Utilities Policy Advisory Committee
Regional Collaboration Assignment

Analysis and Recommendations to the
Colorado Springs Utilities Board

March 14, 2018
# Table of Contents

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Executive Summary</td>
<td>3</td>
</tr>
<tr>
<td>Assignment Scope</td>
<td>6</td>
</tr>
<tr>
<td>Background and Current Utilities Board Policy Direction</td>
<td>6</td>
</tr>
<tr>
<td>Regional Collaboration Considerations</td>
<td>9</td>
</tr>
<tr>
<td>Current Collaborative Efforts</td>
<td>10</td>
</tr>
<tr>
<td>Summary of Assignment Inputs</td>
<td>12</td>
</tr>
<tr>
<td>Observations</td>
<td>33</td>
</tr>
<tr>
<td>Regional Collaboration Definition and Geographic Area</td>
<td>34</td>
</tr>
<tr>
<td>Regional Collaboration Benefits and Considerations – Water and Wastewater</td>
<td>35</td>
</tr>
<tr>
<td>Key Findings – Water and Wastewater</td>
<td>35</td>
</tr>
<tr>
<td>Outside-City Contract Service Recommendations</td>
<td>36</td>
</tr>
<tr>
<td>Guiding Principles</td>
<td>37</td>
</tr>
<tr>
<td>UPAC Policy Recommendations</td>
<td>37</td>
</tr>
<tr>
<td>Additional Recommendations</td>
<td>40</td>
</tr>
<tr>
<td>About the Utilities Policy Advisory Committee</td>
<td>41</td>
</tr>
</tbody>
</table>
1. Executive Summary

In February 2017, the Colorado Springs Utilities Board directed the Utilities Policy Advisory Committee (UPAC) to study regional collaboration. The UPAC was asked to identify opportunities for regional collaboration for electric, natural gas, water and wastewater services and recommend potential policy changes needed to achieve the potential benefits.

An initial assessment of the regional collaboration study indicated that electric and natural gas already operate in a regional environment. Any regional expansion is limited by regulation. Therefore, water and wastewater services were the focus of the assignment.

Current policy for outside-city special contracts as amended in 2010:

- 1.5 rate multiplier (1.5 times the inside-city rate) for both water and wastewater
- Special contracts are not to exceed a term of three years, with provisions for renewal, if Colorado Springs utilities water supplies are included
- Special contracts are not to 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.

There have been significant changes to Colorado Springs Utilities’ infrastructure systems, water demands, regional planning and other factors since the 2010 UPAC Regional Partnerships assignment:

- Southern Delivery System completed
- Lower actual and projected per capita water use and wastewater flows
- Colorado Water Plan and river basin implementation plans
- Regional water partnerships (WISE: Denver, Aurora and South Metro)
- Greater awareness of limited Denver Basin groundwater
- Groundwater contamination headlines
- Improved economy and population growth

Colorado Springs Utilities has available capacity in its water and wastewater systems that is not expected to be fully utilized at projected sales growth rates for at least 30 years. Most
of the ongoing costs for water and wastewater systems are fixed, meaning costs do not vary greatly depending on usage levels. By leveraging this existing, available system capacity, Colorado Springs Utilities can spread those fixed costs over a larger customer base and keep rates low for all customers.

Colorado Springs Utilities’ customers benefit from a regional approach. In fact, Colorado Springs Utilities currently collaborates with many other entities in the region.

Several water districts in El Paso County rely on the Denver Basin Aquifer for water supply. Water levels in this non-renewable source continue to decline. Colorado Springs Utilities serves its customers with renewable surface water, which is not affected by groundwater levels. However, recent headlines regarding contaminated groundwater for our southern suburbs remind us that insufficient water anywhere in the Pikes Peak Region impacts the city’s reputation and the region’s economy.

Regional collaboration has statewide support and a proactive regional policy facilitates orderly and responsible planning for growth.

Finding solutions that promote long-range water supply sustainability for the region is critical to the economic vitality and quality of life in the greater Pikes Peak region. The Arkansas River Basin Implementation Plan and Colorado Water Plan identified continued use of Denver Basin groundwater supplies as one of the most significant risks facing the basin and the entire state. Cooperation with our neighbors is the responsible thing to do and Colorado Springs Utilities is the right organization to lead on this issue on a local and statewide level.

The current policy of charging outside-city customer contracts 1.5 times the inside-city rate and allowing only three-year contracts for water supply appear to be a barrier to regional collaboration. Potential outside-city water and wastewater customers are finding less-expensive and longer-term solutions from other sources. These alternative solutions may include groundwater sources outside the city, encouraging development even farther from city boundaries.

Based on information received and stakeholder input, the UPAC developed guiding principles to help determine specific recommendations. The guiding principles are:

- Proactively pursue contracts that are financially beneficial to citizens and the region
• Provide leadership for regional water solutions
• Ensure contracts do not injure Colorado Springs Utilities water rights
• Use Cost of Service-based pricing methodology for each component of service
• Contract customers pay for specific costs to physically connect to system
• Contract customers bear the financial burden for the additional water supply needed to meet their projected demand
• Establish a rate multiplier that is not a barrier to regional contracts
• No Colorado Springs Utilities customer subsidization of outside-city contract customers
• Ensure outside-city contracts do not erode inside-city service reliability

The UPAC recommends specific pricing methodology for outside-city water and wastewater contract service. Development charges will recover the cost to buy into the systems; contract customers pay for all costs to physically connect to the Colorado Springs Utilities’ water and/or wastewater systems; ongoing rate based on system cost of service; and as is consistent with industry practice, apply a multiplier.

Recommendations of the UPAC include charging a rate multiplier of 1.2 for outside-city water districts and that no term limit be placed on non-emergency contracts. The UPAC recommendations also address outside-city wastewater contract service, which is not mentioned in current policy. The recommended wastewater policy includes a 1.1 rate multiplier.

Policy recommendations contain additional policy statements to be included to the Water Supply Management policy in the new Excellence in Governance Policy Manual. The recommendations include criteria for maintaining a reliable water supply for all customers and safeguards for the interests of Colorado Springs citizens. Policy recommendations are outlined in detail later in the white paper.

The UPAC recommendations also outline actions to be taken prior to the implementation of outside-city contracts.

Changes to the City Code are not required to facilitate regional contracts, however, the UPAC recommends a minor modification to clarify the difference between providing service without annexation and service provided using special contracts.
2. Assignment Scope

Identify opportunities for regional collaboration for Electric, Natural Gas, Water and Wastewater services. Determine the potential benefits and risks of regional collaboration to Colorado Springs Utilities and its customers. Recommend any policy changes needed to achieve the potential benefits and protect against risks.

