RESOLUTION NO. 170 - 24

A RESOLUTION SETTING WATER RATES WITHIN
THE SERVICE AREA OF COLORADO SPRINGS UTILITIES AND
REGARDING CERTAIN CHANGES TO WATER RATE SCHEDULES

WHEREAS, Colorado Springs Utilities (Utilities) analyzed the cost of providing water utility service to its Customers and analyzed its current and expected revenue needs for each year 2025 through 2029; and

WHEREAS, water service revenues will need to increase by approximately $13.9 million for 2025, $14.9 million for 2026, $16.1 million for 2027, $17.4 million for 2028, and $18.7 million for 2029; and

WHEREAS, Utilities conducted a cost of service study and proposed to modify the Residential, Nonresidential, Large Nonseasonal, Contract Service – Military, Contract Service – Regional, Nonpotable, Augmentation, and Temporary Service – Hydrant Use rates to reflect the appropriate cost for the service for each of the referenced years with the changes for each year effective for the noted year; and

WHEREAS, Utilities proposed to modify the Contract Service – Military (WSC-MIL) rate schedule to reflect the name of Peterson Space Force base and Cheyenne Mountain Space Force Station; and

WHEREAS, Utilities proposed to make the water rate schedule changes effective January 1st of each referenced year, starting with January 1, 2025, and continuing through January 1, 2029; 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 for each year 2025 through 2029, are reflected in the tariff sheets attached to this resolution, are provided in redline format within Utilities' 2025 Rate Case, and are discussed further in the City Council Decision and Order for this case; and

WHEREAS, the City Council finds Utilities' proposed modifications prudent; and

WHEREAS, the City Council finds that the proposed modifications to the water 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 provided public notice of the proposed changes and complied with the requirements of the City Code for changing its water rate schedules; 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. 6, Water Rate Schedules shall be revised as follows:

Effective January 1, 2025, January 1, 2026, January 1, 2027, January 1, 2028, and January 1, 2029

City Council Vol. No. 6		
Sheet No.	**Title**	**Cancels Sheet No.**
Fourth Revised Sheet No. 2	RATE TABLE	Third Revised Sheet No. 2
Fourth Revised Sheet No. 2.1	RATE TABLE	Third Revised Sheet No. 2.1
Seventh Revised Sheet No. 2.2	RATE TABLE	Sixth Revised Sheet No. 2.2
Fifth Revised Sheet No. 2.3	RATE TABLE	Fourth Revised Sheet No. 2.3
First Revised Sheet No. 7	CONTRACT SERVICE – MILITARY (WSC-MIL)	Original Sheet No. 7

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 12th day of November 2024.

Randy Helms, Council President

ATTEST:

Sarah B. Johnson, City Clerk

COLORADO SPRINGS INCORPORATED SEAL SEPTEMBER 3, 1872 COLORADO

Colorado Springs Utilities

It's how we're all connected

2025 Rate Case

Final Water Tariff Sheets

Water

Final Tariff Sheets

Colorado Springs Utilities
It's how we're all connected

City Council Volume No. 6
Fourth Revised Sheet No. 2
Cancels Third Revised Sheet No. 2

WATER RATE SCHEDULES

RATE TABLE

Billing statements are the sum of rate components listed below each available service.

Description	Rates (Note)				
	2025	2026	2027	2028	2029
Residential Service (WR) – Sheet No. 4					
Inside City Limits					
Service Charge, per meter, per day, but not less than:					
5/8 to 1 inch	$0.8000	$0.8512	$0.9057	$0.9637	$1.0254
1 1/2 inch	$1.6000	$1.7024	$1.8114	$1.9273	$2.0506
2 inch	$2.5600	$2.7238	$2.8981	$3.0836	$3.2810
3 inch	$4.8000	$5.1072	$5.4341	$5.7819	$6.1519
Commodity Charge, per cf:					
First 999 cf	$0.0543	$0.0578	$0.0615	$0.0654	$0.0696
1,000 to 2,499 cf	$0.0678	$0.0721	$0.0767	$0.0816	$0.0868
2,500 cf or greater	$0.1018	$0.1083	$0.1152	$0.1226	$0.1304
Outside City Limits					
Service Charge, per meter, per day, but not less than:					
5/8 to 1 inch	$1.2000	$1.2768	$1.3585	$1.4454	$1.5379
1 1/2 inch	$2.4000	$2.5536	$2.7170	$2.8909	$3.0759
2 inch	$3.8400	$4.0858	$4.3473	$4.6255	$4.9215
3 inch	$7.2000	$7.6608	$8.1511	$8.6728	$9.2279
Commodity Charge, per cf:					
First 999 cf	$0.0815	$0.0867	$0.0922	$0.0981	$0.1044
1,000 to 2,499 cf	$0.1017	$0.1082	$0.1151	$0.1225	$0.1303
2,500 cf or greater	$0.1527	$0.1625	$0.1729	$0.1840	$0.1958

Approval Date: November 12, 2024
Effective Date: January 1, 2025
Resolution No.

