

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, the Water Treatment Plant and Finished Water Pump Station reached 100% design, construction continued on South Pipeline 1, and pre-construction activities continued on South Pipeline 4A E/W and North Pipeline 1C/2A (refer to map on page 4). Upcoming work includes progressing construction, advancing design of the remaining pipeline sections and facilities, and continuing land acquisition.

Key Accomplishments in September

- **Design Complete for Water Treatment Plant and Finished Water Pump Station.** The 100% design was received on September 5 for the Water Treatment Plant and Finished Water Pump Station. McCarthy Building Companies solicited bids from pre-qualified subcontractors on September 7. Bids will be received and then reviewed over the next few months to determine the cost of construction. Construction is expected to begin in early 2013.
- **Construction Continued for North and South Pipelines.**

South Pipeline 1. HCP Constructors continued construction of South Pipeline 1 – a 4.3-mile raw water pipeline section from the Juniper Pump Station site near Pueblo Dam north and northeast, almost to Highway 50. Work included tunneling under the Union Pacific Railroad and installation of 1,584 ft. of pipe in trench. Construction cost is approximately \$20 million.

South Pipeline 4A East and West. Garney Construction continued pre-construction activities on 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 to a point north of Hanover Road just before Interstate 25 and Fountain Creek. Activities included acquiring construction permits and notifying residents of upcoming construction. Construction cost is approximately \$26 million.

North Pipeline 1C and 2A. Layne Heavy Civil, Inc. continued pre-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. Pre-construction activities included materials procurement and planning for surveying and staking construction work limits to provide visual references in acquiring pre-construction photos. Construction will begin this winter. Construction cost is approximately \$24 million.

Upcoming Work & Challenges

- **Continue Construction of South Pipeline 1.** HCP Constructors will continue construction of South Pipeline 1, anticipating completion of the main tunnel work and progressing pipe installation across the State Park and Juniper Road. Final completion of the pipeline is estimated to occur January 2013 with revegetation to follow.
- **Construction to Commence on Bradley Pump Station Power Supply.** Colorado Springs Utilities will begin construction of the power supply for Bradley Pump Station in October with work spanning 3.6 miles along Powers Boulevard and Bradley Road. Work will include installing 35.4 kV of underground and overhead power lines and associated components.
- **Continue Pipeline and Facilities Design.** Design efforts will continue for South Pipeline 4A Central, North Pipeline 2B, Finished Water Pipeline 3, and the Raw Water Pump Stations.
- **Continue Land Acquisition.** The SDS team will continue to secure the properties needed for SDS Phase 1 including properties along South Pipeline 4A East and Central and North Pipelines 1C, 2A, and 2B in El Paso County.



Tunneling under the Union Pacific Railroad on South Pipeline 1

SPOTLIGHT

Pueblo West Neighbor Appreciation Event

The SDS Team and Pueblo West Metropolitan District (PWMD) held an appreciation dinner in Pueblo West on Sept. at Pueblo West Fire Station 3 to thank residents for their patience and cooperation during construction. PWMD staff were present to discuss their need for the water that SDS will deliver to their community and answer questions about trail improvements. Representatives from Garney Construction and Western States Reclamation, Inc. were also present to discuss the conclusion of pipeline installation and answer questions about revegetation. Nearly 60 residents attended the event.



Above: South Pipeline 2 neighbors enjoy dinner and conversation

Right: Elijah Arnot, 4, aka Batman, hoists a hefty piece of chicken



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.

