

SOUTHERN DELIVERY SYSTEM

MONTHLY REPORT

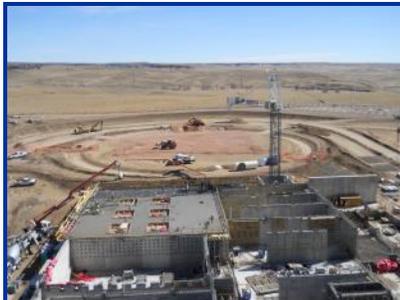


The Southern Delivery System (SDS) is a regional project to bring water from the Arkansas River to Colorado Springs, the City of Fountain, the Security Water District, and the Pueblo West Metropolitan District. Phase 1 of this multi-phase project includes all of the components necessary to begin delivering water to the partner communities by April 2016. This report summarizes accomplishments from the start of construction to March 2014, plans for April 2014, and key performance details for Phase 1.

Water Treatment Plant & Finished Water Pump Station



Concrete placement at the finished water pump station



Concrete placement at the water treatment plant

Accomplishments: Completed the second level of rebar installation and concrete placement at the finished water pump station, completed backfilling around the finished water tank, continued installation of yard piping, and received delivery of the 84-inch diameter raw water pipeline that will connect North Pipeline 2B to the raw water tank. **Upcoming:** Complete third level of rebar installation and concrete placement at the finished water pump station and continue installation of 8-inch, 36-inch, and 42-inch pipe.

Raw Water Pump Stations



Aerial view of Juniper Pump Station

Accomplishments: Completed setting the pump cans (support and protection for pumping equipment) at all three pump station sites ahead of schedule; completed rock excavation at the surge tank area at Juniper Pump Station; continued concrete encasement of the pump cans at Williams Creek Pump Station; and continued backfill around the pump cans at Bradley Pump Station. **Upcoming:** Continue installation of rebar and concrete placement, factory testing of major equipment, and receipt of large diameter pipe at all three sites; also preparing for delivery of first surge tank.



Completed setting pump cans ahead of schedule

Fountain Creek Improvement Project & Finished Water Pipeline 3

Fountain Creek Accomplishments: Continued earthwork, wetland area grading, willow tree planting, and installation of a bio-degradable erosion control fabric that will stabilize the stream bank.

Upcoming: Continue wetland area grading and complete willow tree planting. **Finished Water 3**

Accomplishments: Completed pipeline construction across Hannah Ridge Dr. and from Canada Dr. to Peterson Rd., completed tie-in to Finished Water 1A, and began excavation of a tunnel shaft. **Upcoming:** Begin raising 16-inch Cherokee Metropolitan District water main to install pipeline underneath and complete the second of four tunnel excavations.



Excavation for tunnel at Finished Water 3



Installation of erosion control fabric for Fountain Creek Improvement Project

SPOTLIGHT

SDS Program Forecasting \$147 Million Under Budget

The SDS team completes a regular re-estimate of costs required to complete the project. The 2014 re-estimate was completed in March, and the estimated cost at completion was reduced by \$57 million, from \$898 million (February 2014) to \$841 million (March 2014). Reducing the estimated cost at completion does not create surplus money, rather, it removes the need to acquire that money through bond issuances and future water rate increases for SDS Phase 1. Three factors enable Colorado Springs Utilities to claim this additional reduction in estimated cost for SDS Phase 1 (for a total of \$147 million under budget). **(1)** A comprehensive re-estimate of project costs was just completed. Through this process, the SDS team examined actual costs incurred to date, estimated costs for work that is underway or upcoming, and uncertainties related with the remaining work. **(2)** The Program has committed more than 99 percent (based on total forecasted contract values) of the major contracts necessary to construct SDS Phase 1. Procurements from the past year have established contractual amounts for most

Key Concepts

- The estimated cost at completion of SDS Phase 1 has been reduced from \$898 million to \$841 million.
- This adjustment is due to a re-estimate of costs to complete the project.
- Reducing the estimated cost at completion removes the need to acquire money from bond issuances and future water rate increases.



South Pipeline 4A Central



South Pipeline 4A Central

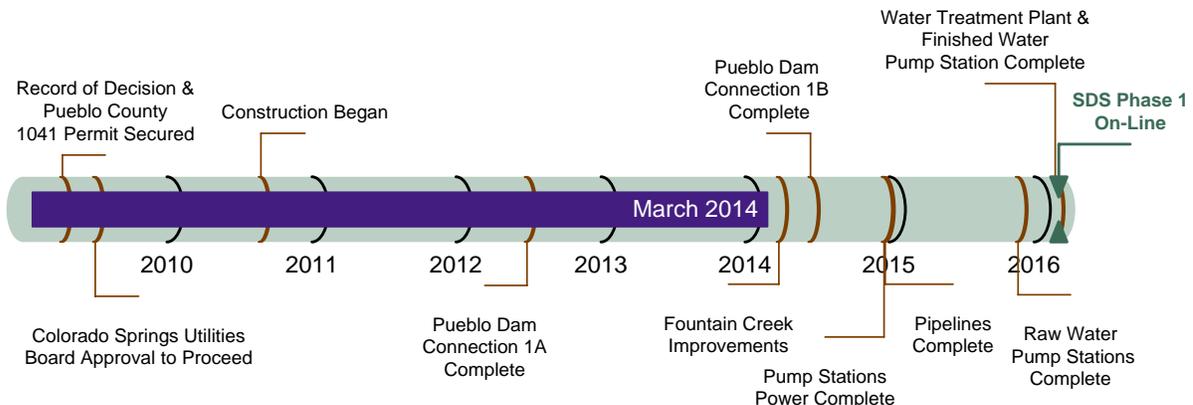
remaining construction activities, decreasing SDS's dependence on budget estimates and risk for possible changes in economic conditions. **(3)** SDS construction has progressed considerably since early 2013. Final engineering for all projects is now complete, as are nearly all of the land transactions. Colorado Springs Utilities will continue to incorporate forecasts of remaining costs in its bond issuance and rate-making planning.

