

2018 Rate Case Hearing

Proposed changes to OATT, Utilities Rules and Regulations and the Electric and Water Rate Schedules

November 14, 2017

Agenda

- City Attorney's Office Introductory Briefing
- City Attorney's Office poll regarding *ex parte* material
- City Auditor Comments: Mr. Denny Nester, City Auditor
- Open Access Transmission Tariff ("OATT")
 - Utilities' Presentation
 - Public and City Council Comments and Discussion
 - Identification of Issues by City Attorney's Office and Council Direction Regarding Proposed OATT Changes
- Rate Case Presentation
- Public Questions/Comments
- City Council Questions/Comments for Utilities to Address

Agenda – Continued

- Break for Utilities' Review and Preparation of Responses
- Utilities' Responses to Public and City Council Questions
- City Council Deliberation and Discussion of Any Amendments to the Proposed Tariffs
- Executive Session for Legal Considerations (if necessary)
- Identification of Issues by City Attorney's Office and Council Direction Regarding Each Proposed Tariff
- Establish further proceedings as necessary

Procedural Compliance

- Preliminary Information for City Auditor and City Attorney
 - September 8, 2017 provided Electric, Water and OATT Cost of Service studies, which comprise the bulk of the evidence supporting the proposed changes
 - September 26, 2017 provided Service Reports (narrative summary describing proposed changes)
- Notice and Order for Hearing
 - October 10, 2017
 - Request to establish a Public Hearing date and formal filing of the 2018 Rate Case with City Clerk
 - Hard copy formal filing provided to City Council
 - Rate Case documents posted on CSU.org website
 - October 12, 2017 published Legal Notice
 - October 13, 2017 mailed Legal Notice
 - November 14, 2017 Rate Case Hearing

Office of City Auditor



Denny Nester
City Auditor

2018 Rate Case Hearing

Open Access Transmission Tariff



Sonya Thieme
Rates Manager

Open Access Transmission Tariff (OATT)

- OATT sets forth terms and conditions for wholesale high voltage electric transmission service
- OATT was adopted in 2000 and updated in 2005 and 2009
- Proposed changes in the 2018 Rate Case Filing:
 - Modernize terms and conditions provisions
 - Update the Annual Transmission Revenue Requirement (ATRR) based on Utilities' 2018 Electric Cost of Service Study.
- Utilities is participating in the Mountain West Transmission Group study and evaluating future participation in a Regional Transmission Organization

ATRR Proposed Two-Year Phase-In

- The ATRR is utilized to derive the rate for firm and non-firm point-to-point transmission service
 - Last updated in 2005 and increase approximately 150%
- Full implementation of ATRR results in approximately \$1.0 million additional annual revenue to Utilities
- Two-year phase-in approach is reasonable for a substantial increase and achieves balance between:
 - Material impact of increase to OATT customer(s); and
 - *De minimis* impact to non-OATT customers
- Effective January 1, 2019 the ATRR will reflect full 2018 Electric Cost of Service

City Council Regulatory Authority

- Colorado Springs City Code § 12.1.107(C)(4).
 - The City Council may amend the proposed resolution and revise any proposed base rate or regulation as a result of information presented at the public hearing.
- City Council will initially approve or disapprove the proposed tariff changes based on the information presented today at the Rate Hearing with options to include:
 - Proposed two-year phase-in of ATRR
 - Full implementation of ATRR

Public and City Council Comments and Discussion

Proposed changes to OATT

Identification of Issues by City Attorney's Office and Council Direction Regarding Proposed OATT Changes

2018 Rate Case Hearing

**Proposed changes to
Utilities Rules and Regulations and
the Electric and Water Rate
Schedules**

Sonya Thieme
Rates Manager



2018 Rate Case Overview

- 2018 Rate Case filing based on 2018 Sources & Uses Budget Ordinances and include proposed changes to:
 - Utilities Rules and Regulations
 - Electric Rate Schedules
 - Water Rate Schedules
- Highlights of the most common Rate Classes will be presented
 - The 2018 Rate Case filing contains the comprehensive proposed changes
- Cost of Service prepared following industry standards and practices
- Rates are designed in compliance with Rate Design Guidelines ¹³

Utilities Rules and Regulations (URR)



Proposed URR Changes

1. Contributions in Aid of Construction (Electric Line Extension)
2. Infill and Redevelopment-Economic Development and Special Contracts
3. Recovery Agreement-Water Extension Policy
4. Water Development Charges-Less than 1,500 square foot lot size

URR Tariff Changes

1. Contributions in Aid of Construction - Electric Line Extensions and Services

This change is the final year of a three year phase-in plan approved with the 2016 Rate Case to increase all Line Extension fees to full Colorado Springs Utilities cost.

