

COLORADO SPRINGS UTILITIES BOARD

POLICY GOVERNANCE

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Colorado Springs Utilities Board Policy

Category: Ends	Title: ORGANIZATIONAL PURPOSE
Date of Adoption: October 21, 1998	Policy Number: E – 1
Revision: 14 December 17, 2008	

To provide safe, reliable, competitively-priced electric, natural gas, water and wastewater services to the citizen owners and customers of Colorado Springs Utilities.

1. Customer Perspective:
 - 1.1. Be Easy to Do Business With.
 - 1.1.1. Overall residential customer satisfaction will be in the target range of 25% - 11%.
 - 1.1.2. Overall business customer satisfaction will be in the target range of 25% - 11%.
2. Stakeholder Perspective:
 - 2.1. Keep Rates Competitive.
 - 2.1.1. Combined rates based on the Regional Utility Price Competitiveness Index for the four core services will be an average +/- 5% target of the identified regional economic competitor cities.
 - 2.1.2. Combined rates based on the Economic Development Price Competitiveness for the four core services will be a ranking between 31% - 50% of the surveyed communities identified in collaboration with the Economic Development Corporation as economic competitor cities.
 - 2.2. Deliver Reliable Utility Services.
 - 2.2.1. Unplanned electric outages as measured by the System Average Interruption Duration Index will attain a target of 47.51 – 52.50 minutes on an annual basis.
 - 2.2.2. Unplanned natural gas distribution system outages as measured by the Natural Gas Emergency Response Time will be a target of 27.51 – 32.50 on an annual basis based on a year-to-date monthly average.
 - 2.2.3. Sanitary Sewer Overflows per 100 miles of pipe shall be minimized and monitored to achieve a target of 1.50 - 2.50 on an annual basis.
 - 2.2.4. Water service interruptions as measured by the System Average Interruption Duration Index will be in the target of 11.24 – 13.42 minutes.
 - 2.2.5. Water service disruptions per 1,000 customers will be in the target of 2.84 – 3.03 on an annual basis.
 - 2.3. Demonstrate Corporate Responsibility.
 - 2.3.1. Key community partner's survey will attain a target of 4.26 – 4.65 to signify they agree that Colorado Springs Utilities is supportive of the community needs and values.
 - 2.3.2. Colorado Springs Utilities shall attain a target of 75.00 – 85.99 in the Environmental Index.
 - 2.4. Maintain Financial Stability.
 - 2.4.1. The fixed cost coverage ratio will be in the target of 1.65 – 1.69 as reflected in the amount determined by the annual budget and appropriations.
3. Financial Perspective:
 - 3.1. Manage Expenditures within Revenue Constraints.
 - 3.1.1. Cash from Operations will be in the target of \$114,485,000 - \$119,955,000 the budgeted level.
4. Internal Perspective:
 - 4.1. Plan, Build Operate & Maintain Infrastructure.
 - 4.1.1. Wastewater infrastructure shall be managed to mitigate sanitary sewer overflows to achieve a Wastewater Improvement Index target of 2.51 – 3.50 on an annual basis.

Annual Internal Monitoring

Colorado Springs Utilities Board Policy

Category: Ends	Title: ENVIRONMENTAL RESULTS
Date of Adoption: January 22, 2003	Policy Number: E – 1 – 2.2
Revision:	

(These statements are an expansion of policy E-1, statement 2.2)

Citizens value local ownership because Colorado Springs Utilities strives to be a leader in environmental stewardship.

1. Colorado Springs Utilities will provide customers with educational materials and solutions to promote energy and water efficiency.
2. Colorado Springs Utilities will promote new buildings and landscapes in the community that consume energy and water efficiently.
3. Emissions from Colorado Springs Utilities operations will surpass air quality regulations.
4. Local ground and surface water quality discharges from Colorado Springs Utilities operations will surpass surface water and groundwater standards.
5. The visual appeal of the community will be maintained or enhanced by the presence of Colorado Springs Utilities facilities where cost effective and prudent.
6. The community will receive a portion of its electric needs from renewable sources and be educated on renewable energy technologies.
7. Colorado Springs Utilities will strive to preserve and protect wildlife, wildlife habitat, and wetlands during construction and operation of its facilities.
8. Colorado Springs Utilities will strive to preserve and protect cultural and historic sites during construction and operation of its facilities.
9. Colorado Springs Utilities will engage the community in environmental issues and values associated with planning and operating its facilities.
10. Waste generated by Colorado Springs Utilities will be minimized or reused to reduce impact on the environment.

Colorado Springs Utilities Board Policy

Category: Board-CEO Linkage	Title: GLOBAL GOVERNANCE- MANAGEMENT CONNECTION
Date of Adoption: October 21, 1998	Policy Number: BL – 1
Revision: 1 January 16, 2002	

Pursuant to § 6-40 of the City Charter, the City Council serves as the Board of Directors for Colorado Springs Utilities and is called the Utilities Board, or Board, herein.

The Chief Executive Officer shall be responsible for the operation of the Utilities, and the Board shall be responsible for establishing the policies for governance of Utilities, ends to be achieved, and hiring and evaluating the Chief Executive Officer.

Colorado Springs Utilities Board Policy

Category: Board-CEO Linkage	Title: UNITY OF CONTROL
Date of Adoption: October 21, 1998	Policy Number: BL – 2
Revision 2 December 7, 2004	

Only decisions of the Board acting as a body are binding on the Chief Executive Officer.

Accordingly, in or out of the Board meeting:

1. Decisions or instructions of individual Board members, officers, or committees are not binding on the CEO except in instances when the Board has specifically authorized such exercise of authority.
2. In the case of Board members or committees requesting information or assistance without Board authorization, CEO can refuse such requests that require, in the CEO's opinion, a material amount of staff time, or funds, or are disruptive. The CEO shall promptly inform the Board if requests from Board members or committees are refused.

