

ORIGINAL

NEW APPLICATION

Arizona Utility Supply & Services, LLC

2875 W. Houston Ave. Apache Junction, AZ
P.O. Box 30543 Phoenix, AZ 85046-0543
(602) 795-7980 FAX (602) 795-7983
E-Mail wwtp1242@cox.net



0000009102

June 21, 2004

Arizona Corporation Commission
DOCKETED

JUN 21 2004

Docket Control
Arizona Corporation Commission
1200 W. Washington St.
Phoenix, AZ 85007

| | |
|-------------|------------|
| DOCKETED BY | <i>CAZ</i> |
|-------------|------------|

**RE: SW-04002A - Arizona Utility Supply & Services, LLC
Application to Transfer Certificate of Convenience & Necessity**

WS-02987A-04-0465
SW-04002A-04-0465

To Whom it Concerns:

Attached is an application by Arizona Utility Supply & Services, LLC to transfer our Certificate of Convenience and Necessity (CC&N) to Johnson Utility Company. The purpose of this application is detailed in the agreement attached to the application. Submitted herewith is the original plus fifteen (15) copies.

Respectfully Submitted
ARIZONA UTILITY SUPPLY & SERVICES, LLC

Maurice Lee
Manager

RECEIVED
2004 JUN 21 P 3:31
AZ CORP COMMISSION
DOCUMENT CONTROL

cc: Jim Fisher – Utility Division, Arizona Corporation Commission
Karen Smith – Arizona Dept. of Environmental Quality
Robert Casey – Arizona Dept. of Environmental Quality
Jay Shapiro, Atty. for Johnson Utility Company
Johnson Utility Company
Jeffrey Zimmerman, Atty. for Arizona Utility Supply & Services, LLC

ARIZONA CORPORATION COMMISSION
APPLICATION FOR APPROVAL OF THE ~~SALE OF ASSETS AND/OR~~ TRANSFER OF
CERTIFICATE OF CONVENIENCE AND NECESSITY
WATER AND/OR SEWER

See Attached Map for Legal Description
of Certificated of Convenience & Necessity
to be Transferred

A. The name, address and telephone number of the Transferor (Company) is:

Arizona Utility Supply & Services, LLC

2875 E. Houston Ave. #400, Apache Junction, AZ
P.O. Box 30543

Phoenix, AZ 85046-0543
(602)368-6236 Fax (602) 795-7983

B. If doing business under a name other than the Transferor (Company) name, specify:

AUSS

C. The Transferor is a:

| | |
|--|--|
| <input type="checkbox"/> Corporation: <input type="checkbox"/> "C", <input type="checkbox"/> "S", <input type="checkbox"/> Non-Profit <input type="checkbox"/> Arizona, <input type="checkbox"/> Foreign | <input type="checkbox"/> Partnership <input type="checkbox"/> Limited, <input type="checkbox"/> General <input type="checkbox"/> Arizona, <input type="checkbox"/> Foreign |
| <input type="checkbox"/> Sole Proprietorship | <input checked="" type="checkbox"/> Limited Liability Company |
| <input type="checkbox"/> Other (Specify) | |

D. List the name, address and telephone number of the attorney for the Transferor.

Jeffrey Zimmerman
Moyes Storey
1850 N. Central Ave., Ste. 1100
Phoenix, AZ 85004
(602)604-2111 Fax (602)274-9135

E. List the name, address and telephone number of management contact:

Maurice Lee
4002 E. Taro Ln.
Phoenix, AZ 85050
(602)795-7980 Fax (602)795-7983

F. The name, address and telephone number of the Transferee (Company) is:

Johnson Utility Company
5230 E. Shea Blvd. #200
Scottsdale, AZ 85258
(480)998-3300 Fax (480)483-7908

G. If doing business under a name other than the Transferee (Company) name, specify:

H. List the name, address and telephone number of the attorney for the Transferee.

Jay Shapiro
3003 N. Central Ave.
Phoenix, AZ 85012
(602)916-5366

I. List the name, address and telephone number of management contact:

Brian Tompsett
Johnson Utility Company
5230 E. Shea Blvd. #200
Scottsdale, AZ 85258
(480)998-3300 Fax (480)483-7908

J. (Transferee) List the name, address and telephone number of the on-site manager of the utility:

Gary Larson
Johnson Utility Co
200 W. Hunt Highway Queen Creek, AZ 85242 (480)987-9870

K. (Transferee) List the name, address and telephone number of the certified operator as authorized by the Arizona Department of Environmental Quality:

