

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 August, construction contractors were procured for South Pipeline 4A East and West and North Pipeline 1C and 2A, and construction continued on 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 (refer to map on page 4). 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 August

- **Construction Contractors Procured for Pipelines.**

South Pipeline 4A East and West. Garney Construction was selected from among five pre-qualified contractors that submitted bids to construct 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 excluding Interstate 25 and Fountain Creek. Construction is planned to begin this winter.

North Pipeline 1C and 2A. Layne Heavy Civil, Inc. was selected from among three pre-qualified contractors that submitted bids to construct North Pipeline 1C and 2A – a 6.1-mile raw water pipeline section extending from North Pipeline 1B near Peaceful Valley to approximately one mile south of Highway 94. Contracting and pre-construction activities will occur over the next few months.
- **Construction Continued for 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. HCP Constructors continued installing pipe and the SDS team began preparations for procurement of a revegetation contractor for this section.
- **Construction Near Completion for South Pipelines 2 & 3.** Construction is nearing completion for two pipeline sections comprising 14 miles of raw water pipeline from Highway 50 extending north to the boundary of Pueblo and El Paso counties. For South Pipeline 2, Garney Construction completed hydrostatic (pressure) testing, trail improvements, and functional testing of valves. At South Pipeline 3, Layne Heavy Civil, Inc. completed construction of the connection between South Pipeline 2 and South Pipeline 3. Western States Reclamation, Inc. continued revegetation activities on both pipeline sections installing irrigation mainline, sprinklers, and fencing.
- **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 continued construction of the Williams Creek Pump Station access road, hydrostatic testing, and revegetation activities.

Upcoming Work & Challenges

- **Construction of Pipelines Near Completion.**

South Pipeline 2. Garney Construction will continue final closeout of South Pipeline 2, anticipating the completion of fiber optic drilling, installation, and testing. Western States will continue seeding, hay crimping, and installing irrigation main line and sprinkler heads. Final completion of pipeline construction is estimated to occur September 2012.

South Pipeline 3. Layne Heavy Civil, Inc. will continue final closeout of South Pipeline 3, concluding remaining field work; Western States will continue installing irrigation pipe and water sprinkler testing. Final completion of pipeline construction is estimated to occur November 2012.

South Pipeline 4B and North Pipelines 1A and 1B. HCP Constructors will continue construction of this section, including construction of blowoff and drainage structures and continuing revegetation activities. Final completion is estimated to occur October 2012.
- **Continue Construction of South Pipeline 1.** HCP Constructors will continue construction of South Pipeline 1, including backfill activities south of the railroad, tunneling under the UPRR, and installation of pipe. Final completion of the pipeline is estimated to occur January 2013 with revegetation to follow.
- **Continue Pipeline and Facilities Design.** Design efforts will continue for South Pipeline 4A Central, North Pipeline 2B, Finished Water Pipeline 3, Water Treatment Plant and Finished Water Pump Station, and Raw Water Pump Stations. Proposals were received for constructing the Pueblo Dam Connection 1B and pre-qualified contractors will begin the interview process.
- **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.



