

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. With the commencement of South Pipeline 1, all 18.2 miles of SDS pipeline within Pueblo County are now under construction. Construction also continues at Pueblo Dam, the 8.6-mile segment of South 4B, North 1A, and North 1B pipelines, and the 0.4-mile Finished Water Pipeline 1B. In January, the SDS team secured the remaining properties and easements needed in Pueblo County. Upcoming work includes progressing construction, advancing design of the remaining pipeline segments and facilities, and land acquisition.

Key Accomplishments in January

- **Construction Commenced for South Pipeline 1.** HCP Constructors began construction of South Pipeline 1 – a 4.2-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. Work included mobilizing equipment and installing fencing and environmental controls. Pipe fabrication also continued.
- **Construction Continued for South Pipeline 2.** Garney Construction continued construction of South Pipeline 2 – a 6.4-mile raw water pipeline from South Pipeline 1 to the northern boundary of Pueblo West. Work included finishing construction entrances, delivering and laying pipe, rock trenching, and commencement of boring beneath Highway 50.
- **Construction Continued for South Pipeline 3.** Reynolds, Inc. continued 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. Work included trench excavation, pipe deliveries, and pipe installation.
- **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. Installation of piping and vaults was completed.
- **Secured Remaining Properties in Pueblo County.** In January, the SDS team secured the remaining properties and easements necessary for construction of the SDS pipeline within Pueblo County.



Delivering and laying pipe for South Pipeline 2

Upcoming Work & Challenges

- **Continue Construction of Major Projects.**
 - Pueblo Dam Connection.* ASI Constructors will continue construction of Pueblo Dam Connection 1A, including placement of two valves, a wye, and other piping. A wye is much like a splitter on a garden hose; one opening will direct water to the Arkansas River and the other opening to the SDS piping. The valves will control the flow of water.
 - South Pipeline 1.* HCP Constructors will continue construction of South Pipeline 1, progressing the installation of fencing and environmental controls and commencing site clearing and rock trenching.
 - South Pipeline 2.* Garney Construction will continue construction of South Pipeline 2, including completion of tunneling and pipe installation under Highway 50, as well as the progression of trenching, pipe delivery, and pipe installation.
 - South Pipeline 3.* Reynolds, Inc. will continue construction of South Pipeline 3, including trenching, materials delivery, and installation of pipe. The assembly and testing of a portable batch plant to supply concrete to the project is well under way.
 - South Pipeline 4B and North Pipelines 1A and 1B.* HCP Constructors will continue construction of this segment, focusing on tunneling under Squirrel Creek Road and the continuation of trenching, pipe delivery, and installation of pipe near the Peaceful Valley neighborhood. A pipeline crossing at Peaceful Valley Road will also be constructed.
- **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, and Raw Water Pump Stations. The Water Treatment Plant and Finished Water Pump Station will achieve 60 percent design completion, and the design of Pueblo Dam Connection 1B will conclude.
- **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.