Jerry Beeler
Johnson Utility Co.
200 Hunt Highway
Queen Creek, AZ 85242
(480) 987-9870

L. The Transferee is a:

| | |
|--|--|
| <input type="checkbox"/> Corporation: <input type="checkbox"/> "C", <input type="checkbox"/> "S", <input type="checkbox"/> Non-Profit <input type="checkbox"/> Arizona, <input type="checkbox"/> Foreign | <input type="checkbox"/> Partnership <input type="checkbox"/> Limited, <input type="checkbox"/> General <input type="checkbox"/> Arizona, <input type="checkbox"/> Foreign |
| <input type="checkbox"/> Sole Proprietorship | <input checked="" type="checkbox"/> Limited Liability Company |
| <input type="checkbox"/> Other (Specify) | |

M. If Transferee is a corporation:

1. List names of Officers and Directors:

Officers

Directors

2. Indicate the number of shares of stock authorized to issue:

N/A

3. If stock has been issued, indicate the number of shares issued and the date of issue:

N/a

N. If Transferee is a partnership: N/A

1. List the names of general partners:

2. List name, address and telephone number of managing partner:

N/A

◆ If Applicant is a foreign limited partnership, provide a copy of the Partnership's "Certificate of Registration" with the Arizona Secretary of State

N/A

O. If Transferee is a sole proprietor, list name, address and telephone number of individual:

N/A

P. Have all customer security deposits been refunded? Yes ___ No X. If no, mark the block below which describes the proposed disposition of security deposits.

X All security deposits will be refunded at time of closing.

___ All security deposits will be transferred to the Transferee.

___ Other (explain).

Q. Are there any refunds due on Main Extension Agreements? Yes ___ No X. If Yes, mark the block below which describes the proposed disposition of the refunds.

___ Transferor will continue to refund after the transfer.

___ Transferee will assume the refunding obligations.

___ A full refund will be made at closing by Transferor.

___ Other (explain).

R. (WATER ONLY) Are there any refunds due on meter and service line installations?

Yes ___ No ___ . If Yes, mark the block below that describes the proposed disposition of refunds.

___ Transferor will continue to refund after the transfer.

___ Transferee will assume the refunding obligations.

___ A full refund will be made at closing by Transferor.

___ Other (explain).

N/A

S. (Transferee) Attach the following exhibit(s):

1. Copy of bill of sale, purchase contract or other instrument, which conveys the assets to the transferee.
2. Articles of Incorporation (if corporation)
3. By-Laws (if corporation)
4. Certificate of Good Standing (if corporation)
5. Articles of Partnership (if partnership)
6. Articles of Organization (if limited liability company)
7. Corporate Resolution if required by Articles of Incorporation
8. Attach a copy of the transfer of City or County Franchise from the Transferor to Transferee.

T. List names and addresses of any other public utility interest Transferee has:

1. _____ To be furnished by Transferee
2. _____

U. Indicate the date that notice of the application was sent, or will be sent to the customers.

Upon notice of Corporation Commission

_____, 20____.

DATED the 17 day of June, 2004

Maurice Lee

(Signature of Authorized Representative of Transferor)

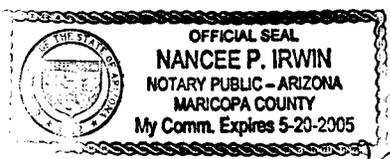
Maurice Lee,

(Type Name Here)

Manager

(Title)

SUBSCRIBED AND SWORN to before me on this 17th day of JUNE 2004



Nancee P. Irwin

NOTARY PUBLIC

My Commission Expires May 20, 2005

George H. Johnson

(Signature of Authorized Representative of Transferee)

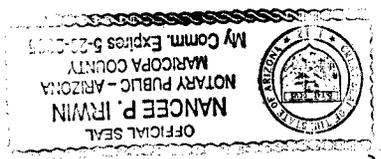
GEORGE H. JOHNSON

(Type Name Here)

MANAGING MEMBER

(Title)

