

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 August, construction continued on Pueblo Dam Connection 1B, raw water pump stations, water treatment plant, and pipelines; revegetation efforts continued for north and south pipelines (refer to the map on page 4). Upcoming work includes continuing construction on the facilities and pipelines, furthering revegetation activities, and additional land acquisition.

Key Accomplishments in August

Construction Continued for Facilities.

Pueblo Dam Connection 1B. Garney Construction continued mobilization and pre-construction activities of Pueblo Dam Connection 1B – a 0.3-mile raw water pipeline section that will connect the new 90-inch-diameter welded steel pipeline at Pueblo Dam to the future Juniper Pump Station. Work included installation of a trailer, testing of an emergency water supply plan, and assembling rock trenching equipment. Construction cost is approximately \$8.6 million.

Raw Water Pump Stations. Archer Western Construction, LLC continued to mobilize to all three raw water pump station sites located within Pueblo and El Paso counties. Mobilization and pre-construction activities included delivery of construction equipment and preparations for clearing the construction area at Juniper Pump Station; installation of a trailer, fencing, and fiber optic cable at Williams Creek Pump Station; and installation of a trailer and temporary power at Bradley Pump Station. Construction cost is approximately \$76.5 million.

Water Treatment Plant. McCarthy Building Companies, Inc. continued construction of the water treatment plant (WTP) located at Marksheffel Road and U.S. Highway 24. Activities included setting wall reinforcements in preparation for pouring concrete for structural walls at the finished water pump station, connecting a 10-inch-diameter temporary water pipeline to the main WTP pipeline, and installing drain pipes at the process building. Construction cost is approximately \$124.6 million.

Construction Continued for North Pipeline 1C and 2A.

Layne Heavy Civil, Inc. continued construction of 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. Work included completion of pipe installation on North Pipeline 2A and clean up and backfill on North Pipeline 1C and 2A. Construction cost is approximately \$24.5 million.

Upcoming Work & Challenges

Continue Construction of Major Projects.



Last pipe for installation on North Pipeline 2A

Pueblo Dam Connection 1B. Garney Construction will continue construction of Pueblo Dam Connection 1B, anticipating the start of rock trenching, the delivery of additional equipment, and clearing the construction area.

Raw Water Pump Stations. Archer Western Construction, LLC will continue construction of all three raw water pump stations, expecting the start of construction at Juniper and Reservoir roads to expand the intersection for large vehicles to make wide turns, posting construction signage at Williams Creek Pump Station, and installing fencing around the staging area at Bradley Pump Station.

Water Treatment Plant. McCarthy Building Companies, Inc. will continue construction of the WTP placing reinforcements and pouring concrete, installing pipe in encasements, and continuing deep-dynamic compaction at sediment drying beds; deep-dynamic compaction is a soil preparation technique that increases the density of the soil.

North Pipeline 1C and 2A. Layne Heavy Civil, Inc. will continue construction of North Pipeline 1C and 2A, anticipating hydrostatic (pressure) testing on North Pipeline 1C and completing internal welding on North Pipeline 2A.

- 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 Central, and North Pipeline 2B. Efforts to acquire land for Upper Williams Creek Reservoir will also continue.

SPOTLIGHT

SDS South Pipeline 2 Recognized by ENR Mountain States as 2013 Best Project Winner

The SDS South Pipeline 2 project was chosen as Engineering News-Record (ENR) Mountain States 2013 best project winner for the Water / Environment category. The selection was based on overcoming the challenge of trenching and laying pipe in easements on more than 125 properties, working closely with project partner Pueblo West Metropolitan District to alleviate community concerns, completing the project with 87,000 hours worked without a lost-time safety incident, and creating a public involvement program that focused on relationship-building with residents in affected areas. The project will be covered in more detail in the October issue of ENR Mountain States and honored at an event October 30 in Denver.



