

BEFORE THE CITY COUNCIL OF
THE CITY OF COLORADO SPRINGS

IN THE MATTER OF THE REVISION)
OF THE ELECTRIC TARIFF OF) DECISION & ORDER 23-01 (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’ 2024 Rate Case filing includes proposed Cost of Service (“COS”) driven rate changes for Electric and Natural Gas services and proposes changes to the Electric, Natural Gas, and Water Rate Schedules and Utilities Rules and Regulations (“URR”).
3. 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) expenses. 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. Utilities’ filing proposes changes to the non-fuel related charges and to the Electric Rate Schedules.
4. Utilities conducted a COS study based on a revenue requirement from the proposed 2024 Budget. The COS analysis indicates for Utilities to recover the proposed revenue requirement it is necessary to increase rates.
5. The primary rate drivers are: (1) Funding infrastructure investments including, Advanced Metering Infrastructure (“AMI”), sustainable energy plan projects, generation replacement, and supporting growth and resiliency; and (2) Inflationary increases in labor, benefits, and system maintenance.
6. The proposed rate increase will result in total revenue of \$370.5 million, which is \$27.3 million or 8.0% higher than the projected revenues under current rates. Full details of the proposed rate increase are included in Utilities’ filing.
7. Utilities performed its COS study following generally accepted ratemaking practices and proposes rates designed in compliance with all governing policies. Full detail of rate changes can be found in Schedule 3 of the COS, included in Utilities’ filing. Also available in Utilities’ filing is the Utilities Board approved Rate Manual.
8. Utilities proposed Electric Rate Schedule COS driven changes impact individual rates as follows:

- a) **Residential/Small Commercial (E1R/ETR/E1C)** – Proposed rates for these customer classes were designed holistically, balancing the principles of economic efficiency, revenue stability, equitability for all customers, customer satisfaction, and customer bill stability. The proposed changes include adjustments to both Access and Facilities Charges, per day and per kWh, to recover the required additional revenue relatively evenly between the two components. In this approach, the proposed rates recover the distribution cost associated with Electric Service, Meters and Installation, as well as, Customer costs, through the per day rate, while maintaining the customer’s ability to influence their bill through energy charges.
- b) **Commercial/TOD General (E2C/ETC)** – The proposed changes for these customer classes include adjustments to both Access and Facilities Charge components. The daily charge was designed to recover the distribution cost associated with Electric Service, Meters and Installation, as well as Customer costs, and the energy charge on a per kWh basis recovering the remaining required revenue.
- c) **Industrial Service – Time-of-Day Service 1,000 kWh/Day Minimum (ETL) and Industrial Service – Time-of-Day Service 500 kW Minimum (E8T)** – Service under these rate schedules is available to industrial customers whose usage ranges from 1,000 kWh/day for ETL, up to Maximum Demands of 3,999 kW in any of the last 12 billing periods for E8T. The proposed percent change in revenues indicates increases for both customer classes in line with the overall system increase. With the proposed changes, the rate classes are minimally over but, within a reasonable range of their relative COS, enabling a holistic and reasonable approach to balancing the recovery of the overall revenue requirement.
- d) **Large Power and Light (ELG)** – The ELG rate was designed to attract and retain customers with a large industrial load and high system load factor. Economic efficiency characteristics of the ELG rate are demonstrated through a narrower range between average and peak loads, increased Electric System efficiency gained through a high load factor, and deferment of capacity capital cost. With the proposed increases, this rate class is outside the plus or minus 5% of COS study requirement per Rate Design (G-5) Guideline, 2. A. as defined in the Governance Policy Manual. 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 rate change for the ELG Rate Class in this filing resulting in proposed revenues at 77.5% of COS.

