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APPALOOSA WATER COMPANY

DOCKET NO. W-03443A-08-0177 AND W-03443A-08-0313

**Attached to this cover letter is
attached Compliance Actions with
regard to Decision # 71236**

- 1. Statement of Appaloosa that water is
being provided to the home of Joe
Cordovana.**

- 2. Board Approval of the loan made to Joe
Cordovana and its repayment.**

- 3. Backflow Prevention Program**

Arizona Corporation Commission

DOCKETED

SEP - 8 2009

DOCKETED BY

September 1, 2009

**Appaloosa Water Company
Mr. Joe Cordovana, Owner
7012 N 18th Street
Phoenix, AZ 85020**

Arizona Corporation Commission
1200 West Washington St
Phoenix, AZ 85007

RE: Docket # W-03443A-08-0313 et

Compliance Action in Reference to Decision # 71236

At the request of Brian Bozzo, Compliance and Enforcement Manager, please utilize this letter as a notice that:

Joe Cordovana, who resides at 1228 West Road 4 North Chino Valley, AZ 86323 is receiving water to his residence from Appaloosa Water Company. Mr. Cordovana's home is located outside the Appaloosa Water Company Certificate of Convenience and Necessity but is contiguous to its authorized service area.

If you have any other questions or concerns, please feel free to contact me at your convenience.

Regards,

A handwritten signature in black ink, appearing to read "Joe Cordovana", written in a cursive style.

Joe Cordovana

**UNANIMOUS WRITTEN CONSENT IN LIEU OF COMBINED
ORGANIZATIONAL MEETING OF DIRECTORS AND SHAREHOLDERS
OF
APPALOOSA WATER COMPANY**

September 1, 2009

The undersigned are all of the directors and shareholders of Appaloosa Water Company, an Arizona Corporation (the "Corporation"); hereby consent to and approve of the actions set forth in the following resolutions; waive notice of any meeting to consider the matters incorporated in the resolutions; and consent to their approval without a meeting. The resolutions shall become effective as of the date first above written.

1. RESOLVED that loans made to Joe Cordovana in the amount of \$141,186.94 are to be paid back to the company in the following manner. \$300.00 per year beginning January 1, 2010 and every January 1st every year thereafter for 30 years when a balance due of \$132,186.94 will be due and payable in full.

Directors
Appaloosa Water Company



Joe Cordovana

Shareholders
Appaloosa Water Company



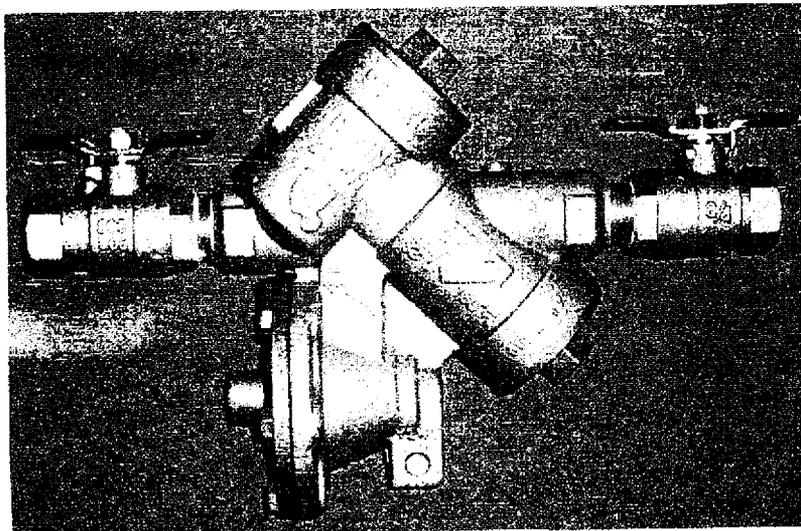
Joe Cordovana

SALLY CORDOVANA
Sally Cordovana

SALLY CORDOVANA
Sally Cordovana

Appaloosa Water Company, Inc.

