

SOUTHERN DELIVERY SYSTEM

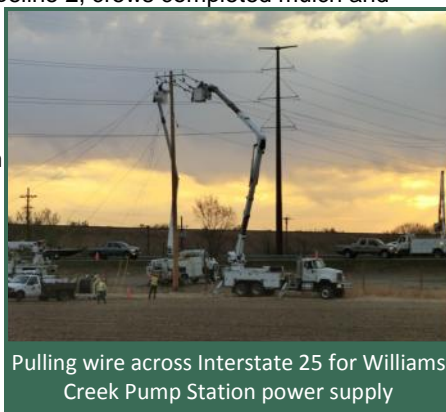
MONTHLY REPORT



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 May, construction continued for the water treatment plant, Williams Creek Pump Station power supply, 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 facilities and pipelines, further revegetation activities, and additional land acquisition.

Key Accomplishments in May

- **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 testing deep-dynamic compaction, an alternative soil preparation technique that is saving the project time and money by eliminating the need for excavation and backfill on select areas prior to constructing a foundation.
- **Construction Continued on Williams Creek Pump Station Power Supply.** Colorado Springs Utilities continued construction of the power supply for Williams Creek Pump Station, with work spanning nearly 5 miles from the Nixon Power Plant to the future Williams Creek Pump Station. Work included the installation of 3.8 miles of overhead and 1.1 miles of underground power lines with major crossings of Old Pueblo Road, Fountain Creek, two railroads, and Interstate 25.
- **Revegetation Continued for South Pipelines 1, 2, and 3.** Western States Reclamation, Inc. (Western States) continued revegetation activities on South Pipelines 1, 2, and 3. At South Pipeline 1, Western States completed seeding and mulching and began testing the irrigation system; at South Pipeline 2, crews completed mulch and ground touch-ups and finished sprinkler head adjustments; at South Pipeline 3, the irrigation system was tested and put into operation. Watering for all three pipeline corridors is metered and monitored on a daily basis.



Pulling wire across Interstate 25 for Williams Creek Pump Station power supply

Upcoming Work & Challenges



Aerial view of the water treatment plant

- **Continue Construction of Major Projects.** Water Treatment Plant. McCarthy Building Companies, Inc. will continue construction of the WTP and anticipates progressing the excavation work to more than 75 percent completion through June

and continuing the installation of a 10-inch water line between Highway 94 and Space Village Avenue. Final completion is estimated to occur April 2016.

South Pipeline 4A East and West. Garney Construction will continue construction of South Pipeline 4A East and West, anticipating pipeline construction to cross a high-pressure gas line on the east and continuing minor cleanup and backfill on the west. Final completion of the pipeline is estimated to occur November 2013.

North Pipeline 1C and 2A. Layne Heavy Civil, Inc. will continue construction of North Pipeline 1C and 2A, expecting pipeline construction to cross electrical and gas lines and commencing pit excavations for tunneling at Bradley Road. Final completion of the pipeline is estimated to occur March 2014.

Williams Creek Pump Station Power Supply. Colorado Springs Utilities will continue construction of the power supply for Williams Creek Pump Station including the installation of vaults, underground duct bank and cable, and overhead wires. Final completion of the first phase of installation is estimated to occur July 2013.

- **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 East and Central, and North Pipelines 2A and 2B. Efforts to acquire land for Upper Williams Creek Reservoir will also continue.



SPOTLIGHT

Video Promotes Safety Culture

Safety is at the very top of our responsibility list. We think of the workers that are helping to build SDS as our extended family. We want to take every measure possible to safeguard employees of these companies while they complete this important work." The three-minute video was introduced in May and is playing a vital role in keeping safety a focus in the construction of the SDS Program.

Colorado Springs Utilities CEO, Jerry Forte, recorded a safety message for everyone visiting or working on SDS construction sites. In the video, Forte relays that, "Hundreds of contractors and subcontractors are building SDS.

