

SOUTHERN DELIVERY SYSTEM

MONTHLY REPORT



The Southern Delivery System (SDS) is a regional project to bring water from the Arkansas River to Colorado Springs, the City of Fountain, the Security Water District, and the Pueblo West Metropolitan District. Phase 1 of this two-phase project includes all of the components necessary to begin delivering water to the partner communities by April 2016. This report summarizes accomplishments for the past month, plans for the next month, and key performance details for Phase 1. In March, construction commenced for the Water Treatment Plant and North Pipeline 1C and 2A, and pre-construction and construction continued for South Pipeline 4A East and West (refer to the map on page 4). Upcoming work includes receiving bids for the Raw Water Pump Stations, progressing construction on the facilities and pipelines, starting revegetation of South Pipeline 1, and advancing land acquisition.

Key Accomplishments in March

- **Construction Commenced for Water Treatment Plant.** McCarthy Building Companies, Inc. began construction of the water treatment plant located at Marksheffel Road and U.S. Highway 24. Work included mobilization of heavy earth-working equipment, fiber optic installation for onsite communications, installation of a temporary water line to transport construction water to the site, and completion of construction entrances. Construction cost is approximately \$124.6 million.
- **Construction Commenced on North Pipeline 1C and 2A.** Layne Heavy Civil, Inc. began construction work on North Pipeline 1C and 2A – a 6.1-mile raw water pipeline section extending from North Pipeline 1B near Peaceful Valley to approximately 1 mile south of Highway 94. Activities included installing right-of-way fencing, receiving pipe deliveries, and installing pipe in trench. Construction cost is approximately \$24.5 million.
- **Construction Continued for South Pipeline 4A East and West.** Garney Construction continued activities on South Pipeline 4A East and West – a 7.5-mile raw water pipeline section that starts at the El Paso/Pueblo County line and extends north to Interstate 25, near Pikes Peak International Raceway, and from Hanover Road north to South Pipeline 4B. Activities on the west involved crossing El Hembra View, restoring a crossing of Young Hollow drainage, and completion of work under electrical transmission lines. Pre-construction activities continued east of Interstate 25. Construction cost is approximately \$26 million.



Pipe installation at North Pipeline 1C/2A

Upcoming Work & Challenges

- **Bidding to Close for Raw Water Pump Stations.** Bids from pre-qualified prime contractors are due April 17 for the Raw Water Pump Stations project. Pre-construction work is anticipated to begin May 2013.
- **Construction to Continue for Water Treatment Plant.** McCarthy Building Companies, Inc. will continue construction of the water treatment plant beginning mass excavation work with an estimated total of 1,000,000 cubic yards of earth to move – the equivalent of more than 300 Olympic-sized swimming pools. Final completion is estimated to occur April 2016.
- **Revegetation to Continue for South Pipelines 1, 2, and 3.** Western States Reclamation, Inc. will continue maintenance and monitoring of reseeded areas of South Pipelines 2 and 3. At South Pipeline 1, Western States Reclamation, Inc. will continue installing irrigation lines and will begin seeding and mulching. Watering for all three pipelines is anticipated to begin in May.
- **Construction to Continue on Williams Creek Pump Station Power Supply.** Colorado Springs Utilities will continue construction of the power supply for Williams Creek Pump Station with work spanning approximately 5 miles from Nixon Power Plant to the future Williams Creek Pump Station. Work will include the installation of both overhead and underground distribution line infrastructure.
- **Continue Land Acquisition.** The SDS team will continue to secure the properties needed for SDS Phase 1, including properties along Finished Water Pipeline 3, South Pipeline 4A East and Central, and North Pipelines 1C, 2A, and 2B.

SPOTLIGHT

Groundbreaking Ceremony Celebrates Start of Construction for Water Treatment Plant

A groundbreaking event was held March 20 to commence construction of the SDS water treatment plant. A group of Colorado businesses contracted to work on the project participated in the shovel ceremony by digging up earth in the location of the new facility. The single largest component of SDS, the water treatment plant construction is providing significant work for Colorado businesses. Of the nearly \$125 million to construct the plant, \$47 million is anticipated to benefit businesses in Colorado, including \$28 million awarded to El Paso County companies. The plant will treat up to 50 million gallons of water per day upon the project's completion in 2016. Capacity can be expanded to treat more than 100 million gallons of water per day based on future customer demand.



