

# SOUTHERN DELIVERY SYSTEM

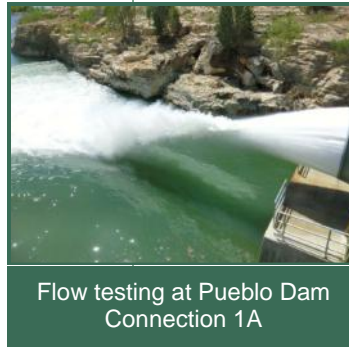
## MONTHLY REPORT



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 June, construction was completed for the 0.4-mile Finished Water Pipeline 1B; construction continued at Pueblo Dam, the 18.3-mile section of South Pipelines 1, 2, and 3, and the 8.6-mile section of South 4B, North 1A, and North 1B pipelines. Upcoming work includes progressing construction, advancing design of the remaining pipeline sections and facilities, procuring contractors for construction, and advancing land acquisition.

### Key Accomplishments in June

- **Construction Completed for Finished Water 1B.** Garney Construction concluded construction of Finished Water Pipeline 1B – a 0.4-mile section of two parallel finished water pipelines originating at the water treatment plant site and crossing beneath Highway 24. Project completion included finalizing closeout activities, completing final inspection of the pipeline, and final site restoration and seeding.
- **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 completed testing of equipment to verify proper functionality and completed valve facility concrete work, calibration of operational control software, and operator training.
- **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 completed drilling of a 96-inch diameter vertical shaft, continued preparations for crossing under the railroad tracks, and progressed rock trenching and pipe installation. Garney Construction finished the last three road crossings, continued trail improvements from south of Walker Ranch to Linda Avenue, completed pipe delivery to the site, and continued pipe installation for South Pipeline 2 (S2). At South Pipeline 3 (S3), Layne Heavy Civil, Inc. (formerly Reynolds) completed grading at a crossing of Steele Hollow, began filling the pipeline for hydrostatic (pressure) testing, and successfully completed functional testing of all valves and manufacturer valve inspection. The three pipeline sections have a total of 15.1 miles of pipe installed in trench through June.
- **Construction Continued for South Pipeline 4B and North Pipelines 1A and 1B.** Construction continued from south of Squirrel Creek Road to Peaceful Valley Road east of Security and Fountain for this 8.6-mile section of pipeline. HCP Constructors started construction of the access road to the Williams Creek Pump Station site, continued revegetation work from north to south, and completed internal inspections of all installed pipe.



Flow testing at Pueblo Dam Connection 1A

### Upcoming Work & Challenges

- **Construction of Facility and Pipelines Near Completion.**
  - **Pueblo Dam Connection.** ASI Constructors will continue final preparations of Pueblo Dam Connection 1A, demobilizing the construction crew and finalizing closeout activities. Final completion is estimated to occur August 2012, with post-construction work continuing thereafter.
  - **South Pipeline 2.** Garney Construction will continue final preparations of S2, anticipating the completion of pipe installation and functional and performance testing. Final completion is estimated to occur September 2012.
  - **South Pipeline 3.** Layne Heavy Civil, Inc. will continue final preparations of S3, expecting the completion of hydrostatic testing and continuation of revegetation operations. Final completion is estimated to occur September 2012.
- **Continue Construction of South and North Pipelines.**
  - **South Pipeline 1.** HCP Constructors will continue construction of S1, preparing for installation of a tunnel beneath the Union Pacific Railroad right-of-way and continue rock trenching and installation of pipe. Final completion is estimated to occur January 2013.
  - **South Pipeline 4B and North Pipelines 1A and 1B.** HCP Constructors will continue construction of this section, including construction of the Williams Creek Pump Station access road, filling pipe for hydrostatic testing, and completing seeding for revegetation. Final completion is estimated to occur October 2012.
- **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 received 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 including properties along South Pipeline 4A East and West and North Pipelines 1C and 2A in El Paso County.

