

ORIGINAL



0000008813

BEFORE THE ARIZONA CORPORATION COMMISSION

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26  
27

**COMMISSIONERS**

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

OCT  
 2004 NOV -5 P 1:22  
 AZ CORP COMMISSION  
 DOCUMENT CONTROL

Arizona Corporation Commission  
**DOCKETED**

OCT - 5 2004

DOCKETED BY	
-------------	--

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-03-0586

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-03-0586

**NOTICE OF FILING PROOF OF PERFORMANCE BONDS  
IN COMPLIANCE WITH DECISION NO. 67240**

Palo Verde Utilities Company, LLC (PVUC) and Santa Cruz Water Company, LLC (SCWC), in compliance with Decision No. 67240 (September 15, 2004) in the above-captioned dockets, submit proof of performance bonds in the amount of \$750,000 for each company.

Decision No. 67240 required both PVUC and SCWC to increase their performance bonds from \$500,000 to \$750,000. Proof of the required bonds is attached to this notice:

1. Attached as *Exhibit 1* are copies of two bonds for PVUC that total \$750,000: a bond from Fidelity and Deposit Company of Maryland in the amount of \$382,000, dated February 10, 2004, and a bond from Travelers Casualty and Surety Company of America in the amount of \$368,000, dated September 30, 2004.
2. Attached as *Exhibit 2* are copies of two bonds for SCWC that total \$750,000: a bond from Fidelity and Deposit Company of Maryland in the amount of \$418,000, dated February 10, 2004, and a bond from Travelers Casualty and Surety Company of America in the amount of \$332,000, dated September 30, 2004.

**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 The two Travelers bonds identified above replace bonds previously issued by Gulf  
2 Insurance Company to PVUC and SCWC in the amounts of \$118,000 and \$82,000, respectively.  
3 The Gulf Insurance bonds have been cancelled and PVUC and SCWC anticipate that the  
4 Commission will receive notice of this cancellation.

5 Although Decision No. 67240 only required PVUC and SCWC to submit a letter of bond  
6 confirmation by October 15, 2004, PVUC and SCWC are submitting proof and confirmation of the  
7 required bonds *now* in order to ensure that the Commission is aware that the utilities companies  
8 have the required bonds in place in the event that the Commission receives a notice of cancellation  
9 of the Gulf Insurance bonds.

10 RESPECTFULLY submitted this 5<sup>th</sup> day of October 2004.

11 ROSHKA HEYMAN & DEWULF, PLC

12  
13  
14 By 

15 Raymond S. Heyman  
16 Michael W. Patten  
17 One Arizona Center  
18 400 East Van Buren Street, Suite 800  
19 Phoenix, Arizona 85004  
20 (602) 256-6100

21 Original + 15 copies of the foregoing  
22 filed this 5<sup>th</sup> day of October 2004, with:

23 Docket Control  
24 ARIZONA CORPORATION COMMISSION  
25 1200 West Washington  
26 Phoenix, Arizona 85007

27 Copies of the foregoing hand-delivered/mailed  
this 5<sup>th</sup> day of October 2004, to:

Chairman Marc Spitzer  
Arizona Corporation Commission  
1200 West Washington  
Phoenix, Arizona 85007

**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 Commissioner William A. Mundell  
Arizona Corporation Commission  
1200 West Washington  
Phoenix, Arizona 85007
- 2
- 3 Commissioner Jeff Hatch-Miller  
Arizona Corporation Commission  
1200 West Washington  
Phoenix, Arizona 85007
- 4
- 5
- 6 Commissioner Mike Gleason  
Arizona Corporation Commission  
1200 West Washington  
Phoenix, Arizona 85007
- 7
- 8
- 9 Commissioner Kristin K. Mayes  
Arizona Corporation Commission  
1200 West Washington  
Phoenix, Arizona 85007
- 10
- 11 Dwight D. Nodes, Esq.  
Administrative Law Judge  
Hearing Division  
Arizona Corporation Commission  
1200 West Washington  
Phoenix, Arizona 85007
- 12
- 13
- 14 Lisa Vandenberg  
Legal Division  
Arizona Corporation Commission  
1200 West Washington  
Phoenix, Arizona 85007
- 15
- 16
- 17 Ernest G. Johnson, Esq.  
Director, Utilities Division  
Arizona Corporation Commission  
1200 West Washington  
Phoenix, Arizona 85007
- 18
- 19
- 20
- 21 Steven M. Olea  
Assistant Director, Utilities Division  
Arizona Corporation Commission  
1200 West Washington  
Phoenix, Arizona 85007
- 22
- 23
- 24 Jim Fisher  
Utilities Division  
Arizona Corporation Commission  
1200 West Washington  
Phoenix, Arizona 85007
- 25
- 26
- 27

