

Date: November 9, 2017
To: Members of City Council
From: Sonya Thieme, Rates Manager *Sonya Thieme*
Subject: **SUPPLEMENTAL INFORMATION FOR COLORADO SPRINGS UTILITIES' 2018 RATE CASE FILING**

Colorado Springs Utilities has prepared supplemental information for the 2018 Rate Case Filing submitted October 10, 2017. The supplemental material conforms to the requirements of Rules and Procedures of City Council, Part 4 - Utilities Pricing and Tariff Hearing Procedure, Section 1.A.6.

The attached packet contains revised and new information.

Revisions:

Revisions to the Typical Bill Comparisons are a result of rate changes to Electric Cost Adjustment (ECA), Gas Cost Adjustment (GCA), Electric Capacity Charge (ECC), and Gas Capacity Charge (GCC). Changes to these rates were approved by City Council on October 24, 2017, effective November 1, 2017.

- Executive Summary - Typical Bill Comparison
- Electric Report Table 1 - Typical Monthly Electric Bill Comparison
- Electric Cost of Service Schedule 1 - Typical Monthly Bill Comparison

URR Sheet No. 118 is revised to include an administrative correction to read “and/or” in place of “and”.

- Utilities Rules and Regulations (URR) Tariff Sheet No. 118

New information:

- Proof of Publication of required Legal Notice
- Public Outreach information
- City Auditor’s Report
- Department of Defense Statement of Position

Attachments

Please replace the following document behind the Executive Summary tab.

3. Wastewater Rates Approved in 2016 effective January 1, 2018

On November 8, 2016 City Council approved a two-year phase-in of certain Wastewater rates in the 2017 Rate Case Filing. The final phase of the Wastewater rate adjustments is effective January 1, 2018. As a result, revenue from rates for Residential will decrease by 0.8%, Nonresidential will increase by 1.8%, and Contract Services, Military and Outside City will increase by 5.5%.

The table below summarizes the typical monthly bill impact of the approved 2017 Rate Case final phase-in effective January 1, 2018 and the proposed changes in the 2018 Rate Case Filing.

TYPICAL MONTHLY BILL COMPARISON

Line No.	Rate Class	Current Bill	Proposed Bill	Proposed Increase/ (Decrease)	% Change
(a)	(b)	(c)	(d)	(e) [(d) - (c)]	(f) [(e) / (c)]
1	Residential				
2	Electric	\$ 87.13	\$ 88.39	\$ 1.26	1.4%
3	Gas	40.25	40.25	-	0.0%
4	Water	62.72	65.91	3.19	5.1%
5	Wastewater	32.25	32.01	(0.24)	-0.7%
6	Total	\$ 222.35	\$ 226.56	\$ 4.21	1.9%
7	Commercial				
8	Electric	\$ 551.45	\$ 579.43	\$ 27.98	5.1%
9	Gas	571.78	571.78	-	0.0%
10	Water	208.84	218.74	9.90	4.7%
11	Wastewater	110.45	112.14	1.69	1.5%
12	Total	\$ 1,442.52	\$ 1,482.09	\$ 39.57	2.7%
13	Industrial				
14	Electric	\$ 32,579.34	\$ 32,579.34	\$ -	0.0%
15	Gas	5,505.62	5,505.62	-	0.0%
16	Water	2,702.19	2,867.19	165.00	6.1%
17	Wastewater	1,374.75	1,404.64	29.89	2.2%
18	Total	\$ 42,161.90	\$ 42,356.79	\$ 194.89	0.5%

Please replace the following document behind the Electric Report tab.

TABLE 1
TYPICAL MONTHLY BILL COMPARISON

Line No.	Rate Class	Current Bill	Proposed Bill	Proposed Increase / (Decrease)	% Change
(a)	(b)	(c)	(d)	(e) [(d) - (c)]	(f) [(e) / (c)]
1	Residential:				
2	Non-Fuel	\$ 68.44	\$ 69.70	\$ 1.26	1.8%
3	Fuel: Capacity				
4	Supply & ECA	18.69	18.69	-	0.0%
5	Total	\$ 87.13	\$ 88.39	\$ 1.26	1.4%
6	Commercial:				
7	Non-Fuel	\$ 393.05	\$ 421.03	\$ 27.98	7.1%
8	Fuel: Capacity				
9	Supply & ECA	158.40	158.40	-	0.0%
10	Total	\$ 551.45	\$ 579.43	\$ 27.98	5.1%
11	Industrial:				
12	Non-Fuel	\$ 22,401.74	\$ 22,401.74	-	0.0%
13	Fuel: Capacity				
14	Supply & ECA	10,177.60	10,177.60	-	0.0%
15	Total	\$ 32,579.34	\$ 32,579.34	\$ -	0.0%

Note: The typical bill is calculated using the existing and proposed rates from Schedule 3 assuming: 30 days per month; 700 kWh for Residential (E1R); 6,000 kWh for Commercial (E2C); 400,000 kWh and 1,000 kW for Industrial (E8T). Non-Fuel is comprised of the Access Charge, Facilities Charge, and Demand Charge where applicable. Fuel is comprised of Capacity Charge and ECA Charge.

Please replace the following document behind the Electric Cost of Service tab.

Colorado Springs Utilities
2018 Electric Cost of Service Study

SCHEDULE 1
TYPICAL MONTHLY BILL COMPARISON

Line No.	Rate Class	Current Bill	Proposed Bill	Proposed Increase / (Decrease)	% Change
<u>(a)</u>	<u>(b)</u>	<u>(c)</u>	<u>(d)</u>	<u>(e)</u> <u>[(d) - (c)]</u>	<u>(f)</u> <u>[(e) / (c)]</u>
1	Residential:				
2	Non-Fuel	\$ 68.44	\$ 69.70	\$ 1.26	1.8%
3	Capacity	3.29	3.29	-	0.0%
4	ECA	15.40	15.40	-	0.0%
5	Total	\$ 87.13	\$ 88.39	\$ 1.26	1.4%
6	Commercial:				
7	Non-Fuel	\$ 393.05	\$ 421.03	\$ 27.98	7.1%
8	Capacity	26.40	26.40	-	0.0%
9	ECA	132.00	132.00	-	0.0%
10	Total	\$ 551.45	\$ 579.43	\$ 27.98	5.1%
11	Industrial:				
12	Non-Fuel	\$ 22,401.74	\$ 22,401.74	\$ -	0.0%
13	Capacity	1,360.00	1,360.00	-	0.0%
14	ECA	8,817.60	8,817.60	-	0.0%
15	Total	\$ 32,579.34	\$ 32,579.34	\$ -	0.0%

Note: The typical bill is calculated using the existing and proposed rates from Schedule 3 assuming: 30 days per month; 700 kWh for Residential (E1R); 6,000 kWh for Commercial (E2C); 400,000 kWh and 1,000 kW for Industrial (E8T). Non-Fuel is comprised of the Access Charge, Facilities Charge, and Demand Charge where applicable. Fuel is comprised of Capacity Charge and ECA Charge.

