

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 December, procurement commenced on South Pipeline 4A Central and construction continued on Bradley Pump Station Power Supply and South Pipeline 1 (refer to the map on page 4). Upcoming work includes progressing construction on facilities and pipelines, advancing design of the remaining pipeline sections and facilities, procuring contractors for construction, and continuing land acquisition.

Key Accomplishments in December

- **Procurement Advances for South Pipeline 4A Central.** Proposals were solicited from pre-qualified design-build contractors to complete the design and then construct South Pipeline 4A Central – a 1.4-mile raw water pipeline section that crosses Interstate 25, two railroads, and Fountain Creek and extends from west Midway Ranch Road to east Hanover Road. Proposals are due January 31, 2013.
- **Construction Continued on Bradley Pump Station Power Supply.** Colorado Springs Utilities continued construction of the power supply for Bradley Pump Station with work spanning 3.6 miles along Powers Boulevard and Bradley Road. Crews completed installing vaults and finished mulching and seeding for revegetation north of Marksheffel Road and Powers Boulevard. Estimated construction cost at completion is approximately \$3 million.
- **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 began the hydrostatic (pressure) test, concluded paving and restoring the State Park bicycle path, and completed inspection of the tunnel shaft. Estimated construction cost at completion is approximately \$20 million.



Inspection of tunnel shaft at South Pipeline 1

Upcoming Work & Challenges

- **Issue Notice to Proceed with Construction for Water Treatment Plant and Finished Water Pump Station.** The contractual documents for the Water Treatment Plant and Finished Water Pump Station will be finalized and a Notice to Proceed with construction activities is anticipated to occur in January to McCarthy Building Companies, Inc. Construction is expected to begin in early 2013.
- **Design Complete for SDS Raw Water Pump Stations.** Final design documents will be received in January for the three Raw Water Pump Stations. Bids from pre-qualified contractors are anticipated in Q1 of 2013 with construction to follow.
- **Construction of South Pipeline 1 Near Completion.**

HCP Constructors will continue final construction work on South Pipeline 1, anticipating completion of the hydrostatic test and de-mobilization from the work site. Western States Reclamation, Inc. will begin revegetation activities in early 2013.

- **Continue Pipeline Design.** Design efforts will continue for the remaining pipeline sections including North Pipeline 2B and Finished Water Pipeline 3.
- **Continue Land Acquisition.** The SDS team will continue to secure the properties needed for SDS Phase 1, including properties along Finished Water Pipeline 3, South Pipeline 4A East and Central, and North Pipelines 1C, 2A, and 2B in El Paso County.

SPOTLIGHT

Significant Milestones Achieved through 2012 and Planned Activities in 2013

In 2012, several noteworthy milestones were attained. Below are some key highlights through 2012:

- Nearly 30 miles of pipeline installed through December 2012 - more than half the total pipeline for Phase 1
- Nearly all pipeline installed in Pueblo County—with only approximately 0.3 miles near Pueblo Dam remaining
- Completion and successful testing of the new Pueblo Dam connection
- Achieved significant milestone of 500,000 hours worked with no “lost-time” safety incidents

Listed below are a few major activities planned in 2013:

- Begin construction of the water treatment plant - one of the largest and most complex components of the project
- Select construction contractor for the raw water pump stations and begin construction
- Continue pipeline construction in El Paso County
- Continue construction of power supply infrastructure for the pump stations

