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BEFORE THE ARIZONA CORPORATION COMMISSION

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Arizona Corporation Commission

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AZ CORP COMMISSION
DOCUMENT CONTROL

DOCKETED BY

COMMISSIONERS

- Marc Spitzer, Chairman
- William A. Mundell
- Jeff Hatch-Miller
- Mike Gleason
- Kristin K. Mayes

IN THE MATTER OF THE APPLICATION OF
PALO VERDE UTILITIES COMPANY FOR AN
EXTENSION OF ITS EXISTING CERTIFICATE
OF CONVENIENCE AND NECESSITY.

Docket No. SW-03575A-03-0167

IN THE MATTER OF THE APPLICATION OF
SANTA CRUZ WATER COMPANY FOR AN
EXTENSION OF ITS EXISTING CERTIFICATE
OF CONVENIENCE AND NECESSITY.

Docket No. W-03576A-03-0167

**NOTICE OF COMPLIANCE WITH
DECISION NO. 66394**

In compliance with Decision No. 66394 in the above-captioned dockets, Palo Verde Utilities Company submits a copy of the approved CAAG § 208 Plan Amendment that covers the extension area addressed by this docket. [Exhibit 1]

Palo Verde Utilities Company and Santa Cruz Water Company also are resubmitting the following compliance items that were due to be submitted no later than October 5, 2004 but were previously submitted on October 29, 2003:

1. Amended Pinal County Franchises. [Exhibit 2]
2. Curtailment Tariff. [Exhibit 3]
3. Amended Assured Water Supply Designation issued by ADWR. [Exhibit 4]

Upon this submission, there is one compliance item remaining under Decision No. 66394 – an arsenic reduction plan, which must be submitted by Santa Cruz Water Company to the Director of the Utilities Division by December 31, 2004.

Arizona Corporation Commission

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OCT - 5 2004

DOCKETED BY

ROSHKA HEYMAN & DEWULF, PLC
ONE ARIZONA CENTER
400 EAST VAN BUREN STREET - SUITE 800
PHOENIX, ARIZONA 85004
TELEPHONE NO. 602-256-6100
FACSIMILE 602-256-6800

1 RESPECTFULLY submitted this 5th day of October, 2004.

2 ROSHKA HEYMAN & DEWULF, PLC

3
4 By 
5 Raymond S. Heyman
6 Michael W. Patten
7 One Arizona Center
8 400 East Van Buren Street, Suite 800
9 Phoenix, Arizona 85004
10 (602) 256-6100

11 Original + 15 copies of the foregoing
12 filed this 5th day of October 2004 with:

13 Docket Control
14 ARIZONA CORPORATION COMMISSION
15 1200 West Washington
16 Phoenix, Arizona 85007

17 Copies of the foregoing hand-delivered
18 this 5th day of October 2004, to:

19 Chairman Marc Spitzer
20 Arizona Corporation Commission
21 1200 West Washington
22 Phoenix, Arizona 85007

23 Commissioner William A. Mundell
24 Arizona Corporation Commission
25 1200 West Washington
26 Phoenix, Arizona 85007

27 Commissioner Jeff Hatch-Miller
Arizona Corporation Commission
1200 West Washington
Phoenix, Arizona 85007

Commissioner Mike Gleason
Arizona Corporation Commission
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- 1 Dwight D. Nodes, Esq.
- 2 Administrative Law Judge
- 3 Hearing Division
- 4 Arizona Corporation Commission
- 5 1200 West Washington
- 6 Phoenix, Arizona 85007

- 7 Lisa Vandenberg
- 8 Legal Division
- 9 Arizona Corporation Commission
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- 12 Ernest G. Johnson, Esq.
- 13 Director, Utilities Division
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- 26 Phoenix, Arizona 85007

- 27 Brian Bozzo
- Compliance, Utilities Division
- Arizona Corporation Commission
- 1200 West Washington
- Phoenix, Arizona 85007

20
21 BY 

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ADEQ WATER QUALITY DIV

602 771 4528 P.02



Janet Napolitano
Governor

ARIZONA DEPARTMENT OF ENVIRONMENTAL QUALITY

1110 West Washington Street • Phoenix, Arizona 85007
(602) 771-2300 • www.adeq.state.az.us



Stephen A. Owens
Director

January 20, 2004

Ms. Alexis Strauss, Director
EPA Region IX, Water Division
75 Hawthorne Street (WTR-1)
San Francisco, CA 94105

Dear Ms. Strauss:

Pursuant to Section 208 of the Clean Water Act and 40 CFR 130.6(e), I certify that the 208 Plan Amendment for the Palo Verde Utilities Company, L.L.C. is consistent with both the State of Arizona's and the Central Arizona Association of Governments' Water Quality Management Plans.

As the Governor's designee for the State's Water Quality Management Program, I hereby transmit this amendment to EPA for review.

Sincerely,

Stephen A. Owens
Director

Enclosure

cc: Cheryl McGovern, Water Division, EPA Region IX, (WTR-4)
Edwina Vogan, Watershed Management Unit, ADEQ

Northern Regional Office
1515 East Cedar Avenue • Suite F • Flagstaff, AZ 86004
(928) 779-0313

Southern Regional Office
400 West Congress Street • Suite 433 • Tucson, AZ 85701
(520) 628-6733

PINAL COUNTY BOARD OF SUPERVISORS

LIONEL D. RUIZ, District 1
Mammoth

SANDIE SMITH, District 2
Apache Junction

JIMMIE B. KERR, District 3
Casa Grande



STANLEY D. GRIFFIS, Ph.D.
County Manager

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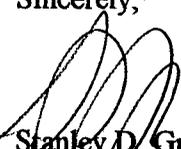
November 4, 2003

Ms. Maxine Leather
Executive Director
Central Arizona Association of Governments
271 Main Street
Superior, Arizona 85273

Dear Ms. Leather,

Pinal County has reviewed the plans for the Palo Verde Utilities Company. We concur with their efforts and recommend CAAG proceed with the public 208 Amendment process.

Sincerely,


Stanley D. Griffis, Ph.D.
Pinal County Manager

SDG/rp

CAAG 208 WATER QUALITY PLAN AMENDMENT

FOR

PALO VERDE UTILITIES COMPANY, L.L.C.

PINAL COUNTY, ARIZONA



Prepared by:

GTA ENGINEERING, INC.

Consulting Engineers

1990 W. Camelback Rd., Suite 401

Phoenix, Arizona 85015

TEL (602) 246-7759 FAX (602) 246-7645

e-mail: gta@GTAengineering.com

September 12, 2003

GTA No. 00260

**CAAG 208 WATER QUALITY PLAN AMENDMENT
FOR
PALO VERDE UTILITIES COMPANY, L.L.C.**

TABLE OF CONTENTS

<u>Section</u>	<u>Contents</u>	<u>Page</u>
1	Overview	1
2	Background and Summary	2
3	Service Area	3
4	Project Population and Wastewater Flows	3
5	Proposed Wastewater Treatment Plant	6
6	Effluent Management	7
7	Required Permits	7
8	Construction	10
9	Environmental Impacts/Benefits	11
10	Financial Information	11

List of Tables

- 1 Population and Wastewater Flow Projections
- II Construction Phases

List of Exhibits

- 1 Project Location Map
- 2 Service Area Map
- 3 Wastewater Treatment Plant Site Plan
- 4 Existing and Proposed CC&N Boundaries
- 5 Effluent Management Plan
- 6 Trunk Sewer Exhibit
- 7 Process Flow Diagram

List of Attachments

- A Basis of Design
- B Letter to ADEQ Notifying of 208 Amendment
- C CAAG Checklist



1.0 OVERVIEW

The report is an amendment to the CAAG 208 Area Wide Quality Management Plan and will provide planning information on the expansion of the existing Water Reclamation Plant (WRP) and service area for Palo Verde Utilities Company. The proposed plant is located one and a half miles east of Arizona Highway 347 (Maricopa Highway), and is one quarter of a mile south of the Gila River Indian Community. The 25 square mile service area is in the Maricopa area. Most of the service area is north of the Union Pacific Railroad, south of the Gila River Indian Community, and extends about six miles west and seven miles east of Arizona Highway 347 (Maricopa Highway). See Exhibit 1.

A CAAG 208 Plan Amendment for Palo Verde Utility Company was approved in September 1997. That plan included a 300,000 GPD aerated lagoon followed by mechanical plants up to a capacity of 2.25 MGD. The service area included the Rancho El Dorado Project and an additional 3750 dwelling units within 3 miles.

The proposed service area in general encompasses approximately 25 square miles with an estimated 71,600 home sites, golf courses, open space and parks, schools, and some commercial areas. Maximum flow for the WRP at build out is 13.0 MGD. The WRP will utilize a sequencing batch reactor process that will be built in phases to accommodate development. The plant effluent will be reclaimed for irrigation of golf courses, parks, lakes or discharged into the Santa Cruz Wash about one mile south of the Gila River Indian Community.

The boundaries of the planning area are shown in Exhibit 2. Following is a list of the Sections in the 25 square mile sewage management service area:

<i>Full Sections</i>	<i>Partial Sections</i>	<i>Township</i>	<i>Range</i>
	13, 14, 15	4 South	2 East
13, 14, 15, 16, 17, 20, 21, 22, 23, 24, 26, 35	18, 19, 25, 27, 29, 34, 36	4 South	3 East
19, 29, 30, 31, 32	18, 20	4 South	4 East
	1	5 South	3 East
4, 5,	6, 8, 9, 10, 15	5 South	4 East

2.0 BACKGROUND AND SUMMARY

Currently Palo Verde Utilities Company, L.L.C. (the Company) has a 300,000 gpd aerated lagoon plant servicing the Rancho El Dorado project. The lagoons are currently treating flows of approximately 200,000 gallon per day. The lagoons will be converted to emergency effluent storage. The Company has obtained an Aquifer Protection Permit (APP# 105228) for a new 2.25 MGD facility of which the first 1 MGD plant is under construction and is expected to be operational in October, 2003. This is the first phase of the proposed 13.0 MGD facility described in this 208 Amendment. The WRP site is laid out to accommodate the existing and all future WRP expansions in the northwest quarter of Section 13, T4S, R3E.(See Exhibit 3)

The original 208 Amendment anticipated growth west and south of the Rancho El Dorado. The Plan states, " ...additional residential development will occur within a 3 mile radius to the west and south of the Rancho El Dorado development. To serve this future area development, the water utility may increase its delivery and storage capacity and the sewage utility may increase the size of the central treatment facilities to a total treatment capacity of 2.25MGD. This is based on 1.5 MGD for the Rancho El Dorado project and an allowance of .75 MGD for the additional expansion of the existing plant during Stage IV, making a total plant capacity of 2.25 MGD." See Exhibit 2.

The original 208 Amendment was needed to provide service for Sections 13,14 and the eastern portion of Section 15 up to John Wayne Highway in T4S, R3E. This area was included in the current Certificate of Convenience and Necessity(CC&N) for service to the Rancho El Dorado subdivisions. The Company has applied for an expansion of the CC&N from the Arizona Corporation Commission (ACC) for adjacent properties within the proposed 25 mile service area. See Exhibit 4.

Effluent is currently used to irrigate farm land in Section 13, T.4S., R3E. The new 1 MGD plant and future expansions will be producing A+ effluent which will be used to irrigate The Duke Golf Course and other developments nearby. (See Exhibit 5) The Company has applied for a AZPDES Permit which will be used when flows exceed reuse requirements.

3.0 SERVICE AREA

Currently, the 25 square mile planning area is mostly agricultural in nature with multiple ownerships. The Company wastewater management facility serves the Rancho El Dorado development and will be serving several proposed developments in Sections 15, 21, 22, and 23 of T4S, R3E. Please see Exhibit 4 extension of CC&N currently being considered by the Arizona Corporation Commission.

The 387 Improvement District wastewater treatment plant is located in the northwest quarter of Section 28, Township 4South, Range 3 East, about 5 miles from the Palo Verde facilities. The planing area for 387 Improvement District is located in Sections 25, 27, 28, 33, 34, and 36of Township 4 South, Range 3 East; Sections 21, 28, and 34 of Township 4 South, Range 4 East; and Sections 2, 3, 11 and 12 of Township 5 South, Range 3 East of the Gila and Salt River Base and Meridian, Pinal County, Arizona. The plant is expected to begin operations in 2004. See Exhibit 2.

The water company serving Rancho El Dorado is the Santa Cruz Water Company, L.L.C. (SCWC). SCWC also has a request before the ACC to increase its CC&N to conform to the Company's CC&N area. See Exhibit 3. There are no other ACC certificated areas in the proposed planning area.

4.0 PROJECT POPULATION AND WASTEWATER FLOWS

The Company began sewer service to the Rancho El Dorado development in 1999 with a 0.3 MGD aerated lagoon wastewater treatment plant. The aerated lagoons plant is soon to be replaced by a new 1 MGD wastewater treatment plant expected to be in operation October 2003. New plant expansions will be added as the planning area develops and flows increase. Provisions have been made to expand to a 13.0 MGD if necessary. Current wastewater flows have averaged 160 GPD per dwelling unit.

Table 1 shows the project service area flows and population for each Section of the planned area based on 210 GPD per dwelling unit which is based on 160 GPD from each home and 50 GPD from commercial and school flows.

Table 1			
Palo Verde Utilities Company Service Area			
Population and Wastewater Flow Projections - Per Section			
Section	Dwelling Units	Population	Projected Average Daily Flow (GPD)
Township 4 South, Range 2 East			
15	1,400	3,500	294,000
14	1,120	2,800	235,200
13	1,400	3,500	294,000
Township 4 South, Range 3 East			
13	2,240	5,600	470,400
14	2,240	5,600	470,400
15	2,240	5,600	470,400
16	2,240	5,600	470,400
17	2,236	5,590	469,560
18	1,360	3,400	285,600
19	840	2,100	176,400
20	2,240	5,600	470,400
21	2,240	5,600	470,400
22	2,240	5,600	470,400
23	2,240	5,600	470,400
24	2,240	5,600	470,400
25	840	2,100	176,400
26	2,236	5,590	469,560
27	560	1,400	117,600
29	840	2,100	176,400
34	1,680	4,200	352,800

Table 1 - Continued			
Palo Verde Utilities Company Service Area			
Population and Wastewater Flow Projections - Per Section			
Section	Dwelling Units	Population	Projected Average Daily Flow (GPD)
35	2,240	5,600	470,400
36	860	2,150	180,600
Township 4South, Range 4 East			
18	1,120	2,800	235,200
19	2,240	5,600	470,400
20	1,120	2,800	235,200
30	2,240	5,600	470,400
29	2,240	5,600	470,400
31	2,240	5,600	470,400
32	2,240	5,600	470,400
Township 5 South, Range 3 East			
1	280	700	58,800
Township 5 South, Range 4 East			
6	1,400	3,500	294,000
5	2,230	5,575	468,300
4	2,240	5,600	470,400
8	840	2,100	176,400
9	1,960	4,900	411,600
10	1,120	2,800	235,200
15	800	2,000	168,000
TOTAL	62,082	155,205	13,037,220

The wastewater flow projection for the service area is approximately 13.0 MGD.

5.0 PROPOSED WASTEWATER TREATMENT PLANT

The existing lagoon wastewater treatment plant site is located in the Northwest quarter of Section 13, T4S, R3E in the Rancho El Dorado development 1,000 feet south of the Gila River Indian Community, Arizona, and about 1 ½ miles east of SR-347, Pinal County. The existing aerated lagoons will be closed when the new 1 MGD plant becomes operational and will be utilized for effluent storage. Current sewage flows are approximately 200,000 GPD and the new plant will have a design capacity of 1 MGD, for the first phase with an ultimate facility capacity of 13.0 MGD. The location of the plant is shown in Exhibit 3.

Construction impacts for each new addition to the WWTP will be minimal. The site has been laid out to accommodate the expansions by use of common walls when possible. Yard piping and pump stations are sized to accommodate full build-out and to maintain all construction activities within the WWTP site. The site is master-planned to allow the construction of new phases with minimal interference with operations.

Operational impacts will be minimal. Chlorine usage will be eliminated with the activation of the UV disinfection system. Spent ultraviolet (UV) lamps will be disposed by returning to the manufacturer for proper disposal. Oils and grease collected from equipment maintenance will be stored in secure containers until they are picked up by an approved grease and oil recycler. The diesel fuel tank has a retention wall around the slab to prevent any spills flowing to the ground and contaminating the groundwater. Spent charcoal used for odor control will be collected by the supplier and re-generated.

The new plant will be enclosed and include odor control. The plant will have full noise, odor and aesthetic control. The ADEQ setbacks for the facility will be 350 feet (AAC R18-9-B201-I)

Influent sewage will be pumped into the headworks where screening, grit removal, and flow measurement will occur. Screenings and grit will be removed, dewatered, and disposed of at a landfill. Secondary treatment will include BOD₅ and TSS removal and nitrification/denitrification for nitrogen removal. The treatment plant is a sequencing batch reactor that provides biological treatment with nitrification, denitrification and clarification in one tank. The effluent will be decanted into a surge tank and then pumped to a tertiary filter (automatic backwash sand filter) followed by disinfection using UV lamps. Excess sludge will be wasted to an aerobic digester where it will be stabilized to a Class B sludge and de-watered using a belt press. Ultimate

sludge disposal will be to a landfill or permitted land application. See Exhibit 7 for a process flow diagram.

6.0 EFFLUENT MANAGEMENT

The treatment plant facilities will treat the sewage to a "Class A+" effluent quality for irrigation of golf courses, recreational lakes, parks and landscaping. An effluent distribution system is planned so projects can utilize effluent for recreational lakes and landscape irrigation. A water balance shows that the available agricultural land can handle flows to 1 MGD. Irrigation will be shifted from the agricultural land to landscaping, lake use, and golf course irrigation as these facilities develop. When the Section 24 (T4S, R3E) land is retired from agriculture, the excess flows, which will occur during portions of the winter months, will be discharged to the Santa Rosa Wash, see Exhibits 5, which runs north through the Rancho El Dorado Project. The Company has applied for an AZPDES Permit. The permit application is for 2.25 MGD, the flow rate of the existing 208 plan and will be increased when this plan is approved. Discharge will occur one mile south of the Gila River Indian Community boundary. The wash discharges into the Santa Cruz Wash which then meets with the Gila River, about 17 miles north of the discharge point. The effluent will be denitrified, tertiary treated and disinfected prior to release into the receiving wash and will exceed the water quality requirements for the Santa Cruz River.

7.0 REQUIRED PERMITS

ADEQ has been advised of this 208 Amendment Application by letter dated May 7, 2003. (See Attachment B)

Following is a summary of the permit requirements that are required for the wastewater management facility.

7.1 Aquifer Protection Permit (APP)

The State Aquifer Protection Permit (APP) Program was established by the Environmental Quality Act (EQA) and is primarily designed to regulate facilities that may discharge to an aquifer. An individual APP permit is required for all new wastewater treatment plant facilities and all such facilities must be constructed and operated to meet the greatest degree of discharge reduction achievable. The company has an Aquifer Protection Permit (APP# 105228)

which allows for the facility to expand and operate up to 2.25MGD. When the WWTP is expanded, the APP will be modified to correspond with other permits.

7.2 Effluent Reuse Permit

Type 2 Reclaimed Water General Permits are required for direct use of reclaimed water which includes irrigation of The Duke Golf Course, use in the community lakes, and irrigation of landscaping. Permit applications are in process for the proposed reuse areas.

7.3 Section 208 Plan Amendment

In accordance with Section 208 of the Clean Water Act, an Areawide Water Quality Management Plan was prepared for the Central Arizona Association of Governments (CAAG). The Water Quality Management Plan has continually been updated through several Plan Amendments and updates. This document will serve as the 208 Water Quality Plan Amendment for the Company. The Central Arizona Association of Government (CAAG) is a designated Areawide Water Quality Management Planning Agency for Pinal and Gila Counties.

7.4 AZPDES Permit

An AZPDES permit for discharge into the Santa Rosa Wash has been prepared and submitted to ADEQ for review and approval on May 5, 2003.

7.5 Sludge Management

Part 503 of the Clean Water Act and Chapter 9, Title 18, of the Arizona Administrative Code specifies the quality of sewage sludge that may be applied to land, distributed and marketed, placed in a sludge disposal facility, or incinerated in a sewage sludge incinerator. The sludge generated at the proposed wastewater treatment plant will be stabilized and dewatered and then disposed of at an operating sanitary landfill certified by the ADEQ to handle and dispose of sludge from wastewater treatment plants. Protection of the groundwater at the landfill location will be provided by the landfill facility.

The closest landfill accepting sludge for disposal is:

Butterfield Station Municipal Solid Waste Landfill
99th Avenue, one mile north of Highway 238
Mobile, Arizona

Operated by: Waste Management, Inc.
2425 South 40th Street
Phoenix, Arizona 85034 Phone: (602) 256-0630

Waste Management, Inc. has agreed to accept sludge from the Company's wastewater treatment plant at Butterfield Station Municipal Solid Waste Landfill. The life expectancy of the landfill is forty (40) to fifty (50) years.

An AZPDES Storm Water Pollution Prevention Permit will be required for the entire project including the treatment plant site work. The contractor for the facilities is responsible to obey all AZPDES Permit regulations relevant to construction sites to prevent surface water and groundwater contamination. All hazardous materials and potential pollutants shall be stored onsite in appropriate storage areas which are constructed to contain any spills or runoff of hazardous materials. Retention basins, silt traps, and other sediment barriers are to be provided at the site to filter sediment from storm water runoff leaving the site. The contractor shall keep the site clean and have covered dumpsters on site which are emptied regularly.

7.6 Local Floodplain and Drainage Regulations

The Santa Rosa Wash bisects the Rancho El Dorado project. The wastewater treatment plant is located approximately one mile east of the Santa Rosa Wash and is out of the 100-year floodplain.

7.7 Construction Permits (404/401 permits)

There are no non-point issues related to the wastewater treatment plant. If an issue does occur, the contractor will be required to obtain the necessary permits.

7.8 Air Quality Permit

An Air Quality Permit will be obtained from Pinal County.

8.0 CONSTRUCTION

The ultimate plant wastewater flow is approximately 13.0 MGD. All flows are from existing and new residential developments within the service area. Construction of the 1 MGD plant began in January 2003. Additional phases will be added to accommodate the future growth. Build out is expected to take 20 years, with completion projected for 2023. The contractor for the construction of the new 1 MGD wastewater treatment plant is Aquatec, Inc. Severn-Trent Services is under contract to operate and maintain the WWTP.

The new treatment units will be built in increments of 1, or 2 MGD units. As the flows increase, it may be cost effective to increase the unit capacity constructed. All infrastructure and discharge lines will be sized for ultimate flows. Some process units like odor control, solids de-watering, and generators will be sized to multiple phases. Construction will follow non-point source requirements to control stormwater runoff. Below is a table which shows a preliminary schedule of treatment plant expansions.

Table 2 Palo Verde Utility Company Construction Phases					
Phase	Year Completed	No. of Residential Units	Estimated Population per Dwelling	Treatment Capacity (MGD)	Capital Cost
I	2003	4,750	11,875	1.0	\$5Million
II	2005	14,500	36,250	3.0	\$10Million
III	2008	21,500	53,750	4.5	\$7.5Million
IV	2010	28,500	71,250	6.0	\$7.5Million
V	2013	35,500	88,750	7.5	\$7.5Million
VI	2015	42,500	106,250	9.0	\$7.5Million
VII	2018	49,500	123,750	10.5	\$7.5Million
VIII	2020	56,500	141,250	12.0	\$7.5Million
X	2023	62,082	155,205	13.0	\$5Million

Total: \$65Million

9.0 ENVIRONMENTAL IMPACTS/BENEFITS

The wastewater treatment plant for the developments will provide benefits to the area:

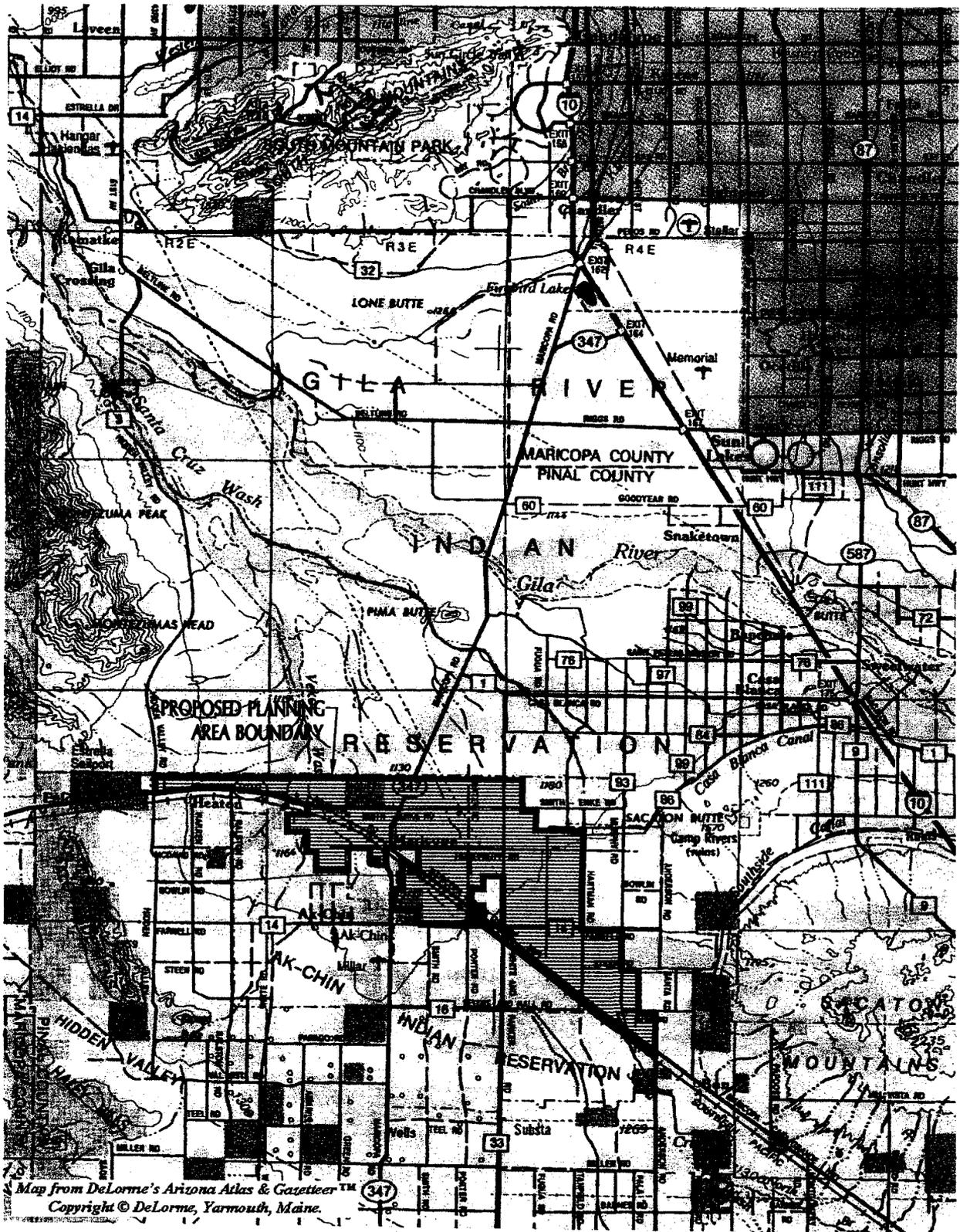
- Centralized wastewater treatment will be provided, reducing the potential for groundwater contamination from overuse of septic tanks with leach fields in the area.
- The treated effluent from the wastewater treatment plant will be used to irrigate the golf courses and other open area facilities.
- The expansion of the wastewater treatment plant will allow the area to accommodate growth in an environmentally safe manner.
- The development of new communities will fulfill a growing demand for affordable homes in high quality master planned communities, while retail uses within the community will provide an increased tax and employment base for Pinal County.
- The mechanical plants will meet aquifer water quality standards. Plant will be enclosed and have odor control.
- The golf course and landscaped areas will use best management practices to prevent pollution of the groundwater.

10.0 FINANCIAL INFORMATION

Palo Verde Utilities Company, L.L.C. is owned 1% by Phoenix Utility Management, L.L.C. and 99% by Phoenix Capital Partners, L.L.C. The Company currently has a Certificate of Convenience and Necessity for wastewater service for Section 13, 14, and 15, Township 4 South, Range 3 East, as shown in Exhibit 4. The Company is in the application process with the Arizona Corporation Commission to expand the Certificated Area.

The Company is responsible for the operation and maintenance of the sewage management system in their service area. The Company's customers will be paying user fees based upon fair value as determined by the Corporation Commission.

Capacity charges are assessed to the developers to fund the capital investments when expanding the WWTP. Effluent re-users will compensate the Company for treatment and delivery costs. The Company will fund the plant construction. Any portion of pipelines and interceptors constructed within a development by a developer will be conveyed to the Company under a main extension agreement.

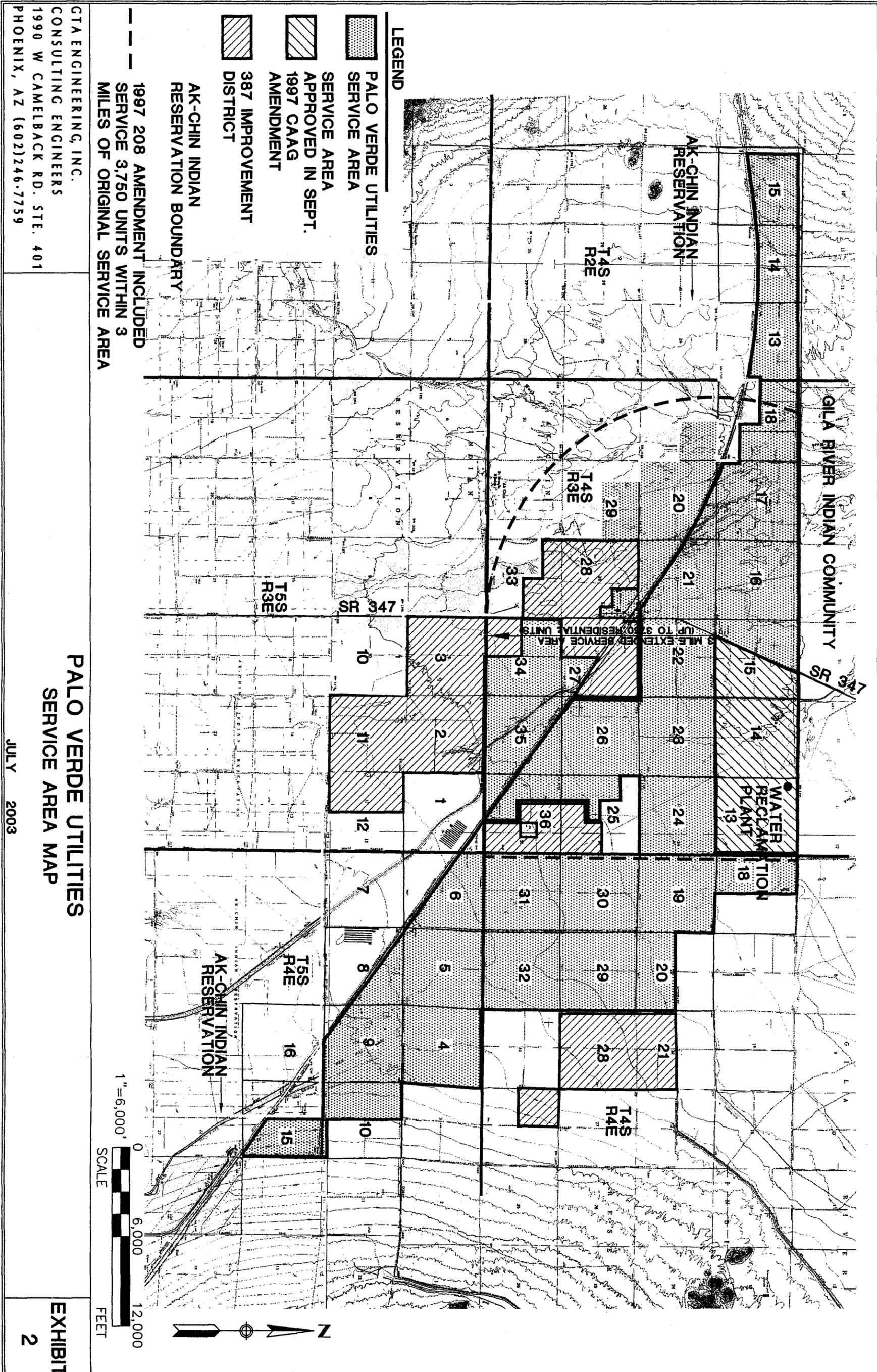


GTA ENGINEERING, INC.
 CONSULTING ENGINEERS
 1990 W CAMELBACK RD. STE. 401
 PHOENIX, AZ (602)246-7759

**PALO VERDE UTILITIES
 LOCATION MAP**

EXHIBIT
 1

MAY 2003



LEGEND

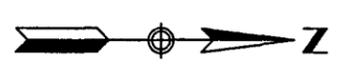
- PALO VERDE UTILITIES SERVICE AREA
- SERVICE AREA APPROVED IN SEPT. 1997 CAAG AMENDMENT
- 387 IMPROVEMENT DISTRICT
- AK-CHIN INDIAN RESERVATION BOUNDARY
- 1997 208 AMENDMENT INCLUDED SERVICE 3,750 UNITS WITHIN 3 MILES OF ORIGINAL SERVICE AREA

