

SOUTHERN DELIVERY SYSTEM

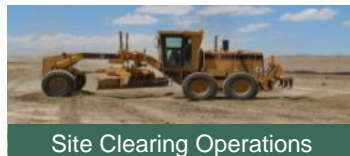
MONTHLY REPORT



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. In June major construction continued at Pueblo Dam and on 8.6 miles of the raw water pipeline. Pre-construction activities began on a 6.4-mile segment of the raw water pipeline as well as a 0.4-mile segment of the finished water pipeline. Several significant procurements concluded or approached completion.

Key Accomplishments in June

- Construction Continues on South Pipeline 4B and North Pipelines 1A and 1B.** Consistent with project permits, HCP Constructors commenced full construction operations on the 8.6-mile segment of SDS through southeastern El Paso County from south of Squirrel Creek Road to Peaceful Valley Road east of Security. Site clearing to prepare for trench excavation began in June; trenching and pipe deliveries will commence in July and August.



Site Clearing Operations

- Construction Continues on Pueblo Dam Connection.**

ASI Constructors continued construction of Pueblo Dam Connection 1A – an SDS connection to the Pueblo Dam North Outlet Works. ASI continued to excavate the river channel to prepare for construction of a concrete foundation. Black Hills Energy extended power for construction and operation of the dam connection.



Excavation Downstream of Pueblo Dam

- Key Design and Construction Procurements.**

Water Treatment Plant. A team of McCarthy Building Companies and Carollo Engineers was selected from among firms that submitted proposals for design and construction of the SDS water treatment plant and finished water pump station.

South Pipelines 3 and 4A. CH2M HILL was selected from among pre-qualified design consultants that submitted 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. Proposals to construct South Pipeline 3 were also received from pre-qualified contractors and the SDS team commenced its evaluation.

Finished Water Pipeline 1B. Garney Construction was selected from among the pre-qualified contractors that submitted proposals to construct Finished Water Pipeline 1B – a 0.4-mile segment of two parallel finished water pipelines originating at the water treatment plant site and crossing beneath Highway 24.

Upcoming Work & Challenges

- Continue Pre-construction of South Pipeline 2 and Finished Water Pipeline 1B.** Garney Construction will commence pre-construction activities for South Pipeline 2 – a 6.4-mile pipeline extending north from Highway 50 to the northern boundary of Pueblo West – and Finished Water Pipeline 1B. Near-term activities will include permitting, material procurement, and construction planning.
- Conclude South Pipeline 3 Construction Procurement.** An evaluation of the proposals to construct South Pipeline 3 will conclude with selection of a construction contractor. A contract will be established with the successful respondent in July. The selected construction contractor will initially collaborate with the final designer and commence materials acquisitions, which will allow construction to advance quickly once the design is completed.
- Complete South Pipeline 1 Design and Commence Construction Contractor Procurement.** CH2M HILL will complete final design documents for South Pipeline 1 – a 4.3-mile raw water pipeline segment from the Juniper Pump Station site near Pueblo Dam north and northeast almost to Highway 50 in southeastern Pueblo West. The SDS team will use these documents to solicit bids from pre-qualified construction contractors. Bids will be due August 29.
- Prepare for Raw Water Pump Stations Design-Build Procurement.** The SDS team will prepare documents to solicit proposals for design and construction of the SDS raw water pump stations, which will pump water from Pueblo Dam through the raw water pipeline to the water treatment plant. The SDS team will release a Request for Proposal to interested firms in August. These proposals will describe each respondent's plan for delivering the facilities through a "Progressive Design-Build" approach.
- 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. Eminent domain hearings will continue for the few properties where agreements with the owners could not be reached. This court process will allow a neutral third party to resolve differences regarding the amount of compensation for SDS easements.