SUBSCRIBED AND SWORN to before me on this 17th day of JUNE 2004



Nancee P. Irwin

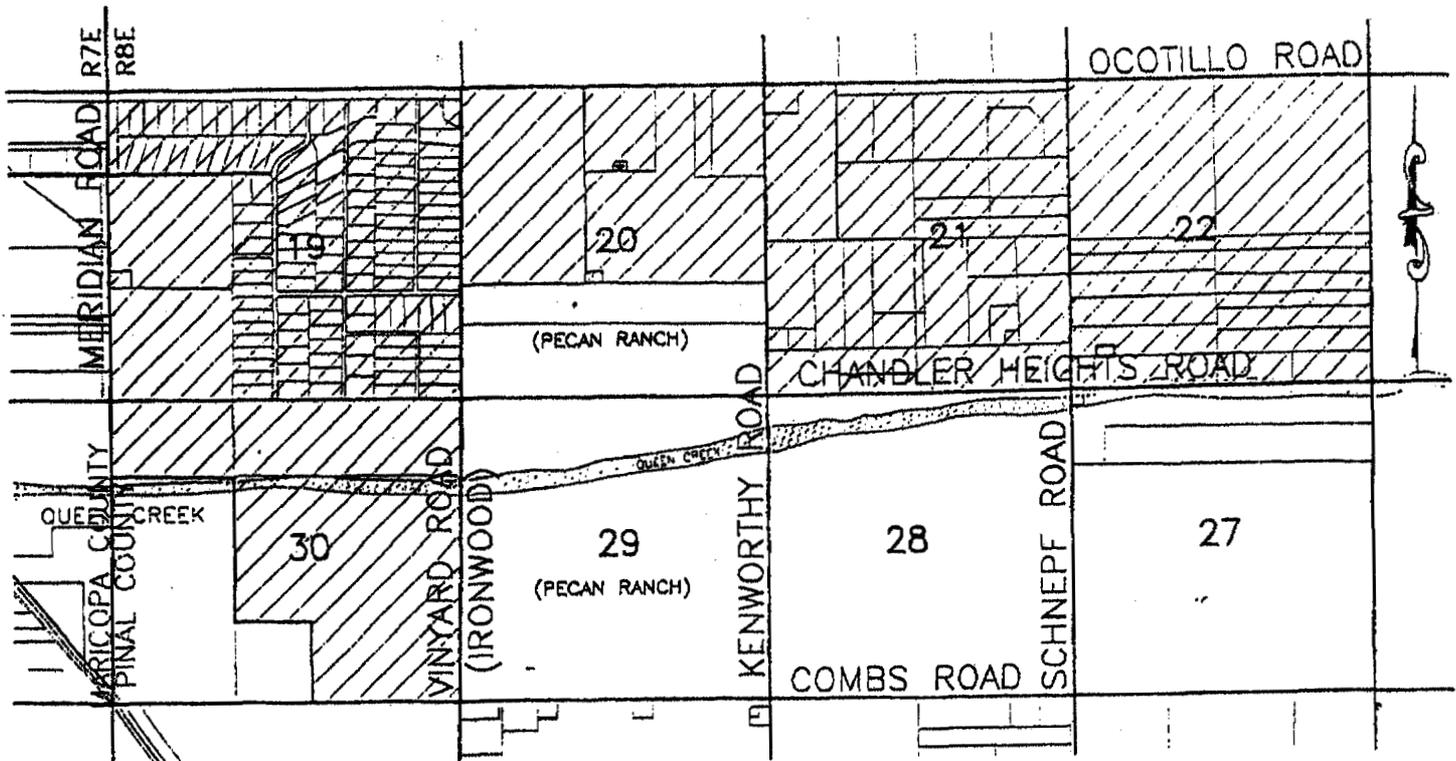
NOTARY PUBLIC

My Commission Expires May 20, 2005

ARIZONA UTILITY SUPPLY & SERVICES, LLC

LEGAL DESCRIPTION FOR

Application to
Transfer of Convenience and Necessity
SW-04002A



LEGAL DESCRIPTION

ALL OF SECTIONS 19, 20, 21, AND 30, T. 2S., R. 8E. OF THE GILA AND SALT RIVER BASE AND MERIDIAN, PINAL COUNTY, ARIZONA.

EXCEPT: THE SOUTH HALF OF THE SOUTHEAST QUARTER AND THE SOUTH HALF OF THE SOUTHWEST QUARTER OF SECTION 20, TOWNSHIP 2 SOUTH, RANGE 8 EAST OF THE GILA AND SALT RIVER BASE AND MERIDIAN, PINAL COUNTY, ARIZONA.

EXCEPT: THE SOUTH HALF OF THE NORTH HALF OF THE SOUTHEAST QUARTER AND THE SOUTH HALF OF THE NORTH HALF OF THE SOUTHWEST QUARTER OF SECTION 20, TOWNSHIP 2 SOUTH, RANGE 8 EAST OF THE GILA AND SALT RIVER BASE AND MERIDIAN, PINAL COUNTY, ARIZONA.

