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8 **BEFORE THE ARIZONA CORPORATION COMMISSION**

9 **COMMISSIONERS**

10 KRISTIN K. MAYES, CHAIRMAN
11 GARY PIERCE
12 PAUL NEWMAN
13 SANDRA D. KENNEDY
14 BOB STUMP

Arizona Corporation Commission

DOCKETED

JUN 10 2010

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15 APPLICATION OF ESTATE OF
16 WILLIAM F. RANDALL DBA VALLE
17 VERDE WATER COMPANY FOR AN
18 INCREASE IN ITS WATER RATES

Docket No. W-01431A-09-0360
W-01431A-09-0361

**NOTICE OF FILING POST-
HEARING TESTIMONY**

19
20 Valle Verde Water Company ("Company"), hereby gives notice that it is filing a
21 post-hearing testimony of Bonnie O'Connor and supporting exhibits.

22 RESPECTFULLY SUBMITTED this 10th day of June, 2010.

23
24 **Moyes Sellers & Sims Ltd.**

25 

26 Steve Wene
27 Attorneys for Valle Verde Water Company
28

1 Original and 15 copies of the foregoing
2 filed this 10th day of June, 2010, with:

3 Docket Control
4 Arizona Corporation Commission
5 1200 West Washington
6 Phoenix, Arizona 85007

7 Copy of the foregoing mailed this
8 10th day of June, 2010, to:

9 Janice Alward, Chief Counsel
10 Legal Division
11 Arizona Corporation Commission
12 1200 W. Washington Street
13 Phoenix, Arizona 85007

14 Steve Olea, Director
15 Utilities Division
16 Arizona Corporation Commission
17 1200 West Washington Street
18 Phoenix, Arizona 85007

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17 VERDE WATER COMPANY FOR AN
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**POST-HEARING TESTIMONY OF
BONNIE O'CONNOR**

19 **Q-1 Why is the Company filing a post-hearing testimony?**

20 **A-1** At the hearing, Valle Verde Water Company ("Company") witnesses were asked
21 to provide a list of grant funded projects undertaken by the Company. This testimony is
22 being offered to provide that information.
23

24
25 **Q-2 Please identify and generally describe the grants that the Valle Verde Water
26 Company received in 2008.**

27 **A-2** Southwestern Utility Management, Inc. ("SUM") secured two types of grants for
28 the Company. The first grant is commonly referred to as the House Bill 2521 grant ("HB

1 2521 grant”). This grant is available through an approval process under which the
 2 Arizona Corporation Commission (“Commission”) and the Water Infrastructure Finance
 3 Authority (“WIFA”) provide funding to interim managers of small distressed water
 4 systems like the Company.
 5

6 The second grant is known as the Water Quality Assurance Revolving Fund grant
 7 (“WQARF grant”). The Arizona Department of Environmental Quality (“ADEQ”) made
 8 these grant funds available because seven Company wells were withdrawing source water
 9 contaminated with PCE (Perchloroethylene aka tetrachloroethylene), which is a cleaning
 10 solvent that should not be consumed by humans.
 11
 12

13 **Q-3 Can you explain how much grant funding the Company received in 2008?**

14 **A-3** Yes. In 2008, the Company received both HB 2521 grant and WQARF grant
 15 funding. As the table below illustrates, the Company received \$93,819 (76,100 + 5,245 +
 16 12,474) of HB 2521 grant funding during 2008.
 17
 18

19 *Table 1 – 2008 HB 2521 Grant Project Funding*

Description	Date	Amount
2007 emergencies/leak repairs	Through December 31, 2007	\$(16,386)
2007 Engineering Study for contaminant removal	Through December 31, 2007	(37,803)
Emergency Interconnect	January 2008	(4,904)
2008 emergencies/leak repairs	January 2008	(2,536)
2006 Chevy truck (note - this money was actually used for an emergency line repair)	February 2008	(14,471)
Subtotal Spent		\$(76,100)
First funds received	April 23, 2008	\$76,100
Meter replacement and parts	August/September 2008	\$(5,245)
Second funds received	November 14, 2008	\$5,245
Line repairs	November 2008	\$(12,474)

1	Third funds received	December 12, 2008	\$12,474
2	Total funds received for projects	As of December 31, 2008	\$93,819

3 A spreadsheet providing more detail is set forth in Exhibit 1. However, as noted above,
4 the grant funding that was designated to purchase a vehicle was used to make an
5 emergency line repair after SUM received authority to use the funds in that manner.
6

7 During 2008, the Company used WQARF grant funds as described in the table
8 below:

9
10 *Table 2 – 2008 WQARF Grant Project Funding*

11	Description	Date	Amount
12	First Installment received	May 16, 2008	\$202,500
13	Second Installment received	December 8, 2008	202,500
14	2008 GAC project costs	As of December 31, 2008	(380,201)
15	Balance of WQARF funds	As of December 31, 2008	\$24,799

16 The full amount of the grant money received in 2008 is categorized as CIAC at the end of
17 the test year. A spreadsheet providing more detail is set forth in Exhibit 2.

