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BEFORE THE ARIZONA CORPORATIO

COMMISSIONERS

DOUG LITTLE - Chairman
BOB STUMP
BOB BURNS
TOM FORESE
ANDY TOBIN

IN THE MATTER OF THE APPLICATION OF
LIBERTY UTILITIES (BLACK MOUNTAIN
SEWER) CORP., AN ARIZONA CORPORATION,
FOR AUTHORITY TO ISSUE EVIDENCE OF
INDEBTEDNESS IN AN AMOUNT NOT TO
EXCEED \$3,400,000.

DOCKET NO. SW-02361A-15-0206

IN THE MATTER OF THE APPLICATION OF
LIBERTY UTILITIES (BLACK MOUNTAIN
SEWER) CORP., AN ARIZONA CORPORATION,
FOR A DETERMINATION OF THE FAIR VALUE
OF ITS UTILITY PLANTS AND PROPERTY AND
FOR INCREASES IN ITS WASTEWATER RATES
AND CHARGES FOR UTILITY SERVICE BASED
THEREON.

DOCKET NO. SW-02361A-15-0207

DECISION NO. 75510

OPINION AND ORDER

DATE OF HEARING:	January 28, 2016 (pre-hearing conference) and February 1, 2016 (evidentiary hearing)
PLACE OF HEARING:	Phoenix, Arizona
ADMINISTRATIVE LAW JUDGE:	Sasha Paternoster
APPEARANCES:	Mr. Jay L. Shapiro, SHAPIRO LAW FIRM, P.C., on behalf of Liberty Utilities (Black Mountain Sewer) Corporation;
	Mr. Daniel W. Pozefsky, on behalf of the Residential Utility Consumer Office;
	Mr. Scott S. Wakefield, HIENTON & CURRY, P.L.L.C., on behalf of the Town of Carefree;
	Ms. Michele L. Van Quathem, RYLEY CARLOCK & APPLEWHITE, on behalf of CP Boulders, L.L.C.; and
	Ms. Robin Mitchell and Mr. Wesley C. Van Cleve, Staff Attorneys, Legal Division, on behalf of the Utilities Division of the Arizona Corporation Commission.

Arizona Corporation Commission

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1 **BY THE COMMISSION:**

2 * * * * *

3 Having considered the entire record herein and being fully advised in the premises, the Arizona
4 Corporation Commission (“Commission”) finds, concludes, and orders that:

5 **FINDINGS OF FACT**

6 **I. PROCEDURAL HISTORY**

7 1. On June 22, 2015, Liberty Utilities (Black Mountain Sewer) Corp. (“Liberty Black
8 Mountain” or “Company”) filed with the Commission, in Docket No. SW-02361A-15-0206, an
9 application requesting Commission authorization to issue evidence of indebtedness in a total amount
10 not to exceed \$3,400,000 (“Finance Docket”).

11 2. Also on June 22, 2015, Liberty Black Mountain filed with the Commission, in Docket
12 No. SW-02361A-15-0207, an application requesting that the Commission establish the fair value of its
13 plant and property used for the provision of public wastewater utility service and, based on such
14 finding, approve permanent rates and charges for utility service designed to produce a fair return
15 thereon using a test year ending December 31, 2014 (“Rates Docket”). According to the Company, the
16 rate case was brought to address (1) changes to the plans and estimated costs of the plant closure, (2)
17 recovery of the Company’s \$1 million investment to close the plant, (3) Liberty Black Mountain’s
18 inability to earn sufficient revenue and returns, and (4) the request and need for a new commercial rate
19 design.

20 3. On June 23, 2015, Liberty Black Mountain filed Motions to Consolidate in both the
21 Finance Docket and the Rates Docket. The Company stated that, by consolidating both proceedings,
22 resources would be better utilized as both dockets are “inextricably linked.”

23 4. On July 6, 2015, by Procedural Order, the Finance Docket and Rates Docket were
24 consolidated.

25 5. On July 15, 2015, Liberty Black Mountain filed an Amendment to its rate application.

26 6. On July 16, 2015, the Commission’s Utilities Division (“Staff”) issued a Letter of
27 Sufficiency stating that Liberty Black Mountain’s rate application had met the sufficiency requirements
28 of Arizona Administrative Code (“A.A.C.”) R14-2-103 and that the Company had been classified as a

1 Class C utility.

2 7. On July 17, 2015, the Residential Utility Consumer Office (“RUCO”) filed an
3 Application to Intervene.

4 8. On July 21, 2015, CP Boulders, LLC dba the Boulders Resort (“the Resort”) filed an
5 Application to Intervene.

6 9. On July 31, 2015, by Procedural Order, RUCO and the Resort were granted
7 intervention. The Procedural Order also scheduled an evidentiary hearing to commence on January 12,
8 2016, set procedural deadlines, and directed public notice of the applications and hearing date.

9 10. On August 12, 2015, Staff filed a Request for Modification of Procedural Schedule
10 (“Request”) stating that, due to the complexity of the issues regarding rate design and plant closure,
11 Staff needed additional time to process Liberty Black Mountain’s applications. Staff’s Request also
12 noted that the Company, RUCO, and the Resort had no objection to Staff’s proposed procedural
13 schedule.

14 11. On August 19, 2015, by Procedural Order, the procedural schedule was modified in
15 accordance with Staff’s Request.

16 12. On August 21, 2015, Liberty Black Mountain filed a Consent to Email Service.

17 13. On September 22, 2015, Liberty Black Mountain filed a Notice of Filing Certification
18 of Publication and Proof of Mailing.

19 14. On September 23, 2015, the Town of Carefree (“the Town”) filed an Application for
20 Leave to Intervene.

21 15. On October 7, 2015, by Procedural Order, the Town was granted intervention.

22 16. On November 10, 2015, Staff filed a Consent to Email Service.

23 17. On November 16, 2015, Liberty Black Mountain filed a Notice of Filing Proposed
24 Settlement Agreement (“Town/Resort Agreement”) executed between parties Liberty Black Mountain,
25 the Town, and the Resort, as well as non-parties Wind P1 Mortgage Borrower, L.L.C. and the Boulders
26 Homeowners Association (“BHOA”). The proposed settlement set a date certain for closure of the
27 Boulders Wastewater Treatment Plant (“WWTP”) on November 30, 2018; sought to settle issues
28 related to litigation and the release of potential claims arising from Decisions in Docket No. SW-

1 02361A-08-0609; and sought to settle issues related to the Company's request for recovery of costs
2 due to the closure of the WWTP.

3 18. On November 17, 2015, Staff filed a Motion for Extension of Time for Filing Testimony
4 ("Motion"), requesting that the remaining filing dates for testimony be extended by two weeks. The
5 filing stated that no party objected to the extension of time.

6 19. On November 18, 2015, by Procedural Order, Staff's Motion was granted.

7 20. On November 24, 2015, the Town filed the direct testimony of Mayor Les Peterson.

8 21. On December 2, 2015, Staff filed the direct testimony of Crystal S. Brown and Dorothy
9 Hains, P.E.; the Resort filed the direct testimony of Joseph Yung; and RUCO filed the direct testimony
10 of Timothy Coley and John Cassidy.

11 22. On December 3, 2015, Staff filed Financing and Cost of Capital Schedules to the direct
12 testimony of witness Crystal S. Brown.

13 23. On December 16, 2015, Staff filed the direct testimony regarding rate design and cost
14 of service of James R. Armstrong, Crystal Brown, and Dorothy Hains, P.E., and RUCO filed the direct
15 testimony of Timothy Coley on rate design.

16 24. On December 17, 2015, Liberty Black Mountain filed a Notice of Settlement
17 Discussions.

18 25. On January 6, 2016, Liberty Black Mountain filed the rebuttal testimony of Matthew
19 Garlick, Greg Sorenson, William R. Killeen, and Thomas J. Bourassa on rate base, income statement,
20 rate design, and cost of capital.

21 26. On January 15, 2016, Liberty Black Mountain, on behalf of all of the parties to the
22 Docket, filed a Notice of Settlement ("Notice"). The Notice indicated that all parties had reached an
23 agreement to settle all disputed issues in the instant Dockets and that the parties anticipated filing an
24 executed Settlement Agreement and supporting testimony on January 22, 2016 and January 27, 2016,
25 respectively. The Notice requested that the remaining procedural deadlines be suspended.

26 27. On January 20, 2016, by Procedural Order, the Surrebuttal and Rejoinder testimony
27 deadlines were suspended; the executed Settlement Agreement was directed to be filed by January 22,
28 2016; and testimony supporting the Settlement Agreement was directed to be filed by January 27, 2016.

1 28. On January 22, 2016, Staff filed Staff's Notice of Filing Settlement Agreement and
2 attached the executed Comprehensive Settlement Agreement ("Comprehensive Settlement"), the
3 purpose of which was to settle all issues and claims in the Finance Docket and Rates Docket among all
4 of the parties.

5 29. On January 27, 2016, testimony in support of the Comprehensive Settlement was filed
6 by Matthew Garlick on behalf of Liberty Black Mountain, David P. Tenney on behalf of RUCO, Elijah
7 Abinah on behalf of Staff, Howard Harris on behalf of the Resort, and Mayor Les Peterson on behalf
8 of the Town.

9 30. On January 28, 2016, the pre-hearing conference convened as scheduled. Liberty Black
10 Mountain, RUCO, the Resort, the Town, and Staff appeared through counsel and discussed procedural
11 issues associated with the hearing.

12 31. On January 29, 2016, Liberty Black Mountain filed a proposed Special Tariff for
13 Breweries and documentation demonstrating the Company's proposed pretreatment program consistent
14 with wastewater service industry standards and as required by the City of Scottsdale.

15 32. On February 1, 2016, a full public hearing regarding the Comprehensive Settlement and
16 related issues was held as scheduled, with Liberty Black Mountain, Staff, RUCO, the Resort, and the
17 Town appearing through counsel. At the conclusion of the hearing, the Comprehensive Settlement and
18 other exhibits were taken under advisement pending submission of a Recommended Opinion and Order
19 to the Commission for final disposition.

20 33. A number of public comments in opposition to the Company's rate application have
21 been submitted by customers during the pendency of this docket.

22 **II. BACKGROUND**

23 34. Liberty Black Mountain is an Arizona public service corporation that provides
24 wastewater utility service to the public in portions of Maricopa County, Arizona pursuant to authority
25 granted by the Commission. During the test year, the Company served approximately 2,053 customers.

26 35. Liberty Black Mountain is a wholly owned subsidiary of Liberty Utilities (Sub) Corp.,
27 which is wholly owned by Liberty Utilities Co. ("Liberty Utilities"), a Delaware corporation. Liberty
28 Utilities is a subsidiary of Liberty Utilities (Canada) Corp. ("Liberty Utilities Canada"). Algonquin

1 Power Utilities Corp. ("APUC"), a Canadian corporation whose shares are traded on the Toronto Stock
2 Exchange ("TSX"), is the ultimate parent of all of the Liberty Utilities entities.

3 36. Liberty Black Mountain's current rates were approved in Decision No. 71865
4 (September 1, 2010).

5 37. In December 2008, the Company filed a rate application with the Commission in which
6 the BHOA and the Town intervened as parties. Subsequently, Liberty Black Mountain and the BHOA
7 entered into a Plant Closure Agreement, which the Town supported. The Plant Closure Agreement
8 included several conditions that needed to be met in order to close the WWTP, one of which was
9 termination of the Effluent Delivery Agreement ("EDA") between the Company and the Resort.¹

10 38. On September 1, 2010, the Commission issued Decision No. 71865 ("Phase 1
11 Decision"), supporting the Plant Closure Agreement and approving a plant closure cost recovery
12 mechanism to assist in the funding and recovery of costs needed to close the WWTP. Further, the
13 Company was directed to present evidence in its next rate case on alternative methods for calculating
14 sewage flow to replace its approved tariff rate which is based on the Arizona Department of
15 Environmental Quality ("ADEQ") Engineering Bulletin No. 12.

16 39. Liberty Black Mountain and the Resort attempted to reach a resolution to terminate the
17 EDA, but they were unable to reach an agreement. As a result, the BHOA requested that the
18 Commission reopen the Phase 1 Decision and to order the closure of the WWTP. The Commission
19 voted to reopen Decision No. 71865 and the Resort intervened in those proceedings.

20 40. On May 8, 2013, the Commission issued Decision No. 73885 ("Phase 2 Decision"),
21 ordering Liberty Black Mountain to close the WWTP and reaffirming the surcharge mechanism.

22 41. Pursuant to Arizona Revised Statutes ("A.R.S.") § 40-253, the Resort filed a petition
23 for rehearing of the Phase 2 Decision, which was denied by operation of law. The Resort then filed an
24 appeal of the Phase 2 Decision in Maricopa County Superior Court, case No. CV2013-00784, arguing
25 that the plant closure order exceeded the Commission's authority. The Superior Court upheld the
26 Commission's decision, and the Resort filed an appeal with the Arizona Court of Appeals in Case No.

27

28 ¹ The Resort was not a party to the initial part of the proceedings.

1 CA-CV14-0643.²

2 42. On April 23, 2015, the Commission issued Decision No. 75042, resolving a complaint
3 filed by a commercial customer of Liberty Black Mountain alleging the Company had engaged in rate
4 discrimination. The complaint was dismissed for lack of evidence; however, the Commission
5 expressed concerns over the Company's use of ADEQ Engineering Bulletin No. 12 to establish sewage
6 rates rather than actual water usage.

7 43. The Commission directive to close and remove the WWTP, which is located in the
8 Boulders community, as well as the Town's and Commission's request for Liberty Black Mountain to
9 modify its commercial rate design, are the backdrop upon which the present rate case was filed.

10 III. TOWN/RESORT AGREEMENT

11 44. On November 16, 2015, Liberty Black Mountain filed a proposed Town/Resort
12 Agreement between the Company, the Town, the Resort, and the BHOA³, attached hereto as Exhibit
13 A. The stated purpose of the Town/Resort Agreement is to "settle and compromise (1) litigation arising
14 out of the Commission's Phase 2 Decision, including the Appeal; (2) claims that have not yet been
15 pursued relating to the Phase 1 and Phase 2 Decisions and EDA; and (3) relief sought by Liberty Black
16 Mountain in the 2015 Rate Case related to the closure of the plant."⁴

17 45. The Town/Resort Agreement also set November 30, 2018, as a date certain for closure
18 of the WWTP.

19 IV. COMPREHENSIVE SETTLEMENT

20 46. Liberty Black Mountain, RUCO, the Resort, the Town, and Staff are all signatories to
21 the Comprehensive Settlement. A copy of the Comprehensive Settlement is attached hereto as Exhibit

22 B. The Comprehensive Settlement resolves all disputed issues in this case, among all parties to the
23 case.

24 47. Per the Comprehensive Settlement, Liberty Black Mountain, the Resort, and the Town
25 agree that the Town/Resort Agreement is still in effect as to the signatories to that agreement with the
26 exception of any terms specifically modified by the Comprehensive Settlement.

27 ² On November 24, 2015, the Court of Appeals case was stayed pending the outcome of this matter.

28 ³ Neither Staff nor RUCO are signatories to the Town/Resort Agreement.

⁴ Exhibit A at p. 5.

1 48. The remaining terms of the Town/Resort Agreement include the development of a
2 special commercial tariff governing the terms and conditions of service to provide wastewater to
3 breweries in the service area. Further, the Town/Resort Agreement provides for remediation and sales
4 activities related to closure of the plant site, dismissal of the Resort's appeal that is currently stayed
5 with the Arizona Court of Appeals, and waiver of any related potential claims.

6 49. The Company's finance application requests authority to borrow \$3.4 million from its
7 parent, Liberty Utilities.

8 50. Liberty Black Mountain's rate application requested a revenue increase of \$417,940,
9 over adjusted test year revenues of \$2,239,848, or 18.75 percent, for a total revenue requirement of
10 \$2,657,788, and a 8.62 percent rate of return on its proposed fair value rate base ("FVRB")⁵ of
11 \$3,412,024. The terms of the Comprehensive Settlement call for a 7.71 percent rate of return on FVRB
12 of \$4,195,730. This results in a revenue increase of \$175,232, or 7.82 percent, for a total revenue
13 requirement of \$2,415,080.

14 **A. Finance Application**

15 51. Liberty Black Mountain's finance application requests authorization to incur long term
16 debt from Liberty Utilities in a total amount not to exceed \$3,400,000. According to the application,
17 Liberty Black Mountain seeks to borrow approximately \$2 million initially to achieve a capital
18 structure of 70 percent equity and 30 percent debt and borrow additional funds as necessary to maintain
19 its capital structure.

20 52. Liberty Black Mountain's finance application requests approval to incur a loan
21 amortized over ten (10) years at an interest rate of 3.53 percent.⁶ The application states the Company's
22 Debt Service Coverage Ratio will be 8.11 and its Times Interest Earned Ratio will be 6.59 at full
23 borrowing capacity.

24 53. Pursuant to the Comprehensive Settlement, the parties agree to all the terms and
25 conditions in Liberty Black Mountain's finance application and recommend approval of the
26 application. Based on the entirety of the record in this proceeding, we find that the finance application
27

28 ⁵ Liberty Black Mountain proposed that its original cost rate base be considered its FVRB.

⁶ The interest rate is equal to the United States 10 Year Treasury Bond rate plus 130 basis points.

1 should be approved.

2 **B. Rate Base**

3 54. The parties agree that the FVRB for Liberty Black Mountain is \$4,195,730. The
4 Company's FVRB is inclusive of \$825,080 of plant closure costs, \$97,456 of corporate plant, with a
5 plant in service ("PIS") balance of \$14,126,094, accumulated depreciation ("A/D") balance of
6 \$8,757,889, advances in aid of construction ("AIAC") balance of \$520,749, contributions in aid of
7 construction ("CIAC") balance of \$6,445,253, accumulated amortization balance of \$5,333,859,
8 accumulated deferred income tax ("ADIT") balance of \$247,377, customer meter deposits balance of
9 \$8,570, prepayments balance of \$9,493, and a negative cash working capital allowance of \$(118,960).
10 Based on the entirety of the record in this proceeding, and in accordance with the agreement of the
11 parties, we find that the FVRB for Liberty Black Mountain is \$4,195,730.

12 **C. Operating Income**

13 55. The parties agree that the adjusted test year revenues are \$2,239,848, and adjusted test
14 year operating expenses are \$2,021,691, for test year adjusted operating income of \$218,157. The
15 amount of operating expenses was determined by making adjustments to recognized depreciation
16 expense equal to \$500,924; to allow corporate non-labor cost allocations from Liberty Utilities (Sub)
17 Corp. of \$84,790 and corporate cost allocations from APUC/Liberty Utilities Canada of \$37,815; and
18 to rate case expense of \$350,000 to be amortized over four (4) years. Based on the entirety of the
19 record in this proceeding, and in accordance with the agreement of the parties, we determine that the
20 test year adjusted operating income is \$218,157.

21 **D. Cost of Capital**

22 56. Liberty Black Mountain's actual capital structure at the end of the test year was 100
23 percent equity yet the parties have agreed to a capital structure of 70 percent equity and 30 percent
24 debt, in recognition of the Company's plan to incur debt as set forth in its finance application. The
25 parties reached agreement on a cost of debt of 3.53 percent and a cost of equity of 9.5 percent, for a
26 weighted average cost of capital of 7.71 percent. We determine that based on the entirety of the record
27 in this proceeding, and in accordance with the agreement of the parties, a 7.71 percent rate of return on
28 FVRB is just and reasonable.

1 57. Cost of equity summary:

	Percentage	Cost	Weighted Average Cost
Common Equity	70%	9.5%	6.65%
Long-Term Debt	30%	3.53%	1.06%
Weighted Average Cost of Capital			7.71%

7 **E. Authorized Revenue Increase**

8 58. Based on our findings herein, we determine that Liberty Black Mountain is entitled to a
9 gross revenue increase of \$175,232.

Fair Value Rate Base	\$4,195,730
Adjusted Operating Income	\$218,157
Required Rate of Return	7.71%
Required Operating Income	\$323,449
Operating Income Deficiency	\$105,292
Gross Revenue Conversion Factor	1.664242
Gross Revenue Increase	\$175,232

17 **F. Rate Design**

18 59. The parties are in agreement on rate design for the wastewater utility service provided
19 by the Company as they appear in the schedules of the Comprehensive Settlement. The proposed
20 commercial rate design is based on water usage from data provided by water providers who service
21 Liberty Black Mountain's certificated service area.⁷

22 60. Currently, a residential wastewater customer is charged a flat rate of \$65.24. Under the
23 rates approved herein, by adoption of the Comprehensive Settlement, a residential customer would
24 experience an increase of \$14.26, to \$79.50.

25 61. At present, commercial wastewater customer rates are based on ADEQ Engineering
26 Bulletin No. 12, which estimates water flows by type of facility (i.e., restaurant, office building, etc.).

27 _____
28 ⁷ Liberty Black Mountain provides only wastewater utility service. Water service in the Company's service area is provided by the Town of Carefree, the City of Scottsdale, and Cave Creek Water Company.

1 The proposed commercial rates are based on actual water usage, with a minimum charge of \$85.00 and
 2 a volumetric rate of \$5.120 per 1,000 gallons. The proposed rate design, agreed to by the parties, is
 3 reasonable and will be adopted. We believe the use of a volumetric element in the commercial rates
 4 will more accurately reflect customer demands on the system and result in more equitable rates
 5 compared to the prior use of ADEQ Engineering Bulletin No. 12.

6 62. Pursuant to the Town/Resort Agreement and adopted in the Comprehensive Settlement,
 7 the Resort has agreed to pay \$108,000 of the Company's current closure costs through an effluent rate
 8 of \$543 per acre-foot, assuming the proposed rates are approved by May 1, 2016.⁸ The proposed
 9 change to the Resort's effluent rate is reasonable and appropriate, and will be adopted.

10 **G. Depreciation Rates**

11 63. On a going forward basis, the parties recommend utilizing the Vintage Group method
 12 for depreciation as contained in Settlement Schedule C-1, page 1, attached as Attachment C to Exhibit
 13 B. The Comprehensive Settlement provides that Liberty Black Mountain will use Staff's typical and
 14 customary depreciation rates.

15 **H. Corporate Cost Allocations**

16 64. The parties agree that Liberty Black Mountain's ability to access capital through APUC,
 17 a publicly traded company on the TSX, is a benefit to customers and, as such, a portion of the corporate
 18 costs for APUC to maintain its TSX membership should be allocated to those customers. Further, the
 19 parties have agreed that the methodologies set forth in the APUC/Liberty Utilities Cost Allocation
 20 Manual ("CAM") allocates a reasonable level of costs to Liberty Black Mountain customers as detailed
 21 in Attachment A to Exhibit B attached hereto.⁹

22 65. The parties are in agreement on the recovery of corporate non-labor cost allocations
 23 from Liberty Utilities (Sub) Corp. in the amount of \$84,790. The parties also agree that recovery of
 24 \$37,815 in corporate cost allocations from APUC/Liberty Utilities Canada is reasonable. For purposes
 25 of this case, we find these amounts to be reasonable and will adopt them.

26 ⁸ If Liberty Black Mountain recovers the \$108,000 before the WWTP closes, the effluent rate shall revert to the \$150 per
 27 acre-foot.

28 ⁹ The Comprehensive Settlement points out that agreement to the use of the CAM and the corporate cost allocations in this
 case does not preclude any party in future rate proceedings from asserting that the methods and/or the costs are no longer
 reasonable.

1 66. As part of the Comprehensive Settlement, Liberty Black Mountain has agreed to meet
2 with Staff and RUCO about the CAM and corporate cost allocation methodologies and to provide Staff
3 and RUCO with regular presentations, particularly prior to the hearing in the Company's next rate case.

4 **I. Hook-Up Fees**

5 67. Liberty Black Mountain's current tariff included an Equivalent Residential Unit
6 ("ERU") of \$1800. The Comprehensive Settlement states the parties agree to \$1700 per ERU in the
7 Company's Hook-Up Fee tariff. The proposed change to the Company's Hook-Up Fee tariff is
8 reasonable and will be adopted.

9 **J. Special Tariff for Breweries**

10 68. As called for by the Town/Resort Agreement, Liberty Black Mountain and the Town
11 collaborated to develop a tariff specific to breweries that includes a flow calculation based on the
12 percentage of water used in the brewing process rather than water usage pursuant to the proposed
13 commercial rate design.

14 69. Liberty Black Mountain contracts with the City of Scottsdale for treatment of the
15 majority of the Company's wastewater capacity. The City of Scottsdale's amended agreement will
16 require that the waste the Company delivers meets pretreatment standards to ensure the wastewater
17 system is not overburdened. As part of its tariff, the Company has included proposed pretreatment
18 program standards. The Company's tariff, attached hereto as Exhibit C, is reasonable and should be
19 adopted.

20 **K. Plant Closure Costs**

21 70. Under the terms of the Comprehensive Settlement, Liberty Black Mountain is required
22 to continue to operate and provide effluent to the Resort, which will continue to take and pay for such
23 effluent until the WWTP is closed. The parties agree that the WWTP shall close on or before November
24 30, 2018 and that, once closed, the WWTP shall be removed and the remediated site sold for the best
25 available price.

26 71. Pursuant to prior Commission decisions, Liberty Black Mountain has taken steps to
27 close the WWTP and has incurred costs of \$1,133,080, which the parties agreed were reasonable and
28 should be recovered. As part of the Town/Resort Agreement, and as adopted by the Comprehensive

1 Settlement, the Company agreed to forego recovery of \$200,000 of the closure costs and the Resort
 2 agreed to pay \$108,000 of the closure costs through an increased effluent rate. The parties recommend
 3 that \$825,080 in closure costs should be included in rate base as a deferred regulatory asset in this case.
 4 Further, the parties recommend that the Company should be permitted to seek recovery of additional
 5 reasonable closure costs in its next rate case. We find this recommendation reasonable and will adopt
 6 it.

7 72. Liberty Black Mountain and the City of Scottsdale have negotiated an Amended and
 8 Restated Wastewater Treatment Agreement¹⁰ for additional treatment capacity of 120,000 gallons at
 9 the cost of \$10 per gallon to be paid by January 1, 2018.¹¹ The parties agree that the \$1,200,000 is a
 10 reasonable and prudent cost to be recorded in PIS account 398 – Other Tangible Plant, and shall treat
 11 the cost as a regulatory asset, defer the cost of the depreciation expense recorded on the underlying
 12 regulatory assets, and accrue post-in service Allowance for Funds Used During Construction
 13 (“AFUDC”) for later recovery in rates. Additionally, the parties agree that the post-in service AFUDC
 14 rate shall be 7.71 percent, and that the deferred amount shall be depreciated at a rate of 5 percent until
 15 such time as it is included in rate base. We determine those recommendations to be reasonable and
 16 shall adopt them.

17 73. Closure of the WWTP requires the Company to realign portions of the wastewater
 18 collection and transmission system. The parties jointly recommend that realignment Option 2 as seen
 19 in Attachment B to Exhibit B, attached hereto, be adopted. The parties agree that the \$3,899,760¹² of
 20 estimated costs for closure under Option 2 appear reasonable and necessary, but are subject to change.

21 74. The parties have agreed to eliminate the Commission-approved plant closure cost
 22 surcharge mechanism in favor of ratemaking treatment for the closure costs, as follows: 1) all costs are
 23 to be recorded on the Company’s books as incurred; 2) AFUDC shall be recorded as a regulatory asset
 24 for recovery in rates in the next rate case; and 3) post in-service AFUDC shall be deferred and
 25 recoverable through rates at the weighted average cost of capital rate of 7.71 percent. The
 26

27 ¹⁰ The agreement was approved by the Scottsdale City Council on March 15, 2016.

28 ¹¹ Pursuant to the Comprehensive Settlement, Liberty Black Mountain agrees not to pay Scottsdale for the replacement capacity earlier than 90 days before the deadline.

¹² This estimated total amount of closure costs includes the \$1.2 million for the Scottsdale replacement capacity contract.

1 Comprehensive Settlement further notes that the remaining closure costs are only estimates and may
 2 change, but places a limit of \$3,299,700¹³ on the accrual of post in-service AFUDC and the deferral of
 3 depreciation. The parties agree any closure construction costs in excess of \$3,299,700 may be
 4 recoverable in the next rate case.

5 75. With regard to the costs related to the removal of the WWTP and remediation of the
 6 site, the parties have agreed that the Company shall seek to recover these costs in a future rate case.

7 **L. Remaining Settlement Items**

8 76. The parties agree with the Company's treatment of certain prior purchases of treatment
 9 capacity from Scottsdale as an operating lease, and that recording these purchases as such is consistent
 10 with prior Commission decisions, requiring no further adjustment.

11 77. As part of settlement negotiations, Staff agreed to withdraw its recommendation for
 12 Liberty Black Mountain to conduct a plant inventory and depreciation study. However, the parties
 13 agree that any reasonable costs to perform the inventory and/or study should be recovered from
 14 customers if the Company decides to conduct it prior to the next rate case.

15 78. Per the Comprehensive Settlement, the Company's proposed plant closure cost and rate
 16 case expense surcharges are eliminated, as well as the Purchase Power Adjuster and Property Tax
 17 Adjuster mechanisms.

18 79. The parties recommend that Liberty Black Mountain's next rate case shall be filed on
 19 or before June 30, 2019, using a test year ending December 31, 2018.

20 **V. COMPLIANCE**

21 80. The Commission's Consumer Services database showed a total of seven complaints
 22 from January 1, 2012 to November 3, 2015, of which all but one have been resolved and closed.

23 81. The Commission's Compliance database indicated that Liberty Black Mountain is
 24 currently in compliance with all Commission requirements.

25 82. The Staff Engineering Report indicates that the Company's wastewater system is in full
 26 compliance with ADEQ monitoring and reporting requirements.

27 ¹³ This amount includes closure costs of \$2,699,700 for the realignment of the Company's wastewater collection and
 28 transmission system and \$500,000 in deferral costs. The amount does not include the replacement capacity amount of
 \$1,200,000.

VI. BENEFITS OF COMPREHENSIVE SETTLEMENT

83. In order to attain consensus, the Comprehensive Settlement states that the signatories have accepted positions that, in any other circumstances, they may be unwilling to accept. According to the signatories, "this Comprehensive Settlement is in the public interest and ... the terms and conditions are fair, just and reasonable."¹⁴

84. The parties collectively touted the benefits of the Comprehensive Settlement that provides the community with certainty of plant closure, terminates costly litigation, develops a commercial rate design based on actual water usage, and benefits ratepayers via favorable ratemaking terms.

85. The parties to this proceeding brought different interests and perspectives to the settlement negotiations. In addition to Liberty Black Mountain and Staff, the parties to this matter and the Comprehensive Settlement include RUCO, the advocate for residential customers as a whole, as well as the Resort and the Town, representing their own interests and advocating for the interests of Carefree residents.

86. RUCO agrees that commercial and residential customers are treated fairly under the proposed rate design, stating "...sometimes a fair rate for a residential ratepayer must necessitate an increase."¹⁵

87. Given the number of unusual and complex issues and initial positions taken by the parties, it is clear that the Comprehensive Settlement reflects the requirements and compromises each party was able to accept as necessary for the public interest to be served.

VII. RESOLUTION

88. Liberty Black Mountain's finance application should be approved, thereby authorizing the Company to incur long term debt from Liberty Utilities in a total amount not to exceed \$3,400,000.

89. For purposes of this proceeding, we determine that Liberty Black Mountain has a wastewater FVRB of \$4,195,730.

90. A rate of return on FVRB of 7.71 percent, based on a capital structure of 70 percent

¹⁴ Exhibit B.

¹⁵ Transcript at p. 86.

1 equity and 30 percent debt, is reasonable and appropriate.

2 91. Liberty Black Mountain is entitled to a gross revenue increase of \$175,232.

3 92. The rate design agreed to by the parties as set forth in Exhibit B should be adopted in
4 this proceeding.

5 93. Liberty Black Mountain should use, on a going forward basis, the Vintage Group
6 method for depreciation and Staff's typical and customary depreciation rates.

7 94. As the parties agreed, the recovery of corporate non-labor cost allocations from Liberty
8 Utilities (Sub) Corp. should be \$84,790 and the recovery of corporate cost allocations from
9 APUC/Liberty Utilities Canada should be \$37,815.

10 95. Liberty Black Mountain should use \$1700 per ERU in the Company's Hook-Up Fee
11 tariff.

12 96. Liberty Black Mountain's request for a special brewery tariff and pretreatment program
13 as contained in the proposed tariff, attached as Exhibit C, should be approved.

14 97. As agreed to by the parties, the present closure costs of \$825,080 are reasonable and
15 shall be included in rate base.

16 98. Liberty Black Mountain has agreed that the cost of \$1.2 million to purchase replacement
17 capacity from the City of Scottsdale shall be treated as a regulatory asset and such cost shall be subject
18 to accrual of post in-service AFUDC and deferral of depreciation. The post in-service AFUDC rate
19 shall be 7.71 percent and the deferred amount shall be depreciated at a rate of 5 percent until such time
20 as it is recognized for inclusion in rate base.

21 99. As agreed to by the parties, the remaining plant closure costs for realignment of the
22 Company's existing collection and transmission system is an estimate. Liberty Black Mountain shall
23 record the remaining costs of the plant closure on its books and the costs will be subject to the deferral
24 of depreciation and accrual of post in-service AFUDC, but shall not exceed \$3,299,700 (\$2,699,700
25 plus a maximum of \$500,000 for post in-service AFUDC and deferred depreciation).

26 100. Liberty Black Mountain agreed to a plant closure date of November 30, 2018 with its
27 next rate case filed by June 30, 2019, using a 2018 test year.

28 ...

CONCLUSIONS OF LAW

1
2 1. Liberty Utilities (Black Mountain Sewer) Corp. is a public service corporation within
3 the meaning of Article XV of the Arizona Constitution and A.R.S. §§40-250, 40-251, 40-367, 40-202,
4 40-321, 40-331, and 40-361.

5 2. The Commission has jurisdiction over Liberty Utilities (Black Mountain Sewer) Corp.
6 and the subject matter contained in the Company's finance and rates applications.

7 3. Notice of the applications and hearing was provided in the manner prescribed by law.

8 4. The financing approved herein is for lawful purposes within Liberty Utilities (Black
9 Mountain Sewer) Corp.'s corporate powers, is compatible with the public interest, with sound financial
10 practices, and with proper performance by Liberty Utilities (Black Mountain Sewer) Corp. of service
11 as a public service corporation, and will not impair Liberty Utilities (Black Mountain Sewer) Corp.'s
12 ability to perform that service.

13 5. The financing approved herein is for the purposes stated in the application and is
14 reasonably necessary for those purposes, and such purposes are not, wholly or in part, reasonably
15 chargeable to operating expenses

16 3. The rates, charges, and conditions of service established herein are just and reasonable
17 and in the public interest.

18 **ORDER**

19 IT IS THEREFORE ORDERED that Liberty Utilities (Black Mountain Sewer) Corp.'s finance
20 application is hereby approved.

21 IT IS FURTHER ORDERED that any unused debt authorization granted in this proceeding
22 shall terminate upon issuance of a decision in Liberty Utilities (Black Mountain Sewer) Corp.'s next
23 rate case.

24 IT IS FURTHER ORDERED that the Town/Resort Agreement dated November 16, 2015, and
25 attached to this Decision as Exhibit A, is hereby approved as to those parties that executed it, except as
26 the Town/Resort Agreement is specifically modified by the terms of the Comprehensive Settlement
27 Agreement.

28 IT IS FURTHER ORDERED that the Comprehensive Settlement Agreement dated January 22,

1 2016, and attached to this Decision as Exhibit B, is hereby approved.

2 IT IS FURTHER ORDERED that all parties shall implement and comply with the terms of the
3 Comprehensive Settlement Agreement, as set forth in Exhibit B.

4 IT IS FURTHER ORDERED that Liberty Utilities (Black Mountain Sewer) Corp. shall notify
5 its customers of the revised schedules of rates and charges authorized herein by means of an insert in
6 its next regularly scheduled billing, or by separate mailing, in a form acceptable to Staff.

7 IT IS FURTHER ORDERED that Liberty Utilities (Black Mountain Sewer) Corp. is hereby
8 authorized and directed to file with the Arizona Corporation Commission, on or before April 30, 2016,
9 revised schedules of rates and charges consistent with Exhibit B.

10 IT IS FURTHER ORDERED that the revised schedules of rates and charges shall be effective
11 for all service rendered on and after May 1, 2016.

12 IT IS FURTHER ORDERED that Liberty Utilities (Black Mountain Sewer) Corp. shall use, on
13 a going forward basis, the Vintage Group method for depreciation and Staff's typical and customary
14 depreciation rates.

15 IT IS FURTHER ORDERED that Liberty Utilities (Black Mountain Sewer) Corp.'s special
16 brewery tariff and pretreatment program as contained in the proposed tariff, attached as Exhibit C, is
17 hereby approved.

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1 IT IS FURTHER ORDERED that Liberty Utilities (Black Mountain Sewer) Corp. shall file a
2 full rate application no later than June 30, 2019.

3 IT IS FURTHER ORDERED that this Decision shall become effective immediately.

4 BY ORDER OF THE ARIZONA CORPORATION COMMISSION.

5
6 *[Handwritten signature: J. Blitt]*

EXCUSED
COMM. STUMP

7 CHAIRMAN _____ COMMISSIONER _____

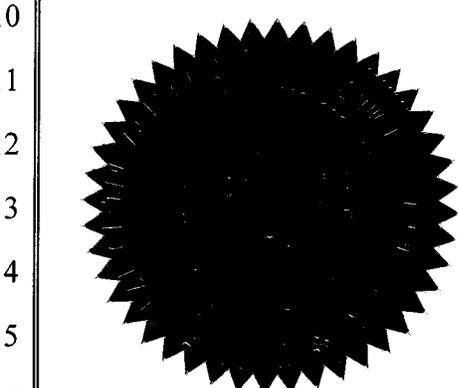
8 *[Handwritten signature: M. Forese]*

9 COMMISSIONER

[Handwritten signature: L. M. Tol] *[Handwritten signature: S. Dunn]*

COMMISSIONER

COMMISSIONER



IN WITNESS WHEREOF, I, JODI JERICH, Executive Director of the Arizona Corporation Commission, have hereunto set my hand and caused the official seal of the Commission to be affixed at the Capitol, in the City of Phoenix, this 22nd day of April 2016.

[Handwritten signature: Jodi A. Jerich]

JODI JERICH
EXECUTIVE DIRECTOR

17 DISSENT _____

18
19 DISSENT _____

20 SP:rt

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1 SERVICE LIST FOR:

LIBERTY UTILITIES (BLACK MOUNTAIN SEWER)
CORP.

2 DOCKET NO.:

SW-02361A-15-0206 and SW-02361A-15-0207

3
4 Jay L. Shapiro
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25 Attorneys for the Town of Carefree

DOCKET NOS. SW-02361A-15-0206, ET AL.
PROPOSED SETTLEMENT AGREEMENT
DOCKET NOS. SW-02361A-15-0206 and SW-02361A-15-0207

The purpose of this Settlement Agreement ("Agreement"), dated November __, 2015, is to settle certain issues and claims, some of which arise from Arizona Corporation Commission ("Commission") Docket No. SW-02361A-08-0609 and are currently pending before the Arizona Court of Appeals in Case No. CA-CV 14-0643, and some of which are present in Commission Docket No. SW-02361A-15-0206 & 0207 ("2015 Rate Case").

This Agreement is entered into by the following entities:

LIBERTY UTILITIES (BLACK MOUNTAIN SEWER) CORP.

TOWN OF CAREFREE

CP BOULDERS, LLC DBA BOULDERS RESORT AND
WIND P1 MORTGAGE BORROWER, L.L.C.

THE BOULDERS HOMEOWNERS ASSOCIATION

These entities shall be referred to collectively as 'Signatories;' a single entity shall be referred to individually as a "Signatory."

EXHIBIT A

PROPOSED SETTLEMENT AGREEMENT
DOCKET NOS. SW-02361A-15-0206 and SW-02361A-15-0207

1 RECITALS

1.1 The Parties.

1.1.1 Liberty Utilities (Black Mountain Sewer) Corp. ("Liberty Black Mountain") is an Arizona public service corporation providing wastewater utility service to approximately 2,100 primarily residential customers in and around Carefree, Arizona, under a certificate of convenience and necessity issued by the Commission.

1.1.2 The Town of Carefree is an Arizona municipality and wastewater customer of Liberty Black Mountain.

1.1.3 CP Boulders, LLC, a Delaware limited liability company authorized to do business in Arizona, is the current owner of the Boulders Resort, and is referred to in this Agreement as the "Resort."

1.1.4 Wind P1 Mortgage Borrower L.L.C., a Delaware limited liability company ("Wind P1"), was the prior owner of the Boulders Resort, and as of April 28, 2015 assigned all of its interest in the matters addressed in this Agreement to CP Boulders, LLC, except its claims for attorney's fees in the Appeal (defined below).

1.1.5 The Boulders Homeowners' Association is a non-profit homeowners association representing homeowners and customers of Liberty Black Mountain in the Boulders residential community.

1.2 The East Boulders Wastewater Treatment Plant ("Plant").

1.2.1 Liberty Black Mountain owns and operates a single wastewater treatment facility, the Plant. The Plant was built more than 40 years ago and is located adjacent to one of the Resort's golf courses. It is situated less than 100 feet from three homes and within 1,000 feet of approximately 300 homes. If constructed today, the Plant would require a setback of either 350 feet (for a facility without odor, noise, and aesthetic controls) or at least 100 feet (for a facility with full odor, noise, and aesthetic controls).

1.2.2 The Plant treats up to 120,000 gallons of wastewater each day, which represents roughly 20 percent of Liberty Black Mountain's daily inflow. The remainder of Liberty Black Mountain's sewer flow is delivered to the City of Scottsdale ("Scottsdale") for treatment under that certain Wastewater Treatment Agreement between Liberty Black Mountain and Scottsdale dated April 1, 1996 ("Scottsdale Agreement").

1.2.3 All effluent produced by the Plant is delivered to the Resort. Liberty Black Mountain and the Resort are or were parties to an Effluent Delivery Agreement dated March 2001 ("EDA"). It is Liberty Black Mountain's position that its obligation to deliver effluent under the EDA was terminated by Commission Decision No. 73885 (May 8, 2013) ("Phase 2 Decision"). The Resort's position is that the obligations in the EDA were not terminated by the Phase 2 Decision.

PROPOSED SETTLEMENT AGREEMENT
DOCKET NOS. SW-02361A-15-0206 and SW-02361A-15-0207

1.2.4 Effluent deliveries to the Resort continue, and the Resort has a continuing need for the Plant's effluent to water the Resort golf courses during peak water use times.

1.2.5 The Plant operates in full compliance with any and all applicable laws and regulations.

1.2.6 After the Phase 2 Decision, refined engineering cost estimates for the Plant closure indicate that the costs of closure are significantly higher than estimated at the time of the Phase 2 Decision. A closure date of November 30, 2018 will allow such costs to be placed into customer rates in stages, will address the Resort's need for continued delivery of effluent in the interim, and will provide nearby residents with a date certain for closure.

1.3 Prior and Pending Proceedings.

1.3.1 Liberty Black Mountain filed a rate application with the Commission in December 2008. The BHOA intervened as a party, and then, Liberty Black Mountain and the BHOA entered into a Plant Closure Agreement on September 17, 2009. The Town was also a party to the rate case and supported the Plant Closure Agreement.

1.3.2 The Commission issued Decision No. 71865 on September 1, 2010 ("Phase 1 Decision"). Concerning the Plant Closure Agreement, the Commission stated that it was a reasonable resolution of the odor concerns expressed by hundreds of Liberty Black Mountain customers. To facilitate Liberty Black Mountain's funding and recovery of costs associated with closure of the Plant, the Commission also approved a special plant closure cost recovery mechanism in the Phase 1 Decision. The Resort was not a party to the Phase 1 proceedings.

1.3.3 After the Phase 1 Decision, alternatives to the effluent supplied by Liberty Black Mountain to the Resort were considered. When the Resort and Liberty Black Mountain were unable to reach agreement to terminate the EDA in order for the Plant closure to proceed, the BHOA sought and obtained Commission intervention. On January 24, 2012, the Commission reopened Decision No. 71865 for the sole purpose of determining whether it should order Liberty Black Mountain to close the Plant.

1.3.4 The Resort intervened after the matter was reopened and additional hearings took place in May 2012. The Town did not participate as a party but passed a resolution that was filed with the Commission supporting closure of the Plant. The Commission issued the Phase 2 Decision (No. 73885) on May 8, 2013.

1.3.5 In the Phase 2 Decision, the Commission concluded that continued operation of the Plant in the midst of a residential neighborhood would have a detrimental effect on the quality of life for residents within the community. As the Commission held "[t]he record supports a finding that due to its location, the [Plant] can no longer be operated in a manner consistent with the public interest[.]"

1.3.6 The Resort filed a petition for rehearing of the Phase 2 Decision pursuant to A.R.S. § 40-253, which was denied by operation of law. The Resort then appealed the Phase

PROPOSED SETTLEMENT AGREEMENT
DOCKET NOS. SW-02361A-15-0206 and SW-02361A-15-0207

2 Decision pursuant to A.R.S. § 40-254. The Superior Court in Maricopa County Superior Court Case No. CV2013-00784 upheld the Commission's order, finding that the plant closure order was within the Commission's statutory powers. The Resort appealed the Superior Court's decision, which appeal is currently pending before the Arizona Court of Appeals as Case No. 1 CA-CV 14-0643 (the "Appeal"). Oral argument in the Court of Appeals is presently scheduled for December 8, 2015.

1.4 Status of Plant Closure.

1.4.1 The engineering of design modifications to Liberty Black Mountain's wastewater transmission system necessary for flows to be delivered to the City of Scottsdale instead of the Plant is substantially complete and the most reasonable alternative is Option 2—City of Scottsdale, Tom Darlington Drive – Single FM w/ Ex as shown in Exhibit 1 to this Agreement. The total estimated cost of the improvements is \$2.6M. The Signatories understand that this is an estimated cost subject to final, actual costs.

1.4.2 Liberty Black Mountain is currently negotiating an amendment to the Scottsdale Agreement that would allow it to close the Plant and purchase additional capacity to replace the current capacity in the Plant. The estimated cost of the replacement capacity is \$10 per gallon for a total replacement capacity cost equal to \$1.2M, which amount is in addition to the estimated costs to upgrade the transmission system addressed in Section 1.4.1 above.

1.4.3 Through September 30, 2015, Liberty Black Mountain's plant closure costs equal \$1,133,080.51.

1.4.4 The Resort has an ongoing need for effluent deliveries from the Plant through November 30, 2018.

1.5 Pending Rate Case.

1.5.1 Liberty Black Mountain filed the 2015 Rate Case on June 22, 2015. As stated in Liberty Black Mountain's application and supporting testimony, the rate case was brought (1) because the plans for and estimated costs of the Plant closure had changed since the Phase 1 and Phase 2 Decisions; (2) Liberty Black Mountain has over \$1M of investment in the Plant closure; (3) Liberty Black Mountain has not earned sufficient revenue and returns, and (4) the request and need for a new commercial rate design.

1.5.2 Liberty Black Mountain seeks certain relief, including recovery of Plant closure costs incurred to date in the 2015 Rate Case that impact the interests of the Resort, Town and BHOA. The Resort was granted leave to intervene on July 31, 2015. The Town was granted leave to intervene on October 7, 2015. The BHOA has not intervened but its interests are aligned with the Town.

1.5.3 The Signatories have used the opportunity of the pending rate case to further consider their respective interests, including the interests of the Town's citizens, the BHOA's membership, and Liberty Black Mountain's customers, which include the Resort. As a

PROPOSED SETTLEMENT AGREEMENT
DOCKET NOS. SW-02361A-15-0206 and SW-02361A-15-0207

result of these efforts and negotiations, the Signatories have reached this Agreement to settle. The Signatories believe that this Settlement is in the public interest.

1.6 Nature of Settlement.

1.6.1 This Agreement reflects the Signatories' agreement to settle and compromise (1) litigation arising out of the Commission's Phase 2 Decision, including the Appeal; (2) claims that have not yet been pursued relating to the Phase 1 and Phase 2 decisions and the EDA; and (3) relief sought by Liberty Black Mountain in the 2015 Rate Case related to the closure of the Plant. The Signatories also intend to set a date certain for closure of the Plant.

1.6.2 This Agreement does not address or resolve any other issue in the 2015 Rate Case except as expressly set forth herein.

2 SPECIFIC TERMS AND CONDITIONS.

2.1 Plant Closure Costs.

2.1.1 As of September 30, 2015, Liberty Black Mountain has incurred \$1,133,080.51 in closure costs. The Signatories agree that these costs were reasonably and prudently incurred in connection with the closure of the Plant as requested by the majority of the customers and ordered by the Commission. The Signatories further agree that Liberty Black Mountain should recover these closure costs as set forth herein as part of this Agreement.

2.1.2 The amount of plant closure costs incurred through September 30, 2015 and included in Liberty Black Mountain's rate case is \$1,133,080.51. As part of this Agreement, Liberty Black Mountain has agreed not to seek recovery of \$200,000 of legal costs incurred in connection with the Marshall litigation, an action brought by a homeowner against Liberty Black Mountain seeking closure of the Plant.

2.1.3 Of the \$1,133,080.51 of Plant closure costs incurred through September 30, 2015 and included in Liberty Black Mountain's rate application, the Resort has agreed that \$108,000 should be recovered from the Resort as part of the rate for effluent for the remaining months from the date of the Commission's final decision in the ongoing 2015 rate case until the Plant is scheduled to close on November 30, 2018. For example, if the Commission's final rate decision is issued at the end of September 2016, then the effluent rate submitted by Liberty Black Mountain in the final rate schedules would be set at approximately \$635 per acre-foot. No rate of return would be earned by Liberty Black Mountain on the \$108,000. If the \$108,000 is fully recovered before the plant closes, then the tariff will provide that the effluent rate reverts to the current rate of \$150 per acre-foot.

2.1.4 The Signatories agree that the remaining amount, \$825,080.51, are reasonable and prudent costs incurred by Liberty Black Mountain in connection with the closure of the Plant and that such costs should be subject to recovery as requested in Liberty Black Mountain's rate application, as modified herein as part of the consideration for this Agreement.

PROPOSED SETTLEMENT AGREEMENT
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2.1.5 The Signatories agree that the estimated cost of replacement capacity of \$10 per gallon for a total cost of \$1.2M to be paid to Scottsdale following execution of an amendment to the Scottsdale Agreement is known and measurable, reasonable and prudent, and once paid by Liberty Black Mountain, such cost should be subject to cost recovery as contemplated in this Agreement.

2.1.6 Liberty Black Mountain's plan for closure of the Plant is Option 2—City of Scottsdale, Tom Darlington Drive – Single FM w/ Ex Backup as shown in Exhibit 1. The Town, BHOA, and the Resort have reviewed the alignment for that closure option and agree with Liberty's plans for closure and that the \$3,899,700 of estimated costs for closure under Option 2, which amount includes the \$1.2M for replacement capacity discussed in Section 2.1.5 above appear just, reasonable and necessary. The Signatories agree and acknowledge that those costs are still estimates and subject to change.

2.2 Recovery of Plant Closure Costs.

2.2.1 The Signatories acknowledge that the Commission approved a Plant closure cost surcharge mechanism in the Phase 1 Decision, however, the Signatories further acknowledge and agree that certain modifications to the prior relief approved by the Commission are necessary and reasonable as some circumstances have changed beyond Liberty Black Mountain's control since the Phase 1 and Phase 2 Decisions were issued.

2.2.2 The Signatories agree that the Plant closure costs should be recovered using a staged surcharge approach as follows:

2.2.2.1 **Stage 1 Surcharge.** A Stage 1 Surcharge estimated at \$6.31 per customer per month for recovery of Liberty Black Mountain's \$825,080.51 of closure costs already incurred pursuant to Section 2.1.4 herein, subject to the provisions above and as requested in the 2015 Rate Case. The first stage of the Plant recovery cost surcharge will go into effect with the new rates approved in the pending 2015 Rate Case.

2.2.2.2 **Stage 2 Surcharge.** A Stage 2 Surcharge of \$7.96 per month, bringing the total estimated Stage 1 and Stage 2 surcharge cost to \$14.27 per customer per month. The Stage 2 Surcharge will go into effect within 90 days of Liberty Black Mountain's payment of up to \$1,200,000 to the City of Scottsdale.

2.2.2.3 **Stage 3 Surcharge.** A Stage 3 Surcharge estimated to be an additional \$16.70 per month, bringing the total of the estimated Stage 1-3 surcharges to \$30.97. That Stage 3 Surcharge is based on estimated costs of closure of the Plant, exclusive of the replacement capacity cost, equal to \$2,699,700 as discussed above in Section 2.1.6. The Stage 3 surcharge would go into effect within 90 days of the Plant being closed on November 30, 2018.

PROPOSED SETTLEMENT AGREEMENT
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2.2.2.4 **Removal Costs.** The costs to remove the Plant from its present location and to remediate the site, along with any net proceeds from the sale of the remediated land, are not included in the estimated closure costs discussed in Sections 2.2.2.1, 2.2.2.2, and 2.2.2.3 above and will not be subject to recovery through a Plant cost recovery surcharge mechanism. Instead, Liberty Black Mountain may seek to recover the additional costs of removal in a rate case to be filed as soon as possible after all the costs to close the Plant and remove it and remediate the site have been incurred.

2.2.3 The Signatories acknowledge that the Commission has authority over ratemaking in Arizona, including the ratemaking terms set forth in this Section 2.2 of this Agreement. Should the Commission deem an alternative cost recovery mechanism to be reasonable and in the public interest, and such alternative is acceptable to Liberty Black Mountain, then subject to Section 3.1.3 the Resort, Town and BHOA agree to support such mechanism as an acceptable alternative to the surcharge mechanism agreed to in Section 2.2.2 hereinabove.

2.3 Additional Joint Obligations.

2.3.1 The Town and Liberty Black Mountain agree to propose a separate wastewater tariff for light industrial customers, such as breweries, for which water usage greatly exceeds their demand on the wastewater system, and which tariff would not compute wastewater charges based on the customer's water usage, but on some other appropriate basis (e.g. actual wastewater flows). Such tariff shall be filed in the 2015 Rate Case on or before December 22, 2015.

2.3.2 Following execution of this Agreement and submission to the Commission in accordance with Section 3.1.2 below, the Signatories agree to reasonably cooperate in obtaining the agreement of the Commission's Utilities Division Staff and the Residential Utility Consumer Office to the material terms of this Agreement and, if possible, an agreement of all parties to resolve the 2015 Rate Case that is consistent with the rate design presented by Liberty Black Mountain in its rate application.

2.4 Additional Obligations of Liberty Black Mountain.

2.4.1 Liberty Black Mountain will take reasonable steps to complete its negotiations with Scottsdale and enter into a revised wastewater treatment agreement that allows Liberty Black Mountain close the Plant and obtain 120,000 gallons per day of replacement capacity at a price not to exceed \$10 per gallon.

2.4.2 Liberty Black Mountain will close the Plant on November 30, 2018, or earlier if all required permits are in place and the Resort agrees to an earlier closure date. Liberty will continue to provide effluent to the Resort until that closure date subject to this Agreement.

2.4.3 Liberty Black Mountain will remove the Boulders WWTP and remediate the site in accordance with applicable environmental standards within a reasonable time after the

PROPOSED SETTLEMENT AGREEMENT
DOCKET NOS. SW-02361A-15-0206 and SW-02361A-15-0207

closure of the WWTP. Liberty Black Mountain will comply with all applicable BHOA guidelines in any subsequent development of the site. Roads and property within the Boulders community affected by the construction of Option 2 and the remediation of the site will be restored by Liberty Black Mountain to substantially the same condition as existed prior to the such construction/remediation work.

