



Colorado Springs Utilities  
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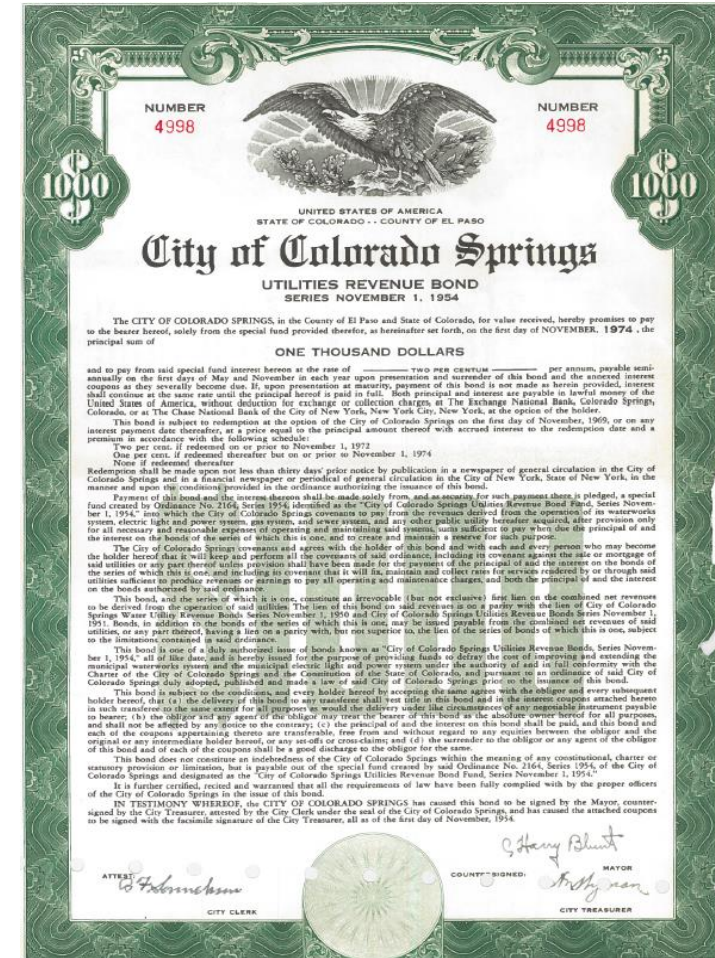
# Letter of Credit Agreement

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Treasury and Finance Manager  
November 26, 2024