EXCEPT: THAT PORTION OF SECTION 30 IN THE TOWN LIMITS OF QUEEN CREEK AS DESCRIBED AS FOLLOWS:

BEGINNING at the SW corner of Section 30, Township 2 South, Range 8 East of the Gila & Salt River Base & Meridian, Pinal County, Arizona; thence East along the south line of said Section 30 to the south $\frac{1}{4}$ corner of said Section 30, also being the SE corner of GLO Lot No. 12, a distance of 3,308.58 feet more or less; thence North along the north/south mid-section line of said Section 30, also being the east line of GLO Lot No. 12, a distance of 1,320 feet more or less to the SE corner of the NE $\frac{1}{4}$ of the SW $\frac{1}{4}$ of said Section 30, also being the NE corner of GLO Lot No. 12; thence West along the south line of the NE $\frac{1}{4}$ of the SW $\frac{1}{4}$ of said Section 30, also being the north line of GLO Lot No. 12, to the SW $\frac{1}{4}$ corner of the NE $\frac{1}{4}$ of the SW $\frac{1}{4}$ of said Section 30, also being the NW corner of GLO Lot No. 12 a distance of 1,320 feet more or less; thence North along the west line of the NE $\frac{1}{4}$ of the SW $\frac{1}{4}$ and the west line of the SE $\frac{1}{4}$ of the NW $\frac{1}{4}$ of said Section 30, also being the east line of GLO Lot Nos. 8 and 5, a distance of 2,640 feet more or less to the SW corner of the NE $\frac{1}{4}$ of the NW $\frac{1}{4}$ of said Section 30, also being the NE corner of GLO Lot No. 5; thence West along the south line of the N $\frac{1}{2}$ of the of the N $\frac{1}{2}$ of said Section 30 a distance of 2,009.70 feet more or less to the west line of said Section 30, also being the NW corner of GLO Lot No. 4; thence South along the west line of said section 30, a distance of 3,960 feet to THE POINT OF BEGINNING .

STATE OF ARIZONA
ACC/FAX
DATE FILED

DEC 07 2001

DATE APPR 12/7/01
TERM
BY Maurice Lee

**SECOND AMENDED AND RESTATED
ARTICLES OF ORGANIZATION OF
ARIZONA UTILITY SUPPLY & SERVICES, L.L.C.**

-0848908-3

1. **NAME.** The name of this limited liability company is ARIZONA UTILITY SUPPLY & SERVICES, L.L.C. first organized on August 3, 1998.
2. **REGISTERED OFFICE.** The address of the registered office of this limited liability company is 3420 E. Shea Blvd., Suite 213, Phoenix, Arizona 85028.
3. **STATUTORY AGENT.** The name and business address of the agent for service of process are Polesa, Pietzsch, Williams & Nolan, a Professional Association, 2702 North Third Street, Suite 3000, Phoenix, Arizona 85004-4607.
4. **DISSOLUTION DATE.** This company can be of perpetual duration.
5. **MANAGEMENT.** Management of this limited liability company is reserved to the members. Either member shall have the power and authority to execute contracts and otherwise bind the Company except as otherwise expressly provided in the Operating Agreement.
6. **MEMBERS.** The names and addresses of the members of this limited liability company are:

SAK Family Limited Partnership
7902 North Black Canyon Highway
Suite 100
Phoenix, Arizona 85051

Maurice Lee
4002 East Taro Lane
Phoenix, Arizona 85050

Dated: July 16, 2001

SAK FAMILY LIMITED PARTNERSHIP,
an Arizona limited partnership

By: **SAK INVESTMENTS, L.L.C.,** an
Arizona limited liability company,
General Partner

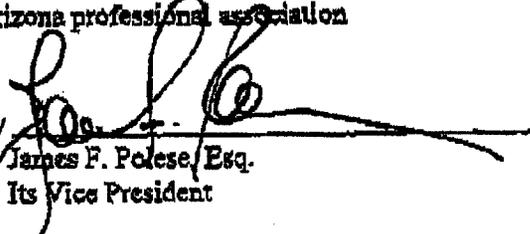
By: Stephen A. Kohner
Stephen A. Kohner, Manager

Maurice Lee
Maurice Lee

Polese, Pietzsch, Williams & Nolan, a Professional Association, an Arizona professional association, having been designated to act as Statutory Agent, hereby consents to act in that capacity until removal or resignation is submitted in accordance with the Arizona Revised Statutes.