Note: Rates are effective January 1st of the respective year shown. Rates effective 2029 will remain effective until superseded by City Council.

Colorado Springs Utilities
It's how we're all connected

City Council Volume No. 6
Fourth Revised Sheet No. 2.1
Cancels Third Revised Sheet No. 2.1

WATER RATE SCHEDULES

RATE TABLE

Description	Rates (Note)				
	2025	2026	2027	2028	2029
Nonresidential Service (WG, WM) – Sheet No. 5					
Inside City Limits					
Service Charge, per meter, per day:					
Less than 2 inch	$1.9648	$2.0905	$2.2243	$2.3667	$2.5182
2 inch	$3.1437	$3.3449	$3.5590	$3.7868	$4.0292
3 inch	$5.8945	$6.2717	$6.6731	$7.1002	$7.5546
4 inch	$9.8241	$10.4528	$11.1218	$11.8336	$12.5910
6 inch	$19.6482	$20.9057	$22.2437	$23.6673	$25.1820
8 inch	$31.4371	$33.4491	$35.5898	$37.8675	$40.2910
10 inch	$45.1908	$48.0830	$51.1603	$54.4346	$57.9184
Commodity Charge:					
November through April, per cf	$0.0597	$0.0635	$0.0676	$0.0719	$0.0765
May through October, per cf	$0.0746	$0.0794	$0.0845	$0.0899	$0.0957
Outside City Limits					
Service Charge, per meter, per day:					
Less than 2 inch	$2.9472	$3.1358	$3.3365	$3.5500	$3.7772
2 inch	$4.7156	$5.0174	$5.3385	$5.6802	$6.0437
3 inch	$8.8418	$9.4077	$10.0098	$10.6504	$11.3320
4 inch	$14.7362	$15.6793	$16.6828	$17.7505	$18.8865
6 inch	$29.4723	$31.3585	$33.3654	$35.5008	$37.7729
8 inch	$47.1557	$50.1737	$53.3848	$56.8014	$60.4367
10 inch	$67.7862	$72.1245	$76.7405	$81.6519	$86.8776
Commodity Charge:					
November through April, per cf	$0.0896	$0.0953	$0.1014	$0.1079	$0.1148
May through October, per cf	$0.1119	$0.1191	$0.1267	$0.1348	$0.1434

Approval Date: November 12, 2024
Effective Date: January 1, 2025
Resolution No.

Note: Rates are effective January 1st of the respective year shown. Rates effective 2029 will remain effective until superseded by City Council.

WATER RATE SCHEDULES

RATE TABLE

Description	Rates (Note)				
	2025	2026	2027	2028	2029
Large Nonseasonal Service (WLNS) – Sheet No. 6					
Service Charge, per metered service point, per day:					
Less than 2 inch	$1.9648	$2.0925	$2.2285	$2.3734	$2.5277
2 inch	$3.1437	$3.3480	$3.5656	$3.7974	$4.0442
3 inch	$5.8945	$6.2776	$6.6856	$7.1202	$7.5830
4 inch	$9.8241	$10.4627	$11.1428	$11.8671	$12.6385
6 inch	$19.6482	$20.9253	$22.2854	$23.7340	$25.2767
8 inch	$31.4371	$33.4805	$35.6567	$37.9744	$40.4427
10 inch	$45.1908	$48.1282	$51.2565	$54.5882	$58.1364
Commodity Charge, per cf	$0.0533	$0.0568	$0.0605	$0.0644	$0.0686
Contract Service – Military (WSC-MIL) – Sheet No. 7					
Commodity Charge:					
November through April, per cf	$0.0548	$0.0591	$0.0637	$0.0687	$0.0741
May through October, per cf	$0.0685	$0.0738	$0.0796	$0.0858	$0.0925
Contract Service – Regional (WCR) – Sheet No. 7.1					
Full Service Option					
Commodity Charge, per cf	$0.1073	$0.1143	$0.1217	$0.1296	$0.1380
Convey, Treat, and Deliver Option					
Commodity Charge, per cf	$0.0698	$0.0743	$0.0791	$0.0842	$0.0897
Nonpotable (WN, W1P) – Sheet No. 8					
Miscellaneous Service (WN)					
Commodity Charge, per cf:	$0.0320	$0.0341	$0.0363	$0.0387	$0.0412
Contract Service (W1P)					
Commodity Charge, per cf:	$0.0183	$0.0195	$0.0208	$0.0222	$0.0236

Approval Date: November 12, 2024
Effective Date: January 1, 2025
Resolution No.

Note: Rates are effective January 1st of the respective year shown. Rates effective 2029 will remain effective until superseded by City Council.

