

SOUTHERN DELIVERY SYSTEM

MONTHLY REPORT



The Southern Delivery System (SDS) is a regional project to bring water from Pueblo Reservoir on the Arkansas River to Colorado Springs, the City of Fountain, Security Water District, and 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 through January 2016 and key performance details for Phase 1.

Facility Construction

Water Treatment Plant: In January, the 14-day performance test commenced to operate all systems continuously at varying flow rates. The purpose of the 14-day test was to demonstrate the water treatment plant can perform properly under various flow rates and required treated water quality standards. The 14-day performance test was successfully completed with all systems performing as expected. Also in January, the construction team continued quality inspections of the plant systems, including mechanical, electrical, and instrumentation and controls (I&C), and continued manufacturer training of the operating systems.

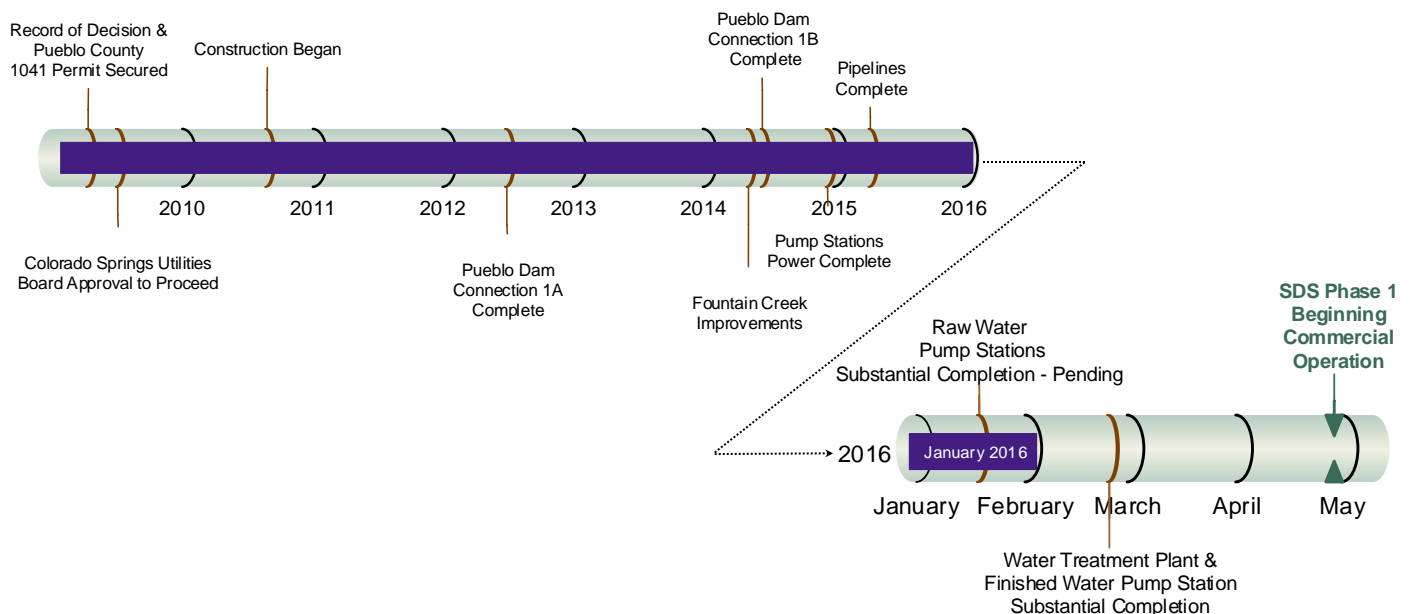


Pump room at Juniper Pump Station

Raw Water Pump Stations: Several activities occurred at the pump stations in January, including cathodic protection testing, installation of security gates, and testing and startup of security systems. Experts in electrical, I&C, and heating, ventilation, and air conditioning (HVAC) performed inspections to verify systems were installed correctly and operating per the manufacturer specifications. Pump disassembly and assembly training also continued in January for Colorado Springs Utilities Water Operations staff. The construction team continued to prepare all three pump station sites for Substantial Completion.

