

Southern Delivery System | eNews

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UTILITIES BOARD APPROVES MOVING FORWARD WITH SDS: The Colorado Springs Utilities Board today approved moving forward with the Preferred Alternative – a pipeline beginning at Pueblo Dam – for the Southern Delivery System (SDS).

Supporting a motion made by Councilman Jerry Heimlicher, the Board also approved implementing the project with a 2016 in-service date and directed the Utilities staff to develop a long-term rate structure that would provide funding to operate and maintain the city's water service and put SDS into service beginning in 2016.

Prior to his motion, Heimlicher conveyed that he is "pleased that the plan outlined is being responsible to our ratepayers."

The Board's actions approved recommendations from Springs Utilities staff and set the stage for implementing a project that has been in planning for more than 10 years.

"Today has been a long time coming and it is a great day for our community and our project partners' communities," Utilities CEO Jerry Forte told Board members. "Our charge as a utility is to provide a reliable water supply for our customers, and SDS will ensure that we can deliver water for many generations to come. Many cities would love to be in the position we are in today, discussing the actual implementation of a regional water system."

Significant Advantages from Preferred Alternative

Colorado Springs Utilities obtained permitting for the Preferred Alternative and for an alternate route through Fremont County.

The Preferred Alternative offers significant advantages:

- A reservoir water intake is superior to a river intake for both water quality and for operations and maintenance. The Preferred Alternative would take water from Pueblo Reservoir; the Fremont County Alternative would take water from the Arkansas River near Florence.
- Fewer miles of pipeline would be required for the Preferred Alternative.
- The Preferred Alternative would have a higher firm yield and lower energy costs.
- The Fremont County Alternative would cost an estimated \$190 million more to build.

While the Board approved moving forward with the Preferred Alternative, Vice Mayor Larry Small commented, "We shouldn't forget that Fremont County has been a very good neighbor to us. Their cooperation should be recognized and thanked."

Cost and Recommended 2016 In-Service Date

SDS Project Director John Fredell estimated the project will cost \$880 million in 2009 dollars, which includes construction of the core components of the project, permitting, land acquisition and mitigation required by the 1041 permit from Pueblo County.

Fredell also outlined the rationale behind the recommended 2016 in-service date as “providing us the best opportunity to balance the various constraints and risks, meet water demand and level out rate impacts for our customers and maintaining Utilities’ financial stability.”

A key driver of the recommended schedule was a requirement of the Pueblo County 1041 permit condition that we must take “substantial steps to construct the permitted development within 36 months” from the date the permit was approved on April 12 of this year.

The recommendation includes:

2010:

- Begin construction of the Pueblo Dam connection.
- Dredge Fountain Creek to restore 100-year flood capacity.
- Improve water quality in Fountain Creek by establishing wetlands and realigning the creek at Clear Spring Ranch.
- Begin construction on treated water pipeline along Marksheffel Road.

2011:

- Begin Pueblo West pipeline construction.

2012-2016:

- Construct remaining pipelines, pump stations and water treatment plant.
- Startup would begin in late 2015 with delivery of water from SDS beginning in spring 2016.

“This schedule will ensure we meet the 1041 permit conditions and our community’s need for water,” explained Fredell. “The longer we extend the schedule the more vulnerable we are to drought, system outages, and cost increases.”

Chair Lionel Rivera reinforced the importance of meeting the 1041 permit conditions. This permit has fostered stronger relationships between Pueblo and El Paso County, and it’s unlikely we could do it again if we fail to capitalize on this opportunity.

Phased-in Rate Increases

Bill Cherrier, Chief Planning and Finance Officer, said a 2016 in-service date “allows us to defer costs as long as possible and phase in rate increases while meeting permitting conditions and forecasted demand for more water.”

We looked at a range of possible in-service dates, including 2012. After careful consideration of the rate impacts to our customers, we determined that an earlier in-service date would have led to even higher increases. The 2016 implementation date will level out the rate increases resulting in a projected 10 percent rate increase in 2010 and 12 percent increases annually over the following six years.

“The forecasted rate increases not only cover SDS, but also increasing costs to operate and maintain our existing water infrastructure,” Cherrier said.

An investment like this one is not unprecedented: water rates more than doubled during the Homestake project era. After a period of investment, our customers will receive an extended period of benefit.

The Legacy of SDS

“Great cities are built with great leadership and great vision and a willingness to make tough decisions when called on to do so,” said Bruce McCormick, Chief Water Services Officer. “It took 20 years to get here. We aren’t certain we could do it again if we fail to capitalize on this opportunity. It took a special set of circumstances and a great deal of effort to get to this point. SDS represents a big decision and a big investment, but it’s critically important to the future of our city.”

In her remarks, Councilwoman Jan Martin expressed that she is “keenly aware of the generational value of a project like SDS.” Martin said, “I am placing this vote for future generations.”

Southern Delivery System | eNews is an electronic newsletter designed to keep interested public officials and members of the public up to date on developments associated with the Southern Delivery System. Please forward it to anyone you think would be interested. Contact us at sdsinfo@csu.org to subscribe or unsubscribe.

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For more information, please contact us:

**Southern Delivery System
P.O. Box 1103, MC 940
Colorado springs, CO 80947
719-668-7582
866-719-4SDS (4737) toll free
sdsinfo@csu.org**

Media contact: 719-668-3848