

BEFORE THE CITY COUNCIL OF
THE CITY OF COLORADO SPRINGS

IN THE MATTER OF THE REVISION)
OF THE ELECTRIC TARIFF OF) DECISION & ORDER 22-02 (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’ 2023 Rate Case filing includes proposed Cost of Service (“COS”) driven rate changes for Water and Wastewater services and proposes changes to the Electric, Natural Gas, Water, and Wastewater Rate Schedules, Utilities Rules and Regulations (“URR”) and Utilities’ Open Access Transmission Tariff (“OATT”).
3. 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) expenses. Fuel related expenditures are currently recovered through the Electric Cost Adjustment (“ECA”) and Electric Capacity Charge (“ECC”). Non-fuel related expenditures are recovered through Access and Facilities Charges and Demand Charges.
4. Utilities’ 2023 Rate Case does not include a Cost of Service study for electric service as no base rate changes are proposed. Utilities filing proposes the following changes to the Electric tariff:
 - a) **Residential Service Time-of-Day (TOD) Option (ETR)** (*Electric Rate Schedules Sheet Nos. 2 and 3.1*) – The ETR rate option supports customer choices for residential customers and offers an opportunity to potentially lower their bill by reducing energy usage during defined on-peak periods. The ETR option was first established by City Council in 1996, and to date a limited number of customers have enrolled in the optional rate. To support integration of renewable energy and reduce system peak demand, Utilities proposes the following, effective June 1, 2023:
 - i. Modifications to the on-peak and off-peak definitions as follows, On-Peak Period: 4 p.m. to 8 p.m., Monday through Friday and Off-Peak Period: all other hours plus identified holidays.
 - ii. Modification of seasonal definitions establishing a summer period as June through September and a winter period as October through May.
 - iii. Establishment of Access and Facilities Charge On-Peak and Off-Peak rates, per kilowatt-hour (kWh) for Summer and Non-Summer periods.

The proposed changes are designed using forecasted system load data, embedded cost from the 2018 Electric Cost of Service Study, and historical rate class load research. The ETR rates are designed to be revenue neutral to the overall Electric service. For customers utilizing energy in line with average residential usage patterns, ETR rates are designed to be bill neutral over the course of twelve billing periods in comparison to the Residential Service Standard Option (E1R). Individual results for customers voluntarily selecting optional ETR service will vary based on specific seasonal On-Peak and Off-Peak usage. Utilities anticipates developing a customer research and outreach plan in 2023 to promote greater adoption of the ETR option.

- b) **Commercial Service – General TOD Option (ETC)** (*Electric Rate Schedules Sheet No. 2.1*) – The ETC rate option offers commercial customers an opportunity to potentially lower their bill by reducing energy usage during defined on-peak periods to reduce system peak demand. As a continued effort to phase in rates to the appropriate level, Utilities’ filing proposes adjustments to the Access and Facilities Charge On-Peak and Off-Peak rates, per kWh.

- c) **Electric Vehicle (EV) Public Charging** (*Electric Rate Schedules Sheet Nos. 1, 2.11, 2.12, 3.1 and 25*) – Utilities currently has three Level 2 and one Direct Current Fast Charger (DCFC) EV charging station locations available for public use. Energy is currently provided without a fee. Utilities proposes the following:
 - i. Addition of EV Public Charging Rate Schedule for EV charging at Utilities’ charging stations available for public use.
 - ii. Establishment of Level 2 and DCFC TOD rates, per kWh.
 - iii. Establishment of Idle Fees are proposed to be applicable starting 15 minutes after charge is complete to encourage turnover.

- d) **Green Power Service** (*Electric Rate Schedules Sheet Nos. 2.9 and 24*) – Green Power Service allows customers to enroll or contract for a higher percentage of renewable energy than provided under standard service. Service under this rate schedule is subject to availability on a first-come, first-serve basis and is currently fully subscribed at the 7,000,000 kWh monthly program limit. Utilities’ filing proposes the following:
 - i. Increasing the program limit from 7,000,000 to 12,000,000 kWh per month.
 - ii. Modification of the pricing methodology to reflect Utilities’ cost to provide firm energy service with the transfer or retirement of Renewable Energy Credits (“REC”).
 - iii. Revisions enabling rate adjustments as frequently as monthly based on relevant circumstances including movements in the ECA, REC prices, and cost associated with renewable energy or integration.

