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

Water Treatment Plant & Finished Water Pump Station

Accomplishments: Completed installation of electrical conduit for the finished water pump station electrical building and poured concrete for the foundation, continued masonry work at the main process building, and began wrapping tensioning wire around the raw water tank and shotcrete (spray-on concrete) application; the tensioning wire provides additional support similar to the bands around a wooden barrel. **Upcoming:** Continue installing support beams for the raw water storage tank dome in preparation for pouring concrete, continue wire wrapping and shotcrete application at the raw water storage tank, begin installation of process mechanical pipe at the finished water pump station, and complete masonry work at the east end of the main process building. Construction of the water treatment plant is on-schedule for completion by April 2016.

Construction of the raw water storage tank at the water treatment plant

Raw Water Pump Stations

Installation of the surge tank strainer vault at Juniper Pump Station

Accomplishments: Completed placement of the first of two surge tanks at Juniper Pump Station - the surge tank absorbs changes in pressure, ensuring the integrity and safety of the pipes; began excavation for the surge tank and pouring concrete for the foundation of the forebay tank (regulates fluctuation of water) at Williams Creek Pump Station; and continued installation of pipe through the flow meter vault (measures flow rate of water) and completed concrete placement of the discharge valve vault walls (regulates flow of water) at Bradley Pump Station. **Upcoming:** Complete concrete placement of pump cans (support/protection for pump equipment) and begin forming and reinforcing the flow meter vault foundation at Juniper Pump Station; prepare for delivery and installation of the surge tank at Williams Creek Pump Station; and begin pouring concrete for the first set of forebay tank walls at Williams Creek and Bradley pump stations.

South Pipeline 4A Central & Finished Water Pipeline 3

South Pipeline 4A Central Accomplishments: Continued tunneling underneath Interstate 25, excavating retrieval shaft, and removing excess materials; also began installing pipe east of the retrieval shaft. **Upcoming:** Continue tunneling, excavation, and installation of pipe. **Finished Water Pipeline 3 Accomplishments:** Completed tunneling underneath Powers Blvd., installed pipe from Powers Blvd. to New Center Pt., and completed the 30-inch tie-in to the existing pipeline west of Powers Blvd. **Upcoming:** Complete backfill and paving on the north side of Constitution Ave. and west of Powers Blvd., install pipe from Leoti Dr. to Piros Dr., and begin inspection of interior pipes starting at Sand Creek.

Pipe for Powers Blvd. tunnel

Paving operations at Powers Blvd. and New Center Pt.

SPOTLIGHT

Construction Management Association of America (CMAA) Colorado 2014 Project Achievement Award Given to SDS Pipeline

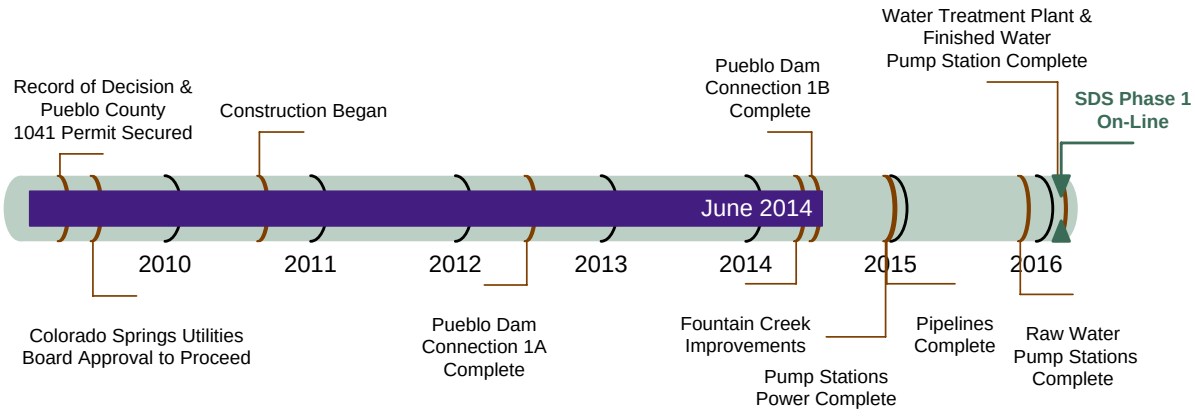
The SDS recently earned the 2014 Project Achievement Award from the CMAA Colorado Chapter. The CMAA is North America's only organization dedicated exclusively to the interests of professional construction and program management. It was formed in 1982 and has 28 regional chapters with a current membership of 11,000. The SDS North Raw Water Pipeline 1C/2A project, completed in January 2014, was honored with this annual award due to its innovation in construction techniques and sequencing, integrated team approach, and outstanding client service and stakeholder involvement. Representatives from the project team were honored at the CMAA Colorado Chapter Owners' Night, receiving the award and speaking on behalf of the SDS Program to other industry experts. The project received this honor due to:

- Working closely with surrounding / local property owners and ranchers, including management of three different cattle herds;
- Working in remote areas with access limitations for construction labor and equipment
- Implementing an innovative public involvement program and revegetation process;
- Coordinating with a property owner to accommodate a planned Veteran Affairs cemetery;
- Completing the project 23 percent below the originally allocated budget; and
- Achieving substantial completion approximately one month ahead of schedule.

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.

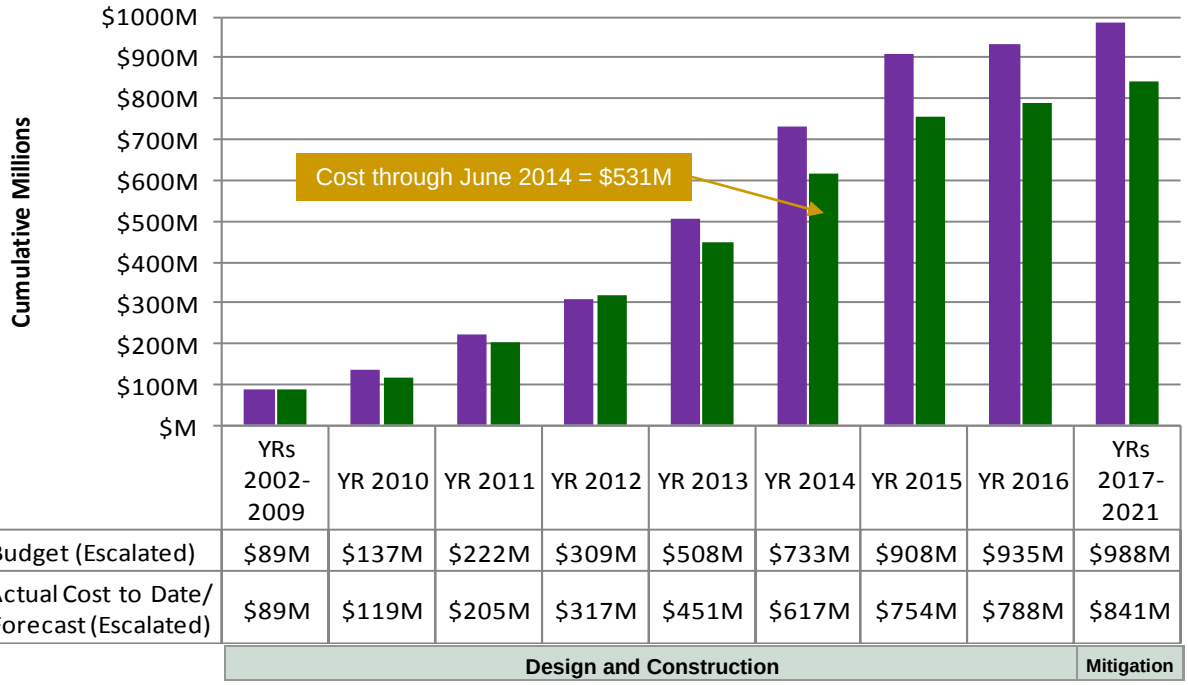
Figure 1 – Schedule Progress for Major SDS Phase 1 Projects



Cost Summary

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

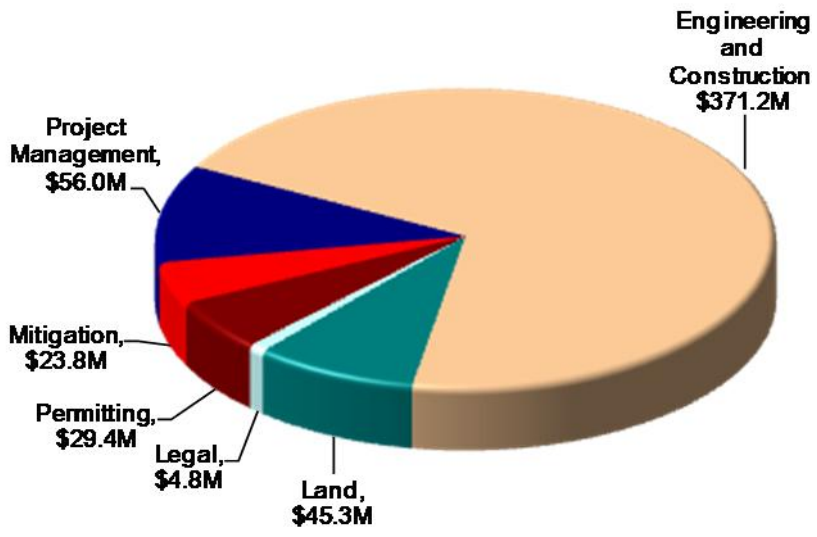
Figure 2 – Phase 1 Budget Progress – Actual Costs through June 2014



