

BEFORE THE CITY COUNCIL OF
THE CITY OF COLORADO SPRINGS

IN THE MATTER OF THE REVISION)
OF THE NATURAL GAS TARIFF OF) DECISION & ORDER 26-01 (NG)
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 natural gas utility service within the City and within its Colorado Public Utilities Commission-certificated service territory outside of the City.
2. Utilities submitted its March 2026 Rate Case addressing the Distribution Integrity Management Program (“DIMP”) Acceleration Plan and Natural Gas Bill Rider with a proposed effective date of July 1, 2026.
3. Utilities’ filing proposes changes only to its Natural Gas Rate Schedule.
4. Utilities engages in the purchase, transportation, storage, and distribution of natural gas. These activities incur fuel related (purchases, transportation, and storage) and non-fuel related (distribution) expenses. Fuel related expenditures are currently recovered through the Gas Cost Adjustment (“GCA”) and the Gas Capacity Charge (“GCC”). Non-fuel related expenditures are recovered through Access and Facilities and Transportation Charges. Utilities’ filing proposes the establishment of a new, non-fuel charge, the Natural Gas Integrity Federal Compliance Charge (“NGIFCC”).
5. The DIMP was established by the federal Pipeline and Hazardous Materials Safety Administration (“PHMSA”) in response to natural gas industry-wide safety concerns regarding natural gas distribution pipelines. It was mandated by the Pipeline Inspection, Protection, Enforcement, and Safety (“PIPES”) Act of 2006, which required operators to implement programs by August 2, 2011. Despite the industry’s strong safety record, incidents continued to occur, sometimes with severe consequences, underscoring the importance of full compliance.
6. The Colorado Public Utilities Commission regularly inspects Utilities’ DIMP for compliance with the requirements of 49 CFR Part 192, which is federal regulation administered by PHMSA. Utilities’ program received unsatisfactory inspection results in 2023 and 2025. Following the 2023 inspection, results were forwarded to PHMSA for any further potential enforcement. PHMSA subsequently issued Utilities a Notice of Proposed Safety Order (“NOPSO”) in October 2024.
7. A consent agreement addressing the NOPSO was executed by Utilities’ Chief Executive Officer in September 2025. The consent agreement requires Utilities to accelerate the original 80-year schedule to a 10-year schedule for replacing all affected natural gas pipes, to prevent corrosion and reduce the risk of potential gas leaks. The consent agreement also

requires Utilities to provide quarterly progress updates to PHMSA. By entering into the consent agreement, Utilities elected to invest in the safety of its natural gas distribution system, thereby avoiding a Notice of Potential Violation and monetary penalties.

8. The 2024 NOPSO was issued after Utilities developed its five-year financial plan and filed its 2025 five-year rate case with City Council. As a result, this accelerated DIMP work was not included in Utilities' five-year rate case which was approved by City Council on November 12, 2024. The proposed NGIFCC will provide a mechanism to meet the consent agreement requirements without adversely impacting key financial metrics or the planned five-year base rate increases.
9. The NGIFCC is proposed as per-day rates, with costs allocated and rates designed consistently with the treatment of distribution services and installation costs in Utilities' 2025 Natural Gas Cost-of-Service Study. The proposed rates are \$0.2848 per day, for Residential Service and Commercial Service-Small, and \$0.5999 per day, for Commercial-Large, Industrial, and Contract Services. For residential customers, the estimated four-service bill impact of the proposed rider will be \$8.54 per month, or 3.0%. The sample bill impact for 2026 is provided in Utilities' filing for Residential, Commercial, and Industrial customers.
10. Utilities filed its tariff changes with the City Auditor, Ms. Natalie Lovell, on February 20, 2026, and with the City Attorney on February 20, 2026. Utilities then filed the enterprise's formal proposals on March 3, 2026, 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 March 3, 2026, and in *The Gazette* on March 12, 2026. 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.
11. The information provided to City Council and held open for public inspection at the City Clerk's Office was supplemented by Utilities on April 7, 2026. The supplemental materials contained:
 - a) A revised Natural Gas Report reflecting the most current revisions in the 4-Service Sample Monthly Bill Comparison, based on updates in the Electric Cost Adjustment and GCA rates, approved on March 24, 2026;
 - b) The Office of the City Auditor's audit report;
 - c) The legal notice affidavit of publication; and
 - d) Public outreach information.