Colorado Springs Utilities Board Policy

Category: **Board-CEO Linkage**

Title: **ACCOUNTABILITY OF THE CEO**

Date of Adoption: **October 21, 1998**

Policy Number: **BL – 3**

Revision: **1 January 16, 2002**

The Chief Executive Officer is the Board's only link to operational achievement and conduct, so that all authority and accountability of staff, as far as the Board is concerned, is considered the authority and accountability of the CEO.

Accordingly:

1. The Board as a body and the Board Members will never give instructions to persons who report directly or indirectly to the CEO.
2. The Board as a body and the Board Members will refrain from evaluating, either formally or informally, the overall job performance of any staff other than the CEO.

Colorado Springs Utilities Board Policy

Category: Board-CEO Linkage	Title: DELEGATION TO THE CEO
Date of Adoption: October 21, 1998	Policy Number: BL – 4
Revision: 2 December 19, 2007	

The Board will instruct the CEO through written policies which prescribe the organizational Ends to be achieved and which describe organizational situations and actions to be avoided, allowing the CEO to use any reasonable interpretation of these policies.

Accordingly:

1. The Board will develop policies instructing the CEO to achieve certain results, for certain recipients at specified costs. These policies will be developed systematically from the broadest, most general level to more defined levels, and will be called Ends policies.
2. The Board will develop policies that limit the latitude the CEO may exercise in choosing the organizational means. These policies will be developed systematically from the broadest, most general level to more defined levels, and they will be called Executive Limitations policies.
3. As long as the CEO makes any *reasonable interpretation* of the Board's Ends and Executive Limitations policies, the CEO is authorized to make all decisions, take all actions, establish all practices, and develop all activities for the successful implementation of the Strategic Business Plan.
4. The Board may change its Ends and Executive Limitations policies, thereby shifting the boundary between Board and CEO domains. By doing so, the Board changes the latitude of choice given to the CEO. But as long as any particular delegation is in place, the Board will respect and support the CEO's choices.

Colorado Springs Utilities Board Policy

Category: Board-CEO Linkage	Title: MONITORING CEO PERFORMANCE
Date of Adoption: October 21, 1998	Policy Number: BL – 5 (page 1 of 2)
Revision: 15 December 16, 2009	

Systematic and rigorous monitoring of CEO performance will be against CEO achievements as measured by: organizational accomplishment of Board Ends policies and organizational operation within the boundaries established by Board Executive Limitations policies.

Accordingly:

1. Monitoring is simply to determine the degree to which Board policies are being met. Data that does not do this will not be considered to be monitoring data.
2. The Board will acquire monitoring data by one or more of three methods:
 - A. By internal report, in which the CEO discloses compliance information to the Board.
 - B. By external report, in which an external, disinterested third party selected by the Board assesses compliance with Board policies. Reports from the City Auditor are considered external reports.
 - C. By direct Board inspection, in which a designated member or members of the Board assess compliance with the appropriate policy criteria.
3. In every case, the standard for compliance shall be *any reasonable CEO interpretation* of the Board policy being monitored.
4. All policies that instruct the CEO will be monitored at a frequency and by a method chosen by the Board. The Board can monitor a policy at any time by any method, but will ordinarily depend on a routine schedule.

<u>Policy</u>		<u>Method</u>	<u>Frequency</u>
E - 1	Ends (including E - 1 - 2.2)	Internal	Annually
EL - 2	Emergency CEO Succession	Internal	Annually
EL - 3	Treatment of Staff	Internal	Annually
EL - 4	Asset Protection	Internal	Semi-Annual
		City Auditor	Annually
EL - 5	Compensation & Benefits	Internal	Annually

Colorado Springs Utilities Board Policy

Category: Board-CEO Linkage	Title: MONITORING CEO PERFORMANCE
Date of Adoption: October 21, 1998	Policy Number: BL – 5 (page 2 of 2)
Revision: 15 December 16, 2009	

4. (cont.)

<i>EL - 6</i>	<i>Financial Planning/Budgeting</i>	<i>Internal</i>	<i>Annually</i>
<i>EL - 7</i>	<i>Financial Condition & Activities</i>	<i>Internal</i>	<i>Quarterly</i>
<i>EL - 8</i>	<i>Communication & Support</i>	<i>City Auditor</i>	<i>Annually</i>
		<i>Direct Inspection</i>	<i>Ongoing</i>
<i>EL - 9</i>	<i>Treatment of Consumers</i>	<i>Internal</i>	<i>Annually</i>
<i>EL - 10</i>	<i>Water Rights Protection & Development</i>	<i>Internal</i>	<i>Annually</i>
<i>EL - 11</i>	<i>Enterprise Risk Management</i>	<i>Internal</i>	<i>Semi-Annual</i>
		<i>City Auditor</i>	<i>Semi-Annual</i>
		<i>External</i>	<i>Years ending</i>
			<i>in 0 or 5</i>
<i>EL - 12</i>	<i>Pricing of Products and Services</i>	<i>Internal</i>	<i>Annually</i>
<i>EL - 13</i>	<i>Infrastructure</i>	<i>Internal</i>	<i>Semi-Annual</i>
<i>EL - 14</i>	<i>Community Investment</i>	<i>Internal</i>	<i>Annually</i>

Colorado Springs Utilities Board Policy

Category: Board-CEO Linkage	Title: ANNUAL EVALUATION OF THE CEO
Date of Adoption: October 21, 1998	Policy Number: BL – 6
Revision: 4 December 19, 2007	

The Board shall evaluate the CEO's performance annually in March of each year for the purpose of determining the performance base pay component of compensation for the previous year's performance and establishing any base pay adjustments other than market movement adjustment. Market adjustment to base pay will automatically occur on January 1 of each year unless expressly withheld or modified by Board action.