2.4.4 Following remediation, Liberty shall cause the Plant site to be put up for sale. Liberty, the BHOA and Town will cooperate to determine the sales price and sell the Plant site at the best price available given then current market conditions. Liberty shall have the final decision whether to accept an offer for the Plant site, but must reasonably seek the cooperation and input of the Town and BHOA before accepting any offer on the Plant site.

2.5 Additional Obligations of the Resort.

2.5.1 The Resort agrees to continue to take and pay for the full output of effluent from the Plant until the Plant is closed on or before November 30, 2018 at the effluent rate agreed to as part of this Agreement.

2.5.2 Upon the filing with the Commission of the Agreement, Liberty Black Mountain, the Resort, Wind P1, and BHOA will request that the Court of Appeals stay all proceedings in the Appeal pending resolution of the 2015 Rate Case, and if the Settlement Agreement is approved by the Commission in the 2015 Rate Case in accordance with Section 3 below, the Resort and Wind P1 shall file a withdrawal of the Appeal and the Resort and Liberty Black Mountain will forever discharge and release each other from any claims brought or which could have been brought under the EDA in connection with the closure of the Plant.

3 COMMISSION EVALUATION OF PROPOSED SETTLEMENT.

3.1.1 The Signatories acknowledge and agree that the determination of Liberty Black Mountain's fair value rate base and the setting of just and reasonable rates thereon will be made by the Commission based upon its own independent evaluation and determination of the record in the 2015 Rate Case.

3.1.2 Following execution by each of the Signatories, the Agreement shall be jointly filed with the Commission along with testimony from Liberty Black Mountain, the Resort, and the Town, and written public comment from BHOA, supporting the Agreement and requesting that the Commission approve the material terms that require Commission approval.

3.1.3 If the Commission fails to issue an order adopting all material terms of this Agreement, or modifies or adds material terms to this Agreement, any or all of the Signatories may withdraw from this Agreement, and such Signatory or Signatories may pursue their respective remedies at law without prejudice. For the purposes of this Agreement, whether a term is material shall be left to the reasonable discretion of the Signatory choosing to withdraw from the Agreement. If a Signatory withdraws from the Agreement pursuant to this Section 3.1.3, and files an application for rehearing with the Commission, the other Signatories shall support the application for rehearing by filing a document to that effect with the Commission.

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3.1.4 The Signatories agree that this Agreement will not have any binding force and effect until its material terms are adopted in an order of the Commission, except that this provision shall not relieve the Signatories of their obligations pursuant to Section 3.1.2 of this Agreement.

3.1.5 If requested by Liberty Black Mountain, the Signatories agree to support a request for expedited approval of the Agreement and resolution of the 2015 Rate Case.

4 MISCELLANEOUS PROVISIONS.

4.1.1 Each Signatory whose signature appears below is fully authorized and empowered to execute this Agreement. Each Signatory has been represented by competent legal counsel and understands all of the terms of this Agreement, has had an opportunity to participate in the drafting of this Agreement and fully review this Agreement with its counsel before signing, and executes this Agreement with full knowledge of the terms of the Agreement.

4.1.2 The acceptance by any Signatory of a specific element of this Agreement shall not waiver or compromise of any claim, issue or position in the 2015 Rate Case not specifically addressed by this Agreement.

4.1.3 This Agreement represents the Signatories' mutual desire to compromise and settle in good faith the issues settled in this Agreement in a manner consistent with the public interest. The Signatories agree that the issues and disputes in the Appeal and in the 2015 Rate Case present a unique set of circumstances that has attracted the interest of a large number of customers. To achieve consensus for settlement, the Signatories are accepting positions that, in any other circumstances, they might be unwilling to accept. They are doing so because the Agreement, as a whole, with its various provisions for settling the unique issues presented by this case, is consistent with their long-term interests and the broader public interest. The Signatories do not intend that their acceptance of a specific provision of this Agreement be considered as precedent for acceptance of that element in any other context. No Signatory is bound by any position asserted in negotiations, except as expressly stated in this Agreement. No Signatory shall offer evidence of conduct or statements made in the course of negotiating this Agreement before this Commission, any other regulatory agency, or any court.

4.1.4 To the extent any provision of this Agreement is inconsistent with any existing Commission order, rule, or regulation, this Agreement shall control.

4.1.5 Each of the terms of this Agreement is in consideration of all other terms of this Agreement. Accordingly, the terms are not severable.

4.1.6 The Signatories shall make reasonable and good faith efforts necessary to support and defend this Agreement and obtain a Commission order approving its material terms and, if necessary in court if challenged by another person or entity. Subject to Section 3 above, if the Commission adopts an order approving all material terms of the Agreement, the Signatories will support and defend the Commission's order before any court or regulatory agency in which it may be at issue. Nothing in this Section 4.1.6 shall be construed to require a Signatory to fund the defense of any other Signatory. If defense of this Agreement is reasonably

PROPOSED SETTLEMENT AGREEMENT
DOCKET NOS. SW-02361A-15-0206 and SW-02361A-15-0207

needed in any court or other regulatory agency, then each Signatory shall be deemed to have satisfied its duty under this Section 4.1.6 by providing a witness to testify in such action in support of this Agreement, but a Signatory shall not be required to pay an attorney to participate in such action, or to join as a party to such action.

4.1.7 This Agreement may be executed in any number of counterparts and by each Signatory on separate counterparts, each of which when so executed and delivered shall be deemed an original and all of which taken together shall constitute one and the same instrument. This Agreement may also be executed electronically or by facsimile.

4.1.8 Under Section 38-511, Arizona Revised Statutes, as amended, the Town may cancel this Agreement within three years after its execution and without penalty or further obligation, if any person significantly involved in initiating, negotiating, securing, drafting or creating this Agreement on behalf of the Town is, at any time while the Agreement or any extension thereof is in effect, an employee or agent of another Signatory or any entity affiliated with another Signatory through common ownership in any capacity or a consultant to another Signatory with respect to the subject matter of this Agreement. In the event the Town elects to exercise its right under Section 38-511, Arizona Revised Statutes, as amended, the Town will immediately give written notice thereof to the other Signatories and no Signatory shall be bound further by the provisions of this Agreement.

4.1.9 The Recitals set forth in Section 1 of this Agreement are part of this Agreement and fully incorporated into the terms and conditions of the Signatories' agreement to settle as set forth in in this Agreement.

PROPOSED SETTLEMENT AGREEMENT
DOCKET NOS. SW-02361A-15-0206 and SW-02361A-15-0207

LIBERTY UTILITIES (BLACK
MOUNTAIN SEWER) CORP.

By: Matthew Dulek
Its: President AZ

CP BOULDERS, LLC dba the BOULDERS
RESORT

By: _____
Its: _____

TOWN OF CAREFREE

By: _____
Its: _____

WIND PI MORTGAGE BORROWER, L.L.C.

By: _____
Its: _____

BOULDERS HOMEOWNERS
ASSOCIATION

By: _____
Its: _____

PROPOSED SETTLEMENT AGREEMENT
DOCKET NOS. SW-02361A-15-0206 and SW-02361A-15-0207

LIBERTY UTILITIES (BLACK MOUNTAIN SEWER) CORP.

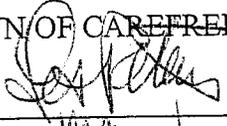
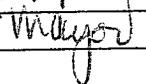
CP BOULDERS, LLC dba the BOULDERS RESORT

By: _____
Its: _____

By: _____
Its: _____

TOWN OF CAREFREE

WIND P1 MORTGAGE BORROWER, L.L.C.

By:  _____
Its:  _____

By: _____
Its: _____

BOULDERS HOMEOWNERS ASSOCIATION

By: _____
Its: _____

PROPOSED SETTLEMENT AGREEMENT
DOCKET NOS. SW-02361A-15-0206 and SW-02361A-15-0207

LIBERTY UTILITIES (BLACK
MOUNTAIN SEWER) CORP.

CP BOULDERS, LLC dba the BOULDERS
RESORT

By: _____
Its: _____

By: _____
Its: _____

TOWN OF CAREFREE

WIND P1 MORTGAGE BORROWER, L.L.C.

By: _____
Its: _____

By: _____
Its: _____

BOULDERS HOMEOWNERS
ASSOCIATION

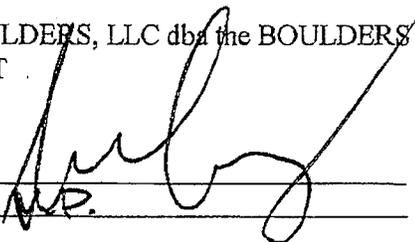
By: *[Signature]*
Its: *[Signature]*

PROPOSED SETTLEMENT AGREEMENT
DOCKET NOS. SW-02361A-15-0206 and SW-02361A-15-0207

LIBERTY UTILITIES (BLACK
MOUNTAIN SEWER) CORP.

By: _____
Its: _____

CP BOULDERS, LLC dba the BOULDERS
RESORT

By:  _____
Its: MP. _____

TOWN OF CAREFREE

By: _____
Its: _____

WIND P1 MORTGAGE BORROWER, L.L.C.

By: _____
Its: _____

BOULDERS HOMEOWNERS
ASSOCIATION

By: _____
Its: _____

PROPOSED SETTLEMENT AGREEMENT
DOCKET NOS. SW-02361A-15-0206 and SW-02361A-15-0207

LIBERTY UTILITIES (BLACK
MOUNTAIN SEWER) CORP.

By: _____
Its: _____

CP BOULDERS, LLC dba the BOULDERS
RESORT

By: _____
Its: _____

TOWN OF CAREFREE

By: _____
Its: _____

WIND P1 MORTGAGE BORROWER, L.L.C.

By:  _____
Its: SVP _____

BOULDERS HOMEOWNERS
ASSOCIATION

By: _____
Its: _____

PROPOSED SETTLEMENT AGREEMENT
DOCKET NOS. SW-02361A-15-0206 and SW-02361A-15-0207

Exhibit - 1

Liberty Utilities - Black Mountain Treatment Options after removal of the WRF

Description	Option 1 Town of Cave Creek Cave Creek Road		Option 2 City of Scottsdale TDD - Single FM w/ Ex Backup		Option 3 City of Scottsdale Mule Train-Hayden Rd		Option 4 Boulders Existing FMs w/ New Sewers	
	\$		\$		\$		\$	
Bypass sewers at WRF	\$	240,800	\$	240,800	\$	240,800	\$	240,800
Decommission & remove WRF	\$	499,200	\$	499,200	\$	499,200	\$	499,200
Capital cost for capacity	\$	4,077,225	\$	1,200,000	\$	1,200,000	\$	1,200,000
Additional charges		Yes - new connections		No - exist contract		No - exist contract		No - exist contract
Operation charges	\$425 plus \$3 per 1,000 gal							
Commercial LS requires upgrading		Yes		Yes		No		No
Estimated Cost of Upgrade:	\$	408,800	\$	411,700	\$	-	\$	-
Ex FM - Future End-of-life Replacement		No		No		Yes - 10,000-ft replace min onto FM		Yes - 10,000-ft min onto FM
FM Replacement - Pipe Busting	\$	-	\$	-	\$	1,160,000	\$	1,160,000
South of Rock LS		*Sunset, Stageschich & El Ped		No changes		No changes		No changes
Requires upgraded to four LS	\$	1,654,200	\$	-	\$	-	\$	-
Estimated Cost of Upgrade								
Force Main construction		Yes		Yes - single FM		Yes plus gravity line		No
Requires new force mains		1,106-ft		12,900-ft		1,000-ft (FM) + 7,200-ft (SS)		
Approximate length of FM/SS	\$	422,400	\$	990,900	\$	1,320,300	\$	
Estimated Cost for Force Mains						Included w/ FM/SS		
Estimated Cost for Force Mains	\$	-	\$	617,000	\$	1,000,000	\$	
Estimated Cost for Force Mains								
Estimated Cost for Force Mains	\$	-	\$	-	\$	-	\$	-
Estimated Cost for Force Mains								
Estimated Cost for Force Mains	\$	-	\$	-	\$	-	\$	-
Estimated Cost for Force Mains								
Replacement Gravity Sewers - negative slopes, under capacity, and under buildings								
Approximate length of SS								
Estimated Cost for Sewers	\$	974,700	\$	-	\$	-	\$	1,848,300
Estimated Cost for Sewers								
Estimated Cost for Sewers	\$	7,552,425	\$	2,899,700	\$	5,360,400	\$	712,900
Estimated Cost for Sewers								
Estimated Cost for Sewers	\$	-	\$	-	\$	-	\$	491,600
Estimated Cost for Sewers								
Estimated Cost for Sewers	\$	4,000-ft	\$	Yes - through RWDS	\$	Yes - through RWDS	\$	Yes
Estimated Cost for Sewers				No		No		No
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Estimated Cost for Sewers	\$	-	\$	-	\$	-	\$	-
Estimated Cost for Sewers								

**COMPREHENSIVE SETTLEMENT AGREEMENT
LIBERTY UTILITIES (BLACK MOUNTAIN SEWER) CORP.
DOCKET NOS. SW-02361A-15-0206 and SW-02361A-15-0207**

The purpose of this Comprehensive Settlement Agreement ("Comprehensive Settlement") is to settle all issues and claims in Arizona Corporation Commission ("Commission") Docket No. SW-02361A-15-0206 ("Rate Case") and Docket No. SW-02361A-15-0207 ("Finance App."), which dockets have been consolidated (collectively, the Rate Case and Finance App. will be referred to herein as the "Consolidated Dockets")

This Comprehensive Settlement Agreement is entered into by the following entities:

LIBERTY UTILITIES (BLACK MOUNTAIN SEWER) CORP.

ARIZONA CORPORATION COMMISSION UTILITIES DIVISION STAFF

RESIDENTIAL UTILITY CONSUMER OFFICE

TOWN OF CAREFREE

CP BOULDERS, LLC

These entities shall be referred to collectively as "Parties", and a single entity shall be referred to individually as a "Party."

EXHIBIT B

COMPREHENSIVE SETTLEMENT AGREEMENT
LIBERTY UTILITIES (BLACK MOUNTAIN SEWER) CORP.
DOCKET NOS. SW-02361A-15-0206 and SW-02361A-15-0207

LIST OF ATTACHMENTS

- ATTACHMENT A APUC/LIBERTY COST ALLOCATION
- ATTACHMENT B REALIGNMENT OPTIONS
- ATTACHMENT C SETTLEMENT SCHEDULES

**COMPREHENSIVE SETTLEMENT AGREEMENT
LIBERTY UTILITIES (BLACK MOUNTAIN SEWER) CORP.
DOCKET NOS. SW-02361A-15-0206 and SW-02361A-15-0207**

1 RECITALS

1.1 The Parties.

1.1.1 Liberty Utilities (Black Mountain Sewer) Corp. ("Liberty Black Mountain" or "Company") is an Arizona public service corporation providing wastewater utility service to approximately 2,100 primarily residential customers in and around Carefree, Arizona, under a certificate of convenience and necessity issued by the Commission.

1.1.2 The Town of Carefree ("Town") is an Arizona municipality and wastewater customer of Liberty Black Mountain.

1.1.3 CP Boulders, LLC, a Delaware limited liability company authorized to do business in Arizona, is the current owner of the Boulders Resort, and is referred to in this Settlement as the "Resort." Wind PI Mortgage Borrower L.L.C., a Delaware limited liability company ("Wind PI"), was the prior owner of the Boulders Resort.

1.1.4 Residential Utility Consumer Office ("RUCO") was established by the Arizona legislature to represent the interests of residential utility ratepayers in rate-related proceedings before the Commission.

1.1.5 Arizona Corporation Commission Utilities Division ("Staff") is a division of the Commission that participates in rate cases to assist the Commission in its consideration of the evidence and determination of fair value rate base and setting of rates for utility service by public service corporations.

1.2 Background

1.2.1 Liberty Black Mountain filed a rate application with the Commission in December 2008. The Boulders Homeowners Association ("BHOA") intervened as a party, and then, Liberty Black Mountain and the BHOA entered into a Plant Closure Agreement on September 17, 2009. The Town was also a party to the rate case and supported the Plant Closure Agreement.

1.2.2 The Commission issued Decision No. 71865 on September 1, 2010 ("Phase 1 Decision"). Concerning the Plant Closure Agreement, the Commission stated that it was a reasonable resolution of the odor concerns expressed by hundreds of Liberty Black Mountain customers. To facilitate Liberty Black Mountain's funding and recovery of costs associated with closure of the Boulders Wastewater Treatment Plant ("WWTP"), the Commission also approved a special plant closure cost recovery mechanism in the Phase 1 Decision. The Plant Closure Agreement conditioned the closure on the termination of the Effluent Delivery Agreement between Liberty Black Mountain and the Resort. The Resort was not a party to the Phase 1 proceedings.

1.2.3 Following the Phase 1 Decision, Liberty Black Mountain and the Resort were unable to agree regarding the termination of the Effluent Delivery Agreement. The BHOA then requested the Commission reopen the Phase 1 Decision and order the closure of the WWTP.

**COMPREHENSIVE SETTLEMENT AGREEMENT
LIBERTY UTILITIES (BLACK MOUNTAIN SEWER) CORP.
DOCKET NOS. SW-02361A-15-0206 and SW-02361A-15-0207**

The Resort intervened and another hearing was held, resulting in Decision No. 73885 (the "Phase 2 Decision") on May 8, 2013.

1.2.4 The Resort filed a petition for rehearing of the Phase 2 Decision pursuant to A.R.S. § 40-253, which was denied by operation of law. The Resort then appealed the Phase 2 Decision pursuant to A.R.S. § 40-254. The Maricopa County Superior Court in Case No. CV2013-00784 upheld the Commission's order, finding that the plant closure order was within the Commission's statutory powers. The Resort appealed the Superior Court's decision, which appeal is currently pending before the Arizona Court of Appeals as Case No. 1 CA-CV 14-0643 (the "Appeal"). The matter was stayed on November 24, 2015, pending the outcome of the Rate Case, discussed further in Section 1.2.8 below.

1.2.5 Liberty Black Mountain filed the Rate Case and Finance App. on June 22, 2015, and the two matters were consolidated on July 6, 2015. As stated in the rate application and supporting testimony, the rate case was brought (1) because the plans for and estimated costs of the Plant closure had changed since the Phase 1 and Phase 2 Decisions; (2) Liberty Black Mountain has over \$1 million of investment in the Plant closure; (3) Liberty Black Mountain has not earned sufficient revenue and returns, and (4) the request and need for a new commercial rate design.

1.2.6 The Parties are all parties to and have participated in discovery and the filing of prefiled testimony in the Consolidated Dockets.

1.2.7 The Parties acknowledge that the Rate Case presents unique circumstances in addition to the traditional ratemaking issues, including, that the Rate Case (1) was filed at the request of the Town and the Commission in order to address the Company's commercial rate design; and (2) involves unusual issues related to the Commission's order that Liberty Black Mountain close and remove a used and useful, fully compliant wastewater treatment plant.

1.2.8 Liberty Black Mountain, the Town and the Resort, along with the BHOA and Wind P1 Mortgage Borrower L.L.C., entered into a Proposed Settlement Agreement filed with the Commission in these Consolidated Dockets on November 16 2015 (the "Town/Resort Agreement"). The Town/Resort Agreement also sets a date certain for closure of the Boulders WWTP of November 30, 2018, which the Parties also adopt as part of this Settlement. The Town/Resort Agreement also includes the proposed dismissal of the Resort's Appeal of Decision No. 73885 (May 13, 2013) and the release of all claims related to the closure of the Boulders WWTP, which the Parties gave specific consideration to as part of this Settlement.

1.3 Nature of Comprehensive Settlement.

1.3.1 Liberty Black Mountain filed a Notice of Settlement Discussions on December 17, 2015. The Parties to this Docket subsequently held settlement discussions on January 8, 2016.

1.3.2 The settlement discussions were open, transparent, and inclusive of all parties to this docket who desired to participate.

**COMPREHENSIVE SETTLEMENT AGREEMENT
LIBERTY UTILITIES (BLACK MOUNTAIN SEWER) CORP.
DOCKET NOS. SW-02361A-15-0206 and SW-02361A-15-0207**

1.3.3 This Comprehensive Settlement reflects the Parties' agreement and intent to settle and compromise all claims and issues in the Consolidated Dockets, including the determination of fair value rate base, establishment of a revenue requirement, and the setting of rates for wastewater utility service provided by Liberty Black Mountain. The signatories to the Town/Resort Agreement that are also Parties agree that the Town/Resort Agreement is still in effect as to those parties that executed it, except as the Town/Resort Agreement is specifically modified by the terms of this Comprehensive Settlement.

1.3.4 The Parties believe that this Comprehensive Settlement is in the public interest and that the terms and conditions are fair, just and reasonable. The Parties request an order from the Commission, as soon as possible: (i) finding that the terms and conditions of this Comprehensive Settlement Agreement are just and reasonable; (ii) concluding that the Agreement is in the public interest; (iii) approving the Agreement in its entirety; and (iv) making any and all other findings and orders in support of this Agreement that the Commission deems necessary.

2 SPECIFIC RATEMAKING TERMS AND CONDITIONS.

2.1 **Revenue Requirement.** The Parties agree to a total revenue requirement of \$2,415,080, which results in an increase in revenues equal to \$175,232 over test year revenues, an increase of 7.82 percent.

2.2 **Fair Value Rate Base.** The Parties agree to a Fair Value Rate Base ("FVRB") equal to \$4,195,730 as shown on Settlement Schedule B-2, page 2. The Parties agree to use original cost rate base as the FVRB in this rate case. The Parties determined the proposed FVRB in this rate case by making the following adjustments, among others, to resolve issues in dispute:

2.2.1 **Plant Closure Costs.** The inclusion of \$825,081 of plant closure costs in rate base, which costs are discussed in Section 3.2.3 below.

2.2.2 **Corporate Plant.** The inclusion of corporate plant totaling \$97,456, as shown in shown in Settlement Schedule B-2, page 3. The corporate plant represents the allocated portion of plant owned by Liberty Black Mountain's corporate parent entities and used and useful in providing service to Liberty Black Mountain's customers. Commission Staff and RUCO have reviewed the allocation methodology for these corporate plant costs and agree that these costs are reasonable, necessary and acceptable costs of service for Liberty Black Mountain in this rate case.

2.2.3 **Plant in Service.** The plant in service ("PIS") balance of \$14,196,404 and the accumulated depreciation ("A/D") balance of \$8,757,889 reflect the reclassification of plant items and other adjustments/corrections to PIS and A/D as necessary to reconcile the positions of Liberty Black Mountain, Staff and RUCO. These adjustments are detailed on Settlement Schedules B-2, pages 3.1 to 3.5 and B-2, pages 4.1 to 4.6 and summarized on Settlement Schedule B-2, page 3 and page 4. The Parties agree that the PIS and A/D balances identify all of the Company's properly classified PIS and related A/D.

**COMPREHENSIVE SETTLEMENT AGREEMENT
LIBERTY UTILITIES (BLACK MOUNTAIN SEWER) CORP.
DOCKET NOS. SW-02361A-15-0206 and SW-02361A-15-0207**

2.2.4 Advances-in-aid of Construction and Contributions-in-aid of Construction. The advances in aid of construction ("AIAC") balance of \$520,749, contributions in aid of construction ("CIAC") balance of \$6,445,253, and accumulated amortization balance of \$5,333,859 reflect corrections and adjustments, including the reclassification of AIAC to CIAC to account for expired Line Extension Agreements ("LXAs"), along with related adjustments to the accumulated amortization ("AA"). The Parties agree that the resulting AIAC, CIAC, and AA balances shown in Settlement Schedule B-2, page 2 identify all of the Company's properly classified AIAC, CIAC and related AA.

2.2.5 Accumulated Deferred Income Taxes. The Accumulated Deferred Income Tax ("ADIT") balance of \$247,377 reflects the final Comprehensive Settlement PIS, A/D, AIAC, CIAC, AA balances. ADIT is detailed on Settlement Schedule B-2, page 7 and summarized on Settlement Schedule B-2, page 2. The Parties agree that the resulting ADIT balance shown in Settlement Schedule B-2, page 2 properly reflects the Comprehensive Settlement PIS, A/D, AIAC, CIAC, AA balances.

2.2.6 Cash Working Capital A negative cash working capital allowance equal to \$(118,960) as shown in Settlement Schedule B-2, page 2. The cash working capital allowance computation is detailed on Settlement Schedule B-5 and was determined exclusive of rate case expense.

2.3 Operating Expenses. The Parties agree to adjusted test year operating expenses equal to \$2,021,692, as shown on Settlement Schedule C-1, page 1. The Parties determined the level of operating expenses by making the following adjustments, among others, to resolve issues in dispute.

2.3.1 Depreciation Expense Depreciation expense equal to \$500,924, detailed on Settlement Schedule C-2, page 2 and summarized on Settlement Schedule C-1, page 1, with the fully depreciated plant amounts determined using the Vintage Group method and Staff's typical and customary depreciation rates. The Parties agree that implementation of the Vintage Group method for depreciation is reasonable on a going-forward basis, and that the use of Staff's typical and customary depreciation rates is reasonable and appropriate.

2.3.2 APUC/Liberty Utilities Corporate Cost Allocations (Non-Labor). The Parties acknowledge and agree that Liberty Black Mountain seeks recovery for \$84,790 in corporate non-labor cost allocations from Liberty Utilities (Sub) Corp., and \$37,815 in corporate cost allocations from APUC/Liberty Utilities Canada, as set forth on Settlement Schedule C-2, page 6. The Parties expressly acknowledge and agree that these costs are reasonable, necessary and acceptable costs of service for Liberty Black Mountain in this rate case. With respect to the APUC corporate cost allocations, the Parties further acknowledge and agree as follows.

2.3.2.1 Customers of Liberty Black Mountain benefit from Liberty Black Mountain's access to capital through its ultimate parent entity, APUC, which is publicly traded on the Toronto Stock Exchange ("TSX"), and that capital from the TSX would not be available to Liberty Black Mountain if APUC did not incur the corporate costs for the benefit of the Liberty Utilities regulated utilities, including Liberty Black Mountain.

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2.3.2.2 The costs and corporate cost items detailed on Attachment B are reasonable, necessary and acceptable costs of service for Liberty Black Mountain because such costs are part of the costs APUC must pay as a member of the TSX, which is the Company's sole source of equity capital.

2.3.2.3 The APUC/Liberty Utilities Cost Allocation Manual ("CAM") and the allocation of costs under the methodologies set forth in the CAM to Liberty Black Mountain and other affiliated companies under the Liberty/APUC umbrella result in a reasonable level of allocated costs for Liberty Black Mountain in this rate case.

2.3.2.4 The Parties' agreement regarding the APUC cost allocation in this Rate Case is not intended to preclude any party from asserting, in a future rate case for the Company or another Liberty Utilities' affiliate, that circumstances have changed, including but not limited to changes in the CAM and corporate cost allocation method, and as such the allocated corporate costs are no longer necessary and reasonable costs of service. Liberty Black Mountain further agrees to make regular presentations to Staff and RUCO, as needed, regarding the CAM and Liberty Utilities' corporate cost allocation methodologies, including updating Staff and RUCO on any changes in the CAM and allocation methodology that would have an impact on rates or the ratemaking process. The Company, Staff and RUCO shall meet to discuss possible changes regarding the CAM and Liberty Utilities corporate cost allocation methodology prior to the hearing in Liberty's next rate case.

2.3.3 **Rate Case Expense.** Total rate case expense equal to \$350,000 to be amortized over four (4) years as shown on Settlement Schedule C-2, page 4. The Parties acknowledge the unique circumstances that gave rise to this rate case, including the Commission order that the Company close the Boulders WWTP and the urgency in modifying the commercial rate design, and agree that the rate case expense and the use of a four (4) year amortization is reasonable and prudent under these unique circumstances.

2.4 Cost of Capital.

2.4.1 **Capital Structure.** The Parties agree to a capital structure consisting of 70 percent equity and 30 percent debt, which capital structure assumes Commission approval of the Finance App., as discussed in Section 4.4 below.

2.4.2 **Cost of Debt** The Parties agree on a cost of debt equal to 3.53 percent for the purpose of setting rates in this rate case. The Parties acknowledge that under the financing approval requested and agreed to herein, future debt offerings may be at different costs of debt as determined by the Company and subject to review by Commission Staff and RUCO.

2.4.3 **Cost of Equity** The Parties agree to a cost of equity equal to 9.5 percent, which amount was agreed to through negotiation and compromise.

2.4.4 **Rate of Return:** Using the capital structure and costs of debt and equity agreed to herein, the Parties agree to a rate of return of 7.71 percent on the FVRB.

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2.5 Revenue Requirement Determined for Settlement Purposes. The provisions set forth herein regarding the quantification of fair value rate base, fair value rate of return and the revenue requirement, are made for purposes of settlement only and should not be construed as admissions against interest or waivers of litigation positions related to other or future cases except as otherwise provided for in this Comprehensive Settlement.

2.6 Rate Design. The Parties agree to the rates shown in Settlement Schedule H-3, page 1 and request that the Commission approve said rates for wastewater utility service by the Company. The bill impacts under the Parties' proposed rates are shown on Settlement Schedule H-2, page 1. With respect to the rates and rate design, the Parties further agree as follows:

2.6.1 Commercial Rate Design. The commercial rates agreed to herein and proposed by the Parties for Commission approval are based on water usage and utilize water usage data to be obtained from the water providers providing service in Liberty Black Mountain's certificated service area.

2.6.2 Resort Effluent Rate. The Effluent Rate to be paid by the Resort will be \$543 per acre-foot as discussed in Section 3.2.2 below. The Effluent Rate has been calculated assuming an effective date for new rates of May 1, 2016. The Parties agree that the Effluent Rate may need to be revised, up or down, as necessary to ensure that Liberty Black Mountain neither under- or over-recovers the \$108,000 of plant costs to be repaid by the Resort as discussed in Section 3.2.2 below.

2.6.3 Hook-Up Fees. The Parties agree that the Company should use \$1700 per Equivalent Residential Unit or ERU in its Hook-Up Fee or HUF Tariff.

3 SPECIFIC TERMS AND CONDITIONS RELATED TO CLOSURE OF THE BOULDERS WWTP.

3.1 Closure of the Boulders WWTP. Consistent with the Town/Resort Agreement, Liberty Black Mountain will close the Boulders WWTP on or before November 30, 2018. Liberty will continue to provide effluent to the Resort and the Resort will take and pay for such effluent until that closure date, all in accordance with the Town/Resort Agreement. Following closure, Liberty Black Mountain will remove the Boulders WWTP and remediate the site in accordance with applicable environmental standards within a reasonable time after closure of the Boulders WWTP. Following remediation, Liberty shall cause the Boulders WWTP site to be put up for sale and sell the site at the best price available as determined by the Company given then current market conditions.

3.2 Actual Plant Closure Costs. As of September 30, 2015, Liberty Black Mountain had incurred \$1,133,080 in closure costs. The Parties agree that these costs were reasonably and prudently incurred in connection with closure of the Boulders WWTP as requested by the Town, the Company's customers and ordered by the Commission. The Parties further agree that Liberty Black Mountain should recover these closure costs as set forth herein as part of this Comprehensive Settlement.

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3.2.1 As part of the Town/Resort Agreement and this Comprehensive Settlement, Liberty Black Mountain has agreed not to seek recovery of \$200,000 of costs incurred in connection with closure of the Boulders WWTP.

3.2.2 As part of the Town/Resort Agreement and this Comprehensive Settlement, the Resort has agreed that \$108,000 of those closure costs should be recovered from the Resort as part of the rate for effluent until the Boulders WWTP is closed on November 30, 2018, and the Resort shall continue to take and pay for effluent from the Company until the Boulders WWTP closes. The Resort effluent rate shall be determined based on the remaining months from the date of the Commission decision in this Rate Case until November 30, 2018, and is currently estimated to be \$543 per acre-foot, assuming the rates approved in this case are effective no later than May 1, 2016. No rate of return would be earned by Liberty Black Mountain on the \$108,000. If the \$108,000 is fully recovered before the Boulders WWTP closes, the effluent rate should revert to the current rate of \$150 per acre-foot.

3.2.3 The Parties agree that the remaining amount of closure costs, \$825,080, are reasonable and prudent costs incurred by Liberty Black Mountain in connection with closure of the Boulders WWTP and that such costs should be included in rate base (as deferred regulatory asset) as addressed in Section 2.2.1 above, and shown in Settlement Schedule B-2, page 2. The Parties acknowledge that Liberty Black Mountain is still incurring and will continue to incur costs related to the closure of the WWTP, and the Parties agree that the Company will seek to recover any reasonable costs of closure in the next rate case for Liberty Black Mountain, the timing of which is addressed in Section 4.5 below.

3.3 Replacement Capacity.

3.3.1 **Scottsdale Capacity Agreement** The Parties acknowledge that Liberty Black Mountain and Scottsdale have negotiated an Amended and Restated Wastewater Treatment Agreement, and that such agreement is awaiting final approval by the City of Scottsdale. The Parties agree that this Comprehensive Settlement, including Section 3.3.2 below, relies on the terms of the agreement with Scottsdale regarding the cost of treatment capacity and the timing for purchasing such capacity being approved without material change, and that in the event that the terms of the agreement with Scottsdale relied on herein are changed, the Parties agree to work in good faith to modify this Settlement such that no Party is negatively impacted by the change in the anticipated terms of the agreement between Liberty Black Mountain and Scottsdale.

3.3.2 **Cost of Replacement Capacity** The Parties agree that the anticipated cost for additional treatment capacity of 120,000 gallons is \$10 per gallon for a total cost of \$1,200,000 to be paid to Scottsdale on or before January 1, 2018. The Parties acknowledge and agree that such cost of replacement capacity is known and measurable, reasonable and prudent, and once paid by Liberty Black Mountain, such cost should be treated and recovered as follows:

3.3.2.1 Upon payment of the full amount to Scottsdale, the total cost shall be recorded on the Company's books in PIS account 398 – Other Tangible Plant and identified separately as “Scottsdale Capacity”.

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3.3.2.2 For ratemaking purposes, the Parties agree that the Company shall treat the Replacement Capacity cost as a regulatory asset and that the Company is to be permitted to defer the cost of the Replacement Capacity depreciation expense recorded on the underlying regulatory assets, and to accrue post-in service Allowance for Funds Used During Construction (AFUDC) for later recovery in rates. The Parties further agree that the post-in service AFUDC rate shall be 7.71 percent, the weighted average cost of capital set forth in Section 2.4 above, and that the deferred amount shall be depreciated at a rate of 5 percent until such time as it is recognized for inclusion in rate base.

3.3.3 **Time of Payment to Scottsdale** Liberty Black Mountain agrees not to pay Scottsdale for the Replacement Capacity earlier than 90 days before the deadline established in the agreement between the Company and Scottsdale.

3.4 Wastewater Collection and Transmission System Realignment.

3.4.1 **Estimated Costs for Realignment.** In order to close the Boulders WWTP, Liberty Black Mountain must modify and reconstruct portions of its existing wastewater collection and transmission system. Liberty Black Mountain's plan for modification and realignment is Option 2—City of Scottsdale, Tom Darlington Drive – Single FM w/ Ex Backup as shown on Attachment C. All Parties have had an opportunity to review and conduct an independent evaluation of the proposed plan and agree with Liberty Black Mountain that the \$3,899,700 of estimated costs for closure under Option 2, which amount includes the \$1.2 Million for Replacement Capacity discussed in Section 3.3.2 above, appear just, reasonable and necessary. The Parties agree and acknowledge that those costs are still estimates and subject to change.

3.4.2 **Recovery of Remaining Plant Closure Costs.** In lieu of the Commission plant closure cost surcharge mechanism approved in the Phase 1 Decision, the Parties agree that Liberty Black Mountain's remaining costs for closure of the Boulders WWTP should be subject to the following ratemaking treatment:

3.4.2.1 All costs shall be recorded on the Company's books and records as incurred.

3.4.2.2 AFUDC should be recorded during construction in the ordinary and customary manner for such construction projects.

3.4.2.3 The Company shall record but then defer depreciation on the remaining costs of closure for recovery in rates in the Company's next rate case. Such deferred cost shall be recorded as a regulatory asset.

3.4.2.4 The Company shall be permitted to recover post-in service AFUDC at the rate of 7.71 percent, the weighted average cost of capital agreed to in Section 2.4 to be deferred and recovered in rates.

3.4.2.5 The Parties acknowledge that the remaining closure costs can only be estimated at this time, and that despite the Company's best efforts, the final actual remaining

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closure costs may be higher than the current estimate. Additionally, the Parties agree that the actual, total cost subject to the accrual of post in-service AFUDC and the deferral of depreciation in accordance with Sections 3.4.2.3 and 3.4.2.4 above shall not exceed \$3,299,700 (\$2,699,700 plus a maximum of \$500,000), which amount is exclusive of the cost of the Replacement Capacity addressed in Section 3.3.2 above. The Company may seek relief in its next rate case for the actual construction costs that exceed the maximum amount of \$3,299,700, if any, that are subject to deferred depreciation and the accrual of post in-service AFUDC in accordance with this Comprehensive Settlement.

3.4.3 Removal Costs. The Parties acknowledge and agree that the costs to remove the Boulders WWTP from its present location and to remediate the site, along with any net proceeds from the sale of the remediated land, are not included in the estimated closure costs discussed in Sections 3.3 and 3.4 above and may not be paid until after the Boulders WWTP is closed, at which time Liberty Black Mountain will seek to recover the additional costs of removal in a future rate case. In the event that the costs of removal and remediation can be included as post test year plant costs in the next rate case to be filed in accordance with Section 4.5 below, the Parties agree that such costs should be considered at such time for inclusion in rate base in order to avoid a subsequent rate case in order to include such costs in rate base.

4 MISCELLANEOUS SETTLEMENT TERMS AND CONDITIONS.

4.1 Ratemaking Treatment for Existing Scottsdale Capacity. The Parties acknowledge that the Commission has elected in the past to treat certain prior purchases of treatment capacity from Scottsdale by the Company as an operating lease, and the Parties agree that the Company has kept its books and records in accordance with those prior decisions of the Commission. As a result, the Parties agree that no further adjustment is necessary.

4.2 Plant Inventory and Depreciation Study. Staff, in its direct testimony, recommended that the Company perform a depreciation study and plant inventory because Staff generally believes that many regulated utilities could benefit from taking these measures. Staff agrees to withdraw this recommendation as a compromise in this case and the Parties agree that nothing further is necessary at this time. The Parties further agree that should the Company elect to do a depreciation study and/or plant inventory before the next rate case, the reasonable costs of conducting such study and/or inventory should be recovered from the Company's customers through the rates paid for service.

4.3 Surcharges and Adjustment Mechanisms. This Comprehensive Settlement has eliminated the current need for the plant closure cost and rate case expense surcharges requested by the Company in this Rate Case, including the staged plant closure cost surcharges set forth in the Town/Resort Agreement. The Company also has agreed to forego approval of the requested Purchase Power Adjuster Mechanism and Property Tax Adjuster Mechanism as a compromise in this Comprehensive Settlement. The resolution of these issues in this Comprehensive Settlement is not intended as, nor should it be taken as, an expression of any Party's position on the propriety, reasonableness or legality of such surcharges and adjusters in this or any other docket or litigation.

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4.4 **Finance Application.** The Parties agree that the terms and conditions of the Company's proposed financing are reasonable, including the manner of determining the cost of debt, and that the requested financing should be approved by the Commission.

4.5 **Liberty Black Mountain's Next Rate Case Filing.** The Parties agree that the Company's next rate case shall be filed on or before June 30, 2019, using a test year ending December 31, 2018.

5 COMMISSION EVALUATION OF COMPREHENSIVE SETTLEMENT.

5.1.1 The Parties acknowledge and agree that the determination of Liberty Black Mountain's FVRB and the setting of just and reasonable rates thereon will be made by the Commission based upon its own independent evaluation and determination of the record, including this Comprehensive Settlement.

5.1.2 Following execution by each of the Parties, this Comprehensive Settlement Agreement shall be jointly filed with the Commission, along with testimony from each Party supporting the Comprehensive Settlement and requesting that the Commission approve, as soon as possible, the FVRB and rates and other relief agreed to as part of this Comprehensive Settlement.

5.1.3 If the Commission fails to issue an order adopting all of the material terms of this Comprehensive Settlement, or modifies or adds material terms to this Comprehensive Settlement, any or all of the Parties may withdraw from this Comprehensive Settlement, and such Party or Parties may pursue their respective remedies at law without prejudice. For purposes of this Comprehensive Settlement, whether a term is material shall be left to the reasonable discretion of the Party choosing to withdraw from the Comprehensive Settlement. If a Party withdraws from the Comprehensive Settlement pursuant to this Section 5.1.3 and files an application for rehearing with the Commission, the other Parties, except for Staff, shall support the application for rehearing by filing a document to that effect with the Commission.

5.1.4 The Parties agree that this Comprehensive Settlement will not have any binding force and effect until its material terms are adopted in an order of the Commission, except that this provision shall not relieve the Parties of their obligations pursuant to Section 5.1.2 of this Comprehensive Settlement Agreement.

5.1.5 The Parties agree to support approval of the Comprehensive Settlement and resolution of the Rate Case and Finance App. at the earliest possible date.

6 MISCELLANEOUS PROVISIONS.

6.1.1 The Parties agree that all currently filed testimony and exhibits shall be offered into the Commission's record as evidence.

6.1.2 The Parties recognize that Staff does not have the power to bind the Commission, and that Staff acts in the same manner as any party to a Commission proceeding.

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6.1.3 Each Party whose signature appears below is fully authorized and empowered to execute this Comprehensive Settlement. Each Party has been represented by competent legal counsel and understands all of the terms of this Comprehensive Settlement, has had an opportunity to participate in the drafting of this Comprehensive Settlement and fully review this Comprehensive Settlement with its legal counsel before signing, and executes this Comprehensive Settlement with full knowledge of the terms of the Comprehensive Settlement.

6.1.4 This Comprehensive Settlement represents the Parties' mutual desire to compromise and settle in good faith all of the issues in the Consolidated Dockets in a manner consistent with the public interest. To achieve consensus for settlement, the Parties are accepting positions that, in any other circumstances, they might be unwilling to accept. They are doing so because the Comprehensive Settlement, as a whole, with its various provisions for settling the unique issues presented by this case, is consistent with their long-term interests and the broader public interest. No Party is bound by any position asserted in negotiations, except as expressly stated in this Comprehensive Settlement. No Party shall offer evidence of conduct or statements made in the course of negotiating this Comprehensive Settlement before this Commission, any other regulatory agency, or any court.

6.1.5 To the extent any provision of this Comprehensive Settlement is inconsistent with any existing Commission order, rule, or regulation, this Comprehensive Settlement shall control. To the extent this Comprehensive Settlement is inconsistent with the Town/Resort Agreement, the terms of this Comprehensive Settlement are controlling.

6.1.6 Each of the terms of this Comprehensive Settlement is in consideration of all other terms of this Comprehensive Settlement. Accordingly, the terms are not severable.

6.1.7 The Parties shall make reasonable and good faith efforts necessary to support and defend this Comprehensive Settlement and obtain a Commission order approving its material terms and, if necessary in court if challenged by another person or entity. Subject to Section 5.1.3 above, if the Commission adopts an order approving all material terms of the Comprehensive Settlement, the Parties will support and defend the Commission's order before any court or regulatory agency in which it may be at issue. Nothing in this Section 6.1.7 shall be construed to require a Party to fund the defense of any other Party. If defense of this Comprehensive Settlement is reasonably needed in any court or other regulatory agency, then each Party shall be deemed to have satisfied its duty under this Section 6.1.7 by providing a witness to testify in such action in support of this Comprehensive Settlement, but a Party shall not be required to pay an attorney to participate in such action, or to join as a party to such action. The Parties expressly recognize, however, that Staff shall not be required to file any document or take any position that is inconsistent with a Commission order in this matter.

6.1.8 This Comprehensive Settlement may be executed in any number of counterparts and by each Party on separate counterparts, each of which when so executed and delivered shall be deemed an original and all of which taken together shall constitute one and the same instrument. This Comprehensive Settlement may also be executed electronically or by facsimile.

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6.1.9 Under Section 38-511, Arizona Revised Statutes, as amended, the Town may cancel this Comprehensive Settlement within three years after its execution and without penalty or further obligation, if any person significantly involved in initiating, negotiating, securing, drafting or creating this Comprehensive Settlement on behalf of the Town is, at any time while the Comprehensive Settlement or any extension thereof is in effect, an employee or agent of another Party or any entity affiliated with another Party through common ownership in any capacity or a consultant to another Party with respect to the subject matter of this Comprehensive Settlement. In the event the Town elects to exercise its right under Section 38-511, Arizona Revised Statutes, as amended, the Town will immediately give written notice thereof to the other Parties and the provisions of this Comprehensive Settlement shall bind no Party further.

6.1.10 The Recitals set forth in Section 1 of this Comprehensive Settlement are part of this Comprehensive Settlement and fully incorporated into the terms and conditions of the Parties' Comprehensive Settlement to settle as set forth in in this Comprehensive Settlement.

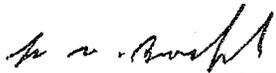
**COMPREHENSIVE SETTLEMENT AGREEMENT
LIBERTY UTILITIES (BLACK MOUNTAIN SEWER) CORP.
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LIBERTY UTILITIES (BLACK MOUNTAIN SEWER) CORP.

By: Matthew Gachek
Its: President - AZ

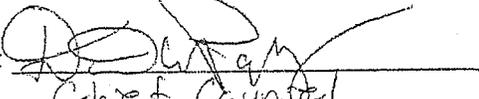
COMPREHENSIVE SETTLEMENT AGREEMENT
LIBERTY UTILITIES (BLACK MOUNTAIN SEWER) CORP.
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ARIZONA CORPORATION COMMISSION UTILITIES DIVISION

By: 
Its: Utilities Division Director

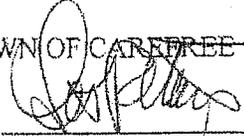
COMPREHENSIVE SETTLEMENT AGREEMENT
LIBERTY UTILITIES (BLACK MOUNTAIN SEWER) CORP.
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RESIDENTIAL UTILITY CONSUMER OFFICE

By: 
Its: Chief Counsel

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LIBERTY UTILITIES (BLACK MOUNTAIN SEWER) CORP.
DOCKET NOS. SW-02361A-15-0206 and SW-02361A-15-0207

TOWN OF CAREFREE ~~_____~~

By: 

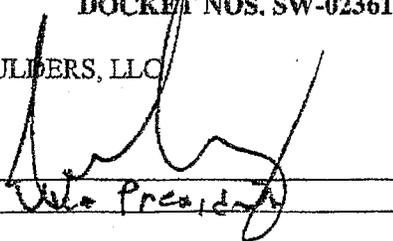
Its: Mayor

COMPREHENSIVE SETTLEMENT AGREEMENT
LIBERTY UTILITIES (BLACK MOUNTAIN SEWER) CORP.
DOCKET NOS. SW-02361A-15-0206 and SW-02361A-15-0207

CP BOULDERS, LLC

By: _____

Its: _____



[Handwritten Signature]
President

ATTACHMENT A
APUC/LIBERTY COST ALLOCATION

ATTACHMENT 1

Description of APUC Expense	Total APUC Expense	Allocation Percent	APUC Amount Allocated to Affiliate	Allocation Percent	APUC Amount Allocated to Black Mountain	NARUC Account Number
Legal Costs	\$389,618.02	16.17%	\$63,001.23	3.86%	\$2,431.85	734
Tax Services	\$637,075.68	16.17%	\$103,015.14	3.86%	\$3,976.38	734
Audit	\$687,211.34	16.17%	\$111,122.07	3.86%	\$4,289.31	734
Investor Relations	\$87,327.97	16.17%	\$14,120.93	3.86%	\$545.07	734
Director Fees and Insurance	\$728,234.51	16.17%	\$117,755.52	3.86%	\$4,545.36	734
Licenses, Fees and Permits	\$211,229.89	16.17%	\$34,155.87	3.86%	\$1,318.42	734
Escrow and Transfer Agent Fees	\$55,605.20	16.17%	\$8,991.36	3.86%	\$347.07	734
Other Professional Services	\$443,302.95	16.17%	\$71,682.09	3.86%	\$2,766.93	734
Office Administration	\$2,823,698.31	16.17%	\$456,592.02	3.86%	\$17,624.45	734
Total	\$6,063,303.87		\$980,436.23		\$37,844.84	

ATTACHMENT B
REALIGNMENT OPTIONS

PROPOSED SETTLEMENT AGREEMENT
DOCKET NOS. SW-02361A-15-0206 and SW-02361A-15-0207

Exhibit - 1

Liberty Utilities - Black Mountain Treatment Options after removal of the WRF

Description	Option 1 Town of Cave Creek Cave Creek Road		Option 2 City of Scottsdale IDD - Single FM w/ Ex Backup		Option 3 City of Scottsdale Male Train-Hayden Rd		Option 4 Boulders Existing FMs w/ New Sewers	
	\$		\$		\$		\$	
By-pass sewers at WRF	\$	210,500	\$	210,500	\$	210,500	\$	210,500
Decommission & remove WRF	\$	352,200	\$	437,300	\$	352,200	\$	437,300
Capital cost for capacity	\$	4,022,225	\$	1,203,000	\$	1,203,000	\$	1,203,000
Additional charges		Yes - new connections		No - exist contract		No - exist contract		No - exist contract
Operational charges	\$	5.45 plus \$3 per 1,000 gal						
Commercial LS requires upgrading		Yes		Yes		No		No
Estimated Cost of Upgrade	\$	403,800	\$	411,700	\$		\$	
Ex FM - Future Eng. Office Relocation		No		No		Yes - 10,000 ft replace main ext. FM		Yes - 10,000 ft main ext. FM
FM Replacement - Elyw Bussling	\$		\$		\$	1,100,000	\$	1,100,000
Sanitary Rock LS								
Requires upgrades to four LS		4 Storm, Stagecoach & El Terd.		No changes		No changes		No changes
Estimated Cost of Upgrades	\$	1,052,200	\$		\$		\$	
Force Main construction		Yes		Yes - single FM		Yes plus gravity line		No
Requires new force mains		1,100 ft		12,900 ft		1,000 ft (FM) - 7,200 ft (SS)		No
Approximate length of FM/SS	\$	422,400	\$	616,900	\$	1,520,300	\$	
Estimated Cost for Force Mains				617,000		Included w/FMs		
Estimated Cost Pavement Replant	\$		\$		\$	1,000,000	\$	
Estimated Cost 10-ft wide Easements		Included w/FMs						
Replacement Gravity Sewers - negative slopes, under capacity, and under buildings								
Approximate length of SS								5,960 ft
Estimated Cost for Sewers	\$		\$		\$		\$	1,548,300
Estimated Cost Payment Replant	\$		\$		\$		\$	712,900
Estimated Cost 10-ft wide Easements	\$		\$		\$		\$	431,600
Efficient to Boulders		Yes		Yes - through HWDS		No		Yes
Available for purchase		4,000 ft.		No		Yes - through HWDS		No
Requires new pipeline	\$	974,700	\$		\$		\$	
Estimated cost to construct	\$	7,562,425	\$	3,892,200	\$	5,580,400	\$	6,032,900
Total Estimated Capital Costs								

ATTACHMENT C

SETTLEMENT SCHEDULES

Liberty Utilities (Black Mountain Sewer) Corp.
 Test Year Ended December 31, 2014
 Computation of Increase in Gross Revenue
 Requirements As Adjusted

Exhibit
 Settlement Schedule A-1
 Page 1
 Witness: Bourassa

Line No.					
1	Fair Value Rate Base			\$	4,195,730
2					
3	Adjusted Operating Income				218,157
4					
5	Current Rate of Return				5.20%
6					
7	Required Operating Income			\$	323,449
8					
9	Required Rate of Return on Fair Value Rate Base				7.71%
10					
11	Operating Income Deficiency			\$	105,292
12					
13	Gross Revenue Conversion Factor				1.6642
14					
15	Increase in Gross Revenue Requirement			\$	175,232
16					
17					
18	Adjusted Test Year Revenues			\$	2,239,848
19	Increase in Gross Revenue Requirement			\$	175,232
20	Proposed Revenue Requirement			\$	2,415,080
21	% Increase				7.82%
22					
23	Customer	Present	Proposed	Dollar	Percent
24	Classification	Rates	Rates	Increase	Increase
25	Residential	\$ 1,522,310	\$ 1,855,053	\$ 332,743	21.86%
26	Residential HOA (11 units)	8,612	10,494	1,882	21.86%
27	Residential HOA (12 units)	9,395	11,448	2,053	21.86%
28	Residential HOA (25 units)	19,572	23,850	4,278	21.86%
29	Residential Apartment (gpd rate)	63,950	-	(63,950)	-100.00%
30	Residential Apartment (8 units)	-	7,632	7,632	0.00%
31	Residential Apartment (10 units)	-	9,540	9,540	0.00%
32	Residential Apartment (74 units)	-	70,596	70,596	0.00%
33	Commercial	578,108	387,042	(191,066)	-33.05%
34					
35	Effluent	5,233,414	5,233,414	-	0.00%
36					
37	Revenue Annualization	9,786	11,925	2,139	21.86%
38	Subtotal	\$ 7,445,146	\$ 7,620,994	\$ 175,848	2.36%
39					
40	Miscellaneous Revenues	11,098	11,098	-	0.00%
41	Reconciling Amount	952	336	(616)	-64.71%
42	Rounding	-	-	-	0.00%
43	Total of Wastewater Revenues	\$ 7,457,195	\$ 7,632,428	\$ 175,232	2.35%
44					
45					
46	<u>SUPPORTING SCHEDULES:</u>				
47	B-1				
48	C-1				
49	C-3				
50	H-1				

Liberty Utilities (Black Mountain Sewer) Corp.
 Test Year Ended December 31, 2014
 Summary of Rate Base

Exhibit
 Settlement Schedule B-1
 Page 1
 Witness: Bourassa

Line No.		<u>Original Cost</u> <u>Rate base</u>	<u>Fair Value</u> <u>Rate Base</u>
1			
2	Gross Utility Plant in Service	\$ 14,126,094	\$ 14,126,094
3	Less: Accumulated Depreciation	<u>8,757,889</u>	<u>8,757,889</u>
4			
5	Net Utility Plant in Service	\$ 5,368,205	\$ 5,368,205
6			
7	<u>Less:</u>		
8	Advances in Aid of Construction	520,749	520,749
9			
10	Contributions in Aid of Construction	6,445,253	6,445,253
11			
12	Accumulated Amortization of CIAC	(5,333,859)	(5,333,859)
13			
14	Customer Meter Deposits	8,570	8,570
15	Customer Security Deposits	-	-
16	Accumulated Deferred Income Tax	247,377	247,377
17			
18			
19	<u>Plus:</u>		
20	Deferred Regulatory		
21	Asset	825,080	825,080
22	Prepayments	9,493	9,493
23	Materials and Supplies	-	-
24	Cash Working Capital	(118,960)	(118,960)
25			
26			
27	Total Rate Base	<u>\$ 4,195,730</u>	<u>\$ 4,195,730</u>
28			
29			
30			
31			
32			
33			
34			
35			
36			
37			
38			
39			
40			
41			
42	<u>SUPPORTING SCHEDULES:</u>		
43	B-2		
44	B-3		
45	B-5		
46			
47			
48			
49			
50			
51			

Liberty Utilities (Black Mountain Sewer) Corp.
 Test Year Ended December 31, 2014
 Original Cost Rate Base Proforma Adjustments

Exhibit
 Settlement Schedule B-2
 Page 1
 Witness: Bourassa

Line No.		Adjusted at End of Test Year	Proforma Adjustment	Rebuttal Adjusted at end of Test Year
1	Gross Utility			
2	Plant in Service	\$ 14,166,434	(40,340)	\$ 14,126,094
3				
4	Less:			
5	Accumulated			
6	Depreciation	8,654,682	103,207	8,757,889
7				
8				
9	Net Utility Plant			
10	in Service	\$ 5,511,752		\$ 5,368,205
11				
12	Less:			
13	Advances in Aid of			
14	Construction	1,743,922	(1,223,173)	520,749
15				
16	Contributions in Aid of			
17	Construction - Gross	5,461,736	983,517	6,445,253
18				
19	Accumulated Amortization of CIAC	(5,240,717)	(93,143)	(5,333,859)
20				
21	Customer Meter Deposits	8,570		8,570
22	Customer Security Deposits	-	-	-
23	Accumulated Deferred Income Tax	75,116	172,260	247,377
24				
25				
26				
27	Plus:			
28	Deferred Regulatory			
29	Asset	-	825,080	825,080
30	Prepayments	9,493	-	9,493
31	Materials and Supplies	-	-	-
32	Cash Working capital	(60,594)	(58,366)	(118,960)
33				
34				
35	Total	\$ 3,412,024		\$ 4,195,730

SUPPORTING SCHEDULES:

B-2, pages 2
 E-1

RECAP SCHEDULES:

B-1

Exhibit
Settlement Schedule B-2
Page 2
Witness: Bourassa

Liberty Utilities (Black Mountain Sewer) Corp.
Test Year Ended December 31, 2014
Original Cost Rate Base Proforma Adjustments

Line No.	Adjusted at end of Test Year	1	2	3	4	5	6	7	Rebuttal Adjusted at end of Test Year
		Plant-in-Service	Accumulated Depreciation	CIAC	AIAC	ADIT	Working Capital	Deferred Regulatory Asset	
1	\$ 14,168,434	(40,340)							\$ 14,126,094
2									
3									
4									
5	8,654,682		103,207						8,757,889
6									
7									
8									
9									
10	\$ 5,511,752	(40,340)	(103,207)						\$ 5,368,205
11									
12									
13									
14	1,743,922				(1,223,173)				520,749
15									
16	5,461,736			983,517					6,445,253
17	(5,240,717)			(93,143)					(5,333,859)
18									
19									
20	8,570								8,570
21									
22						172,260			247,377
23	75,116								
24									
25									
26									
27								825,080	825,080
28									9,483
29	9,483								
30							(58,366)		(118,960)
31	(60,584)								
32									
33	\$ 3,412,024	(40,340)	(103,207)	(890,374)	1,223,173	(172,260)	(58,366)	825,080	\$ 4,195,730
34									
35									
36									
37									
38									
39									
40									
41									

RECAP SCHEDULES:
B-1

SUPPORTING SCHEDULES:
B-2, pages 3-9

Exhibit
Settlement Schedule B-2
Page 3
Witness: Bourassa

Liberty Utilities (Black Mountain Sewer) Corp.
Test Year Ended December 31, 2014
Original Cost Rate Base Proforma Adjustments
Adjustment Number 1

Plant-in-Service

Line No.	Acct. No.	Description	A		B		C		D	E	F
			Adjusted Original Cost	Plant Reclassification	AFUDC	Plant Addition Correction	Corporate Plant	Adjustments to Reconcile Plant to Reconstruction			
1	351	Organization	-	-	-	-	-	-	-	-	-
2	352	Franchise	-	-	-	-	-	-	-	-	-
3	353	Land	471,024	1,500	-	-	-	-	-	-	472,524
4	354	Structures & Improvements	3,091,815	(152,549)	(8)	-	-	-	-	0	2,939,259
5	355	Power Generation	-	3,839	-	-	-	-	-	-	3,839
6	360	Collection Sewer Forced	1,130,090	568	(228)	-	-	-	-	0	1,130,430
7	361	Collection Sewers Gravity	4,555,232	-	(51)	-	-	-	-	(0)	4,555,181
8	362	Special Collecting Structures	-	-	-	-	-	-	-	(0)	-
9	363	Customer Services	260,442	-	(7)	-	-	-	-	(0)	260,435
10	364	Flow Measuring Devices	31,668	-	-	-	-	-	-	-	31,668
11	365	Flow Measuring Installations	180,051	-	-	-	-	-	-	-	180,051
12	366	Reuse Services	-	-	-	-	-	-	-	-	-
13	367	Reuse Meters And Installation	-	-	-	-	-	-	-	-	-
14	370	Receiving Wells	1,028,182	-	(3)	-	-	-	-	(0)	1,028,182
15	371	Pumping Equipment	937,492	85,996	-	-	-	-	-	-	1,023,485
16	374	Reuse Distribution Reservoirs	-	-	-	-	-	-	-	-	-
17	375	Reuse Trans. and Dist. System	-	-	-	-	-	-	-	-	-
18	380	Treatment & Disposal Equipment	326,067	(5,782)	-	-	-	-	-	-	320,285
19	381	Plant Sewers	124,527	-	-	-	-	-	-	-	124,527
20	382	Outfall Sewer Lines	-	-	-	-	-	-	-	-	-
21	389	Other Sewer Plant & Equipment	992,742	(3,150)	-	-	(29,760)	-	-	0	959,832
22	390	Office Furniture & Equipment	289,536	(62,224)	(21)	-	-	-	-	(0)	227,290
23	390.1	Computers and Software	-	62,224	-	-	-	-	-	-	62,224
24	391	Transportation Equipment	80,215	-	-	-	-	-	-	-	80,215
25	392	Stores Equipment	-	-	-	-	-	-	-	-	-
26	393	Tools, Shop And Garage Equip	28,942	-	(0)	-	-	-	-	0	28,942
27	394	Laboratory Equip	10,683	-	-	-	-	-	-	-	10,683
28	395	Power Operated Equip	-	-	-	-	-	-	-	-	-
29	396	Communication Equip	43,968	59,323	-	-	-	-	-	-	103,290
30	397	Miscellaneous Equip.	-	-	-	-	-	-	-	-	-
31	398	Other Tangible Plant - Scottsdale Capacity	486,294	-	-	-	-	-	-	-	486,294
32		SUBTOTAL	14,068,969	(10,255)	(317)	-	(29,760)	-	0	-	14,028,638
33											
34	903	Land and Land Rights	8,429	-	-	-	-	-	(9)	-	8,420
35	904	Structures and Improvements	75,829	-	-	-	-	-	0	-	75,829
36	940	Office Furniture & Equipment	-	-	-	-	-	-	-	-	-
37	940.1	Computers and Software	13,207	-	-	-	-	-	0	-	13,207
38		SUBTOTAL	97,465	-	-	-	-	-	(9)	-	97,456
39											
40		Plant Held for Future Use	-	-	-	-	-	-	-	-	-
41		TOTALS	\$ 14,166,434	\$ (10,255)	\$ (317)	\$ (29,760)	\$ (9)	\$ (9)	\$ 0	\$ 14,126,094	
42											
43		Plant-in-Service per Direct									
44		Increase (decrease) in Plant-in-Service									
45		Adjustment to Plant-in-Service									
46											
47											
48											
49		SUPPORTING SCHEDULES									
50		B-2, pages 3.1 to 3.5									
51											

DECISION NO.

