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 July 2014, plans for August 2014, and key performance details for Phase 1.

Water Treatment Plant & Finished Water Pump Station

Installation of structural support for the raw water storage tank dome

Accomplishments: Completed installation of temporary structural support for the raw water storage tank dome and continued mechanical and conduit work in the main process building. Progressed masonry work in the chemical area, main process building, and finished water pump station. Also began installation of 60-inch-diameter filter effluent pipe between the process building and finished water pump station; the filter effluent pipe will transport treated water to the finished water pump station. **Upcoming:** Begin rebar and concrete activities for the raw water storage tank dome (concrete work will occur in eight pie-shaped pieces and one circular section), continue wrapping tensioning wire (additional support) and applying shotcrete (spray-on concrete) at the raw water storage tank, and prepare for open cut pipeline crossings at U.S. Highway 94 and Space Village Avenue.

Raw Water Pump Stations

Installation of first wall panel for forebay tank at Williams Creek Pump Station

Accomplishments: Began forming and reinforcing the flow meter vault walls (measures flow rate of water) and continued installing on-site piping at Juniper Pump Station. Completed installation of all 21 wall panels at the forebay tank (regulates fluctuation of water) and set the surge tank at Williams Creek Pump Station. Completed rebar and concrete foundation activities at the forebay tank and conducted pressure testing of the inlet piping at Bradley Pump Station. **Upcoming:** Begin underground electric and plumbing at the pump station and complete placement of the flow meter vault walls at Juniper Pump Station. Complete installation of structural support for the dome roof of the forebay tank at Williams Creek Pump Station. Begin excavation for the surge tank and install wall panels for the forebay tank at Bradley Pump Station.

Finished Water Pipeline 3 & North Pipeline 2B

Paving operations at Piros Dr.

Pipe installation between Leoti Dr. and Piros Dr.

Finished Water Pipeline 3 Accomplishments: Completed installation and welding of all pipe, began interior pipe inspections starting at Sand Creek, finished paving operations at Piros Dr., and continued paving between Leoti Dr. and Piros Dr. **Upcoming:** Complete backfilling activities west of Powers Blvd., finish paving between Leoti Dr. and Piros Dr., complete interior pipe inspections, and begin hydrostatic (pressure) testing of pipeline. **North Pipeline 2B Accomplishments:** Received pipe and equipment deliveries, setup gates and fences around the construction area, and began excavating and installing 66-inch-diameter pipe. **Upcoming:** Continue installation of pipe, mobilization of tunneling crew, and begin tunnel launch shaft at U.S. Highway 94.

SPOTLIGHT

Local Contractors Help Build Foundation for SDS Water Storage

One of the more visible components of construction at the SDS Water Treatment Plant is the 10-million-gallon raw water storage tank that sits at the highest point of the site. The plant, located at Marksheffel Road north of Highway 94, is making steady progress, and work on the concrete dome tank has been highly visible through the first half of 2014. The tank has several components, and local contractors have literally laid the foundation for success. R.E. Monks of Colorado Springs, Araco Concrete of Fountain, and Pate Construction of Pueblo West partnered on the project, playing an important role in the foundation for the massive tank. "This project was good timing for us because the economy had crashed, and we were just starting to bounce back," said Dave Pate, VP of Operations for Pate Construction. "SDS is such a large project, as a smaller contractor, I wasn't sure what we would bid on. The tank work was just right. This has been a good project."

Pate Construction has been in business for 40 years and has developed a strong working relationship with several area contractors and utilities. The company spent several months at the plant performing grading, concrete, drain installation, and other work for the inlet and outlet of the tank. "Generally, DN Tanks has smaller crew sizes, but then we reach out to the local business community to put projects like this together," said Matt Nedella, Project Engineer for DN Tanks, which is collaborating with McCarthy Building Companies to build the tank. Work on the SDS Water Treatment Plant is on schedule to deliver water to residents and businesses in 2016.

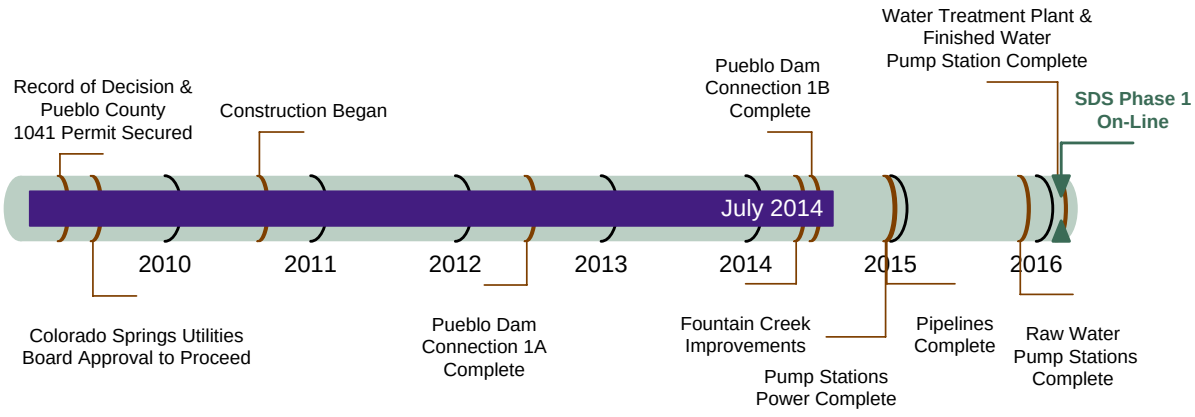
Construction of the raw water storage tank dome

Aerial view of construction of the water treatment plant

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.