GTA ENGINEERING, INC.
CONSULTING ENGINEERS
1990 W CAMELBACK RD. STE. 401
PHOENIX, AZ (602)246-7759

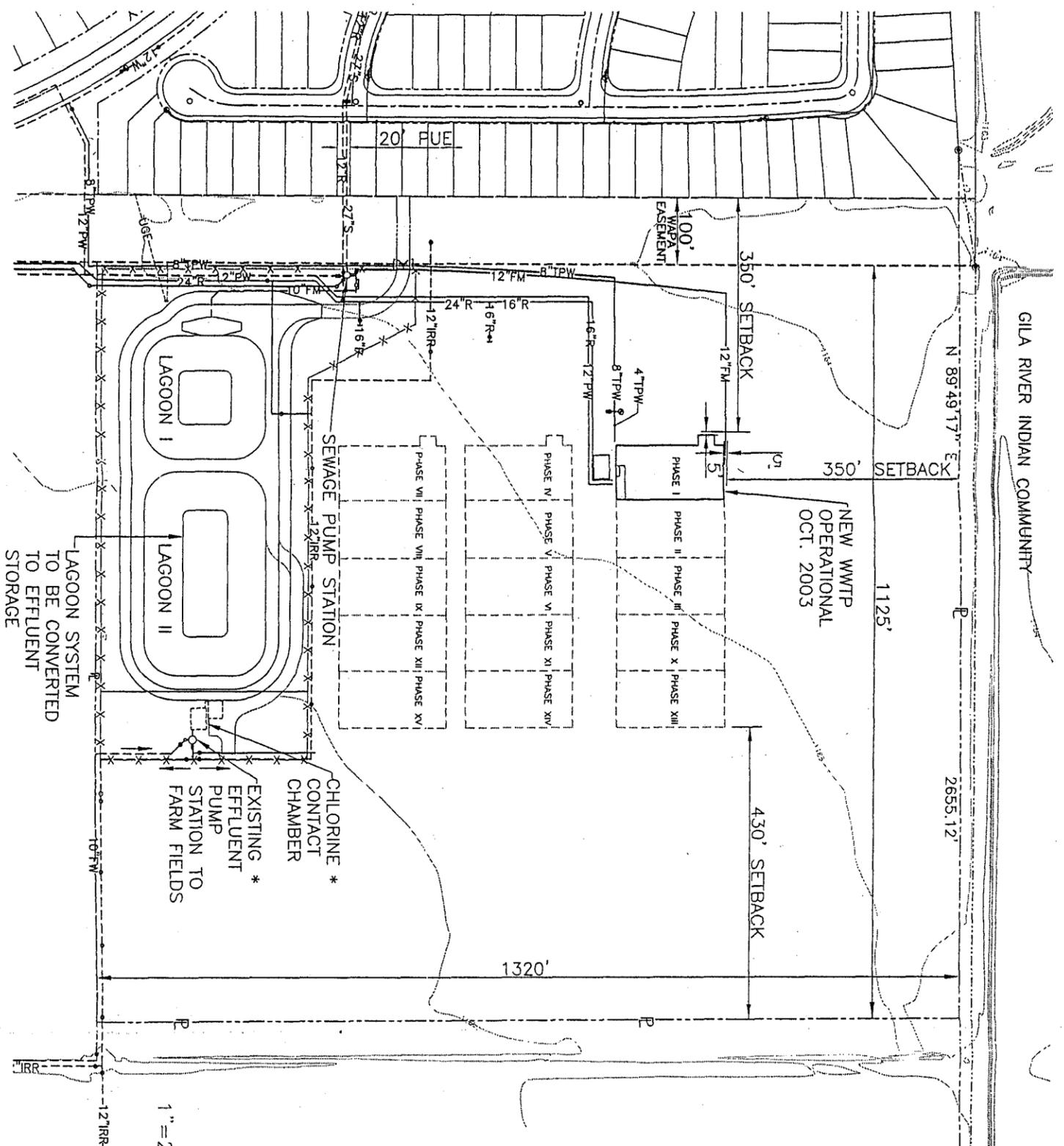
**PALO VERDE UTILITIES
SERVICE AREA MAP**

JULY 2003

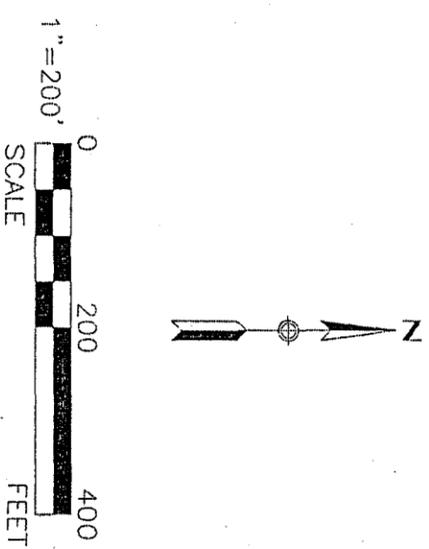
**EXHIBIT
2**



GTA ENGINEERING, INC.
 CONSULTING ENGINEERS
 1990 W CAMELBACK RD. STE. 401
 PHOENIX, AZ (602)246-7759



* TO BE DECOMMISSIONED

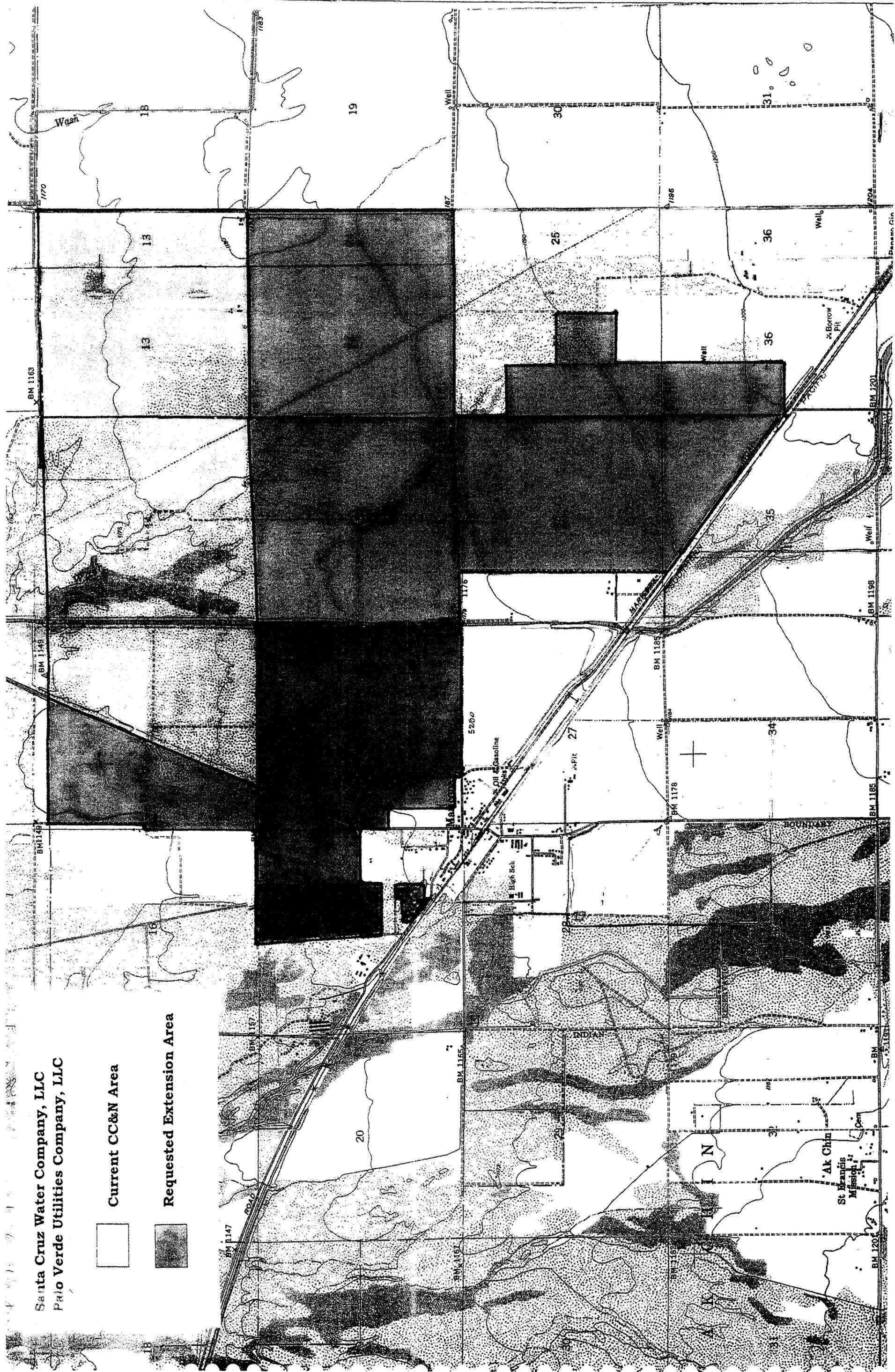


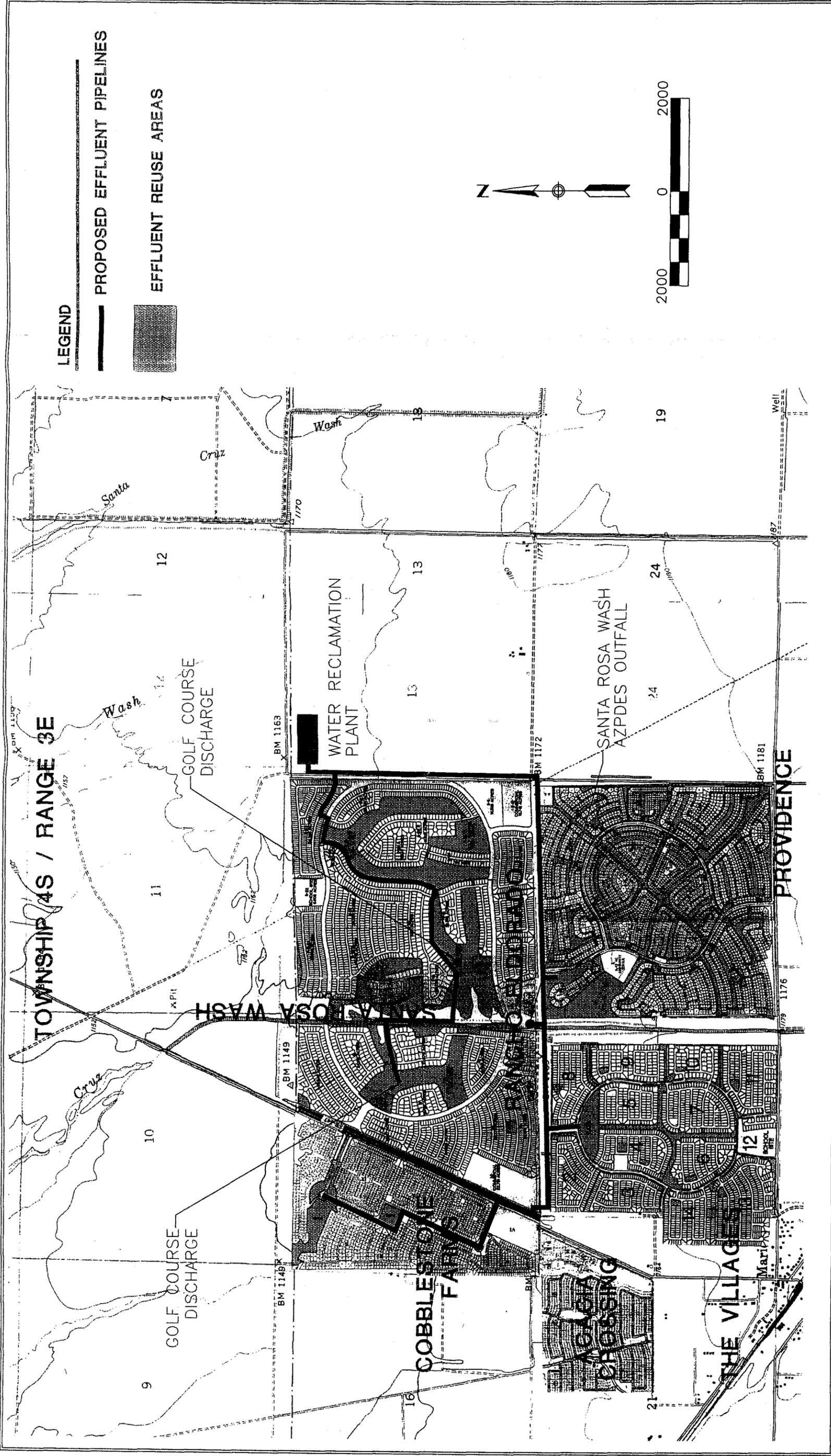
PALO VERDE UTILITIES COMPANY
WATER RECLAMATION PLANT
SITE PLAN
 JULY 2003

Santa Cruz Water Company, LLC
Palo Verde Utilities Company, LLC

Current CC&N Area

Requested Extension Area



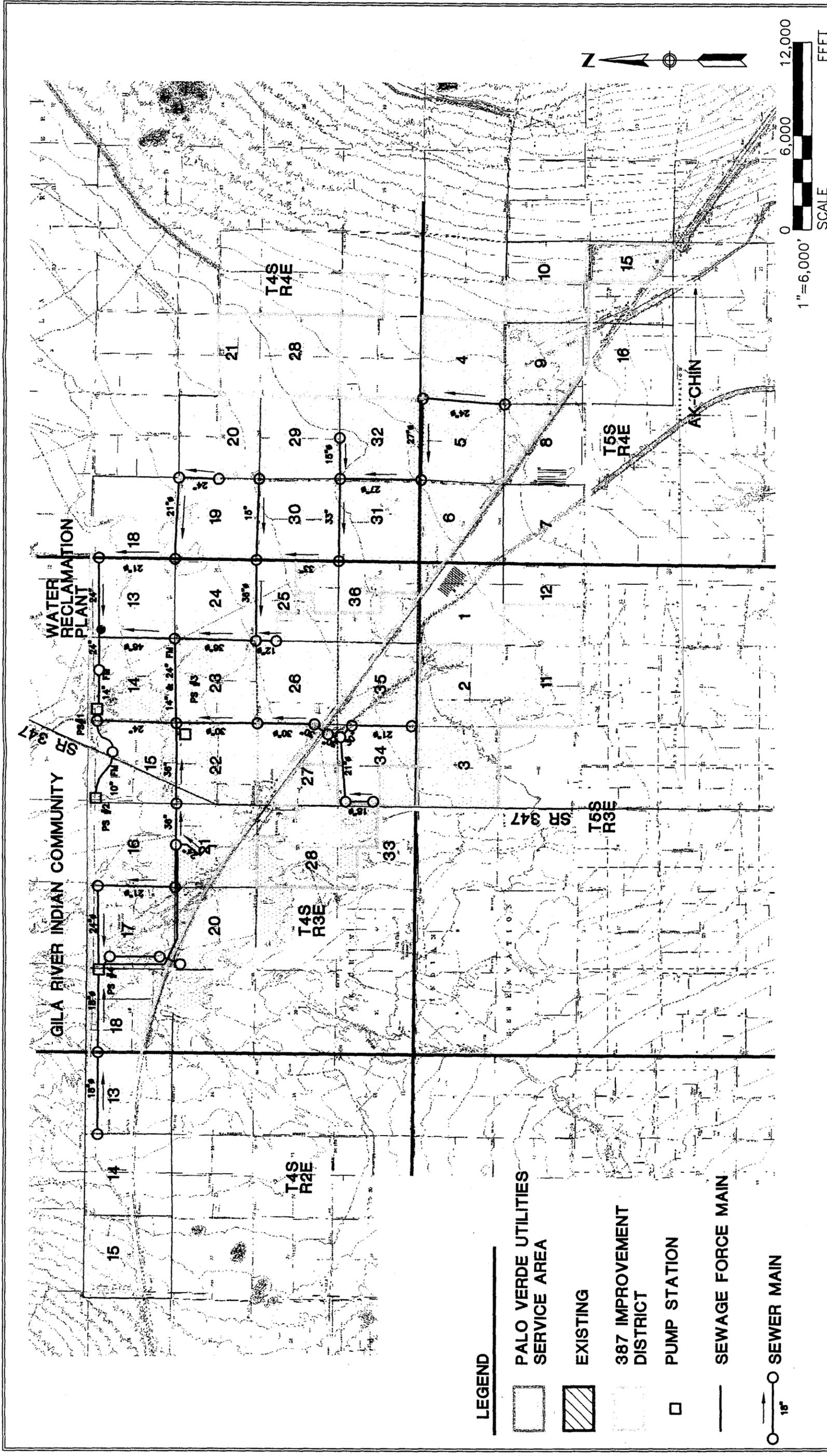


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 CONSULTING ENGINEERS
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 PHOENIX, AZ (602)246-7759

**PALO VERDE UTILITIES COMPANY
 EFFLUENT MANAGEMENT PLAN**

JULY 2003

**EXHIBIT
 5**



LEGEND

-  PALO VERDE UTILITIES SERVICE AREA
-  EXISTING
-  387 IMPROVEMENT DISTRICT
-  PUMP STATION
-  SEWAGE FORCE MAIN
-  SEWER MAIN

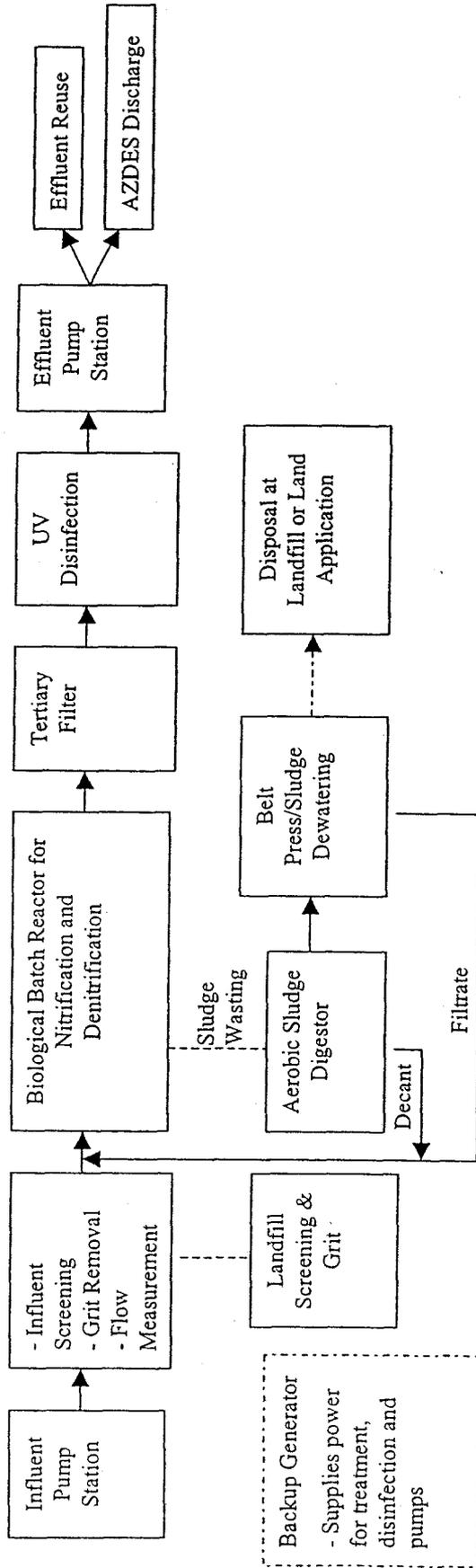
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**PALO VERDE UTILITIES
 TRUNK SEWER MAP**

JULY 2003

**EXHIBIT
 6**

**PALO VERDE UTILITIES COMPANY, L.L.C.
PROCESS FLOW DIAGRAM**



Narrative Description: The plant will be enclosed and include odor control. Influent sewage will be pumped into the headworks where screening, grit removal, and flow measurement will occur. Screening and grit will be dewatered and disposed of at a landfill. Secondary treatment will include BOD₅ and TSS removal and nitrification/denitrification for nitrogen removal. The process is a sequencing batch reactor that provides aerated biological treatment with nitrification anoxic denitrification and clarification in one tank. Sludge will be wasted to an aerobic digester. Effluent will be decanted into a surge tank and then pumped to a tertiary filter (automatic backwash sand filter) followed by UV disinfection. Waste sludge will be stabilized to a Class B sludge in an aerobic digester and dewatered using mechanical dewatering (belt press). Ultimate sludge disposal will be to a landfill or permitted land application.

208 AMENDMENT CHECKLIST
Section 208 Clean Water Act
40 CFR Part 130.6

REQUIREMENT	PROVIDE BRIEF SUMMARY ON HOW REQUIREMENTS ARE ADDRESSED	ADDRESSED ON PAGE:
<p><u>AUTHORITY</u></p> <p>Proposed Designated Management Agency (DMA) shall self-certify that it has the authorities required by Section 208(c)(2) of the Clean Water Act to implement the plan for its proposed planning and service areas. Self-certification shall be in the form of a legal opinion by the DMA or entity attorney.</p>	<p>N/A</p>	<p>1</p>
<p><u>20-YEAR NEEDS</u></p> <p>Clearly describe the existing wastewater (WWT) treatment facilities: - Describe existing WWT facilities.</p>	<p>Currently Palo Verde Utilities Company, L.L.C. (the Company) has a 300,000 gpd aerated lagoon plant servicing the Rancho El Dorado project. The lagoons are currently treating flows of approximately 200,000 gallon per day. The lagoons will be converted to emergency effluent storage.</p>	<p>Page 2, 3, 6</p>
<p>- Show WWT certified and service areas for private utilities and sanitary district boundaries if appropriate.</p>		<p>Exhibit 2 & 4</p>
<p>Clearly describe alternatives and the recommended WWT plan:</p>		<p>Page 3 Table 1 & 2</p>
<p>- Provide POPTAC population estimates (or COG-approved estimates only where POPTAC not available) over 20-year period.</p>	<p>Population growth will be determined as developments are built and homes are bought. POPTAC figures are unavailable for undeveloped areas.</p>	
<p>- Provide wastewater flow estimates over the 20-year planning period.</p>	<p>The wastewater flow projection for the entire service area is 13 mgd.</p>	<p>Page 1, 2, 3, 10, 11 Table 1 & 2</p>
<p>- Illustrate the WWT planning and service areas.</p>		<p>Exhibit 4 and 6</p>

Sequencing Batch Reactor
(Using SAM Aeration - Mixing Equipment)
Process Design Report



1235 Shappert Drive, Rockford, IL 61115

This AquaTec, Inc. Engineered System Report has been exclusively prepared for:

Project: Palo Verde Utilities Company Phase 1 1.0 MGD Treatment Plant

Date: 07/25/02

Report prepared by: Richard (Dick) Ryan, P.E., D.E.E.

Note: This report is submitted subject to the following conditions:

AquaTec, Inc. (AquaTec) provides the enclosed information and accompanying data and illustrations based upon our understanding of information conveyed to us by your verbal and/or written transmission of information. This data is relative to the general application of certain processes and equipment and controls. Variables can change, and their associated details may require the need to adjust process functions or require changes in the size and type of equipment used; and therefore, some design assumptions and mathematics used in models may need to be adjusted for final approval. It is our intent to present this data to be as accurate as possible for estimating purposes. However, unless an approved purchase order to AquaTec is overlaying such information as this, and unless such information is included as a condition to a specific purchase order, with all details of design confirmed and approved by AquaTec, then all information contained herein must be considered preliminary. Otherwise, AquaTec assumes no responsibility for the validity of neither this data nor its application. AquaTec assumes no responsibility for any liability resulting from any party using this data. This information, since it is the product of AquaTec's confidential and proprietary business resources is to be considered property of AquaTec and exclusive for use or distribution only as approved by written approval of AquaTec. It is not to be released for review by or to any third parties without AquaTec's written approval.



General Design Notes:

Pre-SBR treatment system

Mechanically cleaned bar screen with 1/4" opening will be provided.

Flow equalization

No Pre-SBR flow equalization basin(s) used in this design.
Post-SBR Flow equalization basin(s) used in this design.
A post flow equalization basin is used prior to UV disinfection.

Neutralization

Neutralization is recommended ahead of the SBR reactor if the pH can fall outside 6.5 - 8.5 for duration that can adversely effect the treatment process.

Raw wastewater inlet screening and grit removal

A minimum of coarse bar screening (maximum 1-inch openings) is recommended ahead of the SBR reactor. And, grit removal ahead of the SBR reactor, while not mandatory, is recommended. Equipment damage from these issues are not covered under AquaTec, Inc. warranty.

Daily flow parameters for SBR basin sizing

Unless otherwise included in the calculations shown in this report, the entire days flow is assumed to be generated over a 24-hour period.
A peak flow of 2.5 MGD has been included in this design.

Oxygen supply provided by Aeration

1.25 lbs./O₂/lb of BOD₅ applied is provided in the aeration system design for this SBR System.

Nitrogen utilization

Nitrogen utilization will be based up a uptake rate of 1:20 (N:BOD₅), unless otherwise noted. If credit for using applied TKN for nutrient source is used in the calculations for oxygen requirements it will be noted. Where nitrification is required, it will be assumed that sufficient alkalinity exists or will be provided as needed.
The SBR has been sized with sufficient MCRT to allow denitrification.

Phosphorus

Some phosphorous may be removed in the SBR system by luxury uptake.

Control panel and process design logic

This SBR system is an "Engineered Process Design" and must incorporate the use of specific logic controls, some of which may require use of computers and/or PLC units. AquaTec, Inc. has used state of the art design logic and components for the controls used and they require specific signal and I/O compatibility. Chemical feed units, flow meters, level and sequencing dynamics are all unitized together to assure a high level of control and effluent quality. This control system is an integral part of the SBR system and must be furnished by AquaTec, Inc. for system integrity.

Equipment

Equipment chosen is based upon process requirements, including basin geometry wastewater type, depth, aeration and mixing requirements, flows, temperature considerations and a host of other parameters that each individual unit expresses as a need to fit or interact with the whole system. Any substitutions made that changes the proposed equipment can have considerable effect other equipment items or the engineered process itself. No substitutions should be considered without AquaTec, Inc. giving written approval after carefully evaluating the overall effect and its result.

Continued....

Basic SBR System Design Influent Parameters

Total design flow-----	1.00 mgd	3,785 m ³ /day
BOD ₅ applied-----	300 mg/l	
	2,502 lbs BOD ₅ /day	1,137 Kg BOD ₅ /day
Suspended solids-----	300 mg/l	
	2,502 lbs SS/day	1,137 Kg SS/day
Ammonia nitrogen (influent)-----	45 mg/l	
Nitrogen credit applied (to O ₂)-----	5 mg/l	
Temp of SBR basin (deg C):		
Winter liquid Temp-----	15 °C	9.80 mg/l, O ₂ saturation in clean water
Summer liquid Temp-----	27 °C	7.70 mg/l, O ₂ saturation in clean water
SBR System jobsite elevation-----	1200 ft amsl	365.8 m amsl
Barometric Pressure @ Elevation-----	14.07 psia	727.6 mm Hg
Alpha value for aeration-----	0.85	
Beta value for wastewater-----	0.95	
Residual D.O. to maintain in SBR-----	2.00 mg/l	
SBR jobsite correction factor-----	0.582 (adjusts aerator clean water O ₂ transfer rate to field conditions)	

Design effluent characteristics:	BOD ₅	S.S.	NH ₃
	10 mg/l	10 mg/l	<8.0 mg/l

This SBR design is capable of meeting these results when operated at above influent parameters with inclusion of the considerations in the General Design Notes on page 2 of this report, and with the exclusion of any undisclosed conditions that could adversely effect the process design. Tertiary sand filtration is recommended to meet these low limits after post equalization and before disinfection.

SBR Reactor Details (with process control sequences)

Number of SBR reactors used-----	2 basin(s) in SBR System	
Hydraulic retention time-----	29.07 hours (all SBR aeration basins)	
Number of cycles/day/basin-----	5 at Initial Program Selection	
Aeration hours per cycle-----	2.0	10.0 hours total aeration time/basin/day
Maximum liquid depth in SBR-----	22.00 ft	6.71 m
Decant liquid level drop-----	3.63 ft at Ave. Design Flow	1.11 m
Decant flow rate-----	2,941 gpm at Initial Program Flow	11.13 m ³ /m
Number of decanters per basin-----	1 (gravity, with automatic control valve, unless otherwise noted)	

Field programmable SBR process control sequencing parameters furnished with proposed system.
(Minutes)

Static Fill-----	per PRGM	Typically introduction of raw influent without mixing or aeration
Mixed Fill-----	per PRGM	Typically mixing only with introduction of raw influent
React Fill-----	per PRGM	Typically introduction of raw influent with aeration and mixing
React-----	per PRGM	Typically aeration and mixing without introduction of raw influent
Settle-----	per PRGM	Typically settling does not exceed 60-minutes
Decant-----	per PRGM	Typically decanting does not exceed 120-minutes
Sludge Draw-----	per PRGM	Typically waste sludge draw off does not exceed 30-minutes
Idle-----	per PRGM	Normal to multiple basin SBR's (time option varies, can be used elsewhere)

The minimum operating depth for each SBR at average flow conditions will be 12.9' liquid depth
The maximum operating depth for each SBR at average flow conditions will be 16.6' liquid depth
The maximum operating depth for each SBR at peak flow conditions will be 22'0" liquid depth.

Continued....

SBR Reactor Aeration Basin Size and Type Details

2 SBR Reactor basin(s), sized as follows, used in this system design.

The SBR reactor basin(s) for this design will be square.

SBR reactor basin width is:	40.00 ft	12.19 m	
SBR reactor basin length is:	92.00 ft	28.04 m	
Liquid depth in SBR is:	22.00 ft	6.71 m	
Freeboard above liquid is:	2.00 ft	0.61 m	
The volume of each basin is:	605,550 gal	2292 m ³	
Decant (design level drop) is:	3.63 ft	1.11 m	
Peak Flow Decant Level Drop is:	9.08 ft	2.77 m	
Design MLSS concentration is:	4000 mg/l @	0.80 VSS =	3200 mg/l mlvss
Design mean cell residence time:	26.91 days, MCRT		
Design Food/Microorganism ratio:	0.077 F/M		
Organic loading in aeration basin:	15.45 lb/BOD ₅ /mft	0.25 Kg/BOD ₅ /m ³	
Sludge yield (waste) per day/basin:	12,000 gal/day	45.4 m ³ /day @	1.0% solids

The above values are at average flow conditions of 1.0 MGD. The MLSS will decrease along with the F/M ratio at peak flow conditions. The organic loading will decrease at peak flow conditions as well. A minimum of 20 days MCRT (sludge age) is required to achieve good nitrification and denitrification.

Aeration Supply Information & Details for Each SBR Basin

Clean water aerator O ₂ transfer	25% (at STD Temp. & Alt. for SBR design)	
Oxygen supplied per SBR reactor	2,331 lbs O ₂ /day	1,060 Kg O ₂ /day
	97.1 lbs O ₂ /hr	44.1 Kg O ₂ /hr
ACFM air supplied per SBR reactor	1,739 cfm	49.2 m ³ /m
Maximum SBR blower pressure	10.20 psig	0.703 Bar
SBR blower efficiency	80.00 percent	
Highest blower inlet Temp	115 °F	46 °C
Estimated blower discharge Temp	235 °F	113 °C
Blower BHP required per SBR reactor	95.6 Hp	71.3 KW
SAM Aerator - Mixer BHP required/SBR	49.7 Hp	37.1 KW
The SBR basin aeration - mixing power level is:		
SAM aerator - mixer equipment	82.6 Hp/mil/gals	16.3 Wm ³
SAM + blower (air) equipment	240.5 Hp/mil/gals	47.4 Wm ³
The air flow, cfm/1000 cu. ft. vol	21.5 cfm/mft ³	21.6 Lm/m ³
Total "cycle time" power (Hp/day)/SBR/day	71.6 Hp	53.4 KW

Note: Blower & SAM BHP values above are "on-line" power levels required during SBR react operation. Actual blower and SAM equipment sizes will be chosen by conventional sizes available that are closest to the size shown. Equipment power loading is set very close to required power values shown above by drive designs.

The total "cycle time" power (Hp/day)/SBR/day is the equivalent steady state power on line that each SBR basin's aeration and mixing equipment demands. It is the power consumed per day for aeration and mixing which is determined by the SBR process control program set by the PLC. This calculates to a power consumption of 1282.1 kW-Hours/Day for each SBR basin.

Two (2) 25 Hp SAM units will be installed in each SBR basin and can be operated at 10 to 25 Hp by VFD. At the average liquid depth of 14.7' at average flow conditions the blowers will draw only 7.0 psig and approximately 67.0 BHP. At peak flow conditions at 22' liquid depth, 10.2 psig the blowers draw 95.6 BHP. At average flow conditions the total SBR energy used is (67+49.7) X 2 X 0.416 = 97.1 BHP continuous.

Continued....

SBR - Aerobic Digester - Process Design Parameters

For Aerobic Digester jobsite conditions, the same conditions used for the SBR are applied.

The number of Aerobic Digester basins used is	1		
The sludge flow to each digester	24,000 gal/day	90.9 m ³ /day	
Each digester basin volume is	240,000 gal	908.5 m ³ =	10.0 days retention
The influent sludge concentration	1.00% W.A.S. @	80% volatile SS	
The lbs O ₂ applied per lb VSS	1.30 lb/lb	2.86 Kg/Kg	
The VSS applied per basin/day	1,201 lbs/day	545.9 Kg/day	
The percent VSS reduction est	20% VSS @	240.2 lbs/day =	109.2 Kg/day
The gal digester solids wasted	10,560 gal/day @	2% solids =	40.0 m ³ /day
The gal supernatant discharged	13,440 gal/day	50.9 m ³ /day	

Aerobic Digester Aeration Basin Size and Type Details

The number of Aerobic Digester basins used is	1	
The digester basin(s) for this design will be rectangular.		
The digester basin width is:	18.00 ft	5.49 m
The digester basin length is:	82.00 ft	24.99 m
Liquid depth in the digester is:	22.00 ft	6.71 m
Freeboard above liquid is:	2.00 ft	0.61 m
The volume of each basin is:	240,000 gal	909 m ³

Aeration Supply Information & Details for Each Digester Basin

Clean water aerator O ₂ transfer	26% (at STD Temp. & Alt. Digester design)	
The lbs O ₂ applied/Digester/day	1,561 lbs/O ₂ /day	710 Kg/O ₂ /day
The ACFM applied/Digester/day	442 cfm	12.5 m ³ /m
Maximum Digester blower pressure	10.16 psig	0.701 Bar
Digester blower efficiency	80%	
Highest blower inlet Temp	115 °F	46 °C
Estimated blower discharge Temp	235 °F	113 °C
Blower BHP required per Digester basin	24.2 Hp	18.08 kW
SAM Aerator - Mixer BHP required/Digester	17.7 Hp	13.19 kW
The digester aeration - mixing power level is:		
SAM aerator - mixer equipment	93.8 Hp/mil/gals	18.5 Wm ³
SAM + blower (air) equipment	194.7 Hp/mil/gals	38.4 Wm ³
The air flow, cfm/1000 cu. ft. vol	13.8 cfm/mft ³	13.78 Lm/m ³
Total Digester Hp power (Hp/day)/Digester	41.9 Hp	31.27 kW
Total calculated power consumption for each Digester / Day is	750.5	kW-Hours day.

Note: Blower & SAM BHP values above are "on-line" power levels required during Digester operation. Actual blower and SAM equipment sizes will be chosen by conventional sizes available that are closest to the size shown. Equipment power loading is set very close to required power values shown above by drive designs.

Three (3) 7.5 Hp SAM units will be installed in the aerobic sludge digester with one (1) 25 Hp blower delivering oxygen to the SAM units. Note that this design is better because the air input to the digester can be throttled and even turned off to denitrify and control filamentous microorganism and conserve energy requirements.

Continued....

Post-SBR Flow Equalization Basin Design Parameters

The Post-EQ basin minimum storage volume provided will be	2.92	SBR decant cycles @ ave design flow
	1.17	SBR decant cycles @ peak flow
For average design flow:		
Each SBR reactor decant flow is:	2,941 gpm	11.13 m ³ /m
Each SBR decant time cycle is:	34.00 minutes	
For peak flow:		
Each SBR reactor decant flow is:	3,906 gpm	14.79 m ³ /m
Each SBR decant time cycle is:	64.00 minutes	
The equalization basin(s) for this design will be rectangular.		
The equalization basin width is:	45.00 ft	13.72 m
The equalization basin length is:	74.00 ft	22.56 m
Max liquid depth in the EQ basin is:	11.92 ft	3.63 m
Freeboard above liquid is:	12.08 ft	3.68 m
The EQ basin working volume is:	291,765 gal	1,104 m ³

This basin is sized larger and in common-wall with the SBR basins.

