

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 June, construction was completed for Williams Creek Pump Station power supply and construction continued for the water treatment plant and pipelines; revegetation efforts continued for South Pipelines 1, 2, and 3 (refer to the map on page 4). Upcoming work includes continuing construction on the power supplies, facilities, and pipelines, furthering revegetation activities, and additional land acquisition.

Key Accomplishments in June

Construction Completed for Williams Creek Pump Station Power Supply.

Colorado Springs Utilities completed construction of the power supply for Williams Creek Pump Station, with work spanning approximately 5 miles from Nixon Power Plant to the future Williams Creek Pump Station. For this project, Colorado Springs Utilities set 112 poles and installed 14 vaults, 6,000 feet of underground duct bank, 18,000 feet of underground cable, and 84,000 feet of overhead wire. Final completion of administrative tasks is estimated to occur in July 2013.



Overhead wire crossing at Williams Creek Pump Station power supply

Construction Continued for 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 progressing mass excavation work to 90 percent completion, continuing installation of a 10-inch diameter water line between Highway 94 and Space Village Avenue, and pouring concrete for the tower crane foundations to set the crane bases. Final completion is estimated to occur April 2016.

Construction Continued on 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 installing pipeline in crossings of electrical and gas lines, preparing for tunneling under Bradley Road, and ongoing installation of fiber optic conduit. Final completion of this section of pipeline is estimated to occur by the end of 2013.



Preparations for tower crane at water treatment plant

Upcoming Work & Challenges

Construction to Commence on Bradley Pump Station Power Supply Part 2.

Colorado Springs Utilities will begin construction of Part 2 of the power supply for Bradley Pump Station, with work spanning approximately 1,500 feet south of Bradley Road to the future Bradley Pump Station. Anticipated work includes the installation of vaults, concrete-encased duct bank, and cable and overhead switches.

Continue Construction of Major Projects.

Water Treatment Plant. McCarthy Building

Companies, Inc. will continue construction of the WTP, anticipating the completion of mass excavation work, the erection of two crane towers, and preparations for initial pouring of structural concrete.

South Pipeline 4A East and West. Garney Construction will continue construction of South Pipeline 4A East and West, anticipating the completion of pipe installation on the east and filling the pipeline on the west for a hydrostatic (pressure) test.

North Pipeline 1C and 2A. Layne Heavy Civil, Inc. will continue construction of North Pipeline 1C and 2A, expecting pipeline construction to cross Drennan Road and commencing tunneling activities at Bradley Road.

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

Contract Signed to Construct Raw Water Pump Stations

Archer Western Construction, LLC was issued a \$76.5 million contract to construct the three raw water pump stations. Offering the best price from among five pre-qualified firms, Archer Western began pre-construction activities in June. The three pump stations include Juniper Pump Station at Pueblo Lake State Park that will ultimately house seven, 2,750-horsepower pumps; Williams Creek Pump Station in El Paso County that will ultimately house seven, 2,000-horsepower pumps; and Bradley Pump Station in El Paso County that will initially have four, 2,250-horsepower pumps and eight at full build-out. Work at the pump station sites is anticipated to begin in July. Commissioning and startup activities are planned to occur in late 2015, with the facilities in service by April 2016.



