, Gaebler, King, Knight, Pico, and Strand

No: 1 - Collins

Excused: 1 - Murray

9.F. 16-571 A Resolution Setting the Electric Cost Adjustment Effective November 1, 2016

Res/Ord Number: 109-16

Councilmember Knight requested Utilities provide a summary of the selected option. Ms. Thieme provided the requested information.

Councilmember Pico stated these changes reflect the fuel cost adjustment.

Motion by Councilmember Strand, seconded by Councilmember Bagley, that the resolution for alternative one (1) ECA adjustment be adopted. The motion passed by a vote of 6-2-1

Aye: 6 - Bagley, Bennett, Gaebler, Knight, Pico, and Strand

No: 2 - Collins, and King

Excused: 1 - Murray

9.G. 16-572 A Resolution Setting the Gas Cost Adjustment Effective November 1, 2016

Res/Ord Number: 110-16

Councilmember Pico stated this is the same situation as the last item, chasing fuel costs, but even more so as this is all gas.

Councilmember Collins stated the finance committee thoroughly analyzed this. Many of her constituents cannot afford utilities increases so she is suggesting this cost be covered through some other means. She is voting for her people.

Motion by Councilmember Strand, seconded by Councilmember Bagley, that the resolution for alternative 1 GCA adjustment be adopted. The motion passed by a vote of 6-2-1

Aye: 6 - Bagley, Bennett, Gaebler, Knight, Pico, and Strand

No: 2 - Collins, and King

Excused: 1 - Murray

10. Unfinished Business

10.A. CPC CA
16-00050

Ordinance No. 16-100 amending the Regulating Plan for the Downtown Colorado Springs Form-Based Zone pertaining to medical marijuana facilities, including medical marijuana centers, medical marijuana infused products manufacturer, and optional premises cultivation operation.

(Legislative)

Presenter:

Peter Wysocki, Director of Planning and Community Development

Res/Ord Number: 16-100

There were no questions or comments in this item.

Motion by Councilmember Bagley, seconded by Councilmember Pico, that the ordinance amending the Regulating Plan for the Downtown Colorado Springs Form-Based Zone pertaining to medical marijuana facilities, including medical marijuana centers, medical marijuana infused products manufacturer, and optional premises cultivation operation be finally passed. The motion passed by a vote of 6-2-1

Aye: 6 - Bagley, Bennett, Gaebler, King, Knight, and Pico

No: 2 - Collins, and Strand

Excused: 1 - Murray

10.B. CPC ZC
16-00082

Ordinance No. 16-105 amending the zoning map of the City of Colorado Springs pertaining to 11.06 acres located northeast of Union Boulevard and Continental Heights from PBC (Planned Business Center) to OC (Office Complex).

(Quasi-Judicial)

Related File: CPC CP 16-00083

Presenter:

Peter Wysocki, Director Planning and Community Development

Katie Carleo, Principal Planner, Planning & Community Development

Res/Ord Number: 16-105

There were no questions or comments in this item.

Motion by Councilmember King, seconded by Councilmember Bagley, that the ordinance changing the zoning of 11.06 acres from PBC (Planned Business

Center) to OC (Office Complex), based upon the findings that the change of zoning request complies with the three (3) criteria for granting of zone changes as set forth in City Code Section 7.5.603(B) be finally passed. The motion passed by a vote of 8-0-1

Aye: 8 - Bagley, Bennett, Collins, Gaebler, King, Knight, Pico, and Strand

Excused: 1 - Murray

10.C. CPC ZC
16-00061

Ordinance No. 16-104 amending the zoning map of the City of Colorado Springs pertaining to 7.05 acres located at the southwest corner of North Academy Boulevard and Maizeland Road from PBC/cr (Planned Business Center with conditions of record) to PBC/cr (Planned Business Center with conditions of record).

(Quasi-Judicial)

Related Files: CPC DP 16-00060, CPC DP 16-00062, CPC DP 16-00068

Presenter:

Mike Schultz, Principal Planner, Planning and Community Development

Peter Wysocki, Planning and Community Development Director

Res/Ord Number: 16-104

There were no questions or comments in this item.

Motion by Councilmember Bagley, seconded by Councilmember Strand, that the ordinance changing the zoning of 7.05 acres from PBC/CR (Planned Business Center with conditions of record) to PBC/CR (Planned Business Center with conditions of record), based upon the findings that the change of zoning request complies with the three (3) applicable review criteria for granting of zone changes as set forth in City Code Section 7.5.603(B) be finally passed. The motion passed by a vote of 8-0-1

Aye: 8 - Bagley, Bennett, Collins, Gaebler, King, Knight, Pico, and Strand

Excused: 1 - Murray

11. New Business

11.A. 16-634

Pediatric Hospital Agreement

Presenter:

Wynetta Massey, City Attorney

Res/Ord Number: 108-16

Wynetta Massey, City Attorney, introduced the agreement between the City, UCHHealth, Memorial Health System and Children's Hospital Colorado.

Jena Hausmann, CEO, Children's Hospital Colorado, thanked Council for their support and briefly reviewed the proposed non-disturbance agreement resolution

Motion by President Pro Tem Gaebler, seconded by Councilmember Bagley, that the Resolution be adopted. The motion passed by a vote of 8-0-1

Aye: 8 - Bagley, Bennett, Collins, Gaebler, King, Knight, Pico, and Strand

Excused: 1 - Murray

11.B. 16-362 Approval of the Proposed 2017 Budget for the Colorado Springs Downtown Development Authority

Presenter:

Carl Schueler, Planning Manager - Comprehensive Planning

Kara Skinner, Chief Financial Officer

Peter Wysocki, Planning and Development Director

Councilmember Collins stated that she continually speaks out against TIF's, PIF's and special tax districts. She will not be supporting any of these budgets.

Councilmember Knight asked if there have been any changes made to this item since the work session. Carl Schueler, Comprehensive Planning Manager, stated there have not been any changes made to this item since the work session.

Motion by Councilmember Bagley, seconded by Councilmember King, to approve the proposed 2017 budget for the Colorado Springs Downtown Development Authority. The motion passed by a vote of 7-1-1

Aye: 7 - Bagley, Bennett, Gaebler, King, Knight, Pico, and Strand

No: 1 - Collins

Excused: 1 - Murray

11.C. 16-377 Approval of the Proposed 2017 Operating Plan and Budget for the Barnes & Powers North Business Improvement District

Presenter:

Carl Schueler, Planning Manager - Comprehensive Planning

Kara Skinner, Chief Financial Officer

Peter Wysocki, Planning and Development Director

Mr. Schueler stated there has been a minor change to this budget, setting the debt service at 39 mills and the operational mill at 1, consistent with the budget for the previous year.

Motion by Councilmember King, seconded by Councilmember Bagley, to approve the Proposed 2017 Operating Plan and Budget for the Barnes & Powers North Business Improvement District. The motion passed by a vote of 7-1-1

Aye: 7 - Bagley, Bennett, Gaebler, King, Knight, Pico, and Strand

No: 1 - Collins

Excused: 1 - Murray

11.D. 16-378 Approval of the Proposed 2017 Operating Plan and Budget for the Barnes & Powers South Business Improvement District

Presenter:

Carl Schueler, Planning Manager - Comprehensive Planning

Kara Skinner, Chief Financial Officer

Peter Wysocki, Planning and Development Director

Mr. Schueler stated there have not been any changes made to this item since the work session.

Motion by Councilmember Bagley, seconded by Councilmember King, to approve the proposed 2017 Operating Plan and Budget for the Barnes & Powers South Business Improvement District. The motion passed by a vote of 7-1-1

Aye: 7 - Bagley, Bennett, Gaebler, King, Knight, Pico, and Strand

No: 1 - Collins

Excused: 1 - Murray

11.E. 16-379 Approval of the Proposed 2017 Operating Plan and Budget for the Briargate Center Business Improvement District

Presenter:

Carl Schueler, Planning Manager - Comprehensive Planning

Kara Skinner, Chief Financial Officer

Peter Wysocki, Planning and Development Director

Mr. Schueler stated there have not been any changes made to this item since the work session and pointed out this is a reduction in the mill levy amount from last year.

Councilmember Collins asked who is on the board of this district. Mr. Schueler stated that information was provided in the Council packet. The Board members would be commercial property owners as this is a commercial district.

Councilmember Knight expressed concern about this district switching fund expenditures from operations and maintenance to debt service and

asked if it is legal for the district to do this. Mr. Schueler stated this is a legal question he will decline to answer as he is not an attorney. Mr. Schueler stated Council has the option to postpone this item until the attorney for the district can present to Council.

Motion by Councilmember Knight, seconded by Councilmember Bagley, to postpone this item to a date certain, the November 8, 2016 City Council meeting. The motion passed by a vote of 7-1-1

Aye: 7 - Bagley, Bennett, Gaebler, King, Knight, Pico, and Strand

No: 1 - Collins

Excused: 1 - Murray

11.F. 16-380

Approval of the Proposed 2017 Operating Plan and Budget for the Creekwalk Marketplace Business Improvement District

Presenter:

Carl Schueler, Planning Manager - Comprehensive Planning

Kara Skinner, Chief Financial Officer

Peter Wysocki, Planning and Development Director

Mr. Schueler explained the PIF Language for this district indicates that, if they decide to initiate a PIF, they would need to return to Council to amend their operating plan. They do plan to initiate a PIF at some point in the future.

Councilmember Knight stated this plan authorizes the collection of a mill levy. Russ Dykstra, Attorney for the development, stated they are not planning to collect anything from the mill levy for 2017. The only property in the district is owned by Mr. Mientka and he would be imposing the mill levy on himself.

Danny Mientka, the developer and property owner, stated they are still in the process of formulating their financial plans for this development. He requested Council approve this with the authorization of up to 50 mills and the understanding he is the sole property owner and the district would have to return to Council to amend the Operating Plan and budget if any changes are made. He does not anticipate bringing properties into the district until late 2017.

Motion by Councilmember King, seconded by Councilmember Bagley, to approve the proposed 2017 Operating Plan and Budget for the Creekwalk Marketplace Business Improvement District. The motion passed by a vote of 6-2-1

Aye: 6 - Bagley, Bennett, Gaebler, King, Knight, and Pico

No: 2 - Collins, and Strand

Excused: 1 - Murray

11.G. 16-381 Approval of the Proposed 2017 Operating Plan and Budget for the First and Main Business Improvement District

Presenter:

Carl Schueler, Planning Manager - Comprehensive Planning
Kara Skinner, Chief Financial Officer
Peter Wysocki, Planning and Development Director

Mr. Schueler stated there have not been any changes made to this item since the work session.

Motion by Councilmember Strand, seconded by Councilmember Bagley, to approve the proposed 2017 Operating Plan and Budget for the First and Main Business Improvement District. The motion passed by a vote of 7-1-1

Aye: 7 - Bagley, Bennett, Gaebler, King, Knight, Pico, and Strand

No: 1 - Collins

Excused: 1 - Murray

11.H. 16-382 Approval of the Proposed 2017 Operating Plan and Budget for the First and Main Business Improvement District No. 2

Presenter:

Carl Schueler, Planning Manager - Comprehensive Planning
Kara Skinner, Chief Financial Officer
Peter Wysocki, Planning and Development Director

Mr. Schueler stated there have not been any changes made to this item since the work session.

Motion by Councilmember King, seconded by Councilmember Bagley, to approve the proposed 2017 Operating Plan and Budget for the First and Main Business Improvement District No. 2. The motion passed by a vote of 7-1-1

Aye: 7 - Bagley, Bennett, Gaebler, King, Knight, Pico, and Strand

No: 1 - Collins

Excused: 1 - Murray

11.I. 16-383 Approval of the Proposed 2017 Operating Plan and Budget for the First and Main North Business Improvement District

Presenter:

Carl Schueler, Planning Manager - Comprehensive Planning
Kara Skinner, Chief Financial Officer
Peter Wysocki, Planning and Development Director

Mr. Schueler stated this budget has been updated to reflect the debt service mill levy will be 39 mills and the total mill levy will be 40 mills, this is an increase from the previous discussion but the same mill levy as last year. This district is owned by the developer and the bonds are owned by the developer. They are going to change their bond covenants to keep the higher mill levy in place in order to pay the debt service and balance the budget.

Councilmember Knight clarified the bond documents of this development are limiting the mill levy, not Council. Mr. Schueler and Mr. Dykstra confirmed the bond holder is the developer.

Motion by Councilmember Strand, seconded by Councilmember King, to approve the proposed 2017 Operating Plan and Budget for the First and Main North Business Improvement District. The motion passed by a vote of 7-1-1

Aye: 7 - Bagley, Bennett, Gaebler, King, Knight, Pico, and Strand

No: 1 - Collins

Excused: 1 - Murray

11.J. 16-384 Approval of the Proposed 2017 Operating Plan and Budget for the Greater Downtown Colorado Springs Business Improvement District

Presenter:

Carl Schueler, Planning Manager - Comprehensive Planning
Kara Skinner, Chief Financial Officer
Peter Wysocki, Planning and Development Director

Mr. Schueler stated there have not been any changes made to this item since the work session.

Motion by Councilmember King, seconded by Councilmember Bagley, to approve the proposed 2017 Operating Plan and Budget for the Greater Downtown Colorado Springs Business Improvement District. The motion passed by a vote of 7-1-1

Aye: 7 - Bagley, Bennett, Gaebler, King, Knight, Pico, and Strand

No: 1 - Collins

Excused: 1 - Murray

11.K. 16-385 Approval of the Proposed 2017 Operating Plan and Budget for the Interquest North Business Improvement District

Presenter:

Carl Schueler, Planning Manager - Comprehensive Planning
Kara Skinner, Chief Financial Officer
Peter Wysocki, Planning and Development Director

Mr. Schueler stated this document has been amended to reflect an abatement of 6.089 mills. State law allows the mill levy to be increased for one year to collect the taxes not collected in the previous year.

Councilmember Knight requested additional information about how the mill levy can be higher than what Council has approved.

Mr. Dykstra stated if a property does not pay taxes one year, they are allowed to temporarily increase the mill levy to collect those funds. Abatement is a onetime adjustment.

Motion by Councilmember King, seconded by Councilmember Strand, to approve the proposed 2017 Operating Plan and Budget for the Interquest North Business Improvement District. The motion passed by a vote of 7-1-1

Aye: 7 - Bagley, Bennett, Gaebler, King, Knight, Pico, and Strand

No: 1 - Collins

Excused: 1 - Murray

11.L. 16-386 Approval of the Proposed 2017 Operating Plan and Budget for the Interquest South Business Improvement District

Presenter:

Carl Schueler, Planning Manager - Comprehensive Planning
Kara Skinner, Chief Financial Officer
Peter Wysocki, Planning and Development Director

Councilmember Collins stated there are only two people on the board for this district when there should be five and both board members live at the same address.

Mr. Schueler stated there have not been any changes made to this item since the work session.

Motion by Councilmember King, seconded by Councilmember Bagley, to approve the proposed 2017 Operating Plan and Budget for the Interquest South Business Improvement District. The motion passed by a vote of 7-1-1

Aye: 7 - Bagley, Bennett, Gaebler, King, Knight, Pico, and Strand

No: 1 - Collins

Excused: 1 - Murray

11.M. 16-387 Approval of the Proposed 2017 Operating Plan and Budget for the Powers & Woodmen Commercial Business Improvement District

Presenter:

Carl Schueler, Planning Manager - Comprehensive Planning
Kara Skinner, Chief Financial Officer
Peter Wysocki, Planning and Development Director

Mr. Schueler stated there have not been any changes made to this item since the work session.

Motion by Councilmember King, seconded by Councilmember Strand, to approve the proposed 2017 Operating Plan and Budget for the Powers & Woodmen Commercial Business Improvement District. The motion passed by a vote of 7-1-1

Aye: 7 - Bagley, Bennett, Gaebler, King, Knight, Pico, and Strand

No: 1 - Collins

Excused: 1 - Murray

11.N. 16-530

Resolution Approving an Amendment to the Service Plan for the Colorado Crossing Metropolitan District Nos. 1, 2 and 3 Allowing the Operation and Maintenance of a Parking Garage and an Increase in the Maximum Operating Mill Levy from 10.0 to 20.0 Mills

(Legislative)

Presenter:

Carl Schueler, Comprehensive Planning Manager, Planning and Community Development

Res/Ord Number: 111-16

Mr. Schueler stated this document has been updated to reflect today as the approval date, to clearly state the mill levy will only be applicable to District 3, the commercial district, and the service plan now indicates the district can only begin to collect the mill levy when it is close to obtaining a certificate of occupancy.

Motion by Councilmember Bagley, seconded by Councilmember Strand, a Resolution approving an amendment to the service plan for the Colorado Crossing Metropolitan District Nos. 1, 2 and 3, allowing operation and maintenance of a parking garage and an increase in the maximum operating mill levy from 10.0 to 20.0 mills for District No. 3. The motion passed by a vote of 6-2-1

Aye: 6 - Bagley, Bennett, Gaebler, King, Knight, and Strand

No: 2 - Collins, and Pico

Excused: 1 - Murray

11.O. CPC A
15-00099R

A resolution adopting findings of fact and conclusions of law based thereon and determining the eligibility for annexation of property known as the Reserve at Northcreek Annexation.

