

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 October, construction began on the Bradley Pump Station Power Supply infrastructure and continued on South Pipeline 1, and pre-construction activities continued on South Pipeline 4A East/West and North Pipeline 1C/2A (refer to map on page 4). Upcoming work includes progressing construction, advancing design of the remaining pipeline sections and facilities, and continuing land acquisition.

Key Accomplishments in October

- Construction Began on Bradley Pump Station Power Supply.** Colorado Springs Utilities began construction of the power supply for Bradley Pump Station with work spanning 3.6 miles along Powers Boulevard and Bradley Road. Work included the installation of 5,300 ft. of underground duct, 35 overhead power poles, and 9 vaults. Construction cost is approximately \$3 million.
- Construction Continued for Raw Water Pipelines.**

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 completed tunneling beneath a railroad crossing, finished crossing under a section of the Fountain Valley Authority (FVA) water pipeline, and installed 5,860 ft. of pipe in trench. Construction cost is approximately \$20 million.

South Pipeline 4A East and West. Garney Construction continued pre-construction 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 included securing permits for construction, surveying work limits, and installing construction stormwater controls. Construction cost is approximately \$26 million.

North Pipeline 1C and 2A. Layne Heavy Civil, Inc. continued pre-construction activities on North Pipeline 1C and 2A – a 6.1-mile raw water pipeline section extending from North Pipeline 1B near Peaceful Valley to approximately 1 mile south of Highway 94. Pre-construction activities included surveying and construction planning.



Installing pipe in trench at South Pipeline 1

Upcoming Work & Challenges

- Construction to Commence for South Pipeline 4A East and West.** Garney Construction expects to begin construction of the west section – mobilizing equipment, receiving pipe deliveries, and installing pipe. Final completion of the pipeline is estimated to occur September 2013.
- Continue Construction of Bradley Pump Station Power Supply.** Colorado Springs Utilities will continue construction of the power supply for Bradley Pump Station installing conduit along Bradley Road east of Marksheffel Road. Final completion of the first phase of installation is estimated to occur January 2013.
- Continue Construction of South Pipeline 1.** HCP Constructors will continue construction of South Pipeline 1, anticipating crossing under another portion of FVA water pipeline and completing all pipe laying activities. Final completion of the pipeline is estimated to occur January 2013 with revegetation to follow.
- Continue Pipeline and Facilities Design.**

Design efforts will continue for North Pipeline 2B, Finished Water Pipeline 3, and the Raw Water Pump Stations. The SDS team will prepare to procure a design-build contractor for South Pipeline 4A Central.

- 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 Central and North Pipelines 1C, 2A, and 2B in El Paso County.



Placement of electrical ductbank for Bradley Pump Station Power Supply



SPOTLIGHT

Peaceful Valley Appreciation Event

About 20 residents from the Peaceful Valley area of Fountain attended an event on October 26 to celebrate the completion of South Pipeline 4B/North Pipeline 1A/1B pipeline installation through their neighborhood. SDS representatives were joined by the City of Fountain Utilities Director, Larry Patterson, to thank residents for their patience and cooperation during the project. The event also presented an opportunity to discuss upcoming pipeline construction heading north of the neighborhood and inform residents about plans for Upper Williams Creek Reservoir, part of SDS Phase 2.

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.

