BEFORE THE CITY COUNCIL OF
THE CITY OF COLORADO SPRINGS

IN THE MATTER OF THE REVISION	)	
OF THE ELECTRIC TARIFF OF	)	DECISION & ORDER 17-02 (E)
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 electric utility service within the City and within its Colorado Public Utilities Commission-certificated service territory outside of the City.

2. Utilities proposes changes to the Electric and Water Rate Schedules, Utilities Rules and Regulations ("URR"), and the Open Access Transmission Tariff ("OATT") in the 2018 Rate Case filing.

3. Utilities uses a Cash-Needs method to determine the total electric and water revenue requirement derived from the annual budget. This technique is frequently utilized by other government-owned enterprise utilities in order to set rates at an appropriate level to recover sufficient revenues to cover all cash needs. A major advantage of this technique is consistency with the budgeting and accounting systems used by these entities.

4. Utilities conducted a Cost of Service ("COS") study for Electric and Water. The test year for this filing is the 2018 proposed budget. The rate analysis concluded rate adjustments are required for the Electric and Water services.

5. The proposed effective dates for Utilities' tariff changes are January 1, 2018, and January 1, 2019.

6. Utilities noted in its filing that although Wastewater rates are not addressed in the filing, previously approved Wastewater rates will go into effect on 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, rates for Residential Service will decrease by 0.8%, Nonresidential Service will increase by 1.8%, and Contract Services, Military and Outside City will increase by 5.5%.

7. Utilities has an Aa2/AA/AA stable credit rating from Moody's, Fitch Ratings, and Standard & Poor's, one of the highest ratings among all public power utilities in the nation. Maintaining this rating requires achieving financial metrics that provide assurance to the rating agencies of a sound financial position. The three metrics most closely monitored by the rating agencies are Debt Service Coverage/Fixed Cost Coverage, Days Cash on Hand and Debt Ratio. While there are guidelines from each agency on the level at which these three metrics should be maintained, it is the combination of these metrics and selected other factors that result in the final credit rating.

8. In September 2017, all three rating agencies (Moody's, Fitch Ratings, and Standard & Poor's) affirmed a AA (Aa2 Moody's) rating for Utilities with a stable outlook. Moody's stated that its rationale reflects Utilities' above average service area, characterized by a large regional military presence; the history of sound rate setting and board policies to ensure stable financial metrics; and strong liquidity.

9. The stable outlook reflects Moody's expectation that Debt Service Coverage ratios and sound liquidity will continue in the 2017-2018 timeframe. Moody's expects a AA rated utility to achieve Adjusted Debt Service Coverage of at least 2.0x. The 2018 Proposed Appropriation provides for an Adjusted Debt Service Coverage of 1.85, including Surplus Payments to the City in the calculation, which meets the criteria for an A rated utility. Moody's expects a AA rated utility to carry 150 to 250 Days Cash on Hand, including open lines of credit and capacity under the commercial paper program. The 2018 Days Cash on Hand is projected to be 135 days, and when combined with Utilities' current lines of credit and available commercial paper capacity, meets the AA goal and provides additional cash to fund capital projects if proposed revenue from rates are recognized through the course of the year. Moody's expects a AA rated utility that owns generation to maintain a Debt Ratio between 35% and 60%. Due to the large capital program over the past several years, the Debt Ratio exceeded 60% until 2016. A planned approach to cash-fund more capital has allowed for a projected 2018 Debt Ratio of 55.5%, which meets the sub 60.0% target for a AA rated utility.

10. Utilities engages in the production, purchase, and distribution of electricity. These activities incur fuel related (production and purchases) and non-fuel related (production and distribution) expenditures. Fuel related expenditures are currently recovered through the Electric Cost Adjustment ("ECA"). Non-fuel related expenditures are recovered through Access and Facilities Charges and Demand Charges. The filing proposes changes to the non-fuel related charges.