- e) **Industrial Service – Transmission Voltage (ETX) and Industrial Service – Time-of-Day Service 4,000 kW Minimum (E8S)** – Utilities’ filing continues a phased-in approach to bring the ETX and E8S rates within an appropriate range of the COS study. With the proposed increases, these rate classes are outside the plus or minus 5% of COS study requirement per Rate Design (G-5) Guideline, 2. A. as defined in the Governance Policy Manual. The proposed rate increases to E8S and ETX result in approximately 84.4% and 89.3% of COS respectively. With the COS influenced by operational and customer factors within the rate classes, the proposed increases take a measured approach to balance adequate rate recovery and customer bill stability, while bringing the classes nearer to their relative COS.
 - f) **Contract Service – DoD (ECD) and Contract Service – Wheeling (ECW)** – While the ECD customer class saw a modest change in the rates, the proposed rates will bring the class to full COS recovery with an increase lower than the overall system increase. The ECW rate class covers distribution service of energy wheeled from outside of Utilities’ service territory. With the proposed increases, the ECW rate class is outside the plus or minus 5% of COS study requirement per Rate Design (G-5) Guideline, 2. A. as defined in the Governance Policy Manual. The proposed rate increase gives consideration of balancing adequate cost recovery and customer bill stability, while bringing the rate class nearer to its COS.
 - g) **Contract Service – Traffic Signals (E2T)** – The proposed changes update the Access and Facilities Charges bringing the class to full COS.
 - h) **Contract Service – Street Lighting (E7SL)** – The rate proposals included in this filing address only changes to Electric (Non-Municipal Government) Streetlighting E7SL customers. The proposed rates vary by pole type and wattage.
9. In addition to the COS based rate changes, Utilities’ filing includes the following additional proposed changes to the Electric Rate Schedule:
- a) **Commercial Service – Non-Metered (ENM)** – The proposed change updates the Access and Facilities Charge, per kWh based on the COS.
 - b) **Enhanced Power** – The proposed change updates the Reserve Capacity Charge.
 - c) **Community Solar Garden Program and Pilot Program Bill Credit** – The proposed changes update the Bill Credit, by customer rate class, as well as, the Pilot Program Bill Credit.
 - d) **Electric Vehicle Public Charging Service – Time-of-Day** – The proposed changes update the On and Off-Peak rates, per kWh for both the Level 2 and Direct Current Fast Chargers.

- e) **On-site, Direct-Service Solar Contract Service – USAFA Charge (EINFPRS)** – The proposed change updates the current table to reflect additional years under this service.
 - f) **Renewable Energy Net Metering** – The proposed change to this schedule increases the limitation on commercial renewable energy system size from 25 kW to 150 kW.
 - g) **Interruptible Service** – The proposed change in availability increases a customer’s required minimum demand from 500 kW to 4,000 kW.
10. In addition to the proposed Electric Tariff revisions, Utilities’ 2024 Rate Case filing also proposes changes to the Natural Gas and Water Rate Schedules and the URR.
11. The proposed effective date for Utilities’ tariff changes is January 1, 2024.
12. Utilities filed its tariff changes with the City Auditor, Mrs. Jacqueline Rowland on August 11, 2023, and with the City Attorney on September 5, 2023. Utilities then filed the enterprise’s formal proposals on September 12, 2023, 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 12, 2023, and in *The Gazette* on September 15, 2023. These various notices and filings comply with the requirements of §12.1.108 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.
13. The information provided to City Council and held open for public inspection at the City Clerk’s Office was supplemented by Utilities on October 17, 2023. The supplemental materials contained:
- a) Revised information regarding (1) correction of clerical errors, (2) a reduction of the proposed Nonresidential trip fee from \$100 to \$70 to avoid complex system configurations, and (3) a clarification on the proposed after-hours fee of \$40;
 - b) The Office of the City Auditor’s audit report;
 - c) The legal notice affidavit of publication; and
 - d) Public outreach information.
14. The City Auditor issued her findings on the proposed tariff changes prior to the rate hearing, dated October 2023, which found Utilities accurately calculated its proposed rates and offered one recommendation, that a new load study be performed in 2024 using new

data. Utilities agreed to the recommendation and will select load study samples by March 31, 2024, for the 2024 load study. A copy of that report is contained within the record.

