

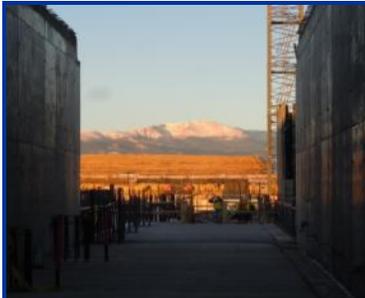
SOUTHERN DELIVERY SYSTEM

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 multi-phase project includes all of the components necessary to begin delivering water to the partner communities by April 2016. This report summarizes accomplishments from the start of construction to January 2014, plans for February 2014, and key performance details for Phase 1.

Water Treatment Plant & Finished Water Pump Station



Completed concrete walls at the water treatment plant

Accomplishments: Completed installation of several sections of pipe including a 10-inch waterline and the first sections of a 42-inch transmission main pipe; crews also continued building the water treatment plant structures, placing almost 40 percent of the total rebar and pouring approximately 42 percent of the total concrete. **Upcoming:** Preparing for construction of the raw water storage tank that will hold 10 million gallons of water, continuing installation of the transmission main pipe, and progressing placement of rebar and pouring concrete. Construction of the water treatment plant is on-schedule for completion by April 2016.



Wall form installation for a structure at the water treatment plant

Raw Water Pump Stations

Accomplishments: Continued mass excavation and rock removal at Juniper Pump Station; completed setting and aligning all seven pump cans (described below) at Williams Creek Pump Station; and completed the first concrete structures to support the pumping equipment at Bradley Pump Station. **Upcoming:** Complete the first concrete foundation for the pumping equipment structures at Juniper Pump Station; continue installation and backfill of the pump cans at Williams Creek Pump Station; and complete setting and aligning all four pumping equipment structures at Bradley Pump Station. **Note:** Pump cans protect and support the pumping equipment that will move raw water from Pueblo Dam to the new water treatment plant.



Mass excavation and rock removal at Juniper Pump Station



Pump cans at Williams Creek Pump Station

Pueblo Dam Connection & South Pipeline 4A Central



Setting 90-inch pipe at Pueblo Dam Connection 1B

Pueblo Dam Connection Accomplishments: Completed rock trenching, installed 1,160 feet of 90-inch pipe, and began placing rebar for the Pueblo West connection meter vault.



South Pipeline 4A Central launch shaft excavation

Upcoming: Construction crossing Fountain Valley Authority's 42-inch pipeline and pouring concrete for Pueblo West connection meter vault. **South Pipeline 4A Central Accomplishments:** Continued launch shaft rock excavation, reaching a depth of 50 feet by the end of January. **Upcoming:** Continue shaft excavation and installing components to stabilize the tunnel walls. **Note:** Safety measures at the site include the placement of a net over the tunnel shaft whenever work is not being performed and providing 24-hour security surveillance.

