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

Karman Line Annexation

Four-Service Perspective

January 14, 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

Karman Line
Projected Water Demand

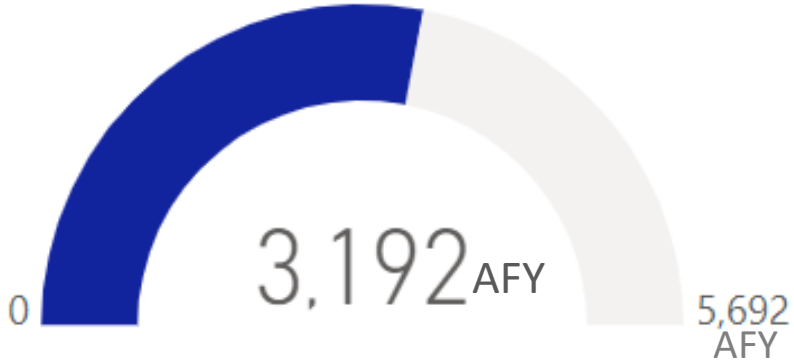
Projected Water Demand: 1,672 AFY

89,308 AFY + 1,672 AFY = 90,980 AFY

90,980 AFY < 95,000 AFY

Meets City Code 12.4.305.B.1.

Petitioned Annexations
Total Projected Water Demand
(includes Karman Line)



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

# of Approved Annexations: 15 (to date)

Projected Water Demand: 184 AFY

Current Water Resources

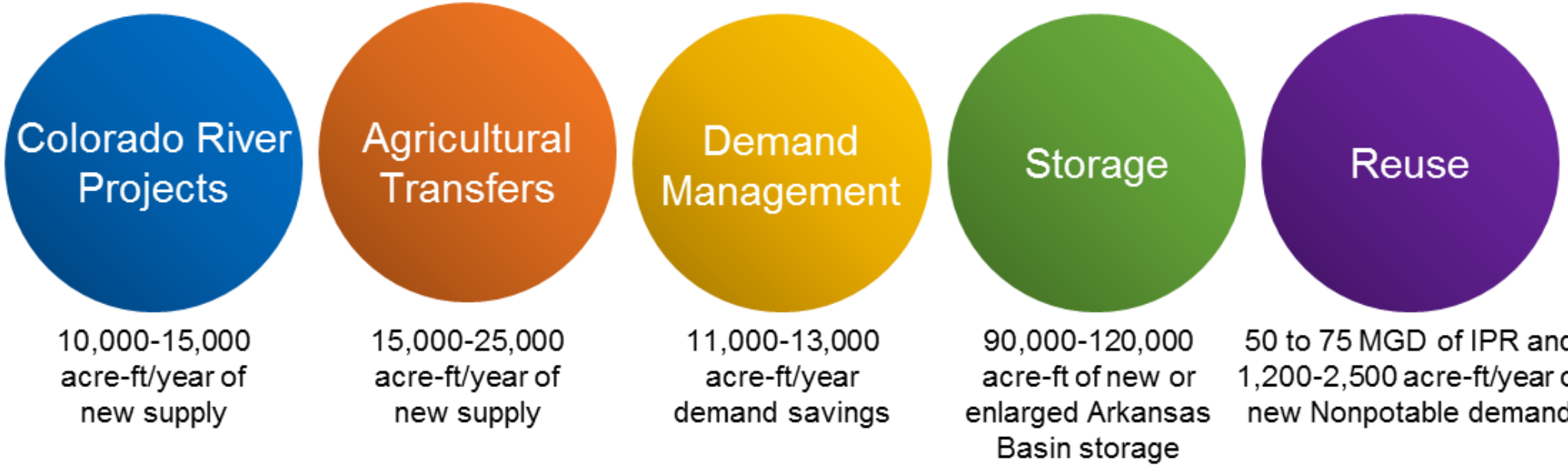
Reliably Met Demand	95,000 AFY
Existing Use	- 69,800 AFY
Existing Buffer for Growth	**25,200 AFY**

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 has two (2) existing wells located on the property that may be used for non-potable uses in accordance with City Code, Utilities Rules and Regulations and Utilities' Standards

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

Karman Line partially located in Springs Utilities' natural gas service territory

Remaining area located in uncertificated service territory (no existing provider)

Karman Line located entirely within Mountain View Electric Association' (MVEA) service territory

MVEA entitled to just compensation per Colorado Revised Statutes if property annexed and incorporated into Springs Utilities' service territory

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.