WATER RATE SCHEDULES

RATE TABLE

Description	Rates (Note)				
	2025	2026	2027	2028	2029
Augmentation (W1G) – Sheet No. 9					
Commodity Charge, per cf	$0.0098	$0.0104	$0.0111	$0.0118	$0.0126
Temporary Service – Hydrant Use (WHYDM) – Sheet No. 10					
Permit Fee, per permit	$100.00				
Meter Charge (Utilities owned meter), per day	$4.00				
Equipment Charge (Utilities owned back flow preventer), per day	$4.00				
Commodity Charge, per 1,000 gallons	$11.7647	$12.5294	$13.3438	$14.2111	$15.1348
Reserved for Future Filing – Sheet No. 11					

Approval Date: November 12, 2024
Effective Date: January 1, 2025
Resolution No.

Note: Rates are effective January 1st of the respective year shown. Rates effective 2029 will remain effective until superseded by City Council.

WATER RATE SCHEDULES

CONTRACT SERVICE – MILITARY (WSC-MIL)

AVAILABILITY

Available by contract in Utilities' water service territory to the United States of America at the Fort Carson Military Installation, the Peterson Space Force Base, the United States Air Force Academy, and Cheyenne Mountain Space Force Station.

RATE

See Rate Table for applicable charges.

BEFORE THE CITY COUNCIL OF
THE CITY OF COLORADO SPRINGS

IN THE MATTER OF THE REVISION	)	
OF THE WATER TARIFF OF	)	DECISION & ORDER 24-03 (W)
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 water utility service within the City and for those areas approved by the City Council on a long-term, contractual basis.

2. Utilities submitted a 2025 Rate Case as part of a five-year financial plan, funding reliability, regulatory, and growth-related investments in Utilities' systems. Utilities' 2025 Rate Case filing includes proposed Cost of Service ("COS") driven rate changes for Electric, Natural Gas, Water, and Wastewater services. Utilities' filing proposes annual changes to Electric, Natural Gas, Water, and Wastewater rates, effective January 1st for each of the years 2025 through 2029.

3. To provide opportunities for customers to manage their bill while helping Utilities maintain a safe, reliable Electric system, Utilities' filing proposes Energy-Wise Time-of-Day rate changes, effective October 1, 2025.

4. Utilities' filing proposes certain other changes to Electric, Natural Gas, Water, and Wastewater Rate Schedules, and changes to Utilities Rules and Regulations ("URR"), effective January 1, 2025.

5. Utilities operates an extensive network of Supply, Treatment, Transmission, and Distribution facilities to maintain a dependable water supply for the largest city in Colorado not located on a major water source.

6. Utilities conducted a Water COS study based on a Revenue Requirement from the Proposed 2025 Budget. The COS analysis indicates for Utilities to recover the proposed Revenue Requirement, it is necessary to increase rates.

7. The primary rate drivers are: (1) funding reliability, regulatory, and growth infrastructure, including: (a) Sustainable Water Plan ("SWP") projects and (b) supporting growth and resiliency, and (2) inflationary increases in labor, benefits, and system maintenance.

8. Utilities' 2025 proposed rate increase will result in total revenue of $228.7 million, which is $13.9 million or 6.5% higher than the projected revenues under current rates. The effect of this increase on the sample monthly Residential water bill is an additional $4.96 or 6.2%

higher. For Small Nonresidential Customers the proposed change is a 7.8% increase and for Large Nonresidential Customers the proposed change is a 8.1% increase.

9. Utilities performed a 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, associated Worksheets, and Water Rate Schedules. See the Rate Manual in the Appendix of Utilities' filing for additional information.

10. Utilities proposed Water Rate Schedule COS driven changes impact individual rates as follows:

    a) **Nonpotable – Miscellaneous Service** – Nonpotable service provides raw water, reclaimed water, groundwater, or any combination of these and availability is determined by Utilities. Utilities continues a phase-in of the rate to full cost of service which is determined by a combination of system average distribution costs and the augmentation rate. The rate calculation results in a 22.0% rate increase to the Nonpotable rate. Based on Utilities' multi-year phased-in approach to bring these customers to full cost, the proposed rate increase is 6.5%.

    b) **Augmentation** – Augmentation service pricing is based on the replacement cost of water, utilizing Utilities' lowest cost supplementary water long-term contract at $500 per acre foot, or $0.0115 per cf. Utilities continues a multi-year phased-in approach to bring this rate to full cost. This filing increases the Augmentation Commodity Charge by 6.5%.

    c) **All Other Water Rate Classes** – Additional information on rate schedule changes not specifically identified and detailed in this section can be found in Utilities' COS, corresponding Worksheets, or within the proposed Water Rate Schedules.