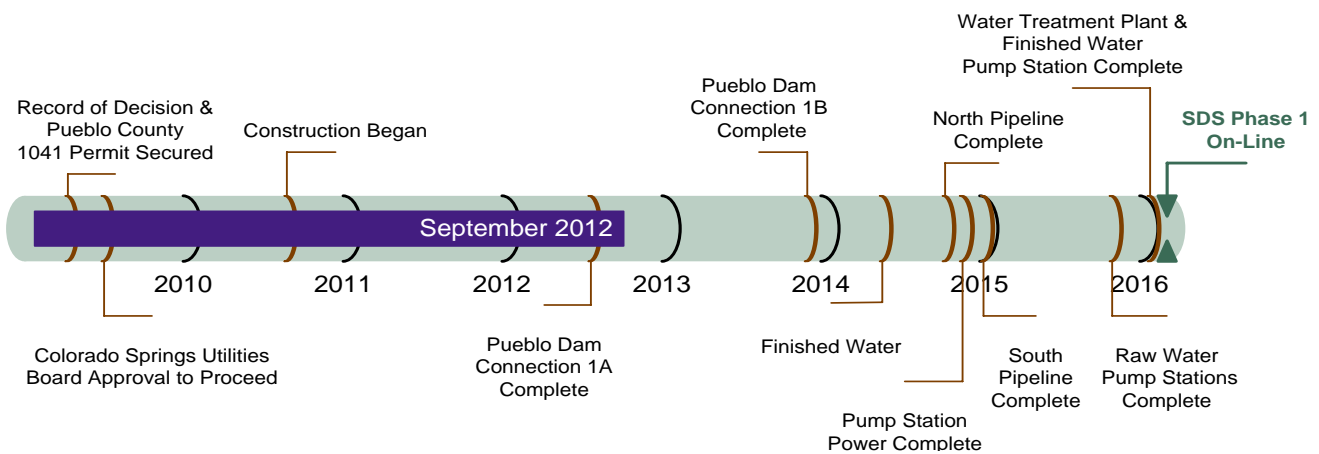
Routine permitting, land acquisition, and final design of selected projects advanced after major permits and approvals were secured in 2009. Construction of the first pipeline project began in 2010 and is complete.

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

Figure 1 – Schedule Progress for Major SDS Phase 1 Projects

Major Activities: September 2012 – August 2013

- Pueblo Dam Connection 1B – Construction
- South Pipelines 1 & 2 – Construction
- South Pipeline 4A East/West – Construction
- South Pipeline 4A Central – Final Design
- South Pipeline 4B/North Pipeline 1A – Construction
- North Pipeline 1C/2A – Construction
- North Pipeline 2B – Final Design
- Water Treatment Plant/Finished Water Pump Station – Final Design and Construction
- Raw Water Pump Station – Final Design and Construction
- Finished Water Pipeline 3 – Final Design and Construction



Upcoming SDS Procurements

We anticipate commencing the following procurements in the near future:

- **South Pipeline 4A Central Design-Build Contractor** – Q4 2012
- **Raw Water Pump Stations Construction Contractor** – Q1 2013
- **Raw Water Pump Stations Pumps, Motors, and Drives Equipment Package** – Q1 2013
- **Finished Water 3 Pipeline Construction Contractor** – Q1 2013

SDS Raw Water Pump Stations Pre-Qualification

Colorado Springs Utilities began a process in September 2012 to pre-qualify firms with experience in constructing large raw water pump stations. Pre-qualified firms will then be asked to provide bids Q1 of 2013 to manage and construct the three SDS raw water pump stations. An open house will be held December 4, 2012 to allow local and small businesses to meet with the pre-qualified prime contractors. For more information, follow the link below:

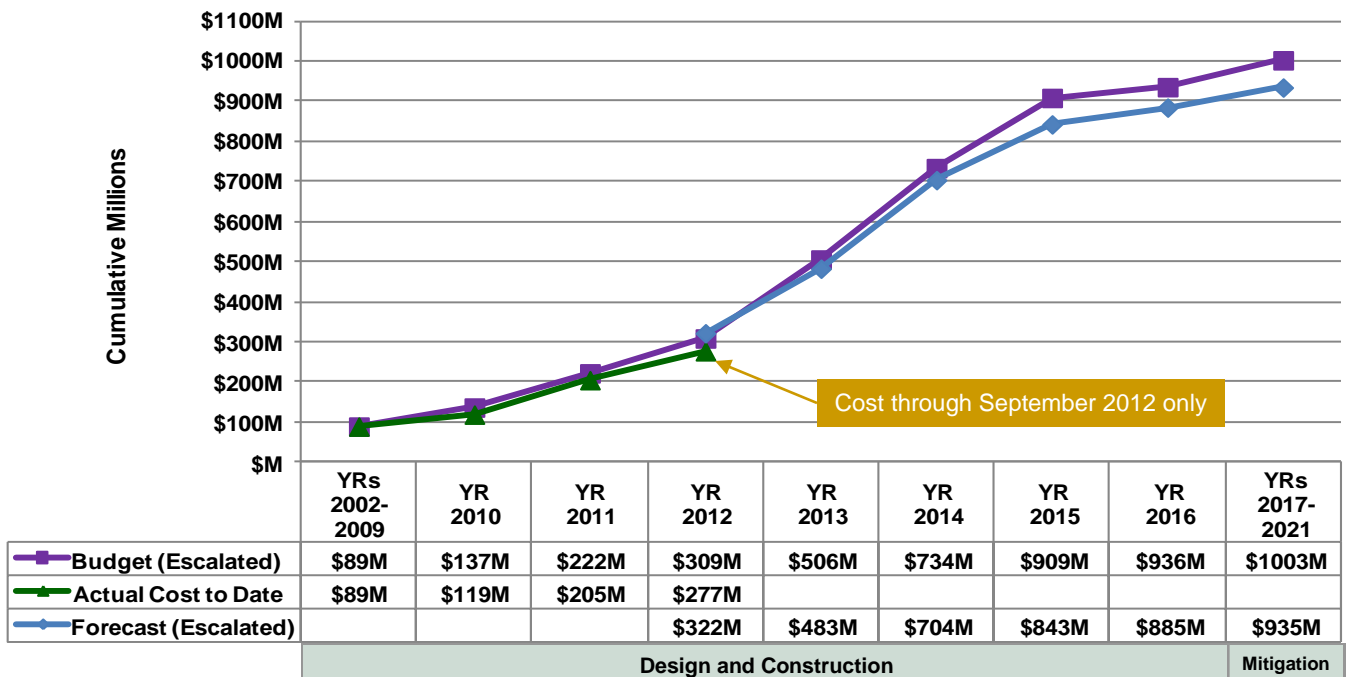
<http://www.sdswater.org/JobsBusinessOpportunities/PumpStations.aspx>

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.

Cost Summary

Figure 2 shows the budget for Phase 1, actual costs through September 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.

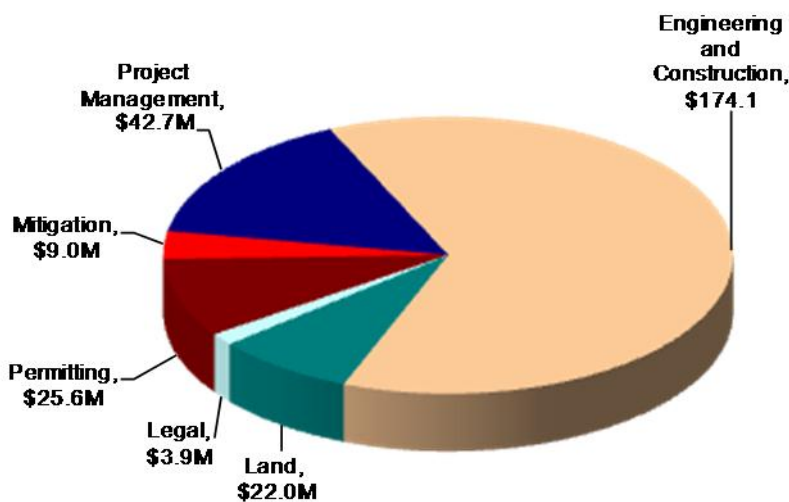
Figure 2 – Phase 1 Budget Progress – Actual Costs through September 2012



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.

