

ORIGINAL

NEW APPLICATION



0000124121

ATTACHMENT "A"

RECEIVED

201 APR -1 P 3:54

ARIZONA CORPORATION COMMISSION
DOCKET CONTROL

DII-Emerald Springs, LLC
212 E. Rowland Street #423
Covina, CA 91723
Arizona Corporation Commission

DOCKETED

APR -1 2011

March 30, 2011

Docket Control Center
Arizona Corporation Commission
1200 W. Washington Street
Phoenix, Arizona 85007

WS-20794A-11-0140

DOCKETED BY	NR
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Attached is an application by DII-Emerald Springs, LLC for a Sewer Certificate of Convenience and Necessity. The purpose of this application is to formalize this service that was established on an emergency basis on or around June 2004.

This is a unique situation that has the following circumstances:

On June 20, 2003 DII-Emerald Springs, LLC purchased 33 of 54 lots located within the Emerald Springs subdivision in Ehrenberg, Arizona. This is a gated community with an existing HOA. When these lots were purchased there were around 8-10 houses built and the rest of the lots were vacant. The sewer provider was Doyle Thompson who owns a property neighboring this subdivision. In early 2004, Mr. Thompson had a problem with the HOA and decided to cut them off from his sewer system. The HOA was required to contract a pumping service to empty the lift station a couple times per day.

This issue was becoming a critical problem that would stop the entire community from developing their lots. I contacted ADEQ with this situation and was allowed to set up a packaged plant on an emergency basis to have some type of control of the sewer as this community represents a big risk to the Colorado River, this subdivision is adjacent to the river. During this time the water utility company (Ehrenberg Improvement Association "EIA") indicated that they will be forming a sewer district. As of today EIA has not done anything to provide sewer service to this town. The original cost for the entire process from securing the engineering, attorneys, permits, fees, preparing the site, bringing electricity, purchasing our own transformer, etc., to installing the plant cost me more than \$500,000. This town is very difficult as all the labor force has to be imported from either Phoenix or Los Angeles. There is no qualified labor force in this town.

Originally the packaged plant was intended to be there to cover the emergency only. That situation has become a permanent situation and the problems are getting bigger as people want a service for little or unrealistic low fees. This situation is a financial burden for me as the current fees do not cover the operating costs the loan payments on the equipment.

Currently there are only 42 houses built of which 5-8 are permanent residents and the rest are second, vacation, weekend, or vacation rental homes.

ADEQ has imposed requirements that are impossible to meet because of the low flow and the financial costs that no one can afford. We have submitted a request to amend the permit to reduce the testing frequency to monthly from daily. This request requires additional monitoring equipment that will cost around \$5,500.00 plus the cost of ADEQ, we have already installed meter flow monitoring equipment that had a cost of around \$2,000.00. This issue has been presented to the HOA for financial support in an effort to secure a reduced frequency. If the frequency is not reduced, the monthly lab and mileage cost will be around \$15,000-\$20,000 thousand dollars per month. The closest lab is in Phoenix which is located about 150 miles each way from this subdivision and someone will have to drive it daily. This is neither affordable nor practical for this small subdivision. This is the reason why the request to have ADEQ reduce the frequency was filed. This action is currently not supportive by the HOA!!!

I never intended to be this long providing a service for a substantial lost every month. I can't continue to absorb this lost and the HOA feels the fees are too high. We need help in this area. The HOA feels that by having the ACC regulates this small plant the fees will be reduced substantially. I am hoping the ACC can be fair and work with me in enforcing fees that will cover at least the cost and operational expenses. Due to the economic times; I can't continue losing or the plant will have to shut down for lack of sufficient income.

I still own 3 vacant lots in the community; however, I do not see the possibility of building them for a long time. There are still around 12-13 vacant lots in the subdivision; without possibilities of building in the near future, due to the economic times. All the 53 lots are currently connected to the system.

The letter received from your office dated February 18, 2011 makes reference that this plant has been in operation since 1997 and that I am in the process of expanding the plant capacity. This is so incorrect, that I do not understand how you obtained this information so far off the truth. The current plant capacity and permit is 20,000 gallons per day and the average flow is around 300-1500 gallons per day. There is plenty of availability and not sufficient flow. During 2 big holidays the flow goes up to 5,000-6,000 gallons per day. This occurs only 4-6 days during the entire year. During summer the average goes to 1000 to 2000 gallons per day.

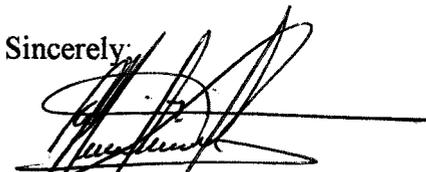
I have asked ADEQ to let me remove the plant as this option is the best one for me financially. This option would stop the losses, the drama, and the agony in dealing with this subdivision and its HOA. It appears this is not a good option from the ADEQ point of view because there are no other options available for this subdivision at the present time.

Please help expediting this process or provide options to facilitate the current situation.

If you need additional information, please contact me directly at 626-664-0602.

I thank you in advance for your cooperation in this matter;

Sincerely,



DI Emerald Springs, LLC
Henry Melendez, President

COMMISSIONERS
GARY PIERCE - Chairman
BOB STUMP
SANDRA D. KENNEDY
PAUL NEWMAN
BRENDA BURNS



ERNEST G. JOHNSON
Executive Director

ARIZONA CORPORATION COMMISSION

February 18, 2011

Margaret L. Steiner, Statutory Agent for
DII-Emerald Springs, LLC
Lorona Steiner Ducar, Ltd.
3003 N. Central Ave., #1500
Phoenix, AZ 85012-2909

Via Regular Mail

Henry A. Melendez, President
DII-Emerald Springs, LLC
diigroup@aol.com

Via Email

Re: DII-Emerald Springs, LLC

Dear Mr. Melendez:

Commission Staff initially contacted you in December regarding the nature of the wastewater treatment plant's operations. While you have been less than forthcoming with the information Staff needs to determine the nature of the wastewater treatment plant's operation, it appears that DII-Emerald Springs, LLC is operating as a Public Service Corporation, and is operating a wastewater treatment facility in Ehrenberg, La Paz County, Arizona without the requisite Certificate of Convenience and Necessity. In so doing, DII-Emerald Springs, LLC is in violation of Commission Rules and Arizona Statutes.

It is my understanding that Vicki Wallace indicated that you need to either submit the necessary paperwork to the Commission to obtain a Certificate of Convenience and Necessity or convert DII-Emerald Springs, LLC into a not-for-profit limited liability company. However, as of the date of this letter, you have decided not to proceed in the manner requested by Commission Staff, even though it is clear that you have been involved in the operation of the wastewater treatment plant since 1997, and are in the process of expanding the plant's capacity.

If you do not take one of the necessary steps indicated above within 30 calendar days of your receipt of this letter, Staff may pursue an Order to Show Cause or other remedies against the owner of DII-Emerald Springs, LLC. This may include fines and/or other ramifications.

Should you have any questions concerning this matter, please do not hesitate to contact Vicki Wallace at (602) 542-0818.

Sincerely,

A handwritten signature in black ink that reads "Wesley Van Cleve".

Wesley Van Cleve
Attorney, Legal Division
(602) 542-3402

cc: Vicki Wallace

ARIZONA CORPORATION COMMISSION

APPLICATION FOR A CERTIFICATE OF CONVENIENCE AND NECESSITY

WATER AND/OR SEWER

A. The legal name, mailing address and telephone number of the Applicant (Company) is:

DI-EMERALD SPRINGS, LLC
212 E Rowland ST. #423,
COVINA, CA 91723 (626) 664-0602

B. If doing business (d.b.a.) under a name other than the Applicant (Company) name listed above, specify:

C. List the full name, mailing address and telephone number of the management contact:

HENRY A. MELANDEZ
212 E. Rowland ST. #423
COVINA, CA 91723 (626) 664-0602

D. List the full name, mailing address and telephone number of the attorney for the Applicant:

N/A

E. List the full name, mailing address and telephone number of the operator certified by the Arizona Department of Environmental Quality who is or will be working for the Applicant:

JIM GRIMES - Plant Management Systems, Inc.
2157 MCKINLEY DRIVE
BLYTE, CA 92225 (760) 219-7798 OR 922-7108

F. List the full name, mailing address and telephone number of the on-site manager of the utility:

JIM GRIMES
SAME AS ABOVE

G. The Applicant is a:

<input type="checkbox"/> Corporation: <input type="checkbox"/> "C", <input type="checkbox"/> "S", <input type="checkbox"/> Non-Profit <input type="checkbox"/> Arizona, <input type="checkbox"/> Foreign	<input type="checkbox"/> Partnership <input type="checkbox"/> Limited, <input type="checkbox"/> General <input type="checkbox"/> Arizona, <input type="checkbox"/> Foreign
<input type="checkbox"/> Sole Proprietorship	<input checked="" type="checkbox"/> Limited Liability Company (LLC)
<input type="checkbox"/> Other (Specify)	

H. If Applicant is a corporation: N/A

1. List full names, titles and mailing addresses of all Officers and Directors:

Officers

N/A

Directors

N/A

2. Attach a copy of the corporation's "Certificate of Good Standing" issued by the Corporation's Division of the Arizona Corporation Commission.
3. Attach a certified copy of the Articles of Incorporation.
4. Attach a certified copy of the corporation's By-Laws.
5. If a for-profit corporation, indicate the number of shares of stock authorized for issue:
6. If stock has been issued, indicate the number of shares issued and date of issue:

H. If the Applicant is a partnership:

1. List the full name and mailing address of the general partners:

2. List the full name, address and telephone number of the managing partners:

3. Attach a copy of the Partnership's Articles of Partnership.

• If the Applicant is a foreign limited partnership, provide a copy of the Partnership's "Certificate of Registration" filed with the Arizona Secretary of State.

