

PRELIMINARY OFFICIAL STATEMENT DATED JULY __, 2023

**NEW ISSUE
BOOK-ENTRY ONLY**

**RATINGS: Moody's: “__”
S&P: “__”
See “RATINGS”**

In the opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, Denver, Colorado (“Bond Counsel”), under existing statutes, regulations, rulings and judicial decisions, and assuming the accuracy of certain representations and compliance with certain covenants and requirements described herein, interest (and original issue discount) on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals. In the further opinion of Bond Counsel, interest on the Bonds is excluded from Colorado taxable income and Colorado alternative minimum taxable income under Colorado income tax laws in effect on the date of delivery of the Bonds as described herein. See “TAX STATUS” with respect to tax consequences relating to the Bonds, including with respect to the federal alternative minimum tax imposed on certain large corporations for tax years beginning after December 31, 2022.

CITY OF COLORADO SPRINGS, COLORADO

\$ _____*
**Utilities System Improvement Revenue Bonds
Series 2023A**

\$ _____*
**Utilities System Refunding Revenue Bonds
Series 2023B**

Dated: Date of Delivery

Due: November 15, as shown on the inside cover

The City of Colorado Springs, Colorado (the “City”) is issuing its Utilities System Improvement Revenue Bonds, Series 2023A (the “Series 2023A Bonds”) and its Utilities System Refunding Revenue Bonds, Series 2023B (the “Series 2023B Bonds”) and collectively with the Series 2023A Bonds, the “Bonds”). The Bonds are issued as fully registered bonds in denominations of \$5,000, or any integral multiple thereof. The Bonds initially will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (“DTC”), securities depository for the Bonds. Purchases of the Bonds are to be made in book-entry form only. The Bonds bear interest at the rates set forth on the inside cover page of this Official Statement, payable semiannually on May 15 and November 15 of each year, commencing November 15, 2023. Purchasers will not receive certificates from the City or the Paying Agent representing their interests in the Bonds. So long as the Bonds are held by DTC, payments of principal of and interest on the Bonds will be paid by the Paying Agent to DTC for subsequent disbursement to DTC participants for remittance to the beneficial owners of the Bonds, as more fully described herein.

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

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

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

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

The Bonds are offered when, as, and if issued by the City, subject to the delivery of an approving opinion by Stradling Yocca Carlson & Rauth, a Professional Corporation, Denver, Colorado, as Bond Counsel, and other conditions. Stradling Yocca Carlson & Rauth, a Professional Corporation, Denver, Colorado, has also acted as Disclosure Counsel to the City in connection with the preparation of this Official Statement and the sale of the Bonds to the Underwriters. Certain legal matters will be passed upon for the Underwriters by their counsel, Kutak Rock, LLP, Denver, Colorado. Stifel, Nicolaus & Company, Incorporated, Denver, Colorado, has acted as Municipal Advisor to the Utilities. It is expected that the Bonds will be available for delivery on or about _____, 2023 through the facilities of DTC.

[Underwriters to be inserted by printer]

* Preliminary, subject to change.

This Preliminary Official Statement and the information contained herein are subject to completion or amendment. These securities may not be sold, nor may offers to buy them be accepted, prior to the time the Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of, these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful.

This Official Statement is dated _____, 2023.

CITY OF COLORADO SPRINGS, COLORADO

BASE CUSIP[†]: 196632

\$ _____

Utilities System Improvement Revenue Bonds, Series 2023A

SERIAL MATURITIES

<i>Maturity</i> <i>(November 15)</i>	<i>Principal</i> <i>Amount</i>	<i>Interest</i> <i>Rate</i>	<i>Yield</i>	<i>Price</i>	<i>CUSIP[†]</i> <i>No.</i>
---	-----------------------------------	--------------------------------	--------------	--------------	--

\$ _____ % Term Bond Due November 15, 20__ , Yield: ____%, Price: _____ CUSIP[†] No. ____

\$ _____ % Term Bond Due November 15, 20__ , Yield: ____%, Price: _____ CUSIP[†] No. ____

^c Priced to yield to the first optional redemption date of November 15, 203_ at par.

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CITY OF COLORADO SPRINGS, COLORADO

BASE CUSIP[†]: 196632

\$ _____

Utilities System Refunding Revenue Bonds, Series 2023B

SERIAL MATURITIES

<i>Maturity</i> <i>(November 15)</i>	<i>Principal</i> <i>Amount</i>	<i>Interest</i> <i>Rate</i>	<i>Yield</i>	<i>Price</i>	<i>CUSIP[†]</i> <i>No.</i>
---	-----------------------------------	--------------------------------	--------------	--------------	--

\$ _____ % Term Bond Due November 15, 20__ , Yield: ____%, Price: _____ CUSIP[†] No. ____

\$ _____ % Term Bond Due November 15, 20__ , Yield: ____%, Price: _____ CUSIP[†] No. ____

^c Priced to yield to the first optional redemption date of November 15, 203_ at par.

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CITY OF COLORADO SPRINGS, COLORADO

Mayor

Yemi Mobolade

City Council

Randy Helms, President of the City Council

Lynette Crow-Iverson, President Pro Tem

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

Wynetta Massey, *City Attorney*

COLORADO SPRINGS UTILITIES

Travas Deal, Chief Executive Officer

Tristan Gearhart, Chief Planning and Finance Officer

Lisa Barbato, Chief System Planning and Projects Officer

Somer Mese, Chief Operations Officer

Mike Francolino, Chief Customer and Corporate Services Officer

Renee Adams, Chief Human Resources Officer

Utilities Policy Advisory Committee

Larry Barrett, Chair

Hilary Dussing, Vice Chair

Gary Burghart

Michael Borden

Katherine Danner

Ruth Ann Schonbachler

Chris Francis

Municipal Advisor

Stifel, Nicolaus & Company, Incorporated

Bond and Disclosure Counsel

Stradling Yocca Carlson & Rauth, a Professional Corporation

Verification Agent

Causey Demgen & Moore P.C.

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

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

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

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

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

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

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OFFICIAL STATEMENT

CITY OF COLORADO SPRINGS, COLORADO

\$ _____*
**Utilities System Improvement
Revenue Bonds
Series 2023A**

\$ _____*
**Utilities System Refunding
Revenue Bonds
Series 2023B**

INTRODUCTION

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

The City

The City of Colorado Springs, Colorado (the “City”) is a home rule municipal corporation with a population of approximately 490,000 which is located in the south central Front Range of Colorado. The economy of the City and the surrounding area is based substantially on employment attributable to service industries, retail businesses, construction industries, military installations, the high technology industry and tourism. For a detailed summary of economic and demographic information for the Colorado Springs area see Appendix F to this Official Statement.

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

Security for the Bonds

The Bonds (and any parity securities previously or subsequently issued) are utilities system revenue bonds of the City payable solely from the “Net Pledged Revenues” available after the costs of operating and maintaining the System are deducted from the “Gross Pledged Revenues” generated from the operation and use of the System. Upon issuance of the Bonds, \$ _____* in aggregate principal of Parity Bonds (including the Bonds, and excluding the Refunded Bonds (as defined herein)) will be outstanding which have a parity lien on the Net Pledged Revenues. The City does not anticipate issuing any additional utilities system revenue bonds in 2023, other than potential refunding bonds. The City is prohibited from issuing additional bonds with a lien on the Net Pledged Revenues which is superior to the Parity Bonds (including the Bonds). See “DESCRIPTION OF THE BONDS—Security for the Bonds” in this Official Statement.

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

* Preliminary, subject to change.

Debt Service Reserve Fund

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

The Bonds

The Bonds are authorized to be issued pursuant to the City’s home rule charter and an ordinance passed by the City Council of the City on July 11, 2023. Certain maturities for certain series of the Bonds are subject to optional and mandatory sinking fund redemption prior to maturity. See “DESCRIPTION OF THE BONDS.”

Purpose of the Bonds

Net proceeds of the Series 2023A Bonds are expected to be used to: (a) finance a portion of the costs of a number of general capital improvements to the utility system; (b) pay certain costs of issuing the Series 2023A Bonds; and (c) pay a portion of the Surety Premium.

Net proceeds of the Series 2023B Bonds are expected to be used, along with other available revenues, to: (a) refund all or a portion of the City’s outstanding City of Colorado Springs, Colorado, Utilities System Refunding Revenue Bonds, Series 2013A, City of Colorado Springs, Colorado, Utilities System Improvement Revenue Bonds, Series 2013B-1, and City of Colorado Springs, Colorado, Utilities System Improvement Revenue Bonds, Series 2013B-2 (collectively, the “Refunded Bonds”); (b) pay certain costs of issuing the Series 2023B Bonds; and (c) pay a portion of the Surety Premium. See Appendix G to this Official Statement.

The specific principal amount, if any, of each series and maturity of the outstanding Refunded Bonds that will be refunded will be determined by the City on the day of pricing of the Series 2023B Bonds. The issuance of the Series 2023B Bonds and the refunding of the Refunded Bonds are subject to market conditions, and the City will only issue the Series 2023B Bonds to refund any of the Refunded Bonds if such issuance and refunding result in acceptable debt service savings to the City.

Tax Status of Interest on the Bonds

In the opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, Denver, Colorado, under existing statutes, regulations, rulings and judicial decisions, and assuming the accuracy of certain representations and compliance with certain covenants and requirements described herein, interest (and original issue discount) on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals. In the further opinion of Bond Counsel, interest on the Bonds is excluded from Colorado taxable income and Colorado alternative minimum taxable income under Colorado income tax laws in effect on the date of delivery of the Bonds as described herein. See “TAX STATUS” with respect to tax consequences relating to the Bonds, including with respect to the federal alternative minimum tax imposed on certain large corporations for tax years beginning after December 31, 2022.

Continuing Disclosure Undertaking

The City will execute a continuing disclosure certificate with respect to the Bonds (the “Disclosure Certificate”) at the time of the closing of the Bonds. The Disclosure Certificate will be executed for the benefit of the Beneficial Owners of the Bonds. The Disclosure Certificate will provide that so long as the Bonds remain outstanding, the City will annually provide certain financial information and operating data and will

provide notice of certain material events to the Municipal Securities Rulemaking Board (“MSRB”) through its Electronic Municipal Market Access System (the “EMMA System”) or any successor method designated by the MSRB, in compliance with the Disclosure Certificate. The form of the Disclosure Certificate is attached to this Official Statement as Appendix C. The City believes that it is currently in compliance in all material respects with the terms of each undertaking previously entered into pursuant to Rule 15c2-12 promulgated under the Securities Exchange Act of 1934 with respect to the Utilities. The Utilities believes that its current continuing disclosure compliance processes are sufficient to ensure timely compliance with its continuing disclosure obligations in the future.

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

In order to ensure compliance by the Utilities with its continuing disclosure undertakings in the future, the Chief Planning and Finance Officer approved Disclosure Procedures on August 15, 2017 (the “Disclosure Procedures”). Pursuant to the Disclosure Procedures, the Chief Planning and Finance Officer or his or her delegate is required to take steps to ensure that continuing disclosure filings are prepared and filed in a timely manner.

Forward Looking Statements

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

General

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

Appendix A to this Official Statement contains the audited financial statements of the Utilities for the year ended December 31, 2022 (with comparative totals for the year ended December 31, 2021). Inquiries relating to financial information of the Utilities presented in this Official Statement may be directed to the Utilities’ Chief Planning and Finance Officer, 121 South Tejon Street, Suite 500, Colorado Springs, Colorado 80903, (719) 668-7162.

SOURCES AND USES OF BOND PROCEEDS

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

	<i>Series 2023A Bonds</i>	<i>Series 2023B Bonds</i>	<i>Total</i>
Sources			
Par Amount			
Plus Original Issue Premium			
Other Available Moneys ⁽¹⁾			
Total Sources			
Uses			
Proceeds Used for Refunding ⁽¹⁾			
Project Fund Deposit			
Costs of Issuance ⁽²⁾			
Total Uses			

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

⁽²⁾ Costs of Issuance include legal fees, underwriters' discount, consultant fees, printing costs, rating agency fees, other miscellaneous fees and expenses, and the Surety Premium.

INVESTMENT CONSIDERATIONS

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

Special, Limited Obligations

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

No Pledge of Property

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

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

Between February 13-16, 2021, the City and much of the country experienced record low temperatures. This extreme weather created a supply crunch amid heightened demand and caused natural gas prices to increase to unprecedented levels. During this period, the Utilities incurred additional electric and natural gas fuel costs of approximately \$144 million. Natural gas costs for the Gas System accounted for approximately \$105 million of such amount, and energy fuel costs for the Electric System accounted for approximately \$39 million of such amount.

On March 9, 2021, City Council voted unanimously to approve increases to its gas cost adjustment rate in March 2021 and its electric cost adjustment rate in April 2021 in order to recoup these expenses by May 2022; which has been achieved. With the achievement of this goal, the Utilities was able to decrease its gas cost adjustment effective May 1, 2022.

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

COVID-19 Outbreak

The Utilities has not experienced a material impact on its revenue, expenses, operations or capital projects directly due to the COVID-19 pandemic. Inflation and supply-chain disruptions have occurred. As the world recovers from and learns to live with COVID-19 and its impacts, the Utilities continues to monitor the situation proactively and make adjustments as necessary. Future impacts of the pandemic and future pandemics and calamities are unknown.

Capital Program

[to be updated] As discussed in “THE ELECTRIC SYSTEM,” “THE GAS SYSTEM,” “THE WATER SYSTEM” and “THE WASTEWATER SYSTEM,” the Utilities has capital needs forecasted at approximately \$___ billion from 2023 through 2027. The Utilities estimates that approximately ___% of this amount will be cash-funded and the remaining ___% will be funded from the proceeds of the Series 2023A Bonds and future bond issues or other borrowings. However, such percentages are only estimates and are subject to change at any time.

The Utilities anticipates needing an additional 1,975 MW of additional electric generation by 2030. See “THE ELECTRIC SYSTEM – System Capability.” The Utilities currently expects that a significant amount of this additional generation will be acquired through power purchase agreements, though some may come from Utilities-owned generation facilities. These purchase power agreements are not included in the capital needs discussed in the preceding paragraph.

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

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

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

Dependence Upon Federal Defense Spending

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

In January 2021, it was announced that the United States Space Command ("U.S. Space Command") would be relocating its headquarters from Peterson to a new headquarters located in Huntsville, Alabama. Peterson currently serves as the temporary headquarters for U.S. Space Command and is expected to continue to do so until 2026; however, a final basing decision has not been reached and the decision to relocate headquarters to Alabama is under review. It is possible that the relocation decision is reversed and that Peterson could be selected as the permanent headquarters for U.S. Space Command. Peterson has informed the City that even without U.S. Space Command headquarters, the base has significant facility needs to support current and anticipated missions. The City is currently partnering with Peterson regarding strategies to facilitate base expansion to accommodate mission expansion and future attractions. In the event that U.S. Space Command does relocate its headquarters from Peterson, the base is expected to retain the name "Peterson Space Force Base."

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

Risks Related to Customer Sales and Usage

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

Risks Regarding Fluctuations in Water Revenues

The revenues derived from the Utilities' water sales are subject to significant fluctuation primarily due to weather. For example, in 2014 and 2015 water revenues experienced significant shortfalls as a result of wetter and cooler than normal weather. In addition, customers continue to use less water each year in response to drought conditions, watering restrictions, indoor conservation/efficiency, and increased water rates. Some

customer behavior may result in permanent change, such as when lawns are abandoned or replaced with xeriscaping.

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

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

Risks Related to Reliance on Colorado River Water

Approximately 70% of the Utilities' total water supply (including reuse) currently comes from the Colorado River Basin. The Utilities, along with the other major Colorado Front Range water providers including Denver, Aurora, Northern Water and certain others, serve approximately 80% of Colorado's population and economy. Approximately 72% of the major Front Range water providers' supply comes from the Colorado River Basin. As a result, Front Range water providers, including the Utilities, have a large stake in the future of the Colorado River and how the challenges of increasing water demands, long-term drought, and climate change will be addressed. See "THE WATER SYSTEM —Reliance on Colorado River Water Supply."

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

In August 2022, the U.S. Bureau of Reclamation released 24-month projections forecasting the expected water levels in Lake Powell and Lake Mead. This forecast projected the level in Lake Mead to fall below 1,050 feet, which is a critical elevation for reservoir management. As a result, the U.S. Bureau of Reclamation has declared a Level 2a water shortage on the Colorado River. This declaration has resulted in a further curtailment of water deliveries to water users relying on the Lower Colorado River, below Lake Mead, in 2023, beyond the curtailments that resulted from the Level 1 shortage condition in 2022. Depending upon the severity of the ongoing drought, the U.S. Bureau of Reclamation may be required to increase the level of the shortage declaration which will impact other water rights involved and the water supply to other Colorado River users. Despite above-average snowpack and predicted above-average runoff, storage in Lake Mead is forecast to continue to drop in 2023. Currently, these shortage declarations only affect Lower Basin water users, and do not affect the Utilities' water deliveries from the Colorado River Basin.

On May 3, 2022, the U.S. Bureau of Reclamation announced two urgent drought response actions that will help increase water levels in Lake Powell by nearly 1 million acre-feet of water ("maf"). These emergency actions were taken to help maintain water levels above 3,490 feet elevation, the lowest point at which Glen Canyon Dam can generate hydropower. This measure protects hydropower generation, critical infrastructure at Glen Canyon Dam, and water supply. Additionally, under the Drought Contingency Plan adopted in 2019, approximately 500,000 acre-feet of water is scheduled to be released from Flaming Gorge Reservoir to protect water levels in Lake Powell between May 2022 and April 2023; the release was paused in March 2023 due to the forecast of average inflow to Lake Powell but will be reevaluated later in 2023. At the

same time, another 480,000 acre-feet of water that would have otherwise been released was left in Lake Powell by reducing Glen Canyon Dam’s annual release volume from 7.48 maf to 7.0 maf, as outlined in the 2007 Interim Guidelines for Lower Basin Shortages and Coordinated Operations for Lake Mead and Lake Powell that control operations of Glen Canyon Dam and Hoover Dam. These actions are in addition to previous actions taken by the U.S. Bureau of Reclamation in 2021 to release approximately 161,000 acre-feet of water from upstream initial units of the Colorado River Storage. In total, the Upper Basin States contributed approximately 463,000 acre-feet of water to protect critical reservoir levels in Lake Powell through April 2023.

In addition, the Bureau of Reclamation is preparing a Supplemental Environmental Impact Statement (“SEIS”) to the 2007 Record of Decision associated with the Colorado River Interim Guidelines for Lower Basin Shortages and Coordinated Operations for Lake Powell and Lake Mead (2007 Interim Guidelines). The purpose of the SEIS is to consider revised guidelines for operation of Glen Canyon and Hoosier Dams in 2023 and 2024. A draft SEIS was released in April 2023. At this time, the Utilities does not anticipate any direct impact on the Upper Basin States from the SEIS.

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

Risks Regarding Liquidity Facilities

The City currently has \$335,925,000 of outstanding variable rate Parity Bonds which are supported by liquidity facilities (“Support Facilities”). The City has also established a Commercial Paper Program for the Utilities consisting of two series in the maximum combined principal amount of \$150,000,000 (the “Commercial Paper Notes”), of which \$0 is expected to be outstanding upon issuance of the Bonds. The Commercial Paper Notes are required to be supported by Support Facilities, and no Support Facility is currently in place for either series and presently the City has no intention of procuring any Support Facility. The Parity Bonds and the Commercial Paper Notes (when and if drawn upon) which are supported by the Support Facilities are subject to the risk of expiration and non-renewal of the related Support Facilities and the inability of the City to find replacement Support Facilities. In addition, there can be no assurance that the providers of such Support Facilities will be financially able to meet their respective contractual obligations thereunder, whether as a result of bankruptcy, insolvency or other events adversely affecting their creditworthiness. Any non-renewal of a Support Facility, any inability of the provider of a Support Facility to meet its obligations thereunder, or any rating downgrade associated therewith could have an adverse effect on the City. If any of these were to occur, the City could pursue various options in order to remedy the situation, including replacing the Support Facility or converting or refunding the variable rate Parity Bonds or Commercial Paper Notes in question to a fixed interest rate or another interest rate mode, depending upon market conditions. See “COLORADO SPRINGS UTILITIES—Liquidity/Support Facilities.”

Environmental Regulation

The Utilities’ Electric System operations are subject to various local, state and federal environmental laws and regulations. Compliance with such laws and regulations will likely require significant capital outlays. In its long-range forecasts, the Utilities has included expenses for such capital outlays of which it is aware, or which it reasonably anticipates incurring. These expenses are discussed below in the section entitled “THE ELECTRIC SYSTEM.” However, there are a number of federal and state legislative and regulatory efforts underway which seek to limit and/or control emissions of greenhouse gases and other pollutants. The impact and cost of such proposed legislative and regulatory initiatives on the Utilities are under evaluation, but

the costs of compliance with such proposed legislation and initiatives are not yet known and therefore cannot be quantified at this time. See “THE ELECTRIC SYSTEM—Environmental Regulation.”

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

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

Cyber and Data Security

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

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

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

Changes and Reforms Relating to LIBOR

[Consider removing after June 30, 2023] On July 27, 2017, the Financial Conduct Authority (the “FCA”) announced that it would no longer persuade or compel banks to submit rates for the calculation of the LIBOR rates after 2021 (the “FCA Announcement”). Further, the ICE Benchmark Administrator (“IBA”), the administrator for LIBOR, published a feedback statement on March 5, 2021, stating that it would cease publication of overnight, 1-month, 3-month, 6-month and 12-month maturities of U.S. Dollar LIBOR after

June 30, 2023 (the “IBA Announcement”). As of July 1, 2023, the IBA no longer publishes the overnight, 1-month 3-month, 6-month and 12-month maturities of U.S. Dollar LIBOR. Some of the Utilities’ Interest Rate Swap Agreements (as defined herein) used a LIBOR-based rate as a reference rate for determining the payment obligations of the counterparties thereunder. The International Swaps and Derivatives Association (“ISDA”) published its IBOR Fallbacks Supplement to ISDA’s standard definitions that provides mechanisms and fallback rates and calculations to the extent LIBOR is no longer published or representative. The IBOR Fallbacks Supplement was effective for new derivative contracts executed on and after January 25, 2021. ISDA released its IBOR Fallbacks Protocol to incorporate the IBOR Fallbacks Supplement into legacy derivative contracts. The Utilities and each of its swap counterparties adhered to the IBOR Fallbacks Protocol and accordingly incorporated the IBOR Fallbacks Supplemental into its derivative contracts. Pursuant to the Protocol, as of July 1, 2023, LIBOR has been replaced with a rate based on the Secured Overnight Financing Rate (“SOFR”) in the Utilities swaps that were based on LIBOR. It is not possible to predict what effects the computation of any successor rate or index for LIBOR will have on the Utilities’ Interest Rate Swap Agreements which formerly used a LIBOR-based rate as a reference rate. Any such effects could include, but not be limited to: a) sudden or prolonged increases or decreases in successor rates; b) an increase in the difference between the amount paid to the Utilities pursuant to a LIBOR successor rate-based swap agreement and the associated variable rate bond issue (i.e., basis risk), thereby increasing the amounts owed by the Utilities; and c) negative impacts on the mark-to-market value of the Utilities’ Interest Rate Swap Agreements, which could result in higher collateral postings by the Utilities.

Climate Change

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

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

DESCRIPTION OF THE BONDS

Security for the Bonds

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

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

Upon issuance of the Bonds, \$_____* in aggregate principal of Parity Bonds (including the Bonds, and excluding the Refunded Bonds) will be outstanding which have a parity lien on the Net Pledged Revenues. The City does not anticipate issuing any additional utilities system revenue bonds in 2023, other than potential refunding bonds. The City is prohibited from issuing additional bonds with a lien on the Net Pledged Revenues which is superior to the Parity Bonds (including the Bonds). See “COLORADO SPRINGS UTILITIES—Outstanding Utilities Revenue Bonds and Other Obligations.” For a description of the requirements for issuance of additional Parity Bonds, see APPENDIX B—“THE BOND ORDINANCE—Additional Securities.”

Bond Details

The Bonds will be issued pursuant to the Bond Ordinance, will be dated as of their date of delivery, and will mature on the dates and in the principal amounts and bear interest at the rates set forth on the inside cover page of this Official Statement. Interest on the Bonds will be calculated based on a 360-day year, consisting of twelve 30-day months. The Bonds will be issued as fully registered bonds without coupons and will initially be registered in the name of “Cede & Co.,” as nominee for The Depository Trust Company, New York, New York (“DTC”) as securities depository for the Bonds. Purchases by beneficial owners of the Bonds (“Beneficial Owners”) will be made in book-entry only form in the denominations of \$5,000 and integral multiples of \$5,000. See APPENDIX E—“DTC BOOK-ENTRY ONLY SYSTEM.” Interest on the Bonds will be payable semiannually on May 15 and November 15 of each year, commencing on November 15, 2023.

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

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

Optional Redemption

The Series 2023A Bonds maturing on or after November 15, 20__ are redeemable at the option of the City on or after November 15, 20__, in whole or in part, on any day, from any Maturity-Rate selected by the City and by lot within a Maturity-Rate, at a redemption price equal to 100% of the principal amount of such Series 2023A Bonds redeemed, plus accrued interest to the redemption date.

The Series 2023B Bonds maturing on or after November 15, 20__ are redeemable at the option of the City on or after November 15, 20__, in whole or in part, on any day, from any Maturity-Rate selected by the City and by lot within a Maturity-Rate, at a redemption price equal to 100% of the principal amount of such Series 2023B Bonds redeemed, plus accrued interest to the redemption date.

* Preliminary, subject to change.

