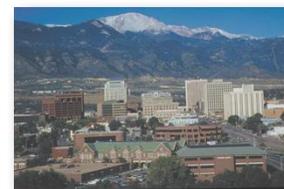


SOUTHERN DELIVERY SYSTEM

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-phased 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. February brought substantial progress on procurement and construction. Site restoration continued for one completed pipeline project and preparatory work continued for two other construction projects. Release of long-term storage, conveyance, and exchange contracts for public review marked a major step toward execution of those critical contracts.

Key Accomplishments in February

- **Bureau of Reclamation Issues Contracts for Public Review.** After extensive negotiations in mid-2010 and months of work to resolve residual details, the Bureau of Reclamation issued 38-year storage, conveyance, and exchange contracts for public review. Public comments will be received during a 60-day period ending on April 25.
- **Site Restoration for Finished Water Pipeline 1A Continues.** With installation of the 0.8-mile long segment of two parallel finished water pipelines complete, Garney Construction continued site restoration. Curb and gutter repair and initial pavement repair were completed.
- **Pre-construction of South Pipeline 4B and North Pipeline 1A Continues.** Pueblo, Colorado-based HCP Constructors continued administrative work, to prepare for on-site construction of the northernmost 1.2 miles of the South Pipeline and the southernmost 2.7 miles of the North Pipeline both located on land owned by Colorado Springs. The pre-construction work included permits and materials acquisitions and construction planning.
- **Fabrication Progresses for Pueblo Dam Connection 1A Construction Materials.** Preparing for construction of an SDS connection to the Pueblo Dam North Outlet Works, Springs Fabrication, Inc. of Colorado Springs continued fabrication of a steel liner that will be placed inside of the dam. Rodney Hunt Company continued manufacturing the two 60-inch diameter specialty valves for this project.
- **Water Treatment Plant Design-Build Procurement Commences.** A comprehensive solicitation was released to secure proposals for design and construction of the SDS water treatment plant and finished water pump station. The "Progressive Design-Build" approach and rigorous business terms will assure timely and cost-effective delivery of these facilities. Proposals are due on April 14. This will be the largest single procurement for SDS Phase 1.
- **North Pipeline 1B Designed and Contractor Procurement Begins.** Final design documents for North Pipeline 1B – a 4.7-mile long pipeline crossing Squirrel Creek Road in southeastern El Paso County – were completed and bids were solicited from pre-qualified construction contractors. Bids are due on March 8.

Upcoming Work & Challenges

- **Continuing Pre-construction of South Pipeline 4B and North Pipeline 1A.** HCP Constructors will continue administrative work, including permits and materials acquisitions and construction planning, to prepare for on-site work beginning this spring.
- **Completing Preliminary Designs of South Pipeline 3 and South Pipeline 4A.** CH2M HILL will complete the 30 percent design documents for South Pipeline 3 – a 7.6-mile long pipeline in northern Pueblo County – and South Pipeline 4A – an 8.9-mile long pipeline in southern El Paso County. Using those documents, the SDS team will prepare to solicit proposals from pre-qualified firms to complete the designs.
- **Contractor Selection for North Pipeline 1B to Conclude.** Bids for construction of North Pipeline 1B will be received from pre-qualified contractors. A contract will be awarded to the lowest responsive bidder, which will commence pre-construction administrative work.
- **Completing Final Design and Commencing Contractor Procurement for Finished Water Pipeline 1B.** Dewberry-Integra will complete final design documents for Finished Water Pipeline 1B – a 0.4-mile long segment of two parallel finished water pipelines originating at the water treatment plant site and crossing Highway 24. Using those documents, the SDS team will solicit proposals from pre-qualified contractors to construct the pipeline.
- **Completing Final Design of South Pipeline 2.** CH2M HILL will complete final design documents for South Pipeline 2 – a 6.4-mile long pipeline extending north from Highway 50 to the northern boundary of Pueblo West. Using those documents, the SDS team will prepare to solicit proposals from pre-qualified contractors to construct the pipeline.
- **Continuing Land Acquisition.** The SDS team will continue to secure the properties needed for SDS Phase 1. Properties along South Pipelines 1, 2, and 3 will be the primary focus.