Backflow/Cross-Connection Prevention Program
PWS No. 13-208



July 1, 2008

P.O. Box 3150
Chino Valley, Arizona 86323
Office: (602) 277-1999 Fax: (602) 277-5632

Appaloosa Water Company, Inc.
Backflow/Cross-Connection Prevention Program
PWS #13-208

Appaloosa Water Company is committed to providing their customers with the healthiest, highest quality drinking water possible. The water is periodically tested and treated so it is clean and safe to drink. Appaloosa Water Company is required by Environmental Protection Agency (EPA), Arizona Department of Environmental Quality (ADEQ), and Arizona Corporation Commission (ACC) to protect the water system from foreign contaminants. To maintain quality drinking water, it requires the implementation of safety procedures to reduce contamination to the drinking water system. Assistance is required from our customers to prevent contamination through backflow prevention to keep our water safe.

Water systems depend on pressure to keep water flowing in the proper direction. Water distribution systems are designed so that the pressure is greater in the lines delivering the water than the pressure on the property side of the water meter. However, when there is a drop in water pressure on the city's side, a reverse flow can occur. This is called backflow. When this happens it is possible for contaminated water from the customer's plumbing system to backflow into the distribution system. If the water in the customer's system has come into contact with harmful substances and it backflows into the drinking water system, it could cause illness or, in extreme cases, death.

A cross connection is any connection between piping that carries drinking water and the piping or fixtures that carry other types of water or substances that are not safe to drink. This may include substances such as gases, liquids, or solids, such as chemicals, water products, steam, water from other sources and any matter that may change the color, taste, quality or odor to water. It is important that each cross connection be identified and evaluated as to the type of backflow prevention required to protect the drinking water supply. Common cross connections include:

- Outside spigots
- Reservoirs
- Irrigation systems
- Solar energy systems
- Water treatment facilities
- Auxiliary water systems
- Swimming pools
- Class 3 and 4 Fire sprinkler systems

An approved backflow prevention assembly may be required on your water service line(s). Backflow assemblies are devices placed on the customer's side of the meter to prevent water from back flowing into the water distribution system. To ensure they work

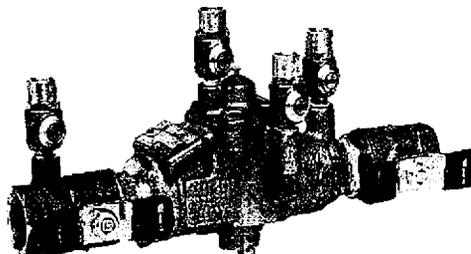
correctly, all backflow assemblies must be tested annually with the exception of atmospheric vacuum breakers. The Appaloosa Water Company will inform customers when a backflow assembly device is necessary and to supply information for proper installation and annual testing of the devices. Some of the risks which warrant backflow prevention devices include:

- Multi-family and multi-story housing
- All commercial properties
- All properties with alternative Wastewater Treatment Systems
- All properties with alternative source of water (i.e. private well)
- Underground landscape, turf and agricultural/livestock irrigation systems
- Pools and spas
- Properties with automotive, paint, photo pesticide and other chemical storage, handling or processing activities
- Plumbing and setback variances from various regulatory agencies and plumbing codes
- Car wash with water reclamation system
- Chemical plants
- Dairies and cold storage plants
- Commercial laundries
- Food processing plants
- Laboratories using toxic materials
- Any premises where water supplied by a water company that is subject to deterioration in sanitary quality and its entry into the public water system is permitted

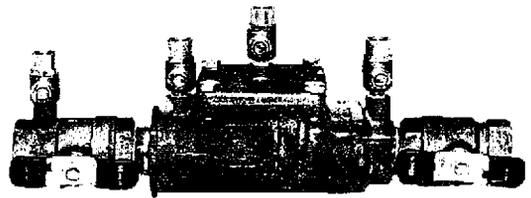
Backflow Prevention Assemblies

The type of assembly required for a system is dependent on the type of potential cross connection. There are four approved basic types of backflow prevention assemblies:

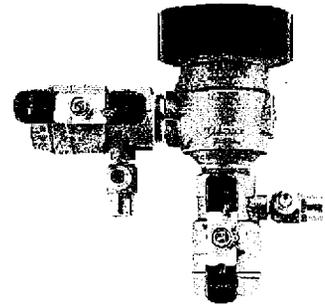
Reduced Pressure Backflow Assembly - An assembly containing two independently acting approved check valve together with a hydraulically operating, mechanically independent pressure differential relief valve located between the check valves and at the same time below the first check valve. The unit shall include properly located resilient seated test cocks and tightly closing resilient seated shutoff valves at each end of the assembly.



