



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

2025
ANNUAL
REPORT



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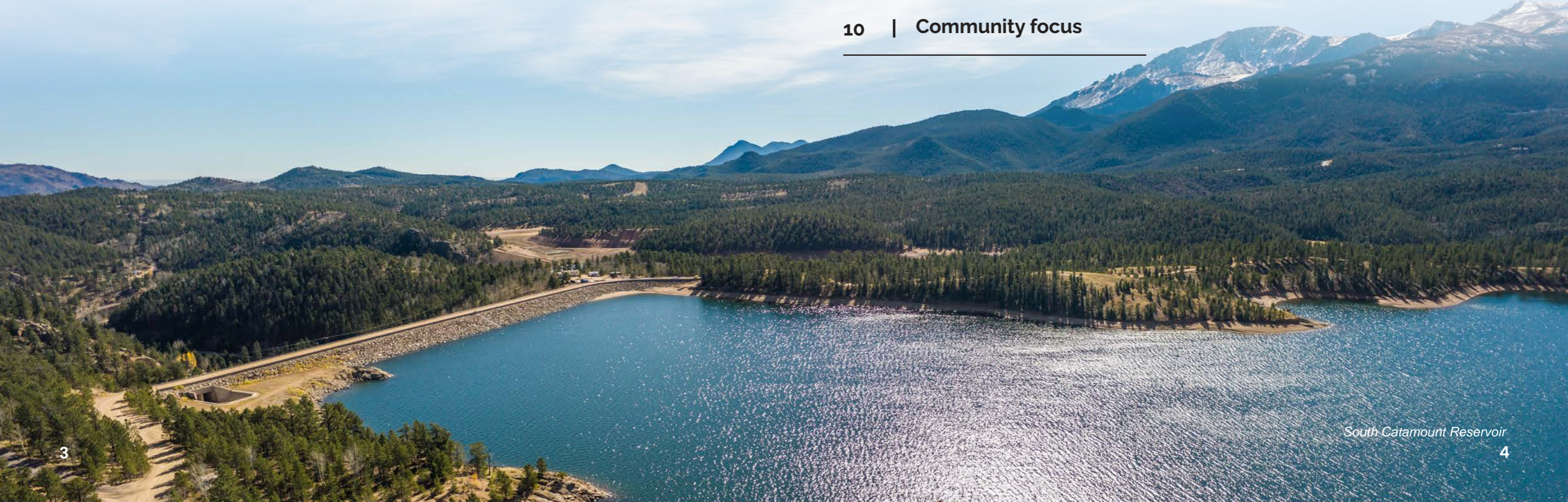
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CEO LETTER

In 2025, we looked ahead with a clear focus on building the future. The work underway across our community reflects our long-standing commitment to reliability, resiliency and thoughtful investment in the infrastructure that will support our city for decades to come.

Thanks to the five-year financial plan approved in 2024, we are making meaningful progress on major electric system improvements, new energy technologies and long-planned water and wastewater projects. These investments strengthen our utility systems and ensure we can meet the needs of a growing city while adapting to evolving regulations and emerging technologies.

We continue to modernize our electric grid and bring new resources online that enhance the reliability of our system. At the same time, we are reinforcing the essential infrastructure that moves and stores our water. This work safeguards our most critical resource and maintains the services our customers can depend on.

Our focus on the future extends well beyond infrastructure. Through education, partnerships and new customer programs, we continue to help our community use energy and water more efficiently. We are strengthening the long-term affordability of our services through innovative agreements and responsible planning. These efforts ensure that as we build for tomorrow, we remain focused on the customers we serve today.

What defines this organization is not just the projects we build, but the people behind them—employees, partners and community members working together to support a vibrant, thriving Colorado Springs. As we enter the next chapter, we remain committed to delivering safe, reliable and competitively priced utilities while honoring the legacy of service that has guided us throughout our history.

Together, we are building the future of our community.



Trivas Deal, CEO

OUR LEADERSHIP

► Utilities Board

- Dave Donelson, *Chair*
- Brandy Williams, *Vice Chair*
- Tom Bailey
- Lynette Crow-Iverson
- Kimberly Gold
- Nancy Henjum
- David Leinweber
- Roland Rainey
- Brian Risley

► Utilities Policy Advisory Committee

- Kate Danner, *Chair*
- Michael Borden, *Vice Chair*
- Larry Barrett
- Gary Burghart
- Chris Meyer
- Scott Smith
- David Watson
- Albert Badeau, *alt.*
- Tom Carter, *alt.*

► Executive Team

- Trivas Deal**
Chief Executive Officer
- Renee Adams**
Chief Human Resources Officer
- Mike Francolino**
Chief Customer and Enterprise Services Officer
- Tristan Gearhart**
Chief Planning and Finance Officer
- Somer Mese**
Chief Operations Officer
- Nick Peters**
Chief System Planning and Projects Officer

MISSION, VISION AND VALUES

Our Mission

Provide safe, reliable and competitively priced utilities to our customers.

Our Vision

Ready for today, prepared for a sustainable future.

Our Values

- ▶ **People**
We promote and foster a welcoming environment in which everyone is treated with dignity and respect.
- ▶ **Trust**
We demonstrate the highest standards of integrity, competence, transparency and professionalism.
- ▶ **Responsibility**
We are committed to fiscal and environmental stewardship of all resources.
- ▶ **Collaboration**
We develop cooperative goals, share information and foster relationships.
- ▶ **Continuous Improvement**
We innovate, optimize and adapt to serve customers today and in the future.
- ▶ **Safety**
We are passionately committed to no one getting hurt.



BUILDING THE FUTURE

Kelker Substation to bolster Colorado Springs' power grid

We made major progress in expanding reliability and resiliency to our electric grid with an expansion of the Kelker Substation, currently the largest and most complex substation project in recent history.

The 19-acre site is under construction and expected to be completed by 2028. It is one of the major electric capital projects supported by the five-year financial plan, approved by City Council in 2024.

The original substation was built in the 1960s, and the \$130 million project includes the integration of new high-voltage transmission lines that will provide power to the southeast and downtown portions of Colorado Springs.

This new site will enhance connectivity between energy sources at Front Range Power Plant and the natural gas generating units at South Plant (former Martin Drake Power Plant site).

The project addresses the Sustainable Energy Plan's goals to improve system reliability by expanding energy resources to meet the growing energy needs of the community.

Colorado Springs' first battery storage system becomes operational

On July 21, 2025, we joined local leaders and NextEra Energy Resources to celebrate the city's first battery energy storage system.



Kelker Substation

Jackson Fuller Energy Storage, with a capacity of 100 megawatts, provides direct benefits to our customers and is owned and operated by a subsidiary of NextEra Energy Resources.

The battery energy storage system is located at the Jackson Fuller Substation in eastern El Paso County. The battery components occupy approximately 16 acres on the 36-acre substation site.

Battery energy storage technology will play a key role in our efforts to meet state energy regulations. It also allows us to store excess energy generated from various sources, such as natural gas and renewables, for use during peak demand periods when it's traditionally more expensive to generate or purchase fuel on the market.



COMMUNITY FOCUS



South Catamount Dam

South Catamount Dam Rehabilitation complete

A two-year dam rehabilitation project on one of our storage reservoirs on Pikes Peak was successfully completed. South Catamount Reservoir has refilled and is once again available for recreation in the North Slope Recreation Area as of May 1, 2026.

The 88-year-old reservoir features a unique steel-faced dam that needed life-cycle updates. In addition to resurfacing 144,000 square feet of dam face, work included construction of a new valve house and replacement of the dam infrastructure, spillway and underground pipes.

The project enhanced the safety and performance of the dam, giving it many more decades of service to our city.

Stanley Tunnel

We completed 10-year life cycle maintenance on the Stanley Tunnel, an important conduit that moves water stored near Woodland Park to our city.

Water from Rampart Reservoir moves through the Stanley Tunnel to our Pine Valley and McCullough treatment facilities. The drop in elevation produces enough pressure to generate emission-free energy for our city as the water passes through our Tesla Hydro facility on its way to treatment.

This year's maintenance included replacing the tunnel's old valve with a custom-built one that gives us double-block protection, providing a safe way to isolate a portion of the tunnel in the future, if repairs are necessary.

Water vault replaced underneath Academy Blvd.

In August, we successfully replaced a large water vault underneath Academy Blvd., near its intersection with Meadowland Blvd. The original water vault was installed in the 1960s. This upgrade adds improved redundancy, water service reliability and allows us to better identify and isolate leaks on a large water main that runs underneath Academy Blvd.



Pikes Peak Children's Water Festival

Landscape irrigation programming award

We were recognized by the National Irrigation Association as the Smart Water Application Technologies Outstanding Industry Partnership Award recipient. The award highlights our water efficiency program for its pairing of rebates and retrofits with targeted education to maximize savings from smart irrigation technology.

Our program produces measurable results and strengthens our partnerships with trained landscape professionals. These efforts are helping our community continue to lower its water use while sustaining beautiful landscapes appropriate for our region.

Pikes Peak Children's Water Festival

The Pikes Peak Children's Water Festival, a collaborative event with School Districts 2, 8 and 11, Colorado Parks and Wildlife, and the University of Colorado - Colorado Springs, returned in September.

More than 780 fourth graders, spanning three school districts, attended the educational program geared to introduce students to the complex water issues facing Colorado Springs, foster an appreciation of one of our most precious resources and inspire potential future careers in water-related fields.

This day-long event is designed to enrich participating students in science, technology, engineering and math, while supporting science academic standards and the statewide water education action plan goals.



Natural gas agreement locks in lower prices

We secured a long-term deal that will save our customers millions of dollars on natural gas over the next 30 years.

Thanks to a special agreement with Goldman Sachs and Tennessee Energy Acquisition Corp, we're able to purchase natural gas at prices lower than what's typically available on the market. This is possible because we are municipally owned and can use a special tax rule that helps reduce costs.

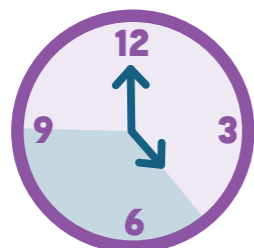
Over the next 10 years, we expect to save \$11 million, and over the full 30-year life of the agreement, the savings could reach \$44.3 million.

This agreement helps us keep your energy bills more stable and affordable, especially during the colder months when natural gas use is highest.

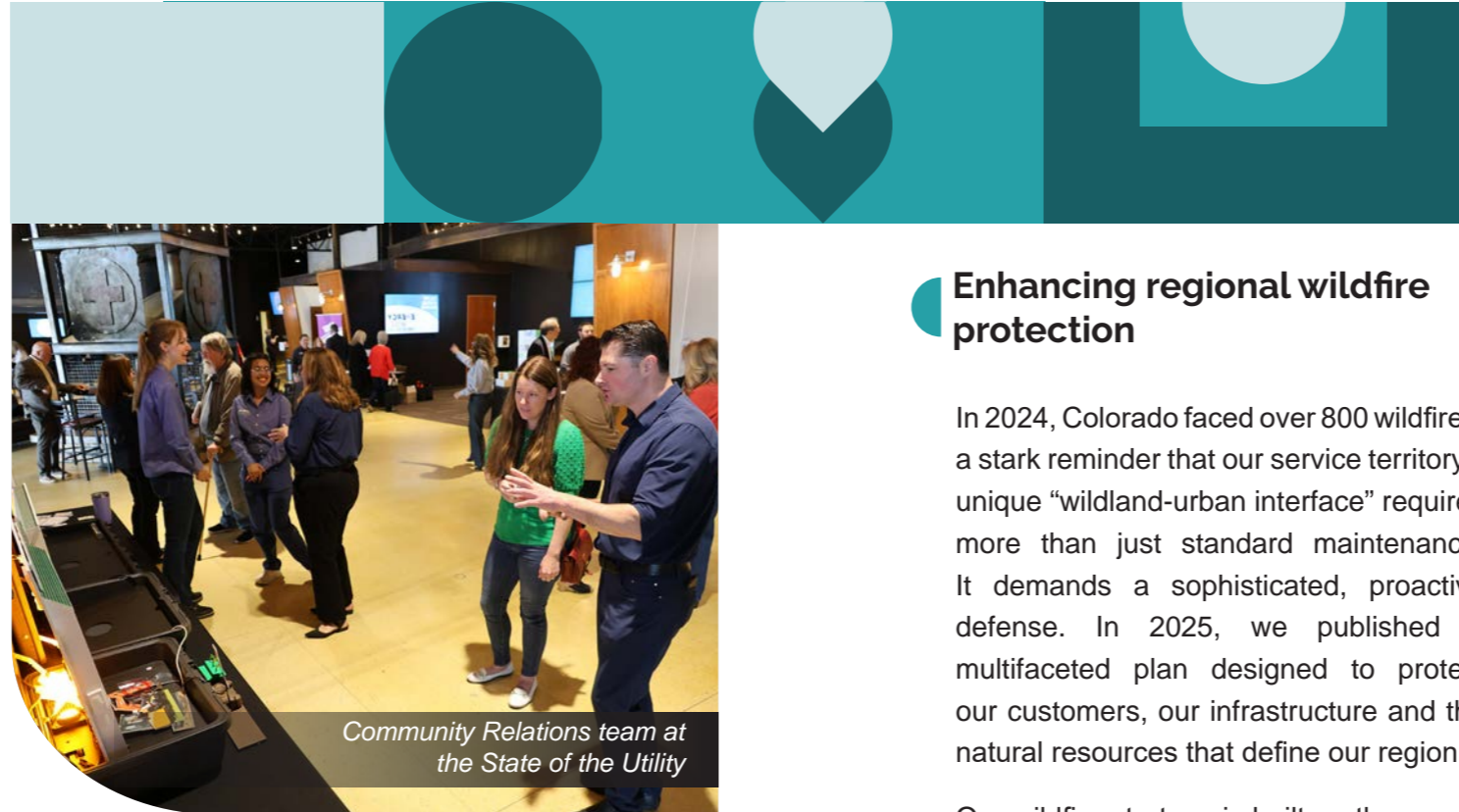
Energy Wise rates

In October, Energy Wise time-of-day rates became our standard electric rate. Energy Wise rates give customers the option to pay lower electric rates if they shift their use at certain times of day.

This new standard rate offers lower prices when electricity demand is lower. The off-peak rate (88% of the time) is lower than the previous flat rate. Energy Wise rates can help reduce high demand and the need to build additional sources for electric generation, such as power plants.



On Peak Use
5 p.m. - 9 p.m.
Monday - Friday



State of the Utility

Nearly 250 community members joined us for the 2025 State of the Utility event. CEO Travas Deal highlighted key projects and progress underway to ensure safe, reliable and competitively priced services for our community.

Following the keynote, attendees explored our open house exhibit and connected with experts on major initiatives, including the Wastewater System Expansion, energy and water planning, wildfire mitigation, customer safety programs and our Energy Wise electric rate.

Serving big power users, protecting customer costs

Our Industrial Service – Large-Load Rate was approved by City Council in October 2025, creating a clear process for serving customers that require 10 megawatts or more of electricity. This rate ensures high-energy users cover the full cost of the infrastructure and power they require, protecting affordability and reliability for all electric customers.

Enhancing regional wildfire protection

In 2024, Colorado faced over 800 wildfires, a stark reminder that our service territory's unique "wildland-urban interface" requires more than just standard maintenance. It demands a sophisticated, proactive defense. In 2025, we published a multifaceted plan designed to protect our customers, our infrastructure and the natural resources that define our region.

Our wildfire strategy is built on three core pillars: risk assessment, risk mitigation and situational awareness. By focusing on these areas, we work to protect lives and property, preserve the reliability of the electric system, safeguard vital water sources and maintain the health of our local forests.

Understanding the threat is the first step toward neutralizing it. We successfully deployed a sophisticated risk-assessment model that analyzes our overhead electric lines. Using industry-leading software, we now model tree growth patterns and identify risks with unprecedented accuracy. This data-driven approach ensures our crews are deployed where they are needed most.

This was the first year of a five-year, \$41 million investment plan (2025–2029) dedicated to system resiliency. These funds are being applied to:

- Upgrading critical circuits with Enhanced Powerline Safety Settings. This allows our system to detect a fault and cut power instantly, preventing

WILDFIRE MITIGATION PLAN



ignitions while maintaining service reliability across the broader grid.

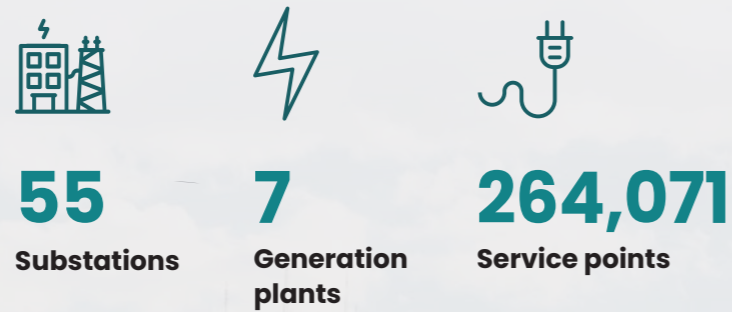
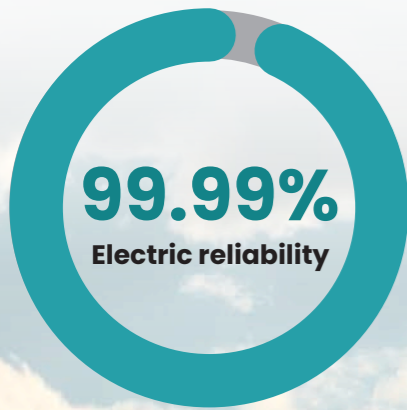
- Using real-time data to make swift, informed decisions to protect the community.
- Executing aggressive vegetation trimming cycles to eliminate one of the leading causes of utility-related ignitions nationwide.

Constant vigilance is required for a rapid and effective response. Our in-house Catamount Wildland Fire Team works in lockstep with local fire agencies, Pikes Peak Regional Office of Emergency Management, the National Weather Service and the U.S. Forest Service.

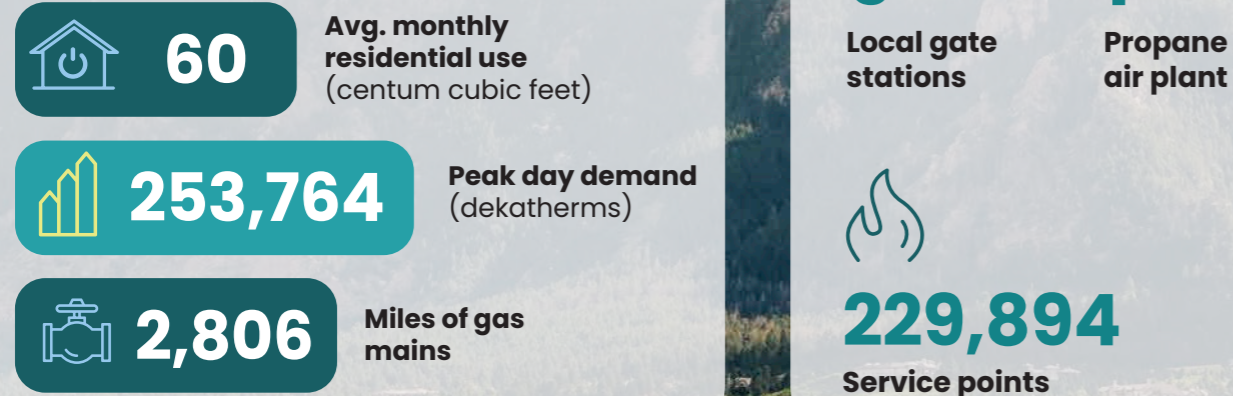
Through these continued investments in technology and infrastructure, we are building a fire-adapted community that is stronger, safer and more resilient for the future.