3. Background and Current Utilities Board Policy Direction

Background: 2009-2010 UPAC Regional Partnerships Assignment

Key decision drivers:
- Ensure benefit to ratepayers
- Protect Colorado Springs’ water rights and infrastructure
- Comply with regional commitments and permitting requirements
- Assess impacts to the Municipal Government General Fund
- Consider ‘regional’ perspectives

In 2010, based on UPAC’s Regional Partnerships assignment recommendations, the Utilities Board and City Council approved revisions to:
- City Code
- Utilities Policies EL-10 and EL-13
- Utilities Rules and Regulations
- Tariffs - Water-related Services


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 citizens, 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 Springs Utilities ratepayers and citizens.
   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:

   A. 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.
B. 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.

C. Colorado Springs Utilities participation will not create undue complications or delay in meeting Colorado Springs Utilities goals.

Current Policy: Executive Limitation (EL) 13 – Infrastructure

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.

Utilities Board direction through the 2017 Integrated Water Resource Plan (IWRP) - Proactively pursue regional collaboration in a manner that assists in meeting regional water demands, while protecting ratepayer interests and water supply investments and providing a benefit to Colorado Springs Utilities ratepayers and citizens.

IWRP Planning Criteria

- Trigger watering restriction analysis at 1.5 years of demand in storage
- Planning criteria reliability: ninety percent
  - Watering restrictions one in ten years
- Maintain at least one year of customer demand in storage at all times
Current water demand is 95,000 acre-feet per year, while meeting planning criteria approved in the IWRP.

Buildout demand can meet 135,000 acre-feet per year at anticipated buildout with implementation of the IWRP Balanced Portfolio.

IWRP analysis shows that Colorado Springs Utilities will be able to meet additional regional demands of up to 25,000 acre-feet/year by acquiring an additional 5,000 to 10,000 acre-feet of water rights in addition to implementation of the IWRP Balanced Portfolio.

- Acquiring additional supplies will allow Colorado Springs Utilities to maintain Utilities Board approved planning criteria, and serve regional customers within the area.
- IWRP also shows that infrastructure capacity is available on a seasonal basis to convey, treat, and deliver additional supplies to serve regional water service customers.

4. Regional Collaboration Considerations

- How is regional collaboration defined?
- What geographic area is included in the region?
- What is meant by “proactively pursue” regional collaboration?
- How is the benefit to citizens determined?
- What are the considerations for the region and the municipal government?
- What level of service do potential customers need?
- In what cases should short-term (versus long-term) agreements be used?
- What are the infill and greenfield development considerations?
- What types of agreements (such as emergency, temporary, long-term firm or interruptible supply) should be used?
- Are there opportunities for water and wastewater based on certain elements of the electric Regional Transmission Organization model?
- What is the groundwater policy for the region?
- What are the benefits and considerations to citizens of more fully utilizing the Colorado Springs Utilities’ assets?
- What should the Outside-City water and wastewater contract service pricing methodology be?
- What is the extent to which Colorado Springs Utilities is currently involved in regional collaboration?

The UPAC’s responses to these considerations are discussed throughout this white paper and included in our recommendations.
5. **Current Collaborative Efforts**

Colorado Springs Utilities has been or is currently involved in numerous regional agreements, most notably involving water and wastewater services, but also in the natural gas and electric services. Such efforts not only involve collaboration in the Pikes Peak region, but also at the state and national level. These efforts involve participation in water councils and associations, conservancy districts, conservation boards, committees and roundtables, as well as supply and conveyance companies and authorities, and special agreements.

**National, State, and Pikes Peak Region Collaboration**

- Colorado Water Congress
- Front Range Water Council
- National Water Resources Association
- Western Urban Water Coalition
- CRWUA: The Colorado River Water Users Association
- Southeastern Colorado Water Conservancy District
- Lower Arkansas Valley Water Conservancy District
- Upper Arkansas Valley Water Conservancy District
- Colorado Water Conservation Board
- Colorado River Conservation District
- Interbasin Compact Committee
- Arkansas Basin Roundtable
- Metro Roundtable
- South Platte Roundtable
- Colorado River Basin Roundtable
- Arkansas River Watershed Collaborative
- Fountain Creek Watershed, Flood Control and Greenway District
- Arkansas-Fountain Coalition for Urban River Evaluation
- CWCB Water Conservation Technical Advisory Group
- Pikes Peak Regional Water Authority
- El Paso County Water Master Plan Steering Committee
- Fountain Creek Transit Loss Technical Committee
- Upper District 10 Water Users Association
- Arkansas Headwaters Recreation Area Citizen Task Force
- Eagle River Watershed Council

**Water Supply and Conveyance Companies and Authorities**

- Fountain Valley Authority
- Homestake Steering Committee
- Aurora-Colorado Springs Joint Water Authority
- Southern Delivery System
- Twin Lakes Reservoir and Colorado Canal Company
- Fountain Mutual Irrigation Company
- Chilcott Ditch Company
Special Agreements for Water Service
Donala Water and Sanitation District
Security Water and Sanitation Districts
Stratmoor Hills Water District – Emergency Water Service
City of Manitou Springs

Wastewater Collaboration
Lower Fountain Metro Sewage Disposal District
Manitou Springs Wastewater Treatment
Stratmoor Hills Water and Sanitation District
Garden Valley Water District

Military Agreements
• Air Force Academy (electric, natural gas, water)
• Cheyenne Mountain AFS (electric, natural gas, water)
• Fort Carson (electric, natural gas, water)
• Peterson AFB (electric, natural gas, water, wastewater)
• Colorado Springs Utilities has worked with military installations to reduce overall energy intensity
  o Audits at all installations
  o Collaboration with contractors
  o Incentives/Rebates
• Renewable Energy
  o WAPA Hydro Energy
  o USAFA Solar Array + RECS
  o Fort Carson Solar – Rebates
  o Fort Carson Housing – RECS
  o Fort Carson – Woody Biomass Pilot
  o Fort Carson – Wind – Short term contracts
  o Peterson AFB Housing – RECS
  o Numerous other projects (long term wind, solar)

Mutual Aid Collaboration
Wildland Fire Team
Colorado’s Water/Wastewater Agency Response Network (CoWARN)
American Public Power Association
Public Service Company of Colorado – Xcel (electric and natural gas)
City of Fountain (electric)
Omaha Public Power (electric)
American Gas Association – Mast Operations Assistance Agreement
Black Hills Energy (natural gas)
6. Summary of Assignment Inputs

What’s Changed Since the Conclusion of UPAC’s 2009-2010 Regional Partnerships Assignment?

