



Agenda Item 12(B)

Wastewater Interconnection

Agreements with Johnson

Utilities (“JU”) through

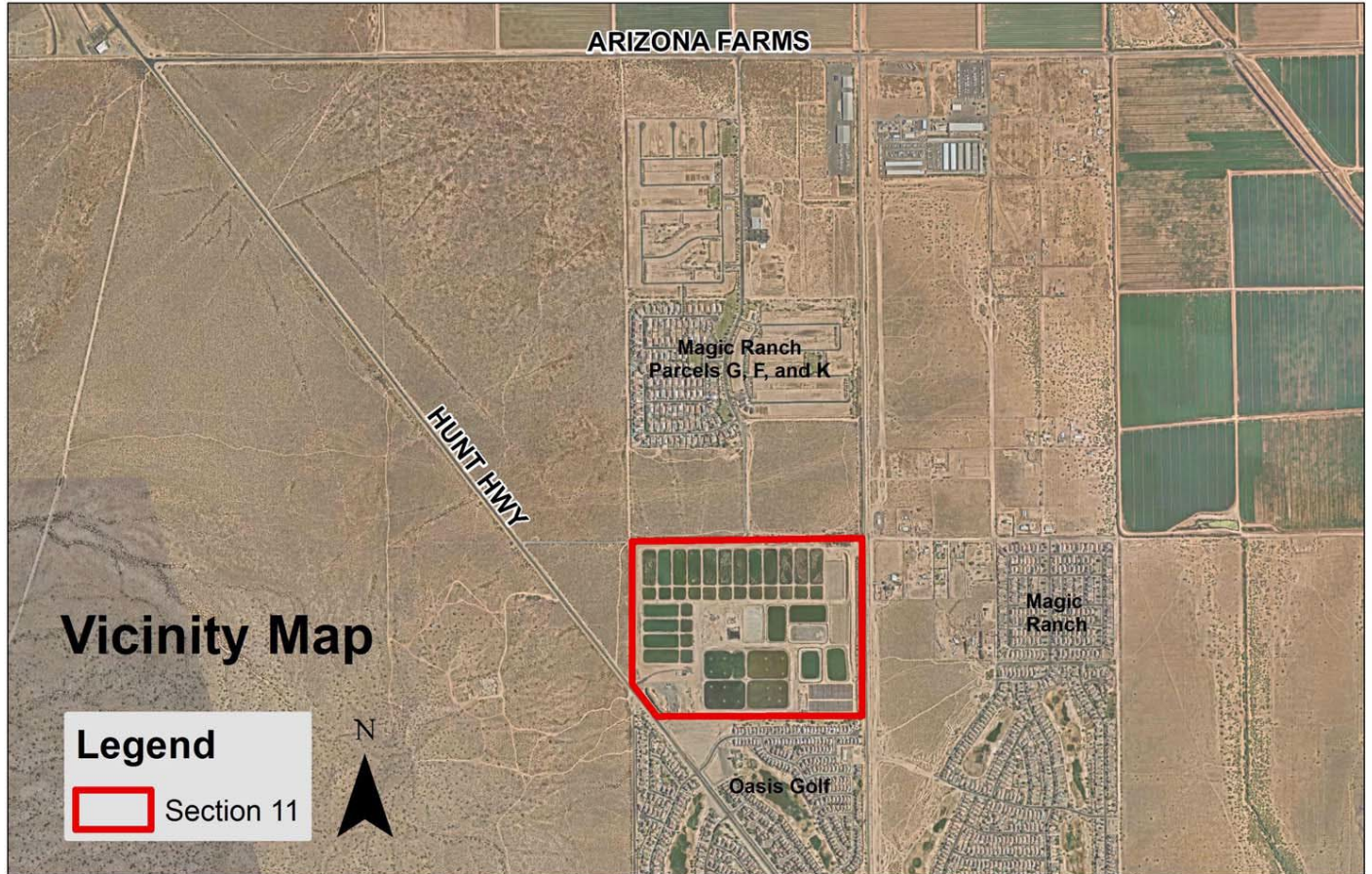
EPCOR

JU's Wastewater Capacity Problems – Pecan Water Reclamation Facility (“PWRF”)

- The PWRF has and will continue to exceed its capacity (3 MGD)
- Planned expansion of the PWRF (to 4 MGD) has been blocked by JU ownership
- The expansion will take 18 months or longer
- Even if and when the expansion is completed, the PWRF has already been over-committed to existing developments
- The expansion does nothing to help any additional developments, including the 6 parcels seeking to be deleted from JU's CC&N