15. On October 24, 2023, the City Council held a public hearing concerning the proposed changes to the Electric, Natural Gas, and Water Rate Schedules and URR. This hearing was conducted in accordance with §12.1.108 of the City Code, the procedural rules adopted by City Council, and the applicable provisions of state law.
16. City Council President Randy Helms commenced the rate hearing.
17. The presentations started with Mr. Christopher Bidlack, a Senior Attorney with the City Attorney's Office – Utilities Division. Mr. Bidlack first presented the rate hearing agenda.
18. Mr. Bidlack then briefed City Council on its power to establish rates, charges, and regulations for Utilities' services. In setting rates, charges, and regulations for Utilities' services, 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 analogous to a quasi-judicial proceeding 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 Water service must be reasonable and appropriate in light of all circumstances, City Code §12.1.108(F). Rates for Natural Gas and Electric service must be just, reasonable, sufficient, and not unduly discriminatory, City Code §12.1.108(E).
19. 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 that no *ex parte* communications were received.
20. Mr. Tristan Gearhart, Utilities' Chief Planning and Finance Officer, provided the enterprise's proposals.
21. Mr. Gearhart started by summarizing Utilities' rate case procedural compliance and then provided an overview of Utilities' 2024 Rate Case. He reported that the 2024 Rate Case filing is based on 2024 Sources & Uses Budget Ordinances and that Rate Case filing includes proposed changes to: (1) Electric, Natural Gas, and certain Water Rate Tables; (2) Electric and Natural Gas tariff provisions; and (3) the URR. The effective date of proposed changes is January 1, 2024. Additionally, the 2024 Rate Case filing contains the comprehensive proposed changes, reports, resolutions, Tariffs, COS, and other supporting materials.
22. Next, Mr. Gearhart walked through Utilities' Sample Total Service Bill table which provides a summary of the impact of the proposed rate changes to Residential, Commercial, and Industrial rate classes across Electric, Natural Gas, Water, and Wastewater Services, and compares those changes to the sample bills from January 1, 2023, and January 1, 2022.

23. Mr. Gearhart then addressed Electric Service changes specifically. He explained that the Electric base rate drivers are: (1) Funding infrastructure investments, which includes (a) Advanced Metering Infrastructure and sustainable energy plan projects, (b) Generation replacement, and (c) Supporting growth and resiliency; and (2) Inflationary increases in labor, benefits, and system maintenance. The total Electric proposed revenue from rates is \$370.5 million which is \$27.3 million higher than revenue under current rates and represents an overall system increase 8.0%. The percentage of net revenue requirement and the percent revenue changes for each Electric rate were also presented. In addition to the COS based rate changes, Utilities proposes limited rate changes for the Commercial Service – Non-Metered, Enhanced Power Service, Community Solar Garden (Pilot and Standard), and Electric Vehicle Public Charging rates.
24. Mr. Gearhart then spoke to Utilities’ proposed changes to the Natural Gas Service. The Natural Gas base rate drivers are: (1) Funding infrastructure investments, including supporting growth and resiliency; and (2) Inflationary increases in labor, benefits, and system maintenance. The total Natural Gas proposed revenue from rates is \$88.9 million which is \$5.0 million higher than revenue under current rates and represents an overall system increase 6.0%. The percentage of net revenue requirement and the percent revenue changes for each Natural Gas rate were also presented. In addition to the COS based rate changes, Utilities proposes limited rate changes for the Industrial Service – Interruptible Prescheduled and Industrial Transportation Service – Firm rate classes.
25. To conclude his discussion on Natural Gas rates, Mr. Gearhart explained Utilities’ proposed Colorado Clean Heat Plan bill rider. The Colorado Clean Heat Plan requires gas utilities to adopt programs to reduce greenhouse gas emissions; with 4% carbon emission reduction by 2025 and a 2% cost cap (\$2.7 million for 2024) and 22% carbon emission reduction by 2030 and a 2.5% cost cap. Utilities’ rate filing includes a new bill component to transparently recover cost of complying with Clean Heat Plan requirements. The revenue collected through the charge will be used to fund energy efficiency programs that help reduce greenhouse gas emissions. The programs include customer rebates for (1) energy efficient water heaters and furnaces, (2) insulation, and (3) heat pumps.
26. Council Member Brian Risley commented on the proposed Colorado Clean Heat Plan bill rider; explaining that he disagrees with the approach taken by the Colorado Clean Heat Plan in setting State mandates for Colorado Springs and thinks it is important to be clear that the increased costs associated with the Colorado Clean Heat Plan for Utilities’ customers are a direct result of the State mandate and are not driven by Utilities’ desires.
27. Mr. Gearhart reiterated that Utilities’ bill rider approach is designed to show customers that the cost is directly related to the State mandate.
28. Mr. Gearhart then summarized the impact of the proposed rate changes to a sample residential, monthly bill.
29. To conclude his substantive presentation, Mr. Gearhart addressed the additional tariff changes proposed in Utilities’ filing.

