

ORIGINAL

NEW APPLICATION



0000125650

Arizona Corporation Commission
Financing Application
Cienega Water Company
Docket No. W-02034A

1. The applicant's exact name and the address of its principal business office.

Debra Kilgore, Vice President
Cienega Water Company
P.O. Box 3518
Parker, AZ 85344

W-02034A-11-0195

2. Name and address of the person authorized, on behalf of applicant, to receive notices and communications regarding the application.

Jon Bernreuter, Project Manager
Water Nexus Consulting
P.O. Box 33035
Phoenix, AZ 85067
(602) 478-3912
jb@water-nexus.com

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3. A full description of the financings proposed to be issued showing the kind, nature and amount, the interest rate if any and its frequency, date of maturity, call features, voting privileges, and other detailed information regarding the financing itself. If the financing is debt, then provide a schedule of interest and principle payments. If the financing is a line of credit, then provide a schedule of expected draw downs.

The Cienega Water Company is seeking Disadvantaged Community Financial Assistance from the Water Infrastructure Finance Authority (WIFA) in the amount of \$50,000 with a 20-year term through the Drinking Water Revolving Fund (DWRP). WIFA loan officers will not undertake financial analysis until after the Commission approves a Financing Case (Debt Authorization); however WIFA's Rules and Policies were used to prepare and estimate of financing impacts.

Three scenarios were run to cover uncertainties between ACC and WIFA. First, the standard WIFA rate setting for non-governmental systems dictates "Prime rate plus 2%" today that would be 5.25%. The three scenarios were: 1) with no subsidy index, 2) with an interest rate of 4.2% (assuming an 80% subsidy index) and 3) a Disadvantaged Community policy rate which would allow rate to be set below 4% with adjustments after year five of the loan.

See Exhibit A for WIFA's Disadvantaged Community Policy

Arizona Corporation Commission

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SCENARIO 1 – No Subsidy Index

Terms and Conditions

Loan Amount.....	\$50,000.00
Term.....	20
Combined Interest & Fee Rate	
Interest Rate Index.....	5.25%
Subsidy Rate Index.....	100.00%
Combined Interest & Fee Rate.....	<u>5.25%</u>
Coverage Requirement.....	20.00%
Debt Service Reserve Requirement.....	\$4,043.06
# of Years Debt Service Reserve Funded.....	5

Monthly Fixed Payment to WIFA

Prior to Debt Service Reserve Requirement

Monthly Fixed Payment to WIFA.....	336.92
Monthly Debt Service Reserve Deposit.....	67.38
Total Monthly Fixed Payment.....	<u>\$404.31</u>

After Debt Service Reserve Requirement

Monthly Fixed Payment to WIFA.....	336.92
Monthly Debt Service Reserve Deposit.....	0.00
Total Monthly Fixed Payment.....	<u>\$336.92</u>

Monthly Replacement Fund Deposit -- Held Locally

Prior to Debt Service Reserve Requirement.....	\$0.00
After Debt Service Reserve Requirement.....	\$67.38

Annual Fiscal Impact

Year	Annual Debt Service	Reserve Fund Deposit	Replacement Fund Deposit	Total Annual Fiscal Impact
1	4,043.06	808.61	0.00	4,851.68
2	4,043.06	808.61	0.00	4,851.68
3	4,043.06	808.61	0.00	4,851.68
4	4,043.06	808.61	0.00	4,851.68
5	4,043.06	808.61	0.00	4,851.68
6	4,043.06	0.00	808.61	4,851.68
7	4,043.06	0.00	808.61	4,851.68
8	4,043.06	0.00	808.61	4,851.68
9	4,043.06	0.00	808.61	4,851.68
10	4,043.06	0.00	808.61	4,851.68
11	4,043.06	0.00	808.61	4,851.68
12	4,043.06	0.00	808.61	4,851.68
13	4,043.06	0.00	808.61	4,851.68
14	4,043.06	0.00	808.61	4,851.68
15	4,043.06	0.00	808.61	4,851.68
16	4,043.06	0.00	808.61	4,851.68
17	4,043.06	0.00	808.61	4,851.68
18	4,043.06	0.00	808.61	4,851.68
19	4,043.06	0.00	808.61	4,851.68
20	4,043.06	0.00	808.61	4,851.68
	<u>\$80,861.30</u>	<u>\$4,043.06</u>	<u>\$12,129.19</u>	<u>\$97,033.56</u>

SCENARIO 2 – Interest Rate of 4.2%

Terms and Conditions

Loan Amount.....	\$50,000.00
Term.....	20
Combined Interest & Fee Rate	
Interest Rate Index.....	5.25%
Subsidy Rate Index.....	80.00%
Combined Interest & Fee Rate.....	4.20%
Coverage Requirement.....	20.00%
Debt Service Reserve Requirement.....	\$3,699.42
# of Years Debt Service Reserve Funded.....	5

Monthly Fixed Payment to WIFA

Prior to Debt Service Reserve Requirement

Monthly Fixed Payment to WIFA.....	308.29
Monthly Debt Service Reserve Deposit.....	61.66
Total Monthly Fixed Payment.....	\$369.94

After Debt Service Reserve Requirement

Monthly Fixed Payment to WIFA.....	308.29
Monthly Debt Service Reserve Deposit.....	0.00
Total Monthly Fixed Payment.....	\$308.29

Monthly Replacement Fund Deposit -- Held Locally

Prior to Debt Service Reserve Requirement.....	\$0.00
After Debt Service Reserve Requirement.....	\$61.66

Annual Fiscal Impact

Year	Annual Debt Service	Reserve Fund Deposit	Replacement Fund Deposit	Total Annual Fiscal Impact
1	3,699.42	739.88	0.00	4,439.31
2	3,699.42	739.88	0.00	4,439.31
3	3,699.42	739.88	0.00	4,439.31
4	3,699.42	739.88	0.00	4,439.31
5	3,699.42	739.88	0.00	4,439.31
6	3,699.42	0.00	739.88	4,439.31
7	3,699.42	0.00	739.88	4,439.31
8	3,699.42	0.00	739.88	4,439.31
9	3,699.42	0.00	739.88	4,439.31
10	3,699.42	0.00	739.88	4,439.31
11	3,699.42	0.00	739.88	4,439.31
12	3,699.42	0.00	739.88	4,439.31
13	3,699.42	0.00	739.88	4,439.31
14	3,699.42	0.00	739.88	4,439.31
15	3,699.42	0.00	739.88	4,439.31
16	3,699.42	0.00	739.88	4,439.31
17	3,699.42	0.00	739.88	4,439.31
18	3,699.42	0.00	739.88	4,439.31
19	3,699.42	0.00	739.88	4,439.31
20	3,699.42	0.00	739.88	4,439.31
	\$73,988.49	\$3,699.42	\$11,098.27	\$88,786.19

SCENARIO 3 – Disadvantaged Community Policy – as low as 2.00% to obtain the required debt service coverage.

Terms and Conditions

Loan Amount.....	\$50,000.00
Term.....	20
Combined Interest & Fee Rate	
Interest Rate Index.....	5.25%
Subsidy Rate Index.....	80.00%
Combined Interest & Fee Rate.....	2.00%
Coverage Requirement.....	20.00%
Debt Service Reserve Requirement.....	\$3,035.30
# of Years Debt Service Reserve Funded.....	5

Monthly Fixed Payment to WIFA

Prior to Debt Service Reserve Requirement

Monthly Fixed Payment to WIFA.....	252.94
Monthly Debt Service Reserve Deposit.....	50.59
Total Monthly Fixed Payment.....	\$303.53

After Debt Service Reserve Requirement

Monthly Fixed Payment to WIFA.....	252.94
Monthly Debt Service Reserve Deposit.....	0.00
Total Monthly Fixed Payment.....	\$252.94

Monthly Replacement Fund Deposit -- Held Locally

Prior to Debt Service Reserve Requirement.....	\$0.00
After Debt Service Reserve Requirement.....	\$50.59

Annual Fiscal Impact

Year	Annual Debt Service	Reserve Fund Deposit	Replacement Fund Deposit	Total Annual Fiscal Impact
1	3,035.30	607.06	0.00	3,642.36
2	3,035.30	607.06	0.00	3,642.36
3	3,035.30	607.06	0.00	3,642.36
4	3,035.30	607.06	0.00	3,642.36
5	3,035.30	607.06	0.00	3,642.36
6	3,035.30	0.00	607.06	3,642.36
7	3,035.30	0.00	607.06	3,642.36
8	3,035.30	0.00	607.06	3,642.36
9	3,035.30	0.00	607.06	3,642.36
10	3,035.30	0.00	607.06	3,642.36
11	3,035.30	0.00	607.06	3,642.36
12	3,035.30	0.00	607.06	3,642.36
13	3,035.30	0.00	607.06	3,642.36
14	3,035.30	0.00	607.06	3,642.36
15	3,035.30	0.00	607.06	3,642.36
16	3,035.30	0.00	607.06	3,642.36
17	3,035.30	0.00	607.06	3,642.36
18	3,035.30	0.00	607.06	3,642.36
19	3,035.30	0.00	607.06	3,642.36
20	3,035.30	0.00	607.06	3,642.36
	\$60,706.00	\$3,035.30	\$9,105.90	\$72,847.20

4. A statement showing the expected gross proceeds, issuance expenses, and net proceeds from the issuance and sale.

Gross proceeds will be \$50,000. WIFA uses a Combined Interest and Fee Rate (CIFR), so there are no extra fees such as closing costs. The funds are distributed by WIFA as the agreed upon work is completed, similar to a line of credit.

5. A complete description of the uses of the net proceeds, including descriptions of plant, property, or other assets to be acquired. Provide any capital expenditure budget that supports the proposed use of proceeds.

The Company needs to install 55 Point-of-Use Devices (POUs) in the kitchens of the permanent residential units in the service area to comply with ADEQ for Fluoride contamination.

Using funds from the WIFA Technical Assistance Program, the Company engaged Tres Rios Consulting Engineers to prepare an Approval to Construct (ATC) Application. **See Exhibit B for ADEQ ATC Application**

It must be noted that any project that received financing through WIFA must include Davis-Bacon Act requirements in the Bids. **See Exhibit C for Contract Package for Non-Governmental Borrowers.** Prevailing wages for La Paz County must be paid and verified for each category of worker.

The overall budget for the project would need to cover the following areas:

- Legal/Debt Authorization - \$8,000
- Construction/Installation/Improvement - \$32,000
- Inspection/Construction Management - \$10,000

6. A statement that demonstrates why the financing is:
a. Within the corporate powers of the applicant;
b. Compatible with the public interest;
c. Compatible with sound financial practices; and,
d. Compatible with the proper performance by the applicant of service as a public service corporation and will not impair its ability to perform that service.

Cienega Water Company believes the proposed financing is (a) within the corporate powers of Cienega Water; (b) compatible with the public interest, as it will address a water quality compliance issue; (c) compatible with sound financial practices, as WIFA has the ability to provide the best possible interest rate; (d) compatible with the proper performance by Cienega Water of service as a public service corporation; and will not impair its ability to perform that service because,

7. The name and address of any person receiving, or entitle to, a fee for service in connection with the issuance or sale of the financing and a demonstration

that such fees do not exceed customary fees for such service in an arms-length transaction and are reasonable.

WIFA does not charge service fee. Under WIFA's CIFR policy, the interest and fee components are indistinguishable until the loan is closed.

8. Provide a copy of any documents to be executed in the matter.

There are no documents to be executed in this matter at this time.

9. Provide the most recent balance sheet and income statement showing booked amounts and pro forma adjustments to record and show the effect of the transaction. Provide any other statements (such as pro forma statements from prior periods) that would demonstrate that the security issuance and sale is consistent with sound financial practices.

Prior to receiving the 2010 Financials, a financial analysis was done similar to that of WIFA's (debt service minimum requirement of 1.2) using five year's Annual Reports (2005-2009).

Benchmarking of Annual Report data:

Profit Margin – below average, weak

Short-Term Liquidity – below lower quartile, weak

Median Household Income (MHI) – below state average (using 2000 census data)

Current Assets/Total Assets – below average, weak

Current Liabilities/Total Liabilities & Equity – below average, weak

See Exhibit D for Company balance sheet and income statement data

10. The Commission requires the Company to notice customers of the financing application. Attached is a copy of the notice to be used.

The proposed notice, **attached as Exhibit E**, will be inserted in the customers' next bill. The Company will file with the Commission a copy of the actual notice sent and an affidavit stating when it was sent to the customers.

11. Submit an original and thirteen (13) copies of the application and three (3) copies of the supporting documents to the following:

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

Exhibit A
WIFA's Disadvantaged Community Policy

Disadvantaged Community Designation

WIFA Policy #: III.6

Purpose:

Outline the criteria to designate a drinking water system or wastewater system as a Disadvantaged Community and define the additional benefits available to Disadvantaged Communities.

Policy:

Section 1: Disadvantaged Community Designations

The Board may designate an applicant as a Disadvantaged Community if the applicant satisfies one of the following:

1. The community is a designated "colonia" community through the federal government, or
2. The applicant meets the following criteria:
 - a. The applicant's project is above the 50th percentile on the DWRP or CWRP Project Priority List; and
 - b. WIFA awarded the applicant 50 or more Local Fiscal Capacity points on the DWRP or CWRP Project Priority List.