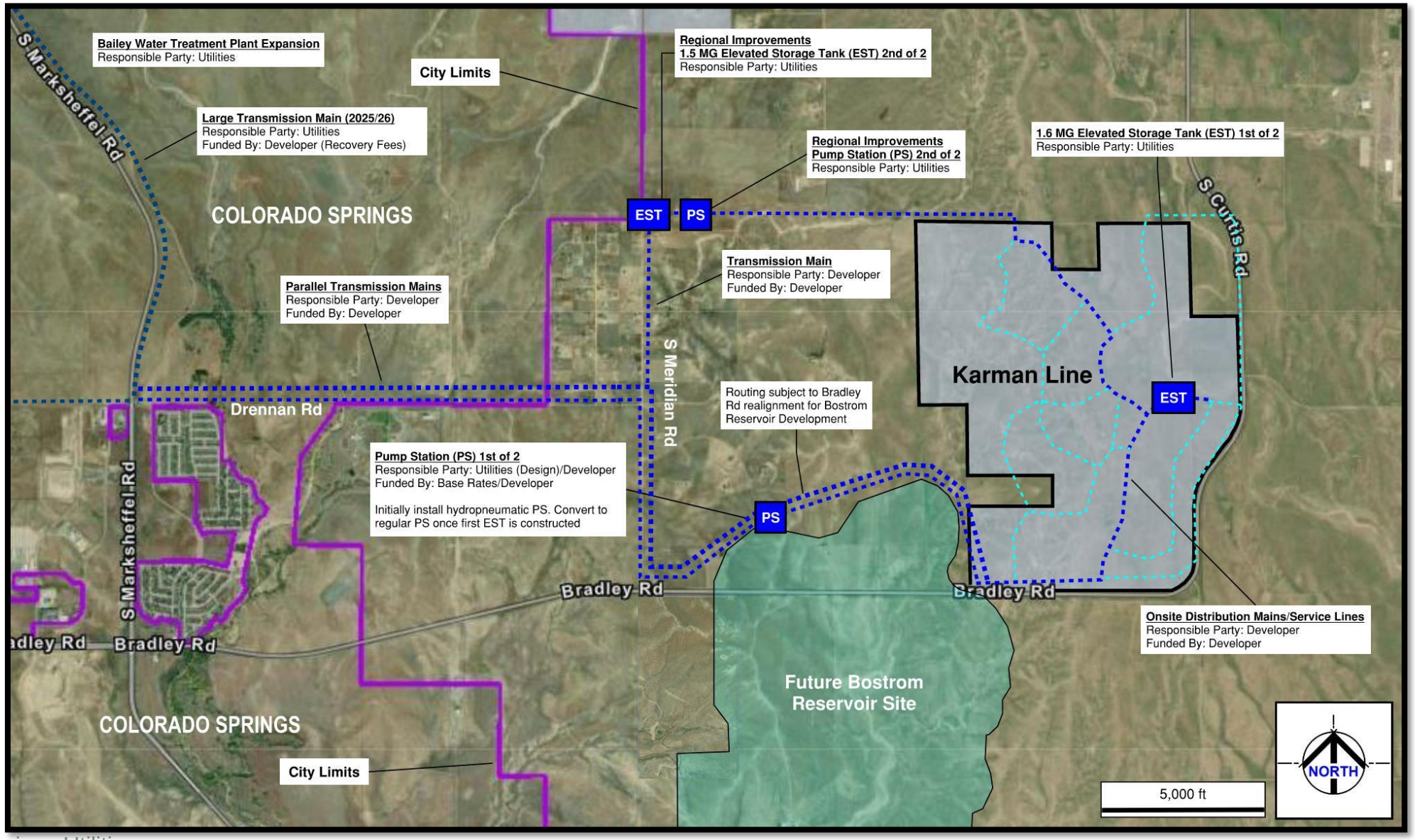
(5) Utility Extensions

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.