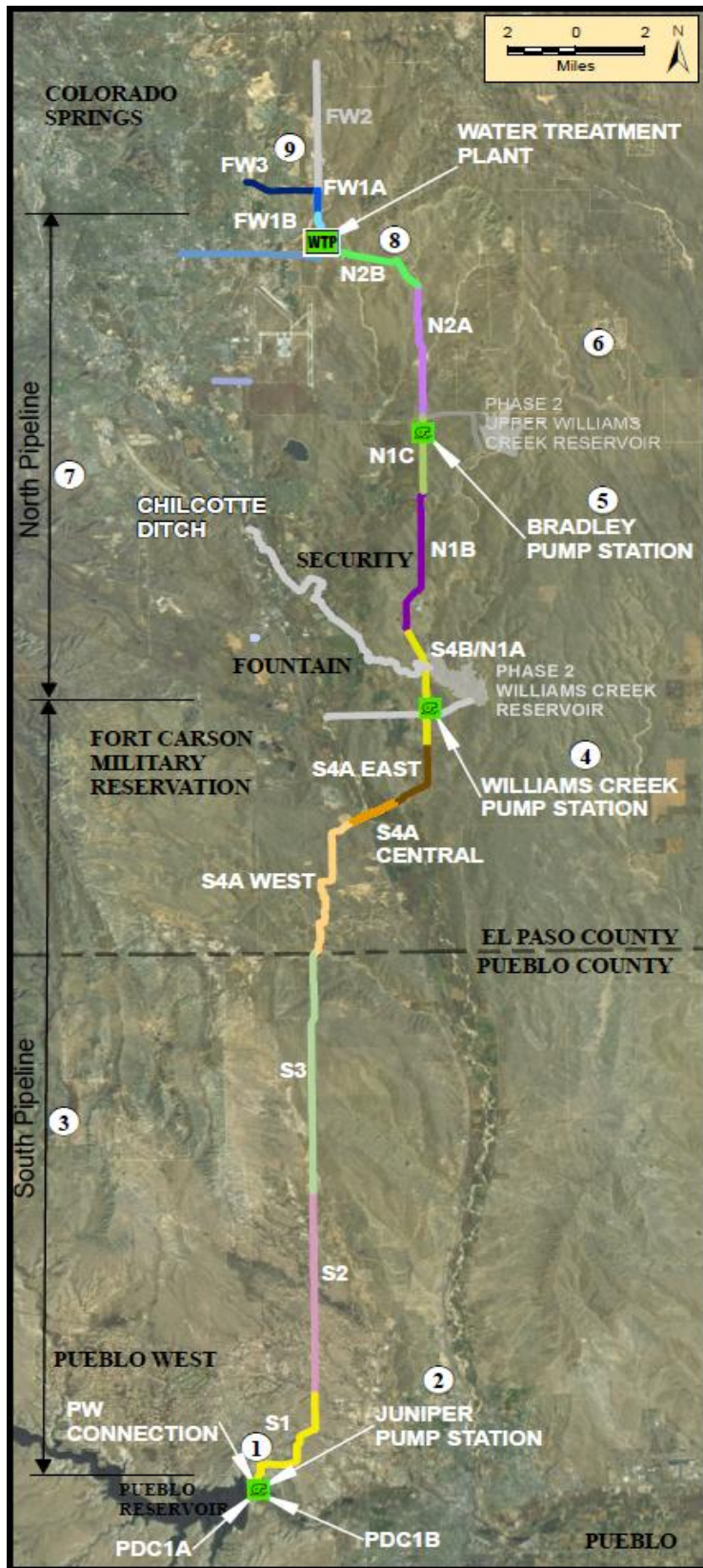
Figure 3 – Distribution of Phase 1 Direct Costs through September 2012 (\$277M Total)



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 \$277 million, with a majority expended on construction and engineering, permitting, land, and management activities.
- Forecasted costs for 2012 are \$117 million with a cumulative expenditure of \$322 million by the end of 2012.

Figure 4 – Phase 1 Projects Status Map



- 9 Finished Water Pipeline (FW)**
 Design: 80%
 Land: 70% of properties secured
 Focus: Preparing a final design for section 3
- 8 SDS Water Treatment Plant and Finished Water Pump Station**
 Design: 100%
 Land: 100% of properties secured
 Focus: Commencing construction bidding
- 7 North Pipeline (N)**
 Design: 90%
 Land: 40% of properties secured
 Focus: Closing out construction of sections 1A & 1B, continuing pre-construction activities for sections 1C & 2A, preparing a final design for section 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
- 5 Bradley Pump Station**
 Design: 60%
 Land: Acquisition planning under way
 Focus: Preparing a final design, preparing to construct power supply
- 4 Williams Creek Pump Station**
 Design: 60%
 Land: 100% of properties secured
 Focus: Preparing a final design, preparing a final design for power supply
- 3 South Pipeline (S)**
 Design: 90%
 Land: 90% of properties secured
 Focus: Constructing section 1, closing out construction of sections 2 & 3, preparing to procure a design-build contractor for section 4A Central, continuing pre-construction activities for sections 4A East and West, completing final construction of section 4B
- 2 Juniper Pump Station**
 Design: 60%
 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: Closing out construction of 1A, procuring a construction contractor for 1B (pipeline)

Program Overview

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

Budget: The Program is currently under budget by \$68 million through September 2012.

Visit www.sdswater.org for additional information.