The evaluation will be solely based on evaluation of organizational performance against the Ends and Executive Limitations established for the organization. The CEO shall propose performance criteria in the fourth quarter of the current year for the following year that represents his or her reasonable interpretation of achieving the Ends for Board discussion and incorporation into this policy. The CEO's evaluation will be weighted eighty percent on achieving the Ends and twenty percent on the Board's assessment of Executive Limitations compliance. The annual performance plan criteria shall be adopted by the Board as an attachment to this policy.

Colorado Springs Utilities Board Policy

Category: **Executive Limitations**

Title: **GLOBAL EXECUTIVE
CONSTRAINT**

Date of Adoption: **October 21, 1998**

Policy Number: **EL – 1**

Revision: **1 January 16, 2002**

The Chief Executive Officer shall not cause or allow any practice, activity, decision, or organizational circumstance which is either unlawful, imprudent, or in violation of commonly accepted business and professional ethics.

Colorado Springs Utilities Board Policy

Category: **Executive Limitations**

Title: **EMERGENCY CEO SUCCESSION**

Date of Adoption: **October 21, 1998**

Policy Number: **EL – 2**

Revision: **1 January 16, 2002**

In order to protect the Board from sudden loss of CEO services, the CEO shall have at least two other officers familiar with Board and CEO issues and processes.

Accordingly, the CEO will not:

1. Permit the CEO and all of the designated emergency successors to travel together.
2. Permit more than three officers to travel together.

Colorado Springs Utilities Board Policy

Category: Executive Limitations	Title: TREATMENT OF STAFF
Date of Adoption: October 21, 1998	Policy Number: EL – 3
Revision: 3 December 16, 2009	

With respect to the treatment of paid and volunteer staff, the Chief Executive Officer may not cause or allow conditions that are unfair, undignified, or disrespectful.

Accordingly, the CEO shall not:

1. Allow violation of the City's Zero Tolerance policy.
2. Allow violation of the City's policy prohibiting retaliation against City or City enterprise employees.
3. Operate without written personnel policies which clarify personnel rules for staff, provide for effective handling of grievances and salary appeals, and protect against wrongful conditions, such as nepotism and grossly preferential treatment for personal reasons.
4. Operate without an employee notification and comment process before promulgation of any changes to the written personnel policies.
5. Fail to acquaint staff with their rights under this policy.
6. Operate without a written affirmative action plan and quarterly monitoring of workforce composition.
7. Fail to periodically assess the organizational climate in business and personnel issues using statistical sampling techniques.

Colorado Springs Utilities Board Policy

Category: Executive Limitations	Title: ASSET PROTECTION
Date of Adoption: October 21, 1998	Policy Number: EL – 4
Revision: 6 December 16, 2009	

The Chief Executive Officer shall not allow corporate assets, tangible and intangible, to be unprotected, inadequately maintained, or unnecessarily risked.

Accordingly, the CEO shall not:

1. Allow unbonded personnel access to material amounts of funds.
2. Unnecessarily expose the organization, its Board, or staff to claims of liability.
3. Operate without written claims policies that address fair treatment of claimants, legal liability, ratepayer costs and sound business practices.
4. Operate without written purchasing regulations assuring legal and fiscal compliance that address such items as competitive acquisition practices, conflict of interest, favoritism, and local vendor policies.
5. Fail to protect corporate assets including, but not limited to, water rights, rights of way, corporate image, physical assets, intangible assets, intellectual property, information, and files from loss or significant damage.
6. Receive, process, or disburse funds under controls which are insufficient to meet the City Auditor's standards.
7. Invest Colorado Springs Utilities funds in violation of Bond Ordinance requirements.
8. Fail to pursue any competitive advantage to safeguard the assets of the organization.
9. Allow real estate transactions that are not in compliance with "The City of Colorado Springs Procedure Manual for the Acquisition and Disposition of Real Property Interests."

Colorado Springs Utilities Board Policy

Category: Executive Limitations	Title: COMPENSATION AND BENEFITS
Date of Adoption: October 21, 1998	Policy Number: EL – 5 (page 1 of 2)
Revision: 3 December 7, 2004	

With respect to employment, compensation, and benefits to employees, consultants, contract workers and volunteers, the Chief Executive Officer shall not cause or allow jeopardy to fiscal integrity or public image.

Accordingly, the CEO shall not:

1. Change his or her own compensation and benefits.
2. Promise or imply unconditional permanent or guaranteed employment or severance in the event of termination without approval of the Board.
 - A. The approved Transitional Employment Program is exempt from this provision.
3. Administer compensation and benefits that fail to address individual accountability, motivate and reward for knowledge and skills, encourage organization flexibility and responsiveness, or are inconsistent with the geographic and professional markets for the skills employed.
4. Establish executive compensation practices that fail to take into account the following parameters:
 - A. Data sources, which include comparably sized and situated utilities
 - B. Annual revenues, which typically fall within the range of ½ to 2x Springs Utilities annual revenues
 - C. Employee size, which typically falls within the range of one-half to two-times Springs Utilities employee population
 - D. The inclusion of multi-service utilities
 - E. An appropriate balance of public and private organizations
 - F. A mix of custom market survey data and available published survey sources
 - G. Data sources, which include local and regional data, as appropriate

Executive compensation market pricing studies shall adhere as closely to these guidelines as possible and shall be comparable to pricing studies used for other Springs Utilities employees. Additionally, all appropriate data sources may be used when such parameters are not clearly spelled out or vary slightly. The appropriateness of data sources will be evaluated to include sources that have good job matches or relevant industry data, using established criteria whenever possible.

