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NEW APPLICATION

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2004 APR -9 P 3: 29

Arizona Corporation Commission

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AZ CORP COMMISSION
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APR - 9 2004

1 FENNEMORE CRAIG
A Professional Corporation
2 Jay L. Shapiro (No. 014650)
Patrick J. Black (No. 017141)
3 3003 North Central Avenue
Suite 2600
4 Phoenix, Arizona 85012
Telephone (602) 916-5000

DOCKETED BY

Attorneys for New River Utility Company

BEFORE THE ARIZONA CORPORATION COMMISSION

8 IN THE MATTER OF THE APPLICATION
OF NEW RIVER UTILITY COMPANY FOR
9 AN EXTENSION OF ITS EXISTING
CERTIFICATE OF CONVENIENCE AND
10 NECESSITY FOR WATER SERVICE.

DOCKET NO. W-01737A^{W-01737A-04-0274}

**APPLICATION FOR EXTENSION OF
CERTIFICATE OF CONVENIENCE AND
NECESSITY**

12 New River Utility Company, ("Applicant"), an Arizona public service corporation, hereby
13 applies for an Order approving an extension of its existing Certificate of Convenience and
14 Necessity ("CC&N") for water service to include an area encompassing the project known as
15 Arrowhead Ranch Office Park ("Development"). In support of this Application, Applicant states
16 as follows:

17 1. Applicant is a public service corporation engaged in providing water for public
18 purposes within portions of Maricopa County, Arizona. Applicant was first granted its CC&N in
19 Decision No. 33131 (May 24, 1961) and Decision No. 33354 (August 15, 1961), and currently
20 serves approximately 2,575 water utility customers. The area served by Applicant contains both
21 residential and commercial properties.

22 2. Arrowhead Ranch Office Park, LLC, ("Developer") has requested that Applicant
23 extend water utility service to the Development. A copy of this request for service is attached
24 hereto as Exhibit 1. The Development includes approximately 8.5 acres, which will consist of ten
25 (10) office buildings, each with one (1) to eight (8) commercial tenants. A legal description for
26 the area covered by this Application is attached hereto as Exhibit 2.

1 3. The Development is contiguous, i.e., touching, Applicant's existing CC&N and
2 Applicant has a water main down Deer Valley Road, immediately adjacent to the northern border
3 of the Development. Consequently, Applicant asserts it is entitled to extend service to the
4 Development pursuant to A.A.C. R14-2-402.C. and A.R.S. § 40-285, which authorize extensions
5 of utility service to contiguous property without an order of the Commission extending a CC&N.
6 Developer has requested that Applicant extend service under its "run-along" rights as Applicant
7 requires actual water utility service no later than September 15, 2004.

8 4. Developer, Applicant and Staff have met to discuss the extension of service by
9 Applicant to the Development. Staff has suggested that Applicant seek an order extending its
10 CC&N to include the Development, notwithstanding A.A.C. R14-2-402.C. and A.R.S. § 40-285.
11 All parties recognized the deadline impacting the Development and the Applicant and Developer
12 intend to work diligently to assist Staff so that it may expeditiously process assess this
13 Application. However, Applicant is not, by this Application or otherwise, waiving any right
14 under A.A.C. R14-2-402.C. and A.R.S. § 40-285 and expressly reserves such rights
15 notwithstanding its request for an extension of its CC&N.

16 5. Applicant's management contact is Robert Fletcher, whose business address is
17 7839 West Deer Valley Road, Peoria, Arizona 85382. The telephone number is (623) 561-1848.

18 6. Applicant's operator, certified by the Arizona Department of Environmental
19 Quality, is Jack Muir (Jack Muir Enterprises, Inc.), whose business address is P.O. Box 629,
20 Cascade, Idaho 83611. The local telephone number is (623) 849-3720.

21 7. Applicant's attorneys are Fennemore Craig, whose address is 3003 North Central
22 Avenue, Suite 2600, Phoenix, Arizona 85012-2913. The individual attorney responsible for this
23 application is Jay L. Shapiro. Mr. Shapiro's telephone number is (602) 916-5366. **All Data**
24 **Requests or other Requests for Information should be directed to Mr. Robert Fletcher, with**
25 **a copy to Mr. Shapiro's attention, on behalf of New River Utility Company.**
26

1 8. A Certificate of Good Standing for New River Utility Company is attached hereto
2 as Exhibit 3.

3 9. The newly acquired customers in the areas covered by the application will receive
4 water service subject to Applicant's current rates and charges for utility service, which were
5 approved in Decision No. 65134 (August 22, 2002).

6 10. A service area map indicating Applicant's present water CC&N, and the area
7 requested by this Application, is attached hereto as Exhibit 4.

8 11. Applicant's balance sheet and profit and loss information for the 12-month period
9 ending 2003 is attached hereto as Exhibit 5.

10 12. A Master Water Design report is attached hereto as Exhibit 6.

11 13. A copy of Applicant's most recent Annual Report (2003) is attached hereto as
12 Exhibit 7.

13 14. The estimated numbers of commercial customers to be served in each of the first
14 five years of water utility service to the area covered by this Application are as follows:

15
16 1st Year: 5 (Includes Meter for Irrigation purposes)
17 2nd Year: 6
18 3rd Year: 6
19 4th Year: 6
20 5th Year: 6

21 15. Applicant's estimated annual operating revenue and operating expenses for each of
22 the first five years of operation in the new area covered by this Application are as follows:

<u>Operating Revenue</u>	<u>Operating Expenses</u>
23 1 st Year - \$2,250	1 st Year - \$3,160
24 2 nd Year - \$7,130	2 nd Year - \$7,619
25 3 rd Year - \$9,709	3 rd Year - \$8,918
26 4 th Year - \$9,709	4 th Year - \$8,918
5 th Year - \$9,709	5 th Year - \$8,918

1 16. Applicant's total estimated cost to construct utility facilities to serve customers in
2 the area covered by this Application is approximately \$28,926 per service connection. The plant
3 cost projections, including service meters, by year for the next five (5) years are as follows:

4 **Plant Cost Projection**

5 1st Year - \$244,033
6 2nd Year - \$74,158
7 3rd Year - 0-
8 4th Year - 0-
9 5th Year - 0-

10 17. The water facilities needed to serve the area covered by this Application will be
11 constructed as needed to provide service to customers, and shall consist of two phases. The
12 starting and completion dates for the construction of facilities at the Development are
13 approximately April 2004 and April 2005, respectively.

14 18. The construction of the additional utility facilities needed to serve the area covered
15 by this Application will be financed by Advances in Aid of Construction pursuant to the terms of
16 any main extension agreement between Applicant and Developer. A copy of the water main
17 extension agreement is attached hereto as Exhibit 8.

18 19. Applicant currently has an Operating Agreement with the City of Peoria to provide
19 water service in the area requested by this Application, and is attached hereto as Exhibit 9.

20 20. The Arizona Department of Environmental Quality ("ADEQ") will issued certain
21 Approvals to Construct facilities to serve the requested extension area. These Approvals to
22 Construct will be provided to the Commission once they are issued by ADEQ.

23 21. Notice of this Application will be given by publication in a newspaper of general
24 circulation as required by the Commission. Proof of publication will be filed with the
25 Commission.

26 22. Applicant maintains that this Application is in the public interest and should be
granted. There is a present need for water service in order to foster orderly growth in Maricopa

1 County and the City of Peoria in an area contiguous to Applicant's existing CC&N. Applicant is
2 in the best position to extend and provide water service to the Developments, and expansion of
3 service will benefit Applicant's existing customers by allowing the cost of providing water
4 service to be spread over a larger customer base, as well as achieving greater economies of scale.

5 23. To the best of its knowledge and belief, Applicant is currently in compliance with
6 all regulatory requirements applicable to its provision of water utility service in Arizona,
7 including all applicable orders, rules and regulations of the Commission.

8 WHEREFORE, Applicant respectfully requests the following:

9 A. That the Commission proceed to consider and act upon this Application as timely
10 as possible and to schedule a hearing, if necessary, on this matter;

11 B. That upon completion of said hearing that the Commission enter an Order
12 approving the extension of New River Utility Company's current Certificate of Convenience and
13 Necessities to include the additional geographic areas requested by this Application as shown in
14 Exhibit 4;

15 C. That the Commission grant such other and further relief as may be appropriate
16 under the circumstances herein.

17 DATED this 9 day of April, 2004.

18 FENNEMORE CRAIG, P.C.

19
20 By: 
21 Jay L. Shapiro
22 Patrick J. Black
23 Attorneys for New River Utility Company

24 ORIGINAL and 13 copies filed this 9th day of April, 2004:

25 Docket Control
26 Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007

1 COPY delivered this 9th day of April, 2004:

2 Jim Fisher, Executive Consultant
3 Utilities Division
4 Arizona Corporation Commission
5 1200 West Washington Street
6 Phoenix, Arizona 85007

7 COPY mailed this 9th day of April, 2004:

8 Marshall Reynolds
9 Arrowhead Ranch Office Park, LLC
10 2845 East Camelback Road, Suite 700
11 Phoenix, Arizona 85016

12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
By: 

1528620.1/69300.020

EXHIBIT

1

RENCOR DEVELOPMENT

2821 E CAMELBACK ROAD, SUITE 600
PHOENIX, AZ 85016
602.224.4502 PHONE
602.224.1371 FAX
WWW.RENCORDEVELOPMENT.COM

March 31, 2004

New River Utility Company
Attn: Robert Fletcher
7839 W. Deer Valley Road
Peoria, AZ 85385

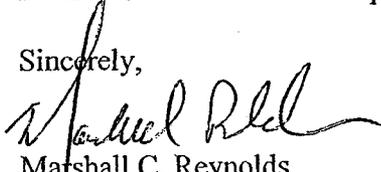
Re: Request for Service – Main Extension Agreement between
New River Utility Company and Arrowhead Ranch Office
Park, LLC dated March 15, 2004

Dear Mr. Fletcher

Arrowhead Ranch Office Park, LLC (“Arrowhead”) hereby requests water utility service be extended to our property located at the southeast corner of Deer Valley Road and 78th Avenue, as legally described on Exhibit A hereto. Arrowhead has received its grading and drainage permit from the City of Peoria and Phase I of the project is under construction.

Please extend service to our property at your earliest convenience.

Sincerely,


Marshall C. Reynolds
President

Cc: Jay Shapiro

EXHIBIT

2

Exhibit A

That portion of the Northwest Quarter of the Northeast Quarter of Section 23, Township 4 North, Range 1 East of the Gila and Salt River Base and Meridian, Maricopa County, Arizona, described as follows: Commencing at the North quarter corner of said Section 23;

Thence North 89 degrees 36 minutes 41 seconds East, along the North line of said Northeast Quarter, 665.89 feet to the Northwest corner of the Northeast Quarter of the Northwest Quarter of the Northeast Quarter of said Section 23, and the point of beginning of the herein described parcel;

Thence continuing North 89 degrees 36 minutes 41 seconds East, along said North line, 665.69 feet to the Northeast corner of the Northeast Quarter of the Northwest Quarter of the Northeast Quarter of said Section 23;

Thence South 00 degrees 12 minutes 23 seconds West, 660.70 feet to the Southeast corner of the Northeast Quarter of the Northwest Quarter of the Northeast Quarter of said Section 23;

Thence South 89 degrees 39 minutes 55 seconds West, 665.24 feet to the Southwest corner of the Northeast Quarter of the Northwest Quarter of the Northeast Quarter of said Section 23;

Thence North 00 degrees 09 minutes 01 second East, 660.07 feet to the point of beginning;

Except the West 25 feet; and

Except the South 22 feet of the North 55 feet, thereof, as conveyed to Maricopa County, a political subdivision of the State of Arizona in Deeds recorded in Document No. 01-965229 and Document No. 01-966003 and Document No. 01-965340; and

Except beginning at the point of intersection of the East line of the West 25 feet, and the South line of the North 55 feet, of the West half of the West half of the Northeast quarter of the Northwest quarter of the Northeast quarter of said Section 23;

Thence Southerly, 30 feet, along said East line of the West 25 feet ;

Thence in a Northeasterly direction to a point on said South line of the North 55 feet that is 30 feet Easterly from said point of intersection;

Thence Westerly, 30 feet to said point of beginning, as conveyed to Maricopa County, a political subdivision of the State of Arizona by Deed recorded in Document No. 01-965229; and

Except all coal, oil, gas and other mineral deposits as reserved in the Patents to said land recorded in Docket 1791, page 376, and Docket 1585, page 483.

EXHIBIT

3

STATE OF ARIZONA



Office of the
CORPORATION COMMISSION

CERTIFICATE OF GOOD STANDING

To all to whom these presents shall come, greeting:

I, Brian C. McNeil, Executive Secretary of the Arizona Corporation Commission, do hereby certify that

*****NEW RIVER UTILITY COMPANY*****

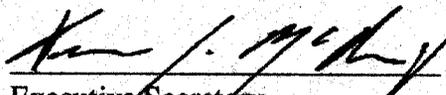
a domestic corporation organized under the laws of the State of Arizona, did incorporate on March 26, 1959.

I further certify that according to the records of the Arizona Corporation Commission, as of the date set forth hereunder, the said corporation is not administratively dissolved for failure to comply with the provisions of the Arizona Business Corporation Act; that its most recent Annual Report, subject to the provisions of A.R.S. sections 10-122, 10-123, 10-125 & 10-1622, has been delivered to the Arizona Corporation Commission for filing; and that the said corporation has not filed Articles of Dissolution as of the date of this certificate.

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

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the official seal of the Arizona Corporation Commission. Done at Phoenix, the Capital, this 29th Day of March, 2004, A. D.