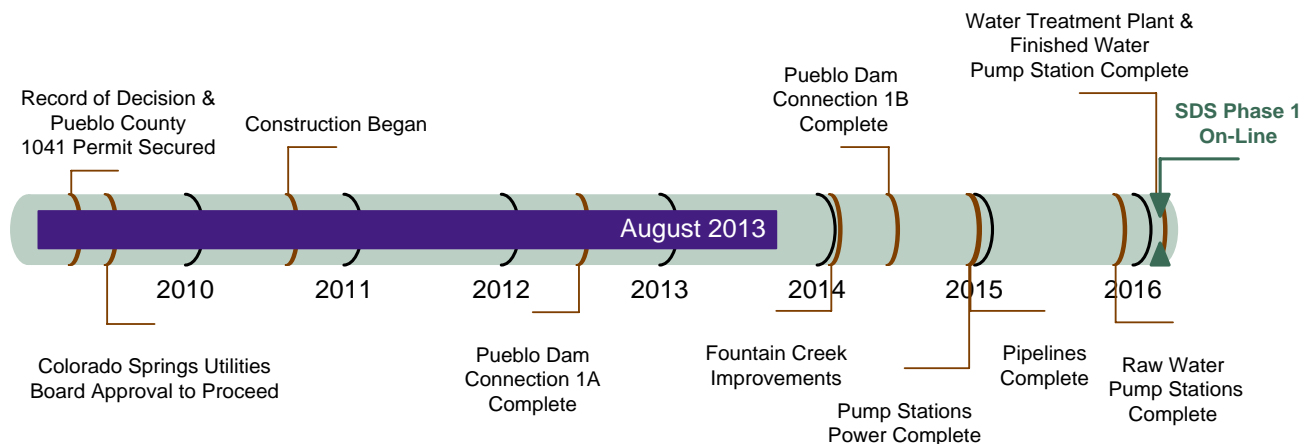
Schedule Summary

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. Nine construction projects are under way or scheduled to commence during the next 12 months. Continued design of three projects also is planned.

Figure 1 – Schedule Progress for Major SDS Phase 1 Projects

Major Activities: August 2013 – July 2014

- Pueblo Dam Connection 1B – Construction
- South Pipelines 1, 2, & 3 Revegetation – Maintenance and Monitoring
- South Pipeline 4A East/West – Construction
- South Pipeline 4A East/West Revegetation – Maintenance and Monitoring
- South Pipeline 4A Central – Final Design and Construction
- South Pipeline 4B / North Pipeline 1A/1B Revegetation – Maintenance and Monitoring
- North Pipeline 1C/2A – Construction
- North Pipeline 2B – 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 Improvements – Final Design and Construction



Upcoming SDS Procurements

We anticipate commencing the following procurement in October:

- **North Pipeline 2B Construction Contractor – Q4 2013**

Interested parties are encouraged to monitor the Rocky Mountain E-Purchasing System website (www.RockyMountainBidSystem.com) for these or other opportunities with Colorado Springs Utilities. Some opportunities are open only to pre-qualified companies.