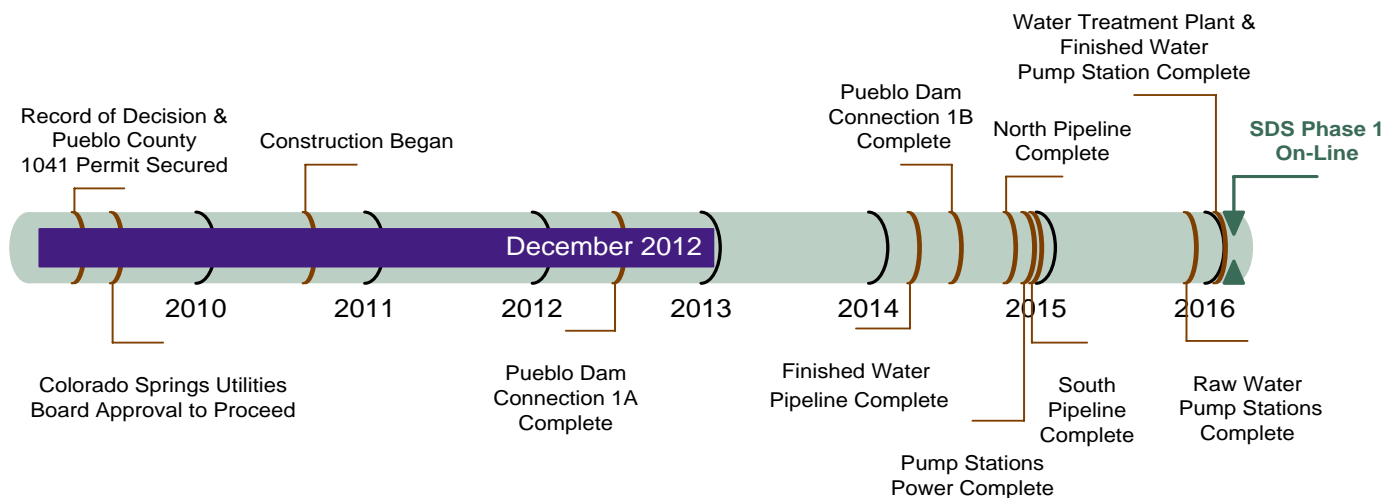
Schedule Summary

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. Nine 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

Major Activities: December 2012 – November 2013

- Pueblo Dam Connection 1B – Construction
- South Pipeline 1 – Construction
- South Pipeline 1 Revegetation – Procurement and Implementation
- South Pipelines 2 & 3 Revegetation – Monitoring and Maintenance
- South Pipeline 4A East/West – Construction
- South Pipeline 4A Central – Final Design
- North Pipeline 1C/2A – Construction
- North Pipeline 2B – Final Design
- Bradley Pump Station Power Supply – Construction
- Williams Creek Pump Station Power Supply – Final Design and Construction
- Water Treatment Plant/Finished Water Pump Station – Construction
- Raw Water Pump Stations – Final Design and Construction
- Finished Water Pipeline 3 – Final Design and Construction



Upcoming SDS Procurements

We anticipate commencing the following procurements in the near future:

- **Raw Water Pump Stations Pumps, Motors, and Drives Selection Package – Q1 2013**
- **Raw Water Pump Stations Construction Contractor – Q1 2013**
- **Finished Water 3 Pipeline Construction Contractor – Q2 2013**

