

MEETING Date: January 24, 2012

TO: President and Members of City Council

FROM: Jerry Forte, P.E., Chief Executive Officer

RE: REQUEST TO ESTABLISH A PUBLIC HEARING DATE FOR THE CONSIDERATION OF A RESOLUTION REGARDING CERTAIN CHANGES TO UTILITIES RULES AND REGULATIONS

CITY STRATEGIC GOAL(S) THIS ITEM SUPPORTS:



UTILITIES' STRATEGIC GOAL(S) THIS ITEM SUPPORTS: F2- Keep rates competitive.

SUMMARY: Colorado Springs Utilities requests City Council to schedule a public hearing for February 28, 2012, at a regularly scheduled meeting of the City Council to consider changes to its Utilities Rules and Regulations. Specifically, Colorado Springs Utilities proposes to change the method for setting rates applicable to the Water Development Charges (WDC) for large commercial meters.

PREVIOUS COUNCIL ACTION: On December 8, 2009 City Council approved the most recent changes to the Utilities Rules and Regulations regarding development charges by Resolution No. 305-09.

BACKGROUND: Colorado Springs Utilities is proposing changes to the method used for calculating the development charge applicable to large commercial meters attaching to its water system. Currently, the methodology for calculating commercial large meter WDC is computed as a ratio of the standard $\frac{3}{4}$ inch meter WDC charge calculated from the modified equity buy-in method. This ratio is a composite of the American Water Works Association (AWWA) meter capacity ratio and actual historical usage for the large meter class relative to the small meter ($\frac{3}{4}$ inch) class. The method was implemented in 2006. Colorado Springs Utilities proposes an enhancement to the current composite ratio methodology by calculating the ratio based on the AWWA meter capacity ratio. Under the current composite ratio method, the volumetric portion of the ratio is significantly greater than the AWWA meter capacity. Calculating the charges based on the AWWA meter capacity ratio will result in:

- Lower development charges for larger meters which will encourage economic development within Colorado Springs Utilities service territories thus benefiting all services.
- The revised charges will also increase Colorado Springs Utilities' competitiveness among other Front Range water utilities.
- Removing the "penalty" for higher load factor/more efficient water users.

In accordance with the City Code of the City of Colorado Springs § 12.1.107, Colorado Springs Utilities is required to make a filing of this nature when rate changes are expected to have an adverse financial impact on certain customers and request a hearing before City Council not less than thirty days from the date of filing. Colorado Springs Utilities is complying with this Code requirement by requesting that this action be placed on the January 24, 2012, City Council meeting agenda, at which time a hearing date of February 28, 2012 will be requested.

The filing, including the resolutions and all supporting documentation, will be made on January 24, 2012. Copies will be provided to City Council members, and will be available for public inspection in the City Clerk's office. A pdf. file version will also be placed on Colorado Springs Utilities website at www.csu.org. Notice of the Public Hearing will be made by publication in The Gazette no less than 30 days before the public hearing.

FINANCIAL IMPLICATIONS: At the public hearing, Colorado Springs Utilities will propose changes to the water development charges for large meter sizes which will likely decrease these charges and the corresponding revenues from these meters. The annual revenue impact is anticipated to be approximately \$500,000.

ALTERNATIVES: Leave calculation formula for the large meters unchanged.

BOARD/COMMISSION RECOMMENDATION: N/A

STAKEHOLDER PROCESS: The proposed recommendation has been discussed with representatives from the Colorado Springs Housing and Building Association (HBA) and has received its support.

RECOMMENDATIONS: Colorado Springs Utilities recommends a public hearing date of February 28, 2012.

PROPOSED MOTION: Move approval of the proposed hearing date of February 28, 2012.

A RESOLUTION REGARDING CERTAIN CHANGES TO UTILITIES RULES AND REGULATIONS

WHEREAS, Colorado Springs Utilities has reviewed the methodology used for calculating the Water Development Charge (WDC) for large commercial water meters; and

WHEREAS, the current composite ratio methodology used for calculating commercial large meter WDC is computed as a ratio of the standard $\frac{3}{4}$ inch meter WDC charge calculated from the modified equity buy-in method; and

WHEREAS, the current ratio is a composite of the American Water Works Association (AWWA) meter capacity ratio and actual historical usage for the large meter class relative to the small meter ($\frac{3}{4}$ inch) class; and

WHEREAS, the current methodology was implemented in 2006; and

WHEREAS, the current methodology produces results which prices these meters at levels which are less than competitive with other Front Range utilities; and

WHEREAS, Colorado Springs Utilities proposes an enhancement to the current methodology by using the AWWA meter capacity ratio to calculate the development charge for each large meter size; and

WHEREAS, the proposed enhancement follows industry guidelines, as AWWA recommends using meter capacity ratios to calculate development charges for large meters; and

WHEREAS, the proposed methodology enhancement results in rates that are more competitive with other Front Range communities for similar meters; and

WHEREAS, the resulting lower development charges for larger meters from the proposed change may encourage economic development within Colorado Springs Utilities service territories thus benefiting all services and also increasing Colorado Springs Utilities' competitiveness among other Front Range water utilities, and

WHEREAS, the Colorado Springs City Council finds that the proposed changes are reasonable and appropriate; and

WHEREAS, Colorado Springs Utilities proposes an effective date of March 14, 2012 for the proposed change if approved by the Colorado Springs City Council; and

WHEREAS, the specific rates, policy changes, and changes to any terms and conditions of service are set out in the attached tariff.