Section 2: Disadvantaged Community Financing Options

After the Board designates a drinking water or wastewater system as a Disadvantaged Community, and the applicant fails to meet the applicable WIFA financial capability requirements as defined by WIFA Policies III.7 and III.8, WIFA may reduce the Combined Interest and Fee Rate (CIFR), and extend the term beyond the standard financial assistance term in accordance with the financing options listed below. WIFA may reduce the CIFR calculated in accordance with Procedure III.3.1 at the time of loan closing. "Standard Financial Assistance Term" is defined by Policies III.7 and III.8 as follows:

Standard Financial Assistance Term: The standard loan term for design loans shall be three years. The standard loan term for long-term loans shall not exceed 20 years or the useful life of the facilities financed if the useful life is less than 20 years. In accordance with WIFA Policy III.6, the Board may designate an applicant as disadvantaged and extend the term for long-term loans beyond 20 years up to a maximum of 30 years.

Note: Extended loan terms for Clean Water financing must have appropriate debt authority which may include voter authorization.

The Disadvantaged Community financing options include:

Option 1: WIFA may either (a) reduce the CIFR on a standard financial assistance term to a rate lower than would otherwise apply, but not below the minimum rate of 2.0% or (b) extend the term to longer than 20 years, but not beyond the maximum of 30 years, whichever

permits the Disadvantaged Community to obtain the required debt service coverage, and in each case, only to the extent necessary to obtain the required debt service coverage.

Option 2: If the Disadvantaged Community cannot obtain the required debt service coverage under Option 1, WIFA may both (a) reduce the CIFR to a rate lower than would otherwise apply, but not below the minimum of 2.0% and (b) extend the term beyond the standard financial assistance term, but not beyond the maximum of 30 years, to the extent necessary to obtain the required debt service coverage requirement.

Note: On May 27, 2009, the Board approved the dedication of \$2 million for loans to very small drinking water systems, defined as serving less than 3,300 customers with less than 1,000 connections. Loans provided to these systems will be at a rate of 1.0% interest.

Section 3: Security Levels

WIFA may require Disadvantaged Community applicants to execute additional levels of security as follows:

<u>Applicant Type</u>	<u>Security Type</u>
Governmental	
City or Town	General Obligation
Community Facility District	General Obligation
Domestic Water Improvement District	Special Assessments
Municipal Improvement District	Not Applicable
 Non-Governmental	
Association/Cooperative/Non-Profit	Liens on Personal Property
Privately/Investor Owned	Personal Guarantee

The Board may, if requested and justified by the Disadvantaged Community applicant, waive the additional security levels.

Section 4: CIFR Adjustments

Unless justified by the Disadvantaged Community applicant and waived by the Board, WIFA will adjust the CIFR as follows:

Standard Term

<u>Year of Term</u>	<u>Amount Added to CIFR</u>
Start of Year 6	25% of the difference between the Standard and Reduced CIFR
Start of Year 11	50% of the difference between the Standard and Reduced CIFR
Start of Year 16	75% of the difference between the Standard and Reduced CIFR

Beyond 20 Year Term, up to 30 Year Term

<u>Year of Term</u>	<u>Amount Added to CIFR</u>
Start of Year 6	17% of the difference between the Standard and Reduced CIFR
Start of Year 11	33% of the difference between the Standard and Reduced CIFR
Start of Year 16	50% of the difference between the Standard and Reduced CIFR
Start of Year 21	67% of the difference between the Standard and Reduced CIFR
Start of Year 26	83% of the difference between the Standard and Reduced CIFR

Responsibility: Chief Financial Officer

Statutory Reference: A.R.S. Title 49, Chapter 8

Rule Reference: A.A.C. R18-15-104

Original Issue Date: January 11, 2000

Previous Amendment Date(s): February 15, 2006, April 18, 2007

Most Recent Amendment Date: October 20, 2010 (*Replaces All Previous Versions*)

Approval:



Interim Executive Director

10/20/10

Date

Exhibit B
ADEQ ATC Application

**Application for Approval to Use Point-of-
Use Water Treatment**

**POU FLUORIDE REMOVAL WATER
TREATMENT SYSTEM**

**Cienega Water Co. Parker, AZ
PWS # 0415-002**

TRCE Project No. 104709

Prepared for:

Cienega Water Company
P.O. Box 3518
Parker, AZ 85344
(928) 667-2590

Prepared by:

Tres Rios Consulting Engineers
230 W. Baseline Road, Suite 101-A
Tempe, Arizona 85282
(480) 755-1042



**SUBMITTAL DATE:
30 December 2010**

30 December 2010



Mr. Janak K. Desai, PE
Unit Manager, Engineering Review Section
Arizona Department of Environmental Quality
1110 W. Washington Street
Phoenix, AZ 85007
Phone: (602) 771-4677

Hand Delivery

**RE: Application for Approval to Construct PWS # 0415-002
Point of Use Fluoride Removal Water Treatment System
Cienega Water Company, Parker, Arizona**

Dear Mr. Desai:

On behalf of our client, Cienega Water Company, Tres Rios Consulting Engineers is submitting an approval to construct ("ATC") application for a new point of use type fluoride removal water treatment system. Recall that Cienega Water Co. had met with the Department to discuss alternatives for fluoride removal. It was decided that Cienega would take two (2) approaches as follows:

1. Install POU treatment units at the permanent residences;
2. Disconnect the RV Park from the Cienega water system, and apply for a new PWS for the Cienega RV Park Water System.

This application is specifically for the first step. Another ATC application will be submitted to the Department under separate cover. Enclosed, please find the following:

- Application for Approval to Use Point-of-Use Water Treatment (signed).
- Engineering Report entitled, "Application to Use Point-of-Use Water Treatment, POU Fluoride Removal Water Treatment Upgrade, Cienega Water Co., Parker, AZ"

As always, please feel free to call us at (480) 755-1042 if you have any questions.

Sincerely,

A handwritten signature in black ink, appearing to read "Jeff Bower".

Jeff Bower, PE
Principal Engineer
Tres Rios Consulting Engineers, Inc.

XC: Eleanor Stephan, Cienega Water Co.

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EXHIBITS

1. Application for Approval To Construct ("ATC")
2. Water Quality Data
3. POU Table
4. POU Equipment Data Sheets

Electronic Copy of final
document; sealed original
document is with
Jeffrey W. Bower
Reg. No. 37214

1.0 EXECUTIVE SUMMARY

The Cienega Water Company water supply system ("Cienega") located approximately 5 miles up river from Parker, Arizona provides public water supplies for the Cienega Springs community. Cienega Springs consists of 55 home sites and an RV Park with 72 spaces. Cienega pumps groundwater to a 20,000 gallon storage tank from a 4" transmission main, and the tanks provide pressure to distribute the drinking water. Meter readings from the well sites indicate an average water use of approximately 10,000 to 16,000 gallons per day.

The well water quality is impacted by naturally-occurring fluoride minerals that result in concentrations of approximately 5.6-mg/l, thus exceeding the required Maximum Contaminant Level ("MCL") of 4-mg/l set by the U.S. Environmental Protection Agency's Safe Drinking Water rules.

Cienega retained the professional engineering services of Tres Rios Consulting Engineers to determine a suitable fluoride removal treatment system for the community. Tres Rios conducted evaluations and analyses for several centralized treatment technologies – including activated-alumina, reverse-osmosis, bone charcoal, and ion exchange. Although these methods may have helped to remove the media, they were technically challenging, expensive, and would have required construction of a large evaporation pond for the waste residuals (solids with high fluoride content).

Cienega and Tres Rios met with the Arizona Department of Environmental Quality ("ADEQ") and concluded that a point-of-use system would be the most attractive option for Cienega. In order to make the system work per plan, the RV Park would have to be completely removed from the Cienega water system. The point-of-use treatment units will be placed in the 55 permanent lots, while the RV Park will be equipped with a new storage tank, well pump, and booster pumps. The RV Park application for approval to construct is being delivered to the ADEQ under a separate project.

This report was provided as supporting information required for the ADEQ's Application for Approval to Construct ("ATC") to install the POU arsenic removal treatment units at Cienega. A copy of the permit application is attached as Exhibit 1.

1.0 INTRODUCTION

The Cienega Water Company ("Cienega") located near Parker, Arizona provides public water supplies for a residential community of approximately 200 customers. Cienega has been a public water supplier for over 50 years and have maintained up to eight (8) drinking water wells. Now, Cienega operates two (2) drinking water production wells that pump up to 20,000 gallons per day during summer peaks.

The Cienega water supply contains naturally-occurring fluoride minerals of approximately 5.6-mg/l. Since the presence of Fluoride in the water is in excess of the Maximum Contaminant Level ("MCL") of 4.0-mg/l, the Arizona Department of Environmental Quality ("ADEQ") has issued a Notice of Violation to Cienega. Cienega has evaluated their options for fluoride removal, and determined that a Point-of-use ("POU") treatment program would be the best solution.

This report presents the background regarding the water system at Cienega and the proposed POU treatment program.

2.0 BACKGROUND

Cienega Springs is a residential community consisting of 66 residential units, laundry and community center, maintenance building, and a recreational vehicle hook-up area. Cienega is located approximately 4 miles east of Parker, Arizona off State Highway 95. A project vicinity map is shown in **Figure 1**. From Highway 95, exit left at traffic light on Riverside Drive. Continue northbound to Cienega Springs Road. Turn right and travel eastward to the residential community.

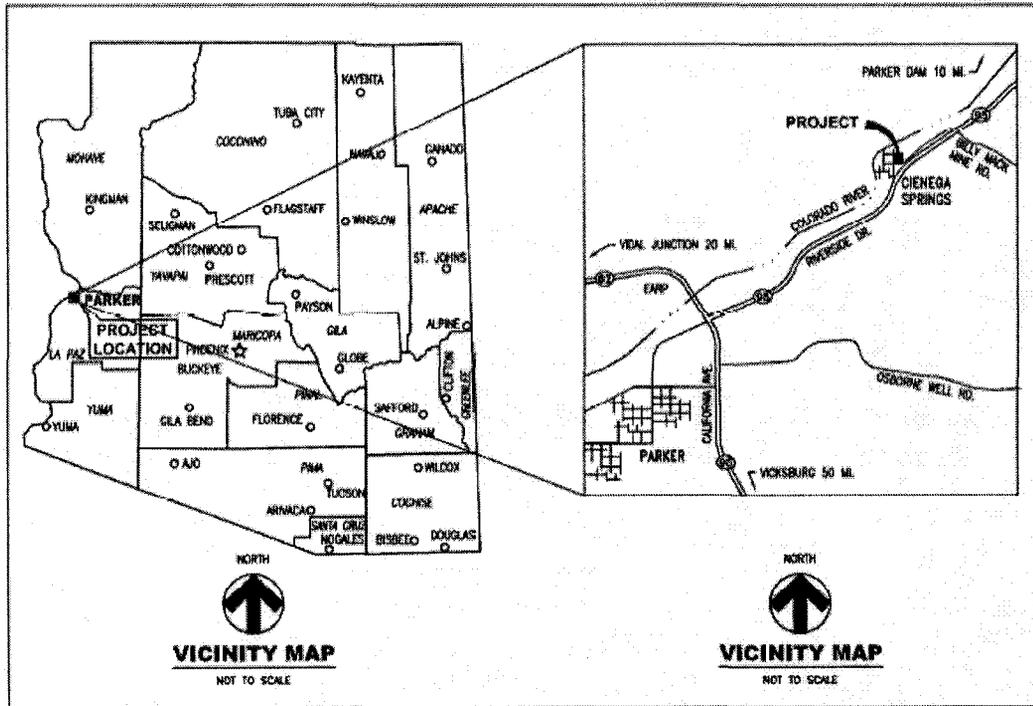
Cienega maintains two groundwater supply wells, four elevated storage tanks, a 4" transmission main pipe between the wells and tanks, and distribution system. The wells supply approximately 9,000 gpd on an annual average, and up to 15,000 gpd for higher demand days.

Water quality sampling from Well 3 indicated a fluoride content of 5.6 parts per million ("ppm"). This exceeds the U.S. Environmental Protection Agency's ("EPA") revised national drinking water standard for the allowable MCL of fluoride of 4.0 ppm (and the reporting limit of 2.0 ppm). Under the authority of the EPA, the Arizona Department of Environmental Quality ("ADEQ") are requiring Cienega to meet the MCL standard.

- Maximum Contaminant Level for Fluoride = 4.0 mg/l
- Reporting Limit for Fluoride = 2.0 mg/l

In June 2008, the ADEQ issued a Notice of Violation to Cienega for the presence of Fluoride in the water in excess of the Maximum Contaminant Level ("MCL") of 4.0-mg/l. The Cienega water supply contains naturally-occurring fluoride minerals of approximately 5.6-mg/l. The EPA has issued a MCL for fluoride under the Safe Drinking Water Act, since exposure to excess levels of fluoride has been demonstrated to pose human health risks. In particular, excess fluoride can cause mottling of tooth enamel among children up to approximately age 10. Chronic ingestion of high levels of fluoride in the drinking water may lead to structural damage of the teeth, followed by crippling fluorosis of the bones, body weight loss, thyroid problems, and kidney failure.

