

# City of Manitou Springs Comments on the Proposed New Schedule 9 Wastewater Contract Services Outside City Limits

– Presented to –

City Council, City of Colorado Springs and  
Utility Rates Staff

– Presented by –

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# Discussion Points

- A. Proposed new rate schedule S9C not reflective of historical relationship between cities
- B. Manitou Springs brings financial benefits to CSU wastewater system
- C. Calculation method of S9C rates unfairly impacts Manitou Springs
- D. Stated CSU goals can be achieved in a more equitable manner



# Inside City – Outside City Rate-Making Distinction Does Not Fit Colorado Springs – Manitou Springs Relationship

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- CSU has been serving Manitou wastewater and utility services since the early 1900's
- Historically, CSU has not subsidized Manitou's wastewater service
- Manitou has contributed to cash-funded capital expenses and debt service to help build out the system



# Manitou Springs Helps Cover the Costs of Excess Capacity in the CSU Wastewater System

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- Excess capacity acts as a stranded cost to a utility
- Excess capacity represents monies expended for investment and debt service with no direct revenues to offset
- All existing customers pay for excess capacity costs, raising their rates
- Manitou Springs helps offset excess capacity costs by directly contributing revenues



# Total and Net Revenue Requirement Calculations for the CSU Wastewater System

	Wastewater Cost of Service Study Year		
	2017	2019	2020
Total O&M Expense	\$40,237,140	\$39,444,417	\$40,716,195
Non-Operating Expense:			
Debt Service	\$23,807,867	\$24,840,514	\$24,293,055
Cash Funded Capital	\$8,737,987	\$15,747,203	\$12,857,269
Additions to Cash	<u>(\$3,981,656)</u>	<u>(\$8,815,035)</u>	<u>(\$714,660)</u>
<b>Total Revenue Requirement</b>	<b>\$68,801,338</b>	<b>\$71,217,099</b>	<b>\$77,151,859</b>
Less Revenue Credits:			
Miscellaneous and Interest Revenues	\$828,339	\$818,211	\$5,737,451
<b>Net Revenue Requirement</b>	<b>\$67,972,999</b>	<b>\$70,398,888</b>	<b>\$71,414,408</b>

Sources: 2017, 2019 and 2020 CSU Wastewater Cost of Service Studies, Schedule 4



# Rate Increase Calculations under S9C Proposed by CSU **and an Alternative**

Category	Total
<b>S9C Treatment Charge:</b>	
<b>TOTAL Revenue Requirement</b>	<b>\$77,151,859</b>
S9C Cost Exclusions:	
Collection System - 50%	\$23,268,946
Industrial Pretreatment	\$948,659
Customer Costs	<u>\$8,205,597</u>
Total S9C Cost Exclusions	\$32,423,202
Total S9C Revenue Requirements	\$44,728,657
System Treatment (cf)	1,574,390,132
S9C Average System Cost, per cf	\$0.0284
S9C 10% Multiplier	1.10
<b>S9C Treatment Charge, per cf</b>	<b>\$0.0313</b>
Current Treatment Charge, per cf	\$0.0255
Total Proposed Increase S9C Treatment Charge, per cf	\$0.0058
<b>Percent Increase in S9C Treatment Charge, per cf</b>	<b>22.55%</b>

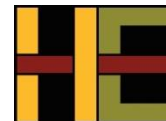
Category	Total
<b>S9C Treatment Charge:</b>	
<b>NET Revenue Requirement</b>	<b>\$71,414,408</b>
S9C Cost Exclusions:	
Collection System - 50%	\$23,268,946
Industrial Pretreatment	\$948,659
Customer Costs	<u>\$8,205,597</u>
Total S9C Cost Exclusions	\$32,423,202
Total S9C Revenue Requirements	\$38,991,206
System Treatment (cf)	1,574,390,132
S9C Average System Cost per cf	\$0.0248
S9C 10% Multiplier	1.10
<b>S9C Treatment Charge, per cf</b>	<b>\$0.0272</b>
Current Treatment Charge, per cf	\$0.0255
Total Proposed Increase S9C Treatment Charge, per cf	\$0.0017
<b>Percent Increase in S9C Treatment Charge, per cf</b>	<b>6.83%</b>

Sources: 2020 CSU Wastewater Cost of Service Study, Schedule 9; Harvey Economics

# Alternative Rate Increase Calculation with Outside City Revenue Requirement

Category	Total
<b>S9C Treatment Charge:</b>	
<b>NET Revenue Requirement Plus SPC Revenue Requirement</b>	<b>\$72,376,763</b>
<b>S9C Cost Exclusions:</b>	
Collection System - 50%	\$23,268,946
Industrial Pretreatment	\$948,659
Customer Costs	<u>\$8,205,597</u>
<b>Total S9C Cost Exclusions</b>	<b>\$32,423,202</b>
<b>Total S9C Revenue Requirements</b>	<b>\$39,953,561</b>
System Treatment (cf)	1,574,390,132
S9C Average System Cost, per cf	\$0.0254
S9C 10% Multiplier	1.10
<b>S9C Treatment Charge, per cf</b>	<b>\$0.0279</b>
Current S9C Treatment Charge, per cf	\$0.0255
<b>Total Proposed Increase S9C Treatment Charge, per cf</b>	<b>\$0.0024</b>
<b>Percent Increase in S9C Treatment Charge, per cf</b>	<b>9.47%</b>

Source: Harvey Economics Calculation



# CSU Net Calculations under Schedule 2

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Rate Class	Net Revenue Requirement
Residential Service	\$53,506,636
Nonresidential Service	\$17,363,008
Contract Service - Military	\$214,773
Liquid Waste Hauler	<u>\$329,990</u>
<b>Total</b>	<b>\$71,414,407</b>

Note: Residential and Nonresidential values are inclusive of Inside and Outside City Limits service, according to CSU COS Study.

Sources: 2020 CSU Wastewater Cost of Service Study, Schedule 2





# CSU Can Meet Its Stated Goals without Undue Negative Effects on Manitou Springs

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1. Regionalization can be achieved with alternative rate practices
2. Rate transparency can be maintained
3. Rate stability can occur
4. Rate-making simplicity can be mentioned
5. Fair and equitable rates are possible which reflect the historical relationship between the two cities
6. The 1.10 multiplier recognizes the outside city relationship appropriately

