

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 September, construction continued on Pueblo Dam Connection 1B, raw water pump stations, water treatment plant, and pipelines; revegetation efforts continued for north and south pipelines (refer to the map on page 4). Upcoming work includes continuing construction on the facilities and pipelines, furthering revegetation activities, and additional land acquisition.

Key Accomplishments in September

Construction Continued for Facilities.

Raw Water Pump Stations. Archer Western Construction, LLC continued mobilizing to all three raw water pump station sites. Work included commencing mass excavation of earth and hauling operations at Juniper Pump Station, grading along the access road and installation of rock to prevent erosion at Williams Creek Pump Station, and delivery of ductile iron for onsite piping at Bradley Pump Station. Construction cost is approximately \$76.5 million.

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 setting wall reinforcements, installing concrete edge forms, and pouring concrete to begin forming the WTP structures. Construction cost is approximately \$124.6 million.

Construction Continued for Raw Water Pipelines.

South Pipeline 4A East and West. Garney Construction continued construction of South Pipeline 4A East and West – a 7.5-mile raw water pipeline section that starts at the El Paso/Pueblo County line and extends north to Interstate 25 and from Hanover Road north to South Pipeline 4B. Activities involved connecting South Pipeline 3 to South Pipeline 4A West, completing road overlay at Boca Raton Hts., and grading of roadways near Rancho Colorado Blvd. Construction cost is approximately \$26 million.

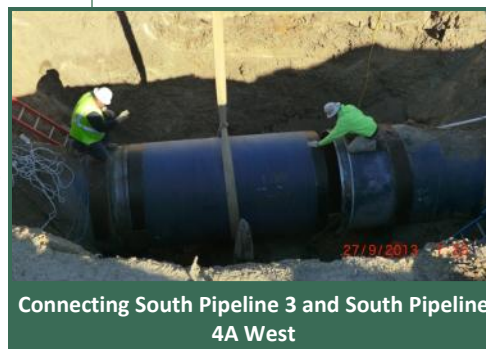
North Pipeline 1C and 2A. Layne Heavy Civil, Inc. continued construction of North Pipeline 1C and 2A – a 6.1-mile raw water pipeline section extending from North Pipeline 1B near Peaceful Valley to approximately 1 mile south of Highway 94. Work included the completion of hydrostatic (pressure) testing on North Pipeline 1C and completion of grading and inspection of valves on North Pipeline 2A. Construction cost is approximately \$24.5 million.

Upcoming Work & Challenges

Continue Construction of Major Projects.

Pueblo Dam Connection 1B. Garney Construction will continue construction of Pueblo Dam Connection 1B, progressing rock trenching activities and managing delivery of the 90-inch diameter valve that will control flow into the SDS pipeline.

Raw Water Pump Stations. Archer Western Construction, LLC will continue construction of all three raw water pump stations, excavating earth and receiving deliveries of materials.



Connecting South Pipeline 3 and South Pipeline 4A West

Water Treatment Plant.

McCarthy Building Companies, Inc. will continue construction of the WTP, placing reinforcements and pouring concrete, testing installation of electrical conduit, and testing for leaks in the turbine pump boxes (wet well pits).

South Pipeline 4A East and West.

Garney Construction will continue construction of South Pipeline 4A East and West, anticipating final grade acceptance on the east, testing of valves on the west, and filling the east pipeline for hydrostatic (pressure) testing.

North Pipeline 1C and 2A. Layne Heavy Civil, Inc. will continue construction of North Pipeline 1C and 2A, anticipating hydrostatic (pressure) testing on North Pipeline 2A and connecting North Pipeline 1B to North Pipeline 1C.

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



SPOTLIGHT

SDS Business Appreciation Event in Pueblo County

The SDS Program will be holding an event at Lake Pueblo State Park on October 29 to thank and acknowledge the many businesses that are helping to build the project in Pueblo County. The event will also celebrate construction of the Juniper Pump Station and installation of the pipe that will allow the Pueblo West community to connect to SDS. Several community members will be attending the event, as well as area contractors, subcontractors, and elected officials and leaders from the project partner communities to commemorate this special occasion.