- Southern Delivery System completed
- Lower actual and projected per capita water use and wastewater flows
- Colorado Water Plan and river basin implementation plans
- Regional water partnerships (WISE: Denver, Aurora and South Metro)
- Greater awareness of limited and depleting Denver Basin groundwater
- Groundwater contamination headlines
- Improved economy and population growth
- Integrated Water Resource Plan (IWRP) updated and approved

Regional Economic Trends – University of Colorado, Colorado Springs (UCCS) Economic Forum

On March 1, 2017 Dr. Tatiana Bailey, Director of UCCS Economic Forum in the College of Business, presented information on regional economic trends for Colorado Springs. Dr. Bailey highlighted that, from an economic perspective, there are advantages to collaboration including the ability to spread out costs to the larger population base. She indicated that smart communities look for collaboration opportunities and prepare for population growth. Highlights from the presentation included:

- From the perspective of the production of goods and services (gross metropolitan product [GMP]), Colorado Springs/El Paso County are growing at a comparable rate to the nation (and better than many other regions across the U.S.)
- In December 2016, Colorado’s supply/demand ratio was 0.72 meaning more jobs were available than workers. National ratio was 1.57, Colorado Springs was 1.01.
- Total growth projection between 2015 and 2025: 66,836 employees gained, 2.10% annual average increase.
- From 2015-2016 local home sales have increased by 15.6%. Homes are selling at 99.4% of listing price with average days on market at 40.
- The State Demography Office projects a population increase of 400,621 additional people between 2015 and 2050 in El Paso County.

Growth and Sales Trends

On March 1, 2017 Matt Dudden, Corporate Economist for Colorado Springs Utilities, presented information on energy and water sales trends. Mr. Dudden discussed why regional collaboration may be beneficial to offset the challenges currently faced by the organization including:

- Flat sales growth
- Revenue variability
- Increasing utility costs
• Aging infrastructure
• Significant portion of utility costs are fixed
• Available capacity

**Pikes Peak Area Council Governments (PPACG)**
On April 5, 2017 Rick Sonnenburg, Interim Director of Pikes Peak Area Council Governments, provided PPACG’s 2017 Work Program. Additionally, PPACG program managers discussed respective programs. Regional utility-related topics included:
- Environmental Planning Program
- Fountain Creek water quality
- Watershed planning activities
- Water Quality Management 208 Plan
- Air quality management
- Military land use
- Regional infrastructure planning
- Regional wastewater coordination
- Regional transportation planning (including the Pikes Peak Regional Transportation Authority)

**City Comprehensive Plan**
On June 7, 2017 Carl Schueler, Comprehensive Planning Manager for the City of Colorado Springs discussed the City Comprehensive Plan and Colorado Springs Utilities’ involvement in the plan. Highlights from the City Comprehensive Plan include:

- Overall Vision – Colorado Springs 2036 is a city that reflects its majestic landscapes and champions its ideals through renowned culture, vibrant neighborhoods, strong connections, unique urban places, and a thriving economy. It’s important that Colorado Springs Utilities be involved at the planning and implementation stages of all significant initiatives.

**City Sales Tax Implications and Regional Economic Dynamics**
On August 2, 2017 Bob Cope, Economic Vitality Division’s Senior Business Climate Specialist for the City of Colorado Springs, discussed City sales tax implications regarding regional collaboration. Mr. Cope stated that the City looks more favorably on business annexation than residential annexation, that every situation is unique, and that solutions should be crafted on a case-by-case basis.

Carl Schueler, Planning Manager for the City of Colorado Springs, stated that City staff understands efforts to leverage investments in water and that there are concerns around risk management, collaboration opportunities and ability to provide public safety services from sales tax services. Mr. Schueler also mentioned that as policies change, they may require changes to City Code and asked that the future focus of the City be kept in mind.
Tammy Fields, Senior Vice President of Economic Development for the Colorado Springs Chamber and Economic Development Corporation (EDC), explained that the Chamber and EDC work with companies to expand into the greater Colorado Springs market. Ms. Fields explained reasons for site locations outside of the City limits and that there is a focus on the region of El Paso County from Monument to Fountain.

Ms. Fields provided information on prospect perspectives, locations best suited for the needs and stated that workforce has become the number one factor. Ms. Fields also stated that site selection decisions are being made online due to the amount of information available and other factors which include: speed to market, utility infrastructure, size of property and the ability to annex. Ms. Fields said that policy language providing flexibility would be good and that projects which land outside the City limits will add staff that would likely live in the City and spend tax dollars in the City.

**Regional Transmission Organization (RTO)**


An RTO is a voluntary organization of electric transmission owners, transmission users and other entities approved by the Federal Energy Regulatory Commission (FERC) to efficiently coordinate electric transmission planning (and expansion), operation and use on a regional (and interregional) basis.

- **Current Situation**
  - Colorado Springs Utilities generates most of its own power
  - Economic dispatch to meet load
  - Bilateral transactions with nearby entities
  - Purchase power agreements
  - Spot market sales and purchases
  - Western Area Power Administration (WAPA)
  - Maintain a standalone transmission tariff

- **An Opportunity**
  - Changes to the industry provide the potential to better serve customers
  - The Mountain West Transmission Group (MWTG) was formed in early 2013 to evaluate a suite of options ranging from a common transmission tariff to RTO participation.
Western Area Power Administration (through Loveland Area Projects and Colorado River Storage Project)

- MWTG is currently analyzing whether to join an RTO that maintains a regional transmission tariff
• Why now?
  o Right Group: Diversity of the group ensures a proposal that takes into account the array of regional differences in the west
  o Right Time: Three entities within the group are already RTO members and have experienced the benefits of RTO participation for customers
  o Right Regulatory Climate: After nearly two decades of failed attempts in the west, regulators are more engaged and familiar with the concept. Consistent with FERC policy on markets
  o Right for Customers: Market structures provide customers greater efficiencies in utilizing transmission and generation resources in a non-discriminatory manner over a broad footprint

• Organized Markets
  o Set of pooled resources with independent operation of wholesale markets for energy, capacity, and ancillary services
  o Transmission is central in market design—single tariff with open access and non-discriminatory service
  o Load and resources settle individually in an organized market
  o An RTO serves as the centralized operator for a Day-2 Market for auction-based electricity products.
  o Day-2 Markets include day ahead unit commitment, real-time unit commitment, and real-time dispatch.
  o Generation and load are bid into the market separately on a day-ahead basis
  o Analytics will determine where Colorado Springs Utilities anticipates market will be in day ahead vs. real-time
  o Real-time markets help balance daily loads and provide reserves

