

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 August, extensive concrete work continued at Pueblo Dam, a construction contractor was procured for South Pipeline 1, pre-construction activities continued on South Pipeline 2 and Finished Water Pipeline 1B, and trench excavation and pipe deliveries progressed for the 8.6-mile segment composed of South 4B, North 1A, and North 1B pipelines.

Key Accomplishments in August

- **Concrete Placement Continues for Pueblo Dam Connection.** ASI Constructors continued construction of Pueblo Dam Connection 1A – an SDS connection to the Pueblo Dam North Outlet Works. ASI placed an additional 1,630 cubic yards of concrete for the connection’s foundation. Concrete placements through August totaled 2,060 cubic yards. ASI also continued preparatory work within Pueblo Dam while Springs Fabrication and Rodney Hunt Corporation continued fabricating a steel liner to install within the dam and fabricating control valves, respectively.
- **South Pipeline 1 Construction Contractor Procured.** Pre-qualified contractors submitted bids on August 25 to construct South Pipeline 1 – a 4.3-mile raw water pipeline segment from the Juniper Pump Station site near Pueblo Dam north and northeast almost to Highway 50 in southeastern Pueblo West. Pueblo County-based HCP Constructors submitted the lowest responsive bid of \$18.8 million and was selected to construct this project. Contracting and pre-construction activities including permitting, planning, and pipe fabrication will occur over the next few months.
- **Pre-construction Work for South Pipeline 2 and Finished Water Pipeline 1B Continued.** Garney Construction continued pre-construction work for South Pipeline 2 – a 6.4-mile pipeline extending north from Highway 50 to the northern boundary of Pueblo West – and 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. Primary activities included permitting, planning, and materials acquisition. In addition, the SDS Team finished securing the easements for South Pipeline 2.
- **Construction Continued for 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 and pipe deliveries proceeded in August.



SDS Pipe Staged for Installation

Upcoming Work & Challenges

- **Continue Raw Water Pump Stations Design-Build Procurement.** Proposals for design and construction of the SDS raw water pump stations, which will pump water from Pueblo Dam through the raw water pipeline to the water treatment plant, are due September 13. These proposals will describe each respondent’s plan for delivering the facilities through a “Progressive Design-Build” approach. The SDS team will commence a rigorous evaluation of the proposals before selecting a finalist.
- **Commence Construction of South Pipeline 2 and Finished Water Pipeline 1B.** Garney Construction will begin construction of South Pipeline 2 and Finished Water Pipeline 1B. Work on South Pipeline 2 will begin with an assessment of existing site and roadway conditions, demolition of five existing structures already purchased by the SDS Project, and installation of environmental controls. For Finished Water Pipeline 1B, the initial focus will be installing environmental controls and tunneling beneath Highway 24 for installation of the two parallel pipelines.
- **Begin Final Design Procurement for Finished Water Pipeline 3.** The SDS team will solicit proposals from engineering firms to develop a final design for Finished Water Pipeline 3. This 2.1-mile segment of finished water pipeline will extend along Constitution Avenue between Marksheffel Road and Powers Boulevard in eastern Colorado Springs. A Request for Proposal will be released on September 8 and proposals will be due October 6. The SDS team will commence a rigorous evaluation of the proposals before selecting a finalist.
- **Wetlands Mitigation.** On September 24, Colorado Springs Utilities and volunteers will improve Fountain Creek by planting a quarter-acre wetland south of Fountain on Clear Spring Ranch. More than 4,500 plants, 20 trees, and 20 shrubs will be planted. Wetlands provide wildlife habitat and improve water quality by reducing erosion and sedimentation. The wetland is planned to offset SDS effects on different wetlands within the U.S. Army Corps of Engineers’ regulatory jurisdiction.
- **Continue Land Acquisition.** The SDS team will continue to secure the properties needed for SDS Phase 1. Properties along South pipelines 1 and 3 in Pueblo County will remain the primary focus.