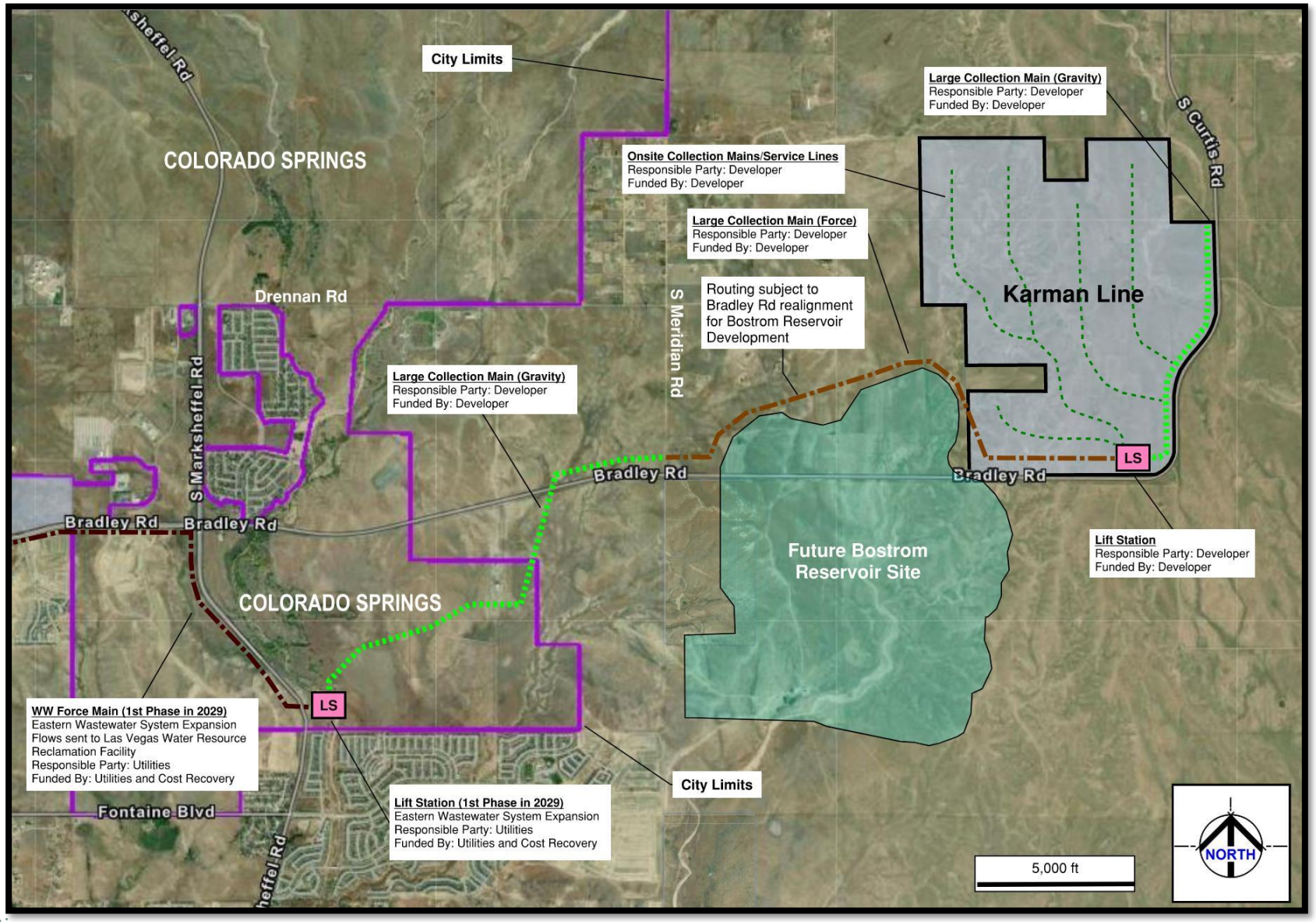
(8) Utilities' Revenues

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.