Note that the decanter is sized for the peak flow conditions at 3910 gpm each. For peak flow condition

SBR System waste sludge pumps, digester waste sludge pumps and supernatant transfer pumps:

Note: Unless otherwise stated, it is assumed the digester supernatant will be pumped to the SBR influent.

SBR waste sludge pumps:

The volume of waste sludge/SBR/day is-----	12,000 gal	45.4 m ³
The "cycle time" pump GPM flow rate is-----	240 gpm	0.91 m ³ /m
The total dynamic head for this flow rate is-----	30.0 ft	9.1 m
The BHP required for the flow and head is-----	3.64 Hp	2.71 kW
The size pump selected for this application is-----	5 Hp	3.73 kW
The number of pumps per SBR basin is-----	2	
The "cycle time" power used for sludge waste is----	54.25 kW-Hours/day/SBR basin	

Aerobic Digester waste sludge pumps:

The volume of waste sludge/digester/day is-----	10,560 gal	40.0 m ³
The "cycle time" pump GPM flow rate is-----	1,056 gpm	4.00 m ³ /m
The total dynamic head for this flow rate is-----	30.0 ft	9.1 m
The BHP required for the flow and head is-----	11.76 Hp	8.78 kW
The size pump selected for this application is-----	15 Hp	11.19 kW
The number of pumps per digester basin is-----	2	
The "cycle time" power used for sludge waste is----	35.11 kW-Hours/day/digester	

Aerobic Digester supernatant transfer pumps:

The volume of supernatant/digester/day is-----	13,440 gal	50.9 m ³
The "cycle time" pump GPM flow rate is-----	448 gpm	1.70 m ³ /m
The total dynamic head for this flow rate is-----	30.0 ft	9.1 m
The BHP required for the flow and head is-----	4.85 Hp	3.62 kW
The size pump selected for this application is-----	7.5 Hp	5.60 kW
The number of pumps per digester basin is-----	2	
The "cycle time" power used for supernatant is----	43.40 kW-Hours/day/digester	

Continued....

Date: 6/27/2002 Prepared By: Richard (Dick) Ryan, P.E., D.E.E.
 Project: Palo Verde Utilities Company Phase 1 1.0 MGD Treatment Facility

Comments:

This design assumes that during average daily flow conditions the SBR tanks will run with a minimum liquid depth of 12.9' and a maximum liquid depth of 16.55' at average flow conditions of 1.0 MGD. When the flow exceeds the average by a peak factor of 2.5 times average then the liquid depth for each SBR will rise to the 22' liquid depth and the decant time will be automatically shifted to 64 minutes in lieu of 34 minutes and there will be no idle time in the cycle.

Design Parameters:

Flow, M³/day 3786 1,000,156 gal/day
 BOD₅, Mg/L 300
 N_O, TKN, Mg/L 45
 X_T, inert solids, Mg/L 60 (non-biodegradable inert influent solids)
 Min. Temp, °C 15
 MLSS Mg/L 4000 X_T, when MLSS is represented at full tank volume
 K_d, d⁻¹ 0.06
 Y_{NH}, gr/gr 0.15
 K_O, Mg/L 0.5 DO inhibition coefficient, Mg/L
 Nitrification SF 2
 SRT, d 30
 S, Eff BOD, Mg/L 10
 N_E, Eff NH₄, Mg/L 1
 Y, gTSS/gBOD₅ used 0.5
 F_N 0.1

Select n, the number of Tanks = 2
 Select N_C, number of Cycles/day = 5 (must be a whole number)
 Select design tank depth, ft = 16.55

	Hours	Minutes		
T _S (Settling time, hours) =	0.73333	44.00	Calc pad	Data
T _W (Withdrawal time, hours) =	0.56666	34.00	Enter minutes	57.60 0.96000 hrs.
T _I (Idle time, hours)* =	0.10000	6.00	Enter hours	0.27 16.0020 min.
T _{SF} (Static fill time, hours) =	0.00000	0.00	Enter value to adjust	2.6667
T _{MF} (Mix fill time, hours) =	1.40000	84.00	Enter adjustment	2.4
T _{RF} (React fill time, hours) =	1.00000	60.00	Add = 1; Subtract = 2	2 0.2667 value
T _R (React time, hours) =	1.00000	60.00		
T _A (Aeration time/cycle, hours) =	2.0000	120.00		10.00 hours/day total aeration time
T _F (Fill time, hours) =	2.4000	144.00		12.00 hours/day total fill time
* Sludge wasted during idle time			288.00	288.00 -0.0006 variance (minutes)
T _C (Total Cycle Time, hours) =	4.8000		4.8	hrs max @ 5 cycles/day
SVI (Mg/L) =		120 Mg/L		
f (Decant safety factor)		1.2		
T _{DN} , (Anoxic reaction time, hours) =	1.40000			includes only static fill & mix fill time cycles

1) Select SRT for design = 30 days

2) Determine net heterotrophic yield

$$Y_{NH} = Y / [1 + K_d (SRT)] = 0.5 / [1 + \{ (0.06) \times (30) \}] = 0.18 \text{ g/g}$$

3) Determine amount of nitrogen oxidized based upon influent flow (ignoring the small amount used for growth of nitrifiers)

$$N_{OX} = \text{TKN} - (\text{Eff. } \text{NH}_4 - \text{N}) - \{F_N(Y_{NH})(S_0 - S)\}$$

$$= (45 - 1.0) - 0.10 (0.18) (300 - 10) = 38.82 \text{ Mg/L}$$

$$= 38.82 \times 3786 \text{ m}^3/\text{d} \times 0.001 = 146.98 \text{ kg/d}$$

4) Determine the volume of the aeration basin as follows

$$V = \frac{[Y_{NH}(S_0 - S) + X_1 + Y_{NN}(N_{OX})]Q(\text{SRT})}{X}$$

Where

X = Aeration tank mixed liquor concentration, Mg/L

S₀ = Influent BOD₅, Mg/L

S = Effluent BOD₅, Mg/L

N_{OX} = Ammonia in influent flow oxidized, Mg/L

Y_{NH} = Net yield of heterotrophic organisms at design SRT including endogenous decay, gTSS/gBOD₅ removed

Y_{NN} = Net yield of nitrifying bacteria, gTSS/gN oxidized

X₁ = Influent non-biodegradable inert solids, Mg/L

$$V = \left\{ \left[(0.18) (300.00 - 10.00) + 60.00 + (0.15) (38.82) \right] (3786) (30) \right\} / 4000$$

$$V = 3340 \text{ m}^3 = 882,204 \text{ gallons total (all tanks)}$$

$$= 441,102 \text{ gal/reactor}$$

$$= 58,971 \text{ cu ft/reactor}$$

Calculate the Tank Sizes (each tank) 2 reactors chosen for this design

Square Tanks 59.69 ft square, each

Round Tanks 67.36 ft dia, each

$$\text{Detention Time} = (3340 \text{ m}^3 / 3786 \text{ m}^3) 24 \text{ hrs/day} = 21.17 \text{ hours}$$

Select Tank Size (feet)	60.5 Square =	453,117 gal. each	3660 sq ft/ea =	60,577 cu ft/tank
	0 Round =	- gal. each		
Enter L/W ratio, ie 2=2:1	2.3 Rectangular =	39.89 ft wide x	91.75 ft long =	453,117 gal./tank

5) Calculate the fill volume

$$V_F = Q/(N_C)_N = 3786 / (5) (2) = 378.60 \text{ m}^3$$

$$= 100,016 \text{ gal/tank}$$

$$= 13,371 \text{ cu ft/tank}$$

Δ H for Selected Tank Size = 3.65 ft level drop at "Q" design

Low water level after decant = 16.55 - 3.65 = 12.90 ft SWD

$$V_D/V_T = 0.779$$

$$V_F/V_T = 0.221$$

6) Calculate the SBR minimum fill volume fraction

$$[Y\{1 + K_d(T_w/T_c)\text{SRT}\} + (X_1/S_0)]\text{SRT} = X_T / \{(V_F/V_T)(S_0 - S)(N_C)\}$$

$$= [0.5 \{1 + 0.06 (2.00 / 4.8) 30\} + (60 / 300)] 30 =$$

$$4000 / \{(V_F/V_T) (300 - 10) (5)\}$$

$$32.25 = 4000 / (V_F/V_T) (1450)$$

$$V_F/V_T = 4000 / \{(V_F/V_T) (1450) (32.25)\}$$

$$V_F/V_T = 0.086 \text{ minimum fill volume fraction}$$

7) Check the maximum V_F/V_T allowed

$$\begin{aligned} (V_F/V_{TMAX}) &= [1 - f(X_1)(SVI/10^6)] \\ &= [1 - 1.2 (4000) (120 / 10^6)] \\ &= 0.424 \text{ maximum } V_F/V_T \text{ allowed} \end{aligned}$$

8) Calculate the effective, SRT_E

$$\begin{aligned} SRT_E &= SRT (T_A/T_C) \\ &= 30 (2.00 / 4.80) \\ &= 12.50 \text{ days} \end{aligned}$$

9) Calculate the heterotrophic yield based on effective, SRT_E

$$\begin{aligned} Y_{NT} &= Y / (1 + K_d SRT_E) + (X_1/S_0) \\ &= [0.5 / (1 + (0.06)(12.50))] + (60 / 300) \\ &= (0.286 + 0.200) \\ Y_{NT} &= 0.486 \end{aligned}$$

10) Determine the Nitrogen oxidized

$$NO = N_0 - Y_{NH} (S_0 - S) (F_N) - N_e$$

Where

- N_0 = Influent TKN, Mg/L
- F_N = Nitrogen content of biomass, g/g
- N_e = Effluent ammonia concentration, Mg/L

$$\begin{aligned} NO &= [45 - (0.18) (300 - 10) (0.1)] - 1 \\ NO &= 38.82 \text{ Mg/L} \end{aligned}$$

11) Calculate the nitrifying bacteria mass

$$X_N = Y_{NN} (NO) (V_F/V_T) (N_e) SRT$$

Where X_N = Nitrifier biomass concentration, Mg/L

$$\begin{aligned} X_N &= (0.15) (38.82) (0.221) (5) (30) \\ X_N &= 192.80 \text{ Mg/L} \\ \% \text{ MLSS} &= 4.82\% \end{aligned}$$

12) Calculate the available nitrogen for nitrification during the aeration period

$$\begin{aligned} NO_0 &= (NO + N_e) (V_F/V_T) \\ NO_0 &= (38.82 + 1.0) (0.221) \\ NO_0 &= 8.79 \text{ Mg/L} \end{aligned}$$

13) Calculate the required time for nitrification

$$T_N = \frac{[(K_N) L_N (NO_0/N_E) + (NO_0 - N_E) Y_{NN}] SF (24 \text{ hr/d})}{(U_{N, \text{MAX, DO}}) X_N}$$

Where

$U_{N, \text{MAX, DO}}$ = Maximum Specific growth rate corrected for DO, d^{-1} (@ $10^\circ\text{C} = 0.23$)

$$U_{N, \text{MAX, DO}} \text{ for design temp} = (0.50) 10^{0.033(T-20)}$$

$$= 0.342$$

N_E = Required effluent ammonia concentration, Mg/L

SF = Nitrification Safety Factor, 2.0

$$K_N = 10^{0.051(T-1.148)} = 0.41 @ 15 \text{ deg C}$$

$$T_N = \frac{[(0.41) \ln(8.79 / 1.0) + (8.79 - 1)] (2.0) (24)}{(0.342) (192.80)}$$

$$T_N = 62.56 / (0.342) (192.80)$$

$$T_N = 0.95 \text{ hours}$$

ok

14) Calculate the pre-Anoxic Nitrogen removal

A) Determine SDNR and DNO possible during the Anoxic fill period of 1.40 hours

$$F/M_A = (V_F/V_T)(S_0/X_T)(1/T_F)(24 \text{ hrs/d})$$

$$= (0.221) (0.075) (0.4) (24)$$

$$F/M_A = 0.166$$

B) $SDNR_{20} = 0.03 (F/M_A) + 0.029$

$$= 0.03 (0.17) + 0.029$$

$$SDNR_{20} = 0.034 \text{ g/g-d}$$

C) Correct for temperature, the SDNR @ 15 deg C = $(SDNR_{20}) (\theta^{T-20}) = 0.025$

Where, for this equation, $\theta = 1.06$

D) Calculate nitrate nitrogen reduced during anoxic period

$$DNO_3 = (SDNR) (X_T) (T_{DN}) (1/24)$$

$$= (0.025) (4000) (1.40) (0.042)$$

$$DNO_3 = 5.92 \text{ Mg/L}$$

15) Check for denitrification

$$(V_F/V_T) NO_1 = (1 - V_F/V_T) (NO_0 - N_E) - DNO_3$$

Note: if the right side of the equation is negative, excess denitrification capacity is available and NO_1 is equal to zero. NO_1 = nitrate nitrogen concentration remaining after pre-anoxic period in Mg/L

$$(V_F/V_T) NO_1 = (1 - 0.221) (8.79 - 1.0) - 5.92$$

$$= 0.15$$

Therefore $NO_1 = 0.67 \text{ Mg/L}$

16) Determine the effluent nitrate nitrogen concentration

$$\begin{aligned} \text{NO}_E &= \text{NO}_O + \text{NO}_T - N_E \\ &= (8.79 + 0.67 - 1.0) \\ \text{NO}_E &= 8.46 \text{ Mg/L} \end{aligned}$$

17) Determine nitrogen removal percent

$$\begin{aligned} \% \text{ Removal} &= [N_O - N_E - \text{NO}_E] 100/N_O \\ &= [(45) - (1.0) - (8.46)] (100 / 45) \\ &= 78.98 \% \text{ Removal} \end{aligned}$$

18) Calculate the denitrification rate for a post-anoxic period of 10 minutes after aeration

$$\text{DNR} = F(K_d)(Y_{NH}/Y_{NT})(X_T)(1/24)$$

Where

DNR = denitrification rate, Mg/L-hr

F = fraction of biological respiration rate using nitrate instead of oxygen g/g, 0.5

$$\begin{aligned} \text{DNR} &= (0.5) (0.06) (0.18 / 0.49) (4000) (0.042) \\ &= 1.84 \text{ Mg/L} \end{aligned}$$

Therefore, the additional nitrate removed is then

$$\begin{aligned} \text{DNR} (T_{DN}) &= (1.84) (1.40) \\ &= 2.57 \text{ Mg/L} \end{aligned}$$

19) Determine effluent nitrate nitrogen concentration including denitrification

$$\begin{aligned} \text{NO}_{DE} &= \text{NO}_E - [(\text{DNR})(T_{DN})] \\ &= (8.46) - (2.57) \\ &= 5.89 \text{ Mg/L} \end{aligned}$$

% Removal = 84.70 %, including denitrification

20) Determine the total nitrogen concentration in the effluent

$$\begin{aligned} \text{TN} &= N_E + \text{NO}_{DE} \\ \text{TN} &= (1.0) + (5.89) \\ &= 6.89 \text{ Mg/L} \end{aligned}$$

E.O.F.

Existing Influent Lift Station

Diameter (feet)	8
Area (ft. ²)	6.3
Maximum Liquid Depth (feet)	14.1
Minimum Liquid Depth (feet)	1.58
Working Volume (gallons)	588.1
Pump No. 1 Capacity (Flygt 3201 – 35 Hp)*	2,100 gpm @ 50 ft.
Pump No. 2 Capacity (Flygt 3201 – 35 Hp)*	2,100 gpm @ 50 ft.

* Existing pumps will be modified to meet the Peak Hour Demands of 2.5 MGD

Headworks¹

Screen Capacity (GPM/MGD)	4,200/6.0
---------------------------	-----------

Effluent Filtration System

Filter Type	Gravity Traveling Carriage – 2
Filter Media Type	11mm sand – 12 in.
Number of Units	2
Number of Cells/Unit	40
Filtration Area per filter (SF)	360
Filtration Flow Rate @ Average Flow (gpm/ft. ²)	2.0
Filtration Flow Rate @ Peak Flow (gpm/ft. ²)	4.0
Backwash Flow Rate (gpm)	180
Backwash as % Throughput (%)	0.75%
Total Backwash Volume/Day (gallons)	7,500

UV Disinfection System

UV Type	Low Pressure – High Intensity
Number of Banks	3
Capacity/unit @ 100 mj/cm ² (65%)	555
Number of Lamps/bank	40
Rating of Lamp (watts/lamp)	165
Total Kw installed	20
Average Kw During Operation	13.2
% of Total Capacity @ Maximum Monthly Day Flow	66.7

¹This process unit is sized to handle the future average daily flow of 3.0 MGD and peak flow of 6.0 MGD

Effluent Clear Well

Length (ft.)	51 ft. 6 in.
Width (ft.)	11 ft. 0 in.
Maximum Liquid Depth (ft.)	22 ft.
Minimum Liquid Depth (ft.)	7 ft.
Total Volume ¹ (gallons)	93,223

Sludge Production¹

Design Sludge Yield Factor	0.80
Pounds Dry Solids/Day from Secondary Treatment @ SYF = 0.80	6,004
Volume of WAS/day @ 10,000 MLSS (gallons)	72,000
Pounds of Dry Solids/Day After Digestion	4,803

Sludge Dewatering System¹

Type	Belt Filter Press
Number of Units	1
Size of Unit	1.5m
Average loading Capacity (gpm)	90
Pounds of Dry Solids to press per day	4,803
Gallons of Sludge to press per day	28,797
Design % Solids in Feed	2.0
Design % Solids in Cake	20
Total Hours of Operation/Day	5.3
Total Volume of Sludge to Disposal (cy/day)	11.4

Polymer Requirements¹

Design Polymer Requirements (lbs. Polymer/Ton Dry Solids)	15
Estimated Polymer Usage/Day	36
Gallons of Emulsion Polymer Required/Day @ 25% Active	16.4
Gallon of Dilution Water/Day	3,290
Polymer Injection Requirement (gallons/hour)	3.1
Dilution Water Requirements (gallons/hour)	602

¹This process unit is sized to handle the future average daily flow of 3.0 MGD and peak flow of 6.0 MGD

GTA ENGINEERING, INC.

Consulting Engineers

1990 W. Camelback Rd., Suite 401

Phoenix, Arizona 85015

TEL (602) 246-7759 FAX (602) 246-7645

e-mail: gta@gtaengineering.com

May 7, 2003

Asif Majeed
Arizona Department of Environmental Quality
1110 West Washington Street
Phoenix, AZ 85007

Re: Palo Verde Utilities Company WWTP
APP No. P-103558

Dear Mr. Majeed:

Palo Verde Utilities Company is submitting a 208 Amendment to CAAG that includes an expansion to its current service area to include the area as shown on Figure 1, located in Township 4 South, Range 2, 3, and 4 East and Township 5 South, Range 4 East of the Gila and Salt River Base and Meridian, Pinal County.

The wastewater treatment plant will be expanded in phases to accommodate development in the service area. The existing APP (not yet signed) is for a flow rate of 3.0 MGD.

Palo Verde Utilities understands that expansion to their system will require the following permits:

1. Individual APP Modification
2. Reuse Permits for each effluent customer
3. AZPDES for any surface discharge

The 208 Amendment will be submitted to CAAG and ADEQ in June, 2003 for review. Design of the management system will be based upon sound engineering principles. The entire project is expected to be completed in the year of 2011 with a wastewater treatment capacity of 9.0 mgd.

208 AMENDMENT CHECKLIST
Section 208 Clean Water Act
40 CFR Part 130.6

REQUIREMENT	PROVIDE BRIEF SUMMARY ON HOW REQUIREMENTS ARE ADDRESSED	ADDRESSED ON PAGE:
- Describe the type and capacity of the recommended WWT Plant.	Sequencing Batch Reactor WWTP with a 13 mgd capacity	Page 1, 2, 3, 6, 7 10 Exhibit 3, 7
- Identify water quality problems, consider alternative control measures, and recommend solution for implementation.	Type 2 Reclaimed Water General Permits are required and will be adhered to, for direct use to golf courses, community lakes, parks and landscape irrigation. The treatment plant will treat the sewage to a Class A+ effluent quality.	Page 7, 8
- If private WWT utilities with certificated areas are within the proposed regional service area; define who (municipal or private utility) serves what area and when. Identify whose sewer lines can be approved in what areas and when?	N/A	
- Describe method of effluent disposal and reuse sites (if appropriate).	"Class A+" effluent quality for reuse for irrigation of golf courses, recreational lakes, parks and landscaping.	Page 7, 8, 9, 11
- If Sanitary Districts are within a proposed planning or service area, describe who serves the Sanitary Districts and when.	Located approximately three (3) miles from the existing WWTP will be the treatment plant of the 387 Improvement District. The planning area boundary for 387 Improvement District is located in Sections 25, 27, 28, 33, 34, and 36 of Township 4 South, Range 3 East; Sections 21, 28, and 34 of Township 4 South, Rang 5 East; and Sections 2, 3, 11 and 12 of Township 5 South, Range 3 East of Pinal County, Arizona. Operation expected to begin 2004.	Page 3 Exhibit 2

208 AMENDMENT CHECKLIST
Section 208 Clean Water Act
40 CFR Part 130.6

REQUIREMENT	PROVIDE BRIEF SUMMARY ON HOW REQUIREMENTS ARE ADDRESSED	ADDRESSED ON PAGE:
- Describe ownership of land proposed for plant sites and reuse areas.	The undeveloped land is owned by numerous individuals. Once the land is bought and developed, Home Owner Associations will be established and will be responsible for following regulations of reclaimed water usage.	Page 11, 12
- Address time frames in the development of the treatment works.	The wastewater flow projection when all phases are built out is 13 mgd in approximately 20 years, in the year 2023.	Page 1, 6, 10 Table 2
- Address financial constraints in the development of the treatment works.	None	Page 12
- Describe how discharges will comply with EPA municipal and industrial stormwater discharge regulations (Section 405, CWA).	A AZPDES permit for discharge into the Santa Rosa Wash has been submitted to ADEQ. The sludge generated at the proposed wastewater treatment plant will be stabilized and dewatered and then disposed of at an operating sanitary landfill certified by the ADEQ to handle and dispose of sludge from wastewater treatment plants. Protection of the groundwater at the landfill location will be provided by the landfill facility.	Page 8, 9, 10
- Describe how open areas & recreational opportunities will result from improved water quality and how those will be used.	The treated effluent from the wastewater treatment plant will be used to irrigate the golf courses, lakes and other open area facilities and to recharge the aquifer using rapid infiltration basins. Operation of the golf courses using best management practices to prevent pollution of the groundwater.	Page 7, 11

208 AMENDMENT CHECKLIST
Section 208 Clean Water Act
40 CFR Part 130.6

REQUIREMENT	PROVIDE BRIEF SUMMARY ON HOW REQUIREMENTS ARE ADDRESSED	ADDRESSED ON PAGE:
- Describe potential use of lands associated with treatment works and increased access to water-based recreation, if applicable.	N/A	
<u>REGULATIONS</u>		
- Describe types of permits needed, including NPDES, APP and reuse.	Needed are AZPDES (NPDES), APP, Reuse, Air Quality, Construction Permits	Page 7, 8, 9, 10
- Describe restrictions on NPDES permits, if needed, for discharge and sludge disposal.	The AZPDES (NPDES) program also regulates sewage sludge under Section 405 of the Clean Water Act (CWA). Part 503 of the Clean Water Act controls the quality of sewage sludge that may be applied to land, distributed and marketed, placed in a sludge disposal facility, or incinerated in a sewage sludge incinerator. Sludge will be hauled to: Butterfield Station Municipal Solid Waste Landfill, 99 th Avenue, one mile north of Highway 238, Mobile, Arizona. Waste management verbally agreed to accept the sludge.	Page 8, 9
- Provide documentation of communication with ADEQ Permitting Section 30 to 60 days prior to public hearing regarding the need for specific permits.	See Attachment B	Page 7 Attachment B
- Describe pretreatment requirements and method of adherence to requirements (Section 208 (b)(2)(D), CWA).	Accomplished by Best Available Demonstration Control Technology (BADCT). Modifications to existing APP will be submitted.	Page 7, 8

208 AMENDMENT CHECKLIST
Section 208 Clean Water Act
40 CFR Part 130.6

REQUIREMENT	PROVIDE BRIEF SUMMARY ON HOW REQUIREMENTS ARE ADDRESSED	ADDRESSED ON PAGE:
<p>- Identify, if appropriate, specific pollutants that will be produced from excavations and procedures that will protect ground and surface water quality (Section 208(b)(2)(K) and Section 304, CWA).</p>	<p>The contractor for the facilities is responsible to obey all AZPDES Permit regulations relevant to construction sites to prevent surface water and groundwater contamination. All hazardous materials and potential pollutants shall be stored onsite in appropriate storage areas. Retention basins, silt traps, and other sediment barriers are to be provided at the site to filter sediment from storm water runoff leaving the site. The Contractor shall keep the site clean and have covered dumpsters on site which are emptied regularly.</p>	<p>Page 6, 7, 8, 9, 11</p>
<p>- Describe alternatives and recommendation in the disposition of sludge generated. (Section 405 CWA).</p>	<p>Sludge will be stabilized and dewatered and then disposed of to a landfill certified by ADEQ. The landfill: Butterfield Station Municipal Solid Waste Landfill, 99th Avenue, one mile north of Highway 238, Mobile, Arizona has been notified and verbally agreed to accept the sludge.</p>	<p>Page 8, 9</p>
<p>- Define any nonpoint issues related to the proposed facility and outline procedures to control them.</p>	<p>No nonpoint issues. If an issue does occur, it will be required that the contractor obtain the necessary permits.</p>	<p>Page 10</p>
<p>- Describe process to handle all mining runoff, orphan sites and underground pollutants, if applicable.</p>	<p>N/A</p>	<p>-</p>
<p>- If mining related, define where collection of pollutants has occurred, and what procedures are going to be initiated to contain contaminated areas.</p>	<p>N/A</p>	<p>-</p>

208 AMENDMENT CHECKLIST
Section 208 Clean Water Act
40 CFR Part 130.6

REQUIREMENT	PROVIDE BRIEF SUMMARY ON HOW REQUIREMENTS ARE ADDRESSED	ADDRESSED ON PAGE:
<p>If mining related, define what specialized procedures will be initiated for orphan sites, if applicable.</p>	<p>N/A</p>	
<p><u>CONSTRUCTION</u> Define construction priorities and time schedules for initiation and completion.</p>	<p>Construction of 1 MGD plant began 2/2003 and is expected to be in operations in October 2003. As land develops, flows will increase. See Table 2 for phases of construction to Build-out in 2023</p>	<p>Page 2, 3, 6, 10 Table 2</p>
<p>Identify agencies who will construct, operate and maintain the facilities and otherwise carry out the plan.</p>	<p>The current facility is under contract with Severn-Trent Services to operate and maintain WWTP. Westcon is the Contractor and the Supplier is AquaTec.</p>	<p>Page 10</p>
<p>Identify construction activity-related sources of pollution and set forth procedures and methods to control, to the extent feasible, such sources.</p>	<p>Construction will follow non-pont source requirements to control erosion. There are no non-point issues related to this project that are expected. Construction impacts for each new addition to the WWTP will be minimal. The site has been laid out to accommodate the expansions by use of common walls when possible. Yard piping and pump stations are sized to accommodate full build-out and to maintain all construction activities within the WWTP site. The site is master-planned to allow the construction of new phases with minimal interference with operations.</p>	<p>Page 6,10</p>

208 AMENDMENT CHECKLIST
Section 208 Clean Water Act
40 CFR Part 130.6

REQUIREMENT	FINANCING AND OTHER MEASURES NECESSARY TO CARRY OUT THE PLAN	PROVIDE BRIEF SUMMARY ON HOW REQUIREMENTS ARE ADDRESSED	ADDRESSED ON PAGE:
- If plan proposes to take over certificated private utility, describe how, when and financing will be managed.	-	N/A	-
- Describe any significant measure necessary to carry out the plan, e.g., institutional, financial, economic, etc.	-	Palo Verde will have a CC&N for Wastewater. Palo Verde will be financially responsible for the construction of the plant.	Page 11, 12
- Describe proposed method(s) of community financing.	-	The developers will be responsible for pipelines and interceptors. Palo Verde will have a CC&N. User fees will be paid by customers as regulated by the CC&N.	Page 11, 12
- Provide financial information to assure DMA has financial capability to operate and maintain wastewater system over its useful life.	-	N/A	-
- Provide a time line outlining period of time necessary for carrying out plan implementation.	-	Construction will be scheduled as properties are bought and developed. The wastewater treatment plant will be built in accordance with land development. Construction of new 1.0 mgd plant began 2/03 and is expected to be completed 10/03. Built out is expected in approximately 20 years, 2023.	Page 10 Table 2
- Provide financial information indicating the method and measures necessary to achieve project financing. (Section 201 CWA or Section 604 may apply.)	-	Palo Verde Utilities is requiring connection fees from the developer and home owners will be paying the user fee based upon fair value as determined by the Corporation Commission.	Page 11, 12

208 AMENDMENT CHECKLIST
Section 208 Clean Water Act
40 CFR Part 130.6

REQUIREMENT	PROVIDE BRIEF SUMMARY ON HOW REQUIREMENTS ARE ADDRESSED	ADDRESSED ON PAGE:
<u>IMPLEMENTABILITY</u> Describe impacts and implementability of Plan:	The Palo Verde Utilities Company existing wastewater treatment facility serves the Rancho El Dorado development. 387 Improvement District WWTP is located 3 miles from Rancho El Dorado. There will be no impact to the 387 Improvement District WWTP. There are no other Arizona Corporation Commission certificated areas in the area.	Page 2, 3
- Describe impacts on existing wastewater (WW) facilities, e.g., Sanitary district, infrastructure/facilities and certificated areas.	N/A	-
- Describe how and when existing package plants will be connected to a regional system.	N/A	-
- Describe the impact on communities and businesses affected by the plan.	It will allow the area to accommodate more growth in an environmentally safe manner and the development of new communities will fulfill a growing demand for affordably priced homes, while retail uses within the community will provide an increased tax and employment base for Pinal County.	Page 11
- If a municipal wastewater (WWT) system is proposed, describe how WWT service will be provided until the municipal system is completed: i.e., will package plants and septic systems be allowed and under what circumstances. (Interim services).	N/A	-
<u>PUBLIC PARTICIPATION</u>	CAAG	-
- Submit copy of mailing list used to notify the public of the public hearing on the 208 amendment. (40 CFR, Chapter 1, Part 25.5)	CAAG	-
- List location where documents are available for review at least 30 days before public hearing.	CAAG	-

208 AMENDMENT CHECKLIST
Section 208 Clean Water Act
40 CFR Part 130.6

REQUIREMENT	PROVIDE BRIEF SUMMARY ON HOW REQUIREMENTS ARE ADDRESSED	ADDRESSED ON PAGE:
- Submit copy of the public notice of the public hearing as well as an official affidavit of publication from the area newspaper. Clearly show the announcement appeared in the newspaper at least 45 days before the hearing.	CAAG	-
- Submit affidavit of publication for official newspaper publication.	CAAG	-
- Submit responsiveness summary for public hearing.	CAAG	-

MAR-24-2004 16:34

ADEQ WATER QUALITY DIV

602 771 4528 P.02

Janet Napolitano
GovernorARIZONA DEPARTMENT
OF
ENVIRONMENTAL QUALITY1110 West Washington Street • Phoenix, Arizona 85007
(602) 771-2300 • www.adeq.state.az.usStephen A. Owens
Director

January 20, 2004

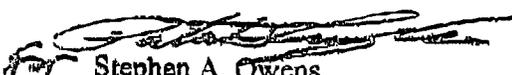
Ms. Alexis Strauss, Director
EPA Region IX, Water Division
75 Hawthorne Street (WTR-1)
San Francisco, CA 94105

Dear Ms. Strauss:

Pursuant to Section 208 of the Clean Water Act and 40 CFR 130.6(e), I certify that the 208 Plan Amendment for the Palo Verde Utilities Company, L.L.C. is consistent with both the State of Arizona's and the Central Arizona Association of Governments' Water Quality Management Plans.

As the Governor's designee for the State's Water Quality Management Program, I hereby transmit this amendment to EPA for review.

Sincerely,


Stephen A. Owens
Director

Enclosure

cc: Cheryl McGovern, Water Division, EPA Region IX, (WTR-4)
Edwina Vogan, Watershed Management Unit, ADEQNorthern Regional Office
1515 East Cedar Avenue • Suite F • Flagstaff, AZ 86004
(928) 779-0313Southern Regional Office
400 West Congress Street • Suite 433 • Tucson, AZ 85701
(520) 628-6733

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PINAL COUNTY
BOARD OF SUPERVISORS

LIONEL D. RUIZ, District 1
Mammoth

SANDIE SMITH, District 2
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JIMMIE B. KERR, District 3
Casa Grande



STANLEY D. GRIFFIS, Ph.D.
County Manager

RECEIVED

NOV 21 2003

November 4, 2003

Ms. Maxine Leather
Executive Director
Central Arizona Association of Governments
271 Main Street
Superior, Arizona 85273

Dear Ms. Leather,

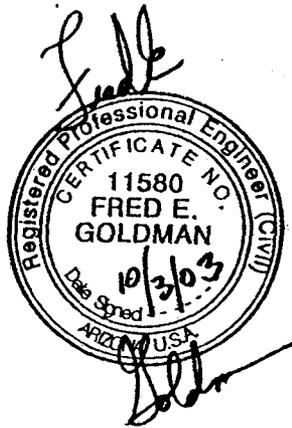
Pinal County has reviewed the plans for the Palo Verde Utilities Company. We concur with their efforts and recommend CAAG proceed with the public 208 Amendment process.

Sincerely,

Stanley D. Griffis, Ph.D.
Pinal County Manager

SDG/rp

Palo Verde Utilities Company, L.L.C.
CAAG 208 Amendment
Service Area Legal Description



October 3, 2003

KENNEDY/JENKS CONSULTANTS

3101 N. Central Ave., Suite 1470
Phoenix, AZ 85012
Tel. 602-274-0886
Fax. 602-274-0764

formerly

GTA ENGINEERING, INC.

LEGAL DESCRIPTION OF SERVICE AREA FOR PALO VERDE UTILITIES COMPANY, L.L.C.
APPROVED IN 1997 CAAG 208 AMENDMENT

All of Section 13 and 14 Township 4 South, Range 3 East, SRB&M and that portion of Section 15, Township 4 South, Range 3 East, SRB&M lying East of the West right-of-way line of Maricopa Road (Arizona State Route 347) in Pinal County, Arizona.