Colorado Springs Utilities Board Policy

Category: Executive Limitations	Title: COMPENSATION AND BENEFITS
Date of Adoption: October 21, 1998	Policy Number: EL – 5 (page 2 of 2)
Revision: 3 December 7, 2004	

5. Fail to establish and communicate an administrative procedure that allows employees to appeal the resulting salary and benefits determined by the annual salary determination process.
6. Create obligations over a longer term than revenues can be safely projected, in no event longer than one year, and in all events subject to losses in revenue.

Colorado Springs Utilities Board Policy

Category: **Executive Limitations**

Title: **FINANCIAL
PLANNING/BUDGETING**

Date of Adoption: **October 21, 1998**

Policy Number: **EL – 6**

Revision: **1 January 16, 2002**

Financial planning for any fiscal year or the remaining part of any fiscal year shall not deviate materially from Board's Ends priorities, risk fiscal jeopardy, or fail to be derived from a multi-year plan.

Accordingly, the Chief Executive Officer shall not allow budgeting which:

1. Fails to include credible projection of revenues and expenses, separation of capital and operational items, cash flow, and disclosure of planning assumptions.
2. Would violate the restrictions set forth in the Financial Condition and Activities policy.
3. Provides less for Board prerogatives during the year than is set forth in the Cost of Governance policy.

Colorado Springs Utilities Board Policy

Category: Executive Limitations	Title: FINANCIAL CONDITION AND ACTIVITIES
Date of Adoption: October 21, 1998	Policy Number: EL – 7
Revision: 11 November 20, 2007	

With respect to the actual, ongoing financial condition and activities, the Chief Executive Officer shall not cause or allow the development of fiscal jeopardy or a material deviation of actual expenditures from Board priorities established in Ends policies.

Accordingly, the CEO shall not:

1. Exceed the total appropriations for the fiscal year, nor fail to inform the Board in monitoring reports of transfers of unexpended appropriations between, or expenditures in excess of budget in:
 - A. Electric, gas, water, wastewater, and common Federal Energy Regulatory Commission (FERC) capital classifications; or
 - B. Electric, gas, water, wastewater, and administrative & general FERC O&M classifications.
2. Fail to inform the board in monitoring reports of any cancelled major capital projects in the approved budget or any new major capital projects over \$500,000 not funded in the approved budget along with the appropriate budget transfers.
3. Transfer revenues between FERC revenue accounts for electric, gas, water or wastewater services without prior Board approval.
4. Financially act in any way that endangers the best possible bond ratings or results in an overall Fixed Cost Coverage Ratio of less than 1.6.
5. Allow Working Capital to drop below 45 days of operating and maintenance expenses.
6. Transfer unrestricted cash and investments between services without prior board approval. Such balances are accounted separately for electric, gas, water, wastewater and street light services.
7. Fail to settle payroll and debts in a timely manner.
8. Allow tax payments or other government ordered payments or filings to be overdue or inaccurately filed.
9. Fail to resolve receivables after a reasonable grace period.

Quarterly Internal Monitoring
Annual External Monitoring

Colorado Springs Utilities Board Policy

Category: Executive Limitations	Title: COMMUNICATION AND SUPPORT TO THE BOARD
Date of Adoption: October 21, 1998	Policy Number: EL – 8
Revision: 4 November 20, 2007	

The Chief Executive Officer shall not permit the Board to be uninformed or unsupported in its work.

Accordingly, the CEO shall not:

1. Neglect to submit monitoring data required by the Board (see policy on Monitoring CEO Performance) in a timely, accurate, and understandable fashion, directly addressing provisions of Board policies being monitored.
2. Let the Board be unaware of contracts issued (after the fact) over \$50,000, unusual or exceptional purchases, relevant trends, significant public reaction, significant impacts on the City, material external and internal changes, particularly changes in the assumptions upon which any Board policy has previously been established.
3. Fail to advise the Board if, in the CEO's opinion, the Board is not in compliance with its own policies on Governance Process and Board-CEO Linkage, particularly in the case of Board behavior which is detrimental to the work relationship between the Board and the Chief Executive Officer.
4. Fail to marshal for the Board as many staff and external points of view, issues and options as needed for fully informed Board choices.
5. Present information in unnecessarily complex or lengthy form or in a form that fails to differentiate among information of three types: monitoring, decision preparation, and other.
6. Fail to provide a mechanism for official Board, officer, or committee communications.
7. Fail to deal with the Board as a whole.
8. Fail to report in a timely manner an actual or anticipated noncompliance with any policy of the Board.
9. Fail to supply for the agenda all items delegated to the CEO yet required by law or contract to be Board-approved, along with the monitoring assurance pertaining thereto.

Ongoing Monitoring by Direct Inspection

Colorado Springs Utilities Board Policy

Category: Executive Limitations	Title: TREATMENT OF CONSUMERS
Date of Adoption: October 21, 1998	Policy Number: EL – 9
Revision: 6 December 16, 2009	

With respect to interactions with consumers or those applying to be consumers, the Chief Executive Officer shall not cause or allow conditions, procedures, or decisions which are unsafe, undignified, unnecessarily intrusive, or which fail to provide appropriate confidentiality or privacy.

Accordingly, the CEO shall not:

1. Use application forms that elicit information for which there is no clear necessity.
2. Use methods of collecting, reviewing, transmitting, or storing client information that fail to protect against improper access to the material elicited.
3. Cause or allow any actions in violation of the Colorado Springs Utilities Tariffs regarding treatment of consumers.
4. Fail to maintain a process for accessible, fair, efficient and unbiased handling of customer complaints regarding utility service or proposed utility service that provides for resolution at the lowest level through use of staff procedures, informal review through either Colorado Springs Utilities or a mediator, or formal appeal to a hearing officer appointed by the City Attorney.
5. Maintain facilities that fail to provide a reasonable level of privacy, both visual and aural.
6. Fail to make reasonable efforts to inform or provide consumers with clear information about what may be expected and what may not be expected from the service offered.
7. Fail to inform consumers of this policy, or to provide a grievance process to those who believe they have not been accorded a reasonable interpretation of their rights under this policy.
8. Fail to consider supplemental programs or options for residential consumers to mitigate the impact of significant potential damage not adequately covered by Colorado Springs Utilities liability, third parties, or insurance providers.