Trail improvements at South Pipeline 2

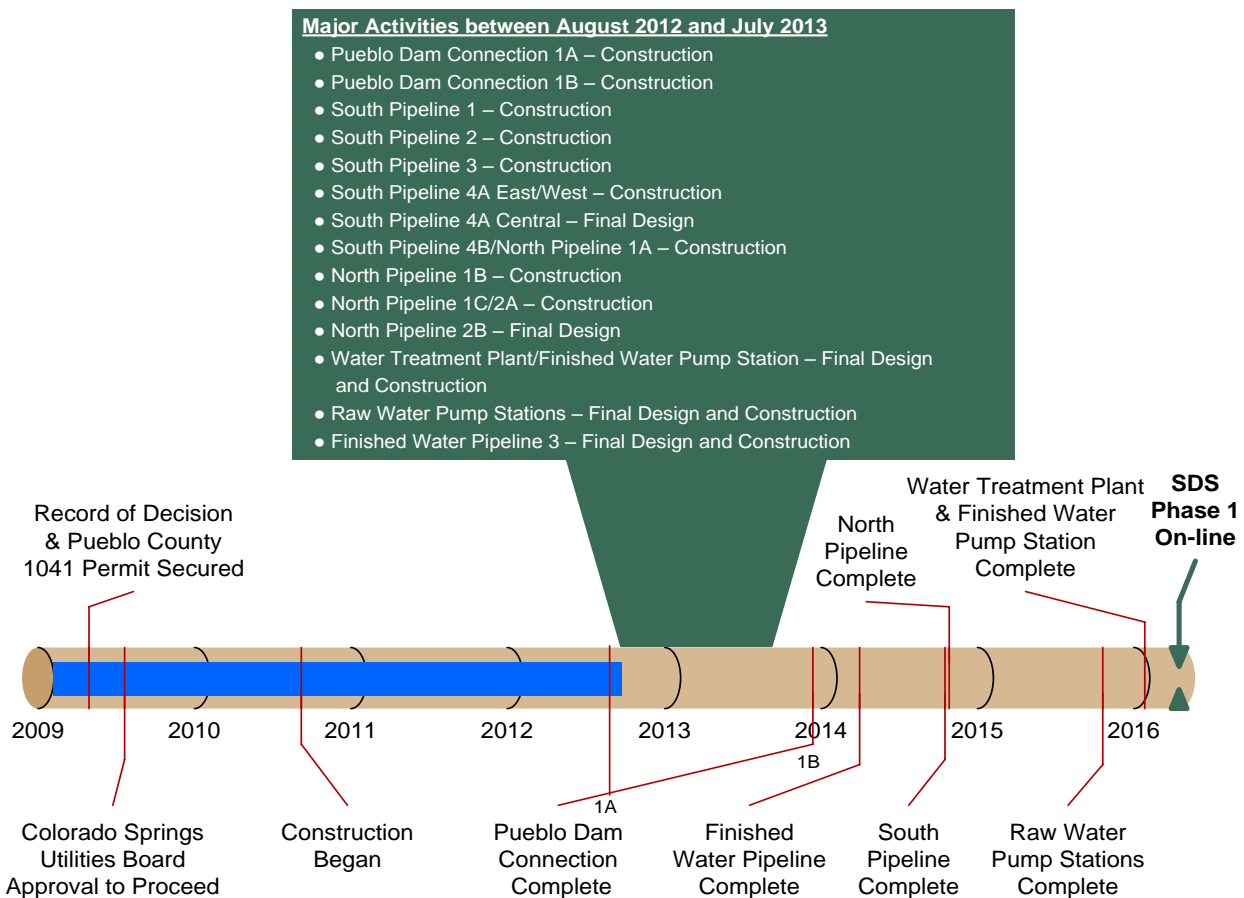
Schedule Summary

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 five 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:

- **South Pipeline 1 Revegetation – Q3 2012**
- **Raw Water Pump Stations Construction Contractors Pre-Qualification – Q3 2012**
- **South Pipeline 4A Central Design-Build Contractors Pre-Qualification – Q3 2012**
- **Water Treatment Plant Construction Packages Bidding – Q4 2012**
- **South Pipeline 4A Central Design-Build Contractor – Q4 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.

