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AZ CORP COMMISSION  
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 Phoenix, Arizona 85012  
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 5 Attorneys for Valley Utilities Water Company

**BEFORE THE ARIZONA CORPORATION COMMISSION**

8 IN THE MATTER OF THE  
 9 APPLICATION OF VALLEY UTILITIES  
 WATER COMPANY, AN ARIZONA  
 10 CORPORATION, FOR A  
 DETERMINATION OF THE FAIR  
 11 VALUE OF ITS UTILITY PLANT AND  
 PROPERTY AND FOR INCREASES IN  
 12 ITS RATES AND CHARGES FOR  
 UTILITY SERVICE BASED THEREON.

DOCKET NO: W-01412A-08-0586

**NOTICE OF FILING  
LATE-FILED EXHIBITS**

14 Valley Utilities Water Company ("VUWCO" or the "Company") hereby provides  
 15 notice of filing the attached late-filed exhibit. Attached hereto as **Exhibit 1** are  
 16 documents related to the Company's contract with the Central Arizona Project ("CAP"),  
 17 including: (1) the CAP Municipal and Industrial Subcontract, dated May 10, 2007; (2) an  
 18 Agreement for Payment of Past CAP M&I Water Service Capital Charges, dated  
 19 November 5, 2007; and (3) CAP Invoices for the years 2007, 2008 and 2009. Attached  
 20 hereto as **Exhibit 2** is a narrative providing the current status of Arsenic Treatment  
 21 Facilities located at the Glendale Avenue site and the Bethany Home site, as well as the  
 22 Approval to Commence Operations With Stipulations dated July 8, 2009, issued by  
 23 Maricopa County Environmental Services for the Glendale Avenue site.

Arizona Corporation Commission  
DOCKETED

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DATED this 30<sup>th</sup> day of September, 2009.

FENNEMORE CRAIG, P.C.

By:   
Patrick J. Black  
Attorneys for Valley Utilities Water Company

**ORIGINAL** and 13 copies of the foregoing filed  
this 30<sup>th</sup> day of September, 2009 with:

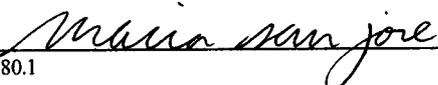
Docket Control  
Arizona Corporation Commission  
1200 West Washington Street  
Phoenix, AZ 85007

**COPY** of the foregoing hand-delivered  
this 30<sup>th</sup> day of September, 2009 to:

Sarah Harpring  
Administrative Law Judge  
Hearing Division  
Arizona Corporation Commission  
1200 West Washington Street  
Phoenix, AZ 85007

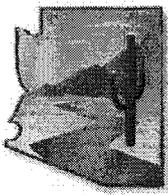
Kevin Torrey, Esq.  
Legal Division  
Arizona Corporation Commission  
1200 West Washington Street  
Phoenix, AZ 85007

Ernest Johnson, Director  
Utilities Division  
Arizona Corporation Commission  
1200 West Washington Street  
Phoenix, AZ 85007

By:   
2241580.1

# **Exhibit 1**

**CAP Municipal  
and Industrial Subcontract,  
dated May 10, 2007**



**CAP**  
CENTRAL ARIZONA PROJECT

P.O. Box 43020 • Phoenix, AZ 85080-3020  
23636 N. 7th Street • Phoenix, AZ 85024

623-869-2333 • www.cap-az.com

May 10, 2007

Mr. Bob Prince  
Valley Utilities Water Company  
6808 N. Dysart Road  
Glendale, Arizona 85307-2231

Dear Mr. Prince:

Enclosed is a fully executed duplicate original of the amended CAP municipal and industrial subcontract executed on behalf of Valley Utilities Water Company. (Amended CAP Subcontract). Article 4.2 of the Amended CAP Subcontract provides that it does not become effective until three conditions have been satisfied:

- 1) The conditions set forth in section 207(c)(1) of the Arizona Water Settlements Act 118 stat. 3478, must be satisfied. The Act provides that the Secretary of the Interior must publish a finding by December 31, 2007, that those conditions have been satisfied. If that does not happen, the relevant portions of the Act are repealed and the subcontract is voided.
- 2) The subcontractor must pay or provide for payment of past M&I water service capital charges associated with the CAP allocation. You may elect to pay those charges in full by December 1, 2007, or on a five-year payment plan with the first installment due December 1, 2007. Please notify us no later than June 30, 2007, whether you intend to pay the charges in full this December, or on a 5-year payment plan. CAWCD will send out invoices for these charges in mid-October of this year.
- 3) The Amended CAP Subcontract must be validated by a court of competent jurisdiction, as provided in Article 6.12 of the subcontract. The procedures for validating the Amended CAP Subcontract are described in Arizona Revised Statutes §§48-3731 through 48-3734. We request that you complete the validation process before December 31, 2007. Please provide us with three certified copies of the court judgment validating the Amended CAP Subcontract.

Mr. Bob Prince

May 10, 2007

Page Two

The Amended CAP Subcontract's delivery term begins on January 1 of the year following that in which the Amended CAP Subcontract becomes effective. Thus, if M&I water service capital charges are due, it is critical that you make timely payment of these charges in accordance with item 2 above. Regardless of whether M&I water service capital charges are due, it is critical that you complete the court validation process of the subcontract before December 31, 2007.

If you have any questions about this process, please contact Sheila Brennemann at 623-869-2368.

Sincerely,



Suzanne K. Ticknor  
Senior Attorney

lo:wpdocs\lo\prince2.ltr  
221.01

Encls.

Subcontract No. 07-XX-30-W0473

UNITED STATES  
DEPARTMENT OF THE INTERIOR  
BUREAU OF RECLAMATION

SUBCONTRACT AMONG THE UNITED STATES,  
THE CENTRAL ARIZONA WATER CONSERVATION DISTRICT,  
AND THE VALLEY UTILITIES WATER COMPANY  
PROVIDING FOR WATER SERVICE

CENTRAL ARIZONA PROJECT

1. PREAMBLE:

THIS SUBCONTRACT, made this 29<sup>th</sup> day of March, 2007,  
in pursuance generally of the Act of June 17, 1902 (32 Stat. 388), and acts amendatory  
thereof or supplementary thereto, including but not limited to the Boulder Canyon Project  
Act of December 21, 1928 (45 Stat. 1057), as amended, the Reclamation Project Act of  
August 4, 1939 (53 Stat. 1187), as amended, the Reclamation Reform Act of October  
12, 1982 (96 Stat. 1263), and particularly the Colorado River Basin Project Act of  
September 30, 1968 (82 Stat. 885), as amended, and the Arizona Water Settlements Act  
(118 Stat. 3478), all collectively hereinafter referred to as the "Federal Reclamation  
Laws," among the UNITED STATES OF AMERICA, hereinafter referred to as the  
"United States" acting through the Secretary of the Interior, the CENTRAL ARIZONA  
WATER CONSERVATION DISTRICT, hereinafter referred to as the "Contractor," a  
water conservation district organized under the laws of Arizona, with its principal place of  
business in Phoenix, Arizona, and the VALLEY UTILITIES WATER COMPANY,  
hereinafter referred to as the "Subcontractor," with its principal place of business in  
Glendale, Arizona;

WITNESSETH, THAT:

2. EXPLANATORY RECITALS:

1  
2       **WHEREAS**, the Colorado River Basin Project Act provides, among other  
3 things, that for the purposes of furnishing irrigation and municipal and industrial water  
4 supplies to water deficient areas of Arizona and western New Mexico through direct  
5 diversion or exchange of water, control of floods, conservation and development of fish  
6 and wildlife resources, enhancement of recreation opportunities, and for other purposes,  
7 the Secretary of the Interior shall construct, operate, and maintain the Central Arizona  
8 Project; and

9       **WHEREAS**, pursuant to the provisions of Arizona Revised Statutes §§ 48-  
10 3701, *et seq.*, the Contractor has been organized with the power to enter into a contract  
11 or contracts with the Secretary of the Interior to accomplish the purposes of Arizona  
12 Revised Statutes, §§ 48-3701, *et seq.*; and

13       **WHEREAS**, pursuant to Section 304(b)(1) of the Colorado River Basin  
14 Project Act, the Secretary of the Interior has determined that it is necessary to effect  
15 repayment of the cost of constructing the Central Arizona Project pursuant to a master  
16 contract and that the United States, together with the Contractor, shall be a party to  
17 contracts that are in conformity with and subsidiary to the master contract; and

18       **WHEREAS**, the United States and the Contractor entered into Contract  
19 No. 14-06-W-245, Amendment No. 1, dated December 1, 1988, hereinafter referred to  
20 as the "Repayment Contract," a copy of which is attached hereto as Exhibit "A" and by  
21 this reference made a part hereof, whereby the Contractor agrees to repay to the United  
22 States the reimbursable costs of the Central Arizona Project allocated to the Contractor;  
23 and

24       **WHEREAS**, the Subcontractor is in need of a water supply and desires to  
25 subcontract with the United States and the Contractor for water service from water  
26 supplies available under the Central Arizona Project; and

1           **WHEREAS**, upon completion of the Central Arizona Project, water shall be  
2 available for delivery to the Subcontractor;

3           **NOW THEREFORE**, in consideration of the mutual and dependent  
4 covenants herein contained, it is agreed as follows:

5           **3. DEFINITIONS:**

6           Definitions included in the Repayment Contract are applicable to this  
7 subcontract; provided, however, that the terms "Agricultural Water" or "Irrigation Water"  
8 shall mean water used for the purposes defined in the Repayment Contract on tracts of  
9 land operated in units of more than 5 acres. The first letters of terms so defined are  
10 capitalized herein. As heretofore indicated, a copy of the Repayment Contract is  
11 attached as Exhibit "A." In addition, the following definitions shall apply to this  
12 subcontract:

13           (a) "Available CAP Supply" shall mean for any given Year all Fourth  
14 Priority Water available for delivery through the Central Arizona Project, water available  
15 from CAP dams and reservoirs other than Modified Roosevelt Dam, and return flows  
16 captured by the Secretary for CAP use.