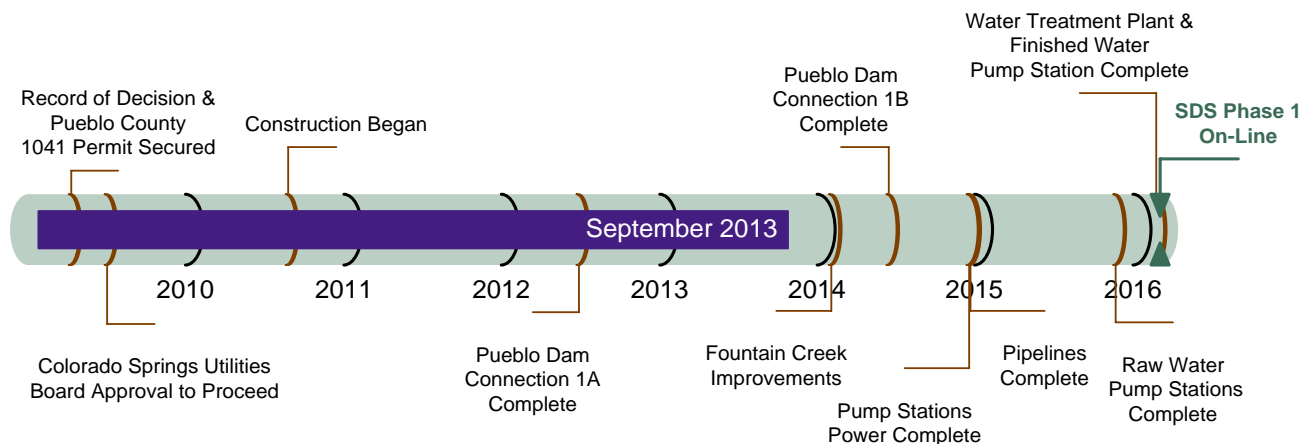
Schedule Summary

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. Nine 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: September 2013 – August 2014

- Pueblo Dam Connection 1B – Construction
- South Pipelines 1, 2, & 3 Revegetation – Maintenance and Monitoring
- South Pipeline 4A East/West – Construction
- South Pipeline 4A East/West Revegetation – Maintenance and Monitoring
- South Pipeline 4A Central – Final Design and Construction
- South Pipeline 4B / North Pipeline 1A/1B Revegetation – Maintenance and Monitoring
- North Pipeline 1C/2A – Construction
- North Pipeline 2B – 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 Improvements – Final Design and Construction



Upcoming SDS Procurements

We anticipate commencing the following procurement in October:

- **North Pipeline 2B Construction Contractor – Q4 2013**

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.