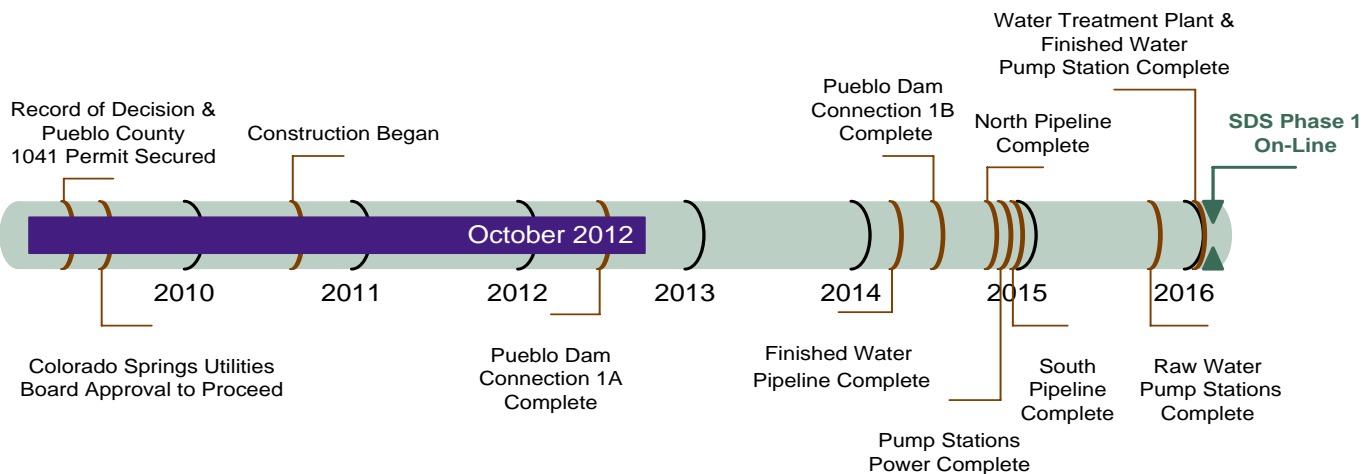
Routine permitting, land acquisition, and final design of selected projects advanced after major permits and approvals were secured in 2009. Construction of the first pipeline project began in 2010 and is complete.

Nine 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

Major Activities: October 2012 – September 2013

- Pueblo Dam Connection 1B – Construction
- South Pipeline 1 – Construction
- 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
- Juniper Pump Station Power Supply – Final Design
- 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:

- **South Pipeline 4A Central Design-Build Contractor** – Q1 2013
- **Raw Water Pump Stations Construction Contractor** – Q1 2013
- **Raw Water Pump Stations Pumps, Motors, and Drives Selection Package** – Q1 2013
- **Finished Water 3 Pipeline Construction Contractor** – Q1 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 Pre-Qualification

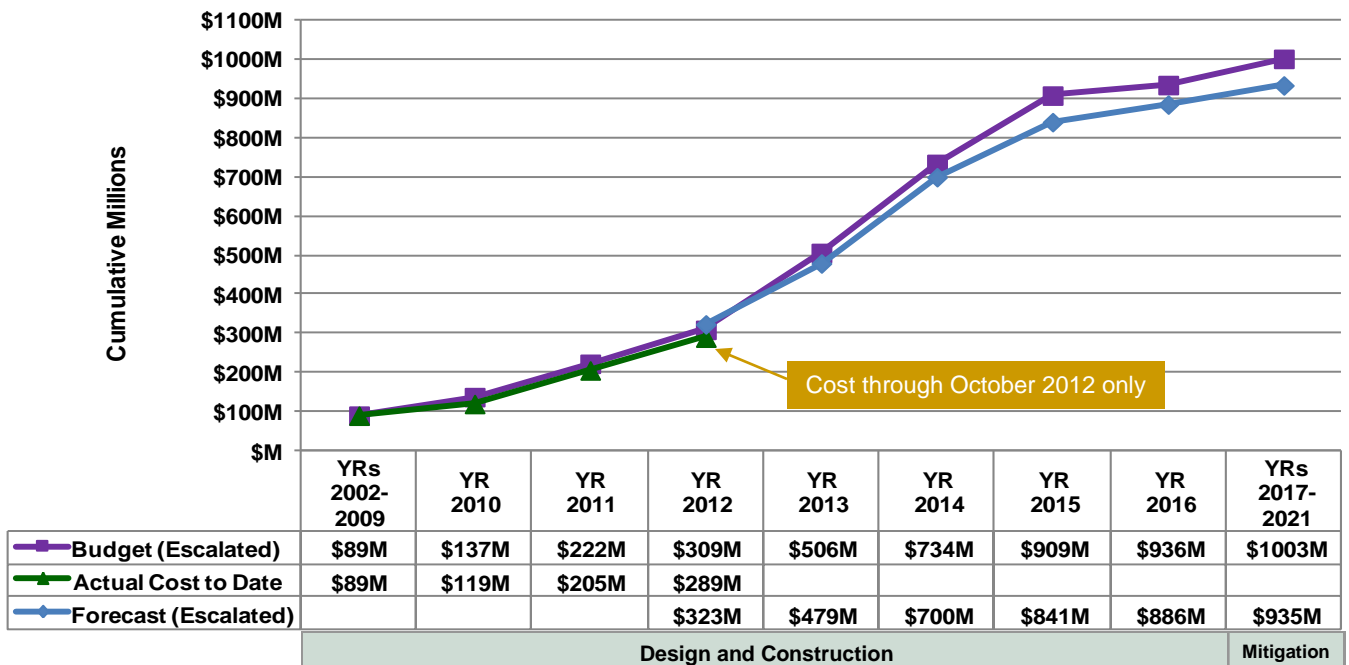
Colorado Springs Utilities began a process in September 2012 to pre-qualify firms with experience in constructing large raw water pump stations. Pre-qualified firms will be asked to provide bids in Q1 of 2013 to construct the three SDS raw water pump stations. An open house will be held December 4, 2012 to allow local and small businesses to meet with the pre-qualified prime contractors. For more information, follow the link below:

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

Cost Summary

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

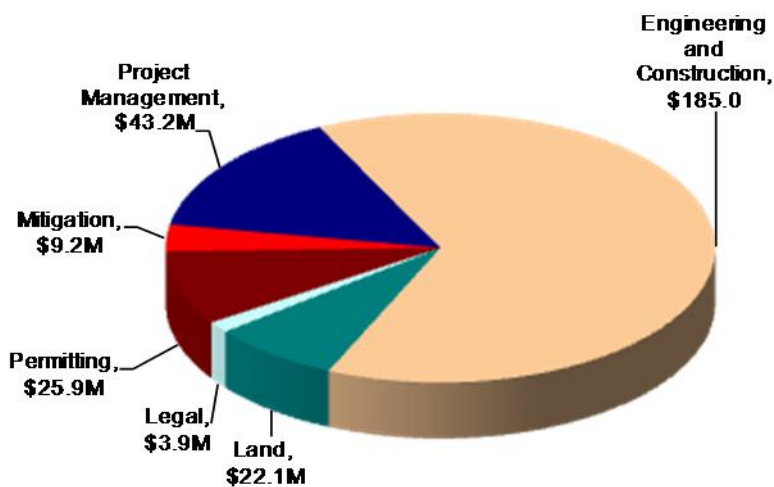
Figure 2 – Phase 1 Budget Progress – Actual Costs through October 2012



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.

