

El Paso County Development Services
2880 International Circle
Colorado Springs, CO 80910
Attn: Craig Dossey

October 12, 2015
Revised February 22, 2016
Revised August 29, 2019

**Re: Sterling Ranch Metropolitan District #1
Second 1041 Amendment**

Dear Mr. Dossey,

As a representative of the applicant, Sterling Ranch Metropolitan District #1 ("District"), we are preparing submittal requirements for the second amendment to Sterling Ranch Metropolitan District No. 1's previous 2016 approved "Site Selection and Construction of Major New Domestic Water and Sewage Treatment Systems and/or Major Extension of Existing Domestic Water and Sewage Treatment Systems".

The intent of the applicant is to construct a wastewater pump station (lift station) within the District located northeast of the Woodmen Road and Black Forest Road intersection in El Paso County, Colorado. The site occupies part of the northwest quarter of Section 4, Township 13 South, Range 65 West of the 6th P.M. Additionally, the applicant proposes to construct a water treatment facility located approximately one half mile east of the intersection of Vollmer Road and Arroya Lane. The water treatment facility will consist of up to 18 wells in 6 locations, a treatment building containing pressure sand filters, and storage tanks for treated water. This facility will occupy a portion of the northwest quarter of Section 27, Township 12 South, Range 65 West of the 6th P.M. A vicinity map depicting both the lift station and water treatment facility is attached as **Exhibit A**.

Information regarding the project, and in the form of the 1041 guidelines (2.303 & 4.201) are below:

- (1) Completed application form in the format attached as **Exhibit B** and approved by the Development Services Director.

See Exhibit B.

- (2) The Director may require submission of any plan, study, survey or other information, in addition to the information required by this Section, at the applicant's expense, as in the Director's judgment is necessary to enable it to review and act upon the application.

Noted.

- (3) Any application which requires compliance with § 24-65.5-101, et seq., C.R.S., (Notification to Mineral Owners of Surface Development) shall not be considered to have been submitted as complete until the applicant has provided a certification signed by the applicant confirming that the applicant or its agent has examined the records of the El Paso County Clerk and Recorder for the existence of any mineral estate owners or lessees that own less than full fee title in the property which is the subject of the application, and stating whether or not any such mineral estate owners or lessees exist. In addition, for purposes of the County convening its initial public hearing on any application involving property which mineral estate owners or lessees owning less than full fee title in the property have been certified by the applicant to exist, the application shall not be considered to have been submitted as complete until the applicant has provided an additional signed certification confirming that the applicant has, at least 30 days prior to the initial

public hearing, transmitted to the County and to the affected mineral estate owners and lessees the notices required by C.R.S. §24-65.5-101, et seq.

Exhibit C contains the notification provided to the mineral rights owner for the lift station parcel. There are no severed mineral interest rights on the water treatment facility parcel.

- (4) Information describing the applicant.
- (a) The names, addresses, including email address and fax number, organizational form, and business of the applicant and, if different, the owner of the Project.

Applicant:

Sterling Ranch Metropolitan District #1
c/o Jim Morley
20 Boulder Crescent, Suite 102
Colorado Springs, CO 80903
Telephone: 719-491-3024

- (b) The names, addresses and qualifications, including those areas of expertise and experience with projects directly related or similar to that proposed in the application package, of individuals who are or will be responsible for constructing and operating the Project.

A construction contractor has not been selected yet. The contractor will be selected through a competitive bidding process that will account for experience with similar projects. Construction of the lift station and water treatment facility will be accomplished through separate construction contracts. The District will be responsible for operation of the lift station and water treatment facility and will likely hire contract operators to accomplish this. The names, addresses and qualifications of the construction contractor(s) and facilities operator(s) will be provided to the County once they are selected.

- (c) Written authorization of the application package by the Project owner, if different than the applicant.

Project owner is the same as applicant.

- (d) Documentation of the applicant's financial and technical capability to develop and operate the Project, including a description of the applicant's experience developing and operating similar projects.

The District has engaged JDS-Hydro Consultants, Inc (JDS) to design, permit and manage the construction of the proposed lift station and water treatment facility. JDS employs seven engineers who hold Professional Engineer's licenses in the State of Colorado. JDS specializes in water and wastewater conveyance and treatment and has designed, permitted and managed the construction of numerous similar facilities those proposed for this project. Most recently, JDS served as the engineer of record for the Falcon Lift Station located at 7320 McLaughlin Rd, Peyton, CO 8083. The Falcon Lift Station, which is currently operating satisfactorily, has a Maximum Month Average hydraulic capacity of 2.2 million gallons per day (MGD) and a Peak Hour hydraulic capacity of 7.0 MGD. JDS

also served as the engineer of record for Woodmen Hills Filter Plant No. 3. Filter Plant No. 3, located at 9252 Eastonville Road in Falcon, CO, provides drinking water to approximately 3,400 SFE, has a design rating of 900 GPM and utilizes pressure sand filtration as the primary treatment method. Additionally, JDS was the engineer of record for the Meridian Service Metropolitan District – 2.5 MG Water Storage Tank. Those three projects are representative of the proposed project and of JDS' experience.

As discussed in section 4(b), the District will operate the lift station and water treatment facility. The District intends to contract the operation of these facilities with a company or entity that is proficient in operation of water and wastewater facilities.

The proposed lift station and force main will be financed by SR Sewer, LLC which will be reimbursed by the District through future property taxes and wastewater tap fees. The proposed water treatment facility will be financed by SR Water, LLC which will be reimbursed by the District through future property taxes and water tap fees. Exhibit D contains a proposed rate schedule for water and wastewater services.

- (e) Written qualifications of report preparers.

As mentioned in 4(d), JDS has designed, permitted and inspected numerous similar projects. The scope of work for those projects commonly includes permitting the project through all applicable local and state jurisdictions. Ryan Mangino has worked on numerous similar projects including those listed in section 4(d).

- (5) Information describing the Project.

- (a) Vicinity map showing the proposed site and the surrounding area.

See Exhibit A.

- (b) Executive summary of the proposal indicating the scope and need for the Project.

The Sterling Ranch Development is planned within the District Boundaries. Currently, two Sterling Ranch Preliminary Plans have been approved by El Paso County. Two others are in the submittal and approval process. The Sterling Ranch Development would create a need for water and wastewater services in the District.

The District has entered into an Intergovernmental Agreement (IGA) with Meridian Service Metropolitan District ("Meridian") in which Meridian committed to provide treatment for up to 5,849 single family equivalent (SFE) taps. As development occurs within the District, gravity sewer lines will be constructed to convey wastewater to the proposed lift station. The proposed lift station will then convey wastewater approximately five miles through proposed twin eight inch force mains to the Falcon Lift Station. From the Falcon Lift Station, Meridian will take responsibility of the wastewater and will convey it to the Black Squirrel Wastewater Treatment Facility (BSWWTF). Since BSWWTF is a regional wastewater treatment facility with permitted ability to add taps, it is beneficial to both the District and Meridian to convey wastewater from developments within the District to the BSWWTF. The IGA is attached as Exhibit E.

The District is located in unincorporated El Paso County, outside the Upper Black Squirrel Designated Ground Water Basin, and there are no municipal water suppliers able and willing to provide water for developments within the District. As such, the District will provide potable water for development within its boundary. The water treatment facilities will consist of up to 18 wells, pressure sand filters housed in a building and storage tanks for potable water. Three of the wells will be located adjacent to the water treatment facility and storage tanks and the remainder will be located in 5 different well sites. The Water Master Plan is enclosed in Exhibit F and shows the approximate location of the well sites and water distribution lines.