(Legislative)

Related Files: CPC A 15-00099, CPC ZC 16-00016, CPC CP 16-00017

Presenter:

Mike Schultz, Principal Planner, Land Use Review
Peter Wysocki, Planning and Development Director, Planning and Development Department

Councilmember Collins stated this is an enclave. The City Finance Department has performed a fiscal impact analysis report for the annexation and identified it as a potential source of positive accumulative cash flow.

Councilmember Knight noted letters addressing noise associated with flight patterns and potential drainage issues with the Air Force Academy and asked if the Academy has received this development plan and had the opportunity to review it and provide feed-back. He also requested assurance property buyers are receiving notification of the potential noise associated with being located in the flight pattern zone.

Mike Schultz, Principal Planner, stated the developer has agreed to notify buyers of the potential flight noise and this notification should be included in closing title documents. The City will continue to recommend the notification, but requiring this is outside of the City's purview. The Academy was provided a copy of the development plan, including details of the planned drainage system, about six months ago.

Councilmember Knight stated the total property area is roughly 17 acres, the proposed development is for 9.8 acres and asked what is planned for the other 7 acres. Mr. Schultz stated that property will be annexed as right-of-way for New Life Drive.

Councilmember Bagley stated the Academy has received the development plan. He will follow-up with his contact at the Academy regarding any response to the plan and provide this information to Planning and Council.

Motion by Councilmember Strand, seconded by Councilmember Bagley, that the resolution finding that the Reserve at Northcreek annexation meets the requirements of and fully complies with Part 1 of Article 12 of Title 31 C.R.S., the Municipal Annexation Act of 1965, as amended, and Section 30 of Article II of the Colorado Constitution and that the property is eligible for annexation be adopted.

The motion passed by a vote of 8-0-1

Aye: 8 - Bagley, Bennett, Collins, Gaebler, King, Knight, Pico, and Strand

Excused: 1 - Murray

Motion by Councilmember Knight, seconded by Councilmember Bagley, requesting reconsideration of Agenda Item 11.O. The motion passed by a vote of 8-0-1

Aye: 8 - Bagley, Bennett, Collins, Gaebler, King, Knight, Pico, and Strand

Excused: 1 - Murray

Motion by Councilmember Knight, seconded by Councilmember Bagley, that this item be postponed to a date certain, the November 7, 2016 work session and the November 8, 2016 City Council meeting. The motion passed by a vote of 8-0-1

Aye: 8 - Bagley, Bennett, Collins, Gaebler, King, Knight, Pico, and Strand

Excused: 1 - Murray

11.P. CPC A
15-00099

An ordinance for annexation of the Reserve at Northcreek addition pertaining to 17.023 acres; 9.998 acres consists of the subject property and 7.025 acres consists of New Life Drive right-of-way.

(Legislative)

Related Files: CPC A 15-00099R, CPC ZC 16-00016, CPC CP 16-00017

Presenter:

Mike Schultz, Principal Planner, Land Use Review

Peter Wysocki, Planning and Development Director, Planning and Development Department

Mike Schultz, Principal Planner, stated staff is asking there be an amendment to the annexation agreement requiring the applicant provide recovery costs for the North Gate Boulevard construction.

Renee Congdon with the City Attorney's Office stated the annexation agreement is a voluntary agreement between the City and the property owner. If the property owner does not agree with the amendment to the annexation agreement, this could be included as a term of the annexation. If the property owners do not agree with the amendment, the annexation would have to go to a vote.

Councilmember Knight asked where an avigation easement agreement would go in the process. Ms. Congdon stated this would be voluntary

also and could be included in the annexation agreement or as a condition of record on the concept plan.

Dave Morris with Land Patterns Inc., representing the property owners, stated the property owner does not agree with the amendment to the annexation.

Councilmember Knight requested additional information about the cost recovery. Peter Wysocki, Director of Planning and Development, stated the developer, Challenger Homes, agreed to pay cost recovery to the developer who paved North Gate Boulevard, Planning identified that the developer has not been paid this obligation. The Planning Department is requesting Council include this obligation as a condition of the annexation.

Councilmember Bagley asked what the dollar amount of the recovery cost is. Mr. Wysocki stated it is approximately \$168,000.

Councilmember Pico asked if it is appropriate to address this situation at this time. Mr. Wysocki stated the Planning Department and the developer are aware this payment has not been made. This is being brought to Council's attention, providing Council with the option to add this as a condition of the annexation or move forward with the annexation and recover the costs at a later time.

Councilmember Knight asked if the City has other avenues to collect this obligation. Mr. Wysocki stated the City does have a system in place to collect this payment.

Councilmember Knight asked if this needs to go back to the Planning Commission. Mr. Wysocki stated this does not need to return to the Planning Commission as they do not have the authority to review the terms and conditions of the annexation agreement.

Motion by Councilmember Knight, seconded by Councilmember Strand, that this item be postponed to a date certain, the November 7, 2016 work session and the November 8, 2016 City Council meeting. The motion passed by a vote of 7-1-1

Aye: 7 - Bagley, Bennett, Collins, Gaebler, King, Knight, and Strand

No: 1 - Pico

Excused: 1 - Murray

11.Q. CPC ZC
16-00016

An ordinance establishing the PUD (Planned Unit Development) pertaining to 9.998 acres located at the northeast of the corner of New Life Drive and Jet Stream Drive.

(Legislative)

Related Files: CPC A 15-00099R, CPC A 15-00099, CPC CP 16-00017

Presenter:

Mike Schultz, Principal Planner, Land Use Review
Peter Wysocki, Planning and Development Director, Planning and Development Department

Please see comments in agenda items 11.O. and 11. P.

Motion by Councilmember Knight, seconded by Councilmember Bagley, that this item be postponed to a date certain, the November 7, 2016 work session and the November 8, 2016 City Council meeting. The motion passed by a vote of 8-0-1

Aye: 8 - Bagley, Bennett, Collins, Gaebler, King, Knight, Pico, and Strand

Excused: 1 - Murray

11.R. CPC CP
16-00017

A concept plan and concept plan illustrating attached single-family homes comprising of a gross maximum density of 8 dwelling units per acre and a maximum building height of 35 feet.

(Quasi-Judicial)

Related Files: CPC A 15-00099R, CPC A 15-00099, CPC ZC 16-00016

Presenter:

Mike Schultz, Principal Planner, Land Use Review
Peter Wysocki, Planning and Development Director, Planning and Development Department

Councilmember Knight requested the Concept Plan include an avigation easement clause when it returns to Council.

Renee Congdon stated if the property owner chooses not to voluntarily annex the property due to clauses and restrictions placed on the annexation agreement or other reasons, the annexation would go to an election which would likely fail because the property owners and the board are one and the same.

Please also see comments in agenda items 11.O. and 11. P.

Motion by Councilmember Knight, seconded by Councilmember Strand, that this item be postponed to a date certain, the November 7, 2016 work session and the November 8, 2016 City Council meeting. The motion passed by a vote of 8-0-1

Aye: 8 - Bagley, Bennett, Collins, Gaebler, King, Knight, Pico, and Strand

Excused: 1 - Murray

12. Public Hearing

- 12.A.** CPC SWP An appeal of the City Planning Commission's August 18, 2016
16-00057 approval of a subdivision waiver from design standards to provide primary legal access via a public alley for the property located at 543 Robbin Place.

(Quasi-Judicial)

Presenter:

Michael Turisk, Planner II

Peter Wysocki, Planning and Development Director, Planning and Community Development Department

Michael Turisk, Planner II, introduced this appeal of a request for a waiver from subdivision standards that will allow residents to obtain legal access from an alley rather than a public street, noting the Plat is under administrative review. Mr. Turisk also provided an overview of the proposed development, the public process and the staff recommendation regarding this proposal.

Council President Bennett asked if the apparent texture of the land is a result of terracing or a land slide. Mr. Turisk stated he does not know what has been done on the property to create that terracing effect.

Councilmember Knight asked who initiated the previous vacations of the property. Mr. Turisk stated he believes the first vacation was initiated by the City; he is unable to determine who initiated the second vacation request from the documentation available.

Councilmember Knight asked if the zoning and the replatting meet the requirements for the planned use of the property without requiring waivers. Mr. Turisk stated the requirements will all be met without the use of waivers.

Councilmember Knight asked what mitigation techniques were suggested and if they will be incorporated. Mr. Turisk reviewed the

suggested mitigation techniques and stated they will be incorporated into the plans. To ensure this is done, the permit process will include another review of this property and the Plat will include the required mitigation measures.

Councilmember Knight asked if repairs to the access alley requested by the Fire Department will be completed and who will be responsible for maintaining that access route in the future. Mr. Turisk stated the repairs will be completed by the developer as part of the construction process. The City cannot require property owners to continually maintain that access.

Council President Pro Tem Gaebler asked if other residents are using the alley to access to their property. Mr. Turisk stated it appears this is the case.

Councilmember Pico noted it appears at least four other houses use this alley as primary access, asked if this is legal and asked how many units are included in this plan. Mr. Turisk stated the houses using the alley access were likely "grandfathered" in and this plan includes three duplexes for a total of six units.

Welling Clark, President of the Organization of Westside Neighbors, the appellant, presented the appeal.

Councilmember Knight asked what action the appellant is requesting. Mr. Clark stated they are requesting Council send this item back to the Planning Commission for evaluation of the project in its entirety.

Mr. Wysocki provided an explanation of the process items go through in the Planning Department. Council President Bennett reminded Council this is an appeal related to providing primary legal access by a public alley.

Paul Rising, the applicant, provided a summary of his plans for the property. He has agreed to pave the alley from Boulder Street to St. Vrain Street. Mr. Rising stated the terraces on the property were created by previous property owners as planting beds.

Citizens Don Hargrove, Sara Poe, Cathy Zaringer and John Osborne spoke in opposition to the proposal.

Councilmember Knight asked what the status of the administrative review of the replatting is and if neighbors will be notified when the replatting is complete. Mr. Turisk stated it is currently under review and he will send a courtesy notice to the neighbors when the process is complete.

Councilmember Bagley asked if the comments tonight will be considered in the development and concept plans. Mr. Turisk stated the applicant is amenable to providing the proposed mitigations. Mr. Rising stated he has agreed to all of the requested mitigation measures and has even gone above the requests in his willingness to pave the entire alley after construction is complete. The utility access and drainage plans have already been addressed.

Motion by Councilmember Pico, seconded by Councilmember Bagley, to deny the appeal and affirm the Planning Commission's approval of the subdivision waiver for the property located at 543 Robbin Place based on the finding that the subdivision waiver request complies with the review criteria in City Code Section 7.7.1302. The motion failed by a vote of 4-4-1

Aye: 4 - Bagley, Bennett, Gaebler, and Pico

No: 4 - Collins, King, Knight, and Strand

Excused: 1 - Murray

Council President Bennett requested a motion to uphold the appeal but none was made. The appeal was defeated for lack of motion.

- 4B.I.** CPC MPA An amendment to the Woodmen Heights Master Plan changing
06-00206-A8 the land use designation for 38.22 acres of land from Office
MN16 Industrial Park/Research & Development to Residential (3.5-7.99
 Dwelling Units per Acre).

(Quasi-Judicial)

Related Files: CPC PUZ 16-00092, CPC PUP 16-00093

Presenter:

Daniel Sexton, Senior Planner, Planning and Community
 Development

Peter Wysocki, Planning and Community Development Director

Councilmember Pico stated he pulled these items off the Consent Calendar because there have been some financial issues with some of the filings in the Forest Meadows development and he has concerns

about this proposal placing an additional financial burden on the Metropolitan District. Daniel Sexton, Senior Planner, stated this is not the same developer and they do not anticipate any problems with this proposal. It is believed the district will financially benefit from development of this site.

Councilmember Knight requested additional information about the removal of Woodmen Road access to this development. Mr. Sexton stated his understanding is this decision was made based on plans to establish Woodmen Road as an express way with limited access points. Councilmember Knight and Mr. Sexton continued to discuss access routes to various portions of this development area.

Councilmember Knight expressed concern about the conversion of this acreage from commercial to residential and the resulting decrease in sales and use tax. He cannot support this proposal without a financial plan to support this as overall good for the City.

Andrea Barlow with NES, representing the developers, stated that, while this property was previously planned as office/industrial, the residential property is a more viable use as there are federal restrictions limiting access to Woodmen Road and the residential proposal will significantly reduce traffic in the area.

Motion by President Pro Tem Gaebler, seconded by Councilmember Bagley, to approve the minor master plan amendment to the Woodmen Heights Master Plan, based upon the finding that the amendment meets the review criteria for granting a master plan amendment as set forth in City Code Section 7.5.408. The motion passed by a vote of 7-1-1

Aye: 7 - Bagley, Bennett, Gaebler, King, Knight, Pico, and Strand

No: 1 - Collins

Excused: 1 - Murray

4B.J. CPC PUZ
16-00092

An ordinance amending the zoning map of the City of Colorado Springs pertaining to 38.22 acres located to the east of Black Forest Road between Forest Meadow Avenue and Woodmen Road from PUD/AO-CAD (Planned Unit Development with Airport Overlay - Commercial Airport District) to PUD/AO (Planned Unit Development with Airport Overlay: Townhouse and Two-Family Attached Dwellings, 7.99 dwelling units per acre, and 30-foot height maximum).

(Quasi-Judicial)

Related Files: CPC MPA 06-00206-A8MN16

Presenter:

Daniel Sexton, Senior Planner, Planning and Community Development

Peter Wysocki, Planning and Community Development Director

Res/Ord Number: 16-110

Please see comments in agenda item 4.B.I.

Motion by Councilmember Pico, seconded by Councilmember Strand, that the ordinance changing the zoning from PUD/AO-CAD (Planned Unit Development with Airport Overlay - Commercial Airport District) to PUD/AO (Planned Unit Development with Airport Overlay: Townhouse and Two-Family Attached Dwellings, 7.99 dwelling units per acre, and 30-foot height maximum), based upon the findings that the change of zone request complies with the three (3) review criteria for granting a zone change as set forth in City Code Section 7.5.603 and the development of a PUD zone as set forth in City Code Section 7.3.603 be approved on first reading. The motion passed by a vote of 7-1-1

Aye: 7 - Bagley, Bennett, Gaebler, King, Knight, Pico, and Strand

No: 1 - Collins

Excused: 1 - Murray

4B.K. CPC PUP
16-00093

Forest Meadows South Concept Plan for a residential development including approximately 24 acres of land with a maximum of 305 units within townhouses and two-family attached dwellings, and approximately 14 acres of land preserved as open space, located to the east of Black Forest Road between Forest Meadow Avenue and Woodmen Road.

(Quasi-Judicial)

Related Files: CPC MPA 06-00206-A8MN16, CPC PUZ 16-00092

Presenter:

Daniel Sexton, Senior Planner, Planning and Community Development

Peter Wysocki, Planning and Community Development Director

Please see comments in agenda item 4.B.I.

Motion by Councilmember Strand, seconded by Councilmember Pico, to approve the PUD concept plan for the Forest Meadows South project, based upon the findings that the PUD concept plan meets the review criteria for granting a PUD concept plan as set forth in City Code Section 7.3.605 and meets the eight (8) review criteria for granting a concept plan as set forth in City Code Section 7.5.501(E). The motion passed by a vote of 7-1-1

Aye: 7 - Bagley, Bennett, Gaebler, King, Knight, Pico, and Strand

No: 1 - Collins

Excused: 1 - Murray

13. Added Item Agenda

There were no items added to the agenda.

14. Executive Session

There was not an Executive Session.

15. Adjourn

There being no further business to come before City Council, Council adjourned.

Sarah Johnson, City Clerk

BEFORE THE CITY COUNCIL OF
THE CITY OF COLORADO SPRINGS

IN THE MATTER OF THE REVISION)
OF THE UTILITIES RULES AND) DECISION & ORDER 16-05 (URR)
REGULATIONS OF 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”), conducted a review of its Utilities Rules and Regulations (“URR”). During that review, Utilities identified needed changes. Utilities’ rate case filing contains all of these revisions and changes.
2. Utilities is proposing changes to the Electric, Water, and Wastewater Rate Schedules and the URR in the 2017 Rate Case Filing.
3. The proposed effective date for the rate increases and all proposed changes to the URR is January 1, 2017.
4. Utilities’ URR are a part of the collective Tariffs that govern Utilities in accordance with the Colorado Springs City Code. The URR establishes terms and conditions for all Utilities Customers across all utility services and also provides service specific terms and conditions. Utilities is proposing the following URR changes in the filing:
5. Restoration of Service: This change proposes to increase the maximum time from 12 hours to 24 hours in which Utilities must restore service to customers disconnected for non-payment and other customer-controlled situations identified in Section 13 of the URR. Significant changes to actual restoration of service is not anticipated.

Utilities will always attempt to reconnect customers as soon as possible and customers will not be disconnected if temperature is below 35 degrees. The primary reason for this change is to enhance employee safety and allow employees to exercise professional judgement to delay restoration of service when significant environmental and situational hazards are present, primarily at night. Darkness can create safety challenges for employees that include but are not limited to trip hazards, unawareness of animals and customer unrest from strangers on their property at night. Utilities personnel are required to wear protective safety equipment when making these trips to reconnect service and although protective and necessary, this can limit visibility under certain circumstances.