18 **Q-4 How should the grant funding be treated for rate making purposes?**

19 **A-4** All of the grant funding discussed herein should be treated as CIAC. Due to a
20 miscommunication, a Company witness testified that the \$93,819 of HB 2521 grant
21 funding should not be included in CIAC because it had not been spent prior to receipt,
22 but that premise was inaccurate. Regardless, this error has no impact on proposed rates
23 because the rate base for Company would be negative whether or not the grant money is
24 treated as CAIC.
25
26
27
28

1 **Q-5 Has the Company received grant money after the test year of 2008?**

2 **A-5** Yes. All of the Company's HB 2521 grant funding requests are set forth in
3 Exhibit 3. In 2009, the Company received HB 2521 grant funding for the Pete's Kitchen
4 project (see Exhibit 3 – letter dated May 26, 2009) and the 4" line replacement project
5 (see Exhibit 3 – letter dated October 1, 2009). These grant funding requests totaled
6 \$350,380.22.
7

8
9 The WQARF grant funding continues. The Company has been awarded \$810,000
10 to install, test, and operate facilities that can treat source water contaminated with PCE.
11 As of April 12, 2010, the Company has received \$435,306 in WQARF grant funding. As
12 required by ADEQ, all of this funding has been used in connection with the Granulated
13 Activated Carbon System ("GAC System") facility project.
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16 **Q-6 Does this conclude your post-hearing testimony?**

17 **A-6** Yes.
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EXHIBIT 1

Valle Verde Water Company

Grant Funding Received

Date	Project	Grant Amount
Aug-07	System Repair & Maintenance/Valve Replacement Meter box repair	
Sep-07	Emergency leaks Pump rental Backhoe for leak repairs	
Oct-07	Emergency parts for leaks, Pump rental Cable for Storage Tank broken, Air compressor Backhoe for leak repairs	
Dec-07	Well #5 motor failed, motor rebuilt Electrical work at Well #10 Inoperable meter replacement Backhoe for leak repairs	
Jan-08	Emergency interconnection to serve customers previously being serviced with water being purchased from the City of Nogales Parts, labor, materials Well #4 starter failed, replaced with new starter Backhoe for leak repairs Well #5 check valve failed replaced with new valve	
Feb-08	vehicle purchase	\$76,000
Mar-08	Valve replacement Fire hydrants line repairs	\$17,719
	Total Acct #271300	\$93,719.00

EXHIBIT 2

Valle Verde Water Company					
		PO Box 85160		Submittal #1	
		Tucson, AZ 85754			
		520-623-5172			
ADEQ				Warrant	
Warrant #		Date		Amount	
212772211		5/5/2008		\$202,500.00	
			Inv		
Expenditures			#		
EEC	Wqarf remediation/	01/26-02/29/08	43707	\$690.00	
	Engineering	2/27/2008	43667	\$6,922.50	
		03/01-03/28/08	43942	\$1,592.50	
		03/01-03/28/08	43943	\$370.00	
		3/10/2008	43706	\$8,072.50	
		03/29-04/25/08	44233	\$6,222.50	
Turner Lab	IOCs & VOCs	4/2/2008	804142	\$451.00	
Reimbursement		Valle Verde	Ck# 1000	\$24,321.00	\$24,321.00
EEC	Wqarf remediation/	04/26-05/30/08	44460	\$5,200.00	
	Engineering	Valle Verde	Ck# 1001	\$5,200.00	\$5,200.00
EEC	Wqarf remediation/	04/26-05/30/08	44690	\$5,687.50	
	Engineering	05/31-06/27/08	44751	\$16,208.13	
		Valle Verde	CK# 1002	\$21,895.63	\$21,895.63
EEC	Wqarf remediation/	06/28-07/25/08	44975	\$17,025.00	
	Engineering	Valle Verde	Ck# 1003	\$17,025.00	\$17,025.00
Calgon Carbon	Granulated Active Carbon	8/27/2008	21234491	\$34,091.48	
		Valle Verde	Ck# 1004	\$34,091.48	\$34,091.48
Sunstate	Hydrostatic Test Pump	09/30-10/06/08	4321439	\$319.17	
		Valle Verde	Ck# 1005	\$319.17	\$319.17
Dana Kepner	Misc parts for GAC	9/29/2008	8100938	\$4,320.35	
	Bolt pack and Head bolt	9/30/2008	8101008	\$790.65	
	Flange & bolt pack	9/30/2008	8101007	\$4,348.58	
		10/9/2008	8101206	\$72.12	
		Valle Verde	Ck# 1006	\$9,531.70	\$9,531.70
Calgon Carbon	6" complete system	9/29/2008	21236320	\$110,797.32	
	Filtrisorb Activated Carbon	10/1/2008	21239118	\$25,568.61	
		Valle Verde	Ck# 1007	\$136,365.93	\$76,365.93
Desert Plumbin	Temporary pad for	9/23/2008	10411	\$6,800.00	

