



AGENDA ITEM SUMMARY

City Council

STAFF

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SUBJECT

Items Relating to 2025 Utility Rates and Programs.

EXECUTIVE SUMMARY

A. First Reading of Ordinance No. 164, 2024, Amending Chapter 26 of the Code of the City of Fort Collins to Revise Stormwater Rates, Fees and Charges.

B. First Reading of Ordinance No. 165, 2024, Amending Chapter 26 of the Code of the City of Fort Collins to Revise Water Rates, Fees and Charges.

C. First Reading of Ordinance No. 166, 2024, Amending Chapter 26 of the Code of the City of Fort Collins to Revise Wastewater Rates, Fees and Charges.

D. First Reading of Ordinance No. 167, 2024, Amending Chapter 26 of the Code of the City of Fort Collins to Discontinue Electric Renewable Energy Source Programs.

E. First Reading of Ordinance No. 168, 2024, Amending Chapter 26 of the Code of the City of Fort Collins to Revise Electric Rates, Fees, and Charges and Updating Related Rate Assistance Programs.

The purpose of this item is to propose 2025 Utility Rates for Council consideration, which align with the 2025 City Manager's Recommended Budget. Monthly utility rates are proposed to increase 6.5% for electric customers, 7% for water customers, 6% for wastewater customers, and 6% for stormwater customers. Two utility programs are proposed to be eliminated at the end of 2024, including the Renewable Energy Source (Green Energy) Program and the Medical Assistance Program (MAP).





STAFF RECOMMENDATION

Staff recommend adoption of the Ordinances on First Reading.

Proposed Changes to Monthly Utility Rates

The revenues needed to support the ongoing operation and maintenance costs of providing each of the four essential services to customers are collected through monthly utility rates. As costs change over time, it is necessary to adjust rates to reflect those changes. Long-term financial planning is important to ensure revenues are adequate and reserves are available to maintain and replace infrastructure in a timely fashion, and to continue to provide high quality and reliable services to our customers. Frequent review and updating of the cost-of-service allocation models behind the monthly utility rates maintains equity across rate classes and helps to reduce the impacts on customers of higher utility rates by providing gradual, modest rate adjustments over time rather than less frequent and larger rate adjustments. These actions help ensure the delivery of current and future utility services occurs in a fiscally responsible manner, balancing both costs and levels of service with affordability and prudent planning and investments.

A summary of the proposed rate increases for the four utility services are shown in the table below.

UTILITY		2025 PROPOSED INCREASE
	ELECTRIC	6.5%
	WATER	7%
	WASTEWATER	6%
	STORMWATER	6%

Electric

Staff are proposing a 6.5% retail rate increase for the electric fund in 2025. This increase is driven by a combination of an increase in wholesale electric expenses in 2025, as well as an increase to cover distribution operating and maintenance costs and investments in capital projects. Roughly two-thirds of costs incurred each year to provide electric service are attributable to wholesale expenses, while the other one-third is attributable to costs related to operating and maintaining the distribution system.

Staff have updated financial models to better understand future needs related to growing costs around operating and maintaining the distribution system, including the cost of capital projects. The outcome shows a need for a rate increase to cover future operating and maintenance costs and to continue to invest in updating the system for continued reliability and resiliency. The portion of the proposed 6.5% increase that is not applied to wholesale cost increases will be used to help fund distribution system needs. There are multiple capital projects necessary to meet future needs, some of which include feeder cable and transformer replacements, streetlighting upgrades, distribution automation, and demand response technology upgrades.

The current 10-Year Capital Improvement Plan (CIP) consists of ~\$360,000,000 of identified capital investments, which is nearly 3 times higher than in 2016. Capital projects related to the electric distribution

system include general system additions, substation improvements and expansion, transformers, cable and duct bank replacement, as well as technology enhancements and replacements.

Platte River Power Authority (PRPA) is planning to increase their wholesale blended rate (\$/MWh) by 6.3% in 2025. There is variability in how the increase is applied to individual component charges.

In 2023, the largest expense for the electric fund is wholesale power costs, while capital projects account for just under 10% of total electric fund expenses. The percentage of capital expense is expected to increase in the coming years and is a significant driver for future rate increases in the electric fund.

The long-term financial model has been updated for the electric fund. Given the projected rate pressures related to wholesale costs, capital projects and other increasing operational and maintenance costs, it may be necessary to implement rate increases as high as 7-8% in future years.