SERVICE BY THE NUMBERS

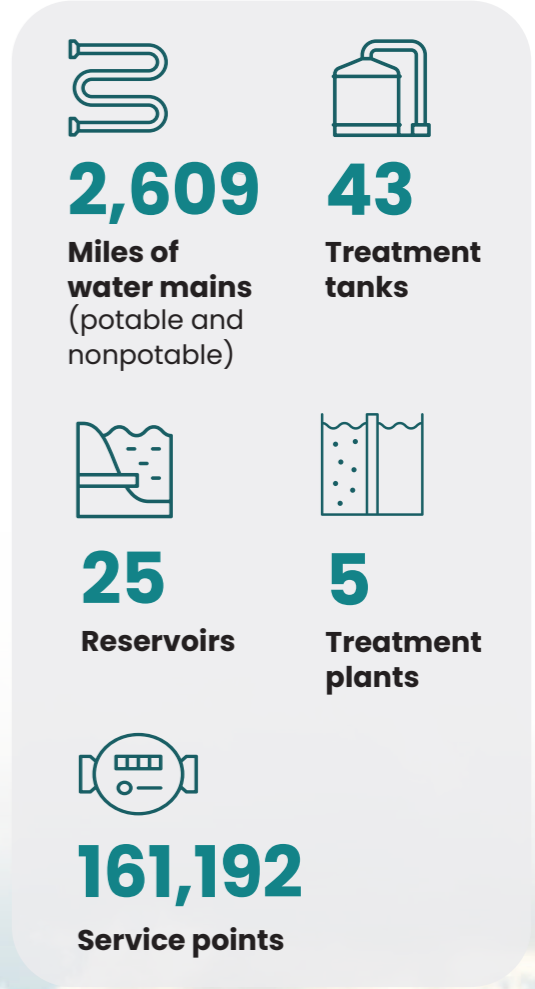
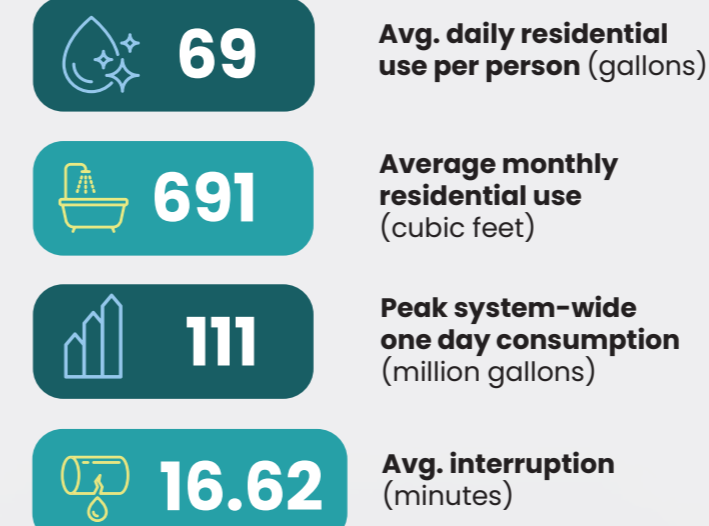
Electric



Natural gas



Water

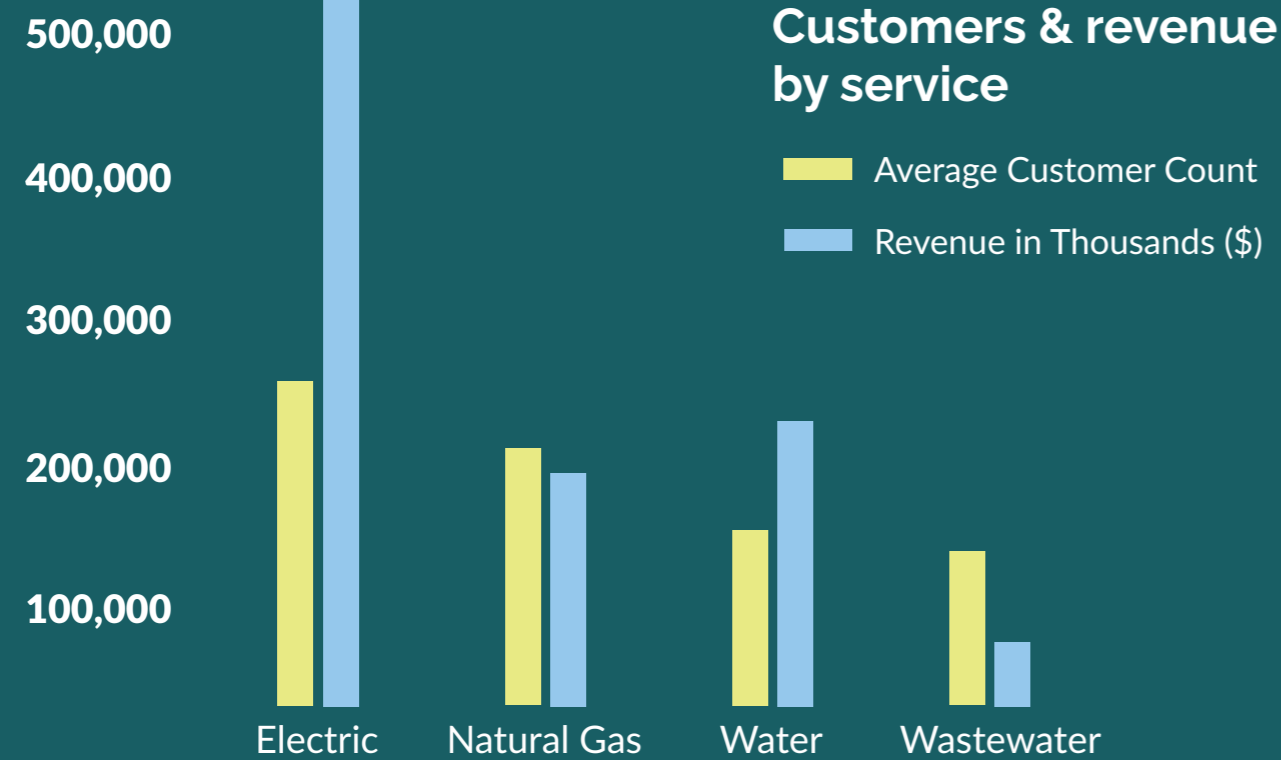
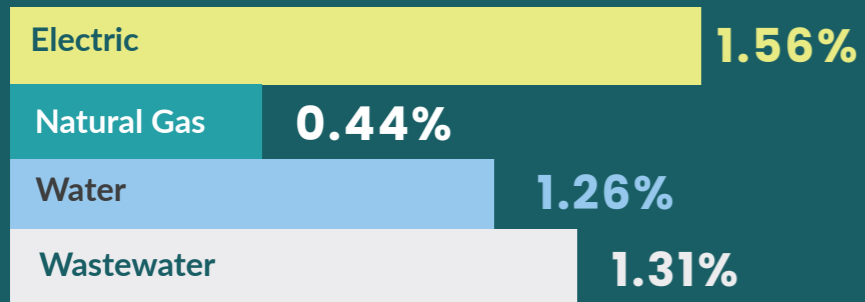


Wastewater



FACTS AND FIGURES

Customer growth



DAYS CASH ON HAND

143



DEBT SERVICE COVERAGE

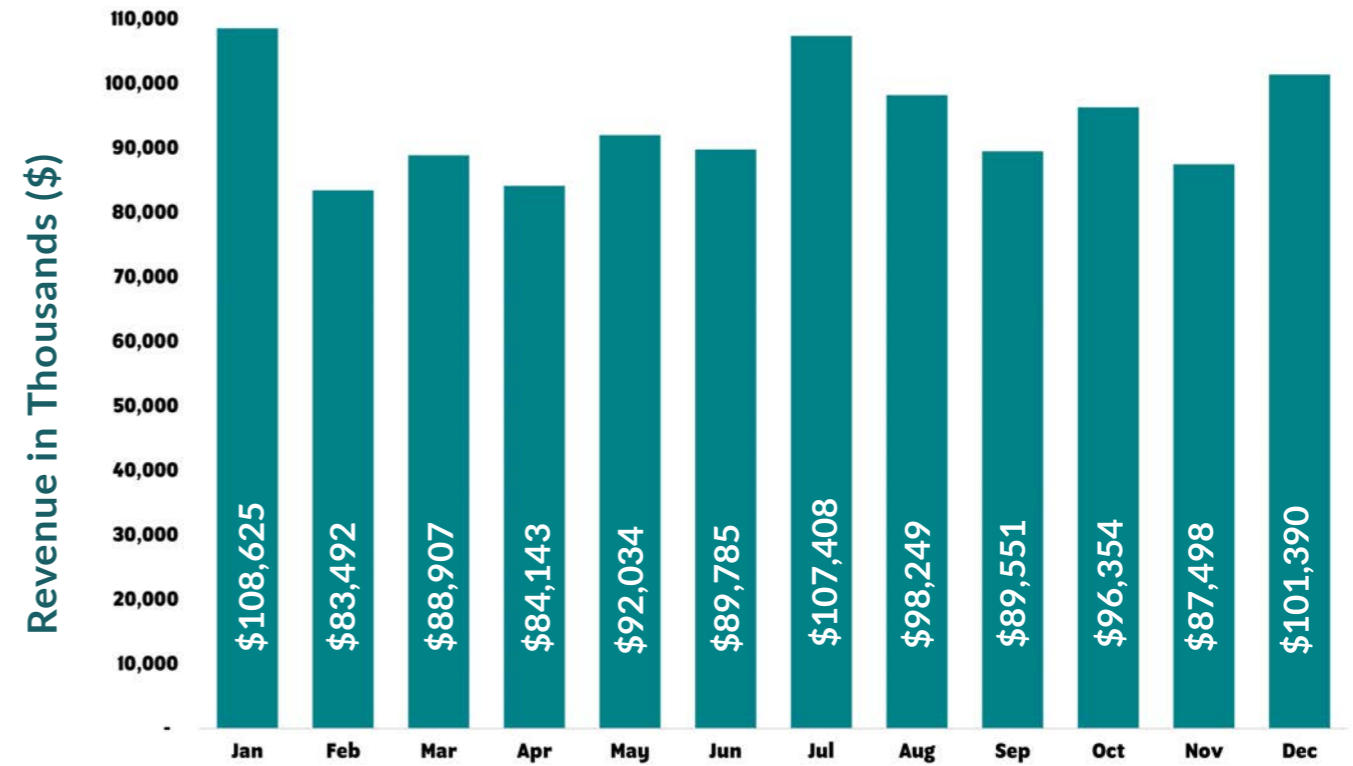
1.92



DEBT RATIO

54.6%

Operating revenue by month



Community outreach

6,114 ★

VOLUNTEER HOURS SERVED

114 🏠

NONPROFITS SUPPORTED

500 🤝

COMMUNITY PROGRAMS

2,394 👤👤👤

HOUSEHOLDS ASSISTED IN COLORADO SPRINGS

\$1,534,053 💰

TOTAL ASSISTANCE



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, 2025 and 2024

COLORADO SPRINGS UTILITIES

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

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Independent Auditors' Report

To the Audit Committee of
Colorado Springs Utilities

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying 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, 2025 and 2024, 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 respective financial position of the Utilities as of December 31, 2025 and 2024, and the respective 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, 2025, and 2024, 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.

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 8, 2026 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 8, 2026

COLORADO SPRINGS UTILITIES
MANAGEMENT'S DISCUSSION AND ANALYSIS
As of and for the Years Ended December 31, 2025, and 2024
(Unaudited)

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, 2025 and 2024. 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 - These statements report 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 for other purposes, and unrestricted.

Statements of Revenues, Expenses, and Changes in Net Position - These statements measure 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 - These statements report 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
As of and for the Years Ended December 31, 2025, and 2024
(Unaudited)

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 and operate a 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
As of and for the Years Ended December 31, 2025, and 2024
(Unaudited)

CONDENSED FINANCIAL STATEMENTS

Condensed financial statements as of December 31:

CONDENSED STATEMENTS OF NET POSITION

	2025	2024	2023
		(in thousands)	
Assets and Deferred Outflows of Resources			
Assets			
Current assets	\$ 660,076	\$ 612,078	\$ 611,268
Other noncurrent assets	668,004	371,260	288,248
Capital assets, net	<u>5,324,727</u>	<u>4,844,525</u>	<u>4,553,546</u>
Total Assets	6,652,807	5,827,863	5,453,062
Deferred outflows of resources	<u>93,494</u>	<u>123,012</u>	<u>164,821</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 6,746,301</u>	<u>\$ 5,950,875</u>	<u>\$ 5,617,883</u>
Liabilities, Deferred Inflows of Resources, and Net Position			
Liabilities			
Current liabilities	\$ 333,157	\$ 307,401	\$ 246,962
Noncurrent liabilities	<u>3,497,363</u>	<u>2,915,454</u>	<u>2,790,004</u>
Total Liabilities	3,830,520	3,222,855	3,036,966
Deferred inflows of resources	118,228	77,912	61,438
Net Position			
Net investment in capital assets	2,469,183	2,334,420	2,177,091
Restricted	53,854	54,584	44,947
Unrestricted	<u>274,516</u>	<u>261,104</u>	<u>297,441</u>
Total Net Position	<u>2,797,553</u>	<u>2,650,108</u>	<u>2,519,479</u>
Total Liabilities, Deferred Inflows of Resources, and Net Position	<u>\$ 6,746,301</u>	<u>\$ 5,950,875</u>	<u>\$ 5,617,883</u>

Assets

Current assets increased in 2025 and 2024 by \$48.0 million and \$0.8 million, respectively. The increase during 2025 was primarily due to increases of \$52.7 million in unrestricted cash and cash equivalents, \$3.9 million in restricted cash and cash equivalents, \$16.6 million in inventories, and \$6.0 million in unrestricted accounts receivable offset by a decrease of \$34.7 million in investments. The increase in 2024 was primarily due to increases of \$19.5 million in unrestricted cash and cash equivalents, \$10.9 million in restricted cash and cash equivalents, \$5.2 million in prepaid expenses, and \$3.9 million in inventories offset by a decrease of \$39.4 million in unrestricted investments.

Other noncurrent assets increased in 2025 by \$296.7 million primarily due to increases of \$249.6 million in investments, \$39.0 million in lease receivable, and \$14.6 million in restricted cash and cash equivalents offset by a decrease of \$9.5 million in other noncurrent assets (including utility acquisition adjustment). The increase of \$83.0 million in 2024 was primarily due to \$65.4 million in restricted investments, \$12.3 million in lease receivables, and \$7.3 million in restricted cash and cash equivalents offset by \$2.7 million in other noncurrent assets (including utility acquisition adjustment).

COLORADO SPRINGS UTILITIES
MANAGEMENT'S DISCUSSION AND ANALYSIS
As of and for the Years Ended December 31, 2025, and 2024
(Unaudited)

Capital assets, net increased in 2025 and 2024 by \$480.2 million and \$291.0 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 decreased in 2025 by \$29.5 million primarily due to a decreases in pension and OPEB deferred outflows of \$26.5 million and loss on debt refundings of \$3.6 million. The decrease of \$41.8 million in 2024 was primarily due to decreases of \$32.9 million in pension and OPEB deferred outflows, \$4.3 million in deferred cash flow hedges-unrealized loss on derivative instruments, \$3.6 million in loss on debt refundings, and \$1.0 million in asset retirement obligations.

Liabilities

Current liabilities increased in 2025 and 2024 by \$25.8 million and \$60.4 million, respectively. The increase during 2025 was primarily due to an increase in accounts payable of \$25.1 million. The increase during 2024 was primarily due to increases of \$48.9 million in accounts payable, and \$6.0 million in current maturities of bonds.

Noncurrent liabilities increased in 2025 by \$581.9 million primarily due to \$615.1 million in revenue bonds (including unamortized premiums and discounts, net) offset by \$30.9 million in net pension and OPEB. The increase in 2024 of \$125.4 million was primarily due to \$192.2 million in revenue bonds (including unamortized premiums and discounts, net) and \$9.8 million in customer advances for construction offset by \$63.8 million in pension and OPEB and \$12.3 million in derivative instruments.

Deferred Inflows of Resources

Deferred inflows of resources increased in 2025 and 2024 by \$40.3 million and \$16.5 million, respectively. The increases during 2025 were primarily due to \$39.4 million in lease deferred inflows. The increase in 2024 was primarily due to \$11.8 million in lease deferred inflows and \$8.7 million in gains on debt refundings offset by a \$4.0 million decrease in pension and OPEB deferred inflows.