Colorado Springs Utilities Board Policy

Category: Executive Limitations	Title: WATER RIGHTS PROTECTION & DEVELOPMENT
Date of Adoption: October 21, 1998	Policy Number: EL – 10
Revision: 5 May 19, 2010	

The CEO may not fail to protect and optimize existing water resources and aggressively seek to develop new water resources.

Accordingly, the CEO shall not:

1. Provide water-related services including but not limited to water leases, storage, conveyance, or treatment (collectively referred to as “water-related services”), outside the Colorado Springs Utilities exclusive water service territory, unless in compliance with the City Code and pursuant to a special contract or pursuant to the Water Management Plan.
2. Allow the use of Denver Basin groundwater in the Colorado Springs Utilities exclusive water service territory for other than supplemental supply for emergency, limited irrigation, aquifer storage and recovery, or periodic operation and maintenance exercising of groundwater infrastructure.
3. Develop or allow development of controlled ground water in the Dawson Aquifer in the Colorado Springs Utilities exclusive water service territory.
4. Enter into special contracts for water-related services unless the special contracts will provide a benefit to Colorado Springs Utilities ratepayers and citizen owners, recognizing the costs of both investments and risks, and will support the management of water resources in a manner no less protective than Colorado Springs Utilities policies, practices, and regulations, including regional obligations and environmental commitments. New special contracts for water-related services approved pursuant to this limitation shall comply with the following provisions:
 - A. Include a premium on fees and rates that will benefit Colorado Spring Utilities ratepayers and citizen owners.
 - B. Dedicate 50 percent of the premium as surplus revenue in recognition of citizen ownership, which may be appropriated to the general revenues of the City of Colorado Springs by the City Council in its Annual Budget and Appropriation Ordinance pursuant to the City Charter.
 - C. Not exceed a term of three years, with provisions for renewal, if Colorado Springs Utilities water supplies are included.
 - D. Not exceed a term of 25 years, with provisions for renewal, for other water-related services in which Colorado Springs Utilities water supplies are not included.
 - E. Require special contract customers to adopt and enforce water use restrictions, but only as necessary to protect Colorado Springs Utilities customers from compulsory restrictions on the use of water.

5. Fail to protect existing and future consumers from compulsory restrictions on the use of water, specifically when considering and managing special contracts, except as provided for in the City Code.
6. Reserve Colorado Springs Utilities water for any person, organization, property or development not connected to the water system regardless of whether that entity is inside or outside the city limits or Colorado Springs Utilities exclusive water service territory .
7. Fail to defend Colorado Springs Utilities water rights against claims and filings by other water rights holders or users if those claims or filings would in any way impede, infringe upon, or decrease the yield from Colorado Springs Utilities water rights.
8. Fail to consider participation with other entities on regional projects based on the above prohibitions. In addition, the following criteria must be addressed:
 1. Participation in regional projects will provide a benefit to Colorado Springs Utilities ratepayers, and require project participants to commit to regional obligations and environmental commitments.
 2. Regional projects will not be entered into unless Colorado Springs Utilities has control and rights commensurate with Colorado Springs Utilities level of participation in the project.
 3. Colorado Springs Utilities participation will not create undue complications or delay in meeting Colorado Springs Utilities goals.

Colorado Springs Utilities Board Policy

Category: Executive Limitations	Title: ENTERPRISE RISK MANAGEMENT
Date of Adoption: July 21, 1999	Policy Number: EL – 11
Revision: 5 December 16, 2009	

The Chief Executive Officer shall not cause or allow conditions, procedures or decisions which fail to identify, measure, monitor and manage, within established risk tolerances, potential events that may affect achievement of the Ends.

Accordingly, the CEO shall not:

1. Fail to establish and maintain a Risk Management Committee to ensure that duties associated with the identification, measurement, monitoring, management and reporting of risk on an enterprise-wide basis are fulfilled.
2. Fail to establish and maintain a written Enterprise Risk Management (ERM) Plan and an ERM program that includes management-level policies, procedures, and process controls to help ensure that enterprise-wide business risk exposures are properly identified, managed and reported to the Utilities Board. These business risks shall include at a minimum strategic, legal, financial, operational and hazard risks, some of which are separately addressed in greater detail below and in other Executive Limitations. The CEO shall not:
 - A. Fail to maintain and operate under a written Energy Risk Management Plan that establishes appropriate internal controls, approval processes, training requirements, guidelines for minimizing risk, proper internal and external audits, and appropriate internal reporting to assure responsible compliance.
 - a. Fail to use appropriate risk management techniques for acquisition or sale of energy that limits Springs Utilities exposure to price volatility.
 - b. Allow the acquisition or sale of energy that would unreasonably jeopardize Springs Utilities' ability to meet customer needs.
 - B. Fail to maintain and operate under a written Investment Plan which establishes investment scope, objectives, delegation of authority, standards of prudence, reporting requirements, internal controls, eligible investments and transactions, risk tolerance and safekeeping and custodial procedures for the investment of all funds of Colorado Springs Utilities.
 - C. Fail to maintain and operate under a written Financial Risk Management Plan that establishes objectives, internal controls, approval processes, guidelines for minimizing risk, proper internal and external audits, and appropriate internal reporting to assure responsible compliance.
 - D. Endanger the organization's public image or credibility, particularly in ways that would hinder its accomplishment of mission.