Executive Secretary

By 

EXHIBIT

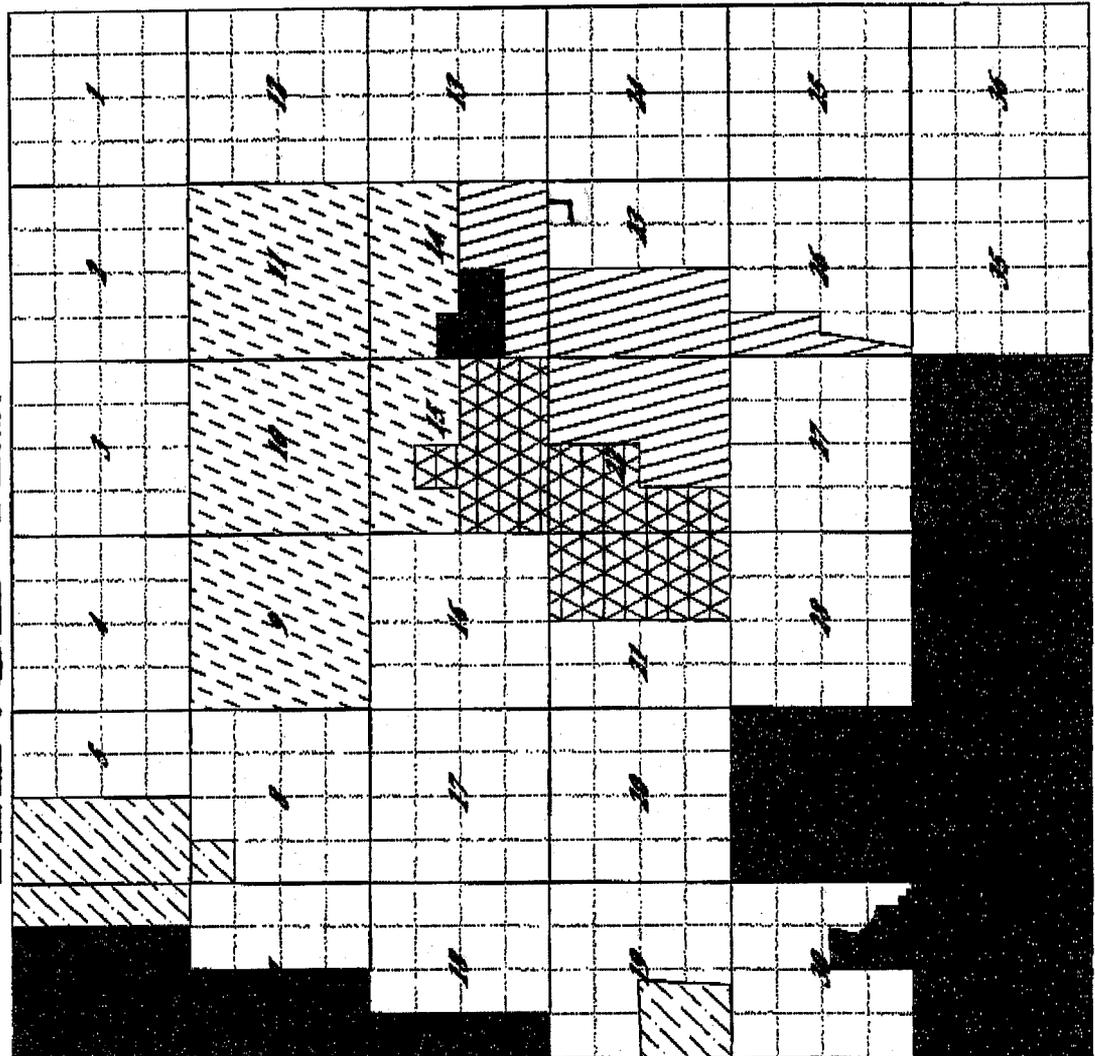
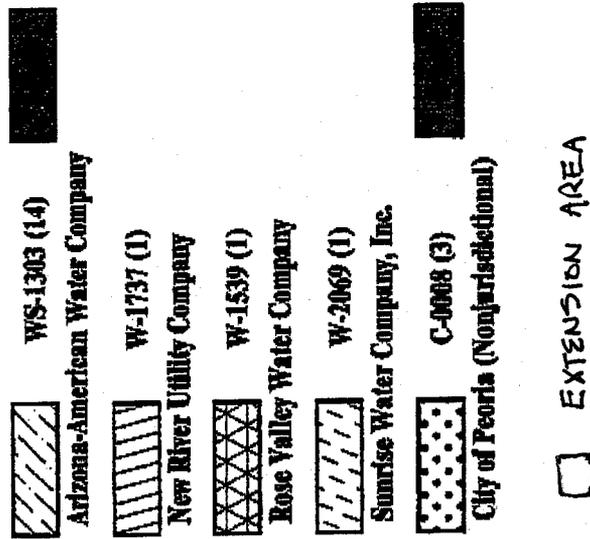
4

Map No. 29

COUNTY: Maricopa

RANGE 1 East

TOWNSHIP 4 North



EXHIBIT

5

Company name	New River Utility Company
---------------------	---------------------------

EXHIBIT 5

STATEMENT OF NET INCOME

Acct. No.			
	OPERATING REVENUE		
461	Metered Water Revenue	\$ 950,575	\$ 1,220,733
460	Unmetered Revenue		3,060
474	Other Operating Revenue	\$ 1,898	2,543
	TOTAL OPERATING REVENUE	\$ 952,473	\$ 1,226,336
	OPERATING EXPENSES		
601	Salaries & Wages	\$ 131,924	\$ 517,750
610	Purchased Water		
615	Purchased Pumping Power	156,516	122,204
618	Chemicals	4,509	2,509
620	Materials & Supplies:repairs and maintenance	17,772	24,310
621	Office Supplies and Expense	26,653	24,464
630	Outside Services	65,488	47,840
635	Water Testing	45,146	22,579
640	Rents	29,700	30,000
650	Transportation Expense		
650	Insurance - General Liability	12,330	17,761
665	Regulatory Commission Expense - Rate Case	12,201	12,145
675	Misc. Operating Expenses	3,080	5,074
403	Depreciation Expense	212,771	222,541
408.11	Taxes other Than income; property tax	6,500	10,482
	Property Taxes	17,327	28,017
409	Income Tax		
	TOTAL OPERATING EXPENSE	\$ 741,918	\$ 1,087,676
	OPERATING INCOME / (LOSS)	\$ 210,555	\$ 138,660
	OTHER INCOME/EXPENSE		
419	Interest Income		
421	Other Income		
426	Other Expense		
427	Interest Expense		
	TOTAL OTHER INCOME (EXPENSE)		
	NET INCOME / (LOSS)	\$ 210,555	\$ 138,660

\$ (210,555)

COMPANY NAME New River Utility Company

EXHIBIT 5

BALANCE SHEET

Acct. No.	ASSETS	BALANCE AT BEGINNING OF YEAR	BALANCE AT END OF YEAR
	CURRENT AND ACCRUED ASSETS		
131	Cash	\$ 3,891	\$ 156,720
134	Working Funds		
135	Temporary Cash		
141	Customer Accounts Receivable	31,760	33,821
151	Plant Materials and Supplies		
151	Materials & Supply Inventory		104,000
162	Prepayments		
174	Miscellaneous Current & Accrued Assets		
	TOTAL CURRENT AND ACCRUED ASSETS	\$ 35,651	\$ 294,541
	FIXED ASSETS		
101	Utility Plant	\$ 4,754,796	\$ 4,798,999
103	Property Held for Future Use		
105	Construction Work in Progress	-	
108	Accumulated Depreciation	(641,653)	(864,194)
121	Non-Utility Property		
122	Accumulated Depreciation-NonUtility		
	TOTAL FIXED ASSETS	\$ 4,113,143	\$ 3,934,805
	TOTAL ASSETS	\$ 4,148,794	\$ 4,229,346

COMPANY NAME	New River Utility Company
---------------------	---------------------------

EXHIBIT 5

BALANCE SHEET

Acct No.	LIABILITIES	BALANCE AT BEGINNING OF YEAR	BALANCE AT END OF YEAR
	CURRENT LIABILITIES		
231	Accounts Payable	\$ 239,833	\$ 301,923
232	Notes Payable (Current Portion)		
234	Notes/Accounts Payable Associated companies		
235	Customer Deposits	\$ 6,938	4,830
236	Accrued Taxes		
237	Accrued Interest		
241	Miscellaneous Current & Accrued Liabilities		
	TOTAL CURRENT LIABILITIES	\$ 246,771	\$ 306,753
	LONG-TERM DEBT(Over 12 months)		
224	Long-Term Notes and Bonds		
	DEFERRED CREDITS		
251	Unamortized Premium on Debt		
252	Advances in Aid of Construction	\$ 3,320,397	\$ 3,202,308
255	Accumulated Deferred Investment Tax Credits		
271	Contributions in Aid of Construction	-	
272	Less: Amortization of Contributions	-	
281	Accumulated Deferred Income Taxes	6,722	6,722
	TOTAL DEFERRED CREDITS	\$ 3,327,119	\$ 3,209,030
	TOTAL LIABILITIES	\$ 3,573,890	\$ 3,515,783
	CAPITAL ACCOUNTS		
201	Common Stock Issues	\$ 100	\$ 100
211	Other Paid in Capital	978,819	978,819
215	Retained Earnings	(404,016)	(265,356)
218	Proprietary Capital (Sole Props. and Partnerships)		
	TOTAL EQUITY	\$ 574,903	\$ 713,563
	TOTAL LIABILITIES AND EQUITY	\$ 4,148,793	\$ 4,229,346

EXHIBIT

6

WATER REPORT

FOR

ARROWHEAD RANCH OFFICE PARK

Located at 78th Avenue and Deer Valley Road

Project No.: 03089

Revised: April 1, 2004
December 5, 2003

Prepared for:

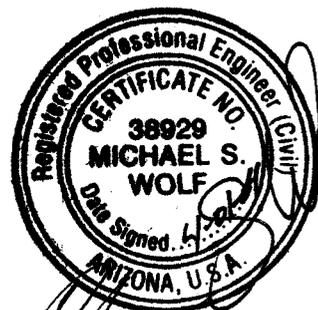
**RENCOR DEVELOPMENT, L.L.C.
2821 E. Camelback Rd, Suite 600
Phoenix, AZ 85016**

(602) 224-4502

Prepared by:

**LANDMARK ENGINEERING, INC.
7310 N. 16TH STREET, SUITE 285
PHOENIX, ARIZONA 85020**

(602) 861-2005



LANDMARK
ENGINEERING INC

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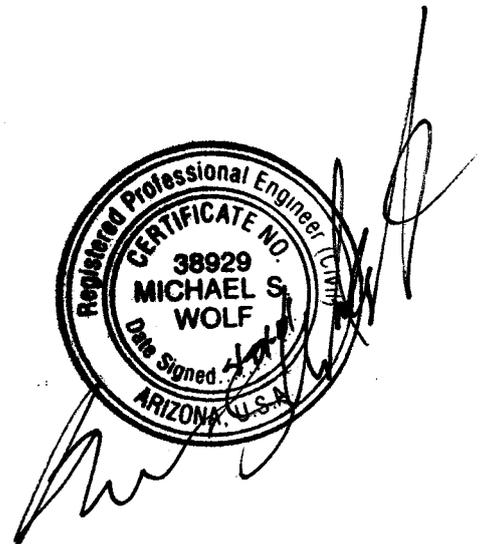
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FIGURES

Figure 1 Site Vicinity Map
Figure 2 Site Topographic Map

APPENDICES

Appendix A Hydrant Flow Test Summary Report



1.0 INTRODUCTION AND SCOPE OF WORK

This report presents the results of a water system analysis by Landmark Engineering, Inc. ("LEI") at the request of Rencor Development, L.L.C. ("client") for the Arrowhead Ranch Office Park ("site"). The purpose of this analysis is to document that the current water system design will meet the City of Peoria water standards.

1.1 Site Location

The site is located in portions of Section 23 of Township 4 North, Range 1 East of the Gila and Salt River Base and Meridian, Maricopa County, Arizona. The site is in the City of Peoria, Arizona. The location of the site is shown on the site vicinity map included with this report as **FIGURE 1**. Arrowhead Ranch Office Park is bounded on the north by the Deer Valley Road, on the west by 78th Avenue, on the east by 77th Avenue, and on the south by vacant land.

1.2 Site Description

The site is rectangular in shape and encompasses approximately 9.4 acres. The site currently consists predominantly of vacant land with sporadic growth of native desert vegetation, grasses, and weeds. General land use in the vicinity of the site is residential and commercial developments.

