

SOUTHERN DELIVERY SYSTEM

MONTHLY REPORT



The Southern Delivery System (SDS) is a regional project to bring our 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 the 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. The SDS advanced significantly into the construction phase in April. Critical Bureau of Reclamation contracts were secured, numerous final design and construction procurements commenced or approached completion, and construction began on several major pipeline segments. May will bring construction at Pueblo Dam and several pipeline segments as well as key procurements.

Key Accomplishments in April

- **Bureau of Reclamation Contracts Signed.** A public review period for the 38-year storage, conveyance, and exchange contracts closed on April 25. After considering comments, the Bureau of Reclamation issued these critical contracts, which were fully executed by May 4. In addition to providing for long-term operation of the SDS, these contracts enable construction of the SDS connection to Pueblo Dam to begin.
- **Procurements Begin for Four Pipeline Segments.**
 - South Pipeline 2. Bids from pre-qualified contractors were solicited to construct South Pipeline 2 – a 6.4-mile pipeline extending north from Highway 50 to the northern boundary of Pueblo West. Bids are due May 17.
 - South Pipelines 3 and 4A. Proposals to prepare final designs for South Pipeline 3 – a 7.6-mile pipeline in northern Pueblo County – and South Pipeline 4A – an 8.9-mile pipeline in southern El Paso County – were solicited from prequalified design consultants and are due May 12.
 - Finished Water Pipeline 1B. Proposals were solicited for construction of Finished Water Pipeline 1B – a 0.4-mile segment of two parallel finished water pipelines originating at the water treatment plant site and tunnel crossing beneath Highway 24. Proposals are due May 12.
- **Construction Starts on South Pipeline 4B and North Pipelines 1A and 1B.** Pueblo County-based HCP Constructors began construction on a portion of these three contiguous pipeline segments. The segments extend 8.6 miles through southeastern El Paso County from south of Squirrel Creek Road to Peaceful Valley Road east of Security. Site work included installing stormwater and erosion controls and fencing on the southern segments. In addition, pre-construction work continued for all segments and included permits, pipe fabrication, and construction planning.
- **Water Treatment Plant Design-Build Procurement Continues.** Interested firms submitted proposals for design and construction of the SDS water treatment plant and finished water pump station April 14. These proposals describe each respondent's plan for delivering the facilities through a "Progressive Design-Build" approach. The SDS team began a rigorous evaluation of the proposals and anticipates selecting a finalist in June.

Upcoming Work & Challenges

- **Begin Construction of Pueblo Dam Connection 1A.** Pueblo West-based ASI Constructors will begin construction of Pueblo Dam Connection 1A – an SDS connection to the Pueblo Dam North Outlet Works. Construction of the dam connection is anticipated to take about one year.
- **Continue Construction of South Pipeline 4B and North Pipelines 1A and 1B.** Consistent with permits for these pipeline segments, HCP Constructors will continue installing site stormwater and erosion controls and fencing, procuring materials, and completing construction planning. Excavation of a trench for the pipe is planned to begin in June.
- **Proceed with Key Design and Construction Procurements.** The design consultant and construction contractor procurements that began or continued in April will conclude in May and June. Contracts will be established with the successful respondents, and design or pre-construction work will commence. In addition, construction bids will be solicited in May for South Pipeline 3 and due on June 23. The selected construction contractor will collaborate with the final designer and commence materials acquisitions, which will allow construction of South Pipeline 3 to advance quickly.
- **Procure Specialty Valves to Save Construction Time.** Vendor bids will be solicited for approximately 140 air release, vacuum, and blow-off valves for use in constructing South Pipelines 1, 3, and 4A. These specialty valves require several months to fabricate, and procurement now will avoid potential delays to pipeline construction.
- **South Pipeline 1 to Reach 90 Percent Design.** CH2M HILL will complete 90 percent-level design documents for the South Pipeline 1 – 4.3-mile pipeline segment extending from the Juniper Pump Station site near Pueblo Dam north and northeast almost to Highway 50 in southeastern Pueblo West. Achievement of this design milestone will allow the SDS team to secure a permit for a railroad crossing and to begin preparing a solicitation for a construction contractor.
- **Continue Land Acquisition.** The SDS team will continue to secure the properties needed for SDS Phase 1. Properties along South Pipelines 1, 2, and 3 in Pueblo County will remain the primary focus.

