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IN THE MATTER OF THE APPLICATION OF PALO VERDE UTILITIES COMPANY FOR AN EXTENSION OF ITS EXISTING CERTIFICATE OF CONVENIENCE AND NECESSITY.	Docket No. SW-03575A-05-0307
IN THE MATTER OF THE APPLICATION OF SANTA CRUZ WATER COMPANY FOR AN EXTENSION OF ITS EXISTING CERTIFICATE OF CONVENIENCE AND NECESSITY.	Docket No. W-03576A-05-0307

NOTICE OF FILING OF COMMENTS TO STAFF REPORT

Palo Verde Utilities Company, L.L.C. and Santa Cruz Water Company, L.L.C., through undersigned counsel, hereby file the attached Comments to the Staff Report in the above-captioned docket.

RESPECTFULLY submitted this 4th day of November 2005.

ROSHKA DEWULF & PATTEN, PLC

By _____

Michael W. Patten
One Arizona Center
400 East Van Buren Street, Suite 800
Phoenix, Arizona 85004
(602) 256-6100

Attorneys for Palo Verde Utilities Company
and Santa Cruz Water Company

Original + 15 copies of the foregoing
filed this 4th day of November 2005, with:

Docket Control
ARIZONA CORPORATION COMMISSION
1200 West Washington
Phoenix, Arizona 85007

Copies of the foregoing hand-delivered/mailed
this 4th day of November 2005, to:

Dwight D. Nodes, Esq.
Administrative Law Judge
Hearing Division
Arizona Corporation Commission
1200 West Washington
Phoenix, Arizona 85007

David Ronald
Legal Division
Arizona Corporation Commission
1200 West Washington
Phoenix, Arizona 85007

Ernest G. Johnson, Esq.
Director, Utilities Division
Arizona Corporation Commission
1200 West Washington
Phoenix, Arizona 85007

By Mary Ippolito

ROSHKA DEWULF & PATTEN, PLC
ONE ARIZONA CENTER
400 EAST VAN BUREN STREET - SUITE 800
PHOENIX, ARIZONA 85004
TELEPHONE NO 602-256-6100
FACSIMILE 602-256-6800

Comments on the Staff Report for Palo Verde Utilities Company (PVUC) and Santa Cruz Water Company (SCWC) – Application for Extension of Certificates of Convenience and Necessity for Water and Wastewater Services (Docket Nos. SW-03575A-05-0307 and W-03576A-05-0307)

General Comments

The Staff Report refers (at page 3) to the number of wells operated by SCWC. While it is true at present SCWC is only utilizing two wells for potable production, the Company owns an additional three wells (Neely East, West and North), one of which (Neely West) has received New Source Approval from ADEQ.

The Staff Report also refers (at page 4) to a lack of arsenic data for the wells under consideration for use as potable wells in the South West Service Area. A table setting forth lab data for the wells was provided in response to Staff's First Set of Data Requests filed 25 August 2005, and is set forth below:

MASS BALANCE -- SW SERVICE AREA				
	Well ID			
	55-612402	55-612246	55-612247	Total
Flow, GPM	250	250	1500	2000
F, mg/L	1.900	0.603	1.633	1.538
NO3, mg/L	5.100	23.833	6.467	8.467
As, mg/L	0.009	0.004	0.007	0.007

SCWC is continuing to evaluate wells in the area, and will determine the most effective means of providing a continuous supply of water meeting the requirements of Ariz. Admin. Code Title 18, Chapter 4.

Comments on the Executive Summary Recommendations

The following comments refer to recommendations listed in the Executive Summary.

1. Recommendations 9 and 10

Recommendation 9 requires that PVUC file a copy of the Approval to Construct (ATC) for the sewer collection system prior to 31 December 2006. It must be understood that the sewer collection system will be phased in over a period of many years as developments come on line. As a result, ATC for certain parts of the system may not be applied for by 31 December 2006. Similarly, the Approval of Construction (AOC) will be a graduated affair and as such the entire collection system will not be completed by 31 December 2007 in order to receive AOC from ADEQ (Recommendation 10).