Schedule Summary

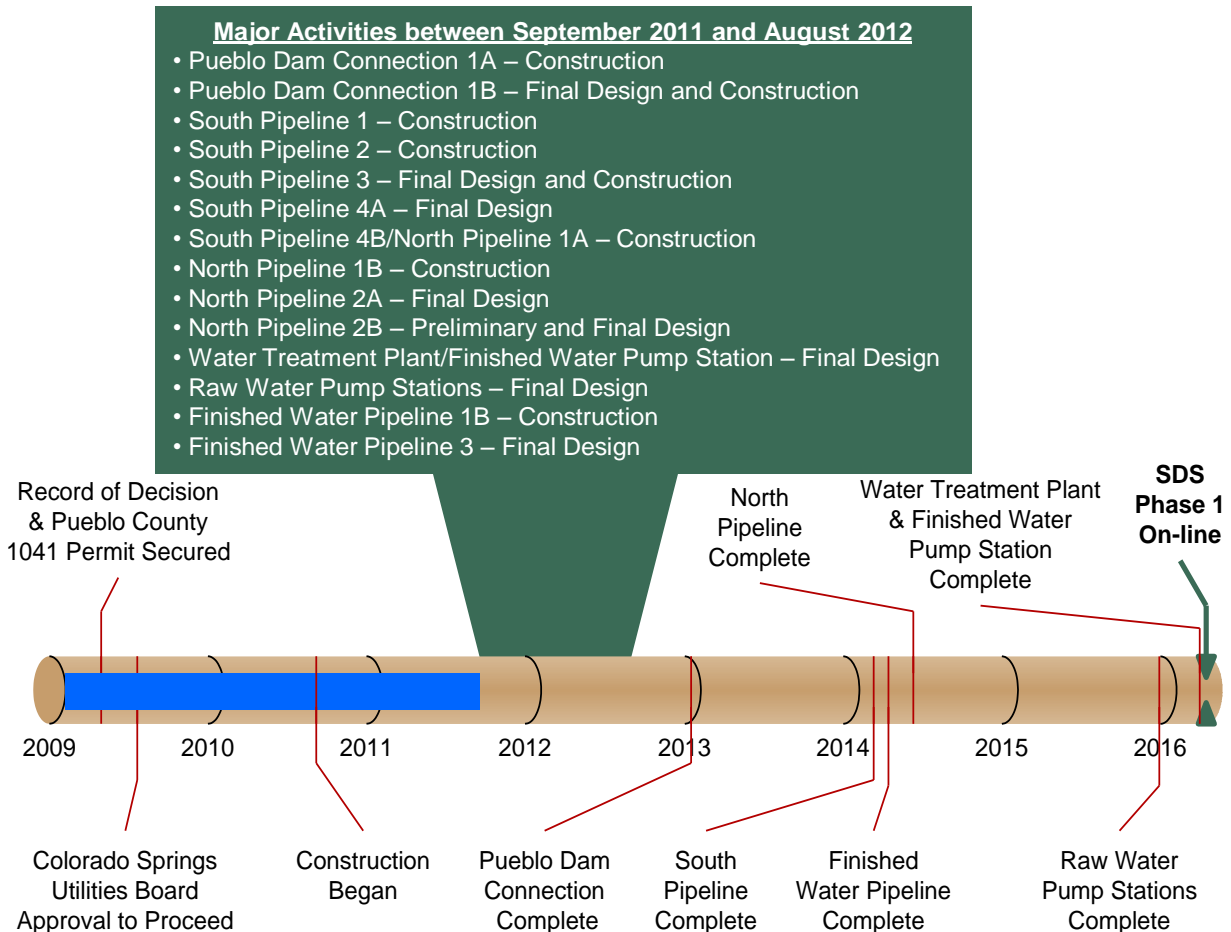
Figure 1 summarizes the schedule for completing Phase 1 of the SDS. This timeline shows the planned sequence for completing each of the core projects within Phase 1. It also highlights the major activities for the next 12 months. Colorado Springs Utilities anticipates completing Phase 1 as planned, with 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.

Six pipeline construction projects are scheduled to commence during the next 12 months. Continued design of nine 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:

- **Raw Water Pump Stations Design-Build Contractor** – In progress
- **Finished Water Pipeline 3 Designer** – Q3 2011
- **North Pipeline 2B Designer** – Q1 or Q2 2012
- **Pueblo Dam Connection 1B 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.

