

NEW APPLICATION
ORIGINAL



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FENNEMORE CRAIG
A Professional Corporation
Jay L. Shapiro (No. 014650)
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AZ CORP COMMISSION
DOCUMENT CONTROL

Arizona Corporation Commission
DOCKETED
MAR - 2 2005

Attorneys for Circle City Water Company, L.L.C.

DOCKETED BY	<i>CAK</i>
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BEFORE THE ARIZONA CORPORATION COMMISSION

IN THE MATTER OF THE APPLICATION
OF CIRCLE CITY WATER COMPANY, LLC
FOR AN EXTENSION OF ITS EXISTING
CERTIFICATE OF CONVENIENCE AND
NECESSITY FOR WATER SERVICE.

DOCKET NO. W-03510A-05-0146

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

Circle City Water Company, L.L.C. ("Applicant"), an Arizona public service corporation, hereby applies for an Order approving an extension of its existing Certificate of Convenience and Necessity ("CC&N") for water service to include an area encompassing a development known as Lake Pleasant 5000 (the "Development"). In support of this Application, Applicant states as follows:

1. Applicant is a public service corporation engaged in providing water for public purposes within portions of Maricopa County, Arizona. The Circle City system in Maricopa County was originally certificated by grant of the Arizona Corporation Commission ("Commission") on August 15, 1958 to Circle City Development Company (Decision No. 31121), transferred to Spencer D. Stewart and May Jan Stewart dba Consolidated Water Co. on January 6, 1964 and later transferred to Consolidated Water Co., LTD by Commission Decision No. 51286 (August 8, 1980). On July 18, 1996, the Commission approved Brooke Water, L.L.C.'s application for approval of the sale of assets and transfer of certificates of convenience and necessity ("CC&N") owned by Consolidated Water Co., LTD, in Decision No. 59754 (July 18, 1996). Brooke Water L.L.C. then transferred its Circle City Division's assets and CC&N to

1 Circle City Water Company, L.L.C. on June 16, 1998 (Decision No. 60972). Applicant currently
2 serves approximately 167 water utility customers. The area served by Applicant contains both
3 residential and commercial properties.

4 2. Harvard Investments, Inc. ("Developer") has requested that Applicant extend
5 water utility service to the Development. A copy of the request for service is attached hereto as
6 Exhibit 1.

7 3. The Development encompasses approximately 5,000 acres and is planned for
8 roughly 10,000 residential dwellings and a mixture of commercial units. The area to be included
9 in Applicant's CC&N (the "Expansion Area") includes 4,882 acres in Maricopa County
10 approximately one mile north of the intersection of state highway 74 and 211th Avenue. A legal
11 description for that portion of the Expansion Area is attached hereto as Exhibit 2. The Expansion
12 Area also includes 160 acres at the northwest corner of 235th Avenue and Joy Ranch Road in
13 Maricopa County. A legal description for that portion of the Expansion Area is attached hereto as
14 Exhibit 3.

15 4. Wastewater utility service will be provided to the Development by a municipality
16 or private utility provider and Developer is in the process of obtaining necessary approvals and
17 agreements for such service.

18 5. Water supply for the Development is anticipated to come from a combination of
19 groundwater wells and Non-Indian Municipal and Industrial Central Arizona Project ("CAP")
20 Subcontract Agreements. It is anticipated that sufficient well capacity will initially provide
21 groundwater to meet the average day demand, but will eventually serve as the primary backup
22 water supply for the Development. Water from the CAP agreements will be provided to
23 eventually meet the total maximum day demand. Hence, the use of CAP water reserves in this
24 manner will compliment groundwater conservation efforts by utilizing a water source allocated to
25 the State of Arizona when the CAP was originally conceived.

26 6. Applicant's management contact is Robert T. Hardcastle, whose business address

1 is 3101 State Road, Bakersfield, California 93308. The telephone number is (661) 633-7526.

2 7. Applicant's operator, certified by the Arizona Department of Environmental
3 Quality, is First National Management, whose business address is P.O. Box 1020, Apache
4 Junction, Arizona 85217. The local telephone number is (480) 677-6080.

5 8. Applicant's attorneys are Fennemore Craig, whose address is 3003 North Central
6 Avenue, Suite 2600, Phoenix, Arizona 85012-2913. The individual attorney responsible for this
7 application is Jay L. Shapiro. Mr. Shapiro's telephone number is (602) 916-5366. **All Data**
8 **Requests or other Requests for Information should be directed to Mr. Robert Hardcastle,**
9 **with a copy to Mr. Shapiro's attention, on behalf of Circle City Water Company.**

10 9. A Certificate of Good Standing for Applicant is attached hereto as Exhibit 4.

11 10. The newly acquired customers in the Expansion Area covered by the application
12 will receive water service subject to Applicant's current rates and charges for utility service,
13 which were approved in Decision No. 55839 (January 1, 1988).

14 11. A service area map indicating Applicant's present water CC&N, and the area
15 requested by this Application, is attached hereto as Exhibit 5.

16 12. Applicant's balance sheet and profit and loss information for the 12-month period
17 ending 2003 is attached hereto as Exhibit 6. An update balance sheet for year-end 2004 will be
18 provided when available.

19 13. A Master Water Design report for the Development is attached hereto as Exhibit 7.

20 14. A copy of Applicant's most recent Annual Report (2003) is attached hereto as
21 Exhibit 8.

22 15. The estimated numbers of residential customers to be served in each of the first
23 five years of water utility service to the areas covered by this Application are as follows:

24 1st Year: 500
25 2nd Year: 1000
26 3rd Year: 2000
4th Year: 3500

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5th Year: 5000

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

<u>Operating Revenue</u>	<u>Operating Expenses</u>
1 st Year - \$99,320	1 st Year - \$176,543
2 nd Year - \$269,728	2 nd Year - \$320,795
3 rd Year - \$514,485	3 rd Year - \$516,527
4 th Year - \$888,149	4 th Year - \$855,970
5 th Year - \$1,301,837	5 th Year - \$1,279,276

17. In order for applicant to provide water service to and within the Development, water distribution facilities must be constructed. The total estimated cost to construct utility facilities necessary for Applicant to serve customers in the Expansion Area is approximately \$42,409,778 through the first five years of development. Applicant proposes to have Developer construct water distribution facilities to serve the public utility water needs of the Development as set forth in the Water Facilities Agreement between the parties, attached hereto as Exhibit 9. The plant cost projections, including service meters, by year for the next five (5) years are as follows:

Plant Cost Projection

1 st Year:	\$11,328,796.00
2 nd Year:	\$12,578,796.00
3 rd Year:	\$22,141,211.00
4 th Year:	\$36,214,878.00
5 th Year:	\$42,409,778.00

18. The water facilities needed to serve the Expansion Area will be constructed as needed to provide service to customers. The starting date for the construction of facilities at the Development is approximately late 2005.

19. The construction of the additional utility facilities needed to serve the Expansion Area will be financed by a combination of both refundable Advances in Aid of Construction and

1 non-refundable Contributions in Aid of Construction ("CIAC") pursuant to the terms of the Water
2 Facilities Agreement between Applicant and Developer. Applicant has filed a concurrent
3 application for approval of a proposed Hook-Up Fee Tariff. If approved, all amounts collected by
4 Applicant pursuant to the Hook-Up Fee Tariff will constitute CIAC, and will be used solely for
5 the purposes of constructing facilities to provide additional water production, storage, pressure,
6 and transmission capacity to present and future developments. There is a public need and
7 necessity for public utility water services in the Expansion Area. The Expansion Area is not
8 currently being served by another certificated water utility.

9 20. The Arizona Department of Environmental Quality and Arizona Department of
10 Water Resources will issue certain approvals before service can be provided within the proposed
11 extension area. These approvals will be provided to the Commission once issued by these state
12 agencies.

13 21. Notice of this Application will be given as required by the Commission and proof
14 of publication will be filed with the Commission.

15 22. Applicant will file an application for approval of a franchise agreement with
16 Maricopa County for the proposed extension area, and will submit it to the Commission once it is
17 received. Applicant anticipates filing the franchise agreement with the Commission within 365
18 days of the effective date of the Commission's final decision in this matter.

19 23. An extension of Applicant's CC&N to include the Expansion Area would be
20 consistent with promoting orderly growth in Maricopa County in areas adjacent to Applicant's
21 service territory, and Applicant is in the best position to extend and provide water service to the
22 Development at this time. Additionally, expansion of service will benefit Applicant's existing
23 customers by allowing the cost of providing water service to be spread over a larger customer
24 base to achieve greater economies of scale. As a result, Applicant maintains that this Application
25 is in the public interest and should be granted.

26 24. To the best of its knowledge and belief, Applicant is currently in compliance with

1 all regulatory requirements applicable to its provision of water utility service in Arizona,
2 including all applicable orders, rules and regulations of the Commission, ADEQ and the
3 Maricopa County Environmental Services Division.

4 WHEREFORE, Applicant respectfully requests the following:

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

7 B. That upon completion of said hearing that the Commission enter an Order
8 approving the extension of Applicant's current Certificate of Convenience and Necessity to
9 include the additional geographic area requested by this Application as shown in Exhibit 5;

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

12 DATED this 2nd day of March, 2005.

13

FENNEMORE CRAIG, P.C.

14

By: _____

15

Jay L. Shapiro

16

Patrick J. Black

Attorneys for Circle City Water Company,
L.L.C.

17

18 ORIGINAL and 13 copies filed this 2 day of March, 2005:

19

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

20

21

COPY delivered this 2 day of March, 2005:

22

Jim Fisher, Executive Consultant
Utilities Division
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007

23

24

25

By: Sandra Baker

26

1640789.1/20496.003

EXHIBIT

1

7600 E. Doubletree Ranch Rd., Ste. 220
Scottsdale, Arizona 85258
480 / 348,8976 Fax
480 / 348,1118



HARVARD INVESTMENTS
A HILL COMPANY

September 30, 2004

VIA FACSIMILE (781) 823-3070 AND REGULAR MAIL

Mr. Robert T. Hardcastle
Brooke Utilities, Inc.
P. O. Box 82218
Bakersfield, California 93380-2218

Re: Expansion of CCN

Dear Mr. Hardcastle

We are acquiring 4,882 acres in Maricopa County one mile north of the intersection of State Highway 74 and 211th Avenue; and, 160 acres at the northwest corner of 235th Avenue and Joy Ranch Road also in Maricopa County. Legal descriptions of our properties are attached. We would like Circle City Water Company to expand its CCN to provide water service to the properties. Please advise as to how we should proceed in this matter. Thank you.

Sincerely,

Christopher J. Cacheris

Attachment

c: Jay L Shapiro, Esq., via facsimile

[Redacted line]

EXHIBIT

2

4,882 acres

PARCEL NO. 1:

The Southeast quarter; and

The Southeast quarter of the Southwest quarter of Section 4, Township 6 North, Range 2 West of the Gila and Salt River Base and Meridian, Maricopa County, Arizona.

PARCEL NO. 2:

All of Section 9, Township 6 North, Range 2 West of the Gila and Salt River Base and Meridian, Maricopa County, Arizona.

PARCEL NO. 3:

The East half of the Northeast quarter; and

The East half of the Southeast quarter of Section 17, Township 6 North, Range 2 West of the Gila and Salt River Base and Meridian, Maricopa County, Arizona.

PARCEL NO. 4:

Lot 4; and

The Southwest quarter of the Northeast quarter; and

The Southwest quarter of the Southeast quarter of the Northeast quarter; and

The West half of the Southeast quarter of the Southeast quarter of the Northeast quarter; and

The South half of the Northwest quarter; and

The South half of Section 4, Township 6 North, Range 2 West of the Gila and Salt River Base and Meridian, Maricopa County, Arizona;

EXCEPT the Southeast quarter; and also

EXCEPT the Southeast quarter of the Southwest quarter.

PARCEL NO. 5:

The Southeast quarter of the Northeast quarter of Section 5, Township 6 North, Range 2 West of the Gila and Salt River Base and Meridian, Maricopa County, Arizona.

PARCEL NO. 6:

A.

174

Lots 4 and 5 of Section 6, Township 6 North, Range 2 West of the Gila and Salt River Base and Meridian, Maricopa County, Arizona.

PARCEL NO. 7:

The South half of the Northeast quarter; and

The Southeast quarter of the Northwest quarter; and

The South half of Section 6, Township 6 North, Range 2 West of the Gila and Salt River Base and Meridian, Maricopa County, Arizona;

EXCEPT Lots 6 and 7.

PARCEL NO. 8:

All of Section 7, Township 6 North, Range 2 West of the Gila and Salt River Base and Meridian, Maricopa County, Arizona.

PARCEL NO. 9:

The Northwest quarter of the Northwest quarter of Section 8, Township 6 North, Range 2 West of the Gila and Salt River Base and Meridian, Maricopa County, Arizona.

PARCEL NO. 10:

All of Section 17, Township 6 North, Range 2 West of the Gila and Salt River Base and Meridian, Maricopa County, Arizona;

EXCEPT the East half of the Northeast quarter and the East half of the Southeast quarter of Section 17, Township 6 North, Range 2 West of the Gila and Salt River Base and Meridian, Maricopa County, Arizona.

PARCEL NO. 11:

All of Section 18, Township 6 North, Range 2 West of the Gila and Salt River Base and Meridian, Maricopa County, Arizona;

EXCEPT the Northeast quarter of the Northeast quarter thereof.

PARCEL NO. 12:

The South half of Section 5, Township 6 North, Range 2 West of the Gila and Salt River Base and Meridian, Maricopa County, Arizona.

PARCEL NO. 13:

**Section 8, Township 6 North, Range 2 West of the Gila and Salt River Base and Meridian,
Maricopa County, Arizona;**

EXCEPT the Northwest quarter of the Northwest quarter thereof.

PARCEL NO. 14:

**The North half of Section 5, Township 6 North, Range 2 West of the Gila and Salt River Base
and Meridian, Maricopa County, Arizona;**

EXCEPT the Southeast quarter of the Northeast quarter of said Section 5; and also

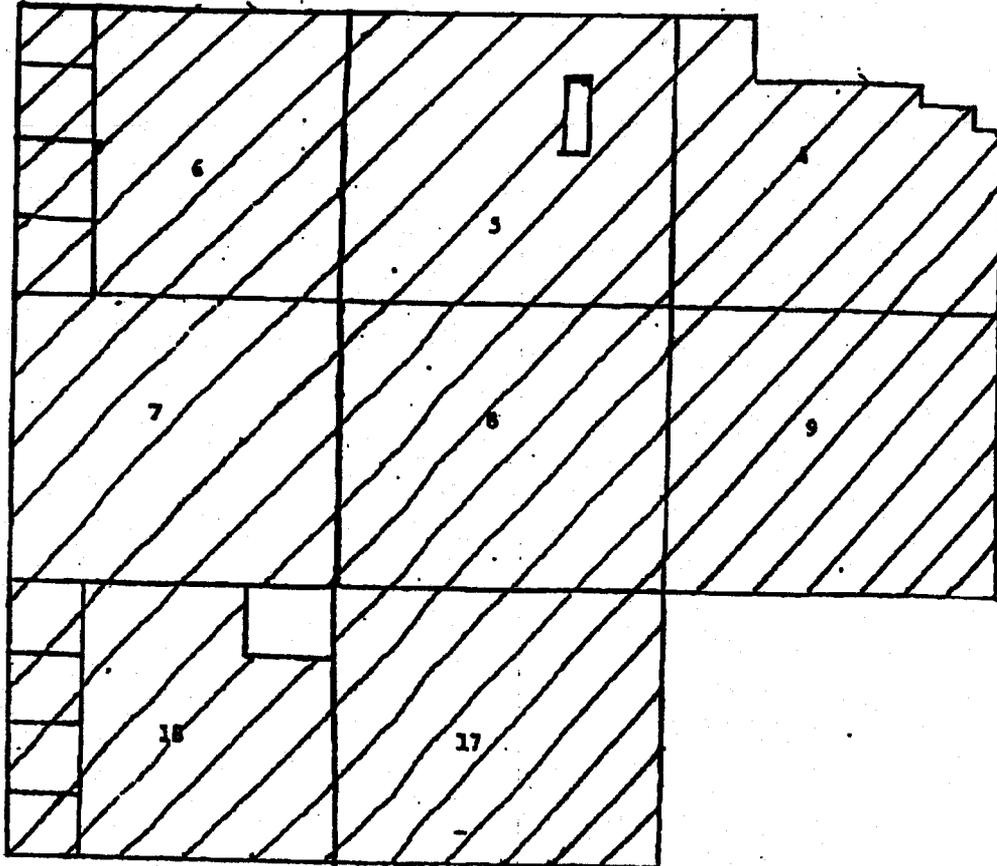
**EXCEPT the East half of the East half of the Southwest quarter of the Northeast quarter of
said Section 5.**

PARCEL NO. 15:

**Governmental Lots 1, 2, 3, 6 and 7, Section 8, Township 6 North, Range 2 West of the Gila
and Salt River Base and Meridian, Maricopa County, Arizona.**

EXHIBIT "A"

Township 6 North, Range 2 West of the Gila and Salt River Base and Meridian,
Maricopa County, Arizona.