GLOBAL WATER MANAGEMENT, LLC
Deer Valley Financial Centre
22601 North 19th Avenue
Suite 210
Phoenix, Arizona 85027
623 580.9600 phone
623 580.9659 fax

2. Recommendation 7

Recommendation 7 requires that the effective date of any Commission approval of the CC&N extension be subject to the demonstration by PVUC of "full compliance" with ADEQ, as opposed to "substantial compliance." believes that it has achieved full compliance as a result of activities in the 3rd Quarter 2005. This "full compliance" status is detailed more fully below as is a review of the events leading to the "substantial compliance" determination by ADEQ.

What Does "Compliance" Mean to ADEQ?

There are three distinct determinations of compliance under ADEQ rules: Compliance, Substantial Compliance, and Non-Compliance. These categories have been developed to allow for the identification and rectification of issues associated with treatment plant operations.

Recognizing that plants will be subject to some process upsets, ADEQ has established two criteria against which it measures performance. This compliance spectrum is based on the permit Discharge Limit (DL) and a concept known as the Technical Review Criteria (TRC). The TRC is mathematically derived from the DL and is further delineated into two levels (Categories 1 and 2). Category 1 TRC applies to BOD, Turbidity, solids, nutrients, metals, etc. and is established at 1.4 x DL; Category 2 TRC applies to fecal coliform, viruses, residual Cl2 levels etc. and is established at 1.2 x DL. Category 2 elements are more likely to have an impact on the receiving environment and human health and as such are more tightly controlled.

For ADEQ:

- "Compliance" means that the facility had fewer than the allowable DL and TRC violations as defined in Tables 1 and 2.

- "Substantial Compliance" indicates that in general the plant operated within the parameters of its discharge permit, but reported more than the allowable DL or TRC exceedences to be placed in the "Caution" category (Table 1). These represent the potential for concern by ADEQ and thus warrant investigation by the Utility.

- "Non-compliance" means the facility exceeded its DL or TCR criteria frequently enough to be placed in the "Major Violation" category (Table 2).

CAUTION LEVELS - WATER QUALITY PERMITS

Monitoring Frequency	TRC Violations[1]	Discharge Limit Violations[2]	Review Period
Daily	4-8	9-17	Quarterly
5 per week	3-5	6-11	Quarterly
2 per week	2-4	5-9	Quarterly
5 per month	2-3	4-7	Quarterly
1 per week	1-2	3-5	Quarterly
2 per month	1	2-3	Quarterly
1 per month	1	2-3	2 Quarters
Quarterly	N/A	1 or more	Quarterly
Biannually	N/A	1 or more	Biannual
Annually	N/A	1 or more	Annual

Table 1: ADEQ Compliance Determination – Caution

MAJOR VIOLATIONS - WATER QUALITY PERMITS

Monitoring Frequency	TRC Violations[1]	Discharge Limit Violations[2]	Review Period
Daily	9 or more	18 or more	Quarterly
5 per week	6 or more	12 or more	Quarterly
2 per week	5 or more	10 or more	Quarterly
5 per month	4 or more	8 or more	Quarterly
1 per week	3 or more	6 or more	Quarterly
2 per month	2 or more	4 or more	Quarterly
1 per month	2 or more	4 or more	2 Quarters
Quarterly	1 or more	N/A	Quarterly
Biannually	1 or more	N/A	Biannual
Annually	1 or more	N/A	Annual

Table 2: ADEQ Compliance Determination – Major Violation

Why does the ADEQ data base indicate that PVUC in Substantial versus Full Compliance?

The PVUC treatment plant was considered to be in "substantial compliance" as a result of infrequent but recurring turbidity spikes in the 2nd Quarter 2005, which also can sometimes lead to disinfection exceedences. During the time period covered by the ADEQ report received by the ACC (2nd Quarter 2005), PVUC was (and until very recently was still) receiving a highly septic wastewater contribution from the 387 WWID. This is a very unusual operating condition – slugs of septic wastewater introduced to the plant on an irregular basis can result in less than optimal

process control. However, it was the result of the exigent circumstances related to the 387 WWID's inability to treat wastewater using its own facilities.