Additionally, Utilities proposes a minor clean-up changing “normal working hours of 7:00 a.m. to 7:00 p.m., Monday through Friday” to “normal working business day.” (*URR Section 14(A) and 14(C), Sheet 29*)

6. Electric Line Extensions and Services and Extension of Natural Gas Mains and Services: This change will update the current contribution in aid of construction fee amounts

collected through Electric Line Extensions and Services and Natural Gas Mains and Services, moving the recovery more closely to the current costs. City Council approved a three-year phase-in of these charges in the 2016 rate case.

The current Electric Line Extensions and Services fees are proposed to increase a maximum of ten percent (10%), bringing nine of the eleven fees to full cost, with two fees to be brought to full cost with the third year phase-in modification. (*URR Section 19, Sheet 46, 46.1, 47*). The current Natural Gas Mains and Services rate of 18% will increase to 20%, completing the phase-in to full cost. (*URR Section 32, Sheet 58*).

All Line Extensions and Services costs will be reviewed every three years and increases will be proposed as appropriate in order to maintain recovery current with cost as a continuous improvement going forward.

7. **Water and Wastewater Development Charges:** Development Charges are one-time charges to new connections and expansions to existing services. For Water (“WDC”) and Wastewater (“WWDC”) services, Utilities uses the modified equity buy in methodology, which was last ratified by a Utilities Policy Advisory Committee (“UPAC”) study in 2010.

In 1999, Black & Veatch (“B&V”) was hired to perform a comprehensive review of Utilities’ water development charge methodology. The 1999 B&V WDC study yielded higher development charges resulting in a five year phase-in plan. The study recommended that ratios for the one to six inch meters be calculated using a hybrid meter capacity ratio and meter class average usage. In 2004, UPAC recommended and City Council approved full implementation of the B&V study over a five year period. This initiated a phase-in of the meter ratios for one to six inch meters. In 2009 UPAC recommended and City Council affirmed final implementation of the B&V study phase-in. City Council also approved a WDC methodology change for meters six inch or greater, basing the calculation on customer specific water usage forecast. In 2012, City Council approved a methodology change which provided for calculation of the multiplier ratios for one to four inch meters using only meter capacity. This change lowered the WDC charges for meter sizes one to four inch. It also created an inconsistent price signal with the six inch or greater meters which were calculated based on customer usage. The result was a much higher proportional price for the six inch or greater meters.

Utilities proposes two basic changes to the methodology for calculating WDC and WWDC in its filing. Utilities proposes to lower the current charge for WDC meter sizes greater than four inch by utilizing American Water Works Association industry accepted methodology of using the meter capacity ratio multiplier for all meter sizes to include those four inch or greater. As mentioned above, Utilities currently uses a flow based calculation to create the multiplier for meters four inch or greater.

For WWDC, Utilities proposes to align with WDC practices by using the meter capacity ratio multiplier methodology for all meter sizes greater than the ¾ inch meter. This change makes for a consistent methodology and price signal for meter sizes one inch and

greater between services and meter sizes. It also supports UPAC's Economic Development recommendations in that lower charges support regional partnerships, economic development and minimizes current cost prohibitive barriers to entry. It also may increase contribution in aid of construction revenue and provide new sources of ongoing operating revenue from rates that will cover fixed costs and reduce rate pressure. There is no financial impact associated with methodology changes for WDC and WWDC meter sizes greater than four inches due to no activity since 2009. (*URR Section 34, Sheet 66 and 67 (Wastewater) and URR Section 41, Sheet 81 and 82 (Water)*)

8. City Code Reference Correction: Utilities proposes a change to correct an incorrect reference to a section of the City Code in Section 39 of the URR. There is no policy or financial impact of this change. (*URR Section 39, Sheet 80*)
9. In addition to the proposed URR revisions, Utilities proposes changes to the Electric, Water, and Wastewater Tariffs.
10. Utilities filed its cost of service ("COS") study supporting the Electric, Water, and Wastewater services base rate and Tariff changes with the City Auditor, Mr. Denny Nester, and with the City Attorney, Ms. Wynetta Massey, on August 12, 2016. Utilities then filed the enterprise's formal proposals on September 13, 2016, 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 September 13, 2016, in *The Gazette* on September 16, 2016, and mailed as required on September 16, 2016. 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.
11. The information provided to the City Council and held open for public inspection at the City Clerk's Office was supplemented by Utilities on October 18, 2016. The supplemental material contained a supplemental customer feedback report, copies of the publications of required legal notice, public outreach information, and the City Auditor's report.
12. 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 October 2016. A copy of that report is contained within the record.
13. On October 25, 2016, the City Council held a public hearing concerning the proposed changes to the Electric, Water, and Wastewater Tariffs and to the URR. 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.

14. President of the Council Merv Bennett commenced the rate hearing by providing a summary of the rate hearing agenda and explaining the rate hearing procedure.
15. 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 and Wastewater service must be reasonable and appropriate in light of all circumstances, City Code § 12.1.107(F).
16. 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. Mr. Bidlack noted that he provided all Council Members with supplemental information on October 24, 2016, based on requests for additional information presented by City Council Members. Mr. Bidlack also noted that Council Member Andy Pico provided a copy of an *ex parte* email he received in relation to customer concerns about the proposed rate increases. City Council indicated there were no additional *ex parte* communications.
17. Utilities then began the presentation of the enterprise's proposals.
18. The speaker was Ms. Sonya Thieme, Utilities' Rates Manager. She started by providing an overview of the 2017 Rate Case. She noted that the 2017 Rate Case filing includes proposed changes to the (1) Electric Rate Schedules, (2) Water Rate Schedules, (3) Wastewater Rate Schedules, and (4) URR. Additionally, the COS is prepared following industry standards and practices and rates are designed in compliance with Rate Design Guidelines.
19. Ms. Thieme then explained that the preliminary 2017 filing was presented to the Utilities Board and the Utilities Board Finance Committee. She then noted that the filing fulfilled proper procedural compliance requirements by (1) filing a preliminary COS study with the OCA on August 12, 2016, (2) requesting a public hearing date, (3) filing the 2017 Rate Case with the City Clerk, (4) posting the filing to www.csu.org on September 13, 2016, and (5) publishing and mailing required legal notices on September 16, 2016.
20. Next, Ms. Thieme provided a summary of the Electric Service changes. The revenue requirement reflects the implementation of Phase 2 of a 3 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 \$320.7 million. This is \$13.9 million lower than the 2016 Electric revenue requirement. The reduction is primarily due to the anticipated revenue

shortfall from the Industrial Service - Time of Day 1,000kWH/Day Minimum (ETL) class. Additionally, the rate filing continues a phased in approach to bring rate classes within plus or minus 10% of respective COS. Such increases are not to exceed 12.5% and apply to all standard rate classes below COS. No rate increases have been applied to rate classes at or above COS.

21. She then noted the electric rate classes for which rate increases are proposed and those for which no change is proposed.
22. Ms. Thieme provided information on general changes to Residential and Commercial rate options. Optional Time-of-Day rates provide a price signal to help reduce system peak demand and provide customers with (1) an opportunity to adjust their usage patterns to align with off-peak periods and (2) the potential to realize savings over the standard rates. Both Residential and Commercial Time-of-Day rates are modified in the proposed rates to properly reflect the appropriate price signal. Residential Time-of-Day rates are decreased by 15.2% and Commercial Time-of-Day rates are increased by 18%.
23. Ms. Thieme concluded her presentation on Electric service changes by noting the additional proposed Electric tariff changes: (1) the Kilowatcher Rate Options is removed from tariff sheets as the existing contracts expired in March of 2016 and the option is no longer offered; (2) the Contract Service – Wheeling (ECW) rate is modified to remove some ancillary services currently offered in the tariff that Customers either have not made use of or required; (3) clarification of the tariff language for Totalization Service to remove obsolete language is provided; (4) the Renewable Energy Net Metering rate is updated to align the sheet numbering with past revisions; (5) the Reserved Capacity Charge (RCC) for Enhanced Power Service is increased to complete a five year phase in to full cost; (6) the Community Solar Garden (CSG) Pilot Program Bill Credit is updated to reflect the proposed Electric service rate increases; (7) the CSG Non-Pilot Bill Credit is updated based on the proposed Electric service rate increases; and (8) the Wind Power Tariff is removed due to expiration.
24. Ms. Thieme then addressed the proposed changes to the Water tariff. The proposed total water revenue is \$199.5 million, which is \$11.3 million higher than revenue under current rates. The overall system increase is 6.0% higher than current rates. The increase breaks down as a 5.1% increase for Residential, 6.2% increase for Nonresidential, 10.0% increase for Contract Services – DOD, 9.7% increase for Large Nonseasonal, and 12.0% increase for Nonpotable and Augmentation customers.
25. The rate design components are (1) continuing to move rate classes closer to COS and (2) increasing the fixed daily charge to enhance financial stability and maintain a conservation signal, specifically for Residential customers.
26. Ms. Thieme concluded her review of proposed changes to the service tariffs by addressing Wastewater. The current Wastewater rates are sufficient to cover the 2017 revenue requirement of \$68.0 million. While no additional revenue is required, the rate classes were updated to use allocations and methodologies consistent with the other

services as the Wastewater rates have not been modified since 2010. The proposed rate changes decrease Residential rates by 1.5% and increase Nonresidential rates by 4.0% and Contract Services – Outside City Limits by 11.6%. Additionally, a new rate class is added for Military customers to be consistent with the rate structure provided across the three other services.

27. Ms. Thieme then provided a summary of the overall impact of the proposed rate changes to a four service utility bill. The typical Residential customer will see a 1.3% or \$2.60 increase to their bill. The typical Commercial customer will see a 3.4% or \$44.34 increase to their bill. And, the typical Industrial customer will see a 0.6% or \$225.91 increase to their bill.

28. Ms. Thieme concluded the substantive portion of her presentation by noting the proposed changes to the URR. Those proposed changes are as follows:

- a) Restoration of Service: This change proposes to increase the maximum time from 12 hours to 24 hours in which Utilities must restore service to customers disconnected for non-payment and other customer-controlled situations identified in Section 13 of URR. Additionally, Utilities proposes a minor clean-up changing “normal working hours of 7:00 a.m. to 7:00 p.m., Monday through Friday” to “normal working business day.”
- b) Electric Line Extensions and Services and Extension of Natural Gas Mains and Services: This change will update the current contribution in aid of construction fee amounts collected through Electric Line Extensions and Services and Natural Gas Mains and Services, moving the recovery at or close to the current costs. The current Electric Line Extensions and Services fees are proposed to increase Electric fee increases range from 5.8% to 10% to achieve full cost fees for nine (9) out of eleven (11) total line extensions and services. The current Natural Gas Mains and Services rate of 18% will increase to full cost at 20%.
- c) Water and Wastewater Development Charges: This change proposes to reduce the multiplier for all meters greater than ¾ inch to a meter capacity ratio. This change will lower the current charge for Water Development Charge meter sizes greater than 4 inch. Additionally, this change will also lower the current charge for Wastewater Development Charge meter sizes meter sizes greater than the ¾ inch.
- d) Correction of City Code reference in Applicability of City Code: This change is to correct an incorrect reference to a section of the City Code. There is no policy or financial impact of this change.

29. Next, Ms. Thieme addressed the customer outreach Utilities performed in relation to the 2017 Rate Case filing. The customer outreach was carried out throughout September and October 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.

30. The next issue discussed was Utilities Supplemental Customer Feedback Report, which Utilities included within the Supplemental Filing. Utilities received some customer feedback in relation to the proposed rate changes. Those customers were concerned because they face the proposed base-rate increases and the likelihood of Electric Cost Adjustment ("ECA") and Gas Cost Adjustment ("GCA") increases. One of the most impacted customer groups is the Industrial Service – Time-of-Day Service 1,000 kWh/Day Minimum (ETL). There are approximately 1,300 ETL customers impacted by the proposed 12.5% increase. Seventeen (17) of these customers are impacted by Nonpotable proposed 12.0% increase and three (3) of these customers are impacted by Large Nonseasonal proposed 9.7% increase with all of those customers impacted by Nonresidential Wastewater proposed 4% increase. In addition to factors outlined in this rate hearing presentation, the magnitude of bill impact is greatly influenced by the fluctuation in fuel and purchase power costs.
31. Ms. Thieme then explained that the City Council will be presented with ECA and GCA increases on an agenda item following the rate hearing. The proposed changes would be effective November 1, 2016. The proposed ECA rate is approximately \$0.0273 per kWh which impacts bills as follows: typical Residential electric bill increase of \$3.18 or 4.2%; typical Commercial electric bill increase of \$31.80 or 6.3% and; typical Industrial electric bill increase of \$2,120.00 or 6.8%. The proposed GCA rate is approximately \$0.1815 per Ccf which impacts bills as follows: typical Residential gas bill increase of \$2.68 or 7.4%; typical Commercial gas bill increase of \$55.43 or 10.7% and; typical industrial gas bill increase of 554.28 or 11.9%.
32. She then noted that many customers have experienced much lower bills since 2015 because of soft fuel markets. In 2016, Utilities' has reduced the combined ECA and GCA over collection balances by \$18.1 million. The lowest ECA rate was approximately 23% below cost and the lowest GCA rate was approximately 46% below cost. Generally, the ECA and GCA charges represent a significant portion of the business customer's bill. Utilities compiled five (5) year typical bill history to capture both base rate adjustments and ECA and GCA rate adjustments for different customer classes. These compilations show minimal bill impacts over the five (5) year period.
33. Ms. Thieme explained that while Utilities supports the 2017 Rate Case as filed, Utilities created rate alternatives based on the customer feedback. In accordance with City Code § 12.1.107(C)(4), the City Council may amend or revise the proposed rates based on information presented at the rate hearing.
34. If City Council elects to modify the Water rates proposed by Utilities, Utilities proposes modifying the rates to function as a two year phase in for the most affected rate classes. Doing so would create rates effective on January 1, 2017, and January 1, 2018. The

alternate proposal would modify the (1) Contract Service – MIL, (2) Miscellaneous Service – Nonpotable, and (3) Large Non-seasonal Service to create a phased in approach that will increase each rate by 6.0% effective January 1, 2017, and additional increases of 6.0%, 4.0%, and 3.7%, respectfully, to bring the rates to cost of service effective January 1, 2018.

35. If City Council elects to not modify the Wastewater rates as proposed by Utilities, Utilities proposes that the changes be implemented over two years, with the first 50% of the change being effective January 1, 2017, and the second 50% of the change being effective January 1, 2018.
36. Ms. Thieme then addressed the supplemental information provided to City Council by Mr. Bidlack on October 24, 2016. The additional information addressed five (5) points of additional information requested by Council Members. Ms. Thieme provided high level summaries of each item listed below.
 - a) Item 1: A slide showing the current different electric rate classes and the percent and dollar value of their fair share of COS they are paying under current rates and how they will stand if the 2017 rate case is approved.
 - b) Item 2: Slides showing the total bill impact for industrial, commercial, and residential for the different proposed ECA/GCA adjustments to be effective November 1, 2016, the rate changes to be effective January 1, 2017, and the ECA/GCA adjustments estimated to be effective February 1, 2017.
 - c) Item 3: Slides showing what the military customer's current dollar amount and fair share is for COS for Water and Wastewater and what it would be under the proposed rates.
 - d) Item 4: Slides showing revenue impact of varying percentages of the proposed residential water rate increase being applied to the daily access charge in comparison to the complete increase being applied to the daily access charge as proposed.
 - e) Item 5: Slides providing a five (5) year history of rate changes for residential, commercial, and industrial customers.
37. Assistant City Auditor, Ms. Jacqueline Rowland then presented the Auditor's report. Ms. Rowland stated that the OCA reviewed the COS for each service and concluded that they were prepared accurately and that the methodology was consistent. The OCA report included two recommendations for future improvements, but supported the Utilities rate filing. Ms. Rowland noted that the OCA also reviewed the proposed ECA and GCA changes, but has not reviewed the alternative options noted by Utilities for Water and Wastewater.
38. After Utilities' presentation, President Bennett opened the floor for public comment. President Bennett 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.

