

NEW APPLICATION  
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1 COMMISSIONERS

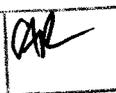
2 MARC SPITZER, Chairman  
3 WILLIAM A. MUNDELL  
4 JEFF HATCH-MILLER  
5 MIKE GLEASON  
6 KRISTIN K. MAYES

2005 JAN -7 P 3: 15

AZ CORP COMMISSION  
DOCUMENT CONTROL

Arizona Corporation Commission  
**DOCKETED**

JAN - 7 2005

DOCKETED BY 

**BEFORE THE ARIZONA CORPORATION COMMISSION**

7 IN THE MATTER OF THE APPLICATION )  
8 OF ARIZONA WATER COMPANY, AN )  
9 ARIZONA CORPORATION, TO EXTEND )  
10 ITS EXISTING CERTIFICATE OF )  
11 CONVENIENCE AND NECESSITY AT )  
12 WHITE TANK, MARICOPA COUNTY, )  
13 ARIZONA )

DOCKET NO. W-01445A-04-  
W-01445A-05-0007  
APPLICATION TO EXTEND  
EXISTING CERTIFICATE OF  
CONVENIENCE AND NECESSITY TO  
INCLUDE ADDITIONAL TERRITORY

12 ARIZONA WATER COMPANY, an Arizona corporation, ("AWC") through its  
13 undersigned counsel, presents the following Application to extend its existing Certificate  
14 of Convenience and Necessity ("CC&N") for its White Tank system. This Application is  
15 based on the following:  
16

17 1. AWC presently holds CC&Ns issued to it by the Arizona Corporation  
18 Commission (the "Commission") in various decisions beginning in 1965 for the purpose  
19 of providing water service in an unincorporated area located near the White Tank  
20 Mountains in Maricopa County.

21 2. The area that AWC seeks to add to its CC&N is described in Exhibit #1  
22 hereto. The area adjacent to the area described in Exhibit #1 is already certificated to  
23 and served by AWC. AWC is currently providing water service to Destiny Phoenix LLC,  
24 the owner of the majority of the property described in Exhibit #1, and Destiny Phoenix  
25 has submitted a written request to AWC to include its property within AWC's CC&N. A  
26 copy of a letter from Destiny Phoenix LLC is attached as Exhibit #2 hereto. AWC  
27  
28

1 presently owns and operates water system facilities in the vicinity of the area described  
2 in Exhibit #1 that are used to serve customers in the area, and will be used to provide  
3 service to future customers.

4 3. AWC estimates that the total number of customers that may be served in  
5 the area described in Exhibit #1 will be approximately 4 within five years following the  
6 date of the filing of this Application.

7  
8 4. A map showing AWC's present CC&N is attached as Exhibit #3 and the  
9 territory to be added by this Application is attached as Exhibit #3 hereto.

10 5. A list of the owners of all of the property described in Exhibit #1 is attached  
11 as Exhibit #4 hereto. Each property owner will be mailed the public notice attached as  
12 Exhibit #5 hereto.

13 6. AWC is financially able to construct, operate, and maintain the facilities  
14 necessary to provide service to the area described in Exhibit #1. A current financial  
15 statement for AWC is attached as Exhibit #6 hereto.

16  
17 7. AWC has a Maricopa County Franchise for the area for which it is  
18 proposing to extend its CC&N. A copy of the franchise is attached as Exhibit #7 hereto.

19 8. AWC's by-laws do not require a corporate resolution on behalf of AWC in  
20 conjunction with this Application.

21 9. Public convenience and necessity will be served by having AWC extend its  
22 CC&N to include the area described in Exhibit #1.

23 10. AWC proposes to utilize its currently authorized rates and charges for its  
24 White Tank system for service to the area described in Exhibit #1. AWC will continue to  
25 charge these rates until the Commission changes the rates.  
26

27  
28



## Exhibit "1"

### CC&N This Application

BEGINNING at the Southeast corner of Section 3, Township 1 North, Range 2 West of the Gila and Salt River Base and Meridian, Maricopa County, Arizona;  
Thence West (assumed) along the centerline of Van Buren Street, a distance of 2316.81 feet to a point on the South right-of-way line of the Roosevelt Irrigation District Canal;  
Thence North 63 Degrees 46 Minutes 30 Seconds East, along the South line of said Canal, a distance of 1544.96 feet to a point on a curve;  
Thence easterly along said curve, concave to the South, having a radius of 526.02 feet, through a central angle of 41 Degrees 5 Minutes 50 Seconds, an arc length of 377.30 feet;  
Thence South 75 Degrees 07 Minutes 40 Seconds, along said South line of said Canal, a distance of 582.70 feet to a point on the East Section line of said Section 3;  
Thence South 00 Degrees 03 Minutes 30 Seconds East, along said Section line, a distance of 569.80 feet to the POINT OF BEGINNING.