Semi-Annual Internal Monitoring
Semi-Annual External Monitoring

Colorado Springs Utilities Board Policy

Category: Executive Limitations	Title: PRICING OF PRODUCTS AND SERVICES
Date of Adoption: January 19, 2000	Policy Number: EL – 12
Revision: 5 November 19, 2008	

The Chief Executive Officer shall not cause or allow pricing practices that are inconsistent with the established Ends Policies.

Accordingly, the CEO shall not:

1. Cause or allow any pricing practices that result in revenues that are not just, reasonable, sufficient, nor unduly discriminatory.
2. Cause or allow any pricing practices that result in revenues that are not sufficient to provide safe, reliable utility services to Colorado Springs Utilities customer/owners.
3. Cause or allow any pricing practices that result in the use of resources in a manner inconsistent with sound business practice.
4. Cause or allow any pricing practices that do not result in the maximization of the value of Colorado Springs Utilities owners in the long-term, recognizing that this will generally occur by enhancing our operational effectiveness and customer loyalty.
5. Cause or allow any pricing practices that fail to maintain the separate financial integrity and viability of the individual regulated services.
6. Fail to maintain accounting and cost of service records that can demonstrate the financial viability of each of the individual regulated service.
7. Cause or allow the introduction and ongoing provision of value-added products and services without a business plan demonstrating that the product or service will add value to Colorado Springs Utilities or its customers and consider the impact on existing local business in the Colorado Springs community.
8. Fail to introduce a value-added product or service that does not leverage an existing Colorado Springs Utilities asset or competency.
9. Terminate a value-added product or service without establishing a plan to minimize, where feasible and appropriate, adverse impacts to the contractors and/or customers.

Colorado Springs Utilities Board Policy

Category: **Executive Limitations**

Title: **INFRASTRUCTURE**

Date of Adoption: **July 19, 2000**

Policy Number: **EL – 13**

Revision: **10 May 19, 2010**

Colorado Springs Utilities is obligated to serve its current and future customers within the City and its authorized service areas with electric, natural gas, water, and wastewater services. The Chief Executive Officer shall not cause nor allow conditions, procedures or decisions that prevent Colorado Springs Utilities from meeting this obligation to serve, or use inappropriate financial methods that do not share, between existing and new customers, the capital costs of the necessary utility systems to provide services.

Accordingly, the CEO shall not fail to:

1. Assure that regulated rates fund all expenditures for timely and prudent capital improvements to existing utility systems, and that those capital improvements are driven by reliability, operational or regulatory requirements, replacement of aging infrastructure, utility relocations for public works and road projects, or extension of the life of existing systems.
2. Identify and plan for resource and infrastructure needs for the provision of electric, natural gas, water and wastewater service to customers within the City and Colorado Springs Utilities' service areas, and special contract customers, consistent with a reasonable planning period for each service.
3. Coordinate Colorado Springs Utilities activities and policies with the City Comprehensive Plan, Annexation Policy, City Strategic Plan, and other relevant guidelines for community development.

Colorado Springs Utilities Board Policy

Category: Executive Limitations	Title: COMMUNITY INVESTMENT
Date of Adoption: September 17, 2003	Policy Number: EL – 14 (page 1 of 2)
Revision: 5 June 20, 2007	

The Chief Executive Officer shall be responsive to community needs and values by communicating and maintaining a strong community presence in support of Ends Policy 2.3 that builds a significant role towards the community's quality of life.

Accordingly, the CEO shall not:

1. Fail to maintain a community involvement strategy that aligns with business objectives and that provides a benefit to Colorado Springs Utilities.
2. Allow sponsorship or philanthropic support of community-oriented organizations or activities outside localities impacted by Colorado Springs Utilities operations.
3. Allow the expenditure of more than 0.25% of budgeted operating revenues on direct monetary support of community organizations or events that benefit customers.
4. Allow significant funding of any organization unless Colorado Springs Utilities has a leadership role in the decision-making process.
5. Fail to consider partnerships with other funding entities to leverage resources and maximize impact.
6. Fail to consider that the primary method by which Colorado Springs Utilities contributes to economic development is through its obligation-to-serve responsibilities.
7. Offer economic development incentives, or special rates or terms and conditions for utility services, unless they are defined within the Utilities Rules and Regulations and the Tariffs.
8. Sell, dispose or allow use of Colorado Springs Utilities' assets other than at fair market value, except for *de minimis* contributions to community-oriented organizations.
9. Fail to encourage and to support employee volunteerism, within the communities served by Colorado Springs Utilities, that supports the community involvement strategy.
10. Fail to provide student and adult education programs for customers on the safe and efficient use of utility services.
11. Fail to inform the community of the organization's corporate citizenship and employee volunteerism.

Colorado Springs Utilities Board Policy

Category: Executive Limitations	Title: COMMUNITY INVESTMENT
Date of Adoption: September 17, 2003	Policy Number: EL – 14 (page 2 of 2)
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12. Fail to leverage funds, up to \$500,000 annually, to match customer donations for the Citizens Option to Provide Energy - Project COPE, for the purpose of providing utility bill reduction and financial assistance to customers through voluntary customer assistance programs.
13. Fail to propose and implement programs intended to support affordable housing within the City. The CEO shall not:
 - A. Fail to recommend tariffs and implement procedures to allow for deferral of the immediate impact of system extension and development charge on housing projects consistent with the City's Affordable Housing Program that meets specified energy and water conservation criteria. Such programs shall include recovery of the carrying cost of any deferrals so as not to create an adverse financial impact on other customers. Any current year fee deferrals shall not, in aggregate, exceed 5% of the previous year's total development charges.
 - B. Fail to develop and promote energy and water savings audit and installation programs towards households that are classified at 30% or less of the area median income.
 - C. Fail to first offer surplus property within the city limits to City and local non-profit entities, at market value, for development of affordable housing before sale or transfer to third parties.