**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  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26  
27

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

By Mary Ippolito

1

**Bond No. 08742106**

**Bond**

**Know All Men By These Presents, That we, Palo Verde Utilities Company, LLC, as Principal and Fidelity And Deposit Company of Maryland, A Maryland corporation authorized to do business in the State of Arizona, as Surety are held and firmly bound unto the Arizona Corporation Commission in the amount of Three Hundred Eighty Two Thousand and 00/100 (\$382,000), lawful money of the United States of America for the payment of which the Principal and Surety are hereby jointly and severally bound.**

**Now Therefore, if the said Principal, or any assigns of his fails to provide competitive water services so furnished, the said Surety will pay the same to the users of the Principal with the consent of the Arizona Corporation Commission as Trustee, an amount not exceeding the sum hereinabove specified, then this obligation shall be null and void; otherwise it shall remain in full force and effect.**

**Provided Further, that regardless of the number of years this bond shall continue in force and the number of premiums which shall be payable or paid, the Surety shall not be liable thereunder for a larger amount, in the aggregate, than the amount of the bond.**

**Provided Further, that should the Surety so elect, this bond may be cancelled by the Surety as to subsequent liability by giving thirty (30) days notice in writing by certified mail to Obligee.**

**Signed, sealed and dated this 10<sup>th</sup> Day of February, 2004.**

**Palo Verde Utilities Company, LLC**

**Fidelity And Deposit Company of Maryland**

By: *Cindy A. Lutz*  
*Vice-President*

By: *Virginia Bradley*  
**Virginia Bradley, Attorney-In-Fact  
3020 E. Camelback Rd. #200  
Phoenix, Arizona 85016  
602-381-2877**

**Power of Attorney**  
**FIDELITY AND DEPOSIT COMPANY OF MARYLAND**

HOME OFFICE, BALTIMORE, MD

KNOW ALL MEN BY THESE PRESENTS: That the FIDELITY AND DEPOSIT COMPANY OF MARYLAND, a corporation of the State of Maryland, by C. M. PECOT, JR., Vice-President, and C. W. ROBBINS, Assistant Secretary, in pursuance of authority granted by Article VI, Section 2, of the By-Laws of said Company, which are set forth on the reverse side hereof and are hereby certified to be in full force and effect on the date hereof, does hereby nominate, constitute and appoint Virginia Bradley of Phoenix, Arizona,

its true and lawful agent and Attorney-in-Fact, to make, execute, seal and deliver, for, and on its behalf as surety, and as its act and deed: any and all bonds and undertakings.....

And the execution of such bonds or undertakings in pursuance of these presents, shall be as binding upon said Company, as fully and amply, to all intents and purposes, as if they had been duly executed and acknowledged by the regularly elected officers of the Company at its office in Baltimore, Md., in their own proper persons. This power of attorney revokes that issued on behalf of Virginia Heil, dated, July 5, 1996

The said Assistant Secretary does hereby certify that the extract set forth on the reverse side hereof is a true copy of Article VI, Section 2, of the By-Laws of said Company, and is now in force.

IN WITNESS WHEREOF, the said Vice-President and Assistant Secretary have hereunto subscribed their names and affixed the Corporate Seal of the said FIDELITY AND DEPOSIT COMPANY OF MARYLAND, this 25th day of September, A.D. 1996

ATTEST:  **FIDELITY AND DEPOSIT COMPANY OF MARYLAND**  
C. W. Robbins  
Assistant Secretary

By C. M. Pecot, Jr.  
Vice-President

STATE OF MARYLAND }  
COUNTY OF BALTIMORE }

SS:

On this 25th day of September, A.D. 1996, before the subscriber, a Notary Public of the State of Maryland, duly commissioned and qualified, came C. M. PECOT, JR., Vice-President and C. W. ROBBINS, Assistant Secretary of the FIDELITY AND DEPOSIT COMPANY OF MARYLAND, to me personally known to be the individuals and officers described in and who executed the preceding instrument, and they each acknowledged the execution of the same, and being by me duly sworn, severally and each for himself depose and saith, that they are the said officers of the Company aforesaid, and that the seal affixed to the preceding instrument is the Corporate Seal of said Company, and that the said Corporate Seal and their signatures as such officers were duly affixed and subscribed to the said instrument by the authority and direction of the said Corporation.

IN TESTIMONY WHEREOF, I have hereunto set my hand and affixed my Official Seal the day and year first above written.