Figure 1. Project vicinity map.



2.1 WATER SYSTEM

Cienega is a permitted public water supplier -- PWS registration no. 04-15-002. Cienega provides drinking water from two groundwater sources,

- Well No. 2 (ADWR #55-617676) and
- Well No. 3 (ADWR #55-617677).

The well pumps are submersible type and they pump to a 4" transmission main up a hillside to the storage tanks. Well pumps are 10-HP units that provide approximately 25-gpm under a head of 67-ft (30-psi) on average. The well sites are enclosed in a wrought iron fenced area approximately 20-ft square. The well stick-ups and RTU equipment are enclosed in a metal building.

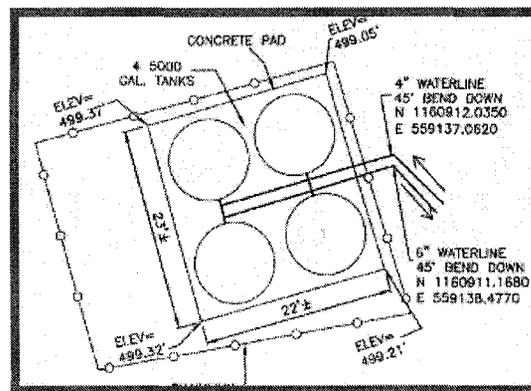
A chlorination unit is installed on the discharge of Well 2. A diluted solution of Sodium hypochlorite is added when Well 2 operates and blended with Well 3 water at the storage tanks. The Operator takes routine chlorine residual readings in the community and makes adjustments based on the readings and customer feedback.

Storage Tanks

The ground elevation at the well pumps is approximately 441-ft, NGVD and the elevation of the ground surface at the storage tanks is approximately 500-ft, NGVD (as noted on as-built drawing by Lemme Engineering, 6-5-2009). The storage tanks are approximately 10-ft high and the upper 5-ft normally stays filled with a pressure valve actuator.

There are four (4) storage tanks that have a maximum capacity of 20,000 gallons (5,000 gallons each). The tanks are inter-connected with a valved manifold. A pressure valve actuator initiates a "call for water" signal when the water level in the tanks is depleted. The "call for water" signal is sent by radio telemetry to Well site 3. A relay unit at Well 3 alternates well starts for either Well 2 or 3 pumps. A site plan of the hill side tank site is shown in Figure 2.

Figure 2. Storage Tank Site Plan.



2.2 FIRE PROTECTION

The Cienega community includes several fire hydrants on the water distribution system. The fire hydrant spacing, capacity, and flow rates were not analyzed under this report.

2.3 WATER QUALITY

Water quality parameters were specifically taken to develop a desktop design calculation for the fluoride removal media. The water quality test results from Well 3 are provided under Exhibit 2. Fluoride content was reported at 5.6-ppm.

2.4 WATER DEMANDS

The Cienega Water System includes a total of 56 active water service connections. Fifty-five (55) of those connections are 5/8"x3/4" metered services for the subdivision north of Cienega Springs Road. The last connection is a 2" metered service for all the RV lots south of the Road. Below are the 2009 and 2007 well pumping records for those services.

Table 1. Water Pumping Monthly Summaries.

	2009		2007	
	Total Well (gal)	Well Runtime (hr)	Total Well (gal)	Well Runtime (hr)
January	206,210	4.5	327,830	7.2
February	280,720	6.2	197,800	4.3
March	291,970	6.4	196,510	4.3
April	268,440	5.9	239,900	5.3
May	255,920	5.6	230,030	5.0
June	341,510	7.5	279,660	6.1
July	324,510	7.1	230,660	5.1
August	308,990	6.8	55,130	
September	220,350	4.8	46,290	
October	363,010	8.0	384,230	8.4
November	185,800	4.1	278,820	6.1
December			285,480	6.3
TOTAL	3,047,430		2,752,340	
Avg Month =	277,039 gal		265,092 gal	
Avg Day =	9,113 gal		8,720 gal	
Std Dev =	56,686 gal		58,904 gal	
Avg + SD =	333,725 gal		323,996 gal	
Avg + 2SD =	390,412 gal		382,901 gal	
Max Day =	12,842.48 gal		12,595.42 gal	

Note: highlighted areas occurred during a meter outage.

On average Cienega pumps approximately 10,000 gallons per day. Higher demand days occur during high RV occupancy seasons and have been reported to be approximately 16,000 gallons per day. Cienega estimates that approximately ½ of the water goes to the 55 subdivision lots, while the remaining 8,000 gallons goes to the RV park. Cienega has a permanent irrigation system that is connected to the water system, but it is not metered.

At 8,000 gallons per day (peak design), the subdivision would be using approximately 150-gallons per day per unit. Most of the units are occupied by 2 or less residents, and many of the units are second homes for seasonal recreation. This amount is consistent with typical residential water use.

In accordance with ADEQ's Point of Use Compliance Program Guidance, the Cienega residences typically use as much as 3% of this amount specifically for drinking water. Thus, approximately 5 gallons per day for drinking or cooking purposes. A table below summarizes the water use estimations.

Table 2. Average Drinking Water Demands for Cienega Residences.

No. of homes =	55	
Gal. per month =	250,000	Gallons
Gal. / month / unit =	4,500	Gallons
Gal. / day / unit =	150	Gallons
Drinking Water Used Per Day (3%)	5	Gallons

3.0 ENGINEERING REPORT FOR CENTRAL TREATMENT

A separate Engineering Report was prepared to evaluate available central treatment systems for Cienega. In all cases for treatment, the central system would have required some sort of waste residual handling – either an evaporation pond or sanitary sewer disposal. The waste residual management problem significantly increased the technical complexity and costs associated with central treatment.

The report is not included with the ATC submittal, but a copy of the report may be submitted to ADEQ upon request. Cienega Water Co. has elected to proceed with a POU use system due to:

- (1) the much simpler treatment operations,
- (2) lower overall project costs, and
- (3) the POU will not require a large separate evaporation pond or special sanitary sewer approvals.

4.0 PROPOSED POU WATER TREATMENT PROGRAM

The Cienega Water Co. is a good candidate for Arizona's POU treatment program to remove arsenic from the drinking water supply. The costs and technical complexities of centralized treatment are a serious issue, and there are only 55 residences that require treatment, making the POU an economically and technically attractive option. The POU treatment units will typically cost \$500 +/- to purchase and install. The POU treatment system is a simplified membrane removal and does not require any complex chemical feed and controls systems. The units will require an integral pressure pump to effectively pass through the RO membrane.

The trade-off with high costs and technical complexity will be record-keeping and routine maintenance. Cienega understands that good record-keeping and monitoring is required to maintain compliance with the POU program. The POU units will require routine maintenance checks to ensure that they are working properly. Cienega will be required to coordinate with the residents and educate them regarding how the POU treatment units work and when the membranes require replacement.

There will be a total of 55 POU treatment units installed at the residences. A map of the locations of the POU units is provided in Figure 3. Listings of the devices and their addresses are shown in Exhibit 3.

4.1 RV PARK DISCONNECT

The RV park consists of 72 spaces, all located south of the Cienega Springs Road. The water for the RV park is currently connected to the Cienega Water system through a 2" meter. As part of the POU program, this meter will be removed and the RV park will be separately equipped with new storage tanks and pumps so that it is a self-sufficient, transient, non-community water system. The application for approval to construct and issuing a new PWS for the Cienega Springs RV Park Water system is under separate cover.

The RV park will not be part of the POU system and will be completely disconnected from the Cienega Water Co. system.

4.2 REVERSE-OSMOSIS TREATMENT

The POU treatment units will be Reverse-osmosis type treatment. Cienega intends to install a Watts Kwik-Change RO unit, model WQC4R011-50MTLR, for each home. The Watts unit is certified by the Water Quality Association ("WQA") for use in drinking water applications to remove numerous contaminants, including fluoride. The manufacturer's datasheet demonstrating the WQA certification is included in Exhibit 4.

The RO units are rated by the WQA for service up to 22.59 gpm (refer to Exhibit 4) at a back-pressure of 60-psi. This rate sufficiently exceeds the estimated daily drinking water use at each residence of 5 gpd based on water use flow meter readings. The proposed RO units will include an optional pump to increase the feed pressure and thus guarantee proper operation of the system.

The POU treatment units will be installed under the kitchen sinks of the residential units.

POINT-OF-USE TREATMENT MAP
 CIENEGA WATER COMPANY

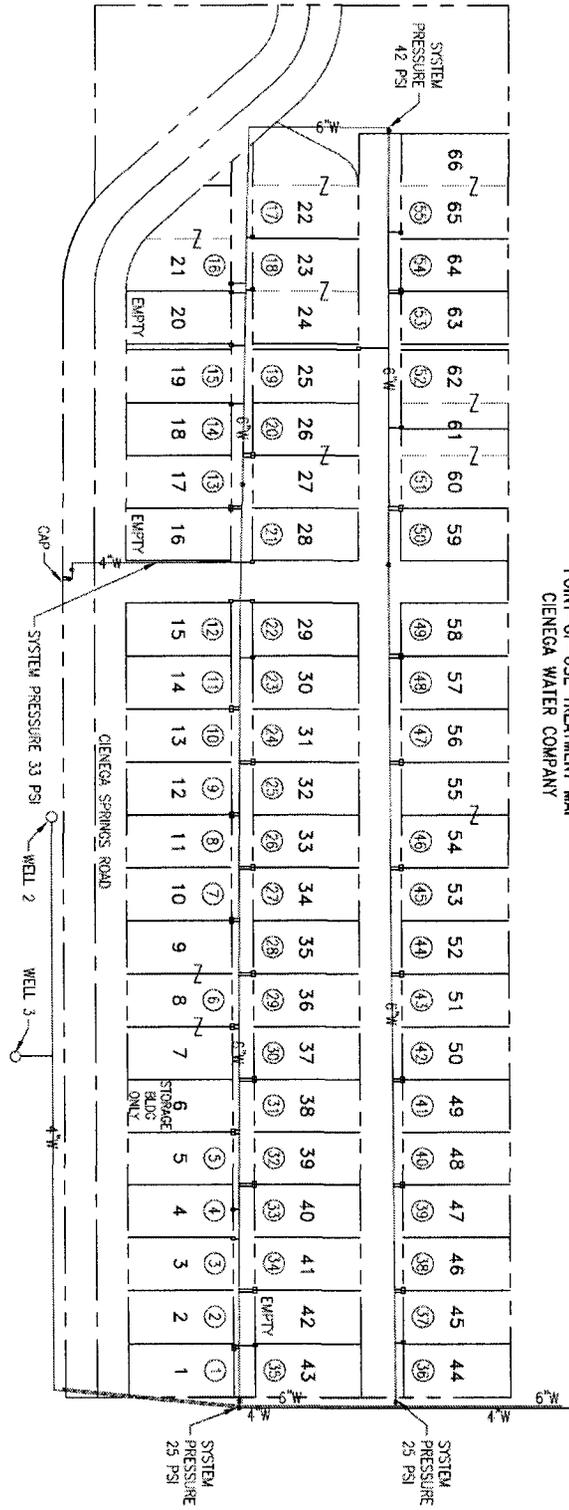


FIGURE 1: CIENEGA WATER SYSTEM, SECTION 22, T10N, R19W, C&S.R. S&M, LA P&Z COUNTY, AZ.

NOTES:

1. LOTS 16, 20, AND 42 ARE CURRENTLY UNDEVELOPED.
2. LOT 6 IS STORAGE UNIT WITHOUT KITCHEN.
3. POINT-OF-USE TREATMENT UNITS WILL BE INSTALLED UNDER THE SINK IN ACCORDANCE WITH ADEQ REQUIREMENTS.
4. UNITS TO BE SAMPLED IN FIRST YEAR: UNITS 1-19.
5. UNITS TO BE SAMPLED IN SECOND YEAR: UNITS 19-36.

4.3 PID DEVICE

In accordance with the ADEQ's POU Compliance Program Guidance document, all the POU units will be equipped with a performance indicator device ("PID"). The PID alerts the Owner when the POU unit's removal efficiency is falling and the unit may no longer be meeting the MCL standard.

Since an in-line fluoride tester has not yet been made available, the POU units will be equipped with in-line TDS monitors. The TDS monitors are faucet-mounted and will display product water TDS levels. Changes in the TDS levels of the product water are indicative of the treatment of other contaminant species in the influent – like the fluoride. The in-line TDS monitor will be set to 350-ppm.



4.4 WASTE RESIDUAL MANAGEMENT

The RO units will inherently create a waste residual ("concentrate") during operation. The concentrate will be connected to the sink drain pipe and waste to the septic systems for the homes. Approximately 1/3 of the water processed will be concentrate flows. The maximum waste residual will be approximately 7.5 gpd (22.59 x 0.33), which is a de-minimus amount for the septic tanks of several hundred gallons at each residence.

4.5 DRAFT MONITORING PLAN AND MAINTENANCE SCHEDULE

Cienega will make 100% participation of the POU program mandatory for all residences. Upon acceptance of the program by the Department (approval of the ATC permit), Cienega intends to purchase the units and install all of them with 60 days of the ATC approval.

