

BEFORE THE CITY COUNCIL OF
THE CITY OF COLORADO SPRINGS

IN THE MATTER OF THE REVISION)
OF THE WATER TARIFF OF) DECISION & ORDER 23-03 (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 and for those areas approved by the City Council on a long-term, contractual basis.
2. Utilities’ 2024 Rate Case filing includes proposed Cost of Service (“COS”) driven rate changes for Electric and Natural Gas services and proposes changes to the Electric, Natural Gas, and Water Rate Schedules and Utilities Rules and Regulations (“URR”).
3. Utilities’ 2024 Rate Case does not include a COS study for Water Service as no base rate changes are proposed. Utilities operates an extensive network of supply, treatment, transmission, and distribution facilities to maintain a dependable water supply for the largest city in Colorado not located on a major water source. Utilities filing proposes the following changes to the Water Tariff:
 - a) **Nonpotable – Miscellaneous Service** – Utilities proposes an increase to the Nonpotable – Miscellaneous Service Commodity Charge in continuing the multi-year phased-in approach to bring this rate to full cost.
 - b) **Nonpotable – Contract Service** – Utilities’ filing proposes an increase to the Commodity Charge.
 - c) **Augmentation** – Augmentation service pricing is based on the replacement cost of water, utilizing Utilities’ lowest cost supplementary water long-term contract at \$500 per acre foot, or \$0.0115 per cf. Utilities continues a multi-year phased-in approach to bring this rate to full cost. This filing increases the Augmentation Commodity Charge.
4. In addition to the proposed Water Tariff revisions, Utilities’ 2024 Rate Case filing also proposes changes to the Electric and Natural Gas Rate Schedules and the URR.
5. The proposed effective date for Utilities’ tariff changes is January 1, 2024.
6. Utilities filed its tariff changes with the City Auditor, Mrs. Jacqueline Rowland on August 11, 2023, and with the City Attorney on September 5, 2023. Utilities then filed the

enterprise's formal proposals on September 12, 2023, 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 12, 2023, and in *The Gazette* on September 15, 2023. 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.

7. The information provided to City Council and held open for public inspection at the City Clerk's Office was supplemented by Utilities on October 17, 2023. The supplemental materials contained:
 - a) Revised information regarding (1) correction of clerical errors, (2) a reduction of the proposed Nonresidential trip fee from \$100 to \$70 to avoid complex system configurations, and (3) a clarification on the proposed after-hours fee of \$40;
 - b) The Office of the City Auditor's audit report;
 - c) The legal notice affidavit of publication; and
 - d) Public outreach information.
8. The City Auditor issued her findings on the proposed tariff changes prior to the rate hearing, dated October 2023, which found Utilities accurately calculated its proposed rates and offered one recommendation, that a new load study be performed in 2024 using new data. Utilities agreed to the recommendation and will select load study samples by March 31, 2024, for the 2024 load study. A copy of that report is contained within the record.
9. On October 24, 2023, the City Council held a public hearing concerning the proposed changes to the Electric, Natural Gas, and Water Rate Schedules and URR. 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.
10. City Council President Randy Helms commenced the rate hearing.
11. 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.
12. 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 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).

13. 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.
14. Mr. Tristan Gearhart, Utilities' Chief Planning and Finance Officer, provided the enterprise's proposals.
15. Mr. Gearhart started by summarizing Utilities' rate case procedural compliance and then provided an overview of Utilities' 2024 Rate Case. He reported that the 2024 Rate Case filing is based on 2024 Sources & Uses Budget Ordinances and that Rate Case filing includes proposed changes to: (1) Electric, Natural Gas, and certain Water Rate Tables; (2) Electric and Natural Gas tariff provisions; and (3) the URR. The effective date of proposed changes is January 1, 2024. Additionally, the 2024 Rate Case filing contains the comprehensive proposed changes, reports, resolutions, Tariffs, COS, and other supporting materials.
16. Next, Mr. Gearhart walked through Utilities' Sample Total Service Bill table which provides a summary of the impact of the proposed rate changes to Residential, Commercial, and Industrial rate classes across Electric, Natural Gas, Water, and Wastewater Services, and compares those changes to the sample bills from January 1, 2023, and January 1, 2022.
17. Mr. Gearhart then addressed Electric Service changes specifically. He explained that the Electric base rate drivers are: (1) Funding infrastructure investments, which includes (a) Advanced Metering Infrastructure and sustainable energy plan projects, (b) Generation replacement, and (c) Supporting growth and resiliency; and (2) Inflationary increases in labor, benefits, and system maintenance. The total Electric proposed revenue from rates is \$370.5 million which is \$27.3 million higher than revenue under current rates and represents an overall system increase 8.0%. The percentage of net revenue requirement and the percent revenue changes for each Electric rate were also presented. In addition to the COS based rate changes, Utilities proposes limited rate changes for the Commercial Service – Non-Metered, Enhanced Power Service, Community Solar Garden (Pilot and Standard), and Electric Vehicle Public Charging rates.
18. Mr. Gearhart then spoke to Utilities' proposed changes to the Natural Gas Service. The Natural Gas base rate drivers are: (1) Funding infrastructure investments, including supporting growth and resiliency; and (2) Inflationary increases in labor, benefits, and system maintenance. The total Natural Gas proposed revenue from rates is \$88.9 million which is \$5.0 million higher than revenue under current rates and represents an overall

system increase 6.0%. The percentage of net revenue requirement and the percent revenue changes for each Natural Gas rate were also presented. In addition to the COS based rate changes, Utilities proposes limited rate changes for the Industrial Service – Interruptible Prescheduled and Industrial Transportation Service – Firm rate classes.