The City of Colorado Springs was contacted and declined water service due to the fact that Sterling Ranch is located outside the City limits of the City and therefore not allowed to be served pursuant to the City's policies. The City also stated it was not interested in annexing the property. Cherokee Metropolitan District was also contacted but was not willing to provide water service due to inadequate water supplies and the location of the project outside its boundaries.

The City of Colorado Springs recently agreed to provide interim wastewater services to Sterling Ranch. The Agreement, as approved and executed by the City and SRMD#1, is being submitted to the County as part of this amendment along with approved construction drawings and other relevant information. The connection of the District's wastewater system to the City of Colorado Springs system is not intended to replace or otherwise be a permanent substitute for the connection of the District's system into the Meridian Service Metropolitan District wastewater system described herein.

- (c) Plans and specifications of the Project in sufficient detail to evaluate the application against the applicable Review Criteria.

Preliminary calculations have been performed to size the force main and pumps (see Exhibit G). Final design, drawings and specifications will not be completed until after CDPHE has reviewed and approved the site application. Initially three wells, one each in the Arapahoe, Denver and Laramie-Fox Hills Aquifers are planned for the water treatment facility. The first two wells (Arapahoe and Laramie-Fox Hills) have been permitted at a flow rate not to exceed 150 GPM. After the wells are drilled, they will be flow tested to determine their actual performance. The well permits are enclosed in Exhibit H. A total of up to 18 wells will be drilled in phases. The water treatment system will consist of three Filtronics FV-10 filters with two RV-500 reaction vessels to oxidize iron and/or manganese prior to filtration. Final calculations for storage needs have not been completed but the site will have up to four tanks, each 1 or 2 million gallons. The final size will be determined during the design review process with CDPHE. Preliminary site plans for both facilities are included in Exhibit I. Construction plans and specifications for the District's wastewater connection to the City of Colorado Springs have been submitted to the County in association with this amendment.

- (d) Descriptions of alternatives to the Project considered by the applicant. If the Director determines that the nature or extent of the proposal involves the potential for significant damage and warrants examination of other specific, less damaging alternatives, the Director

may require the applicant to evaluate and present information on such additional alternatives as part of the application.

The existing grade in the District generally slopes from north to south. There is a ridgeline east of the District that precludes gravity flow as an option to the Falcon Lift Station. Given this topography in and adjacent to the District, the only feasible options are to convey wastewater through a force main or treat wastewater onsite. Since an existing force main to a regional wastewater treatment facility is located approximately 5 miles from the proposed lift station, it would not be environmentally responsible for the District to treat the wastewater onsite. Therefore, the proposed lift station was selected as the only viable alternative.

As stated above, there is no municipal water provider able and willing to provide service within the District so there are no alternatives to the District providing potable water themselves. Several different sites were considered for the water treatment facility. The proposed site was selected since its elevation is above the proposed development which will allow for gravity conveyance rather than being dependent on pumps. A gravity transmission line will be less expensive, easier to operate and more reliable than a transmission line that relies on pumps.

- (e) Schedules for designing, permitting, constructing and operating the Project, including the estimated life of the Project.

Preliminary design of the proposed lift station, force main and water treatment facility is underway. The Site Application for the lift station and force main has been submitted to the applicable local jurisdictions. Once the local jurisdictions have reviewed and approved the Site Application, it will be submitted to the Colorado Department of Public Health and Environment (CDPHE). Once approved by CDPHE, final design will be completed for the project. Construction is anticipated to begin in early 2016 with a completion date of late 2016 to early 2017. The proposed lift station and force main are projected to have a useful life of 50 years.

The District's wastewater connection to the City of Colorado Springs is scheduled for completion no later than thirty (30) days from the commencement of construction upon approval by the County of this amendment.

The first two wells will be drilled but not completed until early 2016. Once drilled, the wells will be tested for flow and water quality following which, the Application for Construction Approval will be submitted to CDPHE. Construction of the treatment facility and storage tanks is anticipated to begin in late 2015 or early 2016 and be completed by late 2016. The water transmission lines will be constructed as development progresses. The proposed water treatment facility and storage tanks are projected to have a useful life of 50 years.

- (f) The need for the Project, including a discussion of alternatives to the Project that were considered and rejected; existing/proposed facilities that perform the same or related function; and population projections or growth trends that form the basis of demand projections justifying the Project.

Based on current projections, the maximum development within the District would amount to 5,973 SFE. Of those, approximately 4,700 will contribute wastewater to the proposed lift station. The remainder will have their wastewater conveyed through gravity sewer lines to

the Falcon Lift Station. The development within the District is anticipated to be approximately 90-95% residential and the remainder commercial. The District will provide potable water for all development within the District. Initially, all potable water for the District will be generated and treated in the proposed water treatment facility. As development progresses, additional wells will be drilled to meet the increased demand.

The District considered Individual Sewage Disposal Systems (ISDS) as an alternate method of wastewater treatment. However, the lots within the District will not be large enough for ISDS and treatment at a regional wastewater treatment facility is environmentally preferable to ISDS treatment. Multiple sites were considered for the lift station and the preferred alternative included in this application was selected based on its elevation relative to the development so that wastewater could gravity flow to the lift station.

Multiple sites were considered for the water treatment facility but no other alternatives were considered as none were viable. The preferred site included in this application was selected because its elevation relative to the development will allow for a gravity transmission line for the majority of development. Development in the District is planned to start in the south (lower elevation) and progress to the north (higher elevation). Once development reaches a certain elevation, pumps will be added to the water treatment facility to maintain required pressures for the water system.

- (g) Description of relevant conservation techniques to be used in the construction and operation of the Project.

Stormwater management plans will be developed and followed during construction and operation to minimize sedimentation from the sites. Typical construction means and methods will be used to reduce the amount of material waste. Additionally, the lift station will be designed to have emergency back-up power, 100% pump redundancy, and emergency storage sufficient to hold a minimum of 8 hours of wastewater at the Average Daily Flow (ADF). The emergency measures will serve to prevent wastewater spills at the lift station. At this time, the District does not have any specific conservation standards which are unique to Sterling Ranch MD. It is anticipated that standards for water, wastewater, stormwater, landscaping, open space, and parks will be formally adopted prior to any final platting.

- (h) Description of demands that this Project expects to meet and basis for projections of that demand.

The lift station and force main are being designed to ultimately serve approximately 4,700 SFE maximum. It is anticipated that this development will occur over 20-25 years. Phase One consists of approximately 700 SFE and is projected to be fully built-out by 2022. More details regarding projected demands can be found in the Sterling Ranch Market Study which is included in Exhibit J.

The water treatment facility is being designed for a flow rate of 900 GPM. The actual flow rate may be less than 900 GPM and will be determined after the wells have been drilled. This production rate is not anticipated to meet the water demand at full build-out. Prior to development exceeding the capacity of the water treatment facility, water will be secured from an offsite source.

These demands described above are based upon the Sterling Ranch Preliminary Plans, two of which has been approved by El Paso County and the other two are in the approval process. No final plats have been submitted at the date of this application.

- (i) List of adjacent property owners and their mailing addresses.