75510

Liberty Utilities (Black Mountain Sewer) Corp.
 Test Year Ended December 31, 2014
 Original Cost Rate Base Proforma Adjustments
 Adjustment Number 1 - A

Exhibit
 Settlement Schedule B-2
 Page 3.1
 Witness: Bourassa

Line

No.

<u>Plant Reclassification</u>		<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>Total</u>
1	<u>Plant Reclassification</u>						
2							
3	<u>Acct No. Description</u>						
4	351 Organization						-
5	352 Franchises						-
6	353 Land and Land Rights	1,500					1,500
7	354 Structures and Improvements	(29,825)	(50,642)	(41,192)	(21,589)	(9,299)	(152,549)
8	355 Power Generation Equipment			3,839			3,839
9	360 Collection Sewers - Force					568	568
10	361 Collection Sewers - Gravity						-
11	362 Special Collecting Structures						-
12	363 Services to Customers						-
13	364 Flow Measuring Devices						-
14	365 Flow Measuring Installations						-
15	366 Reuse Services						-
16	367 Reuse Meters And Installation						-
17	370 Receiving Wells						-
18	371 Effluent Pumping Equipment	27,135	31,563	7,480	15,589	4,230	85,996
19	374 Reuse Distribution Reservoirs						-
20	375 Reuse Trans. and Dist. System						-
21	380 Treatment and Disposal Equipment		(7,143)	2,100	1,519	(2,258)	(5,782)
22	381 Plant Sewers						-
23	382 Outfall Sewer Lines						-
24	389 Other Plant and Misc. Equipment		(3,150)				(3,150)
25	390 Office Furniture and Equipment				(62,224)		(62,224)
26	390.1 Computers and Software				62,224		62,224
27	391 Transportation Equipment						-
28	392 Stores Equipment						-
29	393 Tools, Shop and Garage Equipment						-
30	394 Laboratory Equipment						-
31	395 Power Operated Equipment						-
32	396 Communication Equipment		20,308	27,773	4,482	6,760	59,323
33	397 Miscellaneous Equip.						-
34	398 Other TangiblePlant - Scottsdale Capacity						-
35							
36	Totals	\$ (1,190)	\$ (9,065)	\$ -	\$ 0	\$ -	\$ (10,255)

37

38

39

40

41

42

43 SUPPORTING SCHEDULE

44 Testimony

45 Reponse to RUCO DR 6.03

DECISION NO. 75510

Liberty Utilities (Black Mountain Sewer) Corp.
 Test Year Ended December 31, 2014
 Original Cost Rate Base Proforma Adjustments
 Adjustment Number 1 - B

Exhibit
 Settlement Schedule B-2
 Page 3.2
 Witness: Bourassa

Line
 No.

<u>AFUDC</u>		<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>Total</u>
3	<u>Acct No. Description</u>						
4	351 Organization						-
5	352 Franchises						-
6	353 Land and Land Rights						-
7	354 Structures and Improvements					(8)	(8)
8	355 Power Generation Equipment					-	-
9	360 Collection Sewers - Force					(228)	(228)
10	361 Collection Sewers - Gravity					(51)	(51)
11	362 Special Collecting Structures					-	-
12	363 Services to Customers					(7)	(7)
13	364 Flow Measuring Devices					-	-
14	365 Flow Measuring Installations					-	-
15	366 Reuse Services					-	-
16	367 Reuse Meters And Installation					-	-
17	370 Receiving Wells					-	-
18	371 Effluent Pumping Equipment					(3)	(3)
19	374 Reuse Distribution Reservoirs					-	-
20	375 Reuse Trans. and Dist. System					-	-
21	380 Treatment and Disposal Equipment					-	-
22	381 Plant Sewers					-	-
23	382 Outfall Sewer Lines					-	-
24	389 Other Plant and Misc. Equipment					-	-
25	390 Office Furniture and Equipment					(21)	(21)
26	390.1 Computers and Software					-	-
27	391 Transportation Equipment					-	-
28	392 Stores Equipment					-	-
29	393 Tools, Shop and Garage Equipment.					(0)	(0)
30	394 Laboratory Equipment					-	-
31	395 Power Operated Equipment					-	-
32	396 Communication Equipment					-	-
33	397 Miscellaneous Equip.					-	-
34	398 Other Tangible Plant - Scottsdale Capacity					-	-
35							
36	Totals	\$ -	\$ -	\$ -	\$ -	\$ (317)	\$ (317)

43 SUPPORTING SCHEDULE
 44 Testimony
 45 RUCO PIS Adjustment No. 4.

Liberty Utilities (Black Mountain Sewer) Corp.
 Test Year Ended December 31, 2014
 Original Cost Rate Base Proforma Adjustments
 Adjustment Number 1 - C

Exhibit
 Settlement Schedule B-2
 Page 3.3
 Witness: Bourassa

Line
 No.

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>Total</u>		
1	<u>Plant Addition Correction</u>							
2								
3	<u>Acct No.</u>	<u>Description</u>						
4	351	Organization				-		
5	352	Franchises				-		
6	353	Land and Land Rights				-		
7	354	Structures and Improvements				-		
8	355	Power Generation Equipment				-		
9	360	Collection Sewers - Force				-		
10	361	Collection Sewers - Gravity				-		
11	362	Special Collecting Structures				-		
12	363	Services to Customers				-		
13	364	Flow Measuring Devices				-		
14	365	Flow Measuring Installations				-		
15	366	Reuse Services				-		
16	367	Reuse Meters And Installation				-		
17	370	Receiving Wells				-		
18	371	Effluent Pumping Equipment				-		
19	374	Reuse Distribution Reservoirs				-		
20	375	Reuse Trans. and Dist. System				-		
21	380	Treatment and Disposal Equipment				-		
22	381	Plant Sewers				-		
23	382	Outfall Sewer Lines				-		
24	389	Other Plant and Misc. Equipment	(29,760)			(29,760)		
25	390	Office Furniture and Equipment				-		
26	390.1	Computers and Software				-		
27	391	Transportation Equipment				-		
28	392	Stores Equipment				-		
29	393	Tools, Shop and Garage Equipment.				-		
30	394	Laboratory Equipment				-		
31	395	Power Operated Equipment				-		
32	396	Communication Equipment				-		
33	397	Miscellaneous Equip.				-		
34	398	Other TangiblePlant - Scottsdale Capacity				-		
35								
36	Totals		\$ -	\$ (29,760)	\$ -	\$ -	\$ -	\$ (29,760)

43 SUPPORTING SCHEDULE

44 Testimony

45

Liberty Utilities (Black Mountain Sewer) Corp.
 Test Year Ended December 31, 2014
 Original Cost Rate Base Proforma Adjustments
 Adjustment Number 1 - D

Exhibit
 Settlement Schedule B-2
 Page 3.4
 Witness: Bourassa

Line

<u>No.</u>		[1]	[2]	[3]	[4] = [1]x[2]x[3]	[5]	[6] = [4] - [5]
		Original	Liberty	BMSC	Allocated	Allocated	Increase/ Decrease
	Acct. No. Description	Cost	Utilities Factor	Water Factor	Original Cost	Original Cost per Direct	in Corp. Plant
1	Corporate Plant						
2							
3							
4							
5							
6	903 Land and Land Rights	1,396,196	15.64%	3.86%	\$ 8,420	\$ 8,429	\$ (9)
7	904 Structures and Improvments	12,560,664	15.64%	3.86%	75,769	75,829	(61)
8	940.1 Computers and Software	2,187,630	15.64%	3.86%	13,196	13,207	(11)
9							
10							
11							
12							
13							
14							
15							
16							
17							
18							
19							
20							
21							
22							
23							
24							
25							
26							
27							
28	Total				\$ 97,385	\$ 97,465	\$ (80)
29							
30							
31							
32							
33							
34							
35							
36							
37							
38							
39							
40							
41							
42							
43	<u>SUPPORTING SCHEDULE</u>						
44	Testimony						
45	Work papers						

Liberty Utilities (Black Mountain Sewer) Corp.
 Test Year Ended December 31, 2014
 Original Cost Rate Base Proforma Adjustments
 Adjustment Number 1 - E

Exhibit
 Settlement Schedule B-2
 Page 3.5
 Witness: Bourassa

Line
 No.

		Original	B-2	Adjusted	Plant	
		Cost	Adjustments	Original	Per	Difference
		\$	\$	\$	\$	\$
1	<u>Reconciliation of Plant to Plant Reconstruction</u>					
2						
3						
4	Acct.					
5	No. Description			Cost	Reconstruction	
6	351 Organization	-	-	-	-	-
7	352 Franchise	-	-	-	-	-
8	353 Land	471,024	1,500	472,524	472,524	-
9	354 Structures & Improvements	3,091,815	(152,556)	2,939,259	2,939,259	0
10	355 Power Generation	-	3,839	3,839	3,839	-
11	360 Collection Sewer Forced	1,130,090	340	1,130,430	1,130,430	0
12	361 Collection Sewers Gravity	4,555,232	(51)	4,555,182	4,555,181	(0)
13	362 Special Collecting Structures	-	-	-	-	-
14	363 Customer Services	260,442	(7)	260,435	260,435	(0)
15	364 Flow Measuring Devices	31,668	-	31,668	31,668	-
16	365 Flow Measuring Installations	180,051	-	180,051	180,051	-
17	366 Reuse Services	-	-	-	-	-
18	367 Reuse Meters And Installation	-	-	-	-	-
19	370 Receiving Wells	1,028,182	-	1,028,182	1,028,182	-
20	371 Pumping Equipment	937,492	85,993	1,023,485	1,023,485	(0)
21	374 Reuse Distribution Reservoirs	-	-	-	-	-
22	375 Reuse Trans. and Dist. System	-	-	-	-	-
23	380 Treatment & Disposal Equipment	326,067	(5,782)	320,285	320,285	-
24	381 Plant Sewers	124,527	-	124,527	124,527	-
25	382 Outfall Sewer Lines	-	-	-	-	-
26	389 Other Sewer Plant & Equipment	992,742	(32,910)	959,832	959,832	0
27	390 Office Furniture & Equipment	289,536	(62,246)	227,290	227,290	(0)
28	390.1 Computers and Software	-	62,224	62,224	62,224	-
29	391 Transportation Equipment	80,215	-	80,215	80,215	-
30	392 Stores Equipment	-	-	-	-	-
31	393 Tools, Shop And Garage Equip	28,942	(0)	28,942	28,942	0
32	394 Laboratory Equip	10,683	-	10,683	10,683	-
33	395 Power Operated Equipment	-	-	-	-	-
34	396 Communication Equip	43,968	59,323	103,290	103,290	-
35	397 Miscellaenous Equip.	-	-	-	-	-
36	398 Other Tangible Plant - Scottsdale Capacity	486,294	-	486,294	486,294	-
37						
38						
39						
40						
41						
42	Plant Held for Future Use					
43	TOTALS	\$ 14,068,969	\$ (40,332)	\$ 14,028,637	\$ 14,028,638	\$ 0
44						
45						
46	<u>SUPPORTING SCHEDULE</u>					
47	B-2, pages 3.1 through 3.3					
48	B-2, pages 3.6 through 3.13					

Exhibit
Settlement Schedule B-2
Page 3.6
Witness: Bourassa

Liberty Utilities (Black Mountain Sewer) Corp.
Test Year Ended December 31, 2014
Reconciliation of Plant Additions, Retirements and Accumulated Depreciation

Line No.	MARUC No.	Description	Vintage Year	Previous Allowed Deprec. Rate	Allowed Deprec. Rate	Per Decision No. 71865, September 1, 2010				Current Books					
						(1) Book Plant at 6/30/2008	(2) Direct Adjust	(3) RC Adjustments	(4) Adjusted Plant at 6/30/2008	(5) Accum Depr 6/30/2008	(6) Net Plant 6/30/2008	(7) Book Plant at 6/30/2008	(8) Accum Depr 6/30/2008	(9) Net Plant 6/30/2008	
1	351	Organization		0.00%	0.00%	-	-	-	-	-	-	-	-	-	-
2	352	Franchises		0.00%	0.00%	451,466	(146)	-	451,300	-	451,300	451,300	-	-	451,300
3	353	Land and Land Rights		0.00%	0.00%	2,397,197	(39,277)	2,300	2,360,220	1,089,269	1,470,950	2,560,220	1,089,269	1,470,950	1,470,950
4	354	Structures and Improvements		3.33%	3.33%	-	-	-	-	-	-	-	-	-	-
5	355	Power Generation Equipment		5.00%	5.00%	371,470	334,822	1,600	707,892	237,047	470,845	707,892	237,047	470,845	470,845
6	356	Collection Sewers - Force		2.00%	2.00%	4,353,824	(68,976)	-	4,284,848	2,886,891	1,398,057	4,284,848	2,886,891	1,398,057	1,398,057
7	357	Collection Sewers - Gravity		2.00%	2.00%	-	-	-	-	-	-	-	-	-	-
8	358	Special Collecting Structures		2.00%	2.00%	200,308	(1,583)	-	198,723	151,259	47,464	198,723	151,259	47,464	47,464
9	359	Services to Customers		10.00%	10.00%	39,878	(9,365)	-	31,512	31,230	282	31,512	31,230	282	282
10	360	Flow Measuring Devices		10.00%	10.00%	181,502	(1,800)	-	179,702	48,777	130,845	179,702	48,777	130,845	130,845
11	361	Flow Measuring Installations		2.00%	2.00%	-	-	-	-	-	-	-	-	-	-
12	362	Reuse Services		2.00%	2.00%	-	-	-	-	-	-	-	-	-	-
13	363	Reuse Meters and Installation		8.33%	8.33%	699,191	(8,563)	242,243	932,871	285,616	647,255	932,871	285,616	647,255	647,255
14	364	Receiving Wells		3.33%	3.33%	651,125	(6,281)	2,863	657,647	401,703	255,944	657,647	401,703	255,944	255,944
15	365	Effluent Pumping Equipment		12.50%	12.50%	-	-	-	-	-	-	-	-	-	-
16	366	Reuse Distribution Reservoirs		2.50%	2.50%	-	-	-	-	-	-	-	-	-	-
17	367	Reuse Trams, and Dist. System		5.00%	5.00%	152,796	(6,218)	38,250	181,828	14,830	166,898	181,828	14,830	166,898	166,898
18	368	Treatment and Disposal Equipment		5.00%	5.00%	121,651	1,638	-	124,527	105,608	18,919	124,527	105,608	18,919	18,919
19	369	Plant Sewers		3.33%	3.33%	-	-	-	-	-	-	-	-	-	-
20	370	Outfall Sewer Lines		6.67%	6.67%	870,489	(31,067)	-	939,432	249,600	689,832	939,432	249,600	689,832	689,832
21	371	Other Plant and Misc. Equipment		6.67%	6.67%	369,739	(145,152)	-	224,587	71,997	152,590	224,587	71,997	152,590	152,590
22	372	Office Furniture and Equipment		20.00%	20.00%	-	-	-	-	-	-	-	-	-	-
23	373	Computers and Software		20.00%	20.00%	107,368	(1)	-	107,367	47,775	59,592	107,367	47,775	59,592	59,592
24	374	Transportation Equipment		4.00%	4.00%	-	-	-	-	-	-	-	-	-	-
25	375	Stores Equipment		4.00%	4.00%	6,276	(522)	-	5,754	203	5,552	5,754	203	5,552	5,552
26	376	Tools, Shop and Garage Equipment		5.00%	5.00%	7,488	0	-	7,488	2,250	5,239	7,488	2,250	5,239	5,239
27	377	Laboratory Equipment		10.00%	10.00%	-	-	-	-	-	-	-	-	-	-
28	378	Power Operated Equipment		5.00%	5.00%	40,451	0	-	40,451	1,011	39,440	40,451	1,011	39,440	39,440
29	379	Communication Equipment		10.00%	10.00%	-	-	-	-	-	-	-	-	-	-
30	380	Miscellaneous Equipment		10.00%	10.00%	-	-	-	-	-	-	-	-	-	-
31	381	Other Tangible Plant - Scottdale Capacity		10.00%	10.00%	486,294	-	-	486,294	97,259	389,035	486,294	97,259	389,035	389,035
TOTAL						11,828,501	15,528	268,434	12,132,463	5,622,426	6,310,037	12,132,463	5,622,426	6,310,037	6,310,037

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Witness: Bourassa

Liberty Utilities (Black Mountain Sewer) Corp.
Test Year Ended December 31, 2014
Reconciliation of Plant Additions, Retirements and Accumulated Depreciation

Line No.	MARUC No.	Description	Vintage Year	Previous Allowed Deprec. Rate	Allowed Deprec. Rate	Plant Additions ¹	Plant Adjustments ²	Plant Reclass.	Adjusted Plant Additions	Plant Retirements ²	Plant Retirement Adjustments	Adjusted Plant Retirements	Salvage A/D Only	Depreciation (Calculated)	Plant Balance	Accum. Deprec.
1	351	Organization		0.00%	0.00%	-	-	-	-	-	-	-	-	-	461,300	-
2	352	Franchises		0.00%	0.00%	-	-	-	-	-	-	-	-	42,527	2,546,135	1,131,797
3	353	Land and Land Rights		0.00%	0.00%	(12,065)	-	-	(12,065)	-	-	-	-	-	707,855	244,126
4	354	Structures and Improvements		3.33%	3.33%	(37)	-	-	(37)	-	-	-	-	42,849	4,284,899	3,025,740
5	355	Power Generation Equipment		5.00%	5.00%	(48)	-	-	(48)	-	-	-	-	-	198,723	153,246
6	356	Collection Sewers - Force		2.00%	2.00%	-	-	-	-	-	-	-	-	-	31,668	31,668
7	357	Collection Sewers - Gravity		2.00%	2.00%	-	-	-	-	-	-	-	-	-	179,622	57,758
8	358	Special Collecting Structures		2.00%	2.00%	-	-	-	-	-	-	-	-	-	-	-
9	359	Services to Customers		10.00%	10.00%	156	-	-	156	-	-	-	-	-	933,182	301,151
10	360	Flow Measuring Devices		10.00%	10.00%	-	-	-	-	-	-	-	-	-	654,927	438,257
11	361	Flow Measuring Installations		2.00%	2.00%	-	-	-	-	-	-	-	-	-	-	-
12	362	Reuse Services		8.33%	8.33%	-	-	-	-	-	-	-	-	-	-	-
13	363	Reuse Meters And Installation		3.33%	3.33%	311	-	-	311	-	-	-	-	-	-	-
14	370	Receiving Walls		3.33%	3.33%	1,641	-	-	1,641	-	-	-	-	-	-	-
15	371	Effluent Pumping Equipment		12.50%	12.50%	-	-	-	-	-	-	-	-	-	-	-
16	374	Reuse Distribution Reservoirs		2.50%	2.50%	(33,499)	-	-	(33,499)	-	-	-	-	-	-	-
17	375	Reuse Trans. and Dist. System		2.50%	2.50%	-	-	-	-	-	-	-	-	-	-	-
18	380	Treatment and Disposal Equipment		5.00%	5.00%	-	-	-	-	-	-	-	-	-	-	-
19	381	Plant Sewers		5.00%	5.00%	-	-	-	-	-	-	-	-	-	-	-
20	382	Outfall Sewer Lines		3.33%	3.33%	-	-	-	-	-	-	-	-	-	-	-
21	389	Other Plant and Misc. Equipment		6.67%	6.67%	3,138	-	-	3,138	-	-	-	-	-	-	-
22	390	Office Furniture and Equipment		6.67%	6.67%	-	-	-	-	-	-	-	-	-	-	-
23	390.1	Computers and Software		20.00%	20.00%	203	-	-	203	-	-	-	-	-	-	-
24	391	Transportation Equipment		20.00%	20.00%	-	-	-	-	-	-	-	-	-	-	-
25	392	Stores Equipment		5.00%	5.00%	3,420	-	-	3,420	-	-	-	-	-	-	-
26	393	Tools, Shop and Garage Equipment		10.00%	10.00%	-	-	-	-	-	-	-	-	-	-	-
27	394	Laboratory Equipment		5.00%	5.00%	-	-	-	-	-	-	-	-	-	-	-
28	395	Power Operated Equipment		10.00%	10.00%	275	-	-	275	-	-	-	-	-	-	-
29	396	Communication Equipment		10.00%	10.00%	-	-	-	-	-	-	-	-	-	-	-
30	397	Other Tangible Plant - Scottsdale Capacity		10.00%	10.00%	-	-	-	-	-	-	-	-	-	-	-
31																
TOTAL																
(36,526) 4,461 4,461 344,175 13,091,476 6,052,140																

¹ True-up
² Retirements Not Recorded

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Witness: Bourassa

Liberty Utilities (Black Mountain Sewer) Corp.
Test Year Ended December 31, 2014
Reconciliation of Plant Additions, Retirements and Accumulated Depreciation

Line No.	NARUC Account No.	Description	Vintage Year	Previous Deprec. Rate	Allowed Deprec. Rate	Plant Additions	Plant Adjustments ¹	Plant Reclass	Adjusted Plant Additions	Plant Retirements ²	Plant Retirement Adjustments	Adjusted Plant Retirements	Salvage AID Only	Depreciation (Calculated)	Plant Balance	Accum. Depres.
1	351	Organization		0.00%	0.00%	-	-	-	-	-	-	-	-	-	461,300	-
2	352	Franchises		0.00%	0.00%	-	-	-	-	-	-	-	-	-	2,552,194	1,214,172
3	353	Land and Land Rights		0.00%	0.00%	36,874	(311)	-	36,563	2,504	-	2,504	-	85,420	-	-
4	354	Structures and Improvements		3.33%	3.33%	-	-	-	-	-	-	-	-	-	752,359	268,728
5	355	Power Generation Equipment		5.00%	5.00%	49,900	(6,387)	-	44,503	-	-	-	-	14,602	4,412,032	3,116,710
6	360	Collection Sewers - Force		2.00%	2.00%	127,133	-	-	127,133	-	-	-	-	86,969	-	-
7	361	Collection Sewers - Gravity		2.00%	2.00%	-	-	-	-	-	-	-	-	-	209,123	157,255
8	362	Special Collecting Structures		2.00%	2.00%	3,400	-	-	3,400	-	-	-	-	4,008	31,668	31,668
9	363	Services to Customers		2.00%	2.00%	-	-	-	-	-	-	-	-	17,962	179,622	75,720
10	364	Flow Measuring Devices		10.00%	10.00%	-	-	-	-	-	-	-	-	-	-	-
11	365	Flow Measuring Installations		10.00%	10.00%	-	-	-	-	-	-	-	-	-	-	-
12	366	Reuse Services		2.00%	2.00%	-	-	-	-	-	-	-	-	-	-	-
13	367	Reuse Meters And Installation		8.33%	8.33%	-	-	-	-	-	-	-	-	-	-	-
14	370	Receiving Wells		3.33%	3.33%	95,000	-	-	95,000	-	-	-	-	32,657	1,028,182	333,807
15	371	Effluent Pumping Equipment		12.50%	12.50%	10,132	-	-	10,132	4,841	-	4,841	-	82,184	660,118	515,600
16	374	Reuse Distribution Reservoirs		2.50%	2.50%	-	-	-	-	-	-	-	-	-	-	-
17	375	Reuse Trans. and Dist. System		2.00%	2.00%	-	-	-	-	-	-	-	-	-	-	-
18	380	Treatment and Disposal Equipment		5.00%	5.00%	503	-	-	503	-	-	-	-	7,429	148,832	26,485
19	381	Plant Sewers		3.33%	3.33%	-	-	-	-	-	-	-	-	6,226	124,527	114,947
20	382	Other Sewer Lines		3.33%	3.33%	-	-	-	-	-	-	-	-	-	-	-
21	388	Office Furniture and Equipment		6.67%	6.67%	987	-	-	987	-	-	-	-	62,902	943,557	343,885
22	390	Computers and Software		6.67%	6.67%	-	-	-	-	-	-	-	-	14,980	224,397	94,467
23	390.1	Transportation Equipment		20.00%	20.00%	-	-	-	-	-	-	-	-	21,514	107,570	80,036
24	391	Stores Equipment		4.00%	4.00%	-	-	-	-	-	-	-	-	-	-	-
25	392	Tools, Shop and Garage Equipment		5.00%	5.00%	351	-	-	351	-	-	-	-	467	9,525	857
26	393	Laboratory Equipment		10.00%	10.00%	-	-	-	-	-	-	-	-	749	7,468	3,373
27	394	Power Operated Equipment		5.00%	5.00%	-	-	-	-	-	-	-	-	-	-	-
28	395	Communication Equipment		10.00%	10.00%	-	-	-	-	-	-	-	-	4,073	40,726	7,113
29	396	Miscellaneous Equip.		10.00%	10.00%	-	-	-	-	-	-	-	-	-	-	-
30	397	Other Tangible Plant - Scottsdale Capacity		10.00%	10.00%	-	-	-	-	-	-	-	-	46,629	466,294	170,203
31	398															
TOTAL																
						324,280	(5,708)		318,572	7,346		7,346		490,773	12,402,703	6,545,567

¹ Affiliate Profit
² Retirements Not Recorded

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Witness: Bourassa

Liberty Utilities (Black Mountain Sewer) Corp.
Test Year Ended December 31, 2014
Reconciliation of Plant Additions, Retirements and Accumulated Depreciation

Line No.	MARUC Account No.	Description	Vintage Year	Previous Allowed Deprec. Rate	Plant Additions	Plant Adjustments ¹	Plant Reless	Adjusted Plant Additions	Plant Retirements ²	2010 Plant Retirement Adjustments	Adjusted Plant Retirements	Salvage A/D Only	Depreciation (Calculated)	Plant Balance	Accum. Deprec.						
																Plant Additions	Plant Adjustments ¹	Plant Reless	Adjusted Plant Additions	Plant Retirements ²	Adjusted Plant Retirements
1	351	Organization		0.00%																	
2	352	Franchises		0.00%																	
3	353	Land and Land Rights		0.00%																	
4	354	Structures and Improvements		3.33%	105,916	(1,282)	1,500 (28,625)	1,500 74,809					87,233	462,800	1,301,945						
5	355	Power Generation Equipment		5.00%																	
6	356	Collection Sewers - Force		2.00%	94,113	(211)		93,901					15,986	846,259	274,714						
7	357	Collection Sewers - Gravity		2.00%	130,760	(169)		130,591					89,746	4,562,602	3,206,466						
8	358	Special Collecting Structures		2.00%																	
9	359	Services to Customers		10.00%									4,042	202,123	161,297						
10	360	Flow Measuring Devices		10.00%									17,862	178,622	93,662						
11	361	Flow Measuring Installations		2.00%																	
12	362	Reuse Services		8.33%									34,238	1,029,182	368,046						
13	363	Reuse Services and Installation		8.33%									90,942	794,956	606,342						
14	364	Recycling Waste		3.33%																	
15	371	Effluent Pumping Equipment		12.50%	107,891	(169)	27,135	134,837													
16	374	Reuse Distribution Reservoirs		2.50%																	
17	375	Reuse Trans. and Det. System		2.50%									12,092	334,849	36,578						
18	380	Treatment and Disposal Equipment		5.00%	186,041	(24)		186,017					6,226	124,527	121,174						
19	381	Plant Sewers		5.00%																	
20	382	Outfall Sewer Lines		3.33%																	
21	389	Other Plant and Misc. Equipment		6.87%	500			500					62,852	944,057	408,837						
22	390	Office Furniture and Equipment		6.87%									14,880	224,587	109,447						
23	390.1	Computers and Software		20.00%																	
24	391	Transportation Equipment		20.00%																	
25	392	Stores Equipment		4.00%									21,514	107,570	101,550						
26	393	Tools, Shop and Garage Equipment		5.00%	1,759	(6)		1,753					520	11,278	1,377						
27	394	Laboratory Equipment		10.00%									749	7,488	4,122						
28	395	Power Operated Equipment		5.00%																	
29	396	Communication Equipment		10.00%																	
30	397	Miscellaneous Equip.		10.00%									4,073	40,726	11,186						
31	398	Other Tangible Plant - Scottsdale Capacity		10.00%									48,629	486,294	218,833						
TOTAL																					
															646,979	(1,902)	(1,190)	643,888	511,886	13,046,691	7,657,453

¹ Affiliate Profit
² Retirements Not Recorded

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Settlement Schedule B-2
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Witness: Bourassa

Liberty Utilities (Black Mountain Sewer) Corp.
Test Year Ended December 31, 2014
Reconciliation of Plant Additions, Retirements and Accumulated Depreciation

Line No.	MARUC Account No.	Description	Vintage Year	Previous Allowed Deprec. Rate	Adjusted Deprec. Rate	2011		Plant Retirements ²	Adjusted Plant Retirements	Salvage A/D Only	Deprecation (Calculated)	Plant Balance	Accum. Deprec.
						Plant Additions	Plant Retirements ¹						
1	351	Organization		0.00%	0.00%	-	-	-	-	-	-	-	-
2	352	Franchises		0.00%	0.00%	-	-	-	-	-	-	462,800	-
3	353	Land and Land Rights		0.00%	0.00%	-	-	8,614	-	-	89,288	2,705,649	1,392,619
4	354	Structures and Improvements		3.13%	3.13%	(1,481)	(50,642)	8,614	-	-	-	-	-
5	355	Power Generation Equipment		5.00%	5.00%	(612)	-	8,381	-	-	17,828	936,313	284,159
6	356	Collection Sewers - Force		2.00%	2.00%	(698)	-	5,072	-	-	91,885	4,525,861	3,293,269
7	357	Collection Sewers - Gravity		2.00%	2.00%	-	-	-	-	-	4,042	202,123	165,338
8	358	Sanitary Collection Structures		2.00%	2.00%	-	-	-	-	-	-	51,695	31,688
9	359	Sanitary Collection Structures		2.00%	2.00%	-	-	-	-	-	17,862	175,622	111,644
10	360	Flow Measuring Devices		10.00%	10.00%	-	-	-	-	-	-	-	-
11	361	Flow Measuring Installations		10.00%	10.00%	-	-	-	-	-	-	-	-
12	362	Reuse Services		2.00%	2.00%	-	-	-	-	-	-	-	-
13	363	Reuse Meters And Installation		8.33%	8.33%	-	-	-	-	-	34,238	1,028,182	402,284
14	364	Receiving Walls		3.33%	3.33%	-	-	-	-	-	78,591	866,647	678,650
15	365	Effluent Pumping Equipment		12.50%	12.50%	(653)	31,563	6,482	-	-	-	-	-
16	366	Reuse Distribution Reservoirs		2.50%	2.50%	-	-	-	-	-	-	-	-
17	367	Reuse Trans. and Dist. System		5.00%	5.00%	(387)	(7,143)	-	-	-	17,388	360,662	55,866
18	368	Treatment and Disposal Equipment		5.00%	5.00%	-	-	-	-	-	3,353	124,527	124,527
19	369	Plant Sewers		5.00%	5.00%	-	-	-	-	-	-	-	-
20	370	Outfall Sewer Lines		3.33%	3.33%	-	-	-	-	-	-	-	-
21	371	Other Plant and Misc. Equipment		6.67%	6.67%	(11)	(3,150)	302	-	-	62,979	944,359	469,816
22	372	Office Furniture and Equipment		20.00%	20.00%	-	-	-	-	-	14,960	224,567	124,427
23	373	Computers and Software		20.00%	20.00%	-	-	-	-	-	6,020	107,570	107,570
24	374	Transportation Equipment		10.00%	10.00%	-	-	-	-	-	-	-	-
25	375	Stores Equipment		5.00%	5.00%	-	-	-	-	-	648	14,634	2,025
26	376	Tools, Shop and Garage Equipment		10.00%	10.00%	(30)	-	3,356	-	-	749	7,468	4,871
27	377	Laboratory Equipment		5.00%	5.00%	-	-	-	-	-	-	-	-
28	378	Power Operated Equipment		10.00%	10.00%	-	-	-	-	-	5,088	61,034	16,274
29	379	Communications Equipment		10.00%	10.00%	-	-	-	-	-	-	-	-
30	380	Miscellaneous Equipment		10.00%	10.00%	-	-	-	-	-	-	-	-
31	381	Other Tangible Plant - Scottsdale Capacity		10.00%	10.00%	-	-	-	-	-	48,629	486,284	267,462
TOTAL						383,707	(9,065)	28,549	28,549	-	483,666	13,396,021	7,522,870

¹ Affiliate Profit
² Retirements Not Recorded

Exhibit
Settlement Schedule E-2
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Witness: Bourassa

Liberty Utilities (Black Mountain Sewer) Corp.
Test Year Ended December 31, 2014
Reconciliation of Plant Additions, Retirements and Accumulated Depreciation

Line No.	MARUC Account No.	Description	Vintage Year	Previous Allowed Deprec. Rate	Plant Additions	Plant Adjustments ¹	Plant Re-class	Adjusted Plant Additions	Plant Retirements ²	Plant Retirement Adjustments	Adjusted Plant Retirements	Salvage A/D Only	Depreciation (Calculated)	Plant Balance	Accum. Deprec.									
																Rate	Rate	Rate	Rate	Rate	Rate	Rate	Rate	
1	351	Organization		0.00%																				
2	352	Franchises		0.00%																				
3	353	Land and Land Rights		0.00%	9,740	(16)		9,724						472,524										
4	354	Structures and Improvements		0.00%	237,042	(1,140)	(41,192)	194,710	11,217		11,217		93,153	2,865,143	1,464,556									
5	355	Collection and Inlet Equipment		3.33%			3,839	3,839					96	3,839	96									
6	356	Collection Sewer - Force		5.00%	60,446	(407)		60,039	671		671		19,320	895,682	302,808									
7	357	Collection Sewers - Gravity		2.00%	30,577	(141)		30,536	842		842		92,814	4,655,566	3,385,241									
8	362	Special Collecting Structures		2.00%									4,042	207,153	169,382									
9	363	Services to Customers		2.00%										31,668	31,668									
10	364	Flow Measuring Devices		10.00%										180,051	129,628									
11	365	Flow Measuring Installations		2.00%	430			430					17,984											
12	366	Reuse Services		2.00%																				
13	367	Reuse Meters And Installation		8.33%									34,238	1,028,182	436,523									
14	370	Receiving Wells		3.33%									36,679	949,107	701,212									
15	371	Effluent Pumping Equipment		12.50%	58,529	(432)	7,480	66,577	13,118		13,118													
16	374	Reuse Distribution Reservoirs		2.50%									18,141	364,974	74,107									
17	375	Reuse Trans. and Dist. System		2.50%	2,231	(18)	2,100	4,312					63,012	945,042	532,827									
18	380	Treatment and Disposal Equipment		5.00%									14,980	224,587	139,407									
19	381	Plant Sewers		5.00%																				
20	382	Outfall Sewer Lines		3.33%									522	79,092	74,393									
21	389	Other Plant and Misc. Equipment		6.67%	683			683																
22	390	Office Furniture and Equipment		6.67%																				
23	390.1	Computers and Software		20.00%																				
24	391	Transportation Equipment		4.00%	5,228	(7)		5,221		33,699	33,699													
25	392	Tools, Shop and Garage Equipment		5.00%		(24)		(24)					731	14,610	2,756									
26	393	Laboratory Equipment		5.00%		(2)		(2)					749	7,486	5,619									
27	394	Communication Equipment		10.00%																				
28	395	Miscellaneous Equip.		10.00%			27,773	27,773					7,492	88,807	23,766									
29	396	Miscellaneous Equip.		10.00%																				
30	397	Miscellaneous Equip.		10.00%																				
31	398	Other Tangible Plant - Scottsdale Capacity		10.00%									48,629	486,294	316,091									
TOTAL															406,006	(2,187)	0	403,819	25,847	33,699	59,546	451,583	13,743,293	7,914,607

¹ Affiliate Profit
² Retirements Not Recorded

Exhibit
Settlement Schedule B-2
Page 3.12
Witness: Bourassa

Liberty Utilities (Black Mountain Sewer) Corp.
Test Year Ended December 31, 2014
Reconciliation of Plant Additions, Retirements and Accumulated Depreciation

Line No.	NARUC No.	Description	Vintage Year	Previous Allowed Deprec. Rate	Plant Additions	Plant Adjustments ¹	Plant Reclass	Adjusted Plant Additions	Plant Retirements ²	2013		Depreciation (Calculated)	Plant Balance	Accum. Deprec.
										Plant Additions	Plant Retirements			
1	351	Organization		0.00%										
2	352	Franchises		0.00%										
3	353	Land and Land Rights		0.00%										
4	354	Structures and Improvements		5.93%	62,428		(21,589)	40,839	3,676	452	96,620	96,620	472,524	1,557,247
5	355	Power Generation Equipment		5.00%				60,461			20,578	20,578	2,923,854	323,326
6	360	Collection Sewers - Force		2.00%	15,123			15,123		1,705	83,245	83,245	1,056,143	3,476,762
7	361	Collection Sewers - Gravity		2.00%										
8	362	Special Collecting Structures		2.00%										
9	363	Services to Customers		10.00%	15,611			15,611						
10	364	Flow Measuring Devices		10.00%										
11	365	Flow Meters		10.00%										
12	366	Flow Meters Installations		10.00%										
13	367	Reuse Meters And Installation		8.33%										
14	370	Receiving Wells		3.33%										
15	371	Effluent Pumping Equipment		12.50%	84,467		15,589	100,056	31,863	5,096	34,238	34,238	1,029,182	470,761
16	374	Effluent Distribution Reservoirs		2.50%										
17	375	Reuse Trns. and Dist. System		2.50%	7,270		1,519	8,789			46,094	46,094	1,012,203	710,346
18	380	Treatment and Disposal Equipment		5.00%										
19	381	Plant Sewers		5.00%										
20	382	Outfall Sewer, Lines		3.33%										
21	389	Other Plant and Misc. Equipment		6.67%										
22	390	Office Furniture and Equipment		20.00%	62,224		(62,224)				63,034	63,034	945,042	595,861
23	390.1	Computers and Software		20.00%	62,224		(62,224)	62,224			1,880	1,880	224,597	154,387
24	391	Transportation Equipment		4.00%										
25	392	Stores Equipment		4.00%										
26	393	Tools, Shop and Garage Equipment		5.00%	1,573			1,573			770	770	16,164	3,526
27	394	Laboratory Equipment		10.00%							749	749	7,486	6,368
28	395	Power Operated Equipment		5.00%										
29	396	Communications Equipment		10.00%										
30	397	Medical Equip.		10.00%										
31	398	Other Tangible Plant - Scottsdale Capacity		10.00%										
TOTAL														
														309,159
														(0)
														309,159
														35,540
														7,253
														42,793
														476,313
														14,009,660
														8,346,127

¹ Affiliate Profit
² Retirements Not Recorded

Exhibit
Settlement Schedule E-2
Page 3.13
Witness: Bourassa

Liberty Utilities (Black Mountain Sewer) Corp.
Year Ended December 31, 2014
Reconciliation of Plant Additions, Retirements and Accumulated Depreciation

Line No.	NARUC Account No.	Description	Vintage Year	Previous Allowed Deprec. Rate	Allowed Deprec. Rate	Plant Additions	Plant Adjustments ¹	Plant Re-class and AFUDC	Adjusted Plant Additions	Plant Retirements ²	Adjusted Plant Retirements	Salvage AM Only	Depreciation (Calculated)	Plant Balance	Accum. Deprec.	
																2014
1	351	Organization		0.00%	0.00%											
2	352	Fees		0.00%	0.00%											
3	353	Structures and Improvements		3.33%	3.33%	48,937	(13,255)	(9,307)	27,375	13,970			97,654	2,839,259	1,640,932	
4	354	Power Generation Equipment		5.00%	5.00%								192	3,839	480	
5	355	Collection Sewers - Force		2.00%	2.00%	81,757	(7,251)	340	74,847	559			21,866	1,130,430	344,633	
6	360	Collection Sewers - Gravity		2.00%	2.00%	135,300	(241,801)	(51)	(106,551)	7,241			92,242	4,655,181	3,561,782	
7	361	Special Collecting Structures		2.00%	2.00%											
8	362	Services to Customers		2.00%	2.00%	48,419		(7)	48,413	5,711			4,782	269,465	172,651	
9	363	Flow Measuring Devices		10.00%	10.00%									31,668	31,668	
10	364	Flow Measuring Installations		10.00%	10.00%									180,051	180,051	
11	365	Reuse Services		2.00%	2.00%											
12	366	Reuse Meters And Installation		8.33%	8.33%											
13	367	Receiving Wells		3.33%	3.33%											
14	370	Effluent Pumping Equipment		12.50%	12.50%	38,455	9,634	4,227	52,316	41,033			34,238	1,028,182	505,000	
15	371	Reuse Distribution Reservoirs		2.50%	2.50%									1,023,485	724,929	
16	374	Reuse Trans. and Dist. System		5.00%	5.00%									320,285	109,976	
17	375	Treatment and Disposal Equipment		3.33%	3.33%	20,759	(71,978)	(2,258)	(53,478)				17,351	124,527	124,527	
18	380	Plant Sewers		5.00%	5.00%											
19	381	Other Plant and Misc. Equipment		6.67%	6.67%											
20	382	Computers and Software		20.00%	20.00%	20,988	(6,198)		14,790				63,528	959,632	659,389	
21	389	Trucks and Equipment		6.67%	6.67%	2,724		(21)	2,703				15,070	227,280	169,457	
22	390	Trucks and Equipment		6.67%	6.67%								12,445	62,224	18,687	
23	391	Trucks and Equipment		20.00%	20.00%								3,337	80,215	56,967	
24	392	Trucks and Equipment		20.00%	20.00%	22,930			22,930	21,808						
25	393	Trucks and Equipment		4.00%	4.00%											
26	394	Tools, Shop and Garage Equipment		5.00%	5.00%	12,758		(0)	12,758				1,128	28,842	4,654	
27	395	Laboratory Equipment		5.00%	5.00%	3,195			3,186				908	10,683	7,277	
28	396	Power Operated Equipment		10.00%	10.00%											
29	397	Communication Equipment		10.00%	10.00%	3,242		6,760	10,002				9,829	103,290	42,700	
30	398	Miscellaneous Equip.		10.00%	10.00%											
31	398	Other Tangible Plant - Scottsdale Capacity		10.00%	10.00%								48,629	486,294	413,350	
TOTAL																
440,466 (330,849) (317) 109,300 90,322 486,821 14,028,638 8,754,626																

¹ Affiliate Profit
² Retirements Not Recorded

Exhibit
Settlement Schedule B-2
Page 4
Witness: Bourassa

Liberty Utilities (Black Mountain Sewer) Corp.
Test Year Ended December 31, 2014
Original Cost Rate Base Proforma Adjustments
Adjustment Number 2

Accumulated Depreciation

Line No.	Acct. No.	Description	A	B	C	D	E	F	Rebuttal Adjusted Accum. Depr.
			Adjusted Accum. Depr.	Depreciation Calc. Correction	Plant Reclassification	AFUDC	Plant Addition Correction	Allocated Corporate Plant	Adjustments to Reconcile A/D to Recon.
1									
2									
3									
4									
5	351	Organization	-	-	-	-	-	-	-
6	351	Franchise	-	-	-	-	-	-	-
7	352	Land	-	-	-	-	-	-	-
8	353	Land	-	-	-	-	-	-	-
9	354	Structures & Improvements	1,641,790	14,176	(15,034)	(0)	-	0	1,640,932
10	355	Power Generation	-	0	480	-	-	-	480
11	360	Collection Sewer Forced	342,270	2,360	6	(2)	-	-	344,633
12	361	Collection Sewers Gravity	3,547,500	14,283	-	(1)	-	-	3,561,782
13	362	Special Collecting Structures	-	-	-	-	-	-	-
14	363	Customer Services	171,989	662	-	(0)	-	-	172,651
15	364	Flow Measuring Devices	31,668	-	-	-	-	-	31,668
16	365	Flow Measuring Installations	162,845	2,994	-	-	-	-	165,838
17	366	Reuse Services	-	-	-	-	-	-	-
18	367	Reuse Meters And Installation	-	-	-	-	-	-	-
19	370	Receiving Wells	499,821	5,178	-	-	-	-	505,000
20	371	Pumping Equipment	690,332	0	34,597	(0)	-	-	724,929
21	374	Reuse Distribution Reservoirs	-	-	-	-	-	-	-
22	375	Reuse Trans. and Dist. System	-	-	-	-	-	-	-
23	380	Treatment & Disposal Equipment	-	-	-	-	-	-	-
24	381	Plant Sewers	109,481	1,376	(930)	-	-	-	109,926
25	382	Outfall Sewer Lines	124,527	-	-	-	-	-	124,527
26	389	Other Sewer Plant & Equipment	656,611	10,461	(735)	-	(6,947)	-	659,389
27	390	Office Furniture & Equipment	173,186	2,497	(6,226)	(1)	-	-	169,457
28	390.1	Computers and Software	-	0	18,667	-	-	-	18,667
29	391	Transportation Equipment	56,967	0	-	-	-	-	56,967
30	392	Stores Equipment	-	-	-	-	-	-	-
31	393	Tools, Shop And Garage Equip	4,592	62	-	-	-	-	4,654
32	394	Laboratory Equip	7,152	125	-	-	-	-	7,277
33	395	Power Operated Equipment	-	-	-	-	-	-	-
34	396	Communication Equip	26,862	676	15,061	-	-	-	42,700
35	397	Miscellaneous Equip.	-	-	-	-	-	-	-
36	398	Other Tangible Plant - Sottdale Capacity	405,245	8,105	-	-	-	-	413,350
37	108	Accumulated Depreciation	-	-	-	-	-	-	-
38		SUBTOTAL	8,652,737	62,954	45,886	(4)	(6,947)	0	8,754,626
39									
40	903	Land and Land Rights	-	-	-	-	-	-	-
41	904	Structures and Improvements	1,944	-	-	-	(2)	-	1,943
42	940	Office Furniture & Equipment	-	-	-	-	-	-	-
43	940.1	Computers and Software	-	-	-	-	1,320	-	1,320
44		SUBTOTAL	1,944	-	-	-	1,318	-	3,262
45		Plant Held for Future Use	-	-	-	-	-	-	-
46		TOTALS	\$ 8,654,682	\$ 62,954	\$ 45,886	\$ (4)	\$ (6,947)	\$ 1,318	\$ 8,757,889
47									
48		Accumulated Depreciation per Direct							\$ 8,654,682
49									
50		Increase (decrease) in Accumulated Depreciation							\$ 103,207
51									
52		Adjustment to Accumulated Depreciation							\$ 103,207
53									
54		SUPPORTING SCHEDULES							
55		B-2, pages 4.1 through 4.6							

Exhibit
Settlement Schedule B-2
Page 4.1
Witness: Bourassa

Liberty Utilities (Black Mountain Sewer) Corp.
Test Year Ended December 31, 2014
Original Cost Rate Base Proforma Adjustments
Adjustment Number 2 - A

Line No.	A/D from Depreciation Calculation Correction	2008	2009	2010	2011	2012	2013	2014	Total Cost
5	Acct. No. Description								
6	351 Organization	-	-	-	-	-	-	-	\$ -
7	352 Franchises	-	-	-	-	-	-	-	-
8	353 Land and Land Rights	-	-	-	-	-	-	-	-
9	354 Structures and Improvements	14,176	(0)	(0)	0	(0)	(0)	(0)	14,176
10	355 Power Generation Equipment	-	-	-	-	(0)	0	0	0
11	360 Collection Sewers - Force	2,360	-	-	-	-	-	-	2,360
12	361 Collection Sewers - Gravity	14,283	-	-	-	-	-	0	14,283
13	362 Special Collecting Structures	-	-	-	-	-	-	-	-
14	363 Services to Customers	662	-	-	-	-	-	0	662
15	364 Flow Measuring Devices	219	(219)	-	-	-	-	-	-
16	365 Flow Measuring Installations	2,994	-	-	-	-	-	-	2,994
17	366 Reuse Services	-	-	-	-	-	-	-	-
18	367 Reuse Meters And Installation	-	-	-	-	-	-	-	-
19	370 Receiving Wells	5,178	-	-	-	-	-	-	5,178
20	371 Effluent Pumping Equipment	13,672	-	0	(13,672)	-	0	0	0
21	374 Reuse Distribution Reservoirs	-	-	-	-	-	-	-	-
22	375 Reuse Trans. and Dist. System	-	-	-	-	-	-	-	-
23	380 Treatment and Disposal Equipment	1,376	-	-	-	(0)	-	(0)	1,376
24	381 Plant Sewers	1,038	-	-	(1,038)	-	-	-	-
25	382 Outfall Sewer Lines	-	-	-	-	-	-	-	-
26	389 Other Plant and Misc. Equipment	10,461	-	-	0	0	0	0	10,461
27	390 Office Furniture and Equipment	2,497	-	-	-	-	(0)	0	2,497
28	390.1 Computers and Software	-	-	-	-	-	0	0	0
29	391 Transportation Equipment	3,582	-	-	(3,582)	-	-	-	-
30	392 Stores Equipment	-	-	-	-	-	-	-	-
31	393 Tools, Shop and Garage Equipment.	62	-	-	-	-	-	(0)	62
32	394 Laboratory Equipment	125	-	-	-	-	-	-	125
33	395 Power Operated Equipment	-	-	-	-	-	-	-	-
34	396 Communication Equipment	676	-	-	-	-	-	0	676
35	397 Miscellaneous Equip.	-	-	-	-	-	-	-	-
36	398 Other Tangible Plant - Scottsdale Capacity	8,105	-	-	-	-	-	-	8,105
43		81,465	(219)	(0)	(18,292)	0	0	(0)	62,964