**Please replace the following document behind the Utilities Rules
and Regulations, Tariff Sheets, Redline tab.**

UTILITIES RULES AND REGULATIONS

WATER

42. WATER EXTENSION POLICY - cont'd

Utilities may require that a property Owner or developer construct a Water Distribution Main larger than that required for the property Owner's or developer's needs for the service of lands beyond the Premises or development. In the event Utilities determines that construction of such Water Distribution Main over twelve (12) inches in diameter is necessary for the efficient expansion of the system, the property Owner or developer served is responsible for the costs of engineering, materials and installation of such main. In such case Utilities is responsible for the difference in cost of materials above a twelve (12) inch main, or above that capacity which is required to serve the proposed development if a Water Distribution Main larger than twelve (12) inch in diameter is required for such development. Utilities, at its sole discretion, will determine whether the property Owner or developer will receive reimbursement for the cost of materials ~~or~~ and/or be allowed to initiate a Recovery Agreement as specified in the Recovery Agreement charge section. Utilities will approve the design and inspect the actual construction prior to connection of such facilities to the distribution system.

When a property Owner or developer finds it necessary to construct supply and distribution facilities through or adjacent to unserved or undeveloped lands, the property Owner or developer will pay the entire cost of such facilities. Utilities may establish a Recovery Agreement with such property Owner or developer, to assist in the collection of a pro rata share of the eligible cost of such facilities and interest from the Owner(s) of such unserved or undeveloped lands prior to connection to the facilities.

Owners of property in designated enclave areas which are platted and which contain occupied dwellings are responsible for the cost of engineering, construction and materials of all Water Distribution Mains and appurtenances necessary to serve the proposed property. The extension will extend from the nearest public water distribution source to the furthest property line of the Owner. The Owner is eligible to recover a pro rata share of such facilities. Utilities may participate in the cost of such extension to the extent Utilities determines, in its sole discretion, that installation of water distribution facilities will sufficiently reduce operational expenses to justify the extension and that the extension is required for efficient and safe operation of the system.

Approval Date: ~~August 22, 2017~~ November 14, 2017
Effective Date: ~~September 1, 2017~~ January 1, 2018
Resolution No. ~~93-17~~

Please replace the following document behind the Utilities Rules and Regulations, Tariff Sheets, Final tab.

UTILITIES RULES AND REGULATIONS

WATER

42. WATER EXTENSION POLICY - cont'd

Utilities may require that a property Owner or developer construct a Water Distribution Main larger than that required for the property Owner's or developer's needs for the service of lands beyond the Premises or development. In the event Utilities determines that construction of such Water Distribution Main over twelve (12) inches in diameter is necessary for the efficient expansion of the system, the property Owner or developer served is responsible for the costs of engineering, materials and installation of such main. In such case Utilities is responsible for the difference in cost of materials above a twelve (12) inch main, or above that capacity which is required to serve the proposed development if a Water Distribution Main larger than twelve (12) inch in diameter is required for such development. Utilities, at its sole discretion, will determine whether the property Owner or developer will receive reimbursement for the cost of materials and/or be allowed to initiate a Recovery Agreement as specified in the Recovery Agreement charge section. Utilities will approve the design and inspect the actual construction prior to connection of such facilities to the distribution system.

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Approval Date: November 14, 2017
Effective Date: January 1, 2018
Resolution No. _____

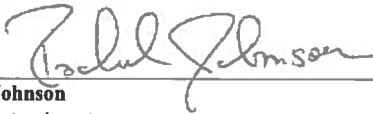
Please insert the following document behind the Legal Notice tab.

AFFIDAVIT OF PUBLICATION

STATE OF COLORADO
COUNTY OF El Paso

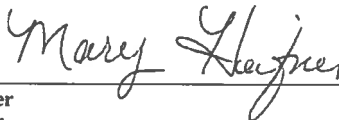
I, Rachel Johnson, being first duly sworn, deposes and says that she is the Legal Sales Representative of The Colorado Springs Gazette, LLC., a corporation, the publishers of a daily/weekly public newspapers, which is printed and published daily/weekly in whole at the city of Colorado Springs in the County of El Paso, and the State of Colorado, and which is called Colorado Springs Gazette; that a notice of which the annexed is an exact copy, cut from said newspaper, was published in the regular and entire editions of said newspaper 1 time(s) to wit 10/12/2017

That said newspaper has been published continuously and uninterruptedly in said County of El Paso for a period of at least six consecutive months next prior to the first issue thereof containing this notice; that said newspaper has a general circulation and that it has been admitted to the United States mails as second-class matter under the provisions of the Act of March 3, 1879 and any amendment thereof, and is a newspaper duly qualified for the printing of legal notices and advertisement within the meaning of the laws of the State of Colorado.



Rachel Johnson
Sales Center Agent

Subscribed and sworn to me this 10/12/2017, at said City of Colorado Springs, El Paso County, Colorado.
My commission expires November 1, 2020.



Mary Heifner
Notary Public
The Gazette

MARY HEIFNER
NOTARY PUBLIC
STATE OF COLORADO
NOTARY ID 20164041634
MY COMMISSION EXPIRES NOV. 1, 2020

LEGAL NOTICE
COLORADO SPRINGS UTILITIES
 111 SOUTH TEJON STREET
 COLORADO SPRINGS, COLORADO 80903

Notice of Proposed Rate Changes, Tariff Changes and Modifications to Utilities Rules and Regulations

You are receiving this notice because you are a Colorado Springs Utilities Customer. The Utility is regulated by City Code Section 12.1.187(C)(2)(d) and Colorado Revised Statutes 40-1-104 to notify you when rate or tariff changes are proposed.

Colorado Springs Utilities (Springs Utilities), an enterprise of the City of Colorado Springs, a Colorado town-wide city and municipal corporation, has prepared several revenue requirements and tariff changes for electric, water, Utilities Rules and Regulations, and the Open Access Transmission Tariff. The changes will increase or decrease rates, fees and/or charges for these services. These changes will increase Springs Utilities' total revenues from the electric and water services.

With the proposed changes to electric and water services, the typical single-family residential customer will see an increase of \$4.45 to the monthly four service bill. On November 3, 2016 City Council approved wastewater charges that decreased the typical single-family residential bill by \$9.24 effective January 1, 2018. Combined, the previously approved wastewater charges and the proposed electric and water changes increase the typical single-family residential bill by \$4.21 or 1.9 percent. The proposed changes by service are detailed below.

Electric Service
 Implementing phase three of a three phase plan to fully recover the costs of operating the non-fuel portion of the electric system, Springs Utilities proposes to recover in non-fuel base rates an estimated annual revenue increase of approximately \$7.8 million from the electric Customers.

Overall, the typical single-family residential Customer will see an increase of approximately \$1.25 per month, or 1.4 percent to the monthly electric bill.

Springs Utilities also proposes changes to (1) the Reserved Capacity Charge incurred by Enhanced Power Customers; (2) the Contract Service - Wheeling (CSW) tariff; and (3) the Customer Bill Credit for the Community Solar Garden Bill Credit Program (Pilot Program), as well as changes to the Customer Bill Credit for the Community Solar Garden Program.

Water Service
 To fully recover the costs of operating the water system, Springs Utilities proposes to increase the overall revenues by approximately \$7.7 million. The water service requires repair of critical infrastructure and an increase in operational costs.