- Two Electric fee increases at \$1.04 and \$2.23 per linear foot to achieve full cost fees for all line extensions and services effective January 1, 2018. (*Utilities Rules and Regulations Section I, Sheet 12 and 13*)

LINE EXTENSIONS		
Residential Electric Fees (Single Service only)		
<ul style="list-style-type: none"> • Inspection and Connection fee 	\$401.94	Electric, Sheet No. 65
<ul style="list-style-type: none"> • Return Trip fee (including late appointment cancellations) 	\$299.98	Electric, Sheet No. 65
<ul style="list-style-type: none"> • Distribution Charge (Contribution in Aid of Construction) <ul style="list-style-type: none"> ○ Single-phase primary distribution line ○ 3-phase main line, 22-75 circuit feet ○ 3-phase main line, 75-175 circuit feet ○ 3-phase underground main line, >175 circuit feet 	(sum the following:) \$17.36 <u>\$18.40</u> /linear foot \$11.37/circuit foot \$22.74/circuit foot \$54.74/circuit foot	Electric, Sheet No. 66 Electric, Sheet No. 66 Electric, Sheet No. 66 Electric, Sheet No. 66
Residential Electric & Gas Fees (Joint Service)		
<ul style="list-style-type: none"> • Inspection and Connection fee 	\$603.14	Electric, Sheet No. 65
<ul style="list-style-type: none"> • Return Trip fee (including late appointment cancellations) 	\$491.89	Natural Gas, Sheet No. 86
<ul style="list-style-type: none"> • Inspection and Connection fee for other polyethylene services less than 2" in diameter (Per Stub) 	\$522.26	Natural Gas, Sheet No. 86
<ul style="list-style-type: none"> • Distribution Charge (Contribution in Aid of Construction) <ul style="list-style-type: none"> ○ Single-phase primary distribution line ○ 3-phase main line, 22-75 circuit feet ○ 3-phase main line, 75-175 circuit feet ○ 3-phase underground main line, >175 circuit feet 	(sum the following:) \$13.31 <u>\$15.54</u> /linear foot \$11.37/circuit foot \$22.74/circuit foot \$54.74/circuit foot	Electric, Sheet No. 67 Electric, Sheet No. 67 Electric, Sheet No. 67 Electric, Sheet No. 67

URR Tariff Changes

2. Infill and Redevelopment - Economic Development (ED) and Special Contracts

This change expands ED Special Contract use to include infill/redevelopment projects by adding infill/redevelopment definition to contract application terms.

- Supports increased revenue from available assets by removing utility barriers for infill and redevelopment projects
- ED process will be updated to include return on investment analysis for infill/redevelopment projects. (*Utilities Rules and Regulations Section III, Sheet 32.1*)



City Council Volume No. 5

First Restated Sheet No. 32.1

Cancels ~~Second- Revised~~ Restated Sheet No. ~~18-532.1~~

UTILITIES RULES AND REGULATIONS

GENERAL

I. Economic Development Special Contracts

1. Utilities may execute special contracts with selected Non-residential, Commercial, Industrial or Contract Service Customers or may offer to execute special contracts with potential such Customers to support economic development and infill/redevelopment. If executed, the special contract shall contain specific provisions relating to the various rates, terms and conditions under which Utilities will provide service(s) to those Customers, including, but not limited to: 1) fee deferrals for Utilities charges and fees, 2) cost participation for relocations, extensions, and capacity improvements, 3) special rates for utility products and services, 4) revenue guarantees and 5) financial assurances. These specific provisions may differ from the applicable Tariff provisions. The special contract may concern one or more services. Except for the specific rates, terms and conditions contained within the special contract, services(s) shall be provided under the rates, terms and conditions set forth in the Tariffs.