In addition to the above: LEGAL DESCRIPTION OF SERVICE AREA FOR PALO VERDE UTILITIES COMPANY, L.L.C. IN THE 2003 CAAG 208 AMENDMENT:

That portion of Sections 13, 14, and 15, Township 4 South, Range 2 East, SRB&M lying North of the South Right-of-Way line of the Mobile Road (Arizona State Route 238) in Pinal County, Arizona.

That portion of Section 15, Township 4 South, Range 3 East, SRB&M lying West of the West Right-of-Way line of Maricopa Road (Arizona State Route 347) in Pinal County, Arizona.

All of Sections 16, 22, 23, and 24 of Township 4 South, Range 3 East, SRB&M in Pinal County, Arizona.

All of Section 17, Township 4 South, Range 3 East, SRB&M except for that portion lying South of the South Right-of-Way line of the Mobile Road (Arizona State Route 238) in Pinal County, Arizona.

All of that portion of Section 18, Township 4 South, Range 3 East, SRB&M lying North of the Ak-Chin Indian Reservation in Pinal County, Arizona.

That portion of Section 20, Township 4 South, Range 3 East, SRB&M lying North of the South Right-of-Way line of the Mobile Road (Arizona State Route 238) in Pinal County, Arizona.

That portion of Section 21, Township 4 South, Range 3 East, SRB&M lying North of the South Right-of-Way line of the Mobile Road (Arizona State Route 238) in Pinal County, Arizona.

That portion of Section 25, Township 4 South, Range 3 East, SRB&M in Pinal County, Arizona, described as follows:

The Southwest Quarter of the Northwest Quarter of said Section 25, and together with the North One-Half of the Southwest Quarter, and together with the Southwest Quarter of the Southwest Quarter of said Section 25.

All of Section 26, Township 4 South, Range 3 East, SRB&M, in Pinal County, Arizona, EXCEPT for the West Half of the West Half of said Section 26.

October 3, 2003

That Portion of the Northwest Quarter of Section 34 in Township 4 South, Range 3 East, SRB&M, in Pinal County, Arizona, being more particularly described as follows:

BEGINNING AT THE NORTHWEST CORNER OF SAID SECTION 34; THENCE NORTH 89° 24' 54" EAST, ALONG THE NORTH LINE OF SAID SECTION 34 A DISTANCE OF 2,751.05 FEET, MORE OR LESS, TO THE NORTH QUARTER CORNER OF SAID SECTION 34; THENCE SOUTH 00° 12' 02" WEST, ALONG THE NORTH SOUTH MID-SECTION LINE OF SAID SECTION 34 A DISTANCE OF 2,664.95 FEET TO THE CENTER OF SAID SECTION 34; THENCE NORTH 89° 51' 49" WEST, ALONG THE EAST WEST MID-SECTION LINE OF SAID SECTION 34 A DISTANCE OF 2,591.70 FEET, MORE OR LESS, TO THE WEST LINE OF SAID SECTION 34; THENCE NORTH 00° 40' 29" WEST ALONG THE WEST LINE OF SAID NORTHWEST QUARTER 2,663.95 FEET, MORE OR LESS, TO THE POINT OF BEGINNING.

THE BASIS OF BEARING IS THE MONUMENT LINE OF MARICOPA ROAD (ARIZONA STATE ROUTE 347), ALSO BEING THE WEST LINE OF THE NORTHWEST CORNER OF SECTION 34, TOWNSHIP 4 SOUTH, RANGE 3 EAST, USING A BEARING OF NORTH 00° 06' 23" WEST.

CONTAINS 159.00 ACRES MORE OR LESS.

All of that portion of Section 35, Township 4 South, Range 3 East, SRB&M in Pinal County, Arizona, lying Southerly of the South Right-of-Way line of the Union Pacific Railroad in Pinal County, Arizona, EXCEPT any portion lying within the following described property:

COMMENCING AT THE SOUTHEAST CORNER OF SAID SECTION 35;

THENCE NORTH 89 DEGREES 19 MINUTES 10 SECONDS WEST, A DISTANCE OF 1971.27 FEET TO THE TRUE POINT OF BEGINNING;

THENCE CONTINUING NORTH 89 DEGREES 19 MINUTES 10 SECONDS WEST, A DISTANCE OF 765.30 FEET;

THENCE NORTH 01 DEGREE 19 MINUTES 10 SECONDS EAST, A DISTANCE OF 1377.37 FEET;

THENCE SOUTH 27 DEGREES 53 MINUTES 16 SECONDS EAST, A DISTANCE OF 1568.23 FEET TO THE TRUE POINT OF BEGINNING; AND

EXCEPT ALL OIL, GAS AND MINERAL RIGHTS AS RESERVED IN INSTRUMENT RECORDED IN DOCKET 15, PAGE 70;

AND EXCEPT ANY PORTION LYING WITHIN THE FOLLOWING DESCRIBED PROPERTY:

COMMENCING AT THE SOUTHEAST CORNER OF SAID SECTION 35;

THENCE NORTH 01 DEGREE 12 MINUTES 36 SECONDS EAST, A DISTANCE OF 77.50 FEET TO THE TRUE POINT OF BEGINNING;

THENCE SOUTH 89 DEGREES 44 MINUTES 11 SECONDS WEST, A DISTANCE OF 660.00 FEET;

THENCE NORTH 01 DEGREE 12 MINUTES 38 SECONDS EAST, A DISTANCE OF 1320 FEET;

THENCE NORTH 89 DEGREES 44 MINUTES 11 SECONDS EAST, A DISTANCE OF 660.00 FEET;

THENCE SOUTH 01 DEGREE 12 MINUTES 36 SECONDS WEST, A DISTANCE OF 1320 FEET TO THE TRUE POINT OF BEGINNING; AND

EXCEPT ONE-HALF OF ALL OIL, GAS AND OTHER MINERALS AS RESERVED IN INSTRUMENT RECORDED IN BOOK 85 OF DEEDS, PAGE 228.

That portion of Section 35, Township 4 South, Range 3 East, SRB&M lying North of the South Right-of-Way line of the Maricopa-Casa Grande Highway in Pinal County, Arizona.

That portion of Section 36, Township 4 South, Range 3 East, SRB&M, in Pinal County, Arizona described as follows:

The West half of the Northwest Quarter of said Section 36, and
That portion of the Southwest Quarter of said Section 36 lying North of the South Right-of-Way line of the Maricopa-Casa Grande Highway EXCEPT any portion thereof lying within the Ak-Chin Indian Reservation.

All of Sections 19, 29, 30, 31, and 32 of Township 4 South, Range 4 East, SRB&M in Pinal County, Arizona.

The West One-Half of Section 18, Township 4 South, Range 4 East, SRB&M in Pinal County, Arizona.

Palo Verde Utilities Company, L.L.C.
Service Area Legal Description

October 3, 2003

The South One-Half of Section 20 of Township 4 South, Range 4 East, SRB&M in Pinal County, Arizona.

All of Section 4 of Township 5 South, Range 4 East, SRB&M in Pinal County, Arizona.

That portion of Section 6, Township 5 South, Range 4 East, SRB&M lying North of the South Right of Way Line of the Maricopa-Casa Grande Highway in Pinal County, Arizona.

That portion of Section 8, Township 5 South, Range 4 East, SRB&M lying North of the South Right of Way Line of the Maricopa-Casa Grande Highway in Pinal County, Arizona.

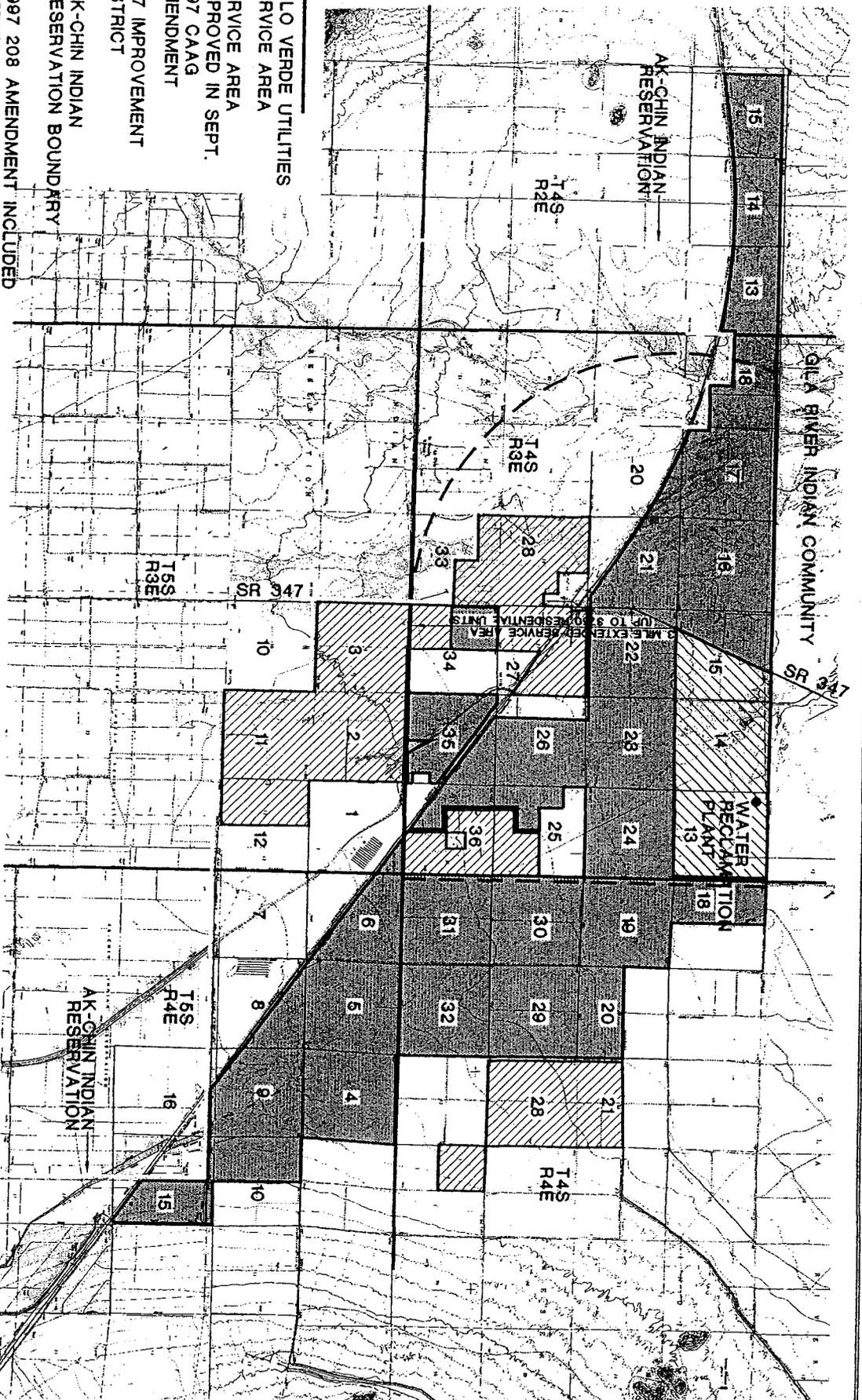
That portion of Section 9, Township 5 South, Range 4 East, SRB&M lying North of the South Right of Way Line of the Maricopa-Casa Grande Highway in Pinal County, Arizona.

The West One-Half of Section 10 together with the South 33 feet of the East One-Half of said Section 10, Township 5 South, Range 4 East, SRB&M in Pinal County, Arizona.

The East One-Half Section 15, Township 5 South, Range 4 East, SRB&M in Pinal County, Arizona lying North of the South Right of Way Line of the Maricopa-Casa Grande Highway in Pinal County, Arizona.

All of Section 5, Township 5 South, Range 4 East, SRB&M except for that portion lying South of the South Right of Way Line of the Maricopa-Casa Grande Highway in Pinal County, Arizona.

That portion of the Northeast Quarter of Section 1, Township 5 South, Range 3 East, SRB&M lying North of the South Right of Way Line of the Maricopa-Casa Grande Highway in Pinal County, Arizona.



LEGEND

-  PALO VERDE UTILITIES SERVICE AREA
-  SERVICE AREA APPROVED IN SEPT. 1997 CAAG AMENDMENT
-  387 IMPROVEMENT DISTRICT

AK-CHIN INDIAN RESERVATION BOUNDARY
 1997 208 AMENDMENT INCLUDED
 SERVICE 3,750 UNITS WITHIN 3 MILES OF ORIGINAL SERVICE AREA

GTA ENGINEERING, INC.
 CONSULTING ENGINEERS
 1990 W CAMELBACK RD. STE. 401
 PHOENIX, AZ (602)246-7759

PALO VERDE UTILITIES COMPANY, L.L.C.
CAAG SERVICE AREA MAP

OCTOBER 2003



2

EXHIBIT

1

**LEGAL DESCRIPTION FOR CC&N EXPANSION FOR
PALO VERDE UTILITIES COMPANY, L.L.C. AND
SANTA CRUZ WATER COMPANY, L.L.C.**

THAT PORTION OF SECTION 15, TOWNSHIP 4 SOUTH, RANGE 3 EAST, GILA & SALT RIVER BASE & MERIDIAN, PINAL COUNTY, ARIZONA, LYING WESTERLY OF THE WESTERLY RIGHT-OF-WAY OF ARIZONA STATE ROUTE 347, EXCEPT THE WEST 160 FEET OF THE NORTHWEST QUARTER THEREOF;

TOGETHER WITH THE NORTHEAST QUARTER OF SECTION 21, TOWNSHIP 4 SOUTH, RANGE 3 EAST;

TOGETHER WITH ALL OF SECTION 22, TOWNSHIP 4 SOUTH, RANGE 3 EAST, EXCEPT THE WESTERLY 500 FEET OF THE SOUTHERLY 1803 FEET OF THE SOUTHWEST QUARTER THEREOF, AND EXCEPT THE SOUTHERLY 173 FEET OF THE SOUTHWEST QUARTER THEREOF;

TOGETHER WITH ALL OF SECTIONS 23 AND 24, TOWNSHIP 4 SOUTH, RANGE 3 EAST;

TOGETHER WITH ALL OF SECTION 25, TOWNSHIP 4 SOUTH, RANGE 3 EAST, EXCEPT THE EAST ONE-HALF THEREOF, AND EXCEPT THE NORTH HALF OF THE NORTHWEST QUARTER THEREOF; AND EXCEPT THE SOUTHEAST QUARTER OF THE NORTHWEST QUARTER THEREOF; AND EXCEPT THE SOUTHEAST QUARTER OF THE SOUTHWEST QUARTER THEREOF;

TOGETHER WITH THE NORTH 3000 FEET, MORE OR LESS, OF THE WEST HALF OF THE WEST HALF OF SECTION 36, TOWNSHIP 4 SOUTH, RANGE 3 EAST LYING NORTHERLY OF THE SOUTHERN-PACIFIC RAILWAY RIGHT-OF-WAY;

TOGETHER WITH THAT PORTION OF SECTION 35, TOWNSHIP 4 SOUTH, RANGE 3 EAST, LYING NORTHEASTERLY OF THE SOUTHERN-PACIFIC RAILWAY RIGHT-OF-WAY, EXCEPT THAT PORTION OF THE NORTHWEST QUARTER OF THE NORTHWEST QUARTER OF SECTION 35, TOWNSHIP 4 SOUTH, RANGE 3 EAST LYING NORTHEASTERLY OF THE SOUTHERN-PACIFIC RAILWAY RIGHT-OF-WAY;

TOGETHER WITH ALL OF SECTION 26, TOWNSHIP 4 SOUTH, RANGE 3 EAST, EXCEPT THE WEST HALF OF THE WEST HALF THEREOF;

COMMENCING AT THE NORTHWEST CORNER OF THE SOUTHEAST QUARTER OF SECTION 21, TOWNSHIP 4 SOUTH, RANGE 3 EAST OF THE GILA AND SALT RIVER MERIDIAN, PINAL COUNTY, ARIZONA; THENCE EASTERLY 30.0 FEET TO THE TRUE POINT OF BEGINNING, THENCE SOUTHERLY 525.0 FEET, THENCE EASTERLY 600.0 FEET, THENCE NORTHERLY 525.5 FEET, THENCE WESTERLY 600.0 FEET TO THE TRUE POINT OF BEGINNING.

TOGETHER WITH THE FOLLOWING: COMMENCING AT THE NORTHWEST CORNER OF THE SOUTHEAST QUARTER OF SECTION 21, TOWNSHIP 4 SOUTH, RANGE 3 EAST OF THE GILA AND SALT RIVER MERIDIAN, PINAL COUNTY, ARIZONA; THENCE EASTERLY 690.0 FEET TO THE TRUE POINT OF BEGINNING, THENCE SOUTHERLY 525.6 FEET, THENCE EASTERLY 400.0 FEET, THENCE NORTHERLY 525.9 FEET, THENCE WESTERLY 400.0 FEET TO THE TRUE POINT OF BEGINNING.

TOGETHER WITH THE FOLLOWING: COMMENCING AT A POINT ON THE WEST SIDE OF THE EAST HALF OF THE SOUTHEAST QUARTER OF SECTION 21, TOWNSHIP 4 SOUTH, RANGE 3 EAST OF THE GILA AND SALT RIVER MERIDIAN, PINAL COUNTY, ARIZONA, 810 FEET NORTH OF THE SECTION LINE COMMON TO THE SOUTH OF SAID SECTION 21 AND EXTENDING NORTH ALONG SAID QUARTER SECTION LINE FOR A DISTANCE OF 726 FEET: THENCE 300 FEET EAST; THENCE SOUTH 726 FEET PARALLELING SAID QUARTER SECTION LINE; THENCE WEST TO THE POINT OF BEGINNING;

TOGETHER WITH ALL THAT PART OF THE EAST 495.5 FEET OF THE SOUTHWEST QUARTER OF THE SOUTHEAST QUARTER OF SECTION 21, TOWNSHIP 4 SOUTH, RANGE 3 EAST OF THE GILA AND SALT RIVER MERIDIAN, PINAL COUNTY, ARIZONA, LYING NORTH OF THE NORTH BOUNDARY LINE OF THE COUNTY ROAD WHICH IS NORTH OF THE SOUTHERN-PACIFIC RAILROAD RIGHT-OF-WAY.

TOGETHER WITH THOSE PARTICULAR PUBLIC STREETS AND/OR COUNTY ROADWAYS UTILIZED BY THE PUBLIC FOR LEGAL ACCESS TO ANY AND/OR ALL OF THE LANDS DESCRIBED ABOVE.

CONTAINS 3,226 ACRES, MORE OR LESS.

EXHIBIT

2

**Amended Utility
Franchise
with
Pinal County

for
Palo Verde Utilities Co.**

Expansion and Amendment Of The Palo Verde Utilities Company Franchise

WHEREAS, Palo Verde Utilities Company had received a wastewater franchise from Pinal County to establish and maintain wastewater services on December 3, 1997, a copy of which is attached as Exhibit "A" (hereinafter "Original Franchise");

WHEREAS, Palo Verde Utilities Company, a(n) Arizona corporation, duly authorized to conduct business in the State of Arizona, has duly filed and presented to the Board of Supervisors of the County of Pinal, State of Arizona, its application for expansion of the Original Franchise for the purpose of constructing, operating and maintaining sewer lines and related appurtenances along, under and across the public streets, alleys and highways, except federal and state highways, within the unincorporated area of Pinal County, Arizona, as described in Exhibit "B" attached hereto (hereinafter "Expansion").

WHEREAS, upon filing of Palo Verde Utilities Company's application for the Expansion, the Board of Supervisors of Pinal County ordered a public notice of its intent to consider the granting of the Expansion to be published in a newspaper of general circulation, in Pinal County, Arizona, stating the time and place for consideration of the Expansion was set for 9:30 a.m. on September 24, 2003, at the Pinal County Board of Supervisors' Hearing Room, Administration Building No. 1, Florence, Arizona.

WHEREAS, said application for the Expansion and Amendment having come on regularly for hearing at 9:30 a.m. on September 24, 2003, and it appearing from the affidavit of the publisher of the Florence Reminder & Blade-Tribune and the Casa Grande Dispatch that due and regular notice of said time and place set for the consideration of such action has been published for at least once a week for three consecutive weeks prior to said hearing date, to-wit: in the issues of the Florence Reminder & Blade-Tribune and the Casa Grande Dispatch published on Sept 4, 2003, September 11, 2003, and September 18, 2003, and the matter being called for hearing at 9:30 a.m. on September 24, 2003, an opportunity having been given to all interested parties to be heard.

WHEREAS, the Board of Supervisors of Pinal County has the power to amend an existing franchise under its general police powers in such matters.

NOW, THEREFORE,

First Amended
Palo Verde Utilities Company

Section 1: DEFINITIONS

The following terms used in this expansion and amendment of the Original Franchise shall have the following meanings:

- A. County: Pinal County, Arizona
- B. Board: Board of Supervisors of Pinal County, Arizona.
- C. Grantor: Pinal County, by and through its Board of Supervisors
- D. Grantee: Palo Verde Utilities Company, an Arizona corporation, its successors and assigns
- E. Grantee's Facilities: sewer lines and related appurtenances

Section 2: GRANT

A. Grantor, on September 24, 2003, hereby grants to Grantee, for a period of time not to exceed the Original Franchise, this expanded and amended franchise (hereinafter "First Amended Franchise") for the purpose of constructing, operating and maintaining sewer lines and related appurtenances along, under and across public streets, alleys and highways, except federal and state highways, under the terms and conditions set forth herein within the unincorporated area of Pinal County, Arizona, as described in the Expansion and the Original Franchise (hereinafter "Franchise Area").

B. Nonexclusive Franchise.

(1) The First Amended Franchise granted hereby shall not be exclusive and shall not restrict in any manner the right of County in the exercise of any regulatory power which it now has or which may hereafter be authorized or permitted by the laws of the State of Arizona. Nothing herein shall be construed to prevent County from granting other like or similar franchises to any other person, firm or corporation. County retains and shall ever be considered as having and retaining the right and power to allow and to grant to any other person, firm, corporation or other companies, franchise rights and privileges to be exercised in and upon its public streets, alleys, highways and public places, and such of the same and parts thereof as County may deem best or choose to allow, permit, give or grant.

(2) Nothing herein shall be construed to prevent County and its proper authorities from constructing and installing sewers, gutters, or improvements to its public highways, streets and

First Amended
Palo Verde Utilities Company

alleys, and for that purpose, to require the Grantee at Grantee's own expense to remove Grantee's facilities to conform thereto and facilitate the same.

C. Reservation of Rights.

(1) County reserves the right to alter and amend the First Amended Franchise at any time and in any manner necessary for the safety or welfare of the public or to protect the public interests, and County reserves the right to impose at any time restrictions and limitations upon the use of the public streets, alleys and highways as County deems best for the public safety or welfare.

(2) County expressly reserves the right, after due notice to grantee, to modify, amend, alter, change or eliminate any of the provisions of the First Amended Franchise which may become obsolete or impractical; and to impose such additional conditions upon the grantee as may be just and reasonable, such conditions to be those deemed necessary for the purpose of insuring adequate service to the public; provided however, County shall not modify, amend, alter, change or eliminate any of said provisions until after a public hearing, if such is legally required or requested by grantee.

Section 3: RENEWAL/SUBSEQUENT APPLICATION/REMOVAL OF SYSTEM

A. The First Amended Franchise herein granted shall expire on the date provided for in the Original Franchise, or upon any prior forfeiture; and upon its termination, Grantee shall cease to exercise under the terms of the First Amended Franchise the privileges herein granted. In the event Grantee desires a renewal of the First Amended Franchise herein granted, or a new franchise for a subsequent period, Grantee shall apply to and open negotiations with County for that purpose at least six (6) months before the expiration of the First Amended Franchise herein granted; but nothing herein shall be construed to bind County to grant such renewal or subsequent franchise.

B. Upon termination of the First Amended Franchise, or any renewal thereof, the grantee shall remove its facilities from the streets, alleys, ways, highways and bridges within the Franchise Area and shall restore the areas to their original condition. If such removal is not completed within six months of such termination, County may deem any property not removed as having been abandoned.

Section 4: REGULATION

Grantee, its successors and assigns shall be subject to reasonable regulations for the maintenance by grantee, its successors and assigns, of such portion of the public streets, alleys and highways used for the purpose of the First Amended Franchise now in force or that may hereafter be enacted and inconsistent herewith.

Section 5: CONSTRUCTION, INSTALLATION AND REPAIRS

First Amended
Palo Verde Utilities Company

A. Prior to the beginning of any construction for installation of sewer lines and related appurtenances, the Grantee, its successors and assigns will submit a plan of proposed construction to the Pinal County Engineer and will not commence any construction until the plan of construction is approved by the County Engineer or his designate.

B. All work performed by Grantee under the First Amended Franchise shall be done in the manner prescribed by County and subject to the supervision of County, and in strict compliance with all laws, ordinances, rules and regulations of federal, state and local governments.

C. No construction, reconstruction, repair, or relocation under the First Amended Franchise shall be commenced until written permits have been obtained from the proper county officials. In any permit so issued, such officials may impose such conditions and regulations as a condition of the granting of the same as are necessary for the purpose of protecting any structures in the highways or streets and for the proper restoration of such highways, streets and structures, and for the protection of the public and the continuity of pedestrian and vehicular traffic.

D. No construction under the First Amended Franchise by grantee shall impose upon County the duty to maintain any public street, alley or highway unless County accepts said public street, alley or highway into the county maintenance system as provided by law.

Section 6: INSPECTION

County shall, if it deems it necessary, have the right to inspect the construction, operation and maintenance of Grantee's facilities to insure the proper performance of the terms of the First Amended Franchise granted herein.

Section 7: SUFFICIENCY, LOCATION AND MAINTENANCE

All of Grantee's Facilities shall be in all respects adequate, efficient, substantial and permanent in design and workmanship, and shall be so located, erected and maintained so as not to interfere with the use and enjoyment of the public streets, alleys and highways. All of Grantee's Facilities erected by Grantee shall be maintained in a safe, suitable, substantial condition and in good order and repair.

Section 8: EXPANSION

Grantee will, from time to time, during the term of the First Amended Franchise make such enlargements and extensions of its sewer system as are necessary to adequately provide for the requirements of County and the inhabitants of the Franchise Area; provided that nothing herein shall compel Grantee to expand or enlarge its system beyond the economic and operating limits thereof. Such enlargements and extensions shall be made in accordance with company rules and regulations.

Section 9: RELOCATION

A. During the term of the First Amended Franchise whenever County or any qualified authority having jurisdiction in the Franchise Area alters, repairs, improves, or changes the grade of, any

First Amended
Palo Verde Utilities Company

public streets, alleys and highways in the Franchise Area during the term of the First Amended Franchise, then and in such event, Grantee, its successors or assigns, at its own expense, shall promptly, upon reasonable notice, make such changes in the location, structure or alignment of its sewer lines and related appurtenances as the public officials in charge of such work may deem necessary.

B. After thirty (30) days notice to Grantee, of needed changes or corrections and upon the failure of Grantee, to make such changes set forth in Section 9(A) above or to correct any damage to the right-of-way of any public street, alley or highway within the Franchise Area caused directly or indirectly by Grantee, its agents, successors or assigns, County or its successors shall have the right to make such changes or corrections at the expense of said Grantee, its successors or assigns, and such expenses shall be due and payable upon written demand by County or its successors to Grantee, its successors or assigns.

Section 10: LIABILITY

A. If any streets, highways, alleys, ways, bridges, sidewalks, public place, or other public facility should be disturbed, altered, damaged or destroyed by Grantee, its employees, contractors, subcontractors or agents in the construction, installation, operation and maintenance of Grantee's Facilities under the First Amended Franchise, the same shall be promptly repaired, reconstructed, replaced or restored by Grantee, without cost to County, as soon as practicable and in as good condition as before Grantee's entry and to the satisfaction of County. If Grantee fails to make such restoration and repairs within a reasonable time as determined by County, then County may fix a reasonable time for such restoration and repairs and shall notify Grantee in writing of the restoration and repairs required and the time fixed for the performance thereof. Upon failure of Grantee to comply within the time specified, County may cause proper restoration and repairs to be made, and the expense of such work shall be paid by Grantee upon demand by County.

B. Grantee shall be responsible to every owner of property which shall be injured by the work of construction, installation, operation or maintenance of Grantee's Facilities under the First Amended Franchise, all physical damage which shall be done to such injured property through any act or omission of Grantee, its employees, contractors, subcontractors or agents arising out of said construction, installation, operation or maintenance.

C. It is a condition of the First Amended Franchise that County shall not and does not by reason of the First Amended Franchise assume any liability of the Grantee whatsoever for injury to persons or damage to property.

Section 11: INDEMNIFICATION

Grantee by its acceptance of the First Amended Franchise agrees for itself, its successors and assigns that throughout the entire term of this franchise, Grantee, its successors and assigns, at its sole cost and expense, shall indemnify, defend, save and hold harmless Pinal County, its elected officers, employees and agents from any and all lawsuits, judgments and claims for injury, death and damage to persons and property, both real and personal, caused by the construction, design, installation,

First Amended
Palo Verde Utilities Company

operation or maintenance of any structure, equipment, sewer lines or related appurtenances by Grantee within the Franchise Area. Indemnified expenses shall include, but not be limited to, litigation and arbitration expenses, and attorneys' fees.

Section 12: ACCEPTANCE BY GRANTEE / EFFECTIVE DATE FRANCHISE

The First Amended Franchise shall be accepted by Grantee by written instrument in the form attached hereto as Exhibit "C" (hereinafter "Acceptance"), executed and acknowledged by it as a deed is required to be, and filed with the Clerk of the Pinal County Board of Supervisors within thirty days after the date this First Amended Franchise is accepted by County. This First Amended Franchise shall be effective upon delivery of the Acceptance to the Clerk of the Pinal County Board of Supervisors in the form required and within the time specified above.

Section 13: LIMITS ON GRANTEE'S RECOURSE

A. Grantee by its acceptance of the First Amended Franchise acknowledges such acceptance relies upon grantee's own investigation and understanding of the power and authority of the County to grant said franchise. Grantee by its acceptance of the First Amended Franchise accepts the validity of the terms and conditions of the First Amended Franchise in their entirety and agrees it will not, at any time, proceed against County in any claim or proceeding challenging any term or provision of the First Amended Franchise as unreasonable, arbitrary or void, or that County did not have the authority to impose such term or condition.

B. Grantee by accepting the First Amended Franchise acknowledges that it has not been induced to accept the same by any promise, verbal or written, by or on behalf of County or by any third person regarding any term or condition of the First Amended Franchise not expressed therein. Grantee by its acceptance of the First Amended Franchise further pledges that no promise or inducement, oral or written, has been made to any employee or official of County regarding receipt of the First Amended Franchise.

C. Grantee by its acceptance of the First Amended Franchise further acknowledges that it has carefully read the terms and conditions of the First Amended Franchise and accepts without reservation the obligations imposed by the terms and conditions herein.

D. In case of conflict or ambiguity between the First Amended Franchise and the Original Franchise, the provision which provides the greatest benefit to County, as determined solely by County, shall prevail.

E. The Board's decision concerning its selection and awarding of the First Amended Franchise shall be final.

Section 14: FAILURE TO ENFORCE FRANCHISE

First Amended
Palo Verde Utilities Company

Grantee shall not be excused from complying with any of the terms and conditions of the First Amended Franchise by any failure of County, upon any one or more occasions, to insist upon the Grantee's performance or to seek Grantee's compliance with any one or more of such terms or conditions.

Section 15: COMPLIANCE WITH THE LAW

Grantee shall at all times, conduct its business under the First Amended Franchise in accordance with all federal, state and local laws, rules and regulations, as amended, including any future amendments thereto as may, from time to time, be adopted.

Section 16: INTERPRETATION/GOVERNING LAW

The interpretation and performance of the First Amended Franchise and of the general terms and conditions shall be in accordance with and governed by the laws of the State of Arizona.

Section 17: VENUE

Exclusive venue for any legal action to enforce the provisions, terms and conditions of the First Amended Franchise shall be the Superior Court of the State of Arizona in and for the County of Pinal, Florence, Arizona.

Section 18: SEVERABILITY

If any section, provision, term or covenant or any portion of any section, provision, term or covenant of the First Amended Franchise is determined to be illegal, invalid or unconstitutional, by any court of competent jurisdiction or by any state or federal regulatory agency having jurisdiction thereof, such determination shall have no effect on any remaining portion of such section, provision, term or covenant or the remaining sections, provisions, terms or covenants of the First Amended Franchise, all of which will remain in full force and effect for the term of the First Amended Franchise or any renewal or renewals thereof.

Section 19: FORFEITURE

A. If Grantee fails to comply with any of the provisions of this agreement or defaults in any of its obligations hereunder, except for causes beyond the reasonable control of Grantee; and shall fail within thirty (30) days after written notice from County to commence, and within a reasonable time, complete the correction of such default or noncompliance, County shall have the right to revoke this agreement and all rights of Grantee hereunder. In the event Grantee makes a general assignment or general arrangement for the benefit of creditors; or a trustee or receiver is appointed to take possession of substantially all of Grantee's Facilities within the Franchise Area or of Grantee's interest in this First Amended Franchise, where possession is not restored to Grantee within thirty (30) days; or Grantee's Facilities within the Franchise Area are subject to an attachment, execution or other seizure of substantially all of the Grantee's Facilities within the Franchise Area or this First

First Amended
Palo Verde Utilities Company

Amended Franchise, where such seizure is not discharged within thirty (30) days, County may declare the First Amended Franchise, along with the Original Franchise, forfeited and terminated.

B. Nothing herein contained shall limit or restrict any other legal rights that County may possess arising from such violations.

Section 20: REVOCATION OF FRANCHISE

The First Amended Franchise, along with the Original Franchise, may after due notice and hearing, be revoked by County for any of the following reasons:

- A. For false or misleading statements in, or material omissions from the application for and the hearing for the granting of the First Amended Franchise.
- B. For any transfer or assignment of the First Amended Franchise or control thereof without County's written consent.
- C. For failure to comply with any of the terms and conditions of the First Amended Franchise.

Section 21: ASSIGNMENT/TRANSFER

Grantee shall not assign or transfer any interest in the First Amended Franchise without the prior written consent of County. Said Board shall not unreasonably withhold its consent to a proposed transfer.

Section 22: NOTICE

Notices required under the First Amended Franchise shall be delivered or sent by certified mail, postage prepaid to:

Grantor:

Clerk of the Pinal County Board of Supervisors
P.O. Box 827
31 N. Pinal
Florence, Arizona 85232

Grantee:

Palo Verde Utilities Company
Cindy Liles
426 N. 44th Street, Suite 200
Phoenix, Arizona 85008

First Amended
Palo Verde Utilities Company

The delivery or mailing of such notice shall be equivalent to direct personal notice and shall be deemed to have been given at the time of delivery. Either party may change its address under this section by written notice to the other party.

Section 23: REMEDIES

Rights and remedies reserved to the parties by the First Amended Franchise are cumulative and shall be in addition to and not in derogation of any other rights or remedies which the parties may have with respect to the subject matter of the First Amended Franchise and a waiver thereof at any time shall not affect any other time.

