

**Utilities Board Meeting Minutes
Wednesday, May 21, 2008
Blue River Board Room
5th Floor, Plaza of the Rockies South Tower
121 S. Tejon**

Utilities Board Members Present: Chair Lionel Rivera, Vice Chair Larry Small, Board Members Darryl Glenn, Scott Hente, Jerry Heimlicher, Jan Martin, Randy Purvis, and Margaret Radford. Board Member Tom Gallagher was excused.

Staff Members Present: Jerry Forte, Ken Burgess, Sherri Newell, Bruce McCormick, Edward Easterlin, Leah Ash, Andrew Colosimo, Denise Sulski, Stella Chan, Kathleen Solano, Lisa Rosintoski, and Nancy Schneider.

I. Call to Order as City Council

A. Review of Draft Decision and Order for 2008 Electric Service Rate Case Filing

The City Council meeting was called to order by Mayor Rivera.

II. City Council Meeting Adjournment

The City Council meeting was adjourned.

I. Call to Order as Utilities Board

The Utilities Board meeting was called to order by Chair Rivera.

II. Minutes

The minutes of the April 16, 2008 Utilities Board meeting were approved.

III. Recognition/Customer Comment Period

A. Ft. Carson Pavilion Project

Chair Rivera reported that representatives from Fort Carson's Directorate of Environmental Compliance and Management were present at the meeting to recognize the Springs Utilities employee volunteers who constructed a pavilion this spring.

Chief Executive Officer Jerry Forte stated that 29 Springs Utilities volunteers volunteered 353 hours over the course of six weekends to build the pavilion.

He presented a slide show of the progression of the project, and then asked Tom Warren, Deputy Garrison Commander-Transformation/PCMS, Fort Carson and Janine Hegeman, Education Outreach Specialist-Wildlife Habitat Council, Directorate of Environmental Compliance and Management, Fort Carson, to come forward.

Mr. Warren thanked the volunteers and Springs Utilities and called each volunteer forward to receive a certificate. He then presented a plaque to Mr. Forte, who accepted on behalf of Springs Utilities.

Customer Comment:

There were no customer comments.

IV. Governance Monitoring Reports

A. Quarterly Report on Executive Limitation (EL) 4 – Asset Protection

There were no comments or questions.

B. Quarterly Report on Executive Limitation (EL) 7 - Financial Condition & Activities

There were no comments or questions.

C. Annual Chief Executive Officer Performance Plan Results – First Quarter Board-CEO Linkage (BL) 6 – Monitoring CEO Performance

There were no comments or questions.

D. Chief Executive Officer's Communication Executive Limitation (EL) 8 – Communication and Support to the Board

Mr. Forte introduced Community Liaison Denise Sulski, who gave a report on the Community Focus Fund (CFF) GIVE (Get Involved in Volunteer Events) event from April 12 through May 17. She reported that as of May 8, 2008, 362 employees and their families had volunteered on 46 community projects, and that Springs Utilities employee volunteers have donated 2,254 volunteers hours this year. Ms. Sulski then presented a slide show reviewing the activities held during the GIVE event.

Financial Planning and Pricing Manager Stella Chan reported that because of an estimated over-collection at the end of May for fuel and purchased power costs of \$27.6 million dollars, Springs Utilities will file for an Electric Cost Adjustment (ECA) refund of (\$0.0033)/kwh (kilowatt hour) on May 27 to be effective June 1.

Workforce Planning and Development Manager Kathleen Solano gave a presentation on Workforce Planning at Colorado Springs Utilities and showed a video that described several programs Springs Utilities utilizes to enhance sourcing and recruiting candidates for positions within the organization.

Mr. Forte thanked Mayor Rivera for challenging Springs Utilities to sponsor a men's and a women's team in the Colfax Marathon, and he thanked the employees who participated in this event.

V. Discussion/Action Items

A. Utilities Policy Advisory Committee Assignment Executive Limitation (EL) 10 – Water Rights Protection and Development

Issues Management Manager Lisa Rosintoski reported Springs Utilities was presenting this item based on information provided by Utilities Policy Advisory Committee (UPAC) Chair Kathleen Hatten at the April Utilities Board meeting concerning changes they recommended on Executive Limitation (EL) 10 – Water Rights Protection and Development. Board Member Purvis made a motion to approve the changes as presented to EL 10, Board Member Radford seconded the motion, and it was approved by unanimous voice vote.

B. Legislative Update Executive Limitation (EL) 8 – Communication and Support to the Board

Government Affairs Manager Andy Colosimo gave an overview on the 2008 Legislative Session, how the session ended on particular issues, and the state and federal legislative outlook for the upcoming sessions. He stated it was a successful session from Springs Utilities' view. Springs Utilities took positions on 23 bills. The eleven bills Springs Utilities opposed all failed to pass, the eight it supported all passed, and the four bills Springs Utilities was neutral on passed.

When Mr. Colosimo reported on possible financial impacts to Springs Utilities if the Climate Security Act passes, Chair Rivera asked if it would be possible to get similar information from other utilities. He stated he would like that information before he left to attend the U.S. Conference of Mayors on June 19.

C. Water Infrastructure Planning Executive Limitation (EL) 13 – Infrastructure

Chief Water Services Officer Bruce McCormick and Water System Maintenance Department Manager Leah Ash gave a presentation on the water distribution system. Ms. Ash presented current system statistics, distribution maintenance and rehabilitation activities, system performance, current challenges, improvements considered and next steps.

Mr. McCormick presented a summary of financial impacts on "extraordinary" O & M (operations and maintenance) and capital costs for the water system and individual financial summaries for needs in raw water system, distribution reservoirs, treatment plants, and water distribution systems.

A break was taken from 2:40 p.m. to 3:00 p.m.

D. Financial Update
Executive Limitation (EL) 7 – Financial Condition and Activities

Chief Planning and Financial Officer Edward Easterlin gave an update on the financial status of Springs Utilities based on the impact due to the recent economic downturn. He reviewed the background of the issue, presented an update as of May, 2008, talked about additional short term mitigation actions, and gave a rating agency perspective. He concluded by stating that the financial impacts of economic slowdown are more severe than were anticipated, and as a result additional budget reductions are being identified by Springs Utilities to mitigate revenue shortfalls. He reported that most of the revenue shortfall is directly impacting water service. He stated that reduced financial stability in the water service impacts the enterprise financial stability and could result in a reduced credit rating.

Mr. Easterlin stated that Springs Utilities' staff would like to separate the budget and rate case preparation process. This would allow for more timely and accurate data to be utilized. He stated that Springs Utilities' recommendation would be to revise the planning process by presenting Executive Limitation (EL) 6 – Financial Planning and Budgeting in July, present the 2009 budget in November, and conduct the rate case approval process in the Springs of 2009. Further recommendations would be to continue long term cost management initiatives and to implement short term budget mitigation strategies, including a revenue adjustment and an expense adjustment.

Chair Rivera left at 4:00 p.m.

Utilities Board members agreed by consensus to modify the Annual Planning calendar as recommended by Springs Utilities.

VI. General Discussion

There was no general discussion.

VII. Adjournment

The meeting was adjourned at 4:02 p.m.