## Destiny Phoenix LLC

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October 8, 2004

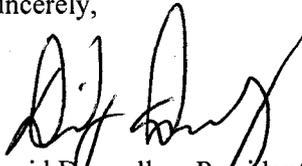
Mike Whitehead  
Vice President, Engineering  
Arizona Water Company  
P.O. Box 29006  
Phoenix, Arizona 85038-9006

Re: Extension Of CC&N for *Destiny Phoenix LLC*, White Tank, AZ.

Dear Mr. Whitehead,

Destiny Phoenix LLC requests that Arizona Water Company file an application for approval to extend its Certificate of Convenience and Necessity in or near White Tank, Maricopa County, Arizona with Arizona Corporation Commission to include an overall area of 20.09 acres, which is more accurately described in Attachment 'A' and depicted on the map as Attachment 'B', both attached hereto. Please notify us when you have been issued a Procedural Order on this extension.

Sincerely,



David Donnalley, President  
Destiny Phoenix LLC

**RECEIVED**  
OCT 15 2004  
ARIZONA WATER COMPANY  
PHOENIX ENGINEERING

ATTACHMENT 'A'

PARCEL NO. 1:

Beginning at a point which lies 385.00 feet West of the Southeast corner of Section 3, Township 1 North, Range 2 West of the Gila and Salt River Base and Meridian;

THENCE West (assumed) along the centerline of Van Buren Street 331.31 feet;

THENCE North 0 degrees 03 minutes 30 seconds West 736.55 feet;

THENCE along a curve concave to the South whose radius is 526.02 feet, length is 155.03 feet through an angle of 16 degrees 54 minutes 02 seconds;

THENCE South 75 degrees 07 minutes 40 seconds East 183.89 feet ;

THENCE South 0 degrees 03 minutes 30 seconds East 672.06 feet to the point of beginning;

EXCEPT the South 55.00 feet.

PARCEL NO. 2:

Beginning at a point which lies 716.31 feet West of the Southeast corner of Section 3, Township 1 North, Range 2 West of the Gila and Salt River Base and Meridian;

THENCE West (assumed) along the centerline of Van Buren Street, 342.50 feet;

THENCE North 0 degrees 03 minutes 30 seconds West, 619.40 feet to the Southerly right-of-way line of the Roosevelt Irrigation District Canal,

THENCE North 63 degrees 46 minutes 30 seconds East along the South right-of-way line of the Roosevelt Irrigation District Canal, 143.31 feet;

THENCE along a curve concave to the South, whose radius is 526.02 feet, length is 222.27 feet through an angle of 24 degrees 11 minutes 48 seconds;

THENCE South 0 degrees 03 minutes 30 seconds East, 736.55 feet to the point of beginning;

EXCEPT the South 55.00 feet.

PARCEL NO. 3:

Beginning at a point which lies 716.31 feet West of the

Southeast corner of Section 3, Township 1 North, Range 2 West of the Gila and Salt River Base and Meridian;

THENCE West (assumed) along the centerline of Van Buren Street, 1383.69 feet;  
THENCE North 106.80 feet;  
THENCE North 63 degrees 46 minutes 30 seconds East along the South right-of-way line of the Roosevelt Irrigation District Canal, 1303.30 feet;  
THENCE along a curve concave to the South whose radius is 526.02 feet, length is 222.27 feet through an angle of 24 degrees 11 minutes 48 seconds;  
THENCE South 0 degrees 03 minutes 40 seconds East, 736.55 feet to the point of beginning;

EXCEPT the South 55.00 feet and also;

EXCEPT beginning at a point which lies 716.31 feet West of the Southeast corner of Section 3, Township 1 North, Range 2 West of the Gila and Salt River Base and Meridian;