39. Representatives of three customers spoke to address their concerns with the proposed rate increases.
40. Mayor of Manitou Springs Nicole Nicholetta and Ms. Shelly Cobau of Manitou Springs Public Services spoke about the concerns the City of Manitou Springs has with the proposed rate increases in relation to both cost and customer complaints. Both requested that City Council consider the alternatives proposed by Utilities to phase Water and Wastewater changes in over a two year period.
41. Mr. Jason Lachance, the Chief Financial Officer of dpiX, spoke to his concerns about the proposed rate increases and noted his concern that the proposed rate increases will harm dpiX's ability to be a competitive entity and Colorado Springs' ability to remain competitive in the context of attracting and retaining businesses.
42. Lastly, Mr. Dan Malinaric, Vice President of Operations for Microchip, expressed his concerns about the proposed rate increases, specifically the impact of the rate increases on Microchip's business competitiveness and Utilities' ability to be a "low cost utility" and the impact the rate increases will have when Utilities' rates are compared with other entities.
43. Following public comment, President Bennett opened the floor to questions from the City Council.
44. Council Member Don Knight spoke to explain his questions that led to a portion of the additional information provided on October 24, 2016. He noted that two of his four questions were answered with the provided materials (military impact and daily charges), but that he had additional questions related to the COS calculation across rate classes in relation to the proposed 2017 rates and the collective bill impact of the proposed 2017 rates, the November 1, 2016, ECA and GCA changes, and the estimated February 1, 2017, ECA and GCA changes.
45. Ms. Thieme addressed Council Member Knight's first question by presenting the supplemental slide on COS. Council Member Knight emphasized that the presented rates comply with the Utilities Board direction to keep rate classes within +/- 10% of the COS.
46. Council Member Tom Strand then asked whether Utilities received any feedback from Department of Defense customers. Ms. Thieme replied that Utilities worked directly with military customers and that those customers understand the rate drivers and do not opposed the proposed rates.
47. Council Member Strand then asked Ms. Rowland to perform a review of the alternate proposals presented by Utilities. Ms. Rowland confirmed that the analysis would be performed and that the review will be submitted to City Council.
48. Council Member Andy Pico then spoke to the nature of the proposed changes, emphasizing that the majority of the bill impact that customers expressed concern for is

driven by the fuel costs contained within the ECA and GCA and that those costs are a direct pass through by Utilities.

49. President Bennett then asked Utilities Chief Executive Officer, Mr. Jerry Forte whether a recess was necessary to prepare any Utilities' responses. Mr. Forte stated that no break was necessary.
50. Council Member Knight then asked for further clarification on the second question he presented, as noted above. Ms. Thieme provided a walkthrough of the additional materials to demonstrate how they provided a summary of bill impact across the proposed rate changes and the ECA and GCA changes planned for November 1, 2016, and February 1, 2017. Council Member Knight confirmed that the information presented was the requested information.
51. At the conclusion of the City Council discussion, President Bennett determined that an executive session was not needed.
52. Prior to Mr. Bidlack polling the City Council on the issues central to the proposed changes, the City Council had further discussion on whether to address the Water and Wastewater tariffs as proposed by Utilities or whether to support the alternatives presented for each service. Support for the alternatives was given by the City Council and additional discussion followed.
53. Council Member Knight first addressed the Water service alternatives. He contended that while the alternative, phase in approach for the Large Non-seasonal Service should be pursued, the alternative should not be pursued for the Contract Service – Military rate and Nonpotable rate. He explained that the Military customers noted support for the proposed rates and that the Nonpotable rate is significantly below the COS and requires significant increases to reach COS.
54. Following Council Member Knight's comments, consensus was reached to support the alternative two year phase in for only the Large Non-seasonal rate with a 6.0% increase to be effective January 1, 2017, and a 3.7% increase to be effective January 1, 2018. Additionally, there was consensus to reduce the revenue requirement for Water service for 2017 by \$149,552, in correlation with the Large Non-seasonal rate phase in approach.
55. Discussion on the Wastewater alternatives led to a consensus to support the totality of the alternative phase in approach. That approach will implement first 50% of proposed rates to be effective January 1, 2017, and second 50% of the proposed rates to be effective January 1, 2018.
56. At the conclusion of questions by the public and City Council, Utilities' responses, and discussion by City Council, Mr. Bidlack, polled Council Members regarding the issues central to the Electric, Water, and Wastewater services and the URR. Eight members of the City Council were present, with Council Member Bill Murray excused.

57. The following are the proposed changes and the votes by City Council addressing the URR:

- a) Should Utilities increase the restoration time of customers who have been disconnected from service due to customer controlled activity from a maximum of 12 hours to 24 hours and revise the definition of business hours?

The City Council held that Utilities shall increase the restoration time of customers who have been disconnected from service due to customer controlled activity from a maximum of 12 hours to 24 hours and revise the definition of business hours, with Council Member Keith King opposed and Council Member Knight emphasizing that he supports this change because it relates solely to customer caused disconnection.

- b) Should Utilities increase the amounts collected through contributions in aid of construction in the Electric line extensions and services and Natural Gas mains and services?

The City Council held that Utilities shall increase the amounts collected through contributions in aid of construction in the Electric line extensions and services and Natural Gas mains and services.

- c) Should Utilities change the multiplier for all meter sizes greater than four inch to a meter capacity ratio for the Water development charges?

The City Council held that Utilities shall change the multiplier for all meter sizes greater than four inch to a meter capacity ratio for the Water development charges.

- d) Should Utilities change the multiplier for all meter sizes greater than $\frac{3}{4}$ inch to a meter capacity ratio for the Wastewater development charges?

The City Council held that Utilities shall change the multiplier for all meter sizes greater than $\frac{3}{4}$ inch to a meter capacity ratio for the Wastewater development charges.

- e) Should Utilities correct an incorrect reference to a section of a City Code within URR Section 39?

The City Council held that Utilities shall correct an incorrect reference to a section of a City Code within URR Section 39.

58. President Bennett then concluded the 2017 Rate Case Hearing.

ORDER

THEREFORE, IT IS HEREBY ORDERED that:

The URR sheets as attached to the Resolution are adopted and will be effective on and after January 1, 2017. 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 8th day of November, 2016.

CITY OF COLORADO SPRINGS

Council President

ATTEST:

City Clerk

BEFORE THE CITY COUNCIL OF
THE CITY OF COLORADO SPRINGS

IN THE MATTER OF THE REVISION)
OF THE ELECTRIC TARIFF OF) DECISION & ORDER 16-02 (E)
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 electric utility service within the City and within its Colorado Public Utilities Commission-certificated service territory outside of the City.
2. Utilities is proposing changes to the Electric, Water, and Wastewater Rate Schedules and Utilities Rules and Regulations (“URR”) in the 2017 Rate Case filing.
3. Utilities uses a Cash-Needs method to determine the total 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 has conducted a Cost of Service (“COS”) study for Electric, Water, and Wastewater. The test year for this filing is the 2017 proposed budget. The rate analysis concluded rate adjustments are required for the Electric, Water, and Wastewater services.
5. The proposed effective date for the proposed tariff changes is January 1, 2017.
6. Utilities engages in the production, purchase, and distribution of electricity. These activities incur fuel related (production and purchases) and non-fuel related (production and distribution) expenditures. Fuel related expenditures are currently recovered through the Electric Cost Adjustment (“ECA”). Non-fuel related expenditures are recovered through Access and Facilities Charges and Demand Charges. This filing proposes changes to the non-fuel related charges.
7. Utilities conducted the COS study utilizing the Proposed 2017 Budget. The 2017 Electric revenue requirement reflects the implementation of Phase 2 of a 3 Phase plan directed by the Colorado Springs Utilities Board (“Utilities Board”) in April 2016, to address Electric revenue shortfall. As part of Phase 2, the 2017 Electric revenue requirement is reduced by \$13.9 million from the 2016 Electric revenue requirement, primarily due to the anticipated revenue shortfall from the Industrial Service - Time of Day 1,000kWH/Day Minimum (ETL) rate class (“ETL”). Additionally, increases not to exceed 12.5% have been applied to all standard rate classes below COS and no rate increases have been applied to rate classes at or above COS.

8. As part of its review of the 2015 Electric Rate Filing, the Office of the City Auditor (“OCA”) observed that actual non-fuel revenues were significantly less than forecast for the Electric Industrial rate classes combined. OCA recommended Utilities research the variances. In particular, the ETL rate class appeared to be the primary driver of the revenue variances observed. In 2015, Utilities initial analysis of the 2010 through 2014 period attributed revenue under recovery to variances between forecasted and actual billed demands. Specifically, the analysis indicated that the projected demand billing determinants were not in line with the historical billed demands for several rate classes, but especially for the ETL Rate Class.
9. On December 8, 2016, the Colorado Springs City Council (“City Council”) approved the 2016 Electric Rate filing. In that filing, Utilities implemented a process improvement for deriving demand billing determinants used in rate design which utilizes forecasted demands based on actual billed demands. This improvement is expected to bring forecasted demand revenues more in line with the actual billed demand revenues.
10. Implementing this methodology change produced reasonable revenue recovery for all the Industrial rate classes with the exception of ETL. The ETL rate class was impacted to a greater degree requiring a phased-in approach of forecasted demand billing determinants to mitigate rate impact. As an interim step, City Council approved a 6% increase to the ETL non-fuel charges at that time.
11. With the approved 6% increase and actual expected billing demands, Utilities projected the 2016 ETL revenue shortfall to exceed \$20 million. The anticipated revenue shortfall was not shifted to other rate classes in the approved 2016 Rate Filing. In December of 2015, Utilities provided Utilities Board a shortfall contingency plan to manage under collections through expenditure reductions and financial metrics. Utilities also committed to complete a comprehensive demand study to identify root causes of the divergence between forecasted and actual billed demands by March 31, 2016.
12. The ETL Demand Study utilized a comprehensive set of billing data elements to investigate four aspects of the rate class that could potentially be root causes or subsidiary issues of demand variances. All billing data extracted for study was independently validated as accurate and complete. The four key objectives of the study and the associated determinations are summarized below:
 - a) Assess the impact of Demand Side management (“DSM”) on forecasted demand
Determination: Variances are unrelated to DSM
 - b) Evaluate ETL Rate Class diversity
Determination: Rate Class structure is appropriate
 - c) Assess representativeness of the Load Study sample
Determination: Load Study sample is adequately representative of rate class

- d) Examine the relationship of billing and load study demands

Determination: Forecasted demands based on load study results have been overstated

13. The study confirmed that the root cause of the ETL revenue shortfall was divergence between projected and actual billed demands. The study also validated the appropriateness of fully implementing the process improvement of using forecast demands based on historical billing data in rate design.
14. On April 20, 2016, the Utilities Board directed a long term approach to bring the ETL rate to full COS. The first increase of 4% to the ETL rate was approved by City Council on June 28, 2016, and effective July 1, 2016. The second rate increase of 12.5% is proposed with this rate filing and if approved, effective January 1, 2017. A third increase is anticipated to be filed in fall 2017, to take effect January 1, 2018. The amount and impact of the third change will be based on the best and most timely data available at that time.
15. Utilities has performed a COS following generally accepted ratemaking practices to establish a starting point for determining just and reasonable 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, transmission and distribution and customer);
 - b) Classify each functionalized cost into broad categories utilizing cost causation principals (e.g. commodity, demand, customer); and
 - c) Allocate to the customer rate classes based on the service characteristics of each individual rate class.
16. Based on conclusions from the ETL Demand Study completed in the first quarter of 2016, two process improvements were incorporated into the Electric Rate Filing.
17. The first improvement is a continuation of the use of actual historical billed demands to derive forecasted billing demand determinants that was introduced in the 2016 Rate Case. Utilities implemented a methodology change for deriving forecasted billing demands changing from Noncoincident Peak (“NCP”) demands to include more actual billed demands. The ETL rate class was impacted to a greater degree requiring a phased-in approach of this process improvement in order to mitigate rate impact and provide opportunity to further validate this approach for the ETL rate class. The appropriateness of fully implementing this process improvement for the ETL rate class was validated in the ETL Demand Study. Therefore, the COS study for 2017 fully incorporates using forecast demands based on historical billing data in rate design for all rate classes with demand rate components, to include ETL.

18. The second improvement focuses on the forecasted NCP. The ETL Demand Study concluded that the NCP for the ETL rate class has been overestimated and recommended an additional step of calibrating the NCP with the class maximum month billing demands to ensure a more appropriate relationship is maintained between the two data points. Since the results of the 2016 Load Study used in forecasting demand again reflected an overestimated NCP, this process improvement was implemented to calibrate the NCP to a reasonable forecast for use in the COS study.
19. Utilities allocates debt service and cash funded capital components of the revenue requirement to each Electric function based on the proportion of that function's assets to the total assets of the Electric service. Currently this allocator is calculated based on the gross plant. Utilities is proposing that the allocation be based on net plant (gross plant less accumulated depreciation) including construction work-in-progress.
20. Debt and cash funded capital costs are incurred consistent with Utilities' Capital Policy and are associated with additions to capital. The change in methodology facilitates a closer alignment between the funding of capital costs and the remaining useful life of the asset. Utilities continues to be committed to continuous improvement and believes this change more appropriately allocates capital related cost to the functions.
21. In September 2014, the Utilities Board approved the Rate Design Guidelines that establish guidance, structure, and transparency in the development of the 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 rate 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.
22. With COS as the starting point for establishing each Rate Class' contribution to the revenue requirement, Utilities has proposed rates in compliance with approved Rate Design Guidelines.
23. Utilities examined the relationship of the customer rate classes to their respective COS. Utilities sought to bring rate classes to within plus or minus 10% of their total COS in accordance with the Reasonableness Guideline while lending credence to the Rate Stability Guideline to mitigate rate shock.
24. Using these guidelines collaboratively and in conjunction with Utilities Board direction, Utilities proposes rate changes ranging from 0.0% to 12.5% for all standard rate offerings.
25. Utilities also proposes rate changes from -15.2% to 18.0% for some of the optional rate offerings.
26. The highest proposed rate increase of 18.0% was applied to the optional Commercial Time-of-Day (ETC) customer Rate Class which was largely driven by an adjustment in

the rate design as part of an initiative to reduce peak demand and provide a more appropriate price signal. This holistic rate design approach continues to move rate classes closer to COS and achieves full recovery of the system revenue requirement.

27. The Large Power and Light (ELG) (“ELG”) rate class was designed to attract and retain customers with a large industrial load and high system load factor. Asset maximization characteristics of the ELG rate are demonstrated through a narrower range between average and peak loads, increased Electric system efficiency gained through high load factor and deferment of capacity capital cost. The ELG rate was originally designed at 75.0% of COS. Utilities has not proposed any rate change for the ELG Rate Class in this filing resulting in proposed revenues at 80.1% of COS supported through the application of the Rate Design Guidelines, asset maximization, and economic development supporting guidelines.
28. In the 2016 Rate Case, the ETR rate was enhanced as a measure of seeking to reduce system peak demand. This was accomplished by shortening the Summer on-peak period and expanding the ratio between the on-peak and off-peak rate for the ETR customer class. The Summer on-peak hours were reduced to more accurately coincide with the top summer hours of system demand. In conjunction with reducing the number of on-peak hours, increasing the ratio between the on-peak and off-peak rates helped to maintain revenue neutrality as well as sending an adequate price signal to consumers for energy conservation during the summer on-peak timeframe. Upon further review, it was determined that an overabundance of off-peak usage is required for those able to adjust their usage patterns in order to realize savings over the standard residential rate. The proposed rates are modified to provide customers greater flexibility in their usage patterns to realize savings over the standard residential rate while maintaining the price signal to help reduce system peak demand.
29. The ETC rate class is a rate option offering commercial customers an opportunity to potentially lower their bill by adjusting their usage patterns to align with off-peak periods, as denoted in the tariff. In reviewing the rate, it was noted that the rates, in their current state, are not designed with the appropriate price signal intended for this rate offering. As the rates currently exist, bringing them to an adequate price signal would require a significant increase of approximately 69.0%. In order to mitigate rate shock associated with such an increase, Utilities proposes a three year phase-in of rate adjustments for this rate option. The proposed rate increase of 18.0% for 2017 is the first step of the three year phase-in plan.
30. In addition to the general Electric tariff changes explained, Utilities 2017 Rate Case proposes the following additional changes.
31. Kilowatcher Rate Options: This change reflects the removal of all the Kilowatcher Rate Options from the tariff sheets. Existing contracts were completed at the end of March 2016, and the option is no longer offered. (Electric Rate Schedule Sheet Nos. 9, 9.1, 9.2, 9.3, 9.4, 11, 12, 12.1, 12.2, 16, 17, 23, 23.1, 23.2, 23.3)

32. Contract Service – Wheeling (ECW): This change removes some ancillary services currently offered in the tariff since no customers use or require those services. (Electric Rate Schedule Sheet Nos. 28, 30)
33. Totalization Service: This change removes obsolete language regarding customers paying for installation and wiring costs. A different system is now in place rendering this tariff language no longer applicable. (Electric Rate Schedule Sheet No. 33.1)
34. Renewable Energy Net Metering: This change updates the tariff header to align the numbering with past revisions. (Electric Rate Schedule Sheet No 34.1)
35. Enhanced Power Service Reserved Capacity Charge (“RCC”): This change modifies the charge for reserve capacity. The RCC is incurred by Enhanced Power customers and is designed to recover the costs of reserving capacity on Utilities’ system which are associated with the customer’s requested redundant feed. The specific costs recovered by this charge include operation, maintenance and future replacement costs associated with the transmission and substation functions for redundant service. In order to balance recovery of costs and stabilization of rates, Utilities proposed and City Council approved in the 2013 Electric Rate filing to phase in the rate increase over a five year period. 2017 represents the final year of the five year period and so for 2017, the rate will be increased to the full calculated rate of \$0.0499 per kW per day. (Electric Rate Schedule Sheet No. 37)
36. Community Solar Garden Pilot Program: This change updates the Community Solar Garden Pilot Program blended Bill Credit to reflect the proposed Electric service rate increases. (Electric Rate Schedule Sheet No. 40.5)
37. Community Solar Garden (Non-Pilot): This change updates the rates on the Community Solar Garden (Non-Pilot) Bill Credit table based on the proposed Electric service rates. (Electric Rate Schedule Sheet No. 40.14)
38. Wind Power: This change removes the Wind Power tariff. The current rate expires on December 31, 2016, and will not be renewed. (Electric Rate Schedule Sheet No 41)
39. Non-Municipal Street Lighting Service: The rate proposals included in this filing address changes to Electric Street Lighting (Electric Rate Schedules Sheet Nos. 21 and 21.1). The 2017 Street Lighting COS study is based on a model originally developed by a consultant (Halcrow, Inc.) retained by Utilities several years ago. Overall, the cost allocation methodology remains unchanged for 2017. Variances from 2016 rates are primarily attributable to changes in inventory, labor and metrics.
40. In addition to the proposed Electric Tariff revisions, Utilities proposes changes to the Water and Wastewater Tariffs and the URR.
41. Utilities filed its COS study supporting the Electric, Water, and Wastewater services base rate and Tariff changes with the City Auditor, Mr. Denny Nester, and with the City

Attorney, Ms. Wynetta Massey, on August 12, 2016. Utilities then filed the enterprise's formal proposals on September 13, 2016, 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 September 13, 2016, in *The Gazette* on September 16, 2016, and mailed as required on September 16, 2016. 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.

