

RESOLUTION NO. 119-16

**A RESOLUTION SETTING THE WASTEWATER RATES
WITHIN THE WASTEWATER SERVICE AREA OF
COLORADO SPRINGS UTILITIES**

WHEREAS, Colorado Springs Utilities (Utilities) has analyzed the cost of providing wastewater utility service to its Customers and has analyzed its current and expected revenue needs; and

WHEREAS, Utilities has prepared a Cost-of-Service Study that shows that the wastewater service is currently in an acceptable net income situation on a *pro forma* basis; and

WHEREAS, Utilities has proposed, and the City Council finds it prudent, to update the Cost-of-Service for allocation methodology changes to align with the other services; and

WHEREAS, Utilities has proposed, and the City Council finds it prudent, to modify the Residential, Nonresidential and Contract rates to reflect the appropriate cost for the services; and

WHEREAS, in consideration of the hardship these rate adjustments may cause to some customers, City Council finds it prudent to phase in the proposed rate adjustments to the Residential, Nonresidential and Contract rates over a two year period, with approximately half of the change effective January 1, 2017, and the remainder of the change effective January 1, 2018; and

WHEREAS, Utilities has proposed, and the City Council finds it prudent, to move the Military Customers from the Nonresidential rate class to the Contract Services rate class; and

WHEREAS, the details of the changes for each rate class, including the pricing changes noted above and all changes noted in the following clauses, are reflected in the tariff sheets attached to this resolution, are provided in red-line format within Utilities' 2017 Rate Case Filing, and are discussed further in the City Council Decision and Order for this case; and

WHEREAS, Utilities has provided public notice of the proposed changes and has complied with the requirements of the City Code for changing its wastewater rate schedules; and

WHEREAS, the City Council finds that the proposed modifications to the wastewater rate schedules and tariffs are reasonable in light of all circumstances and allow Utilities to collect revenues that enable Utilities to continue to operate in the best interest of all of its Customers; and

WHEREAS, Utilities has proposed to make the wastewater rate schedule and tariff changes effective January 1, 2017 and January 1, 2018 as applicable; and

WHEREAS, specific rates, policy changes, and changes to any terms and conditions of service are set out in the attached tariffs for adoption with the final City Council Decision and Order in this case.

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF COLORADO SPRINGS:

Section 1: That Colorado Springs Utilities Tariff, City Council Volume No. 5, Wastewater Rate Schedules shall be revised as follows:

Effective January 1, 2017


City Council Vol. No. 5		
Sheet No.	Title	Cancels Sheet No.
First Revised Sheet No. 1	Table of Contents	Original Sheet No. 1
Fourth Revised Sheet No. 2	Residential Service – Inside City Limits	Third Revised Sheet No. 2
Third Revised Sheet No. 3	Nonresidential Service – Inside City Limits	Second Revised Sheet No. 3
Fourth Revised Sheet No. 5	Residential Service – Outside City Limits	Third Revised Sheet No. 5
Third Revised Sheet No. 6	Nonresidential Service – Outside City Limits	Second Revised Sheet No. 6
Third Revised Sheet No. 8	Contract Service – Outside City Limits	Second Revised Sheet No. 8
Original Sheet No. 8.1	Contract Service	

Effective January 1, 2018

City Council Vol. No. 5		
Sheet No.	Title	Cancels Sheet No.
Fifth Revised Sheet No. 2	Residential Service – Inside City Limits	Fourth Revised Sheet No. 2
Fourth Revised Sheet No. 3	Nonresidential Service – Inside City Limits	Third Revised Sheet No. 3
Fifth Revised Sheet No. 5	Residential Service – Outside City Limits	Fourth Revised Sheet No. 5
Fourth Revised Sheet No. 6	Nonresidential Service – Outside City Limits	Third Revised Sheet No. 6
Fourth Revised Sheet No. 8	Contract Service – Outside City Limits	Third Revised Sheet No. 8
First Revised Sheet No. 8.1	Contract Service	Original Sheet No. 8.1


Section 2: The attached Tariff Sheets, Council Decision and Order, and other related matters are hereby approved and adopted.


Dated at Colorado Springs, Colorado, this 8th day of November, 2016.



 City Council President

ATTEST:


 Sarah B. Johnson, City Clerk





WASTEWATER RATE SCHEDULES

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Approval Date: November 8, 2016
 Effective Date: January 1, 2017
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WASTEWATER RATE SCHEDULES

RESIDENTIAL SERVICE – INSIDE CITY LIMITS – S-R

AVAILABILITY

Available in the corporate limits of the City in Utilities’ wastewater service territory for general residential purposes.

RATE

The billing statements are the sum of:

Service Charge

Per Day\$0.5034

Normal Quantity Charge

Per cf.....\$0.0245

DETERMINATION OF BILLING UNITS

Wastewater billing units will be billed based on either actual metered water consumption or the previous year’s winter wastewater average daily usage (ADU), whichever is less. New winter wastewater ADU calculations will typically be used for billing periods that begin after March 1st of each year.

DETERMINATION OF WINTER AVERAGE DAILY USAGE

A winter wastewater average daily usage will be based on metered water consumption using reads closest to, but not before, December 1st and closest to, but not after, February 28/29th. The winter wastewater average daily usage will be calculated based on water consumption between these read dates and the corresponding number of days between these read dates. For customers with less than 30 days of water consumption history with Utilities or zero water usage between these read dates, thirty-three (33) cubic feet per day per residential unit will be used as the winter wastewater average daily usage.