Schedule Summary

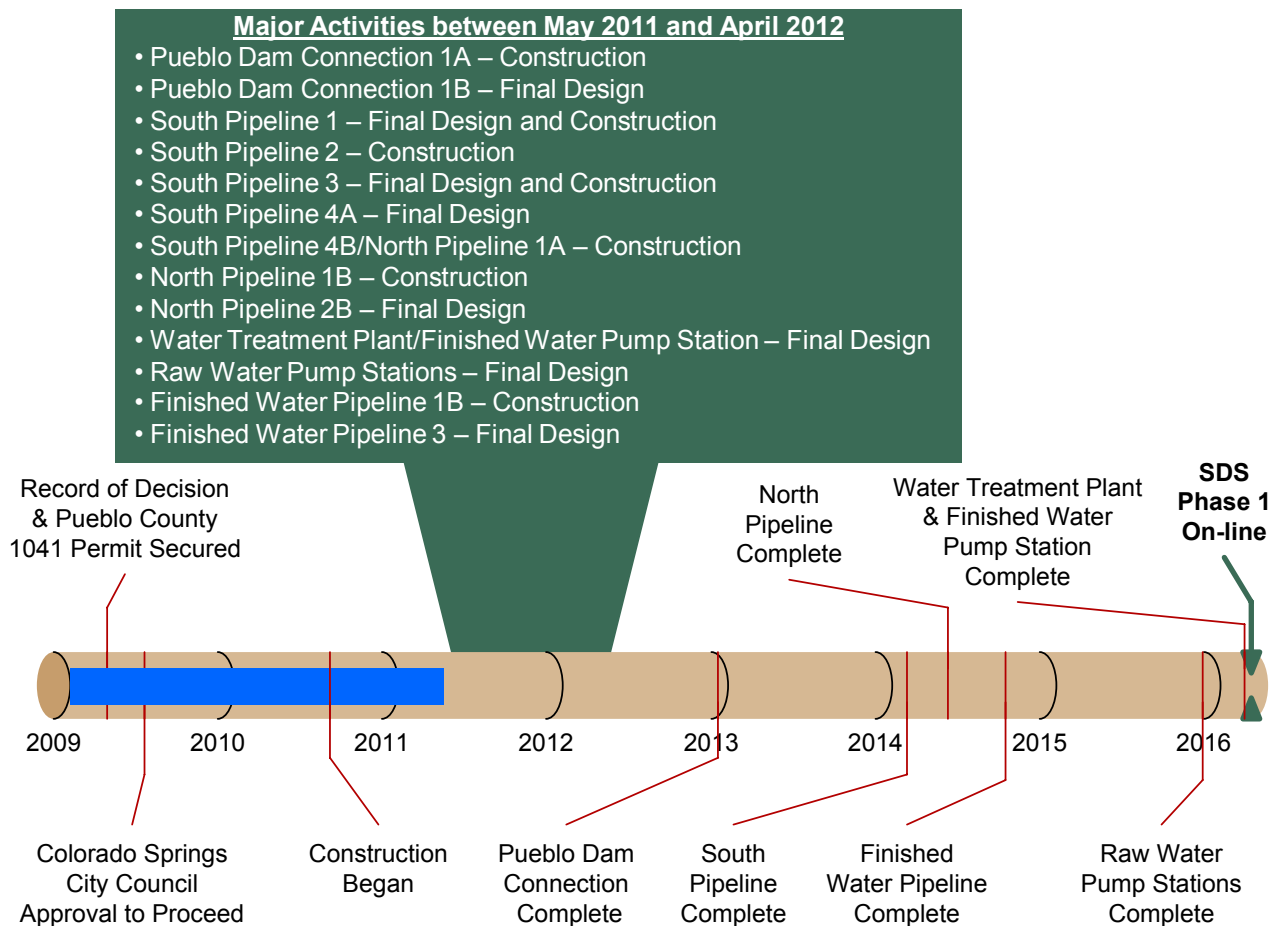
Figure 1 summarizes the schedule for completing Phase 1 of the SDS. This timeline shows the planned sequence for completing each of the core projects within Phase 1. It also highlights the major activities for the next 12 months. Colorado Springs Utilities anticipates completing Phase 1 as planned, with 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. Construction of Pueblo Dam Connection 1A was rescheduled to begin in May 2011 due to extended contracting with the Bureau of Reclamation.

