



Rock Creek Mesa Annexation

Four-Service Perspective

January 28, 2025, City Council

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Customer Utilities Connections

City Code 12.4.305.B

- Requires City Council approval to provide water service outside City limits
 - Approval must be based on substantiated and written record demonstrating one of the following:

1. City's available water supply is sufficient to meet at least 128% of existing water usage* plus projected demand for proposed water extension(s);

OR

2. A unique and extraordinary event or circumstance necessitates an extension of water services to serve critical interests of the City;

OR

3. The area is an enclave, or
The area is owned or leased by the City, or
The extension will have a de minimis impact on the overall City's available water supply.

**Calculated using a five- (5) year rolling average of unrestricted weather normalized usage data*



Utilities Application of City Code 12.4.305

B. 1. The City’s available water supply is sufficient to meet at least 128% of existing usage (calculated using a five (5) year rolling average of weather normalized unrestricted usage data) and the projected demand for water services within the proposed extension(s) of service...

| Current Reliably Met Demand (RMD) and Existing Usage | | |
|--|----------------------|---------------------------------|
| Category | Acre-feet/year (AFY) | When updated |
| RMD | 95,000 | As needed per RMD Update Policy |
| Existing Usage* | 69,772 | Yearly as part of IWRP Update |

*5-year rolling average of weather normalized unrestricted water usage (2019-2023)

| Minimum Water Supply Requirement (MWSR) | | |
|---|------------|--------------|
| Existing Usage/year | Percentage | MWSR |
| 69,772 AFY | x 128% | = 89,308 AFY |

| Available Water Surplus (AWS) | | |
|-------------------------------|------------|-----------|
| RMD (AFY) | MWSR (AFY) | AWS (AFY) |
| 95,000 | - 89,308 | = 5,692 |

AWS used for establishing de minimis amount.
De minimis = 1% of AWS or any projected water demand less than 57 AFY

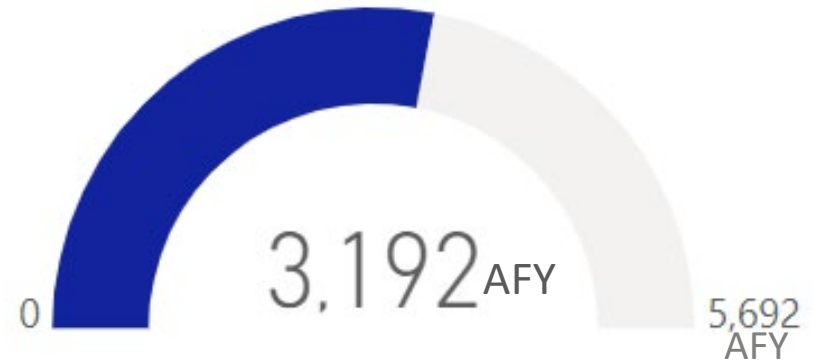
Application of City Code 12.4.305

Rock Creek Mesa
Projected Water Demand

Petitioned Annexations
Total Projected Water Demand
(includes Rock Creek Mesa)

Annexations Approved since
City Code 12.4.305 adopted
(February 14, 2023)

Projected Water Demand: 100 AFY
 $89,308 \text{ AFY} + 100 \text{ AFY} = 89,408 \text{ AFY}$
 $89,408 \text{ AFY} < 95,000 \text{ AFY}$
Meets City Code 12.4.305.B.1.



of Approved Annexations: 15 (to date)
Projected Water Demand: 184 AFY

Current Water Resources

| | |
|---------------------|------------|
| Reliably Met Demand | 95,000 AFY |
|---------------------|------------|

| | |
|--------------|--------------|
| Existing Use | - 69,800 AFY |
|--------------|--------------|

| | |
|-----------------------------------|-------------------|
| Existing Buffer for Growth | 25,200 AFY |
|-----------------------------------|-------------------|