Mandatory Sinking Fund Redemption

The Series 2023A Bonds maturing November 15, 20__ will be subject to mandatory sinking fund redemption at a redemption price equal to the principal amount of such Series 2023A Bonds redeemed, plus accrued interest to the redemption date on the schedule set forth below:

Series 2023A Bonds maturing November 15, 20__:

Redemption Date *Principal Amount*

* Final maturity

The Series 2023A Bonds maturing November 15, 20__ will be subject to mandatory sinking fund redemption at a redemption price equal to the principal amount of such Series 2023A Bonds redeemed, plus accrued interest to the redemption date on the schedule set forth below:

Series 2023A Bonds maturing November 15, 20__:

Redemption Date *Principal Amount*

* Final maturity

The Series 2023B Bonds maturing November 15, 20__ will be subject to mandatory sinking fund redemption at a redemption price equal to the principal amount of such Series 2023B Bonds redeemed, plus accrued interest to the redemption date on the schedule set forth below:

Series 2023B Bonds maturing November 15, 20__:

Redemption Date *Principal Amount*

* Final maturity

The Series 2023B Bonds maturing November 15, 20__ will be subject to mandatory sinking fund redemption at a redemption price equal to the principal amount of such Series 2023B Bonds redeemed, plus accrued interest to the redemption date on the schedule set forth below:

Series 2023B Bonds maturing November 15, 20__:

Redemption Date
(November 15)

Principal Amount

* Final maturity

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

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

Notice of Prior Redemption

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

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

Selection of Bonds for Redemption

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

COLORADO SPRINGS UTILITIES

Nature of the Utilities

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

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

The City is the sole customer of the Streetlight System.

The following table summarizes information concerning operating revenues, operating income (loss) and gross book value of plant for the electric, gas, water, wastewater, and streetlight operations of the Utilities for the fiscal year ended December 31, 2022.

2022 Summary of Business Segments

	<i>Operating Revenues</i>		<i>Operating Expenses</i>		<i>Operating</i>	<i>Utilities Plant</i>	
	<i>(\$000)</i>	<i>% of Total</i>	<i>(\$000)</i>	<i>% of Total</i>	<i>Income (Loss)</i>	<i>Gross Book Value⁽¹⁾</i>	
					<i>(\$000)</i>	<i>(\$000)</i>	<i>% of Total</i>
Electric	\$ 625,024	49.2%	\$ 444,541	49.0%	\$ 180,483	\$ 2,826,146	38.3%
Gas ⁽²⁾	351,582	27.7	250,614	27.5	100,968	518,261	7.0
Water ⁽³⁾	217,096	17.1	157,528	17.3	59,568	2,930,619	39.7
Wastewater	73,006	5.7	52,182	5.7	20,824	1,047,797	14.2
Streetlight	<u>4,075</u>	<u>0.3</u>	<u>4,969</u>	<u>0.5</u>	<u>(894)</u>	<u>56,609</u>	<u>0.8</u>
Total	\$1,270,783	100.0%	\$ 909,834	100.0%	\$ 360,949	\$ 7,379,432	100.0%
Less: Interdepartmental Sales	<u>(36,286)</u>		<u>(36,286)</u>		<u>0</u>		
Net Total	\$1,234,497		\$ 873,548		\$360,949		

⁽¹⁾ Total Net Utilities Plant (excluding water component units) is \$4,325,730,804. This amount represents \$6,733,008,197 in Gross Utilities Plant plus \$646,423,981 in Construction Work in Progress shown above, less Accumulated Depreciation and Amortization of \$3,053,701,374. See Note 5 in the 2022 Audited Financial Statements attached hereto as Appendix A.

⁽²⁾ The gas information excludes amounts attributable to the Public Authority for Colorado Energy described in Note 18 in the 2022 Audited Financial Statements. For a description of Public Authority for Colorado Energy (PACE) see page 57 in the 2022 Audited Financial Statements attached as Appendix A to this Official Statement.

⁽³⁾ The water information excludes amounts attributable to the water component units described in Note 18 in the 2022 Audited Financial Statements. For descriptions of the component units see page 57 in the 2022 Audited Financial Statements attached as Appendix A to this Official Statement.

Surplus Payments

The Charter provides that the funds of the Utilities are to be kept separate from all other funds of the City and that the net earnings of the Utilities are to be appropriated for the necessary requirements of the Utilities. The Charter also provides that any surplus remaining after meeting the necessary requirements of the Utilities may be appropriated to the general revenues of the City by the City Council of the City (the “City Council”) in its annual budget and appropriation ordinance. Pursuant to this authority, the City Council has appropriated annually to the City’s general fund certain amounts, denoted as surplus payments. These payments are calculated at a fixed rate per kWh of electricity and a fixed rate per Mcf at 14.65 p.s.i.a. of natural gas applied to all inside City sales volumes, without exclusion for interdepartmental sales. Total surplus payments made by the Utilities to the City amounted to \$35,153,778 in 2020, \$37,250,499 in 2021, and \$37,278,636 in 2022.

In May 2018, the City Council passed a resolution instructing the Utilities to implement a water surplus rate sufficient to pay 25% of the City’s annual water budget for irrigating City-owned parks in 2019, and 50% from 2020 through 2025. Amounts generated by this surplus rate are required to be transferred to the City’s general fund on a monthly basis. The Utilities transferred approximately \$2.4 million to the City’s general fund in 2022.

City Governance

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

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

Management and Operation of the Utilities

The Chief Executive Officer has authority over the management, finances and operation of the Utilities. The City Council, through its role as the Utilities Board, governs the management and operations of the Utilities through established written policies. The members of the Utilities Board, their occupations, and the dates their current terms expire are as follows:

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

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

Member	Expiration of Current Term
Larry Barrett (Chair)	September 2023
Hilary Dussing (Vice Chair)	September 2025
Gary Burghart	September 2023
Michael Borden	September 2024
Katherine Danner	September 2024
Ruth Ann Schonbachler	September 2024
Chris Francis	September 2024

Key Management Staff

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

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

Tristan Gearhart, Chief Planning and Finance Officer. Tristan Gearhart was appointed Chief Planning and Finance Officer on September 7, 2021. Mr. Gearhart has been with the Utilities for 14 years. In that time, he has held positions of Lead Analyst, Principal Operations Analyst, General Accounting Manager, Financial Planning and Risk Manager, Fuel and Purchase Power Manager, and Acting General Manager of Financial Services. Prior to joining the Utilities, Mr. Gearhart worked as a financial analyst for Honeywell Technology Solutions, Inc. and as an accountant for DLMG Accountants and Advisors. Mr. Gearhart holds a Bachelor of Science degree in Accounting from the University of Colorado, and is a Colorado licensed Certified Public Accountant.

Employees

As of December 31, 2022, the Utilities employed 1,892 active employees. The Utilities is a non-union organization. The Utilities management believes that relations with its employees are satisfactory.

Retirement Plans

[To be updated in June after PERA CAFR is released] The Utilities is a member of and contributes to the Local Government Division Trust Fund (“LGDTF”) of the Public Employees’ Retirement Association of Colorado (“PERA”), a multi-employer defined benefit plan. During 2020, 2021, and 2022 the Utilities contributed \$22,347,976, \$23,285,313, and \$25,458,560, respectively, to the PERA plan, which was equal to the Utilities’ annual required contribution for each of those years. The Utilities has budgeted to contribute \$29,318,398 in 2023 to the PERA plan. The rates for employer and employee contributions to PERA are established under State statutes and the Utilities believes its contribution in 2022 complied with such statutes. The Utilities’ contribution rate may fluctuate in accordance with the funded (or unfunded) status of the plan. The employee contribution rate was 8.5% for the period of January 1, 2021 to June 30, 2022 .

Effective July 1, 2022 the employee contribution rate is 9.0% and the statutory employer contribution rate is 11.0% of covered salary for plan members. The total contribution rate for the Utilities is 14.7% of covered salary which includes 1.02% apportioned to the Health Care Trust Fund, discussed below under “Postemployment Health Care Plan”.

The Utilities is required to report its proportionate share of the total PERA net pension liability (“NPL”) in its financial statements. The Utilities’ proportionate share of the NPL as of December 31, 2022 was \$(20.2) million, based on the PERA NPL measurement date of December 31, 2021. PERA reports the NPL annually, measured by an actuarial valuation, in PERA’s Comprehensive Annual Financial Report (“CAFR”). PERA reports employer allocation percentages annually in the LGDTF Schedule of Employer Allocations. The NPL represents the present value of projected benefit payments to be provided through the pension plan, less the amount of the plan’s fiduciary net position, and will be funded through both employee and employer contributions. These amounts are based on the actuarial and other assumptions described in the CAFR, including an assumed investment rate of return of 7.25% per year. The LGDTF plan fiduciary net position as a percentage of the total pension liability was 101.49% as of December 31, 2022, as disclosed by PERA as Required Supplementary Information (“RSI”) in the CAFR.

PERA discloses the difference between the amount of contributions recognized by the pension plan and the actuarially determined contribution (“ADC”), as a benchmark to gauge the adequacy of the State’s statutory required contribution rate, as RSI in the CAFR. An ADC deficiency arises when actual contributions are less than the ADC. The ADC is calculated using the investment rate of return and discount rate assumptions according to the PERA Board’s funding policy. In 2022, the LGDTF had an ADC excess of \$13.1 million and a cumulative excess of \$31.0 million between 2012 and 2021. The Utilities’ actual annual contributions are limited to the rates established by the State Legislature described above.

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

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

For additional information about PERA and the LGDTF, see Note 12 to the Financial Statements and Required Supplementary Information included in Appendix A to this Official Statement. Copies of the CAFR can be obtained from PERA at www.copera.org or by writing to PERA at 1301 Pennsylvania Street, Denver, Colorado 80203. Investors are advised to review the CAFR to obtain information about the funding status of the LGDTF and the assumptions used to calculate such funding status.

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

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

Postemployment Health Care Plan

[To be updated in June after PERA CAFR is released] The Utilities contributes to the Health Care Trust Fund (“HCTF”), a cost-sharing, multiple-employer postemployment health care plan administered by PERA. The HCTF provides a health care premium subsidy to PERA participating benefit recipients and their eligible beneficiaries. The Utilities is required to contribute at a rate of 1.02% of covered salary for all PERA members. This amount is included in the total contribution rate of 14.7% of covered salary discussed above under “Retirement Plans.” No employee contributions are required. The Utilities’ contributions to the HCTF for the years ended December 31, 2020, 2021 and 2022 were \$1,763,620, \$1,799,320 and \$1,928,559 respectively, equal to the required contributions for each year.

In 2018, the Utilities adopted Government Accounting Standards Board (“GASB”) Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (“GASB 75”). See the Required Supplementary Information in the audited financial statements attached as Appendix A to this Official Statement. GASB 75 significantly changes accounting and financial reporting for Postemployment Benefits Other Than Pensions (“OPEB”) by separating OPEB accounting methodologies from OPEB funding methodologies. Among other requirements, the Utilities is required to report its proportionate share of the total PERA net OPEB liability (“NOL”) in its financial statements. The Utilities’ proportionate share of the NOL as of December 31, 2022 was \$15.7 million, based on the PERA NOL measurement date of December 31, 2021. PERA reports the NOL annually, measured by an actuarial valuation, in the CAFR. PERA reports employer allocation percentages annually in the HCTF Schedule of Employer Allocations. The NOL represents the present value of projected benefit payments to be provided through the OPEB plan, less the amount of the plan’s fiduciary net position, and will be funded through both employee and employer contributions. These amounts are based on the actuarial and other assumptions described in the CAFR, including an assumed investment rate of return of 7.25% per year. The plan fiduciary net position as a percentage of the total OPEB liability was 39.40% as of December 31, 2021, as disclosed by PERA as RSI in the CAFR.

In 2017, PERA adopted GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (“GASB 74”). The guidance under GASB 74 established a shift from a funding-based approach to an accounting-based approach with the intent of promoting consistency and increased transparency of the OPEB liability. The annual required contribution (“ARC”) was replaced with the plan-specific ADC benchmark to gauge the adequacy of the State’s statutory contribution rates. GASB 74 requires the disclosure of the amount of contributions recognized by the OPEB plan, the ADC amount, and the difference between these two amounts as RSI. An ADC deficiency arises when actual contributions are less than the ADC. The ADC is calculated using the investment rate of return and discount rate assumptions according the PERA Board’s funding policy. In 2021, the HCTF had an ADC excess of \$14.9 million and a cumulative deficiency of \$45.4 million between 2012 and 2021. The Utilities’ actual annual contributions are limited to the rates established by the State Legislature described above.

For additional information about the HCTF see Note 14 to the Financial Statements and Required Supplementary Information included in Appendix A to this Official Statement. A copy of PERA’s report can be obtained from PERA at www.copera.org or by writing to PERA at 1301 Pennsylvania Street, Denver, Colorado 80203. Investors are advised to review PERA’s report to obtain information about the funding status of the HCTF and the assumptions used to calculate such funding status.

In accordance with the City Code, the Utilities also offers a health care plan for retirees (“Single Employer Plan”). Employees eligible to retire prior to January 1, 1979 receive this health care plan without costs to the employee (full coverage) and those eligible to retire after January 1, 1979 and hired prior to August 1, 1988 receive a limited contribution (partial coverage) from the Utilities not to exceed \$91.40 per month.

The Single Employer Plan also provides a subsidy of life insurance premiums of \$0.13/\$1,000 for life insurance amounts up to \$9,000/year per member, depending on employee type, to those who have retired prior to January 1, 2013. Employees retiring after January 1, 2013 are no longer eligible to receive the life insurance benefits. During 2022, the Utilities made \$1,118,964 in contributions to the plan.

In 2018, GASB 75 was adopted for the Single Employer Plan. See the Required Supplementary Information in the audited financial statements attached as Appendix A to this Official Statement. As of December 31, 2022 the Utilities' total OPEB liability for the Single Employer Plan was \$16.7 million. There are no assets accumulated in a qualified OPEB trust for the Single Employer Plan. For more information, see Note 14 to the Financial Statements included in Appendix A to this Official Statement.

Summary of Operations

The following summary of operations was derived from the audited financial statements of the Utilities for fiscal years ended December 31, 2018 to 2022 (not taking into account water component units such as joint water authorities). For water component unit information, see Notes 1 and 18 to the Financial Statements included in Appendix A to this Official Statement.

Information presented for the six-month periods ended June 30, 2022 and June 30, 2023 was derived from the Utilities' internally prepared financial statements. Such financial statements are unaudited, but, in the opinion of management of the Utilities, reflect all adjustments (none of which was other than a normal recurring adjustment (accrual) necessary for a fair presentation of the results of operations for such interim periods). The results of operations for an interim period should not be considered indicative of the results for a full fiscal year.

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

SUMMARY OF OPERATIONS

	<i>Year ended December 31</i>					<i>Six Months ended June 30</i>	
	<i>2018</i>	<i>2019</i>	<i>2020</i>	<i>2021</i>	<i>2022</i>	<i>2022</i>	<i>2023</i>
Operating Revenues ⁽¹⁾	\$ 890,477,213	\$ 893,025,647	\$ 884,352,022	\$ 1,065,753,637	\$ 1,234,497,176	\$ 597,560,451	
Operating and Other Expenses:							
Operating Expenses: ⁽¹⁾							
Production and Treatment	\$ 153,143,728	\$ 140,112,121	\$ 121,259,315	\$ 166,665,018	\$ 204,341,645 ⁽²⁾	\$ 92,718,803	
Purchased Power, Gas and Water for Resale	127,697,280	120,625,568	118,743,474	328,661,577 ⁽³⁾	286,021,186	147,651,043	
Transmission and Distribution	45,814,512	47,059,853	45,724,916	48,710,008	51,555,205	24,314,474	
Maintenance	69,003,339	64,197,266	61,587,557	73,089,089	64,528,833	29,725,732	
Administration and General	155,732,069 ⁽²⁾	62,586,544 ⁽²⁾	104,466,289	108,244,282	62,649,058 ⁽⁴⁾	69,083,752	
Customer Service and Information	14,101,909	15,214,168	12,861,042	11,870,698	12,605,167	5,341,793	
Customer Accounting and Collection	18,837,013	20,154,925	22,625,033	22,625,033	27,970,913	13,068,841	
Products and Services	40	94	53	--	--	--	
Franchise Taxes	324,103	331,406	309,891	346,440	390,644	233,769	
Depreciation and Amortization	<u>158,245,953</u>	<u>160,154,609</u>	<u>161,258,001</u>	<u>163,747,902</u>	<u>163,485,808</u>	<u>66,131,232</u>	
Total Operating Expenses	<u>\$ 742,899,946</u>	<u>\$ 630,436,554</u>	<u>\$ 648,835,571</u>	<u>\$ 925,538,263</u>	<u>\$ 873,548,459</u>	<u>\$ 448,269,439</u>	
Operating Income	\$ 147,577,267	\$ 262,589,093	\$ 235,516,451	\$ 140,215,374 ⁽⁶⁾	\$ 360,948,717	\$ 149,291,012	
Non-Operating Revenues (Expenses)							
Derivatives Instruments Gain/Loss	\$ 14,005,697	\$ (11,364,782)	\$ (13,615,418)	\$ 18,733,978	\$ 38,779,384	\$ 26,588,253	
Investment Income	7,035,115	10,230,631	5,917,121	1,253,655	7,135,364	(808,956)	
Other Revenues ⁽⁵⁾	14,978,045	12,629,940	12,012,474	8,958,101	8,991,207	5,045,441	
Other Expenses	(9,189,484)	(14,191,395)	(28,268,900)	(7,682,992)	(5,286,853)	(3,360,620)	
Interest Expense	<u>(95,835,428)</u>	<u>(97,991,582)</u>	<u>(96,999,149)</u>	<u>(84,448,428)</u>	<u>(90,030,168)</u>	<u>(45,417,216)</u>	
Total Non-Operating Revenues (Expense)	<u>\$ (69,006,055)</u>	<u>\$ (100,687,188)</u>	<u>\$ (120,953,872)</u>	<u>\$ (63,185,686)</u>	<u>\$ (40,411,066)</u>	<u>\$ (17,953,098)</u>	
Income (Loss) before Contributions, Transfers, and Extraordinary Items	\$ 78,571,212	\$ 161,901,905	\$ 114,562,579	\$ 77,029,688	\$ 320,537,651	\$ 131,337,914	
Contributions in Aid of Construction	62,733,230	64,939,857	73,222,380	68,073,168	69,411,116	45,162,930	
Transfers Out – Surplus Payments to the City	(31,690,860)	(34,015,348)	(35,153,778)	(37,250,499)	(37,278,636)	(18,561,470)	
Transfers – Other	(282,028)	(2,334,072)	(330,769)	(170,896)	(112,048)	(39,247)	
Special Item – Asset Impairment ⁽⁶⁾	<u>--</u>	<u>--</u>	<u>(228,095,915)</u>	<u>--</u>	<u>(3,750,180)</u>	<u>--</u>	
Change in Net Position	\$ 109,331,554	\$ 191,992,342	\$ (75,795,503)	\$ 107,681,461	\$ 348,807,902	\$ 157,900,127	
Total Net Position, January 1 ⁽⁷⁾	<u>\$1,735,136,797</u>	<u>\$ 1,844,468,351</u>	<u>\$ 2,034,960,693</u>	<u>\$ 1,959,165,190</u>	<u>\$ 2,066,846,651</u>	<u>\$ 2,066,846,651</u>	
Total Net Position, December 31	<u>\$1,844,468,351</u>	<u>\$ 2,034,960,693</u>	<u>\$ 1,959,165,190</u>	<u>\$ 2,066,846,651</u>	<u>\$ 2,415,654,553</u>	<u>\$ 2,224,746,778</u>	

⁽¹⁾ Operating Revenues and Operating Expenses are shown net of interdepartmental sales transactions.

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

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

⁽⁴⁾ Decrease in Administration and General expense from 2018-2019 and 2021-2022 is primarily attributable to decrease in employee Pension and Benefit expenses in 2018 and 2021, respectively. In accordance with GASB 68, credits of \$59,289,853 in 2019 and \$78,835,763 in 2022 were recognized.

⁽⁵⁾ Includes interest/dividend income, Mark to Market on Derivatives, and Build America Bond ("BABs") subsidy accruals. Accounting accruals for BABs subsidies: 2018 - \$7,963,806; 2019 - \$7,944,439; 2020 - 6,720,778; 2021 - \$4,527,388; 2022 - 4,439,216.69.

⁽⁶⁾ In 2016, Drake Unit 5 was decommissioned. In 2020 as a result of the Utilities Board's decision to decommission Drake, Nixon 1 and Birdsall, Utilities determined the assets related to the decommissioning power plants were impaired as of December 31, 2020 and recorded a loss as a Special item on the Statements of Revenues, Expenses and Changes in Net Position. In November 2020, Utilities took over Cascade Metropolitan District No. 1's water system. Utilities recorded the Cascade Water System assets at net book value as a Special item on the Statements of Revenues, Expenses and Changes in Net Position in accordance with GASB Statement No. 69, Government Combinations and Disposals of Government Operations. In 2022, Drake Units 6 and 7 were decommissioned and Utilities determined the assets were impaired and recorded the \$3.8 million loss as a Special item on the Statements of Revenue, Expenses and Changes in Net position. Drake was permanently shut down on September 1, 2022.

⁽⁷⁾ Beginning year net position for 2018 has been restated from \$1,776,521,354 to \$1,735,136,797 to reflect the implementation of GASB 75.

Pursuant to GASB 34, the audited financial statements attached as Appendix A to this Official Statement include a management discussion and analysis for the fiscal year ended December 31, 2022.

[Stub period MD&A to be inserted]

Financial Statements

The Utilities' Statements of Net Position for the periods ended December 31, 2018 through December 31, 2022, Statements of Revenues, Expenses and Changes in Net Position and Statements of Cash Flows for the years ended December 31, 2018 through December 31, 2022 have been audited by Baker Tilly Virchow Krause, LLP, the Utilities' independent certified public accountants. The Financial Statements and the report of the independent certified public accountants as of and for the years ended December 31, 2021 and 2022 are included as Appendix A to this Official Statement.

Outstanding Utilities Revenue Bonds and Other Obligations

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

Variable Rate Debt. As of December 31, 2022, the Utilities had 15.4% of its total outstanding debt in a variable rate structure which is hedged. These bonds include the outstanding:

- Variable Rate Demand Utilities System Subordinate Lien Improvement Revenue Bonds, Series 2005A,
- Variable Rate Demand Utilities System Subordinate Lien Improvement Revenue Bonds, Series 2006B,
- Variable Rate Demand Utilities System Improvement Revenue Bonds, Series 2007A,
- Variable Rate Demand Utilities System Improvement Revenue Bonds, Series 2008A,
- Variable Rate Demand Utilities System Refunding Revenue Bonds, Series 2009C,
- Variable Rate Demand Utilities System Improvement Revenue Bonds, Series 2010C, and
- Variable Rate Demand Utilities System Improvement Revenue Bonds, Series 2012A.

As of December 31, 2022, the Utilities had no outstanding debt in a variable rate structure which was not hedged.

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

Liquidity/Support Facilities

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

Support Facilities

<i>Name of Support Facility Provider</i>	<i>Series of Bonds</i>	<i>Total Outstanding Amount of Associated Bonds</i>	<i>Ratings of Provider⁽¹⁾</i>	<i>Stated Termination Date(s) of Support Facility(ies)</i>
Bank of America, N.A.	2005A	\$ 66,995,000	P-1/A-1/F1+	09/13/2024
Barclays Bank PLC	2006B, 2010C	90,715,000 ⁽²⁾	P-1/A-2/F1	09/11/2026; 09/12/2025
Sumitomo Mitsui Banking Corporation	2009C	54,975,000	P-1/A-1/F1	09/15/2027
TD Bank, N.A.	2007A ⁽⁴⁾	50,500,000	P-1/A-1+/F1+	09/21/2023
U.S. Bank National Association	2008A, 2012A ⁽³⁾	72,740,000 ⁽³⁾	P-1 /A-1+/F1+	09/10/2025; 09/10/2027

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

⁽²⁾ \$54,025,000 associated with the 2006B Bonds and \$36,690,000 associated with the 2010C Bonds.

⁽³⁾ \$34,645,000 associated with the 2008A Bonds and \$38,095,000 associated with the 2012A Bonds.

⁽⁴⁾ Expected to be renewed with TD Bank, N.A. on the stated termination date.

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

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

Interest Rate Swap Agreements

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

Interest Rate Swap Agreements

<i>Name of Swap</i>	<i>Counterparty</i>	<i>Counterparty Rating⁽¹⁾</i>	<i>Notional Amount</i>	<i>Fixed Rate Payable by the City</i>	<i>Variable Rate Payable to the City</i>	<i>Associated Bond Issue</i>	<i>Effective Date</i>	<i>Termination Date</i>	<i>Mark-to-Market Value as of 12/31/2022⁽²⁾</i>	<i>Mark-to-Market Value as of 06/30/2023⁽²⁾</i>
2005 SIFMA Swap	Bank of America, N.A.	Aa2/A+/AA	\$50,568,750	4.7099%	SIFMA	2005A	09/15/05	11/1/35	\$(5,007,388)	
2005 SIFMA Swap	J. Aron & Co.	A2/BBB+/A ⁽¹⁾	16,856,250	4.7099	SIFMA	2005A	09/15/05	11/1/35	(1,669,129)	
2006 New Money SOFR Swap	Morgan Stanley Capital Group Inc.	A1/A+/A ⁽¹⁾	32,415,000	4.1185	68% of SOFR ⁽³⁾	2006B	09/14/06	11/1/36	(3,583,002)	
2006 New Money SOFR Swap	JP Morgan Chase Bank	Aa2/A+/AA	21,610,000	4.1185	68% of SOFR ⁽³⁾	2006B	09/14/06	11/1/36	(2,388,668)	
2007 New Money SOFR Swap	J. Aron & Co.	A2/BBB+/A ⁽¹⁾	30,300,000	3.1980	68% of SOFR ⁽³⁾	2007A	09/13/07	11/1/37	(1,490,483)	
2007 New Money SOFR Swap	Morgan Stanley Capital Group Inc.	A1/A+/A ⁽¹⁾	20,200,000	3.1980	68% of SOFR ⁽³⁾	2007A	09/13/07	11/1/37	(993,655)	
2008 SIFMA Swap	Bank of America, N.A.	Aa2/A+/AA	34,645,000	4.2686	SIFMA	2008A	09/12/08	11/1/38	(2,857,908)	
2009 SOFR Swap	Wells Fargo Bank, N.A. Morgan Stanley Capital Group Inc.	Aa2/A+/AA-	54,975,000	5.4750	68% of SOFR ⁽³⁾	2009C	10/01/09	11/1/28	(7,950,652)	
2010 SOFR Swap	Morgan Stanley Capital Group Inc.	A1/A+/A ⁽¹⁾	36,690,000	3.8807	68% of SOFR ⁽³⁾	2010C	10/26/10	11/1/40	(4,275,477)	
2012 SOFR Swap	Morgan Stanley Capital Group Inc.	A1/A+/A ⁽¹⁾	38,095,000	4.0242	68% of SOFR ⁽³⁾	2012A	03/15/12	11/1/41	(5,147,412)	

⁽¹⁾ Ratings at 12/31/2022 of the respective parent companies by Moody's, S&P and Fitch, respectively.