I. If the Applicant is a Limited Liability Company:

1. List the full name and mailing address of all the Applicant's managers or, if management is reserved to the members, the Applicant's members:

Blue Tower Holdings, Inc. (Henry A. Melendez/President)
212 E. Rowland Street #423, Covina, CA 91723
626-664-0602

2. Attach a copy of the Articles of Organization.

J. List the legal name and mailing address of each other utility in which the applicant has an ownership interest:

N/A

K. Attach a description of the requested service area, expressed in terms of **CADASTRAL** (quarter section description) or **Metes and Bounds** survey. References to parcels and docket numbers will not be accepted.

L. Attach a detailed map using the form provided as Attachment "B". Shade and outline the area requested. Also, indicate any other utility within the general area using different colors.

M. List the name of each county in which the requested service area is located and a description of the area's location in relation to the closest municipality, which shall be named:

LA PAZ COUNTY. APPROXIMATE 45 MILES SOUTH OF PARKER.
LOCATED IN ETRENBERG.

N. Attach a complete description of the facilities proposed to be constructed, including a preliminary engineering report with specifications in sufficient detail to describe each water system and the principal components of each water system (e.g., source, storage, transmission lines, distribution lines, etc.) to allow verification of the estimated costs provided under subsection (B)(5)(o) and verification that the requirements of the Commission and the Arizona Department of Environmental Quality can be met.

O. Provide the estimated total construction cost of the proposed offsite and onsite facilities, including documentation to support the estimates, and an explanation of how the construction will be financed, such as through debt, equity, advances in aid of construction, contributions in aid of construction, or a combination thereof.

- P. Explain the method of financing utility facilities. Refer to the instructions, item no. 7. (Use additional sheets if necessary):

THERE IS AN EXISTING LOAN FOR \$250,000.00

- Q. Attach financial information in a format similar to Attachment "C". Include current assets and liabilities, an income statement, estimated revenue and expenses and the estimated value of the applicant's utility plant in service for the first five years following approval of the application.
- R. Provide a detailed description of the proposed construction timeline for facilities with estimated starting and completion dates and, if construction is to be phased, a description of each separate phase of construction.
- S. Provide a copy of any requests for service from persons who own land within the proposed service area or extension area, which shall identify the applicant by name.
- T. Provide maps of the proposed service area identifying:
1. The boundaries of the area, with the total acreage noted;
 2. The land ownership boundaries within the area, with the acreage of each separately owned parcel within the area noted;
 3. The owner of each parcel within the area;
 4. Any municipality corporate limits that overlap with or are within five miles of the area;
 5. The service area of any public service corporation, municipality, or district currently providing water or wastewater service within one mile of the area, with identification of the entity providing service and each type of service being provided;
 6. The location within the area of any known water service connections that are already being provided service by the applicant;
 7. The location of all proposed developments within the area;
 8. The proposed location of each water system and the principal; and
 9. The location of all parcels for which a copy of a request for service has been submitted.
- U. Provide a copy of each notice to be sent, as required, to a municipal manager or administrator.
- V. A copy of each notice sent, as required, to a landowner not requesting service.
- W. For each landowner not requesting service, provide either the written response received from the landowner or, if no written response was received, a description of the actions n by the applicant to obtain a written response.

X. Attach proposed Tariffs using either the water or sewer format of Attachment "D", unless the Utilities Division, prior to the filing of this application, approves another form.

Y. Attach the following permits:

1. The franchise from either the City or County for the area requested.
2. The Arizona Department of Environmental Quality (or its designee's) approval to construct facilities.
3. The Arizona State Land Department approval. (If you are including any State land in your requested area this approval is needed.)
4. Any U.S. Forest Service approval. (If you are including any U.S. Forest Service land in your requested area this approval is needed.)
5. (WATER ONLY) If the area requested is within an Active Management Area, attach a copy of the utility's Designation of an Assured Water Supply, or the developer's Certificate of Assured Water Supply issued by the Arizona Department of Water Resources, whichever applies.
 - a. If the area requested is outside an Active Management Area, attach the developer's Adequacy Statement issued by the Arizona Department of Water Resources, if applied for by the developer.
 - b. If the area requested is outside an Active Management Area and the developer does not obtain an Adequacy Statement, provide sufficient detail to prove that adequate water exists to provide water to the area requested.
6. Provide a copy of your estimated property taxes. This may be obtained by contacting the Arizona Department of Revenue, Division of Property Valuation and Equalization. You must provide them with a five (5) year projection of the original cost of the plant, depreciation expense, the location of the property and the school district.

Z. Indicate the estimated number of customers, by class, to be served in each of the first five years of operation. Include documentation to support the estimates.

Residential:

First Year 53 Second Year 53 Third Year 53 Fourth Year 53 Fifth Year 53

Commercial:

First Year 0 Second Year 0 Third Year 0 Fourth Year 0 Fifth Year 0

Industrial:

First Year 0 Second Year 0 Third Year 0 Fourth Year 0 Fifth Year 0

Irrigation:

First Year 0 Second Year 0 Third Year 0 Fourth Year 0 Fifth Year 0

AA. Indicate the projected annual water consumption or sewerage treatment, in gallons, for each of the customer classes for each of the first five years of operation:

Residential:

First Year 500,000
Second Year 500,000
Third Year 550,000
Fourth Year 600,000
Fifth Year 650,000

Industrial:

First Year ~~_____~~
Second Year ~~N~~
Third Year ~~_____~~
Fourth Year ~~_____~~
Fifth Year ~~_____~~

Commercial:

First Year ~~_____~~
Second Year ~~N~~
Third Year ~~_____~~
Fourth Year ~~_____~~
Fifth Year ~~_____~~

Irrigation:

First Year ~~_____~~
Second Year ~~N~~
Third Year ~~_____~~
Fourth Year ~~_____~~
Fifth Year ~~_____~~

BB. Indicate the total estimated annual operating revenue for each of the first five years of operation:

Residential:

First Year ~~_____~~
Second Year ~~N~~
Third Year ~~_____~~
Fourth Year ~~_____~~
Fifth Year ~~_____~~

Industrial:

First Year ~~_____~~
Second Year ~~N~~
Third Year ~~_____~~
Fourth Year ~~_____~~
Fifth Year ~~_____~~

Commercial:

First Year ~~_____~~
Second Year ~~N~~
Third Year ~~_____~~
Fourth Year ~~_____~~
Fifth Year ~~_____~~

Irrigation:

First Year ~~_____~~
Second Year ~~N~~
Third Year ~~_____~~
Fourth Year ~~_____~~
Fifth Year ~~_____~~

CC. Indicate the total estimated annual operating expenses for each of the first five years of operation:

Residential:

First Year ~~_____~~
Second Year ~~N~~
Third Year ~~_____~~
Fourth Year ~~_____~~
Fifth Year ~~_____~~

Commercial:

First Year ~~_____~~
Second Year ~~N~~
Third Year ~~_____~~
Fourth Year ~~_____~~
Fifth Year ~~_____~~

Industrial:
 First Year _____
 Second Year _____
 Third Year _____
 Fourth Year _____
 Fifth Year _____

Irrigation:
 First Year _____
 Second Year _____
 Third Year _____
 Fourth Year _____
 Fifth Year _____

- DD. Attach an itemized list of the major components of the water or sewer system (see Attachment C-3).
- EE. Indicate the total estimated cost to construct utility facilities: \$ 500,000.-
- FF. Provide a description of how wastewater service is to be provided in the proposed service area or extension area and the name of each wastewater service provider for the area, if any.
- GG. Provide a letter from each wastewater service provider identified under subsection (B)(5)(aa), confirming the provision of wastewater service for the proposed service area or extension area.
- HH. Provide plans for or a description of water conservation measures to be implemented in the proposed service area or extension area, including, at a minimum:
 - i. A description of the information about water conservation or water saving measures that the utility will provide to the public and its customers;
 - ii. A description of how the applicant will work with each wastewater service provider identified under subsection (B)(5)(aa) to encourage water conservation;
 - iii. A description of the sources of water that will be used to supply parks, recreation areas, golf courses, greenbelts, ornamental lakes, and other aesthetic water features;
 - iv. A description of any plans for the use of reclaimed water;
 - v. A description of any plans for the use of recharge facilities;
 - vi. A description of any plans for the use of surface water; and
 - vii. A description of any other plans or programs to promote water conservation;
- II. Provide a backflow prevention tariff that complies with Commission standards, if not already on file.
- JJ. Provide a curtailment tariff that complies with Commission standards, if not already on file.
- KK. Provide a copy of a Physical Availability Determination, Analysis of Adequate Water Supply, or Analysis of Assured Water Supply issued by the Arizona Department of Water Resources for the proposed service area or extension area or, if not yet obtained, the status of the application for such approval;