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF COLORADO SPRINGS:

Section 1: That the attached Utilities Rules and Regulations tariff sheets should be revised as follows:

Effective March 14, 2012

City Council Vol. No. 5 Sheet No.	Sheet Title	Cancels Sheet No.
Third Revised Sheet No. 81	Water	Second Revised Sheet No. 81
Third Revised Sheet No. 82	Water	Second Revised Sheet No. 82

Section 2: The attached Tariff Sheets and other related matters are hereby approved and adopted.

Dated at Colorado Springs, Colorado, this 13th day of March 2012.

President

ATTEST:

City Clerk



UTILITIES RULES AND REGULATIONS

WATER

41 WATER DEVELOPMENT CHARGE

A Water Development Charge (WDC) is assessed for each new connection to Utilities' supply system except for those Customers receiving service under the -Augmentation Water Service Rate Schedule. The applicable WDC is shown below.

A.1. For Each Single Family Residence Connection

Inside City Limits

For single-family residence meter sizes 3/4 inch or less

Less than 3,000 square foot lot size	\$5,887.00
Between 3,000 and 4,999 square foot lot size	\$6,533.00
Between 5,000 and 6,999 square foot lot size	\$7,956.00
Between 7,000 and 8,999 square foot lot size	\$9,292.00
Between 9,000 and 10,999 square foot lot size	\$10,197.00
Between 11,000 and 14,999 square foot lot size	\$11,555.00
15,000 square foot or more lot size.....	\$12,913.00

Outside City Limits

For single-family residence meter sizes 3/4 inch or less

Less than 3,000 square foot lot size	\$8,830.00
Between 3,000 and 4,999 square foot lot size	\$9,800.00
Between 5,000 and 6,999 square foot lot size	\$11,934.00
Between 7,000 and 8,999 square foot lot size	\$13,938.00
Between 9,000 and 10,999 square foot lot size	\$15,296.00
Between 11,000 and 14,999 square foot lot size	\$17,332.00
15,000 square foot or more lot size.....	\$19,369.00

A.2. Connection Based on Meter Size

Inside City Limits

For other single-family residence, Mixed use or nonresidential connection based on meter size:

3/4 inch or less (nonresidential only).....	\$9,292.00
1 inch.....	\$20,886.00 <u>\$15,487.00</u>
1-1/2 inch	\$44,328.00 <u>\$30,973.00</u>
2 inch.....	\$89,967.00 <u>\$49,557.00</u>
3 inch.....	\$204,405.00 <u>\$92,920.00</u>
4 inch.....	\$334,543.00 <u>\$154,867.00</u>

Mixed Use Premises shall pay the rate per meter under section 41.A.2 when one meter is required. If more than one meter is required, the nonresidential use shall pay the rate per meter under 41.A.2 and the Multi-family use shall pay the rate per dwelling unit under 41.B provided the metering configuration is approved by Utilities.

Approval Date: ~~December 13, 2011~~March 13, 2012
 Effective Date: ~~January 1, 2012~~March 14, 2012
 Resolution No. ~~231-11~~_____



UTILITIES RULES AND REGULATIONS
WATER

41. WATER DEVELOPMENT CHARGE - cont'd

Outside City Limits

For other single-family residence and nonresidential connection based on meter size:

3/4 inch or less (nonresidential)	\$13,938.00
1 inch	\$31,329.00 <u>\$23,230.00</u>
1-1/2 inch	\$66,492.00 <u>\$46,460.00</u>
2 inch	\$134,951.00 <u>\$74,336.00</u>
3 inch	\$306,607.00 <u>\$139,380.00</u>
4 inch	\$501,814.00 <u>\$232,300.00</u>

B. For Each Multi-Family Residential Premises Connection or for each additional 3/4 inch Residential Connection on a Single Platted Lot:

Inside City Limits	\$5,295.00
Outside City Limits	\$7,942.00

Each Multi-Family Premise connection shall pay section in 41 B multiplied by the number of dwelling units or the rate per meter under section 41 A 2. Except for individually metered Multi-Family Premise connections, in no event shall the Multi-Family rate per dwelling unit in section 41 B, multiplied by the number of dwelling units per Premise connection be less than or greater than the rate per meter under section 41 A 2.