COLORADO SPRINGS UTILITIES
MANAGEMENT'S DISCUSSION AND ANALYSIS
As of and for the Years Ended December 31, 2025, and 2024
(Unaudited)

CONDENSED STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

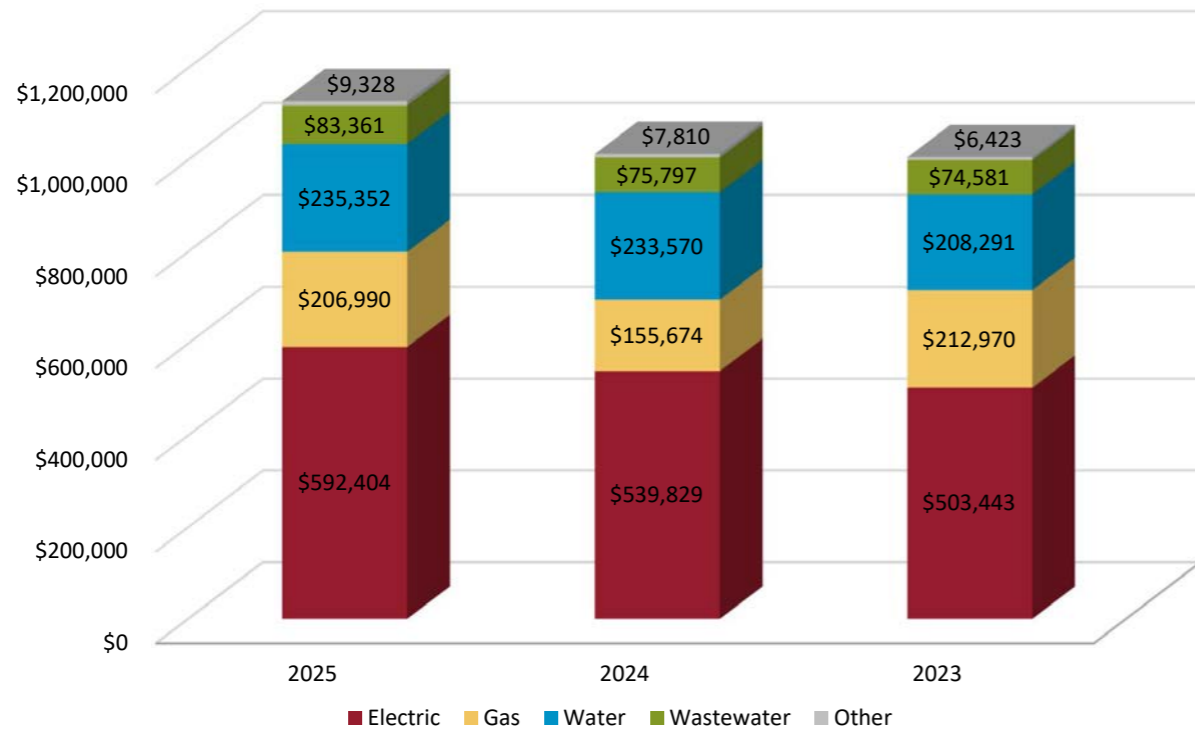
	2025	2024	2023
		(in thousands)	
Operating Revenues	\$ 1,127,435	\$ 1,012,680	\$ 1,005,708
Operating Expenses	(950,459)	(855,840)	(853,133)
Operating Income	176,976	156,840	152,575
Nonoperating Revenue and Expenses	(75,802)	(48,557)	(60,364)
Income Before Contributions and Transfers	101,174	108,283	92,211
Capital contributions	81,083	58,232	52,931
Transfers out - surplus payments to the City	(34,812)	(35,886)	(35,298)
Special items	-	-	(1,330)
Changes in Net Position	147,445	130,629	108,514
Total Net Position, January 1	2,650,108	2,519,479	2,410,965
Total Net Position, December 31	<u>\$ 2,797,553</u>	<u>\$ 2,650,108</u>	<u>\$ 2,519,479</u>

COLORADO SPRINGS UTILITIES
 MANAGEMENT'S DISCUSSION AND ANALYSIS
 As of and for the Years Ended December 31, 2025, and 2024
 (Unaudited)

CHANGES IN OPERATING REVENUES AND EXPENSES

Operating Revenues

(in thousands)



Operating Revenues 2025 to 2024:

- \$52.6 million - Electric increase primarily driven by a base rate increase and by the switch from an under to an over collection through the electric cost adjustment rate due to fuel costs being lower
- \$51.3 million - Natural gas increase primarily driven by the recovery of higher fuel expense through the Gas Cost Adjustment rate
- \$7.6 million - Wastewater increase primarily driven by a large base rate increase

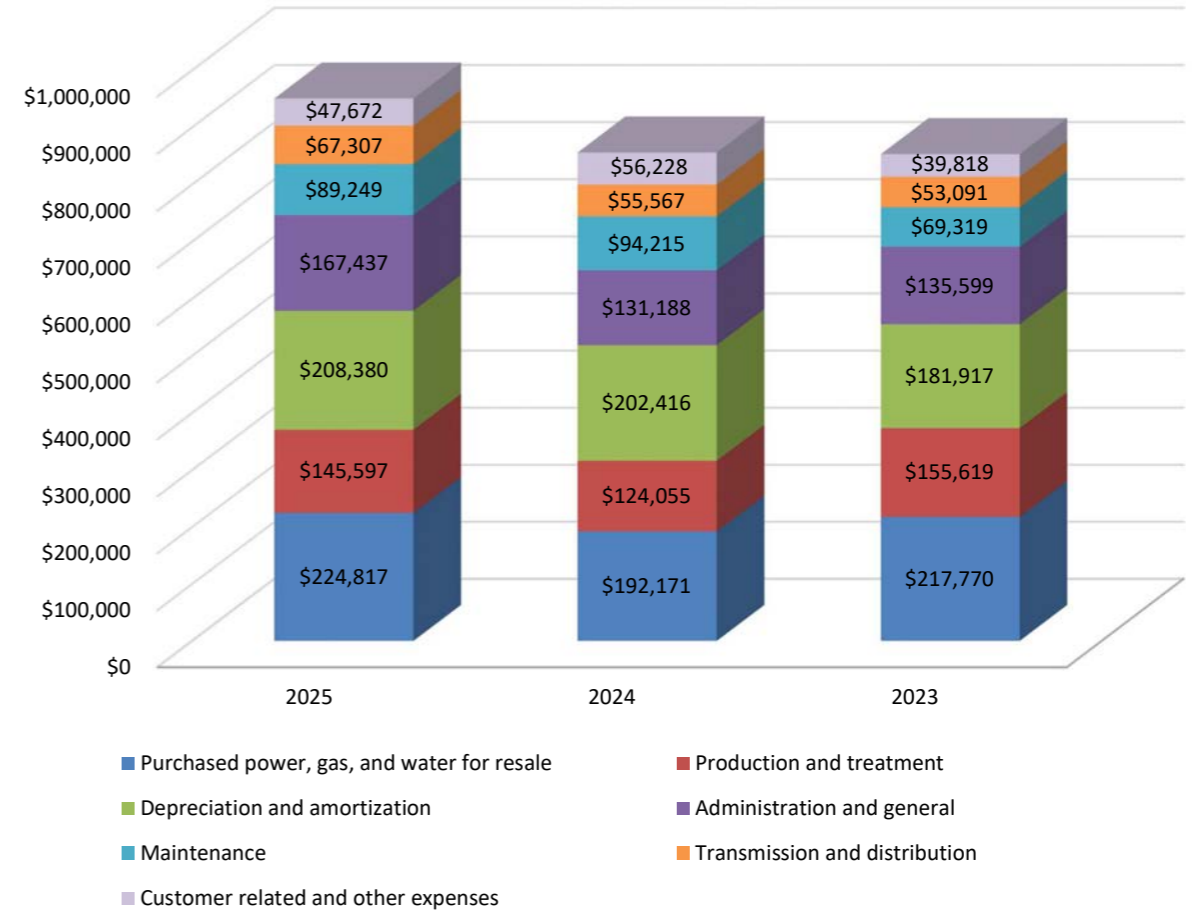
Operating Revenues 2024 to 2023:

- \$36.4 million - Electric increase primarily driven by 8.0% base rate increase and higher off-system sales
- \$25.3 million - Water increase primarily driven by hotter dryer weather and growth
- \$(57.3) million - Natural gas decrease primarily driven by large gas cost adjustment refunding partially off set by 6.0% base rate increase

COLORADO SPRINGS UTILITIES
 MANAGEMENT'S DISCUSSION AND ANALYSIS
 As of and for the Years Ended December 31, 2025, and 2024
 (Unaudited)

Operating Expenses

(in thousands)



Operating Expenses 2025 to 2024:

- \$36.2 million - Administration and general increase primarily driven by an increase in pension and OPEB expense
- \$32.6 million - Purchased gas increase primarily related to higher gas prices
- \$21.5 million - Production and treatment increase primarily due to higher demand and higher fuel costs

Operating Expenses 2024 to 2023:

- \$24.9 million - Maintenance increase primarily related to the variability in the scope of power plant outages and overhead and underground electric lines
- \$(25.6) million - Purchased gas decrease primarily related to lower gas prices
- \$(31.6) million - Production and treatment decrease primarily due to lower demand and lower fuel costs

COLORADO SPRINGS UTILITIES
MANAGEMENT'S DISCUSSION AND ANALYSIS
As of and for the Years Ended December 31, 2025, and 2024
(Unaudited)

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 \$292.7 million at December 31, 2025, an increase of \$17.9 million, or 6.5% from 2024 due primarily to net operating cash flow of \$292.5 million, cash contributions in aid of construction of \$48.2 million, interest received on investments of \$13.9 million, and cash receipts from Federal/State programs of \$4.3 million, partially offset by principal and interest payments of \$231.4 million, cash-funded capital expenditures of \$69.4 million and surplus payments to the City of \$35.1 million. The total of these two unrestricted funding sources was \$274.7 million at December 31, 2024, a decrease of \$20.0 million, or 6.8% from 2023 due primarily to net operating cash flow of \$272.6 million, cash contributions in aid of construction of \$32.7 million, interest received on investments of \$13.7 million and cash receipts from Federal/State programs of \$2.4 million, partially offset by principal and interest payments of \$211.4 million, cash-funded capital expenditures of \$91.5 million and surplus payments to the City of \$35.9 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 \$577.4 million at December 31, 2025, an increase of \$268.1 million, or 86.7%, from 2024 due primarily to bond proceeds of \$740.4 million, and a \$5.3 million increase in the bond sinking fund to support current year debt service offset by capital reimbursements from restricted cash of \$487.3 million. The total of these two restricted funding sources was \$309.3 million at December 31, 2024, an increase of \$83.6 million, or 37%, from 2023 due primarily to bond proceeds of \$325.7 million, and interest income of \$10.4 million offset by capital reimbursements from restricted cash of \$261.2 million.

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 July 8, 2025, Utilities amended and restated the Revolving Loan Agreement ("Credit Line") with U.S. Bank National Association dated September 8, 2022. The available Credit Line remains at \$75 million.

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

	2025	2024	2023
	(in thousands)		
Cash, cash equivalents and investments - unrestricted	\$ 292,662	\$ 274,723	\$ 294,668
Cash Expense per Day			
Total Operating Expenses	\$ 950,459	\$ 855,840	\$ 853,133
Less: Noncash pension and OPEB expense	4,475	35,392	15,873
Less: Depreciation and Amortization	(208,380)	(202,416)	(181,917)
Net Cash Expense	\$ 746,554	\$ 688,816	\$ 687,089
Number of Days in a Period	365	366	365
Net Cash Expense Per Day	\$ 2,045	\$ 1,882	\$ 1,882
Days of Cash on Hand	143.1	146.0	156.5

COLORADO SPRINGS UTILITIES
MANAGEMENT'S DISCUSSION AND ANALYSIS
As of and for the Years Ended December 31, 2025, and 2024
(Unaudited)

CAPITAL ASSETS AND TOTAL LONG-TERM DEBT

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

CAPITAL ASSETS

	2025	2024	2023
	(in thousands)		
Plant in service	\$ 8,266,960	\$ 7,742,175	\$ 7,304,398
Construction work in progress	565,418	414,856	369,302
Accumulated depreciation and amortization	(3,507,651)	(3,312,506)	(3,120,154)
Total Capital Assets (net of accumulated depreciation and amortization)	<u>\$ 5,324,727</u>	<u>\$ 4,844,525</u>	<u>\$ 4,553,546</u>

CAPITAL EXPENDITURES BY SYSTEM

Utilities' capital expenditures for the years ended December 31, 2025, 2024, and 2023, were \$ 653.6 million, \$459.5 million, and \$366.9 million, respectively.

For the year ended December 31, 2025 the largest capital expenditures by system included: \$190.9 million for electric sustainable energy plan, \$100.3 million for fiber telecommunications infrastructure, \$18.6 million for finished water linear asset program, \$17.6 million for distribution integrity management program, \$14.0 million for crosstown interceptor to Las Vegas Water Resource Recovery Facility, \$10.8 million for South Catamount Dam, \$9.8 million for upgraded aeration system at Las Vegas Water Resource Facility, and \$3.0 million for an infrastructure platform program benefiting all services.

Capital expenditures by system as of December 31:

	2025	2024	2023
	(in thousands)		
Electric	\$ 427,484	\$ 255,261	\$ 199,363
Water	103,522	102,828	72,736
Natural Gas	50,089	48,672	42,172
Wastewater	49,166	34,107	17,822
Facilities and Information Technology	23,331	18,626	34,764
Total Capital Expenditures	<u>\$ 653,592</u>	<u>\$ 459,494</u>	<u>\$ 366,857</u>

COLORADO SPRINGS UTILITIES
MANAGEMENT'S DISCUSSION AND ANALYSIS
As of and for the Years Ended December 31, 2025, and 2024
(Unaudited)

TOTAL LONG-TERM DEBT

	2025	2024	2023
		(in thousands)	
Tax-exempt revenue bonds	\$ 2,808,500	\$ 2,213,055	\$ 2,030,355
Taxable revenue bonds	203,470	207,330	211,060
Loans	2,566	3,042	3,506
Total Long-Term Debt	\$ 3,014,536	\$ 2,423,427	\$ 2,244,921

DEBT RATIO

Debt Ratio as of December 31:

	2025	2024	2023
		(in thousands)	
Current Maturities of Revenue Bonds	\$ 103,135	\$ 104,935	\$ 98,910
Current Portion of Notes and Loans Payable	488	476	464
Long-Term Revenue Bonds, Net	3,218,959	2,603,861	2,411,651
Long-Term Notes and Loans Payable	2,078	2,566	3,042
Net Gain (Loss) on Debt Refundings	34,743	30,163	17,869
Total	\$ 3,359,403	\$ 2,742,001	\$ 2,531,936
Net Position	\$ 2,797,553	\$ 2,650,108	\$ 2,519,479
Debt Ratio	54.6%	50.9%	50.1%

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:

	2025		2024		2023	
	Rating	Outlook	Rating	Outlook	Rating	Outlook
Moody's	Aa2	Stable	Aa2	Stable	Aa2	Stable
S&P	AA+	Stable	AA+	Stable	AA+	Stable
Fitch	AA	Stable	AA	Stable	AA	Stable

COLORADO SPRINGS UTILITIES
MANAGEMENT'S DISCUSSION AND ANALYSIS
As of and for the Years Ended December 31, 2025, and 2024
(Unaudited)

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

Bond Issue	2025	2024	2023
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 / NR	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 'AA' long-term credit ratings by Moody's, S&P, and Fitch
- 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 2025 and 2024, all of which were in direct support of the Plan:

- In September 2025, Utilities entered into a new standby bond purchase agreement with TD Bank, N.A. for Variable Rate Demand Utilities System Improvement Revenue Bonds, Series 2010C (expires September 2030), supporting \$32.2 million in variable rate debt.
- In August 2025, Utilities issued Utilities System Improvement Revenue Bonds, Series 2025A, and Utilities System Refunding Revenue Bonds, Series 2025B, totaling \$738.2 million. The Series 2025A 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. The 2025B bonds were used to refund a portion of the City's outstanding Utilities System Refunding Revenue Bonds, Series 2015A Bonds.
- In July 2025, Utilities made the decision not to renew a standby bond purchase agreement with Barclays Bank PLC for Variable Rate Demand Utilities System Improvement Revenue Bonds, Series 2010C.
- In July 2025, Utilities amended and restated the \$75.0 million revolving loan agreement and revolving promissory note extending the commitment expiration date to September 2028.
- In June 2025, Utilities renewed the standby bond purchase agreement with US Bank, N.A. for Variable Rate Demand Utilities System Improvement Revenue Bonds, Series 2008A, (expires September 2028) supporting \$29.9 million in variable rate debt.
- In December 2024, Utilities entered into a standby letter of credit and reimbursement agreement with Sumitomo Mitsui Banking Corporation in the amount of \$115.0 million. The letter of credit was required

COLORADO SPRINGS UTILITIES
MANAGEMENT'S DISCUSSION AND ANALYSIS
As of and for the Years Ended December 31, 2025, and 2024
(Unaudited)

to be delivered per the terms of an agreement the Utilities entered into in September 2024 to lease capacity on a natural gas pipeline to be constructed by a third party. The letter of credit expires on December 18, 2029.

- In August 2024, Utilities issued Utilities System Improvement Revenue Bonds Series 2024A, and Utilities System Refunding Revenue Bonds, Series 2024B totaling \$378.2 million. Series 2024A 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 2024B bonds were used to refund all of the City's outstanding Utilities System Improvement Revenue Bonds, Series 2014A-1 and Utilities System Improvement Revenue Bonds, Series 2014A-2.
- In May 2024, Utilities renewed the standby bond purchase agreement with Bank of America, N.A. for Variable Rate Demand Utilities System Subordinate Lien Improvement Revenue Bonds, Series 2005A, (expires September 2029) supporting \$59.3 million in variable rate debt.

DEBT SERVICE COVERAGE

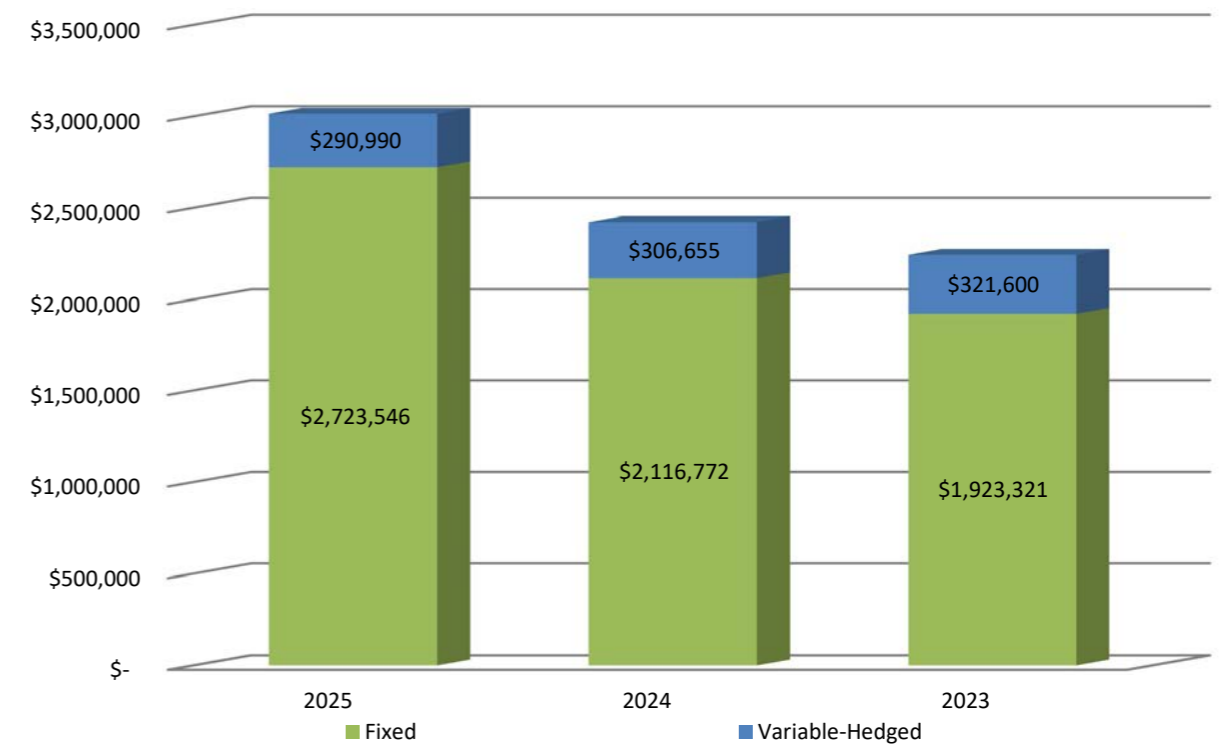
Summary of the debt service coverage for the years ended December 31:

	2025	2024 (restated) (in thousands)	2023
Operating Revenues	\$ 1,127,435	\$ 1,012,680	\$ 1,005,708
Operating Expenses	(950,459)	(855,840)	(853,133)
Noncash pension and OPEB expense	(4,475)	(35,392)	(15,873)
Depreciation and amortization	208,380	202,416	181,917
Operating Revenues Available for Debt Service	380,881	323,864	318,619
Interest earnings (excl. interest on bonds)	14,102	17,391	16,019
Development fees	48,234	36,592	32,609
Net Pledged Revenues	<u>\$ 443,217</u>	<u>\$ 377,847</u>	<u>\$ 367,247</u>
Fiscal Year Debt Service	<u>\$ 231,358</u>	<u>\$ 211,389</u>	<u>\$ 214,473</u>
Debt Service Coverage Ratio	1.92	1.79	1.71

