



Colorado Springs Utilities

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City of Colorado Springs, Colorado

\$294,865,000

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

\$90,335,000

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

Investor Presentation – July 2024

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Transaction Overview

	Utilities System Improvement Revenue Bonds Series 2024A	Utilities System Refunding Revenue Bonds Series 2024B
Par Amount*	\$294,865,000	\$90,335,000
Credit Ratings	Moody's: Aa2 (stable) / S&P: AA+ (stable)	
Security	Payable from Net Pledged Revenues of the System	
Use of Proceeds	<ul style="list-style-type: none"> ▪ Capital improvements to the System; ▪ Costs of issuance; and ▪ The premium for the Surety Bond 	<ul style="list-style-type: none"> ▪ Refund all or a portion of the Utilities System Improvement Revenue Bonds, Series 2014A-1 and 2014A-2 ▪ Costs of issuance; and ▪ The premium for the Surety Bond
Amortization*	November 15, 2030 – 2054	November 15, 2024 – 2044 (Excluding 2029)
Tax Status	Federal & State Tax-Exempt	
Interest	Semiannually on May 15 and November 15, commencing November 15, 2024	
DSRF	Reserve requirement equal to sum of total bond interest divided by number of full Fiscal Years beginning with the first Fiscal Year interest is paid and ending with the Fiscal Year the bonds mature; expected to be funded with Surety Bond	
Optional Redemption*	November 15, 2034, at Par	
Pricing Date*	Wednesday, August 7, 2024	
Closing Date*	Tuesday, August 20, 2024	
Underwriters	BofA Securities (Bookrunner) Goldman Sachs, J.P. Morgan, and Piper Sandler (Co-Managers)	

Summary of Credit

The Utilities' strong credit profile is supported by:



Strength and continuing growth of the service territory;

- *Colorado Springs average annual population growth of +1.2% since 2010*



Diversified enterprises with low historical revenue correlation between systems and varied customer base;

- *Military installations served include Fort Carson, Peterson Space Force Base, United States Air Force Academy, and Cheyenne Mountain Space Force Base*



Thorough plan to continue transition to low carbon generation fleet despite growing energy needs;

- *By 2030, Utilities expects an additional 1,700 MW of generation to come from 31% solar power, 37% wind power, 12% battery storage facilities, and 20% from one or more gas-fired generation facilities*



Active management of water supply;

- *Comprehensive Drought Response Plan with goal of maintaining greater than one year of customer demand in system-wide storage, and customers must use water efficiently in accordance with conservation measures*



Sound rate setting and Board policies result in stable financial metrics and strong liquidity; and

- *Competitive rates with a history of adjusting rates as needed to recoup cost increases*



Consistently strong financial metrics

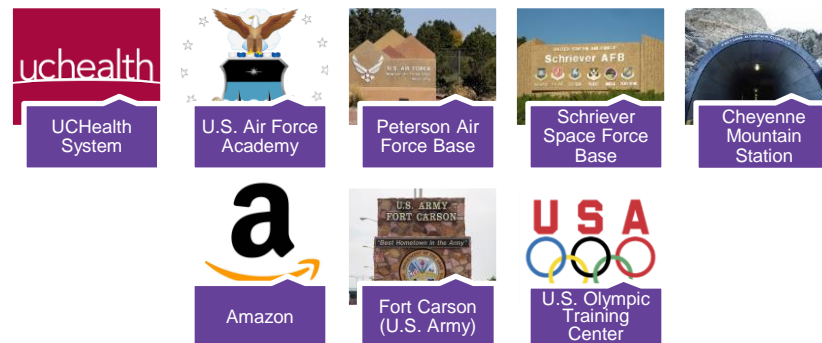
- *Debt service coverage ratio above 1.7x and nearly 200 adjusted days liquidity on hand*