- e) **Industrial Service – Interruptible Service** (*Electric Rate Schedules Sheet Nos. 1, 2.12, 10, 26, 26.1, and 26.2*) – Interruptible service offers industrial customers an opportunity to potentially lower their bill by reducing electric load during

interruptible events. To reduce system peak, respond to system or market conditions, or respond to other relevant electric system circumstances, Utilities' filing proposes the following effective October 1, 2023:

- i. Addition of new optional rate schedule for industrial customers with a maximum demand of 500 kWh or greater.
 - ii. Establishment of provisions enabling Utilities to directly control customers' loads without notice, up to 100 hours per year, and terms requiring customers to pay for costs associated with installing direct load control equipment.
 - iii. Establishment of interruptible service credits based on Utilities' avoided capacity costs.
 - iv. The annual load factor kWh will be adjusted for Industrial Service – Large Power and Light (ELG) customers receiving service contracting for interruptible service.
- f) **ELG Supply Credit** (*Electric Rate Schedules Sheet Nos. 2.4 and 2.9*) – Utilities Board, at their July 17, 2019, meeting, directed the phase out of the ELG Supply Credit to reflect the appropriate cost of providing energy to the ELG Rate Class. On June 28, 2022, City Council approved the final reduction to the credit, establishing it as \$0.0000, per kWh effective July 1, 2022. Utilities' filing removes references to the ELG Supply Credit in Electric Rate Tables.
- g) **Rate Options** (*Electric Rate Schedules Sheet No. 3*) – Modification of General provisions for optional rate contracts to standardize expiration (December 31st) and renewal (January 1st) dates to improve contract administration efficiency.
- h) **Community Solar Garden Bill Credit Pilot Program** (*Electric Rate Schedules Sheet Nos. 22 and 22.4*) – The Community Solar Garden Bill Credit Pilot Program was approved by City Council in 2011 to allow residential and educational institution customers to subscribe to a Community Solar Garden Facility of the customer's choice. The Community Solar Garden Facility provides electric energy into Utilities' electric system, and a line-item credit for the customer's share of energy is placed on the customers' monthly bill. The subscription, operation, maintenance, and financial viability of each Community Solar Garden Facility are private contractual matters between the customer and the Community Solar Garden Facility, and not between the customer and Utilities. Utilities' filing proposes modifications to expand program availability currently limited to residential customers and educational institutions to include non-profit organizations.
5. In addition to the proposed Electric Tariff revisions, Utilities' 2023 Rate Case filing also proposes changes to the Natural Gas, Water, and Wastewater Rate Schedules and the URR and OATT.
6. The proposed effective date for Utilities' tariff changes is January 1, 2023, except where otherwise noted in Utilities' filing as June 1, 2023, and October 1, 2023.

7. Utilities filed its tariff changes with the City Auditor, Mrs. Jacqueline Rowland, and with the City Attorney, Ms. Wynetta Massey, on August 12, 2022. Utilities then filed the enterprise's formal proposals on September 13, 2022, 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, 2022, and in *The Gazette* on September 14, 2022. 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, and a complete copy of the proposals was placed on that website for public inspection.
8. The information provided to City Council and held open for public inspection at the City Clerk's Office was supplemented by Utilities on October 18, 2022. The supplemental materials contained:
 - a) Updates to electric rate schedules based on the Electric Cost Adjustment ("ECA") rates effective October 1, 2022;
 - b) The Office of the City Auditor's audit report;
 - c) The legal notice affidavit of publication; and
 - d) Public outreach information.
9. The City Auditor issued her findings on the proposed tariff changes prior to the rate hearing, dated October 2022, which found no need for formal recommendations and that Utilities' filing was prepared accurately. A copy of that report is contained within the record.
10. On October 25, 2022, the City Council held a public hearing concerning the proposed changes to the Natural Gas, Electric, Water, and Wastewater Rate Schedules, URRs, and OATT. 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.
11. City Council President Tom Strand commenced the rate hearing.
12. The presentations started with Mr. Christopher Bidlack, a Senior Attorney with the City Attorney's Office – Utilities Division. Mr. Bidlack first presented the rate hearing agenda.
13. Mr. Bidlack then briefed City Council on its power to establish rates, charges, and regulations for Utilities' services. In setting rates, charges, and regulations for Utilities' services, 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).

