



Colorado Springs Utilities

It's how we're all connected

City of Colorado Springs, Colorado

**Utilities System Refunding Revenue Bonds
Series 2022A**

**Utilities System Improvement Revenue Bonds
Series 2022B**

Investor Presentation - August 2022

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Except where noted, the information provided in the Investor Presentation is derived from the Preliminary Official Statement and the appendices thereto.

Executive Summary

Diversified system providing electric, gas, water, wastewater and streetlight services

Financial flexibility through rate-setting, diversified revenues, and financial forecasting

Robust Capital Improvement Plan project pipeline which includes a detailed sustainable energy plan

Keen focus on Environmental, Social and Governance considerations

Strong historical financial coverage and liquidity metrics



Colorado Springs Utilities

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Transaction Overview

	Refunding Revenue Bonds Series 2022A	Improvement Revenue Bonds Series 2022B
Par Amount*	\$124,205,000	\$162,070,000
Credit Ratings	Aa2 (Moody's) / AA+ (S&P)	
Security	<ul style="list-style-type: none"> ■ The Utilities comprise a municipal water system, electric system, gas system, wastewater system, streetlight system and any other systems designated in accordance with the City Charter, collectively comprising the City's utilities system (collectively, the "System") ■ The Bonds (and any parity securities previously or subsequently issued) are utilities system revenue bonds of the City payable solely from the "Net Pledged Revenues" available after the costs of operating and maintaining the System are deducted from the "Gross Pledged Revenues" generated from the operation and use of the System 	
Use of Proceeds	(i) Refund all or a portion of the Utilities' 2012B, 2012C-1 and 2012C-2 Bonds; (ii) pay certain issuing costs of the 2022A Bonds; and (iii) pay a portion of the Surety Premium	(i) Finance a portion of the costs of a number of general capital improvements to the utility system; (ii) pay certain costs of issuing the Series 2022B Bonds; and (iii) pay a portion of the Surety Premium
Bond Structure*	Serial Bonds: 11/15/2022 – 11/15/2042	Serial Bonds: 11/15/2023 – 11/15/2042, Term Bonds: 11/15/2047, 11/15/2052
Tax Status	Federal and State Tax-Exempt, Not Subject to AMT	
Interest Payment Date*	Semiannually on May 15 and November 15, commencing November 15, 2022	
DSRF and Surety	The City is required to fund the Reserve Fund in an amount equal to the Reserve Fund Requirement as additional security for the Bonds. The Bonds and a portion of the outstanding Parity Bonds are secured by reserve funds that have been funded with debt service reserve surety policies provided by BAM, Assured Guaranty Municipal Corp. and National Public Finance Guarantee Corporation in lieu of cash deposits.	
Optional Redemption*	Subject to 10-year par call	
Pricing Date*	September 13, 2022	
Closing Date*	October 4, 2022	
Underwriter(s)	J.P. Morgan – Senior Manager BofA Securities – Co-Senior Manager	

Overview, Governance and Management

- The Utilities' service area includes the City of Colorado Springs, Manitou Springs, portions of the City of Fountain and other suburban areas surrounding Colorado Springs
- The Utilities services approximately 615,000 electric, gas and water meters
- The Utilities is an enterprise of the City of Colorado Springs
- Citizens elect the Utilities' governing board, City Council
- The Utilities management team has decades of experience serving municipal agencies and a long history at the Utilities