**POLESE, PIETZSCH, WILLIAMS &
NOLAN, a Professional Association, an
Arizona professional association**

By


James F. Polese, Esq.
Its Vice President

**BULK WASTEWATER TREATMENT
AND EFFLUENT DISPOSAL AGREEMENT**

BETWEEN

ARIZONA UTILITY SUPPLY & SERVICES, LLC

AND

**JOHNSON UTILITIES, L.L.C.
dba JOHNSON UTILITIES COMPANY**

June 11, 2004



This BULK WASTEWATER TREATMENT AND EFFLUENT DISPOSAL AGREEMENT ("Agreement") dated this 11th day of June, 2004, is between Arizona Utility Supply & Services, L.L.C. ("AUSS"), an Arizona limited liability company, and Johnson Utilities, L.L.C. dba Johnson Utilities Company, an Arizona limited liability company ("JUC"), and pertains to bulk wastewater treatment and effluent disposal services provided by JUC.

RECITALS

A. AUSS holds a Certificate of Convenience and Necessity ("CC&N") issued by the Arizona Corporation Commission ("Commission") and authorizing the provision of wastewater utility services in certain portions of Pinal County, Arizona as shown in Exhibit A. AUSS is unable to treat all of the wastewater flows generated within portions of its CC&N and to dispose of all effluent generated from wastewater treatment services provided within its CC&N.

B. JUC also holds a CC&N issued by the Commission and authorizing the provision of wastewater utility services in certain portions of Pinal County, Arizona. JUC owns wastewater treatment plants, including a plant known as the Pecan Water Reclamation Plant ("Pecan WRP"), which plant is located in the vicinity of AUSS's CC&N as shown on Exhibit A. The Pecan WRP has been approved by the Central Arizona Association of Governments ("CAAG") under the CAAG Clean Water Act § 208 Plan and has an Aquifer Protection Permit ("APP") approved by Arizona Dept. of Environmental Quality ("ADEQ"). JUC is willing to provide limited bulk wastewater treatment service to AUSS and will, upon execution of this Agreement, take steps to promptly initiate such service to AUSS in Section 22 of AUSS's CC&N as shown on Exhibit A. JUC is also willing to temporarily receive and dispose of effluent generated from the treatment of wastewater within AUSS's CC&N. Both services, the bulk treatment of wastewater and the disposal of effluent, will be provided by JUC to AUSS on an interim basis under the terms and conditions of this Agreement.

C. AUSS has already filed an application with the Commission seeking deletion of Section 22 as shown on Exhibit A from its CC&N and transfer of said property into JUC's CC&N. Now, however, AUSS desires to transfer all of its CC&N to JUC and JUC is willing to accept a transfer of the entirety of AUSS's CC&N, if such transfer is approved by the Commission, and to accept the conveyance of any and all facilities currently being used by AUSS and necessary for JUC to provide safe and reliable wastewater utility service in the area currently covered by AUSS' CC&N. Accordingly, AUSS will, upon execution of this Agreement, promptly take steps to request transfer of its entire CC&N to JUC and, upon approval to transfer all or part of the CC&N, will take steps to convey all necessary utility facilities to JUC in accordance with the terms and conditions set forth in this Agreement.

NOW, THEREFORE, the parties have entered into this Agreement for and consideration of the mutual covenants, warranties, and representations and agree as follows:



AGREEMENTS

1. Incorporation of Recitals. By this reference, the parties hereby agree to incorporate the recitals above as part of the terms and conditions of this Agreement as if fully set forth herein.

2. Bulk Treatment of Wastewater. AUSS acknowledges and agrees that it lacks adequate wastewater treatment capacity to treat wastewater flows from all customers in its CC&N. JUC represents and warrants that it has excess wastewater treatment capacity in the portion of its CC&N that is adjacent to and in the vicinity of AUSS's CC&N and JUC agrees, on an interim basis, to accept wastewater flows from and to treat the wastewater generated within Section 22 of AUSS's CC&N as shown on Exhibit A attached hereto and incorporated herein by this reference. AUSS will take all necessary steps to ensure that wastewater flows delivered to JUC under this Agreement originate in Section 22 and that no wastewater from other portions of AUSS's CC&N are delivered to JUC for treatment until such time as the Commission approves the transfer of AUSS's CC&N to JUC. JUC will treat such flows at its Pecan WRP, or at any other wastewater treatment facility it may designate, provided however, that AUSS will not be responsible for construction of additional facilities necessary to deliver flows from AUSS's CC&N to a treatment facility other than the Pecan WRP.