Full-Buildout Water Requirements

| | |
|--------------------------|-------------|
| Need for current in City | 129,000 AFY |
|--------------------------|-------------|

| | |
|---------------------|--------------|
| Reliably Met Demand | - 95,000 AFY |
|---------------------|--------------|

| | |
|------------------------------|-------------------|
| Gap (need to develop) | 34,000 AFY |
|------------------------------|-------------------|

| | |
|-----------------------|-------------------------|
| Any Annexation | + Additional AFY |
|-----------------------|-------------------------|

AFY = Acre-feet/year | 1 acre-foot = 325,851 gallons

Balanced Portfolio – Planned Water Supplies⁽¹⁾



- Additional supplies are needed to meet future growth and manage risks
- All components of the Balanced Portfolio are necessary, difficult, and expensive
- Completing fewer projects in one category means doing more projects in another

(1) Based on 2017 Water Integrated Resource Plan- validated annually

City Code 7.5.701.A.4.

Requirements of Annexation

a. Groundwater Rights

Owner shall transfer title to all groundwater underlying the land to the City

b. Water Rights

Owner shall transfer any additional water rights historically used on or for the benefit of the area to be served

Current Conditions

Owner/applicant has provided a letter stating there are no well permits or water rights appurtenant to the property

c. Rights of Way and Easements

Owner shall obtain and/or dedicate all property and easements required for utility-system facilities to serve the property and ensure integrated utility systems

d. Service Area Overlap

Rock Creek Mesa is within Springs Utilities' natural gas and electric service territories

Spring Utilities is obligated to provide these services without respect to annexation

City Code 7.5.701.A.3.b

Conditions for Annexation

(3) Service Capacity

Unless an exception granted under section 12.1.111 of this Code will be in effect at the time of annexation, whether at the time of request there is projected available surplus capacity and resources across all Utilities' service lines for the foreseeable future to serve all present users and the projected new users from the area proposed to be annexed, taking into account section 12.4.305 of this Code, and that performance criteria, as defined for each service line in standards adopted by Utilities, will not be impaired.

(4) Utility Facilities

Whether the existing and projected utility facilities of the City are expected to be sufficient for the present and projected needs for the foreseeable future to serve all present and projected users whether within or outside the corporate limits of the City.