RULES AND REGULATIONS

Service under this rate schedule will be in accordance with City ordinances, resolutions and policies, the provisions of Utilities’ Rules and Regulations and *Line Extension & Service Standards* for Wastewater.

Approval Date: November 8, 2016
Effective Date: January 1, 2017
Resolution No. _____



WASTEWATER RATE SCHEDULES

RESIDENTIAL SERVICE – INSIDE CITY LIMITS – S-R

AVAILABILITY

Available in the corporate limits of the City in Utilities’ wastewater service territory for general residential purposes.

RATE

The billing statements are the sum of:

Service Charge

Per Day\$0.4975

Normal Quantity Charge

Per cf.....\$0.0244

DETERMINATION OF BILLING UNITS

Wastewater billing units will be billed based on either actual metered water consumption or the previous year’s winter wastewater average daily usage (ADU), whichever is less. New winter wastewater ADU calculations will typically be used for billing periods that begin after March 1st of each year.

DETERMINATION OF WINTER AVERAGE DAILY USAGE

A winter wastewater average daily usage will be based on metered water consumption using reads closest to, but not before, December 1st and closest to, but not after, February 28/29th. The winter wastewater average daily usage will be calculated based on water consumption between these read dates and the corresponding number of days between these read dates. For customers with less than 30 days of water consumption history with Utilities or zero water usage between these read dates, thirty-three (33) cubic feet per day per residential unit will be used as the winter wastewater average daily usage.

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WASTEWATER RATE SCHEDULES

NON-RESIDENTIAL SERVICE – INSIDE CITY LIMITS – S-C

AVAILABILITY

Available in the corporate limits of the City in Utilities’ wastewater service area for general non-residential purposes.

RATE

The billing statements are the sum of:

Service Charge

Per Day\$0.9917

Normal Quantity Charge

Per cf\$0.0269

Extra Strength Surcharges

Biochemical Oxygen Demand (BOD) and/or Total Suspended Solids (TSS) Surcharges will be charged to Customers whose discharges exceed the normal domestic strength.

BOD, Per Excess BOD billing unit\$0.0039

TSS, Per Excess TSS billing unit.....\$0.0019

DETERMINATION OF BILLING UNITS

Normal Quantity Charge (NQC)

The amount of water billed by Utilities for each billing period, less any applicable Consumptive Use Adjustment (CUA) or Irrigation Adjustment (IA), will be the basis for determination of the billing units for the NQC. For billing purposes, the Customer’s cf of sewer flow is assumed to be the same as the incoming water flow, unless it is reduced by CUA or IA adjustments as described in the following paragraphs. Approved CUA quantities (in cubic feet) are subtracted from the sewer quantities, reducing the NQC and sewer bill amount. For those Customers without Utilities’ water service, an alternative basis will be established representative of the Customer’s wastewater volume.

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WASTEWATER RATE SCHEDULES

NON-RESIDENTIAL SERVICE – INSIDE CITY LIMITS – S-C

AVAILABILITY

Available in the corporate limits of the City in Utilities’ wastewater service area for general non-residential purposes.

RATE

The billing statements are the sum of:

Service Charge

Per Day\$0.9880

Normal Quantity Charge

Per cf\$0.0275

Extra Strength Surcharges

Biochemical Oxygen Demand (BOD) and/or Total Suspended Solids (TSS) Surcharges will be charged to Customers whose discharges exceed the normal domestic strength.

BOD, Per Excess BOD billing unit\$0.0037

TSS, Per Excess TSS billing unit.....\$0.0017

DETERMINATION OF BILLING UNITS

Normal Quantity Charge (NQC)

The amount of water billed by Utilities for each billing period, less any applicable Consumptive Use Adjustment (CUA) or Irrigation Adjustment (IA), will be the basis for determination of the billing units for the NQC. For billing purposes, the Customer’s cf of sewer flow is assumed to be the same as the incoming water flow, unless it is reduced by CUA or IA adjustments as described in the following paragraphs. Approved CUA quantities (in cubic feet) are subtracted from the sewer quantities, reducing the NQC and sewer bill amount. For those Customers without Utilities’ water service, an alternative basis will be established representative of the Customer’s wastewater volume.

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WASTEWATER RATE SCHEDULES

RESIDENTIAL SERVICE – OUTSIDE CITY LIMITS – S-R

AVAILABILITY

Available outside the corporate limits of the City in areas where wastewater service is available from Utilities for general residential purposes.

RATE

The billing statements are the sum of:

Service Charge

Per Day\$0.7550

Normal Quantity Charge

Per cf\$0.0367

DETERMINATION OF BILLING UNITS

Wastewater billing units will be billed based on either actual metered water consumption or the previous year’s winter wastewater average daily usage (ADU), whichever is less.

New winter wastewater ADU calculations will typically be used for billing periods that begin after March 1st of each year.

DETERMINATION OF WINTER AVERAGE DAILY USAGE

A winter wastewater average daily usage will be based on metered water consumption using reads closest to, but not before, December 1st and closest to, but not after, February 28/29th. The winter wastewater average daily usage will be calculated based on water consumption between these read dates and the corresponding number of days between these read dates. For customers with less than 30 days of water consumption history with Utilities or zero water usage between these read dates, thirty-three (33) cubic feet per day per residential unit will be used as the winter wastewater average daily usage.

RULES AND REGULATIONS

Service under this rate schedule will be in accordance with City ordinances, resolutions and policies, the provisions of Utilities’ Rules and Regulations and *Line Extension & Service Standards* for Wastewater.