Regional Economy Continues to Grow

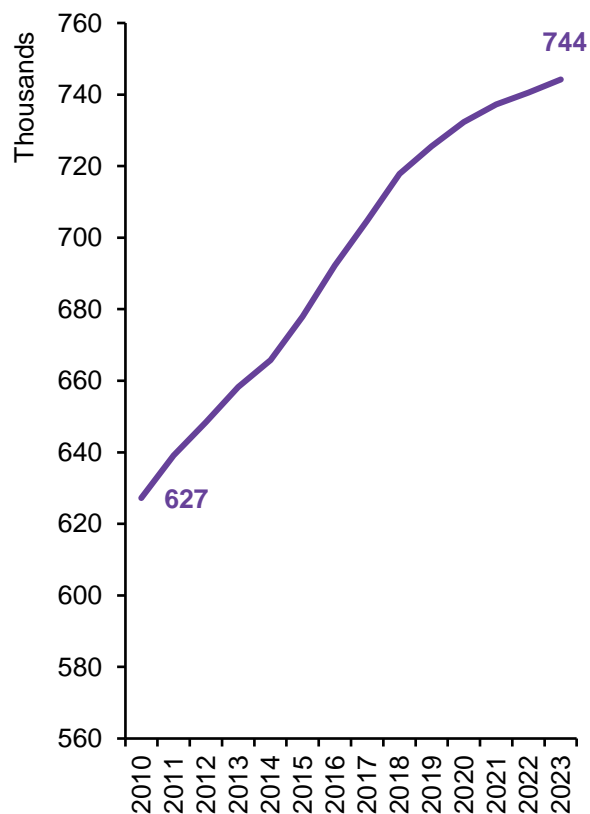
Development

- The Colorado Springs Metro Area continues to see strong expansion:
 - 1.2% average annual population growth since 2010
 - 103% increase in retail sales between 2011 and 2023
- Colorado Springs and El Paso County have experienced lower unemployment than the national average for most of the last decade

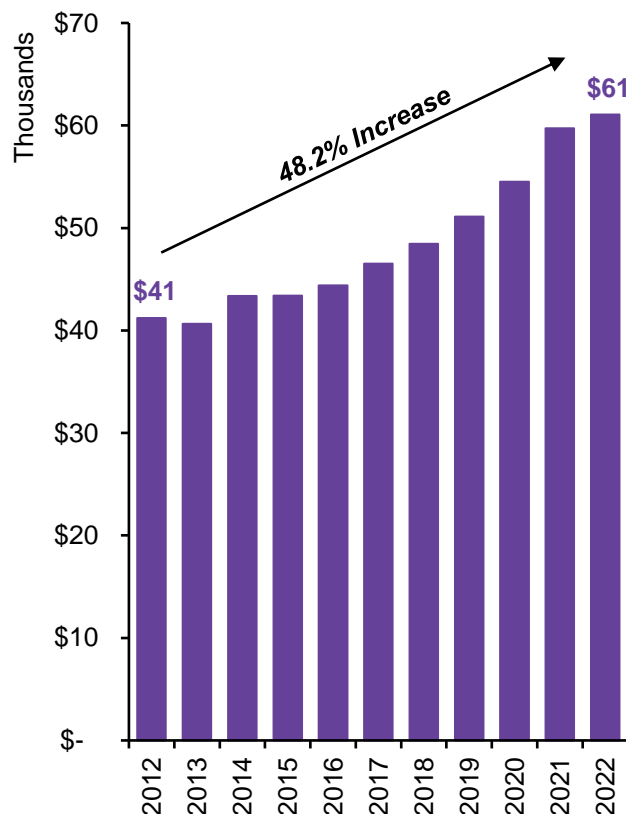
The Utilities Benefits from Several Stable, Local Institutions