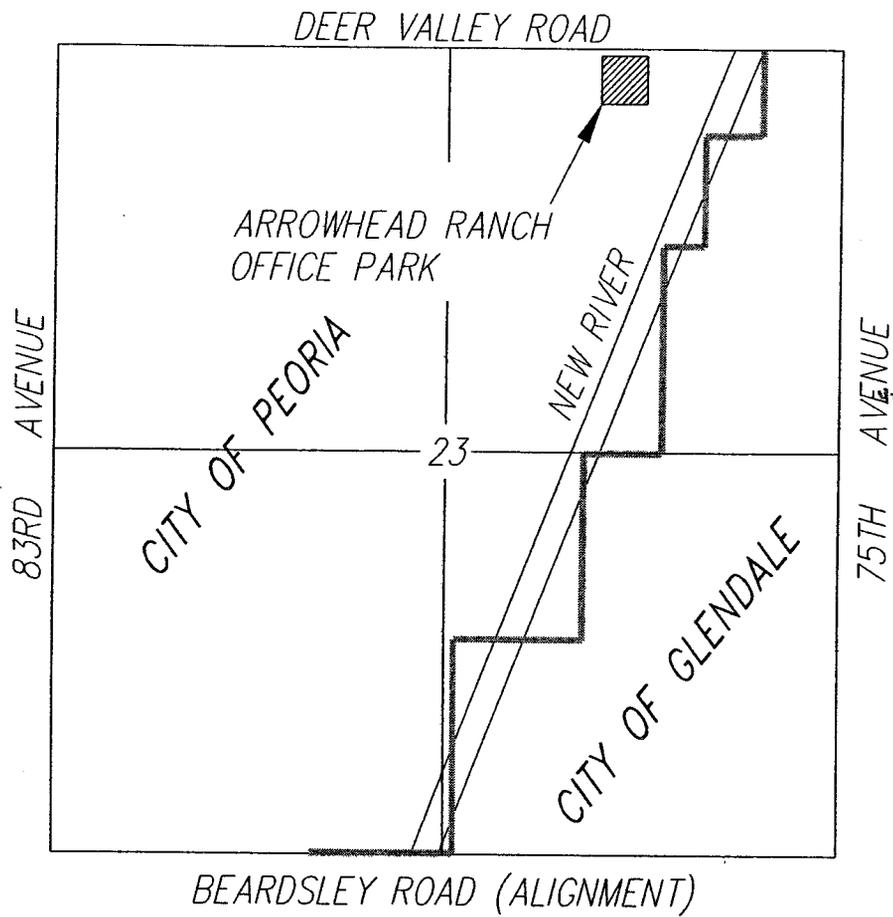
1.3 Proposed Development

The proposed development for this site is commercial office condos. Proposed access to the site is provided via 78th Avenue, 77th Avenue, and Deer Valley Road.

1.4 Regulatory Jurisdiction

The criteria used in the water analysis of the site was established using the guidelines as described in the following:

- *City of Peoria Design Standards, 2001.*
- *International Fire Code, 2003.*



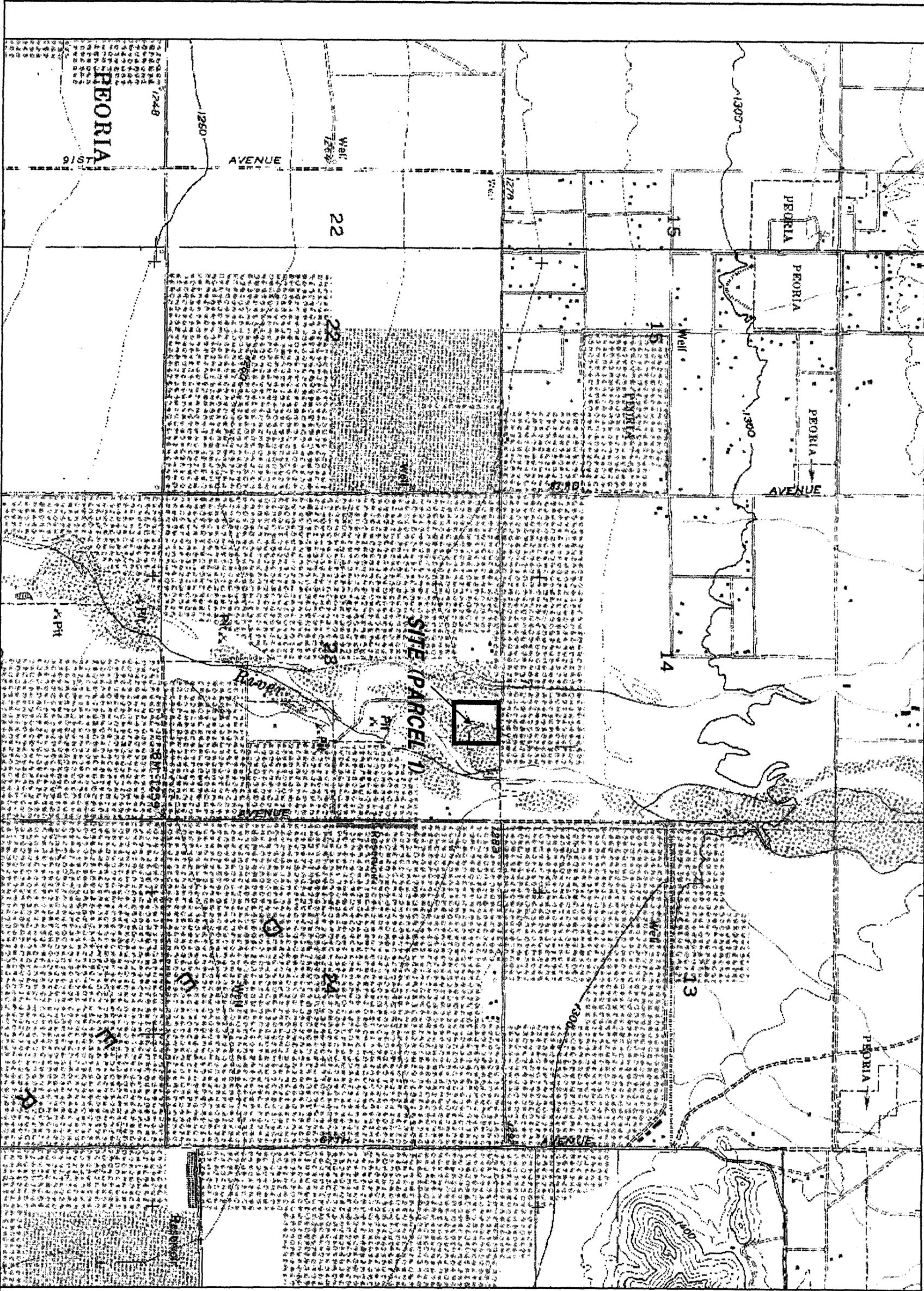
VICINITY MAP

SECTION 23
 T.4N., R.1E., G.&S.R.B. & M.
 MARICOPA COUNTY, ARIZONA

2.0 PHYSICAL SETTING

2.1 Topography

The site is located in a featureless area of relatively uniform grade of the type consistent with alluvial areas. The site is not developed and remains vacant land with sporadic growth of native vegetation. A review of mapping and contours developed for the site (**FIGURE 2**) identified the elevation of the site to range from approximately 1281 feet in the northeast corner of the site to 1276 feet at the southwest corner of the site. The total elevation difference for the site is 5 feet across the site. The existing ground on the site slopes downward to the southwest at approximately .6 percent.



1 of 1 SHEETS

KEY MAP
NO. 0309
REVISED 03/09
DATE 05-20-03
BY BEX
CHECKED BEX
DATE 05-20-03

SITE TOPOGRAPHIC MAP
DEER VALLEY PROFESSIONAL CENTER
 A PORTION OF THE NORTHEAST QUARTER OF SECTION 23
 TOWNSHIP 4 NORTH, RANGE 1 EAST, G.S.R.8.2M.
 MARICOPA COUNTY, ARIZONA

LANDMARK
 ENGINEERING INC
 7210 North 16th Street
 Phoenix, Arizona 85020
 Suite 206
 602.861.2005

3.0 WATER DISTRIBUTION SYSTEM

3.1 Existing Water Distribution System

Currently there is a 12-inch water main in Deer Valley Road. There is an 8-inch stub that connects to the 12-inch main that runs south down 78th Avenue. Roadrunner Fire Safety Equipment, Inc. performed a hydrant flow test for LEI on the hydrant at the southeast corner of Deer Valley and 78th Avenue. The test was performed on 10/21/03 at 7:00 AM per the City of Peoria requirements. It was determined that the static pressure was at this point 62 psi. See **APPENDIX A** for hydrant flow test summary report and the email regarding the conversation with Howard Munding of the City of Peoria Fire Department.

3.2 Proposed System

The proposed water system consists of 6-inch and 8-inch ductile iron pipe. The first tie-in point will be connecting to the 8-inch stub that connects to the existing 12-inch main. The second tie-in point will be at the intersection of Deer Valley Road and 77th Avenue. At this point we will connect the proposed 8-inch water line to the existing 12-inch water line in Deer Valley Road. The site will be developed in two phases. The site has two loop systems; one is around phase one of the project and the other loop is around phases two of the system. It was requested by the City of Peoria to tie the 12-inch water line in 78th Avenue into the Well Site No. 1 N.R.U.C. during the construction of phase two. See site utility plans for the pipe schematic.

3.3 Fire Flow Requirements

The City of Peoria has adopted the 2003 International Fire Code as the standard for fire flow and other fire safety regulations. Our building size requires our site to supply 2500 gpm for 2 hours at a residual pressure of 20 psi. The hydrant flow test performed by Roadrunner Fire Safety Equipment, Inc. shows a flow of 2726 gpm at a residual pressure of 20 psi. Howard Munding recommends the sprinkler system be designed with a 20% to 30% residual fire flow (gpm) instead of the typical 10% (See **APPENDIX A**).

4.0 SUMMARY AND CONCLUSIONS

1. Proposed development of the site consists of commercial office condos.
2. The site will be developed in two phases.
3. The tie in point for this site will be just south of the intersection of Deer Valley and 78th Avenue in 78th Avenue.
4. The 2003 International Fire Code requirements are met for fire flow.

5.0 REFERENCES CITED REVIEWED

1. *City of Peoria Design Standards, 2001.*
2. *Design Standards Manual for Water and Wastewater, City of Phoenix Water Services Department, June 2003.*
3. *International Fire Code, 2003.*

APPENDIX A
Hydrant Flow Test Summary Report
Arrowhead Ranch Office Park

ROADRUNNER FIRE SAFETY EQUIPMENT, INC.

5432 W. MISSOURI AVENUE

GLENDALE, AZ 85301

939-7979

HYDRANT FLOW TEST SUMMARY REPORT

LOCATION 78th Ave Deer Valley

Peoria Av, 85023

Landmark Engineering

DATE: 10/21/03

TIME: 07:00AM

Report 148091

Tech: 10-0406-10

Static Hydrant Number: na

Elevation:

Flowing Hydrant Number: 1

Elevation:

Dist. Between Hydrants:

Diameter of Main:

Outlet Diameter: 2.5

Static Pressure: 62.00

Pitot Reading: 50.00

Pump Present: n

Tank Present: n

Flow at 20 psi: 2726.0 gpm

Type of Supply: City

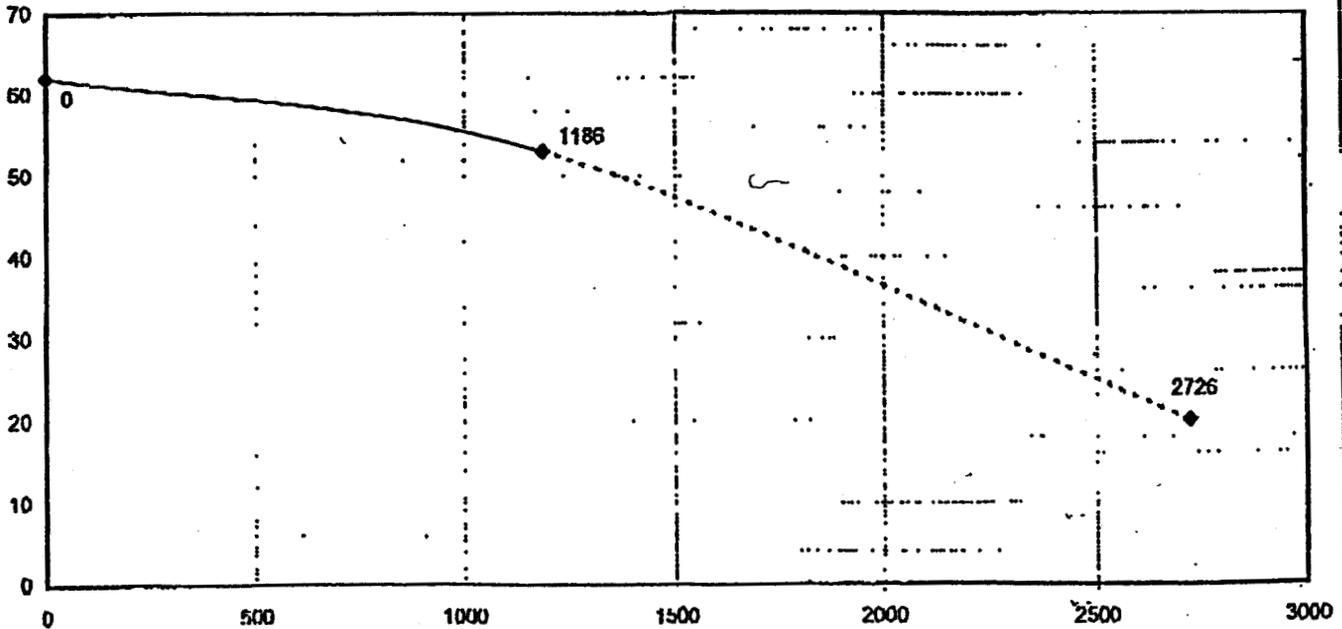
Number flowing: 1

Coeff. of Discharge: 0.90

Residual Pressure: 53

Flow: 1186.5 gpm

Static pressure of 62 psi @ 0 gpm
Residual pressure of 53 psi @ 1186.5 gpm
Available flow @ 20 psi -- 2726.0 gpm



Comments:

ENGINEERING TECHNICIAN
CERTIFICATION # 070643
DARRELL F. BRADSHAW

NOTES

1. Flowing hydrant is assumed to be on a circulating main or downstream of the pressure test hydrant on a dead-end system

Martin Umberger

From: Kevin Garey
Sent: Friday, October 31, 2003 9:56 AM
Cc: Nasreen Molla; Martin Umberger
Subject: FW: Arrowhead - Water Pressure/Building Design

-----Original Message-----

From: Marshall Reynolds [mailto:marshall.reynolds@rencordevelopment.com]
Sent: Tuesday, October 21, 2003 9:39 AM
To: 'Kevin Garey'
Cc: 'Brad Krem'; Ryan Reynolds; 'Jere Planck'
Subject: RE: Arrowhead - Water Pressure/Building Design

Kevin:

Great news! Let me know when you have the specs on the upgraded sprinkler system and I'll have it priced by our estimator.

