

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 July, final closeout preparations continued at Pueblo Dam; construction continued at 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; and a construction contractor was procured for South Pipeline 4A East / West (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 July

- **Construction Near Completion for Pueblo Dam Connection.** ASI Constructors continued final preparations of Pueblo Dam Connection 1A – the SDS connection to the Pueblo Dam North Outlet Works. ASI performed final painting and completed revegetation of the area.
- **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 rock trenching north of the Union Pacific Railroad (UPRR), started excavation of the shaft and tunnel beneath the UPRR right-of-way, and progressed pipe installation. Garney Construction finished pipe installation and backfill and functional testing of valves, and Western States Reclamation, Inc. (Western States) mobilized for irrigation system trenching and began seeding for revegetation activities for South Pipeline 2 (S2). At South Pipeline 3 (S3), Layne Heavy Civil, Inc. (formerly Reynolds) completed the hydrostatic (pressure) test and demobilized construction trailers, and Western States began installation of main irrigation piping and seeding for revegetation activities. The three pipeline sections have a total of 15.8 miles of pipe installed in trench through July.
- **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 installed additional fiber optic conduit, completed maintenance of Peaceful Valley Road, and finished the connection between segments N1A and N1B.



Installing shaft riser pipe at South Pipeline 1

Upcoming Work & Challenges

- **Construction of Facility and Pipelines Near Completion.**
 - **Pueblo Dam Connection.** ASI Constructors will continue final preparations of Pueblo Dam Connection 1A, disassembling and de-mobilizing the crane and installing and testing communications equipment. Final completion is estimated to occur February 2013, with post-construction work continuing thereafter.
 - **South Pipeline 2.** Garney Construction will continue final closeout of S2, anticipating the completion of hydrostatic (pressure) testing and trail installation, and Western States plans on installing irrigation mainline, sprinklers, and fencing for revegetation. Final completion of the pipeline is estimated to occur September 2012.
 - **South Pipeline 3.** Layne Heavy Civil, Inc. will continue final closeout of S3, accomplishing construction of the connection between S2 and S3, and Western States will continue revegetation operations. Final completion of the pipeline is estimated to occur September 2012.
- **Continue Construction of South and North Pipelines.**
 - **South Pipeline 1.** HCP Constructors will continue construction of S1, including the installation of pipe and tunneling under the UPRR. Final completion of the pipeline is estimated to occur January 2013 with revegetation to follow.
 - **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, hydrostatic testing, and revegetation activities. 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 from pre-qualified contractors for constructing the Pueblo Dam Connection 1B will be evaluated.
- **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.