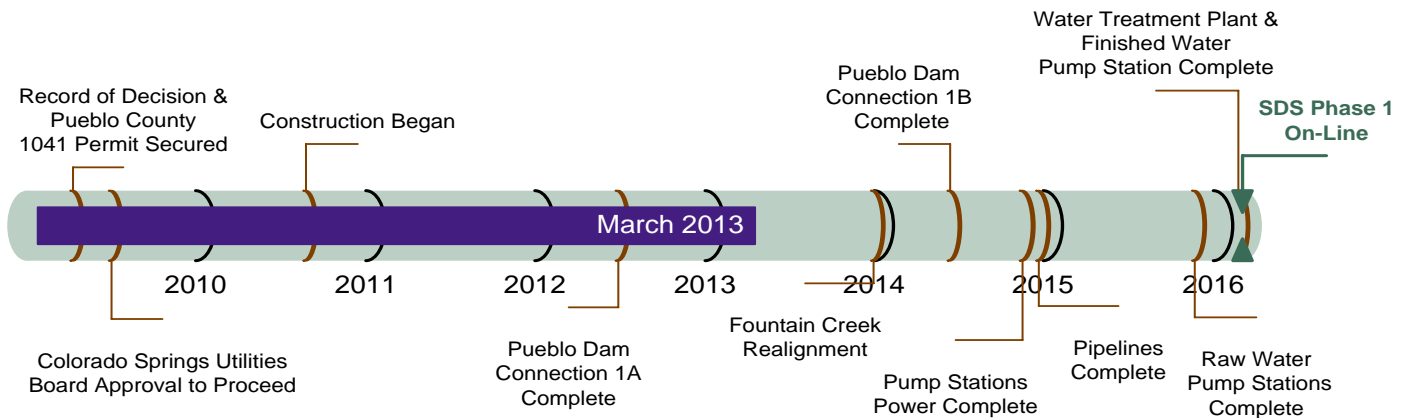
Schedule Summary

Figure 1 summarizes the schedule for completing Phase 1 of the SDS. This timeline shows the planned sequence for completing each of the core projects within Phase 1 and highlights major activities for the next 12 months. Colorado Springs Utilities anticipates completing Phase 1 as planned, with full operation beginning by April 2016. Eleven construction projects are under way or scheduled to commence during the next 12 months. Continued design of four projects also is planned.

Figure 1 – Schedule Progress for Major SDS Phase 1 Projects

Major Activities: March 2013 – February 2014

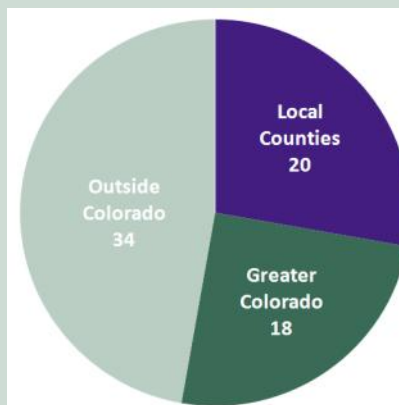
- Pueblo Dam Connection 1B – Construction
- South Pipeline 1 Revegetation – Mobilization and Implementation
- South Pipelines 2 & 3 Revegetation – Monitoring and Maintenance
- South Pipeline 4A East/West – Construction
- South Pipeline 4A Central – Final Design and Construction
- North Pipeline 1C/2A – Construction
- North Pipeline 2B – Final Design and Construction
- Bradley Pump Station Power Supply – Construction
- Williams Creek Pump Station Power Supply – Construction
- Juniper Pump Station Power Supply – Final Design
- Water Treatment Plant/Finished Water Pump Station – Construction
- Raw Water Pump Stations – Construction
- Finished Water Pipeline 3 – Construction
- Fountain Creek Realignment – Final Design and Construction