THENCE West (assumed) along the centerline of Van Buren Street 342.50 feet;  
THENCE North 0 degrees 03 minutes 30 seconds West 519.40 feet to the Southerly right of way of the Roosevelt Irrigation District Canal;  
THENCE North 63 degrees 46 minutes 30 seconds East along the South right-of-way line of the Roosevelt Irrigation District Canal, 143.31 feet;  
THENCE along a curve concave to the South whose radius is 526.02 feet, length is 222.27 feet through an angle of 24 degrees 11 minutes 48 seconds;  
THENCE South 0 degrees 03 minutes 30 seconds East 736.55 feet to the point of beginning; and also

EXCEPTING THEREFROM that portion contained in Final Order of Condemnation recorded May 14, 1987, at Records No. 87-302554 and more fully described as follows:

The West 102.03 feet, as measured along the South line of the East 2100.00 feet of that portion of the Southeast one-quarter of Section 3, Township 1 North, Range 2 West of the Gila and Salt River Base and Meridian, Maricopa County, Arizona, lying Southeasterly of the Southeasterly right-of-way line of the Roosevelt Irrigation District Canal;

EXCEPT the South 55 feet of said portion of the Southeast

quarter of said Section 3.

PARCEL NO. 4:

Beginning at a point which lies 385.00 feet West and 385.00 feet North of the Southeast corner of Section 3, Township 1 North, Range 2 West of the Gila and Salt River Base and Meridian;

THENCE North 0 degrees 03 minutes 30 seconds West 287.06 feet;

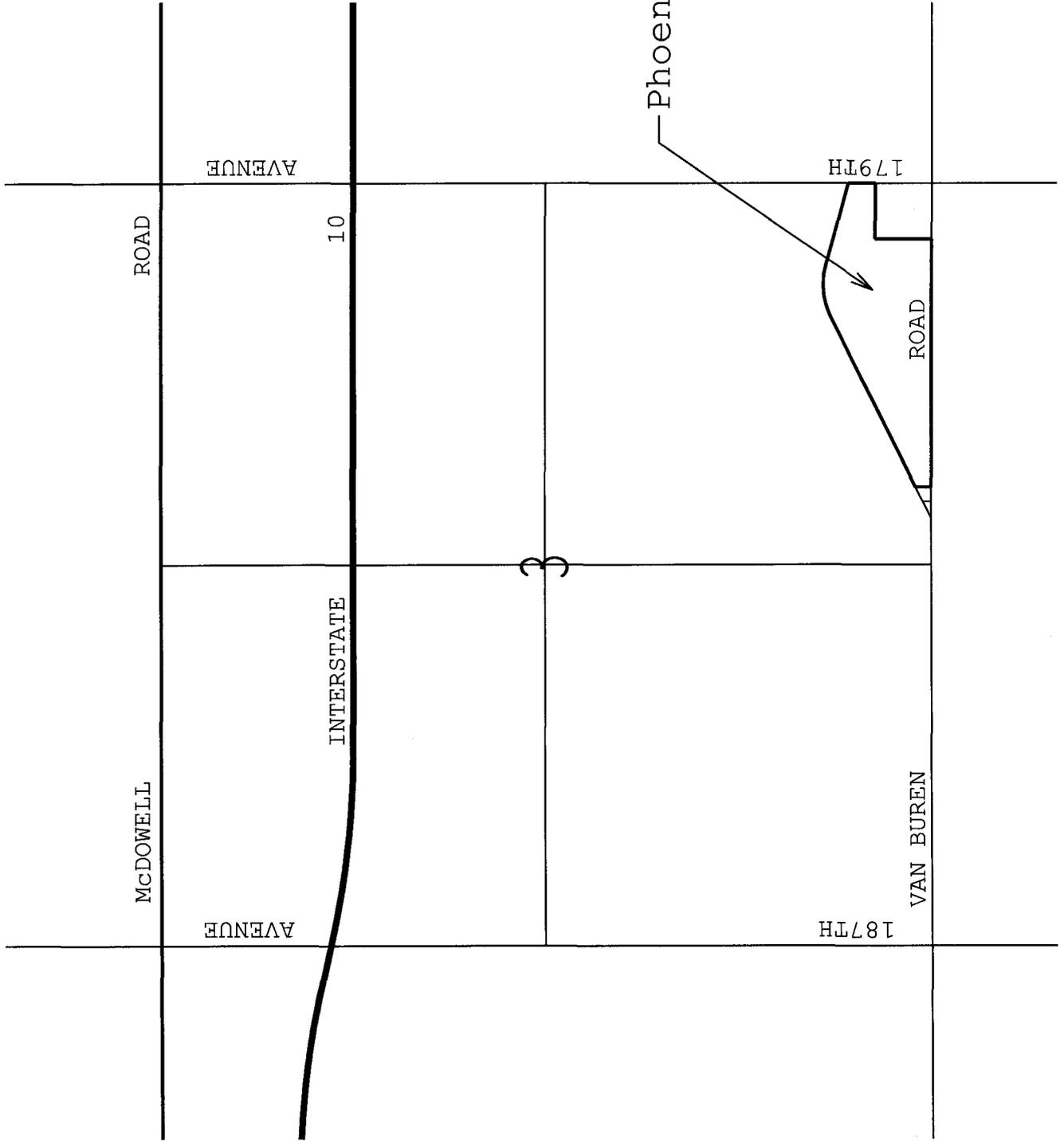
THENCE South 75 degrees 07 minutes 40 seconds East along the South right of way line of the Roosevelt Irrigation District Canal 398.43 feet;