Colorado Springs Utilities Board Policy

Category: **Governance Process**

Title: **GLOBAL GOVERNANCE
COMMITMENT**

Date of Adoption: **October 21, 1998**

Policy Number: **GP – 1**

Revision: **1 January 16, 2002**

The purpose of the Board, on behalf of the citizens of Colorado Springs, is to see to it that Colorado Springs Utilities (a) achieves appropriate results for appropriate persons at an appropriate cost, and (b) avoids unacceptable actions and situations.

Colorado Springs Utilities Board Policy

Category: Governance Process	Title: GOVERNING STYLE
Date of Adoption: October 21, 1998	Policy Number: GP – 2
Revision: 2 December 19, 2007	

The Board will govern with an emphasis on (a) outward vision rather than an internal preoccupation, (b) encouragement of diversity in viewpoints, (c) strategic leadership more than administrative detail, (d) clear distinction of Board and Chief Executive Officer roles, (e) collective rather than individual decisions, (f) future rather than past or present, and (g) proactivity rather than reactivity.

Accordingly:

1. The Board will cultivate a sense of group responsibility. The Board, not the staff, will be responsible for excellence in governing. The Board will be the initiator of policy, not merely a reactor to staff initiatives. The Board will use the expertise of individual members to enhance the ability of the Board as a body, rather than to substitute the individual judgments for the Board's values.
2. The Board will direct, control, and inspire the organization through the careful establishment of written policies reflecting the Board's values and perspectives. The Board's major policy focus will be on the intended long-term impacts outside the organization, not on the administrative or programmatic means of attaining those effects.
3. The Board will enforce upon itself whatever discipline is needed to govern with excellence. Discipline will apply to matters such as attendance, preparation for meetings, policymaking principles, respect of roles, and ensuring the continuance of governance capability.
4. Continual Board development will include orientation of new Board Members in the Board's governance process and periodic Board discussion of process improvement.
5. The Board will allow no officer, individual or committee of the Board to hinder or be an excuse for not fulfilling its commitments.
6. The Board will monitor and discuss the Board's process and performance quarterly at Board meetings. Self-monitoring will include comparison of Board activity and discipline to policies in the Governance Process and Board-CEO Linkage categories.

Colorado Springs Utilities Board Policy

Category: Governance Process	Title: AGENDA PLANNING
Date of Adoption: October 21, 1998	Policy Number: GP – 3
Revision: 2 December 7, 2004	

To accomplish its strategic leadership with a governance style consistent with Board policies, the Board will follow an annual agenda which (a) completes a re-exploration of Ends policies annually and (b) continually improves Board performance through education and enriched input and deliberation.

1. The cycle will conclude each year on the last day of December so that administrative planning and budgeting can be based on accomplishing a one-year segment of the Board's most recent statement of long-term Ends.
2. The cycle will start with the Board's development of its agenda for the next year.
 - A. Consultations with selected groups in the ownership, or other methods of gaining ownership input, will be determined and arranged in the first quarter, to be held during the balance of the year.
 - B. Governance education, and education related to Ends determination, (e.g. presentations by futurists, demographers, advocacy groups, staff, etc.) will be arranged in the first quarter, to be held during the balance of the year.
3. CEO monitoring will be included on the agenda for information but will not be discussed unless the Board has questions or concerns.
4. CEO variable pay and base pay (other than market adjustment) remuneration will be decided after a review of monitoring reports received in the past year during the month of March.

Colorado Springs Utilities Board Policy

Category: Governance Process	Title: BOARD JOB DESCRIPTION
Date of Adoption: October 21, 1998	Policy Number: GP – 4
Revision: 1 January 16, 2002	

Specific job outputs of the Board, as elected representatives of the citizen-owners and as the board of directors of Colorado Springs Utilities, are those that ensure appropriate organizational performance.

Accordingly:

1. The Board will produce the link between the organization and the ownership.
2. The Board will produce and maintain written governing policies that, at the broadest levels, address each category of organizational decision.
 - A. Governance Process: Specification of how the Board conceives, carries out and monitors its own task.
 - B. Ends: Organizational products, impacts, benefits, outcomes, recipients, and their relative worth (what good for which recipients at what cost).
 - C. Board-CEO Linkage: How power is delegated and its proper use monitored; the Chief Executive Officer role, authority, and accountability.
 - D. Executive Limitations: Constraints on executive authority that establish the prudence and ethics boundaries within which all executive activity and decisions must take place.
3. The Board will measure the CEO's performance against its Ends and Executive Limitations policies.
4. Board members will respect their fiduciary responsibilities to protect and enhance the value of Colorado Springs Utilities as a citizen-owned enterprise with due diligence using sound business judgment consistent with the City Charter.

Colorado Springs Utilities Board Policy

Category: Governance Process	Title: ROLE OF THE CHAIR
Date of Adoption: October 21, 1998	Policy Number: GP – 5
Revision: 2 December 19, 2007	

The Mayor is the Chair of the Board and assures the integrity of the Board's process and, secondarily, represents the Board to outside parties.