	GAC system	Valle Verde	Ck# 1008	\$6,800.00	\$6,800.00
Rain for Rent	Bilevel tank	11/3/2008	08003583	\$1,655.16	
		Valle Verde	Ck# 1009	\$1,655.16	\$1,655.16
Pumps Inc.	60 gpd pump	11/1/2008	10501	\$1,346.93	
		Valle Verde	Ck# 1010	\$1,346.93	\$1,346.93
				Sub-Total Exp:	\$198,552.00

11/21/08 Balance imn WQARF Account \$3,948.00

Warrant #		Date			Amount
				11/21/08 Balance Forward:	\$3,948.00
3101299		12/8/2008		Received	\$202,500.00
				Inv	\$206,448.00
Expenditures				#	
Calgon Carbon	6" complete system	9/8/2008	21236320	\$60,000.00	
	Filtrisorb Activated Carbon	Valle Verde	Ck# 1012	\$60,000.00	\$60,000.00
Turner Lab	Water Testing for VOCs	10/16/2008	810586	\$525.00	
Turner Lab	Water Testing for VOCs	10/27/2008	810791	\$350.00	
		Valle Verde	Ck# 1013	\$875.00	\$875.00
Jims Electric	Install 110 power for GAC system to operate only when pump runs with new transformer and load center for circuit	10/29/2008	6866	\$1,582.29	
		Valle Verde	Ck# 1014		\$1,582.29
Desert Plumbin	well site #2 with barb wire (6ft high fence) and gate, fence and tank wire on new two carbon tanks as well	11/25/2008	10501	\$3,200.00	
		Valle Verde	Ck# 1015		\$3,200.00
EEC	Wqarf remediation/	9/5/2008	45173	\$20,528.64	
EEC	Engineering	10/8/2008	45464	\$39,945.79	
EEC		11/7/2008	45631	\$22,888.58	
		Valle Verde	Ck# 1016	\$83,363.01	\$83,363.01
Dana Kepner	Silent check valve	11/25/2008	8101744	\$865.34	
		Valle Verde	CK# 1017	\$865.34	\$865.34
KIMCO Const.	To pour 46x46 concrete pad, install framing, siding, and roof	11/7/2008	10050	\$1,800.00	
		Valle Verde	CK# 1018	\$1,800.00	\$1,800.00

Jim's Electric, Inc	Install air compressor system on #2 well	11/26/2008	6891	\$3,986.27	
		Valle Verde	CK# 1019	\$3,986.27	\$3,986.27
EEC	Wqarf remediation/Engineering	12/8/2008	45865	\$3,243.75	
		Valle Verde	Ck# 1020	\$3,243.75	\$3,243.75
Hills Brothers	Disinfection	12/5/2008	05048985	\$212.10	
		Valle Verde	Ck# 1021	\$212.10	\$212.10
Jim's Electric	Install pump panel for #2 well for new submersible	12/24/2008	6912	\$3,881.89	
		Valle Verde	Ck#1022	\$3,881.89	\$3,881.89
Jim's Electric	Install triple 7 on #2 well	12/31/2008	6903	\$1,188.91	
		Valle Verde	Ck# 1023	\$1,188.91	\$1,188.91
				Sub-Total Exp This Page:	\$164,198.56
				Balance WQARF Account	\$42,249.44
ADEQ					Warrant
Warrant #		Date			Amount
3101299		12/8/2008		Balance Forward:	\$42,249.44
			Inv		
			#		
Expenditures					
Dana Kepner	Valve w/handwhell & flange	12/29/2008	8102309	\$630.77	
	bolt pack & spool	12/8/2008	8101928	\$154.94	
		Valle Verde	Ck# 1024	\$785.71	\$785.71
City Electric	600 v fuse	12/11/2008	004915	\$321.07	
		Valle Verde	Ck#1025	\$321.07	\$321.07
Turner Lab	Water Testing for VOCs	11/20/2008	811662	\$175.00	
	Water Testing for VOCs	11/11/2008	811403	\$525.00	
		Valle Verde	Ck#1026	\$700.00	\$700.00
Chemical Feed	Comparator free chlorine residual tester	12/3/2008	30120	\$83.00	
		Valle Verde	Ck# 1027	\$83.00	\$83.00
EEC	Wqarf remediation/Engineering	12/8/2008	45865	\$15,560.06	
		Valle Verde	CK# 1028	\$15,560.06	\$15,560.06