11. Utilities conducted the COS study utilizing the Proposed 2018 Budget. The 2018 Electric Revenue Requirement reflects the final implementation of a 3-phase plan directed by the Colorado Springs Utilities Board ("Utilities Board") in April 2016, to address Electric revenue shortfall. As part of Phase 3, the 2018 Electric Revenue Requirement is increased by $7.8 million to return to the approximate 2016 Electric Revenue Requirement prior to reductions made due to the anticipated revenue shortfall from the Industrial Service - Time of Day 1,000kWH/Day Minimum (ETL) class. Additionally, increases not to exceed 12.5% have been applied to all standard Rate Classes below COS with the intent to bring overall balance to all rate classes within the Electric portfolio.

12. As part of its review of the 2015 Electric Rate Filing, the Office of the City Auditor ("OCA") observed that actual non-fuel revenues were significantly less than forecast for the Electric Industrial rate classes combined. OCA recommended Utilities research the variances. In particular, the ETL rate class appeared to be the primary driver of the revenue variances observed. In 2015, Utilities initial analysis of the 2010 through 2014 period attributed revenue under recovery to variances between forecasted and actual

billed demands. Specifically, the analysis indicated that the projected demand billing determinants were not in line with the historical billed demands for several rate classes, but especially for the ETL Rate Class.

13. Based on this analysis, Utilities implemented an initial process improvement in the 2016 Electric Rate Filing approved by the City Council, for deriving demand billing determinants used in Rate Design utilizing forecasted demands based on actual billed demands. This methodology change produced reasonable revenue recovery for all Industrial Rate Classes except ETL. While Utilities projected a shortfall in revenue for the ETL class, this anticipated shortfall was not shifted to other Rate Classes in the 2016 approved Rate Filing. Additionally, Utilities provided Utilities Board a shortfall contingency plan to manage under-collections through expenditure reductions and financial metrics.

14. In 2016, Utilities also initiated a comprehensive Demand Study for ETL which concluded and confirmed the root cause of the ETL revenue shortfall was a divergence between projected and actual billed demands. The study also validated the appropriateness of fully implementing the process improvement initiated in the approved 2016 Electric Rate Filing of using forecast demands in Rate Design based on historical billing data.

15. Following the conclusion of the ETL Demand Study at the end of the first quarter of 2016, on April 20, 2016, the Utilities Board directed a long-term approach to bring the ETL rate to full COS. The first increase of 4% to the ETL rate was approved by City Council on June 28, 2016 and effective July 1, 2016. The second increase of 12.5% was approved, effective January 1, 2017. A third increase, if required, was anticipated to be included in this filing, to take effect January 1, 2018. The amount and impact of the third change was to be based on the best and most timely data available at that time.

16. One of the conclusions of the ETL Demand Study was that forecasted demands based on prior year load study results had been overstated. This necessitated reviewing and updating the annual Load Study for use in the 2018 COS. Utilities retained consultant services from ITRON to review and conduct an updated comprehensive load study which was subsequently used as the basis of the forecasted demands incorporated in the 2018 Electric Cost of Service.

17. Utilities performed a COS following generally accepted ratemaking practices to establish a starting point for determining just and reasonable rates in the filing. The COS uses systematic analytical procedures to equitably allocate the revenue requirement between various customer classes of service. As described in the Rate Manual in the Appendix of the filing, COS is used to:

    a) Functionalize, at the account level, the relevant expenditure items to the basic functional categories (e.g. source of supply, transmission and distribution and customer);
    b) Classify each functionalized cost into broad categories utilizing cost causation principals (e.g. commodity, demand, customer); and

c) Allocate to the customer rate classes based on the service characteristics of each individual rate class.

18. In September 2014, the Utilities Board approved the Rate Design Guidelines that establish guidance, structure, and transparency in the development of the revenue requirement by Rate Class. The fundamental guidance directs that rates should be designed such that each customer rate class recovers costs that are appropriately assigned to that rate class utilizing COS, professional judgment, and discretion, and if necessary, is supported by additionally identified Supporting Guidelines. Supporting Guidelines include reasonableness, rate stability, asset maximization, and economic development.

19. 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.