[Handwritten Signature]

(Signature of Authorized Representative)

Henry A. Melendez
(Type or Print Name Here)

PRESIDENT
(Title)

SUBSCRIBED AND SWORN to before me this 30th day of March, 2011

Jennifer L. Romero
NOTARY PUBLIC

My Commission Expires May 14, 2013



ACKNOWLEDGMENT

State of California
County of Los Angeles)

On March 30, 2011 before me, Jennifer L. Romero, Notary Public
(insert name and title of the officer)

personally appeared Henry A. Melendez,
who proved to me on the basis of satisfactory evidence to be the person~~(s)~~ whose name~~(s)~~ ~~is~~are
subscribed to the within instrument and acknowledged to me that ~~he~~/she/they executed the same in
~~his~~/her/their authorized capacity~~(ies)~~, and that by ~~his~~/her/their signature~~(s)~~ on the instrument the
person~~(s)~~, or the entity upon behalf of which the person~~(s)~~ acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing
paragraph is true and correct.

WITNESS my hand and official seal.

Signature Jennifer L. Romero (Seal)



ATTACHMENT "B"

LA PAZ	3	3N	22 W
COUNTY	SECTION	TOWNSHIP	RANGE

6	5	4	3	2	1
7	8	9	10	11	12
18	17	16	15	14	13
19	20	21	22	23	24
30	29	28	27	26	25
31	32	33	34	35	36

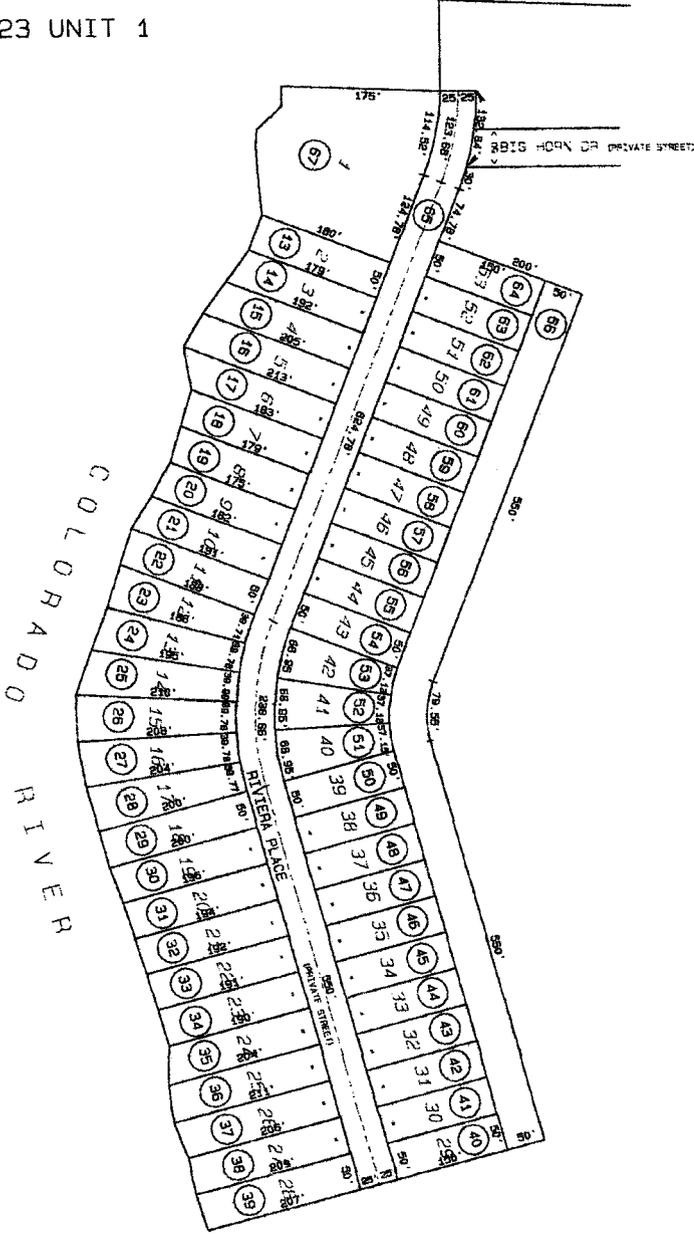
Type or Print Description Here:

EMERALD SPRINGS - TRACT 123 - UNIT 1 - Lots 1-54
AS RECORDED IN THE OFFICE OF THE COUNTY RECORDER OF
LA PAZ COUNTY. FEEN NO. 97-4026

EMERALD SPRINGS

TRACT 123 UNIT 1

FILE NAME: 302-488.SMI



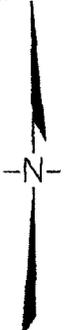
SCALE 1" = 150'

BOOK 302 MAP 48 PG. 2/2

TWNS. 3 N RANGE 22 W SEC. 3

SECTION DETAIL:

AREA CODE: 0403 REVISION: 10/24/03



LA PAZ COUNTY
ASSESSOR
GEORGE NAULT

ASSESSOR PARCEL MAP
FOR INFORMATION ONLY
NO LIABILITY ASSUMED

N/A

Deferred Credits

Advances in Aid of Construction

Contributions in Aid of Construction

Accumulated Deferred Income Tax

Total Deferred Credits

TOTAL LIABILITIES

CAPITAL ACCOUNT

Common Stock

Preferred

Paid in Capital

Retained Earnings

Total Capital

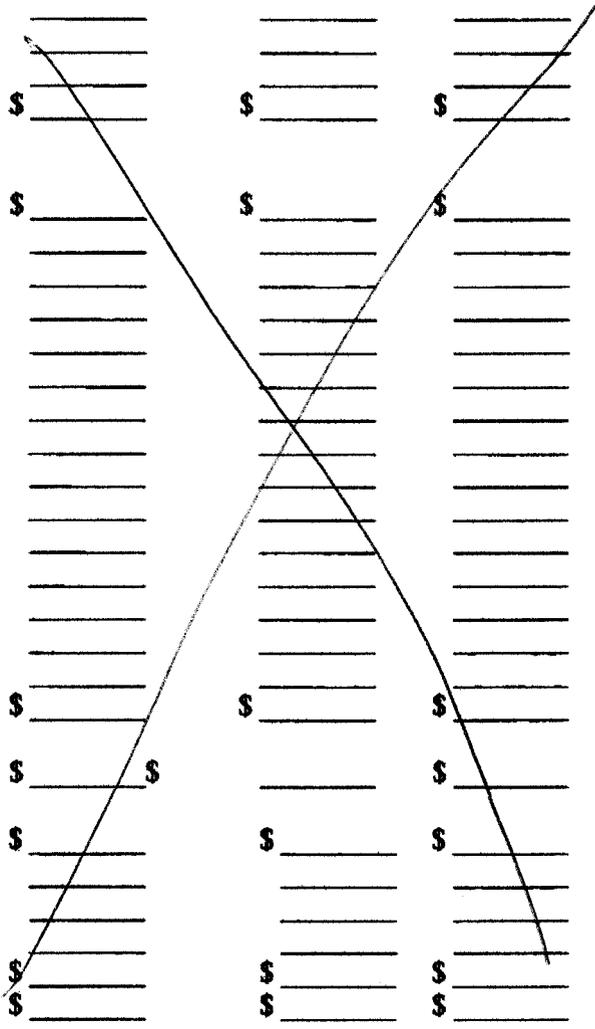
TOTAL LIABILITIES AND CAPITAL

\$	
\$	
\$	
\$	
\$	

PROFORMA INCOME STATEMENT (WATER)