Overall, the typical single-family residential Customer will see an increase of approximately \$3.19 per month, or 5.1 percent to the monthly water bill.

Utilities Rules and Regulations
 The following changes are proposed to the Utilities Rules and Regulations:

(1) Update current contribution in aid of construction fee amounts for electric line extensions and services; (2) expand Economic Development Special Contract use to infill/development projects; (3) change the water extension policy for Recovery Agreements; and (4) add water development charges for lot sizes less than 1,500 square feet.

Open Access Transmission Tariff (OATT)
 The following changes are proposed to the OATT:

(1) incorporate comprehensive clean-up and update to match current national standards and internal processes and methodologies; (2) revise Terms and Conditions, including dispute resolution procedures, tax exempt status protections, operations and planning methodologies, procedures and technical requirements for study and interconnection request, and technical capability requirement for interconnecting generators; and (3) establish annual transmission revenue requirement and rates.

The proposed changes are described in more detail in the material Springs Utilities filed with the City Clerk. Numerous proposals are contained within this filing. Customers are urged to review the complete filing in order to identify all aspects of the proposal that may affect them. Copies of the proposed resolutions, the accompanying tariff sheets, financial data, cost information and a set of all materials were provided to City Council. The proposed changes are on file and open for public inspection in the office of the City Clerk, 39 South Nevada Avenue, Colorado Springs, Colorado 80903 and are posted on the Springs Utilities' website www.csu.org. City Council may also consider tariff changes proposed by Customers which differ from the changes mentioned above.

The City Council set a hearing to be held November 14, 2017, to consider the proposed changes in rates, fees, charges, and the Utilities Rules and Regulations. The hearing will be held in City Council Chambers, 167 North Nevada Ave., Suite 325, Colorado Springs, Colorado beginning at 1 p.m. The changes in rates, fees, and regulations, if approved by City Council, will go into effect January 1, 2018, or as otherwise provided in the City Council resolution approving the changes. The proposed resolutions and tariffs, including the rates and terms and conditions of service as filed with the City Clerk, may be changed by City Council prior to becoming effective as a result of information presented at the hearing by members of the public, witnesses for Customers, the City Auditor, or by Springs Utilities.

In addition to public comments taken during the hearing, written comments will be accepted at the office of the City Clerk. Each Springs Utilities Customer has the right to appear, personally or through counsel, for the purpose of providing testimony regarding the proposed changes. Any Customer who desires to present witnesses, other than the Customer, should file a Notice of Intent to Present Witnesses and short summary of testimony of each witness, as provided in Section 12.1.187 (C) (3) of the City Code, with the City Clerk's Office, 39 South Nevada Avenue, Colorado Springs, Colorado 80903 and with the Colorado Springs Utilities Rates Manager, 111 South Tejon Street, Colorado Springs, Colorado 80903 on or before 5 p.m. on November 3, 2017. Customers desiring further information on the proposed rate changes described in this Notice, including the estimated impact on monthly bills, should telephone Colorado Springs Utilities at (719) 448-4800.

NOTICE TO:
 ELECTRIC and WATER
 CUSTOMERS OF COLORADO SPRINGS UTILITIES
 HEARING DATE: NOVEMBER 14, 2017

Published in Colorado Springs Gazette October 12, 2017

LEGAL NOTICE

**COLORADO SPRINGS UTILITIES
121 SOUTH TEJON STREET
COLORADO SPRINGS, COLORADO 80903**

Notice of Proposed Rate Changes, Tariff Changes and Modifications to Utilities Rules and Regulations

You are receiving this notice because you are a Colorado Springs Utilities Customer located outside the city of Colorado Springs. The Utility is required by City Code Section 12.1.107(C)(2)(d) and Colorado Revised Statutes 40-3.5-104 to notify you when rate or tariff changes are proposed.

Colorado Springs Utilities (Springs Utilities), an enterprise of the City of Colorado Springs, a Colorado home-rule city and municipal corporation, has proposed several revenue requirements and tariff changes for electric, water, Utilities Rules and Regulations, and the Open Access Transmission Tariff. The changes will increase or decrease rates, fees and/or charges for these services. These changes will increase Springs Utilities' total revenues from the electric and water services.

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Electric Service

Implementing phase three of a three phase plan to fully recover the costs of operating the non-fuel portion of the electric system, Springs Utilities proposes to recover in non-fuel base rates an estimated annual revenue increase of approximately \$7.8 million from the electric Customers.

Overall, the typical single-family residential Customer will see an increase of approximately \$1.26 per month, or 1.4 percent to the monthly electric bill.

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The proposed changes are described in more detail in the material Springs Utilities filed with the City Clerk. Numerous proposals are contained within this filing. Customers are urged to review the complete filing in order to identify all aspects of the proposal that may affect them. Copies of the proposed resolutions, the accompanying tariff sheets, financial data, cost information and a set of all materials were provided to City Council. The proposed changes are on file and open for public inspection in the Office of the City Clerk, 30 South Nevada Avenue, Colorado Springs, Colorado 80903 and are posted on the Springs Utilities' website www.csu.org. City Council may also consider tariff changes proposed by Customers which differ from the changes mentioned above.

The City Council set a hearing to be held November 14, 2017, to consider the proposed changes in rates, fees, charges, and the Utilities Rules and Regulations. The hearing will be held in City Council Chambers, 107 North Nevada Ave., Suite 325, Colorado Springs, Colorado beginning at 1 p.m. The changes in rates, and rules and regulations, if approved by City Council, will go into effect January 1, 2018, or as otherwise provided in the City Council resolution approving the changes. The proposed resolutions and tariffs, including the rates and terms and conditions of service as filed with the City Clerk, may be changed by City Council prior to becoming effective as a result of information presented at the hearing by members of the public, witnesses for Customers, the City Auditor, or by Springs Utilities.

In addition to public comments taken during the hearing, written comments will be accepted at the office of the City Clerk. Each Springs Utilities Customer has the right to appear, personally or through counsel, for the purpose of providing testimony regarding the proposed changes. Any Customer who desires to present witnesses, other than the Customer, should file a Notice of Intent to Present Witnesses and a short summary of the testimony of each witness, as provided in Section 12.1.107 (C) (3) of the City Code, with the City Clerk's Office, 30 South Nevada Avenue, Colorado Springs, Colorado 80903 and with the Colorado Springs Utilities Rates Manager, 121 South Tejon Street, Colorado Springs, Colorado 80903 on or before 5 p.m. on November 3, 2017. Customers desiring further information on the proposed rate changes described in this Notice, including the estimated impact on monthly bills, should telephone Colorado Springs Utilities at **(719) 448-4800**.

**NOTICE TO:
ELECTRIC and WATER
CUSTOMERS OF COLORADO SPRINGS UTILITIES
HEARING DATE: NOVEMBER 14, 2017**

Colorado Springs Utilities
It's how we're all connected
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Please insert the following document behind the Public Outreach tab.



2018 Rate Case Public Outreach Overview

This document describes the strategic and comprehensive public outreach plan for the 2018 rate case. The rate case is communicated to residential and business customers using a variety of channels as indicated in the table on the following page.