SPOTLIGHT

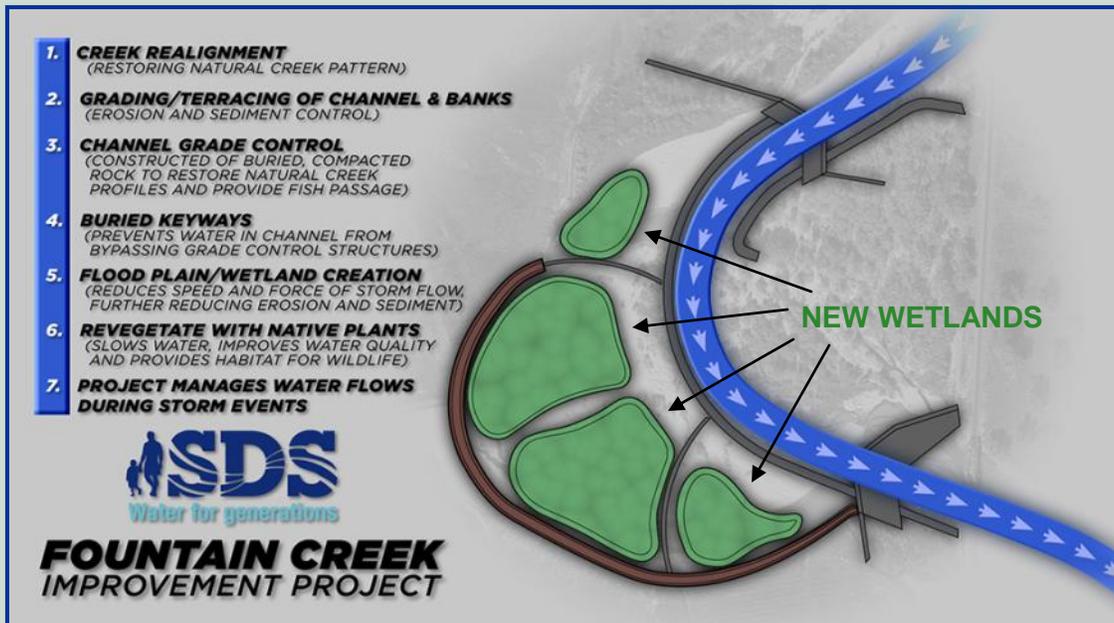
Fountain Creek Improvement Project Underway

The Fountain Creek Improvement Project is an environmental mitigation project designed to restore a section of Fountain Creek to a more natural state and reduce erosion and sedimentation. Fountain Creek originates near Pikes Peak and flows south through Colorado Springs, Fountain, and Pueblo, where it joins the Arkansas River. The SDS improvement project on Fountain Creek is located on Clear Spring Ranch approximately 18 miles south of Colorado Springs and will fulfill a mitigation commitment for SDS.

Wildcat Construction Company began construction in December 2013 to realign the creek and restore a more natural, healthy flow path to its existing channel. Buried, compacted rock will restore the creek profile and allow fish to pass through the creek in these areas. Additional structures will help prevent creek water from bypassing the new control structures. A natural flood plain area and new wetlands and native plants will also be created adjacent to the creek. All of these measures will help manage flows during storm events by slowing the water and reducing its force to allow it to flow naturally into the floodplain/wetlands area. Wildcat Construction anticipates completing improvements to the creek

in March and planting wetlands as early as April.

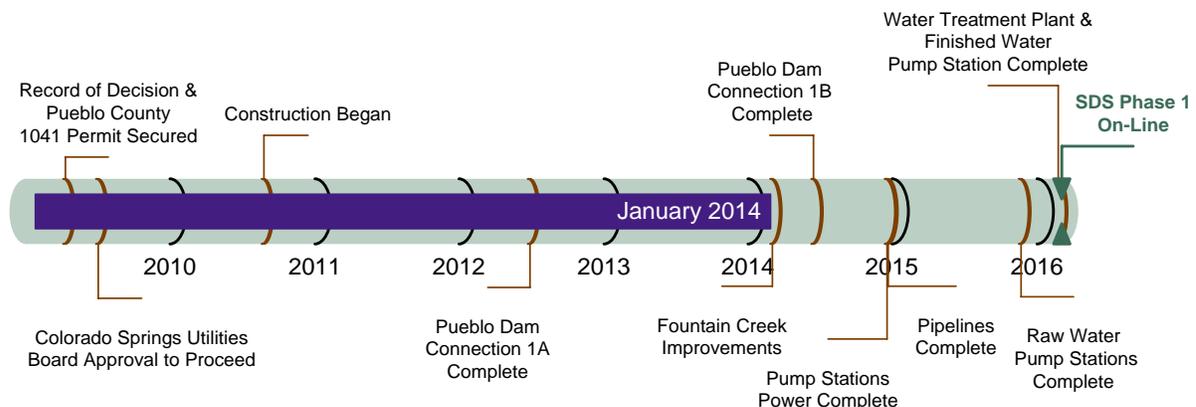
The graphic to the left is a representation of the phases of work to complete environmental restoration of Fountain Creek. Visit SDSwater.org to see an animated graphic of the project.