URR Tariff Changes

3. Recovery Agreement-Water Extension Policy

This change allows a developer who installs an oversize main to recover on a standard size main after developer is reimbursed for the oversize portion.

- Existing tariff language allows for either reimbursement or recovery, but not both.
- Clarify language in tariff that Colorado Springs Utilities will reimburse the developer for differential cost of an oversize main. The developer can then initiate a recovery agreement on the remaining standard size main. (*Utilities Rules and Regulations Section 42, Sheet 118*)



City Council Volume No. 5
~~Original~~ First Revised Sheet No. 118
Cancels Original Sheet No. 11888

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.

URR Tariff Changes

4. Water Development Charges – Lot size less than 1,500 square feet

This change adds a water development charge for Inside City and Outside City Limits for lot sizes less than 1,500 square feet for new connections to Utilities' supply system. (*Utilities Rules and Regulations Section 41, Sheet 108*)

- Current Inside City less than 3,000 square foot lot is \$5,887. The proposed addition of a water development charge less than 1,500 square feet charge is \$5,779 or \$108 less.
- Current Outside City less than 3,000 square foot lot is \$8,830. The proposed addition of a water development charge less than 1,500 square foot charge is \$8,669 or \$161 less.



City Council Volume No. 5

~~Original~~ ~~First Revised~~ Sheet No. 108

Cancels ~~Fifth Revised~~ Original Sheet No. 8+108

UTILITIES RULES AND REGULATIONS

WATER

41. WATER DEVELOPMENT CHARGE

A Water Development Charge (WDC) is assessed for each new connection to Utilities' supply system except for those Customers receiving service under the Augmentation Water Service Rate Schedule. The applicable WDC is shown below.

A.1. For each Single-Family Residential Connection with a ¾ inch water meter:

Inside City Limits

Less than <u>Less than 1,500 square foot lot</u>	<u>\$5,779.00</u>
Less than <u>Between 1,500 and</u> 3,000 square foot lot	\$5,887.00
Between 3,000 and 4,999 square foot lot	\$6,533.00
Between 5,000 and 6,999 square foot lot	\$7,956.00
Between 7,000 and 8,999 square foot lot	\$9,292.00
Between 9,000 and 10,999 square foot lot	\$10,197.00
Between 11,000 and 14,999 square foot lot	\$11,555.00
15,000 square foot or larger lot	\$12,913.00

Outside City Limits

Less than <u>Less than 1,500 square foot lot</u>	<u>\$8,669.00</u>
Less than <u>Between 1,500 and</u> 3,000 square foot lot	\$8,830.00
Between 3,000 and 4,999 square foot lot	\$9,800.00
Between 5,000 and 6,999 square foot lot	\$11,934.00
Between 7,000 and 8,999 square foot lot	\$13,938.00
Between 9,000 and 10,999 square foot lot	\$15,296.00
Between 11,000 and 14,999 square foot lot	\$17,332.00
15,000 square foot or larger lot	\$19,369.00

Electric Service



Electric Summary

- Revenue Requirement reflects the implementation of Phase 3 of a 3 Phase plan to address Electric Revenue shortfall
 - Directed by Utilities Board in April 2016
- Total Base (non-fuel) Electric Revenue is \$329.9 million
 - \$7.8 million higher than revenue under current rates
 - Overall system increase 2.4% higher than current rates
 - Increased back to approximate 2016 Electric Revenue Requirement
 - 2017 Electric Revenue Requirement was \$13.9 million lower than the 2016 Electric Revenue Requirement
 - Primarily due to the anticipated revenue shortfall from the Industrial Service - Time of Day 1,000 kWh/Day Minimum (ETL) class

Electric Base Rate Overview

- Overall system base rate increase of 2.4%
 - 1.8% increase for Residential and Small Commercial
 - 7.1% Large Commercial
 - 0.0% to 12.5% increases in Industrial Rate Classes
 - No required increase for Industrial TOU 500 KW Minimum (E8T) or Industrial TOU 1,000 kWh/Day Minimum (ETL)
 - 3.0% Large Power and Light (ELG)
 - 12.5% Industrial TOU 4,000 kW Minimum (E8S)
 - 12.5% Industrial Transmission Voltage TOD (ETX)
 - 5.0% increase for Contract Services – DoD