3. Bulk Treatment and/or Disposal of Effluent. "Effluent" refers generally to the water reclaimed from the treatment of wastewater. AUSS acknowledges and agrees that it lacks capacity to treat and/or dispose of effluent generated by its treatment of wastewater from all customers in its certificated service area. JUC represents and warrants that it has excess capacity to treat and/or dispose of such effluent and JUC agrees to accept effluent generated from wastewater treatment by AUSS in its CC&N and to treat and/or dispose of such effluent in a manner of its choosing so long as such treatment and/or disposal is in compliance with all applicable law and regulation. AUSS further agrees that, after the first 30 days after execution of this Agreement, all effluent thereafter delivered to JUC under this Agreement shall be of a quality equal to the discharge requirements for effluent set forth in the Aquifer Protection Permit for AUSS's Links Water Reclamation Plant. Upon request of JUC, AUSS shall furnish evidence of testing to show that such effluent meets the discharge quality standard agreed to herein. After the first 30 days after execution of this Agreement, JUC may, in JUC's sole discretion, but JUC shall have no obligation to, accept effluent of a lower quality than required by this Agreement.

4. Fees for Wastewater Treatment and Effluent Disposal Services; Security Deposit; Billing and Collection.

a. Fee for Wastewater Treatment Services. Wastewater flows to JUC's wastewater transmission and treatment system will be metered by flow meters installed by and paid for by AUSS at a point to be designated by JUC. Both AUSS and JUC shall read the flow meters on a monthly basis to determine the amount of wastewater

transmitted to JUC by AUSS for treatment and disposal. JUC will charge AUSS a bulk treatment and disposal services fee equal to \$30.00 for each residential dwelling generating wastewater for treatment by JUC under this Agreement.

b. Fee for Effluent Disposal Services. Effluent deliveries to JUC's wastewater transmission and treatment system will be metered by flow meters installed by and paid for by AUSS at a point to be designated by JUC. Both AUSS and JUC shall read the flow meters on a monthly basis to determine the amount of effluent delivered to JUC by AUSS for additional treatment and disposal. JUC will charge AUSS a bulk effluent disposal fee equal to \$3.53 per 1000 gallons of effluent treated and/or disposed of by JUC under this Agreement.

c. Security Deposit. JUC acknowledges receipt of Twenty-Five Thousand Dollars (\$25,000) from AUSS, which amount is intended to represent twice the estimated monthly cost of wastewater treatment and effluent disposal services provided by JUC under this Agreement. This amount shall be held by JUC as a security deposit during the period this Agreement remains in effect and then returned to AUSS upon its termination unless applied at such time to outstanding amounts owed to JUC by AUSS under this Agreement. The parties further agree that the amount of the security deposit will be reviewed after 90 days and adjusted upward if it is determined that the average monthly cost of bulk wastewater treatment and effluent disposal services during the first 90 days the Agreement exceeds \$12,500, at which time AUSS shall promptly increase the security deposit to an amount that equals twice the average monthly cost of the services being provided by JUC hereunder during the first 90 days the Agreement is in effect.

d. Assignment of Accounts Receivable. In order to secure payment of the bulk treatment and effluent disposal services fees to JUC, AUSS herein assigns to JUC AUSS's accounts receivable, including, without limitation, monthly billings from customers in AUSS's CC&N, and agrees to take all additional steps required by JUC to perfect such assignment.

e. Optional Remedy for Non-Payment by AUSS. In the event of default by AUSS of any of the payment obligations of this Agreement, JUC shall have the right to provide billing and collection services for AUSS and for all AUSS customers. AUSS shall pay JUC \$2.00 per customer billed by JUC. Such billing and collection service shall be undertaken by JUC as agent for AUSS and in the same or materially similar manner as JUC currently bills its own customers, except that bills sent to AUSS's customers shall be in accordance with AUSS's Commission-approved tariff and in a format that as closely as possible matches the billing format currently used by AUSS. JUC shall provide AUSS with a monthly remittance equal to the total amount collected from all AUSS customers by JUC less the total combined monthly cost of services provided by JUC to AUSS hereunder plus billing and collection services provided by JUC to AUSS under this Agreement. JUC shall provide AUSS a detailed invoice of such charges each month at the time JUC remits collections from AUSS customers to AUSS. JUC shall remit to AUSS the collections of monies collected for AUSS less said cost at the time of the next billing cycle on a monthly basis. JUC shall also provide AUSS a



monthly customer account status report. AUSS shall be solely responsible for collection of any delinquent amounts from its customers.