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

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

Risks Associated with Collateral Posting. The swap agreements discussed above have provisions relating to collateral posting by each party. Collateral postings are required to protect either party from risk of default on the financial derivatives used in the hedging transaction. As the mark-to-market value of the financial derivative changes according to market conditions, the party incurring a “negative” mark-to-market position on the financial instrument will be required to post collateral as the negative value reaches predefined thresholds. Specifically, the Utilities may be obligated to post collateral with the applicable counterparty if the market value of an agreement decreases according to market conditions. Conversely, as the market value of an agreement increases, the mark-to-market value favors the Utilities and the Utilities may require the counterparty to post collateral. If an agreement is terminated prior to its stated expiration date due to default, any collateral posted by a party would be retained by the other party. As of December 31, 2022 and June 30, 2023, the Utilities had posted \$___ million and \$___ million, respectively, in collateral, with the various counterparties to the interest rate swap agreements discussed above.

[To be updated as necessary] The Utilities has begun entering into natural gas hedge agreements using physically delivered forward transactions. For a discussion of the Utilities’ gas hedge program, see “— Gas Price Hedge Program” below.

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

Debt Service Reserve Surety Providers. **[To be updated]** The Bonds and a portion of the outstanding Parity Bonds are secured by reserve funds that have been funded with debt service reserve surety policies provided by BAM, Assured Guaranty Municipal Corp. (“AGMC”) (as successor to Financial Security Assurance Inc.), and National Public Finance Guarantee Corporation (“NPFGC”) (as successor to MBIA Insurance Corporation) in lieu of cash deposits. Each series of Parity Bonds is secured by its own reserve fund. The total face amount of the reserve fund surety policies provided by BAM is \$31,427,104.78 (including the policy to be provided with respect to the Bonds), the total face amount of the reserve fund surety policies provided by AGMC is \$20,503,008, and the total face amount of reserve fund surety policies provided by NPFGC is \$1,532,434. In the event that there are insufficient Net Pledged Revenues available to pay the debt service on the Parity Bonds which are secured by such surety policies, it may become necessary for the City to draw upon its surety policies in order to make a portion of such debt service payments. In the event that BAM, AGMC or NPFGC fails to honor such a draw, the Bonds could be negatively impacted; however, the full extent of such impact cannot be measured at this time. The City has no obligation to replace any of the providers of the debt service reserve surety policies or deposit additional cash, securities, or debt service reserve surety policies into reserve funds if the respective ratings of the providers are lowered. While the reserve funds containing the City’s debt service reserve surety policies do not secure the Bonds, the Parity Bonds that are secured by such reserve funds have a parity lien upon the Net Pledged Revenues and a default under any of the Parity Bond ordinances for failure to pay debt service on such Parity Bonds would be a default under the Bond Ordinance.

Other Fixed Cost Obligations

In addition to the Parity Bonds, the City has other fixed cost obligations relating to the Utilities. These include, but are not limited to, payments to the authorities in which the City and/or the Utilities is a member, and payments to the U.S. Department of Energy, Western Area Power Administration (“WAPA”), and payments to General Electric International, Inc. pursuant to a maintenance contract for the Utilities’ Front Range Power Plant. These payments are primarily treated as operation and maintenance expenses of the System and are therefore payable prior to debt service on the Parity Bonds.

For the fiscal year ended December 31, 2022, the City made the following payments pursuant to these obligations: (a) \$ 2,677,275 to Fountain Valley Authority; and (b) \$4,972,937 to WAPA. The Utilities also estimates that it will pay \$139,763 and \$5,770,299 to Fountain Valley Authority and WAPA, respectively, in the fiscal year ending December 31, 2023. In December 2010, the City acquired Front Range Power and the Front Range Power Plant. The City has a contract with General Electric International, Inc. for maintenance of the Front Range Power Plant. For the fiscal year ended December 31, 2022, the City paid \$5,086,486 under this contract. In 2023, such payments are estimated to total \$8,700,000, as well as a one-time true up payment of \$16,944,728. The annual costs of maintenance pursuant to this contract will fluctuate because the required maintenance pursuant to this contract is based upon total run hours on the turbines.

Debt Service Coverage

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

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

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

Debt Service Coverage

	<i>Fiscal Year Ended December 31</i>				
	<i>2018</i>	<i>2019</i>	<i>2020</i>	<i>2021</i>	<i>2022</i>
Operating Revenues	\$ 890,477,213	\$ 893,025,647	\$ 884,352,022	\$1,065,753,637	\$1,234,497,176
Operating Expense	(742,899,946)	(630,436,554)	(648,835,571)	(925,538,263)	(873,548,459)
Noncash pension and OPEB expense ⁽¹⁾	35,974,597	(59,289,853)	(18,260,776)	(21,371,550)	(78,835,764)
Depreciation and Amortization	<u>\$ 158,245,953</u>	<u>\$ 160,154,608</u>	<u>\$ 161,258,001</u>	<u>\$ 163,747,903</u>	<u>\$ 163,485,808</u>
Operating Revenues Available For Debt Service	\$ 341,797,817	\$ 363,453,848	\$ 378,513,676	\$ 282,591,727	\$ 445,598,761
Interest Earnings (excl. interest on bonds) ⁽²⁾	11,254,888	12,116,403	10,229,700	6,266,364	9,165,346
Development Fees ⁽³⁾	<u>38,332,990</u>	<u>41,765,416</u>	<u>52,988,002</u>	<u>47,174,065</u>	<u>36,456,201</u>
Net Pledged Revenues	<u>\$ 391,385,695</u>	<u>\$ 417,335,667</u>	<u>\$ 441,731,378</u>	<u>\$ 336,032,156</u>	<u>\$ 491,220,308</u>
Average Annual Principal and Interest Requirements	\$ 113,319,480	\$ 108,638,339	\$ 106,354,147	\$ 110,797,025	\$ 114,315,299
Additional Bonds Coverage Ratio	3.45	3.84	4.15	3.03	4.30
Fiscal Year Debt Service ⁽⁴⁾	\$ 182,538,227	\$ 185,983,370	\$ 187,700,199	\$ 188,728,984	\$ 205,751,921
Rate Coverage Ratio	2.14	2.24	2.35	1.78 ⁽⁵⁾	2.39

⁽¹⁾ GASB Statement No. 75 (Accounting and Financial Reporting for Postemployment Benefits Other than Pensions) implemented in 2017.

⁽²⁾ Interest Earnings include Build America Bond cash payment subsidies received: 2018 - \$7,966,466; 2019 - \$7,366,740; 2020 - \$6,983,335; 2021 - \$5,268,125; 2022 - \$4,451,306.

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

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

⁽⁵⁾ Decrease in Debt Service Coverage is due primarily to an increase in operating expenses caused by a severe winter storm in February 2021.

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

Debt Service Schedule

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

<i>Year</i>	<i>Debt Service on Outstanding Parity Bonds⁽¹⁾⁽²⁾</i>	<u>Series 2023A Bonds</u>		<u>Series 2023B Bonds</u>		<i>Total Debt Service Requirements</i>
		<i>Principal</i>	<i>Interest</i>	<i>Principal</i>	<i>Interest</i>	
2022						
2023						
2024						
2025						
2026						
2027						
2028						
2029						
2030						
2031						
2032						
2033						
2034						
2035						
2036						
2037						
2038						
2039						
2040						
2041						
2042						
2043						
2044						
2045						
2046						
2047						
2048						
2049						
2050						
2051						
2052						
Total						

(1) Exclusive of costs associated with Support Facilities.

(2) Includes principal, interest and mandatory sinking fund payments with respect to the Parity Bonds, excluding the Bonds and the Refunded Bonds. Interest does not reflect subsidy expected to be received on outstanding Build America Bonds. This assumes an interest rate of 4.7099% for the 2005A Bonds, an interest rate of 4.1185% for the 2006B Bonds, an interest rate of 3.198% for the 2007A Bonds, an interest rate of 5.475% for \$56,725,000 of the 2009C Bonds, an interest rate of 3.8807% for the 2010C Bonds, and an interest rate of 4.0242% for the 2012A Bonds, based upon swap agreements related to these bonds. See “—Interest Rate Swap Agreements” above.

Enterprise Risk Management Plan

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

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

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

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

Capital Improvements

The 2023 Annual Budget approved by City Council on November 8, 2022 included total capital expenditures of approximately \$412.8 million. This is approximately \$22.4 million more than the budgeted amount for 2022. Electric projects account for 56.8% of the total major capital projects budget. Combined water and wastewater projects account for 27.1% of the total. Gas projects account for 9.4% of the total.

[to be updated and discussed] Some of the major projects included as a part of the Utilities' capital improvement program are described under "THE ELECTRIC SYSTEM—Capital Improvements to the Electric System," "THE WATER SYSTEM—Capital Improvements to the Water System," and "THE WASTEWATER SYSTEM—Capital Improvements to the Wastewater System." Capital expenditures are currently forecasted to total approximately \$___ billion between 2023 and 2027. The Utilities' forecasts of its long-range capital expenditures and the timing of construction of a number of the proposed major capital projects are dependent on future economic conditions, population growth within the Utilities' service areas and other factors beyond its control, such as environmental regulations.

The Utilities anticipates needing an additional 1,975 MW of additional electric generation by 2030. See "THE ELECTRIC SYSTEM - System Capability." The Utilities currently expects that a significant amount of this additional generation will be acquired through power purchase agreements, though some may come from Utilities-owned generation facilities. These purchase power agreements are not included in the capital needs discussed in the preceding paragraph.

Tax and Spending Limits

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

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

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

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

Insurance

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

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

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

The Utilities has insurance policies covering damages due to most types of major losses. Property insurance for physical damage is purchased commercially for the Utilities' facilities and for most of the infrastructure (excepting transmission lines, underground piping, and dams). The Utilities also purchases comprehensive information security and privacy "cyber" liability insurance, with a retention level of \$1,000,000 per occurrence.

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

Workers' compensation claims are self-insured and managed by City in-house staff. An excess workers' compensation liability insurance policy is purchased for statutory benefits in excess of \$750,000 per occurrence. The Utilities also contributes, along with the City, to a joint Workers' Compensation Self-Insurance Fund. The Utilities' outstanding workers' compensation claims are reserved at \$234,034 as of December 31, 2022, under the City's self-insurance fund. The City believes that any liability arising out of unforeseen losses will not materially impact Utilities' financial position. This balance is not reflected on Utilities' Statements of Net Position.

Emergency Management and Physical Security

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

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

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

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

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

Investment Plan

Pursuant to a City Council resolution, the Chief Executive Officer has implemented the "Colorado Springs Utilities Investment Plan (the "Investment Plan"). The most recent revision to the Investment Plan is dated December 31, 2021. The principal objectives of the Investment Plan are: (a) the preservation of capital and protection of investment principal; (b) maintenance of sufficient liquidity to meet anticipated cash flows; (c) diversification to avoid unreasonable market risk; (d) attainment of a market rate of return; (e) conformance with all City, state and federal regulations; and (f) conformance with all applicable bond ordinance provisions for the outstanding utilities revenue bonds. Consistent with the Utilities' Financial Risk Management Plan, at the time of selection, only financial institutions and banks with a minimum credit rating (long-term) in the "A-" category by at least one of the three major credit rating agencies (Moody's, Standard and Poor's and Fitch) shall be eligible to provide safekeeping and custodial services to the Utilities. In the absence of this minimum rating requirement, financial institutions and banks may also provide a guarantee, swap surety or other form of enhancement to get to the "A-" category at the time of execution. All banks must be members of the FDIC.

Gas Price Hedge Program

Beginning in 2021, the Utilities instituted a natural gas hedging program to mitigate natural gas price risk. The natural gas hedge program seeks to provide protection in the winter months for expected Gas Service load demand, and natural gas burn for power generation year-round for Power Service. The hedge program is currently limited to fixed price forward physical transactions and physically delivered transactions with embedded price caps. Utilities personnel are working to implement the necessary deal capture systems, negotiate the appropriate contracts, and develop the required processes and controls necessary to use financial derivatives to mitigate natural gas price risk. The use of financial derivatives within the Utilities' hedge program is expected to be implemented in the first half of 2024.

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

THE ELECTRIC SYSTEM

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

The Utilities has the electric franchise to serve Manitou Springs through July 2024. As part of its agreement with Manitou Springs, the Utilities must pay Manitou Springs a franchise fee equal to 8% of the gross revenues from the electric service provided to customers within the municipal limits of Manitou Springs.

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

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

Electric Rates

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

**Electric Rates
(As of May 1, 2023)**

Residential Service, Standard Option	
Access and Facilities Charge, per day	\$0.5103
Access and Facilities Charge, per kWh	\$0.0777
Electric Cost Adjustment ⁽¹⁾ , per kWh	\$0.0284
Electric Capacity Charge, per kWh	\$0.0044
Commercial Service – General, Standard Option	
Access and Facilities Charge, per day	\$0.7943
Access and Facilities Charge, per kWh	\$0.0662
Electric Cost Adjustment ⁽¹⁾ , per kWh	\$0.0284
Electric Capacity Charge, per kWh	\$0.0044

⁽¹⁾ The Utilities’ electric rates include an electric cost adjustment effective March 1, 2023 and can change monthly.

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

Electric System Sales and Revenues

In 2022, the Electric System had sales of 4,610,764 megawatt hours (“MWh”), excluding interdepartmental, wheeled power (which refers to the transfer of electrical power through transmission and distribution lines from one utility’s service area to another’s) and miscellaneous sales. Of this amount, 34.3% came from Residential sales and 58.2% came from Commercial/Industrial sales. The Electric System had revenue of \$558.5 million (excluding interdepartmental, wheeled power, and miscellaneous revenue) with 42.6% attributable to Residential revenue and 50.8% attributable to Commercial/Industrial revenue.

The ten largest customers of the Electric System during 2022, ranked by sales volume in megawatt hours, represented 797,842 MWh, or 17.3% of sales (excluding interdepartmental and miscellaneous sales), and \$59.0 million or 10.6% of revenues during that period (excluding interdepartmental revenues, wheeling and miscellaneous revenues previously classified as non-regulated revenues).

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

The number of active residential meters served by the Electric System were 204,292, 207,139, and 209,561 at the end of 2020, 2021, and 2022, respectively. The average annual use per residential customer was 7.8 MWh in 2020, 7.7 MWh in 2021, and 7.6 MWh in 2022.

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

<i>Customer Class</i>	<i>Electric Sales (MWh)</i>				
	<i>Fiscal Year Ended December 31</i>				
	<i>2018</i>	<i>2019</i>	<i>2020</i>	<i>2021</i>	<i>2022</i>
Residential	1,500,460	1,497,575	1,593,520	1,603,002	1,582,217
Commercial	754,479	751,202	719,930	758,810	751,633
Industrial	1,874,878	1,965,993	1,849,834	1,928,455	1,933,434
Contract Service – Military.....	347,488	342,597	334,247	339,912	336,019
Transmission (OATT).....	8,080	7,390	9,684	10,248	7,461
Interdepartmental.....	<u>119,084</u>	<u>142,321</u>	<u>118,290</u>	<u>124,867</u>	<u>113,758</u>
Subtotal.....	4,604,469	4,707,078	4,625,505	4,765,294	4,724,522
Miscellaneous Sales.....	<u>604,883</u>	<u>236,853</u>	<u>797,469</u>	<u>560,427</u>	<u>597,804</u>
Total Electric Sales.....	5,209,352	4,943,931	5,422,974	5,325,721	5,322,326
Less Interdepartmental.....	<u>(119,084)</u>	<u>(142,321)</u>	<u>(118,290)</u>	<u>(124,867)</u>	<u>(113,758)</u>
Net Electric Sales.....	<u>5,090,268</u>	<u>4,801,610</u>	<u>5,304,684</u>	<u>5,200,854</u>	<u>5,208,568</u>
Transmission (Wheeled Power).....	<u>34,275</u>	<u>32,821</u>	<u>32,706</u>	<u>32,800</u>	<u>32,779</u>
Net Peak Demand (MW)	<u>930</u>	<u>965</u>	<u>943</u>	<u>989</u>	<u>959</u>
Total Number of Active Electric Meters as of Year End	<u>233,062</u>	<u>236,519</u>	<u>241,133</u>	<u>245,642</u>	<u>249,466</u>

Electric Revenues
Fiscal Year Ended December 31

Customer Class	2018	2019	2020	2021⁽²⁾	2022⁽³⁾
Residential	\$191,550,865	\$191,855,361	\$197,141,530	\$217,020,062	\$237,852,696
Commercial	76,680,450	76,486,944	71,404,697	83,741,891	94,850,206
Industrial	147,591,086	144,910,744	131,841,197	159,725,879	188,625,656
Contract Service – Military	21,222,511	19,734,739	18,007,483	22,125,489	26,976,181
Street Lighting	4,075,000	4,075,000	4,075,000	4,075,000	4,075,000
Transmission (OATT).....	4,704,853	4,443,283	7,496,491	7,309,575	6,134,324
Interdepartmental.....	<u>9,691,356</u>	<u>10,455,374</u>	<u>9,093,121</u>	<u>9,718,262</u>	<u>11,052,440</u>
Subtotal.....	\$455,516,121	\$451,961,445	\$439,059,519	\$503,716,158	\$569,566,503
Miscellaneous Revenue	<u>23,734,726</u>	<u>19,221,114</u>	<u>27,144,199</u>	<u>36,125,617</u>	<u>59,025,141</u>
Total Electric Revenue...	\$479,250,847	\$471,182,589	\$466,203,718	\$539,841,775	\$628,591,644
Less: Interdepartmental.....	<u>(9,691,356)</u>	<u>(10,455,374)</u>	<u>(9,093,121)</u>	<u>(9,718,262)</u>	<u>(11,052,440)</u>
Net Electric Revenue ⁽¹⁾	<u>\$469,559,491</u>	<u>\$460,727,215</u>	<u>\$457,110,597</u>	<u>\$530,123,513</u>	<u>\$617,539,204</u>
Wheeled Power.....	<u>\$ 356,599</u>	<u>\$ 496,987</u>	<u>\$ 536,274</u>	<u>\$ 515,838</u>	<u>\$ 507,111</u>

⁽¹⁾ Figures may not equal totals when added due to the rounding.

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

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

System Capability

The Electric System peak (net of auxiliary power used to operate the generating units) of 989 megawatts (“MW”) was established in July 2021. The following table sets forth information on the sources and amount of the net capability of the Electric System. Of the 2022 purchases noted in the table below, 174 MW is considered intermittent capacity available through solar gardens, solar arrays, and wind generation.

Net Capability of Electric System

<i>Unit</i>	<i>Fuel</i>	<i>Year Unit Completed</i>	<i>2022-2023 Net Winter Capability (MW)</i>	<i>2023 Net Summer Capability (MW)</i>
Owned Assets:				
Birdsall #1 ⁽¹⁾	Gas or Oil	1953	16	16
Birdsall #2 ⁽¹⁾	Gas or Oil	1954	16	16
Birdsall #3 ⁽¹⁾	Gas or Oil	1957	23	23
Nixon #1 ⁽¹⁾	Coal	1980	208	208
Nixon #2 & 3 (Combustion Turbines)	Gas	1999	64	60
Front Range Power Plant	Gas	2003	480	460
South Plant Aeroderivative Generators #s 1-6 ⁽⁵⁾	Gas or Oil	2023	0	164
Cascade, Tesla, Manitou, and Ruxton	Hydro		<u>35</u>	<u>35</u>
Total Resources			842	982
Purchases:				
U.S. Department of Energy, Western Area Power Administrative Purchase:				
Salt Lake City Integrated Projects			60	15
Loveland Area Projects			57	61
United States Air Force Academy Solar			5	5
Solar Gardens			4	4
Clear Springs Ranch Solar Array			10	10
Grazing Yak Solar Array ⁽²⁾			35	35
Palmer Solar Array ⁽³⁾			60	60
Spring Canyon II and III Wind Energy ⁽⁴⁾			60	60
Total Purchases			<u>291</u>	<u>250</u>
Grand Total			<u>1,133</u>	<u>1,232</u>

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

(2) Grazing Yak Solar Array commercial operation date was November 23, 2019.

(3) Palmer Solar Array commercial operation date was April 6, 2020.

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

(5) Commercial operation date expected in June of 2023.

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

Potential Summer 2023 Resources

	<i>Owned Resources (MW)</i>	<i>Pct.</i>	<i>Purchases (MW)</i>	<i>Pct.</i>	<i>Total (MW)</i>	<i>Pct.</i>
Coal	208	21%	0	0%	208	17%
Natural Gas and Oil	739	75	0	0	739	60
Hydro Generation	35	4	76	30	111	9
Other Renewable Resources	<u>0</u>	<u>0</u>	<u>174</u>	<u>70</u>	<u>174</u>	<u>14</u>
Total	<u>982</u>	<u>100%</u>	<u>250</u>	<u>100%</u>	<u>1,232</u>	<u>100%</u>

As a result of population growth, increased demand, the retirement of all units at Birdsall by the end of 2027, and the retirement of Unit # 1 (coal) at Nixon by the end of 2029, the Utilities anticipates needing an additional 1,975 MW of additional electric generation by 2030. The Utilities currently expects that 35% of this will come from solar power, 32% of this will come from wind power, 15% will come from battery storage facilities, and 18% will come from one or more gas-fired generation facilities. The Utilities currently expects that a significant amount of this additional generation will be acquired through power purchase agreements, though some may come from Utilities-owned generation facilities. The exact amounts of generation to be acquired through power purchase agreements and self-owned generation has not been determined at this time.

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

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

Additionally, WAPA has implemented an interim rate order for the energy available under the SLCA/IP. Beginning December 1, 2021, extending through December 31, 2023, WAPA Rate Order 199 is in effect. This was initiated in response to a large increase in WAPA purchased power costs due to on-going drought conditions and a small increase to Operation, Maintenance, and Replacement expenses. WAPA evaluates the quarterly projected availability of energy generated from the SLCA/IP facilities and allocates Utilities pro rata share as the Deliverable Sales Amount. Similar to Western Replacement Power, if Utilities elects to receive energy above the DSA, up to the contractual AHP amount, WAPA will purchase this energy and pass through the market cost of energy. The difference between the DSA and AHP is termed Western Replacement Firming energy.

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

[New EIRP to be discussed when available.] The Utilities reviews its Electric Integrated Resource Plan (the "EIRP") annually, and officially submits an update to WAPA every five years. New resources, including renewable energy, are evaluated as well as demand side management strategies.

Fuel Supply

The 2010 purchase of the Front Range Power Plant, a 480 MW natural gas fired combined cycle electric generation facility located south of the City, significantly increased the percentage of electricity generated using natural gas as a fuel.

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

When natural gas prices are low, gas generation throughout the U.S. can be more economical than coal, leading to significant reduction in both coal production and prices. The Utilities is able to purchase coal at current market prices from any of its three providers without limitation in quantity, but there have been constraints on the railroads' ability to keep coal trains moving. The Utilities have seen an uptick in the rail shipments over the past few months but will continue monitoring the rail traffic. These companies own and operate the two largest mines in the southern Powder River Basin in Wyoming, Black Thunder mine (Arch), and North–Antelope Rochelle mine (Peabody), which are the sources for the majority of coal used by the Utilities. The Utilities maintains a good working relationship with these mine operators.

The Utilities' coal supplies and transportation services are procured through a portfolio of contracts which are managed to ensure a dependable and economic fuel supply. All of the Utilities' coal supply is from the southern Powder River Basin in Wyoming. Approximately 55% of anticipated future coal demand is purchased under a term contract. Spot market contracts with terms varying between one month and one year supply the remaining 45%. This contractual flexibility allows the Utilities to respond quickly to changes in plant operations and market conditions. Coal inventory levels as of December 31, 2022 were at or above the Utilities' target ranges.

Coal and Gas-Fired Generation Retirement

In November 2015, the Utilities Board voted to retire the Martin Drake coal fired power plant no later than 2035. On December 31, 2016, Unit 5 at the Martin Drake coal fired power plant was moved from inactive reserve status to a retired status.

On June 26, 2020, the Utilities Board approved a future generation portfolio that calls for the retirement of Units 6 and 7 at the Martin Drake coal fired power plant no later than December 31, 2022, Ray Nixon coal fired Power Plant (Unit 1) no later than December 31, 2029, and the Birdsall gas fired plant no later than December 31, 2034. The Utilities intends to temporarily locate and operate six gas combustion turbine units at the Martin Drake site until the transmission projects to serve the downtown area have been completed. These units will then be relocated to other locations within the Utilities system.

On September 1, 2022 all power generation inside the Martin Drake coal-fired power plant was permanently shut down.

The Utilities expects to spend approximately \$342 million on such interim combustion turbine units and transmission projects related to the retirement of the Martin Drake power plant from 2021 to 2026. See “—Capital Improvements to the Electric System.”

Colorado Renewable Energy Standard

In November 2004, Colorado voters approved an initiative that created a renewable portfolio standard for retail electric utilities in Colorado that serve over 40,000 customers, such as the Utilities (each a “qualifying utility”). The language of that initiative was modified by the Colorado General Assembly and codified in C.R.S. Section 40-2-124. The statute was subsequently amended by the Colorado General

Assembly in 2007, 2008, 2010, and 2013 and was renamed the Colorado Renewable Energy Standard. The Colorado Renewable Energy Standard requires qualifying utilities to acquire a defined percentage of their electricity from “eligible energy resources,” which include solar, wind, geothermal, qualifying biomass, coal mine methane, synthetic gas produced by pyrolysis of municipal solid waste, existing hydroelectric generation with a nameplate rating of 30 megawatts or less, and new hydroelectric generation with a nameplate rating of 10 megawatts or less.