THENCE South 0 degrees 03 minutes 30 seconds East along the centerline of Citrus Road 184.79 feet;

THENCE West 385.00 feet to the Point of Beginning;

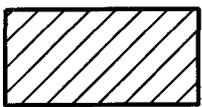
EXCEPT the East 55.00 feet.

ATTACHMENT 'B'

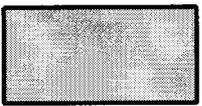


NO SCALE

Exhibit "3"



PRESENT ARIZONA WATER  
COMPANY CC&N



CC&N THIS  
APPLICATION

**ARIZONA WATER COMPANY**

DESCRIPTION:  
APPLICATION TO EXTEND CERTIFICATE OF CONVENIENCE AND NECESSITY  
IN THE BUCKEYE/GOODYEAR AREA

LOCATION:  
TOWNSHIP 1 NORTH, RANGE 2 WEST, G.S.R.B.&M., MARICOPA COUNTY, AZ

DATE: 12.09.2004

SCALE: 1" = 1 MILE

DRAWN BY: CB

## Exhibit "4"

### Property Owners List

\*502-37-001L

Destiny-Phoenix West, LLC  
6345 Balboa Boulevard  
#122  
Encino, CA 91316

502-37-001G

Van Buren & Citrus LLC  
8800 North Gainey Center Drive  
Suite 255  
Scottsdale, AZ 85258

502-37-001M

Maricopa County Department Of Transportation  
2901 West Durango  
Phoenix, AZ 85009

502-37-001J

Roosevelt Irrigation District  
P.O. Box 95  
Buckeye, AZ 85326

EXHIBIT "5"

**ARIZONA WATER COMPANY**

3805 N. BLACK CANYON HIGHWAY, PHOENIX, ARIZONA 85015-5351 • P.O. BOX 29006, PHOENIX, ARIZONA 85038-9006  
PHONE: (602) 240-6860 • FAX: (602) 240-6878 • WWW.AZWATER.COM

[Date]

«PropertyOwner»

«Address1»

«Address2»

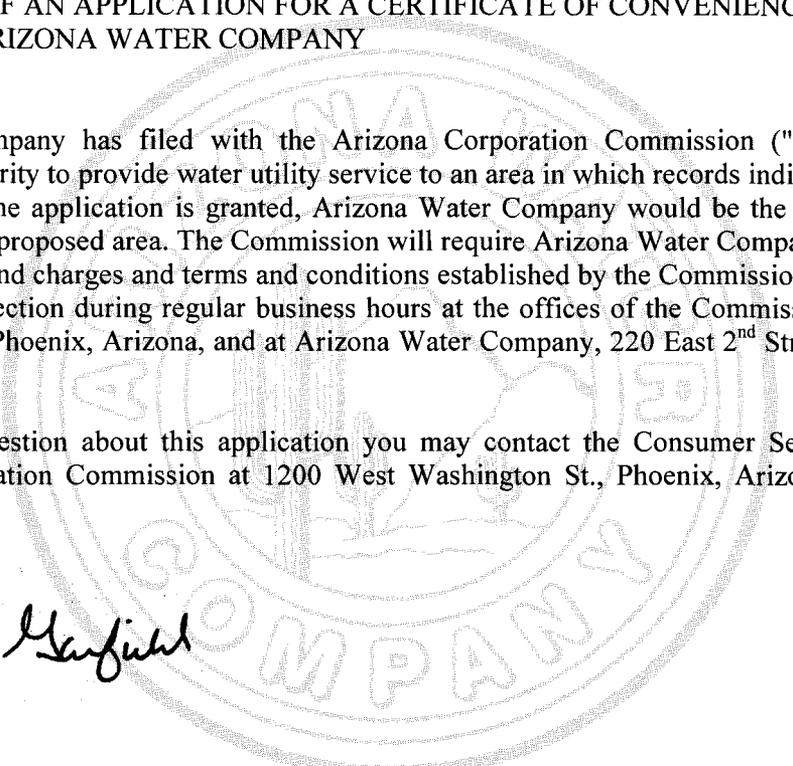
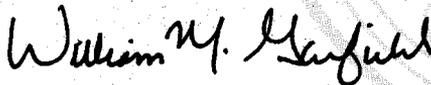
«City» «State» «PostalCode»