42. The information provided to the City Council and held open for public inspection at the City Clerk's Office was supplemented by Utilities on October 18, 2016. The supplemental material contained a supplemental customer feedback report, copies of the publications of required legal notice, public outreach information, and the City Auditor's report.
43. 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 October 2016. A copy of that report is contained within the record.
44. On October 25, 2016, the City Council held a public hearing concerning the proposed changes to the Electric, Water, and Wastewater Tariffs and to the URR. 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.
45. President of the Council Merv Bennett commenced the rate hearing by providing a summary of the rate hearing agenda and explaining the rate hearing procedure.
46. 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 and Wastewater service must be reasonable and appropriate in light of all circumstances, City Code § 12.1.107(F).
47. 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. Mr. Bidlack noted that he provided all Council Members with

supplemental information on October 24, 2016, based on requests for additional information presented by City Council Members. Mr. Bidlack also noted that Council Member Andy Pico provided a copy of an *ex parte* email he received in relation to customer concerns about the proposed rate increases. City Council indicated there were no additional *ex parte* communications.

48. Utilities then began the presentation of the enterprise's proposals.
49. The speaker was Ms. Sonya Thieme, Utilities' Rates Manager. She started by providing an overview of the 2017 Rate Case. She noted that the 2017 Rate Case filing includes proposed changes to the (1) Electric Rate Schedules, (2) Water Rate Schedules, (3) Wastewater Rate Schedules, and (4) URR. Additionally, the COS is prepared following industry standards and practices and rates are designed in compliance with Rate Design Guidelines.
50. Ms. Thieme then explained that the preliminary 2017 filing was presented to the Utilities Board and the Utilities Board Finance Committee. She then noted that the filing fulfilled proper procedural compliance requirements by (1) filing a preliminary COS study with the OCA on August 12, 2016, (2) requesting a public hearing date, (3) filing the 2017 Rate Case with the City Clerk, (4) posting the filing to www.csu.org on September 13, 2016, and (5) publishing and mailing required legal notices on September 16, 2016.
51. Next, Ms. Thieme provided a summary of the Electric Service changes. The revenue requirement reflects the implementation of Phase 2 of a 3 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 \$320.7 million. This is \$13.9 million lower than the 2016 Electric revenue requirement. The reduction is primarily due to the anticipated revenue shortfall from the Industrial Service - Time of Day 1,000kWH/Day Minimum (ETL) class. Additionally, the rate filing continues a phased in approach to bring rate classes within plus or minus 10% of respective COS. Such increases are not to exceed 12.5% and apply to all standard rate classes below COS. No rate increases have been applied to rate classes at or above COS.
52. She then noted the electric rate classes for which rate increases are proposed and those for which no change is proposed.
53. Ms. Thieme provided information on general changes to Residential and Commercial rate options. Optional Time-of-Day rates provide a price signal to help reduce system peak demand and provide customers with (1) an opportunity to adjust their usage patterns to align with off-peak periods and (2) the potential to realize savings over the standard rates. Both Residential and Commercial Time-of-Day rates are modified in the proposed rates to properly reflect the appropriate price signal. Residential Time-of-Day rates are decreased by 15.2% and Commercial Time-of-Day rates are increased by 18%.
54. Ms. Thieme concluded her presentation on Electric service changes by noting the additional proposed Electric tariff changes: (1) the Kilowatcher Rate Options is removed

from tariff sheets as the existing contracts expired in March of 2016 and the option is no longer offered; (2) the Contract Service – Wheeling (ECW) rate is modified to remove some ancillary services currently offered in the tariff that Customers either have not made use of or required; (3) clarification of the tariff language for Totalization Service to remove obsolete language is provided; (4) the Renewable Energy Net Metering rate is updated to align the sheet numbering with past revisions; (5) the Reserved Capacity Charge (RCC) for Enhanced Power Service is increased to complete a five year phase in to full cost; (6) the Community Solar Garden (CSG) Pilot Program Bill Credit is updated to reflect the proposed Electric service rate increases; (7) the CSG Non-Pilot Bill Credit is updated based on the proposed Electric service rate increases; and (8) the Wind Power Tariff is removed due to expiration.

55. Ms. Thieme then addressed the proposed changes to the Water tariff. The proposed total water revenue is \$199.5 million, which is \$11.3 million higher than revenue under current rates. The overall system increase is 6.0% higher than current rates. The increase breaks down as a 5.1% increase for Residential, 6.2% increase for Nonresidential, 10.0% increase for Contract Services – DOD, 9.7% increase for Large Nonseasonal, and 12.0% increase for Nonpotable and Augmentation customers.
56. The rate design components are (1) continuing to move rate classes closer to COS and (2) increasing the fixed daily charge to enhance financial stability and maintain a conservation signal, specifically for Residential customers.
57. Ms. Thieme concluded her review of proposed changes to the service tariffs by addressing Wastewater. The current Wastewater rates are sufficient to cover the 2017 revenue requirement of \$68.0 million. While no additional revenue is required, the rate classes were updated to use allocations and methodologies consistent with the other services as the Wastewater rates have not been modified since 2010. The proposed rate changes decrease Residential rates by 1.5% and increase Nonresidential rates by 4.0% and Contract Services – Outside City Limits by 11.6%. Additionally, a new rate class is added for Military customers to be consistent with the rate structure provided across the three other services.
58. Ms. Thieme then provided a summary of the overall impact of the proposed rate changes to a four service utility bill. The typical Residential customer will see a 1.3% or \$2.60 increase to their bill. The typical Commercial customer will see a 3.4% or \$44.34 increase to their bill. And, the typical Industrial customer will see a 0.6% or \$225.91 increase to their bill.
59. Ms. Thieme concluded the substantive portion of her presentation by noting the proposed changes to the URR. Those proposed changes are as follows:
 - a) Restoration of Service: This change proposes to increase the maximum time from 12 hours to 24 hours in which Utilities must restore service to customers disconnected for non-payment and other customer-controlled situations identified in Section 13 of URR. Additionally, Utilities proposes a minor clean-up changing

“normal working hours of 7:00 a.m. to 7:00 p.m., Monday through Friday” to “normal working business day.”

- b) **Electric Line Extensions and Services and Extension of Natural Gas Mains and Services:** This change will update the current contribution in aid of construction fee amounts collected through Electric Line Extensions and Services and Natural Gas Mains and Services, moving the recovery at or close to the current costs. The current Electric Line Extensions and Services fees are proposed to increase Electric fee increases range from 5.8% to 10% to achieve full cost fees for nine (9) out of eleven (11) total line extensions and services. The current Natural Gas Mains and Services rate of 18% will increase to full cost at 20%.
- c) **Water and Wastewater Development Charges:** This change proposes to reduce the multiplier for all meters greater than $\frac{3}{4}$ inch to a meter capacity ratio. This change will lower the current charge for Water Development Charge meter sizes greater than 4 inch. Additionally, this change will also lower the current charge for Wastewater Development Charge meter sizes meter sizes greater than the $\frac{3}{4}$ inch.
- d) **Correction of City Code reference in Applicability of City Code:** This change is to correct an incorrect reference to a section of the City Code. There is no policy or financial impact of this change.

60. Next, Ms. Thieme addressed the customer outreach Utilities performed in relation to the 2017 Rate Case filing. The customer outreach was carried out throughout September and October 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.

61. The next issue discussed was Utilities Supplemental Customer Feedback Report, which Utilities included within the Supplemental Filing. Utilities received some customer feedback in relation to the proposed rate changes. Those customers were concerned because they face the proposed base-rate increases and the likelihood of Electric Cost Adjustment (“ECA”) and Gas Cost Adjustment (“GCA”) increases. One of the most impacted customer groups is the Industrial Service – Time-of-Day Service 1,000 kWh/Day Minimum (ETL). There are approximately 1,300 ETL customers impacted by the proposed 12.5% increase. Seventeen (17) of these customers are impacted by Nonpotable proposed 12.0% increase and three (3) of these customers are impacted by Large Nonseasonal proposed 9.7% increase with all of those customers impacted by Nonresidential Wastewater proposed 4% increase. In addition to factors outlined in this rate hearing presentation, the magnitude of bill impact is greatly influenced by the fluctuation in fuel and purchase power costs.

62. Ms. Thieme then explained that the City Council will be presented with ECA and GCA increases on an agenda item following the rate hearing. The proposed changes would be effective November 1, 2016. The proposed ECA rate is approximately \$0.0273 per kWh which impacts bills as follows: typical Residential electric bill increase of \$3.18 or 4.2%; typical Commercial electric bill increase of \$31.80 or 6.3% and; typical Industrial electric bill increase of \$2,120.00 or 6.8%. The proposed GCA rate is approximately \$0.1815 per Ccf which impacts bills as follows: typical Residential gas bill increase of \$2.68 or 7.4%; typical Commercial gas bill increase of \$55.43 or 10.7% and; typical industrial gas bill increase of 554.28 or 11.9%.
63. She then noted that many customers have experienced much lower bills since 2015 because of soft fuel markets. In 2016, Utilities' has reduced the combined ECA and GCA over collection balances by \$18.1 million. The lowest ECA rate was approximately 23% below cost and the lowest GCA rate was approximately 46% below cost. Generally, the ECA and GCA charges represent a significant portion of the business customer's bill. Utilities compiled five (5) year typical bill history to capture both base rate adjustments and ECA and GCA rate adjustments for different customer classes. These compilations show minimal bill impacts over the five (5) year period.
64. Ms. Thieme explained that while Utilities supports the 2017 Rate Case as filed, Utilities created rate alternatives based on the customer feedback. In accordance with City Code § 12.1.107(C)(4), the City Council may amend or revise the proposed rates based on information presented at the rate hearing.
65. If City Council elects to modify the Water rates proposed by Utilities, Utilities proposes modifying the rates to function as a two year phase in for the most affected rate classes. Doing so would create rates effective on January 1, 2017, and January 1, 2018. The alternate proposal would modify the (1) Contract Service – MIL, (2) Miscellaneous Service – Nonpotable, and (3) Large Non-seasonal Service to create a phased in approach that will increase each rate by 6.0% effective January 1, 2017, and additional increases of 6.0%, 4.0%, and 3.7%, respectfully, to bring the rates to cost of service effective January 1, 2018.
66. If City Council elects to not modify the Wastewater rates as proposed by Utilities, Utilities proposes that the changes be implemented over two years, with the first 50% of the change being effective January 1, 2017, and the second 50% of the change being effective January 1, 2018.
67. Ms. Thieme then addressed the supplemental information provided to City Council by Mr. Bidlack on October 24, 2016. The additional information addressed five (5) points of additional information requested by Council Members. Ms. Thieme provided high level summaries of each item listed below.
- a) Item 1: A slide showing the current different electric rate classes and the percent and dollar value of their fair share of COS they are paying under current rates and how they will stand if the 2017 rate case is approved.

- b) Item 2: Slides showing the total bill impact for industrial, commercial, and residential for the different proposed ECA/GCA adjustments to be effective November 1, 2016, the rate changes to be effective January 1, 2017, and the ECA/GCA adjustments estimated to be effective February 1, 2017.
 - c) Item 3: Slides showing what the military customer's current dollar amount and fair share is for COS for Water and Wastewater and what it would be under the proposed rates.
 - d) Item 4: Slides showing revenue impact of varying percentages of the proposed residential water rate increase being applied to the daily access charge in comparison to the complete increase being applied to the daily access charge as proposed.
 - e) Item 5: Slides providing a five (5) year history of rate changes for residential, commercial, and industrial customers.
68. Assistant City Auditor, Ms. Jacqueline Rowland then presented the Auditor's report. Ms. Rowland stated that the OCA reviewed the COS for each service and concluded that they were prepared accurately and that the methodology was consistent. The OCA report included two recommendations for future improvements, but supported the Utilities rate filing. Ms. Rowland noted that the OCA also reviewed the proposed ECA and GCA changes, but has not reviewed the alternative options noted by Utilities for Water and Wastewater.
69. After Utilities' presentation, President Bennett opened the floor for public comment. President Bennett 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.
70. Representatives of three customers spoke to address their concerns with the proposed rate increases.
71. Mayor of Manitou Springs Nicole Nicholetta and Ms. Shelly Cobau of Manitou Springs Public Services spoke about the concerns the City of Manitou Springs has with the proposed rate increases in relation to both cost and customer complaints. Both requested that City Council consider the alternatives proposed by Utilities to phase Water and Wastewater changes in over a two year period.
72. Mr. Jason Lachance, the Chief Financial Officer of dpiX, spoke to his concerns about the proposed rate increases and noted his concern that the proposed rate increases will harm dpiX's ability to be a competitive entity and Colorado Springs' ability to remain competitive in the context of attracting and retaining businesses.
73. Lastly, Mr. Dan Malinaric, Vice President of Operations for Microchip, expressed his concerns about the proposed rate increases, specifically the impact of the rate increases on Microchip's business competitiveness and Utilities' ability to be a "low cost utility" and the impact the rate increases will have when Utilities' rates are compared with other entities.

74. Following public comment, President Bennett opened the floor to questions from the City Council.
75. Council Member Don Knight spoke to explain his questions that led to a portion of the additional information provided on October 24, 2016. He noted that two of his four questions were answered with the provided materials (military impact and daily charges), but that he had additional questions related to the COS calculation across rate classes in relation to the proposed 2017 rates and the collective bill impact of the proposed 2017 rates, the November 1, 2016, ECA and GCA changes, and the estimated February 1, 2017, ECA and GCA changes.
76. Ms. Thieme addressed Council Member Knight's first question by presenting the supplemental slide on COS. Council Member Knight emphasized that the presented rates comply with the Utilities Board direction to keep rate classes within +/- 10% of the COS.
77. Council Member Tom Strand then asked whether Utilities received any feedback from Department of Defense customers. Ms. Thieme replied that Utilities worked directly with military customers and that those customers understand the rate drivers and do not opposed the proposed rates.
78. Council Member Strand then asked Ms. Rowland to perform a review of the alternate proposals presented by Utilities. Ms. Rowland confirmed that the analysis would be performed and that the review will be submitted to City Council.
79. Council Member Andy Pico then spoke to the nature of the proposed changes, emphasizing that the majority of the bill impact that customers expressed concern for is driven by the fuel costs contained within the ECA and GCA and that those costs are a direct pass through by Utilities.
80. President Bennett then asked Utilities Chief Executive Officer, Mr. Jerry Forte whether a recess was necessary to prepare any Utilities' responses. Mr. Forte stated that no break was necessary.
81. Council Member Knight then asked for further clarification on the second question he presented, as noted above. Ms. Thieme provided a walkthrough of the additional materials to demonstrate how they provided a summary of bill impact across the proposed rate changes and the ECA and GCA changes planned for November 1, 2016, and February 1, 2017. Council Member Knight confirmed that the information presented was the requested information.
82. At the conclusion of the City Council discussion, President Bennett determined that an executive session was not needed.
83. Prior to Mr. Bidlack polling the City Council on the issues central to the proposed changes, the City Council had further discussion on whether to address the Water and

Wastewater tariffs as proposed by Utilities or whether to support the alternatives presented for each service. Support for the alternatives was given by the City Council and additional discussion followed.

84. Council Member Knight first addressed the Water service alternatives. He contended that while the alternative, phase in approach for the Large Non-seasonal Service should be pursued, the alternative should not be pursued for the Contract Service – Military rate and Nonpotable rate. He explained that the Military customers noted support for the proposed rates and that the Nonpotable rate is significantly below the COS and requires significant increases to reach COS.
85. Following Council Member Knight’s comments, consensus was reached to support the alternative two year phase in for only the Large Non-seasonal rate with a 6.0% increase to be effective January 1, 2017, and a 3.7% increase to be effective January 1, 2018. Additionally, there was consensus to reduce the revenue requirement for Water service for 2017 by \$149,552, in correlation with the Large Non-seasonal rate phase in approach.
86. Discussion on the Wastewater alternatives led to a consensus to support the totality of the alternative phase in approach. That approach will implement first 50% of proposed rates to be effective January 1, 2017, and second 50% of the proposed rates to be effective January 1, 2018.
87. At the conclusion of questions by the public and City Council, Utilities’ responses, and discussion by City Council, Mr. Bidlack, polled Council Members regarding the issues central to the Electric, Water, and Wastewater services and the URR. Eight members of the City Council were present, with Council Member Bill Murray excused.
88. The following are the proposed changes and the votes by City Council addressing the Electric Tariff:

- a) Is an increase to the non-fuel revenues of \$10.1 million appropriate for the 2017 rate case test-year period?