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 Contractor Outreach

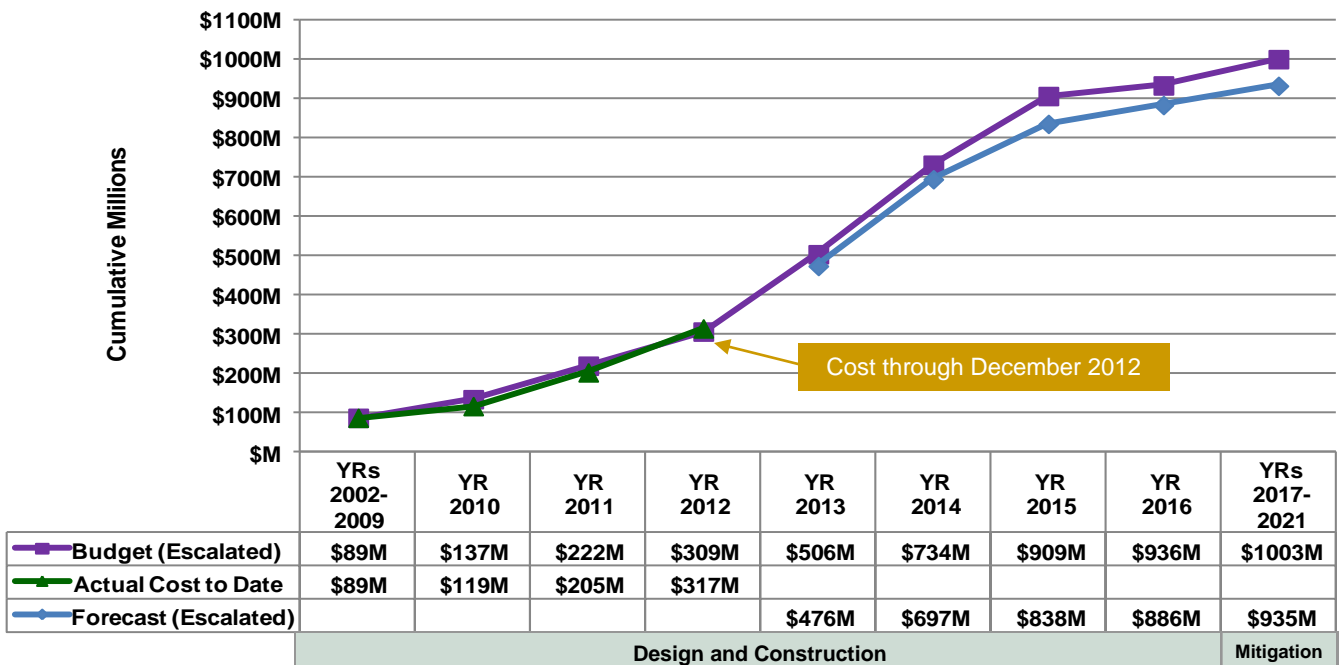
An open house was held on December 4, 2012, with more than 50 local and small businesses meeting with the pre-qualified prime contractors to discuss future business opportunities. Pre-qualified firms will be asked to provide bids in Q1 of 2013 to construct the three SDS raw water pump stations. For the list of pre-qualified contractors, follow the link below:

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

Cost Summary

Figure 2 shows the budget for Phase 1, actual costs through December 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 previously estimated water rate increases to pay for SDS Phase 1 already include these anticipated costs.

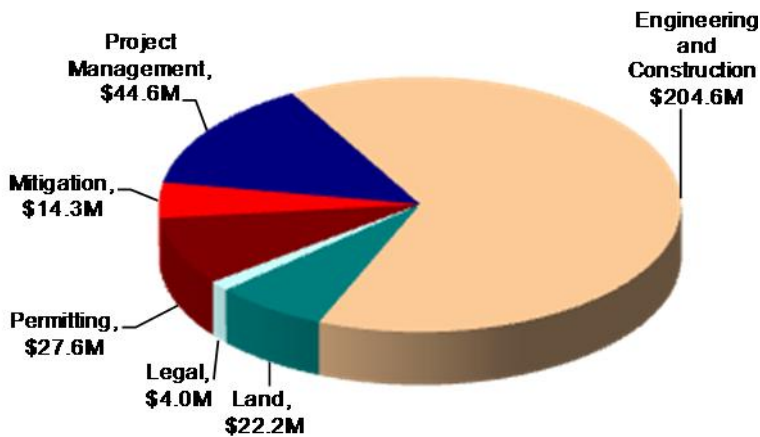
Figure 2 – Phase 1 Budget Progress – Actual Costs through December 2012



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.