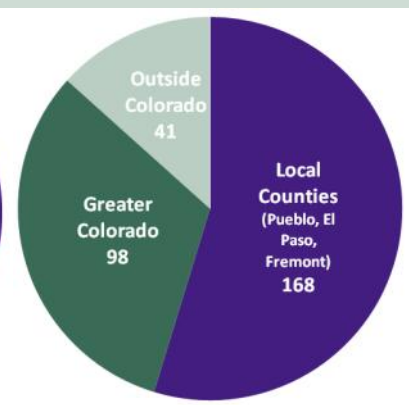
Water Treatment Plant Subcontractor Support

A team of Colorado businesses joined local officials on March 20 to break ground on the new SDS water treatment plant (WTP) in El Paso County. Construction of the new plant, the single largest SDS component, is providing significant work for area businesses that participated in a shovel ceremony to mark the start of construction. The nearly 40 Colorado companies building the water treatment plant bring the total number of businesses and organizations in the state involved in the planning and construction of SDS to more than 300 since the Program began in 2002.

Distribution of Subcontractors Anticipated to Support Construction of the WTP (Total 72)



Distribution of Businesses/Organizations Supporting SDS (Total 307)*



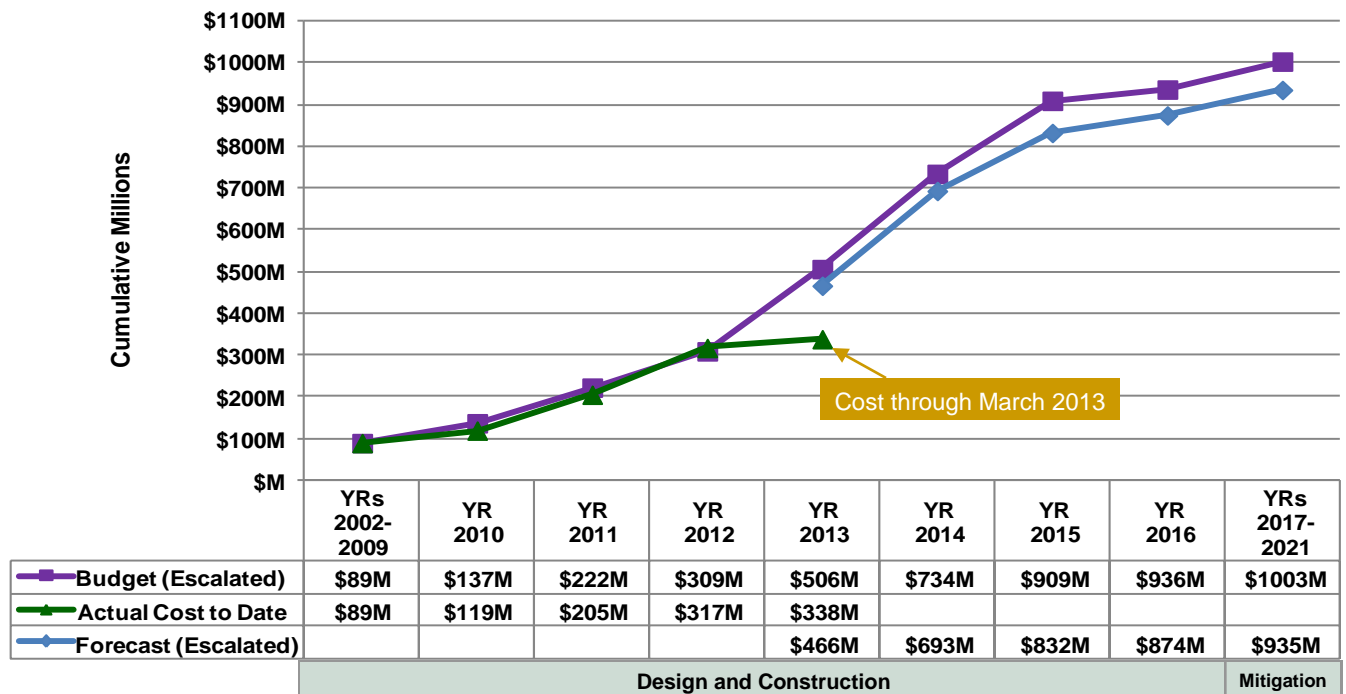
*Does not include WTP subcontractors

Cost Summary

Figure 2 shows the budget for Phase 1, actual costs through March 2013, and forecasted costs for Phase 1.