*Adjacent Landowners to the Lift Station Site:
8335 Vollmer Road LLC
16427 N Scottsdale Road, Suite 210
Scottsdale, AZ 85254*

*SR Land LLC
20 Boulder Crescent St. Suite 102
Colorado Springs, CO 80903*

*Elsie I Baker Trust
2524 Meadowlark Ln
Colorado Springs, CO 80909*

*FM Partners LLC
PO Box 667
Colorado Springs, CO 80901*

*Adjacent Landowners to the Water Treatment Facility Site:
Morley-Bentley Investments
20 Boulder Crescent St, Suite 100
Colorado Springs, CO 80903*

*Kay J McGinnis & Joan C Cornell & Rita A O'Dell
PO Box 706
Breckenridge, CO 80424*

*Dennis and Sharon Kruse
9620 Tomahawk Trl
Colorado Springs, CO 80908*

*Joseph and Joan Kaler
9720 Tomahawk Trl
Colorado Springs, CO 80908*

*Curtis and Alta Bosley
9770 Tomahawk Trl
Colorado Springs, CO 80908*

*William and Candice Lankford
3845 Stetson Ct
Colorado Springs, CO 80907*

Colton and Heather Johnson

*9910 Tomahawk Trl
Colorado Springs, CO 80908*

*Linda Grant and Scott Gohsler
190 Shannon Place
Divide, CO 80814*

*Raymond and Mary Chamberland
10050 Tomahawk Trl
Colorado Springs, CO 80908*

*Dawn and Robert Barden
10110 Tomahawk Trl
Colorado Springs, CO 80908*

*Robert and Carolyn Ferree
10170 Tomahawk Trl
Colorado Springs, CO 80908*

*William and Heidi Silcox
10230 Tomahawk Trl
Colorado Springs, CO 80908*

*Grebeldinger Living Trust
10330 Tomahawk Trl
Colorado Springs, CO 80908*

*Daniel and Sally Mulvey
10440 Tomahawk Trl
Colorado Springs, CO 80908*

*James and Gail Chamley
9545 Arroya Ln
Colorado Springs, CO 80908*

*Lenore Raff
9420 Arroya Ln
Colorado Springs, CO 80908*

*Herbert and Karen Marchman
9350 Arroya Ln
Colorado Springs, CO 80908*

- (6) Property rights, other permits and approvals.
 - (a) Description of property rights that are necessary for or that will be affected by the Project, including easements and property rights proposed to be acquired through negotiation or condemnation.

The land owner of the parcel that contains the site of the proposed lift station is Arvest Bank. The District has perpetual easements within this parcel for the force main and lift station. Exhibit L contains the documentation of these easements including the Rule and Order, Release of Lis Pendens, and Order Vacating Immediate Possession Heading Decree.

The land owner of the parcel that will contain the water treatment facility is Morley-Bentley Investments LLC. The District has obtained an easement for the proposed water treatment facility. The documentation for that easement is contained in Exhibit L.

The land owners of the parcels that will contain the wastewater line to the City of Colorado Springs and that have granted easements are: Challenger Communities, LLC, 8335 Vollmer Rd, LLC, and Shortstick, LLC.

- (b) A list of all other federal, state and local permits and approvals that will be required for the Project, together with any proposal for coordinating these approvals with the County permitting process. Copies of any permits or approvals related to the Project that have been granted.

The following entities will review and approve the Site Application for the proposed lift station and force main:

- 1. Lower Fountain Water Quality Management Association (LFWQMA)*
- 2. Site Application Review Committee (SARC)*
- 3. Pikes Peak Area Council of Governments (PPACG)*
- 4. Colorado Department of Health and Environment (CDPHE)*

At the time of this submittal, the Site Application had been submitted to LFWQMA.

The water treatment system will require an Application for Construction Approval (ACA) which will be submitted to El Paso County Public Health and CPDHE for approval.

Additionally, the following permits or approvals will be obtained for the water treatment system and the lift station and force main:

- 1. Site Development Plan – El Paso County*
- 2. Building Permit – Pikes Peak Regional Building Department*
- 3. Erosion and Stormwater Quality Control Permit – El Paso County*
- 4. Construction Activity Permit – El Paso County*
- 5. Groundwater Discharge Permit – CDPHE*

The permits or approvals necessary for the interim wastewater line to the City of Colorado Springs include:

1. Erosion and Stormwater Quality Control Permit – El Paso County
2. 1041 Amendment – El Paso County
3. Construction Activity Permit – El Paso County
4. Site Development Plan – El Paso County

- (c) Copies of relevant official federal and state consultation correspondence prepared for the Project; a description of all mitigation required by federal, state and local authorities; and copies of any draft or final environmental assessments or impact statements required for the Project.

None other than the Site Application discussed in section 6(b) for the lift station and force main. Similarly, the ACA is the only federal or state consultation for the water treatment facility. It is anticipated that no mitigation will be required by the State. The Site Application is attached as Exhibit K.

(7) Land Use.

- (a) Provide a map at a scale relevant to the Project and acceptable to the Department describing existing land uses and existing zoning of the proposed Project area and the Project service area, including peripheral lands which may be impacted. The land use map shall include but need not necessarily be limited to the following categories: residential, commercial, industrial, extractive, transportation, communication and utility, institutional, open space, outdoor recreation, agricultural, forest land and water bodies. Show all special districts (school, fire, water, sanitation, etc.) within the Project area.

Exhibit M contains two maps, one depicting all zoned land uses in a one mile radius around the proposed lift station site and the second showing zoned land uses around the proposed water treatment facility site. Additionally, the District's boundary is shown.

- (b) All immediately affected public land boundaries should be indicated on the map. Potential impacts of the proposed development upon public lands will be visually illustrated on the map as well as described in the text.

Public lands impacted by the proposed lift station are owned by the District or within County ROW. During construction of the force main in the ROW, traffic control will be required to mitigate impacts to traffic and for the safety of the workers.

- (c) Specify whether and how the proposed Project conforms to the El Paso County Master Plan.

The Sterling Ranch project is located entirely in Area Number 10 of the Southern Transition Area of the Black Forest Preservation Plan and all but the northern most portion of the Sterling Ranch property also lies within the Falcon/Peyton Small Area Master Plan as amended in 2006. The Sterling Ranch Sketch Plan and recent rezoning actions included findings by the Board of County Commissioners that Sterling Ranch was consistent with the El Paso County Master Plan and the two small area plans. Both plans identify Sterling Ranch as an area where future urban densities are recommended subject to transitional densities to the more rural residential areas of the Black Forest to the north being provided. The Sterling Ranch Sketch Plan provides a transition of half acre lots to 5 acre lots as the project approaches the Black Forest. It also provides 50-foot wide buffers along the southern, eastern and northern boundaries. The Black Forest Plan recommends that urban density development only be approved if adequate urban services are available. The provision of a central water supply system and connection to an existing regional wastewater treatment facility are consistent with this policy.

Section 10 of the El Paso County Policy Plan addresses water and wastewater facilities. In that section, it encourages "interconnection to regional wastewater systems". As noted above, the BSWWTF is a regional wastewater treatment facility. Regarding water, Section 10 encourages "the design and use of central water delivery systems which meet or exceed industry standards for parameters such as treatment, back-up systems, fire flow, pressure, looping and maintenance." The proposed water treatment facility meets or exceeds the

industry standards for the listed parameters. For those reasons, the proposed facilities are in conformance with the El Paso County Policy Plan.

The interim wastewater connection is to the City of Colorado Springs system which is the largest regional wastewater system in El Paso County. It also eliminates the necessity of pumping wastewater approximately five miles to the Falcon Lift Station and reduces the operational and maintenance costs to the District's customers.