EXHIBIT

3

160 acres

EXHIBIT "A"

Legal Description of Property

Parcel 1:

The Southeast quarter of Section 28, Township 6 North, Range 3 West of the Gila and Salt River Base and Meridian, Maricopa County, Arizona; EXCEPT the North 210.00 feet of the South 2090.00 feet of the West 210.00 feet of the East 910.00 feet.

Parcel 2:

The North 210.00 feet of the South 2090.00 feet of the West 210.00 feet of the East 910.00 feet of the Southeast quarter of Section 28, Township 6 North, Range 3 West of the Gila and Salt River Base and Meridian, Maricopa County, Arizona.

EXHIBIT

4

STATE OF ARIZONA



Office of the
CORPORATION COMMISSION

CERTIFICATE OF GOOD STANDING

To all to whom these presents shall come, greeting:

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

*****CIRCLE CITY WATER CO., L.L.C.*****

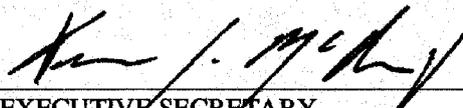
a domestic limited liability company organized under the laws of the State of Arizona, did organize on the 2nd day of December 1997.

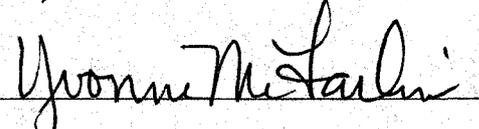
I further certify that according to the records of the Arizona Corporation Commission, as of the date set forth hereunder, the said limited liability company is not administratively dissolved for failure to comply with the provisions of A.R.S. section 29-601 et seq., the Arizona Limited Liability Company Act; and that the said limited liability company has not filed Articles of Termination as of the date of this certificate.

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

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the official seal of the Arizona Corporation Commission. Done at Phoenix, the Capital, this 22nd Day of February, 2005, A. D.




EXECUTIVE SECRETARY

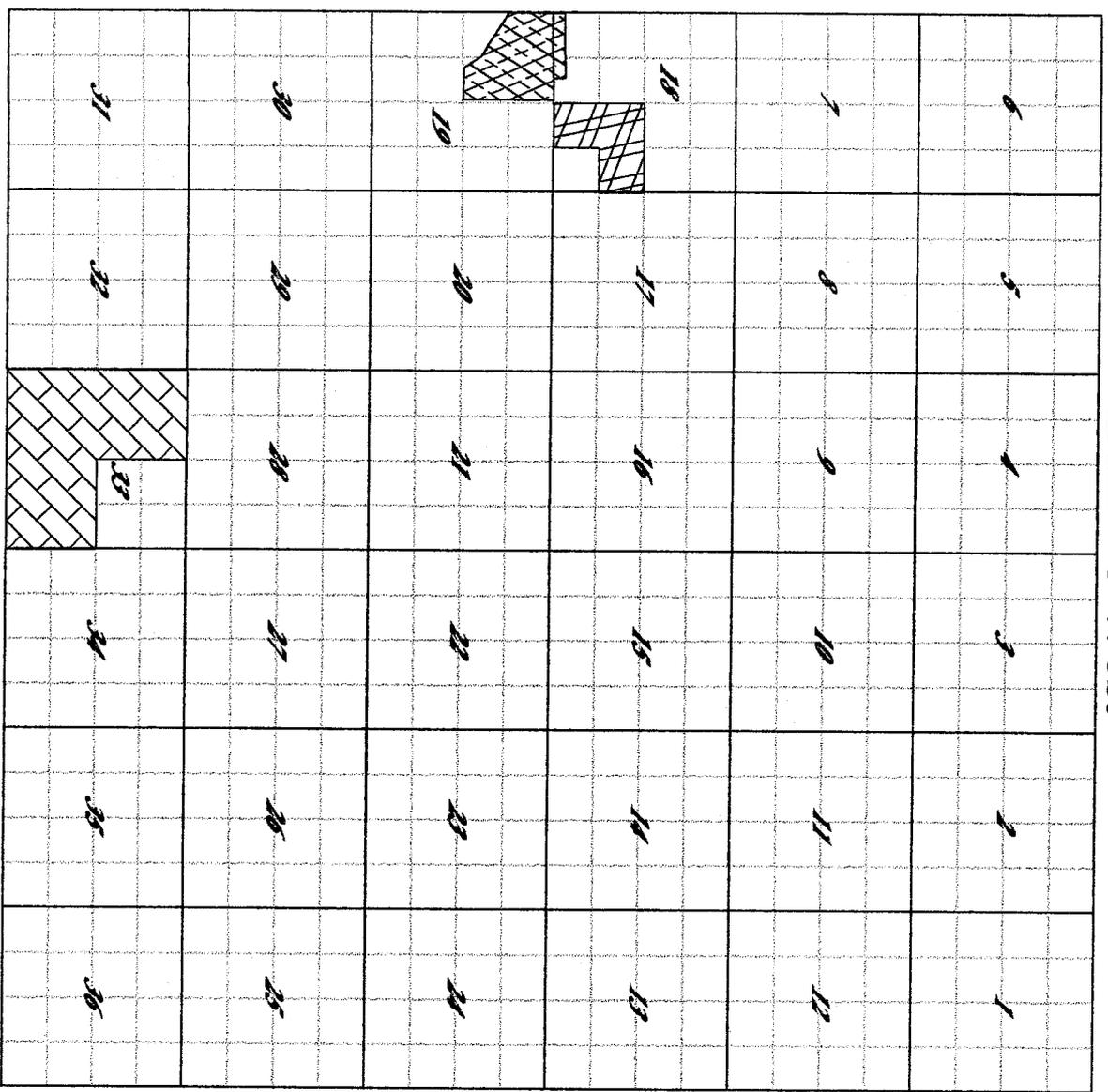
BY: 

EXHIBIT

5

COUNTY: Maricopa

RANGE 3 West



TOWNSHIP 6 North

-  W-3510 (2)
Circle City Water Company L.L.C.
-  W-2164 (2)
Morristown Water Company
-  W-2464 (1)
Puesta del Sol Water Company

EXHIBIT

6

Circle City Water Company
Year Ended December 31, 2003
Comparative Balance Sheets

Exhibit

Line No.		Year Ended <u>12/31/2003</u>
1	<u>ASSETS</u>	
2	Plant In Service	\$ 97,433
3	Non-Utility Plant	-
4	Construction Work in Progress	-
5	Less: Accumulated Depreciation	<u>(35,734)</u>
6	Net Plant	<u>\$ 61,699</u>
7		
8		
9	CURRENT ASSETS	
10	Cash and Equivalents	\$ -
11	Accounts Receivable, Net	3,776
12	Materials and Supplies	-
13	Prepayments	62,912
14	Other Current Assets	-
15	Total Current Assets	<u>\$ 66,688</u>
16		
17	Deferred Debits	<u>\$ -</u>
18		
19	Other Investments & Special Funds	<u>\$ -</u>
20		
21	TOTAL ASSETS	<u><u>\$ 128,387</u></u>
22		
23		
24	<u>LIABILITIES AND STOCKHOLDERS' EQUITY</u>	
25		
26	Common Equity	<u>\$ (2,123,654)</u>
27		
28	Long-Term Debt	<u>\$ -</u>
29		
30	CURRENT LIABILITIES	
31	Accounts Payable	\$ 2,209
32	Current Portion of Long-Term Debt	-
33	Payables to Associated Companies	2,224,977
34	Customer Meter Deposits, Current	3,870
35	Accrued Taxes	2,031
36	Accrued Interest	-
37	Other Current Liabilities	-
38	Total Current Liabilities	<u>\$ 2,233,086</u>
39		
40	DEFERRED CREDITS	
41	Customer Meter Deposits, less current	\$ -
42	Advances in Aid of Construction	17,354
43	Accumulated Deferred Income Taxes	-
44	Contributions In Aid of Construction, Net	1,601
45		-
46	Total Deferred Credits	<u>\$ 18,956</u>
47		
48	Total Liabilities & Common Equity	<u><u>\$ 128,387</u></u>
49		
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Cirice City Water Company
Year Ended December 31, 2003
Comparative Income Statements

Exhibit

Line No.		Year Ended <u>12/31/2003</u>
1	Revenues	
2	Metered Water Revenues	\$ 60,664
3	Unmetered Water Revenues	-
4	Other Water Revenues	720
5	Total Revenues	<u>\$ 61,384</u>
6	Operating Expenses	
7	Salaries and Wages	\$ 6,582
8	Purchased Water	-
9	CAWCD Water Costs	157,280
10	Purchased Power	9,845
11	Chemicals	500
12	Repairs and Maintenance	614
13	Office Supplies and Expense	-
14	Outside Services	23,822
15	Water Testing	-
16	Rents	-
17	Transportation Expenses	1,870
18	Insurance - General Liability	-
19	Insurance - Health and Life	-
20	Regulatory Commission Expense	65
21	Miscellaneous Expense	4,314
22	Depreciation Expense	5,272
23	Taxes Other Than Income	400
24	Property Taxes	3,500
25	Bad Debt	586
26	Income Tax	-
27		
28	Total Operating Expenses	<u>\$ 214,650</u>
29	Operating Income	<u>\$ (153,266)</u>
30	Other Income (Expense)	
31	Interest Income	-
32	Other income	-
33	Interest Expense	(99)
34	Other Expense	-
35		
36	Total Other Income (Expense)	<u>\$ (99)</u>
37	Net Profit (Loss)	<u><u>\$ (153,365)</u></u>
38		
39		

EXHIBIT

7

Water Master Plan

for

Lake Pleasant 5,000

Original Report Date: December 8, 2004

Revised Report Date: January 4, 2005

Prepared For:

Harvard Investments
17700 North Pacesetter Way
Scottsdale, Arizona 85255
Phone: 480-348-1118
Fax: 480-348-8976



Prepared By:

Scott M. Larson P.E.
J. Ryan Christensen P.E.



16605 North 28th Avenue, Suite 100
Phoenix, AZ 85053-7550
Phone: 602-467-2200
Fax: 602-467-2201

JN: 45-101888

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Abbreviations

ac	Acres
ADEQ	Arizona Department of Environmental Quality
ADWR	Arizona Department of Water Resources
AWWA	American Water Works Association
DU	Dwelling Units
EDU	Equivalent Dwelling Units
gal	Gallons
gpcpd	Gallons Per Capita Per Day
gpd	Gallons Per Day
gpm	Gallons Per Minute
LF	Linear Feet
MAG	Maricopa Association of Governments
MDR	Medium Density Residential (single family housing)
MF	Multiple Family
MG	Million Gallons
MGD	Million Gallons Per Day
n	Manning's Roughness
psi	Pounds Per Square Inch

1.0 Introduction

1.1 General Description

The proposed Lake Pleasant 5,000 development covers approximately 4,882 acres within Maricopa County. The proposed development is located within the City of Surprise General Plan area, and is anticipated to consist of approximately 10,000 residential dwelling units and 300 acres of commercial development. The general site location can be seen in Figure 1 Lake Pleasant 5,000 Vicinity Map.

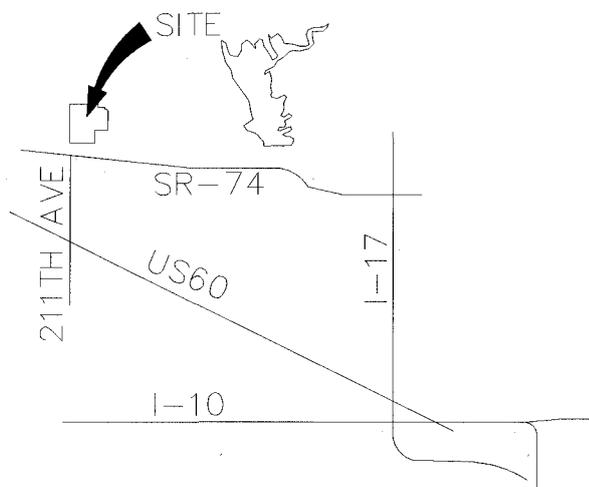


Figure 1 Lake Pleasant 5,000 Vicinity Map

1.2 Project Location

The Lake Pleasant 5,000 development includes sections 5, 6, 7, 8, 9, 17 and 18 as well as a majority portion of Section 4 in Township 6 North, Range 2 West of the Gila and Salt River Base and Meridian, Maricopa County, Arizona. The site is located north of SR 74, south of the Maricopa County line, and east of the 211th Ave alignment.

1.3 Topographic Conditions

The Lake Pleasant 5000 development consists of undeveloped desert land. The northern and northeast portions of the site are dominated by mountainous terrain, while the eastern third of the site is fairly flat sloping from north to south at approximately a 3% grade.

1.4 Scope of Study

The purpose of this study is to provide a conceptual discussion of the water infrastructure necessary to serve the proposed Lake Pleasant 5,000 development. This study will discuss the potable water facilities required to serve the project. Storage, supply, and demands associated with the proposed development will be addressed. It is important to note, that the onsite distribution lines are not addressed within this study.

2.0 Distribution System

2.1 Pressure Zone Description

The proposed Lake Pleasant 5,000 development is anticipated to consist of five pressure zones. The pressure zone boundaries will be set at approximately 120-foot intervals. The anticipated pressure zones for the site are outlined in Table 1 Lake Pleasant 5,000 Pressure Zones. An exhibit showing the pressure zone boundaries is included in Appendix A Pressure Zone Map.

Table 1 Lake Pleasant 5,000 Pressure Zones

Zone	Low Contour	High Contour
P1	2,080	2,200
P2	2,200	2,320
P3	2,320	2,440
P4	2,440	2,560
P5	2,560	2,680

3.0 Projected System Demands

3.1 General

The Lake Pleasant 5,000 development is anticipated to consist of 10,000 dwelling units. The average day demands for the site were determined based on the projected number of residential dwelling units and the projected amount of commercial acreage. The projected population for the residential area was calculated by multiplying the number of dwelling units, by a population density of 3.2 people per dwelling unit (ppdu). The water demand for the site was calculated by multiplying the projected population by the new residential demand factors from the Arizona Department of Water Resources (ADWR) Third Management Plan for the Phoenix Active Management Area (AMA). These factors consist of an interior water demand of 57 gpcd and an exterior water demand of 178 gallons per dwelling unit. In order to maintain these demand factors, it was assumed that the residential turf areas would be limited to 900 ft², as defined by ADWR's Third Management Plan, and that other conservation measures identified in the Third Management Plan would be followed. A commercial demand of 2,000 gallons per acre was also used in these calculations. The demand factors used for this project are summarized in Table 2 Water Demand Factors.

Table 2 Water Demand Factors

Type	Demand	Unit
Residential Interior	57	gpcd
Residential Exterior	178	gal/du/day
Commercial	2,000	gal/acre/day

Peaking factors for the maximum day and peak hour demands were estimated for the proposed Lake Pleasant 5,000 development. A maximum day peaking factor of 1.8 times the average day demand was assumed. While a peak hour peaking factor of 3.0 times the average day demand was assumed. The projected average day, maximum day, and peak hour demands are shown in Table 3 Lake Pleasant 5,000 Water Demands.

Table 3 Lake Pleasant 5,000 Water Demands

Avg Day		Max Day		Peak Hour	
(gpd)	(gpm)	(gpd)	(gpm)	(gpd)	(gpm)
4,204,000	2,919	7,567,200	5,255	12,612,000	8,758

It is important to note that water demands for the irrigation of the proposed golf courses have not been included within these calculations. The golf courses are planned to be irrigated through reclaimed water. Additionally, changes to the number of dwelling units, projected land uses, and varying individual water usage patterns could result in either an increase or decrease in actual water demand.

3.2 Fire Flow Demand

The proposed Lake Pleasant 5,000 water system will be capable of providing sufficient fire flow throughout the development. The required fire flow will depend on the land use in each area, but is anticipated to range from a minimum of 1,000 gpm within the residential areas up to 3,000 gpm within the commercial areas.

4.0 Water Storage

The volume of water storage to be included within the site has been calculated to provide a reliable water system. Sufficient water storage is projected to be stored on site in order to meet the maximum day water demand. The water storage volume projected for the proposed Lake Pleasant 5,000 development is a total of 7.6 million gallons. It is anticipated that this storage would be provided through two 2.30 million gallon tanks and two 1.50 million gallon tanks. The location of the water storage reservoirs throughout the site will be determined at a future time.