The City Council held that an increase to the non-fuel revenues of \$10.1 million appropriate for the 2017 rate case test-year period is appropriate.

- b) Should rates and tariffs for the following Electric Service Rate Schedules be revised as proposed:
 - i. Residential Service
 - ii. Commercial Service – General – E2C
 - iii. Commercial Service – General – ETC
 - iv. Industrial Service – Time-of-Day Transmission Voltage
 - v. Industrial Service – Time-of-Day 1,000 KWh/Day Minimum
 - vi. Industrial Service – Time-of-Day 500 KW/Day Minimum
 - vii. Industrial Service – Time-of-Day 4,000 KW/Day Minimum

- viii. Contract Service – Street Lighting
- ix. Contract Service – ECD
- x. Contract Service – Wheeling – ECW
- xi. Totalization Service
- xii. Renewable Energy Net Metering
- xiii. Community Solar Garden Bill Credit (Pilot Program)
- xiv. Community Solar Garden Program

The City Council held that the rates and tariff for the following Electric Service Rate Schedules shall be revised as proposed, with Council Member Helen Collins opposed: 1) Residential Service; 2) Commercial Service – General – E2C; 3) Commercial Service General – ETC; 4) Industrial Service – Time-of-Day Transmission Voltage; 5) Industrial Service – Time-of-Day 1,000 KWh/Day Minimum; 6) Industrial Service – Time-of-Day 500 KW/Day Minimum; 7) Industrial Service – Time-of-Day 4,000 KW/Day Minimum; 8) Contract Service – Street Lighting; 9) Contract Service - ECD; 10) Contract Service – Wheeling – ECW; 11) Totalization Service; 12) Renewable Energy Net Metering; 13) Community Solar Garden Bill Credit (Pilot Program); and 14) Community Solar Garden Program.

- c) Should Utilities remove the optional Kilowatcher program from the Industrial Service – Time-of-Day Service 1,000 kWh/Day Minimum, Industrial Service – Time-of-Day Service 500 kW Minimum, Industrial Service - Time-of-Day Service 4,000 kW Minimum, and Contract Service?

The City Council held that Utilities shall remove the optional Kilowatcher program from the Industrial Service – Time-of-Day Service 1,000 kWh/Day Minimum, Industrial Service – Time-of-Day Service 500 kW Minimum, Industrial Service - Time-of-Day Service 4,000 kW Minimum, and Contract Service with Council Member Collins opposed.

- d) Should Utilities increase the Reserved Capacity Charge incurred by Enhanced Power Customers which will complete a five year phase in program to bring this rate to full cost?

The City Council held that Utilities shall increase the Reserved Capacity Charge incurred by Enhanced Power Customers which will complete a five year phase in program to bring this rate to full cost.

- e) Should Utilities remove of the Wind Power tariff due to expiration of the program?

The City Council held that Utilities shall remove of the Wind Power tariff due to expiration of the program.

89. President Bennett then concluded the 2017 Rate Case Hearing.

ORDER

THEREFORE, IT IS HEREBY ORDERED that:

The Electric Tariff sheets as attached to the Resolution are adopted and will be effective on and after January 1, 2017. 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 8th day of November, 2016.

CITY OF COLORADO SPRINGS

Council President

ATTEST:

City Clerk

BEFORE THE CITY COUNCIL OF
THE CITY OF COLORADO SPRINGS

IN THE MATTER OF THE REVISION)
OF THE WATER TARIFF OF) DECISION & ORDER 16-03 (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 is proposing changes to the Electric, Water, and Wastewater Rate Schedules and Utilities Rules and Regulations (“URR”) in the 2017 Rate Case filing.
3. Utilities uses a Cash-Needs method to determine the total 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 has conducted a Cost of Service (“COS”) study for Electric, Water, and Wastewater. The test year for this filing is the 2017 proposed budget. The rate analysis concluded rate adjustments are required for the Electric, Water, and Wastewater services.
5. The proposed effective date for the proposed tariff changes is January 1, 2017.
6. 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.
7. Utilities conducted the COS which 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 \$199.5 million, which is \$11.3 million, or 6.0%, higher than the projected revenues under current rates. The effect of this increase on the typical monthly residential water bill is an additional \$3.09, or 5.2%, over the current typical water bill.
8. Utilities states that the major rate drivers to the proposed Water rate changes for 2017 are
 - a) Water operating and maintenance expenses, (b) Water debt service, and (c) enterprise financial metrics.
 - a) The Water service requires an Operating and Maintenance (“O&M”) increase of \$10.1 million to assess the distribution system and repair critical infrastructure. Additional drivers of Water O&M increases in 2017 are planning and investment efforts in supply, delivery, and treatment, and ongoing maintenance and replacement costs to the overall Water system, which have purposely been

reduced due to the Southern Delivery System (“SDS”) construction and revenue shortfalls.

- b) Year over year projected debt service expense is up by \$0.9 million as Utilities continues to pay the debt incurred to fund water capital projects, including the recently completed SDS project.
- c) Utilities has a “AA” (Aa2 Moody’s) bond rating, one of the highest credit ratings among all public power utilities in the nation. Maintaining this rating requires achieving financial metrics which are vital to provide assurances to the rating agencies of a sound financial position. The three metrics most closely monitored by the rating agencies are adjusted debt service coverage, debt ratio, and day’s cash on hand. While there are guidelines from each agency on what level these three metrics should be maintained, it is the combination of these metrics and many other factors that result in a final rating.

In September of 2015, all three rating agencies (Moody’s, Fitch Ratings, and Standard & Poor’s) affirmed a “AA” (Aa2 Moody’s) rating for Utilities and assigned a stable outlook. Moody’s stated that its rationale gave consideration to the Utilities’ good financial performance, with a board policy of achieving adjusted debt service coverage of at least 2.0 that includes surplus payments to the City in the calculation. The stable outlook reflects the Utilities’ long record of relatively stable debt service coverage margins and the rating agencies’ expectation that debt service coverage and liquidity will remain sound as the Utilities completes a large capital program.

Utilities’ 2017 proposed appropriation provides for an adjusted debt service coverage of 1.91, including Surplus Payments to the City in the calculation. Rating agencies expect a “AA” rated utility to carry 100 to 120 Days Cash on Hand, not including open lines of credit. The 2017 Days Cash on Hand is projected to be 135.4 days, which exceeds the goal and provides additional cash to fund capital projects if proposed revenue from rates are recognized through the course of the year. Rating agencies expect a “AA” rated utility that owns generation to maintain a Debt Ratio of 60% or less. Due to the large capital program over the past several years, the Debt Ratio has exceeded 60%. A planned approach to cash-funding more capital has allowed for a projected 2017 Debt Ratio of 57.60%, which meets the sub 60.0% target.

- 9. Utilities has 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.
10. Utilities allocates debt service and cash funded capital components of the revenue requirement to each Water function based on the proportion of that function's assets to the total assets of the Water service. Currently this allocator is calculated based on gross plant including construction work-in-progress. Utilities is proposing that the allocation be based on net plant (gross plant less accumulated depreciation) including construction work-in-progress.
 11. Debt and cash funded capital costs are incurred consistent with Utilities' Capital Policy and are associated with additions to capital. The change in methodology facilitates a closer alignment between the funding of capital costs and the remaining useful life of the asset. Utilities continues to be committed to continuous improvement and believes this change more appropriately allocates capital related cost to the functions.
 12. 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.
 13. With COS as the starting point for establishing each rate class' contribution to the revenue requirement, Utilities is proposing rates in compliance with the approved Rate Design Guidelines.
 14. With the overall system increase of 6.0% 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 5.1% to 12.5%. This holistic rate design approach continues to move rate classes closer to COS and achieves full recovery of the system revenue requirement.
 15. In 2014, Utilities actively undertook a five year strategic business plan approach and began investigating the concept of revenue stabilization to buffer the impacts of revenue shortfalls and lessen the future rate impact of atypical events, such as natural disasters,

weather variability, and capital financing to address new regulatory requirements and aging infrastructure.

16. Rate design in this filing achieves a larger portion of fixed cost recovery through the Per Day charge, supporting revenue stability and maintaining an appropriate conservation balance, consistent with Rate Design Guidelines and best management practices within the water industry. This filing increases that portion of customer charge by rate class for both Residential and Nonresidential by 17.0% and 8.5%, respectively, with Total Water Service increases of 5.1% and 6.2%, respectively.
17. Specifically, the Residential – Inside City Limits Service Charge Per Day Charge increased by \$0.1030 per day, changing the current rate from \$0.6049 to \$0.7079. This represents a total increase of \$3.09 per month, from \$18.15 to \$21.24. Residential commodity rates are unchanged in this filing.
18. 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 cost by 10% with changes to the winter and summer commodity charges of 13.4% and 8.9% respectively. The winter commodity charge is increased by \$0.0041, changing from \$0.0307 to \$0.0348 per cf, while the summer commodity charge is increased by \$0.0041, changing from \$0.0461 to \$0.0502 per cf.
19. 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 approach is based in the Supporting Guideline of Rate Stability, which seeks to mitigate and levelize impacts of rate increases.
20. 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 was unchanged from 2009 through 2015. Continuing a phased-in approach started in 2016 to bring the Nonpotable rate within an appropriate range of the COS study results, Utilities proposes increases the Nonpotable rate by 12.0%, or \$0.0020, changing the rate from \$0.0170 to \$0.0190 per cf. The phased approach is based in the Supporting Guideline of Rate Stability, which seeks to mitigate and levelize impacts of rate increases. Revenues from the Nonpotable rate class are projected to be \$1.4 million under the COS study results, which is offset by a COS adjustment that reduces the Nonpotable revenue requirement and increases the Nonresidential revenue requirement by \$1.4 million. The total Nonpotable revenue requirement after adjustments is approximately \$2.3 million, or 1.2%, of the total revenue requirement of \$199.5 million. Utilities anticipates continued refinement of a comprehensive long-term strategy for the Nonpotable service.

21. In addition to the changes to the Water tariff explained above, Utilities proposes the following changes.
22. Temporary Service – Hydrant Use: Utilities proposes increasing the Temporary Service – Hydrant Use customer charge by 8.5%, or \$0.4229, changing the rate from \$4.9987 to \$5.4216 per day. Commodity charges per 1,000 gallons are increased by 5.9%, or \$0.5172, changing the rate from \$8.7290 to \$9.2462 per 1,000 gallons for Classes A, B, and C. (*Water Rate Schedule Sheet No. 7*)
23. Miscellaneous Service – Augmentation: Utilities proposes increasing the Miscellaneous Service – Augmentation rate by 12.5%, or \$0.0008, changing the rate from \$0.0064 to \$0.0072 per cf. The operational characteristics of augmentation service are not appropriately represented through embedded cost analysis, which overstates the value of the service. The augmentation rate proposed in this filing is supported by market and marginal cost analysis and represents an initial step in a phased-in approach to bring the rate within a reasonable range of the service’s value. Utilities anticipates developing and bringing forth a comprehensive long-term strategy for augmentation service in 2017. (*Water Rate Schedule Sheet No. 8*)
24. Contract Service – Nonpotable: This tariff is available to an existing special contract customer for nonpotable water service to the Kissing Camels Golf Course. This filing increases the Contract Service – Nonpotable rate by 12.2%, or \$0.0012, changing the rate from \$0.0098 to \$0.0110 per cf. (*Water Rate Schedule Sheet No. 10*)
25. In addition to the proposed Water Tariff revisions, Utilities proposes changes to the Electric and Wastewater Tariffs and the URR.
26. Utilities filed its COS study supporting the Electric, Water, and Wastewater services base rate and Tariff changes with the City Auditor, Mr. Denny Nester, and with the City Attorney, Ms. Wynetta Massey, on August 12, 2016. Utilities then filed the enterprise’s formal proposals on September 13, 2016, 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 September 13, 2016, in *The Gazette* on September 16, 2016, and mailed as required on September 16, 2016. 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.
27. The information provided to the City Council and held open for public inspection at the City Clerk’s Office was supplemented by Utilities on October 18, 2016. The supplemental material contained a supplemental customer feedback report, copies of the publications of required legal notice, public outreach information, and the City Auditor’s report.

28. 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 October 2016. A copy of that report is contained within the record.
29. On October 25, 2016, the City Council held a public hearing concerning the proposed changes to the Electric, Water, and Wastewater Tariffs and to the URR. 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.
30. President of the Council Merv Bennett commenced the rate hearing by providing a summary of the rate hearing agenda and explaining the rate hearing procedure.
31. 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 and Wastewater service must be reasonable and appropriate in light of all circumstances, City Code § 12.1.107(F).
32. 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. Mr. Bidlack noted that he provided all Council Members with supplemental information on October 24, 2016, based on requests for additional information presented by City Council Members. Mr. Bidlack also noted that Council Member Andy Pico provided a copy of an *ex parte* email he received in relation to customer concerns about the proposed rate increases. City Council indicated there were no additional *ex parte* communications.
33. Utilities then began the presentation of the enterprise's proposals.
34. The speaker was Ms. Sonya Thieme, Utilities' Rates Manager. She started by providing an overview of the 2017 Rate Case. She noted that the 2017 Rate Case filing includes proposed changes to the (1) Electric Rate Schedules, (2) Water Rate Schedules, (3) Wastewater Rate Schedules, and (4) URR. Additionally, the COS is prepared following industry standards and practices and rates are designed in compliance with Rate Design Guidelines.
35. Ms. Thieme then explained that the preliminary 2017 filing was presented to the Utilities Board and the Utilities Board Finance Committee. She then noted that the filing fulfilled

proper procedural compliance requirements by (1) filing a preliminary COS study with the OCA on August 12, 2016, (2) requesting a public hearing date, (3) filing the 2017 Rate Case with the City Clerk, (4) posting the filing to www.csu.org on September 13, 2016, and (5) publishing and mailing required legal notices on September 16, 2016.

36. Next, Ms. Thieme provided a summary of the Electric Service changes. The revenue requirement reflects the implementation of Phase 2 of a 3 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 \$320.7 million. This is \$13.9 million lower than the 2016 Electric revenue requirement. The reduction is primarily due to the anticipated revenue shortfall from the Industrial Service - Time of Day 1,000kWH/Day Minimum (ETL) class. Additionally, the rate filing continues a phased in approach to bring rate classes within plus or minus 10% of respective COS. Such increases are not to exceed 12.5% and apply to all standard rate classes below COS. No rate increases have been applied to rate classes at or above COS.
37. She then noted the electric rate classes for which rate increases are proposed and those for which no change is proposed.
38. Ms. Thieme provided information on general changes to Residential and Commercial rate options. Optional Time-of-Day rates provide a price signal to help reduce system peak demand and provide customers with (1) an opportunity to adjust their usage patterns to align with off-peak periods and (2) the potential to realize savings over the standard rates. Both Residential and Commercial Time-of-Day rates are modified in the proposed rates to properly reflect the appropriate price signal. Residential Time-of-Day rates are decreased by 15.2% and Commercial Time-of-Day rates are increased by 18%.
39. Ms. Thieme concluded her presentation on Electric service changes by noting the additional proposed Electric tariff changes: (1) the Kilowatcher Rate Options is removed from tariff sheets as the existing contracts expired in March of 2016 and the option is no longer offered; (2) the Contract Service – Wheeling (ECW) rate is modified to remove some ancillary services currently offered in the tariff that Customers either have not made use of or required; (3) clarification of the tariff language for Totalization Service to remove obsolete language is provided; (4) the Renewable Energy Net Metering rate is updated to align the sheet numbering with past revisions; (5) the Reserved Capacity Charge (RCC) for Enhanced Power Service is increased to complete a five year phase in to full cost; (6) the Community Solar Garden (CSG) Pilot Program Bill Credit is updated to reflect the proposed Electric service rate increases; (7) the CSG Non-Pilot Bill Credit is updated based on the proposed Electric service rate increases; and (8) the Wind Power Tariff is removed due to expiration.
40. Ms. Thieme then addressed the proposed changes to the Water tariff. The proposed total water revenue is \$199.5 million, which is \$11.3 million higher than revenue under current rates. The overall system increase is 6.0% higher than current rates. The increase breaks down as a 5.1% increase for Residential, 6.2% increase for Nonresidential, 10.0%

increase for Contract Services – DOD, 9.7% increase for Large Nonseasonal, and 12.0% increase for Nonpotable and Augmentation customers.