20. Utilities examined the relationship of the customer rate classes to their respective COS. Utilities sought to bring rate classes to within plus or minus 10% of their total COS in accordance with the Reasonableness Guideline while lending credence to the Rate Stability Guideline to mitigate rate shock.

21. Using these guidelines collaboratively and in conjunction with Utilities Board direction, Utilities proposes rate changes ranging from 0.0% to 12.5% for all standard rate offerings.

22. Utilities also proposes rate changes from -31.9% to 18.0% for some of the non-standard, optional, or contract rate offerings.

23. The highest proposed rate increase of 18.0% was applied to the optional Commercial Time-of-Day (ETC) customer Rate Class which was largely driven by an adjustment in the rate design as part of an initiative to reduce peak demand and provide a more appropriate price signal. This holistic rate design approach continues to move rate classes closer to COS and achieves full recovery of the system revenue requirement.

24. The following is a list of proposed approaches for specific rates:

    a) Industrial Service – Time-of-Day Service 1,000 kWh/Day Minimum (ETL): In accordance with Utilities Board guidance as of April 20, 2016, Utilities has taken the final step in the three-step phase-in plan to bring the ETL class closer to their Cost of Service. Since current revenues reflect that ETL will be adequate to cover their calculated COS for the class, no rate increase is necessary.

    b) The Large Power and Light (ELG): The ELG rate class was designed to attract and retain customers with a large industrial load and high system load factor. Asset maximization characteristics of the ELG rate are demonstrated through a narrower range between average and peak loads, increased Electric system efficiency gained through high load factor and deferment of capacity capital cost.

The ELG rate was originally designed to recover less than full COS and seeks to maintain a reasonable range below COS when considering adequate cost recovery of the entire Electric portfolio. Utilities proposes a 3% rate change for the ELG Rate Class in this filing resulting in proposed revenues at 77.4% of COS supported through the application of the Rate Design Guidelines, Asset Maximization, and Economic Development Supporting Guidelines

c) Industrial Service – Transmission Voltage (ETX) and Industrial Service – Time-of-Day Service 4,000 kW Minimum (E8S): ETX and E8S are both standard offerings for various industrial service customers. COS reflects these customer classes as requiring the maximum increases allowed under Utilities Board guidance for this final phase. The proposed 12.5% rate increases to both ETX and E8S result in approximately 88.5% and 91.1% of COS respectively. The proposed increases take a measured approach to balance adequate rate recovery with mitigating potential rate shock and providing rate stability to customers in those classes.

d) Residential Time-of-Day (ETR): In the 2017 Rate Case, the proposed rates for this rate option were modified to provide customers greater flexibility in their usage patterns to realize savings over the standard residential rate while maintaining the price signal to help reduce system peak demand. The current price signal is adequate, but to maintain the savings threshold, the rate change is aligned with the standard residential rate change.

e) Commercial Time-of-Day (ETC) Adjustment: ETC is a rate option offering commercial customers an opportunity to potentially lower their bill by adjusting their usage patterns to align with off-peak periods as denoted in the tariff. Last year, in reviewing the rate, it was noted that the rates, in their current state, are not designed with the appropriate price signal intended for this rate offering. As the rates existed in 2016, bringing them to an adequate price signal required a significant increase of approximately 69%. To mitigate rate shock associated with such an increase, Utilities proposed a three-year phase-in of rate adjustments for this rate option. The proposed rate increase of 18.0% for 2018 is the second year of the three-year phase-in plan.

f) Non-Municipal Government Streetlights (E7S): The rate proposals included in this filing address only changes to Electric (Non-Municipal Government) Street Lighting E7S customers. The proposed rate reductions reflect adjustment to approximately 100% of class COS.

g) Contract Service – DoD (ECD) and Contract Service – Wheeling (ECW): The proposed increases to the ECD and ECW class place them within a reasonable position relative to their COS while again giving consideration of balancing adequate rate recovery and providing rate stability.

