

BEFORE THE CITY COUNCIL OF
THE CITY OF COLORADO SPRINGS

IN THE MATTER OF THE REVISION)
OF THE NATURAL GAS TARIFF OF) DECISION & ORDER 20-01 (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’ 2021 Rate Case filing includes proposed Cost of Service driven rate changes for Natural Gas Services, as well as, changes to the Electric, Water, and Wastewater Services.
3. 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) expenditures. 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 changes to the natural gas, non-fuel Access and Facility and Transportation related rates.
4. Utilities conducted a Cost of Service (“COS”) study utilizing the proposed 2021 Budget for natural gas service. The COS analysis indicates that, for Utilities to recover the proposed Revenue Requirement, it is necessary to adjust natural gas rates. The primary rate drivers are:
 - a) Funding regulation and compliance requirements of aging infrastructure; and
 - b) The need to bring natural gas rates to a current level with the last non-fuel rate filing being in 2013, with an effective date of January 1, 2014.
5. The proposed rate adjustments will result in total revenue of \$81.2 million, which is \$2.4 million or 3.0% higher than the projected revenues under current rates.
6. Utilities performed a COS study following generally accepted ratemaking practices and proposes rates designed in compliance with all governing policy (the Rate Manual is included in the Appendix of Utilities’ filing). The COS study incorporates the average and excess coincident peak methodology as a means of allocating costs associated with distribution mains. This methodology allocates a portion of costs based upon the contribution of each rate class to average daily usage and allocates a portion of costs based upon the contribution to volumes in excess of average daily usage on the natural gas service’s peak day. This methodology is also consistent in both of the Electric and Water services, as well as, the Electric and Natural Gas Capacity Charges.

7. The average and excess coincident peak methodology meets the following allocation standards:
 - a) Industry accepted allocation technique approved and tested through case law over time;
 - b) Reflects cost causation;
 - c) Reflects usage by rate class;
 - d) Produces stable results between rate classes; and
 - e) It is transparent and comprehensible.
8. With COS as the starting point for establishing each Rate Class' contribution to the revenue requirement, Utilities proposed rates in compliance with approved Rate Design Guidelines.
9. Utilities examined the relationship of the customer rate classes to their respective COS. Utilities sought to bring rate classes to within plus or minus 5% 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 and in conjunction with Utilities Board direction, Utilities proposes rate changes ranging from 1.1% to 9.6% for all standard firm rate offerings. Utilities also proposes rate changes from (19.7)% to 12.2% for some of the non-firm, optional, or contract rate offerings. This holistic rate design approach moves rate classes closer to COS while achieving full recovery of the system revenue requirement.
10. The following summarizes changes to specific rate classes:
 - a) Residential Service – Firm (G1R)/Commercial Service – Small Firm(G1CS): This service is available for firm residential and small commercial purposes. Utilities' filing proposes changes to the total revenue by 1.1% for this rate class. Proposed changes include adjustments to keep the Access and Facilities Daily Charge flat with a minimal increase to the Access and Facilities Commodity Charge to recover the class's COS.
 - b) Commercial Service – Large Firm and Large Firm Seasonal (G1CL, G8M): This service is available for general large commercial purposes. Utilities' filing proposes changes to the class' total revenue by 9.5%. Like the Residential/Commercial Service – Small Firm, proposed changes include adjustments to keep the Access and Facilities Daily Charge flat with all the increase to the Access and Facilities Commodity Charge to recover the class' COS.
 - c) Commercial Service – Large Firm Seasonal (G1S): This service is available as an option for general large commercial purposes. Currently, customers electing this

option must consume 30% or more of their 12 billing periods Ccf (centum cubic feet) during the summer period (May through October). This filing proposes changes to the class's total revenue by (19.7)%. The decrease in rates reflects the more efficient usage characteristics of these customers since the last approved COS. Additionally, the reduction in rate has been modified to slightly incentivize higher usage in the summer period as that continues to maximize the efficiency of Utilities' gas system. In conjunction with the rate decrease, Utilities proposes to modify the eligibility threshold of Summer usage from 30% to 37% to more appropriately reflect the intent of this rate option, that being the increased usage during non-peak months.

- d) Industrial Service – Interruptible (G2I, G3M): These services are available to nonresidential customers. The Interruptible service is curtailable at any time and is subordinate to all Firm and Firm Transportation services. This filing proposes changes to the Industrial Interruptible Rate Classes by (10.1)%. The decrease reflects the interruptible nature of the service and the corresponding system benefits.
- e) Industrial Service – Transportation Service Firm (G4T): The Industrial Transportation service is provided for customers who have contracted for an alternate source of gas supply and requested Utilities to transport such alternate gas. Utilities' filing proposes changes to the class' total revenues by 9.6%. The increase in rates reflects both the cost shifts resulting from the update in allocation methodology and changes in the contribution by the rate class to the peak day. Additionally, with the fixed nature of customer directly assigned costs and the reduction in the number of customers, there is a modest increase in the daily customer charge. Aside from the update to the transportation rates, Utilities also proposes to update the Daily and Monthly Balancing rates in order to align with the current Colorado Interstate Gas (CIG) tariff.
- f) Contract Service – Military Firm (GCS-FIRM, GCS-G6M) and Interruptible (GCSINTS, GCS-G7M): These services are available to the United States of America at the Fort Carson Military Installation, the Peterson Air Force Base, and the United States Air Force Academy. This filing proposes changes to the Contract Service – Military Firm revenue by 12.2%. The changes in the rates largely reflect the increased usage consistent with seasonal heating demand of these firm customers since the last approved COS as well as the cost shifts associated with incorporating the update to the allocation methodology. This filing also proposes an increase to the Contract Service – Military Interruptible revenue by 7.8%, which reflects the interruptible nature of the service and the corresponding system benefits.

