

Organization Nominated: Colorado Springs Utilities

The Issue: Construction of a Hydroelectric Facility

1. Why is the Issue important to the organization?

Colorado Springs Utilities has continually strived to be an environmental steward with the four utility services we provide to our community. We were the first utility to maximize hydro electricity in Colorado with the building of the Manitou Springs Hydro Electric Plant in 1905. As such, when we have the opportunity to expand hydro electric facilities it is a great opportunity for us, especially based on the new state renewable energy standards, and our customer's expectations for price, reliability and environment, since hydro facilities are considered inexpensive energy. The issue became important to Springs Utilities, based on identifying the lack of historical documentation of easements for electric distribution lines Springs Utilities had owned in Cascade, since the 1930s. Issues Management department discovered based on the affected residents feedback that the easement was not sufficient for the work we had just completed for the electric distribution lines that would support the hydro facility.

The residents who live in front of the existing electric lines took issue with Springs Utilities for modifying the existing 12 kilovolt (KV) wood pole distribution lines to accommodate an additional 34 kilovolt steel distribution lines to support the additional capacity required for the hydro plant. The residents felt this way since the historical documentation didn't specify an easement, therefore the residents believed that Springs Utilities was trespassing. Instead of following what was assumed to be a simple easement process, Springs Utilities ended up working with residents for more than a year to determine a solution, managing the process through Issues Management and public participation, without going to court to prove the utility had a prescriptive right to the easement. The reasoning focused on our intent to be good neighbors, and resolve the original problem, which was created in the early 1930s. This required the involvement of many staff, particularly at the executive level, through our Issues Management problem-solving and decision-making models, focusing on whether to go to court, or try and work out an amicable solution that resulted in a solid business case. The project construction stopped until the easement situation could be settled, costing substantial charges with the contractor for delaying the project. However, when evaluating the costs associated with stopping the project or continuing with residents through legal action, the business decision supported to stop until resolved through the Issues Management process.

The Cascade Project was originally scheduled to begin construction during the spring of 2007. Before construction on the plant could begin, electric lines had to be in place for the plant to transmit the additional energy. Electric field crews reviewed various options in terms of placing the additional 34 KV line, which would transmit the hydro energy to Springs Utilities system. The most likely option was to bring the transmission line from the plant, and across United States Highway 24, which was dismissed, when residents owning the property refused to sign an easement. The second option was to run the 34 KV line on the existing electric poles that ran from the pressure-reducing facility and behind several houses. Notifications were posted to the electric poles, and sent via mail to residents that the existing poles would be changed to accommodate the new distribution line. Tree-trimmers were contracted to begin scaling back trees from the poles, and Springs Utilities began changing the existing electric poles.

At that point, an 80-year old unforeseen problem reared its ugly head. One resident took issue with the change in poles and began questioning the project as well as the easement for the existing poles. He couldn't find any documentation in his property title that mentioned the dimensions of the easement. Staff began conducting extensive research and had numerous meetings with the resident, who finally stated, that until documentation could be provided that clearly stated Springs Utilities' easement, we would be trespassing on his property. Research began on not only his property, but the other 10 homes located in front of the existing lines.

Though historical documents proved that the City of Colorado Springs had purchased the line from the Cascade Public Service Company in 1930, extensive research proved that the residents were correct – there was no clear easement width written into the agreement, a point that Springs Utilities had originally overlooked.

2. At what levels do members of the organization participate in addressing the problem?

The easement issue is actually separate from the construction of the Cascade Hydroelectric Project, yet, they are inextricably linked. The plant wouldn't serve much good – if there weren't any available distribution lines to transmit the energy to the system. The project team, which included Issues Management, General Counsel, Field Services, the Project Manager, General Manager, and Energy Services Officer were all involved throughout the process. Top managers were kept abreast of all issues via the Issues Log, and the Energy Services Officer met with several key stakeholders early in the process to find a workable solution, by authorizing more research and surveys. There was some discussion as to whether to pursue legal action, by claiming a prescriptive easement to the alignment. However, Issues Management felt that legal action would create even greater problems, add additional costs, create poor relationships with our neighbors and draw attention to what in effect, was a lack of thorough research on Springs Utilities' management of the project with residents.