25. In addition to the general Electric tariff changes explained, Utilities 2018 Rate Case proposes the following additional changes:

    a) Enhanced Power Service Reserved Capacity Charge ("RCC"): This change modifies the RCC. The RCC is incurred by Enhanced Power customers and is designed to recover the costs of reserving capacity on Utilities' system which are associated with the customer's requested higher level of electric availability. A comprehensive review conducted through 2017 determined the Enhanced Power Service is not impacting transmission load or capacity, and thus, transmission expenses are not applicable in the pricing of the RCC rate. As such, the change decreases the rate from $0.0499 to $0.0265 per kW per day. (*Electric Rate Schedule Sheet No. 37*)

    b) Community Solar Garden Pilot Program: This change updates the CSG Pilot Program blended Bill Credit to reflect the proposed Electric service rate increases. (*Electric Rate Schedule Sheet No. 40.5*)

    c) Community Solar Garden (Non-Pilot): This change updates the rates on the Community Solar Garden (Non-Pilot) Bill Credit table based on the proposed Electric service rates. (*Electric Rate Schedule Sheet No. 40.14*)

26. In addition to the proposed Electric Tariff revisions, Utilities proposes changes to the Water Tariff, the URR and the OATT.

27. Utilities filed its COS study supporting the OATT and the Electric and Water services base rate and Tariff changes with the City Auditor, Mr. Denny Nester, and with the City Attorney, Ms. Wynetta Massey, on September 8, 2017. Utilities then filed the enterprise's formal proposals on October 10, 2017, 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 October 10, 2017, in *The Gazette* on October 12, 2017, and mailed on October 13, 2017. These various notices and filings comply with the requirements of §12.1.107 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.

28. The information provided to the City Council and held open for public inspection at the City Clerk's Office was supplemented by Utilities on November 9, 2017. The supplemental material contained updated typical bill comparisons, corrections to typographical errors, copies of the publications of required legal notice, public outreach information, the City Auditor's report, and the Statement Position of the Department of Defense.

29. Prior to the public hearing, Utilities provided a copy of the complete rate filing to the City Auditor and to the City Attorney for review. The City Auditor issued his findings

on the proposed rate and tariff changes, dated November 2017. A copy of that report is contained within the record.

30. On November 14, 2017, the City Council held a public hearing concerning the proposed changes to the Electric and Water Tariffs, the URR, and the OATT. This hearing was conducted in accordance with §12.1.107 of the City Code, the procedural rules adopted by City Council, and the applicable provisions of state law.

31. President of the Council Richard Skorman commenced the rate hearing.

32. The presentations started with Mr. Christopher Bidlack of the City Attorney's Office, briefing 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 quasi-judicial 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 Electric service must be just, reasonable, sufficient, and not unduly discriminatory, City Code §12.1.107(E). Rates for Water service must be reasonable and appropriate in light of all circumstances, City Code § 12.1.107(F).

33. 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 there were no *ex parte* communications.

34. Mr. Bidlack then presented the hearing agenda, noting that the OATT presentation would precede the general rate case presentation. He then noted that Utilities' filing fulfilled proper procedural compliance requirements by (1) filing a preliminary COS study with the OCA on September 8, 2017, (2) requesting a public hearing date and filing the 2018 Rate Case with the City Clerk on October 10, 2017, (3) posting the filing to www.csu.org on October 10, 2017, (4) publishing notice on October 12, 2017, and (5) mailing required legal notices on October 13, 2017.

35. Mr. Nester, the Colorado Springs City Auditor then presented his report on the entirety of Utilities filing. Mr. Nester explained that his office reviewed Utilities' cost of service and concluded that it supports the proposed rate changes and was accurately and properly prepared. He noted that his report provided one observation for future improvement and that Utilities agreed to work on that issue.

36. Councilmember Tom Strand asked Mr. Nester for additional information on his observation. Mr. Nester explained that in reviewing historical information, projected amounts have not matched actual funds received by Utilities. Mr. Nester clarified that his observation represents an opportunity for improvement, not a finding.

