

*In the opinion of Stradling Yocca Carlson & Rauth LLP, Denver, Colorado ("Bond Counsel"), under existing statutes, regulations, rulings and judicial decisions, and assuming the accuracy of certain representations and compliance with certain covenants and requirements described herein, interest (and original issue discount, if any) on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals. In the further opinion of Bond Counsel, interest on the Bonds is excluded from Colorado taxable income and Colorado alternative minimum taxable income under Colorado income tax laws in effect on the date of delivery of the Bonds as described herein. See "TAX STATUS" with respect to tax consequences relating to the Bonds, including with respect to the federal alternative minimum tax imposed on certain large corporations.*

**CITY OF COLORADO SPRINGS, COLORADO**

<b>\$289,020,000</b>	<b>\$89,190,000</b>
<b>Utilities System Improvement Revenue Bonds Series 2024A</b>	<b>Utilities System Refunding Revenue Bonds Series 2024B</b>

**Dated: Date of Delivery**

**Due: November 15, as shown on the inside cover**

The City of Colorado Springs, Colorado (the "City") is issuing its Utilities System Improvement Revenue Bonds, Series 2024A (the "Series 2024A Bonds") and its Utilities System Refunding Revenue Bonds, Series 2024B (the "Series 2024B Bonds" and collectively with the Series 2024A Bonds, the "Bonds"). The Bonds are issued as fully registered bonds in denominations of \$5,000, or any integral multiple thereof. The Bonds initially will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"), securities depository for the Bonds. Purchases of the Bonds are to be made in book-entry form only. The Bonds bear interest at the rates set forth on the inside cover page of this Official Statement, payable semiannually on May 15 and November 15 of each year, commencing November 15, 2024. Purchasers will not receive certificates from the City or the Paying Agent representing their interests in the Bonds. So long as the Bonds are held by DTC, payments of principal of and interest on the Bonds will be paid by the Paying Agent to DTC for subsequent disbursement to DTC participants for remittance to the beneficial owners of the Bonds, as more fully described herein.

The maturity schedules for the Bonds appears on the inside cover page of this Official Statement.

Certain maturities for certain series of the Bonds are subject to optional redemption prior to maturity and mandatory sinking fund redemption as set forth in this Official Statement.

**The Bonds will not constitute an indebtedness or a debt of the City within the meaning of any constitutional, charter or statutory provision or limitation; the Bonds will not be payable from the proceeds of general property taxes; and the Bonds will not be considered or held to be general obligations of the City, but will be its special obligations, payable and collectible solely out of the net revenues derived from the operation and use of the municipal water system, electric system, gas system, wastewater system, streetlight system and any other systems designated in accordance with the City Charter, collectively comprising the City's utilities system (collectively, the "System"), with the possible future exclusion of any Special Facility (as defined in the Bond Ordinance). The City may not issue utilities revenue bonds which have a lien on such net revenues which is senior to the lien thereon securing the Bonds. The Bonds constitute an irrevocable lien upon the net revenues derived from the System on a parity with any future or existing parity debt.**

This cover page contains certain information for quick reference only. Investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision.

The Bonds are offered when, as, and if issued by the City, subject to the delivery of an approving opinion by Stradling Yocca Carlson & Rauth LLP, Denver, Colorado, as Bond Counsel, and other conditions. Stradling Yocca Carlson & Rauth LLP, Denver, Colorado, has also acted as Disclosure Counsel to the City in connection with the preparation of this Official Statement and the sale of the Bonds to the Underwriters. Certain legal matters will be passed upon for the Underwriters by their counsel, Kutak Rock, LLP, Denver, Colorado. Stifel, Nicolaus & Company, Incorporated, Denver, Colorado, has acted as Municipal Advisor to the Utilities. It is expected that the Bonds will be available for delivery on or about August 20, 2024 through the facilities of DTC.

**BofA Securities**

**Goldman Sachs & Co., LLC**

**J.P. Morgan**

**Piper Sandler & Co.**

**CITY OF COLORADO SPRINGS, COLORADO**

**BASE CUSIP<sup>†</sup>: 196632**

**\$289,020,000**

**Utilities System Improvement Revenue Bonds, Series 2024A**

**SERIAL MATURITIES**

<i>Maturity (November 15)</i>	<i>Principal Amount</i>	<i>Interest Rate</i>	<i>Yield</i>	<i>Price</i>	<i>CUSIP<sup>†</sup> No.</i>
2030	\$ 6,045,000	5.000%	2.660%	113.360	5X7
2031	6,350,000	5.000	2.740	114.739	5Y5
2032	6,665,000	5.000	2.790	116.157	5Z2
2033	7,000,000	5.000	2.850	117.346	6A6
2034	7,350,000	5.000	2.900	118.479	6B4
2035	7,715,000	5.000	2.990	117.607 <sup>C</sup>	6C2
2036	8,105,000	5.000	3.050	117.029 <sup>C</sup>	6D0
2037	8,510,000	5.000	3.120	116.360 <sup>C</sup>	6E8
2038	8,935,000	5.000	3.140	116.170 <sup>C</sup>	6F5
2039	9,380,000	5.000	3.190	115.695 <sup>C</sup>	6G3
2040	9,850,000	5.000	3.270	114.941 <sup>C</sup>	6H1
2041	10,340,000	5.000	3.340	114.286 <sup>C</sup>	6J7
2042	10,860,000	5.000	3.410	113.636 <sup>C</sup>	6K4
2043	11,400,000	5.000	3.480	112.990 <sup>C</sup>	6L2
2044	11,970,000	5.000	3.530	112.531 <sup>C</sup>	6M0

**\$69,460,000 5.000% Term Bond Due November 15, 2049, Yield: 3.800%, Price: 110.092<sup>C</sup> CUSIP<sup>†</sup> No. 6N8**

**\$89,085,000 5.250% Term Bond Due November 15, 2054, Yield: 3.870%, Price: 111.566<sup>C</sup> CUSIP<sup>†</sup> No. 6P3**

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<sup>C</sup> Priced to yield to the first optional redemption date of November 15, 2034 at par.

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**CITY OF COLORADO SPRINGS, COLORADO**

**BASE CUSIP<sup>†</sup>: 196632**

**\$89,190,000**

**Utilities System Refunding Revenue Bonds, Series 2024B**

**SERIAL MATURITIES**

<i><b>Maturity (November 15)</b></i>	<i><b>Principal Amount</b></i>	<i><b>Interest Rate</b></i>	<i><b>Yield</b></i>	<i><b>Price</b></i>	<i><b>CUSIP<sup>†</sup> No.</b></i>
2024	\$580,000	5.000%	2.630%	100.547	6Q1
2025	2,045,000	5.000	2.680	102.798	6R9
2026	13,545,000	5.000	2.670	105.021	6S7
2027	2,825,000	5.000	2.660	107.205	6T5
2028	2,965,000	5.000	2.660	109.311	6U2
2030	3,115,000	5.000	2.660	113.360	6V0
2031	3,270,000	5.000	2.740	114.739	6W8
2032	3,435,000	5.000	2.790	116.157	6X6
2033	3,605,000	5.000	2.850	117.346	6Y4
2034	3,785,000	5.000	2.900	118.479	6Z1
2035	3,975,000	5.000	2.990	117.607 <sup>C</sup>	7A5
2036	4,170,000	5.000	3.050	117.029 <sup>C</sup>	7B3
2037	4,385,000	5.000	3.120	116.360 <sup>C</sup>	7C1
2038	4,605,000	5.000	3.140	116.170 <sup>C</sup>	7D9
2039	4,835,000	5.000	3.190	115.695 <sup>C</sup>	7E7
2040	5,075,000	5.000	3.270	114.941 <sup>C</sup>	7F4
2041	5,330,000	5.000	3.340	114.286 <sup>C</sup>	7G2
2042	5,600,000	5.000	3.410	113.636 <sup>C</sup>	7H0
2043	5,875,000	5.000	3.480	112.990 <sup>C</sup>	7J6
2044	6,170,000	5.000	3.530	112.531 <sup>C</sup>	7K3

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<sup>C</sup> Priced to yield to the first optional redemption date of November 15, 2034 at par.

<sup>†</sup> CUSIP<sup>®</sup> is a registered trademark of the American Bankers Association. CUSIP Global Services (CGS) is managed on behalf of the American Bankers Association by FactSet Research Systems Inc. Copyright(c) 2024 CUSIP Global Services. All rights reserved. CUSIP<sup>®</sup> data herein is provided by CUSIP Global Services. This data is not intended to create a database and does not serve in any way as a substitute for the CGS database. CUSIP<sup>®</sup> numbers are provided for convenience of reference only. None of the City, the Utilities, the Underwriters or their agents or counsel assume responsibility for the accuracy of such numbers.

**CITY OF COLORADO SPRINGS, COLORADO**

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**Mayor**

Blessing A. Mobolade

**City Council**

Randy Helms, President of the City Council  
Lynette Crow-Iverson, President Pro Tem

Dave Donelson	Mike O'Malley
Michelle Talarico	Nancy Henjum
Yolanda Avila	David Leinweber
Brian Risley	

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Wynetta Massey, *City Attorney*

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**COLORADO SPRINGS UTILITIES**

Travas Deal, Chief Executive Officer  
Tristan Gearhart, Chief Planning and Finance Officer  
Lisa Barbato, Chief System Planning and Projects Officer  
Somer Mese, Chief Operations Officer  
Mike Francolino, Chief Customer and Corporate Services Officer  
Renee Adams, Chief Human Resources Officer

**Utilities Policy Advisory Committee**

Larry Barrett, Chair  
Hilary Dussing, Vice Chair  
Michael Borden  
Katherine Danner  
Gary Burghart  
David Watson  
Scott Smith

**Municipal Advisor**

Stifel, Nicolaus & Company, Incorporated

**Bond and Disclosure Counsel**

Stradling Yocca Carlson & Rauth LLP

**Verification Agent**

Causey Demgen & Moore P.C.

THE BONDS HAVE NOT BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION UNDER THE SECURITIES ACT OF 1933, AS AMENDED. THIS OFFICIAL STATEMENT DOES NOT CONSTITUTE AN OFFER TO SELL OR A SOLICITATION OF AN OFFER TO BUY ANY OF THE BONDS IN ANY JURISDICTION TO ANY PERSON TO WHOM IT IS UNLAWFUL TO MAKE SUCH OFFER OR SOLICITATION IN SUCH JURISDICTION.

NO DEALER, SALESPERSON OR ANY OTHER PERSON HAS BEEN AUTHORIZED TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATION, OTHER THAN THE INFORMATION AND REPRESENTATIONS CONTAINED IN THIS OFFICIAL STATEMENT, IN CONNECTION WITH THE OFFERING OF THE BONDS, AND, IF GIVEN OR MADE, SUCH INFORMATION OR REPRESENTATIONS MUST NOT BE RELIED UPON. THE CITY AND THE UTILITIES EACH MAINTAIN AN INTERNET WEBSITE AND SOCIAL MEDIA ACCOUNTS; HOWEVER, THE INFORMATION PRESENTED THERE IS NOT PART OF THIS OFFICIAL STATEMENT AND SHOULD NOT BE RELIED UPON IN MAKING AN INVESTMENT DECISION WITH RESPECT TO THE BONDS. THE INFORMATION AND EXPRESSIONS OF OPINION CONTAINED HEREIN ARE SUBJECT TO CHANGE WITHOUT NOTICE AND NEITHER THE DELIVERY OF THIS OFFICIAL STATEMENT NOR ANY SALE MADE HEREUNDER WILL, UNDER ANY CIRCUMSTANCES, CREATE ANY IMPLICATION THAT THERE HAS BEEN NO CHANGE IN THE AFFAIRS OF THE CITY OR THE UTILITIES SINCE THE DATE HEREOF.

THIS OFFICIAL STATEMENT IS NOT TO BE CONSTRUED AS A CONTRACT WITH THE PURCHASERS OF THE BONDS. STATEMENTS CONTAINED IN THIS OFFICIAL STATEMENT WHICH INVOLVE ESTIMATES, FORECASTS OR MATTERS OF OPINION, WHETHER OR NOT EXPRESSLY SO DESCRIBED HEREIN, ARE INTENDED SOLELY AS SUCH AND ARE NOT TO BE CONSTRUED AS REPRESENTATIONS OF FACTS. SEE "INTRODUCTION—FORWARD LOOKING STATEMENTS."

THE UNDERWRITERS HAVE PROVIDED THE FOLLOWING SENTENCE FOR INCLUSION IN THIS OFFICIAL STATEMENT. THE UNDERWRITERS HAVE REVIEWED THE INFORMATION IN THIS OFFICIAL STATEMENT IN ACCORDANCE WITH, AND AS PART OF, THEIR RESPONSIBILITY TO INVESTORS UNDER THE FEDERAL SECURITIES LAWS AS APPLIED TO THE FACTS AND CIRCUMSTANCES OF THIS TRANSACTION, BUT THE UNDERWRITERS DO NOT GUARANTEE THE ACCURACY OR COMPLETENESS OF SUCH INFORMATION.

THE CUSIP NUMBERS ARE INCLUDED IN THIS OFFICIAL STATEMENT FOR THE CONVENIENCE OF THE OWNERS AND POTENTIAL OWNERS OF THE BONDS. THE CUSIP NUMBER FOR ANY MATURITY OF THE BONDS MAY BE CHANGED AFTER THE ISSUANCE OF THE BONDS AS THE RESULT OF VARIOUS SUBSEQUENT ACTIONS, INCLUDING, WITHOUT LIMITATION, A REFUNDING OF ALL OR A PORTION OF SUCH MATURITY OR THE PROCUREMENT OF SECONDARY MARKET PORTFOLIO INSURANCE OR OTHER SIMILAR ENHANCEMENT BY INVESTORS THAT IS APPLICABLE TO ALL OR A PORTION OF CERTAIN MATURITIES OF THE BONDS. NONE OF THE CITY, THE UTILITIES OR THE UNDERWRITERS UNDERTAKE ANY RESPONSIBILITY FOR ANY CHANGES TO OR ERRORS IN THE LIST OF CUSIP NUMBERS INCLUDED IN THIS OFFICIAL STATEMENT.

REFERENCES TO WEBSITE ADDRESSES PRESENTED HEREIN ARE FOR INFORMATIONAL PURPOSES ONLY AND MAY BE IN THE FORM OF A HYPERLINK SOLELY FOR THE READER'S CONVENIENCE. UNLESS SPECIFIED OTHERWISE, SUCH WEBSITES AND THE INFORMATION OR LINKS CONTAINED THEREIN ARE NOT INCORPORATED INTO, AND ARE NOT PART OF, THIS OFFICIAL STATEMENT.

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## OFFICIAL STATEMENT

### CITY OF COLORADO SPRINGS, COLORADO

**\$289,020,000**  
**Utilities System Improvement**  
**Revenue Bonds**  
**Series 2024A**

**\$89,190,000**  
**Utilities System Refunding**  
**Revenue Bonds**  
**Series 2024B**

### INTRODUCTION

This Introduction is only a brief description of certain matters set out in this Official Statement and is subject in all respects to more complete information contained in this Official Statement. Investors should make a full review of this Official Statement, which includes the cover page and attached Appendices, as well as of the documents summarized and described in this Official Statement, before making a decision to purchase any of the Bonds. **Capitalized terms used but not defined in this Official Statement are defined in Appendix B to this Official Statement.**

#### **The City**

The City of Colorado Springs, Colorado (the “City”) is a home rule municipal corporation with a population of approximately 486,000 which is located in the south-central Front Range of Colorado. The economy of the City and the surrounding area is based substantially on employment attributable to service industries, retail businesses, construction industries, military installations, the high technology industry and tourism. For a detailed summary of economic and demographic information for the Colorado Springs area see Appendix F to this Official Statement.

The City owns and operates Colorado Springs Utilities (the “Utilities”), which includes the municipal water system, the electric system, the gas system, the wastewater system, the streetlight system, and any other systems designated in accordance with the home rule charter of the City (collectively, the “System”). For a further description of the Utilities, see “COLORADO SPRINGS UTILITIES” in this Official Statement.

#### **Security for the Bonds**

The Bonds (and any parity securities previously or subsequently issued) are utilities system revenue bonds of the City payable solely from the “Net Pledged Revenues” available after the costs of operating and maintaining the System are deducted from the “Gross Pledged Revenues” generated from the operation and use of the System. Upon issuance of the Bonds, \$2,520,755,124 in aggregate principal of Parity Bonds (including the Bonds, and excluding the Refunded Bonds (as defined herein)) will be outstanding which have a parity lien on the Net Pledged Revenues. The City does not anticipate issuing any additional utilities system revenue bonds in 2024. The City is prohibited from issuing additional bonds with a lien on the Net Pledged Revenues which is superior to the Parity Bonds (including the Bonds). See “DESCRIPTION OF THE BONDS—Security for the Bonds” in this Official Statement.

The Bonds will not constitute an indebtedness or a debt of the City within the meaning of any constitutional, charter or statutory provision or limitation, will not be payable from the proceeds of general property taxes, and will not be considered or held to be general obligations of the City, but will be its special obligations, payable as described in this Official Statement.

## **Debt Service Reserve Fund**

Under the ordinance authorizing the issuance of the Bonds, the City is required to fund the Reserve Fund in an amount equal to the Reserve Fund Requirement as additional security for the Bonds. The City has applied to Build America Mutual Assurance Company (“BAM”) for the issuance of a Debt Service Reserve Fund Insurance Policy to use in lieu of cash in the Reserve Fund. BAM has issued a commitment to issue the Debt Service Reserve Fund Insurance Policy. See APPENDIX B—“THE BOND ORDINANCE—Reserve Fund.”

## **The Bonds**

The Bonds are authorized to be issued pursuant to the City’s home rule charter and an ordinance passed by the City Council of the City (the “City Council”) on July 23, 2024. Certain maturities for certain series of the Bonds are subject to optional and mandatory sinking fund redemption prior to maturity. See “DESCRIPTION OF THE BONDS.”

## **Purpose of the Bonds**

Proceeds of the Series 2024A Bonds are expected to be used to: (a) finance a portion of the costs of a number of general capital improvements to the System; (b) pay certain costs of issuing the Series 2024A Bonds; and (c) pay a portion of the premium for the Surety Bond.

Proceeds of the Series 2024B Bonds are expected to be used, along with other available revenues, to: (a) refund all of the City’s outstanding City of Colorado Springs, Colorado, Utilities System Improvement Revenue Bonds, Series 2014A-1 and City of Colorado Springs, Colorado, Utilities System Improvement Revenue Bonds, Series 2014A-2 (collectively, the “Refunded Bonds”); (b) pay certain costs of issuing the Series 2024B Bonds; and (c) pay a portion of the premium for the Surety Bond. See Appendix G to this Official Statement.

## **Tax Status of Interest on the Bonds**

In the opinion of Stradling Yocca Carlson & Rauth LLP, Denver, Colorado (“Bond Counsel”), under existing statutes, regulations, rulings and judicial decisions, and assuming the accuracy of certain representations and compliance with certain covenants and requirements described herein, interest (and original issue discount, if any) on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals. In the further opinion of Bond Counsel, interest on the Bonds is excluded from Colorado taxable income and Colorado alternative minimum taxable income under Colorado income tax laws in effect on the date of delivery of the Bonds as described herein. See “TAX STATUS” with respect to tax consequences relating to the Bonds, including with respect to the federal alternative minimum tax imposed on certain large corporations.

## **Continuing Disclosure Undertaking**

The City will execute a continuing disclosure certificate with respect to the Bonds (the “Disclosure Certificate”) at the time of the closing of the Bonds. The Disclosure Certificate will be executed for the benefit of the Beneficial Owners of the Bonds. The Disclosure Certificate will provide that so long as the Bonds remain outstanding, the City will annually provide certain financial information and operating data and will provide notice of certain material events to the Municipal Securities Rulemaking Board (“MSRB”) through its Electronic Municipal Market Access System (the “EMMA System”) or any successor method designated by the MSRB, in compliance with the Disclosure Certificate. The form of the Disclosure Certificate is attached to this Official Statement as Appendix C. The City believes that it is currently in compliance in all material respects with the terms of each undertaking previously entered into pursuant to Rule 15c2-12 promulgated

under the Securities Exchange Act of 1934 with respect to the Utilities. The Utilities believes that its current continuing disclosure compliance processes are sufficient to ensure timely compliance with its continuing disclosure obligations in the future.

The following description of an instance of noncompliance by the Utilities (and not the City as a whole) with its continuing disclosure undertakings should not be construed as an acknowledgement that such instance was material. On August 18, 2020, the Utilities defeased all of the outstanding City of Colorado Springs, Colorado, Taxable Utilities System Improvement Revenue Bonds, Series 2010B-2 (Direct Pay Build America Bonds). A notice of defeasance was not linked to the CUSIP of one of the maturities of such bonds.

In order to ensure compliance by the Utilities with its continuing disclosure undertakings in the future, the Chief Planning and Finance Officer approved Disclosure Procedures on June 14, 2024 (the “Disclosure Procedures”). Pursuant to the Disclosure Procedures, the Chief Planning and Finance Officer or his or her delegate is required to take steps to ensure that continuing disclosure filings are prepared and filed in a timely manner.

### **Forward Looking Statements**

This Official Statement contains statements which, to the extent they are not recitations of historical fact, constitute “forward looking statements.” In this respect the words “estimate,” “project,” “anticipate,” “expect,” “intend,” “believe” and similar expressions are intended to identify forward looking statements. The achievement of certain results or other expectations contained in such forward looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by such forward looking statements.

### **General**

This Official Statement contains information current as of its date. Information contained in this Official Statement is subject to change after the date of this Official Statement. All references in this Official Statement to the Bond Ordinance and the various contracts of or relating to the City or the Utilities are qualified in their entirety by reference to such documents, and references to the Bonds are qualified in their entirety by reference to the form of the Bonds included in the Bond Ordinance. During the period of the offering of the Bonds, copies of the form of the Bond Ordinance will be available from the Utilities’ Chief Planning and Finance Officer, 121 South Tejon Street, Suite 500, Colorado Springs, Colorado 80903, (719) 668-7162, and the Utilities’ Municipal Advisor, Stifel, Nicolaus & Company, Incorporated, 1401 Lawrence Street, Suite 900, Denver, Colorado 80202, (303) 296-2300.

Appendix A to this Official Statement contains the audited financial statements of the Utilities for the year ended December 31, 2023 (with comparative totals for the year ended December 31, 2022) (the “2023 Audited Financial Statements”). Inquiries relating to financial information of the Utilities presented in this Official Statement may be directed to the Utilities’ Chief Planning and Finance Officer, 121 South Tejon Street, Suite 500, Colorado Springs, Colorado 80903, (719) 668-7162.

## SOURCES AND USES OF BOND PROCEEDS

The expected sources and uses of proceeds of the Bonds and certain other amounts are set forth in the following table.

	<i>Series 2024A Bonds</i>	<i>Series 2024B Bonds</i>	<i>Total</i>
<b>Sources</b>			
Par Amount	\$289,020,000.00	\$ 89,190,000.00	\$378,210,000.00
Original Issue Premium	37,164,651.55	11,448,470.30	48,613,121.85
Other Available Moneys <sup>(1)</sup>	--	3,023,175.00	3,023,175.00
Total Sources	326,184,651.55	103,661,645.30	429,846,296.85
<b>Uses</b>			
Proceeds Used for Refunding <sup>(1)</sup>	--	103,264,782.18	103,264,782.18
Project Fund Deposit	325,000,000.00	--	325,000,000.00
Costs of Issuance <sup>(2)</sup>	1,184,651.55	396,863.12	1,581,514.67
Total Uses	326,184,651.55	103,661,645.30	429,846,296.85

<sup>(1)</sup> In addition to Bond proceeds, the City will apply certain other monies contained in the funds and accounts established with respect to the Refunded Bonds including, but not limited to, the debt service reserve funds, and other available moneys on hand to refund the Refunded Bonds. See Appendix G to this Official Statement.

<sup>(2)</sup> Costs of Issuance include legal fees, underwriters' discount, consultant fees, printing costs, rating agency fees, other miscellaneous fees and expenses, and the premium for the Surety Bond.

## INVESTMENT CONSIDERATIONS

**The purchase of the Bonds involves special risks and the Bonds may not be appropriate investments for all types of investors.** Each prospective investor should read this Official Statement in its entirety and give particular attention to the factors described below, which, among other factors discussed herein, could affect the payment of the Bonds and could affect the market price of the Bonds to an extent that cannot be determined at this time. *The following does not purport to be an exhaustive listing of risks and other considerations which may be relevant to investing in the Bonds. In addition, the order in which the following information is presented is not intended to reflect the relative importance of such risks.*

### Special, Limited Obligations

The Bonds are special, limited obligations of the City. The Bonds do not constitute a general obligation debt or indebtedness of the City or any other political subdivision of the State, and no owner of any Bond may look to any source of funds other than the Net Pledged Revenues for payment of debt service on the Bonds. The full faith and credit of the City is not pledged for the payment of the amounts due on the Bonds or under the Bond Ordinance. The Bonds are payable solely from the Net Pledged Revenues. Therefore, the punctual payment of the principal of and interest on the Bonds is dependent on the generation of Net Pledged Revenues in an amount sufficient to meet debt service requirements on the Bonds.

### No Pledge of Property

The payment of the Bonds is not secured by an encumbrance, mortgage or other pledge of property of the City, except the Net Pledged Revenues for each series of Bonds, and any other moneys pledged for the payment of the Bonds. No property of the City, subject to such exceptions, shall be liable to be forfeited or taken in payment of the Bonds.

## **Risks Related to Spikes in System Expenses Caused by Extreme Weather and Other Events**

Extreme weather events can have significant impacts on the Utilities, including operational challenges and spikes in System expenses. One such event occurred between February 13-16, 2021, when the City and much of the country experienced record low temperatures. This extreme weather created a supply crunch amid heightened demand and caused natural gas prices to increase to unprecedented levels. During this period, the Utilities incurred additional electric and natural gas fuel costs of approximately \$144 million. Natural gas costs for the Gas System accounted for approximately \$105 million of such amount, and energy fuel costs for the Electric System accounted for approximately \$39 million of such amount.

On March 9, 2021, the City Council voted unanimously to approve increases to its gas cost adjustment rate in March 2021 and its electric cost adjustment rate in April 2021 in order to recoup these expenses by May 2022; which has been achieved. With the achievement of this goal completed in early 2022, the Utilities was able to decrease its cost adjustment rates effective February 2022 and May 2022. The Utilities continues to monitor fuel rate adjustments monthly and proposes adjustments as appropriate.

No assurance can be given that events such as the extreme weather and resulting spike in natural gas or electric prices described above will not happen in future years or that more than one of such events will happen in any given year. Such an event could be caused by economic conditions, extreme weather events, natural disasters, volatility in fuel and power markets, and other factors.

## **Capital Program**

As discussed in “THE ELECTRIC SYSTEM,” “THE GAS SYSTEM,” “THE WATER SYSTEM” and “THE WASTEWATER SYSTEM,” the Utilities has capital needs forecasted at approximately \$3.7 billion from 2024 through 2028. Of the total forecasted capital needs, electric projects account for 58.9%, water and wastewater projects account for 33.8%, and gas projects account for 7.3%. The Utilities estimates that approximately 28.7% of this amount will be cash-funded and the remaining 71.3% will be funded from the proceeds of the Series 2024A Bonds and future bond issues or other borrowings. However, such percentages are only estimates and are subject to change at any time.

## **Potential for Increased Costs and Other Factors Relating to Capital Improvement Plan**

Construction projects included in the Utilities’ capital improvement program are subject to ordinary construction risks and delays, including but not limited to: inclement weather or natural hazards affecting work and timeliness of completion; contractor claims or nonperformance; work stoppages or slowdowns; unanticipated project site conditions encountered during construction; errors or omissions in contract documents requiring change orders; supply chain issues; and/or higher than anticipated construction bids or costs, any of which could affect the costs and availability of, or delivery schedule for, equipment, components, materials, labor or subcontractors, and result in increased capital improvement program costs.

Since 2021, the Utilities has experienced significant cost increases in its capital improvements primarily due to increased costs and continued long lead times on materials and equipment. It is not clear how long these costs increases and delays will last or what impact they will have long-term on the costs of the Utilities’ capital improvements. The Utilities is proactively managing increased costs through evaluation of the timing and scope of projects within its capital improvement plan.

From time to time, the City Council considers annexations of unincorporated areas of the County into the City. If approved, annexed property becomes part of the Utilities’ service area. Depending upon the size and location of annexations, there could be significant financial and operational impacts to the Utilities. One such annexation is the Amara Master Plan annexation, which was approved by the City Council on first reading on July 23, 2024. This annexation constitutes 3,172.8 acres of largely undeveloped property. The Utilities has very little existing utilities infrastructure currently in place to serve this property. The Utilities

may face significant financial and operational challenges as result of this annexation. The Utilities is currently reviewing such challenges and how this annexation will impact future operations.

### **Dependence Upon Federal Defense Spending**

The military installations of Fort Carson Army Base (“Fort Carson”), Peterson Space Force Base (“Peterson”), the United States Air Force Academy (the “Academy”), and Cheyenne Mountain Space Force Base receive water and electric service and gas supply and transportation from the System, and Peterson also receives wastewater treatment service from the System. These installations, along with Cheyenne Mountain Space Force Station and Schriever Space Force Base, are also large employers in the City and El Paso County and make a significant contribution to the local economy.

In recent years, many federal deficit reduction plans and military base realignment and closure plans have been proposed for consideration by the U.S. Congress. It is not clear at this time what impact, if any, these proposals would have on the City and/or the Utilities, if enacted into law.

### **Risks Related to Customer Sales and Usage**

The Utilities’ sales and revenues are related to customer usage which is influenced by demand for electricity, water, wastewater, and natural gas. Customer usage is affected by a number of factors outside the control of the Utilities, such as weather, energy efficiency, demand side management, distributed generation, and economic and demographic conditions such as population, job and income growth, housing starts and the overall level of economic activity. Technological advances utilizing energy efficiency, end use devices and other improvements or applications of technology could lead to declines in per capita utility consumption. Over the past several years, average customer usage for electricity has remained stable or declined slightly while average customer usage for natural gas and water has declined. While many of the Utilities’ costs are variable and will fluctuate with variance in commodity use, fixed cost recovery is embedded in the Utilities’ base (and fixed) rate components. The inconsistency between a fixed cost component and a variable revenue structure can cause budgeting and financial instability and uncertainty. The Utilities has historically addressed these variances by periodic base rate adjustments and utilizing its cash reserves as necessary.

### **Risks Regarding Fluctuations in Water Revenues**

The revenues derived from the Utilities’ water sales are subject to significant fluctuation primarily due to weather. For example, in 2014 and 2015 water revenues experienced significant shortfalls as a result of wetter and cooler than normal weather. In addition, customers continue to use less water each year in response to drought conditions, watering restrictions, indoor conservation/efficiency, and increased water rates. Some customer behavior may result in permanent change, such as when lawns are abandoned or replaced with xeriscaping.

The annual fluctuations in water revenues are exacerbated by the fixed nature of the Water System’s costs as the fixed cost of providing water does not vary considerably when the amount of water delivered to customers varies. The infrastructure intensive water system is built to meet peak day annual demands which also includes fire flows, reliability and redundancy requirements, and increasingly stringent regulatory requirements. Moreover, the rate structures used to recover the cost of service are designed to encourage water efficiency and conservation and are, therefore, variable in nature because the vast majority of revenue (nearly 80%) comes from highly variable commodity use. The inconsistency between a fixed cost structure and a variable revenue structure causes annual budgeting and financial instability and uncertainty.

It is not possible to predict what impacts, if any, weather will have on the Water System’s revenues in the future.

## **Risks Related to Reliance on Colorado River Water**

Approximately 60% of the Utilities' total water supply (including reuse) currently comes from the Colorado River Basin. The Utilities, along with the other major Colorado Front Range water providers including Denver, Aurora, Northern Colorado Water Conservancy District and certain others, serve approximately 80% of Colorado's population and economy. Approximately 72% of the major Front Range water providers' supply comes from the Colorado River Basin. As a result, Front Range water providers, including the Utilities, have a large stake in the future of the Colorado River and how the challenges of increasing water demands, long-term drought, and climate change will be addressed. See "THE WATER SYSTEM—Reliance on Colorado River Water Supply."

The Colorado River Basin is experiencing unprecedented conditions of drought and below average runoff. Combined water storage at Lake Mead and Lake Powell, the two largest reservoirs filled by the Colorado River and operated by the U.S. Bureau of Reclamation, are currently at or near their lowest levels since the reservoirs' initial fill. In 2021, Colorado River inflow into Lake Powell was the second lowest since Lake Powell began filling nearly sixty years ago and inflows in 2022 were well below average as well. In 2023, inflows to Lake Powell were above average, as a result of above average snowpack, boosting reservoir levels. Current projections indicate that inflows into Lake Powell will be near average in 2024.

Continued persistence of drought and resulting low runoff could result in further decline of reservoir levels and eventually affect the ability of the Upper Basin to meet its obligations to the Lower Basin under the 1922 Colorado River Compact. If these conditions were to occur, the Utilities' deliveries of Colorado River Basin supplies could be curtailed for a period of time. It is not possible at this time to predict the magnitude and duration of any such curtailments on the Utilities' water supply from the Colorado River Basin. The Utilities is engaged in an active planning effort to ensure that it has appropriate plans in place to provide water to its customers using alternative sources and management techniques.

## **Risks Regarding Liquidity Facilities**

The City currently has \$321,600,000 of outstanding variable rate Parity Bonds which are supported by liquidity facilities ("Support Facilities"). The City has also established a Commercial Paper Program for the Utilities consisting of two series in the maximum combined principal amount of \$150,000,000 (the "Commercial Paper Notes"), of which \$0 is expected to be outstanding upon issuance of the Bonds. The Commercial Paper Notes are required to be supported by Support Facilities, and no Support Facility is currently in place for either series and presently the City has no intention of procuring any Support Facility. The Parity Bonds and the Commercial Paper Notes (when and if drawn upon) which are supported by the Support Facilities are subject to the risk of expiration and non-renewal of the related Support Facilities and the inability of the City to find replacement Support Facilities. In addition, there can be no assurance that the providers of such Support Facilities will be financially able to meet their respective contractual obligations thereunder, whether as a result of bankruptcy, insolvency or other events adversely affecting their creditworthiness. Any non-renewal of a Support Facility, any inability of the provider of a Support Facility to meet its obligations thereunder, or any rating downgrade associated therewith could have an adverse effect on the City. If any of these were to occur, the City could pursue various options in order to remedy the situation, including replacing the Support Facility or converting or refunding the variable rate Parity Bonds or Commercial Paper Notes in question to a fixed interest rate or another interest rate mode, depending upon market conditions. See "COLORADO SPRINGS UTILITIES—Liquidity/Support Facilities."

## **Environmental Regulation**

The Utilities' Electric System operations are subject to various local, state and federal environmental laws and regulations. Compliance with such laws and regulations will likely require significant capital outlays. In its long-range forecasts, the Utilities has included expenses for such capital outlays of which it is aware, or which it reasonably anticipates incurring. These expenses are discussed below in the section entitled

“THE ELECTRIC SYSTEM.” However, there are a number of federal and state legislative and regulatory efforts underway which seek to limit and/or control emissions of greenhouse gases and other pollutants. The impact and cost of such proposed legislative and regulatory initiatives on the Utilities are under evaluation, but the costs of compliance with such proposed legislation and initiatives are not yet known and therefore cannot be quantified at this time. See “THE ELECTRIC SYSTEM—Environmental Regulation.”

Federal and state laws and regulations also impact the operation of the Utilities’ Water System through the regulation of land use, appropriation of water, and water quality. The constraints imposed by environmental laws and regulations can potentially limit the current yield or further expansion of existing water projects (particularly transmountain projects) as well as prohibit new project development. The financial impact of these constraints on the Utilities is not yet known and therefore cannot be quantified at this time. See “THE WATER SYSTEM—Environmental Requirements Affecting Water Treatment” and “THE WATER SYSTEM—Environmental Requirements Affecting Water Supply.”

Federal and state laws and regulations also impact various aspects of the operation of the Utilities’ Wastewater System, including wastewater treatment and effluent discharge. The Utilities has formulated a Wastewater System Plan and Water Resource Recovery Facility Plans to address the impacts of new regulations. The plans identify capital improvements necessary to keep the facilities in compliance with new regulations. However, new regulations and legislation beyond the Utilities’ current estimates could add significant costs to the operation of the Wastewater System. The full extent of such costs is not yet known and therefore cannot be quantified at this time. See “THE WASTEWATER SYSTEM—Environmental Regulation” and “THE WASTEWATER SYSTEM—Capital Improvements to the Wastewater System.”

### **Cyber and Data Security**

The Utilities, like many other large public and private entities, relies on a large and complex technology environment to conduct its operations. As a recipient and provider of personal, private and sensitive information, the Utilities faces multiple cyber threats including, but not limited to, hacking, phishing, viruses, malware and other attacks on its computers and other sensitive digital networks and systems (collectively, “Systems Technology”). There have been cyber-attack attempts on the Utilities’ Systems Technology in the past, but not any resulting in a material compromise of the system, data loss or breach that the Utilities has identified.

Cybersecurity incidents could result from unintentional events, or from deliberate attacks by unauthorized entities or individuals attempting to gain access to the Utilities’ Systems Technology for the purposes of misappropriating assets or information or causing operational disruption and damage.

No assurances can be given that the Utilities’ security and operational control measures will ensure against any and all cybersecurity threats and attacks. A cybersecurity incident or breach could damage the Utilities’ Systems Technology and cause disruption to the Utilities and/or utility services, operations and finances. The costs of remedying any such damage or protecting against future attacks could be substantial. Further, cybersecurity breaches could expose the Utilities to material litigation and other legal risks, which could cause the Utilities to incur material costs related to such legal claims or proceedings. The Utilities will continue to assess cyber threats and protect its data and systems, with a conscious effort to prioritize based on potential impact of issues and the likelihood of those issues manifesting into an incident. The Utilities will continue to educate Utilities’ employees on applying best security practices and cybersecurity incident response handling which are demonstrated at least annually. Additionally, the Utilities maintains comprehensive information security and privacy “cyber” liability insurance. See “COLORADO SPRINGS UTILITIES—Insurance” and “COLORADO SPRINGS UTILITIES – Emergency Management and Physical Security.”

## **Climate Change**

Changes in long-term weather patterns have impacted the State of Colorado, including the service area of the Utilities and its watersheds. The impacts include increasing temperatures, more extreme weather patterns, longer periods of drought, and increased wildfires. See the caption “—Risks Related to Spikes in System Expenses Caused by Extreme Weather and Other Events” for a description of how such an event may impact the Utilities’ finances. See the captions “—Risks Related to Customer Sales and Usage” and “—Risks Regarding Fluctuations in Water Revenues” for descriptions of how weather and other factors influence customer usage and demand for electricity, water and natural gas and the impact of the weather on the Water System’s revenues, respectively.

It is difficult to predict whether or how changing climate will impact the Utilities, its operations and its finances. The Utilities maintains casualty property insurance policies to insure against damage or destruction of its facilities. See the caption “COLORADO SPRINGS UTILITIES—Insurance.”

## **DESCRIPTION OF THE BONDS**

### **Security for the Bonds**

The Bonds are not general obligations of the City and are not repayable from tax revenues of the City. Payment of the Bond Requirements (which are defined in the Bond Ordinance to include principal and interest) of the Bonds and other Parity Bonds is secured by a lien on the Net Pledged Revenues. The City is prohibited from issuing utilities system revenue bonds or other obligations which have a lien on the Net Pledged Revenues which is senior to the lien thereon securing the Bonds. The owner of any Bond may not look to any general or other fund of the City for the payment of the Bond Requirements except the special funds pledged for that purpose under the Bond Ordinance. The City in its discretion may exclude from the System any interest in any Special Facility subsequently acquired or constructed by or on behalf of the City and financed in whole or in part by Special Facility Obligations. See APPENDIX B—“THE BOND ORDINANCE—Definitions” and “—Equality of Lien.”

As additional security for the owners of the Bonds, the City has established a reserve fund (the “Reserve Fund”). See APPENDIX B—“THE BOND ORDINANCE—Reserve Fund.” The City plans to fund the Reserve Fund with the Surety Bond.

Upon issuance of the Bonds, \$2,520,755,124 in aggregate principal of Parity Bonds (including the Bonds, and excluding the Refunded Bonds) will be outstanding which have a parity lien on the Net Pledged Revenues. The City does not anticipate issuing any additional utilities system revenue bonds in 2024. The City is prohibited from issuing additional bonds with a lien on the Net Pledged Revenues which is superior to the Parity Bonds (including the Bonds). See “COLORADO SPRINGS UTILITIES—Outstanding Utilities Revenue Bonds and Other Obligations.” For a description of the requirements for issuance of additional Parity Bonds, see APPENDIX B—“THE BOND ORDINANCE—Additional Securities.”

### **Bond Details**

The Bonds will be issued pursuant to the Bond Ordinance, will be dated as of their date of delivery, and will mature on the dates and in the principal amounts and bear interest at the rates set forth on the inside cover page of this Official Statement. Interest on the Bonds will be calculated based on a 360-day year, consisting of twelve 30-day months. The Bonds will be issued as fully registered bonds without coupons and will initially be registered in the name of “Cede & Co.,” as nominee for The Depository Trust Company, New York, New York (“DTC”) as securities depository for the Bonds. Purchases by beneficial owners of the Bonds (“Beneficial Owners”) will be made in book-entry only form in the denominations of \$5,000 and integral multiples of \$5,000. See APPENDIX E—“DTC BOOK-ENTRY ONLY SYSTEM.” Interest on the Bonds will be payable semiannually on May 15 and November 15 of each year, commencing on November 15, 2024.

Principal will be payable to the registered Owner of each Bond, as shown on the registration records kept by the Paying Agent, upon maturity and upon presentation of the Bond at the principal office of the Paying Agent, or at such other office as the Paying Agent directs in writing to Owners of the Bonds. Payment of interest will be made by the Paying Agent by check mailed on each interest payment date to the registered Owner (initially Cede & Co.) of each Bond as of the May 1 or November 1 next preceding each interest payment date (or by other payment means as mutually agreed). If interest is not so paid, it will instead be payable to the person who is the registered Owner as of a “Special Record Date” for the payment of defaulted interest. The Paying Agent will fix the Special Record Date whenever funds become available for payment of the defaulted interest, with notice of the Special Record Date to be mailed to each registered Owner of Bonds at least ten days prior to the Special Record Date. Payments to Beneficial Owners are to be made as described in See APPENDIX E—“DTC BOOK-ENTRY ONLY SYSTEM.”

The Bonds will bear interest from the most recent date to which interest has been paid, or if no interest has been paid, from the date of the Bonds. If any Bond is not paid in accordance with the Bond Ordinance, it will continue to accrue interest at the applicable rate until paid in full.

**Optional Redemption**

The Series 2024A Bonds maturing on or after November 15, 2035 are redeemable at the option of the City on or after November 15, 2034, in whole or in part, on any day, from any Maturity-Rate selected by the City and by lot within a Maturity-Rate, at a redemption price equal to 100% of the principal amount of such Series 2024A Bonds redeemed, plus accrued interest to the redemption date.

The Series 2024B Bonds maturing on or after November 15, 2035 are redeemable at the option of the City on or after November 15, 2034, in whole or in part, on any day, from any Maturity-Rate selected by the City and by lot within a Maturity-Rate, at a redemption price equal to 100% of the principal amount of such Series 2024B Bonds redeemed, plus accrued interest to the redemption date.

**Mandatory Sinking Fund Redemption**

The Series 2024A Bonds maturing November 15, 2049 will be subject to mandatory sinking fund redemption at a redemption price equal to the principal amount of such Series 2024A Bonds redeemed, plus accrued interest to the redemption date on the schedule set forth below:

**Series 2024A Bonds maturing November 15, 2049:**

<i>Redemption Date (November 15)</i>	<i>Principal Amount</i>
2045	\$12,570,000
2046	13,200,000
2047	13,860,000
2048	14,550,000
2049*	15,280,000

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\* Final maturity

The Series 2024A Bonds maturing November 15, 2054 will be subject to mandatory sinking fund redemption at a redemption price equal to the principal amount of such Series 2024A Bonds redeemed, plus accrued interest to the redemption date on the schedule set forth below:

**Series 2024A Bonds maturing November 15, 2054:**

<i>Redemption Date</i> <i>(November 15)</i>	<i>Principal Amount</i>
2050	\$16,040,000
2051	16,885,000
2052	17,770,000
2053	18,705,000
2054*	19,685,000

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\* Final maturity

At least 40 days prior to a redemption date, the Paying Agent is to select by lot for redemption, from the Bonds of the appropriate series and Maturity-Rate, \$5,000 units of those Bonds equal to the total principal amount of Bonds of the appropriate series and Maturity-Rate redeemable on the redemption date, and the Paying Agent is to call those Bonds (or portions of those Bonds) for redemption on the next November 15th.

At the option of the City to be exercised by delivery of a written certificate to the Paying Agent at least 45 days before any mandatory redemption date, the City may (i) deliver to the Paying Agent for cancellation Bonds of the appropriate series and Maturity-Rate (or \$5,000 portions of those Bonds) in an aggregate principal amount desired by the City or (ii) specify a principal amount of Bonds of the appropriate series and Maturity-Rate (or \$5,000 portions) which previously have been redeemed (otherwise than pursuant to the operation of the respective sinking fund) and cancelled by the Paying Agent and not previously applied as a credit against any mandatory redemption obligation. Any Bond of the appropriate series and Maturity-Rate (or portion) so delivered or previously redeemed is to be credited by the Paying Agent at 100% of its principal amount against the amount of Bonds of the appropriate series and Maturity-Rate the City is to redeem on the next succeeding mandatory redemption date and any excess over such amount will be credited against future sinking fund obligations for Bonds of the appropriate series and Maturity-Rate in chronological order, or any other order specified by the City.

**Notice of Prior Redemption**

Notice of any optional or mandatory redemption is to be given by the Paying Agent on behalf of the City. The Paying Agent is to give notice of the call and identify the Bonds to be redeemed by first-class postage prepaid mail not less than 20 nor more than 30 days prior to the redemption date, to the registered address of the registered Owner of each Bond to be redeemed.

Such notice will specify the Bonds to be so redeemed (if less than all of the Bonds of a series are to be redeemed), the redemption price to be paid and the date fixed for redemption; and such notice will further state that, upon satisfaction of any condition to such redemption, on the redemption date there will become and will be due and payable upon each Bond or portion thereof (\$5,000 or any integral multiple thereof) so to be redeemed at the Paying Agent (designated by name) the redemption price, and that from and after such date interest on the Bonds (or portions thereof) called for redemption will cease to accrue. If a notice of redemption will be unconditional, or if the conditions of a conditional notice of redemption will have been satisfied, then, upon notice having been given in the manner hereinabove provided, the Bond or Bonds so called for redemption will become due and payable on the redemption date so designated and upon presentation thereof at the Paying Agent, the City will pay the Bond or Bonds so called for redemption. No further interest will accrue on the principal of any such Bond (or portion thereof) called for redemption from and after the redemption date, provided sufficient funds are on deposit with the Paying Agent on the redemption date.

## **Selection of Bonds for Redemption**

In the event that less than all of the Outstanding Bonds of a series shall be optionally redeemed, the Bonds of such series shall be redeemed from any Series and Maturity-Rate specified by the City. If less than all of the Bonds of a single series and Maturity-Rate are to be redeemed, they shall be selected by lot within a such Maturity-Rate in such manner as the Paying Agent may determine.

## **COLORADO SPRINGS UTILITIES**

### **Nature of the Utilities**

Colorado Springs Utilities, created by the home rule charter of the City (the “Charter”), consists of a water system (the “Water System”), an electric system (the “Electric System”), a gas system (the “Gas System”), a wastewater system (the “Wastewater System”), a streetlight system (the “Streetlight System”), and other systems designated in accordance with the Charter (collectively, the “System”). The Utilities is wholly owned by the City and constitutes an enterprise under certain Colorado Constitution and Charter provisions described below under “—Tax and Spending Limits.” The Utilities operates primarily through a functional structure with areas responsible for operations, planning, finance, customer service, and additional support services with the goal of delivering electric, gas, water, wastewater and streetlight services effectively and efficiently.

The service areas of the System include the City, Manitou Springs, portions of the City of Fountain, and some of the suburban residential areas surrounding the City. The military installations of Fort Carson, Peterson, the Academy, and Cheyenne Mountain Space Force Base receive water and electric service and gas supply and transportation from the System, and Peterson and Cheyenne Mountain Space Force Base also receive wastewater treatment service from the System.

The City is the sole customer of the Streetlight System.

The following table summarizes information concerning operating revenues, operating income (loss) and gross book value of plant for the electric, gas, water, wastewater, and streetlight operations of the Utilities for the fiscal year ended December 31, 2023.

## 2023 Summary of Business Segments

	<u>Operating Revenues</u>		<u>Operating Expenses</u>		<u>Operating</u>	<u>Utilities Plant</u>	
	<u>(\$000)</u>	<u>% of Total</u>	<u>(\$000)</u>	<u>% of Total</u>	<u>Income (Loss)</u>	<u>Gross Book Value<sup>(1)</sup></u>	
					<u>(\$000)</u>	<u>(\$000)</u>	<u>% of Total</u>
Electric	\$ 515,472	50.4%	\$ 440,183	50.5%	\$ 75,289	\$ 2,979,751	38.8%
Gas <sup>(2)</sup>	220,686	21.5	184,122	21.2	36,564	574,415	7.5
Water <sup>(3)</sup>	209,408	20.4	179,857	20.6	29,551	2,978,717	38.8
Wastewater	74,763	7.3	61,994	7.1	12,769	1,081,871	14.1
Streetlight	4,401	0.4	5,606	0.6	(1,205)	58,946	0.8
Total	\$1,024,730	100.0%	\$ 871,762	100.0%	\$ 152,968	\$ 7,673,700	100.0%
Less: Interdepartmental Sales	(19,022)		(19,022)		-		
Net Total	\$1,005,708		\$ 852,740		\$152,968		

<sup>(1)</sup> Total Net Utilities Plant (excluding water component units) is \$4,553,545,581. This amount represents \$7,304,397,605 in Gross Utilities Plant plus \$369,301,885 in Construction Work in Progress shown above, less Accumulated Depreciation and Amortization of \$3,120,153,909. See Note 6 in the 2023 Audited Financial Statements attached hereto as Appendix A.

<sup>(2)</sup> The gas information excludes amounts attributable to the Public Authority for Colorado Energy (PACE) described in Note 19 in the 2023 Audited Financial Statements. For a description of PACE see page 58 in the 2023 Audited Financial Statements attached hereto as Appendix A.

<sup>(3)</sup> The water information excludes amounts attributable to the water component units described in Note 19 in the 2023 Audited Financial Statements. For descriptions of the component units see page 62 in the 2023 Audited Financial Statements attached hereto as Appendix A.

### Surplus Payments

The Charter provides that the funds of the Utilities are to be kept separate from all other funds of the City and that the net earnings of the Utilities are to be appropriated for the necessary requirements of the Utilities. The Charter also provides that any surplus remaining after meeting the necessary requirements of the Utilities may be appropriated to the general revenues of the City by the City Council in its annual budget and appropriation ordinance. Pursuant to this authority, the City Council has appropriated annually to the City's general fund certain amounts, denoted as surplus payments. These payments are calculated at a fixed rate per kWh of electricity and a fixed rate per Mcf at 14.65 p.s.i.a. of natural gas applied to all inside City sales volumes, without exclusion for interdepartmental sales. Total surplus payments made by the Utilities to the City amounted to \$37,250,499 in 2021, \$37,278,636 in 2022, and \$35,298,019 in 2023.

In May 2018, the City Council passed a resolution instructing the Utilities to implement a water surplus rate sufficient to pay 25% of the City's annual water budget for irrigating City-owned parks in 2019, and 50% from 2020 through 2025. Amounts generated by this surplus rate are required to be transferred to the City's general fund on a monthly basis. The Utilities transferred approximately \$2.2 million to the City's general fund in 2023.

### City Governance

The City is governed by a mayor-council form of governance. Under this form of governance, the Mayor appoints all department directors except for the City Auditor, the City Council Administrator, and the Utilities Executive Director (the "Chief Executive Officer"), who are appointed by the City Council. The Mayor serves as an ex-officio and non-voting member of the Board of Directors of the Utilities (the "Utilities Board"), participates in such meetings and attends Executive Sessions of the Utilities Board.

The City Council has all rate making authority for the Utilities, and the Mayor does not have any veto authority over rate decisions.

### Management and Operation of the Utilities

The Chief Executive Officer has authority over the management, finances and operation of the Utilities. The City Council, through its role as the Utilities Board, governs the management and operations of

the Utilities through established written policies. The members of the Utilities Board, their occupations, and the dates their current terms expire are as follows:

<i>Member</i>	<i>Occupation</i>	<i>Expiration of Current Term</i>
Dave Donelson (Chair)	U.S. Air Force, Retired	April 2025
Yolanda Avila (Vice Chair)	Retired Criminal Defense Investigator/Community Leader	April 2025
Mike O'Malley	Consultant	April 2025
Lynette Crow-Iverson	Consultant	April 2027
Randy Helms	U.S. Air Force Retired	April 2025
Nancy Henjum	Consultant	April 2025
David Leinweber	Specialty Outdoor Retailer and Outfitter	April 2027
Brian Risley	Architect	April 2027
Michelle Talarico	Co-Owner and Founder Picnic Basket Catering Collective	April 2027

The Utilities Policy Advisory Committee (“UPAC”) is comprised of seven regular members appointed by the Utilities Board. The Utilities Board directs UPAC to study specific issues or policies and provide recommendations to the Utilities Board. The present members of UPAC and the dates their current terms expire are as follows:

Member	Expiration of Current Term
Larry Barrett (Chair)	September 2026
Hilary Dussing (Vice Chair)	September 2025
Gary Burghart	September 2026
Michael Borden	September 2024
Katherine Danner	September 2024
Scott Smith	September 2026
David Watson	September 2024

### **Key Management Staff**

Travas Deal is the Chief Executive Officer of the Utilities and Tristan Gearhart is the Chief Planning and Finance Officer of the Utilities. Brief biographies for Mr. Deal and Mr. Gearhart follow:

***Travas Deal, Chief Executive Officer.*** Travas Deal was named CEO of Colorado Springs Utilities on February 27, 2023. Prior to this appointment, Mr. Deal served as the Utilities’ acting CEO. He was named Chief Operations Officer in April 2020 and was responsible for the safe and reliable operations of the utility’s four services – electric, natural gas, water and wastewater. Prior to joining the Utilities in 2017 as a Field Services Manager, he worked at Duke Energy in the transportation industry and served as a U.S. Marine for a decade. Mr. Deal has a Bachelor of Science degree in Organizational Management from Oakland City University.

***Tristan Gearhart, Chief Planning and Finance Officer.*** Tristan Gearhart was appointed Chief Planning and Finance Officer on September 7, 2021. Mr. Gearhart has been with the Utilities for 15 years. In that time, he has held positions of Lead Analyst, Principal Operations Analyst, Accounting Manager, Financial Planning and Risk Manager, Fuel and Purchase Power Manager, and Acting General Manager of Financial Services. Prior to joining the Utilities, Mr. Gearhart worked as a financial analyst for Honeywell Technology Solutions, Inc. and as an accountant for DLMG Accountants and Advisors. Mr. Gearhart holds a Bachelor of Science degree in Accounting from the University of Colorado, and is a Colorado licensed Certified Public Accountant.

## **Employees**

As of December 31, 2023, the Utilities employed 1,960 active employees. The Utilities is a non-union organization. The Utilities management believes that relations with its employees are satisfactory.

## **Retirement Plans**

The Utilities is a member of and contributes to the Local Government Division Trust Fund (“LGDTF”) of the Public Employees’ Retirement Association of Colorado (“PERA”), a multi-employer defined benefit plan. During 2021, 2022 and 2023 the Utilities contributed \$23,285,313, \$25,458,560 and \$28,015,639 respectively, to the PERA plan, which was equal to the Utilities’ annual required contribution for each of those years. The Utilities has budgeted to contribute \$30,643,589 in 2024 to the PERA plan. The rates for employer and employee contributions to PERA are established under State statutes and the Utilities believes its contribution in 2023 complied with such statutes. The Utilities’ contribution rate may fluctuate in accordance with the funded (or unfunded) status of the plan. The employee contribution rate was 8.5% for the period of January 1, 2021 to June 30, 2022. Effective July 1, 2022 the employee contribution rate is 9.0% and the statutory employer contribution rate is 11.0% of covered salary for plan members. The total contribution rate for the Utilities is 14.7% of covered salary which includes 1.02% apportioned to the Health Care Trust Fund, discussed below under “Postemployment Health Care Plan.”

The Utilities is required to report its proportionate share of the total PERA net pension liability (“NPL”) in its financial statements. The Utilities’ proportionate share of the NPL as of December 31, 2023 was \$229.4 million, based on the PERA NPL measurement date of December 31, 2022. PERA reports the NPL annually, measured by an actuarial valuation, in PERA’s Annual Comprehensive Financial Report (“ACFR”). PERA reports employer allocation percentages annually in the LGDTF Schedule of Employer Allocations. The NPL represents the present value of projected benefit payments to be provided through the pension plan, less the amount of the plan’s fiduciary net position, and will be funded through both employee and employer contributions. These amounts are based on the actuarial and other assumptions described in the ACFR, including an assumed investment rate of return of 7.25% per year. The LGDTF plan fiduciary net position as a percentage of the total pension liability was 88.03% as of December 31, 2023, as disclosed by PERA as Required Supplementary Information (“RSI”) in the ACFR.

PERA discloses the difference between the amount of contributions recognized by the pension plan and the actuarially determined contribution (“ADC”), as a benchmark to gauge the adequacy of the State’s statutory required contribution rate, as RSI in the ACFR. An ADC deficiency arises when actual contributions are less than the ADC. The ADC is calculated using the investment rate of return and discount rate assumptions according to the PERA Board’s funding policy. In 2023, the LGDTF had an ADC excess of \$35.5 million and a cumulative excess of \$31.1 million between 2014 and 2023. The Utilities’ actual annual contributions are limited to the rates established by the State Legislature described above.

The Utilities is currently required to contribute an amortization equalization disbursement of 2.2% of the employer’s total payroll and a supplemental amortization equalization disbursement of 1.5% of the employer’s total payroll, which is included in the total contribution rate of 14.7% of covered salary. The additional funding requirements are included in the Utilities total contribution amounts denoted above. The amortization equalization disbursement and the supplemental amortization equalization disbursement will remain at that level until adjusted in accordance with Colorado law. Effective January 1, 2011, decreases by 0.5% for each disbursement are mandated when the LGDTF’s year-end funded status reaches 103.0%, and increases by 0.5% for each disbursement are mandated when the LGDTF funded status reaches 90.0% and subsequently falls below 90.0%.

The supplemental amortization equalization disbursement is to be financed from monies intended for employee salary increases, to the extent permitted by law.

For additional information about PERA and the LGDTF, see Note 13 to the 2023 Audited Financial Statements and Required Supplementary Information included in Appendix A to this Official Statement. Copies of the ACFR can be obtained from PERA at [www.copera.org](http://www.copera.org) or by writing to PERA at 1301 Pennsylvania Street, Denver, Colorado 80203. Investors are advised to review the ACFR to obtain information about the funding status of the LGDTF and the assumptions used to calculate such funding status.

In 2018, Senate Bill 18-200 was adopted by the Colorado Legislature and signed into law by the Governor. The stated goal of this bill was to restore PERA to full funding within 30 years. Among other things, this bill increased the employee contribution rates, increased the employer contribution rates (though not for the LGDTF), changed eligibility requirements, capped the annual increase for both current employees and retirees, and directed an annual allocation from the State budget of \$225 million starting July 1, 2018 to be used to pay down PERA's unfunded liability.

On May 20, 2019, House Bill 19-1217 was signed into law by the Governor. This bill repeals the contribution increases for members in the LGDTF as mandated under Senate Bill 18-200. The LGDTF was scheduled to reach full funding in 15 years.

### **Postemployment Health Care Plan**

The Utilities contributes to the Health Care Trust Fund ("HCTF"), a cost-sharing, multiple-employer postemployment health care plan administered by PERA. The HCTF provides a health care premium subsidy to PERA participating benefit recipients and their eligible beneficiaries. The Utilities is required to contribute at a rate of 1.02% of covered salary for all PERA members. This amount is included in the total contribution rate of 14.7% of covered salary discussed above under "Retirement Plans." No employee contributions are required. The Utilities' contributions to the HCTF for the years ended December 31, 2021, 2022 and 2023 were \$1,799,320, \$1,928,559 and \$2,079,764 respectively, equal to the required contributions for each year.

In 2018, the Utilities adopted Government Accounting Standards Board ("GASB") Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions ("GASB 75"). See the Required Supplementary Information in the 2023 Audited Financial Statements attached as Appendix A to this Official Statement. GASB 75 significantly changes accounting and financial reporting for Postemployment Benefits Other Than Pensions ("OPEB") by separating OPEB accounting methodologies from OPEB funding methodologies. Among other requirements, the Utilities is required to report its proportionate share of the total PERA net OPEB liability ("NOL") in its financial statements. The Utilities' proportionate share of the NOL as of December 31, 2023 was \$15.0 million, based on the PERA NOL measurement date of December 31, 2022. PERA reports the NOL annually, measured by an actuarial valuation, in the ACFR. PERA reports employer allocation percentages annually in the HCTF Schedule of Employer Allocations. The NOL represents the present value of projected benefit payments to be provided through the OPEB plan, less the amount of the plan's fiduciary net position, and will be funded through both employee and employer contributions. These amounts are based on the actuarial and other assumptions described in the ACFR, including an assumed investment rate of return of 7.25% per year. The plan fiduciary net position as a percentage of the total OPEB liability was 46.16% as of December 31, 2023, as disclosed by PERA as RSI in the ACFR.

In 2017, PERA adopted GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans ("GASB 74"). The guidance under GASB 74 established a shift from a funding-based approach to an accounting-based approach with the intent of promoting consistency and increased transparency of the OPEB liability. The annual required contribution ("ARC") was replaced with the plan-specific ADC benchmark to gauge the adequacy of the State's statutory contribution rates. GASB 74 requires the disclosure of the amount of contributions recognized by the OPEB plan, the ADC amount, and the difference between these two amounts as RSI. An ADC deficiency arises when actual contributions are less than the ADC. The ADC is calculated using the investment rate of return and discount rate assumptions according to the PERA Board's funding policy. In 2023, the HCTF had an ADC excess of \$35.1 million and a

cumulative excess of \$33.5 million between 2014 and 2023. The Utilities' actual annual contributions are limited to the rates established by the State Legislature described above.

For additional information about the HCTF see Note 15 to the 2023 Audited Financial Statements and Required Supplementary Information included in Appendix A to this Official Statement. A copy of PERA's report can be obtained from PERA at [www.copera.org](http://www.copera.org) or by writing to PERA at 1301 Pennsylvania Street, Denver, Colorado 80203. Investors are advised to review PERA's report to obtain information about the funding status of the HCTF and the assumptions used to calculate such funding status.

In accordance with the City Code, the Utilities also offers a health care plan for retirees ("Single Employer Plan"). Employees eligible to retire prior to January 1, 1979 receive this health care plan without costs to the employee (full coverage) and those eligible to retire after January 1, 1979 and hired prior to August 1, 1988 receive a limited contribution (partial coverage) from the Utilities not to exceed \$91.40 per month. The Single Employer Plan also provides a subsidy of life insurance premiums of \$0.13/\$1,000 for life insurance amounts up to \$9,000/year per member, depending on employee type, to those who have retired prior to January 1, 2013. Employees retiring after January 1, 2013 are no longer eligible to receive the life insurance benefits. During 2023, the Utilities made \$1,088,025 in contributions to the plan.

In 2018, GASB 75 was adopted for the Single Employer Plan. See the Required Supplementary Information in the 2023 Audited Financial Statements attached as Appendix A to this Official Statement. As of December 31, 2023 the Utilities' total OPEB liability for the Single Employer Plan was \$13.3 million. There are no assets accumulated in a qualified OPEB trust for the Single Employer Plan. For more information, see Note 15 to the 2023 Audited Financial Statements included in Appendix A to this Official Statement.

### **Summary of Operations**

The following summary of operations was derived from the audited financial statements of the Utilities for fiscal years ended December 31, 2019 to 2023 (not taking into account water component units such as joint water authorities). For water component unit information, see Notes 1 and 19 to the 2023 Audited Financial Statements included in Appendix A to this Official Statement.