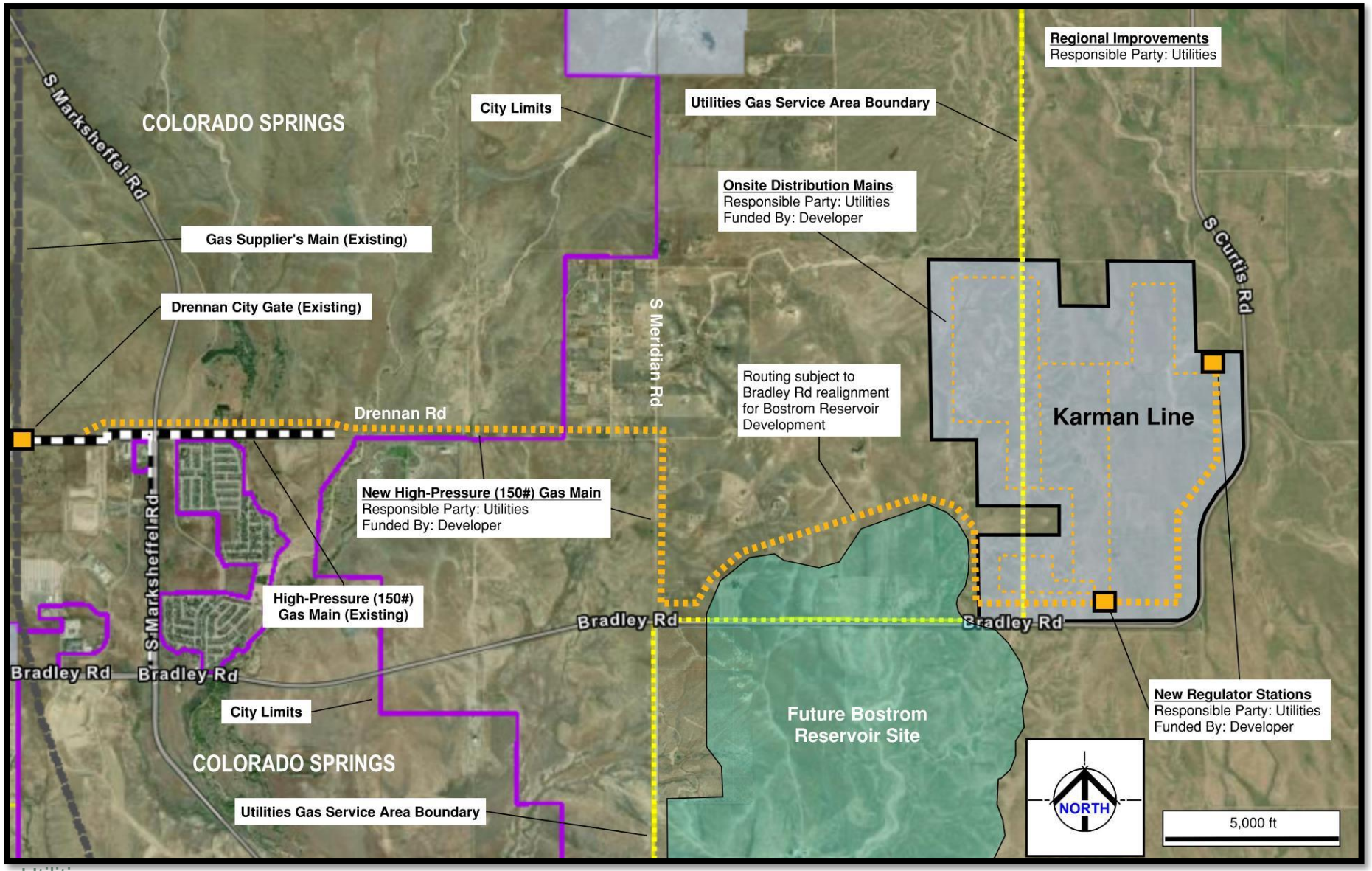
Water Infrastructure & Facilities



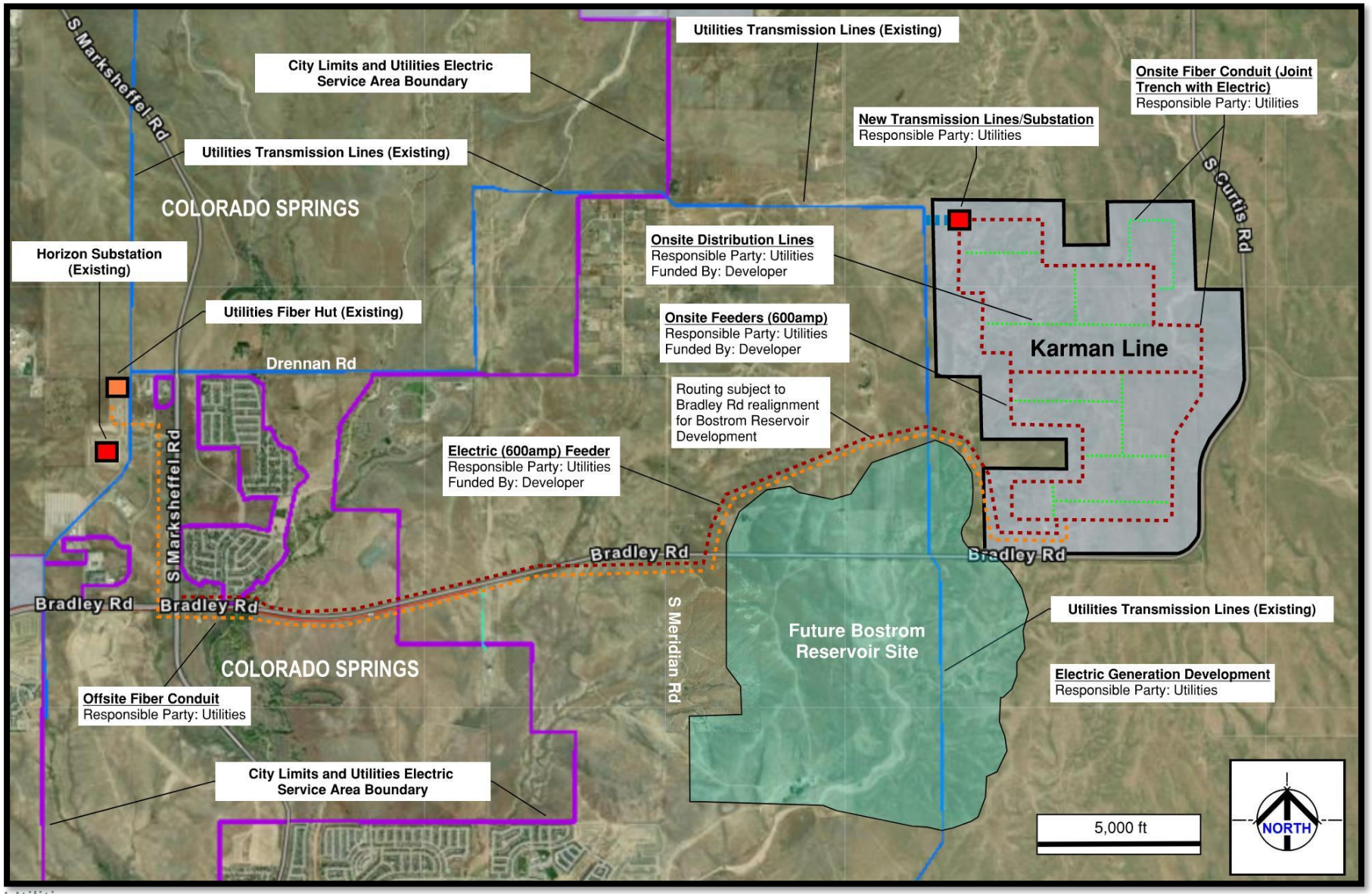