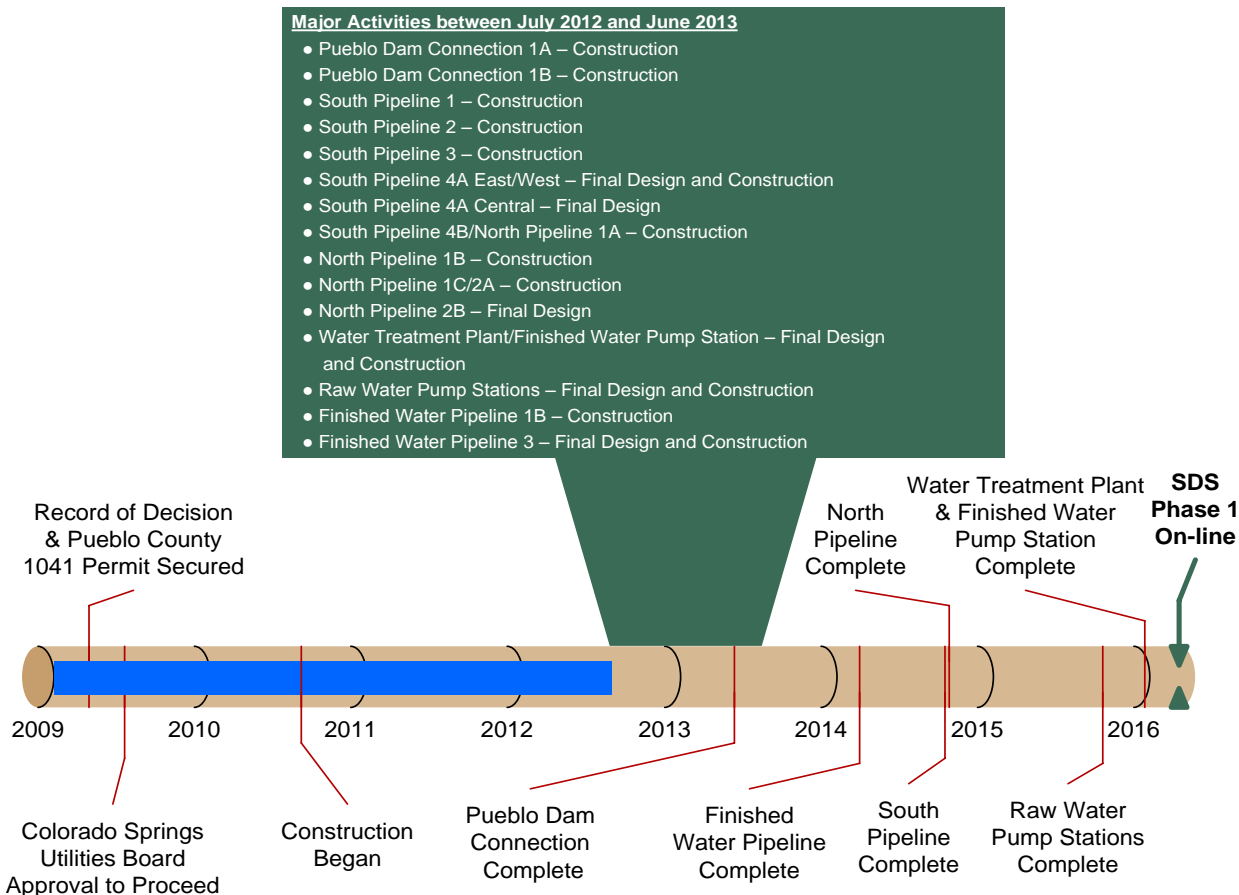
Schedule Summary

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.

Thirteen construction projects are under way or scheduled to commence during the next 12 months. Continued design of six 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 Valves – Q3 2012**

Local and Small Business Construction Opportunities

The prime contractor for the SDS Water Treatment Plant / Finished Water Pump Station is encouraging interested businesses to identify themselves and submit qualifications. For more information, interested businesses should access contractor information here:

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

Updated information concerning the Raw Water Pump Stations can be accessed here:

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

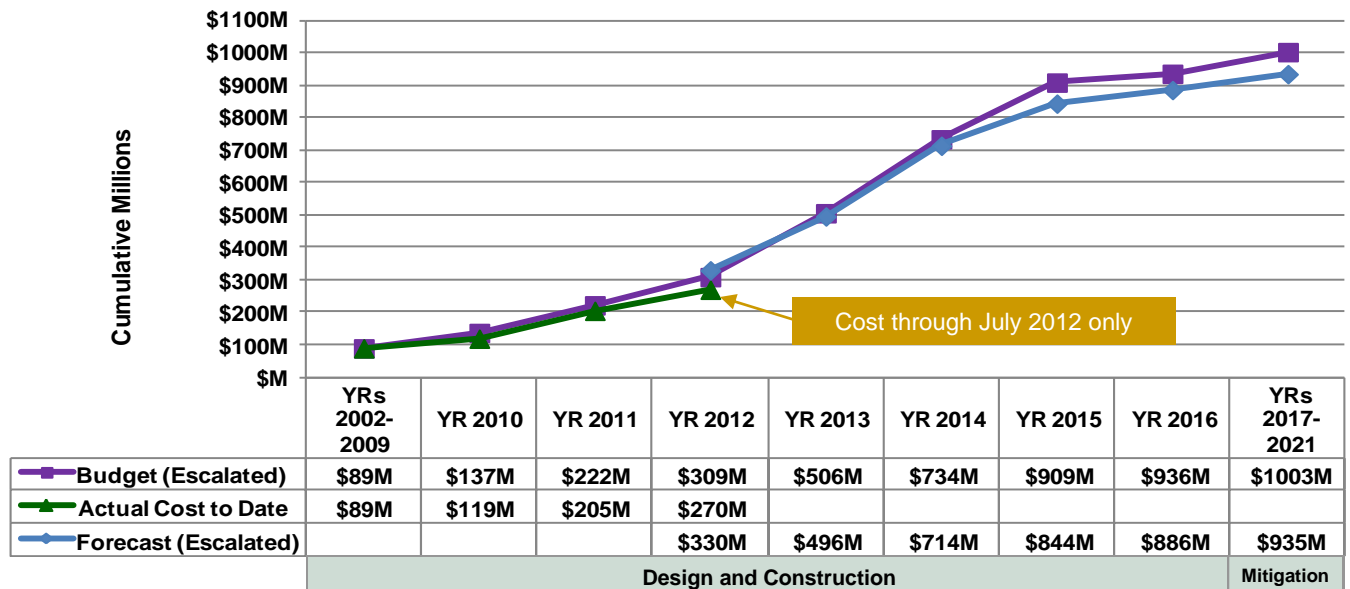
Interested parties are encouraged to monitor the Rocky Mountain E-Purchasing System website (www.RockyMountainBidSystem.com) for these or other opportunities with Colorado Springs Utilities. Some opportunities are open only to pre-qualified companies.