Compliance Monitoring Plan.

Cienega Water Co. plans to divide the residences into three (3) sample plan sites. The site plan shown in **Figure 3** presents the proposed sampling groups as shown in Notes 4, 5, and 6. A summary of the draft compliance testing program for Cienega is presented on the listing in **Exhibit 3**.

The sampling groups will be tested each year, so that 1/3 of the system is tested each year, and all sites tested in the three year cycle. As required for compliance, 10% of the sampling group will be lab tested (2 from each group) and 23% will be field tested (5 from each group).

Field samples will be taken using the Hach Pocket Colorimeter II Test Kit (Fluoride) or other ADEQ approved field testing device.

Maintenance and Record-keeping.

Cienega will maintain the POU treatment units installed at each site by replacing the reverse-osmosis units, carbon filters, and sediment filters when the PID signals are alarmed. As a rule of thumb, the carbon and sediment filters will require replacement every 6 months (under normal use) and the reverse-osmosis filters will require replacement every year (under normal use).

When the units are installed, maintained, or tested for compliance, Cienega will prepare an updated log entry for record-keeping purposes. The POU equipment logs will be furnished by the installer.

EXHIBIT 1

Application for Approval To Construct (“ATC”)

Application for Approval to Use Point-of-Use Water Treatment

(Please submit to the ADEQ Water Quality Division at 1110 W. Washington St., Phoenix, AZ 85007)

0415-002 Cienega Water Company

Parker, La Paz County, Arizona

55

System ID Cienega Water Company

System Location (city / area)

Number of Hook ups*

Kwik-Change 50 gpd

Type of POU device used
Warts

Manufacturer of Device
WQ4ROLL - SOMTLR

Model Number of Device

Contaminant	Action Level
<input type="checkbox"/> Arsenic	0.010 mg/L
<input type="checkbox"/> Copper	1.3 mg/L
<input checked="" type="checkbox"/> Fluoride	2.0 mg/L
<input type="checkbox"/> Lead	0.015 mg/L
<input type="checkbox"/> Radium	5 pCi/L
<input type="checkbox"/> Other	

Verified ANSI Certification on device?

- Yes
 No

Who is installing the Units?

- System Operator
 Water System Employee
 Water corporation work group
 Local Water Dealer
 Other

What Type of performance indication device does the unit have?

- TDS Monitor (for RO units)
 Timer
 Total Flow

For timer and flow meters, please provide details regarding how the performance indicator will warn the user when the system is not performing: LCD visual display on faucet will alert user to replace RO Membrane when RDS exceeds 350 - ppm.

Provide overview of the maintenance requirements for the POU devices planned to be installed: RO Membrane will be replaced when PID device alarms. Owner will check all systems at least once annually.

I hereby certify that the information provided in this application is accurate and correct to the best of my knowledge.

Authorizer Name: Eleanor Stephan

Signature: Eleanor Stephan

Phone Number: (928) 667-2522

Date: 12-1-12

*Do not include transient dwellings. Refer to ADEQ POU guidelines for further information regarding transient dwellings.

EXHIBIT 2

Water Quality Results



AQUATIC CONSULTING & TESTING, INC.

1525 W. University Drive, Suite 106
P.O. Box 1510
Tempe, Arizona 85281
Phone: (480) 921-8044 • FAX: (480) 921-0049

Lic. No. AZ0003

LABORATORY REPORT

Client: Tres Rios Consulting Engineers
230 W. Baseline Road, Ste 101-A
Tempe, AZ 85282

Date Submitted: 10/22/09
Date Reported: 11/16/09

Attn: Blake Abts

Project: AZ0415002

RESULTS

Client ID: CWC 3
ACT Lab No.: BR10443

Sample Type: Water
Sample Time: 10/22/09 09:00

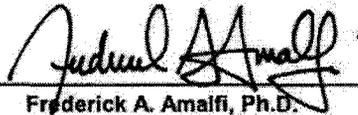
<u>Parameter</u>	<u>Analysis Date</u>		<u>Method No.</u>	<u>Result</u>	<u>Unit</u>
	<u>Start</u>	<u>End</u>			
Total Organic Carbon	11/04/09	11/04/09	SM 5310 B	<0.5	mg/L
Alkalinity, Total	10/29/09	10/29/09	SM 2320 B	83.	mg/L as CaC
Chloride	10/29/09	10/29/09	SM4500-Cl C	110.	mg/L
Fluoride	11/03/09	11/03/09	SM4500F C	5.6	mg/L
Nitrate + Nitrite - N	10/23/09	10/23/09	SM4500NO3 E	0.71	mg/L as N
Nitrite - N	10/23/09	10/23/09	SM4500NO2 B	<0.01	mg/L as N
Phosphate, ortho	10/23/09	10/23/09	365.3	<0.005	mg/L as P
Sulfate	10/29/09	10/29/09	SM4500SO4 D	203.	mg/L
Sulfide, Total	10/27/09	10/27/09	SM4500S CF	<0.1	mg/L
Total Hardness	10/30/09	10/30/09	SM2340C	84.	mg/L as CaC
Aluminum, Total	10/28/09	10/28/09	200.7	<0.5	mg/L
Antimony	11/11/09	11/11/09	200.9	<0.002	mg/L
Arsenic	11/03/09	11/03/09	200.9	0.004	mg/L
Cadmium	10/28/09	10/28/09	200.7	<0.002	mg/L
Calcium	10/28/09	10/28/09	200.7	31.5	mg/L
Chromium	10/28/09	10/28/09	200.7	<0.01	mg/L
Iron	10/28/09	10/28/09	200.7	<0.01	mg/L
Lead	10/29/09	10/29/09	200.9	<0.002	mg/L
Magnesium	10/28/09	10/28/09	200.7	2.2	mg/L
Manganese	10/28/09	10/28/09	200.7	<0.01	mg/L
Molybdenum, Total	10/28/09	10/28/09	200.7/6010B	<0.02	mg/L
Selenium	11/04/09	11/04/09	200.9	<0.002	mg/L

RESULTS

Silica, Total	11/04/09	11/04/09	200.7	26.4	mg/L as SiO ₂
Vanadium	10/28/09	10/28/09	200.7	<0.01	mg/L
Uranium, Total	10/26/09	10/26/09	EPA 200.8	0.0025 *	mg/L
Total Dissolved Solids	10/26/09	10/26/09	SM2540 C	650.	mg/L
Total Suspended Solids	10/26/09	10/26/09	SM2540 D	<1.	mg/L
Turbidity	10/22/09	10/22/09	180.1	<0.1	NTU

* Analysis performed by Test America (AZ0728)

Reviewed by:



Frederick A. Amalfi, Ph.D.
Laboratory Director

EXHIBIT 3

Locations of POU units at Cienega

Exhibit 3: Locations of POU units at Cienega Water Co., Parker, AZ

POU#	Unit Type	Room/ Location/Address	Facilities served/Comments
Residences			
1	Watts Kwik-Change RO system	Lot 1: 31995 Cienega Springs Rd	Kitchen
2	Watts Kwik-Change RO system	Lot 2: 31987 Cienega Springs Rd	Kitchen
3	Watts Kwik-Change RO system	Lot 3: 31797 Cienega Springs Rd	Kitchen
4	Watts Kwik-Change RO system	Lot 4: 31969 Cienega Springs Rd	Kitchen
5	Watts Kwik-Change RO system	Lot 5: 31959 Cienega Springs Rd	Kitchen
6	Watts Kwik-Change RO system	Lots 7, 8, & 9: 31939 Cienega Springs Rd	Kitchen
7	Watts Kwik-Change RO system	Lot 10: 31911 Cienega Springs Rd	Kitchen
8	Watts Kwik-Change RO system	Lot 11: 31901 Cienega Springs Rd	Kitchen
9	Watts Kwik-Change RO system	Lot 12: 31895 Cienega Springs Rd	Kitchen
10	Watts Kwik-Change RO system	Lot 13: 31885 Cienega Springs Rd	Kitchen
11	Watts Kwik-Change RO system	Lot 14: 31875 Cienega Springs Rd	Kitchen
12	Watts Kwik-Change RO system	Lot 15: 31865 Cienega Springs Rd	Kitchen
13	Watts Kwik-Change RO system	Lot 17: 31835 Cienega Springs Rd	Kitchen
14	Watts Kwik-Change RO system	Lot 18: 31825 Cienega Springs Rc	Kitchen
15	Watts Kwik-Change RO system	Lot 19: 31819 Cienega Springs Rd	Kitchen
16	Watts Kwik-Change RO system	Lot 21: 31791 Cienega Springs Rd	Kitchen
17	Watts Kwik-Change RO system	Lot 22: 31603 Cienega Springs Rd	Kitchen
18	Watts Kwik-Change RO system	Lot 23: 31800 Riverview Dr.	Kitchen
19	Watts Kwik-Change RO system	Lot 25: 31876 Riverview Dr.	Kitchen
20	Watts Kwik-Change RO system	Lot 26: Vacant	Kitchen
21	Watts Kwik-Change RO system	Lot 28: 31846 Riverview Dr.	Kitchen
22	Watts Kwik-Change RO system	Lot 29: 31866 Riverview Dr.	Kitchen
23	Watts Kwik-Change RO system	Lot 30: 31876 Riverview Dr.	Kitchen
24	Watts Kwik-Change RO system	Lot 31: 31886 Riverview Dr.	Kitchen
25	Watts Kwik-Change RO system	Lot 32: 31896 Riverview Dr.	Kitchen
26	Watts Kwik-Change RO system	Lot 33: 31902 Riverview Dr.	Kitchen
27	Watts Kwik-Change RO system	Lot 34: 31912 Riverview Dr.	Kitchen
28	Watts Kwik-Change RO system	Lot 35: 31920 Riverview Dr.	Kitchen
29	Watts Kwik-Change RO system	Lot 36: 31930 Riverview Dr.	Kitchen
30	Watts Kwik-Change RO system	Lot 37: 31942 Riverview Dr.	Kitchen
31	Watts Kwik-Change RO system	Lot 38: 31948 Riverview Dr.	Kitchen
32	Watts Kwik-Change RO system	Lot 39: 31958 Riverview Dr.	Kitchen
33	Watts Kwik-Change RO system	Lot 40: 31970 Riverview Dr.	Kitchen
34	Watts Kwik-Change RO system	Lot 41: 31980 Riverview Dr.	Kitchen
35	Watts Kwik-Change RO system	Lot 43: 31996 River view Dr.	Kitchen
36	Watts Kwik-Change RO system	Lot 44: 31995 Riverview Dr.	Kitchen
37	Watts Kwik-Change RO system	Lot 45:	Kitchen
38	Watts Kwik-Change RO system	Lot 46: 31997 Riverview Dr	Kitchen
39	Watts Kwik-Change RO system	Lot 47: 31969 Riverview Dr	Kitchen
40	Watts Kwik-Change RO system	Lot 48: 31959 Riverview Dr.	Kitchen
41	Watts Kwik-Change RO system	Lot 49: 31949 Riverview Dr	Kitchen
42	Watts Kwik-Change RO system	Lot 50: 31941 Riverview Dr.	Kitchen

43	Watts Kwik-Change RO system	Lot 51: 31931 Riverview Dr.	Kitchen
44	Watts Kwik-Change RO system	Lot 52: 31921 Riverview Dr.	Kitchen
45	Watts Kwik-Change RO system	Lot 53: Vacant	Kitchen
46	Watts Kwik-Change RO system	Lot 54 & 55: 31895 Riverview Dr.	Kitchen
47	Watts Kwik-Change RO system	Lot 56: 31885 Riverview Dr.	Kitchen
48	Watts Kwik-Change RO system	Lot 57: 31875 Riverview Dr.	Kitchen
49	Watts Kwik-Change RO system	Lot 58: 31865 Riverview Dr.	Kitchen
50	Watts Kwik-Change RO system	Lot 59: 31845 Riverview Dr.	Kitchen
51	Watts Kwik-Change RO system	Lot 60 & 61: 31825 Riverview Dr.	Kitchen
52	Watts Kwik-Change RO system	Lot 61 & 62: 31825 Riverview Dr.	Kitchen
53	Watts Kwik-Change RO system	Lot 63: 31805 Riverview Dr.	Kitchen
54	Watts Kwik-Change RO system	Lot 64: 31791 Riverview DR.	Kitchen
55	Watts Kwik-Change RO system	Lot 65 & 66: 31783 Riverview Dr.	Kitchen

Notes:

1. POU system will be 100% participation as indicated by all units shown above.
2. Signs will be posted at POU locations indicating drinking water.

EXHIBIT 4

Reverse Osmosis Datasheets

Watts® ROs with Kwik-Change™ Cartridges

Simply the "best" of the "best"!

Internal valve shuts-off flow during cartridge and membrane replacement.

Hinge bracket for easy cartridge removal and replacement.

Cartridge replacement is so easy, you or the homeowner can do it!

Proprietary filter cartridges and membranes are installed and removed by a simple 1/4 turn.

Cartridges have double o-rings to prevent leakage.



