

SOUTHERN DELIVERY SYSTEM

MONTHLY REPORT



The Southern Delivery System (SDS) is a regional project to bring water from Pueblo Reservoir on the Arkansas River to Colorado Springs, the City of Fountain, Security Water District, and 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 through March 2016 and key performance details for Phase 1.

Facility Construction

Water Treatment Plant: Construction activities advanced in March, including floor sealing, completion of punch list items, and installation of security systems. Staff continued operations training for security and heating, ventilation, and air conditioning (HVAC) controls. Work also continued on the stormwater pond with the removal of clay material, final grading and ripping, testing pond infiltration, and installation of best management practices (BMPs) to prevent silt infiltration into the pond. In addition, the plant was continuously operated at 5 million gallons per day (mgd) for low-flow conditions optimization. The construction team continued to prepare the water treatment plant for Substantial Completion.

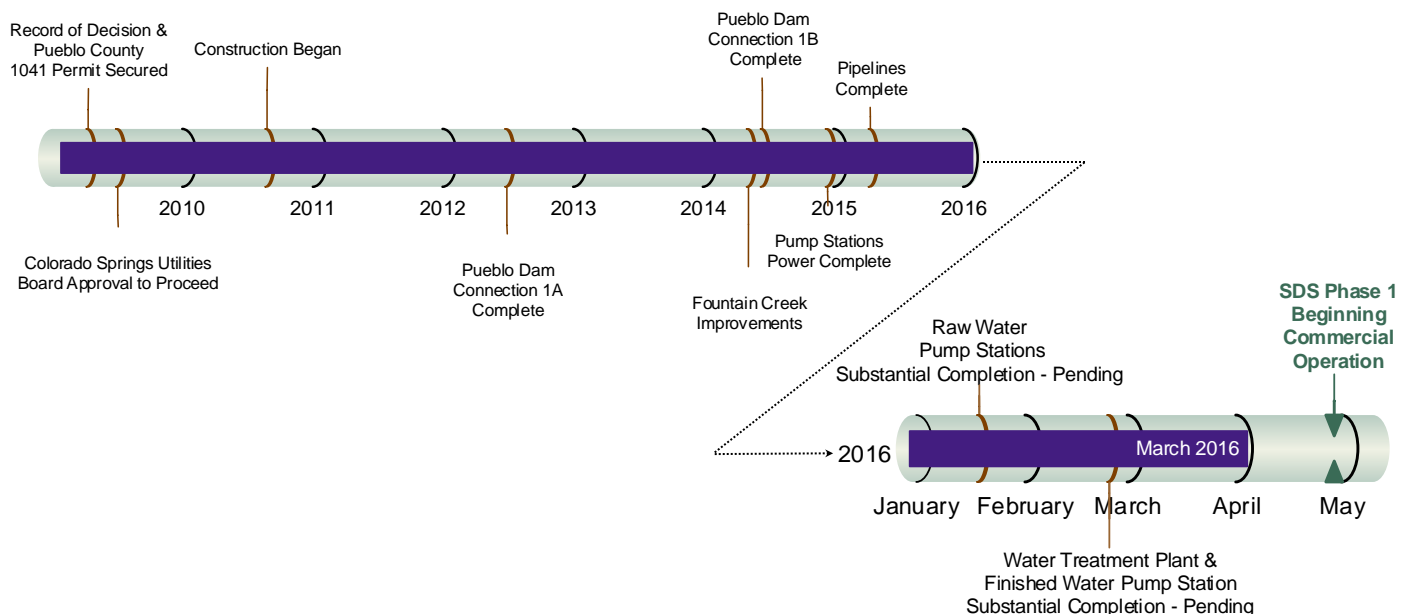


Bradley Pump Station pumps

Raw Water Pump Stations: In March, the construction team continued addressing punch list items for completion, and the Colorado Springs Utilities (CSU) distribution operators and CSU water treatment plant operators completed process system control training on how to use the controls systems. Security system quality walks were also conducted at all three pump station sites to validate the security systems are fully operational. Additionally, SDS received a fully-executed fire service agreement from Pueblo West Metropolitan District establishing fire protection for Juniper Pump Station. The construction team continued to prepare all three pump station sites for Substantial Completion.

