

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 March, construction continued at Pueblo Dam, the 18.3-mile segment of South Pipelines 1, 2, and 3, the 8.6-mile segment of South 4B, North 1A, and North 1B pipelines, and the 0.4-mile Finished Water Pipeline 1B. Upcoming work includes progressing construction, advancing design of the remaining pipeline segments and facilities, and land acquisition. About 16 miles of pipe has been installed through the end of March.

Key Accomplishments in March

- Construction Continued for Pueblo Dam Connection.** ASI Constructors continued construction of Pueblo Dam Connection 1A – an SDS connection to the Pueblo Dam North Outlet Works. ASI continued backfill and compaction around the retaining structure, set the 90-inch diameter section of pipe between the new concrete valve structure and retaining structure, and prepared for placement of the concrete walkway. Final completion is estimated to occur July 2012.



Setting the 90-inch diameter section of pipe at the SDS Pueblo Dam Connection

- Construction Continued for South Pipelines 1, 2, & 3.** Construction advanced for three pipeline sections composed of 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 continued rock trenching in preparation for installing pipe, advanced the construction of Best Management Practices (BMPs), and built temporary fencing. Garney Construction completed a crossing of Kirkwood Drive for South Pipeline 2 (S2). At South Pipeline 3 (S3), Reynolds, Inc. completed construction across Antelope Road in the Midway Ranches area. Both S2 and S3 received daily pipe deliveries and progressed trenching and installation of pipe. Final completion of S1 is estimated to occur January 2013, final completion of S2 is estimated August 2012, and final completion of S3 is estimated September 2012.
- Construction Continued on South Pipeline 4B and North Pipelines 1A and 1B.** HCP Constructors continued construction of an 8.6-mile section of pipeline through southeastern El Paso County from south of Squirrel Creek Road to Peaceful Valley Road east of Security and Fountain. HCP completed trenching, pipe delivery, and installation in the Peaceful Valley neighborhood and continued welding and backfill operations. Final completion is estimated to occur October 2012.

Upcoming Work & Challenges

- Continue Construction of Pueblo Dam Connection.** ASI Constructors will continue construction of Pueblo Dam Connection 1A, installing electrical conduit at the valve facility, placing concrete walls of the retaining structure, and welding the 60-inch diameter arm section of pipe.
- Continue Construction of South Pipelines 1, 2, & 3.** Construction will continue on three South Pipelines; HCP Constructors will progress pipe delivery and trenching and anticipates installation of pipe to begin on S1. Garney Construction expects to meet the halfway mark (50% complete) for installed pipe, anticipates construction of the pipeline across Purcell Boulevard, and will be installing fiber optic conduit on S2. Reynolds, Inc. will have only 1.5-miles of pipe remaining to install (90% complete) as construction advances through the Midway Ranches area and crosses Pronghorn Road for S3.
- Continue Construction of South Pipeline 4B and North Pipelines 1A and 1B.** HCP Constructors will continue construction of this section, with backfill operations commencing in the Peaceful Valley area and moving south, and trenching and pipe installation to continue on the south side of Squirrel Creek Road.
- Continue Pipeline and Facilities Design.** Various design firms will continue preparing designs for South Pipeline 4A, North pipelines 1C, 2A, and 2B, Finished Water Pipeline 3, Water Treatment Plant and Finished Water Pump Station, and Raw Water Pump Stations. The Pueblo Dam Connection 1B construction procurement will approach finalization.
- Continue Land Acquisition.** The SDS team will continue to secure the properties needed for SDS Phase 1. Properties along South Pipeline 4A and North pipelines 1C and 2A in El Paso County will be the primary focus.

