

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 January, contracting concluded and pre-construction planning began for the Water Treatment Plant and Finished Water Pump Station, a revegetation contractor was secured for South Pipeline 1, and construction continued on South Pipeline 4A West (refer to the map on page 4). Upcoming work includes progressing construction, advancing design of remaining pipeline sections, and continuing land acquisition.

Key Accomplishments in January

- **Notice to Proceed Issued for Construction of the Water Treatment Plant and Finished Water Pump Station.** Final contracting was completed and McCarthy Building Companies, Inc. began pre-construction activities. Key activities included planning for mobilization and commencing subcontracting. Construction is anticipated to begin in March 2013; the estimated construction cost is \$124.6 million.
- **Construction Near Completion 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 completed the hydrostatic (pressure) test and finished final grading. Dillie & Kuhn, Inc. completed installation of all fiber optic cable. Estimated construction cost at completion is approximately \$20 million. Western States Reclamation, Inc. (Western States) was selected as the prime contractor to complete revegetation of the construction area. HCP Constructors and Western States are currently coordinating for site access and turn over. Installation of an irrigation system and seeding is anticipated in the spring of 2013.
- **Construction Continued for South Pipeline 4A East and West.** Garney Construction continued activities on 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 north to just west of Interstate 25 and from Hanover Road north to the south end of South Pipeline 4B. Activities on the west involved installing 4,118 feet of pipe in trench, including crossing Indian Village Heights before the start of school at Prairie Heights Elementary. Land acquisition activities continued on the east. Estimated construction cost at completion is approximately \$26 million.

Upcoming Work & Challenges

- **Pre-mobilization for Construction of Water Treatment Plant and Finished Water Pump Station to Begin.** McCarthy Building Companies, Inc. will continue pre-mobilization activities, including finalizing contracts with subcontractors, obtaining permits, and planning mobilization of construction trailers.
- **Bidding for Raw Water Pump Stations Construction to Begin.** Pre-qualified construction contractors will begin preparing bids to construct the three raw water pump stations. Bids will be due in April 2013, and construction is anticipated to begin in the summer of 2013.
- **Construction of South Pipeline 1 Near Completion.** HCP Constructors will continue final construction work on South Pipeline 1, anticipating completion of the tie-in connection between South Pipeline 1 and South Pipeline 2. Western States 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.



Pipe installation at South Pipeline 4A West

- **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.

SPOTLIGHT

SDS Keeps Public and Stakeholders Informed



The SDS Program continues to ensure key stakeholders are informed about construction progress. As part of this commitment, in 2012 the team supported a number of public outreach activities, including nearly 60 construction site visits and more than 25 presentations to community and business groups. Site visits provided elected officials, as well as community and business leaders, the opportunity to see the construction progress first-hand and speak with SDS representatives about the activities under way and next steps. Presentations provided timely updates on the project's progress and upcoming business opportunities, as well as information about the importance of the project to meet future regional water needs.

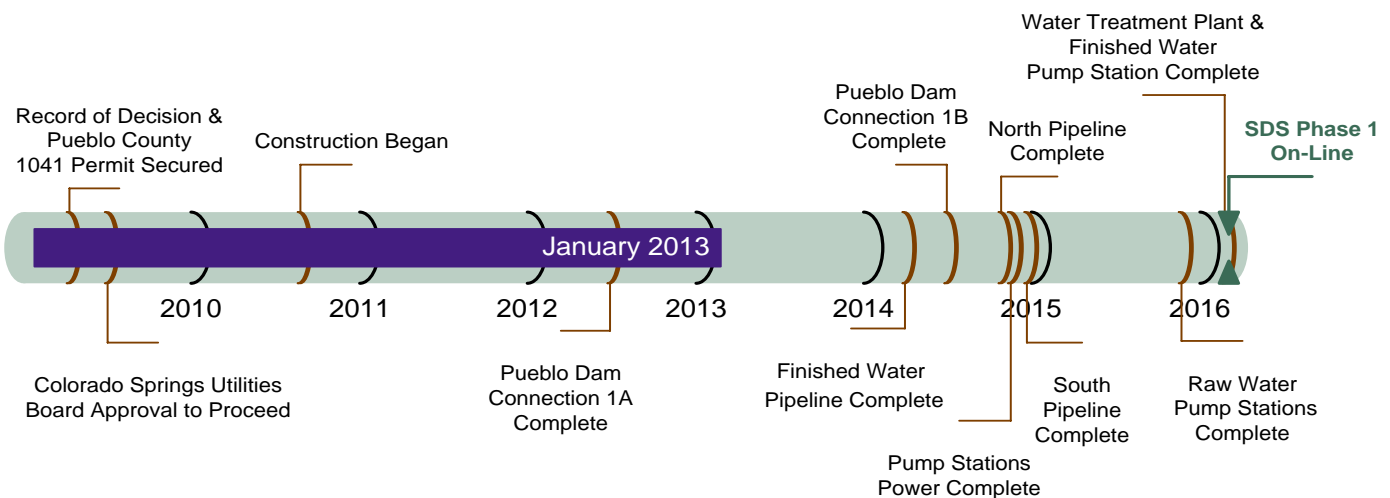
Schedule Summary

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 four projects also is planned.