SUPPORTING SCHEDULE
Testimony
Work papers

Exhibit
Settlement Schedule B-2
Page 4.2
Witness: Bourassa

Liberty Utilities (Black Mountain Sewer) Corp.
Test Year Ended December 31, 2014
Original Cost Rate Base Proforma Adjustments
Adjustment Number 2 - B

Line No.	A/D from Plant Reclassification	Depr. Rate	2010	2011	2012	2013	2014	Total
1								
2								
3	351 Organization	0.00%	-	-	-	-	-	-
4	352 Franchise	0.00%	-	-	-	-	-	-
5	353 Land	0.00%	-	-	-	-	-	-
6	354 Structures & Improvements	3.33%	(497)	(1,836)	(3,365)	(4,411)	(4,925)	(15,034)
7	355 Power Generation	5.00%	-	-	96	192	192	480
8	356 Collection Sewer Forced	2.00%	-	-	-	-	6	6
9	361 Collection Sewers Gravity	2.00%	-	-	-	-	-	-
10	362 Special Collecting Structures	2.00%	-	-	-	-	-	-
11	363 Customer Services	2.00%	-	-	-	-	-	-
12	364 Flow Measuring Devices	10.00%	-	-	-	-	-	-
13	365 Flow Measuring Installations	10.00%	-	-	-	-	-	-
14	366 Reuse Services	2.00%	-	-	-	-	-	-
15	367 Reuse Meters And Installation	8.33%	-	-	-	-	-	-
16	370 Receiving Wells	3.33%	-	-	-	-	-	-
17	371 Pumping Equipment	12.50%	1,696	5,365	7,805	9,246	10,485	34,597
18	374 Reuse Distribution Reservoirs	2.50%	-	-	-	-	-	-
19	375 Reuse Trans. and Dist. System	2.50%	-	-	-	-	-	-
20	380 Treatment & Disposal Equipment	5.00%	-	(179)	(305)	(214)	(233)	(930)
21	381 Plant Sewers	5.00%	-	-	-	-	-	-
22	382 Outfall Sewer Lines	3.33%	-	-	-	-	-	-
23	389 Other Sewer Plant & Equipment	6.67%	-	(105)	(210)	(210)	(210)	(735)
24	390 Office Furniture & Equipment	6.67%	-	-	-	(2,075)	(4,150)	(6,226)
25	390.1 Computers and Software	20.00%	-	-	-	6,222	12,445	18,667
26	391 Transportation Equipment	20.00%	-	-	-	-	-	-
27	392 Stores Equipment	4.00%	-	-	-	-	-	-
28	393 Tools, Shop And Garage Equip	5.00%	-	-	-	-	-	-
29	394 Laboratory Equip	10.00%	-	-	-	-	-	-
30	395 Power Operated Equip	5.00%	-	-	-	-	-	-
31	396 Communication Equip	10.00%	-	1,015	3,419	5,032	5,594	15,061
32	397 Miscellaneous Equip.	10.00%	-	-	-	-	-	-
33	398 Other Tangible Plant - Scottsdale Capacity	10.00%	-	-	-	-	-	-
34								
35								
36	Totals		\$ 1,199	\$ 4,260	\$ 7,440	\$ 13,783	\$ 19,204	\$ 45,886
37								
38								
39								
40								
41								
42								
43								
44								
45								

SUPPORTING SCHEDULE
B-2, pages 3.1
Work papers

Exhibit
Settlement Schedule B-2
Page 4.3
Witness: Bourassa

Liberty Utilities (Black Mountain Sewer) Corp.
Test Year Ended December 31, 2014
Original Cost Rate Base Proforma Adjustments
Adjustment Number 2 - C

Line No.	A/D from AFUDC removal	Depr. Rate	2010	2011	2012	2013	2014	Total
1								
2								
3	Acct No. Description							
4	351 Organization	0.00%	-	-	-	-	-	-
5	352 Franchise	0.00%	-	-	-	-	-	-
6	353 Land	0.00%	-	-	-	-	-	-
7	354 Structures & Improvements	3.33%	-	-	-	-	(0)	(0)
8	355 Power Generation	5.00%	-	-	-	-	-	-
9	360 Collection Sewer Forced	2.00%	-	-	-	-	(2)	(2)
10	361 Collection Sewers Gravity	2.00%	-	-	-	-	(1)	(1)
11	362 Special Collecting Structures	2.00%	-	-	-	-	-	-
12	363 Customer Services	2.00%	-	-	-	-	(0)	(0)
13	364 Flow Measuring Devices	10.00%	-	-	-	-	-	-
14	365 Flow Measuring Installations	10.00%	-	-	-	-	-	-
15	366 Reuse Services	2.00%	-	-	-	-	-	-
16	367 Reuse Meters And Installation	8.33%	-	-	-	-	-	-
17	370 Receiving Wells	3.33%	-	-	-	-	(0)	(0)
18	371 Pumping Equipment	12.50%	-	-	-	-	-	-
19	374 Reuse Distribution Reservoirs	2.50%	-	-	-	-	-	-
20	375 Reuse Trans. and Dist. System	2.50%	-	-	-	-	-	-
21	380 Treatment & Disposal Equipment	5.00%	-	-	-	-	-	-
22	381 Plant Sewers	5.00%	-	-	-	-	-	-
23	382 Outfall Sewer Lines	3.33%	-	-	-	-	-	-
24	389 Other Sewer Plant & Equipment	6.67%	-	-	-	-	-	-
25	390 Office Furniture & Equipment	6.67%	-	-	-	-	(1)	(1)
26	390.1 Computers and Software	20.00%	-	-	-	-	-	-
27	391 Transportation Equipment	20.00%	-	-	-	-	-	-
28	392 Stores Equipment	4.00%	-	-	-	-	-	-
29	393 Tools, Shop And Garage Equip	5.00%	-	-	-	-	(0)	(0)
30	394 Laboratory Equip	10.00%	-	-	-	-	-	-
31	395 Power Operated Equip	5.00%	-	-	-	-	-	-
32	396 Communication Equip	10.00%	-	-	-	-	-	-
33	397 Miscellaneous Equip.	10.00%	-	-	-	-	-	-
34	398 Other Tangible Plant - Scottsdale Capacity	10.00%	-	-	-	-	-	-
35								
36	Totals		\$ -	\$ -	\$ -	\$ -	\$ (4)	\$ (4)
37								
38								
39								
40								
41								
42								
43								
44								
45								

SUPPORTING SCHEDULE
B-2, pages 3.2
Work papers

Exhibit
Settlement Schedule B-2
Page 4.5
Witness: Bourassa

Liberty Utilities (Black Mountain Sewer) Corp.
Test Year Ended December 31, 2014
Original Cost Rate Base Proforma Adjustments
Adjustment Number 2 - E

Line No.	Corporate Plant A/D	(1)	(2) Liberty Utilities Factor	(3) BMSC Water Factor	(4) = [1]x[2]x[3] Allocated Original Cost	(5) Allocated Original Cost per Direct in Corp. Plant	(6) = [4] - [5] Increase/Decrease
1		A/D					
5	Acct. No.						
6	903 Land and Land Rights	\$ -	15.64%	3.86%	1,943	1,944	(2)
7	904 Structures and Improvements	322,068	15.64%	3.86%	1,320	-	1,320
8	940.1 Computers and Software	218,763	15.64%	3.86%	-	-	-
9							
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45							
46							
	TOTALS	\$ 540,831			\$ 3,262	\$ 1,944	\$ 1,318

SUPPORTING SCHEDULE
B-2, pages 3.4
Work papers

Liberty Utilities (Black Mountain Sewer) Corp.
 Test Year Ended December 31, 2014
 Original Cost Rate Base Proforma Adjustments
 Adjustment Number 2 - F

Exhibit
 Settlement Schedule B-2
 Page 4.6
 Witness: Bourassa

Line

No.

Reconciliation of A/D to A/D Reconstruction

	A/D Original Cost	B-2 Adjustments	Adjusted A/D Original Cost	A/D Per Reconstruction	Difference
1					
2					
3					
4	Acct.				
5	No. Description				
6	351 Organization	\$ -	\$ -	\$ -	\$ -
7	352 Franchise	-	-	-	-
8	353 Land	-	-	-	-
9	354 Structures & Improvements	1,641,790	(859)	1,640,931	1,640,932
10	355 Power Generation	-	480	480	480
11	360 Collection Sewer Forced	342,270	2,363	344,633	344,633
12	361 Collection Sewers Gravity	3,547,500	14,283	3,561,782	3,561,782
13	362 Special Collecting Structures	-	-	-	-
14	363 Customer Services	171,989	662	172,651	172,651
15	364 Flow Measuring Devices	31,668	-	31,668	31,668
16	365 Flow Measuring Installations	162,645	2,994	165,638	165,638
17	366 Reuse Services	-	-	-	-
18	367 Reuse Meters And Installation	-	-	-	-
19	370 Receiving Wells	499,821	5,178	505,000	505,000
20	371 Pumping Equipment	690,332	34,597	724,929	724,929
21	374 Reuse Distribution Reservoirs	-	-	-	-
22	375 Reuse Trans. and Dist. System	-	-	-	-
23	380 Treatment & Disposal Equipment	109,481	446	109,926	109,926
24	381 Plant Sewers	124,527	-	124,527	124,527
25	382 Outfall Sewer Lines	-	-	-	-
26	389 Other Sewer Plant & Equipment	656,611	2,778	659,389	659,389
27	390 Office Furniture & Equipment	173,186	(3,730)	169,457	169,457
28	390.1 Computers and Software	-	18,667	18,667	18,667
29	391 Transportation Equipment	56,967	0	56,967	56,967
30	392 Stores Equipment	-	-	-	-
31	393 Tools, Shop And Garage Equip	4,592	62	4,654	4,654
32	394 Laboratory Equip	7,152	125	7,277	7,277
33	395 Power Operated Equipment	-	-	-	-
34	396 Communication Equip	26,962	15,738	42,700	42,700
35	397 Miscellaneous Equipment	-	-	-	-
36	398 Other Tangible Plant - Scottsdale Capacity	405,245	8,105	413,350	413,350
37	108 Accumulated Depreciation	-	-	-	-
38					
39					
40					
41					
42	Plant Held for Future Use				
43	TOTALS	\$ 8,652,737	\$ 101,889	\$ 8,754,626	\$ 8,754,626
44					\$ 0

SUPPORTING SCHEDULE

47 B-2, pages 4.1 through 4.5
 48 B-2, pages 3.6 through 3.13

Liberty Utilities (Black Mountain Sewer) Corp.
 Test Year Ended December 31, 2014
 Original Cost Rate Base Proforma Adjustments
 Adjustment 3

Exhibit
 Settlement Schedule B-
 Page 5
 Witness: Bourassa

Contributions-in-Aid of Construction (CIAC) and Accumulated Amortization

Line
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	<u>Gross CIAC</u>	<u>Accumulated Amortization</u>
Computed balance at end of Test Year	\$ 6,445,253	\$ 5,333,859
Adjusted balance at end of Test Year	<u>\$ 5,461,736</u>	<u>\$ 5,240,717</u>
Increase (decrease)	\$ 983,517	\$ 93,143
Adjustment to CIAC/AA CIAC	<u>\$ 983,517</u>	<u>\$ (93,143)</u>
Label	3a	3b

SUPPORTING SCHEDULES
 B-2, page 5.1 - 5.3

Exhibit
Settlement Schedule B-2
Page 5.1
Witness: Bourassa

Liberty Utilities (Black Mountain Sewer) Corp.
Test Year Ended December 31, 2014
Original Cost Rate Base Proforma Adjustments
Contributions-in-aid of Construction and Amortization
Adjustment 3

Line No.	Description	Per Decision 6/30/2008	Jun-Jul 2008 Activity	Balance at 12/31/2008	2009 Activity	Balance at 12/31/2009	2010 Activity	Balance at 12/31/2010
1	Contributions-in-Aid (CIAC)	5,232,139	154,558	5,232,139	-	5,232,139	-	5,232,139
2	Contributions-in-Aid (CIAC)	-	-	154,558	-	154,558	-	154,558
3	Contributions-in-Aid (CIAC)	-	-	-	-	-	-	-
4	Contributions-in-Aid (CIAC)	-	-	-	-	-	-	-
5	Contributions-in-Aid (CIAC)	-	-	-	-	-	-	-
6	Contributions-in-Aid (CIAC)	-	-	-	-	-	-	-
7	Contributions-in-Aid (CIAC)	-	-	-	-	-	-	-
8	Contributions-in-Aid (CIAC)	-	-	-	-	-	-	-
9	Contributions-in-Aid (CIAC)	-	-	-	-	-	-	-
10	Total Contributions-in-Aid (CIAC)	5,232,139	154,558	5,386,697	-	5,386,697	-	5,386,697
11	Amortization Rate		2.10%		4.11%		4.08%	
12	Amortization	4,214,384	109,849	4,324,232	215,033	4,539,265	213,371	4,752,636
13	Accum Amort.	-	3,245	3,245	6,352	9,597	6,303	-
14	Accum Amort.	-	-	-	-	-	-	-
15	Accum Amort.	-	-	-	-	-	-	-
16	Accum Amort.	-	-	-	-	-	-	-
17	Accum Amort.	-	-	-	-	-	-	-
18	Accum Amort.	-	-	-	-	-	-	-
19	Accum Amort.	-	-	-	-	-	-	-
20	Accum Amort.	-	-	-	-	-	-	-
21	Total Accum Amort.	4,214,384	113,094	4,327,477	221,385	4,548,862	219,674	4,752,636
22	Net CIAC	1,017,755	-	907,907	-	692,874	-	479,503
23	Net CIAC	-	-	151,313	-	144,961	-	154,558
24	Net CIAC	-	-	-	-	-	-	-
25	Net CIAC	-	-	-	-	-	-	-
26	Net CIAC	-	-	-	-	-	-	-
27	Net CIAC	-	-	-	-	-	-	-
28	Net CIAC	-	-	-	-	-	-	-
29	Net CIAC	-	-	-	-	-	-	-
30	Net CIAC	-	-	-	-	-	-	-
31	Net CIAC	-	-	-	-	-	-	-
32	Net CIAC	-	-	-	-	-	-	-
33	Net CIAC	-	-	-	-	-	-	-
34	Total Net CIAC	1,017,755	-	1,059,220	-	837,835	-	634,061
35								
36								
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Exhibit
Settlement Schedule B-2
Page 5.2
Witness: Bourassa

Liberty Utilities (Black Mountain Sewer) Corp.
Test Year Ended December 31, 2014
Original Cost Rate Base Proforma Adjustments
Contributions-in-aid of Construction and Amortization
Adjustment 3

Line No.	Description	2011 Activity	Balance at 12/31/2011	2012 Activity	Balance at 12/31/2012	2013 Activity	Balance at 12/31/2013	2014 Activity	Balance at 12/31/2014
1	Contributions-in-Aid (CIAC)		5,232,139		5,232,139		5,232,139		5,232,139
2	Contributions-in-Aid (CIAC)		154,558		154,558		154,558		154,558
3	Contributions-in-Aid (CIAC)								
4	Contributions-in-Aid (CIAC)								
5	Contributions-in-Aid (CIAC)			504,936	504,936		504,936		504,936
6	Contributions-in-Aid (CIAC)								
7	Contributions-in-Aid (CIAC)								
8	Contributions-in-Aid (CIAC)		5,386,697	504,936	5,891,633		5,891,633	553,620	553,620
9	Total Contributions-in-Aid (CIAC)				5,891,633		5,891,633	553,620	6,445,253
10	Amortization Rate	3.83%		3.64%		3.75%		3.88%	
11	Amortization	200,156	4,952,792	190,385	5,143,178	88,961	5,232,139	-	5,232,139
12	Accum Amort.	5,913	5,913	5,624	11,537	5,790	17,327	-	23,328
13	Accum Amort.								
14	Accum Amort.								
15	Accum Amort.								
16	Accum Amort.								
17	Accum Amort.								
18	Accum Amort.			18,373	18,373	18,917	37,291	19,606	56,896
19	Accum Amort.								
20	Accum Amort.								
21	Total Accum Amort.	206,069	4,958,705	214,383	5,173,068	113,669	5,286,757	47,103	5,333,859
22	Net CIAC		279,347		88,961		137,231		131,230
23	Net CIAC		148,645		143,021				
24	Net CIAC								
25	Net CIAC								
26	Net CIAC								
27	Net CIAC								
28	Net CIAC								
29	Net CIAC								
30	Net CIAC				486,563		467,645		448,040
31	Net CIAC								
32	Net CIAC								
33	Net CIAC								
34	Total Net CIAC		427,992		718,545		604,876		1,111,993

Liberty Utilities (Black Mountain Sewer) Corp.
 Test Year Ended December 31, 2014
 Original Cost Rate Base Proforma Adjustments
 Adjustment 4
Advances-in-Aid of Construction (AIAC)

Exhibit
 Settlement Schedule B-2
 Page 6
 Witness: Bourassa

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Contract		
A (SCF)	\$	244,639
B (L)		160,442
C (CIE)		115,668
Total	\$	<u>520,749</u>
Adjusted balance at End of Test Year	\$	<u>1,743,922</u>
Increase (decrease)	\$	<u>(1,223,173)</u>

SUPPORTING SCHEDULES
 Work papers

Exhibit
Settlement Schedule B-2
Page 7.0
Witness: Bourassa

Liberty Utilities (Black Mountain Sewer) Corp.
Test Year Ended December 31, 2014
Original Cost Rate Base Proforma Adjustments
Adjustment 5

Line No.	Deferred Income Tax as of December 31, 2014	Water & Sewer Adjusted Book Value	Water & Sewer Tax Value	Probability of Realization of Future Tax Benefit	Deductible TD (Taxable TD) Expected to be Realized	Effective Tax Rate	Future Tax Asset Current	Future Tax Asset Non Current	Future Tax Liability Current	Future Tax Liability Non Current
1										
2										
3										
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Footnotes - See page 7.1

Exhibit
Settlement Schedule B-2
Page 7.1
Witness: Bourassa

Liberty Utilities (Black Mountain Sewer) Corp.
Test Year Ended December 31, 2014
Original Cost Rate Base Proforma Adjustments
Adjustment 5

Line No.	FEDERAL	STATE
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¹ Per adjusted book balances, land not included, coporate plant not included

² Computation of Net Tax Value December 31, 2014

Based on 2014 Tax Depreciation report (December 31, 2014)
Unadjusted Cost at December 31, 2014 per federal and state tax depr. report
Reconciling items not on tax report:

True-up
Scottsdale Plant Recovered Elsewhere

Net Unadjusted Cost tax Basis at December 31, 2014

Reductions
Basis Reduction 2014 and Prior Years per federal and state tax depr. report
Accumulated Depreciation 2014 and prior per federal and state tax depr. report
Scottsdale Plant Recovered Elsewhere

Net Reductions through December 31, 2014
Net tax value of plant-in-service at December 31, 2014

³ CIAC (including impact of change to probability of realization)
Gross CIAC per adjusted book balances
CIAC reductions/additions
A.A per adjusted book balances

Net CIAC before unrealized AIAC

Unrealized AIAC Component
AIAC per adjusted book balances
Adjusted Net AIAC (see footnote 5 below)
Unrealized AIAC Component % (1-Realized AIAC Component)
Total realizable CIAC

⁴ AIAC (including impact of change in probability of realization)
AIAC per adjusted book balances
Less: Unrealized AIAC (from Note 3, above)

Subtotal
Meter and Service Line Installation Charges per adjusted book balances
Total realizable AIAC

⁵ See work papers and response to Staff DR 10.3

Liberty Utilities (Black Mountain Sewer) Corp.
 Test Year Ended December 31, 2014
 Original Cost Rate Base Proforma Adjustments
 Adjustment 6
Cash Working Capital

Exhibit
 Settlement Schedule B-2
 Page 8
 Witness: Bourassa

Line
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3	Computed Cash Working Capital	\$	(118,960)
5	Adjustes Test Year Working Capital		<u>(60,594)</u>
7	Increase (decrease)	\$	<u><u>(58,366)</u></u>

SUPPORTING SCHEDULES
 B-5

Liberty Utilities (Black Mountain Sewer) Corp.
 Test Year Ended December 31, 2014
 Original Cost Rate Base Proforma Adjustments
 Adjustment 7
Deferred Regualtory Asset

Exhibit
 Settlement Schedule B-2
 Page 9
 Witness: Bourassa

Line
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Plant Closure Costs

\$ 825,080

Total

\$ 825,080

Adjusted balance at End of Test Year

\$ -

Increase (decrease)

\$ 825,080

SUPPORTING SCHEDULES

Work papers

Exhibit
Settlement Schedule B-5
Page 1
Witness: Bourassa

Liberty Utilities (Black Mountain Sewer) Corp.
Test Year Ended December 31, 2014
Cash Working Capital

Line No.	Description	(A)	(B)	(C)	(D)	(E)	(F)	(G)
			Proforma Test Year Amount ¹	Revenue Lag (Lead) Days	Expense Lag (Lead) Days	Net Lag (Lead) Days	Lead/Lag Factor	Cash Working Capital Required
				Col. C - Col. D	Col. E/365	Col. E/365	Col. B * Col. F	
6	OPERATING EXPENSES							
7	Salaries and Wages	\$	242,213	0.56	20.00	(19.44)	(0.05326515)	\$ (12,901)
8	Purchased Water		5,647	0.56	28.22	(27.66)	(0.07578569)	(428)
9	Sludge Removal		-	0.56	-	0.56	0.00152937	-
10	Purchased Power		65,112	0.56	34.37	(33.81)	(0.09263501)	(6,032)
11	Fuel for Power Production		-	0.56	-	0.56	0.00152937	-
12	Chemicals		19,215	0.56	4.94	(4.38)	(0.01200487)	(231)
13	Materials and Supplies		23,875	0.56	(20.42)	20.98	0.05747458	1,372
14	Contractual Services - Professional		281,590	0.56	20.05	(19.49)	(0.05340213)	(15,037)
15	Contractual Services - Testing		11,451	0.56	27.61	(27.05)	(0.07411446)	(849)
16	Contractual Services - Other		361,855	0.56	46.68	(46.12)	(0.12636104)	(45,724)
17	Rents		23,807	0.56	27.28	(26.72)	(0.07321035)	(1,743)
18	Transportation		15,371	0.56	24.75	(24.19)	(0.06627884)	(1,019)
19	Insurance		11,720	0.56	(182.50)	183.06	0.50152937	5,878
20	Scottsdale Capacity (Operating Lease)		164,522	0.56	(15.00)	15.56	0.04262527	7,013
21	Miscellaneous		60,542	0.56	8.56	(8.00)	(0.02192268)	(1,327)
22	Interest Expense		44,433	0.56	14.71	(14.15)	(0.03877199)	(1,723)
23								
24								
25								
26	TAXES							
27	General Taxes-Property ¹	\$	50,771	0.56	213.96	(213.40)	(0.58465784)	\$ (29,683)
28	General Taxes-Other		-	0.56	-	0.56	0.00152937	-
29	Income Tax ¹		165,518	0.56	37.00	(36.44)	(0.09984049)	(16,525)
30								
31	OTHER							
32	Regulatory Commission Expense		-	0.56	(136.54)	137.10	0.37561613	-
33								
34	TOTAL	\$	1,547,641					\$ (118,960)
35								
36								
37								
38								
39								
40								

WORKING CASH REQUIREMENT

¹At proposed rates.

Liberty Utilities (Black Mountain Sewer) Corp.
Test Year Ended December 31, 2014
Income Statement

Exhibit
Settlement Schedule C-1
Page 1
Witness: Bourassa

Line No.		Test Year Book Results	Adjustment	Test Year Adjusted Results	Proposed Rate Increase	Adjusted with Rate Increase
1	Revenues					
2	Metered Water Revenues	\$ 2,212,684	\$ -	\$ 2,212,684	\$ 175,232	\$ 2,387,916
3	Unmetered Water Revenues	16,067	-	16,067		16,067
4	Other Water Revenues	11,098	-	11,098		11,098
5		<u>\$ 2,239,848</u>	<u>\$ -</u>	<u>\$ 2,239,848</u>	<u>\$ 175,232</u>	<u>\$ 2,415,080</u>
6	Operating Expenses					
7	Salaries and Wages	\$ 242,213	-	\$ 242,213		\$ 242,213
8	Purchased WasteWater Treatment	5,647	-	5,647		5,647
9	Sludge Removal	-	-	-		-
10	Purchased Power	65,112	-	65,112		65,112
11	Fuel for Power Production	-	-	-		-
12	Chemicals	19,215	-	19,215		19,215
13	Materials and Supplies	23,875	-	23,875		23,875
14	Contractual Services - Professional	313,511	(31,921)	281,590		281,590
15	Contractual Services - Testing	8,117	3,334	11,451		11,451
16	Contractual Services - Other	361,855	-	361,855		361,855
17	Rents	23,807	-	23,807		23,807
18	Transportation	15,371	-	15,371		15,371
19	Insurance	11,720	-	11,720		11,720
20	Regulatory Commission	-	87,500	87,500		87,500
21	Scottsdale Capacity (Operating Lease)	164,522	-	164,522		164,522
22	Miscellaneous	60,542	-	60,542		60,542
23	Depreciation and Amortization	484,271	16,653	500,924		500,924
24	Taxes Other Than Income	-	-	-		-
25	Property Taxes	49,478	1	49,479	1,291	50,771
26	Income Taxes	131,980	(35,110)	96,869	68,649	165,518
27	Total Operating Expenses	<u>\$ 1,981,235</u>	<u>\$ 40,457</u>	<u>\$ 2,021,691</u>	<u>\$ 69,940</u>	<u>\$ 2,091,631</u>
28	Operating Income	<u>\$ 258,613</u>	<u>\$ (40,457)</u>	<u>\$ 218,157</u>	<u>\$ 105,292</u>	<u>\$ 323,449</u>
29	Other Income (Expense)					
30	Interest and Dividend Income	-	-	-		-
31	AFUDC Income	8,893	-	8,893		8,893
32	Miscellaneous Non-Utility Expenses	-	-	-		-
33	Interest Expense	(36,133)	(8,299)	(44,433)		(44,433)
34						
35	Total Other Income (Expense)	<u>\$ (27,240)</u>	<u>\$ (8,299)</u>	<u>\$ (35,540)</u>	<u>\$ -</u>	<u>\$ (35,540)</u>
36	Net Profit (Loss)	<u>\$ 231,373</u>	<u>\$ (48,756)</u>	<u>\$ 182,617</u>	<u>\$ 105,292</u>	<u>\$ 287,909</u>

SUPPORTING SCHEDULES:

C-1, page 2

E-2

RECAP SCHEDULES:

A-1

Liberty Utilities (Black Mountain Sewer) Corp.
 Test Year Ended December 31, 2014
 Adjustments to Revenues and Expenses

Exhibit
 Settlement Schedule C-2
 Page 1
 Witness: Bourassa

Line No.	Adjustments to Revenues and Expenses						Subtotal
	1	2	3	4	5	6	
	Depreciation	Property Taxes	Intentionally Left Blank	Reclassify Expenses	Corporate Costs Adjustment	Testing Expense	
4	Revenues	-	-	-	-	-	-
5	Expenses	16,653	1	87,500	-	(31,921)	75,567
8	Operating Income	(16,653)	(1)	(87,500)	-	31,921	(75,567)
11	Interest Expense						-
13	Other Income / Expense						-
17	Net Income	(16,653)	(1)	(87,500)	-	31,921	(75,567)
19							
20							
21		7	8	9	10	11	12
22		Capitalized Expense	Intentionally Left Blank	Intentionally Left Blank	Intentionally Left Blank	Intentionally Left Blank	Intentionally Left Blank
25	Revenues	-	-	-	-	-	-
27	Expenses	-	(35,110)	-	-	-	40,457
29	Operating Income	-	35,110	-	-	-	(40,457)
32	Interest Expense						-
34	Other Income / Expense						-
38	Net Income	-	35,110	-	-	-	(40,457)
40							
41							
42		13	14	15	16	17	18
43		Interest Synch.	Income Taxes	Intentionally left Blank	Intentionally left Blank	Intentionally left Blank	Intentionally left Blank
46	Revenues	-	-	-	-	-	-
48	Expenses	-	-	-	-	-	40,457
50	Operating Income	-	-	-	-	-	(40,457)
53	Interest Expense	(8,299)					(8,299)
56	Other Income / Expense						-
59	Net Income	(8,299)	-	-	-	-	(48,756)

Liberty Utilities (Black Mountain Sewer) Corp.
 Test Year Ended December 31, 2014
 Adjustments to Revenues and Expenses
 Adjustment Number 1

Exhibit
 Settlement Schedule C-2
 Page 2
 Witness: Bourassa

Depreciation Expense

Line	Acct.		Adjusted Original Cost	Non-Depr. or Fully Depr. Plant	Depr Original Cost	Proposed Rates	Depreciation Expense
1	351	Organization	-		-	0.00%	-
2	352	Franchise	-		-	0.00%	-
3	353	Land	472,524	(472,524)	-	0.00%	-
4	354	Structures & Improvements	2,939,259		2,939,259	3.33%	97,877
5	355	Power Generation	3,839		3,839	5.00%	192
6	360	Collection Sewer Forced	1,130,430		1,130,430	2.00%	22,609
7	361	Collection Sewers Gravity	4,555,181		4,555,181	2.00%	91,104
8	362	Special Collecting Structures	-		-	2.00%	-
9	363	Customer Services	260,435		260,435	2.00%	5,209
10	364	Flow Measuring Devices	31,668	(31,668)	-	10.00%	-
11	365	Flow Measuring Installations	180,051		180,051	10.00%	18,005
12	366	Reuse Services	-		-	2.00%	-
13	367	Reuse Meters And Installation	-		-	8.33%	-
14	370	Receiving Wells	1,028,182		1,028,182	3.33%	34,238
15	371	Pumping Equipment	1,023,485	(552,393)	471,092	12.50%	58,887
16	374	Reuse Distribution Reservoirs	-		-	2.50%	-
17	375	Reuse Trans. and Dist. System	-		-	2.50%	-
18	380	Treatment & Disposal Equipment	320,285		320,285	5.00%	16,014
19	381	Plant Sewers	124,527	(124,527)	-	5.00%	-
20	382	Outfall Sewer Lines	-		-	3.33%	-
21	389	Other Sewer Plant & Equipment	959,832		959,832	6.67%	64,021
22	390	Office Furniture & Equipment	227,290		227,290	6.67%	15,160
23	390.1	Computers and Software	62,224		62,224	20.00%	12,445
24	391	Transportation Equipment	80,215	(52,063)	28,151	20.00%	5,630
25	392	Stores Equipment	-		-	4.00%	-
26	393	Tools, Shop And Garage Equip	28,942		28,942	5.00%	1,447
27	394	Laboratory Equip	10,683		10,683	10.00%	1,068
28	395	Power Operated Equipment	-		-	5.00%	-
29	396	Communication Equip	103,290		103,290	10.00%	10,329
30	397	Miscellaneous Equip.	-		-	10.00%	-
31	398	Other Tangible Plant - Scottsdale Capacity	486,294		486,294	10.00%	48,629
32	903	Land and Land Rights	8,420	(8,420)	-	0.00%	-
33	904	Structures and Improvments	75,829		75,829	2.56%	1,941
34	940.1	Computers and Software	13,207		13,207	20.00%	2,641
35							
36		TOTALS	\$ 14,126,094	\$ (1,241,595)	\$ 12,884,499		\$ 507,447
37							
38		Deferred Regulatory Asset	\$ 825,080	\$ -	\$ 825,080	5.00%	41,254
39							
40		Less: Amortization of Contributions					
41							
42			Gross CIAC	Fully Amortized CIAC	Net CIAC	Amort. Rate	
43			\$ 6,445,253	\$ (5,232,139)	\$ 1,213,114	3.9384%	\$ (47,778)
44							
45			\$ 6,445,253	\$ (5,232,139)	\$ 1,213,114		
46		Total Depreciation Expense					\$ 500,924
47							
48		Adjusted Test Year Depreciation Expense					\$ 484,271
49							
50		Increase (decrease) in Depreciation Expense					\$ 16,653
51							
52		Adjustment to Revenues and/or Expenses					\$ 16,653
53							
54		<u>SUPPORTING SCHEDULE</u>					
55		B-2, page 3					
56		Work papers					

Liberty Utilities (Black Mountain Sewer) Corp.
 Test Year Ended December 31, 2014
 Adjustment to Revenues and Expenses
 Adjustment Number 2

Exhibit
 Settlement Schedule C
 Page 3
 Witness: Bourassa

Property Taxes

Line No.	DESCRIPTION	Test Year as adjusted	Company Recommended
1	Company Adjusted Test Year Revenues	\$ 2,239,848	\$ 2,239,848
2	Weight Factor	2	2
3	Subtotal (Line 1 * Line 2)	4,479,696	4,479,696
4	Company Recommended Revenue	2,239,848	2,415,080
5	Subtotal (Line 4 + Line 5)	6,719,544	6,894,776
6	Number of Years	3	3
7	Three Year Average (Line 5 / Line 6)	2,239,848	2,298,259
8	Department of Revenue Multiplier	2	2
9	Revenue Base Value (Line 7 * Line 8)	4,479,696	4,596,518
10	Plus: 10% of CWIP (intentionally excluded)	-	-
11	Less: Net Book Value of Licensed Vehicles	3,406	3,406
12	Full Cash Value (Line 9 + Line 10 - Line 11)	4,476,290	4,593,112
13	Assessment Ratio	18.0%	18.0%
14	Assessment Value (Line 12 * Line 13)	805,732	826,760
15	Composite Property Tax Rate - Obtained from ADOR	6.1409%	6.1409%
16	Test Year Adjusted Property Tax Expense (Line 14 * Line 15)	\$ 49,479	\$ 50,771
17	Tax on Parcels	-	-
18	Total Property Taxes (Line 16 + Line 17)	\$ 49,479	
19	Test Year Property Taxes	\$ 49,478	
20	Adjustment to Test Year Property Taxes (Line 18 - Line 19)	\$ 1	
21			
22	Property Tax on Company Recommended Revenue (Line 16 + Line 17)		\$ 50,771
23	Company Test Year Adjusted Property Tax Expense (Line 18)		\$ 49,479
24	Increase in Property Tax Due to Increase in Revenue Requirement		\$ 1,291
25			
26	Increase in Property Tax Due to Increase in Revenue Requirement (Line 24)		\$ 1,291
27	Increase in Revenue Requirement		\$ 175,232
28	Increase in Property Tax Per Dollar Increase in Revenue (Line 26 / Line 27)		0.73691%
29			
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Liberty Utilities (Black Mountain Sewer) Corp.
 Test Year Ended December 31, 2014
 Adjustment to Revenues and Expenses
 Adjustment Number 3

Exhibit
 Settlement Schedule C-2
 Page 4
 Witness: Bourassa

Rate Case Expense

Line			
<u>No.</u>			
1			
2	Total Rate Case Expense	\$	350,000
3			
4	Amortization Period (years)		4
5			
6	Annual Amortization	\$	87,500
7			
8	Adjusted Test Year Rate Case Expense		<u>-</u>
9			
10	Increase (decrease) in Regulatory Commission Expense	\$	<u>87,500</u>
11			
12			
13	Adjustment to Revenue and/or Expense	\$	<u>87,500</u>
14			
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20			

Liberty Utilities (Black Mountain Sewer) Corp.
 Test Year Ended December 31, 2014
 Adjustment to Revenues and Expenses
 Adjustment Number 4

Exhibit
 Settlement Schedule C-2
 Page 5
 Witness: Bourassa

Reclassify Expenses

Line			
<u>No.</u>			
1	Reduce Salaries and Wages	\$	(242,213)
2			
3	Increase Contractual Services - Professional		<u>242,213</u>
4			
5	Increase (decrease) in Expenses	\$	<u><u>-</u></u>
6			
7			
8			
9			
10	Adjustment to Revenue and/or Expense		<u>-</u>
11			
12	<u>Reference</u>		
13	Testimony		
14			
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Liberty Utilities (Black Mountain Sewer) Corp.
 Test Year Ended December 31, 2014
 Adjustment to Revenues and Expenses
 Adjustment Number 5

Exhibit
 Settlement Schedule C-2
 Page 6
 Witness: Bourassa

Corporate Cost Allocation (Non-Labor) Adjustment

Line No.			
1	Liberty Utilities (Sub) Corp	\$	84,790
2	APUC/Liberty Utilities Canada		37,815
3	Revised Corporate Cost Allocation		<u>122,605</u>
4			
5	Allocated Corporate Costs Recorded in Test Year	\$	165,389
6	Direct Filing Adjustment		<u>(10,863)</u>
7	Adjusted Allocated Corporate Costs	\$	154,526
8			
9	Increase (decrease) in Corporate Allocation	\$	<u>(31,921)</u>
10			
11			
12	Adjustment to Contractual Services - Professional	\$	<u>(31,921)</u>
13			
14			
15	Adjustment to Revenue and/or Expense		<u>(31,921)</u>
16			
17	<u>Reference</u>		
18	Testimony		
19	Work Papers		
20			
21			
22			
23			

Liberty Utilities (Black Mountain Sewer) Corp.
 Test Year Ended December 31, 2014
 Adjustment to Revenues and Expenses
 Adjustment Number 6

Exhibit
 Settlement Schedule C-2
 Page 7
 Witness: Bourassa

Testing Expense

Line			
<u>No.</u>			
1			
2	Staff recommended Water Testing Expense	\$	11,451
3			
4	Adjusted Test Year Water Testing Expense		<u>8,117</u>
5			
6	Increase(decrease) to Contractual Services - Testing	\$	3,334
7			
8			
9	Adjustment to Revenue and/or Expense	\$	<u>3,334</u>
10			
11	<u>Reference</u>		
12	Testimony		
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Liberty Utilities (Black Mountain Sewer) Corp.
 Test Year Ended December 31, 2014
 Adjustment to Revenues and Expenses
 Adjustment Number 7

Exhibit
 Settlement Schedule C
 Page 8
 Witness: Bourassa

Interest Synchronization

Line			
<u>No.</u>			
1			
2			
3			
4	Fair Value Rate Base	\$ 4,195,730	
5	Weighted Cost of Debt	1.06%	
6	Interest Expense		\$ 44,433
7			
8	Test Year Interest Expense		<u>\$ 36,133</u>
9			
10	Increase (decrease) in Interest Expense		8,299
11			
12			
13			
14	Adjustment to Revenue and/or Expense		<u>\$ (8,299)</u>

Weighted Cost of Debt Computation

Pro forma Capital Structure

	<u>Percent</u>	<u>Cost</u>	<u>Weighted</u> <u>Cost</u>
20 Debt	30.00%	3.53%	1.06%
21 Equity	70.00%	9.50%	6.65%
22 Total	<u>100.00%</u>		<u>7.71%</u>

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Liberty Utilities (Black Mountain Sewer) Corp.
Test Year Ended December 31, 2014
Adjustment to Revenues and/or Expenses
Adjustment Number 8

Exhibit
Settlement Schedule C-2
Page 9
Witness: Bourassa

Line
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Income Taxes
Computed Income Tax
Test Year Income tax Expense
Adjustment to Income Tax Expense

	Test Year at Present Rates	Test Year at Proposed Rates
\$	96,869	\$ 165,518
	-	96,869
\$	<u>96,869</u>	<u>\$ 68,649</u>

SUPPORTING SCHEDULE
C-3, page 2

Liberty Utilities (Black Mountain Sewer) Corp.
 Test Year Ended December 31, 2014
 Computation of Gross Revenue Conversion Factor

Exhibit
 Settlement Schedule C-3
 Page 1
 Witness: Bourassa

Line No.	<u>Description</u>	Percentage of Incremental Gross <u>Revenues</u>
1	Federal Effective Income Tax Rate	34.567%
2		
3	State Effective Income Tax Rate	4.900%
4		
5	Property Taxes	<u>0.446%</u>
6		
7		
8	Total Tax Percentage	39.913%
9		
10	Operating Income % = 100% - Tax Percentage	60.087%
11		
12		
13		
14		
15	1	= Gross Revenue Conversion Factor
16	<u>Operating Income %</u>	1.6642
17		
18		
19		
20		
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27	<u>SUPPORTING SCHEDULES:</u>	<u>RECAP SCHEDULES:</u>
28	C-3, page 2	A-1
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Liberty Utilities (Black Mountain Sewer) Corp.
Test Year Ended December 31, 2014

Exhibit
Settlement Schedule C-3
Page 2
Witness: Bourassa

GROSS REVENUE CONVERSION FACTOR

Line No.	Description	(A)	(B)	(C)	(D)	(E)	(F)
<u>Calculation of Gross Revenue Conversion Factor:</u>							
1	Revenue	100.0000%					
2	Uncollectible Factor (Line 11)	0.0000%					
3	Revenues (L1 - L2)	100.0000%					
4	Combined Federal and State Income Tax and Property Tax Rate (Line 23)	39.9126%					
5	Subtotal (L3 - L4)	60.0874%					
6	Revenue Conversion Factor (L1 / L5)	1.664242					
<u>Calculation of Uncollectible Factor:</u>							
7	Unity	100.0000%					
8	Combined Federal and State Tax Rate (L17)	39.4665%					
9	One Minus Combined Income Tax Rate (L7 - L8)	60.5335%					
10	Uncollectible Rate	0.0000%					
11	Uncollectible Factor (L9 * L10)		0.0000%				
<u>Calculation of Effective Tax Rate:</u>							
12	Operating Income Before Taxes (Arizona Taxable Income)	100.0000%					
13	Arizona State Income Tax Rate	4.9000%					
14	Federal Taxable Income (L12 - L13)	95.1000%					
15	Applicable Federal Income Tax Rate (L55, Col E)	36.3475%					
16	Effective Federal Income Tax Rate (L14 x L15)	34.5665%					
17	Combined Federal and State Income Tax Rate (L13 + L16)		39.4665%				
<u>Calculation of Effective Property Tax Factor:</u>							
18	Unity	100.0000%					
19	Combined Federal and State Income Tax Rate (L17)	39.4665%					
20	One Minus Combined Income Tax Rate (L18-L19)	60.5335%					
21	Property Tax Factor	0.7369%					
22	Effective Property Tax Factor (L20*L21)		0.4461%				
23	Combined Federal and State Income Tax and Property Tax Rate (L17+L22)				39.9126%		
24	Required Operating Income	\$ 323,448					
25	Adjusted Test Year Operating Income (Loss)	\$ 218,157					
26	Required Increase in Operating Income (L24 - L25)		\$ 105,292				
27	Income Taxes on Recommended Revenue (Col. (E), L52)	\$ 165,518					
28	Income Taxes on Test Year Revenue (Col. (B), L54)	\$ 96,869					
29	Required Increase in Revenue to Provide for Income Taxes (L27 - L28)		\$ 68,649				
30	Recommended Revenue Requirement	\$ 2,415,080					
31	Uncollectible Rate (Line 10)	0.0000%					
32	Uncollectible Expense on Recommended Revenue (L24 * L25)	\$ -					
33	Adjusted Test Year Uncollectible Expense	\$ -					
34	Required Increase in Revenue to Provide for Uncollectible Exp.		\$ -				
35	Property Tax with Recommended Revenue	\$ 50,771					
36	Property Tax on Test Year Revenue	\$ 49,479					
37	Increase in Property Tax Due to Increase in Revenue (L35-L36)		\$ 1,291				
38	Total Required Increase in Revenue (L26 + L29 + L37)		\$ 175,232				

	(A)		(B)		(C)		(D)		(E)		(F)	
	Total		Total	Sewer	Total		Total		Total	Sewer		
<u>Calculation of Income Tax:</u>												
39	Revenue	\$ 2,239,848	\$ 2,239,848	\$ 2,239,848	\$ 2,239,848	\$ 2,239,848	\$ 2,415,080	\$ 2,415,080	\$ 2,415,080	\$ 2,415,080		
40	Operating Expenses Excluding Income Taxes	\$ 1,924,822	\$ 1,924,822	\$ 1,924,822	\$ 1,924,822	\$ 1,924,822	\$ 1,926,113	\$ 1,926,113	\$ 1,926,113	\$ 1,926,113		
41	Synchronized Interest (L47)	\$ 44,433	\$ 44,433	\$ 44,433	\$ 44,433	\$ 44,433	\$ 44,433	\$ 44,433	\$ 44,433	\$ 44,433		
42	Arizona Taxable Income (L39 - L40 - L41)	\$ 270,593	\$ 270,593	\$ 270,593	\$ 270,593	\$ 270,593	\$ 444,535	\$ 444,535	\$ 444,535	\$ 444,535		
43	Arizona State Effective Income Tax Rate (see work papers)	4.9000%	4.9000%	4.9000%	4.9000%	4.9000%	4.9000%	4.9000%	4.9000%	4.9000%		
44	Arizona Income Tax (L42 x L43)	\$ 13,259	\$ 13,259	\$ 13,259	\$ 13,259	\$ 13,259	\$ 21,782	\$ 21,782	\$ 21,782	\$ 21,782		
45	Federal Taxable Income (L42- L44)	\$ 257,334	\$ 257,334	\$ 257,334	\$ 257,334	\$ 257,334	\$ 422,753	\$ 422,753	\$ 422,753	\$ 422,753		
46												
47	Federal Tax on First Income Bracket (\$1 - \$50,000) @ 15%	\$ 7,500	\$ 7,500	\$ 7,500	\$ 7,500	\$ 7,500	\$ 7,500	\$ 7,500	\$ 7,500	\$ 7,500		
48	Federal Tax on Second Income Bracket (\$50,001 - \$75,000) @ 25%	\$ 6,250	\$ 6,250	\$ 6,250	\$ 6,250	\$ 6,250	\$ 6,250	\$ 6,250	\$ 6,250	\$ 6,250		
49	Federal Tax on Third Income Bracket (\$75,001 - \$100,000) @ 34%	\$ 8,500	\$ 8,500	\$ 8,500	\$ 8,500	\$ 8,500	\$ 8,500	\$ 8,500	\$ 8,500	\$ 8,500		
50	Federal Tax on Fourth Income Bracket (\$100,001 - \$335,000) @ 39%	\$ 61,360	\$ 61,360	\$ 61,360	\$ 61,360	\$ 61,360	\$ 91,650	\$ 91,650	\$ 91,650	\$ 91,650		
51	Federal Tax on Fifth Income Bracket (\$335,001 - \$10,000,000) @ 34%	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 29,836	\$ 29,836	\$ 29,836	\$ 29,836		
52												
53	Total Federal Income Tax	\$ 83,610	\$ 83,610	\$ 83,610	\$ 83,610	\$ 83,610	\$ 143,736	\$ 143,736	\$ 143,736	\$ 143,736		
54	Combined Federal and State Income Tax (L35 + L42)	\$ 96,869	\$ 96,869	\$ 96,869	\$ 96,869	\$ 96,869	\$ 165,518	\$ 165,518	\$ 165,518	\$ 165,518		
55	COMBINED Applicable Federal Income Tax Rate [Col. (D), L53 - Col. (A), L53] / [Col. (D), L45 - Col. (A), L45]						36.3475%					
56	WASTEWATER Applicable Federal Income Tax Rate [Col. (E), L53 - Col. (B), L53] / [Col. (E), L45 - Col. (B), L45]							36.3475%				
57	WATER Applicable Federal Income Tax Rate [Col. (F), L53 - Col. (C), L53] / [Col. (F), L45 - Col. (C), L45]										0.0000%	

<u>Calculation of Interest Synchronization:</u>		
58	Rate Base	\$ 4,195,730
59	Weighted Average Cost of Debt	1.0590%
60	Synchronized Interest (L45 X L46)	\$ 44,433

Exhibit
Settlement Schedule D-1
Page 1
Witness: Bourassa

Liberty Utilities (Black Mountain Sewer) Corp.
Test Year Ended December 31, 2014
Summary of Cost of Capital

Line No.	Item of Capital	Adjusted End of Test Year			Projected Capital Structure		
		Percent of Total	Cost Rate	Weighted Cost	Percent of Total	Cost Rate	Weighted Cost
1	Long-Term Debt	0.00%	0.00%	0.00%	30.00%	3.53%	1.06%
2							
3	Stockholder's Equity	100.00%	9.50%	9.50%	70.00%	9.50%	6.65%
4							
5	Totals	100.00%		9.50%	100.00%		7.71%
6							
7							
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SUPPORTING SCHEDULES:
D-2
D-3
D-4
Testimony

Exhibit
Settlement Schedule H-1
Witness: Bourassa

Liberty Utilities (Black Mountain Sewer) Corp.
Revenue Summary
With Annualized Revenues to Year End Number of Customers
Test Year Ended December 31, 2014

Line No.	Customer Classification	Present Revenues	Proposed Revenues	Dollar Change	Percent Change	Percent of Present Sewer Revenues	Percent of Proposed Sewer Revenues
1	Residential	1,522,310	1,855,053	332,743	21.86%	20.41%	24.30%
2	Residential HOA (11 units)	8,612	10,494	1,882	21.86%	0.12%	0.14%
3	Residential HOA (12 units)	9,395	11,448	2,053	21.86%	0.13%	0.15%
4	Residential HOA (25 units)	19,572	23,850	4,278	21.86%	0.26%	0.31%
5	Apartment (gpd rate)	63,950	-	(63,950)	-100.00%	0.86%	0.00%
6	Residential Apartment (8 units)	-	7,632	7,632	0.00%	0.00%	0.10%
7	Residential Apartment (10 units)	-	9,540	9,540	0.00%	0.00%	0.12%
8	Residential Apartment (74 units)	578,108	70,596	70,596	0.00%	0.00%	0.92%
9	Commercial	-	387,042	(191,066)	-33.05%	7.75%	5.07%
10		5,233,414	5,233,414	-	0.00%	70.18%	68.57%
11	Effluent						
12							
13							
14							
15							
16							
17	Subtotal	7,435,360	7,609,069	173,709	2.34%	99.71%	99.69%
18							
19	Revenue Annualization						
20	Residential	9,786	11,925	2,139	21.86%	0.13%	0.16%
21							
22	Misc Service Revenues	11,098	11,098	-	0.00%	0.15%	0.15%
23	Misc Revenues	952	336	(616)	-64.71%	0.01%	0.00%
24	Reconciling Amount to C-1						
25	Totals	7,457,195	7,632,428	175,232	2.35%	100.00%	100.00%
26							
27							
28							
29							
30							
31							
32							

Settlement Schedule H-2
Page 1
Witness: Bourassa

Liberty Utilities (Black Mountain Sewer) Corp.

Test Year Ended December 31, 2014

Analysis of Revenue by Detailed Class

Special Rate Commercial Customers Pay Standard Commercial Rate

Line No.	Customer Classification	Average Number of Customers at 12/31/2014 ¹	Average Number of Customers at 12/31/2014 ²	Average WW Flow (gpd)	Average Gallons (1,000's)	Present Rates ¹	Average Bill Proposed Rates ²	Proposed Increase Dollar Amount	Proposed Increase Percent Amount
1	Residential	1,957	1,957	N/A	N/A	\$ 65.24	\$ 79.50	\$ 14.26	21.86%
2	Residential HOA (11 units)	1	1	N/A	N/A	717.64	874.50	157	21.86%
3	Residential HOA (12 units)	1	1	N/A	N/A	782.88	954.00	171	21.86%
4	Residential HOA (25 units)	1	1	N/A	N/A	1,631.00	1,987.50	357	21.86%
5	Apartment (gpd rate)	3	NA	6,475	N/A	1,610.55	N/A		
6	Residential Apartment (8 units)	1	1	2,000	N/A	497.47	636.00	139	27.85%
7	Residential Apartment (10 units)	1	1	2,400	N/A	596.96	795.00	198	33.17%
8	Residential Apartment (74 units)	1	1	17,025	N/A	4,234.70	5,883.00	1,648	38.92%
9	Commercial	120	128	1,612	32.613	401.00	251.98	(149.02)	-37.16%
10									
11									
12									
13	Effluent	1	1	N/A	2,907,452	\$ 436,118	\$ 436,118	\$ -	0.00%
14									
15									
16									
17									
18									
19									
20									
21									
22									
23									
24	Total	2,087	2,092						
25									
26									
27									
28									
29									

¹ Using current gpd ratings
² Residential customer bills (including apartments) reflect a flat rate while commercial customer bills reflect both a flat rate plus water usage. Some commercial locations consolidated into one account because there is only one water meter at the location.

Liberty Utilities (Black Mountain Sewer) Corp.
 Present and Proposed Rates
 Test Year Ended December 31, 2014

Exhibit
 Settlement Schedule H-3
 Page 1
 Witness: Bourassa

Line

<u>No.</u>	<u>Present Rates</u>	<u>Proposed Rates</u>	<u>Dollar Change</u>	<u>Percent Change</u>
1				
2	<u>Customer Classification</u>			
3				
4	<u>Monthly Service Charge:</u>			
5	\$ 65.24	\$ 79.50	\$ 14.26	21.86%
6				
7	NT	\$ 85.00		
8				
9	<u>Commodity Rate:</u>			
10				
11	\$ 0.24873	Remove		
12				
13	NT	\$ 5.120		
14				
15	per acre foot	per 1,000 gals	per acre foot	per 1,000 gals
16	\$ 150.00	\$ 0.460512	\$ 150.00	\$ 0.460512
17				
18	NT	NT	\$ 393.00	\$ 1.206073
19				
20	NT	NT	\$ 543.00	\$ 1.666585
21				
22				
23				
24				
25				
26				
27				
28	NT = no tariff			
29				
30	[1] Commercial wastewater flows are based on the average daily flows set forth in Engineering Bulletin 12, Table 1			
31	published by the Arizona Department of Environmental Quality			
32	[2] Monthly water usage provided by Town of Carfree and City of Scottsdale.			
33	[3] Effluent Add-on charge is for recovery of approximately \$108,804 of plant closure costs not recognized in residential and commercial rates and			
34	will be discontinued after the amount is recovered.			
35				
36				
37				
38				
39				
40				

Liberty Utilities (Black Mountain Sewer) Corp.
 Present and Proposed Rates
 Test Year Ended December 31, 2014

Exhibit
 Settlement Schedule H-3
 Page 2
 Witness: Bourassa

Line No.	Other Service Charges	Present Rates	Proposed Rates
1	Establishment	\$ 25.00	\$ 25.00
2	Re-establishment	\$ 25.00	[1]
3	Re-connection	No Charge	Remove
4	Re-connection, Delinquent	NT	[2]
5	After hours service [4]	NT	\$ 50.00
6	Min Deposit Requirement (Residential)	[3]	[3]
7	Min Deposit Requirement (Non-Residential)	[3]	[3]
8	Deposit Interest	6%	6%
9	NSF Check	10.00	10.00
10	Deferred Payment finance charge, Per Month	1.50%	1.50%
11	Late Payment Charge, Per Month	1.50%	Greater of \$5.00 or 1.50% per month on unpaid balance.
12			
13	Main Extension Tariff	Cost[5]	Cost[5]
14	Off-Site Facilities Hook-up Fee	per Tariff	per Tariff
15			
16			

[1] Per A.A.C. R14-2-603.D, Within 12 months. Residential and non-residential customers shall pay the applicable minimum charge times the number of months disconnected.