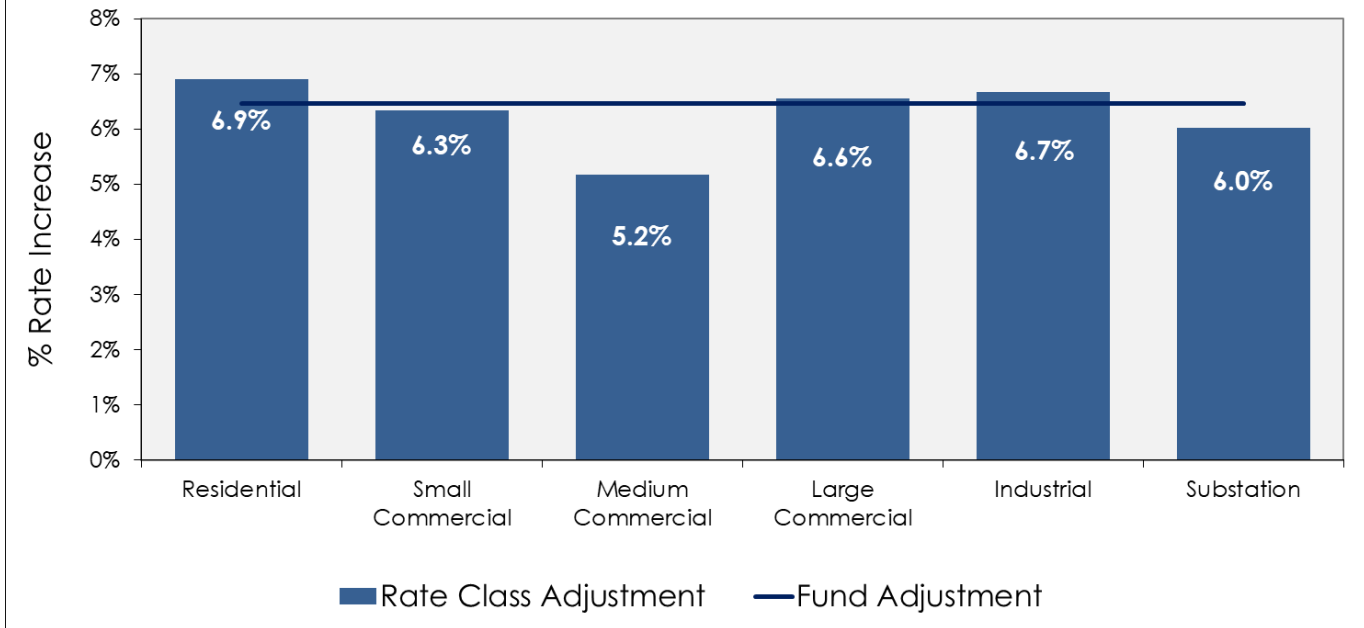
The current annual rate forecast for the electric fund through 2033 is shown below.

Utility Rate Forecast										
Fund	Actual 2024	Budget 2025	Budget 2026	Forecast 2027	Forecast 2028	Forecast 2029	Forecast 2030	Forecast 2031	Forecast 2032	Forecast 2033
Electric Fund	5%	6.5%	6%	5-8%	7-8%	7-8%	7-8%	3-5%	3-5%	3-5%