It has always been Global's policy to report all events to ADEQ, along with a detailed explanation of the cause, effect, rectification and follow-on activity associated with each.
As mentioned above, plants are "allowed" to intermittently exceed a DL or TRC criterion for a small, finite number of times in any particular reporting period. The number of exceedances allowed is inversely proportional to the number of samples we are required to report – that is if a parameter is required to be sampled daily, a higher number of exceedences are permitted than if the parameter is sampled quarterly.

During the 2nd Quarter of 2005, PVUC reported the following number of exceedences for turbidity and fecal coliform:

	2nd QTR		3rd QTR		4th QTR (up to end Oct)	
	DL	TRC	DL	TRC	DL	TRC
Fecal Coliform	5	5	0	0	0	0
Avg Turbidity	13	6	5	2	3	0
Max Turbidity	7	3	0	0	0	0

Table 3: PVUC Compliance Matrix

Referring to Table 1, in the 2nd Quarter 2005, this data placed PVUC into the Caution category (as noted by the yellow cells). That is: more than 9 and less than 17 DL exceedences, and more than 4 but less than 8 TRC exceedences.

Ultimately, the cause of these exceedences was determined to be:

- In April 2005, PVUC began accepting wastewater from the 387 Wastewater Improvement District (387 WWID). Up until mid-September 2005, this service was provided in a vault & haul routine, which resulted in the introduction of septic wastewater to the PVUC water reclamation facility. This was necessary due to the fact that Sonoran Utility Services (the former operator of the 387 WWID) had failed to properly complete and permit the lift stations. This failure resulted in several small plant upsets – the introduction of thousands of gallons of septic wastewater causes many problems: dissolved oxygen control becomes difficult, and the older wastewater has a detrimental effect on the biomass as a whole. At times, the PVUC plant sludge settleability was affected, increasing the solids loading to the filters, and increasing the soluable organic concentration – the result is poor filter backwashes, backwash pumps that must run longer and under harsher conditions, and an environment conducive to the generation of biofilms. From a filter perspective, the effect is short-circuiting – reducing the filtration media contact time, and thereby increasing turbidity. The commissioning of the ex-387 WWID lift stations has now eliminated the delivery of septic wastewater to the plant.

- A failed Dissolved Oxygen (DO) probe. This fault was originally diagnosed as a control or equipment fault, as the DO probe had been recently replaced and calibrated. However,

detailed investigations ultimately eliminated any potential faults with the blower, the variable frequency drive controller, and the control logic. The probe was then replaced, calibrated and returned the DO profile to normal. As a result of this loss of DO control, the biomass was negatively affected, which included effects on settleability. PVUC's operations staff have been working diligently to ensure the biomass recovers completely.

Fortunately, the impact of these events has been isolated, and relatively short in duration. Modifications to the filter design made by PVUC in the Phase II infrastructure (increasing capacity from 1.0 MGD to 3.0 MGD) will reduce the potential for any recurrence of biofilm fouling. In addition, the 387 WWID lift stations have been recently completed by PVUC which will ensure all wastewater entering the plant is non-septic. The Phase II infrastructure is scheduled for commissioning in December 2005.

What is PVUC's Current Status?

PVUC treats these issues very seriously from an operational perspective, and as a matter of course considers the compliance status to be paramount in all our operational decisions. Concerted effort by operations staff ensured that the plant continued to perform even under arduous conditions.

From Tables 1 and 2, one can infer that "Full Compliance" means less than 9 DL exceedences in a quarter, AND < 4 TRC exceedences in a quarter (note that by definition a TRC exceedence is a DL excedeence). As shown in Table 3, these criteria were met in the 3rd Quarter 2005. Accordingly, PVUC is in Full Compliance currently, although it will take several weeks before the data submitted to ADEQ on the 3rd Quarter 2005 Self-Monitoring Report Forms (SMRFs) will be reflected in the database.