



## PROJECT DIRECTOR'S UPDATE

John Fredell, SDS Project Director

Our communities' founders overcame many challenges to secure reliable water supplies for our residents. I'm honored to be a part of a team that has remained dedicated to building on this legacy.

Looking back on 2009, we've achieved numerous milestones for the Southern Delivery System (SDS). Most notably, the federal approval we received from the Bureau of Reclamation, permit approvals from Pueblo County on our Preferred Alternative and from Fremont County on a secondary option, and approval from the Colorado Springs Utilities Board to move forward with the project to deliver water to our customers in 2016.

Our team continues work to clear the final hurdles needed before construction can begin in the spring of 2010. The permitting process with El Paso County and the Fountain Creek Watershed, Flood Control and Greenway District are well underway. We have also initiated the process to begin negotiations with the Bureau of Reclamation on the water storage, conveyance and exchange contracts required to operate SDS from Pueblo Reservoir.

In preparation for construction, staff has carefully considered the resources and expertise required to implement the project effectively and efficiently. To secure the resources needed to accomplish this, we will solicit proposals for a program manager and anticipate that contractor to be in place by the spring of next year.

We also have advanced efforts on the funding for SDS. On December 21, the Colorado Springs City Council approved the 2010 budget for funding SDS, and in early 2010, staff will present a water rate phase-in program for Council approval.

As we complete the final steps needed to begin construction, we move closer to ensuring we will provide a reliable water supply to existing and future customers for decades to come – a legacy our founders would surely be proud of.

Thanks to everyone whose efforts and support have contributed to the significant progress we've made this year. I look forward to working with you to reach many more milestones in 2010.

Sincerely,

John Fredell, SDS Project Director



*In the early days of Colorado Springs' history, water was delivered in barrels using horse-drawn wagons.*

## Accomplishments and Upcoming Activities

### **Permit applications submitted for El Paso County and Fountain Creek Watershed District**

Colorado Springs Utilities has submitted a series of applications to El Paso County for Location Approval Permits required for SDS. About 33 miles of the 53 miles of buried raw-water pipeline for the project will be built within El Paso County, as well as nine miles of treated-water pipeline. Two pump stations and a water treatment plant will also be located in the county. Public information open houses were held on November 18 in Colorado Springs and December 2 in Fountain. The El Paso County Planning Commission will hold a public hearing early next year on the applications and provide opportunity for public comment.

On December 11, project participants submitted an application to the Fountain Creek Watershed, Flood Control and Greenway District for approval of SDS-related construction activities in the Fountain Creek 100-year flood plain. The District can then make recommendations to El Paso County regarding its consideration of our El Paso County permit application. Project staff has briefed the District's Technical Advisory

Committee and Community Advisory Group and will present to the District's Board on January 22.

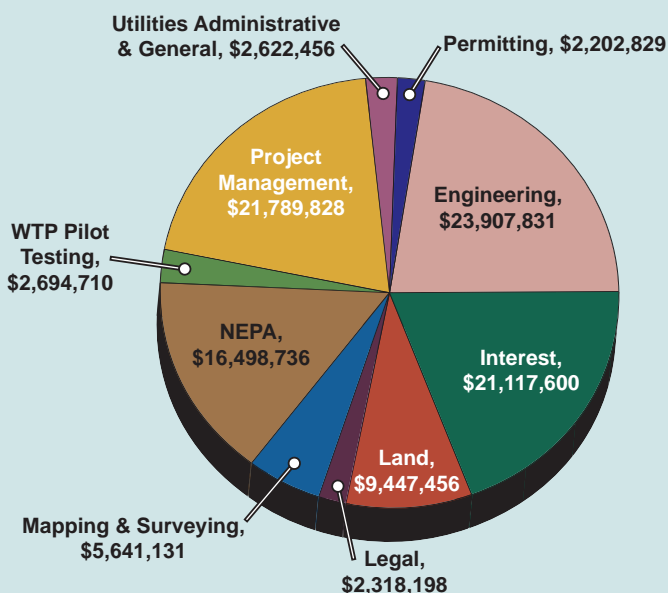
### **Fountain Creek funding approved**

Pueblo County Commissioners have agreed to credit the \$300,000 committed by Colorado Springs Utilities for the Fountain Creek Watershed District and Corridor Master Plan toward the \$50 million obligation for mitigation of impacts to Fountain Creek from the construction of SDS. The action clears the way for a portion of the funds to be used to hire an executive director for the Fountain Creek Watershed Flood Control and Greenway District created earlier this year by the Colorado Legislature to oversee improvements to the creek.