Six pipeline construction projects are scheduled to commence during the next 12 months. Design of eight projects – pipelines, pump stations, and water treatment plant – also is planned. Major procurements to support some of these activities are identified below.

Figure 1 – Schedule Progress for Major SDS Phase 1 Projects



Upcoming SDS Procurements

We anticipate commencing the following procurements in the near future:

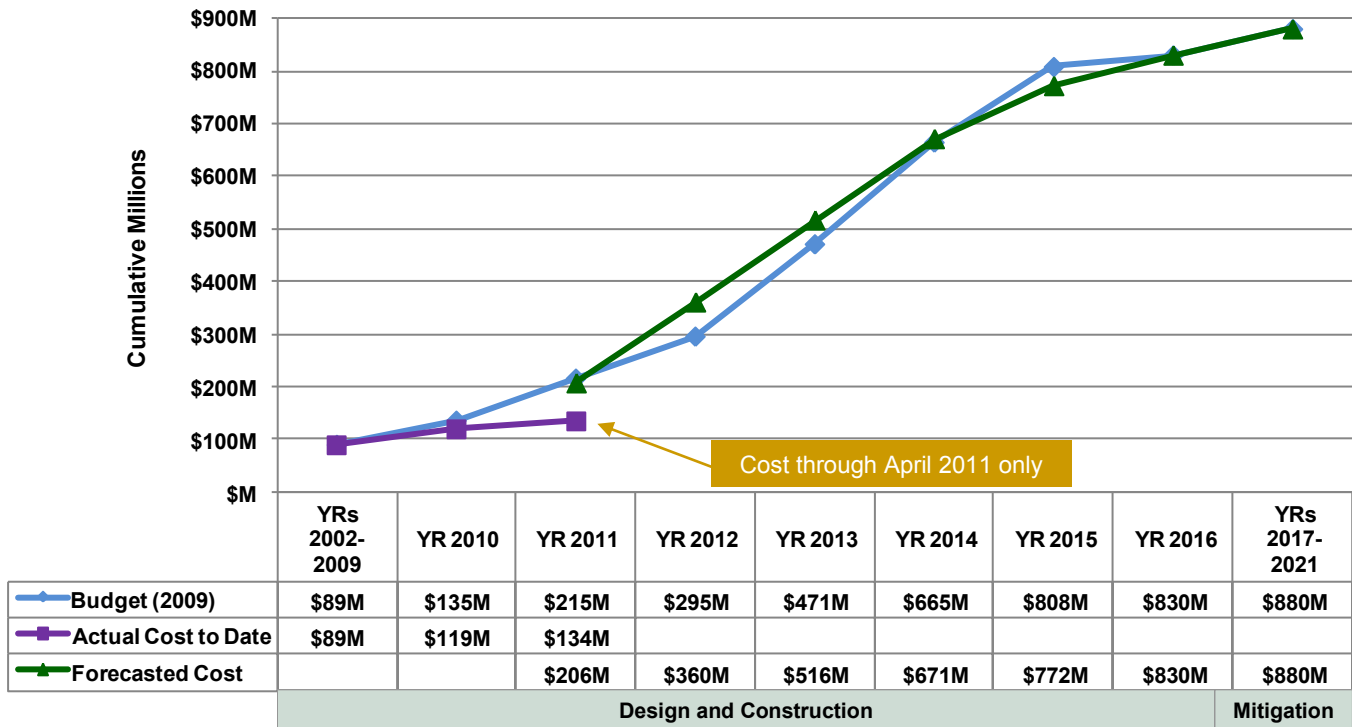
- **Water Treatment Plant and Finished Water Pump Station Design-Build Contractor** – In progress
- **Finished Water Pipeline 1B Construction Contractor** – In progress
- **South Pipeline 2 Construction Contractor** – In progress
- **South Pipelines 3 and 4A Designer** – In progress
- **South Pipeline 3 Construction Contractor** – Q2 2011
- **Finished Water Pipeline 3 Designer** – Q3 2011
- **North Pipeline 2B Designer** – Q3 2011
- **Raw Water Pump Stations Designer** – Q3 2011
- **South Pipeline 1 Construction Contractor** – Q3 2011

