



**Utilities Policy Advisory Committee (UPAC)
Wednesday, March 2, 2022, 8:00 a.m. – 10:30 a.m.**

Blue River Board Room, 121 S. Tejon Plaza of the Rockies or Microsoft Teams

Join on your computer or mobile app

[Click here to join the meeting](#)

Or call in (audio only)

[+1 719-733-3651,,448753834#](tel:+17197333651448753834)

Agenda

8:00 a.m.	1. Call to Order	
8:05 a.m.	2. Approval of February 2, 2022 UPAC Meeting Minutes	Decision
8:10 a.m.	4. Citizen Comment Citizens can provide comment in person, by joining the meeting from computer or by phone using the link above. If you would like to speak during the Citizen Comment period, please sign up to speak through BoardSubmissions@csu.org prior to the meeting.	
8:15 a.m.	3. Water Acquisition Funding Assignment <ul style="list-style-type: none">• Work Session 2 Recap• Peer Utilities Discussion• Review Approaches to Funding Acquisitions• Aligning Funding and Rate Making Principles and Processes	Discussion
10:15 a.m.	5. Committee Member General Discussion	Discussion
10:30 a.m.	6. Adjournment	

Next meeting: April 6, 2022

Note: UPAC Bylaws, Rule 6: Customer and Public Comment: (b) At the discretion of the Chair, or the majority of the Committee Members present, customers and members of the public will be allowed to comment or ask questions concerning items discussed at regular meetings or concerning matters discussed at special meetings. Comments or questions by individuals will be limited to five minutes each, and all customer or public comments will not exceed twenty minutes on any agenda item unless time is extended by the Chair or majority of the Committee Members present.



Minutes
Utilities Policy Advisory Committee (UPAC)
Wednesday, February 2, 2022
Blue River Boardroom, 5th floor, 121 S. Tejon St., Colorado Springs, CO
and Microsoft Teams Virtual Meeting

Committee members present in the boardroom or via Microsoft Teams: Chair Gary Burghart, Vice Chair Larry Barrett, Rex Adams, Chris Francis, Katherine Danner, Michael Borden, and Alternate Members Scott Callihan and Ruth Ann Schonbachler

Committee members excused: Hilary Dussing

Staff members present in the boardroom or via Microsoft Teams: Cindy Newsome, Kerry Baugh, Al Wells, Kim Gortz, Pat Wells, Andie Buhl, Joe Marcotte, Maxie Newton, Earl Wilkinson, Jennifer Kemp, Pattie Benger, Abigail Ortega, Steve Duling, Christian Nelson, Natalie Watts, Sonya Thieme, Scott Shirola, and Tristan Gearhart

City of Colorado Springs staff present in the boardroom or via Microsoft Teams: Nancy Henjum, David Beckett, and Tom Strand

1. Call to Order

Chair Gary Burghart called the meeting to order at 8:03 a.m.

2. Approval of January 12, 2022 UPAC Meeting Minute

Vice Chair Larry Barrett motioned, and Committee Member Michael Borden seconded the motion to approve the January 12, 2022 meeting minutes. The minutes were unanimously approved with a voice vote.

3. Ethics, Open Meetings and Colorado Open Records Act (CORA) Review

Mr. David Beckett, City Attorney – Utilities Division, provided an update about the Ethics, Open Meetings and Colorado Open Records Act (CORA). He gave an overview of UPAC bylaws and non-ethics provisions, as well as themes of ethics guidelines including UPAC bylaws rules of conduct, City code of ethics and gifts. Mr. Beckett explained the Colorado Open Records Act and Colorado Open Meetings Law.

4. Water Acquisition Funding

Mr. Earl Wilkinson III, Chief Water Compliance and Innovation Officer, summarized the Water Acquisition Funding Assignment and Mr. Pat Wells, Water Resources and Demand Management General Manager, explained the purpose of the assignment workbook, which is to provide information on key issues and drivers that lead to the recommendation outlined in section 11.7.1 of the 2017 Integrated Water Resource Plan (IWRP) and for the current UPAC assignment.