Information presented for the six-month periods ended June 30, 2023 and June 30, 2024 was derived from the Utilities' internally prepared financial statements. Such financial statements are unaudited, but, in the opinion of management of the Utilities, reflect all adjustments (none of which was other than a normal recurring adjustment (accrual) necessary for a fair presentation of the results of operations for such interim periods). The results of operations for an interim period should not be considered indicative of the results for a full fiscal year.

The Utilities uses the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when the related liabilities are incurred. All assets and liabilities for these funds are included on the balance sheet with this measurement focus. Net position is segregated into net investment in capital assets, restricted, and unrestricted.

## SUMMARY OF OPERATIONS

	<i>Year ended December 31</i>					<i>Six Months ended June 30</i>	
	<i>2019</i>	<i>2020</i>	<i>2021</i>	<i>2022 (restated)<sup>(8)</sup></i>	<i>2023</i>	<i>2023</i>	<i>2024</i>
Operating Revenues <sup>(1)</sup>	\$ 893,025,647	\$ 884,352,022	\$ 1,065,753,637	\$ 1,234,497,176	\$ 1,005,708,204	\$ 529,890,511	\$ 487,433,069
Operating and Other Expenses:							
Operating Expenses: <sup>(1)</sup>							
Production and Treatment	\$ 140,112,121	\$ 121,259,315	\$ 166,665,018	\$ 204,341,645 <sup>(2)</sup>	\$ 155,618,836 <sup>(9)</sup>	\$ 73,647,256	\$ 61,512,811
Purchased Power, Gas and Water for Resale	120,625,568	118,743,474	328,661,577 <sup>(3)</sup>	286,021,186 <sup>(4)</sup>	217,770,473	121,362,735	94,687,043
Transmission and Distribution	47,059,853	45,724,916	48,710,008	51,555,205	53,091,450	24,967,655	27,457,103
Maintenance	64,197,266	61,587,557	73,089,089	64,528,833	69,318,741	35,605,038	42,143,886
Administration and General	62,586,544 <sup>(5)</sup>	104,466,289	108,244,282	56,591,058 <sup>(5)</sup>	135,206,853	71,551,348	85,225,992
Customer Service and Information	15,214,168	12,861,042	11,870,698	12,605,167	8,785,834	3,222,337	2,964,015
Customer Accounting and Collection	20,154,925	22,625,033	22,625,033	27,970,913	30,675,095	15,114,442	16,091,442
Products and Services	94	53	--	--	--	--	--
Franchise Taxes	331,406	309,891	346,440	390,644	356,506	209,851	203,718
Depreciation and Amortization	160,154,609	161,258,001	163,747,902	168,234,808	181,916,595	60,803,823	93,419,324
Total Operating Expenses	<u>\$ 630,436,554</u>	<u>\$ 648,835,571</u>	<u>\$ 925,538,263</u>	<u>\$ 872,239,459</u>	<u>\$ 852,740,383</u>	<u>\$ 406,484,485</u>	<u>\$ 423,705,334</u>
Operating Income	\$ 262,589,093	\$ 235,516,451	\$ 140,215,374 <sup>(7)</sup>	\$ 362,257,717	\$ 152,967,641	\$ 123,406,026	\$ 63,727,735
Non-Operating Revenues (Expenses)							
Derivatives Instruments Gain/Loss	\$ (11,364,782)	\$ (13,615,418)	\$ 18,733,978	\$ 38,779,384	\$ 2,009,341	\$ 2,243,421	\$ 6,601,964
Investment Income	10,230,631	5,917,121	1,253,655	7,135,364	29,455,180	11,347,539	11,097,012
Other Revenues <sup>(6)</sup>	12,629,940	12,012,474	8,958,101	8,991,207	11,532,192	5,062,483	9,897,448
Other Expenses	(14,191,395)	(28,268,900)	(7,682,992)	(5,286,853)	(12,261,032)	(3,931,663)	(1,865,425)
Interest Expense	(97,991,582)	(96,999,149)	(84,448,428)	(90,307,381)	(91,099,245)	(44,377,754)	(46,249,649)
Total Non-Operating Revenues (Expense)	<u>\$ (100,687,188)</u>	<u>\$ (120,953,872)</u>	<u>\$ (63,185,686)</u>	<u>\$ (40,688,279)</u>	<u>\$ (60,363,564)</u>	<u>\$ (29,655,974)</u>	<u>\$ (20,518,650)</u>
Income (Loss) before Contributions, Transfers, and Extraordinary Items	\$ 161,901,905	\$ 114,562,579	\$ 77,029,688	\$ 321,569,438	\$ 92,604,077	\$ 93,750,052	\$ 43,209,085
Contributions in Aid of Construction	64,939,857	73,222,380	68,073,168	69,411,116	52,930,987	27,008,278	32,910,950
Transfers Out – Surplus Payments to the City	(34,015,348)	(35,153,778)	(37,250,499)	(37,278,636)	(35,298,019)	(18,032,656)	(17,707,719)
Transfers – Other	(2,334,072)	(330,769)	(170,896)	(112,048)	(613)	(613)	--
Special Item – Asset Impairment <sup>(7)</sup>	--	(228,095,915)	--	(3,750,180)	(1,330,497)	--	--
Change in Net Position	<u>\$ 191,992,342</u>	<u>\$ (75,795,503)</u>	<u>\$ 107,681,461</u>	<u>\$ 349,839,690</u>	<u>\$ 108,905,935</u>	<u>\$ 102,725,061</u>	<u>\$ 58,412,316</u>
Total Net Position, January 1 <sup>(8)</sup>	<u>\$1,844,468,351</u>	<u>\$ 2,034,960,693</u>	<u>\$ 1,959,165,190</u>	<u>\$ 2,066,846,651</u>	<u>\$ 2,416,686,341</u>	<u>\$ 2,416,686,341</u>	<u>\$ 2,525,592,276</u>
Total Net Position, December 31	<u>\$2,034,960,693</u>	<u>\$ 1,959,165,190</u>	<u>\$ 2,066,846,651</u>	<u>\$ 2,416,686,341</u>	<u>\$ 2,525,592,276</u>	<u>\$ 2,519,411,402</u>	<u>\$ 2,584,004,592</u>

<sup>(1)</sup> Operating Revenues and Operating Expenses are shown net of interdepartmental sales transactions.

<sup>(2)</sup> Increase in Production and Treatment Costs in 2021-2022 is primarily attributable to the increase in Electric Fuel Costs.

<sup>(3)</sup> Increase in Purchased Power, Gas and Water for Resale and resulting decrease in Operating Income due primarily to a weather event in February 2021. See "INVESTMENT CONSIDERATIONS - Risks Related to Spikes in System Expenses Caused by Extreme Weather and Other Events."

<sup>(4)</sup> Sustained Increase in Purchased Power, Gas and Water for Resale and resulting decrease in Operating Income due primarily to high market prices for commodities persisting for much of 2022.

<sup>(5)</sup> Decrease in Administration and General expense from \$155,732,069 in 2018 to the amount shown in 2019 and 2021-2022 is primarily attributable to decrease in employee Pension and Benefit expenses in 2018 and 2021, respectively. In accordance with GASB 68, credits of \$59,289,853 in 2019 and \$78,835,763 in 2022 were recognized.

<sup>(6)</sup> Includes interest/dividend income, Mark to Market on Derivatives, and Build America Bond ("BABs") subsidy accruals. Accounting accruals for BABs subsidies: 2019 - \$7,944,439; 2020 - 6,720,778; 2021 - \$4,527,388; 2022 - 4,439,216.69; 2023 - \$4,380,326

<sup>(7)</sup> In 2016, Drake Unit 5 was decommissioned. In 2020 as a result of the Utilities Board's decision to decommission Drake, Nixon 1 and Birdsall, Utilities determined the assets related to the decommissioning power plants were impaired as of December 31, 2020 and recorded a loss as a Special item on the Statements of Revenues, Expenses and Changes in Net Position. In November 2020, Utilities took over Cascade Metropolitan District No. 1's water system. Utilities recorded the Cascade Water System assets at net book value as a Special item on the Statements of Revenues, Expenses and Changes in Net Position in accordance with GASB Statement No. 69, Government Combinations and Disposals of Government Operations. In 2022, Drake Units 6 and 7 were decommissioned and Utilities determined the assets were impaired and recorded the \$3.8 million loss as a Special item on the Statements of Revenue, Expenses and Changes in Net position. Drake was permanently shut down on September 1, 2022. In 2023, the Utilities Board approved an update to the Integrated Resource Plan, which calls for the retirement of Birdsall no later than 2027. As a result of the change in Birdsall decommission dates, a loss of \$1.3 million was recorded in 2023 as a Special Item on the Statements of Revenue, Expenses and Change in Net Position.

<sup>(8)</sup> 2022 financial statements restated due to implementation of GASB 96. For more information on the impacts of GASB 96, see note 21 in the 2023 Audited Financial Statements, attached hereto as Appendix A.

<sup>(9)</sup> Decrease in Production and Treatment Costs in 2023 is primarily due to decreases in fuel costs.

Pursuant to GASB 34, the 2023 Audited Financial Statements attached as Appendix A to this Official Statement include a management discussion and analysis for the fiscal year ended December 31, 2023.

For the six-month period ended June 30, 2024, the Total Net Position was \$2.58 billion, an increase of \$64.6 million from the six-month period ended June 30, 2023. For the six-month period ended June 30, 2024, Operating Revenues decreased by \$42.5 million from the six-month period ended June 30, 2023, primarily driven by routine decreases to gas cost adjustment rates in 2024. Operating Expenses increased by \$17.2 million for the six-month period ended June 30, 2024 as compared to the six-month period ended June 30, 2023, due primarily to increases in Depreciation and Amortization of \$32.6 million and Administration and General of \$13.7 million, which were partially offset by decreases in Production and Treatment of \$12.1 million and Purchased, Power, Gas and Water for Resale of \$26.7 million.

For the six-month period ended June 30, 2024, Total Non-Operating expense decreased by \$9.1 million compared to the six-month period ended June 30, 2023. A Derivatives Instrument fair value gain of \$6.6 million was recognized for the six-month period ended June 30, 2024 as compared to \$2.2 million of derivative investment gain recognized as of June 30, 2023. The change in fair value of Derivative Instruments is a non-cash item recognized due to market conditions during the period.

### **Financial Statements**

The Utilities' Statements of Net Position for the periods ended December 31, 2019 through December 31, 2023, Statements of Revenues, Expenses and Changes in Net Position and Statements of Cash Flows for the years ended December 31, 2019 through December 31, 2023 have been audited by Baker Tilly US, LLP, the Utilities' independent certified public accountants. The 2023 Audited Financial Statements and the report of the independent certified public accountants as of and for the years ended December 31, 2022 and 2023 are included as Appendix A to this Official Statement.

### **Outstanding Utilities Revenue Bonds and Other Obligations**

**Parity Bonds.** Upon issuance of the Bonds, \$2,520,755,124 in aggregate principal of Parity Bonds (including the Bonds and excluding the Refunded Bonds) will be outstanding which have a parity lien on the Net Pledged Revenues. The City is prohibited from issuing additional bonds with a lien on the Net Pledged Revenues which is superior to the Parity Bonds (including the Bonds).

**Variable Rate Debt.** The City currently has \$321,600,000 of outstanding variable rate Parity Bonds, or 12.76% of its total outstanding debt, which is hedged. The Utilities has no outstanding debt in a variable rate structure which was not hedged.

**Revolving Loan Agreement.** The City has entered into a \$75.0 million Revolving Loan Agreement with U.S. Bank National Association, that currently expires on September 8, 2025 (the "Revolving Loan Agreement"). The City may receive advances up to the maximum amount of the Revolving Loan Agreement in order to fund the Utilities' operating needs and normal expenditures including, without limitation, regularly scheduled capital expenses. The City's repayment obligations under the Revolving Loan Agreement are limited to the Net Pledged Revenues on a subordinate basis to the Parity Bonds and certain related obligations. No amount is currently outstanding under the Revolving Loan Agreement.

**Potential Additional Credit Facilities.** From time to time, the Utilities may be asked to deliver letters of credit, other credit facilities, or other forms of financial support for the construction of private or public infrastructure which benefits the users of the System and/or the operational needs of the Utilities. No such credit facilities have been delivered by the Utilities to date. The size, duration, and other details relating to any credit facilities which may be delivered by the Utilities in the future are not known at this time.

## Liquidity/Support Facilities

The City has the following outstanding Parity Bonds which are supported by Support Facilities. These Support Facilities are listed in the table below.

### Support Facilities

<i>Name of Support Facility Provider</i>	<i>Series of Bonds</i>	<i>Total Outstanding Amount of Associated Bonds</i>	<i>Ratings of Provider<sup>(1)</sup></i>	<i>Stated Expiration Date(s) of Support Facility(ies)</i>
Bank of America, N.A.	2005A	\$ 63,220,000	P-1/A-1/F1+	09/13/2029
Barclays Bank PLC	2006B, 2010C	86,590,000 <sup>(2)</sup>	P-1/A-1/F1	09/11/2026; 09/12/2025
Sumitomo Mitsui Banking Corporation	2009C	54,025,000	P-1/A-1/F1	09/15/2027
TD Bank, N.A.	2007A	47,900,000	P-1/A-1+/F1+	08/30/2028
U.S. Bank National Association	2008A, 2012A	69,865,000 <sup>(3)</sup>	P-1 /A-1/F1	09/10/2025; 09/10/2027

<sup>(1)</sup> Short-term ratings by Moody's Investors Service Inc. ("Moody's"), S&P Global Ratings, a division of Standard and Poor's Financial Services LLC ("S&P"), and Fitch Ratings, respectively.

<sup>(2)</sup> \$51,325,000 associated with the 2006B Bonds and \$35,265,000 associated with the 2010C Bonds.

<sup>(3)</sup> \$33,135,000 associated with the 2008A Bonds and \$36,730,000 associated with the 2012A Bonds.

For a description of some of the risks in connection with these Support Facilities, see "INVESTMENT CONSIDERATIONS—Risks Regarding Liquidity Facilities."

The obligation of the City to make payments under any of the Support Facilities for the Parity Bonds discussed above is secured by a lien on the Net Pledged Revenues which is on parity with the lien thereon of the Parity Bonds (including the Bonds).

## Interest Rate Swap Agreements

**Summary of Current Interest Rate Swap Agreements.** The table below displays the various interest rate swap agreements that the City currently has outstanding on behalf of the Utilities.

### Interest Rate Swap Agreements

<i>Name of Swap</i>	<i>Counterparty</i>	<i>Counterparty Rating</i>	<i>Notional Amount</i>	<i>Fixed Rate Payable by the City</i>	<i>Variable Rate Payable to the City</i>	<i>Associated Bond Issue</i>	<i>Effective Date</i>	<i>Termination Date</i>	<i>Mark-to-Market Value as of 12/31/2023<sup>(2)</sup></i>	<i>Mark-to-Market Value as of 06/30/2024<sup>(2)</sup></i>
2005 SIFMA Swap	Bank of America, N.A.	Aa1/A+/AA	\$47,737,500	4.7099%	SIFMA	2005A	09/15/05	11/1/35	\$(5,651,698)	\$(4,043,640)
2005 SIFMA Swap	J. Aron & Co.	A2/BBB+/A <sup>(1)</sup>	15,912,500	4.7099	SIFMA	2005A	09/15/05	11/1/35	(1,883,899)	(1,347,880)
2006 New Money SOFR Swap	Morgan Stanley Capital Group Inc.	A1/A-/A+ <sup>(1)</sup>	30,795,000	4.1185	68% of SOFR <sup>(3)</sup>	2006B	09/14/06	11/1/36	(3,340,952)	(2,442,036)
2006 New Money SOFR Swap	JP Morgan Chase Bank	Aa1/A+/AA	20,530,000	4.1185	68% of SOFR <sup>(3)</sup>	2006B	09/14/06	11/1/36	(2,227,301)	(1,628,024)
2007 New Money SOFR Swap	J. Aron & Co.	A2/BBB+/A <sup>(1)</sup>	28,740,000	3.1980	68% of SOFR <sup>(3)</sup>	2007A	09/13/07	11/1/37	(1,473,913)	(757,976)
2007 New Money SOFR Swap	Morgan Stanley Capital Group Inc.	A1/A-/A+ <sup>(1)</sup>	19,160,000	3.1980	68% of SOFR <sup>(3)</sup>	2007A	09/13/07	11/1/37	(982,609)	(505,317)
2008 SIFMA Swap	Bank of America, N.A.	Aa1/A+/AA	33,135,000	4.2686	SIFMA	2008A	09/12/08	11/1/38	(3,592,325)	(2,380,293)
2009 SOFR Swap	Wells Fargo Bank, N.A.	Aa1/A+/AA-	54,025,000	5.4750	68% of SOFR <sup>(3)</sup>	2009C	10/01/09	11/1/28	(6,809,133)	(5,228,962)
2010 SOFR Swap	Morgan Stanley Capital Group Inc.	A1/A-/A+ <sup>(1)</sup>	35,265,000	3.8807	68% of SOFR <sup>(3)</sup>	2010C	10/26/10	11/1/40	(4,100,382)	(2,935,793)
2012 SOFR Swap	Morgan Stanley Capital Group Inc	A1/A-/A+ <sup>(1)</sup>	36,730,000	4.0242	68% of SOFR <sup>(3)</sup>	2012A	03/15/12	11/1/41	(4,936,593)	(3,641,677)

<sup>(1)</sup> Ratings at 06/30/2024 of the respective parent companies by Moody's, S&P and Fitch, respectively.

<sup>(2)</sup> Source: Stifel Interest Rate Products, LLC, a third party valuation service provider. The mark-to-market values shown on this table generally represent the difference between the present value of the fixed rate payments to be made by the City and the present value of the variable rate payments to be made by the applicable swap counterparty, as of the date noted, excluding accrued interest. When the present value of the payments to be made by the City exceeds the present value of the payments to be made by the applicable counterparty, the applicable swap agreement has a negative Mark-to-market value to the City. When the present value of the payments to be made by the applicable counterparty exceeds the present value of the payment to be made by the City, the applicable swap agreement has a positive Mark-to-market value to the City. If at the time of termination the applicable swap agreement has a negative Mark-to-market value to the City, the City would be liable to the counterparty for a payment equal to such value. None of the counterparties has the right to terminate the applicable swap agreement unless the City is in default in its obligations under the swap agreement. The Mark-to-market values are shown for informational purposes only and, unless the applicable swap agreement is terminated, do not impact the financial condition of the Utilities.

<sup>(3)</sup> Variable rate payable to City was originally 68% of LIBOR. In December 2021, the Utilities adhered to the ISDA IBOR Fallback Protocol. Effective June 30, 2023, the variable rate payable to the City is 68% of Fallback SOFR provided in the ISDA IBOR Fallback Protocol.

***Risks Associated with Collateral Posting.*** The swap agreements discussed above have provisions relating to collateral posting by each party. Collateral postings are required to protect either party from risk of default on the financial derivatives used in the hedging transaction. As the mark-to-market value of the financial derivative changes according to market conditions, the party incurring a “negative” mark-to-market position on the financial instrument will be required to post collateral as the negative value reaches predefined thresholds. Specifically, the Utilities may be obligated to post collateral with the applicable counterparty if the market value of an agreement decreases according to market conditions. Conversely, as the market value of an agreement increases, the mark-to-market value favors the Utilities and the Utilities may require the counterparty to post collateral. If an agreement is terminated prior to its stated expiration date due to default, any collateral posted by a party would be retained by the other party. As of December 31, 2023 and June 30, 2024, the Utilities had not posted any collateral with the various counterparties to the interest rate swap agreements discussed above.

From time to time, the Utilities enters into natural gas hedge agreements using physically delivered forward transactions. For a discussion of the Utilities’ gas hedge program, see “—Gas Price Hedge Program” below.

***Priority of Interest Rate Swap Payment Obligations.*** The obligation of the City to make payments under any of the interest rate swap agreements discussed above, other than termination payments, is secured by a lien on the Net Pledged Revenues which is on parity with the lien thereon of the Parity Bonds (including the Bonds). The obligation of the City to make any termination payments under any of the interest rate swap agreements discussed above is payable from surplus revenues remaining after payment on Parity Bonds (including the Bonds) and subordinate lien bonds.

***Debt Service Reserve Surety Providers.*** The Bonds and a portion of the outstanding Parity Bonds are secured by reserve funds that have been funded with debt service reserve surety policies provided by BAM, Assured Guaranty Municipal Corp. (“AGMC”) (as successor to Financial Security Assurance Inc.), and National Public Finance Guarantee Corporation (“NPFGC”) (as successor to MBIA Insurance Corporation) in lieu of cash deposits. Each series of Parity Bonds is secured by its own reserve fund. The total face amount of the reserve fund surety policies provided by BAM is \$51,228,067 (including the policy to be provided with respect to the Bonds), the total face amount of the reserve fund surety policies provided by AGMC is \$18,412,450, and the total face amount of reserve fund surety policies provided by NPFGC is \$1,532,434. In the event that there are insufficient Net Pledged Revenues available to pay the debt service on the Parity Bonds which are secured by such surety policies, it may become necessary for the City to draw upon its surety policies in order to make a portion of such debt service payments. In the event that BAM, AGMC or NPFGC fails to honor such a draw, the Bonds could be negatively impacted; however, the full extent of such impact cannot be measured at this time. The City has no obligation to replace any of the providers of the debt service reserve surety policies or deposit additional cash, securities, or debt service reserve surety policies into reserve funds if the respective ratings of the providers are lowered. While the reserve funds containing the City’s debt service reserve surety policies do not secure the Bonds, the Parity Bonds that are secured by such reserve funds have a parity lien upon the Net Pledged Revenues and a default under any of the Parity Bond ordinances for failure to pay debt service on such Parity Bonds would be a default under the Bond Ordinance.

### **Other Fixed Cost Obligations**

In addition to the Parity Bonds, the City has other fixed cost obligations relating to the Utilities. These include, but are not limited to, payments to the authorities in which the City and/or the Utilities is a member, payments pursuant to power purchase agreements with other power producers to purchase capacity and associated energy to supplement existing generation resources, and payments to General Electric Vernova International, LLC pursuant to a maintenance contract for the Utilities’ Front Range Power Plant. These payments are primarily treated as operation and maintenance expenses of the System and are therefore payable prior to debt service on the Parity Bonds.

The following table shows payments made pursuant to these obligations for the fiscal years ending December 31, 2020 through 2023, and estimated payments for the fiscal years ending December 31, 2024 and 2025:

**Fixed Cost Obligations**

	<i>Annual Amount</i>					
	<i>2020</i>	<i>2021</i>	<i>2022</i>	<i>2023</i>	<i>2024 (Estimated)</i>	<i>2025 (Estimated)</i>
Member Authorities	\$ 4,754,447	\$ 144,266	\$ 2,677,275	\$ 139,763	\$ 81,841	\$ -
Electric Power Purchase Agreements	15,972,269	18,353,145	18,222,457	18,609,650	29,373,021	30,628,674
Contractual Service Agreements	4,906,277	4,995,491	5,086,486	25,133,959 <sup>(1)</sup>	8,342,862	1,217,637

<sup>(1)</sup> Includes a one-time true up payment of \$16,944,728 in 2023. Annual costs pursuant to this contract will fluctuate because the required maintenance pursuant to the contract is based upon total run hours on the turbines.

The Utilities expects its payments pursuant to electric power purchase agreements to increase significantly by 2030 as the Utilities executes additional power purchase agreements for renewable energy. See “THE ELECTRIC SYSTEM – System Capability.” The Utilities expects to fund these agreements through electric cost adjustment charges. See “THE ELECTRIC SYSTEM – Electric Rates.”

**Debt Service Coverage**

The ordinances governing the Parity Bonds include a rate covenant requiring that rates charged to users of the System’s services be sufficient so that the ratio of Net Pledged Revenues to debt service on the Parity Bonds for the current fiscal year will be at least 1.30 (the “Rate Coverage Ratio”). Historically, the City has maintained debt service coverage greater than the required Rate Coverage Ratio of 1.30.

A separate debt service coverage covenant in the Bond Ordinance, applicable to the Utilities’ issuance of additional bonds in certain situations, requires the ratio of Net Pledged Revenues to Average Annual Principal and Interest Requirements to be at least 1.30 (the “Additional Bonds Coverage Ratio”).

The table below shows debt service coverage as calculated by the Utilities with respect to the years indicated (without taking into account component units) using the Average Annual Principal and Interest Requirements as of each year (as required for the Additional Bonds Coverage Ratio) and using the fiscal year debt service for each year (as required for the Rate Coverage Ratio):

## Debt Service Coverage

	<i>Fiscal Year Ended December 31</i>				
	<i>2019</i>	<i>2020</i>	<i>2021</i>	<i>2022 (restated)<sup>(6)</sup></i>	<i>2023</i>
Operating Revenues	\$ 893,025,647	\$ 884,352,022	\$1,065,753,637	\$1,234,497,176	\$1,005,708,024
Operating Expense	(630,436,554)	(648,835,571)	(925,538,263)	(872,239,459)	(852,740,383)
Noncash pension and OPEB expense <sup>(1)</sup>	(59,289,853)	(18,260,776)	(21,371,550)	(78,835,764)	(15,872,926)
Depreciation and Amortization	<u>\$ 160,154,608</u>	<u>\$ 161,258,001</u>	<u>\$ 163,747,903</u>	<u>\$ 168,234,808</u>	<u>\$ 181,916,595</u>
Operating Revenues Available For Debt Service	\$ 363,453,848	\$ 378,513,676	\$ 282,591,727	\$ 451,656,761	\$ 319,011,310
Interest Earnings (excl. interest on bonds) <sup>(2)</sup>	12,116,403	10,229,700	6,266,364	9,165,346	16,019,425
Development Fees <sup>(3)</sup>	<u>41,765,416</u>	<u>52,988,002</u>	<u>47,174,065</u>	<u>36,456,201</u>	<u>32,609,140</u>
Net Pledged Revenues	<u>\$ 417,335,667</u>	<u>\$ 441,731,378</u>	<u>\$ 336,032,156</u>	<u>\$ 497,278,308</u>	<u>\$ 367,639,875</u>
Average Annual Principal and Interest Requirements	\$ 108,638,339	\$ 106,354,147	\$ 110,797,025	\$ 114,315,299	\$ 119,688,483
Additional Bonds Coverage Ratio	3.84	4.15	3.03	4.35	3.07
Fiscal Year Debt Service <sup>(4)</sup>	\$ 185,983,370	\$ 187,700,199	\$ 188,728,984	\$ 205,751,921	\$ 214,473,488
Rate Coverage Ratio	2.24	2.35	1.78 <sup>(5)</sup>	2.42	1.71 <sup>(7)</sup>

<sup>(1)</sup> GASB 75 implemented in 2017.

<sup>(2)</sup> Interest Earnings include Build America Bond cash payment subsidies received: 2019 - \$7,366,740; 2020 - \$6,983,335; 2021 - \$5,268,125; 2022 - \$4,451,306; 2023 - \$4,387,889.

<sup>(3)</sup> Development Fees are cash contributions for general and specific utilities capital projects. These fees are utilized to compensate existing customers for the costs of developing the System and to help pay for the growth of the System caused by new customers.

<sup>(4)</sup> Fiscal Year Debt Service and Rate Coverage Ratio were adjusted in 2020 due to correction of the Fiscal Year Debt Service.

<sup>(5)</sup> Decrease in Debt Service Coverage is due primarily to an increase in operating expenses caused by a severe winter storm in February 2021. The recovery of these expenses through electric cost adjustment and gas cost adjustment rates caused an increase operating revenue and Debt Service Coverage in 2022.

<sup>(6)</sup> 2022 financial statements restated due to implementation of GASB Statement No. 96 (Subscription-Based Information Technology Arrangements). See note 21 of the 2023 Audited Financial Statements attached hereto as Appendix A.

<sup>(7)</sup> Decrease in Debt Service Coverage is due primarily to a decrease in operating revenue caused by routine changes to gas cost adjustment rates and weather-related decreases in water consumption.

Coverage ratios are a function of not only the Utilities' long-term capital structure but also the specific costs and revenues in each year. This can be significantly impacted by economic conditions, annual weather variations, volatility in fuel and power markets, and other factors.

### Debt Service Schedule

The following table sets forth the debt service schedule for the Bonds and the outstanding Parity Bonds (excluding the Refunded Bonds).

Year	Debt Service on Outstanding Parity Bonds <sup>(1)(2)</sup>	Series 2024A Bonds		Series 2024B Bonds		Total Debt Service Requirements
		Principal	Interest	Principal	Interest	
2024	\$149,060,537	\$ --	\$ 3,464,627	\$ 580,000	\$1,052,938	\$154,158,102
2025	203,274,473	--	14,673,713	2,045,000	4,430,500	224,423,686
2026	185,109,775	--	14,673,713	13,545,000	4,328,250	217,656,738
2027	194,596,021	--	14,673,713	2,825,000	3,651,000	215,745,734
2028	204,987,867	--	14,673,713	2,965,000	3,509,750	226,136,330
2029	209,453,133	--	14,673,713	-	3,361,500	227,488,346
2030	187,832,890	6,045,000	14,673,713	3,115,000	3,361,500	215,028,103
2031	149,096,125	6,350,000	14,371,463	3,270,000	3,205,750	176,293,338
2032	149,078,558	6,665,000	14,053,963	3,435,000	3,042,250	176,274,771
2033	155,504,971	7,000,000	13,720,713	3,605,000	2,870,500	182,701,184
2034	144,431,585	7,350,000	13,370,713	3,785,000	2,690,250	171,627,548
2035	132,704,317	7,715,000	13,003,213	3,975,000	2,501,000	159,898,530
2036	124,378,515	8,105,000	12,617,463	4,170,000	2,302,250	151,573,228
2037	118,454,394	8,510,000	12,212,213	4,385,000	2,093,750	145,655,357
2038	113,601,551	8,935,000	11,786,713	4,605,000	1,874,500	140,802,764
2039	110,025,956	9,380,000	11,339,963	4,835,000	1,644,250	137,225,169
2040	104,997,324	9,850,000	10,870,963	5,075,000	1,402,500	132,195,787
2041	83,234,055	10,340,000	10,378,463	5,330,000	1,148,750	110,431,268
2042	78,920,319	10,860,000	9,861,463	5,600,000	882,250	106,124,032
2043	71,828,551	11,400,000	9,318,463	5,875,000	602,250	99,024,264
2044	68,173,424	11,970,000	8,748,463	6,170,000	308,500	95,370,387
2045	68,013,350	12,570,000	8,149,963	--	--	88,733,313
2046	66,608,474	13,200,000	7,521,463	--	--	87,329,937
2047	66,541,652	13,860,000	6,861,463	--	--	87,263,115
2048	60,885,060	14,550,000	6,168,463	--	--	81,603,523
2049	52,005,437	15,280,000	5,440,963	--	--	72,726,400
2050	48,846,625	16,040,000	4,676,963	--	--	69,563,588
2051	36,877,400	16,885,000	3,834,863	--	--	57,597,263
2052	25,002,638	17,770,000	2,948,400	--	--	45,721,038
2053	13,514,100	18,705,000	2,015,475	--	--	34,234,575
2054	--	19,685,000	1,033,463	--	--	20,718,463
Total <sup>(3)</sup>	<u>\$3,377,039,075</u>	<u>\$289,020,000</u>	<u>\$305,812,602</u>	<u>\$89,190,000</u>	<u>\$50,264,188</u>	<u>\$4,111,325,865</u>

(1) Exclusive of costs associated with Support Facilities.

(2) Includes principal, interest and mandatory sinking fund payments with respect to the Parity Bonds, excluding the Bonds and the Refunded Bonds. Interest does not reflect subsidy expected to be received on outstanding Build America Bonds. This assumes an interest rate of 4.7099% for the 2005A Bonds, an interest rate of 4.1185% for the 2006B Bonds, an interest rate of 3.198% for the 2007A Bonds, an interest rate of 5.475% for \$54,025,000 of the 2009C Bonds, an interest rate of 3.8807% for the 2010C Bonds, and an interest rate of 4.0242% for the 2012A Bonds, based upon swap agreements related to these bonds. See “—Interest Rate Swap Agreements” above.

(3) Totals may not equal sum of parts due to rounding.

## **Enterprise Risk Management Plan**

The Utilities, as directed by the Utilities Board Instructions to the Chief Executive Officer, operates under and maintains a written Enterprise Risk Management Plan. This Enterprise Risk Management Plan, along with the subsequent Risk Management Plans, maintain The Utilities' enterprise risk management initiatives to identify, assess, and prudently manage a variety of risks, including strategic, financial, operational, legal, and hazard.

***Risk Management Committee.*** As required by the Utilities Board Instructions to the Chief Executive Officer, the Utilities has formed a Risk Management Committee which reports to the Chief Executive Officer. The committee, along with the Chief Executive Officer, is responsible for the overall direction, structure, conduct, control, and reporting of the Utilities' risk management activities. The committee's voting members consist of direct reports to the Chief Executive Officer, or a subset thereof.

***Financial Risk Management Plan.*** The Utilities has adopted a Financial Risk Management Plan as part of the broader Enterprise Risk Management Plan. The stated goals of the Financial Risk Management Plan are to maintain the quality of the Utilities' credit ratings, pursue positive financial results by reducing the cost of borrowing, optimize the Utilities' risk profile by managing interest rate exposure consistent with prudent and approved debt practices, achieve and maintain flexibility by utilizing a variety of financial tools, and maintain conformance with legal requirements. The Financial Risk Management Plan identifies a variety of risks facing the Utilities and accompanying controls, with the primary features discussed below.

***Credit Risk.*** Pursuant to the Utilities' Financial Risk Management Plan, all counterparties in swap or other financial products agreements with the Utilities must have a long-term credit rating in the "A-" category issued by at least one major credit rating agency at the time of execution of such swap or financial products agreement, though there is no requirement that such a rating be maintained throughout the life of the financial products agreement. In the alternative, a counterparty must provide a guarantee, swap surety, or other form of credit enhancement such that its enhanced creditworthiness is in at least the "A-" category at the time of execution of such swap or financial products agreement.

## **Capital Improvements**

The 2024 Annual Budget approved by Council on November 14, 2023 included total capital expenditures of approximately \$433.0 million. This is approximately \$20.2 million more than the budgeted amount for 2023. Electric projects account for 51.5% of the total major capital projects budget. Combined water and wastewater projects account for 32.0% of the total. Gas projects account for 9.7% of the total.

Some of the major projects included as a part of the Utilities' capital improvement program are described under "THE ELECTRIC SYSTEM—Capital Improvements to the Electric System," "THE WATER SYSTEM—Capital Improvements to the Water System," and "THE WASTEWATER SYSTEM—Capital Improvements to the Wastewater System." Capital expenditures are currently forecasted to total approximately \$3.7 billion between 2024 and 2028. The Utilities' forecasts of its long-range capital expenditures and the timing of construction of a number of the proposed major capital projects are dependent on future economic conditions, population growth within the Utilities' service areas and other factors beyond its control, such as environmental regulations.

The Utilities anticipates needing an additional 1,700 MW of additional electric generation by 2030. See "THE ELECTRIC SYSTEM - System Capability." The Utilities currently expects that a significant amount of this additional generation will be acquired through power purchase agreements, though some may come from Utilities-owned generation facilities. These power purchase agreements are not included in the capital needs discussed in the preceding paragraph.

## **Tax and Spending Limits**

In 1991, the City's voters approved an amendment to the Charter (the "Charter Amendment"), and in 1992, the State's voters approved an amendment to the Colorado Constitution (the "Constitutional Amendment" and together with the Charter Amendment, the "Amendments"). The Amendments are similar and attempt to restrict the City's spending by (a) limiting the amount by which fiscal year spending may change from year to year in accordance with a formula based upon inflation and City growth, (b) limiting annual changes in City property taxes in accordance with a formula based upon inflation and City growth and (c) requiring voter approval in advance for new taxes, tax rate increases, certain property tax mill levies and the creation of most direct or indirect City obligations. While several provisions of the Amendments have been interpreted by the courts, many provisions remain unclear and may require judicial interpretation in the future.

Both Amendments, however, exclude "enterprises," which are defined as government-owned-business authorized to issue revenue bonds and receiving under 10% of annual revenue in grants from all state and local governments combined. Management of the Utilities believes that the Utilities currently constitutes an "enterprise" under the Amendments due to the level of revenues it currently receives from governmental grants. Management of the Utilities also considers it extremely unlikely that in the future the Utilities would receive a sufficient percentage of its revenues from government grants to cause the Utilities to lose its status as an "enterprise" for purposes of the Amendments.

If the Utilities ever ceases to be an enterprise within the meaning of either of the Amendments, the Utilities' spending and revenues would become integrated with the City's overall spending and revenues for purposes of compliance with the applicable Amendment. In such a situation, the applicability of the spending and revenue limitations upon the Utilities could restrict the Utilities' ability to spend the Utilities' revenues in excess of such limitations absent voter approval. The effect of any future inclusion of the Utilities as part of the City's compliance with the limitations of the Amendments would depend on the City's overall spending and revenues at that time. Furthermore, the provisions of the Amendments requiring voter approval for City obligations would apply to future bond issues of the Utilities, including certain refunding bonds, and the Constitutional Amendment's 3% reserve requirement would become applicable to the City, which would then include the Utilities as part of the City. If the Utilities ever ceases to have enterprise status within the meaning of either of the Amendments, the City could still impose increased fees, rates and charges for the Utilities without voter approval, the rate covenant and the lien on Net Pledged Revenues provided for in the Bond Ordinance will continue to secure the payment of debt service on the Bonds, and if the City is required to reduce spending in order to comply with its overall spending limit, the City would first be required to reduce spending for purposes for which it does not have an obligation under law or by contract prior to reducing spending required to comply with its covenants related to outstanding indebtedness (including the debt of the Utilities).

The City and the Utilities have not conducted a detailed analysis, however, of the overall impact on the City and the Utilities if the Utilities ever ceases to qualify as an "enterprise." Accordingly, no representation can be made as to the overall impact of the Amendments on the future activities of the Utilities.

## **Insurance**

The Utilities' Financial Planning and Risk group is responsible for developing the process to identify, prioritize, and report risks so appropriate mitigation plans are developed and implemented to protect and enhance the business performance of the Utilities. The program requires specific risk mitigation policies, plans and procedures be maintained to identify significant risks, document risk mitigation plans, and ongoing monitoring and communication.

As part of this broader enterprise risk process, the Utilities manages an ongoing insurance risk management program, insuring against both hazard and liability exposures where appropriate. Working with

insurance providers and the Utilities' operations, loss tolerances are identified and insured through the provider, or are self-insured.

The Utilities has insurance policies covering damages due to most types of major losses. Property insurance for physical damage is purchased commercially for the Utilities' facilities and for most of the infrastructure (excepting transmission and distribution lines, underground piping, and dams). The Utilities also purchases comprehensive information security and privacy "cyber" liability insurance.

The Utilities is covered under the Colorado Governmental Immunity Act for certain liability claims. The Colorado Governmental Immunity Act provides the maximum amount that may be recovered through tort claims under Colorado law of \$424,000 for any injury to one person in any single occurrence and \$1,195,000 for any injury to two or more persons in any single occurrence. To cover auto and general liability exposures not covered by the Colorado Governmental Immunity Act, the Utilities purchases excess liability coverage, with a retention level of \$1,000,000 per occurrence.

Workers' compensation claims are self-insured and managed by City in-house staff. An excess workers' compensation liability insurance policy is purchased for statutory benefits in excess of \$750,000 per occurrence. The Utilities also contributes, along with the City, to a joint Workers' Compensation Self-Insurance Fund. The Utilities' outstanding workers' compensation claims are reserved at \$395,293 as of December 31, 2023, under the City's self-insurance fund. The City believes that any liability arising out of unforeseen losses will not materially impact Utilities' financial position. This balance is not reflected on Utilities' Statements of Net Position.

### **Emergency Preparedness and Physical Security**

The Utilities is committed to ensuring reliability of service through the protection of its workforce, the public, and critical infrastructure. This commitment, documented within the Utilities' Governance Policy, is the charter for the two primary groups responsible for emergency planning and coordination and physical security within the organization: Emergency Preparedness and Physical Security Operations.

Federal directives and regulatory mandates the Utilities adhere to include the North American Electric Reliability Corporation ("NERC") Critical Infrastructure Protection Standards, Department of Homeland Security Chemical Facility Anti-Terrorism Standards, Department of Homeland Security National Infrastructure Protection Program, and Fair and Accurate Credit Transactions Act. These directives and mandates require the development, implementation, and ongoing administration of security programs and plans to protect critical infrastructure, cyber assets and customer information. In addition, the Utilities Governance Policy requires programs, policies and processes be in place to protect corporate assets including, but not limited to, physical assets, intangible assets, intellectual property, confidential customer information and records.

Actions taken based on regulatory mandates, threat and vulnerability assessments, and the Utilities Governance Policy focus on both physical security defenses using an industry-standard philosophy of deter, detect, delay, and defend and layered defense-in-breadth strategies to cyber defenses. Such approaches include technology measures such as utilizing surveillance, access control, and intrusion detection / prevention systems, deployment of well-trained security personnel and cybersecurity professionals, and active partnerships with local / federal agencies and information-sharing centers. Determinations of the overall security approach and how to best utilize available security measures is made by conducting vulnerability assessments for each specific location within the Utilities portfolio.

The Emergency Management program provides oversight, training, and direction on the practices and principles of emergency operations and continuity of operations planning for business processes and systems. These programs target an enhanced enterprise-wide state of readiness which embodies crisis management preparedness for the four utility services as well as support departments. Initiatives associated with this model

include the development and maintenance of an Enterprise Emergency Operations Plan with functional and/or risk specific subordinate Continuity and Emergency Response Plans; the creation of a formal Enterprise Command Center structure which operates under Federal and State Emergency Management Standards to include an Incident Command System based approach and Incident Command System training for identified Utilities' personnel. Utilities' personnel are exercised during tabletop and functional exercises. Dam emergency planning has been enhanced to include outreach and orientations to emergency managers and public safety personnel in communities where the Utilities' dams pose a risk.

### **Investment Plan**

Pursuant to a Council resolution, the Chief Executive Officer has implemented the "Colorado Springs Utilities Investment Plan (the "Investment Plan"). The most recent revision to the Investment Plan is dated December 31, 2023. The principal objectives of the Investment Plan are: (a) the preservation of capital and protection of investment principal; (b) maintenance of sufficient liquidity to meet anticipated cash flows; (c) diversification to avoid unreasonable market risk; (d) attainment of a market rate of return; (e) conformance with all City, state and federal regulations; and (f) conformance with all applicable bond ordinance provisions for the outstanding utilities revenue bonds. Consistent with the Utilities' Financial Risk Management Plan, at the time of selection, only financial institutions and banks with a minimum credit rating (long-term) in the "A-" category by at least one of the three major credit rating agencies (Moody's, S&P and Fitch) shall be eligible to provide safekeeping and custodial services to the Utilities. In the absence of this minimum rating requirement, financial institutions and banks may also provide a guarantee, swap surety or other form of enhancement to get to the "A-" category at the time of execution. All banks must be members of the FDIC.

### **Gas Price Hedge Program**

Beginning in 2021, the Utilities instituted a natural gas hedging program to mitigate natural gas price risk. The natural gas hedge program seeks to provide protection in the winter months for expected Gas Service load demand, and natural gas burn for power generation year-round. The hedge program is currently limited to fixed price forward physical transactions and physically delivered transactions with embedded price caps. Utilities personnel are working to implement the necessary deal capture systems, negotiate the appropriate contracts, and develop the required processes and controls necessary to use financial derivatives to mitigate natural gas price risk. The use of financial derivatives within the Utilities' hedge program is expected to be implemented at some point in the future.

The Utilities' Energy Risk Management Plan requires that the Utilities' counterparties to both physical and financial energy transactions have adequate credit support depending on their credit ratings issued by S&P, Moody's and/or Fitch, or as determined by the Utilities' Risk Management Committee.

## **THE ELECTRIC SYSTEM**

The Electric System provides retail service to metropolitan Colorado Springs, Manitou Springs, Green Mountain Falls, and portions of the City of Fountain, and delivers power under a General Services Administration Areawide Contract to the Academy, Peterson Space Force Base, Cheyenne Mountain Space Force Station, and Fort Carson. More than 90% of the population of the County is directly or indirectly served by the Electric System.

The Utilities has the electric franchise to serve Manitou Springs through July 2044. As part of its agreement with Manitou Springs, the Utilities must pay Manitou Springs a franchise fee equal to 10% of the gross revenues from the electric service provided to customers within the municipal limits of Manitou Springs.

The Utilities also has the electric franchise to serve portions of the City of Fountain through December 2033. As part of its agreements with the City of Fountain, the Utilities will not pay a franchise fee for electric service within the current service area of City of Fountain.

The Utilities has the electric franchise to serve Green Mountain Falls through January 2042. As part of its agreement with Green Mountain Falls, the Utilities must pay Green Mountain Falls a franchise fee equal to 4% of the gross revenues from the electric service provided to customers within the corporate limits of the Town of Green Mountain Falls.

**Electric Rates**

The following table sets forth rates as they relate to residential and commercial service provided by the Electric System. In addition to base electric rates, the Utilities charges customers an electric cost adjustment designed to recover fuel and purchased power-related costs. The electric cost adjustment may be changed as frequently as monthly to pass actual costs to customers on a timely basis. The Utilities also charges customers an electric capacity charge designed to recover costs associated with the transportation and storage of natural gas and fixed capacity payments.

The Utilities is currently preparing a five-year rate case to request annual base rate increases that, if approved, would be effective beginning January 1, 2025 through January 1, 2029.

**Electric Rates  
As of July 1, 2024**

<b>Residential Service, Standard Option</b>	
Access and Facilities Charge, per day	\$0.6007
Access and Facilities Charge, per kWh	\$0.0823
Electric Cost Adjustment <sup>(1)</sup> , per kWh	\$0.0255
Electric Capacity Charge, per kWh	\$0.0050
<b>Commercial Service – General, Standard Option</b>	
Access and Facilities Charge, per day	\$0.9350
Access and Facilities Charge, per kWh	\$0.0686
Electric Cost Adjustment <sup>(1)</sup> , per kWh	\$0.0255
Electric Capacity Charge, per kWh	\$0.0042

<sup>(1)</sup> The Utilities’ electric rates include an electric cost adjustment effective April 1, 2024 and can change monthly.

The City Council is authorized to determine rates charged for electric services within the Electric System’s total service area (both inside and outside City limits). However, if the rates to be charged for the same customer classifications are different for customers within and outside the City limits, then a state statute requires that rates to be charged outside the City limits be reviewed and approved by the Colorado Public Utilities Commission (the “PUC”) before becoming effective. The statute also provides that the PUC has jurisdiction to resolve any conflict relating to the rates established by the City Council upon the filing of a complaint by 5% of the affected customers outside the City limits. Under the statute, the City Council is ordinarily required to give at least 30 days’ notice prior to holding a public hearing to consider proposed base rate changes. The statute allows rate changes absent the public notice and hearing for good cause. By virtue of the ordinances establishing the rate making process for the Utilities, a 30-day public notice is not provided for changes to the electric cost adjustment. Published notice is provided within 10 days after Council approval for the electric cost adjustment.

**Electric System Sales and Revenues**

In 2023, the Electric System had sales of 4,370,046 megawatt hours (“MWh”), excluding interdepartmental, wheeled power (which refers to the transfer of electrical power through transmission and distribution lines from one utility’s service area to another’s) and miscellaneous sales. Of this amount, 35.0% came from Residential sales and 57.1% came from Commercial/Industrial sales. The Electric System had

revenue of \$480.2 million (excluding interdepartmental, wheeled power, and miscellaneous revenue) with 44.0% attributable to Residential revenue and 49.8% attributable to Commercial/Industrial revenue.

The ten largest customers of the Electric System during 2023, ranked by sales volume in megawatt hours, represented 761,574 MWh, or 17.4% of sales (excluding interdepartmental and miscellaneous sales), and \$48.9 million or 10.2% of revenues during that period (excluding interdepartmental revenues, wheeling and miscellaneous revenues previously classified as non-regulated revenues).

Four of the Electric System’s military customers, Peterson, the Academy, Cheyenne Mountain Space Force Station and Fort Carson, purchase a portion of their power from the Western Area Power Administration (“WAPA”). The Utilities imposes wheeling rates for WAPA power delivered over the Electric System’s facilities to these customers, and such wheeling rates and backup power charges are designed to recover the Electric System’s costs of service.

The number of active residential meters served by the Electric System were 207,139, 209,561, and 211,722 at the end of 2021, 2022, and 2023, respectively. The average annual use per residential customer was 7.7 MWh in 2021, 7.6 MWh in 2022, and 7.2 MWh in 2023.

The following tables set forth Electric System sales and revenues by customer class for the past five years:

<i>Customer Class</i>	<i>Electric Sales (MWh)</i>				
	<i>Fiscal Year Ended December 31</i>				
	<i>2019</i>	<i>2020</i>	<i>2021</i>	<i>2022</i>	<i>2023</i>
Residential .....	1,497,575	1,593,520	1,603,002	1,582,217	1,531,512
Commercial .....	751,202	719,930	758,810	751,633	735,971
Industrial .....	1,965,993	1,849,834	1,928,455	1,933,434	1,760,028
Contract Service – Military .....	342,597	334,247	339,912	336,019	342,018
Transmission (OATT).....	7,390	9,684	10,248	7,461	517 <sup>(1)</sup>
Interdepartmental.....	<u>142,321</u>	<u>118,290</u>	<u>124,867</u>	<u>113,758</u>	<u>124,816</u>
Subtotal .....	4,707,078	4,625,505	4,765,294	4,724,522	4,494,862
Miscellaneous Sales.....	<u>236,853</u>	<u>797,469</u>	<u>560,427</u>	<u>597,804</u>	<u>331,475</u>
Total Electric Sales .....	4,943,931	5,422,974	5,325,721	5,322,326	4,826,337
Less Interdepartmental.....	<u>(142,321)</u>	<u>(118,290)</u>	<u>(124,867)</u>	<u>(113,758)</u>	<u>(124,816)</u>
Net Electric Sales.....	<u>4,801,610</u>	<u>5,304,684</u>	<u>5,200,854</u>	<u>5,208,568</u>	<u>4,701,521</u>
Transmission (Wheeled Power).....	<u>32,821</u>	<u>32,706</u>	<u>32,800</u>	<u>32,779</u>	<u>32,802</u>
Net Peak Demand (MW) .....	<u>965</u>	<u>943</u>	<u>989</u>	<u>959</u>	<u>969</u>
Total Number of Active Electric Meters as of Year End .....	<u>236,519</u>	<u>241,133</u>	<u>245,642</u>	<u>249,466</u>	<u>253,193</u>

<sup>(1)</sup> On August 1, 2022, Utilities changed Balancing Authorities from Public Service Company of Colorado to Western Area Colorado Missouri and began participating in the Southwest Power Pool (“SPP”) Western Energy Imbalance Service (“WEIS”) market. The decrease in Transmission (OATT) Electric Sales (MWh) from 2022 - 2023 is related to the classification of imbalance charges that are now processed in the WEIS market.

**Electric Revenues**  
**Fiscal Year Ended December 31**

<b>Customer Class</b>	<b>2019</b>	<b>2020</b>	<b>2021<sup>(2)</sup></b>	<b>2022<sup>(3)</sup></b>	<b>2023</b>
Residential .....	\$191,855,361	\$197,141,530	\$217,020,062	\$237,852,696	\$211,329,463
Commercial .....	76,486,944	71,404,697	83,741,891	94,850,206	83,982,230
Industrial .....	144,910,744	131,841,197	159,725,879	188,625,656	155,103,926
Contract Service – Military .....	19,734,739	18,007,483	22,125,489	26,976,181	21,758,195
Street Lighting .....	4,075,000	4,075,000	4,075,000	4,075,000	4,401,000
Transmission (OATT).....	4,443,283	7,496,491	7,309,575	6,134,324	3,673,021
Interdepartmental.....	<u>10,455,374</u>	<u>9,093,121</u>	<u>9,718,262</u>	<u>11,052,440</u>	<u>10,692,027</u>
Subtotal.....	\$451,961,445	\$439,059,519	\$503,716,158	\$569,566,503	\$490,939,862
Miscellaneous Revenue ....	<u>19,221,114</u>	<u>27,144,199</u>	<u>36,125,617</u>	<u>59,025,141</u>	<u>28,414,448</u>
Total Electric Revenue .....	\$471,182,589	\$466,203,718	\$539,841,775	\$628,591,644	\$519,354,310
Less: Interdepartmental....	<u>(10,455,374)</u>	<u>(9,093,121)</u>	<u>(9,718,262)</u>	<u>(11,052,440)</u>	<u>(10,692,027)</u>
Net Electric Revenue <sup>(1)</sup> .....	<u>\$460,727,215</u>	<u>\$457,110,597</u>	<u>\$530,123,513</u>	<u>\$617,539,204</u>	<u>\$508,662,283</u>
Wheeled Power.....	<u>\$ 496,987</u>	<u>\$ 536,274</u>	<u>\$ 515,838</u>	<u>\$ 507,111</u>	<u>\$ 519,052</u>

<sup>(1)</sup> Figures may not equal totals when added due to the rounding.

<sup>(2)</sup> Increase in Electric revenue from 2020-2021 primarily due to an increase in the Utilities' Electric Cost Adjustment in April 2021 to recoup costs of February 2021 severe weather storm.

<sup>(3)</sup> Increase in Electric revenue from 2021-2022 primarily due to an increase in fuel prices passed on to customers through the Utilities' Electric Cost Adjustments.

### System Capability

The Electric System peak (net of auxiliary power used to operate the generating units) of 989 megawatts (“MW”) was established in July 2021. As a result of population growth, increased demand, the retirement of all units at Birdsall by the end of 2027, and the retirement of Unit # 1 (coal) at Nixon by the end of 2029, the Utilities anticipates needing an additional 1,700 MW of electric generation resources by 2030. The Utilities currently expects that 31% of this will come from solar power, 37% of this will come from wind power, 12% will come from battery storage facilities, and 20% will come from one or more gas-fired generation facilities. The need for a significant amount of new generation, as compared to the current generation portfolio, is due to the intermittency of renewable generation. The industry standard, effective load carrying capability, is applied to new renewable resources reducing its contribution to the system's hourly peak requirement. The Utilities currently expects that a significant amount of this additional generation will be acquired through power purchase agreements, including power purchase agreements for renewable energy, though some may come from Utilities-owned generation facilities. The exact amounts of generation to be acquired through power purchase agreements and self-owned generation has not been determined at this time.

The following table sets forth information on the sources and amount of the net capability of the Electric System. Of the 2023 purchases noted in the table below, 349 MW is considered intermittent capacity available through solar gardens, solar arrays, and wind generation.

## Net Capability of Electric System

<i>Unit</i>	<i>Fuel</i>	<i>Year Unit Completed</i>	<i>2023-2024 Net Winter Capability (MW)</i>	<i>2024 Net Summer Capability (MW)</i>
<b>Owned Assets:</b>				
Birdsall #1 <sup>(1)</sup>	Gas or Oil	1953	16	16
Birdsall #2 <sup>(1)</sup>	Gas or Oil	1954	16	16
Birdsall #3 <sup>(1)</sup>	Gas or Oil	1957	23	23
Nixon #1 <sup>(1)</sup>	Coal	1980	208	208
Nixon #2 & 3 (Combustion Turbines)	Gas	1999	64	60
Front Range Power Plant	Gas	2003	480	460
South Plant Aeroderivative Generators ("SPAG") #s 1-6 <sup>(2)</sup>	Gas or Oil	2023	150	150
Cascade, Tesla, Manitou, and Ruxton	Hydro		35	35
Total Resources			992	968
<b>Purchases:</b>				
U.S. Department of Energy, Western Area Power Administrative Purchase:				
Salt Lake City Integrated Projects			60	15
Loveland Area Projects			57	61
United States Air Force Academy Solar			5	5
Solar Gardens			4	4
Clear Springs Ranch Solar Array			10	10
Grazing Yak Solar Array			35	35
Palmer Solar Array			60	60
Pike Solar <sup>(3)</sup>			175	175
Spring Canyon II and III Wind Energy <sup>(4)</sup>			60	60
Total Purchases			466	425
<b>Grand Total</b>			<b>1,458</b>	<b>1,393</b>

(1) See “—Coal and Gas-Fired Generation Retirement” below.

(2) SPAG Units 1 through 6 declared commercially operational on June 5, 2023.

(3) Pike Solar Array commercial operation date was December 18, 2023.

(4) Commencing July 1, 2020 pursuant to an agreement with Black Hills Colorado Electric, LLC described under the caption “—Colorado Renewable Energy Standard” below.

The table below details the Utilities’ potential summer resources classified by energy source. The Utilities’ actual energy output from these resources can, and frequently does, significantly differ from the percentages shown below.

**Potential Summer 2024 Resources**

	<i>Owned Resources (MW)</i>	<i>Pct.</i>	<i>Purchases (MW)</i>	<i>Pct.</i>	<i>Total (MW)</i>	<i>Pct.</i>
Coal	208	21%	0	0%	208	15%
Natural Gas and Oil	725	75	0	0	725	52
Hydro Generation	35	4	76	18	111	8
Other Renewable Resources	<u>0</u>	<u>0</u>	<u>349</u>	<u>82</u>	<u>349</u>	<u>25</u>
Total	<u>968</u>	<u>100%</u>	<u>425</u>	<u>100%</u>	<u>1,393</u>	<u>100%</u>

In 1989, the Utilities entered into contracts with WAPA for post September 30, 1989 energy and capacity. These contracts were later extended to September 30, 2024. The Loveland Area Projects contract is now extended from 2024 through 2054. The two WAPA contracts are for purchases from WAPA’s Salt Lake City Integrated Area Projects (“SLCA/IP”) and from its Loveland Area Projects (“LAP”), providing for 15.1 MW in the summer season and 60.3 MW in the winter season, and 60.7 MW in the summer season and 57.1 MW in the winter season, respectively.

Currently, the energy available under the SLCA/IP contract is controlled by the Record of Decision on the Glen Canyon Environmental Impact Statement (the “EIS”), which was implemented on April 1, 1997. Because of the EIS and the resulting Glen Canyon operating criteria, generation at SLCA/IP facilities has been reduced. As a result, WAPA determines monthly Available Hydro Power based on prevailing water release conditions. To the extent that Available Hydro Power does not meet WAPA’s firm obligations, WAPA has arranged to purchase Western Replacement Power for its customers up to an amount not to exceed their firm allocations. The cost of Western Replacement Power is on a pass-through-cost basis. The Utilities takes advantage of Western Replacement Power as needed.

Additionally, WAPA has implemented an interim rate order for the energy available under the SLCA/IP. Beginning January 1, 2024, extending through December 31, 2028, WAPA Rate Order 206 is in effect. This was initiated in response to a large increase in WAPA purchased power costs due to ongoing drought conditions and a small increase to Operation, Maintenance, and Replacement expenses. WAPA evaluates the quarterly projected availability of energy generated from the SLCA/IP facilities and allocates Utilities pro rata share as the Deliverable Sales Amount. Similar to Western Replacement Power, if Utilities elects to receive energy above the DSA, up to the contractual AHP amount, WAPA will purchase this energy and pass through the market cost of energy. The difference between the DSA and AHP is termed “Western Replacement Firming” energy.

The LAP contract also provides the option for 3.9 kilowatt-hours per kilowatt of its contract capacity for summer season and 4.4 kilowatt-hours per kilowatt of its contract capacity for the winter season, to be provided from WAPA’s Mount Elbert pumped storage facility. Any energy taken from this account must be returned to the Mount Elbert plant at the rate of 1.4 megawatt hours returned for each megawatt hour received to meet the pumping requirements.

The Utilities reviews its Electric Integrated Resource Plan (the “EIRP”) annually, and officially submits an update to WAPA every five years. New resources, including renewable energy, are evaluated as well as demand side management strategies. On June 21, 2023 the Utilities Board adopted Resolution No. 23-08 approving an update to the EIRP. This included updates to load forecasts, resource adequacy targets, and resource portfolio strategies.

In September 2020, the Utilities signed a power purchase agreement with Juwi, Inc. for the energy produced by a 175 MW solar photovoltaic plant to be constructed in south-east El Paso County and connected to the Utilities transmission system. Deriva Energy has since acquired Juwi, Inc.’s interest in the project. Construction has been completed and the commercial operation date was December 19, 2023. The Utilities

also executed a 10-year contract with Black Hills Energy in July 2020 for 60 MW of wind and commissioned the 60 MW Palmer Solar array in April 2020.

### **Fuel Supply**

Currently, the Utilities maintains approximately 700 million cubic feet of storage at the Tallgrass Interstate Gas Transmission facility. Storage services are renegotiated periodically with various providers, but the level of capacity is consistent. The primary use of the storage service is to provide firm deliveries and balancing of gas supplies to the Utilities' Front Range Power Plant and nearby Nixon gas turbines. The Utilities also maintains firm natural gas pipeline transportation from various Rocky Mountain supply areas sufficient to meet fuel requirements. This includes about 95,000 MMBTU per day to the Front Range Power Plant and 9,000 MMBTU per day of winter-only capacity to two gas fired turbines located near the Nixon coal plant. During the summer months, the Gas System releases 18,000 MMBTU per day of its surplus gas pipeline capacity to the Electric System for use by the gas-fired turbines at Nixon.

The Utilities' coal supplies and transportation services are procured through a portfolio of contracts which are managed to ensure a dependable and economic fuel supply. All of the Utilities' coal supply is from the southern Powder River Basin in Wyoming. Approximately 55% of anticipated future coal demand is purchased under a term contract. Spot market contracts with terms varying between one month and one year supply the remaining 45%. This contractual flexibility allows the Utilities to respond quickly to changes in plant operations and market conditions.

### **Coal and Gas-Fired Generation Retirement**

On June 26, 2020, the Utilities Board approved a future generation portfolio subsequently updated and approved on June 21, 2023 that calls for the retirement of Units 6 and 7 at the Martin Drake power plant no later than December 31, 2022, the Ray Nixon power plant no later than December 31, 2029, and the Birdsall gas fired plant no later than December 31, 2027. On September 1, 2022 all power generation inside the Martin Drake coal-fired power plant was permanently shut down. The Utilities expects to spend \$702 million on new combustion turbine and transmission projects from 2024 to 2028 and \$447.9 million to execute electric power purchase agreements from 2026 to 2028 related to the retirement of the existing power plants. See "COLORADO SPRINGS UTILITIES – Other Fixed Cost Obligations."

### **Colorado Renewable Energy Standard**

In November 2004, Colorado voters approved an initiative that created a renewable portfolio standard for retail electric utilities in Colorado that serve over 40,000 customers, such as the Utilities (each a "qualifying utility"). The language of that initiative was modified by the Colorado General Assembly and codified in C.R.S. Section 40-2-124. The statute was subsequently amended by the Colorado General Assembly in 2007, 2008, 2010, and 2013 and was renamed the Colorado Renewable Energy Standard. The Colorado Renewable Energy Standard requires qualifying utilities to acquire a defined percentage of their electricity from "eligible energy resources," which include solar, wind, geothermal, qualifying biomass, coal mine methane, synthetic gas produced by pyrolysis of municipal solid waste, existing hydroelectric generation with a nameplate rating of 30 megawatts or less, and new hydroelectric generation with a nameplate rating of 10 megawatts or less.

The statute requires the PUC to establish a maximum retail rate impact for compliance with the Colorado Renewable Energy Standard requirements of 2% of the total electric bill annually for each customer of a cooperative electric association and investor-owned utility that is a qualifying utility. The Utilities filed its self-certification statement with the PUC on September 7, 2006 which set its maximum retail rate impact at 1%. If a qualifying utility reaches the rate cap but is otherwise unable to meet the Colorado Renewable Energy Standard requirements, then it is exempt from administrative penalties for such noncompliance.

The final version of Colorado Renewable Energy Standard does not apply to the Utilities, but the Utilities has chosen to meet the Colorado Renewable Energy Standard requirements for renewable energy resources, which are 3% of Colorado retail sales for the years 2011 through 2014, 6% for the years 2015 through 2019, and 10% for the year 2020 and thereafter.