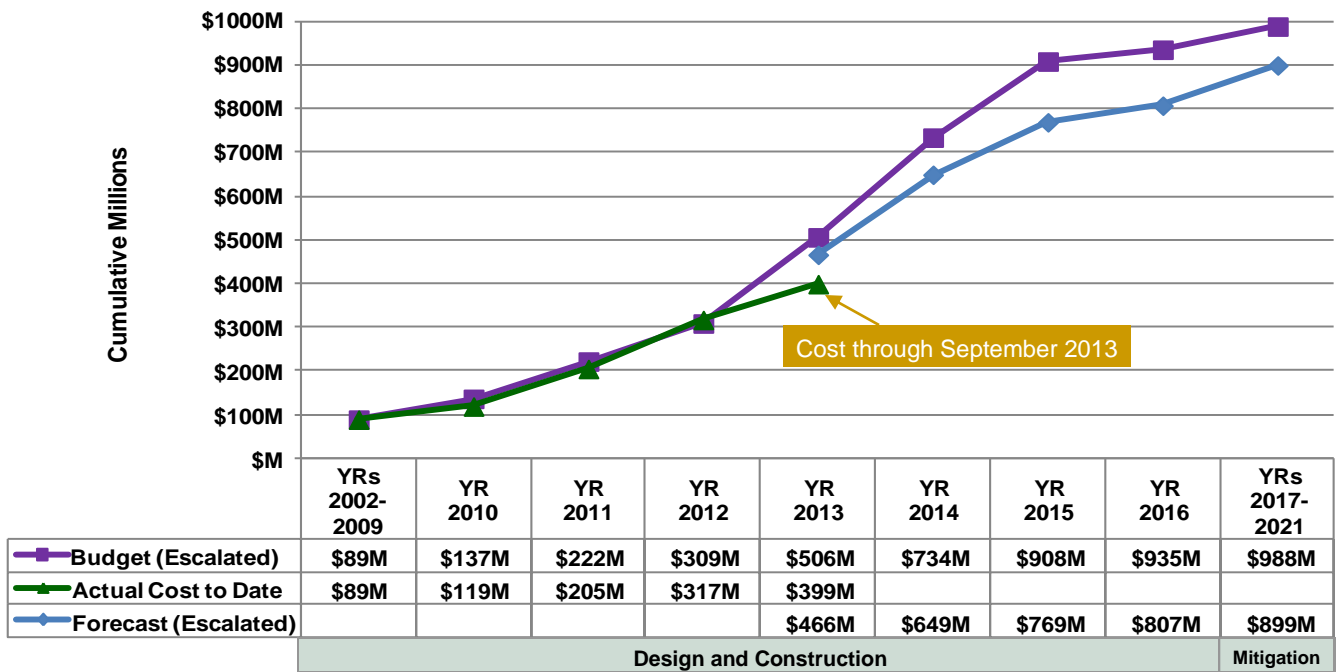
SDS Jobs Database

With work on the WTP and raw water pump stations in full construction, the general contractors and their subcontractors are looking to hire specialized trade workers to supplement their growing workforce needs. Based on results from the two SDS job fairs held in July, a jobs database was created for interested parties to submit their name and resume for contractors to review for qualified candidates. For more information, visit www.sdswater.org and go to Job / Business Opportunities and Jobs, or click the following link: [SDS Jobs Database](#).

Cost Summary

Figure 2 shows the budget for Phase 1, actual costs through September 2013, and forecasted costs for Phase 1. Actual costs to date are consistent with achieving planned construction progress and on time completion. **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.

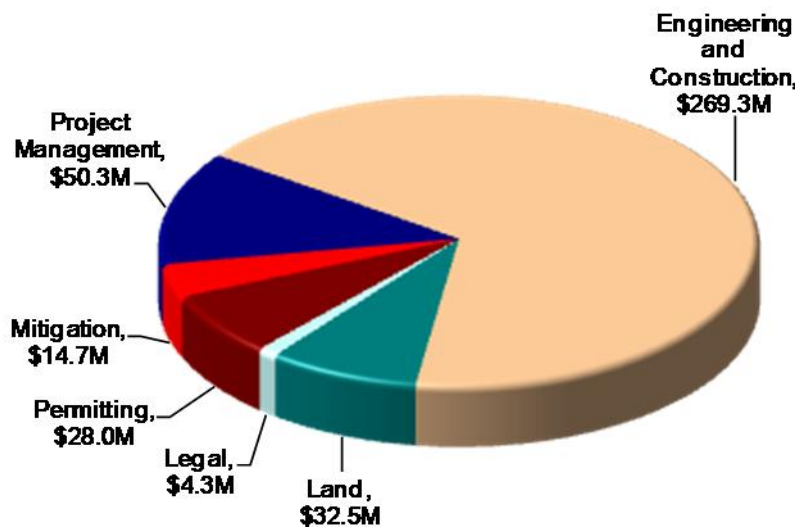
Figure 2 – Phase 1 Budget Progress – Actual Costs through September 2013



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.