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

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

[To be updated as necessary] Based on expected load projections made in 2019, the Utilities expects to have sufficient eligible energy resources to comply with the Colorado Renewable Energy Standard requirements for the next two decades. During 2006-2010, the Utilities made a substantial purchase of “Renewable Energy Certificates,” to be received in future years, which will be used along with qualifying generation hours from the Utilities-owned generation units to comply with the Colorado Renewable Energy Standard. WAPA successfully qualified its hydroelectricity units under 30 megawatts as qualifying renewable energy generating resources in the State of Colorado and will deliver the Renewable Energy Certificates to the Utilities as part of two WAPA power purchase agreements. The Renewable Energy Certificates from the WAPA power purchase agreements will be used by the Utilities for Colorado Renewable Energy Standard compliance. In 2015, the Utilities entered into additional local Renewable Energy Certificate purchase agreements and a new Purchase Power Agreement with associated Renewable Energy Certificates through a solar array located on the Utilities’ property to ensure compliance with the Colorado Renewable Energy Standard. In 2019, the Utilities entered into additional Purchase Power Agreements with associated Renewable Energy Certificates through two additional solar arrays located outside the Utilities’ service territory that became operational in 2019 and 2020. The Grazing Yak Solar array (35MW) commercial operation date was November 23, 2019. The Palmer Solar (60MW) commercial operation date was April 15, 2020. Construction is underway for another solar array, Pike Solar (175MW), tentatively scheduled to begin operations by the first quarter of 2024. On July 1, 2020 the Utilities entered into a Wind Power and Renewable Energy Credit Purchase Agreement with Black Hills Colorado Electric, LLC pursuant to which the Utilities receives 100% of the output of the Spring Canyon II and III wind farm up to the 60MW commencing July 1, 2020.

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

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

On June 26, 2020, the Utilities Board approved an Electric Integrated Resource Plan (“EIRP”) portfolio which exceed the minimum greenhouse gas reduction requirement identified in HB 19-1261 and committed to a goal of reducing greenhouse gas emissions from electric generation by 80% by 2030 and 90% by 2050 compared to a 2005 baseline level. In order to meet these targets, additional renewable generation is

needed beyond what is required to comply with the current Colorado renewable portfolio standard. Committing to a greenhouse gas reduction goal will enable the Utilities to use methods beyond renewable generation to reach that goal and may include additional opportunities such as energy efficiency and non-carbon generation.

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

Transmission and Distribution Facilities and Interconnections

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

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

The Utilities has developed a portfolio of Electric System infrastructure improvements as part of the Sustainable Energy Plan (“SEP”) that includes, new and upgraded substations and new and upgraded transmission lines that will allow for the removal of all generation from the Martin Drake site by 2027. In 2022 and 2023, two of the substation expansions and two of the transmission projects were completed and energized. Work will continue on the Electric System infrastructure projects through 2027. In September 2020, the Utilities signed a power purchase agreement with Juwi, Inc. for the energy produced by a 175 MW solar photovoltaic plant to be constructed in south-east El Paso County and connected to the Utilities transmission system. Duke Energy Sustainable Solutions has since acquired Juwi, Inc.’s interest in the project. Commercial operation and construction completion dates are expected in the first quarter of 2024. The Utilities also executed a 10-year contract with Black Hills Energy in July 2020 for 60 MW of wind and commissioned the 60 MW Palmer Solar array in April 2020.

Environmental Regulation

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

The Federal Clean Air Act requires that States develop “State Implementation Plans” that address how each State will control air pollution, including visibility impacts to Class I Federal areas. The Environmental Protection Agency’s (“EPA’s”) Regional Haze Rule requires that certain emission sources, such as Drake, that

may reasonably be anticipated to cause or contribute to visibility impairment in Class I areas, to install Best Available Retrofit Technology (“BART”); and for States to also evaluate control of other sources to make continued Reasonable Progress plans required under the 10-year planning period for Regional Haze for the years 2007-2018, and there are no remaining capital costs. The second 10-year planning period for the years 2018-2028 in Colorado was concluded in December 2021, which codified the retirement date for the Ray Nixon (“Nixon”) power plant Unit 1 as adopted by the Utilities Board in June 2020. Once the EPA approves the SIP the federally enforceable retirement date for Nixon Unit 1 will be no later than December 31, 2029.

In May 2019, the Colorado legislature passed HB19-1261, which established a statewide goal to reduce greenhouse gas emissions below 2005 levels by meeting the following milestones: 26% by 2025; 50% by 2030; and 90% by 2050. While the bill carries no mandates, it directs the Air Quality Control Commission (“AQCC”) to adopt and implement rules to achieve the statewide reduction goals. It is not yet clear how or to what extent such reduction goals may be apportioned to various sectors in Colorado throughout this period. As it relates to electric utilities, the State is implementing this through the voluntary submittal of Clean Energy Plans that demonstrate an 80% reduction in greenhouse gas emissions in 2030 relative to 2005 levels based on retail sales in Colorado. By doing so, this provides regulatory certainty that no additional reductions can be sought from that utility through 2030. Consistent with statutory requirements, the Utilities submitted its Clean Energy Plan to the Colorado Department of Public Health and Environment (“CDPHE”) for verification on December 17, 2021, and filed it with the Public Utilities Commission prior to the July 1, 2022 deadline.

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

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

Additional regulations, such as the October 1, 2015 EPA release of the final revised National Ambient Air Quality Standard for ozone, which lowered the standard from 75 parts per billion to 70 parts per billion, may necessitate the installation of additional pollution controls beyond those described above. The Pikes Peak Region (which encompasses the area in which the Utilities operates its power plants) currently remains in attainment with the new standard. While it is uncertain the extent to which any future nonattainment with this standard and Colorado’s ongoing Regional Progress evaluation for future planning periods under the Regional Haze Rule will affect Utilities’ power plants or operations, additional future pollution controls for gas-fired units (i.e., post-combustion controls such as Selective Catalytic Reduction) could potentially cost the Utilities an additional \$50 million beyond 2025.

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

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

In December 2014, the EPA issued a final rule regarding Coal Combustion Residuals (“CCR”), which are also referred to as “coal combustion byproducts” or “coal ash.” The rule establishes requirements for the

impoundment and disposal of CCRs under subtitle D of the Resource Conservation and Recovery Act as a non-hazardous waste. Utilities currently disposes of its CCRs in a “dry” form at its Clear Spring Ranch facility, and these disposal activities also fall under the CDPHE’s solid waste regulations and a County solid waste disposal authorization known as a Certificate of Designation (“CD”). The Utilities does not operate any CCR impoundments. As the CCR rules continue to evolve, and in relation to the ultimate closure of the CCR landfill, periodic capital improvements are probable to maintain regulatory compliance.

In February 2012, the CDPHE adopted revisions to Section 9 (regarding waste impoundments) of its “Regulations Pertaining to Solid Waste Sites and Facilities.” Additional capital investment in the range of \$1.0 to \$9.0 million for existing electric utility impoundments and \$7.0 to \$15.0 million for existing wastewater utility impoundments may be required to meet these revisions in the 2025-2030 timeframe. The Utilities may receive clarity from the CDPHE in 2023 regarding the extent for impoundment-related capital investment, if any, following their review of Utilities’ preliminary impoundment classification submittals.

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

Certain Factors Affecting the Electric Utility Industry

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

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

FERC Electric Transmission Regulation

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

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

NERC Regulation

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

The Utilities has self-reported violations of NERC reliability or critical infrastructure protections standards to WECC and has paid the necessary fines. The Utilities was audited by WECC during 2021. That audit resulted in no violations of the NERC standards. The Utilities will continue to negotiate potential noncompliance items with WECC enforcement in 2023 from self-reports, with no fines expected.

The Utilities has formal programs, processes, and policies in place to promote compliance with NERC standards. However, it is not possible to predict whether the Utilities will have future violations or what the fines for such violations might be.

Capital Improvements to the Electric System

The City has experienced substantial annual growth resulting in new construction and additional assets. The Electric System has a large number of capital projects planned and in process to address such growth and to replace aging infrastructure, invest in new technologies and meet regulatory and compliance requirements. The Utilities completed the annual update to its EIRP and the Utilities Board approved a resource portfolio on June 26, 2020. The selected portfolio will directly support the Utilities Energy Vision and provide guidance for future capital project development. The Electric System accounts for \$234.3 million (56.8%) of the total 2023 capital budget.

On June 26, 2020, the Utilities Board approved a future generation portfolio that calls for the retirement of Units 6 and 7 at the Martin Drake power plant no later than December 31, 2022, the Ray Nixon power plant no later than December 31, 2029, and the Birdsall gas fired plant no later than December 31, 2034. The Utilities expects to spend approximately \$342 million on interim combustion turbine units and transmission projects related to the retirement of the Martin Drake power plant from 2021 to 2027.

In 2019, the Utilities began a multi-year program to transition from Automated Meter Reading to Advanced Metering Infrastructure. The program will replace all electric meters and retrofit gas water meters. The system will also support the Utilities Smart City initiatives. The Utilities expects to spend approximately \$82.7 million over 5 years on this project.

In January 2022, the Utilities announced plans to build a high-speed telecommunications network that would reach every neighborhood and help bridge the digital divide. This City-wide, modern network will enhance utility operations, allow for better customer service, and meet the needs of the community by enabling multi-gigabit telecommunications connectivity to every home and business in the City. Under the proposal,

the Utilities would build out the fiber-optic network, then lease unused capacity to private providers. With multiple tenants leasing fiber on the network, the financial investment necessary would be significantly offset by their payments to the Utilities. The Utilities plans to spend \$430-\$490 million over the next six years to put in an estimated 2,000 miles of fiber-optic lines. The Utilities does not plan to issue bonds to finance this project but instead plans to cash fund the project.

THE GAS SYSTEM

The Gas System operates a local distribution system which supplied natural gas to approximately 222,000 customers in 2022 in a 527 square mile service area. In addition to the City, the service area includes Manitou Springs, the United States Air Force Academy, the northerly portion of Fort Carson and certain unincorporated portions of the County. The Gas System purchases gas under contracts with a variety of gas suppliers including nationwide marketing companies as well as national and regional production companies. The United States Air Force Academy, Peterson Space Force Base, Cheyenne Mountain Space Force Station, and Fort Carson are served under a General Services Administration Areawide Contract.

The Utilities has the natural gas franchise to serve Manitou Springs through July 2024. No franchise fee is paid upon the gross revenues received from natural gas service to Manitou Springs. The Utilities also has the natural gas franchise to serve portions of the City of Fountain through December 2033. As part of its agreements with the City of Fountain, the Utilities will pay the City of Fountain a franchise fee equal to 3% of the gross revenues from the natural gas service provided to customers within the Utilities' certificated area located in the City of Fountain's municipal limits.

The Gas System facilities consist of approximately 2,733 miles of natural gas pipe mains and approximately 178,738 service lines.

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

Gas Rates

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

Natural Gas Rates
As of May 1, 2023

Residential Service – Firm

Access and Facilities Charge, per day	\$0.3930
Access and Facilities Charge, per CCF ⁽¹⁾	\$0.1681
Gas Cost Adjustment ⁽²⁾ , per CCF	\$0.3268
Gas Capacity Charge, per CCF	\$0.0841

Commercial Service – Large Firm

Access and Facilities Charge, per day	\$0.7860
Access and Facilities Charge, per CCF	\$0.1650
Gas Cost Adjustment ⁽²⁾ , per CCF	\$0.3268
Gas Capacity Charge, per CCF	\$0.0769

⁽¹⁾ “CCF” is an abbreviation for 100 cubic feet

⁽²⁾ The Utilities’ gas rates include a gas cost adjustment effective March 1, 2023 and can change monthly.

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

Gas Sales and Revenues

In 2022, the Gas System had sales of 23,769,018 Mcf (excluding interdepartmental and transportation volumes). Of this amount, 57.2% came from Residential sales and 35.7% came from Commercial/Industrial sales. The Gas System had revenue of \$297.8 million (excluding interdepartmental, miscellaneous, and transportation revenues) with 62.0% attributable to Residential revenue and 32.8% attributable to Commercial/Industrial revenue.

The ten largest customers of the Gas System during 2022, ranked by sales volume, represented 3,693,426 McF, or 15.5% of sales (excluding interdepartmental and miscellaneous sales), and \$22.7 million or 7.6% of revenues during that period (excluding interdepartmental revenues and miscellaneous revenues).

The number of active residential meters served by the Gas System was 193,056, 195,497 and 198,012, at the end of 2020, 2021, and 2022 respectively. The average annual use per residential customer was 67.1 Mcf in 2020, 65.3 Mcf in 2021, and 68.6 Mcf in 2022.

The following tables set forth the Utilities’ gas sales and revenues by customer class for the past five years (excluding information relating to the component units for the Public Authority for Colorado Energy described in Note 18 to the Audited Financial Statements included in Appendix A to this Official Statement):

[Discuss footnote # 2]

Gas Throughput (Mcf)⁽¹⁾14.65 p.s.i.a.)
Fiscal Year Ended December 31

<i>Customer Class</i>	<i>2018</i>	<i>2019</i>	<i>2020</i>	<i>2021</i>	<i>2022</i>
Firm Sales:					
Residential	12,211,185	13,308,772	12,953,785	12,761,809	13,589,017
Commercial	6,731,490	7,302,800	6,922,639	7,076,621	7,652,068
Contract Service – Military	1,634,057	1,643,438	1,666,175	1,702,712	1,692,675
Interruptible Sales:					
Industrial	748,588	767,800	824,827	835,748	835,258
Interdepartmental – Firm and Interruptible	96,898	106,256	779,571	4,368,163 ⁽²⁾	2,821,379
Total Gas Sales Volume	21,422,218	23,129,067	23,146,997	26,745,053	26,590,397
Gas Transportation Volume	1,278,550	1,344,142	1,235,428	1,241,986	1,247,556
Total Throughput Volume	22,700,768	24,473,209	24,382,425	27,987,039	27,837,953
Less: Interdepartmental– Firm and Interruptible	(96,898)	(106,256)	(779,571)	(4,368,163)	(2,821,379)
Net Throughput Volume	22,603,870	24,366,953	23,602,854	23,618,876	25,016,574
Total Number of Active Gas Meters as of Year End	207,567	210,804	214,849	218,766	222,226

⁽¹⁾ “Mcf” = one thousand cubic feet.

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

Gas Revenue
Fiscal Year Ended December 31

<i>Customer Class</i>	<i>2018</i>	<i>2019</i>	<i>2020</i>	<i>2021⁽¹⁾</i>	<i>2022⁽³⁾</i>
Firm Sales:					
Residential	\$ 91,855,513	\$ 103,173,485	\$ 88,752,107	\$ 139,950,932	\$ 184,660,733
Commercial	37,801,734	43,737,297	35,266,509	65,963,744	91,233,755
Contract Service – Military	7,791,314	8,483,122	7,094,962	11,977,307	15,441,653
Interruptible Sales:					
Industrial	2,879,280	3,050,459	2,999,955	4,476,692	6,497,212
Interdepartmental – Firm and Interruptible	1,013,179	1,469,369	4,440,937	27,194,437 ⁽²⁾	23,103,779
Subtotal	\$ 141,341,020	\$ 159,913,732	\$ 138,554,470	\$ 249,563,112	\$ 320,937,132
Gas Transportation Revenue	2,527,574	2,652,481	2,582,427	4,844,180	2,634,270
Miscellaneous Revenue	7,181,078	3,918,753	1,301,021	25,770,760	28,010,939
Total Gas Revenue	\$ 151,049,672	\$ 166,484,966	\$ 142,437,918	\$ 280,178,052	\$ 351,582,341
Less: Interdepartmental Sales	(1,013,179)	(1,469,369)	(4,440,937)	(27,194,437)	(23,103,779)
Net Gas Revenue	\$ 150,036,493	\$ 165,015,597	\$ 137,996,981	\$ 252,983,615	\$ 328,478,562

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

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

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

Capital Improvements to the Gas System

The Utilities undertakes improvements to maintain the Gas System and to provide capacity for increased customer demand. For 2023-2027, the Utilities forecasts approximately \$191.0 million in Capital improvements to maintain the Gas System, including estimated capital expenditures of approximately \$35.3 million for the Distribution Integrity Management Plan, \$14.8 million for the Marksheffel Connector GPAP expansion, and \$9.1 million for Automated Metering Infrastructure upgrades.

Gas Supply

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

gas load with firm supplies priced at approximately \$5.0 million below market for each year of its 30-year term.

In addition to the prepaid gas supply agreement, the Utilities' firm gas supply portfolio is comprised of multiple contracts with terms ranging from three months to thirty years. The expiring contracts are competitively bid by the suppliers each year, usually during the spring. In addition, the Utilities purchases approximately 20% of its annual gas supply needs on a short-term (30-day or less) basis, giving the Utilities the flexibility to react to warmer than normal conditions without having to manage excess firm commitments, and providing the flexibility to take advantage of short-term drops in gas prices. The staggered terms of the supply contracts help shape supply commitments to better match load requirements, and ensure the Utilities can acquire and replace supplies in an orderly fashion.

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

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

THE WATER SYSTEM

In 2022, the Water System served an estimated population of approximately 531,000 persons, including City residents and customers living in the Ute Pass communities west of the City, military bases, and other suburban areas outside the City limits. In 2022, the Water System delivered 72,434 acre-feet (23.6 billion gallons) of potable water to the distribution system. This compares to water deliveries of 70,985 acre-feet (23.1 billion gallons) in 2021, 74,989 acre-feet (24.4 billion gallons) in 2020, and 70,766 acre-feet (23.1 billion gallons) in 2019. Presently, developed potable water supply sources and infrastructure can meet demands of roughly 95,000 acre-feet. See "—Water Supply and Raw Water Delivery" below.

Water Rates and Development Charges

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

**Water Rates
As of May 1, 2023**

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

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

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

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

The Utilities also assesses water connection charges and fees that consist of the Water Development Charge and the Water Resource Fee. For single-family residential connections with a 3/4-inch water meter, the Water Development Charge and the Water Resource Fee are based on lot size. For smaller lots, the Water Development Charge varies from \$5,538 and \$8,307 inside and outside the City limits, respectively, and the Water Resource Fee varies from \$1,923 and \$2,885 inside and outside the City limits, respectively. For larger lots, the Water Development Charge varies from \$11,931 and \$17,896 inside and outside the City limits, respectively, and the Water Resource Fee varies from \$3,976 and \$5,964 inside and outside the City limits, respectively. For nonresidential, multi-family or mixed-use connections, the Water Development Charge and Water Resource Fee are based on meter size. For 3/4-inch and smaller meters, the Water Development Charge varies from \$8,598 and \$12,897 inside and outside the City limits, respectively, and the Water Resource Fee varies from \$2,870 and \$4,305 inside and outside the City limits, respectively. For 12-inch meters, the Water Development Charge varies from \$1,265,421 and \$1,898,132 inside and outside the City limits, respectively, and the Water Resource Fee varies from \$322,895 and \$484,342 inside and outside the City limits, respectively. Virtually all water sold within the Water System is metered.

Water Sales and Revenues

In 2022, the Water System had sales of 27,752,393 CCF (excluding interdepartmental and miscellaneous sales). Of this amount, 47.2% came from Residential sales and 44.5% came from Commercial sales. The Water System had revenue of \$207.7 million (excluding interdepartmental, and miscellaneous revenues) with 51.8% attributable to Residential revenue and 42.0% attributable to Commercial revenue.

During 2022, the Utilities’ ten largest water customers ranked by sales volume accounted for 5,137,669 CCF, or 18.5% of the Utilities’ sales (excluding interdepartmental, nonpotable and miscellaneous sales), which represented \$23.6 million, or 11.4% of revenues for sales (excluding interdepartmental, nonpotable and miscellaneous sales).

The number of active residential meters served by the Water System was 137,554, 140,144, and 142,445 at the end of 2020, 2021, and 2022, respectively. The average annual use per residential customer was 102.5 CCF in 2020, 93.2 CCF in 2021, and 91.9 CCF in 2022.

The following tables set forth the Utilities' water sales and revenues by customer class for the past five years (excluding information relating to the component units described in Note 18 to the Financial Statements included in Appendix A to this Official Statement):

Customer Class	Water Sales (CCF) ⁽¹⁾				
	Fiscal Year Ended December 31				
	2018	2019	2020	2021	2022
Residential (City).....	13,389,715	12,417,232	14,001,156	12,963,892	12,985,597
Residential (Suburban).....	87,453	81,939	91,832	99,928	100,411
Commercial (City).....	12,489,073	11,828,381	11,871,923	11,855,128	12,305,879
Commercial (Suburban).....	41,912	38,851	40,512	(21,454) ⁽³⁾	32,372
Contract Sales – Military.....	1,832,377	1,878,360	2,009,062	2,293,500	2,328,134
Nonpotable ⁽²⁾	1,610,826	1,434,633	1,633,997	1,451,670	1,557,970
Interdepartmental.....	<u>1,930,442</u>	<u>1,864,600</u>	<u>1,592,248</u>	<u>1,738,853</u>	<u>1,321,752</u>
Subtotal.....	31,381,798	29,543,996	31,240,730	30,381,517	30,632,115
Miscellaneous Sales.....	3,544,348	3,666,306	7,227,509	1,134,625 ⁽⁴⁾	1,361,269
City Use and Losses (Est.).....	<u>4,112,901</u>	<u>3,318,119</u>	<u>3,536,287</u>	<u>2,933,377</u>	<u>3,150,804</u>
Total Water Delivered for Sales.....	39,039,047	36,528,421	42,004,526	34,449,519	35,144,188
Less Interdepartmental.....	<u>(1,930,442)</u>	<u>(1,864,600)</u>	<u>(1,592,248)</u>	<u>(1,738,853)</u>	<u>(1,321,752)</u>
Net Water Delivered for Sales.....	<u>37,108,605</u>	<u>34,663,821</u>	<u>40,412,278</u>	<u>32,710,666</u>	<u>33,822,436</u>
Total Number of Active Water Meters as of Year End.....	<u>146,680</u>	<u>148,844</u>	<u>151,804</u>	<u>154,529</u>	<u>157,069</u>

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

(2) Raw water spot sales volumes excluded.

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

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

Customer Class	Water Revenues				
	Fiscal Year Ended December 31				
	2018	2019	2020	2021	2022
Residential (City).....	\$ 97,898,026	\$ 95,569,087	\$ 111,337,519	\$ 105,122,403	\$ 106,136,752
Residential (Suburban).....	1,133,750	1,146,068	1,296,501	1,491,582	1,485,430
Commercial (City).....	84,724,409	82,591,358	84,001,603	83,702,621	86,798,074
Commercial (Suburban).....	485,240	469,390	483,095	33,685 ⁽¹⁾	446,155
Contract Sales – Military.....	9,154,189	9,674,809	11,115,810	12,569,885	12,804,568
Nonpotable ⁽¹⁾	2,766,799	2,576,796	3,483,809	2,916,765	3,297,671
Interdepartmental.....	<u>4,394,972</u>	<u>4,155,059</u>	<u>2,463,760</u>	<u>3,566,344</u>	<u>1,904,303</u>
Subtotal.....	\$ 200,557,385	\$ 196,182,567	\$ 214,182,097	\$ 209,403,285	\$ 212,872,953
Miscellaneous Revenues.....	<u>6,085,971</u>	<u>5,865,391</u>	<u>7,201,391</u>	<u>4,739,863⁽²⁾</u>	<u>4,223,084</u>
Total Water Revenues.....	\$ 206,643,356	\$ 202,047,958	\$ 221,383,488	\$ 214,143,148	\$ 217,096,037
Less Interdepartmental.....	<u>(4,394,972)</u>	<u>(4,155,059)</u>	<u>(2,463,760)</u>	<u>(3,566,344)</u>	<u>(1,904,303)</u>
Net Water Revenues.....	<u>\$ 202,248,384</u>	<u>\$ 197,892,898</u>	<u>\$ 218,919,728</u>	<u>\$ 210,576,804</u>	<u>\$ 215,191,734</u>

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

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

Water Demand

Per capita water demand in the City varies considerably from year to year depending upon weather conditions, economic conditions, watering restrictions, and other factors. In 2022, the total demand on the Water System of 23.6 billion gallons of potable water (total metered water sales) resulted in an estimated average metered per capita demand on the Water System of 122 gallons per day ("gpd"). This compares to estimated average metered per capita use of the Water System of 121 gpd in 2021 and 131 gpd in 2020.

The Utilities estimates that it has sufficient water supply to meet the growing needs of the area served by the Water System for the foreseeable future. The Utilities plans to secure its future water supply by retaining all present water resource entitlements and through timely development of necessary additional facilities and sources as discussed below under “—Capital Improvements to the Water System.” The loss of entitlement, delays in the development of water resources, or growth of population and/or per capita demand in excess of projections, or other similar factors, could result in the Utilities not meeting Water System level of service criteria, which may result in interim water supply shortages and reductions in total system wide storage levels below approved risk tolerance thresholds. See “—Water Supply and Raw Water Delivery” below.

Drought Conditions in the Region

Colorado, along with most of the western United States, experiences recurring cycles of drought. The Utilities’ water supply system is designed and operated to withstand recurring cycles of drought through its complex network of storage reservoirs, water delivery systems, and related water infrastructure. The Utilities relies more heavily on storage to meet customer demands during periods of drought when water system inflows are below average. Although the western United States has been experiencing drought conditions of varying degrees at different locations for over twenty years, the specific effects on local water providers varies greatly. The Utilities has implemented a comprehensive Drought Response Plan with the goal of maintaining greater than one year of customer demand in system-wide storage; this plan was updated in early 2021. Extremely dry conditions persisted into the early summer of 2022, though monsoon rains provided some minor drought relief across many parts of Colorado during the later summer. This continued dry spell resulted in another year of low stream flows, especially during the early runoff season, and below average system yield in 2022. Despite that, customer demand remained relatively low and system-wide storage remained close to the long-term historical average all year. In 2023, the snowpack in the Utilities’ mountain watersheds is trending to near historic averages. The Utilities continues to monitor these conditions throughout the winter season and the March 1 yield forecast predicts a 94% of average yield in 2023, which will be sufficient to keep water storage well above 1.5 Years of Demand. Drought response measures will not be required in 2023 based on that level of service metric.