SDS Raw Water Pump Stations Pre-Qualification

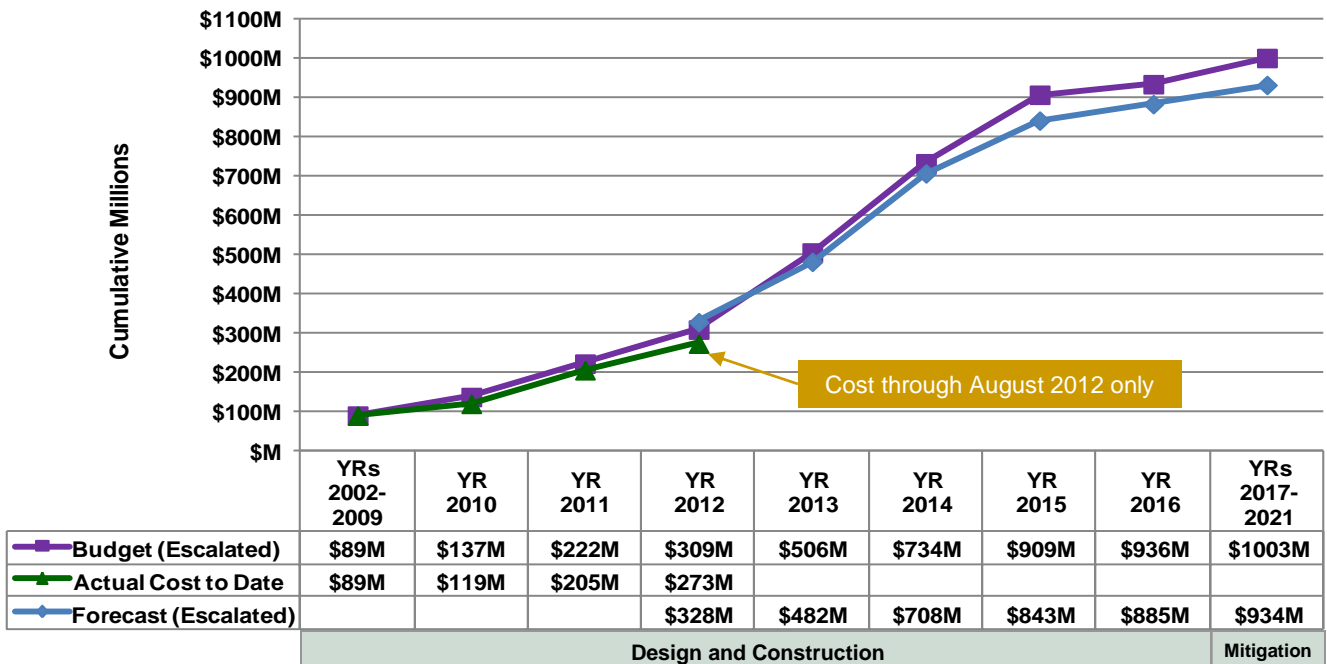
Colorado Springs Utilities plans to pre-qualify construction firms with experience in managing and constructing large raw water pump stations beginning the middle of September 2012. Pre-qualified firms will then be asked to provide bids Q1 of 2013 to manage and construct the three SDS raw water pump stations. An open house will be held in December 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/JobBusinessOpportunities/PumpStations.aspx>

Cost Summary

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

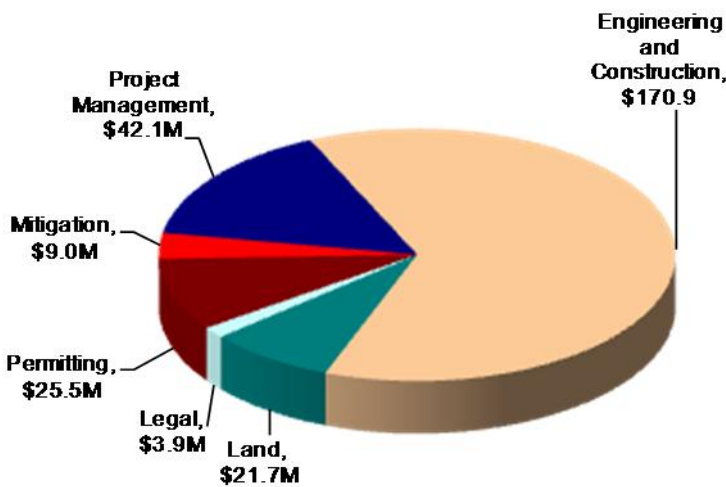
Figure 2 – Phase 1 Budget Progress – Actual Costs through August 2012



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 August 2012 (\$273M Total)