The complete 22-page Rates and Budget Communication Plan was distributed to all employees who may need to utilize it (customer service staff, field employees, the pricing/rates department, etc.) on Oct. 18. The Pricing Intranet page is updated periodically with the latest information and tools pertaining to the rates and budget.

The entire rate case has been posted on csu.org since Oct. 10, 2017, with a link going directly to the rates page from our homepage. The Draft 2018 Annual Operating and Financial Plan has been posted on csu.org since Sept. 25.

Local newspapers, television and radio stations reported on the proposed rates beginning in September 2017 and coverage is expected through mid-January 2018. Examples of some of this coverage are included in the following pages. An in-depth rates backgrounder meeting took place with The Gazette's Utilities Board beat reporter Conrad Swanson, the Pricing Manager, and two members of the Communications Team on Oct. 13, 2017, just days after the 2018 Rate Case was filed.

To better equip our call center with information about the 2018 Rate Case and Draft Annual Operating Budget, two employees (one from the Pricing Department and one from the Customer and Workforce Communications Department) spent a day (Oct. 19) presenting to small groups of call center representatives. Each of the eight, 20-minute sessions included a high-level overview of the rates case, 2018 budget and the ECA/GCA decreases. Call center staff were provided a one-sheeter with more detailed information so they can refer to it if they get questions from customers about a specific rate class.

A new tactic that was added to the communications strategy this year was the development of three infographics. These infographics will be shared on all of Colorado Springs Utilities' social media channels throughout the months of November and December, to help explain to the public the need for rate increases. The three infographics are included in this packet. They are:

- Who We Are
- Electric Services
- Water Services

Customers can attend Utilities Board meetings and City Council meetings in person and provide public comment. Video of Utilities Board and City Council meetings are streamed live online, and past Board meetings are available at csu.org. Additionally, all City Council meetings are shown on various days and times on SpringsTV, Channel 18.

Customers who cannot attend Board and Council meetings can provide their feedback on the rate case directly to City Council members via phone or email, through Springs Utilities' social media pages, through AskUs (email response from csu.org users) and comments to call center representatives.

Communications Channels	Residential	Business	Timing
Website (csu.org): Rate case filing, proposed budget, interactive bill calculator, videos of live and past Utilities Board meetings	X	X	Sept. 2017 – Jan. 2018
Strategic Communications Plan	X	X	Sept. 2017 – Jan. 2018
Understanding Your Utility Bill Video	X	X	April 2016 – Dec. 2018
Three infographics	X	X	Sept. 2017 – Jan. 2018
Employee one-pager	X	X	Oct. 2017 – Jan. 2018
Social media	X	X	Ongoing
Utilities Board public meetings	X	X	Monthly
City Council public meetings	X	X	Twice monthly
Meetings with news reporters	X	X	As-needed basis (first one occurred on Oct. 13, 2017)
Bill package: Connection, envelope and/or bill messages	X		Dec. 2017
Smart Home e-newsletter	X		Nov. 2017
Weekly communications/memo to Utilities Board members	X	X	Every Friday
Intranet: including the URSULA rotator and the Pricing and Rates Group page	X	X	Oct. 2017 – Jan. 2018
Strategic account managers one-on-one meetings, emails and phone calls		X	Ongoing
Rates Call Center tailgate	X	X	Oct. 19, 2017
Fall Business User Group (BUG) meeting		X	Oct. 20, 2017
City Council website: video of live and past City Council meetings, SpringsTV Ch. 18	X	X	Oct. 2017 – Jan. 2018

Proposed budget & rates

Base rates support the operations and maintenance expenditures necessary to continue to provide safe and reliable utility services. On Oct. 10, 2017 we filed our 2018 rate case. This year's rate case includes changes to electric and water rates.

These are for infrastructure improvements – or pipes, wires and plants to maintain a safe, reliable utilities system. We also use annual rate cases to realign – if necessary – customer rate classes with the cost to serve those particular customers.

Public Hearing Set

You are a citizen-owner of Colorado Springs Utilities. As an owner, you have a voice in utility decisions. On Oct. 10, City Council set the date for the rate case public hearing as Tuesday, Nov. 14. They are expected to make a decision two weeks later – on Tuesday, Nov. 28.

The majority of our customers are in the residential rate class. Proposed changes to their rates include decreases to the Electric Cost Adjustment (ECA) and Gas Cost Adjustment (GCA), increase in water rates and a slight decrease in wastewater rates.

The total proposed base rate bill impact (effective Jan. 1, 2018) for the typical, residential customer is an increase of \$4.21, or 1.9 percent. (Typical use = 700 kWh electricity, 1,100 CF water, 60 CCF natural gas.)

Customers in the variety of rate classes designed for commercial and industrial (C&I) customers will also experience changes as their rates are adjusted to be better aligned with the proportionate cost to serve them. Our online bill calculator is the best source of information on C&I impacts, as rate class, load factor and consumption are all contributing factors.

To learn more about specific rate classes, energy cost adjustments or our 2018 budget, click on an icon below.



Residential Rates



Commercial & Industrial Rates



Energy Cost Adjustments



Budget

Understanding your bill



Related links

- [2018 Draft Annual Operating & Financial Plan](#)
- [2018 proposed rate case](#)
- [2018 Open Access Transmission Tariff \(OATT\)](#)
- [Customer assistance programs](#)
- [Budget billing](#)
- [Residential efficiency rebates](#)
- [Rates and budget fact sheet](#)
- [Business efficiency rebates](#)
- [Tariffs](#)

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User ID

Password

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[Forgot Password](#)

[Register Residential Account](#)

[Register Business Account](#)

2018 Residential Base Rates

It is our mission to provide safe, reliable, competitively-priced electric, natural gas, water and wastewater services to the citizen-owners and customers of Colorado Springs Utilities.

We provide reliable electric, gas, water and wastewater services to Colorado Springs and surrounding areas including Manitou Springs, Fountain and Green Mountain Falls. We provide service to about 700,000 utility meters, representing approximately 440,000 customers.

Our rates are based on the costs associated to serve a customer. We do not make a profit on customer rates.

Unlike investor-owned utilities that design rates to pay shareholder dividends, we reinvest revenues back into operations to keep rates as low as possible.

Proposed changes to customer rates include decreases to the Electric Cost Adjustment (ECA) and Gas Cost Adjustment, increase in water and electric rates and a slight decrease in wastewater rates. (City Council directed a two-year phase-in at the public hearing on Oct. 25, 2016.)

Total proposed base rate bill impact (effective January 2018) for the typical, residential customer, is an increase of \$4.21, or 1.9 percent. (Typical use = 700 kWh electricity, 1100 CF water, 60 CCF natural gas).

Total proposed fuel cost adjustment bill impact (effective November 2017) for the typical, residential customer is a decrease of \$3.03 (\$0.98 for electric, \$2.05 for gas).

Water rates

- The proposed increase for residential customers is \$3.19 (5.1 percent) on the typical monthly water bill.
- A rate increase is necessary to recover the proposed revenue requirement.
- We strive to keep water affordable for our customers – and it is, at a cost of about a penny per gallon.