### **404 permit application progresses**

The Army Corps of Engineers is in the latter stages of its review of the SDS application for a 404 permit, required under the federal Clean Water Act. Colorado Springs Utilities is developing a wetlands mitigation plan that will be part of the permit requirements. The 404 permit application automatically triggers a water-quality review by the Colorado Department of Public Health and Environment (CDPHE) and that review is progressing as well. Both the Corps of Engineers and CDPHE have received and reviewed public comments as part of their review of the project.

**SDS Capital Cost Distribution**  
As of November 30, 2009 - \$108,240,775



### **RFI for SDS program manager issued**

As SDS moves from planning to implementation, Colorado Springs Utilities has considered the best approach to ensure we have the right structure and expertise in place to build the project. Colorado Springs Utilities will solicit proposals from contractors to assist us with managing the remainder of the project. A Request for Information (RFI) was issued in October and project staff conducted interviews in November as part of the effort to seek information from the construction/consulting community on ideas for how to best deliver a project of the size and scope of SDS. Request for Proposals will be issued in January. A program manager will be hired in early 2010.

### **Reclamation contract negotiations to begin**

Negotiations will begin with the Bureau of Reclamation concerning SDS-related water storage, conveyance and exchange contracts. Although SDS project participants

## In the Spotlight

# Looking ahead: Pipeline construction on Marksheffel Road

Construction of a segment of one of the finished water pipelines on the northern end of the alignment will be among the first components constructed for SDS in 2010. While it may seem counterintuitive to start building this end of the pipeline, construction on this segment of the road will save about \$1 million in construction costs.

Colorado Springs Utilities has been coordinating its construction plans with El Paso County's plans to expand Marksheffel Road in the future. Rather than staging pipeline construction after the road has been widened, Springs Utilities and the County believe it is more efficient to install SDS pipeline between US 24 and Constitution Avenue before Marksheffel Road is expanded and improvements are made.

This will avoid the need to disturb a newly paved road at a later date which would result in a greater expense to ratepayers and inconvenience to motorists.

A request for contractor bids was issued in December, and the SDS work on Marksheffel Road is slated to begin in 2010. Finished water pipelines transport treated water to distribution centers that connect to pipes delivering potable water to customers' homes and businesses.



own rights to the water they will deliver through SDS, the contracts with Reclamation are required because the project will make use of water stored and managed by Reclamation as part of the federal Fryingpan-Arkansas Project, which includes Pueblo Reservoir. The water contracts between Reclamation and the project participants will incorporate comprehensive mitigation requirements outlined in the Final Environmental Impact Statement for SDS.

### **Land acquisition authorized by Council**

Following its approval to move forward with the preferred alternative from Pueblo Dam, the Colorado Springs City Council authorized Colorado Springs Utilities to begin formal procedures for securing easements and property on the southern portion of the SDS pipeline corridor. Council had previously authorized Utilities to acquire easements and property along northern portions of the pipeline route that were common for both the alignment from Pueblo Dam and along Highway 115 through Fremont County alternatives. Still to be considered by the Council is approval to acquire property for the proposed Upper Williams Creek Reservoir. That approval will be sought at a future City Council meeting. Meanwhile, members