Marshall

-----Original Message-----

From: Kevin Garey [mailto:KevinG@archicon.com]
Sent: Tuesday, October 21, 2003 9:24 AM
To: 'Marshall Reynolds'; Brad Krem
Cc: Jere Planck; Michael Smith; Ryan Reynolds; Chris Bailey
Subject: RE: Arrowhead - Water Pressure/Building Design

10/21/03 - 9:00 am

Marshall - This morning, I have spoken with Howard Munding - City of Peoria Fire Department.

The results of this morning's fire hydrant flow test was 2700 gpm at 20 psi. With this pressure a **Type V building 9400 sf** could be constructed per IFC table B105.1 (Minimum Required Fire Flow Duration for Buildings).

The water pressure can vary more than desired. It is Howard's recommendation that the Building's fire sprinkler system be designed with a 20% to 30% residual fire flow (gpm) instead of the typical 10% to account for periods of lower pressure.

I will discuss 20% to 30% safety factor with a fire protection designer.

Kevin

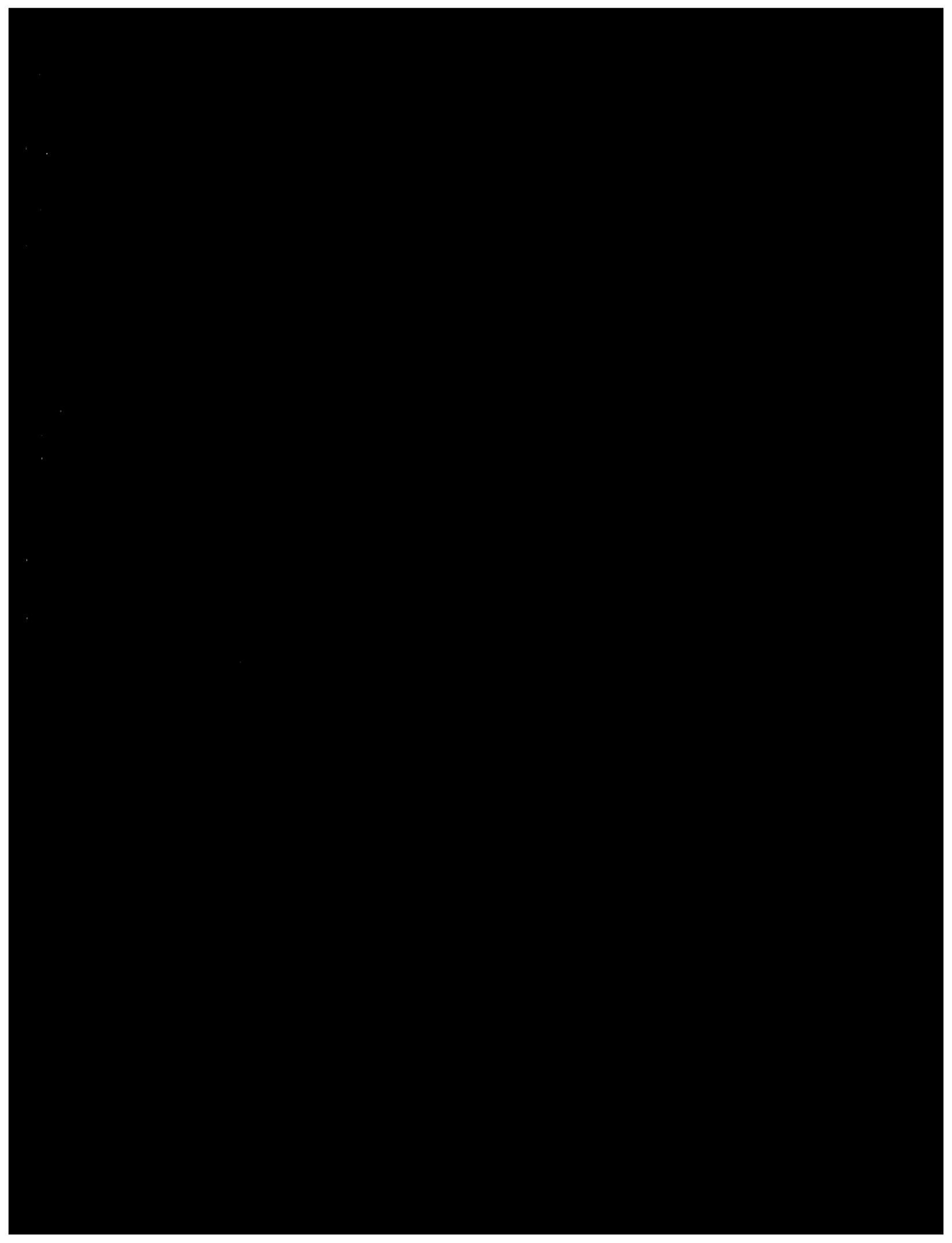
-----Original Message-----

From: Marshall Reynolds [mailto:marshall.reynolds@rencordevelopment.com]
Sent: Monday, October 20, 2003 3:01 PM
To: Brad Krem; 'Kevin Garey'
Cc: 'Jere Planck'; Michael Smith; Ryan Reynolds; Chris Bailey
Subject: Arrowhead - Water Pressure/Building Design

I spoke Howard Munding of the City of Peoria Fire Department today. Based on the most recent water pressure test conducted for the church parcel, we only have 2,000 gpm of flow. If the test on

11/13/2003

our line tomorrow morning is similar, Howard will only allow a 6,000 SF building using Type 5 building construction, with no credit for having a sprinkler system. We will have to construct a Type 2B building to increase the size to 8,100 SF. What is Type 2B construction and how will it impact my cost. I'm signing an agreement on Building A tomorrow so please respond as soon as possible. Thanks.



EXHIBIT

7

**ARIZONA CORPORATION COMMISSION
UTILITIES DIVISION**

*Final
Mailed 3-30-04*

ANNUAL REPORT MAILING LABEL - MAKE CHANGES AS NECESSARY

<p>W-0177A New River Utilities Company 7839 West Deer Valley Road Peoria, AZ 85382</p>	<input type="checkbox"/>
--	--------------------------

ANNUAL REPORT

FOR YEAR ENDING

12	31	2003
----	----	------

FOR COMMISSION USE

Apr04	03
-------	----

COMPANY INFORMATION

Company Name (Business Name) <u>New River Utility Company</u>		
Mailing Address <u>7839 W. Deer Valley</u>		
<u>Peoria</u> (City)	<u>Az.</u> (State)	<u>85382</u> (Zip)
<u>623-561-1848</u> Telephone No. (Include Area Code)	<u>623-561-5831</u> Fax No. (Include Area Code)	 Pager/Cell No. (Include Area Code)
Email Address _____		
Local Office Mailing Address <u>7839 W. Deer Valley</u>		
<u>Peoria</u> (City)	<u>Az</u> (State)	<u>85382</u> (Zip)
<u>623-561-1848</u> Local Office Telephone No. (Include Area Code)	<u>623-561-5831</u> Fax No. (Include Area Code)	 Pager/Cell No. (Include Area Code)
Email Address _____		

MANAGEMENT INFORMATION

Management Contact: <u>Bob Fletcher</u>		
<u>7839 W. Deer Valley</u> (Street)	<u>Peoria</u> (City)	<u>Aziz</u> (State) <u>85382</u> (Zip)
<u>623-561-1848</u> Telephone No. (Include Area Code)	<u>623-</u> Fax No. (Include Area Code)	 Pager/Cell No. (Include Area Code)
Email Address _____		
On Site Manager: <u>Bob Fletcher</u>		
<u>7839 W. Deer Valley</u> (Street)	<u>Peoria</u> (City)	<u>Az</u> (State) <u>85382</u> (Zip)
<u>623-561-1848</u> Telephone No. (Include Area Code)	<u>623-561-5831</u> Fax No. (Include Area Code)	 Pager/Cell No. (Include Area Code)
Email Address _____		

Please mark this box if the above address(es) have changed or are updated since the last filing.

Statutory Agent: R. L. Fletcher
(Name)

7839 W. Deer Valley Peoria AZ 85382
(Street) (City) (State) (Zip)

623-561-2848 623-561-5831
Telephone No. (Include Area Code) Fax No. (Include Area Code) Pager/Cell No. (Include Area Code)

Attorney: Norm James
(Name)

3003 N. Central Ave Phoenix AZ 85012
(Street) (City) (State) (Zip)

602-916-5346 602-916-5546
Telephone No. (Include Area Code) Fax No. (Include Area Code) Pager/Cell No. (Include Area Code)

Please mark this box if the above address(es) have changed or are updated since the last filing.

OWNERSHIP INFORMATION

Check the following box that applies to your company:

<input type="checkbox"/> Sole Proprietor (S)	<input type="checkbox"/> C Corporation (C) (Other than Association/Co-op)
<input type="checkbox"/> Partnership (P)	<input checked="" type="checkbox"/> Subchapter S Corporation (Z)
<input type="checkbox"/> Bankruptcy (B)	<input type="checkbox"/> Association/Co op (A)
<input type="checkbox"/> Receivership (R)	<input type="checkbox"/> Limited Liability Company
<input type="checkbox"/> Other (Describe)	

COUNTIES SERVED

Check the box below for the county/ies in which you are certificated to provide service:

<input type="checkbox"/> APACHE	<input type="checkbox"/> COCHISE	<input type="checkbox"/> COCONINO
<input type="checkbox"/> GILA	<input type="checkbox"/> GRAHAM	<input type="checkbox"/> GREENLEE
<input type="checkbox"/> LA PAZ	<input checked="" type="checkbox"/> MARICOPA	<input type="checkbox"/> MOHAVE
<input type="checkbox"/> NAVAJO	<input type="checkbox"/> PIMA	<input type="checkbox"/> PINAL
<input type="checkbox"/> SANTA CRUZ	<input type="checkbox"/> YAVAPAI	<input type="checkbox"/> YUMA
<input type="checkbox"/> STATEWIDE		

COMPANY NAME *New River Utility Company*

UTILITY PLANT IN SERVICE

Acct. No.	DESCRIPTION	Original Cost (OC)	Accumulated Depreciation (AD)	O.C.L.D. (OC less AD)
301	Organization			
302	Franchise			
303	Land and Land Rights	75,181	-	75,181
304	Structures and Improvements	84,633	7,144	75,489
307	Wells and Springs	795,021	202,119	592,902
311	Pumping Equipment	858,332	279,926	578,406
320	Water Treatment Equipment			
330	Distribution Reservoirs and Standpipes	1,046,963	129,190	917,773
331	Transmission and Distribution Mains	1,262,293	115,596	1,146,697
333	Services	236,325	44,055	192,270
334	Meters and Meter Installations	110,130	30,614	79,516
335	Hydrants	173,193	16,113	177,080
336	Backflow Prevention Devices			
339	Other Plant and Elec. Equipment			
340	Office Furniture and Equipment	21,198	7,646	13,552
341	Transportation Equipment			
343	Tools, Shop and Garage Equipment			
344	Laboratory Equipment			
345	Power Operator Equipment	27,025	4,540	22,485
346	Communication Equipment			
347	Miscellaneous Equipment			
348	Other Tangible Plant	88,755	25,252	63,503
	TOTALS	4,798,999	864,04	3,934,805

This amount goes on the Balance Sheet Acct. No. 108

COMPANY NAME New River Utility Company

CALCULATION OF DEPRECIATION EXPENSE FOR CURRENT YEAR

Acct No.	DESCRIPTION	Original Cost (1)	Depreciation Percentage (2)	Depreciation Expense (1x2)
301	Organization			
302	Franchise			
303	Land and Land Right	75,181	-	
304	Structures and Improvements	84,633	3.33	2,818
307	Wells and Springs	795,021	3.33	26,474
311	Pumping Equipment	958,332	12.5	106,536
320	Water Treatment Equipment			
330	Distribution Reservoir and Standpipes	1046,963	2.22	23,243
331	Transmission and Distribution Mains	1,262,243	2.00	25,245
333	Services	236,325	3.33	7,870
334	Meters and Meter Installations	110,170	8.33	9,123
335	Hydrants	193,193	2.00	3,864
336	Backflow Prevention Devices			
338	Other Plant and Mechanical Equipment			
340	Office Furniture and Equipment	21,198	6.67	1,414
341	Transportation Equipment			
343	Tools, Shop and Garage Equipment			
344	Laboratory Equipment			
345	Power Operated Equipment	27,025	5.00	1,351
346	Communication Equipment			
347	Miscellaneous Equipment			
348	Other Tangible Plant	88,755	20.00	14,604
	TOTALS	4,798,999		222,511

This amount goes on Comparative Statement of Income and Expense Acct. No. 403.

COMPANY NAME New River Utility Company

BALANCE SHEET

Acct. No.		BALANCE AT BEGINNING OF YEAR	BALANCE AT END OF YEAR
ASSETS			
CURRENT AND ACCRUED ASSETS			
131	Cash	\$ 3,891	\$ 156,720
134	Working Funds		
135	Temporary Cash Investments		
141	Customer Accounts Receivable	31,760	33,821
146	Notes/Receivables from Associated Companies		184,000
151	Plant Material and Supplies		
162	Prepayments		
174	Miscellaneous Current and Accrued Assets		
	TOTAL CURRENT AND ACCRUED ASSETS	\$ 35,651	\$ 294,541
FIXED ASSETS			
101	Utility Plant in Service	\$ 4,754,796	\$ 4,798,777
103	Property Held for Future Use		
105	Construction Work in Progress		
108	Accumulated Depreciation - Utility Plant	641,653	864,194
121	Non-Utility Property		
122	Accumulated Depreciation - Non Utility		
	TOTAL FIXED ASSETS	\$ 4,113,143	\$ 3,934,865
	TOTAL ASSETS	\$ 4,148,793	\$ 4,229,396

NOTE: The Assets on this page should be equal to Total Liabilities and Capital on the following page.