Schedule Summary

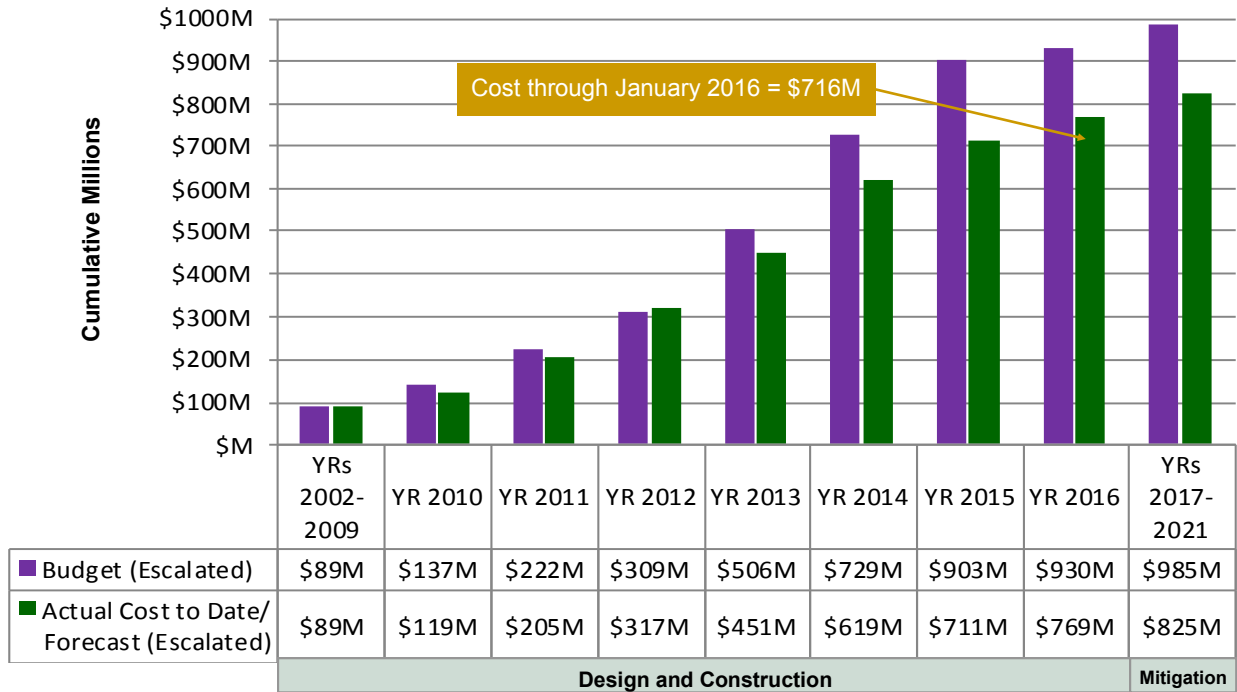
The timeline below summarizes the schedule for completing Phase 1 of the SDS. Colorado Springs Utilities anticipates completing Phase 1 as planned, with full operation in April 2016.



Cost Summary

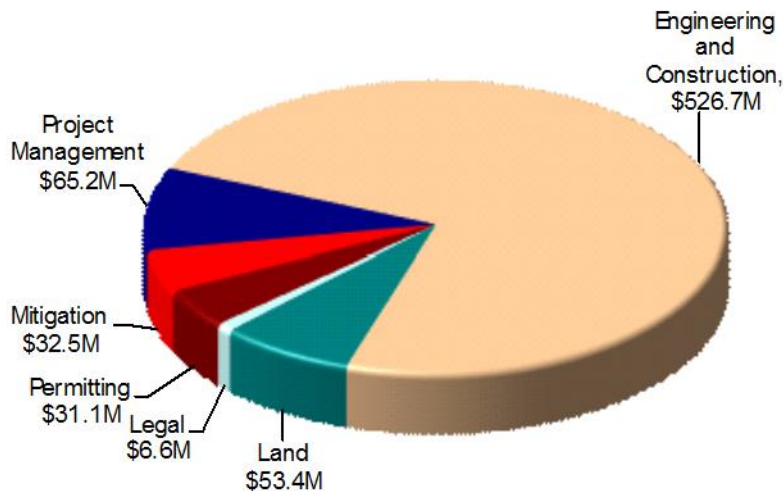
Figure 1 shows the budget for Phase 1, actual costs through January 2016, and forecasted costs for Phase 1. **Figure 2** shows the distribution of the actual costs. Key financial details are summarized below. The budget used to measure progress was established by the Colorado Springs Utilities Board 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 \$985 million after all direct project costs (including mitigation) are paid through 2021.