Sub-Total Exp: \$17,449.84

Balance WQARF Account \$24,799.60

EXHIBIT 3



**SOUTHWESTERN UTILITY
MANAGEMENT, INC.**

WATER UTILITY MANAGEMENT

TELEPHONE: (520) 623-5172

FAX: (520) 792-0377

E-MAIL: SWUMGMT@aol.com

**MAILING ADDRESS:
P.O. BOX 85160
TUCSON, AZ 85754**

**LOCATION:
2102 N. Forbes Blvd, Suite 107
TUCSON, AZ 85745**

Arizona Corporation Commission
1200 W. Washington Street
Phoenix, AZ 85007

February 22, 2008

Attn: The Honorable Mr. Mike Gleason, Chairman,
Arizona Corporation Commission

Re: Use of Small Water Systems Fund for Valle Verde Water Company, Docket # W-01431A-07-0547

Dear Mr. Chairman:

Southwestern Utility Management, Inc. ("SUM") has been operating the Valle Verde Water Company ("VVWC") system as interim manager, pursuant to an agreement with the Commission, since September, 2007. In reference to the above noted docket number we are submitting this Water Infrastructure Finance Authority ("WIFA") Interim Operator Grant Reimbursement request to access the Small Water Systems Fund, specifically HB 2521, for VVWC.

Approval to access this fund was granted in an emergency rate relief application on December, 21, 2007, Decision #70098.

We respectfully request the Arizona Corporation Commission recommend WIFA approve a grant to SUM in the amount of \$76,100.00 to cover VVWC expenses accrued per "Exhibit A" as attached.

Please do not hesitate to contact me if you need further documentation or further explanation.

Sincerely,

Bonnie O'Connor, V.P.

Enclosure(s)

Cc: Ernest Johnson, Utility Director
Steve Olea, Assistant Director

VALLE VERDE WATER COMPANY

ATTACHMENT A

The following expenses were required to provide uninterrupted service to Valle Verde customers:

Aug 2007:	Gilbert Pump pulled pump at Well #4 to replace failed bell reducer:	\$2,372.85
	Concrete boxes purchased at Irrigation & Sprinkler Supply (ISSI) to replace valve & meter boxes:	\$ 720.16
Sept 2007:	Emergency parts were purchased for leaks at ISSI:	\$ 526.65
	Pump rented at CD-Rent-all to for leak:	\$ 48.87
	Emergency parts were purchased for leaks at ISSI:	\$ 751.63
	Emergency parts were purchased for leak at ISSI:	\$ 212.29
	Backhoe work provided by R. Villasensor for leaks at: Garden Dr N. Silver Reef W. Green:	\$1,260.00
Oct 2007:	Emergency parts were purchased for leak at ISSI:	\$3,067.07
	Pump rented at CD-Rent-all for water line leak:	\$ 48.87
	Pump rented at CD-Rent-all for water line leak:	\$ 195.48
	Cable for float at Well #6 storage tank broke & was replaced by cable purchased at Cactus Hardware:	\$ 47.83
	Flywheel A Groove purchased at Grainger to temporarily fix Well #6	\$ 43.34
	Permanent air compressor purchased at Grainger for Well #6:	\$ 310.37
	Backhoe work for leaks at Mesquite and Green Place provided by Desert Plumbing	\$1,264.25
Dec 2007:	Well #5 motor failed. Motor was removed & re-built by Bestway Electric. Motor was then re-installed at Well #5:	\$2,727.68
	J&A Electric installed new mercury switches at Well #10 to replace failed switches:	\$2,389.00
	Inoperable meter replaced by one purchased at National Meter:	\$ 49.29
	Backhoe work provided by R. Villasensor for leaks at Green Pl.:	\$ 350.00
Jan 2008:	An emergency interconnect was made to serve customers previously being provided with water purchased from the City of Nogales:	
	CPCC Materials provided concrete:	\$ 144.43
	CPCC Materials provided concrete:	\$ 176.85
	CPCC Materials provided concrete:	\$ 339.44
	CPCC Materials provided concrete:	\$ 109.10
	Parts purchased from Dana Kepner:	\$ 692.60
	Parts purchased from Dana Kepner:	\$ 117.09
	Hydro Test Pump provided by Sunstate Equipment:	\$ 235.51
	Labor provided by Vincente Silva:	\$ 620.00
	Backhoe work provided by R. Villasensor:	\$1,470.00
	Parts purchased from Irrigation & Sprinkler Supply	\$ 229.55
	Parts purchased from Irrigation & Sprinkler Supply	\$ 769.76