Cost Summary

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

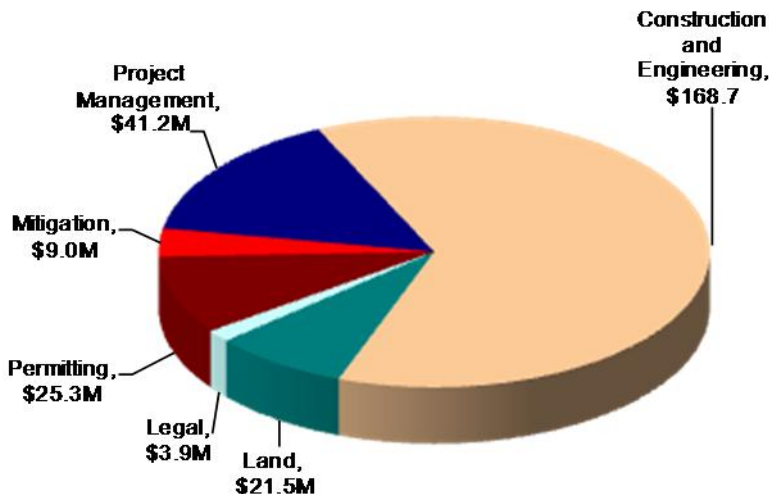
Figure 2 – Phase 1 Budget Progress – Actual Costs through July 2012



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.

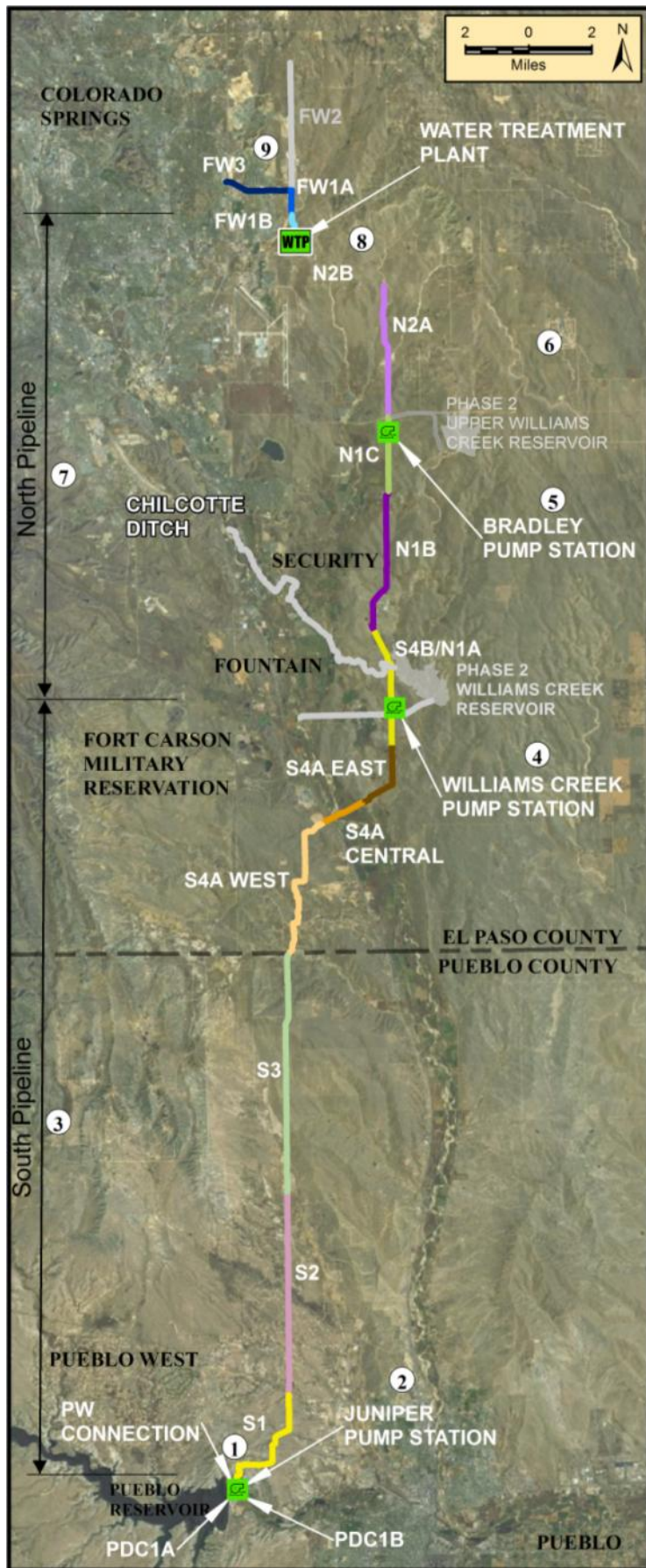
Figure 3 – Distribution of Phase 1 Direct Costs through July 2012 (\$270M Total)



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 \$270 million, with a majority expended on construction and engineering, permitting, land, and management activities.
- Forecasted costs for 2012 are \$125 million with a cumulative expenditure of \$330 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



	<u>Schedule</u>	<u>Cost</u>
9 Finished Water Pipeline (FW) Design: 70% Land: 70% of properties secured Focus: Construction complete for sections 1A & 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 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)	●	●

<u>Legend</u>	
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.