	<u>YR ONE</u>	<u>YR TWO</u>	<u>YR THREE</u>
REVENUE:			
Water Sales	_____	_____	_____
Establishment Charges	_____	_____	_____
Other Operating Revenue	_____	_____	_____
Total Operating Revenue	\$ _____	\$ _____	\$ _____
OPERATING EXPENSES:			
Salaries and Wages	\$ _____	\$ _____	\$ _____
Purchased Water	_____	_____	_____
Power Costs	_____	_____	_____
Water Testing	_____	_____	_____
Repairs and Maintenance	_____	_____	_____
Office Supplies Expense	_____	_____	_____
Outside Services	_____	_____	_____
Rents	_____	_____	_____
Transportation Expense	_____	_____	_____
Taxes Other than Property and income	_____	_____	_____
Depreciation	_____	_____	_____
Health and Life Insurance	_____	_____	_____
Income Taxes	_____	_____	_____
Property Tax	_____	_____	_____
Miscellaneous Operating	_____	_____	_____
Total Operating Expense	\$ _____	\$ _____	\$ _____
OPERATING INCOME OR (LOSS)	\$ _____	\$ _____	\$ _____
OTHER INCOME/EXPENSES:			
Interest Income	\$ _____	\$ _____	\$ _____
Other Income	_____	_____	_____
Other Expenses	_____	_____	_____
Interest Expenses	_____	_____	_____
TOTAL OTHER INCOME/EXPENSE	\$ _____	\$ _____	\$ _____
NET INCOME (LOSS)	\$ _____	\$ _____	\$ _____

N/A

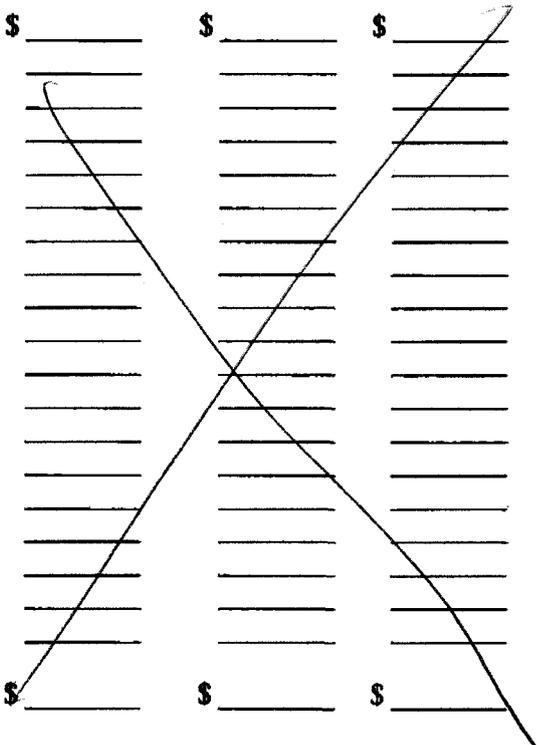


PROFORMA UTILITY PLANT IN SERVICE (WATER)

FIRST YEAR

	ORIGINAL COST	ACCUM. DEPRC.	ORIG. COST LESS DEPREC.
	\$ _____	\$ _____	\$ _____
Organization	_____	_____	_____
Franchises	_____	_____	_____
Land and Land Rights	_____	_____	_____
Wells and Springs	_____	_____	_____
Electric Pumping Equip.	_____	_____	_____
Water Treat. Equip.	_____	_____	_____
Distribution Reservoirs and Standpipes	_____	_____	_____
Transmission & Dist. Mains	_____	_____	_____
Services	_____	_____	_____
Meters	_____	_____	_____
Hydrants	_____	_____	_____
Other Plant Structures and Improvements	_____	_____	_____
Office Furniture and Fixtures	_____	_____	_____
Transportation Equipment	_____	_____	_____
Tools and Work Equipment	_____	_____	_____
Laboratory Equipment	_____	_____	_____
Power Operated Equipment	_____	_____	_____
Communication Equipment	_____	_____	_____
Other Tangible Plant	_____	_____	_____
TOTAL PLANT IN SERVICE	\$ _____	\$ _____	\$ _____

N/A



ATTACHMENT "C"

PROFORMA BALANCE SHEET (SEWER)

ASSETS

Current Assets

Cash	<u>\$32,500</u>
Accounts Receivable	<u>—</u>
Other	<u>—</u>
Total Current Assets	<u>32,500</u>

Fixed Assets

Utility Plant in Service	<u>500,000</u>
(Less) Accumulated Depreciation	<u>2140,000</u>
Net Plant in Service	<u>360,000</u>
Other	<u>7,500</u>

TOTAL ASSETS

\$367,500 +
32,500

LIABILITIES AND CAPITAL

Current and Accrued Liabilities

\$400,000

Accounts Payable	<u>\$ —</u>
Notes Payable	<u>—</u>
Accrued Taxes	<u>—</u>
Accrued Interest	<u>—</u>
Other	<u>—</u>
Total Current and Accrued Liabilities	<u>—</u>

Long-Term Debt

\$250,000

Other	<u>—</u>
-------	----------

Deferred Credits

Advances in Aid of Construction	\$ <u>—</u>
Contributions in Aid of Construction	<u>—</u>
Accumulated Deferred Income Tax	<u>—</u>
Total Deferred Credits	\$ <u>—</u>
TOTAL LIABILITIES	<u>\$250,000</u>

CAPITAL ACCOUNT

Common Stock	\$ <u>32,500</u>
Preferred	<u>—</u>
Paid in Capital	<u>117,500</u>
Retained Earnings	<u>—</u>
Total Capital	\$ <u>150,000</u>
TOTAL LIABILITIES AND CAPITAL	\$ <u>367,500</u> ✕
	<u>32,500</u>
	<u>\$400,000</u>

PROFORMA INCOME STATEMENT (SEWER)

	<u>YR ONE</u>	<u>YR TWO</u>	<u>YR THREE</u>
REVENUE:			
	\$73,575/12		
Flat Rate Revenues	mo. \$ 6,131.25	\$ 77,253.88	\$ 81,116.57
Measured Revenues	0	0	0
Established Charges	0	0	0
Other Operating Revenue	0	0	0
Total Operating Revenue	\$ 0	\$ 0	\$ 0
OPERATING EXPENSES:			
Salaries and Wages	\$ 12,000	\$ 12,000	\$ 12,000
Purchased Sewer Treatment	0	0	0
Sludge Removal Expense	975	975	975
Purchased power for Pumping Treatment (APS/water)	3,800	3,800	3,800
Sewage Treatment and Testing *	500	500	525
Repairs and Maintenance	3,000	3,000	3,000
Office Supplies Expense	300	300	300
Outside Services - Plant operator**	11,300	11,500	11,500
Rents	4,000	4,000	4,000
Transportation Expense	0	0	0
General Insurance	2,700	2,700	2,700
Depreciation	20,000	20,000	20,000
Health and Life Insurance	0	0	0
Income Taxes	\$ 0	\$ 0	\$ 0
Property Tax Taxes Other than Property & Income Miscellaneous Operating	\$ 0	\$ 0	\$ 0
Total Operating Expense	58,575	58,775	58,800
OPERATING INCOME OR LOSS	0	0	0
OTHER INCOME/EXPENSES:			
Interest Income	\$ 0	\$ 0	\$ 0
Other Income	\$ 0	\$ 0	\$ 0
Other Expenses			
Interest Expenses <u>\$250k @ 6%</u>	\$ 15,000	15,000	15,000

TOTAL OTHER INCOME/EXPENSE	\$ 15,000	15,000	15,000
NET INCOME (LOSS)	\$ 0	\$ 3,477.88	\$ 7,316.57

* This is for yearly ~~yearly~~ testing, not part of the normal monthly testing
 ** Plant operator includes monthly testing, chemicals, and daily operations as required by ADEQ.

ATTACHMENT "D"
WATER TARIFF SCHEDULE

RATES AND CHARGES

<u>CUSTOMER/MINIMUM CHARGE</u>		<u>SERVICE LINE & METER</u>	
<u>PER MONTH</u>		<u>INSTALLATION CHARGES</u>	
<u>METER CHARGE GALLONS</u>		<u>METER CHARGE</u>	
5/8 X 3/4"	\$ _____ FOR _____	5/8 X 3/4"	\$ _____
3/4"	\$ _____ FOR _____	3/4"	\$ _____
1"	\$ _____ FOR _____	1"	\$ _____
1 1/2"	\$ _____ FOR _____	1 1/2"	\$ _____
2"	\$ _____ FOR _____	2"	\$ _____
3"	\$ _____ FOR _____	3"	\$ _____
4"	\$ _____ FOR _____	4"	\$ _____
5"	\$ _____ FOR _____	5"	\$ _____
6"	\$ _____ FOR _____	6"	\$ _____

N/A

COMMODITY CHARGE (EXCESS OF MINIMUM):

\$ _____ PER _____ GALLONS

FLAT RATE \$ _____ PER MONTH

SERVICE CHARGES:

1. ESTABLISHMENT (R14-2-403.D.1)
2. ESTABLISHMENT/AFTER HOURS (R14-2-403.D.2)
3. RECONNECTION/DELINQUENT (R14-2-403.D.1)
4. NSF CHECK (R14-2-409.F.1)
5. METER REREAD/IF CORRECT (R14-2-408.C.2)
6. METER TEST/IF CORRECT (R14-2-408.F.1)
7. DEFERRED PAYMENT (R14-2-409.G.6)
8. DEPOSIT INTEREST (R14-2-403.B.3)
9. DEPOSIT (R14-2-403.B.7)
10. REESTABLISHMENT W/N 12 MOs (R14-2-403.D.1)
SYSTEM TIMES THE MINIMUM
11. **OTHER RATES & CHARGES APPROVED BY ORDER:**