• Challenges and Considerations
  o Protect critical points of agreement among MWTG entities
  o Reserved rights of individual west-side transmission owners
  o Establishment of a west-side transmission owner committee
  o Cost Shift mitigation / Regional Through and Out Revenue Distribution Methodology
  o Separate cost allocation method and Order No. 1000 planning regions
  o No addition of capacity market without transmission owner consent

RTO Implications:

Energy Vision
  • Potential access to new renewables
  • Potential facilitation of greater renewable integration
  • Potential use of purchase power agreements to meet renewable portfolio standards

Rates
  • Potential of lower customer rates for the entire region
Regional rate differentiation for Colorado Springs Utilities may erode

Transmission Infrastructure
- Planning
- Permitting
- Siting

Utilization of Available Generation Capacity
- Potential to increase use of available capacity

Efficiencies, Economies of Scale
- Dispatch of lowest cost units
- Most efficient use of transmission

Autonomy
- Dispatch of generation
- Transmission cost sharing based on member benefit
- Greater FERC scrutiny on transmission revenue requirement - “Just and reasonable”

Potential Advantages
- Lower transmission rates
- Cost savings through efficient dispatch of area-wide generation
- Increased access to cost-effective distant generation, including renewables
- Lowering of planning reserve margin and operating reserves
- Increased reliability/resiliency
- Energy price transparency
- Increases access for sales to a broader market

Potential Disadvantages
- Administration costs and workloads might increase
- Joint transmission project cost investments – and how to determine cost allocation between the participants for those investments
- Energy prices set hourly by the market
- Potential staff additions/shifts, new software, etc.
- Additional stakeholder processes
- Changes in the way Utilities conducts its business

Mr. Romero commented that no policy nor City Code changes are needed for Colorado Springs Utilities to join an RTO.

Water and Wastewater – Current Agreements and Opportunities
On April 5, 2017 Jenny Bishop, Water Resources Senior Project Engineer for Colorado Springs Utilities presented a regional overview of current agreements, recent collaboration inquiries and opportunities.
Northern Neighbors

Monument, Palmer Lake, Triview, Woodmoor, Donala

Air Force Academy (wastewater service inquiry)
Security (wastewater service inquiry), Widefield (wastewater service inquiry), Stratmoor Hills (receives wastewater service), Fountain (wastewater service inquiry), Ft. Carson (wastewater service inquiry), Garden Valley (receives wastewater service)
Eastern Neighbors

Cherokee Metro District, Meridian Ranch, Woodmen Hills (wastewater service inquiry), Falcon Highlands (wastewater service inquiry), Peterson AFB
**Neighboring Water and Wastewater Provider Perspectives**

On July 5, 2017 Kip Peterson, General Manager of Donala Water and Sanitation District and the President of the Pikes Peak Regional Water Authority stated that there has been a desire to bring Colorado Springs Utilities into discussions about a regional approach to the provision of water services. Mr. Peterson highlighted the direct interconnect from Monument to Colorado Springs Utilities and the vulnerabilities discovered due to the Tri-View crisis; many districts would like emergency connection to Colorado Springs Utilities for interruptible supply.

Donala Water and Sanitation District has had a long-term, wheeling, treat and deliver agreement with Colorado Springs Utilities. Mr. Peterson also discussed the desire to expand the approach to supply water and that the cost of water is going up. The struggle Donala has with Colorado Springs Utilities is the cost, and Donala is willing to pay its fair share, but the 150 percent rate for service outside of the Colorado Springs Utilities system is not sustainable long term.

Mr. Peterson also asked for better communication with Colorado Springs Utilities contacts and for consistent answers to be provided on inquiries; and also requested that processes have a faster track at the staff level.

Roy Heald, General Manager of Security Water and Sanitation District provided examples of regional collaboration with Colorado Springs Utilities:

- Pinello Ranch water lease
- Fountain Valley Authority
- Southern Delivery System
- Colorado Springs Utilities water service agreement
- Venetucci lease
- Widefield Aquifer Recharge Association
- Super Ditch
- Arkansas Fountain Coalition for Urban River Evaluation (AF CURE)

Mr. Heald discussed the emergency agreement put into place with Colorado Springs Utilities due to aquifer contamination and noted that the cost of 1.5 rate multiplier for service outside of the City is not sustainable for long-term supply.

Sean Chambers of Chambers Econ and Analytics and former General Manager of Cherokee Metropolitan District presented information on water supply partnership, policy and opportunities in regional economic growth. Mr. Chambers spoke to the municipal and industrial supply gap outside of the Colorado Springs Utilities system, the existing and growing demand for water infrastructure and resource collaboration, and the need to identify appropriate tap and service fees, water infrastructure fees, and having a sunset on infrastructure fees. Preservation of the Denver Basin Aquifer and challenges to collaborative agreements was also discussed.
Potential Military Opportunities
On July 5, 2017 Steve Carr, Key Account Manager for military customers of Colorado Springs Utilities provided information on current services provided and on the following potential opportunities with military installations:

- Renewable energy
  - Fort Carson – Potential Pueblo Hydro purchase
  - Fort Carson – Potential for solar RFP
  - Colorado Springs Utilities Renewable Project on military land
  - Customer offering based on open renewable RFP
  - Wastewater
    - Air Force Academy
    - Fort Carson
    - Cheyenne Mountain AFS

- Non-Potable Water
  - Air Force Academy
  - Fort Carson
  - Peterson AFB

Regional Collaboration – Water and Wastewater
On September 6, 2017 Dan Higgins, Chief Water Services Officer presented information on regional collaboration for water and wastewater. The following information was presented:

- Concurrent Planning Efforts
  - Colorado and Arkansas River Basins
  - Colorado State Water Plan Implementation
  - El Paso County Water Master Plan
  - City Comprehensive Plan

Colorado River Basin
Arkansas River Basin
• Items unique to wastewater regional collaboration:
  o Regulatory drivers
  o Available system capacity
  o Nonpotable water supply
  o Timing

**State and Regional/Basin Water Plans**
On November 1, 2017 Patrick Wells, Water Resource and Demand Management General Manager for Colorado Springs Utilities provided information on the Colorado River supply, upper and lower basin water management, drought contingency plans, Arkansas Basin implementation plan, goals and measurable outcomes, El Paso County water needs, master plan goals, regional water collaborations and the sustainability of wells in Denver Basin Aquifer. Highlights include:

• Colorado River Supply
  o Upper Basin and Lower Basin Water Management
    ▪ Need to manage limited water supply
    ▪ Allocate water among the states
    ▪ Structural deficit
  o Drought Contingency Plans
    ▪ Regional collaboration towards a common goal
• State and Basin Water Planning
  o Colorado Water Conservation Board (CWCB)
  o Basin Roundtables and Implementation Plans
  o Colorado’s Water Plan

Colorado’s Water Plan Desired Outcomes
• Develop multipurpose storage and projects
• Balance all needs and reduce conflict
• Use water efficiently to reduce overall future water needs
• Identify additional projects and processes to meet the water supply gap for municipalities while balancing the needs of agriculture, the environment, and recreation across the state.
• Meet community water needs during periods of drought.