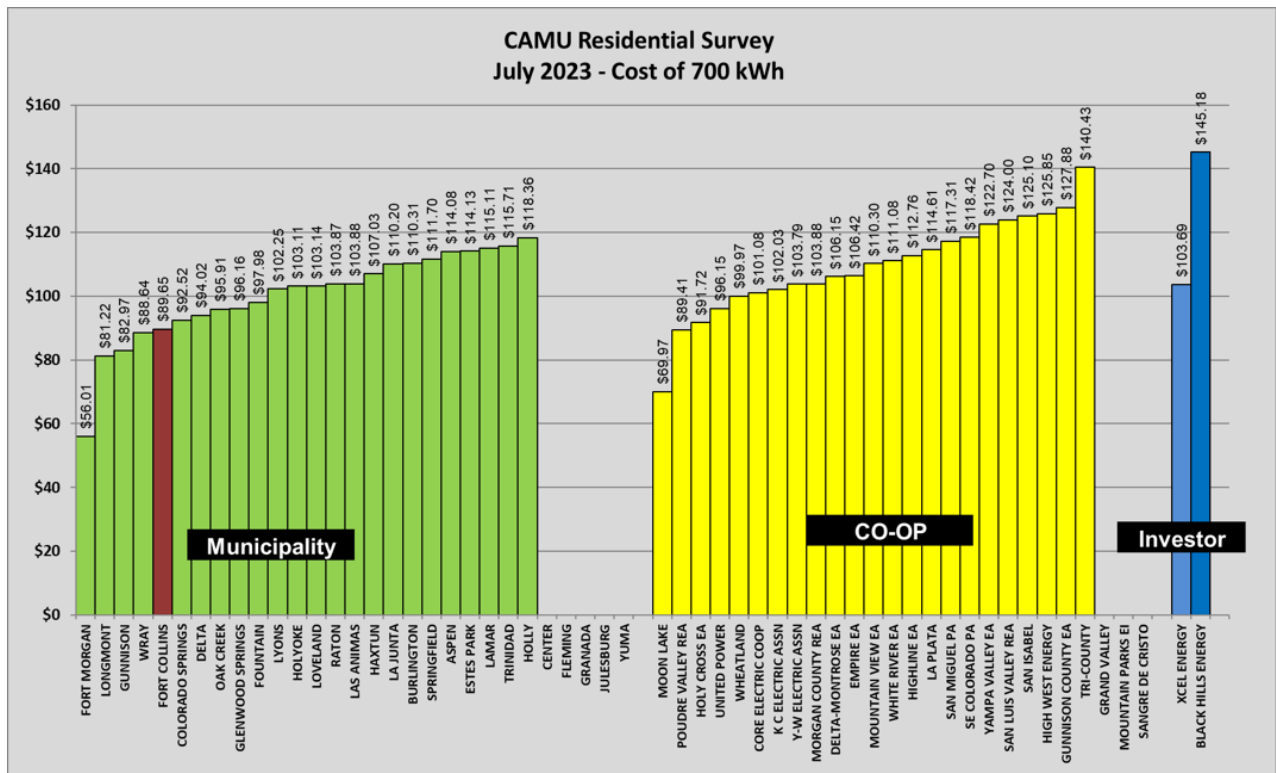
Frequent review and updating of the cost-of-service allocation models helps maintain equity across rate classes and helps to reduce the impacts on customers by providing gradual, modest rate adjustments over time rather than less frequent and larger rate adjustments. Every two years, staff updates the electric cost of service model, which accounts for changes in consumption, demands, costs, and load factors. These actions help ensure the delivery of current and future utility services occurs in a fiscally responsible manner, balancing both costs and levels of service with affordability and prudent planning and investments.

The updates proposed for each rate class for 2025 are shown in the graph below, which range from 5.2% to 6.9%, depending on the rate class. The dark horizontal line represents the average 6.5% increase for the electric fund. Given the frequency of these updates, there are generally relatively minor adjustments necessary. There are many factors that go into these updates, including how load factors change across rate classes, consumption increases or decreases, and average demand during coincident peak hours, which accounts for the wholesale demand cost allocation by rate class.

2025 Proposed Electric Rate Changes Based on 2024 Cost of Service Study



Fort Collins Utilities participates in the Colorado Association of Municipal Utilities (CAMU) survey each year. Below are the residential electric rate comparisons for the electric utilities in Colorado that responded to the survey. Fort Collins is shown in the maroon-colored bar within the graph. Based on the July 2023 survey, Fort Collins Utilities came in towards the lower end of average electric cost within the state, assuming 700 kWh of consumption in a month, at \$89.65, or 7th lowest overall.



Water

Staff is proposing a 7% retail rate increase for the water fund in 2025. There are numerous factors at play here, including decreased water revenue in 2023 due to above average rainfall that significantly lowered water consumption for the year. Additionally, due to the higher costs of materials and impacts to the cost of borrowing, the amount of interest paid on any revenue bonds needed in the coming decade for infrastructure investments will increase.

The Water CIP over the last 3 budget cycles has been increasing substantially. The current 10-Year CIP consists of \$438,000,000 of identified capital investments, including \$109,000,000 for water distribution system renewal, \$32,000,000 for water treatment renewal, \$28,000,000 for a new water quality lab and equipment, and an additional \$269,000,000 for water resource infrastructure, including the Halligan Water Supply Project.

In 2023, capital projects accounted for 30% of total water fund expenses. This percentage is expected to increase in the coming years and is a significant driver for future rate increases in the water fund.