Additionally, one 500,000 gallon storage tank is anticipated to be constructed at the well field. This tank will be used to help reduce cycling of the well pumps and to provide temporary storage before boosting the water to the site.

4.1 Booster Pump Capacity

The onsite booster pump capacity has been calculated for the proposed Lake Pleasant 5,000 development. Sufficient booster pumping capacity will be provided in order to meet the peak hour water system demands, while maintaining one backup booster pump. A peak hour demand of 8,758 gpm has been calculated for the development as described in Section 3.0, Projected System Demands. It is anticipated, that 10,350 gpm of booster capacity will be provided for the onsite water distribution system. Due to the amount of elevation change throughout the site, it may be possible to reduce the amount of booster pump capacity by supplying a portion of the site through gravity.

In addition to the booster pump capacity for the on site distribution system, it will also be necessary to construct a booster pump station to bring the water supply from the Central Arizona Project canal (CAP) to the Circle City Water Company, and another booster station to bring the water supply from the Circle City Water Company to the project site. It is anticipated that each of these stations will be capable of meeting the maximum day demand of 5,255 gpm, while maintaining one backup booster pump. Each of these booster stations is projected to have a capacity of 6,650 gpm. A greater discussion of the water supply for the project is provided in Section 5.0, Water Supply.

5.0 Water Supply

The water supply for the proposed Lake Pleasant 5,000 development is anticipated to come from a combination of groundwater wells and (CAP) surface water supply. It is anticipated that sufficient groundwater wells will be provided to meet the average day demand of 2,919 gpm. In addition, surface water supplies will be provided to meet the total maximum day demand of 5,255 gpm. The groundwater wells will serve as a back up supply for the development.

The Circle City Water Company service area will be expanded to include a well field. This well field is anticipated to be located in a portion of Section 28 of Township 6 North, Range 3 West. The groundwater wells to supply this project are anticipated to be located within the proposed well field as well as the existing Circle City Water Company service area. Assuming that each well will produce 320 gpm, 11 wells will be required to meet the average day demand of the project, while maintaining one backup well. The actual number of groundwater wells will depend on the production capacity of each well.

It will be necessary to construct booster stations and transmission mains in order to convey the water from the CAP to the Circle City Water Company service area, and from the Circle City Water Company to the project site. Two 24-inch transmission mains are anticipated to be required. Details on these transmission mains are summarized in Table 4 Transmission Main Details. An exhibit showing the location of the Circle City Water Company, the proposed well field, conceptual alignments of the proposed transmission mains, and project site is provided in Appendix B Proposed Transmission Mains.

Table 4 Transmission Main Details

Start	End	Length (ft)	Diam (in)	Start Elev	End Elev
CAP	Circle City Water Co	44,000	24	1,550	1,910
Circle City Water Co	Lake Pleasant 5,000	47,000	24	1,910	2,300

6.0 Opinion of Probable Costs

An engineer's opinion of probable costs has been developed for this project. These costs are based on the engineer's experience with the construction industry, and should be used for planning purposes only. The costs have been developed for the wells, tanks, transmission lines, and booster stations, the onsite distribution lines have not been included as part of this analysis.

Opinion of Probable Cost for Pipes, Wells, Tanks & Booster Station

10,000 Units

Description	Average Unit Cost	Unit	QTY	Total
Well Drilling	\$ 175,000	EA	11	\$ 1,925,000
Well Equipping (pump & motor, well head and column pipe, discharge piping and valves, etc.)	\$ 110,000	EA	11	\$ 1,210,000
6-Foot Block Wall	\$ 100	LF	9,075	\$ 907,500
Well Site Foundation Pads	\$ 7,250	EA	11	\$ 79,750
Well Electrical	\$ 55,000	EA	11	\$ 605,000
Well Controls	\$ 45,000	EA	11	\$ 495,000
Well Generator	\$ 50,000	EA	2	\$ 100,000
Well(s) Subtotal				\$ 5,322,250
CAP Water Treatment (1.0 MGD per unit)	\$ 500,000	EA	8	\$ 4,000,000
Booster Station (6,650 gpm), Complete with Hydropneumatic Tank and Appurtenances	\$ 473,813	LS	1	\$ 473,813
Transmission Line Complete (24-inch, DIP)	\$ 83	LF	44,000	\$ 3,652,000
CAP Treatment Subtotal				\$ 8,125,813
Tank (1.5 MG)	\$ 432,000	EA	2	\$ 864,000
Tank (2.3 MG)	\$ 580,000	EA	2	\$ 1,160,000
Tank (0.5 MG)	\$ 192,000	EA	1	\$ 192,000
Site Improvements (Grading, pads, excavation)	\$ 425,000	EA	2.5	\$ 1,062,500
8-Foot Block Wall	\$ 175	LF	4,400	\$ 770,000
Tank Site Piping, Valves, Meters, etc.	\$ 318,750	EA	2.5	\$ 796,875
Tank Site Electrical	\$ 312,500	EA	2.5	\$ 781,250
Tank Site Controls	\$ 156,250	EA	2.5	\$ 390,625
Tank Site Generator	\$ 218,750	EA	2.5	\$ 546,875
Tank(s) Subtotal				\$ 6,564,125
Transmission Line Complete (8-inch, DIP)	\$ 40	LF	5,280	\$ 211,200
Transmission Line Complete (24-inch, DIP)	\$ 83	LF	47,000	\$ 3,901,000
Transmission Line Subtotal				\$ 4,112,200
Booster Station (6,650 gpm), Complete with Hydropneumatic Tank and Appurtenances	\$ 473,813	LS	1	\$ 473,813
Booster Station (10,500 gpm), Complete with Hydropneumatic Tank and Appurtenances	\$ 748,125	LS	1	\$ 748,125
Subtotal				\$ 25,346,325
Contingency (15%)				\$ 3,801,949
Bonding				<i>Excluded</i>
Tax (6.3%)				\$ 1,836,341
Adjusted Total				\$ 30,984,615

*Since ENGINEER has no control over the cost of labor, materials, equipment or services furnished by others or over the Contractor(s)' method of determining prices, or over the competitive bidding or market conditions, its opinions of probable Project Cost and Construction Cost provided herein are to be made on the basis of its experience and qualifications and represents its best judgment as an experienced and qualified professional engineer, familiar with the construction industry; but ENGINEER cannot and does not guarantee that proposals, bids or actual Project or Construction Cost will not vary from its opinion of probable cost. If prior to the Bidding or Negotiating Phase, OWNER wishes greater assurance as to Project Cost, it shall employ an independent cost estimator.

**Price exludes engineering, right-of-way acquisition, legal, or other non-construction related costs

References

Division of Environmental Health Services, Bureau of Water Quality Control. Engineering Bulletin #10: Guidelines for the Construction of Water Systems, May 1978.

Ysusi, Mark A. "Water Distribution System Design." Hydraulic Design Handbook. Editor in Chief: Larry W. Mays. New York: McGraw-Hill, 1999

Appendices

Appendix A Pressure Zone Map

Appendix B Proposed Transmission Mains

Appendix A Pressure Zone Map

Lake Pleasant 5,000 Pressure Zone Boundaries

 Project Site

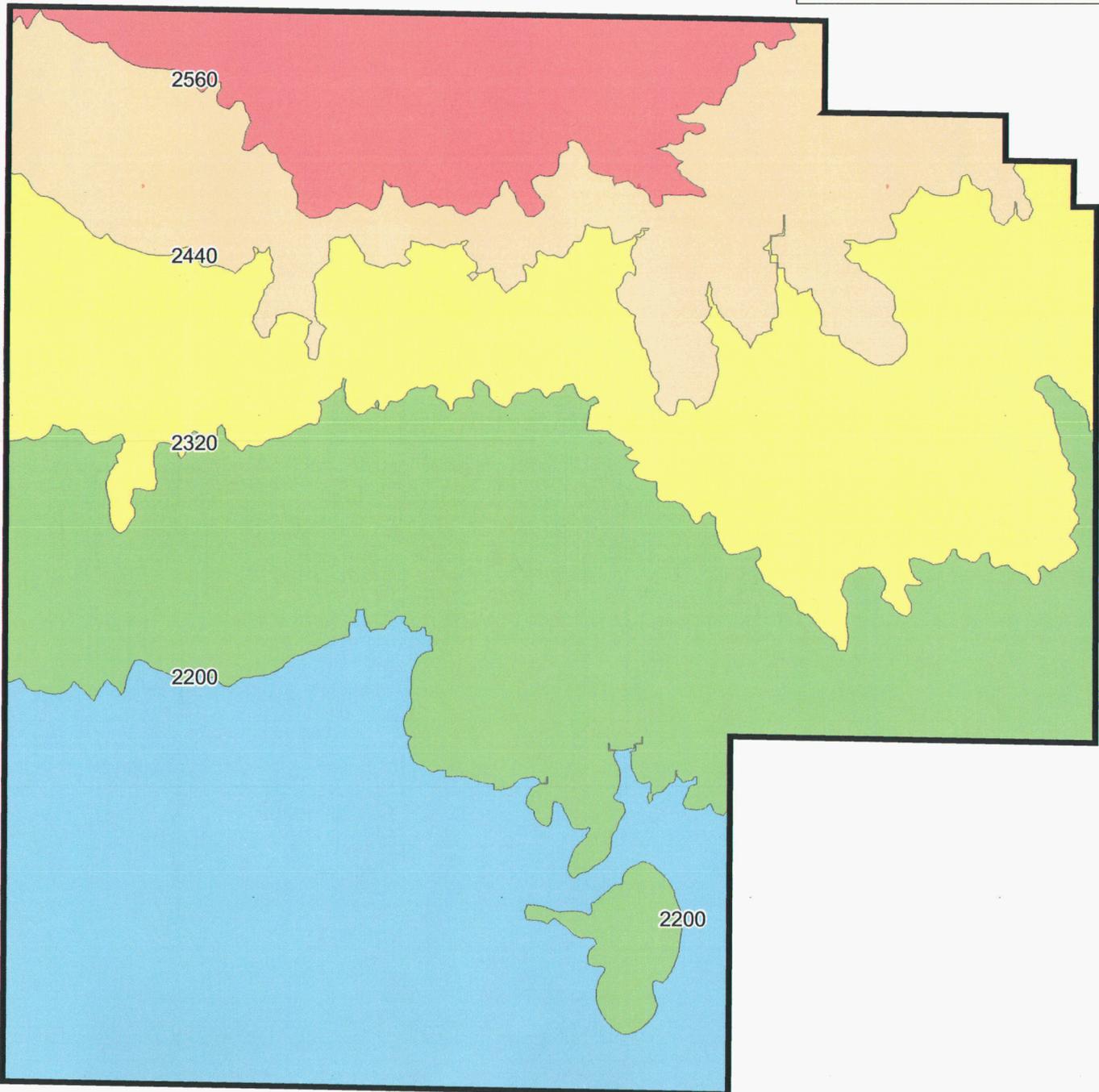
Pressure Zones

-  1
-  2
-  3
-  4
-  5

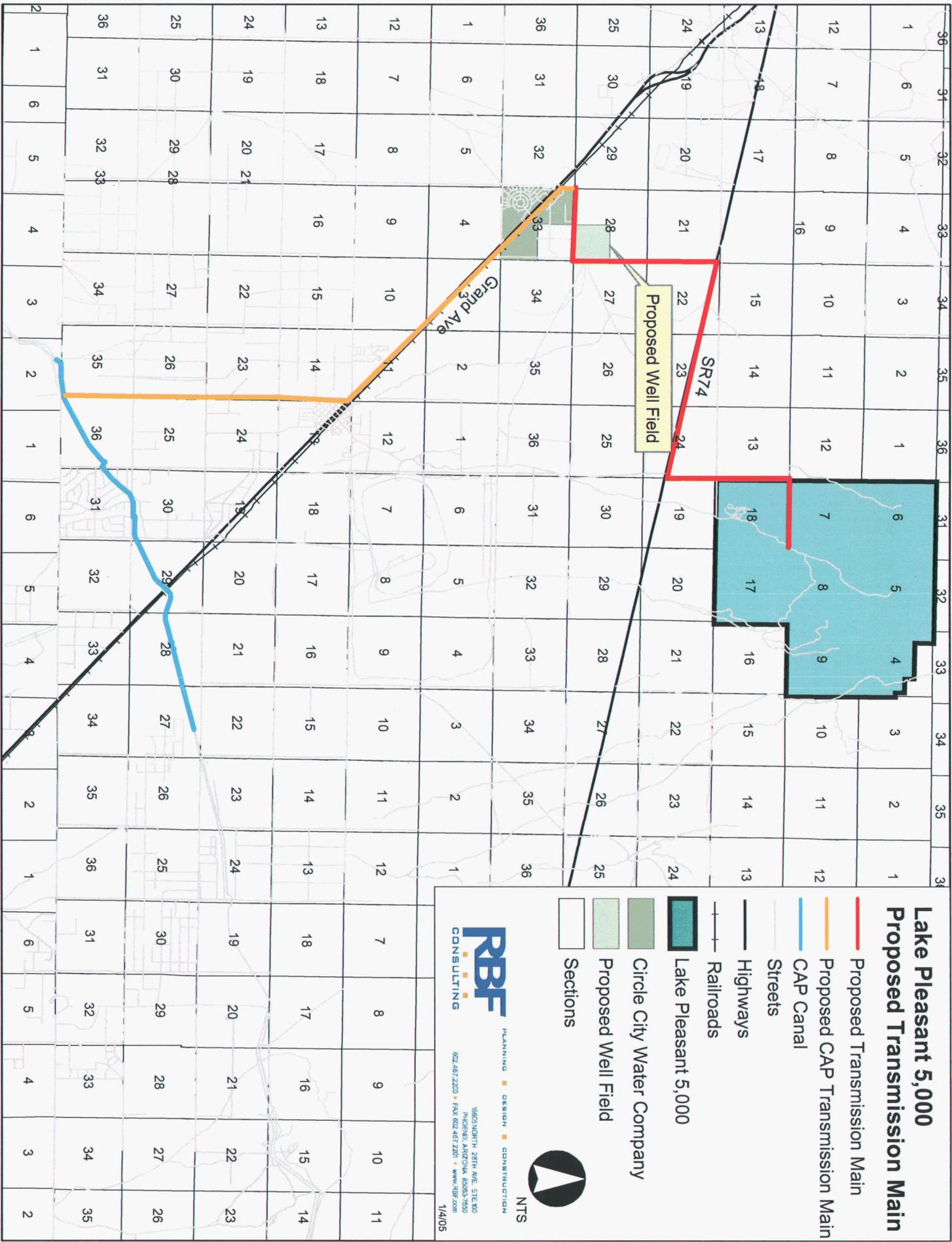


PLANNING ■ DESIGN ■ CONSTRUCTION

1866 NORTH 28TH AVE., STE. 100
PHOENIX, ARIZONA 85003-7950
602.487.2200 • FAX 602.487.2201 • www.RBF.com



Appendix B Proposed Transmission Mains



Lake Pleasant 5,000 Proposed Transmission Main

- Proposed Transmission Main
- Proposed CAP Transmission Main
- CAP Canal
- Streets
- Highways
- Railroads
- Lake Pleasant 5,000
- Circle City Water Company
- Proposed Well Field
- Sections



RBF CONSULTING
 PLANNING ■ DESIGN ■ CONSTRUCTION
 9865 NORTH 28TH AVE, STE. 100
 PHOENIX, ARIZONA 85065-3750
 602.467.2200 • FAX 602.467.2201 • WWW.RBF.COM
 1/4/05

EXHIBIT

8

ARIZONA CORPORATION COMMISSION
UTILITIES DIVISION

APR 15 2004

ARIZONA CORPORATION COMMISSION
DIRECTOR OF UTILITIES

ANNUAL REPORT MAILING LABEL - MAKE CHANGES AS NECESSARY

<p>W-03510A Circle City Water Company, L.L.C. P. O. Box 82218 Bakersfield CA 933800000</p>	<input type="checkbox"/>
--	--------------------------

