

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 (refer to map on page 4) 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 at Pueblo Dam, the 18.3-mile segment of South Pipelines 1, 2, and 3, the 8.6-mile segment of South 4B, North 1A, and North 1B pipelines, and the 0.4-mile Finished Water Pipeline 1B. Upcoming work includes progressing construction, advancing design of the remaining pipeline segments and facilities, and land acquisition. More than 24 miles of pipe has been installed through the end of May.

Key Accomplishments in May

- Construction Continued for Pueblo Dam Connection.** ASI Constructors continued construction of Pueblo Dam Connection 1A – the SDS connection to the Pueblo Dam North Outlet Works. ASI removed the coffer dam, placed electrical equipment and roof panels in the valve facility, and prepared for startup and commissioning.



Coffer dam removal at Pueblo Dam

- Construction Continued for South Pipelines 1, 2, & 3.** Construction advanced for three pipeline sections comprising 18.3 miles of raw water pipeline from the Juniper Pump Station site near Pueblo Dam extending north to the boundary of Pueblo and El Paso counties. At South Pipeline 1 (S1), HCP Constructors posted signs at trail crossings and the Pueblo Motorsports Park for upcoming construction and continued mobilization for tunneling beneath the railroad. Garney Construction started work on trail improvements parallel to the SDS pipeline and completed pipeline construction at six road crossings for South Pipeline 2 (S2). At South Pipeline 3 (S3), Reynolds, Inc. completed pipe installation, finished pipe joint grouting, and began grout inspection. All three pipeline sections have a total of 13.6 miles of pipe installed in trench through May.
- Construction Continued for South Pipeline 4B and North Pipelines 1A and 1B.** Construction continued on an 8.6-mile section of pipeline through southeastern El Paso County from south of Squirrel Creek Road to Peaceful Valley Road east of Security and Fountain. HCP Constructors completed trenching and pipe installation for all segments of pipeline, prepared for hydrostatic (pressure) testing of the pipe at North Pipeline 1B, and prepared for seeding of the Peaceful Valley area. Final completion is estimated to occur October 2012.

Upcoming Work & Challenges

- Construction of Facility and a Pipeline Near Completion**
 - Pueblo Dam Connection.** ASI Constructors will continue final preparations of Pueblo Dam Connection 1A, conducting testing to verify equipment is working correctly and road repair in Lake Pueblo State Park. Final completion is estimated to occur July 2012.
 - Finished Water Pipeline 1B.** Garney Construction will continue final preparations of Finished Water Pipeline 1B, including final site restoration, reseeding, and final walk through and inspection. Final completion is estimated to occur June 2012.
- Continue Construction of South and North Pipelines.**
 - South Pipeline 1.** HCP Constructors will continue construction of S1, mobilizing for construction of a 96-inch vertical shaft and progressing rock trenching and pipe installation.
 - South Pipeline 2.** Garney Construction will continue construction of S2, anticipating construction over the last three road crossings; trail improvements from south of Walker Ranch to Platteville Road are also expected.
 - South Pipeline 3.** Reynolds, Inc. will continue construction of S3, expecting completion of internal pipe joint grout inspection and commencing hydrostatic testing.
 - South Pipeline 4B and North Pipelines 1A and 1B.** HCP Constructors will continue construction of this section, starting the access road to the Williams Creek Pump Station, preparing for revegetation from north to south, and installation of fiber optic conduit along North Pipeline 1A.
- Continue Pipeline and Facilities Design.** Design efforts will continue for South Pipeline 4A East, North Pipelines 1C, 2A, and 2B, Finished Water Pipeline 3, Water Treatment Plant and Finished Water Pump Station, and Raw Water Pump Stations. Proposals/bids from pre-qualified contractors will be solicited for constructing the Pueblo Dam Connection 1B and South Pipeline 4A East and West.
- Continue Land Acquisition.** The SDS team will continue to secure the properties needed for SDS Phase 1. Properties along South Pipeline 4A East and West and North Pipelines 1C and 2A in El Paso County will be the primary focus.