Schedule Summary

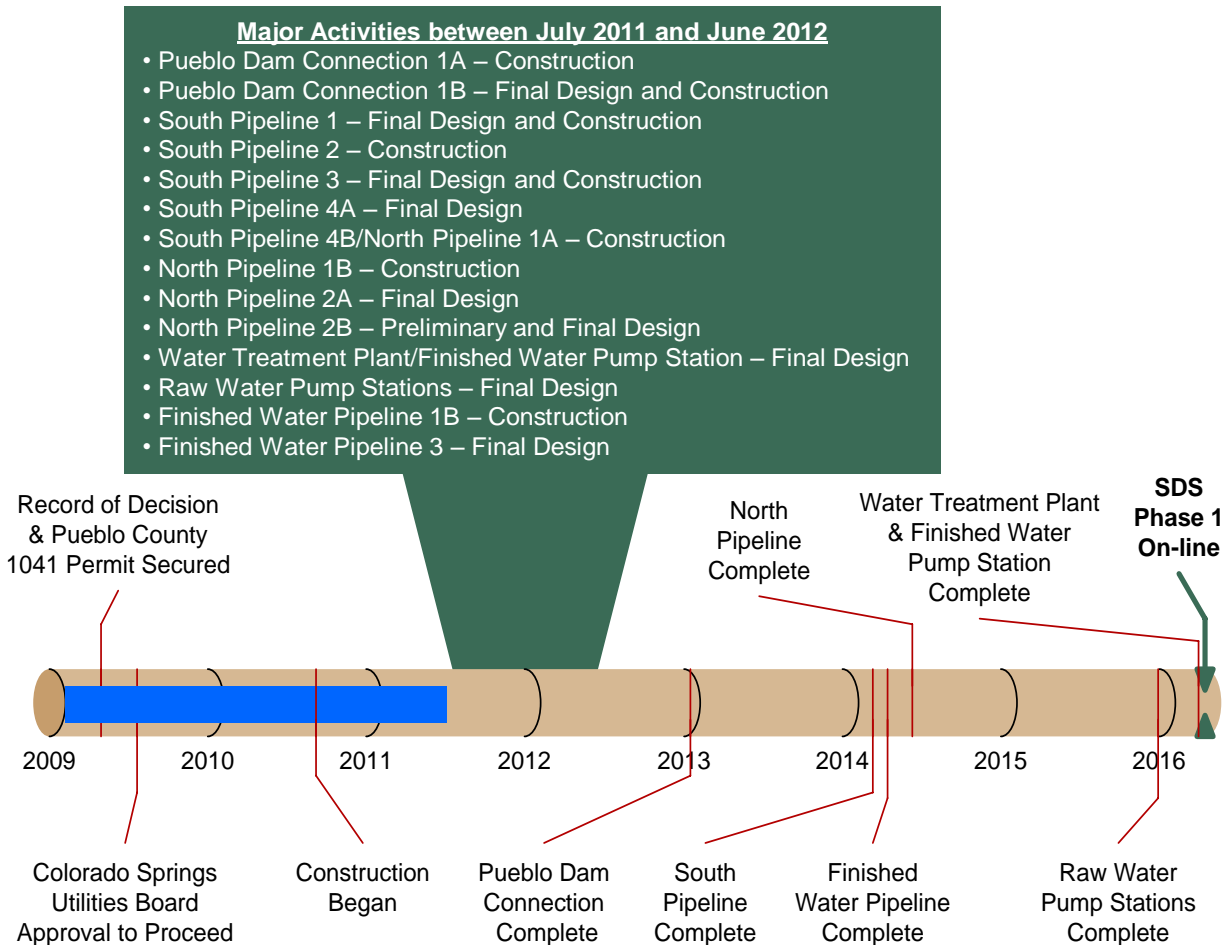
Figure 1 summarizes the schedule for completing Phase 1 of the SDS. This timeline shows the planned sequence for completing each of the core projects within Phase 1. It also highlights the major activities for the next 12 months. Colorado Springs Utilities anticipates completing Phase 1 as planned, with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

- **South Pipeline 3 Construction Contractor** – In progress
- **South Pipeline 1 Construction Contractor** – Q3 2011
- **Raw Water Pump Stations Design-Build Contractor** – Q3 2011
- **Finished Water Pipeline 3 Designer** – Q3 2011