Based on expected load projections made in 2019, the Utilities expects to have sufficient eligible energy resources to comply with the Colorado Renewable Energy Standard requirements for the next two decades. During 2006-2010, the Utilities made a substantial purchase of “Renewable Energy Certificates,” to be received in future years, which will be used along with qualifying generation hours from the Utilities-owned generation units to comply with the Colorado Renewable Energy Standard. WAPA successfully qualified its hydroelectricity units under 30 megawatts as qualifying renewable energy generating resources in the State of Colorado and will deliver the Renewable Energy Certificates to the Utilities as part of two WAPA power purchase agreements. The Renewable Energy Certificates from the WAPA power purchase agreements will be used by the Utilities for Colorado Renewable Energy Standard compliance. In 2015, the Utilities entered into additional local Renewable Energy Certificate purchase agreements and a new Power Purchase Agreement with associated Renewable Energy Certificates through a solar array located on the Utilities’ property to ensure compliance with the Colorado Renewable Energy Standard. In 2019, the Utilities entered into additional Power Purchase Agreements with associated Renewable Energy Certificates through two additional solar arrays located outside the Utilities’ service territory that became operational in 2019 and 2020. The Grazing Yak Solar array (35MW) commercial operation date was November 23, 2019. The Palmer Solar (60MW) commercial operation date was April 15, 2020. In 2022, the Utilities entered into a Power Purchase agreement for the Pike Solar array (175MW). Construction has been completed and the commercial operation date was December 19, 2023. On July 1, 2020 the Utilities entered into a Wind Power and Renewable Energy Credit Purchase Agreement with Black Hills Colorado Electric, LLC pursuant to which the Utilities receives 100% of the output of the Spring Canyon II and III wind farm up to the 60MW commencing July 1, 2020.

On January 1, 2020, the Utilities began a voluntary Green Power program whereby customers can purchase 100% renewable energy as retail product.

To assist in meeting voluntary renewable energy goals in excess of the Colorado Renewable Energy Standard requirements, the Utilities offers a customer facing incentive program whereby the Utilities customers receive a rebate in exchange for renewable energy credits that contribute to the Utilities compliance requirements.

On June 26, 2020, the Utilities Board approved an Electric Integrated Resource Plan (“EIRP”) portfolio which exceed the minimum greenhouse gas reduction requirement identified in HB 19-1261 and committed to a goal of reducing greenhouse gas emissions from electric generation by 80% by 2030 and 90% by 2050 compared to a 2005 baseline level. In order to meet these targets, additional renewable generation is needed beyond what is required to comply with the current Colorado renewable portfolio standard. Committing to a greenhouse gas reduction goal will enable the Utilities to use methods beyond renewable generation to reach that goal and may include additional opportunities such as energy efficiency and non-carbon generation.

On June 28, 2022 Utilities filed a voluntary Clean Energy Plan (“CEP”) with the PUC in Docket No. 22M-0200E. Utilities’ CEP is based upon the 2020 EIRP and demonstrates commitment and support for the greenhouse gas emissions reduction goals in HB 19-1261. On the day prior, June 27, 2022, Utilities Board adopted Resolution No. 22-04 directing Utilities’ Chief Executive Officer to proceed with obtaining and implementing the energy resources needed to meet the emission reductions contemplated in the 2020 EIRP and 2022 CEP filing.

On June 21, 2023 the Utilities Board adopted Resolution No. 23-07 approving a methodology to fulfill the Clean Heat Plan requirements of SB 21-264. The Utilities filed this plan with the Colorado Department of Public Health and Environment’s Air Pollution Control Division on July 28, 2023.

## **Transmission and Distribution Facilities and Interconnections**

The Electric System's transmission system is interconnected with WAPA and Public Service Company of Colorado/Xcel Energy ("PSCo") south of the City, and with Tri-State Generation and Transmission Association and PSCo in the northeast and north part of the City.

The Utilities receives Balancing Authority services from WAPA's Western Area Colorado Missouri ("WACM") Balancing Authority and Reliability Coordinator services from the Southwest Power Pool ("SPP"). In August of 2022, the Utilities moved into the WACM Balancing Authority as part of integration into the SPP Western Energy Imbalance Service ("WEIS"), exiting the PSCo Balancing Authority simultaneously. SPP WEIS replaced Utilities' participation in the PSCo Balancing Authority's Joint Dispatch Agreement with a more robust and transparent real-time energy imbalance service operated by SPP. Utilities also participates in the Western Power Pool's Northwest Power Pool ("NWPP") Reserve Sharing Group ("RSG") as a sub-entity of WACM, a member organization of NWPP. Members of the NWPP RSG share contingency reserves and participants are entitled to use not only their own "internal" reserve resources, but to call on other participants for assistance if internal reserve does not fully cover a contingency or disturbance. Participation in the NWPP RSG satisfies the Utilities obligation to hold contingency reserves as defined in NERC and WECC reliability standards.

In September 2023, the Utilities signed a commitment agreement to join the SPP Regional Transmission Organization ("RTO") by April 2026 along with several other energy providers and organizations. By joining the RTO, the Utilities will have access to regional transmission and generation resources, which will improve system reliability, transmission planning, and provide open access to the wholesale electricity market.

The Utilities has developed a portfolio of Electric System infrastructure improvements as part of the Sustainable Energy Plan ("SEP") that includes new and upgraded substations and new and upgraded transmission lines that will improve reliability of the electric system, allow renewable resources to interconnect to Utilities grid and meet the growing electrical needs of the community. Substation and Transmission system projects have been either upgraded or added in the past two years; similar projects are planned in the next few years.

## **Environmental Regulation**

In operating the Electric System, the Utilities is subject to various State and Federal environmental requirements, which affect operating and capital costs of the System. Ongoing promulgation of new regulations under the Clean Air Act Amendments of 1990 and the Colorado Air Quality Control Act will have the effect of imposing more stringent air emission requirements for the Electric System's generating facilities.

The Federal Clean Air Act requires that States develop "State Implementation Plans" that address how each State will control air pollution, including visibility impacts to Class I Federal areas. The Environmental Protection Agency's ("EPA's") Regional Haze Rule requires that States evaluate control of sources that may contribute to visibility impairment in Class I Federal areas in 10-year planning periods to make continued Reasonable Progress. In Colorado, the second 10-year planning period for the years 2018-2028 in Colorado was concluded in December 2021, which codified the retirement date for the Ray Nixon ("Nixon") power plant Unit 1 as adopted by the Utilities Board in June 2020. Once the EPA approves the SIP, the federally enforceable retirement date for Nixon Unit 1 will be no later than December 31, 2029.

In May 2019, the Colorado legislature passed HB19-1261, which established a statewide goal to reduce greenhouse gas emissions below 2005 levels by meeting the following milestones: 26% by 2025; 50% by 2030; and 90% by 2050. While the bill carries no mandates, it directs the Air Quality Control Commission ("AQCC") to adopt and implement rules to achieve the statewide reduction goals. It is not yet clear how or to what extent such reduction goals may be apportioned to various sectors in Colorado throughout this period. As

it relates to electric utilities, the State is implementing this through the voluntary submittal of Clean Energy Plans that demonstrate an 80% reduction in greenhouse gas emissions in 2030 relative to 2005 levels based on retail sales in Colorado. By doing so, this provides regulatory certainty that no additional reductions can be sought from that utility through 2030. Consistent with statutory requirements, the Utilities submitted its Clean Energy Plan to the Colorado Department of Public Health and Environment (“CDPHE”) for verification in 2021, the CDPHE verified the emissions reductions associated with the Clean Energy Plan, and Utilities, filed it with the PUC in 2022.

In June 2021, SB21-264 was signed into Colorado law to reduce greenhouse gas emissions associated with natural gas distribution systems. As it relates to the Utilities, this includes a requirement to file a Clean Heat Plan with the CDPHE that achieves greenhouse gas emissions reductions as caused by retail sales from its Gas System below 2015 levels by: 4% by 2025 and 22% by 2030. In achieving the 2025 target, the Utilities may use up to 1% recovered methane, and may propose a cost cap of 2% of total annual revenue from full-service gas customers. In achieving the 2030 target, the Utilities may use up to 5% recovered methane, and may propose a cost cap of 2.5% of total annual revenue from full-service gas customers. The Utilities submitted its Clean Heat Plan to the CDPHE for verification in July 2023, with the plan incorporating the 2025 and 2030 cost caps.

In May 2024, the EPA released finalized standards which regulate greenhouse gas emissions from new combustion turbines and existing steam generating units. These rules do not apply to existing combustion turbines, and existing coal-fired units that cease operation by January 1, 2032, are not subject to the rule. As a result, none of the Utilities existing electric generating units will be affected by these standards. For new combustion turbines, the EPA has adopted capacity factor thresholds that determine requirements. In effect, these likely limit new combustion turbines to either a 20% or 40% capacity factor, and such will be incorporated in the Utilities planning efforts. It is also worth noting that these rules are expected to face significant legal challenges, with numerous petitions already filed, including motions to stay rule implementation.

The Utilities will continue to evaluate potential impacts of carbon legislation or regulation at the state and federal level as part of its ongoing evaluation of its existing generation, future resource needs, and any operational constraints that may be imposed.

Additional regulations, such as the October 1, 2015 EPA release of the final revised National Ambient Air Quality Standard for ozone, which lowered the standard from 75 parts per billion to 70 parts per billion, may necessitate the installation of additional pollution controls beyond those described above. The Pikes Peak Region (which encompasses the area in which the Utilities operates its power plants) currently remains in attainment with the new standard. While it is uncertain the extent to which any future nonattainment with this standard and Colorado’s ongoing Regional Progress evaluation for future planning periods under the Regional Haze Rule will affect Utilities’ power plants or operations, additional future pollution controls for gas-fired units (i.e., post-combustion controls such as Selective Catalytic Reduction) could potentially cost the Utilities an additional \$50 million beyond 2028.

In December 2011, the EPA’s Mercury and Air Toxics Standards rule was finalized, with Nixon Unit 1 being the Utilities’ remaining affected source. The Utilities implemented a compliance program to meet this standard that is a combination of a scrubber, activated carbon injection, and existing baghouse.

In September 2015, the EPA finalized the Effluent Limit Guidelines rule for the Steam Electric Power Generating industry, with additional rulemakings in 2020 and 2024. The Utilities is in compliance with this rule and anticipates no additional costs.

In December 2014, the EPA issued a final rule regarding Coal Combustion Residuals (“CCR”), which are also referred to as “coal combustion byproducts” or “coal ash.” The rule establishes requirements for the impoundment and disposal of CCRs under subtitle D of the Resource Conservation and Recovery Act as a

non-hazardous waste. The Utilities currently landfill disposes of its CCRs in a “dry” form at its Clear Spring Ranch facility, and these disposal activities also fall under the CDPHE’s solid waste regulations and a County solid waste disposal authorization known as a Certificate of Designation (“CD”). In May 2024, the EPA published a final rule establishing regulatory requirements for legacy CCR surface impoundments and CCR management units (“CCRMUs”). The rule, effective November 2024, requires facility-wide investigations to locate CCRMUs that contain one-ton or more of CCR and subjects legacy units with greater than 1000 tons of CCR to the same requirements as the units regulated under the 2015 EPA CCR rule. The rule also could require actions including closure or reclosure of areas where CCR was historically placed. The Utilities expects capital improvements are probable to maintain regulatory compliance.

The Utilities anticipates that closure of the CCR landfill at its Clear Spring Ranch facility will occur following retirement of Nixon Unit 1. Additionally, upon retirement of Nixon Unit 1, the Utilities also anticipates that seven solid waste impoundments related to the Nixon power plant will be closed in accordance with Colorado’s Solid Waste Regulations. The closure costs for the CCR landfill and seven solid waste impoundments combined are estimated at \$24.9 million beyond 2029.

Except as described in the preceding paragraphs of this section, the Utilities believes that the air and water pollution control facilities at electric generating units are sufficient so that those facilities will remain in compliance with present air and water pollution laws and regulations.

### **Certain Factors Affecting the Electric Utility Industry**

The electric utility industry in general has been, or in the future may be, affected by a number of factors which could impact the financial condition and competitiveness of an electric utility and the level of utilization of generating and transmission facilities. In addition to those discussed elsewhere in this Official Statement, such factors include, among others, (a) effects of compliance with rapidly changing environmental, safety, licensing, regulatory and legislative requirements; (b) changes resulting from conservation and demand side management programs, more cost-effective renewable resources, distributed generation, energy storage and smart-grid opportunities on the timing and use of electric energy; (c) changes resulting from a national energy policy; (d) the proposed repeal of certain federal statutes that would have the effect of increasing the competitiveness of many investor-owned utilities; (e) increased competition from independent power producers and marketers, brokers and federal power marketing agencies; (f) “self-generation” and aggregation by certain industrial and commercial customers and other distributed generation sources; (g) issues relating to the ability to issue tax-exempt obligations to finance and refinance projects; (h) effects of inflation on the operating and maintenance costs of an electric utility and its facilities; (i) changes from projected future load requirements; (j) increases in costs and uncertain availability of capital; (k) shifts in the availability and relative costs of different fuels; (l) sudden, drastic increases in the price of energy purchased on the open market that may occur in times of high public demand in an area of the country experiencing high peak demand; (m) the credit quality of third-party power providers; and (n) the national, state, and local economic conditions. Any of these factors (as well as other factors) could have an impact on the financial condition of any given electric utility and likely will affect individual utilities in different ways.

The Utilities cannot predict what effects such factors will have on its operations and financial condition, but the effects could be significant. The discussion contained in this Official Statement does not purport to be comprehensive or definitive, and these matters are subject to change subsequent to the date hereof.

### **FERC Electric Transmission Regulation**

The Federal Energy Regulatory Commission (“FERC”) regulates interstate-related electric transmission services under the Federal Power Act, 16 USC § 791a, et seq. FERC jurisdiction under the Federal Power Act does not extend to the Utilities. However, under FERC precedent, FERC-jurisdictional electric utilities (mainly investor-owned utilities) could deny the Utilities interstate electric transmission

services if the Utilities does not provide those electric utilities access to the Utilities electric transmission system on the same terms and conditions that the Utilities provides to itself (“Reciprocal Service”). For the purpose of ensuring that the Utilities would not be denied such Reciprocal Service, the Utilities maintains an Open Access Transmission Tariff (“OATT”) for interstate electric transmission service that is similar to the pro forma OATT prescribed by the FERC for its jurisdictional utilities. The FERC pro forma OATT is generally adopted (with minor variations) by FERC-jurisdictional electric utilities for those utilities’ interstate transmission services.

### **NERC Regulation**

NERC establishes and enforces reliability standards, including critical infrastructure protection standards, for the bulk power system. The critical infrastructure protection standards focus on controlling access to critical physical and cyber security assets. Compliance with these standards is mandatory. The maximum penalty that may be levied for violating a NERC reliability standard is \$1 million per violation, per occurrence, per day. The Utilities is in the Western Interconnection, and in that interconnection NERC standards are enforced and monitored by NERC and by the Western Electricity Coordinating Council (“WECC”).

The Utilities was audited by WECC during 2021 with no violations of the NERC standards identified. In 2023 and early 2024, Utilities self-reported violations of NERC standards to WECC. Utilities will continue to negotiate potential noncompliance findings (from self-reports) with WECC enforcement, with no fines expected. The Utilities has formal programs, processes, and policies in place to promote compliance with NERC standards. However, it is not possible to predict whether the Utilities will have future violations or what the fines for such violations might be. FERC and WECC are expected to audit Colorado Springs Utilities in 2024.

### **Capital Improvements to the Electric System**

The City has experienced substantial annual growth resulting in new construction and additional assets. The Electric System has a large number of capital projects planned and in process to address such growth and to replace aging infrastructure, invest in new technologies and meet regulatory and compliance requirements. The Utilities completed the annual update to its EIRP and the Utilities Board approved a resource portfolio on June 26, 2020. The selected portfolio will directly support the Utilities Energy Vision and provide guidance for future capital project development. The Electric System accounts for \$223.0 million (51.5%) of the total 2024 capital budget.

On June 26, 2020, the Utilities Board approved a future generation portfolio subsequently updated and approved on June 21, 2023 that called for the retirement of Units 6 and 7 at the Martin Drake power plant no later than December 31, 2022, the Ray Nixon power plant no later than December 31, 2029, and the Birdsall gas fired plant no later than December 31, 2027. On September 1, 2022 all power generation inside the Martin Drake coal-fired power plant was permanently shut down. The Utilities expects to spend \$702 million on new combustion turbine and transmission projects from 2024 to 2028 and \$447.9 million to execute electric power purchase agreements from 2026 to 2028 related to the retirement of the existing power plants. See “COLORADO SPRINGS UTILITIES – Other Fixed Cost Obligations.”

In 2019, the Utilities began a multi-year program to transition from Automated Meter Reading to Advanced Metering Infrastructure. The program will replace all electric meters and retrofit gas and water meters. The system will also support the Utilities Smart City initiatives. The Utilities anticipates completing the system upgrades by early 2025.

In 2022, the Utilities began building a high-speed telecommunications network that will reach every neighborhood and help bridge the digital divide. This City-wide, modern network will enhance utility operations, allow for better customer service, and meet the needs of the community by enabling multi-gigabit

telecommunications connectivity to every home and business in the City. The Utilities leases unused capacity to a private provider. Lease payments to the Utilities are expected to significantly offset the financial investment necessary for the network. The Utilities plans to spend \$430-\$490 million over the next five years to finish building an estimated 2,000 miles of fiber-optic lines. The Utilities does not plan to issue bonds to finance this project but instead plans to cash fund the project.

### **THE GAS SYSTEM**

The Gas System operates a local distribution system which supplied natural gas to approximately 222,000 customers in 2023 in a 527 square mile service area. In addition to the City, the service area includes Manitou Springs, the Academy, the northerly portion of Fort Carson and certain unincorporated portions of the County. The Gas System purchases gas under contracts with a variety of gas suppliers including nationwide marketing companies as well as national and regional production companies. The Academy, Peterson, Cheyenne Mountain Space Force Station, and Fort Carson are served under a General Services Administration Areawide Contract.

The Utilities has the natural gas franchise to serve Manitou Springs through July 2044. No franchise fee is paid upon the gross revenues received from natural gas service to Manitou Springs. The Utilities also has the natural gas franchise to serve portions of the City of Fountain through December 2033. As part of its agreements with the City of Fountain, the Utilities will pay the City of Fountain a franchise fee equal to 3% of the gross revenues from the natural gas service provided to customers within the Utilities' certificated area located in the City of Fountain's municipal limits.

The Gas System facilities consist of approximately 2,751 miles of natural gas pipe mains and approximately 185,691 service lines.

While the Gas System is subject to federal and state environmental regulations, the Utilities does not anticipate the incurrence of material costs for its compliance with such regulations.

### **Gas Rates**

The following table sets forth rates as they relate to residential and commercial service provided by the Gas System. In addition to base natural gas rates, the Utilities charges customers a gas cost adjustment, a gas capacity charge, and a clean heat plan charge. The gas cost adjustment is designed to recover fuel-related costs and may be changed as frequently as monthly to pass actual costs to customers on a timely basis. The gas capacity charge is designed to recover costs associated with transportation and storage of natural gas. The clean heat plan charge recovers costs of programs that encourage customers to reduce emissions generated by natural gas-based appliances and heating systems, as required under state legislation passed in 2021 (Senate Bill 21-264).

The Utilities is currently preparing a five-year rate case to request annual base rate increases that, if approved, would be effective beginning January 1, 2025 through January 1, 2029.

**Natural Gas Rates  
As of July 1, 2024**

**Residential Service – Firm**

Access and Facilities Charge, per day	\$0.3930
Access and Facilities Charge, per CCF <sup>(1)</sup>	\$0.1906
Gas Cost Adjustment <sup>(2)</sup> , per CCF	\$0.0810
Gas Capacity Charge, per CCF	\$0.0964
Colorado Clean Heat Plan Charge, per CCF	\$0.0125

**Commercial Service – Large Firm**

Access and Facilities Charge, per day	\$0.7860
Access and Facilities Charge, per CCF	\$0.1752
Gas Cost Adjustment <sup>(2)</sup> , per CCF	\$0.0810
Gas Capacity Charge, per CCF	\$0.0840
Colorado Clean Heat Plan Charge, per CCF	\$0.0050

<sup>(1)</sup> “CCF” is an abbreviation for 100 cubic feet

<sup>(2)</sup> The Utilities’ gas rates include a gas cost adjustment effective April 1, 2024 and can change monthly.

The City Council is authorized to determine rates charged for gas service within the Gas System’s service area (both inside and outside City limits). However, if the rates to be charged for the same customer classifications are different for customers within and outside City limits, then a state statute requires that rates to be charged to customers outside the City limits be reviewed and approved by the PUC before becoming effective. The statute also provides that the PUC has jurisdiction to resolve any conflict relating to the rates established by the City Council upon the filing of a complaint by 5% of the affected customers outside the City limits. Under the statute, the City Council is ordinarily required to give at least 30 days’ notice to the public prior to holding a public hearing to consider proposed base rate changes. The statute allows rate changes absent the public notice and hearing for good cause. By virtue of the ordinances establishing the rate making process for the Utilities, a 30-day public notice is not provided for changes to the gas cost adjustment. Published notice is provided within 10 days after Council approval for the gas cost adjustment.

**Gas Sales and Revenues**

In 2023, the Gas System had sales of 23,120,912 Mcf (excluding interdepartmental and transportation volumes). Of this amount, 56.5% came from Residential sales and 36.3% came from Commercial/Industrial sales. The Gas System had revenue of \$200.9 million (excluding interdepartmental, miscellaneous, and transportation revenues) with 62.3% attributable to Residential revenue and 31.8% attributable to Commercial/Industrial revenue.

The ten largest customers of the Gas System during 2023, ranked by sales volume, represented 3,561,799 McF, or 15.4% of sales (excluding interdepartmental and miscellaneous sales), and \$17.1 million or 8.5% of revenues during that period (excluding interdepartmental revenues and miscellaneous revenues).

The number of active residential meters served by the Gas System was 195,497, 198,012 and 199,599, at the end of 2021, 2022, and 2023 respectively. The average annual use per residential customer was 65.3 Mcf in 2021, 68.6 Mcf in 2022, and 65.5 Mcf in 2023.

The following tables set forth the Utilities’ gas sales and revenues by customer class for the past five years (excluding information relating to the component units for the Public Authority for Colorado Energy described in Note 19 to the 2023 Audited Financial Statements included in Appendix A to this Official Statement):

**Gas Throughput (Mcf)<sup>(1)</sup>14.65 p.s.i.a.)**  
**Fiscal Year Ended December 31**

<i>Customer Class</i>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>
Firm Sales:					
Residential .....	13,308,773	12,953,785	12,761,809	13,589,017	13,064,150
Commercial .....	7,302,800	6,922,639	7,076,621	7,652,068	7,799,129
Contract Service – Military .....	1,643,438	1,666,175	1,702,712	1,692,675	1,665,888
Interruptible Sales:					
Industrial .....	767,800	824,827	835,748	835,258	591,745
Interdepartmental – Firm and Interruptible .....	106,256	779,571	4,368,163 <sup>(2)</sup>	2,821,379	1,986,082
Total Gas Sales Volume .....	23,129,067	23,146,997	26,745,053	26,590,397	25,106,994
Gas Transportation Volume .....	1,344,142	1,235,428	1,241,986	1,247,556	1,245,187
Total Throughput Volume .....	24,473,209	24,382,425	27,987,039	27,837,953	26,352,181
Less: Interdepartmental– Firm and Interruptible .....	(106,256)	(779,571)	(4,368,163)	(2,821,379)	(1,986,082)
Net Throughput Volume .....	24,366,953	23,602,854	23,618,876	25,016,574	24,366,099
Total Number of Active Gas Meters as of Year End .....	210,804	214,849	218,766	222,226	224,832

(1) "Mcf" = one thousand cubic feet.

(2) Increase from 2020-2021 primarily due to the switch in the use of coal to gas in the production of electricity at the Martin Drake Plant.

**Gas Revenue**  
**Fiscal Year Ended December 31**

<i>Customer Class</i>	<b>2019</b>	<b>2020</b>	<b>2021<sup>(1)</sup></b>	<b>2022<sup>(3)</sup></b>	<b>2023<sup>(4)</sup></b>
Firm Sales:					
Residential .....	\$ 103,173,485	\$ 88,752,107	\$ 139,950,932	\$ 184,660,733	\$ 125,262,405
Commercial .....	43,737,297	35,266,509	65,963,744	91,233,755	60,801,259
Contract Service – Military .....	8,483,122	7,094,962	11,977,307	15,441,653	11,691,854
Interruptible Sales:					
Industrial .....	3,050,459	2,999,955	4,476,692	6,497,212	3,173,451
Interdepartmental – Firm and Interruptible .....	1,469,369	4,440,937	27,194,437 <sup>(2)</sup>	23,103,779	7,350,215
Subtotal .....	\$ 159,913,732	\$ 138,554,470	\$ 249,563,112	\$ 320,937,132	\$ 208,279,184
Gas Transportation Revenue .....	2,652,481	2,582,427	4,844,180	2,634,270	2,689,052
Miscellaneous Revenue .....	3,918,753	1,301,021	25,770,760	28,010,939	9,717,268
Total Gas Revenue .....	\$ 166,484,966	\$ 142,437,918	\$ 280,178,052	\$ 351,582,341	\$ 220,685,504
Less: Interdepartmental Sales .....	(1,469,369)	(4,440,937)	(27,194,437)	(23,103,779)	(7,350,215)
Net Gas Revenue .....	\$ 165,015,597	\$ 137,996,981	\$ 252,983,615	\$ 328,478,562	\$ 213,335,289

(1) Increase in Gas revenue from 2020-2021 due to an increase in the Utilities' Gas Cost Adjustment in April 2021 to recoup costs of February 2021 severe weather storm.

(2) Increase from 2020-2021 primarily due to the switch in the use of coal to gas in the production of electricity at the Martin Drake Plant.

(3) Increase in Gas revenue from 2021-2022 primarily due to an increase in fuel prices passed on to customers through the Utilities' Gas Cost Adjustments.

(4) Decrease in Gas revenue from 2022-2023 due to decreased fuel prices passed on to customers through the Utilities' Gas Cost Adjustments.

## Capital Improvements to the Gas System

The Utilities undertakes improvements to maintain the Gas System and to provide capacity for increased customer demand. For 2024-2028, the Utilities forecasts approximately \$273.8 million in Capital improvements to maintain the Gas System, including estimated capital expenditures of approximately \$56.7 million for the Distribution Integrity Management Plan, \$8.2 million for the Marksheffel Connector Gas Propane Air Plant Expansion, and \$3.9 million for Automated Metering Infrastructure upgrades.

The Distribution Integrity Management Program is a program required by federal law that requires gas distribution operators to quantify, prioritize, and mitigate risk on their gas systems. The Marksheffel Connector Gas Propane Air Plant Expansion is a project aimed at increasing the capacity of the existing Gas Propane Air Plant from 1,800 dekatherm per hour to 2,400 dekatherm per hour by installing three additional air compressors, per the Gas Integrated Resource Plan. Automated Metering Infrastructure upgrades entails the Utilities' efforts to replace and install customer meters with enhanced capabilities, including 2-way communication, to support remote connect/disconnect capabilities and demand side management technologies.

## **Gas Supply**

The Utilities contracts for sufficient firm transportation capacity and supplies to meet its firm peak day and firm peak hour requirements. The Peak Day is a 24-hour period of demand that is used as a basis for planning gas capacity requirements. The Utilities planning criteria for Peak Day conditions as a day with an average temperature of -13 degrees Fahrenheit or 78 heating degree days. The Utilities' goal is to have the mix of capacity resources for achieving a balance between reliability and cost effectiveness through a diversified portfolio of gas supplies, transportation and storage services in order to meet its obligations. Notably, the Utilities entered into a prepaid gas supply agreement with Merrill Lynch & Co., Inc. and Merrill Lynch Commodities, Inc. in June 2008. This agreement provides for about 20% of the Utilities retail natural gas load with firm supplies priced at approximately \$5.0 million below market for each year of its 30-year term.

In addition to the prepaid gas supply agreement, the Utilities' firm gas supply portfolio is comprised of multiple contracts with terms ranging from three months to thirty years. The expiring contracts are competitively bid by the suppliers each year, usually during the spring. In addition, the Utilities purchases approximately 45% of its annual gas supply needs on a short-term (30-day or less) basis, giving the Utilities the flexibility to react to warmer than normal conditions without having to manage excess firm commitments, and providing the flexibility to take advantage of short-term drops in gas prices. The staggered terms of the supply contracts help shape supply commitments to better match load requirements, and ensure the Utilities can acquire and replace supplies in an orderly fashion.

In addition to maintaining a diversified portfolio of contracted supplies and assets, the Utilities actively pursues opportunities to reduce costs and realize value from its gas supply assets when the capacity is not being utilized to serve the Utilities' load.

The Utilities maintains firm contracted natural gas pipeline capacity on Colorado Interstate Gas Company, an interstate pipeline, to transport natural gas supplies to the Gas System's distribution facilities. In addition, the Utilities maintains contracted natural gas storage services on Colorado Interstate Gas Company and Tallgrass Interstate Gas Transmission. The Utilities is a contracted customer and part owner (5%) of Young Gas Storage Company LLC. The Utilities also owns and operates a peak shaving propane air plant inside the boundaries of the Gas System itself.

## **THE WATER SYSTEM**

In 2023, the Water System served an estimated population of approximately 531,000 persons, including City residents and customers living in the Ute Pass communities west of the City, military bases, and other suburban areas outside the City limits. In 2023, the Water System delivered 65,615 acre-feet (21.4 billion gallons) of potable water to the distribution system. This compares to water deliveries of 72,434 acre-feet (23.6 billion gallons) in 2022, 70,985 acre-feet (23.1 billion gallons) in 2021, and 74,989 acre-feet (24.4 billion gallons) in 2020. Presently, developed potable water supply sources and infrastructure can meet demands of roughly 95,000 acre-feet. See "—Water Supply and Raw Water Delivery" below.

## **Water Rates and Development Charges**

The following table sets forth rates as they relate to residential and nonresidential service provided by the Water System:

**Water Rates  
As of July 1, 2024**

<b>Residential Service</b>	<u><i>Inside City</i></u>	<u><i>Outside City</i></u>
Service Charge, per meter, per day <sup>(1)</sup> .....	\$0.8000	\$1.2000
Commodity Charge, per cubic foot		
1 through 999 cubic feet.....	\$0.0499	\$0.0749
1,000 through 2,499 cubic feet.....	\$0.0623	\$0.0935
2,500 cubic feet and greater .....	\$0.0935	\$0.1403
<b>Nonresidential Service</b>		
Service Charge, per meter, per day <sup>(2)</sup> .....	\$1.8449	\$2.7674
Commodity Charge, per cubic foot (Nov-April) .....	\$0.0552	\$0.0828
Commodity Charge, per cubic foot (May-Oct) .....	\$0.0690	\$0.1035

<sup>(1)</sup> For meters from 5/8 to 1 inch. Higher rates apply for larger meter sizes.

<sup>(2)</sup> For meters less than 2 inches. Higher rates apply for larger meter sizes.

The Utilities is currently preparing a five-year rate case to request annual base rate increases that, if approved, would be effective beginning January 1, 2025 through January 1, 2029.

Pursuant to the requirements set forth in the City Code, water customers are required to use water efficiently in accordance with detailed water conservation measures. Additionally, the City Council may declare a water shortage when the Utilities’ Chief Executive Officer informs the City Council that the analysis required by the City Code or the existence of an emergency shortage requires reductions in demand to a level proportionate to the severity of the shortage. The City is currently not in a water shortage declaration.

The Utilities also assesses water connection charges and fees that consist of the Water Development Charge and the Water Resource Fee. For single-family residential connections with a ¾-inch water meter, the Water Development Charge and the Water Resource Fee are based on lot size. For smaller lots, the Water Development Charge varies from \$5,297 and \$7,946 inside and outside the City limits, respectively, and the Water Resource Fee varies from \$3,847 and \$5,770 inside and outside the City limits, respectively. For larger lots, the Water Development Charge varies from \$10,949 and \$16,424 inside and outside the City limits, respectively, and the Water Resource Fee varies from \$7,952 and \$11,297 inside and outside the City limits, respectively. For nonresidential, multi-family or mixed-use connections, the Water Development Charge and Water Resource Fee are based on meter size. For ¾-inch and smaller meters, the Water Development Charge varies from \$7,904 and \$11,856 inside and outside the City limits, respectively, and the Water Resource Fee varies from \$5,740 and \$8,611 inside and outside the City limits, respectively. For 12-inch meters, the Water Development Charge varies from \$889,224 and \$1,333,836 inside and outside the City limits, respectively, and the Water Resource Fee varies from \$645,790 and \$968,684 inside and outside the City limits, respectively. Virtually all water sold within the Water System is metered.

**Water Sales and Revenues**

In 2023, the Water System had sales of 25,079,428 CCF (excluding interdepartmental and miscellaneous sales). Of this amount, 46.7% came from Residential sales and 44.6% came from Commercial sales. The Water System had revenue of \$201.5 million (excluding interdepartmental, and miscellaneous revenues) with 52.2% attributable to Residential revenue and 41.5% attributable to Commercial revenue.

During 2023, the Utilities’ ten largest water customers ranked by sales volume accounted for 3,986,749 CCF, or 15.9% of the Utilities’ sales (excluding interdepartmental, nonpotable and miscellaneous sales), which represented \$23.0 million, or 11.4% of revenues for sales (excluding interdepartmental, nonpotable and miscellaneous sales).

The number of active residential meters served by the Water System was 140,144, 142,445, and 143,487 at the end of 2021, 2022, and 2023, respectively. The average annual use per residential customer was 93.2 CCF in 2021, 91.9 CCF in 2022, and 81.7 CCF in 2023.

The following tables set forth the Utilities' water sales and revenues by customer class for the past five years (excluding information relating to the component units described in Note 19 to the 2023 Audited Financial Statements included in Appendix A to this Official Statement):

Customer Class	Water Sales (CCF) <sup>(1)</sup>				
	Fiscal Year Ended December 31				
	2019	2020	2021	2022	2023
Residential (City) .....	12,417,232	14,001,156	12,963,892	12,985,597	11,626,344
Residential (Suburban) .....	81,939	91,832	99,928	100,411	90,612
Commercial (City) .....	11,828,381	11,871,923	11,855,128	12,305,879	11,160,894
Commercial (Suburban) .....	38,851	40,512	(21,454) <sup>(3)</sup>	32,372	31,218
Contract Sales – Military .....	1,878,360	2,009,062	2,293,500	2,328,134	2,170,360
Nonpotable <sup>(2)</sup> .....	1,434,633	1,633,997	1,451,670	1,557,970	1,373,615
Interdepartmental .....	<u>1,864,600</u>	<u>1,592,248</u>	<u>1,738,853</u>	<u>1,321,752</u>	<u>925,789</u>
Subtotal .....	29,543,996	31,240,730	30,381,517	30,632,115	27,378,832
Miscellaneous Sales .....	3,666,306	7,227,509	1,134,625 <sup>(4)</sup>	1,361,269	4,041,068
City Use and Losses (Est.) .....	<u>3,318,119</u>	<u>3,536,287</u>	<u>2,933,377</u>	<u>3,150,804</u>	<u>2,973,819</u>
Total Water Delivered for Sales .....	36,528,421	42,004,526	34,449,519	35,144,188	34,393,719
Less Interdepartmental .....	<u>(1,864,600)</u>	<u>(1,592,248)</u>	<u>(1,738,853)</u>	<u>(1,321,752)</u>	<u>(925,789)</u>
Net Water Delivered for Sales .....	<u>34,663,821</u>	<u>40,412,278</u>	<u>32,710,666</u>	<u>33,822,436</u>	<u>33,467,930</u>
Total Number of Active Water Meters as of Year End .....	<u>148,844</u>	<u>151,804</u>	<u>154,529</u>	<u>157,069</u>	<u>158,270</u>

(1) “CCF” is an abbreviation for 100 cubic feet, which represents approximately 748 gallons.

(2) Raw water spot sales volumes excluded.

(3) In 2021, incorrect zone billings in prior years were discovered which required cancellations and rebills resulting in the issuance of large customer credits.

(4) In 2021, there was a decrease in non-standard water sales to surrounding areas including: Donala Metro District, Security Water District, LAWMA, Cripple Creek & Victor Gold Mine.

Customer Class	Water Revenues				
	Fiscal Year Ended December 31				
	2019	2020	2021	2022	2023
Residential (City) .....	\$ 95,569,087	\$ 111,337,519	\$ 105,122,403	\$ 106,136,752	\$ 103,591,882
Residential (Suburban) .....	1,146,068	1,296,501	1,491,582	1,485,430	1,485,555
Commercial (City) .....	82,591,358	84,001,603	83,702,621	86,798,074	83,115,467
Commercial (Suburban) .....	469,390	483,095	33,685 <sup>(1)</sup>	446,155	451,726
Contract Sales – Military .....	9,674,809	11,115,810	12,569,885	12,804,568	12,836,862
Nonpotable <sup>(1)</sup> .....	2,576,796	3,483,809	2,916,765	3,297,671	2,846,718
Interdepartmental .....	<u>4,155,059</u>	<u>2,463,760</u>	<u>3,566,344</u>	<u>1,904,303</u>	<u>878,720</u>
Subtotal .....	\$ 196,182,567	\$ 214,182,097	\$ 209,403,285	\$ 212,872,953	\$ 205,206,931
Miscellaneous Revenues .....	<u>5,865,391</u>	<u>7,201,391</u>	<u>4,739,863<sup>(2)</sup></u>	<u>4,223,084</u>	<u>4,201,430</u>
Total Water Revenues .....	\$ 202,047,958	\$ 221,383,488	\$ 214,143,148	\$ 217,096,037	\$ 209,408,361
Less Interdepartmental .....	<u>(4,155,059)</u>	<u>(2,463,760)</u>	<u>(3,566,344)</u>	<u>(1,904,303)</u>	<u>(878,720)</u>
Net Water Revenues .....	<u>\$ 197,892,898</u>	<u>\$ 218,919,728</u>	<u>\$ 210,576,804</u>	<u>\$ 215,191,734</u>	<u>\$ 208,529,641</u>

(1) In 2021, incorrect zone billings in prior years were discovered which required cancellations and rebills resulting in the issuance of large customer credits.

(2) In 2021, there was a decrease in non-standard water sales to surrounding areas including: Donala Metro District, Security Water District, LAWMA, Cripple Creek & Victor Gold Mine.

## Water Demand

Per capita water demand in the City varies considerably from year to year depending upon weather conditions, economic conditions, watering restrictions, and other factors. In 2023, the total demand on the Water System of 21.4 billion gallons of potable water (total metered water sales) resulted in an estimated average metered per capita demand on the Water System of 109 gallons per day (“gpd”). This compares to estimated average metered per capita use of the Water System of 122 gpd in 2022 and 121 gpd in 2021.

The Utilities estimates that it has sufficient water supply to meet the growing needs of the area served by the Water System for the foreseeable future. The Utilities plans to secure its future water supply by retaining all present water resource entitlements and through timely development of necessary additional facilities and sources as discussed below under “—Capital Improvements to the Water System.” The loss of entitlement, delays in the development of water resources, or growth of population and/or per capita demand in excess of projections, or other similar factors, could result in the Utilities not meeting Water System level of

service criteria, which may result in interim water supply shortages and reductions in total system wide storage levels below approved risk tolerance thresholds. See “—Water Supply and Raw Water Delivery” below.

### **Drought Conditions in the Region**

Colorado, along with most of the western United States, experiences recurring cycles of drought. The Utilities’ water supply system is designed and operated to withstand recurring cycles of drought through its complex network of storage reservoirs, water delivery systems, and related water infrastructure. The Utilities relies more heavily on storage to meet customer demands during periods of drought when water system inflows are below average. Although the western United States has been experiencing drought conditions of varying degrees at different locations for over twenty years, the specific effects on local water providers varies greatly. The Utilities has implemented a comprehensive Drought Response Plan with the goal of maintaining greater than one year of customer demand in system-wide storage; this plan was updated in early 2021. Despite dry conditions in early summer 2022, monsoon rains provided minor drought relief that continued to improve through 2023. With a colder and wetter summer in 2023, customer demand remained relatively low and system-wide storage remained close to or above the long-term historical average all year. In 2024, the snowpack in the Utilities’ mountain watersheds trended above historic averages. The Utilities continuously monitors conditions throughout the winter season and spring runoff. As of June 2024, the yield forecast predicts 107% of total system average yield in 2024, which is sufficient to keep water storage well above 1.5 years of demand. Drought response measures will not be required in 2024 based on that level of service metric. As of June 18, 2024, the Utilities had approximately 3 years of demand in system-wide storage.

Pursuant to the requirements set forth in the City Code, water customers are required to use water efficiently in accordance with detailed water conservation measures. Additionally, the City Council may declare a water shortage when the Utilities’ Chief Executive Officer informs the City Council that the analysis required by the City Code, or the existence of an emergency shortage, requires reductions in demand to a level proportionate to the severity of the shortage. The City is currently not in a water shortage declaration; however, beginning May 1st and running through October 15th, Utilities’ customers will be required to follow the Utilities’ Water-Wise Rules. Some of the key rules include a maximum of 3 days per week for watering yards, watering before 10:00 am or after 6:00 pm, use of a shut-off nozzle when washing anything with a hose, repairing leaking sprinkler systems within 10 days, and cleaning hard surfaces with water only if there is a public health and safety concern.

The Utilities closely monitors its water supply situation and will continue to rely on a combination of water in storage, water system inflows, and effective management of these supplies to meet customer demands.

### **Reliance on Colorado River Water Supply**

The Utilities’ water supply is heavily reliant on the Colorado River Basin. The Utilities, along with the other major Colorado Front Range water providers including Denver, Aurora, Northern Colorado Water Conservancy District and certain others, serve approximately 80% of Colorado’s population and economy. Approximately 72% of the major Front Range water providers’ supply comes from the Colorado River Basin. As a result, Front Range water providers, including the Utilities, have a large stake in the future of the Colorado River and how the challenges of increasing growth and associated demands, long-term drought, and climate change will be addressed.

The Colorado River Compact allocates Colorado River water according to specified formulas among seven western states (the Lower Basin States of Arizona, California, and Nevada and the Upper Basin States of Colorado, New Mexico, Utah, and Wyoming). Pursuant to this system of allocation, the Utilities’ water rights are subject to the obligation of Colorado and the other Upper Basin States to ensure that they do not cause a river depletion below a certain ten-year rolling delivery requirement. If shortage conditions were experienced (e.g., as a result of a prolonged drought and resulting low streamflows) and the Lower Basin States did not receive deliveries consistent with the aforementioned ten-year rolling delivery requirement, it is possible that

the Utilities would be unable to divert all or part of its Colorado River water rights entitlements due to their subordinate status in relation to the State's obligations under the Colorado River Compact. However, due to the potential severe impacts of such an occurrence to the State and its citizens, the Utilities, along with other Front Range water providers are actively working on adaptation strategies for this unlikely event in coordination with downstream entities.

The Upper Basin States must deliver a ten-year rolling average of 75 million acre-feet of water to the Lower Basin. The Upper Basin states have exceeded the ten-year average having delivered more than 85 million acre-feet of water in the past 10 years to the Lower Basin. Colorado's share of allowable depletions is 51.75% of the water available to the Upper Basin States under the 1948 Upper Colorado River Basin Compact, but Colorado's obligation to make up any shortfall in delivery to the Lower Basin States is as yet undetermined under said compact. Colorado's obligations are dictated by the Compact. With the continuation of the long-term trend of drought conditions and lower runoff, the Basin States are very carefully monitoring their respective Colorado River Compact depletions and reservoir levels in both Lake Powell and Lake Mead. The U.S. Bureau of Reclamation ("Reclamation") initiated drought response measures in 2022, slightly decreasing the release from Lake Powell to the Lower Basin and making an additional release of water from Flaming Gorge Reservoir to Lake Powell in an effort to boost the water level. The continuation of the current drought cycle in combination with the extremely poor runoff during 2022 have increased the risk of Colorado River curtailment in future years despite the above average runoff in 2023, unless severe drought conditions subside and normal to above normal conditions return and continue for a period of several years.

In March 2019, a Drought Contingency Plan was passed by Congress and signed into law by President Trump on April 16, 2019. The Drought Contingency Plan was then signed by the seven Colorado Basin States and Reclamation on May 20, 2019. This historic agreement provides a framework for each of the seven states to systematically reduce their consumptive use of Colorado River water to mitigate supply shortages and preserve critical storage levels in Lake Mead and Lake Powell. The Upper Basin portion of the Drought Contingency Plan consists of a Demand Management Storage Agreement and a Drought Response Operations Agreement ("DROA").

In April 2022, a Drought Response Operations Plan was approved that called for 500,000 acre-feet of releases from Flaming Gorge Reservoir between May 2022 and April 2023. At the same time, another 480,000 acre-feet of water that would have otherwise been released was left in Lake Powell by reducing Glen Canyon Dam's annual release volume from 7.48 million acre-feet ("maf") to 7.0 maf, as outlined in the 2007 Record of Decision associated with the Colorado River Interim Guidelines for Lower Basin Shortages and Coordinated Operations for Lake Powell and Lake Mead (the "2007 Interim Guidelines") that control operations of Glen Canyon Dam and Hoover Dam. This is in addition to the 161,000 acre-feet of water previously released pursuant to provisions of the DROA. This measure protects hydropower generation, critical infrastructure at Glen Canyon Dam, and water supply. In total, the Upper Basin States contributed approximately 463,000 acre-feet of water to protect critical reservoir levels in Lake Powell through April 2023.

On April 11, 2023, Reclamation released a draft Supplemental Environmental Impact Statement ("SEIS"). The purpose of the SEIS is to consider revised guidelines for operation of Glen Canyon and Hoosier Dams through the remainder of the interim period (2024-2026). The current 2007 Interim Guidelines expire on December 31, 2026. A final SEIS was released on March 1, 2024, and analyzes two alternatives in detail including a No Action Alternative and the Lower Division Proposal. At this time, it is unknown whether there will be any direct impacts on the Upper Basin States from the SEIS.

For post-2026, there are three alternatives provided to Reclamation including Upper Basin Proposal dated March 5, 2024, Lower Basin Proposal dated March 6, 2024, and the Non-Governmental Organizations Proposal dated March 29, 2024. The No Action Alternative is yet to be identified by Reclamation.

The Utilities continues to be actively involved in numerous planning efforts and studies and the ongoing discussions that are occurring between the Upper and Lower Basin States, the Federal Government,

and other stakeholders on issues involving the Colorado River. The Utilities remains in close contact with the State of Colorado officials responsible for advancing the interests of the State, and of the Utilities, in these interstate forums.

**Water Facilities**

The Water System’s raw water storage capacity is approximately 236,300 acre-feet in 25 reservoirs. In addition, the Utilities has a long-term contract for up to 28,000 acre-feet of water storage available as excess capacity in the Fryingpan-Arkansas Project. The Water System also has covered treated water storage capacity of approximately 108 million gallons.

The Water System presently includes five water treatment facilities located around Utilities’ water service area with a sustained rated water treatment capacity of 233 mgd and a peak capacity of 278 mgd. Upgrades to the Tollefson (formerly Mesa) Water Treatment Plant were completed in 2022, returning this facility to its full sustained treatment capacity of 36 mgd.

Peak water usage in a single day of approximately 182 million gallons occurred in July 2001. The past 5 year (2019-2023) peak single day water usage of 124 million gallons occurred in 2019. The Utilities believes that the Water System’s current treatment capacity will be more than sufficient to meet the needs of Utilities’ customers for the foreseeable future.

The Water System has over 2,200 miles of water distribution system main, most of which have been constructed since 1954. Since 2016, the Water System’s non-revenue water has averaged 9.6% of treated potable water supplied including unmetered fire flows, main breaks, and system leakage.

**Water Supply and Raw Water Delivery**

Approximately 50% of the City’s raw water supply (first use) is sourced from the Colorado River system, while the remainder originates from the Arkansas and South Platte River systems.

In February 2017, the Utilities completed its Integrated Water Resource Plan (the “IWRP”) (discussed below) which provides a long-term strategic plan for providing a reliable and sustainable water supply to the Utilities in a cost-effective manner. The IWRP is reviewed annually.

In the IWRP, the Utilities evaluated the performance of the Water System by determining the maximum annual demand that can be reliably met by the Water System while maintaining certain Level of Service criteria (Reliably Met Demand) through a selection of risks. The Reliably Met Demand is determined for the Water System as it currently exists (Existing System), and for the Water System as it is proposed to exist at community buildout. At this buildout future, the Existing System components are operated in combination with a proposed balanced portfolio containing a diversity of demand management, supply, storage, reuse, and conveyance options recommended and approved in the IWRP for future implementation (Existing System plus Full Balanced Portfolio). The table below shows the summarized estimates of Reliably Met Demand for current conditions and expected conditions at community buildout.

**Reliably Met Demand of the Water System<sup>(1)</sup>**

<i>System Configuration</i>	<i>Reliably Met Demand</i>
Existing System (2016)	95,000 acre-feet/year (84.7 MGD)
Existing System plus Full IWRP Balanced Portfolio	136,000 acre-feet/year (121.3 MGD)

<sup>(1)</sup> This table shows the summarized estimates of Reliably Met Demand for current conditions, and expected conditions at community buildout.

The Utilities believes its capacity for delivery of raw water from remote watersheds to local storage, including near-term planned capacity additions and system improvements, will be adequate to meet demands for the foreseeable future. A diversity of water conservation, supply, storage, reuse, and conveyance options (the IWRP Balanced Portfolio) will need to be implemented in the future to address water supply risks and satisfy the service area's needs between now and community buildout for the City boundary defined in the 2006 Colorado Springs Annexation Plan. Future consideration of annexations will be evaluated using the current city Water Extension Ordinance that defines a water surplus as 128% of current demand plus the buildout demand of the annexation proposed. If the 128% plus annexation demand exceeds the Reliably Met Demand of the current Water System, a surplus would not exist. Additional annexations will be additive to IWRP forecasted demands. The current status of implementation of the IWRP Balance Portfolio is discussed below in the section entitled "Capital Improvements to the Water System."

### **Reuse of Return Flows**

The Utilities has the legal right (and in some cases, a legal obligation) to reuse and successively reuse to extinction the return flows that result from the initial use of its imported (or transmountain) water and certain other water sources. Reuse of these return flows can occur directly through non-potable uses of reclaimed wastewater or indirectly both by the operation of exchanges (i.e., the trading of the Utilities' return flows for other water sources at different upstream locations) and through augmentation of well pumping and diversions.

The Utilities' non-potable reuse of return flows in the last ten years has ranged from a low of 1,950 acre-feet in 2023 to a high of 3,715 acre-feet in 2015 with the difference being attributable primarily to variations in demand due to weather, changes to the customer base, such as the Martin Drake Power Plant closure, and the implementation of water saving practices by large non-potable water users. Changes to non-potable demands will result in allocating the reuse of return flows to the exchange program and augmentation uses.

The Utilities exchanged approximately 57,000, 42,300 and 34,700 acre-feet of water during the 2021, 2022, and 2023 water years (October 1 to September 30), respectively. These totals include local system exchanges, river exchanges and reservoir trades within the Arkansas River basin. Reuse by augmentation totals approximately 4,300 acre-feet annually.

### **Joint Water Authorities**

The City is a participant in the Fountain Valley Authority and the Aurora-Colorado Springs Joint Water Authority (the "Aurora-Colorado Springs Authority"). Each of these authorities is a separate political subdivision of the State and is treated as a component unit of the City for financial reporting purposes.

The Fountain Valley Authority constructed a water treatment plant with 18 mgd capacity approximately 17 miles south of the City. The Utilities acts as operator of the plant under contract with the Fountain Valley Authority. The City is entitled to receive approximately 71% of the water treated at the Fountain Valley Authority plant. The remaining water is available to the other Fountain Valley Authority participants, which include Fountain, the Security Water District, the Stratmoor Hills Water District and the Widefield Water and Sanitation District, each of which owns and operates a water distribution system. As part of the Southern Delivery System (the "SDS") partnership agreements, the Utilities and the City of Fountain agreed that Fountain would receive its share of the SDS water through the Fountain Valley Authority system.

Under the applicable long-term contracts relating to the Fountain Valley Authority, the City is obligated to pay water treatment service charges to the Fountain Valley Authority and water conveyance service charges to the U.S. Bureau of Reclamation (the "Bureau") for conveyance of its water through the Bureau's Fountain Valley Conduit, which conveys raw water from the Pueblo Reservoir to the Fountain Valley Authority's treatment plant and treated water from the treatment plant to distribution reservoirs of the Fountain

Valley Authority participants. See Note 19 to the 2023 Audited Financial Statements included in Appendix A to this Official Statement.

As of December 31, 2023, Fountain Valley Authority had approximately \$196,000 in outstanding obligations. The debt service on these obligations is treated as a fixed cost to the member entities in proportion to their ownership interests in the Fountain Valley Authority. The Utilities' ownership interest in the Fountain Valley Authority is approximately 71% and, accordingly, the Utilities is ultimately responsible for approximately 71% of the debt service on these obligations.

The City has a two-thirds participation share in the Aurora-Colorado Springs Joint Water Authority. The Aurora-Colorado Springs Joint Water Authority constructed a 66-inch diameter pipeline from the Twin Lakes Dam to the Otero Pumping Station intake pipeline. This pipeline is operated by Homestake Water Project staff on behalf of Aurora and the City. The bonds for this project have been repaid and the Aurora-Colorado Springs Authority has no long-term debt outstanding. There are no current plans by either city to use the Aurora-Colorado Springs Authority for future system extensions. See Note 19 to the 2023 Audited Financial Statements included in Appendix A to this Official Statement.

The payments to be made by the City to the Fountain Valley Authority and the Aurora-Colorado Springs Joint Water Authority are contractually required to be treated as Operation and Maintenance Expenses of the System payable out of the Gross Pledged Revenues of the System. See "DESCRIPTION OF THE BONDS— Security for the Bonds" and APPENDIX B—"THE BOND ORDINANCE—Equality of Lien." The payments made by the City to the Fountain Valley Authority for 2021, 2022, and 2023 were \$5.4 million, \$9.9 million, and \$8.9 million respectively. The payments made by the City to the Aurora-Colorado Springs Authority are nominal.

### **Environmental Requirements Affecting Water Treatment**

The Federal Safe Drinking Water Act authorizes the EPA to establish national health-based standards for the protection of drinking water from both naturally occurring and man-made contaminants. Additionally, the EPA maintains a list of unregulated contaminants that are not currently subject to any proposed or promulgated national primary drinking water regulation, but that are known or anticipated to occur in public water systems and may become subject to regulation in the future. As such, there is always the potential for new and/or more stringent standards that may impose additional costs to the Utilities, either to existing infrastructure or operations or to new water project development, such as the EPA's ongoing revisions to the Lead and Copper Rule. In 2023, the EPA proposed a National Primary Drinking Water Regulation Maximum Contaminant Level ("MCL") for per- and polyfluoroalkyl substances ("PFAS") which was subject to a rulemaking action in May of 2023. In the winter of 2023, EPA submitted the final MCL regulation for interagency review. The EPA issued the final MCL on April 10, 2024, which applies to all public water systems. Based on preliminary sampling and analysis of the Utilities' water supplies relative to the PFAS compounds addressed by this MCL regulation, the Utilities does not anticipate any compliance issues with this regulation.

The CDPHE Water Quality Control Division is in the renewal process for reissuance of the water treatment plant discharge general permit. The discharge general permits for the Tollefson, Ute Pass, and Pine Valley/McCullough water treatment plants are anticipated to be reissued in 2024 or early 2025 and may include additional monitoring, reporting, and treatment requirements for the water treatment facilities.

The Utilities' annual Water Quality Report to customers consistently notes that the water treated and supplied by Utilities meets applicable primary drinking water quality standards.

## **Environmental Requirements Affecting Water Supply**

Federal and State laws often influence the Utilities' water development activities and can affect the timeline and even feasibility of new project development.

The conditions imposed under State and Federal water quality regulations are determined on a case-by-case basis when projects are permitted based on an assessment of the impacts of the proposed project. The additional costs to operate the Water System and develop additional water sources, as a result of these regulations, is also determined on a case-by-case basis and cannot be fully quantified at this time. The Utilities is actively engaged in and partnering with several water industry groups to influence proposed State and Federal legislation, regulations or administrative actions that have the potential to adversely impact the Utilities' water system and related projects. Recently, the Utilities has been actively involved in commenting on numerous Federal and State agency and legislative proposals including the regulation of dredge and fill activities and related water quality certification requirements, new water quality standards and other similar developments that might negatively affect the Utilities' operations or the development of new water supplies.

## **Water Concerns**

As part of the Pueblo County 1041 permit obtained by the Utilities for the development of the SDS pipeline project, the City and the Utilities agreed to "maintain storm water controls and other regulations intended to ensure that Fountain Creek peak flows resulting from new development served by SDS within the Fountain Creek basin are no greater than existing conditions." However, it is the City that holds a Municipal Separate Storm Sewer System ("MS4") permit under the Federal Clean Water Act, and the City's stormwater system and MS4 Permit do not fall within the jurisdiction or responsibility of the Utilities. In furtherance of this commitment, in 2014 the City adopted a newly revised Drainage Criteria Manual that requires new development within the City to manage stormwater runoff so as to not increase Fountain Creek peak flows. Despite the adoption of the updated Drainage Criteria Manual, limited funding was made available for the City's stormwater management program at that time.

In order to resolve Pueblo County's concerns regarding the City's funding for stormwater management, in April 2016 the City and the Utilities executed an intergovernmental agreement with Pueblo County in which the City and the Utilities agreed to spend \$460 million on storm water control activities and capital projects over the next twenty years. Of this total, the Utilities agreed to contribute between \$3.0 million and \$3.9 million per year (escalated over time) towards certain stormwater-related capital projects of benefit to the Utilities and to act as a guarantor of the City's portion of the obligation (subject to reimbursement from the City under a separate agreement). Under this agreement with Pueblo County, the City will construct a total of 71 identified stormwater capital projects (or agreed upon substitute projects). All commitments under the intergovernmental agreement have been timely met since 2016. At this time, all issues related to stormwater management that have presented risks to the Utilities under the Pueblo County 1041 permit for the Utilities SDS pipeline have been fully resolved.

The continually developing water quality issue regarding the State and Federal regulation of PFAS is also of interest to the Utilities. Specifically, two PFAS compounds, perfluorooctane sulfonate ("PFOS") and perfluorooctanoic acid ("PFOA"), were detected in regional public groundwater wells, not used or operated by the Utilities, that draw water from the Widefield Aquifer. In 2016, the EPA established a health advisory of 70 parts per trillion (equivalent to 70 nanograms per liter) for the sum of PFOS and PFOA in drinking water. The EPA intended this guidance regarding concentrations to trigger action to reduce exposure to these contaminants that were unregulated at that time. The affected regional groundwater wells, in part, serve as a potable water source to the communities of Security, Fountain, Widefield, and Stratmoor Hills located to the south of Colorado Springs. The water districts serving these neighboring communities have implemented solutions to remove these compounds from well water through advanced treatment processes. In 2018 the Colorado Water Quality Control Commission ("WQCC") promulgated regulations that established a PFOA and PFOS numeric water quality standard of 70 parts per trillion for groundwater quality in the Widefield

Aquifer area. In 2020 the WQCC administratively approved an agency policy establishing “translation levels” (essentially numeric standards) for a broader group of PFAS, including PFOS and PFOA. In response to this additional regulation, the Utilities initiated PFAS monitoring of water supplies at its five drinking water treatment facilities and wastewater effluent discharges at its two permitted wastewater treatment facilities. Results of this monitoring show no exceedances of applicable or currently proposed regulatory limits within the Utilities’ drinking water system or wastewater discharges. The application of the existing groundwater standard for PFAS to construction dewatering activities that require a discharge permit has resulted in limited project delays and increased costs due to required groundwater sampling, storage and treatment of some groundwater. In March 2023, the EPA proposed an MCL for six PFAS compounds in drinking water, which was finalized on April 10, 2024. The MCL is 4.0 parts per trillion for PFOA and PFOS individually, and a unitless hazard index of 1.0 for PNFA, PFHxS, PFBS, and HFPO-DA (commonly called Gen-X Chemicals). It is anticipated that with the application of the EPA MCL, and future WQCC permitting and policy, the Utilities will have analytical requirements on drinking water, wastewater, source investigations and other monitoring activities. During 2023-2025, many public drinking water systems will be required to sample treated drinking water for PFAS under the EPA’s Unregulated Contaminants Monitoring Rule (“UCMR 5”). Utilities will initiate this required sampling in the fourth quarter of 2024 and complete it in 2025. The Utilities’ voluntary monitoring of PFAS compounds to date has not indicated any exceedances of any of the above limits.

### **Capital Improvements to the Water System**

The City owns twenty-five earthen and rock-fill dams as a part of the Water System. The Utilities is required to have each of these dams inspected frequently by the State Engineer pursuant to the Colorado Rules and Regulations for Dam Safety and Dam Construction (the “State Dam Safety Regulations”). Specifically, the State Dam Safety Regulations require that dams have spillway capacity and structural integrity sufficient to withstand a major flood without failing or otherwise contributing to the magnitude of the flood. Based on such inspections of these dams, the Office of the State Engineer has recommended further study of certain facilities to address potential deficiencies in structural conditions or spillway capacity. Additionally, Rampart Dam is regulated by FERC due to its connection to the Tesla hydroelectric generation facility. The Utilities last completed the required five-year cycle FERC and third-party inspection by an independent engineering consultant in December 2018. The FERC and third-party inspection was initiated in 2023 to meet the current five-year requirement and is scheduled for completion in 2024. Additional investigations, instrumentation requirements, or safety improvements to Rampart Dam may arise as a result of regulation by the FERC. The Utilities is also in the process of updating its own comprehensive inspection program of the dam and transmission systems as part of the Utilities’ Raw Water System Planning efforts. The previous Raw Water Infrastructure Improvement Program recommendations have largely been incorporated over the past 10 years and is being reprioritized considering additional studies, risk assessments, and life cycle evaluation of existing infrastructure needs. In response to completed studies’ conclusions and recommendations and anticipated infrastructure needs, the Utilities intends to design and construct the recommended improvements at a cost averaging approximately \$4 million per year through 2035 to remain in compliance with Federal, State, and the Utilities’ operational requirements. Comprehensive inspections of the Utilities’ dams and delivery systems will be updated through planning efforts described below.

The Tollefson Water Treatment Plant Master Plan Update was completed in 2015 and identified a capital improvement program at the Utilities’ oldest water treatment plant. The first phase of improvements was completed in 2022 and included a new pretreatment facility, replaced aging infrastructure and enabled the treatment plant to effectively treat and make more efficient use of the Utilities local water supplies. In 2024, Utilities will update the 2015 Master Plan to refine requirements for Phase 2 and 3 Improvements. Utilities anticipates initiating improvements in 2027 for a targeted 2030 completion date. The 2021 Finished Water System Plan will be finalized in 2024 and addresses future growth, resiliency, and redundancy needs of the distribution system. The 2021 Finished Water System Plan identified \$118.8 million in capital improvements to address redundancy, resiliency, and growth over the next 10 years. The Utilities intends to complete additional studies, risk assessments, life cycle evaluation, and prioritization of improvements. The Utilities is

planning to design and construct recommended improvements at an average annual cost of approximately \$11.9 million per year over the next 10 years.

Other planning efforts expected to be completed in the next five years include Resource Supply Plans, Indirect and Direct Potable Reuse Studies and Alternative Analysis (SAA), Source of Supply Storage Capital Improvement Plan, Non-Potable System Plan and Raw Water System Plans, five-year cycle update to the Finish Water System Plan, Potable Tank and Pump Station Facility Plans, and remaining Water Treatment Plant Facility Plans. The Utilities will also conduct additional operations and yield modeling and planning studies to evaluate water system risks and opportunities, refine the timing and phasing of water projects identified in the IWRP, and evaluate its current and future water supply needs. Over the next ten years, the Utilities expects to implement an extensive capital improvement program focused on enhancing its water system infrastructure. These include improvements to water treatment plants and related pump stations, raw water system improvements on the Homestake System, Continental Hoosier System, and general pump station and tank facility upgrades and improvements. The water system infrastructure improvements will ensure efficient use and reliability of infrastructure, improve management of existing supplies, and allow the Utilities to fully develop current water resource entitlements. Specifically, the Utilities will be engaged in permitting activities in 2022 through 2026 with regulatory agencies to develop a complete and comprehensive application for compliance with Federal, State, and local laws and requirements associated to the Utilities' proposed dam enlargement at Montgomery Reservoir in the Continental Hoosier System.

Water Sharing or Alternative Transfer Mechanisms are identified in the Utilities' IWRP as a critical strategy to meet future water demands. In July 2018, the Utilities purchased 2,500 water shares from an existing Lower Arkansas Water Management Association ("LAWMA") shareholder for use in the water sharing agreement. The water allocated to those shares will, on average, yield 2,050 acre-feet of water to Colorado Springs for municipal use in 5 out of 10 years and will then be used by LAWMA's other members in the remaining 5 years. Between March 2022 and February 2023, the Utilities purchased 3,132 shares in the Fort Lyon Canal Company ("FLCC") from three separate transactions with an agricultural shareholder. Center pivot sprinklers were installed on the shareholder's farm that generated parcel corners that would no longer be irrigated. The water and shares attributed to those corners was transferred to the Utilities and the historic consumptive use will be available for municipal uses. As part of one transaction the Utilities purchased rights to augmentation stations and 644.7 acres of land for a potential on-farm reservoir site. The LAWMA and FLCC shares are a substantial step in Utilities' plans to meet its IWRP goals by diversifying the Utilities' water supply portfolio and develop 15,000 to 25,000 acre-feet of additional water supply by 2070 through Water Sharing or Alternative Transfer Methods.