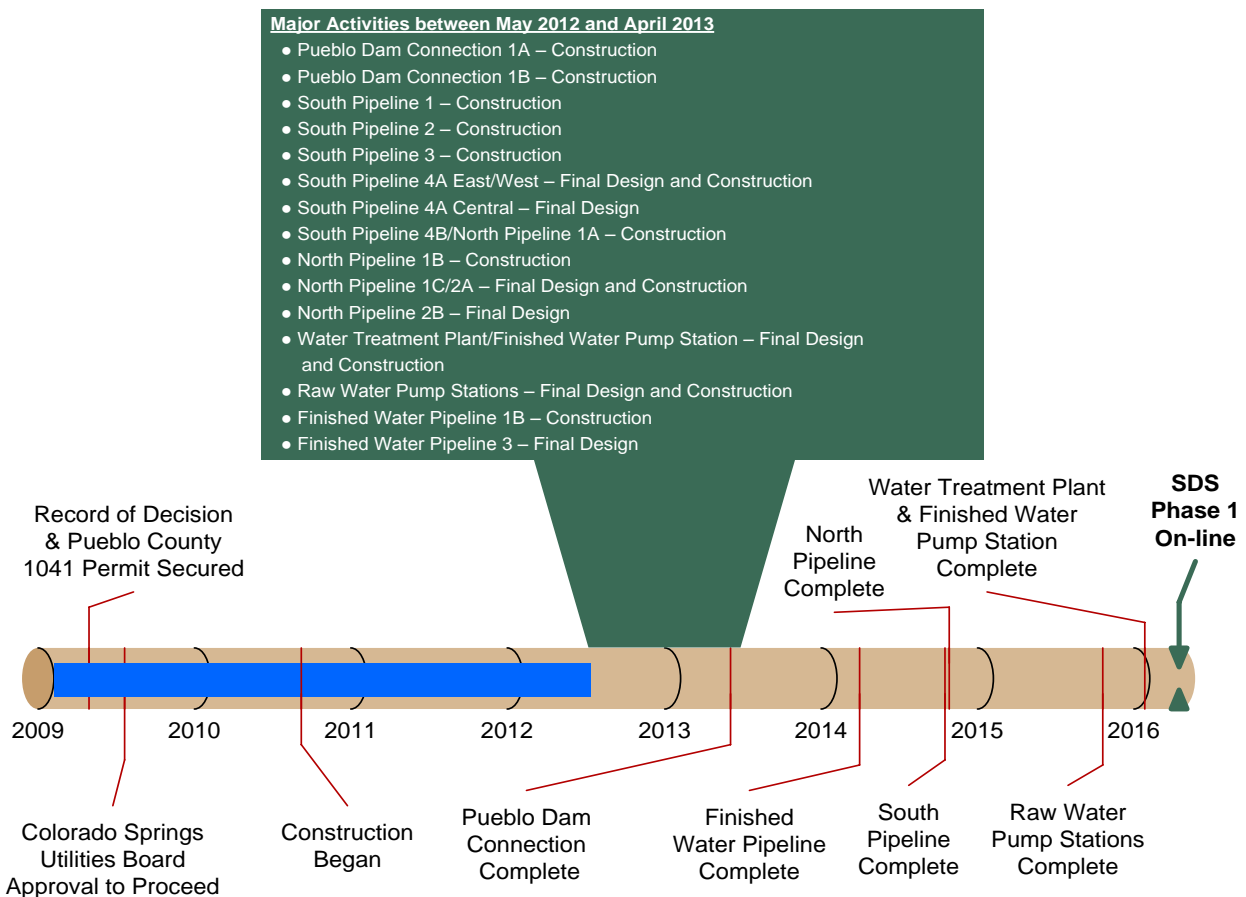
Schedule Summary

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.

Routine permitting, land acquisition, and final design of selected projects advanced after major permits and approvals were secured in 2009. Construction of the first pipeline project began in 2010 and is complete.

Twelve construction projects are under way or scheduled to commence during the next 12 months. Continued design of seven projects also is planned.

Figure 1 – Schedule Progress for Major SDS Phase 1 Projects



Upcoming SDS Procurements

We anticipate commencing the following procurements in the near future:

- **Pueblo Dam Connection 1B Construction Contractor** – Q2 2012
- **South Pipeline 4A East and West Construction Contractor** – Q2 2012
- **North Pipeline 1C/2A Construction Contractor** – Q3 2012
- **South Pipeline 1 Revegetation** – Q3 2012
- **Water Treatment Plant Segment of Highline Transmission Main Pipe** – Q3 2012

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.

Local and Small Business Construction Opportunities

McCarthy Building Companies, design-build contractor for the SDS Water Treatment Plant and Finished Water Pump Station, and **CDM - Western Summit**, design-build contractor for the SDS Raw Water Pump Stations, have established separate websites that identify potential subcontractor opportunities and allow businesses to identify themselves and submit qualifications. Interested businesses can participate by accessing:

Water Treatment Plant and Finished Water Pump Station

<http://mccarthy-sds watertreatmentplantproject.com/project-information/>

Raw Water Pump Stations

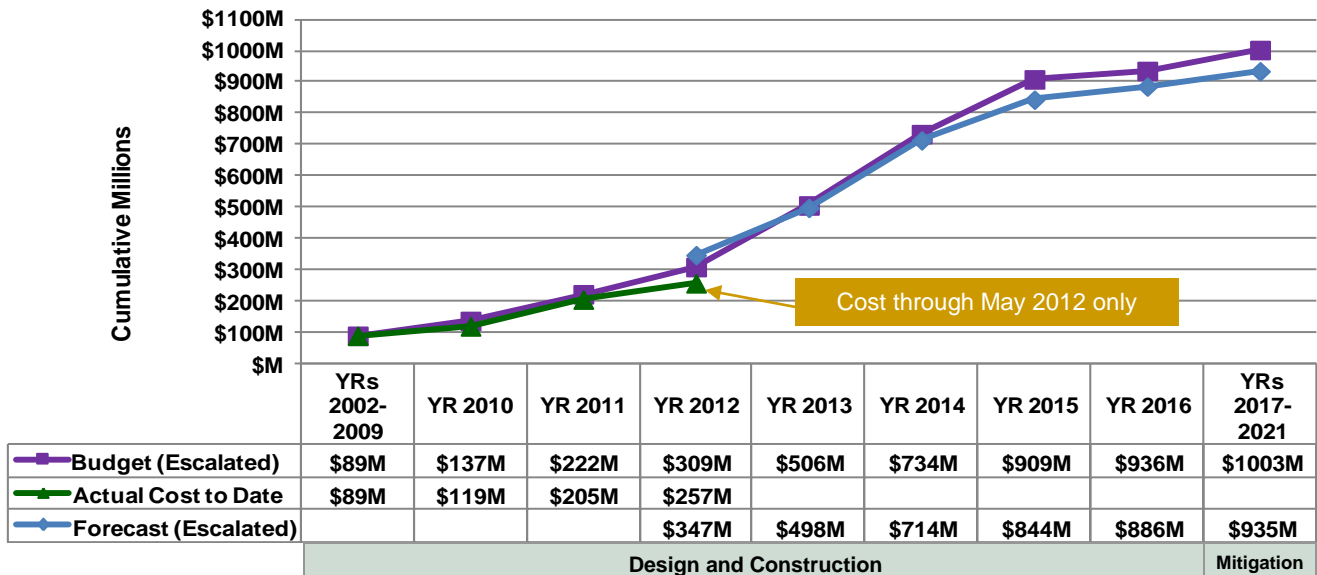
<http://www.isqft.com/new/difference>

Cost Summary

Figure 2 shows the budget for Phase 1, actual costs through May 2012, 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 \$1.003 billion after all direct project costs (including mitigation) are paid through 2021. The approved and anticipated water rate increases to pay for SDS Phase 1 already include these anticipated costs.

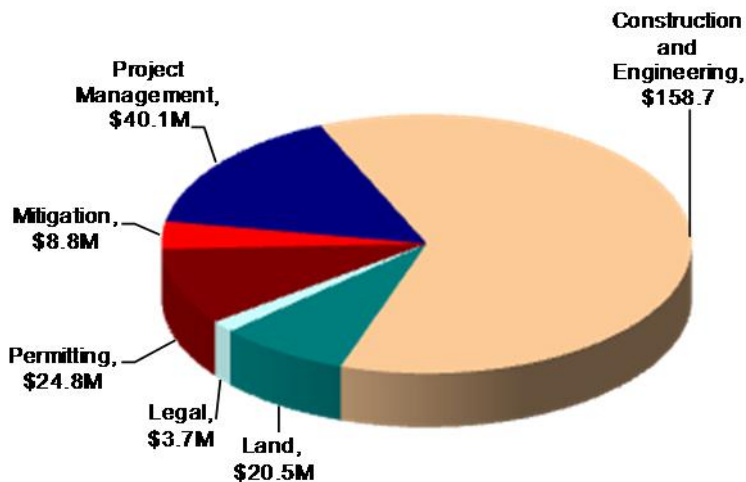
Figure 2 – Phase 1 Budget Progress – Actual Costs through May 2012



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 and periodic forecasts by IHS Global Insight.

Figure 3 – Distribution of Phase 1 Direct Costs through May 2012 (\$257M Total)