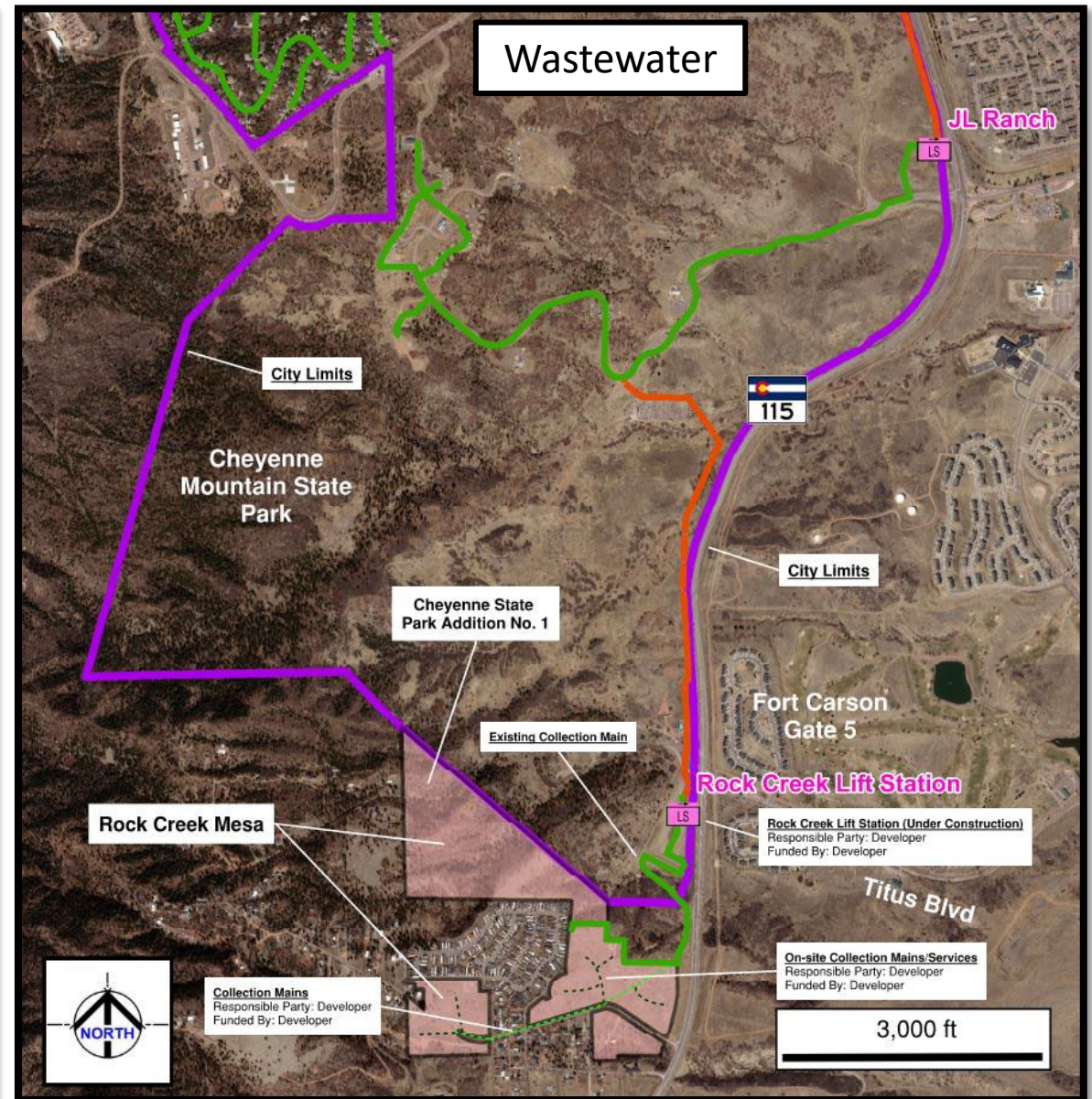
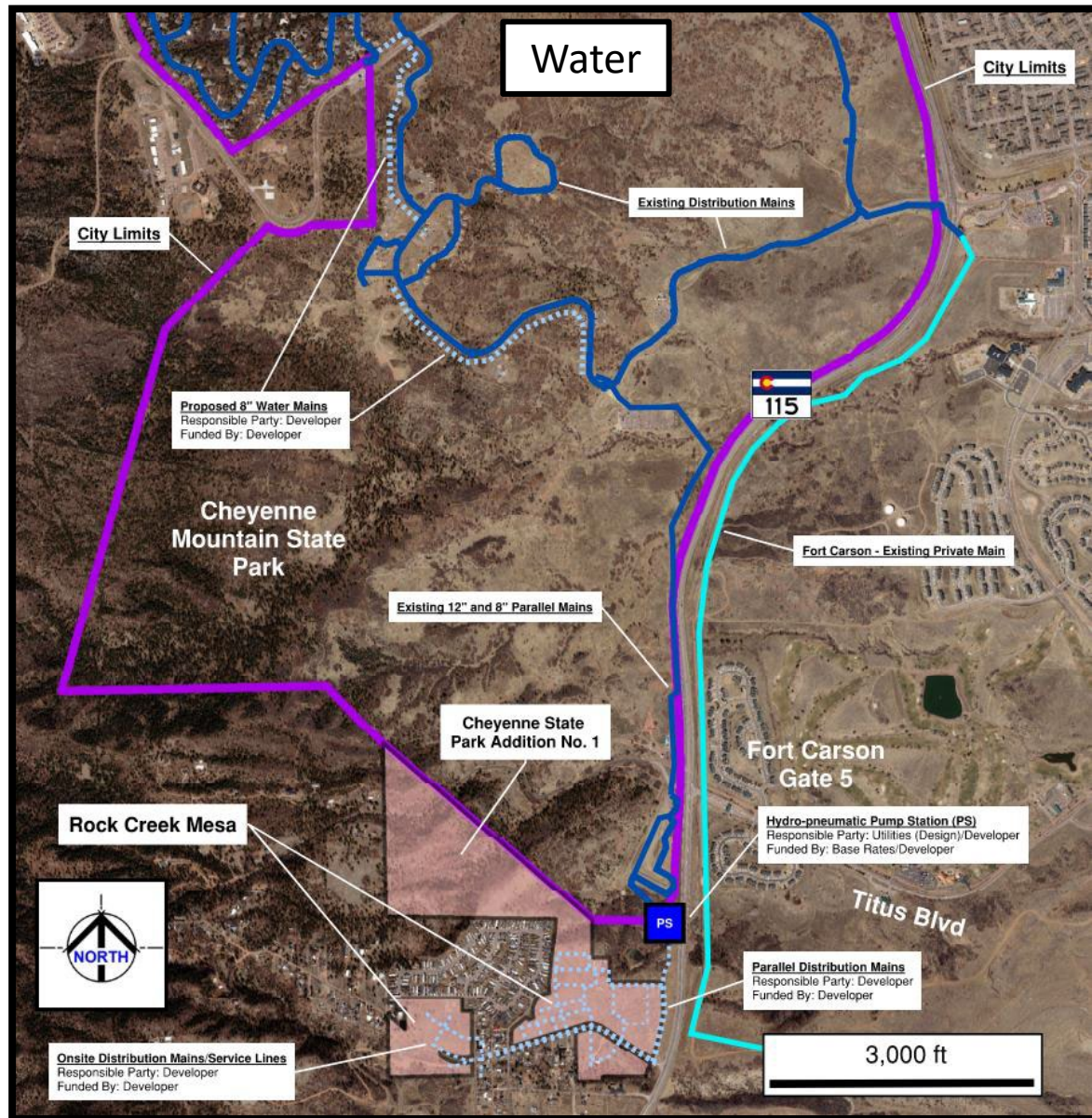
(5) Utility Extensions