11. Utilities' proposed rate filing includes proposed water rate increases, in addition to those effective January 1, 2025, to be effective January 1, 2026, January 1, 2027, January 1, 2028, and January 1, 2029. These proposed rates present similar, if not identical annual percentage increases to each water rate, as the 2025 rates. The rationale and support for these changes are in-line with those listed for the 2025 proposed rates and are presented concurrently to enhance transparency and understanding.

12. Utilities' filing also includes the following additional proposed changes to the Water tariff:

    a) **Contract Service – Military** – Utilities' proposed change updates formalized name of military service installations to the applicable current names.

13. In addition to the proposed Water Tariff revisions, Utilities' 2025 Rate Case filing also proposes changes to the Electric, Natural Gas, and Wastewater Rate Schedules and the URR.

14. The proposed effective dates for Utilities' tariff changes are: January 1, 2025, October 1, 2025, January 1, 2026, January 1, 2027, January 1, 2028, and January 1, 2029.

15. Utilities filed its tariff changes with the City Auditor, Mrs. Jacqueline Rowland on August 10, 2024, and with the City Attorney on August, 10, 2024. Utilities then filed the enterprise's formal proposals on September 10, 2024, 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 10, 2024, and in *The Gazette* on September 15, 2024. 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.

16. The information provided to City Council and held open for public inspection at the City Clerk's Office was supplemented by Utilities on October 15, 2024. The supplemental materials contained:

    a) Updates to electric and natural gas rate schedules and sample bill calculations based on the Electric Cost Adjustment ("ECA") and Natural Gas Cost Adjustments ("GCA") rates, effective October 1, 2024;

    b) Additional Electric Report information regarding load study data and data timelines;

    c) The Office of the City Auditor's audit report;

    d) The U.S. Department of Defense Notice of Intent to submit public comments;

    e) The legal notice affidavit of publication; and

    f) Public outreach information.

17. The City Auditor issued her findings on the proposed tariff changes prior to the rate hearing, dated October 2024, which found that the COS studies supporting the proposed base rate changes, effective January 1, 2025 for electric, gas, water, and wastewater services were prepared accurately and that the methodology changes were appropriately disclosed and within the tolerances approved by the Utilities Board. The City Auditor's single recommendation for improvement is to incorporate more comprehensive reporting

related to capital spending into the I-2 report to the Utilities Board and to consider performing an annual review of actuals to forecast to determine if the proposed changes in the five-year rate plan are needed. Utilities agrees with the recommendation. A copy of that report is contained within the record.

18. On October 22, 2024, the City Council held a public hearing concerning the proposed changes to the Electric, Natural Gas, Water, and Wastewater 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.

19. City Council President Randy Helms commenced the rate hearing.

20. 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.

21. 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 and Wastewater 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).

22. 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.

23. Mr. Scott Shirola, Utilities' Pricing and Rates Manager, provided the enterprise's proposals.

24. Mr. Shirola started by noting Utilities compliance with required procedural steps and summarizing the 2025 Rate Case filing overview. He noted the major categories of Utilities filing: (a) Building the Future – Utilities' five-year plan for Electric, Natural Gas, Water, and Wastewater base rates; (b) Electric Rate Design – Energy-Wise Time-of-Day Rates; and (c) System expansion and development fees.

25. Next, Mr. Shirola provided additional information on Utilities five-year plan, noting proposed annual increases of 6.5% for electric service, 4.0% for natural gas service, 6.5% for water service, and 9.0% for wastewater service. His presentation included a summary

of communications with the community and financial markets in relation to the proposed five-year plan.

26. Mr. Shirola then provided context on the use of multi-year rate plans by utility entities across the country and the support they regularly receive as beneficial approaches, particularly the ability to spread rate impacts to customers over a period of years.

27. He explained how the proposed rates would remain competitive with other Front Range Utilities and provided rate comparisons with other Front Range Utilities, including noting several Front Range entities that are in the midst of multi-year rate plans. As of October 1, 2024, Utilities Residential customers pay 9.56% below the cost of average Front Range Utilities for a four-service utility bill and, as of July 2024, 16.6% below the national average for electric bills. He also provided sample bill impacts for residential, commercial, and industrial customers under the proposed five-year plan.

28. Councilmember Nancy Henjum asked Mr. Shirola why he thinks Utilities is so competitive in rates, both nationally and on the Front Range. Mr. Shirola's opinion is that Utilities is highly competitive because it (a) is able to create significant efficiencies as one of very few four service utilities, (b) maintains aggressive fuel cost recovery to avoid long term impacts of fuel market events, and (c) does not have the investment motivation that drives investor owned utilities. Councilmember Henjum then asked whether Utilities would have been better served to implement higher rates over the past 10-15 years. Mr. Shirola noted that while hindsight always shows some potential missed opportunities, Utilities has been effective in planning for changes and proposing rates during that time frame.

