

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 the 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 November, construction continued at Pueblo Dam, the 6.4-mile South Pipeline 2, the 8.6-mile segment composed of South 4B, North 1A, and North 1B pipelines, and 0.4-mile Finished Water Pipeline 1B. Construction began on the 7.6-mile South Pipeline 3. Procurements concluded for a raw water pump stations design-build firm and a final designer for Finished Water Pipeline 3.

Key Accomplishments in November

- **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 began installing the steel liner within Pueblo Dam and continued constructing the valve house.
- **Construction Continued for South Pipeline 2.** Garney Construction continued construction of South Pipeline 2 – a 6.4-mile raw water pipeline from Highway 50 to the northern boundary of Pueblo West. Work included installing environmental controls, rock trenching in some areas and continuing pipe fabrication.
- **Construction Began for South Pipeline 3.** Reynolds, Inc. began construction of South Pipeline 3 – a 7.6-mile raw water pipeline extending from South Pipeline 2 north to the boundary of Pueblo and El Paso counties. Initial work included equipment mobilization, installation of field office trailers and environmental controls, and some site clearing.
- **Construction Continued on South Pipeline 4B and North Pipelines 1A and 1B.** HCP Constructors continued construction of an 8.6-mile segment of SDS through southeastern El Paso County from south of Squirrel Creek Road to Peaceful Valley Road east of Security. Trench excavation, pipe deliveries, and pipe installation all continued.
- **Construction Continued on Finished Water Pipeline 1B.** Garney Construction continued construction of Finished Water Pipeline 1B – a 0.4-mile segment of two parallel finished water pipelines originating at the water treatment plant site and crossing beneath Highway 24. Boring began on the second of the two tunnels in November.
- **Key Design and Construction Procurements Concluded.**
 - Raw Water Pump Stations. A team of Western Summit Constructors and CDM Constructors was selected from among firms that submitted proposals for design and construction of the SDS raw water pump stations, which will pump water from Pueblo Dam through the raw water pipeline.
 - Finished Water Pipeline 3. Dewberry-Integra was selected from among design firms that submitted proposals to prepare a final design for Finished Water Pipeline 3. This 2.1-mile section of finished water pipeline will extend along Constitution Avenue between Marksheffel Road and Powers Boulevard in eastern Colorado Springs.

Upcoming Work & Challenges

- **Continue Construction for Major Projects.**
 - Pueblo Dam Connection. ASI Constructors will continue construction of Pueblo Dam Connection 1A, focusing on installing the steel liner within the dam.
 - South Pipeline 2. Garney Construction will continue construction of South Pipeline 2, including pipe fabrication, rock trenching in some areas, commencing pipe deliveries, and preparing for tunneling beneath Highway 50 for a pipeline crossing.
 - South Pipeline 3. Reynolds, Inc. will continue construction of South Pipeline 3, including pipe fabrication and delivery, trench excavation, and pipe installation.
 - Finished Water Pipeline 1B. Garney Construction will continue construction of Finished Water Pipeline 1B, including boring the second tunnel beneath Highway 24.
- **Continue Pre-construction Work for South Pipeline 1.** HCP Constructors will continue pre-construction work for South Pipeline 1 – a 4.3-mile pipeline extending from the Juniper Pump Station site near Pueblo Dam and north and northeast almost to Highway 50 in southeastern Pueblo West. Primary activities will include materials acquisition and preparing for mobilization.



Aerial view of pipe fabricated for SDS by Northwest Pipe in Denver (blue-coated and uncoated pipe is all for SDS), October 2011