- (d) Specify whether and how the proposed Project conforms to applicable regional and state planning policies.

Sterling Ranch is in the Sand Creek watershed and the BSWWTF discharges into the Upper Black Squirrel watershed. The PPACG 208 plan for the Upper Black Squirrel identifies the BSWWTF as a primary regional wastewater treatment provider and mentions that Meridian owns a share of the treatment capacity at BSWWTF and that they are allowed to enter into IGAs with other districts to share capacity. Additionally, the 208 document identifies the Denver aquifers as the primary sources of groundwater in the watershed. The proposed projects are utilizing facilities and water sources which have been identified in the PPACG 208. Additionally, the PPACG will review the Site Plan prior to submittal to CDPHE.

- (e) Specify whether and how the proposed Project conforms to applicable federal land management policies.

No federal lands are anticipated to be affected by the proposed projects.

- (f) If relevant to the Project design, describe the agricultural productivity capability of the land in the Project area, using Soils Conservation Service soils classification data.

The parcel on which the lift station is proposed is zoned as Heavy Industrial (I-3) and is not currently used for agriculture. The parcel on which the water treatment facility is proposed is zoned as Residential Rural (RR-5) and is not currently used for agriculture. Therefore, this item is not relevant to the project. None of the area being utilized for the interim wastewater connection to the City of Colorado Springs is currently being used for agriculture.

- (g) Describe the probability that the Project may be significantly affected by earthquakes, floods, fires, snow, slides, avalanches, rockslides or landslides and any measures that will be taken to reduce the impact of such events upon the Project.

It is highly unlikely that the project would experience the occurrences listed above other than snow and possibly fire and flooding. The structures will be designed to withstand snow loads as required by applicable codes. The proposed lift station and water treatment facility are located outside of any 100-year flood plain. Finally, the proposed lift station and water treatment facility will be located within the service area of the Black Forest Fire Rescue Protection District in an un-forested area. Access for fire equipment will be provided to meet FD requirements. For the reasons given above, the above described occurrences are unlikely to adversely impact the project.

- (h) Specify if excess service capabilities created by the proposed Project will prove likely to generate sprawl or strip development.

The lift station, force main and water treatment system have been sized to ultimately serve the District at full build-out. To the extent these facilities may be utilized to provide services to adjacent developments in the future, those services would only be for developments that have received prior land use entitlements from the Board of County Commissioners. It is assumed that those entitlements would only be granted in conformance with the County's Master Plan and Small Area Plans or as otherwise determined by the Board of County Commissioners to be in the best interests of the health, safety and welfare of the citizens of the County.

- (i) Specify whether the demand for the Project is associated with development within or contiguous to existing service areas.

At this time, the development which will be served by the proposed Project is located within the District boundaries.

- (8) The applicant shall supply a surface and subsurface drainage analysis.

The proposed lift station site lies within Basin EX-3, which is described in detail on pages 3-4 of the Preliminary Drainage Report for Sterling Ranch – Phase I (Drainage Report). Runoff flows generally from the north to south on the lift station site and eventually enters an unnamed tributary of Sand Creek. Construction of the proposed lift station was taken into account in the Drainage Report for flow projections. Surface water from the proposed water treatment facility site generally flows from north to south. Additional details regarding the drainage can be found in the Drainage Report which is included as a separate document with the submittal.

- (9) Financial feasibility of the Project.

- (a) Relevant bond issue, loan and other financing approvals or certifications (ex: approved bond issues; bond counsel opinion).

The District intends to issue bonds to be secured by property taxes and fees. However, at this time, it is contemplated that bond proceeds will not be used to finance the project.

- (b) Business plan that generally describes the financial feasibility of the Project.

The proposed lift station, force main and wastewater line to the City of Colorado Springs will be paid for by SR Sewer, LLC and the water treatment system will be paid for by SR Water, LLC. The District will reimburse both LLCs with funds from tap fees and usage rates. Exhibit D is a proposed tap fee and usage rate schedule that will be charged by the District and Exhibit N contains a preliminary cost estimate for the proposed water treatment system and the lift station and force main.

- (10) Local infrastructure and services impacts. An impact analysis that addresses the manner in which the applicant will comply with the relevant Permit Application Review Criteria. The impact analysis shall include the following information: description of existing capacity of and demand for local government services including but not limited to roads, schools, water and wastewater treatment, water supply, emergency services, transportation, infrastructure, and other services necessary to accommodate the Project within El Paso County.

The lift station and water treatment facility will not have a significant impact on public infrastructure, in fact, they will create water and wastewater infrastructure to support development within the District. Currently, there is no public infrastructure within the District.

Roads: Access to the lift station will be off of future Marksheffel Road. The road will be sized and constructed to accommodate traffic from the development within the District. The lift station will not add a significant number of trips per day. Access to the water treatment facility will be from the existing Arroya Lane which lies just north of the District Boundaries. Currently, Arroya Lane experiences a low volume of traffic. The water treatment facility will add an average of 1-4 trips per day to Arroya Lane.

Schools: The lift station and water treatment facility will have no impact on schools.

Water and Wastewater Treatment: The lift station and water treatment facility will create infrastructure to provide water and wastewater treatment for development within the District.

Water Supply: The water treatment facility includes wells and will therefore create water supply to serve development within the District.

Emergency Services: The proposed lift station and water treatment facility will be within the Black Forest Fire/Rescue Protection District. The Fire District will be notified of construction of the new facilities when building permits are issued. The water treatment facility shall be designed to provide fire flow throughout the District.

Transportation: The proposed facilities will have no impact on Transportation.

Infrastructure: As noted above, the proposed facilities create infrastructure to serve development within the District.

Drainage: Section 8 discusses the impact of the proposed facilities on the overall drainage in the area.

During construction: Public ROW along Woodmen Road will be impacted during construction of the force main. Traffic control will be implemented to mitigate this short-term impact to the ROW.

- (11) Recreational Opportunities. Description of the impacts and net effect of the Project on present and potential recreational opportunities.

The District is responsible to construct and maintain parks, recreation facilities and open spaces to serve development within the District. As development occurs within the District, public recreation opportunities will be provided by the District. This project is integral to supporting these recreational opportunities by providing potable water and sanitary sewer in the event that the recreation improvements require water for irrigation or bathrooms.

- (12) Areas of Paleontological, Historic or Archaeological Importance. Description of the impacts and net effect of the Project on sites of paleontological, historic or archaeological interest.

There are no known areas of Paleontological, Historic or Archaeological Importance that would be impacted by this project.

- (13) Nuisance. Descriptions of noise, glare, dust, fumes, vibration, and odor levels anticipated to be caused by the Project.

During construction, typical amounts of noise and dust will be generated. The contractor shall be required to perform dust abatement as necessary to limit the amount of dust generated during construction. Noise levels will be typical of heavy equipment. Contractor working hours will be established to limit noise impact during day time hours. The exception to this will be for well drilling which is anticipated to be performed continuously until the wells are finished.

During operation, the proposed lift station will contribute very little noise to the surrounding areas. The pumps and motors are anticipated to be 150 HP and will be housed in an enclosed underground vault. The pumps and motors are not expected to generate enough noise to be audible outside the proposed lift station site. In the event of a power failure, the emergency back-up generator would run until power is restored. This will create noise levels that will be audible outside the site. However, this would only occur under emergency situations.