WQA Gold Seal
Certified to
NSF / ANSI
Std. 58

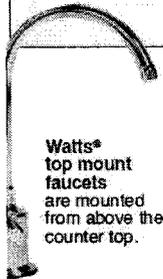


Features & Benefits

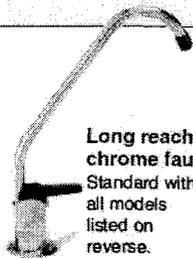
- Cartridges are connected and removed with a simple 1/4 turn.
- No filter sumps! No fuss! No mess!
- Automatic shut-off when cartridges are removed.
- Tank and faucet options available.
- Valves are built into the heads to prevent back-flow for water quality assurance.
- WQA Gold Seal Certified to NSF/ANSI Std. 58.

Watts® Kwik-Change™ Systems are designed for consumers that demand the "best". Unlike conventional reverse osmosis systems, Watts drinking water systems with Kwik-Change cartridges have no sumps, so their proprietary filter elements and membranes are easy to replace.

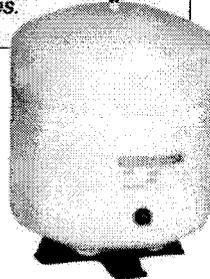
Full Product Line Available, Including:
50 Gpd Models • 100 Gpd Models • Metal Tanks
Plastic Tanks • Top Mount Faucets • Standard Faucets
Models For Coolers • Custom Systems
Drinking Water Systems With Filter Elements
& Hollow Fiber Membranes.



Watts® top mount faucets are mounted from above the counter top.



Long reach chrome faucet. Standard with all models listed on reverse.

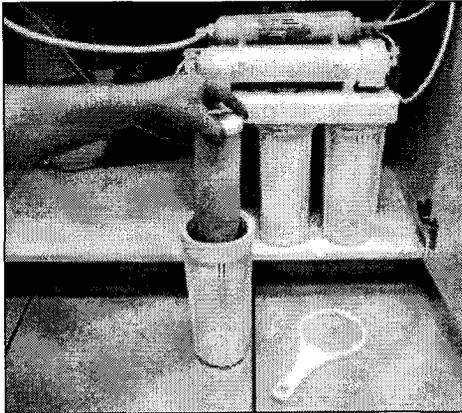


Metal storage tank



RO Pro® Storage Tanks Only 9" wide, takes less space and won't chip, rust or dent!

**Watts® Kwik-Change RO systems are so easy to service
you'll get great quality water every time!**



Conventional RO Systems

Conventional RO systems may provide high quality water. However, cartridges and membranes are difficult to replace because they are installed in housings and must be removed. This procedure includes the need to shut off and drain down the system, open the housings with a wrench, remove cartridges, empty water from the sumps, clean the filter and membrane housings, replace cartridges, re-pressurize, and check for leaks.

Because conventional systems are difficult to service, routine maintenance may be delayed. Therefore, consumers may not get the quality water they desire, unless a qualified dealer is called to service their system.



VS.

Kwik-Change RO System

No Sumps! No Mess! No Fuss!

- Hinge bracket for easy handling.
- Automatic shut off when cartridges are removed with a simple, 1/4 turn.
- No need to disconnect tubing when replacing membranes.
- Integrated check valves between cartridges and membrane prevent back-flow.
- Cartridges have double o-rings so they will not leak.
- Quick connect fittings for easy installation.

Models

MODEL NUMBER	STAGE	CAPACITY (GPM)	SIZE ELEMENTS	FAUCET	TANK
WQC4RO11-50PT	4	50	11"	Top mount	RO-PRO®
WQC4RO11-50MT	4	50	11"	Top mount	Metal
WQC4RO11-50MTRL	4	50	11"	Long Reach	Metal
WQC4RO13-100PT	4	100	13"	Top mount	RO-PRO®
WQC4RO13-100MT	4	100	13"	Top mount	Metal
WQC4RO13-100MTRL	4	100	13"	Long Reach	Metal

Note: All models listed above use 3/8" tubing from unit to tank to faucet. All models come with designer, top mount air gap faucets.

Replacement elements

MODEL	ELEMENT	SEDIMENT	CARBON	MEMBRANE	GAC
50 GPD System	11"	WQCSC11	WQCCC11	WQCM11-50	WQCAC11
100 GPD System	13"	WQCSC13	WQCCC13	WQCM13-100	WQCAC13



Watts Water Quality & Conditioning Products

300-659-8400 (press 2 for sales)

Email: wqp@watts.com

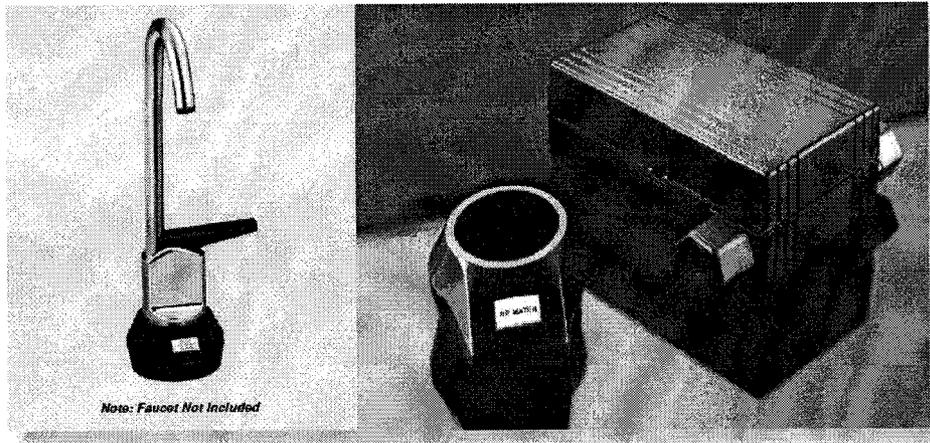
watts.com

© Watts 2008

SS-WQP-KWCHG-0839

RO-CHECK™

POU TDS Monitor



FEATURES / SPECIFICATIONS

- *High-Tech Liquid Crystal Display*
- *Fits 1.250 in. diameter faucets*
- *Runs one year continuously on one 9V alkaline battery (not supplied)*
- *16 TDS set points, 30-750 ppm, suitable for almost any water*
- *±10% accuracy at 20°C/68°F*
- *Single flow-through cell*
- *316SS electrodes double-sealed to prevent leaks*
- *Includes Parker Hannifin fitting for 1/4" tubing*
- *5 ft. cable with fast telephone-type connector*
- *One-year limited warranty*

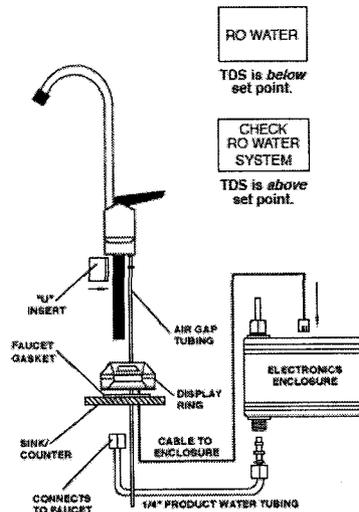
HOW IT WORKS

The innovative Myron L RO-CHECK (U.S. Patent #4,762,611) reliably monitors total dissolved solids 24 hours a day. A quick glance at the display assures RO users of their water TDS quality. This device is ideal for home, office, RV or boat water treatment systems. Should membrane failure or other problems cause TDS to rise above the set point, the words "CHECK SYSTEM" flash in the LCD. This silent indicator alerts, rather than alarms, the user that service may be required.

Easily installed on most popular faucets, the RO-CHECK features 16 set point choices and is ideal for monitoring water for almost any TDS quality.

For more information, please visit our website. www.myronl.com

TWO DISPLAY MODES



TYPICAL INSTALLATION

2450 Impala Drive
 Carlsbad, CA 92010-7226 USA
 Tel: +1-760-438-2021
 Fax: +1-800-868-7868 / +1-760-931-9189
www.myronl.com

Built On Trust. Founded in 1957, the Myron L Company is one of the world's leading manufacturers of water quality instruments. Because of our commitment to product improvement, changes in design and specifications are possible. You have our assurance any changes will be guided by our product philosophy: accuracy, reliability, and simplicity.

MYRON L COMPANY
 Water Quality Instrumentation
 Accuracy • Reliability • Simplicity

Exhibit C

WIFA's Contract Package for Non-Governmental Borrowers

**Water Infrastructure Finance Authority of Arizona
Clean Water Revolving Fund
Drinking Water Revolving Fund**

CONTRACT PACKET for Non Governmental Borrowers

This packet lists required contract conditions that apply to all Clean Water and Drinking Water Revolving Fund projects and contains forms that must be used in the procurement process. Please review this packet prior to bidding. This packet must be physically included in all bidding, solicitation and contract documents.

PLEASE NOTE

- Federal Davis Bacon prevailing wages apply to this project. Payment of the wages, fringe benefits and overtime rates is required.
- The proposed DB wage determinations must be submitted to WIFA for approval prior to including the wage determination in any solicitation or contract, etc..
- The appropriate Federal (Davis Bacon) Prevailing Wage Decision Number must be physically incorporated into the bidding and contract documents.
- Weekly certified payroll submittal is required under the Federal Davis Bacon laws.
- Compliance with the Civil Rights Act and Equal Employment Opportunity is required.
- Promotion of Small, Minority and Women-owned Businesses and participation in Disadvantaged Business Enterprises (DBE) is required.

**Water Infrastructure Finance Authority of Arizona
Clean Water Revolving Fund
Drinking Water Revolving Fund**

Required Contract Conditions

This project is being financed in whole or in part by the Water Infrastructure Finance Authority of Arizona through the Clean Water or Drinking Water Revolving Fund. The loan recipient is required to comply with the following federal and state laws, rules and regulations and must ensure that their contractor(s) also comply(ies) with these regulations, laws and rules.

1. (i) Title VI of the Civil Rights Act of 1964 (Pub. L. 88-352, 42 U.S.C. Sec. 2000d), (ii) the Rehabilitation Act of 1973 (Pub. L. 93-1123, 87 Stat. 355, 29 U.S.C. Sec. 794), (iii) the Age Discrimination Act of 1975 (Pub. L. 94-135 Sec. 303, 89 Stat. 713, 728, 42 U.S.C. Sec. 6102), (iv) Section 13 of the Federal Water Pollution Control Act (Pub. L. 92-500, 33 U.S.C. Sec. 1251), and subsequent regulations, ensures access to facilities or programs regardless of race, color, national origin, sex, age or handicap.
2. Equal Employment Opportunity (Executive Order 11246, as amended by Executive Orders 11375 and 12086 and subsequent regulations). Prohibits employment discrimination on the basis of race, color, religion, sex or national origin. Inclusion of the seven clauses in Section 202 of Executive Order 11246 as amended by Executive Orders 11375 and 12086 are required in all project related contracts and subcontracts over \$10,000.
3. (i) Promoting the use of Small, Minority, and Women-owned Businesses (Executive Orders 11625, 12138 and 12432), (ii) Small Businesses Reauthorization & Amendment Act of 1988 (Section 129 of Pub. L. 100-590), (iii) Department of Veterans Affairs and Housing and Urban Development, and Independent Agencies Appropriations Act, 1993 (Pub. L. 102-389, 42 U.S.C. Sec. 437d), and (iv) Title X of the Clean Air Acts Amendments of 1990 (Pub. L. 101-549, 42 U.S.C. Sec. 7601 note) ("EPA's 10% statute"). Encourages recipients to award construction, supply and professional service contracts to minority and women's business enterprises (MBE/WBE) and small businesses and requires recipients to utilize affirmative steps in procurement.
4. Participation by Disadvantaged Business Enterprises in Procurement under Environmental Protection Agency (EPA) Financial Assistance Agreements (40 C.F.R. Part 33).
5. Debarment and Suspension (Executive Order 12549). Prohibits entering into contracts or sub-contracts with individuals or businesses who are debarred or suspended. Borrowers are required to check the status of all contractors (construction and professional services) and must require contractors to check the status of subcontractors for contracts expected to be equal to or over \$25,000 via this Internet address: epls.arnet.gov.

**Water Infrastructure Finance Authority of Arizona
Clean Water Revolving Fund
Drinking Water Revolving Fund**

Davis Bacon Contract Conditions (Federal Prevailing Wages)

PLEASE NOTE: Federal Davis Bacon prevailing wages apply to this project. Payment of the wages, fringe benefits and overtime rates is required.

The "subrecipient" referred to throughout the Davis Bacon contract conditions is the WIFA Borrower.

"WIFA" is the Water Infrastructure Finance Authority of Arizona, State Capitalization Grant recipient, recipient, or the Authority.

The language starting on the next page must be included in all Davis Bacon covered construction contracts and subcontracts. (29 CFR Part 5.5)

Wage Rate Requirements under FY 2010 Appropriations (Also referred to as Attachment 6)

Preamble

With respect to the Clean Water and Drinking Water State Revolving Funds, EPA provides capitalization grants to each State which in turn provides subgrants or loans to eligible entities within the State. Although EPA and the State remain responsible for ensuring subrecipients' compliance with the wage rate requirements set forth herein, those subrecipients shall have the primary responsibility to maintain payroll records as described in Section 3(3)(ii)(A) below and for compliance as described in Section 5.