Colorado Springs Utilities Governing Board



Aram Benyamin, Chief Executive Officer

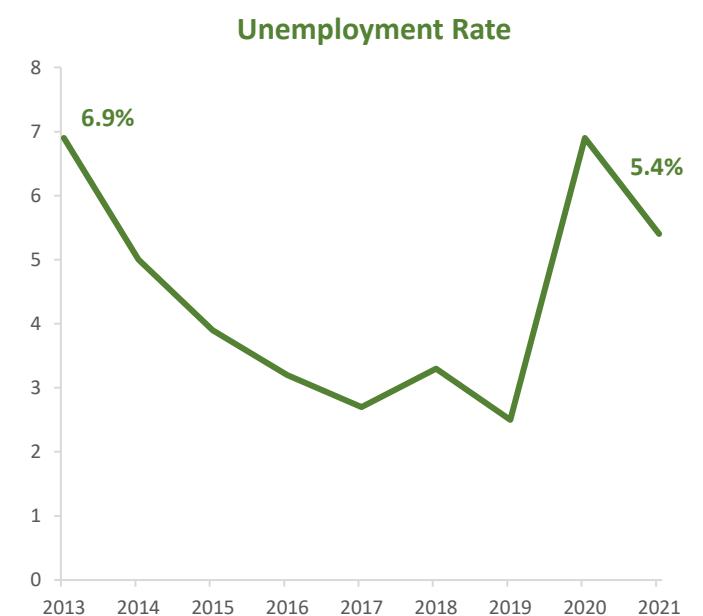
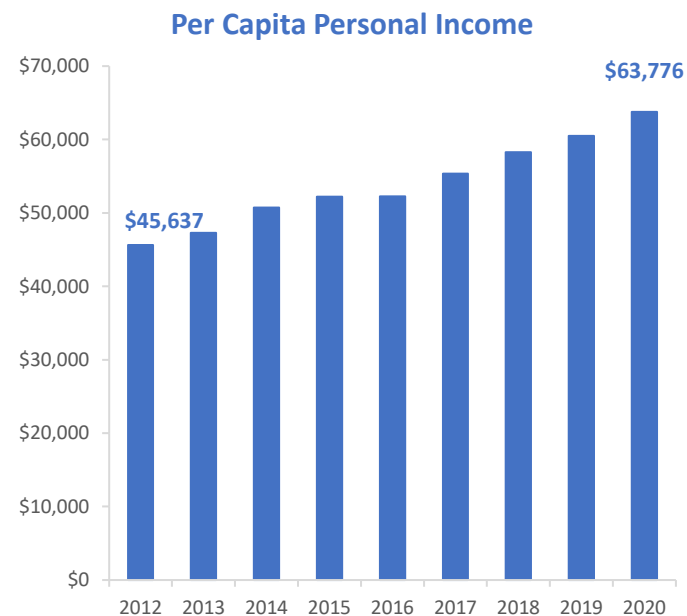
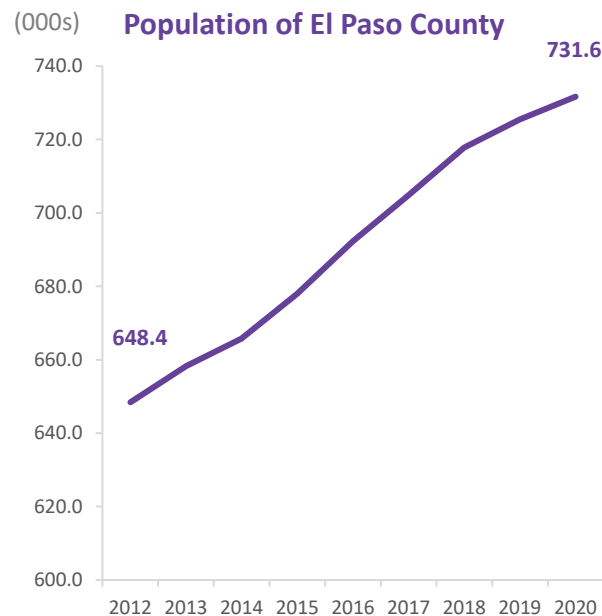


Tristan Gearhart, Chief Financial Officer

Source: Preliminary Official Statement p. 32, 43, 46, 55, Colorado Springs Utilities Website