Schedule Summary

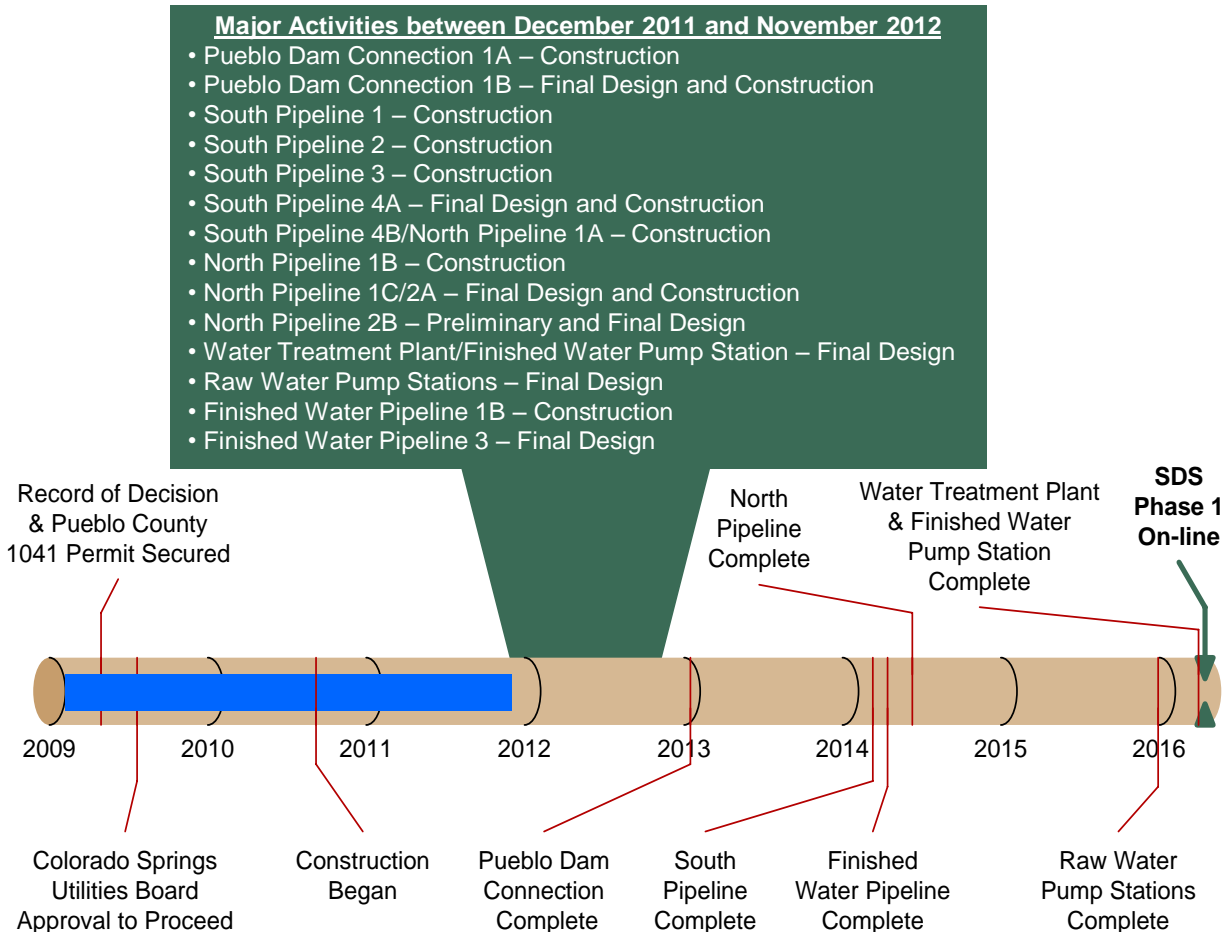
Figure 1 summarizes the schedule for completing Phase 1 of the SDS. This timeline shows the planned sequence for completing each of the core projects within Phase 1. It also highlights the major activities for the next 12 months. Colorado Springs Utilities anticipates completing Phase 1 as planned, with 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. Construction of Pueblo Dam Connection 1A was rescheduled to begin in May 2011 due to extended contracting with the Bureau of Reclamation.

Ten construction projects are under way or scheduled to commence during the next 12 months. Continued design of seven projects also is planned. Major procurements to support some of these activities are identified below.