Requirements under FY 2010 Appropriations Act For Subrecipients That Are Not Governmental Entities:

The following terms and conditions specify how recipients will assist EPA in meeting its Davis Bacon (DB) responsibilities when DB applies to EPA awards of financial assistance under the FY2010 Appropriations Act with respect to subrecipients that are not governmental entities. If a subrecipient has questions regarding when DB applies, obtaining the correct DB wage determinations, DB provisions, or compliance monitoring, it may contact the State recipient for guidance. If a State recipient needs guidance, the recipient will contact EPA. The subrecipient may also obtain additional guidance from DOL's web site at www.dol.gov/whd/recovery/index.htm.

Under these terms and conditions, the subrecipient must submit its proposed DB wage determinations to the State recipient for approval prior to including the wage determination in any solicitation, contract task orders, work assignments, or similar instruments to existing contractors.

1. Applicability of the Davis Bacon prevailing wage requirements.

Under the FY 2010 Appropriation, Davis Bacon prevailing wage requirements apply to the construction, alteration, and repair of treatment works carried out in whole or in part with assistance made available by a Clean Water Revolving Fund and to any construction project carried out in whole or in part by assistance made available by a Drinking Water Revolving Fund. If a subrecipient encounters a unique situation at a site that presents uncertainties regarding DB applicability, the subrecipient must discuss the situation with the State recipient before authorizing work on that site.

2. Obtaining Wage Determinations.

(a) Subrecipients must obtain proposed wage determinations for specific localities at www.wdol.gov. After the subrecipient obtains its proposed wage determination, it must submit the wage determination to the recipient for approval prior to inserting the wage determination into a solicitation, contract or issuing task orders, work assignments or similar instruments to existing contractors.

(b) Subrecipients shall obtain the wage determination for the locality in which a covered activity subject to DB will take place prior to issuing requests for bids, proposals, quotes or

other methods for soliciting contracts (solicitation) for activities subject to DB. These wage determinations shall be incorporated into solicitations and any subsequent contracts. Prime contracts must contain a provision requiring that subcontractors follow the wage determination incorporated into the prime contract.

- (i) While the solicitation remains open, the subrecipient shall monitor www.wdol.gov on a weekly basis to ensure that the wage determination contained in the solicitation remains current. The subrecipient shall amend the solicitation if DOL issues a modification more than 10 days prior to the closing date (i.e. bid opening) for the solicitation. If DOL modifies or supersedes the applicable wage determination less than 10 days prior to the closing date, the subrecipient may request a finding from the State recipient that there is not a reasonable time to notify interested contractors of the modification of the wage determination. The State recipient will provide a report of its findings to the subrecipient.
- (ii) If the subrecipient does not award the contract within 90 days of the closure of the solicitation, any modifications or supersedes DOL makes to the wage determination contained in the solicitation shall be effective unless the State recipient, at the request of the subrecipient, obtains an extension of the 90 day period from DOL pursuant to 29 CFR 1.6(c)(3)(iv). The subrecipient shall monitor www.wdol.gov on a weekly basis if it does not award the contract within 90 days of closure of the solicitation to ensure that wage determinations contained in the solicitation remain current.

(c) If the subrecipient carries out activity subject to DB by issuing a task order, work assignment or similar instrument to an existing contractor (ordering instrument) rather than by publishing a solicitation, the subrecipient shall insert the appropriate DOL wage determination from www.wdol.gov into the ordering instrument.

(d) Subrecipients shall review all subcontracts subject to DB entered into by prime contractors to verify that the prime contractor has required its subcontractors to include the applicable wage determinations.

(e) As provided in 29 CFR 1.6(f), DOL may issue a revised wage determination applicable to a subrecipient's contract after the award of a contract or the issuance of an ordering instrument if DOL determines that the subrecipient has failed to incorporate a wage determination or has used a wage determination that clearly does not apply to the contract or ordering instrument. If this occurs, the subrecipient shall either terminate the contract or ordering instrument and issue a revised solicitation or ordering instrument or incorporate DOL's wage determination retroactive to the beginning of the contract or ordering instrument by change order. The subrecipient's contractor must be compensated for any increases in wages resulting from the use of DOL's revised wage determination.

3. Contract and Subcontract Provisions.

The recipient shall insure that the subrecipient(s) shall insert in full in any contract in excess of \$2,000 which is entered into for the actual construction, alteration and/or repair, including painting and decorating, of a treatment work under the Clean Water State Revolving Fund (CWSRF) or a construction project under the Drinking Water State Revolving Fund

(DWSRF) financed in whole or in part from Federal funds or in accordance with guarantees of a Federal agency or financed from funds obtained by pledge of any contract of a Federal agency to make a loan, grant or annual contribution (except where a different meaning is expressly indicated), and which is subject to the labor standards provisions of any of the acts listed in 29 CFR § 5.1 or the FY 2010 appropriation, the following clauses:

(1) Minimum wages.

(i) All laborers and mechanics employed or working upon the site of the work will be paid unconditionally and not less often than once a week, and without subsequent deduction or rebate on any account (except such payroll deductions as are permitted by regulations issued by the Secretary of Labor under the Copeland Act (29 CFR part 3)), the full amount of wages and bona fide fringe benefits (or cash equivalents thereof) due at time of payment computed at rates not less than those contained in the wage determination of the Secretary of Labor which is attached hereto and made a part hereof, regardless of any contractual relationship which may be alleged to exist between the contractor and such laborers and mechanics.

Contributions made or costs reasonably anticipated for bona fide fringe benefits under section 1(b)(2) of the Davis Bacon Act on behalf of laborers or mechanics are considered wages paid to such laborers or mechanics, subject to the provisions of paragraph (a)(1)(iv) of this section; also, regular contributions made or costs incurred for more than a weekly period (but not less often than quarterly) under plans, funds, or programs which cover the particular weekly period are deemed to be constructively made or incurred during such weekly period. Such laborers and mechanics shall be paid the appropriate wage rate and fringe benefits on the wage determination for the classification of work actually performed, without regard to skill, except as provided in 29 CFR § 5.5(a)(4). Laborers or mechanics performing work in more than one classification may be compensated at the rate specified for each classification for the time actually worked therein: provided that the employer's payroll records accurately set forth the time spent in each classification in which work is performed. The wage determination (including any additional classification and wage rates conformed under paragraph (a)(1)(ii) of this section) and the Davis Bacon poster (WH-1321) shall be posted at all times by the contractor and its subcontractors at the site of the work in a prominent and accessible place where it can be easily seen by the workers.

Subrecipients may obtain wage determinations from the U.S. Department of Labor's web site, www.wdol.gov.

(ii)(A) The subrecipient(s), on behalf of EPA, shall require that any class of laborers or mechanics, including helpers, which is not listed in the wage determination and which is to be employed under the contract shall be classified in conformance with the wage determination. The State award official shall approve a request for an additional classification and wage rate and fringe benefits therefore only when the following criteria have been met:

- (1) The work to be performed by the classification requested is not performed by a classification in the wage determination; and
- (2) The classification is utilized in the area by the construction industry; and
- (3) The proposed wage rate, including any bona fide fringe benefits, bears a reasonable relationship to the wage rates contained in the wage determination.

(B) If the contractor and the laborers and mechanics to be employed in the classification (if known), or their representatives, and the subrecipient(s) agree on the classification and wage rate (including the amount designated for fringe benefits where appropriate), documentation of the action taken and the request, including the local wage determination shall be sent by the subrecipient(s) to the State award official. The State award official will transmit the report to the Administrator of the Wage and Hour Division, Employment Standards Administration, U.S. Department of Labor, Washington, DC 20210 and to the EPA DB Regional Coordinator concurrently. The Administrator, or an authorized representative, will approve, modify, or disapprove every additional classification request within 30 days of receipt and so advise the State award official or will notify the State award official within the 30-day period that additional time is necessary.

(C) In the event the contractor, the laborers or mechanics to be employed in the classification or their representatives, and the subrecipient(s) do not agree on the proposed classification and wage rate (including the amount designated for fringe benefits, where appropriate), the award official shall refer the request, and the local wage determination, including the views of all interested parties and the recommendation of the State award official, to the Administrator for determination. The request shall be sent to the EPA Regional Coordinator concurrently. The Administrator, or an authorized representative, will issue a determination within 30 days of receipt of the request and so advise the contracting officer or will notify the contracting officer within the 30-day period that additional time is necessary.

(D) The wage rate (including fringe benefits where appropriate) determined pursuant to paragraphs (a)(1)(ii)(B) or (C) of this section, shall be paid to all workers performing work in the classification under this contract from the first day on which work is performed in the classification.

(iii) Whenever the minimum wage rate prescribed in the contract for a class of laborers or mechanics includes a fringe benefit which is not expressed as an hourly rate, the contractor shall either pay the benefit as stated in the wage determination or shall pay another bona fide fringe benefit or an hourly cash equivalent thereof.

(iv) If the contractor does not make payments to a trustee or other third person, the contractor may consider as part of the wages of any laborer or mechanic the amount of any costs reasonably anticipated in providing bona fide fringe benefits under a plan or program, provided that the Secretary of Labor has found, upon the written request of the contractor, that the applicable standards of the Davis Bacon Act have been met. The Secretary of Labor may require the contractor to set aside in a separate account assets for the meeting of obligations under the plan or program.

(2) Withholding. The subrecipient(s) shall upon written request of the EPA Award Official or an authorized representative of the Department of Labor withhold or cause to be withheld from the contractor under this contract or any other Federal contract with the same prime contractor, or any other federally-assisted contract subject to Davis Bacon prevailing wage requirements, which is held by the same prime contractor, so much of the accrued payments or advances as may be considered necessary to pay laborers and mechanics, including apprentices, trainees, and helpers, employed by the contractor or any subcontractor the full amount of wages required by the contract. In the event of failure to pay any laborer or mechanic, including any apprentice, trainee, or helper, employed or working on the site of the

work, all or part of the wages required by the contract, the recipient may, after written notice to the contractor, sponsor, applicant, or owner, take such action as may be necessary to cause the suspension of any further payment, advance, or guarantee of funds until such violations have ceased.

(3) Payrolls and basic records.

(i) Payrolls and basic records relating thereto shall be maintained by the contractor during the course of the work and preserved for a period of three years thereafter for all laborers and mechanics working at the site of the work. Such records shall contain the name, address, and social security number of each such worker, his or her correct classification, hourly rates of wages paid (including rates of contributions or costs anticipated for bona fide fringe benefits or cash equivalents thereof of the types described in section 1(b)(2)(B) of the Davis Bacon Act), daily and weekly number of hours worked, deductions made and actual wages paid. Whenever the Secretary of Labor has found under 29 CFR 5.5(a)(1)(iv) that the wages of any laborer or mechanic include the amount of any costs reasonably anticipated in providing benefits under a plan or program described in section 1(b)(2)(B) of the Davis Bacon Act, the contractor shall maintain records which show that the commitment to provide such benefits is enforceable, that the plan or program is financially responsible, and that the plan or program has been communicated in writing to the laborers or mechanics affected, and records which show the costs anticipated or the actual cost incurred in providing such benefits. Contractors employing apprentices or trainees under approved programs shall maintain written evidence of the registration of apprenticeship programs and certification of trainee programs, the registration of the apprentices and trainees, and the ratios and wage rates prescribed in the applicable programs.

(ii)(A) The contractor shall submit weekly, for each week in which any contract work is performed, a copy of all payrolls to the subrecipient, that is, the entity that receives the subgrant or loan from the State capitalization grant recipient. Such documentation shall be available on request of the State recipient or EPA. As to each payroll copy received, the subrecipient shall provide written confirmation in a form satisfactory to the State indicating whether or not the project is in compliance with the requirements of 29 CFR 5.5(a)(1) based on the most recent payroll copies for the specified week. The payrolls shall set out accurately and completely all of the information required to be maintained under 29 CFR 5.5(a)(3)(i), except that full social security numbers and home addresses shall not be included on the weekly payrolls. Instead the payrolls shall only need to include an individually identifying number for each employee (e.g., the last four digits of the employee's social security number). The required weekly payroll information may be submitted in any form desired. Optional Form WH-347 is available for this purpose from the Wage and Hour Division Web site at www.dol.gov/whd/forms/wh347instr.htm or its successor site. The prime contractor is responsible for the submission of copies of payrolls by all subcontractors. Contractors and subcontractors shall maintain the full social security number and current address of each covered worker, and shall provide them upon request to the subrecipient(s) for transmission to the State or EPA if requested by EPA, the State, the contractor, or the Wage and Hour Division of the Department of Labor for purposes of an investigation or audit of compliance with prevailing wage requirements. It is not a violation of this section for a prime contractor to require a subcontractor to provide addresses and social security numbers to the prime contractor for its own records, without weekly submission to the subrecipient(s).

(B) Each payroll submitted shall be accompanied by a "Statement of Compliance," signed by the contractor or subcontractor or his or her agent who pays or supervises the payment of the persons employed under the contract and shall certify the following:

(1) That the payroll for the payroll period contains the information required to be provided under 29 CFR § 5.5 (a)(3)(ii) of Regulations the appropriate information is being maintained under 29 CFR § 5.5 (a)(3)(i) of Regulations and that such information is correct and complete;

(2) That each laborer or mechanic (including each helper, apprentice, and trainee) employed on the contract during the payroll period has been paid the full weekly wages earned, without rebate, either directly or indirectly, and that no deductions have been made either directly or indirectly from the full wages earned, other than permissible deductions as set forth in Regulations, 29 CFR part 3;

(3) That each laborer or mechanic has been paid not less than the applicable wage rates and fringe benefits or cash equivalents for the classification of work performed, as specified in the applicable wage determination incorporated into the contract.