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

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

Reliance on Colorado River Water Supply

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

The Colorado River Compact allocates Colorado River water according to specified formulas among seven western states (the Lower Basin States of Arizona, California, and Nevada and the Upper Basin States of Colorado, New Mexico, Utah, and Wyoming). Pursuant to this system of allocation, the Utilities' water rights are subject to the obligation of Colorado and the other Upper Basin States to ensure that they do not cause a river depletion below a certain ten-year rolling delivery requirement. If shortage conditions were experienced (e.g., as a result of a prolonged drought and resulting low streamflows) and the Lower Basin States did not receive deliveries consistent with the aforementioned ten-year rolling delivery requirement, it is possible that the Utilities would be unable to divert all or part of its Colorado River water rights entitlements due to their subordinate status in relation to the State's obligations under the Colorado River Compact. However, due to the potential severe impacts of such an occurrence to the State and its citizens, the Utilities, along with other Front Range water providers are actively working on adaptation strategies for this unlikely event in coordination with downstream entities.

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

In March 2019, a Drought Contingency Plan was formally submitted to the U.S. Secretary of the Interior and the U.S. Congress for approval. The Drought Contingency Plan was passed by Congress and signed into law by President Trump on April 16, 2019, and the seven Colorado Basin States and the Bureau of Reclamation signed the agreement on May 20, 2019. This historic agreement provides a framework for each of the seven states to systematically reduce their consumptive use of Colorado River water to mitigate supply shortages and preserve critical storage levels in Lake Mead and Lake Powell. The Upper Basin Drought Contingency Plan consists of a Demand Management Storage Agreement and a Drought Response Operations Agreement. Under the Demand Management Storage Agreement, Colorado and the other Upper Basin States are currently exploring a voluntary program to store water generated by reducing consumptive uses of Colorado River Water under the terms of a Demand Management Program. An evaluation of the feasibility of a Demand Management Program in Colorado continues in 2023. The Upper Colorado River Compact Commission and Secretary of the Interior approved a Drought Response Operations Plan in April 2022 that called for 500,000 acre-feet of releases from Flaming Gorge Reservoir between May 2022 and April 2023. This release was paused in March 2023 due to the forecast of average inflow to Lake Powell but will be reevaluated later in 2023. This is in addition to the 161,000 acre-feet of water previously released pursuant to provisions of the Drought Response Operations Agreement. This water provided by the Upper Basin States will help protect the Colorado River System and further increase reservoir levels in Lake Powell.

In addition, the Bureau of Reclamation is preparing a Supplemental Environmental Impact Statement ("SEIS") to the 2007 Record of Decision associated with the Colorado River Interim Guidelines for Lower Basin Shortages and Coordinated Operations for Lake Powell and Lake Mead (2007 Interim Guidelines). The purpose of the SEIS is to consider revised guidelines for operation of Glen Canyon and Hoosier Dams in 2023 and 2024. A draft SEIS was released in April 2023.

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

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

Water Facilities

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

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

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

The Water System has over 2,200 miles of water distribution system main, most of which have been constructed since 1954. The Water System’s level of unaccounted water has historically been approximately 8.5% of water treated including unmetered fire flows, main breaks, and system leakage.

Water Supply and Raw Water Delivery

Approximately 60% of the City’s raw water supply is sourced from the Colorado River system, while the remainder originates from the Arkansas and South Platte River systems.

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

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

Reliably Met Demand of the Water System⁽¹⁾

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

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

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

Reuse of Return Flows

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

The Utilities' non-potable reuse of return flows in the last ten years has ranged from a low of 2,579 acre-feet in 2022 to a high of 3,715 acre-feet in 2015 with the difference being attributable primarily to variations in demand due to weather, changes to the customer base and the implementation of water saving practices by large non-potable water users.

The Utilities exchanged approximately 32,000, 57,000 and 42,300 acre-feet of water during the 2020, 2021, and 2022 water years (October 1 to September 30), respectively. These totals include local system exchanges, river exchanges and reservoir trades within the Arkansas River basin. Reuse by augmentation totals approximately 4,500 acre-feet annually.

Joint Water Authorities

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

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

Under the applicable long-term contracts relating to the Fountain Valley Authority, the City is obligated to pay water treatment service charges to the Fountain Valley Authority and water conveyance service charges to the U.S. Bureau of Reclamation (the "Bureau") for conveyance of its water through the Bureau's Fountain Valley Conduit, which conveys raw water from the Pueblo Reservoir to the Fountain Valley Authority's treatment plant and treated water from the treatment plant to distribution reservoirs of the Fountain Valley Authority participants. See Note 18 to the Financial Statements included in Appendix A to this Official Statement.

As of December 31, 2022, Fountain Valley Authority had approximately \$381,000 in outstanding obligations. The debt service on these obligations is treated as a fixed cost to the member entities in proportion to their ownership interests in the Fountain Valley Authority. The Utilities' ownership interest in the Fountain Valley Authority is approximately 71% and, accordingly, the Utilities is ultimately responsible for approximately 71% of the debt service on these obligations.

The City has a two-thirds participation share in the Aurora-Colorado Springs Joint Water Authority. The Aurora-Colorado Springs Joint Water Authority constructed a 66-inch diameter pipeline from the Twin Lakes Dam to the Otero Pumping Station intake pipeline. This pipeline is operated by Homestake Water Project staff on behalf of Aurora and the City. The bonds for this project have been repaid and the Aurora-Colorado Springs Authority has no long-term debt outstanding. There are no current plans by either city to use the Aurora-Colorado Springs Authority for future system extensions. See Note 18 to the Financial Statements included in Appendix A to this Official Statement.

The payments to be made by the City to the Fountain Valley Authority and the Aurora-Colorado Springs Joint Water Authority are contractually required to be treated as Operation and Maintenance Expenses of the System payable out of the Gross Pledged Revenues of the System. See "DESCRIPTION OF THE BONDS— Security for the Bonds" and APPENDIX B—"THE BOND ORDINANCE—Equality of Lien." The payments made by the City to the Fountain Valley Authority for 2020, 2021, and 2022 were \$10.0 million, \$5.4 million, and \$9.9 million respectively. The payments made by the City to the Aurora-Colorado Springs Authority are nominal.

Environmental Requirements Affecting Water Treatment

The Federal Safe Drinking Water Act authorizes the EPA to establish national health-based standards for the protection of drinking water from both naturally occurring and man-made contaminants. Additionally, the EPA maintains a list of unregulated contaminants that are not currently subject to any proposed or promulgated national primary drinking water regulation, but that are known or anticipated to occur in public water systems and may become subject to regulation in the future. As such, there is always the potential for new and/or more stringent standards that may impose additional costs to Utilities, either to existing infrastructure or operations or to new water project development, such as the EPA's ongoing revisions to the Lead and Copper Rule. In 2023, the EPA proposed an MCL for PFAS which will be subject to a rulemaking action scheduled for later in the year.

The CDPHE Water Quality Control Division is in the renewal process for reissuance of the water treatment plant discharge general permit. The discharge general permits for the Tollefson, Ute Pass, and Pine Valley/McCullough water treatment plants are anticipated to be reissued in 2023 and may include additional monitoring, reporting, and treatment requirements for the water treatment facilities.

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

Environmental Requirements Affecting Water Supply

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

The conditions imposed under State and Federal water quality regulations are determined on a case-by-case basis when projects are permitted based on an assessment of the impacts of the proposed project. The additional costs to operate the Water System and develop additional water sources, as a result of these regulations, is determined on a case-by-case basis and cannot be fully quantified at this time. The Utilities is actively engaged in and partnering with several water industry groups to influence and sharpen proposed regulations or administrative actions under Federal laws such as the Clean Water Act which have the potential

to adversely impact the Utilities' water system and related projects. Recently, the Utilities has been actively involved in commenting on numerous Federal agency proposals including the EPA's proposed Waters of the U.S. and Water Transfers Rules and the Draft Technical Report on Protecting Aquatic Life from the Effects of Hydrologic Alteration.

Water Concerns

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

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

In November 2017, City voters approved reestablishment of Stormwater User Service Fees to be imposed upon all developed or improved property within the City. This revenue is collected by an enterprise fund (the City Stormwater Enterprise), which is used only for the stormwater system capital and operating expenses, performance of MS4 Discharge Permit obligations, and meeting the obligations arising under intergovernmental agreements entered into prior to June 1, 2016 (which includes the City and the Utilities' April 2016 intergovernmental agreement with Pueblo County). The voter authorization also allows the fees to be increased by City Council if necessary to comply with federal law, a court order, or to meet intergovernmental agreement obligations.

Also related to stormwater management within Colorado Springs, in November 2016, EPA and CDPHE entered a legal action against the City for alleged violations of its MS4 permit. Both Pueblo County and the Lower Arkansas Valley Water Conservancy District subsequently intervened in that litigation. On January 1, 2021, the parties signed a Consent Decree achieving a complete settlement of all claims brought against the City in the litigation. The Consent Decree, and a companion Supplemental Environmental Project agreement, set forth injunctive relief, mitigation projects, and civil penalties requiring the City Stormwater Enterprise to expend an additional \$45 million over the next 15 years for improved stormwater management within the City. On February 23, 2021, the City Council unanimously approved a multi-year increase in the Stormwater User Service Fees sufficient to meet both the requirements established under the 2016 intergovernmental agreement and the 2021 Consent Decree. At this time, all issues related to stormwater management that have presented risks to the Utilities under the Pueblo County 1041 permit for the Utilities SDS pipeline have been fully resolved.

An ongoing regional groundwater contamination issue is also of interest to the Utilities. Specifically, two perfluorinated compounds, perfluorooctane sulfonate ("PFOS") and perfluorooctanoic acid ("PFOA"), were detected in regional public groundwater wells, not used or operated by the Utilities, that draw water from

the Widefield Aquifer. In 2016, the EPA established a health advisory of 70 parts per trillion (equivalent to 70 nanograms per liter) for the sum of PFOS and PFOA in drinking water. The EPA intended this guidance regarding concentrations to trigger action to reduce exposure to these contaminants that were unregulated at that time. The affected regional groundwater wells, in part, serve as a potable water source to the communities of Security, Fountain, Widefield, and Stratmoor Hills located to the south of Colorado Springs. The water districts serving these neighboring communities have implemented solutions to remove these compounds from well water through advanced treatment processes. In 2018 the Colorado Water Quality Control Commission (WQCC) promulgated regulations that established a PFOA and PFOS numeric water quality standard of 70 parts per trillion for groundwater quality in the Widefield Aquifer area. In 2020 the Colorado Water Quality Control Commission administratively approved an agency policy establishing “translation levels” (essentially numeric standards) for a broader group of per- and polyfluoroalkyl substances (PFAS), including PFOS and PFOA. In response to this additional regulation, the Utilities initiated PFAS monitoring of source water supplies and wastewater effluent discharges at its two permitted wastewater treatment facilities. Results of this monitoring show no exceedances of applicable regulatory limits within the Utilities’ drinking water system or wastewater discharges. The application of the existing groundwater standard for PFAS to construction dewatering activities that require a discharge permit has resulted in some project delays and increased costs due to required groundwater sampling and storage and treatment of some groundwater. In March 2023, the EPA proposed a National Primary Drinking Water Regulation Maximum Contaminant Level (MCL) for six PFAS compounds in drinking water. The proposed MCL is 4.0 parts per trillion for PFOA and PFOS individually, PNFA, PFHxS, PFBS and HFPO-DA (commonly called Gen-X) with unitless hazard index, which is a mixture of compounds. It is anticipated that with the application of the EPA MCL, and future WQCC permitting and policy, Colorado Springs Utilities will have analytical requirements on drinking water, wastewater, source investigations and other monitoring activities. Colorado Springs Utilities monitoring of PFAS compounds to date has not indicated any exceedances of any of the above limits.

Capital Improvements to the Water System

The City owns twenty-five earthen and rock-fill dams as a part of the Water System. The Utilities is required to have each of these dams inspected frequently by the State Engineer pursuant to the Colorado Rules and Regulations for Dam Safety and Dam Construction (the “State Dam Safety Regulations”). Specifically, the State Dam Safety Regulations require that dams have spillway capacity and structural integrity sufficient to withstand a major flood without failing or otherwise contributing to the magnitude of the flood. Based on such inspections of these dams, the Office of the State Engineer has recommended further study of certain facilities to address potential deficiencies in structural conditions or spillway capacity. Additionally, Rampart Dam is regulated by the Federal Energy Regulatory Commission (“FERC”) due to its connection to the Tesla hydroelectric generation facility. The Utilities last completed the required five-year cycle FERC and third-party inspection by an independent engineering consultant in December 2018. The FERC and third-party inspection is scheduled to begin in 2023 to meet the current five-year requirement. Additional investigations, instrumentation requirements, or safety improvements to Rampart Dam may arise as a result of regulation by the FERC. The Utilities is also in the process of updating its own comprehensive inspection program of the dam and transmission systems as part of the Utilities’ Raw Water System Planning efforts. The previous Raw Water Infrastructure Improvement Program recommendations have largely been incorporated over the past 10 years and is being reprioritized considering additional studies, risk assessments, and life cycle evaluation of existing infrastructure needs. In response to completed studies’ conclusions and recommendations and anticipated infrastructure needs, the Utilities intends to design and construct the recommended improvements at a cost averaging approximately \$4 million per year through 2027 to remain in compliance with federal, state, and the Utilities’ operational requirements. Comprehensive inspections of the Utilities’ dams and delivery systems will be updated through planning efforts described below.

The Tollefson Water Treatment Plant Master Plan Update was completed in 2015 and identified a capital improvement program at the Utilities’ oldest water treatment plant. In May 2018, the first phase of improvements began under an anticipated \$30.0 million 2-year construction contract. This first phase of improvements, including a new pretreatment facility, replaces aging infrastructure and will enable the

treatment plant to effectively treat and make more efficient use of the Utilities local water supplies. Construction was completed in 2022.

The Finished Water System Plan was completed in January 2019 and addresses future growth, resiliency, and redundancy needs of the distribution system. The Finished Water System Plan identified \$50.0 million in capital improvements to address redundancy, resiliency and growth over the next 10 years. The Utilities intends to complete additional studies, risk assessments, life cycle evaluation, and prioritization of improvements. The Utilities intends to design and construct recommended improvements at an average annual cost of approximately \$5.0 million per year over the next 10 years. Other planning efforts expected to be completed in the next five years include Resource Supply Plans, Indirect and Direct Potable Reuse Studies and Alternative Analysis (SAA), Source of Supply Storage Capital Improvement Plan, Non-Potable System Plan and Raw Water System Plans, five-year cycle update to the Finish Water System Plan, Potable Tank and Pump Station Facility Plans, and remaining Water Treatment Plant Facility Plans. The Utilities will also conduct additional operations and yield modeling and planning studies to evaluate water system risks and opportunities, refine the timing and phasing of water projects identified in the IWRP, and evaluate its current and future water supply needs. Over the next ten years, the Utilities expects to implement an extensive capital improvement program focused on enhancing its water system infrastructure. These include improvements to water treatment plants and related pump stations, raw water system improvements on the Homestake System, Continental Hoosier System, and general pump station and tank facility upgrades and improvements. The water system infrastructure improvements will ensure efficient use and reliability of infrastructure, improve management of existing supplies and allow Utilities to fully develop current water resource entitlements. Specifically, the Utilities will be engaged in permitting activities in 2022 through 2026 with regulatory agencies to develop a complete and comprehensive application for compliance with federal, state and local laws and requirements associated to Utilities proposed dam enlargement at Montgomery Reservoir in the Continental Hoosier System.

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

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

The Utilities is also actively pursuing the acquisition of one or more storage reservoirs on the Arkansas River for the primary purpose of managing reusable return flows and exchanges and will seek to acquire additional local and Arkansas River water rights as opportunities arise. The Utilities signed an Intergovernmental Agreement with Pueblo Water in October 2022 to study and plan for future permitting

actions associated to an enlargement at Pueblo Water’s Clear Creek Reservoir in Granite, CO. The Utilities continues participation in the Restoration of Yield intergovernmental agreement and identified a storage site in the Lower Arkansas Valley. The Restoration of Yield partners have exercised the land purchase agreement for the potential Haynes Creek Reservoir. These projects are included in the Utilities’ general capital improvement program. See “COLORADO SPRINGS UTILITIES—Capital Improvements.”

On-going water main renewal and replacement efforts completed under the Finished Water Linear Asset Program invested approximately \$16.0 million per year through 2021 and will invest approximately \$14-\$16.0 million per year for the foreseeable future. These efforts are expected to be completed in coordination with the City’s 2C2 Road Improvement projects while prioritizing renewal and replacement of high criticality/high probability of failure (high risk) mains, maintaining leak rate level of service criteria, and addressing high priority water quality and fire flow improvement projects. The City’s 2C2 Road Improvement plan came from a City ballot measure that reauthorized a small sales tax increase dedicated solely to a second phase of road repair and improvements. Other system wide renewal improvement programs collectively invest approximately \$9.0 million per year on pump stations, tanks, urban utility renewal, and hydrant replacement programs.

THE WASTEWATER SYSTEM

The Wastewater System provides wastewater services for the City and for those areas approved by the City Council on a long-term, contractual basis, including Peterson, Manitou Springs and the Stratmoor Hills Water and Sanitation District. An average of nearly 38 million gallons per day (mgd) of wastewater is treated for a per capita treatment of about 77 gallons per day (gpd). The per capita flow has steadily decreased since 2007 due to improvements in the collection system, increased customer drought awareness and greater usage of water efficient appliances. As of December 31, 2022, the Utilities owned and operated over 1,811 miles of sewer main.

Wastewater Rates

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

**Wastewater Treatment Service Charges
As of May 1, 2023**

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

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

The Utilities also assesses wastewater development charges for new connections based on meter size. For each single-family residential or multi-family premise connection with a ¾-inch water meter, the

wastewater development charge is \$1,868 and \$2,802 inside and outside City limits, respectively. For nonresidential, multi-family or mixed use, the wastewater development charge varies based on water meter size. For ¾-inch and smaller meters, charges range from \$2,604 and \$3,906 inside and outside the City limits, respectively. For 12-inch meters, charges range from \$460,049 and \$690,074 inside and outside City limits, respectively.

Wastewater Revenues

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

Customer Class	Wastewater Revenues				
	Fiscal Year Ended December 31				
	2018	2019	2020	2021	2022
Residential (City).....	\$ 50,166,978	\$ 51,346,880	\$ 53,157,436	\$ 53,979,186	\$ 54,190,445
Residential (Suburban)	104,888	119,239	111,575	105,991	106,941
Commercial (City).....	15,791,272	15,291,231	13,843,559	14,834,548	15,695,334
Commercial (Suburban).....	88,260	93,596	88,840	70,013	69,463
Contract Service – Military.....	212,186	154,028	132,606	145,906	225,790
Interdepartmental.....	492,579	419,340	429,308	507,064	225,284
Subtotal	\$ 66,856,523	\$ 67,424,314	\$ 67,763,324	\$ 69,642,708	\$ 70,513,257
Miscellaneous Revenues.....	1,912,302	1,887,975	2,454,425	2,418,222	2,492,592
Total Wastewater Revenues	\$ 68,768,825	\$ 69,312,289	\$ 70,217,749	\$ 72,060,930	\$ 73,005,849
Less Interdepartmental Sales	(492,579)	(419,340)	(429,308)	(507,064)	(225,284)
Net Wastewater Revenues.....	\$ 68,276,246	\$ 68,892,949	\$ 69,788,441	\$ 71,553,866	\$ 72,780,565
Total Number of Active Wastewater Accounts as of Year End.....	143,247	145,284	147,767	150,388	152,695

Resource Recovery Facilities

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

Environmental Regulation

Utilities is subject to various State and Federal environmental requirements, which affect operating and capital costs of the wastewater system. The CDPHE adopted regulations for reducing nutrients (nitrogen and phosphorus) in State waters through 2022 which became effective in September 2012. Based on these regulations, capital projects have been completed at both the Las Vegas Street Water Resource Recovery Facility and the J.D. Phillips Water Resource Recovery Facility to allow Utilities to meet the new limits. However, some nutrient regulatory scenarios could result in much greater capital investment being required after 2027. In addition to nutrients, both temperature and Per- and polyfluoroalkyl Substance (“PFAS”) will be pollutants that will need to be addressed. Utilities is expecting to receive permit renewals for both facilities in the second half of 2023 and also expects that the renewed permits will include effluent temperature limits and PFAS monitoring that will include source investigation. While stakeholders continue to discuss with the CDPHE how best to address both temperature and PFAS, treatment infrastructure investment could become necessary. It is reasonably possible that new regulations would require more stringent requirements on controls for discharges from these facilities.

The Utilities’ Clear Spring Ranch Resource Recovery Facility, where biosolids originating from the Las Vegas Street Water Resource Recovery Facility are disposed, is currently regulated under federal biosolids disposal regulations, the CDPHE’s solid waste regulations, and the Clear Spring Ranch CD. Periodic capital improvements are probable in relation to the biosolids disposal activities to maintain regulatory compliance.

The Utilities is monitoring the emerging regulations related to Per- and polyfluoroalkyl Substance (PFAS), as such could be germane to the Facility.

Capital Improvements to the Wastewater System

The Utilities owns and operates over 1,794 miles of sanitary sewer pipelines throughout thirty separate basins in Colorado Springs. Beginning in 2000, the Utilities implemented several aggressive and comprehensive wastewater programs to systematically inspect, evaluate, prioritize, and rehabilitate its entire collection system.

The Wastewater System has capital needs forecasted at approximately \$263 million from 2023 through 2027.

PENDING LEGAL PROCEEDINGS

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

[To be updated later in the summer] 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 Weifield Group Contracting Inc. v. Myers & 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 the Utilities Tollefson Water Treatment Plant and a contract between the Utilities and Myers & Sons Construction, L.P. (“Myers”). The Complaint in the litigation alleges that the Utilities breached its contract with Myers, that the Utilities breached an implied covenant of good faith and fair dealing in the contract, asserts claims in quantum meruit, and asserts claims of unjust enrichment. While the Complaint did not assert the amount of damages being claimed, Myers served Initial Disclosures that included an assertion of damages in the amount of \$13,000,699.18, and Myers currently claims damages of \$27,257,797.18. The City of Colorado Springs, on behalf of the City and the Utilities, filed an amended Answer and Jury Demand, asserting counterclaims against Myers for breach of contract, trust fund violation, and civil theft. A three-week jury trial is set to commence on August 21, 2023. The outcome of this litigation is unclear at this time.

On July 1, 2022, Utilities received a letter and inspection report/compliance advisory from the Colorado Department of Public Health and the Environment’s Water Quality Control Division pertaining to findings identified during an inspection of a project to resurface and make other improvements to Utilities’ Crystal Dam. The compliance advisory pertained to findings related to stormwater discharges from the project under the control of Utilities’ contractor. Since the issuance of the compliance advisory, Utilities and its contractor on the project took steps to correct the issues identified in the compliance advisory and is awaiting a final determination from the State of Colorado or the U.S. Army Corps of Engineers. On January 25, 2023, Utilities and its contractor on the Crystal Dam project received Notice of Violation/Cease and Desist Order/Clean-Up Order Number: SO-230125-1, finding violations of the project’s stormwater permit and requiring corrective action. The ultimate outcome of this matter and the potential financial impacts are unknown at this time.

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

LEGAL MATTERS

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

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

TAX STATUS

In the opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, Denver, Colorado, Bond Counsel, under existing statutes, regulations, rulings and judicial decisions, and assuming certain representations and compliance with certain covenants and requirements described herein, interest (and original issue discount) on the Bonds is excluded from gross income for federal income tax purposes, and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals. However, it should be noted that for tax years beginning after December 31, 2022, with respect to applicable corporations as defined in Section 59(k) of the Internal Revenue Code of 1986, as amended (the "Code"), generally certain corporations with more than \$1,000,000,000 of average annual adjusted financial statement income, interest (and original issue discount) with respect to the Bonds might be taken into account in determining adjusted financial statement income for purposes of computing the alternative minimum tax imposed by Section 55 of the Code on such corporations. In the further opinion of Bond Counsel, interest on the Bonds is excluded from Colorado taxable income and Colorado alternative minimum taxable income under Colorado income tax laws in effect on the date of delivery of the Bonds as described herein.

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

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

The amount by which a Bond Owner's original basis for determining loss on sale or exchange in the applicable Bond (generally, the purchase price) exceeds the amount payable on maturity (or on an earlier call date) constitutes amortizable bond premium, which must be amortized under Section 171 of the Code; such

amortizable Bond premium reduces the Bond Owner's basis in the applicable Bond (and the amount of tax-exempt interest received), and is not deductible for federal income tax purposes. The basis reduction as a result of the amortization of Bond premium may result in a Bond Owner realizing a taxable gain when a Bond is sold by the Owner for an amount equal to or less (under certain circumstances) than the original cost of the Bond to the Owner. Purchasers of the Bonds should consult their own tax advisors as to the treatment, computation and collateral consequences of amortizable Bond premium.

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

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

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

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

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

MUNICIPAL ADVISOR

Stifel, Nicolaus & Company, Incorporated, Denver, Colorado, is serving as Municipal Advisor to the Utilities with respect to the Bonds, and in such capacity has assisted in the preparation of this Official

Statement and in other matters relating to the planning, structuring, rating and execution and delivery of the Bonds. However, the Municipal Advisor has not undertaken either to make an independent verification of or to assume responsibility for the accuracy or completeness of the information contained in this Official Statement, nor is the Municipal Advisor permitted to underwrite the Bonds.

UNDERWRITING

The Bonds will be purchased by Goldman Sachs & Co. LLC (“Goldman”), as representative of itself and BofA Securities, Inc., Morgan Stanley & Co. LLC, and Piper Sandler and Co. (collectively with Goldman, the “Underwriters”). The Underwriters have agreed to purchase the Bonds at a price of \$ _____ (representing the principal amount of the Bonds of \$ _____, plus an original issue premium of \$ _____, less an Underwriters’ discount of \$ _____).

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

Morgan Stanley & Co. LLC has entered into a retail distribution arrangement with its affiliate, Morgan Stanley Smith Barney LLC. As part of the distribution arrangement, Morgan Stanley & Co. LLC may distribute securities to retail investors through the financial network of Morgan Stanley Smith Barney LLC. As part of this arrangement, Morgan Stanley & Co. LLC may compensate Morgan Stanley Smith Barney LLC for its underwriting efforts with respect to the Bonds.

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

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

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

VERIFICATION OF MATHEMATICAL COMPUTATIONS

Prior to the delivery of the Series 2023B Bonds, Causey Demgen & Moore P.C., certified public accountants, Denver, Colorado, will deliver a report on the mathematical accuracy of certain computations relating to the adequacy of the uninvested cash and investments to affect a defeasance of the Refunded Bonds refunded by the Series 2023B Bonds.