Due to concerns about odor from the wastewater, Bioxide will be added to the wastewater at the lift station. Bioxide is a biochemical solution commonly used for odor control in wastewater facilities. Additionally, operational SOPs including but not limited to regular cleaning and maintaining low wet well levels to prevent wastewater from becoming septic will be followed to reduce odor. With these mitigations in place, there may still be faint but noticeable odors from the lift station. Additionally, the lift station will be located over 300 feet from the nearest residential development and is bounded to the west by Pioneer Sand and Gravel, an industrial facility unlikely to be adversely affected by faint odors.

The water treatment system operation will create low levels of audible noise but it will be negligible given that all mechanical equipment will be housed inside a building.

- (14) Air Quality. Description of the impacts and net effect that the Project would have on air quality during both construction and operation, and under both average and worst case conditions, considering particulate matter and aerosols, oxides, hydrocarbons, oxidants, and other chemicals, temperature effects and atmospheric interactions.

No adverse impacts on air quality are anticipated other than temporary dust issues discussed in item 13. As noted earlier, a Construction Activity Permit, and an ESQCP will be obtained for construction of the project which will address dust mitigation.

- (15) Visual Quality. Description of the impacts and net effect that the Project would have on visual quality, considering viewsheds, scenic vistas, unique landscapes or land formations within view of the Project area.

The view of the mountains, while not specifically designated as a scenic vista, is important. The lift station building will be one story and will have the existing stockpiles of materials at Pioneer Sand and Gravel beyond it to the west. The existing stockpiles are significantly higher than one story so the lift station will not impact the existing view of the mountains. The water tanks will be notable but will be constructed at low points with soil berms to the north and east to reduce the extent to which they are visible. Depending on the material used for the tanks, it

may be possible to bury them partially. Concrete can withstand the lateral earth pressures of partial burial while steel cannot. Regardless of material, the tanks will not be fully buried due to cost and hydraulic pressure loss associated with full burial. The material and potentially the buried depth will be determined during the design and Site Development Plan processes. Exhibit Q contains building elevations for the lift station, water treatment building and water tanks.

(16) Surface Water Quality.

- (a) Map and/or description of all surface waters relevant to the Project, including description of provisions of the applicable regional water quality management plan, and NPDES Phase II Permit and necessary El Paso County Erosion and Stormwater Quality Control Permit ("ESQCP"), Section 404 Federal Clean Water Act Permit that applies to the Project and assessment of whether the Project would comply with those provisions.

All surface waters are unnamed tributaries of Sand Creek. The project will comply with all applicable regulations and standards regarding water quality and an ESQCP will be obtained from El Paso County for construction.

- (b) Existing data monitoring sources.

There are no surface water monitoring stations adjacent to the project site.

- (c) Descriptions of the immediate and long-term impact and net effects that the Project would have on the quantity and quality of surface water under both average and worst case conditions.

The proposed lift station is anticipated to add less than 500 SF of impermeable surface to the site. Therefore, the impact to the quantity of surface water from the site will not be significant. Beginning with construction and until 70% re-vegetation is achieved, erosion control measures will be in place to reduce sedimentation and maintain water quality of surface flows. Additionally, during construction, there will be ground water discharge as de-watering will be required due to the high ground water level.

The water treatment facility will have a significant amount of impermeable surface area due to the size of the water storage tanks. Surface water runoff from this facility will be addressed in the Site Development Plan.

State permits for stormwater discharge associated with construction activities and construction dewatering permits will be obtained for the project.

(17) Groundwater Quality.

- (a) Map and/or description of all groundwater, including any and all aquifers relevant to the Project. At a minimum, the description should include:
- i. Seasonal water levels in each portion of the aquifer affected by the Project.

The wells proposed for this project are all in the Denver, Arapahoe and Laramie-Fox Hills aquifers which are all confined aquifers. As such, the water level in these

aquifers does not change seasonally. The Water Resources and Wastewater Report (WRWWR) contains more information regarding the aquifers and is attached as Exhibit O.

- ii. Artesian pressure in said aquifers.

The aquifers that will be affected by the project are not artesian and do not have positive pressure above the water surface level.

- iii. Groundwater flow directions and levels.

Since the aquifers which will have wells developed in them are confined, they don't experience flow. Alluvial groundwater flows generally from north to south or southwest. Based on the soil reports, groundwater at the water treatment facility is approximately 17 feet below grade and at the lift station site, groundwater is approximately 5 feet below grade. The soil reports are attached in Exhibit P.

- iv. Existing aquifer recharge rates and methodology used to calculate recharge to the aquifer from any recharge sources.

The Arapahoe and Larmaie-Fox Hills Aquifers are non-tributary and have a 2% return flow requirement in the water rights decrees. This return flow will be accomplished by the Lawn Irrigation Return Flow (LIRF). The water rights decree requires a 4% return flow rate for the Denver Aquifer. However, water from the Denver aquifer cannot be used until a recharge plan is developed and approved. The water rights decrees are contained in the WRWWR which is attached as Exhibit O.

- v. For aquifers to be used as part of a water storage system, methodology and results of tests used to determine the ability of the aquifer to impound groundwater and aquifer storage capacity.

No aquifers are planned to be used for water storage for this project.

- vi. Seepage losses expected at any subsurface dam and at stream-aquifer interfaces and methodology used to calculate seepage losses in the affected streams, including description and location of measuring devices.

There are no subsurface dams or stream-aquifer interfaces that the project is anticipated to affect or come in contact with.

- vii. Existing groundwater quality and classification.

The groundwater in the project area is EPA Class II – Potential or current drinking water. The water from the Arapahoe, Laramie-Fox Hills and Denver aquifers will need to be treated prior to distribution.

- viii. Location of all water wells potentially affected by the Project and their uses.

There are no existing wells within 500 feet of the proposed lift station. The Office of the State Engineer, State Board of Examiners of Water Well Construction and Pump

Installation Contractors, Rules and Regulations for Water Well Construction, Pump Installation, Cistern Installation, and Monitoring & Observation Hole/Well Construction - 2 CCR 402-2, Effective Date January 1, 2005, Section 12.2.2, states:

10.2.2 Wells shall not be located closer than one hundred (100) feet horizontally to the nearest existing source of contaminants or fifty (50) feet from a septic tank, sewer line or other vessel containing contaminants. A request for variance must be submitted and written approval from the Board must be obtained prior to the construction of a well that cannot meet this spacing requirement.

The El Paso County Board of Health On-Site Wastewater Treatment System Regulations require a minimum horizontal distance of 50 feet between a sewage vault and a well. Both of these criteria are met for the lift station site.

Numerous wells exist to the east of the water treatment facility. However, all these wells are in shallower aquifers than the proposed wells for the water treatment facility. Based on that, the proposed wells will not affect the existing wells.

- (b) Description of the impacts and net effect of the Project on groundwater.

During construction of the lift station, dewatering of alluvial groundwater is anticipated. If dewatering is required, a groundwater discharge permit will be obtained from CDPHE which will contain mitigation measures to maintain groundwater quality during construction. Since the Arapahoe and Laramie-Fox Hills aquifers are confined, water use from them will reduce the volume in the aquifers. All water use will be in accordance with the water rights decree and subsequent well permits. The water rights decree is included in the WRWWR which is contained in Exhibit O. The well permits for the first two wells are included in Exhibit H.

- (18) Water Quantity.

- (a) Map and/or description of existing stream flows and reservoir levels relevant to the Project.

The project will not rely on stream flows and reservoirs so this item is not applicable.

- (b) Map and/or description of existing minimum stream flows held by the Colorado Water Conservation Board.

Since the stream flow will not be affected by the project, this item is not applicable.