COMPANY NAME New River Utility Company

BALANCE SHEET (CONTINUED)

ACCT. No.	LIABILITIES	BALANCE AT BEGINNING OF YEAR	BALANCE AT END OF YEAR
CURRENT LIABILITIES			
231	Accounts Payable	\$ 239,933	\$ 301,923
232	Notes Payable (Current Portion)		
234	Notes/Accounts Payable - Associated Companies		
235	Customer Deposits	6,938	4,830
236	Accrued Taxes		
237	Accrued Interest		
241	Miscellaneous Current and Accrued Liabilities		
	TOTAL CURRENT LIABILITIES	\$ 246,711	\$ 306,753
LONG-TERM DEBT (Over 12 Months)			
224	Long-Term Notes and Bonds	\$	\$
DEFERRED CREDITS			
251	Unamortized Premium Debt	\$	\$
252	Advances in Aid of Construction	3,320,377	3,202,308
255	Accumulated Deferred Investment Tax Credits		
271	Contributions in Aid of Construction		
272	Less: Amortization of Contributions		
281	Accumulated Deferred Income Tax	6,722	6,722
	TOTAL DEFERRED CREDITS	\$ 3,327,119	\$ 3,209,030
	TOTAL LIABILITIES	\$ 3,573,890	\$ 3,515,783
CAPITAL ACCOUNTS			
201	Common Stock Issued	\$ 100	\$ 100
211	Paid in Capital in Excess of Par Value	978,819	978,819
215	Retained Earnings	(409,016)	(465,356)
218	Proprietary Capital (Sole Props and Partnerships)		
	TOTAL CAPITAL	\$ 574,903	\$ 713,563
	TOTAL LIABILITIES AND CAPITAL	\$ 4,148,793	\$ 4,229,346

CU

COMPANY NAME

New River Utility Company

COMPARATIVE STATEMENT OF INCOME AND EXPENSE

Acct. No.	OPERATING REVENUES	PRIOR YEAR	CURRENT YEAR
461	Metered Water Revenue	\$ 950,575	\$ 1,220,793
460	Unmetered Water Revenue		3,060
474	Other Water Revenues	1,878	2,542
	TOTAL REVENUE	\$ 952,453	\$ 1,226,395
	OPERATING EXPENSES		
601	Salaries and Wages	\$ 171,924	\$ 517,750
610	Purchased Water		
615	Purchased Power	156,516	122,204
618	Chemicals	4,569	7,869
620	Repairs and Maintenance	19,772	24,310
621	Office Supplies and Expense	26,653	24,464
630	Outside Services	65,488	47,840
635	Water Testing	45,146	22,579
641	Rents	29,700	30,000
650	Transportation Expense		
657	Insurance - General Liability	12,330	17,761
659	Insurance - Health and Life		
666	Regulatory Commission Expense - Rate Case	12,201	12,145
675	Miscellaneous Expense	3,080	5,074
403	Depreciation Expense	212,771	222,541
408	Taxes Other Than Income	6,500	10,462
408.11	Property Taxes	17,327	28,017
409	Income Tax		
	TOTAL OPERATING EXPENSES	\$ 741,918	\$ 1,057,676
	OPERATING INCOME/(LOSS)	\$ 210,535	\$ 168,719
	OTHER INCOME/(EXPENSE)		
419	Interest and Dividend Income	\$	\$
421	Non-Utility Income		
426	Miscellaneous Non-Utility Expenses		
427	Interest Expense		
	TOTAL OTHER INCOME/(EXPENSE)	\$	\$
	NET INCOME/(LOSS)	\$ 210,535	\$ 168,719

COMPANY NAME New River Utility Company

SUPPLEMENTAL FINANCIAL DATA
Long-Term Debt

	LOAN #1	LOAN #2	LOAN #3	LOAN #4
Date Issued				
Source of Loan				
ACC Decision No.				
Reason for Loan				
Dollar Amount Issued	\$	\$	\$	\$
Amount Outstanding	\$	\$	\$	\$
Date of Maturity				
Interest Rate				
Current Year Interest	\$	\$	\$	\$
Current Year Principle	\$	\$	\$	\$

Meter Deposit Balance at Test Year End

\$ None

Meter Deposits Refunded During the Test Year

\$ None

COMPANY NAME

New River Utility Company

WATER COMPANY PLANT DESCRIPTION

WELLS

ADWR ID Number*	Pump Horsepower	Pump Yield (Gpm)	Casing Depth (Feet)	Casing Diameter (Inches)	Meter Size (inches)	Year Drilled
#1 55-8054376	200	900	1200	20	8"	1947
#2 55-616944	150	375	1262	20"-16"	6"	1952
#3 55-616945	300	800	1590	16"	8"	1958
#4 55-616946	75	300	1300	16"	6"	1969
#5 55-616947	125	847	1515	16"	8"	1969
#6 55-616948	300	1275	1577 1200	16" TO 16000	8"	1982

* Arizona Department of Water Resources Identification Number

12" TO 1947

OTHER WATER SOURCES

Name or Description	Capacity (gpm)	Gallons Purchased or Obtained (in thousands)
GAP		None

BOOSTER PUMPS		FIRE HYDRANTS	
Horsepower	Quantity	Quantity Standard	Quantity Other
100 HP	2	201	
25 HP	6		

STORAGE TANKS		PRESSURE TANKS	
Capacity	Quantity	Capacity	Quantity
1,000,000 gal	3	5000 gal	2

COMPANY NAME New River Utility Company

WATER COMPANY PLANT DESCRIPTION (CONTINUED)

MAINS		
Size (in inches)	Material	Length (in feet)
2	PVC-40	300
3		
4		
5		
6	C900	18,818
8	C900	40,587
10	C900	3,578
12	C900	2,579
8"	DIP	1,509
12"	DIP	19,929
16"	DIP	62

CUSTOMER METERS	
Size (in inches)	Quantity
5/8 X 1/2	
3/4	1784
1	720
1 1/2	10
2	30
Comp. 3	
Turbo 3	
Comp. 4	2
Turbo 4	
Comp. 6	
Turbo 6	2
12-31-03	2548

For the following three items, list the utility owned assets in each category.

TREATMENT EQUIPMENT:

3-Clarifier Stations

STRUCTURES:

800 FT Block Fence
600 FT Chain Link

OTHER:

COMPANY NAME: New River Utility Company

WATER USE DATA SHEET BY MONTH FOR CALENDAR YEAR 2003

MONTH	NUMBER OF CUSTOMERS	GALLONS SOLD	GALLON PUMPED (Thousands)
JANUARY	2304	31,048,100	34,375,000
FEBRUARY	2317	15,000,000	25,418,000
MARCH	2336	20,434,200	25,011,000
APRIL	2372	36,708,000	49,858,000
MAY	2403	46,924,900	52,124,000
JUNE	2410	61,951,900	70,317,000
JULY	2450	73,331,400	73,144,000
AUGUST	2475	78,565,900	72,183,000
SEPTEMBER	2491	60,264,200	66,566,000
OCTOBER	2521	47,617,600	55,474,000
NOVEMBER	2528	60,426,600	52,561,000
DECEMBER	2548	37,641,300	32,026,000
	TOTAL	N/A	604,054,000
		580,499,000	604,054,000

Is the Water Utility located in an ADWR Active Management Area (AMA)?

Yes () No

Does the Company have An ADWR Gallons Per Capita Per Day (GPCPD) requirement?

() Yes No

If yes, provide the GPCPD amount: _____

What is the level of arsenic for each well on your system. _____ mg/l

(If more than one well, please list each separately)

Note: If you are filling for more than one system, please provide separate data sheets for each system.

Well # 1	Arsenic Level	.005	NCL Value .015
" # 2	" "	.008	
" # 4	" "	.014	
" # 6	" "	.016	

COMPANY NAME

YEAR ENDING 12/31/2003

PROPERTY TAXES

Amount of actual property taxes paid during Calendar Year 2003 was: \$ 27,830.22

Attach to this annual report proof (e.g. property tax bills stamped "paid in full" or copies of cancelled checks for property tax payments) of any and all property taxes paid during the calendar year.

If no property taxes paid, explain why.

NEW RIVER UTILITY CO. INC. 2603
M
9-24-03
Pay to the order of Barbara J. Ferguson \$ 27,830.22
Twenty Seven Thousand Eight Hundred and Thirty Dollars and 22/100ths
NEW RIVER UTILITY CO. INC.
R005340370979 10022747325 034974 0000 2783022

R005340370979 OCT 2 #2893 \$27830.22

COMPANY NAME _____

YEAR ENDING 12/31/2003

INCOME TAXES

For this reporting period, provide the following:

Federal Taxable Income Reported None
Estimated or Actual Federal Tax Liability None

State Taxable Income Reported None
Estimated or Actual State Tax Liability None

Amount of Grossed-Up Contributions/Advances:

Amount of Contributions/Advances 0
Amount of Gross-Up Tax Collected 0
Total Grossed-Up Contributions/Advances 0

Decision No. 55774 states, in part, that the utility will refund any excess gross-up funds collected at the close of the tax year when tax returns are completed. Pursuant to this Decision, if gross-up tax refunds are due to any Payer or if any gross-up tax refunds have already been made, attach the following information by Payer: name and amount of contribution/advance, the amount of gross-up tax collected, the amount of refund due to each Payer, and the date the Utility expects to make or has made the refund to the Payer.

CERTIFICATION

The undersigned hereby certifies that the Utility has refunded to Payers all gross-up tax refunds reported in the prior year's annual report. This certification is to be signed by the President or Chief Executive Officer, if a corporation; the managing general partner, if a partnership; the managing member, if a limited liability company or the sole proprietor, if a sole proprietorship.

[Signature]
SIGNATURE

Feb 15, 2004
DATE

B L Fletcher
PRINTED NAME

Pres
TITLE

VERIFICATION
AND
SWORN STATEMENT
Intrastate Revenues Only

VERIFICATION

STATE OF _____
I, THE UNDERSIGNED
OF THE

COUNTY OF (COUNTY NAME)	<u>Maricopa</u>
NAME (OWNER OR OFFICIAL) TITLE	<u>R. L. Fiedler</u>
COMPANY NAME	<u>New River Utility Company</u>

DO SAY THAT THIS ANNUAL UTILITY REPORT TO THE ARIZONA CORPORATION COMMISSION

FOR THE YEAR ENDING

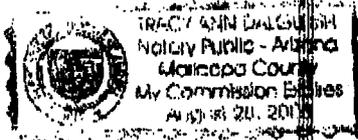
MONTH	DAY	YEAR
<u>12</u>	<u>31</u>	<u>2003</u>

HAS BEEN PREPARED UNDER MY DIRECTION, FROM THE ORIGINAL BOOKS, PAPERS AND RECORDS OF SAID UTILITY; THAT I HAVE CAREFULLY EXAMINED THE SAME, AND DECLARE THE SAME TO BE A COMPLETE AND CORRECT STATEMENT OF BUSINESS AND AFFAIRS OF SAID UTILITY FOR THE PERIOD COVERED BY THIS REPORT IN RESPECT TO EACH AND EVERY MATTER AND THING SET FORTH, TO THE BEST OF MY KNOWLEDGE, INFORMATION AND BELIEF.

SWORN STATEMENT

IN ACCORDANCE WITH THE REQUIREMENT OF TITLE 40, ARTICLE 8, SECTION 40-401, ARIZONA REVISED STATUTES, IT IS HEREIN REPORTED THAT THE GROSS OPERATING REVENUE OF SAID UTILITY DERIVED FROM ARIZONA INTRASTATE UTILITY OPERATIONS DURING CALENDAR YEAR 2003 WAS:

Arizona IntraState Gross Operating Revenues Only (\$)
<u>1,220,733</u>



(THE AMOUNT IN BOX ABOVE INCLUDES \$ 89,771.20 IN SALES TAXES BILLED, OR COLLECTED)

**REVENUE REPORTED ON THIS PAGE MUST INCLUDE SALES TAXES BILLED OR COLLECTED. IF FOR ANY OTHER REASON, THE REVENUE REPORTED ABOVE DOES NOT AGREE WITH TOTAL OPERATING REVENUES ELSEWHERE REPORTED, ATTACH THOSE STATEMENTS THAT RECONCILE THE DIFFERENCE. (EXPLAIN IN DETAIL)

SIGNATURE OF OWNER OR OFFICIAL
[Signature]
TELEPHONE NUMBER
623-561-1848

SUBSCRIBED AND SWORN TO BEFORE ME

A NOTARY PUBLIC IN AND FOR THE COUNTY OF

THIS 10th DAY OF

COUNTY NAME	<u>Maricopa</u>	
MONTH	<u>February</u>	<u>2004</u>

(SEAL)

MY COMMISSION EXPIRES August 20, 2005

SIGNATURE OF NOTARY PUBLIC
[Signature]

**VERIFICATION
AND
SWORN STATEMENT
RESIDENTIAL REVENUE
INTRASTATE REVENUES ONLY**

VERIFICATION

STATE OF ARIZONA
I, THE UNDERSIGNED
OF THE

(COUNTY NAME)	Maricopa	
NAME (OWNER OR OFFICIAL)	R L Fletcher	TITLE Pres
COMPANY NAME	New River Utility Company	

DO SAY THAT THIS ANNUAL UTILITY REPORT TO THE ARIZONA CORPORATION COMMISSION
FOR THE YEAR ENDING

MONTH	DAY	YEAR
12	31	2003

HAS BEEN PREPARED UNDER MY DIRECTION, FROM THE ORIGINAL BOOKS, PAPERS AND RECORDS OF SAID UTILITY; THAT I HAVE CAREFULLY EXAMINED THE SAME, AND DECLARE THE SAME TO BE A COMPLETE AND CORRECT STATEMENT OF BUSINESS AND AFFAIRS OF SAID UTILITY FOR THE PERIOD COVERED BY THIS REPORT IN RESPECT TO EACH AND EVERY MATTER AND THING SET FORTH, TO THE BEST OF MY KNOWLEDGE, INFORMATION AND BELIEF.