Wastewater Infrastructure & Facilities



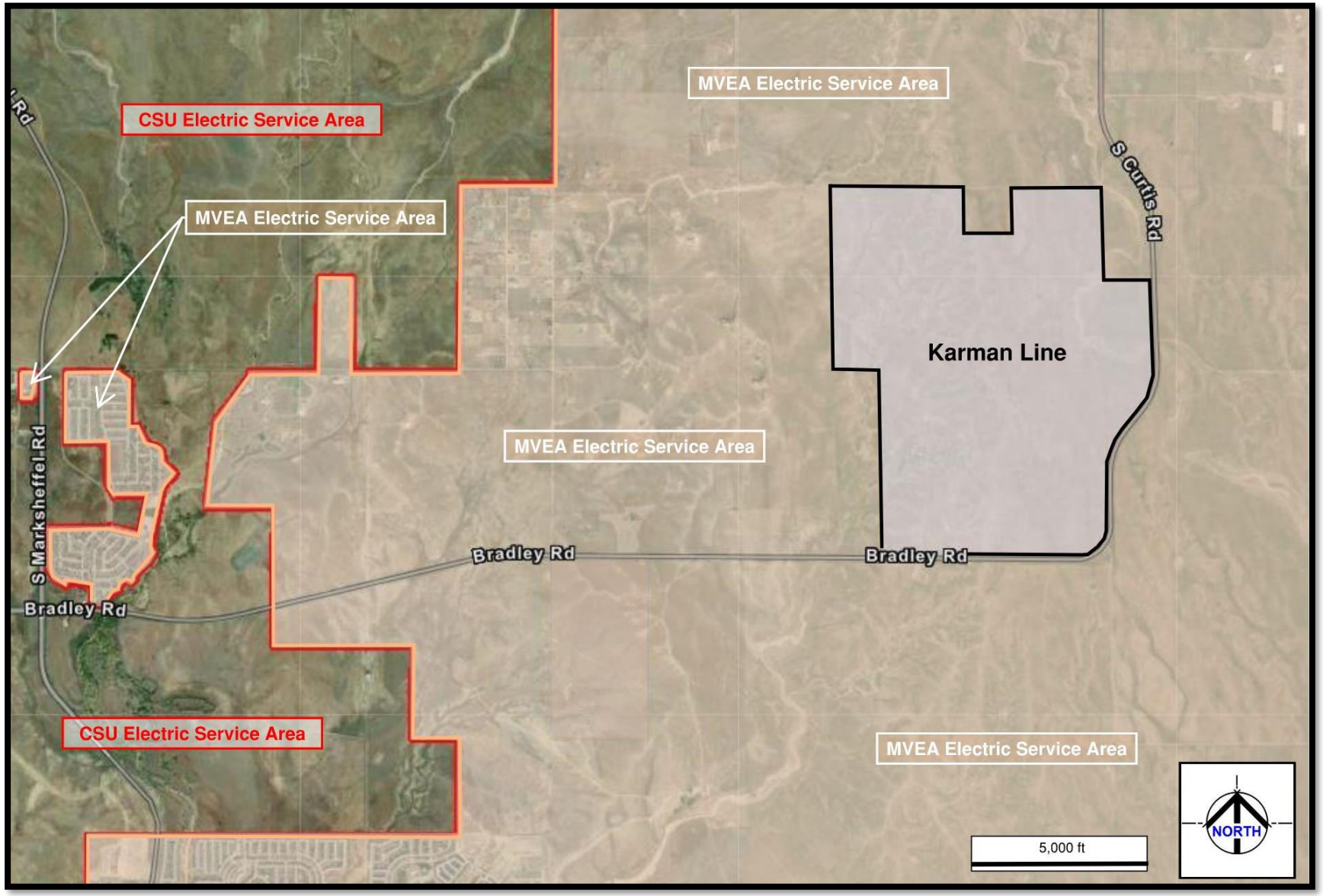
Natural Gas Infrastructure & Facilities



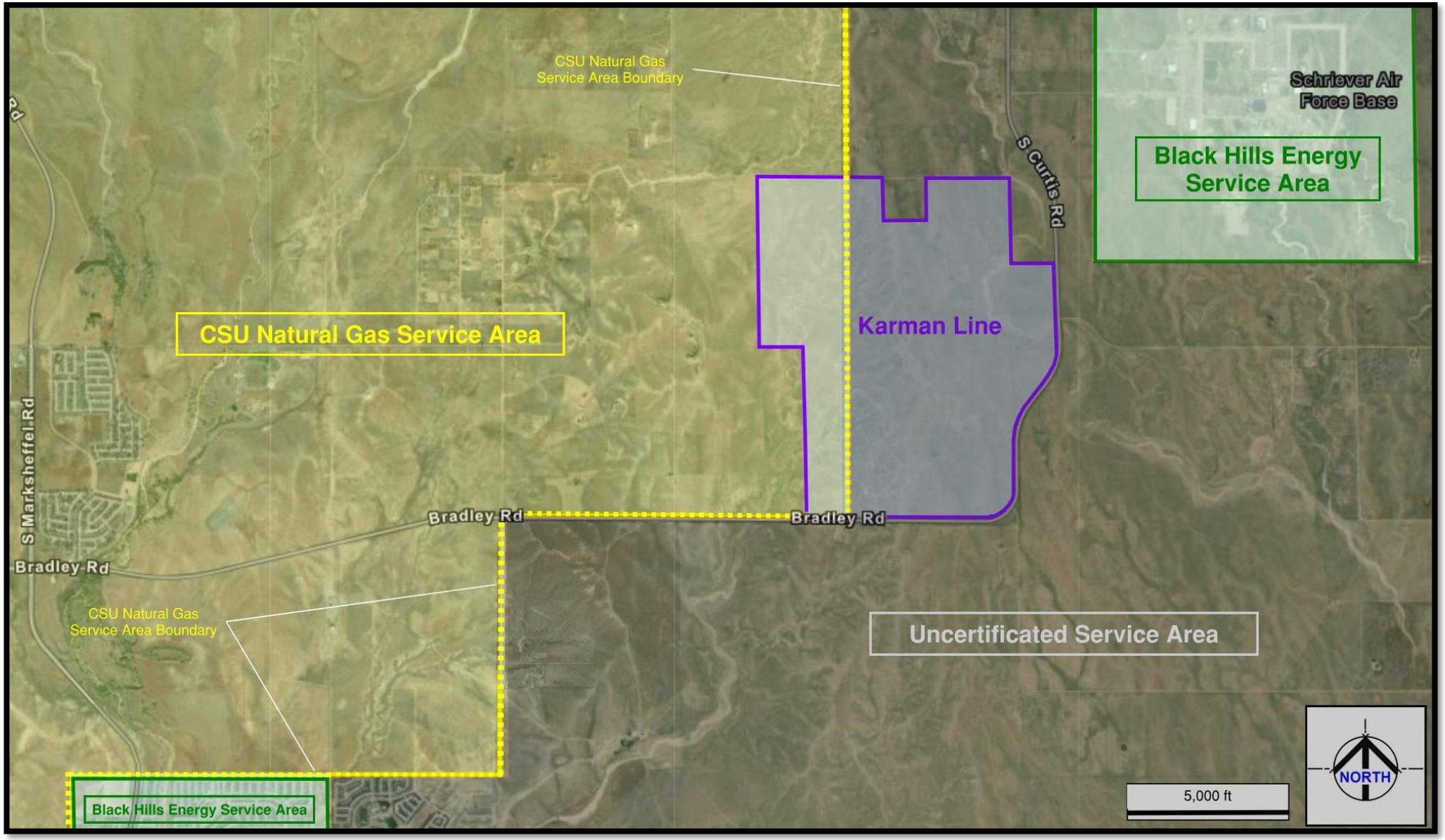
Electric & Fiber Infrastructure & Facilities



