

MINUTES
Working Committee
June 16, 2025

Committee members present via Microsoft Teams or Rosemont Conference Room:

Board Chair Dave Donelson, Tom Bailey, Kimberly Gold, David Leinweber, Roland Rainey and Vice Chair Brandy Williams

Committee members excused:

Lynette Crow-Iverson, Nancy Henjum and Brian Risley

Staff members present via Microsoft Teams or Rosemont Conference Room:

Travas Deal, Renee Adams, Lisa Barbato, Mike Francolino, Tristan Gearhart, Somer Mese, Joe Awad, Bryan Babcock, Alex Baird, Thad Clardy, Mike Cobb, Andrew Colosimo, Jeff Courtright, David Dalton, Matt Dudden, Felicia Floyd-Wildman, Jennifer Franceschelli, Kelly Guisinger, Mallorie Hanson, Adam Hegstrom, Jennifer Jordan, JerrieAnn LaLond, Birgit Landin, Jonathan Liepe, Danielle Nieves, Jacqueline Nunez, Christopher Olney, Abigail Ortega, David Padgett, Gail Pecoraro, Jason Reynolds, Scott Shirola, Jennifer Sullivan, Matthew Thieme, Shawn Timothy, Amy Trinidad, Natalie Watts, Al Wells, Kyle Wilson and Bella Wood

City of Colorado Springs staff present via Microsoft Teams or Rosemont Conference Room:

Chris Bidlack, Renee Congdon, Natalie Lovell, Timothy Scheiderer and Matthew Vanlandingham

Citizens present via Microsoft Teams or in the Rosemont Conference Room:

Chris Meyer and Scott Smith

1. Call to Order

Board Chair Dave Donelson called the meeting to order at 9:06 a.m. Ms. Gail Pecoraro, Utilities Board Administrator, read a statement regarding the Colorado Open Meetings Law and City Charter and stated that public comment would not be a part of the meeting.

Those present in the Rosemont Conference Room introduced themselves.

2. Acceptance of Minutes

The May 19, 2025, Working Committee meeting minutes were approved unanimously, with Board Member Rainey excused.

3. Safety Moment: National Safety Month

Ms. Somer Mese, Chief Operations Officer, said that June is National Safety month. Ms. Mese shared that the organization operates with the mindset of safety every day and tracks different safety measures throughout the organization. These include speed and use of seatbelts. The organization focuses on total mental health wellness, stretching efforts, and other activities during National Safety Month.

Board Member Rainey asked if Springs Utilities uses information in the national TRACK database, and Ms. Mese said the information she shared was on the National Safety database site.

4. Compliance Reports

I-2 Financial Condition and Activities (to include Contracts Over \$500k**) G-7 (Quarterly Jan - March)

Mr. Tristan Gearhart, Chief Planning and Financial Officer, said the reporting period for this quarterly report is Jan. 1 through March 31, 2025. This compliance report is to ensure that the organization's financial condition and activities and actual expenditures are consistent with Board Expected Results. Mr. Gearhart announced the CEO is in compliance with the I-2 Financial Condition and Activities requirements.

A copy of this report was included in the meeting materials packet.

Board Member Leinweber said that he had a recent experience with a Springs Utilities employee was very happy about the new trucks that have been added to fleet.

Board Member Leinweber asked with a planned outage occurs at a facility, is this costly to the organization. Mr. Gearhart said that planning is done before the outage to determine if additional energy will need to be purchased. Mr. Alex Baird, General Manager of Fuels and Purchase Power, said that the energy needs are tracked continuously, and adjustments made.

Board Member Rainey asked for a definition of CT1 and CT2. Mr. Gearhart said that these are the first and second jet engines located at the Front Range Power Plant. Ms. Mese said that CT stands for a gas combustion turbine, and that a steam turbine is needed to work together with the combustion turbine.

Board Member Rainey asked what the goal is for cash on hand. Mr. Gearhart said that the goal is 150 days. This is the standard rating to maintain Springs Utilities credit rating.

Board Chair Donelson asked what percentage of fiber has been completed. Ms. Mese said that the three construction contractors are doing very well but are facing geological challenges in the Rockrimmon area. 27,000 addresses have been completed as of today. The goal is 50% by the end of the year.

E-2 CEO / Board Partnership Responsibilities

Electric Cost Adjustment (ECA) / Gas Cost Adjustment (GCA)/ Electric Capacity Charge (ECC)/ Gas Capacity Charge Adjustment (GCC)

Mr. Scott Shirola, Manager of Pricing and Rates, explained the Colorado Springs Utilities rate structure. Mr. Shirola said that rates are set only to recover the cost of providing service, there are no built-in profit margins or return on investment. There are three types of rates to recover different types of costs: 1) base or non-fuel rates which recover costs associated with the pipes and wires; 2) fuel-related rates which recover energy and third-party capacity costs; and 3) riders which recover costs of specific programs or regulatory requirements.

Board Member Leinweber asked what the maximum amount of green energy (wind and solar) can provide for the lowest system load. Mr. Baird said that this could not provide the lowest system load. He said this is the reason that the organization participates in the regional market. He said that the recent addition of battery is helping with this.