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

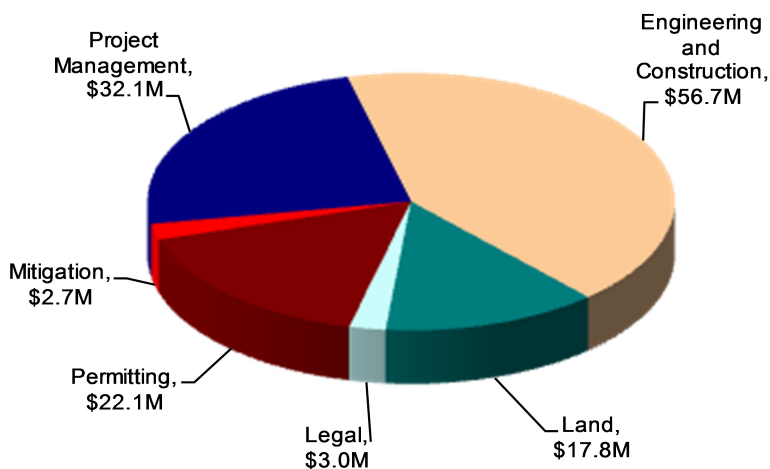
Figure 2 shows the budget for Phase 1, actual cost through April 2011, and forecasted costs for Phase 1. **Figure 3** shows the distribution of the actual costs. Key financial details are summarized below. The budget that is used to measure progress was established by the Colorado Springs City Council in July 2009 and is shown in April 2009 dollars.

Figure 2 – Phase 1 Budget Progress – Actual Costs through April 2011



All \$ values in millions (M) and reflect direct project costs.
 Budget \$ in April 2009 dollars and forecast \$ values in October 2010 dollars.