17           (b) "Fourth Priority Water" shall mean Colorado River water available  
18 for delivery within the State of Arizona for satisfaction of entitlements: (1) pursuant to  
19 contracts, Secretarial reservations, perfected rights, and other arrangements between  
20 the United States and water users in the State entered into or established subsequent to  
21 September 30, 1968, for use on Federal, State, or privately owned lands in the State (for  
22 a total quantity not to exceed 164,652 acre-feet of diversions annually); and (2), after  
23 first providing for the delivery of water under 43 U.S.C. §1524(e), pursuant to the  
24 Repayment Contract for the delivery of Colorado River water for the CAP including use  
25 of Colorado River water on Indian lands.  
26

1           4.       **DELIVERY OF WATER:**

2           4.1    Obligations of the United States. Subject to the terms, conditions,  
3 and provisions set forth herein and in the Repayment Contract, during such periods as it  
4 operates and maintains the Project Works, the United States shall deliver Project Water  
5 for M&I use by the Subcontractor. The United States shall use all reasonable diligence  
6 to make available to the Subcontractor the quantity of Project Water specified in the  
7 schedule submitted by the Subcontractor in accordance with Article 4.4. After transfer of  
8 OM&R to the Operating Agency, the United States shall make deliveries of Project Water  
9 to the Operating Agency which shall make subsequent delivery to the Subcontractor as  
10 provided herein.

11           4.2    Term of Subcontract. This subcontract shall become effective upon  
12 the later of: (i) the date on which it is confirmed as provided for in Article 6.12; (ii) the  
13 date on which the Secretary of the Interior publishes in the Federal Register the  
14 statement of findings described in section 207(c)(1) of the Arizona Water Settlements  
15 Act, 118 Stat. 3478; and (iii) the date on which the Subcontractor has paid or provided  
16 for payment of past M&I water service capital charges as required by the Contractor.  
17 This subcontract shall be for permanent service as that term is used in Section 5 of the  
18 Boulder Canyon Project Act of 1928, 43 U.S.C. §617d. Project Water shall be delivered  
19 under the terms of this subcontract for a period of 100 years beginning January 1 of the  
20 Year following that in which the subcontract becomes effective; provided, that this  
21 subcontract may be renewed upon written request by the Subcontractor upon terms and  
22 conditions of renewal to be agreed upon not later than 1 year prior to the expiration of  
23 this subcontract; and provided, further, that such terms and conditions shall be  
24 consistent with Article 9.9 of the Repayment Contract.

25       \* \* \* \*

26       \* \* \* \*

1                   4.3    Conditions Relating to Delivery and Use. Delivery and use of water  
2 under this subcontract is conditioned on the following, and the Subcontractor hereby  
3 agrees that:

4                   (a)    All uses of Project Water and Return Flow shall be consistent  
5 with Arizona water law unless such law is inconsistent with the Congressional directives  
6 applicable to the Central Arizona Project.

7                   (b)    The system or systems through which water for Agricultural,  
8 M&I (including underground storage), and Miscellaneous purposes is conveyed after  
9 delivery to the Subcontractor shall consist of pipelines, canals, distribution systems, or  
10 other conduits provided and maintained with linings adequate in the Contracting Officer's  
11 judgment to prevent excessive conveyance losses.

12                   (c)    The Subcontractor shall not pump, or within its legal  
13 authority, permit others to pump ground water from within the exterior boundaries of the  
14 Subcontractor's service area, which has been delineated on a map filed with the Con-  
15 tractor and approved by the Contractor and the Contracting Officer, for use outside of  
16 said service area unless such pumping is permitted under Title 45, Chapter 2, Arizona  
17 Revised Statutes, as it may be amended from time to time, and the Contracting Officer,  
18 the Contractor, and the Subcontractor shall agree, or shall have previously agreed, that  
19 a surplus of ground water exists and drainage is or was required; provided, however,  
20 that such pumping may be approved by the Contracting Officer and the Contractor, and  
21 approval shall not be unreasonably withheld, if such pumping is in accord with the Basin  
22 Project Act and upon submittal by the Subcontractor of a written certification from the  
23 Arizona Department of Water Resources or its successor agency that the pumping and  
24 transportation of ground water is in accord with Title 45, Chapter 2, Arizona Revised  
25 Statutes, as it may be amended from time to time.

1 (d) The Subcontractor shall not sell, lease, exchange, forbear or  
2 otherwise transfer Project Water; provided, however, that this does not prohibit  
3 exchanges of Project Water within the State of Arizona covered by separate  
4 agreements; and provided, further, that this does not prohibit effluent exchanges with  
5 Indian tribes pursuant to Article 6.2; and provided, further, that this does not prohibit the  
6 resale or exchange of Project Water within the State of Arizona pursuant to Subarticle  
7 4.3(e).

8 (e)(i) Project Water scheduled for delivery in any Year under this  
9 subcontract may be used by the Subcontractor or resold, or exchanged by the  
10 Subcontractor pursuant to appropriate agreements approved by the Contracting Officer  
11 and the Contractor. If said water is resold or exchanged by the Subcontractor for an  
12 amount in excess of that which the Subcontractor is obligated to pay under this  
13 subcontract, the excess amount shall be paid forthwith by the Subcontractor to the  
14 Contractor for application against the Contractor's Repayment Obligation to the United  
15 States; provided, however, that the Subcontractor shall be entitled to recover actual  
16 costs of transportation, treatment, and distribution, including but not limited to capital  
17 costs and OM&R costs.

18 (ii) Project Water scheduled for delivery in any Year under  
19 this subcontract that cannot be used, resold, or exchanged by the Subcontractor may be  
20 made available by the Contracting Officer and Contractor to other users. If such Project  
21 Water is sold to or exchanged with other users, the Subcontractor shall be relieved of its  
22 payments hereunder only to the extent of the amount paid to the Contractor by such  
23 other users, but not to exceed the amount the Subcontractor is obligated to pay under  
24 this subcontract for said water.

25 (iii) In the event the Subcontractor or the Contracting  
26 Officer and the Contractor are unable to sell any portion of the Subcontractor's Project

1 Water scheduled for delivery and not required by the Subcontractor, the Subcontractor  
2 shall be relieved of the pumping energy portion of the OM&R charges associated with  
3 the undelivered water as determined by the Contractor.

4 (f) Notwithstanding any other provision of this subcontract,  
5 Project Water shall not be delivered to the Subcontractor unless and until the  
6 Subcontractor has obtained final environmental clearance from the United States for the  
7 system or systems through which Project Water is to be conveyed after delivery to the  
8 Subcontractor at the Subcontractor's Project turnout(s). Such system(s) shall include all  
9 pipelines, canals, distribution systems, treatment, storage, and other facilities through or  
10 in which Project Water is conveyed, stored, or treated after delivery to the Subcontractor  
11 at the Subcontractor's Project turnout(s). In each instance, final environmental  
12 clearance will be based upon a review by the United States of the Subcontractor's plans  
13 for taking and using Project Water and will be given or withheld by the United States in  
14 accordance with the Final Environmental Impact Statement -- Water Allocations and  
15 Water Service Contracting (FES 82-7, filed March 19, 1982) and the National  
16 Environmental Policy Act of 1969 (83 Stat. 852). Any additional action(s) required on  
17 behalf of the Subcontractor in order to obtain final environmental clearance from the  
18 United States will be identified to the Subcontractor by the United States, and no Project  
19 Water shall be delivered to the Subcontractor unless and until the Subcontractor has  
20 completed all such action(s) to the satisfaction of the United States.

21 4.4 Procedure for Ordering Water.

22 (a) At least 15 months prior to the date the Secretary expects to  
23 issue the Notice of Completion of the Water Supply System, or as soon thereafter as is  
24 practicable, the Contracting Officer shall announce by written notice to the Contractor the  
25 amount of Project Water available for delivery during the Year in which said Notice of  
26 Completion is issued (initial Year of water delivery) and during the following Year. Within

1 30 days of receiving such notice, the Contractor shall issue a notice of availability of  
2 Project Water to the Subcontractor. The Subcontractor shall, within a reasonable period  
3 of time as determined by the Contractor, submit a written schedule to the Contractor and  
4 the Contracting Officer showing the quantity of water desired by the Subcontractor  
5 during each month of said initial Year and the following Year. The Contractor shall notify  
6 the Subcontractor by written notice of the Contractor's action on the requested schedule  
7 within 2 months of the date of receipt of such request.

8 (b) The amounts, times, and rates of delivery of Project Water to  
9 the Subcontractor during each Year subsequent to the Year following said initial Year of  
10 water delivery shall be in accordance with a water delivery schedule for that Year. Such  
11 schedule shall be determined in the following manner:

12 (i) On or before June 1 of each Year beginning with the  
13 Year following the initial Year of water delivery pursuant to this subcontract, the  
14 Contracting Officer shall announce the amount of Project Water available for delivery  
15 during the following Year in a written notice to the Contractor. In arriving at this  
16 determination, the Contracting Officer, subject to the provisions of the Repayment  
17 Contract, shall use his best efforts to maximize the availability and delivery of Arizona's  
18 full entitlement of Colorado River water over the term of this subcontract. Within 30 days  
19 of receiving said notice, the Contractor shall issue a notice of availability of Project Water  
20 to the Subcontractor.

21 (ii) On or before October 1 of each Year beginning with  
22 the Year following said initial Year of water delivery, the Subcontractor shall submit in  
23 writing to the Contractor and the Contracting Officer a water delivery schedule indicating  
24 the amounts of Project Water desired by the Subcontractor during each month of the  
25 following Year along with a preliminary estimate of Project Water desired for the  
26 succeeding 2 years.

1 (iii) Upon receipt of the schedule, the Contractor and the  
2 Contracting Officer shall review it and, after consultation with the Subcontractor, shall  
3 make only such modifications to the schedule as are necessary to ensure that the  
4 amounts, times, and rates of delivery to the Subcontractor are consistent with the  
5 delivery capability of the Project, considering, among other things, the availability of  
6 water and the delivery schedules of all subcontractors; provided, that this provision shall  
7 not be construed to reduce annual deliveries to the Subcontractor.

8 (iv) On or before November 15 of each Year beginning  
9 with the Year following said initial Year of water delivery, the Contractor shall determine  
10 and furnish to the Subcontractor and the Contracting Officer the water delivery schedule  
11 for the following Year which shall show the amount of water to be delivered to the  
12 Subcontractor during each month of that Year, contingent upon the Subcontractor  
13 remaining eligible to receive water under all terms contained herein.

14 (c) The monthly water delivery schedules may be amended upon  
15 the Subcontractor's written request to the Contractor. Proposed amendments shall be  
16 submitted by the Subcontractor to the Contractor no later than 15 days before the  
17 desired change is to become effective, and shall be subject to review and modification in  
18 like manner as the schedule. The Contractor shall notify the Subcontractor and the  
19 Contracting Officer of its action on the Subcontractor's requested schedule modification  
20 within 10 days of the Contractor's receipt of such request.