The Utilities is actively pursuing temporary use agreements with agricultural water users in the Arkansas River basin to develop additional water supplies through Water Sharing. Water obtained through these temporary use agreements will be used for drought and storage recovery purposes and as a source of base supply in the future. The Utilities is pursuing a new exchange water right for the purpose of exchanging new temporary use agreement water from the Lower Arkansas Valley to Pueblo Reservoir. The exchange is an essential conveyance tool that will facilitate the movement of new supply to the Utilities' water supply reservoirs.

The Utilities is also actively pursuing the acquisition of one or more storage reservoirs on the Arkansas River for the primary purpose of managing reusable return flows and exchanges and will seek to acquire additional local and Arkansas River water rights as opportunities arise. The Utilities signed an Intergovernmental Agreement with Pueblo Water in October 2022 to study and plan for future permitting actions associated to an enlargement at Pueblo Water's Clear Creek Reservoir in Granite, CO. The Utilities continues participation in the Restoration of Yield intergovernmental agreement and identified a storage site in the Lower Arkansas Valley. The Restoration of Yield partners have exercised the land purchase agreement for the potential Haynes Creek Reservoir. These projects are included in the Utilities' general capital improvement program. See "COLORADO SPRINGS UTILITIES—Capital Improvements."

Ongoing water main renewal and replacement efforts completed under the Finished Water Linear Asset Program invested approximately \$16.0 million in 2023 and will invest approximately \$14.0-\$18.0 million per year for the foreseeable future. These efforts are expected to be completed in coordination with the City’s 2C2 Road Improvement projects while prioritizing renewal and replacement of high criticality/high probability of failure (high risk) mains, maintaining leak rate level of service criteria, and addressing high priority water quality and fire flow improvement projects. The City’s 2C2 Road Improvement plan came from a City ballot measure that reauthorized a small sales tax increase dedicated solely to a second phase of road repair and improvements. Other system wide renewal improvement programs collectively invest approximately \$11.0 million per year on pump stations, tanks, urban utility renewal, and hydrant replacement programs.

**THE WASTEWATER SYSTEM**

The Wastewater System provides wastewater services for the City and for those areas approved by the City Council on a long-term, contractual basis, including Peterson, Manitou Springs and the Stratmoor Hills Water and Sanitation District. An average of nearly 38 million gallons per day (mgd) of wastewater is treated for a per capita treatment of about 77 gallons per day (gpd). The per capita flow has steadily decreased since 2007 due to improvements in the collection system, increased customer drought awareness and greater usage of water efficient appliances. As of December 31, 2023, the Utilities owned and operated over 1,820 miles of sewer main.

**Wastewater Rates**

The following table sets forth rates as they relate to residential and nonresidential service provided by the Wastewater System. Wastewater services are not metered (except for three contract customers), and residential charges for this service are based on the average daily usage of water billed during the December, January, and February billing periods of each winter. Charges for nonresidential customers are calculated monthly based on water usage (less irrigation and consumptive use adjustments, if applicable).

**Wastewater Treatment Service Charges  
As of July 1, 2024**

	<i>Inside City</i>	<i>Outside City</i>
<b>Residential</b>		
Service Charge, per day.....	\$0.5178	\$0.7767
Normal Quantity Charge, per cubic foot .....	\$0.0267	\$0.0401
<b>Nonresidential</b>		
Service Charge, per day.....	\$1.0254	\$1.5381
Normal Quantity Charge, per cubic foot .....	\$0.0320	\$0.0480

The Utilities is currently preparing a five-year rate case to request annual base rate increases that, if approved, would be effective beginning January 1, 2025 through January 1, 2029.

The Utilities also assesses a surcharge to some large industrial customers whose discharge exceeds 25,000 gallons per day. The surcharge is adjusted periodically and is based on the average excess of biochemical oxygen demand and total suspended solids measured for each specific customer over normal discharge levels.

The Utilities also assesses wastewater development charges for new connections based on meter size. For each single-family residential or multi-family premise connection with a ¾-inch water meter, the wastewater development charge is \$1,868 and \$2,802 inside and outside City limits, respectively. For nonresidential, multi-family or mixed use, the wastewater development charge varies based on water meter size. For ¾-inch and smaller meters, charges range from \$2,604 and \$3,906 inside and outside the City limits,

respectively. For 12-inch meters, charges range from \$460,049 and \$690,074 inside and outside City limits, respectively.

### Wastewater Revenues

The following table sets forth the wastewater revenues by customer class for the past five years:

<i>Customer Class</i>	<i>Wastewater Revenues</i>				
	<i>Fiscal Year Ended December 31</i>				
	<i>2019</i>	<i>2020</i>	<i>2021</i>	<i>2022</i>	<i>2023</i>
Residential (City).....	\$ 51,346,880	\$ 53,157,436	\$ 53,979,186	\$ 54,190,445	\$ 54,626,096
Residential (Suburban) .....	119,239	111,575	105,991	106,941	107,789
Commercial (City).....	15,291,231	13,843,559	14,834,548	15,695,334	16,911,859
Commercial (Suburban).....	93,596	88,840	70,013	69,463	77,430
Contract Service – Military.....	154,028	132,606	145,906	225,790	230,093
Interdepartmental.....	419,340	429,308	507,064	225,284	101,066
Subtotal .....	\$ 67,424,314	\$ 67,763,324	\$ 69,642,708	\$ 70,513,257	\$ 72,054,333
Miscellaneous Revenues.....	1,887,975	2,454,425	2,418,222	2,492,592	2,708,493
Total Wastewater Revenues .....	\$ 69,312,289	\$ 70,217,749	\$ 72,060,930	\$ 73,005,849	\$ 74,762,826
Less Interdepartmental Sales .....	(419,340)	(429,308)	(507,064)	(225,284)	(101,606)
Net Wastewater Revenues.....	\$ 68,892,949	\$ 69,788,441	\$ 71,553,866	\$ 72,780,565	\$ 74,661,760
Total Number of Active Wastewater Accounts as of Year End.....	145,284	147,767	150,388	152,695	152,888

### Resource Recovery Facilities

The Utilities operates two wastewater treatment facilities with a combined permitted capacity of 95 million gpd. These include the J.D. Phillips Water Resource Recovery Facility and the Las Vegas Street Water Resource Recovery Facility. The solids are pumped from the Las Vegas Street Water Resource Recovery Facility to the Clear Springs Ranch Resource Recovery Facility, where the solids are further treated and disposed of in dedicated fields. The Utilities evaluates existing infrastructure and short and long-range alternatives for meeting future demand on an ongoing basis.

### Environmental Regulation

The Utilities is subject to various State and Federal environmental requirements, which affect operating and capital costs of the wastewater system. The CDPHE adopted regulations for reducing nutrients (nitrogen and phosphorus) in State waters through 2022 which became effective in September 2012. Based on these regulations, capital projects have been completed at both the Las Vegas Street Water Resource Recovery Facility and the J.D. Phillips Water Resource Recovery Facility to allow the Utilities to meet the new limits. In 2023, the J.D. Phillips Water Resource Recovery Facility experienced treatment issues which led to the effluent being diverted to the Las Vegas Street Water Resource Recovery Facility until the plant can be recalibrated. This will likely result in capital improvements beginning in 2024. Some nutrient regulatory scenarios could result in much greater capital investment being required after 2027 for both facilities.

In addition to nutrients, both temperature and PFAS will be pollutants that will need to be considered for both permitting purposes and potentially with capital upgrades. The Utilities is expecting to receive permit renewals for both of its wastewater treatment facilities in 2024 or the first half of 2025 and also expects that the renewed permits will include effluent temperature limits and PFAS monitoring that will include source investigation requirements. While stakeholders continue to discuss with the CDPHE how best to address temperature, nutrients, and PFAS, treatment infrastructure investment could become necessary. It is reasonably possible that new regulations would require more stringent requirements on controls for discharges from these facilities.

The Utilities’ Clear Spring Ranch Resource Recovery Facility, where biosolids originating from the Utilities’ two water resource recovery facilities are disposed, is currently regulated under federal biosolids

disposal regulations, the CDPHE's solid waste regulations, and the Clear Spring Ranch Certificate of Designation. Periodic capital improvements are probable in relation to the biosolids disposal activities to maintain regulatory compliance. The Utilities is monitoring the emerging regulations related to PFAS, as such could be germane to the Facility.

In February 2012, the CDPHE adopted revisions to Section 9 (regarding waste impoundments) of its "Regulations Pertaining to Solid Waste Sites and Facilities." Additional capital investment in the range of \$8.0 to \$17.0 million for existing wastewater utility and electric utility impoundments may be required to meet these revisions in the 2025 to 2030 timeframe. The Utilities may receive clarity from the CDPHE in 2024 regarding the extent for impoundment-related capital investment, if any, following their review of the Utilities' preliminary impoundment classification submittals.

### **Capital Improvements to the Wastewater System**

The Utilities owns and operates over 1,820 miles of sanitary sewer pipelines throughout thirty separate basins in Colorado Springs. Beginning in 2000, the Utilities implemented several aggressive and comprehensive wastewater programs to systematically inspect, evaluate, prioritize, and rehabilitate its entire collection system.

The Wastewater System has capital needs forecasted at approximately \$530.7 million from 2024 through 2028, the largest of which include \$278.3 million for Eastern Wastewater System expansion and \$40.2 million for the Northern Monument Creek Interceptor Project.

The Eastern Wastewater System expansion is a portfolio of projects supporting the Utilities' 2024 strategic plan objectives to support our community and deliver quality utilities. The projects will serve the Utilities customers' need for wastewater collection in the eastern Colorado Springs region. Phase 1 of the portfolio will permit, design, acquire property, construct, integrate, and document three initial wastewater conveyance infrastructure projects, as well as two lift stations.

The Northern Monument Creek Interceptor Project consists of installing approximately 8.5 miles of 30-inch pipe and appurtenances from the southern edge of the Academy to the Upper Monument Creek Wastewater Treatment Facility just outside of the northern edge of the Academy. The Northern Monument Creek Interceptor Project will enable the Utilities to eliminate at least one lift station in the near-term and allow the flexibility to eliminate more in the future. It will accept wastewater flows from two sanitation districts north of the City.

### **PENDING LEGAL PROCEEDINGS**

On April 18, 2018, the Utilities was issued a Notice of Probable Violation ("NPV") regarding violations of the PUC Pipeline Safety Regulations. The Utilities responded to the NPV on June 15, 2018 and PUC deemed the NPV closed on June 28, 2018. As the result of a subsequent COPUC periodic audit conducted in 2019, the PUC issued a Warning Notice on January 31, 2020 and another Warning Notice on April 15, 2022, stemming from its 2021 audit, identifying ongoing areas of concern regarding the Utilities' compliance with PUC Pipeline Safety Regulations while simultaneously acknowledging the Utilities' compliance progress. The Utilities has committed to gas system improvements to address compliance with COPUC Pipeline Safety Regulations and is also working to improve its documentation for its gas compliance program.

Since October 2020, the City of Colorado Springs was involved in litigation with Myers & Sons Construction, L.P. v. City of Colorado Springs, Colorado and the Utilities, (arising from disputes related to the Utilities Mesa Water Treatment Plant Upgrades Project at what is now known as the Utilities Tollefson Water Treatment Plant and a contract between the Utilities and Myers & Sons Construction, L.P. ("Myers")). The Complaint in the litigation alleged that the Utilities breached its contract with Myers, that the Utilities breached

an implied covenant of good faith and fair dealing in the contract, asserts claims in quantum meruit, and asserts claims of unjust enrichment. While the Complaint did not assert the amount of damages being claimed, Myers served Initial Disclosures that included an assertion of damages in the amount of \$13,000,699.18, and Myers later claimed damages of \$27,257,797.18. In April 2024, the City and the Utilities settled this litigation, and as part of the settlement, Utilities paid \$10,000,000 to Myers and the parties released all claims.

Utilities received a letter and inspection report/compliance advisory from CDPHE pertaining to findings identified during an inspection of a project to resurface and make other improvements to Utilities' Crystal Dam. On January 25, 2023, Utilities and its contractor on the Crystal Dam project received a Notice of Violation/Cease and Desist Order/Clean-Up Order Number: SO-230125-1 (the "Order"), finding violations of the project's stormwater permit and requiring corrective action. On February 29, 2024, CDPHE, Utilities and its contractor agreed to settle the matter for \$95,000 (the "Civil Penalty Amount"). On April 11, 2024, CDPHE publicly posted a Compliance Order on Consent, which documented the settlement amongst the parties. After the mandatory 30-day public review and comment period for the Compliance Order on Consent, CDPHE served Utilities and its contractor with an Order for Civil Penalty (the "Penalty Order") on May 30, 2024, which assessed the Civil Penalty Amount against Utilities and its contractor. In June 2024, Utilities contractor paid the entire Civil Penalty Amount to CDPHE. On July 17, 2024, CDPHE informed Utilities and its contractor that all obligations under the Penalty Order had been satisfied and closed the case.

As the result of 2019 and 2021 periodic audits, the PUC issued a Warning Notice on January 31, 2020 and another Warning Notice on April 15, 2022, respectively, identifying ongoing areas of concern regarding Utilities' compliance with federal pipeline safety standards while simultaneously acknowledging Utilities' compliance progress. Utilities has committed to Gas System improvements to address compliance with federal pipeline safety standards and is also working to improve its documentation for its gas compliance program.

There is no pending litigation and the Utilities is not aware of any threatened litigation relating to the issuance of the Bonds or to the Bond Ordinance.

## **LEGAL MATTERS**

Legal matters incidental to the authorization and issuance of the Bonds are subject to the approving opinion of Stradling Yocca Carlson & Rauth LLP, Denver, Colorado, as Bond Counsel. Stradling Yocca Carlson & Rauth LLP, Denver, Colorado, has been engaged to advise the City as Disclosure Counsel in connection with the preparation of this Official Statement and the sale of the Bonds to the purchasers. Certain legal matters will be passed upon for the Underwriters by their counsel, Kutak Rock, LLP, Denver, Colorado.

The obligations of the City are subject to the reasonable exercise in the future by the State of Colorado and its political subdivisions of the police power inherent in the sovereignty of the State and to the exercise by the United States of the powers delegated to it by the Federal Constitution, including without limitation exercise of such powers pursuant to the provisions of the Federal Bankruptcy Code. The opinion of Stradling Yocca Carlson & Rauth LLP, as Bond Counsel will refer to such limitations.

## **TAX STATUS**

In the opinion of Stradling Yocca Carlson & Rauth LLP, Denver, Colorado, Bond Counsel, under existing statutes, regulations, rulings and judicial decisions, and assuming certain representations and compliance with certain covenants and requirements described herein, interest (and original issue discount, if any) on the Bonds is excluded from gross income for federal income tax purposes, and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals. However, it should be noted that with respect to applicable corporations as defined in Section 59(k) of the Internal Revenue Code of 1986, as amended (the "Code"), generally certain corporations with more than \$1,000,000,000 of average annual adjusted financial statement income, interest (and original issue discount) with respect to the Bonds might be taken into account in determining adjusted financial statement income for

purposes of computing the alternative minimum tax imposed by Section 55 of the Code on such corporations. In the further opinion of Bond Counsel, interest on the Bonds is excluded from Colorado taxable income and Colorado alternative minimum taxable income under Colorado income tax laws in effect on the date of delivery of the Bonds as described herein.

The excess of the stated redemption price at maturity of a Bond over the issue price of a Bond (the first price at which a substantial amount of the Bonds of a maturity is to be sold to the public) constitutes original issue discount. Original issue discount accrues under a constant yield method, and original issue discount will accrue to a Bond Owner before receipt of cash attributable to such excludable income. The amount of original issue discount deemed received by the Bond Owner will increase the Bond Owner's basis in the applicable Bond.

Bond Counsel's opinion as to the exclusion from gross income of interest on the Bonds is based upon certain representations of fact and certifications made by the Utilities and others and is subject to the condition that the Utilities comply with all requirements of the Code, that must be satisfied subsequent to the issuance of the Bonds to assure that interest on the Bonds will not become includable in gross income for federal income tax purposes. Failure to comply with such requirements of the Code might cause the interest on the Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds. The City has covenanted to comply with all such requirements.

The amount by which a Bond Owner's original basis for determining loss on sale or exchange in the applicable Bond (generally, the purchase price) exceeds the amount payable on maturity (or on an earlier call date) constitutes amortizable bond premium, which must be amortized under Section 171 of the Code; such amortizable Bond premium reduces the Bond Owner's basis in the applicable Bond (and the amount of tax-exempt interest received), and is not deductible for federal income tax purposes. The basis reduction as a result of the amortization of Bond premium may result in a Bond Owner realizing a taxable gain when a Bond is sold by the Owner for an amount equal to or less (under certain circumstances) than the original cost of the Bond to the Owner. Purchasers of the Bonds should consult their own tax advisors as to the treatment, computation and collateral consequences of amortizable Bond premium.

The Internal Revenue Service (the "IRS") has initiated an expanded program for the auditing of tax-exempt bond issues, including both random and targeted audits. It is possible that the Bonds will be selected for audit by the IRS. It is also possible that the market value of the Bonds might be affected as a result of such an audit of the Bonds (or by an audit of similar Bonds). No assurance can be given that in the course of an audit, as a result of an audit, or otherwise, Congress or the IRS might not change the Code (or interpretation thereof) subsequent to the issuance of the Bonds to the extent that it adversely affects the exclusion from gross income of interest on the Bonds or their market value.

**SUBSEQUENT TO THE ISSUANCE OF THE BONDS THERE MIGHT BE FEDERAL, STATE, OR LOCAL STATUTORY CHANGES (OR JUDICIAL OR REGULATORY CHANGES TO OR INTERPRETATIONS OF FEDERAL, STATE, OR LOCAL LAW) THAT AFFECT THE FEDERAL, STATE, OR LOCAL TAX TREATMENT OF THE BONDS INCLUDING THE IMPOSITION OF ADDITIONAL FEDERAL INCOME OR STATE TAXES BEING IMPOSED ON OWNERS OF TAX-EXEMPT STATE OR LOCAL OBLIGATIONS, SUCH AS THE BONDS. THESE CHANGES COULD ADVERSELY AFFECT THE MARKET VALUE OR LIQUIDITY OF THE BONDS. NO ASSURANCE CAN BE GIVEN THAT SUBSEQUENT TO THE ISSUANCE OF THE BONDS STATUTORY CHANGES WILL NOT BE INTRODUCED OR ENACTED OR JUDICIAL OR REGULATORY INTERPRETATIONS WILL NOT OCCUR HAVING THE EFFECTS DESCRIBED ABOVE. BEFORE PURCHASING ANY OF THE BONDS, ALL POTENTIAL PURCHASERS SHOULD CONSULT THEIR TAX ADVISORS REGARDING POSSIBLE STATUTORY CHANGES OR JUDICIAL OR REGULATORY CHANGES OR INTERPRETATIONS, AND THEIR COLLATERAL TAX CONSEQUENCES RELATING TO THE BONDS.**

Bond Counsel's opinions may be affected by actions taken (or not taken) or events occurring (or not occurring) after the date hereof. Bond Counsel has not undertaken to determine, or to inform any person, whether any such actions or events are taken or do occur. The authorizing resolutions and the Tax Certificate relating to the Bonds permit certain actions to be taken or to be omitted if a favorable opinion of Bond Counsel is provided with respect thereto. Bond Counsel expresses no opinion as to the effect on the exclusion from gross income of interest on the Bonds for federal income tax purposes with respect to any Bond if any such action is taken or omitted based upon the advice of counsel other than Stradling Yocca Carlson & Rauth LLP.

Although Bond Counsel has rendered an opinion that interest on the Bonds is excluded from gross income for federal income tax purposes provided that the Utilities continues to comply with certain requirements of the Code, the ownership of the Bonds and the accrual or receipt of interest with respect to the Bonds may otherwise affect the tax liability of certain persons. Bond Counsel expresses no opinion regarding any such tax consequences. Accordingly, before purchasing any of the Bonds, all potential purchasers should consult their tax advisors with respect to collateral tax consequences relating to the Bonds.

A copy of the proposed form of opinion of Bond Counsel is attached hereto as Appendix D.

### **MUNICIPAL ADVISOR**

Stifel, Nicolaus & Company, Incorporated, Denver, Colorado, is serving as Municipal Advisor to the Utilities with respect to the Bonds, and in such capacity has assisted in the preparation of this Official Statement and in other matters relating to the planning, structuring, rating and execution and delivery of the Bonds. However, the Municipal Advisor has not undertaken either to make an independent verification of or to assume responsibility for the accuracy or completeness of the information contained in this Official Statement, nor is the Municipal Advisor permitted to underwrite the Bonds.

### **UNDERWRITING**

The Bonds will be purchased by BofA Securities, Inc. ("BofA"), as representative of itself and Goldman Sachs & Co. LLC, J.P. Morgan Securities LLC, and Piper Sandler and Co. (collectively with BofA, the "Underwriters"). The Underwriters have agreed to purchase the Bonds at a price of \$426,110,580.66 (representing the principal amount of the Bonds of \$378,210,000.00, plus an original issue premium of \$48,613,121.85, less an Underwriters' discount of \$712,541.19).

The Underwriters have advised the City that they intend to offer the Bonds to the public initially at the offering prices set forth on the inside cover page of this Official Statement. The Underwriters may allow concessions from the public offering price to certain dealers. After the initial public offering, the public offering price may be varied from time to time by the Underwriters.

BofA Securities, Inc., an underwriter of the Bonds, has entered into a distribution agreement with its affiliate Merrill Lynch, Pierce, Fenner & Smith Incorporated ("MLPF&S"). As part of this arrangement, BofA Securities, Inc. may distribute securities to MLPF&S, which may in turn distribute such securities to investors through the financial advisor network of MLPF&S. As part of this arrangement, BofA Securities, Inc. may compensate MLPF&S as a dealer for their selling efforts with respect to the Bonds.

J.P. Morgan Securities LLC ("JPMS"), one of the Underwriters of the Bonds, has entered into negotiated dealer agreements (each, a "Dealer Agreement") with each of Charles Schwab & Co., Inc. ("CS&Co.") and LPL Financial LLC ("LPL") for the retail distribution of certain securities offerings at the original issue prices. Pursuant to each Dealer Agreement, each of CS&Co. and LPL may purchase Bonds from JPMS at the original issue price less a negotiated portion of the selling concession applicable to any Bonds that such firm sells.

The Underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities. Certain of the Underwriters and their respective affiliates have, from time to time, performed, and may in the future perform, various investment banking services for the City, for which they received or will receive customary fees and expenses.

In the ordinary course of their various business activities, the Underwriters and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (which may include bank loans and/or credit default swaps) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and investments. Such investment and securities activities may involve securities and instruments of the City.

The Underwriters and their respective affiliates may also communicate independent investment recommendations, market color or trading ideas and/or publish or express independent research views in respect of such assets, securities or instruments and may at any time hold, or recommend to clients that they should acquire, long and/or short positions in such assets, securities and instruments.

#### **VERIFICATION OF MATHEMATICAL COMPUTATIONS**

Prior to the delivery of the Series 2024B Bonds, Causey Demgen & Moore P.C., certified public accountants, Denver, Colorado, will deliver a report on the mathematical accuracy of certain computations relating to the adequacy of the uninvested cash and investments to affect a defeasance of the Refunded Bonds refunded by the Series 2024B Bonds.

#### **CERTAIN RELATIONSHIPS OF PARTIES**

BofA Securities, Inc., one of the Underwriters, currently acts as remarketing agent for certain of the variable rate Parity Bonds. BofA Securities, Inc. is an affiliate of Bank of America, N.A., which currently acts as a swap counterparty to the City under certain of the swap agreements described in “COLORADO SPRINGS UTILITIES – Interest Rate Swap Agreements” and as liquidity provider related to certain utilities revenue bonds issued by the City as described in “COLORADO SPRINGS UTILITIES – Liquidity/Support Facilities.” BofA Securities, Inc. is an affiliate of Bank of America Corporation and Merrill Lynch Commodities, Inc., which are counterparties to a prepaid gas supply agreement with the City described in “THE GAS SYSTEM – Gas Supply.”

Goldman Sachs & Co. LLC, one of the Underwriters of the Bonds, currently acts as dealer for a series of the Commercial Paper Notes.

J.P. Morgan Securities LLC, one of the Underwriters of the Bonds, currently acts as remarketing agent for certain of the variable rate Parity Bonds. J.P. Morgan Securities LLC is an affiliate of JPMorgan Chase Bank, N.A., which currently is a counter party to certain interest rate swap agreements with the City as described in “COLORADO SPRINGS UTILITIES – Interest Rate Swap Agreements.”

Stifel, Nicolaus & Company, Incorporated acts as Municipal Advisor to the Utilities and Independent Swap Advisor to the Utilities.

#### **RATINGS**

Moody’s and S&P have assigned the Bonds the ratings listed on the cover of this Official Statement. Moody’s has assigned the Bonds a stable outlook. An explanation of the significance of the ratings given by Moody’s may be obtained from Moody’s at 7 World Trade Center, 250 Greenwich Street, 23rd Floor, New

York, New York 10007. S&P has assigned the Bonds a stable outlook. An explanation of the significance of the ratings given by S&P may be obtained from S&P at 55 Water Street, New York, New York 10041.

The Utilities furnished the rating agencies with information relating to the Bonds. Generally, the rating agencies base their ratings on information furnished by issuers and their own investigation and assumptions. Each of the ratings assigned the Bonds should be evaluated independently of the other ratings. None of the ratings constitutes a recommendation by the rating agency to buy, sell or hold the Bonds. Any further explanation of the significance of any rating must be obtained from the rating agency. Each rating is subject to revision or withdrawal at any time by the rating agency. Any downward revision or withdrawal of any of the ratings may have an adverse effect on the market price of the Bonds.



**APPENDIX A**

**2023 AUDITED FINANCIAL STATEMENTS**

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**COLORADO SPRINGS UTILITIES**

(An Enterprise Fund of the  
City of Colorado Springs, Colorado)

**FINANCIAL STATEMENTS**

Including Independent Auditors' Report

As of and for the Years Ended December 31, 2023 and 2022

## COLORADO SPRINGS UTILITIES

(An Enterprise Fund of the  
City of Colorado Springs, Colorado)

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*Note: Immaterial differences may occur due to rounding*

## Independent Auditors' Report

To the Audit Committee of  
Colorado Springs Utilities

### Report on the Audit of the Financial Statements

#### **Opinion**

We have audited the financial statements of Colorado Springs Utilities (the Utilities), an enterprise fund of the City of Colorado Springs, Colorado, as of and for the years ended December 31, 2023 and 2022, and the related notes to the financial statements, as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Utilities as of December 31, 2023 and 2022, and the changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America

#### **Basis for Opinion**

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Utilities and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### **Emphasis of Matter**

As discussed in Note 1, the financial statements present only the Utilities' enterprise fund and do not purport to, and do not, present fairly the financial position of the City of Colorado Springs, Colorado, as of December 31, 2023, and 2022, and the changes in financial position, or cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

As discussed in Note 1, the Utilities adopted the provisions of GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, effective January 1, 2023. Accordingly, the accounting changes have been retroactively applied to the prior period presented. Our opinion is not modified with respect to this matter.

### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; and for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditors' Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Utilities' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings and certain internal control-related matters that we identified during the audit.

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the required supplementary information, as listed in the table of contents be presented to supplement the financial statements. Such information is the responsibility of management and, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated April 5, 2024 on our consideration of the Utilities' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Utilities' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Utilities' internal control over financial reporting and compliance.

*Baker Tilly US, LLP*

Madison, Wisconsin  
April 5, 2024

## COLORADO SPRINGS UTILITIES

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)  
As of and for the Years Ended December 31, 2023 and 2022

### INTRODUCTION

The following Management's Discussion and Analysis ("MD&A") serves as an introduction to the financial statements of Colorado Springs Utilities ("Utilities"). It is intended to be an objective, easily readable analysis of significant financial and operating activities and events for the fiscal years ended December 31, 2023 and 2022. It also provides an overview of Utilities' general financial condition and results of operations. The financial statements have been prepared in accordance with generally accepted accounting principles in the United States of America ("U.S. GAAP") as applied to units of local government and promulgated by the Governmental Accounting Standards Board ("GASB").

Utilities is an Enterprise Fund of the City of Colorado Springs, Colorado ("City") that provides electric, streetlight, natural gas, water and wastewater services ("Utility System") to customers in the Pikes Peak region. The organization operates an electric generation, transmission and distribution system; a streetlight system; a natural gas distribution system; a water collection, treatment and distribution system; and a wastewater collection and treatment system. Utilities' service area includes the City, Manitou Springs and many of the suburban residential areas surrounding the City. The military installations of Fort Carson Army Base, Peterson Space Force Base and the United States Air Force Academy receive electric service, natural gas service and water service from Utilities. Peterson Space Force Base also receives wastewater treatment service and Cheyenne Mountain Space Force Station receives electric service. The City is currently the primary customer of the streetlight system and is responsible for the majority of streetlight service charges.

Utilities' financial statements, in conformity with U.S. GAAP, do not purport to, and do not represent the financial position or the changes in the financial position of the City, component units or its joint ventures. The MD&A includes known information that management is aware of through the date of the auditors' report. Please read this MD&A in conjunction with Utilities' financial statements and accompanying notes that follow this section.

### FINANCIAL STATEMENTS

Utilities' annual report includes three financial statements with accompanying notes that are an integral part of these statements. The financial statements include: 1) Statements of Net Position, 2) Statements of Revenues, Expenses and Changes in Net Position and 3) Statements of Cash Flows. Comparative total data for the prior year has been presented in order to provide an understanding of changes in Utilities' financial position and operations.

**Statements of Net Position** - This statement reports net position as the difference between 1) assets and deferred outflows of resources and 2) liabilities and deferred inflows of resources as of the end of each fiscal year. Assets are separated into current and noncurrent categories and are reported in the order of liquidity. Deferred outflows of resources are the consumption of net assets in one period that are applicable to future periods. Liabilities are separated into current and noncurrent categories. Deferred inflows of resources are the acquisition of net assets that are applicable to future reporting periods. The components of net position are classified as net investment in capital assets, restricted debt service, restricted third party escrow, restricted health care benefits, restricted pension liability, restricted for other purposes and unrestricted.

**Statements of Revenues, Expenses and Changes in Net Position** - This statement measures the activities for the year and can be used to determine whether the rates, fees and other charges are adequate to recover expenses. All revenues and expenses are accounted for in this statement for the years ended December 31.

**Statements of Cash Flows** - This statement reports all cash receipts and payments summarized by net changes in cash from operating, noncapital financing, capital and related financing and investing activities for the years ended December 31. This statement is prepared using the direct method, which reports gross cash receipts and payments and presents a reconciliation of operating income to net cash provided by operating activities. This statement also separately lists the noncash investing, capital and related financing activities.

## **COLORADO SPRINGS UTILITIES**

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)  
As of and for the Years Ended December 31, 2023 and 2022

**Notes to Financial Statements** - These notes provide additional detailed information and required disclosure in support of the financial statements.

### **COMPONENT UNITS AND JOINT VENTURES**

#### ***Component Units - City***

**Public Authority for Colorado Energy ("PACE")** - PACE is a nonprofit corporation that has been organized by the City for the purpose of assisting the City to acquire, finance and supply natural gas for Utilities. On June 27, 2008, the City (on behalf of Utilities) entered into a Natural Gas Supply Agreement with PACE. Utilities will purchase approximately 20.0% of Utilities' natural gas supply needs for 30 years through a natural gas prepayment transaction among PACE, Merrill Lynch Commodities, Inc., Bank of America Corporation and Royal Bank of Canada.

**Fountain Valley Authority** - Utilities has a 71.4% interest in this authority, which is a political subdivision of the State of Colorado, formed primarily to construct a water treatment plant and to operate the water treatment plant and water conveyance system for its five customers.

**Aurora-Colorado Springs Joint Water Authority** - Utilities has a 66.7% participation share in this authority, which is a political subdivision of the State of Colorado, formed for the purpose of developing water resources, systems or facilities for the benefit of Utilities and the City of Aurora, Colorado.

**Canal and Reservoir Companies** - Utilities has interests ranging from 51.9% to 77.2% in four canal and reservoir companies. This ownership interest represents proportionate ownership and control of the companies' facilities and water rights. The water rights add significant physical water to the water supply portfolio in addition to allowing for exchange, storage, staging and delivery of Utilities' water supply.

#### ***Joint Ventures***

**Young Gas Storage Company Ltd.** - Utilities has an equity interest of 5.0% in this joint venture organized to develop and operate a natural gas storage system near Fort Morgan, Colorado.

## COLORADO SPRINGS UTILITIES

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)  
As of and for the Years Ended December 31, 2023 and 2022

### CONDENSED FINANCIAL STATEMENTS

Condensed financial statements as of December 31:

#### *Condensed Statements of Net Position*

	2023	2022 (restated)	2021
		(in thousands)	
<b>Assets and Deferred Outflows of Resources</b>			
Assets			
Current assets	\$ 611,268	\$ 656,989	\$ 595,064
Other noncurrent assets	288,248	286,603	260,068
Capital assets, net	4,553,546	4,340,663	4,082,370
Total Assets	5,453,062	5,284,255	4,937,502
Deferred outflows of resources	164,821	71,363	120,624
Total Assets and Deferred Outflows of Resources	\$ 5,617,883	\$ 5,355,618	\$ 5,058,126
<b>Liabilities, Deferred Inflows of Resources and Net Position</b>			
Liabilities			
Current liabilities	\$ 240,849	\$ 265,313	\$ 244,701
Noncurrent liabilities	2,790,004	2,463,197	2,590,609
Total Liabilities	3,030,853	2,728,510	2,835,310
Deferred inflows of resources	61,438	210,422	155,969
Net Position			
Net investment in capital assets	2,177,091	2,055,652	1,831,238
Restricted	44,947	62,429	48,110
Unrestricted	303,554	298,605	187,499
Total Net Position	2,525,592	2,416,686	2,066,847
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 5,617,883	\$ 5,355,618	\$ 5,058,126

#### **Assets**

*Current assets* decreased in 2023 by \$45.7 million and increased by \$61.9 million in 2022. The decrease in 2023 was primarily due to decreases of \$55.3 million in unrestricted cash and cash equivalents and \$38.2 million in net accounts receivable. This was offset by increases of \$22.6 million in unrestricted investments and \$18.1 million in inventories. The increase in 2022 was primarily due to an increase of \$66.8 million in unrestricted investments.

*Other noncurrent assets* increased in 2023 and 2022 by \$1.6 million and \$26.5 million, respectively. The increase in 2023 was primarily due to increases of \$102.9 million in restricted investments, \$13.3 million in lease receivable and \$4.4 million in other noncurrent assets. These increases were offset by decreases of \$98.9 million in restricted cash and cash equivalents and \$20.2 million in restricted pension and post-employment benefits ("OPEB"). The increase in 2022 was primarily due to increases of \$23.5 million in restricted cash and cash equivalents and \$20.1 million of pension and OPEB offset by decreases of \$7.8 million of amortization of Southern Delivery System

## COLORADO SPRINGS UTILITIES

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)  
As of and for the Years Ended December 31, 2023 and 2022

("SDS") mitigation costs, \$5.7 million in restricted investments and \$2.0 million of amortization of the utility acquisition adjustment.

*Capital assets, net* increased in 2023 and 2022 by \$212.9 million and \$258.3 million, respectively. The increases were primarily due to capital improvements that are required to maintain and rehabilitate aging infrastructure in order to provide safe and reliable services to customers, construction to prepare for future demand and to meet environmental and regulatory requirements.

### ***Deferred Outflows of Resources***

*Deferred outflows of resources* increased in 2023 by \$93.5 million primarily due to increases of \$89.2 million in pension and OPEB deferred outflows and \$6.4 million in asset retirement obligations. This increase is offset by decreases of \$3.7 million in loss on debt refundings and \$1.6 million in deferred cash flow hedges. The decrease in 2022 of \$49.2 million was primarily due to decreases of \$24.6 million in pension and OPEB deferred outflows, \$18.9 million in deferred cash flow hedges and \$5.7 million in loss on debt refundings.

### ***Liabilities***

*Current liabilities* decreased in 2023 by \$24.5 million primarily due to decreases of \$20.0 million in accounts payable and \$8.2 million in current maturities of bonds. The increase of \$20.6 million in 2022 was primarily due to increases of \$18.1 million in accounts payable, \$5.0 million in current maturities of bonds, \$3.8 million in subscription-based information technology arrangements ("SBITAs") liability and \$1.6 million in accrued salaries and benefits. This was offset by a decrease of \$8.8 million in other current liabilities.

*Noncurrent liabilities* increased in 2023 by \$326.8 million primarily due to increases of \$225.3 million in pension and OPEB, \$91.4 million in net revenue bonds, \$16.4 million in municipal solid waste landfill closure and postclosure care and \$7.5 million in asset retirement obligations. This was offset by a decrease of \$17.0 million in other noncurrent liabilities. The decrease in 2022 by \$127.4 million was primarily due to decreases of \$124.4 million in pension and OPEB and \$57.8 million in derivative instruments. This was offset by increases of \$36.0 million in net revenue bonds, \$8.7 million in SBITAs liability and \$5.3 million in customer advances for construction.

### ***Deferred Inflows of Resources***

*Deferred inflows of resources* decreased in 2023 by \$149.0 million primarily due to a decrease of \$172.2 million in pension and OPEB deferred inflow, offset by an increase of \$13.9 million in lease deferred inflows and \$9.3 million in gain on debt refundings. The increase of \$54.5 million during 2022 was primarily due to the increase of \$41.1 million in pension and OPEB deferred inflows.

**COLORADO SPRINGS UTILITIES**  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)  
As of and for the Years Ended December 31, 2023 and 2022

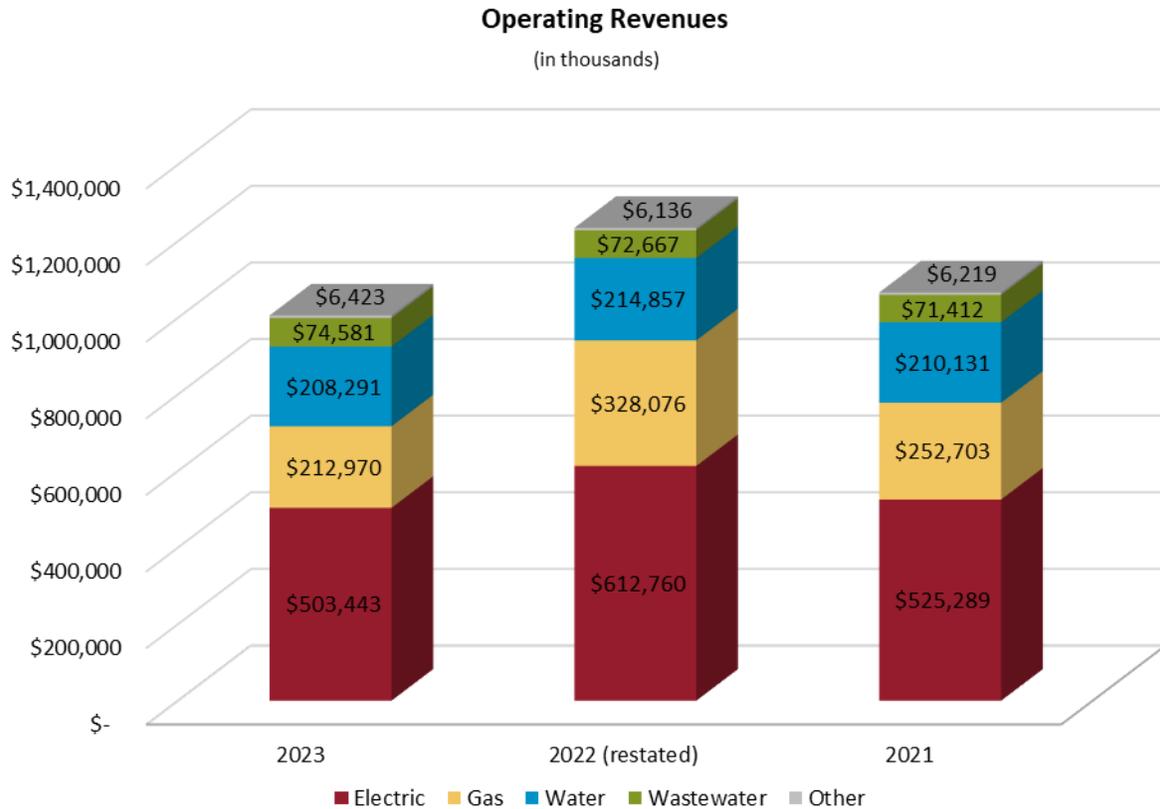
***Condensed Statements of Revenues, Expenses and Changes in Net Position***

	2023	2022 (restated) (in thousands)	2021
Operating Revenues	\$ 1,005,708	\$ 1,234,496	\$ 1,065,754
Operating Expenses	(852,741)	(872,239)	(925,538)
Operating Income	152,967	362,257	140,216
Nonoperating Expenses	(60,364)	(40,688)	(63,186)
Income Before Contributions, Transfers and Special Items	92,603	321,569	77,030
Capital contributions	52,931	69,411	68,073
Transfers out - surplus payments to the City	(35,298)	(37,279)	(37,250)
Transfers - other	—	(112)	(171)
Special items	(1,330)	(3,750)	—
Change in Net Position	108,906	349,839	107,682
Total Net Position, January 1	2,416,686	2,066,847	1,959,165
Total Net Position, December 31	<u>\$ 2,525,592</u>	<u>\$ 2,416,686</u>	<u>\$ 2,066,847</u>

## COLORADO SPRINGS UTILITIES

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)  
As of and for the Years Ended December 31, 2023 and 2022

### Changes in Operating Revenues and Expenses



#### Operating Revenues 2023 to 2022:

- \$(115.1) million - Natural gas decrease primarily driven by the over recovery of the gas cost adjustment rate in 2022, the refunding of the gas cost adjustment balance in 2023 and lower fuel prices
- \$(109.3) million - Electric decrease primarily driven by the recovery of the electric cost adjustment rate in 2022 and lower fuel prices in 2023
- \$(6.6) million - Water decrease primarily driven by cooler and rainier summer weather

#### Operating Revenues 2022 to 2021:

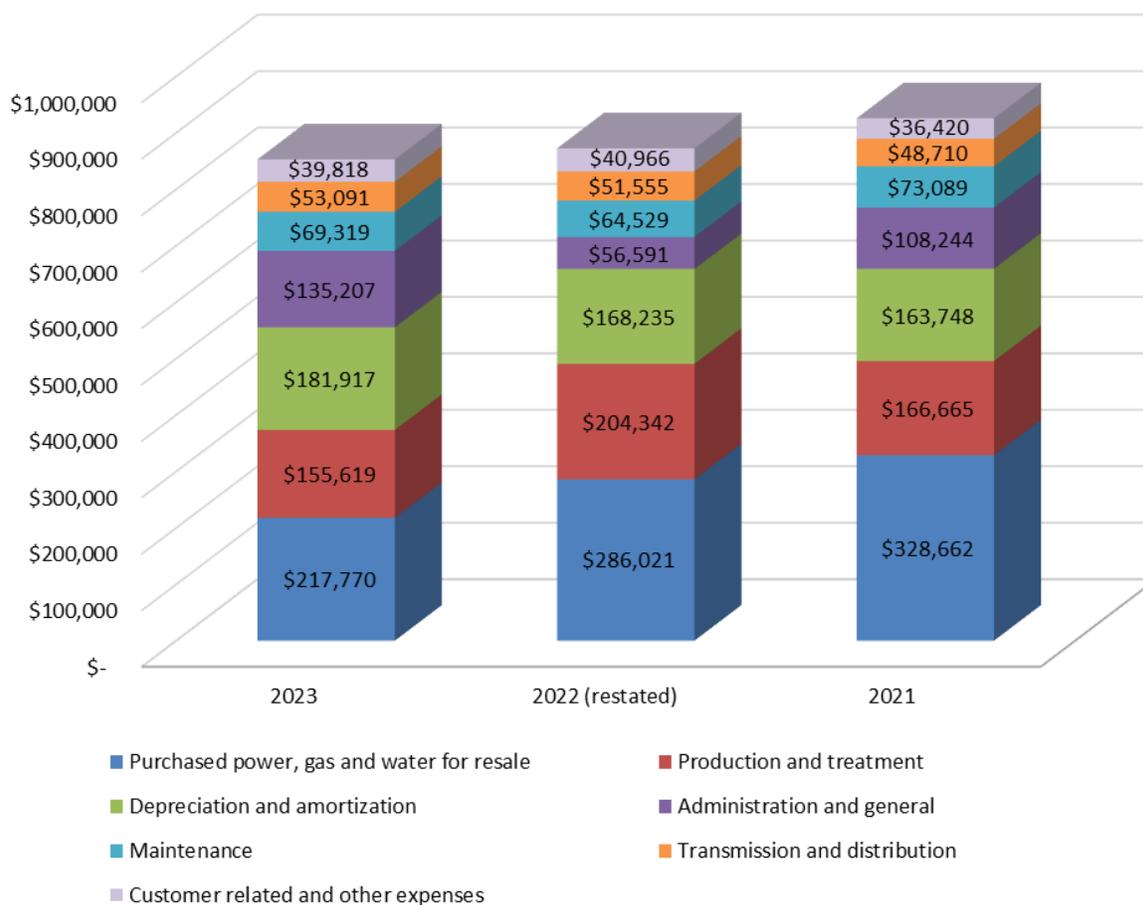
- \$87.5 million - Electric increase primarily driven by the recovery of higher fuel and purchased power expense through the electric cost adjustment rate
- \$75.4 million - Natural gas increase primarily driven by the recovery of higher fuel expense through the gas cost adjustment rate
- \$4.7 million - Water increase primarily driven by growth and warmer weather

## COLORADO SPRINGS UTILITIES

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)  
As of and for the Years Ended December 31, 2023 and 2022

### Operating Expenses

(in thousands)



#### Operating Expenses 2023 to 2022:

- \$78.6 million - Administration and general increase primarily driven by an increase in pension and OPEB expense
- \$(68.2) million - Purchased power expense decrease primarily related to lower gas prices
- \$(48.7) million - Production and treatment decrease primarily due to lower demand and lower fuel costs

#### Operating Expenses 2022 to 2021:

- \$(51.7) million - Administration and general decrease primarily driven by a decrease in pension and OPEB expense
- \$(42.6) million - Purchased power expense decrease primarily related to the February 2021 weather event resulting in high demand and fuel price surges
- \$37.7 million - Production and treatment increase primarily due to higher demand and higher fuel costs

## COLORADO SPRINGS UTILITIES

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)  
As of and for the Years Ended December 31, 2023 and 2022

### CASH AND LIQUIDITY

Current assets include unrestricted cash deposits in banks and unrestricted investments in United States ("U.S.") Treasury Notes and U.S. Government Agency Securities. The total of these two unrestricted funding sources was \$294.7 million at December 31, 2023, a decrease of \$32.6 million, or 10.0% from 2022 due primarily to net operating cash flow of \$230.9 million, cash contributions in aid of construction of \$30.5 million, interest received on investments of \$16.8 million and cash receipts from Federal/State programs of \$5.1 million, partially offset by principal and interest payments of \$214.5 million, cash-funded capital expenditures of \$60.7 million and surplus payments to the City of \$35.6 million. The total of these two unrestricted funding sources was \$327.3 million at December 31, 2022, an increase of \$7.6 million, or 2.4% from 2021 due primarily to net operating cash flow of \$382.5 million, cash contributions in aid of construction of \$38.4 million, interest received on investments of \$9.2 million and cash receipts from Federal/State programs of \$4.6 million, partially offset by principal and interest payments of \$205.8 million, cash-funded capital expenditures of \$187.6 million and surplus payments to the City of \$37.3 million.

Current and noncurrent assets include restricted cash deposits in banks and restricted investments in U.S. Treasury Notes, U.S. Government Agency Securities and local government investment pools. The total of these two restricted funding sources was \$225.7 million at December 31, 2023, an increase of \$7.3 million, or 3.4%, from 2022 due primarily to bond proceeds of \$225.7 million, interest income of \$10.3 million, offset by capital reimbursements from restricted cash of \$221.8 million and release of debt service reserves of \$6.4 million. The total of these two restricted funding sources was \$218.3 million at December 31, 2022, an increase of \$24.5 million, or 12.6%, from 2021 due primarily to bond proceeds of \$180.7 million, offset by capital reimbursements from restricted cash of \$138.8 million and release of \$20.4 million in collateral postings and reserves.

A source of unrestricted liquidity that is not reflected on the Statements of Net Position is revolving lines of credit. Utilities has maintained one or more lines of credit in place since 2002. Although never drawn, the credit lines are maintained to ensure liquidity is available, if needed, through major unforeseen natural disasters when the ability to collect revenue could be impaired, for working capital during an unplanned or extended plant outage, or as a collateral posting source with financial counterparties on hedging agreements. On September 9, 2022, Utilities amended and restated the Revolving Loan Agreement ("Credit Line") with U.S. Bank National Association dated September 8, 2016. The available Credit Line remains at \$75.0 million.

Summary of the days cash on hand as of December 31:

	2023	2022 (restated)	2021
		(in thousands)	
Cash, cash equivalents and investments - unrestricted	\$ 294,668	\$ 327,307	\$ 319,755
Cash Expense per Day			
Total Operating Expenses	\$ 852,740	\$ 872,239	\$ 925,538
Less: Noncash pension and OPEB expense	15,873	78,836	21,372
Less: Depreciation and Amortization	(181,917)	(168,235)	(163,748)
Net Cash Expense	\$ 686,696	\$ 782,840	\$ 783,162
Number of Days in a Period	365	365	365
Net Cash Expense Per Day	\$ 1,881	\$ 2,145	\$ 2,146
Days of Cash on Hand	156.6	152.6	149.0

## COLORADO SPRINGS UTILITIES

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)  
As of and for the Years Ended December 31, 2023 and 2022

### CAPITAL ASSETS AND TOTAL LONG-TERM DEBT

Capital assets and total long-term debt as of December 31:

#### **Capital Assets**

	2023	2022 (restated)	2021
		(in thousands)	
Plant in service	\$ 7,304,398	\$ 6,752,394	\$ 6,532,048
Completed construction not classified	—	216,362	133,120
Construction work in progress	369,302	430,357	314,932
Accumulated depreciation and amortization	(3,120,154)	(3,058,450)	(2,897,730)
Total Capital Assets (net of accumulated depreciation and amortization)	<u>\$ 4,553,546</u>	<u>\$ 4,340,663</u>	<u>\$ 4,082,370</u>

#### **Capital Expenditures by System - excludes Leases and SBITAs**

Utilities' capital expenditures for the years ended December 31, 2023, 2022 and 2021, were \$366.9 million, \$374.9 million, and \$316.9 million, respectively.

For the year ended December 31, 2023 the largest capital expenditures included: \$38.3 million for electric sustainable energy plan, \$37.2 million for fiber telecommunications infrastructure, \$20.7 million for finished water linear asset program, \$20.1 million for natural gas generators, \$19.2 million for advanced metering infrastructure, \$17.7 million for distribution integrity management program, \$11.4 million for customer care and billing, \$4.7 million for utilities reliability program, \$3.8 million for billable new construction, \$3.1 million for sanitary sewer creek crossing program and \$2.9 million for network enterprise services program.

Capital expenditures by system as of December 31:

	2023	2022	2021
		(in thousands)	
Electric	\$ 199,363	\$ 214,269	\$ 201,118
Water	72,736	94,946	53,464
Natural Gas	42,172	28,983	30,379
Wastewater	17,822	13,218	20,254
Facilities and Information Technology	34,764	23,504	11,633
Total Capital Expenditures	<u>\$ 366,857</u>	<u>\$ 374,920</u>	<u>\$ 316,848</u>

## COLORADO SPRINGS UTILITIES

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)  
As of and for the Years Ended December 31, 2023 and 2022

### **Total Long-Term Debt**

	2023	2022	2021
		(in thousands)	
Tax-exempt revenue bonds	\$ 2,030,355	\$ 1,956,885	\$ 1,910,265
Taxable revenue bonds	211,060	214,670	218,170
Loans	3,506	3,959	4,400
	\$ 2,244,921	\$ 2,175,514	\$ 2,132,835

### **Debt Ratio**

Debt Ratio as of December 31:

	2023	2022	2021
		(restated)	
		(in thousands)	
Current Maturities of Bonds	\$ 98,910	\$ 107,125	\$ 102,055
Current Portion of Notes and Loans Payable	464	453	442
Long-Term Revenue Bonds, Net	2,411,651	2,320,234	2,284,204
Long-Term Notes and Loans Payable	3,042	3,506	3,959
Net Gain (Loss) on Debt Refundings	(17,869)	4,783	(14,289)
Total	\$ 2,496,198	\$ 2,436,101	\$ 2,376,371
Net Position	\$ 2,525,592	\$ 2,416,686	\$ 2,066,847
Debt Ratio	49.7%	50.2%	53.5%

Utilities engages Moody's Investor Services ("Moody's"), Standard & Poor's ("S&P") and Fitch Ratings ("Fitch") to provide credit rating services. Utilities' long-term credit ratings are as follows:

	2023		2022		2021	
	Rating	Outlook	Rating	Outlook	Rating	Outlook
Moody's	Aa2	Stable	Aa2	Stable	Aa2	Stable
S&P	AA+	Stable	AA+	Negative	AA+	Stable
Fitch	AA	Stable	AA	Stable	AA	Stable

## COLORADO SPRINGS UTILITIES

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)  
As of and for the Years Ended December 31, 2023 and 2022

Utilities' short-term ratings on variable rate bonds are as follows:

Bond Issue	2023	2022	2021
2005A	VMIG1 / A-1 / NR	VMIG1 / A-1 / NR	VMIG1 / A-1 / NR
2006B	VMIG1 / A-1 / NR	VMIG1 / A-1 / NR	VMIG1 / A-1 / NR
2007A	VMIG1 / A-1+ / NR	VMIG1 / A-1+ / NR	VMIG1 / A-1+ / NR
2008A	VMIG1 / A-1 / F1	VMIG1 / A-1+ / F1+	VMIG1 / A-1+ / F1+
2009C	VMIG1 / A-1 / F1	VMIG1 / A-1 / F1	VMIG1 / A-1 / F1
2010C	VMIG1 / A-1 / F1	VMIG1 / A-1 / F1	VMIG1 / A-1 / F1
2012A	VMIG1 / A-1 / F1	VMIG1 / A-1+ / F1+	VMIG1 / A-1+ / F1+

Utilities' short-term ratings are based on the credit ratings of banks providing liquidity support for the variable rate bonds. Short-term credit rating assignments are by Moody's, S&P and Fitch, respectively. "NR" indicates a bond issue is not rated by that specific credit rating agency or was withdrawn.

### **Financing**

Utilities conducts financing activities based on strategies and guidance provided by the Plan of Finance ("Plan"). Fundamental to the Plan are goals and objectives that Utilities has developed and targeted as important measures for future performance. These include the following:

- Maintenance of long-term credit ratings of Aa2/AA+/AA by Moody's, S&P and Fitch, respectively
- A focus on targeted financial metrics: Debt Ratio, Days Cash on Hand and Debt Service Coverage
- The minimization of rate impacts resulting from financing activities in each utility service (Electric, Gas, Water and Wastewater)

The Plan includes analyzing funding options, measuring risk and benefits of the options, setting parameters for optimal structures such as fixed versus floating rate debt, term of debt and other financing alternatives. The Plan incorporates Utilities' Financial Risk Management Policy and a review of the legal framework to enable successful implementation of potential financing alternatives. The following briefly describes the major financing transactions Utilities executed in 2023 and 2022, all of which were in direct support of the Plan:

- In August 2023, Utilities issued Utilities System Improvement Revenue Bonds, Series 2023A, and Utilities System Refunding Revenue Bonds, Series 2023B totaling \$364.4 million. Series 2023A bonds were issued as new money bonds to finance a portion of the costs of a number of general capital improvements to the utility system. Series 2023B bonds were used to refund all of the City's outstanding Utilities System Refunding Revenue Bonds, Series 2013A, Utilities System Improvement Revenue Bonds Series, 2013B-1, and Utilities System Improvement Revenue Bonds Series 2013B-2.
- In June 2023, Utilities renewed the standby bond purchase agreement with U.S. Bank National Association for Variable Rate Demand Utilities System Improvement Revenue Bonds, Series 2008A, (expires September 2025) supporting \$33.1 million in variable rate debt.
- In October 2022, Utilities issued Utilities System Refunding Revenue Bonds, Series 2022A, and Utilities System Improvement Revenue Bonds, Series 2022B, totaling \$290.9 million. Series 2022A bonds were used to refund all of the City's outstanding Utilities System Refunding Revenue Bonds, Series 2012B, Utilities System Revenue Bonds, Series 2012C-1, and Utilities System Revenue Bonds, Series 2012C-2. Series 2022B bonds were issued as new money bonds to finance a portion of the costs of a number of general capital improvements to the utility system.
- In September 2022, Utilities amended and restated the \$75.0 million revolving loan agreement and revolving promissory note extending the commitment expiration date to September 2025.

## COLORADO SPRINGS UTILITIES

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)  
As of and for the Years Ended December 31, 2023 and 2022

- In September 2022, Utilities renewed the standby letter of credit and reimbursement agreement with Sumitomo Mitsui Banking Corporation, acting through its New York branch, for Variable Rate Demand Utilities System Refunding Revenue Bonds, Series 2009C (expires September 2027) supporting \$55.9 million in variable rate debt.
- In September 2022, Utilities renewed a standby bond purchase agreement with U.S. Bank National Association for Variable Rate Demand Utilities System Improvement Revenue Bonds, Series 2012A (expires September 2027) supporting \$39.4 million in variable rate debt.