30. Within the Electric tariff, Utilities proposes to modify: (1) the Contract Service – Military rate to update the On-site, Direct-Service Solar Contract Service – USAFA Charge table to reflect additional years under this service; and (2) Renewable Energy Net Metering rate to increase limitation on commercial renewable energy system size from 25 kW to 150 kW; and (3) Interruptible Service rate to increase customer’s required minimum demand from 500 kW to 4,000 kW.
31. Additionally, Utilities proposes changes to continue the multi-year phase in of rate increases in the Water tariff to the Nonpotable (4.9% increase) and Augmentation (4.5% increase) rates.
32. Utilities’ proposed changes to the URR are: (1) modifications to Utilities’ Trip Fees to update currently outdated costs and to standardize the structure in a simple format of Residential and Non-Residential fees, which are proposed to be \$70 for each; (2) an update to the Quarterly manual meter read fee from \$20 to \$35; (3) the addition of general and specific references for Trip Fee applicability; (4) the addition of \$250 fee related to Standby Service and relocations in accordance with City Code (Underground Damage Prevention Safety Program); (5) the addition of Renewable Energy System Interconnection Application Review Fee; (6) clarification of Water Leak Adjustment Program limitations; and (7) an administrative corrections to Water Regional System Availability Fee paragraph numbering.
33. Mr. Gearhart concluded by summarizing the outreach Utilities performed in making customers aware of the proposed rate changes and the resources that are available to customers facing difficulty in paying their utility bills, both in terms of immediate assistance and long-term utility service usage reduction.
34. Next, the City Auditor, Mrs. Rowland, stated that her office reviewed Utilities filing and supports its accuracy. As noted in her report, the Office of the City Auditor found one note for future improvement for Utilities.
35. After Utilities’ presentation, President Helms opened the floor for public comment. No public comments were given.
36. Following the opportunity for public comment, President Helms opened the floor to questions or comments from City Council.
37. Council Member Dave Donelson spoke first. He noted that the proposed Electric and Natural Gas rate increases are reasonable and restrained given the lack of an Electric rate increase since 2018 and the lack of a Natural Gas rate increase since 2021. He also emphasized that if the proposed rates are accepted, customers will have a lower bill than they had the prior year.
38. Council Member Mike O’Malley commented that while factors such as geopolitical instability can impact rates and fuel costs, he believes that Utilities is taking the correct

steps to deal with future uncertainty. He then asked Mr. Gearhart for the status of future costs projections. Mr. Gearhart answered that geopolitical instability, weather, and other factors all play a role in natural gas prices. The current market projections show a typical winter forecast for natural gas rates, with expected price increases over the winter months. He explained that Utilities is working to mitigate uncertainty as much as possible, with tools such as physical hedging and the PACE gas prepay. He also noted that the current projections for the Electric Cost Adjustment and Gas Cost Adjustment show a slight increase in the January time frame.

39. Council Member Nancy Henum was the last council member to speak and commented that while the Colorado Clean Heat Plan mandates do come from the State, she believes planning for clean energy in the future is necessary. She then noted her appreciation for the Utilities staff and the role they play in providing the benefit of a municipal utility to the City of Colorado Springs.
40. Based on the lack of questions or comments, President Helms determined that neither a break nor executive session were necessary.
41. Mr. Bidlack then polled City Council regarding the issues central to the Electric, Natural Gas, and Water Rate Schedules and the URR. Per City Council's request, Mr. Bidlack did not present every Issue for Decision, but instead asked that City Council indicate approval of Utilities' proposals as a whole, while noting any exceptions. City Council indicated approval and did not note any exceptions.
42. Mr. Bidlack then restated the future schedule for Utilities' rate filing, with the draft Decisions and Orders being presented to City Council for review on November 13, 2023, and for final approval on November 14, 2023.
43. 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 \$27.3 million appropriate for the 2024 rate case test-year period?