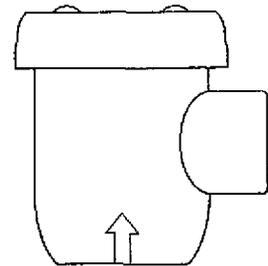
Double Check Valve Assembly - The most common type of backflow device. The double check valve assembly is composed of two independently acting, approved check valves, including tightly closing resilient seated shutoff valves attached at each end of the assembly and fitted with properly located resilient seated test cocks.



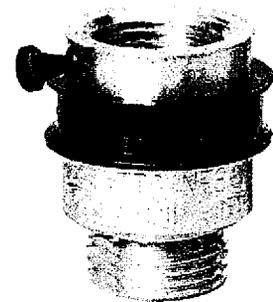
Pressure Vacuum Breaker Assembly - An assembly containing an independently operating internally loaded check valve and an independently operating loaded air inlet valve located in the discharge side of the check valve. The assembly is to be equipped with properly located resilient seated test cocks and tightly closing resilient seated shutoff valves attached at each end of the assembly.



Atmospheric Vacuum Breaker - An assembly containing an air inlet valve, a check seat, and an air inlet port. The flow of water into the body causes the air inlet valve to close the air inlet port. When the flow of water stops the air inlet valve falls and forms a check valve against backsiphonage. At the same time it opens the air inlet port allowing air to enter and satisfy the vacuum. A shutoff valve immediately upstream may be an integral part of the assembly, but the assembly shall not be subjected to operating pressure for more than twelve hours in any twenty four hour period.



Spigot Vacuum Breaker - Series NF8 Hose Connection Vacuum Breakers are designed specifically for wall and yard hydrants to prevent the reverse flow of polluted water from entering into the potable water supply due to backsiphonage. It consists of brass body construction (NF8) or chrome finish (NF8C), stainless steel working parts, a rubber diaphragm and disc, and a draining stem. The NF8 permits manual draining for freezing conditions. Maximum Pressure:125psi (8.6 bar).



Fire Services and Systems

Class 1 and 2 fire protection systems do not require backflow prevention devices. Class 3 and 4 fire protection systems require backflow prevention assemblies. Fire protection systems may be classified on the basis of water source and arrangement of supplies as follows:

- Class 1 - direct connections from public water mains only; no pumps, tanks, or reservoirs; no physical connection from other water supplies; no antifreeze or other additives of any kind; all sprinkler drains discharging to atmosphere dry wells or other safe outlets.
- Class 2- same as Class 1, except booster pumps may be installed in the connections from the street mains.
- Class 3 - direct connection from public water supply main plus one or more of the following; elevated storage tanks; fire pumps taking suction from above-ground covered reservoirs or tanks; and pressure tanks.
- Class 4- directly supplied from public mains similar to Classes 1 and 2, with an auxiliary water supply on or available to the premises; or an auxiliary supply located within 1,700 feet of the pumper connection.

Installation

Arizona Administrative Code, Title 18, Chapter 4, Section 115, (ACC 18-4-115), as administered by the Arizona Department of Environmental Quality for Cross-Connection Control, requires mandatory installation and periodic testing of backflow prevention assemblies, where it is determined that backflow is likely to occur.

All installations of backflow prevention assemblies must be in compliance with state and local plumbing and building codes. Backflow prevention assemblies are to be purchased, installed, maintained, and periodically tested at the customer's expense.

Minimum requirements of an approved backflow prevention assembly shall be downstream of the water meter, a minimum of 12 inches above grade and accessible for testing and maintenance or installed adjacent to the specified point of use. Other locations may be evaluated for acceptability, if desired. No bypass shall be installed around backflow preventive devices. Installations by the customer must be inspected by the Appaloosa Water Company for proper installation and adequate clearance from obstructions to permit proper testing.