Commercial Rate Option

- Optional Time-of-Day rates provide price signal to help reduce system peak demand and provide Customer:
 - Opportunity to adjust usage patterns to align with off-peak periods
 - Potentially realize savings over the standard rates
- Commercial Time-of-Day (ETC)
 - Rate Design currently not reflecting the appropriate price signal
 - Proposed rate increase of 18.0% or \$279,353 increase in revenue

2018 Rate Case Filing

2018 Electric Cost of Service Study

SCHEDULE 2

SUMMARY OF NET REVENUE REQUIREMENT AND PROPOSED REVENUE

Line No.	Rate Class	Net Revenue Requirement	Revenue Under Current Rates	Proposed Increase / Decrease	Percent Revenue Change	Proposed Revenue from Rates	Percent of Net Revenue Requirement
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)
					[(e) / (d)]	[(d) + (e)]	[(g) / (c)]
1	Residential/Small Commercial (E1R/E1C)	\$ 155,794,054	\$ 155,568,537	\$ 2,862,766	1.8%	\$ 158,431,303	101.7%
2	Residential Time-of-Day (ETR)	32,627	24,615	429	1.7%	25,044	76.8%
3	Commercial General (E2C)	48,272,485	45,107,740	3,211,046	7.1%	48,318,786	100.1%
4	Commercial TOD General (ETC)	1,530,467	1,554,657	279,353	18.0%	1,834,010	119.8%
5	Industrial TOD 1,000 kWh/Day Min (ETL)	57,069,835	57,144,132	-	0.0%	57,144,132	100.1%
6	Industrial TOD 500 kW Min (E8T)	34,267,032	35,592,802	-	0.0%	35,592,802	103.9%
7	Industrial Transmission Voltage TOD (ETX)	2,945,504	2,317,618	289,815	12.5%	2,607,433	88.5%
8	Industrial TOD 4,000 kW Min (E8S)	3,742,594	3,032,086	379,100	12.5%	3,411,185	91.1%
9	Industrial Service - Large Power and Light (ELG)	12,314,061	9,263,352	277,421	3.0%	9,540,773	77.5%
10	Traffic Signals (E2T)	230,312	231,987	-	0.0%	231,987	100.7%
11	Street Lighting (E7S)	160,205	235,343	(75,138)	-31.9%	160,205	100.0%
12	Contract Service - DOD (ECD)	13,262,900	11,846,871	589,444	5.0%	12,436,315	93.8%
13	Contract Service - Wheeling (ECW)	180,502	172,003	7,841	4.6%	179,844	99.6%
14	Total Electric	\$ 329,802,577	\$ 322,091,744	\$ 7,822,077	2.4%	\$ 329,913,821	100.0%

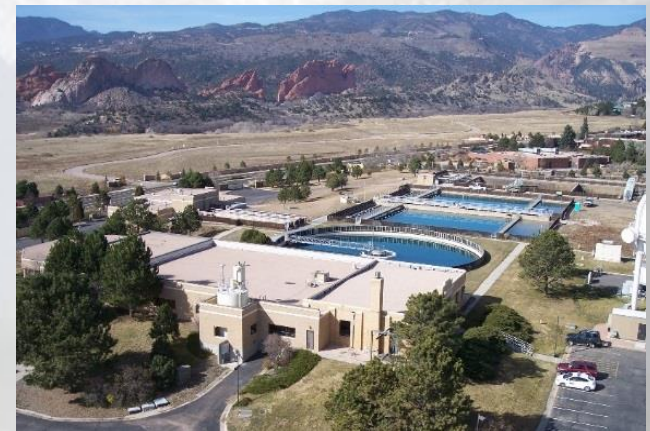
Additional Electric Tariff Changes

- Reserved Capacity Charge (RCC) for Enhanced Power Service
 - Optional rate available to Industrial customers requiring a greater level of electric reliability
 - 2017 comprehensive review of service and pricing
 - Modification to the Reserved Capacity Charge (RCC) pricing methodology
 - Filing decreases the RCC from \$0.0499 to \$0.0265 per kW per Day
- Community Solar Garden (CSG) Pilot Program Bill Credit and CSG Non-Pilot Bill Credit
 - Changes update Bill Credit on each tariff to reflect the current Electric Cost of Service study