• Arkansas Basin Implementation Plan
  “Municipal dependence on nonrenewable hard-rock aquifers and designated groundwater sources become significant liabilities as these aquifers reach the end of their useful life. That terminal date, when the economics of continued pumping increase exponentially, is here.”

Arkansas Basin Goals and Measurable Outcomes:
  o Meet the municipal supply gap in each county within the basin.
  o Support regional infrastructure development for cost-effective solutions to local water supply gaps.
  o Develop collaborative solutions between municipal and agricultural users of water, particularly in drought conditions.
  o Increase surface storage available within the basin by 70,000 acre-feet by the year 2020.
  o Reduce or eliminate Denver Basin groundwater dependence for municipal users.

• El Paso County Water Master Plan
  o Evaluation of supplies, demands, and infrastructure
    ▪ Obtain detailed information from water suppliers
  o Evaluation of regional collaboration alternatives
  o Recommendations for regulatory modifications
  o Will inform land use master planning
  o Utilities staff will serve on the Steering Committee
  o Estimated completion: end of 2018

El Paso County Water Master Plan Goals
  o Understand current supply and demand conditions
  o Identify efficiencies that can be achieved
  o Encourage best management practices
  o Evaluate water supply adequacy earlier in development approval process
• Provide guidance in review of future applications and permits

• Regional Collaboration Examples:
  o RW Beck’s 2009 study of entities that have regionalized:
    ▪ San Diego County Water Authority (SDCWA)
    ▪ Municipal Water District of Orange County (MWDOC)
    ▪ San Francisco Public Utilities Commission (SFPUC)
    ▪ Seattle Public Utilities (SPU)
    ▪ Denver Water (Denver Water)
    ▪ Vidler Water Company, Inc. (Vidler)
    ▪ San Antonio Water System (SAWS)
    ▪ City of Phoenix (Phoenix)
    ▪ Salt Lake City Department of Public Utilities (SLCDPU)
    ▪ Ute Water Conservancy District (Ute Water)

• RW Beck’s Regional Collaboration Study Key Conclusions
  o Sustainable long-term water supply was overarching goal
  o Must have equitable and defensible rates and capital investment plans
    – 100 percent of public entities surveyed use cost of service based approach
  o Strong relationships and communication are critical to program success
  o Focus on simplicity of contracts and services while responding to needs

• Colorado Regional Water Collaborations
  o Water Infrastructure and Supply Efficiency (WISE) Partnership - A Regional Partnership for a Sustainable Water Future the Water Infrastructure and Supply Efficiency (WISE) Partnership is a regional water supply project between Aurora Water, Denver Water and the South Metro Water Supply Authority. The agreement was established in 2009 when the parties determined they would collaborate to utilize available resources for the benefit of each participating water provider.
    ▪ Denver Water, Aurora Water, Douglas County Participants
    ▪ Sharing of infrastructure and excess supplies
  o Denver Water
    ▪ Wholesale and retail water sales to suburban areas
  o Grand Valley Water Users
    ▪ Ute Water Conservancy District, City of Grand Junction, Town of Clifton
    ▪ Interconnections and regional water conservation plan
  o Northern Colorado
    ▪ Colorado-Big Thompson Project
• Sustainability of Denver Basin Aquifer
  o Declining water levels and hydrostatic pressures are impacting regional water sustainability
  o Water level declines of 20-50 ft/yr observed in some locations
  o Well pumping will become physically and economically impractical in coming decades
Confined or Artesian Aquifers

Cascading Reduction in Well Yield

Well Sustainability Example:
- 30 AF/yr supply needed
- 100 year aquifer life
- Each well costs about $500,000 to develop

Mr. Wells concluded by describing the current regional water situation:
- The region is facing a serious water supply gap in the future
- Proactively addressing regional water supply issues is the responsible course
As the largest local water provider, Colorado Springs Utilities plays a key role in the region’s water supply. Colorado Springs Utilities understands the need for a sustainable water supply and cares about the economic health of the region.

In November 2017, UPAC Chair, Rich Kramer; Vice Chair, Rex Adams; UPAC Committee Member Joe Mark; Colorado Springs Utilities Strategic Planning and Governance Supervisor, Dave Grossman and Colorado Springs Utilities Water Resource and Demand Management Manager, Patrick Wells attended the Regional Water Solutions workshop. Information was presented on a variety of issues to include the complexity of regional collaboration not only for Colorado Springs, but for neighboring areas.

**Revenue and Rates**

On December 6, 2017 Scott Shewey, Interim Chief Planning and Finance Officer and Patrick Wells, Resource and Demand Management General Manager for Colorado Springs Utilities provided information on the sources of revenue, benefits to citizens and recommended ratemaking guiding principles. Development charges include the cost of existing assets, water rights and five-year forecasted capital additions. Highlights included:

- **Sources of Revenue**
  - **Development Charge**
    - Modified equity buy-in
    - Industry accepted practice
    - One-time charge to new construction inside and outside City limits
    - Revenues fund capital expenditures
    - Outside City charges are currently 50% higher than inside City charges

A2. | For each Non-Residential, Single-Family Residential (1” or larger meter), Multi-Family or Mixed-Use connection based on meter size: |
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Inside City Limits</td>
<td></td>
</tr>
<tr>
<td>3/4 inch or less (excludes Single-Family Residential)</td>
<td>$9,292.00</td>
</tr>
<tr>
<td>1 inch</td>
<td>$15,487.00</td>
</tr>
<tr>
<td>1-1/2 inch</td>
<td>$30,973.00</td>
</tr>
<tr>
<td>2 inch</td>
<td>$49,557.00</td>
</tr>
<tr>
<td>3 inch</td>
<td>$92,920.00</td>
</tr>
<tr>
<td>4 inch</td>
<td>$154,867.00</td>
</tr>
<tr>
<td>6 inch</td>
<td>$495,542.00</td>
</tr>
<tr>
<td>8 inch</td>
<td>$867,222.00</td>
</tr>
<tr>
<td>10 inch</td>
<td>$1,300,880.00</td>
</tr>
<tr>
<td>12 inch</td>
<td>$1,641,618.00</td>
</tr>
</tbody>
</table>