Mr. Wells provided a situation assessment and issues identification overview, explaining trends and drivers affecting water supply development. He listed resources that demonstrate how Colorado water markets affect water supply development across the state and continue to play a role in future water acquisitions. He discussed market acquisitions, explaining how water scarcity increases the existing water gap as there are less resources to go around.

Ms. Sonya Thieme, Financial Planning and Risk Manager, reviewed Springs Utilities' Strategic Plan and described how funds are resourced and utilized. She gave an overview of the organization's capital prioritization philosophy and explained how capital expenditures are managed for unplanned water rights acquisitions.

Mr. Scott Shirola, Pricing and Rates Manager, provided an overview of Springs Utilities' primary funding systems for water revenue:

- Water rates
- Water development charges
- Water resource fee

Mr. Wells shared the current policy and described how the organization maintains water supply management for customers. The current I-7 water supply management policy states:

“The Chief Executive Officer shall direct that new and existing water resources and systems are aggressively developed, protected, 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.”

Ms. Thieme discussed how acquisition process considerations and lessons learned around current practices are incorporated when planning capital budgets and implementing processes.

Mr. Wilkinson explained how water acquisition policies and funding should reflect the reality that water is becoming increasingly scarce with more competition for water, translating to water becoming more expensive to acquire in the future. He explained how dedicated water acquisition funding should:

- Responsibly balance costs and risks to reliably meet the needs of current and future customers.
- Ensure responsible financial and asset management.
- Proactively and aggressively address challenges to provide and maintain a dependable water supply for current and future residents and businesses in our community.
- Be based on the resource requirement to serve a reasonable level of demands, mitigate water supply risks, and meet water system level service goals.

- Be implemented in a manner and at a time that is complementary to other related rates, fees, and charges, and consistent with revised codes, policies, and regulations.

Mr. Wells concluded with next steps for the Water Acquisition Funding assignment.

5. Citizen Comment

None

6. Committee Member General Discussion

None

7. Adjournment

Chair Burghart adjourned the meeting at 10:49 a.m.

Next meeting: Wednesday, March 2, 2022 at 8:00 a.m.

UPAC Work Session 3
March 2, 2022

	Provider	Funding Structure	Charges
Arkansas Basin Market	Fountain	Water Acquisition Fee Infrastructure Fee	Fee schedule by tap size outlines the unit cost per tap for Infrastructure and Water Acquisition for a total connection fee.
	Aurora Water	Collected as components to Connection Fees	Components of Water Connection Fee include Water Resource Fee, Source of Supply, Treatment and Transmission, Transmission Development Fee, Carrying Cost and Water Losses to reach a Total WCF. Use conservation incentive to reduce fees.
	Colorado Springs	Water Development Charges and Water Resource Fee (July 1, 2022)	Water Development charges cover equity buy-in to existing system and associated outstanding debt. The Water Resource Fee will be collected based on meter size, growth-related costs and average annual use of a Single-Family Equivalent (SFE).
	Loveland	Water bank Cash-in-lieu fee Raw water storage fee	Cash-in-lieu price is equal to market price of Colorado-Big Thompson Project (CB-T) unit. The raw water storage fee is calculated for specific water rights transferred. The value changes on water rights are with/without payment of fee. Calculate requirements for development on a water budget formula.
	North Weld County Water District	Resolution 20200713-01 Raw Water Dedication	Do not accept cash in lieu of raw water dedication. Only water rights acceptable to the District can be transferred and there is a conversion factor for the yield that is "available" and can be allocated from the rights to an SFE per Board discretion.
	Castle Rock	System Development Fee and Renewable Water Resource Fee	Have a fee schedule based on meter size and capacity gallons per minute (gpm) with a SFE coefficient.
	Fort Collins	Water Supply Requirement (WSR) Schedule	The WSR is calculated in a schedule approach reflecting landscape type (conservation incentives) and a rate for cash payment. The meter is given a minimum annual allotment in gallons/year.
	Denver Water	System Development Fee Customer Rates	Uses a mix of current customer rate making and system development charges.