SOLAR RATE CREDIT CALCULATION

Line No.	Rate Class	Current Solar Credit	Proposed Solar Credit	\$ Change	% Change
<u>(a)</u>	<u>(b)</u>	<u>(c)</u>	<u>(d)</u>	<u>(e)</u>	<u>(f)</u>
				<u>[(d) - (c)]</u>	<u>[(e) / (c)]</u>
1	Residential/Small Commercial (E1R/E1C)	\$ 0.0631	\$ 0.0680	\$ 0.0050	7.8%
2	Residential Time-of-Day (ETR)	0.0718	0.0811	0.0093	13.0%
3	Commercial General (E2C)	0.0652	0.0648	(0.0004)	-0.6%
4	Commercial TOD General (ETC)	0.0480	0.0493	0.0013	2.7%
5	Industrial TOD 1,000 kWh/Day Min (ETL)	0.0646	0.0622	(0.0023)	-3.6%
6	Industrial TOD 500 kW Min (E8T)	0.0551	0.0547	(0.0004)	-0.6%
7	Industrial Transmission Voltage TOD (ETX)	0.0536	0.0603	0.0067	12.4%
8	Industrial TOD 4,000 kW Min (E8S)	0.0471	0.0495	0.0024	5.1%
9	Industrial Service - Large Power and Light (ELG)	0.0472	0.0483	0.0012	2.4%
10	Contract Service - DOD (ECD)	0.0547	0.0556	0.0009	1.7%

Water Service



Water Summary

- Total Water Revenue is \$191.7 million
 - \$7.7 million higher than revenue under current rates
- Overall system increase 4.2% higher than current rates
 - 3.0% increase for Residential
 - 5.3% increase for Nonresidential
 - 7.0% increase for Contract Services – DoD
 - 12.1% increase for Nonpotable
 - No increase for Large Nonseasonal
 - 3.5% increase effective 1/1/18 from two-year phase-in approved 11/8/2016

2018 Rate Case Filing

2018 Water Cost of Service Study

SCHEDULE 2

SUMMARY OF NET REVENUE REQUIREMENT AND PROPOSED REVENUE

Line No.	Rate Class	Net Revenue Requirement	Miscellaneous Service - Nonpotable Adjustment	Net Revenue Requirement After Adjustments	Revenue Under Current Rates	Proposed Increase / (Decrease)	Percent Revenue Change	Proposed Revenue from Rates	Percent of Net Revenue Requirement
(a)	(b)	(c)	(d)	(e) [(c) + (d)]	(f)	(g)	(h) [(g) / (f)]	(i) [(f) + (g)]	(j) [(i) / (e)]
1	Residential Service ⁽¹⁾	\$ 94,744,394	\$ -	\$ 94,744,394	\$ 92,521,609	\$ 2,804,641	3.0%	\$ 95,326,250	100.6%
2	Nonresidential Service ⁽¹⁾	79,100,265	510,337	79,610,601	76,055,558	4,054,965	5.3%	80,110,522	100.6%
3	Contract Service	9,653,680	-	9,653,680	8,266,095	580,080	7.0%	8,846,174	91.6%
4	Large Nonseasonal Service ⁽²⁾	4,928,697	-	4,928,697	4,641,706	-	0.0%	4,641,706	94.2%
5	Miscellaneous Service - Nonpotable	3,292,426	(510,337)	2,782,089	2,481,675	300,413	12.1%	2,782,089	100.0%
6	Total	\$ 191,719,462	\$ -	\$ 191,719,462	\$ 183,966,642	\$ 7,740,099	4.2%	\$ 191,706,741	100.0%

Notes:

⁽¹⁾ Values are inclusive of inside and outside city limit service.

⁽²⁾ Revenue under current rates include the second of a two-phase rate increase approved by City Council on November 8, 2016. The second phase increases the Large Nonseasonal commodity rate by 3.5% effective January 1, 2018.