MARICOPA COUNTY ASSESSOR'S PARCEL NO.: «ParcelNumber»

**PUBLIC NOTICE OF AN APPLICATION FOR A CERTIFICATE OF CONVENIENCE AND  
NECESSITY BY ARIZONA WATER COMPANY**

Arizona Water Company has filed with the Arizona Corporation Commission ("Commission") an application for authority to provide water utility service to an area in which records indicate that you are a property owner. If the application is granted, Arizona Water Company would be the provider of water utility service to the proposed area. The Commission will require Arizona Water Company to provide this service under rates and charges and terms and conditions established by the Commission. The application is available for inspection during regular business hours at the offices of the Commission at 1200 West Washington Street, Phoenix, Arizona, and at Arizona Water Company, 220 East 2<sup>nd</sup> Street, Casa Grande, Arizona.

If you have any question about this application you may contact the Consumer Services Section of the Arizona Corporation Commission at 1200 West Washington St., Phoenix, Arizona 85007 or call 1-800-222-7000.



William M. Garfield  
President

E-MAIL: [mail@azwater.com](mailto:mail@azwater.com)

Exhibit "6"

ARIZONA WATER COMPANY  
Comparative Balance Sheet  
at October 31, 2004

ASSETS

|                                  | Oct. 31, 2004  | Oct. 31, 2003  | Increase<br>(Decrease) |
|----------------------------------|----------------|----------------|------------------------|
| <b>UTILITY PLANT</b>             |                |                |                        |
| Gross Utility Plant              | \$ 219,999,803 | \$ 205,760,171 | \$ 14,239,632          |
| Less Accumulated Depreciation    | 56,071,742     | 51,573,269     | 4,498,473              |
| Net Utility Plant                | 163,928,061    | 154,186,902    | 9,741,159              |
| <b>CURRENT ASSETS</b>            |                |                |                        |
| Cash on Hand and in Banks        | 1,112,346      | 659,162        | 453,184                |
| Investments and Special Deposits | 1,002,703      | 2,703          | 1,000,000              |
| Accounts Receivable              | 2,893,815      | 2,512,343      | 381,472                |
| Materials and Supplies           | 279,473        | 301,215        | (21,742)               |
| Other                            | 417,488        | 335,870        | 81,618                 |
| Total Current Assets             | 5,705,825      | 3,811,293      | 1,894,532              |
| <b>DEFERRED DEBITS</b>           |                |                |                        |
|                                  | 5,916,500      | 6,045,907      | (129,407)              |
| <b>TOTAL</b>                     | \$ 175,550,386 | \$ 164,044,102 | \$ 11,506,284          |

LIABILITIES

|                                      |                |                |               |
|--------------------------------------|----------------|----------------|---------------|
| <b>CAPITALIZATION</b>                |                |                |               |
| Common Stock                         | \$ 2,700,000   | \$ 2,700,000   | \$ 0          |
| Capital Surplus                      | 9,087,347      | 8,970,647      | 116,700       |
| Retained Earnings                    | 50,833,023     | 48,259,552     | 2,573,471     |
| Common Stock Equity                  | 62,620,370     | 59,930,199     | 2,690,171     |
| Long-Term Debt                       | 21,800,000     | 22,200,000     | (400,000)     |
| Total Capitalization                 | 84,420,370     | 82,130,199     | 2,290,171     |
| <b>CURRENT LIABILITIES</b>           |                |                |               |
| Notes Payable                        | 0              | 0              | 0             |
| Accounts Payable                     | 3,162,034      | 2,293,115      | 868,919       |
| Accrued Expenses                     | 3,538,864      | 2,996,316      | 542,548       |
| Other                                | 530,236        | 446,144        | 84,092        |
| Total Current Liabilities            | 7,231,134      | 5,735,575      | 1,495,559     |
| <b>DEFERRED CREDITS</b>              |                |                |               |
| Advances for Construction            | 39,204,453     | 36,253,550     | 2,950,903     |
| Contributions in Aid of Construction | 22,422,283     | 21,036,752     | 1,385,531     |
| Deferred Income Tax                  | 16,126,824     | 14,115,832     | 2,010,992     |
| Other                                | 6,145,322      | 4,772,194      | 1,373,128     |
| Total Deferred Credits               | 83,898,882     | 76,178,328     | 7,720,554     |
| <b>TOTAL</b>                         | \$ 175,550,386 | \$ 164,044,102 | \$ 11,506,284 |