Figure 1 – Phase 1 Budget Progress – Actual Costs through January 2016



Design and construction \$ values include actual and projected cost escalation as measured by Engineering News-Record's national Construction Cost Index. Monetary mitigation payment \$ values (2017 through 2021) include cost escalation as measured by the U.S. Bureau of Labor Statistics Producer Price Index for finished goods. Periodic index forecasts by IHS Global Insight applied.

Figure 2 – Distribution of Phase 1 Direct Costs through January 2016 (\$716M Total)



Key Financial Details

- The budget for Phase 1 is \$985 million, including actual and projected escalation, while the current cost forecast is \$825 million. The project is currently forecasting completion approximately \$160 million below budget. These anticipated savings are reflected in current water rates and plans for bond issuance.
- Cumulative actual costs to date are \$716 million, with a majority expended on engineering and construction, permitting, land, and management activities.
- Forecasted costs for 2016 are \$58 million with a cumulative expenditure of \$769 million by the end of 2016.

Figure 4 – Phase 1 Projects Status Map



Visit www.SDSwater.org for additional information.

9 Finished Water Pipeline (FW)

Complete: FW1A, FW1B, FW3 (Garney Construction)
Focus: Maintenance

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

Ongoing: McCarthy Building Companies is constructing the WTP and FWPS located at Marksheffel Rd. and U.S. Highway 24.
Focus: 14-day performance test, continuing delivery of chemicals, testing security systems, testing I&C and SCADA systems, and installing WTP lobby display elements

7 North Pipeline (N)

Complete: S4B/N1A/N1B (HCP Constructors), N1C/N2A (Layne Heavy Civil), N2B (Garney Construction)
Focus: Maintenance

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 SDS Phase 2 and will be located near Bradley Pump Station.
Focus: Acquiring remaining land parcels; preliminary engineering

5 Bradley Pump Station (BPS)

Ongoing: Archer Western Construction 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: Installing security cameras, pulling wire for site lighting, completing systems training, and preparing for Substantial Completion

4 Williams Creek Pump Station (WCPS)

Ongoing: Archer Western Construction is constructing WCPS located in El Paso County 6 miles south of Squirrel Creek Rd. and 5 miles east of Interstate 25.
Focus: Installing hand rail at pump station, installing sump pump in perimeter drain manhole, completing systems training, and preparing for Substantial Completion

3 South Pipeline (S)

Complete: S1 (HCP Constructors), S2 (Garney Construction), S3 (Layne Heavy Civil), S4A East/West and S4A Central (Garney Construction)
Focus: Maintenance

2 Juniper Pump Station (JPS)

Ongoing: Archer Western Construction is constructing JPS located in Lake Pueblo State Park near Pueblo Dam.
Focus: Painting east interior wall of pump room, installing landscape materials, completing systems training, and preparing for Substantial Completion

1 Pueblo Dam Connection (PDC)

Complete: PDC1A (ASI Constructors)
Ongoing: Garney Construction is finalizing closeout of PDC1B – a 0.3-mile pipeline that connects the new outlet works (PDC1A) at Pueblo Dam to JPS and the Pueblo West Pump Station.
Focus: Performing final testing and inspections and completing administrative closeout activities

