



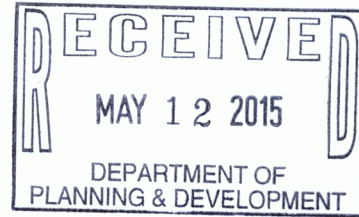
## Colorado Springs Utilities

*It's how we're all connected*

1041 2008-002

May 8, 2015

Signe Snortland, Deputy Area Manager  
United States Department of the Interior  
Great Plains Region  
Eastern Colorado Office  
11056 West County Road 18E  
Loveland, CO 80537-9711



### Re: PCAR for Southern Delivery System

Dear Ms. Snortland:

Colorado Springs Utilities (CSU) is in receipt of the Pueblo County Department of Planning and Development correspondence to you dated April 17, 2015, concerning the permit compliance status of the Southern Delivery System (SDS) Project. I would like to supplement our first quarter reporting matrix with the following additional detail on certain areas of concern noted by the County. In addition, CSU is prepared to provide you, upon request, with any available additional documentation that you believe may be useful, and will gladly arrange for a tour of the Project site should you so desire.

1. Pueblo West and Condition # 9: As indicated in the County's correspondence, "discussions are pending between representatives of the County and Pueblo West...." CSU supports the efforts of these two parties to reach an amicable resolution of outstanding concerns.
2. Stormwater Controls: In response to Pueblo County concerns and concerns expressed by others, including the Lower Arkansas Valley Water Conservancy District, the City of Colorado Springs Public Works Department assembled detailed information on stormwater related expenditures within the City before, during and after the formation of the Stormwater Enterprise (SWENT). This was designed to ensure that all interested parties are working from a common baseline and understand the scope of ongoing stormwater control efforts. A copy of the 2004-2014 summary sheets on spending and an accompanying explanatory memorandum are attached hereto. In addition, as indicated in the SDS Quarterly Matrix report, in January of this year the Colorado Springs City Council adopted a Resolution in support of annual stormwater expenditures of \$19M pending the identification of a long-term funding solution. Such a sum would exceed the amount of funds collected under SWENT. This information on historic stormwater expenditures and the Resolution demonstrate the City's commitment to continued funding of stormwater related expenditures. City council members elected in April, and the two mayoral candidates vying in a May, 2015 mayoral run-off election have also indicated support for the rapid identification of such a long term solution. Finally, CSU and Pueblo County representatives are currently engaged in discussions on this topic and are hopeful that a mutually acceptable approach to the resolution of this concern can be identified. Naturally, should the County decide to proceed towards some type of enforcement action, CSU and its project partners will be

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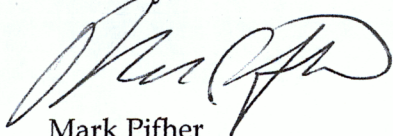


consulting with Reclamation on the potential ramifications of such a decision upon project operations.

3. Transfer of Permit: As Reclamation is aware, while it is true that SDS is in the process of transferring the North Outlet Works to Reclamation, the transfer of this Project component to Reclamation has always been a part of the Project's contractual obligations. However, this transaction does not include a transfer of the 1041 Permit, in whole or in part, to Reclamation.
4. Reimbursement of Landowner Expenses: SDS has been diligently working with Pueblo County landowners in an effort to ensure that they do not incur out-of-pocket expenses. The only outstanding issue at this time is with Mr. Walker. A condemnation trial involving Walker Ranches concluded on April 23 of this year, with a jury verdict that awarded Mr. Walker compensation in an amount which greatly exceeded the agreed upon value of the SDS easements. It reflected compensation for alleged damages to the remainder of the ranch outside of the easement area. SDS is now evaluating its appeal options. SDS will also evaluate any legitimate claims for out-of-pocket expenses that may be filed by Mr. Walker under Condition # 15 of the Pueblo County 1041 permit, and will honor its obligations under that permit.
5. Reclamation of Disturbed Areas: SDS has also closely coordinated with landowners in conjunction with completing the Project's reclamation obligations. It recently mailed a letter to all property owners within Pueblo County along segments S1 and S2 of the easement. This correspondence afforded the owners an opportunity to bring to the Project's attention any reclamation concerns. Follow-up phone calls are being made to those who failed to respond. Property owners located along S3 in the County, where the revegetation was initiated at a later date, will receive similar notices in the near future. All identified concerns will be addressed. SDS will continue to cooperate with Pueblo County in providing information on its reclamation efforts under the County 1041 permit. With reference to Mr. Walker, see paragraph 4 above.

Should you be in need of any further information or explanation, please do not hesitate to contact me.

Sincerely,



Mark Pifher  
SDS Permitting Manager

cc: Jaci Gould, Area Manager, BOR Great Plains Region  
Mike Ryan, Regional Director, BOR Great Plains Regional Office  
Jennifer Gimbel, Assistant Secretary for Water and Science, Department of the Interior  
Joan Armstrong, Director, Pueblo County Planning and Development