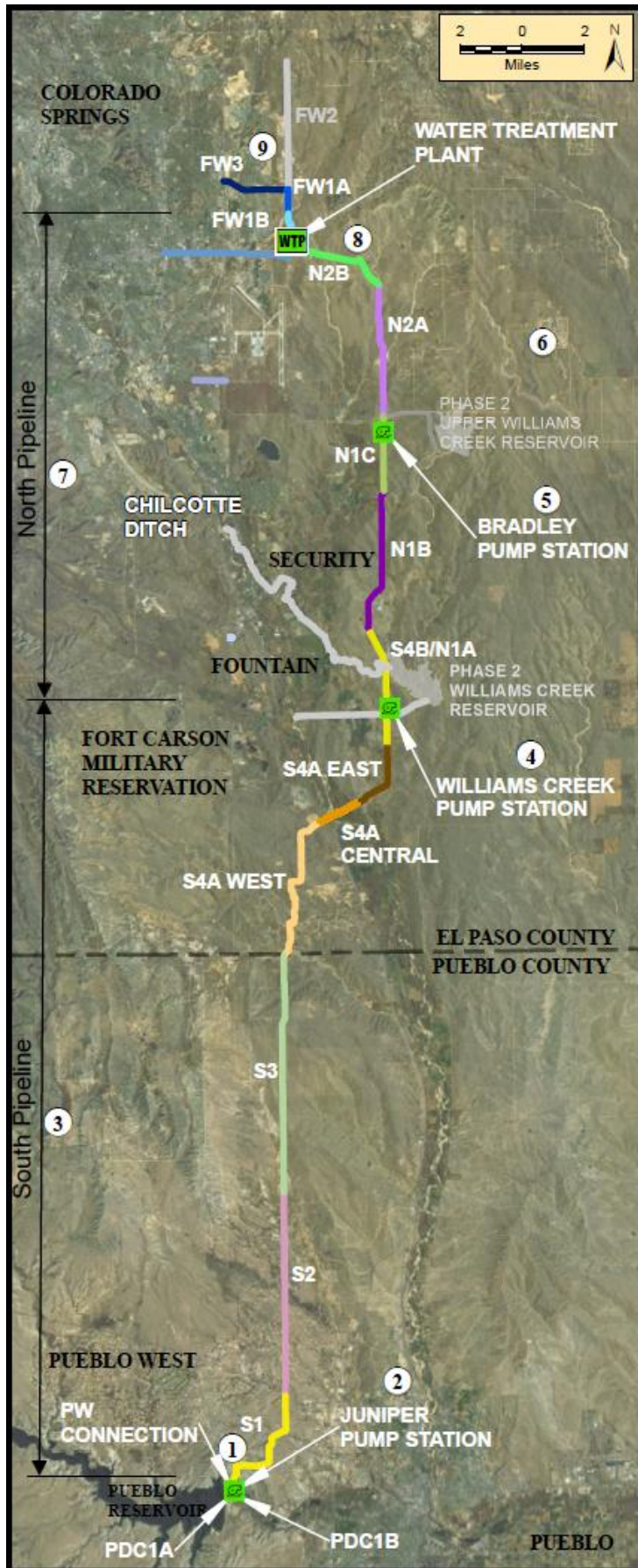


Key Financial Details

- The budget for Phase 1 is \$1.003 billion, including actual and projected escalation, while the current cost forecast is \$934 million. The project is currently forecasting completion about \$69 million below budget.
- Cumulative actual costs to date are \$273 million, with a majority expended on construction and engineering, permitting, land, and management activities.
- Forecasted costs for 2012 are \$123 million with a cumulative expenditure of \$328 million by the end of 2012.

Figure 4 – Phase 1 Projects Status Map

Schedule Cost



- 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: Preparing a final design and commencing construction bidding
- 7 North Pipeline (N)** ● ●

Design: 90%
 Land: 40% of properties secured
 Focus: Constructing sections 1A & 1B, preparing for 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
- 4 Williams Creek Pump Station** ● ●

Design: 60%
 Land: 100% of properties secured
 Focus: Preparing a final design
- 3 South Pipeline (S)** ● ●

Design: 90%
 Land: 90% of properties secured
 Focus: Constructing sections 1, 2, & 3, preparing to procure a design-build contractor for section 4A Central, preparing for pre-construction activities for sections 4A East and West, constructing 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 1A, procuring a construction contractor for 1B (pipeline)

Legend	
Schedule Status	Cost Status
● 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.