3. Which constituent groups are affected?

The Cascade Hydro Project largely focused on those citizens living in the general vicinity of the proposed site, which currently has a water pressure-reducing building in its place, though the proposed 850 kilowatt plant would be part of Springs Utilities' overall energy resource system. The adjacent towns consist of Cascade, Green Mountain Falls and Chipita Park, which have roughly 1,500 residents. Letters announcing a public meeting were sent; press releases issued; fact sheets went home with children from the nearby Ute Pass Elementary School; and a few articles in the local paper highlighted the project and initial public meeting in March, 2006. However, only 12 residents closest to the proposed hydro site, are those that Springs Utilities has worked with the longest and most consistently. We have had many one-on-one meetings with property owners, as well as an open house for all residents in the Cascade, Green Mountain Falls and Chipita Park area in October, 2007. The first public meeting drew little fanfare or concern. The open house was well-received by those in attendance.

4. How are constituent concerns considered and acted upon?

The easement issue continued after the October open house, and in February, 2008, staff had a dinner meeting with all the impacted residents. The goal was to discuss where we

had made mistakes, ensure all residents' concerns were documented, and that the information they received was direct from Springs Utilities, and not by word-of-mouth, which had led some of the residents to believe that certain property owners were receiving preferential treatment. Issues Management also wanted to ensure that all points of view

were represented and not just the outspoken few. We also wanted to make *OUR* position clear to all, so that misinformation would not be passed from neighbor to another and we wanted to be clear on what *THEY* wanted as a group, before pursuing options. After the neighbors spoke, staff began discussing options to the electric line alignment, which included moving the line to an underground position in front of their properties. By the time of the February meeting, the neighbors did exactly what Issues Management predicted – united against Springs Utilities, and refused to sign any easement as it was currently written. After the February meeting, progress had been made. The neighbors listened and approved of the next steps, which consisted of doing a site visit of each property and documenting their concerns. They were open to some of the options staff discussed, based on previous meetings, site visits and surveying data.

Staff went even further to research the one resident's property to the hydro plant, and had the entire alignment surveyed based on the historical measurements. The result was the alignment not only lacked an easement width and language, according to the new survey, some of the easements actually went through some of the residents' homes.

Issues Management encouraged internal staff to decide to contact every property owner in person, with an easement document, which would be reviewed and handled on a case-by-case basis. The process was not followed, and as a result, the easements were mailed out, the neighbors were angry at the easement language, which ultimately led to a group uniting against Springs Utilities.

Finally, staff regrouped and completed a Kepner-Tregoe (KT) analysis of possible options. The matrix analysis was developed by Charles Kepner and Benjamin Tregoe. It's an analysis that draws distinctions and narrows the scope of possibilities in any problem-solving situation. Issues Management has embraced this tool as part of our problem solving process in order to have those best management practices to create the cost effective business solution with the public.

On April 17, staff again met with all the property owners, and reviewed the five possible alternatives; described the KT analysis, and how staff arrived at prioritized options. Springs Utilities gave each resident copies of the analysis, with schematics to illustrate what each alternative would look like. Neighbors reached consensus on Option D, which is to relocate the lines underground in front of their properties, and eliminate all the electric line equipment behind their buildings. It was a collective sigh of relief for staff and neighbors. The next day, Issues Management received several letters of support, including one resident who had been the most problematic, who offered to help us facilitate the process. Issues Management is magical!

5. What are the key objectives of the issue management program?

The primary goal of Issues Management is to proactively mitigate issues before an issue gains momentum and/or visibility, or potentially affects service delivery or the company's reputation. Delays from escalated issues have the potential to cost Springs Utilities in the millions with construction delays, redesign costs and even potential litigation. Never had this concept been as clearly demonstrated as with the Cascade Hydro Project. Issues

Management cuts the problem out before an issue becomes terminal. The department plays a pivotal role in overall project management, particularly capital projects, where public comment and input could make or break a crucial projects, thereby delaying projects or costing ratepayers thousands or even millions of dollars. Issues Management quantifies the savings of this project, as well as others, as avoided costs when issues are mitigated and managed. For instance, the Cascade Hydro project delays, legal action, image and reputation could have cost Springs Utilities approximately \$410,000 with no project being built, but those costs were avoided and the project will be implemented with minimal impact to our ratepayers.