Carol J. Fader  
Notary Public

Notary Public

My Commission Expires August 1, 2000

**CERTIFICATE**

I, the undersigned, Assistant Secretary of the FIDELITY AND DEPOSIT COMPANY OF MARYLAND, do hereby certify that the original Power of Attorney of which the foregoing is a full, true and correct copy, is in full force and effect on the date of this certificate; and I do further certify that the Vice-President who executed the said Power of Attorney was one of the additional Vice-Presidents specially authorized by the Board of Directors to appoint any Attorney-in-Fact as provided in Article VI, Section 2, of the By-Laws of the FIDELITY AND DEPOSIT COMPANY OF MARYLAND.

This Certificate may be signed by facsimile under and by authority of the following resolution of the Board of Directors of the FIDELITY AND DEPOSIT COMPANY OF MARYLAND at a meeting duly called and held on the 16th day of July, 1969.

RESOLVED: "That the facsimile or mechanically reproduced signature of any Assistant Secretary of the Company, whether made heretofore or hereafter, wherever appearing upon a certified copy of any power of attorney issued by the Company, shall be valid and binding upon the Company with the same force and effect as though manually affixed."

IN TESTIMONY WHEREOF, I have hereunto subscribed my name and affixed the corporate seal of the said Company, this 10th day of February, 2004,

Virginia Bradley  
Assistant Secretary

**EXTRACT FROM BY-LAWS OF FIDELITY AND DEPOSIT COMPANY OF MARYLAND**

“Article VI, Section 2. The Chairman of the Board, or the President, or any Executive Vice-President, or any of the Senior Vice-Presidents or Vice-Presidents specially authorized so to do by the Board of Directors or by the Executive Committee, shall have power, by and with the concurrence of the Secretary or any one of the Assistant Secretaries, to appoint Resident Vice-Presidents, Assistant Vice-Presidents and Attorneys-in-Fact as the business of the Company may require, or to authorize any person or persons to execute on behalf of the Company any bonds, undertakings, recognizances, stipulations, policies, contracts, agreements, deeds, and releases and assignments of judgements, decrees, mortgages and instruments in the nature of mortgages, . . . and to affix the seal of the Company thereto.”

BOND NO. 104367406

**UTILITY BOND**

KNOW ALL MEN BY THESE PRESENTS, That we, Palo Verde Utilities Company, LLC, as Principal, and Travelers Casualty and Surety Company of America, a Connecticut corporation authorized to do business in the State of Arizona, as Surety are held and firmly bound unto the Arizona Corporation Commission in the amount of Three Hundred Sixty-Eight Thousand NO/100 Dollars (\$368,000.00), lawful money of the United States of America for the payment of which the Principal and Surety are hereby jointly and severally bound.

NOW THEREFORE, if the said Principal, or any assigns of his fails to provide competitive water services so furnished, the said Surety will pay the same to the users of the Principal with the consent of the Arizona Corporation Commission as Trustee, an amount not exceeding the sum hereinabove specified, then this obligation shall be null and void; otherwise it shall remain in full force and effect.

PROVIDED FURTHER, that regardless of the number of years this bond shall continue in force and the number of premiums which shall be payable or paid, the Surety shall not be liable thereunder for a larger amount, in the aggregate, than the amount of the bond.

PROVIDED FURTHER, that should the Surety so elect, this bond may be canceled by the Surety as to subsequent liability by giving thirty (30) days notice in writing by certified mail to Obligee.

Signed, dated and sealed this 30<sup>th</sup> day of September, 2004.

Palo Verde Utilities Company, LLC

Travelers Casualty and Surety Company of America

By: Cindy M. Liles  
Vice-President

By: Brandy L. Baich  
Brandy L. Baich, Attorney-In-Fact



## **IMPORTANT DISCLOSURE NOTICE OF TERRORISM INSURANCE COVERAGE**

On November 26, 2002, President Bush signed into law the Terrorism Risk Insurance Act of 2002 (the "Act"). The Act establishes a short-term program under which the Federal Government will share in the payment of covered losses caused by certain acts of international terrorism. We are providing you with this notice to inform you of the key features of the Act, and to let you know what effect, if any, the Act will have on your premium.

Under the Act, insurers are required to provide coverage for certain losses caused by international acts of terrorism as defined in the Act. The Act further provides that the Federal Government will pay a share of such losses. Specifically, the Federal Government will pay 90% of the amount of covered losses caused by certain acts of terrorism which is in excess of Travelers' statutorily established deductible for that year. The Act also caps the amount of terrorism-related losses for which the Federal Government or an insurer can be responsible at \$100,000,000,000.00, provided that the insurer has met its deductible.