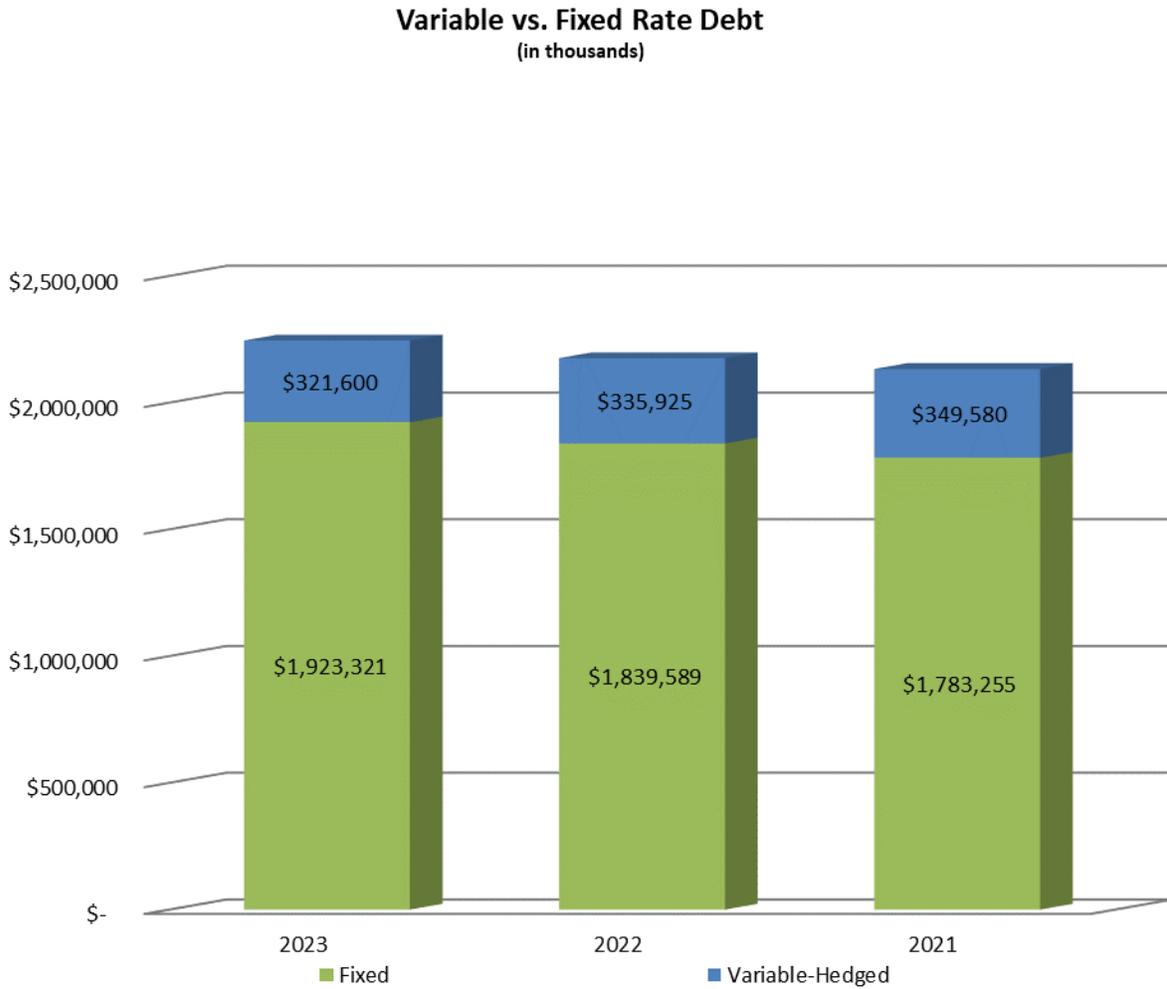
### ***Debt Service Coverage***

Summary of the debt service coverage for the years ended December 31:

	2023	2022 (restated)	2021
		(in thousands)	
Operating Revenues	\$ 1,005,708	\$ 1,234,497	\$ 1,065,754
Operating Expenses	(852,740)	(872,239)	(925,538)
Noncash pension and OPEB expense	(15,873)	(78,836)	(21,372)
Depreciation and amortization	181,917	168,235	163,748
Operating Revenues Available for Debt Service	319,012	451,657	282,592
Interest earnings (excl. interest on bonds)	16,019	9,165	6,266
Development fees	32,609	36,456	47,174
Net Pledged Revenues	\$ 367,640	\$ 497,278	\$ 336,032
Fiscal Year Debt Service	\$ 214,473	\$ 205,752	\$ 188,729
Debt Service Coverage Ratio	1.71	2.42	1.78

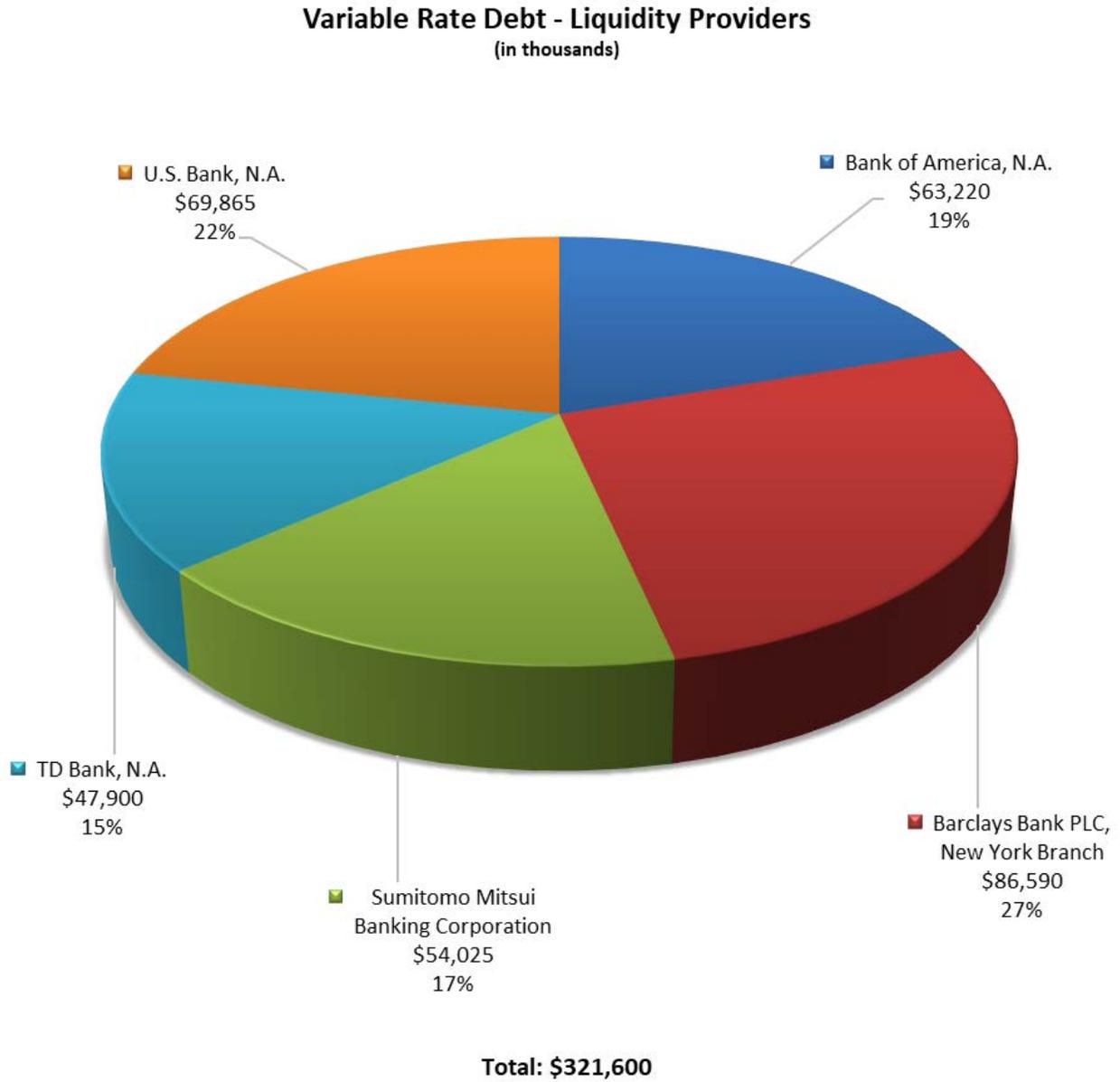
**COLORADO SPRINGS UTILITIES**  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)  
As of and for the Years Ended December 31, 2023 and 2022

The following chart illustrates the variable and fixed financing structure for the years ending December 31:



**COLORADO SPRINGS UTILITIES**  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)  
As of and for the Years Ended December 31, 2023 and 2022

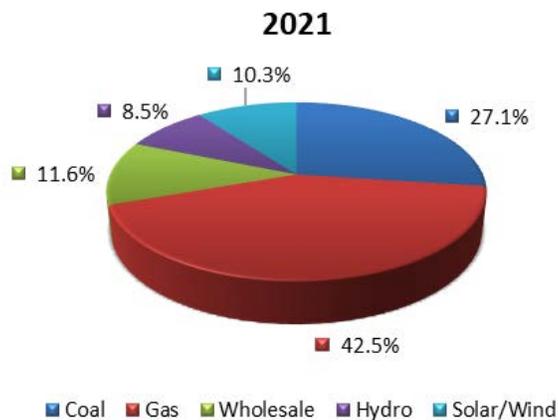
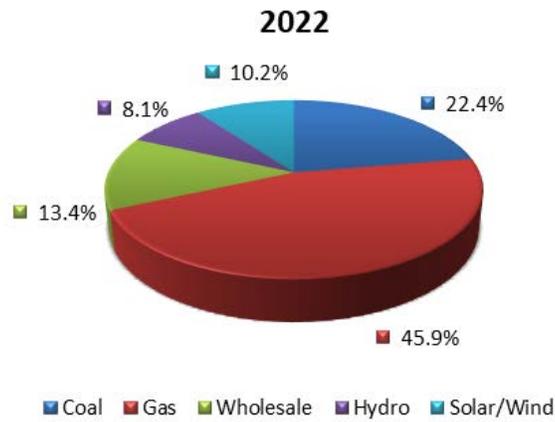
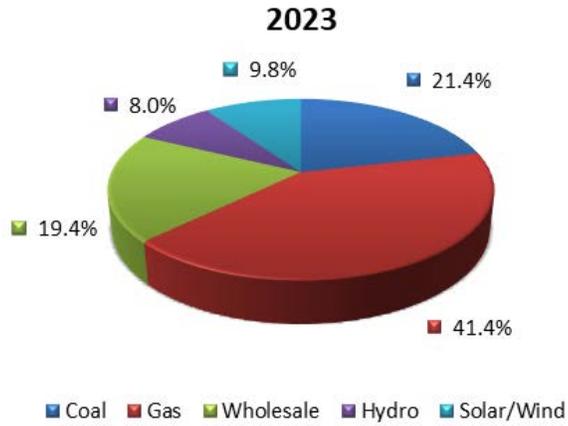
The following chart illustrates the variable rate liquidity providers as of December 31, 2023:



**COLORADO SPRINGS UTILITIES**  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)  
As of and for the Years Ended December 31, 2023 and 2022

**SOURCES OF GENERATION**

The following illustrates Utilities' sources of generation for the years ended December 31:



**COLORADO SPRINGS UTILITIES**

MANAGEMENT’S DISCUSSION AND ANALYSIS (Unaudited)  
As of and for the Years Ended December 31, 2023 and 2022

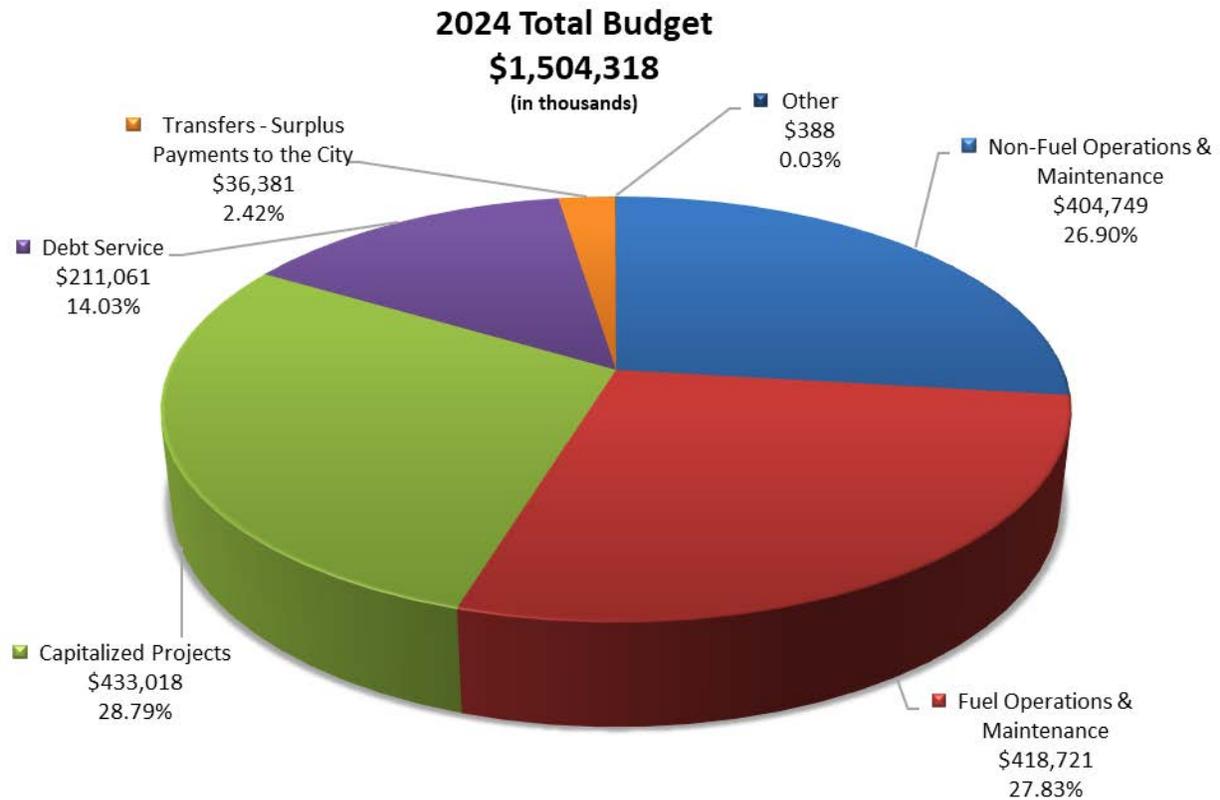
**PEAK DEMAND**

	Peak Demand	Peak Day
Electric - maximum hourly peak demand (Megawatts)	989	Jul 28, 2021
Natural Gas - maximum daily peak demand (Million Cubic Feet)	266,786	Feb 01, 2011
Water - maximum daily pumpage (Millions of Gallons)	182,405	Jul 07, 2001

**BUDGETARY HIGHLIGHTS FOR 2024**

The following information contains statements that to the extent they are not recitations of historical fact, constitute “forward-looking statements.” A number of important factors affecting Utilities’ business and financial results could cause actual results to differ materially from those stated in the forward-looking statements. Utilities does not plan to issue updates or revisions to forward-looking statements contained in this MD&A.

**Budget Summary**



## COLORADO SPRINGS UTILITIES

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)  
As of and for the Years Ended December 31, 2023 and 2022

### Capital Projects

	2024 Approved Budget
	(in thousands)
Electric	\$ 222,998
Streetlight	1,730
Natural Gas	41,898
Water	98,059
Wastewater	40,321
Common	28,011
Total	<u>\$ 433,017</u>

### SIGNIFICANT EVENTS

#### *Weather Event*

From February 13 - 16, 2021, the City and much of the country experienced record low temperatures during Winter Storm Uri. This extreme weather and resulting challenges in the delivery of natural gas caused natural gas prices to increase to unprecedented levels. During this period, Utilities incurred additional electric and natural gas fuel costs of approximately \$144.0 million. On March 9, 2021, City Council approved increases to the gas cost adjustment rate effective March 11, 2021 and the electric cost adjustment rate effective April 1, 2021, in order to recover these expenses no later than May 2022.

#### *Decommissioning of Power Plants*

In June 2020, the Utilities Board voted to approve an integrated resource plan that commits Utilities to providing cost-effective, resilient, and environmentally sustainable power. The plan calls for grid modernization, integration of more cost-effective renewable energy, and incorporation of new technologies like energy storage. It allows Utilities to achieve an 80.0% carbon reduction by 2030 and included a decision to decommission Martin Drake Power Plant ("Drake") no later than December 31, 2022, Ray Nixon Power Plant ("Nixon 1") no later than December 31, 2029 and Birdsall Power Plant ("Birdsall") no later than December 31, 2034. This further accelerated Drake's decommission date from the previous decision by the Utilities Board in November 2015 to close and decommission Drake no later than 2035. Drake Unit 5 was fully decommissioned in 2016. Drake was permanently shut down on September 1, 2022.

As a result of the Utilities Board's decision to decommission Drake, Nixon 1, and Birdsall, Utilities determined the assets related to the decommissioning power plants were impaired as of December 31, 2020. Utilities recorded a \$233.5 million loss as a special item on the Statements of Revenues, Expenses and Changes in Net Position. An additional \$3.8 million loss as a special item was recorded in 2022, due to Drake shutting down four months early. In 2023, Utilities Board approved a new plan to update integrated resource plan. As a result Birdsall had an additional \$1.3 million loss as a special item due to a change in the decommission dates, with Birdsall 1 and 2 decommissioning no later than December 31, 2024 and Birdsall 3 decommissioning no later than December 31, 2026.

### CONTACTING UTILITIES' FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, customers, investors, creditors and other financial users with a general overview of Utilities' finances. If you have questions about this report or need additional financial information, contact Colorado Springs Utilities, Accounting Department, P.O. Box 1103, Mail Code 929, Colorado Springs, CO 80947-0929, or visit our website [www.csu.org](http://www.csu.org).

**COLORADO SPRINGS UTILITIES**  
Statements of Net Position  
As of and for the Years Ended December 31, 2023 and 2022

	2023	2022 (restated)
	(in thousands)	
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents - unrestricted	\$ 110,417	\$ 165,684
Cash and cash equivalents - restricted	56,909	53,588
Investments - unrestricted	184,251	161,623
Accounts receivable, net	134,060	172,213
Due from other City funds	5,034	5,112
Lease receivable	607	—
Interest receivable	1,716	608
Inventories	106,469	88,342
Prepaid expenses	11,805	9,819
<b>Total Current Assets</b>	<b>611,268</b>	<b>656,989</b>
<b>Noncurrent Assets</b>		
Cash and cash equivalents - restricted	46,915	145,814
Investments - restricted	121,850	18,924
Lease receivable	13,300	—
Interest receivable - restricted	106	9
Pension and OPEB - restricted	—	20,171
Investment in joint ventures	757	754
Other (including utility acquisition adjustment)	105,320	100,931
Capital assets:		
Plant in service	7,304,398	6,752,394
Completed construction not classified	—	216,362
Construction work in progress	369,302	430,357
Accumulated depreciation and amortization	(3,120,154)	(3,058,450)
Total Capital Assets (net of accumulated depreciation and amortization)	4,553,546	4,340,663
<b>Total Noncurrent Assets</b>	<b>4,841,794</b>	<b>4,627,266</b>
<b>Total Assets</b>	<b>5,453,062</b>	<b>5,284,255</b>
<b>Deferred Outflows of Resources</b>		
Deferred cash flow hedges - unrealized loss on derivative instruments	11,088	9,492
Loss on debt refundings	20,577	24,322
Pension and OPEB deferred outflows	126,716	37,549
Asset retirement obligation	6,440	—
<b>Total Deferred Outflows of Resources</b>	<b>164,821</b>	<b>71,363</b>
<b>Total Assets and Deferred Outflows of Resources</b>	<b>\$ 5,617,883</b>	<b>\$ 5,355,618</b>

The accompanying notes are an integral part of these statements

**COLORADO SPRINGS UTILITIES**  
 Statements of Net Position  
 As of and for the Years Ended December 31, 2023 and 2022

	2023	2022 (restated)
	(in thousands)	
<b>Liabilities</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 93,810	\$ 113,813
Due to other City funds	8,238	6,965
Current maturities of bonds	98,910	107,125
Current portion of notes and loans payable	464	453
Current portion of lease liability	145	—
Current portion of SBITAs liability	4,848	3,805
Accrued interest	11,962	11,330
Accrued salaries and benefits	2,442	6,109
Accrued health care benefits	3,397	2,502
Compensated absences	13,263	11,996
Other	3,370	1,215
<b>Total Current Liabilities</b>	<b>240,849</b>	<b>265,313</b>
<b>Noncurrent Liabilities</b>		
Customer deposits	5,889	4,479
Notes and loans payable	3,042	3,506
Lease liability	791	—
SBITA liability	7,606	8,712
Compensated absences	6,764	6,264
Customer advances for construction	31,091	28,747
Revenue bonds (incl. unamortized premiums and discounts, net)	2,411,651	2,320,234
Municipal solid waste landfill closure and postclosure care	22,395	5,970
Asset retirement obligation	7,513	—
Derivative instruments	34,951	35,364
Pension and OPEB	257,754	32,406
Other	557	17,515
<b>Total Noncurrent Liabilities</b>	<b>2,790,004</b>	<b>2,463,197</b>
<b>Total Liabilities</b>	<b>3,030,853</b>	<b>2,728,510</b>
<b>Deferred Inflows of Resources</b>		
Gain on debt refundings	38,446	29,105
Lease deferred inflows	13,900	—
Pension and OPEB deferred inflows	9,092	181,317
<b>Total Deferred Inflows of Resources</b>	<b>61,438</b>	<b>210,422</b>

**COLORADO SPRINGS UTILITIES**  
 Statements of Net Position  
 As of and for the Years Ended December 31, 2023 and 2022

	2023	2022 (restated)
	(in thousands)	
<b>Net Position</b>		
Net investment in capital assets	\$ 2,177,091	\$ 2,055,652
Restricted		
Debt service	21,093	22,159
Third party escrow	6,565	4,879
Health care benefits	2,959	2,544
Pension asset	—	20,171
Other purposes	14,330	12,676
Unrestricted	303,554	298,605
<b>Total Net Position</b>	<b>2,525,592</b>	<b>2,416,686</b>
<b>Total Liabilities, Deferred Inflows of Resources and Net Position</b>	<b>\$ 5,617,883</b>	<b>\$ 5,355,618</b>

**COLORADO SPRINGS UTILITIES**  
**STATEMENTS OF REVENUES, EXPENSES**  
**AND CHANGES IN NET POSITION**  
For the Years ended December 31, 2023 and 2022

	2023	2022 (restated)
	(in thousands)	
<b>Operating Revenues</b>		
Electric	\$ 503,443	\$ 612,760
Streetlight	4,401	4,075
Gas	212,970	328,076
Water	208,291	214,857
Wastewater	74,581	72,667
Products and services	2,022	2,061
<b>Total Operating Revenues</b>	<b>1,005,708</b>	<b>1,234,496</b>
<b>Operating Expenses</b>		
Production and treatment	155,619	204,342
Purchased power, gas and water for resale	217,770	286,021
Transmission and distribution	53,091	51,555
Maintenance	69,319	64,529
Administration and general	135,207	56,591
Customer service and information	8,786	12,605
Customer accounting and collection	30,675	27,971
Franchise taxes	357	390
Depreciation and amortization	181,917	168,235
<b>Total Operating Expenses</b>	<b>852,741</b>	<b>872,239</b>
<b>Operating Income</b>	<b>152,967</b>	<b>362,257</b>
<b>Nonoperating Revenues (Expenses)</b>		
Derivative instruments gain	2,009	38,779
Investment income	29,455	7,135
Other revenues	11,532	8,991
Other expenses	(12,261)	(5,286)
Interest expense	(91,099)	(90,307)
<b>Total Nonoperating Expenses</b>	<b>(60,364)</b>	<b>(40,688)</b>
<b>Income Before Contributions, Transfers and Special Items</b>	<b>92,603</b>	<b>321,569</b>
Capital contributions	52,931	69,411
Transfers out - surplus payments to the City	(35,298)	(37,279)
Transfers - other	—	(112)
Special item (Note 6)	(1,330)	(3,750)
<b>Change in Net Position</b>	<b>108,906</b>	<b>349,839</b>
<b>Net position-beginning period</b>	<b>2,416,686</b>	<b>2,066,847</b>
<b>Total Net Position, December 31</b>	<b>\$ 2,525,592</b>	<b>\$ 2,416,686</b>

The accompanying notes are an integral part of these statements

**COLORADO SPRINGS UTILITIES**  
**STATEMENTS OF CASH FLOWS**  
For the Years ended December 31, 2023 and 2022

	2023	2022 (restated)
	(in thousands)	
<b>Cash Flows from Operating Activities</b>		
Receipts from customers and users	\$ 1,035,966	\$ 1,164,880
Receipts from interfund activities	5,229	17,590
Other cash receipts, net	6,399	3,014
Payments to suppliers	(537,786)	(542,487)
Payments to/on behalf of employees	(247,096)	(227,865)
Payments for interfund activities	(31,727)	(32,600)
<b>Net Cash Provided by Operating Activities</b>	<b>230,985</b>	<b>382,532</b>
<b>Cash Flows from Noncapital Financing Activities</b>		
Other payments, net	(201)	(863)
Surplus payments to the City	(35,593)	(37,280)
Receipts from federal/state programs	731	179
<b>Net Cash Used in Noncapital Financing Activities</b>	<b>(35,063)</b>	<b>(37,964)</b>
<b>Cash Flows from Capital and Related Financing Activities</b>		
Proceeds from issuance of revenue bonds	364,395	290,945
Premium related to bond issuance	42,653	31,069
Debt issuance and other related costs	(618)	(1,337)
Capital expenditures	(282,461)	(326,700)
Capital contributions	30,532	38,394
Repayment and refunding of revenue bonds	(294,535)	(247,825)
Lease payments	(140)	—
SBITAs payments	(7,967)	(5,486)
Interest payments on long-term debt	(107,117)	(103,469)
Interest paid on leases	(29)	—
Interest paid on SBITAs	(318)	(277)
Interest payments - other	(9)	(4)
Proceeds from sale of assets	1,942	978
Receipts from federal/state programs	4,388	4,451
<b>Net Cash Used in Capital and Related Financing Activities</b>	<b>(249,284)</b>	<b>(319,261)</b>
<b>Cash Flows from Investing Activities</b>		
Interest received on investments	16,807	9,212
Distributions from joint ventures	107	170
Purchases of investments	(293,687)	(129,008)
Proceeds from sales and maturities of investments	179,290	65,285
<b>Net Cash Used in Investing Activities</b>	<b>(97,483)</b>	<b>(54,341)</b>
<b>Decrease in Cash and Cash Equivalents</b>	<b>(150,845)</b>	<b>(29,034)</b>
<b>Cash and Cash Equivalents, January 1</b>	<b>365,086</b>	<b>394,120</b>
<b>Cash and Cash Equivalents, December 31</b>	<b>\$ 214,241</b>	<b>\$ 365,086</b>

The accompanying notes are an integral part of these statements

**COLORADO SPRINGS UTILITIES**  
STATEMENTS OF CASH FLOWS - Continued  
For the Years ended December 31, 2023 and 2022

	2023	2022 (restated)
	(in thousands)	
<b>Reconciliation of operating income to net cash provided by operating activities</b>		
Operating income	\$ 152,967	\$ 362,257
Adjustments to operating income:		
Depreciation and amortization	181,917	168,235
Other	(85,314)	(75,508)
<b>(Increase) Decrease in Assets</b>		
Accounts receivable	38,224	(23,075)
Inventories	(18,127)	(26,863)
Prepaid expenses	(604)	1,409
Pension and OPEB asset	(20,171)	20,171
Other assets	13,789	9,285
Pension and OPEB deferred outflows	(89,167)	24,638
<b>Increase (Decrease) in Liabilities</b>		
Accounts payable	(17,585)	19,096
Accrued salaries and benefits	(1,004)	1,416
Pension and OPEB liabilities	245,519	(144,585)
Other liabilities	2,766	4,945
Pension and OPEB deferred inflows	(172,225)	41,111
<b>Net Cash Provided by Operating Activities</b>	<b>\$ 230,985</b>	<b>\$ 382,532</b>
<b>Noncash Investing, Capital and Related Financing Activities</b>		
Derivative instruments	\$ 2,009	\$ 38,779
Noncash acquisition of plant in service (incurrence of payable)	12,801	20,842
Noncash capital contributions	20,322	32,955
Noncash repayment of long-term debt	16,562	17,929
Amortization of loss on refundings	3,745	5,731
Amortization and charge-off of debt discount	9	9
Noncash adjustments of plant in service Special items (Note 6)	(1,330)	(3,750)

The accompanying notes are an integral part of these statements

**COLORADO SPRINGS UTILITIES**  
**NOTES TO FINANCIAL STATEMENTS**

As of and for the Years Ended December 31, 2023 and 2022

**NOTE 1 - FINANCIAL REPORTING ENTITY**

Colorado Springs Utilities (“Utilities”) is an Enterprise Fund of the City of Colorado Springs, Colorado (“City”). The financial statements present only entities for which Utilities is considered to be financially accountable. The Chief Executive Officer (“CEO”) directs and manages Utilities. The CEO reports to and is appointed by the City Council. Major policy decisions are subject to the approval of Utilities Board, which also sits as the City Council. The financial statements, in conformity with generally accepted accounting principles in the United States of America (“U.S. GAAP”), do not purport to, and do not represent the financial position or the changes in financial position of the City, component units, or its joint ventures.

Utilities operates an electric generation, transmission and distribution system; a streetlight system; a natural gas distribution system; a water collection, treatment and distribution system; and a wastewater collection and treatment system (“Utility System”). Utilities’ service area includes the City, Manitou Springs and many of the suburban residential areas surrounding the City. The military installations of Fort Carson Army Base, Peterson Space Force Base and the United States Air Force Academy receive electric service, natural gas service and water service from Utilities. Peterson Space Force Base also receives wastewater treatment service and Cheyenne Mountain Space Force Station receives electric service.

The activity of component units is reported in the City’s financial statements due to the extent of their operational and financial relationship. City component units are discussed further in Note 19. Separate financial statements of these component units can be obtained from Colorado Springs Utilities, Accounting Department, P.O. Box 1103, Mail Code 929, Colorado Springs, CO 80947-0929, or visit our website [www.csu.org](http://www.csu.org).

Joint ventures are legal entities or other organizations that result from contractual arrangements and are owned, operated or governed by two or more participants as separate and specific activities subject to joint control, in which the participants retain an ongoing financial interest or an ongoing financial responsibility. The joint venture in which Utilities participates is further discussed in Note 19.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

***Basis of Accounting***

Utilities’ accounting records are maintained and the accompanying financial statements have been prepared in accordance with U.S. GAAP as applied to units of local government and promulgated by the Governmental Accounting Standards Board (“GASB”). Financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

***Recent Accounting Pronouncements***

GASB Statement No. 87, *Leases* (“GASB 87”) is effective for fiscal years beginning after June 15, 2021. GASB 87 requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. Utilities adopted GASB 87 effective January 1, 2022. Refer to “Leases” section of Note 2 for more information.

GASB Statement No. 93, *Replacement of Interbank Offered Rates* (“GASB 93”) is effective for fiscal years beginning after December 31, 2021. GASB 93 addresses accounting and financial reporting implications that result from the replacement of an Interbank Offered Rate (“IBOR”) most notably, the London Interbank Offered Rate (“LIBOR”), which was expected to cease to exist in its current form at the end of 2021. This statement provides exceptions for certain hedging derivative instruments to the hedge accounting termination provisions when an IBOR is replaced as the reference rate of the hedging derivative instrument’s variable payment. By removing LIBOR as an appropriate benchmark interest rate for the qualitative evaluation of the effectiveness of an interest rate swap,

**COLORADO SPRINGS UTILITIES**  
**NOTES TO FINANCIAL STATEMENTS**

As of and for the Years Ended December 31, 2023 and 2022

GASB 93 identifies the Secured Overnight Financing Rate (“SOFR”) and the Effective Federal Funds Rate as appropriate benchmark interest rates to replace LIBOR. GASB 99 (see below) further states that the LIBOR is no longer an appropriate benchmark interest rate for a derivative instrument that hedges the interest rate risk of taxable debt when LIBOR ceases to be determined by the Intercontinental Exchange (“ICE”) Benchmark Administration using the methodology in place as of December 31, 2021. Refer to Note 7 for more information.

GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements* (“GASB 94”) is effective for fiscal years beginning after June 15, 2022. GASB 94 addresses issues related to public-private and public-public partnership arrangements and availability payment arrangements. Utilities have no partnerships or arrangements that qualify under this statement as of December 31, 2023.

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements* (“GASB 96”) is effective for fiscal years beginning after June 15, 2022. GASB 96 defines subscription-based information technology arrangements (“SBITAs”), establishes that a SBITAs results in a right-to-use subscription asset and a corresponding subscription liability and provides the capitalization criteria for outlays related to SBITAs other than subscription payments. Utilities adopted GASB 96 and implemented for fiscal year ended December 31, 2023 and retrospectively presented for fiscal year ended December 31, 2022. Refer to SBITAs section of Note 2 for more information and Note 21 for the restatement of the 2022 financial statements.

GASB Statement No. 99, *Omnibus 2022* (“GASB 99”) was issued in April 2022. This statement addresses a variety of topics and is effective for Utilities in 2022, 2023, or 2024 depending on the requirement. The only topic effective for Utilities in 2022 is the replacement of IBOR discussed above in the GASB 93 section. Utilities adopted provisions related to leases (GASB 87) and SBITAs (GASB 96) for fiscal year 2023, as these were the only topics that affect Utilities in 2023. Utilities is currently assessing the adoption of the remaining topic related to derivative instruments and the impact it will have on the financial statements.

GASB Statement No. 100, *Accounting Changes and Error Corrections – an amendment of GASB 62* (“GASB 100”) is effective for fiscal years beginning after June 15, 2023. This Statement is meant to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. Utilities is currently assessing the adoption of GASB 100 and the impact it will have on the financial statements.

GASB Statement No. 101, *Compensated Absences* (“GASB 101”) is effective for fiscal years beginning after December 15, 2023. GASB 101 aligns the recognition and measurement guidance of compensated absences, defines the types of leave to record as a compensated absence and amends certain disclosure requirements. Utilities is currently assessing the adoption of GASB 101 and the impact it will have on the financial statements.

GASB Statement No. 102, *Certain Risk Disclosures* (“GASB 102”) is effective for fiscal years beginning after June 15, 2024. GASB 102 requires disclosures of essential information about risks related to vulnerabilities due to certain concentrations or constraints. GASB 102 defines concentration as a lack of diversity related to an aspect of a significant inflow of resources or outflow of resources and constraint as a limitation imposed by an external party or by formal action from the highest level of decision-making authority. Utilities is currently assessing the adoption of GASB 102 and the impact it will have on the financial statements.

***Use of Estimates***

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions. These estimates affect the reported amounts of assets, deferred outflows of resources, liabilities, deferred inflows of resources and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates.

**COLORADO SPRINGS UTILITIES**  
**NOTES TO FINANCIAL STATEMENTS**

As of and for the Years Ended December 31, 2023 and 2022

***Financial Statement Presentation***

Comparative total data for the prior year has been presented in the accompanying financial statements in order to provide an understanding of changes in Utilities' financial position and operations.

***Deposits and Investments***

For purposes of the Statements of Cash Flows, cash and cash equivalents have original maturities of three months or less from the date of acquisition. Investment of funds is restricted by State Statute.

Investments are limited to:

- Securities issued by, fully guaranteed by, or for which the full credit of the United States ("U.S.") Treasury is pledged for payment and which matures within five years of settlement
- Securities issued by, fully guaranteed by, or for which the full credit of the following pledged for payment: Federal Farm Credit Bank, Federal Land Bank, Federal Home Loan Bank, Federal Home Loan Mortgage Corporation, Federal National Mortgage Association, Export-Import Bank, Tennessee Valley Authority, World Bank, or other comparable Federal government sponsored agencies that mature within five years of settlement
- Securities that are a general obligation of any U.S. state, the District of Columbia, or any territorial possession of the U.S. and that are rated in one of its two highest rating categories by two or more nationally recognized organizations that regularly rate such obligations
- Securities that are a revenue obligation of any U.S. state, the District of Columbia, or any territorial possession of the U.S. and that are rated in its highest rating category by two or more nationally recognized organizations that regularly rate such obligations and that mature within three years of settlement
- Any security of the investing public entity under a lease, lease-purchase agreement, or similar agreement
- Any interest in any local government investment pool, subject to various conditions
- Repurchase agreements, subject to various conditions
- Reverse repurchase agreements, subject to various conditions
- Securities lending agreements, subject to various conditions
- Any money market fund that is registered as an investment company under the Federal Investment Company Act of 1940, subject to various conditions
- Any guaranteed investment contract that, at the time the contract or agreement is entered into, is rated in one of the two highest rating categories by two or more nationally recognized rating agencies that regularly issue such ratings
- Any corporate or bank security that is denominated in U.S. dollars, that matures within three years of settlement, that at the time of purchase carries at least two credit ratings from any of the nationally recognized statistical ratings organizations, with minimum rating requirements and other various conditions

Utilities has adopted an investment policy. That policy follows the State statute for allowable investments. Investments are stated at fair value, which is the amount an investment could be exchanged in a current transaction between willing parties. Fair values are based on methods and inputs as outlined in Note 4. No investments are reported at amortized cost. Adjustments necessary to record investments at fair value are recorded in the financial statements as increases or decreases in investment income. Fair values may have changed significantly after the date reported.

***Receivables and Payables***

Accounts receivable as of December 31, 2023 and 2022, included unbilled customers' accounts of \$54,854,704 and \$72,570,024, respectively. Accounts receivable has been reduced by an allowance for uncollectible accounts of \$3,157,196 and \$2,856,063 as of December 31, 2023 and 2022, respectively.

Outstanding balances between Utilities and the City are reported as "Due to or Due from other City funds."

**COLORADO SPRINGS UTILITIES**  
**NOTES TO FINANCIAL STATEMENTS**

As of and for the Years Ended December 31, 2023 and 2022

Accounts payable are obligations to pay for goods or services purchased from suppliers in the normal course of business. Accounts payable are classified as current liabilities if payment is due within the next twelve months.

***Inventories and Prepaid Expenses***

Inventories are valued at lower of cost or market value. The costs of inventories are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenses in the financial statements.

***Restricted Assets***

Debt proceeds available for the acquisition, construction, or improvement of capital assets that are unspent at year end are classified as restricted noncurrent assets. Restricted noncurrent assets consist primarily of unspent bond proceeds.

Utilities' bond ordinances require individual reserve funds by bond issue, but allowed Utilities to use surety bonds in lieu of cash bond reserve funds. The bond ordinances require that monies be restricted in separate accounts for the retirement of principal and payment of interest.

Under terms of the International Swaps and Derivatives Association ("ISDA"), agreements covering interest rate and energy hedge positions held between Utilities and various counterparties, secured parties, are entitled to hold posted collateral directly or through a custodian. The value or amount of collateral posted is subject to thresholds and counterparty credit ratings established in the ISDA. Cash collateral held directly by Utilities is classified as a restricted noncurrent asset. The corresponding liability is classified as noncurrent on the Statements of Net Position.

In 2022 Pension and OPEB is the pension asset resulting from Utilities proportionate share of Public Employees' Retirement Association of Colorado's Local Government Division Trust Fund pension asset and is classified as a restricted noncurrent asset.

***Capital Assets***

The costs of additions and replacements of assets identified as units of property or intangible assets that exceed \$5,000 and have an estimated useful life greater than one year are capitalized pursuant to Utilities' Capital Policy. Maintenance and replacement of minor items of property are charged to operating expense. Contributed assets are recorded at cost or the estimated acquisition value at the time of contribution to Utilities. Depreciable asset retirements are recorded against accumulated depreciation and the retired portion of the asset is removed from plant in service. The net difference plus costs of removal less salvage value, if any, are recorded to Non-Operating Revenues (Expenses) on the Statements of Revenues, Expenses and Changes in Net Position.

Utilities accounts for Asset Retirement Obligations ("ARO") in accordance with GASB Statement No. 83, *Certain Asset Retirement Obligations* ("GASB 83"), by recognizing the obligations as a liability based on the best estimate of the current value of outlays expected to be incurred (see Note 20).

## COLORADO SPRINGS UTILITIES

### NOTES TO FINANCIAL STATEMENTS

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Utilities computes depreciation and amortization on plant in service on a straight-line, service-life basis. Depreciation is calculated using the following estimated maximum service lives for major asset classifications:

	<u>Years</u>
Electric boiler plant/station equipment	25
Electric underground conduit	28.5
Gas mains and services	80
Water source of supply	100
Water treatment plant	25
Water transmission and distribution mains	50
Sewer mains and laterals	100
Wastewater preliminary treatment facility	45
General structures and improvements	57
Intangibles	50

#### ***Leases***

Utilities adopted GASB 87 effective January 1, 2022. GASB 87 is effective for Utilities in 2022. Utilities performed an inventory of lease agreements, analyzing each lease to determine if the lease met the definition of a lease in accordance with GASB 87. After identifying the qualifying leases, it was determined there were no material obligations as of December 31, 2022.

Utilities has assessed leases for the period ended December 31, 2023 and has determined that leases will be recorded in 2023.

Leases are contracts that convey control of the right to use another entity's nonfinancial asset as specified for a period of time in an exchange or exchange-like transaction without the transfer of ownership of the asset. The lease term is the period of time where there is a noncancellable right to use the underlying asset.

For lessor contracts, lease receivables and deferred inflows of resources are reported at present value using Utilities' incremental borrowing rate. Refer to Note 5 for more information.

For lessee contracts, lease assets and liabilities are reported at present value using Utilities' incremental borrowing rate. The right to use lease assets are amortized over the shorter of the lease term or the useful life of the underlying asset. Refer to Note 6 and Note 11 for more information.

#### ***Subscription Based Information Technology Arrangements***

Utilities adopted GASB 96 effective January 1, 2023. Utilities performed an inventory of its SBITAs, analyzing each agreement to determine if the SBITAs met the definition in accordance with GASB 96.

SBITAs are contracts that convey control of the right to obtain the use of another entity's information technology as specified for a period of time in an exchange or exchange-like transaction. Utilities would also have the ability to obtain the present service capacity and determine the nature and use of the underlying information technology asset as specified in the contract. The SBITAs term is the period of time where there is a noncancellable right to use the underlying information technology.

SBITA's right to use assets and liabilities are reported at present value using Utilities' incremental borrowing rate. The right to use SBITAs assets are amortized over its useful life which matches the term of the subscription. Refer to Note 6 and Note 11 for more information.

**COLORADO SPRINGS UTILITIES**  
**NOTES TO FINANCIAL STATEMENTS**

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***Other Assets***

Other assets include a noncurrent asset acquisition adjustment that is amortized over a 30-year period; equivalent to the remaining useful life of a natural gas-fired combined cycle electric generation asset acquired in 2010. The remaining unamortized balance was \$33,893,450 and \$35,887,182 as of December 31, 2023 and 2022, respectively.

In addition SDS mitigation, engineering, and design expenditures specific to monetary mitigation that do not meet Utilities' capitalization requirements are recognized as a regulatory asset in other assets and are amortized over a 10-year period. The remaining unamortized balance was \$28,017,251 and \$34,798,795 as of December 31, 2023 and 2022, respectively.

Utilities' debt issuance costs are also included as a regulatory asset in the other assets balance. These are costs incurred to issue new or refunding debt, include closing, legal, and other costs required to issue debt. Debt issuance costs are amortized over the life of the debt using the straight-line method and the expense is reported as other expenses on the Statements of Revenues, Expenses and Changes in Net Position. The remaining unamortized balance was \$18,382,189 and \$18,085,624 as of December 31, 2023 and 2022, respectively.

Martin Drake Power Plant ("Drake") decommissioning costs that do not meet Utilities' capitalization requirements are recognized as a regulatory asset in other assets and are amortized over a 10-year period. This was recorded in 2023 and the remaining unamortized balance was \$13,907,031 as of December 31, 2023.

Utilities entered into a prepaid solar purchase power agreement ("PPA") in order to provide renewable solar photovoltaic electric energy service to the United States Air Force Academy. The prepaid amount is reported in other assets, reduced over time through actual usage. The remaining balance was \$9,924,663 and \$10,536,042 as of December 31, 2023 and 2022, respectively.

Utilities amended an agreement in 2019 for the reimbursement of developers' proportionate share of costs to construct the Wolf Ranch Pump Station. The short-term receivable balance for future collections under this agreement was \$0 and \$477,448 as of December 31, 2023 and 2022.

Utilities has established payment arrangement plans with customers that extend beyond one year. The long-term balance of these accounts receivable was \$231,837 and \$155,843 as of December 31, 2023 and 2022, respectively.

***Derivative Instruments***

Utilities utilizes financial derivative instruments to manage exposure to fluctuating interest rates. All financial derivative instruments are stated at fair value as of December 31, 2023 and 2022, based on third party valuation services.

***Deferred Cash Flow Hedges - Unrealized Gain / Loss on Derivative Instruments***

Derivative instruments deemed effective by applying methods of evaluating effectiveness pursuant to GASB Statement No.53, *Accounting and Financial Reporting for Derivative Instruments* ("GASB 53"), are recognized as cash flow hedges. Changes in the fair value of cash flow hedge derivative instruments are reported as either deferred cash flow hedge outflows or inflows of resources on the Statements of Net Position.

***Customer Deposits***

Utilities accrues a liability for all amounts deposited by customers as security for the payment of bills.

Utilities holds a \$1.56 million deposit in escrow for a 5 year revenue guaranteed period. The owners guarantee revenues shall meet minimums otherwise Utilities shall draw on the revenue guaranteed deposit.

**COLORADO SPRINGS UTILITIES**  
**NOTES TO FINANCIAL STATEMENTS**

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***Compensated Absences***

Utilities' employees earn vacation and sick leave in varying amounts. The amount of accumulated, unpaid vacation at year end is accrued and reported on the Statements of Net Position. Sick leave benefits which are anticipated to result in payments upon retirement are also accrued and reported on the Statements of Net Position.

***Customer Advances for Construction***

Utilities accrues a liability for advances from customers for construction which are to be refunded either wholly or in part.

***Long-Term Obligations***

Bond premiums and discounts are amortized over the life of the bond issues using the straight-line method which approximates the effective interest method. The net of the premiums and discounts are included in the bond payable.

Additionally, any difference between the carrying amount of redeemed or defeased debt and its reacquisition price is deferred and amortized to interest expense using the straight-line method over the remaining life of the old debt or the life of the new debt, whichever is shorter.

***Municipal Solid Waste Landfill Closure and Postclosure Care Costs***

Utilities accrues a liability for solid waste landfill closure and postclosure care costs. The liability is determined by multiplying the closure and postclosure care costs in current dollars by the percent capacity of the landfill used. Every five years, Utilities performs an independent assessment of postclosure landfill cost estimates and adjusts liabilities and expense recognition for any material differences. The last independent assessment was performed in 2023.

***Pensions***

Utilities participates in the Local Government Division Trust Fund ("LGDTF"), a cost-sharing multiple-employer defined benefit pension fund administered by the Public Employees' Retirement Association of Colorado ("PERA"). The net pension liability (asset), deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, information about the fiduciary net position and additions to and deductions from the fiduciary net position of the LGDTF have been determined using the economic resources measurement focus and the accrual basis of accounting. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

The Colorado General Assembly passed significant pension reform through Senate Bill (SB) 18-200: *Concerning Modifications To the Public Employees' Retirement Association Hybrid Defined Benefit Plan Necessary to Eliminate with a High Probability the Unfunded Liability of the Plan Within the Next Thirty Years*. The bill was signed into law by Governor Hickenlooper on June 4, 2018. A full copy of the bill can be found online at [www.leg.colorado.gov](http://www.leg.colorado.gov).

***Defined Benefit Other Postemployment Benefit Plans***

Utilities participates in the Health Care Trust Fund ("HCTF"), a cost-sharing multiple-employer defined benefit OPEB fund administered by PERA. The net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, OPEB expense, information about the fiduciary net position and additions to/deductions from the fiduciary net position of the HCTF have been determined using the economic resources measurement focus and the accrual basis of accounting. For this purpose, benefits paid on behalf of health care participants are recognized when due and/or payable in accordance with the benefit terms. Investments are reported at fair value.

Utilities administers a single-employer defined benefit OPEB plan that provides health care and life insurance OPEB to retirees that were hired prior to August 1, 1988. Utilities' contribution is determined by the City Council. The

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total OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, OPEB expense, information about the fiduciary net position and additions to/deductions from the fiduciary net position of the single-employer plan have been determined using the economic resources measurement focus and the accrual basis of accounting. For this purpose, benefits paid on behalf of participants are recognized when due and/or payable in accordance with the benefit terms. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75, *Accounting & Financial Reporting for Postemployment Benefits Other Than Pensions* ("GASB 75").

**Other Liabilities**

As of December 31, 2023, Utilities recognized liabilities of \$676,506 for unearned revenue and there were no restricted funds received in advance for future shared capital projects. As of December 31, 2022, Utilities recognized liabilities of \$646,094 for unearned revenue and \$1,140,643 for restricted funds received in advance for future shared capital projects.

Effective June 26, 2017, Utilities signed an amendment to modify the payment structure of an existing contractual service agreement. As of December 31, 2023, the contractual service agreement was paid in full. As of December 31, 2022, Utilities recognized a liability of \$16,942,885 for future payments due under this agreement.

GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations* ("GASB 49") requires that a liability be recognized for expected outlays for remediating existing pollution when certain triggering events occur. In 2023 Utilities recorded a pollution remediation obligation associated with the voluntary commencement of the abatement of asbestos, polychlorinated biphenyls and lead from building materials related to the Drake decommissioning in 2023. At December 31, 2023, the total pollution remediation liability was \$3,250,000 and recorded as current liabilities, other in the Statements of Net Position. Costs were estimated based on the current value of outlays expected to be incurred.

**Net Position**

**Net Investment in Capital Assets** - This component of net position consists of capital assets net of accumulated depreciation and amortization, reduced by the outstanding balances of any bonds, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

**Restricted** - This component of net position consists of external constraints placed on net position use imposed by creditors (such as through debt covenants), contributors, law, regulations of other governments, constraints imposed by law through constitutional provisions or enabling legislation.

**Unrestricted** - This component of net position consists of amounts that do not meet the definition of "restricted" or "net investment in capital assets." When an expense is incurred for purposes for which both restricted and unrestricted net position are available, it is Utilities' policy to use a combination of restricted resources and unrestricted resources as they are needed.

**Revenues and Expenses**

Utilities distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering services in connection with Utilities' principal ongoing operations. The principal operating revenues of Utilities are charges to customers for sales and services. Operating expenses include the cost of sales and services, administration and general expenses and depreciation and amortization of capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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Operating revenues are comprised of the following for the years ended December 31:

	2023		(in thousands)	2022	
	Amount	Percent		Amount	Percent
Electric	\$ 514,135	50.2 %		\$ 623,813	49.1 %
Streetlight	4,401	0.4		4,075	0.3
Gas	220,321	21.5		351,180	27.6
Water	209,169	20.4		216,762	17.1
Wastewater	74,682	7.3		72,892	5.7
Products and services	2,022	0.2		2,061	0.2
Total	\$ 1,024,730	100.0 %		\$ 1,270,783	100.0 %
Less: Interdepartmental sales	(19,022)			(36,286)	
Total Operating Revenues	\$ 1,005,708			\$ 1,234,497	

**Transfers**

Utilities provides for surplus payment to the City in lieu of taxes and other transfers related to approved contracts. Refer to Note 18 for more information.

**Capital Contributions**

Cash and capital assets are contributed to Utilities from customers, the City or external parties. The value of capital contributed to Utilities is reported as revenue on the Statements of Revenues, Expenses and Changes in Net Position.

**NOTE 3 - DEPOSITS AND INVESTMENTS**

The Federal Deposit Insurance Corporation standard insurance amount is \$250,000 per depositor, per insured bank, for each account ownership category. Coverage includes checking and savings accounts (interest bearing and noninterest bearing).

**Deposits**

The Colorado Public Deposit Protection Act requires that financial institutions pledge a single institution pool of collateral against all the uninsured public deposits it holds and the fair value of the securities in the pool is required to be equal to or greater than 102.0% of the financial institution's total uninsured public deposits.

As of December 31, 2023, the carrying amount of Utilities' cash deposits was \$54,781,019. Petty cash was \$7,900 and the bank balance was \$58,311,754. A portion of the bank balance in the amount of \$250,000 was covered by Federal depository insurance and \$55,712,026 was collateralized as required by Colorado Statutes.

As of December 31, 2022, the carrying amount of Utilities' cash deposits was \$33,384,559. Petty cash was \$7,900 and the bank balance was \$41,764,547. A portion of the bank balance in the amount of \$250,000 was covered by Federal depository insurance and \$41,191,675 was collateralized as required by Colorado Statutes.

**Investments**

Utilities' investment policy is dictated by the Bond Ordinances for individual issues. These Bond Ordinances require Utilities to establish and maintain certain restricted investment funds, including unrestricted funds and reserve

**COLORADO SPRINGS UTILITIES**  
**NOTES TO FINANCIAL STATEMENTS**

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funds. Utilities is authorized to invest in any securities or other instruments permitted as investments under the laws of the State. Utilities' investments are subject to interest rate, credit, concentration of credit and custodial credit risks as described below.

**Interest Rate Risk** - The risk that changes in interest rates will adversely affect the fair value of an investment. As a means of limiting exposure to fair value losses arising from rising interest rates, Utilities' practice generally limits investments of unrestricted funds to maturities of two years or less.

Utilities' investment balances as of December 31:

	2023		2022	
	Fair Value	Weighted Average Maturity in Years	Fair Value	Weighted Average Maturity in Years
	(in thousands)			
U.S. Treasury Notes	\$ 223,793	0.66	\$ 116,816	0.77
U.S. Government Agency Securities	82,308	1.07	63,731	1.31
Local Government Investment Pools	159,451	0.00	331,694	0.00
Total Investments	<u>\$ 465,552</u>		<u>\$ 512,241</u>	
Portfolio Weighted Average Maturity		0.77		0.96
Reconciliation to Total Cash and Investments				
Add:				
Cash on Hand and in Banks	54,789		33,392	
Total Cash and Investments	<u><u>\$ 520,341</u></u>		<u><u>\$ 545,633</u></u>	

**Credit Risk** - The risk that an issuer or other counterparty to an investment will not fulfill its obligation. Pursuant to Utilities' Financial Risk Management Policy, all counterparties in swap or other financial product agreements with Utilities must have a minimum long-term credit rating in the "A-" category issued by at least one major credit rating agency at the time of execution of such swap or financial products agreement; though, there is no requirement that such a rating be maintained throughout the life of the financial products agreement. In the alternative, a counterparty must provide a guarantee, swap surety, or other form of credit enhancement such that its enhanced creditworthiness is in at least the "A-" category at the time of execution of such swap or financial products agreement.

Utilities has investments in two local government investment pools, Colorado Surplus Asset Fund Trust ("CSAFE") and ColoTrust. These local government investment pools operate similarly to money market funds. They pool the funds of participating local governments and invest in various securities as permitted under state law. Both CSAFE and ColoTrust were established pursuant to Part 7 of Article 75 of Title 24 of the Colorado Revised Statutes.

As of December 31, 2023 and 2022, Utilities had investments of \$130,246,016 and \$200,504,352, respectively in the ColoTrust PLUS+ fund ("PLUS+"). PLUS+ is marked-to-market daily and seeks to maintain a stable net asset value ("NAV") of \$1.00 per share. The fair value of the position in the pool is the same as the value of the pool shares. The designated custodial bank provides safekeeping and depository services in connection with the direct investment and withdrawal functions. Securities settle through the Federal Reserve Bank ("Fed") but are held at the custodial bank. Most investments in PLUS+ trade/settle through the Depository Trust Company ("DTC") rather than the Fed, as the DTC trades and settles most commercial paper. The custodian's internal records identify the investments owned by the fund. Investments of the fund consist of U.S. Treasury securities, Federal instrumentality securities, agency securities, repurchase agreements, tri-party repurchase agreements, collateralized bank deposits and commercial paper. The Repurchase Agreements between ColoTrust and the various approved counterparties require that the aggregate market value of all purchased securities from any

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counterparty be overcollateralized by at least 102.0% of the purchase price. Collateralized bank deposits are collateralized at 102.0% of fair market value under the provisions of the Public Depository Protection Act.

As of December 31, 2023 and 2022, Utilities had investments of \$29,205,366 and \$131,189,682, respectively in the CSAFE Core Fund. The CSAFE Core fund seeks to maintain a stable NAV of \$2.00 per share and the investment guidelines limit the weighted average maturity (“WAM”) at 180 days. The fair value of the position in the pool is the same as the value of the pool shares. The designated custodial bank provides safekeeping and depository services in connection with the direct investment and withdrawal functions. Substantially all securities owned by the funds are held by the Fed in the account maintained for the custodial bank. The custodian’s internal records identify the investments owned by the fund. The fund invests in highly rated securities, including U.S. Treasury and U.S. government agency securities, commercial paper and corporate bonds. Other securities permitted by the funds’ investment policies include municipal securities, repurchase agreements and shares in certain money market funds. Any funds left in CSAFE's bank checking account during the day or overnight are collateralized at 102.0% of fair market value under the provisions of the Public Depository Protection Act. The remaining deposits are swept by the bank around mid-day into the trust where the participants’ deposits are collateralized 100.0% by the underlying investments.

Utilities’ investment ratings from Moody’s Investor Services (“Moody’s”), Standard & Poor’s (“S&P”) and Fitch Ratings (“Fitch”) at December 31:

Investment Type	Moody's		S&P		Fitch	
	2023	2022	2023	2022	2023	2022
U.S. Govt Agency Securities	Aaa	Aaa	AA+	AA+	AA+	AAA
Local Government Investment Pools						
ColoTrust PLUS+ Fund	Not Rated	Not Rated	AAAm	AAAm	Not Rated	Not Rated
CSAFE Core Fund	Not Rated	Not Rated	Not Rated	Not Rated	AAAf	AAAf

**Concentration of Credit Risk** - The risk of loss attributed to the magnitude of a government’s investment in a single issuer. Utilities, as an enterprise of a municipal government, places no limit on the amount that may be invested in a single issuer, however internal strategy discourages concentration of more than 55% of total funds with a single issuer.

As of December 31, 2023, Utilities was invested in the following:

Investments	Amount	% of Total
	(in thousands)	
Federal Farm Credit Bureau	\$ 40,034	13.1 %
Federal Home Loan Bank	42,274	13.8 %

As of December 31, 2022, Utilities was invested in the following:

Investments	Amount	% of Total
	(in thousands)	
Federal Farm Credit Bureau	\$ 24,582	13.6 %
Federal Home Loan Bank	29,445	16.3 %
Federal Home Loan Mortgage Corporation	9,704	5.4 %

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**Custodial Credit Risk** - The risk that, in the event of a bank failure, Utilities' deposits may not be returned. Utilities does not have any investments that are exposed to custodial credit risk.

**Total Deposits and Investments** - The deposits and investments reconcile to cash and cash equivalents and investments reported on the Statements of Net Position as of December 31, 2023:

	Cash and Cash Equivalents		Investments	
	Unrestricted	Restricted	Unrestricted	Restricted
	(in thousands)			
Deposits	\$ 30,330	\$ 24,451	\$ —	\$ —
Petty cash	8	—	—	—
Investments				
U.S. Treasury Notes	—	—	104,353	119,440
U.S. Government Agency Securities	—	—	79,898	2,410
Local Government Investment Pools	80,079	79,372	—	—
<b>Total</b>	<b>\$ 110,417</b>	<b>\$ 103,823</b>	<b>\$ 184,251</b>	<b>\$ 121,850</b>

The deposits and investments reconcile to cash and cash equivalents and investments reported on the Statements of Net Position as of December 31, 2022:

	Cash and Cash Equivalents		Investments	
	Unrestricted	Restricted	Unrestricted	Restricted
	(in thousands)			
Deposits	\$ 11,366	\$ 22,018	\$ —	\$ —
Petty cash	8	—	—	—
Investments				
U.S. Treasury Notes	—	—	97,892	18,924
U.S. Government Agency Securities	—	—	63,731	—
Local Government Investment Pools	154,310	177,384	—	—
<b>Total</b>	<b>\$ 165,684</b>	<b>\$ 199,402</b>	<b>\$ 161,623</b>	<b>\$ 18,924</b>

The amount of unrealized gain (loss) on investments included in investment income on the Statements of Revenues, Expenses and Changes in Net Position for the years ended December 31, 2023 and 2022 was \$3,229,402 and \$(2,783,756), respectively.

**NOTE 4 - FAIR VALUE MEASUREMENT**

Utilities discloses assets and liabilities in accordance with GASB Statement No. 72, *Fair Value Measurement & Application* ("GASB 72"), which establishes general principles for measuring fair value, provides additional fair value application guidance and enhances disclosures about fair value measurements.

GASB 72 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is a market-based measurement for a particular asset or liability based on assumptions that market participants would use in pricing

**COLORADO SPRINGS UTILITIES**  
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the asset or liability. Such assumptions include observable and unobservable inputs of market data, as well as assumptions about risk and the risk inherent in the inputs to the valuation technique. As a basis for considering market participant assumptions in fair value measurements, GASB 72 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three broad levels:

- Level 1 inputs are quoted prices for identical assets or liabilities in active markets that a government can access at the measurement date. Examples include U.S. Treasury securities and equity securities from active markets. The hierarchy gives the highest priority to Level 1 inputs.
- Level 2 inputs are inputs other than quoted prices included in Level 1 that are observable for an asset or liability either directly or indirectly. Examples include government agency securities and derivative instruments valued using prices for similar locations or products on published exchanges.
- Level 3 inputs are unobservable inputs for an asset or liability.

The following valuation methods were used for Utilities' recurring fair value measurements as of December 31, 2023 and 2022:

- U.S. Treasury Notes and Agency Notes classified in Level 2 of the fair value hierarchy are valued using the following standard inputs, listed in approximate order of priority for use, when available: benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, bids, and offers and reference data including market research publications.
- Derivative instruments classified in Level 2 of the fair value hierarchy are valued using valuations provided by Stifel, a third-party valuation service provider. The fair values of the interest rate derivative instruments are based on present value of their estimated future cash flows and account for counterparty nonperformance risk, see Note 7.

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Utilities has the following recurring fair value measurements as of December 31:

	December 31, 2023			
	Level 1	Level 2	Level 3	Total
	(in thousands)			
<b>Assets</b>				
Investments - unrestricted				
U.S. Treasury Notes	\$ —	\$ 104,353	\$ —	\$ 104,353
Agency Notes	—	79,898	—	79,898
<b>Total Investments - unrestricted</b>	<b>\$ —</b>	<b>\$ 184,251</b>	<b>\$ —</b>	<b>\$ 184,251</b>
Investments - restricted				
U.S. Treasury Notes	\$ —	\$ 119,440	\$ —	\$ 119,440
Agency Notes	—	2,410	—	2,410
<b>Total Investments - restricted</b>	<b>\$ —</b>	<b>\$ 121,850</b>	<b>\$ —</b>	<b>\$ 121,850</b>
<b>Liabilities</b>				
Derivative instruments	\$ —	\$ 34,951	\$ —	\$ 34,951
	December 31, 2022			
	Level 1	Level 2	Level 3	Total
	(in thousands)			
<b>Assets</b>				
Investments - unrestricted				
U.S. Treasury Notes	\$ —	\$ 97,892	\$ —	\$ 97,892
Agency Notes	—	63,730	—	63,730
<b>Total Investments - unrestricted</b>	<b>\$ —</b>	<b>\$ 161,622</b>	<b>\$ —</b>	<b>\$ 161,622</b>
Investments - restricted				
U.S. Treasury Notes	\$ —	\$ 18,924	\$ —	\$ 18,924
<b>Total Investments - restricted</b>	<b>\$ —</b>	<b>\$ 18,924</b>	<b>\$ —</b>	<b>\$ 18,924</b>
<b>Liabilities</b>				
Derivative instruments	\$ —	\$ 35,364	\$ —	\$ 35,364

**COLORADO SPRINGS UTILITIES**  
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**NOTE 5 - LEASE RECEIVABLE**

Utilities, as a lessor, has entered into multiple fiber conduit lease contracts. These leases have interest rates between 2.97% and 3.96%, and terms ranging from 4 to 23 years. Utilities has \$13.9 million in accounts receivable as of December 31, 2023 related to these leases. This amount required Utilities to record leases in 2023.

Utilities has agreements for pole attachments, which are regulated by the Colorado Revised Statutes § 38-5.5-108. The pole attachment revenue was \$597,000 as of December 31, 2023.

Summary of changes in lease deferred inflows as of December 31, 2023:

	Balance January 1, 2023	Additions	Reductions	Balance December 31, 2023
	(in thousands)			
Lease deferred inflows	\$ —	\$ 14,216	\$ 316	\$ 13,900

**NOTE 6 - CAPITAL ASSETS**

***Summary of Capital Assets Net of Accumulated Depreciation and Amortization***

Summary for the year ended December 31, 2023:

	Beginning Balance	Additions	Deletions	Ending Balance
	(in thousands)			
Plant in Service				
Non-Depreciable Capital Assets				
Land	\$ 211,425	\$ 6,576	\$ (2,129)	\$ 215,872
Intangible assets				
Land rights	46,930	1,043	—	47,973
Other intangibles	8,693	—	—	8,693
Total Non-Depreciable Capital Assets	267,048	7,619	(2,129)	272,538
Depreciable Capital Assets				
Electric	2,240,539	499,538	(280,775)	2,459,302
Streetlight	53,868	1,114	(403)	54,579
Gas	480,554	36,534	(212)	516,876
Water and Wastewater	3,277,648	200,522	(2,760)	3,475,410
Common	330,939	42,413	(384)	372,968
Intangible assets				
Software	56,201	42,987	(713)	98,475
Land rights	44	—	—	44
Other intangibles	26,167	—	—	26,167
Right to use assets				
Electric lease	—	1,076	—	1,076
SBITAs	19,386	7,577	—	26,963
Completed construction not classified	216,362	—	(216,362)	—
Total Depreciable Capital Assets	6,701,708	831,761	(501,609)	7,031,860
Total Plant in Service	6,968,756	839,380	(503,738)	7,304,398

**COLORADO SPRINGS UTILITIES**  
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	Beginning Balance	Additions	Deletions	Ending Balance
	(in thousands)			
Accumulated Depreciation and Amortization				
Electric	\$ (1,488,150)	\$ (198,964)	\$ 233,453	\$ (1,453,661)
Streetlight	(35,941)	(1,458)	403	(36,996)
Gas	(151,857)	(9,586)	205	(161,238)
Water and Wastewater	(1,078,432)	(68,747)	2,194	(1,144,985)
Common	(221,749)	(37,699)	18,789	(240,659)
Intangible assets				
Software	(55,322)	(12,804)	—	(68,126)
Land rights	(20)	(2)	—	(22)
Other intangibles	(3,313)	(523)	—	(3,836)
Right to use assets				
Electric lease	—	(154)	—	(154)
SBITAs	(4,749)	(5,728)	—	(10,477)
Completed construction not classified	(18,917)	—	18,917	—
Total Accumulated Depreciation and Amortization	<u>(3,058,450)</u>	<u>(335,665)</u>	<u>273,961</u>	<u>(3,120,154)</u>
Total Plant in Service (net of Accumulated Depreciation and Amortization)	<u>3,910,306</u>	<u>503,715</u>	<u>(229,777)</u>	<u>4,184,244</u>
Construction work in progress	<u>430,357</u>	<u>594,120</u>	<u>(655,175)</u>	<u>369,302</u>
Total Capital Assets (net of Accumulated Depreciation and Amortization)	<u>\$ 4,340,663</u>	<u>\$ 1,097,835</u>	<u>\$ (884,952)</u>	<u>\$ 4,553,546</u>

Summary for the year ended December 31, 2022 (restated):

	Beginning Balance	Additions	Deletions	Ending Balance
	(in thousands)			
Plant in Service				
Non-Depreciable Capital Assets				
Land	\$ 210,601	\$ 824	\$ —	\$ 211,425
Intangible assets				
Land rights	44,284	2,646	—	46,930
Other intangibles	4,791	3,902	—	8,693
Total Non-Depreciable Capital Assets	<u>259,676</u>	<u>7,372</u>	<u>—</u>	<u>267,048</u>
Depreciable Capital Assets				
Electric	2,165,824	81,780	(7,065)	2,240,539
Streetlight	52,898	1,392	(422)	53,868
Gas	449,936	30,848	(230)	480,554
Water and Wastewater	3,192,584	86,652	(1,588)	3,277,648
Common	328,718	2,279	(58)	330,939
Intangible assets				
Software	56,201	—	—	56,201
Land rights	44	—	—	44
Other intangibles	26,167	—	—	26,167

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	Beginning Balance	Additions	Deletions	Ending Balance
	(in thousands)			
Right to use assets				
SBITAs	\$ 12,997	\$ 6,389	\$ —	\$ 19,386
Completed construction not classified	133,120	216,362	(133,120)	216,362
Total Depreciable Capital Assets	6,418,489	425,702	(142,483)	6,701,708
Total Plant in Service	6,678,165	433,074	(142,483)	6,968,756
Accumulated Depreciation and Amortization				
Electric	(1,415,760)	(78,379)	5,989	(1,488,150)
Streetlight	(34,901)	(1,462)	422	(35,941)
Gas	(143,345)	(8,718)	206	(151,857)
Water and Wastewater	(1,017,524)	(62,077)	1,169	(1,078,432)
Common	(216,019)	(5,787)	57	(221,749)
Intangible assets				
Software	(54,796)	(526)	—	(55,322)
Land rights	(18)	(2)	—	(20)
Other intangibles	(2,791)	(522)	—	(3,313)
Right to use assets				
SBITAs	—	(4,749)	—	(4,749)
Completed construction not classified	(12,576)	(18,917)	12,576	(18,917)
Total Accumulated Depreciation and Amortization	(2,897,730)	(181,139)	20,419	(3,058,450)
Total Plant in Service (net of Accumulated Depreciation and Amortization)	3,780,435	251,935	(122,064)	3,910,306
Construction work in progress	314,932	292,792	(177,367)	430,357
Total Capital Assets (net of Accumulated Depreciation and Amortization)	\$ 4,095,367	\$ 544,727	\$ (299,431)	\$ 4,340,663

**Special Item**

**Decommissioning of Power Plants** - In June 2020, the Utilities Board voted to approve an integrated resource plan that commits Utilities to providing cost-effective, resilient, and environmentally sustainable power. The plan calls for grid modernization, integration of more cost-effective renewable energy, and incorporation of new technologies like energy storage. It allows Utilities to achieve an 80.0% carbon reduction by 2030 and included a decision to decommission Drake no later than December 31, 2022, Ray Nixon Power Plant (“Nixon 1”), no later than December 31, 2029 and Birdsall Power Plant (“Birdsall”) no later than December 31, 2034. This further accelerated Drake’s decommission date from the previous decision by the Utilities Board in November 2015 to close and decommission Drake no later than 2035. Drake Unit 5 was fully decommissioned in 2016. Drake was permanently shut down on September 1, 2022.