Testing Requirements

Appaloosa Water Company requires that a certified tester check all backflow assemblies at the time of installation, annually (once a year) after installation, after repairs and after

relocating. The customer shall maintain them in satisfactory operating condition, and shall overhaul or replace such devices if they are found to be defective. At least thirty (30) days prior to the anniversary of an initial or annual test of a customer's backflow prevention assembly, Appaloosa Water Company will mail a notice to test backflow prevention assembly letter printed with the due date, to the customer. If a completed test report form is not received in the Company Office by the due date shown on the backflow prevention request letter, the water company will mail a final notice to test backflow prevention assembly letter and a second test report form, printed with the final due date to the customer. If the test report form is not received in the Company Office by the due date shown on the backflow prevention request, the Company Office will notify the System Operator to initiate discontinuance of service.

Upon receiving the notice to discontinue service, the System Operator will contact the customer to work out an arrangement allowing the customer an additional opportunity to comply. If such an arrangement cannot be worked out, service will be discontinued. Once service is discontinued, the System Operator will restore service only if the customer requests that the water be turned on solely for the purpose of conducting a test of the customer's backflow prevention assembly. The System Operator will stand by during the test and will continue service only if it is determined that the assembly is operating properly and he received a completed test form; otherwise, service will again be discontinued until repairs can be made and a new test is requested.

Backflow assembly testers are private contractors who must submit a report to Appaloosa Water Company following the test. Below is a list of testers:

Tri-City Backflow Testing LLC*
P.O. Box 2093
Chino Valley, AZ 86323
928-925-1294

Back Flow Prevention Testing*
6575 N. Cattletrack Rd.
Prescott Valley, AZ 86314
928-830-7 102

*Appaloosa Water Company does not endorse any of the above testers but provide the list as a tool in providing our customers with informational contacts.

If for some reason a required backflow assembly is not tested, the customer may be cited and fined for non-compliance. A customer's water service may be terminated to protect the public water system. Water service may also be immediately terminated anytime an imminent hazard is identified. Services will not be restored until such conditions or defects are corrected. If Appaloosa Water Company determines that a customer's backflow preventive device does not meet current standards, the customer shall upgrade his device so that it will meet current standards.

Freeze Protection for Backflow Prevention Assemblies

If a backflow prevention assembly is installed in a location subject to freezing weather or damage, it must be protected to prevent damage and to ensure proper operation. The above listed testers may be contacted to obtain enclosures and/or freeze protection.

Implementation Plan

Pursuant to Arizona Administrative Code, Title 18, Chapter 4, Section 115, as administered by the Arizona Department of Environmental Quality for Cross-Connection Control, requires mandatory installation and periodic testing of backflow prevention assemblies, where it is determined that backflow is likely to occur. Appaloosa Water Company is required to develop and establish a Backflow Prevention Program for those connections determined that a backflow preventer is required.

Development and implementation of the backflow prevention program includes public participation in accordance with Arizona Administrative Code, Title 18, Chapter 4, Section 115.

The Appaloosa Water Company will inform customers when a backflow assembly device is deemed necessary and determine the type of assembly required dependent on the type of potential cross connection. All installations of backflow prevention assemblies must be in compliance with state and local plumbing and building codes.

Appaloosa Water Company requires that a certified tester check all backflow assemblies at the time of installation, annually (once a year) after installation, after repairs and after relocating. The customer shall maintain them in satisfactory operating condition, and shall overhaul or replace such devices if they are found to be defective. At least thirty (30) days prior to the anniversary of an initial or annual test of a customer's backflow prevention assembly, Appaloosa Water Company will mail a "notice to test backflow prevention assembly letter" printed with the due date, to the customer. If a completed test report form is not received in the Company Office by the due date shown on the backflow prevention request letter, the water company will mail a final notice to test backflow prevention assembly letter and a second test report form, printed with the final due date to the customer. If the test report form is not received in the Company Office by the due date shown on the backflow prevention request, the Company Office will notify the System Operator to initiate discontinuance of service. If for some reason a required backflow assembly is not tested, a customer's water service may be terminated to protect the public water system. The System Operator will also immediately terminate service any time an imminent hazard is identified.