12. The City Auditor Office issued its findings on the proposed tariff changes prior to the rate hearing, dated April 2026, which found that Utilities' filing was prepared accurately and consistently. A copy of that report is contained within the record.
13. On April 14, 2026, the City Council held a public hearing concerning the proposed changes to the Natural Gas Schedule. 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.
14. City Council President Lynette Crow-Iverson commenced the rate hearing.
15. The presentations started with Mr. Christopher Bidlack, a Senior Attorney with the City Attorney's Office – Utilities Division. Mr. Bidlack 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 requires a decision based upon evidence in the record and the process is not subject to referendum or initiative. The written materials provided to City Council, as well as the oral presentations and testimony at the public hearing, constitute the record of the proceeding.
16. Mr. Bidlack provided information on the statutory and regulatory requirements on rate changes. Rates for Natural Gas and Electric service must be just, reasonable, sufficient, and not unduly discriminatory, City Code §12.1.108(E).
17. At the conclusion of his presentation, Mr. Bidlack polled the City Council Members concerning any material pre-hearing communication that they may have had during the pendency of this proceeding. City Council indicated that no material pre-hearing communications were received.
18. Mr. Scott Shirola, Utilities' Pricing and Rates Manager, provided the enterprise's proposals. He started with a summary of the timeline for the March 2026 Rate Case and the associated procedural compliance.
19. Next, Mr. Shirola provided an overview of the March 2026 Rate Case, noting: (a) Utilities' filing includes proposed changes to Utilities' Natural Gas Rate Schedules with the addition of the NGIFCC, (b) the effective date of the proposed changes is July 1, 2026, and (c) Utilities' filing contains the proposed changes, reports, resolutions, tariffs, and other supporting materials.
20. Mr. Shirola then provided the DIMP acceleration background. DIMP was established by PHMSA to assess and replace all bare steel gas mains and gas service lines in Utilities system as these lines are subject to corrosion, rust, and/or causing potential safety concerns. The Colorado Public Utilities Commission regularly inspects Utilities' DIMP compliance with PHMSA requirements. PHMSA issued a NOPSO in October 2024. Utilities reached

an agreement with the regulators to complete the replacement of bare steel over ten (10) years.

21. He then explained that at Utilities' current bare steel replacement pace, Utilities replaces 5.4 miles of main and 550 service lines per year, which would create an approximately 80-year timeframe to complete the backlog of replacements. The accelerated replacement plan facilitated by the proposed fee requires: (a) Utilities to replace 60+ additional miles of main and 11,600 service lines over nine (9) years, (b) approximately ten (10) contracted crews, and (c) an additional 20 internal positions to scope and schedule work, oversee contractors, conduct quality control, and ensure systems of record are updated. Following the 10-year completion, Utilities will have ongoing regulatory compliance obligations as DIMP continues indefinitely.
22. Mr. Shirola explained that the DIMP Acceleration Plan costs were not included in Utilities' five-year rate plan because that plan was approved by the Colorado Springs City Council in November 2024 while the NOPSO was received in October 2024 and the final agreement with regulators was reached in 2025.
23. To address the DIMP Acceleration Plan costs, Utilities proposes the implementation of the NGIFCC. This charge would function as a bill rider in order to be temporary, efficient, and specifically targeted. Utilities will report on the charge annually to Utilities Board and proposed adjustments as warranted. The proposed charge is a flat daily fee of: (a) \$0.2848 per day for Residential and Small Commercial Customers and (b) \$0.5999 per day for Large Commercial, Industrial, and Contract Service Customers.
24. The proposed changes represent a 3.0% increase to the sample Residential Customer monthly four-service bill. Furthermore, in evaluating a bill comparison between Utilities and average Front Range utility costs, Utilities total, four-service bill is 5% lower than the Front Range average.
25. Mr. Shirola concluded by providing a summary of the resources Utilities has available to those customers who may be struggling to pay their bills and potential efficiency resources. He also noted the Customer communications associated with gas line replacements that are used by Utilities, as well as, communications related to the proposed charge.
26. Next, the City Auditor, Ms. Lovell summarized her office's review of Utilities' rate filing. She noted that her office received the filing in March and reviewed the proposed changes for accuracy and consistency, not to endorse the action being taken. She concluded that Utilities' proposed filing was accurately and consistently prepared and that the methodologies used were properly listed.
27. Councilmember Nancy Henjum spoke next. She noted her recognition of the magnitude of the proposed change and appreciation for the public outreach conducted by Utilities. She then asked Utilities' Chief Executive Officer, Travas Deal, to speak to the factors that led to the need addressed through the proposed rate increase.