The long-term financial model has been updated for the water fund. The current rate forecast for the water fund is shown below. Given rate pressures related to capital projects and other increasing operational and maintenance costs, it may be necessary to implement rate increases in the 7-10% range in future years, particularly if inflation and the cost of borrowing for debt service remain high, as seen in the last few years.

Utility Rate Forecast										
Fund	Actual 2024	Budget 2025	Budget 2026	Forecast 2027	Forecast 2028	Forecast 2029	Forecast 2030	Forecast 2031	Forecast 2032	Forecast 2033
Water Fund	4%	7%	9%	7-10%	7-10%	7-10%	7-10%	7-10%	7-10%	7-10%

Wastewater

Staff is proposing a 6% retail rate increase for the wastewater fund in 2025. There has been a trend in recent years of declining operating revenues for this utility. As this utility is not immune to the impacts of inflation on its operating costs, it is necessary to increase operating revenues through rate adjustments to offset these higher costs of providing this service to our community. Future rate increases will likely range between 6 – 8% each year based on current forecasts.

The Wastewater CIP over the last 3 budget cycles compared to the 2023 CIP has increased significantly, reflecting the impacts of some of the macro-economic challenges outlined above as well as updated planning and analysis. The growth of the number of projects in the CIP will require further consideration around how to fully resource these projects which could result in a more even distribution of capital required than what is shown in the chart below.

The current 10-year CIP consists of \$322,000,000 of identified capital investments, which consists of \$116,000,000 for renewal of the collection system, \$29,000,000 for a new pollution control lab and equipment, and \$177,000,000 for water reclamation infrastructure.

The current rate forecast for the wastewater fund is shown here:

Utility Rate Forecast										
Fund	Actual 2024	Budget 2025	Budget 2026	Forecast 2027	Forecast 2028	Forecast 2029	Forecast 2030	Forecast 2031	Forecast 2032	Forecast 2033
Wastewater Fund	4%	6%	8%	6-8%	6-8%	6-8%	6-8%	6-8%	6-8%	6-8%

Stormwater

Staff is proposing a 6% retail rate increase for the stormwater fund in 2025. Rate adjustments upwards of 8% may be necessary each year over the course of the next decade to fund just half of the proposed CIP.

The development of prioritized CIPs is necessary to ensure efficient use of capital to optimize the levels of service being provided to our community. The Stormwater CIP over the last 3 budget cycles compared to the 2023 CIP has increased substantially, reflecting the impacts of some of the macro-economic challenges outlined above as well as updated planning and analysis. The current 10-year CIP consists of \$239,000,000 of identified capital investments which consists of \$35,000,000 for stream rehabilitation investments and \$204,000,000 in flood control structures.

There was a recent need to issue \$40,000,000 in revenue bonds in 2023 for the Oak Street stormwater improvement project that increased debt service payments for this fund.

The current rate forecast for stormwater services is shown here:

Utility Rate Forecast										
Fund	Actual 2024	Budget 2025	Budget 2026	Forecast 2027	Forecast 2028	Forecast 2029	Forecast 2030	Forecast 2031	Forecast 2032	Forecast 2033
Wastewater Fund	3%	6%	6%	5-7%	3-5%	4-6%	4-6%	6-8%	6-8%	6-8%

The table below shows the impacts of the proposed rate change to the average residential monthly bill. Under the proposed rate changes, a residential customer’s total utility bill, for a customer receiving all four municipal utility services, would increase by 6.5%, or \$13.07 per month.

Fort Collins Utilities Comparative Residential Monthly Bill					
Utility	2024	2025	\$ Change	% Change	
Electric	\$ 88.42	\$ 94.17	\$ 5.75	6.5%	
Water	\$ 53.04	\$ 56.75	\$ 3.71	7.0%	
Wastewater	\$ 36.97	\$ 39.19	\$ 2.22	6.0%	
Stormwater	\$ 23.09	\$ 24.48	\$ 1.39	6.0%	
Total Average Bill	\$ 201.52	\$ 214.59	\$ 13.07	6.5%	

The table below compares typical residential electric, water, wastewater, and stormwater monthly utility bills across neighboring utilities along the Front Range, based on proposed 2025 rate adjustments and charges. In total, Fort Collins Utilities comes in the lowest at \$214.57 for all four services. With proposed increases for 2025, Fort Collins will remain the lowest overall, as there are known increases proposed amongst the other bordering utilities for 2025, with some of them being substantially higher than the percentage increases proposed for customers within our community.