Section 24: RIGHT OF INTERVENTION

County hereby reserves to itself, and Grantee hereby grants to County, the right to intervene in any suit, action or proceeding involving any provision in the First Amended Franchise.

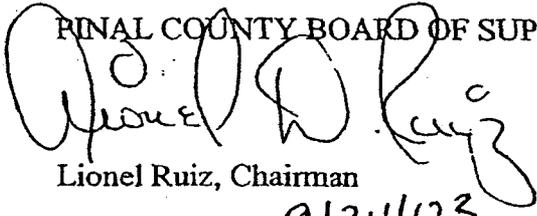
Section 25: BOOKS AND RECORDS

Grantee shall maintain books and records that identify all of Grantee's underground facilities by type and location within the Franchise Area. Grantee will make such books and records available to County upon County's request and without cost to County.

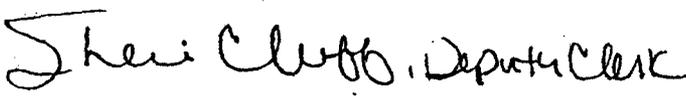
Section 26: AD VALOREM TAXES

Grantee shall pay its ad valorem taxes before they become delinquent.

IN WITNESS WHEREOF, the Board of Supervisors of Pinal County, Arizona, by its Chairman and its Clerk, thereunto duly authorized, has hereunto set its hand and cause its official seal to be affixed on this 24th day of September, 2003.

PINAL COUNTY BOARD OF SUPERVISORS

Lionel Ruiz, Chairman
9/24/03

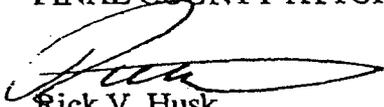
ATTEST:


Stanley D. Griffis, Ph.D., Clerk of the Board

First Amended
Palo Verde Utilities Company

APPROVED AS TO FORM:

ROBERT CARTER OLSON
PINAL COUNTY ATTORNEY

A handwritten signature in black ink, appearing to read "Rick V. Husk", written over a horizontal line.

Rick V. Husk
Deputy County Attorney

First Amended
Palo Verde Utilities Company

EXHIBIT A



OFFICIAL RECORDS OF
PINAL COUNTY RECORDER
KATHLEEN C. FELIX

DATE: 02/25/98 TIME: 0826
FEE : 0.00
PAGES: 17
FEE NO: 1998-007179

When recorded mail to:

Pinal County Board of Supervisors
P.O. Box 827
Florence, Arizona 85232

W/C

(The above space reserved for recording information)

CAPTION HEADING

Palo Verde Water Franchise

When recorded mail to:

Clerk of the Board
P.O. Box 827
Florence, Arizona 85232

Creation Of The Palo Verde Water Franchise

WHEREAS, Palo Verde Utilities Company, a(n) Arizona corporation, duly authorized to conduct business in the State of Arizona, has duly filed and presented to the Board of Supervisors of the County of Pinal, State of Arizona, its application for a new public utility franchise for the purpose of constructing, operating and maintaining water lines and related appurtenances along, under and across the public streets, alleys and highways, except federal and state highways, within the unincorporated area of Pinal County, Arizona, as described in Exhibit "A" attached hereto (hereinafter "Application").

WHEREAS, upon filing of the Application for the public utility franchise, the Board of Supervisors of Pinal County ordered a public notice of its intent to consider the granting of the public utility franchise to be published in a newspaper of general circulation, in Pinal County, Arizona, stating the time and place for consideration of the Application was set for 10:00 A.M. on December 3, 1997, at the Pinal County Board of Supervisors' Hearing Room, Administration Building No. 1, Florence, Arizona.

WHEREAS, said Application having come on regularly for hearing at 11:00 A.M. on December 3, 1997; and it appearing from the affidavit of the publisher of the Casa Grande Valley Newspaper, Inc. that due and regular notice of said time and place set for the consideration of such action has been published for at least once a week for three consecutive weeks prior to said hearing date, to-wit: in the issues of the Casa Grande Dispatch published on November 12, 1997, November 19, 1997, and November 26, 1997; and the matter being called for hearing at 11:00 A.M., and an opportunity having been given to all interested parties to be heard.

WHEREAS, the Board of Supervisors of Pinal County has the power to create a water franchise under its general police powers in such matters.

NOW, THEREFORE,

Section 1: DEFINITIONS

The following terms used in this expansion and amendment of the Original Franchise shall have the following meanings:

A. County: Pinal County, Arizona

- B. Board: Board of Supervisors of Pinal County, Arizona.
- C. Grantor: Pinal County, by and through its Board of Supervisors
- D. Grantee: Palo Verde Utilities Company, a(n) Arizona corporation, its successors and assigns
- E. Grantee's Facilities: Water lines and related appurtenances

Section 2: GRANT

A. Grantor, on December 3, 1997, hereby grants to Grantee, for a period of twenty-five years, this new public utility franchise (hereinafter "Franchise") for the purpose of constructing, operating and maintaining water lines and related appurtenances along, under and across public streets, alleys and highways, except federal and state highways, under the terms and conditions set forth herein within the unincorporated area of Pinal County, Arizona, as described in the Application (hereinafter "Franchise Area").

B. Nonexclusive Franchise.

(1) The Franchise granted hereby shall not be exclusive and shall not restrict in any manner the right of County in the exercise of any regulatory power which it now has or which may hereafter be authorized or permitted by the laws of the State of Arizona. Nothing herein shall be construed to prevent County from granting other like or similar franchises to any other person, firm or corporation. County retains and shall ever be considered as having and retaining the right and power to allow and to grant to any other person, firm, corporation or other companies, franchise rights and privileges to be exercised in and upon its public streets, alleys, highways and public places, and such of the same and parts thereof as County may deem best or choose to allow, permit, give or grant.

(2) Nothing herein shall be construed to prevent County and its proper authorities from constructing and installing water lines, or improvements to its public highways, streets and alleys, and for that purpose, to require the Grantee at Grantee's own expense to remove Grantee's facilities to conform thereto and facilitate the same.

C. Reservation of Rights.

(1) County reserves the right to alter and amend the Franchise at any time and in any manner necessary for the safety or welfare of the public or to protect the public interests, and County reserves the right to impose at any time restrictions and limitations upon the use of the public streets, alleys and highways as County deems best for the public safety or welfare.

(2) County expressly reserves the right, after due notice to grantee, to modify, amend, alter, change or eliminate any of the provisions of the Franchise which may become obsolete or impractical; and to impose such additional conditions upon the grantee as may be just and reasonable, such conditions to be those deemed necessary for the purpose of insuring adequate service to the public; provided however, County shall not modify, amend, alter, change or eliminate any of said provisions until after a public hearing, if such is legally required or requested by grantee.

Section 3: RENEWAL/SUBSEQUENT APPLICATION/REMOVAL OF SYSTEM

A. The Franchise herein granted shall expire on the December 2, 2022; and upon its termination, Grantee shall cease to exercise under the terms of the Franchise the privileges herein granted. In the event Grantee desires a renewal of the Franchise herein granted, or a new franchise for a subsequent period, Grantee shall apply to and open negotiations with County for that purpose at least six (6) months before the expiration of the Franchise herein granted; but nothing herein shall be construed to bind County to grant such renewal or subsequent franchise.

B. Upon termination of the Franchise the grantee shall remove its facilities from the streets, alleys, ways, highways and bridges within the Franchise Area and shall restore the areas to their original condition. If such removal is not completed within six months of such termination, County may deem any property not removed as having been abandoned.

Section 4: REGULATION

Grantee, its successors and assigns shall be subject to reasonable regulations for the maintenance by grantee, its successors and assigns, of such portion of the public streets, alleys and highways altered, damaged or destroyed by Grantee, its agents or employees in exercising the privileges granted by the Franchise.

Section 5: CONSTRUCTION, INSTALLATION AND REPAIRS

A. Prior to the beginning of any construction for installation of water lines and related appurtenances, the Grantee, its successors and assigns will submit a plan of proposed construction to the Pinal County Engineer and will not commence any construction until the plan of construction is approved by the County Engineer or his designate.

B. All work performed by Grantee under the Franchise shall be done in the manner prescribed by County and subject to the supervision of County, and in strict compliance with all laws, ordinances, rules and regulations of federal, state and local governments.

C. No construction, reconstruction, repair, or relocation under the Franchise shall be commenced until written permits have been obtained from the proper county officials. In any permit so issued, such officials may impose such conditions and regulations as a condition of the granting of the same as are necessary for the purpose of protecting any structures in the highways or streets and for the proper restoration of such highways, streets

and structures, and for the protection of the public and the continuity of pedestrian and vehicular traffic.

D. No construction under the Franchise by grantee shall impose upon County the duty to maintain any public street, alley or highway unless County accepts said public street, alley or highway into the county maintenance system as provided by law.

Section 6: INSPECTION

County shall, if it deems it necessary, have the right to inspect the construction, operation and maintenance of Grantee's facilities to insure the proper performance of the terms of the Franchise granted herein.

Section 7: SUFFICIENCY, LOCATION AND MAINTENANCE

All of Grantee's Facilities shall be in all respects adequate, efficient, substantial and permanent in design and workmanship, and shall be so located, erected and maintained so as not to interfere with the use and enjoyment of the public streets, alleys and highways. All of Grantee's Facilities erected by Grantee shall be maintained in a safe, suitable, substantial condition and in good order and repair.

Section 8: EXPANSION

Grantee will, from time to time, during the term of the Franchise make such enlargements and extensions of its water system as are necessary to adequately provide for the requirements of County and the inhabitants of the Franchise Area; provided that nothing herein shall compel Grantee to expand or enlarge its system beyond the economic and operating limits thereof. Such enlargements and extensions shall be made in accordance with company rules and regulations.

Section 9: RELOCATION

A. During the term of the Franchise whenever County or any qualified authority having jurisdiction in the Franchise Area alters, repairs, improves, or changes the grade of, any public streets, alleys and highways in the Franchise Area during the term of the Franchise, then and in such event, Grantee, its successors or assigns, at its own expense, shall promptly, upon reasonable notice, make such changes in the location, structure or alignment of its water lines and related appurtenances as the public officials in charge of such work may deem necessary.

B. After thirty (30) days notice to Grantee, of needed changes or corrections and upon the failure of Grantee, to make such changes set forth in Section 9(A) above or to correct any damage to the right-of-way of any public street, alley or highway within the Franchise Area caused directly or indirectly by Grantee, its agents, successors or assigns, County or its successors shall have the right to make such changes or corrections at the expense of said Grantee, its successors or assigns, and such expenses shall be due and payable upon written demand by County or its successors to Grantee, its successors or assigns.

Section 10: LIABILITY

A. If any streets, highways, alleys, ways, bridges, sidewalks, public place, or other public facility should be disturbed, altered, damaged or destroyed by Grantee, its employees, contractors, subcontractors or agents in the construction, installation, operation and maintenance of Grantee's Facilities under the Franchise, the same shall be promptly repaired, reconstructed, replaced or restored by Grantee, without cost to County, as soon as practicable and in as good condition as before Grantee's entry and to the satisfaction of County. If Grantee fails to make such restoration and repairs within a reasonable time as determined by County, then County may fix a reasonable time for such restoration and repairs and shall notify Grantee in writing of the restoration and repairs required and the time fixed for the performance thereof. Upon failure of Grantee to comply within the time specified, County may cause proper restoration and repairs to be made, and the expense of such work shall be paid by Grantee upon demand by County.

B. Grantee shall be responsible to every owner of property which shall be injured by the work of construction, installation, operation or maintenance of Grantee's Facilities under the Franchise, all physical damage which shall be done to such injured property through any act or omission of Grantee, its employees, contractors, subcontractors or agents arising out of said construction, installation, operation or maintenance.

C. It is a condition of the Franchise that County shall not and does not by reason of the Franchise assume any liability of the Grantee whatsoever for injury to persons or damage to property.

Section 11: INDEMNIFICATION

Grantee by its acceptance of the Franchise agrees for itself, its successors and assigns that throughout the entire term of this franchise, Grantee, its successors and assigns, at its sole cost and expense, shall indemnify, defend, save and hold harmless Pinal County, its elected officers, employees and agents from any and all lawsuits, judgments and claims for injury, death and damage to persons and property, both real and personal, caused by the construction, design, installation, operation or maintenance of any structure, equipment, water lines or related appurtenances by Grantee within the Franchise Area. Indemnified expenses shall include, but not be limited to, litigation and arbitration expenses, and attorneys' fees.

Section 12: ACCEPTANCE BY GRANTEE / EFFECTIVE DATE FRANCHISE

The Franchise shall be accepted by Grantee by written instrument in the form attached hereto as Exhibit "B" (hereinafter "Acceptance"), executed and acknowledged by it as a deed is required to be, and filed with the Clerk of the Pinal County Board of Supervisors within thirty days after the date this Franchise is accepted by County. This Franchise shall be effective upon delivery of the Acceptance to the Clerk of the Pinal County Board of Supervisors in the form required and within the time specified above.

Section 13: LIMITS ON GRANTEE'S RECOURSE

A. Grantee by its acceptance of the Franchise acknowledges such acceptance relies upon grantee's own investigation and understanding of the power and authority of the County to grant said franchise. Grantee by its acceptance of the Franchise accepts the validity of the terms and conditions of the Franchise in their entirety and agrees it will not, at any time, proceed against County in any claim or proceeding challenging any term or provision of the Franchise as unreasonable, arbitrary or void, or that County did not have the authority to impose such term or condition.

B. Grantee by accepting the Franchise acknowledges that it has not been induced to accept the same by any promise, verbal or written, by or on behalf of County or by any third person regarding any term or condition of the Franchise not expressed therein. Grantee by its acceptance of the Franchise further pledges that no promise or inducement, oral or written, has been made to any employee or official of County regarding receipt of the Franchise.

C. Grantee by its acceptance of the Franchise further acknowledges that it has carefully read the terms and conditions of the Franchise and accepts without reservation the obligations imposed by the terms and conditions herein.

D. The Board's decision concerning its selection and awarding of the Franchise shall be final.

Section 14: FAILURE TO ENFORCE FRANCHISE

Grantee shall not be excused from complying with any of the terms and conditions of the Franchise by any failure of County, upon any one or more occasions, to insist upon the Grantee's performance or to seek Grantee's compliance with any one or more of such terms or conditions.

Section 15: COMPLIANCE WITH THE LAW

Grantee shall at all times, conduct its business under the Franchise in accordance with all federal, state and local laws, rules and regulations, as amended, including any future amendments thereto as may, from time to time, be adopted.

Section 16: INTERPRETATION/GOVERNING LAW

The interpretation and performance of the Franchise and of the general terms and conditions shall be in accordance with and governed by the laws of the State of Arizona.

Section 17: VENUE

Exclusive venue for any legal action to enforce the provisions, terms and conditions of the Franchise shall be the Superior Court of the State of Arizona in and for the County of Pinal, Florence, Arizona..

Section 18: SEVERABILITY

If any section, provision, term or covenant or any portion of any section, provision, term or covenant of the Franchise is determined to be illegal, invalid or unconstitutional, by any court of competent jurisdiction or by any state or federal regulatory agency having jurisdiction thereof, such determination shall have no effect on any remaining portion of such section, provision, term or covenant or the remaining sections, provisions, terms or covenants of the Franchise, all of which will remain in full force and effect for the term of the Franchise or any renewal or renewals thereof.

Section 19: FORFEITURE

A. If Grantee fails to comply with any of the provisions of this agreement or defaults in any of its obligations hereunder, except for causes beyond the reasonable control of Grantee; and shall fail within thirty (30) days after written notice from County to commence, and within a reasonable time, complete the correction of such default or noncompliance, County shall have the right to revoke this agreement and all rights of Grantee hereunder. In the event Grantee makes a general assignment or general arrangement for the benefit of creditors; or a trustee or receiver is appointed to take possession of substantially all of Grantee's Facilities within the Franchise Area or of Grantee's interest in this Franchise, where possession is not restored to Grantee within thirty (30) days; or Grantee's Facilities within the Franchise Area are subject to an attachment, execution or other seizure of substantially all of the Grantee's Facilities within the Franchise Area or this Franchise, where such seizure is not discharged within thirty (30) days, County may declare the Franchise, along with the Original Franchise, forfeited and terminated.

B. Nothing herein contained shall limit or restrict any other legal rights that County may possess arising from such violations.

Section 20: REVOCATION OF FRANCHISE

The Franchise may after due notice and hearing, be revoked by County for any of the following reasons:

- A. For false or misleading statements in, or material omissions from the application for and the hearing on the granting of the Franchise.
- B. For any transfer or assignment of the Franchise or control thereof without County's written consent.
- C. For failure to comply with any of the terms and conditions of the Franchise.

Section 21: ASSIGNMENT/TRANSFER

Grantee shall not assign or transfer any interest in the Franchise without the prior written consent of County. Said Board shall not unreasonably withhold its consent to a proposed transfer.

Section 22: NOTICE

Notices required under the Franchise shall be delivered or sent by certified mail, postage prepaid to:

Grantor:

Clerk of the Pinal County Board of Supervisors
P.O. Box 827
31 N. Pinal
Florence, Arizona 85232

Grantee:

Palo Verde Utilities Company
426 N. 44th Street
Suite 100
Phoenix, Arizona 85008

The delivery or mailing of such notice shall be equivalent to direct personal notice and shall be deemed to have been given at the time of delivery. Either party may change its address under this section by written notice to the other party.

Section 23: REMEDIES

Rights and remedies reserved to the parties by the Franchise are cumulative and shall be in addition to and not in derogation of any other rights or remedies which the parties may have with respect to the subject matter of the Franchise and a waiver thereof at any time shall not affect any other time.

Section 24: RIGHT OF INTERVENTION

County hereby reserves to itself, and Grantee hereby grants to County, the right to intervene in any suit, action or proceeding involving any provision in the Franchise.

Section 25: BOOKS AND RECORDS

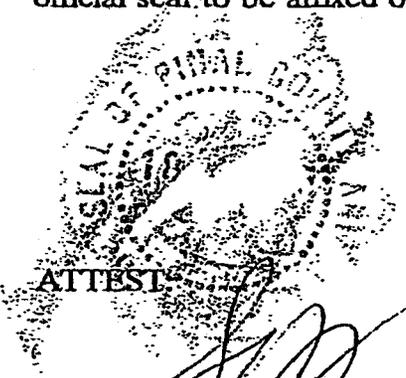
Grantee shall maintain books and records that identify all of Grantee's underground facilities by type and location within the Franchise Area. Grantee will make such books and records available to County upon County's request and without cost to County.

Section 26: AD VALOREM TAXES

Grantee shall pay its ad valorem taxes before they become delinquent. To accomplish this, Grantee shall deposit a sum equal to one-half of the prior years taxes in a separate trust account to pay the current years taxes. Pinal County, through its agents shall have the right to audit the account at any time during normal business hours.

IN WITNESS WHEREOF, the Board of Supervisors of Pinal County, Arizona, by its Chairman and its Clerk, thereunto duly authorized, has hereunto set its hand and cause its official seal to be affixed on December 3, 1997.

PINAL COUNTY BOARD OF SUPERVISORS


Jimmie B. Kerr
Jimmie B. Kerr, Chairman

ATTEST

Stanley D. Griffis, Clerk of the Board

APPROVED AS TO FORM:

ROBERT CARTER OLSON
PINAL COUNTY ATTORNEY

Eric L. Walberg 12/4/97
Eric L. Walberg, Deputy County Attorney

Exhibit A

BEFORE THE BOARD OF SUPERVISORS
OF
COUNTY OF PINAL, STATE OF ARIZONA

IN THE MATTER OF THE)
APPLICATION OF PALO VERDE) APPLICATION FOR
UTILITIES COMPANY, TO OBTAIN) NEW PUBLIC UTILITY FRANCHISE
A WASTEWATER FRANCHISE)

TO THE HONORABLE BOARD OF SUPERVISORS:

COMES NOW the above-named Applicant and petitions the PINAL COUNTY BOARD OF SUPERVISORS AS FOLLOWS:

I.

That petitioner, PALO VERDE UTILITIES COMPANY (Palo Verde), an Arizona Corporation with its principal place of business in the County of Pinal, State of Arizona. The current address of Palo Verde is 426 N. 44th Street, Suite 100, Phoenix, Arizona 85008.

II.

That Palo Verde hereinafter designated as the Grantee, doing business in Pinal County, Arizona, hereby petitions your body for a Utility Franchise to maintain and operate a Wastewater system, including effluent transmission lines and all appurtenances, to serve in portions of Pinal County. The full legal description is attached hereto as Exhibit I.

III.

That your petitioner has made applications to the Arizona Corporation Commission for a Certificate of Public Convenience and Necessity to exercise the functions of a public utility to provide wastewater service to persons living within this said territory as shown on Exhibit 2, subject to the laws of the State of Arizona.

IV.

That your petitioner, if granted the franchise for this territory, proposes to engage in and carry on the business of a wastewater company.

V.

That your petitioner is financially able to undertake installation of said services and provide Wastewater service within said territory for which this franchise is requested.

VI.

That the Board of Supervisors may impose such restrictions and limitations upon the public roads as it deems best for the public safety and welfare.

VII.

That the petitioner submits herewith the required \$200.00 filing fee with this application.

VIII.

That by reason of the facts already stated herein and because of the fact that no adequate system of wastewater collection, treatment and disposal are now available to persons now living, or who may live, within the said territory hereinbefore described, and because of the further fact that Wastewater promptly supplied to waiting customers and prospective applicants will do much to develop and improve the area described, and to increase the population of the communities within which services are supplied, your petitioner respectfully petitions your Honorable Boards of Supervisors to grant this Application for a right and franchise from the County of Pinal, State of Arizona, to construct, maintain and operate their pipelines and appurtenances for a wastewater system in, over, under, across and upon the existing County owned and future Rights-of-Way for a period of twenty-five (25) years.

IX.

That public Notice be given in a newspaper of general circulation published within the County of Pinal, as may be required by law, prior to the date set for the consideration by the Board of Supervisors of its intention to grant said Franchise application.

X.

All correspondence regarding this application should be addressed to:

Michael T. Reinbold, President
Palo Verde Utilities Company
426 N. 44th Street
Suite 100
Phoenix, Arizona 85008

Dated this 27th day of October, 1997

Palo Verde Utilities Company

By: Michael T. Reinbold
Michael T. Reinbold
President
426 N. 44th Street
Suite 100
Phoenix, Arizona 85008

Exhibit 1

Palo Verde Utilities Company

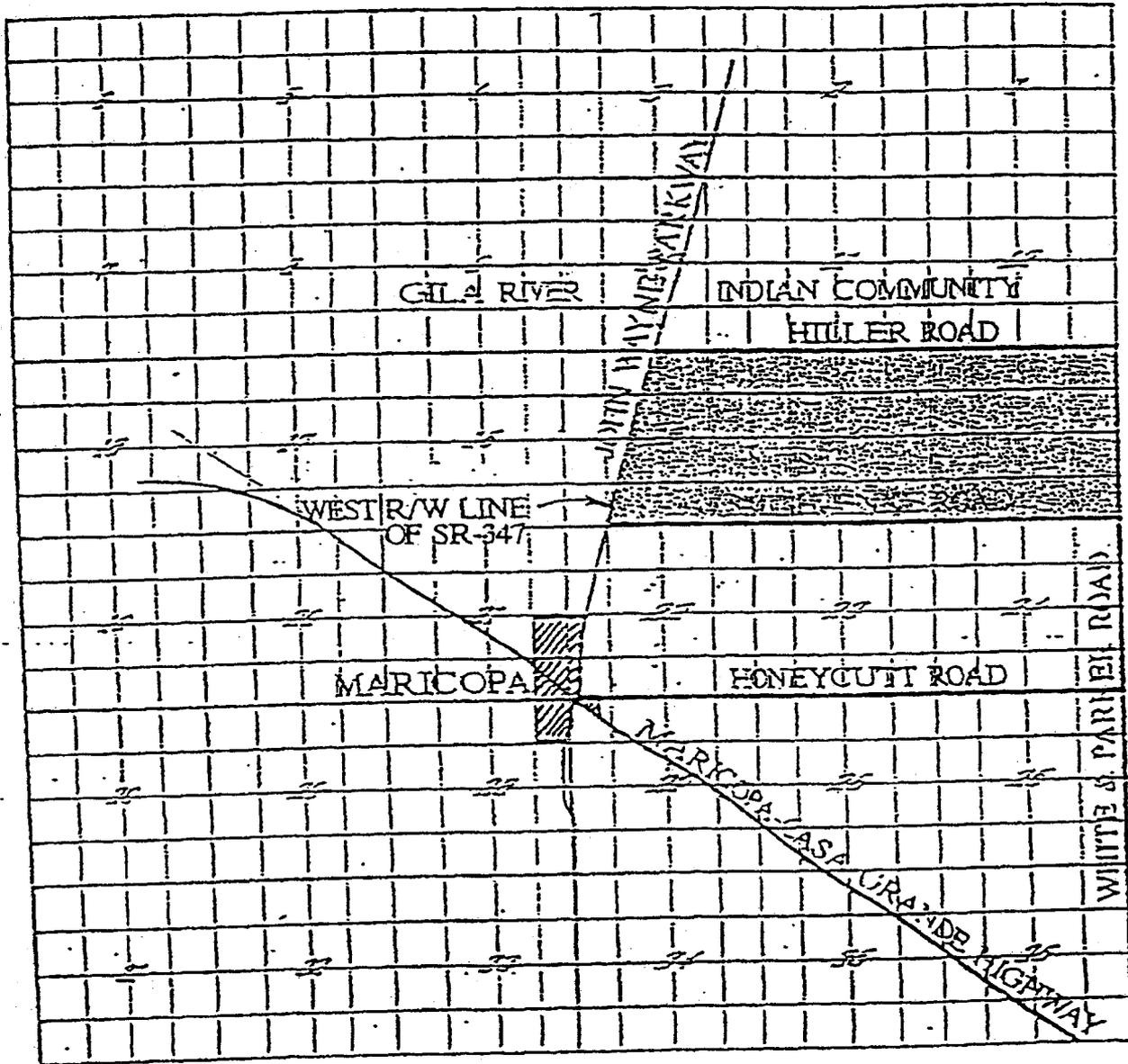
Franchise Legal Description

ALL OF SECTIONS 13 AND 14, AND THAT PORTION OF SECTION 15 LYING EASTERLY OF THE WESTERLY RIGHT-OF-WAY LINE OF ARIZONA STATE ROUTE 347 (AKA: JOHN WAYNE PARKWAY), TOWNSHIP 4 SOUTH, RANGE 3 EAST, GILA AND SALT RIVER BASE AND MERIDIAN, PINAL COUNTY, ARIZONA.

CONTAINS 1,640 ACRES, MORE OR LESS

PINAL COUNTY, ARIZONA

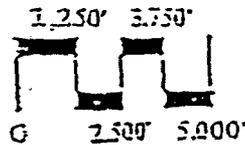
SECTIONS 13, 14, AND A PORTION OF SECTION 15,
TOWNSHIP 4 SOUTH, RANGE 3 EAST



 FRANCHISE AREA

EXHIBIT 2

PALO VERDE UTILITIES
COMPANY



**LEGAL DESCRIPTION FOR UTILITY FRANCHISE EXPANSION FOR
SANTA CRUZ WATER COMPANY, L.L.C. AND
PALO VERDE UTILITIES COMPANY, L.L.C.**

THAT PORTION OF SECTION 15, TOWNSHIP 4 SOUTH, RANGE 3 EAST, GILA & SALT RIVER BASE & MERIDIAN, PINAL COUNTY, ARIZONA, LYING WESTERLY OF THE WESTERLY RIGHT-OF-WAY OF ARIZONA STATE ROUTE 347, EXCEPT THE WEST 160 FEET OF THE NORTHWEST QUARTER THEREOF;

TOGETHER WITH THE NORTHEAST QUARTER OF SECTION 21, TOWNSHIP 4 SOUTH, RANGE 3 EAST;

TOGETHER WITH ALL OF SECTION 22, TOWNSHIP 4 SOUTH, RANGE 3 EAST, EXCEPT THE WESTERLY 500 FEET OF THE SOUTHERLY 1803 FEET OF THE SOUTHWEST QUARTER THEREOF, AND EXCEPT THE SOUTHERLY 173 FEET OF THE SOUTHWEST QUARTER THEREOF;

TOGETHER WITH ALL OF SECTIONS 23 AND 24, TOWNSHIP 4 SOUTH, RANGE 3 EAST;

TOGETHER WITH ALL OF SECTION 25, TOWNSHIP 4 SOUTH, RANGE 3 EAST, EXCEPT THE EAST ONE HALF THEREOF, AND EXCEPT THE NORTH HALF OF THE NORTHWEST QUARTER THEREOF; AND EXCEPT THE SOUTHEAST QUARTER OF THE NORTHWEST QUARTER THEREOF; AND EXCEPT THE SOUTHEAST QUARTER OF THE SOUTHWEST QUARTER THEREOF;

TOGETHER WITH THE NORTH 3000 FEET, MORE OR LESS, OF THE WEST HALF OF THE WEST HALF OF SECTION 36, TOWNSHIP 4 SOUTH, RANGE 3 EAST LYING NORTHERLY OF THE SOUTHERN-PACIFIC RAILWAY RIGHT-OF-WAY;

TOGETHER WITH THAT PORTION OF SECTION 35, TOWNSHIP 4 SOUTH, RANGE 3 EAST, LYING NORTHEASTERLY OF THE SOUTHERN-PACIFIC RAILWAY RIGHT-OF-WAY, EXCEPT THAT PORTION OF THE NORTHWEST QUARTER OF THE NORTHWEST QUARTER OF SECTION 35, TOWNSHIP 4 SOUTH, RANGE 3 EAST LYING NORTHEASTERLY OF THE SOUTHERN-PACIFIC RAILWAY RIGHT-OF-WAY;

TOGETHER WITH ALL OF SECTION 26, TOWNSHIP 4 SOUTH, RANGE 3 EAST, EXCEPT THE WEST HALF OF THE WEST HALF THEREOF;

COMMENCING AT THE NORTHWEST CORNER OF THE SOUTHEAST QUARTER OF SECTION 21, TOWNSHIP 4 SOUTH, RANGE 3 EAST OF THE GILA AND SALT RIVER MERIDIAN, PINAL COUNTY, ARIZONA; THENCE EASTERLY 30.0 FEET TO THE TRUE POINT OF BEGINNING, THENCE

SOUTHERLY 525.0 FEET, THENCE EASTERLY 600.0 FEET, THENCE NORTHERLY 525.5 FEET, THENCE WESTERLY 600.0 FEET TO THE TRUE POINT OF BEGINNING.

TOGETHER WITH THE FOLLOWING: COMMENCING AT THE NORTHWEST CORNER OF THE SOUTHEAST QUARTER OF SECTION 21, TOWNSHIP 4 SOUTH, RANGE 3 EAST OF THE GILA AND SALT RIVER MERIDIAN, PINAL COUNTY, ARIZONA; THENCE EASTERLY 690.0 FEET TO THE TRUE POINT OF BEGINNING, THENCE SOUTHERLY 525.6 FEET, THENCE EASTERLY 400.0 FEET, THENCE NORTHERLY 525.9 FEET, THENCE WESTERLY 400.0 FEET TO THE TRUE POINT OF BEGINNING.