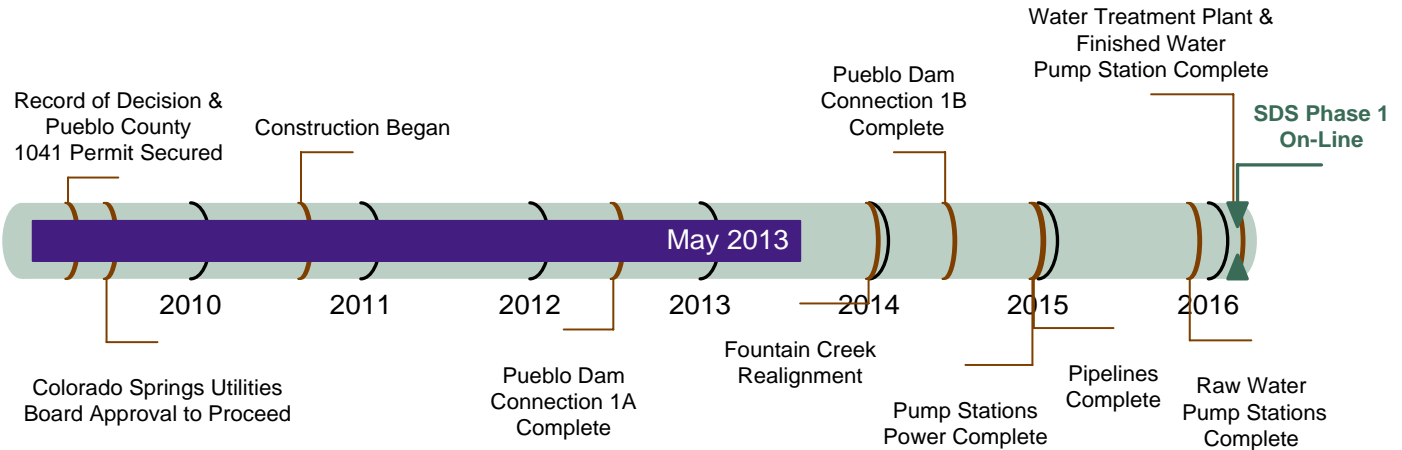
Schedule Summary

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: May 2013 – April 2014

- Pueblo Dam Connection 1B – Construction
- South Pipeline 1 Revegetation – Seeding and Monitoring
- South Pipelines 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

Job Networking Event

With the start of construction on the water treatment plant and crews mobilizing to begin construction on the raw water pump stations, there will be upcoming employment opportunities. Two job networking events are being planned in July; one in the Pueblo area and one in the Colorado Springs area. These opportunities will extend beyond the two events. Information from attendees will be collected and stored in a database to fill future demands as they arise. For more information, visit www.sdswater.org.

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.

Cost Summary

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

Major updates to the financial projections were completed in May 2013. Forecasted costs to complete SDS Phase 1 were reduced to reflect execution in recent months of key construction contracts, including the water treatment plant and raw water pump stations. In addition, projected escalation of the budgeted and forecasted costs is less than anticipated at the previous major financial update in August 2012.

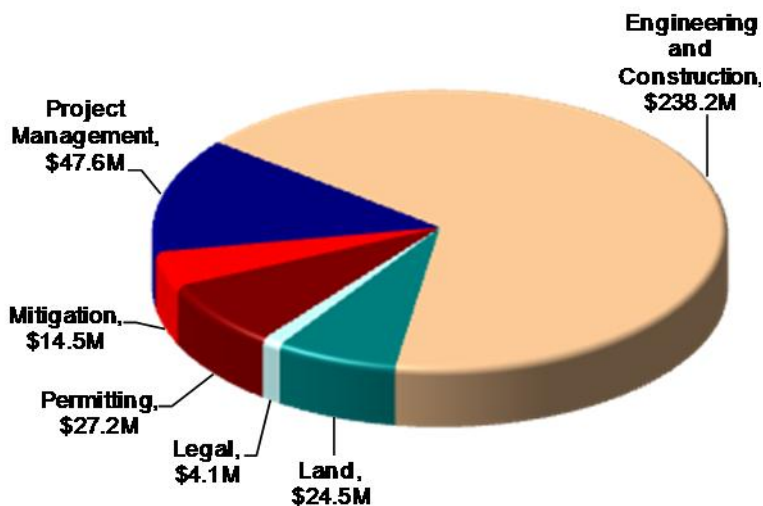
Figure 2 – Phase 1 Budget Progress – Actual Costs through May 2013



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.