Please note that passage of the Act does not result in any change in coverage under the attached policy or bond (or the policy or bond being quoted). Please also note that no separate additional premium charge has been made for the terrorism coverage required by the Act. The premium charge that is allocable to such coverage is inseparable from and imbedded in your overall premium, and is no more than one percent of your premium.

**TRAVELERS CASUALTY AND SURETY COMPANY OF AMERICA  
TRAVELERS CASUALTY AND SURETY COMPANY  
FARMINGTON CASUALTY COMPANY  
Hartford, Connecticut 06183-9062**

**POWER OF ATTORNEY AND CERTIFICATE OF AUTHORITY OF ATTORNEY(S)-IN-FACT**

KNOW ALL PERSONS BY THESE PRESENTS, THAT TRAVELERS CASUALTY AND SURETY COMPANY OF AMERICA, TRAVELERS CASUALTY AND SURETY COMPANY and FARMINGTON CASUALTY COMPANY, corporations duly organized under the laws of the State of Connecticut, and having their principal offices in the City of Hartford, County of Hartford, State of Connecticut, (hereinafter the "Companies") hath made, constituted and appointed, and do by these presents make, constitute and appoint: **Maryann Carafello, Thomas O. Wilder, Terry Crull, David G. Jensen, Brandy L. Baich, of Phoenix, Arizona**, their true and lawful Attorney(s)-in-Fact, with full power and authority hereby conferred to sign, execute and acknowledge, at any place within the United States, the following instrument(s): by his/her sole signature and act, any and all bonds, recognizances, contracts of indemnity, and other writings obligatory in the nature of a bond, recognizance, or conditional undertaking and any and all consents incident thereto and to bind the Companies, thereby as fully and to the same extent as if the same were signed by the duly authorized officers of the Companies, and all the acts of said Attorney(s)-in-Fact, pursuant to the authority herein given, are hereby ratified and confirmed.

This appointment is made under and by authority of the following Standing Resolutions of said Companies, which Resolutions are now in full force and effect:

VOTED: That the Chairman, the President, any Vice Chairman, any Executive Vice President, any Senior Vice President, any Vice President, any Second Vice President, the Treasurer, any Assistant Treasurer, the Corporate Secretary or any Assistant Secretary may appoint Attorneys-in-Fact and Agents to act for and on behalf of the company and may give such appointee such authority as his or her certificate of authority may prescribe to sign with the Company's name and seal with the Company's seal bonds, recognizances, contracts of indemnity, and other writings obligatory in the nature of a bond, recognizance, or conditional undertaking, and any of said officers or the Board of Directors at any time may remove any such appointee and revoke the power given him or her.

VOTED: That the Chairman, the President, any Vice Chairman, any Executive Vice President, any Senior Vice President or any Vice President may delegate all or any part of the foregoing authority to one or more officers or employees of this Company, provided that each such delegation is in writing and a copy thereof is filed in the office of the Secretary.

VOTED: That any bond, recognizance, contract of indemnity, or writing obligatory in the nature of a bond, recognizance, or conditional undertaking shall be valid and binding upon the Company when (a) signed by the President, any Vice Chairman, any Executive Vice President, any Senior Vice President or any Vice President, any Second Vice President, the Treasurer, any Assistant Treasurer, the Corporate Secretary or any Assistant Secretary and duly attested and sealed with the Company's seal by a Secretary or Assistant Secretary, or (b) duly executed (under seal, if required) by one or more Attorneys-in-Fact and Agents pursuant to the power prescribed in his or her certificate or their certificates of authority or by one or more Company officers pursuant to a written delegation of authority.

**This Power of Attorney and Certificate of Authority is signed and sealed by facsimile (mechanical or printed) under and by authority of the following Standing Resolution voted by the Boards of Directors of TRAVELERS CASUALTY AND SURETY COMPANY OF AMERICA, TRAVELERS CASUALTY AND SURETY COMPANY and FARMINGTON CASUALTY COMPANY, which Resolution is now in full force and effect:**

VOTED: That the signature of each of the following officers: President, any Executive Vice President, any Senior Vice President, any Vice President, any Assistant Vice President, any Secretary, any Assistant Secretary, and the seal of the Company may be affixed by facsimile to any power of attorney or to any certificate relating thereto appointing Resident Vice Presidents, Resident Assistant Secretaries or Attorneys-in-Fact for purposes only of executing and attesting bonds and undertakings and other writings obligatory in the nature thereof, and any such power of attorney or certificate bearing such facsimile signature or facsimile seal shall be valid and binding upon the Company and any such power so executed and certified by such facsimile signature and facsimile seal shall be valid and binding upon the Company in the future with respect to any bond or undertaking to which it is attached.