**ARIZONA WATER COMPANY**  
Comparative Statement of Income  
October 31, 2004

|                                      | 12 MONTHS TO DATE |               | OCTOBER      |              | 10 Months to Date |               |
|--------------------------------------|-------------------|---------------|--------------|--------------|-------------------|---------------|
|                                      | 2004              | 2003          | 2004         | 2003         | 2004              | 2003          |
| <b>OPERATING REVENUE</b>             | \$ 39,834,098     | \$ 37,275,456 | \$ 3,589,520 | \$ 3,263,648 | \$ 33,911,757     | \$ 31,622,963 |
| <b>OPERATING EXPENSES</b>            |                   |               |              |              |                   |               |
| Operation and Maintenance            | 18,452,886        | 17,749,571    | 1,767,256    | 1,631,388    | 15,659,681        | 14,978,782    |
| Depreciation                         | 4,685,726         | 4,465,544     | 398,203      | 373,743      | 4,009,110         | 3,794,463     |
| Taxes Other Than Income Taxes        | 5,643,498         | 5,325,738     | 494,054      | 458,031      | 4,805,344         | 4,565,114     |
| Income Taxes                         | 3,490,828         | 2,490,203     | 370,050      | 256,856      | 3,352,169         | 2,606,357     |
| Total Operating Expenses             | 32,272,938        | 30,031,056    | 3,029,563    | 2,720,018    | 27,826,304        | 25,944,716    |
| <b>OPERATING INCOME</b>              | 7,561,160         | 7,244,400     | 559,957      | 543,630      | 6,085,453         | 5,678,247     |
| <b>OTHER (INCOME) AND DEDUCTIONS</b> |                   |               |              |              |                   |               |
| Other (Income) - Net                 | (458,069)         | (181,022)     | (48,279)     | 1,038        | (447,669)         | (131,549)     |
| Interest on Long-Term Debt           | 1,855,550         | 1,892,549     | 152,317      | 155,400      | 1,544,750         | 1,575,583     |
| Other Interest and Amortization      | (87,192)          | (38,068)      | (6,860)      | (4,757)      | (76,323)          | (19,231)      |
| Total Other (Income) and Deductions  | 1,310,289         | 1,673,459     | 97,178       | 151,681      | 1,020,758         | 1,424,803     |
| <b>NET INCOME</b>                    | 6,250,871         | 5,570,941     | \$ 462,779   | \$ 391,949   | \$ 5,064,695      | \$ 4,253,444  |
| Regular Common Dividends             | 3,677,400         | 3,269,700     |              |              |                   |               |
| <b>INCOME RETAINED</b>               | \$ 2,573,471      | \$ 2,301,241  |              |              |                   |               |
| <b>Active Services</b>               | 72,409            | 69,359        |              |              |                   |               |

OCTOBER 2004

**COUNTY OF MARICOPA**  
*State of Arizona*

**Office of the Clerk**

*State of Arizona*            )  
*County of Maricopa*        ) ss.

*I, Fran McCarroll, Clerk of the Board of Supervisors do hereby Certify that the attached is a true and correct excerpt from the minutes of the meeting of the Board of Supervisors held August 31, 1998:*

**ARIZONA WATER COMPANY PUBLIC UTILITY FRANCHISE - APPROVED**

This was the time scheduled for hearing on the application filed by Arizona Water Company, for a public utility franchise to construct, maintain and operate a water system, consisting of water lines, plant and system, including mains, laterals, pumps, manholes, meters, regulator stations, and all necessary equipment, for a period not-to-exceed 25 years or for a period of one year after the franchised area or a portion thereof is annexed by a municipality, whichever is shorter, for the purpose of providing water service along, upon, under and across public highways, roads, alleys and thoroughfares (excepting State highways) for all purposes in the County of Maricopa, State of Arizona.