37. Ms. Sonya Thieme, Utilities' Rates Manager, provided the enterprise's proposals.

38. Ms. Thieme first gave Utilities presentation on the OATT. She explained that the OATT sets forth terms and conditions for wholesale high voltage electric transmission service and was adopted in 2000, and updated in 2005 and 2009. The proposed changes in the 2018 Rate Case Filing: (1) Modernize terms and conditions provisions; and (2) Update the Annual Transmission Revenue Requirement ("ATRR") based on Utilities' 2018 Electric COS. The primary driver of the filing is the Mountain West Transmission Group study and possible future participation in a Regional Transmission Organization.

39. She explained Utilities' recommendation to phase the ATRR increase over two years is due to the *de minimus* impact such a phase in would have on Utilities' base customers.

40. To conclude the OATT presentation, Ms. Thieme highlighted City Council's regulatory authority and noted that City Council may determine whether to follow Utilities' recommendation of a two-year phase in.

41. Following the OATT presentation, President Skorman opened public comment regarding the proposed OATT changes.

42. Mr. Curtis Mitchell, the Utilities Director for the City of Fountain spoke. Mr. Mitchell noted that the City of Fountain is the largest OATT customer and that it supports the proposed changes to the OATT. Mr. Mitchell also noted his appreciation for Utilities' staff's inclusion of Fountain in OATT discussions.

43. President Skorman then opened City Council comments and discussion.

44. Councilmember Don Knight commented that Utilities and City Council received a statement from the Department of Defense. The statement indicated that the Department of Defense has several concerns regarding Utilities' selected methodologies, but that the solution is to work with Utilities in future years to address the concerns. Utilities told the Department of Defense it will continue to work with them.

45. Following the conclusion of City Council comments, Mr. Bidlack presented the issues for decision related to the OATT. City Council directed that the terms and conditions be approved as proposed and that the ATRR be phased in over two years.

46. Ms. Thieme then presented Utilities' Rate Case presentation. She started by providing an overview of the 2018 Rate Case. She noted that the 2018 Rate Case filing includes proposed changes to the (1) Electric Rate Schedules, (2) Water Rate Schedules, and (3) URR. Additionally, the COS is prepared following industry standards and practices and rates are designed in compliance with Rate Design Guidelines.

47. Ms. Thieme first noted the proposed changes to the URR. Those proposed changes are as follows:

a) 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 2015 Rate Case to increase all Line Extension fees to full Colorado Springs Utilities costs. The changes are 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)*

b) Infill and Redevelopment - Economic Development and Special Contracts: This change expands Economic Development Special Contract use to include infill/redevelopment projects by adding infill/redevelopment to the list of justifications for entering a contract under this provision. This supports increased revenue from available assets by removing utility barriers for infill and redevelopment projects. The Economic Development process will be updated to include return on investment analysis for infill/redevelopment projects. (*Utilities Rules and Regulations Section III, Sheet 32.1*)

c) 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. The existing tariff language allows for either reimbursement or recovery, but not both. The proposed change clarifies 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*)

d) 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*)

48. Next, Ms. Thieme provided a summary of the Electric Service changes. The revenue requirement reflects the implementation of Phase 3 of a three phase plan to address Electric revenue shortfall as directed by the Utilities Board in April of 2016. The total base (non-fuel) Electric revenue is $329.9 million. This is $7.8 million higher than the 2017 Electric revenue requirement, with an overall system increase of 2.4% compared to current rates. This increase moves the electric revenue requirement back to the approximate 2016 revenue requirement. This phased approach is primarily due to the previously anticipated revenue shortfall from the Industrial Service - Time of Day 1,000kWH/Day Minimum (ETL) class.

49. Ms. Thieme then summarized the rate impacts to the different customer types. The proposed rates include a 1.8% increase for Residential and Small Commercial rate classes and a 7.1% increase for Large Commercial customers. The Industrial Rate Classes rate increases range from 0.0% to 12.5%, as follows: (1) No required increase for Industrial TOU 500 KW Minimum (E8T) or Industrial TOU 1,000 kWh/Day Minimum (ETL); (2) 3.0% Large Power and Light (ELG); (3) 12.5% Industrial TOU 4,000 kW Minimum

(E8S); and (4) 12.5% Industrial Transmission Voltage TOD (ETX). There is also a proposed 5.0% increase for Contract Services – DOD.