- (c) Descriptions of the impacts and net effect that the Project would have on water quantity.

Only aquifer water quantity will be affected by the project. Those effects are documented in Section 17 of this report.

- (d) Statement of methods for efficient utilization of water, including recycling and reuse.

As mentioned previously, Sterling Ranch intends to use LIRF to accomplish their return flows. The IGA with Meridian (Exhibit E) allows for the possibility for treated effluent to be used as return flow as well.

- (19) Floodplains, Wetlands and Riparian Areas; Terrestrial and Aquatic Animals, Plant Life and Habitat. Applicant shall only provide description of foregoing natural conditions, animal and plant life at, but not to exceed, the level of detail required by other federal or state Permits or reviews which are applicable to the Project.

A wetlands area lies to the east of the proposed lift station site. The proposed lift station is located approximately 1200 feet beyond the closest mapped boundary of the wetlands and is outside the designated 100-year flood plain. Exhibit K contains the current Flood Insurance Rate Map (FIRM) which shows the 100-year flood plain.

There are no mapped or observed wetland areas in the vicinity of the proposed water treatment facility.

- (20) Soils, Geologic Conditions and Natural Hazards.

- (a) Map and/or description of soils, geologic conditions, and natural hazards including but not limited to soil types, drainage areas, slopes, avalanche areas, debris fans, mud flows, rock slide areas, faults and fissures, seismic history, and wildfire hazard areas, all as relevant to the Project area.

Exhibit P contains two soils reports that describe the geologic conditions of the proposed lift station site and the proposed water treatment facility site.

- (b) Descriptions of the risks to the Project from natural hazards.

See response to 7(g).

- (c) Descriptions of the impacts and net effect of the Project on soil and geologic conditions in the area.

The project will have no adverse impacts on soil and geologic conditions. All designs will balance earthwork so that no material needs to be imported or exported from the site.

- (21) Hazardous Materials.

- (a) Description of all solid waste, hazardous waste, petroleum products, hazardous, toxic, and explosive substances to be used, stored, transported, disturbed or produced in connection with the Project, including the type and amount of such substances, their location, and the practices and procedures to be implemented to avoid accidental release and exposure.

The only materials which will be onsite at the lift station that meet the definitions above are diesel fuel for the emergency generator and the wastewater itself. The generator has been selected but will likely have a fuel tank that can hold approximately 100 gallons of diesel. Only qualified companies will be selected to provide fuel to the site to minimize the chance of spill occurring during fueling operations. The lift station will be designed to have emergency back-up power, 100% pump redundancy, and emergency storage sufficient to hold at least 8 hours of wastewater at the Average Daily Flow (ADF). The emergency measures will serve to help prevent wastewater spills at the lift station. Bioxide, while not a hazardous material, will be stored onsite as well. It is anticipated that 500 gallons of

Bioxide will be stored onsite. The preliminary site plan, contained in Exhibit I, shows the location of the Bioxide storage.

The PPACG Site Application Review Committee has reviewed and approved the Site Application for the proposed lift station. They had no objections to the emergency storage capacity.

Sodium hypochlorite (NaClO) will be stored at the water treatment facility. Approximately 300 gallons will be stored at any given time and will be stored in secondary containment. NaClO will be used to precipitate iron from the raw water. All NaClO will be stored in the water treatment building shown on the preliminary site plan in Exhibit I.

- (b) Location of storage areas designated for equipment, fuel, lubricants, and chemical and waste storage with an explanation of spill containment plans and structures.

As stated in 21(a) the generator and the wet well will be the only locations where material meeting the above description is stored at the lift station site. The operator will develop and implement standard operating procedures (SOP) to minimize the risk and impact of spills.

As mentioned above, NaClO will be stored in secondary containment at the water treatment facility. The operator will develop and implement SOPs to minimize the risk and impact of spills.

- (22) Monitoring and Mitigation Plan.

- (a) Description of all mitigation that is proposed to avoid, minimize or compensate for adverse impacts of the Project and to maximize positive impacts of the Project.

While unlikely, the design of the proposed lift station will take steps to minimize the occurrence of wastewater spills. A backup generator will be installed with an automatic transfer switch so that the pumps can continue to run in the event of a power failure. Additionally, emergency storage will be constructed with the capacity to hold 8 hours of wastewater at ADF. Additionally, most of the facility will be below grade and access to the site will be restricted to operations staff.

All chemicals at the water treatment facility will be stored in secondary containment to prevent spills. The water tanks at the treatment facility will be constructed at low points on the existing grade and the grading will be designed to limit the amount of the tanks that is visible. Like the lift station, access to the site will be restricted to operations staff.

As stated previously, Bioxide and SOPs will be used to mitigate potential odors from the lift station. Also, traffic control will be used during construction of the force main in the ROW to minimize impacts to traffic and for the safety of workers.

Exhibit Q contains preliminary building elevations which show the visual quality of the water tanks, the treatment building and the lift station building. As discussed in Section 15, partial burial of the tanks is an option that will be considered during the design and Site Development Plan phase of the project to mitigate visual impacts. Full burial of the tanks will not be considered due to the excessive cost and the reduction in hydraulic pressure from the loss in elevation.

- i. Describe how and when mitigation will be implemented and financed.

The components of the design described in 22(a) are integral to the design and will be constructed at the same time as the lift station and water treatment facility. Section 4(d) describes how the project will be financed. The mitigations described above will be financed in the same way as the lift station and water treatment facility.

- ii. Describe impacts that are unavoidable that cannot be mitigated.

Construction of the lift station and water treatment facility will add impervious area.

- (b) Description of methodology used to measure impacts of the Project and effectiveness of proposed mitigation measures.

Any spill will be reported to CDPHE. Refer to the Site Application in Exhibit M for additional details.

- (c) Description, location and intervals of proposed monitoring to ensure that mitigation will be effective.

A Supervisory Control and Data Acquisition (SCADA) system will be installed with both the lift station and water treatment facility. The SCADA system will report any pump failures, high wet well levels, and many other alerts to the operator 24 hours a day.

During construction, monitoring of erosion control BMPs and re-vegetation will be performed in accordance with the SWMP.

Bioxide will be added to the wet well at the lift station to control odors. Additionally, operational SOPs described in Section 13 will be followed to reduce odors. Hydrogen Sulfide, the primary cause of odors, will be monitored at the lift station and reported through the SCADA system.

- (23) Additional Information. The Director may request that the applicant supply additional information related to the Project if the Director and/or the Permit Authority will not be able to make a determination on any one of the applicable Review Criteria without the additional information. Such additional information may include applicant's written responses to comments by a referral agency.

Noted.

Guidelines and regulations for areas and activities of state interest

3.201 Application Submission Requirements

In addition to the materials listed at Section 2.303, application for a permit to conduct a new municipal or industrial water project shall be accompanied by the following information in the number required by the Director:

- (1) Description of efficient water use, recycling and reuse technology the Project intends to use. Such description shall include estimated stream transit losses of water, reservoir evaporation losses, and power and energy requirements of the Project and alternatives to the Project.

The Project's proposed sources of water currently include on-site and off-site groundwater supplies described in subsection (3) below. It is anticipated that the District's Rules and Regulations and/or restrictive covenants will require modern low flow water devices. The Intergovernmental Agreement with the Meridian Service District for wastewater treatment services at the Cherokee/Meridian Wastewater Plant provides that Sterling Ranch Metropolitan District No. 1 is entitled to available return flow water from the treated wastewater that is released from the Plant. However, Sterling's portion of the released treated wastewater is dependent on a yet to be approved, pending Replacement Plan, or an amended Replacement Plan or a new Replacement Plan. Stream transit and reservoir evaporation losses are not applicable as surface water supplies are not being contemplated at this time. All water supplies will be contained in closed storage facilities and pipes.