However, like many water utilities across the United States, our system is old and in need of ongoing repair and refurbishment. We are conducting condition assessments and facility plans to support long-term asset management goals.

Wastewater rates






- A \$0.24 decrease for residential wastewater customers was passed in 2017.

Electric rates

- The impact on the typical monthly residential electric bill is an increase of \$1.26, or 1.9 percent.
- The 2018 filing is the third phase of a three-phase implementation to address a revenue shortfall and align customer rates with cost to serve them.

Electric service providers are experiencing more changes today than at any time in history. Renewable energy is increasingly desired by customers and more affordable for utilities to consider.

The proposed rate changes to the typical residential bill are shown below.

 Proposed Residential Rate Changes				
Service	Typical Bill Nov. 1, 2017	Typical Bill Jan. 1, 2018	\$ Increase (Decrease)	% Increase (Decrease)
 Electric	\$87.13	\$88.39	\$1.26	1.9%
Typical residential bill is based on 700 kWh/month on the E1R rate				
 Gas	\$40.25	\$40.25	\$0	0%
 Water	\$62.72	\$65.91	\$3.19	5.1%
 Wastewater	\$32.25	\$32.01	(\$0.24)	(0.7%)
Wastewater decrease was approved in 2016 for 2018 implementation				
Total impact to typical monthly bill	\$222.35	\$226.56	\$4.21	1.9%



Residential Rates

Related links

- 2018 base rates case
- 2018 Open Access Transmission Tariff (OATT) rate case
- 2018 preliminary budget
- Residential efficiency rebates
- Customer assistance programs
- Budget billing

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2018 Commercial & Industrial base rates

Base rates support the operations and maintenance expenditures necessary to continue to provide safe and reliable utility services. City Council will vote on the 2018 Rates Case at its Nov. 28 meeting. If approved, changes to base rates will go into effect on Jan. 1, 2018.

Customers in the variety of rate classes designed for commercial and industrial (C&I) customers will experience differing changes, as their rates are adjusted to be better aligned with the proportionate cost to serve them.

Typical C&I bill changes are outlined in the charts at the bottom of this page.

- **Wastewater** increases proposed in the original rate filing were 3.4 percent commercial and 4.8 for industrial customers. These changes align the wastewater methodology with other utility services.
 - At the rate hearing on Oct. 25, 2016, City Council directed a two year phase-in of the change recommended in the original rate filing.
 - An additional wastewater increase, effective Jan. 1, 2018, was also approved on Nov. 8, 2016.
- There are no rate changes for **natural gas** service.
- **Water** rate increases for commercial customers are \$9.90 per month or 4.7 percent. Water rate increases for industrial customers are \$165 per month or 6.1 percent.
 - **Nonpotable water** will increase 12.1 percent, changing the rate from \$0.0190 to \$0.0213 per cf.
 - We strive to keep water affordable for our customers - and it is, at a cost of about a penny per gallon. It's important to note, however, that the costs for maintaining the system don't fluctuate with water use.
 - The key drivers for the water budget for 2018 are:
 - Assessment and repairs to critical water infrastructure, and investments in supply, delivery and water treatment, such as replacing the most critical sections of the 30" raw water pipe, built 83 years ago, carrying water from Pikes Peak reservoirs to Colorado Spring for treatment.
 - As pipes age, breaks are more common. It's important to finish this project to ensure the integrity of the line in advance of the Mesa Water Treatment Plant upgrade.
- There are several **electric** rate changes that affect special rate classes, not the typical C&I customers. Here is a snapshot of how the 2018 Base Rate Case affects each of these classes.



Commercial & Industrial Rates

Related Links

- [2018 base rates case](#)
- [Business efficiency rebates](#)
- [Have a say in your utility rates](#)
- [Request a no-cost energy audit](#)
- [Best practices](#)
- [Bill calculator](#)

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ETL Rate Class (minimum of 1,000 kWh/day use)

- No electric rate changes proposed for ETL.
- Utilities has approximately 1,200 customers on this rate class including restaurants, schools, hotels and universities.
- Several adjustments were made to this rate class in 2016 and 2017 to bring it to Cost of Service.
- While a 2018 rate increase was expected, the latest study revealed it was unnecessary.

E8S Rate Class (4,000 kWh Min. use; also referred to as Time of Day)

- 12.5 percent electric increase for the E8S rate class.
- We're seeking to bring rate classes to within plus or minus 10 percent of their total cost of service in accordance with the Reasonableness Guideline.

E2C Rate Class

- 7.1 percent electric increase for E2C.
- The E2C rate class is available in Springs Utilities' electric service territory for any establishment engaged in the operation of a business or an institution, whether or not for profit, whose average daily usage (billing period kWh divided by the number of days in the billing period) is greater than 33 kWh in any of the last 12 billing periods.
- The billing statements are a sum of the access and facility charges, the electric cost adjustment charge (ECA) and the electric capacity charge (ECC).
- The best way these customers can reduce their monthly utility bills is to understand their bills.
- You can log into your account from our homepage and use the "My Usage" which can help you see trends and connect behavior with usage and can lead to ideas.
- Reduce your usage. In some cases, customers can keep usage consistently below the threshold and stay off the 'demand rate' by making changes.
- Reducing base load electric usage (energy used without regard for weather: lighting, copy machines, etc.) lowers the usage for all months.
- Reducing air conditioning usage (more efficient equipment, evaporative coolers, raising indoor temperatures, window tinting, etc.) lowers usage in the summer months.

ETC (Commercial Time-of-Day) Rate Class

- 18 percent electric rate increase to help better align this rate class with their Cost of Service.

ELG (Large Power & Light) Rate Class

- 3 percent electric rate increase.
- This rate class is designed for customers with a large industrial load and high system load factor.

ETX (Industrial Transmission Voltage) Rate Class

- 12.5 percent electric rate increase to the ETX rate class.



Proposed Commercial Rate Changes

Service	Typical Bill Nov. 1, 2017	Typical Bill Jan. 1, 2018	\$ Increase (Decrease)	% Increase (Decrease)
Electric	\$551.45	\$579.43	\$27.98	5.1%
<small>Typical commercial bill is based on 6,000 kWh/month on the E2C rate</small>				
Gas	\$571.78	\$571.78	\$0	0%
Water	\$208.84	\$218.74	\$9.90	4.7%
Wastewater	\$110.45	\$112.14	\$1.69	1.5%
<small>Wastewater increase was approved in 2016 for 2018 implementation</small>				
Total impact to typical monthly bill	\$1,442.52	\$1,482.09	\$39.57	2.7%



Proposed Industrial Rate Changes

Service	Typical Bill Nov. 1, 2017	Typical Bill Jan. 1, 2018	\$ Increase (Decrease)	% Increase (Decrease)
Electric	\$32,579.34	\$32,579.34	\$0	0%
<small>Typical industrial bill is based on 400,000 kWh/month on the EBT rate</small>				
Gas	\$5,505.62	\$5,505.62	\$0	0%
Water	\$2,702.19	\$2,867.19	\$165.00	6.1%
Wastewater	\$1,374.75	\$1,404.64	\$29.89	2.2%
<small>Wastewater increase was approved in 2016 for 2018 implementation</small>				
Total impact to typical monthly bill	\$42,161.90	\$42,356.79	\$194.89	0.5%



2018 Proposed Rates and Budget

If approved by City Council on Nov. 28, the new rates would go into effect on Jan. 1, 2018.