14. 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
15. Mr. Tristan Gearhart, Utilities' Chief Planning and Finance Officer, provided the enterprise's proposals.
16. Mr. Gearhart started by providing a summary of Utilities' procedural compliance with rate case standards and then moved to the 2023 Rate Case Overview, noting proposed changes to the Electric, Natural Gas, Water, and Wastewater Rate Schedules, the URR, and the OATT.
17. Mr. Gearhart's first topic of presentation was Water Service. He explained Utilities' need for a water rate increase. The water rate drivers are (1) inflationary increases in labor, benefits, and system maintenance and (2) funding infrastructure investments, including the Advanced Metering Infrastructure ("AMI") and Airport Highline projects and water debt additions.
18. Councilmember Nancy Henjum asked for clarification about what constitutes the referenced water debt additions, specifically whether it is solely for continued water rights acquisitions. Mr. Gearhart explained that the water debt listed as a rate driver includes both prior acquired debt and new debt associated with additional acquisitions.
19. President Strand then asked for clarification about the time frame of the rate drivers. Mr. Gearhart noted that the rate drivers associated with Utilities' filling are based on the 2023 budget and the need to cover those associated costs.
20. Next, Mr. Gearhart noted that the total water proposed revenue from rates is \$219.8 million for 2023, which is \$10.4 million higher than revenue under current rates. These factors result in an overall water system rate increase of 5.0%. He also explained that the residential rates are designed in compliance with the Rate Design Guidelines in support of water conservation, affordability, and revenue stability; and explained the impact of the proposed rates on each residential rate block.
21. Following Mr. Gearhart's comments in relation to Utilities' residential water block structure, several councilmembers provided comments and questions.
22. Councilmember Mike O'Malley commented that he received comments from several rate payers expressing concern about tiered water pricing and the impact that it has on families.

Mr. Gearhart responded that it is impossible to comment on the impact to a specific customer without knowing their specific utility usage, but that the block rate structure has reduced water use over many years, as it was designed to do. Councilmember O'Malley stated that the block water rate structure should be revisited.

23. Councilmember Randy Helms expressed concern about the current sizes of the tiered water rate blocks and the potential for a customer to move into Block Two too easily. He also asked for historical information on the block structure. Mr. Gearhart noted that Utilities' transition to AMI will provide additional data that may help guide future revisions.
24. Mr. Scott Shirola, Utilities' Manager of Pricing and Rates, provided additional background information on Utilities' water rate block structure. Prior to 2007, there was a brief period of interim block rate structure during summer months, with a flat water rate structure in the winter months. Prior to that period, all water usage was billed at a flat rate. Additionally, in 2017 a study determined that 92% of residential customers stay within Block One for their domestic use, with the average residential indoor use being around 500 cf per month.
25. Councilmember Henjum expressed her opinion that Utilities' block water rate structure should be celebrated as a success given the dramatic improvement in water conservation since its implementation, particularly when paired with the City's increased population.
26. Councilmember Dave Donelson noted his personal experience with the block water rate structure and how it has encouraged him to monitor his use and conservation methods.
27. President Strand then asked for clarification regarding the price differentials between the water rate blocks and why the rates for Blocks Two and Three are presented as in relation to Blocks One and Two, as opposed the cost of providing water service. Mr. Shirola noted that each rate block is designed to drive conservation and ensure that the full revenue requirement of water service is recovered.
28. Councilmember Wayne Williams commented that there are multiple ways to look at the pricing allocations within the block water rate structure and that while it may be beneficial to reevaluate the size of the blocks, such a change would be appropriate following a full evaluation in a future rate case.
29. The proposed water rate changes for individual classes are: (1) Residential Service 5.1%, (2) Nonresidential Service 4.4%, (3) Large Nonseasonal Services 5.9%, and (4) Contract Service – Military 7.6%. Additionally, water rate changes include: (1) Contract Service – Regional – Full Service 9.5%, (2) Contract Service – Regional – Convey, Treat and Deliver 12.5%, (3) Nonpotable – Miscellaneous Service 7.5%, (4) Nonpotable – Contract Service 7.5%, (5) Augmentation 4.8%, and (6) Temporary Service – Hydrant Use 4.4%.
30. President Strand then asked for clarification on the definition of “nonresidential.” Mr. Gearhart noted that nonresidential water customers are those that do not have a residential purpose and include industrial and commercial customers.

