

BEFORE THE CITY COUNCIL OF  
THE CITY OF COLORADO SPRINGS

IN THE MATTER OF THE REVISION        )  
OF THE WASTEWATER TARIFF OF        )        DECISION & ORDER 20-04 (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 services for the City of Colorado Springs and for those areas approved by the City Council on a long-term, contractual basis.
2. Utilities’ 2021 Rate Case filing includes proposed Cost of Service (“COS”) driven rate changes for Natural Gas Services, as well as, changes to the Electric, Water, and Wastewater Services.
3. Utilities 2021 Rate Case does not include a COS study for Wastewater service. Utilities filing proposes a single change to the Wastewater Tariff. Utilities’ filing proposes the year two increase (of a three year phase in) to the Contract Service – Outside City Limits (S9C) Treatment Charge based on the 2020 Cost of Service study. The 6.9% or \$0.0019 per cf increase to the Treatment Charge, changes the rate from \$0.0274 to \$0.0293 per cf effective January 1, 2021. (Wastewater Rate Schedule Sheet No. 2.1).
4. The Contract Service – Outside City Limits (S9C) pricing methodology is Average System Cost (excluding certain costs) and is designed to isolate the cost of Utilities’ wastewater system utilized by this rate class plus the addition of a 10% multiplier for outside-of-City Customers. The pricing also excludes any benefit from Utilities’ Miscellaneous and Interest revenues from the rate class, keeping the benefit of such revenues to inside-of-City rate classes.
5. On November 11, 2019, City Council approved the Contract Service – Outside City Limits (S9C) pricing methodology, a phase-in of the Treatment Charge increases over a three-year period, and the proposed year one Treatment Charge of \$0.0274 per cf, effective January 1, 2020.
6. In addition to the proposed Wastewater Tariff revisions, Utilities’ 2021 Rate Case filing also proposes changes to the Natural Gas, Electric, and Water Rate Schedules.
7. The proposed effective date for Utilities’ tariff changes is January 1, 2021.
8. Utilities filed its COS study supporting Natural Gas Service base rate and Tariff changes with the Interim City Auditor, Mrs. Jacqueline Rowland, and with the City Attorney, Ms. Wynetta Massey, on August 20, 2020. Utilities then filed the enterprise’s formal proposals on September 22, 2020, 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](http://www.csu.org) on September 25, 2020, and in *The Gazette* on September 25, 2020. These various notices and filings comply with the requirements of §12.1.108 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](http://www.csu.org), and a complete copy of the proposals was placed on that website for public inspection.

9. 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 20, 2020. The supplemental materials contained:
  - a) Updates to rate schedules, the executive summary, and Natural Gas report based on the ECA/GCA rates proposed for November 1, 2020;
  - b) The Office of the City Auditor's audit report;
  - c) The legal notice Affidavit of publication; and
  - d) Public outreach information.
10. The Interim City Auditor issued her findings on the proposed rate and tariff changes prior to the rate hearing, dated October 2020, which found no need for formal recommendations. A copy of that report is contained within the record.
11. On October 27, 2020, the City Council held a public hearing concerning the proposed changes to the Natural Gas, Electric, Water, and Wastewater Tariffs. This hearing was conducted in accordance with §12.1.108 of the City Code, the procedural rules adopted by City Council, and the applicable provisions of state law.
12. President of the Council Richard Skorman commenced the rate hearing.
13. The presentations started with Mr. Christopher Bidlack of the City Attorney's Office. Mr. Bidlack first presented the rate hearing agenda.
14. Mr. Bidlack then briefed 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 analogous to a quasi-judicial proceeding 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 Water and Wastewater service must be reasonable and appropriate in light of all circumstances, City Code §

12.1.108(F). Rates for Natural Gas and Electric service must be just, reasonable, sufficient, and not unduly discriminatory, City Code § 12.1.108(E).