C. For Nonpotable Water Connection Based on Meter Size

2 inch or less	\$10,714.00
3 inch	\$23,614.00
4 inch	\$37,680.00
6 inch	\$75,167.00

Upon approval of Utilities, payment of the WDC for a new nonpotable point of service is not required if there will be an offsetting reduction in potable water consumption from an existing potable water service. Requests for new or additional water demands will be required to pay the nonpotable WDC.

D. For Meter Sizes Greater Than Four (4) Inches

The WDC will be determined based upon the potential average daily usage and peak day demand of that Customer. Specifically, charges will be assessed at the proportionate rate levels established in the last WDC filing.

Approval Date: ~~December 13, 2011~~ March 13, 2012
 Effective Date: ~~January 1, 2012~~ March 14, 2012
 Resolution No. 231-11



UTILITIES RULES AND REGULATIONS

WATER

41 WATER DEVELOPMENT CHARGE

A Water Development Charge (WDC) is assessed for each new connection to Utilities' supply system except for those Customers receiving service under the Augmentation Water Service Rate Schedule. The applicable WDC is shown below.

A.1. For Each Single Family Residence Connection

Inside City Limits

For single-family residence meter sizes 3/4 inch or less

Less than 3,000 square foot lot size	\$5,887.00
Between 3,000 and 4,999 square foot lot size	\$6,533.00
Between 5,000 and 6,999 square foot lot size	\$7,956.00
Between 7,000 and 8,999 square foot lot size	\$9,292.00
Between 9,000 and 10,999 square foot lot size	\$10,197.00
Between 11,000 and 14,999 square foot lot size	\$11,555.00
15,000 square foot or more lot size.....	\$12,913.00

Outside City Limits

For single-family residence meter sizes 3/4 inch or less

Less than 3,000 square foot lot size	\$8,830.00
Between 3,000 and 4,999 square foot lot size	\$9,800.00
Between 5,000 and 6,999 square foot lot size	\$11,934.00
Between 7,000 and 8,999 square foot lot size	\$13,938.00
Between 9,000 and 10,999 square foot lot size	\$15,296.00
Between 11,000 and 14,999 square foot lot size	\$17,332.00
15,000 square foot or more lot size.....	\$19,369.00

A.2. Connection Based on Meter Size

Inside City Limits

For other single-family residence, Mixed use or nonresidential connection based on meter size:

3/4 inch or less (nonresidential only).....	\$9,292.00
1 inch.....	\$15,487.00
1-1/2 inch	\$30,973.00
2 inch.....	\$49,557.00
3 inch.....	\$92,920.00
4 inch.....	\$154,867.00

Mixed Use Premises shall pay the rate per meter under section 41.A.2 when one meter is required. If more than one meter is required, the nonresidential use shall pay the rate per meter under 41.A.2 and the Multi-family use shall pay the rate per dwelling unit under 41.B provided the metering configuration is approved by Utilities.

Approval Date: March 13, 2012
Effective Date: March 14, 2012
Resolution No. _____

UTILITIES RULES AND REGULATIONS

WATER

41. WATER DEVELOPMENT CHARGE - cont'd

Outside City Limits

For other single-family residence and nonresidential connection based on meter size:

3/4 inch or less (nonresidential).....	\$13,938.00
1 inch.....	\$23,230.00
1-1/2 inch	\$46,460.00
2 inch.....	\$74,336.00
3 inch.....	\$139,380.00
4 inch.....	\$232,300.00

B. For Each Multi-Family Residential Premises Connection or for each additional 3/4 inch Residential Connection on a Single Platted Lot:

Inside City Limits	\$5,295.00
Outside City Limits.....	\$7,942.00

Each Multi-Family Premise connection shall pay section in 41 B multiplied by the number of dwelling units or the rate per meter under section 41 A 2. Except for individually metered Multi-Family Premise connections, in no event shall the Multi-Family rate per dwelling unit in section 41 B, multiplied by the number of dwelling units per Premise connection be less than or greater than the rate per meter under section 41 A 2.

C. For Nonpotable Water Connection Based on Meter Size

2 inch or less	\$10,714.00
3 inch.....	\$23,614.00
4 inch.....	\$37,680.00
6 inch.....	\$75,167.00

Upon approval of Utilities, payment of the WDC for a new nonpotable point of service is not required if there will be an offsetting reduction in potable water consumption from an existing potable water service. Requests for new or additional water demands will be required to pay the nonpotable WDC.

D. For Meter Sizes Greater Than Four (4) Inches

The WDC will be determined based upon the potential average daily usage and peak day demand of that Customer. Specifically, charges will be assessed at the proportionate rate levels established in the last WDC filing.

Approval Date: March 13, 2012
Effective Date: March 14, 2012
Resolution No. _____