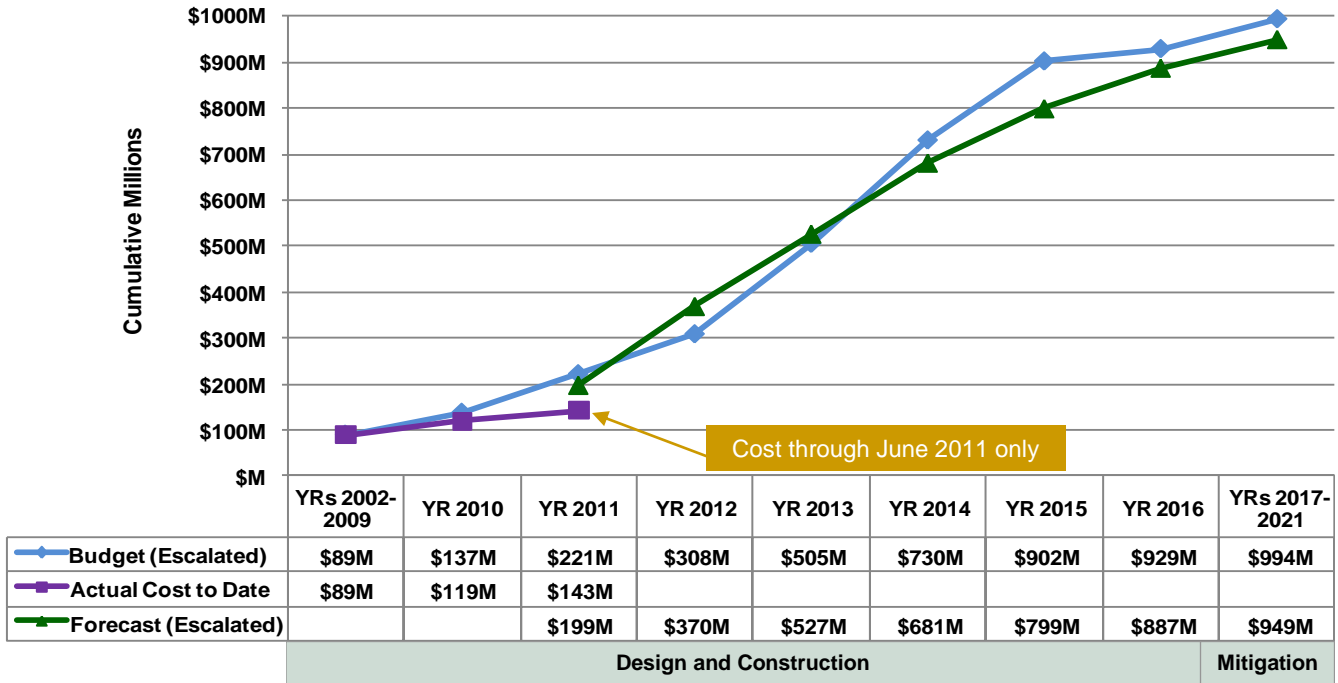
- **North Pipeline 2B Designer** – Q3 2011
- **Pueblo Dam Connection 1B Construction Contractor** – Q2 2012

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.

Cost Summary

Figure 2 shows the budget for Phase 1, actual cost through June 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 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 \$994 million 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.

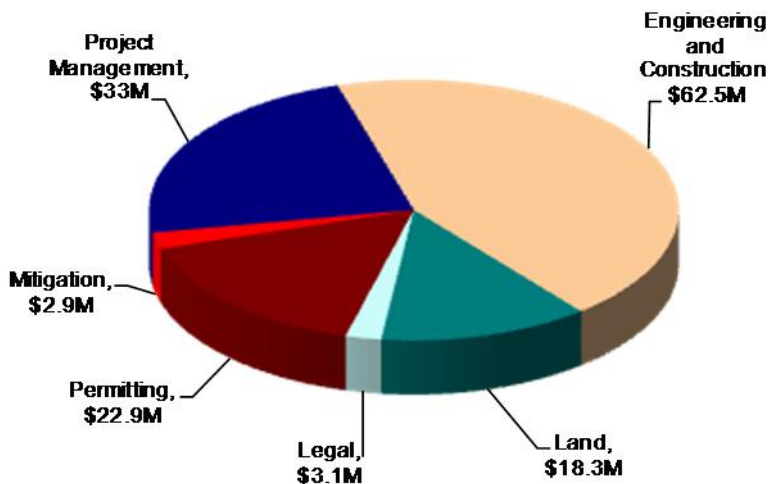
Figure 2 – Phase 1 Budget Progress – Actual Costs through June 2011



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.