[2] Customer shall pay the actual cost of physical disconnection and establishment (if same customer) and there shall be no charge for disconnection if no physical work is performed.

[3] Per A.A.C. R14-2-603.B Residential - two times the average bill. Non-residential - two and one-half times the average bill.

[4] After Hours Service Charge applies to all services performed after regular business hours at the customer's request or for the customer's convenience.

[5] Per A.A.C. R14-2-606.B

IN ADDITION TO THE COLLECTION OF REGULAR RATES, THE UTILITY WILL COLLECT FROM ITS CUSTOMERS A PROPORTIONATE SHARE OF ANY PRIVILEGE, SALES, USE, AND FRANCHISE TAX. PER COMMISSION RULE (14-2-608.D 5). ALL ADVANCES AND/OR CONTRIBUTIONS ARE TO INCLUDE LABOR, MATERIALS, OVERHEADS, AND ALL APPLICABLE TAXES, INCLUDING ALL GROSS-UP TAXES FOR INCOME TAXES. COST TO INCLUDE LABOR, MATERIALS AND PARTS, OVERHEADS AND ALL APPLICABLE TAXES.

Liberty Utilities (Black Mountain Sewer) Corp.
 Test Year Ended December 31, 2014
 Capacity Reservation Charges

Exhibit
 Settlement Schedule H-3
 Page 3
 Witness: Bourassa

Line
No.

1			
2	<u>Off-site Facilities Hook-up Fee</u>		
3			
4			
5	<u>Lateral Service Size</u>	<u>Present</u>	<u>Proposed</u>
6	4 Inch	\$ 1,734.00	remove
7	6 Inch	\$ 3,901.00	remove
8	8 Inch	\$ 6,936.00	remove
9	10 Inch	\$ 10,837.00	remove
10			
11	Per rated ERU (1)	N/T	\$ 1,700.00

12
 13
 14
 15
 16
 17
 18
 19
 20

(1) ERU = Equivalent Residential Unit and is equivalent to 400 gallons per day (gpd).

N/T = No Tariff

LIBERTY UTILITIES (BLACK MOUNTAIN SEWER) CORP.

Sheet No. ___

DOCKET NO. SW-02361A-08-0609

Cancelling Sheet No. ___

Applies to all WASTEWATER service areas

SPECIAL TARIFF FOR BREWERIES

In Decision No. _____, issued _____, 2016, the Commission approved rates and charges for Liberty Utilities (Black Mountain Sewer) Corp. ("Company") to become effective _____. This special tariff applies only to breweries as defined herein.

Under this tariff, "brewery" is defined as any establishment or facility, or portion thereof, for brewing beer or other malt liquors. This tariff is limited to the customer establishment or facility, or portion thereof, for the brewing of beer or other malt liquors and does not apply to any customer establishments or facilities providing food or beverage service to customers, which will be billed under the Company's general commercial service rates. Under this special tariff, customers will be subject to the Company's standard charges, fees, and terms and conditions set forth in the Company's approved commercial tariff for wastewater service. Breweries also will be subject to compliance with applicable Company pretreatment standards or tariffs, including discharge limits and other standards and/or requirements governing discharge of wastewater to the Company's wastewater collection and treatment system, including as may be amended by the Company and approved by the Commission.

Company shall bill non-residential customers based on actual water usage data provided by the Town of Carefree, the City of Scottsdale and/or Cave Creek Water Company. Under this special tariff, Company shall bill breweries for 70% of the actual water usage provided by the Town of Carefree, City of Scottsdale and/or Cave Creek Water Company for the brewery facility. To utilize this tariff, a brewery customer will need to have a separate water meter for the brewery facility or establishment.

MONTHLY CHARGES

<u>Description</u>	<u>Rate</u>
Brewery (Monthly Charge)	\$85.00
Brewery – Per 1,000 gallons used (applied to 70% per 1,000g used)	\$5.12

EXHIBIT CDECISION NO. 75510

EXHIBIT B



Liberty Utilities[®]
WATER | GAS | ELECTRIC

LIBERTY UTILITIES (BLACK MOUNTAIN SEWER) CORP.
INDUSTRIAL PRETREATMENT PROGRAM

SEPTEMBER, 2015

LIBERTY UTILITIES
12725 W. Indian School Road, Suite D101,

Avondale, AZ 85392

DECISION NO. 75510

PRETREATMENT PROGRAM

The objective of a Pretreatment Program (the General Pretreatment Regulations (40 CFR, Part 403) of Clean Water Act of 1977) is to protect the water quality and is designed to reduce the level of pollutants discharged by industry and other non-domestic wastewater sources into municipal sewer systems, and thereby, reduce the amount of pollutants released into the environment through wastewater. Liberty Utilities (Black Mountain Sewer) Corp. ("Liberty Black Mountain") enforces requirements of the pretreatment program by enforcing the EPA established limits and the state or local authority on the amount of pollutants allowed to be discharged. This requires dischargers to treat their wastewater prior to its discharge in Liberty Black Mountain's collection system.

Specific objectives of this ordinance are outlined below:

1. To prevent the introduction of pollutants into Liberty Black Mountain's wastewater collection system that will interfere with the operation of the system, including the City of Scottsdale WWTP, or contaminate the resulting sludge.
2. To prevent the introduction of pollutants into the Liberty Black Mountain wastewater collection system that will pass through the system, inadequately treated, into receiving waters or the atmosphere or otherwise be incompatible with the system.
3. To improve the opportunity to recycle and reclaim waste waters and sludges from the system.
4. To provide for equitable distribution of the cost of operating and maintaining the Liberty Black Mountain's wastewater system.

Liberty Black Mountain will enforce these standards by limiting the following discharges and will review pretreatment prior to approval of a discharge into its wastewater system:

1. Discharge of any liquids, solids or gases that by reason of their nature or quantity are, or may be, sufficient either alone or by interaction to cause fire or explosion or be injurious in any other way to the operation of the Liberty Black Mountain wastewater collection system or City of Scottsdale WWTP, or the integrity of the sewer system or cause a danger to the public health or safety is prohibited. This prohibition includes but is not limited to waste streams with a closed cup flash point of less than one hundred forty degrees Fahrenheit or sixty degrees Centigrade using the test methods specified in federal regulations, 40 CFR 261.21.
2. Discharge of any solid or viscous substances that will or may cause obstruction to the flow in a sewer or other interference with the operation of the wastewater system is prohibited.
3. Any trucked or hauled pollutants, unless the hauler has first obtained written approval from Liberty Black Mountain.
4. Discharge of any wastewater having a pH less than 5.5 or greater than 10.5 SU, or having any other corrosive property capable of causing damage or hazard to

- structures, equipment, or personnel of the system, or interference with the operation of the City of Scottsdale WWTP is prohibited.
5. Discharge of any wastewater containing hazardous substances, toxic, conventional, or non conventional pollutants in sufficient quantity, either singly or by interaction, which could injure or interfere with any wastewater treatment process, constitutes a health or safety hazard to humans or animals, or exceed the limitations set forth in the LOCAL REGULATORY LIMITS or the categorical pretreatment standards appropriate for the specific industrial user is prohibited. Hazardous substances, toxic, conventional or non conventional pollutants will include, but not be limited to, any pollutant identified in 40 CFR 122 Appendix D Tables II, III, IV, AND V (AZPDES Permit Limits that are applicable), or substances alone or in combination with other constituents that are determined to be toxic by the toxicity test as defined in 40 CFR Part 136 for wastewater or the toxicity characteristic leaching procedure (TCLP) test as defined in 40 CFR Part 261 for biosolids.
 6. Discharge of any noxious or malodorous liquids, gases or solids which, either singly or by interaction, are capable of creating a public nuisance or hazard to life or are sufficient to prevent entry into the sewers without special hazardous material protective equipment or clothing for their maintenance and repair is prohibited.
 7. Discharge of any substance which may cause the City of Scottsdale WWTP effluent or treatment residues, biosolids or scum to be unsuitable for reclamation and reuse or which may interfere with such reclamation and reuse process is prohibited. In no case will a substance discharged to the Liberty Black Mountain wastewater collection system cause the City of Scottsdale WWTP to be in a noncompliance with biosolids use or disposal criteria, guidelines or regulations developed under Section 405 of the Clean Water Act, any criteria, guidelines or regulations affecting biosolids uses or disposal developed pursuant to the Solid Waste Disposal Act, the Clean Air Act, the Toxic Substances Control Act or state or local standards applicable to the biosolids management method adopted by the Liberty Black Mountain and/or local and state authorities.
 8. Discharge of any substances which will inhibit the operation or performance of the City of Scottsdale WWTP or pass through the system and cause the City of Scottsdale WWTP to violate any requirements of any discharge permit issued by the state or federal government is prohibited.
 9. Discharge of any substance with objectionable color not removed in the treatment process, such as, but not limited to, dye wastes and vegetable tanning solutions, is prohibited.
 10. Discharge of any wastewater having a temperature which will inhibit biological activity in the City of Scottsdale WWTP treatment plant resulting in interference; but in no case, wastewater with a temperature at the introduction into the City of Scottsdale WWTP which exceeds thirty eight degrees Celsius (one hundred degrees Fahrenheit) is prohibited.
 11. Discharge of any slug load, which will mean any pollutant, including oxygen demanding pollutants (BOD, etc.), released in a single extraordinary discharge

- episode of such volume or strength as to cause interference to the City of Scottsdale WWTP is prohibited.
12. Discharge of any wastewater containing any radioactive wastes or isotopes of such half-life or concentration as to exceed limits established by state and federal regulations is prohibited.
 13. Discharge of any wastewater which causes the City of Scottsdale WWTP effluent to exhibit toxicity to test organisms in a standard biological toxicity test as defined by local, state or federal requirements, or which Liberty Utilities BMSC determines would be toxic to or impede the treatment capabilities of the biological processes in the City of Scottsdale WWTP is prohibited.
 14. Discharge of any petroleum oil, non biodegradable cutting oil or products of mineral oil origin that will cause interference or pass through the City of Scottsdale WWTP is prohibited.
 15. No industrial user of the Liberty Black Mountain wastewater collection system may discharge wastes or waste waters containing concentrations of pollutants higher than those listed in TABLE 1.1.

ORGANIC CONTAMINANTS ($\mu\text{g/L}$)	
Benzene	35
Chloroform	2,000
4,4' - DDE	Not allowed
4,4' - DDT	Not allowed
Aldrin	Not allowed
BHC-Alpha	Not allowed
BHC-Gamma (Lindane)	Not allowed
Heptachlor	Not allowed
Heptachlor Epoxide	Not allowed
Polychlorinated biphenyl compounds (PCBs)	Not allowed

TRACE METALS	
PARAMETER	Daily Average Effluent Limitation (mg/L)
Arsenic (As)	0.13
Cadmium (Cd)	0.047
Copper (Cu)	1.5
Cyanide (CN)	2.0
Lead (Pb)	0.41
Mercury (Hg)	0.0023
Selenium (Se)	0.10
Silver (Ag)	1.2
Zinc (Zn)	3.5

16. Liberty Black Mountain can accept certain pollutants which are compatible with the City of Scottsdale WWTP treatment processes; however, the discharge would pay a surcharge, established on quantity, to cover the costs of such treatment.
17. Dilution of a waste is not an acceptable pretreatment strategy.

Waste Discharge Permits

A waste discharge permit is required for industrial and non-domestic wastewater generators for the following conditions:

1. Any discharger subject to National Categorical Pretreatment Standards
2. Any Significant Industrial discharge as defined by the Liberty Utilities BMSC
3. Any discharger whose discharge who would be in violation with local limits in Table 1.1.
4. Any discharger by State Pretreatment requirements to obtain a permit
5. Any other discharger directed by the Liberty Utilities BMSC to apply for a permit

Permit Applications and Fees (to be developed based on site specific conditions)

Violations and enforcement (to be developed based on site specific conditions)

Penalties

Installation of Meter

Liberty Black Mountain will be responsible, unless the responsibility is given to the discharger by Liberty Black Mountain for the reading of water and/or wastewater meters when installed in discharger's establishment. All meters shall be installed at a location approved by Liberty Black Mountain. All meters will be accessible to Liberty Black Mountain at all times.

**LIBERTY UTILITIES (BLACK MOUNTAIN SEWER) CORP.
INDUSTRIAL PRETREATMENT PROGRAM STANDARD
OPERATING PROCEDURES**

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**LIBERTY UTILITIES (BLACK MOUNTAIN SEWER) CORP.
PRETREATMENT PROGRAM STANDARD
OPERATING PROCEDURES**

1.0 INTRODUCTION

To control the discharge of pollutants to the Nation's waters, the Clean Water Act (CWA) requires the Environmental Protection Agency (EPA) to promulgate regulations related to discharges. Discharges from non-domestic dischargers can impact the operations of the Publicly Owned Treatment Works (POTWs) as the pollutants can pass through or interfere with the operations of the plants, threaten worker's health and safety, or contaminate sludges. POTWs are designed to treat domestic sewage. The non-domestic discharges are regulated by the National Pretreatment Program. Industrial and commercial dischargers known as IUs) are required to obtain permits or other control mechanisms to discharge wastewater to the POTW under the National Pretreatment Program. EPA promulgated the General Pretreatment Regulations (Title 40 Code of Federal Regulations [CFR] Section 403 [40 CFR 403]), which defines the National Pretreatment Program. The Arizona Administrative Code (AAC) R18-9-A905(A)(8)(b) incorporates the General Pretreatment Regulations.

Liberty Utilities (Black Mountain Sewer) Corp. ("Liberty Black Mountain") operates a wastewater collection and conveyance system and discharges collected wastewater to the City of Scottsdale's wastewater treatment plant. Liberty Black Mountain can regulate discharges from IUs for potential contaminants of concern to minimize impact on the City of Scottsdale POTW under the Liberty Black Mountain's CODE OF PRACTICE (Liberty Black Mountain-CP).

The discharge of toxic and other harmful pollutants from IUs can be effectively controlled through a local pretreatment program that is based on these regulations, structured to address specific local concerns, and enforced through the Liberty Black Mountain Code Liberty Black Mountain-CP.

The objectives of the pretreatment SOP are:

- To prevent the introduction of pollutants into the POTWs that will interfere with its operation;
- To prevent the introduction of pollutants into the POTWs that will pass through the POTWs, inadequately treated, into receiving waters, or otherwise be incompatible with the POTWs;
- To protect both POTWs personnel who may be affected by wastewater and sludge in the course of their employment and the general public;
- To promote reuse and recycling of industrial wastewater and sludge from the POTWs;
- To provide for fees for the equitable distribution of the cost of operation, maintenance, and improvement of the POTWs; and
- To enable Liberty Black Mountain to comply with its Arizona Pollutant Discharge Elimination System permit conditions, sludge use and disposal requirements, and any other Federal or State laws to which the POTWs is subject.

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These Standard Operating Procedures (SOPs) shall apply to all IUs of the Liberty Black Mountain wastewater collection and conveyance system. The SOPs include the issuance of individual wastewater discharge permits; provides for monitoring, compliance, and enforcement activities; establishes administrative review procedures; requires IUs reporting; and provides for the setting of fees for the equitable distribution of costs resulting from the program established herein.

1.1 ADMINISTRATION

Except as otherwise provided herein, the Liberty Black Mountain Operations Manager shall administer, implement, and enforce the provisions of these SOPs. Any powers granted to or duties imposed upon the Liberty Black Mountain Operations Manager may be delegated by the Liberty Black Mountain Operations Manager to a duly authorized Liberty Black Mountain employee.

1.2 ABBREVIATIONS

The following abbreviations, when used in this SOP, shall have the designated meanings:

AZPDES - Arizona Pollutant Discharge Elimination System
 BOD - Biochemical Oxygen Demand
 BMP - Best Management Practice
 BMR - Baseline Monitoring Report
 CFR - Code of Federal Regulations
 CIU - Categorical Industrial User
 COD - Chemical Oxygen Demand
 EPA - U.S. Environmental Protection Agency
 GPD - gallons per day
 IU - Industrial User
 MG/l - milligrams per liter
 NPDES - National Pollutant Discharge Elimination System
 NSCIU - Non-Significant Categorical Industrial User
 POTW - Publicly Owned Treatment Works
 RCRA - Resource Conservation and Recovery Act
 SIU - Significant Industrial User
 SNC - Significant Noncompliance
 TSS - Total Suspended Solids
 U.S.C. - United States Code

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1.3 DEFINITIONS

- A. Act or "the Act." The Federal Water Pollution Control Act, also known as the Clean Water Act, as amended, 33 U.S.C. section 1251 et seq.
- B. Approval Authority. Arizona Department of Environmental Quality, the Arizona Administrative Code (AAC) R18-9-A905(A)(8)(b)
- C. Authorized or Duly Authorized Representative of the IU
- a. If the IU is a corporation:
 - i. The president, secretary, treasurer, or a vice president of the corporation in charge of a principal business function, or any other person who performs similar policy or decision making functions for the corporation; or
 - ii. The manager of one or more manufacturing, production, or operating facilities, provided the manager is authorized to make management decisions that govern the operation of the regulated facility including having the explicit or implicit duty of making major capital investment recommendations, and initiate and direct other comprehensive measures to assure long term environmental compliance with environmental laws and regulations; can ensure that the necessary systems are established or actions taken to gather complete and accurate information for individual wastewater discharge permit requirements; and where authority to sign documents has been assigned or delegated to the manager in accordance with corporate procedures.
 - b. If the IU is a partnership or sole proprietorship: a general partner or proprietor, respectively.
 - c. If the IU is a Federal, State, or local governmental facility: a director or highest official appointed or designated to oversee the operation and performance of the activities of the government facility, or their designee.
 - d. The individuals described in paragraphs 1 through 3, above, may designate a Duly Authorized Representative if the authorization is in writing, the authorization specifies the individual or position responsible for the overall operation of the facility from which the discharge originates or having overall responsibility for environmental matters for the company, and the written authorization is submitted to Liberty Black Mountain
- D. Biochemical Oxygen Demand or BOD. The quantity of oxygen utilized in the biochemical oxidation of organic matter under standard laboratory procedures for five (5) days at 20

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- degrees centigrade, usually expressed as a concentration (e.g., mg/l).
- E. Best Management Practices or BMPs means schedules of activities, prohibitions of practices, maintenance procedures, and other management practices to implement the prohibitions listed in Section 2.1 A and B [40 CFR 403.5(a)(1) and (b)] and/or the Arizona Administrative Code (AAC) R18-9-A905(A)(8)(b). BMPs include treatment requirements, operating procedures, and practices to control plant site runoff, spillage or leaks, sludge or waste disposal, or drainage from raw materials storage.
- F. Brewery Discharge. A brewery discharge qualifies as a non-categorical IU and requires a permit for compliance.
- G. Categorical Pretreatment Standard or Categorical Standard. Any regulation containing pollutant discharge limits promulgated by EPA in accordance with sections 307(b) and (c) of the Act (33 U.S.C. section 1317) that apply to a specific category of IUs and that appear in 40 CFR Chapter I, Subchapter N, Parts 405 471.
- H. Categorical Industrial User. An IU subject to a categorical Pretreatment Standard or categorical Standard.
- I. Liberty Black Mountain Organizational Structure. The Liberty Black Mountain Operations Manager or their designee shall be responsible official who will administer this pretreatment program and the permitting process.
- J. Chemical Oxygen Demand or COD. A measure of the oxygen required to oxidize all compounds, both organic and inorganic, in water.
- K. Control Authority. Liberty Black Mountain
- L. Daily Maximum. The arithmetic average of all effluent samples for a pollutant collected during a calendar day.
- M. Daily Maximum Limit. The maximum allowable discharge limit of a pollutant during a calendar day. Where Daily Maximum Limits are expressed in units of mass, the daily discharge is the total mass discharged over the course of the day. Where Daily Maximum Limits are expressed in terms of a concentration, the daily discharge is the arithmetic average measurement of the pollutant concentration derived from all measurements taken that day.
- N. Environmental Protection Agency or EPA. The U.S. Environmental Protection Agency or, where appropriate, the Regional Water Management Division Director, the Regional Administrator, or other duly authorized official of said agency.
- O. Existing Source. Any source of discharge that is not a "New Source."
- P. Grab Sample. A sample that is taken from a waste stream without regard to the flow in the waste stream and over a period of time not to exceed fifteen (15) minutes.

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- Q. Indirect Discharge or Discharge. The introduction of pollutants into the POTW from any nondomestic source.
- R. Instantaneous Limit. The maximum concentration of a pollutant allowed to be discharged at any time, determined from the analysis of any discrete or composited sample collected independent of the industrial flow rate and the duration of the sampling event.
- S. Interference. A discharge that, alone or in conjunction with a discharge or discharges from other sources, inhibits or disrupts the POTW, its treatment processes or operations or its sludge processes, use or disposal; and therefore, is a cause of a violation of Liberty Black Mountain's or the City of Scottsdale's AZPDES permit or of the prevention of sewage sludge use or disposal in compliance with any of the following statutory/regulatory provisions or permits issued there under, or any more stringent State or local regulations: section 405 of the Act; the Solid Waste Disposal Act, including Title II commonly referred to as the Resource Conservation and Recovery Act (RCRA); any State regulations contained in any State sludge management plan prepared pursuant to Subtitle D of the Solid Waste Disposal Act; the Clean Air Act; the Toxic Substances Control Act; and the Marine Protection, Research, and Sanctuaries Act.
- T. Local Limit. Specific discharge limits developed and enforced by the Liberty Black Mountain upon industrial or commercial facilities to implement the general and specific discharge prohibitions listed in 40 CFR 403.5(a)(1) and (b).
- U. Medical Waste. Isolation wastes, infectious agents, human blood and blood products, pathological wastes, sharps, body parts, contaminated bedding, surgical wastes, potentially contaminated laboratory wastes, and dialysis wastes.
- V. Monthly Average. The sum of all "daily discharges" measured during a calendar month divided by the number of "daily discharges" measured during that month.
- W. Monthly Average Limit. The highest allowable of "daily maximum discharges" over a calendar month, calculated as the sum of all "daily discharges" measured during a calendar month divided by the number of "daily discharges" measured during that month.
- X. New Source.
- a. Any building, structure, facility, or installation from which there is (or may be) a discharge of pollutants, the construction of which commenced after the publication of proposed Pretreatment Standards under section 307(c) of the Act that will be applicable to such source if such Standards are thereafter promulgated in accordance with that section, provided that:
 - i. The building, structure, facility, or installation is constructed at a site at which no other source is located; or

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- ii. The building, structure, facility, or installation totally replaces the process or production equipment that causes the discharge of pollutants at an Existing Source; or
 - iii. The production or wastewater generating processes of the building, structure, facility, or installation are substantially independent of an Existing Source at the same site. In determining whether these are substantially independent, factors such as the extent to which the new facility is integrated with the existing plant, and the extent to which the new facility is engaged in the same general type of activity as the Existing Source, should be considered.
- b. Construction on a site at which an Existing Source is located results in a modification rather than a New Source if the construction does not create a new building, structure, facility, or installation meeting the criteria of Section (1)(b) or (c) above but otherwise alters, replaces, or adds to existing process or production equipment.
- c. Construction of a New Source as defined under this paragraph has commenced if the owner or operator has:
- i. Begun, or caused to begin, as part of a continuous onsite construction program
 - 1. any placement, assembly, or installation of facilities or equipment; or
 - 2. significant site preparation work including clearing, excavation, or removal of existing buildings, structures, or facilities which is necessary for the placement, assembly, or installation of new source facilities or equipment; or
 - ii. Entered into a binding contractual obligation for the purchase of facilities or equipment which are intended to be used in its operation within a reasonable time. Options to purchase or contracts which can be terminated or modified without substantial loss, and contracts for feasibility, engineering, and design studies do not constitute a contractual obligation under this paragraph.
- Y. Noncontact Cooling Water. Water used for cooling that does not come into direct contact with any raw material, intermediate product, waste product, or finished product.
- Z. Pass Through. A discharge which exits the POTW into waters of the United States in quantities or concentrations which, alone or in conjunction with a discharge or discharges from other sources, is a cause of a violation of any requirement of the Liberty Black Mountain's or City of Scottsdale's AZPDES permit, including an increase in the magnitude or duration of a violation.
- AA. Person. Any individual, partnership, co-partnership, firm, company, corporation, association,

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joint stock company, trust, estate, governmental entity, or any other legal entity; or their legal representatives, agents, or assigns. This definition includes all Federal, State, and local governmental entities.

- BB. pH. A measure of the acidity or alkalinity of a solution, expressed in standard units.
- CC. Pollutant. Dredged spoil, solid waste, incinerator residue, filter backwash, sewage, garbage, sewage sludge, munitions, Medical Wastes, chemical wastes, biological materials, radioactive materials, heat, wrecked or discarded equipment, rock, sand, cellar dirt, municipal, agricultural and industrial wastes, and certain characteristics of wastewater (e.g., pH, temperature, TSS, turbidity, color, BOD, COD, toxicity, or odor).
- DD. Pretreatment. The reduction of the amount of pollutants, the elimination of pollutants, or the alteration of the nature of pollutant properties in wastewater prior to, or in lieu of, introducing such pollutants into the POTW. This reduction or alteration can be obtained by physical, chemical, or biological processes; by process changes; or by other means, except by diluting the concentration of the pollutants unless allowed by an applicable Pretreatment Standard.
- EE. Pretreatment Requirements. Any substantive or procedural requirement related to pretreatment imposed on a IU, other than a Pretreatment Standard.
- FF. Pretreatment Standards or Standards. Pretreatment Standards shall mean prohibited discharge standards, categorical Pretreatment Standards, and Local Limits.
- GG. Prohibited Discharge Standards or Prohibited Discharges. Absolute prohibitions against the discharge of certain substances; these prohibitions appear in Section 2.1 of this SOPs.
- HH. Publicly Owned Treatment Works or POTW. A treatment works, as defined by section 212 of the Act (33 U.S.C. section 1292), which is owned by Liberty Black Mountain or the City of Scottsdale POTWs to which Liberty Black Mountain's conveyance system discharges. This definition includes any devices or systems used in the collection, storage, treatment, recycling, and reclamation of sewage or industrial wastes of a liquid nature and any conveyances, which convey wastewater to a treatment plant.
- II. Septic Tank Waste. Any sewage from holding tanks such as vessels, chemical toilets, campers, trailers, and septic tanks.
- JJ. Sewage. Human excrement and gray water (household showers, dishwashing operations, etc.).
- KK. Significant Industrial User (SIU). Except as provided in paragraphs (3) and (4) of this Section, a Significant Industrial User is:

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- a. An IU subject to categorical Pretreatment Standards; or
 - b. An IU that:
 - i. Discharges an average of twenty five thousand (25,000) gpd or more of process wastewater to the POTW (excluding sanitary, noncontact cooling and boiler blow down wastewater);
 - ii. Contributes a process waste stream which makes up five (5) percent or more of the average dry weather hydraulic or organic (BOD, ammonia, and/or total nitrogen) capacity of the POTW treatment plant; or
 - iii. Is designated as such by Liberty Black Mountain on the basis that it has a reasonable potential for adversely affecting the POTW's operation or for violating any Pretreatment Standard or Requirement.
 - c. Liberty Black Mountain may determine that an IU subject to categorical Pretreatment Standards is a Non-Significant Categorical IU rather than a Significant IU on a finding that the IU never discharges more than 100 gallons per day (gpd) of total categorical wastewater (excluding sanitary, non-contact cooling and boiler blowdown wastewater, unless specifically included in the Pretreatment Standard) and the following conditions are met:
 - i. The IU, prior to Liberty Black Mountain's finding, has consistently complied with all applicable categorical Pretreatment Standards and Requirements;
 - ii. The IU annually submits the certification statement required in Section 6.14 B [see 40 CFR 403.12(q)], together with any additional information necessary to support the certification statement; and
 - iii. The IU never discharges any untreated concentrated wastewater.
 - d. Upon a finding that a IU meeting the criteria in Subsection (2) of this part has no reasonable potential for adversely affecting the POTW's operation or for violating any Pretreatment Standard or Requirement, Liberty Black Mountain may at any time, on its own initiative or in response to a petition received from an IU, and in accordance with procedures in 40 CFR 403.8(f)(6), determine that such IU should not be considered a Significant IU.
- LL. Slug Load or Slug Discharge. Any discharge at a flow rate or concentration, which could cause a violation of the prohibited discharge standards in Section 2.1 of this SOP. A Slug Discharge is any Discharge of a non-routine, episodic nature, including but not limited to an accidental spill or a non-customary batch Discharge, which has a reasonable potential to cause Interference or Pass Through, or in any other way violate the POTW's regulations, Local Limits or Permit conditions.

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- MM. Storm Water. Any flow occurring during or following any form of natural precipitation, and resulting from such precipitation, including snowmelt.
- NN. Liberty Black Mountain Operations Manager. The person designated by Liberty Black Mountain to supervise the operation of the POTW, and who is charged with certain duties and responsibilities by this SOP. The term also means a Duly Authorized Representative of the Liberty Black Mountain Operations Manager.
- OO. Total Suspended Solids or Suspended Solids. The total suspended matter that floats on the surface of, or is suspended in, water, wastewater, or other liquid, and that is removable by laboratory filtering.
- PP. User or Industrial User. A source of indirect discharge.
- QQ. Wastewater. Liquid and water-carried industrial wastes and sewage from residential dwellings, commercial buildings, industrial and manufacturing facilities, and institutions, whether treated or untreated, which are contributed to the POTW.
- RR. Wastewater Treatment Plant or Treatment Plant. That portion of the POTW which is designed to provide treatment of municipal sewage and industrial waste.

2. GENERAL SEWER USE REQUIREMENTS

2.1 Prohibited Discharge Standards

- A. General Prohibitions. No IU shall introduce or cause to be introduced into the POTW any pollutant or wastewater which causes Pass Through or Interference. These general prohibitions apply to all IUs of the POTW whether or not they are subject to categorical Pretreatment Standards or any other National, State, or local Pretreatment Standards or Requirement.
- B. Specific Prohibitions. No IU shall introduce or cause to be introduced into the POTW the following pollutants, substances, or wastewater:
- a. Pollutants which create a fire or explosive hazard in the POTW, including, but not limited to, waste streams with a closed cup flashpoint of less than 140 degrees F (60 degrees C) using the test methods specified in 40 CFR 261.21;
 - b. Wastewater having a pH less than 5.5 or more than 10.5, or otherwise causing corrosive structural damage to the POTW or equipment;
 - c. Solid or viscous pollutants, fats, oils, or grease in amounts or sizes which will cause obstruction of the flow in the wastewater collection system and/or POTW or result in interference or otherwise disrupt the operation of the POTW or any private sewer;
 - d. Pollutants, including oxygen demanding pollutants (BOD, etc.), released in a

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- discharge at a flow rate and/or pollutant concentration which, either singly or by interaction with other pollutants, will cause Interference with the POTW;
- e. Wastewater having a temperature greater than 104 degrees F (40 degrees C), or any wastewater at temperature greater than 150 degrees F (65 degrees C), or which will inhibit biological activity in the treatment plant resulting in Interference;
 - f. Petroleum oil, non-biodegradable cutting oil, or products of mineral oil origin, in amounts that will cause Interference or pass through;
 - g. Pollutants which result in the presence of toxic gases, vapors, or fumes within the POTW in a quantity that may cause acute worker health and safety problems;
 - h. Trucked or hauled pollutants, except at discharge points designated by Liberty Black Mountain Operations Manager in accordance with Section 3.4 of this SOP;
 - i. Hazardous waste that violates any local limit contained in this article;
 - j. Noxious or malodorous liquids, gases, solids, or other wastewater which either alone or by interaction with other wastes are sufficient to create a nuisance or a hazard to life, generate odor complaints, or to prevent entry into the sewers for maintenance or repair;
 - k. Wastewater containing any radioactive wastes or isotopes except in compliance with applicable state or federal regulations;
 - l. Hazardous waste that violates any local limit contained in this article;
 - m. Storm water, surface water, ground water, artesian well water, roof runoff, subsurface drainage, condensate, noncontact cooling water and unpolluted wastewater unless specifically authorized by the Liberty Black Mountain
 - n. Sludges, screenings, and other residues from the pretreatment of industrial wastes or from the cleaning of interceptors or sewer collection systems;
 - o. Medical wastes except as specifically authorized by the division in a wastewater discharge permit;
 - p. Wastewater causing, alone or in conjunction with other sources, the POTW's effluent to fail a toxicity test;
 - q. Detergents, surface active agents, or other substances which might cause excessive foaming in the POTW;
 - r. Wastewater causing a reading on an explosion hazard meter at the point of discharge into the POTW, or at any point in the POTW, of more than ten percent.

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Pollutants, substances, or wastewater prohibited by this Section shall not be processed or stored in such a manner that they could be discharged to the POTW.

2.2 National Categorical Pretreatment Standards

IUs must comply with the categorical Pretreatment Standards found at 40 CFR Chapter I, Subchapter N, Parts 405-471.

- A. Where a categorical Pretreatment Standard is expressed only in terms of either the mass or the concentration of a pollutant in wastewater, Liberty Black Mountain Operations Manager may impose equivalent concentration or mass limits in accordance with Section 2.2E & 2.2F.
- B. When the limits in a categorical Pretreatment Standard are expressed only in terms of mass of pollutant per unit of production, the Liberty Black Mountain Operations Manager may convert the limits to equivalent limitations expressed either as mass of pollutant discharged per day or effluent concentration for purposes of calculating effluent limitations applicable to individual IUs.
- C. When wastewater subject to a categorical Pretreatment Standard is mixed with wastewater not regulated by the same Standard, Liberty Black Mountain Operations Manager shall impose an alternate limit in accordance with 40 CFR 403.6(e).
- D. A user may obtain a net/gross adjustment to a categorical pretreatment standard in accordance with 40 CFR §403.15.

2.3 State Pretreatment Standards

IUs must comply with The Arizona Administrative Code (AAC) R18-9-A905(A)(8)(b) incorporates the General Pretreatment Regulations.

2.4 Local Limits

- A. The Liberty Black Mountain Operations Manager is authorized to establish Local Limits pursuant to 40CFR 403.5(c).
- B. The following pollutant limits are established to protect against Pass Through and Interference. No person shall discharge wastewater containing in excess of the Daily Maximum Limits shown on the table atop the following page.

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ORGANIC CONTAMINANTS ($\mu\text{g/L}$)	
PARAMETER	Daily Average Effluent Limitation (mg/L)
Benzene	35
Chloroform	2.000
4,4' - DOE	Not allowed
4,4' - DDT	Not allowed
Aldrin	Not allowed
BHC-Alpha	Not allowed
BHC-Gamma (Lindane)	Not allowed
Heptachlor	Not allowed
Heptachlor Epoxide	Not allowed
Polychlorinated byphenyl compounds	Not allowed
Arsenic (As)	0.13
Cadmium (Cd)	0.047
Copper (Cu)	1.5
Cyanide (CN)	2.0
Lead (Pb)	0.41
Mercury (Hg)	0.0023
Selenium (Se)	0.10
Silver (Ag)	1.2
Zinc	3.5

The above limits apply at the point where the wastewater is discharged to the POTW. All concentrations for metallic substances are for total metal unless indicated otherwise. Liberty Black Mountain Operations Manager may impose mass limitations in addition to the concentration based limitations above.

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- C. The division may develop Best Management Practices (BMPs) for any significant industrial user or other user, as needed, to implement this article. BMPs may be implemented through a permit, order, or regulation. For purposes of this article, BMPs are pretreatment requirements.
- D. All users subject to a categorical pretreatment standard shall comply with all requirements of such standard, and shall also comply with any limitations and prohibitions contained in this article. Where the same pollutant is limited by more than one pretreatment standard, the limitations which are more stringent shall prevail. Compliance with categorical pretreatment standards for existing sources shall be within the timeframe specified in the applicable categorical pretreatment standard. Compliance with categorical pretreatment standards for new sources shall be upon commencement of discharge.
- E. Liberty Black Mountain may establish more stringent pretreatment standards or additional site specific effluent limits, when, in the judgment of the division, such limitations are necessary to implement the objectives of this article.

2.5 Liberty Black Mountain Right of Revision

Liberty Black Mountain reserves the right to establish, by SOP or in individual wastewater discharge permits, more stringent Standards or Requirements on discharges to the POTW consistent with the purpose of this SOP.

2.6 Dilution

No IU shall ever increase the use of process water, or in any way attempt to dilute a discharge, as a partial or complete substitute for adequate treatment to achieve compliance with a discharge limitation unless expressly authorized by an applicable Pretreatment Standard or Requirement. Liberty Black Mountain Operations Manager may impose mass limitations on IU who are using dilution to meet applicable Pretreatment Standards or Requirements or in other cases when the imposition of mass limitations is appropriate.

3. PRETREATMENT OF WASTEWATER

3.1 Pretreatment Facilities

IUs shall provide wastewater treatment as necessary to comply with this SOPs and shall achieve compliance with all categorical Pretreatment Standards, Local Limits, and the prohibitions set out in Section 2.1 of this SOPs within the time limitations specified by EPA, the State, or Liberty Black Mountain Operations Manager, whichever is more stringent. Any facilities necessary for compliance shall be provided, operated, and maintained at the IU's expense. Detailed plans describing such facilities and operating procedures shall be submitted to Liberty Black Mountain Operations Manager for review, and shall be acceptable to Liberty Black Mountain Operations Manager before such facilities are constructed. The review of such plans and operating procedures shall in no way

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relieve the IU from the responsibility of modifying such facilities as necessary to produce a discharge acceptable to Liberty Black Mountain under the provisions of this SOP.

3.2 Additional Pretreatment Measures

- A. Whenever deemed necessary, Liberty Black Mountain Operations Manager may require IUs to restrict their discharge during peak flow periods, designate that certain wastewater be discharged only into specific sewers, relocate and/or consolidate points of discharge, separate sewage waste streams from industrial waste streams, and such other conditions as may be necessary to protect the POTW and determine the IU's compliance with the requirements of this SOP.
- B. Liberty Black Mountain Operations Manager may require any person discharging into the POTW to install and maintain, on their property and at their expense, a suitable storage and flow control facility to ensure equalization of flow. An individual wastewater discharge permit may be issued solely for flow equalization.
- C. Grease, oil, and sand interceptors shall be provided when, in the opinion of Liberty Black Mountain Operations Manager, they are necessary for the proper handling of wastewater containing excessive amounts of grease and oil, or sand; except that such interceptors shall not be required for residential users. All interception units shall be of a type and capacity approved by Liberty Black Mountain Operations Manager, shall be so located to be easily accessible for cleaning and inspection. Such interceptors shall be inspected, cleaned, and repaired by the IU at their expense.
- D. IUs with the potential to discharge flammable substances may be required to install and maintain an approved combustible gas detection meter.

3.3 Accidental Discharge/Slug Discharge Control Plans

Liberty Black Mountain Operations Manager shall evaluate whether each SIU needs an accidental discharge/slug discharge control plan or other action to control Slug Discharges. Liberty Black Mountain Operations Manager may require any IU to develop, submit for approval, and implement such a plan or take such other action that may be necessary to control Slug Discharges. Alternatively, Liberty Black Mountain Operations Manager may develop such a plan for any IU. An accidental discharge/slug discharge control plan shall address, at a minimum, the following:

- A. Description of discharge practices, including non routine batch discharge;
- B. Description of stored chemicals;
- C. Procedures for immediately notifying Liberty Black Mountain Operations Manager of any accidental or Slug Discharge, as required by Section 6.6 of this SOP; and
- D. Procedures to prevent adverse impact from any accidental or Slug Discharge. Such

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procedures include, but are not limited to, inspection and maintenance of storage areas, handling and transfer of materials, loading and unloading operations, control of plant site runoff, worker training, building of containment structures or equipment, measures for containing toxic organic pollutants, including solvents, and/or measures and equipment for emergency response.

3.4 Hauled Wastewater

- A. Septic tank waste may be introduced into the POTW only at locations designated by Liberty Black Mountain Operations Manager, and at such times as are established by Liberty Black Mountain Operations Manager. Such waste shall not violate Section 2 of this SOP or any other requirements established by Liberty Black Mountain. Liberty Black Mountain Operations Manager may require septic tank waste haulers to obtain individual wastewater discharge permits.
- B. Liberty Black Mountain Operations Manager may require haulers of industrial waste to obtain individual wastewater discharge permits. Liberty Black Mountain Operations Manager may require generators of hauled industrial waste to obtain individual wastewater discharge permits. Liberty Black Mountain Operations Manager also may prohibit the disposal of hauled industrial waste. The discharge of hauled industrial waste is subject to all other requirements of this SOP.
- C. Industrial waste haulers may discharge loads only at locations designated by Liberty Black Mountain Operations Manager. No load may be discharged without prior consent of Liberty Black Mountain Operations Manager. Liberty Black Mountain Operations Manager may collect samples of each hauled load to ensure compliance with applicable Standards. Liberty Black Mountain Operations Manager may require the industrial waste hauler to provide a waste analysis of any load prior to discharge.
- D. Industrial waste haulers must provide a waste tracking form for every load. This form shall include, at a minimum, the name and address of the industrial waste hauler, permit number, truck identification, names and addresses of sources of waste, and volume and characteristics of waste. The form shall identify the type of industry, known or suspected waste constituents, and whether any wastes are RCRA hazardous wastes.

3.5 Brewery Waste

- A. A brewery discharge qualifies as a non-categorical IU, and therefore, requires a permit for compliance. Assuming that there are no toxics in the brewery discharge, IU should comply with the Liberty Utilities BMSC Pretreatment Program Local Limits.

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4. INDIVIDUAL WASTEWATER DISCHARGE PERMITS

4.1 Wastewater Analysis

When requested by Liberty Black Mountain Operations Manager, an IU must submit information on the nature and characteristics of its wastewater within 30 days of the request. Liberty Black Mountain Operations Manager is authorized to prepare a form for this purpose and may periodically require IUs to update this information.

4.2 Individual Wastewater Discharge Permit Requirement

- A. No Significant IU shall discharge wastewater into the POTW without first obtaining an individual wastewater discharge permit from Liberty Black Mountain Operations Manager, except that a Significant IU that has filed a timely application pursuant to Section 4.3 of this SOP may continue to discharge for the time period specified therein.
- B. Liberty Black Mountain Operations Manager may require other IUs to obtain individual wastewater discharge permits as necessary to carry out the purposes of this SO.
- C. Any violation of the terms and conditions of an individual wastewater discharge permit shall be deemed a violation of this SOP and subjects the wastewater discharge permittee to the sanctions set out in Sections 10 through 12 of this SOP. Obtaining an individual wastewater discharge permit does not relieve a permittee of its obligation to comply with all Federal and State Pretreatment Standards or Requirements or with any other requirements of Federal, State, and local law.

4.3 Individual Wastewater Discharge Permitting: Existing Connections

Any IU required to obtain an individual wastewater discharge permit who was discharging wastewater into the POTW prior to the effective date of this SOP and who wishes to continue such discharges in the future, shall, within 90 days after said date, apply to Liberty Black Mountain Operations Manager for an individual wastewater discharge permit in accordance with Section 4.5 of this SOP, and shall not cause or allow discharges to the POTW to continue after 30 days of the effective date of this SOP except in accordance with an individual wastewater discharge permit issued by Liberty Black Mountain Operations Manager.

4.4 Individual Wastewater Discharge Permitting: New Connections

Any IU required to obtain an individual wastewater discharge permit who proposes to begin or recommence discharging into the POTW must obtain such permit prior to the beginning or recommencing of such discharge. An application for this individual wastewater discharge permit, in accordance with Section 4.5 of this SOP, must be filed at least 90 days prior to the date upon which any discharge will begin or recommence.

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4.5 Individual Wastewater Discharge Permit Application Contents

- A. All IUs required to obtain an individual wastewater discharge permit must submit a permit application. Liberty Black Mountain Operations Manager may require IUs to submit all or some of the following information as part of a permit application:
- a. Identifying Information
 - i. The name and address of the facility, including the name of the operator and owner.
 - ii. Contact information, description of activities, facilities, and plant production processes on the premises;
 - b. Environmental Permits. A list of any environmental control permits held by or for the facility.
 - c. Description of Operations
 - i. A brief description of the nature, average rate of production (including each product produced by type, amount, processes, and rate of production), and standard industrial classifications of the operation(s) carried out by such IU. This description should include a schematic process diagram, which indicates points of discharge to the POTW from the regulated processes.
 - ii. Types of wastes generated, and a list of all raw materials and chemicals used or stored at the facility which are, or could accidentally or intentionally be, discharged to the POTW;
 - iii. Number and type of employees, hours of operation, and proposed or actual hours of operation;
 - iv. Type and amount of raw materials processed (average and maximum per day);
 - v. Site plans, floor plans, mechanical and plumbing plans, and details to show all sewers, floor drains, and appurtenances by size, location, and elevation, and all points of discharge;
 - d. Time and duration of discharges;
 - e. The location for monitoring all wastes covered by the permit;
 - f. Flow Measurement. Information showing the measured average daily and maximum daily flow, in gallons per day, to the POTW from regulated process streams and other streams, as necessary, to allow use of the combined waste stream formula set out in Section 2.2C (40 CFR 403.6(e)).
 - g. Measurement of Pollutants.

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- i. The categorical Pretreatment Standards applicable to each regulated process and any new categorically regulated processes for Existing Sources.
 - ii. The results of sampling and analysis identifying the nature and concentration, and/or mass, where required by the Standard or by Liberty Black Mountain Operations Manager, of regulated pollutants in the discharge from each regulated process.
 - iii. Instantaneous, Daily Maximum, and long-term average concentrations, or mass, where required, shall be reported.
 - iv. The sample shall be representative of daily operations and shall be analyzed in accordance with procedures set out in Section 6.10 of this SOP. Where the Standard requires compliance with a BMP or pollution prevention alternative, the IU shall submit documentation as required by the Liberty Black Mountain Operations Manager or the applicable Standards to determine compliance with the Standard.
 - v. Sampling must be performed in accordance with procedures set out in Section 6.11 of this SOP.
- h. Any other information as may be deemed necessary by Liberty Black Mountain Operations Manager to evaluate the permit application.
- B. Incomplete or inaccurate applications will not be processed and will be returned to the IU for revision.

4.6 Application Signatories and Certification

- A. All wastewater discharge permit applications, IU reports and certification statements must be signed by an Authorized Representative of the IU and contain the certification statement in Section 6.14 A. [see Section 1.4 C for definition].
- B. If the designation of an Authorized Representative is no longer accurate because a different individual or position has responsibility for the overall operation of the facility or overall responsibility for environmental matters for the company, a new written authorization satisfying the requirements of this Section must be submitted to Liberty Black Mountain Operations Manager prior to or together with any reports to be signed by an Authorized Representative.

4.7 Individual Wastewater Discharge Permit Decisions

Liberty Black Mountain Operations Manager will evaluate the data furnished by the IU and may require additional information. Within 30 days of receipt of a complete permit application, Liberty Black Mountain Operations Manager will determine whether to issue an individual wastewater discharge permit. Liberty Black Mountain Operations Manager may deny any application for an individual wastewater discharge permit.

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5. INDIVIDUAL WASTEWATER DISCHARGE PERMIT ISSUANCE

5.1 Individual Wastewater Discharge Permit Duration

An individual wastewater discharge permit shall be issued for a specified time period, not to exceed five (5) years from the effective date of the permit. An individual wastewater discharge permit may be issued for a period less than five (5) years, at the discretion of Liberty Black Mountain Operations Manager. Each individual wastewater discharge permit will indicate a specific date upon which it will expire.

5.2 Individual Wastewater Discharge Permit Contents

An individual wastewater discharge permit shall include such conditions as are deemed reasonably necessary by Liberty Black Mountain Operations Manager to prevent Pass Through or Interference, protect the quality of the water body receiving the treatment plant's effluent, protect worker health and safety, facilitate sludge management and disposal, and protect against damage to the POTW.

- A. Individual wastewater discharge permits must contain:
- a. A statement that indicates the wastewater discharge permit issuance date, expiration date and effective date;
 - b. A statement that the wastewater discharge permit is nontransferable without prior notification to Liberty Black Mountain in accordance with Section 5.5 of these SOPs, and provisions for furnishing the new owner or operator with a copy of the existing wastewater discharge permit;
 - c. Effluent limits, including Best Management Practices, based on applicable Pretreatment Standards;
 - d. Selfmonitoring, sampling, reporting, notification, and record-keeping requirements. These requirements shall include an identification of pollutants (or best management practice) to be monitored, sampling location, sampling frequency, and sample type based on Federal, State, and local law.
 - e. A statement of applicable civil and criminal penalties for violation of Pretreatment Standards and Requirements, and any applicable compliance schedule. Such schedule may not extend the time for compliance beyond that required by applicable Federal, State, or local law.
 - f. Requirements to control Slug Discharge, if determined by the Liberty Black Mountain Operations Manager to be necessary.
- B. Individual wastewater discharge permits may contain, but need not be limited to, the following conditions:

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- a. Limits on the average and/or maximum rate of discharge, time of discharge, and/or requirements for flow regulation and equalization;
- b. Requirements for the installation of pretreatment technology, pollution control, or construction of appropriate containment devices, designed to reduce, eliminate, or prevent the introduction of pollutants into the treatment works;
- c. Requirements for the development and implementation of spill control plans or other special conditions including management practices necessary to adequately prevent accidental, unanticipated, or non routine discharges;
- d. Development and implementation of waste minimization plans to reduce the amount of pollutants discharged to the POTW;
- e. The unit charge or schedule of IU charges and fees for the management of the wastewater discharged to the POTW;
- f. Requirements for installation and maintenance of inspection and sampling facilities and equipment, including flow measurement devices;
- g. A statement that compliance with the individual wastewater discharge permit does not relieve the permittee of responsibility for compliance with all applicable Federal and State Pretreatment Standards, including those which become effective during the term of the individual wastewater discharge permit; and
- h. Other conditions as deemed appropriate by Liberty Black Mountain Operations Manager to ensure compliance with this SOP, and State and Federal laws, rules, and regulations.

5.3 Permit Modification

- A. Liberty Black Mountain Operations Manager may modify an individual wastewater discharge permit for good cause, including, but not limited to, the following reasons:
 - a. To incorporate any new or revised Federal, State, or local Pretreatment Standards or Requirements;
 - b. To address significant alterations or additions to the IU's operation, processes, or wastewater volume or character since the time of the individual wastewater discharge permit issuance;
 - c. A change in the POTW that requires either a temporary or permanent reduction or

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- elimination of the authorized discharge;
- d. Information indicating that the permitted discharge poses a threat to Liberty Black Mountain POTW, Liberty Black Mountain personnel, or the receiving waters;
 - e. Violation of any terms or conditions of the individual wastewater discharge permit;
 - f. Misrepresentations or failure to fully disclose all relevant facts in the wastewater discharge permit application or in any required reporting;
 - g. Revision of or a grant of variance from categorical Pretreatment Standards pursuant to 40 CFR 403.13;
 - h. To correct typographical or other errors in the individual wastewater discharge permit; or
 - i. To reflect a transfer of the facility ownership or operation to a new owner or operator where requested in accordance with Section 5.5.

5.4 Individual Wastewater Discharge Permit Transfer

Individual wastewater discharge permits may be transferred to a new owner or operator only if the permittee gives at least 60 days advance notice to Liberty Black Mountain Operations Manager and Liberty Black Mountain Operations Manager approves the individual wastewater discharge permit transfer. The notice to Liberty Black Mountain Operations Manager must include a written certification by the new owner or operator which:

- A. States that the new owner and/or operator has no immediate intent to change the facility's operations and processes;
- B. Identifies the specific date on which the transfer is to occur; and
- C. Acknowledges full responsibility for complying with the existing individual wastewater discharge permit.

Failure to provide advance notice of a transfer renders the individual wastewater discharge permit void as of the date of facility transfer.

5.5 Individual Wastewater Discharge Permit Revocation

Liberty Black Mountain Operations Manager may revoke an individual wastewater discharge permit for good cause, including, but not limited to, the following reasons:

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- A. Failure to notify Liberty Black Mountain Operations Manager of significant changes to the wastewater prior to the changed discharge;
- B. Failure to provide prior notification to Liberty Black Mountain Operations Manager of changed conditions pursuant to Section 6.5 of this SOP;
- C. Misrepresentation or failure to fully disclose all relevant facts in the wastewater discharge permit application;
- D. Falsifying self monitoring reports and certification statements;
- E. Tampering with monitoring equipment;
- F. Refusing to allow Liberty Black Mountain Operations Manager timely access to the facility premises and records;
- G. Failure to meet effluent limitations;
- H. Failure to pay fines;
- I. Failure to pay sewer charges;
- J. Failure to meet compliance schedules;
- K. Failure to complete a wastewater survey or the wastewater discharge permit application;
- L. Failure to provide advance notice of the transfer of business ownership of a permitted facility;
or
- M. Violation of any Pretreatment Standard or Requirement, or any terms of the wastewater discharge permit or this SOP.

Individual wastewater discharge permits shall be voidable upon cessation of operations or transfer of business ownership. All individual wastewater discharge permits issued to a IU are void upon the issuance of a new individual wastewater discharge permit to that IU.

5.6 Individual Wastewater Discharge Permit Reissuance

An IU with an expiring individual wastewater discharge permit shall apply for individual wastewater discharge permit reissuance by submitting a complete permit application, in accordance with Section 4.5 of this SOP, a minimum of 90 days prior to the expiration of the IU's existing individual wastewater discharge permit.

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6. REPORTING REQUIREMENTS

6.1 Baseline Monitoring Reports

- A. Within either one hundred eighty (180) days after the effective date of a categorical Pretreatment Standard, or the final administrative decision on a category determination under 40 CFR 403.6(a)(4), whichever is later, existing Categorical IUs currently discharging to or scheduled to discharge to the POTW shall submit to Liberty Black Mountain Operations Manager a report which contains the information listed in paragraph B, below. At least ninety (90) days prior to commencement of their discharge, New Sources, and sources that become Categorical IUs subsequent to the promulgation of an applicable categorical Standard, shall submit to Liberty Black Mountain Operations Manager a report which contains the information listed in paragraph B, below. A New Source shall report the method of pretreatment it intends to use to meet applicable categorical Standards. A New Source also shall give estimates of its anticipated flow and quantity of pollutants to be discharged.
- B. IUs described above shall submit the information set forth below.
- a. All information required in Section 4.5A (1) (a), Section 4.5A (2), Section 4.5A (3) (a), and Section 4.5A (6).
 - b. Measurement of pollutants.
 - i. The IU shall provide the information required in Section 4.5 A (7) (a) through (d)
 - ii. The IU shall take a minimum of one representative sample to compile that data necessary to comply with the requirements of this paragraph.
 - iii. Samples should be taken immediately downstream from pretreatment facilities if such exist or immediately downstream from the regulated process if no pretreatment exists. If other wastewaters are mixed with the regulated wastewater prior to pretreatment the IU should measure the flows and concentrations necessary to allow use of the combined waste stream formula in 40 CFR 403.6(e) to evaluate compliance with the Pretreatment Standards.
 - iv. Where an alternate concentration or mass limit has been calculated in accordance with 40 CFR 403.6(e) this adjusted limit along with supporting data shall be submitted to the Control Authority;
 - v. Sampling and analysis shall be performed in accordance with Section 6.10;
 - vi. The Liberty Black Mountain Operations Manager may allow the submission of a baseline report which utilizes only historical data so long as the data provides information sufficient to determine the need for industrial pretreatment measures;
 - vii. The baseline report shall indicate the time, date and place of sampling and methods of analysis, and shall certify that such sampling and analysis is representative of normal work cycles and expected pollutant Discharges to the POTW

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- c. Compliance Certification. A statement, reviewed by the IU's Authorized Representative as defined in Section 1.4 C and certified by a qualified professional, indicating whether Pretreatment Standards are being met on a consistent basis, and, if not, whether additional operation and maintenance (O&M) and/or additional pretreatment is required to meet the Pretreatment Standards and Requirements.
- d. Compliance Schedule. If additional pretreatment and/or O&M will be required to meet the Pretreatment Standards, the shortest schedule by which the IU will provide such additional pretreatment and/or O&M must be provided. The completion date in this schedule shall not be later than the compliance date established for the applicable Pretreatment Standard. A compliance schedule pursuant to this Section must meet the requirements set out in Section 6.2 of this SOP.
- e. Signature and Report Certification. All baseline monitoring reports must be certified in accordance with Section 6.14 A of this SOP and signed by an Authorized Representative as defined in Section 1.4C.