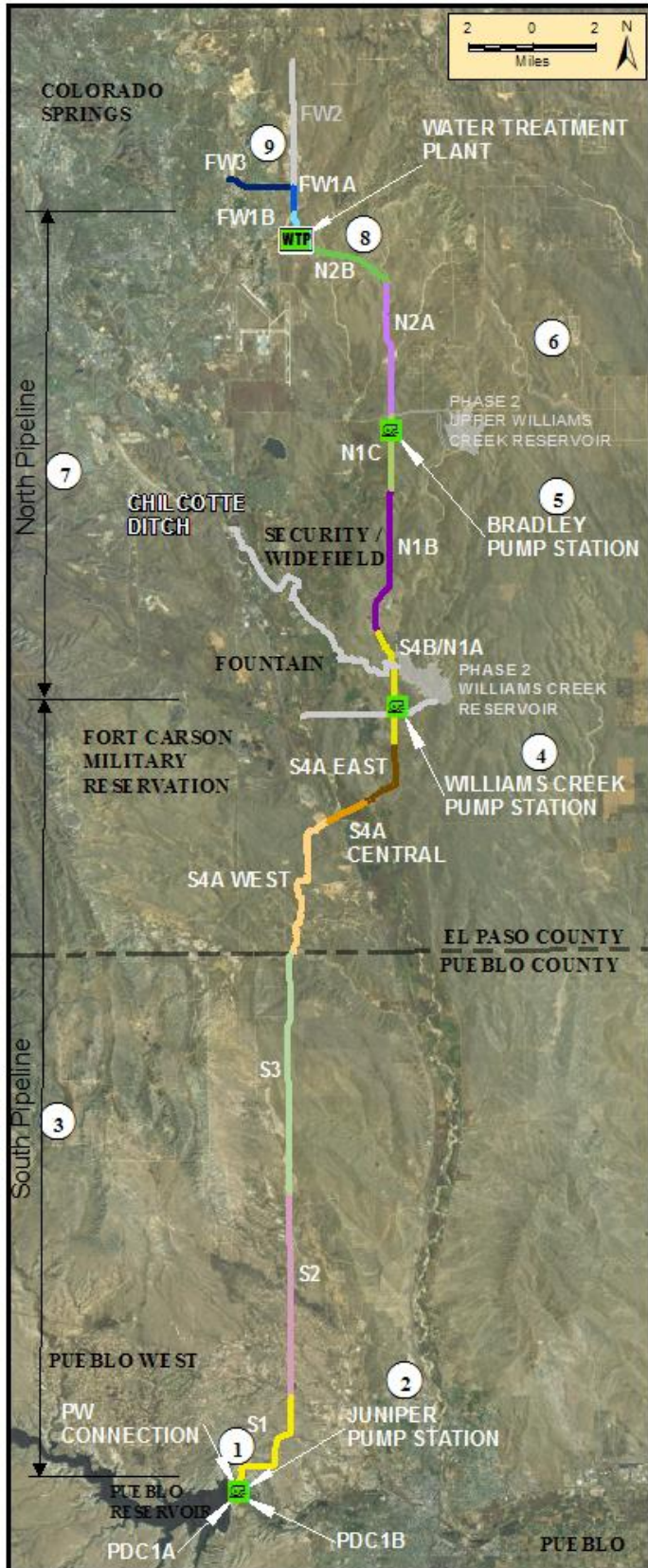
Figure 3 – Distribution of Phase 1 Direct Costs through December 2012 (\$317M Total)



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 approximately \$68 million below budget.
- Cumulative actual costs to date are \$317 million, with a majority expended on engineering and construction, permitting, land, and management activities.
- Forecasted costs for 2013 are \$159 million with a cumulative expenditure of \$476 million by the end of 2013.

Figure 4 – Phase 1 Projects Status Map



- 9 Finished Water Pipeline (FW)**
Design: 90%
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 for construction
- 7 North Pipeline (N)**
Design: 90%
Land: 40% of properties secured
Focus: Continuing 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
- 5 Bradley Pump Station**
Design: 90%
Land: Acquisition under way
Focus: Preparing a final design, preparing to procure a construction contractor and major equipment, constructing power supply
- 4 Williams Creek Pump Station**
Design: 90%
Land: 100% of properties secured
Focus: Preparing a final design, preparing to procure a construction contractor and major equipment, preparing a final design for power supply
- 3 South Pipeline (S)**
Design: 90%
Land: 90% of properties secured
Focus: Completing construction of S1, procuring a design-build contractor for section 4A Central, constructing section 4A West, continuing pre-construction activities for 4A East
- 2 Juniper Pump Station**
Design: 90%
Land: Coordinating land use authorization with the Bureau of Reclamation
Focus: Preparing a final design, preparing to procure a construction contractor and major equipment, assisting with power substation siting
- 1 Pueblo Dam Connection (PDC)**
Design: 100%
Land: Construction authorization secured
Focus: Concluding construction of 1A, procuring a construction contractor for 1B (pipeline)

Schedule: The Program is on schedule to begin operations in April 2016.

Budget: The Program is currently forecasting completion under budget by \$68 million.

Visit www.sdswater.org for additional information.