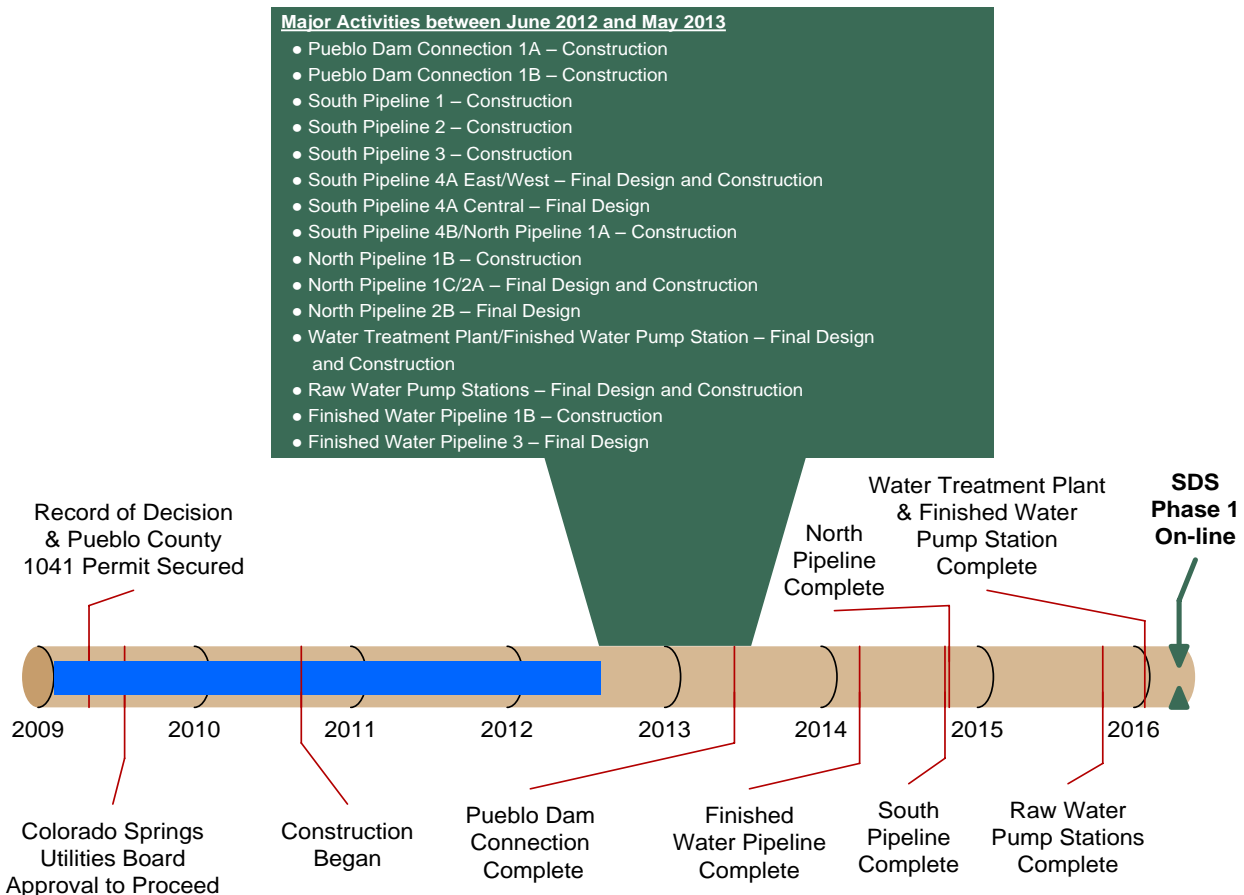
## Schedule Summary

**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:

- **North Pipeline 1C/2A Construction Contractor – Q3 2012**
- **South Pipeline 1 Revegetation – Q3 2012**
- **Water Treatment Plant Section of Highline Transmission Main Pipe – Q3 2012**
- **North Pipeline 1C/2A Specialty Valve – Q3 2012**

### Local and Small Business Construction Opportunities

The prime contractors for the SDS Water Treatment Plant / Finished Water Pump Station and SDS Raw Water Pump Stations are encouraging interested businesses to identify themselves and submit qualifications. For more information, interested businesses should access contractor information as follows:

#### Water Treatment Plant and Finished Water Pump Station

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

#### Raw Water Pump Stations

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

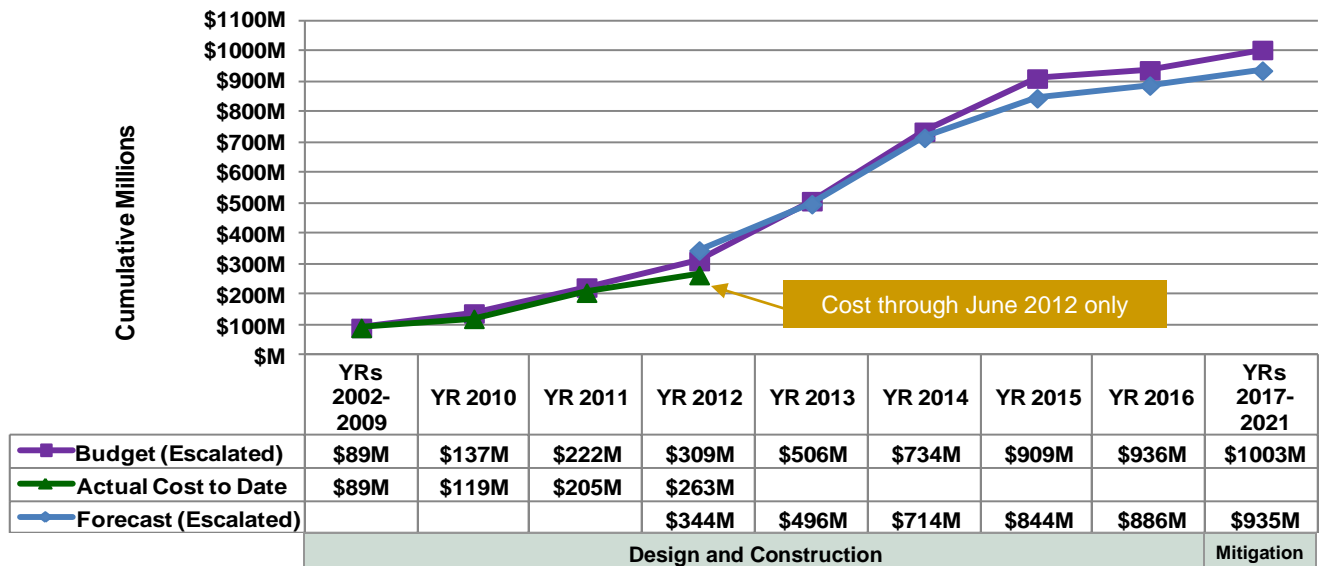
*Interested parties are encouraged to monitor the Rocky Mountain E-Purchasing System website ([www.RockyMountainBidSystem.com](http://www.RockyMountainBidSystem.com)) for these or other opportunities with Colorado Springs Utilities. Some opportunities are open only to pre-qualified companies.*

## Cost Summary

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

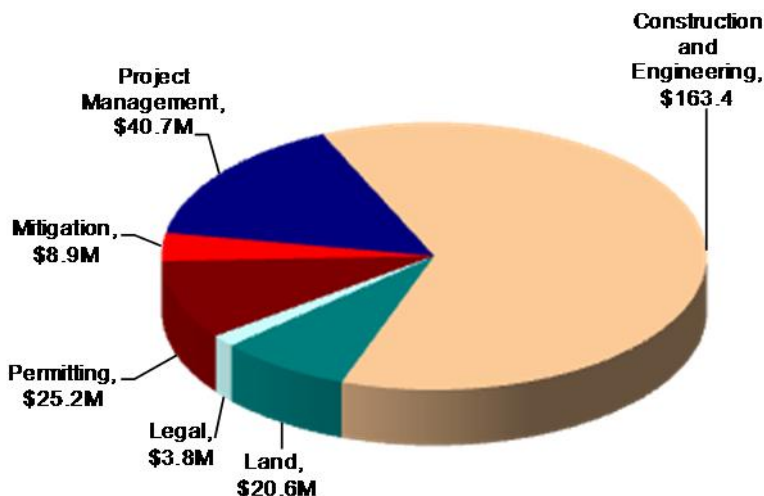
*Figure 2 – Phase 1 Budget Progress – Actual Costs through June 2012*