# Plan of Finance Objectives

## Plan of Finance efforts are dedicated towards four key objectives:

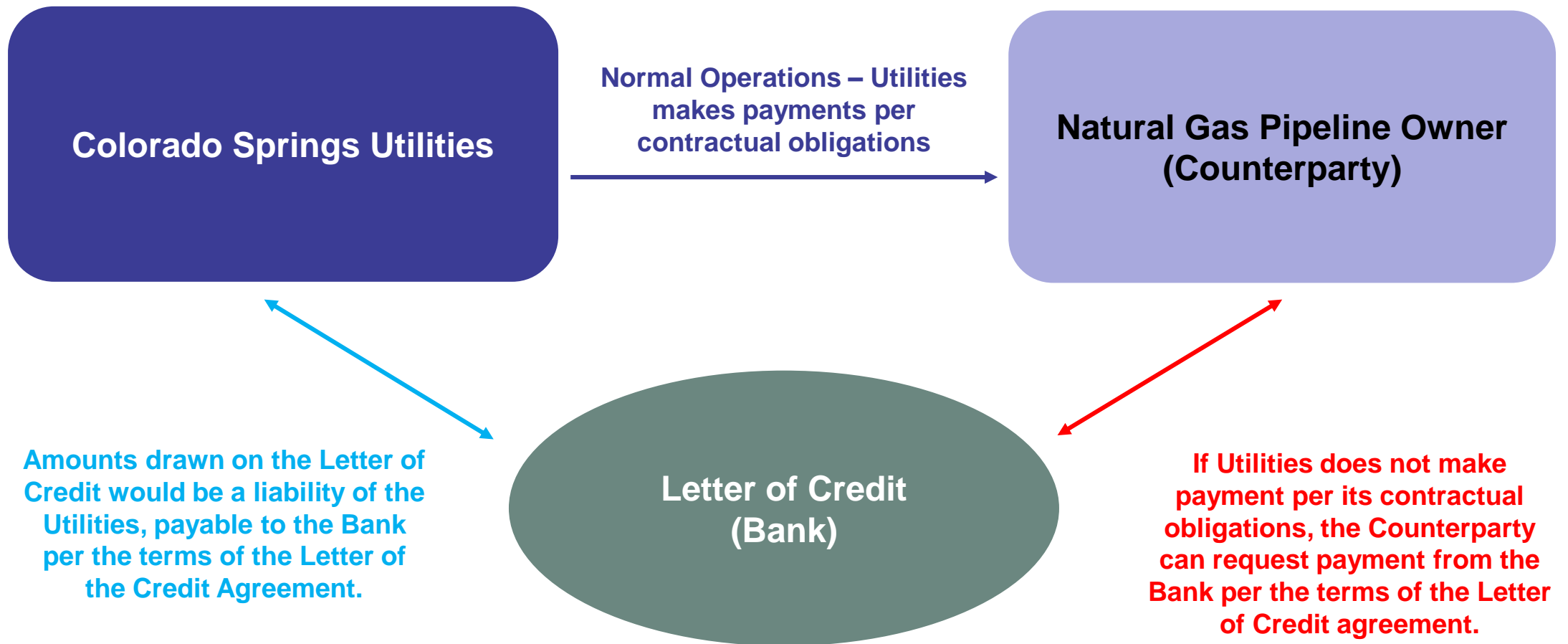
1. Fund the debt-backed portion of The Utilities' upcoming capital plan
2. Manage and optimize The Utilities' current debt portfolio
3. Procure and manage debt-supporting instruments and ancillary services
4. Manage credit rating agency relationships



# Background

- On September 17, 2024, Utilities entered into an agreement to lease capacity on a natural gas pipeline ('Precedent Agreement') to be constructed by a 3<sup>rd</sup> party (Counterparty)
- Counterparty will construct, own and operate the pipeline
- Utilities is the 'anchor shipper' on the pipeline
- After in-service date in November 2027 (*estimated*), Utilities has agreed to lease certain amounts of natural gas storage and capacity for a 20-year term
- To comply with the terms of the Precedent Agreement, Utilities is obligated to deliver a standby irrevocable Letter of Credit

# Letter of Credit Overview



# Letter of Credit

- An RFP process was completed to solicit proposals from multiple banks
- Intent to Award to Sumitomo Mitsui Banking Corporation
- Per the terms of the Precedent Agreement, the Letter of Credit must be in place through the project in-service date

Letter of Credit Terms	
Sizing – Facility Amount	\$115,000,000
Agreement Term	5 years
Estimated Annual Cost	\$500k - \$550k

# Next Steps

- Execution of this agreement requires authorization from City Council through an ordinance
- Key Dates

<b>Letter of Credit Agreement Actions:</b>	<b>Date*</b>
<i>Precedent Agreement Executed</i>	<i>September 17, 2024</i>
<i>Letter of Credit RFP Distributed to Banks</i>	<i>September 20, 2024</i>
<i>Letter of Credit RFP Process Completed</i>	<i>October 3, 2024</i>
<i>Finance Committee Presentation</i>	<i>October 14, 2024</i>
<i>Utilities Board Presentation</i>	<i>October 16, 2024</i>
<b>1<sup>st</sup> Reading of Letter of Credit Ordinance at City Council</b>	<b>November 26, 2024</b>
2 <sup>nd</sup> Reading of Letter of Credit Ordinance at City Council	December 10, 2024
Execution of Letter of Credit Agreement	December 17, 2024



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