29. Mr. Shirola then addressed the proposed changes to Electric service. The 2025 Electric base rate drivers are (a) funding reliability, regulatory, and growth infrastructure investments, such as substations and transmission lines, Sustainable Energy Plan projects, and supporting growth and resiliency; and (b) inflationary increases in labor, benefits, and system maintenance. The total Electric proposed revenue from rates is $395.6 million, which is $24.2 million higher than revenue under current rates and represents an overall system increase of 6.5%. The proposed changes to each electric rate class over the five-year plan was provided and is available in Utilities' filing.

30. Then, Mr. Shirola presented Utilities' proposals for Natural Gas service. The 2025 Natural Gas base rate drivers are (a) funding reliability, regulatory, and growth infrastructure investments, including the Distribution Integrity Management Program and supporting growth and resiliency and (b) inflationary increases in labor, benefits, and system maintenance. The total Natural Gas proposed revenue from rates is $92.0 million, which is $3.6 million higher than revenue under current rates and represents an overall system increase of 4.0%. The proposed changes to each natural gas rate class over the five-year plan was provided and is available in Utilities' filing.

31. Mr. Shirola then moved on to Utilities' proposed Water service changes. The 2025 Water rate drivers are (a) funding reliability, regulatory, and growth infrastructure investments, including Sustainable Water Plan projects and supporting growth and resiliency and (b) inflationary increases in labor, benefits, and system maintenance. The total Water proposed revenue from rates is $228.7 million which is $13.9 million higher than revenue under current rates and represents an overall system increase of 6.5%. The proposed changes to each water rate class over the five-year plan was provided and is available in Utilities' filing.

32. To conclude discussion of the specific services, Mr. Shirola addressed the proposed changes to the Wastewater services. The 2025 Wastewater rate drivers are (a) funding reliability, regulatory, and growth infrastructure investments, including collection and treatment system rehabilitation and upgrades and supporting growth and resiliency and (b) inflationary increases in labor, benefits, and system maintenance. The total Wastewater proposed revenue from rates is $79.7 million which is $6.6 million higher than revenue under current rates and represents an overall system of increase 9.0%. The proposed changes to each wastewater rate class over the five-year plan was provided and is available in Utilities' filing.

33. Mr. Shirola then summarized the impact of the proposed rate changes to a sample, four-service Residential utility bill and showed the average annual impact of increases to the sample bill for the period of 2019-2024.

34. Following the specific presentation of rate changes, Mr. Shirola presented information on Utilities' other proposed tariff changes.

35. The most significant proposed change is Utilities proposal to implement time-of-day based electric rates through the Energy-Wise program. Utilities commenced the Energy-Wise project based on the transforming energy future of regulatory requirements, sustainable energy, community growth, and advancing technologies. The development started in 2018 and included Utilities' Energy Vision, Utilities Board workshops, and the Integrated Resource Planning process. Utilities' staff performed extensive research through peer utility interviews, use of consultants and industry groups, review of published reports and articles and review of other utilities' websites and bills. The center of the research was focused on how best to provide service to Utilities' customers.

36. Councilmember David Leinweber noted his view that the most important information in Utilities' presentation is the clear demonstration of the cost of providing energy during the on-peak period of 5 p.m. to 9 p.m. Understanding that cost is key to understanding the need for the Energy-Wise program.

37. Energy-Wise rates can play a significant role in incentivizing customers to shift electric use to periods when demand is lower and the cost of providing electricity is cheaper. With Energy-Wise rates customers pay different rates for electricity based on the time-of-day it

is used which more equitably recovers the costs of providing service to customers. The benefits of the Energy-Wise program include (a) additional customer control, (b) potential for bill savings, (c) a fair and equitable rate structure, (d) support for the transition to sustainable energy, and (e) reduced peak demands and costs.

38. Councilmember Dave Donelson commented that there will be a substantial number of customers who will see their bill decrease without having to make any changes to their energy use practices.

39. Under the Energy-Wise program, rates are lowest on weekdays before 5 p.m. and after 9 p.m., and anytime on weekends and select holidays. These times are called "off-peak." Rates are highest Monday through Friday from 5 p.m. to 9 p.m. These are called "on-peak" times. Rates will be higher in summer when demand is highest (June-September) and lower in winter (October-May). Of note, only 12% of all hours each year are in the on-peak period.

40. The proposed implementation of the Energy-Wise program also (a) aligns the on-peak periods of Utilities' existing time-of-day rates, (b) transitions customers to the Energy-Wise rate as the default residential electric rate, (c) provides an optional Energy-Wise Plus rate option for most Residential, Commercial, and Industrial customers and Fixed Seasonal rate options for most Residential and Small Commercial customers, (d) restructures the commercial classes into three classes, and (e) adds a demand charge to medium and large commercial classes. The proposed changes would be effective October 1, 2025, following City Council approval following which customers will be transitioned onto the rate on a schedule established by Utilities.