6.2 Compliance Schedule Progress Reports

The following conditions shall apply to the compliance schedule required by Section 6.1(B)(4) of this SOP:

- A. The schedule shall contain progress increments in the form of dates for the commencement and completion of major events leading to the construction and operation of additional pretreatment required for the IU to meet the applicable Pretreatment Standards (such events include, but are not limited to, hiring an engineer, completing preliminary and final plans, executing contracts for major components, commencing and completing construction, and beginning and conducting routine operation);
- B. No increment referred to above shall exceed nine (9) months;
- C. The IU shall submit a progress report to Liberty Black Mountain Operations Manager no later than fourteen (14) days following each date in the schedule and the final date of compliance including, as a minimum, whether or not it complied with the increment of progress, the reason for any delay, and, if appropriate, the steps being taken by the IU to return to the established schedule; and
- D. In no event shall more than nine (9) months elapse between such progress reports to Liberty Black Mountain Operations Manager.

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6.3 Reports on Compliance with Categorical Pretreatment Standard Deadline

Within ninety (90) days following the date for final compliance with applicable categorical Pretreatment Standards, or in the case of a New Source following commencement of the introduction of wastewater into the POTW, any IU subject to such Pretreatment Standards and Requirements shall submit to Liberty Black Mountain Operations Manager a report containing the information described in Section 4.5A(6) and (7) and 6.1(B)(2) of this SOP. For IUs subject to equivalent mass or concentration limits established in accordance with the procedures in Section 2.2, this report shall contain a reasonable measure of the IU's long term production rate. For all other IUs subject to categorical Pretreatment Standards expressed in terms of allowable pollutant discharge per unit of production (or other measure of operation), this report shall include the IU's actual production during the appropriate sampling period. All compliance reports must be signed and certified in accordance with Section 6.14 A of this SOP. All sampling will be done in conformance with Section 6.11.

6.4 Periodic Compliance Reports

- A. Except as specified in Section 6.4.C, all IUs must, at a frequency determined by Liberty Black Mountain Operations Manager submit no less than once per year (January 15) report indicating the nature, concentration of pollutants in the discharge which are limited by Pretreatment Standards and the measured or estimated average and maximum daily flows for the reporting period. In cases where the Pretreatment Standard requires compliance with a Best Management Practice (BMP) or pollution prevention alternative, the IU must submit documentation required by Liberty Black Mountain Operations Manager or the Pretreatment Standard necessary to determine the compliance status of the IU.
- B. The Liberty Black Mountain may authorize an IU subject to a categorical Pretreatment Standard to forego sampling of a pollutant regulated by a categorical Pretreatment Standard if the IU has demonstrated through sampling and other technical factors that the pollutant is neither present nor expected to be present in the Discharge, or is present only at background levels from intake water and without any increase in the pollutant due to activities of the IU. [see 40 CFR 403.12(e)(2)] This authorization is subject to the following conditions:
 - a. The waiver may be authorized where a pollutant is determined to be present solely due to sanitary wastewater discharged from the facility provided that the sanitary wastewater is not regulated by an applicable categorical Standard and otherwise includes no process wastewater.
 - b. The monitoring waiver is valid only for the duration of the effective period of the individual wastewater discharge permit, but in no case longer than 5 years. The IU must submit a new request for the waiver before the waiver can be granted for each subsequent individual wastewater discharge permit. See Section 4.5A(8).
 - c. In making a demonstration that a pollutant is not present, the IU must provide data from at least one sampling of the facility's process wastewater prior to any

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treatment present at the facility that is representative of all wastewater from all processes.

- d. The request for a monitoring waiver must be signed in accordance with Section 1.4C, and include the certification statement in 6.14 A (40 CFR 403.6(a)(2)(ii)).
 - e. Non-detectable sample results may be used only as a demonstration that a pollutant is not present if the EPA approved method from 40CFR Part 136 with the lowest minimum detection level for that pollutant was used in the analysis.
 - f. Any grant of the monitoring waiver by the Liberty Black Mountain Operations Manager must be included as a condition in the IU's permit. The reasons supporting the waiver and any information submitted by the IU in its request for the waiver must be maintained by the Liberty Black Mountain Operations Manager for 3 years after expiration of the waiver.
 - g. Upon approval of the monitoring waiver and revision of the IU's permit by the Liberty Black Mountain Operations Manager, the IU must certify on each report with the statement in Section 6.14 C below, that there has been no increase in the pollutant in its waste stream due to activities of the IU.
 - h. In the event that a waived pollutant is found to be present or is expected to be present because of changes that occur in the IU's operations, the IU must immediately: Comply with the monitoring requirements of Section 6.4 A, or other more frequent monitoring requirements imposed by the Liberty Black Mountain Operations Manager, and notify the Liberty Black Mountain Operations Manager.
 - i. This provision does not supersede certification processes and requirements established in categorical Pretreatment Standards, except as otherwise specified in the categorical Pretreatment Standard.
- C. Reduced reporting is not available to IUs that have in the last two (2) years been in Significant Noncompliance, as defined in Section 9 of this SOP. In addition, reduced reporting is not available to an IU with daily flow rates, production levels, or pollutant levels that vary so significantly that, in the opinion of the Liberty Black Mountain Operations Manager, decreasing the reporting requirement for this IU would result in data that are not representative of conditions occurring during the reporting period.
- D. All periodic compliance reports must be signed and certified in accordance with Section 6.14 A of this SOP.
- E. All wastewater samples must be representative of the IU's discharge. Wastewater monitoring and flow measurement facilities shall be properly operated, kept clean, and maintained in good working order at all times. The failure of an IU to keep its monitoring facility in good working order shall not be grounds for the IU to claim that sample results

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are unrepresentative of its discharge.

- F. If an IU subject to the reporting requirement in this section monitors any regulated pollutant at the appropriate sampling location more frequently than required by Liberty Black Mountain Operations Manager, using the procedures prescribed in Section 6.11 of this SOP, the results of this monitoring shall be included in the report. [Note: See 40CFR 403.12(g)(6)].

6.5 Reports of Changed Conditions

Each IU must notify Liberty Black Mountain Operations Manager of any significant changes to the IU's operations or system which might alter the nature, quality, or volume of its wastewater at least 90 days before the change.

- A. Liberty Black Mountain Operations Manager may require the IU to submit such information as may be deemed necessary to evaluate the changed condition, including the submission of a wastewater discharge permit application under Section 4.5 of this SOP.
- B. Liberty Black Mountain Operations Manager may issue an individual wastewater discharge permit under Section 5.7 of this SOP or modify an existing wastewater discharge permit under Section 5.4 of this SOP in response to changed conditions or anticipated changed conditions.

6.6 Reports of Potential Problems

- A. In the case of any discharge, including, but not limited to, accidental discharges, discharges of a non-routine, episodic nature, a non-customary batch discharge, a Slug Discharge or Slug Load, that might cause potential problems for the POTW, the IU shall immediately telephone and notify Liberty Black Mountain Operations Manager of the incident. This notification shall include the location of the discharge, type of waste, concentration and volume, if known, and corrective actions taken by the IU.
- B. Within five (5) days following such discharge, the IU shall, unless waived by Liberty Black Mountain Operations Manager, submit a detailed written report describing the cause(s) of the discharge and the measures to be taken by the IU to prevent similar future occurrences. Such notification shall not relieve the IU of any expense, loss, damage, or other liability which might be incurred as a result of damage to the POTW, natural resources, or any other damage to person or property; nor shall such notification relieve the IU of any fines, penalties, or other liability which may be imposed pursuant to this SOP.
- C. A notice shall be permanently posted on the IU's bulletin board or other prominent place advising employees who to call in the event of a discharge described in paragraph A, above. Employers shall ensure that all employees, who could cause such a discharge to occur, are advised of the emergency notification procedure.

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- D. Significant Industrial IUs are required to notify the Liberty Black Mountain Operations Manager immediately of any changes at its facility affecting the potential for a Slug Discharge.

6.7 Reports from Unpermitted IUs

All IUs not required to obtain an individual wastewater discharge permit shall provide appropriate reports to Liberty Black Mountain Operations Manager as Liberty Black Mountain Operations Manager may require.

6.8 Notice of Violation/Repeat Sampling and Reporting

If sampling performed by an IU indicates a violation, the IU must notify Liberty Black Mountain Operations Manager within twenty four (24) hours of becoming aware of the violation. The IU shall also repeat the sampling and analysis and submit the results of the repeat analysis to Liberty Black Mountain Operations Manager within thirty (30) days after becoming aware of the violation. Resampling by the IU is not required if Liberty Black Mountain performs sampling at the IU's facility at least once a month, or if Liberty Black Mountain performs sampling at the IU between the time when the initial sampling was conducted and the time when the IU or Liberty Black Mountain receives the results of this sampling, or if Liberty Black Mountain has performed the sampling and analysis in lieu of the IU.

6.9 Notification of the Discharge of Hazardous Waste

- A. Any IU who commences the discharge of hazardous waste shall notify the POTW, the EPA Regional Waste Management Division Director, and State hazardous waste authorities, in writing, of any discharge into the POTW of a substance which, if otherwise disposed of, would be a hazardous waste under 40 CFR Part 261. Such notification must include the name of the hazardous waste as set forth in 40 CFR Part 261, the EPA hazardous waste number, and the type of discharge (continuous, batch, or other). If the IU discharges more than one hundred (100) kilograms of such waste per calendar month to the POTW, the notification also shall contain the following information to the extent such information is known and readily available to the IU: an identification of the hazardous constituents contained in the wastes, an estimation of the mass and concentration of such constituents in the waste stream discharged during that calendar month, and an estimation of the mass of constituents in the waste stream expected to be discharged during the following twelve (12) months. All notifications must take place no later than one hundred and eighty (180) days after the discharge commences. Any notification under this paragraph need be submitted only once for each hazardous waste discharged. However, notifications of changed conditions must be submitted under Section 6.5 of this SOP. The notification requirement in this Section does not apply to pollutants already reported by IUs subject to categorical Pretreatment Standards under the self monitoring requirements of Sections 6.1, 6.3, and 6.4 of this SOP.
- B. Dischargers are exempt from the requirements of paragraph A, above, during a calendar

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month in which they discharge no more than fifteen (15) kilograms of hazardous wastes, unless the wastes are acute hazardous wastes as specified in 40 CFR 261.30(d) and 261.33(e). Discharge of more than fifteen (15) kilograms of nonacute hazardous wastes in a calendar month, or of any quantity of acute hazardous wastes as specified in 40 CFR 261.30(d) and 261.33(e), requires a one time notification. Subsequent months during which the IU discharges more than such quantities of any hazardous waste do not require additional notification.

- C. In the case of any new regulations under section 3001 of RCRA identifying additional characteristics of hazardous waste or listing any additional substance as a hazardous waste, the IU must notify Liberty Black Mountain Operations Manager, the EPA Regional Waste Management Waste Division Director, and State hazardous waste authorities of the discharge of such substance within ninety (90) days of the effective date of such regulations.
- D. In the case of any notification made under this Section, the IU shall certify that it has a program in place to reduce the volume and toxicity of hazardous wastes generated to the degree it has determined to be economically practical.
- E. This provision does not create a right to discharge any substance not otherwise permitted to be discharged by this SOP, a permit issued there under, or any applicable Federal or State law.

6.10 Analytical Requirements

All pollutant analyses, including sampling techniques, to be submitted as part of a wastewater discharge permit application or report shall be performed in accordance with the techniques prescribed in 40 CFR Part 136 and amendments thereto, unless otherwise specified in an applicable categorical Pretreatment Standard. If 40 CFR Part 136 does not contain sampling or analytical techniques for the pollutant in question, or where the EPA determines that the Part 136 sampling and analytical techniques are inappropriate for the pollutant in question, sampling and analyses shall be performed by using validated analytical methods or any other applicable sampling and analytical procedures, including procedures suggested by the Liberty Black Mountain Operations Manager or other parties approved by EPA.

6.11 Sample Collection

Samples collected to satisfy reporting requirements must be based on data obtained through appropriate sampling and analysis performed during the period covered by the report, based on data that is representative of conditions occurring during the reporting period.

- A. Except as indicated in Section B and C below, the IU must collect wastewater samples using 24 hour flow proportional composite sampling techniques, unless time proportional composite sampling or grab sampling is authorized by Liberty Black Mountain Operations Manager. Where time proportional composite sampling or grab sampling is authorized by Liberty Black Mountain, the samples must be representative of the discharge. Using

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protocols (including appropriate preservation) specified in 40 CFR Part 136 and appropriate EPA guidance, multiple grab samples collected during a 24 hour period may be composited prior to the analysis as follows: for cyanide, total phenols, and sulfides the samples may be composited in the laboratory or in the field; for volatile organics and oil and grease, the samples may be composited in the laboratory. Composite samples for other parameters unaffected by the compositing procedures as documented in approved EPA methodologies may be authorized by Liberty Black Mountain, as appropriate. In addition, grab samples may be required to show compliance with Local Limits.

- B. Samples for oil and grease, temperature, pH, cyanide, total phenols, sulfides, and volatile organic compounds must be obtained using grab collection techniques.
- C. For sampling required in support of baseline monitoring and 90 day compliance reports required in Section 6.1 and 6.3 [40 CFR 403.12(b) and (d)], a minimum of four (4) grab samples must be used for pH, cyanide, total phenols, oil and grease, sulfide and volatile organic compounds for facilities for which historical sampling data do not exist; for facilities for which historical sampling data are available, Liberty Black Mountain Operations Manager may authorize a lower minimum. For the reports required by paragraphs Section 6.4 (40 CFR 403.12(e) and 403.12(h)), the IU is required to collect the number of grab samples necessary to assess and assure compliance by with applicable Pretreatment Standards and Requirements.

6.12 Date of Receipt of Reports

Written reports will be deemed to have been submitted on the date postmarked or if hand delivered, date received by Liberty Black Mountain.

6.13 Recordkeeping

IUs subject to the reporting requirements of this SOP shall retain, and make available for inspection and copying, all records of information obtained pursuant to any monitoring activities required by this SOP, any additional records of information obtained pursuant to monitoring activities undertaken by the IU independent of such requirements, and documentation associated with Best Management Practices established under Section 2.4 C. Records shall include the date, exact place, method, and time of sampling, and the name of the person(s) taking the samples; the dates analyses were performed; who performed the analyses; the analytical techniques or methods used; and the results of such analyses. These records shall remain available for a period of at least three (3) years. This period shall be automatically extended for the duration of any litigation concerning the IU or Liberty Black Mountain, or where the IU has been specifically notified of a longer retention period by Liberty Black Mountain Operations Manager.

6.14 Certification Statements

- A. Certification of Permit Applications, IU Reports and Initial Monitoring Waiver-The following certification statement is required to be signed and submitted by IUs submitting

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permit applications in accordance with Section 4.7; IUs submitting baseline monitoring reports under Section 6.1 B (5); IUs submitting reports on compliance with the categorical Pretreatment Standard deadlines under Section 6.3; IUs submitting periodic compliance reports required by Section 6.4 A-D, and IUs submitting an initial request to forego sampling of a pollutant on the basis of Section 6.4B(4). The following certification statement must be signed by an Authorized Representative as defined in Section 1.3 C:

I certify under penalty of law that this document and all attachments were prepared under my direction or supervision in accordance with a system designed to assure that qualified personnel properly gather and evaluate the information submitted. Based on my inquiry of the person or persons who manage the system, or those persons directly responsible for gathering the information, the information submitted is, to the best of my knowledge and belief, true, accurate, and complete. I am aware that there are significant penalties for submitting false information, including the possibility of fine and imprisonment for knowing violations.

- B. Annual Certification for Non-Significant Categorical Industrial IUs-A facility determined to be a Non Significant Categorical IU by Liberty Black Mountain Operations Manager pursuant to 1.3 GG(3) and 4.7 C [Note: See 40 CFR 403.3(v)(2)] must annually submit the following certification statement signed in accordance with the signatory requirements in 1.3 C [Note:

See 40 CFR 403.120(1)]. This certification must accompany an alternative report required by Liberty Black Mountain Operations Manager:

Based on my inquiry of the person or persons directly responsible for managing compliance with the categorical Pretreatment Standards under 40 CFR _____, I certify that, to the best of my knowledge and belief that during the period from _____, _____ to _____, [months, days, year]:

- (a) The facility described as _____ [facility name] met the definition of a Non Significant Categorical IU as described in 1.4 GG (3); [Note: See 40 CFR 403.3(v)(2)]
- (b) The facility complied with all applicable Pretreatment Standards and requirements during this reporting period; and © the facility never discharged more than 100 gallons of total categorical wastewater on any given day during this reporting period.

This compliance certification is based on the following information.

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7. COMPLIANCE MONITORING

7.1 Right of Entry: Inspection and Sampling

Liberty Black Mountain Operations Manager shall have the right to enter the premises of any IU to determine whether the IU is complying with all requirements of this SOP and any individual wastewater discharge permit or order issued hereunder. IUs shall allow Liberty Black Mountain Operations Manager ready access to all parts of the premises for the purposes of inspection, sampling, records examination and copying, and the performance of any additional duties.

- A. Where an IU has security measures in force which require proper identification and clearance before entry into its premises, the IU shall make necessary arrangements with its security guards so that, upon presentation of suitable identification, Liberty Black Mountain Operations Manager shall be permitted to enter without delay for the purposes of performing specific responsibilities.
- B. Liberty Black Mountain Operations Manager shall have the right to set up on the IU's property, or require installation of, such devices as are necessary to conduct sampling and/or metering of the IU's operations.
- C. Liberty Black Mountain Operations Manager may require the IU to install monitoring equipment as necessary. The facility's sampling and monitoring equipment shall be maintained at all times in a safe and proper operating condition by the IU at its own expense. All devices used to measure wastewater flow and quality shall be calibrated [insert desired frequency] to ensure their accuracy.
- D. Any temporary or permanent obstruction to safe and easy access to the facility to be inspected and/or sampled shall be promptly removed by the IU at the written or verbal request of Liberty Black Mountain Operations Manager and shall not be replaced. The costs of clearing such access shall be born by the IU.
- E. Unreasonable delays in allowing Liberty Black Mountain Operations Manager access to the IU's premises shall be a violation of this SOP.

7.2 Search Warrants

If Liberty Black Mountain Operations Manager has been refused access to a building, structure, or property, or any part thereof, and is able to demonstrate probable cause to believe that there may be a violation of this SOP, or that there is a need to inspect and/or sample as part of a routine inspection and sampling program of Liberty Black Mountain designed to verify compliance with this SOP or any permit or order issued hereunder, or to protect the overall public health, safety and

welfare of the community, Liberty Black Mountain Operations Manager may seek issuance of a search warrant from the Maricopa County Court or other authorities as applicable.

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8. CONFIDENTIAL INFORMATION

Information and data on a IU obtained from reports, surveys, wastewater discharge permit applications, individual wastewater discharge permits, and monitoring programs, and from the Liberty Black Mountain inspection and sampling activities, shall be available to the public without restriction, unless the IU specifically requests, and is able to demonstrate to the satisfaction of Liberty Black Mountain Operations Manager, that the release of such information would divulge information, processes, or methods of production entitled to protection as trade secrets under applicable State law. Any such request must be asserted at the time of submission of the information or data. When requested and demonstrated by the IU furnishing a report that such information should be held confidential, the portions of a report which might disclose trade secrets or secret processes shall not be made available for inspection by the public, but shall be made available immediately upon request to governmental agencies for uses related to the NPDES program or pretreatment program, and in enforcement proceedings involving the person furnishing the report. Wastewater constituents and characteristics and other effluent data, as defined at 40 CFR 2.302 shall not be recognized as confidential information and shall be available to the public without restriction.

9. PUBLICATION OF IUS IN SIGNIFICANT NONCOMPLIANCE

Liberty Black Mountain Operations Manager shall publish annually, in a newspaper of general circulation that provides meaningful public notice within the jurisdictions served by Liberty Black Mountain, a list of the IUs which, at any time during the previous twelve (12) months, were in Significant Noncompliance with applicable Pretreatment Standards and Requirements. The term Significant Noncompliance shall be applicable to all Significant IUs (or any other IU that violates paragraphs (C), (D) or (H) of this Section) and shall mean:

- A. Chronic violations of wastewater discharge limits, defined here as those in which sixty six percent (66%) or more of all the measurements taken for the same pollutant parameter taken during a six (6) month period exceed (by any magnitude) a numeric Pretreatment Standard or Requirement, including Instantaneous Limits as defined in Section 2; Technical Review Criteria (TRC) violations, defined here as those in which thirty three percent (33%) or more of wastewater measurements taken for each pollutant parameter during a six (6) month period equals or exceeds the product of the numeric Pretreatment Standard or Requirement including Instantaneous Limits, as defined by Section 2 multiplied by the applicable criteria (1.4 for BOD, TSS, fats, oils and grease, and 1.2 for all other pollutants except pH);
- B. Any other violation of a Pretreatment Standard or Requirement as defined by Section 2 (Daily Maximum, long term average, Instantaneous Limit, or narrative standard) that Liberty Black Mountain Operations Manager determines has caused, alone or in combination with other discharges, Interference or Pass Through, including endangering the health of POTW personnel or the general public;
- C. Any discharge of a pollutant that has caused imminent endangerment to the public or to the

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- environment, or has resulted in Liberty Black Mountain Operations Manager's exercise of its emergency authority to halt or prevent such a discharge;
- D. Failure to meet, within ninety (90) days of the scheduled date, a compliance schedule milestone contained in an individual wastewater discharge permit or enforcement order for starting construction, completing construction, or attaining final compliance;
 - E. Failure to provide within forty five (45) days after the due date, any required reports, including baseline monitoring reports, reports on compliance with categorical Pretreatment Standard deadlines, periodic self monitoring reports, and reports on compliance with compliance schedules;
 - F. Failure to accurately report noncompliance; or
 - G. Any other violation(s), which may include a violation of Best Management Practices, which Liberty Black Mountain Operations Manager determines will adversely affect the operation or implementation of the local pretreatment program.

10. ADMINISTRATIVE ENFORCEMENT REMEDIES

10.1 Notification of Violation

When Liberty Black Mountain Operations Manager finds that an IU has violated, or continues to violate, any provision of this SOP, an individual wastewater discharge permit, or order issued hereunder, or any other Pretreatment Standard or Requirement, Liberty Black Mountain Operations Manager may serve upon that IU a written Notice of Violation. Within 14 days of the receipt of such notice, an explanation of the violation and a plan for the satisfactory correction and prevention thereof, to include specific required actions, shall be submitted by the IU to Liberty Black Mountain Operations Manager. Submission of such a plan in no way relieves the IU of liability for any violations occurring before or after receipt of the Notice of Violation. Nothing in this Section shall limit the authority of Liberty Black Mountain Operations Manager to take any action, including emergency actions or any other enforcement action, without first issuing a Notice of Violation.

10.2 Consent Orders

Liberty Black Mountain Operations Manager may enter into Consent Orders, assurances of compliance, or other similar documents establishing an agreement with any IU responsible for noncompliance. Such documents shall include specific action to be taken by the IU to correct the noncompliance within a time period specified by the document. Such documents shall have the same force and effect as the administrative orders issued pursuant to Sections 10.4 and 10.5 of this SOP and shall be judicially enforceable.

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10.3 Show Cause Hearing

Liberty Black Mountain Operations Manager may order an IU which has violated, or continues to violate, any provision of this SOP, an individual wastewater discharge permit, or order issued hereunder, or any other Pretreatment Standard or Requirement, to appear before Liberty Black Mountain Operations Manager and show cause why the proposed enforcement action should not be taken. Notice shall be served on the IU specifying the time and place for the meeting, the proposed enforcement action, the reasons for such action, and a request that the IU show cause why the proposed enforcement action should not be taken. The notice of the meeting shall be served personally or by registered or certified mail (return receipt requested) at least 30 days prior to the hearing. Such notice may be served on any Authorized Representative of the IU as defined in Section 1.4 C and required by Section 4.7 A. A show cause hearing shall not be a bar against, or prerequisite for, taking any other action against the IU.

10.4 Compliance Orders

When Liberty Black Mountain Operations Manager finds that a IU has violated, or continues to violate, any provision of this SOP, an individual wastewater discharge permit, or order issued hereunder, or any other Pretreatment Standard or Requirement, Liberty Black Mountain Operations Manager may issue an order to the IU responsible for the discharge directing that the IU come into compliance within a specified time. If the IU does not come into compliance within the time provided, sewer service may be discontinued unless adequate treatment facilities, devices, or other related appurtenances are installed and properly operated. Compliance orders also may contain other requirements to address the noncompliance, including additional self monitoring and management practices designed to minimize the amount of pollutants discharged to the sewer. A compliance order may not extend the deadline for compliance established for a Pretreatment Standard or Requirement, nor does a compliance order relieve the IU of liability for any violation, including any continuing violation. Issuance of a compliance order shall not be a bar against, or a prerequisite for, taking any other action against the IU.

10.5 Cease and Desist Orders

When Liberty Black Mountain Operations Manager finds that a IU has violated, or continues to violate, any provision of this SOP, an individual wastewater discharge permit, or order issued hereunder, or any other Pretreatment Standard or Requirement, or that the IU's past violations are likely to recur, Liberty Black Mountain Operations Manager may issue an order to the IU directing it to cease and desist all such violations and directing the IU to:

- A. Immediately comply with all requirements; and
- B. Take such appropriate remedial or preventive action as may be needed to properly address a continuing or threatened violation, including halting operations and/or terminating the discharge. Issuance of a cease and desist order shall not be a bar against, or a prerequisite for, taking any other action against the IU.

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10.6 Administrative Fines

- A. When Liberty Black Mountain Operations Manager finds that a IU has violated, or continues to violate, any provision of this SOP, an individual wastewater discharge permit, or order issued hereunder, or any other Pretreatment Standard or Requirement, Liberty Black Mountain Operations Manager may fine such IU in an amount not to exceed \$250 per day. Such fines shall be assessed on a per-violation, per-day basis. In the case of monthly or other long-term average discharge limits, fines shall be assessed for each day during the period of violation.
- B. Unpaid charges, fines, and penalties shall, after 90 calendar days, be assessed an additional penalty of 10 percent (10%) of the unpaid balance, and interest shall accrue thereafter at a rate of one percent (1 %) per month. A lien against the IU's property shall be sought for unpaid charges, fines, and penalties.
- C. IUs desiring to dispute such fines must file a written request for Liberty Black Mountain Operations Manager to reconsider the fine along with full payment of the fine amount within 30 days of being notified of the fine. Where a request has merit, Liberty Black Mountain Operations Manager may convene a hearing on the matter. In the event the IU's appeal is successful, the payment, together with any interest accruing thereto, shall be returned to the IU. Liberty Black Mountain Operations Manager may add the costs of preparing administrative enforcement actions, such as notices and orders, to the fine.
- D. Issuance of an administrative fine shall not be a bar against, or a prerequisite for, taking any other action against the IU.

10.7 Emergency Suspensions

Liberty Black Mountain Operations Manager may immediately suspend a IU's discharge, after informal notice to the IU, whenever such suspension is necessary to stop an actual or threatened discharge, which reasonably appears to present, or cause an imminent or substantial endangerment to the health or welfare of persons. Liberty Black Mountain Operations Manager may also immediately suspend a IU's discharge, after notice and opportunity to respond, that threatens to interfere with the operation of the POTW, or which presents, or may present, an endangerment to the environment.

- A. Any IU notified of a suspension of its discharge shall immediately stop or eliminate its contribution. In the event of an IU's failure to immediately comply voluntarily with the suspension order, Liberty Black Mountain Operations Manager may take such steps as deemed necessary, including immediate severance of the sewer connection, to prevent or minimize damage to the POTW, its receiving stream, or endangerment to any individuals. Liberty Black Mountain Operations Manager may allow the IU to recommence its discharge when the IU has demonstrated to the satisfaction of Liberty Black Mountain

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Operations Manager that the period of endangerment has passed, unless the termination proceedings in Section 10.8 of this SOP are initiated against the IU.

- B. A IU that is responsible, in whole or in part, for any discharge presenting imminent endangerment shall submit a detailed written statement, describing the causes of the harmful contribution and the measures taken to prevent any future occurrence, to Liberty Black Mountain Operations Manager prior to the date of any show cause or termination hearing under Sections 10.3 or 10.8 of this SOP.

Nothing in this Section shall be interpreted as requiring a hearing prior to any Emergency Suspension under this Section.

10.8 Termination of Discharge

In addition to the provisions in Section 5.6 of this SOP, any IU who violates the following conditions is subject to discharge termination:

- A. Violation of individual wastewater discharge permit conditions;
- B. Failure to accurately report the wastewater constituents and characteristics of its discharge;
- C. Failure to report significant changes in operations or wastewater volume, constituents, and characteristics prior to discharge;
- D. Refusal of reasonable access to the IU's premises for the purpose of inspection, monitoring, or sampling; or
- E. Violation of the Pretreatment Standards in Section 2 of this SOP.

Such IU will be notified of the proposed termination of its discharge and be offered an opportunity to show cause under Section 10.3 of this SOP why the proposed action should not be taken. Exercise of this option by Liberty Black Mountain Operations Manager shall not be a bar to, or a prerequisite for, taking any other action against the IU.

11. JUDICIAL ENFORCEMENT REMEDIES

11.1 Injunctive Relief

When Liberty Black Mountain Operations Manager finds that a IU has violated, or continues to violate, any provision of this SOP, an individual wastewater discharge permit, or order issued hereunder, or any other Pretreatment Standard or Requirement, Liberty Black Mountain Operations Manager may petition the Maricopa County through Attorney for the issuance of a temporary or permanent injunction, as appropriate, which restrains or compels the specific performance of the individual wastewater discharge permit, order, or other requirement

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imposed by this SOP on activities of the IU. Liberty Black Mountain Operations Manager may also seek such other action as is appropriate for legal and/or equitable relief, including a requirement for the IU to conduct environmental remediation. A petition for injunctive relief shall not be a bar against, or a prerequisite for, taking any other action against an IU.

11.2 Civil Penalties

- A. An IU who has violated, or continues to violate, any provision of this SOP, an individual wastewater discharge permit, or order issued hereunder, or any other Pretreatment Standard or Requirement shall be liable to Liberty Black Mountain for a maximum civil penalty of \$250 per violation, per day. In the case of a monthly or other long term average discharge limit, penalties shall accrue for each day during the period of the violation.
- B. Liberty Black Mountain Operations Manager may recover reasonable attorneys' fees, court costs, and other expenses associated with enforcement activities, including sampling and monitoring expenses, and the cost of any actual damages incurred by Liberty Black Mountain.
- C. In determining the amount of civil liability, the Court shall take into account all relevant circumstances, including, but not limited to, the extent of harm caused by the violation, the magnitude and duration of the violation, any economic benefit gained through the IU's violation, corrective actions by the IU, the compliance history of the IU, and any other factor as justice requires.
- D. Filing a suit for civil penalties shall not be a bar against, or a prerequisite for, taking any other action against an IU.

11.3 Criminal Prosecution

- A. An IU who willfully or negligently violates any provision of this SOP, an individual wastewater discharge permit, or order issued hereunder, or any other Pretreatment Standard or Requirement shall be punishable by a fine of not more than \$250 per violation, per day and subject to misdemeanor violations, as applicable by law.
- B. An IU who willfully or negligently introduces any substance into the POTW which causes personal injury or property damage shall, \$250 per violation, per day and subject to misdemeanor violations, as applicable by law. This penalty shall be in addition to any other cause of action for personal injury or property damage available under State law.
- C. A IU who knowingly makes any false statements, representations, or certifications in any application, record, report, plan, or other documentation filed, or required to be maintained, pursuant to this SOP, individual wastewater discharge permit, or order issued hereunder, or who falsifies, tampers with, or knowingly renders inaccurate any monitoring device or method required under this SOP shall, upon conviction, be punished by a fine of not more than \$250 fine per day.

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- D. In the event of a second conviction, a IU shall be punished by a fine of not more than \$500 fine per day.

11.4 Remedies Nonexclusive

The remedies provided for in this SOP are not exclusive. Liberty Black Mountain Operations Manager may take any, all, or any combination of these actions against a noncompliant IU. Enforcement of pretreatment violations will generally be in accordance with [the Liberty Black Mountain's] enforcement response plan. However, Liberty Black Mountain Operations Manager may take other action against any IU when the circumstances warrant. Further, Liberty Black Mountain Operations Manager is empowered to take more than one enforcement action against any noncompliant IU.

12. SUPPLEMENTAL ENFORCEMENT ACTION

12.1 Penalties for Late Reports

A penalty of \$100 shall be assessed to any IU for each day that a report required by this SOP, a permit or order issued hereunder is late, beginning five days after the date the report is due [higher penalties may also be assessed where reports are more than 30-45 days late]. Actions taken by Liberty Black Mountain Operations Manager to collect late reporting penalties shall not limit Liberty Black Mountain Operations Manager authority to initiate other enforcement actions that may include penalties for late reporting violations.

12.2 Performance Bonds {Optional}

Liberty Black Mountain Operations Manager may decline to issue or reissue an individual wastewater discharge permit to any IU who has failed to comply with any provision of this SOP, a previous individual wastewater discharge permit, or order issued hereunder, or any other Pretreatment Standard or Requirement, unless such IU first files a satisfactory bond, payable to Liberty Black Mountain, in a sum not to exceed a value determined by Liberty Black Mountain Operations Manager to be necessary to achieve consistent compliance.

12.3 Liability Insurance {Optional}

Liberty Black Mountain Operations Manager may decline to issue or reissue an individual wastewater discharge to any IU who has failed to comply with any provision of this SOP, a previous individual wastewater discharge permit, or order issued hereunder, or any other Pretreatment Standard or Requirement, unless the IU first submits proof that it has obtained financial assurances sufficient to restore or repair damage to the POTW caused by its discharge.

12.4 Payment of Outstanding Fees and Penalties {Optional}

Liberty Black Mountain Operations Manager may decline to issue or reissue an individual wastewater discharge permit to any IU who has failed to pay any outstanding fees, fines or penalties incurred as

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a result of any provision of this SOP, a previous individual wastewater discharge permit, or order issued hereunder.

12.5 Contractor Listing {Optional}

IUs which have not achieved compliance with applicable Pretreatment Standards and Requirements are not eligible to receive a contractual award for the sale of goods or services to Liberty Black Mountain. Existing contracts for the sale of goods or services to Liberty Black Mountain held by an IU found to be in Significant Noncompliance with Pretreatment Standards or Requirements may be terminated at the discretion of Liberty Black Mountain Operations Manager.

13. AFFIRMATIVE DEFENSES TO DISCHARGE VIOLATIONS

13.1 Upset

- A. For the purposes of this Section, upset means an exceptional incident in which there is unintentional and temporary noncompliance with categorical Pretreatment Standards because of factors beyond the reasonable control of the IU. An upset does not include noncompliance to the extent caused by operational error, improperly designed treatment facilities, inadequate treatment facilities, lack of preventive maintenance, or careless or improper operation.
- B. An upset shall constitute an affirmative defense to an action brought for noncompliance with categorical Pretreatment Standards if the requirements of paragraph C, below, are met.
- C. A IU who wishes to establish the affirmative defense of upset shall demonstrate, through properly signed, contemporaneous operating logs, or other relevant evidence that:
- a. An upset occurred and the IU can identify the cause(s) of the upset;
 - b. The facility was at the time being operated in a prudent and workman like manner and in compliance with applicable operation and maintenance procedures; and
 - c. The IU has submitted the following information to Liberty Black Mountain Operations Manager within twenty four (24) hours of becoming aware of the upset [if this information is provided orally, a written submission must be provided within five (5) days]
 - i. A description of the indirect discharge and cause of noncompliance;
 - ii. The period of noncompliance, including exact dates and times or, if not corrected, the anticipated time the noncompliance is expected to continue; and
 - iii. Steps being taken and/or planned to reduce, eliminate, and prevent

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recurrence of the noncompliance.

- D. In any enforcement proceeding, the IU seeking to establish the occurrence of an upset shall have the burden of proof.
- E. IUs shall have the opportunity for a judicial determination on any claim of upset only in an enforcement action brought for noncompliance with categorical Pretreatment Standards.
- F. IUs shall control production of all discharges to the extent necessary to maintain compliance with categorical Pretreatment Standards upon reduction, loss, or failure of its treatment facility until the facility is restored or an alternative method of treatment is provided. This requirement applies in the situation where, among other things, the primary source of power of the treatment facility is reduced, lost, or fails.

13.2 Prohibited Discharge Standards

A IU shall have an affirmative defense to an enforcement action brought against it for noncompliance with the general prohibitions in Section 2.1(A) of this SOP or the specific prohibitions applicable of this SOP if it can prove that it did not know, or have reason to know, that its discharge, alone or in conjunction with discharges from other sources, would cause Pass Through or Interference and that either:

- A. A Local Limit exists for each pollutant discharged and the IU was in compliance with each limit directly prior to, and during, the Pass Through or Interference; or
- B. No Local Limit exists, but the discharge did not change substantially in nature or constituents from the IU's prior discharge when Liberty Black Mountain or the City of Scottsdale was regularly in compliance with its AZPDES permit, and in the case of Interference, was in compliance with applicable sludge use or disposal requirements.

13.3 Bypass

- A. For the purposes of this Section,
 - a. Bypass means the intentional diversion of waste streams from any portion of an IU's treatment facility.
 - b. Severe property damage means substantial physical damage to property, damage to the treatment facilities which causes them to become inoperable, or substantial and permanent loss of natural resources which can reasonably be expected to occur in the absence of a bypass. Severe property damage does not mean economic loss caused by delays in production.
- B. An IU may allow any bypass to occur which does not cause Pretreatment Standards or Requirements to be violated, but only if it also is for essential maintenance to assure efficient operation. These bypasses are not subject to the provision of paragraphs (C) and (D) of this

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Section.

C. Bypass Notifications

- a. If an IU knows in advance of the need for a bypass, it shall submit prior notice to Liberty Black Mountain Operations Manager, at least ten (10) days before the date of the bypass, if possible.
- b. An IU shall submit oral notice to Liberty Black Mountain Operations Manager of an unanticipated bypass that exceeds applicable Pretreatment Standards within twenty four (24) hours from the time it becomes aware of the bypass. A written submission shall also be provided within five (5) days of the time the IU becomes aware of the bypass. The written submission shall contain a description of the bypass and its cause; the duration of the bypass, including exact dates and times, and, if the bypass has not been corrected, the anticipated time it is expected to continue; and steps taken or planned to reduce, eliminate, and prevent reoccurrence of the bypass. Liberty Black Mountain Operations Manager may waive the written report on a case by case basis if the oral report has been received within twenty four (24) hours

D. Bypass

- a. Bypass is prohibited, and Liberty Black Mountain Operations Manager may take an enforcement action against a IU for a bypass, unless
 - i. Bypass was unavoidable to prevent loss of life, personal injury, or severe property damage;
 - ii. There were no feasible alternatives to the bypass, such as the use of auxiliary treatment facilities, retention of untreated wastes, or maintenance during normal periods of equipment downtime. This condition is not satisfied if adequate back up equipment should have been installed in the exercise of reasonable engineering judgment to prevent a bypass which occurred during normal periods of equipment downtime or preventive maintenance; and
 - iii. The IU submitted notices as required under paragraph © of this section.
- b. Liberty Black Mountain Operations Manager may approve an anticipated bypass, after considering its adverse effects, if Liberty Black Mountain Operations Manager determines that it will meet the three conditions listed in paragraph (D)(1) of this Section.

LIBERTY UTILITIES (BLACK MOUNTAIN SEWER) CORP.

PRETREATMENT STANDARDS TARIFF

EXECUTIVE SUMMARY

Liberty Utilities (Black Mountain Sewer) Corp. ("Liberty Black Mountain") hereby declares that the following Code of Practice has been prepared and adopted to provide for pretreatment standards in the maintenance and operation of wastewater treatment at the City of Scottsdale Wastewater Treatment Plant ("CSWWTP"). This Code of Practice shall be filed with the Arizona Corporation Commission and made part of Liberty Black Mountain's Wastewater Service Tariff, Part Four, Section I.B [Waste Limitations].

Liberty Black Mountain hereby expressly reserves the right to make any lawful addition and/or revisions in this Code of Practice when and as they may become advisable to properly manage the CSWWTP and to promote the peace, health, safety and welfare of the customers that will be served. This Code of Practice is supplementary to, and are not to be construed as, any abridgement of any lawful rights of Liberty Black Mountain as outlined in the Arizona Revised Statutes governing Public Utilities (Title 40) and the Arizona Administrative Corporation Commission Rules on Sewer (Title 14, Article 6), including the right to disconnect or to refuse permission to connect a customer to Liberty Black Mountain's wastewater system for violation of this Code of Practice or any other applicable law of the State of Arizona.

This Code of Practice incorporates pretreatment standards per 40 CFR 403, A.A.C. Title 12, Article 4, and A.A.C. Title 18, Chapter 9, Article 3. This Code of Practice is enforceable per the authority granted to wastewater utilities established under A.A.C. Title 14, Chapter 2, Article 6 of the Arizona Administrative Code.

Approved: _____

Responsible Agent: Operations

DECISION NO. 75510

LIBERTY UTILITIES (BLACK MOUNTAIN SEWER) CORP.

CODE OF PRACTICE (Liberty Utilities BMSC-CP-01-DEF)

SECTION 1 - DEFINITIONS

A. **PROHIBITED WASTE**

Prohibited waste means:

1. Air Contaminant Waste

Any waste other than sanitary waste which, by itself or in combination with another substance, is capable of creating, causing or introducing an air contaminant outside any sewer or sewage facility or is capable of creating, causing or introducing an air contaminant within any sewer or sewage facility which would prevent safe entry by authorized personnel.

2. Flammable or Explosive Waste

Any pollutants which create a fire or explosion hazard to the sewer or any waste other than sanitary waste which, which by itself or in combination with another substance, is capable of causing or contributing to an explosion or supporting combustion in any sewer or sewage facility including, but not limited to gasoline, naphtha, propane, diesel, fuel oil, kerosene or alcohol.

3. Obstructive Waste

Any waste other than sanitary waste which, by itself or in combination with another substance, is capable of obstructing the flow of, or interfering with, the operation or performance of any sewer or sewage facility including, but not limited to: earth, sand, sweepings, gardening or agricultural waste, ash, chemicals, paint, metal, glass, sharps, rags, cloth, tar, asphalt, cement-based products, plastic, wood, waste portions of animals, fish or fowl and solidified fat.

4. Corrosive Waste

Any waste other than sanitary waste which, with corrosive properties which, by itself or in combination with any other substance, may cause damage to any sewer or sewage facility or which may prevent safe entry by authorized personnel.

5. High Temperature Waste

Any waste other than sanitary waste which, by itself or in combination with another substance, will create heat in amounts which will interfere with the operation and maintenance of a sewer or sewage facility or with the treatment of waste in a sewage facility;

Any waste other than sanitary waste which, will raise the temperature of waste entering any sewage facility to 40 degrees Celsius (104 degrees Fahrenheit) or more; or any non-domestic waste with a temperature of 65 degrees Celsius (150 degrees Fahrenheit) or more.

6. Biomedical Waste

Any of the following categories of biomedical waste: human anatomical waste, animal waste, untreated microbiological waste, waste sharps, medical products, and untreated human blood and body fluids known to contain viruses and agents.

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7. Miscellaneous Wastes

Any storm water, surface water, groundwater, roof runoff, or surface drainage is prohibited.

8. Dilution Wastes

Any discharge that has been in any way, been diluted as a substitute for pretreatment, for the purposes of obtaining compliance with any categorical standard or pretreatment requirement or any other requirement imposed by this article except where dilution is expressly authorized by an categorical standard.

9. Other Discharge Limitations.

Any discharge that is transported from the point of generation to the sewer by any hauler, unless the hauler has first:

- a. Obtained authorization to discharge from Liberty Black Mountain.
- b. Disclosed the nature, origin, and volume of the discharge.

Any waste, other than sanitary waste, which by itself or in combination with another substance:

- a. constitutes or may constitute a significant health or safety hazard to any person;
- b. Any waste other than sanitary waste which may interfere with any sewer or sewage treatment process;
- c. may cause a discharge from a sewage facility to contravene any requirements by or under any ADEQ or AZPDES discharge permit or any other act, approved Waste Minimization Plan (WMP), or any other law or regulation governing the quality of the discharge, or may cause the discharge to result in a hazard to people, animals, property or vegetation;
- d. may cause bio-solid to fail criteria for beneficial land application.

B. RESTRICTED WASTE (Liberty Utilities BMSC-CP-01-001)

Restricted waste means:

1. Specified Waste

Any waste other than sanitary waste which, at the point of discharge into a sewer, contains any contaminant at a concentration in excess of the limits set out below. All concentrations are expressed as total concentrations which includes all forms of the contaminant, whether dissolved or un-dissolved. The concentration limits apply to both grab and composite samples. Contaminant definitions and methods of analysis are outlined in standard methods.

ORGANIC CONTAMINANTS ($\mu\text{g/L}$)	
Benzene	35
Chloroform	2,000
4,4' - DDE	Not allowed
4,4' - DDT	Not allowed
Aldrin	Not allowed
BHC-Alpha	Not allowed

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BHC-Gamma (Lindane)	Not allowed
Heptachlor	Not allowed
Heptachlor Epoxide	Not allowed
Polychlorinated byphenyl compounds (PCBs)	Not allowed
TRACE METALS	
PARAMETER	DAILY AVERAGE (mg/L)
Arsenic	0.13
Cadmium (Cd)	0.047
Copper (Cu)	1.5
Cyanide (CN)	2.0
Lead (Pb)	0.41
Mercury (Hg)	0.0023
Selenium (Se)	0.10
Silver (Ag)	1.2
Zinc (Zn)	3.5

2. Food Waste

Any solid or viscous pollutants, animal fats, oil, and grease (FOG) in amounts that may cause obstruction to the flow in sewers or pass through or other interference or damage to the sewer collection system. Any pollutant, including oxygen demanding pollutants (BOD, COD, TOC, etc.) released in a discharge flow at a rate and/or pollutant concentration which may cause interference with the sewer collection system or wastewater treatment process. This also includes petroleum oil, non-biodegradable cutting oil, or other products of mineral oil origin in amounts that may cause interference or pass through at the wastewater treatment facility.

3. Brewery Waste

Any discharge containing solid or other substances in which sufficient quantity to cause or have the potential to cause obstruction to the flow in sewers or pass through or other interference or damage to the sewer collection system. Any pollutant, including oxygen demanding pollutants (BOD, COD, TOC, etc.) and/or suspended solids released in a discharge flow at a rate and/or pollutant concentration which may cause interference with the sewer collection system or wastewater treatment process.

4. Radioactive Waste

Any discharge containing a toxic, radioactive, poisonous or other substances in which sufficient quantity to cause or have the potential to cause injury or damage to a person or property or interference with any sewage treatment process, cause corrosive structural damage, constitute a hazard to humans or create any hazard to the sewer system or the effluent of the sewer system. All such wastes shall be subject to compliance with Nuclear Regulatory Commission standards for sewer disposal including the Unity Equation.

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5. pH Waste

Any discharge with a pH less than 5.5 standard units (SU) or greater than 10.5 SU as determined by either a grab or a composite sample.

6. Dyes and Coloring Material

Dyes or coloring materials which may pass through a sewage facility and discolor the effluent from a sewage facility except where the dye is used by the Liberty Utilities BMSC, or one or more of its agents, as a tracer.

7. Miscellaneous Restricted Wastes

Any of the following wastes:

- a. 4,4' - DDE
- b. 4,4' - DDT
- c. Aldrin
- d. BHC—Alpha
- e. BHC—Beta
- f. BHC—Gamma (Lindane)
- g. Heptachlor.
- h. Heptachlor epoxide.
- i. Polychlorinated biphenyl compounds (PCB's)

7. Temperature

Any waste other than sanitary waste which, will raise the temperature of waste entering any sewage facility to 40 degrees Celsius (104 degrees Fahrenheit) or more; or any non-domestic waste with a temperature of 65 degrees Celsius (150 degrees Fahrenheit) or more.

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Responsible Agent: Operations

DECISION NO. 75510

LIBERTY UTILITIES (BLACK MOUNTAIN SEWER) CORP.

CODE OF PRACTICE (Liberty Utilities BMSC-CP-01-002)

SECTION 2 - DENTAL OPERATIONS

I. APPLICATION

This code of practice for dental operations defines mandatory requirements for managing non-domestic waste discharged directly or indirectly into a sewer connected to a sewage facility.

This code of practice applies to dental operations.

II. DISCHARGE REGULATIONS

An operator of a dental operation must not discharge waste which, at the point of discharge into a sewer, contains:

- a. prohibited waste, special waste, or storm water ; or
- b. restricted waste with the exception of mercury measured at the point of discharge from a certified amalgam separator.

An operator of a dental operation that produces liquid waste from photographic imaging containing silver shall comply with the requirements of Liberty Utilities BMSC-CP-01-001.

An operator of a dental operation that produces wastewater containing dental amalgam must either:

- a. collect and transport the wastewater from the dental operation for off-site waste management; or
- b. treat the wastewater at the dental operation site prior to discharge to the sewer using a certified amalgam separator.

An operator of a dental operation must install and maintain the amalgam separator according to the manufacturer's or supplier's recommendations in order that the amalgam separator functions correctly. Such separator must be certified for use by the manufacturer.

An operator of a dental operation who installs an amalgam separator must ensure that:

- a. all dental operation wastewater that contains dental amalgam is treated using the amalgam separator;
- b. a monitoring point is installed at the outlet of the amalgam separator or downstream of the amalgam separator at a location upstream of any discharge of other waste;
- c. the monitoring point must be installed in such a manner that the total flow from the amalgam separator may be intercepted and sampled; and
- d. the monitoring point shall be readily and easily accessible at all times for inspection.

If the amalgam separator is located downstream of a wet vacuum system, an operator of a dental operation must ensure that:

- a. the wet vacuum system is fitted with an internal flow control fitting; or
- b. a flow control fitting is installed on the water supply line to the wet vacuum system.

The flow control fitting must be sized to limit the flow to a rate that is no more than the maximum inlet flow rate of the amalgam separator as stated by the manufacturer of the amalgam separator.

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An operator of a dental operation must locate an amalgam separator in such a manner that an accidental spill, leak or collecting container failure will not result in waste containing amalgam entering any sewer. If a location is not available, an operator of a dental operation must do one of the following:

- (a) install spill containment to contain spills or leaks from the amalgam separator; or
- (b) cap all floor drains into which liquid spilled from the amalgam separator would normally flow.

An operator of a dental operation must replace the amalgam separator's collecting container when any one of the following occurs:

- (a) the manufacturer's or supplier's recommended expiry date, as shown on the amalgam separator, has been reached; or
- (b) the warning level specified by the manufacturer has been reached; or
- (c) analytical data obtained using a method of analysis outlined in standard methods, or an alternative method of analysis approved by the manager, having a method detection limit of 0.000005 mg/L or lower, indicates that the total concentration of mercury in the discharge from the amalgam separator is greater than, or equal to 0.005 mg/l.

An operator of a dental operation shall not dispose of dental amalgam collected in an amalgam separator, a collecting container, or any other device, to a sewer.

III. RECORD KEEPING AND RETENTION

An operator of a dental operation that uses an amalgam separator must keep, at the site of installation of the amalgam separator, an operation and maintenance manual containing instructions for installation, use, maintenance and service of the amalgam separator installed.

An operator of a dental operation that uses an amalgam separator must post, at the site of installation of the amalgam separator, a copy of the manufacturer's standard test report pertaining to the amalgam separator installed.

An operator of a dental operation that uses an amalgam separator must keep a record book at the dental operation site that includes the following information pertaining to the amalgam separator installed:

- a. date of installation of the amalgam separator and name of the installation service provider;
- b. serial number and expiry date of the amalgam separator and/or its components;
- c. maximum recommended flow rate through the amalgam separator, where applicable;
- d. dates of inspection, maintenance, cleaning and replacement of any amalgam separation equipment or components;
- e. dates and descriptions of all operational problems, spills, leaks or collecting container failures associated with the amalgam separator and remedial actions taken;
- f. name, address and telephone number of any person or company who performs any maintenance or disposal services related to the operation of the amalgam separator; and
- g. dates of pick-up of the collecting container for off-site disposal, volume of waste disposed and the location of disposal.

The records must be retained for a period of two years and must be available on request by a company representative.

Approved: _____

Responsible Agent: Operations

DECISION NO. 75510

LIBERTY UTILITIES (BLACK MOUNTAIN SEWER) CORP.

CODE OF PRACTICE (Liberty Utilities BMSC-CP-01-003)

SECTION 3 - DRY CLEANING OPERATIONS

I. APPLICATION

This code of practice for Dry Cleaning operations defines the requirements for managing waste discharged directly or indirectly into a sewer connected to a sewage facility from dry cleaning businesses, or other facilities employing solvent or chemical cleaning routines.

Definitions are included in Liberty Utilities BMSC-CP-01-DEF.

II. DISCHARGE REGULATIONS

An operator of a dry cleaning operation must not discharge waste, which at the point of discharge into a sewer contains:

- (a) Petroleum solvent in a concentration that is in excess of 15 milligrams per liter as analyzed in a grab sample; and
- (b) Prohibited waste, restricted waste, special waste, storm water, or uncontaminated water.

Solvent Water Separators and Holding Tanks

Solvent/water separator and holding tank installations must conform to the requirements of this code of practice.

An operator of a dry cleaning operation shall not directly discharge wastewater from the solvent/water separator to a sewage facility

All dry cleaning operations in business that generate wastewater containing tetrachloroethylene, perchloromethylene, or petroleum solvent, but do not have a solvent/water separator and holding tank shall install and maintain a solvent/water separator and holding tank when any of the following occur:

- (a) The dry cleaning operation is renovated, to modify the plumbing or dry cleaning equipment;
- (b) New equipment, designed specifically for dry cleaning, is added to the dry cleaning operation; or
- (c) The discharge from the dry cleaning operation exceeds the discharge limits specified above or any of the restricted waste criteria specified in Liberty Utilities BMSC-CP-01-DEF.

An operator of a dry cleaning operation must:

- (a) Collect the wastewater discharged from a solvent/water separator into a transparent, solvent-compatible, holding tank with a containment capacity 25% larger than the total volume of the solvent/water separator; and
- (b) Allow the wastewater to stand undisturbed for a period of not less than 12 hours following each operating date.

If the holding tank contains any visible tetrachloroethylene or petroleum solvent after the specified period of time, then the tetrachloroethylene or petroleum solvent must be separated and returned to the solvent recovery system. After the removal of all visible solvent, the wastewater may be discharged to the sanitary sewer.

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Responsible Agent: Operations

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Visual Inspections

An operator of a dry cleaning operation must:

- (a) Visually inspect the solvent/water separator on a daily basis and
- (b) Clean the solvent/water separator at least once every seven (7) days to manufacturer's standards.

Spills and Leaks

An operator of a dry cleaning operation must install spill containment facilities in all chemical storage areas and around all dry cleaning machines.