Type of Funding Mechanism	Description
Rates – Permanent	Raise rates permanently, to fund future water resource projects and investments.
Rates – Bill Rider	Add a rider for specific opportunities, projects or building a reserved funding pool.
Development Charge	Increase the current development charge per tap connection.
Water Resource Fee	Regularly review inputs into calculating the fee. Broaden the types of projects funded.
Water Rights/Supply Acquisition Fee	Add a specific fee for development that covers water supply acquisitions and raw water resources.
System Development Fee	Add a specific fee for development that covers infrastructure needs, like storage, exchanges, decree changes, project construction, etc.
Water Bank	Determine specific water rights that are transferrable to City and "banked" for the land/development.
Water Rights Dedication	Require developers to bring equal water rights, shares, etc. that meet a water supply requirement for the development
Metro Districts	Require developments to form special taxing districts to fund and/or repay water acquisitions.
Water Reserve Fund	Existing water reserve fund intended to mitigate water revenue volatility and to supplement current year water revenues. A percentage of actual revenue greater than budget are allocated monthly to the water reserve account.
Service Enterprise - Certificates	City/Utilities provides a service specific to all administration, acquisition, and improvements and can receive, collect, and pay bills and conduct operations for those water sources (i.e., water sharing) and issue certificates that are used by developers to demonstrate sufficient supply and system components to serve the development.



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

UPAC Assignment

Water Acquisition Funding

Presenters:

Kim Gortz Water Resources Planning

Kyle Wilson Pricing and Rates

March 2, 2022

Agenda

1. Work Session 2 Recap
2. Peer Utilities Discussion
3. Review Approaches to Funding Acquisitions
4. Aligning Funding and Rate Making Principles and Processes
5. Next Steps

Where We've Been

Work Session 1	Work Session 2	TODAY
<p>Water System Planning Fundamentals Risks and Planning Factors</p>	<p>Situation and Issues Current Practices Guiding Principles</p>	<p>Peer Utilities Funding Approaches Funding Principles</p>

OBJECTIVE: Review approaches & discuss appropriate principles for tradeoffs discussion in Work Session 4

Guiding Principles

- Responsibly balance costs and risks to reliably meet the needs of current and future customers.
- Ensure responsible financial and asset management.
- Proactively and aggressively address challenges to providing and maintaining a dependable water supply for current and future residents and businesses in our community.
- Be based on the resource requirement to serve a reasonable level of demands, mitigate water supply risks and meet water system level of service goals.
- Be implemented in a manner and at a time that is complimentary with other related rates, fees, charges and consistent with revised codes, policies, and regulations.



Peer Utility Overview

- See table
- Front Range Providers – City of Fountain, Aurora Water, Loveland, North Weld County Water District, Castle Rock, Fort Collins, Denver Water and others.

Two key components common to all:

- Resource Requirement – demand based
- Cost of Resource – water rights and system development costs



Funding Frameworks

Rates

Permanent
-No reservation for
specific fund

Bill Rider
-Temporary,
dedicated fund

Fees (New Taps)