Schedule Summary

The timeline below summarizes the schedule for completing Phase 1 of the SDS. Colorado Springs Utilities anticipates completing Phase 1 as planned, with full operation beginning by April 2016.

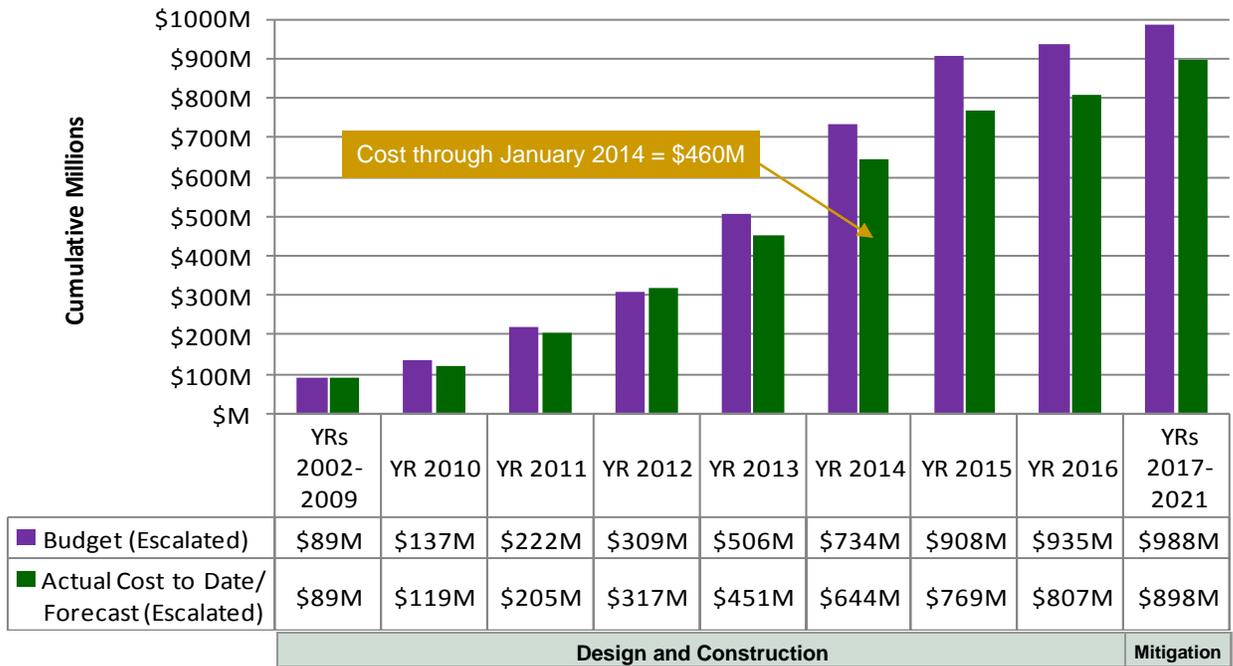
Figure 1 – Schedule Progress for Major SDS Phase 1 Projects



Cost Summary

Figure 2 shows the budget for Phase 1, actual costs through January 2014, and forecasted costs for Phase 1. **Figure 3** shows the distribution of the actual costs. Key financial details are summarized below. The budget 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.

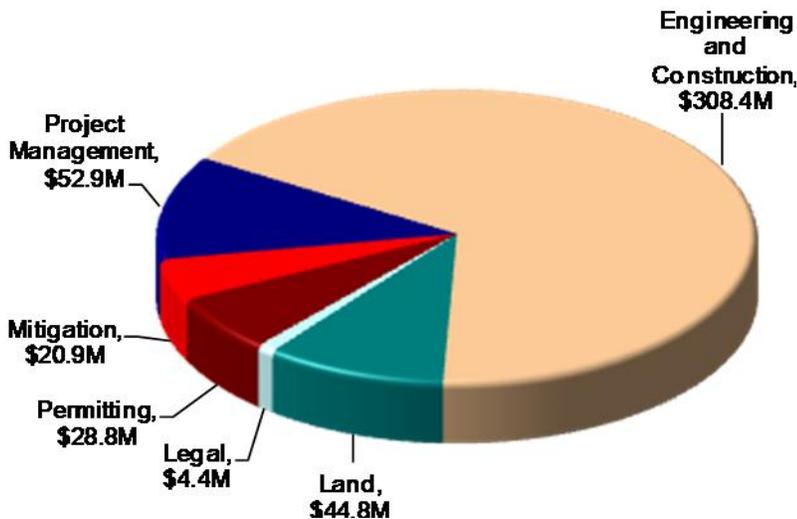
Figure 2 – Phase 1 Budget Progress – Actual Costs through January 2014