41. The rate design components are (1) continuing to move rate classes closer to COS and (2) increasing the fixed daily charge to enhance financial stability and maintain a conservation signal, specifically for Residential customers.
42. Ms. Thieme concluded her review of proposed changes to the service tariffs by addressing Wastewater. The current Wastewater rates are sufficient to cover the 2017 revenue requirement of \$68.0 million. While no additional revenue is required, the rate classes were updated to use allocations and methodologies consistent with the other services as the Wastewater rates have not been modified since 2010. The proposed rate changes decrease Residential rates by 1.5% and increase Nonresidential rates by 4.0% and Contract Services – Outside City Limits by 11.6%. Additionally, a new rate class is added for Military customers to be consistent with the rate structure provided across the three other services.
43. Ms. Thieme then provided a summary of the overall impact of the proposed rate changes to a four service utility bill. The typical Residential customer will see a 1.3% or \$2.60 increase to their bill. The typical Commercial customer will see a 3.4% or \$44.34 increase to their bill. And, the typical Industrial customer will see a 0.6% or \$225.91 increase to their bill.
44. Ms. Thieme concluded the substantive portion of her presentation by noting the proposed changes to the URR. Those proposed changes are as follows:
 - a) Restoration of Service: This change proposes to increase the maximum time from 12 hours to 24 hours in which Utilities must restore service to customers disconnected for non-payment and other customer-controlled situations identified in Section 13 of URR. Additionally, Utilities proposes a minor clean-up changing “normal working hours of 7:00 a.m. to 7:00 p.m., Monday through Friday” to “normal working business day.”
 - b) Electric Line Extensions and Services and Extension of Natural Gas Mains and Services: This change will update the current contribution in aid of construction fee amounts collected through Electric Line Extensions and Services and Natural Gas Mains and Services, moving the recovery at or close to the current costs. The current Electric Line Extensions and Services fees are proposed to increase Electric fee increases range from 5.8% to 10% to achieve full cost fees for nine (9) out of eleven (11) total line extensions and services. The current Natural Gas Mains and Services rate of 18% will increase to full cost at 20%.
 - c) Water and Wastewater Development Charges: This change proposes to reduce the multiplier for all meters greater than $\frac{3}{4}$ inch to a meter capacity ratio. This change will lower the current charge for Water Development Charge meter sizes greater than 4 inch. Additionally, this change will also lower the current charge

for Wastewater Development Charge meter sizes greater than the $\frac{3}{4}$ inch.

- d) Correction of City Code reference in Applicability of City Code: This change is to correct an incorrect reference to a section of the City Code. There is no policy or financial impact of this change.

45. Next, Ms. Thieme addressed the customer outreach Utilities performed in relation to the 2017 Rate Case filing. The customer outreach was carried out throughout September and October 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.
46. The next issue discussed was Utilities Supplemental Customer Feedback Report, which Utilities included within the Supplemental Filing. Utilities received some customer feedback in relation to the proposed rate changes. Those customers were concerned because they face the proposed base-rate increases and the likelihood of Electric Cost Adjustment ("ECA") and Gas Cost Adjustment ("GCA") increases. One of the most impacted customer groups is the Industrial Service – Time-of-Day Service 1,000 kWh/Day Minimum (ETL). There are approximately 1,300 ETL customers impacted by the proposed 12.5% increase. Seventeen (17) of these customers are impacted by Nonpotable proposed 12.0% increase and three (3) of these customers are impacted by Large Nonseasonal proposed 9.7% increase with all of those customers impacted by Nonresidential Wastewater proposed 4% increase. In addition to factors outlined in this rate hearing presentation, the magnitude of bill impact is greatly influenced by the fluctuation in fuel and purchase power costs.
47. Ms. Thieme then explained that the City Council will be presented with ECA and GCA increases on an agenda item following the rate hearing. The proposed changes would be effective November 1, 2016. The proposed ECA rate is approximately \$0.0273 per kWh which impacts bills as follows: typical Residential electric bill increase of \$3.18 or 4.2%; typical Commercial electric bill increase of \$31.80 or 6.3% and; typical Industrial electric bill increase of \$2,120.00 or 6.8%. The proposed GCA rate is approximately \$0.1815 per Ccf which impacts bills as follows: typical Residential gas bill increase of \$2.68 or 7.4%; typical Commercial gas bill increase of \$55.43 or 10.7% and; typical industrial gas bill increase of 554.28 or 11.9%.
48. She then noted that many customers have experienced much lower bills since 2015 because of soft fuel markets. In 2016, Utilities' has reduced the combined ECA and GCA over collection balances by \$18.1 million. The lowest ECA rate was approximately 23% below cost and the lowest GCA rate was approximately 46% below cost. Generally, the ECA and GCA charges represent a significant portion of the business customer's bill. Utilities compiled five (5) year typical bill history to capture both base rate adjustments

and ECA and GCA rate adjustments for different customer classes. These compilations show minimal bill impacts over the five (5) year period.

49. Ms. Thieme explained that while Utilities supports the 2017 Rate Case as filed, Utilities created rate alternatives based on the customer feedback. In accordance with City Code § 12.1.107(C)(4), the City Council may amend or revise the proposed rates based on information presented at the rate hearing.
50. If City Council elects to modify the Water rates proposed by Utilities, Utilities proposes modifying the rates to function as a two year phase in for the most affected rate classes. Doing so would create rates effective on January 1, 2017, and January 1, 2018. The alternate proposal would modify the (1) Contract Service – MIL, (2) Miscellaneous Service – Nonpotable, and (3) Large Non-seasonal Service to create a phased in approach that will increase each rate by 6.0% effective January 1, 2017, and additional increases of 6.0%, 4.0%, and 3.7%, respectfully, to bring the rates to cost of service effective January 1, 2018.
51. If City Council elects to not modify the Wastewater rates as proposed by Utilities, Utilities proposes that the changes be implemented over two years, with the first 50% of the change being effective January 1, 2017, and the second 50% of the change being effective January 1, 2018.
52. Ms. Thieme then addressed the supplemental information provided to City Council by Mr. Bidlack on October 24, 2016. The additional information addressed five (5) points of additional information requested by Council Members. Ms. Thieme provided high level summaries of each item listed below.
 - a) Item 1: A slide showing the current different electric rate classes and the percent and dollar value of their fair share of COS they are paying under current rates and how they will stand if the 2017 rate case is approved.
 - b) Item 2: Slides showing the total bill impact for industrial, commercial, and residential for the different proposed ECA/GCA adjustments to be effective November 1, 2016, the rate changes to be effective January 1, 2017, and the ECA/GCA adjustments estimated to be effective February 1, 2017.
 - c) Item 3: Slides showing what the military customer's current dollar amount and fair share is for COS for Water and Wastewater and what it would be under the proposed rates.
 - d) Item 4: Slides showing revenue impact of varying percentages of the proposed residential water rate increase being applied to the daily access charge in comparison to the complete increase being applied to the daily access charge as proposed.
 - e) Item 5: Slides providing a five (5) year history of rate changes for residential, commercial, and industrial customers.
53. Assistant City Auditor, Ms. Jacqueline Rowland then presented the Auditor's report. Ms. Rowland stated that the OCA reviewed the COS for each service and concluded that they

were prepared accurately and that the methodology was consistent. The OCA report included two recommendations for future improvements, but supported the Utilities rate filing. Ms. Rowland noted that the OCA also reviewed the proposed ECA and GCA changes, but has not reviewed the alternative options noted by Utilities for Water and Wastewater.

54. After Utilities' presentation, President Bennett opened the floor for public comment. President Bennett 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.
55. Representatives of three customers spoke to address their concerns with the proposed rate increases.
56. Mayor of Manitou Springs Nicole Nicholetta and Ms. Shelly Cobau of Manitou Springs Public Services spoke about the concerns the City of Manitou Springs has with the proposed rate increases in relation to both cost and customer complaints. Both requested that City Council consider the alternatives proposed by Utilities to phase Water and Wastewater changes in over a two year period.
57. Mr. Jason Lachance, the Chief Financial Officer of dpiX, spoke to his concerns about the proposed rate increases and noted his concern that the proposed rate increases will harm dpiX's ability to be a competitive entity and Colorado Springs' ability to remain competitive in the context of attracting and retaining businesses.
58. Lastly, Mr. Dan Malinaric, Vice President of Operations for Microchip, expressed his concerns about the proposed rate increases, specifically the impact of the rate increases on Microchip's business competitiveness and Utilities' ability to be a "low cost utility" and the impact the rate increases will have when Utilities' rates are compared with other entities.
59. Following public comment, President Bennett opened the floor to questions from the City Council.
60. Council Member Don Knight spoke to explain his questions that led to a portion of the additional information provided on October 24, 2016. He noted that two of his four questions were answered with the provided materials (military impact and daily charges), but that he had additional questions related to the COS calculation across rate classes in relation to the proposed 2017 rates and the collective bill impact of the proposed 2017 rates, the November 1, 2016, ECA and GCA changes, and the estimated February 1, 2017, ECA and GCA changes.
61. Ms. Thieme addressed Council Member Knight's first question by presenting the supplemental slide on COS. Council Member Knight emphasized that the presented rates comply with the Utilities Board direction to keep rate classes within +/- 10% of the COS.

62. Council Member Tom Strand then asked whether Utilities received any feedback from Department of Defense customers. Ms. Thieme replied that Utilities worked directly with military customers and that those customers understand the rate drivers and do not opposed the proposed rates.
63. Council Member Strand then asked Ms. Rowland to perform a review of the alternate proposals presented by Utilities. Ms. Rowland confirmed that the analysis would be performed and that the review will be submitted to City Council.
64. Council Member Andy Pico then spoke to the nature of the proposed changes, emphasizing that the majority of the bill impact that customers expressed concern for is driven by the fuel costs contained within the ECA and GCA and that those costs are a direct pass through by Utilities.
65. President Bennett then asked Utilities Chief Executive Officer, Mr. Jerry Forte whether a recess was necessary to prepare any Utilities' responses. Mr. Forte stated that no break was necessary.
66. Council Member Knight then asked for further clarification on the second question he presented, as noted above. Ms. Thieme provided a walkthrough of the additional materials to demonstrate how they provided a summary of bill impact across the proposed rate changes and the ECA and GCA changes planned for November 1, 2016, and February 1, 2017. Council Member Knight confirmed that the information presented was the requested information.
67. At the conclusion of the City Council discussion, President Bennett determined that an executive session was not needed.
68. Prior to Mr. Bidlack polling the City Council on the issues central to the proposed changes, the City Council had further discussion on whether to address the Water and Wastewater tariffs as proposed by Utilities or whether to support the alternatives presented for each service. Support for the alternatives was given by the City Council and additional discussion followed.
69. Council Member Knight first addressed the Water service alternatives. He contended that while the alternative, phase in approach for the Large Non-seasonal Service should be pursued, the alternative should not be pursued for the Contract Service – Military rate and Nonpotable rate. He explained that the Military customers noted support for the proposed rates and that the Nonpotable rate is significantly below the COS and requires significant increases to reach COS.
70. Following Council Member Knight's comments, consensus was reached to support the alternative two year phase in for only the Large Non-seasonal rate with a 6.0% increase to be effective January 1, 2017, and a 3.7% increase to be effective January 1, 2018. Additionally, there was consensus to reduce the revenue requirement for Water service for 2017 by \$149,552, in correlation with the Large Non-seasonal rate phase in approach.

71. Discussion on the Wastewater alternatives led to a consensus to support the totality of the alternative phase in approach. That approach will implement first 50% of proposed rates to be effective January 1, 2017, and second 50% of the proposed rates to be effective January 1, 2018.

72. At the conclusion of questions by the public and City Council, Utilities' responses, and discussion by City Council, Mr. Bidlack, polled Council Members regarding the issues central to the Electric, Water, and Wastewater services and the URR. Eight members of the City Council were present, with Council Member Bill Murray excused.

73. 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 \$11.15 million, which is the proposed amount less the revenue that will not be collected as a result of the two year phase in for the Large Non-seasonal Service rate, appropriate for the 2017 rate case test-year period?

The City Council held that an increase to the Water Service revenues of approximately \$11.15 million, which is the proposed amount less the revenue that will not be collected as a result of the two year phase in for the Large Non-seasonal Service rate, is appropriate.

- b) Should the rates and tariffs for the Large Non-seasonal Service rate be modified through a two year phase in that will increase the rate by 6% to be effective January 1, 2017, and increase the rate by 3.7% to be effective January 1, 2018.

The City council held that the Large Non-seasonal Service rate shall be modified through a two year phase in that will increase the rate by 6% to be effective January 1, 2017, and increase the rate by 3.7% to be effective January 1, 2018, with Council Member Collins opposed.

- c) 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 – Augmentation
- viii. Miscellaneous Service – Nonpotable
- ix. Contract Service – Nonpotable

The City Council held that the rates and tariff for the following Electric Service Rate Schedules shall be revised as proposed, with Council Member Collins opposed: 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 – Augmentation; 8) Miscellaneous Service Nonpotable; and 9) Contract Service – Nonpotable.

74. President Bennett then concluded the 2017 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, 2017 and January 1, 2018, as applicable. 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 8th day of November, 2016.

CITY OF COLORADO SPRINGS

Council President

ATTEST:

City Clerk

BEFORE THE CITY COUNCIL OF
THE CITY OF COLORADO SPRINGS

IN THE MATTER OF THE REVISION)
OF THE WASTEWATER TARIFF OF) DECISION & ORDER 16-04 (WW)
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 wastewater utility service within the City and for those areas approved by the City Council on a long-term, contractual basis.
2. Utilities is proposing changes to the Electric, Water, and Wastewater Rate Schedules and Utilities Rules and Regulations (“URR”) in the 2017 Rate Case filing.
3. Utilities uses a Cash-Needs method to determine the total 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 has conducted a Cost of Service (“COS”) study for Electric, Water, and Wastewater. The test year for this filing is the 2017 proposed budget. The rate analysis concluded rate adjustments are required for the Electric, Water, and Wastewater services.
5. The proposed effective date for the proposed tariff changes is January 1, 2017.
6. The Utilities conducted COS study utilizing the Proposed 2017 budget determined that the current Wastewater rates are sufficient to cover the 2017 proposed net Wastewater revenue requirement of \$68.0 million.
7. The last Wastewater COS study was completed in 2009; a passage of time that created the impetus for the current study to be completed. The current COS study includes updated allocations and methodology changes consistent with the other services. Additionally, the military has been separated from the Nonresidential rate class.
8. Utilities performed the 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.
9. Utilities allocates debt service and cash funded capital components of the revenue requirement to each Wastewater function based on the proportion of that function's assets to the total assets of the Wastewater service. Currently this allocator is calculated based on gross plant. Utilities is proposing that the allocation be based on net plant (gross plant less accumulated depreciation) including construction work-in-progress.
10. Debt and cash funded capital costs are incurred consistent with Utilities' Capital Policy and are associated with additions to capital. The change in methodology facilitates a closer alignment between the funding of capital costs and the remaining useful life of the asset. Utilities continues to be committed to continuous improvement and believes this change more appropriately allocates capital related cost to the functions.
11. Utilities applied a change to the COS test year data. The most recent changes to the Wastewater rate schedules were approved by City Council in 2009 and the filing relied on historic calendar year data to allocate revenue requirement to rate classes. Utilities subsequently obtained City Council approval of Electric, Natural Gas and Water Rate Schedule filings that utilized forecasted test year data. This methodology has been incorporated in the 2017 Wastewater COS study. Implementing this change achieves appropriate consistency between services.
12. Consistent with the other services, additions to cash has been changed from a revenue allocator to an operating and maintenance ("O&M") allocator within the Wastewater calculations.
13. 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.
14. With COS as the starting point for establishing each rate class' contribution to the revenue requirement, Utilities is proposing rates in compliance with the approved Rate Design Guidelines.
15. With COS as the starting point for establishing each rate class' contribution to the revenue requirement, Utilities is proposing rates in compliance with the approved Rate Design Guidelines. With the exception of the Liquid Waste Hauler class, the proposed revenue from rates recover the net revenue requirements calculated in the COS. Utilities accepts hauled liquid waste along with other local, privately owned businesses in the

area. Due to the nature of Utilities' operations, this service can generally be provided at a cost lower than market, however this would place undue competitive pressure on local businesses. In this COS, the cost to serve Liquid Waste Haulers is lower than revenues generated from the current rates by approximately \$30,000. Utilities is proposing no change to the current rate in support of the competitive business environment. This rate design action deviates from the Reasonableness Supporting Guideline of plus or minus 10% of the customer class costs established by COS.

16. In addition to the changes to the Wastewater tariff explained above, Utilities proposes the following changes.
17. Contract Rate: Utilities has established a new rate class available by contract in Utilities' Wastewater service territory where Utilities' treatment system is available for military installations. This new Contract rate class is consistent with Electric, Natural Gas, and Water Contract Services. Military Wastewater customers were removed from the Nonresidential rate class and placed into this new Contract rate class. (*Wastewater Rate Schedule Sheet No. 8.1*)
18. In addition to the proposed Wastewater Tariff revisions, Utilities proposes changes to the Electric and Wastewater Tariffs and the URR.
19. Utilities filed its COS study supporting the Electric, Water, and Wastewater services base rate and Tariff changes with the City Auditor, Mr. Denny Nester, and with the City Attorney, Ms. Wynetta Massey, on August 12, 2016. Utilities then filed the enterprise's formal proposals on September 13, 2016, 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 September 13, 2016, in *The Gazette* on September 16, 2016, and mailed as required on September 16, 2016. 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.
20. The information provided to the City Council and held open for public inspection at the City Clerk's Office was supplemented by Utilities on October 18, 2016. The supplemental material contained a supplemental customer feedback report, copies of the publications of required legal notice, public outreach information, and the City Auditor's report.
21. 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 October 2016. A copy of that report is contained within the record.