Board Chair Donelson asked what expenses we have for the battery. Mr. Baird said this is a fixed rate to use the battery. Mr. Gearhart said that depending on the cost and time of use, battery energy can still be the least costly.

Board Member Rainey asked if there is a cost for maintenance on the battery. Mr. Baird said that this is built into the contract.

Board Member Leinweber asked if the Iran war will drive prices up. Mr. Baird said there is spare capacity in other countries that can supplement energy needs in case the Iran war results in the need for additional charges.

Vice Chair Williams asked about using natural gas during the summer months. Mr. Baird said that the use of natural gas has been increasing with hotter temperatures in the summer. This also has an effect on prices during the winter.

Clean Heat Plan

The Clean Heat Plan Law was passed by state legislation in 2021. This requires utilities to adopt programs that encourage customers to reduce emissions generated by natural gas-based appliances and heating systems. Springs Utilities filed its Clean Heat Plan with the state in August 2023, which identifies spending levels necessary to meet the 2% cost cap requirement of the regulation.

A new natural gas charge, known as the Colorado Clean Heat Plan Charge, is proposed to recover expenses related to complying with state mandates.

- This charge is about \$0.75 per month for residential customers and will help recover expenses related to state mandates under Colorado's Clean Heat Plan.
- This charge will appear separately on customer bills. Like base rates, it will be reviewed annually.
- Total new funding is expected to be about \$2.7 million.
- The revenue will be used to fund energy efficiency programs that will help reduce greenhouse gas emissions and to purchase renewable natural gas.

ECC / GCC

There is no projected ECC or GCC adjustment in June 2025.

ECA/GCA

Mr. Shirola proposed three different options for ECA/GCA. These include: 1) no adjustment, 2) quarterly adjustment, or 3) six-month adjustment.

The ECA quarterly adjustment option would be a reduction of 2.5% for residential, a reduction of 3.3% for commercial and a reduction of 3.9% for industrial customers respectively. The GCA quarterly adjustment would be a reduction of 3% for residential, a reduction of 4.1% for commercial, and a reduction of 4.2% for industrial customers.

The ECA six-month adjustment option (the recommended option) would be a reduction of 3% for residential, a reduction of 4.1% for commercial and a reduction of 4.2% for industrial customers respectively. The GCA six-month adjustment would be an increase of 5.8% for residential, an increase of 8% for commercial, and an increase of 8.2% for industrial customers.

The cumulative residential bill impact of a quarterly adjustment would be (\$3.92) and for a six-month adjustment would be \$0.25. Springs Utilities is recommending a six-month adjustment. The proposed effective date is July 1, 2025.

Vice Chair Williams asked when the next update will be given to the Board, and Mr. Gearhart said that this is planned for October 2025. Monthly updates will continue to the Utilities Board.

Board Chair Donelson asked if the regular quarterly adjustment would require a larger increase in the next quarter. Mr. Gearhart said that if the customer's bill is decreased now, projections show that it will be a larger increase at the next adjustment.

The Board accepted the six-month recommended adjustment.

There are different plans available to help customers with their utilities bill. These include bill assistance (Low-income Energy Assistance Program and Project COPE) and payment options.

Long-term assistance is also available with free energy home upgrades, efficiency tips and education and rebates.

5. 2025ABC Bond Ordinance

Mr. Adam Hegstrom, Treasury and Finance Manager, shared the 2025 Plan of Finance update. He said that the Plan of Finance is an annual strategic effort to effectively obtain and manage debt obligations to support Springs Utilities' capital needs. This is critical to the Utilities Board's strategic focus, with the core tenants of prudence, efficiency, and flexibility.

The new debt issuance: 2025A's first objective is to support Springs Utilities' operations by funding the debt-backed portion of the enterprise's future capital plan. The enterprise need is estimated at \$869.3 million in total capital spend between September 2025 and August 2026. The anticipated action is to issue new money debt in August 2025. Due to volatile market conditions, interest rates have risen since the last issuance. The organization is asking to issue new money debt in August 2025.

Refunding debt issuance: 2025B's second objective is to manage and optimize the organization's current debt portfolio ("refunding issuances"). There is \$2.1 billion in outstanding fixed rate bonds, the vast majority of which can be refinanced 10 years after issuance if interest rate economics are favorable. The organization is asking to issue a current refunding transaction in August to refinance all/parts of the 2015A issuance.

Potential Build American Bonds (BAB) refunding: 2025C's, BABs were introduced in 2009 as part of the American Recovery and Reinvestment Act to help stimulate the economy and create jobs following the 2008 financial crisis. The federal government issues a subsidy payment directly to the bond issuer (Colorado Springs Utilities) effectively lowering the cost of borrowing. Under current legislation, the original subsidy of 35% has been reduced by 5.7%.

Board Member Rainey asked what the potential risk is for refunding the BAB bonds. Mr. Hegstrom said that the cost would be \$10 million at the current market rates.