f. Monthly Reporting. On or before the fifth of each month this Agreement remains in effect, AUSS shall provide a reconciliation report to the Commission's Utilities Division Staff. This reconciliation report shall state: (1) the number of gallons of wastewater delivered by AUSS to JUC for bulk treatment under this Agreement in the preceding month; (2) the number of gallons of effluent delivered by AUSS to JUC for treatment and/or disposal under this Agreement in the preceding month; (3) whether the effluent delivered to JUC under this Agreement in the preceding month was of a quality equal to the discharge requirements for effluent set forth in the Aquifer Protection Permit for AUSS's Links Water Reclamation Plant; 4) the amount paid to JUC by AUSS in the preceding month for services provided under this Agreement; and (5) whether AUSS is current on all of its payment obligations under this Agreement.

5. Termination of Bulk Wastewater Treatment and Effluent Disposal Services.

a. Termination of Bulk Wastewater Treatment Services. The provision of bulk wastewater treatment services under this Agreement shall terminate the earlier of 1) 180 days following execution of the Agreement, at which time JUC's obligation to accept and treat wastewater flows from Section 22 of AUSS's CC&N under this Agreement shall terminate without further action by the parties; or 2) an order of the Commission extending JUC's CC&N to include any portions of AUSS's CC&N, at which time JUC shall charge customers receiving wastewater treatment services from JUC in accordance with its own Commission-approved tariffs of rates and charges.

b. Termination of Effluent Disposal Services. JUC shall provide effluent disposal services to AUSS for a period of 30 days after execution of this Agreement. Thereafter, JUC shall have the right to terminate provision of effluent disposal services at anytime after this Agreement is executed upon 10 days written notice to AUSS if such effluent disposal services materially interfere with the proper operation of the Pecan WRP.

6. Regulatory Compliance and Approvals.

a. Pecan WRP. JUC shall be responsible for all permits and approvals associated with the construction and operation of the Pecan WRP and represents and warrants that it will make reasonable efforts to maintain such compliance with all applicable laws and regulations during the time this Agreement is in effect. AUSS agrees to cooperate as requested by JUC to provide information related to the generation of wastewater flows within its CC&N and AUSS's facilities and operations.

b. CAAG 208 Approval. The Pecan WRP is authorized under the current CAAG 208 Plan, as amended.

c. Commission Approval. The parties believe that specific Commission approval of this Agreement is not required. In the event Commission approval is required or sought by either party, the parties agree to cooperate fully in any proceedings before the Commission or any other agency or tribunal.

7. Transfer of CC&N; Transfer of Facilities.

a. Transfer of AUSS's CC&N. AUSS acknowledges that JUC's willingness to enter into this Agreement is expressly contingent on and in consideration for AUSS's intention to seek Commission approval to transfer all of its CC&N to JUC. AUSS has filed an application seeking deletion of Section 22 from its CC&N and transfer of that section into JUC's CC&N. AUSS agrees to promptly take steps to seek approval of the Commission to delete and transfer the entirety of AUSS's CC&N to JUC and, following such modification, to diligently prosecute said application. JUC agrees to provide cooperation in such proceeding as necessary to effectuate the transfer of AUSS's CC&N to JUC.

b. Conveyance of Facilities. Upon approval of the ACC to transfer all or part of AUSS's CC&N to JUC, AUSS will execute a bill of sale and/or other necessary documentation to convey title to all facilities necessary for JUC to provide permanent wastewater utility services within the portions of AUSS's CC&N transferred to JUC by the ACC. Such conveyance shall be at no cost to JUC, provided, however, that at the time of conveyance, JUC will accept an assignment of any obligation of AUSS to pay refunds to developers associated with such facilities. At the time of the conveyance, AUSS shall also provide documentation evidencing that all facilities being conveyed are (1) free and clear of all liens and encumbrances; (2) subject to all necessary governmental approvals and (3) located in public utility easements or other rights-of-way. AUSS shall take steps to ensure that all rights held by AUSS in such easements and/or rights-of-way are transferred to JUC along with any regulatory approvals and permits. AUSS acknowledges and agrees that JUC shall have no obligation to accept a transfer of all or portions of its CC&N, and to initiate permanent wastewater utility services in such areas, until the steps required in this paragraph are completed to JUC's reasonable satisfaction.