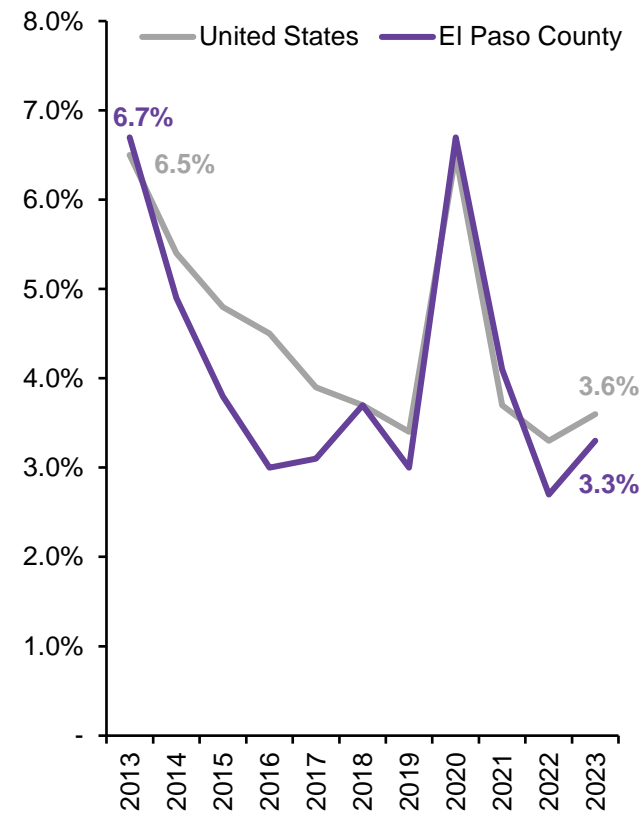
El Paso County Population



El Paso County Per Capita Personal Income



Unemployment Rate

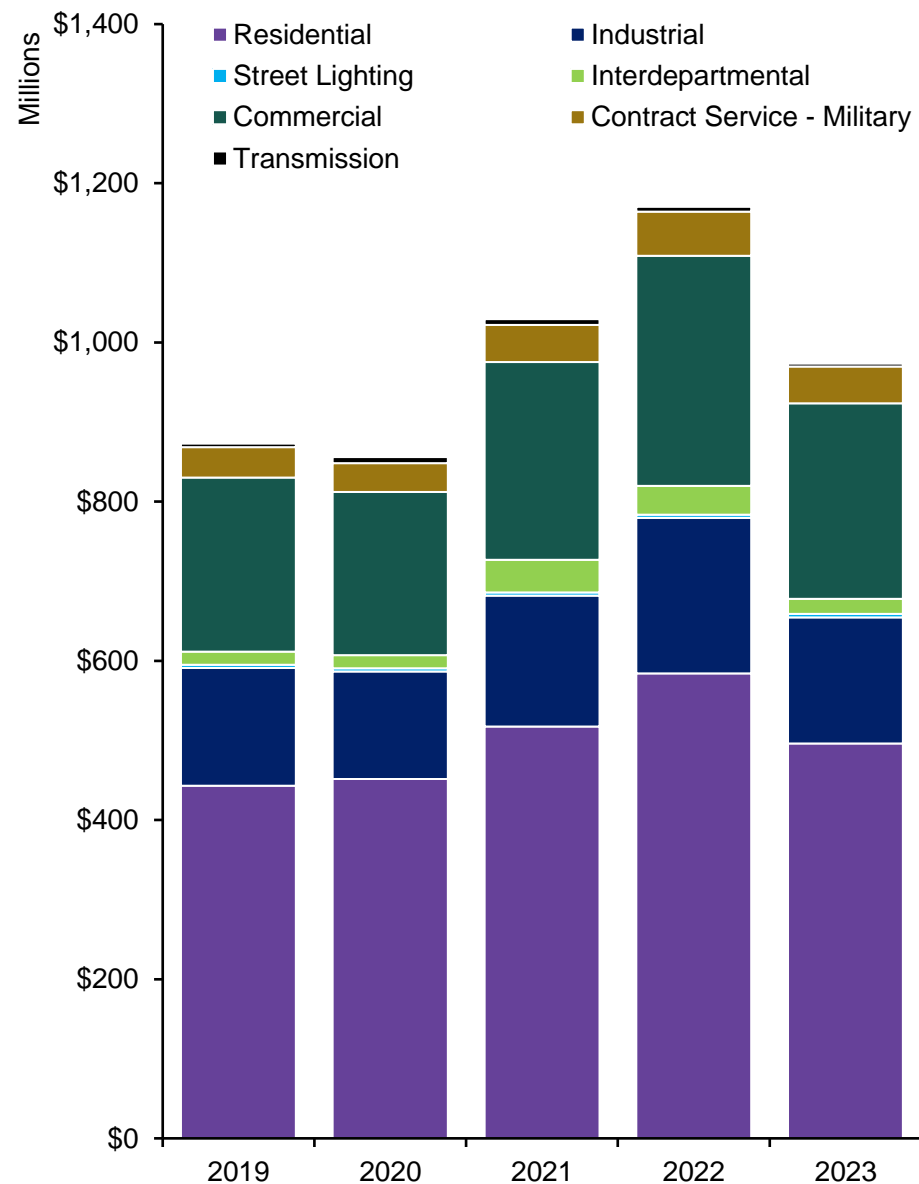


The Utilities is Diversified

- The Utilities benefits from a diversified customer base with four system enterprises plus a streetlight system
- Low correlation between revenues across systems

Enterprise	% of Utilities Revenue (FY23)	Number of Customer Accounts / Active Meters
Electric System	50.4%	253,193
Gas System	21.5%	224,832
Water System	20.4%	158,270
Wastewater System	7.3%	152,888
Streetlight System	0.4%	1 (City of Colorado Springs)

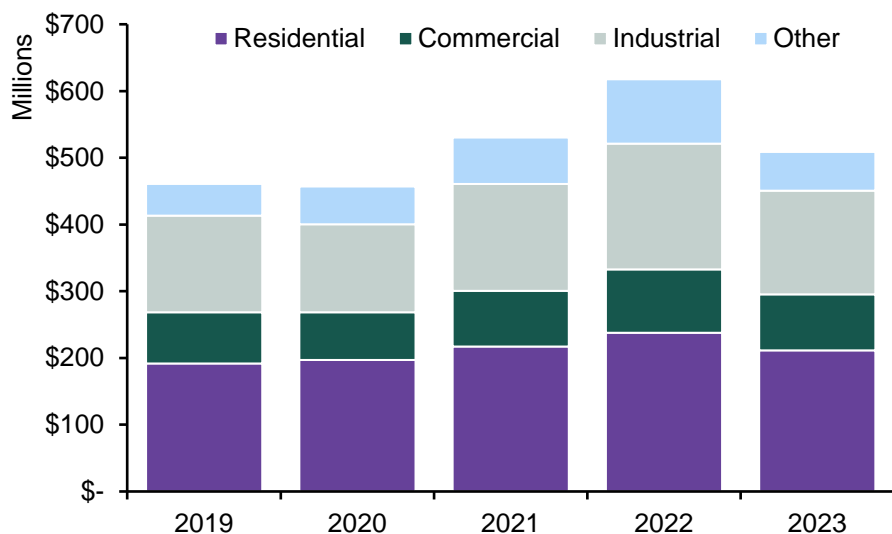
Total System Revenue by Customer Class



Electric System

- 2023 sales revenue of \$480.2 million⁽¹⁾
 - 44% residential and 50% commercial/industrial by revenue
- Ten largest electric customers account for only 10.2% of 2023 electric system revenue
- Evolving energy mix, with the Utilities retiring all coal generation by 2030
- A large number of capital projects planned and in process to address growth and to replace aging infrastructure, invest in new technologies and meet regulatory and compliance requirements