50. The presentation then specifically noted the optional rate option, Commercial Time-of-Day (ETC). Optional Time-of-Day rates provides a price signal to help reduce system peak demand and provide customers: the opportunity to adjust usage patterns to align with off-peak periods and the potential to realize savings over the standard rates. The ETC rate does not currently reflect the appropriate price signal. The proposed ETC rate addresses the price signal by increasing the rate by 18%, which represents a $279,353 increase in revenue.

51. Ms. Thieme concluded her presentation on Electric service changes by noting the additional proposed Electric tariff changes: (1) the Enhanced Power Service Reserved Capacity Charge ("RCC") was evaluated and the filing proposes to reduce the RCC from $0.0499 to $0.0265 per kW per day based on a revised methodology to the RCC pricing; (2) the Community Solar Garden (CSG) Pilot Program Bill Credit is updated to reflect the proposed Electric service rate increases; and (3) the CSG Non-Pilot Bill Credit is updated based on the proposed Electric service rate increases.

52. Ms. Thieme then addressed the proposed changes to the Water tariff.

53. Councilmember Knight noted his appreciation that the start of the Water tariff presentation started with a picture of the late Gary Bostrom. His appreciation was roundly echoed.

54. The proposed total water revenue is $191.7 million, which is $7.7 million higher than revenue under current rates. The overall system increase is 4.2% higher than current rates. The increase breaks down as a 3.0% increase for Residential, 5.3% increase for Nonresidential, 7.0% increase for Contract Services – DOD, and 12.1% increase for Nonpotable customers. The Large Nonseasonal rate class is not impacted by the proposed filing, but is subject to a 3.5% increase effective January 1, 2018, that was approved on November 8, 2016.

55. The proposed water rate increases are driven by (1) operating and maintenance increases (a) to assess and repair critical infrastructure in support of long-term asset management goals, (b) for planning and investment in supply, delivery, and treatment to ensure continued compliance of drinking water regulations, and (c) for allocated costs for technology upgrades; and (2) debt service related to water capital projects and financial metrics to maintain "AA" Credit Rating.

56. The proposed water rate increases are consistent with the Rate Design Guidelines. All rate classes are within +/- 10% of COS, with the exception of Nonpotable service which will be at 84.5% of the proposed revenue as a percentage of COS as part three of a five year phase in. Additionally, the proposed increase for Residential Water Service is limited to Block 1. The proposed Block 1 increase is from $0.0349 to $0.0381 for the first 999 cubic feet. This price increase results in the Block 1 price being approximately

22% below the Average Commodity Cost of $.0488 per cubic foot. This approach stabilizes revenue as approximately 70% of unit sales are estimated in Block 1. This also increases total water bill in proportion to use and provides customer control.

57. Ms. Thieme concluded her review of proposed changes to the service tariffs by addressing Wastewater. While there are no proposed Wastewater changes in Utilities' filing, Wastewater rate changes were approved by City Council in 2016 and will be effective on January 1, 2018. The changes include a 0.8% decrease for Residential service, a 1.8% increase for Nonresidential service, and a 5.5% increase for Contract Services – Military and Outside the City service.

58. Ms. Thieme then provided a summary of the overall impact of the proposed rate changes (and the previously approved Wastewater changes) to a four service utility bill. The typical Residential customer will see a 1.9% or $4.21 increase to their bill. The typical Commercial customer will see a 2.7% or $39.57 increase to their bill. And, the typical Industrial customer will see a 0.54% or $194.89 increase to their bill.

59. Next, Ms. Thieme addressed the customer outreach Utilities performed in relation to the 2018 Rate Case filing. The customer outreach was carried out throughout October and November and included newsletter information about the proposal and hearing dates, required public notice, and meetings with commercial and industrial customers. She 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.

60. Ms. Thieme concluded by addressing the statement provided by the Department of Defense and the discussions Utilities held with the Department of Defense. Ms. Thieme concurred with the characterization of the statement provided by Councilmember Knight previously. She also noted the strong working relationship between Utilities and the Department of Defense.