TOGETHER WITH THE FOLLOWING: COMMENCING AT A POINT ON THE WEST SIDE OF THE EAST HALF OF THE SOUTHEAST QUARTER OF SECTION 21, TOWNSHIP 4 SOUTH, RANGE 3 EAST OF THE GILA AND SALT RIVER MERIDIAN, PINAL COUNTY, ARIZONA, 810 FEET NORTH OF THE SECTION LINE COMMON TO THE SOUTH OF SAID SECTION 21 AND EXTENDING NORTH ALONG SAID QUARTER SECTION LINE FOR A DISTANCE OF 726 FEET: THENCE 300 FEET EAST; THENCE SOUTH 726 FEET PARALLELING SAID QUARTER SECTION LINE; THENCE WEST TO THE POINT OF BEGINNING;

TOGETHER WITH ALL THAT PART OF THE EAST 495.5 FEET OF THE SOUTHWEST QUARTER OF THE SOUTHEAST QUARTER OF SECTION 21, TOWNSHIP 4 SOUTH, RANGE 3 EAST OF THE GILA AND SALT RIVER MERIDIAN, PINAL COUNTY, ARIZONA, LYING NORTH OF THE NORTH BOUNDARY LINE OF THE COUNTY ROAD WHICH IS NORTH OF THE SOUTHERN-PACIFIC RAILROAD RIGHT-OF-WAY;

TOGETHER A PORTION OF THE NORTHWEST QUARTER OF SECTION 34 IN TOWNSHIP 4 SOUTH, RANGE 3 EAST OF THE GILA AND SALT RIVER BASE AND MERIDIAN, PINAL COUNTY, ARIZONA, BEING MORE PARTICULARLY DESCRIBED AS FOLLOWS:

COMMENCING AT THE NORTHWEST CORNER OF SAID SECTION 34; THENCE NORTH $89^{\circ} 24' 54''$ EAST, ALONG THE NORTH LINE OF SAID SECTION 34 A DISTANCE OF 798.87 FEET, TO THE POINT OF THE BEGINNING; THENCE CONTINUING NORTH $89^{\circ} 24' 54''$ EAST, ALONG SAID NORTH LINE 1,852.18 FEET TO THE NORTH QUARTER CORNER OF SAID SECTION 34; THENCE SOUTH $00^{\circ} 12' 02''$ WEST, ALONG THE NORTH SOUTH MID-SECTION LINE OF SAID SECTION 34 A DISTANCE OF 2,664.95 FEET TO THE CENTER OF SAID SECTION 34; THENCE NORTH $89^{\circ} 51' 49''$ WEST, ALONG THE EAST WEST MID-SECTION LINE OF SAID SECTION 34 A DISTANCE OF 2,491.70 FEET TO A POINT ON THE EAST RIGHT-OF-WAY LINE OF MARICOPA ROAD (STATE ROUTE 347); THENCE ALONG SAID EAST RIGHT-OF-WAY LINE THE FOLLOWING COURSES AND DISTANCES; THENCE NORTH $00^{\circ} 40' 29''$ WEST

1,468.58 FEET; THENCE NORTH 89° 19' 28" EAST 10.00 FEET; THENCE NORTH 00° 40' 32" WEST 454.76 FEET; THENCE LEAVING SAID RIGHT-OF-WAY NORTH 89° 24' 54" EAST 373.10 FEET TO A POINT MARKING THE BEGINNING OF A TANGENT CURVE TO THE LEFT HAVING A RADIUS OF 200.00 FEET; THENCE ALONG THE ARC OF SAID CURVE THROUGH A CENTRAL ANGLE OF 46° 35' 45" AN ARC DISTANCE OF 162.65 FEET; THENCE NORTH 40° 10' 09" EAST 367.92 FEET TO A POINT MARKING THE BEGINNING OF A NON-TANGENT CURVE TO THE NORTH, THE CENTER POINT OF WHICH BEARS NORTH 52° 38' 22" EAST 450.00 FEET THEREFROM; THENCE NORTHERLY ALONG THE ARC OF SAID CURVE THROUGH A CENTRAL ANGLE OF 36° 41' 06" AN ARC DISTANCE OF 288.12 FEET; THENCE NORTH 00° 40' 32" EAST 100.00 FEET TO THE POINT OF BEGINNING;

THE BASIS OF BEARING IS THE MONUMENT LINE OF MARICOPA ROAD, ALSO BEING THE WEST LINE OF THE NORTHWEST QUARTER OF SECTION 34, TOWNSHIP 4 SOUTH, RANGE 3 EAST, USING A BEARING OF NORTH 00° 06' 23" WEST;

TOGETHER WITH THAT PORTION OF THE NORTHWEST QUARTER OF SECTION 34 TOWNSHIP 4 SOUTH, RANGE 3 EAST OF THE GILA AND SALT RIVER BASE AND MERIDIAN, PINAL COUNTY, ARIZONA, EXCEPTING THEREFROM THE EXISTING RIGHT-OF-WAY OF STATE ROUTE 347, AND EXCEPTING THEREFROM THE FOLLOWING:

BEING A PORTION OF THE NORTHWEST QUARTER OF SECTION 34 IN TOWNSHIP 4 SOUTH, RANGE 3 EAST OF THE GILA AND SALT RIVER BASE AND MERIDIAN, PINAL COUNTY, ARIZONA, BEING MORE PARTICULARLY DESCRIBED AS FOLLOWS:

COMMENCING AT THE NORTHWEST CORNER OF SAID SECTION 34; THENCE NORTH 89° 24' 54" EAST, ALONG THE NORTH LINE OF SAID SECTION 34 A DISTANCE OF 798.87 FEET, TO THE POINT OF THE BEGINNING, THENCE CONTINUING NORTH 89° 24' 54" EAST, ALONG SAID NORTH LINE 1,852.18 FEET TO THE NORTH QUARTER CORNER OF SAID SECTION 34; THENCE SOUTH 00° 12' 02" WEST, ALONG THE SOUTH MID-SECTION LINE OF SAID SECTION 34 A DISTANCE OF 2,664.95 FEET TO THE CENTER OF SAID SECTION 34; THENCE NORTH 89° 51' 49" WEST, ALONG THE EAST WEST MID-SECTION LINE OF SAID SECTION 34 A DISTANCE OF 2,491.70 FEET TO A POINT ON THE EAST RIGHT-OF-WAY OF MARICOPA ROAD (STATE ROUTE 347); THENCE ALONG SAID EAST RIGHT-OF-WAY LINE THE FOLLOWING COURSES AND DISTANCES; THENCE NORTH 00° 40' 29" WEST 1,468.58 FEET; THENCE NORTH 89° 19' 28" EAST 10.00 FEET; THENCE NORTH 00° 40' 32" WEST 454.76 FEET; THENCE LEAVING SAID RIGHT-OF-WAY NORTH 89° 24' 54" EAST 373.10 FEET TO A POINT MARKING THE BEGINNING OF TANGENT CURVE TO THE LEFT

HAVING A RADIUS OF 200.00 FEET; THENCE ALONG THE ARC OF SAID CURVE THROUGH A CENTRAL ANGLE OF $46^{\circ} 35' 45''$ AN ARC DISTANCE OF 162.65 FEET; THENCE NORTH $40^{\circ} 10' 09''$ EAST 367.92 FEET TO A POINT MARKING THE BEGINNING OF A NON-TANGENT CURVE TO THE NORTH, THE CENTER POINT OF WHICH BEARS NORTH $52^{\circ} 38' 22''$ EAST 450.00 FEET THEREFROM; THENCE NORTHERLY ALONG THE ARC OF SAID CURVE THROUGH A CENTRAL ANGLE OF $36^{\circ} 41' 06''$ AN ARC DISTANCE OF 288.12 FEET; THENCE NORTH $00^{\circ} 40' 32''$ EAST 100.00 FEET TO THE POINT OF BEGINNING.

THE BASIS OF BEARING IS THE MONUMENT LINE OF MARICOPA ROAD, ALSO BEING THE WEST LINE OF THE NORTHWEST CORNER OF SECTION 34, TOWNSHIP 4 SOUTH, RANGE 3 EAST, USING A BEARING OF NORTH $00^{\circ} 06' 23''$ WEST.

TOGETHER WITH THE BEGINNING AT THE SOUTHWEST CORNER OF SECTION 35, TOWNSHIP 4 SOUTH, RANGE 3 EAST, GILA AND SALT RIVER BASE AND MERIDIAN, PINAL COUNTY, ARIZONA, THENCE NORTH $00^{\circ} 29' 40''$ WEST 5300 FEET, MORE OR LESS, ALONG THE WEST SECTION LINE OF SAID SECTION 35 TO THE NORTHWEST CORNER OF SAID SECTION 35, THENCE NORTH $89^{\circ} 30' 20''$ EAST 750 FEET, MORE OR LESS, ALONG THE NORTH SECTION LINE OF SAID SECTION 35 TO THE SOUTHWESTERLY RIGHT-OF-WAY LINE OF THE SOUTHERN RAILROAD, THENCE SOUTH $53^{\circ} 51' 30''$ EAST 1213 FEET ALONG SAID RIGHT-OF-WAY LINE, THENCE LEAVING SAID RIGHT-OF-WAY LINE, SOUTH $0^{\circ} 00' 00''$ EAST 4600 FEET, MORE OR LESS, TO THE SOUTH SECTION LINE OF SAID SECTION 35; THENCE NORTH $89^{\circ} 43' 51''$ WEST 1684 FEET, MORE OR LESS, ALONG SAID SOUTH SECTION LINE TO THE POINT OF BEGINNING.

TOGETHER WITH PARCEL NO. 1:

THE EAST HALF OF THE WEST HALF OF SECTION 35, TOWNSHIP 4 SOUTH, RANGE 3 EAST OF THE GILA AND SALT RIVER BASE AND MERIDIAN, PINAL COUNTY, ARIZONA, LYING SOUTH AND WEST OF THE SOUTHWESTERLY RIGHT OF WAY LINE OF THE SOUTHERN PACIFIC RAILROAD;

EXCEPT ANY PORTION LYING WITHIN THE FOLLOWING DESCRIBED PROPERTY:

COMMENCING AT THE SOUTHEAST CORNER OF SAID SECTION 35;

THENCE NORTH 89 DEGREES 19 MINUTES 10 SECONDS WEST, A DISTANCE OF 1971.27 FEET TO THE TRUE POINT OF BEGINNING;

THENCE CONTINUING NORTH 89 DEGREES 19 MINUTES 10 SECONDS WEST, A DISTANCE OF 765.30 FEET;

THENCE NORTH 01 DEGREE 19 MINUTES 10 SECONDS EAST, A DISTANCE OF 1377.37 FEET;

THENCE SOUTH 27 DEGREES 53 MINUTES 16 SECONDS EAST, A DISTANCE OF 1568.23 FEET TO THE TRUE POINT OF BEGINNING; AND

EXCEPT ALL OIL, GAS AND MINERAL RIGHTS AS RESERVED IN INSTRUMENT RECORDED IN DOCKET 15, PAGE 70.

TOGETHER WITH PARCEL NO. 2:

THE EAST HALF OF SECTION 35, TOWNSHIP 4 SOUTH, RANGE 3 EAST OF THE GILA AND SALT RIVER BASE AND MERIDIAN, PINAL COUNTY, ARIZONA, LYING SOUTH AND WEST OF THE SOUTHWESTERLY RIGHT OF WAY LINE OF THE SOUTHERN PACIFIC RAILROAD;

EXCEPT ANY PORTION LYING WITHIN THE FOLLOWING DESCRIBED PROPERTY:

COMMENCING AT THE SOUTHEAST CORNER OF SAID SECTION 35;

THENCE NORTH 89 DEGREES 19 MINUTES 10 SECONDS WEST, A DISTANCE OF 1971.27 FEET TO THE TRUE POINT OF BEGINNING;

THENCE CONTINUING NORTH 89 DEGREES 19 MINUTES 10 SECONDS WEST, A DISTANCE OF 765.30 FEET;

THENCE NORTH 01 DEGREE 19 MINUTES 10 SECONDS EAST, A DISTANCE OF 1377.27 FEET;

THENCE SOUTH 27 DEGREES 53 MINUTES 16 SECONDS EAST, A DISTANCE OF 1568.23 FEET TO THE TRUE POINT OF BEGINNING; AND

EXCEPT ANY PORTION LYING WITHIN THE FOLLOWING DESCRIBED PROPERTY:

COMMENCING AT THE SOUTHEAST CORNER OF SAID SECTION 35;

THENCE NORTH 01 DEGREE 12 MINUTES 36 SECONDS EAST, A DISTANCE OF 77.50 FEET TO THE TRUE POINT OF BEGINNING;

THENCE SOUTH 89 DEGREES 44 MINUTES 11 SECONDS WEST, A DISTANCE OF 660.00 FEET;

THENCE NORTH 01 DEGREE 12 MINUTES 38 SECONDS EAST, A DISTANCE OF 1320 FEET;

THENCE NORTH 89 DEGREES 44 MINUTES 11 SECONDS EAST, A DISTANCE OF 660.00 FEET;

THENCE SOUTH 01 DEGREE 12 MINUTES 36 SECONDS WEST, A DISTANCE OF 1320 FEET TO THE TRUE POINT OF BEGINNING; AND

EXCEPT ONE-HALF OF ALL OIL, GAS AND OTHER MINERALS AS RESERVED IN INSTRUMENT RECORDED IN BOOK 85 OF DEEDS, PAGE 228.

EXCEPT FROM PARCEL NOS. 1 AND 2 HEREIN, ANY PORTION LYING WITHIN THE FOLLOWING DESCRIBED PROPERTY, AS SET FORTH BY INSTRUMENT RECORDED IN FEE NO. 2000-016849:

BEGINNING AT THE SOUTHWEST CORNER OF SECTION 35, TOWNSHIP 4 SOUTH, RANGE 3 EAST OF THE GILA AND SALT RIVER BASE AND MERIDIAN, PINAL COUNTY, ARIZONA;

THENCE NORTH 00 DEGREES 22 MINUTES 40 SECONDS EAST 5264 FEET, MORE OR LESS, ALONG THE WEST SECTION LINE OF SAID SECTION 35 TO THE NORTHWEST CORNER OF SAID SECTION 35;

THENCE NORTH 89 DEGREES 05 MINUTES 27 SECONDS EAST, 824 FEET, MORE OR LESS, ALONG THE NORTH SECTION LINE OF SAID SECTION 35 TO THE SOUTHWESTERLY RIGHT OF WAY LINE OF THE SOUTHERN PACIFIC RAILROAD;

THENCE SOUTH 53 DEGREES 52 MINUTES 38 SECONDS EAST 1066 FEET ALONG SAID RIGHT OF WAY LINE;

THENCE LEAVING SAID RIGHT OF WAY LINE, SOUTH 00 DEGREES 00 MINUTES 00 SECONDS EAST 4656 FEET, MORE OR LESS, TO THE EXTENSION OF THE SOUTH SECTION LINE OF SECTION 35 OF SAID TOWNSHIP AND RANGE;

THENCE NORTH 89 DEGREES 43 MINUTES 51 SECONDS WEST 1702 FEET, MORE OR LESS, ALONG SAID SOUTH SECTION LINE TO THE POINT OF BEGINNING.

TOGETHER WITH THOSE PARTICULAR PUBLIC STREETS AND/OR COUNTY ROADWAYS UTILIZED BY THE PUBLIC FOR LEGAL ACCESS TO ANY AND/OR ALL OF THE LANDS DESCRIBED ABOVE.

CONTAINS 3,809 ACRES, MORE OR LESS.

Exhibit C

SAMPLE ACCEPTANCE OF EXPANDED AND AMENDED FRANCHISE

To: Board of Supervisors Pinal County, Arizona

Grantee, Palo Verde Utilities Company, a(n) Arizona corporation, does hereby accept the grant of an First Amended Franchise from Pinal County, Arizona, to construct, operate, and maintain sewer lines and related fixtures along, under and across present and future public streets, alleys and highways, except state highways, within the unincorporated area of Pinal County, Arizona, as described in the Application, which is made a part hereof.

Grantee unconditionally accepts the franchise and covenants to faithfully comply with, abide by, to observe and perform all the provisions, terms and conditions of the First Amended Franchise. Grantee accepts such provisions, terms and conditions and expressly waives any and all objections to the reasonableness or legality of any provisions of the same or any part thereof, or as to the legal right or authority of the County of Pinal to impose the same.

Grantee declares that the statements and recitals in said First Amended Franchise are correct, and Grantee declares it has made and does make the agreement, statements and admissions in said First Amended Franchise recited to have been or to be made by Grantee.

attyciv\franchise\palo verde first amend

ACCEPTANCE OF EXPANDED AND AMENDED FRANCHISE

To: Board of Supervisors Pinal County, Arizona

Grantee, Palo Verde Utilities Company, an Arizona corporation, does hereby accept the September 24, 2003, grant of a First Amended Franchise from Pinal County, Arizona, to construct, operate, and maintain sewer lines and related fixtures along, under and across present and future public streets, alleys and highways, except state highways, within the unincorporated area of Pinal County, Arizona, as described in the Application, which is made a part hereof.

Grantee unconditionally accepts the franchise and covenants to faithfully comply with, abide by, to observe and perform all the provisions, terms and conditions of the First Amended Franchise. Grantee accepts such provisions, terms and conditions and expressly waives any and all objections to the reasonableness or legality of any provisions of the same or any part thereof, or as to the legal right or authority of the County of Pinal to impose the same.

Grantee declares that the statements and recitals in said First Amended Franchise are correct, and Grantee declares it has made and does make the agreement, statements and admissions in said First Amended Franchise recited to have been or to be made by Grantee.

Dated this 24th day of September, 2003.

Palo Verde Utilities Company

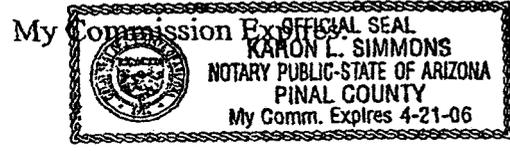
By: Cindy M. Giles

Title: VP-CFO

STATE OF ARIZONA)
) ss.
County of)

The foregoing instrument was acknowledged before me this 24th day of September 2003, by Cindy M. Giles of Palo Verde Utilities Co, an Arizona corporation, and being authorized to do so, executed the foregoing instrument on behalf of the corporation for the purposes therein stated.

Notary Public Karen L. Simmons



**AGENDA FORM
FOR
PINAL COUNTY BOARD of SUPERVISORS**

Budgeted: N/A
 Generales Revenue for County: No
 Revenue Generated : N/A
 Uses County Funds: No
 Source of Funds: N/A
 Cost to County: N/A
 Reduces/Contains: N/A
 Expenditure Reduced:/Contained: N/A

Competitive negotiations (PC1-347 D1) N/A
 Two step competitive negotiation (PC1-347 D2) N/A
 Review of Qualifications (PC1-347D3) N/A
 Multi step sealed bidding (PC1-326) N/A
 Intergovernmental Agreement (PC1-1003) N/A
 Competitive sealed proposals RFP (PC1-329) N/A
 Expenditures for County: Other (PC1-____) N/A

1. REQUESTED BY:
 Fund No: 10 Dept No: 1037 Dept. Name: Special Services Director: Gary Medina

2. BRIEF DESCRIPTION OF AGENDA ITEM AND REQUESTED BOARD ACTION: **Agenda Item for September 24, 2003**
Discussion/Approval/Disapproval of the petition from Palo Verde Utilities Company, LLC for an expansion of their wastewater utility franchise. The requested franchise expansion area is as follows: Portions of Sections 15 and 21, all of Sections 22, 23, 24, portions of Section 25, Section 26, except the W1/2 of the W1/2, portions of the NW1/4 of Section 34, portions of Section 35 and 36, all in Township 4 South, Range 3 East, Gila & Salt River Base and Meridian, Pinal County, Arizona.

3. MOTION: It is moved that the Pinal County Board of Supervisors ...
SUGGESTED MOTION: Approve the First Amended Palo Verde Utilities Company, LLC wastewater utility franchise expansion/amendment document as presented.

4. DEPARTMENT:
Gary J. Medina 9/15/03
 Action recommended by Date

7. DEPUTY COUNTY MANAGER:
Gary D. ... 9/15/03
 Approve Disapprove

5. GRANTS AND CONTRACTS ADMINISTRATOR:

 Date _____
 Approve Disapprove

8. PURCHASING DEPARTMENT:

 Date _____
 Approve Disapprove

6. COUNTY ATTORNEY'S OFFICE:
[Signature] 9/15/03
 Date
 Approved as to form and within the powers and authority granted under the laws of the State of Arizona to the Pinal County Board of Supervisors.

9. FINANCE OFFICE:

 Date _____
 Approve Disapprove

10. COUNTY MANAGER: _____
 Date _____
 APPROVE DISAPPROVE

11. BOARD OF SUPERVISORS:
 Action Taken: Approve Amend Disapprove Delete
MOVE *[Signature]*
 CHAIRMAN: _____ Date: 9/24/03
 CLERK OF THE BOARD: _____ Date: 9/24/03

**Amended Utility
Franchise
with
Pinal County**

for

Santa Cruz Water Co.

Expansion and Amendment Of The Santa Cruz Water Company Franchise

WHEREAS, Santa Cruz Water Company had received a water franchise from Pinal County to establish and maintain domestic water services on December 3, 1997, a copy of which is attached as Exhibit "A" (hereinafter "Original Franchise"); and

WHEREAS, Santa Cruz Water Company, an Arizona corporation, duly authorized to conduct business in the State of Arizona, has duly filed and presented to the Board of Supervisors of the County of Pinal, State of Arizona, its application for expansion of the Original Franchise for the purpose of constructing, operating and maintaining domestic water system lines and related appurtenances along, under and across the public streets, alleys and highways, except federal and state highways, within the unincorporated area of Pinal County, Arizona, as described in Exhibit "B" attached hereto (hereinafter "Expansion").

WHEREAS, upon filing of Santa Cruz Water Company's application for the Expansion, the Board of Supervisors of Pinal County ordered a public notice of its intent to consider the granting of the Expansion to be published in a newspaper of general circulation, in Pinal County, Arizona, stating the time and place for consideration of the Expansion was set for 9:30 a.m. on September 24, 2003, at the Pinal County Board of Supervisors' Hearing Room, Administration Building No. 1, Florence, Arizona.

WHEREAS, said application for the Expansion and Amendment having come on regularly for hearing at 9:30 a.m. on September 24, 2003; and it appearing from the affidavit of the publisher of the Florence Reminder & Blade-Tribune and the Casa Grande Dispatch that due and regular notice of said time and place set for the consideration of such action has been published for at least once a week for three consecutive weeks prior to said hearing date, to-wit: in the issues of the Florence Reminder & Blade-Tribune and the Casa Grande Dispatch published on September 4, 2003, September 11, 2003, and September 18, 2003, and the matter being called for hearing at 9:30 a.m. on September 24, 2003, an opportunity having been given to all interested parties to be heard.

WHEREAS, the Board of Supervisors of Pinal County has the power to amend an existing franchise under its general police powers in such matters.

NOW, THEREFORE,

Section 1: DEFINITIONS

The following terms used in this expansion and amendment of the Original Franchise shall have the following meanings:

- A. County: Pinal County, Arizona
- B. Board: Board of Supervisors of Pinal County, Arizona.
- C. Grantor: Pinal County, by and through its Board of Supervisors
- D. Grantee: Santa Cruz Water Company, an Arizona corporation, its successors and assigns
- E. Grantee's Facilities: domestic water lines and related appurtenances

Section 2: GRANT

A. Grantor, on September 24, 2003, hereby grants to Grantee, for a period of time not to exceed the Original Franchise, this expanded and amended franchise (hereinafter "First Amended Franchise") for the purpose of constructing, operating and maintaining domestic water system lines and related appurtenances along, under and across public streets, alleys and highways, except federal and state highways, under the terms and conditions set forth herein within the unincorporated area of Pinal County, Arizona, as described in the Expansion and the Original Franchise (hereinafter "Franchise Area").

B. Nonexclusive Franchise.

(1) The First Amended Franchise granted hereby shall not be exclusive and shall not restrict in any manner the right of County in the exercise of any regulatory power which it now has or which may hereafter be authorized or permitted by the laws of the State of Arizona. Nothing herein shall be construed to prevent County from granting other like or similar franchises to any other person, firm or corporation. County retains and shall ever be considered as having and retaining the right and power to allow and to grant to any other person, firm, corporation or other companies, franchise rights and privileges to be exercised in and upon its public streets, alleys, highways and public places, and such of the same and parts thereof as County may deem best or choose to allow, permit, give or grant.

(2) Nothing herein shall be construed to prevent County and its proper authorities from constructing and installing sewers, gutters, or improvements to its public highways, streets and

alleys, and for that purpose, to require the Grantee at Grantee's own expense to remove Grantee's facilities to conform thereto and facilitate the same.

C. Reservation of Rights.

(1) County reserves the right to alter and amend the First Amended Franchise at any time and in any manner necessary for the safety or welfare of the public or to protect the public interests, and County reserves the right to impose at any time restrictions and limitations upon the use of the public streets, alleys and highways as County deems best for the public safety or welfare.

(2) County expressly reserves the right, after due notice to grantee, to modify, amend, alter, change or eliminate any of the provisions of the First Amended Franchise which may become obsolete or impractical; and to impose such additional conditions upon the grantee as may be just and reasonable, such conditions to be those deemed necessary for the purpose of insuring adequate service to the public; provided however, County shall not modify, amend, alter, change or eliminate any of said provisions until after a public hearing, if such is legally required or requested by grantee.

Section 3: RENEWAL/SUBSEQUENT APPLICATION/REMOVAL OF SYSTEM

A. The First Amended Franchise herein granted shall expire on the date provided for in the Original Franchise, or upon any prior forfeiture; and upon its termination, Grantee shall cease to exercise under the terms of the First Amended Franchise the privileges herein granted. In the event Grantee desires a renewal of the First Amended Franchise herein granted, or a new franchise for a subsequent period, Grantee shall apply to and open negotiations with County for that purpose at least six (6) months before the expiration of the First Amended Franchise herein granted; but nothing herein shall be construed to bind County to grant such renewal or subsequent franchise.

B. Upon termination of the First Amended Franchise, or any renewal thereof, the grantee shall remove its facilities from the streets, alleys, ways, highways and bridges within the Franchise Area and shall restore the areas to their original condition. If such removal is not completed within six months of such termination, County may deem any property not removed as having been abandoned.

Section 4: REGULATION

Grantee, its successors and assigns shall be subject to reasonable regulations for the maintenance by grantee, its successors and assigns, of such portion of the public streets, alleys and highways used for the purpose of the First Amended Franchise now in force or that may hereafter be enacted and inconsistent herewith.

Section 5: CONSTRUCTION, INSTALLATION AND REPAIRS

AGENDA FORM FOR PINAL COUNTY BOARD OF SUPERVISORS

Budgeted: N/A
Generates Revenue for County: No
Revenue Generated: N/A
Uses County Funds: No
Source of Funds: N/A
Cost to County: N/A
Reduces/Contains: N/A
Expenditure Reduced/Contained: N/A

Competitive negotiations (PC1-347 D1) N/A
Two step competitive negotiation (PC1-347 D2) N/A
Review of Qualifications (PC1-347D3) N/A
Multi step sealed bidding (PC1-326) N/A
Intergovernmental Agreement (PC1-1003) N/A
Competitive sealed proposals RFP (PC1-329) N/A
Expenditures for County: Other (PC1-) N/A

1. REQUESTED BY: Fund No: 10 Dept No: 1037 Dept. Name: Special Services Director: Gary Medina

2. BRIEF DESCRIPTION OF AGENDA ITEM AND REQUESTED BOARD ACTION: Agenda Item for September 24, 2003 Discussion/Approval/Disapproval of the petition from Santa Cruz Water Company, LLC for an expansion of their water utility franchise.

3. MOTION: It is moved that the Pinal County Board of Supervisors... SUGGESTED MOTION: Approve the First Amended Santa Cruz Water Company, LLC water utility franchise expansion/amendment document as presented.

4. DEPARTMENT: Action recommended by Gary D. Medina Date 9/15/03

7. DEPUTY COUNTY MANAGER: Approve [X] Disapprove [] Date 9/15/03

5. GRANTS AND CONTRACTS ADMINISTRATOR: Approve [] Disapprove [] Date

8. PURCHASING DEPARTMENT: Approve [] Disapprove [] Date

6. COUNTY ATTORNEY'S OFFICE: Approved as to form and within the powers and authority granted under the laws of the State of Arizona to the Pinal County Board of Supervisors. Date 9/15/03

9. FINANCE OFFICE: Approve [] Disapprove [] Date

10. COUNTY MANAGER: APPROVE [] DISAPPROVE [] Date

11. BOARD OF SUPERVISORS: Action Taken: [X] Approve [] Amend [] Disapprove [] Delete [] CHAIRMAN: DATE 9/24/03 CLERK OF THE BOARD: DATE 9/24/03

ACCEPTANCE OF EXPANDED AND AMENDED FRANCHISE

To: Board of Supervisors Pinal County, Arizona

Grantee, Santa Cruz Water Company, a(n) Arizona corporation, does hereby accept the September 24, 2003 grant of a First Amended Franchise from Pinal County, Arizona, to construct, operate, and maintain domestic water system, lines and related fixtures along, under and across present and future public streets, alleys and highways, except state highways, within the unincorporated area of Pinal County, Arizona, as described in the Application, which is made a part hereof.

Grantee unconditionally accepts the franchise and covenants to faithfully comply with, abide by, to observe and perform all the provisions, terms and conditions of the First Amended Franchise. Grantee accepts such provisions, terms and conditions and expressly waives any and all objections to the reasonableness or legality of any provisions of the same or any part thereof, or as to the legal right or authority of the County of Pinal to impose the same.

Grantee declares that the statements and recitals in said First Amended Franchise are correct, and Grantee declares it has made and does make the agreement, statements and admissions in said First Amended Franchise recited to have been or to be made by Grantee.

Dated this 24th day of September, 2003.

Santa Cruz Water Company

By: Cindy M. Liles

Title: VP - CFO

STATE OF ARIZONA)
) ss.
County of)

The foregoing instrument was acknowledged before me this 24th day of September 2003, by Cindy M. Liles of Santa Cruz Water Co. a(n) Arizona corporation, and being authorized to do so, executed the foregoing instrument on behalf of the corporation for the purposes therein stated.

Notary Public

Karon L. Simmons

My Commission Expires:

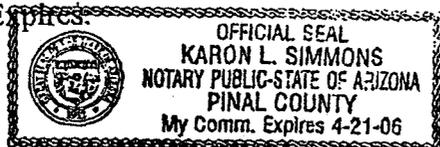


Exhibit A



OFFICIAL RECORDS OF
PINAL COUNTY RECORDER

KATHLEEN C. FELIX

DATE: 03/10/98 TIME: 1349
FEE : 0.00
PAGES: 2
FEE NO: 1998-009173

When recorded mail to:

Clerk of the Board
P.O. Box 827
Florence, Arizona 85232

(The above space reserved for recording information)

Acceptance of Santa Cruz Water Franchise

Recorded 1/25/98, Fee No. 1995-003073

REGISTERED

MAR 27 1998

PINAL COUNTY AFFIDAVIT
CIVIL DIVISION

ACCEPTANCE OF FRANCHISE

To: Board of Supervisors Pinal County, Arizona

Grantee, Santa Cruz Water Company, a(n) Arizona corporation, does hereby accept the 12-3-97 grant of a new public utility franchise from Pinal County, Arizona, (hereinafter "Franchise"), to construct, operate, and maintain water lines and related fixtures along, under and across present and future public streets, alleys and highways, except state highways, within the unincorporated area of Pinal County, Arizona, as stated in its application for a new public utility franchise.

Grantee unconditionally accepts the franchise and covenants to faithfully comply with, abide by, to observe and perform all the provisions, terms and conditions of the Franchise. Grantee accepts such provisions, terms and conditions and expressly waives any and all objections to the reasonableness or legality of any provisions of the same or any part thereof, or as to the legal right or authority of the County of Pinal to impose the same.

Grantee declares that the statements and recitals in said Franchise are correct, and Grantee declares it has made and does make the agreement, statements and admissions in said Franchise recited to have been or to be made by Grantee.

Dated this 17th day of February, 1998.

Santa Cruz Water Company

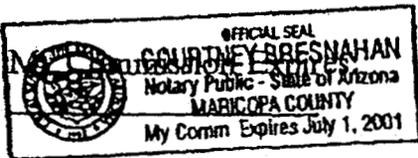
By: [Signature]

Title: President

STATE OF ARIZONA)
) ss.
County of Maricopa)

The foregoing instrument was acknowledged before me this 17th day of February, 1998, by Michael Penabaz, President of Santa Cruz Water Co., a(n) Arizona corporation, and being authorized to do so, executed the foregoing instrument on behalf of the corporation for the purposes therein stated.

[Signature]
Notary Public





OFFICIAL RECORDS OF
PINAL COUNTY RECORDER

KATHLEEN C. FELIX

DATE: 01/28/98 TIME: 1318
FEE : 0.00
PAGES: 16
FEE NO: 1998-003073

When recorded mail to:

Clerk of the Board
P.O. Box 827
Florence, Arizona 85232

Creation Of The Santa Cruz Water Franchise

WHEREAS, Santa Cruz Water Company, a(n) Arizona corporation, duly authorized to conduct business in the State of Arizona, has duly filed and presented to the Board of Supervisors of the County of Pinal, State of Arizona, its application for a new public utility franchise for the purpose of constructing, operating and maintaining water lines and related appurtenances along, under and across the public streets, alleys and highways, except federal and state highways, within the unincorporated area of Pinal County, Arizona, as described in Exhibit "A" attached hereto (hereinafter "Application").

WHEREAS, upon filing of the Application for the public utility franchise, the Board of Supervisors of Pinal County ordered a public notice of its intent to consider the granting of the public utility franchise to be published in a newspaper of general circulation, in Pinal County, Arizona, stating the time and place for consideration of the Application was set for 10:00 A.M. on December 3, 1997, at the Pinal County Board of Supervisors' Hearing Room, Administration Building No. 1, Florence, Arizona.

WHEREAS, said Application having come on regularly for hearing at 10:45 A.M. on December 3, 1997; and it appearing from the affidavit of the publisher of the Casa Grande Valley Newspaper, Inc. that due and regular notice of said time and place set for the consideration of such action has been published for at least once a week for three consecutive weeks prior to said hearing date, to-wit: in the issues of the Casa Grande Dispatch published on November 12, 1997, November 19, 1997, and November 26, 1997; and the matter being called for hearing at 10:45 A.M., and an opportunity having been given to all interested parties to be heard.

WHEREAS, the Board of Supervisors of Pinal County has the power to create a water and sewer franchise under its general police powers in such matters.

NOW, THEREFORE,

Section 1: DEFINITIONS

The following terms used in this expansion and amendment of the Original Franchise shall have the following meanings:

A. County: Pinal County, Arizona

Santa Cruz Water Franchise

- B. Board: Board of Supervisors of Pinal County, Arizona.
- C. Grantor: Pinal County, by and through its Board of Supervisors
- D. Grantee: Santa Cruz Water Company, a(n) Arizona corporation, its successors and assigns
- E. Grantee's Facilities: Water lines and related appurtenances

Section 2: GRANT

A. Grantor, on December 3, 1997, hereby grants to Grantee, for a period of twenty-five years, this new public utility franchise (hereinafter "Franchise") for the purpose of constructing, operating and maintaining water lines and related appurtenances along, under and across public streets, alleys and highways, except federal and state highways, under the terms and conditions set forth herein within the unincorporated area of Pinal County, Arizona, as described in the Application (hereinafter "Franchise Area").

B. Nonexclusive Franchise.

(1) The Franchise granted hereby shall not be exclusive and shall not restrict in any manner the right of County in the exercise of any regulatory power which it now has or which may hereafter be authorized or permitted by the laws of the State of Arizona. Nothing herein shall be construed to prevent County from granting other like or similar franchises to any other person, firm or corporation. County retains and shall ever be considered as having and retaining the right and power to allow and to grant to any other person, firm, corporation or other companies, franchise rights and privileges to be exercised in and upon its public streets, alleys, highways and public places, and such of the same and parts thereof as County may deem best or choose to allow, permit, give or grant.

(2) Nothing herein shall be construed to prevent County and its proper authorities from constructing and installing water lines, sewers, gutters, or improvements to its public highways, streets and alleys, and for that purpose, to require the Grantee at Grantee's own expense to remove Grantee's facilities to conform thereto and facilitate the same.

C. Reservation of Rights.

(1) County reserves the right to alter and amend the Franchise at any time and in any manner necessary for the safety or welfare of the public or to protect the public interests, and County reserves the right to impose at any time restrictions and limitations upon the use of the public streets, alleys and highways as County deems best for the public safety or welfare.

(2) County expressly reserves the right, after due notice to grantee, to modify, amend, alter, change or eliminate any of the provisions of the Franchise which may become obsolete or impractical; and to impose such additional conditions upon the grantee as may be just and reasonable, such conditions to be those deemed necessary for the purpose of insuring adequate service to the public; provided however, County shall not modify, amend, alter, change or eliminate any of said provisions until after a public hearing, if such is legally required or requested by grantee.

Section 3: RENEWAL/SUBSEQUENT APPLICATION/REMOVAL OF SYSTEM

A. The Franchise herein granted shall expire on the December 2, 2022; and upon its termination, Grantee shall cease to exercise under the terms of the Franchise the privileges herein granted. In the event Grantee desires a renewal of the Franchise herein granted, or a new franchise for a subsequent period, Grantee shall apply to and open negotiations with County for that purpose at least six (6) months before the expiration of the Franchise herein granted; but nothing herein shall be construed to bind County to grant such renewal or subsequent franchise.

B. Upon termination of the Franchise the grantee shall remove its facilities from the streets, alleys, ways, highways and bridges within the Franchise Area and shall restore the areas to their original condition. If such removal is not completed within six months of such termination, County may deem any property not removed as having been abandoned.

Section 4: REGULATION

Grantee, its successors and assigns shall be subject to reasonable regulations for the maintenance by grantee, its successors and assigns, of such portion of the public streets, alleys and highways altered, damaged or destroyed by Grantee, its agents or employees in exercising the privileges granted by the Franchise.

Section 5: CONSTRUCTION, INSTALLATION AND REPAIRS

A. Prior to the beginning of any construction for installation of water lines and related appurtenances, the Grantee, its successors and assigns will submit a plan of proposed construction to the Pinal County Engineer and will not commence any construction until the plan of construction is approved by the County Engineer or his designate.

B. All work performed by Grantee under the Franchise shall be done in the manner prescribed by County and subject to the supervision of County, and in strict compliance with all laws, ordinances, rules and regulations of federal, state and local governments.