22. On October 25, 2016, the City Council held a public hearing concerning the proposed changes to the Electric, Water, and Wastewater Tariffs and to the URR. 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.
23. President of the Council Merv Bennett commenced the rate hearing by providing a summary of the rate hearing agenda and explaining the rate hearing procedure.
24. 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 and Wastewater service must be reasonable and appropriate in light of all circumstances, City Code § 12.1.107(F).
25. 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. Mr. Bidlack noted that he provided all Council Members with supplemental information on October 24, 2016, based on requests for additional information presented by City Council Members. Mr. Bidlack also noted that Council Member Andy Pico provided a copy of an *ex parte* email he received in relation to customer concerns about the proposed rate increases. City Council indicated there were no additional *ex parte* communications.
26. Utilities then began the presentation of the enterprise's proposals.
27. The speaker was Ms. Sonya Thieme, Utilities' Rates Manager. She started by providing an overview of the 2017 Rate Case. She noted that the 2017 Rate Case filing includes proposed changes to the (1) Electric Rate Schedules, (2) Water Rate Schedules, (3) Wastewater Rate Schedules, and (4) URR. Additionally, the COS is prepared following industry standards and practices and rates are designed in compliance with Rate Design Guidelines.
28. Ms. Thieme then explained that the preliminary 2017 filing was presented to the Utilities Board and the Utilities Board Finance Committee. She then noted that the filing fulfilled proper procedural compliance requirements by (1) filing a preliminary COS study with the OCA on August 12, 2016, (2) requesting a public hearing date, (3) filing the 2017 Rate Case with the City Clerk, (4) posting the filing to www.csu.org on September 13, 2016, and (5) publishing and mailing required legal notices on September 16, 2016.

29. Next, Ms. Thieme provided a summary of the Electric Service changes. The revenue requirement reflects the implementation of Phase 2 of a 3 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 \$320.7 million. This is \$13.9 million lower than the 2016 Electric revenue requirement. The reduction is primarily due to the anticipated revenue shortfall from the Industrial Service - Time of Day 1,000kWH/Day Minimum (ETL) class. Additionally, the rate filing continues a phased in approach to bring rate classes within plus or minus 10% of respective COS. Such increases are not to exceed 12.5% and apply to all standard rate classes below COS. No rate increases have been applied to rate classes at or above COS.
30. She then noted the electric rate classes for which rate increases are proposed and those for which no change is proposed.
31. Ms. Thieme provided information on general changes to Residential and Commercial rate options. Optional Time-of-Day rates provide a price signal to help reduce system peak demand and provide customers with (1) an opportunity to adjust their usage patterns to align with off-peak periods and (2) the potential to realize savings over the standard rates. Both Residential and Commercial Time-of-Day rates are modified in the proposed rates to properly reflect the appropriate price signal. Residential Time-of-Day rates are decreased by 15.2% and Commercial Time-of-Day rates are increased by 18%.
32. Ms. Thieme concluded her presentation on Electric service changes by noting the additional proposed Electric tariff changes: (1) the Kilowatt-hour Rate Options is removed from tariff sheets as the existing contracts expired in March of 2016 and the option is no longer offered; (2) the Contract Service – Wheeling (ECW) rate is modified to remove some ancillary services currently offered in the tariff that Customers either have not made use of or required; (3) clarification of the tariff language for Totalization Service to remove obsolete language is provided; (4) the Renewable Energy Net Metering rate is updated to align the sheet numbering with past revisions; (5) the Reserved Capacity Charge (RCC) for Enhanced Power Service is increased to complete a five year phase in to full cost; (6) the Community Solar Garden (CSG) Pilot Program Bill Credit is updated to reflect the proposed Electric service rate increases; (7) the CSG Non-Pilot Bill Credit is updated based on the proposed Electric service rate increases; and (8) the Wind Power Tariff is removed due to expiration.
33. Ms. Thieme then addressed the proposed changes to the Water tariff. The proposed total water revenue is \$199.5 million, which is \$11.3 million higher than revenue under current rates. The overall system increase is 6.0% higher than current rates. The increase breaks down as a 5.1% increase for Residential, 6.2% increase for Nonresidential, 10.0% increase for Contract Services – DOD, 9.7% increase for Large Nonseasonal, and 12.0% increase for Nonpotable and Augmentation customers.
34. The rate design components are (1) continuing to move rate classes closer to COS and (2) increasing the fixed daily charge to enhance financial stability and maintain a conservation signal, specifically for Residential customers.

35. Ms. Thieme concluded her review of proposed changes to the service tariffs by addressing Wastewater. The current Wastewater rates are sufficient to cover the 2017 revenue requirement of \$68.0 million. While no additional revenue is required, the rate classes were updated to use allocations and methodologies consistent with the other services as the Wastewater rates have not been modified since 2010. The proposed rate changes decrease Residential rates by 1.5% and increase Nonresidential rates by 4.0% and Contract Services – Outside City Limits by 11.6%. Additionally, a new rate class is added for Military customers to be consistent with the rate structure provided across the three other services.
36. Ms. Thieme then provided a summary of the overall impact of the proposed rate changes to a four service utility bill. The typical Residential customer will see a 1.3% or \$2.60 increase to their bill. The typical Commercial customer will see a 3.4% or \$44.34 increase to their bill. And, the typical Industrial customer will see a 0.6% or \$225.91 increase to their bill.
37. Ms. Thieme concluded the substantive portion of her presentation by noting the proposed changes to the URR. Those proposed changes are as follows:
- a) Restoration of Service: This change proposes to increase the maximum time from 12 hours to 24 hours in which Utilities must restore service to customers disconnected for non-payment and other customer-controlled situations identified in Section 13 of URR. Additionally, Utilities proposes a minor clean-up changing “normal working hours of 7:00 a.m. to 7:00 p.m., Monday through Friday” to “normal working business day.”
 - b) Electric Line Extensions and Services and Extension of Natural Gas Mains and Services: This change will update the current contribution in aid of construction fee amounts collected through Electric Line Extensions and Services and Natural Gas Mains and Services, moving the recovery at or close to the current costs. The current Electric Line Extensions and Services fees are proposed to increase Electric fee increases range from 5.8% to 10% to achieve full cost fees for nine (9) out of eleven (11) total line extensions and services. The current Natural Gas Mains and Services rate of 18% will increase to full cost at 20%.
 - c) Water and Wastewater Development Charges: This change proposes to reduce the multiplier for all meters greater than $\frac{3}{4}$ inch to a meter capacity ratio. This change will lower the current charge for Water Development Charge meter sizes greater than 4 inch. Additionally, this change will also lower the current charge for Wastewater Development Charge meter sizes greater than the $\frac{3}{4}$ inch.
 - d) Correction of City Code reference in Applicability of City Code: This change is to correct an incorrect reference to a section of the City Code. There is no policy or financial impact of this change.

38. Next, Ms. Thieme addressed the customer outreach Utilities performed in relation to the 2017 Rate Case filing. The customer outreach was carried out throughout September and October 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.
39. The next issue discussed was Utilities Supplemental Customer Feedback Report, which Utilities included within the Supplemental Filing. Utilities received some customer feedback in relation to the proposed rate changes. Those customers were concerned because they face the proposed base-rate increases and the likelihood of Electric Cost Adjustment ("ECA") and Gas Cost Adjustment ("GCA") increases. One of the most impacted customer groups is the Industrial Service – Time-of-Day Service 1,000 kWh/Day Minimum (ETL). There are approximately 1,300 ETL customers impacted by the proposed 12.5% increase. Seventeen (17) of these customers are impacted by Nonpotable proposed 12.0% increase and three (3) of these customers are impacted by Large Nonseasonal proposed 9.7% increase with all of those customers impacted by Nonresidential Wastewater proposed 4% increase. In addition to factors outlined in this rate hearing presentation, the magnitude of bill impact is greatly influenced by the fluctuation in fuel and purchase power costs.
40. Ms. Thieme then explained that the City Council will be presented with ECA and GCA increases on an agenda item following the rate hearing. The proposed changes would be effective November 1, 2016. The proposed ECA rate is approximately \$0.0273 per kWh which impacts bills as follows: typical Residential electric bill increase of \$3.18 or 4.2%; typical Commercial electric bill increase of \$31.80 or 6.3% and; typical Industrial electric bill increase of \$2,120.00 or 6.8%. The proposed GCA rate is approximately \$0.1815 per Ccf which impacts bills as follows: typical Residential gas bill increase of \$2.68 or 7.4%; typical Commercial gas bill increase of \$55.43 or 10.7% and; typical industrial gas bill increase of 554.28 or 11.9%.
41. She then noted that many customers have experienced much lower bills since 2015 because of soft fuel markets. In 2016, Utilities' has reduced the combined ECA and GCA over collection balances by \$18.1 million. The lowest ECA rate was approximately 23% below cost and the lowest GCA rate was approximately 46% below cost. Generally, the ECA and GCA charges represent a significant portion of the business customer's bill. Utilities compiled five (5) year typical bill history to capture both base rate adjustments and ECA and GCA rate adjustments for different customer classes. These compilations show minimal bill impacts over the five (5) year period.
42. Ms. Thieme explained that while Utilities supports the 2017 Rate Case as filed, Utilities created rate alternatives based on the customer feedback. In accordance with City Code §

12.1.107(C)(4), the City Council may amend or revise the proposed rates based on information presented at the rate hearing.

43. If City Council elects to modify the Water rates proposed by Utilities, Utilities proposes modifying the rates to function as a two year phase in for the most affected rate classes. Doing so would create rates effective on January 1, 2017, and January 1, 2018. The alternate proposal would modify the (1) Contract Service – MIL, (2) Miscellaneous Service – Nonpotable, and (3) Large Non-seasonal Service to create a phased in approach that will increase each rate by 6.0% effective January 1, 2017, and additional increases of 6.0%, 4.0%, and 3.7%, respectfully, to bring the rates to cost of service effective January 1, 2018.
44. If City Council elects to not modify the Wastewater rates as proposed by Utilities, Utilities proposes that the changes be implemented over two years, with the first 50% of the change being effective January 1, 2017, and the second 50% of the change being effective January 1, 2018.
45. Ms. Thieme then addressed the supplemental information provided to City Council by Mr. Bidlack on October 24, 2016. The additional information addressed five (5) points of additional information requested by Council Members. Ms. Thieme provided high level summaries of each item listed below.
 - a) Item 1: A slide showing the current different electric rate classes and the percent and dollar value of their fair share of COS they are paying under current rates and how they will stand if the 2017 rate case is approved.
 - b) Item 2: Slides showing the total bill impact for industrial, commercial, and residential for the different proposed ECA/GCA adjustments to be effective November 1, 2016, the rate changes to be effective January 1, 2017, and the ECA/GCA adjustments estimated to be effective February 1, 2017.
 - c) Item 3: Slides showing what the military customer's current dollar amount and fair share is for COS for Water and Wastewater and what it would be under the proposed rates.
 - d) Item 4: Slides showing revenue impact of varying percentages of the proposed residential water rate increase being applied to the daily access charge in comparison to the complete increase being applied to the daily access charge as proposed.
 - e) Item 5: Slides providing a five (5) year history of rate changes for residential, commercial, and industrial customers.
46. Assistant City Auditor, Ms. Jacqueline Rowland then presented the Auditor's report. Ms. Rowland stated that the OCA reviewed the COS for each service and concluded that they were prepared accurately and that the methodology was consistent. The OCA report included two recommendations for future improvements, but supported the Utilities rate filing. Ms. Rowland noted that the OCA also reviewed the proposed ECA and GCA changes, but has not reviewed the alternative options noted by Utilities for Water and Wastewater.

47. After Utilities' presentation, President Bennett opened the floor for public comment. President Bennett 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.
48. Representatives of three customers spoke to address their concerns with the proposed rate increases.
49. Mayor of Manitou Springs Nicole Nicholetta and Ms. Shelly Cobau of Manitou Springs Public Services spoke about the concerns the City of Manitou Springs has with the proposed rate increases in relation to both cost and customer complaints. Both requested that City Council consider the alternatives proposed by Utilities to phase Water and Wastewater changes in over a two year period.
50. Mr. Jason Lachance, the Chief Financial Officer of dpiX, spoke to his concerns about the proposed rate increases and noted his concern that the proposed rate increases will harm dpiX's ability to be a competitive entity and Colorado Springs' ability to remain competitive in the context of attracting and retaining businesses.
51. Lastly, Mr. Dan Malinaric, Vice President of Operations for Microchip, expressed his concerns about the proposed rate increases, specifically the impact of the rate increases on Microchip's business competitiveness and Utilities' ability to be a "low cost utility" and the impact the rate increases will have when Utilities' rates are compared with other entities.
52. Following public comment, President Bennett opened the floor to questions from the City Council.
53. Council Member Don Knight spoke to explain his questions that led to a portion of the additional information provided on October 24, 2016. He noted that two of his four questions were answered with the provided materials (military impact and daily charges), but that he had additional questions related to the COS calculation across rate classes in relation to the proposed 2017 rates and the collective bill impact of the proposed 2017 rates, the November 1, 2016, ECA and GCA changes, and the estimated February 1, 2017, ECA and GCA changes.
54. Ms. Thieme addressed Council Member Knight's first question by presenting the supplemental slide on COS. Council Member Knight emphasized that the presented rates comply with the Utilities Board direction to keep rate classes within +/- 10% of the COS.
55. Council Member Tom Strand then asked whether Utilities received any feedback from Department of Defense customers. Ms. Thieme replied that Utilities worked directly with military customers and that those customers understand the rate drivers and do not opposed the proposed rates.

56. Council Member Strand then asked Ms. Rowland to perform a review of the alternate proposals presented by Utilities. Ms. Rowland confirmed that the analysis would be performed and that the review will be submitted to City Council.
57. Council Member Andy Pico then spoke to the nature of the proposed changes, emphasizing that the majority of the bill impact that customers expressed concern for is driven by the fuel costs contained within the ECA and GCA and that those costs are a direct pass through by Utilities.
58. President Bennett then asked Utilities Chief Executive Officer, Mr. Jerry Forte whether a recess was necessary to prepare any Utilities' responses. Mr. Forte stated that no break was necessary.
59. Council Member Knight then asked for further clarification on the second question he presented, as noted above. Ms. Thieme provided a walkthrough of the additional materials to demonstrate how they provided a summary of bill impact across the proposed rate changes and the ECA and GCA changes planned for November 1, 2016, and February 1, 2017. Council Member Knight confirmed that the information presented was the requested information.
60. At the conclusion of the City Council discussion, President Bennett determined that an executive session was not needed.
61. Prior to Mr. Bidlack polling the City Council on the issues central to the proposed changes, the City Council had further discussion on whether to address the Water and Wastewater tariffs as proposed by Utilities or whether to support the alternatives presented for each service. Support for the alternatives was given by the City Council and additional discussion followed.
62. Council Member Knight first addressed the Water service alternatives. He contended that while the alternative, phase in approach for the Large Non-seasonal Service should be pursued, the alternative should not be pursued for the Contract Service – Military rate and Nonpotable rate. He explained that the Military customers noted support for the proposed rates and that the Nonpotable rate is significantly below the COS and requires significant increases to reach COS.
63. Following Council Member Knight's comments, consensus was reached to support the alternative two year phase in for only the Large Non-seasonal rate with a 6.0% increase to be effective January 1, 2017, and a 3.7% increase to be effective January 1, 2018. Additionally, there was consensus to reduce the revenue requirement for Water service for 2017 by \$149,552, in correlation with the Large Non-seasonal rate phase in approach.
64. Discussion on the Wastewater alternatives led to a consensus to support the totality of the alternative phase in approach. That approach will implement first 50% of proposed rates to be effective January 1, 2017, and second 50% of the proposed rates to be effective January 1, 2018.

65. At the conclusion of questions by the public and City Council, Utilities' responses, and discussion by City Council, Mr. Bidlack, polled Council Members regarding the issues central to the Electric, Water, and Wastewater services and the URR. Eight members of the City Council were present, with Council Member Bill Murray excused.

66. The following are the proposed changes and the votes by City Council addressing the Wastewater Tariff:

- a) Should rates and tariffs for the following Wastewater Service Rate Schedules be revised with first 50% of proposed rates to be effective January 1, 2017, and second 50% of the proposed rates to be effective January 1, 2018:
 - 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 – Outside City Limits
 - vi. Contract Service

The City Council held that the rates and tariff for the following Wastewater Rate Schedules shall be revised with first 50% of proposed rates to be effective January 1, 2017, and second 50% of the proposed rates to be effective January 1, 2018: 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 – Outside City Limits; and 6) Contract Service.

- b) Should the Contract Service – MIL rate be implemented with first 50% of proposed rates to be effective January 1, 2017, and second 50% of the proposed rates to be effective January 1, 2018?

The City Council held that the Contract Service – MIL rate shall be implemented with first 50% of proposed rates to be effective January 1, 2017, and second 50% of the proposed rates to be effective January 1, 2018.

67. President Bennett then concluded the 2017 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, 2017, and January 1, 2018, as applicable. 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 8th day of November, 2016.

CITY OF COLORADO SPRINGS

Council President

ATTEST:

City Clerk