

THE COMPANY LINE

Farmland, Water Rights Sold to Developer in AZ

Vidler Water Company, a subsidiary of Pico Holdings Inc., has agreed to sell 15,470 acres of Arizona farmland and an associated 42,000 acre-feet of groundwater rights for around \$95.3 million, according to the *Wall Street Journal*.

The land is in the Harquahala Valley Irrigation District in west-central Arizona. The *Wall Street Journal* was unable to identify the buyer, a real-estate developer.

The sale was expected to close on June 30, 2005. According to the Pico Holdings Web site, the sale agreement covers all of Vidler's water rights in Arizona, and the Vidler Arizona Recharge Facility water storage site would be Vidler's sole remaining asset in Arizona if the sale is completed.

Visit www.picoholdings.com and online.wsj.com/public/us.

CA Cheese Company Above the Law...for a While

In December, the *Sacramento Bee* exposed the fact that for 16 years, according to the newspaper, the Hilmar Cheese Company in Merced County, the world's largest cheese factory, released wastewater daily at a volume and salinity levels exceeding California's Water Quality Control Board regulations for groundwater protection, while enforcers apparently looked the other way.

According to the *Bee*, the company released an average 700,000 gallons of waste daily onto nearby land leased from the company's owners and supplying dairies. The newspaper's investigation of state records showed that in the previous four years alone, the water board recorded at least 4,000 violations of drinking water laws by Hilmar, yet the agency never levied a single fine or injunction. Instead, the *Bee* found, the water board accommodated the

company's four requests over eight years to raise the limit on wastewater volume as production expanded. The *Bee* said that on Dec. 2, after its reporters had spent three months investigating the case, the water board finally issued a "cleanup and abatement" order.

What was going on? For one thing, the *Bee* found that Hilmar had close ties to the governor's office. In 2003, the company donated \$21,200 (the maximum allowed by a corporation) to Arnold Schwarzenegger's gubernatorial campaign, and three months after taking office the governor selected the company's founding partner and part-owner, Chuck Ahlem, as California's undersecretary of agriculture. And from 1996 through 2000, the *Bee* said, Ahlem had served under Gov. Pete Wilson on the nine-member Central Valley Regional Water Quality Control Board, the agency that quietly allowed Hilmar Cheese to ignore its wastewater rules.

In recent years, various entities had begun to take notice of Hilmar's activities.

In 2001, new engineers and geologists with the water board filed the harshest inspection reports to date, according to the *Bee*, but further action was stifled. More recently, a state attorney general's investigation was launched in response to neighbors' complaints about odors, swarms of flies, and polluted tap water, said the newspaper. Hilmar's public response over the years, as reported by the *Bee*, has been to maintain they are diligently working to improve their conditions, to "be a great neighbor," and to comply with environmental standards. Ahlem has consistently maintained that he never sought special treatment for his company.

In late January, the *Bee* reported that Ahlem resigned from his position in the governor's office on the eve of a state hearing on why the dumping went on for so long. He said he would return to the private sector and complete a wastewater treatment operation that will address his company's environmental compliance problems.

The same day that Ahlem announced his resignation, the *Bee* learned, the California Environmental Protection Agency levied a \$4 million fine against Hilmar Cheese Company for 1,039 days of pollution violations since January 2002. Additional enforcement actions may be forthcoming.

In March, the Central Valley Regional Water Quality Control Board acknowledged to the *Bee* that its investigation of the case had revealed a lack of state leadership in setting and maintaining enforcement priorities as well as a need for more inspectors. The *Bee* said that board directors learned at a hearing that each of the state's nine water boards enters and tracks pollution enforcement data differently, and that, according to Kelly Briggs, enforcement coordinator for the Central Valley region, the Central Valley Board lacked a coherent system for prioritizing cases. Consequently, certain staff members have been assigned to work only on enforcement issues and top managers at the offices in Sacramento, Redding, and Fresno will begin to set priorities together, the *Bee* reported.