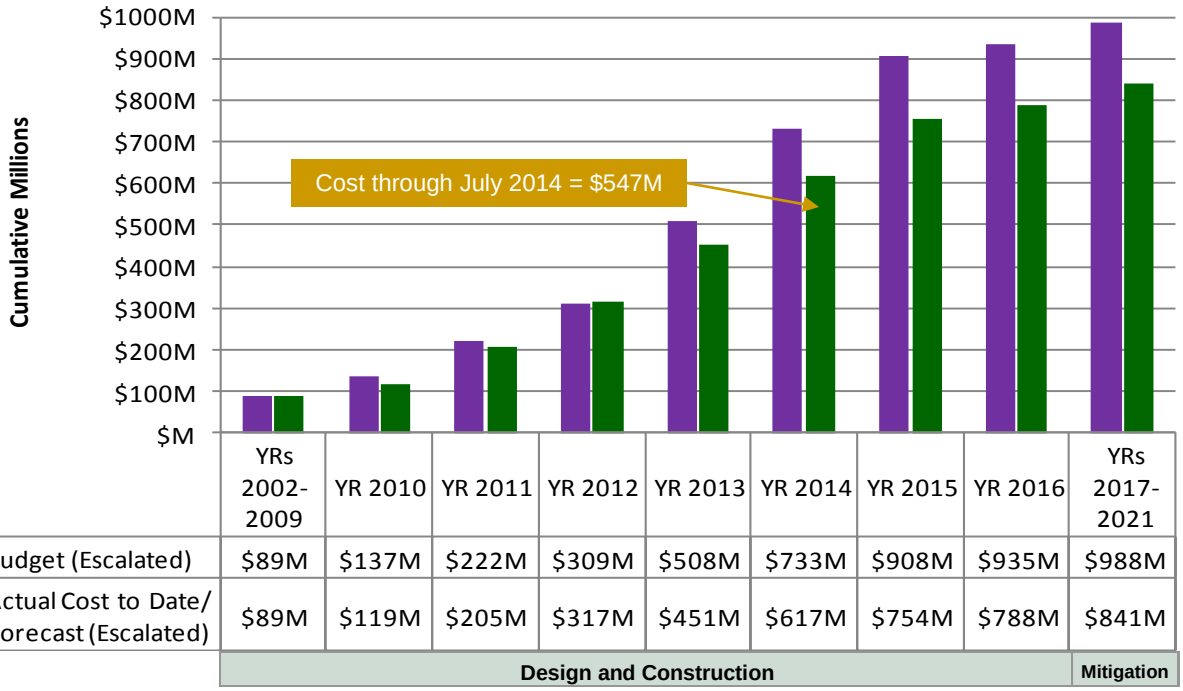
Figure 1 – Schedule Progress for Major SDS Phase 1 Projects



Cost Summary

Figure 2 shows the budget for Phase 1, actual costs through July 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.

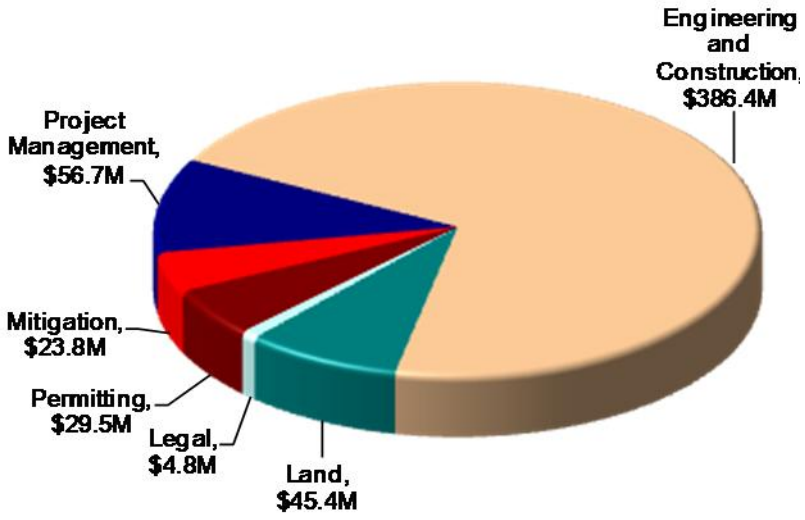
Figure 2 – Phase 1 Budget Progress – Actual Costs through July 2014



	YRs 2002-2009	YR 2010	YR 2011	YR 2012	YR 2013	YR 2014	YR 2015	YR 2016	YRs 2017-2021
Budget (Escalated)	$89M	$137M	$222M	$309M	$508M	$733M	$908M	$935M	$988M
Actual Cost to Date/ Forecast (Escalated)	$89M	$119M	$205M	$317M	$451M	$617M	$754M	$788M	$841M
	Design and Construction								Mitigation

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.

