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 September 2015, plans for October 2015, and key performance details for Phase 1.

Water Treatment Plant & Finished Water Pump Station

Preparing chemical area loading dock for chemical deliveries

Accomplishments: Began installation of the filter media (granular material and activated carbon that filters water), delivered first batch of chemicals to treat water, completed installation of the temporary discharge structure and piping at East Fork Sand Creek, progressed electrical installation at the finished water pump station electrical room, continued commissioning and startup of chemical systems and testing control systems, and began placement of asphalt for site roads. **Upcoming:** Begin flowing water through the plant and into East Fork Sand Creek through the temporary discharge structure, continue commissioning and startup of Highline Transmission Main pumps and chemical systems, begin sealing exterior masonry walls before cold weather, complete installation of sanitary sewer line underneath Highway 24, and begin installation of landscape irrigation water lines.

Raw Water Pump Stations

Accomplishments: Continued installation of driveway and concrete sidewalks and completed hydrant pressure testing at Juniper Pump Station; continued installation of conduit and wire to exhaust fans and heaters and finished installation of irrigation piping at Williams Creek Pump Station; and continued installation of conduit for unit heaters and overhead lighting and began installation of electrical switches for exhaust fans at Bradley Pump Station. **Upcoming:** Continue installation of conduit and wire for heating, ventilating, and air conditioning (HVAC) equipment and progress site work activities at Juniper Pump Station; begin lime stabilization on roadways and continue installation of exterior metal wall panels at Williams Creek Pump Station; continue installation of security fencing and complete placement of material for access road at Bradley Pump Station; and continue testing instrumentation and controls at all three pump stations.

Installation of irrigation piping at Williams Creek Pump Station

Commissioning & Startup

Archer Western Construction, construction contractor for all three pump stations, operated all three pump stations in September to convey a flow rate of 50-million-gallons-per-day of water continuously for one hour as part of testing to verify the system will operate as planned. McCarthy Building Companies, construction contractor for the water treatment plant, completed successful individual pump testing at the finished water pump station. McCarthy staff also completed the final connection to the Highline Transmission Main, which is connected to the temporary discharge structure located at East Fork Sand Creek. The discharge structure will be used throughout commissioning to safely discharge test water as allowed under Colorado Springs Utilities' discharge permit.

East Fork Sand Creek Discharge Structure

SPOTLIGHT

Recycled SDS Fencing Benefits Pueblo Habitat for Humanity

The Pueblo Habitat for Humanity's mission will get a boost as a result of a donation of chain link fence used for the SDS Program donated by Colorado Springs Utilities.

"We are so pleased to provide this worthy organization the fencing we used for SDS in Pueblo County. We have no further use for this fencing, and we knew it would be beneficial to others," said John Fredell, SDS Program Director.

“This is a win-win donation for us,” said Donna Garcia, Executive Director with Habitat for Humanity of Pueblo. “This fencing will be for sale in our ReStore on South Prairie Avenue in Pueblo, which will help our customers to improve or maintain their own properties," she said. “The proceeds from the donation and sale will help to assist in funding Habitat’s ongoing mission to eliminate substandard housing through constructing, rehabilitating, and preserving homes in Pueblo County.”

Colorado Springs Utilities donated more than 2,000 linear feet of chain-link fencing, which was used as safety fencing around construction sites for the SDS pipeline. Habitat estimates the value of the fencing to be $2,000.

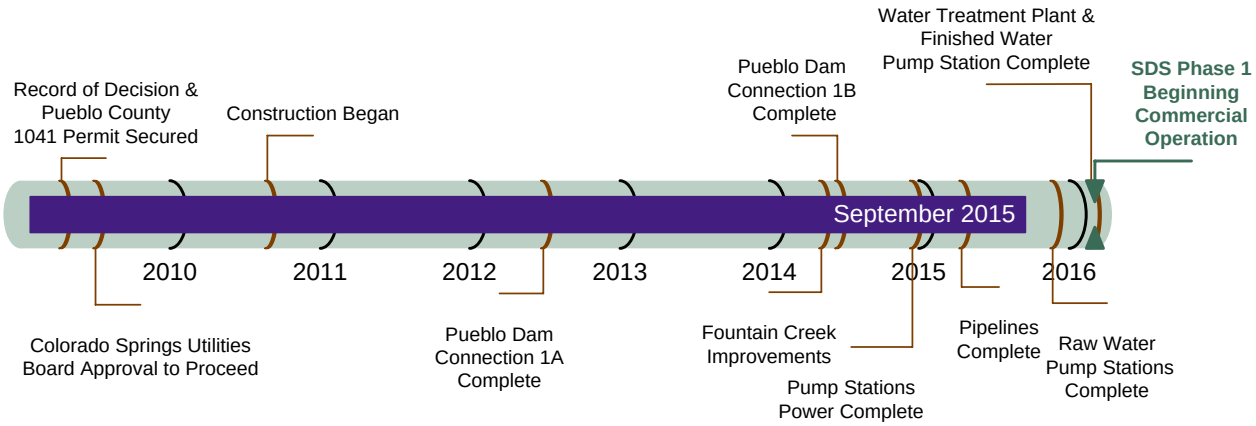
This most recent donation follows previous SDS donations of salvaged household materials from five homes demolished to build SDS. Items donated from these homes included appliances, doors, garage doors, cabinets, light fixtures, sinks, toilets, blinds, curtains, and hardware from doors and cabinets.