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WASTEWATER RATE SCHEDULES

RESIDENTIAL SERVICE – OUTSIDE CITY LIMITS – S-R

AVAILABILITY

Available outside the corporate limits of the City in areas where wastewater service is available from Utilities for general residential purposes.

RATE

The billing statements are the sum of:

Service Charge

Per Day\$0.7463

Normal Quantity Charge

Per cf\$0.0366

DETERMINATION OF BILLING UNITS

Wastewater billing units will be billed based on either actual metered water consumption or the previous year’s winter wastewater average daily usage (ADU), whichever is less.

New winter wastewater ADU calculations will typically be used for billing periods that begin after March 1st of each year.

DETERMINATION OF WINTER AVERAGE DAILY USAGE

A winter wastewater average daily usage will be based on metered water consumption using reads closest to, but not before, December 1st and closest to, but not after, February 28/29th. The winter wastewater average daily usage will be calculated based on water consumption between these read dates and the corresponding number of days between these read dates. For customers with less than 30 days of water consumption history with Utilities or zero water usage between these read dates, thirty-three (33) cubic feet per day per residential unit will be used as the winter wastewater average daily usage.

RULES AND REGULATIONS

Service under this rate schedule will be in accordance with City ordinances, resolutions and policies, the provisions of Utilities’ Rules and Regulations and *Line Extension & Service Standards* for Wastewater.

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WASTEWATER RATE SCHEDULES

NON-RESIDENTIAL SERVICE – OUTSIDE CITY LIMITS – S-C

AVAILABILITY

Available outside the corporate limits of the City in areas where wastewater service is available from Utilities for general non-residential purposes.

RATE

The billing statements are the sum of:

Service Charge

Per Day\$1.4875

Normal Quantity Charge

Per cf\$0.0403

Extra Strength Surcharges

Biochemical Oxygen Demand (BOD) and/or Total Suspended Solids (TSS) Surcharges will be charged to Customers whose discharges exceed the normal domestic strength.

BOD, Per excess BOD billing unit\$0.0039

TSS, Per excess TSS billing unit\$0.0019

DETERMINATION OF BILLING UNITS

Normal Quantity Charge (NQC)

The amount of water billed by Utilities for each billing period, less any applicable Consumptive Use Adjustment (CUA) or Irrigation Adjustment (IA), will be the basis for determination of the billing units for the NQC. For billing purposes, the Customer's cf of sewer flow is assumed to be the same as the incoming water flow, unless it is reduced by CUA or IA adjustments as described in the following paragraphs. Approved CUA quantities (in cubic feet) are subtracted from the sewer quantities, reducing the NQC and sewer bill amount. For those Customers without Utilities' water service, an alternative basis will be established representative of the Customer's wastewater volume.

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WASTEWATER RATE SCHEDULES

NON-RESIDENTIAL SERVICE – OUTSIDE CITY LIMITS – S-C

AVAILABILITY

Available outside the corporate limits of the City in areas where wastewater service is available from Utilities for general non-residential purposes.

RATE

The billing statements are the sum of:

Service Charge

Per Day\$1.4820

Normal Quantity Charge

Per cf.....\$0.0413

Extra Strength Surcharges

Biochemical Oxygen Demand (BOD) and/or Total Suspended Solids (TSS) Surcharges will be charged to Customers whose discharges exceed the normal domestic strength.

BOD, Per excess BOD billing unit\$0.0037

TSS, Per excess TSS billing unit\$0.0017

DETERMINATION OF BILLING UNITS

Normal Quantity Charge (NQC)

The amount of water billed by Utilities for each billing period, less any applicable Consumptive Use Adjustment (CUA) or Irrigation Adjustment (IA), will be the basis for determination of the billing units for the NQC. For billing purposes, the Customer's cf of sewer flow is assumed to be the same as the incoming water flow, unless it is reduced by CUA or IA adjustments as described in the following paragraphs. Approved CUA quantities (in cubic feet) are subtracted from the sewer quantities, reducing the NQC and sewer bill amount. For those Customers without Utilities' water service, an alternative basis will be established representative of the Customer's wastewater volume.

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WASTEWATER RATE SCHEDULES

CONTRACT SERVICE – OUTSIDE CITY LIMITS – S9C

AVAILABILITY

Available by contract outside the corporate limits of the City in areas where Utilities’ treatment system is available for institutions, plants, organized sewer districts, municipal corporations or other similar organizations and only with prior approval by the City Council.

RATE

The billing statements are the sum of:

Treatment Charge

Per cf\$0.0238

Extra Strength Surcharges

Biochemical Oxygen Demand (BOD) and/or Total Suspended Solids (TSS) Surcharges will be charged to Customers whose discharges exceed the normal domestic strength.

BOD, Per excess BOD billing unit\$0.0039

TSS, Per excess TSS billing unit\$0.0019

DETERMINATION OF BILLING UNITS

Treatment Charge

Treatment Charge units are determined by a flow meter installed by the Customer in accordance with Utilities’ *Line Extension & Service Standards* for Wastewater.

Extra Strength Surcharges

BOD billing units and TSS billing units are determined pursuant to the Extra Strength Surcharges rate schedule.

RULES AND REGULATIONS

Service under this rate schedule will be in accordance with City ordinances, resolutions and policies, the provisions of Utilities’ Rules and Regulations, *Line Extension & Service Standards* for Wastewater and the conditions of any associated contract.