ANNUAL REPORT

FOR YEAR ENDING

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

FOR COMMISSION USE

Ann04	03
-------	----

COMPANY INFORMATION

Company Name (Business Name) <u>CIRCLE CITY WATER COMPANY L.L.C.</u>		
Mailing Address <u>P.O. BOX 82218</u>		
(Street)		
<u>BAKERSFIELD</u>	<u>CA</u>	<u>93380</u>
(City)	(State)	(Zip)
<u>800-270-6084 or 661-633-7546 800-748-6981</u>		
Telephone No. (Include Area Code)	Fax No. (Include Area Code)	Pager/Cell No. (Include Area Code)
Email Address <u>customerservice@scwater.com or mistiej@brookeutilities.com</u>		
Local Office Mailing Address <u>9079 S. Riverside Drive</u>		
(Street)		
<u>Parker</u>	<u>AZ</u>	<u>85344</u>
(City)	(State)	(Zip)
<u>928-667-3336 928-667-2527</u>		
Local Office Telephone No. (Include Area Code)	Fax No. (Include Area Code)	Pager/Cell No. (Include Area Code)
Email Address <u>custoemrservice@scwater.com</u>		

MANAGEMENT INFORMATION

Management Contact: <u>ROBERT T. HARDCASTLE</u> <u>MANAGING MEMBER</u>		
(Name) (Title)		
<u>P.O. BOX 82218 BAKERSFIELD CA 93380</u>		
(Street) (City) (State) (Zip)		
<u>661-633-7526 800-748-6981</u>		
Telephone No. (Include Area Code)	Fax No. (Include Area Code)	Pager/Cell No. (Include Area Code)
Email Address <u>rth@brookeutilities.com</u>		
On Site Manager: <u>GARY BROWN</u>		
(Name)		
<u>9079 RIVERSIDE DRIVE PARKER AZ 85344</u>		
(Street) (City) (State) (Zip)		
<u>928-667-3336 928-667-2527</u>		
Telephone No. (Include Area Code)	Fax No. (Include Area Code)	Pager/Cell No. (Include Area Code)
Email Address <u>customerservice@scwater.com</u>		

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

Statutory Agent:

ROBERT T. HARDCASTLE

(Name)

P.O. BOX 82218 BAKERSFIELD CA 93380
 (Street) (City) (State) (Zip)

661-633-7526 800-748-6981
 Telephone No. (Include Area Code) Fax No. (Include Area Code) Pager/Cell No. (Include Area Code)

Attorney: JAY SHAPIRO WITH FENNEMORE CRAIG

(Name)

3003 N. CENTRAL AVE STE 2600 PHOENIX AZ 85012
 (Street) (City) (State) (Zip)

602-916-5000 602-916-5566
 Telephone No. (Include Area Code) Fax No. (Include Area Code) Pager/Cell No. (Include Area Code)

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

OWNERSHIP INFORMATION

Check the following box that applies to your company:

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

COUNTIES SERVED

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

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

COMPANY NAME: CIRCLE CITY WATER LLC

UTILITY PLANT IN SERVICE

Acct. No.	DESCRIPTION	Original Cost (OC)	Accumulated Depreciation (AD)	O.C.L.D (OC less AD)
301	Organization			
302	Franchises			
303	Land and Land Rights	7,928	-	7,928
304	Structures and Improvements	28,011	10,045	17,966
307	Wells and Springs			
311	Pumping Equipment	13,842	7,032	6,810
320	Water Treatment Equipment			
330	Distribution Reservoirs and Standpipes			
331	Transmission and Distribution Mains	31,163	15,174	15,989
333	Services			
334	Meters and Meter Installations	15,920	3,480	12,440
335	Hydrants			
336	Backflow Prevention Devices			
339	Other Plant and Misc. Equipment			
340	Office Furniture and Equipment			
341	Transportation Equipment			
343	Tools, Shop and Garage Equipment			
344	Laboratory Equipment			
345	Power Operated Equipment			
346	Communication Equipment	569	11	558
347	Miscellaneous Equipment			
348	Other Tangible Plant			
	TOTALS	97,433	35,742	61,691

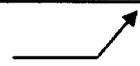
This amount goes on the Balance Sheet Acct. No. 108 

COMPANY NAME: CIRCLE CITY WATER LLC

CALCULATION OF DEPRECIATION EXPENSE FOR CURRENT YEAR

Acct. No.	DESCRIPTION	Original Cost (1)	Depreciation Percentage (2)	Depreciation Expense (1x2)
301	Organization			
302	Franchises			
303	Land and Land Rights	7,928	0.00%	-
304	Structures and Improvements	28,011	4.08%	1,142
307	Wells and Springs			
311	Pumping Equipment	13,842	19.68%	2,724
320	Water Treatment Equipment			
330	Distribution Reservoirs and Standpipes			
331	Transmission and Distribution Mains	31,163	4.46%	1,390
333	Services			
334	Meters and Meter Installations	15,920	3.85%	613
335	Hydrants			
336	Backflow Prevention Devices			
339	Other Plant and Misc. Equipment			
340	Office Furniture and Equipment			
341	Transportation Equipment			
343	Tools, Shop and Garage Equipment			
344	Laboratory Equipment			
345	Power Operated Equipment			
346	Communication Equipment	569	1.93%	11
347	Miscellaneous Equipment			
348	Other Tangible Plant			
	TOTALS	97,433	6.03%	5,880

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



COMPANY NAME: CIRCLE CITY WATER LLC

BALANCE SHEET

Acct. No.	ASSETS	BALANCE AT BEGINNING OF YEAR	BALANCE AT END OF YEAR
	CURRENT AND ACCRUED ASSETS		
131	Cash		
134	Working Funds		
135	Temporary Cash Investments		
141	Customer Accounts Receivable	2,041	3,776
146	Notes/Receivables from Associated Company		
151	Plant Materials and Supplies		
162	Prepayments	84,538	62,912
174	Miscellaneous Current and Accrued Assets		
	TOTAL CURRENT AND ACCRUED ASSETS	\$ 86,579	\$ 66,688
	FIXED ASSETS		
101	Utility Plant in Service	\$ 96,864	\$ 97,433
103	Property Held for Future Use		
105	Construction Work in Progress		
108	Accumulated Depreciation - Utility Plant	(29,862)	(35,742)
121	Not-Utility Property		
122	Accumulated Depreciation - Non Utility		
	TOTAL FIXED ASSETS	\$ 67,002	\$ 61,691
	DEFERRED INCOME TAX DEBITS		
	TOTAL ASSETS	\$ 153,580	\$ 128,379

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

COMPANY NAME: CIRCLE CITY WATER LLC

BALANCE SHEET (CONTINUED)

Acct. No.	LIABILITIES	BALANCE AT BEGINNING OF YEAR	BALANCE AT END OF YEAR
CURRENT LIABILITIES			
231	Accounts Payable	\$ 629	\$ 2,209
232	Notes Payable (Current Portion)		
234	Notes/Accounts Payable to Associated Company	2,095,213	2,224,977
235	Customer Deposits	3,870	3,870
236	Accrued Taxes	2,157	2,031
237	Accrued Interest		
241	Miscellaneous Current and Accrued Liabilities		
	TOTAL CURRENT LIABILITIES	\$ 2,101,869	\$ 2,233,086
LONG-TERM DEBT (Over 12 Months)			
224	Long-term Notes and Bonds	\$ -	\$ -
Deferred Credits			
251	Unamortized Premium on Debt		
	Refundable Meter Advances	\$ 4,210	\$ 3,986
252	Advances in Aid of Construction	15,589	13,368
255	Accumulated Deferred Investment Tax Credits		
271	Contributions in Aid of Construction	6,004	6,004
272	Less: Amortization of Contributions	(3,802)	(4,403)
281	Accumulated Deferred Income Taxes		
	TOTAL DEFERRED CREDITS	\$ 22,001	\$ 18,956
	TOTAL LIABILITIES	\$ 2,123,870	\$ 2,252,041
CAPITAL ACCOUNTS			
201	Common Stock Issued		
211	Paid In Capital in Excess of Par Value		
215	Retained Earnings		
218	Proprietary Capital (Sole Props & Partnerships)	(1,970,289)	(2,123,662)
	TOTAL CAPITAL	\$ (1,970,289)	\$ (2,123,662)
	TOTAL LIABILITIES AND CAPITAL	\$ 153,580	\$ 128,379

COMPANY NAME: CIRCLE CITY WATER LLC

COMPARATIVE STATEMENT OF INCOME AND EXPENSE

Acct. No.	OPERATING REVENUES	PRIOR YEAR	CURRENT YEAR
461	Metered Water Revenue	\$ 65,076	\$ 65,346
460	Unmetered Water Revenue		
474	Other Water Revenues		
	TOTAL REVENUES	\$ 65,076	\$ 65,346
	OPERATING EXPENSES		
601	Salaries and Wages	\$ 5,843	\$ 5,321
610	Purchased Water	169,076	157,280
615	Purchased Power	11,885	9,845
618	Chemicals		
620	Repairs & Maintenance	420	
621	Office Supplies and Expense		
630	Outside Services	25,174	23,822
635	Water Testing	934	1,114
641	Rents		
650	Transportation Expenses		1,870
657	Insurance - General Liability		
659	Insurance - Health and Life	974	1,061
666	Regulatory Commission Expense - Rate Case		
675	Miscellaneous Expense	4,865	4,965
403	Depreciation Expense	6,323	5,880
408	Taxes Other Than Income	3,949	3,962
408.11	Property Taxes	3,744	3,500
409	Income Tax		
	TOTAL OPERATING EXPENSES	\$ 233,188	\$ 218,620
	OPERATING INCOME/(LOSS)	\$ (168,112)	\$ (153,274)
	OTHER INCOME/EXPENSE		
419	Interest and Dividend Income	\$ -	\$ -
421	Non-Utility Income		
426	Miscellaneous Non-Utility Expenses		
427	Interest Expense	(114)	(99)
	TOTAL OTHER INCOME/EXPENSE	\$ (114)	\$ (99)
	NET INCOME/(LOSS)	\$ (168,226)	\$ (153,373)

COMPANY NAME

CIRCLE CITY WATER COMPANY L.L.C.

SUPPLEMENTAL FINANCIAL DATA

Long-Term Debt

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

Meter Deposit Balance at Test Year End

\$ 3,986

Meter Deposits Refunded During the Test Year

\$ 0

COMPANY NAME CIRCLE CITY WATER COMPANY L.L.C

WATER COMPANY PLANT DESCRIPTION

WELLS

ADWR ID Number*	Pump Horsepower	Pump Yield (Gpm)	Casing Depth (Feet)	Casing Diameter (Inches)	Meter Size (inches)	Year Drilled
55-625088	5/5	120	787'	8"	3"	1960

• Arizona Department of Water Resources Identification Number

OTHER WATER SOURCES

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

BOOSTER PUMPS		FIRE HYDRANTS	
Horsepower	Quantity	Quantity Standard	Quantity Other
10	2	None	None

STORAGE TANKS		PRESSURE TANKS	
Capacity	Quantity	Capacity	Quantity
50,000 gallons	1	5,000	1

COMPANY NAME:

CIRCLE CITY WATER COMPANY L.L.C.

WATER USE DATA SHEET BY MONTH FOR CALENDAR YEAR 2003

MONTH	NUMBER OF CUSTOMERS ¹	GALLONS SOLD	GALLON PUMPED (Thousands)
JANUARY	492	1,191	1,385
FEBRUARY	492	1,313	2,724
MARCH	492	962	1,047
APRIL	477	1,150	1,250
MAY	486	1,417	1,568
JUNE	486	2,625	2,823
JULY	498	2,165	2,440
AUGUST	495	2,637	2,967
SEPTEMBER	492	1,568	1,829
OCTOBER	495	1,571	1,784
NOVEMBER	495	1,979	2,202
DECEMBER	501	1,253	1,373
TOTAL			22,012

1: Active meter connections x 3

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

 Yes No

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

 Yes No

If yes, provide the GPCPD amount: _____

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

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

* 2003 was not an IOC test year for this well

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

COMPANY NAME CIRCLE CITY WATER COMPANY L.L.C. YEAR ENDING 12/31/2003

PROPERTY TAXES

Amount of actual property taxes paid during Calendar Year 2003 was: \$ 3,621.94

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

If no property taxes paid, explain why. _____



Circle City Water Company, L.L.C.
 P.O. Box 82218
 Bakersfield, CA 93380-2218

BANK OF AMERICA
 1440 TRUXTON AVENUE
 BAKERSFIELD, CA 93301

06264

16-66
 1220

CHECK NO.

***** One Thousand Eight Hundred Seventy-Two and 13/100 *****

DATE
 Feb 18 03

AMOUNT
 \$1,872.13

MARICOPA COUNTY TREASURER
 DOUG TODD
 P.O. BOX 78574
 PHOENIX, AZ 85062-8574

PAY
 TO THE
 ORDER
 OF

⑈006264⑈ ⑆122000661⑆ ⑆4764⑈01495⑈ ⑆0000187213⑆

1,872.13

1,749.81

002

3,621.94 *

02/27/03 LA, CA 012 071 072 1 66137506 0 42950422603

E5311 543 00013815000 06

7160259805

1221-0220-74

CREDIT TO ACCT OF
 NAMED PAYEE WITH
 OUT PREJUDICE
 ABSENCE OF ENDORS-
 MENT GUARANTEED BY
 BANK ONE, NA

0-1221

BANK ONE, NA
 1221000024
 0262003

54702180

Circle City Water Company, L.L.C.
P.O. Box 82218
Bakersfield, CA 93390-8218

BANK OF AMERICA
1440 TRUXTON AVENUE
BAKERSFIELD, CA 93301

06524

CHECK NO.

16-65
1220

***** One Thousand Seven Hundred Forty-Nine and 21/100 *****

DATE: Oct 15 03
AMOUNT: \$1,749.81

PAY
TO THE
ORDER
OF

YARICOPA COUNTY TREASURER
DEUG TODD
P.O. BOX 78574
PHOENIX, AZ 85062-8574

[Handwritten Signature]

⑈006524⑈ ⑆122000661⑆ 14764⑈01495⑈ ⑆0000174981⑆

102033 273 006 114 114 1 64137586 0 0545102003
10/11/03 LAJCA
122000661 96
E0466 S44 000000000000
7260219331

CREDIT TO ACCT OF
NAMED PAYEE WITH
OUT PREJUDICE
ABSENCE OF ENDORS-
MENT GUARANTEED BY
BANK ONE, NA

BANK ONE, NA
⑈111901331⑈
10202003
56415613

COMPANY NAME CIRCLE CITY WATER COMPANY L.L.C. YEAR ENDING 12/31/2003

INCOME TAXES



APR 15 2004

CORPORATION COMMISSION
STATE OF OKLAHOMA

For this reporting period, provide the following:

Federal Taxable Income Reported (152,389)
Estimated or Actual Federal Tax Liability 0

State Taxable Income Reported (151,728)
Estimated or Actual State Tax Liability 0

Amount of Grossed-Up Contributions/Advances:

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

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

CERTIFICATION

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


SIGNATURE

4-1-04
DATE

ROBERT T. HARDCASTLE
PRINTED NAME

MANAGING MEMBER
TITLE

VERIFICATION
AND
SWORN STATEMENT
Intrastate Revenues Only

APR 15 2004

VERIFICATION

STATE OF CALIFORNIA

I, THE UNDERSIGNED

OF THE

COUNTY OF (COUNTY NAME)	KERN
NAME (OWNER OR OFFICIAL) TITLE	ROBERT T. HARDCASTLE MANAGING MEMBER
COMPANY NAME	CIRCLE CITY WATER, LLC

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

FOR THE YEAR ENDING

MONTH	DAY	YEAR
12	31	2003

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

SWORN STATEMENT

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



Arizona IntraState Gross Operating Revenues Only (\$)

\$ 65,346

(THE AMOUNT IN BOX ABOVE
INCLUDES \$ 3,962
IN SALES TAXES BILLED, OR COLLECTED

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

SUBSCRIBED AND SWORN TO BEFORE ME

A NOTARY PUBLIC IN AND FOR THE COUNTY OF

THIS 9th DAY OF

(SEAL)

MY COMMISSION EXPIRES June 15, 2005

SIGNATURE OF OWNER OR OFFICIAL

661) 633-7526

TELEPHONE NUMBER

COUNTY NAME

Kern County

MONTH

April

2004

SIGNATURE OF NOTARY PUBLIC

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

RECORDED
APR 15 2004
ARIZONA CORPORATION COMMISSION
OFFICE OF UTILITIES

VERIFICATION

STATE OF CALIFORNIA

I, THE UNDERSIGNED

OF THE

(COUNTY NAME) KERN	
NAME (OWNER OR OFFICIAL) ROBERT T. HARDCASTLE	TITLE MANAGING MEMBER
COMPANY NAME CIRCLE CITY WATER, LLC	

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

FOR THE YEAR ENDING

MONTH	DAY	YEAR
12	31	2003

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

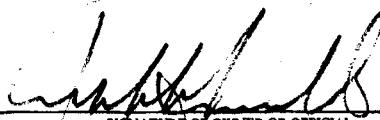
SWORN STATEMENT

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

ARIZONA INTRASTATE GROSS OPERATING REVENUES
\$ 57,367

(THE AMOUNT IN BOX AT LEFT INCLUDES \$ 3,547 IN SALES TAXES BILLED, OR COLLECTED)

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


SIGNATURE OF OWNER OR OFFICIAL

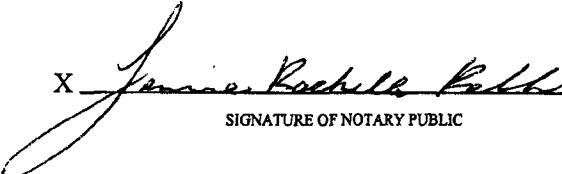
SUBSCRIBED AND SWORN TO BEFORE ME
A NOTARY PUBLIC IN AND FOR THE COUNTY OF

THIS 9th DAY OF

NOTARY PUBLIC NAME Laurie Rachelle Keller	
COUNTY NAME Kern County	
MONTH April	.2004



June 15, 2005

X 
SIGNATURE OF NOTARY PUBLIC

EXHIBIT

9

Water Facilities Agreement

This Water Facilities Agreement ("Agreement") entered into this 1 day of March, 2005, by and between Circle City Water Company, LLC ("Circle City") with primary business offices located at 3101 State Rd., Bakersfield, California 93308 and Harvard Investments, Inc. ("Developer") with its principal mailing address at 17700 N. Pacesetter Way Scottsdale, Arizona 85255 (hereafter collectively referred to as the "Parties"). The Parties contemplate the Developer's construction of on-site and off-site water utility plant necessary to provide domestic service, as further described herein, for Developer's project, Lake Pleasant 5000 ("Development"), which development is more fully described by **Exhibit I** attached hereto.