Jan 2008 cont: Well #4 starter failed & was replaced by new starter and heater element purchased from Crescent Electric:	\$ 873.97
Backhoe work provided by R. Villasensor for leak at Green Pl.:	\$ 280.00
Well #5 Check Valve failed & replaced by a new check valve purchased From Dana Kepner:	\$ 691.84
Backhoe work provided by R. Villasensor for leak at Calle Chico & Villa Hermosa:	\$ 280.00
Backhoe work provided by R. Villasensor for leak at 561 Valle Verde	\$ 350.00
Labor provided for leak by Vincente Silva at Valle Verde:	\$ 60.00

Feb 2008: Purchased 2006 Chevrolet Silverado 1500 Pickup. Current company Vehicle is in need of repair & repair cost is more than the vehicle Is worth. Company vehicle is needed to keep system operational And address water line breaks and other emergencies:	\$14,470.68
---	-------------

Engineering Study for removal of contaminant:

July 2007:	\$12,736.53
August 2007:	\$ 4,163.75
September 2007:	\$ 8,390.00
October 2007:	\$ 3,243.08
November 2007:	\$ 4,818.25
December 2007:	\$ 4,451.94

TOTAL	\$76,100.00
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SOUTHWESTERN UTILITY MANAGEMENT INC
WATER UTILITY MANAGEMENT
TELEPHONE: (520) 623-5172
FAX: (520) 792-0377
E-MAIL: SWUMGMT@aol.com
Web - www.southwesternutility.com



MAILING ADDRESS:
P.O. BOX 85160
TUCSON, AZ 85754

LOCATION:
2102 N FORBES BLVD, SUITE 107
TUCSON, AZ 85745

August 8, 2008

Arizona Corporation Commission
Utilities Division
1200 W. Washington Street
Phoenix, AZ 85007

Attn: Jian Liu, Utilities Engineer for Water & Wastewater

Re: Use of Small Water Systems Fund for Valle Verde Water Company, Docket # W-01431A-07-0547
Per request dated July 25, 2008.

Dear Mr. Liu:

Southwestern Utility Management, Inc. ("SUM") has been operating the Valle Verde Water Company ("VVWC") system as interim manager, pursuant to an agreement with the Commission, since September, 2007. In reference to the above noted docket number we once again submitted a request dated July 25, 2008 to access the Water Infrastructure Finance Authority ("WIFA") Interim Operator Grant Reimbursement for the Small Water Systems Fund, specifically HB 2521, for VVWC.

Approval to access this fund was granted in an emergency rate relief application on December, 21, 2007, Decision #70098.

Since the original request dated July 25, 2008 we have found that additional problems exist and have revised our previous request as per the attached "Exhibit A". We have also included, per your direction, pictures and locations of all the issues that are *in dire need* of immediate attention.

In our previous letter of request, the total funds needed, or so we thought at that time, were \$39,831.71. As you can see per Exhibit A, this figure has increased by an additional \$25,363.51 making the total funds needed to date \$65,195.22.

Arizona Corporation Commission
Utilities Division
1200 W. Washington Street
Phoenix, AZ 85007
(Continued)

At this time we are trying to address the contamination issues that made it necessary to tie VVWC into the City of Nogales, (CON) which is a direct result of the additional water pressure that in turn resulted in water leaks within the aging system. To date VVWC is indebted to the CON in the amount of Over \$143,000.00.

Therefore, we respectfully request the Arizona Corporation Commission recommend WIFA approve further funding by way of a grant in the amount of \$65,195.22 to cover the additional issues VVWC is facing on a daily basis.

Once again, water loss, as well as possible health issues that may stem from constant water leaks, is a concern so there is a need for immediate attention and this ailing water system does not have the funds to allow for normal maintenance and/or repairs.

Please do not hesitate to contact me if you need further documentation or further explanation.

Regards,



Bonnie O'Connor, V.P.