SWORN STATEMENT

IN ACCORDANCE WITH THE REQUIREMENTS OF TITLE 40, ARTICLE 8, SECTION 40-401.01, ARIZONA REVISED STATUTES, IT IS HEREIN REPORTED THAT THE GROSS OPERATING REVENUE OF SAID UTILITY DERIVED FROM ARIZONA INTRASTATE UTILITY OPERATIONS RECEIVED FROM RESIDENTIAL CUSTOMERS DURING CALENDAR YEAR 2003 WAS:

ARIZONA INTRASTATE GROSS OPERATING REVENUES
\$ 1,220,733 -

(THE AMOUNT IN BOX AT LEFT INCLUDES \$ 89,771.40 IN SALES TAXES BILLED, OR COLLECTED

*RESIDENTIAL REVENUE REPORTED ON THIS PAGE MUST INCLUDE SALES TAXES BILLED,

[Signature]
SIGNATURE OF OWNER OR OFFICIAL



SUBSCRIBED AND SWORN TO BEFORE ME

A NOTARY PUBLIC IN AND FOR THE COUNTY OF

THIS 30th DAY OF

(SEAL)

MY COMMISSION EXPIRES August 28, 2005

NOTARY PUBLIC NAME	Tracy Ann Alglesh	
COUNTY NAME	Maricopa	
MONTH	March	2004

[Signature]
SIGNATURE OF NOTARY PUBLIC

EXHIBIT

8

**MAIN EXTENSION AGREEMENT
(WATER SERVICE)**

THIS AGREEMENT is made this 15th day of March, 2004, by and between NEW RIVER UTILITY COMPANY, an Arizona public service corporation (“Utility”), and ARROWHEAD RANCH OFFICE PARK, LLC, an Arizona limited liability company, (“Developer”) for the purposes and consideration hereinafter set forth.

RECITALS

A. Developer is the owner of certain real property generally situated on the southeast corner of 78th Avenue and Deer Valley road in Peoria, Arizona, as more particularly described in Exhibit A attached hereto and incorporated herein by this reference (the “Property”). The Property contains approximately 8.5 acres.

B. Developer has requested that water utility service be extended and provided to the Property by Utility in furtherance of Developer’s development plans. Developer intends to develop a commercial project known as Arrowhead Ranch Office Park (“Arrowhead Ranch”), which at full build-out will contain approximately thirty-six (36) condominium office units and related common areas. Developer is willing to construct and install transmission mains and/or other facilities, as necessary on-site for Utility to furnish service to Arrowhead Ranch. Developer is willing to convey title to these facilities following completion of construction. All amounts paid by Developer for such facilities will be treated as an Advance in Aid of Construction, as defined in Section 5, according to the terms and conditions set forth hereinafter.

C. Utility is a public service corporation as defined in Article 15, Section 2, of the Arizona Constitution and, as such, is regulated by the Arizona Corporation Commission (“Commission”). Utility has been granted a Certificate of Convenience and Necessity

("CC&N") by the Commission authorizing Utility to provide water utility service within its certificated service area. The Property is contiguous to the Utility's CC&N, and service is to be extended pursuant to A.R.S. § 40-281 and A.A.C. R14-2-402.C, as more fully described in Section 13.

D. Utility has entered into a Utility Services Operating Agreement with the City of Peoria ("City") that permits the Utility to use public streets and right-of-ways for utility service within any existing or future incorporated area of the City, a copy of which is attached hereto as Exhibit B.

NOW, THEREFORE, in consideration of the following covenants and agreements, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereby agree as follows:

AGREEMENTS

1. Facilities Construction by Developer.

a. Construction of Facilities; Right of Inspection. Subject to Sections 2 through 4 below, Developer shall construct and install, or shall cause to be constructed and installed, at its sole expense, all on-site transmission and collection mains and pipelines, fittings, service lines and/or all other related items required to extend utility service to each lot or building within the Property, as more particularly described in Exhibit C and Exhibit D attached hereto and incorporated herein by this reference (the "Facilities"). Developer agrees that the size, design, type and quality of materials used to construct the Facilities, as well as the location of the Facilities upon and under the ground, shall be approved by Utility prior to the commencement of construction and that the Facilities shall be designed and constructed in accordance with all applicable standards of Utility, the Arizona Department of Environmental

Quality (“ADEQ”), the Commission and any other governmental agencies exercising jurisdiction over the design and construction of water utility systems. All plans and specifications shall be submitted to the Utility for approval prior to submission to the regulatory agencies. The Utility shall have thirty (30) business days within which to revise or approve the plans. If the Utility does not provide comments within that thirty-day period, the plans and specifications will be deemed approved by the Utility. In addition, the Utility shall have the right to require oversizing of facilities installed by the Developer as Utility determines are necessary for orderly growth within its service area, provided that the Utility pays for the proportionate costs of such oversizing. The Utility shall also have the right to require certain configurations that meet prudent utility practice and general industry practice, to participate in design review and design verification activities, pre- and post-construction inspection requirements, commissioning requirements, test and trials (design validation), and to prescribe certain equipment over other equipment. However, the Utility cannot require changes to the configuration, design or equipment after approval of the plans and specifications.

b. Corrective Action. Utility shall have the right to inspect and test the Facilities at reasonable times during the course of construction as necessary to ensure conformance with the approved plans and specifications. If, at any time before the final acceptance by Utility of the Facilities, any construction, materials or workmanship are found to be defective or deficient in any way, or the Facilities fail to conform to the plans and specifications, then Utility may reject such defective or deficient construction, materials and/or workmanship and require Developer to fully pay for all necessary corrective construction efforts (“Corrective Action”). Utility reserves the right to withhold approval and to forbid connection of any defective portion of the Facilities to Utility’s system unless and until the Facilities have been

constructed in accordance with plans and specifications and all applicable regulatory requirements. Further, Developer shall promptly undertake any Corrective Action required to remedy such defects and deficiencies in construction, materials and workmanship upon receipt of notice by Utility. The foregoing notwithstanding, Utility shall not unreasonably withhold or delay inspection, testing or acceptance of the Facilities.

2. Transfer of Ownership; As-Built Plans; Warranty.

a. Transfer. Upon proper completion, testing and final inspection of the Facilities by Utility, Utility shall issue a written notice of acceptance to Developer. Immediately thereafter, Developer shall convey to Utility, via a bill of sale in a form satisfactory to Utility, the Facilities together with any permanent easements and/or rights-of-way that are not subject to the Agreement between Utility and the City, and required pursuant to Section 4 below. All facilities so transferred shall thereafter become and remain the sole property and responsibility of Utility subject to the terms of any warranty provisions.

b. As-Built Plans. At the time of transfer, Developer shall also provide to Utility three (3) sets of "as-built" drawings and specifications showing evidence of the appropriate ADEQ, County and other regulatory agency approvals for the Facilities, certified and sealed by Developer's engineers to be true and correct, in a form acceptable to the Utility.

c. Warranty. Developer warrants that upon completion the Facilities will be free from all defects and deficiencies in construction, materials and workmanship for a period of two years from the date of Utility's acceptance. During the warranty period, Developer agrees to promptly undertake any Corrective Action required to remedy such defects and deficiencies upon notice by Utility. Upon Utility's acceptance of the Facilities, as provided in Section 2.a of this Agreement, Utility shall be deemed to have accepted the Facilities in "as is" and "as-

constructed” condition, subject only to the two-year warranty period concerning defects and deficiencies in construction, materials and workmanship.

3. Reimbursement for Inspection Costs, Overhead and Other Expenses of Utility.

Developer shall reimburse Utility for Utility’s reasonable fees, costs and expenses incurred in connection with its review of the engineering plans and specifications for the Facilities, and inspection and testing of the Facilities during and after their construction, and other fees, costs and expenses reasonably and necessarily incurred by Utility with respect to preparation of this Agreement, as well as other necessary administrative, engineering or legal services (collectively, “Administrative Costs”). In the ordinary course of business, but no less often than quarterly, Utility shall provide Developer invoices supporting such Administrative Costs. Payment shall be made by Developer on or before the fifteenth (15th) day of the calendar month following the month in which Utility’s statement is received. Utility hereby acknowledges its receipt of \$7,500.00 from Developer as a deposit, which shall be applied as a credit against Administrative Costs incurred by Utility hereunder.

4. Public Streets and Rights-of-Way; Easements; Spacing of Mains. At the time of transfer of ownership of any Facilities, as provided in Section 2 above, Developer shall provide Utility with evidence satisfactory to Utility, that all Facilities are located within dedicated streets and/or public rights-of-way as set forth in Utility’s Agreement with the City. In the event that any of the Facilities are not located within dedicated streets and/or public rights-of-way, then, at the time of transfer of ownership of such Facilities, Developer shall grant to Utility, or shall cause to be granted to Utility, easements and/or rights-of-way, free from all liens and security interests thereon, and in a form that is satisfactory to Utility, over, under, and across any real property, within or outside the Property, as necessary to operate, maintain and repair the

Facilities. Unless otherwise mutually agreed upon in writing, such easements and/or rights-of-way shall be free of physical encroachments, encumbrances or obstacles, and shall have a minimum width of twelve (12) feet and the mains and service lines shall be separated by a reasonable distance from other utility lines and facilities to prevent damage or conflicts in the event of repairs or maintenance.

5. Advances in Aid of Construction.

a. Determination of Amount of Developer Advances. The actual cost of constructing and installing the Facilities described in Section 1 above, and all amounts paid by Developer pursuant to Section 1 above, shall constitute an Advance in Aid of Construction and shall be refundable to Developer in accordance with Section 5.b of this Agreement. Developer shall provide Utility with a written statement setting forth in detail Developer's actual costs of construction within twenty (20) business days following receipt of Utility's notice of acceptance of the Facilities, together with copies of all invoices, bills, statements and other documentation evidencing the cost of construction. The cost of any Corrective Action, the cost of curing any defects arising during the warranty period, as provided for herein, and the cost of any unreasonable overtime incurred in the construction of the Facilities shall not be included in the actual cost of constructing and installing the Facilities, and shall not be subject to refund by Utility hereunder.

b. Refunds of Advances to Developer. Utility shall refund annually to Developer an amount equal to ten percent (10%) of the gross annual operating revenues, which is all revenue collected from bona fide customers exclusive of any taxes or pass-through costs by Utility, from the sale of water utility services to bona fide customers of Utility within the Property. Such refunds shall be paid by Utility on or before August 31 of each calendar year for

the preceding July 1 to June 30 period, commencing in the calendar year immediately following the year in which Utility acquires title to the Facilities and continuing thereafter in each succeeding calendar year for a total of ten (10) years. No interest shall accrue or be payable on the amounts to be refunded hereunder and any unpaid balance remaining at the end of such ten year period shall become a non-refundable contribution in aid of construction to Utility and be recorded as such in the company's books and records of account. In no event shall the total amount of the refunds paid by Utility pursuant to this Agreement exceed the total amount of all refundable advances paid by Developer.

6. Liability for Income Taxes. In the event it is determined that all or any portion of Developer's Advance in Aid of Construction hereunder constitutes taxable income to Utility as of the date of this Agreement or at the time Utility actually receives such advances hereunder, Developer will advance funds to Utility equal to the income taxes resulting from Developer's advances hereunder. These funds shall be paid to Utility within twenty (20) days following notification to Developer that a determination has been made that any such advances constitute taxable income, whether by virtue of any determination or notification by a governmental authority, amendment to the Internal Revenue Code, any regulation promulgated by the Internal Revenue Service, or similar change to any statute, rule or regulation relating to this matter. Such notification shall include documentation reasonably necessary to substantiate the Utility's liability for income taxes resulting from the Developer's Advances in Aid of Construction under this Agreement. In the event that additional funds are paid by Developer under this Paragraph, such funds shall also constitute Advances in Aid of Construction. In addition, Developer shall indemnify and hold Utility harmless for, from and against any tax-related interest, fines and

penalties assessed against Utility and other costs and expenses incurred by Utility as a consequence of late payment by Developer of amounts described above.

7. Notice. All notices and other written communications required hereunder shall be sent to the parties as follows:

New River Utility Company
Attn: Robert Fletcher
7839 W. Deer Valley Rd.
Phoenix, AZ 85382
Telephone: (623) 561-1848

Arrowhead Ranch Office Park, LLC
Attn: Marshall Reynolds
2845 East Camelback Road, Suite 700
Phoenix, AZ 85016
Telephone:

Each party shall advise the other party in writing of any change in the manner in which notice is to be provided hereunder.

8. Default. Any claim that Utility or Developer is in default or breach of this Agreement shall be in writing and sent via first class regular mail to the address provided in Section 7 above. No default shall become effective until twenty (20) days from the date of mailing, during which time the party claimed to be in default shall have an opportunity to cure the alleged default.

9. Risk of Loss: Indemnification. Until Utility has issued its written notice of acceptance of the Facilities constructed by Developer hereunder, all risk of loss with respect to the Facilities shall remain with Developer. Developer shall indemnify and hold Utility and its officers, directors, employees and agents harmless for, from and against all claims or other liability, whether actually asserted or threatened, arising out of or related to Developer's construction of the Facilities hereunder. Developer's obligations under this paragraph shall not

extend to any claims or liability arising out of Utility's ownership and operation of the Facilities following their acceptance.

10. Utility's Obligation to Serve. Utility shall have no obligation to accept and operate the Facilities to be constructed hereunder in the event Developer fails to make any payment provided in this Agreement, fails to complete the construction and installation of the Facilities in accordance with their plans and specifications, or otherwise fails to comply with any of the terms and conditions of this Agreement in any material respect. Utility shall promptly provide water utility service to the Property upon completion and acceptance of the Facilities and payment by Developer of all amounts due under this Agreement, subject to the limitations provided in paragraph 13 below.