Section I: Recitals

1. WHEREAS, Circle City is a properly organized Arizona corporation in good standing; and,
2. WHEREAS, Circle City is public service corporation within the meaning of Article XV of the Arizona Constitution; and,
3. WHEREAS, Circle City operates a water utility system subject a Certificate of Convenience and Necessity ("CC&N") by the Arizona Corporation Commission ("ACC"), and also subject to the various joint and several jurisdictions of Arizona Department of Environmental Quality ("ADEQ"), Arizona Department of Water Resources ("ADWR") and other regulatory authorities, not expressly described by this section, which may have jurisdiction over certain aspects of the operations of Circle City; and,
4. WHEREAS, Developer is a private party that has requested, pursuant to its Request for Service letter dated September 30, 2004, that Circle City provide potable domestic water service to the Development, which is outside of its present CC&N. Wastewater utility service will be provided to the Development by a municipality or private utility provider and Developer is in the process of obtaining necessary approvals and agreements for such service; and,
5. WHEREAS, Circle City has accepted Developer's request to provide potable domestic water service to the Development subject to obtaining ACC approval to extend its CC&N to include the Development; and,
6. WHEREAS, Circle City is willing to file an application with the ACC requesting an extension of its CC&N to include the Development, in accordance with **Section VIII** of this Agreement; and
7. WHEREAS, Circle City does not presently operate a water distribution system able to serve potable domestic water to the Development without contemplation of this Agreement; and
8. WHEREAS, Developer is willing to construct facilities, both on-site distribution and off-site water infrastructure utility facilities necessary for Circle City to serve the Development; and
9. WHEREAS, concurrently with the filing to extend its CC&N, Circle City also intends to seek authority from the ACC to collect an Off-Site Hook-Up Fee to fund construction of off-site infrastructure including wells, storage tanks, booster pumps, pressure tanks, transmission mains and/or related appurtenances necessary for proper operation, including engineering and design costs; and
10. WHEREAS, if the ACC approves the proposed Off-Site Hook-Up Fee Tariff in a form materially similar to that proposed by Circle City and attached hereto as **Exhibit II**, Circle City agrees to treat Developer's construction of off-site facilities consistent with that tariff.

NOW, THEREFORE BE IT RESOLVED the Parties to this Agreement do hereby agree as follows:

Section II: Construction Of On-Site And Off-Site Facilities, Treatment of Costs, Payment of Administrative Costs

1. Developer will construct, or cause to be constructed, on-site distribution facilities sufficient to fully satisfy Developer's requirements for water utility service to the Development by Circle City as further described by this Agreement.
2. Developer will also construct, or cause to be constructed, water infrastructure facilities, including wells, storage tanks, booster pumps, pressure tanks, transmission mains and/or related appurtenances sufficient to fully satisfy Developer's requirements for water utility service to the Development by Circle City as further described by this Agreement. The off-site water infrastructure facilities necessary for Circle City to extend water utility service to the Development are described in the Water Master Plan for Lake Pleasant 5,000 attached hereto as **Exhibit III** and incorporated herein by this reference.
3. Developer shall determine the financing and timing for construction of the on-site and off-site facilities. The cost of the off-site facilities will constitute a credit against any amounts Developer would be obligated to pay under an Off-Site Hook-Up Fee Tariff (**Exhibit II**), if such charge is authorized by the ACC following application made by Circle City as requested by Developer. The estimated cost of the on-site distribution facilities described in **Exhibit III** is Twenty-Four Million, Two Hundred and Sixty Thousand Dollars (\$24,260,000) and shall hereinafter be referred to as the "estimated advance." The estimated cost of the off-site facilities described in **Exhibit III** is Thirty Million, Seven Hundred and Forty Five Thousand, Ninety-Two Dollars (\$30,745,092) and shall hereinafter be referred to as the "estimated off-site hook-up fee credit." To the extent the off-site facilities costs exceed the estimated off-site hook up fee credit, or, if the ACC does not approve the Off-Site Hook-Up Fee Tariff in a form materially similar to that attached as **Exhibit II**, Developer will be responsible to finance the costs of any off-site facilities necessary for Circle City to furnish water utility service to the Development and any such amounts will be treated as non-refundable contributions in aid of construction.
4. Developer agrees that the size, design, type and quality of materials used to construct the on-site distribution facilities and off-site water infrastructure facilities (collectively, the on-site and off-site facilities are referred to at times herein as the "Improvements") , as well as the location of those facilities upon and under the ground, shall be approved by Circle City prior to the commencement of construction and that those facilities shall be designed and constructed in accordance with all applicable standards of Circle City, ADEQ, ACC and any other governmental agencies exercising jurisdiction over the design and construction of water utilities systems. The total cost estimates for the Improvements are more fully described in **Exhibit IV**. All plans and specifications shall be submitted to Circle City prior to submission for approval by any regulatory agencies and Circle City shall have thirty (30) days within which to revise or approve the plans. If Circle City does not provide comments within that thirty-day period, the plans and specifications will be deemed approved by Circle City. Circle City shall have the right to require certain configurations that meet prudent utility practice and general industry practice, to participate in design review and design verification activities, pre- and post-construction inspection requirements, commissioning requirements, test and trials (design validation), and to prescribe certain equipment over other equipment, provided, however, Circle City cannot require changes to the configuration, design or equipment after approval of the plans and specifications.
5. In addition to the estimated advance and estimated off-site hook-up fee credit, Developer shall additionally pay to Circle City an amount sufficient to pay for reasonable administrative costs, including accounting, engineering and inspection services in connection with the construction of the

on-site and off-site facilities, and verifiable legal expenses for the preparation of this Agreement, request for expansion of its CC&N and approval of an off-site hook-up fee. Circle City shall, upon request, provide proof of such costs to Developer prior to reimbursement by Developer of any such costs incurred by Circle City. Developer shall also reimburse Circle City for its reasonable pecuniary costs incurred in the management, supervision and inspection of Improvements.

6. All funds payable pursuant to this Agreement, including any adjustments thereto, shall be paid by Developer to Circle City in the form of certified cashiers check or personal check or other means agreed by the Parties, the validity of which shall be determined only after satisfaction of same by the financial institution upon which it is drawn.
7. If, for any reason, any balance remains unpaid by Developer, Circle City shall be paid by Developer prior to Circle City's acceptance of transfer of the on-site and off-site facilities, **DEVELOPER ACKNOWLEDGES AND AGREES THAT IT IS THE EXPRESSED PURPOSE OF THIS SECTION NOT TO PERMIT THE EXTENSION OF SERVICE BY CIRCLE CITY TO ANY LOT OR CUSTOMER IN THE DEVELOPMENT UNTIL ALL AMOUNTS BEING FULLY PAID WHICH WERE INCURRED IN CONNECTION WITH THIS AGREEMENT.**

Section III: Conditions of Facilities Construction

1. The acceptance by Circle City of any conveyance of the Improvements to be constructed by Developer, as referenced in **Exhibit III** and **Exhibit IV** respectively, are further conditioned upon Developer's acceptance of each of the following conditions:
 - a) That Developer connect at least one (1) water service connection to the property described in **Exhibit I**, except as may otherwise be expressly provided by this Agreement.
 - b) That prior to the commencement of construction of any Improvements, all permits, approvals, licenses and easements required in connection with any on-site and/or off-site facilities shall be obtained, recorded, transferred or otherwise developed by Developer retaining the right to ultimately transfer all such permits, approvals, licenses and easements in to Circle City so as to completely satisfy all authorities having jurisdiction over regulation or approval of any on-site and/or off-site facilities.
 - c) That all easements and rights-of-way shall be free of obstacles which may interfere with construction or subsequent operation of any Improvements contemplated by this Agreement, as exclusively determined by Circle City. If facilities require road, pavement and/or concrete construction, all such development shall be constructed at grade elevations. No pavement or curbs shall be installed prior to completion of any Improvements contemplated by this Agreement or otherwise approved in advance of construction by Circle City. If any streets, roads, alleys, or drainage ways are not constructed in accordance with this section, Developer shall bear all costs of every type and description, on a non-refundable basis, that are incurred by Developer or Circle City to relocate facilities as a result of said facilities not being constructed in accordance with this section.
 - d) That no engineering changes be made, caused, required or incurred by Developer in connection with any utility construction standards, any regulatory authority or any State or County health department, or any other public agency under whose jurisdiction the construction of the facilities contemplated under this Agreement may be deemed appropriate, without the advance written approval of Circle City, which approval shall not be unreasonably withheld.

- e) That Developer comply with any additional terms and conditions as may be set forth in other sections of this Agreement, which may be attached hereto and incorporated by reference for all purposes.

Section IV: Service, Circle City Liability Limitations

1. Notwithstanding any reference to fire protection facilities contained in this Agreement, the Improvements are being constructed by Developer and will be transferred to Circle City for the purpose of providing domestic water service to the Development. However, under certain operating conditions as exclusively determined by Circle City, the Improvements may be used, with the prior written approval of Circle City, to provide limited emergency fire protection service to an official fire protection agency which has previously contracted with Circle City for such service.
2. It is understood by Developer, as evidenced by the execution of this Agreement, that Circle City does not have the responsibility to provide, and shall not construct under this Agreement, facilities capable of providing any fire flow to the Improvements. Therefore, it is expressly agreed and understood by Developer that **CIRCLE CITY DOES NOT GUARANTEE OR ENSURE UNINTERRUPTED OR REGULAR WATER SERVICE; NOR DOES CIRCLE CITY REPRESENT THE AVAILABILITY OF ADEQUATE PRESSURE, VOLUME OR FIRE FLOW FROM THE SYSTEM BY OFFERING DOMESTIC WATER SERVICE PURSUANT TO THIS AGREEMENT, INCLUDING WITHOUT LIMITATION SECTION XI, PARAGRAPH 16.**
3. It is agreed that in the event that service from a fire hydrant, or an interior fire sprinkler system which is used for non-fire protection purposes, is interrupted or is irregular or defective or fails from causes beyond Circle City's control, or through the negligence or alleged negligence of its employees, services, agents or other representatives, Circle City shall not be liable for any injuries or damages arising therefrom. Further, Circle City shall have neither the responsibility nor the liability for any use or disposition of fire hydrant or fire protection water, even if such use or disposition is attributable, or is alleged to be attributable to the negligence of Circle City's employees, agents, servants, or other representatives. Developer, or any other person or entity which succeeds to Developer's interest, REGARDLESS OF WHETHER SUCH PERSON OR ENTITY HAS KNOWLEDGE OR NOTICE OF THESE TERMS, shall make no claim against Circle City for any such loss or damage resulting from services provided under this Agreement or the applicable service tariff. Circle City shall be entitled to recover its reasonable attorney's fees should Developer fail to properly comply with this provision.

Section V: Rates and Tariffs

1. It is understood and agreed by Developer, as evidenced by its execution of this Agreement, that all charges for domestic water services to the Development shall, at all times, be at then applicable tariffs of Circle City as established by the ACC, including an Off-Site Hook-Up Fee Tariff if approved by the ACC, which approval will be sought by Circle City concurrent with its request to extend its CC&N to include the Development. Circle City's tariffs are subject to change from time to time upon application by Circle City and as approved by the Commission.

Section VI: Permits and Licenses, Easements, Title

1. Circle City and Developer agree to obtain all permits and licenses from all authorities having jurisdiction which may be required for the construction of any of the Improvements necessary for Circle City to provide water utility service to the Development.
2. Prior to the commencement of construction any Improvements, Developer shall, if applicable, obtain from the owners of any property upon which on-site and/or off-site facilities are to be constructed, a

perpetual private water utility easement for construction, operation and maintenance of the Improvements on the behalf of, and in the name of, Circle City and in a form acceptable to Circle City.

3. All materials, facilities constructed, and water supply equipment provided in connection with construction of any Improvements under this Agreement and the completed facilities as installed shall be transferred by bill of sale and/or any other necessary conveyance document to Circle City, and thereafter shall become the sole and exclusive property of Circle City, and full legal and equitable title thereto shall be completely and fully vested in Circle City, free and clear of any liens. Developer agrees to execute or caused to be executed promptly all such documents as Circle City or its representatives may request to evidence good and merchantable title to said Improvements free and clear of all liens.

Section VII: Advance Amount, Refund, Transfer

1. As described by this Agreement, all advances for on-site distribution facilities shall be made by Developer as specified hereunder. If the actual costs of on-site distribution facilities are revised, in accordance with this Agreement, the additional advance shall be applied thereto and/or adjusted by the same amount.
2. All costs of on-site distribution facilities advanced hereunder and applicable administrative, legal, accounting, engineering, inspection and other pecuniary costs for supervision and management shall be refunded in accordance with A.A.C. § R14-2-406(D) – 10% of all revenue generated by customers within the Development each year for 20 years beginning with the commencement of water utility service within the Development. Under no circumstance shall Developer be entitled to, or receive, any amount in excess of the actual costs of on-site distribution facilities and applicable administrative, legal and engineering costs, nor shall Developer receive any refund from Circle City of any amounts paid for off-site facilities, whether such amounts are paid pursuant to an ACC-approved Off-Site Hook-Up Fee tariff or otherwise.
3. Subject to Appendix 1, attached hereto, the costs to be paid by Developer hereunder for any Improvements do not include any amount necessary for the payment of State or federal income taxes in connection therewith, which amounts shall be the responsibility of Developer should such income tax liabilities be imposed on Circle City at a later date as a result of the payment of any amounts and/or the conveyance of any facilities by Developer to Circle City under the Agreement.
4. Developer understands, acknowledges and agrees, as evidenced by its execution of this Agreement, that it is solely responsible to notify Circle City of any change of address used in connection with any provision hereunder. All changes of address of Developer should be forwarded in writing to Circle City's offices as first set forth above.
5. In the event of the sale, conveyance or transfer by Circle City, pursuant to the approval of the Regulatory Authorities, of any portion of its water system, including the facilities serving the Development and installed pursuant to the terms of this Agreement, Circle City's obligations under this Agreement shall cease (except to any payment which may be then due) conditioned upon the transferee assuming, and agreeing to pay Developer, any sums payable to Developer thereafter in accordance with any provisions of this Agreement.

Section VIII: Extension of Circle City's CC&N

1. Circle City hereby agrees to file an application with the ACC for the expansion of its CC&N to include the Development as well as a request for authority to collect an Off-Site Hook-Up Fee under the form of tariff represented in **Exhibit II**.
2. All obligations under this Agreement shall be conditioned upon Circle City gaining authority, free from any unreasonable condition, from the ACC to include the Development in Circle City's

certificated service area. Further, Developer covenants and agrees to support Circle City's application to extend its CC&N and for approval of an Off-Site Hook-Up Fee Tariff, and shall, upon request by Circle City and/or its assigns, provide testimony and/or public comment supporting Circle City's application in connection with any proceeding before the ACC. In the event the ACC does not grant Circle City's request for a CC&N extension, Circle City's and Developer's obligations under this Agreement will terminate, except that Developer will still be responsible to reimburse Circle City for its reasonable and verifiable administrative, accounting, legal, engineering, inspection and other similar costs incurred under this Agreement prior to its termination under this provision.