Enclosure(s) – Exhibit "A"/ pictures/locations

Cc: Steve Olea, Assistant Director

EXHIBIT "A"

Estimate of Costs

Valle Verde Water Line Repair

Quantity	Num	Product - Dana Kepner	VWV Cost	Original Request	Additional Product Quantity	Num	Additional Funding needed
4	EA	6" Romac XR 501 Extended Range Cping 6.60-7.60	\$ 611.48				
5	EA	4" Romac XR501 Extended Range Cping 4.5-5.60	\$ 523.45		11	EA	\$ 1,511.59
12	EA	3/4" Romac 511-132-5 Coupling	\$ 388.33		8	EA	\$ 288.00
12	EA	1" Romac 511-132-5 Coupling	\$ 401.95				
5	EA	551-514x8" Romac Repair Clamp	\$ 472.43				
5	EA	551-514x16 Romac Repair Clamp	\$ 834.38				
5	EA	551-535x8" Romac Repair Clamp	\$ 481.25				
18	EA	SCS-105-3 full circle repair clamp	\$ 728.12				
18	EA	SCS-132-6 Full circle repair clamp	\$ 730.51				
6	EA	#6895 Water Valve Box Marked Water (Only)	\$ 287.70				
240	FT	4"x20" Class 200 pipe, C900 PVC DR 14	\$ 1,101.24				
200	FT	3/4"x20" SCH 40 PVC Pipe Solv. Weld	\$ 67.62		200	FT	\$ 67.62
18	EA	3/4" C16-33-G Ford P J Coupling	\$ 275.82				
18	EA	3/4" C86-33-G Ford P J Coupling	\$ 281.69				
6	EA	1" Brass Ball Valve	\$ 204.74		8	EA	\$ 383.60
24	EA	3/4" BA13-332W Ford Angle Ball Valve	\$ 1,353.66				
24	EA	1" BA13-444W Ford Angle Valve	\$ 1,967.45				
20	EA	1" B13-444Ford Ball Valve W/HB-34 Handle	\$ 1,535.46				
24	EA	Blue Marking Paint	\$ 135.05				
4	EA	3"x1000 Barricade Tape, Yellow - 3 Mil	\$ 55.21				
12	EA	NO. 1 Concrete Meter Box 12x18"	\$ 218.36		8	EA	\$ 146.00
12	EA	No. 1 Bent Steel Lid	\$ 252.56				
4	EA	No. 2 Concrete Meter Box 16x24"	\$ 144.22				
4	EA	No. 1 Bent Steel Lid	\$ 84.19		8	EA	\$ 168.00
			Total Materials:	\$ 13,136.87			

	Labor & Misc.			Labor & Misc.				
	# of 8 Hour Days	\$ Per Hr	# of Hrs.	Total	# of 8 Hr. Days	\$ Per Hr	# of Hrs.	Total
Man/Backhoe	1	\$ 85.00	80	\$ 6,800.00	10	\$ 85.00	80	\$ 6,800.00
Field Supervisor	1	\$ 85.00	48	\$ 4,080.00	6	\$ 85.00	48	\$ 4,080.00
Field Tech	1	\$ 75.00	80	\$ 6,000.00	10	\$ 75.00	80	\$ 6,000.00
Backhoe	1	\$ 350.00		\$ 3,500.00	10	\$ 350.00		\$ 3,500.00
Delivery Chg		\$ 200.00		\$ 200.00				n/a
Backhoe fuel		\$ 1,500.00		\$ 1,500.00	Backhoe Fuel			\$ 1,000.00
Barricades		\$ 800.00		\$ 800.00				n/a
2 Trucks Nogales to Tucson	10 days @ \$65/x2	\$ 1,300.00		\$ 1,300.00				n/a
Permits		\$ 480.00		\$ 480.00				n/a
Contingency -Misc. Expense		\$ 500.00		\$ 500.00	Contingency - Misc. Exp			\$ 500.00
				Labor & Misc:				
				\$ 25,160.00				
				Total Materials & Labor:				
				\$ 38,296.87				
				Sales Tax				
				\$ 1,534.84				
				\$ 39,831.71				
				Total Additional Materials & Labor				
				\$ 21,880.00				
				\$ 24,444.81				
				\$ 918.70				
				\$ 25,363.51				

www.inreplacement@a

* Some projects will involve digging around fiber optics, cable TV and natural gas. In some areas electric is involved as well. This makes for time consuming excavation.

Combined Totals: \$ 65,195.22

Southwestern Utility Management, Inc.

PO Box 85160
Tucson, Arizona 85754
520-623-5172
Fax 520-792-0377
Email: swumgmt@aol.com

May 26, 2009

Arizona Corporation Commission
Utilities Division
1200 W. Washington
Phoenix, Arizona 85007

Attn: Mr. Ernest Johnson, Utility Director

Re: Valle Verde Water Company request to access HB2521

Dear Mr. Johnson;

We would like to follow up on our request for permission to once again access HB2521 as the Interim Manager of Valle Verde Water Company ("VVWC").

In our past correspondence we have informed you that we have an emergency situation in the VVWC CC&N area that needs to be addressed as quickly as possible. We have forty-seven (47) mobile homes located in what is known as the "Pete Kitchen" area which is located between Navajo Street and Apache Way in Nogales Arizona.