Utility Service Territories (Mountain View Electric Association/MVEA)



Utility Service Territories



Springs Utilities Capital Cost Estimate

	Springs Utilities' Estimated Cost (millions)[1]		
Electric	**Low**	**Mid**	**High**
Facilities (Transmission Lines and Substation)	$16.0	$20.0	$24.0
Infrastructure (Meters)	$0.6	$0.7	$0.8
Resource (Generation)	$19.7	$24.7	$29.6
Natural Gas			
Facilities (Gate Station, Propane Air-Plant Expansion, Air-Blending)	$1.5	$1.9	$2.3
Infrastructure (Meters)	$1.1	$1.4	$1.6
Wastewater			
Facilities (Treatment Plant)	$22.1	$27.6	$33.1
Water			
Facilities (Treatment Plant, Pump Station, Elevated Storage Tanks)	$19.6	$24.5	$29.4
Infrastructure (Meters)	$1.4	$1.8	$2.1
Fiber			
Infrastructure (Conduit and Fiber)	$7.3	$9.2	$11.0
Vehicles			
Vehicles	$0.6	$0.7	$0.8
Total Capital covered by Base Rates	**$89.9**	**$112.4**	**$134.9**

[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

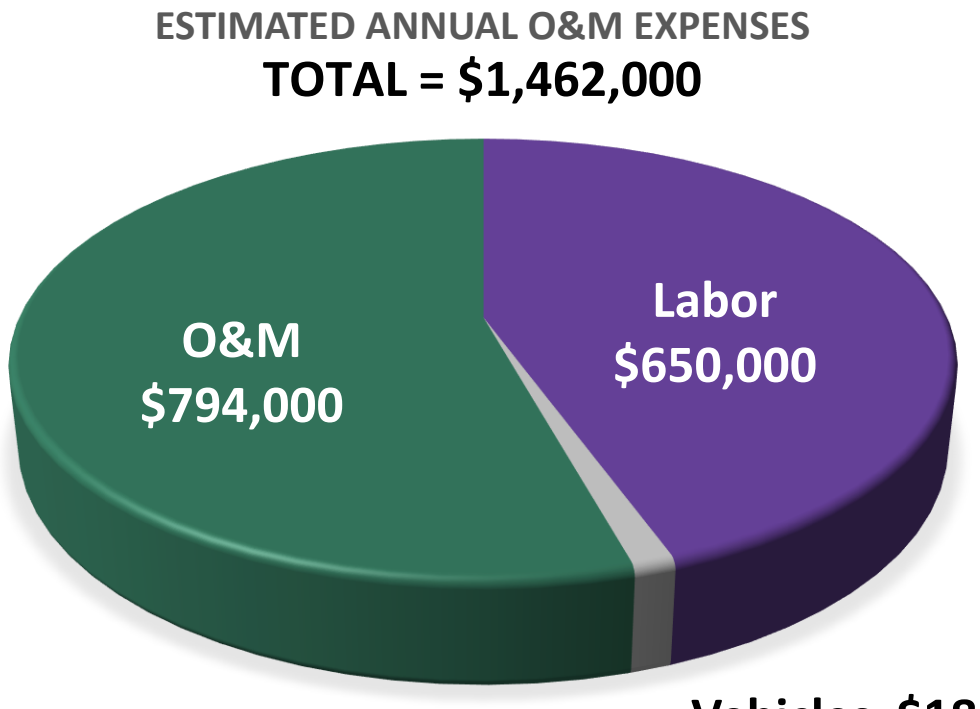
	Developer's Estimated Cost (millions)[1,2]		
Electric	**Low**	**Mid**	**High**
Infrastructure (Offsite/Onsite Extensions)	$8.7	$10.9	$13.1
Natural Gas			
Infrastructure (Offsite/Onsite Extensions, District Regulator Stations)	$27.5	$34.4	$41.3
Wastewater			
Development Charges[3]	$10.3	$10.3	$10.3
Water			
Development Charges[3]	$43.9	$43.9	$43.9
Water Resources Fees[3]	$31.9	$31.9	$31.9
New Utility Service Center			
Service Center	$6.2	$6.2	$6.2
Total	**$128.5**	**$137.5**	**$146.6**

[1] *Estimated 2024 Developer costs are rough order of magnitude and are approximated by mutliplying 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)



$1.5M 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	407	$24.9	$58.4
Mid CapEx	407	$24.9	$58.4
Low Capex	407	$24.9	$58.4