Water Rate Design Components

- Proposed rate increases consistent with Rate Design Guidelines
 - All Rate Classes within plus/minus 10% of COS
 - Except Nonpotable at 84.5% of proposed revenue as a percentage of COS (prior to adjustment)
 - This is the third increase in a five year plan to move Nonpotable to COS
- Residential Rate Design –100% of increase to Block 1
 - Proposed Block 1 increase from \$0.0349 to \$0.0381 for first 999 cubic feet
 - Price increase approximately 22% below Average Commodity Cost
 - Average Class Commodity Cost of \$0.0488 per cubic foot
 - Stabilize Revenue
 - Approximately 70% of unit sales estimated in Block 1
 - Increases total water bill in proportion to use and provide customer control

Wastewater Service



Wastewater Summary

- No proposed increases in the 2018 Rate Case Filing
- Phase-two Wastewater Rates Changes approved in 2016 effective January 1, 2018
 - 0.8% decrease for Residential
 - 1.8% increase for Nonresidential
 - 5.5% increase for Contract Services – Military and Outside City

Total Typical Monthly Bill



Total Residential Typical Bill

Rate Schedule	Current Rates	Proposed Rates	Increase/ (Decrease)	% Change
<u>(a)</u>	<u>(b)</u>	<u>(c)</u>	<u>(d)</u> [(c) - (b)]	<u>(e)</u> [(d) / (b)]
Electric - Non-fuel	\$ 68.44	\$ 69.70	\$ 1.26	1.8%
Fuel Capacity & ECA	18.69	18.69	-	0.0%
Electric Service Total	\$ 87.13	\$ 88.39	\$ 1.26	1.4%
Natural Gas - Non-fuel	\$ 21.66	\$ 21.66	\$ -	0.0%
Fuel Capacity & GCA	18.59	18.59	-	0.0%
Natural Gas Service Total	\$ 40.25	\$ 40.25	\$ -	0.0%
Water	\$ 62.72	\$ 65.91	\$ 3.19	5.1%
Wastewater	32.25	32.01	(0.24)	-0.7%
Total	\$ 222.35	\$ 226.56	\$ 4.21	1.9%

Total Commercial Typical Bill

Rate Schedule	Current Rates	Proposed Rates	Increase/ (Decrease)	% Change
<u>(a)</u>	<u>(b)</u>	<u>(c)</u>	<u>(d)</u> <u>[(c) - (b)]</u>	<u>(e)</u> <u>[(d) / (b)]</u>
Electric - Non-fuel	\$ 393.05	\$ 421.03	\$ 27.98	7.1%
Fuel Capacity & ECA	158.40	158.40	-	0.0%
Electric Service Total	\$ 551.45	\$ 579.43	\$ 27.98	5.1%
Natural Gas - Non-fuel	\$ 207.10	\$ 207.10	\$ -	0.0%
Fuel Capacity & GCA	364.68	364.68	-	0.0%
Natural Gas Service Total	\$ 571.78	\$ 571.78	\$ -	0.0%
Water	\$ 208.84	\$ 218.74	\$ 9.90	4.7%
Wastewater	110.45	112.14	1.69	1.5%
Total	\$ 1,442.52	\$ 1,482.09	\$ 39.57	2.7%

Total Industrial Typical Bill

Rate Schedule	Current Rates	Proposed Rates	Increase/ (Decrease)	% Change
(a)	(b)	(c)	(d) [(c) - (b)]	(e) [(d) / (b)]
Electric - Non-fuel	\$ 22,401.74	\$ 22,401.74	\$ -	0.0%
Fuel Capacity & ECA	10,177.60	10,177.60	-	0.0%
Electric Service Total	\$ 32,579.34	\$ 32,579.34	\$ -	0.0%
Natural Gas - Non-fuel	\$ 1,858.78	\$ 1,858.78	\$ -	0.0%
Fuel Capacity & GCA	3,646.84	3,646.84	-	0.0%
Natural Gas Service Total	\$ 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%
Total	\$ 42,161.90	\$ 42,356.79	\$ 194.89	0.5%

Customer Outreach

Colorado Springs Utilities
It's how we're all connected

UNDERSTANDING WATER SERVICES 2018 RATE CASE

The Value of Water

Colorado Springs is the only major city in the state that is not located on or near a major river