Launch of the tunnel boring machine (TBM) (left)
Setup of TBM and first operation (right)

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.

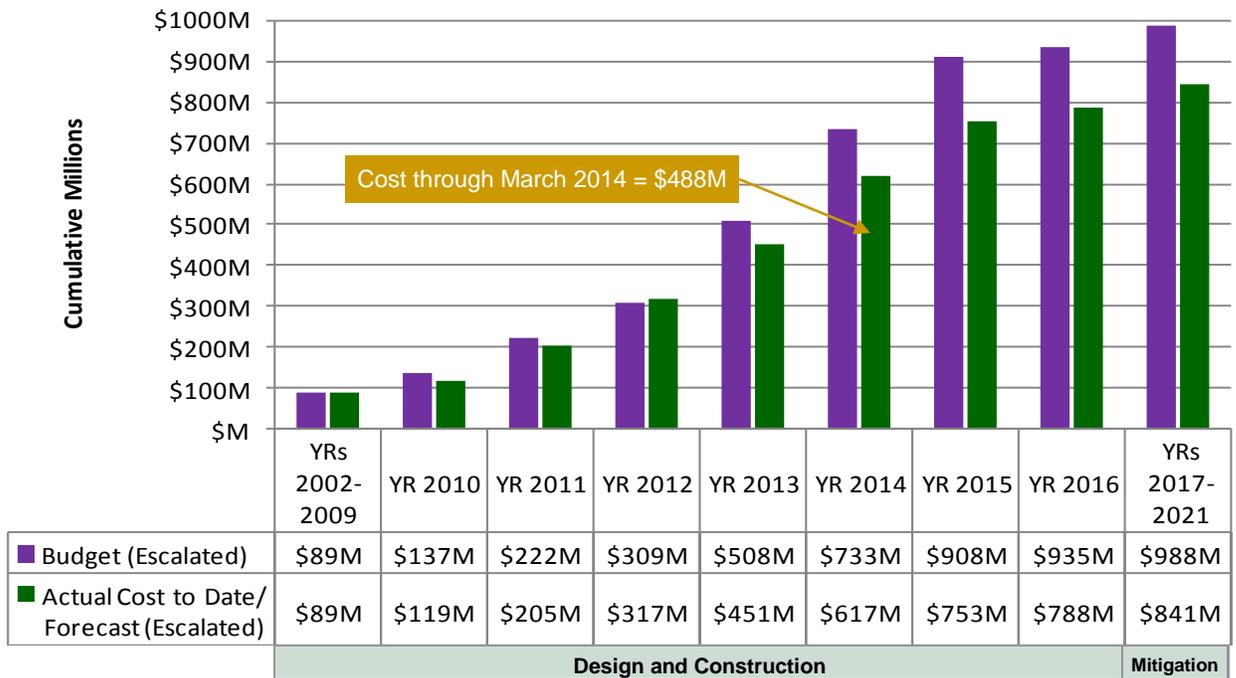
Figure 1 – Schedule Progress for Major SDS Phase 1 Projects



Cost Summary

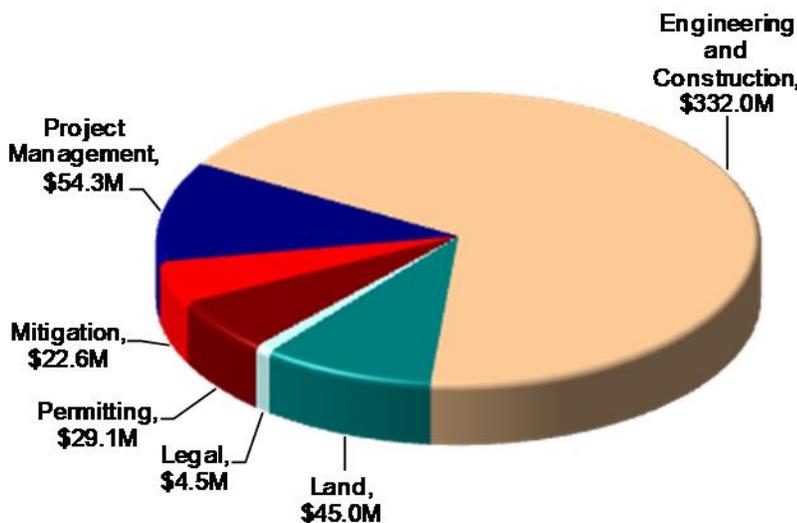
Figure 2 shows the budget for Phase 1, actual costs through March 2014, and forecasted costs for Phase 1. **Figure 3** shows the distribution of the actual costs. Key financial details are summarized below. The budget used to measure progress was established by the Colorado Springs Utilities Board in 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 March 2014



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 March 2014 (\$488M 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 water rates and bond issuance planning.
- Cumulative actual costs to date are \$488 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: Installing pipe, excavating for tunnel shaft, and connecting pipeline to FW1A

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: Setting reinforcements, placing concrete, installing pipe, and executing backfill activities

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: Backfilling around pump can encasements

4 Williams Creek Pump Station (WCP)

Ongoing: Archer Western Construction, LLC is constructing WCP located in El Paso County 6 miles south of Squirrel Creek Rd. and 5 miles east of Interstate 25.
Focus: Placing concrete around pump cans and progressing access road improvements

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: Commencing tunnel operations

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: Placing concrete around pump cans and progressing rock excavation

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: Backfilling meter vault and filling pipeline for hydrostatic (pressure) test