	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.

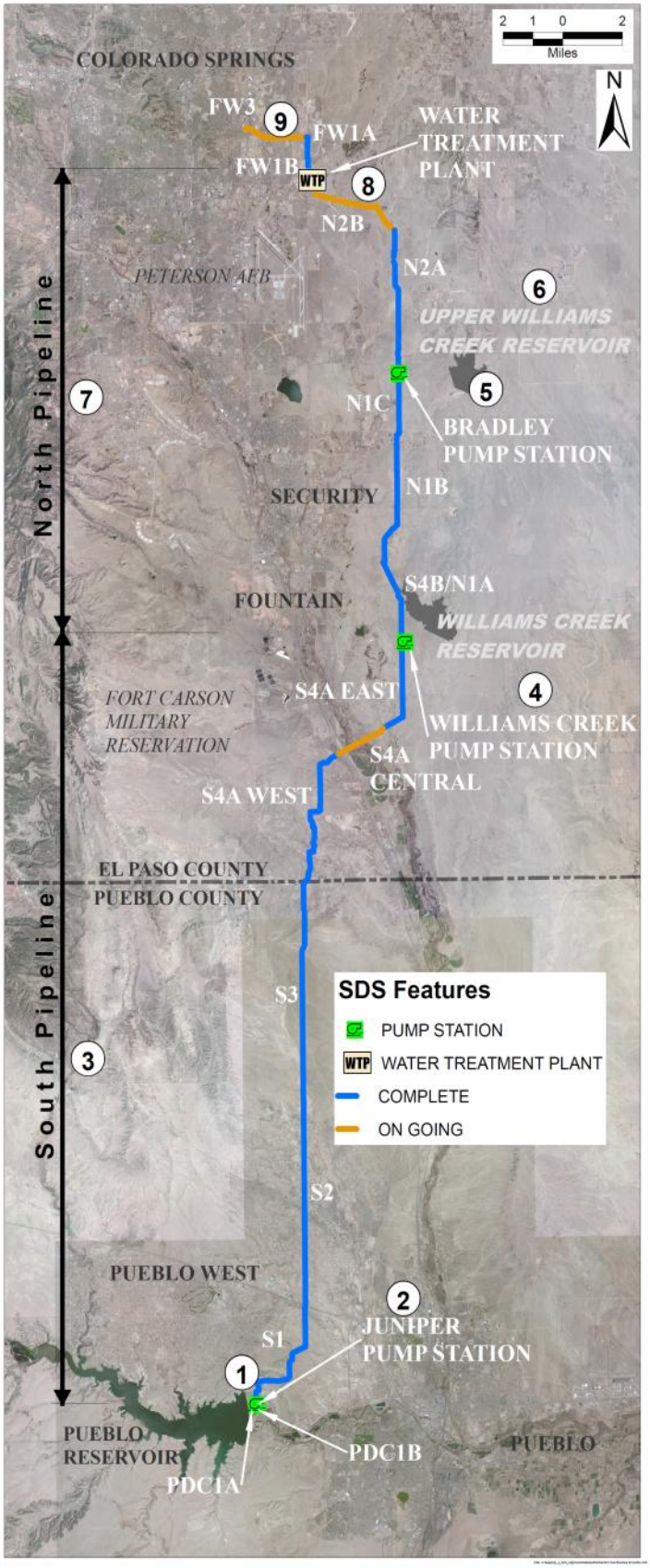
Figure 3 – Distribution of Phase 1 Direct Costs through June 2014 ($531M Total)



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 $531 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: Tunneling, installing pipe, and tying into existing pipeline

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

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: 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: Setting two sections of 66-inch pipe and preparing for foundation pour of forebay tank

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: Beginning excavation for the surge tank and continuing backfill around 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: Progressing tunnel operations and beginning pipe installation east of the 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: Completing placement of the first surge tank

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