In 2016, we served half a million customers with 20 billion+ gallons of high-quality water

Water costs a penny a gallon for residential customers

Water Quality

The Mesa Water Treatment Plant, built in 1942, needs upgrades

FVA
We're upgrading the Fountain Valley Authority (FVA) Water Plant to improve the treatment process

We perform 50,000 water quality tests annually on 12,000+ water samples

System Upgrades

The Water Main Replacement Program improves the water distribution system

Relocating the 30" Hanjow pipeline provides source water to the Mesa Water Treatment Plant

Potable water tank refurbishment program addresses issues found during periodic condition assessment

Increased Maintenance

We are coordinating with the City on their re-paving initiative

The Water Infrastructure Corrosion Program (WICP) helps ensure safe and reliable water service

If water rates are not increased, it could take 250 years to renew the system

Asset Management

Most of our water is first source & is transported from 100+ miles away

Prioritization of pipe replacements based on their condition

Water supply, delivery & treatment investments including finishing designs at the 33rd Street Pump Station

Colorado Springs Utilities
It's how we're all connected

WHO WE ARE

Community-Owned Utility

We provide safe, reliable, competitively-priced electric, natural gas, water and wastewater services to our customers

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

Residential Customers

The industry is quickly changing, & we're working to further align the organization with increasing demands & evolving operational practices

We offer a number of customer assistance programs for customers who have a difficult time paying their monthly utility bill

Commercial & Industrial Customers

In a 22 city comparison of industrial utility bills, Colorado Springs Utilities ranked fourth in affordability for the cost of the total industrial bill

Most commercial and industrial customers will see an increase for wastewater services to better align them with the cost of service

Environmental Stewards

Create proactive, innovative solutions that help customers save resources, support sustainability and our environment

We educate customers on using energy resources wisely, which result in money & resource savings

Financial Stability

AA
We maintain one of the highest bond ratings among U.S. utilities, according to Moody's Fitch & Standard & Poor's

✓
Adjusted debt service coverage = 1.85
Days cash on hand = 140

Colorado Springs Utilities
It's how we're all connected

UNDERSTANDING ELECTRIC SERVICES 2018 RATE CASE

Electric Use

A diverse fuel mix gives us flexibility & takes advantage of market conditions

The annual electric use in Colorado Springs: 5 billion kilowatt hours

We rank in the top 9 percent for Power, Quality & Reliability according to I.D. Power

Key Rate Drivers

Aging system: Ongoing inspection and repair of plants and equipment

Total fuel operations & maintenance costs for 2018 are \$238 million

We are committed to environmental, reliability & security standards

Security & Reliability

99.999%

Our average electric system availability & reliability

When an outage occurs, we restore service in less than 48 minutes on average

We implement cyber security countermeasures to protect our electric grid

Service

225,406
Number of active electric service customers

J.D. Power & Associates Industry leader in promptly restoring power after an outage

In the last 8 years, we have added 300+ miles of electric lines in our service territory

Renewable Energy & Conservation

We're planning expansion of our business Lighting program

We're adding 80-100 megawatts of solar energy by 2020

We offer more than 25 efficiency and renewable energy rebates

Proposed bill changes described in:

- CSU.org website
- Online bill calculator
- Electronic customer newsletters
- One-on-one meetings with large business customers
- Community and customer group presentations
- Utilities Board and City Council meetings
- Social media channels
- Newspaper, radio and TV news coverage

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%

Programs Helping Customers

- Bill assistance
 - Project COPE (Citizens Option to Provide Energy) Program
 - Low income Energy Assistance Program (LEAP)
- High Bill Counseling
 - Conservation Education
 - Home Energy Assistance Program (HEAP)
- Payment Plans
 - Budget billing



Public Questions and Comments

Proposed changes to
Utilities Rules and Regulations and
the Electric and Water Rate Schedules

City Council Questions and Comments

**Proposed changes to
Utilities Rules and Regulations and
the Electric and Water Rate Schedules**

Break

Utilities' Response

Executive Session For Legal Considerations (if necessary)

**Identification of Issues
by City Attorney's Office
And Council Direction Regarding
Proposed changes to
Utilities Rules and Regulations and
the Electric and Water Rate Schedules**