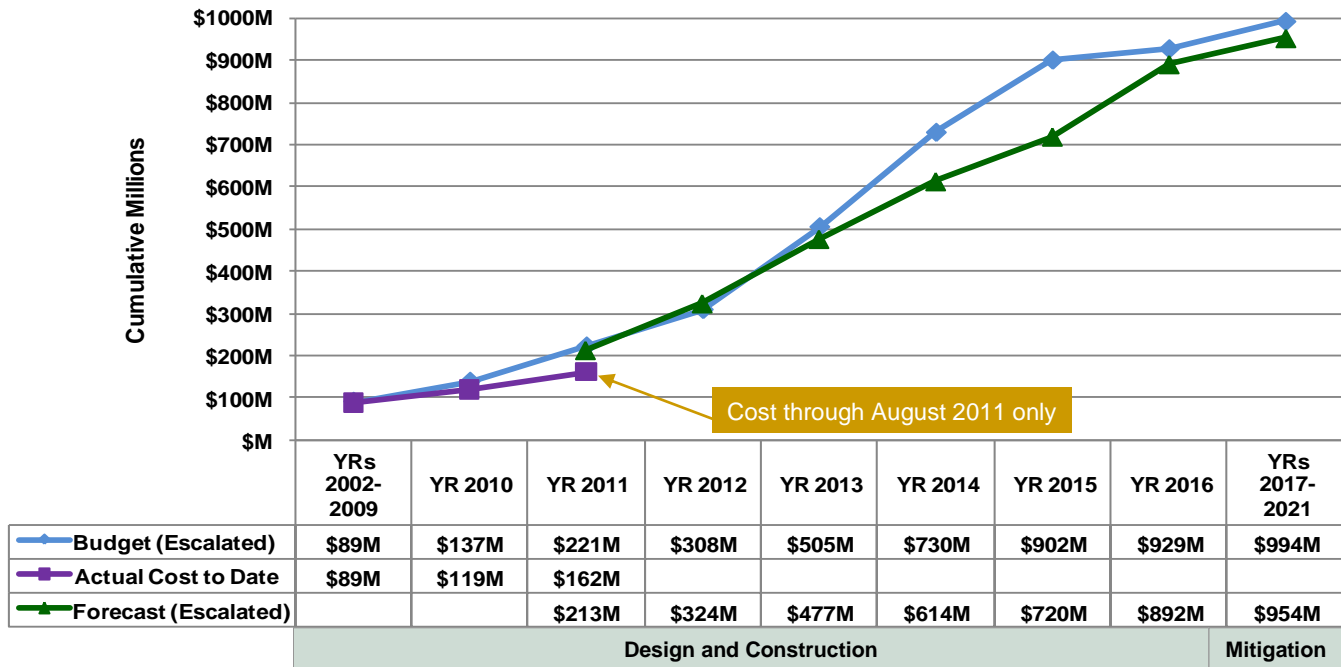
Local and Small Business Opportunities for Water Treatment Plant and Finished Water Pump Station – McCarthy Building Companies was selected as the design-build contractor for the SDS Water Treatment Plant and Finished Water Pump Station. The McCarthy team is committed to finding opportunities for local 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 cost through August 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 \$994 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.

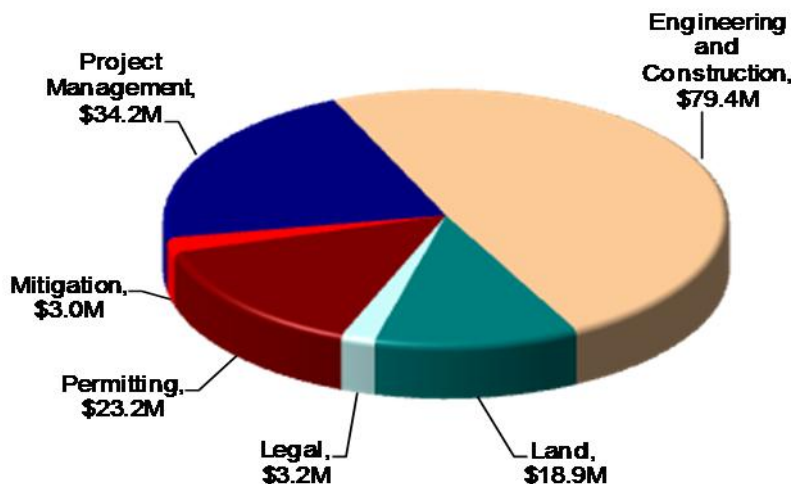
Figure 2 – Phase 1 Budget Progress – Actual Costs through August 2011



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.