41. Councilmember Henjum asked Mr. Shirola to explain the reason for the October 1, 2025, effective date for the Energy-Wise program. Mr. Shirola explained that it is based on both customer and operational needs. From the customer perspective, the next year will be used to communicate the changes, both through general communications and with customer customized communications. Operationally, the implementation of the program requires planning and work on many Utilities systems.

42. Councilmember Henjum then asked if she was correct that many customers will see positive offsets from the proposed changes. Mr. Shirola confirmed her statement and explained that approximately 50% of Residential customers will instantly save money on the transition. Those who will pay more, will pay about $2.88 per month more than current rate. Additionally, tools will be available for customers to reduce their costs and customers can look at other options to evaluate if those provide them with a preferable energy option.

43. Utilities' proposal included a number of case studies designed to demonstrate that the Energy-Wise program is designed to be revenue neutral for Utilities and that roughly half of all Residential customers will pay less and half will pay more if behaviors remain static when compared to current rates. The evaluation also broke Residential customers into

different segments to evaluate how the proposed rate would impact customers with different demographic profiles. There was not a major disparity between the multiple personas and the overall evaluation of all customers. Mr. Shirola also noted that the majority of customers will be able to save money through behavioral changes. Commercial classes had a similar distribution regarding the impact of the Energy-Wise rates.

44. The Energy-Wise portion of the presentation concluded with a summary of customer communication plans, designed to raise awareness, prepare for the change, and create readiness for the change.

45. President Helms then recessed the hearing for a ten minute break.

46. Mr. Shirola then presented the proposed non-rate Natural Gas changes: (a) elimination of Utilities conducted curtailment test event and the addition of expectation for customers to perform test of backup equipment prior to the heating season for the Interruptible Service Rates (Industrial, Industrial Prescheduled, Military); and (b) the addition of Long and Short Restricted Delivery Day (RDD) event definitions, application of RDD Imbalance Charges for all over-delivered volumes during RDD Long events, and all under-delivered volumes during RDD Short events, and clarification of Central Time basis of nomination schedule for the Industrial Transportation Service Rate.

47. Mr. Shirola also noted clerical changes to reflect the revised names of Peterson Space Force Base and Cheyenne Mountain Space Force Station throughout Utilities' tariffs.

48. Mr. Shirola concluded the presentation on Utilities' proposed changes with the proposed changes to the URR. The proposed changes are:

    a) Large Load Interconnection Study and Fee with the addition of requirement for Large Load Interconnection Studies for customers' requests for interconnection of loads equal to or greater than Electric – 5 MW, Natural Gas – 2.5 Dth per hour, and Water and Wastewater – .25 MGD, and the addition of Large Load Interconnection Studies Fees for customers request for interconnection of loads equal to or greater than Electric – 20 MW, Natural Gas – 10 Dth per hour, Water and Wastewater – 1 MGD.

    b) Electric Line Extension Fees with the modification of electric single phase 100 amp and a 3-phase 200 amp fees to full cost per foot, addition of congested space fees, and replacement of 3-phase 600 amp revenue guarantee contracts with time and materials cost and option for recovery agreement.

    c) Natural Gas Line Extension Fees with the replacement of 30% of estimated project cost fee for feasible natural gas main and service stubs with full cost per foot fee, replacement of 100% advance of estimated cost and refund contract for non-feasible natural gas main and service stubs with full cost per foot fee, replacement

of 100% advance and refund contract for natural gas mainline extensions with full cost per foot fee and recovery agreement option, the addition of congested space fees, and the addition of time and materials cost for 150 psig mainline extensions and option for recovery agreement.

d) Updating several existing fees to full cost, including development application, Electric and Gas design, Water and Wastewater recovery agreement application and processing, hydraulic analysis, Water and Wastewater permits, connection and inspection, and Water tap fees.

e) The addition of new fees for service currently performed without fees, including construction drawing review, Wastewater analysis report, and annexation application review.

f) Water and Wastewater Recovery Agreements with the addition of optional alternate Unit Recovery Charge computation method incorporating compound interest factor which is available by request when minimum requirements are met.

g) Clerical revisions.

49. Next, Mr. Shirola provided a summary of Utilities customer outreach, which included communication through the csu.org website, electronic customer newsletters (First Source (business customers) and CONNECTION (residential customers)), one-on-one meetings with large business customers, community and customer group presentations, Utilities Board and City Council meetings, and social media channels.

50. To conclude, Mr. Shirola listed the customer assistance avenues available to customers struggling to pay their utility bills. Resources include bill assistance through (a) Low-Income Energy Assistance Program (LEAP) Nov – Apr and Project COPE, (b) payment options such as payment plans and pick my payment date, (c) free efficiency home upgrades, and (d) rebates.