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WASTEWATER RATE SCHEDULES

CONTRACT SERVICE – OUTSIDE CITY LIMITS – S9C

AVAILABILITY

Available by contract outside the corporate limits of the City in areas where Utilities’ treatment system is available for institutions, plants, organized sewer districts, municipal corporations or other similar organizations and only with prior approval by the City Council.

RATE

The billing statements are the sum of:

Treatment Charge

Per cf.....\$0.0251

Extra Strength Surcharges

Biochemical Oxygen Demand (BOD) and/or Total Suspended Solids (TSS) Surcharges will be charged to Customers whose discharges exceed the normal domestic strength.

BOD, Per excess BOD billing unit.....\$0.0037

TSS, Per excess TSS billing unit.....\$0.0017

DETERMINATION OF BILLING UNITS

Treatment Charge

Treatment Charge units are determined by a flow meter installed by the Customer in accordance with Utilities’ *Line Extension & Service Standards* for Wastewater.

Extra Strength Surcharges

BOD billing units and TSS billing units are determined pursuant to the Extra Strength Surcharges rate schedule.

RULES AND REGULATIONS

Service under this rate schedule will be in accordance with City ordinances, resolutions and policies, the provisions of Utilities’ Rules and Regulations, *Line Extension & Service Standards* for Wastewater and the conditions of any associated contract.

Approval Date: November 8, 2016
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WASTEWATER RATE SCHEDULES

CONTRACT SERVICE – MIL

AVAILABILITY

Available by contract in Utilities’ wastewater service territory where Utilities’ treatment system is available for the United States of America at the Fort Carson Military Installation, the Peterson Air Force Base, the United States Air Force Academy, and Cheyenne Mountain Air Force Station.

RATE

The billing statements are the sum of:

Treatment Charge

Per cf\$0.0238

Extra Strength Surcharges

Biochemical Oxygen Demand (BOD) and/or Total Suspended Solids (TSS) Surcharges will be charged to Customers whose discharges exceed the normal domestic strength.

BOD, Per excess BOD billing unit\$0.0039

TSS, Per excess TSS billing unit\$0.0019

DETERMINATION OF BILLING UNITS

Treatment Charge

Treatment Charge units are determined by a flow meter installed by the Customer in accordance with Utilities’ *Line Extension & Service Standards* for Wastewater.

Extra Strength Surcharges

BOD billing units and TSS billing units are determined pursuant to the Extra Strength Surcharges rate schedule.

RULES AND REGULATIONS

Service under this rate schedule will be in accordance with City ordinances, resolutions and policies, the provisions of Utilities’ Rules and Regulations, *Line Extension & Service Standards* for Wastewater and the conditions of any associated contract.

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WASTEWATER RATE SCHEDULES
CONTRACT SERVICE – MIL

AVAILABILITY

Available by contract in Utilities’ wastewater service territory where Utilities’ treatment system is available for the United States of America at the Fort Carson Military Installation, the Peterson Air Force Base, the United States Air Force Academy, and Cheyenne Mountain Air Force Station.

RATE

The billing statements are the sum of:

Treatment Charge

Per cf\$0.0251

Extra Strength Surcharges

Biochemical Oxygen Demand (BOD) and/or Total Suspended Solids (TSS) Surcharges will be charged to Customers whose discharges exceed the normal domestic strength.

BOD, Per excess BOD billing unit\$0.0037

TSS, Per excess TSS billing unit\$0.0017

DETERMINATION OF BILLING UNITS

Treatment Charge

Treatment Charge units are determined by a flow meter installed by the Customer in accordance with Utilities’ *Line Extension & Service Standards* for Wastewater.

Extra Strength Surcharges

BOD billing units and TSS billing units are determined pursuant to the Extra Strength Surcharges rate schedule.

RULES AND REGULATIONS

Service under this rate schedule will be in accordance with City ordinances, resolutions and policies, the provisions of Utilities’ Rules and Regulations, *Line Extension & Service Standards* for Wastewater and the conditions of any associated contract.

Approval Date: November 8, 2016
Effective Date: January 1, 2018
Resolution No. _____

BEFORE THE CITY COUNCIL OF
THE CITY OF COLORADO SPRINGS

IN THE MATTER OF THE REVISION)
OF THE WASTEWATER TARIFF OF) DECISION & ORDER 16-04 (WW)
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 wastewater utility service within the City and for those areas approved by the City Council on a long-term, contractual basis.
2. Utilities is proposing changes to the Electric, Water, and Wastewater Rate Schedules and Utilities Rules and Regulations (“URR”) in the 2017 Rate Case filing.
3. Utilities uses a Cash-Needs method to determine the total 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 has conducted a Cost of Service (“COS”) study for Electric, Water, and Wastewater. The test year for this filing is the 2017 proposed budget. The rate analysis concluded rate adjustments are required for the Electric, Water, and Wastewater services.
5. The proposed effective date for the proposed tariff changes is January 1, 2017.
6. The Utilities conducted COS study utilizing the Proposed 2017 budget determined that the current Wastewater rates are sufficient to cover the 2017 proposed net Wastewater revenue requirement of \$68.0 million.
7. The last Wastewater COS study was completed in 2009; a passage of time that created the impetus for the current study to be completed. The current COS study includes updated allocations and methodology changes consistent with the other services. Additionally, the military has been separated from the Nonresidential rate class.
8. Utilities performed the COS following generally accepted ratemaking practices to establish a starting point for determining reasonable and appropriate 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, treatment, transmission and distribution and customer);