Section IX: General Conditions

1. Each of the recitals set forth in Section I above are hereby incorporated into this Agreement by this reference as if fully set forth herein. This Agreement may not be modified or amended except by a writing signed by both parties. The remedies provided for in this Agreement shall not be deemed either Parties' exclusive remedies but shall be in addition all other remedies available to Circle City at law or equity. No waiver by Circle City of any breach by Developer of any provision of this Agreement shall in any way be construed as a waiver of any future or subsequent breach by Developer or bar the right of Circle City to insist on strict performance by Developer of the provisions in this Agreement in the future. Developer is an independent party and not an agent or employee of Circle City.
2. This Agreement shall be binding upon and inure to the benefit of the Parties hereto and their respective successors, assigns and representatives; provided, however, that no assignment or transfer of any of the obligations, powers, duties or rights created in the obligee or assignee by this Agreement shall be binding upon any of the Parties to this Agreement until such assignment or transfer is approved in writing by each of the Parties hereto.
3. If any suit or other action or proceeding is brought to enforce the terms of this Agreement, the prevailing party in such action shall be entitled to recover reasonably attorneys' fees and costs, such amounts as may be established by a court and not a jury.
4. This Agreement embodies the entire agreement between the Parties and supersedes all prior and contemporaneous oral or written agreements, representations and understandings, if any, relating to the subject matter hereof which shall hereby be superseded and merged. All documents attached to this Agreement shall be read and interpreted as consistent with one another.
5. Section headings are for the convenience of reference only and shall in no way affect the interpretation of this Agreement. This Agreement is the result of good faith negotiations between the Parties and, accordingly, shall not be construed for or against either Party regardless of which Party drafted this Agreement or any portion thereof.
6. Developer does not intend the benefits of this Agreement to inure to any third party, nor shall this Agreement be construed to make or render Circle City liable to any creditor, materialman, supplier, tax collector, contractor, subcontractor, broker, purchaser or lessee of the Improvements.
7. Each Party shall execute and deliver all such documents and perform all such acts as reasonably requested by any party from time to time to perform the duties and obligations contemplated by this Agreement.
8. All annexes, schedules and exhibits attached hereto are hereby incorporated into this Agreement by each reference thereto as if fully set forth at each reference.
9. Each Party acknowledges and warrants that it is fully authorized and empowered to execute this Agreement by and through the individuals executing below.

10. Any notices or communication required or permitted to be given to any of the Parties to this Agreement must be in writing and shall be effective upon the earlier of (a) the date when received by such party, or (b) the date which is three (3) days after mailing, postage prepaid, by certified or registered mail, return receipt requested, to the address of such party as indicated below, or (c) by telefacsimile delivered or transmitted to the party to whom such notice is required or directed in accordance with that information first set forth above. Any such notices to be personally delivered may be delivered to the principal offices or location of the other party to whom such notice is directed. Any such notice shall be deemed to have been given (whether actually received or not) on the day it is personally delivered as aforesaid. Any party to this Agreement may change its address or delivery location by giving notice to the other party pursuant to this section.
11. Time is of the essence with regard to each provision of this Agreement as to which time is a factor. If this Agreement provides that any time period expires or date for performance specified in this Agreement falls on a non-business day (i.e. Saturday, Sunday or legal holiday recognized by the State of Arizona), such time period or performance deadline shall be extended to the next business day.
12. This Agreement has been prepared, is being executed and delivered, and is intended to be performed in the State of Arizona. The substantive laws of the State of Arizona and the applicable federal laws of the United States of America shall govern the validity, construction, enforcement and interpretation of this Agreement and all documents related hereto without regard to conflict of the law rules.
13. The Parties hereto agree to do all such things and take all such action, and to make, execute and deliver such documents and instruments, as shall be reasonably requested to carry out the provisions, intent and purpose of this Agreement.
14. This Agreement may be executed in multiple counterparts, each of which, when so executed shall be deemed an original but all such counterparts shall constitute but one and the same Agreement.
16. **Developer acknowledges that the on-site and certain off-site water infrastructure facilities are being installed for the purpose of providing domestic water service to the Development, which is further described in Exhibit I. Under certain operating conditions, the facilities may provide limited fire protection service to appropriate fire protection agencies contracting with the Circle City for such service. However, it is expressly understood by the Circle City and the Developer that Circle City will provide a minimum delivery pressure of 20 pound per square inch at the customer's meter or point of delivery in accordance with A.A.C. R14-2-407.E, but that Circle City does not guarantee or ensure uninterrupted or regular fire protection service. Developer further acknowledges that Circle City does not represent or warrant that the domestic water utility service provided by Circle City meets any rules, regulations or other standards for fire protection imposed by any governmental entity; nor does Circle City accept or assume any obligation of Developer, whether express or implied, pertaining to the property described in Exhibit I including, without limitation, assurances of water for fire protection purposes, except as expressly set forth in this Agreement.**
17. Developer, if actually defined to represent more than a single individual, shall be jointly and severally liable for all duties and obligations under this Agreement.

Section X: Acceptance

IN WITNESS HEREOF, the Parties do hereby agree to the foregoing covenants, terms and conditions of the Agreement dated as first set forth above.

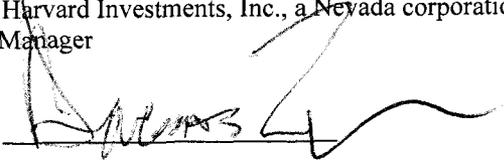
LAKE PLEASANT 5000, L.L.C., an Arizona limited liability company

By: Harvard 5K, L.L.C, an Arizona limited liability company

Its: Manager

By: Harvard Investments, Inc., a Nevada corporation

Its: Manager

By: 

Its: _____

For: Circle City Water Co. L.L.C.

By:

Its:

Robert T. Hardcastle

Managing Member

Section X: Acceptance

IN WITNESS HEREOF, the Parties do hereby agree to the foregoing covenants, terms and conditions of the Agreement dated as first set forth above.

LAKE PLEASANT 5000, L.L.C., an Arizona limited liability company

By: Harvard 5K, L.L.C, an Arizona limited liability company

Its: Manager

By: Harvard Investments, Inc., a Nevada corporation

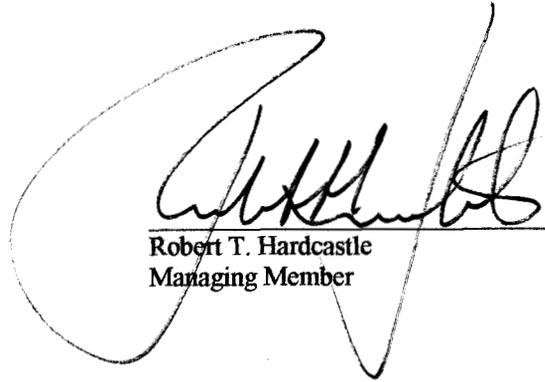
Its: Manager

By: _____
Its: _____

For: Circle City Water Co. L.L.C.

By:

Its:



Robert T. Hardcastle
Managing Member

Exhibit I

Vicinity Map and Legal Description

Legal Description:

4,882 acres

PARCEL NO. 1:

The Southeast quarter; and

The Southeast quarter of the Southwest quarter of Section 4, Township 6 North, Range 2 West of the Gila and Salt River Base and Meridian, Maricopa County, Arizona.

PARCEL NO. 2:

All of Section 9, Township 6 North, Range 2 West of the Gila and Salt River Base and Meridian, Maricopa County, Arizona.

PARCEL NO. 3:

The East half of the Northeast quarter; and

The East half of the Southeast quarter of Section 17, Township 6 North, Range 2 West of the Gila and Salt River Base and Meridian, Maricopa County, Arizona.

PARCEL NO. 4:

Lot 4; and

The Southwest quarter of the Northeast quarter; and

The Southwest quarter of the Southeast quarter of the Northeast quarter; and

The West half of the Southeast quarter of the Southeast quarter of the Northeast quarter; and

The South half of the Northwest quarter; and

The South half of Section 4, Township 6 North, Range 2 West of the Gila and Salt River Base and Meridian, Maricopa County, Arizona;

EXCEPT the Southeast quarter; and also

EXCEPT the Southeast quarter of the Southwest quarter.

PARCEL NO. 5:

The Southeast quarter of the Northeast quarter of Section 5, Township 6 North, Range 2 West of the Gila and Salt River Base and Meridian, Maricopa County, Arizona.

PARCEL NO. 6:

A.

174

Lots 4 and 5 of Section 6, Township 6 North, Range 2 West of the Gila and Salt River Base and Meridian, Maricopa County, Arizona.

PARCEL NO. 7:

The South half of the Northeast quarter; and

The Southeast quarter of the Northwest quarter; and

The South half of Section 6, Township 6 North, Range 2 West of the Gila and Salt River Base and Meridian, Maricopa County, Arizona;

EXCEPT Lots 6 and 7.

PARCEL NO. 8:

All of Section 7, Township 6 North, Range 2 West of the Gila and Salt River Base and Meridian, Maricopa County, Arizona.

PARCEL NO. 9:

The Northwest quarter of the Northwest quarter of Section 8, Township 6 North, Range 2 West of the Gila and Salt River Base and Meridian, Maricopa County, Arizona.

PARCEL NO. 10:

All of Section 17, Township 6 North, Range 2 West of the Gila and Salt River Base and Meridian, Maricopa County, Arizona;

EXCEPT the East half of the Northeast quarter and the East half of the Southeast quarter of Section 17, Township 6 North, Range 2 West of the Gila and Salt River Base and Meridian, Maricopa County, Arizona.

PARCEL NO. 11:

All of Section 18, Township 6 North, Range 2 West of the Gila and Salt River Base and Meridian, Maricopa County, Arizona;

EXCEPT the Northeast quarter of the Northeast quarter thereof.

PARCEL NO. 12:

The South half of Section 5, Township 6 North, Range 2 West of the Gila and Salt River Base and Meridian, Maricopa County, Arizona.

PARCEL NO. 13:

**Section 8, Township 6 North, Range 2 West of the Gila and Salt River Base and Meridian,
Maricopa County, Arizona;**

EXCEPT the Northwest quarter of the Northwest quarter thereof.

PARCEL NO. 14:

**The North half of Section 5, Township 6 North, Range 2 West of the Gila and Salt River Base
and Meridian, Maricopa County, Arizona;**

EXCEPT the Southeast quarter of the Northeast quarter of said Section 5; and also

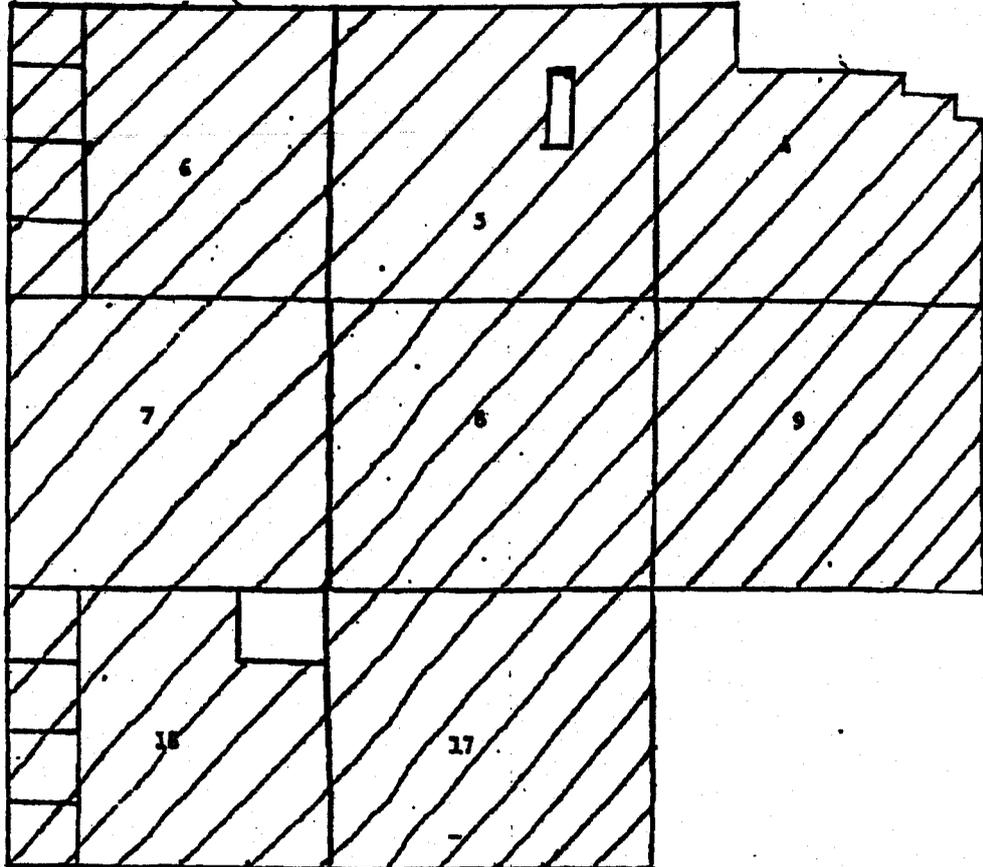
**EXCEPT the East half of the East half of the Southwest quarter of the Northeast quarter of
said Section 5.**

PARCEL NO. 15:

**Governmental Lots 1, 2, 3, 6 and 7, Section 8, Township 6 North, Range 2 West of the Gila
and Salt River Base and Meridian, Maricopa County, Arizona.**

EXHIBIT "A"

Township 6 North, Range 2 West of the Gila and Salt River Base and Meridian,
Maricopa County, Arizona.



484

160 acres

EXHIBIT "A"

Legal Description of Property

Parcel 1:

The Southeast quarter of Section 28, Township 6 North, Range 3 West of the Gila and Salt River Base and Meridian, Maricopa County, Arizona; EXCEPT the North 210.00 feet of the South 2090.00 feet of the West 210.00 feet of the East 910.00 feet.

Parcel 2:

The North 210.00 feet of the South 2090.00 feet of the West 210.00 feet of the East 910.00 feet of the Southeast quarter of Section 28, Township 6 North, Range 3 West of the Gila and Salt River Base and Meridian, Maricopa County, Arizona.

Exhibit II

PROPOSED OFF-SITE HOOK-UP FEE TARIFF

TARIFF SCHEDULE

UTILITY: CIRCLE CITY WATER COMPANY

SHEET NO. 1

DOCKET NO. W-
DECISION NO. _____ (_____, 2005)

EFFECTIVE DATE:

OFF-SITE HOOK-UP FEE

I. Purpose and Applicability.

The purpose of the off-site hook-up fees payable to Circle City Water Company ("the Company") pursuant to this tariff is to equitably apportion the costs of constructing additional off-site facilities to provide water production, delivery, storage and pressure among all new service connections. These charges are applicable to all new service connections established after the effective date of this tariff. The charges are one-time charges and are payable as a condition to Company's establishment of service, as more particularly provided below.

II. Definitions.

Unless the context otherwise requires, the definitions set forth in R-14-2-401 of the Arizona Corporation Commission's ("Commission") rules and regulations governing water utilities shall apply in interpreting this tariff schedule.

"Applicant" means any party entering into an agreement with Company for the installation of water facilities to serve new service connections, and may include Developers and/or Builders of new residential subdivisions.

"Company" means Circle City Water Company, LLC, an Arizona limited liability company.

"Main Extension Agreement" means any agreement whereby an Applicant, Developer and/or Builder agrees to advance the costs of the installation of water facilities to the Company to serve new service connections, or install water facilities to serve new service connections and transfer ownership of such water facilities to the Company, which agreement shall require the approval of the Commission pursuant to A.A.C. R14-2-406, and shall have the same meaning as "Water Facilities Agreement" or "Line Extension Agreement."

"Off-Site Facilities" means wells, storage tanks and related appurtenances necessary for proper operation, including engineering and design costs. Off-Site facilities may also include booster pumps, pressure tanks, transmission mains and related appurtenances necessary for proper operation, if these facilities are not for the exclusive use of the applicant and will benefit the entire water system.

“Service Connection” means and includes all service connections for single-family residential or other uses, regardless of meter size.