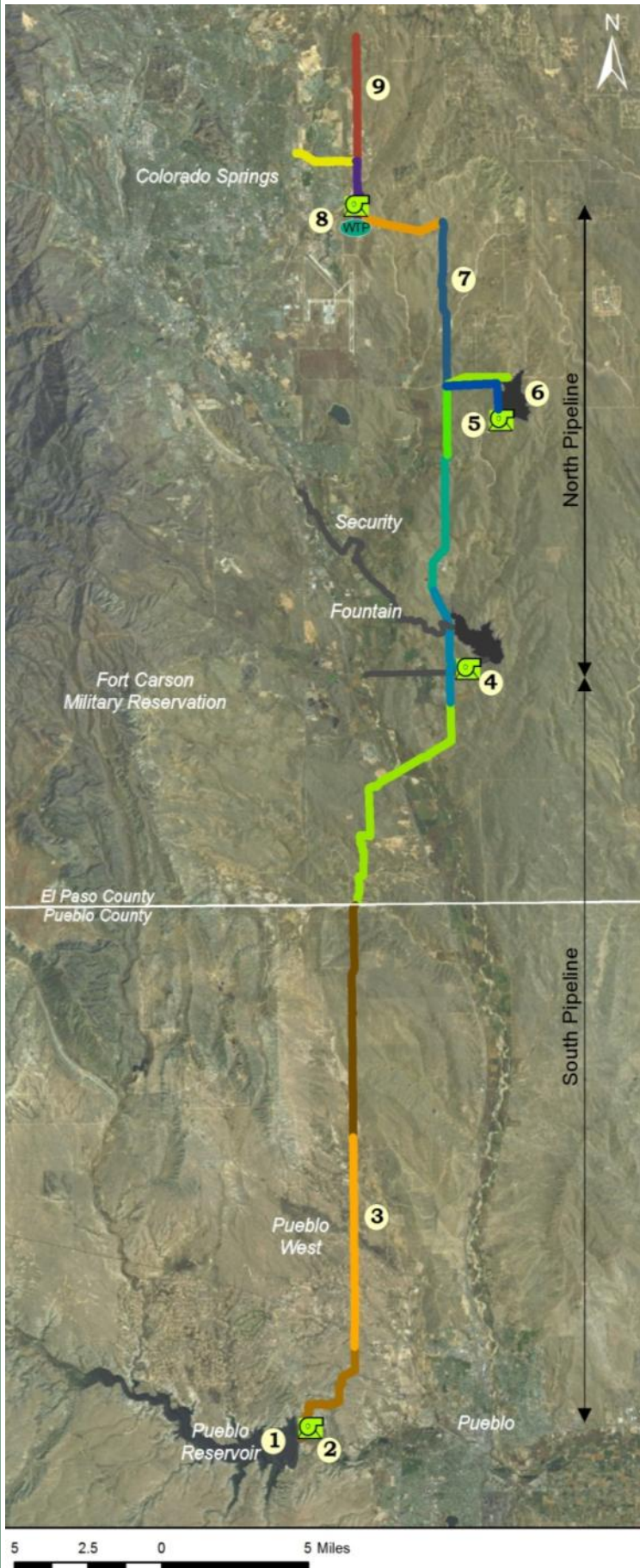
Figure 3 – Distribution of Phase 1 Direct Costs through June 2011 (\$143M)



Key Financial Details

- The budget for Phase 1 is \$994 million, including actual and projected escalation, and the current cost forecast is \$949 million. The project is currently forecasting completion about \$45 million below budget.
- Cumulative actual costs to date are \$143 million, with a majority expended on engineering and construction, permitting, land, and management activities.
- Forecasted costs for 2011 are \$80 million with a cumulative cost of \$199 million by the end of 2011.
- Forecasted costs 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: Initiating pre-construction activities 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-build contractor	●	●
7 <u>North Pipeline</u> Design: 80% Land: 40% of properties secured Focus: Constructing segments 1A & 1B, procuring a final designer for segment 2B	●	●
6 <u>Upper Williams Creek Reservoir</u> Design: 30% design complete; completion of design planned in SDS Phase 2 Land: Acquisition planning under way Focus: No significant activities	●	●
5 <u>Bradley Pump Station</u> Design: 30% Land: Acquisition planning under way Focus: Preparing to procure a design-build contractor	●	●
4 <u>Williams Creek Pump Station</u> Design: 30% Land: 100% of properties secured Focus: Preparing to procure a design-build contractor	●	●
3 <u>South Pipeline</u> Design: 60% Land: 70% of properties secured Focus: Acquiring land, preparing a final design for segment 1, continuing pre-construction for segment 2, initiating final design for segments 3 & 4A, procuring a construction contractor for segment 3, constructing segment 4B	●	●
2 <u>Juniper Pump Station</u> Design: 30% Land: Coordinating land use authorization with the Bureau of Reclamation Focus: Preparing to procure a design-build contractor	●	●
1 <u>Pueblo Dam Connection</u> Design: 50% Land: Not required Focus: Constructing 1A, preparing a final design for 1B (pipeline)	●	●

<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.