- (2) Map and description of other municipal and industrial water projects and providers in the vicinity of the Project, including their capacity and existing service levels, location of intake and discharge points, service fees and rates, debt structure and service plan boundaries and reasons for and against hooking on to those facilities.

The existing water infrastructure of the closest Falcon area water providers is approximately five miles from Sterling Ranch and those providers do not have adequate water supplies and infrastructure to provide water to Sterling Ranch. A further complication to obtaining water from the Falcon area providers is that most, if not all, of their water resources is in the Upper Black Squirrel Designated Ground Water Basin with restrictions on exporting the water outside the Basin. Sterling Ranch is not in the UBS. Although Colorado Springs Utilities has water infrastructure located near the southerly boundary of Sterling Ranch, CSU's policy precludes water service outside the City limits and the City was not interested in annexing Sterling Ranch. Finally, Cherokee Metropolitan District has recently purchased water rights in the northern portion of El Paso County and constructed a water line through Sterling Ranch to a water storage facility on Tamlin Road. However, Cherokee's policy has been to provide water service to properties located within its existing boundaries only although discussions on a mutual aid agreement and use of excess capacity in Cherokee's line continue. The Cherokee line and Colorado Springs City Limits are shown on the Neighboring Municipalities and Entities Map which is included as Exhibit V.

- (3) Description of the water to be used by the Project and to the extent identified by the Director in consultation with the applicant, alternatives, including: the source, amount, the quality of such water; the applicant's right to use the water, including adjudicated decrees or determinations and any substitute water supply plans, and applications for decrees or determinations; proposed points of diversion and changes in the points of diversion; the existing uses of the water; adequate proof that adequate water resources have been or can and will be committed to and retained for the Project, and that applicant can and will supply the Project with water of adequate quality, quantity, and dependability; and approval by the respective Designated Ground Water Management District if applicable. If an augmentation or replacement plan for the Project has been decreed or determined or an application for such plan has been filed in the court or with the Ground Water Commission, the applicant must submit a copy of that plan or application.

Please see the Sterling Ranch Metropolitan District #1 Water Resources Report and Wastewater Report for Sterling Ranch Phase One, dated May, 2015, included as Exhibit O. Although prepared for Phase 1, the Report contains a detailed description of the Project's water supplies, sources, quality, and decrees.

(4) Loss of Agricultural Productivity

- (a) Information on any agricultural water rights in the region converted to provide water for the Project, now or in the future.

No water is being transferred, converted or taken out of beneficial use that has been previously used for agricultural purposes.

- (b) Information on the amount of irrigated agricultural lands taken out of production, and a description of revegetation plans.

No irrigated agricultural lands will be taken out of production for the implementation of the proposed facilities.

- (c) Economic consequences of any loss of irrigated agriculture, including loss of tax base, in the region.

No irrigated agricultural lands will be taken out of production for the implementation of the proposed facilities.

- (d) Information as to loss of wildlife habitat, loss of topsoil, or noxious weed invasion, as a result of the transfer of water rights and subsequent dry-up of lands.

No water is being transferred, converted or taken out of beneficial use that has been previously used for agricultural purposes.

- (e) Information on impacts to agricultural head gates and water delivery systems.

There are no agricultural head gates or water delivery systems that will be impacted by the proposed lift station and water treatment facility.

Article 2 Permit Applications and Procedures

4.201 Application Submission Requirements

In addition to the materials listed at Section 2.303, applications for a permit to locate or construct a major new domestic water or sewage treatment system and/or major extension thereof shall be accompanied by the following information, in the number required by the Director:

- (1) Preliminary review and comment on the proposal by the appropriate agency of the Colorado Department of Natural Resources and the Colorado Department of Public Health and Environment within sixty (60) days of the date of submittal of the proposal for review.

To be provided when received from CDPHE.

(2) Scope of Proposal

- (a) Provide detailed plans of the proposal, including proposed system capacity and service area plans mapped at a scale acceptable to the Department.

The Site Application, attached as Exhibit K contains the above information.

- (b) Provide a description of all existing or approved proposed domestic water or sewage treatment systems within the Project area.

There are no water or wastewater treatment systems within the District.

- (c) Describe the design capacity of each domestic water or sewage treatment system facility proposed and the distribution or collection network proposed in the Project area.

The proposed project does not include treatment. Gravity sewer lines will convey wastewater from the service area to the proposed lift station. The lift station will convey wastewater through a force main approximately 5 miles to the Falcon Lift Station where it is pumped through another existing force main to the BSWWTF. The Site Application in Exhibit K contains details regarding the BSWWTF wastewater treatment facility capacity. The interim 18" wastewater line, approximately 2,260 feet in length to the connection with the City of Colorado Springs, will convey wastewater by means of gravity without involving the District's lift station. The construction drawings and supplemental information for this line has been submitted to the County for its review.

The water treatment facility will have the design capacity to treat approximately 900 GPM. However, the actual volume of water treated may be less depending on the production of the wells. The proposed main water distribution line is 24" diameter. This is above the size required to convey 900 GPM. If development reaches the point where 900 GPM will not be sufficient, off-site water sources will be secured. Potable water from those sources would be conveyed to the storage tanks and then distributed through the proposed water distribution system which is why the proposed water main is so large.

- (d) Describe the excess capacity of each treatment system and distribution or collection network in the affected community or Project area.

The Site Application is attached as Exhibit K. Section III of the Site Application discusses the capacity of the treatment facility and the collection network at length.

As noted in 2(c), the water distribution system will have significant excess capacity during early stages of development. However, at full build-out, the system is not designed to have excess capacity above industry standard design contingency levels.

- (e) Provide an inventory of total commitments already made for current water or sewage services

The District has a letter of commitment from Meridian to provide wastewater treatment for 684 SFE which is the anticipated wastewater load for Sterling Ranch Phase One. Additionally, the District and Meridian have entered into an IGA which contains the terms

and conditions by which Meridian will treat wastewater from up to 5,849 SFE. The IGA and the letter of commitment are attached as Exhibit E.

See the latest, updated Sterling Ranch Metropolitan District No. 1 Water and Wastewater Report recently submitted to the County for a list of commitments for service made by the District.

- (f) Describe the operational efficiency of each existing system in the Project area, including the age, state of repair and level of treatment

As stated previously, there are no existing treatment or distribution systems within the District. The BSWWTF was brought online in 2010 with a design capacity of 4.8 MGD. The current condition and performance of the BSWWTF is described in the Compliance Order on Consent in Exhibit R.

- (g) Describe the existing water utilization, including the historic yield from rights and use by category such as agricultural, municipal and industrial supply obligations to other systems.

The Branding Iron at Sterling Ranch Filing 1 and Homestead at Sterling Ranch Filing 1 projects have been constructed and water utilization is anticipated in the near future. See the latest, updated Sterling Ranch Metropolitan District No. 1 Water and Wastewater Report recently submitted to the County for water utilization estimates.

(3) Demonstration of Need

- (a) Provide population trends for the Project area, including present population, population growth and growth rates, documenting the sources used.

Currently, there are no residents in the District. Based on the Market Study for Phase I, approximately 700 lots will be developed by 2022. Ultimately, the Market Study projects that there will be approximately 5,500 lots developed within the District. More details regarding population growth can be found in the Market Study which is included in Exhibit J.