19. To conclude his discussion on Natural Gas rates, Mr. Gearhart explained Utilities’ proposed Colorado Clean Heat Plan bill rider. The Colorado Clean Heat Plan requires gas utilities to adopt programs to reduce greenhouse gas emissions; with 4% carbon emission reduction by 2025 and a 2% cost cap (\$2.7 million for 2024) and 22% carbon emission reduction by 2030 and a 2.5% cost cap. Utilities’ rate filing includes a new bill component to transparently recover cost of complying with Clean Heat Plan requirements. The revenue collected through the charge will be used to fund energy efficiency programs that help reduce greenhouse gas emissions. The programs include customer rebates for (1) energy efficient water heaters and furnaces, (2) insulation, and (3) heat pumps.
20. Council Member Brian Risley commented on the proposed Colorado Clean Heat Plan bill rider; explaining that he disagrees with the approach taken by the Colorado Clean Heat Plan in setting State mandates for Colorado Springs and thinks it is important to be clear that the increased costs associated with the Colorado Clean Heat Plan for Utilities’ customers are a direct result of the State mandate and are not driven by Utilities’ desires.
21. Mr. Gearhart reiterated that Utilities’ bill rider approach is designed to show customers that the cost is directly related to the State mandate.
22. Mr. Gearhart then summarized the impact of the proposed rate changes to a sample residential, monthly bill.
23. To conclude his substantive presentation, Mr. Gearhart addressed the additional tariff changes proposed in Utilities’ filing.
24. Within the Electric tariff, Utilities proposes to modify: (1) the Contract Service – Military rate to update the On-site, Direct-Service Solar Contract Service – USAFA Charge table to reflect additional years under this service; and (2) Renewable Energy Net Metering rate to increase limitation on commercial renewable energy system size from 25 kW to 150 kW; and (3) Interruptible Service rate to increase customer’s required minimum demand from 500 kW to 4,000 kW.
25. Additionally, Utilities proposes changes to continue the multi-year phase in of rate increases in the Water tariff to the Nonpotable (4.9% increase) and Augmentation (4.5% increase) rates.
26. Utilities’ proposed changes to the URR are: (1) modifications to Utilities’ Trip Fees to update currently outdated costs and to standardize the structure in a simple format of Residential and Non-Residential fees, which are proposed to be \$70 for each; (2) an update to the Quarterly manual meter read fee from \$20 to \$35; (3) the addition of general and

specific references for Trip Fee applicability; (4) the addition of \$250 fee related to Standby Service and relocations in accordance with City Code (Underground Damage Prevention Safety Program); (5) the addition of Renewable Energy System Interconnection Application Review Fee; (6) clarification of Water Leak Adjustment Program limitations; and (7) an administrative corrections to Water Regional System Availability Fee paragraph numbering.

27. Mr. Gearhart concluded by summarizing the outreach Utilities performed in making customers aware of the proposed rate changes and the resources that are available to customers facing difficulty in paying their utility bills, both in terms of immediate assistance and long-term utility service usage reduction.
28. Next, the City Auditor, Mrs. Rowland, stated that her office reviewed Utilities filing and supports its accuracy. As noted in her report, the Office of the City Auditor found one note for future improvement for Utilities.
29. After Utilities' presentation, President Helms opened the floor for public comment. No public comments were given.
30. Following the opportunity for public comment, President Helms opened the floor to questions or comments from City Council.
31. Council Member Dave Donelson spoke first. He noted that the proposed Electric and Natural Gas rate increases are reasonable and restrained given the lack of an Electric rate increase since 2018 and the lack of a Natural Gas rate increase since 2021. He also emphasized that if the proposed rates are accepted, customers will have a lower bill than they had the prior year.
32. Council Member Mike O'Malley commented that while factors such as geopolitical instability can impact rates and fuel costs, he believes that Utilities is taking the correct steps to deal with future uncertainty. He then asked Mr. Gearhart for the status of future costs projections. Mr. Gearhart answered that geopolitical instability, weather, and other factors all play a role in natural gas prices. The current market projections show a typical winter forecast for natural gas rates, with expected price increases over the winter months. He explained that Utilities is working to mitigate uncertainty as much as possible, with tools such as physical hedging and the PACE gas prepay. He also noted that the current projections for the Electric Cost Adjustment and Gas Cost Adjustment show a slight increase in the January time frame.
33. Council Member Nancy Henum was the last council member to speak and commented that while the Colorado Clean Heat Plan mandates do come from the State, she believes planning for clean energy in the future is necessary. She then noted her appreciation for the Utilities staff and the role they play in providing the benefit of a municipal utility to the City of Colorado Springs.

34. Based on the lack of questions or comments, President Helms determined that neither a break nor executive session were necessary.
35. Mr. Bidlack then polled City Council regarding the issues central to the Electric, Natural Gas, and Water Rate Schedules and the URR. 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.
36. 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 13, 2023, and for final approval on November 14, 2023.
37. The following are the proposed changes and the votes by City Council addressing the Water Tariff:
 - a) Should Utilities continue the phasing of rate increases toward full cost for the commodity cost for: (1) Nonpotable Miscellaneous Service, (2) Nonpotable Contract Service, and (3) Augmentation Service?

The City Council held that Utilities shall continue the phasing of rate increases toward full cost for the commodity cost for: (1) Nonpotable Miscellaneous Service, (2) Nonpotable Contract Service, and (3) Augmentation Service.
38. President Helms then concluded the 2024 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, 2024. 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 14th day of November, 2023.

CITY OF COLORADO SPRINGS

Council President

ATTEST:

City Clerk