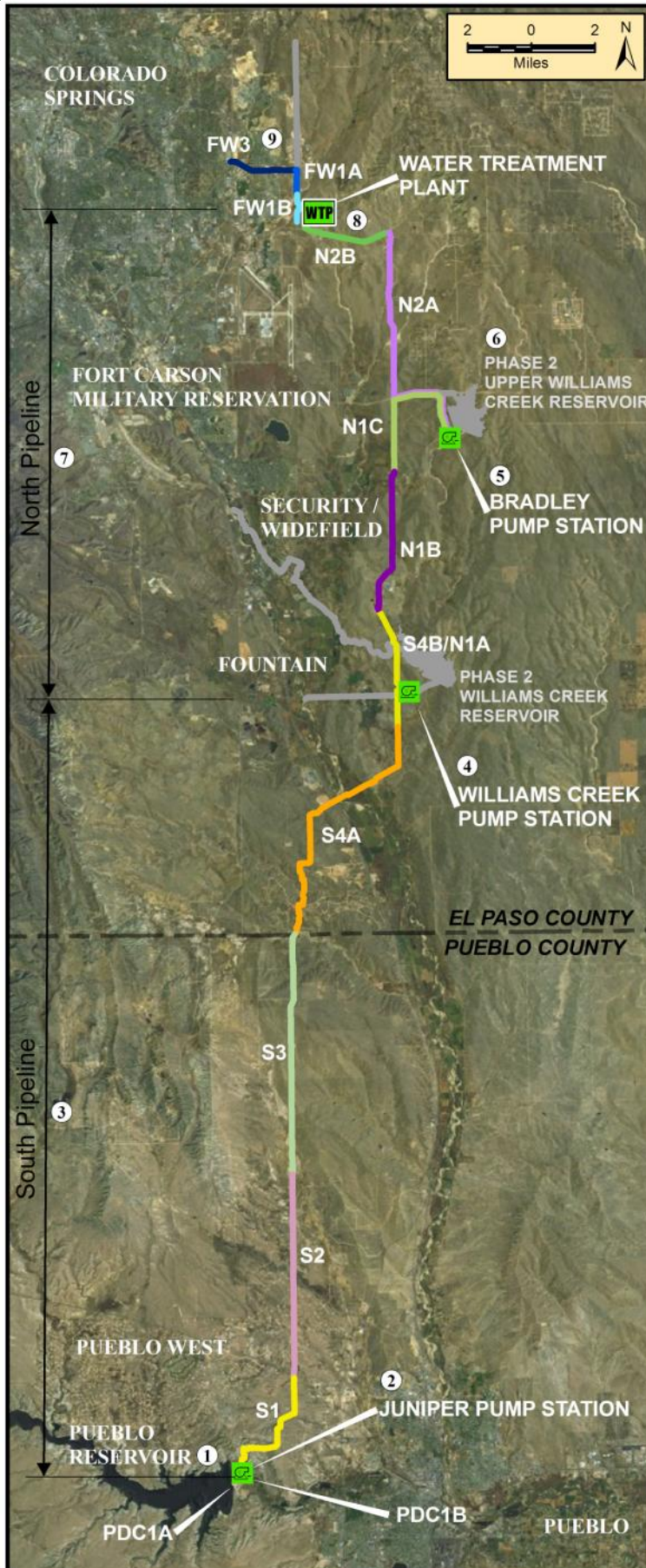
Figure 3 – Distribution of Phase 1 Direct Costs through August 2011 (\$162M)



Key Financial Details

- The budget for Phase 1 is \$994 million, including actual and projected escalation, and the current cost forecast is \$954 million. The project is currently forecasting completion about \$40 million below budget.
- Cumulative actual costs to date are \$162 million, with a majority expended on engineering and construction, permitting, land, and management activities.
- Forecasted costs for 2011 are \$94 million with a cumulative cost of \$213 million by the end of 2011.
- Forecasted costs slightly 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: Commencing construction activities of segment 1B, preparing to procure a designer 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	●	●
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: Procuring a design-build contractor	●	●
4 Williams Creek Pump Station Design: 30% Land: 100% of properties secured Focus: Procuring a design-build contractor	●	●
3 South Pipeline (S) Design: 70% Land: 80% of properties secured Focus: Acquiring land, commencing pre-construction for segment 1, commencing construction for segment 2, preparing a final design for segments 3 & 4A, constructing segment 4B	●	●
2 Juniper Pump Station Design: 30% Land: Coordinating land use authorization with the Bureau of Reclamation Focus: Procuring a design-build contractor	●	●
1 Pueblo Dam Connection (PDC) Design: 50% 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.