11. Right of Assignment. Developer may assign this Agreement, or any of its rights and obligations hereunder, to another party provided that such assignment is made in connection with the sale of the Property and further provided that Developer first receives written consent of such assignment from Utility prior to the effective date of the assignment, which consent shall not be unreasonably withheld; provided, however, that Developer acknowledges that Utility may, in its sole discretion, require that the assignee agree in writing to fully perform Developer's obligations hereunder to be bound by this Agreement and to require that the assignee demonstrate financial ability to assume Developer's obligations hereunder.

12. Alternative Dispute Resolution. The parties hereto agree that each will use good faith efforts to resolve, through negotiation, disputes arising hereunder without resorting to mediation, arbitration or litigation. If the parties fail to resolve the dispute within sixty (60) days, either party may submit the matter to mandatory and binding arbitration in accordance with

the rules of the American Arbitration Association currently in effect unless the parties mutually agree otherwise or commence litigation in a court or other tribunal of appropriate jurisdiction.

13. Extension of Service. Utility shall file a Notice of Extension (“Notice”) with the Commission providing that service is being extended to the Property pursuant to A.R.S. § 40-281 and A.A.C. R14-2-402.C, which authorizes extensions of service to areas contiguous to Utility’s present CC&N. In the event that the Commission rejects the Notice, Utility shall promptly seek authority from the Commission for the extension of its CC&N to include the Property. Further, in that event, all obligations under this Agreement shall be conditioned upon Utility gaining authority from the Commission, free from any unreasonable condition, to include the Property in Utility’s CC&N. Owner covenants and agrees to support Utility’s application to extend its CC&N, and shall, upon request by Utility, provide testimony and/or public comment supporting Utility’s application in connection with any proceeding before the Commission.

14. Commission Rules and Regulations. This Agreement, and all rights and obligations hereunder, shall be subject to the Commission’s rules and regulations regarding the operation of water utility companies (A.A.C. R14-2-401, *et seq.*) and all applicable rates, fees, charges, and tariffs of Utility relating to water utility service as approved by the Commission or as may be modified in the future.

15. Attorneys’ Fees. The prevailing party in any litigation or other proceeding concerning or related to this Agreement, or the enforcement of thereof, shall be entitled to recover its costs and reasonable attorneys’ fees.

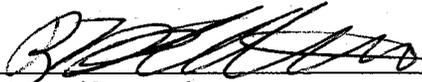
16. Time of the Essence. Time is of the essence of every provision hereof.

17. Miscellaneous. This Agreement shall be governed by the laws of the State of Arizona. This Agreement, and each and every term and condition contained herein, shall be

binding upon and inure to the benefit of the successors and assigns of Utility and Developer. This Agreement sets forth the entire agreement between the parties and supersedes all prior negotiations, understandings and agreements between them, except as otherwise expressly provided herein. No change in, addition to, or waiver of any provisions of this Agreement shall be binding upon either party unless in writing and signed by both parties.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed as of the day and year first above written.

NEW RIVER UTILITY COMPANY,
an Arizona public service corporation

By: 
Its: pres

Date: 4-6-04

"Utility"

ARROWHEAD RANCH OFFICE PARK, LLC,
an Arizona limited liability company

By: RENCOR DEVELOPMENT, LLC, an
Arizona limited liability company, its
Manager

By: 
Name: Marshall C. Reynolds
Its: Administrative Member

Date: March 15, 2004

"Developer"

SCHEDULE OF EXHIBITS

- | | |
|-------------|---|
| Exhibit "A" | Legal Description of Property containing approximately 8.5 acres owned by Developer |
| Exhibit "B" | Utility Services Operating Agreement with the City of Peoria |
| Exhibit "C" | As-Built Plans of the Facilities to be constructed by Developer |
| Exhibit "D" | Estimate of Cost for Facilities |

EXHIBIT “A”

Legal Description of Property

Exhibit A

That portion of the Northwest Quarter of the Northeast Quarter of Section 23, Township 4 North, Range 1 East of the Gila and Salt River Base and Meridian, Maricopa County, Arizona, described as follows: Commencing at the North quarter corner of said Section 23;

Thence North 89 degrees 36 minutes 41 seconds East, along the North line of said Northeast Quarter, 665.89 feet to the Northwest corner of the Northeast Quarter of the Northwest Quarter of the Northeast Quarter of said Section 23, and the point of beginning of the herein described parcel;

Thence continuing North 89 degrees 36 minutes 41 seconds East, along said North line, 665.69 feet to the Northeast corner of the Northeast Quarter of the Northwest Quarter of the Northeast Quarter of said Section 23;

Thence South 00 degrees 12 minutes 23 seconds West, 660.70 feet to the Southeast corner of the Northeast Quarter of the Northwest Quarter of the Northeast Quarter of said Section 23;

Thence South 89 degrees 39 minutes 55 seconds West, 665.24 feet to the Southwest corner of the Northeast Quarter of the Northwest Quarter of the Northeast Quarter of said Section 23;

Thence North 00 degrees 09 minutes 01 second East, 660.07 feet to the point of beginning;

Except the West 25 feet; and

Except the South 22 feet of the North 55 feet, thereof, as conveyed to Maricopa County, a political subdivision of the State of Arizona in Deeds recorded in Document No. 01-965229 and Document No. 01-966003 and Document No. 01-965340; and

Except beginning at the point of intersection of the East line of the West 25 feet, and the South line of the North 55 feet, of the West half of the West half of the Northeast quarter of the Northwest quarter of the Northeast quarter of said Section 23;

Thence Southerly, 30 feet, along said East line of the West 25 feet ;

Thence in a Northeasterly direction to a point on said South line of the North 55 feet that is 30 feet Easterly from said point of intersection;

Thence Westerly, 30 feet to said point of beginning, as conveyed to Maricopa County, a political subdivision of the State of Arizona by Deed recorded in Document No. 01-965229; and

Except all coal, oil, gas and other mineral deposits as reserved in the Patents to said land recorded in Docket 1791, page 376, and Docket 1585, page 483.

EXHIBIT “B”

Utility Services Operating Agreement with the City of Peoria

EXHIBIT “C”

As-Built Plans of the Facilities to be constructed by Developer

EXHIBIT “D”

Estimate of Cost for Facilities

Exhibit "D"
Estimate Cost for Facilities

Item	Units Phase I	Units Phase II	Unit Price	Amount
Hard Costs				
8" DIP CI 52 Public Waterline	3,135	587 lf	\$ 26	\$ 96,772
8" Valve, Box, Cover - Public	16	2 ea	\$ 780	\$ 14,040
6" DIP CL 52 Public	306	100 lf	\$ 25	\$ 10,150
Remove Cap & Pipe - Public	14	2 lf	\$ 20	\$ 320
6" VB & C - Public	2	- ea	\$ 630	\$ 1,260
Connect to Existing Waterline	1	- ea	\$ 625	\$ 625
1" Landscape Service	7	2 ea	\$ 600	\$ 5,400
1" Red. Pressure Backflow	7	ea	\$ 510	\$ 3,570
2" Red. Pressure Backflow	5	6 ea	\$ 700	\$ 7,700
6" x 2" Tapped Cap w/corp Public	2	- ea	\$ 550	\$ 1,100
8" x 2" Tapped Cap w/corp Public	10	- ea	\$ 575	\$ 5,750
Fire Hydrants	6	4 ea	\$ 2,800	\$ 28,000
2" Water Service	5	6 ea	\$ 750	\$ 8,250
Remediate Fill Materials				\$ 30,000
Subtotal - Water Facilities				\$ 212,937
Site Administration	6.00%			\$ 12,776
Contingency	10.00%			\$ 21,294
Permits	2.00%			\$ 4,259
Insurance - Contractor Liability	0.75%			\$ 1,597
Insurance - Builders Risk	0.25%			\$ 532
Payment & Performance Bond	1.00%			\$ 2,129
Contractor Fee	5.00%			\$ 10,647
Subtotal - Water Facilities				\$ 266,171
Sales Tax	5.53%			\$ 14,719
Total Hard Costs				\$ 280,891
Soft Costs				
	Phase I	Phase II		
Civil Engineer	\$ 6,250	\$ 4,500		\$ 10,750
Reimbursable Expenses	\$ 1,125	\$ 810		\$ 1,935
Surveying	\$ 1,000	\$ 1,000		\$ 2,000
Utility Inspect Costs, OH & Other Exp.	\$ 7,500	\$ 4,500		\$ 12,000
Interest Expense	\$ 4,298	\$ 1,842		\$ 6,140
Total Soft Costs	\$ 20,173	\$ 12,652		\$ 32,825
Total Estimated Hard & Soft Costs				\$ 313,715

EXHIBIT

9

UTILITY SERVICES OPERATING AGREEMENT

THIS OPERATING AGREEMENT ("Agreement") dated as of 4 6, 04, by and between the CITY OF PEORIA, an Arizona municipal corporation ("City"), and NEW RIVER UTILITY COMPANY, an Arizona corporation ("Utility").

RECITALS:

1. Utility, with the consent and approval of City, has provided domestic water utility services to the areas set forth in the map attached as **Appendix A** hereto.
2. City and Utility acknowledge that pursuant to the provisions of Article 12, Peoria City Charter, a franchise may not be presently issued to Utility for the area set forth in **Appendix A** without the approval of the qualified electors of City.
3. In order to minimize duplication and conflict arising out of the issuance of individual permits to Utility for use of the public right of ways and to establish standard guidelines, City and Utility agree to enter into this Agreement and to permit Utility to use public streets, ways and public utility easements for utility service, as set forth in this Agreement.

AGREEMENT:

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto hereby agree as follows:

Section 1. Operating Grant.

That in consideration of the payments hereinafter provided to be paid and the benefits to City to be derived from the installation, operation and maintenance of water treatment, transmission and distribution facilities in certain portions of City, Utility, its successors and assigns, shall have the right and privilege to construct, maintain, and operate upon, over, along, across, and under the present and future public rights-of-way (including but not limited to streets, alleys, ways, highways, public utility easements and bridges) within the present and any future corporate limits of City for the areas described in Appendix A, a water treatment, transmission and distribution system, together with all necessary or desirable appurtenances (including but not limited to treatment facilities, service lines, pipes, boosters, mains and/or equipment for its own use), for the purpose of supplying water utility services to a portion of City, its successors, the inhabitants thereof, and all individuals and entities thereof, for all purposes.

Section 2. Compliance with laws; generally.

Utility shall promptly and fully comply with all applicable statutes, ordinances, judgments, decrees, orders, rules and regulations of any Competent Authority having jurisdiction over Utility's activities.

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The City expressly reserves the right to adopt, from time to time in addition to these provisions, ordinances, rules, permit requirements and regulations it may deem necessary in the exercise of City's governmental powers.

Section 3. Compliance with City Requirements; Plans Submitted for Approval; City Construction near Utility's Facilities.

All new construction under this Agreement shall be performed in accordance with the adopted specifications (including but not limited to, infrastructure guidelines and city code requirements) of City for public works projects with respect to such public rights-of-way. Prior to Utility making any new installations in the public rights-of-way, Utility or Utility's agent shall pay applicable fees and shall submit for approval plans prepared by a registered professional engineer showing the location of such proposed new installations to City's Engineering Department. If City undertakes either directly or through a contractor any construction project adjacent to or near Utility's facilities operated pursuant to this Agreement, City shall include in all such construction specifications, bids, and contracts a requirement that, as part of the cost of the project, the contractor or his designee obtain from Utility the temporary removal, relocation, barricading or depressurization of Utility's facilities or equipment, the location of which create an unsafe condition in view of the equipment to be utilized or the method of construction to be followed by the contractor. City shall indemnify and hold Utility harmless from any and all claims, costs, losses, or expenses incurred by Utility as a result of the failure of City to comply with the requirements hereof.

Section 4. Service Standard.

The quality of water treatment, transmission and distribution services provided by Utility shall comply with the requirements of the United States Environmental Protection Agency, Arizona Department of Environmental Quality, Arizona Corporation Commission, and Department of Health Services and the Maricopa County Department of Environmental Health Services.

Section 5. Utility Obligations.

In consideration of City's execution of this Agreement, Utility agrees to furnish on a monthly basis to City, certain information as determined by the city relating to customers serviced by Utility in the certificated service area set forth on **Appendix A** to this Agreement for use by City in calculating cost of City services.

Utility shall also provide City with a map in electronic or hardcopy form identifying existing facilities located in the City's Right of way.

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Section 6. Construction and Relocation of Utility Facilities: Payment.

All new facilities installed or constructed pursuant to this Agreement shall require a City Permit and shall be so located or relocated and so erected as to minimize interference with vehicular and pedestrian traffic and other authorized uses over, under or through the public rights-of-way. Those phases of construction of Utility's facilities relating to traffic control, backfilling, compaction and paving, as well as the location or relocation of facilities herein provided for shall be subject to regulation by the City. Utility shall keep accurate records of the location of all facilities in the public right-of-way and furnish them to City upon request.

Upon completion of new or relocation construction of underground facilities in the public right-of-way, Utility shall promptly furnish to the City in a format compatible with the City's computer aided drafting and geographic information system software, suitable documentation showing the actual location of the underground facilities in those cases where the actual location differs from the proposed location approved in the permit plans. In the event that Utility's electronic format is not compatible with the City's electronic system, then Utility shall provide the drawings in hard copy format satisfactory to the City or convert the information to the City's Electronic Format at Utility's expense at the election of the City.

(a) If City requires Utility to relocate Utility's facilities from private easements or rights-of way obtained by Utility prior to City's acquisition of the public right-of-way, the entire cost of relocating Utility's facilities (including the cost of purchasing a new private easement or right-of-way, if necessary) shall be borne by City. However, utility shall initially install its facilities as part of a future development and such facilities in City streets shall not be considered prior to City's acquisition.