III. Off-Site Hook-Up Fee.

For each new service connection, the Company shall collect an off-site hook-up fee derived from the following table:

OFF-SITE HOOK-UP FEE TABLE		
Meter Size	Size Factor	Total Fee
5/8" X 3/4"	1	\$3,000.00
3/4"	1.2	\$3,000.00
1"	2	\$7,500.00
1- 1/2 "	4	\$15,000.00
2"	6.4	\$24,000.00
3"	12	\$48,000.00
4"	20	\$75,000.00
6" or larger	40	\$150,000.00

IV. Terms and Conditions.

(A) Assessment of One Time Off-Site Hook-Up Fee: The off-site hook-up fee may be assessed only once per parcel, service connection, or lot within a subdivision (similar to meter and service line installation charge).

(B) Use of Off-Site Hook-Up Fees: Off-site hook-up fees may only be used to pay for capital items of off-site facilities, or for repayment of loans obtained for installation of off-site facilities. Off-site hook-up fees shall not be used for repairs, maintenance, or operational purposes.

(C) Time of Payment:

a. For those requiring a Main Extension Agreement –

In the event that the person or entity that will be constructing improvements (“Applicant”, “Developer” or “Builder”) is otherwise required to enter into a Main Extension Agreement, whereby the Applicant, Developer or Builder agrees to advance the costs of installing mains, valves, fittings, hydrants and other on-site improvements in order to extend service in accordance with R-14-2-406 (B), payment of the fees required hereunder shall be made by the Applicant, Developer or Builder

no later than within 15 calendar days after receipt of notification from the Company that the Utilities Division of the Arizona Corporation Commission has approved the Main Extension Agreement in accordance with R14-2-406(M).

- b. For those connecting to an existing main that was installed pursuant to a Main Extension Agreement that was approved by the Arizona Corporation Commission –

In the event that the Applicant, Developer or Builder for service is not required to enter into a Main Extension Agreement, the charges hereunder shall be due and payable at the time the meter and service line installation fee is due and payable.

(D) Off-Site Facilities Construction By Developer: Company and Applicant, Developer or Builder may agree to construction of off-site facilities necessary to serve a particular development by Applicant, Developer or Builder, which facilities are then conveyed to Company. In that event, Company shall credit the total cost of such off-site facilities as an off-set to off-site hook-up fees due under this Tariff. If the total cost of the off-site facilities constructed by Applicant, Developer or Builder and conveyed to Company is less than the applicable off-site hook-up fees under this Tariff, Applicant, Developer or Builder shall pay the remaining amount of off-site hook-up fees owed hereunder. If the total cost of the off-site facilities constructed by Applicant, Developer or Builder and conveyed to Company is more than the applicable off-site hook-up fees under this Tariff, Applicant, Developer or Builder shall not be entitled to any refunds.

(E) Failure to Pay Charges; Delinquent Payments: The Company will not be obligated to provide water service to any Developer or , Builder or other applicant for service in the event that the Developer, Builder or other applicant for service has not paid in full all charges hereunder. Under no circumstances will the Company set a meter or otherwise allow service to be established if the entire amount of any payment has not been paid.

(F) Large Subdivision Projects: In the event that the Developer or Builder is engaged in the development of a residential subdivision containing more than 150 lots, the Company may, in its discretion, agree to payment of off-site hook-up fees in installments. Such installments may be based on the residential subdivision development's phasing, and should attempt to equitably apportion the payment of charges hereunder based on the Developer's or Builder's construction schedule and water service requirements.

(G) Off-Site Hook-Up Fees Non-refundable: The amounts collected by the Company pursuant to this Off-Site Hook-Up Fee Tariff shall be non-refundable contributions in aid of construction.

(H) Use of Off-Site Hook-Up Fees Received: All funds collected by the Company as off-site hook-up fees shall be deposited into a separate interest bearing trust account and used solely for the purposes of paying for the costs of off-site facilities, including repayment of loans obtained for the installation of off-site facilities that will benefit the entire water system.

(I) Off-Site Hook-Up Fee in Addition to On-Site Facilities: The off-site hook-up fee shall be in addition to any costs associated with the construction of on-site facilities under a Main Extension Agreement.

(J) Disposition of Excess Funds: After all necessary and desirable off-site facilities are constructed utilizing funds collected pursuant to the off-site hook-up fees, or if the off-site hook-up fee has been terminated by order of the Arizona Corporation Commission, any funds remaining in the trust shall be refunded. The manner of the refund shall be determined by the Commission at the time a refund becomes necessary.

(K) Fire Flow Requirements: In the event the applicant for service has fire flow requirements that require additional facilities beyond those facilities whose costs were included in the off-site hook-up fee, and which are contemplated to be constructed using the proceeds of the off-site hook-up fee, the Company may require the applicant to install such additional facilities as are required to meet those additional fire flow requirements, as a non-refundable contribution, in addition to the off-site hook-up fee.

Effective Date: _____

Approved for Filing in Compliance with
Decision No. _____

Exhibit III

Water Master Plan for Lake Pleasant 5000

Water Master Plan

for

Lake Pleasant 5,000

Original Report Date: December 8, 2004

Revised Report Date: January 4, 2005

Prepared For:

Harvard Investments
17700 North Pacesetter Way
Scottsdale, Arizona 85255
Phone: 480-348-1118
Fax: 480-348-8976



Prepared By:

Scott M. Larson P.E.
J. Ryan Christensen P.E.



16605 North 28th Avenue, Suite 100
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JN: 45-101888

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Abbreviations

ac	Acres
ADEQ	Arizona Department of Environmental Quality
ADWR	Arizona Department of Water Resources
AWWA	American Water Works Association
DU	Dwelling Units
EDU	Equivalent Dwelling Units
gal	Gallons
gpcpd	Gallons Per Capita Per Day
gpd	Gallons Per Day
gpm	Gallons Per Minute
LF	Linear Feet
MAG	Maricopa Association of Governments
MDR	Medium Density Residential (single family housing)
MF	Multiple Family
MG	Million Gallons
MGD	Million Gallons Per Day
n	Manning's Roughness
psi	Pounds Per Square Inch

1.0 Introduction

1.1 General Description

The proposed Lake Pleasant 5,000 development covers approximately 4,882 acres within Maricopa County. The proposed development is located within the City of Surprise General Plan area, and is anticipated to consist of approximately 10,000 residential dwelling units and 300 acres of commercial development. The general site location can be seen in Figure 1 Lake Pleasant 5,000 Vicinity Map.

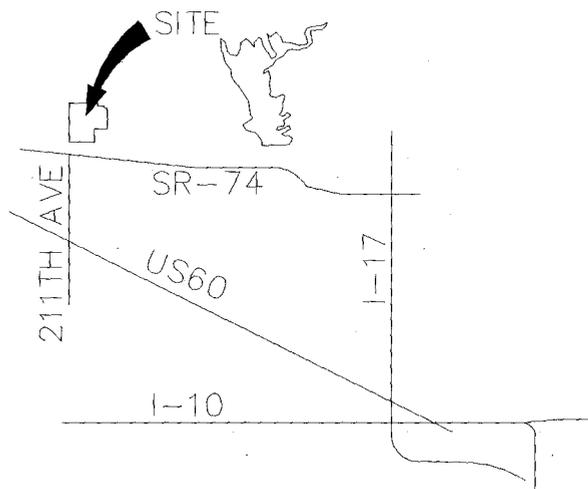


Figure 1 Lake Pleasant 5,000 Vicinity Map

1.2 Project Location

The Lake Pleasant 5,000 development includes sections 5, 6, 7, 8, 9, 17 and 18 as well as a majority portion of Section 4 in Township 6 North, Range 2 West of the Gila and Salt River Base and Meridian, Maricopa County, Arizona. The site is located north of SR 74, south of the Maricopa County line, and east of the 211th Ave alignment.

1.3 Topographic Conditions

The Lake Pleasant 5000 development consists of undeveloped desert land. The northern and northeast portions of the site are dominated by mountainous terrain, while the eastern third of the site is fairly flat sloping from north to south at approximately a 3% grade.

1.4 Scope of Study

The purpose of this study is to provide a conceptual discussion of the water infrastructure necessary to serve the proposed Lake Pleasant 5,000 development. This study will discuss the potable water facilities required to serve the project. Storage, supply, and demands associated with the proposed development will be addressed. It is important to note, that the onsite distribution lines are not addressed within this study.

2.0 Distribution System

2.1 Pressure Zone Description

The proposed Lake Pleasant 5,000 development is anticipated to consist of five pressure zones. The pressure zone boundaries will be set at approximately 120-foot intervals. The anticipated pressure zones for the site are outlined in Table 1 Lake Pleasant 5,000 Pressure Zones. An exhibit showing the pressure zone boundaries is included in Appendix A Pressure Zone Map.

Table 1 Lake Pleasant 5,000 Pressure Zones

Zone	Low Contour	High Contour
P1	2,080	2,200
P2	2,200	2,320
P3	2,320	2,440
P4	2,440	2,560
P5	2,560	2,680

3.0 Projected System Demands

3.1 General

The Lake Pleasant 5,000 development is anticipated to consist of 10,000 dwelling units. The average day demands for the site were determined based on the projected number of residential dwelling units and the projected amount of commercial acreage. The projected population for the residential area was calculated by multiplying the number of dwelling units, by a population density of 3.2 people per dwelling unit (ppdu). The water demand for the site was calculated by multiplying the projected population by the new residential demand factors from the Arizona Department of Water Resources (ADWR) Third Management Plan for the Phoenix Active Management Area (AMA). These factors consist of an interior water demand of 57 gpcd and an exterior water demand of 178 gallons per dwelling unit. In order to maintain these demand factors, it was assumed that the residential turf areas would be limited to 900 ft², as defined by ADWR's Third Management Plan, and that other conservation measures identified in the Third Management Plan would be followed. A commercial demand of 2,000 gallons per acre was also used in these calculations. The demand factors used for this project are summarized in Table 2 Water Demand Factors.

Table 2 Water Demand Factors

Type	Demand	Unit
Residential Interior	57	gpcd
Residential Exterior	178	gal/du/day
Commercial	2,000	gal/acre/day

Peaking factors for the maximum day and peak hour demands were estimated for the proposed Lake Pleasant 5,000 development. A maximum day peaking factor of 1.8 times the average day demand was assumed. While a peak hour peaking factor of 3.0 times the average day demand was assumed. The projected average day, maximum day, and peak hour demands are shown in Table 3 Lake Pleasant 5,000 Water Demands.

Table 3 Lake Pleasant 5,000 Water Demands

Avg Day		Max Day		Peak Hour	
(gpd)	(gpm)	(gpd)	(gpm)	(gpd)	(gpm)
4,204,000	2,919	7,567,200	5,255	12,612,000	8,758

It is important to note that water demands for the irrigation of the proposed golf courses have not been included within these calculations. The golf courses are planned to be irrigated through reclaimed water. Additionally, changes to the number of dwelling units, projected land uses, and varying individual water usage patterns could result in either an increase or decrease in actual water demand.

3.2 Fire Flow Demand

The proposed Lake Pleasant 5,000 water system will be capable of providing sufficient fire flow throughout the development. The required fire flow will depend on the land use in each area, but is anticipated to range from a minimum of 1,000 gpm within the residential areas up to 3,000 gpm within the commercial areas.

4.0 Water Storage

The volume of water storage to be included within the site has been calculated to provide a reliable water system. Sufficient water storage is projected to be stored on site in order to meet the maximum day water demand. The water storage volume projected for the proposed Lake Pleasant 5,000 development is a total of 7.6 million gallons. It is anticipated that this storage would be provided through two 2.30 million gallon tanks and two 1.50 million gallon tanks. The location of the water storage reservoirs throughout the site will be determined at a future time.

Additionally, one 500,000 gallon storage tank is anticipated to be constructed at the well field. This tank will be used to help reduce cycling of the well pumps and to provide temporary storage before boosting the water to the site.

4.1 Booster Pump Capacity

The onsite booster pump capacity has been calculated for the proposed Lake Pleasant 5,000 development. Sufficient booster pumping capacity will be provided in order to meet the peak hour water system demands, while maintaining one backup booster pump. A peak hour demand of 8,758 gpm has been calculated for the development as described in Section 3.0, Projected System Demands. It is anticipated, that 10,350 gpm of booster capacity will be provided for the onsite water distribution system. Due to the amount of elevation change throughout the site, it may be possible to reduce the amount of booster pump capacity by supplying a portion of the site through gravity.

In addition to the booster pump capacity for the on site distribution system, it will also be necessary to construct a booster pump station to bring the water supply from the Central Arizona Project canal (CAP) to the Circle City Water Company, and another booster station to bring the water supply from the Circle City Water Company to the project site. It is anticipated that each of these stations will be capable of meeting the maximum day demand of 5,255 gpm, while maintaining one backup booster pump. Each of these booster stations is projected to have a capacity of 6,650 gpm. A greater discussion of the water supply for the project is provided in Section 5.0, Water Supply.

5.0 Water Supply

The water supply for the proposed Lake Pleasant 5,000 development is anticipated to come from a combination of groundwater wells and (CAP) surface water supply. It is anticipated that sufficient groundwater wells will be provided to meet the average day demand of 2,919 gpm. In addition, surface water supplies will be provided to meet the total maximum day demand of 5,255 gpm. The groundwater wells will serve as a back up supply for the development.

The Circle City Water Company service area will be expanded to include a well field. This well field is anticipated to be located in a portion of Section 28 of Township 6 North, Range 3 West. The groundwater wells to supply this project are anticipated to be located within the proposed well field as well as the existing Circle City Water Company service area. Assuming that each well will produce 320 gpm, 11 wells will be required to meet the average day demand of the project, while maintaining one backup well. The actual number of groundwater wells will depend on the production capacity of each well.

It will be necessary to construct booster stations and transmission mains in order to convey the water from the CAP to the Circle City Water Company service area, and from the Circle City Water Company to the project site. Two 24-inch transmission mains are anticipated to be required. Details on these transmission mains are summarized in Table 4 Transmission Main Details. An exhibit showing the location of the Circle City Water Company, the proposed well field, conceptual alignments of the proposed transmission mains, and project site is provided in Appendix B Proposed Transmission Mains.

Table 4 Transmission Main Details

Start	End	Length (ft)	Diam (in)	Start Elev	End Elev
CAP	Circle City Water Co	44,000	24	1,550	1,910
Circle City Water Co	Lake Pleasant 5,000	47,000	24	1,910	2,300

6.0 Opinion of Probable Costs

An engineer's opinion of probable costs has been developed for this project. These costs are based on the engineer's experience with the construction industry, and should be used for planning purposes only. The costs have been developed for the wells, tanks, transmission lines, and booster stations, the onsite distribution lines have not been included as part of this analysis.

Opinion of Probable Cost for Pipes, Wells, Tanks & Booster Station
10,000 Units

Description	Average Unit Cost	Unit	QTY	Total
Well Drilling	\$ 175,000	EA	11	\$ 1,925,000
Well Equipping (pump & motor, well head and column pipe, discharge piping and valves, etc.)	\$ 110,000	EA	11	\$ 1,210,000
6-Foot Block Wall	\$ 100	LF	9,075	\$ 907,500
Well Site Foundation Pads	\$ 7,250	EA	11	\$ 79,750
Well Electrical	\$ 55,000	EA	11	\$ 605,000
Well Controls	\$ 45,000	EA	11	\$ 495,000
Well Generator	\$ 50,000	EA	2	\$ 100,000
Well(s) Subtotal				\$ 5,322,250
CAP Water Treatment (1.0 MGD per unit)	\$ 500,000	EA	8	\$ 4,000,000
Booster Station (6,650 gpm), Complete with Hydropneumatic Tank and Appurtenances	\$ 473,813	LS	1	\$ 473,813
Transmission Line Complete (24-inch, DIP)	\$ 83	LF	44,000	\$ 3,652,000
CAP Treatment Subtotal				\$ 8,125,813
Tank (1.5 MG)	\$ 432,000	EA	2	\$ 864,000
Tank (2.3 MG)	\$ 580,000	EA	2	\$ 1,160,000
Tank (0.5 MG)	\$ 192,000	EA	1	\$ 192,000
Site Improvements (Grading, pads, excavation)	\$ 425,000	EA	2.5	\$ 1,062,500
8-Foot Block Wall	\$ 175	LF	4,400	\$ 770,000
Tank Site Piping, Valves, Meters, etc.	\$ 318,750	EA	2.5	\$ 796,875
Tank Site Electrical	\$ 312,500	EA	2.5	\$ 781,250
Tank Site Controls	\$ 156,250	EA	2.5	\$ 390,625
Tank Site Generator	\$ 218,750	EA	2.5	\$ 546,875
Tank(s) Subtotal				\$ 6,564,125
Transmission Line Complete (8-inch, DIP)	\$ 40	LF	5,280	\$ 211,200
Transmission Line Complete (24-inch, DIP)	\$ 83	LF	47,000	\$ 3,901,000
Transmission Line Subtotal				\$ 4,112,200
Booster Station (6,650 gpm), Complete with Hydropneumatic Tank and Appurtenances	\$ 473,813	LS	1	\$ 473,813
Booster Station (10,500 gpm), Complete with Hydropneumatic Tank and Appurtenances	\$ 748,125	LS	1	\$ 748,125
Subtotal				\$ 25,346,325
Contingency (15%)				\$ 3,801,949
Bonding				<i>Excluded</i>
Tax (6.3%)				\$ 1,836,341
Adjusted Total				\$ 30,984,615

*Since ENGINEER has no control over the cost of labor, materials, equipment or services furnished by others or over the Contractor(s) method of determining prices, or over the competitive bidding or market conditions, its opinions of probable Project Cost and Construction Cost provided herein are to be made on the basis of its experience and qualifications and represents its best judgment as an experienced and qualified professional engineer, familiar with the construction industry; but ENGINEER cannot and does not guarantee that proposals, bids or actual Project or Construction Cost will not vary from its opinion of probable cost. If prior to the Bidding or Negotiating Phase, OWNER wishes greater assurance as to Project Cost, it shall employ an independent cost estimator.