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 January 2014 (\$460M Total)



Key Financial Details

- The budget for Phase 1 is \$988 million, including actual and projected escalation, while the current cost forecast is \$898 million. The project is currently forecasting completion approximately \$90 million below budget. These anticipated savings are accounted for in water rates and bond issuance planning.
- Cumulative actual costs to date are \$460 million, with a majority expended on engineering and construction, permitting, land, and management activities.
- Forecasted costs for 2014 are \$193 million with a cumulative expenditure of \$644 million by the end of 2014.

Figure 4 – Phase 1 Projects Status Map



Visit www.SDSwater.org for additional information.

9 Finished Water Pipeline (FW)

Complete: FW1A, FW1B (Garney Construction)
Ongoing: Garney Construction is constructing FW3 – a 2.2-mile pipeline from FW1A into the existing Colorado Springs Utilities water distribution system near the intersection of Constitution Ave. and Powers Blvd.
Focus: Establishing a staging area and preparing for notice to proceed for construction

8 SDS Water Treatment Plant (WTP) and Finished Water Pump Station (FWPS)

Ongoing: McCarthy Building Companies, Inc. is constructing the WTP and FWPS located at Marksheffel Rd. and U.S. Highway 24.
Focus: Setting reinforcements, pouring concrete, and installing pipe

7 North Pipeline (N)

Complete: S4B/N1A/N1B (HCP Constructors), N1C/N2A (Layne Heavy Civil, Inc.)
Ongoing: Garney Construction is constructing N2B – a 3.2-mile pipeline connecting N2A to the WTP.
Focus: Preparing for construction

6 Upper Williams Creek Reservoir (UWCR)

Ongoing: UWCR is a 30,500 acre-foot raw water storage reservoir that will be developed as part of a future SDS phase and will be located near Bradley Pump Station.
Focus: Cultural resource survey and acquisition of land

5 Bradley Pump Station (BPS)

Ongoing: Archer Western Construction, LLC is constructing BPS located in the city of Colorado Springs approximately ¼ mile south of Bradley Rd. and 1.5 miles east of Marksheffel Rd.
Focus: Installation and support of pump cans

4 Williams Creek Pump Station (WCPS)

Ongoing: Archer Western Construction, LLC is constructing WCPS located in El Paso County 6 miles south of Squirrel Creek Rd. and 5 miles east of Interstate 25.
Focus: Installation and support of pump cans

3 South Pipeline (S)

Complete: S1 (HCP Constructors), S2 (Garney Construction), S3 (Layne Heavy Civil, Inc.), S4A East/West (Garney Construction)
Ongoing: Garney Construction is constructing S4A Central – a 1.4-mile pipeline that tunnels under Interstate 25, two railroads, and Fountain Creek and extends from west of Interstate 25 to east Hanover Rd.
Focus: Launch shaft excavation and tunnel boring machine preparations

2 Juniper Pump Station (JPS)

Ongoing: Archer Western Construction, LLC is constructing JPS located in Lake Pueblo State Park near the base of Pueblo Dam.
Focus: Excavation and hauling operations

1 Pueblo Dam Connection (PDC)

Complete: PDC1A (ASI Constructors)
Ongoing: Garney Construction is constructing PDC1B – a 0.3-mile pipeline that will connect the new outlet works (PDC1A) at Pueblo Dam to JPS.
Focus: Installation of 90-inch pipe and placement of rebar for Pueblo West connection meter vault