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 – Q3 2012**

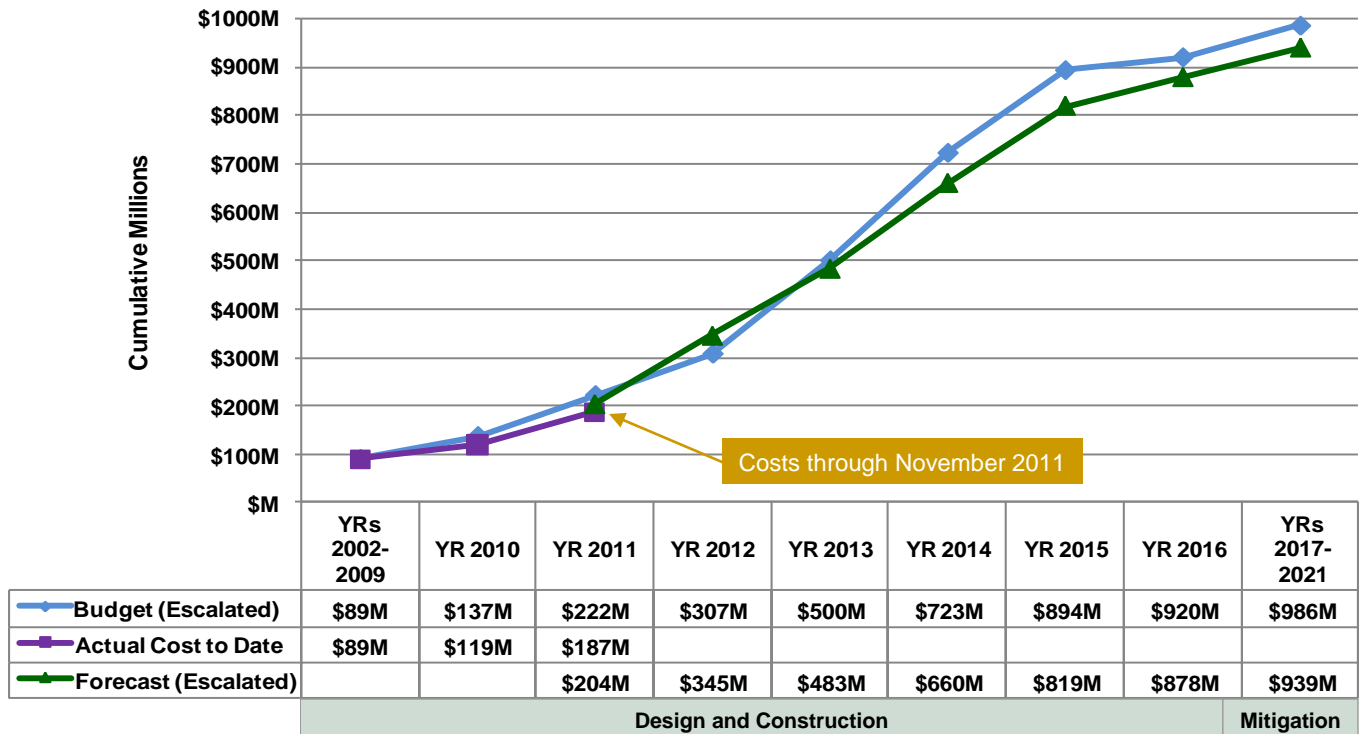
Interested parties are encouraged to monitor the Rocky Mountain E-Purchasing System website (www.RockyMountainBidSystem.com) for these or other opportunities with Colorado Springs Utilities. Some opportunities are open only to pre-qualified companies.

Local and Small Business Opportunities for Water Treatment Plant and Finished Water Pump Station – McCarthy Building Companies was selected as the design-build contractor for the SDS Water Treatment Plant and Finished Water Pump Station. The McCarthy team is committed to finding opportunities for local and small businesses on this project. Toward that end, McCarthy has established a website that identifies potential subcontractor opportunities and allows businesses to identify themselves and submit their qualifications. Interested businesses can participate by accessing <http://mccarthy-sdswatertreatmentplantproject.com/project-information/>.

Cost Summary

Figure 2 shows the budget for Phase 1, actual costs through November 2011, 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.

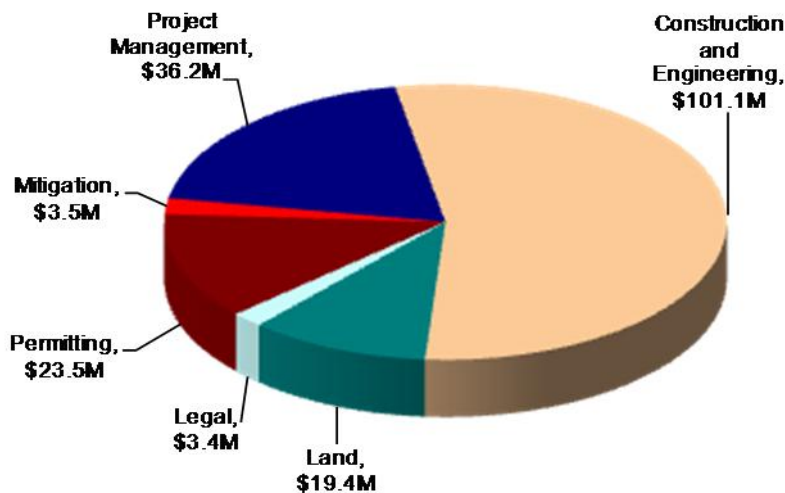
Figure 2 – Phase 1 Budget Progress – Actual Costs through November 2011



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.

