



Received by Department of
Planning & Development
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Ms. Valda I. Terauds, Special Assistant
United States Department of Interior
Bureau of Reclamation – Great Plains Region
Eastern Colorado Area Office
11056 West County Road 18E
Loveland, Colorado 80537-9711

June 29, 2012

Subject: 2011 Permit Compliance Annual Report for Southern Delivery System (SDS)

Dear Ms. Terauds:

Colorado Springs Utilities (CSU) is in receipt of a copy of Pueblo County's correspondence to you dated June 19, 2012 regarding the 2011 Permit Compliance Report (PCAR) for the SDS project. We would like to respond to the concerns expressed therein.

First, CSU would note that it takes very seriously all of the County and Reclamation permit/approval conditions related to stormwater control. It is actively engaged in efforts to both complete an updated, regional drainage criteria manual and to advance a long-term, regional solution to stormwater management. CSU has provided to Reclamation separate correspondence on this topic, which it has shared with the County. CSU will continue to keep both Reclamation and the County apprised of local stormwater management initiatives as they progress.

With specific reference to the statement at page 21 of the PCAR, as referenced on page 2 of the County correspondence, SDS acknowledges the need to address stormwater activities under ENF-1 (1)(y) of the Mitigation Appendix to the 1041 permit. However, page 21 of the PCAR refers to the condition found in ENF-1 (2), which concerns reports due "following commencement of water deliveries through the SDS pipeline." ENF-1 (1) is addressed on page 20 of the PCAR, and cross-references the quarterly reports to Pueblo County in which each of the relevant ENF-1 (1) provisions is discussed, including (1)(y). Hence, there may simply exist some confusion on this point.

As regards the \$27.9M spent to date as part of the total \$75M commitment towards wastewater system improvements, the County desired some additional background

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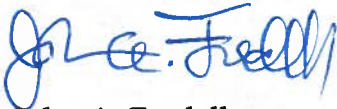
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documentation on these expenditures. However, a detailed list of the 2010 and 2011 wastewater projects was attached as an Appendix to the 2011 PCAR, while the detail on 2009 expenditures was previously forwarded to the County under separate cover. That said, a copy of all three documents is attached to this response.

Finally, with reference to the 1041 permit condition No. 16, there is, in fact, little to report at this time, as neither the Southeastern Colorado Water Conservancy District nor Reclamation have yet pursued a reservoir management plan for Pueblo Reservoir. These two entities have primary jurisdiction over Reservoir operations. Nevertheless, CSU will certainly meet its commitment to cooperatively participate in such plan development once these parties decide to move forward.

Thank you for your attention to these matters.

Sincerely,



John A. Fredell
Program Director
Southern Delivery System

CC: Julie Ann Woods