IN WITNESS WHEREOF, TRAVELERS CASUALTY AND SURETY COMPANY OF AMERICA, TRAVELERS CASUALTY AND SURETY COMPANY and FARMINGTON CASUALTY COMPANY have caused this instrument to be signed by their Senior Vice President and their corporate seals to be hereto affixed this 6th day of September 2001.

STATE OF CONNECTICUT

}SS. Hartford

COUNTY OF HARTFORD

TRAVELERS CASUALTY AND SURETY COMPANY OF AMERICA  
TRAVELERS CASUALTY AND SURETY COMPANY  
FARMINGTON CASUALTY COMPANY



By *George W. Thompson*  
George W. Thompson  
Senior Vice President

On this 6th day of September, 2001 before me personally came GEORGE W. THOMPSON to me known, who, being by me duly sworn, did depose and say: that he/she is Senior Vice President of TRAVELERS CASUALTY AND SURETY COMPANY OF AMERICA, TRAVELERS CASUALTY AND SURETY COMPANY and FARMINGTON CASUALTY COMPANY, the corporations described in and which executed the above instrument; that he/she knows the seals of said corporations; that the seals affixed to the said instrument are such corporate seals; and that he/she executed the said instrument on behalf of the corporations by authority of his/her office under the Standing Resolutions thereof.



*Marie C Tetreault*  
My commission expires June 30, 2006 Notary Public  
Marie C. Tetreault

CERTIFICATE

I, the undersigned, Assistant Secretary of TRAVELERS CASUALTY AND SURETY COMPANY OF AMERICA, TRAVELERS CASUALTY AND SURETY COMPANY and FARMINGTON CASUALTY COMPANY, stock corporations of the State of Connecticut, DO HEREBY CERTIFY that the foregoing and attached Power of Attorney and Certificate of Authority remains in full force and has not been revoked; and furthermore, that the Standing Resolutions of the Boards of Directors, as set forth in the Certificate of Authority, are now in force.

Signed and Sealed at the Home Office of the Company, in the City of Hartford, State of Connecticut. Dated this 30th day of September, 20 04



By *Kori M. Johanson*  
Kori M. Johanson  
Assistant Secretary, Bond

2

**Bond No. 08742105**

**Bond**

**Know All Men By These Presents, That we, Santa Cruz Water Company, LLC, as Principal and Fidelity And Deposit Company of Maryland, A Maryland corporation authorized to do business in the State of Arizona, as Surety are held and firmly bound unto the Arizona Corporation Commission in the amount of Four Hundred Eighteen Thousand and 00/100 (\$418,000), lawful money of the United States of America for the payment of which the Principal and Surety are hereby jointly and severally bound.**

**Now Therefore, if the said Principal, or any assigns of his fails to provide competitive water services so furnished, the said Surety will pay the same to the users of the Principal with the consent of the Arizona Corporation Commission as Trustee, an amount not exceeding the sum hereinabove specified, then this obligation shall be null and void; otherwise it shall remain in full force and effect.**

**Provided Further, that regardless of the number of years this bond shall continue in force and the number of premiums which shall be payable or paid, the Surety shall not be liable thereunder for a larger amount, in the aggregate, than the amount of the bond.**

**Provided Further, that should the Surety so elect, this bond may be cancelled by the Surety as to subsequent liability by giving thirty (30) days notice in writing by certified mail to Obligee.**

**Signed, sealed and dated this 10<sup>th</sup> Day of February, 2004.**

**Santa Cruz Water Company, LLC**

**Fidelity And Deposit Company of Maryland**

By: *Cindy A. Litz*  
*Vice - President*

By: *Virginia Bradley*  
**Virginia Bradley, Attorney-In-Fact  
3020 E. Camelback Rd. #200  
Phoenix, Arizona 85016  
602-381-2877**

**Power of Attorney**  
**FIDELITY AND DEPOSIT COMPANY OF MARYLAND**

HOME OFFICE, BALTIMORE, MD

KNOW ALL MEN BY THESE PRESENTS: That the FIDELITY AND DEPOSIT COMPANY OF MARYLAND, a corporation of the State of Maryland, by C. M. PECOT, JR., Vice-President, and C. W. ROBBINS, Assistant Secretary, in pursuance of authority granted by Article VI, Section 2, of the By-Laws of said Company, which are set forth on the reverse side hereof and are hereby certified to be in full force and effect on the date hereof, does hereby nominate, constitute and appoint Virginia Bradley of Phoenix, Arizona,

its true and lawful agent and Attorney-in-Fact, to make, execute, seal and deliver, for, and on its behalf as surety, and as its act and deed: any and all bonds and undertakings.....