- b) Classify each functionalized cost into broad categories utilizing cost causation principles (e.g. commodity, demand, customer); and
 - c) Allocate to the customer Rate Classes based on the service characteristics of each class.
9. Utilities allocates debt service and cash funded capital components of the revenue requirement to each Wastewater function based on the proportion of that function's assets to the total assets of the Wastewater service. Currently this allocator is calculated based on gross plant. Utilities is proposing that the allocation be based on net plant (gross plant less accumulated depreciation) including construction work-in-progress.
 10. Debt and cash funded capital costs are incurred consistent with Utilities' Capital Policy and are associated with additions to capital. The change in methodology facilitates a closer alignment between the funding of capital costs and the remaining useful life of the asset. Utilities continues to be committed to continuous improvement and believes this change more appropriately allocates capital related cost to the functions.
 11. Utilities applied a change to the COS test year data. The most recent changes to the Wastewater rate schedules were approved by City Council in 2009 and the filing relied on historic calendar year data to allocate revenue requirement to rate classes. Utilities subsequently obtained City Council approval of Electric, Natural Gas and Water Rate Schedule filings that utilized forecasted test year data. This methodology has been incorporated in the 2017 Wastewater COS study. Implementing this change achieves appropriate consistency between services.
 12. Consistent with the other services, additions to cash has been changed from a revenue allocator to an operating and maintenance ("O&M") allocator within the Wastewater calculations.
 13. In September 2014, Utilities Board approved the Rate Design Guidelines that establish guidance, structure and transparency in the development of 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 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.
 14. With COS as the starting point for establishing each rate class' contribution to the revenue requirement, Utilities is proposing rates in compliance with the approved Rate Design Guidelines.
 15. With COS as the starting point for establishing each rate class' contribution to the revenue requirement, Utilities is proposing rates in compliance with the approved Rate Design Guidelines. With the exception of the Liquid Waste Hauler class, the proposed revenue from rates recover the net revenue requirements calculated in the COS. Utilities accepts hauled liquid waste along with other local, privately owned businesses in the

area. Due to the nature of Utilities' operations, this service can generally be provided at a cost lower than market, however this would place undue competitive pressure on local businesses. In this COS, the cost to serve Liquid Waste Haulers is lower than revenues generated from the current rates by approximately \$30,000. Utilities is proposing no change to the current rate in support of the competitive business environment. This rate design action deviates from the Reasonableness Supporting Guideline of plus or minus 10% of the customer class costs established by COS.

16. In addition to the changes to the Wastewater tariff explained above, Utilities proposes the following changes.
17. Contract Rate: Utilities has established a new rate class available by contract in Utilities' Wastewater service territory where Utilities' treatment system is available for military installations. This new Contract rate class is consistent with Electric, Natural Gas, and Water Contract Services. Military Wastewater customers were removed from the Nonresidential rate class and placed into this new Contract rate class. (*Wastewater Rate Schedule Sheet No. 8.1*)
18. In addition to the proposed Wastewater Tariff revisions, Utilities proposes changes to the Electric and Wastewater Tariffs and the URR.
19. Utilities filed its COS study supporting the Electric, Water, and Wastewater services base rate and Tariff changes with the City Auditor, Mr. Denny Nester, and with the City Attorney, Ms. Wynetta Massey, on August 12, 2016. Utilities then filed the enterprise's formal proposals on September 13, 2016, with the City Clerk, Ms. Sarah Johnson, and a complete copy of the proposals was placed in the City Clerk's Office for public inspection. Notice of the filing was published on-line at www.csu.org on September 13, 2016, in *The Gazette* on September 16, 2016, and mailed as required on September 16, 2016. 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.
20. The information provided to the City Council and held open for public inspection at the City Clerk's Office was supplemented by Utilities on October 18, 2016. The supplemental material contained a supplemental customer feedback report, copies of the publications of required legal notice, public outreach information, and the City Auditor's report.
21. 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 October 2016. A copy of that report is contained within the record. A supplemental audit report was filed by the City Auditor on November 7, 2016.

22. On October 25, 2016, the City Council held a public hearing concerning the proposed changes to the Electric, Water, and Wastewater Tariffs and to the URR. 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.
23. President of the Council Merv Bennett commenced the rate hearing by providing a summary of the rate hearing agenda and explaining the rate hearing procedure.
24. 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 and Wastewater service must be reasonable and appropriate in light of all circumstances, City Code § 12.1.107(F).
25. 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. Mr. Bidlack noted that he provided all Council Members with supplemental information on October 24, 2016, based on requests for additional information presented by City Council Members. Mr. Bidlack also noted that Council Member Andy Pico provided a copy of an *ex parte* email he received in relation to customer concerns about the proposed rate increases. City Council indicated there were no additional *ex parte* communications.
26. Utilities then began the presentation of the enterprise's proposals.
27. The speaker was Ms. Sonya Thieme, Utilities' Rates Manager. She started by providing an overview of the 2017 Rate Case. She noted that the 2017 Rate Case filing includes proposed changes to the (1) Electric Rate Schedules, (2) Water Rate Schedules, (3) Wastewater Rate Schedules, and (4) URR. Additionally, the COS is prepared following industry standards and practices and rates are designed in compliance with Rate Design Guidelines.
28. Ms. Thieme then explained that the preliminary 2017 filing was presented to the Utilities Board and the Utilities Board Finance Committee. She then noted that the filing fulfilled proper procedural compliance requirements by (1) filing a preliminary COS study with the OCA on August 12, 2016, (2) requesting a public hearing date, (3) filing the 2017 Rate Case with the City Clerk, (4) posting the filing to www.csu.org on September 13, 2016, and (5) publishing and mailing required legal notices on September 16, 2016.