Figure 3 shows the distribution of the actual costs. Key financial details are summarized below. The budget that is used to measure progress was established by the Colorado Springs Utilities Board in July 2009 and is \$880 million in April 2009 dollars. Accounting for actual and currently projected escalation in the cost of labor, materials, and equipment, the same 2009 budget equates to \$1.003 billion after all direct project costs (including mitigation) are paid through 2021. The approved and previously estimated water rate increases to pay for SDS Phase 1 already include these anticipated costs.

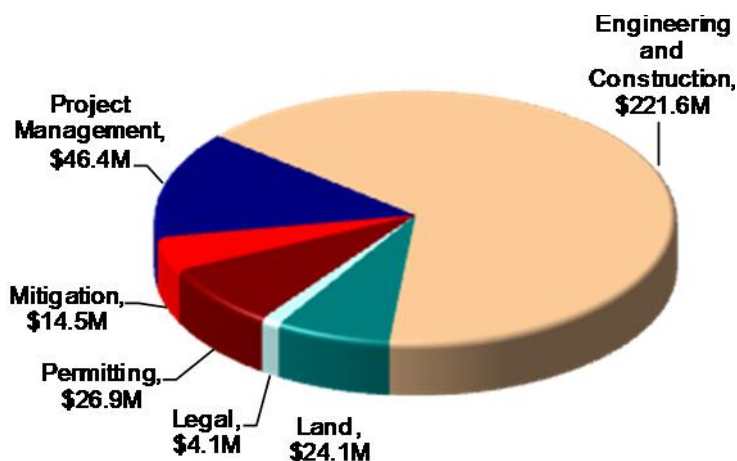
Figure 2 – Phase 1 Budget Progress – Actual Costs through March 2013



All \$ values in millions (M) and reflect direct project costs.

Budget and forecast \$ values include actual and projected cost escalation as measured by the Engineering News-Record's national Construction Cost Index and periodic forecasts by IHS Global Insight.