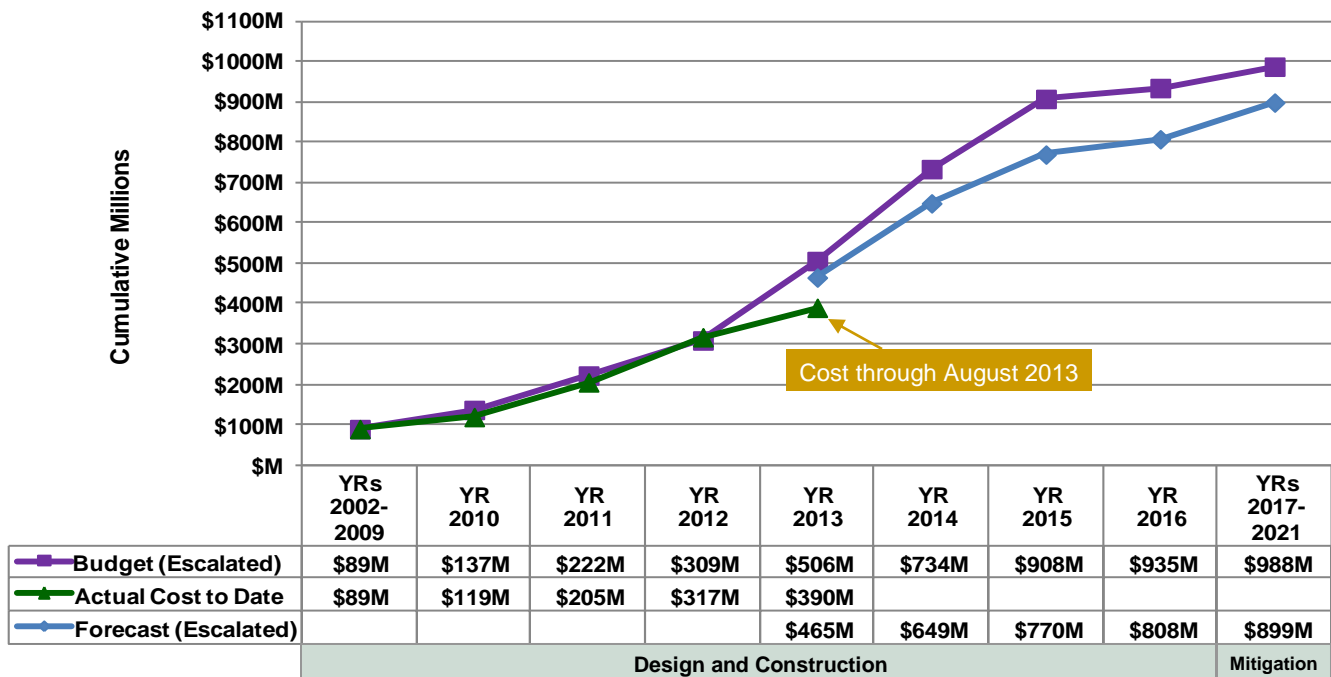
SDS Jobs Database

With work on the WTP and raw water pump stations in full construction, the general contractors and their subcontractors are looking to hire specialized trade workers to supplement their growing workforce needs. Based on results from the two SDS job fairs held in July, a jobs database was created for interested parties to submit their name and resume for contractors to review for qualified candidates. For more information, visit www.sdswater.org and go to Job / Business Opportunities and Jobs, or click the following link: [SDS Jobs Database](#).

Cost Summary

Figure 2 shows the budget for Phase 1, actual costs through August 2013, and forecasted costs for Phase 1. Actual costs to date are consistent with achieving planned construction progress and on time completion. **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 \$988 million 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.

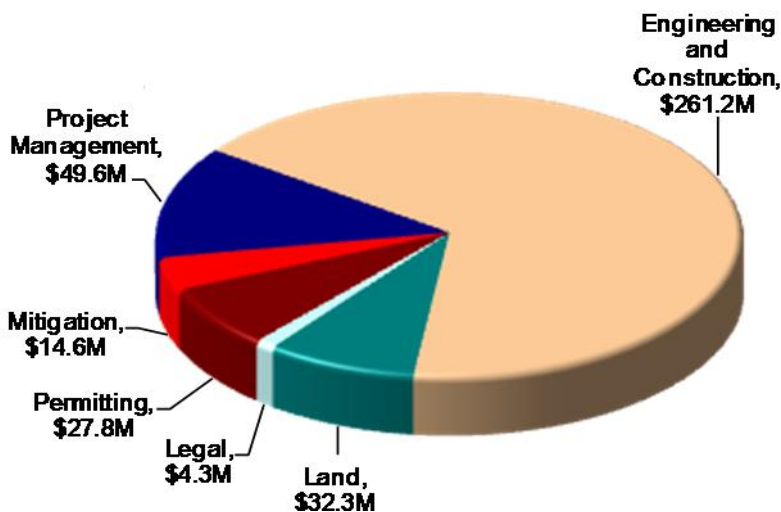
Figure 2 – Phase 1 Budget Progress – Actual Costs through August 2013



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 (for design and construction through 2016), U.S. Bureau of Labor Statistics Producer Price Index for finished goods (for monetary mitigation payments in 2017 through 2021), and periodic forecasts by IHS Global Insight.