29. Next, Ms. Thieme provided a summary of the Electric Service changes. The revenue requirement reflects the implementation of Phase 2 of a 3 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 \$320.7 million. This is \$13.9 million lower than the 2016 Electric revenue requirement. The reduction is primarily due to the anticipated revenue shortfall from the Industrial Service - Time of Day 1,000kWH/Day Minimum (ETL) class. Additionally, the rate filing continues a phased in approach to bring rate classes within plus or minus 10% of respective COS. Such increases are not to exceed 12.5% and apply to all standard rate classes below COS. No rate increases have been applied to rate classes at or above COS.
30. She then noted the electric rate classes for which rate increases are proposed and those for which no change is proposed.
31. Ms. Thieme provided information on general changes to Residential and Commercial rate options. Optional Time-of-Day rates provide a price signal to help reduce system peak demand and provide customers with (1) an opportunity to adjust their usage patterns to align with off-peak periods and (2) the potential to realize savings over the standard rates. Both Residential and Commercial Time-of-Day rates are modified in the proposed rates to properly reflect the appropriate price signal. Residential Time-of-Day rates are decreased by 15.2% and Commercial Time-of-Day rates are increased by 18%.
32. Ms. Thieme concluded her presentation on Electric service changes by noting the additional proposed Electric tariff changes: (1) the Kilowatcher Rate Options is removed from tariff sheets as the existing contracts expired in March of 2016 and the option is no longer offered; (2) the Contract Service – Wheeling (ECW) rate is modified to remove some ancillary services currently offered in the tariff that Customers either have not made use of or required; (3) clarification of the tariff language for Totalization Service to remove obsolete language is provided; (4) the Renewable Energy Net Metering rate is updated to align the sheet numbering with past revisions; (5) the Reserved Capacity Charge (RCC) for Enhanced Power Service is increased to complete a five year phase in to full cost; (6) the Community Solar Garden (CSG) Pilot Program Bill Credit is updated to reflect the proposed Electric service rate increases; (7) the CSG Non-Pilot Bill Credit is updated based on the proposed Electric service rate increases; and (8) the Wind Power Tariff is removed due to expiration.
33. Ms. Thieme then addressed the proposed changes to the Water tariff. The proposed total water revenue is \$199.5 million, which is \$11.3 million higher than revenue under current rates. The overall system increase is 6.0% higher than current rates. The increase breaks down as a 5.1% increase for Residential, 6.2% increase for Nonresidential, 10.0% increase for Contract Services – DOD, 9.7% increase for Large Nonseasonal, and 12.0% increase for Nonpotable and Augmentation customers.
34. The rate design components are (1) continuing to move rate classes closer to COS and (2) increasing the fixed daily charge to enhance financial stability and maintain a conservation signal, specifically for Residential customers.

35. Ms. Thieme concluded her review of proposed changes to the service tariffs by addressing Wastewater. The current Wastewater rates are sufficient to cover the 2017 revenue requirement of \$68.0 million. While no additional revenue is required, the rate classes were updated to use allocations and methodologies consistent with the other services as the Wastewater rates have not been modified since 2010. The proposed rate changes decrease Residential rates by 1.5% and increase Nonresidential rates by 4.0% and Contract Services – Outside City Limits by 11.6%. Additionally, a new rate class is added for Military customers to be consistent with the rate structure provided across the three other services.
36. Ms. Thieme then provided a summary of the overall impact of the proposed rate changes to a four service utility bill. The typical Residential customer will see a 1.3% or \$2.60 increase to their bill. The typical Commercial customer will see a 3.4% or \$44.34 increase to their bill. And, the typical Industrial customer will see a 0.6% or \$225.91 increase to their bill.
37. Ms. Thieme concluded the substantive portion of her presentation by noting the proposed changes to the URR. Those proposed changes are as follows:
- a) Restoration of Service: This change proposes to increase the maximum time from 12 hours to 24 hours in which Utilities must restore service to customers disconnected for non-payment and other customer-controlled situations identified in Section 13 of URR. Additionally, Utilities proposes a minor clean-up changing “normal working hours of 7:00 a.m. to 7:00 p.m., Monday through Friday” to “normal working business day.”
 - b) Electric Line Extensions and Services and Extension of Natural Gas Mains and Services: This change will update the current contribution in aid of construction fee amounts collected through Electric Line Extensions and Services and Natural Gas Mains and Services, moving the recovery at or close to the current costs. The current Electric Line Extensions and Services fees are proposed to increase Electric fee increases range from 5.8% to 10% to achieve full cost fees for nine (9) out of eleven (11) total line extensions and services. The current Natural Gas Mains and Services rate of 18% will increase to full cost at 20%.
 - c) Water and Wastewater Development Charges: This change proposes to reduce the multiplier for all meters greater than ¾ inch to a meter capacity ratio. This change will lower the current charge for Water Development Charge meter sizes greater than 4 inch. Additionally, this change will also lower the current charge for Wastewater Development Charge meter sizes greater than the ¾ inch.
 - d) Correction of City Code reference in Applicability of City Code: This change is to correct an incorrect reference to a section of the City Code. There is no policy or financial impact of this change.