6. Does issue management make a direct contribution to the organizations?

Issues Management does make a direct contribution to the organization's profitability, when our advice is taken. It's difficult to measure averted cost, and had staff listened to some of our advice early in the Cascade Hydro Project process, the project would have started on time, (it has yet to begin construction) and additional costs for research, surveying, and reconstructing the electric alignment could have been avoided. By mailing the original easements without benefit of one-on-one discussions led residents to fear and suspicion that we were "trying to pull the wool over their eyes." Threats of contacting their attorneys were prevalent. Had Springs Utilities been able to speak with each owner in person, when the easements were first prepared, much confusion and misunderstanding would have been avoided, and the several resulting meetings would have not been necessary. It took additional resources and courage with the residents, acknowledging our mistakes and admitting they were correct in discovering an easement was lacking.

7. What are the results?

The original cost of the Cascade Hydroelectric Project was valued at \$3.1 million. Since the original electric poles will now be removed, and placed underground in front of the properties, roughly \$160,000 will not be spent that was in the project's budget. However, had Springs Utilities pursued action for quiet title (prescriptive easement), we would have spent an additional \$40,000 and the work would have been performed by in-house counsel, two attorney's and court costs, costing about \$60,000. Media and continued mediation costs would have exceeded \$150,000. If residents did not support the options then Springs Utilities would have lost a \$3.1 million dollar project, with the added benefit of renewable power supply.

8. Please illustrate your organization's issue management process.

Please see attached flow chart. This process has been enhanced to include facilitation, mediation and negotiation. Key tools that support conflict resolution in alignment with Issues Management.