\$ _____
_____ %
PER/RULE
MONTHS OFF THE

IN ADDITION TO THE COLLECTION OF ITS REGULAR RATES AND CHARGES, THE COMPANY SHALL COLLECT FROM ITS CUSTOMERS THEIR PROPORTIONATE SHARE OF ANY PRIVILEGE, SALES OR USE TAX

ATTACHMENT "D"
SEWER TARIFF SCHEDULE

UTILITY: D.E. Emerald Springs, LLC

PAGE 1 OF 1

RATES AND CHARGES

FLAT RATE

RESIDENTIAL \$ _____ PER MONTH
COMMERCIAL \$ _____ PER MONTH

BASED ON WATER USAGE

RESIDENTIAL MINIMUM \$ _____ FOR _____ GALLONS
EXCESS OF MINIMUM \$ _____ FOR _____ GALLONS

COMMERCIAL MINIMUM \$ _____ FOR _____ GALLONS
EXCESS OF MINIMUM \$ _____ FOR _____ GALLONS

EFFLUENT SALES: (if applicable)
\$ _____ PER _____ GALLONS

SERVICE LINE CONNECTION CHARGE \$3,500.00

SERVICE CHARGES:

- | | |
|--------------------------------------------------|------------------|
| 1. ESTABLISHMENT (R14-2-603.D.1) | \$ <u>50.00</u> |
| 2. RECONNECTION/DELINQUENT (R14-2-603.D.1) | \$ <u>250.00</u> |
| 3. DEPOSIT (R14-2-603.B.7) | \$ <u>—</u> |
| 4. DEPOSIT INTEREST (R14-2-603.B.3) | <u>—</u> % |
| 5. REESTABLISHMENT W/N 12 MONTHS (R14-2-603.D.1) | \$ <u>150.00</u> |
| 6. NSF CHECK (R14-2-608.E.1) | \$ <u>30.00</u> |
| 7. LATE PAYMENT PENALTY (R14-2-608.F.1) | \$ <u>10%</u> |

OTHER CHARGES AS SPECIFIED BY ORDER:

ATTACHMENT "E"

PUBLIC NOTICE OF AN APPLICATION FOR A CERTIFICATE OF CONVENIENCE AND NECESSITY
BY: DII-EMERALD SPRINGS, LLC

DII-Emerald Springs, LLC ("DII") has filed with the Arizona Corporation Commission ("Commission") an application for authority to provide Sewer Services to Emerald Springs HOA which consist of 53 lots and you are a member and property owner of that HOA. If the application is granted DII would be the exclusive provider of Sewer Services to the proposed community.

DII will be required by the Commission to provide this service under the rates and charges and terms and conditions established by the Commission. The granting of the application would not necessarily prohibit an individual from providing service to themselves from individually owned facilities on their property. The application is available for inspection during regular business hours at the offices of the Commission in Phoenix at 1200 West Washington Street and at DII offices by appointment only located at 212 E. Rowland Street #423, Covina, CA 91723.

The Commission will hold a hearing on this matter. As a property owner you may have the right to intervene in the proceeding. If you do not want to intervene, you may appear at the hearing and make a statement on your own behalf. You may contact the Commission at the address and telephone number listed below for the date and time of the hearing and for more information on intervention. You may not receive any further notice of the proceeding unless requested by you.

If you have any questions or concerns about this application, have any objections to its approval, or wish to make a statement in support of it, you may contact the Consumer Services Section of the Commission at 1200 West Washington Street, Phoenix, Arizona 85007 or call 1-800-222-7000.

STATE OF ARIZONA



Office of the
CORPORATION COMMISSION
CERTIFICATE OF GOOD STANDING

To all to whom these presents shall come, greeting:

I, Ernest G. Johnson, Executive Director of the Arizona Corporation Commission, do hereby certify that

*****DII-EMERALD SPRINGS, L.L.C.*****

a domestic limited liability company organized under the laws of the State of Arizona, did organize on the 13th day of June 2003.

I further certify that according to the records of the Arizona Corporation Commission, as of the date set forth hereunder, the said limited liability company is not administratively dissolved for failure to comply with the provisions of A.R.S. section 29-601 et seq., the Arizona Limited Liability Company Act; and that the said limited liability company has not filed Articles of Termination as of the date of this certificate.

This certificate relates only to the legal existence of the above named entity as of the date issued. This certificate is not to be construed as an endorsement, recommendation, or notice of approval of the entity's condition or business activities and practices.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the official seal of the Arizona Corporation Commission. Done at Phoenix, the Capital, this 16th Day of March, 2011, A. D.




Executive Director

By: _____ 584796

AZ CORPORATION COMMISSION
FILED

MAR 10 2010

FILE NO. L-1081981-7

**ARTICLES OF AMENDMENT OF
DII-EMERALD SPRINGS, L.L.C.**

1. The name of the limited liability company is DII-EMERALD SPRINGS, L.L.C.

2. The Articles of Organization were originally filed with the Arizona Corporation Commission on the 13th day of June, 2003, in File No. L-1081981-7.

3. Attached hereto as *Exhibit A* is the text of the amendment.

Dated this 5th day of March, 2010.

BLUE TOWER HOLDINGS, INC., a California
corporation
Its Sole Member

By: _____


Henry A. Melendez
Its President

EXHIBIT A

1. Section 2 is deleted and the following substituted

"2. The address of the registered office for this limited liability company is:

c/o Margaret L. Steiner
Lorona Steiner Ducar, Ltd.
3003 North Central Avenue, Suite 1500
Phoenix, Arizona 85012-2909"

2. Section 3 is deleted and the following substituted:

"3. The name and business address of the agent for service of process on this limited liability company is:

Margaret L. Steiner
Lorona Steiner Ducar, Ltd.
3003 North Central Avenue, Suite 1500
Phoenix, Arizona 85012-2909"

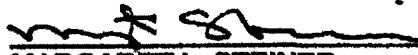
3. Section 6 is deleted and the following substituted:

"6. The name and address of the sole member of the limited liability company is:

Blue Tower Holdings, Inc., a California corporation
212 E. Rowland Street #423
Covina, California 91723

CONSENT OF STATUTORY AGENT

Margaret L. Steiner, having been designated to act as Statutory Agent for DII-Emerald Springs, L.L.C., hereby consents to act in that capacity until removal or resignation is submitted in accordance with the Arizona Revised Statutes.



MARGARET L. STEINER

EXPEDITED
AZ CORP COMMISSION
FILED

2003 JUN 13 P 4: 52

APPR *an Rojas*
DATE APPR 06-13-03
TERM _____
DATE _____ TIME _____

**ARTICLES OF ORGANIZATION
OF
DII-EMERALD SPRINGS, L.L.C.**

L-1081981-7
1. SPRINGS, L.L.C.

The name of this limited liability company is DII-EMERALD

2. The address of the registered office for this limited liability company is:

c/o Margaret L. Steiner
Lieberman, Dodge, Gerding & Anderson, Ltd,
3003 North Central Avenue, Suite 1800
Phoenix, Arizona 85012-2909

3. The name and business address of the agent for service of process on this limited liability company is:

Lieberman, Dodge, Gerding & Anderson, Ltd,
By: Margaret L. Steiner
3003 North Central Avenue, Suite 1800
Phoenix, Arizona 85012-2909

4. The latest date on which the limited liability company must dissolve is:

Unlimited.

5. Management of this limited liability company is reserved to the member.

6. The name and address of the sole member of the limited liability company is:

Dynamic Financial & Investment Services, Inc., a California corporation
1050 Lakes Drive #150
West Covina, California 91790

Dated this 12TH day of June, 2003.


HENRY A. MELENDEZ

CONSENT OF STATUTORY AGENT

Lieberman, Dodge, Gerding, Kothe & Anderson, Ltd. by Margaret L. Steiner, having been designated to act as Statutory Agent for DII-Emerald Springs, L.L.C., hereby consents to act in that capacity until removal or resignation is submitted in accordance with the Arizona Revised Statutes.

LIEBERMAN, DODGE, GERDING & ANDERSON,
LTD.

By Margaret L. Steiner
Margaret L. Steiner



Fact Sheet

Aquifer Protection Permit #P-105513
 Place ID 5138, LTF 33760
 Emerald Springs Unit 1
 Wastewater Treatment Plant

The Arizona Department of Environmental Quality (ADEQ) proposes to issue an Aquifer Protection Permit for the subject facility that covers the life of the facility, including operational, closure, and post-closure periods unless suspended or revoked pursuant to A.A.C. R18-9-A213. This document gives pertinent information concerning the issuance of the permit. The requirements contained in this permit will allow the permittee to comply with the two key requirements of the Aquifer Protection Program: 1) meet Aquifer Water Quality Standards (AWQS) at the Point of Compliance; and 2) demonstrate Best Available Demonstrated Control Technology (BADCT). The purpose of BADCT is to employ engineering controls, processes, operating methods or other alternatives, including site-specific characteristics (i.e., local subsurface geology) to reduce discharge of pollutants to the greatest degree achievable before they reach the aquifer, or to keep pollutants from reaching the aquifer.