Electric System Annual Revenues⁽²⁾



Projected Summer 2024 Resources by Energy Source

	Owned Resources (MW)	Purchases (MW)	Total (MW)	Pct.
Coal	208	-	208	15%
Natural Gas and Oil	725	-	725	52%
Hydro Generation	35	76	111	8%
Other Renewables	-	349	349	25%
Total	968	425	1,393	100%

(1) Excluding interdepartmental, wheeled power, and miscellaneous revenue

(2) Other includes military contract, street lighting, transmission, and miscellaneous revenues. Excludes interdepartmental revenues. Increase in Electric revenue from 2021-2022 primarily due to an increase in fuel prices passed on to customers through the Utilities' Electric Cost Adjustments

Sustainable Energy Update

Fossil Fuel Reliance Reduction

- Nixon Unit #1, the Utilities' final coal-fired generation asset, to be retired no later than December 31, 2029
- GHG emissions reduction goals well underway
 - 80% reduction by 2030 relative to 2005 levels
 - 90% reduction by 2050 relative to 2005 levels

Investing in the Future

- Clean Heat Plan methodology approved in June 2023⁽¹⁾:
 - Aims to reduce GHG emissions from retail gas sales below 2015 levels – 4% by 2025 and 22% by 2030
- The Utilities anticipates needing an additional 1,700 MW of additional electric generation by 2030:
 - 525 MW of solar
 - 625 MW of wind
 - 350 MW of natural gas
 - 200 MW of BESS (storage)
- A significant amount of additional generation will be acquired through power purchase agreements, including for renewable energy
- Utilities continues to make progress on citywide fiber network
 - Expect to spend \$430-\$490 million over the next five years to install an estimated 2,000 miles of fiber-optic lines
 - Fiber project anticipated to be cash funded, with no plans to issue bonds

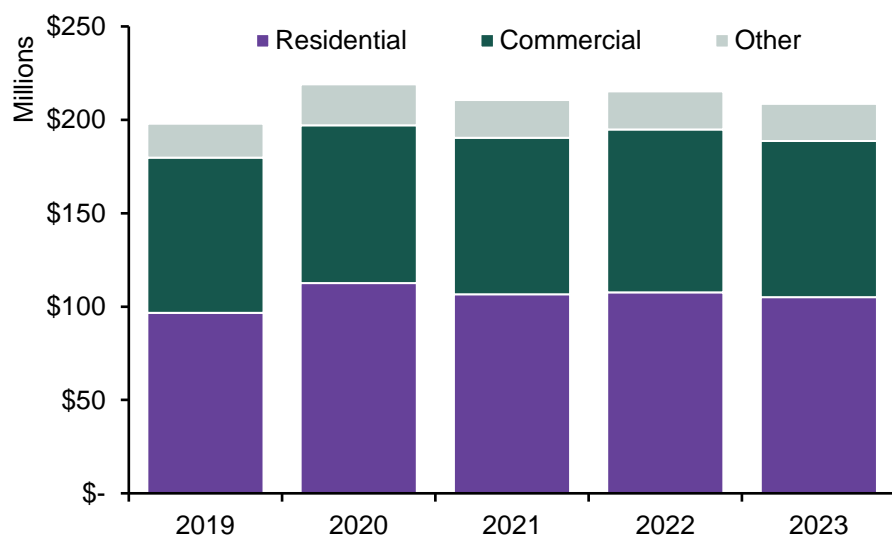


(1) Subject to final approval

Water System

- 2023 sales revenue of \$201.5 million⁽¹⁾
 - 52% residential and 42% commercial
- Diversified customer base with ten largest water customers by sales volume accounting for 11.4% of 2023 water system revenue⁽²⁾
- Estimate sufficient water to meet growing needs of area served by Water System for the foreseeable future
- Comprehensive Drought Response Plan with goal of maintaining greater than one year of customer demand in system-wide storage
- In 2024, the snowpack in the Utilities' mountain watersheds has been above historic averages
 - The March 1 yield forecast predicts 114% of average yield in 2024, which will be sufficient to keep water storage well above 1.5 years of demand
- In addition to 236,300 acre-feet of owned raw water storage capacity, the Water System also has a long-term contract for up to 28,000 acre-feet of raw water storage in the Fryingpan-Arkansas Project
 - The Water System also has covered treated water storage capacity of approximately 108 million gallons