(C) The weekly submission of a properly executed certification set forth on the reverse side of Optional Form WH-347 shall satisfy the requirement for submission of the "Statement of Compliance" required by paragraph (a)(3)(ii)(B) of this section.

(D) The falsification of any of the above certifications may subject the contractor or subcontractor to civil or criminal prosecution under section 1001 of title 18 and section 231 of title 31 of the United States Code.

(iii) The contractor or subcontractor shall make the records required under paragraph (a)(3)(i) of this section available for inspection, copying, or transcription by authorized representatives of the State, EPA or the Department of Labor, and shall permit such representatives to interview employees during working hours on the job. If the contractor or subcontractor fails to submit the required records or to make them available, the Federal agency or State may, after written notice to the contractor, sponsor, applicant, or owner, take such action as may be necessary to cause the suspension of any further payment, advance, or guarantee of funds. Furthermore, failure to submit the required records upon request or to make such records available may be grounds for debarment action pursuant to 29 CFR 5.12.

(4) Apprentices and trainees—

(i) Apprentices. Apprentices will be permitted to work at less than the predetermined rate for the work they performed when they are employed pursuant to and individually registered in a bona fide apprenticeship program registered with the U.S. Department of Labor, Employment and Training Administration, Office of Apprenticeship Training, Employer and Labor Services, or with a State Apprenticeship Agency recognized by the Office, or if a person is employed in his or her first 90 days of probationary employment as an apprentice in such an apprenticeship program, who is not individually registered in the program, but who has been certified by the Office of Apprenticeship Training, Employer and Labor Services or a State Apprenticeship Agency (where appropriate) to be eligible for probationary employment as an apprentice. The allowable ratio of apprentices to journeymen on the job site in any craft classification shall not be greater than the ratio permitted to the contractor as to the entire

work force under the registered program. Any worker listed on a payroll at an apprentice wage rate, who is not registered or otherwise employed as stated above, shall be paid not less than the applicable wage rate on the wage determination for the classification of work actually performed. In addition, any apprentice performing work on the job site in excess of the ratio permitted under the registered program shall be paid not less than the applicable wage rate on the wage determination for the work actually performed. Where a contractor is performing construction on a project in a locality other than that in which its program is registered, the ratios and wage rates (expressed in percentages of the journeyman's hourly rate) specified in the contractor's or subcontractor's registered program shall be observed. Every apprentice must be paid at not less than the rate specified in the registered program for the apprentice's level of progress, expressed as a percentage of the journeymen hourly rate specified in the applicable wage determination. Apprentices shall be paid fringe benefits in accordance with the provisions of the apprenticeship program. If the apprenticeship program does not specify fringe benefits, apprentices must be paid the full amount of fringe benefits listed on the wage determination for the applicable classification. If the Administrator determines that a different practice prevails for the applicable apprentice classification, fringes shall be paid in accordance with that determination. In the event the Office of Apprenticeship Training, Employer and Labor Services, or a State Apprenticeship Agency recognized by the Office, withdraws approval of an apprenticeship program, the contractor will no longer be permitted to utilize apprentices at less than the applicable predetermined rate for the work performed until an acceptable program is approved.

(ii) Trainees. Except as provided in 29 CFR 5.16, trainees will not be permitted to work at less than the predetermined rate for the work performed unless they are employed pursuant to and individually registered in a program which has received prior approval, evidenced by formal certification by the U.S. Department of Labor, Employment and Training Administration. The ratio of trainees to journeymen on the job site shall not be greater than permitted under the plan approved by the Employment and Training Administration. Every trainee must be paid at not less than the rate specified in the approved program for the trainee's level of progress, expressed as a percentage of the journeyman hourly rate specified in the applicable wage determination. Trainees shall be paid fringe benefits in accordance with the provisions of the trainee program. If the trainee program does not mention fringe benefits, trainees shall be paid the full amount of fringe benefits listed on the wage determination unless the Administrator of the Wage and Hour Division determines that there is an apprenticeship program associated with the corresponding journeyman wage rate on the wage determination which provides for less than full fringe benefits for apprentices. Any employee listed on the payroll at a trainee rate who is not registered and participating in a training plan approved by the Employment and Training Administration shall be paid not less than the applicable wage rate on the wage determination for the classification of work actually performed. In addition, any trainee performing work on the job site in excess of the ratio permitted under the registered program shall be paid not less than the applicable wage rate on the wage determination for the work actually performed. In the event the Employment and Training Administration withdraws approval of a training program, the contractor will no longer be permitted to utilize trainees at less than the applicable predetermined rate for the work performed until an acceptable program is approved.

(iii) Equal employment opportunity. The utilization of apprentices, trainees and journeymen under this part shall be in conformity with the equal employment opportunity requirements of Executive Order 11246, as amended, and 29 CFR part 30.

(5) Compliance with Copeland Act requirements. The contractor shall comply with the requirements of 29 CFR part 3, which are incorporated by reference in this contract.

(6) Subcontracts. The contractor or subcontractor shall insert in any subcontracts the clauses contained in 29 CFR 5.5(a)(1) through (10) and such other clauses as the EPA determines may be appropriate, and also a clause requiring the subcontractors to include these clauses in any lower tier subcontracts. The prime contractor shall be responsible for the compliance by any subcontractor or lower tier subcontractor with all the contract clauses in 29 CFR 5.5.

(7) Contract termination: debarment. A breach of the contract clauses in 29 CFR 5.5 may be grounds for termination of the contract, and for debarment as a contractor and a subcontractor as provided in 29 CFR 5.12.

(8) Compliance with Davis Bacon and Related Act requirements. All rulings and interpretations of the Davis Bacon and Related Acts contained in 29 CFR parts 1, 3, and 5 are herein incorporated by reference in this contract.

(9) Disputes concerning labor standards. Disputes arising out of the labor standards provisions of this contract shall not be subject to the general disputes clause of this contract. Such disputes shall be resolved in accordance with the procedures of the Department of Labor set forth in 29 CFR parts 5, 6, and 7. Disputes within the meaning of this clause include disputes between the contractor (or any of its subcontractors) and subrecipient(s), the State, EPA, the U.S. Department of Labor, or the employees or their representatives.

(10) Certification of eligibility.

(i) By entering into this contract, the contractor certifies that neither it (nor he or she) nor any person or firm who has an interest in the contractor's firm is a person or firm ineligible to be awarded Government contracts by virtue of section 3(a) of the Davis Bacon Act or 29 CFR 5.12(a)(1).

(ii) No part of this contract shall be subcontracted to any person or firm ineligible for award of a Government contract by virtue of section 3(a) of the Davis Bacon Act or 29 CFR 5.12(a)(1).

(iii) The penalty for making false statements is prescribed in the U.S. Criminal Code, 18 U.S.C. 1001.

4. Contract Provision for Contracts in Excess of \$100,000.

(a) Contract Work Hours and Safety Standards Act. The subrecipient shall insert the following clauses set forth in paragraphs (a)(1), (2), (3), and (4) of this section in full in any contract in an amount in excess of \$100,000 and subject to the overtime provisions of the Contract Work Hours and Safety Standards Act. These clauses shall be inserted in addition to the clauses required by Item 3 above or 29 CFR 4.6. As used in this paragraph, the terms laborers and mechanics include watchmen and guards.

(1) Overtime requirements. No contractor or subcontractor contracting for any part of the contract work which may require or involve the employment of laborers or mechanics shall require or permit any such laborer or mechanic in any workweek in which he or she is

employed on such work to work in excess of 40 hours in such workweek unless such laborer or mechanic receives compensation at a rate not less than one and one-half times the basic rate of pay for all hours worked in excess of 40 hours in such workweek.

(2) Violation; liability for unpaid wages; liquidated damages. In the event of any violation of the clause set forth in paragraph (b)(1) of this section the contractor and any subcontractor responsible therefore shall be liable for the unpaid wages. In addition, such contractor and subcontractor shall be liable to the United States (in the case of work done under contract for the District of Columbia or a territory, to such District or to such territory), for liquidated damages. Such liquidated damages shall be computed with respect to each individual laborer or mechanic, including watchmen and guards, employed in violation of the clause set forth in paragraph (b)(1) of this section, in the sum of \$10 for each calendar day on which such individual was required or permitted to work in excess of the standard workweek of 40 hours without payment of the overtime wages required by the clause set forth in paragraph (b)(1) of this section.

(3) Withholding for unpaid wages and liquidated damages. The subrecipient shall upon the request of the EPA Award Official or an authorized representative of the Department of Labor, withhold or cause to be withheld, from any moneys payable on account of work performed by the contractor or subcontractor under any such contract or any other Federal contract with the same prime contractor, or any other federally-assisted contract subject to the Contract Work Hours and Safety Standards Act, which is held by the same prime contractor, such sums as may be determined to be necessary to satisfy any liabilities of such contractor or subcontractor for unpaid wages and liquidated damages as provided in the clause set forth in paragraph (b)(2) of this section.

(4) Subcontracts. The contractor or subcontractor shall insert in any subcontracts the clauses set forth in paragraph (b)(1) through (4) of this section and also a clause requiring the subcontractors to include these clauses in any lower tier subcontracts. The prime contractor shall be responsible for compliance by any subcontractor or lower tier subcontractor with the clauses set forth in paragraphs (b)(1) through (4) of this section.

(c) In addition to the clauses contained in Item 3 above, in any contract subject only to the Contract Work Hours and Safety Standards Act and not to any of the other statutes cited in 29 CFR 5.1, the subrecipient shall insert a clause requiring that the contractor or subcontractor shall maintain payrolls and basic payroll records during the course of the work and shall preserve them for a period of three years from the completion of the contract for all laborers and mechanics, including guards and watchmen, working on the contract. Such records shall contain the name and address of each such employee, social security number, correct classifications, hourly rates of wages paid, daily and weekly number of hours worked, deductions made, and actual wages paid. Further, the subrecipient shall insert in any such contract a clause providing that the records to be maintained under this paragraph shall be made available by the contractor or subcontractor for inspection, copying, or transcription by authorized representatives of the Authority and the Department of Labor, and the contractor or subcontractor will permit such representatives to interview employees during working hours on the job.

5. Compliance Verification

(a) The subrecipient shall periodically interview a sufficient number of employees entitled to DB prevailing wages (covered employees) to verify that contractors or subcontractors are paying the appropriate wage rates. As provided in 29 CFR 5.6(a)(6), all interviews must be conducted in confidence. The subrecipient must use Standard Form 1445 (SF 1445) or equivalent documentation to memorialize the interviews. Copies of the SF 1445 are included with this packet.

(b) The subrecipient shall establish and follow an interview schedule based on its assessment of the risks of noncompliance with DB posed by contractors or subcontractors and the duration of the contract or subcontract. At a minimum, the subrecipient should conduct interviews with a representative group of covered employees within two weeks of each contractor or subcontractor's submission of its initial weekly payroll data and two weeks prior to the estimated completion date for the contract or subcontract. Subrecipients must conduct more frequent interviews if the initial interviews or other information indicates that there is a risk that the contractor or subcontractor is not complying with DB. Subrecipients shall immediately conduct necessary interviews in response to an alleged violation of the prevailing wage requirements. All interviews shall be conducted in confidence.

(c) The subrecipient shall periodically conduct spot checks of a representative sample of weekly payroll data to verify that contractors or subcontractors are paying the appropriate wage rates. The subrecipient shall establish and follow a spot check schedule based on its assessment of the risks of noncompliance with DB posed by contractors or subcontractors and the duration of the contract or subcontract. At a minimum, if practicable the subrecipient should spot check payroll data within two weeks of each contractor or subcontractor's submission of its initial payroll data and two weeks prior to the completion date the contract or subcontract. Subrecipients must conduct more frequent spot checks if the initial spot check or other information indicates that there is a risk that the contractor or subcontractor is not complying with DB. In addition, during the examinations the subrecipient shall verify evidence of fringe benefit plans and payments thereunder by contractors and subcontractors who claim credit for fringe benefit contributions.

(d) The subrecipient shall periodically review contractors and subcontractors use of apprentices and trainees to verify registration and certification with respect to apprenticeship and training programs approved by either the U.S Department of Labor or a state, as appropriate, and that contractors and subcontractors are not using disproportionate numbers of laborers, trainees and apprentices. These reviews shall be conducted in accordance with the schedules for spot checks and interviews described in Item 5(b) and (c) above.

(e) Subrecipients must immediately report potential violations of the DB prevailing wage requirements to the EPA DB contact listed below and to the appropriate DOL Wage and Hour District Office listed at www.dol.gov/whd.