CERTAIN RELATIONSHIPS OF PARTIES

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

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

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

RATINGS

Moody’s and S&P have assigned the Bonds the ratings listed on the cover of this Official Statement. Moody’s has assigned the Bonds a stable outlook. An explanation of the significance of the ratings given by Moody’s may be obtained from Moody’s at 7 World Trade Center, 250 Greenwich Street, 23rd Floor, New York, New York 10007. S&P has assigned the Bonds a negative outlook. An explanation of the significance of the ratings given by S&P may be obtained from S&P at 55 Water Street, New York, New York 10041.

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

MISCELLANEOUS

The references in this Official Statement to the Bond Ordinance, statutes, resolutions, contracts, and other documents are brief outlines or partial excerpts of certain provisions of the documents. These outlines or excerpts do not purport to be complete, and reference is made to the documents, copies of which are available at the offices of the City, for full and complete statements of their provisions. All estimates used in this Official Statement are intended only as estimates and not as representations.

The execution and delivery of this Official Statement by the Utilities' Chief Executive Officer and the Chief Planning and Finance Officer have been duly authorized by the City Council of the City of Colorado Springs, Colorado.

COLORADO SPRINGS UTILITIES

By: _____
Travas Deal,
Chief Executive Officer

By: _____
Tristan Gearhart,
Chief Planning and Finance Officer

APPENDIX A
FINANCIAL STATEMENTS

APPENDIX B

THE BOND ORDINANCE

The following summary describes certain provisions of the Bond Ordinance and is qualified in its entirety by reference to the document itself for a full statement of its provisions.

Definitions

The following are definitions of certain terms as used in the Bond Ordinance:

“Average Annual Principal and Interest Requirements” means the sum of the principal of and interest on the Bonds and any other Outstanding Parity Bonds, excluding any securities the principal of which is payable within less than one year from the date on which issued, but including any proposed Parity Bonds in the computation of the City’s ability to issue additional Parity Bonds, to be paid during each Fiscal Year for the period beginning with the Fiscal Year in which such computation is made and ending with the Fiscal Year in which any Bond or other such security last becomes due at maturity or on a Redemption Date, whichever time is later (but excluding any reserve requirement to secure such payments unless otherwise expressly provided) divided by the number of full Fiscal Years during the period beginning with the Fiscal Year in which such computation is made and ending with the last Fiscal Year in which any Bond or other such security last becomes due at maturity or on a Redemption Date, whichever time is later. The word “principal,” as used in the preceding sentence, means for all purposes of this paragraph, the principal which must be paid to security Owners, whether on stated maturity dates or on mandatory redemption dates, or otherwise. Any such computation will be adjusted for all purposes in the same manner as is provided in the Bond Ordinance. For the purposes of this computation, it will be assumed that (a) Variable Rate Bonds Outstanding at the time of such determination will bear interest during any period (i) if the interest rate such Variable Rate Bonds bear or will bear during such period has not been determined, at the fixed interest rate estimated by the remarketing agent for such Variable Rate Bonds and approved by the Finance Director or, if there is no such remarketing agent, by the Finance Director that, having due regard for prevailing financial market conditions, is necessary, but does not exceed the interest rate necessary, to sell such Variable Rate Bonds at 100% of the principal amount thereof in an open market transaction, assuming the Variable Rate Bonds had a term equal to the then remaining term of the Variable Rate Bonds (taking into account any mandatory redemption for such Variable Rate Bonds) or (ii) if the interest rate such Variable Rate Bonds bear or will bear during such period has been determined and is not subject to fluctuation, at such interest rate thus determined, and (b) any Tender Bonds Outstanding at the time of such determination will mature on the stated maturity or mandatory Redemption Date or Dates thereof.

For purposes of this calculation, if a Parity Financial Products Agreement has been entered into by the City with respect to the Bonds or any Parity Bonds, interest on the Bonds or such Parity Bonds will be included in the calculation of such principal and interest by including for each Fiscal Year an amount equal to the amount of interest payable on the Bonds or such Parity Bonds in such Fiscal Year during such period determined as hereinabove provided plus any Financial Products Payments payable in any such Fiscal Year minus any Financial Products Receipts receivable in any such Fiscal Year; provided that in no event will any calculation made pursuant to this sentence result in a number less than zero being included in the calculation of such interest.

In determining the amount of any Financial Products Payments or Financial Products Receipts on any interest rate swaps or other similar Financial Products Agreement which Payments or Receipts are based on interest rates which are not fixed in percentage for the entire term of the Financial Products Agreement, such amount will be calculated by assuming such variable interest rate is a fixed interest rate equal to (a) if the Parity Financial Products Agreement relates to Variable Rate Bonds, the fixed rate of interest estimated for such Variable Rate Bonds as provided above, or (b) if the Parity Financial Products Agreement relates to the Bonds or Parity Bonds which bear interest at a fixed interest rate, the average daily interest rate for such

Payments or Receipts under such Financial Products Agreement during the twelve months preceding the calculation or during the time the Financial Products Agreement has been in effect if less than twelve months and if such Financial Products Agreement is not then in effect, the variable interest rate will be deemed to be a fixed interest rate equal to the average daily interest rate for such Payments or Receipts which would have been applicable if such Financial Products Agreement had been in effect for the preceding twelve month period, which average daily interest rate will be set forth in a certificate of the Finance Director.

In determining the amount of any Financial Products Payments or Financial Products Receipts on any interest rate cap, floor, collar or other similar Financial Products Agreement with respect to Parity Bonds which are Variable Rate Bonds, such amount will be calculated by assuming the interest rate on the related Variable Rate Bonds will be a fixed interest rate equal to the average daily interest rate on such Variable Rate Bonds during the twelve months preceding the calculation or during the time the Variable Rate Bonds are Outstanding if less than twelve months and if such Variable Rate Bonds are not at the time of calculation Outstanding, the variable interest rate will be deemed to be a fixed interest rate equal to the average daily interest rate which such Bonds would have borne if they had been Outstanding for the preceding twelve month period as estimated by the Finance Director, all as set forth in a certificate of the Finance Director. In determining the amount of any Financial Products Payments or Financial Products Receipts on any interest rate cap, floor, collar or other similar Financial Products Agreement with respect to Parity Bonds bearing interest at a fixed rate, such amount will be the amount payable or receivable annually determined as of the date of issuance of the Parity Bonds as set forth in a certificate of the Finance Director.

For the purposes of this calculation, if Commercial Paper Notes are then Outstanding or are the Parity Bonds proposed to be issued, it will be assumed that (a) the principal amount of any Commercial Paper Notes Outstanding is that amount forecasted by the City as of the date of the calculation of Average Annual Principal and Interest Requirements to have been issued and be Outstanding at the expiration date of the program established for the Commercial Paper Notes, (b) only interest will be payable on the Commercial Paper Notes prior to the expiration date of the program established for the Commercial Paper Notes, and such amount will be calculated by assuming such interest rate is a fixed interest rate equal to the average daily interest rate for all Commercial Paper Notes issued as part of such program during the twelve months preceding the calculation or during the time the Commercial Paper Notes have been Outstanding if less than twelve months and if such Commercial Paper Notes are not then Outstanding, the interest rate will be deemed to be a fixed interest rate equal to the average daily interest rate which would have been applicable if such Commercial Paper Notes had been Outstanding for the preceding twelve month period as estimated by the Finance Director, and (c) the Commercial Paper Notes so forecasted to have been issued and Outstanding will mature over 25 years from the expiration date of the program established for the Commercial Paper Notes, will bear interest on the unpaid principal amount thereof at the fixed rate of interest equal to the Bond Buyer 30 Year Revenue Index of 25 Revenue Bonds as published in the most recent issue of The Bond Buyer (or any successor thereto) preceding the date of such determination or if such Index is no longer published, of a comparable index selected by the Finance Director and will be payable on a level annual debt service basis over such 25 year period, all as set forth in a certificate of the Finance Director. For the purposes of this paragraph, the term “expiration date of the program established for the Commercial Paper Notes” will mean the earlier of (i) such expiration date as set forth in the ordinance of the City authorizing the issuance of the Commercial Paper Notes, or (ii) 5 years from the initial date of issuance of any Commercial Paper Note under such program.

“Build America Bond Credit” means the credit provided in Section 6431 of the Code in lieu of any credit otherwise available to the Owners under Section 54AA(a) of the Code or credits from similar programs authorized in the future.

“Build America Mutual” means Build America Mutual Assurance Company, a mutual insurance corporation organized under the laws of, and domiciled in, the State of New York, or any successor thereto or assignee thereof.

“Balloon Bonds” means any securities payable from Net Pledged Revenues 25% or more of the original principal amount of which matures during any consecutive twelve month period if such maturing principal amount is not required to be amortized by mandatory redemption or prepayment prior to such period and if such twelve month period overlaps the Fiscal Year in which the Combined Maximum Annual Principal and Interest Requirements occur (without regard to the assumptions contained in clause (c) of the first paragraph of the definition of Combined Maximum Annual Principal and Interest Requirements).

“Beneficial Owner” means each owner of Bonds whose ownership is recorded under the book-entry only system maintained by the Depository.

“Bond Fund” means the special account designated as the “City of Colorado Springs, Colorado, Utilities System Improvement Revenue Bonds, Series 2023A and City of Colorado Springs Colorado, Utilities System Refunding Revenue Bonds, Series 2023B Bond Fund” created pursuant to the Bond Ordinance.

“Bond Requirements” means the principal of, any prior redemption premiums due in connection with, and the interest on any Bonds or other securities payable from the Net Pledged Revenues and heretofore or hereafter issued, if any, or such part of such securities as may be designated.

“Bonds” has the meaning ascribed to such terms in the Bond Ordinance.

“Combined Maximum Annual Principal and Interest Requirements” means the largest sum of the principal of and interest on the Bonds, and any other Outstanding Parity Bonds, excluding any securities the principal of which is payable within less than one year from the date on which issued, to be paid during any one Fiscal Year for the period beginning with the Fiscal Year in which such computation is made and ending with the Fiscal Year in which any Bond or other such security last becomes due at maturity or on a Redemption Date, whichever time is later (but excluding any reserve requirement to secure such payments unless otherwise expressly provided). The word “principal,” as used in the preceding sentence, means for all purposes of this paragraph, the principal which must be paid to security Owners, whether on stated maturity dates or on mandatory Redemption Dates, or otherwise. Any such computation will be adjusted for all purposes in the same manner as is provided in the Bond Ordinance. For the purposes of this computation, it will be assumed that (a) Variable Rate Bonds Outstanding at the time of such determination will bear interest during any period (i) if the interest rate such Variable Rate Bonds bear or will bear during such period has not been determined, at the fixed interest rate estimated by the remarketing agent for such Variable Rate Bonds and approved by the Finance Director or, if there is no such remarketing agent, by the Finance Director that, having due regard for prevailing financial market conditions, is necessary, but does not exceed the interest rate necessary, to sell such Variable Rate Bonds at 100% of the principal amount thereof in an open market transaction, assuming the Variable Rate Bonds had a term equal to the then remaining term of the Variable Rate Bonds (taking into account any mandatory redemption for such Variable Rate Bonds), or (ii) if the interest rate such Variable Rate Bonds bear or will bear during such period has been determined and is not subject to fluctuation, at such interest rate thus determined, (b) any Tender Bonds Outstanding at the time of such determination will mature on the stated maturity or mandatory Redemption Date or Dates thereof, and (c) any Balloon Bonds Outstanding at the time of such determination will mature over 30 years from the date of issuance of the Balloon Bonds, will bear interest on the unpaid principal amount thereof at the fixed rate of interest equal to the Bond Buyer 30 Year Revenue Index of 25 Revenue Bonds as published in the most recent issue of The Bond Buyer (or any successor thereto) preceding the date of such determination or if such Index is no longer published, of a comparable index selected by the Finance Director and will be payable on a level annual debt service basis over a thirty year period.

For purposes of this calculation, if a Parity Financial Products Agreement has been entered into by the City with respect to the Bonds or any Parity Bonds, interest on the Bonds or such Parity Bonds will be included in the calculation of such principal and interest by including for each Fiscal Year an amount equal to the amount of interest payable on the Bonds or such Parity Bonds in such Fiscal Year during such period determined as hereinabove provided plus any Financial Products Payments payable in any such Fiscal Year

minus any Financial Products Receipts receivable in any such Fiscal Year; provided that in no event will any calculation made pursuant to this sentence result in a number less than zero being included in the calculation of such interest.

In determining the amount of any Financial Products Payments or Financial Products Receipts on any interest rate swaps or other similar Financial Products Agreement which Payments or Receipts are based on interest rates which are not fixed in percentage for the entire term of the Financial Products Agreement, such amount will be calculated by assuming such variable interest rate is a fixed interest rate equal to (a) if the Parity Financial Products Agreement relates to Variable Rate Bonds, the fixed rate of interest estimated for such Variable Rate Bonds as provided above, or (b) if the Parity Financial Products Agreement relates to the Bonds or Parity Bonds which bear interest at a fixed interest rate, the average daily interest rate for such Payments or Receipts under such Financial Products Agreement during the twelve months preceding the calculation or during the time the Financial Products Agreement has been in effect if less than twelve months and if such Financial Products Agreement is not then in effect, the variable interest rate for such Payments or Receipts will be deemed to be a fixed interest rate equal to the average daily interest rate which would have been applicable if such Financial Products Agreement had been in effect for the preceding twelve month period, which average daily interest rate will be set forth in a certificate of the Finance Director.

In determining the amount of any Financial Products Payments or Financial Products Receipts on any interest rate cap, floor, collar or other similar Financial Products Agreement with respect to Parity Bonds which are Variable Rate Bonds, such amount will be calculated by assuming the interest rate on the related Parity Bonds will be a fixed interest rate equal to the average daily interest rate on such Variable Rate Bonds during the twelve months preceding the calculation or during the time the Variable Rate Bonds are Outstanding if less than twelve months and if such Variable Rate Bonds are not at the time of calculation Outstanding, the variable interest rate will be deemed to be a fixed interest rate equal to the average daily interest rate which such Bonds would have borne if they had been Outstanding for the preceding twelve month period as estimated by the Finance Director, all as set forth in a certificate of the Finance Director. In determining the amount of any Financial Products Payments or Financial Products Receipts on any interest rate cap, floor, collar or other similar Financial Products Agreement with respect to Parity Bonds bearing interest at a fixed rate, such amount will be the amount payable or receivable annually determined as of the date of issuance of the Parity Bonds, as set forth in a certificate of the Finance Director.

For the purposes of this calculation, if Commercial Paper Notes are then Outstanding or are the Parity Bonds proposed to be issued, it will be assumed that (a) the principal amount of any Commercial Paper Notes Outstanding is that amount forecasted by the City as of the date of the calculation of Combined Maximum Annual Principal and Interest Requirements to have been issued and be Outstanding at the expiration date of the program established for the Commercial Paper Notes, (b) only interest will be payable on the Commercial Paper Notes prior to the expiration date of the program established for the Commercial Paper Notes, and such amount will be calculated by assuming such interest rate is a fixed interest rate equal to the average daily interest rate for all Commercial Paper Notes issued as part of such program during the twelve months preceding the calculation or during the time the Commercial Paper Notes have been Outstanding if less than twelve months and if such Commercial Paper Notes are not then Outstanding, the interest rate will be deemed to be a fixed interest rate equal to the average daily interest rate which would have been applicable if such Commercial Paper Notes had been Outstanding for the preceding twelve month period as estimated by the Finance Director and (c) the Commercial Paper Notes so forecasted to have been issued and Outstanding will mature over 25 years from the expiration date of the program established for the Commercial Paper Notes, will bear interest on the unpaid principal amount thereof at the fixed rate of interest equal to the Bond Buyer 30 Year Revenue Index of 25 Revenue Bonds as published in the most recent issue of The Bond Buyer (or any successor thereto) preceding the date of such determination or if such Index is no longer published, of a comparable index selected by the Finance Director and will be payable on a level annual debt service basis over such 25 year period, all as set forth in a certificate of the Finance Director. For the purposes of this paragraph, the term "expiration date of the program established for the Commercial Paper Notes" will mean the earlier of (i) such expiration date as set forth in the ordinance of the City authorizing the issuance of the

Commercial Paper Notes, or (ii) 5 years from the initial date of issuance of any Commercial Paper Note under such program.

“Commercial Paper Notes” means any bonds or notes payable from and having an irrevocable lien upon Net Pledged Revenues on a parity with the Bonds (a) which have a stated maturity date which is not more than 365 days after the date of issuance thereof, and (b) are designated as Commercial Paper Notes in the ordinance authorizing their issuance, but does not include any Credit Facility Obligations relating to such bonds or notes.

“Continuing Disclosure Undertaking” means the certificate to be dated the date of delivery of the Bonds delivered by the City, which constitutes an undertaking pursuant to Rule 15c2-12 promulgated by the Securities and Exchange Commission.

“Cost of the Series 2023A Project” means all costs, as designated by the City, of the Series 2023A Project or any interest therein, which cost, at the option of the City (except as may be otherwise limited by law) may include all, any one or other portion of the incidental costs pertaining to the Series 2023A Project, including, without limitation:

- (a) All preliminary expenses or other costs advanced by the City or advanced by the Federal Government, the State or by any other Person from any source, with the approval of the Council, or any combination thereof, or otherwise;
- (b) The costs of making surveys and tests, audits, preliminary plans, other plans, specifications, estimates of costs and other preliminaries;
- (c) The costs of contingencies;
- (d) The costs of premiums on any builders’ risk insurance and performance bonds during the construction, installation and other acquisition of the Series 2023A Project, or a reasonably allocated share thereof;
- (e) The costs of appraising, printing, estimates, advice, inspection, other services of engineers, architects, accountants, financial consultants, attorneys at law, clerical help and other agents and employees;
- (f) The costs of making, publishing, posting, mailing and otherwise giving any notice in connection with the Series 2023A Project, the taking of options and the issuance of the Bonds;
- (g) The costs of the filing or recording of instruments and the cost of any title insurance premiums;
- (h) The costs of funding any construction loans and other temporary loans pertaining to the Series 2023A Project and of the incidental expenses incurred in connection with such loans;
- (i) The costs of demolishing, removing, or relocating any buildings, structures, or other facilities on land acquired for the Series 2023A Project, and of acquiring lands to which such buildings, structures or other facilities may be moved or relocated;
- (j) The costs of machinery and equipment;
- (k) The costs of any properties, rights, easements or other interests in properties, or any licenses, privileges, agreements and franchises;

(l) The costs of labor, material and obligations incurred to contractors, builders and materialmen in connection with the acquisition and construction of the Series 2023A Project and the costs of labor incurred for employees of the City engaged in the acquisition and construction of the Series 2023A Project;

(m) Interest on the Series 2023A Bonds through the completion date of the Series 2023A Project;

(n) The costs of amending any ordinance, resolution or other instrument pertaining to the Series 2023A Bonds or otherwise to the System; and

(o) All other expenses pertaining to the Series 2023A Project.

“Credit Facility” means any letter or line of credit, policy of bond insurance, surety bond or guarantee or similar instrument (other than a Reserve Fund Insurance Policy) issued by a financial, insurance or other institution and which specifically provides security and/or liquidity in respect of securities payable from Net Pledged Revenues.

“Credit Facility Obligations” means repayment or other obligations incurred by the City in respect of draws or other payments or disbursements made under a Credit Facility.

“Depository” means any securities depository that is a clearing agency under federal law operating and maintaining, with its participants or otherwise, a book-entry system to record ownership of book-entry interests in bonds, and to effect transfers of book-entry interests in bonds in book-entry form, and includes and means initially The Depository Trust Company (a limited purpose trust company), New York, New York.

“Federal Securities” means bills, certificates of indebtedness, notes, or bonds which are direct obligations of, or the principal of and interest on which obligations are unconditionally guaranteed as to full and timely payment by, the United States of America.

“Finance Director” means the chief financial officer of the Utilities, presently the Chief Planning and Finance Officer, or his or her designate, or his or her successor in functions, if any.

“Financial Products Agreement” means an interest rate swap, cap, collar, floor, other hedging agreement, arrangement or security, however denominated, entered into by the City with a Provider not for investment purposes but with respect to the Bonds or specific Parity Bonds and providing that any payments by the City thereunder will be made only from Net Pledged Revenues and for the purpose of (a) reducing or otherwise managing the City’s risk of interest rate changes, or (b) effectively converting the City’s interest rate exposure, in whole or in part, from a fixed rate exposure to a variable rate exposure, or from a variable rate exposure to a fixed rate exposure.

“Financial Products Payments” means payments periodically required to be paid to a Provider by the City pursuant to a Financial Products Agreement but specifically not including any termination, settlement or similar payments required to be paid upon an early termination of the Financial Products Agreement or as a result of any event of default thereunder.

“Financial Products Receipts” means amounts periodically required to be paid to the City by a Provider pursuant to a Financial Products Agreement but specifically not including any termination, settlement or similar payments required to be paid upon an early termination of the Financial Products Agreement or as a result of any event of default thereunder.

“Gross Pledged Revenues” means all income, charges and revenues derived directly or indirectly by the City from the operation and use of and otherwise pertaining to the System, or any part thereof, whether resulting from Capital Improvements, Capital Additions, or otherwise, and includes all income, charges and revenues received by the City from the System, including without limitation:

(a) All fees, rates and other charges for the use of the System, or for any service rendered by the City in the operation thereof, directly or indirectly, the availability of any such service, or the sale or other disposal of any commodities derived therefrom, including, without limitation, connection charges, but:

(i) Excluding any moneys borrowed and used for the acquisition of Capital Improvements or Capital Additions or for the refunding of securities, including the proceeds of Crossover Refunding Bonds and all income or other gain from any investment of such borrowed moneys;

(ii) Excluding any moneys received as grants, appropriations or gifts from the Federal Government, the State, or other sources, the use of which is limited by the grantor or donor to the construction of Capital Improvements or Capital Additions, except to the extent any such moneys shall be received as payments for the use of the System, services rendered thereby, the availability of any such service, or the disposal of any commodities therefrom;

(iii) Excluding any income and revenue from any Special Facilities which have not been transferred by the City, in its sole discretion, to the System and excluding any revenues from any special rates and charges imposed to finance any such untransferred Special Facilities; and

(iv) Excluding any Financial Products Receipts;

(b) All income or other gain from any investment of Gross Pledged Revenues (including without limitation the income or gain from any investment of all moneys in any bond fund or reserve fund for any securities payable from Net Pledged Revenues and of all Net Pledged Revenues, but excluding borrowed moneys and all income or other gain thereon in the Series 2023A Acquisition Fund or any other acquisition or construction fund, the Series 2023B Escrow Fund or any other escrow fund for any other securities payable from Net Pledged Revenues heretofore or hereafter issued and excluding any unrealized gains or losses on any investment of Gross Pledged Revenues) unless the Council or the qualified electors of the City otherwise provide by ordinance, or such electors by Charter amendment;

(c) All Build America Bond Credits to the extent received by the City with respect to any securities payable from the Net Pledged Revenues; and

(d) All income and revenues derived from the operation of any other utility or other income-producing facilities added to the System and to which the pledge and lien herein provided are extended by ordinance passed by the Council or the qualified electors of the City or by Charter amendment adopted by such electors.

“Independent Accountant” means any certified public accountant, or any firm of certified public accountants, duly licensed to practice and practicing as such under the laws of the State:

(a) Who is, in fact, independent and not under the domination of the City;

(b) Who does not have any substantial interest, direct or indirect, with the City; and

(c) Who is not connected with the City as an officer or employee thereof, but who may be regularly retained to make annual or similar audits of any books or records of the City.

“Investment Securities” means any securities or other obligations permitted as investments of moneys of the City under the laws of the State.

“Maturity-Rate” means the Series 2023A Bonds or the Series 2023B Bonds, as applicable, which are due on the same date and bear the same rate of interest.

“Net Pledged Revenues” means the Gross Pledged Revenues remaining after the payment of the Operation and Maintenance Expenses.

“Parity Bonds” means any securities heretofore or hereafter issued payable from and having an irrevocable lien upon the Net Pledged Revenues on a parity with the Bonds but does not include any Credit Facility Obligations relating to any such securities.

“Parity Credit Facility Obligations” means any Credit Facility obligations payable from the Net Pledged Revenues with a lien thereon which is on a parity with the Bonds.

“Parity Financial Products Agreement” means any Financial Products Agreement pursuant to which Financial Products Payments are payable from Net Pledged Revenues on a parity with the Bonds.

“Paying Agent” means Computershare Trust Company, N.A., in Minneapolis, Minnesota, and being an agent of the City for the payment of the Bond Requirements due in connection with the Bonds, the registrar for the Bonds and for other administration of moneys pertaining to the Bonds, and includes any successor Commercial Bank as Paying Agent.

“Provider” means any financial institution or insurance company which is a party to a Financial Products Agreement with the City.

“Reserve Fund” means the special account designated as the “City of Colorado Springs, Colorado, Utilities System Improvement Revenue Bonds, Series 2023A and City of Colorado Springs, Colorado, Utilities System Refunding Revenue Bonds, Series 2023B Reserve Fund” created pursuant to the Bond Ordinance.

“Reserve Fund Insurance Policy” means any insurance policy, surety bond or letter of credit deposited in or credited to the Reserve Fund as provided in the Bond Ordinance in lieu of or in partial substitution for cash or Investment Securities on deposit in the Reserve Fund or similarly credited to a reserve fund for Parity Bonds.

“Reserve Fund Requirement” means the sum of (a) an amount equal to the sum of the interest on the Series 2023A Bonds then Outstanding to be paid during each Fiscal Year for the period beginning with the Fiscal Year in which the Series 2023A Bonds are issued and ending with the Fiscal Year in which any Series 2023A Bond last becomes due at maturity or on a mandatory Redemption Date divided by the number of full Fiscal Years during the period beginning with the first Fiscal Year in which interest on the Series 2023A Bonds is paid and ending with the Fiscal Year in which any Series 2023A Bond last becomes due at maturity or on a mandatory Redemption Date, and (b) an amount equal to the sum of the interest on the Series 2023B Bonds then Outstanding to be paid during each Fiscal Year for the period beginning with the Fiscal Year in which the Series 2023B Bonds are issued and ending with the Fiscal Year in which any Series 2023B Bond last becomes due at maturity or on a mandatory Redemption Date divided by the number of full Fiscal Years during the period beginning with the Fiscal Year in which interest on the Series 2023B Bonds is paid and ending with the Fiscal Year in which any Series 2023B Bonds last becomes due at maturity or on a mandatory Redemption Date.