21 (d) The Contractor and the Subcontractor shall hold the United  
22 States, its officers, agents, and employees, harmless on account of damage or claim of  
23 damage of any nature whatsoever arising out of or connected with the actions of the  
24 Contractor regarding water delivery schedules furnished to the Subcontractor.

25 (e) In no event shall the Contracting Officer or the Contractor be  
26 required to deliver to the Subcontractor from the Water Supply System in any one month

1 a total amount of Project Water greater than eleven percent (11%) of the Subcontractor's  
2 maximum entitlement; provided, however, that the Contracting Officer may deliver a  
3 greater percentage in any month if such increased delivery is compatible with the overall  
4 delivery of Project Water to other subcontractors as determined by the Contracting  
5 Officer and the Contractor and if the Subcontractor agrees to accept such increased  
6 deliveries.

7 4.5 Points of Delivery--Measurement and Responsibility for Distribution  
8 of Water.

9 (a) The water to be furnished to the Subcontractor pursuant to  
10 this subcontract shall be delivered at turnouts to be constructed by the United States at  
11 such point(s) on the Water Supply System as may be agreed upon in writing by the  
12 Contracting Officer and the Contractor, after consultation with the Subcontractor.

13 (b) Unless the United States and the Subcontractor agree by  
14 contract to the contrary, the Subcontractor shall construct and install, at its sole cost and  
15 expense, connection facilities required to take and convey the water from the turnouts to  
16 the Subcontractor's service area. The Subcontractor shall furnish, for approval of the  
17 Contracting Officer, drawings showing the construction to be performed by the  
18 Subcontractor within the Water Supply System right-of-way 6 months before starting said  
19 construction. The facilities may be installed, operated, and maintained on the Water  
20 Supply System right-of-way subject to such reasonable restrictions and regulations as to  
21 type, location, method of installation, operation, and maintenance as may be prescribed  
22 by the Contracting Officer.

23 (c) All water delivered from the Water Supply System shall be  
24 measured with equipment furnished and installed by the United States and operated and  
25 maintained by the United States or the Operating Agency. Upon the request of the  
26 Subcontractor or the Contractor, the accuracy of such measurements shall be

1 investigated by the Contracting Officer or the Operating Agency, Contractor, and  
2 Subcontractor, and any errors which may be mutually determined to have occurred  
3 therein shall be adjusted; provided, that in the event the parties cannot agree on the  
4 required adjustment, the Contracting Officer's determination shall be conclusive.

5 (d) Neither the United States, the Contractor, nor the Operating  
6 Agency shall be responsible for the control, carriage, handling, use, disposal, or  
7 distribution of Project Water beyond the delivery point(s) agreed to pursuant to Sub-  
8 article 4.5(a). The Subcontractor shall hold the United States, the Contractor, and the  
9 Operating Agency harmless on account of damage or claim of damage of any nature  
10 whatsoever for which there is legal responsibility, including property damage, personal  
11 injury, or death arising out of or connected with the Subcontractor's control, carriage,  
12 handling, use, disposal, or distribution of such water beyond said delivery point(s).

13 4.6 Temporary Reductions. In addition to the right of the United States  
14 under Subarticle 8.3(a)(iv) of the Repayment Contract temporarily to discontinue or  
15 reduce the amount of water to be delivered, the United States or the Operating Agency  
16 may, after consultation with the Contractor, temporarily discontinue or reduce the  
17 quantity of water to be furnished to the Subcontractor as herein provided for the  
18 purposes of investigation, inspection, maintenance, repair, or replacement of any of the  
19 Project facilities or any part thereof necessary for the furnishing of water to the  
20 Subcontractor, but so far as feasible the United States or the Operating Agency shall  
21 coordinate any such discontinuance or reduction with the Subcontractor and shall give  
22 the Subcontractor due notice in advance of such temporary discontinuance or reduction,  
23 except in case of emergency, in which case no notice need be given. Neither the United  
24 States, its officers, agents, and employees, nor the Operating Agency, its officers,  
25 agents, and employees, shall be liable for damages when, for any reason whatsoever,  
26 any such temporary discontinuance or reduction in delivery of water occurs. If any such

1 discontinuance or temporary reduction results in deliveries to the Subcontractor of less  
2 water than what has been paid for in advance, the Subcontractor shall be entitled to be  
3 reimbursed for the appropriate proportion of such advance payments prior to the date of  
4 the Subcontractor's next payment of water service charges or the Subcontractor may be  
5 given credit toward the next payment of water charges if the Subcontractor should so  
6 desire.

7           4.7 Priority in Case of Shortage. On or before June 1 of each Year,  
8 the Secretary shall announce the Available CAP Supply for the following Year in a  
9 written notice to the Contractor.

10           (a) Prior to January 1, 2044, a time of shortage shall exist in any  
11 Year in which the Available CAP Supply for that Year is insufficient to satisfy all of the  
12 entitlements set forth in subparagraphs (i) through (iii) below:

13                           (i) Three hundred forty-three thousand seventy-nine  
14   (343,079) acre-feet of CAP Indian Priority Water;

15                           (ii) Six hundred thirty-eight thousand eight hundred  
16   twenty-three (638,823) acre-feet of CAP M&I Priority  
17   Water; and

18                           (iii) Up to one hundred eighteen (118) acre-feet of CAP  
19   M&I Priority Water converted from CAP NIA Priority  
20   Water under the San Tan Irrigation District's CAP  
21   Subcontract.  
22

23           (b) On or after January 1, 2044, a time of shortage shall exist in  
24 any Year in which the Available CAP Supply for that Year is insufficient to satisfy all of  
25 the entitlements as set forth in subparagraphs (i) through (iv) below:  
26

- 1 (i) Three hundred forty-three thousand seventy-nine  
2 (343,079) acre-feet of CAP Indian Priority Water;  
3  
4 (ii) Six hundred thirty-eight thousand eight hundred  
5 twenty-three (638,823) acre-feet of CAP M&I Priority  
6 Water;  
7  
8 (iii) Up to forty-seven thousand three hundred three  
9 (47,303) acre-feet of CAP M&I Priority Water  
10 converted from CAP NIA Priority Water pursuant to the  
11 Hohokam Agreement; and  
12  
13 (iv) Up to one hundred eighteen (118) acre-feet of CAP  
14 M&I Priority Water converted from CAP NIA Priority  
15 Water under the San Tan Irrigation District's CAP  
16 Subcontract.

17 (c) Initial distribution of water in time of shortage.

- 18 (i) If the Available CAP Supply is equal to or less than  
19 eight hundred fifty-three thousand seventy-nine  
20 (853,079) acre-feet, then 36.37518% of the Available  
21 CAP Supply shall be available for delivery as CAP  
22 Indian Priority Water and the remainder shall be  
23 available for delivery as CAP M&I Priority Water.  
24  
25 (ii) If the Available CAP Supply is greater than eight  
26 hundred fifty-three thousand seventy-nine (853,079)  
acre-feet, then the quantity of water available for

1 delivery as CAP Indian Priority Water shall be  
2 determined in accordance with the following equation  
3 and the remainder shall be available for delivery as  
4 CAP M&I Priority Water:  
5

$$6 \quad I = \{[32,770 \div (E - 853,079)] \times W\} + (343,079 - \{[32,770 \div (E - 853,079)] \times E\})$$

7 *where*

8 I = the quantity of water available for delivery as CAP Indian  
9 Priority Water  
10

11 E = the sum of the entitlements to CAP Indian Priority Water and  
12 CAP M&I Priority Water as described in subparagraphs 4.7(a) or (b),  
13 whichever is applicable; and  
14

15 W = the Available CAP Supply  
16  
17

18 *Example A.* If, before January 1, 2044, the sum of the entitlements to CAP  
19 Indian Priority Water and CAP M&I Priority Water as described in  
20 subparagraph 4.7(a) is nine hundred eighty-one thousand nine hundred  
21 two (343,079 + 638,823 + 0) acre-feet, then the quantity of water available  
22 for delivery as CAP Indian Priority Water would be ninety-three thousand  
23 three hundred three (93,303) acre-feet plus 25.43800% of the Available  
24 CAP Supply.  
25  
26

1                    *Example B.* If, after January 1, 2044, the sum of the entitlements to CAP  
2 Indian Priority Water and CAP M&I Priority Water as described in  
3 subparagraph 4.7(b) is one million twenty-nine thousand three hundred  
4 twenty-three (1,029,323) acre-feet (343,079 + 638,823 + 47,303 + 118),  
5 then the quantity of water available for delivery as CAP Indian Priority  
6 Water would be one hundred fifty-one thousand six hundred ninety-one  
7 (151,691) acre-feet plus 18.59354% of the Available CAP Supply.  
8

9                    (d) In time of shortage unscheduled CAP Water shall be  
10 redistributed as follows:

- 11                    (i) Any water available for delivery as CAP Indian Priority  
12 Water that is not scheduled for delivery pursuant to  
13 contracts, leases or exchange agreements for the  
14 delivery of CAP Indian Priority Water shall become  
15 available for delivery as CAP M&I Priority Water.  
16
- 17                    (ii) CAP M&I Priority Water shall be distributed among  
18 those entities with contracts for the delivery of CAP  
19 M&I Priority Water in a manner determined by the  
20 Secretary and the CAP Operating Agency in  
21 consultation with M&I water users to fulfill all delivery  
22 requests to the greatest extent possible. Any water  
23 available for delivery as CAP M&I Priority Water that is  
24 not scheduled for delivery pursuant to contracts,  
25 leases or exchange agreements for the delivery of  
26

1 CAP M&I Priority Water shall become available for  
2 delivery as CAP Indian Priority Water.

3 (e) Any water remaining after all requests for delivery of CAP  
4 Indian Priority Water and CAP M&I Priority Water have been satisfied shall become  
5 available for delivery as CAP NIA Priority Water.  
6

7 (f) Nothing in this paragraph 4.7 shall be construed to allow or  
8 authorize any CAP Contractor or CAP Subcontractor to receive, pursuant to such  
9 contracts, CAP water in amounts greater than such contractor's entitlement.

10 4.8 Secretarial Control of Return Flow.