Water Resource Fee

**Water Rights
Acquisition Fee**

**System
Development Fee**

**Water Reserve
Fund**

Other

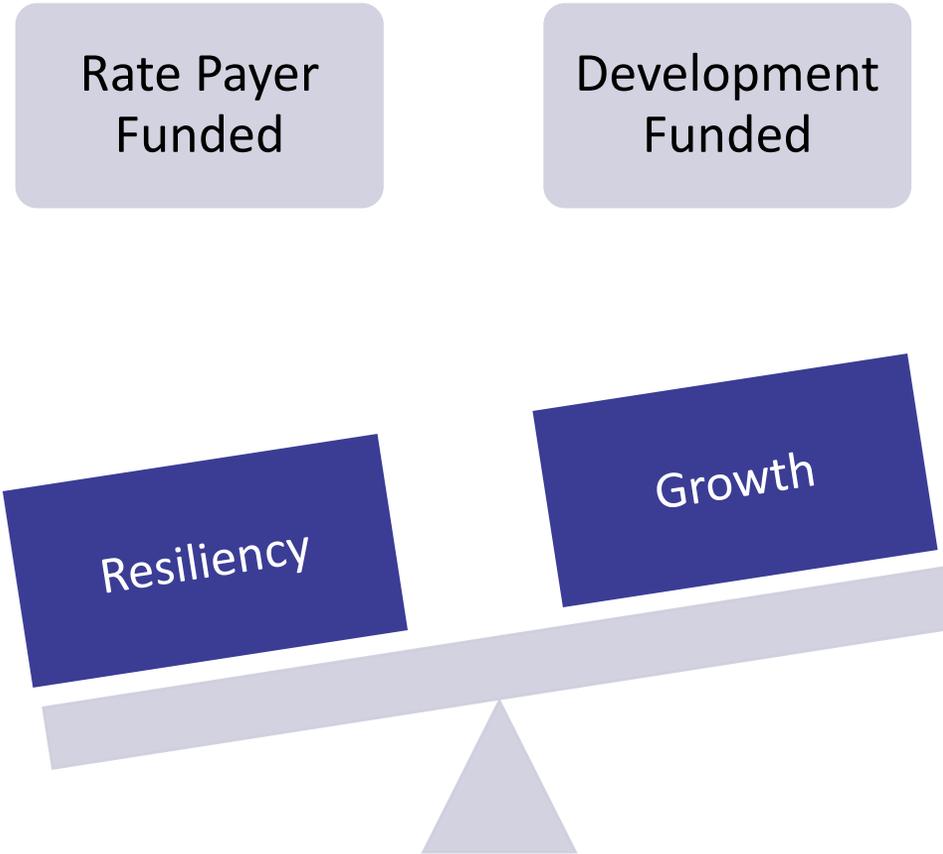
Water Bank

**Water Rights
Dedication**

Metro Districts

**Service Enterprise –
Certificates**

Water Acquisition Funding Considerations



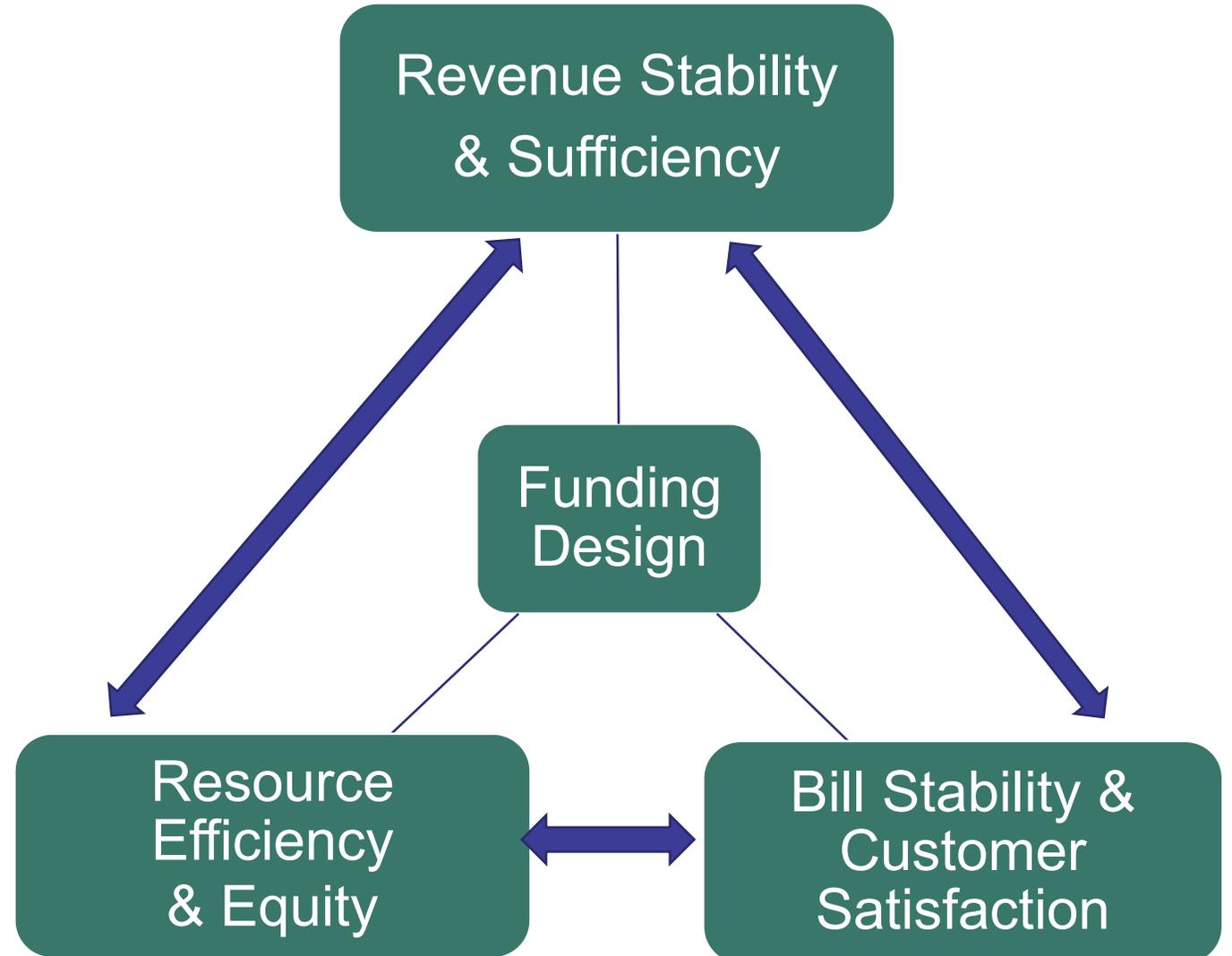
Aligning Funding and Rate Making Principles