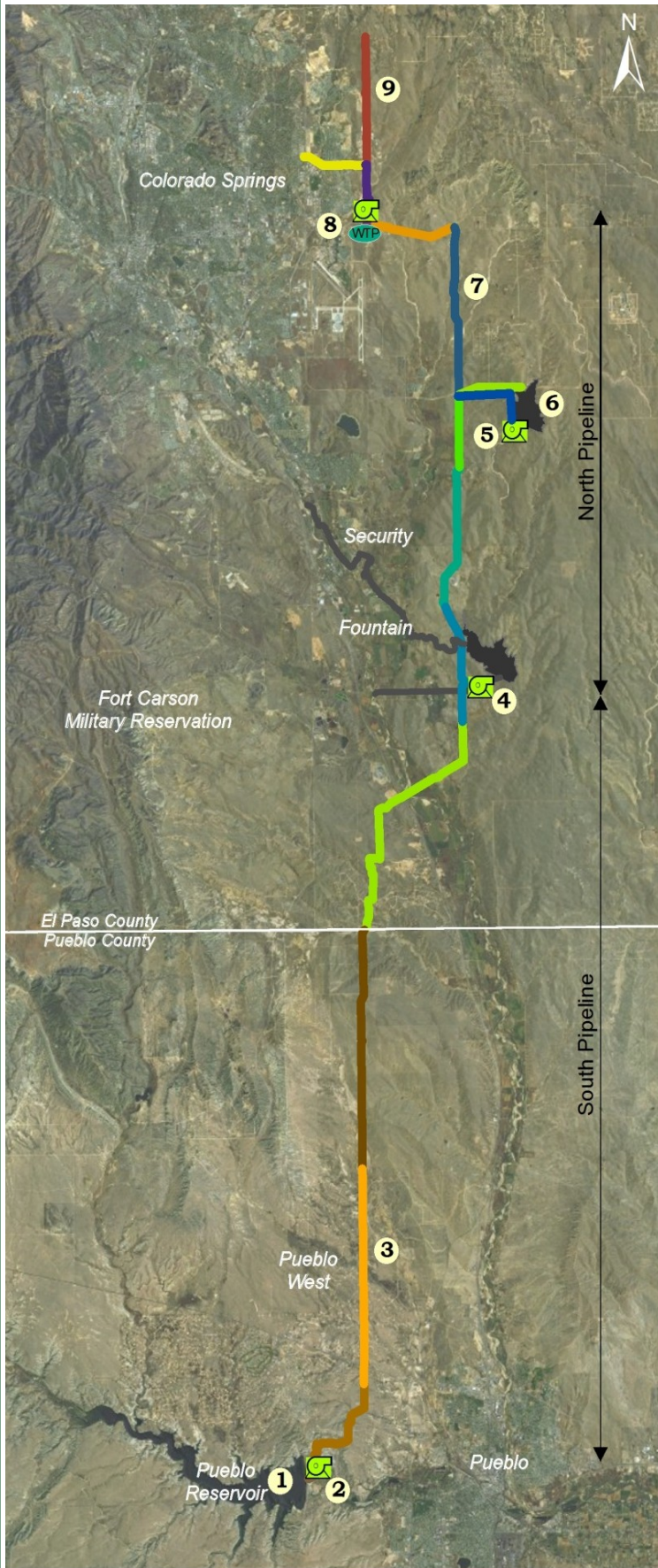
Figure 3 – Distribution of Phase 1 Direct Costs through April 2011 (\$134M)



Key Financial Details

- The budget for Phase 1 is \$880 million in April 2009 dollars, and the current cost forecast is on-budget, with \$830 million through 2016 and \$50 million in mitigation payments in subsequent years.
- Cumulative actual costs to date are \$134 million, with a majority expended on engineering and construction, permitting, land, and management activities.
- Forecasted costs for 2011 are \$87 million with a cumulative cost of \$206 million by the end of 2011.
- Forecasted costs may exceed the budget in some years due to potential acceleration of pipeline construction to take advantage of favorable market conditions without affecting the rate increase projections for Phase 1.

Figure 4 – Phase 1 Projects Status Map



	<u>Schedule</u>	<u>Cost</u>
9 Finished Water Pipeline Design: 40% Land: 70% of properties secured Focus: Procuring a construction contractor for segment 1B	●	●
8 SDS Water Treatment Plant and Finished Water Pump Station Design: 30% Land: 100% of properties secured Focus: Procuring a design-build contractor	●	●
7 North Pipeline Design: 80% Land: 40% of properties secured Focus: Constructing segments 1A & 1B	●	●
6 Upper Williams Creek Reservoir Design: 30% design complete; completion of design planned in SDS Phase 2 Land: Acquisition planning under way Focus: No significant activities	●	●
5 Bradley Pump Station Design: 30% Land: Acquisition planning under way Focus: Preparing to procure a final designer	●	●
4 Williams Creek Pump Station Design: 30% Land: 100% of properties secured Focus: Preparing to procure a final designer	●	●
3 South Pipeline Design: 60% Land: 70% of properties secured Focus: Acquiring land, preparing a final design for segment 1, procuring a construction contractor for segment 2, procuring a final designer segments 3 & 4A, procuring a construction contractor for segment 3, constructing segment 4B	●	●
2 Juniper Pump Station Design: 30% Land: Coordinating land use authorization with the Bureau of Reclamation Focus: Preparing to procure a final designer	●	●
1 Pueblo Dam Connection Design: 50% Land: Not required Focus: Constructing 1A, preparing a final design for 1B (pipeline)	●	●

Legend

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

Visit www.sdswater.org for additional information.