31. Councilmember Henjum asked why the percentage increase to the Contract Service – Regional – Convey, Treat and Deliver rate is higher than the percentage increase to the Contract Service – Regional – Full Service, given the importance of water. Mr. Gearhart noted the differences between the two rates and that the proposed increases are the changes to the cost of the rates, not the rates overall. Mr. Shirola added that the cost of service looks at the different components of Utilities’ water system and that the base rates primarily deal with infrastructure. Because the different services have different cost components subject to different inflation impacts, the rates may not move in parallel.
32. President Strand then asked for additional information on the Temporary Service – Hydrant Use rate and the impact to fire suppression activities. Mr. Gearhart explained the use of the rate for temporary construction use, and Mr. Shirola added that the Colorado Springs Fire Department is not charged for water used in fire suppression.
33. Mr. Gearhart next presented the enterprise’s proposed changes to Wastewater Service. He explained the rate drivers for the proposed wastewater rate increase are (1) inflationary increases in labor, benefits, and system maintenance and (2) funding infrastructure investments, including the Clear Spring Ranch Biogas and the North Monument Creek Interceptor projects. Utilities’ proposed changes reflect a total wastewater proposed revenue from rates of \$73.6 million for 2023, which is \$2.8 million more than revenue under current rates. The overall proposed wastewater system rate increase is 4.0%.
34. The proposed wastewater rate changes for individual classes are: (1) Residential Service 2.3%, (2) Nonresidential Service 9.9%, (3) Contract Service – Military 10.2%, (4) Liquid Waste Hauler 0.0%, and (5) Contract Service – Regional 7.7%.
35. To close the portion of his presentation addressing base rate adjustments, Mr. Gearhart provided a sample, total service bill. The overall impact of the proposed water and wastewater rate changes to the sample bill are: (1) Residential 2.1%, (2) Commercial 0.9%, and (3) Industrial 0.5%. The presentation also noted that nationwide inflation has risen significantly more than the proposed changes over the period of time since the last changes to the water and wastewater rates that went into effect on January 1, 2020.
36. President Strand then confirmed that the proposed water and wastewater rate changes are effective January 1, 2023.
37. Councilmember Henjum commented that while Utilities’ budget is increasing significantly, much of that is for the cost of natural gas; and that customers’ utility bills are not increasing because of the budget change.
38. Councilmember Donelson commented to highlight that the proposed water and wastewater rate increases compare very favorably to price increases of many forms around the country.
39. Next, Mr. Gearhart provided a summary of the proposed, non-base rate changes to the Electric Service:

- a) Residential Service Time of Day (“TOD”) Option – Modification to on-peak and off-peak period definitions, with the On-Peak Period being 4:00pm – 8:00pm Monday through Friday; modification to seasonal definitions with the Summer Period being June through September; and adjustment to On-Peak and Off-Peak Access and Facilities Charges.
 - b) Commercial Service – General TOD Option – Adjustment to On-Peak and Off-Peak Access and Facilities Charges.
 - c) Green Power Service – Increase program availability from 7,000,000 kWh per month to 12,000,000 kWh per month and modify pricing to reflect firm nature of service and transfer of Renewable Energy Credit (“REC”).
 - d) Industrial Service – Interruptible – Addition of a new interruptible rate schedule, which is available to customers whose maximum demand exceeds 500 kW. These customers are subject to Utilities’ direct load control without notice and provided an interruptible credit based on Utilities’ avoided capacity cost.
 - e) Electric Vehicle Public Charging – TOD – Addition of a new electric vehicle public charging rate schedule providing On-Peak and Off-Peak TOD pricing for two levels of service: Level II and Direct Current Fast Charging. The rate includes time of use elements and idle fees starting 15 minutes after charge is complete.
40. During Mr. Gearhart’s presentation, President Strand asked how many electric vehicle chargers Utilities operates and Mr. Gearhart answered six chargers across four charging stations.
41. Mr. Gearhart concluded the portion of his presentation on tariff changes by noting the remaining non-rate based changes proposed in Utilities’ filing, including changes to the Electric, Natural Gas, and Water Rate Schedules, as well as, the URR and the OATT:
- a) Administrative Changes in Electric, Natural Gas, Water, and Wastewater Rate Schedules – Modifications to standardize contract expiration and renewal dates as well as other administrative corrections.
 - b) Electric Rate Schedules – Additional changes include removal of the reference to the ELG supply credit in the Industrial Service – Large Power and Light (“ELG”), and broadening the availability of the Community Solar Garden Bill Credit Pilot Program (currently limited to residential customers and educational institutions) to include non-profit organizations.
 - c) Natural Gas Rate Schedules – Changes to the Natural Gas Rate Schedule are (1) modifications to the Industrial Service – Interruptible rate with the addition of provisions allowing waiver of overrun charges; removal of exemption from backup fuel supply for warm weather process loads; and lengthening customer termination notice from 30 to 60 days; and (2) the addition of provisions allowing waiver of overrun charges to the Contract Service – Military Interruptible rate.
 - d) Water Rate Schedules – A change to the Contract Service – Regional with the addition of Standby Service for customers requiring temporary service.
 - e) Utilities Rules and Regulations – The changes to the URR are (1) the addition of account access provisions allowing Utilities to accept information release authorizations from customers provided in forms used by authorized assistance

agencies; (2) the modification within the Water and Wastewater Oversize Recovery provisions of capacity determinations and elimination of the Large Main Extension Fund 25% upfront requirement; and (3) addition of a Standby Service Water Regional System Availability Fee.