Sources of Revenue - Water Development Charge
• Rates
  o Based on Cost of Service
  o Cost of Service based rate making is defensible and an industry accepted practice
  o City Council establishes standards in City Code for setting water and wastewater rates as “reasonable and appropriate in light of all circumstances.”
  o Revenues fund ongoing expenditures
  o Outside City charges are currently 50% higher than inside City charges

• 2017 Water Sources of Revenue
  o Development Charges: $20.7 million
  o Operating Revenue: $180.2 million

• 2017 Wastewater Sources of Revenue
  o Development Charges: $4.0 million
  o Operating Revenue: $67.3 million

• Using Available Capacity: benefit to citizens
  o Portions of the water and wastewater systems have available capacity
  o 85% to 90% of total water and wastewater expenditures are fixed
  o Spreading the fixed cost over more unit sales reduces pressure to increase rates
  o Create new revenue from existing assets

• Recommended Regional Ratemaking Guiding Principles
  o Use Cost of Service-based methodology
  o Reduce the 1.5 multiplier financial barrier for regional partner agreements

**Outside City Water and Wastewater Pricing Utilities Background**
On January 3, 2018 Ken Burgess, Division Chief City Attorney’s Office provided background information on existing outside City water and wastewater pricing practices to include:

• The 50 percent tariff rate premium has been in place at Colorado Springs Utilities since prior to 1991
• Premium applies to outside-city individual residential and nonresidential water and wastewater customers
• Premium applies to Development Charges and ongoing Rates
• Premium does not necessarily apply to special contracts
• American Water Works Association (AWWA) has identified outside-city rate multipliers in the 1.25 to 1.5 range
Sonya Thieme, Rates Manager for Colorado Springs Utilities presented information on water revenue. In 2016, outside-city water operating revenue and development fees represented 1.4 percent of total water operating revenue and development fees. Outside City wastewater operating revenue and development fees represented 1.5 percent of total wastewater operating revenue and development fees.

**Legal Landscape**

On September 6, 2017 David Robbins, President of Hill and Robbins, P.C., presented information on outside city contracts and how to manage rate setting. Mr. Robbins stated that there are many Supreme Court cases supporting the proposition that there needs to be an articulated method for rate setting and not an arbitrary decision on the cost of outside City service. The rate determination should be based on a rate study and investigation into what it costs to provide service. When entering into an agreement, there is potential to trade service for valuable assets such as water rights. Regarding tap fees, Colorado Springs Utilities should be recovering its operating and maintenance cost plus its invested capital.

On January 3, 2018 Michael Gustafson, Senior Attorney for the City Attorney’s Office Utilities Division presented information on the legal landscape of outside city contracts.

- **Municipalities can:**
  - Cooperate/contact with other entities
  - Supply or lease water outside their service territories
  - Set rates, terms and conditions for water service outside of service territory
  - Choose whether to provide service outside the City

- **City Charter**
  - City/Utilities have all powers provided by State Law
  - City/Utilities may sell or lease water
  - Council sets rates and policies for Utilities’ services
  - Restriction on sale or lease of Utilities’ property
  - Water rights are considered property
  - Does not apply to sale or lease in “ordinary course of business”

- **City Code**
  - Outside City Water and Wastewater Service Policy
    - Future water and wastewater needs of region must be considered
    - Additional fees for outside City services are appropriate
    - Land use and development outside City should be compatible with inside-City land use with no adverse impacts on City
  - Rights of the City 7.6.204
    - No right to water or wastewater service outside of City
    - City does not assert exclusive control over outside City service
    - Water service available on a first come first served basis
o Tied to Annexation 7.5.205-7.5.209
  ▪ Property eligible for annexation should be annexed before service provided
  ▪ Service pending annexation can be provided to avoid undue economic hardship and delay
  ▪ Petition for Annexation is required

o Service Without Annexation 7.5.210
  ▪ Two Types
  ▪ Service without Annexation
    – Individual properties (Park Vista)
  ▪ Special Contract Service
    – Other Municipalities/Special Districts (Donala Water and Sanitation District)
  ▪ Available for properties eligible for annexation but for which City Council denies annexation
  ▪ Factors may include:
    – Costs and benefits to City
    – Available water surplus
    – Consistent with City and Utilities’ policies
    – Enforcement of agreement to annex in future

o Special Contract Service
  ▪ Available in two circumstances
    – Ineligible for annexation
    – City Council determines annexation not in City’s best interest
      • Broad discretion
  ▪ Available to institutions, special districts, governments, municipal corporations
    – Donala Agreement

• Utilities’ Policies
  o Policy Governance
    ▪ EL-10 – Water Rights Protection and Development
    ▪ EL-13 – Infrastructure
  o Utilities’ Rules and Regulations
  o Current Policy Governance
    EL-10 – Water Rights Protection and Development
    -Special contracts must provide benefit to Utilities’ ratepayers and citizens
    ▪ Requirements
      • Include premium on charged rates and fees
        - Dedicate 50% of premium to City government
- Maximum 3-year term with renewals if Utilities’ water involved
- Maximum 25-year term for infrastructure
- Require adoption of water use restrictions to protect Utilities’ customers

- **Contracts and Permits - Types Include**
  - Use of Federal Facilities (Storage and Conveyance)
    - Fryingpan-Arkansas Project and Southern Delivery System
    - Limits use to within boundaries of City and Southeast District
  - Use of Joint Facilities
    - Fountain Valley Authority, Homestake, Twin lakes
  - Intergovernmental agreements
  - County 1041 permits

- **Water Rights**
  - Decrees
    - Describe City’s rights to use water
    - Define permissible type of use and place of use
      - Decreed for municipal use
        - Transmountain water can be reused
      - Decreed for use in City, and adjacent areas, or metropolitan area
        - Questions regarding what constitutes adjacent and metropolitan area

7. **Observations**

**All Four Services**
- A projected increase in the number of utility customers in the service territory over the next 20 years is expected to be largely offset by continued decline in per-customer usage, resulting in relatively flat sales and revenue growth.
- Colorado Springs Utilities has available capacity in some utility systems that is not expected to be fully utilized at projected sales growth rates for at least 30 years.
- Similar to other utility providers, Colorado Springs Utilities’ cost to operate and maintain aging infrastructure to sustain reliable service continues to increase.