8. Indemnity and Hold Harmless Agreement. AUSS shall indemnify and hold JUC harmless from, and defend JUC against (by legal counsel chosen by JUC) all claims, actions, causes of action, assertions, liabilities, losses, damages, costs and expenses, including reasonable attorneys' fees, of any kind or nature brought by a third party, including any property owner of other customer in AUSS's CC&N or regulatory agency asserting jurisdiction, arising out of or related to AUSS's failure to perform its obligations under this Agreement.

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



Johnson Utilities Company
Attn: George Johnson
5230 East Shea Blvd.
Scottsdale, AZ 85254

Arizona Utility Supply & Services, LLC
Attn: Maurice Lee
P.O. Box 30543
Phoenix, AZ 85046-0543

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

10. Default. Any claim that AUSS or JUC is in default or breach of this Agreement shall be in writing and sent via certified-return receipt United States mail to the address provided in paragraph 7 above. No default shall become effective until ten (10) days from the date of mailing, during which time the party claimed to be in default shall have an opportunity to cure the alleged default.

11. Good Standing; Authority to Execute. AUSS, and its representatives signing hereinbelow, represent and warrant to JUC, that AUSS is duly formed and validly existing under the laws of Arizona and that the individuals executing this Agreement on behalf of AUSS are authorized and empowered to bind AUSS.

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

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

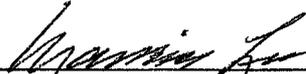
14. Miscellaneous. This Agreement shall be governed by the laws of the State of Arizona. This Agreement, and each and every term and condition contained herein, shall be binding upon and inure to the benefit of the successors and assigns of AUSS and JUC. This Agreement sets forth the entire agreement between the parties and supersedes all prior negotiations, understandings and agreements between them with respect to the provision of bulk wastewater treatment services and/or effluent disposal services, except as otherwise expressly provided herein. The Line Extension Agreement dated November 15, 2002 by and between JUC, AUSS and the developers of the Castlegate subdivision located in Section 22 of AUSS's CC&N is not amended or superseded in any manner by this Agreement, nor do JUC or AUSS waive or release any claims they may have regarding that agreement. No change in, addition to, or waiver of any provisions of this Agreement shall be binding upon either party unless in writing and signed by both parties. The remedies provided in this agreement shall not be deemed exclusive remedies but shall be in addition to all other remedies available at law or in equity. No waiver by either party of any breach of this agreement nor any failure by either party to insist on strict performance by the other party of any provision of this agreement shall in any way be

[Handwritten signature]

construed to be a waiver of any future or subsequent breach by such defaulting party or bar the non-defaulting party's right to insist on strict performance by the defaulting party of the provisions of this agreement in the future.

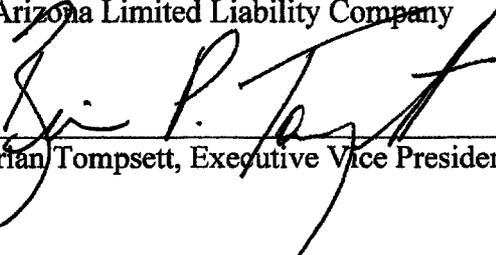
IN WITNESS WHEREOF, the parties hereto executed this Agreement as of the date first above written.

ARIZONA UTILITY SUPPLY & SERVICES, L.L.C.,
An Arizona Limited Liability Company

By 
Maurice Lee, Member

By 
SAK Family Limited Partnership, Member

JOHNSON UTILITIES, L.L. C.,
An Arizona Limited Liability Company

By 
Brian Pompsett, Executive Vice President

1555087.1

#

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EXHIBIT A

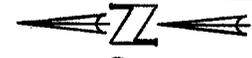
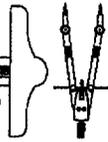
DRAWN

DATE MAY, 2004

SCALE NTS

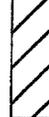
SPECIFIC ENGINEERING, LLC

8230 E SHEA BOULEVARD SUITE 220
SCOTTSDALE, ARIZONA 85224
Phone (480) 588-6339
Fax (480) 588-6437



1"=1,000'

LEGEND

-  AREA TO BE TRANSFERRED BY AUSS DELETION (ALREADY FILED)
-  EXISTING AUSS CC&N AREA
-  AREA TO BE FILED FOR TRANSFER WITH ACC

ALL IN TOWNSHIP 2 SOUTH RANGE 8 EAST, GASFRAM