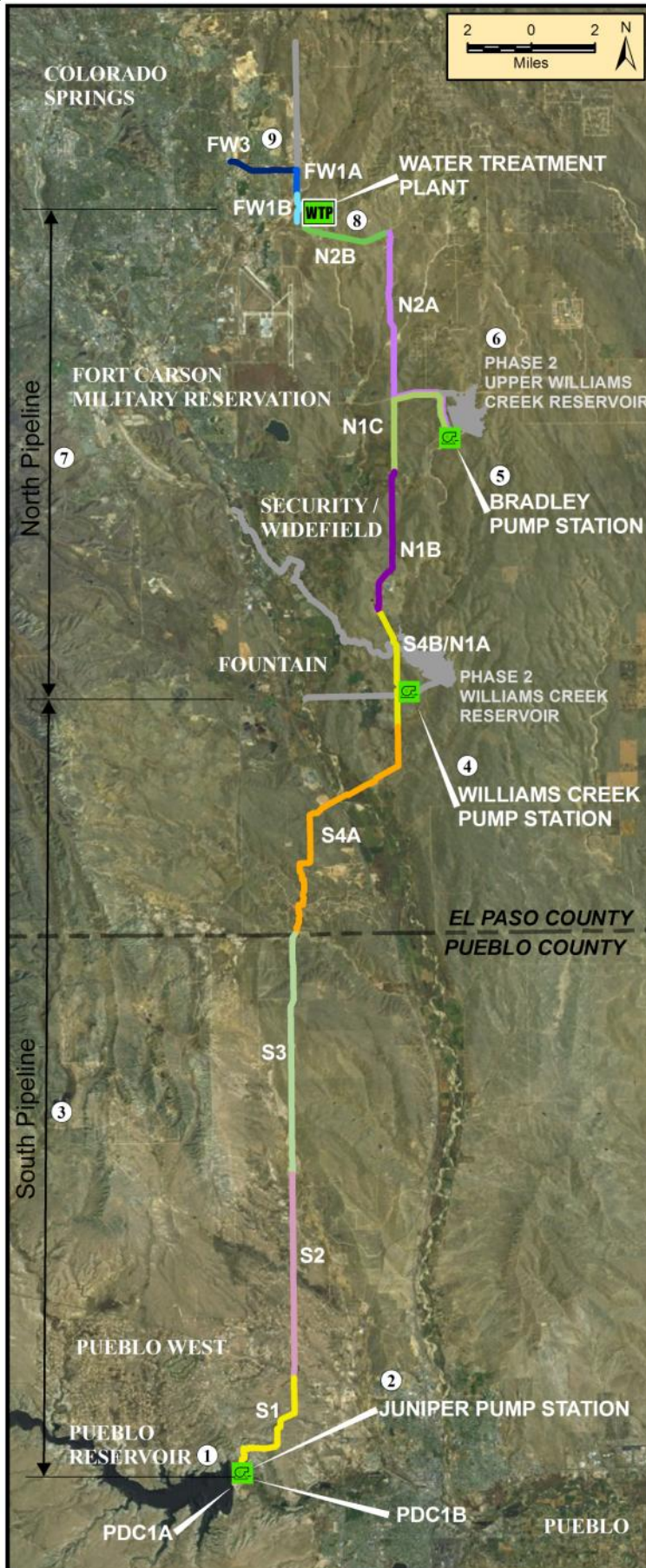
Figure 3 – Distribution of Phase 1 Direct Costs through November 2011 (\$187M)



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 \$187 million, with a majority expended on construction and engineering, permitting, land, and management activities.
- Forecasted costs for 2011 are \$85 million with a cumulative cost of \$204 million by the end of 2011.
- Forecasted costs exceed the budget in 2012 due to potential acceleration of pipeline construction 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, commencing final design for segment 3	●	●
8 SDS Water Treatment Plant and Finished Water Pump Station Design: 30% Land: 100% of properties secured Focus: Preparing a final design	●	●
7 North Pipeline (N) Design: 80% Land: 40% of properties secured Focus: Constructing segments 1A & 1B, preparing a final design for segments 1C & 2A, preparing 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: Commencing final design	●	●
4 Williams Creek Pump Station Design: 30% Land: 100% of properties secured Focus: Commencing final design	●	●
3 South Pipeline (S) Design: 80% Land: 90% of properties secured Focus: Continuing pre-construction for segment 1, constructing segments 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: Commencing final design	●	●
1 Pueblo Dam Connection (PDC) Design: 60% Land: Not required Focus: Constructing 1A, preparing a final design 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.