Of these 47 mobile homes at least 15 sit directly over VVWC's 4" water main that is an old and weakened main and is showing signs of becoming a larger problem. Within the last month three breaks have occurred and we recently have addressed two more breaks. One of the current breaks is obstructed by a very large tree that sits on the water main. We are afraid that if we try to fix it we could cause more damage as the tree is within close proximity of a mobile home. In the meantime the water leak is getting worse and needs to be addressed ASAP. We have stabilized the break that broke under a mobile home and the ground was so saturated that the mobile was leaning. We know this is only a temporary fix until we get the water main relocated.

The undermining of these 15 mobile homes which sit directly over VVWC's 4" water main is certainly paramount in our minds at this point and we believe the situation needs to be addressed promptly for safety reasons, which may involve possible property damage and/or personal injury. We have found that the pipe joints are pulling apart due to age, ground saturation and the undermining of tree roots. We

expect the situation to worsen upon the arrival of the monsoon and the ground is even more saturated. The weight of the mobile homes is definitely a factor that may be contributing to the situation as the system ages and the pipes become more brittle.

We would like to bypass the mobile home park and reroute the water main to a designated right-of-way area. As the lines sit now they are in a descriptive right-of-way that really doesn't exist. We are assuming that the line was built and years later someone decided to put in an RV park and without thought just moved mobile homes in haphazardly as they wished.

The main is approximately 30' from the edge of the road and runs north and south. We would need to keep the 4" main operable until the new 4" main is put in place with C900 pipe which will run east and west. We would then disconnect the 4" main and abandon it. As it stands the existing main lie in the same ditch as the gas and electric making it even more difficult to work especially under mobile homes.

Installing the new line will involve saw cutting the pavement, removing the ruminants then replacing it with blacktop. Additionally, 47 new service lines will need to be installed (15 where the mobiles sit over the water main and 32 that are connected to the same main). There are no easements or established right-of-ways in place so an engineer will need to be involved to acquire easements along Navajo Road where the new line would be installed.

We have learned that the Army Core of Engineers, I believe, has redirected the flow of water in the area as of the last flood and the tree roots are aggressively seeking water in other directions. This could be another factor to consider in the situation. The need for immediate financial assistance is evident as the location of the water main is very precarious to say the least and needs to be addressed as an emergency situation. Upon approval of our request we will begin construction immediately and expect to have the main moved within a month's time barring any problems with permitting, etc. We are hoping to finish the project prior to the monsoon rains which will worsen the conditions and possibly delay construction. The company is in the process of preparing a rate application and will be filed as quickly as possible, however waiting for this rate relief will significantly delay construction of the new 6-inch main and increase the risk of damage especially to the 15 mobile homes which sit directly over the main.

According to the criteria of how the funds can be used under House Bill 2521 (49-355 "Small Water Systems Fund) subsection B paragraph 5 and subsection C it states:

Subsection B Paragraph 5 "Provide emergency grants to interim operators or interim managers of small water systems that are appointed by the Arizona Corporation Commission to **repair water infrastructure.**"

Also subsection C:

The Water Infrastructure Finance Authority of Arizona may approve a grant to an interim operator or an interim manager of a small water system pursuant to subsection B, paragraph 5 of this section only if the operator or manager demonstrates that it requires immediate financial assistance to make repairs to or to rehabilitate the public water system that is operated by the interim operator or manager in order to correct or avoid an interruption in water service.

We feel we have demonstrated the seriousness of this situation and the need to repair and rehabilitate this system.

We have provided a map of the exact location of the water lines as an accurate system map is nonexistent. I have forwarded two (2) copies of the map to Del Smith that shows the exact location of the existing water line.

I will mail a signed original of this letter to all those I have copied below.

Thank you for your consideration and help in this urgent matter.

Regards,

Bonnie O'Connor, President

Cc: Ernest Johnson, Utility Director, Arizona Corporation Commission
Steve Olea, Assistant Director, Arizona Corporation Commission
Del Smith, Utilities Division, Arizona Corporation Commission
Eddie Morales, Vice President Operations, Southwestern Utility Management

EXHIBIT "A"

Estimate of Construction Costs

Materials, Excavation and Installation 2800' - 6" water main	\$122,800
New Service Connections	\$ 33,000
Fill Material for water line	\$ 3,250
Asphalt	\$ 18,000
Saw Cuts, debris removal and replacement	\$ 5,600
AB Material	\$ 3,000
VACU – dig and locate utilities	\$ 3,500
Engineering	<u>\$ 3,500</u>
Total:	\$192,650