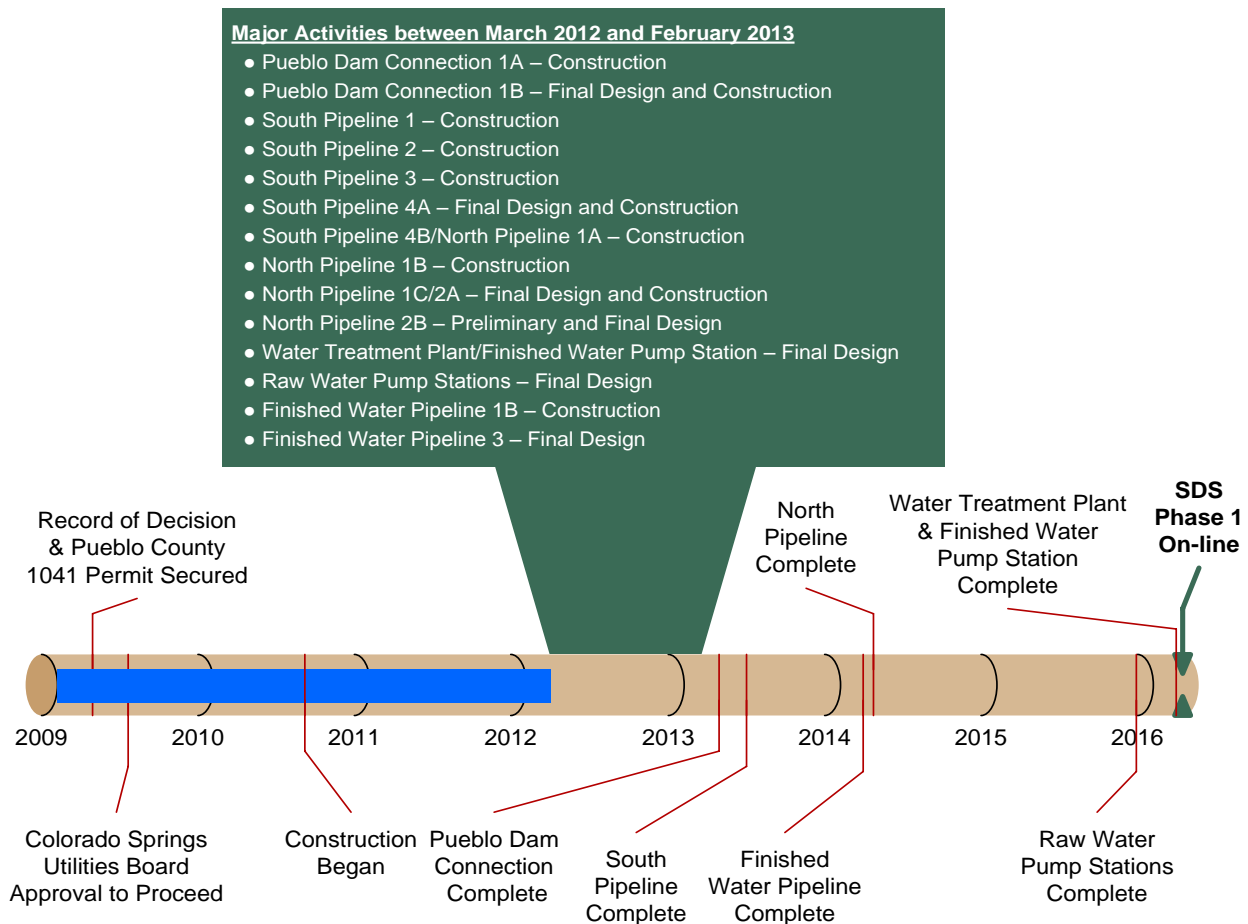
Schedule Summary

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.

Ten 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 2B Designer** – Q2 2012
- **Pueblo Dam Connection 1B Construction Contractor** – Q2 2012
- **South Pipeline 4A Construction Contractor** – Q2 2012
- **North Pipeline 1C/2A Construction Contractor** – Q2 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.

Local and Small Business Construction Opportunities

McCarthy Building Companies, design-build contractor for the SDS Water Treatment Plant and Finished Water Pump Station, and **CDM - Western Summit**, design-build contractor for the SDS Raw Water Pump Stations, have established separate websites that identify potential subcontractor opportunities and allow businesses to identify themselves and submit qualifications. Interested businesses can participate by accessing:

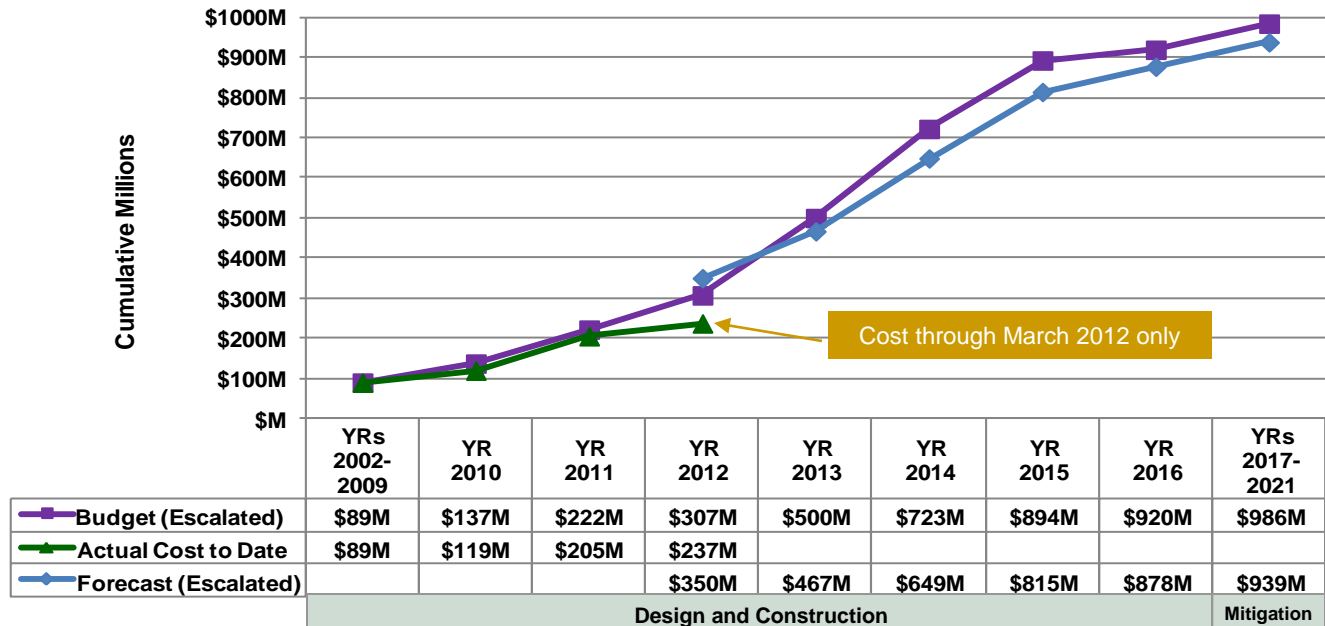
Water Treatment Plant and Finished Water Pump Station
<http://mccarthy-sdswatertreatmentplantproject.com/project-information/>

Raw Water Pump Stations
<http://www.isqft.com/new/difference>

Cost Summary

Figure 2 shows the budget for Phase 1, actual costs through March 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 \$986 million 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.

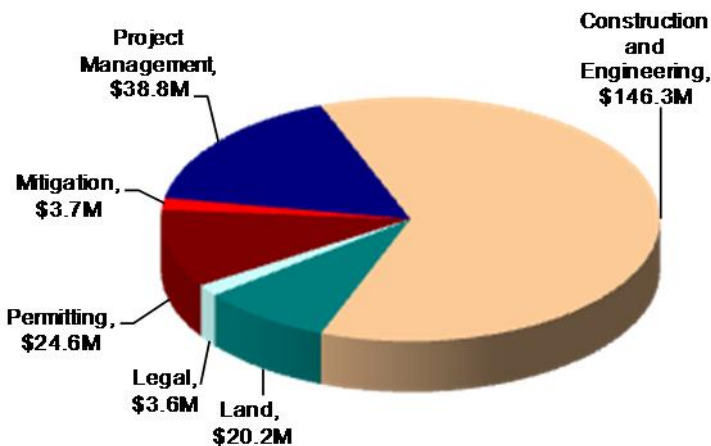
Figure 2 – Phase 1 Budget Progress – Actual Costs through March 2012



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.