COLORADO SPRINGS UTILITIES
MANAGEMENT'S DISCUSSION AND ANALYSIS
As of and for the Years Ended December 31, 2025, and 2024
(Unaudited)

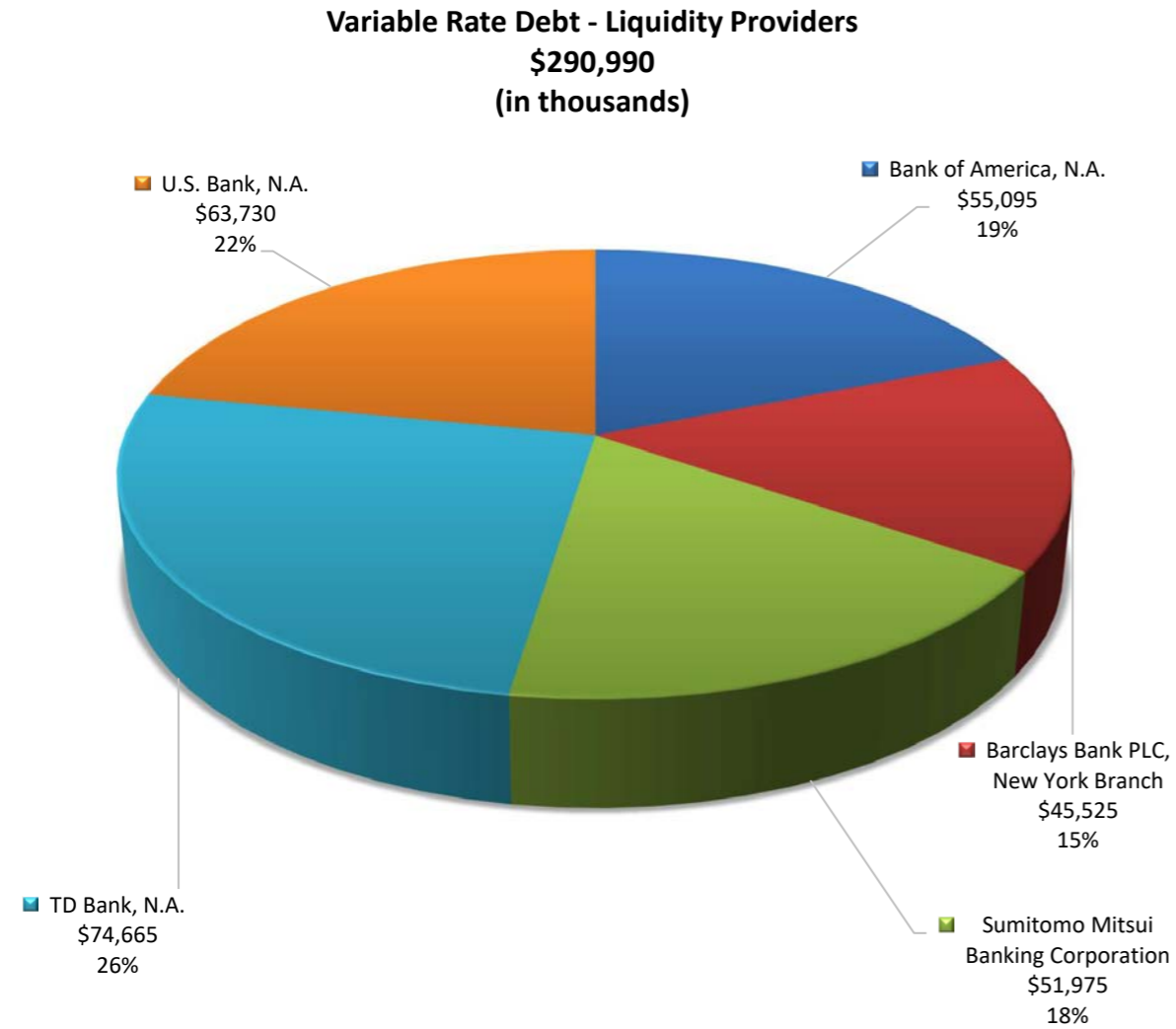
The following chart illustrates the variable and fixed financing structure for the years ending December 31:

Variable vs. Fixed Rate Debt
(in thousands)



COLORADO SPRINGS UTILITIES
 MANAGEMENT'S DISCUSSION AND ANALYSIS
 As of and for the Years Ended December 31, 2025, and 2024
 (Unaudited)

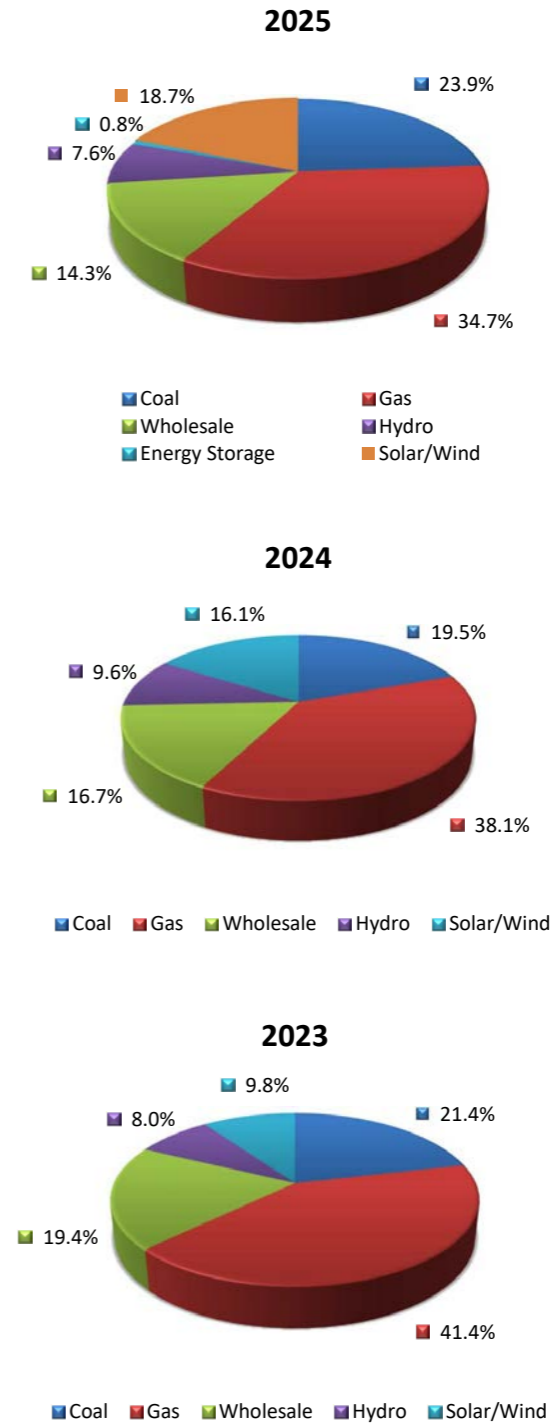
The following chart illustrates the variable rate liquidity providers as of December 31, 2025:



COLORADO SPRINGS UTILITIES
 MANAGEMENT'S DISCUSSION AND ANALYSIS
 As of and for the Years Ended December 31, 2025, and 2024
 (Unaudited)

SOURCES OF ELECTRICITY

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



COLORADO SPRINGS UTILITIES
 MANAGEMENT'S DISCUSSION AND ANALYSIS
 As of and for the Years Ended December 31, 2025, and 2024
 (Unaudited)

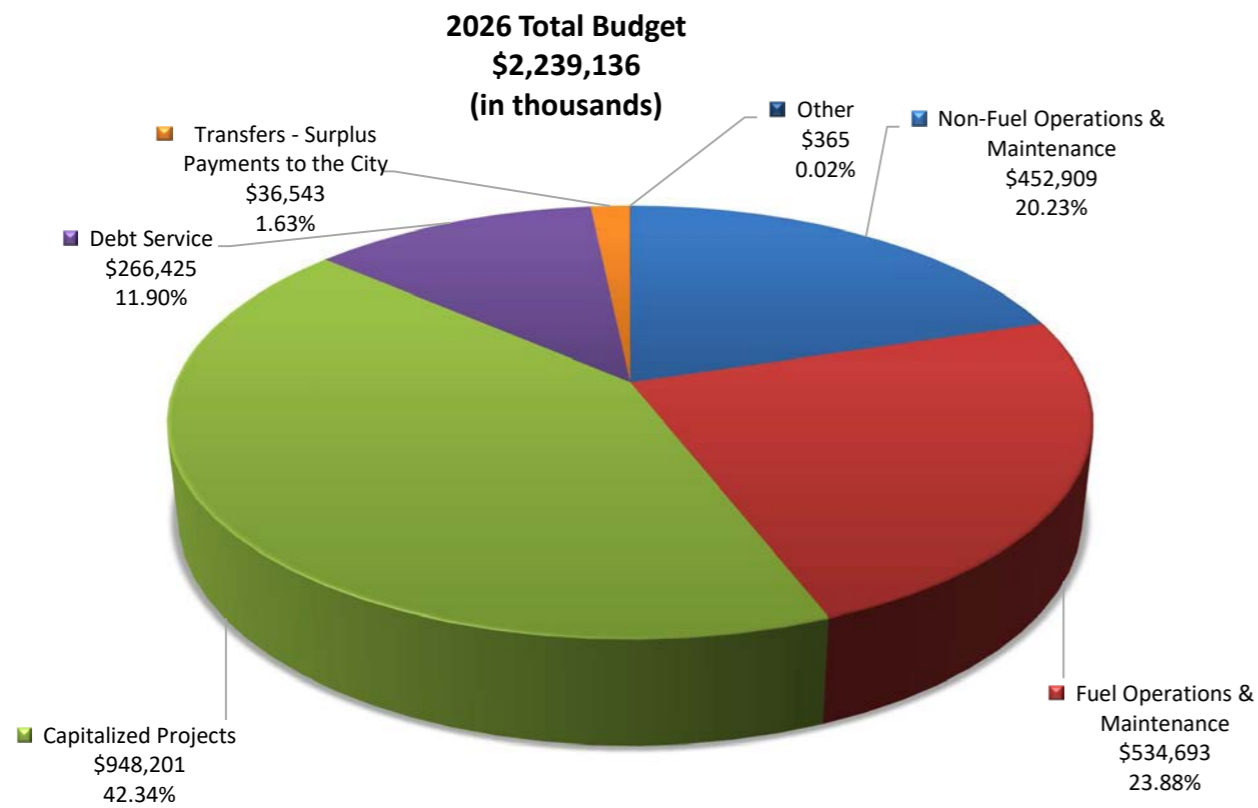
PEAK DEMAND

	Peak Demand	Peak Day
Electric - maximum hourly peak demand (Megawatts)	1,011	Jul 30, 2024
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 2026

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
 As of and for the Years Ended December 31, 2025, and 2024
 (Unaudited)

CAPITAL PROJECTS

	2026 Approved Budget (in thousands)
Electric	\$ 662,226
Streetlight	1,626
Natural Gas	54,189
Water	106,793
Wastewater	101,610
Common	21,757
Total	\$ 948,201

SIGNIFICANT EVENTS

DECOMMISSIONING OF POWER PLANTS

As a result of the Utilities Board's decision to decommission Drake Power Plant ("Drake"), Birdsall Power Plant ("Birdsall"), and Ray Nixon Power plant ("Nixon 1"). 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 in 2020. An additional \$3.8 million loss was recorded in 2022, due to Drake shutting down four months earlier than planned. In 2023, Utilities Board approved a new plan to update the 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, 2025 and Birdsall 3 decommissioning no later than December 31, 2027. Birdsall 2 was decommissioned on November 1, 2025. Birdsall 1 and 3 were decommissioned on December 31, 2025.

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.

COLORADO SPRINGS UTILITIES
STATEMENTS OF NET POSITION
As of December 31, 2025 and 2024

	2025	2024
	(in thousands)	
Assets		
Current Assets		
Cash and cash equivalent	\$ 182,547	\$ 129,870
Cash and cash equivalents - restricted	71,743	67,808
Investments	110,115	144,853
Accounts receivable, net	141,252	135,300
Due from other City funds	3,523	5,044
Lease receivable	1,658	402
Interest receivable	1,110	1,450
Inventories	126,877	110,319
Prepaid expenses	21,251	17,032
Total Current Assets	660,076	612,078
Noncurrent Assets		
Cash and cash equivalents - restricted	68,768	54,213
Investments - restricted	436,843	187,245
Lease receivable	64,643	25,597
Interest receivable - restricted	4,045	893
Investment in joint ventures	652	711
Other (including utility acquisition adjustment)	93,053	102,601
Capital assets:		
Plant in service	8,266,960	7,742,175
Construction work in progress	565,418	414,856
Accumulated depreciation and amortization	(3,507,651)	(3,312,506)
Total Capital Assets (net of accumulated depreciation and amortization)	5,324,727	4,844,525
Total Noncurrent Assets	5,992,731	5,215,785
Total Assets	6,652,807	5,827,863
Deferred Outflows of Resources		
Deferred cash flow hedges - unrealized loss on derivative instruments	7,815	6,780
Loss on debt refundings	13,383	16,976
Pension and OPEB deferred outflows	67,236	93,744
Asset retirement obligation	5,060	5,512
Total Deferred Outflows of Resources	93,494	123,012
Total Assets and Deferred Outflows of Resources	\$ 6,746,301	\$ 5,950,875

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The accompanying notes are an integral part of these statements.

COLORADO SPRINGS UTILITIES
STATEMENTS OF NET POSITION
As of December 31, 2025 and 2024

	2025	2024
	(in thousands)	
Liabilities		
Current Liabilities		
Accounts payable	\$ 167,923	\$ 142,777
Due to other City funds	7,983	8,251
Current maturities of revenue bonds	103,135	104,935
Current portion of notes and loans payable	488	476
Current portion of lease liability	153	149
Current portion of SBITAs liability	2,712	4,072
Accrued interest	17,889	13,225
Accrued salaries and benefits	6,998	7,245
Accrued health care benefits	3,616	4,041
Compensated absences	21,549	21,098
Other	711	1,132
Total Current Liabilities	333,157	307,401
Noncurrent Liabilities		
Customer deposits	7,527	6,867
Notes and loans payable	2,078	2,566
Lease liability	488	641
SBITA liability	2,444	5,592
Compensated absences	4,173	6,956
Customer advances for construction	41,780	40,878
Revenue bonds (incl. unamortized premiums and discounts, net)	3,218,959	2,603,861
Municipal solid waste landfill closure and postclosure care	23,587	23,215
Asset retirement obligation	8,500	7,687
Derivative instruments	24,203	22,665
Pension and OPEB	163,091	193,994
Other	533	532
Total Noncurrent Liabilities	3,497,363	2,915,454
Total Liabilities	3,830,520	3,222,855
Deferred Inflows of Resources		
Gain on debt refundings	48,126	47,139
Lease deferred inflows	65,101	25,693
Pension and OPEB deferred inflows	5,001	5,080
Total Deferred Inflows of Resources	118,228	77,912
Net Position		
Net investment in capital assets	2,469,183	2,334,420
Restricted		
Debt service	23,354	22,701
Third party escrow	9,154	8,987
Health care benefits	3,175	3,271
Other purposes	18,171	19,625
Unrestricted	274,516	261,104
Total Net Position	2,797,553	2,650,108
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$ 6,746,301	\$ 5,950,875

The accompanying notes are an integral part of these statements.

COLORADO SPRINGS UTILITIES
STATEMENTS OF REVENUES, EXPENSES,
AND CHANGES IN NET POSITION
For the Years Ended December 31, 2025 and 2024

	2025	2024
	(in thousands)	
Operating Revenues		
Electric	\$ 592,404	\$ 539,829
Streetlight	5,086	4,753
Gas	206,990	155,674
Water	235,352	233,570
Wastewater	83,361	75,797
Products and services	4,242	3,057
Total Operating Revenues	1,127,435	1,012,680
Operating Expenses		
Production and treatment	145,597	124,055
Purchased power, gas and water for resale	224,817	192,171
Transmission and distribution	67,307	55,567
Maintenance	89,249	94,215
Administration and general	167,437	131,188
Customer service and information	10,566	9,118
Customer accounting and collection	36,650	46,709
Franchise taxes	456	401
Depreciation and amortization	208,380	202,416
Total Operating Expenses	950,459	855,840
Operating Income	176,976	156,840
Nonoperating Revenues (Expenses)		
Derivative instruments gain (loss)	(503)	7,978
Investment income	31,126	29,833
Other revenues	7,501	15,068
Other expenses	(4,407)	(2,902)
Interest expense	(109,519)	(98,534)
Total Nonoperating Revenue and Expenses	(75,802)	(48,557)
Income Before Contributions and Transfers	101,174	108,283
Capital contributions	81,083	58,232
Transfers out - surplus payments to the City	(34,812)	(35,886)
Changes in Net Position	147,445	130,629
Net Position, January 1	2,650,108	2,519,479
Net Position, December 31	\$ 2,797,553	\$ 2,650,108

The accompanying notes are an integral part of these statements.

COLORADO SPRINGS UTILITIES
STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2025 and 2024

	2025	2024
	(in thousands)	
Cash Flows from Operating Activities		
Receipts from customers and users	\$ 1,187,932	\$ 1,110,650
Receipts from interfund activities	17,471	18,246
Other cash receipts, net	(200)	7,830
Payments to suppliers	(611,898)	(588,084)
Payments to/on behalf of employees	(299,263)	(274,715)
Payments for interfund activities	(1,588)	(1,293)
Net Cash Provided by Operating Activities	292,454	272,634
Cash Flows from Noncapital Financing Activities		
Other payments, net	(676)	(465)
Surplus payments to the City	(35,098)	(35,869)
Receipts from federal/state programs	1,461	278
Net Cash Used in Noncapital Financing Activities	(34,313)	(36,056)
Cash Flows from Capital and Related Financing Activities		
Proceeds from issuance of revenue bonds	738,160	378,210
Premium related to bond issuance	45,645	48,613
Debt issuance and other related costs	(2,715)	(1,582)
Capital expenditures	(556,695)	(331,733)
Capital contributions	48,234	32,717
Repayment and refunding of revenue bonds	(146,575)	(199,240)
Lease payments	(170)	(145)
SBITAs payments	(5,394)	(9,126)
Interest payments on long-term debt	(125,208)	(112,238)
Interest paid on leases	(21)	(25)
Interest paid on SBITAs	(195)	(501)
Interest payments - other	(275)	(314)
Proceeds from sale of assets	2,656	1,105
Receipts from federal/state programs	4,265	2,441
Net Cash Provided by (Used in) Capital and Related Financing Activities	1,712	(191,818)
Cash Flows from Investing Activities		
Interest received on investments	29,133	13,684
Distributions from joint ventures	110	134
Purchases of investments	(503,899)	(285,508)
Proceeds from sales and maturities of investments	285,970	264,580
Net Cash Used in Investing Activities	(188,686)	(7,110)
Increase in Cash and Cash Equivalents	71,167	37,650
Cash and Cash Equivalents, January 1	251,891	214,241
Cash and Cash Equivalents, December 31	\$ 323,058	\$ 251,891

The accompanying notes are an integral part of these statements.