51. Mrs. Rowland then provided comments on her review of Utilities' proposals as the City Auditor. Mrs. Rowland explained that her office reviews proposed rates with each annual rate case. This year's case was a particularly large review given the five-year plan. The City Auditor's Office reviewed Utilities' filing and COS for accuracy of the data and proposals and found no concerns with Utilities' data or calculations. Mrs. Rowland noted her appreciation for the strong working relationship between her office and Utilities. Her report had one recommendation for Utilities, additional capital reporting to ensure transparent monitoring. She also noted that her report did not include an audit of the Energy-Wise program, but that it would be monitored in the future.

52. Councilmember Henjum commented that the Utilities Board Finance Committee plans to take Mrs. Rowland's reporting recommendation as an action item and will evaluate methods to improve the reporting process.

53. After Utilities' presentation, President Helms opened the floor for public comment.

54. First to speak was Ms. Johnna Reeder Kleymeyer, President and Chief Executive Officer of the Colorado Springs Chamber and EDC. Ms. Kleymeyer spoke in favor of Utilities' proposed changes. She noted that utility infrastructure is a key component of bringing new business to the community, particularly when sites are fully equipped prior to a company moving to the region.

55. Next, Mr. Barry Baum provided comments. Mr. Baum noted that he was asked to review Utilities' rate filing by Utilities Chief Financial Officer, Tristan Gearhart, based on Mr. Baum's interest as a citizen advocate. Mr. Baum filed comments with the City Clerk and provided a brief summary of his comments. He started by noting his appreciation for the work Utilities completed in preparing the five-year plan, but explained he does not support the approach. He believes rates should be approved in one-to-two-year increments as there is too much variability to confidently predict five years' worth of need and costs; and he expects customer use to decrease with increased rates. Mr. Baum also disagrees with Utilities contention that it is competitive with other similar cities and that the proposed changes will further increase the disparity of competitiveness. He concluded by requesting Utilities to explore the potential to acquire energy from investor owned utilities, such as Xcel Energy.

56. Prior to the last customer speaker, President Helms explained that he had committed to giving the speaker 15 minutes to present, and while he now believes doing so was an error, he would honor the time.

57. The last customer commentor then spoke. Mr. Kyle Smith, General Attorney U.S. Army Legal Services Agency, spoke on behalf of the military bases served by Utilities, noting the bases substantial contributions to the economy of Colorado Springs and large payments made annually to Utilities. The military has strong carbon free energy goals and commends Utilities work with the military in striving for those goals. However, the military (1) is concerned with the impact to rates of Utilities proposed five-year rate plan, (2) does not believe that it is prudent to implement five years of rate changes without interim review, (3) is concerned that Utilities will struggle to complete all of the planned projects in the timeline given, and (4) recommends approving no more than two years of rate changes at the current time.

58. Following the opportunity for public comment, President Helms opened the floor to questions or comments from City Council.

59. The first several comments from City Council were directed to Mr. Smith, as a representative of the Department of Defense.

60. Councilmember Mike O'Malley responded to Mr. Smith, first by asking for the distinction between an executive order and a law. Mr. Smith noted laws are general applicability, compared to executive orders which are applicable only to federal agencies. Councilmember O'Malley then expressed his frustrations regarding the unfunded renewable energy mandates placed on Utilities by the State of Colorado, as well as, the Department of Defense's push for higher mandates without realistic cost expectations. Councilmember O'Malley concluded by expressing his support for Utilities proposals as the best solution to a difficult situation.

61. President Helms next addressed Mr. Smith, expressing his support for Utilities' five-year plan based on the need to look to the future and have a set plan when dealing with the regulatory requirements placed on Utilities. He also expressed his belief that those in Washington D.C. do not have the best view on what is appropriate for local matters in Colorado Springs.

62. Mr. Smith responded that he represents the local interests of the military installations served by Utilities.

63. Councilmember Donelson next commented on Mr. Smith's remarks, noting his perception of the irony in the Department of Defense's request for carbon free energy that requires Utilities to retire assets and bring on new renewable resources, but to then object to the cost of doing so.

64. Mr. Smith noted that the executive order requirements he discussed are applicable to the military installations and are not mandates to Utilities.

65. Councilmember Henjum asked Utilities to address the comments that Mr. Smith's presentation made regarding the financial pressures Utilities faces.

66. Mr. Gearhart responded for Utilities. He expressed his recognition that the five-year plan is very large and his belief that it is the most responsible approach to funding over the next five-years. The structure is designed to ensure a plan that supports funding for the projects Utilities must engage in. He also noted that rating agencies have expressed support for the approach as the best method for Utilities to maintain its high credit ratings.

67. Councilmember Henjum then asked Mr. Gearhart to respond to the comments provided by Mr. Baum and noted that even with approval of the five-year plan, City Council could direct Utilities to propose rate changes next year.