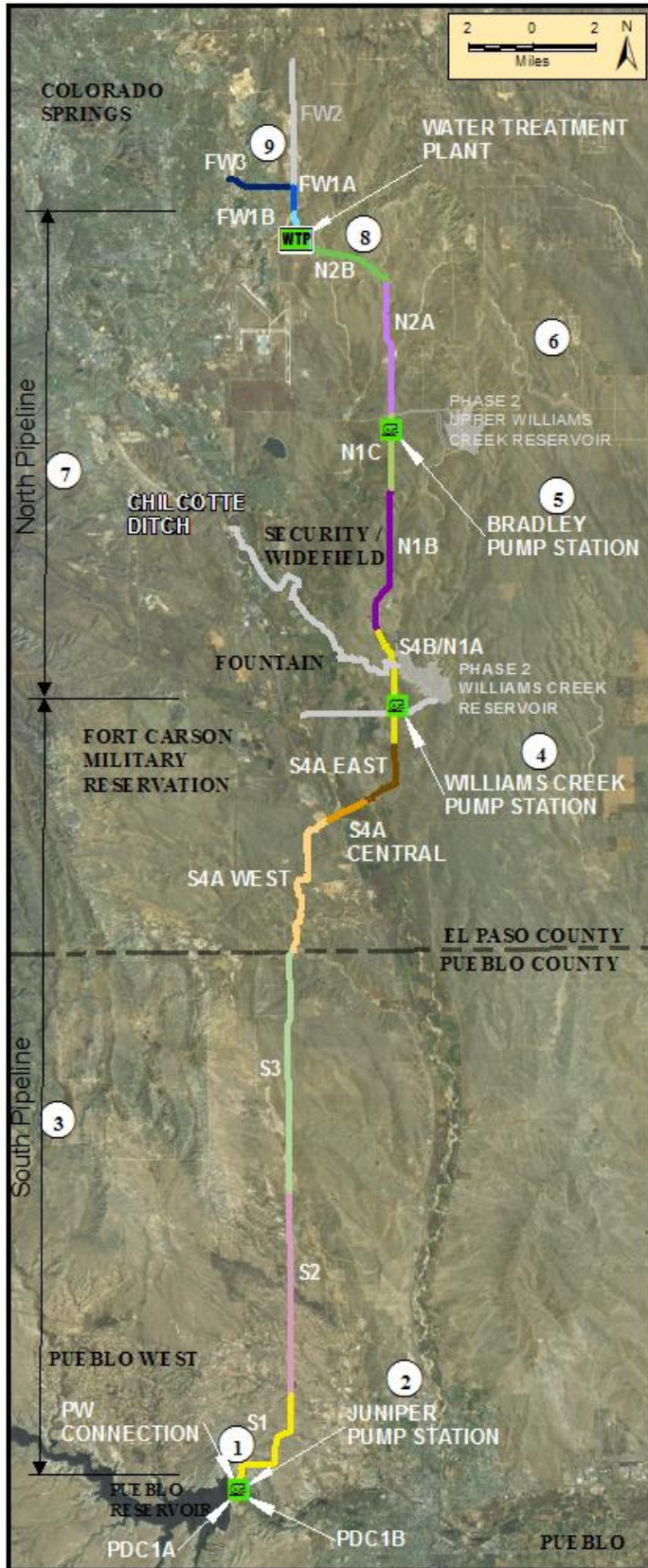
Figure 3 – Distribution of Phase 1 Direct Costs through August 2013 (\$390M Total)



Key Financial Details

- The budget for Phase 1 is \$988 million, including actual and projected escalation, while the current cost forecast is \$899 million. The project is currently forecasting completion approximately \$89 million below budget. These anticipated savings are accounted for in water rates and bond issuance planning.
- Cumulative actual costs to date are \$390 million, with a majority expended on engineering and construction, permitting, land, and management activities.
- Forecasted costs for 2013 are \$148 million with a cumulative expenditure of \$465 million by the end of 2013.

Figure 4 – Phase I Projects Status Map



- 9 Finished Water Pipeline (FW)**
 Design: 100%
 Land: 75% of properties secured
 Focus: Procuring 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 – pouring concrete and installing pipe
- 7 North Pipeline (N)**
 Design: 100%
 Land: 90% of properties secured
 Focus: Constructing sections 1C & 2A, preparing to procure a contractor for section 2B
- 6 Upper Williams Creek Reservoir**
 Design: Conceptual design complete
 Land: 40% of properties secured
 Focus: Cultural resource survey
- 5 Bradley Pump Station**
 Design: 100%
 Land: 100% of properties secured
 Focus: Mobilization and pre-construction activities for pump station
- 4 Williams Creek Pump Station**
 Design: 100%
 Land: 100% of properties secured
 Focus: Mobilization and pre-construction activities for pump station
- 3 South Pipeline (S)**
 Design: 95%
 Land: 90% of properties secured
 Focus: Preparing a final design for section 4A Central, constructing sections 4A East & West
- 2 Juniper Pump Station**
 Design: 100%
 Land: Construction authorization secured
 Focus: Mobilization and pre-construction activities for pump station
- 1 Pueblo Dam Connection (PDC)**
 Design: 100%
 Land: Construction authorization secured
 Focus: Mobilizing and pre-construction for 1B (pipeline)

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

Budget: The Program is currently forecasting completion under budget by \$89 million.

Visit www.sdswater.org for additional information.