An operator of a dry cleaning operation must block off all sewer drains within the containment area for chemical storage and dry cleaning equipment to prevent any accidental discharge of solvent to a sewer.

An operator of a dry cleaning operation must inspect all dry cleaning equipment for liquid leaks at least once per day.

An operator of a dry cleaning operation must keep all equipment clean to ensure that leaks are visible. The following areas and items are to be checked for leaks:

- (i) hose connections, unions, couplings and valves
- (ii) machine door gasket and seating
- (iii) filter head gasket and seating
- (iv) pumps
- (v) base tanks and storage
- (vi) solvent/water separators
- (vii) filter sludge recovery
- (viii) distillation unit
- (ix) diverter valves
- (x) saturated lint in lint baskets
- (xi) holding tanks
- (xii) cartridge filters

An operator of a dry cleaning operation who detects any liquid leak from dry cleaning equipment or chemical storage must repair the leak within 72 hours and must immediately prevent any discharge of contaminants to a sewer.

III. RECORD KEEPING AND RETENTION

Every dry cleaning operation must keep a record book on site for inspection with records from the previous two years.

The following information shall be recorded in the record book:

- (i) record of all inspections done by the operator, employees or other hired personnel;
- (ii) record of any liquid leaks detected and remedial action taken;
- (iii) record of solvent/water separator cleaning;
- (iv) record of holding tank cleaning and solvent transfer; and
- (v) record of all other equipment maintenance and repair.

Approved: _____

Responsible Agent: Operations

DECISION NO. 75510

LIBERTY UTILITIES (BLACK MOUNTAIN SEWER) CORP.

CODE OF PRACTICE (Liberty Utilities BMSC-CP-01-004)

SECTION 4 - FOOD SERVICE OPERATIONS

I. APPLICATION

This code of practice for Food Service operations defines the requirements for managing waste discharged directly or indirectly into a sewer connected to a sewage facility from restaurants, or other facilities employing food service (such as food preparation services) as a primary or secondary business operation. Traps, interceptors and separators shall be provided to prevent the discharge of oil, grease, sand and other substances harmful or hazardous to the building drainage system, the collection system the private sewage disposal system or the sewage treatment plant or processes.

Traps, interceptors and separators shall be installed:

- (a) operators of a food services operation that adds kitchen equipment that discharges oil and grease;
- (b) operators of a food services operation that discharges non-domestic waste to sewer that exceeds any of the restricted waste criteria specified in Liberty Utilities BMSC-CP-01-DEF; or
- (c) any food service operation, as determined by Liberty Black Mountain's wastewater operations group.
- (d) at new facilities
- (e) at existing food service facilities, not equipped with a trap, interceptor or separator, when additions, alterations or remodel are done which increase servicing volume, seating capacity, , etc.
- (f) at existing food service facilities, equipped with a trap, interceptor or separator, when additions, alterations or remodel are done which increase servicing volume, seating capacity, changes to the menu, etc.
- (g) at any non-food facilities when additions, alterations, or remodeling is proposed for the purpose of food preparation and service.
- (h) at existing facilities not equipped with a trap, interceptor or separator, which is proposed for the purpose of food preparation and service.

Definitions are included in Liberty Utilities BMSC-01-DEF.

II. DISCHARGE REGULATIONS

An operator of a Food Service Operation must not discharge waste, which at the point of discharge into a sewer, contains:

1. Prohibited waste, restricted waste, special waste, storm water, or uncontaminated water.

III. GREASE INTERCEPTORS

Grease interceptors are required to be installed and maintained by the Owner of food service operations within the collection system of Liberty Black Mountain facilities. Grease interceptor installations shall conform to the requirements of this code of practice.

Interceptors, such as grease, oil, or sand shall be provided by laundries, restaurants, service stations, auto repair shops, carwashes and other industrial users when, in the opinion of Liberty Black Mountain, interceptors are necessary for the proper handling of wastewater containing oil and grease or sand or any flammable wastes. Such interceptors shall not be required for domestic users.

Construction:

All traps, interceptors and separators shall be constructed of impervious materials capable of withstanding abrupt

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and extreme changes in temperature. New or upgraded grease device shall have a three-lid manhole, properly sized per Table 1. Traps, interceptors and separators shall be watertight, and equipped with easily removable covers. Covers shall be gastight and watertight.

Cleaning and Maintenance:

Cleaning and maintenance must be performed when total volume of captured oil, grease and solids material displaces more than twenty-five (25) percent of the total volume of the trap, interceptor or separator or when the pH of a sample taken from the effluent side of the interceptor drops below 5.0 or when odor generation becomes a health issue or when the Liberty Black Mountain inspection determines a cleaning is necessary.

Maintenance Records:

All traps, interceptors and separators shall be maintained by the user in efficient operating condition at all times. Written records and documentation of all cleaning, repair, calibration, and maintenance shall be maintained at the facility for a minimum of three (3) years and be made available upon request.

Maintenance Inspection:

All traps, interceptors and separators shall be inspected by Liberty Black Mountain representative during normal working hours. Inspection results shall be made available to person, firm or corporation in reasonable charge of the traps, interceptors and separators. Liberty Black Mountain representative shall require correction in order to enforce Liberty Black Mountain pretreatment code of practices.

Skimming:

Skimming, decanting or discharging of removed waste or wastewater back into any traps, interceptors and separators or any appurtenance of the wastewater collection system is strictly prohibited.

Pumping:

All oil, sand and grease interceptors shall be pumped out or cleaned out completely not less than once every ninety (90) calendar days. Grease traps must be cleaned out completely not less than once every thirty (30) calendar days. Traps and interceptors shall be cleaned more frequently when necessary or required.

Bacteria as a Substitute:

The use of bacteria additives as a supplement to maintenance may be authorized by Liberty Black Mountain when a written request is made to the Liberty Black Mountain, which includes material safety data sheets. The addition of emulsifiers, de-emulsifiers, surface active agents, enzymes, or degreasers directly or into any drain leading to any grease removal device is strictly prohibited unless approved by Liberty Black Mountain.

Use:

Traps, interceptors and separators shall be single user only. When an interceptor can be safely used by multiple users (e.g., food courts), multiple users may be allowed when approved by Liberty Black Mountain. Multiple facilities operated by the same person, firm or corporation may be allowed to connect to a single interceptor with approval from Liberty Black Mountain. The person, firm or corporation in reasonable charge of the trap, interceptor or separator shall take any and all steps necessary to assure adequacy which includes repair, modification or replacement.

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Alternate Devices and Technology:

Alternative devices and technologies shall be submitted to Liberty Black Mountain for approval before any such device is installed. The service facility will be required to furnish analytical data demonstrating the effluent discharge concentration to Liberty Black Mountain's wastewater collection system will not exceed those listed in Liberty Utilities BMSC-CP-01-001.

Sizing:

All traps, interceptors and separators shall be properly sized per Table 1. When an interceptor is sized less than five hundred (500) gallons or more than two thousand five hundred (2,500) gallons, the person, firm or corporation making the permit application shall first meet with Liberty Black Mountain to verify the reduced or increased size has been correctly calculated and that no other options are available.

Size Modification:

Modifying the size of any trap or interceptor shall only be done when sizing per Table 1 allows the modification. Modifying the size of any trap or interceptor shall not be done without the approval of Liberty Black Mountain.

Domestic Wastewater:

Domestic wastewater shall not be discharged to the interceptor.

Minimization Plan:

All facilities required to install and operate a trap, interceptor or separator shall develop and implement a Waste Minimization Plan pertaining to the disposal of grease, oils, and food bearing wastes.

Best Management:

All establishments requiring a trap, interceptor or separator shall adopt BMP's (Best Management Practices) for handling sources of floatable oils, fat or grease originating within their facility. Proof of employee training in BMP's shall be shown to Liberty Black Mountain upon request.

Other Fixtures:

Toilets, urinals, and other similar fixtures shall not discharge through a grease interceptor.

Minimization Program:

The applicant shall establish and submit a written waste minimization plan (maintenance program) outlining specific methods (Best Management Practices) that the facility will use on a daily basis to reduce the discharge of oil and grease as well as solids from entering the interception device and ultimately, the Liberty Black Mountain sewer system. This plan shall be acceptable to and approved by Liberty Black Mountain. The approved document shall accompany the permit application.

Discharge Permit:

This document will be used in lieu of a discharge permit to assist with enforcing all Liberty Black Mountain's codes of practices.

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Grease interceptors and automatic grease removal devices required:

A grease interceptor or automatic grease removal device shall be required to receive the drainage from fixtures and equipment with grease-laden waste located in food preparation areas, such as in restaurants, hotel kitchens, hospitals, school kitchens, bars, factory cafeterias, caterers, nursing homes, day care center, churches and clubs. Fixtures and equipment shall include pot sinks, pre-rinse sinks; soup kettles or similar devices; work stations; floor drains or sinks into which kettles are drained; automatic hood wash units and dishwashers without pre-rinse sinks. Grease interceptors and automatic grease removal devices shall receive waste only from fixtures and equipment that allow fats, oils or grease to be discharged. Interceptors, such as grease, oil or sand shall be provided at laundries, restaurants, service stations, auto repair shops, carwashes and other industrial users when the proper handling of wastewater containing oil and grease or sand or any flammable wastes is necessary.

Location:

All Interceptors shall be approved and shall be located to be readily and easily accessible for cleaning and inspection.

Food waste grinder:

Where food waste grinders connect to grease interceptors, a solids interceptor shall separate the discharge before connecting to the grease interceptor. Solids interceptors and grease interceptors shall be sized and rated for the discharge of the food waste grinder. Emulsifiers, chemicals, enzymes and bacteria shall not discharge into the food waste grinder. Liberty Black Mountain shall require any user to cease operation of a garbage grinder and permanently remove such equipment when it is determined that the grinder is imposing any adverse effect on interceptor function.

Grease interceptor capacity:

Grease interceptors shall have the grease retention capacity indicated in Table 1 for the flow-through rates indicated. Liberty Black Mountain shall make determinations of interceptor adequacy and need, based on review of all relevant information regarding interceptor performance, facility site and building plan review and to require repairs to, modifications, or replacement of such traps.

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TABLE 1 - CAPACITY OF GREASE INTERCEPTORS - EPA-2 Model

A. Determine maximum drainage flow from fixtures:					
Type of Fixture	Total Fixtures		Flow Rate	=	Amount
Restaurant kitchen sink	_____	X	15 gpm	=	_____
Single compartment sink	_____	X	20 gpm	=	_____
Double compartment sink	_____	X	25 gpm	=	_____
2, single compartment sinks	_____	X	25 gpm	=	_____
2, double compartment sinks	_____	X	35 gpm	=	_____
Triple sink 1.5 inch drain	_____	X	35 gpm	=	_____
Triple sink 2 inch drain	_____	X	50 gpm	=	_____
30 gallon dishwasher	_____	X	15 gpm	=	_____
50 gallon dishwasher	_____	X	25 gpm	=	_____
50--100 gallon dishwasher	_____	X	40 gpm	=	_____
B. Total	Number of fixtures			=	_____ gpm
C. Loading Factors					
Restaurant type	Fast food-paper delivery			=	.50
	Low volume			=	.50
	Medium volume			=	.75
	High Volume			=	1.0
D. $B \times C = D$, subtotal					
E. $D \times 60 = \text{Subtotal} \times 60 \text{ minutes} = E$, maximum flow for one (1) hour, in gallons					
F. $E \times 2 = \text{maximum flow for one hour times two (2) hours retention time (based on restaurant volume)} = F$, volume of trap in gallons = _____					

Access and maintenance of traps, interceptors, and separators:

Complete access shall be provided to each interceptor and separator for service, maintenance and inspection of the inner chamber(s) and viewing and sampling of effluent wastewater discharged to the sewer. Interceptors and separators shall be maintained by periodic removal of accumulated grease, scum, oil, or other floating substances and solids deposited in the interceptor or separator.

Periodic Inspection:

All traps, interceptors and separators shall be subject to periodic inspections by Liberty Black Mountain during normal operating hours. These inspections can be based on an annual inspection or when a complaint is registered with Liberty Black Mountain regarding a grease-removal device. Should the inspection of any trap, interceptor or separator indicate a violation of any item in (1) thru (3) below, the person, firm or corporation in reasonable charge shall bring the device into compliance within the timeframe noted on the notice of violation, but not longer than fourteen (14) calendar days.

- (1) If twenty-five (25) percent of the interceptor is full; both surface (oil and grease) and bottom (solids).
- (2) When OSHA (Occupational, Safety and Health Administration) atmospheric levels of Hydrogen Sulfide limits have been exceeded - "Short Term Exposure Limit" (STEL) of fifteen (15) ppm over a fifteen-minute time-

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weighted average. When the "Immediately Dangerous to Life and Health" (IDLH) level is 100 ppm or above, immediate action shall be performed to return the level of Hydrogen Sulfide to safe and acceptable limits. If the violation cannot be immediately resolved, all use of the Trap, Interceptor or Separator shall cease until compliance is obtained.

(3) When pH in the effluent chamber falls below 5.0 - which is an unhealthy anaerobic interceptor condition.

Maintenance:

Any trap, interceptor or separator not adequately maintained to prevent floatable oils, fat or grease from entering the sewerage system or produce excessive odors shall be in violation of Liberty Black Mountain codes of practice.

Clearing Obstructions:

Liberty Black Mountain shall take appropriate action to clear any obstruction of the Liberty Black Mountain sewer that causes a sewer overflow. When the obstruction is found to be caused by an over-burdened or non-maintained trap, interceptor or separator, the person, firm or corporation in reasonable charge of the trap, interceptor or separator reimbursement of Liberty Black Mountain costs associated with clean-up efforts including any fines leveled against Liberty Black Mountain. Any establishments that continuously violates Liberty Black Mountain codes of practice shall be subject to having sewer service discontinued.

Contain and/or Clean Up:

Should Liberty Black Mountain find it necessary to contain and/or clean up a private sanitary sewer overflow caused by blockage of private or public sewer lateral or system, all associated cost shall be the responsibility of the person, firm or corporation in reasonable charge of the property.

Repairs or Replacements:

When repairs or replacements are necessary to a trap, interceptor or separator, all repairs or replacements shall be completed within the time frame stated on the notice to comply. Liberty Black Mountain may authorize a time extension, not to exceed thirty (30) days, for justifiable cause.

Grease Removal:

The person, firm or corporation in reasonable charge shall remove and dispose of grease at a facility permitted to receive and process such waste. Cleaning frequencies shall be dependent on the amount of oil, grease or solids generated at each operation, the size of the grease trap or interceptor, and the approved written waste minimization program, but not to exceed thirty-day intervals for traps and ninety-day intervals for interceptors. Traps and interceptors shall be cleaned by a licensed contractor.

Interference, Operation and Odors:

Any facility whose effluent discharge into the sewerage system causes interference in the conveyance system, operation of the sewerage system, or emits excessive odors shall be required to sample the discharge from the trap, interceptor or separator and have it analyzed for oil and grease and sulfides, total and dissolved. Results of the analysis shall be immediately reported. Liberty Black Mountain may sample the grease interception device at any time, utilizing Liberty Black Mountain representatives. The person, firm or corporation in reasonable charge shall be responsible for any and all associated cost of such testing or sampling.

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IV. RECORD KEEPING AND RETENTION

An operator of a food services operation must keep a record at the food services operation of all grease interceptor inspection and maintenance activities including:

- (a) the date of inspection or maintenance;
- (b) the maintenance conducted;
- (c) the type and quantity of material removed from the grease interceptor; and
- (d) the location of disposal of the material removed from the grease interceptor.

The records shall be retained for a period of three years, and shall be available on request by an company representative.

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LIBERTY UTILITIES (BLACK MOUNTAIN SEWER) CORP.

CODE OF PRACTICE (Liberty Utilities BMSC-CP-01-005)

SECTION 5 - PHOTOGRAPHIC IMAGING OPERATIONS

I. APPLICATION

This code of practice for photographic imaging operations defines mandatory requirements for managing non-domestic waste discharged directly or indirectly into a sewer connected to a sewage facility.

This code of practice applies to photographic imaging operations. Definitions are included in Liberty Utilities BMSC-CP-01-DEF.

II. DISCHARGE REGULATIONS

An operator of a photographic imaging operation must not discharge waste which, at the point of discharge into a sewer, contains:

- (a) silver in a concentration that is in excess of prescribed local limit analyzed in a grab sample; or
- (b) prohibited waste, restricted waste, special waste, storm water, or uncontaminated water as defined in Liberty Utilities BMSC-CP-01-DEF.

An operator of a photographic imaging operation that produces liquid waste containing silver must either:

- (a) collect and transport the waste from the photographic imaging operation for off-site waste management; or
- (b) treat the waste at the photographic imaging operation site prior to discharge to the sewer using one of the following silver recovery technologies:
 - (i) two chemical recovery cartridges connected in a series;
 - (ii) an electrolytic recovery unit followed by two chemical recovery cartridges connected in series; or
 - (iii) any other silver recovery technology, or combination of technologies, capable of reducing the concentration of silver in the waste to 1.2 mg/L or less where valid analytical test data has been submitted to and accepted by the Liberty Black Mountain wastewater group.

An operator of a photographic imaging operation must install and maintain silver recovery technology according to the manufacturer's or supplier's recommendations.

An operator of a photographic imaging operation must collect all liquid waste containing silver in a holding tank and must deliver this waste to the chemical recovery cartridges using a metering pump.

An operator of a photographic imaging operation must calibrate the metering pump at least once per year.

Spill/Leak Prevention

An operator of a photographic imaging operation must locate the silver recovery system in such a manner that an accidental spill, leak or container failure will not result in liquid waste containing silver in concentrations greater than 1.2 mg/L entering any sewer.

If a location referred to above is not available, an operator of a photographic imaging operation must do one of the following:

- (a) install spill containment to contain spills or leaks from the silver recovery system; or

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- (b) cap all floor drains into which liquid spilled from the silver recovery system would normally flow.

Testing

When using two separate chemical recovery cartridges, an operator of a photographic imaging operation must test the discharge from the first cartridge for silver content at least once per month using either silver test paper or a portable silver test kit.

When the discharge from the first chemical recovery cartridge referred to above cannot be sampled, an operator of a photographic imaging operation must:

- (a) install a cumulative flow meter on the silver recovery system; and
 (b) test the discharge from the second chemical recovery cartridge once per week using silver test paper or a silver test kit.

Cartridge Replacement

An operator of a photographic imaging operation must replace the chemical recovery cartridges when any one of the following occurs:

- (a) the manufacturer's or supplier's recommended expiry date, as shown on each cartridge, has been reached;
 (b) eighty percent (80%) of the manufacturer's or supplier's maximum recommended capacity, or total cumulative flow, for each cartridge has been reached;
 (c) test data, using silver test paper or a silver test kit, indicates that the discharge from the first cartridge is greater than 1000 mg/L; or
 (d) analytical data using a method of analysis outlined in standard methods, or an alternative method of analysis approved by the manager, having a method detection limit of 0.5 mg/L silver or lower, indicates that the concentration of silver in the discharge from the silver recovery system is greater than, or equal to, 1.2 mg/L.

III. RECORD KEEPING AND RETENTION

An operator of a photographic imaging operation that uses a silver recovery system must keep, at the photographic imaging operation site, an operation and maintenance manual pertaining to all equipment used in the silver recovery system.

An operator of a photographic imaging operation that uses two chemical recovery cartridges connected in series must keep a record book at the photographic imaging operation site which includes the following information recorded for the previous two years:

- (a) serial number of each chemical recovery cartridge used;
 (b) installation date of each chemical recovery cartridge used;
 (c) expiry date of each chemical recovery cartridge used (where provided by manufacturers or suppliers);
 (d) maximum recommended capacity, or total cumulative flow, of each chemical recovery cartridge used;
 (e) dates of all metering pump calibrations;
 (f) monthly silver test results on the discharge from the first chemical recovery cartridge; or where the discharge from the first cartridge cannot be sampled, weekly silver test results on the discharge from the second chemical recovery cartridge and weekly cumulative flows through the silver recovery system; and
 (g) dates and descriptions of all operational problems associated with the chemical recovery cartridges and remedial actions taken.

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¹ If treatment of liquid waste with two chemical recovery cartridges connected in series is the only silver recovery technology being used, then the owner of the photographic imaging operation must replace both chemical recovery cartridges when one of the events referred to occurs.

If treatment of liquid waste with two chemical recovery cartridges connected in series is used following treatment by an electrolytic recovery unit, the second cartridge may replace the used first cartridge and a new second cartridge may be installed when one of the events referred to occurs.

Both chemical recovery cartridges used following an electrolytic recovery unit must be replaced by the operator of the photographic imaging operation when one of the events referred to above occurs if this is recommended by the manufacturer or supplier of the cartridges.

An operator of a photographic imaging operation that uses an electrolytic recovery unit in addition to two chemical recovery cartridges connected in series must keep a record book at the photographic imaging operation site which includes the following information recorded for the previous two years:

- (a) all information specified above;
- (b) date of each removal of silver from the electrolytic recovery unit;
- (c) date of each maintenance check on the electrolytic recovery unit;
- (d) dates and descriptions of all operational problems associated with the electrolytic recovery unit anti remedial actions taken.

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Responsible Agent: Operations

DECISION NO. 75510

LIBERTY UTILITIES (BLACK MOUNTAIN SEWER) CORP.

CODE OF PRACTICE (Liberty Utilities BMSC-CP-01-006)

SECTION 6 - RV PARK OPERATIONS

I. APPLICATION

This code of practice for RV park operations defines the requirements for managing waste discharged directly or indirectly into a sewer connected to a sewage facility from RVs, mobile homes, trailers, watercraft and other sources which employ storage, chemical disinfection/stabilization and discharge as a waste disposal mechanism.

This code of practice applies to all RV park operations. Definitions are included in Liberty Utilities BMSC-CP-01-DEF.

II. DISCHARGE REGULATIONS

An operator of an RV park operation must not discharge waste, which at the point of discharge into a sewer, contains:

- (a) prohibited waste, restricted waste, special waste, storm water, or uncontaminated water.

If the RV park operation accepts RV customers with the intention of providing sewerage hook-ups, that practice is only acceptable if one of the following conditions is met:

1. If the RV park operation has a dedicated pre-treatment facility, that facility must be used for the disposal of the first discharge of wastewater from any entering RVs. The facility must be maintained as per manufacturer's or engineer's operating instructions. Discharge from that facility which is directed to a sewer connected to a sewerage facility shall be metered such that large slugs of waste are not introduced to the sewer instantaneously. Discharges from such facilities to sewers are limited to 10% of the average daily sewerage flow (in USGPM) experienced in the sewer.
2. In the absence of a dedicated pre-treatment facility, the RV park operation shall require incoming RVs to certify that, prior to connection to a sewer, that the holding tanks of the RV have been discharged at an approved facility.

III. RECORD KEEPING AND RETENTION

An operator of an RV park operation must keep a record at the RV park operation of:

1. All disposals of RV waste into a dedicated pre-treatment facility;
2. Pre-treatment facility inspection and maintenance activities including:
 - a. the date of inspection or maintenance;
 - b. the maintenance conducted; and
 - c. the type and quantity of material removed from the facility;
3. Certifications of waste disposal prior to hook up of RVs to sewer services.

The records shall be retained for a period of two years, and shall be available on request by a Liberty Black Mountain representative.

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LIBERTY UTILITIES (BLACK MOUNTAIN SEWER) CORP.

CODE OF PRACTICE (Liberty Utilities BMSC-CP-01-007)

SECTION 7 – PRETREATMENT/INDUSTRIAL WASTE CONTROL

I APPLICATION

This Section is adopted by Liberty Black Mountain in accordance with the authority conferred in the Clean Water Act, and any regulations implementing the Clean Water Act, including, but not limited to, 40 CFR 403.8, applicable Arizona Revised Statutes, including but not limited to 49 A.R.S. 2, applicable Arizona Administrative Code, including but not limited to 18 A.A.C. 9 and 18. A.A.C. 11, and with all the powers thereof which are specifically granted to Liberty Black Mountain, or are necessary or incidental to or implied from power specifically granted therein for carrying out the objectives and purposes of Liberty Black Mountain and this Section.

II. COMPLIANCE

The Pretreatment/Industrial Waste Control Program is designed to enable Liberty Black Mountain to comply with all conditions of any applicable Aquifer Protection Permit (APP), AZPDES discharge permit, Federal Pretreatment Regulations, Arizona Pretreatment Regulations, and any applicable sludge disposal regulations, and to meet the following objectives:

1. To prevent the introduction of pollutants into the Company's Facilities which will interfere with the operation of the wastewater systems or contaminate the sludge.
2. To prevent the introduction of pollutants into the wastewater system which will pass through the wastewater system, inadequately treated, into the receiving waters or the atmosphere.
3. To prevent the introduction of pollutants into the wastewater system which might constitute a hazard to humans or to animals.
4. To assure the Company's ability to recycle and reclaim wastewater and sludge.
5. To protect human health and welfare, the environment, property and the Company's wastewater system.

II. DISCHARGE REGULATIONS

A. General Discharge Limitations

No customer shall contribute or cause to be contributed, directly or indirectly, any pollutant or wastewater which will interfere with the operation or performance of Liberty Black Mountain's's wastewater system. These general prohibitions apply to all customers of Liberty Black Mountain whether or not the customer is subject to National Categorical Pretreatment Standards or any other national, State, Liberty Black Mountain , or local pretreatment standards or requirements.

B. Specific Discharge Limitations

No User shall discharge into the Liberty Black Mountain wastewater system or into any connected sewer system at any time or over any period of time, wastewater containing any of the materials and substances in excess of the limitations provided under Section B "Restricted Waste". The specified limitations may also be imposed directly on process wastewaters prior to dilution by domestic and other wastewaters discharged by a customer.

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Once promulgated, National Categorical Pretreatment Standards for a particular industrial subcategory, if more stringent, shall supersede all conflicting discharge limitations contained in this Section 7, as they apply to that industrial subcategory.

State requirements and limitations on discharges shall apply in any case where they are more stringent than federal requirements and limitations or those contained elsewhere in this Code.

C. Prohibited Discharges

None of the following described sewage, water, substances, materials, or wastes shall be discharged into the Liberty Black Mountain wastewater system or into the sewer system by any customer, and each governing body of any applicable Service Provider shall prohibit and shall prevent such discharges by any Liberty Black Mountain customer, either directly or indirectly, into its sewer system:

- (a) Any liquids, solids or gases which by reason of their nature or quantity are, or may be, sufficient either alone or by interaction with other substances to cause fire or explosion or be injurious in any other way to the Liberty Black Mountain wastewater system, the sewer system of a Service Provider or any of its connectors, or to the operation of Liberty Black Mountain. At no time shall any reading on an explosion hazard meter, at the point of discharge into the Liberty Black Mountain wastewater system or the sewer system of a Service Provider or any of its customers (or at any point in the wastewater systems), or at any monitoring location designated by Liberty Black Mountain in a wastewater contribution permit, be more than ten percent (10%) of the Lower Explosive Limit (LEL) of the meter. Prohibited materials include, but are not limited to, gasoline, kerosene, naphtha, benzene, toluene, xylene, ethers, alcohols, ketones, aldehydes, peroxides, chlorates, perchlorates, tetrachloroethylene, perchloroethylene, bromates, carbides, hydrides, and sulfides.
- (b) Any solid or viscous material which could cause an obstruction to flow in the sewers or in any way could interfere with the treatment process, including as examples of such materials but without limiting the generality of the foregoing, significant proportions of ashes, wax, paraffin, cinders, sand, mud, straw, shavings, metal, glass, rags, lint, feathers, tars, plastics, wood and sawdust, paunch manure, hair and fleshings, entrails, lime slurries, beer and distillery slops, grain processing wastes, grinding compounds, acetylene generation sludge, chemical residues, acid residues, food processing bulk solids, snow, ice, and all other solid objects, material, refuse, and debris not normally contained in sanitary sewage.
- (c) Any wastewater having a pH less than 5.5 for discharges from Industrial Customers into the Liberty Black Mountain wastewater system or the sewer system of a Service Provider or that of any of its Customers, or less than 5.5 or greater than 10.5 for other discharges into the Liberty Black Mountain wastewater system, or wastewater having any other corrosive property capable of causing damage or hazard to any part of the Liberty Black Mountain wastewater system or the sewer system of a Service Provider or any of its Customers, or to personnel.
- (d) Any wastewater having a temperature which will inhibit biological activity at the Liberty Black Mountain treatment plant, but in no case wastewater containing heat in such amounts that the temperature at the introduction into the Liberty Black Mountain wastewater treatment exceeds 40°C (104°F).
- (e) Any pollutants, including oxygen demanding pollutants (BOD, COD, etc.) released at a flow rate and/or pollutant concentration which cause Upset. In no case shall a slug load have a flow rate or contain concentrations or qualities of pollutants that exceed for any time period longer than fifteen (15) minutes more than five (5) times the average twenty-four (24) hour concentration, quantities, or flow during normal operation.
- (f) Any water or wastes containing a toxic substance (such as Chlorine from large swimming pools over 25,000 gallons, etc.) in sufficient quantity, either singly or by interaction with other substances, to injure or interfere with any sewage treatment process, to constitute a hazard to humans or to animals, or to create any hazard or toxic effect in the waters which receive the treated or untreated sewage.
- (g) Petroleum oil, non-biodegradable cutting oil, or products of mineral oil origin, each in amounts that will cause interference.

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- (h) Pollutants which result in the presence of toxic gases, vapors, or fumes within the system in a quantity that may cause acute worker health and safety problems.
- (i) Any trucked or hauled pollutants except at discharge points designated by Liberty Black Mountain.
- (j) Any water or wastes containing pollutant quantities or concentrations exceeding the limitations in Section 7 of this Code of Practice, or the limitations in any applicable Categorical Standards.

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III. HAZARDOUS WASTE DISCHARGE NOTICE

Any customer disposing of industrial waste shall notify Liberty Black Mountain, the EPA Regional Waste Management Division Director, and the state hazardous waste authorities in writing of any discharge into the Liberty Black Mountain wastewater system of any substance which, if otherwise disposed of, would be considered a hazardous waste under 40 CFR Part 261. The specific information required to be reported and the time frames in which it is to be reported are found at 40 CFR §403.12(p).

IV. REPORTING REQUIREMENTS FOR SIGNIFICANT INDUSTRIAL USERS

[RESERVED]

V. MONITORING BMSC FACILITIES

Liberty Black Mountain may require to be provided and operated, at the customer's own expense, monitoring facilities to allow inspection, sampling, and flow measurement of any discharges as necessary to determine compliance with the provisions of this Code.

There shall be ample room in or near such sampling manhole or facility to allow accurate sampling and preparation of samples for analysis. The facility, sampling, and measuring equipment shall be maintained at all times in a safe and proper operating condition at the expense of the customer.

The sampling and monitoring facilities shall be provided in accordance with Liberty Black Mountain's requirements and all applicable local construction standards and specifications. Construction shall be completed within such a time frame as Liberty Black Mountain shall specify by written notification.

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Responsible Agent: Operations

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LIBERTY UTILITIES (BLACK MOUNTAIN SEWER) CORP.

CODE OF PRACTICE (Liberty Utilities BMSC-CP-01-008)**SECTION 8 – NONCOMPLIANCE / ENFORCEMENT****I. NOTICE OF VIOLATIONS**

Whenever Liberty Black Mountain determines that any customer has violated or is violating any provision of this Code, or any directives, orders, or permits issued or approved to which Liberty Black Mountain is bound, Liberty Black Mountain may serve upon such customer a written notice ("Notice") stating the nature of the violation(s) in accordance with A.A.C. R14-2-609.C, and requiring that the customer correct the violation(s) within a specified period of time; perform such tasks as Liberty Black Mountain determines are necessary for the customer to correct the violations; or perform such tasks and submit such information as is necessary for Liberty Black Mountain to evaluate the extent of noncompliance or to determine appropriate enforcement actions to be taken in conjunction with the applicable regulatory agencies. A copy of the Notice shall also be provided to the Director of the Utilities Division of the Arizona Corporation Commission.

II. SUSPENSION OF SERVICE

If the customer does not cure the violation, or present a satisfactory plan of remediation to Liberty Black Mountain, within the time specified in the Notice, then Liberty Black Mountain may suspend or disconnect wastewater treatment service in accordance with A.A.C. R14-2-609.C.

In addition, Liberty Black Mountain may suspend wastewater treatment service, in accordance with A.A.C. R14-2-609.B (without notice), when such suspension is necessary, in the opinion of Liberty Black Mountain, in order to stop an actual or threatened discharge which presents or may present an imminent or substantial endangerment to the health or welfare of persons, to the environment, or causes to violate any condition of its aquifer protection permit, AZPDES discharge permit, or any applicable sludge disposal regulations.

Any customer notified of an immediate suspension of the wastewater treatment service shall immediately stop or eliminate the discharge. In the event of a failure of the customer to comply voluntarily with the cease and desist request, the Liberty Black Mountain shall take such steps as deemed necessary, including immediate severance of the sewer connection and/or immediate disconnection of the water service, to prevent or minimize damage to the company's wastewater system or endangerment to any individuals or the environment. Any action that results in the immediate suspension of service, or disconnection, of a customer shall be reported to the Director of the Utilities Division of the Arizona Corporation Commission and Maricopa County Environmental Services Department (MCESD) within twenty-four (24) hours of the suspension or disconnection. Any reconnection of the affected customer shall be in accordance with the Liberty Black Mountain Tariff for which the customer must pay the cost of disconnection and reconnection, plus the cost of parts and installation of an Elder valve (or similar equipment) to allow for easier disconnection in the event of a repeated discharge offense by customer.

Approved: _____

Responsible Agent: Operations

DECISION NO. 75510

RATIONAL AND JUSTIFICATION FOR LOCAL LIMITS

CONVENTIONAL CONTAMINANTS

These limits are consistent with influent loading design parameters for the facility and with other similar sewerage systems in the area. They represent the maximum limits that can be accepted at the headworks and the values are similar to maximum values found in domestic wastewater.

TRACE INORGANIC CONTAMINANTS

These limits were developed to maintain compliance with the aquifer protection and AZPDES permit limits at Liberty Utilities (Black Mountain Sewer) Corp. In considering the waste load allocation for industries, background concentrations in domestic wastewater and the target permit limits at the water reclamation facility were considered. The maximum allowable concentrations that can be allocated to industries were identified while considering the dilution factors that occur in the sewerage system with background wastewater flows.

ARTICLE 5
PRETREATMENT/INDUSTRIAL WASTE CONTROL

5.1 General.

5.1.1 Authority:

This Article 5 is adopted by Liberty Utilities (Black Mountain Sewer) Corp. (Liberty Black Mountain) in accordance with the authority conferred in the Clean Water Act, and any regulations implementing the Clean Water Act, including, but not limited to, 40 CFR 403.8, applicable Arizona Revised Statute, including but not limited to 49 A.R.S. 2, applicable Arizona Administrative Code, including but not limited to 18 A.A.C. 9 and 18. A.A.C. 11, and with all the powers thereof which are specifically granted to Liberty Black Mountain, or are necessary or incidental to or implied from power specifically granted therein for carrying out the objectives and purposes of the Liberty Black Mountain and this Article 5. The provisions in this Article 5 shall be called the Pretreatment/Industrial Waste Control Program of the Liberty Black Mountain.

5.1.2 Compliance:

The Pretreatment/Industrial Waste Control Program of the Liberty Utilities (Black Mountain Sewer) Corp. (Liberty Black Mountain) is designed to enable the Liberty Black Mountain to comply with all conditions of its Arizona Pollutant Discharge Elimination System (AZPDES) Permit, Federal Pretreatment Regulations, Arizona Pretreatment Regulations, and any applicable sludge disposal regulations, and to meet the following objectives:

- (a) To prevent the introduction of pollutants into the Liberty Black Mountain Liberty Black Mountain Facilities which will interfere with the operation of the Wastewater Systems or contaminate the sludge.
- (b) To prevent the introduction of pollutants into the Wastewater System which will pass through the Wastewater System, inadequately treated, into the receiving waters or the atmosphere.
- (c) To prevent the introduction of pollutants into the Wastewater System which might constitute a hazard to humans or to animals.
- (d) To assure the Liberty Black Mountain Liberty Black Mountain's ability to recycle and reclaim Wastewater and sludge.
- (e) To protect human health and welfare, the environment, property and the Liberty Black Mountain Liberty Black Mountain's Wastewater System.

PART A
RULES AND REGULATIONS FOR INDUSTRIAL/PRETREATMENT USERS

5.2 Applicability.

- (a) A User is any non-domestic discharger who contributes, causes, or permits the contribution of wastewater into the Liberty Black Mountain's wastewater collection and City of Scottsdale's POTW.
- (b) Any User, the sewage from which directly or indirectly enters the Wastewater System of the Liberty Black Mountain from an area within or without the boundaries (through a Service Provider) of the Liberty Black Mountain, shall be subject to the requirements of this Part and shall be bound by these Rules and Regulations as they now exist or may hereafter be amended. Such Rules and Regulations may be enforced against any User.

5.3 General Discharge Prohibitions.

No User shall contribute or cause to be contributed, directly or indirectly, any pollutant or wastewater which will interfere with the operation or performance of the Liberty Black Mountain's Wastewater System. These general prohibitions apply to all such Users of the Liberty Black Mountain's Wastewater System whether or not the User is subject to national categorical pretreatment standards or any other national, State, Liberty Black Mountain, or local pretreatment standards or requirements: A User may not discharge any of the sewage, water, substances, materials, or wastes listed in Articles 5.4, 5.27, 5.28, 4.29 of these Rules and Regulations.

5.4 Specific Discharge Limitations – Users.

5.4.1 Liberty Black Mountain Limitations:

No User shall discharge into the Liberty Black Mountain Wastewater System or into any connected sewer system at any time or over any period of time, Wastewater containing any of the following materials and substances in excess of the limitations provided herein. These limitations may also be imposed directly on process wastewaters prior to dilution by domestic and other Wastewaters discharged by the User:

ORGANIC CONTAMINANTS ($\mu\text{g/L}$)	
Benzene	35
Chloroform	2,000
4,4' - DOE	Not allowed
4,4' - DDT	Not allowed
Aldrin	Not allowed
BHC-Alpha	Not allowed
BHC-Gamma (Lindane)	Not allowed
Heptachlor	Not allowed
Heptachlor Epoxide	Not allowed
Polychlorinated biphenyl compounds (PCBs)	Not allowed

PARAMETER	Daily Average Effluent Limitation (mg/L)
Arsenic (As)	0.13
Cadmium (Cd)	0.047
Copper (Cu)	1.5
Cyanide (CN)	2.0
Lead (Pb)	0.41
Mercury (Hg)	0.0023
Selenium (Se)	0.10
Silver (Ag)	1.2
Zinc	3.5

*Notwithstanding these numeric limitations, the discharge of dry-cleaning process wastes, including new and used tetrachloroethene (perchloroethylene), still bottom oil, and separator water, is prohibited entirely. Where necessary the may require that these wastes be physically prevented from discharging into the Liberty Black Mountain's Wastewater System.

5.4.2 General Requirements Regarding Deleterious Wastes.

None of the following described sewage, water, substances, materials or waste shall be discharged into the Liberty Black Mountain's Wastewater System; and each governing body of each Service Provider shall prohibit and shall prevent any discharges from any outlet into its sewer system, if such discharges cause or significantly contribute to a violation of any of the requirements contained herein:

- (a) Sewage of such a nature and delivered at such a rate as to impair the hydraulic capacity of the Liberty Black Mountain's Wastewater System, normal and reasonable wear and usage excepted.
- (b) Sewage of such a quantity, quality, or other nature as to impair the strength or the durability of the sewer structures, equipment or treatment works, either by chemical or by mechanical action.
- (c) Sewage having a flash point lower than 187°F, as determined by the test methods specified in 40 CFR §261.21.
- (d) Any radioactive substance, the discharge of which, does not comply with Article 4, Appendix B of the AAC, Title 12, Chapter 1.
- (e) Any garbage other than that received directly into the Service Provider's sewer system from domestic and commercial garbage grinders in dwellings, restaurants, hotels, stores, and institutions, by which such garbage has been shredded to such a degree that all particles will be carried freely under flow conditions normally prevailing in public sewers with no particle greater than one-half (1/2) inch in any dimension.
- (f) Any night soil or septic tank pumpage, except by permit in writing from the Liberty Black Mountain at such points and under such conditions as the Liberty Black Mountain may stipulate in each permit.
- (g) Sludge or other material from sewage or industrial waste treatment plants or from water treatment plants, except such sludge or other material, the discharge of which to the Liberty Black Mountain Wastewater System shall be governed by the provisions of these Rules and Regulations or any Connector Agreement or as otherwise authorized by the Liberty Black Mountain.
- (h) Water which has been used for cooling or heat transfer purposes without recirculation, discharged from any system of condensation, air conditioning, refrigeration, or similar use.
- (i) Water accumulated in excavations or accumulated as the result of grading, water taken from the ground by well points, or any other

- drainage associated with construction.
- (j) Any water or wastes containing grease or oil and other substances that will solidify or become discernibly viscous at temperatures between 32°F and 150°F except by permit in writing from the Liberty Black Mountain at such points and under such conditions as the Liberty Black Mountain may stipulate in each permit.
 - (k) Any wastes that contain a corrosive, noxious, or malodorous material or substance which, either singly or by reaction with other wastes, is capable of causing damage to the Liberty Black Mountain's Wastewater System or to any part thereof, of creating a public nuisance or hazard, or of preventing entry into the sewers for maintenance and repair.
 - (l) Any wastes that contain concentrated dye wastes or other wastes that are either highly colored or could become highly colored by reacting with any other wastes, except by permission of the Liberty Black Mountain.
 - (m) Any wastes which are unusual in composition; i.e., contain an extremely large amount of suspended solids or BOD; are high in dissolved solids such as sodium chloride, calcium chloride, or sodium sulfate; contain substances conducive to creating tastes or odors in drinking water supplies; otherwise make such waters unpalatable even after conventional water purification treatment; or are in any other way extremely unusual unless the Liberty Black Mountain determines that such wastes may be admitted to the Liberty Black Mountain Wastewater System or shall be modified or treated before being so admitted.
 - (n) Any substance which may cause the Liberty Black Mountain's effluent or any other product of the Liberty Black Mountain such as residues, sludges or scums, to be unsuitable for reclamation and reuse or to interfere with the reclamation process. In no case, shall a substance discharged to the Wastewater System cause the Liberty Black Mountain to be in non-compliance with sludge use or disposal criteria, guidelines or regulations developed under Article 405 of the Clean Water Act; any criteria, guidelines, or regulations affecting sludge use or disposal developed pursuant to the Solid Waste Disposal Act, the Clean Air Act, the Toxic Substances Control Act, or State criteria applicable to the sludge management method being used.
 - (o) Any substance which may cause the Liberty Black Mountain to violate its Arizona Pollutant Discharge Elimination System (AZPDES) Permit or the receiving water quality standards.
 - (p) Except for existing combined sewer facilities, any stormwater, directly or indirectly, from surface drains, ditches, or streams, storm or combined sewers, roof, areaway, sumps and sump pumps, or foundation drains, or from any other means, including subsurface drainage or groundwater.

(q) 5.4.3 Prohibited Discharges.

None of the following described sewage, water, substances, materials, or wastes shall be discharged into the Liberty Black Mountain's Wastewater System or into the sewer system of a Service

Provider, by any User and each governing body of each Service Provider shall prohibit and shall prevent such discharges by any User, either directly or indirectly, into its sewer system:

- (a) Any liquids, solids or gases which by reason of their nature or quantity are, or may be, sufficient either alone or by interaction with other substances to cause fire or explosion or be injurious in any other way to the Liberty Black Mountain's Wastewater System, the sewer system of a Service Provider or any of its connectors, or to the operation of the Liberty Black Mountain. At no time shall any reading on an explosion hazard meter, at the point of discharge into the Liberty Black Mountain's Wastewater System or the sewer system of a Service Provider or any of its Customers (or at any point in the Wastewater Systems), or at any monitoring location designated by the Liberty Black Mountain in a wastewater contribution permit, be more than ten percent (10%) of the Lower Explosive Limit (LEL) of the meter. Prohibited materials include, but are not limited to, gasoline, kerosene, naphtha, benzene, toluene, xylene, ethers, alcohols, ketones, aldehydes, peroxides, chlorates, perchlorates, bromates, carbides, hydrides, and sulfides.
- (b) Any solid or viscous material which could cause an obstruction to flow in the sewers or in any way could interfere with the treatment process, including as examples of such materials but without limiting the generality of the foregoing, significant proportions of ashes, wax, paraffin, cinders, sand, mud, straw, shavings, metal, glass, rags, lint, feathers, tars, plastics, wood and sawdust, paunch manure, hair and fleshings, entrails, lime slurries, beer and distillery slops, grain processing wastes, grinding compounds, acetylene generation sludge, chemical residues, acid residues, food processing bulk solids, snow, ice, and all other solid objects, material, refuse, and debris not normally contained in sanitary sewage.
- (c) Any Wastewater having a pH less than 5.5 and more than 10.5 for discharges from Industrial Users into the Liberty Black Mountain's Wastewater System or the sewer system of a Service Provider or that of any of its Customers, or less than 5.5 or greater than 10.5 for other discharges into the Liberty Black Mountain's Wastewater System, or wastewater having any other corrosive property capable of causing damage or hazard to any part of the Liberty Black Mountain's

- Wastewater System or the sewer system of a Service Provider or any of its Customers, or to personnel.
- (d) Any wastewater having a temperature which will inhibit biological activity at the Liberty Black Mountain's treatment plant, but in no case wastewater containing heat in such amounts that the temperature at the introduction into the Liberty Black Mountain's, Wastewater Treatment Works exceeds 40°C (104°F).
 - (e) Any pollutants, including oxygen demanding pollutants (BOD, etc.) released at a flow rate and/or pollutant concentration which cause Upset. In no case shall a slug load have a flow rate or contain concentrations or qualities of pollutants that exceed for any time period longer than fifteen (15) minutes more than five (5) times the average twenty-four (24) hour concentration, quantities, or flow during normal operation.
 - (f) Any water or wastes containing a toxic substance in sufficient quantity, either singly or by interaction with other substances, to injure or interfere with any sewage treatment process, to constitute a hazard to humans or to animals, or to create any hazard or toxic effect in the waters which receive the treated or untreated sewage.
 - (g) Petroleum oil, nonbiodegradable cutting oil, or products of mineral oil origin, each in amounts that will cause interference or Upset.
 - (h) Pollutants which result in the presence of toxic gases, vapors, or fumes within the system in a quantity that may cause acute worker health and safety problems.
 - (i) Any trucked or hauled pollutants except at discharge points designated by the Liberty Black Mountain.
 - (j) Any water or wastes containing pollutant quantities or concentrations exceeding the limitations in Article 5 of these Rules and Regulations, or the limitations in any applicable Categorical Standards.
 - (k) Any wastewater discharges to the Liberty Black Mountain's Wastewater System, except at locations approved by the Liberty Black Mountain.

5.4.4 National Categorical Pretreatment Standards:

Once promulgated, Categorical Standards for a particular industrial subcategory, if more stringent, shall supersede all conflicting discharge limitations contained in this Article 5, Part B, as they apply to that industrial subcategory.

5.4.5 State Requirements:

State requirements and limitations on discharges shall apply in any case where they are more stringent than federal requirements and limitations or those contained elsewhere in this Article 5, Part B.

5.4.6 Dilution Prohibited:

Except where permitted by Categorical Standards, no User may increase the use of process water or, in any way, attempt to dilute a discharge as a partial or complete substitute for adequate treatment to attain compliance with the limitations contained in National Categorical Pretreatment Standards or any other specific discharge limitations contained in this Article 5. The Liberty Black Mountain may set or require a Service Provider to set mass limitations or alternate concentration-based limitations for those Users which are using improper dilution to meet these limitations.

5.5 Insignificant Discharges.

Notwithstanding the prohibitions and limitations contained in Article 5.3 of these Rules and Regulations, the Liberty Black Mountain may allow a proposed discharge to the system if the Liberty Black Mountain determines that the quantity and quality of the discharge, both alone and in conjunction with similar discharges which might be affected by this determination, will have no material effect on the Liberty Black Mountain's operations, including the quality of its effluent or sludges. Approval of the Liberty Black Mountain must be received in writing before the discharge may commence, and the discharge must adhere to any terms and conditions of the Liberty Black Mountain's approval.

Approval of such a discharge is entirely at the discretion of the Liberty Black Mountain, and shall not constitute approval of any additional or similar discharges. Disapproval of a proposed discharge by the Liberty Black Mountain shall not be subject to the appeal and hearing procedure set forth in these Rules and Regulations.

5.6 Accidental Or Unusual Discharges.

An accidental or unusual discharge is a discharge which may disrupt Wastewater System treatment processes or operations, damage Wastewater System facilities, cause an AZPDES Permit violation at the Liberty Black Mountain's treatment plant or degrade sludge quality excessively, or which differs significantly in quantity or quality from discharges under normal operations.

5.6.1 Accidental Discharge Protection:

Each User shall provide protection from accidental or unusual discharges of prohibited materials or other substances regulated by these Rules and Regulations. Infrastructure necessary to prevent accidental discharge of prohibited materials shall be provided and maintained at the Customer or User's own cost and expense.

5.6.2 Notification Requirements:

- (a) Telephone Notification: In the case of any accidental or unusual discharge, it is the responsibility of the User to immediately telephone and notify the Liberty Black Mountain and the Service Provider providing sewage services of the incident. The notification shall include the

location of discharge, type of waste, concentration and volume, and corrective actions

- (b) Written Notice: Within five (5) days following an accidental or unusual discharge, the User shall submit to the Liberty Black Mountain a detailed written report describing the cause of the discharge and the measures to be taken by the User to prevent similar future occurrences. Such notification shall not relieve the User of any expense, loss, damage, or other liability which may be incurred as a result of damage to the Liberty Black Mountains wastewater system, fish kills, or any other damage to person or property; nor shall such notification relieve the User of any fines, civil penalties, or other liability which may be imposed by these Rules and Regulations or other applicable law.

Notice To Employees. A notice shall be permanently posted on the User's bulletin board or other prominent place advising employees whom to call in the event of an accidental discharge. Employers shall ensure that all employees who may cause or suffer such an accidental discharge to occur are advised of the emergency notification procedure.

5.6.3 Slug Discharge Plan Requirements:

At least every two (2) years, or as required by 40 CFR §403.8(f)(2)(v), the Liberty Black Mountain shall evaluate whether each Significant Industrial User needs a plan to control slug discharges. If a slug discharge plan is needed, it shall be submitted to the Liberty Black Mountain for review and approval as directed by the Liberty Black Mountain, and shall contain, at a minimum, the following elements:

- (a) A description of discharge practices, including non-routine batch discharges.
- (b) A description of stored chemicals.
- (c) Procedures for immediately notifying the Liberty Black Mountain and the Service Provider providing sewage services of slug discharges, including any discharge that would violate any prohibition or limitation under Articles 5.17 or 5.18 of these Rules and Regulations, with procedures for follow-up written notification within five (5) days.
- (d) If necessary, procedures to prevent adverse impact from accidental spills, including inspection and maintenance of storage areas, handling and transfer of materials, loading and unloading operations, control of plant-site runoff, worker training, building of containment structures or equipment, measures for containing toxic organic pollutants (including solvents), and/or measures and equipment for emergency response.

5.7 Hazardous Waste Discharge Notification.

Industrial Users shall notify the Liberty Black Mountain, the EPA Regional Waste Management Division Director, and the state hazardous waste authorities in writing of

any discharge into the Liberty Black Mountains Wastewater System of any substance which, if otherwise disposed of, would be considered a hazardous waste under 40 CFR Part 261. This notification requirement does not apply to pollutants already being reported under the reporting requirements contained in these Rules and Regulations. The specific information required to be reported and the time frames in which it is to be reported are found at 40 CFR §403.12(p).

5.8 Wastewater Contribution Permits.

5.8.1 Applicability:

All Significant Industrial Users and other users as required by the Liberty Black Mountain, contributing to or proposing to connect to or to contribute to the Liberty Black Mountain's Wastewater System, shall obtain a Wastewater Contribution Permit. Such permit shall either be issued by the Liberty Black Mountain, or co-issued by the Service Provider providing sewage services and the Liberty Black Mountain or in a form acceptable to the Liberty Black Mountain.

Requirements pertaining to permits co-issued with municipalities or issued solely by the Liberty Black Mountain are contained in the Liberty Black Mountain's Rules and Regulations. Permits co-issued with Service Providers may also contain requirements contained in the various municipal codes, ordinances, resolutions, and rules and regulations.

5.8.2 Permit Application:

Users required to obtain a Wastewater Contribution Permit shall complete and file with the Liberty Black Mountain an application accompanied by a fee as determined pursuant to Article 5.12 of these Rules and Regulations.

Applications Are Due: For new dischargers, at least 90 days prior to beginning discharge to the Liberty Black Mountain's Wastewater System.

For existing dischargers who become subject to a newly promulgated Categorical Standard, at least 90 days prior to the effective date of such standard.

For existing dischargers who, because of process changes or additions, will become subject to an existing Categorical Standard, at least 90 days prior to beginning discharge from the categorical process.

For existing dischargers subject to Categorical Standards as of the effective date of this regulation, who have not previously obtained a Wastewater Contribution Permit, within 30 days of the effective date of this regulation.

For all other dischargers, in a time frame as specified in notice from the Liberty Black Mountain.

In support of the application, the User shall submit, in units and terms appropriate for evaluation, the following information:

- (a) Name, mailing address, and facility location.
- (b) SIC number(s) according to the Standard Industrial Classification (SIC) Manual, Office of Management and Budget, 1987, as amended or the 1997 North American Industrial Classification System (NAICS), as amended.
- (c) Time and duration of wastewater discharges.
- (d) Average daily and thirty (30) minute peak wastewater flow rates, including daily, monthly, and seasonal variations, if any.
- (e) Site plan, floor plans, mechanical and plumbing plans, and details to show all sewers, sewer connections, and appurtenances by the size, location, and elevation.
- (f) Description of activities, facilities, and plant processes on the premises including all materials which are or could be discharged.
- (g) Wastewater constituents and characteristics including, but not limited to, those limited by Article 5 of these Rules and Regulations, as determined by a reliable analytical laboratory. Sampling and analysis shall be performed in accordance with procedures established by the EPA pursuant to Article 304(g) of the act and contained in 40 CFR, Part 136, as amended.
- (h) A statement regarding whether or not the discharge standards and pollutant limitations contained in Article 5 of these Rules and Regulations, including any applicable State or national pretreatment standards, are being met on a consistent basis and if not, whether additional O&M and/or additional pretreatment is required for the User to meet the applicable standards.
- (i) If additional pretreatment and/or O&M will be required to meet the discharge standards and pollutant limitations, the shortest schedule by which the User will provide such additional treatment. For state or national pretreatment standards, the completion date in this schedule shall not be later than the compliance date established for the applicable pretreatment standard.

The schedule shall contain increments of progress in the form of dates for the commencement and completion of major events leading to the construction and operation of additional pretreatment required for the User to meet the applicable discharge standards and pollutant limitations (e.g., Hiring an engineer, completing preliminary plans, completing final plans, executing contract for major components, commencing construction, completing construction, etc.). In no case shall an increment of progress exceed nine (9) months.

- (a) Each product produced by type, amount, process or processes, and rate of production.
- (b) The type and amount of raw materials processed (average and maximum

- per day).
- (c) The number and type of employees, and hours of operation of the plant, and proposed or actual hours of operation of the Pretreatment System.
 - (d) Any other information as may be deemed by the Liberty Black Mountain to be necessary to evaluate the permit application.