Regional Economy

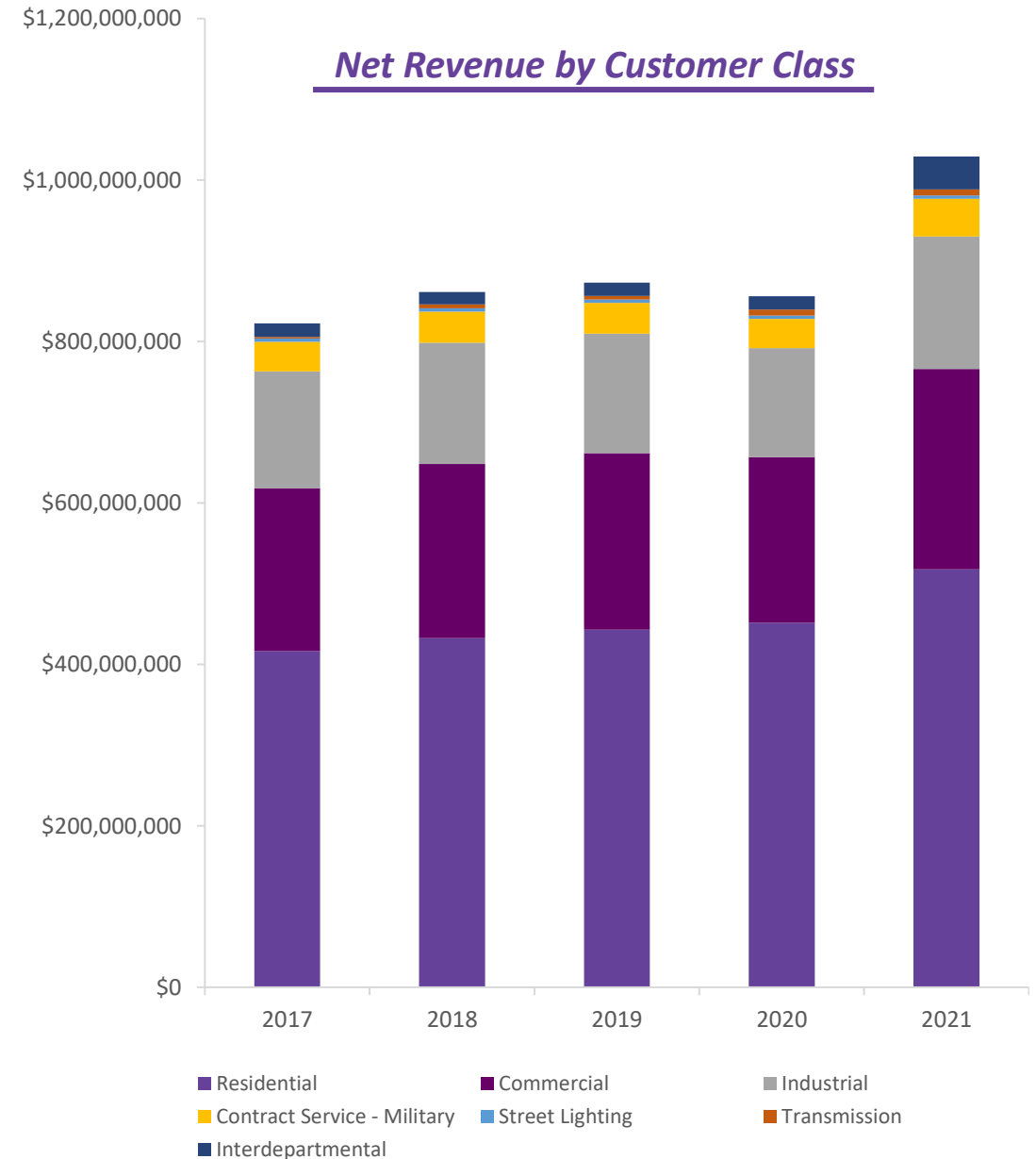
- The Utilities service area within El Paso County has experienced consistent population growth over the past decade
- Colorado Springs has experienced lower unemployment than the national average for most of the last decade
- ***The regional economy has been characterized by growing population, rising incomes and strengthening employment***



Five Service Enterprise

- The Utilities enjoys a diversified customer base with five system enterprises
- Low correlation between Revenues of Systems

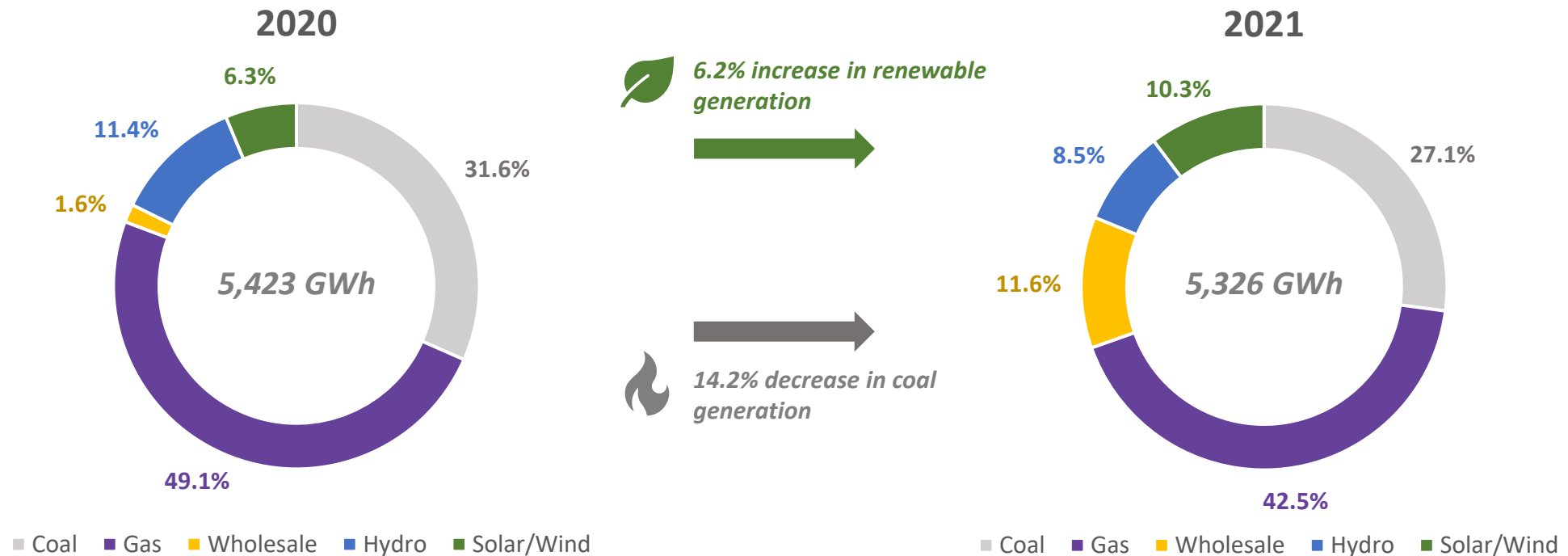
Enterprise	% of Utilities Revenue (FY21)	Number of Customer Accounts/Active Meters
Electric System	48.5%	245,642
Gas System	25.3%	218,766
Water System	19.3%	154,529
Wastewater System	6.5%	149,000
Streetlight System	0.4%	1 (City of Colorado Springs)



