

SOUTHERN DELIVERY SYSTEM

MONTHLY REPORT



The Southern Delivery System (SDS) is a regional project that conveys Arkansas River water stored in Pueblo Reservoir to Colorado Springs, the City of Fountain, Security Water District, and Pueblo West Metropolitan District. Phase 1 of this multi-phase project began commercial operation in April 2016 and includes all of the components necessary to deliver water to the partner communities. This report summarizes accomplishments from the start of construction through June 2016 and key performance details for Phase 1. *This will be the last SDS monthly report; an end-of-year report will be published in January 2017 that will cover activities completed and financial status from July through December 2016.*

SDS Dedication Event

On June 17, 2016, more than 20 years of planning and six years of construction culminated in the dedication of the Southern Delivery System at an event attended by more than 400 community members and many special guests. Creating the mood at the Edward W. Bailey Water Treatment Plant was an intergenerational choir representing southern Colorado singing “America the Beautiful” with Pikes Peak in the distance. Colorado Springs Utilities CEO Jerry Forte set the tone of this historical celebration by recognizing the many employees, elected leaders, and community members that contributed to the success of SDS. “This is the SDS story—four words: service, safety, commitment, excellence,” Forte said. “We owe each other a lot of thank yous.” Lending their congratulations for the hundreds of businesses and staff who worked together to plan, design, and construct the \$825 million project were U.S. Senator Cory Gardner; U.S. Congressman Doug Lamborn; Colorado Springs Mayor John Suthers; Colorado Springs Utilities Board Chair Andy Pico; City Council President Merv Bennett; Colorado Springs Utilities Chief Water Services Officer Dan Higgins; SDS Program Director John Fredell; President of MWH Global Operations Alan Krause; and Executive Vice President of Operations of McCarthy Building Companies Justin Kelton.



U.S. Senator Cory Gardner speaks at the SDS Dedication

During the event, a commemorative coin was given to each attendee that signified the greatest challenges and proudest achievements accomplished on SDS. The coin was embossed with “Honoring All Who Made SDS Possible—Decades In The Making.” An SDS drinking glass filled with water produced by SDS was also provided for a toast to the successful completion of the

project. After the dedication, attendees toured the treatment plant and were able to explore interactive displays located in the lobby of the Edward W. Bailey Water Treatment Plant that depicted Colorado Springs Utilities’ water system, a timeline of events leading up to the start of SDS, and information on how SDS operates. Several panels highlight the elected officials, SDS leaders, and contractors involved in planning and building SDS. A display explains how water from Pueblo Reservoir is turned into drinking water, including an interactive, animated display that takes visitors step by step through the treatment process. Viewers are able to click on a video of each treatment step process or read fast facts or more detailed information about the process. A section of 66-inch diameter steel pipe, the same as the SDS pipeline, is erected in the lobby and was signed by hundreds of community members who attended previous SDS events.