61. After Utilities' presentation, President Skorman opened the floor for public comment. President Skorman explained that the questions would be collected, both from the public and the City Council, and then Utilities would have a short break to formulate responses, if necessary.

62. No customers made comments on Utilities' proposed changes.

63. Following the opportunity for public comment, President Skorman opened the floor to questions from the City Council.

64. Councilmember David Geislinger provided the first comment. He explained that he does not have any concerns regarding the proposed rates, but asked Utilities' CEO, Mr. Jerry Forte, to address and facilitate a discussion on the customer concerns regarding high water bills in August 2017 in the northeast portion of Colorado Springs.

65. Councilmember Strand spoke next and emphasized that the apparent ease of the rate proceedings should not discount the extensive work that was done by Utilities' staff on the 2018 Rate Case. He expressed his appreciation for Utilities' staff and noted the difficult work that goes into capturing the cost to provide utility service to the varying customers that Utilities serves.

66. Next to speak was Councilmember Andy Pico. He echoed Councilmember Strand's comments and emphasized that the Utilities Board Finance Committee spent significant time working with Utilities' staff to vet all of the proposed rates and changes.

67. Councilmember Knight concluded Council comments. He expressed similar appreciation for Utilities' Staff and noted the diligent work of the current and former Finance Committee members. Councilmember Knight explained to the public that the proposed changes were not being approved without careful review, because the changes were reviewed, discussed, and modified over more than a year.

68. At the conclusion of the City Council discussion, President Skorman determined that neither a break to formulate responses to questions nor an executive session were needed.

69. Mr. Bidlack then polled Council Members regarding the issues central to the Electric and Water Tariffs and the URR.

70. The following are the proposed changes and the votes by City Council addressing the Electric Tariff:

    a) Is an increase to the non-fuel revenues of $7.8 million appropriate for the 2018 rate case test-year period?

       The City Council held that an increase to the non-fuel revenues of $7.8 million is appropriate for the 2018 rate case test-year period is appropriate.

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

       i. Residential Service
       ii. Commercial Service – Small
       iii. Commercial Service – General
       iv. Commercial Service – General – Time-of-Day
       v. Industrial Service – Time-of-Day Transmission Voltage
       vi. Industrial Service – Time-of-Day 4,000 KW/Day Minimum
       vii. Industrial Service – Large Power and Light
       viii. Contract Service – Street Lighting
       ix. Contract Service – ECD
       x. Contract Service – Wheeling
       xi. Community Solar Garden Bill Credit (Pilot Program)

xii. Community Solar Garden Program

The City Council held that the rates and tariff for the following Electric Service Rate Schedules shall be revised as proposed: 1) Residential Service; 2) Commercial Service – Small; 3) Commercial Service – General; 4) Commercial Service – General – Time-of-Day; 5) Industrial Service – Time-of-Day Transmission Voltage; 6) Industrial Service – Time-of-Day 4,000 KW/Day Minimum; 7) Industrial Service – Large Power and Light; 8) Contract Service – Street Lighting; 9) Contract Service - ECD; 10) Contract Service – Wheeling; 11) Community Solar Garden Bill Credit (Pilot Program); and 12) Community Solar Garden Program.

c) Should Utilities reduce the Reserved Capacity Charge applied to the optional Enhanced Power Service due to a refined pricing methodology?

The City Council held that Utilities shall reduce the Reserved Capacity Charge applied to the optional Enhanced Power Service due to a refined pricing methodology.

71. President Skorman then concluded the 2018 Rate Case Hearing.

ORDER

THEREFORE, IT IS HEREBY ORDERED that:

The Electric Tariff sheets as attached to the Resolution are adopted and will be effective on and after January 1, 2018. Such tariff sheets shall be published and held open for public review and shall remain effective until changed by subsequent Resolution duly adopted by the City Council.

Dated this 28th day of November, 2017.

CITY OF COLORADO SPRINGS

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Council President

ATTEST:

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City Clerk