5.8.3 Permit Issuance:

The Liberty Black Mountain shall issue a Wastewater Contribution Permit to the applicant if the Liberty Black Mountain finds that all of the following conditions are met:

- (a) The proposed discharge of the applicant is in compliance with the prohibitions and limitations of Articles 5.17 and 5.18 of these Rules and Regulations;
- (b) The proposed discharge of the applicant would permit the normal and efficient operation of the wastewater treatment system; and
- (c) The proposed discharge of the applicant would not result in a violation by the Liberty Black Mountain of the terms and conditions of its AZPDES Permit.

If the Liberty Black Mountain finds that the condition set out in Paragraph 1 of this Subsection is not met, the Liberty Black Mountain may issue a Wastewater Contribution Permit to the applicant if the conditions set out in Paragraphs 2 and 3 of this Subsection are met and if the applicant submits, and the Liberty Black Mountain approves, a schedule setting out the measures to be taken by the applicant and the dates that such measures will be implemented to ensure compliance with the provisions of these Rules and Regulations.

5.8.4 Permit Denial;

Appeal and Hearing. In the event an application for a Wastewater Contribution Permit is denied, the Liberty Black Mountain shall notify the applicant in writing of such denial. Such notification shall state the grounds for denial with that degree of specificity which will inform the applicant of the measures or actions which must be taken by the applicant prior to issuance of a permit.

An applicant denied a Wastewater Contribution Permit may request that the Liberty Black Mountain Operations Manager review the denial and issue a permit. If the Liberty Black Mountain Operations Manager reaffirms the denial, the applicant may appeal this decision pursuant to the terms and conditions of the Liberty Black Mountain's appeal and hearing procedure as set forth in these Rules and Regulations.

5.8.5 Permit Conditions:

Wastewater Contribution Permits shall be expressly subject to all provisions of these

Rules and Regulations. Permits will contain, at a minimum, the following:

- (a) A statement of duration (in no case more than five (5) years).
- (b) A statement of non-transferability without, at a minimum, prior notification to the Liberty Black Mountain and provision of a copy of the existing permit to the new Customer or operator.
- (c) Effluent limits based on applicable Pretreatment Standards, Categorical Pretreatment Standards, specific discharge limitations, as cited in these Rules and Regulations, site-specific discharge limitations, and other federal, state and local law and regulations.
- (d) Self-monitoring, sampling, reporting, notification, and record keeping requirements, including an identification of the pollutants to be monitored, sampling locations, sampling frequencies, and sample types. These requirements shall be based on applicable general pretreatment standards and requirements at 40 CFR §403; categorical pretreatment standards; specific discharge limitations; State and local law and regulations; and Liberty Black Mountain determinations as to the type, quantity, quality, and frequency of information needed to adequately determine compliance with conditions of the permit.
- (e) A statement of applicable civil and criminal penalties for violation of pretreatment standards and requirements, and any applicable compliance schedules. Such schedules may not extend compliance dates beyond federal deadlines.
- (f) Permits may also contain the following:
 - 1. A Schedule Of User Charges and Fees pursuant to Article 5.12 of these Rules and Regulations.
 - 2. Limits on average and maximum rate and time of discharge or requirements for flow regulation and equalization.
 - 3. Requirements for installation and maintenance of inspection and sampling facilities.
 - 4. Requirements for notification to the Liberty Black Mountain of any new introduction of wastewater constituents or any substantial change in operations or in the volume or character of the wastewater constituents being introduced into the Liberty Black Mountain's Wastewater System.
 - 5. Requirements for notification of slug discharges.
 - 6. Other conditions as deemed appropriate by the Liberty Black Mountain to ensure compliance with these Rules and Regulations.

5.8.6 Permit Modifications:

- (a) The terms and conditions of a Wastewater Contribution Permit may be modified by the Liberty Black Mountain during the term of the permit as limitations or requirements as identified in these Rules and Regulations are modified or other just cause exists. The User shall be informed of any proposed changes in his permit at least thirty (30) days prior to the effective date of change. Any changes or new conditions in the permit shall include a reasonable time schedule for compliance.
- (b) Within nine (9) months of the promulgation of a national categorical pretreatment standard, the Wastewater Contribution Permit of Users subject to such standard shall be revised to require compliance with such standard within the time frame prescribed by such standard.

5.8.7 Permit Duration;

Reapplication: Permits shall be issued for a specified time period, not to exceed five (5) years. The User shall apply for permit reissuance a minimum of ninety (90) days prior to the expiration of the User's existing Permit.

5.9 Reporting Requirements For Significant Industrial Users.

5.9.1 Initial Compliance Report For Users Subject To National Categorical Pretreatment Standards:

Within ninety (90) days following the date for final compliance with applicable Pretreatment Standards or, in the case of a new source, following commencement of the introduction of wastewater into the Liberty Black Mountain's Wastewater System, or as specified in the wastewater discharge permit, any User subject to Pretreatment Standards and requirements shall submit to the Liberty Black Mountain a report indicating the nature and concentration of all pollutants in the discharge from the regulated processes which are limited by the Pretreatment Standards and requirements and the average and maximum daily flow for those process units in the User's facility which are limited by such Pretreatment Standards or requirements.

Where applicable Pretreatment Standards contain limitations on the mass of pollutants discharged per unit of production, the report shall also contain the pollutant mass and production information necessary to determine compliance with such Pretreatment Standards.

The report shall state whether the applicable Pretreatment Standards and Requirements are being met on a consistent basis and, if not, what additional O&M and/or pretreatment is necessary to bring the User into compliance with the applicable Pretreatment Standards or Requirements. This statement shall be signed by an authorized representative of the Industrial User, and certified to by a qualified professional.

5.9.2 Periodic Compliance Reports:

- (a) Any User subject to a National Categorical Pretreatment Standard, after the compliance date of such Pretreatment Standard, or, in the case of a new source, after commencement of the discharge into the Liberty Black Mountain's Wastewater System, shall submit to the Liberty Black Mountain during the months of July and January, unless required more frequently in the pretreatment standard or by the Liberty Black Mountain, a report covering the preceding six (6) months and indicating the nature and concentration of pollutants in the effluent which are limited by such pretreatment standards. In addition, this report shall include a record of average and maximum daily flows for the reporting period for all regulated processes.
- (b) Where applicable Pretreatment Standards contain limitations on the mass of pollutants discharged per unit of production, the report shall also contain the pollutant mass and production information necessary to determine compliance with such pretreatment standards. At the discretion of the Liberty Black Mountain and in consideration of such factors as local high or low flow rates, holidays, and budget cycles, the Liberty Black Mountain may agree to alter the months during which the above reports are to be submitted.
- (c) Significant Industrial Users not subject to National Categorical Pretreatment Standards shall submit to the Liberty Black Mountain at least once every six (6) months (on dates specified by the Liberty Black Mountain), unless required more frequently by the Liberty Black Mountain, a description of the nature, pollutant concentrations, flows, and, where requested, pollutant masses, of the discharges required to be reported by the Liberty Black Mountain.
- (d) All reports submitted pursuant to this section shall be based on analyses performed in accordance with procedures established by the EPA Administrator pursuant to Article 304(g) of the act and contained in 40 CFR, Part 136 and amendments thereto or with any other test procedures approved by the EPA Administrator. Sampling shall be performed in accordance with the techniques approved by the administrator.

5.10 Monitoring Liberty Black Mountain Facilities.

The Liberty Black Mountain may require to be provided and operated at the User's own expense, monitoring facilities to allow inspection, sampling, and flow measurement of any discharges as necessary to determine compliance with the provisions of these Rules and Regulations.

There shall be ample room in or near such sampling manhole or facility to allow accurate sampling and preparation of samples for analysis. The facility, sampling, and measuring equipment shall be maintained at all times in a safe and proper operating condition at the expense of the User.

The sampling and monitoring facilities shall be provided in accordance with the Liberty Black Mountain's requirements and all applicable local construction standards and specifications. Construction shall be completed within such a time frame as the Liberty Black Mountain shall specify by written notification.

5.11 Information Submittal, Inspection and Sampling.

The Liberty Black Mountain may require any User to submit information as necessary to determine compliance with the requirements of these Rules and Regulations.

The Liberty Black Mountain may inspect the facilities of any User to ascertain whether the requirements of these Rules and Regulations are being complied with. Persons or occupants of premises where wastewater is created or discharged shall allow the Liberty Black Mountain or its representatives ready access at all reasonable times to all parts of the premises for the purposes of inspection, sampling, records examination and copying, or in the performance of any of their duties.

The Liberty Black Mountain, Maricopa County, the Arizona Department of Environmental Quality, and EPA shall have the right to set up on the User's property such devices as are necessary to conduct sampling, inspection, compliance monitoring and/or metering operations. Where a User has security measures in force which would require proper identification and clearance before entry into the User's premises, the User shall make necessary arrangements with security guards so that upon presentation of suitable identification, personnel from the Liberty Black Mountain, the Arizona Department of Environmental Quality, and EPA will be permitted to enter, without delay, for the purposes of performing their specific responsibilities.

All records relating to compliance with pretreatment standards and requirements shall be made available to officials of the Liberty Black Mountain, the Arizona Department of Environmental Quality, and EPA upon request.

5.12 Wastewater Treatment.

Users shall provide wastewater treatment as required to comply with the requirements of these Rules and Regulations, and shall achieve compliance with all national categorical pretreatment standards within the time limitations as specified by the federal pretreatment regulations. Any facilities required to pretreat wastewater to a level acceptable to the Liberty Black Mountain shall be provided, operated, and maintained at the User's expense.

5.13 Confidential Information.

Information and data on a User obtained from reports, questionnaires, permit applications, permits, monitoring programs, and inspections shall be available to the public or other governmental agency without restriction unless the User specifically designates and is able to demonstrate to the satisfaction of the Liberty Black Mountain

that the release of such information would divulge sales or marketing data, processes, or methods of production entitled to protection as "Confidential Business Information" of the User. Wastewater constituents and characteristics will not be recognized as confidential information. It shall be the User's obligation to stamp each page, which has been demonstrated to the Liberty Black Mountain's satisfaction to contain trade secrets, with the words "Confidential Business Information," "Confidential Information," or "Confidential." A failure by the User to designate and identify any document in this manner may result in the document losing its protection from disclosure as confidential business information.

Confidential business information shall not be made available for inspection by the public but shall be made available upon request to governmental entities or agencies for uses related to these Rules and Regulations, the Liberty Black Mountain's Aquifer Protection Permit and Arizona Discharge Pollutant Discharge Elimination System (AZPDES) Permit and/or the pretreatment program in accordance with 40 CFR Part 2 and Title 18, Article 9 of the AAC. Confidential business information shall not be transmitted to any governmental agency or entity for other uses by the Liberty Black Mountain except upon written request and after a ten (10) day notification and right to object is given to the User. Such notification shall not be required in certain circumstances provided for in 40 CFR Part 2. If after a request for public inspection, a person or entity challenges the determination of any record to protection as confidential business information, the User shall cooperate, to the fullest extent possible and at User's own expense, with the Liberty Black Mountain in the defense of the determination. At the request of the Liberty Black Mountain the user shall, at the User's expense, provide a defense to such challenge.

5.14 Remedies for Noncompliance; Enforcement.

5.14.1 Notice of Violation:

Whenever the Liberty Black Mountain determines that any User has violated or is violating any provision of these Rules and Regulations or a Wastewater Contribution Permit issued or approved hereunder, the Liberty Black Mountain may serve upon such User a written notice stating the nature of the violation(s). Where directed to do so by the notice, a plan for the satisfactory correction of the violation(s) shall be submitted to the Liberty Black Mountain by the User, within a time frame as specified in the notice.

5.14.2 Administrative Orders:

Whenever the Liberty Black Mountain determines that any User has violated or is violating any provision of these Rules and Regulations, or any directives, orders, or permits issued or approved hereunder, the Liberty Black Mountain may serve upon such User a written order stating the nature of the violations(s), and requiring that the User correct the violation(s) within a specified period of time; perform such tasks as the Liberty Black Mountain determines are necessary for the User to correct the violations;

or perform such tasks and submit such information as is necessary for the Liberty Black Mountain to evaluate the extent of noncompliance or to determine appropriate enforcement actions to be taken.

5.14.3 Compliance Orders / Compliance Schedules:

Whenever the Liberty Black Mountain determines that any User has violated or is violating any provision of these Rules and Regulations, or any directives, orders or permits issued or approved hereunder, the Liberty Black Mountain may serve upon the User a written order requiring that the User submit, within a time frame as specified in the notification, a plan (compliance schedule) for the satisfactory correction of such violation(s).

The compliance schedule must represent the shortest schedule by which the User will provide additional treatment or perform such other tasks as will enable the User to consistently comply with applicable requirements. The schedule shall contain increments of progress in the form of dates for the commencement and completion of major events leading to compliance (e.g., Hiring an engineer, completing preliminary plans for pretreatment systems, completing final plans, executing contracts for major components, commencing construction, completing construction). In no case shall an increment of progress exceed nine (9) months.

Upon approval by the Liberty Black Mountain, the compliance schedule will be issued to the User as an administrative order which contains the approved schedule milestones and any applicable reporting requirements. Issuance of a compliance schedule by the Liberty Black Mountain does not release the User of liability for any violations.

Not later than fourteen (14) days following each date in the schedule and the final date for compliance, the User shall submit a progress report to the Liberty Black Mountain including, at a minimum, information on whether or not the User complied with the increment of progress to be met on such date and, if not, the date on which it expects to comply with this increment of progress, the reason(s) for delay, and the steps being taken by the User to return to the schedule established.

5.14.4 Suspension of Service:

The Liberty Black Mountain may suspend the wastewater treatment service and/or a Wastewater Contribution Permit when such suspension is necessary, in the opinion of the Liberty Black Mountain, in order to stop an actual or threatened discharge which presents or may present an imminent or substantial endangerment to the health or welfare of persons, to the environment, causes pass through or interference or causes the Liberty Black Mountain to violate any condition of its aquifer protection permit or AZPDES permit.

Any User notified of a suspension of the wastewater treatment service and/or the Wastewater Contribution Permit shall immediately stop or eliminate the discharge. In

the event of a failure of the User to comply voluntarily with the suspension order, the Liberty Black Mountain shall take such steps as deemed necessary, including immediate severance of the sewer connection, to prevent or minimize damage to the Liberty Black Mountain's Wastewater System System or endangerment to any individuals or the environment. The Liberty Black Mountain shall reinstate the Wastewater Contribution Permit and/or the wastewater treatment service upon proof of the elimination of the non-complying discharge. A detailed written statement submitted by the User describing the causes of the harmful contribution and the measures taken to prevent any future occurrence shall be submitted to the Liberty Black Mountain within fifteen (15) days of the date of occurrence.

5.14.5 Permit Revocation:

Any User who has violated or is violating any provision of these Rules and Regulations, or any orders or permits issued or approved hereunder, is subject to having his permit revoked. Grounds for permit revocation include, but are not limited to:

- (a) Failure of a User to factually report the wastewater constituents and characteristics of his discharge.
- (b) Failure of the User to report significant changes in operations, or wastewater constituents and characteristics.
- (c) Refusal of reasonable access to the User's premises for the purpose of inspection or monitoring.
- (d) Violation of conditions of the permit.

5.14.6 Penalties:

Any User who is found to have violated any provision of these Rules and Regulations, or any orders or permits issued or approved hereunder, shall be subject to a penalty not to exceed, except as noted below, twenty-five thousand dollars (\$25,000) per violation. Each day on which a violation occurs or continues shall be deemed a separate and distinct violation. In the case of violations of monthly or other long-term average discharge limitations, penalties may be assessed for each day in the period covered by the violations.

In addition to the penalties provided herein, the Liberty Black Mountain may recover reasonable attorney's fees, court costs, court reporter's fees, and other expenses of litigation by appropriate suit at law against the User found to have violated these Rules and Regulations, or the order or permits issued hereunder. Such penalties shall be in addition to any actual damages the Liberty Black Mountain may incur because of such violations.

Where a violation is found to have caused Interference or Upset, the maximum penalty of \$25,000 per violation per day as described above may be increased as necessary to allow the Liberty Black Mountain to recover any fines or penalties paid by the Liberty Black Mountain for AZPDES Permit violations due to the Interference or Upset.

5.14.7 Legal Action:

If any person discharges sewage, industrial wastes or other wastes into the Liberty Black Mountain's wastewater disposal system contrary to the provisions of these Rules and Regulations, or any orders or permits issued hereunder, the Liberty Black Mountain's attorney may commence an action for appropriate legal and/or equitable relief in the Superior Court of Maricopa County.

5.14.8 Appeal Procedure:

Any User who is aggrieved by any enforcement action taken by the Liberty Black Mountain pursuant to this Article 5.12 may within thirty (30) days of the receipt of notice of the determination, order, or finding being appealed request in writing that the Liberty Black Mountain review the enforcement action. The request (Letter of Appeal) shall state all points of disagreement and objection to the determination, order, or finding. If the Liberty Black Mountain reaffirms the action, the User may appeal this decision to the ACC.

- (a) Hearing Request, Deadlines, Procedure and Related Matters [**Reserved**].

5.15 Charges and Fees.

Charges and fees to be assessed against Users will be determined by the Liberty Black Mountain and, where instituted, will be set at a level to allow the Liberty Black Mountain to recover its costs for administering elements of the Pretreatment/Industrial Waste Control Program. Program elements for which charges and fees may be assessed include, but are not limited to, permit applications; monitoring, inspection, and surveillance activities; and general program administration.

PART B**RULES AND REGULATIONS FOR SERVICE PROVIDER USE
OF LIBERTY BLACK MOUNTAIN WASTEWATER SYSTEM**

5.16 Applicability.

Any Service Provider, the sewage from which directly or indirectly enters the Wastewater System of the Liberty Black Mountain from areas within or without the boundaries or Service Area of the Liberty Black Mountain, shall be subject to the requirements of this Part and shall be bound by these Rules and Regulations as they now exist or may hereafter be amended.

All Service Providers are required to design and administer Pretreatment Industrial Waste Control Programs which are in accordance with this Article 5, and which will enable the Liberty Black Mountain to comply with all pretreatment and effluent limitation conditions of its National Pollutant Discharge Elimination System (AZPDES) Permit, Federal Pretreatment Regulations, and applicable sludge disposal regulations.

5.17 Compliance with Requirements.

Each Service Provider will cause all sewage at any time discharged directly or indirectly into its sewer system, or into the Liberty Black Mountain Wastewater System by it or on its behalf, to comply with any requirements of the Liberty Black Mountain. In all cases where the application or the enforcement of said requirements involve technical or scientific analyses or determinations, the Liberty Black Mountain shall have final authority as to methods, standards, criteria, significance, evaluation, and interpretation of such analyses and determinations. Each Service Provider will permit no new connections and will discontinue existing public connections and will require the discontinuance of existing private connections to its sewer system which allow entrance therein of such sewage as will cause the discharge at any time into its sewer system, or into the Liberty Black Mountain Wastewater System from such sewer system of sewage that does not comply with said requirements of the Liberty Black Mountain.

The Liberty Black Mountain may from time to time make a determination of the respects in which sewage discharged or to be discharged into the sewer system of a Service Provider, or into the Liberty Black Mountain Wastewater System by any Service Provider, is not in compliance with said requirements and with the amendments thereof, if any, then in effect. A copy of said determination shall be mailed to the Service Provider at its usual place of business and for all purposes of these Rules and Regulations shall be conclusively deemed to have been made in accordance with this section and to be correct at the expiration of thirty (30) days after such mailing unless within said period of thirty (30) days the Service Provider shall have filed with the Liberty Black Mountain an objection thereto stating that such determination is incorrect and stating the changes therein which should be made in order to correct such determination.

5.17.1 Penalties:

Any Service Provider who is found to have violated any provision of this Article 5 shall be subject to a penalty not to exceed, except as noted below, five thousand dollars (\$5,000) for such violation. Each day on which a violation occurs or continues shall be deemed a separate and distinct violation. Such penalty shall be in addition to any actual damages the Liberty Black Mountain may incur because of such violation.

In addition to the penalties provided here, the Liberty Black Mountain may recover reasonable attorney's fees, court costs, court reporter's fees, and other expenses of litigation by appropriate suit at law against the Service Provider found to have violated these Rules and Regulations.

Where a violation is found to have caused Interference or Upset, the maximum penalty of \$5,000 per violation described above may be increased as necessary to allow the Liberty Black Mountain to recover any fines or penalties paid by the Liberty Black Mountain for AZPDES permit violations due to the Interference or Upset.

5.18 Legal Authority Requirements.

5.18.1 Ordinance/Resolution:

Except as provided in Subsection 5.4.3, each Service Provider will enact and enforce an ordinance or resolution which conforms to 40 CFR §403.8(f)(1) Pretreatment Program Requirements, as from time to time amended, for legal authority and containing all other legal provisions mandated by these Rules and Regulations. Any proposed amendments to such ordinance or resolution, or any proposed actions which would serve to amend such ordinance or resolution with respect to any pretreatment program requirements, must be submitted to the Liberty Black Mountain for review, and must be approved in writing by the Liberty Black Mountain, prior to such enactment.

Each Service Provider shall adopt and enforce in its ordinance or resolution provisions which are in conformance to the following provisions:

- (a) A provision requiring any Industrial User responsible for a significant accidental or unusual discharge to notify immediately both the Service Provider and the Liberty Black Mountain.
- (b) A provision precluding, except where authorized by Categorical Standards, the use of dilution to attain conformance to Pretreatment/Industrial Waste Control Standards, and authorizing the Service Provider to set mass limitations for any Industrial User using improper dilution.
- (c) A provision forbidding and where possible penalizing the knowing transmittal of false information by an Industrial User to the Service Provider or Liberty Black Mountain.

- (d) A provision requiring the installation of all necessary monitoring and pretreatment facilities by Industrial Users. This provision shall also authorize the Service Provider to impose compliance schedules on Industrial Users for the installation of such facilities.
- (e) A provision applying civil or criminal penalties or, where permitted by 40 CFR §403.8(f)(1), assessing liquidated damages against Industrial Users which violate Pretreatment/Industrial Waste Control Standards and Requirements. Where possible, such penalties and liquidated damages shall be set at a level determined by the Liberty Black Mountain to provide a reasonable degree of deterrence to violations.
- (f) A provision adopting discharge limitations for Users at least as stringent as the corresponding limitations in Article 5, Part B of these Rules and Regulations.
- (g) A provision requiring that Industrial Users agree to act and allow the Liberty Black Mountain to act as provided under the provisions of this Article 5.
- (h) A provision requiring that any User discharging any toxic Pollutants which cause an increase in the cost of managing the effluent or the sludge of the Liberty Black Mountain's Wastewater System shall pay for such increased costs.

5.18.2 Attorney's Statement:

Except as provided in Subsection 5.4.3, each Service Provider must submit to the Liberty Black Mountain an Attorney's Statement which conforms to the requirements of 40 CFR §403.9(b)(1), and which certifies that the Service Provider has adequate authority to carry out its responsibilities under the Liberty Black Mountain's Pretreatment/Industrial Waste Control Program including the provisions of these Rules and Regulations.

5.18.3 Legal Authority Exemption:

Any Service Provider that does not serve any commercial or Industrial Users may submit a letter to the Liberty Black Mountain in lieu of enacting the ordinance or resolution, and submitting the Attorney's Statement, as required by these Rules and Regulations. The letter must state that the Service Provider has no commercial or Industrial Users, and must identify any nonresidential Users served. Furthermore, any Service Provider submitting such a letter shall (1) notify the Liberty Black Mountain at least fourteen (14) days in advance of the date that any commercial or Industrial User is granted a sewer connection and (2) fully comply with the Liberty Black Mountain's Pretreatment/Industrial Waste Control Program, including the requirements of these Rules and Regulations, and the Federal Pretreatment Regulations prior to allowing that User to connect to the Service Provider's sewer system. The Liberty Black Mountain, at its own discretion, may require any Service Provider to fully comply with these Rules and Regulations, regardless of whether or not the aforementioned letter has been submitted and/or previously accepted by the Liberty Black Mountain.

5.19 Program Procedure Requirements.

5.19.1 General:

Each Service Provider must formulate, fund, and implement procedures which will enable Liberty Black Mountain compliance with the "Procedures" and "Funding" requirements contained in 40 CFR §403.8(f)(2) and (3) of the Federal Pretreatment Regulations, and which will enable Service Provider compliance with the requirements of these Rules and Regulations.

5.19.2 Procedures Manual:

The Liberty Black Mountain shall issue to all Service Providers a manual on Procedures for Implementing the Pretreatment/Industrial Waste Control Program of the Liberty Black Mountain (Procedures Manual). The Procedures Manual shall set forth Liberty Black Mountain requirements on formulating, funding, and implementing Pretreatment/Industrial Waste Control Program procedures, and shall provide guidance to Service Providers on implementing the procedural requirements.

Where necessary to maintain continued compliance with applicable federal and state regulations, or these Rules and Regulations, or to facilitate the operation of the Pretreatment/Industrial Waste Control Program, the Liberty Black Mountain may from time to time amend the Procedures Manual, and shall provide notice of such amendments to all Service Providers.

The following subsections highlight the procedural requirements that will be more fully presented in the Procedures Manual to be adopted by the Liberty Black Mountain.

5.19.3 Industrial Waste Survey:

Each Service Provider shall formulate and implement procedures for conducting ongoing, comprehensive industrial waste surveys to locate and identify all Significant Industrial Users discharging to the Service Provider's sewer system.

5.19.4 Notification to Industrial Users:

Each Service Provider is responsible for notifying its Industrial Users of their obligations under the Pretreatment/Industrial Waste Control Program.

5.19.5 Permitting of Significant Industrial Users:

Each Service Provider shall control, through permits, industrial waste discharges from each Significant Industrial User within its service area.

The Liberty Black Mountain shall make the final determination as to whether a particular Industrial User is a Significant Industrial User. To this end, the Liberty Black Mountain may require that a Service Provider collect and forward to the Liberty Black Mountain all information necessary to make this determination.

In the event that a Service Provider fails to issue a suitable permit to a Significant Industrial User upon notification to do so by the Liberty Black Mountain, the Liberty Black Mountain shall deny service to the Significant Industrial User, and may impose conditions upon the Service Provider to take such steps as are necessary to provide such service.

5.19.6 Monitoring of Industrial Users:

Each Service Provider must sample, monitor, and inspect its Significant Industrial Users, and where appropriate, require industrial self-monitoring, at a frequency adequate to determine if such Users are in compliance with applicable Pretreatment/Industrial Waste Control Program Standards and Requirements.

5.19.7 Slug Discharge Determinations:

Each Service Provider must evaluate, at least every two (2) years, whether each Significant Industrial User needs a plan to control slug discharges. If needed, the Slug Control Plan must contain the minimum elements listed at 40 CFR §403.8(f)(2)(v).

5.19.8 Compliance Activities:

Each Service Provider is required to implement procedures for identifying violators of Pretreatment/Industrial Waste Control Program Standards and Requirements, and to diligently enforce such Standards and Requirements and provide suitable remedies for non-compliance.

5.19.9 Industrial User Reporting/Confidentiality:

Each Service Provider is required to receive and analyze self-monitoring reports and any other notices submitted by Industrial Users pursuant to the requirements of the Pretreatment/Industrial Waste Control Program. Where an Industrial User claims confidentiality for any information transmitted, the Service Provider must implement procedures to ensure that confidential information is treated in accordance with the procedures in 40 CFR Part 2 and/or 5 CCR 1002-63.

5.19.10 Public Participation:

- (a) Each Service Provider must comply with the public participation requirements of 40 CFR Part 25 in the enforcement of National Pretreatment Standards.
- (b) Each Service Provider must make all information collected under the

Pretreatment/Industrial Waste Control Program, except those documents legitimately classified as "confidential," available for public review and copying to the extent required by 40 CFR §403.14 and the ARS, Title 39 (Public Records, Printing, and Notices).

- (c) The Liberty Black Mountain will publish an annual notice in the newspaper with the largest daily circulation within the Liberty Black Mountain, a list of Users that were found to be in significant noncompliance during the previous year with Pretreatment Standards or other Pretreatment Requirements. For the purposes of this provision, "significant noncompliance" is as defined at 40 CFR §403.8(f)(2)(vii).

5.19.11 Information Transmittal:

Each Service Provider shall transmit to the Liberty Black Mountain, in a timely manner, all documents as necessary to enable the Liberty Black Mountain to effectively administer the Pretreatment/Industrial Waste Control Program. Such documents shall include:

- (a) A certified copy of the Industrial Waste Discharge Ordinance or Resolution, and any amendments thereto, together with any Rules and Regulations issued pursuant to such ordinance or resolution.
- (b) Copies of all Industrial Waste permits and contracts issued or entered into pursuant to the requirements of the Pretreatment/Industrial Waste Control Program.
- (c) Copies of all industrial survey, monitoring, and inspection reports.
- (d) Any information needed to enable the Liberty Black Mountain to determine whether a particular Industrial User is subject to a particular Categorical Standard.
- (e) Notices of all compliance and enforcement activities, and all related correspondence.
- (f) An annual staffing, costs, and funding report, if requested by the Liberty Black Mountain Operations Manager.

5.19.12 Staffing, Costs, and Funding:

Each Service Provider must provide sufficient resources and qualified personnel to carry out its responsibilities under the Pretreatment/Industrial Waste Control Program. Upon request of the Liberty Black Mountain, a Service Provider must submit to the Liberty Black Mountain a report describing personnel responsibilities, an itemization of program capital and operating costs, and a demonstration that adequate funds are available to support program activities.

5.20 Extra-Jurisdictional Industrial Users.

Each Service Provider shall have the responsibility for those Industrial Users located outside its corporate limits, who discharge industrial wastewater into the Service

Provider's sewer system. Each extra-jurisdictional Industrial User shall be subject to an ordinance, resolution, or equivalent source of legal authority which contains 40 CFR §403.8(f)(1) minimum legal authorities and all other legal provisions mandated by these Rules and Regulations. Each extra-jurisdictional Industrial User shall also be included in a Pretreatment Program which substantially conforms to 40 CFR §403.8(f)(2) and (3) "Procedures" and "Funding" requirements. To this end, the Service Provider shall make contractual arrangements with the extra-jurisdictional legal entity exercising powers over the Industrial User providing either for the inclusion of the Industrial User in the Liberty Black Mountain's Pretreatment/Industrial Waste Control Program, or for formal review of a Pretreatment Program administered by the extra-jurisdictional legal entity. Where necessary to obtain compliance with Federal Pretreatment Regulations, the Service Provider shall enter into a separate contract with each extra-jurisdictional Industrial User discharging into its sewer system.

The Service Provider shall also secure by contract, as it applies to extra-jurisdictional Industrial Users, for each of the following Liberty Black Mountain rights: (i) the right to inspect, sample, and monitor Industrial Users, (ii) the right to terminate service to an Industrial User on an emergency basis, (iii) the right to determine the applicability of Categorical Standards and to determine Significant Industrial Users, (iv) the right to receive copies of all monitoring reports, (v) the right to enforce all Article 5 discharge limitations and (vi) the right to act in lieu of the Service Provider in executing Pretreatment/Industrial Waste Control Program responsibilities.

Where the Service Provider and extra-jurisdictional legal entity fail to execute their Program responsibilities in obtaining compliance by extra-jurisdictional Industrial Users with all applicable Pretreatment/ Industrial Waste Control Standards and Requirements, the Liberty Black Mountain shall have full recourse to the remedy provisions of these Rules and Regulations as they apply to the Service Provider receiving the industrial waste discharge in question.

5.21 Exemptions.

A Service Provider administering a Pretreatment Program, separate from that of the Liberty Black Mountain, which has been approved by the Regional Administrator of EPA or the Arizona Department of Environmental Quality in accordance with §403.11 of the Federal Pretreatment Regulations, may be exempted from compliance with certain provisions of this Article 5, as determined by the Liberty Black Mountain.

5.21 Program Review.

The Liberty Black Mountain shall review Municipal ordinances or other Service Provider resolutions, measures, guidelines, or regulations, and amendments thereof, for conformance to 40 CFR §403.8(f)(1) Pretreatment Requirements for minimum legal authorities and for the inclusion of all other legal provisions mandated by these Rules and Regulations. The Liberty Black Mountain shall periodically review the enforcement efforts of Service Providers to ascertain whether Pretreatment/Industrial Waste Control

Requirements and Standards are being diligently enforced at the local level.

Insofar as a Service Provider administers the Pretreatment/Industrial Waste Control Program, the Liberty Black Mountain shall periodically review the Service Provider's procedures, including, but not limited to, procedures for updating the industrial waste survey, and for inspecting, sampling, and monitoring industrial waste discharges, to ensure that each such Service Provider is administering the Program in technical conformance to "Procedures" and "Funding" requirements under 40 CFR §403.8(f)(2) and (3) of the Federal Pretreatment Regulations and to the provisions of these Rules and Regulations. Any significant Program changes shall be subject to Liberty Black Mountain approval.

5.22 Remedies.

5.22.1 Emergency Remedies:

Where a discharge to the Wastewater System reasonably appears to present an imminent endangerment to the health or welfare of persons, or presents or may present an endangerment to the environment, or threatens to interfere with the operation of the Liberty Black Mountain, the Liberty Black Mountain shall immediately initiate investigative procedures to identify the source of the discharge, and take any steps necessary to halt or prevent the discharge. If necessary, the Liberty Black Mountain shall seek injunctive relief against the violating Service Provider and any User contributing significantly to the emergency condition.

5.22.2 Routine Remedies:

If the Liberty Black Mountain determines that a Pretreatment/Industrial Waste Control Program as administered by a Service Provider is not in compliance with Pretreatment/Industrial Waste Control Requirements, or that the discharge from a Service Provider is not in compliance with Liberty Black Mountain Standards, the Liberty Black Mountain shall issue a notice setting forth the Requirements and Standards not being complied with and directing the Service Provider to attain conformance to these Requirements and Standards within a period of ten (10) days.

If after ten (10) days, the Service Provider has failed or refuses to comply with this notice, the Liberty Black Mountain may issue an additional notice setting forth remedial actions to be taken by the violating Service Provider and a time schedule for attaining compliance with all Pretreatment/ Industrial Waste Control Requirements and Standards. If after thirty (30) days notice, the violating Service Provider has not taken necessary steps to correct the violation, the Liberty Black Mountain may assume in whole or in part Pretreatment/Industrial Waste Control Program responsibilities in lieu of the violating Service Provider. The Liberty Black Mountain may continue in this capacity until the violating Service Provider agrees to the original terms of the notice and any additional terms which the Liberty Black Mountain feels are necessary to ensure ongoing compliance by the Service Provider with all Pretreatment/ Industrial

Waste Control Requirements and Standards. The Service Provider shall be liable for all costs associated with the Liberty Black Mountain's assumption of responsibilities on behalf of the Service Provider and the Liberty Black Mountain may recover such costs in any manner permitted by law.

5.23 Program Preemption.

Where the Liberty Black Mountain preempts a Service Provider in the execution of Pretreatment/Industrial Waste Control Program responsibilities, the Liberty Black Mountain shall directly enforce Federal Pretreatment Standards, including Categorical Standards, and the provisions of Article 5 of these Rules and Regulations against the Industrial Users located within the service area of the Service Provider. The Liberty Black Mountain may request that all industrial self-monitoring reports, including those required under 40 CFR §403.12, be conveyed directly to the Liberty Black Mountain. Moreover, the Liberty Black Mountain shall carry out all inspection and sampling activities necessary to monitor compliance with Pretreatment/Industrial Waste Control Standards and Requirements. Where Program preemption occurs, the Liberty Black Mountain shall have the right to seek injunctive relief against the Service Provider and any Industrial User in order to obtain full compliance with Pretreatment/Industrial Waste Control Standards and Requirements. The Liberty Black Mountain shall bill and the Service Provider shall be liable for costs incurred by the Liberty Black Mountain in conjunction with the administration of the Program in lieu of the Service Provider, and the Liberty Black Mountain may recover such costs, including attorney fees and costs, in any manner permitted by law.

The Liberty Black Mountain shall have the right to require the cessation of any industrial wastewater discharge in violation of Pretreatment/Industrial Waste Control Standards and Requirements. Where the Liberty Black Mountain finds an Industrial User to be in violation of any Pretreatment/Industrial Waste Control Standard or Requirement, the Liberty Black Mountain may require the Industrial User to enter into a bilateral contract with the Liberty Black Mountain containing any conditions, including conditions relating to the installment of pretreatment or monitoring facilities, necessary to ensure compliance with Pretreatment/Industrial Waste Control Standards and Requirements. At the discretion of the Liberty Black Mountain, these conditions may be incorporated into the municipal industrial waste discharge permit or Agreement once Program responsibilities are returned to the Service Provider.

5.24 Program Delegation.

Any Service Provider may enter into an Agreement with the Liberty Black Mountain providing the Liberty Black Mountain with the legal authority to carry out technical and administrative procedures necessary to implement the Pretreatment/Industrial Waste Control Program at the local level. These procedures may include, among others, updating the industrial waste survey, providing technical services relating to the issuance and review of industrial waste discharge permits, inspecting and monitoring industrial waste discharges, waste discharge facilities and operations of permittees, and

providing technical assistance for local enforcement actions. Where Program delegation occurs, the delegation agreement shall contain provisions for the Liberty Black Mountain to recover the costs, including attorney fees and costs, incurred by the Liberty Black Mountain in conjunction with the administration of the Program on behalf of the Service Provider.

5.25 Liberty Black Mountain Monitoring.

For the purpose of determining the quantity, quality, and other characteristics of any sewage which shall be or may be delivered and discharged into the Wastewater System by a Service Provider, or into the system of a Service Provider by any User, the Liberty Black Mountain shall have the right at all reasonable times to enter upon and to inspect the Service Provider's system or any industrial or commercial installations connected thereto or any other connections which contribute sewage or Wastewater to the Service Provider's system and to inspect and copy records, to take samples and to make tests, measurements, and analyses of sewage or other wastes in, entering, or to be discharged into such Service Provider's system.

5.26 Specific Discharge Limitations for Service Providers.

No Service Provider shall discharge to the Wastewater System at any time or over any period of time wastewater containing any of the materials and substances in excess of the limitations provided under section 5.3

Company: Liberty Utilities (Black Mountain Sewer) Corp.-
Wastewater Division

Decision No.: _____

Phone: _____

Effective Date: _____

PRE-TREATMENT TARIFF

PURPOSE

The purpose of this tariff is to enable Liberty Utilities (Black Mountain Sewer) Corporation ("Liberty Black Mountain" or "Company") to set forth certain waste limitations and pretreatment standards that apply based on the class of commercial/industrial customer served by the Liberty Black Mountain's wastewater collection system. Customer classes include dental offices, dry cleaners, food service establishments, photo imaging operations, RV Parks and pretreatment for industrial wastes. This tariff will govern the type and quality of waste discharged into the Company's wastewater collection system and treated at its wastewater treatment facilities.

This tariff incorporates pretreatment standards consistent with the City of Scottsdale which meet applicable Federal and State standards. In addition, the Liberty Black Mountain has a Code of Practice guideline attached to this tariff.

REQUIREMENTS

The requirements to be in compliance with the rules of the Arizona Corporation Commission ("Commission"), specifically A.A.C. R14-2-603, 605, 607, and 609, the above pretreatment standards and guidelines that govern this tariff are as follows:

1. Any customer disposing of industrial waste considered as hazardous under this tariff shall notify Company in writing of any discharge into the Company's collection system. The specific information for the reporting and time-frame requirement to be submitted to Liberty Black Mountain is 180 days per 40 CFR §403.12 (p)
2. The Company may require monitoring equipment facilities, at the customer's expense, to allow inspection, sampling, and flow measurement of any discharges as necessary to determine compliance with this tariff.
3. Subject to the provisions of A.A.C. R14-2-603, 607 and 609, the Company may terminate service or may deny service to a customer who fails to meet the pretreatment standards or to permit the inspecting and sampling of any discharge as required by this tariff.
4. Liberty Black Mountain may suspend wastewater treatment service, in accordance with A.A.C. R14-2-609.B (without notice), when such suspension is necessary, in the opinion of the Company, in order to stop an actual or threatened discharge which presents or may present an imminent or substantial endangerment

Company: Liberty Utilities (Black Mountain Sewer) Corp.-
Wastewater Division

Decision No.: _____

Phone: _____

Effective Date: _____

to the health or welfare of persons, to the environment, or causes the Company to violate any condition of its aquifer protection permit.

5. Liberty Black Mountain shall give any new customer who is required to meet the pretreatment standards written notice of said requirement and shall be given a complete copy of this tariff and all attachments.
6. Any existing customer found to be in violation of this tariff shall be given written notice of such violation and a complete copy of this tariff with all attachments. If A.A.C. R14-2-609.B.1. is **not** applicable the customer shall be given thirty (30) days from the time such written notice is received to comply with this notice. If the customer can show good cause as to why the pretreatment standards cannot be met within thirty (30) days, the Company may allow, at its sole discretion the customer an additional thirty (30) days to have the pretreatment standards met.
7. Consistent with the provisions of A.C.C. R14-2-607.B.1 and 2, each customer shall be responsible for maintaining and safeguarding all Liberty Black Mountain property installed on the customer's premises for the purpose of supplying utility service to that customer.

Attachment – Liberty Utilities BMSC’s Code of Practice Guideline

Websites:

Arizona Administrative Code (A.A.C.) Title 18, Article 9

www.azsos.gov/public_services/table_of_contents.htm

Code of Federal Register:

www.epa.gov/lawsregs/search/40cfr.html



Liberty Utilities[®]

WATER | GAS | ELECTRIC

LIBERTY UTILITIES (BLACK MOUNTAIN SEWER) CORP.

City Use Only
___ Permit Not Required
___ SIU
___ Zero Discharger
___ High Strength
___ Pollution Prevention
___ Other
This Permit is for:
___ New Permit
___ Existing Permit

Industrial Wastewater Discharge Permit Application

In accordance with Title 40 of the Code of Federal Regulations Part 403 Section 403.14 and Liberty Black Mountain Code Liberty Utilities BMSC-CP-01, information and data provided in this permit application which identifies the nature and frequency of discharge shall be available to the public without restriction. Requests for confidential treatment of other information shall be governed by procedures specified in Liberty Black Mountain's Code Liberty Utilities BMSC-CP-01 and 40 CFR Part 2.

The completed application and all attachments should be mailed within 30 days of receipt to: 12725 W Indian School Rd. St. D101 Avondale, AZ 85323 623-536-4480

Section A - General Information			
Business Name			
Facility Address		Mailing Address <i>(if different from previous)</i>	
A map of the facility is attached to this application		<input type="checkbox"/> Yes <input type="checkbox"/> No	
Signing Official Name		Primary Contact Name	
Title		Title	
Telephone No.		Telephone No.	
Facsimile No.		Facsimile No.	
		E-mail Address	

Section B – Water Usage			
Is water used in manufacturing process (Y/N)?			
Describe processes that consume water?			
Water Supply	Public	Private Well	Others
Is water supply metered (Y/N)?			
Describe treatment process to treat facility incoming water.			
Describe water consumption in the facility	Non contact cooling water (gallons per day)		
	Boiler feed (gallons per day)		
	Manufacturing processes (gallons per day)		
	Personnel sanitary use (gallons per day)		
	Contained in product (gallons per day)		
	Landscaping/Other (gallons per day)		
	Total (gallons per day)		
Provide a water balance diagram for the facility.			

Section C – Discharged Wastewater				
Type of discharges and volumes	Discharge to (volume in gallons /day)		Batch	Continuous
	City sanitary sewer			
	City storm water			
	Natural outlet			
	Waste hauler			
	Total			
Does the facility have flow metering of its discharges (Y/N)? If yes, describe the type of equipment and its locations.				
If applicable, describe future plans for facility expansion that may impact facility discharge(s) characteristics and/or volumes.				
Describe the location of discharge connection to the City's sewer.				
Provide discharge information for each manufacturing process.	Process	Average flow (gallons/day)	Maximum flow (gallons/day)	Batch or Continuous
Provide a schematic of all wastewater discharges for the entire manufacturing train(s) and for each manufacturing process. Show sampling locations. Show locations for all treatment devices such as interceptors, grease/oil/sand traps, ion exchange, filtration, neutralization systems, and any other treatment systems. Show connection to the sanitary sewer on a facility schematic. Indicate floor drains and chemical storage areas on site schematic. Are there any chemical spill/containment devices/storage? If yes, show on facility site schematic. Based on the provided information, additional information may be requested.				
Provide information on storm sewers and well located inside the facility. If yes, provide location of these on facility site plan schematic.	Storm sewers (Y/N)			
	Private wells (Y/N)			
	Dry wells (Y/N)			
	Abandoned wells (Y/N)			

Section D – Wastewater Pretreatment	
Describe all wastewater streams which are treated before their discharge.	
From the following list, provide pretreatment methods employed at the facility. For each discharge stream, list the discharge streams and their locations and provide a schematic of the installed pretreatment process(es).	
<p>Grease or oil separation:</p> <p><input type="checkbox"/> Grease trap</p> <p><input type="checkbox"/> Grease interceptor (in-ground)</p> <p><input type="checkbox"/> Dissolved air flotation</p> <p><input type="checkbox"/> Oil/water separator (specify type: _____)</p> <p><input type="checkbox"/> Sand filter</p> <p><input type="checkbox"/> Other (specify: _____)</p> <p>Metals treatment:</p> <p><input type="checkbox"/> Chemical precipitation</p> <p><input type="checkbox"/> Filtration (specify type: _____)</p> <p><input type="checkbox"/> Ion exchange</p> <p><input type="checkbox"/> Silver Recovery Unit (specify type: _____)</p> <p><input type="checkbox"/> Other (specify: _____)</p> <p>Organics treatment:</p> <p><input type="checkbox"/> Activated carbon</p> <p><input type="checkbox"/> Solvent separation (specify type: _____)</p> <p><input type="checkbox"/> Other (specify: _____)</p>	<p>Solids separation:</p> <p><input type="checkbox"/> Centrifuge/cyclone</p> <p><input type="checkbox"/> Filtration (specify type: _____)</p> <p><input type="checkbox"/> Grit removal (specify type: _____)</p> <p><input type="checkbox"/> Screens (specify type: _____)</p> <p><input type="checkbox"/> Sedimentation/settling tank</p> <p><input type="checkbox"/> Sump</p> <p><input type="checkbox"/> Other (specify: _____)</p> <p>Other:</p> <p><input type="checkbox"/> Flow equalization</p> <p><input type="checkbox"/> Neutralization, pH correction</p> <p><input type="checkbox"/> Ozonation</p> <p><input type="checkbox"/> Water/wastewater reclamation (attach description)</p> <p><input type="checkbox"/> Biological treatment (specify type: _____)</p> <p><input type="checkbox"/> Other chemical treatment (specify type: _____)</p> <p><input type="checkbox"/> Other physical treatment (specify type: _____)</p> <p><input type="checkbox"/> Other (specify: _____)</p>
Is any form of pretreatment planned for the facility within the next three (3) years? <input type="checkbox"/> Yes <input type="checkbox"/> No	
Please furnish a process flow diagram for each existing or planned pretreatment system. Include process equipment, by-products, by-product disposal method, concentrations, waste and by-product volumes, and design and operating conditions.	

Section E - Discharge(s) Characteristics						
For each of the priority pollutants listed below, provide the information.						
Item No.	Chemical Compound	Amount of chemical stored onsite (pounds or gallons)	Amount of total chemical discharged (pounds or gallons/day)	Amount of chemical discharged to sanitary sewer (pounds or gallons/day)	Amount of chemical sent to waste hauler (pounds or gallons/day)	Amount of chemicals sent to other(s), describe (pounds or gallons/day)
1.	asbestos (fibrous)					
2.	cyanide (total)					
3.	antimony (total)					
4.	arsenic (total)					
5.	beryllium (total)					
6.	cadmium (total)					
7.	chromium (total)					
8.	copper (total)					
9.	lead (total)					
10.	mercury (total)					
11.	nickel (total)					
12.	selenium (total)					
13.	silver (total)					
14.	thallium (total)					
15.	zinc (total)					
16.	acenaphthene					
17.	acenaphthylene					
18.	acrolein					
19.	acrylonitrile					
20.	aldrin					
21.	anthracene					
22.	benzene					
23.	benzidine					
24.	benzo (a) anthracene					
25.	benzo (a) pyrene					
26.	3,4-benzofluoranthene					
27.	benzo (g, h, i) perylene					
28.	benzo (k) fluoranthene					
29.	α -BHC (alpha)					
30.	β -BHC (beta)					
31.	δ -BHC (delta)					
32.	γ -BHC (gamma)					

33.	bis (2-chloroethyl) ether				
34.	bis (2-chloroethoxyl) methane				
35.	bis (2-chloroisopropyl) ether				
36.	bis (2-ethylhexyl) phthalate				
37.	bromodichloromethane				
38.	bromoform				
39.	bromomethane				
40.	4-bromophenyl phenyl ether				
41.	butyl benzyl phthalate				
42.	carbon tetrachloride				
43.	chlordane				
44.	4-chloro-3-methylphenol				
45.	chlorobenzene				
46.	chloroethane				
47.	2-chloroethyl vinyl ether				
48.	chloroform				
49.	chloromethane				
50.	2-chloronaphthalene				
51.	2-chlorophenol				
52.	4-chlorophenyl phenyl ether				
53.	chrysene				
54.	4,4'-DDD				
55.	4,4'-DDE				
56.	4,4'-DDT				
57.	dibenzo (a, h) anthracene				
58.	dibromochloromethane				
59.	1,2-dichlorobenzene				
60.	1,3-dichlorobenzene				
61.	1,4-dichlorobenzene				
62.	3,3'-dichlorobenzidene				
63.	1,1-dichloroethane				

64.	1,2-dichloroethane				
65.	1,1-dichloroethene				
66.	1,2-trans-dichloroethylene				
67.	2,4-dichlorophenol				
68.	1,2-dichloropropane				
69.	(cis & trans) 1,3-dichloropropene				
70.	dieldrin				
71.	diethyl phthalate				
72.	2,4-dimethylphenol				
73.	dimethyl phthalate				
74.	di-n-butyl phthalate				
75.	di-n-octyl phthalate				
76.	4,6-dinitro-o-cresol				
77.	2,4-dinitrophenol				
78.	2,4-dinitrotoluene				
79.	2,6-dinitrotoluene				
80.	1,2-diphenylhydrazine				
81.	α -endosulfan (alpha)				
82.	β -endosulfan (beta)				
83.	endosulfan sulfate				
84.	endrin				
85.	endrin aldehyde				
86.	ethylbenzene				
87.	fluoroanthene				
88.	fluorene				
89.	heptachlor				
90.	heptachlor epoxide				
91.	hexachlorobenzene				
92.	hexachlorobutadiene				
93.	hexachlorocyclopentadiene				
94.	hexachloroethane				
95.	indeno (1,2,3-cd) pyrene				
96.	isophorone				
97.	methylene chloride				
98.	naphthalene				
99.	nitrobenzene				
100.	2-nitrophenol				
101.	4-nitrophenol				
102.	N-nitrosodimethylamine				

103.	N-nitrosodi-n-propylamine				
104.	N-nitrosodiphenylamine				
105.	PCB-1016				
106.	PCB-1221				
107.	PCB-1232				
108.	PCB-1242				
109.	PCB-1248				
110.	PCB-1254				
111.	PCB-1260				
112.	pentachlorophenol				
113.	phenathrene				
114.	phenol				
115.	pyrene				
116.	2,3,7,8-tetrachlorodibenzo-p-dioxin				
117.	1,1,2,2-tetrachloroethane				
118.	tetrachloroethylene				
119.	toluene				
120.	toxaphene				
121.	1,2,4-trichlorobenzene				
122.	1,1,1-trichloroethane				
123.	1,1,2-trichloroethane				
124.	trichloroethylene				
125.	2,4,6-trichlorophenol				
126.	vinyl chloride				

Is the sampling data representative of facility's discharges to sanitary sewer (Y/N)? If no, describe why.

Parameter	Average Concentration (mg/L)	Maximum Concentration (mg/L)
BOD ₅		
COD		
Total Suspended solids		
TKN (Nitrogen)		
Oil & Grease		
Total Phosphorus		

List pH and temperature for each discharge location.

Discharge Location	pH			Temperature		
	Minimum	Average	Maximum	Minimum	Average	Maximum

Information on discharge(s) not disposed of into sanitary sewer.

Wastes	Estimated quantity/year (pounds or gallons)	Disposal method (i.e., landfill, recycle, sale, evaporation, incineration, etc.)

Waste solvent		
Oil & Grease		
Process wastes		
Pretreatment sludges		
Inks/dyes		
Thinner		
Paints		
Acids and Alkalis		
Left over or extra product		
Pesticides		
Others (specify)		
Provide information for an outside firm (name, address, permit number, etc.) if this firm removes any of the above listed wastes.		
1.	2.	3.
Do any of your substances require an EPA Hazardous Waste Generator permit (Y/N)?		
If "Yes," please provide your ID number and type of permit (large quantity generator, small quantity generator, or conditionally exempt small quantity generator).		

Section F -Certification
I certify under penalty of law that this document and all attachments were prepared under my direction or supervision in accordance with a system designed to assure that qualified personnel properly gather and evaluate the information submitted. Based on my inquiry of the person or persons who manage the system, or those persons directly responsible for gathering the information, the information submitted is to the best of my knowledge and belief, true, accurate, and complete. I am aware that there are significant penalties for submitting false information, including the possibility of fine and imprisonment for knowing violations.
Signature and Title of Industry Signing Official (Seal if applicable) Date

12725 W Indian School Rd. St. D101 Avondale, AZ 85323 623-536-4480 FAX #

DATE

NAME AND ADDRESS
OF PERMITTEE

RE: Issuance of Permit for Coverage under the Title 40 of the Code of Federal Regulations Part 403 Section 403.14 and Liberty Utilities BMSC-CP-01 Permission to Discharge to Liberty Utilities (Black Mountain Sewer) Corp. Sanitary Sewer, Permit No. 2015-1

Dear Mr./Ms. :

In accordance with Title 40 of the Code of Federal Regulations Part 403 Section 403.14 and Liberty Utilities (Black Mountain Sewer) Corp. ("Liberty Black Mountain") Code Liberty Utilities BMSC-CP-01, Liberty Black Mountain has made a final determination to issue coverage under its Industrial Wastewater Discharge Permit Program, effective from DATE through END DATE (usually 5 years or end of AZPDES Permit Term). This letter serves as official notification of issuance of the Industrial Wastewater Discharge Permit.

Liberty Black Mountain's final decision to issue permit coverage is based on the Industrial Wastewater Discharge Permit Application submitted on DATE and additional requested information. As you know, it is the responsibility of the industry/facility owner and/or operator to comply with the requirements of the Title 40 of the Code of Federal Regulations Part 403 Section 403.14 and Liberty Black Mountain's Code Liberty Utilities BMSC-CP-01. This issuance of coverage does not preclude the industry/facility from following up with an inspection or audit to verify compliance with the Industrial Wastewater Discharge Permit and Liberty Black Mountain's Code Liberty Utilities BMSC-CP-01. Also, be aware that as a condition of recordkeeping, Liberty Black Mountain's Code Liberty Utilities BMSC-CP-01 requires that the permittee retain the required information and all records pertinent to the Permit for at least three (3) years beyond the term of the Permit.

In addition, any previous Permit issued under the Liberty Black Mountain's Code Liberty Utilities BMSC-CP-01 is terminated on the coverage date as specified above. An industry/facility covered under the new Industrial Wastewater Discharge Permit is required to report on activities that were required or committed to under the previous Permit.

Finally, Liberty Black Mountain thanks you for your cooperation in the permitting process. Please retain this letter as documentation of your Industrial Wastewater Discharge Permit. Please contact me at PHONE NUMBER or by email at _____ with any questions.

Sincerely,

NAME

Liberty Black Mountain Operations Manager or Program Administrator

DECISION NO. 75510