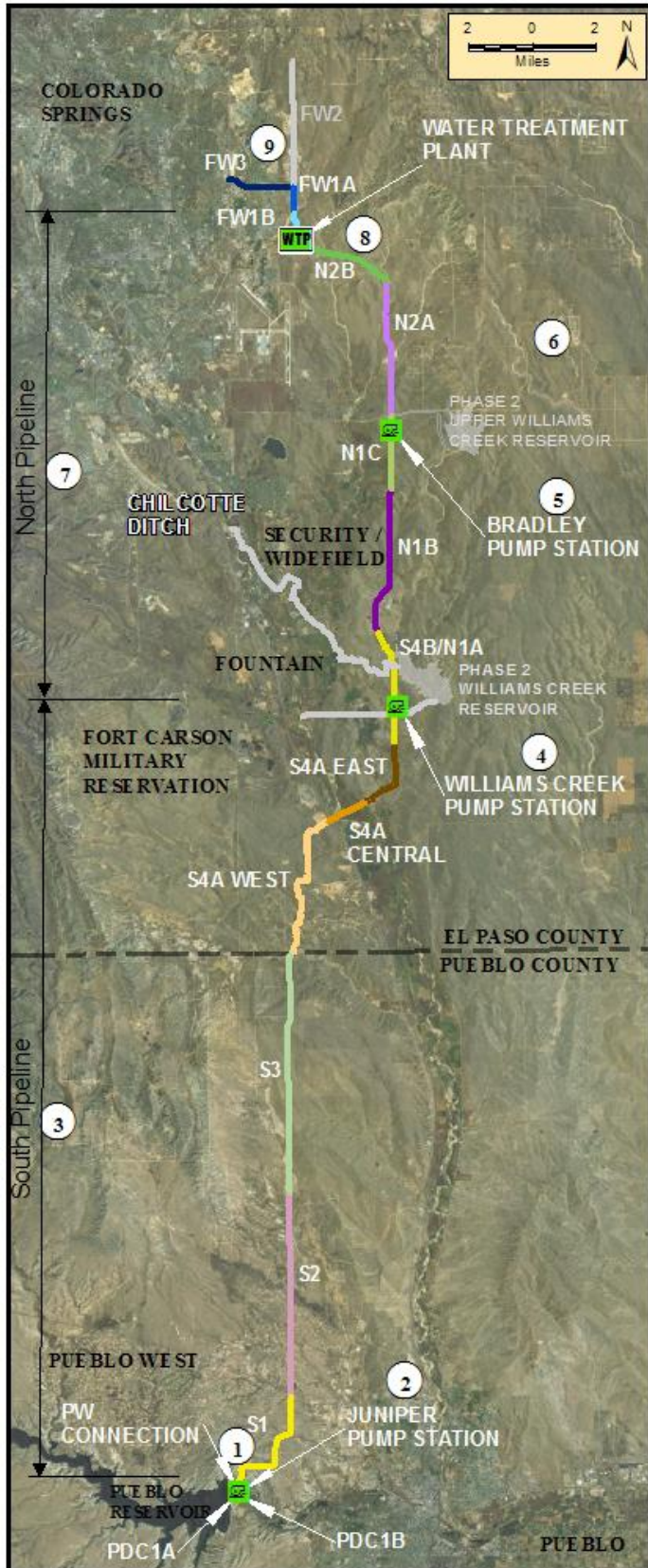
Figure 3 – Distribution of Phase 1 Direct Costs through September 2013 (\$399M Total)



Key Financial Details

- The budget for Phase 1 is \$988 million, including actual and projected escalation, while the current cost forecast is \$899 million. The project is currently forecasting completion approximately \$89 million below budget. These anticipated savings are accounted for in water rates and bond issuance planning.
- Cumulative actual costs to date are \$399 million, with a majority expended on engineering and construction, permitting, land, and management activities.
- Forecasted costs for 2013 are \$149 million with a cumulative expenditure of \$466 million by the end of 2013.

Figure 4 – Phase I Projects Status Map



- 9 Finished Water Pipeline (FW)**
 Design: 100%
 Land: 75% of properties secured
 Focus: Progressing easement acquisitions, preparing for construction of section 3
- 8 SDS Water Treatment Plant and Finished Water Pump Station**
 Design: 100%
 Land: 100% of properties secured
 Focus: Constructing water treatment plant – setting reinforcements and pouring concrete
- 7 North Pipeline (N)**
 Design: 100%
 Land: 90% 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
 Land: 40% of properties secured
 Focus: Cultural resource survey
- 5 Bradley Pump Station**
 Design: 100%
 Land: 100% of properties secured
 Focus: Constructing raw water pump station – delivering pipe and preparing for excavation
- 4 Williams Creek Pump Station**
 Design: 100%
 Land: 100% of properties secured
 Focus: Constructing raw water pump station – grading along access road and preparing for excavation
- 3 South Pipeline (S)**
 Design: 95%
 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: Construction authorization secured
 Focus: Constructing raw water pump station – mass excavation and hauling
- 1 Pueblo Dam Connection (PDC)**
 Design: 100%
 Land: Construction authorization secured
 Focus: Rock trenching for 1B (pipeline)

Schedule: The Program is on schedule to begin operations in April 2016.

Budget: The Program is currently forecasting completion under budget by \$89 million.

Visit www.sdswater.org for additional information.