And the execution of such bonds or undertakings in pursuance of these presents, shall be as binding upon said Company, as fully and amply, to all intents and purposes, as if they had been duly executed and acknowledged by the regularly elected officers of the Company at its office in Baltimore, Md., in their own proper persons. This power of attorney revokes that issued on behalf of Virginia Heil, dated, July 5, 1996.

The said Assistant Secretary does hereby certify that the extract set forth on the reverse side hereof is a true copy of Article VI, Section 2, of the By-Laws of said Company, and is now in force.

IN WITNESS WHEREOF, the said Vice-President and Assistant Secretary have hereunto subscribed their names and affixed the Corporate Seal of the said FIDELITY AND DEPOSIT COMPANY OF MARYLAND, this 25th day of September, A.D. 1996.

ATTEST:



FIDELITY AND DEPOSIT COMPANY OF MARYLAND

*C. W. Robbins*  
Assistant Secretary

By *C. M. Pecot, Jr.*  
Vice-President

STATE OF MARYLAND }  
COUNTY OF BALTIMORE } ss:

On this 25th day of September, A.D. 1996, before the subscriber, a Notary Public of the State of Maryland, duly commissioned and qualified, came C. M. PECOT, JR., Vice-President and C. W. ROBBINS, Assistant Secretary of the FIDELITY AND DEPOSIT COMPANY OF MARYLAND, to me personally known to be the individuals and officers described in and who executed the preceding instrument, and they each acknowledged the execution of the same, and being by me duly sworn, severally and each for himself depose and saith, that they are the said officers of the Company aforesaid, and that the seal affixed to the preceding instrument is the Corporate Seal of said Company, and that the said Corporate Seal and their signatures as such officers were duly affixed and subscribed to the said instrument by the authority and direction of the said Corporation.

IN TESTIMONY WHEREOF, I have hereunto set my hand and affixed my Official Seal the day and year first above written.



*Carol J. Fader*  
Notary Public  
My Commission Expires August 1, 2000

**CERTIFICATE**

I, the undersigned, Assistant Secretary of the FIDELITY AND DEPOSIT COMPANY OF MARYLAND, do hereby certify that the original Power of Attorney of which the foregoing is a full, true and correct copy, is in full force and effect on the date of this certificate; and I do further certify that the Vice-President who executed the said Power of Attorney was one of the additional Vice-Presidents specially authorized by the Board of Directors to appoint any Attorney-in-Fact as provided in Article VI, Section 2, of the By-Laws of the FIDELITY AND DEPOSIT COMPANY OF MARYLAND.

This Certificate may be signed by facsimile under and by authority of the following resolution of the Board of Directors of the FIDELITY AND DEPOSIT COMPANY OF MARYLAND at a meeting duly called and held on the 16th day of July, 1969.

RESOLVED: "That the facsimile or mechanically reproduced signature of any Assistant Secretary of the Company, whether made heretofore or hereafter, wherever appearing upon a certified copy of any power of attorney issued by the Company, shall be valid and binding upon the Company with the same force and effect as though manually affixed."

IN TESTIMONY WHEREOF, I have hereunto subscribed my name and affixed the corporate seal of the said Company, this 10th day of February 2004.

*Gregory Hamilton*  
Assistant Secretary

**EXTRACT FROM BY-LAWS OF FIDELITY AND DEPOSIT COMPANY OF MARYLAND**

“Article VI, Section 2. The Chairman of the Board, or the President, or any Executive Vice-President, or any of the Senior Vice-Presidents or Vice-Presidents specially authorized so to do by the Board of Directors or by the Executive Committee, shall have power, by and with the concurrence of the Secretary or any one of the Assistant Secretaries, to appoint Resident Vice-Presidents, Assistant Vice-Presidents and Attorneys-in-Fact as the business of the Company may require, or to authorize any person or persons to execute on behalf of the Company any bonds, undertakings, recognizances, stipulations, policies, contracts, agreements, deeds, and releases and assignments of judgements, decrees, mortgages and instruments in the nature of mortgages, . . . and to affix the seal of the Company thereto.”