28. Mr. Deal explained that the natural gas distribution service is the only commodity provided by Utilities that has physical volatility, and thus has additional safety requirements. There are instances across the country where bare steel natural gas lines have corroded and caused safety issues, up to and including explosions. Because of that, PHMSA pushes to get rid of bare steel lines across the country, including in Utilities' service territory. He emphasized his agreement with the need for rigorous safety standards.
29. Next, Mr. Deal discussed the negotiation with PHMSA to move the DIMP implementation plan from the requested five (5) years to ten (10) years. He noted his firm belief that Utilities' system is safe and that ten (10) years is an appropriate time frame. He concluded by expressing his understanding of the magnitude of the impact to customers and his belief that Utilities mitigated the costs as much as possible, including through grant funding.
30. Councilmember Henjum then stated that she had heard commercials for Utilities regarding gas safety and appreciated the education being shared.
31. Councilmember Dave Donelson spoke next and expressed his appreciation for the information and approach taken by Utilities. Stating that Utilities has strong gas safety standards, but that Utilities is subject to and will comply with the federal regulations. The federal regulations will dramatically increase the level of work being done by Utilities under the DIMP program and he believes that the proposed costs are necessary for this work.
32. An opportunity for public comment was provided and no members of the public elected to speak.
33. Based on the lack of unresolved questions or comments, President Crow-Iverson determined that neither a break nor executive session were necessary.
34. Mr. Bidlack then polled City Council regarding the issues central to the Natural Gas Rate Schedule.
35. Mr. Bidlack then restated the future schedule for Utilities' rate filing, with the draft Decisions and Orders being presented to City Council at the April 27, 2026, City Council Work Session and for final approval at the Regular City Council meeting on April 28, 2026.
36. The following is the proposed change and the votes by City Council addressing the Natural Gas Tariff:
 - a) Should Utilities establish the Natural Gas Integrity Federal Compliance Charge in the Natural Gas rate Schedule to recover accelerated Distribution Integrity Management Program costs as proposed?

The City Council held that Utilities shall establish the Natural Gas Integrity Federal Compliance Charge in the Natural Gas rate Schedule to recover accelerated Distribution Integrity Management Program costs as proposed.

37. President Crow-Iverson then concluded the March 2026 Rate Case hearing.

ORDER

THEREFORE, IT IS HEREBY ORDERED that:

The Natural Gas Tariff sheets as attached to the Resolution are adopted and will be effective on and after July 1, 2026. Such tariff sheets shall be published and held open for public review and shall remain effective until changed by subsequent Resolution duly adopted by the City Council.

Dated this 28th day of April, 2026.

CITY OF COLORADO SPRINGS

Lynette Crow-Iverson, Council President

ATTEST:

City Clerk