I. FACILITY INFORMATION

Name and Location

Name of Permittee:	DII-Emerald Springs, L.L.C.
Mailing Address:	1050 Lakes Drive, #150 West Covina, California 91790
Facility Name and Location:	Emerald Springs Unit 1 Wastewater Treatment Plant Northwest corner of Valhalla Drive and Presidio Place La Paz County

Regulatory Status

An Aquifer Protection Permit (APP) application was submitted for this facility on May 27, 2004. A Notice of Violation (NOV) was issued on January 25, 2007, and a Consent Order was issued on September 3, 2008.

Facility Description

DII-Emerald Springs, L.L.C. is authorized to operate the Emerald Springs Unit 1 Wastewater Treatment Plant (WWTP), a 0.02 million gallon per day (MGD) facility. The WWTP is built as a series of compartments within a steel tank measuring 12.00 feet wide, 11.00 feet tall and 50.00 feet long. The WWTP process consists of bar screening, flow equalization, anoxic and aerobic treatment, secondary clarification, chlorination with dechlorination, and an aerobic sludge digester. The effluent is discharged to two unlined basins for infiltration/evaporation. All the sludge, including screenings, will be hauled off-site for management and disposal in accordance with State and Federal regulations.

In addition to the APP conditions pertaining to treatment and disposal of sewage sludge, the permittee must also comply with the requirements for sewage sludge disposal, use, and transportation in 40 Code of Federal Regulations (CFR) Part 503, 40 CFR 258; for biosolids disposed in municipal solid waste landfills, 40 CFR 257; for all biosolids use and disposal practices not covered under 40 CFR 258 or 503, and 18 A.A.C. Ch. 9, Art. 10.

The depth to groundwater is approximately 12 feet below ground surface (bgs) and the direction of groundwater flow is believed to be to the west-southwest.

The size, number, and proposed operation of the recharge basins used site specific data for soil type (silty sand) and infiltration rates (approximately 3 minutes per inch). Two ponds will be constructed to infiltrate all effluent into the subsurface. Additional basins, vadose zone wells or aquifer storage and recovery wells may be installed in the future under an APP Amendment.

The WRP was designed and constructed according to plans approved by the ADEQ APP and Reuse Unit. Emerald Springs Unit 1 WWTP does not incorporate full noise, odor and aesthetic controls. The permittee has provided the required 250-foot setback from the nearest property line. Under the current zoning, no residential lots can be sold within the 250-foot setback without first re-zoning the property.

II. BEST AVAILABLE DEMONSTRATED CONTROL TECHNOLOGY (BADCT)

The WWTP meets presumptive BADCT as defined by A.R.S. §49-243.01. Presumptive BADCT is further defined by A.A.C. R18-9-B204. Effluent discharged from the WWTP to the disposal site is designed to meet the Aquifer Water Quality Standard (AWQS) for each constituent regulated under R18-11-406(B) through (E). The performance standard for removal of pathogens for this facility is defined by A.A.C. R18-9-B204(B)(4)(b). Because the depth to seasonally high groundwater is less than 20 feet, the facility will be required to meet pathogen limits of non-detect in four of seven daily samples collected per week for either fecal coliform or *E. coli*.

III. HYDROGEOLOGIC SETTING

The facility is located over alluvium in the Parker Groundwater Basin within the Basin and Range Physiographic Province, which is defined by uplifted blocks or mountain ranges with intervening alluvial basins or valleys, created by extensional (pull apart) faulting. The elongated basins and ranges typically trend northwest-southeast and parallel one another. Sedimentary deposits in the Parker Basin consist of unconsolidated alluvial deposits, Bouse Formation and Fanglomerate. Groundwater generally flows westward from the mountains towards the Colorado River in the center of the basin. Groundwater within the basin is encountered in both unconfined and confined conditions in all three sedimentary units (alluvium, Bouse Formation, and Fanglomerate).

In general, groundwater wells are not common due to the availability and better quality of surface water, with most water derived from the Colorado River aquifer (sub flow). The United States Geological Survey (USGS) in cooperation with the United States Bureau of Reclamation (USBR) defined the Colorado River aquifer as the permeable, partly saturated sediments and sedimentary rocks that are hydraulically connected to the Colorado River. This definition was used in the generation of an "accounting" surface that represents the unconfined static water table in the aquifer outside the floodplain and reservoirs of the Colorado River, if the river were the only source of water. Wells that have a static water level elevation equal to or below the accounting surface are presumed to yield water that will be replaced by Colorado River water. The accounting surface near the facility is presumed to be defined by the extent of floodplain alluvial deposits. Water pumped from wells located in the historic flood plain is presumed to be pumping river water and is accounted for as Colorado River surface water. Use of this water requires contracts ("allocations") with the USBR.

IV. STORM WATER/SURFACE WATER CONSIDERATIONS

Storm water / surface water considerations included whether the facility was located within the 100-year flood plain and whether the discharge had the potential to impact surface water drainages located downgradient of the WWTP and infiltration/evaporation basins.

The Colorado River, which flows north to south through the basin, is the primary surface water drainage for the area. The river is no longer a naturally flowing system, but is regulated by releases from a network of reservoirs maintained by the USBR. The Colorado River is located approximately 900 feet northwest, curving to 1000 feet west of the WWTP. Groundwater beneath the subdivision is considered to be sub-flow of the Colorado River and may not be pumped without an allocation from the USBR.

A portion of the subdivision is located in the historical flood plain for the Colorado River as defined by the Federal Emergency Management Agency (FEMA) before dam construction along the river. The Flood Insurance Rate Map (FIRM) produced by FEMA indicates that the facility is not located within a 100-year flood plain, and that the facility and infiltration/evaporation ponds are constructed at least one foot above the estimated base flood elevation of 276.0 ft above mean sea level (amsl). Due to dam construction, the USBR defines the flood plain as equal to the current banks of the river with an elevation of 263.5 feet amsl. The WWTP is not currently and has never been located in a 100-year flood plain.

Monitoring of nearby drainages was not included as a permit condition because the facility does not directly discharge to any surface water.

V. COMPLIANCE WITH AQUIFER WATER QUALITY STANDARDS

The pollutant management area (PMA) is described in A.R.S. §49-244 as the limit projected in the horizontal plane of the area on which pollutants are or will be placed. The PMA includes horizontal space taken up by any liner, dike or other barrier designed to contain pollutants in the facility. If the facility contains more than one discharging activity, the PMA is described by an imaginary line circumscribing the several discharging activities. The PMA for this facility is defined by a line circumscribing the WWTP and the two infiltration/evaporation basins.

The discharge impact area (DIA) is defined by A.R.S. §49-201.13. The DIA is the potential areal extent of pollutant migration, as projected on the land surface, as the result of a discharge from the facility. The DIA analysis typically evaluates the distance a particle of a "pollutant" may travel in a specified timeframe (typically 20 years) from the point of recharge. The effluent from this facility meets BADCT for pathogens, and is expected to meet AWQS at the POC.

The Area of Impact Analysis (AOI) was used to estimate the maximum increase in water levels if recharge were to occur continuously for one year at the maximum recharge capacity of this site. The AOI measures only the changes in water levels due to recharge, with the extent generally defined by a rise in the water table of one foot or more. Changes in water level may or may not be similar to the distance a particle [of a pollutant] may travel depending on site conditions. The AOI for this facility was calculated using a Hantush mounding analysis and was estimated to extend radially for approximately 250 feet from beneath the recharge basins. The maximum depth of the mound below the ponds was estimated to be approximately 7.5 feet after one year of recharge, and to drop to less than 0.15 feet within 250 feet from the center of the recharge basins. Only one (1)

VI. COMPLIANCE SCHEDULE

A compliance schedule is included in Section 3.0 of the permit. Three conditions are listed that would require installation of a monitor well at the POC. The conditions are as follows: if the depth to water in the piezometer well is less than 7.5 feet below ground surface (bgs) for three consecutive monthly sampling periods, if the depth to water in the piezometer well is less than 7.5 feet bgs for at least seven monthly sampling events per year, or if an AWQS is confirmed to be exceeded in the piezometer well. If any of these conditions are exceeded, a monitor well design shall be submitted to the Groundwater Section for approval within 30 days after the exceedance. Within 30 days after the monitor well design is approved by the Groundwater Section, a monitor well shall be installed at the POC. Within 30 days after installation of the monitor well, the permittee shall commence eight (8) rounds of ambient groundwater quality sampling at the POC well, in accordance with A.A.C. §R18-9- R18-9-A202(A)(6)(b). Within 30 days after completing the eighth (8th) round of ambient groundwater sampling, the permittee shall submit an application for an Other Amendment to the APP, including a report summarizing all eight (8) rounds of ambient groundwater quality data.