ISSUES MANAGEMENT PROCESS

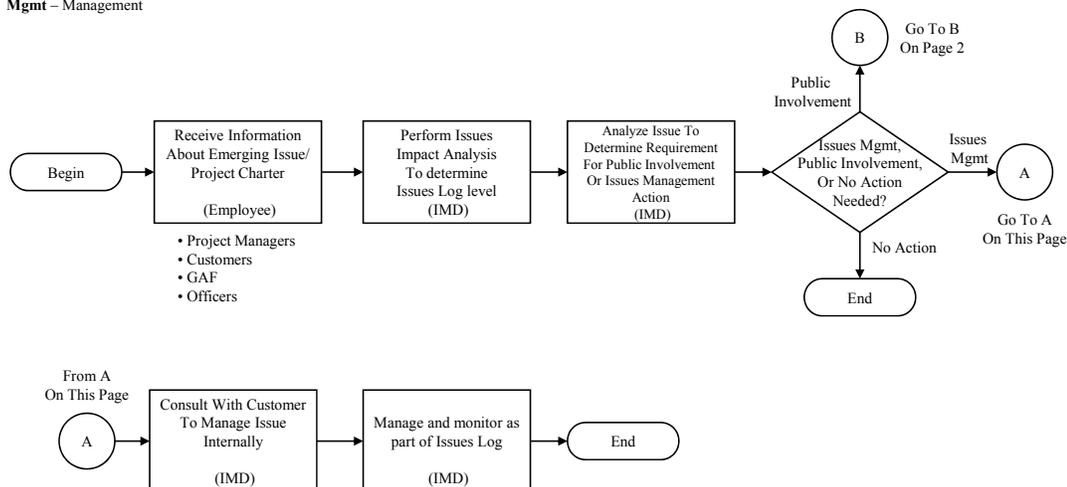
Date last revised 03/15/2008

Terms and Abbreviations

GAF – Government Affairs Department

IMD – Issues Management Department

Mgmt – Management



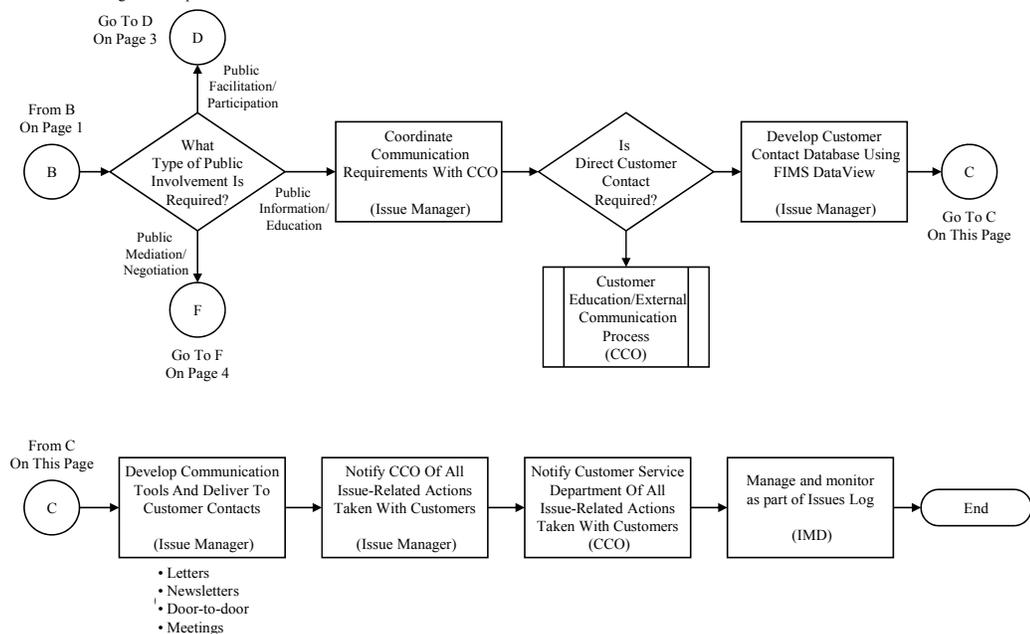
ISSUES MANAGEMENT PROCESS Public Information/Education