The City Council held that an increase to the non-fuel revenues of \$27.3 million is appropriate for the 2024 rate case test-year period.

- b) Should rates and tariffs for the following Electric Service Rate Schedules be revised as proposed:
 - i. Residential Service
 - ii. Residential Service – Time-of-Day
 - iii. Commercial Service – Small
 - iv. Commercial Service – General
 - v. Commercial Service – General – Time-of-Day
 - vi. Industrial Service – Time-of-Day Service 1,000 kWh/Day Minimum

- vii. Industrial Service – Time-of-Day Service 500 kW Minimum
- viii. Industrial Service – Time-of-Day Transmission Voltage
- ix. Industrial Service – Time-of-Day 4,000 KW/Day Minimum
- x. Industrial Service – Large Power and Light
- xi. Contract Service – Street Lighting
- xii. Contract Service – Traffic Signals
- xiii. Contract Service – ECD
- xiv. Contract Service – Wheeling
- xv. Community Solar Garden Bill Credit (Pilot Program)
- xvi. 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) Residential Service – Time-of-Day; 3) Commercial Service – Small; 4) Commercial Service – General; 5) Commercial Service – General – Time-of-Day; 6) Industrial Service – Time-of-Day Service 1,000 kWh/Day Minimum; 7) Industrial Service – Time-of-Day Service 500 kW Minimum; 8) Industrial Service – Time-of-Day Transmission Voltage; 9) Industrial Service – Time-of-Day 4,000 KW/Day Minimum; 10) Industrial Service – Large Power and Light; 11) Contract Service – Street Lighting; 12) Contract Service – Traffic Lights; 13) Contract Service - ECD; 14) Contract Service – Wheeling; 15) Community Solar Garden Bill Credit (Pilot Program); and 16) Community Solar Garden Program.

- c) Should Utilities update the Commercial Service – Non-Metered (ENM) Access and Facilities Charge, per kWh based on the Cost of Service Study?

The City Council held that Utilities shall update the Commercial Service – Non-Metered (ENM) Access and Facilities Charge, per kWh based on the Cost of Service Study.

- d) Should Utilities update the Enhanced Power Reserve Capacity Charge?

The City Council held that Utilities shall update the Enhanced Power Reserve Capacity Charge.

- e) Should Utilities modify the Community Solar Garden Program and Pilot Program Bill Credit by customer rate class as proposed?

The City Council held that Utilities shall modify the Community Solar Garden Program and Pilot Program Bill Credit by customer rate class as proposed.

- f) Should Utilities update the Electric Vehicle Public Charging Service – Time-of-Day On and Off-Peak rates, per kWh for both the Level 2 and Direct Current Fast Chargers?

The City Council held that Utilities shall update the Electric Vehicle Public Charging Service – Time-of-Day On and Off-Peak rates, per kWh for both the Level 2 and Direct Current Fast Chargers.

- g) Should Utilities update the On-site, Direct-Service Solar Contract Service – USAFA Charge (EINFPRS) rate table to reflect additional years under this service?

The City Council held that Utilities shall update the On-site, Direct-Service Solar Contract Service – USAFA Charge (EINFPRS) rate table to reflect additional years under this service.

- h) Should Utilities modify the Renewable Energy Net Metering schedule to increase the limitation on commercial renewable energy system size from 25 kW to 150 kW?

The City Council held that Utilities shall modify the Renewable Energy Net Metering schedule to increase the limitation on commercial renewable energy system size from 25 kW to 150 kW.

- i) Should Utilities revise the Interruptible Service to change the participation requirement of a customer’s required minimum demand from 500 kW to 4,000 kW?

The City Council held that Utilities shall revise the Interruptible Service to change the participation requirement of a customer’s required minimum demand from 500 kW to 4,000 kW.

44. President Helms then concluded the 2024 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, 2024. 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 14th day of November, 2023.

CITY OF COLORADO SPRINGS

Council President

ATTEST:

City Clerk