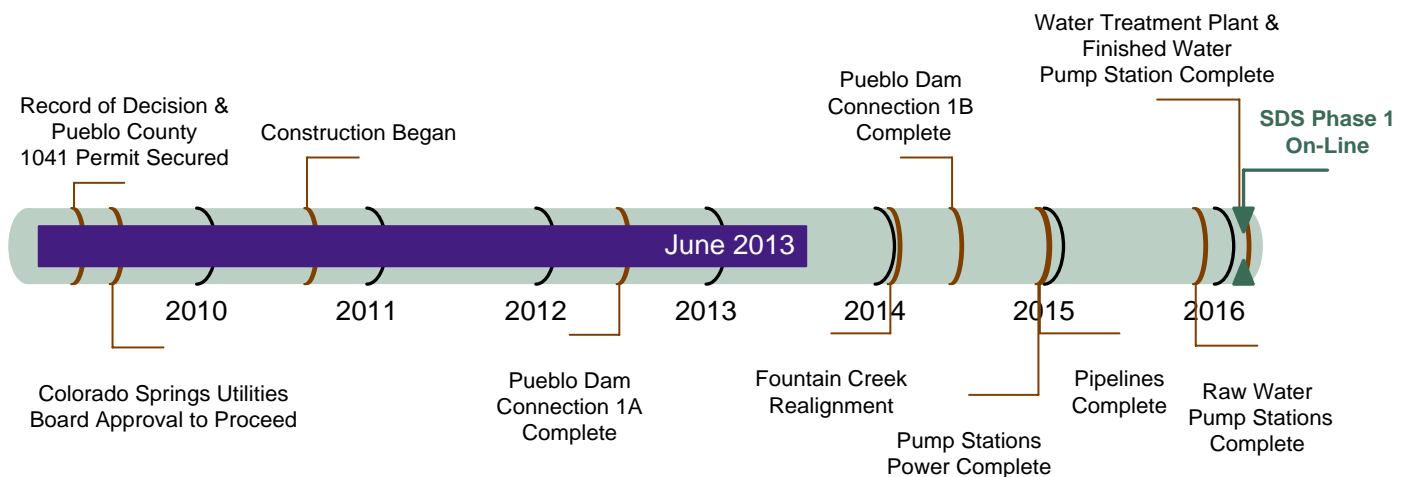
Schedule Summary

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. Eleven 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: June 2013 – May 2014

- Pueblo Dam Connection 1B – Construction
- South Pipelines 1, 2, & 3 Revegetation – Maintenance and Monitoring
- South Pipeline 4A East/West – Construction
- South Pipeline 4A Central – Final Design and Construction
- North Pipeline 1C/2A – Construction
- North Pipeline 2B – Construction
- Bradley Pump Station Power Supply – Construction
- Williams Creek Pump Station Power Supply – 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 Realignment – Final Design and Construction



Upcoming SDS Procurements

We anticipate commencing the following procurements in the near future:

- **Finished Water 3 Construction Contractor – Q3 2013**
- **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.

Regional/Local Businesses Working on SDS

More than 340 Colorado businesses have benefitted from opportunities supporting the SDS Program with more anticipated as the raw water pump stations construction begins in July. For a list of businesses that have supported work on the SDS to date, visit:

<http://www.sdswater.org/JobsBusinessOpportunities.aspx>

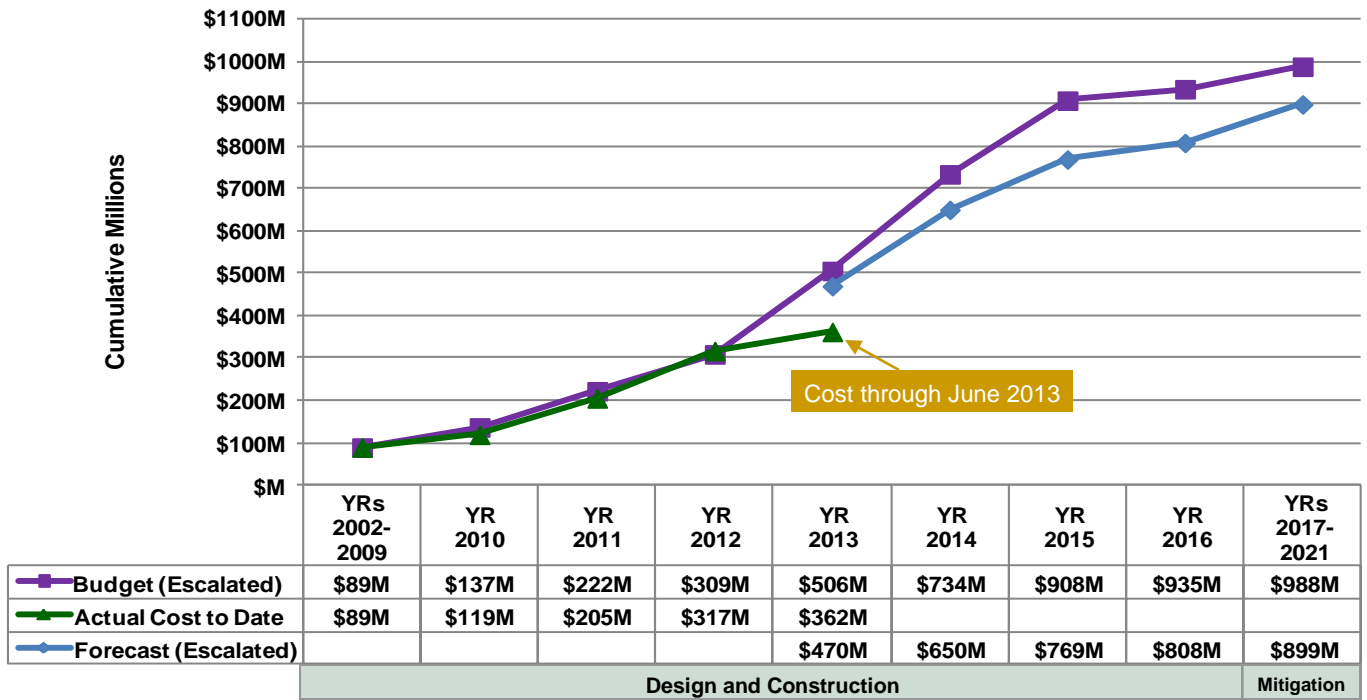
For the latest business opportunities, prime contracts awarded, and upcoming workshops and events, visit www.sdswater.org

Cost Summary

Figure 2 shows the budget for Phase 1, actual costs through June 2013, and forecasted costs for Phase 1.

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.

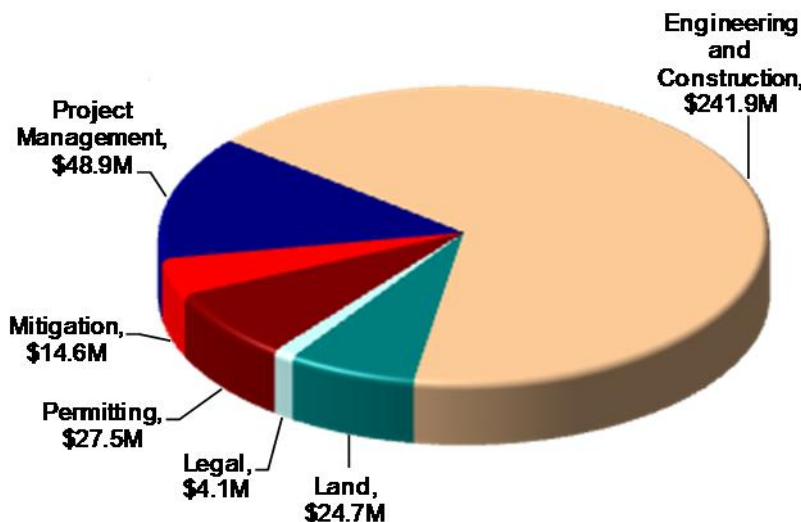
Figure 2 – Phase 1 Budget Progress – Actual Costs through June 2013



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.