Water System Annual Revenues⁽³⁾



Water Storage

Storage Capacity	Acre Feet	% of Total
Owned Storage (25 Reservoirs)	236,300	89%
Contracted Storage (Fryingpan-Arkansas Project)	28,000	11%
Total	264,300	100%

(1) Excluding interdepartmental and miscellaneous revenues

(2) Excluding interdepartmental, non-potable and miscellaneous revenues

(3) Other includes military contract sales, nonpotable revenues, and miscellaneous revenues. Excludes interdepartmental revenues

Drought Management & Water Planning

- The Utilities has identified water storage and supply as a key focus:
 - Colorado, along with most of the western US, experiences recurring cycles of drought
 - Approximately 60% of the Utilities' total water supply comes from the Colorado River Basin
 - The Utilities' water supply system is designed and operated to withstand recurring cycles of drought through its complex network of storage reservoirs, water delivery systems, and related water infrastructure
 - Over 3 years of demand currently in storage; System-wide storage is at 80.3% of capacity
- The Utilities closely monitors its water supply situation and will continue to rely on a combination of water in storage, water system inflows, and effective management of these supplies
 - Actively pursuing temporary use agreements in the Arkansas River basin to develop additional water supplies
 - Actively pursuing the acquisition of storage reservoirs on the Arkansas River and will seek to acquire additional local and Arkansas River water rights
 - Aims to diversify its water supply portfolio and develop 15,000 to 25,000 acre-feet of additional water supply by 2070
 - Continues to be actively involved in numerous planning efforts and studies and the ongoing discussions that are occurring between the Upper and Lower Basin States, the Federal Government, and other stakeholders on issues involving the Colorado River



Wastewater & Gas System Overview

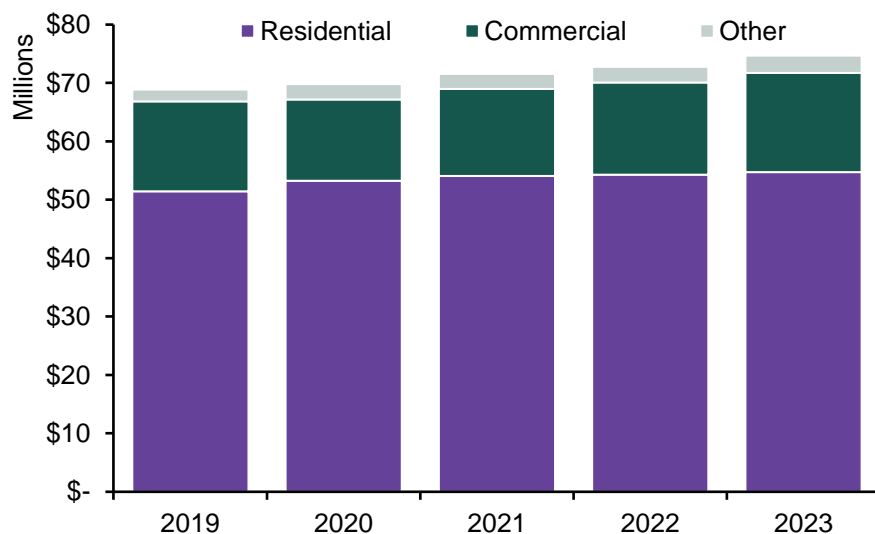
Wastewater System Highlights

- 2023 sales revenue of \$72 million⁽¹⁾
- The Utilities owns and operates over 1,820 miles of sewer main – an average of 38 million gallons per day of wastewater is treated
- Revenue stability maintained despite decrease in per capita flow due to improvements in collection system, increased drought awareness and greater usage of water efficient appliances
- Capital needs forecasted at ~\$530.7 million from 2024 to 2028