11 (a) The Secretary reserves the right to capture all Return Flow  
12 flowing from the exterior boundaries of the Contractor's Service Area as a source of  
13 supply and for distribution to and use of the Central Arizona Project to the fullest extent  
14 practicable. The Secretary also reserves the right to capture for Project use Return Flow  
15 which originates or results from water contracted for from the Central Arizona Project  
16 within the boundaries of the Contractor's Service Area if, in his judgment, such Return  
17 Flow is not being put to a beneficial use. The Subcontractor may recapture and reuse or  
18 sell its Return Flow; provided, however, that such Return Flow may not be sold for use  
19 outside Maricopa, Pinal, and Pima Counties; and provided, further, that this does not  
20 prohibit effluent exchanges with Indian tribes pursuant to Article 6.2. The Subcontractor  
21 shall, at least 60 days in advance of any proposed sale of such water, furnish the  
22 following information in writing to the Contracting Officer and the Contractor:  
23

24 \* \* \* \*

25 \* \* \* \*

- (i) The name and address of the prospective buyer.
- (ii) The location and proposed use of the Return Flow.
- (iii) The price to be charged for the Return Flow.

(b) The price charged for the Return Flow may cover the cost incurred by the Subcontractor for Project Water plus the cost required to make the Return Flow usable. If the price received for the Return Flow is greater than the costs incurred by the Subcontractor, as described above, the excess amount shall be forthwith returned by the Subcontractor to the Contractor for application against the Contractor's Repayment Obligation to the United States. Costs required to make Return Flow usable shall include but not be limited to capital costs and OM&R costs including transportation, treatment, and distribution, and the portion thereof that may be retained by the Subcontractor shall be subject to the advance approval of the Contractor and the Contracting Officer.

(c) Any Return Flow captured by the United States and determined by the Contracting Officer and the Contractor to be suitable and available for use by the Subcontractor may be delivered by the United States or Operating Agency to the Subcontractor as a part of the water supply for which the Subcontractor subcontracts hereunder and such water shall be accounted and paid for pursuant to the provisions hereof.

(d) All capture, recapture, use, reuse, and sale of Return Flow under this article shall be in accord with Arizona water law unless such law is inconsistent with the Congressional directives applicable to the Central Arizona Project.

1           4.9    Water and Air Pollution Control. The Subcontractor, in carrying out  
2 this subcontract, shall comply with all applicable water and air pollution laws and  
3 regulations of the United States and the State of Arizona and shall obtain all required  
4 permits or licenses from the appropriate Federal, State, or local authorities.

5           4.10   Quality of Water. The operation and maintenance of Project  
6 facilities shall be performed in such manner as is practicable to maintain the quality of  
7 water made available through such facilities at the highest level reasonably attainable as  
8 determined by the Contracting Officer. Neither the United States, the Contractor, nor the  
9 Operating Agency warrants the quality of water and is under no obligation to construct or  
10 furnish water treatment facilities to maintain or better the quality of water. The  
11 Subcontractor waives its right to make a claim against the United States, the Operating  
12 Agency, the Contractor, or another subcontractor because of changes in water quality  
13 caused by the commingling of Project Water with other water.  
14  
15

16           4.11   Exchange Water.

17           (a)    Where the Contracting Officer determines the Subcontractor  
18 is physically able to receive Colorado River mainstream water in exchange for or in  
19 replacement of existing supplies of water from surface sources other than the Colorado  
20 River, the Contracting Officer may require that the Subcontractor accept said  
21 mainstream water in exchange for or in replacement of said existing supplies pursuant to  
22 the provisions of Section 304(d) of the Basin Project Act; provided, however, that a sub-  
23 contractor on the Project aqueduct shall not be required to enter into exchanges in which  
24 existing supplies of water from surface sources are diverted for use by other  
25 subcontractors downstream on the Project aqueduct.  
26

1 (b) If, in the event of shortages, the Subcontractor has yielded  
2 water from other surface water sources in exchange for Colorado River mainstream  
3 water supplied by the Contractor or the Operating Agency, the Subcontractor shall have  
4 first priority against other users supplied with Project Water that have not yielded water  
5 from other surface water sources but only in quantities adequate to replace the water so  
6 yielded.  
7

8 4.12 Entitlement to Project M&I Water.

9 (a) The Subcontractor is entitled to take a maximum of  
10 250 acre-feet of Project Water for M&I uses including but not limited to underground  
11 storage.  
12

13 (b) If at any time during the term of this subcontract there is  
14 available for allocation additional M&I Project Water, or Agricultural Water converted to  
15 M&I use, it shall be delivered to the Subcontractor at the same water service charge per  
16 acre-foot and with the same priority as other M&I Water, upon execution or amendment  
17 of an appropriate subcontract among the United States, the Contractor, and the  
18 Subcontractor and payment of an amount equal to the acre-foot charges previously paid  
19 by other subcontractors pursuant to Article 5.2 hereof plus interest. In the case of  
20 Agricultural Water conversions, the payment shall be reduced by all previous payments  
21 of agricultural capital charges for each acre-foot of water converted. The interest due  
22 shall be calculated for the period between issuance of the Notice of Completion of the  
23 Water Supply System and execution or amendment of the subcontract using the  
24 weighted interest rate received by the Contractor on all investments during that period.  
25  
26

1                   4.13 Delivery of Project Water Prior to Completion of Project Works.

2                   Prior to the date of issuance of the Notice of Completion of the Water Supply System by  
3                   the Secretary, water may be made available for delivery by the Secretary on a "when  
4                   available" basis at a water rate and other terms to be determined by the Secretary after  
5                   consultation with the Contractor.  
6

7                   5.        PAYMENTS:

8                   5.1       Water Service Charges for Payment of Operation, Maintenance, and  
9                   Replacement Costs. Subject to the provisions of Article 5.4 hereof, the Subcontractor  
10                  shall pay in advance for Project OM&R costs estimated to be incurred by the United  
11                  States or the Operating Agency. At least 15 months prior to first delivery of Project  
12                  Water, or as soon thereafter as is practicable, the Contractor shall furnish the  
13                  Subcontractor with an estimate of the Subcontractor's share of OM&R costs to the end  
14                  of the initial Year of water delivery and an estimate of such costs for the following Year.  
15                  Within a reasonable time of the receipt of said estimates, as determined by the  
16                  Contractor, but prior to the delivery of water, the Subcontractor shall advance to the Con-  
17                  tractor its share of such estimated costs to the end of the initial month of water delivery  
18                  and without further notice or demand shall on or before the first day of each succeeding  
19                  month of the initial Year of water delivery and the following Year advance to the  
20                  Contractor in equal monthly installments the Subcontractor's share of such estimated  
21                  costs. Advances of monthly payments for each subsequent Year shall be made by the  
22                  Subcontractor to the Contractor on the basis of annual estimates to be furnished by the  
23                  Contractor on or before June 1 preceding each said subsequent Year and the advances  
24                  of payments for said estimated costs shall be due and payable in equal monthly  
25  
26

1 payments on or before the first day of each month of the subsequent Year. Differences  
2 between actual OM&R costs and estimated OM&R costs shall be determined by the  
3 Contractor and shall be adjusted in the next succeeding annual estimates; provided,  
4 however, that if in the opinion of the Contractor the amount of any annual OM&R  
5 estimate is likely to be insufficient to cover the above-mentioned costs during such  
6 period, the Contractor may increase the annual estimate of the Subcontractor's OM&R  
7 costs by written notice thereof to the Subcontractor, and the Subcontractor shall forthwith  
8 increase its remaining monthly payments in such Year to the Contractor by the amount  
9 necessary to cover the insufficiency. All estimates of OM&R costs shall be accompanied  
10 by data and computations relied on by the Contractor in determining the amounts of the  
11 estimated OM&R costs and shall be subject to joint review by the Subcontractor and the  
12 Contractor.  
13 Contractor.

14  
15 5.2 M&I Water Service Charges.

16 (a) Subject to the provisions of Article 5.4 hereof and in addition  
17 to the OM&R payments required in Article 5.1 hereof, the Subcontractor shall, in advance  
18 of the delivery of Project M&I Water by the United States or the Operating Agency, make  
19 payment to the Contractor in equal semiannual installments of an M&I Water service  
20 capital charge based on a maximum entitlement of 250 acre-feet per year multiplied by  
21 the rate established by the Contractor for that year.

22  
23 (b) The M&I Water service capital charge may be adjusted  
24 periodically by the Contractor as a result of repayment determinations provided for in the  
25 Repayment Contract and to reflect all sources of revenue, but said charge per acre-foot  
26 shall not be greater than the amount required to amortize Project capital costs allocated

1 to the M&I function and determined by the Contracting Officer to be a part of the  
2 Contractor's Repayment Obligation. Such amortization shall include interest at 3.342  
3 percent per annum. If any adjustment is made in the M&I Water service capital charge,  
4 notice thereof shall be given by the Contractor to the United States and to the  
5 Subcontractor on or before June 1 of the Year preceding the Year the adjusted charge  
6 becomes effective. The M&I Water service capital charge payment for the initial Year  
7 shall be advanced to the Contractor in equal semiannual installments on or before  
8 December 1 preceding the initial Year and June 1 of said initial Year; provided, however,  
9 that the payment of the initial M&I Water service capital charge shall not be due until the  
10 Year in which Project Water is available to the Subcontractor after Notice of Completion  
11 of the Water Supply System is issued. Thereafter, for each subsequent Year, payments  
12 by the Subcontractor in accordance with the foregoing provisions shall be made in equal  
13 semiannual installments on or before the December 1 preceding said subsequent Year  
14 and the June 1 of said subsequent Year as may be specified by the Contractor in written  
15 notices to the Subcontractor.  
16  
17

18 (c) Payment of all M&I Water service capital and corresponding  
19 OM&R charges becoming due hereunder prior to or on the dates stipulated in Articles  
20 5.1 and 5.2 is a condition precedent to receiving M&I Water under this subcontract.  
21

22 (d) All payments to be made to the Contractor or the United  
23 States under Articles 5.1 and 5.2 hereof shall be made by the Subcontractor as such  
24 payments fall due from revenues legally available to the Subcontractor for such payment  
25 from the sale of water to its water users and from any and all other sources which might  
26 be legally available; Provided, That no portion of the general taxing authority of the