C. No construction, reconstruction, repair, or relocation under the Franchise shall be commenced until written permits have been obtained from the proper county officials. In any permit so issued, such officials may impose such conditions and regulations as a condition of the granting of the same as are necessary for the purpose of protecting any structures in the highways or streets and for the proper restoration of such highways, streets

and structures, and for the protection of the public and the continuity of pedestrian and vehicular traffic.

D. No construction under the Franchise by grantee shall impose upon County the duty to maintain any public street, alley or highway unless County accepts said public street, alley or highway into the county maintenance system as provided by law.

Section 6: INSPECTION

County shall, if it deems it necessary, have the right to inspect the construction, operation and maintenance of Grantee's facilities to insure the proper performance of the terms of the Franchise granted herein.

Section 7: SUFFICIENCY, LOCATION AND MAINTENANCE

All of Grantee's Facilities shall be in all respects adequate, efficient, substantial and permanent in design and workmanship, and shall be so located, erected and maintained so as not to interfere with the use and enjoyment of the public streets, alleys and highways. All of Grantee's Facilities erected by Grantee shall be maintained in a safe, suitable, substantial condition and in good order and repair.

Section 8: EXPANSION

Grantee will, from time to time, during the term of the Franchise make such enlargements and extensions of its water system as are necessary to adequately provide for the requirements of County and the inhabitants of the Franchise Area; provided that nothing herein shall compel Grantee to expand or enlarge its system beyond the economic and operating limits thereof. Such enlargements and extensions shall be made in accordance with company rules and regulations.

Section 9: RELOCATION

A. During the term of the Franchise whenever County or any qualified authority having jurisdiction in the Franchise Area alters, repairs, improves, or changes the grade of, any public streets, alleys and highways in the Franchise Area during the term of the Franchise, then and in such event, Grantee, its successors or assigns, at its own expense, shall promptly, upon reasonable notice, make such changes in the location, structure or alignment of its water lines and related appurtenances as the public officials in charge of such work may deem necessary.

B. After thirty (30) days notice to Grantee, of needed changes or corrections and upon the failure of Grantee, to make such changes set forth in Section 9(A) above or to correct any damage to the right-of-way of any public street, alley or highway within the Franchise Area caused directly or indirectly by Grantee, its agents, successors or assigns, County or its successors shall have the right to make such changes or corrections at the expense of said Grantee, its successors or assigns, and such expenses shall be due and payable upon written demand by County or its successors to Grantee, its successors or assigns.

Section 10: LIABILITY

A. If any streets, highways, alleys, ways, bridges, sidewalks, public place, or other public facility should be disturbed, altered, damaged or destroyed by Grantee, its employees, contractors, subcontractors or agents in the construction, installation, operation and maintenance of Grantee's Facilities under the Franchise, the same shall be promptly repaired, reconstructed, replaced or restored by Grantee, without cost to County, as soon as practicable and in as good condition as before Grantee's entry and to the satisfaction of County. If Grantee fails to make such restoration and repairs within a reasonable time as determined by County, then County may fix a reasonable time for such restoration and repairs and shall notify Grantee in writing of the restoration and repairs required and the time fixed for the performance thereof. Upon failure of Grantee to comply within the time specified, County may cause proper restoration and repairs to be made, and the expense of such work shall be paid by Grantee upon demand by County.

B. Grantee shall be responsible to every owner of property which shall be injured by the work of construction, installation, operation or maintenance of Grantee's Facilities under the Franchise, all physical damage which shall be done to such injured property through any act or omission of Grantee, its employees, contractors, subcontractors or agents arising out of said construction, installation, operation or maintenance.

C. It is a condition of the Franchise that County shall not and does not by reason of the Franchise assume any liability of the Grantee whatsoever for injury to persons or damage to property.

Section 11: INDEMNIFICATION

Grantee by its acceptance of the Franchise agrees for itself, its successors and assigns that throughout the entire term of this franchise, Grantee, its successors and assigns, at its sole cost and expense, shall indemnify, defend, save and hold harmless Pinal County, its elected officers, employees and agents from any and all lawsuits, judgments and claims for injury, death and damage to persons and property, both real and personal, caused by the construction, design, installation, operation or maintenance of any structure, equipment, water lines or related appurtenances by Grantee within the Franchise Area. Indemnified expenses shall include, but not be limited to, litigation and arbitration expenses, and attorneys' fees.

Section 12: ACCEPTANCE BY GRANTEE / EFFECTIVE DATE FRANCHISE

The Franchise shall be accepted by Grantee by written instrument in the form attached hereto as Exhibit "B" (hereinafter "Acceptance"), executed and acknowledged by it as a deed is required to be, and filed with the Clerk of the Pinal County Board of Supervisors within thirty days after the date this Franchise is accepted by County. This Franchise shall be effective upon delivery of the Acceptance to the Clerk of the Pinal County Board of Supervisors in the form required and within the time specified above.

Section 13: LIMITS ON GRANTEE'S RECOURSE

A. Grantee by its acceptance of the Franchise acknowledges such acceptance relies upon grantee's own investigation and understanding of the power and authority of the County to grant said franchise. Grantee by its acceptance of the Franchise accepts the validity of the terms and conditions of the Franchise in their entirety and agrees it will not, at any time, proceed against County in any claim or proceeding challenging any term or provision of the Franchise as unreasonable, arbitrary or void, or that County did not have the authority to impose such term or condition.

B. Grantee by accepting the Franchise acknowledges that it has not been induced to accept the same by any promise, verbal or written, by or on behalf of County or by any third person regarding any term or condition of the Franchise not expressed therein. Grantee by its acceptance of the Franchise further pledges that no promise or inducement, oral or written, has been made to any employee or official of County regarding receipt of the Franchise.

C. Grantee by its acceptance of the Franchise further acknowledges that it has carefully read the terms and conditions of the Franchise and accepts without reservation the obligations imposed by the terms and conditions herein.

D. The Board's decision concerning its selection and awarding of the Franchise shall be final.

Section 14: FAILURE TO ENFORCE FRANCHISE

Grantee shall not be excused from complying with any of the terms and conditions of the Franchise by any failure of County, upon any one or more occasions, to insist upon the Grantee's performance or to seek Grantee's compliance with any one or more of such terms or conditions.

Section 15: COMPLIANCE WITH THE LAW

Grantee shall at all times, conduct its business under the Franchise in accordance with all federal, state and local laws, rules and regulations, as amended, including any future amendments thereto as may, from time to time, be adopted.

Section 16: INTERPRETATION/GOVERNING LAW

The interpretation and performance of the Franchise and of the general terms and conditions shall be in accordance with and governed by the laws of the State of Arizona.

Section 17: VENUE

Exclusive venue for any legal action to enforce the provisions, terms and conditions of the Franchise shall be the Superior Court of the State of Arizona in and for the County of Pinal, Florence, Arizona..

Section 18: SEVERABILITY

If any section, provision, term or covenant or any portion of any section, provision, term or covenant of the Franchise is determined to be illegal, invalid or unconstitutional, by any court of competent jurisdiction or by any state or federal regulatory agency having jurisdiction thereof, such determination shall have no effect on any remaining portion of such section, provision, term or covenant or the remaining sections, provisions, terms or covenants of the Franchise, all of which will remain in full force and effect for the term of the Franchise or any renewal or renewals thereof.

Section 19: FORFEITURE

A. If Grantee fails to comply with any of the provisions of this agreement or defaults in any of its obligations hereunder, except for causes beyond the reasonable control of Grantee; and shall fail within thirty (30) days after written notice from County to commence, and within a reasonable time, complete the correction of such default or noncompliance, County shall have the right to revoke this agreement and all rights of Grantee hereunder. In the event Grantee makes a general assignment or general arrangement for the benefit of creditors; or a trustee or receiver is appointed to take possession of substantially all of Grantee's Facilities within the Franchise Area or of Grantee's interest in this Franchise, where possession is not restored to Grantee within thirty (30) days; or Grantee's Facilities within the Franchise Area are subject to an attachment, execution or other seizure of substantially all of the Grantee's Facilities within the Franchise Area or this Franchise, where such seizure is not discharged within thirty (30) days, County may declare the Franchise, along with the Original Franchise, forfeited and terminated.

B. Nothing herein contained shall limit or restrict any other legal rights that County may possess arising from such violations.

Section 20: REVOCATION OF FRANCHISE

The Franchise may after due notice and hearing, be revoked by County for any of the following reasons:

- A. For false or misleading statements in, or material omissions from the application for and the hearing on the granting of the Franchise.
- B. For any transfer or assignment of the Franchise or control thereof without County's written consent.
- C. For failure to comply with any of the terms and conditions of the Franchise.

Section 21: ASSIGNMENT/TRANSFER

Grantee shall not assign or transfer any interest in the Franchise without the prior written consent of County. Said Board shall not unreasonably withhold its consent to a proposed transfer.

Section 22: NOTICE

Notices required under the Franchise shall be delivered or sent by certified mail, postage prepaid to:

Grantor:

Clerk of the Pinal County Board of Supervisors
 P.O. Box 827
 31 N. Pinal
 Florence, Arizona 85232

Grantee:

Santa Cruz Water Company
 426 N. 44th Street
 Suite 100
 Phoenix, Arizona 85008

The delivery or mailing of such notice shall be equivalent to direct personal notice and shall be deemed to have been given at the time of delivery. Either party may change its address under this section by written notice to the other party.

Section 23: REMEDIES

Rights and remedies reserved to the parties by the Franchise are cumulative and shall be in addition to and not in derogation of any other rights or remedies which the parties may have with respect to the subject matter of the Franchise and a waiver thereof at any time shall not affect any other time.

Section 24: RIGHT OF INTERVENTION

County hereby reserves to itself, and Grantee hereby grants to County, the right to intervene in any suit, action or proceeding involving any provision in the Franchise.

Section 25: BOOKS AND RECORDS

Grantee shall maintain books and records that identify all of Grantee's underground facilities by type and location within the Franchise Area. Grantee will make such books and records available to County upon County's request and without cost to County.

Section 26: AD VALOREM TAXES

Grantee shall pay its ad valorem taxes before they become delinquent. To accomplish this, Grantee shall deposit a sum equal to one-half of the prior years taxes in a separate trust account to pay the current years taxes. Pinal County, through its agents shall have the right to audit the account at any time during normal business hours.

Exhibit A



OFFICIAL RECORDS OF
PINAL COUNTY RECORDER

KATHLEEN C. FELIX

DATE: 03/10/98 TIME: 1349
FEE : 0.00
PAGES: 2
FEE NO: 1998-009173

When recorded mail to:

Clerk of the Board
P.O. Box 827
Florence, Arizona 85232

(The above space reserved for recording information)

Acceptance of Santa Cruz Water Franchise

Recorded 1/25/98, Fee No. 1995-003073

REGISTERED

MAR 27 1998

PINAL COUNTY ATTORNEY
CIVIL DIVISION

ACCEPTANCE OF FRANCHISE

To: Board of Supervisors Pinal County, Arizona

Grantee, Santa Cruz Water Company, a(n) Arizona corporation, does hereby accept the 12-3-97 grant of a new public utility franchise from Pinal County, Arizona, (hereinafter "Franchise"), to construct, operate, and maintain water lines and related fixtures along, under and across present and future public streets, alleys and highways, except state highways, within the unincorporated area of Pinal County, Arizona, as stated in its application for a new public utility franchise.

Grantee unconditionally accepts the franchise and covenants to faithfully comply with, abide by, to observe and perform all the provisions, terms and conditions of the Franchise. Grantee accepts such provisions, terms and conditions and expressly waives any and all objections to the reasonableness or legality of any provisions of the same or any part thereof, or as to the legal right or authority of the County of Pinal to impose the same.

Grantee declares that the statements and recitals in said Franchise are correct, and Grantee declares it has made and does make the agreement, statements and admissions in said Franchise recited to have been or to be made by Grantee.

Dated this 17th day of July, 1998.

Santa Cruz Water Company

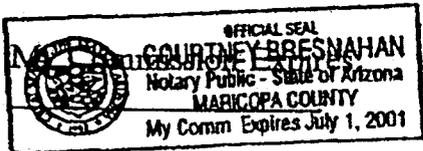
By: [Signature]

Title: President

STATE OF ARIZONA)
) ss.
County of Maricopa)

The foregoing instrument was acknowledged before me this 17th day of July, 1998, by Michael Penabaz, President of Santa Cruz Water Co., a(n) Arizona corporation, and being authorized to do so, executed the foregoing instrument on behalf of the corporation for the purposes therein stated.

[Signature]
Notary Public



 OFFICIAL RECORDS OF
PINAL COUNTY RECORDER
KATHLEEN C. FELIX

DATE: 01/28/98 TIME: 1318
FEE : 0.00
PAGES: 16
FEE NO: 1998-003073

When recorded mail to:

Clerk of the Board
P.O. Box 827
Florence, Arizona 85232

Creation Of The Santa Cruz Water Franchise

WHEREAS, Santa Cruz Water Company, a(n) Arizona corporation, duly authorized to conduct business in the State of Arizona, has duly filed and presented to the Board of Supervisors of the County of Pinal, State of Arizona, its application for a new public utility franchise for the purpose of constructing, operating and maintaining water lines and related appurtenances along, under and across the public streets, alleys and highways, except federal and state highways, within the unincorporated area of Pinal County, Arizona, as described in Exhibit "A" attached hereto (hereinafter "Application").

WHEREAS, upon filing of the Application for the public utility franchise, the Board of Supervisors of Pinal County ordered a public notice of its intent to consider the granting of the public utility franchise to be published in a newspaper of general circulation, in Pinal County, Arizona, stating the time and place for consideration of the Application was set for 10:00 A.M. on December 3, 1997, at the Pinal County Board of Supervisors' Hearing Room, Administration Building No. 1, Florence, Arizona.

WHEREAS, said Application having come on regularly for hearing at 10:45 A.M. on December 3, 1997; and it appearing from the affidavit of the publisher of the Casa Grande Valley Newspaper, Inc. that due and regular notice of said time and place set for the consideration of such action has been published for at least once a week for three consecutive weeks prior to said hearing date, to-wit: in the issues of the Casa Grande Dispatch published on November 12, 1997, November 19, 1997, and November 26, 1997; and the matter being called for hearing at 10:45 A.M., and an opportunity having been given to all interested parties to be heard.

WHEREAS, the Board of Supervisors of Pinal County has the power to create a water and sewer franchise under its general police powers in such matters.

NOW, THEREFORE,

Section 1: DEFINITIONS

The following terms used in this expansion and amendment of the Original Franchise shall have the following meanings:

A. County: Pinal County, Arizona

Santa Cruz Water Franchise

- B. Board: Board of Supervisors of Pinal County, Arizona.
- C. Grantor: Pinal County, by and through its Board of Supervisors
- D. Grantee: Santa Cruz Water Company, a(n) Arizona corporation, its successors and assigns
- E. Grantee's Facilities: Water lines and related appurtenances

Section 2: GRANT

A. Grantor, on December 3, 1997, hereby grants to Grantee, for a period of twenty-five years, this new public utility franchise (hereinafter "Franchise") for the purpose of constructing, operating and maintaining water lines and related appurtenances along, under and across public streets, alleys and highways, except federal and state highways, under the terms and conditions set forth herein within the unincorporated area of Pinal County, Arizona, as described in the Application (hereinafter "Franchise Area").

B. Nonexclusive Franchise.

(1) The Franchise granted hereby shall not be exclusive and shall not restrict in any manner the right of County in the exercise of any regulatory power which it now has or which may hereafter be authorized or permitted by the laws of the State of Arizona. Nothing herein shall be construed to prevent County from granting other like or similar franchises to any other person, firm or corporation. County retains and shall ever be considered as having and retaining the right and power to allow and to grant to any other person, firm, corporation or other companies, franchise rights and privileges to be exercised in and upon its public streets, alleys, highways and public places, and such of the same and parts thereof as County may deem best or choose to allow, permit, give or grant.

(2) Nothing herein shall be construed to prevent County and its proper authorities from constructing and installing water lines, sewers, gutters, or improvements to its public highways, streets and alleys, and for that purpose, to require the Grantee at Grantee's own expense to remove Grantee's facilities to conform thereto and facilitate the same.

C. Reservation of Rights.

(1) County reserves the right to alter and amend the Franchise at any time and in any manner necessary for the safety or welfare of the public or to protect the public interests, and County reserves the right to impose at any time restrictions and limitations upon the use of the public streets, alleys and highways as County deems best for the public safety or welfare.

(2) County expressly reserves the right, after due notice to grantee, to modify, amend, alter, change or eliminate any of the provisions of the Franchise which may become obsolete or impractical; and to impose such additional conditions upon the grantee as may be just and reasonable, such conditions to be those deemed necessary for the purpose of insuring adequate service to the public; provided however, County shall not modify, amend, alter, change or eliminate any of said provisions until after a public hearing, if such is legally required or requested by grantee.

Section 3: RENEWAL/SUBSEQUENT APPLICATION/REMOVAL OF SYSTEM

A. The Franchise herein granted shall expire on the December 2, 2022; and upon its termination, Grantee shall cease to exercise under the terms of the Franchise the privileges herein granted. In the event Grantee desires a renewal of the Franchise herein granted, or a new franchise for a subsequent period, Grantee shall apply to and open negotiations with County for that purpose at least six (6) months before the expiration of the Franchise herein granted; but nothing herein shall be construed to bind County to grant such renewal or subsequent franchise.

B. Upon termination of the Franchise the grantee shall remove its facilities from the streets, alleys, ways, highways and bridges within the Franchise Area and shall restore the areas to their original condition. If such removal is not completed within six months of such termination, County may deem any property not removed as having been abandoned.

Section 4: REGULATION

Grantee, its successors and assigns shall be subject to reasonable regulations for the maintenance by grantee, its successors and assigns, of such portion of the public streets, alleys and highways altered, damaged or destroyed by Grantee, its agents or employees in exercising the privileges granted by the Franchise.

Section 5: CONSTRUCTION, INSTALLATION AND REPAIRS

A. Prior to the beginning of any construction for installation of water lines and related appurtenances, the Grantee, its successors and assigns will submit a plan of proposed construction to the Pinal County Engineer and will not commence any construction until the plan of construction is approved by the County Engineer or his designate.

B. All work performed by Grantee under the Franchise shall be done in the manner prescribed by County and subject to the supervision of County, and in strict compliance with all laws, ordinances, rules and regulations of federal, state and local governments.

C. No construction, reconstruction, repair, or relocation under the Franchise shall be commenced until written permits have been obtained from the proper county officials. In any permit so issued, such officials may impose such conditions and regulations as a condition of the granting of the same as are necessary for the purpose of protecting any structures in the highways or streets and for the proper restoration of such highways, streets

and structures, and for the protection of the public and the continuity of pedestrian and vehicular traffic.

D. No construction under the Franchise by grantee shall impose upon County the duty to maintain any public street, alley or highway unless County accepts said public street, alley or highway into the county maintenance system as provided by law.

Section 6: INSPECTION

County shall, if it deems it necessary, have the right to inspect the construction, operation and maintenance of Grantee's facilities to insure the proper performance of the terms of the Franchise granted herein.

Section 7: SUFFICIENCY, LOCATION AND MAINTENANCE

All of Grantee's Facilities shall be in all respects adequate, efficient, substantial and permanent in design and workmanship, and shall be so located, erected and maintained so as not to interfere with the use and enjoyment of the public streets, alleys and highways. All of Grantee's Facilities erected by Grantee shall be maintained in a safe, suitable, substantial condition and in good order and repair.

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Grantee will, from time to time, during the term of the Franchise make such enlargements and extensions of its water system as are necessary to adequately provide for the requirements of County and the inhabitants of the Franchise Area; provided that nothing herein shall compel Grantee to expand or enlarge its system beyond the economic and operating limits thereof. Such enlargements and extensions shall be made in accordance with company rules and regulations.

Section 9: RELOCATION

A. During the term of the Franchise whenever County or any qualified authority having jurisdiction in the Franchise Area alters, repairs, improves, or changes the grade of, any public streets, alleys and highways in the Franchise Area during the term of the Franchise, then and in such event, Grantee, its successors or assigns, at its own expense, shall promptly, upon reasonable notice, make such changes in the location, structure or alignment of its water lines and related appurtenances as the public officials in charge of such work may deem necessary.

B. After thirty (30) days notice to Grantee, of needed changes or corrections and upon the failure of Grantee, to make such changes set forth in Section 9(A) above or to correct any damage to the right-of-way of any public street, alley or highway within the Franchise Area caused directly or indirectly by Grantee, its agents, successors or assigns, County or its successors shall have the right to make such changes or corrections at the expense of said Grantee, its successors or assigns, and such expenses shall be due and payable upon written demand by County or its successors to Grantee, its successors or assigns.

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A. If any streets, highways, alleys, ways, bridges, sidewalks, public place, or other public facility should be disturbed, altered, damaged or destroyed by Grantee, its employees, contractors, subcontractors or agents in the construction, installation, operation and maintenance of Grantee's Facilities under the Franchise, the same shall be promptly repaired, reconstructed, replaced or restored by Grantee, without cost to County, as soon as practicable and in as good condition as before Grantee's entry and to the satisfaction of County. If Grantee fails to make such restoration and repairs within a reasonable time as determined by County, then County may fix a reasonable time for such restoration and repairs and shall notify Grantee in writing of the restoration and repairs required and the time fixed for the performance thereof. Upon failure of Grantee to comply within the time specified, County may cause proper restoration and repairs to be made, and the expense of such work shall be paid by Grantee upon demand by County.

B. Grantee shall be responsible to every owner of property which shall be injured by the work of construction, installation, operation or maintenance of Grantee's Facilities under the Franchise, all physical damage which shall be done to such injured property through any act or omission of Grantee, its employees, contractors, subcontractors or agents arising out of said construction, installation, operation or maintenance.

C. It is a condition of the Franchise that County shall not and does not by reason of the Franchise assume any liability of the Grantee whatsoever for injury to persons or damage to property.

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Grantee by its acceptance of the Franchise agrees for itself, its successors and assigns that throughout the entire term of this franchise, Grantee, its successors and assigns, at its sole cost and expense, shall indemnify, defend, save and hold harmless Pinal County, its elected officers, employees and agents from any and all lawsuits, judgments and claims for injury, death and damage to persons and property, both real and personal, caused by the construction, design, installation, operation or maintenance of any structure, equipment, water lines or related appurtenances by Grantee within the Franchise Area. Indemnified expenses shall include, but not be limited to, litigation and arbitration expenses, and attorneys' fees.

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The Franchise shall be accepted by Grantee by written instrument in the form attached hereto as Exhibit "B" (hereinafter "Acceptance"), executed and acknowledged by it as a deed is required to be, and filed with the Clerk of the Pinal County Board of Supervisors within thirty days after the date this Franchise is accepted by County. This Franchise shall be effective upon delivery of the Acceptance to the Clerk of the Pinal County Board of Supervisors in the form required and within the time specified above.

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A. Grantee by its acceptance of the Franchise acknowledges such acceptance relies upon grantee's own investigation and understanding of the power and authority of the County to grant said franchise. Grantee by its acceptance of the Franchise accepts the validity of the terms and conditions of the Franchise in their entirety and agrees it will not, at any time, proceed against County in any claim or proceeding challenging any term or provision of the Franchise as unreasonable, arbitrary or void, or that County did not have the authority to impose such term or condition.

B. Grantee by accepting the Franchise acknowledges that it has not been induced to accept the same by any promise, verbal or written, by or on behalf of County or by any third person regarding any term or condition of the Franchise not expressed therein. Grantee by its acceptance of the Franchise further pledges that no promise or inducement, oral or written, has been made to any employee or official of County regarding receipt of the Franchise.

C. Grantee by its acceptance of the Franchise further acknowledges that it has carefully read the terms and conditions of the Franchise and accepts without reservation the obligations imposed by the terms and conditions herein.

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Grantee shall not be excused from complying with any of the terms and conditions of the Franchise by any failure of County, upon any one or more occasions, to insist upon the Grantee's performance or to seek Grantee's compliance with any one or more of such terms or conditions.

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Grantee shall at all times, conduct its business under the Franchise in accordance with all federal, state and local laws, rules and regulations, as amended, including any future amendments thereto as may, from time to time, be adopted.

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The interpretation and performance of the Franchise and of the general terms and conditions shall be in accordance with and governed by the laws of the State of Arizona.

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Exclusive venue for any legal action to enforce the provisions, terms and conditions of the Franchise shall be the Superior Court of the State of Arizona in and for the County of Pinal, Florence, Arizona..

Section 18: SEVERABILITY

If any section, provision, term or covenant or any portion of any section, provision, term or covenant of the Franchise is determined to be illegal, invalid or unconstitutional, by any court of competent jurisdiction or by any state or federal regulatory agency having jurisdiction thereof, such determination shall have no effect on any remaining portion of such section, provision, term or covenant or the remaining sections, provisions, terms or covenants of the Franchise, all of which will remain in full force and effect for the term of the Franchise or any renewal or renewals thereof.

Section 19: FORFEITURE

A. If Grantee fails to comply with any of the provisions of this agreement or defaults in any of its obligations hereunder, except for causes beyond the reasonable control of Grantee; and shall fail within thirty (30) days after written notice from County to commence, and within a reasonable time, complete the correction of such default or noncompliance, County shall have the right to revoke this agreement and all rights of Grantee hereunder. In the event Grantee makes a general assignment or general arrangement for the benefit of creditors; or a trustee or receiver is appointed to take possession of substantially all of Grantee's Facilities within the Franchise Area or of Grantee's interest in this Franchise, where possession is not restored to Grantee within thirty (30) days; or Grantee's Facilities within the Franchise Area are subject to an attachment, execution or other seizure of substantially all of the Grantee's Facilities within the Franchise Area or this Franchise, where such seizure is not discharged within thirty (30) days, County may declare the Franchise, along with the Original Franchise, forfeited and terminated.

B. Nothing herein contained shall limit or restrict any other legal rights that County may possess arising from such violations.

Section 20: REVOCATION OF FRANCHISE

The Franchise may after due notice and hearing, be revoked by County for any of the following reasons:

- A. For false or misleading statements in, or material omissions from the application for and the hearing on the granting of the Franchise.
- B. For any transfer or assignment of the Franchise or control thereof without County's written consent.
- C. For failure to comply with any of the terms and conditions of the Franchise.

Section 21: ASSIGNMENT/TRANSFER

Grantee shall not assign or transfer any interest in the Franchise without the prior written consent of County. Said Board shall not unreasonably withhold its consent to a proposed transfer.

Section 22: NOTICE

Notices required under the Franchise shall be delivered or sent by certified mail, postage prepaid to:

Grantor:

Clerk of the Pinal County Board of Supervisors
P.O. Box 827
31 N. Pinal
Florence, Arizona 85232

Grantee:

Santa Cruz Water Company
426 N. 44th Street
Suite 100
Phoenix, Arizona 85008

The delivery or mailing of such notice shall be equivalent to direct personal notice and shall be deemed to have been given at the time of delivery. Either party may change its address under this section by written notice to the other party.

Section 23: REMEDIES

Rights and remedies reserved to the parties by the Franchise are cumulative and shall be in addition to and not in derogation of any other rights or remedies which the parties may have with respect to the subject matter of the Franchise and a waiver thereof at any time shall not affect any other time.

Section 24: RIGHT OF INTERVENTION

County hereby reserves to itself, and Grantee hereby grants to County, the right to intervene in any suit, action or proceeding involving any provision in the Franchise.

Section 25: BOOKS AND RECORDS

Grantee shall maintain books and records that identify all of Grantee's underground facilities by type and location within the Franchise Area. Grantee will make such books and records available to County upon County's request and without cost to County.

Section 26: AD VALOREM TAXES

Grantee shall pay its ad valorem taxes before they become delinquent. To accomplish this, Grantee shall deposit a sum equal to one-half of the prior years taxes in a separate trust account to pay the current years taxes. Pinal County, through its agents shall have the right to audit the account at any time during normal business hours.

IN WITNESS WHEREOF, the Board of Supervisors of Pinal County, Arizona, by its Chairman and its Clerk, thereunto duly authorized, has hereunto set its hand and cause its official seal to be affixed on December 3, 1997.

PINAL COUNTY BOARD OF SUPERVISORS



Jimmie B. Kerr
Jimmie B. Kerr, Chairman

ATTEST:

Stanley D. Griffis
Stanley D. Griffis, Clerk of the Board

APPROVED AS TO FORM:

ROBERT CARTER OLSON
PINAL COUNTY ATTORNEY

Eric L. Walberg
Eric L. Walberg, Deputy County Attorney

Exhibit A

BEFORE THE BOARD OF SUPERVISORS
OF
COUNTY OF PINAL, STATE OF ARIZONA

IN THE MATTER OF THE)
APPLICATION OF SANTA CRUZ) APPLICATION FOR
WATER COMPANY, TO OBTAIN A) NEW PUBLIC UTILITY FRANCHISE
WATER FRANCHISE)

TO THE HONORABLE BOARD OF SUPERVISORS:

COMES NOW the above-named Applicant and petitions the PINAL COUNTY BOARD OF SUPERVISORS AS FOLLOWS:

I.

That petitioner, SANTA CRUZ WATER COMPANY (Santa Cruz), an Arizona Corporation with its principal place of business in the County of Pinal, State of Arizona. The current address of Santa Cruz is 426 N. 44th Street, Suite 100, Phoenix, Arizona 85008.

II.

That Santa Cruz hereinafter designated as the Grantee, doing business in Pinal County, Arizona, hereby petitions your body for a Utility Franchise to maintain and operate a water system, including transmission lines and all appurtenances, to serve in portions of Pinal County. The full legal description is attached hereto as Exhibit I.

III.

That your petitioner has made applications to the Arizona Corporation Commission for a Certificate of Public Convenience and Necessity to exercise the functions of a public utility to provide water service to persons living within this said territory as shown on Exhibit 2, subject to the laws of the State of Arizona.

IV.

That your petitioner, if granted the franchise for this territory, proposes to engage in and carry on the business of a water company.

V.

That your petitioner is financially able to undertake installation of said services and provide water service within said territory for which this franchise is requested.

VI.

That the Board of Supervisors may impose such restrictions and limitations upon the public roads as it deems best for the public safety and welfare.

VII.

That the petitioner submits herewith the required \$200.00 filing fee with this application.

VIII.

That by reason of the facts already stated herein and because of the fact that no adequate and safe supply of water are now available to persons now living, or who may live, within the said territory hereinbefore described, and because of the further fact that water promptly supplied to waiting customers and prospective applicants will do much to develop and improve the area described, and to increase the population of the communities within which services are supplied, your petitioner respectfully petitions your Honorable Boards of Supervisors to grant this Application for a right and franchise from the County of Pinal, State of Arizona, to construct, maintain and operate their pipelines and appurtenances for a water system in, over, under, across and upon the existing County owned and future Rights-of-Way for a period of twenty-five (25) years.

IX.

That public Notice be given in a newspaper of general circulation published within the County of Pinal, as may be required by law, prior to the date set for the consideration by the Board of Supervisors of its intention to grant said Franchise application.

X.

All correspondence regarding this application should be addressed to:

Michael T. Reinbold, President
Santa Cruz Water Company
426 N. 44th Street
Suite 100
Phoenix, Arizona 85008

Dated this 27th day of October, 1997

Santa Cruz Water Company

By: Michael T. Reinbold

Michael T. Reinbold
President
426 N. 44th Street
Suite 100
Phoenix, Arizona 85008

Exhibit 1

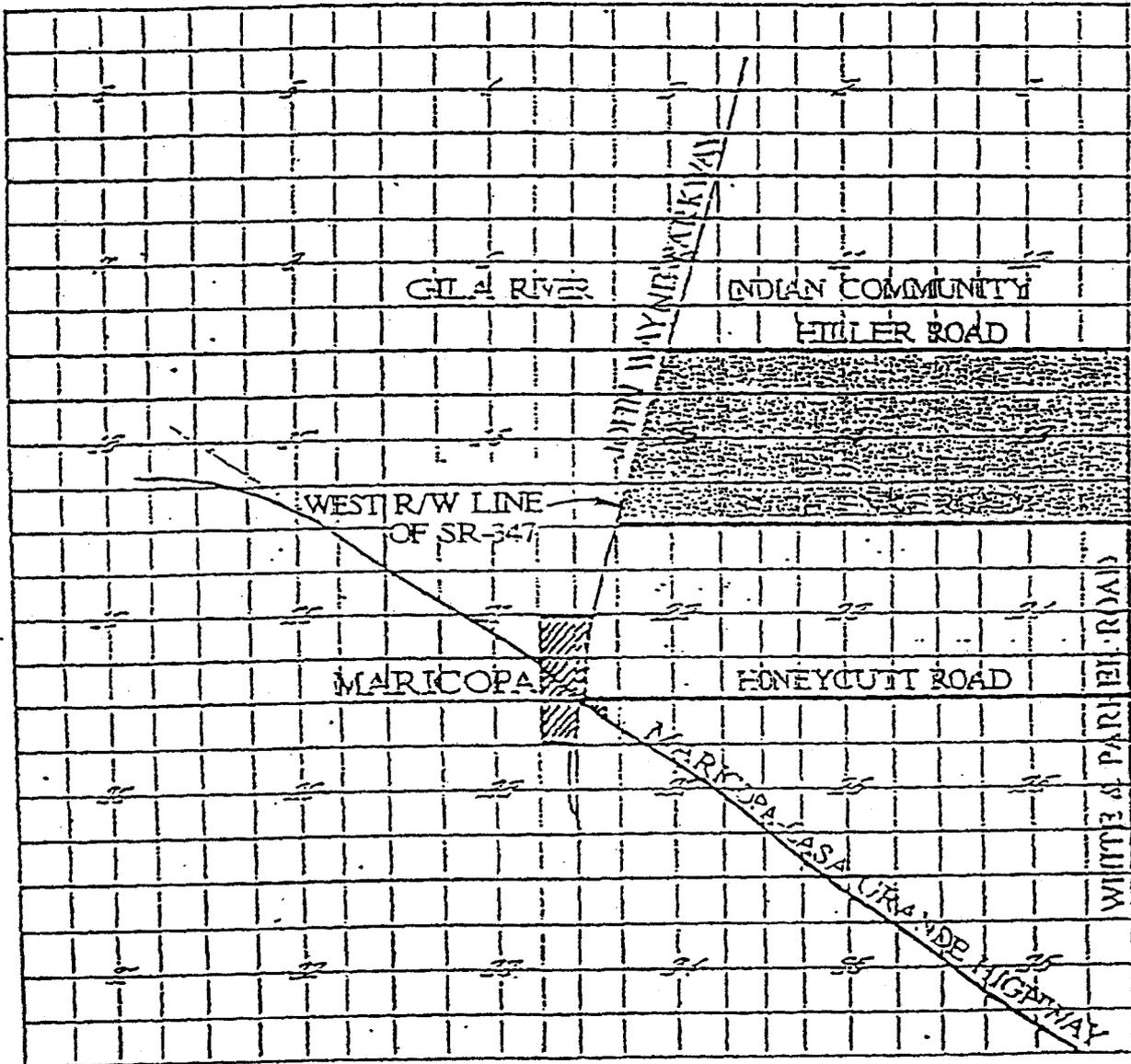
Santa Cruz Water Company

Franchise Legal Description

ALL OF SECTIONS 13 AND 14, AND THAT PORTION OF SECTION 15 LYING EASTERLY OF THE WESTERLY RIGHT-OF-WAY LINE OF ARIZONA STATE ROUTE 347 (AKA: JOHN WAYNE PARKWAY), TOWNSHIP 4 SOUTH, RANGE 3 EAST, GILA AND SALT RIVER BASE AND MERIDIAN, PINAL COUNTY, ARIZONA.