No protests having been received, motion was made by Supervisor Brock, seconded by Supervisor Stapley, and unanimously carried to grant the said franchise as applied for and to impose such restrictions and limitations upon said applicant as to the use of such public highways, roads, alleys and thoroughfares as may be deemed best for the public safety and welfare and to include in such franchise the statutory provisions set forth in Title 40, Chapter 2, Article 4, A.R.S., 1956, requiring the grantee of said franchise to pay such expenses, damages and compensations, if any, as may result from the use and operation of said franchise and as in said statute specified.



*IN WITNESS WHEREOF, I have hereunto set my hand and affixed the Official Seal of the Board of Supervisors. Done at Phoenix, the County Seat, on the following day:  
August 31, 1998*

*Robert W. Geake, Arizona Water Company  
Department of Transportation  
File*

*Clerk of the Board of Supervisors*

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

IN THE MATTER OF THE APPLICATION OF )  
Arizona Water Company )  
\_\_\_\_\_) )  
FOR A FRANCHISE )

BE IT RESOLVED BY THE BOARD OF SUPERVISORS OF MARICOPA COUNTY, STATE OF ARIZONA, THAT:

WHEREAS, ARIZONA WATER COMPANY hereinafter designated as the Grantee, doing business in Maricopa County, Arizona, has filed its Application, praying for the right, privilege, license and franchise to construct, maintain and operate a water system, consisting of water lines, plant and system, including mains, laterals, pumps, manholes, meters, regulator stations, and all necessary equipment for a period not to exceed twenty-five (25) years or, with respect to any effected portion thereof, for a period of one (1) year after any such portion is annexed by a municipality for ARIZONA WATER COMPANY, along, upon, over, across and under the present and future public highways, roads, alleys, streets, avenues, and thoroughfares (excepting State Highways), within Maricopa County, Arizona, and not within the confines of any incorporated city or town, and under such restrictions and limitations and upon such terms as the Board of Supervisors may provide, not inconsistent with the laws of the State of Arizona, or the orders and rules of the Corporation Commission of the State of Arizona, and that the Board take such proceedings herein as is provided by laws of the State of Arizona; and

WHEREAS, upon filing said application, the said Board of Supervisors on the 20<sup>th</sup> day of May 1998 ordered that public notice of the intention of said Board to make such grants be given by publishing a notice in the official newspaper of Maricopa County, published in the County of Maricopa, State of Arizona, and that 9:00 a.m., on the 17<sup>th</sup> day of June 1998 at the meeting room of said Board of Supervisors located at 205 West Jefferson Street, in the City of Phoenix, Arizona, be set as the time and place of hearing the said application; and

WHEREAS, the said application coming on regularly for hearing on said day and it appearing by the affidavit of the duly authorized agent of the said time and place set for the consideration of such application has been published for at least once a week for the three-week period prior to said date set forth herein, to-wit:

In the issues of said newspaper on June 1, 1998, June 3, 1998, and June 5, 1998, 1998, and it appearing that no sufficient protest has been filed by the qualified electors of the said County petitioning said Board of Supervisors to deny such license and franchise, and it further appearing the best interests of Maricopa County will be served by the granting of said application and the franchise referred to therein;

NOW, THEREFORE, the Board of Supervisors of Maricopa County, State of Arizona, acting on behalf of said County does hereby grant unto ARIZONA WATER COMPANY, doing business in Maricopa County, Arizona, subject to the terms, conditions and limitations hereinafter contained, the right, privilege, license and franchise to construct, maintain and operate a water system,

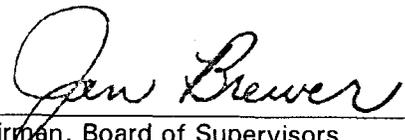
consisting of water lines, plant and system, including mains, laterals, pumps, manholes, meters, regulator stations, and all necessary equipment for a period not to exceed twenty-five (25) years or for a period of one (1) year after the franchised area or a portion thereof is annexed by a municipality, whichever is shorter, for ARIZONA WATER COMPANY, along, upon, over, across and under the present and future public highways, roads, alleys streets, avenues, thoroughfares (excepting State Highways), within Maricopa County, Arizona under such restrictions and limitations and upon such terms as this Board at any time may provide, not inconsistent with the laws of the State of Arizona, or the orders and rules of the Corporation Commission of the State of Arizona, specifically providing, however, that:

- 1) All rights hereunder are granted under the express condition that the Board of Supervisors of said Maricopa County shall have the power at any time to impose such restrictions and limitations and to make such regulations on such highways, roads, and thoroughfares as may be deemed best for the public safety, health, welfare and convenience.
- 2) All rights hereby granted shall be exercised so as not to unreasonably interfere or conflict with any easements or rights-of-way heretofore granted by said Board of Supervisors and now in force.
- 3) All rights hereby granted shall be exercised so as not to unreasonably interfere or conflict with any easement, either public or private, of whatsoever nature, which has been acquired in or to the proper use of said highway, roads, and thoroughfares, or any portion thereof.
- 4) Grantee will maintain its facilities from time to time as may be needed, without the necessity of notice from Maricopa County. All materials and construction methods used with the public rights-of-way shall conform to applicable standards, specifications and special provisions required by law. Prior to construction, a map showing the location of such facilities shall be submitted to such persons as may be designated by Maricopa County's Director of Public Works (hereinafter designated as "Director of Public Works"). In the event the said Grantee shall fail to make any repairs within ten days from the time same becomes necessary, then Maricopa County may cause the same to be made, and said Grantee agrees to pay Maricopa County the cost thereof; provided, however, that Grantee shall receive additional time to make such repairs if Grantee so requests, and the Director of Public Works or his designee approves Grantee's request, which request shall not be unreasonably denied.
- 5) That the said Grantee shall bear all expenses incurred including damages and compensation for the alteration of the course, direction, surface, grade or alignment of any of the said highways, roads and thoroughfares necessarily made by the said Grantee for the purpose of this franchise. In the event that facilities constructed pursuant to this Franchise shall at any time be found by Maricopa County to interfere unduly with vehicular and/or pedestrian traffic over such streets, avenues, alleys, highways or bridges or other public rights-of-way, Grantee hereby agrees that it will, at its own expense, and within thirty (30) days after written notice thereof by Maricopa County, remove or relocate said facilities so as to minimize

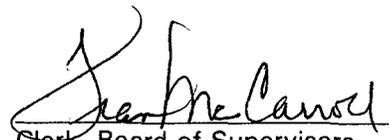
said interference; provided, however, that Grantee shall receive additional time to remove or relocate said facilities if Grantee so requests, and the Director of Public Works approves Grantee's request, which request shall not be unreasonably denied.

- 6) That said Grantee shall indemnify and save harmless Maricopa County from all costs, expense and liability in connection with the granting of this franchise and exercise of the same by Grantee.
- 7) That the rights of any person claiming to be injured in any manner by the maintenance of Grantee's water system shall not be affected hereby.
- 8) That the terms and conditions of this franchise shall inure to the benefit of, and be binding upon, all the heirs and assigns of the said Grantee, and the right, privilege and franchise hereby granted may be assigned by Grantee in whole or in part.
- 9) That the franchise and privilege herein granted shall not be deemed to be exclusive and the said Board of Supervisors hereby expressly reserves the right and power to grant from time to time similar franchises and privileges over the same territory and highways, roads and thoroughfares.
- 10) This franchise is granted upon the express condition that a Certificate of Convenience and Necessity be procured from the Corporation Commission of the State of Arizona for any area which is added to Grantee's certificated area, in addition to the certificated area which Grantee now holds, proof of which has been submitted to the Board of Supervisors. Proof of such additional area shall be submitted to the Board of Supervisors within six months from the date of an order of approval from the Arizona Corporation Commission. In the event Maricopa County takes action to dispose of unnecessary public roadways in accordance with the provisions of Arizona Revised Statutes §28-2902, et seq., Maricopa County shall recognize and preserve each of Grantee's prior rights-of-way or easements and rights under this Franchise which are affected thereby, as they existed prior to such disposition, by including specific and appropriate language for that purpose in any legal instrument utilized for the purpose of accomplishing such disposition.
- 11) Grantee shall obtain necessary permits from Maricopa County prior to construction of any facilities in the public rights-of-way.
- 12) If any section, paragraph, subdivision, clause, phrase or provision of this Franchise shall be adjudged invalid or unconstitutional, the same shall not affect the validity of this Franchise as a whole or any part of the provisions hereof other than the part so adjudged to be invalid and unconstitutional.

DATED this 31<sup>st</sup> day of August 1998.

  
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Chairman, Board of Supervisors

ATTEST:

  
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Clerk, Board of Supervisors