1. Resource Efficiency
2. Equitable for all Customers
3. Revenue Stability
4. Customer Bill Stability
5. Customer Satisfaction



Inherent Trade-Offs

- There are tradeoffs for any approach
- No magical formula to apply that will optimize rates or fees
- For example: economic efficiency and equity positively reinforce each other, but can come at the expense of customer satisfaction
- Water resource specific tradeoffs



Summary

- Methodology for calculating a Resource Requirement that is demand based is foundational to resource acquisition.
- Costs associated with water rights and infrastructure for system development are common inputs for calculating fees.
- Any approach needs to align with principles for rate and fee making.
- Any approach should be complimentary to (and not conflict with) current rate and fee structures.



Assignment Timeline

Work Session 1

- Background
- Water System
- Risk based Planning

Work Session 2

- Situation Assessment
- Drivers
- IWRP Implementation

Work Session 3

- Peer Utilities
- Funding Approaches
- Principles

Work Session 4

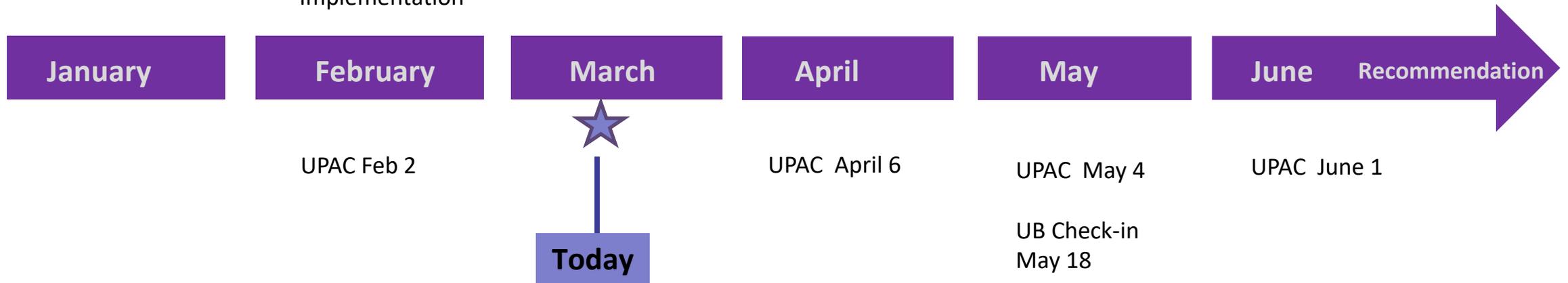
- Funding Approaches, cont.
- Potential Policy Discussion

Work Session 5

- Preparation for UB Update.

Work Session 6:

- Formulate Recommendation





Colorado Springs Utilities[®]

It's how we're all connected