Visit www.sacbee.com

SRP and Phelps Dodge Reach Water Agreement

In February, Salt River Project (SRP) and Phelps Dodge Corp. signed a water agreement as part of the Gila River Indian Water Rights Settlement recently approved by the Arizona Water Settlement Act. The agreement settles water-rights issues and allows for the transfer of Blue Ridge Reservoir from Phelps Dodge to SRP.

The agreement is part of a long history of water agreements between the two parties. Their first joint effort was the construction of Horseshoe Dam, funded by Phelps Dodge and built by SRP between 1944 and 1946. In return, Phelps Dodge received water credits through an exchange agreement with SRP for use at Phelps Dodge's Morenci

copper mine. Horseshoe Dam provides additional water-supply security in the Salt River Valley. In order to meet its need for additional water, Phelps Dodge built Show Low Lake in 1952 and Blue Ridge Reservoir in 1965. Phelps Dodge and SRP entered a second water-exchange agreement in 1962 to cover diversions and exchanges of water from these facilities.

This latest agreement confirms each party's respective water rights in the watersheds of the Salt, Verde, and Gila rivers. In addition, it provides SRP the opportunity to acquire Blue Ridge Reservoir and its water production facilities – fulfilling Phelps Dodge's obligations under the 1962 agreement to offer the reservoir to SRP. Phelps Dodge and SRP have agreed that if SRP acquires the reservoir, a portion of the water will be delivered to the Gila River Indian Community as part of the Comprehensive Gila River Settlement. Blue Ridge Reservoir, with a storage capacity of 15,000 acre-feet, is about 25 miles north of Payson in Coconino County.

SRP is the largest provider of water and power in the Salt River Valley (including Phoenix), delivering about 1 million acre-feet of water to a 248,000-acre area. Phelps Dodge is the world's second largest copper producer, with about 4,800 employees at its mines and other operations in Arizona.

Visit www.srpnet.com and www.phelpsdodge.com.

Bohannon Huston Opens Denver Office

Bohannon Huston Inc., an engineering, spatial data, and advanced technologies firm based in Albuquerque, has opened a regional office in the Denver area. The company was recently awarded two large contracts by the Colorado Department of Transportation to provide CADD (Computer Aided Design and Drafting) migration and custom training services.

Melvin Dahlberg has been named to head

Colorado operations. Dahlberg has 26 years of engineering experience managing multidisciplinary civil, highway, and street design projects for public agencies.

Visit www.bhinc.com

Carollo Wins Desal Projects

Article originally appeared in *Water Tech Online*, Feb. 4, 2005

Carollo Engineers will be working to drive two desalination and concentrate (brine) management and disposal research projects to benefit Arizona's public water, according to a Feb. 2 Carollo news release.

The first of the awards is from the American Water Works Association Research Foundation (AwwaRF) and will focus on desalination recovery enhancement and the minimization of concentrate volume, the company reported.

The second project, awarded by the Joint Water Reuse & Desalination Task Force (WateReuse Foundation, AwwaRF, Water Environment Research Foundation and the U.S. Bureau of Reclamation), will develop a method to help water utilities evaluate their brine disposal options, the release said.

Visit www.watertechnology.com

Black & Veatch, San Antonio Collaborate

Article originally appeared in *Water Tech Online*, Feb. 4, 2005

Working to meet its future water supply demands, the San Antonio Water System (SAWS) will be collaborating with water engineering consulting firm Black & Veatch on a program management contract, according to a Feb. 3 company news release.

Black & Veatch has entered the design phase of the project to help provide a greater amount of water by way of the Gonzales County Carrizo Aquifer Program, the release said. The program will include the development of wells, pumping stations, approximately 100 miles of transmission main, water treatment plant modifications, high-service pumping stations, and integration facilities, the company reported.

The new facilities are expected to be designed, constructed, and operational by January 2008. The program budget is approximately \$300 million dollars for phase-one facilities, the release said.

Visit www.watertechnology.com and www.gccap.info/.

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