Habitat for Humanity of Pueblo has built 37 homes with volunteers and partner family labor and has another foundation prepared for its 38th home.

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.

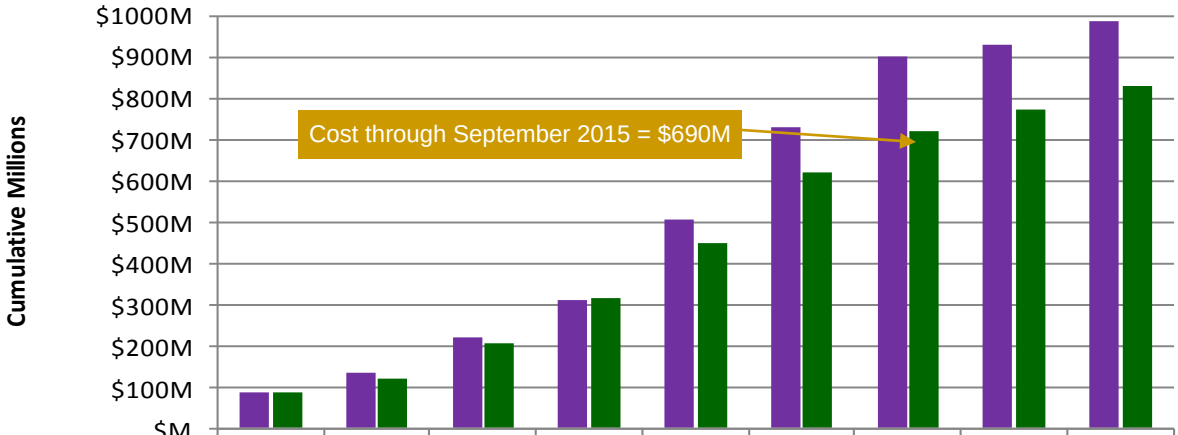
Figure 1 – Schedule Progress for Major SDS Phase 1 Projects



Cost Summary

Figure 2 shows the budget for Phase 1, actual costs through September 2015, 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 $985 million after all direct project costs (including mitigation) are paid through 2021.

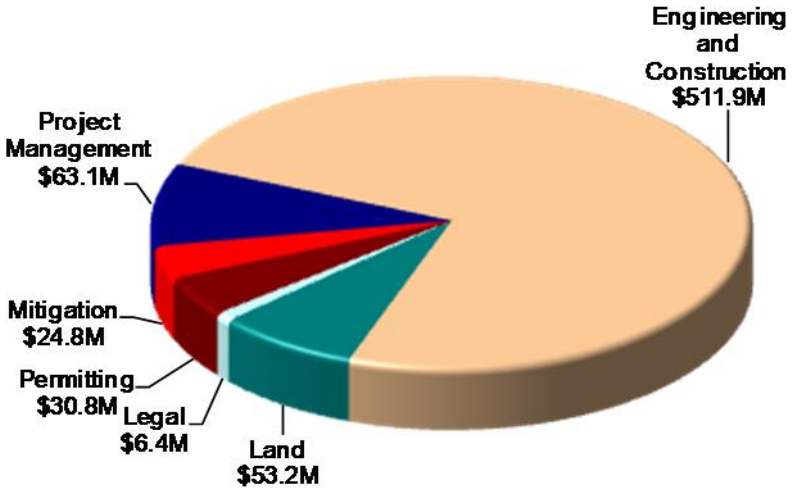
Figure 2 – Phase 1 Budget Progress – Actual Costs through September 2015



	YRs 2002-2009	YR 2010	YR 2011	YR 2012	YR 2013	YR 2014	YR 2015	YR 2016	YRs 2017-2021
Budget (Escalated)	$89M	$137M	$222M	$309M	$506M	$729M	$903M	$930M	$985M
Actual Cost to Date/ Forecast (Escalated)	$89M	$119M	$205M	$317M	$451M	$619M	$719M	$773M	$829M
	Design and Construction								Mitigation

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.