COLORADO SPRINGS UTILITIES
STATEMENTS OF CASH FLOWS - continued
For the Years Ended December 31, 2025 and 2024

	2025	2024
	(in thousands)	
Reconciliation of operating income to net cash provided by operating activities		
Operating income	\$ 176,976	\$ 156,840
Adjustments to operating income:		
Depreciation and amortization	208,380	202,416
Other	(54,456)	(129,646)
(Increase) Decrease in Assets		
Accounts receivable	(5,863)	(5,472)
Inventories	(16,558)	(3,849)
Prepaid expenses	(4,219)	(5,226)
Other assets	(36,056)	11,793
Pension and OPEB deferred outflows	(26,508)	33,466
Increase (Decrease) in Liabilities		
Accounts payable	84,208	(49,092)
Accrued salaries and benefits	(3,003)	(7,359)
Pension and OPEB liabilities	(30,903)	63,760
Other liabilities	536	991
Pension and OPEB deferred inflows	(80)	4,012
Net Cash Provided by Operating Activities	\$ 292,454	\$ 272,634
Noncash Investing, Capital, and Related Financing Activities		
Derivative instruments	\$ (503)	\$ 7,978
Noncash acquisition of plant in service (incurrence of payable)	11,844	14,677
Noncash capital contributions	32,850	24,470
Noncash repayment of long-term debt	17,226	17,597
Amortization of loss on refundings	3,594	3,600
Amortization and charge-off of debt discount	9	9

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, 2025 and 2024

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 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.

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 discussed further 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. 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, and 2024 depending on the requirement. The only topic effective for Utilities in 2022 is the replacement of Interbank Offered Rate (IBOR) discussed in GASB 93. 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. The only topic effective for Utilities in 2024 was related to evaluating derivative instruments. We reviewed our purchase power contracts in accordance with GASB 99 and determined that, since we were purchasing an underlying commodity for normal usage, the contract met the definition of a normal purchase. As a result, the implementation of GASB 99 has no impact on our 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. We

COLORADO SPRINGS UTILITIES

NOTES TO FINANCIAL STATEMENTS

As of and for the Years Ended December 31, 2025 and 2024

assessed the implementation of GASB 100 and determined that it requires a statement at the bottom of the financial statements. In addition, the implementation of all future accounting pronouncements will require restatements in accordance with this GASB. Utilities adopted and implemented GASB 100 for fiscal year ended December 31, 2024.

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. Historically, Utilities recorded a short-term liability for the payment of compensated vacation time and a long-term liability for unpaid sick leave expected to be paid upon retirement. With the implementation of GASB 101, Utilities now also recognizes a short-term liability for the annual payout of compensated absences related to sick leave expected to be paid in the following fiscal year. Utilities adopted GASB 101 for fiscal year ended December 31, 2024.

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 adopted and implemented GASB 102 for fiscal year ended December 31, 2025.

GASB Statement No. 103, *Financial Reporting Model Improvements* ("GASB 103"), is effective for fiscal years beginning after June 15, 2025. By improving the financial reporting model, GASB 103 aims to enhance the relevance, clarity, and consistency of governmental financial reports. This statement introduces changes to fund balance classifications, reporting criteria for major funds, and disclosures of key financial assumptions. Utilities is currently evaluating the adoption of GASB 103 and its impact on the financial statements.

GASB Statement No. 104, *Disclosure for Certain Capital Assets* ("GASB 104"), is effective for fiscal years beginning after June 15, 2025. GASB 104 requires disclosures about certain capital assets, focusing on restrictions, risks, and conditions that may affect their use, value, or service potential. The statement is intended to provide users of financial statements with a better understanding of the financial and operational implications of these assets. Utilities is currently evaluating the adoption of GASB 104 and its impact on the financial statements.

GASB Statement No. 105, *Subsequent Events* ("GASB 105"), was issued in December 2025 and is effective for fiscal years beginning after June 15, 2026. This Statement defines subsequent events, modifies the subsequent events time frame, and requires the date through which subsequent events have been evaluated to be disclosed. Utilities is currently evaluating the adoption of GASB 105 and its impact 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.

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.

COLORADO SPRINGS UTILITIES

NOTES TO FINANCIAL STATEMENTS

As of and for the Years Ended December 31, 2025 and 2024

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, 2025 and 2024, included unbilled customers’ accounts of \$56,530,573 and \$55,125,182, respectively. Accounts receivable has been reduced by an allowance for uncollectible accounts of \$11,869,897 and \$9,314,585 as of December 31, 2025 and 2024, respectively.

COLORADO SPRINGS UTILITIES

NOTES TO FINANCIAL STATEMENTS

As of and for the Years Ended December 31, 2025 and 2024

Utilities has established payment arrangement plans with customers that extend beyond one year. The long-term balance of these accounts receivable was \$1,886,100 and \$1,523,405 as of December 31, 2025 and 2024, respectively.

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

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 Nonoperating 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

As of and for the Years Ended December 31, 2025 and 2024

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

GASB 87 requires lessees to recognize a lease liability and a corresponding right-to-use asset for contracts that convey control of the right to use another entities non-financial asset for a period of time in an exchange or exchange-like transaction without transferring ownership. The lease term is defined as the period during which there is a non-cancelable right to use the underlying asset.

Utilities analyzes leases each year and recorded lease liabilities of \$641,613 and \$790,583 for the periods ended December 31, 2025 and 2024, respectively.

For lessee contracts, lease assets and liabilities are reported at present value using Utilities' incremental borrowing rate. Right-to-use lease assets are amortized over the shorter of the lease term or the useful life of 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 additional details on lessor contracts and Notes 6 and 11 for further information on lessee contracts.

SUBSCRIPTION BASED INFORMATION TECHNOLOGY ARRANGEMENTS

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 SBITA 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 SBITA assets are amortized over its useful life which matches the term of the subscription. Refer to Note 6 and Note 11 for more information. For periods ended December 31, 2025 and 2024, Utilities recorded SBITA liabilities of \$5.1 million and \$9.7 million, respectively.

COLORADO SPRINGS UTILITIES

NOTES TO FINANCIAL STATEMENTS

As of and for the Years Ended December 31, 2025 and 2024

OTHER ASSETS

Other assets includes 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 \$29,905,985 and \$31,899,718 as of December 31, 2025 and 2024, respectively.

In addition Southern Delivery System ("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 \$15,615,263 and \$21,733,874 as of December 31, 2025 and 2024, 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 \$19,905,225 and \$19,766,750 as of December 31, 2025 and 2024, respectively.

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. The remaining unamortized balance was \$17,629,962 and \$19,743,369 as of December 31, 2025 and 2024, respectively.

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 and reduced over time through actual usage. The remaining balance was \$8,688,638 and \$9,285,871 as of December 31, 2025 and 2024, 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, 2025 and 2024, 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 \$1.55 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

As of and for the Years Ended December 31, 2025 and 2024

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 more likely than not to result in payments either before or 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.

COLORADO SPRINGS UTILITIES

NOTES TO FINANCIAL STATEMENTS

As of and for the Years Ended December 31, 2025 and 2024

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 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

Other liabilities represent unearned revenue in the amount of \$1,244,627 and \$1,664,218 as of December 31, 2025 and 2024, respectively. Restricted funds received in advance for future shared capital projects was \$0 for both 2025 and 2024.

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, 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.

COLORADO SPRINGS UTILITIES
NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended December 31, 2025 and 2024

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

	2025		2024	
	Amount	Percent	Amount	Percent
	(in thousands)			
Electric	\$ 604,222	52.7 %	\$ 539,829	53.1 %
Streetlight	5,086	0.4	4,753	0.5
Gas	212,581	18.6	155,676	15.3
Water	236,447	20.6	233,579	22.9
Wastewater	83,466	7.3	75,804	7.5
Products and services	4,242	0.4	7,457	0.7
Total	\$ 1,146,044	100.0 %	\$ 1,017,098	100.0 %
Less: Interdepartmental sales	(18,609)		(4,418)	
Total Operating Revenues	\$ 1,127,435		\$ 1,012,680	

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.

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.

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, 2025, the carrying amount of Utilities' cash deposits was \$57,287,486. Petty cash was \$7,900 and the bank balance was \$60,677,298. A portion of the bank balance in the amount of \$250,000 was covered by Federal depository insurance and \$59,935,992 was collateralized as required by Colorado Statutes.

As of December 31, 2024, the carrying amount of Utilities' cash deposits was \$74,403,947. Petty cash was \$7,900 and the bank balance was \$87,970,208. A portion of the bank balance in the amount of \$250,000 was covered by Federal depository insurance and \$84,628,800 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
As of and for the Years Ended December 31, 2025 and 2024

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:

	2025		2024	
	Fair Value	Weighted Average Maturity in Years	Fair Value	Weighted Average Maturity in Years
	(in thousands)			
U.S. Treasury Notes	\$ 536,939	0.40	\$ 289,525	0.51
U.S. Government Agency Securities	10,019	1.03	42,573	0.67
Local Government Investment Pools	265,763	0.00	177,480	0.00
Total Investments	\$ 812,721		\$ 509,578	
Portfolio Weighted Average Maturity		0.41		0.53
Reconciliation to Total Cash and Investments				
Add:				
Cash on Hand and in Banks	57,295		74,411	
Total Cash and Investments	\$ 870,016		\$ 583,989	

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, 2025 and 2024, Utilities had investments of \$265,762,948 and \$118,566,227, 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,

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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 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, 2025 and 2024, Utilities had investments of \$0 and \$50,763,443, 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	
	2025	2024	2025	2024	2025	2024
U.S. Govt Agency Securities	Aa1	Aaa	AA+	AA+	AA+	AA+
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, 2025, Utilities was invested in the following:

Investments	Amount	% of Total
	(in thousands)	
Federal Farm Credit Bureau	\$ 5,018	0.9 %
Federal Home Loan Bank	5,001	0.9

As of December 31, 2024, Utilities was invested in the following:

Investments	Amount	% of Total
	(in thousands)	
Federal Farm Credit Bureau	\$ 25,132	7.6 %
Federal Home Loan Bank	17,440	5.3

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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, 2025:

	Cash and Cash Equivalents		Investments	
	Unrestricted	Restricted	Unrestricted	Restricted
	(in thousands)			
Deposits	\$ 26,616	\$ 30,671	\$ -	\$ -
Petty cash	8	-	-	-
Investments				
U.S. Treasury Notes	-	-	100,096	436,843
U.S. Government Agency Securities	-	-	10,019	-
Local Government Investment Pools	155,923	109,840	-	-
Total	\$ 182,547	\$ 140,511	\$ 110,115	\$ 436,843

The deposits and investments reconcile to cash and cash equivalents and investments reported on the Statements of Net Position as of December 31, 2024:

	Cash and Cash Equivalents		Investments	
	Unrestricted	Restricted	Unrestricted	Restricted
	(in thousands)			
Deposits	\$ 42,354	\$ 32,051	\$ -	\$ -
Petty cash	8	-	-	-
Investments				
U.S. Treasury Notes	-	-	104,692	184,834
U.S. Government Agency Securities	-	-	40,161	2,411
Local Government Investment Pools	87,508	89,970	-	-
Total	\$ 129,870	\$ 122,021	\$ 144,853	\$ 187,245

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, 2025 and 2024 was \$62,479 and \$(625,978), 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

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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, 2025 and 2024:

- 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, Nicolaus & Company, Inc., 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.

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

	December 31, 2025			
	Level 1	Level 2	Level 3	Total
	(in thousands)			
Assets				
Investments - unrestricted				
U.S. Treasury Notes	\$ -	\$ 100,096	\$ -	\$ 100,096
Agency Notes	-	10,019	-	10,019
Total Investments - unrestricted	<u>\$ -</u>	<u>\$ 110,115</u>	<u>\$ -</u>	<u>\$ 110,115</u>
Investments - restricted				
U.S. Treasury Notes	\$ -	\$ 436,843	\$ -	\$ 436,843
Total Investments - restricted	<u>\$ -</u>	<u>\$ 436,843</u>	<u>\$ -</u>	<u>\$ 436,843</u>
Liabilities				
Derivative instruments	\$ -	\$ 24,203	\$ -	\$ 24,203

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	December 31, 2024			
	Level 1	Level 2	Level 3	Total
	(in thousands)			
Assets				
Investments - unrestricted				
U.S. Treasury Notes	\$ -	\$ 104,692	\$ -	\$ 104,692
Agency Notes	-	40,161	-	40,161
Total Investments - unrestricted	<u>\$ -</u>	<u>\$ 144,853</u>	<u>\$ -</u>	<u>\$ 144,853</u>
Investments - restricted				
U.S. Treasury Notes	\$ -	\$ 184,834	\$ -	\$ 184,834
Agency Notes	-	2,411	-	2,411
Total Investments - restricted	<u>\$ -</u>	<u>\$ 187,245</u>	<u>\$ -</u>	<u>\$ 187,245</u>
Liabilities				
Derivative instruments	\$ -	\$ 22,665	\$ -	\$ 22,665

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 4.61%, and terms ranging from 2 to 21 years. Accounts receivable as of December 31, 2025 and 2024 was \$66.3 million and \$26.0 million, respectively.

Summary of changes in lease deferred inflows as of December 31, 2025:

	Balance	Additions	Reductions	Balance
	January 1, 2025			December 31, 2025
	(in thousands)			
Lease deferred inflows	\$ 25,693	\$ 41,891	\$ 2,483	\$ 65,101

Summary of changes in lease deferred inflows as of December 31, 2024:

	Balance	Additions	Reductions	Balance
	January 1, 2024			December 31, 2024
	(in thousands)			
Lease deferred inflows	\$ 13,900	\$ 16,619	\$ 4,826	\$ 25,693

Utilities has agreements for pole attachments. These leases are excluded as they are regulated by Colorado Revised Statue § 38-5.5-108. The pole attachment revenue was \$733,099 and \$709,859 as of December 31, 2025 and 2024, respectively.

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NOTE 6 - CAPITAL ASSETS

SUMMARY OF CAPITAL ASSETS NET OF ACCUMULATED DEPRECIATION AND AMORTIZATION

Summary for the year ended December 31, 2025:

	Beginning Balance	Additions	Deletions	Ending Balance
	(in thousands)			
Plant in Service				
Non-Depreciable Capital Assets				
Land	\$ 218,241	\$ 210	\$ -	\$ 218,451
Intangible assets				
Land rights	51,406	3,955	-	55,361
Other intangibles	8,693	-	-	8,693
Total Non-Depreciable Capital Assets	278,340	4,165	-	282,505
Depreciable Capital Assets				
Electric	2,655,830	305,949	(4,811)	2,956,968
Streetlight	56,952	2,763	-	59,715
Gas	565,818	38,737	(1,008)	603,547
Water and Wastewater	3,617,058	158,463	(7,174)	3,768,347
Common	396,250	15,141	(1,359)	410,032
Intangible assets				
Software	111,340	15,499	(725)	126,114
Land rights	44	-	-	44
Other intangibles	26,167	-	-	26,167
Right to use assets				
Electric lease	1,076	-	-	1,076
SBITAs	33,300	1,671	(2,526)	32,445
Total Depreciable Capital Assets	7,463,835	538,223	(17,603)	7,984,455
Total Plant in Service	7,742,175	542,388	(17,603)	8,266,960
Accumulated Depreciation and Amortization				
Electric	(1,539,111)	(95,451)	3,994	(1,630,568)
Streetlight	(38,451)	(1,512)	1	(39,962)
Gas	(170,319)	(11,556)	997	(180,878)
Water and Wastewater	(1,210,380)	(72,355)	4,016	(1,278,719)
Common	(249,806)	(19,162)	1,041	(267,927)
Intangible assets				
Software	(78,171)	(1,936)	-	(80,107)
Land rights	(24)	-	-	(24)
Other intangibles	(4,359)	(44)	2	(4,401)
Right to use assets				
Electric lease	(308)	(154)	1	(461)
SBITAs	(21,577)	(4,325)	1,298	(24,604)
Total Accumulated Depreciation and Amortization	(3,312,506)	(206,495)	11,350	(3,507,651)
Total Plant in Service (net of Accumulated Depreciation and Amortization)	4,429,669	335,893	(6,253)	4,759,309
Construction work in progress	414,856	653,130	(502,568)	565,418
Total Capital Assets (net of Accumulated Depreciation and Amortization)	\$ 4,844,525	\$ 989,023	\$ (508,821)	\$ 5,324,727

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Summary for the year ended December 31, 2024:

	Beginning Balance	Additions	Deletions	Ending Balance
	(in thousands)			
Plant in Service				
Non-Depreciable Capital Assets				
Land	\$ 215,872	\$ 2,369	\$ -	\$ 218,241
Intangible assets				
Land rights	47,973	3,433	-	51,406
Other intangibles	8,693	-	-	8,693
Total Non-Depreciable Capital Assets	272,538	5,802	-	278,340
Depreciable Capital Assets				
Electric	2,459,302	241,616	(45,088)	2,655,830
Streetlight	54,579	2,373	-	56,952
Gas	516,876	49,827	(885)	565,818
Water and Wastewater	3,475,410	144,157	(2,509)	3,617,058
Common	372,968	24,171	(889)	396,250
Intangible assets				
Software	98,475	12,865	-	111,340
Land rights	44	-	-	44
Other intangibles	26,167	-	-	26,167
Right to use assets				
Electric lease	1,076	-	-	1,076
SBITAs	26,963	6,337	-	33,300
Total Depreciable Capital Assets	7,031,860	481,346	(49,371)	7,463,835
Total Plant in Service	7,304,398	487,148	(49,371)	7,742,175
Accumulated Depreciation and Amortization				
Electric	(1,453,661)	(89,281)	3,831	(1,539,111)
Streetlight	(36,996)	(1,455)	-	(38,451)
Gas	(161,238)	(9,966)	885	(170,319)
Water and Wastewater	(1,144,985)	(67,858)	2,463	(1,210,380)
Common	(240,659)	(10,036)	889	(249,806)
Intangible assets				
Software	(68,126)	(10,045)	-	(78,171)
Land rights	(22)	(2)	-	(24)
Other intangibles	(3,836)	(523)	-	(4,359)
Right to use assets				
Electric lease	(154)	(154)	-	(308)
SBITAs	(10,477)	(11,100)	-	(21,577)
Total Accumulated Depreciation and Amortization	(3,120,154)	(200,420)	8,068	(3,312,506)
Total Plant in Service (net of Accumulated Depreciation and Amortization)	4,184,244	286,728	(41,303)	4,429,669
Construction work in progress	369,302	459,942	(414,388)	414,856
Total Capital Assets (net of Accumulated Depreciation and Amortization)	\$ 4,553,546	\$ 746,670	\$ (455,691)	\$ 4,844,525

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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 other 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 other derivative instruments. The change in the fair value of other derivative instruments is recognized as Nonoperating Revenues (Expenses) on the Statements of Revenues, Expenses, and Changes in Net Position or other derivative instruments.

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 other derivative instruments.