“Special Facility” includes any construction or acquisition project undertaken by or on behalf of the City, or in which the City has an interest, for the generation or transmission of electricity, the supply, treatment or transmission of water, the treatment of sanitary waste, or the production or transmission of gas, which Special Facility is constructed or acquired in whole or in part by the City and is financed in whole or part by Special Facility Obligations.

“Special Facility Obligations” means bonds or other obligations issued by the City and payable solely or in part from, and secured by a pledge of, income, charges or revenue from or relating to designated Special

Facilities, including without limitation income, charges and revenues from special rates and charges upon customers of the System to finance any Special Facilities.

“Subordinate Credit Facility Obligations” means any Credit Facility Obligations payable from Net Pledged Revenues subordinate and junior to the lien thereon of the Bonds.

“Subordinate Securities” means securities payable from the Net Pledged Revenues subordinate and junior to the lien thereon of the Bonds but does not include any Credit Facility Obligations relating to any such securities.

“Supplemental Public Securities Act Certificate” means the certificate of the City described in the Bond Ordinance.

“Surety Agreement” means any agreement hereafter entered into by the City and a Surety Provider with respect to a Reserve Fund Insurance Policy for the Bonds.

“Surety Provider” means Build America Mutual or any other entity issuing a Reserve Fund Insurance Policy with respect to the Bonds, provided that such entity has a rating in one of the two highest rating categories assigned by any one of S&P Global Ratings, Moody’s Investors Service or Fitch, Inc. at the time such policy, bond or letter of credit is deposited in or credited to the Reserve Fund.

“Tax Compliance Certificate” means the Tax Compliance Certificate executed by the City in connection with the initial issuance and delivery of Bonds as it may from time to time be modified pursuant to its terms.

“Tender Bonds” means any securities payable from Net Pledged Revenues which by their terms may be required to be tendered for purchase or which may be tendered by and at the option of the Owner thereof for purchase, prior to the stated maturity thereof.

“Variable Rate Bonds” means any securities payable from Net Pledged Revenues issued with a variable, adjustable, convertible or other similar interest rate which is not fixed in percentage for the entire term at the date of issue.

Equality of Lien

The Bonds and any Parity Bonds previously or subsequently issued and outstanding, including any Parity Credit Facility Obligations relating thereto and any Parity Financial Products Agreements heretofore or hereafter entered into, are equitably and ratably secured by a lien on the Net Pledged Revenues. The Bonds and any Parity Bonds previously or subsequently issued will be ratably secured by a lien of the Net Pledged Revenues and will not be entitled to any priority to such Net Pledged Revenues one over the other regardless of the times of their issuance or maturity. See “DESCRIPTION OF THE BONDS—Security for the Bonds.”

The Bond Ordinance provides that the System does not and will not include the interest of the City in any Special Facility. One or more interests may be designated as Special Facilities. The power, water or gas produced by, or the treatment or transmission capability of a Special Facility either may be distributed by the City in its System or may be sold by the City to other utilities. Under the Bond Ordinance, the City reserves the right to impose special rates and charges upon customers of the System, in addition to the general rates and charges, to finance any Special Facility. If the City uses these provisions of the Bond Ordinance to acquire or construct any Special Facility while any of the Bonds or parity securities are outstanding, the revenues derived by the City from the operation of any Special Facility (including revenues which might be received from the imposition of any such special rates and charges upon customers of the System) will not be included in the Gross Pledged Revenues of the System and will not be available to make payments due on the Bonds or parity securities.

Any interest in facilities such as those which might constitute Special Facilities, which interest is owned by any entity in which the City participates, including without limitation, an entity having the attributes of a municipal corporation or political subdivision (such as a water or power authority), or which may issue federally tax-exempt obligations, may not be designated a Special Facility and also will not be a part of the System (except that payments made by the City to such an entity may constitute operation and maintenance costs of the System payable out of Gross Pledged Revenues).

Additional Securities

The City may issue securities which have a lien on the Net Pledged Revenues which is subordinate to the lien of the Bonds at any time.

Additional securities having a lien against the Net Pledged Revenues on a parity with the lien of the Bonds may be issued only if the following conditions are satisfied:

- (a) There is no default in making any payments described under “Flow of Funds” below; and
- (b) If the additional Parity Bonds are to be issued to finance capital improvements, the Net Pledged Revenues derived in the fiscal year immediately preceding the date of the issuance of the Parity Bonds must have been not less than 130% of the Average Annual Principal and Interest Requirements of the Outstanding Bonds, any Outstanding Parity Bonds and the Parity Bonds proposed to be issued, except as provided in the Bond Ordinance.

In any computation of the earnings test for issuance of any additional Parity Bonds, the amount of Gross Pledged Revenues for the applicable period will be decreased (subject to certain exceptions) and may be increased by any gain or loss conservatively estimated by the City which results from any change in any schedule of fees, rates, and other charges constituting Gross Pledged Revenues made not less than 60 days prior to the last day of the period for which Gross Pledged Revenues are determined prior to the computation. In addition, consideration will be given to any probable net increase in the operation and maintenance expenses of the System, as estimated by the Director, that will result from the expenditure of the funds proposed to be derived from the issuance of the additional securities.

Additional Securities for Refundings – The Bond Ordinance also includes restrictions that would apply to any refunding of outstanding securities in which the refunding securities would be on a parity with the unrefunded Bonds. Such a partial refunding may be done only if one or more of the following conditions are satisfied:

- (a) The City receives the consent of the Owners of the unrefunded portion of the Bonds; or
- (b) The Combined Maximum Annual Principal and Interest Requirements for the Bonds and Parity Bonds Outstanding immediately after the refunding (calculated as specified and with the assumptions described in the Bond Ordinance) will not increase as a result of the refunding; or
- (c) The refunding securities are issued in compliance with the requirements for additional securities generally (*i.e.*, there is no default in making required payments and the 130% test is satisfied), as described above.

Flow of Funds

The Gross Pledged Revenues will be deposited in an Income Fund, payments from which will be made in the following order of priority:

- (a) Operation and maintenance expenses of the System will be paid.
- (b) Monthly accumulation will be made in the Bond Fund, in equal monthly installments, of current principal (including principal which becomes payable under redemption provisions) and interest payments due on or in connection with the Bonds and with respect to accumulation for principal and mandatory redemption, such accumulation need not commence until one year prior to the date on which such principal or mandatory redemption payment is due. Such credits will be made concurrently with similar payments to be made with respect to Parity Bonds under the applicable Parity Bond ordinances.
- (c) Concurrently with the monthly payments into the Bond Fund required above, and concurrently with similar payments to be made with respect to Parity Bonds under the applicable Parity Bond ordinances, and concurrently with any repayment or similar obligations payable to the issuer of any Reserve Fund Insurance Policy with respect to any Parity Bonds, from any moneys remaining in the Income Fund there will be credited to the Reserve Fund, monthly, commencing on the first day of the month next succeeding each date on which the moneys accounted for in the Reserve Fund for any reason are less than the Reserve Fund Requirement (see "Reserve Fund" below), such amounts in substantially equal monthly payments on the first day of each month to reaccumulate the Reserve Fund Requirement by not more than 12 such monthly payments. If a Reserve Fund Insurance Policy is on deposit in the Reserve Fund to fund all or a part of the Reserve Fund Requirement, the amounts payable into the Reserve Fund pursuant to the immediately preceding sentence will be paid by the City first to the Surety Provider to reimburse it (in accordance with the provisions of the Surety Agreement) for amounts disbursed by it until the Reserve Fund Insurance Policy is reinstated in full, and second to replenish cash in the Reserve Fund. If there are insufficient Net Pledged Revenues to comply with the requirements of the first sentence in this subparagraph, available Net Pledged Revenues are to be credited or paid to the Reserve Fund, to reserve funds established by any Parity Bond Ordinances and to any entity issuing any Reserve Fund Insurance Policy with respect to the Bonds or any Parity Bonds pro rata, based upon the aggregate principal amount of the Bonds and any such Parity Bonds then Outstanding; provided, however, that compliance with the provisions of this sentence will not cure any event of default caused by non-compliance with the first sentence in this subparagraph.
- (d) Subsequent to the payments summarized in (a) through (c) above, there will be deposited into the Rebate Fund moneys in the amounts and at the times specified in the Tax Compliance Certificate. Amounts on deposit in the Rebate Fund will not be subject to the lien and pledge of the Bond Ordinance to the extent that such amounts are required to be paid to the United States Treasury. The City will cause amounts on deposit in the Rebate Fund to be forwarded to the United States Treasury (at the address provided in the Tax Compliance Certificate) at the times and in the amounts set forth in the Tax Compliance Certificate.

If the moneys on deposit in the Rebate Fund are insufficient for the purposes thereof, the City will transfer moneys in the amount of the insufficiency to the Rebate Fund, to the extent permitted by the Bond Ordinance, from the Reserve Fund and the Bond Fund. Upon receipt by the City of an opinion of nationally recognized bond counsel acceptable to the City to the effect that the amount in the Rebate Fund is in excess of the amount required to be contained therein, such excess will be transferred to the Income Fund.
- (e) Subsequent to the payments summarized in (a) through (d) above, there will be paid to any Surety Provider interest on amounts advanced under a Reserve Fund Insurance Policy pursuant to such Surety Agreement.

(f) Subsequent to the payments summarized in (a) through (e) above, there may be paid interest on, principal of, reasonable reserves for, and rebate payments to the United States Treasury for additional bonds or obligations previously or subsequently issued subordinate to the lien and pledge of the Bonds.

(g) The balance remaining in the Income Fund may be used first for any necessary purposes relating to the System, and then for any lawful purposes as determined by the City Council.

Rate Covenant

The Bond Ordinance provides that there will be charged to users of service pertaining to, and users of, the System, including the City (except as otherwise provided in the Bond Ordinance), such fees, rates and other charges so that the Gross Pledged Revenues will be adequate to pay in each fiscal year (i) the operation and maintenance expenses, (ii) an amount equal to 130% of both the principal of and the interest on (but excluding any reserves) the Bonds and any other Parity Bonds payable from the Net Pledged Revenues during that fiscal year, and (iii) any amounts required to pay amounts, if any, owed to the Surety Provider pursuant to the Surety Agreement and to meet then-existing deficiencies pertaining to any fund or account relating to the Gross Pledged Revenues or any securities payable from the Gross Pledged Revenues, and to satisfy its obligations under any Financial Products Agreements (other than Financial Products Payments and other than any termination, settlement or similar payments required to be paid upon an early termination of the Financial Products Agreement or as a result of any event of default thereunder). The Bond Ordinance specifies that the fees, rates and other charges to be paid by users of the System are to be reasonable. If any parity Variable Rate Bonds, parity Balloon Bonds, Commercial Paper Notes or Parity Credit Facility Obligations are Outstanding, the Bond Ordinance specifies that for purposes of the rate covenant, the amount of principal and interest or similar payments with respect to such parity Variable Rate Bonds, parity Balloon Bonds, Commercial Paper Notes, or Parity Credit Facility Obligations due in such fiscal year will be deemed to be the amount specified in the ordinance pursuant to which such parity Variable Rate Bonds or parity Balloon Bonds, Commercial Paper Notes or Parity Credit Facility Obligations are authorized, and for the purposes of the rate covenant, parity Tender Bonds will be assumed to mature on the stated maturity or mandatory Redemption Date or Dates thereof and Commercial Paper Notes will be assumed to mature 25 years after the earlier of (i) the expiration date of the program established for them as set forth in the ordinance of the City authorizing the issuance of the Commercial Paper Notes, or (ii) 5 years from the initial date of issuance of any Commercial Paper Notes under such program.

For the purpose of subsection (ii) of the preceding paragraph, if a Parity Financial Products Agreement has been entered into by the City with respect to the Bonds or any Parity Bonds, interest on the Bonds or such Parity Bonds will be included in the calculation of such interest by including for that fiscal year an amount equal to the amount of interest payable on the Bonds or such Parity Bonds in that fiscal year determined as hereinabove provided plus any Financial Products Payments payable in that fiscal year minus any Financial Products Receipts receivable in that fiscal year; provided that in no event will any calculation made pursuant to this sentence result in a number less than zero being included in the calculation of such interest.

In determining the amount of any Financial Products Payments or Financial Products Receipts on any interest rate swaps or other similar Financial Products Agreement which Payments or Receipts are based on interest rates which are not fixed in percentage for such Fiscal Year, such amount will be calculated by assuming such variable interest rate is a fixed interest rate equal to (i) if the Parity Financial Products Agreement relates to Variable Rate Bonds, the fixed rate of interest estimated for such Variable Rate Bonds as provided above, or (ii) if the Parity Financial Products Agreement relates to the Bonds or Parity Bonds which bear interest at a fixed interest rate, the average daily interest rate for such Payments or Receipts under such Financial Products Agreement during the immediately preceding fiscal year or during the time the Financial Products Agreement has been in effect if less than all of such immediately preceding fiscal year.

In determining the amount payable under any Financial Products Payments or Financial Products Receipts on any interest rate cap, floor, collar or other similar Financial Products Agreement with respect to Parity Bonds which are Variable Rate Bonds, such amount will be calculated by assuming the interest rate on the related Parity Bonds is the rate determined as provided in the first paragraph of this section. In determining the amount of any Financial Products Payments or Financial Products Receipts on any interest rate cap, floor, collar or other similar Financial Products Agreement with respect to Parity Bonds bearing interest at a fixed rate, such amount will be the amount payable or receivable annually determined as of the date of issuance of the Parity Bonds.

Reserve Fund

No payment need be made into the Reserve Fund at any time so long as the moneys and/or Reserve Fund Insurance Policy deposited in the Reserve Fund equal not less than the Reserve Fund Requirement. If moneys on deposit in the Reserve Fund exceed the Reserve Fund Requirement, the excess cash is to be transferred to the Rebate Fund or the Bond Fund as directed by the City.

Commencing the first month following the date on which the moneys and/or Reserve Fund Insurance Policy in the Reserve Fund for any reason are less than the Reserve Fund Requirement, the City is required to accumulate monthly, over a period of not more than 12 months, amounts necessary to reaccumulate the Reserve Fund Requirement, as described under "Flow of Funds" above.

The City may at any time substitute (i) cash or Investment Securities for a Reserve Fund Insurance Policy, or (ii) a Reserve Fund Insurance Policy for cash or Investment Securities, so long as the amount on deposit in the Reserve Fund after such substitution is at least equal to the Reserve Fund Requirement. Any Reserve Fund Insurance Policy deposited to the credit of the Reserve Fund will be valued at the amount available to be drawn or otherwise paid.

If both cash and a Reserve Fund Insurance Policy are on deposit in the Reserve Fund, the City is required to use all cash before drawing on the Reserve Fund Insurance Policy.

Investment of Funds

Moneys deposited in the accounts designated in the Bond Ordinance and not needed for immediate use are to be invested or reinvested by the Finance Director in Investment Securities. The Bond Ordinance provides that Investment Securities credited to the Reserve Fund will not mature later than the last maturity date of the Bonds.

Disposal of System Prohibited

Except for the use of the System and services pertaining thereto in the normal course of business, neither all nor substantially all of the System will be sold, leased, mortgaged, pledged, encumbered, alienated or otherwise disposed of, so long as any Bonds are Outstanding.

Except as otherwise provided by the Charter and in the Bond Ordinance, the City may sell, exchange or otherwise dispose of property, facilities and assets of the System at any time and from time to time and may lease, contract or grant licenses for the operation of, or make arrangements for the use of, or grant easements or other rights to the properties, facilities and assets of the System. Any proceeds of any such sale, exchange or other disposition received and not used to replace such property so sold or so exchanged or otherwise so disposed of, will be deposited by the City in the Income Fund or into a special book account for the betterment, enlargement, extension, other improvement and equipment of the System, or any combination thereof, as the Council may determine, and any proceeds of any such lease received will be deposited by the City as Gross Pledged Revenues in the Income Fund.

Insurance and Reconstruction

Except to the extent of any self-insurance, the City at all times will be required to maintain with responsible insurers fire and extended coverage insurance, workers compensation insurance, public liability insurance, and all other insurance customarily maintained with respect to utilities of like character against loss of or damage to the System and against loss of revenues and against public and other liability to the extent reasonably necessary to protect the interests of the City and of each Owner of the Bonds. See “COLORADO SPRINGS UTILITIES —Insurance.” If any useful part of the System is damaged or destroyed, the City will, as expeditiously as possible, commence the repair or replacement of the damaged property. If the costs of repair and replacement of the damaged property exceed the proceeds of any insurance, surplus moneys in the Income Fund will be used to the extent necessary, as permitted by the Bond Ordinance.

Events of Default and Remedies

Each of the following events is an “event of default” under the Bond Ordinance:

- (a) Payment of the principal of any of the Bonds is not made when the same becomes due and payable;
- (b) Payment of any installment of interest on any of the Bonds is not made when due and payable or within 30 days thereafter;
- (c) The occurrence and continuance of any “event of default” as defined in any bond ordinance governing Parity Bonds;
- (d) The City unreasonably delays or fails to carry out with reasonable dispatch the reconstruction of any part of the System which is destroyed or damaged and is not promptly repaired or replaced (unless such reconstruction is not essential to the efficient operation of the System);
- (e) An order or decree is entered by a court of competent jurisdiction with the consent or acquiescence of the City appointing a receiver or receivers for the System or for the Gross Pledged Revenues and any other moneys subject to the lien securing the Bonds then Outstanding, or such an order or decree is entered without the consent or acquiescence of the City and is not vacated, discharged, or stayed on appeal within 60 days after entry; or
- (f) The City defaults in the due and punctual performance of any representations, covenants, conditions, agreements, and other provisions contained in the Bonds or the Bond Ordinance (other than compliance with its continuing disclosure undertaking described under “DESCRIPTION OF THE BONDS – Continuing Disclosure Undertaking”), and such default continues for 60 days after written notice specifying such default and requiring the same to be remedied is given to the City by the Owners of not less than 25% in aggregate principal amount of the Bonds then Outstanding.

Upon the happening and continuance of any of the events of default, the Owners of not less than 25% of the aggregate principal amount of the Bonds then Outstanding, including, without limitation, a trustee or trustees therefor, may proceed against the City to protect and enforce the rights of any Owner of Bonds under the Bond Ordinance by mandamus or other suit, action, or special proceedings in equity or at law, in any court of competent jurisdiction. All such proceedings will be instituted, had, and maintained for the equal benefit of all Owners of the Bonds and any other Parity Bonds and Parity Credit Facility Obligation relating thereto and the Providers of any Parity Financial Products Agreements.

The Bond Ordinance does not authorize a declaration that all principal and unpaid accrued interest on the Bonds are to become immediately due and payable upon occurrence or continuation of an event of default.

The ability of the Owners of Bonds to enforce their remedies may be limited by bankruptcy, insolvency, reorganization, moratorium, or other laws affecting the enforcement of creditors' rights generally or affecting the enforcement of creditors' rights against entities such as the City. In addition, the availability of equitable remedies or equitable defenses is subject to the discretion of the court before which any proceedings may be brought.

Defeasance

When all Bond Requirements of the Bonds have been duly paid, the pledge and lien and all obligations under the Bond Ordinance will be discharged and the Bonds no longer will be deemed to be Outstanding. A Bond will be deemed to be duly paid when the City has placed in escrow or in trust an amount sufficient (including the known minimum yield available for such purpose from Federal Securities) to meet all Bond Requirements of such Bond, as the same become due to the final maturity of such Bond or upon any Redemption Date.

Amendment

The Bond Ordinance may be amended in certain circumstances without the consent of the Owners and in certain other circumstances with the consent of the Owners of not less than a majority of aggregate principal amount of the Parity Bonds outstanding, but no such amendment may (i) change the maturity, redemption, or payment of interest on any Outstanding Parity Bond without the consent of the Owner of such Parity Bond, (ii) reduce the principal amount of, or the interest payable on any Parity Bond without the consent of the Owner of such Parity Bond, (iii) create a lien or pledge of revenues superior to the lien or pledge created by the Bond Ordinance, (iv) otherwise affect the description of the Parity Bonds or reduce the principal amount of the Parity Bonds required to consent to any amendment, or (v) establish priorities as between the Parity Bonds Outstanding.

APPENDIX C

FORM OF CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate is executed and delivered by the City of Colorado Springs, Colorado (the “City”) in connection with the issuance of \$_____ aggregate principal amount of the Utilities System Improvement Revenue Bonds, Series 2023A and \$_____ aggregate principal amount of the Utilities System Refunding Revenue Bonds, Series 2023B (collectively, the “Bonds”) being issued pursuant to an ordinance (the “Ordinance”) passed by the City Council of the City on July 11, 2023. The City covenants and agrees as follows:

Section 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the City for the benefit of the holders and beneficial owners of the Bonds and in order to assist the Participating Underwriter (as defined in Section 2 hereof) in complying with Rule 15c2-12(b)(5), as amended, of the Securities and Exchange Commission.

Section 2. Definitions. In addition to the definitions set forth in the Ordinance, or parenthetically defined herein, which apply to any capitalized terms used in this Disclosure Certificate unless otherwise defined in this Section, the following capitalized terms will have the following meanings:

“Annual Financial Information” means the financial information or operating data with respect to the City and the Utilities of the type contained in the Official Statement in the following portions: under (i) “COLORADO SPRINGS UTILITIES” the sections entitled “Nature of the Utilities,” “Summary of Operations,” “Outstanding Utilities Revenue Bonds and Other Obligations,” “Interest Rate Swap Agreements—Summary of Current Swap Agreements” and “Debt Service Coverage”; (ii) “THE ELECTRIC SYSTEM,” the sections entitled “Electric Rates,” “Electric System Sales and Revenues” and “System Capability”; (iii) “THE WATER SYSTEM,” the sections entitled “Water Rates and Development Charges,” “Water Sales and Revenues” and “Water Supply and Raw Water Delivery”; (iv) “THE WASTEWATER SYSTEM,” the sections entitled “Wastewater Rates” and “Wastewater Revenues”; and (v) “THE GAS SYSTEM,” the sections entitled “Gas Rates,” “Gas Sales and Revenues” and “Gas Price Hedge Program.”

“Audited Financial Statements” means the Utilities’ annual financial statements, prepared in accordance with Sections 827 and 828 of the Ordinance.

“Dissemination Agent” means, initially, the City, or any successor Dissemination Agent designated in writing by the City and which has filed with the City a written acceptance of such designation.

“Listed Events” means any of the events listed in Section 4 of this Disclosure Certificate.

“MSRB” shall mean the Municipal Securities Rulemaking Board. As of the date hereof, the MSRB’s required method of filing is electronically via its Electronic Municipal Market Access (EMMA) system available on the Internet at <http://emma.msrb.org>.

“Official Statement” means the Final Official Statement dated August 22, 2023 relating to the Bonds.

“Participating Underwriter” means the original underwriters of the Bonds required to comply with the Rule in connection with an offering of the Bonds.

“Rule” means Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

Section 3. Provision of Annual Financial Information and Audited Financial Statements.

(a) Commencing with respect to the fiscal year ended December 31, 2023 and annually thereafter, the City will, or will cause the Dissemination Agent to, provide the Annual Financial Information and the Audited Financial Statements to the MSRB. Such Annual Financial Information will be provided to the MSRB on or before May 1 of each year or, in the event of a change in the fiscal year of the City, on or before 120 days after the end of the fiscal year, and such Audited Financial Statements will be provided to the MSRB annually reasonably promptly after receipt by the City. Not later than five (5) business days prior to said dates, the City will provide the Annual Financial Information or Audited Financial Statements, as the case may be, to the Dissemination Agent (if other than the City).

(b) The City may provide Annual Financial Information and Audited Financial Statements by specific reference to documents which are available to the public on the MSRB’s Internet Web Site or filed with the Securities and Exchange Commission.

(c) If the City is unable to provide to the MSRB the Annual Financial Information and Audited Financial Statements by the dates required in subsection (a) of this Section, the City will send a notice to the MSRB, in substantially the form attached as Exhibit A.

(d) The Dissemination Agent will:

(1) determine each year, prior to the dates for providing the Annual Financial Information and Audited Financial Statements, the electronic format prescribed by the MSRB;

(2) if the Dissemination Agent is other than the City, send written notice to the City at least 45 days prior to the dates the Annual Financial Information or the Audited Financial Statements, as the case may be, are due stating that the Annual Financial Information or the Audited Financial Statements, as the case may be, are due as provided in Section 3(a) hereof; and

(3) if the Dissemination Agent is other than the City, file a report with the City certifying the Annual Financial Information and Audited Financial Statements have been provided pursuant to this Disclosure Certificate, stating the dates they were provided and listing all the entities to which they were provided.

Section 4. Reporting of Significant Events. The City will provide or cause to be provided notice of any of the following events with respect to the Bonds in a timely manner to the MSRB not in excess of ten business days after the occurrence of the event:

(a) Principal and interest payment delinquencies;

(b) Non-payment related defaults, if material;

(c) Unscheduled draws on debt service reserves reflecting financial difficulties;

(d) Unscheduled draws on credit enhancements reflecting financial difficulties;

(e) Substitution of credit or liquidity providers, or their failure to perform;

(f) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701- TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;

(g) Modifications to rights of Bondholders, if material;

(h) Bond calls (other than mandatory sinking fund redemptions), if material, and tender offers;

(i) Defeasances;

(j) Release, substitution or sale of property securing repayment of the Bonds, if material;

(k) Rating changes;

(l) Bankruptcy, insolvency, receivership or similar event of the City;*

(m) The consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of the assets of the City, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;

(n) Appointment of a successor or additional trustee or the change of name of a trustee, if material;

(o) Incurrence of a financial obligation, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation, any of which affect security holders, if material;† and

(p) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the obligated person, any of which reflect financial difficulties.†

Section 5. Electronic Format and Identifying Information. All documents provided to the MSRB pursuant to this Disclosure Certificate shall be in an electronic format as prescribed by the MSRB and shall be accompanied by identifying information as prescribed by the MSRB.