Electric System Overview

- Diversified revenue base: 47% residential and 53% commercial/industrial revenue
- Nearly 19% of total generation from renewable sources
- Diversified and proven generation fleet
- Most recently raised fuel rates on July 1, 2022, and base rates¹ on January 1, 2018

Total Electric Generation by Fuel Type



Sustainable Energy Plan Updates

Fossil Fuel Reliance Reduction

- Decommissioning of Martin Drake by 2023 and retirement of all coal by 2030
- Carbon reduction goals well underway
 - 80% reduction by 2030 relative to 2005 levels
 - 90% reduction by 2050 relative to 2005 levels

Investing in the Future

- Increasing renewable energy usage and incorporating storage resources
- Integrate new technologies responsibly by modernizing grid
- New power generation – quick-start modular turbine combustion units replace Martin Drake
- New transmission – upgrades part of the Sustainable Energy Plan
- Advanced technology campus



Response to 2021 Winter Storm

- A widespread and severe winter storm in February 2021 created significant cost pressures on energy markets throughout the United States
- Resulted in an increase in the Utilities' Purchased Power, Gas and Water for Resale costs
- The Utilities responded with increases in their Gas Cost Adjustment and Electric Cost Adjustment in March 2021 and April 2021, respectively
- Rate adjustments and other measures have restored the Utilities' liquidity
- The Utilities did not have to utilize its Revolving Loan Agreement which is in place for the Utilities' liquidity needs
- The Utilities has instituted a natural gas hedging program to mitigate natural gas price risk