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 June 2012 (\$263M Total)*



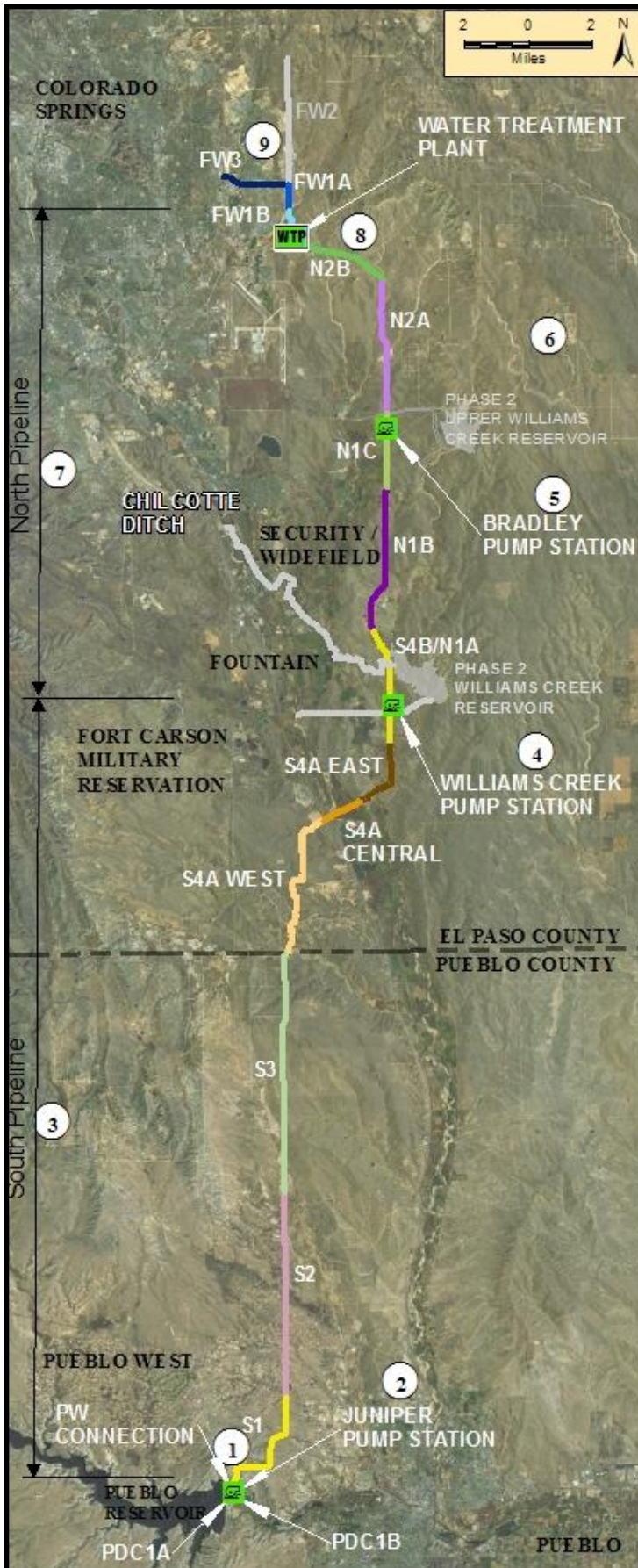
### Key Financial Details

- 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 \$263 million, with a majority expended on construction and engineering, permitting, land, and management activities.
- Forecasted costs for 2012 are \$139 million with a cumulative expenditure of \$344 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: 70%  
Land: 70% of properties secured  
Focus: Construction complete for section 1B, preparing a final design for section 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 sections 1A & 1B, procuring a construction contractor 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: 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: 100% of properties in possession  
Focus: Constructing sections 1, 2, & 3, preparing a final design for section 4A East, procuring a construction contractor for sections 4A East and West, constructing section 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**

<b>Schedule Status</b>	<b>Cost Status</b>
● 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](http://www.sdswater.org) for additional information.