As a result of the Utilities Board’s decision to decommission Drake, Nixon 1 and Birdsall, Utilities determined the assets related to the decommissioning power plants were impaired as of December 31, 2020. Utilities recorded a \$233.5 million loss as a Special item on the Statements of Revenues, Expenses and Changes in Net Position. An additional \$3.8 million loss was recorded in 2022, due to Drake shutting down four months early. In 2023, Utilities Board approved a new plan to update integrated resource plan. As a result Birdsall had an additional \$1.3 million loss as a special item due to a change in the decommission dates, with Birdsall 1 and 2 decommissioning no later than December 31, 2024 and Birdsall 3 decommissioning no later than December 31, 2026.

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**NOTE 7 - DERIVATIVE INSTRUMENTS**

Utilities' financial derivative instruments are acquired with the objective of effectively hedging expected cash flows. Interest rate hedges that are deemed effective by applying methods of evaluating effectiveness pursuant to GASB 53 are recognized as cash flow hedges. Financial derivative instruments that do not meet the effectiveness criteria are classified as investment derivative instruments. Changes in the fair value of cash flow hedge derivative instruments are reported as either Deferred Outflows or Inflows of Resources on the Statements of Net Position. Interest rate hedges that are deemed ineffective are recognized as standalone investment derivative instruments. The change in the fair value of investment derivative instruments is recognized as Nonoperating Revenues (Expenses) on the Statements of Revenues, Expenses and Changes in Net Position.

Utilities has interest rate hedges based on both the Securities Industry and Financial Markets Association ("SIFMA") index and the London Interbank Offered Rate ("LIBOR") index. Historically, Utilities' interest rate derivative instruments based on 68.0% of 1-month LIBOR were classified as cash flow hedges. As of December 31, 2013, these LIBOR-based derivative instruments are no longer effective pursuant to GASB 53 hedge effectiveness standards and are considered investment derivative instruments.

Utilities values interest rate derivative instruments based on valuations provided by Stifel, a third-party valuation service provider for 2023 and 2022. The fair values of the interest rate derivative instruments are based on present value of their estimated future cash flows and account for the risk of nonperformance.

***Summary of Derivative Instruments***

The fair value and notional amount of derivative instruments outstanding at December 31, 2023 classified by type and changes in fair value of such derivative instruments for the year then ended:

	Changes in Fair Value		Fair Value		Notional
	Classification	Amount	Classification	Amount	
	(in thousands)				
<u>Cash Flow Hedges</u>					
Interest Rate Swaps	Deferred outflows	\$ 1,594	Derivative instruments	\$ (11,088)	\$ 96,379
Total Cash Flow Hedges		\$ 1,594		\$ (11,088)	
<u>Investment Derivative Instruments</u>					
Interest Rate Swaps	Derivative gain	\$ 2,009	Derivative instruments	\$ (23,862)	\$ 225,651
Total Investment Derivative Instruments		\$ 2,009		\$ (23,862)	

**COLORADO SPRINGS UTILITIES**

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The fair value and notional amount of derivative instruments outstanding at December 31, 2022, classified by type and changes in fair value of such derivative instruments for the year then ended:

	Changes in Fair Value		Fair Value		Notional
	Classification	Amount	Classification	Amount	
		(in thousands)			
<u>Cash Flow Hedges</u>					
Interest Rate Swaps	Deferred outflows	\$ 18,892	Derivative instruments	\$ (9,492)	\$ 101,640
Total Cash Flow Hedges		<u>\$ 18,892</u>		<u>\$ (9,492)</u>	
<u>Investment Derivative Instruments</u>					
Interest Rate Swaps	Derivative gain	\$ 38,779	Derivative instruments	\$ (25,872)	\$ 234,715
Total Investment Derivative Instruments		<u>\$ 38,779</u>		<u>\$ (25,872)</u>	

Utilities employs interest rate swap derivative instruments that are designed to synthetically fix the cash flows on Variable Rate Demand Obligation bonds ("VRDO"). The variable rate received on the interest rate swaps is intended to offset the variable rate being paid on the obligations so that the fixed rate of the swap is essentially the effective rate incurred by Utilities.

Summary of scheduled projected future cash flows for interest rate derivative instruments as of December 31, 2023:

December 31,	Projected Future Cash Flows In/ (Out) for Hedging Derivatives Instruments	
	(in thousands)	
2024	\$	(1,893)
2025		(1,821)
2026		(1,746)
2027		(1,653)
2028		(1,377)
2029-2033		(2,526)
2034-2038		(637)
2039-2041		(54)
Total	\$	<u>(11,707)</u>

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Summary of Utilities' pay-fixed interest rate swap agreements outstanding as of December 31, 2023:

	Notional Amount	Effective Date	Maturity Date	Trade Details	Counterparty
	(in thousands)				
<u>Cash Flow Hedges</u>					
2005A SIFMA Swap	\$ 47,332	09/15/05	11/01/35	Pay 4.7099%; receive SIFMA index	Bank of America, N.A.
2005A SIFMA Swap	15,913	09/15/05	11/01/35	Pay 4.7099%; receive SIFMA index	J. Aron & Company
2008A SIFMA Swap	33,135	09/12/08	11/01/38	Pay 4.2686%; receive SIFMA index	Bank of America, N.A.
<u>Investment Derivatives Instruments</u>					
2005A SIFMA Swap	406	09/15/05	11/01/35	Pay 4.7099%; receive SIFMA index	Bank of America, N.A.
2006B New Money LIBOR Swap	20,530	09/14/06	11/01/36	Pay 4.1185%; receive 68% of SOFR + Spread (LIBOR)	JPMorgan Chase Bank, N.A.
2006B New Money LIBOR Swap	30,795	09/14/06	11/01/36	Pay 4.1185%; receive 68% of SOFR + Spread (LIBOR)	Morgan Stanley Capital Services, Inc.
2007A New Money LIBOR Swap	28,740	09/13/07	11/01/37	Pay 3.1980%; receive 68% of SOFR + Spread (LIBOR)	J. Aron & Company
2007A New Money LIBOR Swap	19,160	09/13/07	11/01/37	Pay 3.1980%; receive 68% of SOFR + Spread (LIBOR)	Morgan Stanley Capital Services, Inc.
2009C LIBOR Swap (2012 Novation)	54,025	10/01/09	11/01/28	Pay 5.4750%; receive 68% of SOFR + Spread (LIBOR)	Wells Fargo Bank, N.A.
2010C LIBOR Swap	35,265	10/26/10	11/01/40	Pay 3.8807%; receive 68% of SOFR + Spread (LIBOR)	Morgan Stanley Capital Services, Inc.
2012A LIBOR Swap	36,730	03/15/12	11/01/41	Pay 4.0242%; receive 68% of SOFR + Spread (LIBOR)	Morgan Stanley Capital Services, Inc.
Total Notional Amount for Interest Rate Swaps	<u>\$322,031</u>				

**2005A SIFMA Swap** - During the fourth quarter 2012, it was discovered that in 2008, Utilities redeemed a portion of its 2005A variable rate bond series through the issuance of the 2008D Clean Renewable Energy Bonds. This transaction created an immaterial difference between the notional size of the bond issuance and the interest rate swap hedge. The overhedged portion of the swap has therefore been declared an investment derivative instrument.

**Risk**

Utilities routinely monitors and manages risks in the areas of credit, interest rate and associated basis, termination, rollover, market access and foreign currency risks. These risks are discussed in detail below.

**Credit Risk** - The exposure resulting when the counterparty is unable or unwilling to fulfill its present and future financial obligations. Each of Utilities' interest rate cash flow and investment derivative instruments are held with various counterparties of high credit quality. Utilities views counterparty credit risks that may arise through

**COLORADO SPRINGS UTILITIES**  
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interest rate derivative instrument transactions as similar between cash flow hedges and investment derivative instruments.

Long-term counterparty credit ratings from Moody's and S&P at December 31:

Counterparty	Credit Rating	
	2023	2022
J. Aron & Co.	A2 / BBB+	A2 / BBB+
JPMorgan Chase Bank, N.A.	A1 / A-	A1 / A-
Bank of America, N.A.	A1 / A-	A2 / A-
Morgan Stanley Capital Services, Inc.	A1 / A-	A1 / A-
Wells Fargo Bank, N.A.	A1 / BBB+	A1 / BBB+

The Financial Risk Management Plan requires that Utilities' counterparties to financial instruments be on an approved counterparty list. To be on the interest rate counterparty transaction list, at the time of transaction execution, counterparties must have a minimum credit rating in the "A-" category by at least one of the major credit rating agencies previously listed or a counterparty shall provide a guarantee, swap surety, or other form of credit enhancement such that its creditworthiness is of an "A-" category equivalent. Each counterparty must also have a demonstrated record of successfully executing swap transactions and shall have a minimum capitalization of at least \$250.0 million.

The Energy Risk Management Plan requires that Utilities' counterparties to commodity transactions be on an approved counterparty list. To be on this list, counterparties must have the necessary contracts in place for the commodity being transacted and have adequate credit or credit facilities in place to cover assumed transactions. The Energy Risk Management Plan limits the amount of counterparty credit exposure according to the counterparty's credit rating. At December 31, 2023 and 2022, Utilities has no forward exposure to financial energy commodity transactions.

It is Utilities' policy to require collateral posting provisions for all counterparties involved in its non-exchange-traded derivative instrument transactions. The collateral posted by counterparties is governed by ISDA agreements with collateral threshold limits as specified in each agreement. As the mark to market value of a fixed price financial derivative instrument held by Utilities decreases relative to market, Utilities may be obligated to post collateral with the applicable counterparty. Conversely, as the mark to market value of a fixed price financial derivative instrument agreement or call option increases, Utilities' counterparties may be required to post collateral.

For the year ending December 31, 2023 and 2022, Utilities did not post any dollars in collateral with various counterparties to the swap agreements. Utilities' aggregate fair value of derivative instruments as of December 31, 2023 was approximately \$(34.9) million compared to \$(35.4) million at the end of 2022.

The combined fair value of all derivative instruments, net of collateral postings, as of December 31, 2023 and 2022 was approximately \$(34.9) and \$(35.4) million, respectively.

Collateral postings represent the initial amount that Utilities would be required to pay in the event counterparties failed due to a credit default event. Collateral posted is presented as restricted cash and impacts Utilities' cash reserves and liquidity. In the event of a failure of all counterparties due to a credit default, Utilities anticipates the full value of the collateral posting would be liquidated on behalf of secured creditors, thereby reducing actual cash balances and liquidity by the value of the collateral posting. A credit default by all counterparties could lead to additional cash requirements called by secured creditors up to the net liability of the combined derivative instrument positions.

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The impact of a future credit default on Utilities is dependent on market conditions that exist at the time of the event. As a result, the impact on Utilities' cash and liquidity position could be negative or positive. In consideration of this uncertainty and to minimize the impact of such an event on liquidity, as of December 31, 2023 and 2022, Utilities has a total line of credit available in the amount of \$75.0 million. Utilities also closely monitors the creditworthiness of all existing counterparties and awards future business based on creditworthiness and collateral positions existing at the time of the transaction.

**Interest Rate Risk** - The risk that changes in market interest rates will adversely affect Utilities' anticipated cash flows. Utilities is exposed to interest rate risk on variable rate debt. Utilities utilizes fixed price swaps to offset cash flow exposures for a portion of the variable rate debt. Utilities receives fixed rate swap payments against VRDOs based on SIFMA and SOFR plus spread swap indices.

**Basis Risk** - The risk that arises when variable rates or prices of a derivative instrument and a hedged item are based on different reference rates. Utilities is exposed to basis risk on pay-fixed interest rate swap hedging derivative instruments because the variable rate payments received by Utilities on these hedging derivative instruments are based on a rate or index other than interest rates. Utilities pays on hedged variable rate debt, which is generally remarketed every 7 days. As of December 31, 2023, the weighted average interest rate on Utilities' variable rate debt was 3.01%, the SIFMA swap index rate was 3.87%, while 68% of the SOFR plus spread was 3.66%. As of June 30, 2023, the United Kingdom's Financial Conduct Authority, which regulated LIBOR, discontinued LIBOR as a representative benchmark. The International Swaps and Derivatives Association, Inc. has released its IBOR Fallbacks Protocol (the "Protocol"), which allows contract participants that adhere to the "Protocol" to amend previous LIBOR-based Swaps to include new fallback provisions that result in the Secured Overnight Financing Rate replacing LIBOR in such contracts. Per the Protocol, the index on the swaps has converted to a fallback rate based on SOFR. The language in the existing swap documents has not changed, but a Fallback Rate Supplement to the ISDA Definitions has been released and incorporated. Per the Protocol, the index on LIBOR-based swaps has converted to SOFR plus a spread. The spread is calculated based on a 5-year historical difference between LIBOR and SOFR. As of December 31, 2022, the weighted average interest rate on Utilities' variable rate debt was 0.102%, the SIFMA swap index rate was 3.66%, while 68% of the LIBOR was 2.99%.

**Termination Risk** - The risk that a derivative instrument's unscheduled end will affect Utilities' asset and liability strategy or will present Utilities with potentially unscheduled termination payments to the counterparty. Utilities or its counterparties may terminate a derivative instrument if the other party fails to perform under the terms of the contract or if both parties agree to terminate, or "close." If at the time of termination a hedging derivative instrument is in a liability position, Utilities would be liable to the counterparty for a payment equal to the liability, subject to netting arrangements.

**Rollover Risk** - The risk that a derivative instrument associated with a hedged item does not extend to the maturity of that hedged item. Utilities is exposed to rollover risk on hedging instruments of debt that mature or may be terminated prior to the maturity of the hedged debt. When these hedging derivative instruments terminate, or if a counterparty exercises a termination option, Utilities will be re-exposed to the risks being hedged by the hedging derivative instrument. Utilities has no exposure to rollover risk with current interest rate derivative instruments.

**Market Access Risk** - The risk that Utilities will not be able to enter credit markets or that credit will become more costly. A strong credit rating tends to broaden an entity's credit market access and bondholder base while achieving lower cost funding. As of December 2023, Utilities' long-term credit ratings are "Aa2/AA+" by Moody's and S&P, respectively. As of December 2022, Utilities' long-term credit ratings are "Aa2/AA+" by Moody's and S&P, respectively.

**Foreign Currency Risk** - The risk that changes in exchange rates will adversely affect the cash flows of a transaction. Utilities has no exposure to foreign currency risk.

**COLORADO SPRINGS UTILITIES**  
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**NOTE 8 - TOTAL LONG-TERM DEBT**

***Summary of Scheduled Maturities of Total Long-Term Debt***

***Revenue Bonds*** - scheduled maturities as of December 31, 2023:

December 31,	Principal	Interest
	(in thousands)	
2024	\$ 98,910	\$ 109,556
2025	105,405	104,568
2026	103,800	99,400
2027	106,970	94,296
2028	122,620	88,853
2029-2033	522,365	359,994
2034-2038	423,745	246,064
2039-2043	338,685	146,793
2044-2048	261,920	75,605
2049-2053	156,995	19,251
Total	<u>\$ 2,241,415</u>	<u>\$ 1,344,380</u>

***Notes and loans from direct borrowings*** - scheduled maturities as of December 31, 2023:

December 31,	Principal	Interest
	(in thousands)	
2024	\$ 464	\$ 85
2025	476	73
2026	488	61
2027	500	49
2028	513	36
2029-2030	1,065	33
Total	<u>\$ 3,506</u>	<u>\$ 337</u>

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**Summary of Total Long-Term Debt**

The following is a summary of the total long-term debt as of December 31, 2023:

Revenue Bonds	Issue Date	Final Maturity	Coupon Rate Ranges	Original Amount of Debt	Outstanding Principal at December 31, 2023
<b>Fixed Rate Tax Exempt Bonds</b>					(in thousands)
Series 2014A-1	09/25/2014	11/15/2044	4.000%-5.000%	\$ 58,515	\$ 53,060
Series 2014A-2	09/25/2014	11/15/2044	4.000%-5.000%	53,995	49,085
Series 2015A	10/15/2015	11/15/2048	3.000%-5.000%	82,795	60,340
Series 2017A-1	09/27/2017	11/15/2042	3.000%-5.000%	89,750	76,080
Series 2017A-2	09/27/2017	11/15/2047	2.500%-5.000%	84,340	75,440
Series 2017A-3	09/27/2017	11/15/2023	5.000%	66,090	—
Series 2018A-1	07/10/2018	11/15/2026	3.000%-5.000%	125,645	94,060
Series 2018A-2	07/10/2018	11/15/2048	3.000%-5.000%	39,500	35,785
Series 2018A-3	08/21/2018	11/15/2033	5.000%	4,810	3,230
Series 2018A-4	07/10/2018	11/15/2048	4.000%-5.000%	56,860	51,680
Series 2019A	10/24/2019	11/15/2029	5.000%	84,090	84,090
Series 2020A	08/18/2020	11/15/2050	4.000%-5.000%	200,720	171,765
Series 2020B	08/18/2020	11/15/2028	5.000%	50,980	32,855
Series 2020C	08/18/2020	11/15/2050	5.000%	85,440	69,790
Series 2021A	08/18/2021	11/15/2033	5.000%	38,715	26,285
Series 2021B	08/18/2021	11/15/2051	4.000%-5.000%	185,030	179,145
Series 2022A	10/04/2022	11/15/2042	4.000%-5.000%	127,425	121,960
Series 2022B	10/04/2022	11/15/2052	5.000%-5.250%	163,520	160,325
Series 2023A	08/31/2023	11/15/2053	3.000%-5.250%	203,060	203,060
Series 2023B	08/31/2023	11/15/2045	5.000%-5.250%	161,335	160,720
<b>Fixed Rate Taxable Bonds</b>					
Series 2009B-2	09/24/2009	11/15/2039	4.949%-5.545%	64,450	54,810
Series 2009D-2	11/17/2009	11/15/2049	4.164%-6.313%	56,750	48,990
Series 2010D-4	12/23/2010	11/15/2040	6.615%	107,260	107,260
<b>Variable Rate Tax Exempt Bonds</b>					
Series 2005A	09/15/2005	11/01/2035	resets weekly	100,000	63,220
Series 2006B	09/14/2006	11/01/2036	resets weekly	75,000	51,325
Series 2007A	09/13/2007	11/01/2037	resets weekly	75,000	47,900
Series 2008A	09/12/2008	11/01/2038	resets weekly	50,000	33,135
Series 2009C	10/01/2009	11/01/2028	resets weekly	66,455	54,025
Series 2010C	10/26/2010	11/01/2040	resets weekly	50,000	35,265
Series 2012A	03/15/2012	11/01/2041	resets weekly	50,000	36,730
<b>Total Revenue Bonds</b>					<b>\$ 2,241,415</b>

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Notes and loans from direct borrowings	Issue Date	Final Maturity	Interest Rate Ranges	Original Amount of Debt	Outstanding Principal at December 31, 2023
(in thousands)					
<b>Colorado Water Resources &amp; Power Development Authority</b>					
Series 2009E - Drinking Water					
Revolving Fund	04/29/2010	11/01/2030	2.500%	\$ 8,600	\$ 3,506
<b>Total Notes and Loans Payable</b>					<b>3,506</b>
<b>Total Long-Term Debt</b>					<b>\$ 2,244,921</b>

**NOTE 9 - REVENUE BONDS**

In August 2023, Utilities issued Utilities System Improvement Revenue Bonds, Series 2023A and Utilities System Refunding Revenue Bonds, Series 2023B totaling \$364,395,000. Series 2023A bonds were issued as new money bonds to finance a portion of the costs of a number of general capital improvements to the Utility System. Series 2023B bonds were used to refund all or a portion of the City's outstanding Utilities System Refunding Revenue Bonds, Series 2013A, Utilities System Improvement Revenue Bonds Series, 2013B-1, and Utilities System Improvement Revenue Bonds Series 2013B-2.

In October 2022, Utilities issued Utilities System Refunding Revenue Bonds, Series 2022A and Utilities System Improvement Revenue Bonds, Series 2022B totaling \$290,945,000. Series 2022A bonds were used to refund all or a portion of the City's outstanding Utilities System Refunding Revenue Bonds, Series 2012B, Utilities System Revenue Bonds, Series 2012C-1, and Utilities System Revenue Bonds, Series 2012C-2. Series 2022B bonds were issued as new money bonds to finance a portion of the costs of a number of general capital improvements to the Utility System.

Revenue bonds constitute an irrevocable lien, but not necessarily an exclusive lien, upon net pledged revenues pursuant to the Bond Ordinances. All Utilities' revenues net of specified operating expenses are pledged as security for all revenue bonds and loans payable until they are defeased. None of the covenants, agreements, representations and warranties contained in the Ordinance or in the bonds, nor the breach thereof, shall ever impose or shall be construed as imposing any liability, obligation or charge against the City (except the special funds pledged therefore), or against its general credit, or as payable out of its general fund or out of any funds derived from taxation or out of any other revenue source (other than those pledged therefore). The full faith and credit of the City is not pledged for the payment of the amounts due on the bonds or under the Ordinance.

Summary of principal and interest paid and net pledged revenues for the following periods:

	2023	2022 (restated)
	(in thousands)	
Principal and Interest Paid ("P&I")	\$ 214,473	\$ 205,752
Net Pledged Revenues	367,640	497,278
P&I % of Net Pledged Revenues	58.3 %	41.4 %

The bond ordinance provides for certain other covenants, the most significant of which are as follows:

- Utilities is required to ensure charges to the users of the Utility System are sufficient to pay in each fiscal year: an amount equal to the annual operation and maintenance expenses for such fiscal year, an amount

## COLORADO SPRINGS UTILITIES

### NOTES TO FINANCIAL STATEMENTS

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equal to 130.0% of both the principal and interest on the bonds and parity bonds then outstanding from the net pledged revenues in that fiscal year and any amounts required to meet then existing deficiencies under a surety agreement or to satisfy covenants under any financial products agreements.

- Utilities is restricted from issuing additional parity bonds unless certain conditions are met.

Utilities' outstanding revenue bonds contain event of default provisions with possible finance-related consequences. Utilities' management has evaluated the event of default provisions with possible finance-related consequences and in the opinion of Utilities' management, the likelihood is remote that these provisions will have a significant effect on Utilities' financial position or results of operations.

#### ***Arbitrage Rebate Payable***

Section 148 of the Internal Revenue Code requires issuers of most types of tax-exempt bonds to rebate investment earnings in excess of bond yield to the United States Internal Revenue Service in installment payments made at least once every five years, with the final installment made when the last bond in the issue is redeemed.

The most recent arbitrage rebate analysis was completed as of December 31, 2023, by an independent consulting firm. Future computations of the rebate requirement on outstanding bond issues will be calculated annually, with an arbitrage rebate liability recorded for any issues that have a material amount due at the time of calculation.

Utilities' bond issues do not carry any liability. The 2008A, 2009B, 2009C, 2009D, 2010C, 2010D, 2012A, 2021A, 2021B, 2022A, 2022B, 2023A, and 2023B bond issues will continue to have annual calculations completed until no longer required.

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**Current Refundings**

The 2023B series was issued on August 31, 2023 to current refund the following:

**2023B Current Refunding**

Bonds Refunded	Refunded Amount	Average Interest Rate on Refunded Bond	Refunded Bond Cash Flow	Refunded Bond Cash Flow Period	Refunded Bond Call Date	Prior Net Cash Flow <sup>(1)</sup>
(in thousands)						
2013A	\$ 86,760	4.193 %	\$ 121,870	2023-2045	8/31/2023	\$ 115,674
2013B1	\$ 48,350	4.977 %	\$ 78,137	2023-2043	8/31/2023	\$ 73,524
2013B2	\$ 56,705	4.999 %	\$ 91,838	2023-2043	8/31/2023	\$ 86,395

Bond Refunded	Issue Amount	Average Interest Rate on New Issue	New Issue Cash Flow
2013A1	\$ 73,485	3.386 %	\$ 107,443
2013B1	\$ 40,445	3.768 %	\$ 65,616
2013B2	\$ 47,405	3.767 %	\$ 76,901

Bond Refunded	Issue Cash Flow Period	Net Proceeds <sup>(2)</sup>	Economic Gain <sup>(3)</sup>
2013A1	2023-2045	\$ 87,573	\$ 5,901
2013B1	2023-2043	\$ 48,983	\$ 5,899
2013B2	2023-2043	\$ 57,456	\$ 7,056

<sup>(1)</sup> Amounts are net of prior receipts.

<sup>(2)</sup> Net proceeds exclude bond issuance costs and debt service reserve requirements. Net proceeds plus any additional sinking fund monies were used to purchase State and Local Government securities which were placed in an irrevocable trust with an escrow agent to provide for all future debt service on the old bonds. As a result, the old bonds are considered defeased and the refunded bonds have been removed from the Statements of Net Position.

<sup>(3)</sup> Economic Gain is the net present value of the savings (New Issue Cash Flow minus Prior Net Cash Flow minus Prior funds on hand plus Refunding funds on hand).

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**2022A Current Refunding**

Bond Refunded	Refunded Amount	Average Interest Rate on Refunded Bond	Refunded Bond Cash Flow	Refunded Bond Cash Flow Period	Refunded Bond Call Date	Prior Net Cash Flow <sup>(1)</sup>
			(in thousands)			
2012B	\$ 79,285	4.040 %	\$ 107,072	2022-2043	10/04/2022	\$ 97,891
2012C1	\$ 44,940	3.940 %	\$ 59,360	2022-2042	10/04/2022	\$ 55,807
2012C2	\$ 27,685	4.801 %	\$ 47,000	2022-2042	10/04/2022	\$ 43,610

Bond Refunded	Issue Amount	Average Interest Rate on New Issue	New Issue Cash Flow
2012B	\$ 66,585	3.390 %	\$ 92,621
2012C1	\$ 37,360	2.823 %	\$ 51,567
2012C2	\$ 23,480	3.824 %	\$ 38,973

Bond Refunded	Issue Cash Flow Period	Net Proceeds <sup>(2)</sup>	Economic Gain <sup>(3)</sup>
2012B	2022-2043	\$ 80,753	\$ 3,626
2012C1	2022-2030	\$ 45,685	\$ 3,348
2012C2	2022-2042	\$ 28,242	\$ 3,094

<sup>(1)</sup> Amounts are net of prior receipts.

<sup>(2)</sup> Net proceeds exclude bond issuance costs and debt service reserve requirements. Net proceeds plus any additional sinking fund monies were used to purchase State and Local Government securities which were placed in an irrevocable trust with an escrow agent to provide for all future debt service on the old bonds. As a result, the old bonds are considered defeased and the refunded bonds have been removed from the Statements of Net Position.

<sup>(3)</sup> Economic Gain is the net present value of the savings (New Issue Cash Flow minus Prior Net Cash Flow minus Prior funds on hand plus Refunding funds on hand).

**NOTE 10 - REVOLVING LOAN AGREEMENTS**

On September 9, 2022, Utilities amended the Revolving Loan Agreement (“Credit Line”) with U.S. Bank National Association dated as of September 8, 2016. The available Credit Line will remain \$75.0 million to fund Utilities’ operating needs and normal expenditures including, without limitation, regularly scheduled capital expenses. Utilities’ repayment obligations under the Credit Line is limited to the net pledged revenues on a subordinate basis to the parity bonds and certain related obligations. The Credit Line expires on September 8, 2025. Utilities has entered into agreements similar to this Credit Line over the past several years and to date, Utilities has not drawn on any such agreements.

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**NOTE 11 - LONG-TERM LIABILITIES**

***Commercial Paper***

On November 24, 2015, City Council approved Ordinance 15-83 authorizing the issuance of up to \$150.0 million in commercial paper notes (“Series A Notes” and “Series B Notes” collectively the “Notes”). The maximum principal amount of the commercial paper notes which may be outstanding at any time is limited to \$75.0 million for each series. In October 2018, Utilities terminated the Irrevocable Transferable Direct-Pay Letters of Credit for the Notes and suspended the commercial paper program. Market conditions will determine if and when the City (on behalf of Utilities) will issue more commercial paper notes.

***Changes in Long-Term Liabilities***

Summary of changes in long-term liabilities as of December 31, 2023:

	Balance January 1, 2023	Additions	Reductions <small>(in thousands)</small>	Balance December 31, 2023	Current Portion
Revenue bonds	\$ 2,171,555	\$ 364,395	\$ 294,535	\$ 2,241,415	\$ 98,910
Issuance premiums and discounts	255,804	42,653	29,311	269,146	—
Total Bonds Payable	<u>2,427,359</u>	<u>407,048</u>	<u>323,846</u>	<u>2,510,561</u>	<u>98,910</u>
Other Long-term Liabilities					
Customer deposits	4,479	3,032	1,622	5,889	—
Notes and loans payable	3,959	—	453	3,506	464
Lease liability	—	1,076	141	935	145
SBITAs liability	12,517	6,564	6,628	12,453	4,848
Compensated absences	18,260	25,874	24,107	20,027	13,263
Customer advances for construction	28,747	21,174	18,830	31,091	—
Municipal solid waste landfill closure and postclosure care	5,970	16,425	—	22,395	—
Asset Retirement Obligation	—	7,513	—	7,513	—
Derivative instruments	35,364	—	413	34,951	—
Pension and OPEB	32,406	283,322	57,974	257,754	—
Other	17,515	—	16,959	556	—
Total Other Long-term Liabilities	<u>159,217</u>	<u>364,980</u>	<u>127,127</u>	<u>397,070</u>	<u>18,720</u>
Total Long-term Liabilities	<u>\$ 2,586,576</u>	<u>\$ 772,028</u>	<u>\$ 450,973</u>	<u>\$ 2,907,631</u>	<u>\$ 117,630</u>

**COLORADO SPRINGS UTILITIES**

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Summary of changes in long-term liabilities as of December 31, 2022 (restated):

	Balance January 1, 2022	Additions	Reductions <small>(in thousands)</small>	Balance December 31, 2022	Current Portion
Revenue bonds	\$ 2,128,435	\$ 290,945	\$ 247,825	\$ 2,171,555	\$ 107,125
Issuance premiums and discounts	257,824	31,070	33,090	255,804	—
Total Bonds Payable	<u>2,386,259</u>	<u>322,015</u>	<u>280,915</u>	<u>2,427,359</u>	<u>107,125</u>
Other Long-term Liabilities					
Customer deposits	4,355	1,585	1,461	4,479	—
Notes and loans payable	4,400	—	441	3,959	453
SBITAs liability	12,996	6,390	6,869	12,517	3,805
Compensated absences	18,595	23,136	23,471	18,260	11,996
Customer advances for construction	23,480	29,605	24,338	28,747	—
Municipal solid waste landfill closure and postclosure care	5,521	449	—	5,970	—
Derivative instruments	93,035	—	57,671	35,364	—
Pension and OPEB	156,820	22,047	146,461	32,406	—
Other	13,017	4,523	25	17,515	—
Total Other Long-term Liabilities	<u>332,219</u>	<u>87,735</u>	<u>260,737</u>	<u>159,217</u>	<u>16,254</u>
Total Long-term Liabilities	<u>\$ 2,718,478</u>	<u>\$ 409,750</u>	<u>\$ 541,652</u>	<u>\$ 2,586,576</u>	<u>\$ 123,379</u>

**Interest Cost, Expense and Payments**

Interest cost to interest expense reconciliation for the years ended December 31:

	2023	2022 (restated)
	<small>(in thousands)</small>	
Total interest cost	\$ 107,749	\$ 103,966
Interest on SBITAs	348	277
Amortization of discounts, (premiums) and deferred (gain) loss on refundings	(16,998)	(13,936)
Total Interest Expense	<u>\$ 91,099</u>	<u>\$ 90,307</u>

**COLORADO SPRINGS UTILITIES**  
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Interest cost to interest payments reconciliation for the years ended December 31:

	2023	2022 (restated)
	(in thousands)	
Total interest cost	\$ 107,749	\$ 103,966
Accrued interest December 31 of current year	(11,962)	(11,330)
Accrued interest December 31 of prior year	11,330	10,832
Total Interest Payments	\$ 107,117	\$ 103,468

***Lease Liability***

Utilities leases railcars to transport coal to Nixon 1. The lease term is for an additional 6 years and the incremental cost of borrowing is 2.94%.

Lease liability - scheduled maturities as of December 31, 2023:

December 31,	Principal	Interest
	(in thousands)	
2024	\$ 145	\$ 25
2025	149	21
2026	153	16
2027	158	12
2028	163	7
2029	167	3
Total	\$ 935	\$ 84

***SBITAs Liability***

Utilities, as a lessee, has entered into multiple SBITAs. The SBITAs have interest rates between 2.41% and 3.04%, and an estimated life of 1 to 7 years. Utilities made variable payments of \$257,000 related to these SBITAs as of December 31, 2023. No variable payments were made for fiscal year ended December 31, 2022.

SBITAs - scheduled maturities as of December 31, 2023:

December 31,	Principal	Interest
	(in thousands)	
2024	\$ 4,848	\$ 274
2025	3,782	163
2026	1,634	84
2027	726	51
2028	747	30
2029-2030	716	10
Total	\$ 12,453	\$ 612

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**NOTE 12 - MUNICIPAL SOLID WASTE LANDFILL CLOSURE AND POSTCLOSURE CARE COSTS**

Utilities is subject to the Colorado Department of Public Health and Environment (“CDPHE”) regulations which require Utilities to incur closure and postclosure care costs for landfills. In 2023 and 2022, Utilities recognized a liability of \$22,395,066 and \$5,970,419, respectively, for closure and postclosure care costs based upon landfill capacity used to date. The estimated total current cost of closure and postclosure care to be recognized for Utilities’ landfills is \$24,636,440 and \$9,453,369 for 2023 and 2022, respectively. The average landfill capacity used to date in 2023 and 2022 is 84.3% and 69.5%, respectively. The estimated remaining lives of landfills vary up to a maximum of 63 years. There are no financial assurance requirements or restricted assets for the payment of closure and postclosure care costs. Estimates of closure and postclosure costs are stated in current dollars and shall be adjusted annually for inflation and changes in laws and regulations. The last independent assessment was performed in 2023.

**NOTE 13 - DEFINED BENEFIT PENSION PLAN**

Eligible employees of Utilities are provided with pensions through the LGDTF, a cost-sharing multiple-employer defined benefit pension plan administered by PERA. Plan benefits are specified in Title 24, Article 51 of the Colorado Revised Statutes (“C.R.S.”), administrative rules set forth in the Code of Colorado Regulations (“C.C.R.”) at 8 C.C.R. 1502-1 and applicable provisions of the Federal Internal Revenue Code. Colorado State law provisions may be amended from time to time by the Colorado General Assembly. PERA issues a publicly available annual comprehensive financial report that can be obtained at [www.copera.org/investments/pera-financial-reports](http://www.copera.org/investments/pera-financial-reports).

PERA provides retirement, disability, and survivor benefits. Retirement benefits are determined by the amount of service credit earned, as well as purchased, highest average salary, the benefit structure(s) under which the member retires, the benefit option selected at retirement and age at retirement. Retirement eligibility is specified in tables set forth at C.R.S. § 24-51-602, 604, 1713 and 1714.

The lifetime retirement benefit for all eligible retiring employees under the PERA benefit structure is the greater of the:

- Highest average salary multiplied by 2.5% and then multiplied by years of service credit.
- The value of the retiring employee’s member contribution account plus a 100.0% match on eligible amounts as of the retirement date. This amount is then annuitized into a monthly benefit based on life expectancy and other actuarial factors.

In all cases, the service retirement benefit is limited to 100.0% of highest average salary and cannot exceed the maximum benefit allowed by the Federal Internal Revenue Code.

Members may elect to withdraw their member contribution accounts upon termination of employment with all PERA employers; waiving rights to any lifetime retirement benefits earned. If eligible, the member may receive a match of either 50.0% or 100.0% on eligible amounts depending on when contributions were remitted to PERA, the date employment was terminated, whether five years of service credit has been obtained and the benefit structure under which contributions were made.

Upon meeting certain criteria, benefit recipients who elect to receive a lifetime retirement benefit generally receive post-retirement cost-of-living adjustments, referred to as annual increases in the C.R.S. Subject to the automatic adjustment provision (“AAP”) under C.R.S. § 24-51-413, eligible benefit recipients under the PERA benefit structure who began membership before January 1, 2007 will receive the maximum annual increase (AI) or AI cap of 1.00% unless adjusted by AAP. Eligible benefit recipients under the PERA benefit structure who began membership on or after January 1, 2007, will receive the lesser of an annual increase of the 1.00% AI cap or the average increase of the Consumer Price Index for Urban Wage Earners and Clerical Workers for the prior calendar year, not to exceed a determined increase that would exhaust 10% of PERA’s Annual Increase Reserve (“AIR”) for

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the LGDTF. The AAP may raise or lower the aforementioned AI cap by up to 0.25% based on the parameters specified in C.R.S. § 24-51-413.

Disability benefits are available for eligible employees once they reach five years of earned service credit and are determined to meet the definition of disability. The disability benefit amount is based on the lifetime retirement benefit formula shown above considering a minimum twenty years of service credit, if deemed disabled.

Survivor benefits are determined by several factors, which include the amount of earned service credit, highest average salary of the deceased, the benefit structure(s) under which service credit was obtained and the qualified survivor(s) who will receive the benefits.

Eligible employees and Utilities are required to contribute to the LGDTF at a rate set by Colorado Statute. The contribution requirements are established under C.R.S. § 24-51-401, et seq. and § 24-51-413. The employee contribution rate was 8.5% for the period of January 1, 2022 to June 30, 2022 and was 9.0% for the period of July 1, 2022 to December 31, 2023. The employer contribution requirements for 2023 and 2022 are summarized in the table below:

	January 1, 2023 through December 31, 2023	July 1, 2022 through December 31, 2022	January 1, 2022 through June 30, 2022
Employer Contribution Rate(1)	11.00 %	11.00 %	10.50 %
Amount of Employer Contribution			
apportioned to the Health Care Trust	(1.02) %	(1.02) %	(1.02) %
Fund as specified in C.R.S. § 24-51-208(1)(f)			
Amount Apportioned to the LGDTF	9.98 %	9.98 %	9.48 %
Amortization Equalization Disbursement			
("AED") as specified in C.R.S. § 24-51-411	2.20 %	2.20 %	2.20 %
Supplemental Amortization Equalization			
Disbursement ("SAED") as specified in	1.50 %	1.50 %	1.50 %
C.R.S. § 24-51-411			
Defined Contribution Supplement as			
specified in C.R.S. § 24-51-415	0.06 %	0.03 %	0.03 %
Total Employer Contribution Rate to the LGDTF	13.74 %	13.71 %	13.21 %

(1) Rates are expressed as a percentage of salary as defined in C.R.S. § 24-51-101(42).

Employer contributions are recognized by the LGDTF in the period in which the compensation becomes payable to the member and Utilities is statutorily committed to pay the contributions to the LGDTF. Employer contributions recognized by the LGDTF from Utilities were \$28,015,639 and \$25,458,560 for the years ended December 31, 2023 and 2022, respectively.

***Pension Liabilities (Assets), Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions***

***Pension Liabilities*** - Utilities' proportion of the net pension liability (asset) is based on Utilities' contributions to the LGDTF for the calendar years 2023 and 2022 relative to the total contributions of participating employers to the LGDTF. Standard update procedures were used to roll-forward the total pension liability (asset) to December 31, 2023 .

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Utilities' pension liabilities (assets) are as follows:

December 31,	Measurement Date	Actuarial Valuation Date	Proportionate Share of the Net Pension Liability (Asset)	Utilities' Proportion of the LGDTF Net Pension Liability (Asset)	Increase (Decrease) of Utilities' Proportion of the LGDTF Net Pension Liability (Asset) from Prior Year
(in thousands)					
2023	12/31/2022	12/31/2021	\$ 229,437	22.9 %	(0.6) %
2022	12/31/2021	12/31/2020	(20,171)	23.5	0.0

**Pension Expense** - For the years ended December 31, 2023 and 2022, Utilities recognized pension expense of \$17,885,650 and \$(50,417,589), respectively.

**Deferred Outflows of Resources** - Utilities reported Deferred Outflows of Resources related to pensions from the following sources as of December 31:

Deferred Outflows of Resources	2023	2022
(in thousands)		
Difference between expected and actual experience	\$ —	\$ 986
Changes of assumptions or other inputs	—	6,838
Net difference between projected and actual earnings on pension plan investments	93,667	—
Changes in proportion and differences between contributions recognized and proportionate share of contributions	268	498
Contributions subsequent to the measurement date	28,016	25,459
Total	<u>\$ 121,951</u>	<u>\$ 33,781</u>

The \$28,015,639 reported as Deferred Outflows of Resources related to pensions reported at December 31, 2023, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability at December 31, 2024. The \$25,458,560 reported as Deferred Outflows of Resources related to pensions reported at December 31, 2022, resulting from contributions subsequent to the measurement date, was recognized as a reduction of the net pension liability in the year ended December 31, 2023.

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**Deferred Inflows of Resources** - Utilities reported Deferred Inflows of Resources related to pensions from the following sources as of December 31:

Deferred Inflows of Resources	2023	2022
	(in thousands)	
Difference between expected and actual experience	\$ 1,144	\$ 337
Net difference between projected and actual earnings on pension plan investments	—	174,484
Changes in proportion and differences between contributions recognized and proportionate share of contributions	2,176	66
Total	\$ 3,320	\$ 174,887

Other amounts reported as Deferred Outflows of Resources and Deferred Inflows of Resources related to pensions will be recognized in pension expense as follows:

December 31,	Amount
	(in thousands)
2024	\$ (11,996)
2025	13,441
2026	34,287
2027	54,883

**Actuarial Assumptions** - The total pension liability in the actuarial valuations were determined using the following actuarial cost method, actuarial assumptions and other inputs:

Financial statement date	December 31, 2023	December 31, 2022
Measurement date	December 31, 2022	December 31, 2021
Actuarial valuation date	December 31, 2021	December 31, 2020
Actuarial cost method	Entry age	Entry age
Price inflation	2.30%	2.30%
Real wage growth	0.70%	0.70%
Wage inflation	3.00%	3.00%
Salary increases, including wage inflation	3.20-11.30%	3.20% - 11.30%
Long-term investment Rate of Return, net of pension plan investment expenses, including price inflation	7.25%	7.25%
Discount Rate	7.25%	7.25%
Future post-retirement benefit increases:		
PERA Benefit Structure hired prior to January 1, 2007	1.00% compounded annually	1.00% compounded annually
PERA Benefit Structure hired after December 31, 2006	Financed by the AIR	Financed by the AIR

Health mortality assumptions for active members reflect the RP-2014 White Collar Employee Mortality Table, a table specifically developed for actively working people. To allow for an appropriate margin of improved mortality prospectively, the mortality rates incorporate a 70.0% factor applied to male rates and a 55.0% factor applied to female rates.

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The total pension liability for the LGDTF, as of the December 31, 2022, measurement date, was adjusted to reflect the disaffiliation, as allowable under C.R.S. § 24-51-313, of Tri-County Health Department (Tri-County Health), effective December 31, 2022. As of the close of the 2022 fiscal year, no disaffiliation payment associated with Tri-County Health was received, and therefore no disaffiliation dollars were reflected in the fiduciary net position as of the December 31, 2022, measurement date.

The mortality tables described below are generational mortality tables developed on a benefit-weighted basis. Pre-retirement mortality assumptions for members were based upon the PubG-2010 Employee Table with generational projection using scale MP-2019.

Post-retirement non-disabled mortality assumptions for members were based upon the PubG-2010 Healthy Retiree Table, adjusted as follows:

- Males: 94% of the rates prior to age 80 and 90% of the rates for ages 80 and older, with generational projection using scale MP-2019.
- Females: 87% of the rates prior to age 80 and 107% of the rates for ages 80 and older, with generational projection using scale MP-2019.

Post-retirement non-disabled beneficiary mortality assumptions were based upon the Pub-2010 Contingent Survivor Table, adjusted as follows:

- Males: 97% of the rate for all ages, with generational projection using scale MP-2019.
- Females: 105% of the rates for all ages, with generational projection using scale MP-2019

Disabled mortality assumptions were based upon the PubNS-2010 Disabled Retiree Table using 99% of the rates for all ages with generational projection using scale MP-2019.

The actuarial assumptions used in the December 31, 2021, valuation was based on the results of the 2020 experience analysis for the period January 1, 2016, through December 31, 2019, and were reviewed and adopted by the PERA Board at their November 20, 2020, meeting.

The mortality tables described above are generational mortality tables on a benefit-weighted basis.

**Long-Term Expected Return** - The long-term expected return on plan assets is reviewed as part of regular experience studies prepared at least every five years for PERA. The most recent analyses were outlined in the Experience Study report dated October 28, 2020.

Several factors are considered in evaluating the long-term rate of return assumption, including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentages and then adding expected inflation.

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PERA's Board first adopted the 7.25% long-term expected rate of return as of November 18, 2016. Following an asset/liability study, PERA's Board reaffirmed the assumed rate of return at the PERA Board's November 15, 2019, meeting, to be effective January 1, 2020. As of the most recent reaffirmation of the long-term rate of return, the target asset allocation and best estimates of geometric real rates of return for each major asset class are summarized in the table as follows:

Asset Class	Target Allocation	30 Year Expected Geometric Real Rate of Return
Global Equity	54.0 %	5.6 %
Fixed Income	23.0	1.3
Private Equity	8.5	7.1
Real Estate	8.5	4.4
Alternatives	6.0	4.7
Total	100.0 %	

In setting the long-term expected rate of return, projections employed to model future returns provide a range of expected long-term returns that, including expected inflation, ultimately support a long-term expected rate of return assumption of 7.25%.

**Discount Rate** - The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate applied the actuarial cost method and assumptions shown above. In addition, the following methods and assumptions were used in the projection of cash flows:

- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.0%.
- Employee contributions were assumed to be made at the member contribution rates in effect for each year, including the required adjustments resulting from the 2018 and 2020 automatic adjustment provision assessments. Employee contributions for future plan members were used to reduce the estimated amount of total service costs for future plan members.
- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law for each year, including the required adjustments resulting from the 2018 and 2020 automatic adjustment provision assessments. Employer contributions also include current and estimated future amortization equalization disbursement and supplemental amortization equalization disbursement, until the actuarial value funding ratio reaches 103%, at which point the amortization equalization disbursement and supplemental amortization equalization disbursement will each drop 0.50% every year until they are zero. Additionally, estimated employer contributions reflect reductions for the funding of the annual increase reserve and retiree health care benefits. For future plan members, employer contributions were further reduced by the estimated amount of total service costs for future plan members not financed by their member contributions.
- Employer contributions and the amount of total service costs for future plan members were based upon a process to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.
- The annual increase reserve balance was excluded from the initial fiduciary net position, as, per statute, annual increase reserve amounts cannot be used to pay benefits until transferred to either the retirement benefits reserve or the survivor benefits reserve, as appropriate. Annual increase reserve transfers to the fiduciary net position and the subsequent annual increase reserve benefit payments were estimated and included in the projections.
- Benefit payments and contributions were assumed to be made at the middle of the year.

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Based on the above assumptions and methods, LGDTF's fiduciary net position was projected to be available to make all projected future benefit payments of current members. Therefore, the long-term expected rate of return of 7.25% on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate determination does not use the municipal bond index rate, therefore the discount rate is 7.25%. There was no change in the discount rate from the prior measurement date.

***Sensitivity of Utilities' Proportionate Share of the Net Pension Liability to Changes in the Discount Rate*** - The following table presents the proportionate share of the net pension liability calculated using the current discount rate, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
		(in thousands)	
<u>2023</u>			
Discount rate	6.25%	7.25%	8.25%
Proportionate share of net pension liability	\$ 385,167	\$ 229,437	\$ 99,065
<u>2022</u>			
Discount rate	6.25%	7.25%	8.25%
Proportionate share of net pension liability	\$ 138,305	\$ (20,171)	\$ (152,729)

***Pension Plan Fiduciary Net Position*** - Detailed information about the LGDTF's fiduciary net position is available in PERA's annual comprehensive financial report which can be obtained at [www.copera.org/investments/pera-financial-reports](http://www.copera.org/investments/pera-financial-reports).

**NOTE 14 - DEFINED CONTRIBUTION PENSION PLAN**

***Voluntary Investment Program***

Employees of Utilities that are also members of the LGDTF may voluntarily contribute to the Voluntary Investment Program, an Internal Revenue Code Section 401(k) defined contribution plan by PERA. Title 24, Article 51, Part 15 of the C.R.S., as amended, assigns the authority to establish the Plan provisions to the PERA Board of Trustees. PERA issues a publicly available annual comprehensive financial report, which includes additional information on the Voluntary Investment Program. That report can be obtained at [www.copera.org/investments/pera-financials-reports](http://www.copera.org/investments/pera-financials-reports).

The Voluntary Investment Program is funded by voluntary member contributions up to the maximum limits set by the Internal Revenue Service, as established under Title 24, Article 51, Section 1402 of the C.R.S., as amended. Employees are immediately vested in their own contributions and investment earnings. The program member contributions from Utilities for the years ending December 31, 2023 and 2022 were \$3,632,530 and \$3,630,794, respectively.

**COLORADO SPRINGS UTILITIES**  
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**NOTE 15 - DEFINED BENEFIT OPEB PLANS**

***HCTF Cost-Sharing Multiple-Employer Plan***

Eligible employees of Utilities are provided with OPEB through the HCTF, a cost-sharing multiple-employer defined benefit OPEB plan administered by PERA. The HCTF is established under Title 24, Article 51, Part 12 of the C.R.S., as amended, and sets forth a framework that grants authority to the PERA's Board to contract, self-insure and authorize disbursements necessary in order to carry out the purposes of the PERACare program, including the administration of the premium subsidies. Colorado State law provisions may be amended by the Colorado General Assembly. PERA issues a publicly available annual comprehensive financial report ("ACFR") that can be obtained at [www.copera.org/investments/pera-financial-reports](http://www.copera.org/investments/pera-financial-reports).

The HCTF provides a health care premium subsidy to eligible participating PERA benefit recipients and retirees who choose to enroll in one of the PERA health care plans, however, the subsidy is not available if only enrolled in the dental and/or vision plan(s). The health care premium subsidy is based upon the benefit structure under which the member retires and the member's years of service credit.

C.R.S. § 24-51-1202 et seq. specifies the eligibility for enrollment in the health care plans offered by PERA and the amount of the premium subsidy. The law governing a benefit recipient's eligibility for the subsidy and the amount of the subsidy differs slightly depending under which benefit structure the benefits are calculated. All benefit recipients under the PERA benefit structure are eligible for a premium subsidy, if enrolled in a health care plan under PERACare.

Enrollment in the PERACare health benefits program is voluntary and is available to benefit recipients and their eligible dependents, certain surviving spouses and divorced spouses and guardians, among others. Eligible benefit recipients may enroll in the program upon retirement, upon the occurrence of certain life events, or on an annual basis during an open enrollment period.

The maximum service-based premium subsidy is \$230 per month for benefit recipients who are under 65 years of age and who are not entitled to Medicare; the maximum service-based subsidy is \$115 per month for benefit recipients who are 65 years of age or older or who are under 65 years of age and entitled to Medicare. The maximum service-based subsidy, in each case, is for benefit recipients with retirement benefits based on 20 or more years of service credit. There is a 5% reduction in the subsidy for each year less than 20. The benefit recipient pays the remaining portion of the premium to the extent the subsidy does not cover the entire amount.

For benefit recipients who have not participated in Social Security and who are not otherwise eligible for premium-free Medicare Part A for hospital-related services, C.R.S. § 24-51-1206(4) provides an additional subsidy. According to the Statute, PERA cannot charge premiums to benefit recipients without Medicare Part A that are greater than premiums charged to benefit recipients with Part A for the same plan option, coverage level and service credit. Currently, for each individual PERACare enrollee, the total premium for Medicare coverage is determined assuming plan participants have both Medicare Part A and Part B and the difference in premium cost is paid by the HCTF on behalf of benefit recipients not covered by Medicare Part A.

Pursuant to Title 24, Article 51, Section 208(1)(f) of the C.R.S., as amended, certain contributions are apportioned to the HCTF. PERA-affiliated employers of the State, School, Local Government and Judicial Divisions are required to contribute at a rate of 1.02% of PERA-includable salary into the HCTF.

Employer contributions are recognized by the HCTF in the period in which the compensation becomes payable to the member and Utilities is statutorily committed to pay the contributions. Employer contributions recognized by the HCTF from Utilities were \$2,079,764 and \$1,928,559 for the years ended December 31, 2023 and 2022, respectively.

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#### **OPEB Liabilities, OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB**

**OPEB Liabilities** – Utilities’ proportion of the net OPEB liability is based on Utilities’ contributions to the HCTF for the calendar years 2023 and 2022 relative to the total contributions of participating employers to the HCTF. Standard update procedures were used to roll-forward the total OPEB liability to December 31, 2023 and 2022.

Utilities’ OPEB liabilities are as follows:

December 31,	Measurement Date	Actuarial Valuation Date	Proportionate Share of the OPEB Liability	Utilities' Proportion of the HCTF Net OPEB Liability	Increase (Decrease) of Utilities' Proportion of the HCTF Net OPEB Liability from Prior Year
			(in thousands)		
2023	12/31/2022	12/31/2021	\$ 15,000	1.8 %	0.0 %
2022	12/31/2021	12/31/2020	15,714	1.8	0.0

**OPEB Expense** - For the years ended December 31, 2023 and 2022, Utilities recognized OPEB expense of \$(318,760) and \$(313,026), respectively.

**Deferred Outflows of Resources** - Utilities reported Deferred Outflows of Resources related to OPEB from the following sources as of December 31:

Deferred Outflows of Resources	2023	2022
	(in thousands)	
Difference between expected and actual experience	\$ 2	\$ 24
Changes of assumptions or other inputs	241	325
Net difference between projected and actual earnings on OPEB plan investments	916	—
Changes in proportion and differences between contributions recognized and proportionate share of contributions	438	372
Contributions subsequent to the measurement date	2,080	1,929
<b>Total</b>	<b>\$ 3,677</b>	<b>\$ 2,650</b>

The \$2,079,764 reported as deferred outflows of resources related to OPEB reported at December 31, 2023, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net OPEB liability in the year ended December 31, 2024. The \$1,928,559 reported as deferred outflows of resources related to OPEB reported at December 31, 2022, resulting from contributions subsequent to the measurement date, was recognized as a reduction of the net OPEB liability in the year ended December 31, 2023.

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**Deferred Inflows of Resources** - Utilities reported Deferred Inflows of Resources related to OPEB from the following sources as of December 31:

Deferred Inflows of Resources	2023	2022
	(in thousands)	
Difference between expected and actual experience	\$ 3,626	\$ 3,726
Changes of assumptions or other inputs	1,656	852
Net difference between projected and actual earnings on OPEB plan investments	—	973
Changes in proportion and differences between contributions recognized and proportionate share of contributions	490	879
<b>Total</b>	<b>\$ 5,772</b>	<b>\$ 6,430</b>

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

December 31,	Amount
	(in thousands)
2024	\$ (1,620)
2025	(1,520)
2026	(598)
2027	(6)
2028	(349)
Thereafter	(82)

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**Actuarial Assumptions** - The total OPEB liability in the actuarial valuations was determined using the following actuarial cost method, actuarial assumptions and other inputs:

<b>Financial statement date</b>	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Measurement date	December 31, 2022	December 31, 2021
Actuarial valuation date	December 31, 2021	December 31, 2020
Actuarial cost method	Entry age	Entry age
Price inflation	2.30%	2.30%
Real wage growth	0.70%	0.70%
Wage inflation	3.00%	3.00%
Salary increases, including wage inflation	3.20%-11.30%	3.20% - 11.30%
Long-term investment rate of return, net of OPEB plan investment expenses, including price inflation	7.25%	7.25%
Discount rate	7.25%	7.25%
Health care cost trend rates		
PERA Benefit Structure:		
Service-based premium subsidy	0.0%	0.0%
PERACare Medicare plans	6.50% in 2022 gradually decreasing to 4.5% in 2030	4.5% in 2021 6.0% in 2022 gradually decreasing to 4.5% in 2029
Medicare Part A premiums	3.75% in 2022, gradually increasing to 4.5% in 2029	3.75% in 2021, gradually increasing to 4.5% in 2029

The total OPEB liability for the HCTF, as of the December 31, 2022, measurement date, was adjusted to reflect the disaffiliation, allowable under C.R.S. § 24-51-313, of Tri-County Health Department (TriCounty Health), effective December 31, 2022. As of the close of the 2022 fiscal year, no disaffiliation payment associated with Tri-County Health was received, and therefore no disaffiliation dollars were reflected in the fiduciary net position as of the December 31, 2022, measurement date.

Beginning January 1, 2022, the per capita health care costs are developed by plan option; based on 2022 premium rates for the United Healthcare Medicare Advantage Prescription Drug (MAPD) PPO plan #1, the United Healthcare MAPD PPO plan #2, and the Kaiser Permanente MAPD HMO plan. Actuarial morbidity factors are then applied to estimate individual retiree and spouse costs by age, gender, and health care cost trend. This approach applies for all members and is adjusted accordingly for those not eligible for premium-free Medicare Part A for the PERA benefit structure.

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Age-Related Morbidity Assumptions

Participant Age	Annual Increase (Male)	Annual Increase (Female)
65-69	3.0%	1.5%
70	2.9	1.6
71	1.6	1.4
72	1.4	1.5
73	1.5	1.6
74	1.5	1.5
75	1.5	1.4
76	1.5	1.5
77	1.5	1.5
78	1.5	1.6
79	1.5	1.5
80	1.4	1.5
81 and older	0.0	0.0

Sample Age	MAPD PPO #1 with Medicare Part A Retiree/Spouse		MAPD PPO #2 with Medicare Part A Retiree/Spouse		MAPD HMO (Kaiser) with Medicare Part A Retiree/Spouse	
	Male	Female	Male	Female	Male	Female
	65	\$ 1,704	\$ 1,450	\$ 583	\$ 496	\$ 1,923
70	1,976	1,561	676	534	2,229	1,761
75	2,128	1,681	728	575	2,401	1,896

Sample Age	MAPD PPO #1 without Medicare Part A Retiree/Spouse		MAPD PPO #2 without Medicare Part A Retiree/Spouse		MAPD HMO (Kaiser) without Medicare Part A Retiree/Spouse	
	Male	Female	Male	Female	Male	Female
	65	\$ 6,514	\$ 5,542	\$ 4,227	\$ 3,596	\$ 6,752
70	7,553	5,966	4,901	3,872	7,826	6,185
75	8,134	6,425	5,278	4,169	8,433	6,657

The 2022 and 2021 Medicare Part A premium is \$499 and \$471, respectively, per month.

All costs are subject to the health care cost trend rates, as discussed below.

Health care cost trend rates reflect the change in per capita health costs over time due to factors such as medical inflation, utilization, plan design and technology improvements. For the PERA benefit structure, health care cost trend rates are needed to project the future costs associated with providing benefits to those PERACare enrollees not eligible for premium-free Medicare Part A.

Health care cost trend rates for the PERA benefit structure are based on published annual health care inflation surveys in conjunction with actual plan experience (if credible), building block models and industry methods developed by health plan actuaries and administrators. In addition, projected trends for the Federal Hospital Insurance Trust Fund (Medicare Part A premiums) provided by the Centers for Medicare & Medicaid Services are

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referenced in the development of these rates. Effective December 31, 2021, the health care cost trend rates for Medicare Part A premiums were revised to reflect the current expectation of future increases in rates of inflation applicable to Medicare Part A premiums.

The PERA benefit structure health care cost trend rates that were used to measure the total OPEB liability are summarized in the table below:

Year	PERACare Medicare Plans	Medicare Part A Premiums
2022	6.5 %	3.8 %
2023	6.3	4.0
2024	6.0	4.0
2025	5.8	4.0
2026	5.5	4.3
2027	5.3	4.3
2028	5.0	4.3
2029	4.8	4.5
2030+	4.5	4.5

Mortality assumptions used in the December 31, 2021, valuation for the state Division, School Division, Local Government Division, and Judicial Division Trust Funds as shown below, reflect generational mortality and were applied, as applicable, in the December 31, 2021, valuation for the Trust Fund, but developed on a headcount-weighted basis. Affiliated employers of these Division Trust Funds participate in the Trust Fund.

Pre-retirement mortality assumptions for the State and Local Government Divisions were based upon the PubG-2010 Employee Table with generational projection using scale MP-2019.

Post-retirement non-disabled mortality assumptions for the State and Local Government Divisions were based upon the PubG-2010 Healthy Retiree Table, adjusted as follows:

- Males: 94% of the rates prior to age 80 and 90% of the rates for ages 80 and older, with generational projection using scale MP-2019.
- Females: 87% of the rates prior to age 80 and 107% of the rates for ages 80 and older, with generational projection using scale MP-2019.

Post-retirement non-disabled beneficiary mortality assumptions were based upon the Pub-2010 Contingent Survivor Table, adjusted as follows:

- Males: 97% of the rates for all ages, with generational projection using scale MP-2019.
- Females: 105% of the rates for all ages, with generational projection using scale MP-2019.

Disabled mortality assumptions were based upon the PubS-2010 Disabled Retiree Table using 99% of the rates for all ages with generational projection using scale MP-2019.

The following health care costs assumptions were updated and used in the roll-forward calculation for the HCTF:

- Per capita health care costs in effect as of the December 31, 2021 valuation dates for those PERACare enrollees under the PERA benefit structure who are expected to attain age 65 and older ages and are not eligible for premium-free Medicare Part A benefits have been updated to reflect the change in costs for the 2022 plan year.

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- The December 31, 2021, valuation utilizes premium information as of January 1, 2022, as the initial per capita health care cost. As of that date, PERACare health benefits administration is performed by UnitedHealthcare. In that transition, the costs for the Medicare Advantage Option #2 decreased to a level that is lower than the maximum possible service-related subsidy as described in the plan provisions.
- The health care cost trend rates applicable to health care premiums were revised to reflect the then current expectation of future increases in those premiums. Medicare Part A premiums continued with the prior valuation trend pattern.

Actuarial assumptions pertaining to per capita health care costs and their related trend rates are analyzed and updated annually by PERA Board's actuary, as discussed above.

Effective for the December 31, 2022, measurement date, the timing of the retirement decrement was adjusted to middle-of-year within the valuation programming used to determine the total OPEB liability, reflecting a recommendation from the 2022 actuarial audit report, dated October 14, 2022, summarizing the results of the actuarial audit performed on the December 31, 2021, actuarial valuation.

The actuarial assumptions used in the December 31, 2021, valuation were based on the results of the 2020 experience analysis for the period January 1, 2016, through December 31, 2019, and were reviewed and adopted by the PERA Board at their November 20, 2020, meeting.

The long-term expected return on plan assets is reviewed as part of regular experience studies prepared at least every five years for PERA. The most recent analyses were outlined in the Experience Study report dated October 28, 2020.

Several factors are considered in evaluating the long-term rate of return assumption, including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentages and then adding expected inflation.

As of the most recent reaffirmation of the long-term rate of return, the target asset allocation and best estimates of geometric real rates of return for each major asset class are summarized in the table as follows:

Asset Class	Target Allocation	30 Year Expected Geometric Real Rate of Return
Global Equity	54.0 %	5.6 %
Fixed Income	23.0	1.3
Private Equity	8.5	7.1
Real Estate	8.5	4.4
Alternatives	6.0	4.7
Total	100.0 %	

In setting the long-term expected rate of return, projections employed to model future returns provide a range of expected long-term returns that, including expected inflation, ultimately support a long-term expected nominal rate of return assumption of 7.25%.

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***Sensitivity of Utilities' Proportionate Share of the Net OPEB Liability to Changes in the Health Care Cost Trend Rates*** - The following presents the net OPEB liability using the current health care cost trend rates applicable to the PERA benefit structure, as well as if it were calculated using health care cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current rates:

	<u>1% Decrease</u>	<u>Current Trend Rates</u>	<u>1% Increase</u>
		(in thousands)	
<u>2023</u>			
Initial PERACare Medicare trend rate	5.25%	6.25%	7.25%
Ultimate PERACare Medicare trend rate	3.50	4.50	5.50
Initial Medicare Part A trend rate	3.00	4.00	5.00
Ultimate Medicare Part A trend rate	3.50	4.50	5.50
Proportionate Share of Net OPEB Liability	\$ 14,575	\$ 15,000	\$ 15,462
<u>2022</u>			
Initial PERACare Medicare trend rate	3.50%	4.50%	5.50%
Ultimate PERACare Medicare trend rate	3.50	4.50	5.50
Initial Medicare Part A trend rate	2.75	3.75	4.75
Ultimate Medicare Part A trend rate	3.50	4.50	5.50
Proportionate Share of Net OPEB Liability	\$ 15,263	\$ 15,714	\$ 16,237

***Discount Rate*** - The discount rate used to measure the total OPEB liability was 7.25%. The basis for the projection of liabilities and the FNP used to determine the discount rate was actuarial valuation performed as of December 31, 2021, and the financial status of the Trust Fund as of the prior measurement date, December 31, 2021. In addition, the following methods of assumptions were used in the projection of cash flows:

- Updated health care cost trend rates for Medicare Part A premiums as of the December 31, 2022 measurement dates.
- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.0%.
- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law and effective as of the measurement date.
- Employer contributions and the amount of total service costs for future plan members were based upon a process to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.
- Estimated transfers of dollars into the HCTF representing a portion of purchase service agreements intended to cover the costs associated with OPEB benefits.
- Benefit payments and contributions were assumed to be made at the middle of the year.