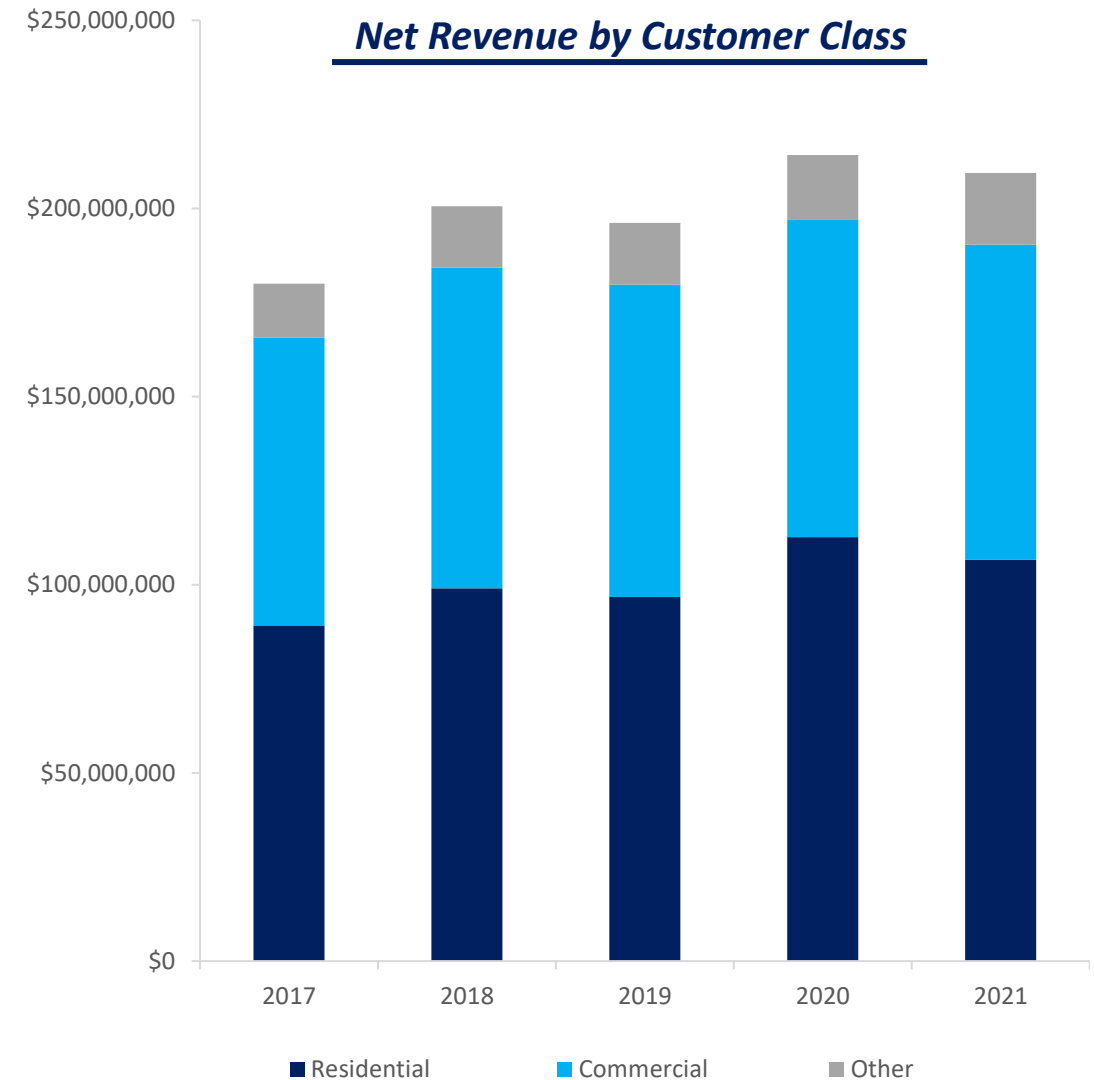


Fiber Project Overview

- The Utilities has begun a significant high-speed internet network build out that will reach every neighborhood and help bridge the digital divide
- Secure and reliable network connectivity is critical to the Utilities' future
 - Enable Advanced Metering Infrastructure (AMI) systemwide
 - Fully cash funded project cost is estimated at \$430 - \$490 million over the next 6 years to install an estimated 2,000 miles of fiber-optic lines
- Expectation to lease excess capacity to external parties
 - Substantial cost offset
 - Social and community benefits
- The Utilities will not be a customer facing service provider

Water System Overview

- Customer revenue base is split 52.5% residential and 41% commercial revenue, which excludes interdepartmental and other revenues
- Distribution system of over 154,529 active meters through more than 2,000 miles of water mains
- System includes 25 reservoirs, 40 treatment tanks, and 5 treatment plants
- The Utilities has implemented a comprehensive Drought Response Plan with the goal of maintaining greater than 1 year of customer demand in system-wide storage
- Most recently raised base rates on January 1, 2020



Significant Water Storage

- In 2021, the total demand on the Water System of 23.1 billion gallons resulted in an average metered per capita demand of 121 gallons per day, compared to 131 in 2020 and 126 in 2019
- In total, Colorado Springs Utilities water storage was ~3.75x the total annual demand for 2021

Storage Capacity	Acre Feet	% of Total
Owned Storage	236,300	89.3%
Contracted Storage (Fryingpan-Arkansas Project)	28,000	10.6%
Covered Treated Water Storage	331 (108 million gallons)	0.1%
Total	264,631	100%