CONTAINS 1,640 ACRES, MORE OR LESS

PINAL COUNTY, ARIZONA
 SECTIONS 13, 14, AND A PORTION OF SECTION 15,
 TOWNSHIP 4 SOUTH, RANGE 3 EAST



 FRANCHISE AREA

EXHIBIT 2

ANTA CRUZ WATER
 COMPANY

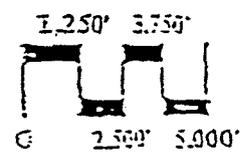
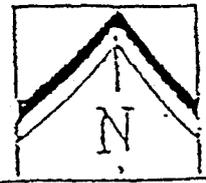


Exhibit B

**LEGAL DESCRIPTION FOR UTILITY FRANCHISE EXPANSION FOR
SANTA CRUZ WATER COMPANY, L.L.C. AND
PALO VERDE UTILITIES COMPANY, L.L.C.**

THAT PORTION OF SECTION 15, TOWNSHIP 4 SOUTH, RANGE 3 EAST, GILA & SALT RIVER BASE & MERIDIAN, PINAL COUNTY, ARIZONA, LYING WESTERLY OF THE WESTERLY RIGHT-OF-WAY OF ARIZONA STATE ROUTE 347, EXCEPT THE WEST 160 FEET OF THE NORTHWEST QUARTER THEREOF;

TOGETHER WITH THE NORTHEAST QUARTER OF SECTION 21, TOWNSHIP 4 SOUTH, RANGE 3 EAST;

TOGETHER WITH ALL OF SECTION 22, TOWNSHIP 4 SOUTH, RANGE 3 EAST, EXCEPT THE WESTERLY 500 FEET OF THE SOUTHERLY 1803 FEET OF THE SOUTHWEST QUARTER THEREOF, AND EXCEPT THE SOUTHERLY 173 FEET OF THE SOUTHWEST QUARTER THEREOF;

TOGETHER WITH ALL OF SECTIONS 23 AND 24, TOWNSHIP 4 SOUTH, RANGE 3 EAST;

TOGETHER WITH ALL OF SECTION 25, TOWNSHIP 4 SOUTH, RANGE 3 EAST, EXCEPT THE EAST ONE HALF THEREOF, AND EXCEPT THE NORTH HALF OF THE NORTHWEST QUARTER THEREOF; AND EXCEPT THE SOUTHEAST QUARTER OF THE NORTHWEST QUARTER THEREOF; AND EXCEPT THE SOUTHEAST QUARTER OF THE SOUTHWEST QUARTER THEREOF;

TOGETHER WITH THE NORTH 3000 FEET, MORE OR LESS, OF THE WEST HALF OF THE WEST HALF OF SECTION 36, TOWNSHIP 4 SOUTH, RANGE 3 EAST LYING NORTHERLY OF THE SOUTHERN-PACIFIC RAILWAY RIGHT-OF-WAY;

TOGETHER WITH THAT PORTION OF SECTION 35, TOWNSHIP 4 SOUTH, RANGE 3 EAST, LYING NORTHEASTERLY OF THE SOUTHERN-PACIFIC RAILWAY RIGHT-OF-WAY, EXCEPT THAT PORTION OF THE NORTHWEST QUARTER OF THE NORTHWEST QUARTER OF SECTION 35, TOWNSHIP 4 SOUTH, RANGE 3 EAST LYING NORTHEASTERLY OF THE SOUTHERN-PACIFIC RAILWAY RIGHT-OF-WAY;

TOGETHER WITH ALL OF SECTION 26, TOWNSHIP 4 SOUTH, RANGE 3 EAST, EXCEPT THE WEST HALF OF THE WEST HALF THEREOF;

COMMENCING AT THE NORTHWEST CORNER OF THE SOUTHEAST QUARTER OF SECTION 21, TOWNSHIP 4 SOUTH, RANGE 3 EAST OF THE GILA AND SALT RIVER MERIDIAN, PINAL COUNTY, ARIZONA; THENCE EASTERLY 30.0 FEET TO THE TRUE POINT OF BEGINNING, THENCE

SOUTHERLY 525.0 FEET, THENCE EASTERLY 600.0 FEET, THENCE NORTHERLY 525.5 FEET, THENCE WESTERLY 600.0 FEET TO THE TRUE POINT OF BEGINNING.

TOGETHER WITH THE FOLLOWING: COMMENCING AT THE NORTHWEST CORNER OF THE SOUTHEAST QUARTER OF SECTION 21, TOWNSHIP 4 SOUTH, RANGE 3 EAST OF THE GILA AND SALT RIVER MERIDIAN, PINAL COUNTY, ARIZONA; THENCE EASTERLY 690.0 FEET TO THE TRUE POINT OF BEGINNING, THENCE SOUTHERLY 525.6 FEET, THENCE EASTERLY 400.0 FEET, THENCE NORTHERLY 525.9 FEET, THENCE WESTERLY 400.0 FEET TO THE TRUE POINT OF BEGINNING.

TOGETHER WITH THE FOLLOWING: COMMENCING AT A POINT ON THE WEST SIDE OF THE EAST HALF OF THE SOUTHEAST QUARTER OF SECTION 21, TOWNSHIP 4 SOUTH, RANGE 3 EAST OF THE GILA AND SALT RIVER MERIDIAN, PINAL COUNTY, ARIZONA, 810 FEET NORTH OF THE SECTION LINE COMMON TO THE SOUTH OF SAID SECTION 21 AND EXTENDING NORTH ALONG SAID QUARTER SECTION LINE FOR A DISTANCE OF 726 FEET; THENCE 300 FEET EAST; THENCE SOUTH 726 FEET PARALLELING SAID QUARTER SECTION LINE; THENCE WEST TO THE POINT OF BEGINNING;

TOGETHER WITH ALL THAT PART OF THE EAST 495.5 FEET OF THE SOUTHWEST QUARTER OF THE SOUTHEAST QUARTER OF SECTION 21, TOWNSHIP 4 SOUTH, RANGE 3 EAST OF THE GILA AND SALT RIVER MERIDIAN, PINAL COUNTY, ARIZONA, LYING NORTH OF THE NORTH BOUNDARY LINE OF THE COUNTY ROAD WHICH IS NORTH OF THE SOUTHERN-PACIFIC RAILROAD RIGHT-OF-WAY;

TOGETHER A PORTION OF THE NORTHWEST QUARTER OF SECTION 34 IN TOWNSHIP 4 SOUTH, RANGE 3 EAST OF THE GILA AND SALT RIVER BASE AND MERIDIAN, PINAL COUNTY, ARIZONA, BEING MORE PARTICULARLY DESCRIBED AS FOLLOWS:

COMMENCING AT THE NORTHWEST CORNER OF SAID SECTION 34; THENCE NORTH $89^{\circ} 24' 54''$ EAST, ALONG THE NORTH LINE OF SAID SECTION 34 A DISTANCE OF 798.87 FEET, TO THE POINT OF THE BEGINNING; THENCE CONTINUING NORTH $89^{\circ} 24' 54''$ EAST, ALONG SAID NORTH LINE 1,852.18 FEET TO THE NORTH QUARTER CORNER OF SAID SECTION 34; THENCE SOUTH $00^{\circ} 12' 02''$ WEST, ALONG THE NORTH SOUTH MID-SECTION LINE OF SAID SECTION 34 A DISTANCE OF 2,664.95 FEET TO THE CENTER OF SAID SECTION 34; THENCE NORTH $89^{\circ} 51' 49''$ WEST, ALONG THE EAST WEST MID-SECTION LINE OF SAID SECTION 34 A DISTANCE OF 2,491.70 FEET TO A POINT ON THE EAST RIGHT-OF-WAY LINE OF MARICOPA ROAD (STATE ROUTE 347); THENCE ALONG SAID EAST RIGHT-OF-WAY LINE THE FOLLOWING COURSES AND DISTANCES; THENCE NORTH $00^{\circ} 40' 29''$ WEST

1,468.58 FEET; THENCE NORTH 89° 19' 28" EAST 10.00 FEET; THENCE NORTH 00° 40' 32" WEST 454.76 FEET; THENCE LEAVING SAID RIGHT-OF-WAY NORTH 89° 24' 54" EAST 373.10 FEET TO A POINT MARKING THE BEGINNING OF A TANGENT CURVE TO THE LEFT HAVING A RADIUS OF 200.00 FEET; THENCE ALONG THE ARC OF SAID CURVE THROUGH A CENTRAL ANGLE OF 46° 35' 45" AN ARC DISTANCE OF 162.65 FEET; THENCE NORTH 40° 10' 09" EAST 367.92 FEET TO A POINT MARKING THE BEGINNING OF A NON-TANGENT CURVE TO THE NORTH, THE CENTER POINT OF WHICH BEARS NORTH 52° 38' 22" EAST 450.00 FEET THEREFROM; THENCE NORTHERLY ALONG THE ARC OF SAID CURVE THROUGH A CENTRAL ANGLE OF 36° 41' 06" AN ARC DISTANCE OF 288.12 FEET; THENCE NORTH 00° 40' 32" EAST 100.00 FEET TO THE POINT OF BEGINNING;

THE BASIS OF BEARING IS THE MONUMENT LINE OF MARICOPA ROAD, ALSO BEING THE WEST LINE OF THE NORTHWEST QUARTER OF SECTION 34, TOWNSHIP 4 SOUTH, RANGE 3 EAST, USING A BEARING OF NORTH 00° 06' 23" WEST;

TOGETHER WITH THAT PORTION OF THE NORTHWEST QUARTER OF SECTION 34 TOWNSHIP 4 SOUTH, RANGE 3 EAST OF THE GILA AND SALT RIVER BASE AND MERIDIAN, PINAL COUNTY, ARIZONA, EXCEPTING THEREFROM THE EXISTING RIGHT-OF-WAY OF STATE ROUTE 347, AND EXCEPTING THEREFROM THE FOLLOWING:

BEING A PORTION OF THE NORTHWEST QUARTER OF SECTION 34 IN TOWNSHIP 4 SOUTH, RANGE 3 EAST OF THE GILA AND SALT RIVER BASE AND MERIDIAN, PINAL COUNTY, ARIZONA, BEING MORE PARTICULARLY DESCRIBED AS FOLLOWS:

COMMENCING AT THE NORTHWEST CORNER OF SAID SECTION 34; THENCE NORTH 89° 24' 54" EAST, ALONG THE NORTH LINE OF SAID SECTION 34 A DISTANCE OF 798.87 FEET, TO THE POINT OF THE BEGINNING, THENCE CONTINUING NORTH 89° 24' 54" EAST, ALONG SAID NORTH LINE 1,852.18 FEET TO THE NORTH QUARTER CORNER OF SAID SECTION 34; THENCE SOUTH 00° 12' 02" WEST, ALONG THE SOUTH MID-SECTION LINE OF SAID SECTION 34 A DISTANCE OF 2,664.95 FEET TO THE CENTER OF SAID SECTION 34; THENCE NORTH 89° 51' 49" WEST, ALONG THE EAST WEST MID-SECTION LINE OF SAID SECTION 34 A DISTANCE OF 2,491.70 FEET TO A POINT ON THE EAST RIGHT-OF-WAY OF MARICOPA ROAD (STATE ROUTE 347); THENCE ALONG SAID EAST RIGHT-OF-WAY LINE THE FOLLOWING COURSES AND DISTANCES; THENCE NORTH 00° 40' 29" WEST 1,468.58 FEET; THENCE NORTH 89° 19' 28" EAST 10.00 FEET; THENCE NORTH 00° 40' 32" WEST 454.76 FEET; THENCE LEAVING SAID RIGHT-OF-WAY NORTH 89° 24' 54" EAST 373.10 FEET TO A POINT MARKING THE BEGINNING OF TANGENT CURVE TO THE LEFT

HAVING A RADIUS OF 200.00 FEET; THENCE ALONG THE ARC OF SAID CURVE THROUGH A CENTRAL ANGLE OF $46^{\circ} 35' 45''$ AN ARC DISTANCE OF 162.65 FEET; THENCE NORTH $40^{\circ} 10' 09''$ EAST 367.92 FEET TO A POINT MARKING THE BEGINNING OF A NON-TANGENT CURVE TO THE NORTH, THE CENTER POINT OF WHICH BEARS NORTH $52^{\circ} 38' 22''$ EAST 450.00 FEET THEREFROM; THENCE NORTHERLY ALONG THE ARC OF SAID CURVE THROUGH A CENTRAL ANGLE OF $36^{\circ} 41' 06''$ AN ARC DISTANCE OF 288.12 FEET; THENCE NORTH $00^{\circ} 40' 32''$ EAST 100.00 FEET TO THE POINT OF BEGINNING.

THE BASIS OF BEARING IS THE MONUMENT LINE OF MARICOPA ROAD, ALSO BEING THE WEST LINE OF THE NORTHWEST CORNER OF SECTION 34, TOWNSHIP 4 SOUTH, RANGE 3 EAST, USING A BEARING OF NORTH $00^{\circ} 06' 23''$ WEST.

TOGETHER WITH THE BEGINNING AT THE SOUTHWEST CORNER OF SECTION 35, TOWNSHIP 4 SOUTH, RANGE 3 EAST, GILA AND SALT RIVER BASE AND MERIDIAN, PINAL COUNTY, ARIZONA, THENCE NORTH $00^{\circ} 29' 40''$ WEST 5300 FEET, MORE OR LESS, ALONG THE WEST SECTION LINE OF SAID SECTION 35 TO THE NORTHWEST CORNER OF SAID SECTION 35, THENCE NORTH $89^{\circ} 30' 20''$ EAST 750 FEET, MORE OF LESS, ALONG THE NORTH SECTION LINE OF SAID SECTION 35 TO THE SOUTHWESTERLY RIGHT-OF-WAY LINE OF THE SOUTHERN RAILROAD, THENCE SOUTH $53^{\circ} 51' 30''$ EAST 1213 FEET ALONG SAID RIGHT-OF-WAY LINE, THENCE LEAVING SAID RIGHT-OF-WAY LINE, SOUTH $0^{\circ} 00' 00''$ EAST 4600 FEET, MORE OR LESS, TO THE SOUTH SECTION LINE OF SAID SECTION 35; THENCE NORTH $89^{\circ} 43' 51''$ WEST 1684 FEET, MORE OR LESS, ALONG SAID SOUTH SECTION LINE TO THE POINT OF BEGINNING.

TOGETHER WITH PARCEL NO. 1:

THE EAST HALF OF THE WEST HALF OF SECTION 35, TOWNSHIP 4 SOUTH, RANGE 3 EAST OF THE GILA AND SALT RIVER BASE AND MERIDIAN, PINAL COUNTY, ARIZONA, LYING SOUTH AND WEST OF THE SOUTHWESTERLY RIGHT OF WAY LINE OF THE SOUTHERN PACIFIC RAILROAD;

EXCEPT ANY PORTION LYING WITHIN THE FOLLOWING DESCRIBED PROPERTY:

COMMENCING AT THE SOUTHEAST CORNER OF SAID SECTION 35;

THENCE NORTH 89 DEGREES 19 MINUTES 10 SECONDS WEST, A DISTANCE OF 1971.27 FEET TO THE TRUE POINT OF BEGINNING;

THENCE CONTINUING NORTH 89 DEGREES 19 MINUTES 10 SECONDS WEST, A DISTANCE OF 765.30 FEET;

THENCE NORTH 01 DEGREE 19 MINUTES 10 SECONDS EAST, A DISTANCE OF 1377.37 FEET;

THENCE SOUTH 27 DEGREES 53 MINUTES 16 SECONDS EAST, A DISTANCE OF 1568.23 FEET TO THE TRUE POINT OF BEGINNING; AND

EXCEPT ALL OIL, GAS AND MINERAL RIGHTS AS RESERVED IN INSTRUMENT RECORDED IN DOCKET 15, PAGE 70.

TOGETHER WITH PARCEL NO. 2:

THE EAST HALF OF SECTION 35, TOWNSHIP 4 SOUTH, RANGE 3 EAST OF THE GILA AND SALT RIVER BASE AND MERIDIAN, PINAL COUNTY, ARIZONA, LYING SOUTH AND WEST OF THE SOUTHWESTERLY RIGHT OF WAY LINE OF THE SOUTHERN PACIFIC RAILROAD;

EXCEPT ANY PORTION LYING WITHIN THE FOLLOWING DESCRIBED PROPERTY:

COMMENCING AT THE SOUTHEAST CORNER OF SAID SECTION 35;

THENCE NORTH 89 DEGREES 19 MINUTES 10 SECONDS WEST, A DISTANCE OF 1971.27 FEET TO THE TRUE POINT OF BEGINNING;

THENCE CONTINUING NORTH 89 DEGREES 19 MINUTES 10 SECONDS WEST, A DISTANCE OF 765.30 FEET;

THENCE NORTH 01 DEGREE 19 MINUTES 10 SECONDS EAST, A DISTANCE OF 1377.27 FEET;

THENCE SOUTH 27 DEGREES 53 MINUTES 16 SECONDS EAST, A DISTANCE OF 1568.23 FEET TO THE TRUE POINT OF BEGINNING; AND

EXCEPT ANY PORTION LYING WITHIN THE FOLLOWING DESCRIBED PROPERTY:

COMMENCING AT THE SOUTHEAST CORNER OF SAID SECTION 35;

THENCE NORTH 01 DEGREE 12 MINUTES 36 SECONDS EAST, A DISTANCE OF 77.50 FEET TO THE TRUE POINT OF BEGINNING;

THENCE SOUTH 89 DEGREES 44 MINUTES 11 SECONDS WEST, A DISTANCE OF 660.00 FEET;

THENCE NORTH 01 DEGREE 12 MINUTES 38 SECONDS EAST, A DISTANCE OF 1320 FEET;

THENCE NORTH 89 DEGREES 44 MINUTES 11 SECONDS EAST, A DISTANCE OF 660.00 FEET;

THENCE SOUTH 01 DEGREE 12 MINUTES 36 SECONDS WEST, A DISTANCE OF 1320 FEET TO THE TRUE POINT OF BEGINNING; AND

EXCEPT ONE-HALF OF ALL OIL, GAS AND OTHER MINERALS AS RESERVED IN INSTRUMENT RECORDED IN BOOK 85 OF DEEDS, PAGE 228.

EXCEPT FROM PARCEL NOS. 1 AND 2 HEREIN, ANY PORTION LYING WITHIN THE FOLLOWING DESCRIBED PROPERTY, AS SET FORTH BY INSTRUMENT RECORDED IN FEE NO. 2000-016849:

BEGINNING AT THE SOUTHWEST CORNER OF SECTION 35, TOWNSHIP 4 SOUTH, RANGE 3 EAST OF THE GILA AND SALT RIVER BASE AND MERIDIAN, PINAL COUNTY, ARIZONA;

THENCE NORTH 00 DEGREES 22 MINUTES 40 SECONDS EAST 5264 FEET, MORE OR LESS, ALONG THE WEST SECTION LINE OF SAID SECTION 35 TO THE NORTHWEST CORNER OF SAID SECTION 35;

THENCE NORTH 89 DEGREES 05 MINUTES 27 SECONDS EAST, 824 FEET, MORE OR LESS, ALONG THE NORTH SECTION LINE OF SAID SECTION 35 TO THE SOUTHWESTERLY RIGHT OF WAY LINE OF THE SOUTHERN PACIFIC RAILROAD;

THENCE SOUTH 53 DEGREES 52 MINUTES 38 SECONDS EAST 1066 FEET ALONG SAID RIGHT OF WAY LINE;

THENCE LEAVING SAID RIGHT OF WAY LINE, SOUTH 00 DEGREES 00 MINUTES 00 SECONDS EAST 4656 FEET, MORE OR LESS, TO THE EXTENSION OF THE SOUTH SECTION LINE OF SECTION 35 OF SAID TOWNSHIP AND RANGE;

THENCE NORTH 89 DEGREES 43 MINUTES 51 SECONDS WEST 1702 FEET, MORE OR LESS, ALONG SAID SOUTH SECTION LINE TO THE POINT OF BEGINNING.

TOGETHER WITH THOSE PARTICULAR PUBLIC STREETS AND/OR COUNTY ROADWAYS UTILIZED BY THE PUBLIC FOR LEGAL ACCESS TO ANY AND/OR ALL OF THE LANDS DESCRIBED ABOVE.

CONTAINS 3,809 ACRES, MORE OR LESS.

Exhibit C**SAMPLE ACCEPTANCE OF EXPANDED AND AMENDED FRANCHISE**

To: Board of Supervisors Pinal County, Arizona

Grantee, Santa Cruz Water Company, a(n) Arizona corporation, does hereby accept the , grant of an First Amended Franchise from Pinal County, Arizona, to construct, operate, and maintain sewer lines and related fixtures along, under and across present and future public streets, alleys and highways, except state highways, within the unincorporated area of Pinal County, Arizona, as described in the Application, which is made a part hereof.

Grantee unconditionally accepts the franchise and covenants to faithfully comply with, abide by, to observe and perform all the provisions, terms and conditions of the First Amended Franchise. Grantee accepts such provisions, terms and conditions and expressly waives any and all objections to the reasonableness or legality of any provisions of the same or any part thereof, or as to the legal right or authority of the County of Pinal to impose the same.

Grantee declares that the statements and recitals in said First Amended Franchise are correct, and Grantee declares it has made and does make the agreement, statements and admissions in said First Amended Franchise recited to have been or to be made by Grantee.

attyciv\franchise\Santa Cruz first amend

3

TARIFF SCHEDULE

Utility: Santa Cruz Water Company, LLC

Tariff Sheet _____

No.: 1 of 3

Docket No. W-03576A-03-0167

Decision No.: 66394

Phone No.: 602-914-2100

Effective: _____

CURTAILMENT PLAN FOR SANTA CRUZ WATER COMPANY

ADEQ Public Water System Number: 11-131

Santa Cruz Water Company, LLC ("Company"), is authorized to curtail water service to all customers within its certificated area under the terms and conditions listed in this tariff.

This curtailment plan shall become part of the Arizona Department of Environmental Quality Emergency Operations Plan for the Company.

The Company shall notify its customers of this new tariff as part of its next regularly scheduled billing after the effective date of the tariff or no later than sixty (60) days after the effective date of the tariff.

The Company shall provide a copy of the curtailment tariff to any customer, upon request.

Stage 1 Exists When:

Company is able to maintain water storage in the system at 100 percent of capacity and there are no known problems with its well production or water storage in the system.

Restrictions: Under Stage 1, Company is deemed to be operating normally and no curtailment is necessary.

Notice Requirements: Under Stage 1, no notice is necessary.

Stage 2 Exists When:

- a. Company's water storage or well production has been less than 80 percent of capacity for at least 48 consecutive hours, and
- b. Company has identified issues such as a steadily declining water table, increased draw down threatening pump operations, or poor water production, creating a reasonable belief the Company will be unable to meet anticipated water demand on a sustained basis.

Restrictions: Under Stage 2, the Company may request the customers to voluntarily employ water conservation measures to reduce water consumption by approximately 25 percent of Stage 1 consumption. Outside watering should be limited to essential water, dividing outside watering on some uniform basis (such as even and odd days) and eliminating outside watering on weekends and holidays.

TARIFF SCHEDULE

Utility: Santa Cruz Water Company, LLC

Tariff Sheet _____

No.: 2 of 3

Docket No. W-03576A-03-0167

Decision No.: 66394

Phone No.: 602-914-2100

Effective: _____

Notice Requirements: Under Stage 2, the Company is required to notify customers by delivering written notice door to door at each service address, or by United States first class mail to the billing address or, at the Company's option, both. Such notice shall notify the customers of the general nature of the problem and the need to conserve water.

Stage 3 Exists When:

- a. Company's total water storage or well production has been less than 50 percent of capacity for at least 24 consecutive hours, and
- b. Company has identified issues such as a steadily declining water table, increased draw down threatening pump operations, or poor water production, creating a reasonable belief the Company will be unable to meet anticipated water demand on a sustained basis.

Restrictions: Under Stage 3, Company shall request the customers to voluntarily employ water conservation measures to reduce daily consumption by approximately 50 percent of Stage 1 consumption. All outside watering should be eliminated, except livestock, and indoor water conservation techniques should be employed whenever possible.

Notice Requirements:

1. Company is required to notify customers by delivering written notice to each service address, or by United States first class mail to the billing address or, at the Company's option, both. Such Notice shall notify the customers of the general nature of the problem and the need to conserve water.
2. Beginning with Stage 3, Company shall post at least 12 signs showing the curtailment stage. Signs shall be posted at noticeable locations, like at the well sites and at the entrance to major subdivisions served by the Company.
3. Company shall notify the Consumer Services Section of the Utilities Division of the Corporation Commission at least 12 hours prior to entering stage 3.

Stage 4 Exists When:

- a. Company's total water storage or well production has been less than 25 percent of capacity for at least 12 consecutive hours, and
- b. Company has identified issues such as a steadily declining water table, increased draw down threatening pump operations, or poor water production, creating a reasonable belief the Company will be unable to meet anticipated water demand on a sustained basis.

TARIFF SCHEDULE

Utility: Santa Cruz Water Company, LLC

No.: 3 of 3

Docket No. W-03576A-03-0167

Phone No.: 602-914-2100

Tariff Sheet _____

Decision No.: 66394

Effective: _____

Restrictions: Under Stage 4, Company shall inform the customers of a **mandatory** restriction to employ water conservation measures to reduce daily consumption. Failure to comply will result in customer disconnection. The following uses of water shall be prohibited:

- ◆ Irrigation of outdoor lawns, trees, shrubs, or any plant life is prohibited
- ◆ Washing of any vehicle is prohibited
- ◆ The use of water for dust control or any outdoor cleaning uses is prohibited
- ◆ The use of drip or misting systems of any kind is prohibited
- ◆ The filling of any swimming pool, spas, fountains or ornamental pools is prohibited
- ◆ Restaurant patrons shall be served water only upon request
- ◆ Any other water intensive activity is prohibited

Notice Requirements:

1. Company is required to notify customers by delivering written notice to each service address, or by United States first class mail to the billing address or, at the Company's option, both. Such notice shall notify the customers of the general nature of the problem and the need to conserve water.
2. Company shall post at least 12 signs showing curtailment stage. Signs shall be posted at noticeable locations, like at the well sites and at the entrance to major subdivisions served by the Company.
3. Company shall notify the Consumer Services Section of the Utilities Division of the Corporation Commission at least 12 hours prior to entering stage 4.

Customers who fail to comply with the above restrictions will be given a written notice to end all outdoor use. Failure to comply within two (2) working days of receipt of the notice will result in temporary loss of service until an agreement can be made to end unauthorized use of outdoor water. To restore service, the customer shall be required to pay all authorized reconnection fees. If a customer believes he/she has been disconnected in error, the customer may contact the Commission's Consumer Services Section at 1-800-222-7000 to initiate an investigation.

Once Stage 4 has been reached, the Company must augment the supply of water by hauling or through an emergency interconnect from an approved supply or must otherwise provide emergency drinking water for its customers until a permanent solution has been implemented.

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**DEPARTMENT OF WATER RESOURCES
BEFORE THE DIRECTOR**

**IN THE MATTER OF THE APPLICATION OF
SANTA CRUZ WATER COMPANY
FOR A DESIGNATION AS HAVING AN ASSURED
WATER SUPPLY**

**AWS No. 2003-006
DECISION AND ORDER
No. 26-400804**

On August 26, 2002, the Department of Water Resources ("Department") received an application from Santa Cruz Water Company (Santa Cruz) requesting that the Department modify Santa Cruz's existing designation of assured water supply pursuant to A.R.S. § 45-576(E) and A.A.C. R12-15-701 *et seq.*

This decision and order replaces the designation order, AWS No. 2000-008, issued by the Director on October 6, 2000.

A. FINDINGS OF FACT

After reviewing Santa Cruz's application and relevant information, the Department finds the following:

1. Santa Cruz is a private water company whose operations are regulated by the Arizona Corporation Commission.
2. Santa Cruz has the legal authority, as granted by Opinion and Order of the Arizona Corporation Commission, Decision No. 66394, to deliver water to its customers located within the boundaries of its Certificate of Convenience and Necessity as indicated on maps on file with the Department.
3. Santa Cruz has the right to withdraw and deliver groundwater to its customers pursuant to service area right No. 56-001355.0000.
4. Santa Cruz's current demand for calendar year 2002 was 276.95 acre-feet.
5. Santa Cruz's current and committed demand is 1,537 acre-feet.
6. Santa Cruz's total projected demand for the calendar year 2007 is 5,182 acre-feet.
7. Santa Cruz has demonstrated the physical, continuous and legal availability of

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groundwater in a volume of 9,305 acre-feet per year for a minimum of 100 years which is more than Santa Cruz's projected 2007 demand of 5,182. After one hundred years, the depth-to-water under Santa Cruz's service area is projected to be less than 900 feet below land surface.

8. Santa Cruz is currently transitioning from being regulated as a small provider to being regulated as a large provider under the Department's Pinal Active Management Area Third Management Plan as of the date of this designation and order. It is expected that Santa Cruz will be in compliance with the Third Management Plan requirements.

9. There are no Water Quality Revolving Fund Sites or sites on the Superfund National Priority List within Santa Cruz's service area.

10. The groundwater supply that Santa Cruz intends to provide its customers meets all federal and state water quality standards, based on compliance information provided by the Arizona Department of Environmental Quality.

11. Pursuant to A.A.C. R12-15-705(H)(4), Santa Cruz's groundwater allowance is 125 GPCD. Using the projected service area population in 2007 of 30,699 persons, the basic groundwater allowance for Santa Cruz would be 4,298.4 acre-feet per year.

12. A portion of the remainder of IGR #58-102952.0001 was extinguished on October 5, 2000, consisting of 450.10 acre-feet per year, and was pledged to Santa Cruz on October 5, 2000 to supplement the groundwater allowance in meeting the consistency with management goal of the Pinal Active Management Area. In addition, three separate portions of IGR #58-102952.0006 were extinguished on June 27, 2003. These extinguishments, numbers 58-102952.0008, 58-102952.0009 and 58-102952.0010, consisting of 207.3, 232.6 and 42 acre-feet per year, respectively, were pledged to Santa Cruz on June 27, 2003 to also supplement the groundwater allowance in meeting the consistency with management goal of the Pinal Active Management Area.

13. The total amount of groundwater that Santa Cruz can withdraw consistent with the management goal of the Pinal AMA is 5,230.4 acre-feet per year.

14. In accordance with Arizona Corporation Commission Rules and Regulations, Santa Cruz

1 finances extension of its distribution system through line extension agreements with
2 owners of new developments. Any owner of a new subdivision served by Santa Cruz
3 must prove financial capability to construct the necessary water infrastructure to the
4 appropriate platting entity and the Arizona Department of Real Estate pursuant to Titles 9,
5 11, and 32 of Arizona Revised Statutes.

6
7 **Having reviewed the Findings of Fact, the Department makes the following conclusions of**
8 **law based on information that was either provided to the Department or obtained independently**
9 **by the Department prior to the issuance of this Decision and Order:**

- 10 1. The annual volume of water which is physically, continuously, and legally available to
11 Santa Cruz is limited by A.A.C. R12-15-703(I) to 5,230.4 acre-feet per year.
- 12 2. The annual volume of water which is physically, continuously, and legally available to
13 Santa Cruz for a minimum of 100 years as prescribed in A.A.C. R12-15-703 exceeds the
14 projected demand for the year 2007 of 5,181.9 acre-feet per year.
- 15 3. The water supply served by Santa Cruz is expected to meet the water quality
16 requirements specified in A.A.C. R12-15-704.
- 17 4. Pursuant to A.A.C. R12-15-705, Santa Cruz's projected use of water up to 5,230.4 acre-
18 feet per year, considering the groundwater allowance and the pledging of extinguishment
19 credits, is consistent with achievement of the management goal of the Pinal Active
20 Management Area.
- 21 5. In accordance with A.A.C. R12-15-706, Santa Cruz's proposed use of water is consistent
22 with the Pinal Active Management Area Third Management Plan requirements.
- 23 6. Santa Cruz satisfies the financial capability criteria prescribed in A.A.C. R12-15-707.
- 24 7. Santa Cruz satisfies all requirements for a designation of an assured water supply.

25 **Having reviewed the Conclusions of Law, the Department hereby issues this Decision and**
26 **Order designating Santa Cruz as having an assured water supply, subject to the following**
27 **conditions:**

- 1 1. The Department reserves the right under A.A.C. R12-15-709 (A) to periodically review
2 and modify the designation as conditions warrant.
- 3 2. If the findings of fact or the conclusions of law upon which this designation is based are
4 found to no longer remain valid, the Department reserves the right under A.A.C. R12-15-
5 709 (A) to revoke the designation.
- 6 3. The Department's determination that an assured water supply exists for Santa Cruz is
7 based solely on its analysis of the groundwater supplies pledged by Santa Cruz. The
8 analysis does not include any other source of water. If Santa Cruz intends to add another
9 source of water to its designated volume, it must request a review pursuant to A.A.C.
10 R12-15-709(C).
- 11 4. It is expected that Santa Cruz will extinguish irrigation grandfathered rights as its service
12 area is developed. If Santa Cruz intends to add these credits to its groundwater account,
13 it must notify the Department's Office of Assured and Adequate Water Supply to add
14 these credits to its groundwater account.
- 15 5. Pursuant to A.A.C. R12-15-704, Santa Cruz shall satisfy any state water quality
16 requirements established for its proposed use after the date of this designation.
- 17 6. Annually, Santa Cruz shall provide to the Department the following information for the
18 Santa Cruz system in the manner prescribed in A.A.C. R12-15-711:
 - 19 a. The estimated future demand of platted, undeveloped lots which are located in
20 Santa Cruz's service area.
 - 21 b. The projected volume of water demand at build-out of customers with which
22 Santa Cruz has entered into a notice of intent to serve agreement in the calendar
23 year.
 - 24 c. A report regarding Santa Cruz's compliance with water quality requirements.
 - 25 d. The depth-to-static water level of all wells from which Santa Cruz withdrew water
26 during the calendar year.
 - 27 e. Any other information required to determine whether to continue Santa Cruz's
28 designated status, which is requested by the Director of Water Resources.

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IT IS HEREBY ORDERED THAT SANTA CRUZ WATER COMPANY BE DESIGNATED AS
HAVING AN ASSURED WATER SUPPLY:

DATED this 24 day of October, 2003


HERBERT R. GUENTHER
Director