Schedule Summary

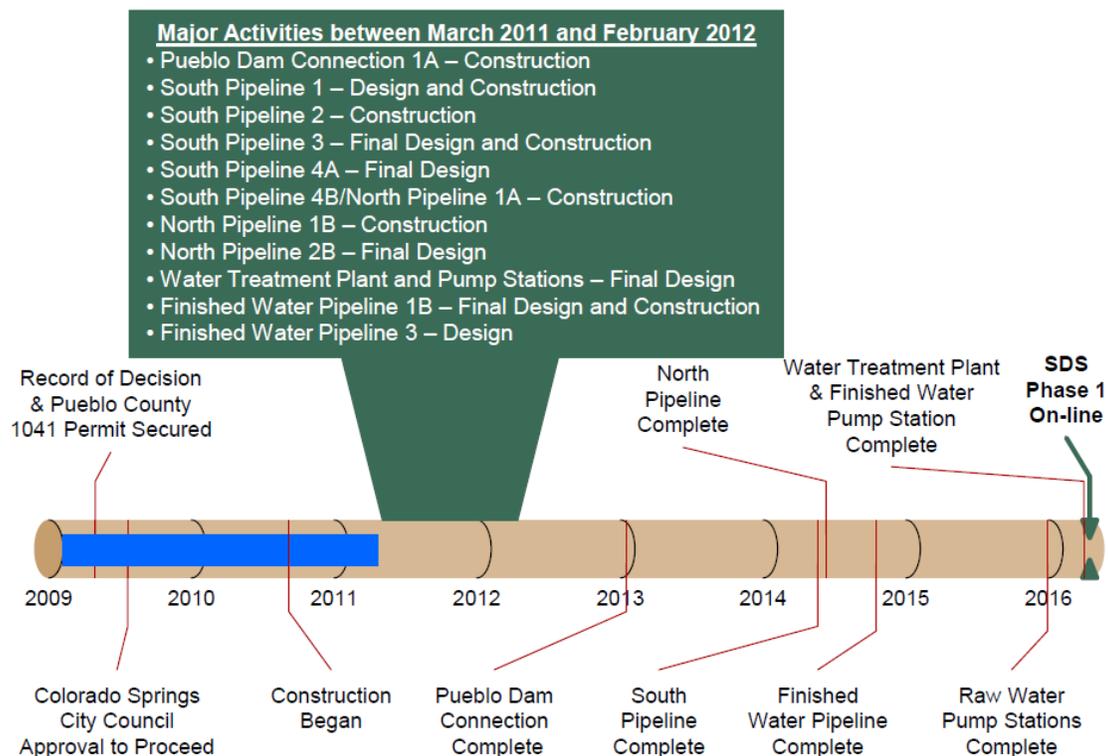
Figure 1 summarizes the schedule for completing Phase 1 of the SDS. This timeline shows the planned sequence for completing each of the core projects within Phase 1. It also highlights the major activities for the next 12 months. Colorado Springs Utilities anticipates completing Phase 1 as planned, with operation beginning by April 2016.

With major permits and approvals secured in 2009, other permitting, land acquisition, and final design of selected projects advanced.

Construction of the first pipeline project began in 2010 and is complete except for site restoration. Construction of Pueblo Dam Connection 1A was rescheduled to begin in 2011 due to prolonged contracting with the Bureau of Reclamation.

Six pipeline construction projects are scheduled to commence during the next 12 months. Design of six projects – pipelines, pump stations, and water treatment – is also 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:

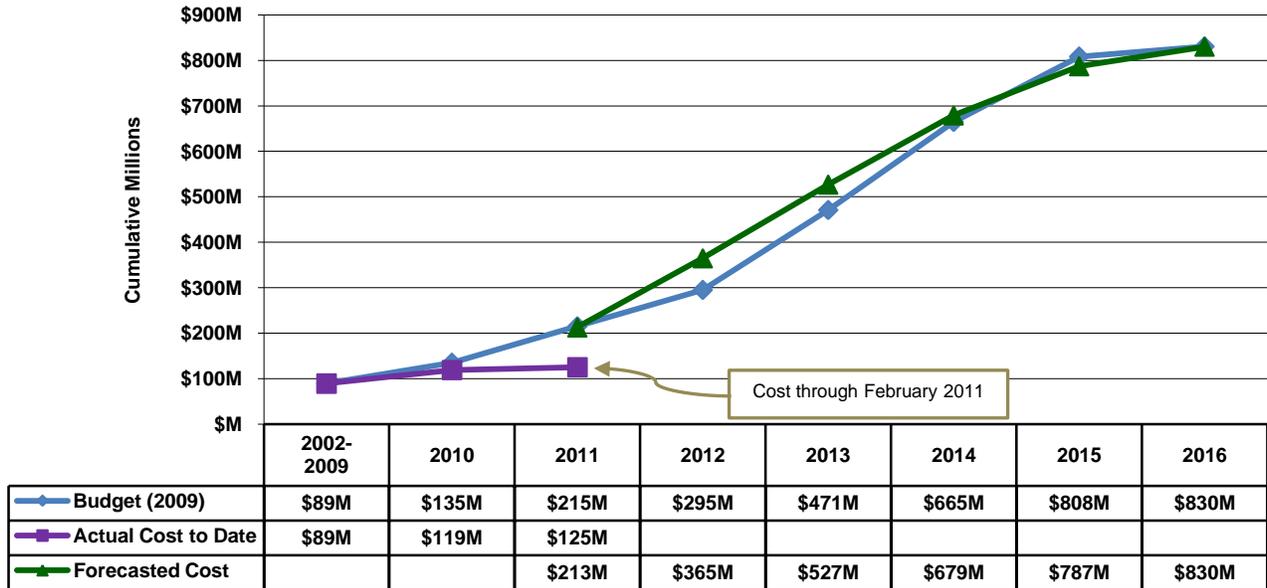
- **Water Treatment Plant and Finished Water Pump Station Design-Builder** – In progress
- **North Pipeline 1B Construction Contractor** – In progress
- **Finished Water Pipeline 1B Construction Contractor** – Q2 2011
- **South Pipeline 2 Construction Contractor** – Q2 2011
- **South Pipelines 3 and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

Interested parties are encouraged to monitor the Rocky Mountain E-Purchasing System website (www.RockyMountainBidSystem.com) for these and other opportunities with Colorado Springs Utilities. Some opportunities are open only to pre-qualified companies.

Cost Summary

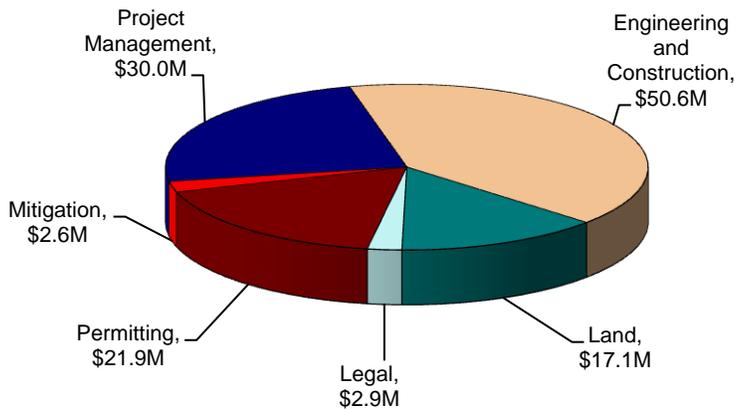
Figure 2 shows the budget, actual cost through February 2011, and forecasted costs for Phase 1 and **Figure 3** shows the distribution of the actual costs. Key financial details are summarized below. The budget that is used to measure progress was established by the Colorado Springs City Council in July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

Figure 2 – Phase 1 Budget Progress through 2016 – Actual Costs through February 2011