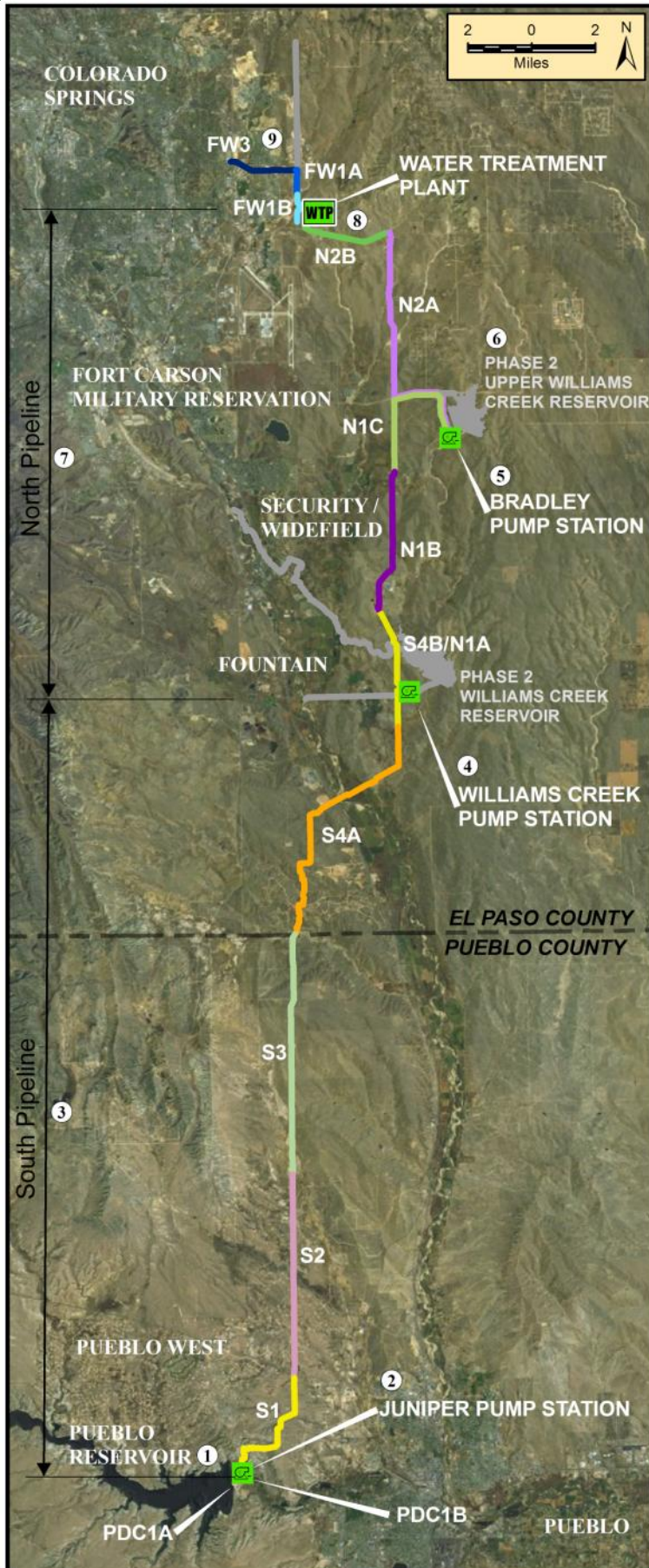
Figure 3 – Distribution of Phase 1 Direct Costs through March 2012 (\$237M)



Key Financial Details

- The budget for Phase 1 is \$986 million, including actual and projected escalation, while the current cost forecast is \$939 million. The project is currently forecasting completion about \$47 million below budget.
- Cumulative actual costs to date are \$237 million, with a majority expended on construction and engineering, permitting, land, and management activities.
- Forecasted costs for 2012 are \$145 million with a cumulative cost of \$350 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: 40% Land: 70% of properties secured Focus: Constructing segment 1B, preparing a final design for segment 3	●	●
8 SDS Water Treatment Plant and Finished Water Pump Station Design: 60% Land: 100% of properties secured Focus: Preparing a final design	●	●
7 North Pipeline (N) Design: 90% Land: 40% of properties secured Focus: Constructing segments 1A & 1B, preparing a final design for segments 1C & 2A, completing a preliminary design for segment 2B	●	●
6 Upper Williams Creek Reservoir Design: 30% design complete; completion of design planned in SDS Phase 2 Land: Acquisition planning under way Focus: No significant activities	●	●
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: 90% of properties secured Focus: Constructing segments 1, 2, & 3, preparing a final design for segment 4A, constructing segment 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, preparing to procure a construction contractor for 1B (pipeline)	●	●

<u>Legend</u>	
<u>Schedule Status</u>	<u>Cost Status</u>
● 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.