1 Subcontractor, nor its general funds, nor funds from ad valorem taxes are obligated by  
2 the provisions of this subcontract, nor shall such sources be liable for the payments,  
3 contributions, and other costs pursuant to this subcontract, or to satisfy any obligation  
4 hereunder unless duly and lawfully allocated and budgeted for such purpose by the  
5 Subcontractor for the applicable budget year; and Provided, further, That no portion of  
6 this agreement shall ever be construed to create an obligation superior in lien to or on a  
7 parity with the Subcontractor's revenue bonds now or hereafter issued. The  
8 Subcontractor shall levy and impose such necessary water service charges and rates  
9 and use all the authority and resources available to it to collect all such necessary water  
10 service charges and rates in order that the Subcontractor may meet its obligations  
11 hereunder and make in full all payments required under this subcontract on or before the  
12 date such payments become due.  
13  
14

15 5.3 Loss of Entitlement. The Subcontractor shall have no right to  
16 delivery of water from Project facilities during any period in which the Subcontractor may  
17 be in arrears in the payment of any charges due the Contractor. The Contractor may sell  
18 to another entity any water determined to be available under the Subcontractor's  
19 entitlement for which payment is in arrears; provided, however, that the Subcontractor  
20 may regain the right to use any unsold portion of the water determined to be available  
21 under the original entitlement upon payment of all delinquent charges plus any  
22 difference between the subcontractual obligation and the price received in the sale of the  
23 water by the Contractor and payment of charges for the current period.  
24

25 5.4 Refusal to Accept Delivery. In the event the Subcontractor fails or  
26 refuses in any Year to accept delivery of the quantity of water available for delivery to

1 and required to be accepted by it pursuant to this subcontract, or in the event the  
2 Subcontractor in any Year fails to submit a schedule for delivery as provided in Article  
3 4.4 hereof, said failure or refusal shall not relieve the Subcontractor of its obligation to  
4 make the payments required in this subcontract.

5           5.5 Charge for Late Payments. The Subcontractor shall pay a late  
6 payment charge on installments or charges that are received after the due date. The  
7 late payment charge percentage rate calculated by the Department of the Treasury and  
8 published quarterly in the Federal Register shall be used; provided, that the late  
9 payment charge percentage rate shall not be less than 0.5 percent per month. The late  
10 payment charge percentage rate applied on an overdue payment shall remain in effect  
11 until payment is received. The late payment rate for a 30-day period shall be determined  
12 on the day immediately following the due date and shall be applied to the overdue  
13 payment for any portion of the 30-day period of delinquency. In the case of partial late  
14 payments, the amount received shall first be applied to the late charge on the overdue  
15 payment and then to the overdue payment.

16  
17  
18           6. GENERAL PROVISIONS:

19           6.1 Repayment Contract Controlling. Pursuant to the Repayment  
20 Contract, the United States has agreed to construct and, in the absence of an approved  
21 Operating Agency, to operate and maintain the works of the Central Arizona Project and  
22 to deliver Project Water to the various subcontractors within the Project Service Area;  
23 and the Contractor has obligated itself for the payment of various costs, expenses, and  
24 other amounts allocated to the Contractor pursuant to Article 9 of the Repayment  
25 Contract. The Subcontractor expressly approves and agrees to all the terms presently  
26 set out in the Repayment Contract including Subarticle 8.8(b)(viii) thereof, or as such

1 terms may be hereafter amended, and agrees to be bound by the actions to be taken  
2 and the determinations to be made under that Repayment Contract, except as otherwise  
3 provided herein.

4           6.2 Effluent Exchanges. The Subcontractor may enter into direct  
5 effluent exchanges with Indian entities that have received an allocation of Project Water  
6 and receive all benefits from the exchange.

7           6.3 Notices. Any notice, demand or request authorized or required by  
8 this subcontract shall be deemed to have been given when mailed, postage prepaid, or  
9 delivered to the Regional Director, Lower Colorado Region, Bureau of Reclamation, P.O.  
10 Box 61470, Boulder City, Nevada 89006-1470, on behalf of the Contractor or  
11 Subcontractor; to the Central Arizona Water Conservation District, P. O. Box 43020,  
12 Phoenix, Arizona 85080, on behalf of the United States or Subcontractor; and to the  
13 Valley Utilities Water Company, 6806 N. Dysart Road, Glendale, Arizona 85307-2231,  
14 on behalf of the United States or Contractor. The designation of the addressee or the  
15 address may be changed by notice given in the same manner as provided in this Article  
16 for other notices.  
17

18  
19           6.4 Water Conservation Program.

20           (a) While the contents and standards of a given water  
21 conservation program are primarily matters of State and local determination, there is a  
22 strong Federal interest in developing an effective water conservation program because  
23 of this subcontract. The Subcontractor shall develop and implement an effective water  
24 conservation program for all uses of water that is provided from or conveyed through  
25 Federally constructed or Federally financed facilities. That water conservation program  
26

1 shall contain definite goals, appropriate water conservation measures, and time  
2 schedules for meeting the water conservation objectives.

3 (b) A water conservation program, acceptable to the Contractor  
4 and the Contracting Officer, shall be in existence prior to one or all of the following: (1)  
5 service of Federally stored/conveyed water; (2) transfer of operation and maintenance of  
6 the Project facilities to the Contractor or Operating Agency; or (3) transfer of the Project  
7 to an operation and maintenance status. The distribution and use of Federally  
8 stored/conveyed water and/or the operation of Project facilities transferred to the  
9 Contractor shall be consistent with the adopted water conservation program. Following  
10 execution of this subcontract, and at subsequent 5-year intervals, the Subcontractor  
11 shall resubmit the water conservation plan to the Contractor and the Contracting Officer  
12 for review and approval. After review of the results of the previous 5 years and after  
13 consultation with the Contractor, the Subcontractor, and the Arizona Department of  
14 Water Resources or its successor, the Contracting Officer may require modifications in  
15 the water conservation program to better achieve program goals.

18 6.5 Rules, Regulations, and Determinations.

19 (a) The Contracting Officer shall have the right to make, after an  
20 opportunity has been offered to the Contractor and Subcontractor for consultation, rules  
21 and regulations consistent with the provisions of this subcontract, the laws of the United  
22 States and the State of Arizona, to add to or to modify them as may be deemed proper  
23 and necessary to carry out this subcontract, and to supply necessary details of its  
24 administration which are not covered by express provisions of this subcontract. The  
25 Contractor and Subcontractor shall observe such rules and regulations.  
26

1 (b) Where the terms of this subcontract provide for action to be  
2 based upon the opinion or determination of any party to this subcontract, whether or not  
3 stated to be conclusive, said terms shall not be construed as permitting such action to be  
4 predicated upon arbitrary, capricious, or unreasonable opinions or determinations. In  
5 the event that the Contractor or Subcontractor questions any factual determination made  
6 by the Contracting Officer, the findings as to the facts shall be made by the Secretary  
7 only after consultation with the Contractor or Subcontractor and shall be conclusive upon  
8 the parties.  
9

10 6.6 Officials Not to Benefit.

11 (a) No Member of or Delegate to Congress or Resident  
12 Commissioner shall be admitted to any share or part of this subcontract or to any benefit  
13 that may arise herefrom. This restriction shall not be construed to extend to this  
14 subcontract if made with a corporation or company for its general benefit.  
15

16 (b) No official of the Subcontractor shall receive any benefit that  
17 may arise by reason of this subcontract other than as a water user within the Project and  
18 in the same manner as other water users within the Project.

19 6.7 Assignment Limited--Successors and Assigns Obligated. The  
20 provisions of this subcontract shall apply to and bind the successors and assigns of the  
21 parties hereto, but no assignment or transfer of this subcontract or any part or interest  
22 therein shall be valid until approved by the Contracting Officer.  
23

24 6.8 Judicial Remedies Not Foreclosed. Nothing herein shall be  
25 construed (a) as depriving any party from pursuing and prosecuting any remedy in any  
26 appropriate court of the United States or the State of Arizona which would otherwise be

1 available to such parties even though provisions herein may declare that determinations  
2 or decisions of the Secretary or other persons are conclusive or (b) as depriving any  
3 party of any defense thereto which would otherwise be available.

4           6.9 Books, Records, and Reports. The Subcontractor shall establish  
5 and maintain accounts and other books and records pertaining to its financial  
6 transactions, land use and crop census, water supply, water use, changes of Project  
7 works, and to other matters as the Contracting Officer may require. Reports thereon  
8 shall be furnished to the Contracting Officer in such form and on such date or dates as  
9 he may require. Subject to applicable Federal laws and regulations, each party shall  
10 have the right during office hours to examine and make copies of each other's books and  
11 records relating to matters covered by this subcontract.  
12

13           6.10 Equal Opportunity. During the performance of this subcontract, the  
14 Subcontractor agrees as follows:  
15

16           (a) The Subcontractor shall not discriminate against any  
17 employee or applicant for employment because of race, color, religion, sex, or national  
18 origin. The Subcontractor shall take affirmative action to ensure that applicants are  
19 employed, and that employees are treated during employment without regard to their  
20 race, color, religion, sex, or national origin. Such action shall include, but not be limited  
21 to the following: Employment, upgrading, demotion, or transfer; recruitment or  
22 recruitment advertising; layoff or termination; rates of pay or other forms of  
23 compensation; and selection for training, including apprenticeship. The Subcontractor  
24 agrees to post in conspicuous places, available to employees and applicants for  
25

1 employment, notices to be provided setting forth the provisions of this nondiscrimination  
2 clause.

3 (b) The Subcontractor shall, in all solicitations or advertisements  
4 for employees placed by or on behalf of the Subcontractor, state that all qualified  
5 applicants shall receive consideration for employment without discrimination because of  
6 race, color, religion, sex, or national origin.  
7

8 (c) The Subcontractor shall send to each labor union or  
9 representative of workers with which it has a collective bargaining agreement or other  
10 contract or understanding, a notice, to be provided by the Contracting Officer, advising  
11 said labor union or workers' representative of the Subcontractor's commitments under  
12 Section 202 of Executive Order 11246 of September 24, 1965, and shall post copies of  
13 the notice in conspicuous places available to employees and applicants for employment.  
14

15 (d) The Subcontractor shall comply with all provisions of  
16 Executive Order No. 11246 of September 24, 1965, as amended, and of the rules,  
17 regulations, and relevant orders of the Secretary of Labor.