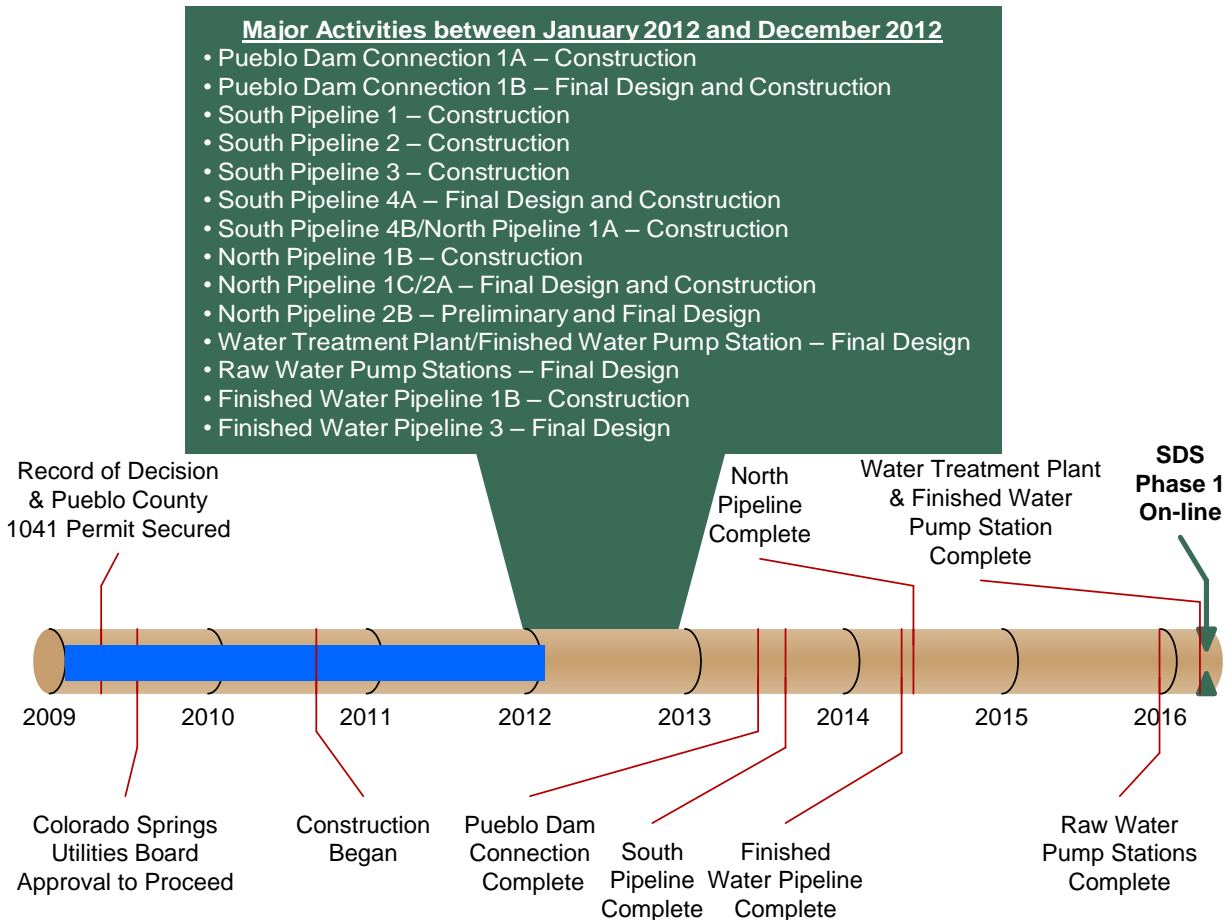
Schedule Summary

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. 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.

Ten construction projects are under way or scheduled to commence during the next 12 months. Continued design of seven projects is also 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 1 Revegetation 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 Construction

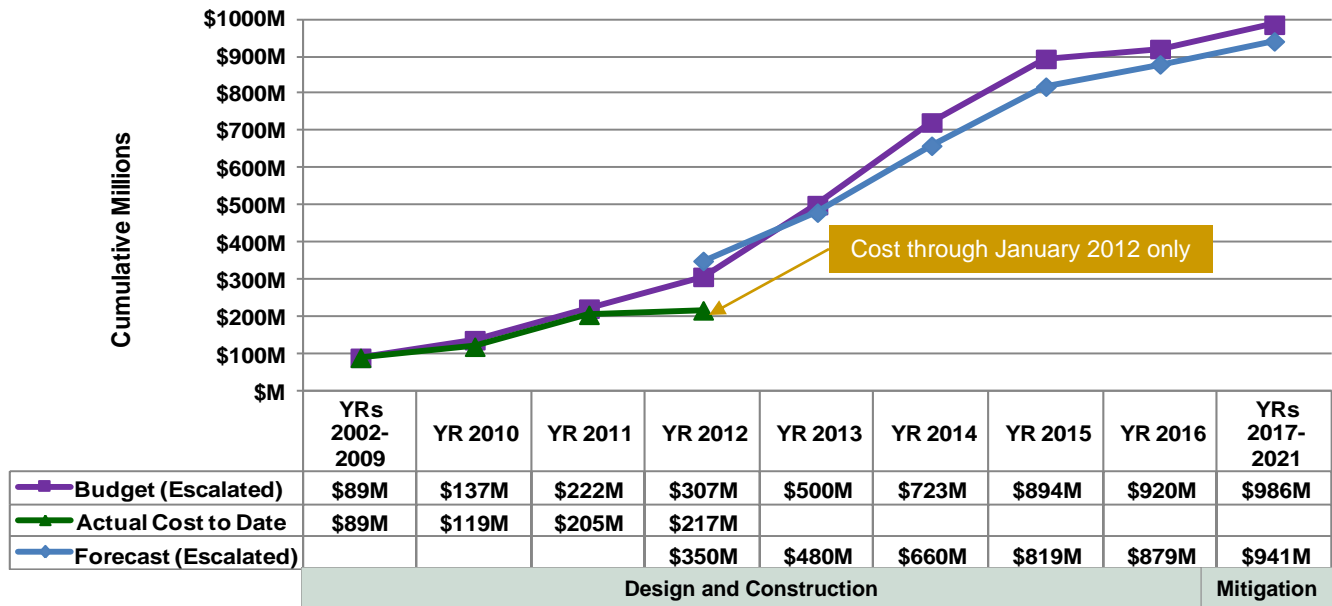
Businesses interested in potential subcontractor work for McCarthy Building Companies should access the following link:

<http://mccarthy-sdswatertreatmentplantproject.com/project-information/>

Cost Summary

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

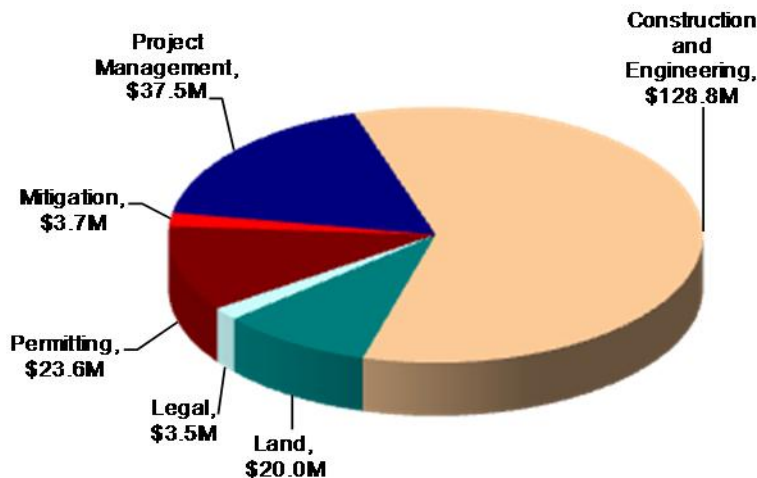
Figure 2 – Phase 1 Budget Progress – Actual Costs through January 2012



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.

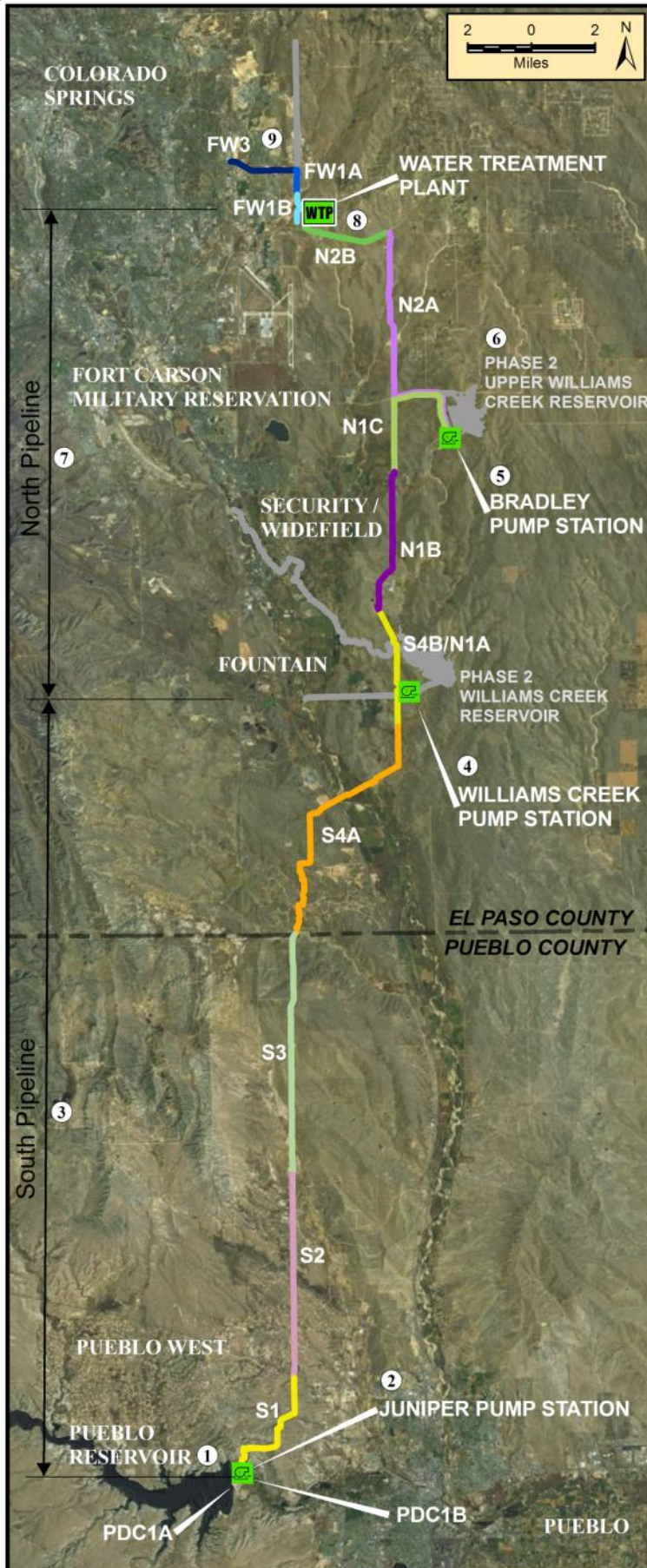
Figure 3 – Distribution of Phase 1 Direct Costs through January 2012 (\$217M)



Key Financial Details

- The budget for Phase 1 is \$986 million, including actual and projected escalation, while the current cost forecast is \$941 million. The project is currently forecasting completion about \$45 million below budget.
- Cumulative actual costs to date are \$217 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.
- 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, preparing a 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: 90% 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: 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: 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.