Figure 1 – Schedule Progress for Major SDS Phase 1 Projects

Major Activities: January 2013 – December 2013

- Pueblo Dam Connection 1B – Construction
- South Pipeline 1 – Construction
- South Pipeline 1 Revegetation – 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 – 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 Construction Contractor** – Q1 2013
- **Fountain Creek Improvements Construction Contractor** – Q1 2013
- **Finished Water 3 Pipeline Construction Contractor** – Q1/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.

Regional/Local Businesses Working on SDS

More than 200 Colorado businesses have benefitted from opportunities supporting the SDS Program with more anticipated as the water treatment plant and raw water pump stations construction begins this year. For a list of businesses that have supported work on the SDS to date, visit:

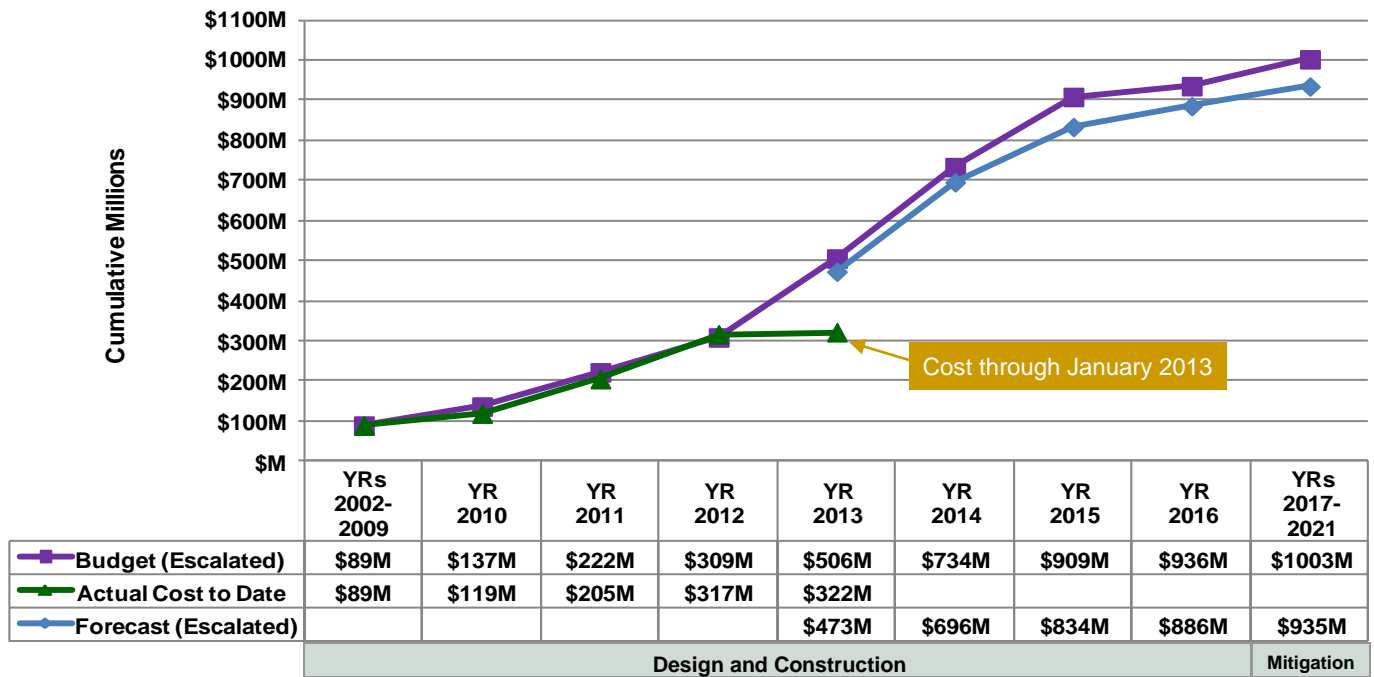
<http://www.sdswater.org/JobsBusinessOpportunities.aspx>

For the latest business opportunities, prime contracts awarded, and upcoming workshops and events, visit www.sdswater.org

Cost Summary

Figure 2 shows the budget for Phase 1, actual costs through January 2013, 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.