BOND NO. 104367407

**UTILITY BOND**

KNOW ALL MEN BY THESE PRESENTS, That we, Santa Cruz Water Company, LLC, as Principal, and Travelers Casualty and Surety Company of America, a Connecticut corporation authorized to do business in the State of Arizona, as Surety are held and firmly bound unto the Arizona Corporation Commission in the amount of Three Hundred Thirty-Two Thousand NO/100 Dollars (\$332,000.00), lawful money of the United States of America for the payment of which the Principal and Surety are hereby jointly and severally bound.

NOW THEREFORE, if the said Principal, or any assigns of his fails to provide competitive water services so furnished, the said Surety will pay the same to the users of the Principal with the consent of the Arizona Corporation Commission as Trustee, an amount not exceeding the sum hereinabove specified, then this obligation shall be null and void; otherwise it shall remain in full force and effect.

PROVIDED FURTHER, that regardless of the number of years this bond shall continue in force and the number of premiums which shall be payable or paid, the Surety shall not be liable thereunder for a larger amount, in the aggregate, than the amount of the bond.

PROVIDED FURTHER, that should the Surety so elect, this bond may be canceled by the Surety as to subsequent liability by giving thirty (30) days notice in writing by certified mail to Obligee.

Signed, dated and sealed this 30<sup>th</sup> day of September, 2004.

Santa Cruz Water Company, LLC

Travelers Casualty and Surety Company of America

By: Cindy M. Liles  
Vice President

By: Brandy L. Baich  
Brandy L. Baich, Attorney-In-Fact



## **IMPORTANT DISCLOSURE NOTICE OF TERRORISM INSURANCE COVERAGE**

On November 26, 2002, President Bush signed into law the Terrorism Risk Insurance Act of 2002 (the "Act"). The Act establishes a short-term program under which the Federal Government will share in the payment of covered losses caused by certain acts of international terrorism. We are providing you with this notice to inform you of the key features of the Act, and to let you know what effect, if any, the Act will have on your premium.

Under the Act, insurers are required to provide coverage for certain losses caused by international acts of terrorism as defined in the Act. The Act further provides that the Federal Government will pay a share of such losses. Specifically, the Federal Government will pay 90% of the amount of covered losses caused by certain acts of terrorism which is in excess of Travelers' statutorily established deductible for that year. The Act also caps the amount of terrorism-related losses for which the Federal Government or an insurer can be responsible at \$100,000,000,000.00, provided that the insurer has met its deductible.

Please note that passage of the Act does not result in any change in coverage under the attached policy or bond (or the policy or bond being quoted). Please also note that no separate additional premium charge has been made for the terrorism coverage required by the Act. The premium charge that is allocable to such coverage is inseparable from and imbedded in your overall premium, and is no more than one percent of your premium.

TRAVELERS CASUALTY AND SURETY COMPANY OF AMERICA  
TRAVELERS CASUALTY AND SURETY COMPANY  
FARMINGTON CASUALTY COMPANY  
Hartford, Connecticut 06183-9062

**POWER OF ATTORNEY AND CERTIFICATE OF AUTHORITY OF ATTORNEY(S)-IN-FACT**

KNOW ALL PERSONS BY THESE PRESENTS, THAT TRAVELERS CASUALTY AND SURETY COMPANY OF AMERICA, TRAVELERS CASUALTY AND SURETY COMPANY and FARMINGTON CASUALTY COMPANY, corporations duly organized under the laws of the State of Connecticut, and having their principal offices in the City of Hartford, County of Hartford, State of Connecticut, (hereinafter the "Companies") hath made, constituted and appointed, and do by these presents make, constitute and appoint: **Maryann Carafello, Thomas O. Wilder, Terry Crull, David G. Jensen, Brandy L. Baich, of Phoenix, Arizona**, their true and lawful Attorney(s)-in-Fact, with full power and authority hereby conferred to sign, execute and acknowledge, at any place within the United States, the following instrument(s): by his/her sole signature and act, any and all bonds, recognizances, contracts of indemnity, and other writings obligatory in the nature of a bond, recognizance, or conditional undertaking and any and all consents incident thereto and to bind the Companies, thereby as fully and to the same extent as if the same were signed by the duly authorized officers of the Companies, and all the acts of said Attorney(s)-in-Fact, pursuant to the authority herein given, are hereby ratified and confirmed.

This appointment is made under and by authority of the following Standing Resolutions of said Companies, which Resolutions are now in full force and effect:

VOTED: That the Chairman, the President, any Vice Chairman, any Executive Vice President, any Senior Vice President, any Vice President, any Second Vice President, the Treasurer, any Assistant Treasurer, the Corporate Secretary or any Assistant Secretary may appoint Attorneys-in-Fact and Agents to act for and on behalf of the company and may give such appointee such authority as his or her certificate of authority may prescribe to sign with the Company's name and seal with the Company's seal bonds, recognizances, contracts of indemnity, and other writings obligatory in the nature of a bond, recognizance, or conditional undertaking, and any of said officers or the Board of Directors at any time may remove any such appointee and revoke the power given him or her.