18 (e) The Subcontractor shall furnish all information and reports  
19 required by said amended Executive Order and by the rules, regulations, and orders of  
20 the Secretary of Labor, or pursuant thereto, and shall permit access to its books,  
21 records, and accounts by the Contracting Officer and the Secretary of Labor for  
22 purposes of investigation to ascertain compliance with such rules, regulations, and  
23 orders.  
24

25 (f) In the event of the Subcontractor's noncompliance with the  
26 nondiscrimination clauses of this subcontract or with any of such rules, regulations, or

1 orders, this subcontract may be canceled, terminated, or suspended, in whole or in part,  
2 and the Subcontractor may be declared ineligible for further Government contracts in  
3 accordance with procedures authorized in said amended Executive Order and such  
4 other sanctions may be imposed and remedies invoked as provided in said amended  
5 Executive Order, or by rule, regulation, or order of the Secretary of Labor, or as  
6 otherwise provided by law.  
7

8 (g) The Subcontractor shall include the provisions of paragraphs  
9 (a) through (g) in every subcontract or purchase order unless exempted by the rules,  
10 regulations, or orders of the Secretary of Labor issued pursuant to Section 204 of said  
11 amended Executive Order, so that such provisions shall be binding upon each  
12 subcontractor or vendor. The Subcontractor shall take such action with respect to any  
13 subcontract or purchase order as may be directed by the Secretary of Labor as a means  
14 of enforcing such provisions, including sanctions for noncompliance; provided, however,  
15 that in the event a Subcontractor becomes involved in, or is threatened with, litigation  
16 with a subcontractor or vendor as a result of such direction, the Subcontractor may  
17 request the United States to enter into such litigation to protect the interest of the United  
18 States.  
19

20 6.11 Title VI, Civil Rights Act of 1964.

21 (a) The Subcontractor agrees that it shall comply with Title VI of  
22 the Civil Rights Act of July 2, 1964 (78 Stat. 241), and all requirements imposed by or  
23 pursuant to the Department of the Interior Regulation (43 CFR 17) issued pursuant to  
24 that title to the end that, in accordance with Title VI of that Act and the Regulation, no  
25 person in the United States shall, on the grounds of race, color, or national origin be  
26

1 excluded from participation in, be denied the benefits of, or be otherwise subjected to  
2 discrimination under any program or activity for which the Subcontractor receives  
3 financial assistance from the United States and hereby gives assurance that it shall  
4 immediately take any measures to effectuate this agreement.

5 (b) If any real property or structure thereon is provided or  
6 improved with the aid of Federal financial assistance extended to the Subcontractor by  
7 the United States, this assurance obligates the Subcontractor, or in the case of any  
8 transfer of such property, any transferee for the period during which the real property or  
9 structure is used for a purpose involving the provision of similar services or benefits. If  
10 any personal property is so provided, this assurance obligates the Subcontractor for the  
11 period during which it retains ownership or possession of the property. In all other  
12 cases, this assurance obligates the Subcontractor for the period during which the  
13 Federal financial assistance is extended to it by the United States.

14 (c) This assurance is given in consideration of and for the  
15 purpose of obtaining any and all Federal grants, loans, contracts, property, discounts, or  
16 other Federal financial assistance extended after the date hereof to the Subcontractor by  
17 the United States, including installment payments after such date on account of  
18 arrangements for Federal financial assistance which were approved before such date.  
19 The Subcontractor recognizes and agrees that such Federal financial assistance shall  
20 be extended in reliance on the representations and agreements made in this assurance,  
21 and that the United States shall reserve the right to seek judicial enforcement of this  
22 assurance. This assurance is binding on the Subcontractor, its successors, transferees,  
23 and assignees.  
24  
25  
26

1                   6.12 Confirmation of Subcontract. The Subcontractor shall promptly seek  
2 a final decree of the proper court of the State of Arizona approving and confirming the  
3 subcontract and decreeing and adjudging it to be lawful, valid, and binding on the  
4 Subcontractor. The Subcontractor shall furnish to the United States a certified copy of  
5 such decree and of all pertinent supporting records. This subcontract shall not be  
6 binding on the United States, the Contractor, or the Subcontractor until such final decree  
7 has been entered.  
8

9                   6.13 Contingent on Appropriation or Allotment of Funds. The expenditure  
10 or advance of any money or the performance of any work by the United States  
11 hereunder which may require appropriation of money by the Congress or the allotment of  
12 funds shall be contingent upon such appropriation or allotment being made. The failure  
13 of the Congress to appropriate funds or the absence of any allotment of funds shall not  
14 relieve the Subcontractor from any obligation under this subcontract. No liability shall  
15 accrue to the United States in case such funds are not appropriated or allotted.  
16

17                   IN WITNESS WHEREOF, the parties hereto have executed this  
18 subcontract No. 07-XX-30-W0473 the day and year first above-written.  
19

20 Legal Review and Approval

THE UNITED STATES OF AMERICA

21  
22 By: Katherine Ott Verburg  
23 Field Solicitor  
24 Phoenix, Arizona

By: Rosevelt K. Kowalski  
Acting Regional Director  
Lower Colorado Region  
Bureau of Reclamation

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CENTRAL ARIZONA WATER  
CONSERVATION DISTRICT

Attest: *Jimmie R. Prue*  
Secretary

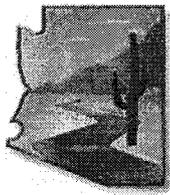
By: *[Signature]*  
President

VALLEY UTILITIES WATER COMPANY

Attest: *Barbara Prince*  
Title: *Secretary / Treasurer*

By: *[Signature]*  
Title: *President*

**Agreement for Payment of Past  
CAP M&I Water Service Capital  
Charges, dated November 5, 2007**



**CAP**  
CENTRAL ARIZONA PROJECT

P.O. Box 43020 • Phoenix, AZ 85080-3020  
23636 N. 7th Street • Phoenix, AZ 85024

623-869-2333 • www.cap-az.com

November 5, 2007

Mr. Bob Prince  
President  
Valley Utilities Water Company  
6808 N. Dysart Road  
Glendale, Arizona 85307-2231

Subject: Agreement for Payment of Past CAP M&I Water Service Capital Charges

Dear Mr. Prince:

Enclosed for your files is a fully executed original of the Agreement for Payment of Past M&I Water Service Charges. If you have any questions about this matter, please contact Sheila Brennemann at 623-869-2368.

Very truly yours,

Suzanne K. Ticknor  
Senior Attorney

w:\docs\lo\sb\prince.2ltr

Enclosure  
232.01

**PAYMENT AGREEMENT  
OF PAST M&I WATER SERVICE  
CAPITAL CHARGES  
(INSTALLMENT)**

THIS AGREEMENT (Agreement) is made and entered into this 5<sup>th</sup> day of November, 2007, by and between Central Arizona Water Conservation District (CAWCD) and Valley Utilities Water Company.

**RECITALS**

A. On August 25, 2006, the Secretary of the Interior (Secretary) published his final reallocation decision for Central Arizona Project water. That decision reallocated previously uncontracted for CAP M&I priority water to various M&I water providers in accordance with section 104(b) of the Arizona Water Settlements Act of 2004, Pub. L. 108-451, (the Act) and the recommendation of the Arizona Department of Water Resources. In the final reallocation decision, 250 acre-feet of CAP M&I priority water was allocated to Valley Utilities Water Company.

B. In accordance with the Act, the United States and CAWCD have offered Valley Utilities Water Company a subcontract for CAP M&I priority water, (Subcontract). The Subcontract provides for an annual entitlement of 250 AF (CAP Entitlement).

C. The Subcontract has been fully executed by the United States, CAWCD and Valley Utilities Water Company. Article 4.2 of the Subcontract provides that it does not become effective until three conditions have been satisfied:

1) The Subcontract is validated by a court of competent jurisdiction, as described in A.R.S. sections 48-3731 through 48-3734;

2) The Secretary publishes in the Federal Register the statement of findings described in Section 207(c)(1) of the Arizona Water Settlements Act, 118 Stat. 3478; and

3) Valley Utilities Water Company pays or provides for payment of past M&I water service capital charges associated with CAP entitlement.

D. CAWCD has given Valley Utilities Water Company the option of paying the past M&I water service capital charges associated with the CAP Entitlement in one

lump sum by December 1, 2007 (Payment Option 1) or on a five-year levelized payment plan with the first installment due December 1, 2007 (Payment Option 2)

E. Valley Utilities Water Company has elected Payment Option 2.

F. The Parties desire to make arrangements for the timely payment of past M&I water service capital charges associated with the CAP Entitlement. The Parties also desire to provide for the refund of any such payments in the event that the Secretary does not publish a statement of findings under section 207(c)(1) of the Act by December 31, 2007, as set forth in Section 207(c)(2) of the Act, or such other date as that Section 207(c)(2) is amended to state.

#### **AGREEMENT**

1. Valley Utilities Water Company agrees to make payment of past M&I water service capital charges associated with the CAP Entitlement in the amounts and on the dates set forth in the Payment Schedule attached hereto and incorporated herein as Exhibit 1.

2. On or before October 25, 2007, CAWCD shall submit a written invoice to Valley Utilities Water Company for the first installment of past M&I water service capital charges associated with the CAP Entitlement, consistent with Exhibit 1.

3. On or before December 1, 2007, Valley Utilities Water Company shall pay CAWCD the first installment of past M&I water service charges as invoiced by CAWCD.

4. On or before October 25, of each year, from 2008 through and including 2011, CAWCD shall submit a written invoice to Valley Utilities Water Company for the annual installment amount due under the levelized payment plan for past M&I water service charges, consistent with Exhibit 1.

5. On or before December 1 of each year, from 2008 through and including 2011, Valley Utilities Water Company shall pay CAWCD the past M&I water service charges as invoiced by CAWCD.

6. If Valley Utilities Water Company is in arrears in the payment of any of the installments due CAWCD under this Agreement, Valley Utilities Water Company shall have no right to delivery of the CAP Entitlement until such delinquent payment is made, plus any applicable late charges pursuant to Paragraph 7 below.

7. Valley Utilities Water Company shall pay a late payment charge on installments that are received after the due date. The late payment charge percentage rate calculated by the Department of the Treasury and published quarterly in the Federal Register shall be used; provided, that the late payment charge percentage rate shall not be less than 0.5 percent per month. The late payment charge percentage rate applied on an overdue payment shall remain in effect until payment is received. The late payment rate for a 30-day period shall be determined on the day immediately following the due date and shall be applied to the overdue payment for any portion of the 30-day period of delinquency. In the case of partial late payments, the amount received shall first be applied to the late charge on the overdue payment and then to the overdue payment.