Drought Management & Water Planning

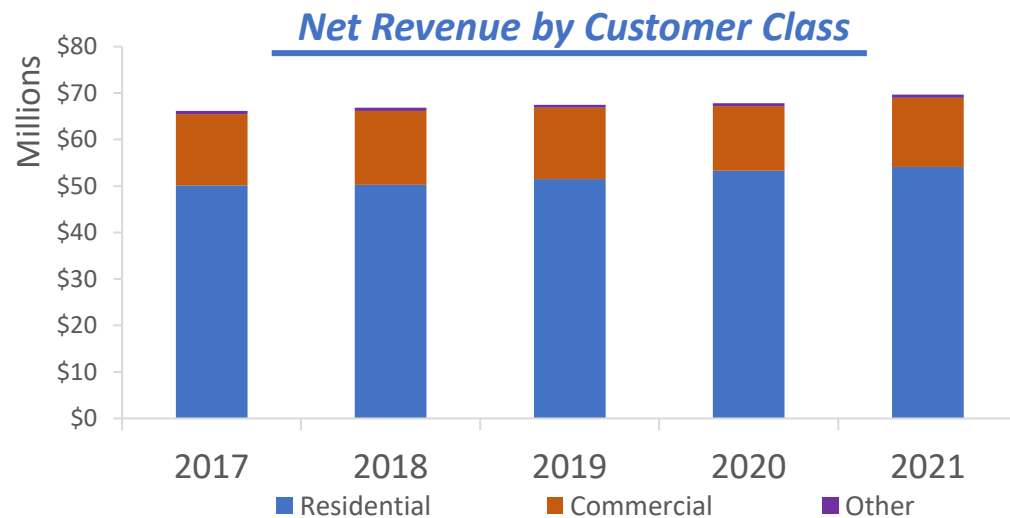
- The Utilities has identified water storage and supply as a key focus going forward:
 - Currently experiencing dry summer
 - Colorado River Basin continues to be low, but the Utilities thus far has been relatively unaffected by water storage concerns affecting the Lower Basin states
 - Storage levels are healthy and supply meets demand for the foreseeable future
 - The Inflation Reduction Act also provides \$4 billion of resources to conserve water and protect the Colorado River Basin
- Long term planning focus remains a priority
- The Utilities' Finished Water System Plan flags \$50 million of capital spending over the next 10 years to address redundancy, resiliency, and growth in water supply over the next decade
- Water Acquisitions
 - Active, familiar participant in the regional market
 - Board-approved funding mechanism to opportunistically acquire water rights



Wastewater & Gas System Overview

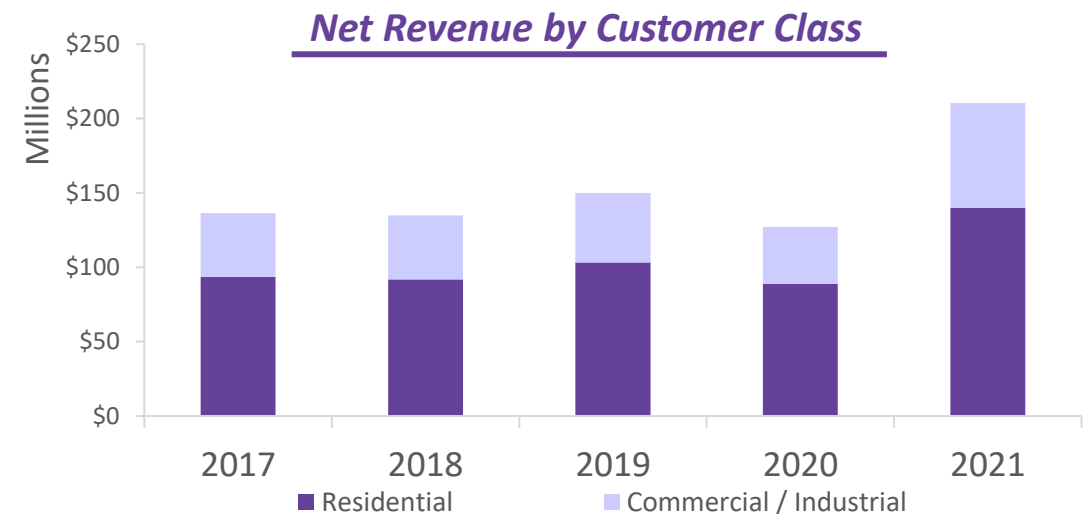
Wastewater

- Wastewater system customer revenue base is split 75% residential and 21% commercial revenue, which excludes interdepartmental and other revenues
- Wastewater system includes over 1,794 miles of sewer mains that service 150,388 active accounts
- Most recently raised base rates on January 1, 2020



Gas

- Gas system customer revenue base is split 63% residential and 32% commercial/industrial revenue, which excludes interdepartmental and other revenues
- Gas distribution system of over 218,766 active meters
- Highly diversified customer base
- Most recently raised base rates on January 1, 2021



Environmental, Social and Governance Considerations

Environmental

- The Utilities is on track to meet all evolving requirements for each system
- The Utilities is also focused on wildfire preparation and prevention
 - Active internal wildland fire team
 - Wide network of intergovernmental agreements (IGAs)
 - Strong casualty and liability protection (Colorado Governmental Immunity Act and Insurance)

Social

- Responsible Rate Setting
 - Rates for all four services remain competitive
 - Fuel rates mechanisms promptly and fairly pass on cost changes to customers
- Community Focus
 - Extensive community education programs
 - Focus Fund
 - Extensive budget billing and payment plans for customers in need
- Labor Force
 - Utilities management has maintained satisfactory relations with its employees which has allowed for stability in our operations to better serve our customers
 - Strategic initiative to attract, develop, and retain an engaged and customer-focused workforce