38. Next, Ms. Thieme addressed the customer outreach Utilities performed in relation to the 2017 Rate Case filing. The customer outreach was carried out throughout September and October 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.
39. The next issue discussed was Utilities Supplemental Customer Feedback Report, which Utilities included within the Supplemental Filing. Utilities received some customer feedback in relation to the proposed rate changes. Those customers were concerned because they face the proposed base-rate increases and the likelihood of Electric Cost Adjustment ("ECA") and Gas Cost Adjustment ("GCA") increases. One of the most impacted customer groups is the Industrial Service – Time-of-Day Service 1,000 kWh/Day Minimum (ETL). There are approximately 1,300 ETL customers impacted by the proposed 12.5% increase. Seventeen (17) of these customers are impacted by Nonpotable proposed 12.0% increase and three (3) of these customers are impacted by Large Nonseasonal proposed 9.7% increase with all of those customers impacted by Nonresidential Wastewater proposed 4% increase. In addition to factors outlined in this rate hearing presentation, the magnitude of bill impact is greatly influenced by the fluctuation in fuel and purchase power costs.
40. Ms. Thieme then explained that the City Council will be presented with ECA and GCA increases on an agenda item following the rate hearing. The proposed changes would be effective November 1, 2016. The proposed ECA rate is approximately \$0.0273 per kWh which impacts bills as follows: typical Residential electric bill increase of \$3.18 or 4.2%; typical Commercial electric bill increase of \$31.80 or 6.3% and; typical Industrial electric bill increase of \$2,120.00 or 6.8%. The proposed GCA rate is approximately \$0.1815 per Ccf which impacts bills as follows: typical Residential gas bill increase of \$2.68 or 7.4%; typical Commercial gas bill increase of \$55.43 or 10.7% and; typical industrial gas bill increase of 554.28 or 11.9%.
41. She then noted that many customers have experienced much lower bills since 2015 because of soft fuel markets. In 2016, Utilities' has reduced the combined ECA and GCA over collection balances by \$18.1 million. The lowest ECA rate was approximately 23% below cost and the lowest GCA rate was approximately 46% below cost. Generally, the ECA and GCA charges represent a significant portion of the business customer's bill. Utilities compiled five (5) year typical bill history to capture both base rate adjustments and ECA and GCA rate adjustments for different customer classes. These compilations show minimal bill impacts over the five (5) year period.
42. Ms. Thieme explained that while Utilities supports the 2017 Rate Case as filed, Utilities created rate alternatives based on the customer feedback. In accordance with City Code §

12.1.107(C)(4), the City Council may amend or revise the proposed rates based on information presented at the rate hearing.

43. If City Council elects to modify the Water rates proposed by Utilities, Utilities proposes modifying the rates to function as a two year phase in for the most affected rate classes. Doing so would create rates effective on January 1, 2017, and January 1, 2018. The alternate proposal would modify the (1) Contract Service – MIL, (2) Miscellaneous Service – Nonpotable, and (3) Large Non-seasonal Service to create a phased in approach that will increase each rate by 6.0% effective January 1, 2017, and additional increases of 6.0%, 4.0%, and 3.7%, respectfully, to bring the rates to cost of service effective January 1, 2018.
44. If City Council elects to not modify the Wastewater rates as proposed by Utilities, Utilities proposes that the changes be implemented over two years, with the first 50% of the change being effective January 1, 2017, and the second 50% of the change being effective January 1, 2018.
45. Ms. Thieme then addressed the supplemental information provided to City Council by Mr. Bidlack on October 24, 2016. The additional information addressed five (5) points of additional information requested by Council Members. Ms. Thieme provided high level summaries of each item listed below.
 - a) Item 1: A slide showing the current different electric rate classes and the percent and dollar value of their fair share of COS they are paying under current rates and how they will stand if the 2017 rate case is approved.
 - b) Item 2: Slides showing the total bill impact for industrial, commercial, and residential for the different proposed ECA/GCA adjustments to be effective November 1, 2016, the rate changes to be effective January 1, 2017, and the ECA/GCA adjustments estimated to be effective February 1, 2017.
 - c) Item 3: Slides showing what the military customer's current dollar amount and fair share is for COS for Water and Wastewater and what it would be under the proposed rates.
 - d) Item 4: Slides showing revenue impact of varying percentages of the proposed residential water rate increase being applied to the daily access charge in comparison to the complete increase being applied to the daily access charge as proposed.
 - e) Item 5: Slides providing a five (5) year history of rate changes for residential, commercial, and industrial customers.
46. Assistant City Auditor, Ms. Jacqueline Rowland then presented the Auditor's report. Ms. Rowland stated that the OCA reviewed the COS for each service and concluded that they were prepared accurately and that the methodology was consistent. The OCA report included two recommendations for future improvements, but supported the Utilities rate filing. Ms. Rowland noted that the OCA also reviewed the proposed ECA and GCA changes, but has not reviewed the alternative options noted by Utilities for Water and Wastewater.