Springs Utilities has \$207.3 million in outstanding direct payment BABs taxable bonds and \$4.2 million in subsidy payments expected to be received in 2025. The organization is seeking authorization to execute transactions if market conditions are favorable. The ordinance would be effective for one year following this proposed adoption expiring on July 22, 2026.

The fourth objective is to manage Springs Utilities' financial reputation and industry relationships to ensure market access. An underwriter pool was established in 2023 for an anticipated five-year term. The competitive selection process for 2025AB bonds was completed in May. Goldman Sachs was chosen as the Senior Manager and Bank of America, J.P. Morgan, Morgan Stanley and Barclays were selected as co-managers for the 2025AB issuance. The organization is currently preparing messaging for upcoming rating agency meetings with credit reporting agencies.

Board Members stated they approved this item to be presented at the June 18, 2025 Utilities Board Meeting, first reading on the ordinance to City Council on July 8, 2025, second reading of the ordinance to City Council on July 22, 2025. Bond pricing would occur the week of Aug. 4 or 11, 2025, and the issuance closure would be Aug. 26, 2025.

6. 2010C Liquidity Replacement Ordinance

Mr. Hegstrom said the plan of finance objectives is dedicated toward four key objectives:

1. Fund the debt-backed portion of Springs' Utilities upcoming capital plan
2. Manage and optimize Springs Utilities' current debt portfolio
3. Procure and manage debt-supporting instruments and ancillary services
4. Manage credit rating agency relationships

The 2008A and 2010C Liquidity Agreements expire in September 2025. Renewal of the 2008A agreement does not require an ordinance. Replacement of the 2010C agreement does require an ordinance.

The \$75 million revolving line of credit also expires in September 2025. No ordinance is required to renew this with the current vendor.

Renewal of the Standby Bond Purchase Agreement (SBPA) 2008A has been analyzed, and the most cost-effective option is to renew with U.S. Bank, N.A., on June 24, 2025. This will be a 3-year term at 35 bps with no make-whole provision. This does not require an ordinance.

The Request for Purchase (RFP) process has been completed to select the new liquidity facility provide for the replacement of the SBPA 2010C. This agreement will be replaced by TD Bank with a 5-year term.

Analysis was completed to find the most cost-effective option to replace/ renew the organization's revolving line of credit. This analysis determined that the best option is to renew with US Bank, N.A., for a 3-year term with substantially similar terms and conditions of the existing agreement. No ordinance is required for this renewal.

Next steps for replacement of the 2010C SBPA liquidity replacement include presentation to the Springs Utilities Board on June 18, 2025; First Reading at City Council on July 8, 2025; Second reading at City Council on July 22, 2025; and execution after City Council approval on Sept. 12, 2025.

Board Member Rainey asked if they are competitive rates, but very volatile flowing, this takes on a lot of risk. Mr. Hegstrom said that these items are not drawn upon frequently, only twice in the last 25 years for a short period of time. The intention of these products is to buy time to purchase a more traditional bond.

Board Member Leinweber asked if the organization gets payment discounts for paying early, etc. Mr. Gearhart said that the standard in the contracts is net 20 days, and payments are usually made within this time period.

7. South Suburban Closure

Mr. Mike Cobb, Water and Wastewater Field Operations Superintendent, and Ms. Jennifer Sullivan, Environmental Lab Superintendent, shared that the South Suburban system consists of two raw water diversions (North Cheyenne Creek and South Cheyenne Creek). Water is pumped from both creeks to fill both reservoirs. Water is moved regularly from Gold Camp Reservoir to South Suburban Reservoir for general water quality purposes.

Historically, dogs have been allowed to swim in the reservoir periodically. In 2024, access to the reservoir was shut down due to a dam outlet works project. This work will be completed in 2025, and the reservoir will be returned to service in the fall.

Dogs have had an impact on the water quality at the South Suburban Reservoir. They can introduce pathogens directly to source water supply. With activities such as splashing and swimming, sediment can be stirred up in the reservoir. This can result in the release of nutrients which support taste and odor causing algae and toxic cyanobacteria, increase of turbidity which makes the water more difficult to treat, and increase in the total organic carbon load.

Board Member Rainey asked about the reasons behind the periodic closures of the reservoir. Ms. Mese said that the Gold Camp water quality is better than South Suburban; dogs are not allowed to swim in Gold Camp but are allowed in South Suburban.

Ms. Sullivan said that there is a difference between “touching/coming into contact” and allowing it in drinking water.

Board Member Leinweber said that municipalities throughout the country have many reservoirs, and he wondered how the other reservoirs can operate. Ms. Lisa Barbato, Chief System Planning and Project Officer, said that the South Suburban Reservoir is a very small reservoir and dilution plays a part. Mr. Cobb said that there is no flow because water is pumped into this reservoir.

Board Chair Donelson asked what would be involved in closing the reservoir. Ms. Mese said that it is communicating the why and closing the gates.

Next steps include completion of outlet works in late 2025, bringing the reservoir back into service as a raw water source, and keeping the reservoir closed for public access.

8. Adjournment

The meeting adjourned at 11:12 a.m.