Residential Rates

We file for changes to base rates each fall to take effect on January 1. Base rates support the operations and maintenance expenditures (pipes, wire, plants) to maintain safe and reliable utility services. Our rates are based on the costs associated to serve a customer. We do not make a profit on customer rates.

Electric: A 1.9 percent increase, or \$1.26 for the typical residential customer is proposed. In April 2016, the Utilities Board directed a phase-in approach to aligning electric rates with cost of service, while meeting the revenue requirement. Electric service providers are experiencing more changes today than ever before. Environmental regulations, cyber and physical security concerns are changing the way electric utilities operate.



We are committed to environmental, reliability & security standards.

Natural gas: No base rate change is necessary.

Water: The proposed increase for residential customers is \$3.19 on the typical monthly water bill. A rate increase is necessary to recover the proposed revenue requirement. We strive to maintain an affordable water price of about a penny per gallon.

Wastewater: There are no changes in this rate case filing for wastewater. However, a two-year phase-in of wastewater rate changes was approved in November 2016, to include a decrease of \$0.24 per month for residential customers through 2018.

However, like many water utilities across the United States, our system is aging and in need of ongoing repair and refurbishment. We are assessing and making investments in critical pieces of water supply, delivery and treatment systems.

Proposed Residential Rate Changes

Service	Typical Bill Nov. 1, 2017	Typical Bill Jan. 1, 2018	\$ Increase (Decrease)	% Increase (Decrease)
 Electric <small>Typical residential bill is based on 700 kWh/month on the E1R rate</small>	\$87.13	\$88.39	\$1.26	1.9%
 Gas	\$40.25	\$40.25	\$0	0%
 Water	\$62.72	\$65.91	\$3.19	5.1%
 Wastewater <small>Wastewater decrease was approved in 2016 for 2018 implementation</small>	\$32.25	\$32.01	(\$0.24)	(0.7%)
Total impact to typical monthly bill	\$222.35	\$226.56	\$4.21	1.9%

Proposed Budget

The 2018 proposed budget appropriation of \$978.3 million is about \$1.6 million higher than in 2017. The increase is primarily the result of higher debt service payments.

The budget was developed to achieve the outcomes most important to the Utilities Board and customers: competitive utility rates; safe, reliable service and outstanding customer experiences.

The proposed budget is a responsible approach to address considerable challenges including the need for additional capital improvement investments.

Through an organization-wide effort, Springs Utilities has systematically prioritized all major projects and programs. Only the most critical expenditures are included in the 2018 Proposed Annual Operating Budget.

Fuel Cost Adjustments

As a non-profit, community-owned utility, we pass changes in fuel costs—up or down—directly on to our customers.



At the Utilities Board meeting on Oct. 18, we proposed changes to electric (ECA) and natural gas (GCA) cost adjustments, as well as electric (ECC) and natural gas (GCC) capacity charges. If approved at the Oct. 24 City Council meeting, the new rates will go into effect on Nov. 1.

The net decreases to the typical monthly bills are:

- Residential: \$3.03 (1.3 percent)
- Commercial: \$48.69 (3.3 percent)
- Industrial: \$1,356.80 (3.1 percent)

TIMELINE

- Oct. 24** First reading 2018 budget at City Council
- Nov. 1** Net decrease (ECA/GCA/ECC/GCC) effective
- Nov. 14** Rate hearing and second reading/decision for 2018 budget at City Council
- Nov. 28** Rate decision at City Council
- Jan. 1** New rates and budget effective

Commercial and Industrial Customers

Similar to our commercial and industrial customers, we have certain revenue requirements to continue to provide quality services. Each fall we file changes to our base rates to support the revenue required to responsibly maintain a safe and reliable utilities system.



Customers in the variety of rate classes designed for commercial and industrial users will experience changes as their rates are adjusted to be better aligned with the proportionate cost to serve them. An online rate calculator at <https://www.csu.org/Pages/bill-calculator.aspx> is the best source of information for commercial and industrial customers.

Although proposed changes vary by rate class, many commercial and industrial customers will experience increases to base rates for electric, water and wastewater services. There are also proposed increases for nonpotable water customers. For comparison purposes, we use the E8T rate class for the typical industrial bill and E2C rate class for the typical commercial bill.

Additional proposed changes affecting commercial and industrial customers include the Open Access Transmission Tariff (OATT), the Reserved Capacity Charge (RCC) and other Utilities Rules and Regulation Tariffs. Visit csu.org to view the 2018 proposed rate case.

Helping Hand

We strive to create proactive, innovative solutions that help customers save resources, support sustainability and our environment, and keep costs and rate impacts at a minimum.

Energy audits

For business customers we offer a free basic or advanced energy audit. These are ideal for business owners who want to learn about energy-saving options and get an idea of how their use compares with similar facilities.

For residential customers we offer an online tool to audit energy use: [csu.org/pages/home-energy-audit.aspx](https://www.csu.org/pages/home-energy-audit.aspx). This is ideal for homeowners who are looking to save a little money.

Rebates

In an effort to help with the efficient use of energy and water, delay infrastructure needs and save customers money, we offer rebates for a variety of energy- and water-efficient products for residential and business customers.

No cost/low cost tips

We actively promote low-cost or no-cost tips to help our customers use utilities services wisely. Visit csu.org for ways to save.

Assistance programs

- HEAP
- LEAP
- Project COPE
- Budget Billing
- Pick My Payment Date

Proposed Commercial Rate Changes

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Colorado Springs Utilities proposes net rate decrease, but increases soon could follow

By: **Conrad Swanson** • October 18, 2017 • Updated: October 19, 2017 at 12:47 pm



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Colorado Springs Utilities customers could soon see a net decrease in their electric and gas bill, but increases might follow.

The Utilities Board gave a nod to the proposed adjustments Wednesday afternoon, which take into account net decreases in electric and gas costs as well as capacity costs for the utility. The City Council, comprised of the same members as the Utilities Board, will vote on the adjustments Tuesday.

Sonya Thieme, pricing rates manager, said the utility's fuel costs often fluctuate and those changes - increases or decreases - are passed along to rate payers quarterly. Capacity costs, essentially the cost of transporting energy, are adjusted annually, she said.

Related: [Talk of boosting Utilities payments to Colorado Springs postponed indefinitely](#)

With the adjustments, the average residence would pay 1.1 percent less on electric bills and 4.8 percent less on gas, amounting to a total monthly savings of \$3.03. Typical commercial properties will see a 1.6 percent decrease in electric bills and a 6.5

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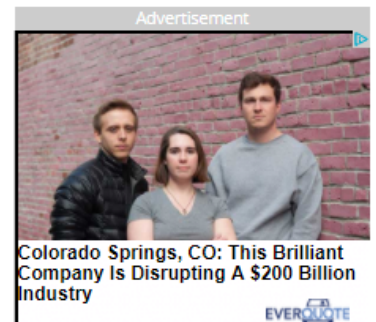
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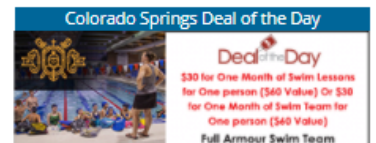
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percent decrease on gas for a total monthly savings of \$48.69. And the typical industrial property will see a 2.9 percent decrease in electric bills and a 6.7 percent decrease for gas for a total monthly savings of about \$1,356.80.