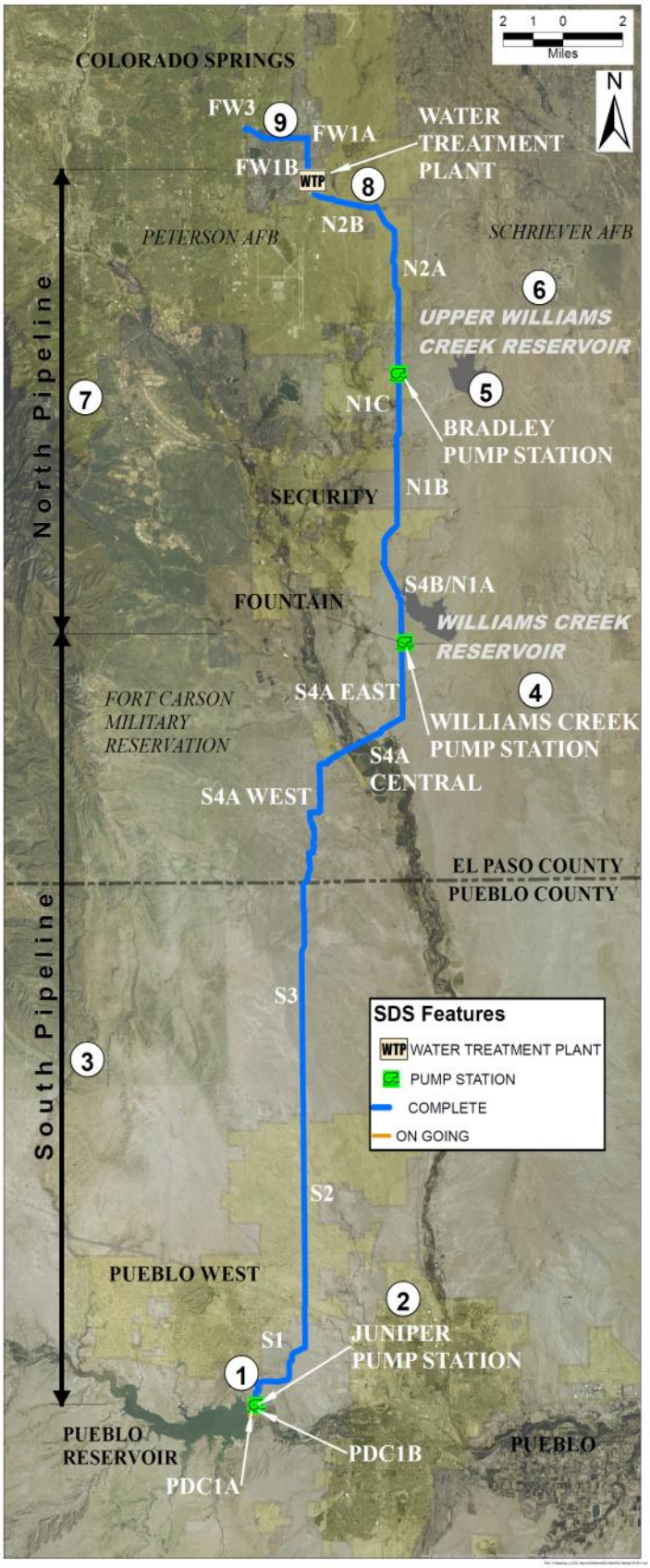
Figure 3 – Distribution of Phase 1 Direct Costs through September 2015 ($690M Total)



Key Financial Details

- The budget for Phase 1 is $985 million, including actual and projected escalation, while the current cost forecast is $829 million. The project is currently forecasting completion approximately $156 million below budget. These anticipated savings are reflected in current water rates and plans for bond issuance.
- Cumulative actual costs to date are $690 million, with a majority expended on engineering and construction, permitting, land, and management activities.
- Forecasted costs for 2015 are $100 million with a cumulative expenditure of $719 million by the end of 2015.

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, Inc. is constructing the WTP and FWPS located at Marksheffel Rd. and U.S. Highway 24.
Focus: Testing raw water tank, placing concrete for curbs and gutters, preparing filters for service, and installing and testing electrical and controls systems

7 North Pipeline (N)
Complete: S4B/N1A/N1B (HCP Constructors), N1C/N2A (Layne Heavy Civil, Inc.), 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 a future SDS phase and will be located near Bradley Pump Station.
Focus: Acquiring remaining land parcels; conceptual engineering

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: Finishing lime stabilization for access road, installing conduit and wire in forebay tank, and testing controls systems

4 Williams Creek Pump Station (WCPS)
Ongoing: Archer Western Construction, LLC is constructing WCPS located in El Paso County 6 miles south of Squirrel Creek Rd. and 5 miles east of Interstate 25.
Focus: Installing test stations for corrosion protection, placing concrete for light poles, installing metal downspouts, and testing controls systems

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 finalizing closeout of 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: Completing administrative closeout activities

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: Installing materials for driveway, placing concrete for sidewalks, and testing controls systems

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

Visit www.SDSwater.org for additional information.