**Electric and Natural Gas**
- Electric and natural gas already operate in a regional environment
• Colorado Springs Utilities has limited electric transmission capacity in and out of our service territory. Since Colorado Springs Utilities generates the vast majority of the electricity needed for our native load, the constrained transmission capacity is not generally a service problem.
• Without a regional wholesale market in our area, electric trading is generally limited to bilateral transactions with electric providers in close proximity to the service territory.
• The Mountain West Transmission Group, in which Colorado Springs Utilities is participating, is analyzing the potential benefits of joining a Regional Transmission Organization.

Water and Wastewater
• Portions of the water and wastewater systems have available capacity. Additional revenue could be generated by more fully utilizing existing infrastructure.
• 85% to 90% of water and wastewater costs are fixed.
• Treatment plants require upgrades to comply with more stringent environmental standards. Economies of scale may be achieved by consolidation into fewer regional facilities rather than upgrading all plants.
• Colorado Springs Utilities periodically receives requests for pricing of partial utility service (treatment-only for example). Current tariffs do not include partial service. The time required to develop and approve terms and conditions may impede serving a new wholesale customer or district.
• Potential outside-city customers perceive Utilities’ approval process to be unnecessarily cumbersome and lengthy. A single Utilities point of contact and project champion or solutions team would help guide the agreement process. Established guidelines for future agreements would also be beneficial.
• Rates and fees for outside-city customers should be evaluated to determine if they are set at the appropriate level.

8. Regional Collaboration Definition and Geographic Area
The term “regional collaboration” is not a term of art and has no standardized definition. Defining “regional collaboration” depends upon context and each unique situation. The term is not just about asset or commodity utilization, but is also about the economy and the environment. It is about finding opportunities to improve the larger, regional community. Regional collaboration is not a new concept; there are hundreds of examples in existence today.

To collaborate is to form a purposeful relationship in which all parties strategically choose to cooperate to achieve shared (or perhaps just overlapping) objectives. It is said that groups that work collaboratively can obtain greater resources, recognition and reward when facing competition for finite resources.
For the purpose of the assignment, the UPAC determined that the region be considered as El Paso County.

Since contract customers pay for all costs to connect to Colorado Springs Utilities system, only water and wastewater districts adjacent to, or relatively near city boundaries may find it financially feasible to connect and receive service from Colorado Springs Utilities.

9. Regional Collaboration Benefits and Considerations – Water and Wastewater

**Benefits**
- Increased utilization of existing system capacities
- Improves return on citizens’ investment in infrastructure
- Increased economies of scale and operational efficiencies
- Coordinated approach to regional planning
- Facilitates permitting for regional projects
- Region’s positive reputation for reliable water service is maintained
- Increased economic growth for the region
- Region moves to a reliable, sustainable water source

**Considerations**
- Protect citizens’ long-term water supply
  - Collaborate with contract customers for the acquisition of new water rights
- Promote inside-city growth (infill and redevelopment)
  - City planning, zoning, policies, tariffs, URR’s, multiplier for outside city limit water and wastewater sales
- Lost City business revenue implications
- Permitting, regulatory and legal

10. Key Findings – Water and Wastewater

- Colorado Springs Utilities currently collaborates with many regional entities, often serving as the leader
- Customers benefit from a regional approach
- What is good for the region’s economy is good for Colorado Springs
- Colorado Springs metropolitan area has tremendous growth potential
- Insufficient water anywhere in the Pikes Peak Region impacts the city’s reputation and the region’s economy
- Regional collaboration has statewide support
- A proactive regional policy facilitates orderly and responsible planning for growth in the region
11. Outside-City Contract Service Recommendations

Outside-City Contract Service Recommendations for Governmental and Quasi-Governmental Districts

1. Development Charge for water and/or wastewater recovers cost to buy into the systems
2. Contract customer pays for all costs to physically connect to the Colorado Springs Utilities’ water and/or wastewater systems
3. Contract customers pay for any addition water supply needed to meet the projected demand
4. Ongoing rate based on system Cost of Service
5. Apply multiplier
   - Use of multiplier is consistent with industry practice
   - Recognizes citizens’ investment in infrastructure and system planning
   - Water has a higher multiplier than wastewater to reflect water’s additional complexity

Outside-City Special Contract Service Recommendations for Government or Quasi-Government Entity Districts

<table>
<thead>
<tr>
<th></th>
<th>Water Contract Service Multiplier</th>
<th>Wastewater Contract Service Multiplier</th>
</tr>
</thead>
<tbody>
<tr>
<td>Development Charge*</td>
<td>1.2</td>
<td>1.1</td>
</tr>
<tr>
<td>Additional Water Supply*</td>
<td>Paid by contract customer.</td>
<td>Acquired and owned by Colorado Springs Utilities</td>
</tr>
<tr>
<td>Ongoing Rate – Cost of Service</td>
<td>1.2</td>
<td>1.1</td>
</tr>
<tr>
<td>Physical Connection to System</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Line extension specific costs</td>
<td>Paid by contract customer</td>
<td></td>
</tr>
<tr>
<td>Standard tap fee</td>
<td>1.2</td>
<td>1.1</td>
</tr>
</tbody>
</table>

*The additional water supply that the contract customer provides/pays for is subtracted from the Development Charge.
Outside-City Contract Service Recommendations for Individual Customers Not Part of Government or Quasi-Government Entity*

<table>
<thead>
<tr>
<th></th>
<th>Long-Term Water Contract Service Multiplier</th>
<th>Wastewater Contract Service Multiplier</th>
</tr>
</thead>
<tbody>
<tr>
<td>Development Charge</td>
<td>1.5</td>
<td>1.5</td>
</tr>
<tr>
<td>Ongoing Rate – Cost of Service</td>
<td>1.5</td>
<td>1.5</td>
</tr>
<tr>
<td>Physical Connection to System</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Line extension specific costs</td>
<td>Paid by contract customer</td>
<td></td>
</tr>
<tr>
<td>Standard tap fee</td>
<td>1.5</td>
<td>1.5</td>
</tr>
</tbody>
</table>

*Applies to individually-billed customers.

12. Guiding Principles

- Proactively pursue contracts that are financially beneficial to citizens and the region
- Provide leadership for regional water solutions
- Ensure contracts do not injure Colorado Springs Utilities water rights
- Use Cost of Service-based pricing methodology for each component of service
- Contract customers pay for specific costs to physically connect to system
- Contract customers bear the financial burden for the additional water supply needed to meet their projected demand
- Establish a rate multiplier that is not a barrier to regional contracts
- No Colorado Springs Utilities customer subsidization of outside-city contract customers
- Ensure outside-city contracts do not erode inside-city service reliability

13. UPAC Policy Recommendations

Draft Water Supply Management Policy Concepts:
The Chief Executive Officer shall direct that new and existing water resources and systems are aggressively developed and optimized to maintain and enhance water system sustainability and responsibly balance costs and risks to reliably meet the needs of current and future customers. Accordingly, the CEO shall:

1. Defend Colorado Springs Utilities’ water rights against claims and filings by others if these would in any way injure, hinder, or decrease Colorado Springs’ current or future yield or use.
2. Conduct periodic evaluations of Colorado Springs Utilities’ existing decreed water rights and take legal and administrative actions necessary to optimize water system.