If the City Council approves the proposition, the net decreases will begin Nov. 1, though the savings they produce might be short-lived because Thieme said she recommended base electric and water rate increases earlier this month, which the Council will vote on Nov. 28.

The increases would boost the average residential electric bill by 1.9 percent and water by 5.1 percent for a total monthly increase of about \$4.45. The average commercial property would see a 7.1 percent increase on electric bills and a 4.7 percent increase for water for a total monthly increase of \$37.88. The average industrial property will see varying rate increases for electric bills and a 6.1 percent, or \$165, increase for water.

If the increases are approved they will come into effect on Jan. 1, 2018, Thieme said.

Base rate adjustments are considered once a year and are used to fund ongoing maintenance and proactive projects, utility spokeswoman Natalie Eckhart said. Next year, CSU will finish updating a 30-inch water pipeline running from a reservoir on Pikes Peak through the Manitou Springs Hydro Plant and to the Mesa Water Treatment plant. The pipeline is 83 years old and the project is estimated to cost about \$6 million.

In addition Utilities has allocated about \$16 million for other water maintenance projects, Eckhart said.

Maintenance projects and industry changes are responsible for many of CSU's rate increases over the past decade, Eckhart and Thieme agreed.

And a recent study from the Independence Institute shows that Colorado's electric rates have risen more in the past 15 years than in nearby states.

Since 2001 the state's electric rates have risen by about 62.1 percent across residential, commercial and industrial sectors, the study shows, more than 17 percent above rises in Arizona, Idaho, Montana, New Mexico, Nevada, Utah and Wyoming.



The increase also far surpasses the 35.4 percent cumulative rate of inflation.

Thieme said CSU only keeps electric rates records for 10 years so she could not address changes since 2001, but she said she expects Colorado Springs has fallen in line with the rest of the state. Increases locally might be a bit lower than the averages shown in the study, she said.

One explanation could be that the state's renewable energy requirements are higher than in surrounding states, Eckhart said. And an investment in renewable energy, like solar power, can be expensive.

Additional costs include CSU's \$325 million purchase of the second half of the Front Range Power Plant in 2010, the addition of 300 miles of electric line in an eight-year span and more efficient appliances offsetting usage and decreasing revenues, Eckhart said.

Also during Wednesday's meeting:

John Romero, general manager of energy acquisition engineering and planning, updated the board about CSU's options for closing the Martin Drake Power Plant earlier than 2035, when it is scheduled to be decommissioned.

While Romero said specific financial information would be available next month, he is looking into three main options for replacing the electricity Drake produces: First, CSU could continue to generate electricity on Drake's site without using coal. Second, CSU could generate all of Drake's replacement energy at a different site. And third, CSU could use a hybrid plan, generating some energy at Drake's current site, but using different sites.

The three options have varying costs and each would have different implications for Drake's site as a possible area for downtown development, Romero said.



Colorado Springs council endorses ballot measure investing in D-11

By: [Conrad Swanson](#) • October 25, 2017 • Updated: October 25, 2017 at 5:30 pm

Also Tuesday, the council unanimously approved rate cuts for Colorado Springs Utilities customers. The lower rates begin Nov. 1 and will reduce the typical residences' electric bills by 1.1 percent and gas bills by 4.8 percent. Typical commercial properties will see a 1.6 percent cut in electric bills and a 6.5 percent decrease on gas each month. The typical industrial property will see a 2.9 percent decrease in electric bills and a 6.7 percent decrease for gas.

The savings might be short-lived, however. Next month, the council will vote on a set of rate increases that would take effect Jan. 1.

Please insert the following document under the Auditor's Report tab.



OFFICE OF THE CITY AUDITOR COLORADO SPRINGS, COLORADO

Denny L. Nester, City Auditor
MBA CPA CIA CFE CGFM CGAP

17-27 Colorado Springs Utilities 2018 Rate Case Audit

November 2017

Purpose

The review focused on the accuracy and consistency of the methodology used to develop the proposed rate changes. We also reviewed for compliance with rate development guidance approved by the Utilities Board.

Highlights

Overall, we conclude the cost of service studies supporting the proposed rate changes were prepared accurately. Methodology was consistent with prior rate cases. Proposed rate changes were aligned with ratemaking principles in the Colorado Springs Utilities Rate Manual and within tolerances approved by Utilities Board guidance.

Colorado Springs Utilities rate filing included changes to the Electric Service Base Rates and Water Service Rates effective January 1, 2018. Proposed rate changes were based on the 2018 budgets and forecasted sales data. The water revenue requirement increased \$ 7.7 million or 4.2%. Electric revenue requirements increased \$7.7 Million or 2.4%.

We identified one opportunity for improvement in our review. This opportunity relates to the use of the budget as the basis for rates. Prior to 2005, the basis for rates was a test year. The test year was calculated using 12 months of actual operating results adjusted for known changes such as an increase in the cost of labor. When we noted discrepancies between 2016 historical and budgeted amounts, it caused the auditor to question whether the budget is the best basis for rate making. Our recommendation asks Colorado Springs Utilities to analyze historical trends in an effort to increase the accuracy of budget forecasts in the future. We believe this analysis would be beneficial to Colorado Springs Utilities and their rate payers.

Additional information may be found on page 2 of this report. The Office of the City Auditor appreciates the responsiveness of Utilities Financial Planning and Analysis Department along with Pricing-Rates Department in support of our review.

Management Response

See Colorado Springs Utilities response along with the Auditor Response on page 2 of this report.

Recommendation

1. For future rate cases, We recommend that Colorado Springs Utilities:

- Analyze historical trends for non-operating and other operating revenues.
- Identify ways to increase accuracy of non-operating and other operating revenue forecasts.

City Council's Office of the City Auditor

City Hall, 107 North Nevada Ave. Suite 205, Mail Code 1542, Colorado Springs CO 80901-1575

Tel 719-385-5991 Fax 719-385-5699 Reporting Hotline 719-385-2387

www.ColoradoSprings.gov

17-27 COLORADO SPRINGS UTILITIES 2018 RATE CASE AUDIT

Opportunity for Improvement

- For 2016, Utilities' analysis showed that Electric and Water actual non-operating and other operating revenues for the organization exceeded forecast by \$10.6 million in total.

Utilities Financial Planning and Analysis Department prepared a comparison of 2016 forecasted revenues to actual revenues and expenses in a cost of service format.

Revenues were greater than budget for items such as water sales to other districts. Utilities' forecasts these revenue items in a conservative manner. Accurate revenue forecasts help ensure rates are set at appropriate levels to recover required costs.