11. Utilities' filing includes the following additional changes to the Natural Gas Tariff:

- a) Contract Service – Military Firm (GCS-FIRM, GCS-G6M) (Natural Gas Rate Schedule Sheet No.9): This change removes an obsolete reference to capacity

releases on the Colorado Interstate Gas Company system in the Contract Service – Military Firm tariff.

- b) Interruptible Service (Natural Gas Rate Schedule Sheet Nos. 1, 2.1, 2.3, 2.4, 3, 7, and 10): This change removes the term “Sales” from Interruptible Service schedules and is solely an administrative change.
 - c) Rate Option Contract Applicability (Natural Gas Rate Schedule Sheet Nos. 3.1 and 6): Utilities proposes administrative clean-up modifications that clarify when a separate contract is required to receive optional service under various Rate Schedules.
12. In addition to the proposed Natural Gas Tariff revisions, Utilities’ 2021 Rate Case filing also proposes changes to the Electric, Water, and Wastewater Rate Schedules.
13. The proposed effective date for Utilities’ tariff changes is January 1, 2021.
14. 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 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, and a complete copy of the proposals was placed on that website for public inspection.
15. 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.
16. 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.

17. 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.
18. President of the Council Richard Skorman commenced the rate hearing.
19. The presentations started with Mr. Christopher Bidlack of the City Attorney's Office. Mr. Bidlack first presented the rate hearing agenda.
20. 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).
21. 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.
22. Mr. Scott Shewey, Utilities' Chief Planning and Finance Officer, provided the enterprise's proposals.
23. 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.
24. 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%.
25. 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.

26. 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.

27. 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.

28. 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.

29. 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.

30. 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.
31. 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.
32. 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.
33. 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.
34. Following the opportunity for public comment, President Skorman opened the floor to questions from the City Council. There were no questions or comments.
35. Based on the lack of questions or comments, President Skorman determined that neither a break nor executive session were necessary.
36. Mr. Bidlack then polled the Council Members regarding the issues central to the Natural Gas, Electric, Water, and Wastewater Tariffs.
37. The following are the proposed changes and the votes by City Council addressing the Natural Gas Tariff:
 - a) Is an increase to the Natural Gas Revenues of approximately \$2.4 million appropriate for the 2021 rate case test-year period?

The City Council held that an increase to the Natural Gas revenues of approximately \$2.4 million is appropriate.

b) Should rates and tariffs for the following Natural Gas Service Rate Schedules be revised as proposed:

- i. Residential Service – Firm (G1R);
- ii. Commercial Service – Small Firm (G1CS);
- iii. Commercial Service – Large Firm (G1CL, G8M, G1S);
- iv. Industrial Service – Interruptible (G2I, G3M);
- v. Industrial Transportation Service – Firm (G4T);
- vi. Contract Service – Military Firm (GCS-FIRM, GCS-G6M); and
- vii. Contract Service – Military Interruptible (GCS-INTS, GCS-G7M)?

The City Council held that the rates and tariff for the following Natural Gas Service Rate Schedules shall be revised as proposed: 1) Residential Service – Firm (G1R); 2) Commercial Service – Small Firm (G1CS); 3) Commercial Service – Large Firm (G1CL, G8M, G1S); 4) Industrial Service – Interruptible (G2I, G3M); 5) Industrial Transportation Service – Firm (G4T); 6) Contract Service – Military Firm (GCS-FIRM, GCS-G6M); and 7) Contract Service – Military Interruptible (GCS-INTS, GCS-G7M).

c) Should Utilities increase the summer usage requirement for the Contract Service – Large Firm Seasonal Option (G1S) from 30% to 37%?

The City Council held that Utilities shall increase the summer usage requirement for the Contract Service – Large Firm Seasonal Option (G1S) from 30% to 37%.

d) Should Utilities remove an obsolete reference to capacity releases on the Colorado Interstate Gas Company system in the Contract Service – Military Firm (GCS-FIRM, GCS-G6M) tariff?

The City Council held that Utilities shall remove an obsolete reference to capacity releases on the Colorado Interstate Gas Company system in the Contract Service – Military Firm (GCS-FIRM, GCS-G6M) tariff.

e) Should Utilities modify the Natural Gas rate schedules to remove the term “sales” from Interruptible Services as an administrative clean-up?

The City Council held that Utilities shall modify the Natural Gas rate schedules to remove the term “sales” from Interruptible Services as an administrative clean-up.

f) Should Utilities modify the General section and the Commercial Service – Large Firm Options (G8M, G1S) to clarify when a separate contract is required to receive service under various rate options?

The City Council held that Utilities shall modify the General section and the Commercial Service – Large Firm Options (G8M, G1S) to clarify when a separate contract is required to receive service under various rate options.

38. President Skorman then concluded the 2021 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 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 10th day of November, 2020.

CITY OF COLORADO SPRINGS

Council President

ATTEST:

City Clerk