68. Mr. Gearhart expressed his appreciation for Mr. Baum's time and engagement, but explained why he disagrees with the comments Mr. Baum provided. Mr. Gearhart

provided Utilities' previous approach to water rates for the Southern Delivery System as a real-life example of the effectiveness of a multi-year rate plan. In that situation, Utilities was even able to reduce the planned rate increases due to costs coming in under projections. He also noted that Utilities will report on the capital progress to the Utilities Board at regular intervals, with those reports including any potential need for subsequent rate changes.

69. Mr. Travas Deal, Utilities Chief Executive Officer, provided additional comments for Utilities. Mr. Deal noted his confidence in Utilities' financial projections over the five-year plan, particularly because of the need to work backwards from regulatory requirements to establish current needs and the fairly clear expectations on project costs based on proactive work Utilities is performing. He emphasized the significant amount of work Utilities performed to be confident in its projections. Mr. Deal also responded to Mr. Baum's request that Utilities request provision of energy from Xcel Energy. Mr. Deal explained that Utilities has explored the potential to purchase energy from an investor owned utility and that no such utilities responded to Utilities' related request for proposal.

70. Councilmember Henjum then expressed her support for Utilities proposals as the best approach to address the regulatory, reliability, and growth drivers impacting Utilities. She also acknowledged the impact the rate changes will have on individual customers.

71. Mr. Gearhart replied that Utilities is cognizant of the impact the rate changes will have on customers and that he and Utilities staff have met with many customers to understand their perspectives.

72. Next, Mr. Gearhart provided an additional comment in relation to Mr. Baum's comment that Utilities is not competitive with other utilities. Mr. Gearhart confirmed his confidence in the comparison data provided by Utilities and expressed his belief that the comparison data reference by Mr. Baum was based on limited, outdated information. He also emphasized the value of a municipally owned utility when looking at the overall comparisons between utility providers.

73. Councilmember Henjum then noted that a customer she spoke with was not concerned with how Utilities' rates compare to other utilities, but just the cost they would pay as a Utilities customer. Councilmember Henjum asked Utilities to address the value of rate comparisons.

74. Mr. Deal explained that comparing Utilities to other similar utility providers is valuable as it demonstrates that Utilities is driving to keep costs as low as possible while facing the same regulatory burdens as other similarly situated utilities.

75. Councilmember Michelle Talarico commented that she is concerned about the impact of the Energy-Wise program on hospitality industry customers and asked Utilities to comment on potential options for those customers.

76. Mr. Shirola confirmed that hospitality customers would receive customized communications and consulting from Utilities regarding the customer's options and that, along with residential customers, small commercial customers will have the option of the Fixed Seasonal electric rate.

77. President Helms determined that neither a break nor executive session were necessary.

78. Mr. Bidlack then polled City Council regarding the issues central to the Electric, Natural Gas, Water, and Wastewater 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.

79. Mr. Bidlack then restated the future schedule for Utilities' rate filing, with the draft Decisions and Orders being presented to City Council for review prior to November 12, 2024, and for final approval on November 12, 2024.

80. The following are the proposed changes and the votes by City Council addressing the Water Tariff:

    a) Is an increase to the Water Service revenues of $13.9 million for 2025, $14.9 million for 2026, $16.1 million for 2027, $17.4 million for 2028, and $18.7 million for 2029 appropriate based on the 2025 rate case test-year period?

       The City Council held an increase to the Water Service revenues of $13.9 million for 2025, $14.9 million for 2026, $16.1 million for 2027, $17.4 million for 2028, and $18.7 million for 2029 is appropriate.

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

       i. Residential Service
       ii. Nonresidential Service
       iii. Large Nonseasonal Service
       iv. Contract Service – Military
       v. Contract Service – Regional
       vi. Nonpotable
       vii. Augmentation
       viii. Temporary Service – Hydrant Use

The City Council held that the rates and tariff for the following Water Service Rate Schedules shall be revised as proposed: 1) Residential Service; 2) Nonresidential Service; 3) Large Nonseasonal Service; 4) Contract Service – Military; 5) Contract Service - Regional; 6) Nonpotable; 7) Augmentation; and) Temporary Service – Hydrant Use.

c) Should Utilities modify the Contract Service – Military (WSC-MIL) rate schedule to reflect the revised name of Peterson Space Force Base and Cheyenne Mountain Space Force Station?

The City Council held that Utilities shall modify the Contract Service – Military (WSC-MIL) rate schedule to reflect the revised name of Peterson Space Force Base and Cheyenne Mountain Space Force Station.

81. President Helms then concluded the 2025 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, 2025, January 1, 2026, January 1, 2027, January 1, 2028, and January 1, 2029, 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 12th day of November, 2024.

CITY OF COLORADO SPRINGS

Council President

ATTEST:

City Clerk