2025 Residential Average Monthly Utility Bill					
Utility	Electric	Water	Wastewater	Stormwater	Total
	2025	2025	2025	2025	2025
Ft Collins	\$ 94.16	\$ 56.75	\$ 39.18	\$ 24.47	\$ 214.57
Longmont	\$ 88.01	\$ 72.99	\$ 41.33	\$ 16.70	\$ 219.04
Loveland	\$ 100.83	\$ 61.76	\$ 42.89	\$ 25.48	\$ 230.94
Colorado Springs	\$ 103.28	\$ 103.25	\$ 33.27	N/A	\$ 239.81
Greeley	\$ 100.81	\$ 77.91	\$ 38.57	\$ 35.36	\$ 252.66
Boulder	\$ 100.81	\$ 72.19	\$ 51.32	\$ 28.47	\$ 252.79

2025 Administrative and Program Changes

The following changes are recommended to align with the 2025 Utilities Rates and Fees update included in Chapter 26 of municipal code. The changes support simplifying the Utility rates and billing experience and reducing administrative burden.

Medical Assistance Program (MAP):

At the beginning of 2024, Utilities staff reviewed the Medical Assistance Program (MAP) and has decided to sunset the program and transfer program participants to the Income-Qualified Assistance Program’s (IQAP) reduced utility rate as it provided a greater benefit for the majority of participants.

Customers were informed of this change in June 2024 via a letter, and two information sessions were held for MAP participants to discuss this update in July 2024. All MAP customer accounts have since been updated to the IQAP electric, water, and/or wastewater reduced rates. Customers will be encouraged to apply for Low-Income Energy Assistance Program (“LEAP”) to continue to receive the reduced utility rate and receive the added benefit of heating assistance. A renewal application will be mailed to customers who do not apply for, or are ineligible for LEAP, post LEAP season to continue to receive the reduced utility rate through an alternate entry point.

Renewable Energy Source (Green Energy) Program:

Utilities is ending the Renewable Energy Source Program (known as the Green Energy Program), where subscribers can opt-in to purchase clean, renewable energy for an additional 1.6 cents per kilowatt-hour (kWh) on top of their normal electric utility bill. The change would result in simplified rate administration and better alignment with the Our Climate Future goals to bring 100% renewable electricity to all community members. Subscribing Utilities customers were notified in October 2024 of this change through direct mail to their account address.

Since its launch in 1998, the Green Energy Program has played a role in helping us increase the community's installed renewable energy capacity. At its inception, the program funded the 20-year purchase of electricity output from a single wind turbine. Over 25 years later Utilities collaborates with Platte

River Power Authority's resource planning team, to achieve renewable resources at scale, including a future portfolio with 600 MW of solar and 885 MW of wind.

Revenues from this rate have declined due to both participation and the \$/kWh rate since program inception. In 2023, revenues totaled \$184,951, or approximately 0.1% of Light & Power revenue.

CITY FINANCIAL IMPACTS

The 2025 City Manager's Recommended Budget includes these proposed increases in revenues available for the budget. The electric increase would offset increased wholesale costs for 2025, as well as contribute to increasing distribution system operating and maintenance and capital costs. The water, wastewater, and stormwater increases would contribute to operating and maintenance costs, as well as assist in funding future capital costs incorporated in the most recent capital plan update, including building reserves to assist with future debt issuances for large capital projects.

BOARD / COMMISSION / COMMITTEE RECOMMENDATION

Discussion of the proposed changes to the Utility water, wastewater, and stormwater rates, fees, and charges was discussed at the Water Commission's September 19, 2024, meeting, and supported unanimously. An excerpt of the Commission minutes is included as an attachment.

At its October 24, 2024, meeting, the Energy Board discussed the proposed changes to the Utility electric rates, fees, charges and programs and voted unanimously to support the 2025 proposed changes. An excerpt of the Energy Board minutes is included as an attachment.

PUBLIC OUTREACH

The required electric outside city limit postcard was mailed in early October and a notice was posted in the Coloradoan. Rates and fee presentations will be shared at the Business Accounts meeting for all commercial customer accounts on November 13, 2024. An annual rate brochure will go out to customers in late November or early December, along with updated information posted to the utility website.

ATTACHMENTS

1. Ordinance A for Consideration
2. Ordinance B for Consideration
3. Ordinance C for Consideration
4. Ordinance D for Consideration
5. Ordinance E for Consideration
6. Water Commission Minutes, September 19, 2024 (excerpt)
7. Presentation