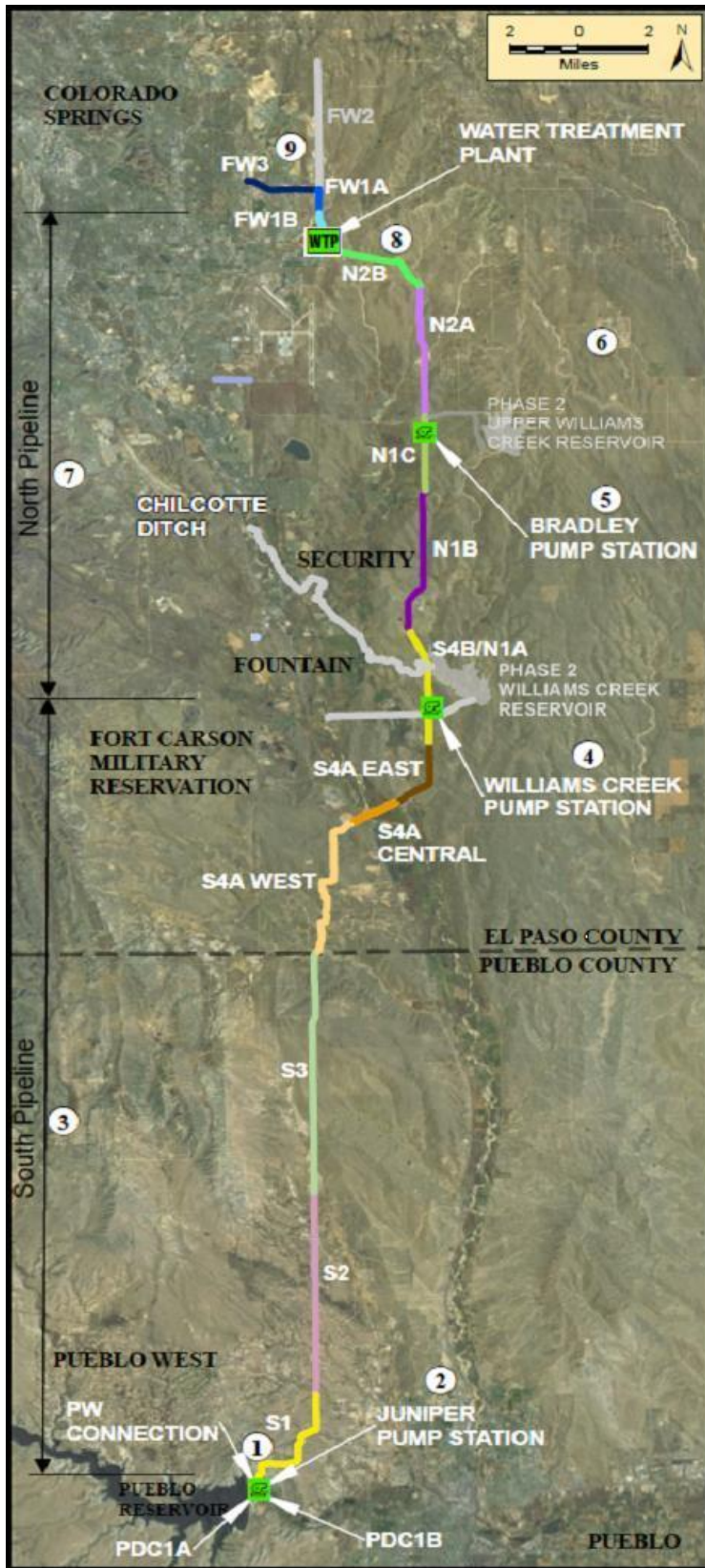
Figure 3 – Distribution of Phase 1 Direct Costs through October 2012 (\$289M Total)



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 \$289 million, with a majority expended on engineering and construction, permitting, land, and management activities.
- Forecasted costs for 2012 are \$118 million with a cumulative expenditure of \$323 million by the end of 2012.

Figure 4 – Phase 1 Projects Status Map



Program Overview

9 Finished Water Pipeline (FW)
 Design: 80%
 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: Continuing construction bidding

7 North Pipeline (N)
 Design: 90%
 Land: 40% of properties secured
 Focus: Concluding construction of sections 1A & 1B, 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
 Focus: Taking measures to protect site location

5 Bradley Pump Station
 Design: 90%
 Land: Acquisition planning under way
 Focus: Preparing a final design, pre-qualifying construction contractors, constructing power supply

4 Williams Creek Pump Station
 Design: 90%
 Land: 100% of properties secured
 Focus: Preparing a final design, pre-qualifying construction contractors, preparing a final design for power supply

3 South Pipeline (S)
 Design: 90%
 Land: 90% of properties secured
 Focus: Constructing section 1, preparing to procure a design-build contractor for section 4A Central, continuing pre-construction activities for sections 4A East and West, concluding construction of section 4B

2 Juniper Pump Station
 Design: 90%
 Land: Coordinating land use authorization with the Bureau of Reclamation
 Focus: Preparing a final design, pre-qualifying construction contractors

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.