8. If the Secretary does not publish a statement of findings under section 207(c)(1) of the Act by December 31, 2007, as necessitated by Section 207(c)(2) of the Act, or by such other date established by that Section 207(c)(2) of the Act under a future amendment, then CAWCD shall refund the first installment of the past M&I water service capital charges paid by Valley Utilities Water Company pursuant to Section 2 of this Agreement, with interest accrued at the prevailing local government investment pool rate, to Valley Utilities Water Company on or before sixty days after such date.

9. Governing Law, Forum. This Agreement shall be governed by the law of Arizona. The forum selected for any proceeding or suit in law or equity arising from or incident to this Agreement shall be Maricopa County, Arizona.

10. Integration. All rights and obligations of the parties shall be governed by the terms of this Agreement. This Agreement contains all the terms and conditions agreed upon by the parties. No other understandings, oral or otherwise, regarding the subject matter of this Agreement shall be construed as consent to any suit or waiver of any defense in a suit brought against the other party in any state or federal court.

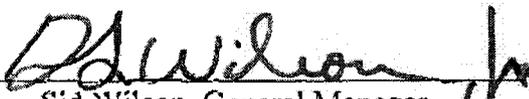
11. Conflicts of Interest. All parties hereto acknowledge that this Agreement is subject to cancellation by either party, without penalty, pursuant to the provisions of A.R.S. § 38-511.

12. Waiver; Severability. The parties agree that a waiver of any provision of this Agreement shall not act as a waiver of any other provision of this Agreement. If a

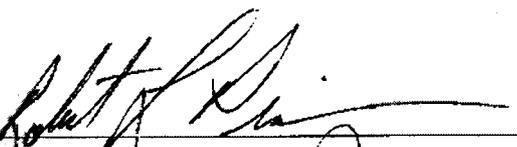
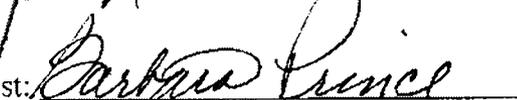
provision of this Agreement is for any reason declared invalid, illegal or unenforceable, that declaration shall not affect the remaining provisions of this Agreement.

IN WITNESS WHEREOF, this Agreement is executed by the Parties hereto.

**CENTRAL ARIZONA WATER  
CONSERVATION DISTRICT**

By:   
Sid Wilson, General Manager

**VALLEY UTILITIES WATER  
COMPANY**

By:   
Attest: 

**Arizona Water Settlement Act  
Allocation of 250 Acre-Feet  
Payment Schedule for  
Valley Utilities Water Company**

<u>Payment Due Date</u>	<u>Amount</u>
December 1, 2007	\$36,652.68
December 1, 2008	\$36,652.68
December 1, 2009	\$36,652.68
December 1, 2010	\$36,652.68
December 1, 2011	\$36,652.68

**CAP Invoices**  
**for the years 2007, 2008 and 2009**



**CAP**  
CENTRAL ARIZONA PROJECT

CENTRAL ARIZONA PROJECT  
P.O. Box 42447  
Phoenix, AZ 85080-2447

**INVOICE**

**BILL TO:** BOB PRINCE  
VALLEY UTILITIES WATER COMPANY  
6808 N DYSART ROAD  
GLENDALE AZ 85307-2231

NUMBER 46811  
BILL DATE 24-OCT-07  
DUE DATE 20-NOV-07  
CUSTOMER NUMBER 12296

DESCRIPTION	QTY	UCM	UNIT COST	TOTAL
2008 CAPITAL CHARGE; 1ST HALF	250	A/F	10.50	2,625.00

*Pd. 11/14/07  
ck# 5861*

TOTAL DUE \$2,625.00

**SPECIAL INSTRUCTIONS**

1ST HALF 2008 SEMIANNUAL CAPITAL CHARGES FOR THE ADDITIONAL ALLOCATION FROM THE ARIZONA WATER SETTLEMENT ACT

Refer questions to Financial Services: 623-365-2149 • inquiries@cap-az.com



CENTRAL ARIZONA PROJECT  
P.O. Box 42447  
Phoenix, AZ 85080-2447

**Invoice**

BILL TO: BOB PRINCE  
VALLEY UTILITIES WATER COMPANY  
6808 N DYSART ROAD  
GLENDALE AZ 85307-2231

NUMBER 46644  
BILL DATE 22-OCT-07  
DUE DATE 01-DEC-07  
CUSTOMER NUMBER 12296

DESCRIPTION	QTY	UOM	UNIT COST	TOTAL
CAPITAL CHARGES	1	EA	36,652.68	36,652.68

*Pd. 11/27/07  
ck# 5880*

TOTAL DUE

\$36,652.68

SPECIAL INSTRUCTIONS

CAPITAL CHARGES ON REALLOCATED M&I WATER PER ARIZONA WATER SETTLEMENT ACT

Refer questions to Financial Services: 623-863-2149 • inquiries@cap-az.com



CENTRAL ARIZONA PROJECT  
 P.O. Box 42447  
 Phoenix, AZ 85080-2447

**Invoice**

BILL TO: BOB PRINCE  
 VALLEY UTILITIES WATER COMPANY  
 6808 N DYSART ROAD  
 SUITE 112  
 GLENDALE AZ 85307-2231

NUMBER 49370  
 BILL DATE 15-APR-08  
 DUE DATE 20-MAY-08

CUSTOMER NUMBER 12296

DESCRIPTION	QTY	UOM	UNIT COST	TOTAL
2ND HALF SEMIANNUAL 2008 CAPITAL CHARGE	250	A/F	10.50	2,625.00

TOTAL DUE **\$2,625.00**

SPECIAL INSTRUCTIONS

2008 SEMIANNUAL M&I WATER SERVICE CAPITAL CHARGE

*Handwritten:* @ #6218  
 59-00

Refer questions to: Financial Services: 602-850-2149 • [inquiries@cap-az.com](mailto:inquiries@cap-az.com)



CENTRAL ARIZONA PROJECT  
 P.O. Box 42447  
 Phoenix, AZ 85080-2447

**INVOICE**



BILL TO:

BOB PRINCE  
 VALLEY UTILITIES WATER COMPANY  
 6808 N DYSART ROAD  
 SUITE 112  
 GLENDALE AZ 85307-2231

NUMBER 49778  
 BILL DATE 15-OCT-2008  
 DUE DATE 01-DEC-2008

CUSTOMER NUMBER 12296

DESCRIPTION	QTY	UOM	UNIT COST	TOTAL
CAPITAL CHARGES	1	EA	36,652.68	36,652.68

TOTAL DUE **\$36,652.68**

SPECIAL INSTRUCTIONS

2ND INSTALLMENT OF CAPITAL CHARGES ON REALLOCATED M&I WATER PER ARIZONA  
 WATER SETTLEMENT ACT

*for CIL 6683  
 11-19-08*

Refer questions to: Financial Services: 623-553-2149 • [inquiries@cap-az.com](mailto:inquiries@cap-az.com)



CENTRAL ARIZONA PROJECT  
 P.O. Box 42447  
 Phoenix, AZ 85080-2447

**INVOICE**

BILL TO: BOB PRINCE  
 VALLEY UTILITIES WATER COMPANY  
 6808 N DYSART ROAD  
 SUITE 112  
 GLENDALE AZ 85307-2231

NUMBER 50296  
 BILL DATE 15-OCT-08  
 DUE DATE 20-NOV-08

CUSTOMER NUMBER 12296

DESCRIPTION	QTY	UOM	UNIT COST	TOTAL
2009 CAPITAL CHARGE; 1ST HALF	250	A/F	9.00	2,250.00

TOTAL DUE **\$2,250.00**

SPECIAL INSTRUCTIONS

2009 SEMIANNUAL M&I WATER SERVICE CAPITAL CHARGE

*pd  
 PCH # 66681  
 11-18-08*

Refer questions to: Financial Services: 623-869-2149 • inquiries@cap-az.com

REMIT TO:

CENTRAL ARIZONA PROJECT  
 FINANCIAL SERVICES  
 P.O. BOX 42447  
 PHOENIX, AZ 85080-2447

NUMBER 50296  
 BILL DATE 15-OCT-08  
 DUE DATE 20-NOV-08

CUSTOMER NUMBER 12296

AMOUNT DUE: \$2,250.00

VALLEY UTILITIES WATER

PAYMENT:

If you have any changes on the back of this stub please check this box.

PLEASE RETURN THIS PORTION WHEN MAILING YOUR PAYMENT



CENTRAL ARIZONA PROJECT  
 P.O. Box 42447  
 Phoenix, AZ 85080-2447

**Invoice**



BILL TO: BOB PRINCE  
 VALLEY UTILITIES WATER COMPANY  
 6808 N DYSART ROAD  
 SUITE 112  
 GLENDALE AZ 85307-2231

NUMBER 52571

BILL DATE 15-APR-09

DUE DATE 20-MAY-09

CUSTOMER NUMBER 12296

DESCRIPTION	QTY	UOM	UNIT COST	TOTAL
2009 CAPITAL CHARGE; 2ND HALF	250	A/F	9.00	2,250.00

TOTAL DUE *pd.* \$2,250.00

SPECIAL INSTRUCTIONS

2009 SEMIANNUAL M&I WATER SERVICE CAPITAL CHARGE

*CL 5/20/09*

Refer questions to: Financial Services: 623-869-2149 • inquiries@cap-az.com

REMIT TO:

CENTRAL ARIZONA PROJECT  
 FINANCIAL SERVICES  
 P.O. BOX 42447  
 PHOENIX, AZ 85080-2447

NUMBER 52571

BILL DATE 15-APR-09

DUE DATE 20-MAY-09

CUSTOMER NUMBER 12296

AMOUNT DUE: \$2,250.00

VALLEY UTILITIES WATER

PAYMENT:

If you have any changes on the back of this stub please check this box

PLEASE RETURN THIS PORTION WHEN MAILING YOUR PAYMENT

# **Exhibit 2**

**Current Status of  
Arsenic Treatment Facilities**

# VALLEY UTILITIES WATER COMPANY

## ARSENIC TREATMENT FACILITIES PROJECT STATUS

September 25, 2009

### Glendale Well Yard

The construction of the GWY Arsenic Treatment Facility (ATF) is complete with only a few minor punch list items. The ATF passed validation testing and a field inspection, as required by Maricopa County Environmental Services Department (MCESD), and on July 8, 2009 a certificate of "Approval to Commence Operations" was issued with stipulations. This certificate allowed Valley to immediately commence commission testing. During this testing period, treated water will be provided to our customers and laboratory testing will insure that the system is operating as designed delivering water to Valley's customers that is below the EPA's MCL for arsenic, >10 ppb.