SOUTHWESTERN UTILITY MANAGEMENT INC
WATER UTILITY MANAGEMENT

TELEPHONE: (520) 623-5172

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P.O. BOX 85160
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LOCATION:
2102 N FORBES BLVD, SUITE 107
TUCSON, AZ 85745

October 1, 2009

Steve Olea, Utility Director
Arizona Corporation Commission
1200 W. Washington Street
Phoenix, Arizona 85007

Re: Emergency use of Interim Operator Grant funding – Docket #W-01431A-07-0547

Dear Mr. Olea:

Southwestern Utility Management, Inc. is in need of emergency Interim Manager funding to address a situation for Valle Verde Water Company. In reference to the above noted docket number we are once again submitting this Water Infrastructure Finance Authority ("WIFA") Interim Operator Grant Reimbursement request to access the Small Water System Fund, specifically HB2521.

Permission to access this fund was granted in an emergency rate relief application on December 21, 2007, Decision #70098.

According to the criteria of how the funds can be used under House Bill 2521 (49-355 "Small Water Systems Fund) subsection B paragraph 5 and subsection C it states:

Subsection B Paragraph 5 "Provide emergency grants to interim operators or interim managers of small water systems that are appointed by the Arizona Corporation Commission to **repair water infrastructure.**"

Mr. Steve Olea, Utility Director
Arizona Corporation Commission
1200 W. Washington Street
Phoenix, Arizona 85007 (continued)

Also subsection C:

The Water Infrastructure Finance Authority of Arizona may approve a grant to an interim operator or an interim manager of a small water system pursuant to subsection B, paragraph 5 of this section only if the operator or manager demonstrates that it requires immediate financial assistance to make repairs to or to rehabilitate the public water system that is operated by the interim operator or manager in order to correct or avoid an interruption in water service.

Valle Verde Water is in need of a water line tie in from its Well #2 water treatment plant to the Well #4 system, to serve approximately 16 connections. We have been providing bottled water, however, the cost to provide bottled water is indeed expensive and our goal is to provide relief to this already financially stressed water company. At this time we have recently been notified by ADEQ that we are within the allowable level of PCE and can put the well back on line. However, for whatever reason the results seem to be rising and falling for an unknown reason.

More importantly now, this water source recently went down and there is no other source to supply water to the customers. Well #4 was put into service in the 1960's and is the only source of water for this section of water line. There is no storage at this well site which means hauling isn't even an option. Well #4's water level is at 170' now and just six months ago it was at 18'. Our intent is to take care of two problems at once wherein we would tie this system into the Well #2 system to provide drinking water and also provide redundancy as both Well #2 and Well #3 would then supply the entire system in that service area. Then water availability and interruption of service would be non-existent at that point and this issue would be resolved.

We feel the long term answer to this situation is simple, with a water line tie in to the system.

The following is a list of material's needed in order to accomplish this task:
(Cost estimates from vendors available upon your request)

1. 1800 LF of 6 inch C-900 pipe ($\$4.15 \text{ LF} \times 1,800 = \$7,470$)
2. 8-6 inch x 90 degree fittings ($8 \times \$125 = \$1,000$)
3. 3- 6 inch gate valves ($\$1,250 \times 3 = \$3,750$ with box and cover)
4. 2- 6 inch Tee's ($\$150 \times 2 = \300)
5. Backhoe rental ($\$250 \text{ a day } 10 \text{ days} \times 250 = \2500)
6. Rental of the pressure tester ($\$65 \text{ a day one day only}$)
7. Bedding sand ($\$25 \text{ a ton } 0.74 \text{ yards of sand in one ton} \times 2 \text{ tons} = \50)
8. Engineering ($\$1,500$)

Total \$ \$16,635

Mr. Steve Olea, Utility Director
Arizona Corporation Commission
1200 W. Washington Street
Phoenix, Arizona 85007 (**continued**)

Also, as you can see per the attached letter dated Sept. 17, 2009 from the Arizona Department of Environmental Quality ("ADEQ"), they are requesting that we achieve compliance either via best available technology ("BAT"), blending through another source for which there is not without this interconnection, or by utilizing an alternate source of approved water (which is what we are trying to accomplish here).

We feel we have demonstrated the seriousness of this situation and the need to repair and/or rehabilitate this system to avoid interruption of water service.

We respectfully request permission to access this Interim Operator Grant Fund via WIFA to address this situation.

Please do not hesitate to contact our office if you need additional information.

Best Regards;



Bonnie O'Connor
President

Cc: Del Smith, Utilities Division, Arizona Corporation Commission
Eddie Morales, Vice President Operations, Southwestern Utility Management, Inc.
Keith Dojaquez, Assistant Operations Manger, Southwestern Utility Management, Inc.