

SOUTHERN DELIVERY SYSTEM | eNews
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Agreement reached in SDS federal contract negotiations: The [Southern Delivery System](#) (SDS) partner communities have reached agreement with the U.S. Bureau of Reclamation on the contracts required to store, convey and exchange water using Pueblo Reservoir, a part of the federal [Fryingpan-Arkansas Project](#). SDS is a regional pipeline that will transport water stored in Pueblo Reservoir to Colorado Springs, Fountain, Security and Pueblo West.

“This is another tremendous milestone for the project,” said John Fredell, SDS Program Director. “With this agreement, we’ve secured a reliable source of water to meet our communities’ needs for decades to come.”

On Wednesday, Reclamation and the SDS partners agreed to no charge for conveyance and \$36 per acre-foot for storage with a 1.79% escalation rate – down from Reclamation’s initial proposal of 3.08%. The long-term excess capacity contracts provide for storage of up to 28,000 acre-feet for Colorado Springs, 10,000 acre-feet for Pueblo West, 2,500 acre-feet for Fountain and 1,500 acre-feet for Security. Colorado Springs – the only partner with an exchange contract – will pay \$36 per acre-foot when an exchange is needed.

The SDS project communities will invest an estimated \$31 million up front to construct the North Outlet Works – the infrastructure needed for conveying water from Pueblo Reservoir to the SDS pipeline. As part of the negotiations, Reclamation agreed to pay \$5 million (net present value) for over-sizing the capacity of the North Outlet Works – a considerable increase over their starting offer of \$287,500. The new outlet will benefit Reclamation and other water users by expanding the municipal/industrial capacity and providing redundancy, as well as opportunities for future leases and revenues generated for Reclamation.

In total, the contracts amount to a cost of roughly \$70 million for the SDS partner communities over a 38-year period – almost 80 percent less than Reclamation’s starting offer in May of nearly \$350 million.

“We set out to obtain a reasonable price for our customers and that’s what we ended up with,” added Fredell. “We are pleased to have agreement on these contracts and the positive momentum as we move into the construction phase of this critical project.”

SDS construction is scheduled to begin this year. Work on a section of the finished-water pipeline will begin in September along Marksheffel Road in El Paso County between Highway 24 and Constitution Avenue. Coordinating this work with the County’s widening of Marksheffel Road will avoid the need to disturb a newly-paved road at a later date – saving about \$1 million.

For more information on the Southern Delivery System, visit www.sdswater.org.