Utilities values interest rate derivative instruments based on valuations provided by Stifel, Nicolaus & Company, Inc., a third-party valuation service provider for 2025 and 2024. 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, 2025, 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)					
Cash Flow Hedges					
Interest Rate Swaps	Deferred outflows	\$ 1,035	Derivative instruments	\$ (7,815)	\$ 85,025
Total Cash Flow Hedges		<u>\$ 1,035</u>		<u>\$ (7,815)</u>	
Other Derivative Instruments					
Interest Rate Swaps	Derivative gain/(loss)	\$ (503)	Derivative instruments	\$ (16,388)	\$ 206,395
Total Other Derivative Instruments		<u>\$ (503)</u>		<u>\$ (16,388)</u>	

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The fair value and notional amount of derivative instruments outstanding at December 31, 2024, 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)					
Cash Flow Hedges					
Interest Rate Swaps	Deferred outflows	\$ (1,214)	Derivative instruments	\$ (6,780)	\$ 90,825
Total Cash Flow Hedges		<u>\$ (1,214)</u>		<u>\$ (6,780)</u>	
Other Derivative Instruments					
Interest Rate Swaps	Derivative gain/(loss)	\$ 7,978	Derivative instruments	\$ (15,727)	\$ 216,260
Total Other Derivative Instruments		<u>\$ 7,978</u>		<u>\$ (15,727)</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, 2025:

December 31,	Projected Future Cash Flows In/(Out) for Hedging Derivatives Instruments	
	(in thousands)	
2026	\$	(4,940)
2027		(4,654)
2028		(4,070)
2029		(2,767)
2030		(2,496)
2031-2035		(7,927)
2036-2040		(1,524)
2041		(31)
Total	<u>\$</u>	<u>(28,409)</u>

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Summary of Utilities' pay-fixed interest rate swap agreements outstanding as of December 31, 2025:

	Notional Amount	Effective Date	Maturity Date	Trade Details	Counterparty
	(in thousands)				
<u>Cash Flow Hedges</u>					
2005A SIFMA Swap	\$ 41,214	09/15/05	11/01/35	Pay 4.7099%; receive SIFMA index	Bank of America, N.A.
2005A SIFMA Swap	13,881	09/15/05	11/01/35	Pay 4.7099%; receive SIFMA index	J. Aron & Company
2008A SIFMA Swap	29,900	09/12/08	11/01/38	Pay 4.2686%; receive SIFMA index	Bank of America, N.A.
<u>Other Derivatives Instruments</u>					
2005A SIFMA Swap	430	09/15/05	11/01/35	Pay 4.7099%; receive SIFMA index	Bank of America, N.A.
2006B New Money LIBOR Swap	18,210	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	27,315	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	25,452	09/13/07	11/01/37	Pay 3.1980%; receive 68% of SOFR + Spread (LIBOR)	J. Aron & Company
2007A New Money LIBOR Swap	16,968	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)	51,975	10/01/09	11/01/28	Pay 5.4750%; receive 68% of SOFR + Spread (LIBOR)	Wells Fargo Bank, N.A.
2010C LIBOR Swap	32,245	10/26/10	11/01/40	Pay 3.8807%; receive 68% of SOFR + Spread (LIBOR)	Morgan Stanley Capital Services, Inc.
2012A LIBOR Swap	33,830	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>\$ 291,420</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 other 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.

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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 other derivative instruments are held with various counterparties of high credit quality. Utilities views counterparty credit risks that may arise through interest rate derivative instrument transactions as similar between cash flow hedges and other derivative instruments.

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

Counterparty	Credit Rating	
	2025	2024
J. Aron & Co.	A2 / BBB+	A2 / BBB+
JPMorgan Chase Bank, N.A.	Aa2 / AA-	Aa2 / AA-
Bank of America, N.A.	Aa2 / A+	Aa1 / A+
Morgan Stanley Capital Services, Inc.	Aa3 / A+	Aa3 / A+
Wells Fargo Bank, N.A.	Aa2 / A+	Aa2 / A+

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, 2025 and 2024, Utilities has no forward exposure to energy financial 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, 2025 and 2024, 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, 2025 was approximately \$(24.3) million compared to \$(22.5) million at the end of 2024.

The combined fair value of all derivative instruments, net of collateral postings, as of December 31, 2025 and 2024 was approximately \$(24.3) and \$(22.7) million, respectively.

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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.

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, 2025 and 2024, 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 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, 2025, the weighted average interest rate on Utilities' variable rate debt was 2.31%, the SIFMA swap index rate was 2.36%, while 68% of the SOFR plus spread was 2.71%. 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, 2024, the weighted average interest rate on Utilities' variable rate debt was 1.76%, the SIFMA swap index rate was 3.62%, while 68% of the LIBOR was 3.13%.

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.

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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 2025, Utilities' long-term credit ratings are "Aa2/AA+" by Moody's and S&P, respectively. As of December 2024, 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.

NOTE 8 - TOTAL LONG-TERM DEBT

SUMMARY OF SCHEDULED MATURITIES OF TOTAL LONG-TERM DEBT

Revenue Bonds - scheduled maturities as of December 31, 2025:

December 31,	Principal	Interest
	(in thousands)	
2026	\$ 103,135	\$ 149,969
2027	106,270	144,570
2028	121,880	139,163
2029	129,350	133,250
2030	136,830	126,910
2031-2035	565,750	547,298
2036-2040	545,430	408,481
2041-2045	466,415	280,123
2046-2050	481,620	164,454
2051-2055	355,290	50,567
Total	<u>\$ 3,011,970</u>	<u>\$ 2,144,785</u>

Notes and loans from direct borrowings - scheduled maturities as of December 31, 2025:

December 31,	Principal	Interest
	(in thousands)	
2026	\$ 488	\$ 61
2027	500	49
2028	513	36
2029	526	23
2030	539	10
Total	<u>\$ 2,566</u>	<u>\$ 179</u>

COLORADO SPRINGS UTILITIES

NOTES TO FINANCIAL STATEMENTS

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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, 2025:

Revenue Bonds	Issue Date	Final Maturity	Coupon Rate Ranges	Original Amount of Debt	Outstanding Principal at December 31, 2025
(in thousands)					
Fixed Rate Tax Exempt Bonds					
Series 2014A-1	09/25/2014	11/15/2044	4.000%-5.000%	\$ 58,515	\$ -
Series 2014A-2	09/25/2014	11/15/2044	4.000%-5.000%	53,995	-
Series 2015A	10/15/2015	11/15/2048	3.000%-5.000%	82,975	7,040
Series 2017A-1	09/27/2017	11/15/2042	3.000%-5.000%	89,750	70,255
Series 2017A-2	09/27/2017	11/15/2047	2.500%-5.000%	84,340	71,710
Series 2018A-1	07/10/2018	11/15/2026	3.000%-5.000%	125,645	22,435
Series 2018A-2	07/10/2018	11/15/2048	3.000%-5.000%	39,500	34,090
Series 2018A-3	08/21/2018	11/15/2033	5.000%	4,810	2,485
Series 2018A-4	07/10/2018	11/15/2048	4.000%-5.000%	56,860	49,230
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	154,025
Series 2020B	08/18/2020	11/15/2028	5.000%	50,980	20,190
Series 2020C	08/18/2020	11/15/2050	5.000%	85,440	67,215
Series 2021A	08/18/2021	11/15/2033	5.000%	38,715	21,940
Series 2021B	08/18/2021	11/15/2051	4.000%-5.000%	185,030	172,660
Series 2022A	10/04/2022	11/15/2042	4.000%-5.000%	127,425	107,030
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	155,985
Series 2024A	08/20/2024	11/15/2054	5.000%-5.250%	289,020	289,020
Series 2024B	08/20/2024	11/15/2054	5.000%	89,190	86,565
Series 2025A	08/26/2025	11/15/2055	5.000%-5.250%	700,000	700,000
Series 2025B	08/26/2025	11/15/2031	5.000%	38,160	38,160
Fixed Rate Taxable Bonds					
Series 2009B-2	09/24/2009	11/15/2039	4.949%-5.545%	64,450	49,500
Series 2009D-2	11/17/2009	11/15/2049	4.164%-6.313%	56,750	46,710
Series 2010D-4	12/23/2010	11/15/2040	6.615%	107,260	107,260
Variable Rate Tax Exempt Bonds					
Series 2005A	09/15/2005	11/01/2035	resets weekly	100,000	55,095
Series 2006B	09/14/2006	11/01/2036	resets weekly	75,000	45,525
Series 2007A	09/13/2007	11/01/2037	resets weekly	75,000	42,420
Series 2008A	09/12/2008	11/01/2038	resets weekly	50,000	29,900
Series 2009C	10/01/2009	11/01/2028	resets weekly	66,455	51,975
Series 2010C	10/26/2010	11/01/2040	resets weekly	50,000	32,245
Series 2012A	03/15/2012	11/01/2041	resets weekly	50,000	33,830
Total Revenue Bonds					\$ 3,011,970

COLORADO SPRINGS UTILITIES

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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, 2025
(in thousands)					
Colorado Water Resources & Power Development Authority					
Series 2009E - Drinking Water Revolving Fund					
	04/29/2010	11/01/2030	2.500%	\$ 8,600	\$ 2,566
Total Notes and Loans Payable					2,566
Total Long-Term Debt					\$ 3,014,536

NOTE 9 - REVENUE BONDS

In August 2025, Utilities issued Utilities System Improvement Revenue Bonds, Series 2025A and Utilities System Refunding Revenue Bonds, Series 2025B totaling \$738,160,000. Series 2025A bonds were issued as new money to finance a portion of the costs of a number of general capital improvements to the Utility System. Series 2025B bonds were used to refund a portion of the City's outstanding Utilities System Refunding Revenue Bonds, Series 2015A.

In August 2024, Utilities issued Utilities System Improvement Revenue Bonds, Series 2024A and Utilities System Refunding Revenue Bonds, Series 2024B totaling \$378,210,000. Series 2024A bonds were issued as new money to finance a portion of the costs of a number of general capital improvements to the Utility System. Series 2024B bonds were used to refund all of the City's outstanding Utilities System Improvement Revenue Bonds, Series 2014A-1 and Utilities System Improvement Revenues Series 2014A-2.

The individual remarketing agents for the 2005A, 2006B, 2007A, 2008A, 2009C, 2010C, and 2012A VRDOs calculate weekly the interest rate to be paid to bondholders by determining the interest rate that would enable the bonds to be remarketed at par, plus accrued interest, if any.

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:

	2025	2024
	(in thousands)	
Principal and Interest Paid ("P&I")	\$ 231,358	\$ 211,389
Net Pledged Revenues	443,216	377,847
P&I % of Net Pledged Revenues	52.2%	55.9%

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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 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, 2025, 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, 2024A, 2024B, 2025A, and 2025B bond issues will continue to have annual calculations completed until no longer required.

COLORADO SPRINGS UTILITIES
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CURRENT REFUNDINGS

The 2025B series was issued on August 26, 2025 to current refund the following:

2025B 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 ⁽¹⁾
2015A	\$ 41,640	4.759 %	(in thousands) \$ 58,386	2025-2045	08/26/2025	\$ 57,898

Bond Refunded	Issue Amount	Average Interest Rate on New Issue	New Issue Cash Flow
2015A	\$ 38,160	2.553 %	\$ 46,037

Bond Refunded	Issue Cash Flow Period	Net Proceeds ⁽²⁾	Economic Gain (Loss) ⁽³⁾
2015A	2025-2045	\$ 42,203	\$ 3,619

⁽¹⁾ Amounts are net of prior receipts.

⁽²⁾ 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.

⁽³⁾ 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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The 2024B series was issued on August 20, 2024 to current refund the following:

2024B Current Refunding

Bonds Refunded	Refunded Amount	Average Interest Rate on Refunded Bonds	Refunded Bonds Cash Flow (in thousands)	Refunded Bonds Cash Flow Period	Refunded Bonds Call Date	Prior Net Cash Flow ⁽¹⁾
2014A-1	\$ 53,060	4.854 %	\$ 82,482	2024-2044	08/20/2024	\$ 80,900
2014A-2	\$ 49,085	4.854 %	\$ 76,134	2024-2044	08/20/2024	\$ 74,693

Bonds Refunded	Issue Amount	Average Interest Rate on New Issue	New Issue Cash Flow
2014A-1	\$ 46,305	3.556 %	\$ 72,498
2014A-2	\$ 42,885	3.555 %	\$ 66,956

Bonds Refunded	Issue Cash Flow Period	Net Proceeds ⁽²⁾	Economic Gain (Loss) ⁽³⁾
2014A-1	2024-2044	\$ 53,642	\$ 5,918
2014A-2	2024-2044	\$ 49,623	\$ 5,452

⁽¹⁾ Amounts are net of prior receipts.

⁽²⁾ 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.

⁽³⁾ 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 July 8, 2025, 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, 2028. 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 agreement.

COLORADO SPRINGS UTILITIES
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As of and for the Years Ended December 31, 2025 and 2024

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, 2025:

	Balance January 1, 2025	Additions	Reductions (in thousands)	Balance December 31, 2025	Current Portion
Revenue bonds	\$2,420,385	\$ 738,161	\$ 146,575	\$3,011,971	\$ 103,135
Issuance premiums and discounts	288,411	45,645	23,933	310,123	-
Total Bonds Payable	2,708,796	783,806	170,508	3,322,094	103,135
Other Long-term Liabilities					
Customer deposits	6,867	1,944	1,284	7,527	-
Notes and loans payable	3,042	-	476	2,566	488
Lease liability	790	-	149	641	153
SBITAs liability	9,664	-	4,508	5,156	2,712
Compensated absences	28,054	426	2,758	25,722	21,549
Customer advances for construction	40,878	60,321	59,419	41,780	-
Municipal solid waste landfill closure and postclosure care	23,215	372	-	23,587	-
Asset retirement obligation	7,687	813	-	8,500	-
Derivative instruments	22,665	1,538	-	24,203	-
Pension and OPEB	193,994	37,387	68,290	163,091	-
Other	532	1	-	533	-
Total Other Long-term Liabilities	337,388	102,802	136,884	303,306	24,902
Total Long-term Liabilities	\$3,046,184	\$ 886,608	\$ 307,392	\$3,625,400	\$ 128,037

COLORADO SPRINGS UTILITIES
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Summary of changes in long-term liabilities as of December 31, 2024:

	Balance January 1, 2024	Additions	Reductions (in thousands)	Balance December 31, 2024	Current Portion
Revenue bonds	\$2,241,415	\$ 378,210	\$ 199,240	\$2,420,385	\$ 104,935
Issuance premiums and discounts	269,146	48,613	29,348	288,411	-
Total Bonds Payable	2,510,561	426,823	228,588	2,708,796	104,935
Other Long-term Liabilities					
Customer deposits	5,889	1,660	682	6,867	-
Notes and loans payable	3,506	-	464	3,042	476
Lease liability	936	-	146	790	149
SBITAs liability	12,453	6,337	9,126	9,664	4,072
Compensated absences	26,141	34,549	32,636	28,054	21,098
Customer advances for construction	31,091	42,358	32,571	40,878	-
Municipal solid waste landfill closure and postclosure care	22,395	820	-	23,215	-
Asset retirement obligation	7,513	174	-	7,687	-
Derivative instruments	34,951	-	12,286	22,665	-
Pension and OPEB	257,754	9,657	73,417	193,994	-
Other	556	-	24	532	-
Total Other Long-term Liabilities	403,185	95,555	161,352	337,388	25,795
Total Long-term Liabilities	\$2,913,746	\$ 522,378	\$ 389,940	\$3,046,184	\$ 130,730

INTEREST COST, EXPENSE, AND PAYMENTS

Interest cost to interest expense reconciliation for the years ended December 31:

	2025	2024
	(in thousands)	
Total interest cost	\$ 129,872	\$ 113,501
Interest on SBITAs	(1,352)	2,086
Amortization of discounts, (premiums) and deferred (gain) loss on refundings	(19,001)	(17,053)
Total Interest Expense	\$ 109,519	\$ 98,534

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Interest cost to interest payments reconciliation for the years ended December 31:

	2025	2024
	(in thousands)	
Total interest cost	\$ 129,872	\$ 113,501
Accrued interest December 31 of current year	(17,889)	(13,225)
Accrued interest December 31 of prior year	13,225	11,962
Total Interest Payments	\$ 125,208	\$ 112,238

LEASE LIABILITY

Utilities leases railcars to transport coal to Nixon. The original lease term was for an additional 6 years and the incremental cost of borrowing is 2.94%.

Lease liability - scheduled maturities as of December 31, 2025:

December 31,	Principal	Interest
	(in thousands)	
2026	\$ 153	\$ 16
2027	158	12
2028	163	7
2029	167	3
Total	\$ 641	\$ 38

SBITAs LIABILITY

Utilities, as a lessee, has entered into multiple SBITAs. The SBITAs have interest rates between 2.32% and 3.04%, and an estimated life of 1 to 7 years. Utilities made variable payments of \$211,000 and \$247,000 related to these SBITAs as of December 31, 2025 and 2024, respectively.

SBITAs - scheduled maturities as of December 31, 2025:

December 31,	Principal	Interest
	(in thousands)	
2026	\$ 2,712	\$ 93
2027	1,030	58
2028	697	30
2029	717	10
Total	\$ 5,156	\$ 191

COLORADO SPRINGS UTILITIES

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As of and for the Years Ended December 31, 2025 and 2024

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 2025 and 2024, Utilities recognized a liability of \$23,586,698 and \$23,214,669, 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 \$27,127,972 and \$27,118,340 for 2025 and 2024, respectively. The average landfill capacity used to date in 2025 and 2024 is 85.1% and 84.5%, 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

Utilities participates in the Local Government Division Trust Fund (LGDTF), a cost-sharing multiple-employer defined benefit pension plan administered by the Public Employees’ Retirement Association of Colorado (PERA). The net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, information about the fiduciary net position (FNP) and additions to/deductions from the FNP 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.

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/forms-resources/financial-reports-and-studies.

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 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,

COLORADO SPRINGS UTILITIES

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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 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 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 for the LGDTF are established under C.R.S. § 24-51-401, et seq. and § 24-51-413. The employee contribution rate was 9.0% for the period of January 1, 2024 to December 31, 2024 and was 9.0% for the period of January 1, 2025 to December 31, 2025. The employer contribution requirements for 2025 and 2024 are summarized in the table below:

	January 1, 2025 through December 31, 2025		January 1, 2024 through December 31, 2024	
Employer Contribution Rate (1)	11.00	%	11.00	%
Amount of Employer Contribution				
apportioned to the Health Care Trust Fund as specified in C.R.S. § 24-51-208(1)(f)	(1.02)	%	(1.02)	%
Amount Apportioned to the LGDTF	9.98	%	9.98	%
Amortization Equalization Disbursement (“AED”) as specified in C.R.S. § 24-51-411	2.20	%	2.20	%
Supplemental Amortization Equalization Disbursement (“SAED”) as specified in C.R.S. § 24-51-411	1.50	%	1.50	%
Defined Contribution Supplement as specified in C.R.S. § 24-51-415	0.11	%	0.08	%
Total Employer Contribution Rate to the LGDTF	13.79	%	13.76	%

(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

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recognized by the LGDTF from Utilities were \$33,920,733 and \$31,213,103 for the years ended December 31, 2025 and 2024, respectively.