The 1<sup>st</sup> phase of the commission testing required 4 samples a day for 5 consecutive days. These samples were taken at the raw water influent, vessel A effluent, vessel B effluent and finished water at the Point of Entry (POE). The samples have been submitted to Legend Technical Services Inc., a state certified lab, and Valley is awaiting those results which will be submitted to MCESD upon receipt. The 2<sup>nd</sup> phase of the commission testing began September 5, 2009 with the collection of the 1<sup>st</sup> of five, once per week finished water samples, at the POE, that will be submitted to Legend Technical Services Inc. for analysis. This 2<sup>nd</sup> and final phase will be completed the week of October 19, 2009.

With the water samples within the parameters specified by MCESD the department will issue the certificate of "Approval of Construction" and the ATF will be classified as "In Service" and will be "Used and Useful".

Page 2  
September 25, 2009  
ATF Status Report

Bethany Hills West Well Yard

The construction of the BHW ATF is complete. Valley is currently waiting for Maricopa County Planning & Development (MCP&D) to issue a "Special Use Permit" (SUP). MCESD is aware of the position Valley is in and is waiting only for the SUP to be issued. All of the construction plans for the BHW ATF have been submitted and approved by the department and the certificate of "Approval to Construct" (ATC) will be issued upon receipt of the SUP. The certificate of "Approval to Commence Operations" will be issued once a field inspection has been done by the department and the validation testing submitted. Then commission testing will begin following the same regimen that was used for the GWY ATF.

At this point I do not know when MCP&D will issue the SUP and they are unable or unwilling to give Valley a date that this will happen.

**Approval to Commence  
Operations with Stipulations  
dated July 8, 2009**



# Maricopa County

Environmental Services  
Water and Waste Management Division

1001 N. Central Ave., Suite 150  
Phoenix, AZ 85004  
Phone: (602) 506 6666  
Fax: (602) 506-6925  
TDD: 602 506 6704  
www.maricopa.gov/envsvc

## CERTIFICATE OF APPROVAL TO COMMENCE OPERATIONS WITH STIPULATIONS

**PROJECT DESCRIPTION:** Valley Utilities Water Company, Glendale Avenue Arsenic Treatment Facility (ATF). The project included construction of a 433-gpm capacity Severn Trent ATF that uses Bayoxide® E33 granular ferric oxide adsorption media. The treatment process includes two 8-ft diameter by 5.25-ft sideshell height vessels that will operate in series to remove arsenic from the well water to comply with the 10 ppb Maximum Contaminant Level (MCL). There is also:

- A self-cleaning filter ahead of the ATF that will remove contaminants down to 50 microns in size.
- A new sodium hypochlorite disinfection system with a 500-gallon tank and dual metering pumps that will maintain a 2.0-mg/L chlorine residual at maximum flow.
- An 11,000-gallon backwash equalization tank that discharges to an earthen basin under a Type 3.02 General Permit.

The three existing wells on the site (Numbers 1, 2, and 7) have arsenic concentrations as shown below. There is an existing 102,000-gallon and 108,000-gallon reservoir at the site. The site also includes an existing booster station and hydropneumatic tank.

Of the total 650-gpm flow from the three wells, a maximum 433 gpm will be treated to a maximum of 5.0 ppb and blended with a maximum 217 gpm of untreated water that bypasses treatment to provide treated water with a maximum arsenic level of 8.0 ppb. Blending will be controlled with a flow control valve on the bypass line.

The Maricopa County Planning and Development Department has issued a Special Use Permit for the project (Zoning Case Number Z2008010).

**MCESD Project #2011737**

**PWS # 07-079**

**LOCATION:**

Glendale, Maricopa County  
SEC of Glendale Avenue and 137<sup>th</sup> Avenue  
T2N, R1W, Sec 10NW

**PROJECT OWNER:**

Attn: Bob Prince  
Valley Utilities Water Company  
6806 N. Dysart Road, Suite 112  
Glendale, AZ 85037

**Well 1:**

ADWR #55-55-639720  
Well capacity = 75 gpm  
Arsenic concentration = 12 ppb

**Well 2:**

ADWR #55-55-639921  
Well capacity = 125 gpm  
Arsenic concentration = 13 ppb

**Well 7**

ADWR #55-208819  
Well capacity = 450 gpm  
Arsenic concentration = 13 ppb

Pursuant to Arizona Administrative Code (AAC) Title 18, Chapter 4, or Chapter 9 and Maricopa County *Environmental Health Code Chapters II and V*, approval to commence operations of the above-described facilities as represented in the approved plan documents on file with the Maricopa County Environmental Services Department (MCESD) is hereby given subject to the following provisions:

1. This certificate is being issued based on submission of: an application for Certificate of Approval of Construction prepared by the Owner on 6/2/09; an Engineer's Certificate of Completion executed by Ramesh Narasimhan, P.E. (#28112), of NCS, on 6/2/09; and an operations and maintenance manual prepared by Ramesh Narasimhan, P.E. (#28112), dated 6/2/09. An inspection of the facility was performed by the Department on 7/7/09. This certificate allows the facility to commence Validation Testing, as described below.

2. This approval is based on the following conditions:
  - Strict adherence to the post-treatment blending conditions described above.
  - No other sources shall be connected to the facility or be blended with the treated water without Department approval.
  - All hand-operated valves that are capable of throttling flow through the facility shall be locked into position, have their handles removed, or have position switches to reduce the possibility of tampering.
  - Raw water shall be only be allowed to bypass treatment in conformance with the approved blending strategy.
  - Regenerated media shall not be used unless approved by the Department.
  - No other types or formulas of media shall be installed in the vessels without Department approval.
  
3. This facility shall be subject to initial testing to insure that no contaminated water enters the distribution system. All start-up activities shall be performed under the control of an Arizona Department of Environmental Quality (ADEQ) certified water treatment plant operator. At no time shall water with a constituent exceeding a Maximum Contaminant Level be released to the distribution system. Testing of the facility shall proceed as follows:
  - **Validation Testing:** Validation testing commences prior to start-up of the system. One sample of the raw well water, treated water from each vessel, and finished water from the treatment system shall be collected at hourly intervals for field and laboratory analysis of the arsenic concentration. This sampling shall continue until three (3) consecutive field tests are successful.

The operator shall submit the test results to the Department under a signed cover letter stating that the results are accurate to the best of his/her knowledge.

After reviewing and approving the results, the Department will authorize the system to immediately go into the Commissioning Testing phase described below. At this point finished water may be released from the facility into the distribution system.
  - **Commissioning Testing:** During commissioning testing the plant operator shall visit the site at least once each day the plant is operating. Test results shall be submitted weekly to the Department during commissioning testing.

Initially, one sample per day of the raw well water, treated water from each vessel, and water from the Point-of-Entry (POE) shall be collected for laboratory analysis of the arsenic concentration. This sampling shall continue daily until five (5) consecutive tests are successful.

Following successful completion of the initial testing, one sample per week shall be collected at the POE for laboratory analysis. This sampling shall continue weekly until five (5) consecutive tests are successful.

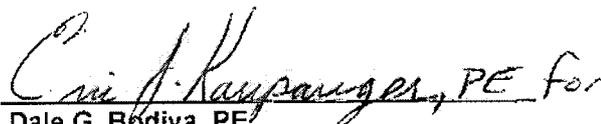
When commissioning testing is completed the operator shall submit the test results to the Department under a signed cover letter stating that the results are accurate to the best of his/her knowledge. Laboratory test results from the POE water samples shall also be submitted by the Owner to ADEQ.
  
4. Upon successful completion of the validation and commissioning testing of this facility, submit the following documentation to the Department:
  - All validation and commissioning test results
  - A full set of newly sealed and certified as-built drawings
  - An Operation and Maintenance Manual for the new facility, in accordance with Engineering Bulletin #10 and specific to this facility

The Department will review and approve the submitted material and issue a Certificate of Approval of Construction.
  
5. Following Department approval of construction, the Owner shall send the Department a report whenever there is a media change-out, vessel reconfiguration, or other process change. Provide the reasons for the change and relevant data that support the decision, such as laboratory test results and the number of bed volumes treated. Submit the reports to MCESD on approved forms

within 10 days of the process change.

6. Failure to comply with all conditions of this certificate may result in forfeiture and cancellation of this permit and may require the treatment facility to be immediately taken out of service.
7. Any change to the treatment facility that affects the treatment capacity, water quality, flow, location or operational performance, either in whole or in part, shall receive Department approval prior to construction.
8. A Grade 2 water treatment operator, certified by the Arizona Department of Environmental Quality, shall be in direct responsible charge of this facility. Daily operations of this facility shall be remotely monitored using a Supervisory Control and Data Acquisition (SCADA) system with a minimum of one visit per week to this facility by the responsible operator.
9. Representative(s) of Maricopa County Environmental Services Department (MCESD) shall be allowed access to the site to conduct inspections of the treatment plant during reasonable hours.
10. The water treatment facility shall meet all applicable sampling and reporting requirements under the Safe Drinking Water Act Rule, Title 18, Chapter 4 of the Arizona Administrative Code, and subsequent amendments.
11. All materials or products that come into contact with drinking water or with water treatment chemicals shall conform to ANSI/NSF 60 and 61 in accordance with AAC R18-4-119.
12. No connection shall exist between potable and non-potable water.
13. MCESD reserves the right to modify the Approval of Construction pursuant to future state drinking water quality standards.

#### WATER AND WASTE MANAGEMENT DIVISION

by:   
Mr. Dale G. Bodiya, PE  
Manager, Water \ Wastewater Treatment Program

Approval Date: July 8, 2009

cc: ADEQ Drinking Water Section, 1110 W. Washington Street, Phoenix, AZ 85003  
Kevin Chadwick, PE, Manager, MCESD Water and Waste Management Division  
Korissa Entringer, RS, MCESD, Manager, MCESD Drinking Water Program  
Ramesh Narasimhan, PE, NCS, 3660 N. 3<sup>rd</sup> Street, Phoenix, AZ 85012  
Utilities Division - Engineering Section, Arizona Corporation Commission, 1200 W. Washington  
Phoenix, AZ 85007-2996  
MCESD File