Schedule Summary

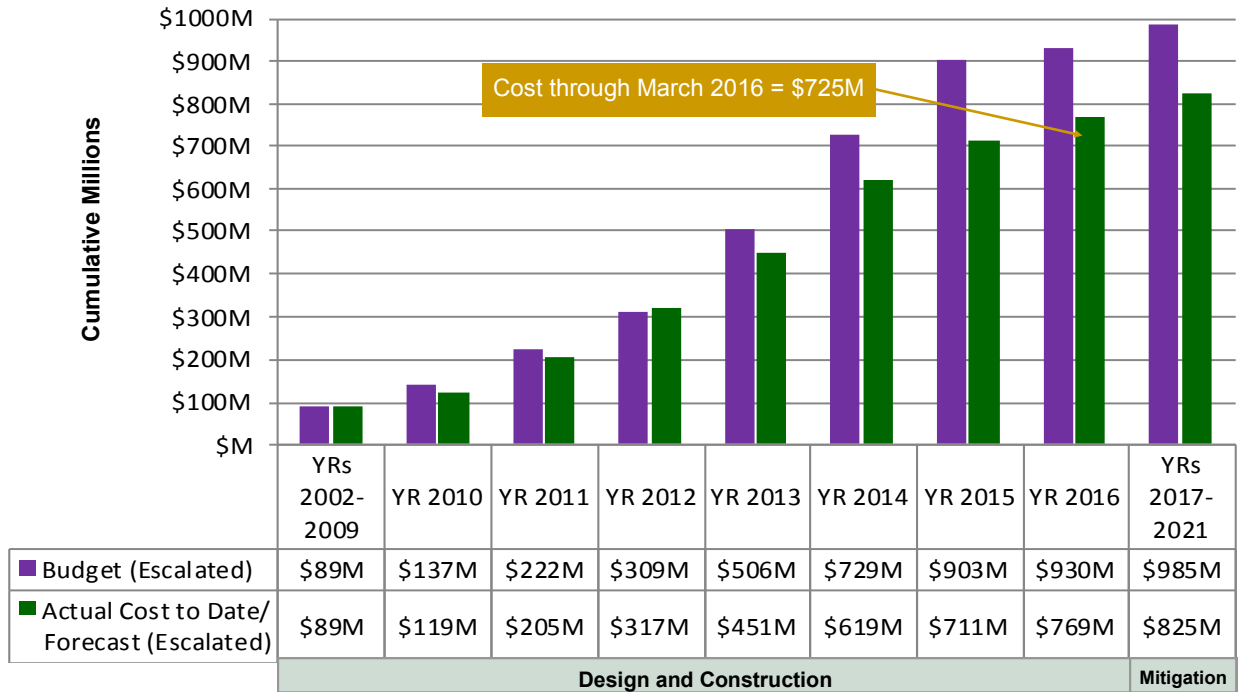
The timeline below summarizes the schedule for completing Phase 1 of the SDS. Colorado Springs Utilities anticipates completing Phase 1 as planned, with full operation in April 2016.



Cost Summary

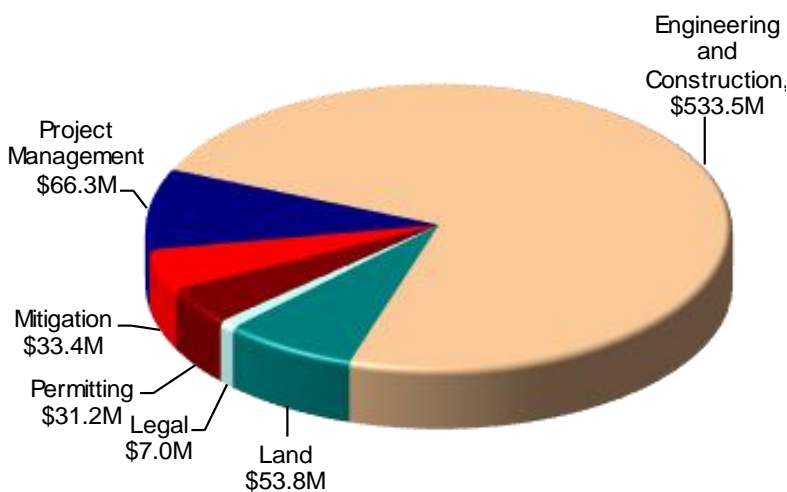
Figure 1 shows the budget for Phase 1, actual costs through March 2016, and forecasted costs for Phase 1. **Figure 2** shows the distribution of the actual costs. Key financial details are summarized below. The budget used to measure progress was established by the Colorado Springs Utilities Board in 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 March 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.