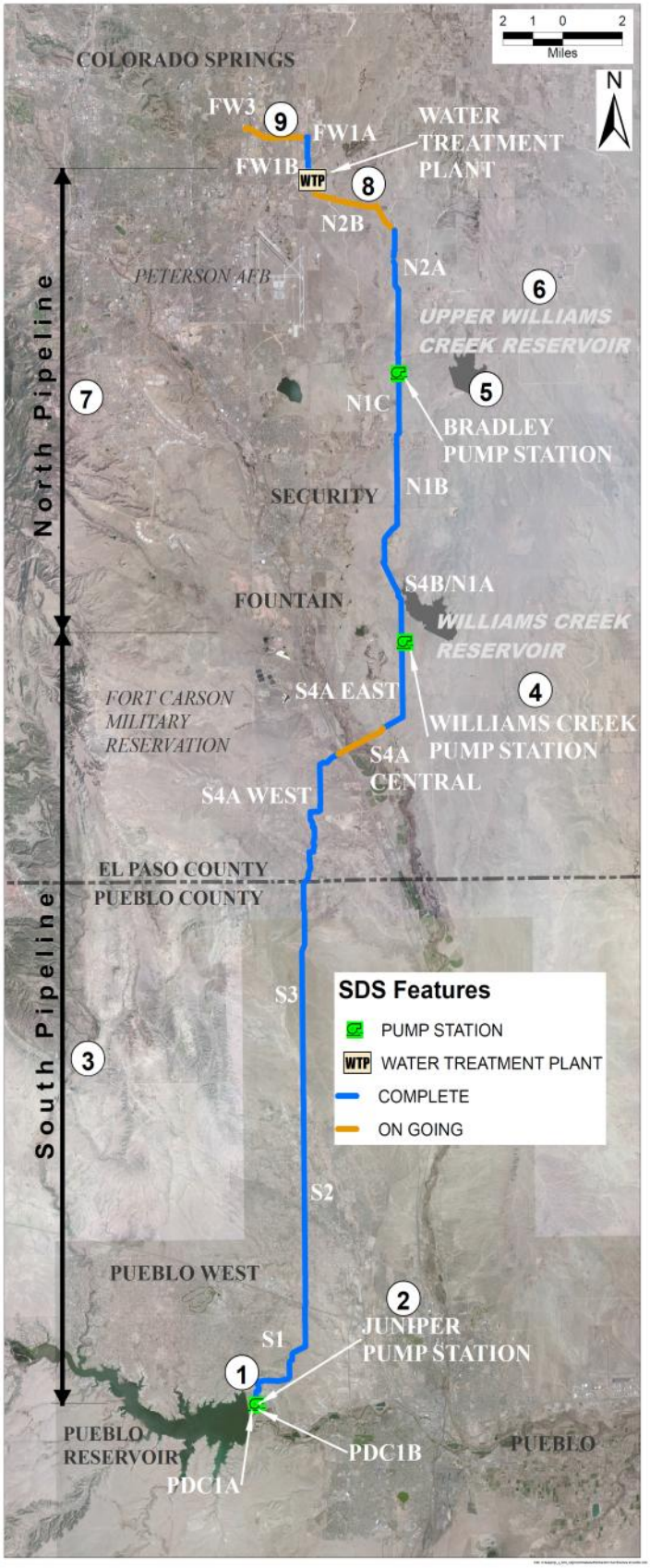
Figure 3 – Distribution of Phase 1 Direct Costs through July 2014 ($547M Total)



Key Financial Details

- The budget for Phase 1 is $988 million, including actual and projected escalation, while the current cost forecast is $841 million. The project is currently forecasting completion approximately $147 million below budget. These anticipated savings are accounted for in current water rates and plans for bond issuance.
- Cumulative actual costs to date are $547 million, with a majority expended on engineering and construction, permitting, land, and management activities.
- Forecasted costs for 2014 are $166 million with a cumulative expenditure of $617 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: Completing pipe installation, starting pipe inspections, and continuing paving operations

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: Progressing construction of the raw water storage tank, mechanical and electrical work, and masonry

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: Installing pipe and preparing for tunneling

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: Performing 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: Continuing foundation support for the forebay tank and pressure testing of pipes

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: Installing wall panels at forebay tank, setting surge tank in place, and putting in concrete piers for the building's foundation

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: Progressing tunnel operations and continuing pipe installation east of the tunneling retrieval shaft

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: Forming flow meter vault walls and installing on-site piping

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 and the Pueblo West Pump Station.
Focus: Completing construction and site restoration