(b) Except as covered in Paragraph (a) above, Utility shall bear the entire cost of relocating its facilities located on public rights-of-way, the relocation of which is necessary for the City to carry out a function in the interest of the public health, safety or welfare. Utility shall pay all applicable permit costs. Utility's right to retain its facilities in their original location is subject to the paramount right of City to use its public rights-of-way for all governmental purposes.

(c) City will bear the entire cost of relocating any facilities of Utility, the relocation of which is necessitated by the construction of improvements by or on behalf of City in furtherance of a proprietary function.

(d) Where City's facilities or other facilities occupying a right-of-way under authority of a City permit or license are already located in the right-of-way and a conflict between Utility's potential facilities and the existing facilities can only be resolved expeditiously, as determined by the City's Deputy City Manager for Development Services (or designee), by relocating the existing City or permittee facilities, Utility shall bear the entire cost of relocating the existing facilities, irrespective of the function they served, together with applicable permit costs.

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(e) If City participates in the cost of relocating Utility's facilities for any reason, the cost of relocation to City shall not include any upgrade or improvement of Utility's facilities as they existed prior to relocation.

(f) City will not exercise its right to require Utility's facilities to be relocated in an unreasonable or arbitrary manner, or to avoid City's obligations under Section 2. Utility and City may agree to cooperate on the location and relocation of facilities at Utility's expense.

Section 7. Restoration of Rights-of-Way.

Except as hereinafter provided with regard to repairs of Utility facilities, whenever Utility shall cause any opening or alteration whatever to be made for any purpose in any public right-of-way (including but not limited to easements) owned or maintained by City, Utility shall apply for and obtain a right-of-way permit from City and shall provide for inspection of the right-of-way by City. When time does not permit prior application for a permit and repairs to Utility's facilities are reasonably required, Utility may first institute and complete the repairs and then complete and file the right of way permit application. In this case, telephone notification of the repair will be given as soon as practicable to the contact person designated by the City. Utility shall complete all work with due diligence within a reasonably prompt time, and Utility shall, upon completion of such work, restore the property disturbed to as good condition as it was prior to such openings or alteration in accordance with the specifications for public works adopted by City. Utility shall comply with the Manual of Uniform Traffic Control Devices and the Phoenix Barricade Manual and shall bear the full cost of any barricades, signing, rerouting of traffic, or other action or expense that City shall consider reasonably necessary or desirable in the interest of public safety during any such opening or alteration within the public right-of-way.

In the event that Utility fails to repair the public right of way to a safe and satisfactory condition, normal wear and tear excepted and reasonably satisfactory to the City's Engineering Director, the City shall have the option upon fifteen (15) days prior written notice to Utility to perform or cause to be performed such reasonable and necessary work on behalf of Utility and to charge Utility for the proposed costs to be incurred or the actual costs incurred by the City at City's standard rates, plus and administrative fee of fifteen percent. Upon the receipt of such a demand for payment by the City, Utility shall within thirty (30) days reimburse the City for such costs. Unpaid amounts after thirty (30) days shall bear interest at the rate of 1.5% per month.

Section 8. Title to Property.

Title to all water utility facilities wherever situated on public grounds or in easements for public utility purposes and installed by Utility or its agents or contractors shall be and remain in Utility, its successors or assigns.

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Section 9. Right to Use Easements.

Nothing contained in this Agreement shall be construed as preventing, diminishing or restricting Utility from using for public utility purposes any easement shown on any plat or plats of any portion of the area described in **Appendix A** to this Agreement, before or hereafter platted or recorded that has been or may hereafter be created, granted or dedicated for public utility purposes by any person, firm or corporation. The City shall have the right to deny Utility the uses of restricted easements limited to sewer or drainage or easements not wide enough to accomodate a City and Utility Water Line.

Section 10. License Fee.

In consideration of the granting of the rights under this Agreement, Utility agrees to pay to the City, a sum equal to five percent (5%) of the gross receipts of Utility within the City, (excluding from gross receipts all sales taxes, gross revenue taxes or similar charges based upon gross receipts) from sale by it of water within the present and any future corporate limits of City, as shown by Utility's billing records (the "Fee"). This Fee shall be due and payable monthly and shall be in lieu of all fees or charges for permits or licenses issued for the construction of Utility's facilities hereunder (except for inspection fees relating to new installation of equipment in City rights of way). Notwithstanding the foregoing, fees charged by the City for pavement damage resulting from cuts into new or rehabilitated pavement in accordance with Chapter 23 of the Peoria City Code (1992) shall be permitted. For the purpose of verifying the amounts payable hereunder, the pertinent books and records of Utility shall be subject to inspection by duly authorized officers or representatives of City upon reasonable notice during regular business hours.

Transaction Privilege Taxes charged by City shall be subject to a credit against the license fee in this Agreement to the extent provided in the Peoria Sales Tax Code. (Peoria's adoption of the Model City Tax Code).

Notwithstanding any provision contained herein to the contrary, the total amount of taxes, levies, assessments and the Fee paid by Utility to City (except for inspection fees relating to new installation of new equipment in City rights of way) shall not exceed five percent (5%) of the gross receipts of Utility from sale by it of water at retail for residential and commercial purposes within the corporate limits of City. Further, if pavement cuts are made within three years of new paving, City may additionally charge to Utility any surcharges by the Public Works Department to compensate for the depreciated value of the new and rehabilitated pavement in accordance with Chapter 23 of the Peoria City Code (1992).

Section 11. Additional Taxes.

Notwithstanding any provision contained herein to the contrary, Utility shall, in addition to the payment provided in Section 10, pay any business or occupation tax or license fee established by City and not levied by City exclusively upon utilities, provided the tax is a flat fee per year and that the annual amount of such fee does not exceed the amount of similar fees paid by the other businesses with comparable gross revenue from sales within City operated within City.

Section 12. Term.

This Agreement shall continue and exist until the earliest of the following occur:

(a) A franchise agreement between City and Utility is entered into by such parties and approved by the qualified electors of the City. Upon the canvass of an election where the voters of the City approve the issuance of a franchise for water treatment, transmission and distribution services to the Utility and upon the occurrence of any other acts necessary for the franchise to be granted to Utility, this Agreement shall automatically terminate.

(b) An initial period of ten (10) years from the date of this Agreement. In addition to such ten (10) year initial period, this Agreement shall be automatically renewed for an additional five (5) year period unless City or Utility gives the other written notice of termination ninety (90) days prior to the termination of the initial ten (10) year period.

Section 13. Nature of Agreement.

This Agreement is exclusive within the specific service areas of Utility set forth in **Appendix A**, and City shall not grant other like or similar grants or privileges to any other person, firm or corporation within the specific service areas. Utility may not assign this Agreement to any other person, firm or corporation without the prior written consent of City, which consent shall not be unreasonably withheld; provided, however, that Utility may assign this Agreement to a wholly-owned affiliate of Utility and Utility shall not be required to obtain City's consent in connection with such an assignment.

Section 14. Survival of Provisions.

All provisions of this Agreement which are obligatory upon or which inure to the benefit of said Utility shall be obligatory upon and shall inure to the benefit of all successors and assigns of said Utility and the word "Utility" wherever used in this Agreement shall include and be taken to mean all successors and assigns of Utility.

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Section 15. Conflicting Ordinances.

To the extent the terms of this Agreement conflict with any ordinance, or any portion of any ordinance, of City, the terms of this Agreement shall control. Notwithstanding this section, all facilities of Utility shall be required to comply with City's zoning and site plan regulations.

Section 16. Independent Provisions.

If any section, paragraph, clause, phrase or provision of this Agreement shall be adjudged invalid or unconstitutional by a court of competent jurisdiction, the same shall not affect the validity of the whole or any part of the provisions of this Agreement, other than the part so adjudged invalid or unconstitutional.

Section 17. Purchase and Eminent Domain; Right Reserved by City.

City reserves the right and authority to acquire and/or exercise its authority of eminent domain to obtain the plant property and assets of Utility within and outside the corporate limits of City or any annexations thereto, in the manner provided and to the extent authorized by law.

In the event of a purchase of Utility or under the exercises of eminent domain, this Franchise Agreement shall be construed to have no value for purposes of establishing value of Utility.

Section 18. Miscellaneous.

City and Utility hereby expressly agree that the following provision shall survive the termination or expiration of this Agreement:

Upon the termination or expiration hereof, if Utility shall not have acquired and accepted an extension or renewal of a Utility Services Operating Agreement or entered into a franchise agreement as provided in Section 12 hereof and which has been duly approved and authorized by the qualified electors of the City, Utility may remove its facilities and system within City or at its option, may continue operating its facilities and system within City, but it shall be required to obtain proper permits and pay all required fees imposed by City, each time it makes additional extensions upon, over, along, across and under the public right-of-way within City unless or until such time as a new agreement with City is entered into or a franchise is obtained from City or the system and facilities are removed or are acquired by City through the exercise of its powers of eminent domain.

Section 19. Indemnification and Hold Harmless.

Utility shall indemnify, defend and protect the City and hold the City harmless from any loss or costs due to any claim or liability and all costs and expenses, including but not limited to actual attorneys fees resulting from the construction or maintenance or from operation of Utility's facilities. City shall indemnify Utility and hold Utility harmless from any loss or costs due to any

claim or liability and all costs and expenses, including but not limited to actual attorneys fees resulting from the construction or maintenance or from operation of City's facilities.

The City shall not be liable to any third party for damages, losses or liability arising from the issuance of approval by the City of this operating agreement.

Section 20. Insurance.

Utility shall obtain and maintain at all times during the term of this Agreement commercial general liability insurance and commercial automobile liability insurance protecting Utility in an amount not less than TWO MILLION Dollars (\$2,000,000) per occurrence (combined single limit), including bodily injury and property damage, and in an amount not less than TWO MILLION Dollars (\$2,000,000) annual aggregate for each personal injury liability and products-completed operations. Coverage shall be in an occurrence form and in accordance with the limits and provisions specified herein. Claims-made policies are not acceptable. When an umbrella or excess coverage is in effect, coverage shall be provided in following form. Such insurance shall not be canceled or materially altered to reduce the policy limits until the City has received at least thirty (30) days' advance written notice of such cancellation or change. Utility shall be responsible for notifying the City of such change or cancellation,

Filing of Certificates and Endorsements. Within Thirty (30) days following execution of this agreement and prior to the commencement of any work pursuant to this agreement, Utility shall file with the City the required original certificates of insurance, with endorsements, which shall clearly state all of the following:

- (a) The policy number; name of insurance company; name and address of the agent or authorized representative; name, address, and telephone number of insured; project name and address; policy expiration date; and specific coverage amounts;
- (b) That the City shall receive thirty (30) days' prior notice of cancellation; and
- (c) That Utility's insurance is primary as respects any other valid or collectible insurance that the City may possess, including any self-insured retention the City may have; and any other insurance the City does possess shall be considered excess insurance only and shall not be required to contribute with this insurance.

Workers' Compensation Insurance. Utility shall obtain and maintain at all times during the term of this agreement statutory workers' compensation and employer's liability insurance in an amount not less than Two Hundred Fifty Thousand Dollars (\$250,000) and shall furnish the City with a certificate showing proof of such coverage,

Insurer Criteria. Any insurance provider of Utility shall be admitted and authorized to do business in the State of Arizona and shall be rated at least A- in *A.M. Best & Company's Insurance Guide*. Insurance policies and certificates issued by non-admitted insurance companies are not acceptable.

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Section 21. Termination.

To the extent applicable by provisions of law, the parties hereto acknowledge that this Agreement is subject to cancellation pursuant to Section 38-511, Arizona Revised Statutes, as amended, the provisions of which are incorporated herein.

Section 22. Governing Law.

This Agreement shall be construed in accordance with the laws of the State of Arizona.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date and year first above written.

CITY OF PEORIA, an Arizona
municipal corporation

By: Terrence L. Ellis
Terrence L. Ellis, City Manager
Its: City Manager



ATTEST:

Donna R. Griffith for
Mary Jo Kief, City Clerk

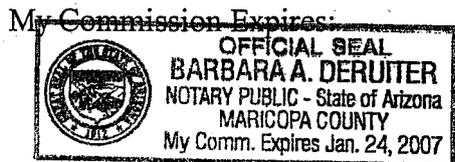
APPROVED AS TO FORM

Stephen M. Kemp
Stephen M. Kemp, City Attorney

STATE OF ARIZONA)
) ss.
County of Maricopa)

On this 24th day of March, 2004, before me, the undersigned officer, personally appeared Terrence L. Ellis who acknowledged himself to be the duly appointed and qualified City Manager of the City of Peoria, an Arizona municipal corporation, and that he in such capacity, being authorized so to do, executed the foregoing instrument for the purposes therein contained.

IN WITNESS WHEREOF I hereunto set my hand and official seal.



Barbara A. Deruiter
Notary Public

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NEW RIVER UTILITY COMPANY,
an Arizona corporation

By: *[Signature]*
Robert L. Fletcher
Its: *Pres.*

STATE OF ARIZONA)
) ss:
County of Maricopa)

On this 16th day of April, 2004, before me, the undersigned officer, personally appeared Robert L. Fletcher who acknowledged himself to be the President of the NEW RIVER UTILITY COMPANY, an Arizona corporation, and that he in such capacity, being authorized so to do, executed the foregoing instrument for the purposes therein contained.

IN WITNESS WHEREOF, I hereunto set my hand and official seal.

My Commission Expires:

[Signature]
Notary Public



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Pinnacle Peak

Deer Valley Road

Rose Garden

Beardsley Road

**New River
Utility
Company**

99th Avenue

91st Avenue

83rd Avenue

75th Avenue

Union Hills Drive

Bell Road