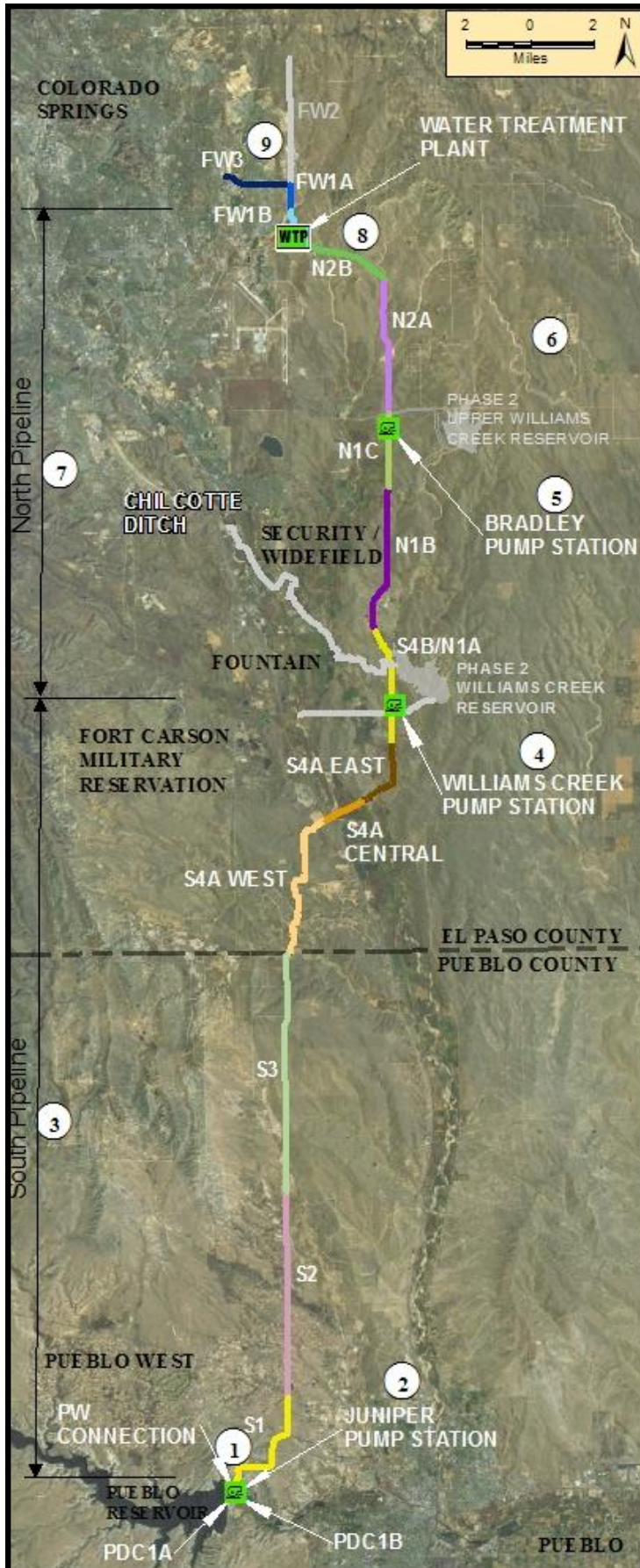


Key Financial Details

- The budget for Phase 1 is \$1.003 billion, including actual and projected escalation, while the current cost forecast is \$935 million. The project is currently forecasting completion about \$68 million below budget.
- Cumulative actual costs to date are \$257 million, with a majority expended on construction and engineering, permitting, land, and management activities.
- Forecasted costs for 2012 are \$142 million with a cumulative expenditure of \$347 million by the end of 2012.
- Cumulative forecast costs exceed the budget in 2012 due to anticipated scheduling of construction work to take advantage of favorable market conditions without affecting the rate increase projections for Phase 1.

Figure 4 – Phase 1 Projects Status Map

Schedule Cost



- 9 Finished Water Pipeline (FW)** ● ●

Design: 60%
Land: 70% of properties secured
Focus: Constructing segment 1B, preparing a final design for segment 3
- 8 SDS Water Treatment Plant and Finished Water Pump Station** ● ●

Design: 90%
Land: 100% of properties secured
Focus: Preparing a final design
- 7 North Pipeline (N)** ● ●

Design: 90%
Land: 40% of properties secured
Focus: Constructing segments 1A & 1B, completing a final design for segments 1C & 2A, preparing a final design for segment 2B
- 6 Upper Williams Creek Reservoir** ● ●

Design: 30% design complete; completion of design planned in SDS Phase 2
Land: Acquisition planning under way
Focus: Taking measures to protect site location interests
- 5 Bradley Pump Station** ● ●

Design: 30%
Land: Acquisition planning under way
Focus: Preparing a final design
- 4 Williams Creek Pump Station** ● ●

Design: 30%
Land: 100% of properties secured
Focus: Preparing a final design
- 3 South Pipeline (S)** ● ●

Design: 90%
Land: 90% of properties secured
Focus: Constructing segments 1, 2, & 3, preparing a final design for segment 4A East, procuring a construction contractor for segments 4A East and West, constructing segment 4B
- 2 Juniper Pump Station** ● ●

Design: 30%
Land: Coordinating land use authorization with the Bureau of Reclamation
Focus: Preparing a final design
- 1 Pueblo Dam Connection (PDC)** ● ●

Design: 100%
Land: Construction authorization secured
Focus: Constructing 1A, procuring a construction contractor for 1B (pipeline)

Legend

Schedule Status		Cost Status	
● More than 30 days behind	● Between 15 and 30 days behind	● More than 10% or \$100,000 over	● Between 0% and 10% over
● On schedule		● On budget	

Visit www.sdswater.org for additional information.