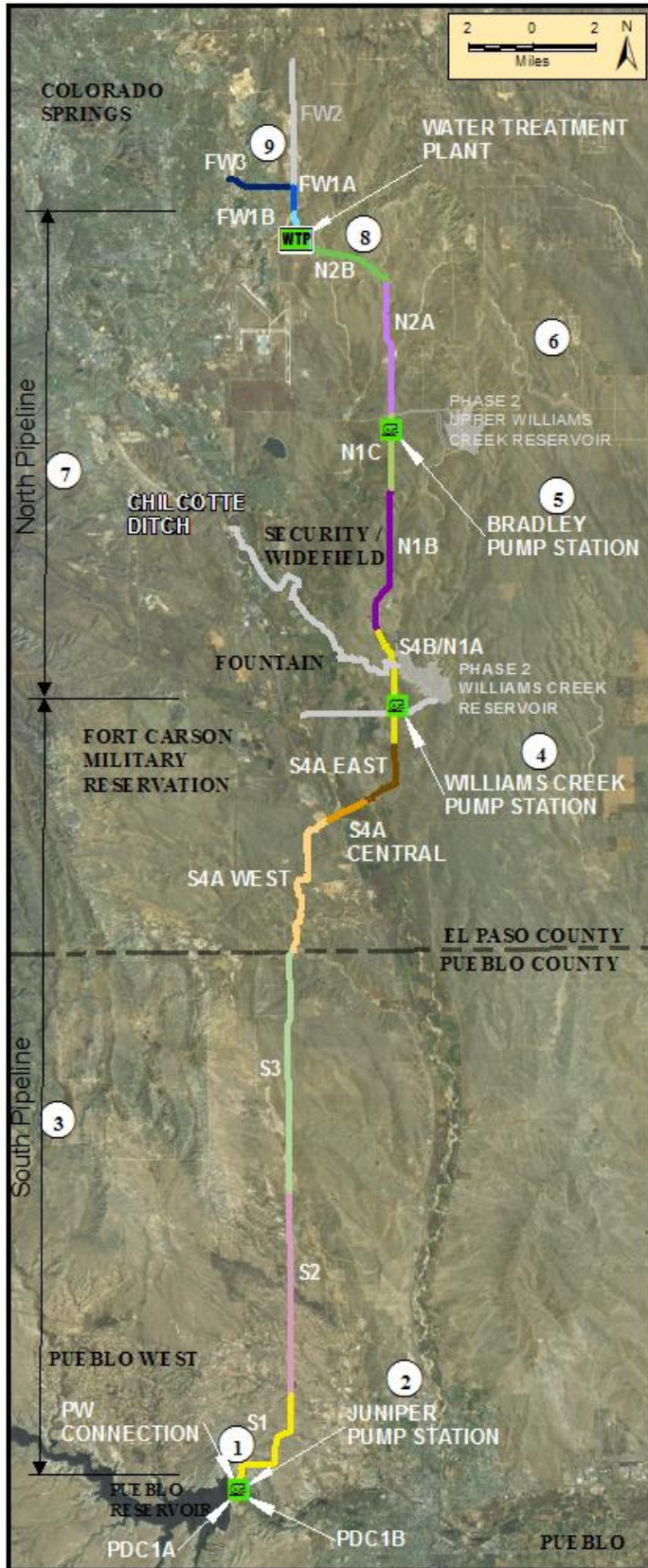
Figure 3 – Distribution of Phase 1 Direct Costs through May 2013 (\$356M Total)



Key Financial Details

- The budget for Phase 1 is \$988 million, including actual and projected escalation, while the current cost forecast is \$906 million. The project is currently forecasting completion approximately \$82 million below budget. These anticipated savings are accounted for in water rates and bond issuance planning.
- Cumulative actual costs to date are \$356 million, with a majority expended on engineering and construction, permitting, land, and management activities.
- Forecasted costs for 2013 are \$136 million with a cumulative expenditure of \$453 million by the end of 2013.

Figure 4 – Phase 1 Projects Status Map



- 9 Finished Water Pipeline (FW)**
 Design: 100%
 Land: 70% of properties secured
 Focus: Preparing to procure 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 and tunneling
- 7 North Pipeline (N)**
 Design: 100%
 Land: 70% 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; completion of design planned in SDS Phase 2
 Land: Acquisition under way
- 5 Bradley Pump Station**
 Design: 100%
 Land: 100% of properties secured
 Focus: Preparing for construction of pump station, constructing power supply
- 4 Williams Creek Pump Station**
 Design: 100%
 Land: 100% of properties secured
 Focus: Preparing for construction of pump station, constructing 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: Preparing for construction of 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 \$82 million.

Visit www.sdswater.org for additional information.