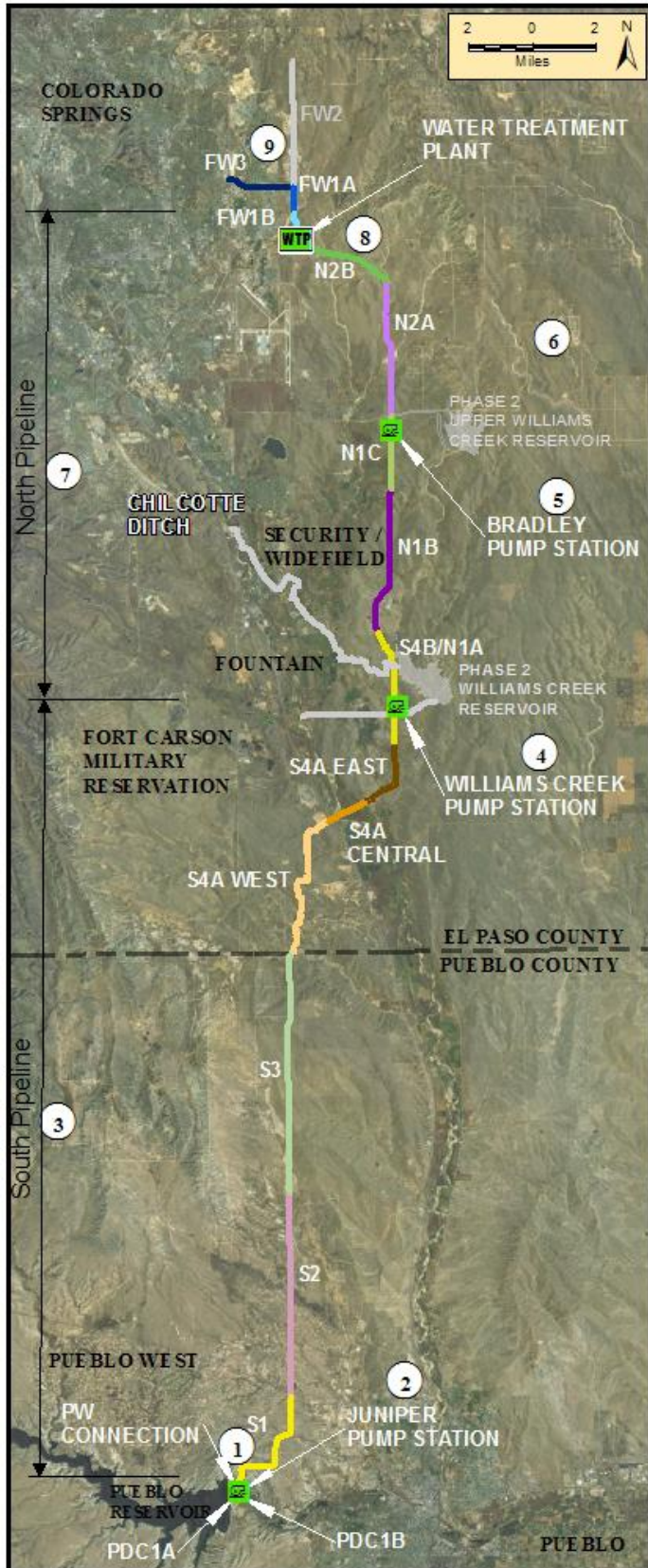
Figure 3 – Distribution of Phase 1 Direct Costs through June 2013 (\$362M Total)



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 \$362 million, with a majority expended on engineering and construction, permitting, land, and management activities.
- Forecasted costs for 2013 are \$153 million with a cumulative expenditure of \$470 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 – earthwork, tunneling, and preparing for structural concrete
- 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: Commencing pre-construction activities for pump station, commencing construction of Phase 2 for power supply
- 4 Williams Creek Pump Station**
 Design: 100%
 Land: 100% of properties secured
 Focus: Commencing pre-construction activities for pump station, concluding construction of power supply
- 3 South Pipeline (S)**
 Design: 90%
 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: Coordinating land use authorization with the Bureau of Reclamation
 Focus: Commencing pre-construction activities for pump station
- 1 Pueblo Dam Connection (PDC)**
 Design: 100%
 Land: Construction authorization secured
 Focus: Preparing for construction of 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.