Management Response

Colorado Springs Utilities incorporates both historical and forward looking data in preparation of its annual budget and will continue to do so. Total non-operating revenues are \$12.2M and represent 1.2% of the 2018 Budget. Management will look to enhance accuracy of the non-operating revenue forecast as recommended by the City Auditor. Management does not believe that enhanced accuracy of non-operating revenues will have a material impact on rates.

Recommendation

For future rate cases, Colorado Springs Utilities should:

- Analyze historical trends for non-operating and other operating revenues forecast to actual.
- Identify ways to increase accuracy of non-operating and other operating revenue forecasts.

**Please insert the following new tab and Department of Defense Statement
after the Ex Parte Communications tab.**



DEPARTMENT OF THE ARMY
UNITED STATES ARMY LEGAL SERVICES AGENCY
9275 GUNSTON ROAD
FORT BELVOIR, VIRGINIA 22060-5546

REPLY TO
ATTENTION OF
Regulatory Law Office

November 2, 2017

Via E-mail
City Clerk
30 South Nevada Avenue
Suite 101
Colorado Springs, CO 80903

Re: Colorado Springs Utilities Base Rate Case and OATT Rate Case

Dear City Clerk:

Please find attached the United States Department of Defense's Statement of Position in Colorado Springs Utilities Base Rate Case and OATT Rate Case. This Statement of Position is being provided as set forth in Part 4-1(8) of the Rules and Procedures of City Council. If you have any questions, please feel free to contact me.

Very truly yours,

A handwritten signature in blue ink that reads "Emily W. Medlyn".

Emily W. Medlyn

Enclosures

cc: Colorado Springs Utilities

United States Department of Defense Statement of Position

2018 CSU Rate Case

On October 10, 2017, Colorado Springs Utilities (CSU) submitted its official request to increase its electric rates, including the Open Access Transmission Tariff (OATT), and its water rates, to be effective January 1, 2018. In recognition of the benefit to the local community provided by the presence of the United States Department of Defense (DoD) facilities, CSU has maintained a positive working relationship with each of the installations. CSU has been very open in this rate case filing process and has provided DoD with answers to data requests in a timely fashion, including follow-up discussions to talk through various issues.

This statement summarizes two ongoing issues which will require further discussion and collaboration between DoD and CSU over the coming year:

- Surplus Funds to the City
- Augmented water rates

CSU Service to DoD

CSU provides electric, natural gas, water, and wastewater services to the four military installations located in or adjacent to the City of Colorado Springs. Peterson Air Force Base is located within the city limits while Fort Carson, United States Air Force Academy, and Cheyenne Mountain Air Force Station are located outside the city limits.

Each DoD installation is served through a mix of various non-residential rates, with the majority of its utility expenditures under specific tariffed rates designed to serve only the DoD installations. The DoD-specific rates addressed in this rate filing are “Contract Service – ECD” (ECD) for electric and “Contract Service WSC-MIL” (WSC-MIL) for water, along with another DoD-specific electric rate called “Contract Service – Wheeling – ECW” that allows the DoD facilities to transport federal preference power purchased from the Western Area Power Administration (WAPA) over CSU’s distribution system. There is an additional rate filing for changes to the OATT, which is a wholesale transmission service tariff that impacts DoD, as it is the basis for recovering costs associated with the delivery of federal preference power from WAPA’s Loveland Area Projects to each of the four DoD installations over CSU’s transmission system. In addition to the DoD installations, CSU’s OATT is utilized by one other transmission customer.

DoD Costs and Rate Increase Impact

CSU proposes a 5.0 percent increase to the electric ECD rates, a 4.6 percent increase to the electric ECW rates, a 129.6 percent increase to the electric OATT rates (over a two-year period), and a 7.0 percent increase to the WSC-MIL water rate. The combined impact of these rate changes is a \$1.3 million increase to the DoD installations, not including fuel costs or rate

increases to the other accounts served under non-DoD specific rates. This amounts to a total increase in CSU non-fuel costs of 6.5 percent for DoD.

Electric Cost Allocation Issues

CSU adheres to industry standards of cost causation ratemaking principles, which prescribe that the customers causing costs, pay for those costs. As CSU identifies customer classes that pay above or below the estimated cost of service, CSU seeks to adjust its rates, moving customers incrementally toward the results of the most recent cost of service study. At times, the moves toward cost of service are more gradual than what the resulting cost of service study might indicate, so as to avoid rate shock to customers. DoD acknowledges CSU's efforts to transition, over time, to a rate design where each customer class pays for its full cost of service. The current rate increase will bring ECD to 93.8 percent and WSC-MIL to 91.6 percent of the respective cost of service, which is an adjustment from 89.3 percent and 85.6 percent, respectfully. Furthermore, DoD reviewed the allocation methodology utilized in CSU's cost of service study and found that with one exception described below that the allocation factors derived by CSU are appropriate metrics for allocating costs in each functional cost category: generation, transmission, and distribution.

Although DoD is not challenging the cost allocation at this time, DoD would like to work with CSU to address concerns related to the "Surplus Payments to the City" allocated to DoD. It is our understanding that these Surplus Payments act as a "payment in lieu of taxes." DoD has concerns that by including the Surplus Payments to the City costs in both the OATT and ECW, DoD is paying this cost twice.

Almost 70 percent of the DoD's ECW revenue requirement is attributed to Surplus Payments to the City, yet the electricity "sales" captured under this rate are actually sales of WAPA kWh wheeled to DoD. DoD pays two sets of wheeling charges for the delivery of the WAPA hydropower, the first via payment under CSU's OATT and the second under retail rate ECW. Both of these rates include costs associated with the Surplus Payments to the City. In the case of the ECW, the Surplus Payments to the City make up most of the costs. DoD is concerned that by including Surplus Payments to the City in both the OATT rate and the CSU ECW retail rates, there is a double-counting of these Surplus Payments to the City on the WAPA energy wheeled.

Proposed Resolution for Double Counting of Surplus Payments to the City in OATT and ECW Rates

Based on discussions with CSU, DoD intends to work with CSU to determine the best approach to modifying the ECW rate, so DoD customers do not pay Surplus Payments to the City through both the ECW rate and the OATT rate. This correction may include crediting back all or a portion of the \$124,173 currently allocated to rate ECW for Surplus Payments to the City.

Augmented Water Rates

In addition to CSU's WSC-MIL water rate, CSU offers water augmentation service to non-residential customers to allow customers to replace stream depletions with groundwater withdrawn from the customer-drilled and maintained groundwater wells, evaporation from ponds or lakes, and surface water diversions within corporate limits of the City of Colorado Springs. Changes to this rate are not currently included in the pending rate filing. However, to the extent that the revenues of the water augmentation service impact the total revenue requirement for CSU's water supply services utility, the water augmentation service revenues do impact the current case. The revenues collected for this service act as an offset to the retail water rates, and DoD wants to ensure augmentation customers are not subsidizing other customers and are only paying a fair cost allocation. DoD has longstanding concerns with the rate design of CSU's augmentation service and looks forward to working with CSU to address these concerns. Potential increases would be injurious to the DoD installations and their tenants who utilize this service.

Proposed Resolution for Augmented Water Rates

Based on discussion with CSU, DoD will work with CSU on an ongoing basis to discuss any changes to water augmentation rates.