Based on the above assumptions and methods, the HCTF's fiduciary net position was projected to make all projected future benefit payments of current members. Therefore, the long-term expected rate of return of 7.25% on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability. The discount rate determination does not use the municipal bond index rate, and therefore, the discount rate is 7.25%. There was no change in the discount rate from the prior measurement date.

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***Sensitivity of Utilities' Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate*** - The following presents the proportionate share of the net OPEB liability calculated using the discount rate of 7.25%, as well as what the proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
		(in thousands)	
<u>2023</u>			
Discount Rate	6.25%	7.25%	8.25%
Proportionate Share of Net OPEB Liability	\$ 17,389	\$ 15,000	\$ 12,956
<u>2022</u>			
Discount Rate	6.25%	7.25%	8.25%
Proportionate Share of Net OPEB Liability	\$ 18,250	\$ 15,714	\$ 13,548

***OPEB Plan Fiduciary Net Position*** - Detailed information about the HCTF's fiduciary net position is available in PERA's annual comprehensive financial report which can be obtained at [www.copera.org/investments/pera-financial-reports](http://www.copera.org/investments/pera-financial-reports).

***Utilities' Single-Employer plan***

In accordance with the City Code, Utilities offers a health care plan to retirees with Utilities' contribution determined by the City Council. Employees eligible to retire prior to January 1, 1979, receive this health care plan without cost to the employee. Those eligible to retire after January 1, 1979 and hired prior to August 1, 1988 receive a limited Utilities' contribution not to exceed \$91.40 per month. The monthly subsidy for these members is determined as the difference between the full PERA premium and the PERA service subsidy. All employees hired after August 1, 1988, receive no contribution from Utilities for this health care plan. In addition to regular medical insurance subsidies, Utilities also funds a Medicare supplement for eligible retirees. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB 75.

Utilities' OPEB plan also provides a subsidy of life insurance premiums of \$0.142/\$1,000 for life insurance amounts up to \$9,000/year per member, depending on employee type, to those who have retired prior to January 1, 2013. Employees retiring after January 1, 2013 are no longer eligible to receive the life insurance benefits.

As of the most recent actuarial valuation of the plan, 1,149 retired members or beneficiaries and 3 active employees were covered by the benefit terms.

The prior actuarial valuation had 1,212 retired members or beneficiaries and 10 active employees that were covered by the benefit terms.

***Total Single Employer OPEB Liability***

<u>December 31,</u>	<u>Measurement Date</u>	<u>Actuarial Valuation Date</u>	<u>Total OPEB Liability</u>
			(in thousands)
2023	12/31/2022	12/31/2022	\$ 13,317
2022	12/31/2021	12/31/2021	\$ 16,693

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**Actuarial Assumptions and Other Inputs** - The total OPEB liability in the actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurements, unless otherwise specified:

<b>Financial statement date</b>	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Measurement date	December 31, 2022	December 31, 2021
Actuarial cost method	Entry age	Entry age
Inflation	3.20%	3.20%
Salary increases	11.30 to 3.20%	11.30% to 3.20%
Discount rate	3.72%	2.06%
Health care cost trend rates		
PERA Premiums	6.00%	6.25%
Medicare Part B	4.00%	4.00%

For the December 31, 2023 and 2022 valuation, healthy mortality assumptions for active members were based on the Pub-2010 mortality table with generational scale MP-2021 and MP-2020, respectively.

The retirement, termination and salary scale rates used in the December 31, 2023 and 2022 valuations were based on the 2020 Colorado PERA Actuarial Experience Study.

**Changes in the Total Single Employer OPEB Liability**

	<u>2023</u>	<u>2022</u>
	(in thousands)	
Beginning balance	\$ 16,693	\$ 17,448
Changes for the year:		
Service cost	1	7
Interest	29	357
Differences between expected and actual experience	(95)	—
Changes of assumptions or other inputs	(2,139)	100
Benefit payments	<u>(1,172)</u>	<u>(1,219)</u>
Net changes	<u>(3,376)</u>	<u>(755)</u>
Ending balance	<u>\$ 13,317</u>	<u>\$ 16,693</u>

**Changes of assumptions**

The discount rate was updated from 2.06% to 3.72%. The mortality projection scale was updated from MP-2019 to MP-2021 to reflect the Society of Actuaries' recent mortality study. None of the termination or retirement probabilities were updated as a new experience study has not been created since 2020 for the CoPera valuation. The postemployment health plan provisions, census and remainder of assumptions can be found in the Actuarial Valuation report dated May 4, 2023.

**COLORADO SPRINGS UTILITIES**

NOTES TO FINANCIAL STATEMENTS

As of and for the Years Ended December 31, 2023 and 2022

**Sensitivity of the Total OPEB Liability to Changes in the Discount Rate** - The following table presents Utilities' total OPEB liability, as well as what the OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current discount rate:

	<u>1% Decrease</u>	<u>Current Discount Rate</u> (in thousands)	<u>1% Increase</u>
<u>2023</u>			
Discount Rate	2.72%	3.72%	4.72%
Total OPEB Liability	\$ 14,516	\$ 13,317	\$ 12,252
<u>2022</u>			
Discount Rate	1.06%	2.06%	3.06%
Total OPEB Liability	\$ 18,630	\$ 16,693	\$ 15,174

**Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates** - The following presents the total OPEB liability of Utilities, as well as what the OPEB liability would be if it were calculated using health care cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current health care cost trend rates:

	<u>1% Decrease</u>	<u>Current Trend Rates</u> (in thousands)	<u>1% Increase</u>
<u>2023</u>			
Initial PERA Premiums trend rate	5.00 %	6.00 %	7.00 %
Ultimate PERA Premiums trend rate	3.00	4.00	5.00
Medicare Part B	3.00	4.00	5.00
Total OPEB Liability	\$ 13,184	\$ 13,317	\$ 13,450
<u>2022</u>			
Initial PERA Premiums trend rate	5.25 %	6.25 %	7.25 %
Ultimate PERA Premiums trend rate	3.00	4.00	5.00
Medicare Part B	3.00	4.00	5.00
Total OPEB Liability	\$ 16,526	\$ 16,693	\$ 16,778

**COLORADO SPRINGS UTILITIES**

NOTES TO FINANCIAL STATEMENTS

As of and for the Years Ended December 31, 2023 and 2022

**OPEB Expense and Deferred Outflows of Resources Related to OPEB** - For the years ended December 31, 2023 and 2022, Utilities recognized OPEB expense of \$(2,256,389) and \$400,935, respectively. Utilities reported Deferred Outflows of Resources related to OPEB from the following sources as of December 31:

Deferred Outflows of Resources	2023	2022
	(in thousands)	
Contributions subsequent to the measurement date	\$ 1,088	\$ 1,119

The \$1,088,025 reported as deferred outflows of resources related to OPEB reported at December 31, 2023, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net OPEB liability in the year ended December 31, 2024. The Deferred Outflows of Resources related to OPEB of \$1,118,964 reported at December 31, 2022, resulting from contributions subsequent to the measurement date, was recognized as a reduction of the net OPEB liability at December 31, 2023.

Total OPEB Liabilities, Deferred Outflows, Deferred Inflows & Expense - All Plans:

Total OPEB	2023	2022
	(in thousands)	
OPEB Liabilities	\$ 28,317	\$ 32,406
OPEB Deferred Outflows	4,765	3,769
OPEB Deferred Inflows	5,773	6,430
OPEB Expense	(2,575)	88

**NOTE 16 - COMMITMENTS**

Under Article 7-60 of the City Charter, the City cannot enter into agreements involving the expenditure of public funds (with certain limited exceptions) unless funds have been appropriated by the City Council to liquidate the liability created by the agreement. In accordance with this City Charter provision, each of Utilities' agreements (with certain limited exceptions) contains clauses that, in general, terminate the agreement without further liability to Utilities if funds are not appropriated by the City Council (in whole or in part) that are sufficient to perform Utilities' obligations under the agreement. Such an agreement clause is referred to as an "appropriations clause."

**Construction Commitments**

Construction commitment amounts represent contract price less payments applied on outstanding retainage construction contracts. Utilities' total construction and commitments as of December 31, 2023 and 2022 were \$180,786,427 and \$147,749,275, respectively.

**Electric Commitments**

**Electric Generation Fuel Supply Agreements** - Utilities' generation fleet is operated in the most economical manner, while observing the physical and thermal operating guidelines of each plant. Due to the varying price of commodities, coal may not be the baseload generation source. Utilities runs a daily production cost model to determine the most economical and reliable mix of generation and market activity. Utilities' hydro units are operated as "run of the river" for the smaller units and the dispatchable hydro unit is included in the production cost model to contribute to an optimum generation portfolio for the daily load and market conditions. Utilities' hydro contracts are also optimized within the constraints of the contracts. Utilities' coal generation as a percentage of native load is expected to decline as additional PPAs and resources are brought into the portfolio in the next decade.

## COLORADO SPRINGS UTILITIES

### NOTES TO FINANCIAL STATEMENTS

As of and for the Years Ended December 31, 2023 and 2022

**Electric Purchase Power Agreements** - Utilities has electric PPAs with other power producers to purchase capacity and associated energy to supplement existing generation resources. The agreements have various terms and conditions. Utilities' largest purchase power contract is with Western Area Power Administration. In addition, Utilities has five utility scale solar PPAs to add to Utilities' renewable portfolio with expiration terms between 2036 and 2044. In 2020, Utilities entered into a five year wind energy purchase agreement with an initial termination date of 2025 but can be extended until 2030 at Utilities' sole discretion. CSU extended this wind energy purchase agreement until 2030.

On March 28, 2022, the Department of Commerce opened an investigation into alleged circumvention of antidumping and countervailing tariffs by Chinese solar companies with operations in Cambodia, Malaysia, Thailand and Vietnam. The impact of this investigation and increasing supply chain challenges through the COVID-19 pandemic led Utilities and the PPA counterparty to negotiate, amend and restate the original Pike Solar PPA dated September 2020. The resulting renegotiated agreement, dated September 2022, removed a co-located battery energy storage system from the agreement, adjusted the energy rate, and delayed the commercial operation date into early 2024. Pike Solar became commercially operational on December 18, 2023.

**Organized Market Activity** - On August 1, 2022 Utilities changed Balancing Authorities from Public Service Company of Colorado to Western Area Colorado Missouri and began participating in the Southwest Power Pool ("SPP") Western Energy Imbalance Service ("WEIS") market. Utilities strategic positioning into the SPP WEIS is a forward-looking effort to ensure that integration of non-carbon variable energy resources are economically and reliably transitioned into the portfolio and the region at large. Based on the 2nd revised Western Joint Dispatch Agreement Utilities signed in September 2021, and on file with the Federal Energy Regulatory Commission, the SPP charges an annual administration rate based on Utilities Net Energy for Load. The initial term of the Utilities agreement is through February 1, 2025 and renews for successive one year terms absent timely contractual withdrawal or termination notices.

**Contractual Service Agreement** - Utilities has a contractual service agreement with General Electric International, Inc. ("GE"). This contractual service agreement was amended on October 12, 2021 and requires that GE perform all major maintenance activities (Hot Gas Path and Major Inspections) on the two GE combustion turbines through an estimated 143,000 run hours. The total run hours are estimated to be achieved in 2025.

**Total Electric Commitments** - As of December 31, 2023, the approximate minimum obligations, subject to any appropriations clauses, for these Electric Commitments over the next five years are:

December 31,	Amount
	(in thousands)
2024	\$ 59,603
2025	55,915
2026	53,106
2027	53,078
2028	53,051

#### **Natural Gas Commitments**

**Natural Gas Supply and Transport Agreements** - Utilities contracts for sufficient firm transportation capacity and supplies to meet sales customers' peak day needs and fuel gas requirements for power generation. Utilities defines peak day conditions as a day with an average temperature of -13 degrees Fahrenheit. Utilities' goal is to hold a diversified portfolio of natural gas supplies, pipeline transportation, and storage services in order to provide reliability and economic efficiency in meeting supply obligations.

Utilities' firm natural gas supply portfolio is comprised of multiple contracts with various terms. In addition, Utilities balances natural gas supply needs on a short-term (30-day or less) basis, giving Utilities the flexibility to

## COLORADO SPRINGS UTILITIES

### NOTES TO FINANCIAL STATEMENTS

As of and for the Years Ended December 31, 2023 and 2022

react to warmer than normal conditions without defaulting on firm commitments and providing the flexibility to take advantage of short-term drops in natural gas prices. The staggered terms of the supply contracts help shape supply commitments to better match load requirements and ensure Utilities can acquire and replace supplies in an orderly fashion.

In addition to a diversified portfolio within the context of terms and conditions of service, Utilities actively pursues opportunities to reduce costs and realize value from natural gas supply assets. This process includes releasing transportation and storage capacity to meet peak loads during non-peak periods and other asset optimization strategies to capture value from any available asset capacity.

**Total Natural Gas Commitments** - As of December 31, 2023, the approximate minimum obligations, subject to any appropriations clauses, for these Natural Gas Commitments over the next five years are:

<u>December 31,</u>	<u>Amount</u>
	(in thousands)
2024	\$ 54,373
2025	39,353
2026	31,453
2027	21,758
2028	15,484

#### **Natural Gas Prepay Agreement**

On June 27, 2008, the City (on behalf of Utilities) entered into a Natural Gas Supply Agreement (“Supply Agreement”) with Public Authority for Colorado Energy (“PACE”), a component unit of the City, for financial reporting purposes. The Supply Agreement will be in effect until September 30, 2038, unless terminated earlier due to certain defaults, as set forth therein, or the termination of PACE’s Prepaid Gas Agreement. The City is obligated to purchase and pay for natural gas tendered for delivery by PACE at an index minus a predetermined discount. If PACE fails on any day, for any reason other than force majeure, to deliver the quantity of natural gas required to be delivered pursuant to the Supply Agreement, the City will have no obligation for any of the natural gas supply that was not delivered as a result of such PACE delivery default.

Certain risk exists that all or part of the discount associated with this gas prepay transaction will not be realized as a result of the financial creditworthiness of the counterparties to agreements associated with the transaction and the potential failure of such counterparties to fulfill their contractual obligations, including financial remedies. As of December 31, 2023, all of the counterparties to agreements associated with the gas prepay transaction are fulfilling their contractual obligations.

#### **Water Commitments**

**Water Storage Agreements** - Utilities’ contracts with the U.S. Bureau of Reclamation (“Bureau”) for water storage in Pueblo Reservoir for SDS. The contract expires December 31, 2049, unless extended or terminated earlier in accordance with the provisions of the contract.

## COLORADO SPRINGS UTILITIES

### NOTES TO FINANCIAL STATEMENTS

As of and for the Years Ended December 31, 2023 and 2022

**Total Water Commitments** - As of December 31, 2023, the approximate minimum obligations for this Water Commitment over the next five years are:

December 31,	Amount
	(in thousands)
2024	\$ 1,065
2025	1,108
2026	1,151
2027	1,196
2028	1,241

**Grants** - Utilities receives Federal and State grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to requests for reimbursements to the grantor agency for expenditures disallowed under terms of the grants. Management believes such disallowances, if any, would be immaterial.

#### NOTE 17 - CONTINGENCIES AND CLAIMS

##### **Environmental Matters**

Numerous federal, state, and local environmental laws and regulations affect Utilities' facilities and operations. Utilities monitors compliance with environmental laws and regulations on an ongoing basis. Utilities is not aware of any non-compliance or any pending claims related to environmental laws and regulations that would materially impact Utilities' financial position. Any capital improvements needed to stay in compliance with applicable environmental laws are planned in the normal operations of Utilities.

##### **Risk Management**

Utilities' Enterprise Risk Management group develops the process to identify, prioritize and report risks so that appropriate mitigation plans are developed and implemented to protect and enhance the business performance of Utilities. The process requires specific risk policies and procedures to document risk mitigation plans and ongoing monitoring and communication.

As part of this broader enterprise risk process, Utilities manages an ongoing insurance risk management program, protecting against both property and casualty exposures where appropriate. Working with insurance providers and Utilities' operations, loss tolerances are identified and insured through the insurance carriers or are self-insured.

Utilities has insurance policies covering damages due to most types of major losses. Property insurance for physical damage is purchased commercially for Utilities' facilities and for most of the infrastructure (except for transmission lines, underground piping and dams), with a retention level of \$1,000,000 per occurrence, with the exception of \$5,000,000 for hail related losses, and separate deductibles for certain generating facility turbines with the highest at \$3,500,000.

Utilities also purchases comprehensive information security and privacy "cyber" liability insurance, with a retention level of \$1,000,000 per occurrence.

Utilities is covered under the Colorado Governmental Immunity Act for certain liability claims. The Colorado Governmental Immunity Act provides the maximum amount that may be recovered through tort claims under Colorado law of \$424,000 for any injury to one person in any single occurrence and \$1,195,000 for any injury to two or more persons in any single occurrence. To cover auto and general liability exposures not covered by the Colorado Governmental Immunity Act, Utilities purchases excess liability coverage, with a retention level of \$1,000,000 per occurrence.

## COLORADO SPRINGS UTILITIES

### NOTES TO FINANCIAL STATEMENTS

As of and for the Years Ended December 31, 2023 and 2022

The City purchases an excess public employers' liability policy, which covers Utilities' public officials' liability, errors and omissions and employment practices liability with a retention level of \$1,000,000 per occurrence.

During 2023, the following changes took effect in the Property policy: The deductible for the 7FA units at Front Range increased from \$1,500,000 to \$3,500,000 and the deductible for the remaining gas fired generating units and substations increased to \$2,000,000 per occurrence. Further there were exclusions around cyber and sanctions – details provided upon request. Aside from these changes, there were no other significant reductions in insurance coverage as compared to 2022. In the past three years, no loss occurred that required settlements in excess of coverage.

During 2022, the following changes took effect in the Property policy: Front Range combustion turbines deductible increased to \$1,500,000, flood deductible increased to \$500,000 per location (13 locations specified) with a minimum deductible of \$1,000,000. Aside from these changes, there were no other significant reductions in insurance coverage as compared to 2021. In the past three years, no loss occurred that required settlements in excess of coverage.

For 2023 and 2022 the following changes took effect in the Cyber policy: Insurance carriers changed.

Workers' compensation claims are self-insured and managed by City in-house staff. An excess workers' compensation liability insurance policy is purchased for statutory benefits in excess of \$750,000 per occurrence. Utilities also contributes, along with the City, to a joint Workers' Compensation Self-Insurance Fund. Utilities' outstanding workers' compensation claims are reserved at \$395,293 and \$234,034 as of December 31, 2023, and 2022, respectively, under the City's self-insurance fund. The City believes that any liability arising out of unforeseen losses will not materially impact Utilities' financial position. This balance is not reflected on Utilities' Statements of Net Position.

Utilities is self-insured up to \$400,000 per individual for medical and self-insured for a limited dental benefit and is fully insured for the vision plan. All plans provide covered employees and dependents the intended benefits detailed in the self-funded health plan documents. As part of this plan, Utilities pays claims and associated plan expenses through its Employee Benefits Self-Insurance Fund. During the course of the plan year, the contributions from Utilities and employees are expected to cover projected health care expenses while maintaining an adequately funded reserve account for Incurred But Not Reported ("IBNR"), Health Reimbursement Account ("HRA") and catastrophic claims.

Summary of the plan's ending balance as of December 31:

	2023	2022
	(in thousands)	
Health Plan	\$ 12,336	\$ 14,250
Less: Reserved for IBNR, HRA, catastrophic claims	(2,959)	(2,544)
Unreserved fund balance	<u>\$ 9,377</u>	<u>\$ 11,706</u>

Additionally, Utilities maintains a reinsurance policy through Cigna Health and Life Insurance Company, with a deductible of \$400,000 per claim per plan year. Should a covered medical claim exceed \$400,000 in a given plan year, the plan would be reimbursed by Cigna for the amount in excess of the deductible.

In 2022, it was determined that Utilities no longer needed to accrue an additional liability on its Statements of Net Position for public officials' general and auto liability claims. The City will record these reserves in their internal service fund.

**COLORADO SPRINGS UTILITIES**  
**NOTES TO FINANCIAL STATEMENTS**

As of and for the Years Ended December 31, 2023 and 2022

Summary of change in claims:

	Injuries and Damages	Employee Benefits
	(in thousands)	
Unpaid Claims - December 31, 2021	\$ 79	\$ 2,348
2022 Increases	162	28,792
2022 Decreases	(241)	(28,638)
Unpaid Claims - December 31, 2022	—	2,502
2023 Increases	—	33,623
2023 Decreases	—	(32,728)
Unpaid Claims - December 31, 2023	\$ —	\$ 3,397

**Legal Matters**

The City Risk Manager estimates that the amount of liability for potential claims (taking into account such accrual, the Colorado Governmental Immunity Act, and insurance coverage as outlined in the Risk Management section) against Utilities would not materially affect the financial condition or operations of Utilities. Utilities has purchased insurance covering damages due to most types of major contingencies, subject to the limits in those policies and subject to the application of the Colorado Governmental Immunity Act.

Utilities enters into contracts with various contractors to design and construct facilities. On October 2, 2020, the City of Colorado Springs was served with a Summons in the matter of Myers & Sons Construction, L.P. v. City of Colorado Springs, Colorado and Colorado Springs Utilities, (now consolidated with Weifeld Group Contracting Inc. v. Myers and Sons Construction, L.P. et al.) arising from disputes related to the Utilities Mesa Water Treatment Plant Upgrades Project at what is now known as Utilities’ Tollefson Water Treatment Plant and a contract between Utilities and Myers & Sons Construction, L.P. (“Myers”). The Complaint in the litigation alleges that Utilities breached its contract with Myers, that Utilities breached an implied covenant of good faith and fair dealing in the contract, asserts claims in quantum meruit, and asserts claims of unjust enrichment. While the complaint did not assert the amount of damages being asserted, Myers subsequently served Initial Disclosures that included an assertion of damages in the amount of approximately \$13,000,000, and Myers currently claims damages of approximately \$27,000,000. The City of Colorado Springs, on behalf of the City and Utilities, has filed an amended Answer and Jury Demand, asserting counterclaims against Myers for breach of contract, trust fund violation, and civil theft. The City recently filed a Motion for Summary Judgment and Determination of Questions of Law as to all claims by Myers, which is pending before the Court. A three-week jury trial is set to commence on April 10, 2024. The outcome of this litigation is unclear at this time.

**Regulatory Matters**

Utilities is subject to regulation by the City Council with respect to rates charged for services, budgeting, accounting, and other matters pertaining to regulated operations. As such, Utilities applies the provision of GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements* (“GASB 62”).

Effective December 31, 2009, Utilities received approval to recognize a regulatory asset for SDS mitigation, engineering, and design expenditures specific to the monetary mitigation requirements of the Pueblo County 1041 permit, certain NEPA mitigations as required by the Bureau and Fremont County Mitigation that do not meet Utilities’ capitalization requirements and would otherwise be expensed as incurred. There were no SDS mitigation expenditures in 2023 or 2022. The remaining unamortized balance of the regulatory asset was \$28,017,251 and \$34,798,795 as of December 31, 2023 and 2022, respectively.

**COLORADO SPRINGS UTILITIES**  
**NOTES TO FINANCIAL STATEMENTS**

As of and for the Years Ended December 31, 2023 and 2022

Effective December 31, 2012, Utilities received the City Council’s approval to recognize debt issuance costs as a regulatory asset in accordance with GASB 62. A regulated asset valued at \$16,039,835 was established on January 1, 2013, for the unamortized balance of the debt issuance costs through December 31, 2012. In 2023 and 2022, additional debt issuance costs were \$2,719,552 and \$2,254,925, respectively. Debt issuance costs are amortized over the life of the bonds using the straight-line method and the expense is reported as other expense on the Statements of Revenues, Expenses and Changes in Net Position. The remaining unamortized balance was \$18,382,189 and \$18,085,624 as of December 31, 2023 and 2022, respectively.

Effective December 31, 2023, Utilities received the City Council’s approval to recognize a regulatory asset for the Drake decommissioning and obsolete inventory expenses that do not meet Utilities’ capitalization requirements and would otherwise be expensed as incurred. In 2023, these costs were \$13,907,031.

**NOTE 18 - TRANSFERS TO AND FROM THE CITY OF COLORADO SPRINGS**

Utilities provides for surplus payments to the City, in lieu of taxes, based on a fixed rate per kWh (Kilo-watt hour) of electricity, Mcf (one-thousand cubic feet) at 14.65 psi of natural gas delivered and cf (cubic feet) of water delivered within the City limits, without exclusion for interdepartmental deliveries. The payments are recorded as Transfers out - surplus payments to the City on the Statements of Revenues, Expenses and Changes in Net Position. In addition, Utilities provides for other transfers when they enter into approved special contracts for water-related services that include a premium on fees and rates that benefit Utilities' ratepayers, fifty percent of the premium includes a surplus revenue and may be appropriated to the general revenues of the City by the City Council in the annual budget and Appropriation Ordinance pursuant to the City Charter.

At December 31, the amount of Transfers on the Statements of Revenues, Expenses and Changes in Net Position:

	2023	2022
	(in thousands)	
<b>Transfers</b>		
Transfers Out - Surplus Payments to the City		
Electric	\$ 24,515	\$ 25,671
Natural Gas	8,607	9,165
Water	2,176	2,443
Total Transfers Out - Surplus Payments to the City	35,298	37,279
Transfers To - Other		
Donala Water District Fee	—	84
Water Delivery to Security Water District	—	27
Water Augmentation to PF, LLC	—	1
Total Transfers To - Other	—	112
<b>Total Transfers to the City</b>	<b>\$ 35,298</b>	<b>\$ 37,391</b>

**NOTE 19 - COMPONENT UNITS AND JOINT VENTURES**

***Component Units - City***

Utilities is a participant in PACE, Fountain Valley Authority, Aurora-Colorado Springs Joint Water Authority and the Canal and Reservoir Companies. Each of these entities is treated as a component unit of the City for financial reporting purposes.

**COLORADO SPRINGS UTILITIES**  
**NOTES TO FINANCIAL STATEMENTS**

As of and for the Years Ended December 31, 2023 and 2022

**Public Authority for Colorado Energy** - In June 2008, the City contracted to purchase approximately 20.0% of Utilities' natural gas supply needs for 30 years through a natural gas prepayment transaction with Merrill Lynch Commodities, Inc., Bank of America Corporation and Royal Bank of Canada that is financed by PACE non-recourse revenue bonds. PACE is obligated to pay the principal and interest on the PACE bonds. Utilities is obligated to purchase and pay for natural gas tendered for delivery by PACE at an index price minus a predetermined discount and is not obligated to make payments in respect to debt service on the PACE bonds.

Separate financial statements of the above component units, can be obtained from the Colorado Springs Utilities, Accounting Department, P.O. Box 1103, Mail Code 929, Colorado Springs, CO 80947-0929.

**Fountain Valley Authority** - The Fountain Valley Authority constructed a water treatment plant with 18,000,000 gallons per day capacity approximately 17 miles south of the City. Utilities acts as operator of the plant under contract with the Fountain Valley Authority. Utilities is entitled to receive approximately 71.4% of the water treated at the Fountain Valley Authority plant. The remaining water is available to the other Fountain Valley Authority participants, which include the City of Fountain, the Security Water District, the Stratmoor Hills Water District and the Widefield Water and Sanitation District, each of which owns and operates a water distribution system.

Under the applicable long-term contracts relating to the Fountain Valley Authority, Utilities is obligated to pay water treatment service charges to the Fountain Valley Authority and water conveyance service charges to the Bureau for conveyance of its water through the Bureau's Fountain Valley Conduit, which conveys raw water from the Pueblo Reservoir to the Fountain Valley Authority's treatment plant and treated water from the treatment plant to distribution reservoirs of the Fountain Valley Authority participants.

**Aurora-Colorado Springs Joint Water Authority** - The Aurora-Colorado Springs Joint Water Authority has constructed a 66-inch diameter pipeline from the Twin Lakes Dam, which is located approximately 12 miles south of Leadville, Colorado, to connect with the Otero Pumping Station intake pipeline located approximately 10 miles north of Buena Vista, Colorado. Utilities has a 66.7% participation share in the Aurora-Colorado Springs Joint Water Authority's project. This share was determined by the parties on the basis of their projected pumping demands, but no provision is made in the Aurora-Colorado Springs Joint Water Authority contracts for adjustments in participation shares if actual pumping demands differ from these projections. Therefore, it is possible that the transmission service charges to be paid by Utilities will be disproportionate to the water transmission service that Utilities is using during a particular time period.

**Canal and Reservoir Companies** - Utilities owns from 51.9% to 77.2% in four canal and reservoir companies, which include The Twin Lakes Reservoir and Canal Company, The Lake Meredith Reservoir Company, The Colorado Canal Company and The Lake Henry Reservoir Company. This ownership interest represents proportionate ownership and control of the companies' facilities and water rights. The water rights add significant physical water to the water supply portfolio in addition to allowing for exchange, storage, staging and delivery of Utilities' water supply.

Pursuant to GASB Statement No. 90, *Majority Equity Interests*, Utilities' performed an assessment of its investments which represent majority equity interests and determined that there are no material investment interests as of December 31, 2023 and 2022. An annual assessment is performed and any future material interests will be recorded in the period they are identified.

**Joint Venture**

**Young Gas Storage Company, Ltd. ("Young")** - Utilities has an equity interest of 5.0% in this joint venture. Young is a Colorado Limited Partnership organized on June 30, 1993, to develop and operate a natural gas storage system near Fort Morgan, Colorado. Young's natural gas storage system consists of 38 natural gas storage facility wells, a 6,000 horsepower compressor station, a natural gas processing plant, eleven miles of 20-inch transmission line and four miles of storage gathering line.

**COLORADO SPRINGS UTILITIES**  
**NOTES TO FINANCIAL STATEMENTS**  
As of and for the Years Ended December 31, 2023 and 2022

The net investment in Young reported on the Statements of Net Position as of December 31:

December 31,	Amounts Invested	Undistributed Net Earnings	Utilities' Investments
		(in thousands)	
2023	\$ 500	\$ 257	\$ 757
2022	500	254	754

**NOTE 20 - ASSET RETIREMENT OBLIGATIONS**

**Asset Retirement Obligations** - Utilities records asset retirement obligations (“ARO”) for its solid waste impoundments when a decommission date for a tangible capital asset it’s related to is known. Utilities recognized AROs for Ray Nixon Power Plant 1’s four solar evaporation ponds, one equalization basin, one southwest pond and one northwest pond, that according to the Colorado Department of Public Health and Environment (CDPHE’s) Regulations Pertaining to Solid Waste Sites and Facilities (6 CCR 1007-2, Part 1, Section 9) require closure plan implementation when an impoundment is taken out of service.

The measurement of the ARO was based on the best estimate of the current value of outlays expected to be incurred and was provided by Utilities’ environmental engineering staff. The associated costs are being amortized over the remaining useful life of Nixon 1, which is the decommissioning date of December 31, 2029. At December 31, 2023, the ARO deferred outflows was \$6,440,117.



**COLORADO SPRINGS UTILITIES**

**NOTES TO FINANCIAL STATEMENTS**

As of and for the Years Ended December 31, 2023 and 2022

**NOTE 22 - SUBSEQUENT EVENTS**

***Rate Changes*** - On November 14, 2023 City Council approved changes to the Electric, Natural Gas, and Water Rate Schedules, and changes to Utilities Rules and Regulations effective January 1, 2024. On January 9, 2024, City Council approved changes to the Gas Cost Adjustment rates effective January 15, 2024.

## **REQUIRED SUPPLEMENTARY INFORMATION**

**COLORADO SPRINGS UTILITIES**  
REQUIRED SUPPLEMENTARY INFORMATION  
COLORADO PERA HEALTH CARE TRUST FUND  
For the Years Ended December 31,  
(Unaudited)

**SCHEDULE OF UTILITIES' PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET)\***

Year	Proportion of the Net Pension Liability (Asset)	Proportionate Share of the Net Pension Liability (Asset)	Covered Payroll  (in thousands)	Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability (Asset)
2023	22.9 %	\$ 229,437	\$ 189,074	121.3 %	83.0 %
2022	23.5	(20,171)	176,404	(11.4)	101.5
2021	23.5	122,379	172,897	70.8	90.9
2020	23.5	172,137	162,454	106.0	86.3
2019	24.3	305,276	158,984	192.0	76.0
2018	24.2	269,286	153,008	176.0	79.4
2017	25.6	345,491	149,251	231.5	73.6
2016	25.3	278,733	143,704	194.0	76.9
2015	25.8	231,178	141,331	163.6	80.7

**SCHEDULE OF UTILITIES' PENSION CONTRIBUTIONS\***

Year	Statutorily Required Contributions	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)  (in thousands)	Utilities Covered Payroll	Contributions as a Percentage of Covered Payroll
2023	\$ 28,016	\$ 28,016	\$ —	\$ 203,898	13.7 %
2022	25,459	25,459	—	189,074	13.5
2021	23,285	23,285	—	176,404	13.2
2020	22,348	22,348	—	172,897	12.9
2019	20,599	20,599	—	162,454	12.7
2018	20,159	20,159	—	158,984	12.7
2017	19,401	19,401	—	153,008	12.7
2016	18,925	18,925	—	149,251	12.7
2015	18,222	18,222	—	143,704	12.7

\*Information is not available for years prior to 2015. In future reports, additional years will be added until 10 years of historical data are presented. Information presented in this schedule has been determined as of Utilities' measurement date (December 31 of the year prior to the most recent fiscal year) in accordance with GASB 68.

The accompanying notes are an integral part of the Required Supplementary Information.

**COLORADO SPRINGS UTILITIES**  
REQUIRED SUPPLEMENTARY INFORMATION  
COLORADO PERA HEALTH CARE TRUST FUND  
For the Years Ended December 31,  
(Unaudited)

**SCHEDULE OF UTILITIES' PROPORTIONATE SHARE OF THE NET OPEB LIABILITY\***

Year	Proportion of the Net OPEB Liability	Proportionate Share of the Net OPEB Liability	Covered - Employee Payroll	Proportionate Share of the Net OPEB Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability
(in thousands)					
2023	1.8 %	\$ 15,000	\$ 189,074	7.9 %	38.6 %
2022	1.8	15,714	176,404	8.9	39.4
2021	1.8	16,993	172,897	9.8	32.8
2020	1.8	20,243	162,454	12.5	24.5
2019	1.9	25,620	158,984	16.1	17.0
2018	1.9	24,423	153,008	16.0	17.5

**SCHEDULE OF UTILITIES' OPEB CONTRIBUTIONS\***

Year	Statutorily Required Contributions	Contributions in relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	Utilities Covered Payroll	Contributions as a Percentage of Covered Payroll
(in thousands)					
2023	\$ 2,080	\$ 2,080	\$ —	\$ 203,898	1.0 %
2022	1,928	1,928	—	189,074	1.0
2021	1,799	1,799	—	176,404	1.0
2020	1,764	1,764	—	172,897	1.0
2019	1,657	1,657	—	162,454	1.0
2018	1,622	1,622	—	158,984	1.0

\*Information is not available for years prior to 2018. In future reports, additional years will be added until 10 years of historical data are presented. Information presented in this schedule has been determined as of Utilities' measurement date (December 31 of the year prior to the most recent fiscal year) in accordance with GASB 75.

The accompanying notes are an integral part of the Required Supplementary Information.

**COLORADO SPRINGS UTILITIES**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**UTILITIES' SINGLE-EMPLOYER OPEB PLAN**  
For the Years Ended December 31,  
(Unaudited)

**SCHEDULE OF CHANGES IN UTILITIES' TOTAL OPEB LIABILITY AND RELATED RATIOS\***

	2023	2022	2021	2020	2019	2018
	(in thousands)					
<b>Total OPEB Liability</b>						
Beginning balance	\$ 16,693	\$ 17,448	\$ 21,179	\$ 19,228	\$ 21,624	\$ 21,390
Changes for the year:						
Service cost	1	7	12	11	23	20
Interest	29	357	565	764	723	786
Changes of benefit terms	—	—	—	—	—	—
Differences between expected and actual experience	(95)	—	(5,151)	(492)	(511)	(93)
Changes of assumptions or other inputs	(2,139)	100	1,988	2,877	(1,389)	785
Benefit payments	(1,172)	(1,219)	(1,145)	(1,209)	(1,242)	(1,264)
Net changes	<u>(3,376)</u>	<u>(755)</u>	<u>(3,731)</u>	<u>1,951</u>	<u>(2,396)</u>	<u>234</u>
Ending balance	<u>\$ 13,317</u>	<u>\$ 16,693</u>	<u>\$ 17,448</u>	<u>\$ 21,179</u>	<u>\$ 19,228</u>	<u>\$ 21,624</u>
Covered-employee Payroll	\$ 667	\$ 1,219	\$ 1,183	\$ 2,207	\$ 3,530	\$ 5,683
Total OPEB Liability as a percentage of covered-employee payroll	1996.6%	1369.4%	1474.9%	959.6%	544.7%	380.5%

\*Information is not available for years prior to 2018. In future reports, additional years will be added until 10 years of historical data are presented. Information presented in this schedule has been determined as of Utilities' measurement date (December 31 of the year prior to the most recent fiscal year) in accordance with GASB 75.

The accompanying notes are an integral part of the Required Supplementary Information.

**COLORADO SPRINGS UTILITIES**  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
(Unaudited)

**SIGNIFICANT CHANGES IN PLAN PROVISIONS, ASSUMPTIONS OR OTHER INPUTS AFFECTING TRENDS IN ACTUARIAL INFORMATION (MEASUREMENT DATE)**

***Colorado PERA Local Government Division Trust Fund***

***2022 Changes in Plan Provisions, Assumptions or Other Inputs Since 2021***

The following legislation, enacted in 2022, was reflected to the extent possible in the actuarial valuation:

- HB 22-1029, effective upon enactment in 2022, requires the State treasurer to issue, in addition to the regularly scheduled \$225 million (actual dollars) direct distribution, a warrant to PERA in the amount of \$380 million (actual dollars) with reductions to future direct distributions. The July 1, 2023, direct distribution will be reduced by \$190 million (actual dollars) to \$35 million (actual dollars) due to a negative investment return in 2022.
- The total pension liability for the Local Government Division, as of the December 31, 2022, measurement date, was adjusted to reflect the disaffiliation, as allowable under C.R.S. § 24-51-313, of Tri-County Health Department (Tri-County Health), effective December 31, 2022. As of the close of the 2022 fiscal year, no disaffiliation payment associated with Tri-County Health was received, and therefore no disaffiliation dollars were reflected in the fiduciary net position as of the December 31, 2022, measurement date.

***2021 Changes in Plan Provisions, Assumptions or Other Inputs Since 2020***

- Member contribution rates increased by 0.50%
- Employer contribution rates increased by 0.50%
- Annual increase (“AI”) cap is lowered from 1.25% per year to 1.00% per year

***2020 Changes in Plan Provisions, Assumptions or Other Inputs Since 2019***

- Price inflation assumption was lowered from 2.40% to 2.30%
- Wage inflation assumption was lowered from 3.50% to 3.00%
- Salary scale assumptions were altered to align with the revised economic assumptions and to better reflect actual experience.
- Pre-retirement, post-retirement and disability mortality assumptions for active and retired lives were changed from static mortality tables represented by the RP-2014 Mortality tables, with adjustments for credibility and gender, to generational mortality tables represented by various tables presented in the *Pub-2010 Public Retirement Plans Mortality Tables Report*, projected using MP-2019 projection scale and adjusted for credibility and gender. In addition, a separate beneficiary mortality table was adopted.
- Rates of termination/withdrawal, retirement and disability were revised to more closely reflect actual experience.

***2019 Changes in Plan Provisions, Assumptions or Other Inputs Since 2018***

- Senate Bill (SB) 18-200 was enacted on June 4, 2018, which included the adoption of the automatic adjustment provision (AAP). The following changes reflect the anticipated adjustments resulting from the 2018 AAP assessment, statutorily recognized July 1, 2019, and effective July 1, 2020:
  - Member contribution rates increase by 0.50%
  - Employer contribution rates increase by 0.50%
  - AI cap is lowered from 1.50% per year to 1.25% per year.
- House Bill (HB) 19-1217, enacted May 20, 2019, repealed the member contribution increases scheduled for the Local Government Division pursuant to SB 18-200.

***2018 Changes in Plan Provisions, Assumptions or Other Inputs Since 2017***

The following changes were made to the plan provisions as part of SB 18-200:

- Member contribution rates increase by 0.75% effective July 1, 2019, an additional 0.75% effective July 1, 2020 and an additional 0.50% effective July 1, 2021.
- Annual Increase (AI) cap is lowered from 2.00% per year to 1.50% per year.
- Initial AI waiting period is extended from one year after retirement to three years after retirement.
- AI payments are suspended for 2018 and 2019.
- The number of years used in the Highest Average Salary calculation for non-vested members as of January 1, 2020, increases from three to five years for the Local Government Division.

***2017 Changes in Plan Provisions, Assumptions or Other Inputs Since 2016***

**COLORADO SPRINGS UTILITIES**  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
(Unaudited)

- There were no changes made to plan provisions, actuarial methods or assumptions, or other inputs that had a significant effect on trends in actuarial information.

**2016 Changes in Plan Provisions, Assumptions or Other Inputs Since 2015**

- The Investment return assumption was lowered from 7.50% to 7.25%.
- The price inflation assumption was lowered from 2.80% to 2.40%.
- The wage inflation assumption was lowered from 3.90% to 3.50%.
- The post-retirement mortality assumption for healthy lives was changed to the RP-2014 Healthy Annuitant Mortality Table with adjustments for credibility and gender adjustments of a 73.0% factor applied to ages below 80 and a 108.0% factor applied to age 80 and above, projected to 2018, for males and a 78.0% factor applied to ages below 80 and a 109.0% factor applied to age 80 and above, projected to 2020, for females.
- For disabled retirees, the mortality assumption was changed to reflect 90.0% of RP-2014 Disabled Retiree Mortality Table.
- The mortality assumption for active members was changed to RP-2014 White Collar Employee Mortality Table, a table specifically developed for actively working people. To allow for an appropriate margin of improved mortality prospectively, the mortality rates incorporate a 70.0% factor applied to male rates and a 55.0% factor applied to female rates.
- The rates of retirement, withdrawal and disability were revised to reflect more closely actual experience.
- The estimated administrative expense as a percentage of covered payroll was increased from 0.35% to 0.40%.
- The single equivalent interest rate was lowered from 7.50% to 7.25%, reflecting the change in the long-term expected rate of return.

**2015 Changes in Plan Provisions, Assumptions or Other Inputs Since 2014**

The following programming changes were made:

- Valuation of the full survivor benefit without any reduction for possible remarriage
- Reflection of the employer match on separation benefits for all eligible years
- Reflection of one year of service eligibility for survivor annuity benefit
- Refinement of the 18-month annual increase timing
- Refinements to directly value certain and life, modified cash refund and pop-up benefit forms

The following methodology changes were made:

- Recognition of merit salary increases in the first projection year
- Elimination of the assumption that 35.0% of the future disabled members elect to receive a refund
- Removal of the negative value adjustment for liabilities associated with refunds of future terminating members
- Adjustments to the timing of the normal cost and unfunded actuarial accrued liability payment calculations to reflect contributions throughout the year

**2014 Changes in Plan Provisions, Assumptions or Other Inputs Since 2013**

- There were no changes made to plan provisions, actuarial methods or assumptions, or other inputs that had a significant effect on trends in actuarial information.

**Colorado PERA Health Care Trust Fund**

**2022 Changes in Plan Provisions, Assumptions or Other Inputs Since 2021**

- The total OPEB liability for the Health Care Trust Fund (HCTF), as of the December 31, 2022, measurement date, was adjusted to reflect the disaffiliation, allowable under C.R.S §24-51-313, of Tri-County Health Department (Tri-County Health), effective December 31, 2022. As of the close of the 2022 fiscal year, no disaffiliation payment associated with Tri-County Health was received, and therefore no disaffiliation dollars were reflected in the fiduciary net position as of the December 31, 2022, measurement date.

**2021 Changes in Plan Provisions, Assumptions or Other Inputs Since 2020**

- There were no changes made to plan provisions, actuarial methods or assumptions, or other inputs that had a significant effect on trends in actuarial information.

**COLORADO SPRINGS UTILITIES**  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
(Unaudited)

**2020 Changes in Plan Provisions, Assumptions or Other Inputs Since 2019**

- Price inflation assumption was lowered from 2.40% to 2.30%
- Wage inflation assumption was lowered from 3.50% to 3.00%
- Salary scale assumptions were altered to align with the revised economic assumptions and to better reflect actual experience.
- Pre-retirement, post-retirement and disability mortality assumptions for active and retired lives were changed from static mortality tables represented by the RP-2014 Mortality tables, with adjustments for credibility and gender, to a generational mortality tables represented by various tables presented in the *Pub-2010 Public Retirement Plans Mortality Tables Report*, projected using MP-2019 projection scale and adjusted for credibility and gender. In addition, a separate beneficiary mortality table was adopted.
- Rates of termination/withdrawal, retirement and disability were revised to more closely reflect actual experience.
- Health care cost and trend assumptions were updated for December 31, 2019 funding valuation and reflected in the TOL as of the December 31, 2020 measurement date.

**2019 Changes in Plan Provisions, Assumptions or Other Inputs Since 2018**

- There were no changes made to plan provisions, actuarial methods or assumptions, or other inputs that had a significant effect on trends in actuarial information.

**2018 Changes in Plan Provisions, Assumptions or Other Inputs Since 2017**

- There were no changes made to plan provisions, actuarial methods or assumptions, or other inputs that had a significant effect on trends in actuarial information.

**2017 Changes in Plan Provisions, Assumptions or Other Inputs Since 2016**

- There were no changes made to plan provisions, actuarial methods or assumptions, or other inputs that had a significant effect on trends in actuarial information.

**Utilities' Single-Employer OPEB Plan**

**2022 Changes in Assumptions or Other Inputs Since 2021**

- The discount rate was updated from 2.06% to 3.72%
- The mortality projection scale was updated from MP-2019 to MP-2021 to reflect the Society of Actuaries' recent mortality study.
- None of the termination or retirement probabilities were updated as a new experience study has not been created since 2020 for the CoPERA valuation.

**2021 Changes in Assumptions or Other Inputs Since 2020**

- The discount rate was updated from 2.12% to 2.06%
- The retirement, termination and salary scale rates were updated to the rates from PERA as of December 31, 2021.

**2020 Changes in Assumptions or Other Inputs Since 2019**

- The discount rate was updated from 2.74% to 2.12%.
- The retirement, termination and salary scale rates were updated to the rates from PERA as of December 31, 2020.
- The mortality assumption was updated from RP-2014 mortality table with generational scale MP-2018 to Pub-2010 mortality table with generational scale MP-2020 to reflect the Society of Actuaries' recent mortality study.
- Trend rates were reset to 6.25% grading down by 0.25% to 4.0%. The Part B premium ultimate rate used was changed to 4.0%.

**2019 Changes in Assumptions or Other Inputs Since 2018**

- The discount rate decreased from 4.10% to 2.74% based on changes in the 20-year municipal bond rate.
- The future trend rates on the PERA premiums were lowered.

**2018 Changes in Assumptions or Other Inputs Since 2017**

**COLORADO SPRINGS UTILITIES**  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
(Unaudited)

- The discount rate increased from 3.44% to 4.10%, based on changes in the 20-year municipal bond rate.
- Future trend rates for PERA and Medicare Part B premiums were updated.

***2017 Changes in Assumptions or Other Inputs Since 2016***

- The discount rate decreased from 3.78% to 3.44%, based on changes in the 20-year municipal bond rate.

**Report on Internal Control  
Over Financial Reporting and on Compliance  
and Other Matters Based on an Audit of  
Financial Statements Performed in Accordance  
With *Government Auditing Standards***

Independent Auditors' Report

To the Audit Committee of  
Colorado Springs Utilities

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of Colorado Springs Utilities', an enterprise fund of the City of Colorado Springs, Colorado, which comprise the statement of net position as of December 31, 2023, and the statement of revenues, expenses and changes in net position and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated April 5, 2024. Our report includes an emphasis of matter paragraph because of the adoption of the provisions of GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, effective January 1, 2023. Our opinion is not modified with respect to this matter.

**Report on Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Colorado Springs Utilities' internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Colorado Springs Utilities' internal control. Accordingly, we do not express an opinion on the effectiveness of Colorado Springs Utilities' internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

## Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Colorado Springs Utilities' financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Baker Tilly US, LLP*

Madison, Wisconsin  
April 5, 2024

## APPENDIX B

### THE BOND ORDINANCE

The following summary describes certain provisions of the Bond Ordinance and is qualified in its entirety by reference to the document itself for a full statement of its provisions.

#### Definitions

The following are definitions of certain terms as used in the Bond Ordinance:

“Average Annual Principal and Interest Requirements” means the sum of the principal of and interest on the Bonds and any other Outstanding Parity Bonds, excluding any securities the principal of which is payable within less than one year from the date on which issued, but including any proposed Parity Bonds in the computation of the City’s ability to issue additional Parity Bonds, to be paid during each Fiscal Year for the period beginning with the Fiscal Year in which such computation is made and ending with the Fiscal Year in which any Bond or other such security last becomes due at maturity or on a Redemption Date, whichever time is later (but excluding any reserve requirement to secure such payments unless otherwise expressly provided) divided by the number of full Fiscal Years during the period beginning with the Fiscal Year in which such computation is made and ending with the last Fiscal Year in which any Bond or other such security last becomes due at maturity or on a Redemption Date, whichever time is later. The word “principal,” as used in the preceding sentence, means for all purposes of this paragraph, the principal which must be paid to security Owners, whether on stated maturity dates or on mandatory redemption dates, or otherwise. Any such computation will be adjusted for all purposes in the same manner as is provided in the Bond Ordinance. For the purposes of this computation, it will be assumed that (a) Variable Rate Bonds Outstanding at the time of such determination will bear interest during any period (i) if the interest rate such Variable Rate Bonds bear or will bear during such period has not been determined, at the fixed interest rate estimated by the remarketing agent for such Variable Rate Bonds and approved by the Finance Director or, if there is no such remarketing agent, by the Finance Director that, having due regard for prevailing financial market conditions, is necessary, but does not exceed the interest rate necessary, to sell such Variable Rate Bonds at 100% of the principal amount thereof in an open market transaction, assuming the Variable Rate Bonds had a term equal to the then remaining term of the Variable Rate Bonds (taking into account any mandatory redemption for such Variable Rate Bonds) or (ii) if the interest rate such Variable Rate Bonds bear or will bear during such period has been determined and is not subject to fluctuation, at such interest rate thus determined, and (b) any Tender Bonds Outstanding at the time of such determination will mature on the stated maturity or mandatory Redemption Date or Dates thereof.

For purposes of this calculation, if a Parity Financial Products Agreement has been entered into by the City with respect to the Bonds or any Parity Bonds, interest on the Bonds or such Parity Bonds will be included in the calculation of such principal and interest by including for each Fiscal Year an amount equal to the amount of interest payable on the Bonds or such Parity Bonds in such Fiscal Year during such period determined as hereinabove provided plus any Financial Products Payments payable in any such Fiscal Year minus any Financial Products Receipts receivable in any such Fiscal Year; provided that in no event will any calculation made pursuant to this sentence result in a number less than zero being included in the calculation of such interest.

In determining the amount of any Financial Products Payments or Financial Products Receipts on any interest rate swaps or other similar Financial Products Agreement which Payments or Receipts are based on interest rates which are not fixed in percentage for the entire term of the Financial Products Agreement, such amount will be calculated by assuming such variable interest rate is a fixed interest rate equal to (a) if the Parity Financial Products Agreement relates to Variable Rate Bonds, the fixed rate of interest estimated for such Variable Rate Bonds as provided above, or (b) if the Parity Financial Products Agreement relates to the Bonds or Parity Bonds which bear interest at a fixed interest rate, the average daily interest rate for such

Payments or Receipts under such Financial Products Agreement during the twelve months preceding the calculation or during the time the Financial Products Agreement has been in effect if less than twelve months and if such Financial Products Agreement is not then in effect, the variable interest rate will be deemed to be a fixed interest rate equal to the average daily interest rate for such Payments or Receipts which would have been applicable if such Financial Products Agreement had been in effect for the preceding twelve month period, which average daily interest rate will be set forth in a certificate of the Finance Director.

In determining the amount of any Financial Products Payments or Financial Products Receipts on any interest rate cap, floor, collar or other similar Financial Products Agreement with respect to Parity Bonds which are Variable Rate Bonds, such amount will be calculated by assuming the interest rate on the related Variable Rate Bonds will be a fixed interest rate equal to the average daily interest rate on such Variable Rate Bonds during the twelve months preceding the calculation or during the time the Variable Rate Bonds are Outstanding if less than twelve months and if such Variable Rate Bonds are not at the time of calculation Outstanding, the variable interest rate will be deemed to be a fixed interest rate equal to the average daily interest rate which such Bonds would have borne if they had been Outstanding for the preceding twelve month period as estimated by the Finance Director, all as set forth in a certificate of the Finance Director. In determining the amount of any Financial Products Payments or Financial Products Receipts on any interest rate cap, floor, collar or other similar Financial Products Agreement with respect to Parity Bonds bearing interest at a fixed rate, such amount will be the amount payable or receivable annually determined as of the date of issuance of the Parity Bonds as set forth in a certificate of the Finance Director.

For the purposes of this calculation, if Commercial Paper Notes are then Outstanding or are the Parity Bonds proposed to be issued, it will be assumed that (a) the principal amount of any Commercial Paper Notes Outstanding is that amount forecasted by the City as of the date of the calculation of Average Annual Principal and Interest Requirements to have been issued and be Outstanding at the expiration date of the program established for the Commercial Paper Notes, (b) only interest will be payable on the Commercial Paper Notes prior to the expiration date of the program established for the Commercial Paper Notes, and such amount will be calculated by assuming such interest rate is a fixed interest rate equal to the average daily interest rate for all Commercial Paper Notes issued as part of such program during the twelve months preceding the calculation or during the time the Commercial Paper Notes have been Outstanding if less than twelve months and if such Commercial Paper Notes are not then Outstanding, the interest rate will be deemed to be a fixed interest rate equal to the average daily interest rate which would have been applicable if such Commercial Paper Notes had been Outstanding for the preceding twelve month period as estimated by the Finance Director, and (c) the Commercial Paper Notes so forecasted to have been issued and Outstanding will mature over 25 years from the expiration date of the program established for the Commercial Paper Notes, will bear interest on the unpaid principal amount thereof at the fixed rate of interest equal to the Bond Buyer 30 Year Revenue Index of 25 Revenue Bonds as published in the most recent issue of The Bond Buyer (or any successor thereto) preceding the date of such determination or if such Index is no longer published, of a comparable index selected by the Finance Director and will be payable on a level annual debt service basis over such 25 year period, all as set forth in a certificate of the Finance Director. For the purposes of this paragraph, the term “expiration date of the program established for the Commercial Paper Notes” will mean the earlier of (i) such expiration date as set forth in the ordinance of the City authorizing the issuance of the Commercial Paper Notes, or (ii) 5 years from the initial date of issuance of any Commercial Paper Note under such program.

“Build America Bond Credit” means the credit provided in Section 6431 of the Code in lieu of any credit otherwise available to the Owners under Section 54AA(a) of the Code or credits from similar programs authorized in the future.

“Build America Mutual” means Build America Mutual Assurance Company, a mutual insurance corporation organized under the laws of, and domiciled in, the State of New York, or any successor thereto or assignee thereof.

“Balloon Bonds” means any securities payable from Net Pledged Revenues 25% or more of the original principal amount of which matures during any consecutive twelve month period if such maturing principal amount is not required to be amortized by mandatory redemption or prepayment prior to such period and if such twelve month period overlaps the Fiscal Year in which the Combined Maximum Annual Principal and Interest Requirements occur (without regard to the assumptions contained in clause (c) of the first paragraph of the definition of Combined Maximum Annual Principal and Interest Requirements).

“Beneficial Owner” means each owner of Bonds whose ownership is recorded under the book-entry only system maintained by the Depository.

“Bond Fund” means the special account designated as the “City of Colorado Springs, Colorado, Utilities System Improvement Revenue Bonds, Series 2024A and City of Colorado Springs Colorado, Utilities System Refunding Revenue Bonds, Series 2024B Bond Fund” created pursuant to the Bond Ordinance.

“Bond Requirements” means the principal of, any prior redemption premiums due in connection with, and the interest on any Bonds or other securities payable from the Net Pledged Revenues and heretofore or hereafter issued, if any, or such part of such securities as may be designated.

“Bonds” has the meaning ascribed to such terms in the Bond Ordinance.

“Combined Maximum Annual Principal and Interest Requirements” means the largest sum of the principal of and interest on the Bonds, and any other Outstanding Parity Bonds, excluding any securities the principal of which is payable within less than one year from the date on which issued, to be paid during any one Fiscal Year for the period beginning with the Fiscal Year in which such computation is made and ending with the Fiscal Year in which any Bond or other such security last becomes due at maturity or on a Redemption Date, whichever time is later (but excluding any reserve requirement to secure such payments unless otherwise expressly provided). The word “principal,” as used in the preceding sentence, means for all purposes of this paragraph, the principal which must be paid to security Owners, whether on stated maturity dates or on mandatory Redemption Dates, or otherwise. Any such computation will be adjusted for all purposes in the same manner as is provided in the Bond Ordinance. For the purposes of this computation, it will be assumed that (a) Variable Rate Bonds Outstanding at the time of such determination will bear interest during any period (i) if the interest rate such Variable Rate Bonds bear or will bear during such period has not been determined, at the fixed interest rate estimated by the remarketing agent for such Variable Rate Bonds and approved by the Finance Director or, if there is no such remarketing agent, by the Finance Director that, having due regard for prevailing financial market conditions, is necessary, but does not exceed the interest rate necessary, to sell such Variable Rate Bonds at 100% of the principal amount thereof in an open market transaction, assuming the Variable Rate Bonds had a term equal to the then remaining term of the Variable Rate Bonds (taking into account any mandatory redemption for such Variable Rate Bonds), or (ii) if the interest rate such Variable Rate Bonds bear or will bear during such period has been determined and is not subject to fluctuation, at such interest rate thus determined, (b) any Tender Bonds Outstanding at the time of such determination will mature on the stated maturity or mandatory Redemption Date or Dates thereof, and (c) any Balloon Bonds Outstanding at the time of such determination will mature over 30 years from the date of issuance of the Balloon Bonds, will bear interest on the unpaid principal amount thereof at the fixed rate of interest equal to the Bond Buyer 30 Year Revenue Index of 25 Revenue Bonds as published in the most recent issue of The Bond Buyer (or any successor thereto) preceding the date of such determination or if such Index is no longer published, of a comparable index selected by the Finance Director and will be payable on a level annual debt service basis over a thirty year period.

For purposes of this calculation, if a Parity Financial Products Agreement has been entered into by the City with respect to the Bonds or any Parity Bonds, interest on the Bonds or such Parity Bonds will be included in the calculation of such principal and interest by including for each Fiscal Year an amount equal to the amount of interest payable on the Bonds or such Parity Bonds in such Fiscal Year during such period determined as hereinabove provided plus any Financial Products Payments payable in any such Fiscal Year

minus any Financial Products Receipts receivable in any such Fiscal Year; provided that in no event will any calculation made pursuant to this sentence result in a number less than zero being included in the calculation of such interest.

In determining the amount of any Financial Products Payments or Financial Products Receipts on any interest rate swaps or other similar Financial Products Agreement which Payments or Receipts are based on interest rates which are not fixed in percentage for the entire term of the Financial Products Agreement, such amount will be calculated by assuming such variable interest rate is a fixed interest rate equal to (a) if the Parity Financial Products Agreement relates to Variable Rate Bonds, the fixed rate of interest estimated for such Variable Rate Bonds as provided above, or (b) if the Parity Financial Products Agreement relates to the Bonds or Parity Bonds which bear interest at a fixed interest rate, the average daily interest rate for such Payments or Receipts under such Financial Products Agreement during the twelve months preceding the calculation or during the time the Financial Products Agreement has been in effect if less than twelve months and if such Financial Products Agreement is not then in effect, the variable interest rate for such Payments or Receipts will be deemed to be a fixed interest rate equal to the average daily interest rate which would have been applicable if such Financial Products Agreement had been in effect for the preceding twelve month period, which average daily interest rate will be set forth in a certificate of the Finance Director.

In determining the amount of any Financial Products Payments or Financial Products Receipts on any interest rate cap, floor, collar or other similar Financial Products Agreement with respect to Parity Bonds which are Variable Rate Bonds, such amount will be calculated by assuming the interest rate on the related Parity Bonds will be a fixed interest rate equal to the average daily interest rate on such Variable Rate Bonds during the twelve months preceding the calculation or during the time the Variable Rate Bonds are Outstanding if less than twelve months and if such Variable Rate Bonds are not at the time of calculation Outstanding, the variable interest rate will be deemed to be a fixed interest rate equal to the average daily interest rate which such Bonds would have borne if they had been Outstanding for the preceding twelve month period as estimated by the Finance Director, all as set forth in a certificate of the Finance Director. In determining the amount of any Financial Products Payments or Financial Products Receipts on any interest rate cap, floor, collar or other similar Financial Products Agreement with respect to Parity Bonds bearing interest at a fixed rate, such amount will be the amount payable or receivable annually determined as of the date of issuance of the Parity Bonds, as set forth in a certificate of the Finance Director.

For the purposes of this calculation, if Commercial Paper Notes are then Outstanding or are the Parity Bonds proposed to be issued, it will be assumed that (a) the principal amount of any Commercial Paper Notes Outstanding is that amount forecasted by the City as of the date of the calculation of Combined Maximum Annual Principal and Interest Requirements to have been issued and be Outstanding at the expiration date of the program established for the Commercial Paper Notes, (b) only interest will be payable on the Commercial Paper Notes prior to the expiration date of the program established for the Commercial Paper Notes, and such amount will be calculated by assuming such interest rate is a fixed interest rate equal to the average daily interest rate for all Commercial Paper Notes issued as part of such program during the twelve months preceding the calculation or during the time the Commercial Paper Notes have been Outstanding if less than twelve months and if such Commercial Paper Notes are not then Outstanding, the interest rate will be deemed to be a fixed interest rate equal to the average daily interest rate which would have been applicable if such Commercial Paper Notes had been Outstanding for the preceding twelve month period as estimated by the Finance Director and (c) the Commercial Paper Notes so forecasted to have been issued and Outstanding will mature over 25 years from the expiration date of the program established for the Commercial Paper Notes, will bear interest on the unpaid principal amount thereof at the fixed rate of interest equal to the Bond Buyer 30 Year Revenue Index of 25 Revenue Bonds as published in the most recent issue of The Bond Buyer (or any successor thereto) preceding the date of such determination or if such Index is no longer published, of a comparable index selected by the Finance Director and will be payable on a level annual debt service basis over such 25 year period, all as set forth in a certificate of the Finance Director. For the purposes of this paragraph, the term "expiration date of the program established for the Commercial Paper Notes" will mean the earlier of (i) such expiration date as set forth in the ordinance of the City authorizing the issuance of the

Commercial Paper Notes, or (ii) 5 years from the initial date of issuance of any Commercial Paper Note under such program.

“Commercial Paper Notes” means any bonds or notes payable from and having an irrevocable lien upon Net Pledged Revenues on a parity with the Bonds (a) which have a stated maturity date which is not more than 365 days after the date of issuance thereof, and (b) are designated as Commercial Paper Notes in the ordinance authorizing their issuance, but does not include any Credit Facility Obligations relating to such bonds or notes.

“Continuing Disclosure Undertaking” means the certificate to be dated the date of delivery of the Bonds delivered by the City, which constitutes an undertaking pursuant to Rule 15c2-12 promulgated by the Securities and Exchange Commission.