3. Provide a reliable water supply to existing and future customers by planning for, developing, and managing water resources in accordance with the following criteria:
   a. At all times maintain a minimum of one year of customer demand in water system storage.
   b. Meet or exceed 90 percent reliability for maintaining a minimum of 1.5 years of customer demand in water system storage.
   c. Conduct an evaluation of the need for water shortage response measures when water system storage is forecast to fall below 1.5 years of customer demand on or after April 1 of any year.

4. Plan for and implement water use efficiency and demand management measures to support and enhance water system reliability.

5. Use Denver Basin groundwater in Colorado Springs Utilities’ exclusive water service territory only for emergency supplemental supply, limited non-potable uses, aquifer storage and recovery, or periodic exercising of groundwater infrastructure for operation and maintenance purposes.

6. Not develop or allow development of controlled ground water in the Dawson Aquifer in Colorado Springs Utilities’ exclusive water service territory.

7. Not reserve Colorado Springs Utilities’ water supplies or wastewater infrastructure for any person, organization, property or development not connected to the water or wastewater system regardless of whether that entity is inside or outside the city limits or Colorado Springs Utilities’ exclusive water service territory.

(Line items 8 through 10 are assignment-related policy recommendations)

8. Proactively pursue long-term outside-city water and wastewater contracts in a manner that assists in meeting regional water demands, while protecting citizen interests and water supply investments.

9. Consider outside-city water and wastewater special contract service for government or quasi-government districts on a case-by-case basis that:
   b. Are not subsidized by Colorado Springs citizens.
c. Do not injure Colorado Springs Utilities water rights.

d. Comply with Colorado Springs City Code, City Ordinances, Utilities Rules and Regulations and the same regulations, policies, restrictions and regional obligations as Colorado Springs Utilities.

e. Use Cost of Service-based pricing methodology.

f. Charge contract customers specific costs to physically connect to water and/or wastewater systems.

g. Charge contract customers the total cost to acquire additional water supplies to meet their projected demand.

h. Apply charges, fees and rate multiplier of 1.2 for water service and 1.1 for wastewater service to recognize citizen investment in infrastructure and system planning.

i. Provide emergency water service with a 1.2 multiplier for a term of up to 60 days, one time in any two-year period, subject to availability of water supply.

j. Utilities Board may allocate a portion of the multiplier revenue from ongoing Rates as surplus revenue 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.

10. Consider outside-city water and wastewater services for individual residential and non-residential customers, not part of a governmental or quasi-governmental district, on a case-by-case basis that:


b. Are not subsidized by Colorado Springs citizens.

c. Do not injure Colorado Springs Utilities water rights.

d. Comply with Colorado Springs City Code, City Ordinances, Utilities Rules and Regulations and the same regulations, policies, restrictions and regional obligations as Colorado Springs Utilities.

e. Use Cost of Service-based pricing methodology.

f. Charge individual customers specific costs to physically connect to water and/or wastewater systems.

g. Apply charges, fees and rate multiplier of 1.5 Cost of Service to recognize citizen investment in infrastructure and system planning.
14. Additional Recommendations

Recommendations for Outside-City Contracts prior to implementation

1. Update Utilities Governance Policy
2. Update Colorado Springs City Code
3. Update Utilities Rules and Regulations, Rates and Tariffs
4. Establish a single point of contact for contract service
5. Determine contract service options
6. Create contract templates

Recommended Changes to City Code
Changes to the City Code are not required to facilitate regional contracts, however, the UPAC recommends a minor modification to clarify the difference between providing service without annexation and service provided using special contracts.

7.6.210: SERVICE WITHOUT ANNEXATION:

In its legislative discretion, the City Council may authorize special contract service for water or wastewater services outside the City, or service without annexation. Special contract service shall only be considered when the area to be served is legally ineligible for annexation or when City Council determines that annexation is not in the best interest of the citizens of the City, and shall comply with the provisions of section 12.4.304 of this Code.

In its legislative discretion, the City Council may authorize service without annexation which is available for the delivery of water or wastewater services or both to land otherwise eligible for annexation under the criteria of the Municipal Annexation Act of 1966 but which the Council decides not to annex for failure to meet the provisions of this part. Further, in exercising its discretion for service without annexation, the City Council shall consider, among such other values and matters as may be presented to it, the following:

7.6.211: Special Contract Service:

In its legislative discretion, the City Council may authorize special contract service for water or wastewater services outside the City. Special contract service shall only be considered when the area to be served is legally ineligible for annexation or when City Council determines that annexation is not in the best interest of the citizens of the City, and shall comply with the provisions of sections 12.4.304 and 12.5.304 of this Code.

Proposed URR Amendments

49. APPLICABILITY OF CITY CODE – WATER Service outside City limits and outside the Exclusive Water Service Territory defined in these Tariffs is subject to the requirements of the Code of the City of Colorado Springs (including without limitation Part 2 of Article 6 of Chapter 7 pertaining to Annexations and Part 3 of Article 4 of Chapter 12 Pertaining to Water Service) as the City Code is now in effect and as it may be amended from time to time hereafter by City Council.
15. About the Utilities Policy Advisory Committee

The UPAC is a seven-member citizens committee appointed by the Utilities Board. The UPAC develops policy recommendations from an informed perspective for consideration by the Utilities Board.

UPAC meetings are held on the first Wednesday of each month at 8:00 a.m. in the Blue River Board Room on the fifth floor of the South Tower in the Plaza of the Rockies (121 S. Tejon Street). All meetings are open to the public. Citizens are invited to comment during general discussion near the end of each meeting.

Meeting agendas, minutes and presentations can be accessed at http://csu.granicus.com/ViewPublisher.php?view_id=4.

UPAC Members as of March 14, 2018:

Rich Kramer, Chair
Rex Adams, Vice Chair
Balu Bhayani, Member
Gary Burghart, Member
James Colvin, Member
Scott Harvey, Member
Joseph Mark, Member
Reginald Ash, Alternate Member
Larry Barrett, Alternate Member

Recent former committee member who contributed to this study:
Tom Taylor