VOTED: That the Chairman, the President, any Vice Chairman, any Executive Vice President, any Senior Vice President or any Vice President may delegate all or any part of the foregoing authority to one or more officers or employees of this Company, provided that each such delegation is in writing and a copy thereof is filed in the office of the Secretary.

VOTED: That any bond, recognizance, contract of indemnity, or writing obligatory in the nature of a bond, recognizance, or conditional undertaking shall be valid and binding upon the Company when (a) signed by the President, any Vice Chairman, any Executive Vice President, any Senior Vice President or any Vice President, any Second Vice President, the Treasurer, any Assistant Treasurer, the Corporate Secretary or any Assistant Secretary and duly attested and sealed with the Company's seal by a Secretary or Assistant Secretary, or (b) duly executed (under seal, if required) by one or more Attorneys-in-Fact and Agents pursuant to the power prescribed in his or her certificate or their certificates of authority or by one or more Company officers pursuant to a written delegation of authority.

**This Power of Attorney and Certificate of Authority is signed and sealed by facsimile (mechanical or printed) under and by authority of the following Standing Resolution voted by the Boards of Directors of TRAVELERS CASUALTY AND SURETY COMPANY OF AMERICA, TRAVELERS CASUALTY AND SURETY COMPANY and FARMINGTON CASUALTY COMPANY, which Resolution is now in full force and effect:**

VOTED: That the signature of each of the following officers: President, any Executive Vice President, any Senior Vice President, any Vice President, any Assistant Vice President, any Secretary, any Assistant Secretary, and the seal of the Company may be affixed by facsimile to any power of attorney or to any certificate relating thereto appointing Resident Vice Presidents, Resident Assistant Secretaries or Attorneys-in-Fact for purposes only of executing and attesting bonds and undertakings and other writings obligatory in the nature thereof, and any such power of attorney or certificate bearing such facsimile signature or facsimile seal shall be valid and binding upon the Company and any such power so executed and certified by such facsimile signature and facsimile seal shall be valid and binding upon the Company in the future with respect to any bond or undertaking to which it is attached.

IN WITNESS WHEREOF, TRAVELERS CASUALTY AND SURETY COMPANY OF AMERICA, TRAVELERS CASUALTY AND SURETY COMPANY and FARMINGTON CASUALTY COMPANY have caused this instrument to be signed by their Senior Vice President and their corporate seals to be hereto affixed this 6th day of September 2001.

STATE OF CONNECTICUT

)SS. Hartford

COUNTY OF HARTFORD

TRAVELERS CASUALTY AND SURETY COMPANY OF AMERICA  
TRAVELERS CASUALTY AND SURETY COMPANY  
FARMINGTON CASUALTY COMPANY



By *George W. Thompson*  
George W. Thompson  
Senior Vice President

On this 6th day of September, 2001 before me personally came GEORGE W. THOMPSON to me known, who, being by me duly sworn, did depose and say: that he/she is Senior Vice President of TRAVELERS CASUALTY AND SURETY COMPANY OF AMERICA, TRAVELERS CASUALTY AND SURETY COMPANY and FARMINGTON CASUALTY COMPANY, the corporations described in and which executed the above instrument; that he/she knows the seals of said corporations; that the seals affixed to the said instrument are such corporate seals; and that he/she executed the said instrument on behalf of the corporations by authority of his/her office under the Standing Resolutions thereof.



*Marie C Tetreault*  
My commission expires June 30, 2006 Notary Public  
Marie C. Tetreault

CERTIFICATE

I, the undersigned, Assistant Secretary of TRAVELERS CASUALTY AND SURETY COMPANY OF AMERICA, TRAVELERS CASUALTY AND SURETY COMPANY and FARMINGTON CASUALTY COMPANY, stock corporations of the State of Connecticut, DO HEREBY CERTIFY that the foregoing and attached Power of Attorney and Certificate of Authority remains in full force and has not been revoked; and furthermore, that the Standing Resolutions of the Boards of Directors, as set forth in the Certificate of Authority, are now in force.

Signed and Sealed at the Home Office of the Company, in the City of Hartford, State of Connecticut. Dated this 30th day of September, 20 04



By *Kori M. Johanson*  
Kori M. Johanson  
Assistant Secretary, Bond