Governance

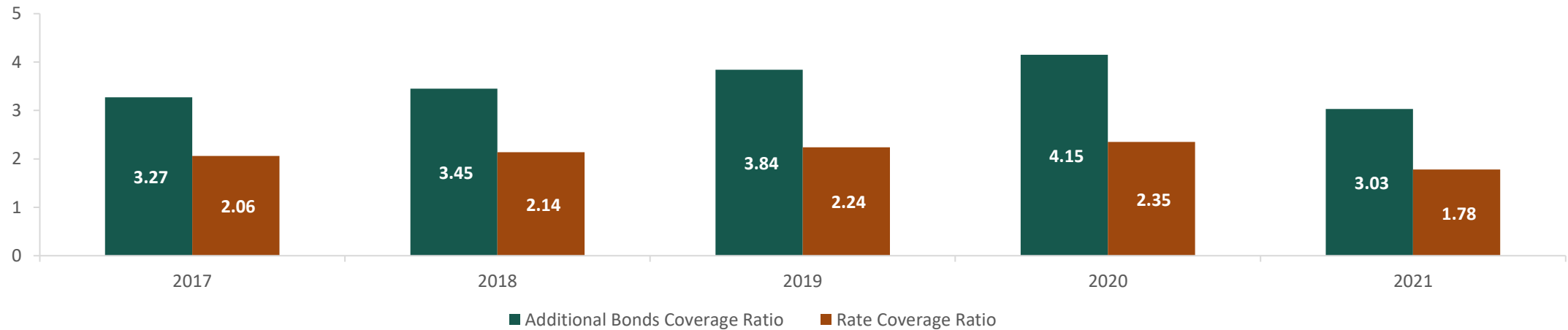
- City/Enterprise Structure
 - “Strong Mayor” form of city government
 - City Council members serve separately as Utility Board of Directors
 - City Council itself regulates rates
 - Utilities Policy Advisory Committee provides strategic guidance and industry expertise
- Management
 - Utilities management has a long history in Colorado Springs with experience at some of the largest municipal systems
- Risk Management
 - Enterprise Risk Management continues to evolve in rapidly changing industry
 - Deployment of cybersecurity professionals and multi-layered defense strategies help detect and deter possible threats

Financial Performance

	Actuals (000's)				
	2017	2018	2019	2020	2021
Operating Revenue	\$ 839,822	\$ 890,477	\$ 893,026	\$ 884,352	\$ 1,065,754
Operating Expense	716,513	742,900	630,437	648,836	925,538
Noncash pension and OPEB expense ⁽¹⁾	42,731	35,975	(59,290)	(18,261)	(21,372)
Depreciation and amortization	151,983	158,246	160,155	161,258	163,748
Net Operating Revenues available for debt service	\$ 318,023	\$ 341,798	\$ 363,454	\$ 378,514	\$ 282,592
Interest Earnings, BABS subsidies, other					
Non-Operating earnings	9,831	11,255	12,116	10,230	6,266
Development Fees	34,340	38,333	41,765	52,988	47,174
Net Pledged Revenue	\$ 383,320	\$ 383,320	\$ 383,320	\$ 406,577	\$ 298,782
Avg. Annual Principal and Interest Requirements	\$ 110,700	\$ 113,319	\$ 108,638	\$ 106,354	\$ 110,797
Fiscal Year Debt Service	\$ 185,983	\$ 185,983	\$ 185,983	\$ 187,700	\$ 188,729

