



Legislation Text

File #: 18-0248, **Version:** 1

A Resolution Fixing Water Surplus Rates as authorized by the Charter of the City of Colorado Springs, Art. VI, § 6-40(b)

Presenter:

Brian Whitehead, System Extensions Manager
Jerry A. Forte, P.E., CEO, Colorado Springs Utilities

Summary:

At the April 18, 2018 Utilities Board meeting, information was provided to the Utilities Board regarding Colorado Springs Utilities' past involvement with the Parks, Recreation and Cultural Services (Parks) Department and the watering of City-owned parks. Options for continued support by Colorado Springs Utilities to the Parks Department for watering City-owned parks, including a water planned surplus, were discussed by the Board. At the May 16, 2018 Utilities Board meeting, the Board approved referring a resolution to the City Council establishing a planned surplus to be included in Colorado Springs Utilities' water rates. The referral to the City Council is for the May 22, 2018 formal meeting

Previous Council Action:

Enter previous council action. Enter N/A if not applicable.

Background:

Colorado Springs Utilities has had significant involvement with the watering of City-owned parks since 2010. Support to the Parks Department included a large irrigator pilot rate; bond covenant changes to allow future options; a park irrigation efficiency program; water management site evaluations, design assistance, and project management; landscape expertise; and consumption analysis.

Results of Colorado Springs Utilities' involvement include \$6.2 million in watering cost savings from the pilot program and the installation of water-saving irrigation equipment. Colorado Springs Utilities' efficiency efforts are estimated to save an average of 15 million gallons of Parks Department water usage per year. In 2018, Colorado Springs Utilities is providing rebates, landscape expertise, and consumption analysis.

Financial Implications:

The proposed planned surplus will be phased-in over a two-year period beginning January 1, 2019 and then increasing on January 1, 2020. The planned surplus has been calculated to transfer to the City approximately 50% of the average Parks Department yearly watering costs. (25% during 2019.)

At the April 18, 2018 Utilities Board meeting, the Parks Department stated that it needed

approximately \$4.5 million yearly to adequately water City-owned parks. The planned surplus is calculated to recover \$1,125,000 during 2019 and then \$2,250,000 during 2020 and after. The planned surplus will be generated on a volumetric basis from in-City water sales; the actual amounts transferred to the City will not precisely match the approximately 50% average yearly watering costs on which the rate was designed. If Colorado Springs Utilities' water sales increase over projections, a larger amount will be transferred. If Colorado Springs Utilities' water sales decrease from projections, a lesser amount will be transferred.

Because the Parks Department has been watering City-owned parks at a lower level than the Parks Department has indicated is appropriate, it will take a number of years for the appropriate Parks Department watering costs to be established. The resolution provides that the planned surplus will be recalculated during 2025 for inclusion in a water rate case for rates effective January 1, 2026 after the full planned surplus has been transferred to the City for a five-year period. The five-year average Parks Department watering costs could then be used to establish a revised planned surplus amount for the 2026 water rate case. After 2025, the planned surplus would be recalculated using a five-year average Parks Department watering cost when new base water rates are established.

The calculation method of the water planned surplus is included on the attached exhibit.

Board/Commission Recommendation:

N/A

Stakeholder Process:

N/A

Alternatives:

Do not approve the resolution. The planned surplus will not be established for inclusion within the Fall 2018 water rate case; the surplus will not be transferred to the City by Colorado Springs Utilities beginning in 2019.

Proposed Motion:

Move approval of the resolution.

N/A