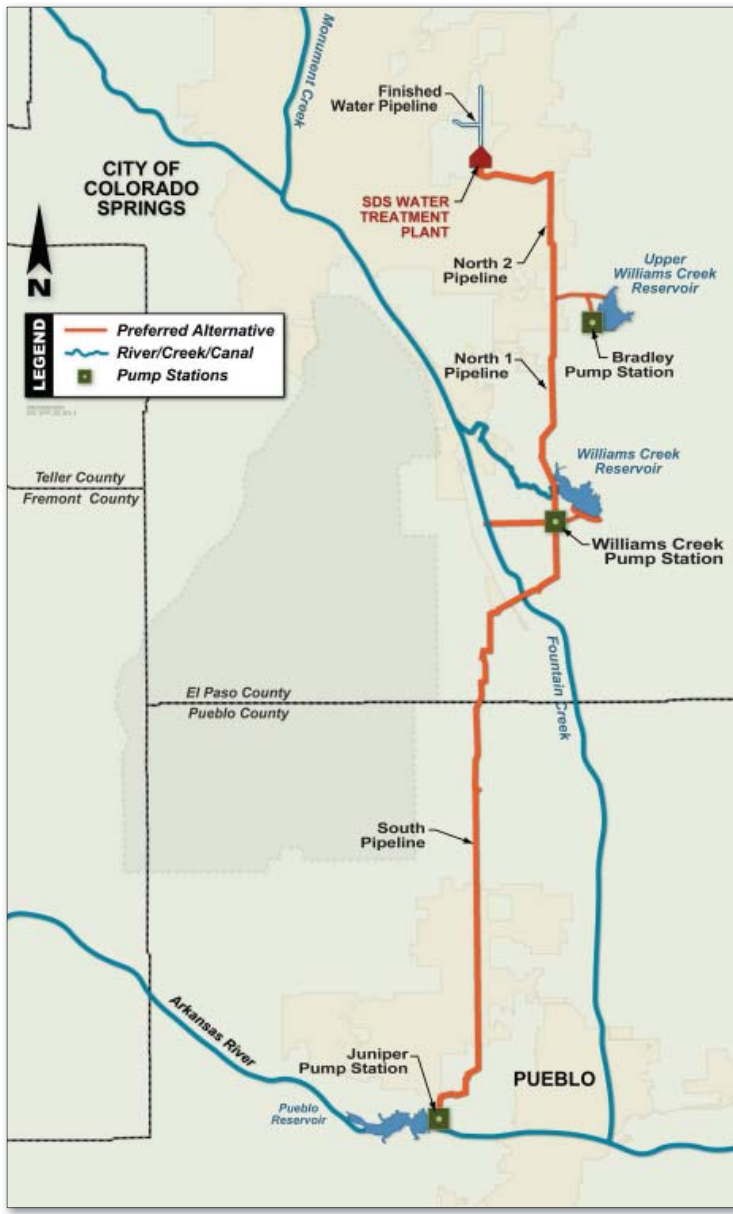
of the SDS staff have been meeting with affected property owners in the Upper Williams Creek Reservoir area and in Pueblo West to discuss project plans, their options and the impacts construction will have on their property.

### **Council to decide on long-term funding for SDS**

Based on direction from City Council, serving in its role as the Utilities Board, Colorado Springs Utilities staff has developed a proposal for a water rates phase-in program to fund SDS and maintain the existing water system. Committing to a long-term funding program for SDS will play an important role in Colorado Springs Utilities ability to maintain its current bond rating which saves customers millions annually through providing lower interest rates on borrowing for capital projects. The phase-in program will ensure adequate funding for the project while smoothing out water rate impacts for customers.

City Council will consider the water rate phase-in proposal in early 2010. This is an important step to ensure successful implementation of the project by 2016.

# SOUTHERN DELIVERY SYSTEM



## Contact Us

For more information, please contact us:

Southern Delivery System  
P.O. Box 1103, MC 930  
Colorado Springs, CO 80947  
Phone: 719/668-7582  
Toll free: 866/719-4SDS (4737)  
Email: [sdsinfo@csu.org](mailto:sdsinfo@csu.org)  
[www.sdswater.org](http://www.sdswater.org)



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To reduce production costs and paper use, the Southern Delivery System Quarterly Progress Update has changed to an email publication.

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121 S. Tejon Street, Third Floor  
Colorado Springs, CO 80947-0930