47. After Utilities' presentation, President Bennett opened the floor for public comment. President Bennett 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.
48. Representatives of three customers spoke to address their concerns with the proposed rate increases.
49. Mayor of Manitou Springs Nicole Nicholetta and Ms. Shelly Cobau of Manitou Springs Public Services spoke about the concerns the City of Manitou Springs has with the proposed rate increases in relation to both cost and customer complaints. Both requested that City Council consider the alternatives proposed by Utilities to phase Water and Wastewater changes in over a two year period.
50. Mr. Jason Lachance, the Chief Financial Officer of dpiX, spoke to his concerns about the proposed rate increases and noted his concern that the proposed rate increases will harm dpiX's ability to be a competitive entity and Colorado Springs' ability to remain competitive in the context of attracting and retaining businesses.
51. Lastly, Mr. Dan Malinaric, Vice President of Operations for Microchip, expressed his concerns about the proposed rate increases, specifically the impact of the rate increases on Microchip's business competitiveness and Utilities' ability to be a "low cost utility" and the impact the rate increases will have when Utilities' rates are compared with other entities.
52. Following public comment, President Bennett opened the floor to questions from the City Council.
53. Council Member Don Knight spoke to explain his questions that led to a portion of the additional information provided on October 24, 2016. He noted that two of his four questions were answered with the provided materials (military impact and daily charges), but that he had additional questions related to the COS calculation across rate classes in relation to the proposed 2017 rates and the collective bill impact of the proposed 2017 rates, the November 1, 2016, ECA and GCA changes, and the estimated February 1, 2017, ECA and GCA changes.
54. Ms. Thieme addressed Council Member Knight's first question by presenting the supplemental slide on COS. Council Member Knight emphasized that the presented rates comply with the Utilities Board direction to keep rate classes within +/- 10% of the COS.
55. Council Member Tom Strand then asked whether Utilities received any feedback from Department of Defense customers. Ms. Thieme replied that Utilities worked directly with military customers and that those customers understand the rate drivers and do not opposed the proposed rates.

56. Council Member Strand then asked Ms. Rowland to perform a review of the alternate proposals presented by Utilities. Ms. Rowland confirmed that the analysis would be performed and that the review will be submitted to City Council.
57. Council Member Andy Pico then spoke to the nature of the proposed changes, emphasizing that the majority of the bill impact that customers expressed concern for is driven by the fuel costs contained within the ECA and GCA and that those costs are a direct pass through by Utilities.
58. President Bennett then asked Utilities Chief Executive Officer, Mr. Jerry Forte whether a recess was necessary to prepare any Utilities' responses. Mr. Forte stated that no break was necessary.
59. Council Member Knight then asked for further clarification on the second question he presented, as noted above. Ms. Thieme provided a walkthrough of the additional materials to demonstrate how they provided a summary of bill impact across the proposed rate changes and the ECA and GCA changes planned for November 1, 2016, and February 1, 2017. Council Member Knight confirmed that the information presented was the requested information.
60. At the conclusion of the City Council discussion, President Bennett determined that an executive session was not needed.
61. Prior to Mr. Bidlack polling the City Council on the issues central to the proposed changes, the City Council had further discussion on whether to address the Water and Wastewater tariffs as proposed by Utilities or whether to support the alternatives presented for each service. Support for the alternatives was given by the City Council and additional discussion followed.
62. Council Member Knight first addressed the Water service alternatives. He contended that while the alternative, phase in approach for the Large Non-seasonal Service should be pursued, the alternative should not be pursued for the Contract Service – Military rate and Nonpotable rate. He explained that the Military customers noted support for the proposed rates and that the Nonpotable rate is significantly below the COS and requires significant increases to reach COS.
63. Following Council Member Knight's comments, consensus was reached to support the alternative two year phase in for only the Large Non-seasonal rate with a 6.0% increase to be effective January 1, 2017, and a 3.7% increase to be effective January 1, 2018. Additionally, there was consensus to reduce the revenue requirement for Water service for 2017 by \$149,552, in correlation with the Large Non-seasonal rate phase in approach.
64. Discussion on the Wastewater alternatives led to a consensus to support the totality of the alternative phase in approach. That approach will implement first 50% of proposed rates to be effective January 1, 2017, and second 50% of the proposed rates to be effective January 1, 2018.

65. At the conclusion of questions by the public and City Council, Utilities' responses, and discussion by City Council, Mr. Bidlack, polled Council Members regarding the issues central to the Electric, Water, and Wastewater services and the URR. Eight members of the City Council were present, with Council Member Bill Murray excused.

66. The following are the proposed changes and the votes by City Council addressing the Wastewater Tariff:

- a) Should rates and tariffs for the following Wastewater Service Rate Schedules be revised with first 50% of proposed rates to be effective January 1, 2017, and second 50% of the proposed rates to be effective January 1, 2018:
 - i. Residential Service – Inside City Limits
 - ii. Nonresidential Service – Inside City Limits
 - iii. Residential Service – Outside City Limits
 - iv. Nonresidential Service – Outside City Limits
 - v. Contract Service – Outside City Limits
 - vi. Contract Service

The City Council held that the rates and tariff for the following Wastewater Rate Schedules shall be revised with first 50% of proposed rates to be effective January 1, 2017, and second 50% of the proposed rates to be effective January 1, 2018: 1) Residential Service – Inside City Limits; 2) Nonresidential Service – Inside City Limits; 3) Residential Service – Outside City Limits; 4) Nonresidential Service – Outside City Limits; 5) Contract Service – Outside City Limits; and 6) Contract Service.

- b) Should the Contract Service – MIL rate be implemented with first 50% of proposed rates to be effective January 1, 2017, and second 50% of the proposed rates to be effective January 1, 2018?

The City Council held that the Contract Service – MIL rate shall be implemented with first 50% of proposed rates to be effective January 1, 2017, and second 50% of the proposed rates to be effective January 1, 2018.

67. President Bennett then concluded the 2017 Rate Case Hearing.

ORDER

THEREFORE, IT IS HEREBY ORDERED that:

The Water Tariff sheets as attached to the Resolution are adopted and will be effective on and after January 1, 2017, and January 1, 2018, as applicable. 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.

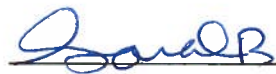
Dated this 8th day of November, 2016.

CITY OF COLORADO SPRINGS



Council President

ATTEST:



City Clerk