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

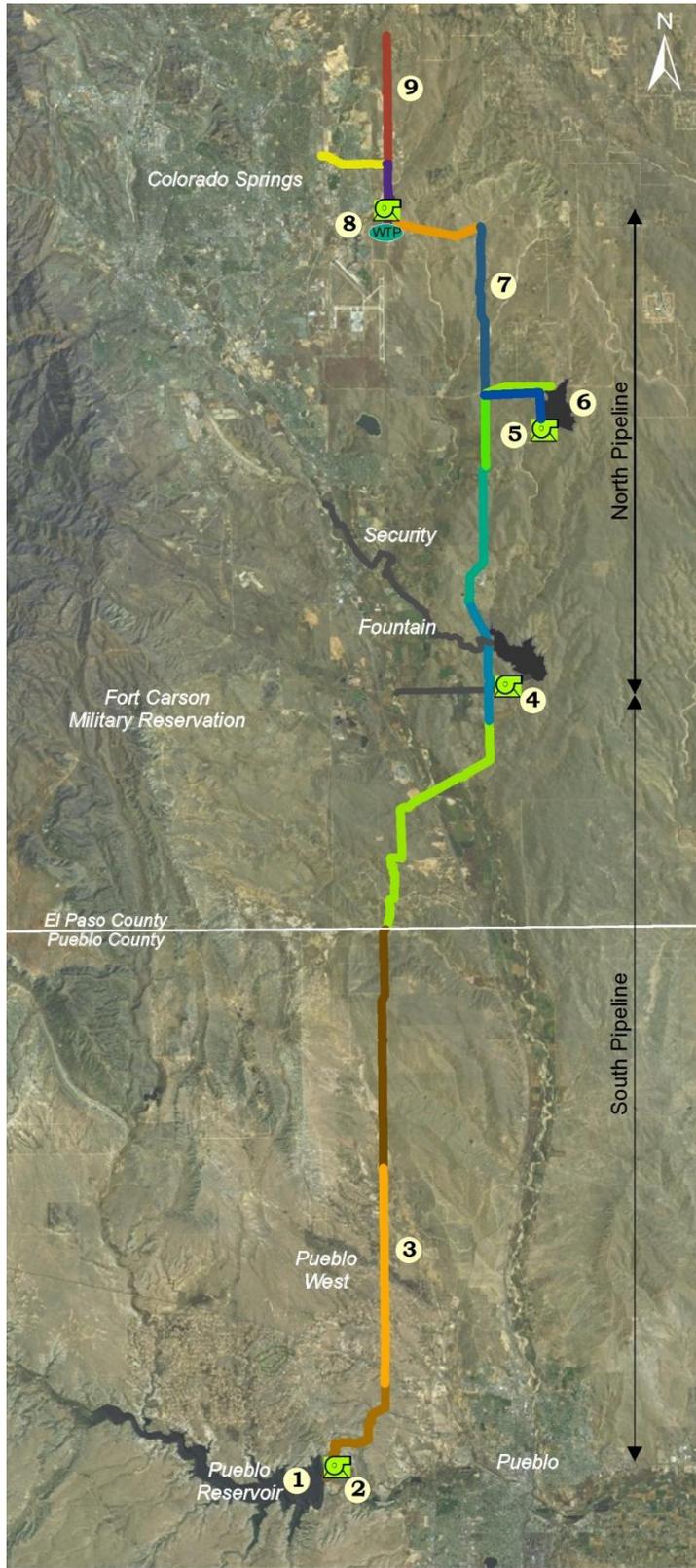
Figure 3 - Distribution of Phase 1 Direct Costs through February 2011 (\$125M Total)



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 \$125 million, with a majority expended on engineering and construction, permitting, land, and management activities.
- Forecasted costs for 2011 are \$94 million with a cumulative cost of \$213 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 <u>Finished Water Pipeline</u> Design: 40% Land: 70% of properties secured Focus: Preparing to procure a construction contractor for segment 1B	●	●
8 <u>SDS Water Treatment Plant and Finished Water Pump Station</u> Design: 30% Land: 100% of properties secured Focus: Procuring a design-builder	●	●
7 <u>North Pipeline</u> Design: 80% Land: 40% of properties secured Focus: Initiating construction of segment 1A, procuring a construction contractor for segment 1B	●	●
6 <u>Upper Williams Creek Reservoir</u> <i>(30% design only in SDS Phase 1)</i> Design: 30% design complete Land: Acquisition planning underway Focus: No significant activities	●	●
5 <u>Bradley Pump Station</u> Design: 30% Land: Acquisition planning underway Focus: Preparing to procure a final designer	●	●
4 <u>Williams Creek Pump Station</u> Design: 30% Land: 100% of properties secured Focus: Preparing to procure a final designer	●	●
3 <u>South Pipeline</u> Design: 50% Land: 70% of properties secured Focus: Acquiring land, completing 30% design of segments 3 & 4A, initiating construction of segment 4B	●	●
2 <u>Juniper Pump Station</u> Design: 30% Land: Pending execution of Bureau of Reclamation contracts Focus: Preparing to procure a final designer	●	●
1 <u>Pueblo Dam Connection</u> Design: 50% Land: Pending execution of Bureau of Reclamation contracts Focus: Continuing pre-construction of 1A	●	●

<u>Legend</u>	
<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