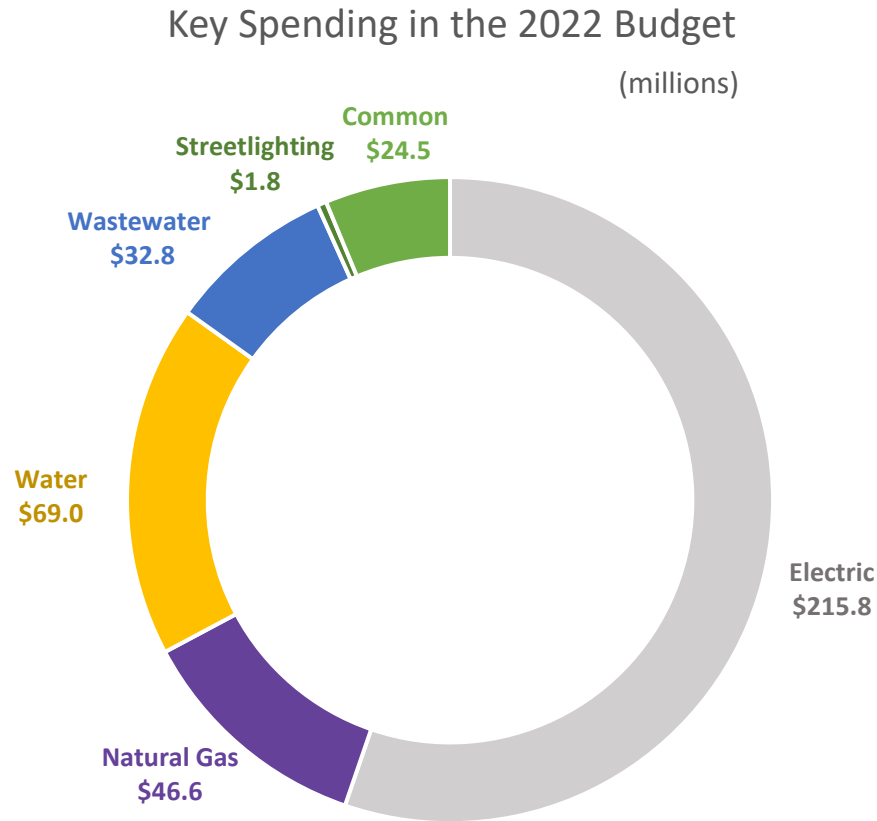
Additional Bonds Coverage Ratio	3.27	3.45	3.84	4.15	3.03
Rate Coverage Ratio End of Year	2.06	2.14	2.24	2.35	1.78

⁽¹⁾ 2018 Ratios adjusted for GASB 68 and GASB 75



Capital Spending & Funding

- The Utilities has forecasted capital needs of \$2.0 billion through 2026 and estimates that approximately 50.3% of this amount will be cash funded
- Current average project size provides greater capital budgeting flexibility and diversification



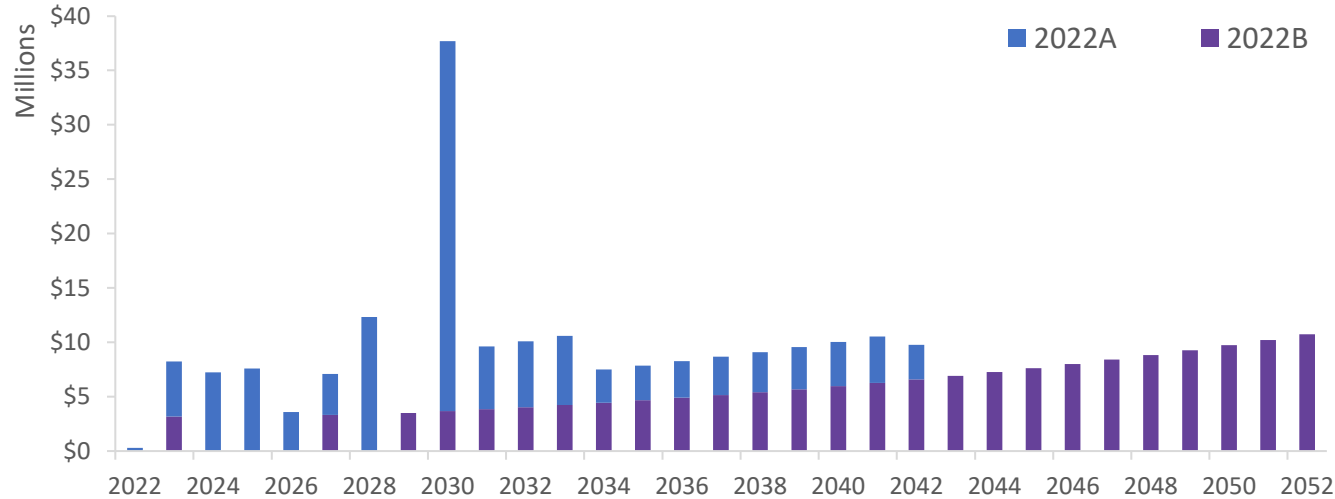
Summary Credit Strengths

The Utilities' strong credit profile is supported by:

- Strong financial performance
- Sound rate setting and board policies to ensure stable financial metrics and strong liquidity
- Support for rate increases and flexible rate structures
- Competitive rates
- Conservative plan of finance funds future-focused capital projects, generates savings and reduces risk
- Revenue diversification – low sales and load variance correlations support revenue stability

Series 2022A & 2022B Structure, Schedule and Contact Information

Preliminary Series 2022 Amortization*



Anticipated Schedule*

August 29, 2022	POS is Posted
September 13, 2022	Pricing Date
October 4, 2022	Closing Date

Contact Information

Utilities	Financial Advisor	Senior Manager	Co-Senior Manager
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