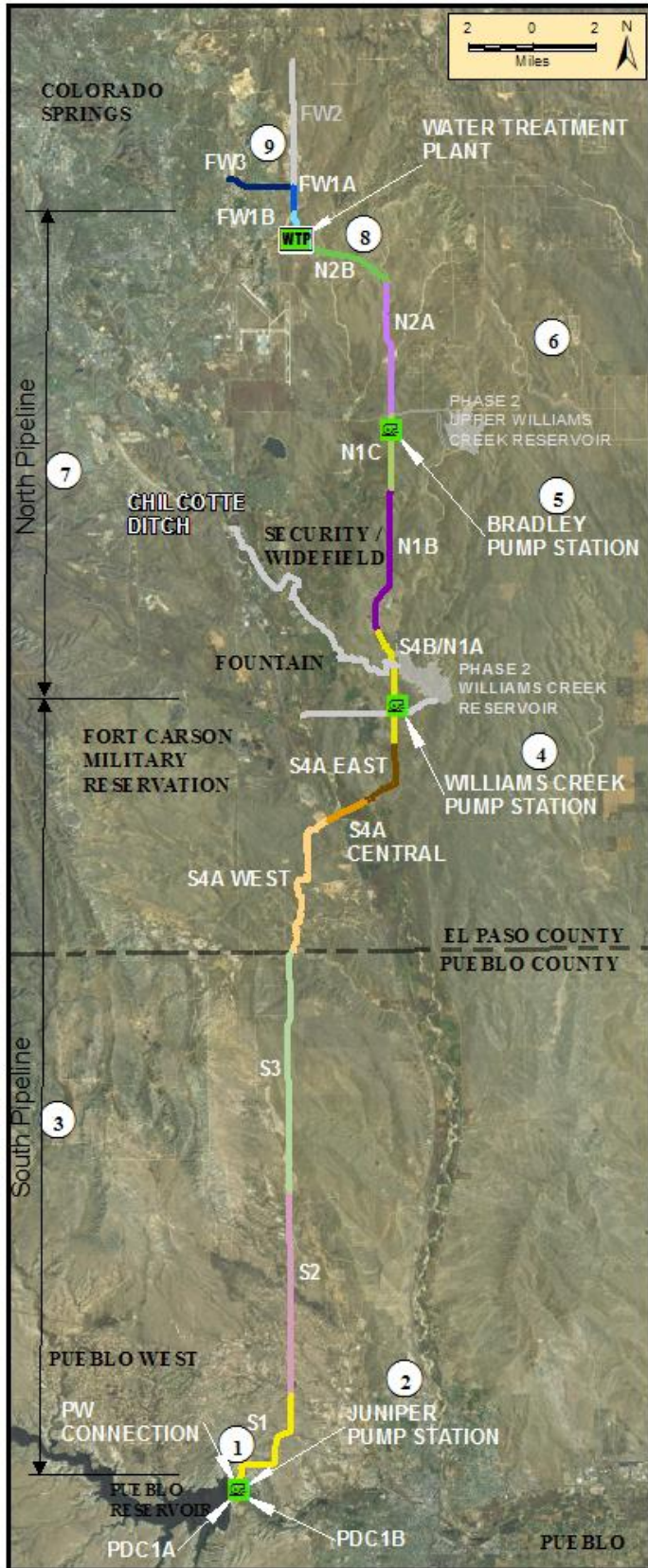
Figure 3 – Distribution of Phase 1 Direct Costs through March 2013 (\$338M Total)



Key Financial Details

- The budget for Phase 1 is \$1.003 billion, including actual and projected escalation, while the current cost forecast is \$935 million. The project is currently forecasting completion approximately \$68 million below budget. These anticipated savings are accounted for in water rates planning and bond issuance planning.
- Cumulative actual costs to date are \$338 million, with a majority expended on engineering and construction, permitting, land, and management activities.
- Forecasted costs for 2013 are \$149 million with a cumulative expenditure of \$466 million by the end of 2013.

Figure 4 – Phase I Projects Status Map



- 9 Finished Water Pipeline (FW)**
 Design: 100%
 Land: 70% of properties secured
 Focus: Preparing to procure a contractor for section 3
- 8 SDS Water Treatment Plant and Finished Water Pump Station**
 Design: 100%
 Land: 100% of properties secured
 Focus: Constructing water treatment plant – mobilization and earthwork
- 7 North Pipeline (N)**
 Design: 100%
 Land: 70% of properties secured
 Focus: Constructing sections 1C & 2A, preparing to procure a contractor for section 2B
- 6 Upper Williams Creek Reservoir**
 Design: 30% design complete; completion of design planned in SDS Phase 2
 Land: Acquisition planning under way
- 5 Bradley Pump Station**
 Design: 100%
 Land: Acquisition under way
 Focus: Procuring a construction contractor, constructing power supply
- 4 Williams Creek Pump Station**
 Design: 100%
 Land: 100% of properties secured
 Focus: Procuring a construction contractor, constructing power supply
- 3 South Pipeline (S)**
 Design: 90%
 Land: 90% of properties secured
 Focus: Preparing a final design for section 4A Central, constructing section 4A West, continuing pre-construction activities for section 4A East
- 2 Juniper Pump Station**
 Design: 100%
 Land: Coordinating land use authorization with the Bureau of Reclamation
 Focus: Procuring a construction contractor
- 1 Pueblo Dam Connection (PDC)**
 Design: 100%
 Land: Construction authorization secured
 Focus: Planning for construction of 1B (pipeline)

Schedule: The Program is on schedule to begin operations in April 2016.

Budget: The Program is currently forecasting completion under budget by \$68 million.

Visit www.sdswater.org for additional information.