Section 11



JU's Wastewater Capacity Problems – Section 11 Facility (“Section 11”)

- Section 11 is in constant violation of various environmental laws and regulation
- Section 11 has no capacity to add any additional developments, homes or users
- Some flows to Section 11 are being diverted to other JU facilities (San Tan and Anthem)
- Everyone agrees that Section 11 must be shut down
- The replacement for Section 11, a proposed Copper Basin plant, has not even been permitted and is many years from being completed



Problems Caused by JU's Lack of Capacity Impacting the Entire Region

- Continuing serious environmental violations
- Sewage overflows and illegal discharges
- The Arizona Department of Environmental Quality refusing to issue additional authorizations to construct homes
- Moratoriums on development
- Inability for landowners to sell their property
- Inability for new homeowners to have homes they have already purchased constructed
- All of these impact Queen Creek and its residents



Wastewater Interconnection

- For over 2 years, Queen Creek has proposed that interconnection of the JU wastewater system to the Queen Creek wastewater system was the most time and cost effective solution
- For JU customers and Queen Creek residents
 - NOT seeking annexation
 - NOT to purchase JU
- Regional, environmentally sound solution
- EPCOR and the ACC Staff have been unwilling to support that solution

Now, things have changed . . .

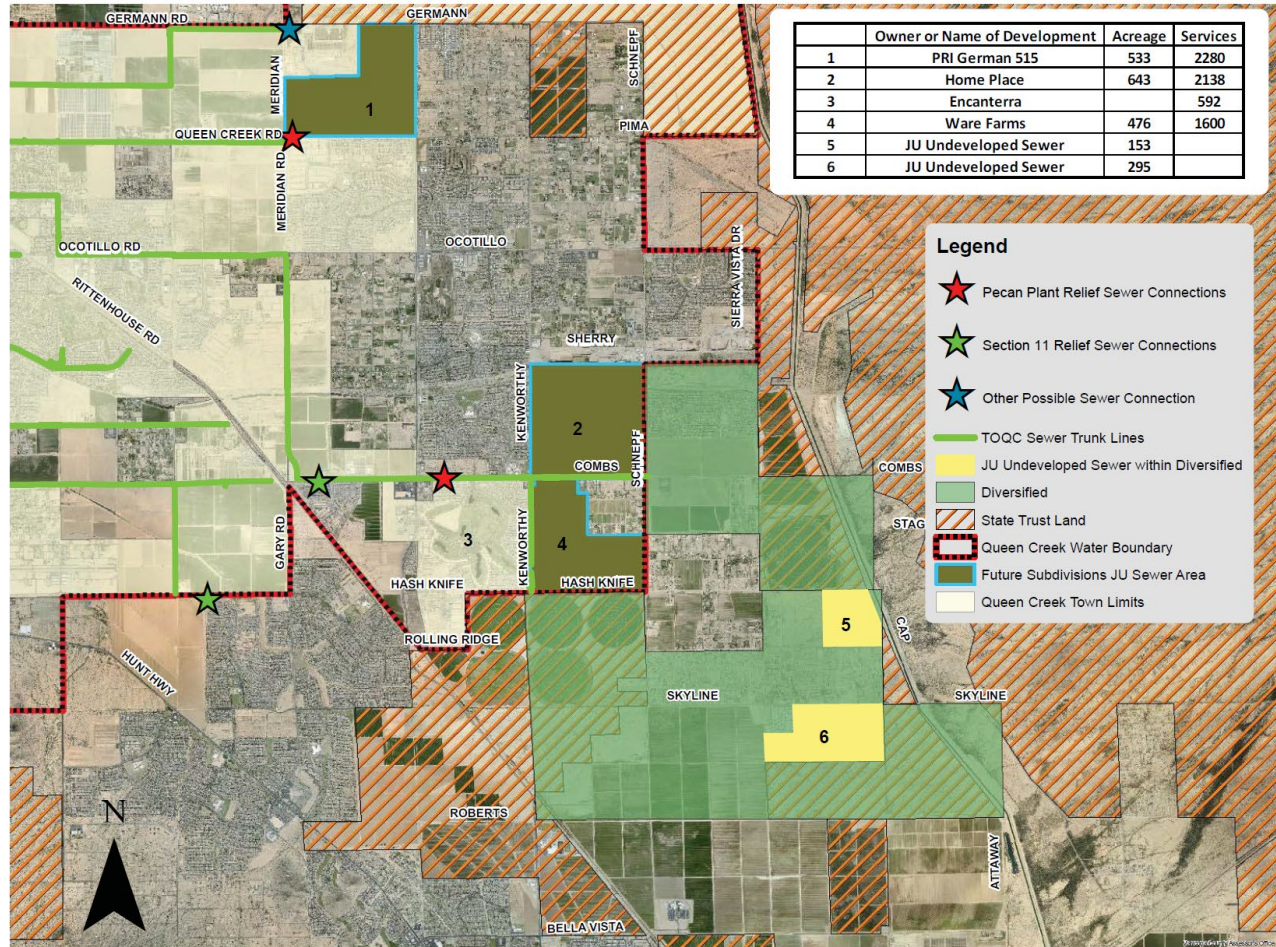


Parties Now Requesting/Demanding/Recommending JU Interconnection with Queen Creek

- EPCOR (JU's Interim Manager)
- Arizona Corporation Commission
- Arizona Department of Environmental Quality
- Pinal County
- Residential Utility Consumer Office
- Valley Partnership
- Home Builders Association of Central Arizona
- JU customers who have submitted comments to the ACC
- Landowners/Developers who have appeared or commented to the ACC – some even willing to pay for it



Interconnection Map



No Benefit to Landowners Seeking Relief From JU's CC&N



- They need to sell and/or develop their property now
- ADEQ and EPCOR have confirmed that even after interconnection and expansion of the PWRf there is no uncommitted capacity for their properties
- There is no plan to provide additional capacity
- The landowner have been unable to get any commitment to serve their properties from JU or EPCOR
- Yet, EPCOR and ACC staff oppose allowing them to be released from the JU CC&N that burdens their property

PWRF Interconnection Terms

- 2 year term (to allow the expansion to be built) which can be extended by agreement
- Up to 1 MGD in delivered wastewater that would otherwise go to the PWRF