Whether utility services and facilities can be extended to serve the property proposed to be annexed at the time of annexation or sometime in the future.

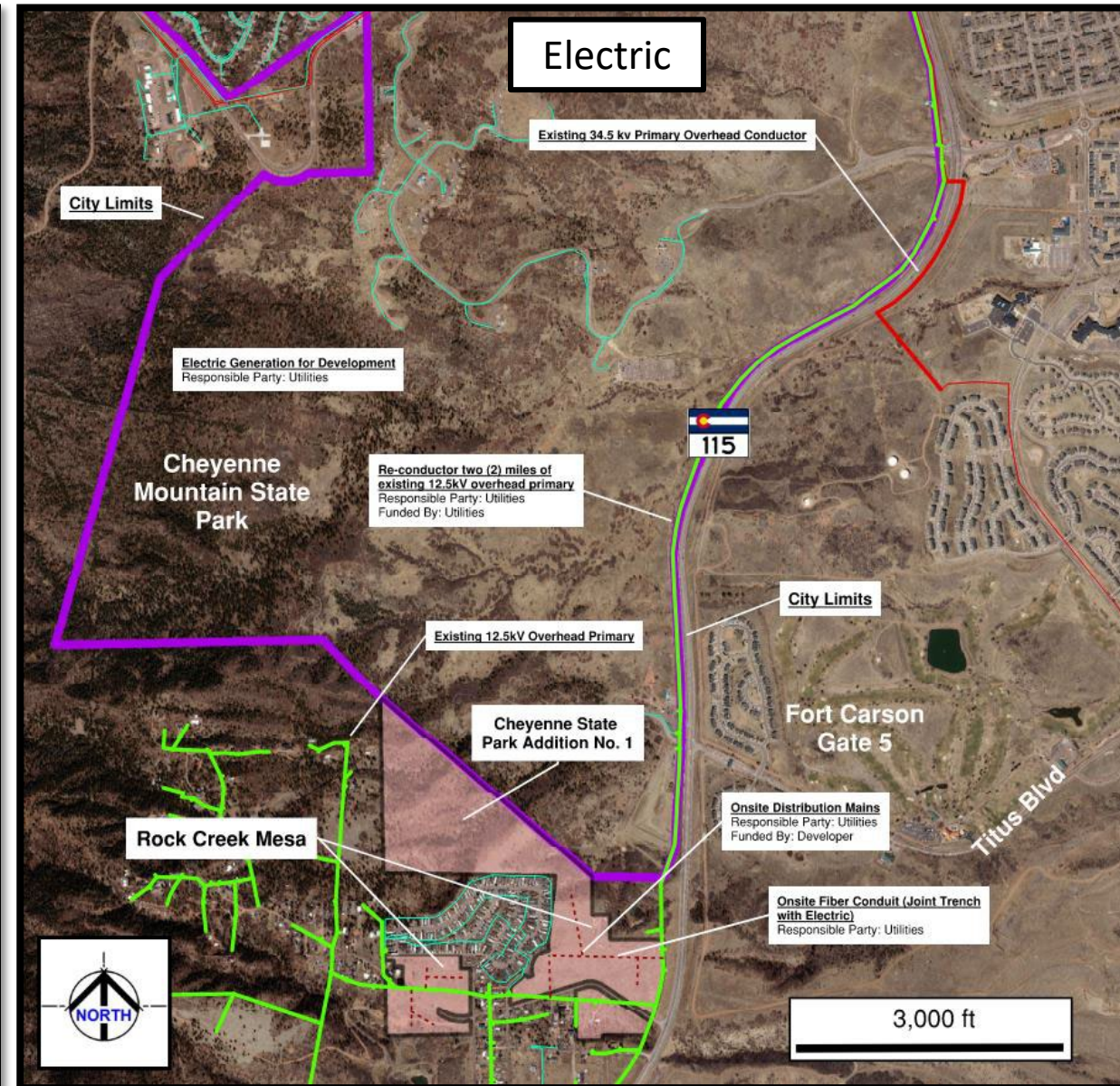
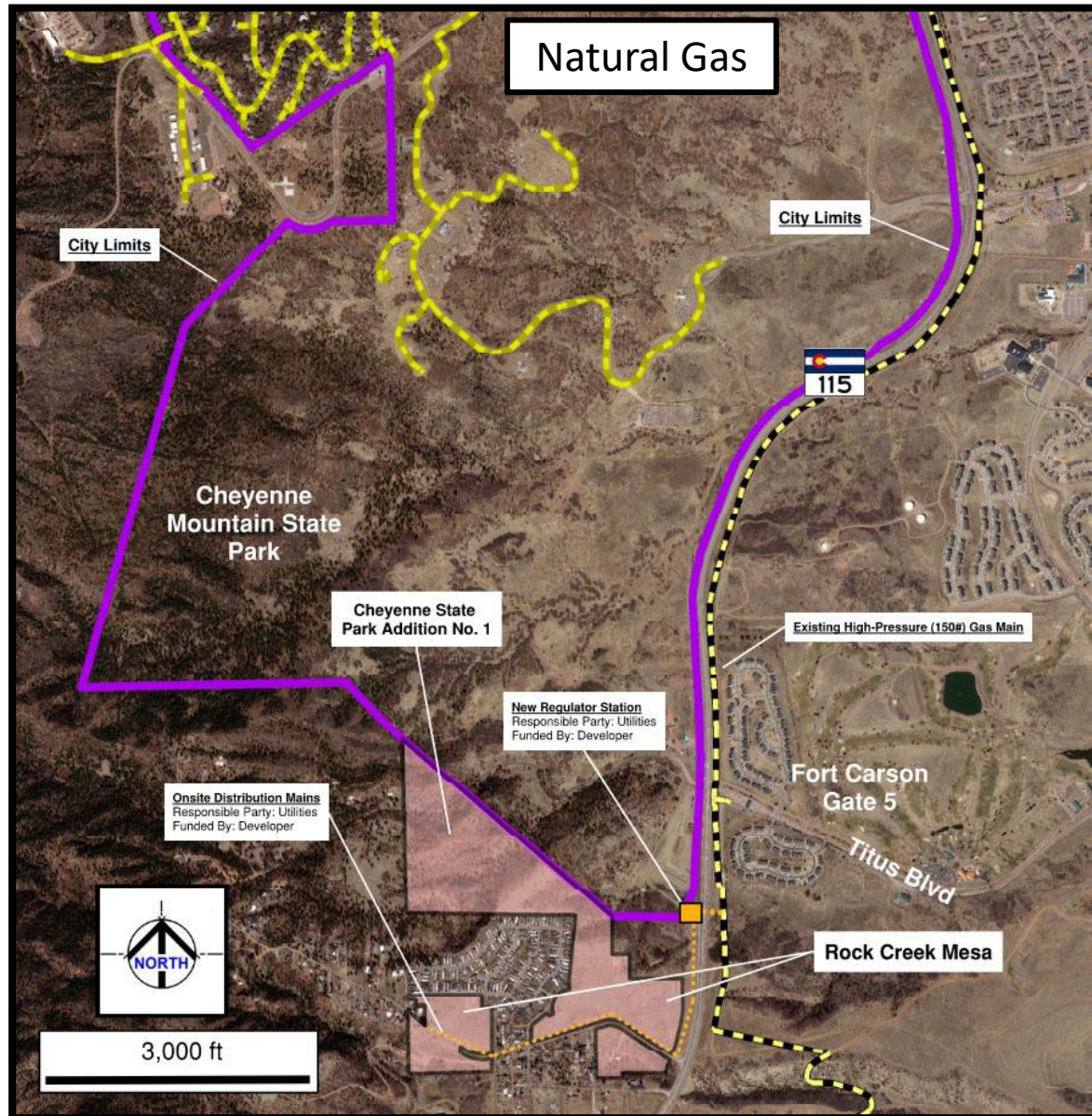
(8) Utilities' Revenues