Karman Line Annexation Cost Summary

- Utilities Capital Cost Estimate: ~$90-135 million
  - $112 million mid-scenario capital cost
  - $72 10-year capital cost
  - $46 million first-year capital cost
- Utilities Annual O&M Cost Estimate: ~$1.5 million
  - $6.5 million 10-year O&M cost (assumes 407 units built per year)
  - $.7 million per year in first 10 years
- Cost Payback Timeframe: ~ 9 to 13 years
  - 407 units per year with mid-scenario capital cost = Approx. 10-year payback
- Utilities Financial Risk: Approved annexation costs that occur prior to 2029 have not been included in our financial planning

New Utility Service Center Fee

New utility service center planned for Springs Utilities Advanced Technology Campus (ATC)

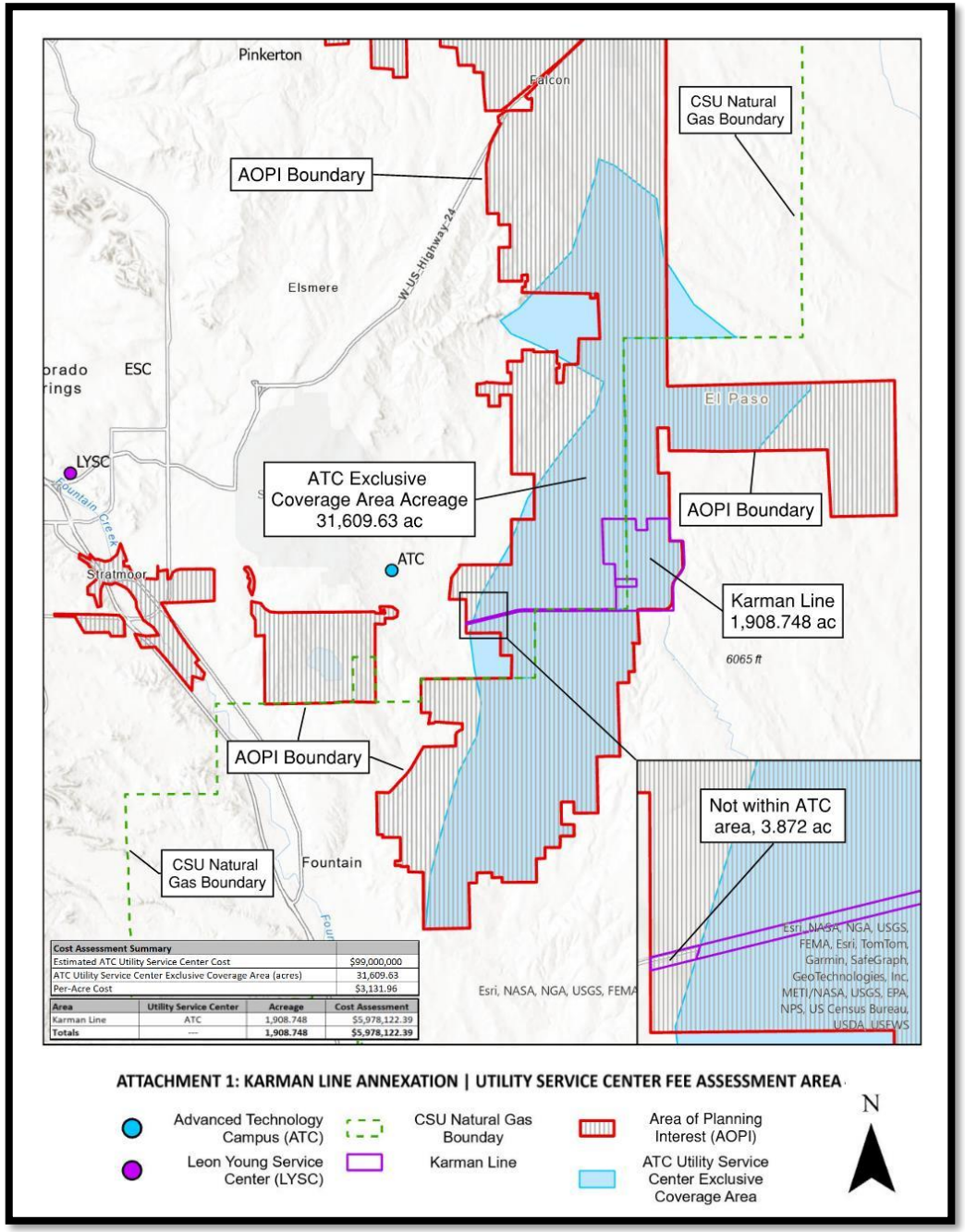
Estimated cost: $99M

Using Google drive-time tool, staff determined:

- 30-minute response area for existing and proposed utility service centers
- Exclusive response area for new ATC service center

Karman Line should contribute to capital design and construction costs

Estimated contribution: ~$6.0M

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