PENSION LIABILITIES (ASSETS), PENSION EXPENSE AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO PENSION

Pension Liabilities - The net pension liability for the LGDTF was measured as of December 31, 2024, and the total pension liability (TPL) used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2023. Standard update procedures were used to roll-forward the TPL to December 31, 2024. Utilities' proportion of the net pension liability (asset) is based on Utilities' contributions to the LGDTF for the calendar years 2025 and 2024 relative to the total contributions of participating employers to the LGDTF.

Utilities' pension liabilities are as follows:

December 31,	Measurement Date	Actuarial Valuation Date	Proportionate Share of the Net Pension Liability (in thousands)	Utilities' Proportion of the LGDTF Net Pension Liability	Increase (Decrease) of Utilities' Proportion of the LGDTF Net Pension Liability from Prior Year
2025	12/31/2024	12/31/2023	\$ 142,347	23.2 %	0.3 %
2024	12/31/2023	12/31/2022	167,955	22.9	0.0

Pension Expense - For the years ended December 31, 2025 and 2024, Utilities recognized pension expense of \$32,979,304 and \$6,154,508, 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	2025	2024
	(in thousands)	
Difference between expected and actual experience	\$ 10,741	\$ 9,089
Changes of assumptions or other inputs	4,201	-
Net difference between projected and actual earnings on pension plan investments	13,395	49,044
Changes in proportion and differences between contributions recognized and proportionate share of contributions	920	171
Contributions subsequent to the measurement date	33,921	31,213
Total	<u>\$ 63,178</u>	<u>\$ 89,517</u>

The \$33,920,733 reported as Deferred Outflows of Resources related to pensions reported at December 31, 2025, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended December 31, 2026. The \$31,213,103 reported as Deferred Outflows of Resources related to pensions reported at December 31, 2024, resulting from contributions subsequent to the measurement date, was recognized as a reduction of the net pension liability in the year ended December 31, 2025.

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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	2025	2024
	(in thousands)	
Difference between expected and actual experience	\$ -	\$ 173
Net difference between projected and actual earnings on pension plan investments	-	-
Changes in proportion and differences between contributions recognized and proportionate share of contributions	-	359
Total	<u>\$ -</u>	<u>\$ 532</u>

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)
2026	\$ 26,906
2027	34,000
2028	(22,673)
2029	(8,976)

Actuarial Assumptions - The December 31, 2023, actuarial valuation used the following actuarial cost method and key actuarial assumptions and other inputs:

Financial statement date	December 31, 2025	December 31, 2024
Measurement date	December 31, 2024	December 31, 2023
Actuarial valuation date	December 31, 2023	December 31, 2022
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 (ad hoc, substantively automatic)	Financed by the AIR	Financed by the AIR

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.

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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 / 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 / 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 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, 2023, valuation were based on the results of the 2020 experience analysis, dated October 28, 2020, for the period January 1, 2016 through December 31, 2019. Revised economic and demographic assumptions were adopted by the PERA Board on November 20, 2020.

Based on the 2024 experience analysis, dated January 3, 2025, for the period January 1, 2020, to December 31, 2023, revised actuarial assumptions were adopted by PERA's Board on January 17, 2025, and were effective as of December 31, 2024. The following assumptions were reflected in the roll forward calculation of the total pension liability from December 31, 2023, to December 31, 2024.

Salary increases, including wage inflation, are 3.40%-13.00% for the year ended December 31, 2024.

Long-term Expected Return - The long-term expected return on plan assets is reviewed as part of regular experience studies prepared every four years, and asset/liability studies, performed every three to five years for PERA. Recently this assumption has been reviewed more frequently. The most recent analyses were outlined in the 2024 Experience Study report dated January 3, 2025.

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 November 15, 2019, and again at the Board's September 20, 2024, meeting. 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	51.0 %	5.0 %
Fixed Income	23.0	2.6
Private Equity	10.0	7.6
Real Estate	10.0	4.1
Alternatives	6.0	5.2
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%.

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 AAP assessments. 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 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 automatic adjustment provision assessment and the additional 0.50% resulting from the 2020 automatic adjustment provision assessment, statutorily recognized July 1, 2021, and effective July 1, 2022. 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 ("AIR") was excluded from the initial fiduciary net position ("FNP"), as, per statute, AIR amounts cannot be used to pay benefits until transferred to either the retirement benefits reserve or the survivor benefits reserve, as appropriate. AIR transfers to the FNP and the subsequent AIR 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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- Beginning with the December 31, 2023, measurement date and thereafter, the FNP as of the current measurement date is used as a starting point for the GASB 67 projection test.
- As of the December 31, 2024, measurement date, the FNP and related disclosure components for the Local Government Division reflect payments related to the disaffiliation of Tri-County Health Department as a PERA-affiliated employer, effective December 31, 2022. The additional disaffiliation payment allocations to the Local Government Division Trust Fund and HCTF were \$0.486 million and \$0.020 million, respectively.

Based on the above assumptions and methods, LGDTF's FNP 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, and 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 of 7.25%, 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 (6.25%) or 1-percentage-point higher (8.25%) than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
		(in thousands)	
2025			
Discount rate	6.25%	7.25%	8.25%
Proportionate share of net pension liability	\$ 311,569	\$ 142,347	\$ 181
2024			
Discount rate	6.25%	7.25%	8.25%
Proportionate share of net pension liability	\$ 329,211	\$ 167,955	\$ 32,877

Pension Plan Fiduciary Net Position - Detailed information about the LGDTF's FNP is available in PERA's ACFR which can be obtained at www.copera.org/forms-resources/financial-reports-and-studies.

NOTE 14 - DEFINED CONTRIBUTION PENSION PLAN

VOLUNTARY INVESTMENT PROGRAM (PERA PLUS 401(k) PLAN)

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 administered by PERA. Title 24, Article 51, Part 14 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/forms-resources/financial-reports-and-studies.

The PERA Plus 401(k) Plan 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, 2025 and 2024 were \$3,932,544 and \$4,000,432, respectively.

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DEFINED CONTRIBUTION RETIREMENT PLAN (PERA DC PLAN)

Eligible employees of the LGDTF hired on or after January 1, 2019, have the option to participate in the LGDTF, a cost-sharing multiple-employer defined benefit pension plan, or the Defined Contribution Retirement Plan (PERA DC Plan).

The PERA DC Plan is an Internal Revenue Code Section 401(a) governmental profit-sharing defined contribution plan. Title 24, Article 51, Part 15 of the C.R.S., as amended, assigns the authority to establish Plan provisions to the PERA Board of Trustees. PERA issues a publicly available ACFR which includes additional information on the PERA DC Plan. That report can be obtained at www.copera.org/forms-resources/financial-reports-and-studies.

	January 1, 2025 Through December 31, 2025	January 1, 2024 Through December 31, 2024
Employee Contribution Rates	9.00 %	9.00 %
Employer Contribution Rates (on behalf of participating employees)	10.00	10.00

**Contribution rates are expressed as a percentage of salary as defined in C.R.S. § 24-51-101(42).

Additionally, the employers are required to contribute Amortization Equalization Disbursement (AED), Supplemental Amortization Equalization Disbursement (SAED), and other statutory amounts for employees other than Safety Officers to the LGDTF, as follows:

	January 1, 2025 Through December 31, 2025	January 1, 2024 Through December 31, 2024
Amortization Equalization Disbursement (AED) as specified in C.R.S. § 24-51-411	2.20 %	2.20 %
Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S. § 24-51-411	1.50	1.50
Automatic Adjustment Provision (AAP) as specified in C.R.S. § 24-51-413	1.00	1.00
Additional Contribution Supplement as specified in C.R.S. § 24-51-401 and § 24-51-415	0.11	0.08
Total employer contribution rate to the LGDTF	4.81 %	4.78 %

Participating employees in the PERA DC Plan contributed \$817,708 and \$576,296 for the years ending December 31 2025 and 2024, respectively.

DEFERRED COMPENSATION PLAN (PERAPlus 457 PLAN)

Employees of Utilities may voluntarily contribute to the Deferred Compensation Plan (PERAPlus 457 Plan), an Internal Revenue Code Section 457 deferred compensation plan administered by PERA. Title 24, Article 51, Part 16 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 ACFR which includes additional information on the PERAPlus 457 Plan. That report can be obtained at www.copera.org/forms-resources/financial-reports-and-studies.

The PERAPlus 457 Plan 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 1603 of the C.R.S., as amended. Members are immediately vested in their own contributions, employer contributions and investment earnings. The program member contributions from Utilities for the years ending December 31, 2025 and 2024 were \$4,203,147 and \$3,921,065, respectively.

NOTE 15 - DEFINED BENEFIT OPEB PLANS

HCTF COST-SHARING MULTIPLE-EMPLOYER PLAN

Utilities participates in the Health Care Trust Fund (HCTF), a cost-sharing multiple-employer defined benefit OPEB fund administered by the Public Employees' Retirement Association of Colorado ("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 (FNP) and additions to/deductions from the FNP 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.

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/forms-resources/financial-reports-and-studies.

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 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 5.0% 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 \$2,509,003 and \$2,313,762 for the years ended December 31, 2025 and 2024, respectively.

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 2025 and 2024 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, 2025 and 2024.

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)		
2025	12/31/2024	12/31/2023	\$ 8,734	1.8 %	0.0 %
2024	12/31/2023	12/31/2022	12,888	1.8	0.0

OPEB Expense - For the years ended December 31, 2025 and 2024, Utilities recognized OPEB expense of \$(1,030,432) and \$(544,026), respectively.

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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	2025	2024
	(in thousands)	
Difference between expected and actual experience	\$ -	\$ -
Changes of assumptions or other inputs	100	152
Net difference between projected and actual earnings on OPEB plan investments	30	399
Changes in proportion and differences between contributions recognized and proportionate share of contributions	397	334
Contributions subsequent to the measurement date	2,509	2,314
Total	\$ 3,036	\$ 3,199

The \$2,509,003 reported as deferred outflows of resources related to OPEB reported at December 31, 2025, 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, 2026. The \$2,313,762 reported as deferred outflows of resources related to OPEB reported at December 31, 2024, resulting from contributions subsequent to the measurement date, was recognized as a reduction of the net OPEB liability in the year ended December 31, 2025.

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	2025	2024
	(in thousands)	
Difference between expected and actual experience	\$ 1,926	\$ 2,641
Changes of assumptions or other inputs	2,792	1,367
Changes in proportion and differences between contributions recognized and proportionate share of contributions	283	540
Total	\$ 5,001	\$ 4,548

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)
2026	\$ (1,311)
2027	(723)
2028	(1,065)
2029	(684)
2030	(458)
Thereafter	(233)

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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:

Financial statement date	December 31, 2025	December 31, 2024
Measurement date	December 31, 2024	December 31, 2023
Actuarial valuation date	December 31, 2023	December 31, 2022
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	0.00%	0.00%
	16% in 2024	
PERACare Medicare plans	then 6.75% in 2025	7.00% in 2023,
	gradually decreasing	gradually decreasing
	to 4.5% in 2034	to 4.5% in 2033
Medicare Part A premiums	3.5% in 2024,	3.5% in 2023,
	gradually increasing	gradually increasing
	to 4.50% in 2034	to 4.5% in 2035

The total OPEB liability for the HCTF, as of the December 31, 2024, 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, 2024. As of the close of the 2024 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, 2024, measurement date.

Beginning January 1, 2024, the per capita health care costs are developed by plan option; based on 2024 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.

The total OPEB liability for the HCTF, as of the December 31, 2023, 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, 2023. As of the close of the 2023 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, 2023, measurement date.

Beginning January 1, 2023, the per capita health care costs are developed by plan option; based on 2023 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)
65-68	2.2%	2.3%
69	2.8	2.2
70	2.7	1.6
71	3.1	0.5
72	2.3	0.7
73	1.2	0.8
74	0.9	1.5
75-85	0.9	1.3
86 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	\$ 1,710	\$ 1,420	\$ 585	\$ 486	\$ 1,897	\$ 1,575
70	1,921	1,589	657	544	2,130	1,763
75	2,122	1,670	726	571	2,353	1,853

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	\$ 6,536	\$ 5,429	\$ 4,241	\$ 3,523	\$ 7,063	\$ 5,866
70	7,341	6,073	4,764	3,941	7,933	6,563
75	8,110	6,385	5,265	4,143	8,763	6,900

The 2024 and 2023 Medicare Part A premium is \$505 and \$506, 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 referenced in the development of these rates. Effective December 31, 2022, 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.

COLORADO SPRINGS UTILITIES
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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	MAPD PPO #1	Medicare Part A Premiums
2024	16.00 %	105.00 %	3.50 %
2025	6.75	8.55	3.75
2026	6.50	8.10	3.75
2027	6.25	7.65	4.00
2028	6.00	7.20	4.00
2029	5.75	6.75	4.25
2030	5.50	6.30	4.25
2031	5.25	5.85	4.25
2032	5.00	5.40	4.25
2033	4.75	4.95	4.50
2034+	4.50	4.50	4.50

Mortality assumptions used in the December 31, 2023, valuation for the Division Trust Funds as shown in the following table, reflect generational mortality and were applied, as applicable, in the December 31, 2023, valuation for the HCTF, but developed using a headcount-weighted basis. Note that in all categories, displayed as follows, the mortality tables are generationally projected using scale MP-2019. Affiliated employers of the State, School, Local Government, and Judicial Divisions participate in the HCTF.

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 / 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 / 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 PubNS-2010 Disabled Retiree Table using 99% of the rates for all ages with generational projection using scale MP-2019.

COLORADO SPRINGS UTILITIES
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The following health care costs assumptions were updated and used in the roll-forward calculation for the Trust Fund:

- Per capita health care costs in effect as of the December 31, 2023, 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 2024 plan year.
- The health care cost trend rates applicable to health care premiums were revised to reflect the current expectation of future increases in those premiums. A separate trend rate assumption set was added for MAPD PPO #2 as the first-year rate is still below the maximum subsidy and also the assumption set reflects the estimated impact of the Inflation Reduction Act for that plan option.
- Medicare health care plan election rate assumptions were updated effective as of December 31, 2023, valuation date based on an experience analysis of recent data.

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.

The actuarial assumptions used in the December 31, 2023, valuation were based on the results of the 2020 experience analysis, dated October 28, 2020, and November 4, 2020, 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.

Based on the 2024 experience analysis, dated January 3, 2025, for the period January 1, 2020, to December 31, 2023, revised actuarial assumptions were adopted by PERA's Board on January 17, 2025, and were effective as of December 31, 2024. The following assumptions were reflected in the roll forward calculation of the total OPEB liability from December 31, 2023, to December 31, 2024.

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.

The PERA Board first adopted the 7.25% long-term expected rate of return as of November 18, 2016. Following an asset/liability study, the Board reaffirmed the assumed rate of return at the 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	51.0 %	5.0 %
Fixed Income	23.0	2.6
Private Equity	10.0	7.6
Real Equity	10.0	4.1
Alternatives	6.0	5.2
Total	100.0 %	

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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%.

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:

	1% Decrease (in thousands)	Current Trend Rates	1% Increase
<u>2025</u>			
Initial PERACare Medicare trend rate	5.75 %	6.75 %	7.75 %
Ultimate PERACare Medicare trend rate	3.50	4.50	5.50
Initial MAPD trend rate	7.55	8.55	9.55
Ultimate MAPD 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	\$ 8,498	\$ 8,734	\$ 9,000

<u>2024</u>			
Initial PERACare Medicare trend rate	5.75 %	6.75 %	7.75 %
Ultimate PERACare Medicare trend rate	3.50	4.50	5.50
Initial Medicare Part A trend rate	2.50	3.50	4.50
Ultimate Medicare Part A trend rate	3.50	4.50	5.50
Proportionate Share of Net OPEB Liability	\$ 12,518	\$ 12,888	\$ 13,290

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 an actuarial valuation performed as of December 31, 2023, and the financial status of the Trust Fund as of the prior measurement date (December 31, 2024). In addition, the following methods and 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, 2024 and 2023, 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.

COLORADO SPRINGS UTILITIES

NOTES TO FINANCIAL STATEMENTS

As of and for the Years Ended December 31, 2025 and 2024

- As of the December 31, 2024, measurement date, the FNP and related disclosure components for the HCTF reflect additional payments related to the disaffiliation of Tri-County Health Department as a PERA-affiliated employer, effective December 31, 2022. The additional employer disaffiliation payment and receivable allocations to the HCTF and Local Government Division Trust Fund were \$0.020 million and \$0.486 million, respectively.

Based on the above assumptions and methods, the projection test indicates 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.

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:

	1% Decrease	Current Discount Rate	1% Increase
		(in thousands)	
2025			
Discount Rate	6.25%	7.25%	8.25%
Proportionate Share of Net OPEB Liability	\$ 10,703	\$ 8,734	\$ 7,035
2024			
Discount Rate	6.25%	7.25%	8.25%
Proportionate Share of Net OPEB Liability	\$ 15,222	\$ 12,888	\$ 10,891

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/forms-resources/financial-reports-and-studies.

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, 1,057 retired members or beneficiaries and 2 active employees were covered by the benefit terms.

COLORADO SPRINGS UTILITIES

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The prior actuarial valuation had 1,084 retired members or beneficiaries and 2 active employees that were covered by the benefit terms.

Total Single Employer OPEB Liability

December 31,	Measurement Date	Actuarial Valuation Date	Total OPEB Liability
			(in thousands)
2025	12/31/2024	12/31/2024	\$ 12,010
2024	12/31/2023	12/31/2023	13,151

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:

Financial statement date	December 31, 2025	December 31, 2024
Measurement date	December 31, 2024	December 31, 2023
Actuarial cost method	Entry age	Entry age
Inflation	3.20%	3.20%
Salary increases	13.00% to 3.4%	11.30% to 3.20%
Discount rate	4.08%	3.26%
Health care cost trend rates		
PERA Premiums	7.75%	6.00%
Medicare Part B	4.00%	4.00%

For the December 31, 2025 and 2024 valuation, healthy mortality assumptions for active members were based on the Pub-2010 mortality table with generational scale MP-2021.

The retirement, termination, and salary scale rates used in the December 31, 2025 and 2024 valuations were based on the 2024 and 2020 Colorado PERA Actuarial Experience Studies, respectively.

Changes in the Total Single Employer OPEB Liability

	2025	2024
	(in thousands)	
Beginning balance	\$ 13,151	\$ 13,317
Changes for the year:		
Service cost	1	1
Interest	411	474
Differences between expected and actual experience	327	-
Changes of assumptions or other inputs	(839)	498
Benefit payments	(1,041)	(1,139)
Net changes	(1,141)	(166)
Ending balance	\$ 12,010	\$ 13,151

COLORADO SPRINGS UTILITIES
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Changes of assumptions

The discount rate was updated from 3.26% to 4.08%.