Whether the Utilities' revenues expected to be generated by the development of the proposed annexation will offset the estimated immediate and long-range costs to Utilities for the acquisition of utility resources, extension of utilities services, development of utilities infrastructure, and operations and maintenance as required by Utilities Rules and Regulations.







Water and Wastewater Infrastructure



Natural Gas and Electric Infrastructure







Springs Utilities Capital Cost Estimate

| | | Springs Utilities' Estimated Cost (millions) ¹ | | |
|--|--|---|--------------|--------------|
| | | Low | Mid | High |
|  | Electric | | | |
| | Facilities (Re-Conductor of Feeder) | \$0.13 | \$0.17 | \$0.20 |
| | Infrastructure (Meters) | \$0.06 | \$0.07 | \$0.09 |
| | Resource (Generation) | \$1.16 | \$1.45 | \$1.74 |
|  | Natural Gas | | | |
| | Infrastructure (Meters) | \$0.09 | \$0.11 | \$0.14 |
|  | Wastewater | | | |
| | Facilities (Treatment Plant) | \$1.44 | \$1.80 | \$2.15 |
|  | Water | | | |
| | Facilities (Treatment Plant, Pump Station) | \$0.79 | \$0.91 | \$1.02 |
| | Infrastructure (Meters) | \$0.11 | \$0.14 | \$0.17 |
|  | Fiber | | | |
| | Infrastructure (Conduit) | \$2.75 | \$3.44 | \$4.13 |
|  | Vehicles | | | |
| | Vehicles | \$0.03 | \$0.04 | \$0.05 |
| Total Capital covered by Base Rates | | \$6.6 | \$8.1 | \$9.7 |

¹ Estimated 2024 costs are rough order of magnitude and may vary based on external factors, including but not limited to market conditions, material costs and phasing.