Section 6. Termination of Reporting Obligation. The City's obligations under this Disclosure Certificate will terminate upon the earliest of: (i) the date of legal defeasance, prior redemption or payment in full of all of the Bonds; (ii) the date that the City will no longer constitute an "obligated person" within the meaning of the Rule; or (iii) the date on which those portions of the Rule which require this written

* For purposes of the event identified in Section 4(l), the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the City in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the City, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the City.

† For purposes of the events identified in Section 4(o) and 4(p), the term "financial obligation" means a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) guarantee of (i) or (ii). The term financial obligation shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.

undertaking are held to be invalid by a court of competent jurisdiction in a non-appealable action, have been repealed retroactively or otherwise do not apply to the Bonds.

Section 7. Dissemination Agent. The City may, from time to time, appoint or engage a Dissemination Agent to assist the City in carrying out its obligations under this Disclosure Certificate, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent.

Section 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the City may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, without the consent of the holders of the Bonds, if such amendment or waiver does not, in and of itself, cause the undertakings herein (or action of any Participating Underwriter in reliance on the undertakings herein), in the opinion of the Utilities' bond counsel, to violate the Rule, but taking into account any subsequent change in or official interpretation of the Rule. The City will provide notice of such amendment or waiver to the MSRB.

Section 9. Default. In the event of a failure of the City to comply with any provision of this Disclosure Certificate, any holder or beneficial owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the City to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate will not be deemed an event of default under the Ordinance, and the sole remedy under this Disclosure Certificate in the event of any failure of the City to comply with this Disclosure Certificate will be an action to compel performance.

Section 10. Beneficiaries. This Disclosure Certificate will inure solely to the benefit of the City, the Dissemination Agent, the Participating Underwriter and the holders and beneficial owners from time to time of the Bonds, and will create no rights in any other person or entity.

Dated _____, 2023.

CITY OF COLORADO SPRINGS, COLORADO

By _____
Chief Planning and Finance Officer,
Colorado Springs Utilities

EXHIBIT A

**NOTICE TO MUNICIPAL SECURITIES RULEMAKING BOARD OF FAILURE TO FILE
ANNUAL FINANCIAL INFORMATION OR AUDITED FINANCIAL STATEMENTS**

Name of Issuer: City of Colorado Springs, Colorado

Name of Issue: Utilities System Improvement Revenue Bonds, Series 2023A in the aggregate principal amount of \$_____, and Utilities System Refunding Revenue Bonds, Series 2023B in the aggregate principal amount of \$_____.

Date of Issuance: _____, 2023.

NOTICE IS HEREBY GIVEN that the City has not provided the [Annual Financial Information/Audited Financial Statements] with respect to the above Bonds as required by Section 831 of the ordinance of the City authorizing the issuance of the above Bonds and the Continuing Disclosure Certificate dated _____, 2023 of the City. The City anticipates that the [Annual Financial Information/Audited Financial Statements] will be filed by _____.

Dated: _____, _____

CITY OF COLORADO SPRINGS, COLORADO

By _____
Chief Planning and Finance Officer,
Colorado Springs Utilities

APPENDIX D

FORM OF BOND COUNSEL OPINION

[Closing Dated]

City of Colorado Springs, Colorado
30 S. Nevada Avenue
Colorado Springs, Colorado 80903

Re: \$_____ *City of Colorado Springs, Colorado, Utilities System Improvement Revenue Bonds, Series 2023A*

 \$_____ *City of Colorado Springs, Colorado, Utilities System Refunding Revenue Bonds, Series 2023B*

Ladies and Gentlemen:

We have acted as bond counsel to the City of Colorado Springs, Colorado (the “City”) in connection with the issuance by the City of the \$_____ aggregate principal amount of the Utilities System Improvement Revenue Bonds, Series 2023A (the “Series 2023A Bonds”), and \$_____ aggregate principal amount of the Utilities System Refunding Revenue Bonds, Series 2023B (the “Series 2023B Bonds” and, together with the Series 2023A Bonds, the “Bonds”) pursuant to an authorizing ordinance adopted by the City Council on August 8, 2023 (the “Bond Ordinance”). We have examined the law and such certified proceedings and other documents as we deem necessary to render this opinion. This opinion is based on current statutory and constitutional law and published court decisions as of the date hereof. Capitalized terms used herein and not otherwise defined shall have the meaning ascribed thereto in the Bond Ordinance.

As to questions of fact material to our opinion, we have relied upon representations of the City contained in the Bond Ordinance and in the certified proceedings and certifications of public officials and others furnished to us, without undertaking to verify the same by independent investigation.

Based upon the foregoing we are of the opinion, under existing law, as follows:

1. The Bonds are valid and binding special, limited obligations of the City payable solely from the Net Pledged Revenues and from funds and accounts pledged therefor under the Bond Ordinance.

2. The Bond Ordinance creates a valid lien on the Net Pledged Revenues pledged therein for the security of the Bonds on a parity with the lien thereon and the pledge thereof to secure the payment of the Parity Bonds. The Bond Ordinance also creates a valid lien on the Bond Fund and the Reserve Fund. Except as described in this paragraph, we express no opinion regarding the priority of the lien on Net Pledged Revenues or on the funds and accounts created by the Bond Ordinance.

3. Under existing statutes, regulations, rulings and judicial decisions, interest (and original issue discount) on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals; provided, however, for tax years beginning after December 31, 2022, with respect to applicable corporations as defined in Section 59(k) of the Internal Revenue Code of 1986, as amended (the “Code”), interest (and original issue discount) with respect to the Bonds might be taken into account in determining adjusted financial statement income for the purposes of computing alternative minimum tax imposed on such corporations.

4. Interest (and original issue discount) on the Bonds is excluded from State of Colorado taxable income and State of Colorado alternative minimum taxable income under State of Colorado income tax laws in effect as of the date hereof.

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

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

The opinions that are expressed herein as to the exclusion from gross income for federal income tax purposes of interest (and original issue discount) on the Bonds are subject to the condition that the City complies with all requirements of the Code, that must be satisfied subsequent to the issuance of the Bonds to assure that such interest (and original issue discount) will not become includable in gross income for federal income tax purposes. Failure to comply with such requirements of the Code might cause interest (and original issue discount) on the Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds. The City has covenanted to comply with all such requirements. Except as set forth in paragraphs (3) through (6) above, we express no opinion as to any tax consequences related to the Bonds.

Certain requirements and procedures contained or referred to in the Bond Ordinance and Tax Certificate may be changed, and certain actions may be taken, under the circumstances and subject to the terms and conditions set forth in the Bond Ordinance and Tax Certificate, upon the advice or with the approving opinion of counsel nationally recognized in the area of tax-exempt obligations. We express no opinion as to the effect on the exclusion of interest (and original issue discount) on the Bonds from gross income for federal income tax purposes on and after the date on which any such change occurs or action is taken upon the advice or approval of counsel other than Stradling Yocca Carlson & Rauth, a Professional Corporation.

It is possible that subsequent to the issuance of the Bonds there might be federal, state, or local statutory changes (or judicial or regulatory interpretations of federal, state, or local law) that affect the federal, state, or local tax treatment of the Bonds or the market value of the Bonds. No assurance can be given that subsequent to the issuance of the Bonds such changes or interpretations will not occur.

The opinions expressed herein are based upon an analysis of existing statutes, regulations, rulings and judicial decisions and cover certain matters not directly addressed by such authorities. We call attention to the fact that the foregoing opinions may be affected by actions taken (or not taken) or events occurring (or not occurring) after the date hereof. We have not undertaken to determine, or to inform any person, whether such actions or events are taken (or not taken) or do occur (or do not occur).

We call attention to the fact that the rights and obligations under the Bond Ordinance, the Bonds and the Tax Certificate are subject to bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance and other similar laws affecting creditors' rights, to the application of equitable principles if equitable remedies

are sought, to the exercise of judicial discretion in appropriate cases and to limitations on legal remedies against public agencies in the State of Colorado.

Our opinion is limited to matters governed by the laws of the State of Colorado and federal income tax law. We assume no responsibility with respect to the applicability or the effect of the laws of any other jurisdiction.

Our engagement with respect to the Bonds terminates upon their issuance, and we disclaim any obligation to update the matters set forth herein. We express no opinion herein as to the accuracy, completeness or sufficiency of the Official Statement or other offering material relating to the Bonds and expressly disclaim any duty to advise the owners of the Bonds with respect to the matters contained in the Official Statement.

Respectfully submitted,

APPENDIX E

DTC BOOK-ENTRY ONLY SYSTEM

The Bonds initially will be issued solely in book-entry form to be held in the book-entry only system maintained by The Depository Trust Company (“DTC”), New York, New York. So long as such book-entry system is used, only DTC will receive or have the right to receive physical delivery of Bonds and Beneficial Owners will not be or be considered to be, and will not have any rights as, owners or Owners of the Bonds under the Bond Ordinance.

The information in this Appendix E concerning DTC and DTC’s book-entry system has been obtained from sources that the City believes to be reliable, but the City takes no responsibility for the accuracy thereof.

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each maturity of the Bonds, in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has a Standard & Poor’s rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC’s records. The ownership interest of each actual purchaser of each Bond (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co., or such other name as may be requested by an

authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the City as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal, interest and redemption proceeds on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the City or the Paying Agent on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Paying Agent or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, interest or redemption proceeds to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or the Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the City or the Paying Agent. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered.

The City may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered to DTC.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the City believes to be reliable, but the City takes no responsibility for the accuracy thereof.

SO LONG AS CEDE & CO., AS NOMINEE OF DTC, IS THE REGISTERED OWNER OF THE BONDS, REFERENCES IN THIS OFFICIAL STATEMENT TO THE REGISTERED OWNERS OF THE BONDS WILL MEAN CEDE & CO. AND WILL NOT MEAN THE BENEFICIAL OWNERS.

APPENDIX F

ECONOMIC AND DEMOGRAPHIC INFORMATION

[to be updated later in the summer.]

This portion of the Official Statement contains general information concerning historic economic and demographic conditions in and surrounding the City of Colorado Springs. It is intended only to provide prospective investors with general information regarding the City’s community. The information was obtained from the sources indicated and is limited to the time periods indicated. The information is historic in nature; it is not possible to predict whether the trends shown will continue in the future. The City makes no representation as to the accuracy or completeness of data obtained from parties other than the City.

Population

The following table sets forth a history of the populations of the City, El Paso County and the State. Between 2000 and 2010, the City’s population increased 16.57%, El Paso County increased 21.33% and the State increased 17.42%.

Population⁽¹⁾

<i>Year</i>	<i>City of Colorado Springs</i>	<i>Percent Change</i>	<i>El Paso County</i>	<i>Percent Change</i>	<i>Colorado</i>	<i>Percent Change</i>
1970	135,517	--	235,972	--	2,209,596	--
1980	215,105	58.73%	309,424	31.13%	2,889,733	30.78%
1990	281,140	30.70	397,014	28.31	3,294,394	14.00
2000	360,890	28.37	516,929	30.20	4,301,261	30.56
2010	420,691	16.57	627,232	21.33	5,050,332	17.42
2011	428,674	1.90	639,139	1.90	5,123,553	1.45
2012	433,979	1.24	648,445	1.46	5,194,662	1.39
2013	439,614	1.30	658,303	1.52	5,270,883	1.47
2014	443,553	0.90	665,754	1.13	5,347,655	1.46
2015	451,067	1.69	677,969	1.83	5,446,594	1.85
2016	460,505	2.09	692,295	2.11	5,529,631	1.52
2017	467,285	1.47	704,797	1.81	5,599,588	1.27
2018	474,691	1.58	717,812	1.85	5,676,912	1.38
2019	478,506	0.80	725,497	1.07	5,734,909	1.02
2020	479,257	0.16	731,641	0.85	5,782,914	0.84
2021	483,956	0.98	737,867	0.85	5,812,069	0.50

⁽¹⁾ Figures for 1970 through 2010 represent Historical Census Data.

Source: U.S. Census Bureau. Annual Estimates as of July 2021 and Colorado Department of Local Affairs, Demography Section as of January 2022.

Income

The following table sets forth annual total personal income for El Paso County, the State and the nation.

Personal Income (in thousands)

<i>Year⁽¹⁾</i>	<i>El Paso County⁽²⁾</i>	<i>Colorado</i>	<i>United States</i>
2012	\$26,576,847	\$236,687,388	\$13,998,383,000
2013	26,989,468	248,958,974	14,175,503,000
2014	28,645,148	271,101,038	14,983,140,000
2015	30,097,923	284,142,915	15,711,634,000
2016	30,919,886	289,620,855	16,115,630,000
2017	32,522,267	306,411,131	16,820,250,000
2018	34,598,539	332,943,000	17,813,035,000
2019	36,825,059	352,185,000	18,542,262,000
2020	33,110,622	346,011,260	18,384,687,000
2021	-- ⁽³⁾	401,122,900	21,056,621,900

(1) Figures based on Census Bureau midyear population estimates.

(2) Estimates for 2014-2018 reflect county population estimates available as of March 2022.

(3) 2021 figure for El Paso County not available as of August 2022.

Source: United States Department of Commerce, Bureau of Economic Analysis. All figures are subject to periodic revisions.

The following table sets forth annual per capita personal income levels for El Paso County, the State and the nation. Per capita personal income levels in El Paso County have consistently been lower than personal income levels in the State and the nation during the period shown.

Per Capita Personal Income⁽¹⁾

<i>Year</i>	<i>El Paso County⁽²⁾</i>	<i>Colorado</i>	<i>United States</i>
2012	\$41,215	\$45,637	\$44,582
2013	41,272	47,308	44,826
2014	43,284	50,746	47,025
2015	44,758	52,228	48,940
2016	44,858	52,262	49,870
2017	46,692	55,335	51,885
2018	48,545	58,267	54,098
2019	50,845	60,484	56,047
2020	54,151	63,776	59,510
2021	-- ⁽³⁾	69,016	63,444

(1) Figures based on Census Bureau midyear population estimates.

(2) Estimates for 2012-2018 reflect county population estimates available as of March 2022.

(3) 2021 figure for El Paso County not available as of August 2022.

Source: United States Department of Commerce, Bureau of Economic Analysis. All figures are subject to periodic revisions.

Employment

The following table presents information on employment within El Paso County, the State and the nation, for the time period indicated.

Labor Force and Percent Unemployed⁽¹⁾

<i>Year</i>	<i>El Paso County</i>		<i>Colorado</i> ⁽¹⁾		<i>United States</i>
	<i>Labor Force</i>	<i>Percent Unemployed</i>	<i>Labor Force</i>	<i>Percent Unemployed</i>	<i>Percent Unemployed</i>
2013	306,761	7.9	2,767,153	6.9	7.4
2014	306,746	6.0	2,802,528	5.0	6.2
2015	308,006	4.6	2,828,876	3.9	5.3
2016	314,984	3.7	2,896,771	3.2	4.9
2017	325,996	3.1	2,992,412	2.7	4.4
2018	337,084	3.9	3,096,358	3.3	3.9
2019	341,909	4.6	3,060,322	2.5	3.1
2020	341,997	6.9	3,087,271	6.9	8.3
2021 ⁽²⁾	350,677	5.6	3,156,110	5.4	5.4

⁽¹⁾ Not seasonally adjusted

⁽²⁾ Preliminary data estimates for 2021

Sources: U.S. Bureau of Labor, Bureau of Labor Statistics.

The following table sets forth the number of individuals employed in selected industries in El Paso County covered by unemployment insurance. The largest employment sector in El Paso County in 2020 was health care and social assistance (comprising approximately 16.55% of the county's work force), followed, in order, by retail trade; professional and technical services, accommodation and food services, and educational services. For the 12-month period ended December 31, 2020, total average employment in the County decreased 2.86% as compared to the same 12-month period ending December 31, 2019, and average weekly wages increased 5.26% during the same time period.

Average Number of Employees Within Selected Industries – El Paso County

<i>Industry</i>	<i>2016</i>	<i>2017</i>	<i>2018</i>	<i>2019</i>	<i>2020</i>
Accommodation & Food Services	29,518	30,877	31,408	31,972	26,817
Administrative & Waste Services	18,892	18,829	18,225	18,519	17,669
Agriculture, Forestry, Fishing, & Hunting	414	481	540	628	533
Arts, Entertainment & Recreation	5,152	5,435	5,638	5,984	4,532
Construction	14,850	16,208	16,968	17,619	17,791
Educational Services	26,918	27,417	27,648	28,328	26,752
Finance & Insurance	12,077	12,324	12,619	12,931	13,141
Health Care & Social Assistance	39,496	40,924	42,695	44,404	45,559
Information	6,417	6,172	6,179	6,181	5,647
Management of Companies & Enterprises	1,219	1,246	1,218	1,296	1,318
Manufacturing	11,480	11,480	11,691	11,674	11,421
Mining	65	70	57	50	37
Other Services, Ex. Public Admin	10,853	11,511	11,461	11,878	11,230
Professional & Technical Services	23,309	23,858	25,603	26,837	28,112
Public Administration	13,157	13,330	13,520	13,969	14,511
Real Estate & Rental and Leasing	4,653	4,823	4,861	5,012	4,884
Retail Trade	32,687	32,389	32,259	31,857	30,965
Transportation & Warehousing	5,234	5,392	5,625	5,899	6,077
Utilities	2,493	2,435	2,475	2,460	2,453
Wholesale Trade	<u>5,525</u>	<u>5,574</u>	<u>5,641</u>	<u>5,878</u>	<u>5,813</u>
Total ⁽¹⁾	264,447	<u>270,781</u>	<u>276,351</u>	283,376	275,262

⁽¹⁾ Figures may not equal totals when added due to the rounding of averages.

Source: State of Colorado, Department of Labor and Employment, Labor Market Information, Annual Census of Employment and Wages.

Major Employers

The following tables set forth a brief description of the major employers located in the County and City, respectively. No independent investigation has been made regarding these major employers. Therefore, there can be no representation as to whether or not such employers will retain their status as major employers in the County or City.

Principal Employers El Paso, County

<i>Employer</i>	<i>Number of Employees</i>	<i>Product or Service</i>
Fort Carson	36,000	Military Installation
Peterson Air Force Base	10,650	Military Installation
Schriever Air Force Base	8,000	Military Installation
United States Air Force Academy	7,650	Military Installation
UCHealth Memorial Health System	6,000	Healthcare Supplier
The Charter Spectrum West Region	4,900	Back Office/Customer Service
Amazon	4,800	Online Retailer
Penrose-St. Francis Health Services/Centura Health	3,560	Healthcare Supplier
School District #11 – Colorado Springs	3,300	Education/Training
School District #20 – Air Academy	3,150	Education/Training

Source: El Paso County Annual Comprehensive Financial Report for the year ended June 30, 2021.

Principal Employers City of Colorado Springs

<i>Employer</i>	<i>Percent of Total County Employment</i>	<i>Product or Service</i>
Fort Carson	12.5%	Military Installation
Peterson Air Force Base	3.7	Military Installation
Schriever Air Force Base	2.8	Military Installation
United States Air Force Academy	2.7	Military Installation
UCHealth Memorial Health System	2.1	Healthcare Supplier
Amazon	1.7	Online Retailer
Penrose-St. Francis Health Services/Centura Health	1.2	Healthcare Supplier
School District #11 – Colorado Springs	1.1	Education/Training
School District #20 – Air Academy	1.1	Education/Training
City of Colorado Springs	1.0	Government

Source: City of Colorado Springs Annual Comprehensive Financial Report for the year ended June 30, 2021.

Retail Sales

Annual retail sales figures for the City, El Paso County and the State are set forth below.

Retail Sales (in thousands)

<i>Year⁽¹⁾</i>	<i>City of Colorado Springs</i>	<i>Percent Change</i>	<i>El Paso County</i>	<i>Percent Change</i>	<i>Colorado</i>	<i>Percent Change</i>
2011	\$11,931,673	--	\$13,929,941	--	\$154,632,762	--
2012	12,454,783	4.38%	14,502,456	4.11%	164,175,836	6.17%
2013	13,438,634	7.90	15,610,575	7.64	172,784,033	5.24
2014	14,311,405	6.49	16,684,061	6.88	182,709,978	5.74
2015	13,876,737	(3.04)	16,548,061	(0.82)	182,845,695	0.07
2016	14,327,014	3.24	17,264,285	4.32	184,703,410	1.02
2017	15,365,889	7.25	18,406,833	6.62	194,041,958	5.06
2018	16,677,187	8.53	20,098,236	9.19	206,121,045	6.22
2019	17,470,904	4.76	21,237,985	5.67	224,618,938	8.97
2020	20,888,972	19.56	23,243,627	9.44	228,812,220	1.86
2021	22,307,503	6.79	27,495,740	18.29	268,328,759	17.27
2022 ⁽²⁾	9,134,246	--	11,301,354	--	113,344,352	--

⁽¹⁾ Calendar year

⁽²⁾ Through May 2022.

Source: State of Colorado, Department of Revenue, State Sales Tax Collected in Colorado Counties and Selected Cities and Related Statistics (monthly reports).

Current Construction

The following table sets forth the number of permits issued for both residential and commercial construction in the County during the time period indicated.

Building Permits Issued for New Structures in El Paso County⁽¹⁾

<i>Year</i>	<i>Single Family</i>		<i>Multi-Family</i> ⁽²⁾		<i>Commercial</i> ⁽³⁾	
	<i>Permits</i>	<i>Value</i>	<i>Units</i>	<i>Value</i>	<i>Permits</i>	<i>Value</i>
2014 ⁽⁴⁾	2,433	1,032,039,203	1,090	153,369,996	246	161,959,800
2015 ⁽⁵⁾	2,739	1,131,190,529	846	114,315,368	303	246,359,103
2016 ⁽⁶⁾	3,237	1,360,333,105	1,717	294,641,637	372	371,017,235
2017 ⁽⁷⁾	3,504	1,417,418,973	1,351	202,830,494	347	460,911,485
2018 ⁽⁸⁾	3,856	1,516,644,352	1,729	268,739,728	413	409,650,808
2019	3,530	1,382,822,563	509	289,536,290	829	870,300,909
2020	4,497	1,735,475,424	605	361,553,861	1,143	846,505,164

⁽¹⁾ Pikes Peak Regional Building Department issue permits for unincorporated El Paso County and for the municipalities of Colorado Springs, Fountain, Green Mountain Falls, Manitou Springs, Monument, and Palmer Lake.

⁽²⁾ Includes townhouses, duplexes, condominiums, and multi-family buildings.

⁽³⁾ Includes commercial buildings such as hotels, motels, amusement/recreation, manufacturing, offices, banks and professional buildings; and stores and other retail buildings. Does not include structures other than buildings (Swim Pools, etc.) or signs.

⁽⁴⁾ Approximately 185 permits issued to replace residences destroyed by Waldo Canyon and Black Forest wildfires.

⁽⁵⁾ Approximately 49 permits issued to replace residences destroyed by Waldo Canyon and Black Forest wildfires.

⁽⁶⁾ Approximately 33 permits issued to replace residences destroyed by Waldo Canyon and Black Forest wildfires.

⁽⁷⁾ Approximately 27 permits issued to replace residences destroyed by Waldo Canyon and Black Forest wildfires.

⁽⁸⁾ Approximately 20 permits issued to replace residences destroyed by Waldo Canyon and Black Forest wildfires.

Source: Pikes Peak Regional Building Department.

Foreclosure Activity

The following table sets forth the number of foreclosures filed in El Paso County during the time period shown. Such information only represents the number of foreclosures filed and does not take into account foreclosures which were filed and subsequently redeemed or withdrawn.

History of Foreclosure Filings – El Paso County

<i>Year</i>	<i>Number of Foreclosures Filed</i>	<i>Percent Change</i>
2012	3,364	--
2013	1,861	(44.68)%
2014	1,825	(1.93)
2015	1,470	(19.45)
2016	1,287	(12.45)
2017	1,089	(15.38)
2018	908	(16.62)
2019	827	(8.92)
2020	281	(66.02)
2021	144	(48.75)
2022 ⁽¹⁾	354	--

⁽¹⁾ Through May 2022.

Sources: El Paso County Public Trustee's Office.

APPENDIX G

THE REFUNDING PLAN

Net proceeds of the Series 2023B Bonds, together with other available moneys of the Utilities, are expected to be deposited into the Series 2023B Escrow Fund to pay on November 15, 2023 (the “Redemption Date”) the principal amount of the Refunded Bonds listed below maturing on and after the Redemption Date plus accrued interest to the Redemption Date, without premium. Amounts deposited into the Series 2023B Escrow Fund will be held by Computershare Trust Company, N.A. (“Computershare”), as agent for Wells Fargo Bank, N.A. (“Wells Fargo”), as Escrow Agent and Paying Agent, pursuant to the Series 2023B Escrow Agreement dated as of _____ 1, 2023, between the City and Wells Fargo. See “VERIFICATION OF MATHEMATICAL COMPUTATIONS.” Amounts in the Series 2023B Escrow Fund are not pledged as security for the Bonds.

The Refunded Bonds consist of the following:

**City of Colorado Springs, Colorado
Utilities System Refunding Revenue Bonds
Series 2013A**

<i><u>Maturity</u></i> <i><u>(November 15)</u></i>	<i><u>CUSIP</u></i> [†]	<i><u>Principal</u></i> <i><u>Amount to be</u></i> <i><u>Refunded</u></i>	<i><u>Redemption</u></i> <i><u>Price (% of</u></i> <i><u>Par Amount)</u></i>
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**City of Colorado Springs, Colorado
Utilities System Improvement Revenue Bonds
Series 2013B-1**

<u><i>Maturity</i></u> <u><i>(November 15)</i></u>	<u><i>CUSIP</i></u> [†]	<u><i>Principal</i></u> <u><i>Amount to be</i></u> <u><i>Refunded</i></u>	<u><i>Redemption</i></u> <u><i>Price (% of</i></u> <u><i>Par Amount)</i></u>
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**City of Colorado Springs, Colorado
Utilities System Improvement Revenue Bonds
Series 2013B-2**

<u><i>Maturity</i></u> <u><i>(November 15)</i></u>	<u><i>CUSIP</i></u> [†]	<u><i>Principal</i></u> <u><i>Amount to be</i></u> <u><i>Refunded</i></u>	<u><i>Redemption</i></u> <u><i>Price (% of</i></u> <u><i>Par Amount)</i></u>
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