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:

	1% Decrease	Current Discount Rate (in thousands)	1% Increase
<u>2025</u>			
Discount Rate	3.08%	4.08%	5.08%
Total OPEB Liability	\$ 13,064	\$ 12,010	\$ 11,100
<u>2024</u>			
Discount Rate	2.26%	3.26%	4.26%
Total OPEB Liability	\$ 14,335	\$ 13,151	\$ 12,099

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:

	1% Decrease	Current Trend Rates (in thousands)	1% Increase
<u>2025</u>			
Initial PERA Premiums trend rate	6.75 %	7.75 %	8.75 %
Ultimate PERA Premiums trend rate	3.00	4.00	5.00
Medicare Part B	3.00	4.00	5.00
Total OPEB Liability	\$ 11,890	\$ 12,010	\$ 12,130
<u>2024</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	\$ 13,151	\$ 13,450

OPEB Expense and Deferred Outflows of Resources Related to OPEB - For the years ended December 31, 2025 and 2024, Utilities recognized OPEB expense of \$(111,335) and \$921,531, respectively. Utilities reported Deferred Outflows of Resources related to OPEB from the following sources as of December 31:

Deferred Outflows of Resources	2025	2024
	(in thousands)	
Contributions subsequent to the measurement date	\$ 1,022	\$ 1,029

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The \$1,021,628 reported as deferred outflows of resources related to OPEB reported at December 31, 2025, 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, 2026. The Deferred Outflows of Resources related to OPEB of \$1,029,098 reported at December 31, 2024, resulting from contributions subsequent to the measurement date, was recognized as a reduction of the net OPEB liability at December 31, 2025.

TOTAL OPEB LIABILITIES, DEFERRED OUTFLOWS, DEFERRED INFLOWS & EXPENSE - ALL PLANS

Total OPEB	2025	2024
	(in thousands)	
OPEB Liabilities	\$ 20,744	\$ 26,038
OPEB Deferred Outflows	4,058	4,227
OPEB Deferred Inflows	5,001	4,548
OPEB Expense	(1,142)	378

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, 2025 and 2024 were \$894,096,545 and \$1,062,767,762, 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.

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. Utilities extended this wind energy purchase agreement until 2030. Pike Solar array became commercially operational on December 18, 2023. Utilities had a 100 MW 4-hour battery energy storage system commercially operational by the Summer 2025.

COLORADO SPRINGS UTILITIES

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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 market 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. Utilities expects to enter into the SPP Regional Transmission Organization (RTO) on April 1, 2026. This will move utilities from an imbalance energy market to a full RTO Market.

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 for CT2 and early 2026 for CT1. A new contract was signed at the end of 2024 and will be implemented in stages from 2025 to 2026. The contract changes the run hours to 96,000 hours.

Total Electric Commitments - As of December 31, 2025, the approximate minimum obligations, subject to any appropriations clauses, for these Electric Commitments over the next five years are:

December 31,	Amount
	(in thousands)
2026	\$ 79,637
2027	63,203
2028	63,225
2029	63,022
2030	58,448

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 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.

COLORADO SPRINGS UTILITIES

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Total Natural Gas Commitments - As of December 31, 2025, the approximate minimum obligations, subject to any appropriations clauses, for these Natural Gas Commitments over the next five years are:

December 31,	Amount
	(in thousands)
2026	\$ 59,828
2027	55,944
2028	24,358
2029	22,369
2030	19,351

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, 2025, 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.

Total Water Commitments - As of December 31, 2025, the approximate minimum obligations for this Water Commitment over the next five years are:

December 31,	Amount
	(in thousands)
2026	\$ 1,151
2027	1,196
2028	1,241
2029	1,288
2030	1,336

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.

COLORADO SPRINGS UTILITIES
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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 1% of the values of the affected location subject to a minimum of \$2,000,000 for wind and hail related losses, and separate deductibles for certain generating facility turbines with the highest at \$3,500,000. In the past three years, no loss occurred that required settlements in excess of coverage.

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.

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.

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 \$602,879 and \$393,870 as of December 31, 2025 and 2024, 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

COLORADO SPRINGS UTILITIES
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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:

	2025	2024
	(in thousands)	
Health Plan	\$ 13,895	\$ 13,403
Less: Reserved for IBNR, HRA, catastrophic claims	(3,175)	(3,271)
Unreserved fund balance	\$ 10,720	\$ 10,132

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.

Summary of change in claims:

	Employee Benefits
Unpaid Claims - December 31, 2023	\$ 3,397
2024 Increases	36,779
2024 Decreases	(36,135)
Unpaid Claims - December 31, 2024	4,041
2025 Increases	68,385
2025 Decreases	(68,810)
Unpaid Claims - December 31, 2025	\$ 3,616

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"). At a mediation on March 26, 2024, Utilities and Myers agreed to settle the case for \$10,000,000. City Council approved the settlement at its regular meeting on April 9, 2024.

On August 2, 2022, Utilities entered into a Fiber Network Construction Services contract (Contract No. 2022.00550) ("Contract"), which was amended by Amendment 001 dated October 7, 2022, with ADB Companies, LLC ("ADB") for the construction and installation of a fiber network. In a letter dated April 30, 2024, Utilities terminated the

COLORADO SPRINGS UTILITIES

NOTES TO FINANCIAL STATEMENTS

As of and for the Years Ended December 31, 2025 and 2024

Contract for convenience effective May 30, 2024. On October 11, 2024, the City of Colorado Springs waived service on a Summons in the matter of ADB Companies, LLC v. Colorado Springs Utilities, an enterprise of the City of Colorado Springs, Colorado (now amended to ADB Companies, LLC v. City of Colorado Springs, Colorado). The Complaint in the litigation alleges that Utilities breached its contract with ADB, that Utilities breached an implied covenant of good faith and fair dealing in the contract, asserts claims of unjust enrichment, and seeking declaratory judgment on whether Utilities has the right to seek cure damages and whether the City has the right to charge pavement degradation fees. The Complaint asserts that ADB is entitled to attorneys' fees, compensatory damages in the amount of \$11,000,000 for termination costs and not less than \$50,000,000 for Utilities' and the City's alleged bad faith. On October 22, 2024, ADB amended its Complaint to name the correct parties. On November 13, 2024, the City filed its Answer and Jury Demand. The City later filed its Amended Answer, Counterclaim, and Jury Demand on December 4, 2024, which asserted counterclaims for breach of contract and declaratory judgment. On December 23, 2024, ABD filed its Reply to the Counterclaim. Initial Disclosures were served by both parties on January 21, 2025. ADB's Initial Disclosures now identifies alleged damages of \$12,126,802. The City's Initial Disclosures identifies alleged damages of \$3,171,675.74. On December 3, 2025, the parties participated in a mediation in an attempt to resolve the claims.

As the result of 2019 and 2021 periodic audits, the Colorado Public Utilities Commission (COPUC) 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, as a municipal gas distribution operator, is subject to the requirements set forth in 49 U.S. Code §§ 60101- 60143 (49 CFR 190 – 199, predominately 49 CFR 192). Utilities, as part of a Colorado home rule city, operates under a state constitutional exemption from COPUC enforcement. Therefore, as of 2023, the U.S. Pipeline and Hazardous Materials Administration ("PHMSA") assumed responsibility for the enforcement of COPUC investigations. In accordance with this, PHMSA conducted a review of the previous COPUC investigations, and specifically the 2022 COPUC investigation, and issued a Notice of Proposed Safety Order ("NOPSO") to Utilities on October 21, 2024. The NOPSO included preliminary findings of noncompliance with three PHMSA standards. The NOPSO requested that Utilities submit a remedial work plan and leak mitigation plan to address the issues raised. Utilities reviewed the NOPSO, created draft plans, and then met with PHMSA on November 14 and 21, 2024 to discuss Utilities' draft plans. Utilities Board considered Utilities' proposed plans at its January 22, 2025 regular meeting. PHMSA and Utilities entered into a consent order effective September 30, 2025. The consent order, will accelerate Utilities' current natural gas Distribution Integrity Management Program (DIMP). Utilities is 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.

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. The remaining unamortized balance of the regulatory asset was \$15,615,263 and \$21,733,874 as of December 31, 2025 and 2024, respectively.

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. In 2025 and 2024, additional debt issuance costs were \$3,335,044 and \$2,021,731, 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

COLORADO SPRINGS UTILITIES

NOTES TO FINANCIAL STATEMENTS

As of and for the Years Ended December 31, 2025 and 2024

Net Position. The remaining unamortized balance was \$19,905,225 and \$19,766,750 as of December 31, 2025 and 2024, 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. The remaining unamortized balance was \$17,629,962 and \$19,743,369 as of December 31, 2025 and 2024, respectively.

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:

	2025	2024
	(in thousands)	
Transfers		
Transfers Out - Surplus Payments to the City		
Electric	\$ 24,621	\$ 25,022
Natural Gas	7,756	8,365
Water	2,435	2,499
Total Transfers to the City	\$ 34,812	\$ 35,886

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.

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.

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

COLORADO SPRINGS UTILITIES
 NOTES TO FINANCIAL STATEMENTS
 As of and for the Years Ended December 31, 2025 and 2024

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 has interest ranging 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, 2025 and 2024. 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.

The net investment in Young reported on the Statements of Net Position as of December 31:

December 31,	Amounts Invested	Undistributed Net Earnings (in thousands)	Utilities' Investments
2025	\$ 500	\$ 152	\$ 652
2024	500	211	711

COLORADO SPRINGS UTILITIES
 NOTES TO FINANCIAL STATEMENTS
 As of and for the Years Ended December 31, 2025 and 2024

NOTE 20 - 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 and adjusted annually for inflation. The associated costs are being amortized over the remaining useful life of Nixon 1, which is the decommissioning date of December 31, 2029. The ARO deferred outflows were \$5,059,451 and \$5,511,667 as of December 31, 2025 and 2024, respectfully.

NOTE 21 - SUBSEQUENT EVENTS

Rate Changes - On October 28, 2025 City Council approved changes to the Electric Rate Schedules effective January 1, 2026 and April 1, 2026. In addition, changes to Utilities Rules and Regulations (URRs) were approved effective January 1, 2026.

Legal Settlement - Utilities and ADB Companies, LLC agreed to settle the case which is detailed in Note 17. City Council approved the settlement on January 13, 2026.

COLORADO SPRINGS UTILITIES
 REQUIRED SUPPLEMENTARY INFORMATION
 COLORADO PERA LOCAL GOVERNMENT DIVISION 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)
2025	23.2 %	\$ 142,347	\$ 226,839	62.8 %	90.5 %
2024	22.9	167,955	203,898	82.4	88.0
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

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
2025	\$ 33,921	\$ 33,921	\$ -	\$ 245,981	13.8 %
2024	31,213	31,213	-	226,839	13.8
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

REQUIRED SUPPLEMENTARY INFORMATION

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)

COLORADO SPRINGS UTILITIES
REQUIRED SUPPLEMENTARY INFORMATION
UTILITIES' SINGLE-EMPLOYER OPEB PLAN
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 (in thousands)	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
2025	1.8 %	\$ 8,733	\$ 226,839	3.8 %	59.8 %
2024	1.8	12,888	203,898	6.3	46.2
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 CHANGES IN UTILITIES' TOTAL OPEB LIABILITY AND RELATED RATIOS*

	2025 (in thousands)	2024	2023	2022	2021	2020	2019	2018
Total OPEB Liability								
Beginning balance	\$ 13,151	\$ 13,317	\$ 16,693	\$ 17,448	\$ 21,179	\$ 19,228	\$ 21,624	\$ 21,390
Changes for the year:								
Service cost	1	1	1	7	12	11	23	20
Interest	412	474	29	357	565	764	723	786
Changes of benefit terms	-	-	-	-	-	-	-	-
Differences between expected and actual experience	327	-	(95)	-	(5,151)	(492)	(511)	(93)
Changes of assumptions or other inputs	(840)	498	(2,139)	100	1,988	2,877	(1,389)	785
Benefit payments	(1,041)	(1,139)	(1,172)	(1,219)	(1,145)	(1,209)	(1,242)	(1,264)
Net changes	(1,141)	(166)	(3,376)	(755)	(3,731)	1,951	(2,396)	234
Ending balance	\$ 12,010	\$ 13,151	\$ 13,317	\$ 16,693	\$ 17,448	\$ 21,179	\$ 19,228	\$ 21,624
Covered-employee Payroll	\$ 487	\$ 476	\$ 667	\$ 1,219	\$ 1,183	\$ 2,207	\$ 3,530	\$ 5,683
Total OPEB Liability as a percentage of covered-employee payroll	2466.1%	2762.7%	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.

SCHEDULE OF UTILITIES' OPEB 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
2025	\$ 2,509	\$ 2,509	\$ -	\$ 245,981	1.0 %
2024	2,314	2,314	-	226,839	1.0
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.

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

2024 Changes in Plan Provisions, Assumptions or Other Inputs Since 2023

- As of the December 31, 2024, measurement date, the fiduciary net position (FNP) and related disclosure components for the Local Government Division reflect additional payments related to the disaffiliation of Tri-County Health Department (Tri-County Health) as a PERA-affiliated employer, effective December 31, 2022. The additional employer disaffiliation payment allocations to the Local Government Division Trust Fund and Health Care Trust Fund (HCTF) were \$486 and \$20, respectively.

2023 Changes in Plan Provisions, Assumptions or Other Inputs Since 2022

- As of the December 31, 2023, measurement date, the fiduciary net position (FNP) and related disclosure components for the Local Government Division reflect payments related to the disaffiliation of Tri-County Health Department (Tri-County Health) as a PERA-affiliated employer, effective December 31, 2022. As of the December 31, 2023, year-end, PERA recognized two additions for accounting and financial reporting purposes: a \$24,000 payment received on December 4, 2023 and a \$2,000 receivable. The employer disaffiliation payment and receivable allocations to the Local Government Division Trust Fund and Health Care Trust Fund (HCTF) were \$24,967 and \$1,033, respectively.

2022 Changes in Plan Provisions, Assumptions or Other Inputs Since 2021

- 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 21, 2022, measurement date, as 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.

The accompanying notes are an integral part of the Required Supplementary Information.

COLORADO SPRINGS UTILITIES
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
(Unaudited)

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

- 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.

COLORADO PERA HEALTH CARE TRUST FUND

2024 Changes in Plan Provisions, Assumptions or Other Inputs Since 2023

- As of the December 31, 2024, measurement date, the fiduciary net position (FNP) and related disclosure components for the Local Government Division reflect additional payments related to the disaffiliation of Tri-County Health Department (Tri-County Health) as a PERA-affiliated employer, effective December 31, 2022. The additional employer disaffiliation payment allocations to the Local Government Division Trust Fund and Health Care Trust Fund (HCTF) were \$486 and \$20, respectively.

The accompanying notes are an integral part of the Required Supplementary Information.

COLORADO SPRINGS UTILITIES
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
(Unaudited)

2023 Changes in Plan Provisions, Assumptions or Other Inputs Since 2022

- As of the December 31, 2023, measurement date, the fiduciary net position (FNP) and related disclosure components for the Health Care Trust Fund (HCTF) reflect payments related to the disaffiliation of Tri-County Health Department (Tri-County Health) as a PERA-affiliated employer, effective December 31, 2022. As of the December 31, 2023, year-end, PERA recognized two additions for accounting and financial reporting purposes: a \$24,000 payment received on December 4, 2023 and a \$2,000 receivable. The employer disaffiliation payment and receivable allocations to the HCTF and Local Government Division Trust Fund were \$1,033 and \$ 24,967, respectively.

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.

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

2024 Changes in Assumptions or Other Inputs Since 2023

- The discount rate was updated from 3.26% to 4.08%
- The retirement, termination and salary scale rates were updated to the rates from PERA as of December 31, 2024

The accompanying notes are an integral part of the Required Supplementary Information.

COLORADO SPRINGS UTILITIES
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
(Unaudited)

2023 Changes in Assumptions or Other Inputs Since 2022

- The discount rate was updated from 3.72% to 3.26%

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 of 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

- 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.

The accompanying notes are an integral part of the Required Supplementary Information.



**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, 2025, and the statements 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 8, 2026.

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*.

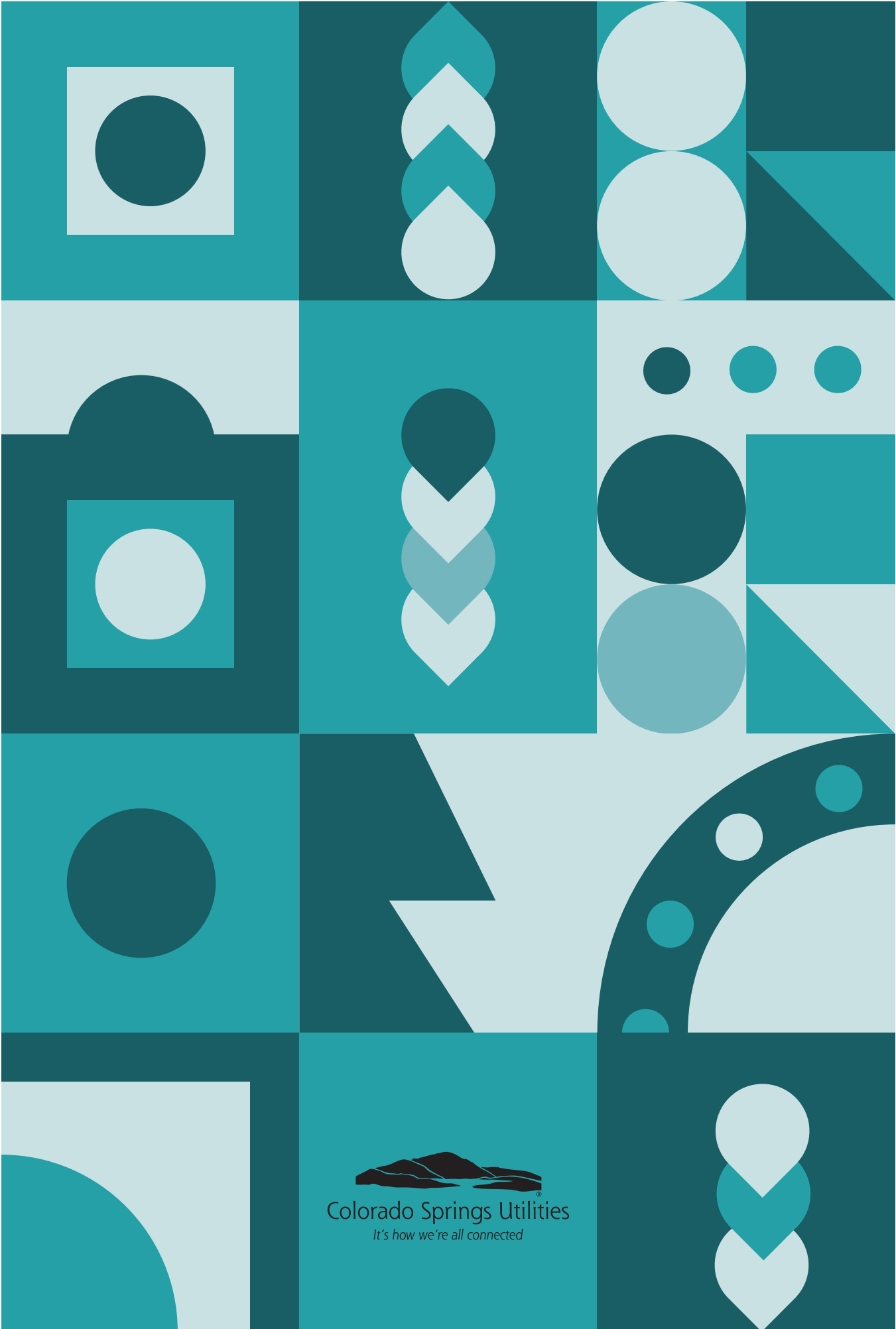
Purpose of This Report

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 8, 2026





Colorado Springs Utilities

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