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DEPARTMENT OF PLANNING AND DEVELOPMENT

June 30, 2011

Valda I. Terauds, Special Assistant
United States Department of the Interior
Bureau of Reclamation
Great Plains Region
Eastern Colorado Area Office
11056 West County Road 18E
Loveland, Colorado 80537-9711

Subject: Environmental Monitoring of the Southern Delivery System Project

Dear Valda Terauds:

We are in receipt of your letter requesting verification that the SDS project is meeting its commitments to Pueblo County's permits, approvals and agreements as described in the Record of Decision and relative to our review of the 2010 Permit Compliance Report. Pueblo County generally concurs with the 2010 Permit Compliance Report; however, there are some areas of concern.

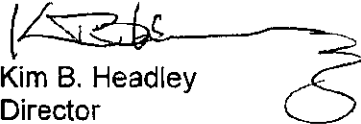
Pueblo West, as one of the proposed SDS Participants, has challenged the enforceability of Condition 9 in Pueblo County's approval of 1040 Permit No. 2008-002 (SDS 1040 Permit). Condition 9 requires all SDS Participants to cooperate in and comply with the Pueblo Flow Management Plan and its requirements for maintaining certain flows through Pueblo below Pueblo Reservoir by cessation of exchanges. Pueblo West filed a lawsuit against the County in Case No. 09CV695 in Pueblo County District Court to prevent the County's enforcement of this Condition 9. A Settlement Agreement, dated November 23, 2010, was executed between Pueblo West, Pueblo County, the City of Colorado Springs on behalf of its Utilities, and the Board of Water Works of Pueblo, under which the Parties agreed to stay further action in the lawsuit pending the satisfaction of several preconditions to settlement set forth in the Settlement Agreement, including a proposed exchange regimen by which Pueblo West could comply with Condition 9. The Settlement Agreement further provides that **Pueblo West cannot utilize the features and facilities of the SDS Project** until it dismisses its lawsuit against the County in accordance with the Settlement Agreement or until a final court judgment has been entered that Pueblo West is entitled to utilize the SDS features and facilities. As of this date, the preconditions to settlement have not been satisfied fully, though the Parties are working toward that end.

We disagree with Colorado Springs Utilities' position that the reporting on Stormwater controls is not due until after SDS is operational. ENF-1 (1)(y) &(z) of the Mitigation Appendix to the 1041 Permit requires quarterly reports **during project construction** on the "status of stormwater management, drainage regulations and enforcement" and on the "Status of stormwater and

Response Letter to Terauds
Bureau of Reclamation
Re: Environmental Monitoring of the Southern Delivery System Project
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wastewater system improvements per permit commitments." We agree that E-2 (of the Mitigation Appendix) states that, at times water is delivered through SDS, CSU shall maintain stormwater controls to ensure Fountain Creek flows are no greater than existing levels. To be effective, the required stormwater controls and regulations must be in place prior to SDS operation, given the length of time to construct such improvements and pass such regulations; hence the requirement of reporting during construction.

Sincerely,



Kim B. Headley
Director
1041 Permit Administrator

- c: Board of County Commissioners
Dan Kogovsek, County Attorney
Gary Raso, Special Assistant County Attorney
Ray Petros, Special Counsel to Pueblo County
Keith Riley, Colorado Springs Utilities
Jack Johnston, Pueblo West Metropolitan District