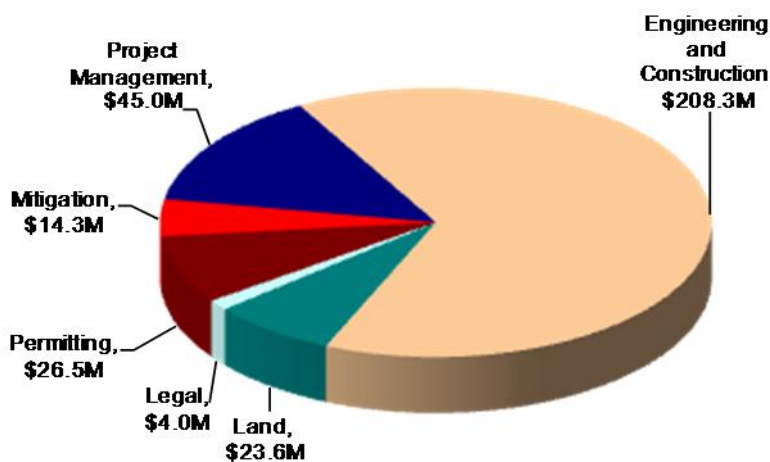
Figure 2 – Phase 1 Budget Progress – Actual Costs through January 2013



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.

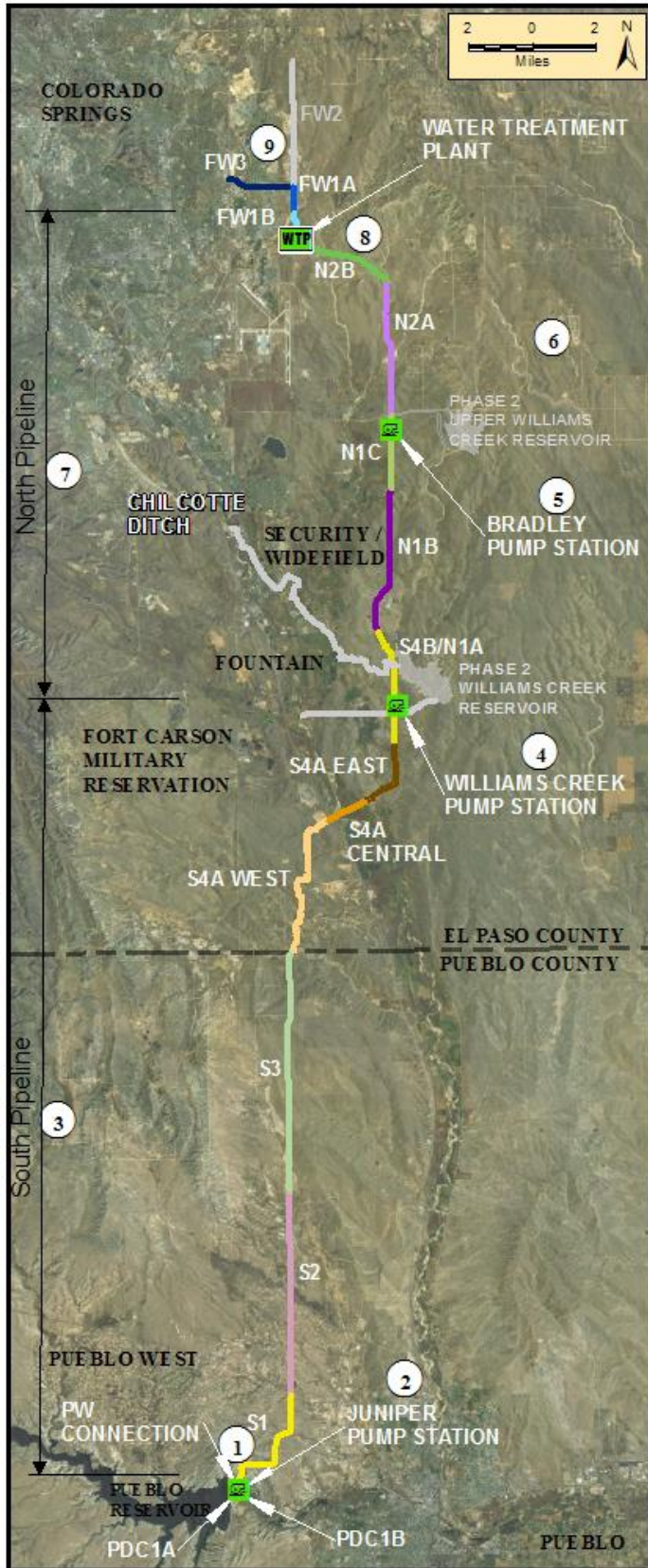
Figure 3 – Distribution of Phase 1 Direct Costs through January 2013 (\$322M Total)



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 \$322 million, with a majority expended on engineering and construction, permitting, land, and management activities.
- Forecasted costs for 2013 are \$156 million with a cumulative expenditure of \$473 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: 50% 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: 100%
Land: Acquisition under way
Focus: Preparing to procure a construction contractor and major equipment, constructing power supply
- 4 Williams Creek Pump Station**
Design: 100%
Land: 100% of properties secured
Focus: 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 section S1, procuring a design-build contractor for section 4A Central, constructing section 4A West, continuing pre-construction activities for section 4A East
- 2 Juniper Pump Station**
Design: 100%
Land: Coordinating land use authorization with the Bureau of Reclamation
Focus: Preparing to procure a construction contractor and select major equipment
- 1 Pueblo Dam Connection (PDC)**
Design: 100%
Land: Construction authorization secured
Focus: 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.