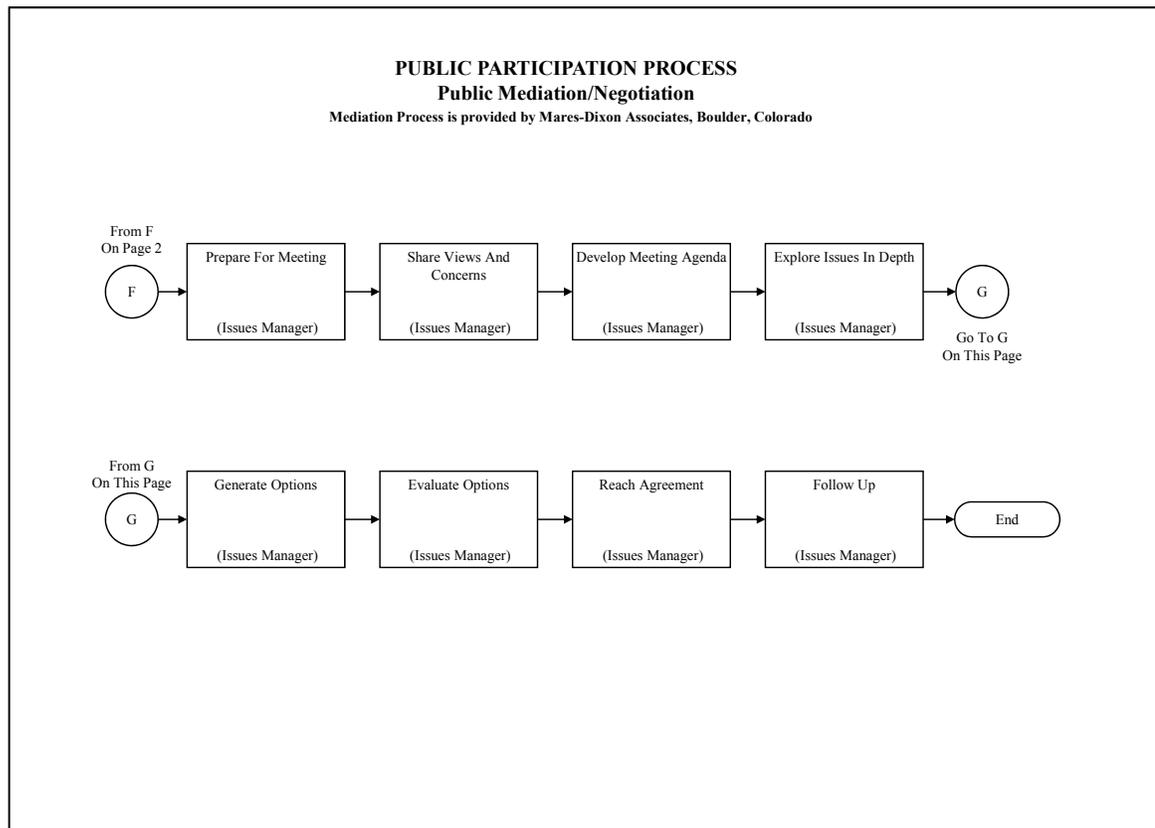
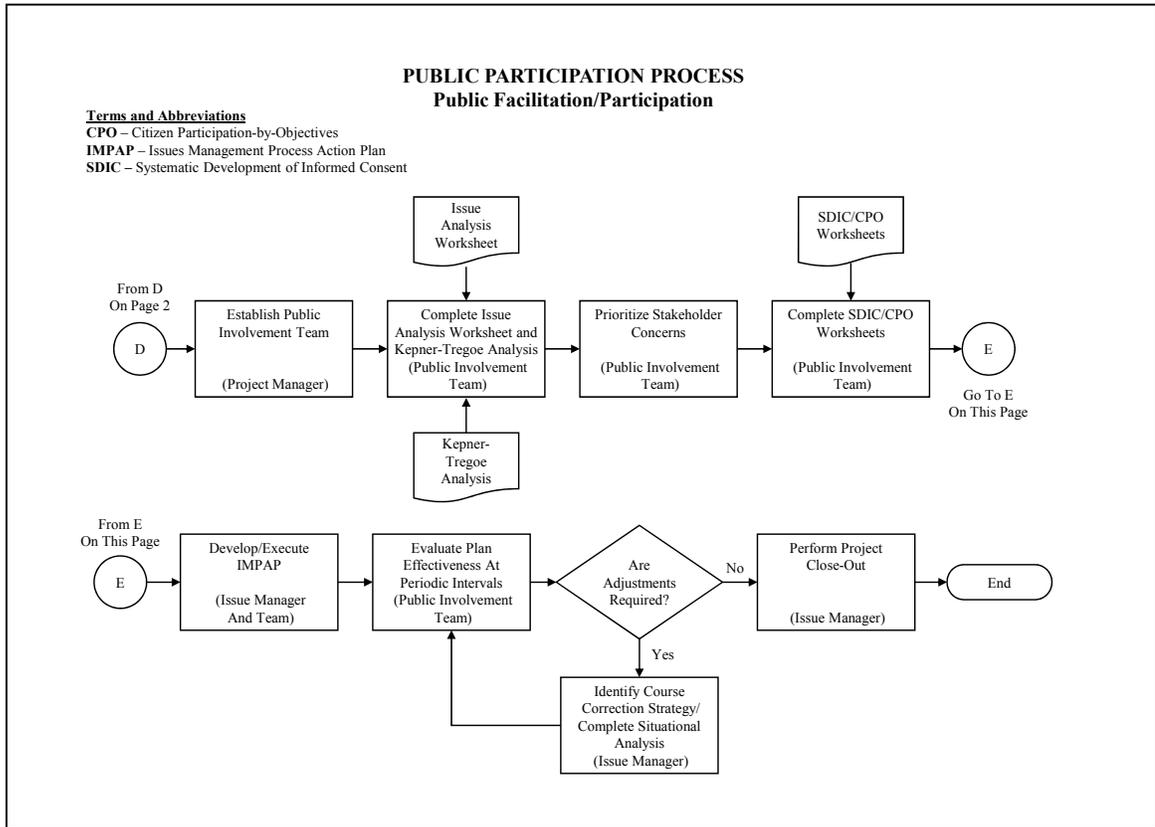
Terms and Abbreviations

CCO – Corporate Communications Department

FIMS – Facilities Information Management System

IMD – Issues Management Department





9. Nomination submitted by: Gail Conners, Issues Management, Colorado Springs Utilities.

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