- Delivered wastewater is metered and sampled
- Delivered wastewater is treated at the Greenfield Wastewater Reclamation Plant (“GWRP”)
- JU complies with all applicable requirements
- Provisions covering emergency shutdown, discharges, and suspension
- The parties to cooperate and provide access as necessary



PWRF Interconnection Terms

- Johnson pays for construction and maintenance of all of its facilities necessary for the interconnection
- Johnson pays all costs associated with treating and obtaining effluent credits for the delivered wastewater – pass through
- Johnson receives 80% of the effluent credits, but only if it fully pays all sums due Queen Creek
- Queen Creek keeps the remaining 20% of effluent credits
- Either party can terminate the Agreement for breach upon 90 days notice if the breach is not cured



Section 11

- Queen Creek has provided potential locations and capacities for interconnection for Section 11 flows
- Could provide up to 2MGD in relief
- Could be enough to decommission Section 11
- Could allow lifting of the moratorium on development

But—

- Requires more engineering and construction by EPCOR
- Queen Creek is ready - waiting on EPCOR to “figure out” the JU side of the Interconnection



Benefits to the Town

- Provides better, more environmentally sound service to Town residents in Ironwood Crossing and Encanterra
- Helps protect the Queen Creek Wash from discharges
- Provides certainty to Town developments allowing them to build
- Provides additional Effluent Credits to the Town at no cost to the Town
- Regional solution which benefits the entire region at no cost to Town residents



Schedule

- | | |
|-------------|---------------------------------------------------------------------|
| Tonight: | Queen Creek – Approve motion |
| Tomorrow: | Provide revised draft contract to EPCOR |
| October 13: | ACC Open Meeting |
| ?? | Finalize PWRP Interconnection Agreement |
| ?? | GWRP Meeting to Consent |
| ?? | EPCOR determining what can be done with regards to Section 11 flows |



Motion Requested

Move to approval: (i) the material terms as presented for a Wastewater System Interconnection Agreement between the Town of Queen Creek and Johnson Utilities, LLC through its Interim Manager EPCOR Water Arizona, Inc. for the Pecan Water Reclamation Facility; (ii) delegating authority to the Town Manager and the Town Attorney to negotiate, finalize and execute such an agreement consistent with the approved material terms; and (iii) authorizing the Town Staff to negotiate with EPCOR Water Arizona, Inc. for a wastewater interconnection agreement in relation to the failing Section 11 Wastewater Treatment Plant.





Questions?

Thank you