“Cost of the Series 2024A Project” means all costs, as designated by the City, of the Series 2024A Project or any interest therein, which cost, at the option of the City (except as may be otherwise limited by law) may include all, any one or other portion of the incidental costs pertaining to the Series 2024A Project, including, without limitation:

(a) All preliminary expenses or other costs advanced by the City or advanced by the Federal Government, the State or by any other Person from any source, with the approval of the City Council, or any combination thereof, or otherwise;

(b) The costs of making surveys and tests, audits, preliminary plans, other plans, specifications, estimates of costs and other preliminaries;

(c) The costs of contingencies;

(d) The costs of premiums on any builders’ risk insurance and performance bonds during the construction, installation and other acquisition of the Series 2024A Project, or a reasonably allocated share thereof;

(e) The costs of appraising, printing, estimates, advice, inspection, other services of engineers, architects, accountants, financial consultants, attorneys at law, clerical help and other agents and employees;

(f) The costs of making, publishing, posting, mailing and otherwise giving any notice in connection with the Series 2024A Project, the taking of options and the issuance of the Bonds;

(g) The costs of the filing or recording of instruments and the cost of any title insurance premiums;

(h) The costs of funding any construction loans and other temporary loans pertaining to the Series 2024A Project and of the incidental expenses incurred in connection with such loans;

(i) The costs of demolishing, removing, or relocating any buildings, structures, or other facilities on land acquired for the Series 2024A Project, and of acquiring lands to which such buildings, structures or other facilities may be moved or relocated;

(j) The costs of machinery and equipment;

(k) The costs of any properties, rights, easements or other interests in properties, or any licenses, privileges, agreements and franchises;

(l) The costs of labor, material and obligations incurred to contractors, builders and materialmen in connection with the acquisition and construction of the Series 2024A Project and the costs of labor incurred for employees of the City engaged in the acquisition and construction of the Series 2024A Project;

(m) Interest on the Series 2024A Bonds through the completion date of the Series 2024A Project;

(n) The costs of amending any ordinance, resolution or other instrument pertaining to the Series 2024A Bonds or otherwise to the System; and

(o) All other expenses pertaining to the Series 2024A Project.

“Credit Facility” means any letter or line of credit, policy of bond insurance, surety bond or guarantee or similar instrument (other than a Reserve Fund Insurance Policy) issued by a financial, insurance or other institution and which specifically provides security and/or liquidity in respect of securities payable from Net Pledged Revenues.

“Credit Facility Obligations” means repayment or other obligations incurred by the City in respect of draws or other payments or disbursements made under a Credit Facility.

“Depository” means any securities depository that is a clearing agency under federal law operating and maintaining, with its participants or otherwise, a book-entry system to record ownership of book-entry interests in bonds, and to effect transfers of book-entry interests in bonds in book-entry form, and includes and means initially The Depository Trust Company (a limited purpose trust company), New York, New York.

“Federal Securities” means bills, certificates of indebtedness, notes, or bonds which are direct obligations of, or the principal of and interest on which obligations are unconditionally guaranteed as to full and timely payment by, the United States of America.

“Finance Director” means the chief financial officer of the Utilities, presently the Chief Planning and Finance Officer, or his or her designate, or his or her successor in functions, if any.

“Financial Products Agreement” means an interest rate swap, cap, collar, floor, other hedging agreement, arrangement or security, however denominated, entered into by the City with a Provider not for investment purposes but with respect to the Bonds or specific Parity Bonds and providing that any payments by the City thereunder will be made only from Net Pledged Revenues and for the purpose of (a) reducing or otherwise managing the City’s risk of interest rate changes, or (b) effectively converting the City’s interest rate exposure, in whole or in part, from a fixed rate exposure to a variable rate exposure, or from a variable rate exposure to a fixed rate exposure.

“Financial Products Payments” means payments periodically required to be paid to a Provider by the City pursuant to a Financial Products Agreement but specifically not including any termination, settlement or similar payments required to be paid upon an early termination of the Financial Products Agreement or as a result of any event of default thereunder.

“Financial Products Receipts” means amounts periodically required to be paid to the City by a Provider pursuant to a Financial Products Agreement but specifically not including any termination, settlement or similar payments required to be paid upon an early termination of the Financial Products Agreement or as a result of any event of default thereunder.

“Gross Pledged Revenues” means all income, charges and revenues derived directly or indirectly by the City from the operation and use of and otherwise pertaining to the System, or any part thereof, whether resulting from Capital Improvements, Capital Additions, or otherwise, and includes all income, charges and revenues received by the City from the System, including without limitation:

(a) All fees, rates and other charges for the use of the System, or for any service rendered by the City in the operation thereof, directly or indirectly, the availability of any such service, or the sale or other disposal of any commodities derived therefrom, including, without limitation, connection charges, but:

(i) Excluding any moneys borrowed and used for the acquisition of Capital Improvements or Capital Additions or for the refunding of securities, including the proceeds of Crossover Refunding Bonds and all income or other gain from any investment of such borrowed moneys;

(ii) Excluding any moneys received as grants, appropriations or gifts from the Federal Government, the State, or other sources, the use of which is limited by the grantor or donor to the construction of Capital Improvements or Capital Additions, except to the extent any such moneys shall be received as payments for the use of the System, services rendered thereby, the availability of any such service, or the disposal of any commodities therefrom;

(iii) Excluding any income and revenue from any Special Facilities which have not been transferred by the City, in its sole discretion, to the System and excluding any revenues from any special rates and charges imposed to finance any such untransferred Special Facilities; and

(iv) Excluding any Financial Products Receipts;

(b) All income or other gain from any investment of Gross Pledged Revenues (including without limitation the income or gain from any investment of all moneys in any bond fund or reserve fund for any securities payable from Net Pledged Revenues and of all Net Pledged Revenues, but excluding borrowed moneys and all income or other gain thereon in the Series 2024A Acquisition Fund or any other acquisition or construction fund, the Series 2024B Escrow Fund or any other escrow fund for any other securities payable from Net Pledged Revenues heretofore or hereafter issued and excluding any unrealized gains or losses on any investment of Gross Pledged Revenues) unless the City Council or the qualified electors of the City otherwise provide by ordinance, or such electors by Charter amendment;

(c) All Build America Bond Credits to the extent received by the City with respect to any securities payable from the Net Pledged Revenues; and

(d) All income and revenues derived from the operation of any other utility or other income-producing facilities added to the System and to which the pledge and lien herein provided are extended by ordinance passed by the City Council or the qualified electors of the City or by Charter amendment adopted by such electors.

“Independent Accountant” means any certified public accountant, or any firm of certified public accountants, duly licensed to practice and practicing as such under the laws of the State:

(a) Who is, in fact, independent and not under the domination of the City;

(b) Who does not have any substantial interest, direct or indirect, with the City; and

(c) Who is not connected with the City as an officer or employee thereof, but who may be regularly retained to make annual or similar audits of any books or records of the City.

“Investment Securities” means any securities or other obligations permitted as investments of moneys of the City under the laws of the State.

“Maturity-Rate” means the Series 2024A Bonds or the Series 2024B Bonds, as applicable, which are due on the same date and bear the same rate of interest.

“Net Pledged Revenues” means the Gross Pledged Revenues remaining after the payment of the Operation and Maintenance Expenses.

“Parity Bonds” means any securities heretofore or hereafter issued payable from and having an irrevocable lien upon the Net Pledged Revenues on a parity with the Bonds but does not include any Credit Facility Obligations relating to any such securities.

“Parity Credit Facility Obligations” means any Credit Facility obligations payable from the Net Pledged Revenues with a lien thereon which is on a parity with the Bonds.

“Parity Financial Products Agreement” means any Financial Products Agreement pursuant to which Financial Products Payments are payable from Net Pledged Revenues on a parity with the Bonds.

“Paying Agent” means Computershare Trust Company, N.A., in St. Paul, Minnesota, and being an agent of the City for the payment of the Bond Requirements due in connection with the Bonds, the registrar for the Bonds and for other administration of moneys pertaining to the Bonds, and includes any successor Commercial Bank as Paying Agent.

“Provider” means any financial institution or insurance company which is a party to a Financial Products Agreement with the City.

“Reserve Fund” means the special account designated as the “City of Colorado Springs, Colorado, Utilities System Improvement Revenue Bonds, Series 2024A and City of Colorado Springs, Colorado, Utilities System Refunding Revenue Bonds, Series 2024B Reserve Fund” created pursuant to the Bond Ordinance.

“Reserve Fund Insurance Policy” means any insurance policy, surety bond or letter of credit deposited in or credited to the Reserve Fund as provided in the Bond Ordinance in lieu of or in partial substitution for cash or Investment Securities on deposit in the Reserve Fund or similarly credited to a reserve fund for Parity Bonds.

“Reserve Fund Requirement” means the sum of (a) an amount equal to the sum of the interest on the Series 2024A Bonds then Outstanding to be paid during each Fiscal Year for the period beginning with the Fiscal Year in which the Series 2024A Bonds are issued and ending with the Fiscal Year in which any Series 2024A Bond last becomes due at maturity or on a mandatory Redemption Date divided by the number of full Fiscal Years during the period beginning with the first Fiscal Year in which interest on the Series 2024A Bonds is paid and ending with the Fiscal Year in which any Series 2024A Bond last becomes due at maturity or on a mandatory Redemption Date, and (b) an amount equal to the sum of the interest on the Series 2024B Bonds then Outstanding to be paid during each Fiscal Year for the period beginning with the Fiscal Year in which the Series 2024B Bonds are issued and ending with the Fiscal Year in which any Series 2024B Bond last becomes due at maturity or on a mandatory Redemption Date divided by the number of full Fiscal Years during the period beginning with the Fiscal Year in which interest on the Series 2024B Bonds is paid and ending with the Fiscal Year in which any Series 2024B Bonds last becomes due at maturity or on a mandatory Redemption Date.

“Special Facility” includes any construction or acquisition project undertaken by or on behalf of the City, or in which the City has an interest, for the generation or transmission of electricity, the supply, treatment or transmission of water, the treatment of sanitary waste, or the production or transmission of gas, which Special Facility is constructed or acquired in whole or in part by the City and is financed in whole or part by Special Facility Obligations.

“Special Facility Obligations” means bonds or other obligations issued by the City and payable solely or in part from, and secured by a pledge of, income, charges or revenue from or relating to designated Special

Facilities, including without limitation income, charges and revenues from special rates and charges upon customers of the System to finance any Special Facilities.

“Subordinate Credit Facility Obligations” means any Credit Facility Obligations payable from Net Pledged Revenues subordinate and junior to the lien thereon of the Bonds.

“Subordinate Securities” means securities payable from the Net Pledged Revenues subordinate and junior to the lien thereon of the Bonds but does not include any Credit Facility Obligations relating to any such securities.

“Supplemental Public Securities Act Certificate” means the certificate of the City described in the Bond Ordinance.

“Surety Agreement” means any agreement hereafter entered into by the City and a Surety Provider with respect to a Reserve Fund Insurance Policy for the Bonds.

“Surety Bond” means the municipal bond debt service reserve insurance policy issued by Build America Mutual for deposit in the Reserve Fund with respect to the Bonds as provided therein and subject to the limitations set forth therein.

“Surety Provider” means Build America Mutual or any other entity issuing a Reserve Fund Insurance Policy with respect to the Bonds, provided that such entity has a rating in one of the two highest rating categories assigned by any one of S&P Global Ratings, Moody’s Investors Service or Fitch, Inc. at the time such policy, bond or letter of credit is deposited in or credited to the Reserve Fund.

“Tax Compliance Certificate” means the Tax Compliance Certificate executed by the City in connection with the initial issuance and delivery of Bonds as it may from time to time be modified pursuant to its terms.

“Tender Bonds” means any securities payable from Net Pledged Revenues which by their terms may be required to be tendered for purchase or which may be tendered by and at the option of the Owner thereof for purchase, prior to the stated maturity thereof.

“Variable Rate Bonds” means any securities payable from Net Pledged Revenues issued with a variable, adjustable, convertible or other similar interest rate which is not fixed in percentage for the entire term at the date of issue.

## **Equality of Lien**

The Bonds and any Parity Bonds previously or subsequently issued and outstanding, including any Parity Credit Facility Obligations relating thereto and any Parity Financial Products Agreements heretofore or hereafter entered into, are equitably and ratably secured by a lien on the Net Pledged Revenues. The Bonds and any Parity Bonds previously or subsequently issued will be ratably secured by a lien of the Net Pledged Revenues and will not be entitled to any priority to such Net Pledged Revenues one over the other regardless of the times of their issuance or maturity. See “DESCRIPTION OF THE BONDS—Security for the Bonds.”

The Bond Ordinance provides that the System does not and will not include the interest of the City in any Special Facility. One or more interests may be designated as Special Facilities. The power, water or gas produced by, or the treatment or transmission capability of a Special Facility either may be distributed by the City in its System or may be sold by the City to other utilities. Under the Bond Ordinance, the City reserves the right to impose special rates and charges upon customers of the System, in addition to the general rates and charges, to finance any Special Facility. If the City uses these provisions of the Bond Ordinance to acquire or construct any Special Facility while any of the Bonds or parity securities are outstanding, the revenues derived

by the City from the operation of any Special Facility (including revenues which might be received from the imposition of any such special rates and charges upon customers of the System) will not be included in the Gross Pledged Revenues of the System and will not be available to make payments due on the Bonds or parity securities.

Any interest in facilities such as those which might constitute Special Facilities, which interest is owned by any entity in which the City participates, including without limitation, an entity having the attributes of a municipal corporation or political subdivision (such as a water or power authority), or which may issue federally tax-exempt obligations, may not be designated a Special Facility and also will not be a part of the System (except that payments made by the City to such an entity may constitute operation and maintenance costs of the System payable out of Gross Pledged Revenues).

### **Additional Securities**

The City may issue securities which have a lien on the Net Pledged Revenues which is subordinate to the lien of the Bonds at any time.

Additional securities having a lien against the Net Pledged Revenues on a parity with the lien of the Bonds may be issued only if the following conditions are satisfied:

- (a) There is no default in making any payments described under “Flow of Funds” below; and
- (b) If the additional Parity Bonds are to be issued to finance capital improvements, the Net Pledged Revenues derived in the fiscal year immediately preceding the date of the issuance of the Parity Bonds must have been not less than 130% of the Average Annual Principal and Interest Requirements of the Outstanding Bonds, any Outstanding Parity Bonds and the Parity Bonds proposed to be issued, except as provided in the Bond Ordinance.

In any computation of the earnings test for issuance of any additional Parity Bonds, the amount of Gross Pledged Revenues for the applicable period will be decreased (subject to certain exceptions) and may be increased by any gain or loss conservatively estimated by the City which results from any change in any schedule of fees, rates, and other charges constituting Gross Pledged Revenues made not less than 60 days prior to the last day of the period for which Gross Pledged Revenues are determined prior to the computation. In addition, consideration will be given to any probable net increase in the operation and maintenance expenses of the System, as estimated by the Director, that will result from the expenditure of the funds proposed to be derived from the issuance of the additional securities.

*Additional Securities for Refundings* – The Bond Ordinance also includes restrictions that would apply to any refunding of outstanding securities in which the refunding securities would be on a parity with the unrefunded Bonds. Such a partial refunding may be done only if one or more of the following conditions are satisfied:

- (a) The City receives the consent of the Owners of the unrefunded portion of the Bonds; or
- (b) The Combined Maximum Annual Principal and Interest Requirements for the Bonds and Parity Bonds Outstanding immediately after the refunding (calculated as specified and with the assumptions described in the Bond Ordinance) will not increase as a result of the refunding; or
- (c) The refunding securities are issued in compliance with the requirements for additional securities generally (*i.e.*, there is no default in making required payments and the 130% test is satisfied), as described above.

## Flow of Funds

The Gross Pledged Revenues will be deposited in an Income Fund, payments from which will be made in the following order of priority:

- (a) Operation and maintenance expenses of the System will be paid.
- (b) Monthly accumulation will be made in the Bond Fund, in equal monthly installments, of current principal (including principal which becomes payable under redemption provisions) and interest payments due on or in connection with the Bonds and with respect to accumulation for principal and mandatory redemption, such accumulation need not commence until one year prior to the date on which such principal or mandatory redemption payment is due. Such credits will be made concurrently with similar payments to be made with respect to Parity Bonds under the applicable Parity Bond ordinances.
- (c) Concurrently with the monthly payments into the Bond Fund required above, and concurrently with similar payments to be made with respect to Parity Bonds under the applicable Parity Bond ordinances, and concurrently with any repayment or similar obligations payable to the issuer of any Reserve Fund Insurance Policy with respect to any Parity Bonds, from any moneys remaining in the Income Fund there will be credited to the Reserve Fund, monthly, commencing on the first day of the month next succeeding each date on which the moneys accounted for in the Reserve Fund for any reason are less than the Reserve Fund Requirement (see "Reserve Fund" below), such amounts in substantially equal monthly payments on the first day of each month to reaccumulate the Reserve Fund Requirement by not more than 12 such monthly payments. If a Reserve Fund Insurance Policy is on deposit in the Reserve Fund to fund all or a part of the Reserve Fund Requirement, the amounts payable into the Reserve Fund pursuant to the immediately preceding sentence will be paid by the City first to the Surety Provider to reimburse it (in accordance with the provisions of the Surety Agreement) for amounts disbursed by it until the Reserve Fund Insurance Policy is reinstated in full, and second to replenish cash in the Reserve Fund. If there are insufficient Net Pledged Revenues to comply with the requirements of the first sentence in this subparagraph, available Net Pledged Revenues are to be credited or paid to the Reserve Fund, to reserve funds established by any Parity Bond Ordinances and to any entity issuing any Reserve Fund Insurance Policy with respect to the Bonds or any Parity Bonds pro rata, based upon the aggregate principal amount of the Bonds and any such Parity Bonds then Outstanding; provided, however, that compliance with the provisions of this sentence will not cure any event of default caused by non-compliance with the first sentence in this subparagraph.
- (d) Subsequent to the payments summarized in (a) through (c) above, there will be deposited into the Rebate Fund moneys in the amounts and at the times specified in the Tax Compliance Certificate. Amounts on deposit in the Rebate Fund will not be subject to the lien and pledge of the Bond Ordinance to the extent that such amounts are required to be paid to the United States Treasury. The City will cause amounts on deposit in the Rebate Fund to be forwarded to the United States Treasury (at the address provided in the Tax Compliance Certificate) at the times and in the amounts set forth in the Tax Compliance Certificate.

If the moneys on deposit in the Rebate Fund are insufficient for the purposes thereof, the City will transfer moneys in the amount of the insufficiency to the Rebate Fund, to the extent permitted by the Bond Ordinance, from the Reserve Fund and the Bond Fund. Upon receipt by the City of an opinion of nationally recognized bond counsel acceptable to the City to the effect that the amount in the Rebate Fund is in excess of the amount required to be contained therein, such excess will be transferred to the Income Fund.
- (e) Subsequent to the payments summarized in (a) through (d) above, there will be paid to any Surety Provider interest on amounts advanced under a Reserve Fund Insurance Policy pursuant to such Surety Agreement.

(f) Subsequent to the payments summarized in (a) through (e) above, there may be paid interest on, principal of, reasonable reserves for, and rebate payments to the United States Treasury for additional bonds or obligations previously or subsequently issued subordinate to the lien and pledge of the Bonds.

(g) The balance remaining in the Income Fund may be used first for any necessary purposes relating to the System, and then for any lawful purposes as determined by the City Council.

### **Rate Covenant**

The Bond Ordinance provides that there will be charged to users of service pertaining to, and users of, the System, including the City (except as otherwise provided in the Bond Ordinance), such fees, rates and other charges so that the Gross Pledged Revenues will be adequate to pay in each fiscal year (i) the operation and maintenance expenses, (ii) an amount equal to 130% of both the principal of and the interest on (but excluding any reserves) the Bonds and any other Parity Bonds payable from the Net Pledged Revenues during that fiscal year, and (iii) any amounts required to pay amounts, if any, owed to the Surety Provider pursuant to the Surety Agreement and to meet then-existing deficiencies pertaining to any fund or account relating to the Gross Pledged Revenues or any securities payable from the Gross Pledged Revenues, and to satisfy its obligations under any Financial Products Agreements (other than Financial Products Payments and other than any termination, settlement or similar payments required to be paid upon an early termination of the Financial Products Agreement or as a result of any event of default thereunder). The Bond Ordinance specifies that the fees, rates and other charges to be paid by users of the System are to be reasonable. If any parity Variable Rate Bonds, parity Balloon Bonds, Commercial Paper Notes or Parity Credit Facility Obligations are Outstanding, the Bond Ordinance specifies that for purposes of the rate covenant, the amount of principal and interest or similar payments with respect to such parity Variable Rate Bonds, parity Balloon Bonds, Commercial Paper Notes, or Parity Credit Facility Obligations due in such fiscal year will be deemed to be the amount specified in the ordinance pursuant to which such parity Variable Rate Bonds or parity Balloon Bonds, Commercial Paper Notes or Parity Credit Facility Obligations are authorized, and for the purposes of the rate covenant, parity Tender Bonds will be assumed to mature on the stated maturity or mandatory Redemption Date or Dates thereof and Commercial Paper Notes will be assumed to mature 25 years after the earlier of (i) the expiration date of the program established for them as set forth in the ordinance of the City authorizing the issuance of the Commercial Paper Notes, or (ii) 5 years from the initial date of issuance of any Commercial Paper Notes under such program.

For the purpose of subsection (ii) of the preceding paragraph, if a Parity Financial Products Agreement has been entered into by the City with respect to the Bonds or any Parity Bonds, interest on the Bonds or such Parity Bonds will be included in the calculation of such interest by including for that fiscal year an amount equal to the amount of interest payable on the Bonds or such Parity Bonds in that fiscal year determined as hereinabove provided plus any Financial Products Payments payable in that fiscal year minus any Financial Products Receipts receivable in that fiscal year; provided that in no event will any calculation made pursuant to this sentence result in a number less than zero being included in the calculation of such interest.

In determining the amount of any Financial Products Payments or Financial Products Receipts on any interest rate swaps or other similar Financial Products Agreement which Payments or Receipts are based on interest rates which are not fixed in percentage for such Fiscal Year, such amount will be calculated by assuming such variable interest rate is a fixed interest rate equal to (i) if the Parity Financial Products Agreement relates to Variable Rate Bonds, the fixed rate of interest estimated for such Variable Rate Bonds as provided above, or (ii) if the Parity Financial Products Agreement relates to the Bonds or Parity Bonds which bear interest at a fixed interest rate, the average daily interest rate for such Payments or Receipts under such Financial Products Agreement during the immediately preceding fiscal year or during the time the Financial Products Agreement has been in effect if less than all of such immediately preceding fiscal year.

In determining the amount payable under any Financial Products Payments or Financial Products Receipts on any interest rate cap, floor, collar or other similar Financial Products Agreement with respect to Parity Bonds which are Variable Rate Bonds, such amount will be calculated by assuming the interest rate on the related Parity Bonds is the rate determined as provided in the first paragraph of this section. In determining the amount of any Financial Products Payments or Financial Products Receipts on any interest rate cap, floor, collar or other similar Financial Products Agreement with respect to Parity Bonds bearing interest at a fixed rate, such amount will be the amount payable or receivable annually determined as of the date of issuance of the Parity Bonds.

### **Reserve Fund**

No payment need be made into the Reserve Fund at any time so long as the moneys and/or Reserve Fund Insurance Policy deposited in the Reserve Fund equal not less than the Reserve Fund Requirement. If moneys on deposit in the Reserve Fund exceed the Reserve Fund Requirement, the excess cash is to be transferred to the Rebate Fund or the Bond Fund as directed by the City.

Commencing the first month following the date on which the moneys and/or Reserve Fund Insurance Policy in the Reserve Fund for any reason are less than the Reserve Fund Requirement, the City is required to accumulate monthly, over a period of not more than 12 months, amounts necessary to reaccumulate the Reserve Fund Requirement, as described under "Flow of Funds" above.

The City may at any time substitute (i) cash or Investment Securities for a Reserve Fund Insurance Policy, or (ii) a Reserve Fund Insurance Policy for cash or Investment Securities, so long as the amount on deposit in the Reserve Fund after such substitution is at least equal to the Reserve Fund Requirement. Any Reserve Fund Insurance Policy deposited to the credit of the Reserve Fund will be valued at the amount available to be drawn or otherwise paid.

If both cash and a Reserve Fund Insurance Policy are on deposit in the Reserve Fund, the City is required to use all cash before drawing on the Reserve Fund Insurance Policy.

### **Investment of Funds**

Moneys deposited in the accounts designated in the Bond Ordinance and not needed for immediate use are to be invested or reinvested by the Finance Director in Investment Securities. The Bond Ordinance provides that Investment Securities credited to the Reserve Fund will not mature later than the last maturity date of the Bonds.

### **Disposal of System Prohibited**

Except for the use of the System and services pertaining thereto in the normal course of business, neither all nor substantially all of the System will be sold, leased, mortgaged, pledged, encumbered, alienated or otherwise disposed of, so long as any Bonds are Outstanding.

Except as otherwise provided by the Charter and in the Bond Ordinance, the City may sell, exchange or otherwise dispose of property, facilities and assets of the System at any time and from time to time and may lease, contract or grant licenses for the operation of, or make arrangements for the use of, or grant easements or other rights to the properties, facilities and assets of the System. Any proceeds of any such sale, exchange or other disposition received and not used to replace such property so sold or so exchanged or otherwise so disposed of, will be deposited by the City in the Income Fund or into a special book account for the betterment, enlargement, extension, other improvement and equipment of the System, or any combination thereof, as the City Council may determine, and any proceeds of any such lease received will be deposited by the City as Gross Pledged Revenues in the Income Fund.

## **Insurance and Reconstruction**

Except to the extent of any self-insurance, the City at all times will be required to maintain with responsible insurers fire and extended coverage insurance, workers compensation insurance, public liability insurance, and all other insurance customarily maintained with respect to utilities of like character against loss of or damage to the System and against loss of revenues and against public and other liability to the extent reasonably necessary to protect the interests of the City and of each Owner of the Bonds. See “COLORADO SPRINGS UTILITIES —Insurance.” If any useful part of the System is damaged or destroyed, the City will, as expeditiously as possible, commence the repair or replacement of the damaged property. If the costs of repair and replacement of the damaged property exceed the proceeds of any insurance, surplus moneys in the Income Fund will be used to the extent necessary, as permitted by the Bond Ordinance.

## **Events of Default and Remedies**

Each of the following events is an “event of default” under the Bond Ordinance:

- (a) Payment of the principal of any of the Bonds is not made when the same becomes due and payable;
- (b) Payment of any installment of interest on any of the Bonds is not made when due and payable or within 30 days thereafter;
- (c) The occurrence and continuance of any “event of default” as defined in any bond ordinance governing Parity Bonds;
- (d) The City unreasonably delays or fails to carry out with reasonable dispatch the reconstruction of any part of the System which is destroyed or damaged and is not promptly repaired or replaced (unless such reconstruction is not essential to the efficient operation of the System);
- (e) An order or decree is entered by a court of competent jurisdiction with the consent or acquiescence of the City appointing a receiver or receivers for the System or for the Gross Pledged Revenues and any other moneys subject to the lien securing the Bonds then Outstanding, or such an order or decree is entered without the consent or acquiescence of the City and is not vacated, discharged, or stayed on appeal within 60 days after entry; or
- (f) The City defaults in the due and punctual performance of any representations, covenants, conditions, agreements, and other provisions contained in the Bonds or the Bond Ordinance (other than compliance with its continuing disclosure undertaking described under “DESCRIPTION OF THE BONDS – Continuing Disclosure Undertaking”), and such default continues for 60 days after written notice specifying such default and requiring the same to be remedied is given to the City by the Owners of not less than 25% in aggregate principal amount of the Bonds then Outstanding.

Upon the happening and continuance of any of the events of default, the Owners of not less than 25% of the aggregate principal amount of the Bonds then Outstanding, including, without limitation, a trustee or trustees therefor, may proceed against the City to protect and enforce the rights of any Owner of Bonds under the Bond Ordinance by mandamus or other suit, action, or special proceedings in equity or at law, in any court of competent jurisdiction. All such proceedings will be instituted, had, and maintained for the equal benefit of all Owners of the Bonds and any other Parity Bonds and Parity Credit Facility Obligation relating thereto and the Providers of any Parity Financial Products Agreements.

The Bond Ordinance does not authorize a declaration that all principal and unpaid accrued interest on the Bonds are to become immediately due and payable upon occurrence or continuation of an event of default.

The ability of the Owners of Bonds to enforce their remedies may be limited by bankruptcy, insolvency, reorganization, moratorium, or other laws affecting the enforcement of creditors' rights generally or affecting the enforcement of creditors' rights against entities such as the City. In addition, the availability of equitable remedies or equitable defenses is subject to the discretion of the court before which any proceedings may be brought.

### **Defeasance**

When all Bond Requirements of the Bonds have been duly paid, the pledge and lien and all obligations under the Bond Ordinance will be discharged and the Bonds no longer will be deemed to be Outstanding. A Bond will be deemed to be duly paid when the City has placed in escrow or in trust an amount sufficient (including the known minimum yield available for such purpose from Federal Securities) to meet all Bond Requirements of such Bond, as the same become due to the final maturity of such Bond or upon any Redemption Date.

### **Amendment**

The Bond Ordinance may be amended in certain circumstances without the consent of the Owners and in certain other circumstances with the consent of the Owners of not less than a majority of aggregate principal amount of the Parity Bonds outstanding, but no such amendment may (i) change the maturity, redemption, or payment of interest on any Outstanding Parity Bond without the consent of the Owner of such Parity Bond, (ii) reduce the principal amount of, or the interest payable on any Parity Bond without the consent of the Owner of such Parity Bond, (iii) create a lien or pledge of revenues superior to the lien or pledge created by the Bond Ordinance, (iv) otherwise affect the description of the Parity Bonds or reduce the principal amount of the Parity Bonds required to consent to any amendment, or (v) establish priorities as between the Parity Bonds Outstanding.

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## APPENDIX C

### FORM OF CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate is executed and delivered by the City of Colorado Springs, Colorado (the “City”) in connection with the issuance of \$289,020,000 aggregate principal amount of the Utilities System Improvement Revenue Bonds, Series 2024A and \$89,190,000 aggregate principal amount of the Utilities System Refunding Revenue Bonds, Series 2024B (collectively, the “Bonds”) being issued pursuant to an ordinance (the “Ordinance”) passed by the City Council of the City on July 23, 2024. The City covenants and agrees as follows:

Section 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the City for the benefit of the holders and beneficial owners of the Bonds and in order to assist the Participating Underwriter (as defined in Section 2 hereof) in complying with Rule 15c2-12(b)(5), as amended, of the Securities and Exchange Commission.

Section 2. Definitions. In addition to the definitions set forth in the Ordinance, or parenthetically defined herein, which apply to any capitalized terms used in this Disclosure Certificate unless otherwise defined in this Section, the following capitalized terms will have the following meanings:

“Annual Financial Information” means the financial information or operating data with respect to the City and the Utilities of the type contained in the Official Statement in the following portions: under (i) “COLORADO SPRINGS UTILITIES” the sections entitled “Nature of the Utilities,” “Summary of Operations,” “Outstanding Utilities Revenue Bonds and Other Obligations,” “Interest Rate Swap Agreements—Summary of Current Swap Agreements” and “Debt Service Coverage”; (ii) “THE ELECTRIC SYSTEM,” the sections entitled “Electric Rates,” “Electric System Sales and Revenues” and “System Capability”; (iii) “THE WATER SYSTEM,” the sections entitled “Water Rates and Development Charges,” “Water Sales and Revenues” and “Water Supply and Raw Water Delivery”; (iv) “THE WASTEWATER SYSTEM,” the sections entitled “Wastewater Rates” and “Wastewater Revenues”; and (v) “THE GAS SYSTEM,” the sections entitled “Gas Rates,” “Gas Sales and Revenues” and “Gas Price Hedge Program.”

“Audited Financial Statements” means the Utilities’ annual financial statements, prepared in accordance with Sections 827 and 828 of the Ordinance.

“Dissemination Agent” means, initially, the City, or any successor Dissemination Agent designated in writing by the City and which has filed with the City a written acceptance of such designation.

“Listed Events” means any of the events listed in Section 4 of this Disclosure Certificate.

“MSRB” shall mean the Municipal Securities Rulemaking Board. As of the date hereof, the MSRB’s required method of filing is electronically via its Electronic Municipal Market Access (EMMA) system available on the Internet at <http://emma.msrb.org>.

“Official Statement” means the Final Official Statement dated August \_\_, 2024 relating to the Bonds.

“Participating Underwriter” means the original underwriters of the Bonds required to comply with the Rule in connection with an offering of the Bonds.

“Rule” means Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

Section 3. Provision of Annual Financial Information and Audited Financial Statements.

(a) Commencing with respect to the fiscal year ended December 31, 2024 and annually thereafter, the City will, or will cause the Dissemination Agent to, provide the Annual Financial Information and the Audited Financial Statements to the MSRB. Such Annual Financial Information will be provided to the MSRB on or before May 1 of each year or, in the event of a change in the fiscal year of the City, on or before 120 days after the end of the fiscal year, and such Audited Financial Statements will be provided to the MSRB annually reasonably promptly after receipt by the City. Not later than five (5) business days prior to said dates, the City will provide the Annual Financial Information or Audited Financial Statements, as the case may be, to the Dissemination Agent (if other than the City).

(b) The City may provide Annual Financial Information and Audited Financial Statements by specific reference to documents which are available to the public on the MSRB’s Internet Web Site or filed with the Securities and Exchange Commission.

(c) If the City is unable to provide to the MSRB the Annual Financial Information and Audited Financial Statements by the dates required in subsection (a) of this Section, the City will send a notice to the MSRB, in substantially the form attached as Exhibit A.

(d) The Dissemination Agent will:

(1) determine each year, prior to the dates for providing the Annual Financial Information and Audited Financial Statements, the electronic format prescribed by the MSRB;

(2) if the Dissemination Agent is other than the City, send written notice to the City at least 45 days prior to the dates the Annual Financial Information or the Audited Financial Statements, as the case may be, are due stating that the Annual Financial Information or the Audited Financial Statements, as the case may be, are due as provided in Section 3(a) hereof; and

(3) if the Dissemination Agent is other than the City, file a report with the City certifying the Annual Financial Information and Audited Financial Statements have been provided pursuant to this Disclosure Certificate, stating the dates they were provided and listing all the entities to which they were provided.

Section 4. Reporting of Significant Events. The City will provide or cause to be provided notice of any of the following events with respect to the Bonds in a timely manner to the MSRB not in excess of ten business days after the occurrence of the event:

(a) Principal and interest payment delinquencies;

(b) Non-payment related defaults, if material;

(c) Unscheduled draws on debt service reserves reflecting financial difficulties;

(d) Unscheduled draws on credit enhancements reflecting financial difficulties;

(e) Substitution of credit or liquidity providers, or their failure to perform;

(f) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701- TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;

(g) Modifications to rights of Bondholders, if material;

(h) Bond calls (other than mandatory sinking fund redemptions), if material, and tender offers;

(i) Defeasances;

(j) Release, substitution or sale of property securing repayment of the Bonds, if material;

(k) Rating changes;

(l) Bankruptcy, insolvency, receivership or similar event of the City;\*

(m) The consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of the assets of the City, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;

(n) Appointment of a successor or additional trustee or the change of name of a trustee, if material;

(o) Incurrence of a financial obligation, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation, any of which affect security holders, if material;† and

(p) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the obligated person, any of which reflect financial difficulties.†

Section 5. Electronic Format and Identifying Information. All documents provided to the MSRB pursuant to this Disclosure Certificate shall be in an electronic format as prescribed by the MSRB and shall be accompanied by identifying information as prescribed by the MSRB.

Section 6. Termination of Reporting Obligation. The City's obligations under this Disclosure Certificate will terminate upon the earliest of: (i) the date of legal defeasance, prior redemption or payment in full of all of the Bonds; (ii) the date that the City will no longer constitute an "obligated person" within the meaning of the Rule; or (iii) the date on which those portions of the Rule which require this written

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\* For purposes of the event identified in Section 4(l), the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the City in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the City, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the City.

† For purposes of the events identified in Section 4(o) and 4(p), the term "financial obligation" means a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) guarantee of (i) or (ii). The term "financial obligation" shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.

undertaking are held to be invalid by a court of competent jurisdiction in a non-appealable action, have been repealed retroactively or otherwise do not apply to the Bonds.

Section 7. Dissemination Agent. The City may, from time to time, appoint or engage a Dissemination Agent to assist the City in carrying out its obligations under this Disclosure Certificate, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent.

Section 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the City may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, without the consent of the holders of the Bonds, if such amendment or waiver does not, in and of itself, cause the undertakings herein (or action of any Participating Underwriter in reliance on the undertakings herein), in the opinion of the Utilities' bond counsel, to violate the Rule, but taking into account any subsequent change in or official interpretation of the Rule. The City will provide notice of such amendment or waiver to the MSRB.

Section 9. Default. In the event of a failure of the City to comply with any provision of this Disclosure Certificate, any holder or beneficial owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the City to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate will not be deemed an event of default under the Ordinance, and the sole remedy under this Disclosure Certificate in the event of any failure of the City to comply with this Disclosure Certificate will be an action to compel performance.

Section 10. Beneficiaries. This Disclosure Certificate will inure solely to the benefit of the City, the Dissemination Agent, the Participating Underwriter and the holders and beneficial owners from time to time of the Bonds, and will create no rights in any other person or entity.

Dated August 20, 2024.

CITY OF COLORADO SPRINGS, COLORADO

By \_\_\_\_\_  
Chief Planning and Finance Officer,  
Colorado Springs Utilities

**EXHIBIT A**

**NOTICE TO MUNICIPAL SECURITIES RULEMAKING BOARD OF FAILURE TO FILE  
ANNUAL FINANCIAL INFORMATION OR AUDITED FINANCIAL STATEMENTS**

Name of Issuer: City of Colorado Springs, Colorado

Name of Issue: Utilities System Improvement Revenue Bonds, Series 2024A in the aggregate principal amount of \$289,020,000, and Utilities System Refunding Revenue Bonds, Series 2024B in the aggregate principal amount of \$89,190,000.

Date of Issuance: August 20, 2024.

NOTICE IS HEREBY GIVEN that the City has not provided the [Annual Financial Information/Audited Financial Statements] with respect to the above Bonds as required by Section 831 of the ordinance of the City authorizing the issuance of the above Bonds and the Continuing Disclosure Certificate dated August 20, 2024 of the City. The City anticipates that the [Annual Financial Information/Audited Financial Statements] will be filed by \_\_\_\_\_.

Dated: \_\_\_\_\_, \_\_\_\_\_

CITY OF COLORADO SPRINGS, COLORADO

By \_\_\_\_\_  
Chief Planning and Finance Officer,  
Colorado Springs Utilities

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## APPENDIX D

### FORM OF BOND COUNSEL OPINION

August 20, 2024

City of Colorado Springs, Colorado  
30 S. Nevada Avenue  
Colorado Springs, Colorado 80903

Re:     *\$289,020,000 City of Colorado Springs, Colorado, Utilities System Improvement Revenue Bonds, Series 2024A*

*\$89,190,000 City of Colorado Springs, Colorado, Utilities System Refunding Revenue Bonds, Series 2024B*

Ladies and Gentlemen:

We have acted as bond counsel to the City of Colorado Springs, Colorado (the “City”) in connection with the issuance by the City of the \$289,020,000 aggregate principal amount of the Utilities System Improvement Revenue Bonds, Series 2024A (the “Series 2024A Bonds”), and \$89,190,000 aggregate principal amount of the Utilities System Refunding Revenue Bonds, Series 2024B (the “Series 2024B Bonds” and, together with the Series 2024A Bonds, the “Bonds”) pursuant to an authorizing ordinance passed by the City Council and adopted on July 23, 2024 (the “Bond Ordinance”). We have examined the law and such certified proceedings and other documents as we deem necessary to render this opinion. This opinion is based on current statutory and constitutional law and published court decisions as of the date hereof. Capitalized terms used herein and not otherwise defined shall have the meaning ascribed thereto in the Bond Ordinance.

As to questions of fact material to our opinion, we have relied upon representations of the City contained in the Bond Ordinance and in the certified proceedings and certifications of public officials and others furnished to us, without undertaking to verify the same by independent investigation.

Based upon the foregoing we are of the opinion, under existing law, as follows:

1.       The Bonds are valid and binding special, limited obligations of the City payable solely from the Net Pledged Revenues and from funds and accounts pledged therefor under the Bond Ordinance.

2.       The Bond Ordinance creates a valid lien on the Net Pledged Revenues pledged therein for the security of the Bonds on a parity with the lien thereon and the pledge thereof to secure the payment of the Parity Bonds. The Bond Ordinance also creates a valid lien on the Bond Fund and the Reserve Fund. Except as described in this paragraph, we express no opinion regarding the priority of the lien on Net Pledged Revenues or on the funds and accounts created by the Bond Ordinance.

3.       Under existing statutes, regulations, rulings and judicial decisions, interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals; however, with respect to applicable corporations as defined in Section 59(k) of the Internal Revenue Code of 1986, as amended (the “Code”), interest with respect to the Bonds might be taken into account in determining adjusted financial statement income for the purposes of computing alternative minimum tax imposed on such corporations.

4. Interest on the Bonds is excluded from State of Colorado taxable income and State of Colorado alternative minimum taxable income under State of Colorado income tax laws in effect as of the date hereof.

5. The amount by which a Bond Owner's original basis for determining loss on sale or exchange in the applicable Bond (generally, the purchase price) exceeds the amount payable on maturity (or on an earlier call date) constitutes amortizable Bond premium, which must be amortized under the Code; such amortizable Bond premium reduces the Bond Owner's basis in the applicable Bond (and the amount of tax-exempt interest received), and is not deductible for federal income tax purposes. The basis reduction as a result of the amortization of Bond premium may result in a Bond Owner realizing a taxable gain when a Bond is sold by the Owner for an amount equal to or less (under certain circumstances) than the original cost of the Bond to the Owner. Purchasers of the Bonds should consult their own tax advisors as to the treatment, computation and collateral consequences of amortizable bond premium.

The opinions that are expressed herein as to the exclusion from gross income for federal income tax purposes of interest on the Bonds are subject to the condition that the City complies with all requirements of the Internal Revenue Code of 1986, as amended (the "Code"), that must be satisfied subsequent to the issuance of the Bonds to assure that such interest will not become includable in gross income for federal income tax purposes. Failure to comply with such requirements of the Code might cause interest on the Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds. The City has covenanted to comply with all such requirements. Except as set forth in paragraphs (3) through (6) above, we express no opinion as to any tax consequences related to the Bonds.

Certain requirements and procedures contained or referred to in the Bond Ordinance and Tax Certificate may be changed, and certain actions may be taken, under the circumstances and subject to the terms and conditions set forth in the Bond Ordinance and Tax Certificate, upon the advice or with the approving opinion of counsel nationally recognized in the area of tax-exempt obligations. We express no opinion as to the effect on the exclusion of interest on the Bonds from gross income for federal income tax purposes on and after the date on which any such change occurs or action is taken upon the advice or approval of counsel other than Stradling Yocca Carlson & Rauth LLP.

The opinions expressed herein are based upon an analysis of existing statutes, regulations, rulings and judicial decisions and cover certain matters not directly addressed by such authorities. We call attention to the fact that the foregoing opinions may be affected by actions taken (or not taken) or events occurring (or not occurring) after the date hereof. We have not undertaken to determine, or to inform any person, whether such actions or events are taken (or not taken) or do occur (or do not occur).

We call attention to the fact that the rights and obligations under the Bond Ordinance, the Bonds and the Tax Certificate are subject to bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance and other similar laws affecting creditors' rights, to the application of equitable principles if equitable remedies are sought, to the exercise of judicial discretion in appropriate cases and to limitations on legal remedies against public agencies in the State of Colorado.

Our opinion is limited to matters governed by the laws of the State of Colorado and federal income tax law. We assume no responsibility with respect to the applicability or the effect of the laws of any other jurisdiction.

Our engagement with respect to the Bonds terminates upon their issuance, and we disclaim any obligation to update the matters set forth herein. We express no opinion herein as to the accuracy, completeness or sufficiency of the Official Statement or other offering material relating to the Bonds and expressly disclaim any duty to advise the owners of the Bonds with respect to the matters contained in the Official Statement.

Respectfully submitted,

## APPENDIX E

### DTC BOOK-ENTRY ONLY SYSTEM

The Bonds initially will be issued solely in book-entry form to be held in the book-entry only system maintained by The Depository Trust Company (“DTC”), New York, New York. So long as such book-entry system is used, only DTC will receive or have the right to receive physical delivery of Bonds and Beneficial Owners will not be or be considered to be, and will not have any rights as, owners or Owners of the Bonds under the Bond Ordinance.

The information in this Appendix E concerning DTC and DTC’s book-entry system has been obtained from sources that the City believes to be reliable, but the City takes no responsibility for the accuracy thereof.

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each maturity of the Bonds, in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has a Standard & Poor’s rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com).

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC’s records. The ownership interest of each actual purchaser of each Bond (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co., or such other name as may be requested by an

authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the City as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal, interest and redemption proceeds on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the City or the Paying Agent on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Paying Agent or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, interest or redemption proceeds to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or the Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the City or the Paying Agent. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered.

The City may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered to DTC.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the City believes to be reliable, but the City takes no responsibility for the accuracy thereof.

**SO LONG AS CEDE & CO., AS NOMINEE OF DTC, IS THE REGISTERED OWNER OF THE BONDS, REFERENCES IN THIS OFFICIAL STATEMENT TO THE REGISTERED OWNERS OF THE BONDS WILL MEAN CEDE & CO. AND WILL NOT MEAN THE BENEFICIAL OWNERS.**

## APPENDIX F

### ECONOMIC AND DEMOGRAPHIC INFORMATION

This portion of the Official Statement contains general information concerning historic economic and demographic conditions in and surrounding the City of Colorado Springs. It is intended only to provide prospective investors with general information regarding the City’s community. The information was obtained from the sources indicated and is limited to the time periods indicated. The information is historic in nature; it is not possible to predict whether the trends shown will continue in the future. The City makes no representation as to the accuracy or completeness of data obtained from parties other than the City.

#### Population

The following table sets forth a history of the populations of the City, El Paso County and the State. Between 2010 and 2020, the City’s population increased 14.17%, El Paso County increased 16.76% and the State increased 14.54%.

#### Population<sup>(1)</sup>

<i>Year</i>	<i>City of Colorado Springs</i>	<i>Percent Change</i>	<i>El Paso County</i>	<i>Percent Change</i>	<i>Colorado</i>	<i>Percent Change</i>
1970	135,517	--	235,972	--	2,209,596	--
1980	215,105	58.73%	309,424	31.13%	2,889,733	30.78%
1990	281,140	30.70	397,014	28.31	3,294,394	14.00
2000	360,890	28.37	516,929	30.20	4,301,261	30.56
2010	420,691	16.57	627,232	21.33	5,050,332	17.42
2011	428,674	1.90	639,139	1.90	5,123,550	1.45
2012	433,979	1.24	648,445	1.46	5,194,662	1.39
2013	439,614	1.30	658,303	1.52	5,270,884	1.47
2014	443,553	0.90	665,754	1.13	5,347,654	1.46
2015	451,067	1.69	677,969	1.83	5,446,593	1.85
2016	460,505	2.09	692,295	2.11	5,529,629	1.52
2017	467,285	1.47	704,797	1.81	5,599,589	1.27
2018	474,691	1.58	717,812	1.85	5,676,913	1.38
2019	478,506	0.80	725,497	1.07	5,734,913	1.02
2020	480,292	0.37	732,342	0.94	5,784,865	0.87
2021	483,328	0.63	737,228	0.67	5,811,297	0.46
2022	486,248	0.60	740,567	0.45	5,839,926	0.49
2023	488,664	0.49	744,215	0.49	5,877,610	0.65

<sup>(1)</sup> Figures for 1970 through 2010 represent Historical Census Data.

Sources: U.S. Census Bureau. Annual Estimates as of July 2023 and Colorado Department of Local Affairs, Demography Section as of July 2024. All figures are subject to periodic revisions.

## Income

The following table sets forth annual total personal income for El Paso County, the State and the nation.

### Personal Income (in thousands)

<i>Year</i>	<i>El Paso County</i>	<i>Colorado</i>	<i>United States</i>
2012	\$26,537,972	\$245,633,600	\$14,014,339,000
2013	26,992,626	255,164,900	14,193,635,000
2014	28,641,342	278,745,300	14,976,569,000
2015	30,097,140	286,520,600	15,685,228,000
2016	30,922,547	295,180,400	16,096,893,000
2017	32,637,705	317,900,500	16,839,839,000
2018	34,549,937	341,808,300	17,683,797,000
2019	39,979,710	361,209,100	18,586,994,000
2020	40,040,849	377,898,300	19,832,307,000
2021	43,258,594	415,822,200	21,294,815,000
2022	40,283,198	440,812,600	21,777,215,000
2023	-- <sup>(1)</sup>	463,852,063	21,668,520,000

<sup>(1)</sup> 2023 figure for El Paso County not available as of July 2024.

Source: United States Department of Commerce, Bureau of Economic Analysis. All figures are subject to periodic revisions.

The following table sets forth annual per capita personal income levels for El Paso County, the State and the nation. Per capita personal income levels in El Paso County have consistently been lower than personal income levels in the State and the nation during the period shown.

### Per Capita Personal Income

<i>Year</i>	<i>El Paso County</i>	<i>Colorado</i>	<i>United States</i>
2012	\$41,215	\$45,637	\$44,582
2013	40,642	46,824	44,826
2014	43,360	49,823	47,025
2015	43,385	50,971	48,940
2016	44,409	51,999	49,870
2017	46,511	52,059	51,885
2018	48,467	56,846	54,098
2019	51,117	63,522	56,250
2020	54,504	69,016	59,765
2021	59,716	70,706	64,143
2022	61,076	74,167	65,280
2023	-- <sup>(1)</sup>	78,918	66,755

<sup>(1)</sup> 2023 figures for El Paso County not available as of July 2024.

Source: United States Department of Commerce, Bureau of Economic Analysis. All figures are subject to periodic revisions.

## Employment

The following table presents information on employment within El Paso County, the State and the nation, for the time period indicated.

### Labor Force and Percent Unemployed<sup>(1)</sup>

<i>Year</i>	<i>El Paso County</i>		<i>Colorado <sup>(1)</sup></i>		<i>United States</i>
	<i>Labor Force</i>	<i>Percent Unemployed</i>	<i>Labor Force</i>	<i>Percent Unemployed</i>	<i>Percent Unemployed</i>
2013	306,626	6.7	2,766,140	6.7	6.5
2014	306,538	4.9	2,800,666	5.0	5.4
2015	307,595	3.8	2,825,761	3.7	4.8
2016	314,650	3.0	2,894,157	3.1	4.5
2017	322,818	3.1	2,963,790	2.6	3.9
2018	332,289	3.7	3,054,347	3.0	3.7
2019	338,652	3.0	3,105,584	2.7	3.4
2020	342,131	6.7	3,088,995	6.8	6.5
2021	354,358	4.1	3,158,144	5.4	3.7
2022	358,771	2.7	3,200,625	3.0	3.3
2023 <sup>(2)</sup>	365,168	3.3	3,128,115	3.2	3.6

<sup>(1)</sup> Not seasonally adjusted

<sup>(2)</sup> Latest release July 3, 2024.

Sources: U.S. Bureau of Labor, Bureau of Labor Statistics.

The following table sets forth the number of individuals employed in selected industries in El Paso County covered by unemployment insurance. The largest employment sector in El Paso County in 2022 was health care and social assistance (comprising approximately 16.52% of the county's work force), followed, in order, by accommodation and food services, retail trade; professional and technical services, and educational services. For the 12-month period ended December 31, 2022, total average employment in the County increased 3.65% as compared to the same 12-month period ending December 31, 2021 and average weekly wages increased 6.36% during the same time period.

**Average Number of Employees Within Selected Industries – El Paso County**

<i>Industry</i>	<i>2017</i>	<i>2018</i>	<i>2019</i>	<i>2020</i>	<i>2021</i>	<i>2022</i>
Accommodation & Food Services	30,877	31,408	31,972	26,817	30,224	33,289
Administrative & Waste Services	18,829	18,225	18,519	17,669	18,169	17,220
Agriculture, Forestry, Fishing, & Hunting	481	540	628	533	511	373
Arts, Entertainment & Recreation	5,435	5,638	5,984	4,532	4,898	5,273
Construction	16,208	16,968	17,619	17,791	18,068	18,355
Educational Services	27,417	27,648	28,328	26,752	26,576	27,330
Finance & Insurance	12,324	12,619	12,931	13,141	13,082	12,266
Health Care & Social Assistance	40,924	42,695	44,404	45,559	47,359	48,624
Information	6,172	6,179	6,181	5,647	5,631	5,591
Management of Companies & Enterprises	1,246	1,218	1,296	1,318	1,470	1,604
Manufacturing	11,480	11,691	11,674	11,421	11,549	11,886
Mining	70	57	50	37	43	44
Other Services, Ex. Public Admin	11,511	11,461	11,878	11,230	11,000	11,334
Professional & Technical Services	23,858	25,603	26,837	28,112	29,605	31,935
Public Administration	13,330	13,520	13,969	14,511	14,585	14,813
Real Estate & Rental and Leasing	4,823	4,861	5,012	4,884	5,013	5,200
Retail Trade	32,389	32,259	31,857	30,965	31,909	32,083
Transportation & Warehousing	5,392	5,625	5,899	6,077	8,226	10,662
Utilities	2,435	2,475	2,460	2,453	2,413	2,458
Wholesale Trade	<u>5,574</u>	<u>5,641</u>	<u>5,878</u>	<u>5,813</u>	<u>5,914</u>	<u>6,357</u>
Total <sup>(1)</sup>	270,781	276,351	283,376	275,262	286,245	296,697

<sup>(1)</sup> Figures may not equal totals when added due to the rounding of averages.

2023 Data not available as of July 2024 for various Industries.

Source: State of Colorado, Department of Labor and Employment, Labor Market Information, Annual Census of Employment and Wages.

## Major Employers

The following tables set forth a brief description of the major employers located in the County and City, respectively. No independent investigation has been made regarding these major employers. Therefore, there can be no representation as to whether or not such employers will retain their status as major employers in the County or City.

### Principal Employers El Paso, County

<i>Employer</i>	<i>Number of Employees</i>	<i>Product or Service</i>
Fort Carson	33,500	Military Installation
Peterson SFB, Schriever SFB, & Cheyenne SFS <sup>(1)</sup>	25,400	Military Installation
United States Air Force Academy	7,700	Military Installation
UCHealth Memorial Health System	7,050	Healthcare Supplier
School District #11 – Colorado Springs	5,150	Education/Training
University of Colorado, Colorado Springs	3,700	Education/Training
School District #20 – Air Academy	3,050	Education/Training
City of Colorado Springs <sup>(2)</sup>	3,050	Government
Amazon	3,000	Online Retailer
Common Spirit Health (f/k/a Penrose/Centura)	2,900	Healthcare Supplier

1. Space Force Bases (SFB) were previously tracked individually but are now consolidated

2. City of Colorado Springs includes the total of all full-time equivalent employees in all funds and enterprises except Colorado Springs Utilities and Memorial Health System.

Source: El Paso County Annual Comprehensive Financial Report for the year ended December 31, 2023.

### Principal Employers City of Colorado Springs

<i>Employer</i>	<i>Percent of Total County Employment</i>	<i>Product or Service</i>
Fort Carson	13.2%	Military Installation
Peterson SFB, Schriever SFB, & Cheyenne SFS <sup>(1)</sup>	6.5	Military Installation
United States Air Force Academy	3.0	Military Installation
UCHealth Southern Colorado Region	2.8	Healthcare Supplier
School District #11 – Colorado Springs	1.5	Education/Training
City of Colorado Springs <sup>(2)</sup>	1.2	Government
School District #20 – Air Academy	1.2	Education/Training
Common Spirit Health (f/k/a Penrose/Centura)	1.2	Healthcare Supplier
Amazon	1.2	Online Retailer
El Paso County	1.1	Government

1. Space Force Bases (SFB) were previously tracked individually but are now consolidated.

2. City of Colorado Springs includes the total of all full-time equivalent employees in all funds and enterprises except Colorado Springs Utilities and Memorial Health System.

Source: City of Colorado Springs Annual Comprehensive Financial Report for the year ended December 31, 2023.

## Retail Sales

Annual retail sales figures for the City, El Paso County and the State are set forth below.

### Retail Sales (in thousands)

<i>Year<sup>(1)</sup></i>	<i>City of Colorado Springs</i>	<i>Percent Change</i>	<i>El Paso County</i>	<i>Percent Change</i>	<i>Colorado</i>	<i>Percent Change</i>
2011	\$11,931,673	--	\$13,929,941	--	\$154,632,762	--
2012	12,454,783	4.38%	14,502,456	4.11%	164,175,836	6.17%
2013	13,438,634	7.90	15,610,575	7.64	172,784,033	5.24
2014	14,311,405	6.49	16,684,061	6.88	182,709,978	5.74
2015	13,876,737	(3.04)	16,548,061	(0.82)	182,845,695	0.07
2016	14,327,014	3.24	17,264,285	4.32	184,703,410	1.02
2017	15,365,889	7.25	18,406,833	6.62	194,041,958	5.06
2018	16,677,187	8.53	20,098,236	9.19	206,121,045	6.22
2019	17,470,904	4.76	21,237,985	5.67	224,618,938	8.97
2020	20,888,972	19.56	23,243,627	9.44	228,812,220	1.86
2021	22,307,503	6.79	27,495,740	18.29	268,328,759	17.27
2022	24,285,025	8.86	29,842,758	8.54	299,923,778	11.77
2023 <sup>(1)</sup>	24,275,031	(0.04)	29,878,597	0.12	302,570,432	0.88

<sup>(1)</sup> Through December 31, 2023.

Source: State of Colorado, Department of Revenue, State Sales Tax Collected in Colorado Counties and Selected Cities and Related Statistics (monthly reports).

## Current Construction

The following table sets forth the number of permits issued for both residential and commercial construction in the County during the time period indicated.

### Building Permits Issued for New Structures in El Paso County<sup>(1)</sup>

<i>Year</i>	<i>Single Family</i>		<i>Multi-Family</i> <sup>(2)</sup>		<i>Commercial</i> <sup>(3)</sup>	
	<i>Permits</i>	<i>Value</i>	<i>Units</i>	<i>Value</i>	<i>Permits</i>	<i>Value</i>
2014 <sup>(4)</sup>	2,433	1,032,039,203	1,090	153,369,996	246	161,959,800
2015 <sup>(5)</sup>	2,739	1,131,190,529	846	114,315,368	303	246,359,103
2016 <sup>(6)</sup>	3,237	1,360,333,105	1,717	294,641,637	372	371,017,235
2017 <sup>(7)</sup>	3,504	1,417,418,973	1,351	202,830,494	347	460,911,485
2018 <sup>(8)</sup>	3,856	1,516,644,352	1,729	268,739,728	413	409,650,808
2019	3,530	1,382,822,563	509	289,536,290	829	870,300,909
2020	4,497	1,735,475,424	605	361,553,861	1,143	846,505,164
2021	4,356	1,730,568,441	830	844,745,369	1,345	649,653,687
2022	3,070	1,264,603,164	666	882,689,538	1,242	490,507,063
2023	2,667	1,203,755,055	643	601,849,700	1,451	602,960,250

<sup>(1)</sup> Pikes Peak Regional Building Department issue permits for unincorporated El Paso County and for the municipalities of Colorado Springs, Fountain, Green Mountain Falls, Manitou Springs, Monument, and Palmer Lake.

<sup>(2)</sup> Includes townhouses, duplexes, condominiums, and multi-family buildings.

<sup>(3)</sup> Includes commercial buildings such as hotels, motels, amusement/recreation, manufacturing, offices, banks and professional buildings; and stores and other retail buildings. Does not include structures other than buildings (Swim Pools, etc.) or signs.

<sup>(4)</sup> Approximately 185 permits issued to replace residences destroyed by Waldo Canyon and Black Forest wildfires.

<sup>(5)</sup> Approximately 49 permits issued to replace residences destroyed by Waldo Canyon and Black Forest wildfires.

<sup>(6)</sup> Approximately 33 permits issued to replace residences destroyed by Waldo Canyon and Black Forest wildfires.

<sup>(7)</sup> Approximately 27 permits issued to replace residences destroyed by Waldo Canyon and Black Forest wildfires.

<sup>(8)</sup> Approximately 20 permits issued to replace residences destroyed by Waldo Canyon and Black Forest wildfires.

Source: Pikes Peak Regional Building Department.

## Foreclosure Activity

The following table sets forth the number of foreclosures filed in El Paso County during the time period shown. Such information only represents the number of foreclosures filed and does not take into account foreclosures which were filed and subsequently redeemed or withdrawn.

### History of Foreclosure Filings – El Paso County

<i>Year</i>	<i>Number of Foreclosures Filed</i>	<i>Percent Change</i>
2012	3,364	--
2013	1,861	(44.68)%
2014	1,825	(1.93)
2015	1,470	(19.45)
2016	1,287	(12.45)
2017	1,089	(15.38)
2018	908	(16.62)
2019	827	(8.92)
2020	281	(66.02)
2021	144	(48.75)
2022	770	434.72
2023	732	(4.94)

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Sources: El Paso County Public Trustee's Office.

## APPENDIX G

### THE REFUNDING PLAN

Net proceeds of the Series 2024B Bonds, together with other available moneys of the Utilities, are expected to be deposited into the Series 2024B Escrow Fund to pay on November 15, 2024 (the “Redemption Date”) the principal amount of the Refunded Bonds listed below maturing on and after the Redemption Date plus accrued interest to the Redemption Date, without premium; provided that the Refunded Bonds maturing on November 15, 2024 will be paid on November 15, 2024. Amounts deposited into the Series 2024B Escrow Fund will be held by Computershare Trust Company, N.A. (“Computershare”), as Escrow Agent and Paying Agent, pursuant to the Series 2024B Escrow Agreement dated as of August 1, 2024, between the City and Computershare. See “VERIFICATION OF MATHEMATICAL COMPUTATIONS.” Amounts in the Series 2024B Escrow Fund are not pledged as security for the Bonds.

The Refunded Bonds consist of the following:

**City of Colorado Springs, Colorado**  
**Utilities System Improvement Revenue Bonds**  
**Series 2014A-1**

<u>Maturity</u> <u>(November 15)</u>	<u>CUSIP</u> <sup>†</sup>	<u>Principal</u> <u>Amount to be</u> <u>Refunded</u>	<u>Redemption</u> <u>Price (% of</u> <u>Par Amount)</u>
2024	196632UP6	\$ 1,260,000	--
2025	196632UQ4	1,325,000	100%
2026	196632UR2	7,080,000	100
2027	196632US0	1,745,000	100
2028	196632UT8	1,830,000	100
2030	196632UU5	1,920,000	100
2031	196632UV3	2,000,000	100
2032	196632UW1	2,080,000	100
2033	196632UX9	2,160,000	100
2034	196632UY7	2,250,000	100
2039	196632UZ4	12,920,000	100
2044	196632VA8	16,490,000	100

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<sup>†</sup> CUSIP® is a registered trademark of the American Bankers Association. CUSIP Global Services (CGS) is managed on behalf of the American Bankers Association by FactSet Research Systems Inc. CUSIP® numbers are provided for convenience of reference only. None of the City, the Utilities, the Underwriters or their agents or counsel assume responsibility for the accuracy of such numbers.

**City of Colorado Springs, Colorado**  
**Utilities System Improvement Revenue Bonds**  
**Series 2014A-2**

<i>Maturity (November 15)</i>	<i><u>CUSIP</u><sup>†</sup></i>	<i><u>Principal Amount to be Refunded</u></i>	<i><u>Redemption Price (% of Par Amount)</u></i>
2024	196632VG5	\$ 1,135,000	--
2025	196632VH3	1,190,000	100%
2026	196632VJ9	6,955,000	100
2027	196632VK6	1,595,000	100
2028	196632VL4	1,680,000	100
2030	196632VM2	1,765,000	100
2031	196632VN0	1,830,000	100
2032	196632VP5	1,905,000	100
2033	196632VQ3	1,985,000	100
2034	196632VR1	2,060,000	100
2039	196632VS9	11,855,000	100
2044	196632VT7	15,130,000	100

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<sup>†</sup> CUSIP® is a registered trademark of the American Bankers Association. CUSIP Global Services (CGS) is managed on behalf of the American Bankers Association by FactSet Research Systems Inc. CUSIP® numbers are provided for convenience of reference only. None of the City, the Utilities, the Underwriters or their agents or counsel assume responsibility for the accuracy of such numbers.