Developer Capital Cost Estimate

| | Developer's Estimated Cost (millions) ^{1,2} | | |
|--|--|------------------|------------------|
| | Low | Mid | High |
|  Electric Infrastructure (Offsite/Onsite Extensions) | \$0.65 | \$0.81 | \$0.98 |
|  Natural Gas Infrastructure (Offsite/Onsite Extensions, District Regulator Station) | \$0.69 | \$0.86 | \$1.03 |
|  Wastewater Development Charges ³ | \$0.61 | \$0.61 | \$0.61 |
|  Water Development Charges ³ Water Resources Fees ³ | \$2.59 \$1.88 | \$2.59 \$1.88 | \$2.59 \$1.88 |
| Total | \$6.41 | \$6.74 | \$7.07 |

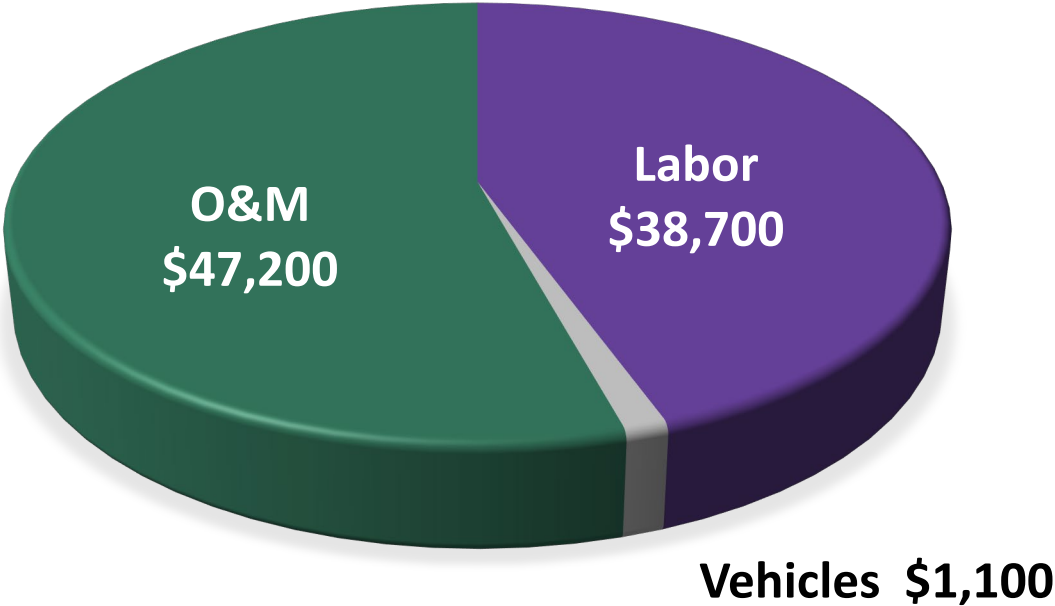
¹ Estimated 2024 Developer costs are rough order of magnitude and are approximated by multiplying unit costs per URRs by the approximate roadway length provided by Applicant's Engineer.

² Electric and Gas costs provided as Electric and Gas extensions are designed and constructed in-house by Colorado Springs Utilities. Water and Wastewater extensions are designed and constructed by Developer or Developer's contractor and, as such, are subject to factors and market conditions out of Utilities' control. Therefore, Developer cost estimates for Water and Wastewater are not provided.

³ Per 2025 Utilities Rules and Regulations (URRs), charges typically paid by builder at time of building permit.

Springs Utilities O&M Costs (at Full Buildout)

ESTIMATED ANNUAL O&M EXPENSES
TOTAL = \$87,000



\$87K O&M phased in as capital assets put in service

| Total O&M Costs (in millions) | | | |
|-------------------------------|-----------|----------|----------|
| Scenario | SFEs/year | 25 Years | 50 Years |
| High CapEx | 75 | \$1.6 | \$3.6 |
| Mid CapEx | 75 | \$1.6 | \$3.6 |
| Low Capex | 75 | \$1.6 | \$3.6 |

Rock Creek Mesa Annexation Cost Summary

- Utilities Capital Cost Estimate: ~\$6.6 - 9.7 million
 - \$8.1 million mid-scenario capital cost
 - \$8.1 million 5-year capital cost
 - \$2.7 million first year capital cost
- Utilities Annual O&M Cost Estimate: ~\$87K
- Cost Payback Timeframe: ~ 6 to 7 years
 - 2025: 50 units
 - 2026-28: 300 units
 - 2029: 50 units
 - Approx. 7 -year payback
- Utilities Financial Risk: Approved annexation costs that occur prior to 2029 have not been included in our financial planning



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