The compliance schedule is summarized in the table below.

If the depth to water in the piezometer well is less than 7.5 feet below the ground surface for three consecutive monthly sampling periods, or	Within 30 days after an exceedance of any of these three (3) conditions, the permittee shall submit a monitor well design to the Groundwater Section for approval. Within 30 days after approval of the monitor well design by the Groundwater Section, the permittee shall install a monitor well at the POC.
If the depth to water in the piezometer well is less than 7.5 feet below the ground surface for at least seven monthly sampling events per year, or	
If an Aquifer Water Quality Standard (AWQS) is confirmed to be exceeded in the piezometer well, then	
If a monitor well is installed at the POC as a result of a contingency action, then	Within 30 days after installation of the well is completed, the permittee shall commence eight (8) rounds of ambient groundwater quality sampling at the POC well, in accordance with A.A.C. §R18-9- R18-9-A202(A)(6)(b), and Within 30 days after completing the eighth (8 th) round of ambient groundwater sampling, the permittee shall submit an application for an Other Amendment to the APP, including a report summarizing all eight (8) rounds of ambient groundwater quality data.

VII. OTHER REQUIREMENTS FOR ISSUING THIS PERMIT

Technical Capability

The applicant has demonstrated the technical competence necessary to carry out the terms and conditions of the permit in accordance with A.R.S. § 49-243(N) and A.A.C. R18-9-A202(B). The design report for the 20,000 gpd (0.02 MGD) Pollution Control Systems, Inc. package treatment plant was sealed by James Downing, P.E. (Agricultural #19202), of the Harcuvar Company, on May 9, 2007. Subsequent sealed submittals served as additions to the design report. The permittee is expected to maintain technical capability throughout the life of the facility.

Financial Capability

DII Emerald Springs, L.L.C. has demonstrated financial capability under A.R.S. § 49-243(N) and A.A.C. R18-9-A203. The estimated dollar amount demonstrated for financial capability is \$22,500.00. The permittee is expected to maintain financial capability throughout the life of the facility.

Zoning Requirements

Emerald Springs Unit 1 WWTP has been properly zoned for the permitted use and the permittee has complied with all zoning ordinances in accordance with A.R.S. § 49-243(O) and A.A.C. R18-9-A201(A)(2)(c). Under the current zoning, no residential lots can be sold within the 250-foot setback distance without first re-zoning the property.

VIII. ADMINISTRATIVE INFORMATION

Public Notice (A.A.C. R18-9-108(A))

The public notice is the vehicle for informing all interested parties and members of the general public of the contents of a draft permit or other significant action with respect to a permit or application. The basic intent of this requirement is to ensure that all interested parties have an opportunity to comment on significant actions of the permitting agency with respect to a permit application or permit. This permit will be public noticed in a local newspaper after a pre-notice review by the applicant and other affected agencies.

Public Comment Period (A.A.C. R18-9-109(A))

The aquifer protection program rules require that permits be public noticed in a newspaper of general circulation within the area affected by the facility or activity and provide a minimum of 30 calendar days for interested parties to respond in writing to ADEQ. After the closing of the public comment period, ADEQ is required to respond to all significant comments at the time a final permit decision is reached or at the same time a final permit is actually issued.

Public Hearing (A.A.C. R18-9-109(B))

A public hearing may be requested in writing by any interested party. The request should state the nature of the issues proposed to be raised during the hearing. A public hearing will be held if the Director determines there is a significant amount of interest expressed during the 30-day public comment period, or if significant new issues arise that were not considered during the permitting process.

IX. ADDITIONAL INFORMATION

Additional information relating to this permit may be obtained from:

Arizona Department of Environmental Quality
Water Quality Division - Groundwater Section - APP and Reuse Unit
Attn: Bob Manley
1110 West Washington Street, Mail Code 5415B-3
Phoenix, Arizona 85007
Phone: (602) 771-4498

**STATE OF ARIZONA
AQUIFER PROTECTION PERMIT NO. P-105513
PLACE ID 5138, LTF 33760**

1.0 AUTHORIZATION

In compliance with the provisions of Arizona Revised Statutes (A.R.S.) Title 49, Chapter 2, Articles 1, 2, and 3, Arizona Administrative Code (A.A.C.) Title 18, Chapter 9, Articles 1 and 2, A.A.C. Title 18, Chapter 11, Article 4 and amendments thereto, and the conditions set forth in this permit, DII-Emerald Springs, L.L.C. is hereby authorized to operate the Emerald Springs Unit 1 Wastewater Treatment Plant (WWTP), located at the northwest corner of Valhalla Drive and Presidio Place, north of Ehrenberg, in La Paz County, Arizona, over alluvial groundwater of the Parker groundwater basin in Township 6 S, Range 23 E, Section 25, SE¼, SE¼, NE¼, Gila and Salt River Baseline and Meridian.

This permit becomes effective on the date of the Water Quality Division Director's signature and shall be valid for the life of the facility (operational, closure, and post-closure periods), unless suspended or revoked pursuant to A.A.C. R18-9-A213. The permittee shall construct, operate and maintain the permitted facilities:

1. Following all the conditions of this permit including the design and operational information documented or referenced below; and
2. Such that Aquifer Water Quality Standards (AWQS) are not violated at the applicable point(s) of compliance (POC) set forth below or if an AWQS for a pollutant has been exceeded in an aquifer at the time of permit issuance, that no additional degradation of the aquifer relative to that pollutant and as determined at the applicable POC occurs as a result of the discharge from the facility.

1.1 PERMITTEE INFORMATION

Facility Name: Emerald Springs Unit 1 Wastewater Treatment Plant
Facility Address: Northwest corner of Valhalla Drive and Presidio Place
La Paz County

Permittee: DII-Emerald Springs, L.L.C.
Permittee Address: 1050 Lakes Drive, #150
West Covina, California 91790

Facility Contact: Henry Melendez, DII-Emerald Springs, L.L.C.
Emergency Phone No.: (626) 931-1411

Latitude/Longitude: 33° 27' 28" N / 114° 31' 12" W
Legal Description: Township 6S, Range 23E, Section 25, SE¼, SE¼, NE¼ of the Gila and Salt River Baseline and Meridian

1.2 AUTHORIZING SIGNATURE



Michael A. Fulton, Director
Water Quality Division
Arizona Department of Environmental Quality

Signed this 10th day of June, 2010

2.0 SPECIFIC CONDITIONS [A.R.S. §§ 49-203(4), 49-241(A)]

2.1 Facility / Site Description [A.R.S. § 49-243(K)(8)]

DII-Emerald Springs, L.L.C. is authorized to operate the Emerald Springs Unit 1 Wastewater Treatment Plant (WWTP), a 0.02 million gallon per day (MGD) facility. The WWTP is built as a series of compartments within a steel tank measuring 12.00 feet wide, 11.00 feet tall and 50.00 feet long. The WWTP process consists of bar screening, flow equalization, anoxic and aerobic treatment, secondary clarification, chlorination with dechlorination, and an aerobic sludge digester. The effluent is discharged to two unlined basins for infiltration/evaporation. All the sludge, including screenings, will be hauled off-site for management and disposal in accordance with State and Federal regulations.

Emerald Springs Unit 1 WWTP does not incorporate full noise, odor and aesthetic controls. The permittee has provided the required 250-foot setback from the nearest property line. Under the current zoning, no residential lots shall be sold within the 250-foot setback without first re-zoning the property.

The depth to groundwater is approximately 12 feet and the direction of groundwater flow is believed to be to the west-southwest.

The site includes the following permitted discharging facilities:

Emerald Springs Unit 1 WWTP	33° 37' 28.27" N	114° 31' 11.66" W
East Infiltration/Evaporation Basin	33° 37' 28.00" N	114° 31' 10.92" W
West Infiltration/Evaporation Basin	33° 37' 28.00" N	114° 31' 12.39" W

Annual Registration Fee [A.R.S. § 49-242]

The Annual Registration Fee for this permit is established by A.R.S. § 49-242(E) and is payable to ADEQ each year. The design flow is 20,000 gallons per day.

Financial Capability [A.R.S. § 49-243(N) and A.A.C. R18-9-A203]

The permittee has demonstrated financial capability under A.R.S. § 49-243(N) and A.A.C. R18-9-A203. The permittee shall maintain financial capability throughout the life of the facility. The estimated dollar amount demonstrated for financial capability is \$22,500.00. Financial capability was demonstrated through A.A.C. R18-9-A203(C)(3).

2.2 Best Available Demonstrated Control Technology [A.R.S. § 49-243(B) and A.A.C. R18-9-A202(A)(5)]

The WWTP shall be designed, constructed, operated, and maintained to meet the treatment performance criteria for new facilities as specified in A.A.C. R18-9-B204. The performance standard for removal of pathogens for this facility is defined by A.A.C. R18-9-B204(B)(4)(b).

The facility shall meet the requirements for pretreatment by conducting monitoring as per R18-9-B204(B)(6)(b)(iii).