Joe Ochab, EPA Region 9, 75 Hawthorne St. (P-22), San Francisco, CA 94105

**Water Infrastructure Finance Authority of Arizona
Clean Water Revolving Fund
Drinking Water Revolving Fund**

Equal Employment

Inclusion of these seven clauses (excerpt from Executive Order No. 11246, Section 202 as amended by Executive Order 11375 and 12086) is required in all CWRP and DWRP project related contracts and subcontracts over \$10,000:

During the performance of this contract, the contractor agrees as follows:

- (1) The contractor will not discriminate against any employee or applicant for employment because of race, color, religion, sex or national origin. The contractor will take affirmative action to ensure that applicants are employed, and that employees are treated during employment, without regard to their race, color, religion, sex, or national origin. Such action shall include, but not be limited to the following: employment, upgrading, demotion, or transfer; recruitment or recruitment advertising; layoff or termination; rates of pay or other forms of compensation; and selection for training, including apprenticeship. The contractor agrees to post in conspicuous places, available to employees and applicants for employment, notices to be provided by the contracting officer setting forth the provisions of this nondiscrimination clause.
- (2) The contractor will, in all solicitations or advertisements for employees placed by or on behalf of the contractor, state that all qualified applicants will receive consideration for employment without regard to race, color, religion, sex, or national origin.
- (3) The contractor will send to each labor union or representative of workers with which he has a collective bargaining agreement or other contract or understanding, a notice, to be provided by the agency contracting officer, advising the labor union or worker's representative of the contractor's commitments under Section 202 of Executive Order No. 11246 of September 24, 1965, and shall post copies of the notice in conspicuous places available to employees and applicants for employment.
- (4) The contractor will comply with all provisions of Executive Order No. 11246 of Sept. 24, 1965, and all of the rules, regulations, and relevant orders of the Secretary of Labor.
- (5) The contractor will furnish all information and reports required by Executive Order No. 11246 of Sept. 24, 1965, and by the rules, regulations and orders of the Secretary of Labor, or pursuant thereto, and will permit access to his books, records, and accounts by the contracting agency and the Secretary of Labor for purposes of investigation to ascertain compliance with such rules, regulations, and orders.
- (6) In the event of the contractor's noncompliance with the nondiscrimination clauses of this contract or with any of such rules, regulations, or orders, this contract may be cancelled, terminated or suspended in whole or in part and the contractor may be declared ineligible for further Government contracts in accordance with procedures authorized in

Executive Order No. 11246 of Sept. 24, 1965, and such other sanctions may be imposed and remedies invoked as provided in Executive Order No. 11246 of Sept. 24, 1965, or by rule, regulation, or order of the Secretary of Labor, or as otherwise provided by law.

(7) The contractor will include the provisions of paragraphs (1) through (7) in every subcontract or purchase order unless exempted by rules, regulations, or orders of the Secretary of Labor issued pursuant to Section 204 of Executive Order No. 11246 of Sept. 24, 1965, so that such provisions will be binding upon each subcontractor or vendor. The contractor will take such action with respect to any subcontract or purchase order as may be directed by the Secretary of Labor as a means of enforcing such provisions including sanctions for noncompliance: provided, however, that in the event the contractor becomes involved in, or is threatened with, litigation with a subcontractor or vendor as a result of such direction, the contractor may request the United States to enter into such litigation to protect the interests of the United States.

**Water Infrastructure Finance Authority of Arizona
Clean Water Revolving Fund
Drinking Water Revolving Fund**

Disadvantaged Business Enterprises (DBE)

Good Faith Efforts

Borrowers and their prime contractors must follow, document, and maintain documentation of their good faith efforts as listed below to ensure that Certified Disadvantage Business Enterprises (DBEs) have the opportunity to participate in the project by increasing DBE awareness of procurement efforts and outreach.

1. Ensure DBEs are made aware of contracting opportunities to the fullest extent practicable through outreach and recruitment activities; including placing DBEs on solicitation lists and soliciting them whenever they are potential sources.
2. Make information on forthcoming opportunities available to DBEs and arrange time frames for contracts and establish delivery schedules, where the requirements permit, in a way that encourages and facilitates participation by DBEs in the competitive process. This includes, whenever possible, posting solicitation for bids or proposals for a minimum of 30 calendar days before the bid or proposal closing date.
3. Consider in the contracting process whether firms competing for large contracts could be subcontracted with DBEs. This will include dividing total requirements when economically feasible into smaller tasks or quantities to permit maximum participation by DBEs in the competitive process.
4. Encourage contracting with a consortium of DBEs when a contract is too large for one of these firms to handle individually.
5. Use the services and assistance of the Small Business Administration and the Minority Business Development Agency of the U. S. Department of Commerce.
6. If the prime contractor awards subcontracts, require the prime contractor to take the steps in numbers 1 through 5 above.

Required Contract Conditions

These conditions must be included in all procurement contracts entered into by the Borrower for all DWRF and CWRP projects:

1. The prime contractor must pay its subcontractor for satisfactory performance no more than 30 days from the prime contractor's receipt of payment from the owner.
2. The prime contractor must notify the owner in writing prior to the termination of any Disadvantage Business Enterprise subcontractor for convenience by the prime contractor.
3. If a Disadvantage Business Enterprise contractor fails to complete work under the subcontract for any reason, the prime contractor must employ the six good faith efforts if soliciting a replacement contractor.
4. The prime contractor must continue to employ the six good faith efforts even if the prime contractor has achieved its fair share objectives.

5. The prime contractor must provide EPA Form 6100-2 DBE Program Subcontractor Participation Form** to all of its Disadvantaged Business Enterprise subcontractors. Disadvantaged Business Enterprise subcontractors may send completed Form 6100-2 directly to the Region 9 DBE Coordinator listed below:

Joe Ochab, EPA Region 9, 75 Hawthorne St. (P-22), San Francisco, CA 94105

6. The prime contractor must have its Disadvantaged Business Enterprise subcontractors complete EPA Form 6100-3 - DBE Program Subcontractor Performance Form**. The prime contractor must include all completed forms as part of the prime contractor's bid or proposal package to the Borrower.
7. The prime contractor must complete and submit EPA 6100-4 DBE Program Subcontractor Utilization Form** as part of the prime contractor's bid or proposal package to the Borrower.
8. A Borrower must ensure that each procurement contract it awards contains the following terms and conditions:

The contractor shall not discriminate on the basis of race, color, national origin or sex in the performance of this contract. The contractor shall carry out applicable requirements of 40 CFR Part 33 in the award and administration of contracts awarded under EPA financial assistance agreements. Failure by the contractor to carry out these requirements is a material breach of this contract which may result in the termination of this contract or other legally available remedies.

** DBE forms can be downloaded from www.epa.gov/osbp/grants.htm

Exhibit D

Company balance sheet and income statement data

Cienega Water Company
Comparative Statement of Income and Expenses -- Page 8 of ACC Annual Reports
For Fiscal Years Ending December 31

	2006	2007	2008	2009	2010
Operating Revenues					
Metered Water Sales	30,027	31,204	27,225	27,168	29,120
Other Water Sales	0	0	0	0	0
Other Operating Revenue	345	148	126	126	1,500
Total Operating Revenues	30,372	31,353	27,351	27,294	30,620
Operating Expenses					
Salaries & Wages	7,200	8,400	0	2,800	0
Purchased Power	1,571	1,485	1,324	1,522	1,613
Purchased Pumping Power	0	0	0	0	0
Water Testing	764	642	2,161	822	1,184
Water Treatment	0	0	0	0	1,500
Repairs & Maintenance	4,400	2,520	2,455	0	1,173
Office Supplies & Expense	271	168	444	178	332
Outside Services	697	1,363	7,934	1,375	803
Leases	0	0	0	0	0
Rents	0	0	0	0	0
Transportation Expense	0	0	4,925	1,674	1,527
General Insurance	0	0	0	0	0
Health & Life Insurance	0	0	0	0	0
Regulatory Commission Expense - Rate Case	0	0	0	0	0
Miscellaneous Operating Expense	4,225	3,889	1,415	738	873
Taxes Other Than Property & Income	1,771	1,559	1,602	1,226	1,896
Property Tax	1,221	1,136	940	888	820
Depreciation	8,970	8,970	8,971	10,815	10,199
Income Tax	0	50	50	0	0
Total Operating Expenses	31,091	30,181	32,220	22,038	21,920
Operating Income (Loss)	(719)	1,171	(4,869)	5,256	8,700
Other Income/Expense					
Interest Income	0	0	0	0	0
Other Income	0	0	0	0	0
Other Expense	277	175	(4)	32	0
Interest Expense	6,278	12,224	4,452	5,668	11,860
Total Other Income/Expense	(6,555)	(12,398)	(4,448)	(5,700)	(11,860)
NET INCOME (LOSS)	(7,274)	(11,227)	(9,317)	(444)	(3,160)

For Fiscal Years Ending December 31

	2006	2007	2008	2009	2010
Assets					
Current Assets					
Cash & Cash Equivalents	10,761	6,712	4,280	5,512	6,600
Marketable Securities	0	0	0	0	0
Accounts Receivable (less doubtful accounts)	0	0	0	0	0
Materials & Supplies	0	0	0	0	0
Other Current Assets-WIFA Reserve Fund	0	0	0	0	0
Prepaid Expenses	0	0	0	0	0
Total Current Assets	10,761	6,712	4,280	5,512	6,600
Other Assets					
Restricted Cash-WIFA Set Aside	0	0	0	0	0
Deferred Expenses	0	0	0	0	0
Deposits	0	0	0	0	0
Other Property & Investments	0	0	0	0	0
Investments in Affiliated Companies	0	0	0	0	0
Total Other Assets	2,240	2,240	2,240	4,219	0
Fixed Assets (less Accumulated Depreciation)	112,776	103,806	94,835	100,517	94,537
Total Assets	125,776	112,757	101,354	110,248	101,137
Liabilities					
Current Liabilities					
	6,200	9,515	9,515	9,515	9,515
Long-Term Debt & Leases (net of Current)	189,682	184,471	182,385	191,723	185,059
Other Liabilities					
Customer Advances to Aid Construction	0	0	0	0	0
Meter Deposits	0	0	0	0	0
Deferred Income Taxes & Tax Credits	0	0	0	0	0
Total Other Liabilities	0	0	0	0	0
Total Liabilities	195,882	193,986	191,900	201,238	194,574
Capitalization					
Equity					
Common & Preferred Stock	5,700	5,700	5,700	5,700	5,700
Additional Paid-in Capital	0	0	0	0	0
Retained Earnings	(68,531)	(75,702)	(86,929)	(96,246)	(96,690)
Proprietary Capital	(7,274)	(11,226)	(9,317)	(444)	(2,447)
Total Equity	(70,106)	(81,229)	(90,546)	(90,990)	(93,437)
Contributions to Aid Construction	0	0	0	0	0
Total Capitalization	(70,106)	(81,229)	(90,546)	(90,990)	(93,437)
Total Liabilities and Equity	125,776	112,757	101,354	110,248	101,137

Exhibit E
Notice to Customers

**PUBLIC NOTICE
OF
AN APPLICATION FOR AN ORDER**

AUTHORIZING THE ISSUANCE OF Debt BY CienegaWater Company

The Cienega Water Company filed an Application with the Arizonan Corporation Commission for an order authorizing Applicant to issuance \$50,000.00 of Debt. The application is available for inspection during regular business hours at the office of the Commission in Phoenix, Arizona, and the Company's offices in Parker, Arizona.

Intervention in the Commission's proceedings on the application shall be permitted to any person entitled by law to intervene and having a direct substantial interest in this matter. Persons desiring to intervene must file a Motion to Intervene with the Commission which must be served upon applicant and which, at a minimum, shall contain the following information:

1. The name, address and telephone number of the proposed intervenor and of any person upon whom service of documents is to be made if different than the intervenor.
2. A short statement of the proposed intervenor's interest in the proceeding.
3. Whether the proposed intervenor desires a formal evidentiary hearing on the application and the reasons for such a hearing.
4. A statement certifying that a copy of the Motion to Intervene has been mailed to Applicant.

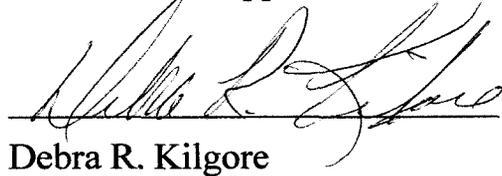
The granting of Motions to Intervene shall be governed by A.A.C. R14-3-105, except that all Motions to Intervene must be filed on, or before, the 15th day after this notice

P.O. BOX 3518
PARKER, ARIZONA 85344

May 3, 2011

Arizona Corporation Commission
Re: Affidavit
To Whom It May Concern:

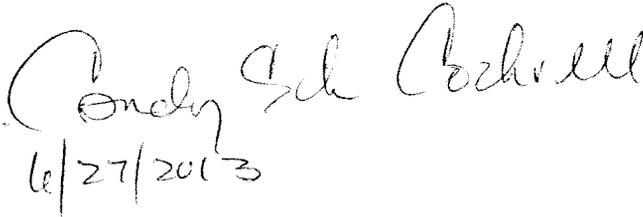
I certify that all our water customers were sent a notice of the financing application along with a notice of the rate case application by mail on April 28, 2011. A copy of the notice was given to Water Nexus Consulting to include in our application.



Debra R. Kilgore

Cienega Water Company

May 3, 2011
Date


6/27/2013