Accordingly:

1. The job result of the Chair is that the Board behaves consistently with its own rules and those legitimately imposed upon it from outside the organization.
 - A. Meeting discussion content will be largely those issues which, according to Board policy, clearly belong to the Board to decide, not the Chief Executive Officer.
 - B. Deliberation will be fair, open, and thorough, but also timely, orderly, and kept to the point.
2. The authority of the Chair consists of making decisions that fall within topics covered by Board policies on Governance Process and Board-CEO Linkage, except where the Board specifically delegates portions of this authority to others. The Chair is authorized to use any reasonable interpretation of the provisions in these policies.
 - A. The Chair is empowered to chair Board meetings with all the commonly accepted power of that position (e.g., ruling, recognizing).
 - B. The Chair has no authority to make decisions about policies created by the Board within Ends and Executive Limitations policy areas. Therefore, the Chair has no authority to supervise or direct the CEO.
 - C. The Chair may represent the Board to outside parties in announcing Board-stated positions and in stating Chair decisions and interpretations within the area delegated to her or him.
 - D. The Chair may delegate this authority, but remains accountable for its use.

Colorado Springs Utilities Board Policy

Category: Governance Process	Title: BOARD MEMBERS' CODE OF CONDUCT
Date of Adoption: October 21, 1998	Policy Number: GP – 6
Revision: 1 January 16, 2002	

The Board commits itself and its members to ethical, businesslike, and lawful conduct, including proper use of authority and appropriate decorum when acting as Board members. Accordingly:

1. Members must represent unconflicted loyalty to the interests of the citizen-owners. This accountability supersedes any conflicting loyalty such as that to advocacy or interest groups and membership on other Boards or staffs. It also supersedes the personal interest of any Board member acting as a consumer of the organization's services.
2. Members will comply with the City's Code of Ethics.
3. Board members may not attempt to exercise individual authority over the organization except as explicitly set forth in Board policies.
 - A. Members' interaction with the Chief Executive Officer or with staff must recognize the lack of authority vested in individuals except when explicitly Board authorized.
 - B. Members' interaction with public, press or other entities must recognize the same limitation and the inability of any Board member to speak for the Board except to repeat explicitly stated Board decisions.
 - C. Members will not make individual judgments of CEO or staff performance.
4. Individual board members will never lead the public or media to have the impression that the CEO is out of compliance with policies absent a determination by the Board of non-compliance.
5. Members will respect the confidentiality appropriate to issues of a sensitive nature.
6. Members will be properly prepared for Board deliberation.

Colorado Springs Utilities Board Policy

Category: Governance Process	Title: BOARD COMMITTEE PRINCIPLES
Date of Adoption: October 21, 1998	Policy Number: GP – 7
Revision: 1 January 16, 2002	

Board committees, when used, will be assigned so as to reinforce the wholeness of the Board's job and so as never to interfere with delegation from the Board to the Chief Executive Officer.

Accordingly:

1. Board committees are to help the Board do its job, not to help or advise the staff. Committees ordinarily will assist the Board by preparing policy alternatives and implications for Board deliberation. In keeping with the Board's broader focus, Board committees will normally not have direct involvement with current staff operations.
2. Board committees may not speak or act for the Board except when formally given such authority for specific and time-limited purposes. Expectations and authority will be carefully stated in order not to conflict with authority delegated to the CEO.
3. Board committees cannot exercise authority over staff. Because the CEO works for the full Board, he or she will not be required to obtain approval of a Board committee before an executive action.
4. Board committees are to avoid over-identification with organizational parts rather than the whole. Therefore, a Board committee which has helped the Board create policy on some topic will not be used to monitor organizational performance on that same subject.
5. Committees will be used sparingly and ordinarily in an ad hoc capacity.
6. This policy applies to any group which is formed by Board action, whether or not it is called a committee and regardless whether the group includes Board members. It does not apply to committees formed under the authority of the CEO.

Colorado Springs Utilities Board Policy

Category: Governance Process	Title: BOARD COMMITTEE STRUCTURE
Date of Adoption: October 21, 1998	Policy Number: GP – 8
Revision: 2 December 7, 2004	

A committee is a board committee only if its existence and charge come from the Board, regardless whether Board members sit on the committee. The only Board committees are those which are set forth in this policy. Unless otherwise stated, a committee ceases to exist as soon as its task is complete.

1. Utilities Policy Advisory Committee

- A. Product: The Utilities Policy Advisory Committee is a fact finding body whose mission is to review, analyze and, when appropriate, provide recommendations to the Utilities Board or City Council regarding the various overall strategic operating and financial policies for Colorado Springs Utilities.
- B. Authority: The Utilities Policy Advisory Committee may receive information about operational activities, but does not have review or approval authority over activities carried out in furtherance of established policies. The Chief Executive Officer of Utilities is solely responsible for the definition and implementation of activities and subsidiary policies as needed to carry out policy direction adopted by the Utilities Board or by City Council.

The City Council or City Council acting as Utilities Board will direct the Utilities Policy Advisory Committee to study specific issues or policies and provide recommendations to the Utilities Board or City Council, as appropriate.

- C. Composition: The Committee is composed of seven regular members.

The Chair shall be the Committee member with the most seniority who is willing to serve as Chair.

- D. Bylaws: The Utilities Board shall establish and maintain written bylaws more fully describing the operation of the Utilities Policy Advisory Committee.

Colorado Springs Utilities Board Policy

Category: **Governance Process**

Title: **COST OF GOVERNANCE**

Date of Adoption: **October 21, 1998**

Policy Number: **GP – 9**

Revision: **1 January 16, 2002**

Because poor governance costs more than learning to govern well, the Board will invest in its governance capacity.

Accordingly:

1. Board skills, methods, and supports will be sufficient to assure governing with excellence.
 - A. Training and retraining will be used to orient new Board Members and candidates, as well as to maintain and increase existing member skills and understandings.
 - B. Outreach mechanisms will be used as needed to ensure the Board's ability to listen to owner viewpoints and values.
2. Outside monitoring assistance will be arranged so that the Board can exercise confident control over organizational performance. This includes, but is not limited to, fiscal audit.
3. Adequate funds will be budgeted annually by the CEO for support of board operations.