Signed pipe that hangs in treatment plant lobby

SDS Dedication Event—Making a Mark on History June 17, 2016

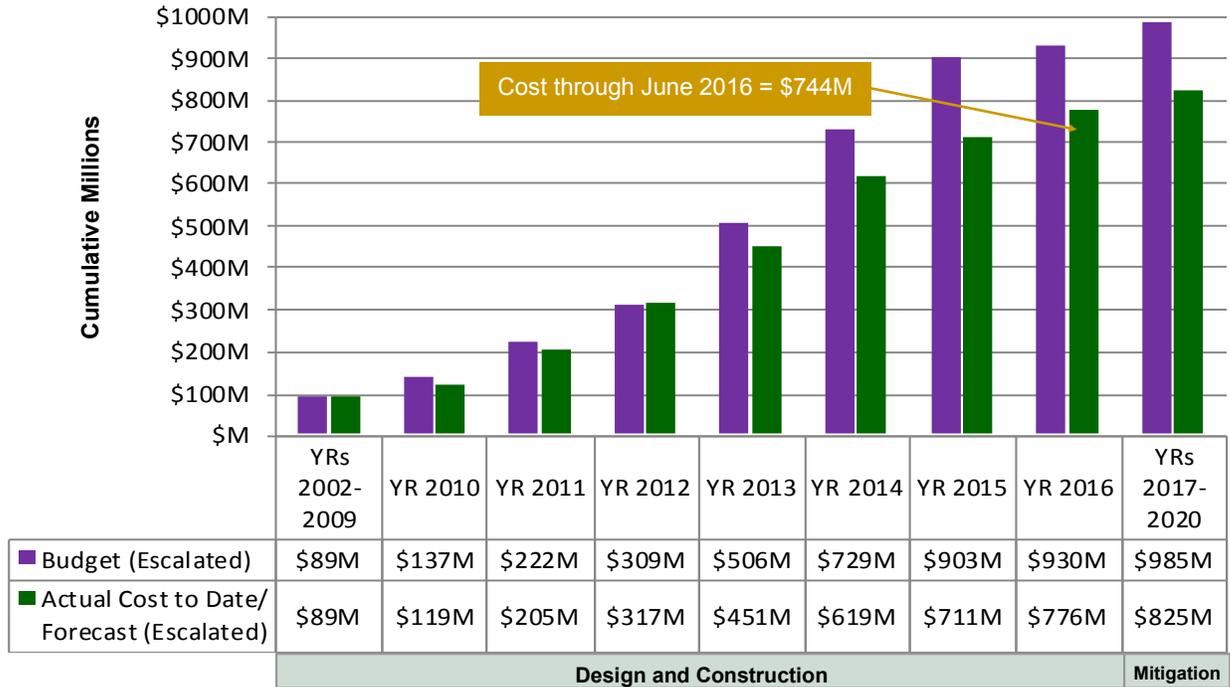
Decades of planning, six years of construction, and hundreds of businesses celebrated



Cost Summary

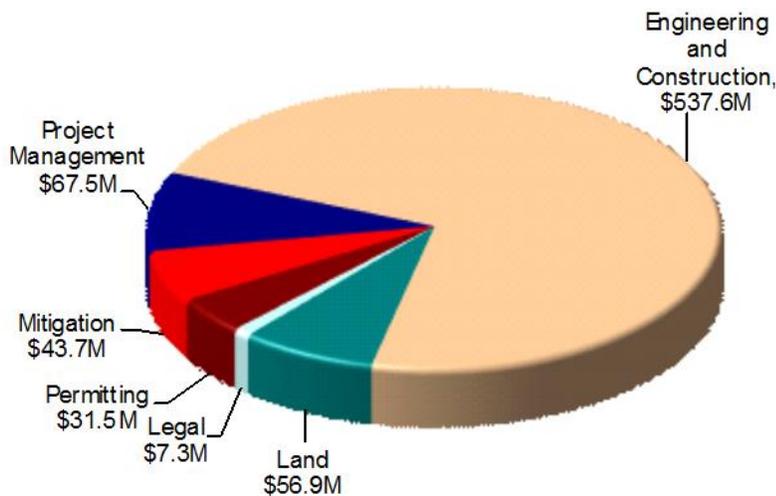
Figure 1 shows the budget for Phase 1, actual costs through June 2016, and forecasted costs for Phase 1. **Figure 2** shows the distribution of the actual costs. Key financial details are summarized below. The budget used to measure progress was established by the Colorado Springs Utilities Board in 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 June 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 June 2016 (\$744M 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 \$744 million, with a majority expended on engineering and construction, permitting, land, and management activities.
- Forecasted costs for 2016 are \$65 million with a cumulative expenditure of \$776 million by the end of 2016.

Figure 4 – Phase 1 Projects Status Map



- 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 finalizing construction of the WTP and FWPS located at Marksheffel Rd. and U.S. Highway 24.
Focus: Continuing completion of final work items and preparation for construction contract Final Completion
- 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
- 5 Bradley Pump Station (BPS)**
Ongoing: Archer Western Construction is finalizing construction of BPS located in the city of Colorado Springs approximately ¼ mile south of Bradley Rd. and 1.5 miles east of Marksheffel Rd.
Focus: Completing administrative closeout activities
- 4 Williams Creek Pump Station (WCPS)**
Ongoing: Archer Western Construction is finalizing construction of WCPS located in El Paso County 6 miles south of Squirrel Creek Rd. and 5 miles east of Interstate 25.
Focus: Completing administrative closeout activities
- 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 finalizing construction of JPS located in Lake Pueblo State Park near Pueblo Dam.
Focus: Completing administrative closeout activities
- 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: Completing administrative closeout activities in preparation for ownership transfer to US Bureau of Reclamation

Visit www.SDSwater.org for additional information.