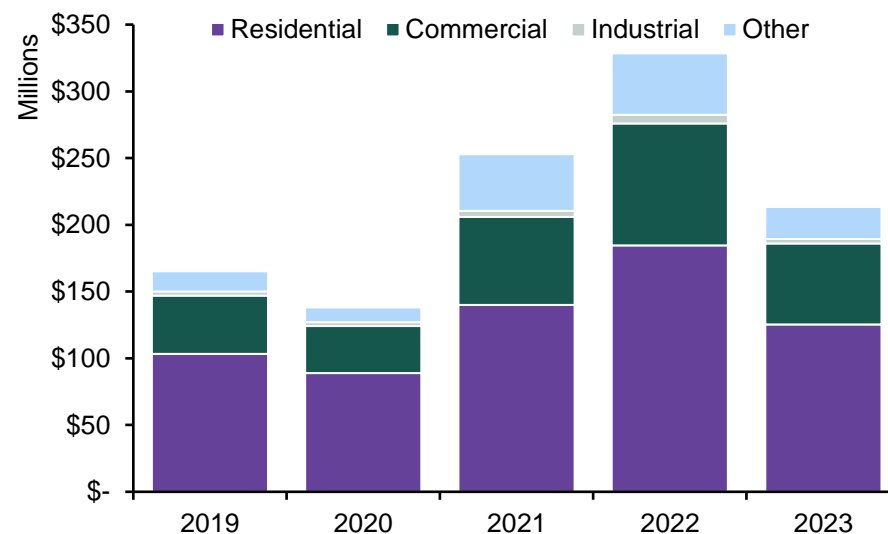
Gas System Highlights

- 2023 sales revenue of \$200.9 million⁽¹⁾
- The Gas System operates a local distribution system which supplied natural gas to approximately 222,000 customers in a 527 square mile service area
- Maintain diversified portfolio of contracted supplies and assets, actively pursue opportunities to reduce costs and realize value from its gas supply assets
- Facilities consist of approximately 2,751 miles of natural gas pipe mains and approximately 185,691 service lines

Wastewater Annual Revenues⁽²⁾



Gas Annual Revenues⁽²⁾⁽³⁾



(1) Excluding interdepartmental, miscellaneous, and transportation revenues

(2) Other includes military contract sales, gas transportation revenue, and miscellaneous revenues. Excludes interdepartmental revenues

(3) Increases / decreases in Gas revenue from 2021-2023 due primarily to increases / decreases in fuel prices passed on to customers through the Utilities' Gas Cost Adjustments

Utility Rates

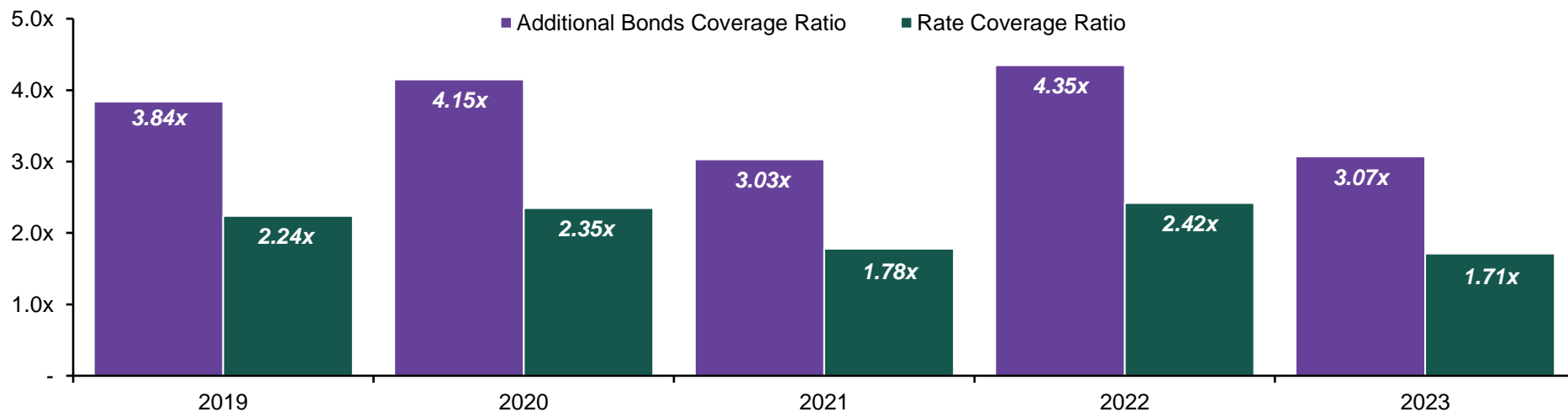
Utilities has demonstrated an ability and willingness to pass through costs to maintain financial metrics, providing affordable rates and efficient cost recovery without significant customer burden

Governance	<ul style="list-style-type: none">■ City Council has all rate making authority and the Mayor has no veto authority over rate decisions
Base Rate Adjustments	<ul style="list-style-type: none">■ While many of the Utilities' costs are variable and will fluctuate with variance in commodity use, fixed cost recovery is embedded in the Utilities' base (and fixed) rate components■ The Utilities has historically addressed variances between fixed cost components and variable revenue structure by periodic base rate adjustments (and using cash reserves as necessary)■ Under state statute, City Council is ordinarily required to give at least 30 days' notice prior to holding a public hearing to consider proposed base rate changes■ Utilities is currently preparing a 5-year rate case to request annual base rate increases from 1/2025 to 1/2029
ECA/GCA Fuel Rates	<ul style="list-style-type: none">■ As a nonprofit, community-owned utility, increases <i>or</i> decreases in fuel costs incurred by the Utilities are passed on directly to the customers■ In addition to base electric and natural gas rates, the Utilities charges customers an electric cost adjustment ("ECA") and gas cost adjustment ("GCA")■ Electric cost adjustments and gas cost adjustments may be changed as frequently as monthly to pass actual costs to customers on a timely basis

Financial Performance

- **Debt Service Coverage:** The Utilities has maintained a strong debt service coverage ratio above 1.7x
- **Liquidity:** The Utilities has achieved robust liquidity with 197 adjusted days liquidity on hand at the end of 2023⁽¹⁾