- f) Open Access Transmission Tariff – Changes eliminate certain terms and conditions associated with the crediting-related provisions related to network upgrades within the Standard Large Generator Interconnection Procedures Standard Large Generator Interconnection Agreement.
42. Next, Mr. Gearhart addressed the customer outreach Utilities performed in relation to the 2023 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, (3) payment plans through Utilities’ Budget Billing program, and (4) efficiency rebates.
43. Mrs. Rowland noted that the Office of the City Auditor reviewed Utilities’ filing and found no issues with it. City Council did not have any questions for Mrs. Rowland.
44. After Utilities’ presentation, President Strand opened the floor for public comment. One member of the public spoke. Mr. Jaymen Johnson complemented Utilities’ filing and expressed his support for the proposals. He also asked for the location of Utilities’ electric vehicle charging stations and the proposed rates associated with them. Mr. Gearhart summarized the electric vehicle charging station rates included in Utilities’ filing and noted that the stations are located at Utilities’ Mesa Conservation Center, Utilities’ Leon Young Service Center, and the City Administration Building Parking Garage.
45. Following the opportunity for public comment, President Strand opened the floor to questions or comments from City Council; however, there were no additional comments or questions.
46. Based on the lack of questions or comments, President Strand determined that neither a break nor executive session were necessary.
47. Mr. Bidlack provided clarity on the procedural process for the hearing and explained that no motion was needed at the hearing as formal action on the resolutions related to Utilities’ proposed changes will be taken by City Council at the November 8, 2022, City Council meeting.
48. Mr. Bidlack then polled City Council regarding the issues central to the Natural Gas, Electric, Water, and Wastewater Rate Schedules, the URR and the OATT. Per City Council’s request, Mr. Bidlack did not present every Issue for Decision, but instead asked that City Council indicate approval of Utilities’ proposals as a whole, while noting any exceptions. City Council indicated approval and did not note any exceptions.

49. Mr. Bidlack then restated the future schedule for Utilities' rate filing, with the draft Decisions and Orders being presented to City Council for review on November 7, 2022, and for final approval on November 8, 2022.

50. The following are the proposed changes and the votes by City Council addressing the Electric Tariff:

- a) Should Utilities modify the Residential Service Time-of-Day (ETR) option as proposed and with an effective date of June 1, 2023?

The City Council held that Utilities shall modify the Residential Service Time-of-Day (ETR) option as proposed and with an effective date of June 1, 2023.

- b) Should Utilities modify the Commercial Service – General Time-of-Day Option (ETC) Access and Facility Charges, per kWh?

The City Council held that Utilities shall modify the Commercial Service – General Time-of-Day Option (ETC) Access and Facility Charges, per kWh.

- c) Should Utilities remove obsolete references to the Industrial Service – Large Power and Light (ELG) Supply Credit?

The City Council held that Utilities shall remove obsolete references to the Industrial Service – Large Power and Light (ELG) Supply Credit.

- d) Should Utilities modify general provisions to standardize optional rate contract expiration and renewal dates?

The City Council held that Utilities shall modify general provisions to standardize optional rate contract expiration and renewal dates.

- e) Should Utilities modify the Community Solar Garden Bill Credit (Pilot Program) to broaden program availability to include non-profit organizations?

The City Council held that Utilities shall modify the Community Solar Garden Bill Credit (Pilot Program) to broaden program availability to include non-profit organizations.

- f) Should Utilities adjust the Green Power Service rate, add the ability to change the rate as frequently as monthly, and increase the program limit to 12,000,000 kWh per month?

The City Council held that Utilities shall adjust the Green Power Service rate, add the ability to change the rate as frequently as monthly, and increase the program limit to 12,000,000 kWh per month.

- g) Should Utilities add the Electric Vehicle Public Charging Service – Time-of-Day to Utilities’ electric rate schedules?

The City Council held that Utilities shall add the Electric Vehicle Public Charging Service – Time-of-Day to Utilities’ electric rate schedules.

- h) Should Utilities add the Interruptible Service to Utilities’ electric rate schedules effective October 1, 2023?

The City Council held that Utilities shall add the Interruptible Service to Utilities’ electric rate schedules effective October 1, 2023.

51. President Strand then concluded the 2023 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, 2023, June 1, 2023, or October 1, 2023, as noted. 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, 2022.

CITY OF COLORADO SPRINGS

Council President

ATTEST:

City Clerk