- (b) Specify the predominant types of developments to be served by the proposed new water and/or sewage systems or extensions thereof.

Based on the Water Resources and Wastewater Report for Sterling Ranch Phase I (WRWWR), Phase I development will be primarily residential development. In addition to 672 residential SFE, one elementary school and park and open space is planned for Phase I. The type of development in future phases will be determined during the development approval process. The WRWWR is included in Exhibit O.

- (c) Specify at what percentage of the design capacity the current system is now operating:

- i. Water treatment system.

There is no existing water treatment system.

- ii. Wastewater treatment system.

In March 2014, the BSWWTF was operating at approximately 1.6 MGD (33% of design capacity).

- (d) Specify whether present facilities can be upgraded to accommodate adequately the ten-year projected increase needed in treatment and/or hydraulic capacity.

Based on design capacity (4.8 MGD), the BSWWTF will not need to be upgraded to accommodate the projected demands in 10 years. However, the BSWWTF is under a Compliance Order on Consent with CDPHE. Upgrades will be made to the plant as conditions of the Consent Order but it is not known what affect the upgrades will have on the plant capacity. The Compliance Order on Consent is attached as Exhibit R.

- (4) Description of the water to be used by the Project and, to the extent identified by the Director in consultation with the applicant, alternatives, including: the source, amount, the quality of such water; the applicant's right to use the water, including adjudicated decrees or determinations and any substitute water supply plans, and applications for decrees or determinations; proposed points of diversion and changes in the points of diversion; the existing uses of the water; adequate proof that adequate water resources have been or can and will be committed to and retained for the Project, and that applicant can and will supply the Project with water of adequate quality, quantity, and dependability; and approval by the respective Designated Ground Water Management District if applicable. If an augmentation or replacement plan for the Project has been decreed or determined or an application for such plan has been filed in the court or with the Ground Water Commission, the applicant must submit a copy of that plan or application.

Refer to the Water Resources and Wastewater Report for Sterling Ranch Phase I in Exhibit O.

- (5) Loss of Agricultural Productivity

- (a) Information on any agricultural water rights in the region converted to provide water for the Project, now or in the future.

While the lift station and water treatment facility themselves will not have any impact on water rights, the impact of the proposed development is described in the WRWWR (Exhibit O).

- (b) Information on the amount of irrigated agricultural lands taken out of production, and a description of revegetation plans.

The parcels that the lift station and water treatment facility are proposed to be located on are zoned Heavy Industrial and Rural Residential respectively. Neither parcel is currently used for agriculture. Therefore, the proposed project will not affect agricultural lands.

- (c) Economic consequences of any loss of irrigated agriculture, including loss of tax base, in the region.

The lift station and water treatment facility themselves will not have any impact on agriculture. The development that the lift station will serve has received approval of the preliminary plan by the County.

- (d) Information as to loss of wildlife habitat, loss of topsoil, or noxious weed invasion, as a result of the transfer of water rights and subsequent dry-up of lands.

The lift station and water treatment facility themselves will not have any impact on the situation described above. The development that the proposed facilities will serve is currently being reviewed by the County. More information regarding this item can be found in the Preliminary Plan.

- (e) Information on impacts to agricultural head gates and water delivery systems.

There are no head gates or agricultural delivery systems that will be affected by this project.

- (6) The financial impact analysis of site selection and construction of major new water and sewage treatment facilities and/or major extension of existing domestic water and sewage treatment systems shall include but need not be limited to the following items:

- (a) A review and summary of any existing engineering and/or financial feasibility studies, assessed taxable property valuations and all other matters of financial aid and resources in determining the feasibility of the proposed new facility, including:

- i. Service area and/or boundaries.

The proposed lift station is within the boundaries of the District. The District boundary and the location of the proposed lift station and water treatment facility are shown in Exhibit S.

- ii. Applicable methods of transmitting, storing, treating and delivering water and collecting, transmitting, treating and discharging sewage, including effluent and/or sludge disposal.

The Site Application (Exhibit K) contains detailed information regarding the methods listed above.

- iii. Estimated construction costs and period of construction of each new or extension facility component.

The total estimated cost of construction for the lift station and force main is \$3,604,729. Exhibit N contains more detailed information regarding this cost estimate. Construction is anticipated to begin in late 2015 or early 2016 and be completed in late 2016 or early 2017. The total estimated cost for the interim wastewater line to the City of Colorado Springs is \$80,000.

The total estimated cost of construction for the water treatment system (including wells) and water distribution pipelines is \$3,914,476. Exhibit N contains more detailed information regarding this cost estimate. Construction is anticipated to begin in later 2015 or early 2016 and run through late 2016 or early 2017.

- iv. Assessed valuation of the property to be included within the service area boundaries.

According to the Service Plan, at full build-out, the assessed valuation of the properties within the District is projected to be approximately \$137,000,000. The current assessed valuation of the property within the District is approximately \$121,070 with most of the parcels currently being classified as "agricultural" by the County Assessor. The Service Plan is attached as Exhibit T.

- v. Revenues and operating expenses of the proposed new or extension facility, including but not limited to historical and estimated property taxation, service charges and rates, assessments, connection and tap fees, standby charges and all other anticipated revenues of the proposed new facility.

Exhibit D contains a proposed tap fee and usage rate schedule to be charged by the District. Operating expenses are projected to be less than the revenue generated by the usage rates.

- vi. Amount and security of the proposed debt and method and estimated cost of debt service.

The majority of the water and sewage system improvements will be privately financed and constructed by the developer's entities, SR Water, LLC and SR Sewer, LLC. All water and sewage improvements will be owned and maintained by Sterling Ranch Metropolitan District No. 1. Developer reimbursement agreements will be established with the District to be secured by future property tax and fee revenues. The Infrastructure Acquisition Agreements between the District and SR Sewer and SR Water which describe the terms of reimbursements is attached to Exhibit U.

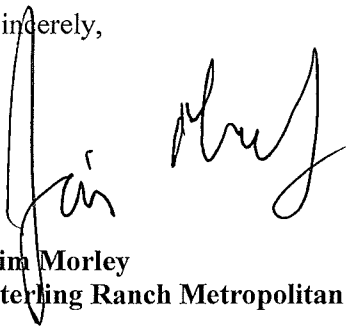
- vii. Provide the details of any substantial contract or agreement for revenues or for services to be paid, furnished or used by or with any person, association, corporation or governmental body.

As stated above, the developer's entities will enter into developer reimbursement agreements with the District to be reimbursed for the cost of designing and constructing the water and sewage improvements. The developer reimbursement agreements will be subordinate to the District's bond issues. The details of the developer reimbursement agreements have not been finally determined. It is contemplated that certain water and sewage services, utilizing these facilities, may also be provided to adjacent districts and developments thereby reducing the proliferation of such facilities in the area. The details of any such services have not been determined.

Additionally, as stated previously, the District has received a letter of commitment from Meridian to provide treatment for approximately 684 SFE from Sterling Ranch Phase One. The IGA provides the terms and conditions for Meridian to provide treatment. The letter of commitment and the IGA are enclosed in Exhibit E.

I hope that the information provided above responds satisfactorily to the requirements of the applicable portions of the 1041 application.

Sincerely,

A handwritten signature in black ink, appearing to read "Jim Morley". The signature is written in a cursive style with a large, stylized "J" and "M".

Jim Morley
Sterling Ranch Metropolitan District President