**Price excludes engineering, right-of-way acquisition, legal, or other non-construction related costs

References

Division of Environmental Health Services, Bureau of Water Quality Control. Engineering Bulletin #10: Guidelines for the Construction of Water Systems, May 1978.

Ysusi, Mark A. "Water Distribution System Design." Hydraulic Design Handbook. Editor in Chief: Larry W. Mays. New York: McGraw-Hill, 1999

Appendices

Appendix A Pressure Zone Map

Appendix B Proposed Transmission Mains

Appendix A Pressure Zone Map

Lake Pleasant 5,000 Pressure Zone Boundaries

 Project Site

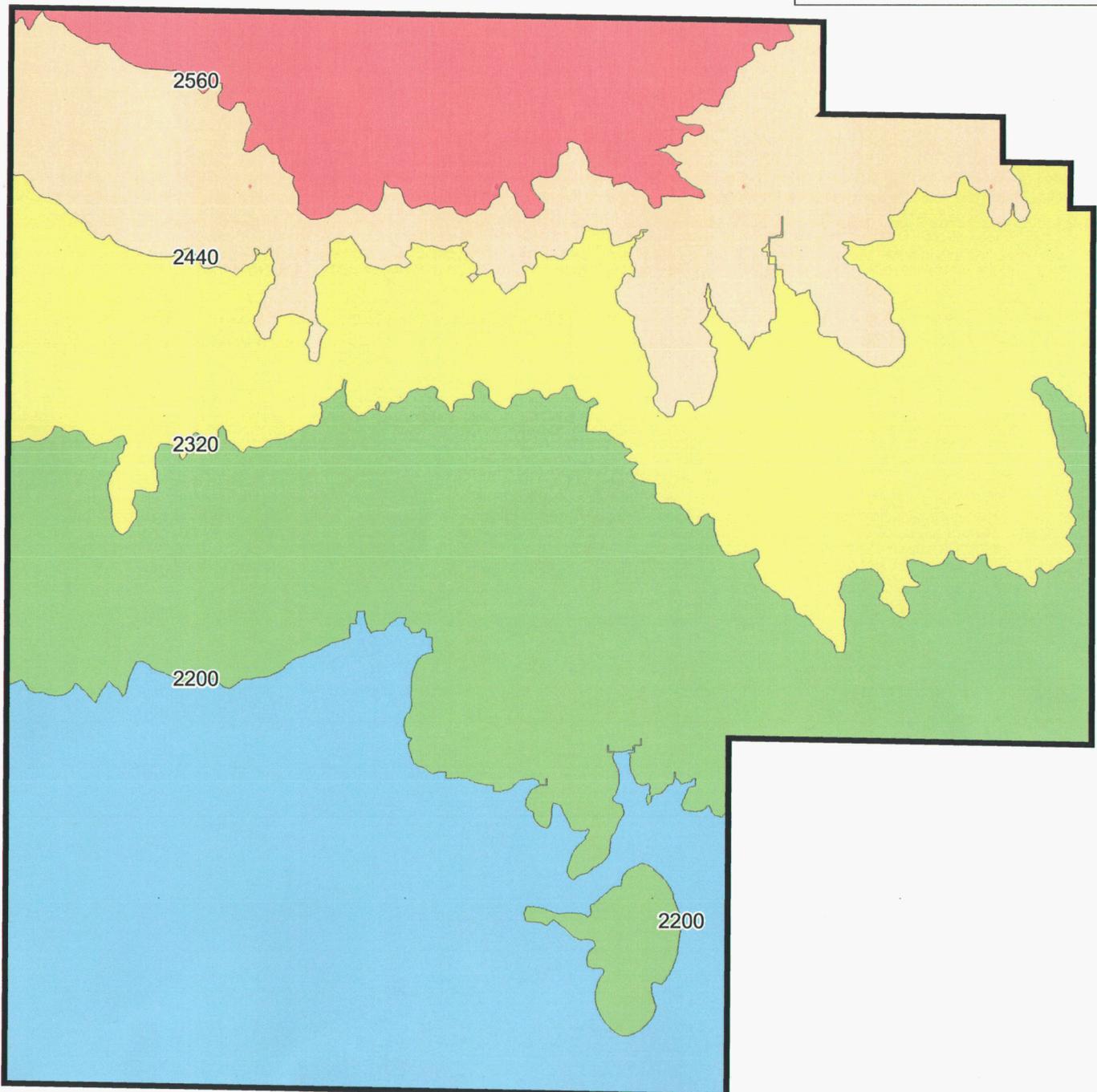
Pressure Zones

-  1
-  2
-  3
-  4
-  5



PLANNING ■ DESIGN ■ CONSTRUCTION

1665 NORTH 28TH AVE. STE. 100
PHOENIX, ARIZONA 85033-7589
602-487-2200 • FAX 602-487-2201 • www.RBF.com



Appendix B Proposed Transmission Mains

Lake Pleasant 5,000 Proposed Transmission Main

-  Proposed Transmission Main
-  Proposed CAP Transmission Main
-  CAP Canal
-  Streets
-  Highways
-  Railroads
-  Lake Pleasant 5,000
-  Circle City Water Company
-  Proposed Well Field
-  Sections



NTS



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 PHOENIX, ARIZONA 85033-7550
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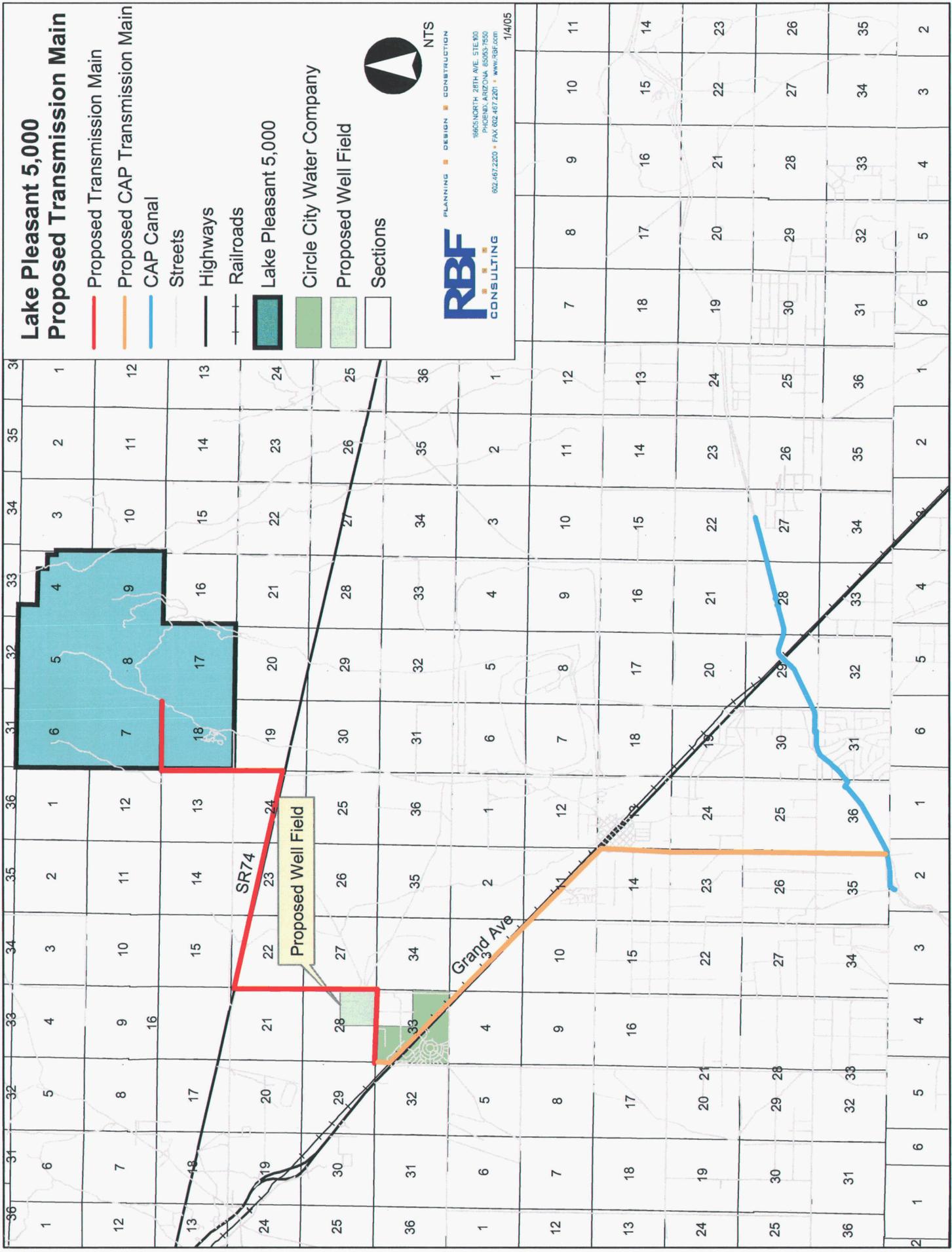


Exhibit IV
Cost Estimates

Developer's Initials: _____

Circle City - Lake Pleasant Cost Summary
Per CC&N model dated 02/02/2005

	Water Infrastructure			Onsite Distribution		
	Raw Cost	Engineering, Taxes, Permits Contingency	Total	Raw Cost	Engineering, Taxes, Permits Contingency	Total
Tanks						
On-site Tanks	\$ 5,502,500	\$ 1,172,033	\$ 6,674,533			
Off-site Tanks	1,061,625	226,126	1,287,751			
Total Tanks	\$ 6,564,125	\$ 1,398,159	\$ 7,962,284			
Booster Stations						
On-site Booster Stations	\$ 748,125	\$ 159,351	\$ 907,476			
Off-site Booster Stations	473,813	100,922	574,735			
Total Booster Stations	\$ 1,221,938	\$ 260,273	\$ 1,482,211			
Transmission Mains						
On-site 8" Transmission Main	\$ 211,200	\$ 44,986	\$ 256,186			
Off-site 24" Transmission Main	3,901,000	830,913	4,731,913			
Total Transmission Mains	\$ 4,112,200	\$ 875,899	\$ 4,988,099			
Wells						
On-site Wells	\$ 5,322,250	\$ 1,133,639	\$ 6,455,889			
Water Treatment						
On-site Cap Treatment	\$ 8,125,813	\$ 1,730,798	\$ 9,856,611			
On-site Distribution (includes distribution mains, service lines and meters)				\$ 20,000,000	\$ 4,260,000	\$ 24,260,000
Totals	<u>\$ 25,346,326</u>	<u>\$ 5,398,767</u>	<u>\$ 30,745,093</u>	<u>\$ 20,000,000</u>	<u>\$ 4,260,000</u>	<u>\$ 24,260,000</u>

Appendix 1

On August 20, 1996 President Clinton signed into law the Small Business Job Protection Act (H.R. 344) which contained a provision that repealed a portion of the Tax Reform Act of 1986 ("TRA-86") which states that the "gross income of a corporation shall not include any contribution to the capital of the taxpayer". After January 1, 1987, Internal Revenue Code Section 118 treated contributions in aid of construction ("CIAC") as taxable income of electric, gas, water and sewer utility companies. The effect of such provision eliminates the "gross up" of CIAC's which, heretofore, were to be collected in reimbursement of a utility companies taxes payable from the CIAC. Section 1613 (a) of H.R. 3448 returns the IRC Section 118 to its pre-TRA-86 form regarding a utility companies CIAC taxable obligations. In order to satisfy this condition, H.R. 3448 requires certain criteria must be met by utility companies. Circle City Water Company L.L.C. anticipates being able to satisfy the applicable criteria. **H.R. 3448 IS RETROACTIVE TO JUNE 12, 1996 FOR ALL CIAC'S.**

H.R. 3448 required the IRS to develop specific regulations regarding this matter which were expected to be drafted during 1997. Additionally, the Arizona Corporation Commission has not, as of the date first set forth above, yet addressed the affect of H.R. 3448 by drafting new regulations which are expected to follow the IRS regulations.

Absent regulatory direction to the contrary, Circle City Water Company, L.L.C. does not expect to collect customer "gross up taxes" after June 12, 1996. This policy is subject to final IRS regulations and Arizona statute revisions.

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Docket # W-02105A-03-0303
" " W-02105A-04-0880

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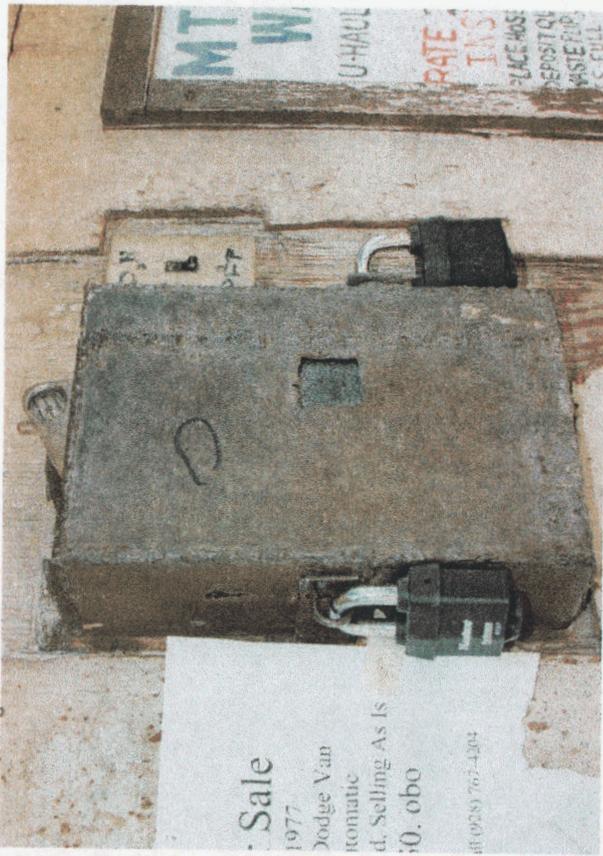
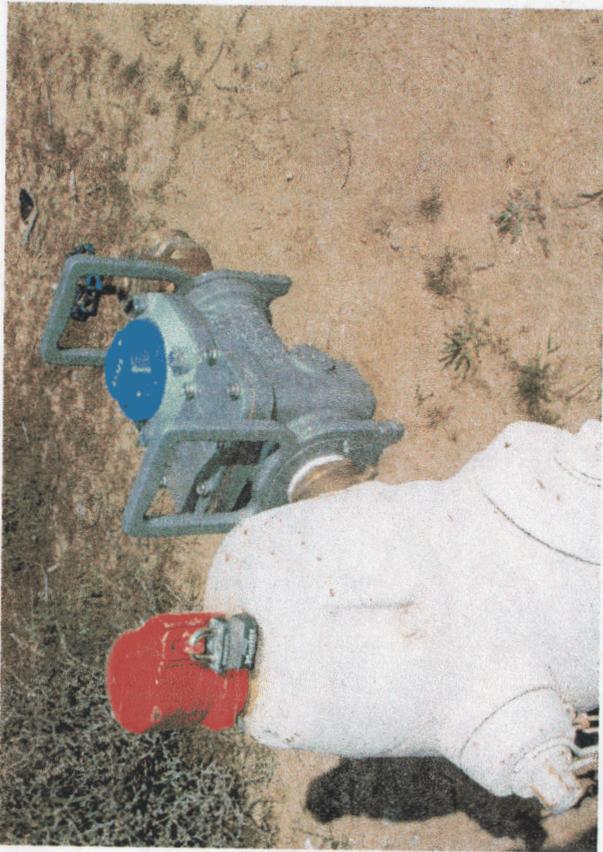
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