USD in 000s	Fiscal Year Ended December 31				
	2019	2020	2021	2022	2023
Operating Revenues	\$893,026	\$884,352	\$1,065,754	\$1,234,497	\$1,005,708
Operating Expense	(630,437)	(648,836)	(925,538)	(872,239)	(852,740)
Noncash pension and OPEB expense	(59,290)	(18,261)	(21,372)	(78,836)	(15,873)
Depreciation and Amortization	160,155	161,258	163,748	168,235	181,917
Operating Revenues Available For Debt Service	\$363,454	\$378,514	\$282,592	\$451,657	\$319,011
Interest Earnings (excl. interest on bonds)	12,116	10,230	6,266	9,165	16,019
Development Fees	41,765	52,988	47,174	36,456	32,609
Net Pledged Revenues	\$417,336	\$441,731	\$336,032	\$497,278	\$367,640
Average Annual Principal and Interest Requirements	108,638	106,354	110,797	114,315	119,688
Fiscal Year Debt Service	185,983	187,700	188,729	205,752	214,473
Additional Bonds Coverage Ratio	3.84x	4.15x	3.03x	4.35x	3.07x
Rate Coverage Ratio	2.24x	2.35x	1.78x	2.42x	1.71x

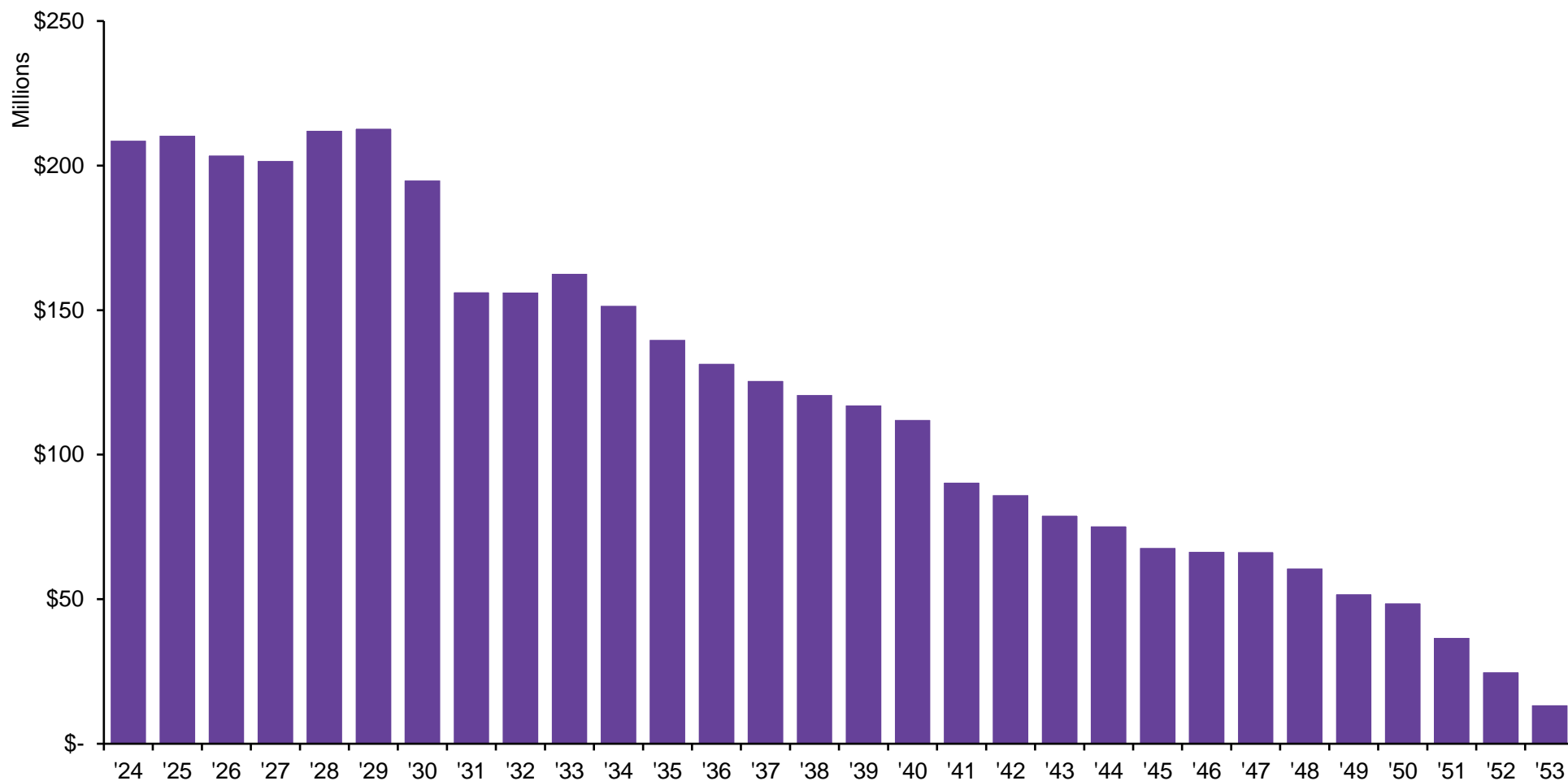


(1) [Unrestricted cash + Available Lines of Credit] / [Net Cash Operating Expenses / 365]