15. At the conclusion of his presentation, Mr. Bidlack polled the City Council Members concerning any *ex parte* communication that they may have had during the pendency of this proceeding. City Council indicated that no *ex parte* communications were received.
16. Mr. Scott Shewey, Utilities' Chief Planning and Finance Officer, provided the enterprise's proposals.
17. Mr. Shewey started with the 2021 Rate Case Overview, noting proposed changes to the Natural Gas rates, as well as, changes to Electric, Water, and Wastewater service, all with a proposed effective date of January 1, 2021. He also demonstrated Utilities' procedural compliance by providing the dates of required filings, City Council actions, and legal notices.
18. Mr. Shewey then presented Utilities' proposed changes to the Natural Gas service. The proposed rate increase is driven by regulation and compliance requirements related to aging infrastructure. Additionally, the last non-fuel Natural Gas rate filing was effective January 1, 2014. The total Natural Gas proposed revenue from rates is \$81.2 million, which is \$2.4 million higher than revenue under current rates. This represents an overall system increase of 3.0%.
19. Next, Mr. Shewey provided the summary of the proposed Natural Gas rate increases across all rates, as well as, a sample monthly, Natural Gas bill. The sample bill showed proposed Natural Gas rate increases of 0.7% for Residential Customers, 4.9% for Commercial Customers, and 5.1% for Industrial Customers.
20. Mr. Shewey finished the proposed Natural Gas changes by explaining several additional changes. Utilities proposes to increase the summer usage requirement for the Large Firm Seasonal rate option. Utilities also proposes the following administrative clean-up changes:
  - a) Removing the upstream capacity release language from the Contract Service – Military rate;
  - b) Removing “Sales” from the Interruptible Rate schedule titles; and
  - c) Clarifying which rate options require customers to enter into a separate contract.
21. Then, Mr. Shewey provided information on Utilities' proposed changes to the Electric tariff. The changes are:
  - a) The continued phase-in of changes to residential and commercial time-of-day rate options;

- b) Updating the Small Power Producer and Cogeneration rates to align with current avoided costs calculations;
  - c) Updates to the Renewable Energy Net Metering rate to (1) replace “previous 12 months” with “annual” for determining the 120% usage standard, (2) increasing the residential maximum design capacity from 10 kW to 15kW, and (3) clarifying the annual credit of excess generation calculation. In explaining the proposed changes for Net Metering, Mr. Shewey noted that the proposed changes are based on a cross functional review of the program by Utilities’ staff that found the proposed changes do not negatively impact Utilities’ electric distribution system; and
  - d) Clarifying which rate options require customers to enter into a separate contract.
22. Mr. Shewey next provided Utilities’ presentation on the Water tariff and the single proposed change. The proposed change continues the phase in approach of bringing the Augmentation Service rate to the full replacement cost of water.
23. Mr. Shewey concluded the substantive portion of his presentation with an explanation of the proposed change to the Wastewater tariff. This proposed change is the second year increase of a three year phase in to the Contract Service – Outside City Limits rate. The proposed change continues implementation of the Average System Cost (excluding certain costs) pricing methodology that was approved by City Council in the 2020 rate case. The proposed change increase the rate by approximately 7%, with a similar increase expected for 2022.
24. Mr. Shewey then provided a four-utility service sample monthly bill, showing overall proposed increases of 0.1% for Residential Customers, 1.6% for Commercial Customers, and 0.5% for Industrial Customers.
25. Next, Mr. Shewey addressed the customer outreach Utilities performed in relation to the 2021 Rate Case filing. The customer outreach included electronic communications, social media channel communications, newsletter information about the proposal and hearing dates, required public notice, and meetings with commercial and industrial customers. He 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.
26. Mr. Shewey then noted that the Interim City Auditor reviewed Utilities’ filing and found no findings. Mrs. Rowland was available for questions from City Council, although no questions were asked.
27. After Utilities’ presentation, President Skorman opened the floor for public comment. No members of the public spoke during the hearing. Of note, one customer spoke on an unrelated City Council agenda item prior to the hearing, addressing Utilities’ proposed

changes to the Renewable Energy Net Metering tariff. That customer supported the increase of the array rating cap from 10 kW to 15 kW, but requesting further increases without a cap. He also requested the ability for customers to utilize a broader array of solar systems. In response, while addressing the other City Council agenda item, Mr. Shewey noted that the issue is included in the proposed rate case and that the 15 kW cap is based on recommendations from Utilities' multi-divisional team who performed a comprehensive review of the net metering program.

28. Following the opportunity for public comment, President Skorman opened the floor to questions from the City Council. There were no questions or comments.
29. Based on the lack of questions or comments, President Skorman determined that neither a break nor executive session were necessary.
30. Mr. Bidlack then polled the Council Members regarding the issues central to the Natural Gas, Electric, Water, and Wastewater Tariffs.
31. The following is the proposed change and the votes by City Council addressing the Wastewater Tariff:
  - a) Should Utilities modify the Contract Service – Outside City Limits (S9C) rate schedule through implementation the second annual rate increase of a three year rate increase phase in?

The City Council held that the rates table the following Electric Service Rates shall modify the Contract Service – Outside City Limits (S9C) rate schedule through implementation the second annual rate increase of a three year rate increase phase in.

32. President Skorman then concluded the 2021 Rate Case Hearing.

**ORDER**

THEREFORE, IT IS HEREBY ORDERED that:

The Wastewater Tariff sheets as attached to the Resolution are adopted and will be effective on and after January 1, 2021. 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 10<sup>th</sup> day of November, 2020.

CITY OF COLORADO SPRINGS

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Council President

ATTEST:

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City Clerk