The treatment facility shall not exceed a maximum seepage rate of 550 gallons per day (gpd) per acre for all containment structures within the treatment works.

All industrial hookups and other non-residential hookups to the treatment system shall be authorized according to the applicable federal, state or local regulations.

2.2.1 Engineering Design

The 20,000 gpd Pollution Control Systems, Inc. package treatment plant was designed as per the design report signed and sealed by James Downing, P.E. (Agricultural #19202), The Harcuvar

Recorded at the request of:

State Title Agency, Inc.

AFTER RECORDING, RETURN TO:

DII-EMERALD SPRINGS LLC
HENRY MELENDEZ
1505 LAKES DRIVE, #150
WEST COVINA, CA 91790



2003-03208
Page 1 of 3
Requested By: STATE TITLE
PATRICIA L WALL, RECORDER
OFFICIAL RECORDS OF LA PAZ COUNTY, AZ
06-20-2003 01:18 PM Recording Fee \$12.00

Escrow No.: 00393138-SH

Special Warranty Deed

For the consideration of Ten Dollars, and other valuable considerations, I or we,
ES HOLDINGS, LLC, AN ARIZONA LIMITED LIABILITY COMPANY
do/does hereby convey to

DII-EMERALD SPRINGS, L.L.C., AN ARIZONA LIMITED LIABILITY COMPANY
the following real property situated in LA PAZ County, Arizona:

See Exhibit A attached hereto and made a part hereof.

SUBJECT TO: Current taxes and other assessments, reservations in patents and all easements, rights of way, encumbrances, liens, covenants, conditions, restrictions, obligations, and liabilities as may appear of record.

And the Grantor hereby binds itself and its successors to warrant and defend the title, against all acts of the Grantor herein, and no other, subject to the matters set forth.

Dated this 19th day of June, 2003

ES HOLDINGS, LLC, An Arizona Limited Liability Company**

Larry D. Hoover
LARRY D. HOOVER, MEMBER *Manager*

**LDH Investment, LLC, Managing Member, By: LARRY D. HOOVER

STATE OF ARIZONA }
County of ~~LA PAZ~~ *Maricopa* } SS



STATE OF ARIZONA }
County of LA PAZ } SS

This instrument was acknowledged before me this
19 day of June, 2003 by
ES HOLDINGS, LLC BY LARRY D. HOOVER

L. Hoover
Notary Public
My commission will expire Nov 29, 2004

This instrument was acknowledged before me this
____ day of _____, 20__ by

Notary Public
My commission will expire _____

PARCEL 1:

BEGINNING at the Northeast corner of LOT FOUR (4) of Section 3, Township 3 North, Range 22 West of the Gila and Salt River Base and Meridian, La Paz County, Arizona;

Thence North 89 degrees 52 minutes 45 seconds West along the North line of Lot 4 in said Section 3, a distance of 735.77 feet to the Northwest corner of said Lot 4;

Thence North 87 degrees 44 minutes 45 seconds West, a distance of approximately 1747.91 feet to a point on the East line of Section 25, Township 6 South, Range 23 East, San Bernardino Base and Meridian, the TRUE POINT OF BEGINNING;

Thence North 87 degrees 44 minutes 45 seconds West, a distance of approximately 2663.56 feet to the left descending bank of the Colorado River;

Thence Southerly along the West descending bank of the Colorado River to a point which is described as the intersection of the Westerly extension of the North line of Lot 2 in Section 11, Township 3 North, Range 22 West, Gila and Salt River Base and Meridian, and the left descending bank of the Colorado River;

Thence North 89 degrees 58 minutes 04 seconds East along the Westerly extension of the North line of said Lot 2, a distance of approximately 2690.11 feet to a point on the East line of said Section 25, Township 6 South, Range 23 East, San Bernardino Base and Meridian;

Thence North 00 degrees 47 minutes 33 seconds West along said East line of said Section 25, a distance of 2709.48 feet to the TRUE POINT OF BEGINNING;

EXCEPT that portion more specifically described as follows:

A parcel of land lying within the accretion area Westerly of the 1917 left bank meander line of Section 10, Township 3 North, Range 22 West, Gila and Salt River Base and Meridian, Yuma County, Arizona, more particularly described as follows:

COMMENCING at the Northeast corner of Section 10;

Thence North 89 degrees 57 minutes 40 seconds West along the Westerly extension of the North line of said section, a distance of 2471.38 feet to a point, said point being located on the East line of Section 25, Township 6 South, Range 23 East, San Bernardino Base and Meridian, California, and being the TRUE POINT OF BEGINNING;

Thence South 00 degrees 47 minutes 33 seconds East, a distance of 1320.10 feet to the Southeast corner of said parcel;

(CONTINUED)

(Parcel No. 1 Continued)

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Thence South 89 degrees 58 minutes 04 seconds West, a distance of 1272.74 feet to a witness corner on the 1931 left bank of the abandoned Colorado River as referenced by the Palo Verde Book 1165 Survey dated February 3, 1932, Palo Verde Irrigation District;

Thence continuing South 89 degrees 58 minutes 04 seconds West, a distance of 16.72 feet to the true Southwest corner of said parcel;

Thence North 03 degrees 27 minutes 04 seconds West, a distance of 1323.38 feet to the Northwest corner of said parcel;

Thence South 89 degrees 59 minutes 17 seconds East, a distance of 1350.87 feet to the TRUE POINT OF BEGINNING, being the Northeast corner of said parcel.

EXCEPT that portion lying within EMERALD SPRINGS, according to the plat of record in the office of the County Recorder of La Paz County, Arizona, recorded June 20, 1997, at Fee No. 97-4026.

PARCEL 2:

Lots One (1) through Four (4), inclusive, Lot Six (6), Lots Eight (8) through Ten (10), inclusive, Lots Twelve (12) and Thirteen (13), Twenty (20), Twenty Two (22), Twenty Three (23), and Lots Twenty Eight (28) through Forty Eight (48), inclusive, EMERALD SPRINGS, according to the plat of record in the Office of the County Recorder of La Paz County, Arizona, recorded June 20, 1997, at Fee No. 97-4026.



Emerald Springs

Vicinity Map/Aerial Photo



Hoskin Ryan Consultants, Inc.
creative engineering solutions

Land Use Planning | Hydrology | Land Development | Civil Infrastructure | Surveying | Construction Services | Landscape Architecture | Graphic Design

ARIZONA CORPORATION COMMISSION

APPLICATION FOR A CERTIFICATE OF CONVENIENCE AND NECESSITY

WATER AND/OR SEWER

General Information:

The attached forms have been prepared by the Utilities Division of the Arizona Corporation Commission to assist Applicants filing for a Certificate of Convenience and Necessity. The information requirements of this application are designed to comply with the requirements of Arizona Revised Statutes Section 40-101 et. seq., and the Arizona Administrative Code R14-2-402 and R14-2-602.

Use of the attached form is suggested unless an attorney uses a formal pleading format. The information requested in this application must be included within the pleading. Attachment "A" is an example of a letter of transmittal addressed to the Utilities Division Docket Control Center. Please add information to the letter indicating the purpose and reasons for the application. This format should be used unless you are using a Company letterhead. Place this letter at the beginning of the application. Keep this instruction sheet for your information. Do not attach it to the application.

Instructions:

1. Complete the forms accurately, and attach all required documents. This will expedite the processing of the application.
2. Complete all the items that apply to your utility. If an item requested does not apply, mark it "not applicable" (N/A). If you do not complete an item, your application could be delayed.
3. If the space provided is insufficient, put the information on a separate sheet of paper and clearly label the information.
4. If an item is to be filed at a later date, mark the item "to be late filed by" and give the date by which it will be filed.
5. Have the application notarized.

6. Submit an original and thirteen (13) copies of this application.
7. If you plan to finance the plant through debt (long term loans) or equity (stock issuance), a separate financing application must be made with separate notice to the public. A requirement sheet for filing a financing application, and a form of notice, will be sent to you at your request. You may download a copy of the financing application at: <http://www.azcc.gov/divisions/utilities/forms/financeApp.pdf>
8. Attachment "A" is a form of public notification that must be provided all property owners in the area requested in this application. Notice should be mailed to each person who owns land within the proposed service area and who has not requested service before the application is filed. If more than 100 property owners, notice should be given by mail or by publication at least once in a newspaper of general circulation in the service area within 15 days before the application is filed. Proof of notice should be filed with the Commission as part of the application. Hearings will always be held. The Hearing Officer will specify any additional notice in a Procedural Order.
9. Upon receiving an application, Utilities Division staff shall review and process the application in accordance with the requirements of R14-2-411.
10. Once Utilities Division staff determines that an application is administratively complete, the Commission shall, as expeditiously as practicable, schedule a hearing to consider the application.

Filing:

When you have completed the application, mail or deliver it to:

Docket Control Center
Arizona Corporation Commission
1200 W. Washington Street
Phoenix, Arizona 85007