Current Debt Service

- Upon issuance of the Bonds, the Utilities will have approximately \$2.5 billion of debt outstanding*
 - Includes \$321.6 million of variable rate debt
 - The Utilities does not have any unhedged variable rate debt

Current Debt Service



* Preliminary, subject to change.
Note: Debt service shown prior to Series 2024AB financing

2024 Plan of Finance*

Summary of Structure

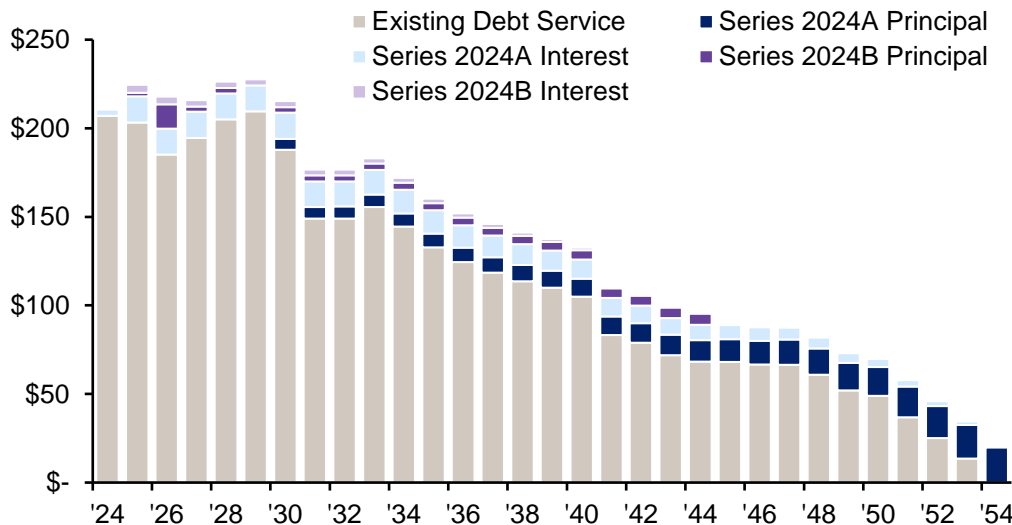
- Series 2024A (Tax-Exempt)
 - \$294,865,000
 - Maturities from November 15, 2030 through November 15, 2054
 - Callable at par on or after November 15, 2034

- Series 2024B (Tax-Exempt)
 - \$90,335,000
 - Maturities from November 15, 2024, through November 15, 2044 (Excluding 2029)
 - Callable at par on or after November 15, 2034

Projected Amortization

Maturity (11/15)	Series 2024A	Series 2024B	Aggregate
2024	\$-	\$585,000	\$585,000
2025	-	2,085,000	2,085,000
2026	-	13,585,000	13,585,000
2027	-	2,865,000	2,865,000
2028	-	3,010,000	3,010,000
2029	-	-	-
2030	6,180,000	3,160,000	9,340,000
2031	6,485,000	3,320,000	9,805,000
2032	6,810,000	3,485,000	10,295,000
2033	7,150,000	3,655,000	10,805,000
2034	7,510,000	3,840,000	11,350,000
2035	7,885,000	4,035,000	11,920,000
2036	8,280,000	4,235,000	12,515,000
2037	8,695,000	4,455,000	13,150,000
2038	9,130,000	4,670,000	13,800,000
2039	9,585,000	4,905,000	14,490,000
2040	10,065,000	5,145,000	15,210,000
2041	10,565,000	5,405,000	15,970,000
2042	11,095,000	5,675,000	16,770,000
2043	11,650,000	5,960,000	17,610,000
2044	12,235,000	6,260,000	18,495,000
2045	12,845,000	-	12,845,000
2046	13,485,000	-	13,485,000
2047	14,160,000	-	14,160,000
2048	14,870,000	-	14,870,000
2049	15,610,000	-	15,610,000
2050	16,390,000	-	16,390,000
2051	17,210,000	-	17,210,000
2052	18,075,000	-	18,075,000
2053	18,975,000	-	18,975,000
2054	19,925,000	-	19,925,000
Total	\$294,865,000	\$90,335,000	\$385,200,000

Projected Series 2024AB Debt Service



Financing Timeline and Key Contacts

Anticipated Financing Schedule

■ Friday, July 26th

— *Post POS and Investor Roadshow*

■ Wednesday, August 7th

— *Bond Pricing*

■ Tuesday, August 20th

— *Bond Closing*

August 2024

S	M	T	W	Th	F	S
				1	2	3
4	5	6	7	8	9	10
11	12	13	14	15	16	17
18	19	20	21	22	23	24
25	26	27	28	29	30	31

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