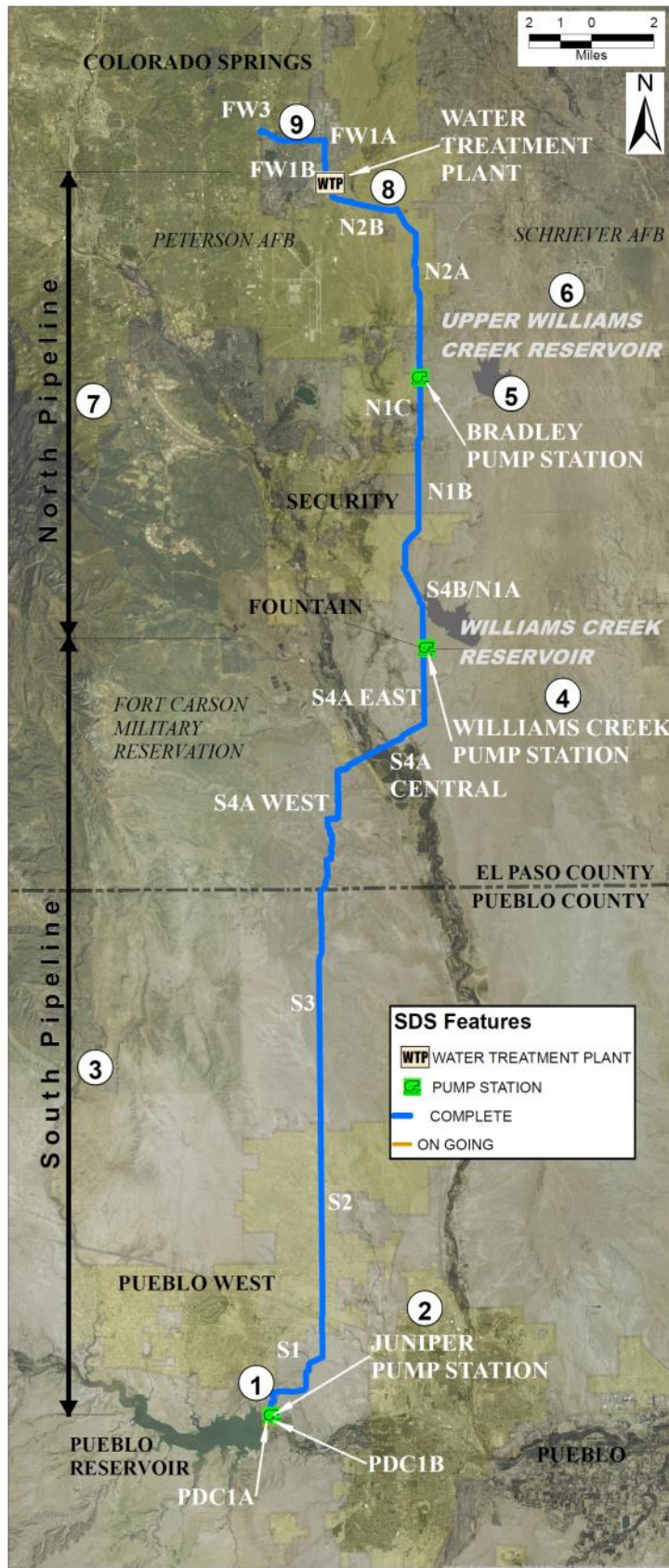
Figure 2 – Distribution of Phase 1 Direct Costs through March 2016 (\$725M Total)



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 \$725 million, with a majority expended on engineering and construction, permitting, land, and management activities.
- Forecasted costs for 2016 are \$58 million with a cumulative expenditure of \$769 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 constructing the WTP and FWPS located at Marksheffel Rd. and U.S. Highway 24.
Focus: Addressing punch list items, flow testing, training, construction work on stormwater pond, and preparing for Substantial 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 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: Addressing punch list items, training, and preparing for Substantial Completion
- 4 Williams Creek Pump Station (WCPS)**
Ongoing: Archer Western Construction is constructing WCPS located in El Paso County 6 miles south of Squirrel Creek Rd. and 5 miles east of Interstate 25.
Focus: Addressing punch list items, training, and preparing for Substantial Completion
- 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 constructing JPS located in Lake Pueblo State Park near Pueblo Dam.
Focus: Addressing punch list items, training, and preparing for Substantial Completion
- 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: Performing final testing and inspections and completing administrative closeout activities in preparation for transfer to US Bureau of Reclamation

Visit www.SDSwater.org for additional information.

