

NEW APPLICATION



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

2005 MAY 25 A 10: 43

Arizona Corporation Commission
DOCKETED

AZ CORP COMMISSION
DOCUMENT CONTROL

MAY 25 2005

DOCKETED BY *KA*

BEFORE THE ARIZONA CORPORATION COMMISSION

IN THE MATTER OF THE APPLICATION)
OF ARIZONA WATER COMPANY, AN)
ARIZONA CORPORATION, TO EXTEND)
ITS EXISTING CERTIFICATE OF)
CONVENIENCE AND NECESSITY AT)
SEDONA, YAVAPAI COUNTY, ARIZONA)

DOCKET NO. W-01445A-05-_____
W-01445A-05-0374

APPLICATION TO EXTEND
EXISTING CERTIFICATE OF
CONVENIENCE AND NECESSITY TO
INCLUDE ADDITIONAL TERRITORY

ARIZONA WATER COMPANY, an Arizona corporation, ("AWC") through its undersigned counsel, presents the following Application to extend its existing Certificate of Convenience and Necessity for its Sedona system. This Application is based on the following:

1. AWC presently holds Certificate of Convenience and Necessity issued to it by this Commission in various decisions beginning in 1962 for the purpose of providing water service in the City of Sedona and the surrounding area in Yavapai and Coconino Counties.

2. The area that AWC seeks to add to its Certificate of Convenience and Necessity is described in Exhibit "1" hereto. The area adjacent to the area described in Exhibit "1" is already certificated to and served by AWC, as shown in Exhibit "3" hereto. The United States Department of Agriculture ("Forest Service") and Goodrow Properties LLC, the owners of the majority of the property described in Exhibit "1", have submitted written requests to AWC to provide water service to their property and apply to the Commission for authority to include its property within AWC's Certificate of Convenience and Necessity. Copies of letters from the Forest Service and Goodrow Properties are attached as Exhibit "2" hereto. AWC presently owns

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

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

6 4. A map showing the adjacent portion of AWC's present Certificate of Convenience
7 and Necessity and the territory to be added by this Application is attached as Exhibit "3" hereto.

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

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

14 7. AWC has a Yavapai County franchise for the area for which it is proposing to
15 extend its Certificate of Convenience and Necessity. A copy of the franchise is attached as
16 Exhibit "7" hereto.

17 8. AWC's by-laws do not require a corporate resolution in conjunction with this
18 Application.

19 9. Public convenience and necessity will be served by having AWC extend its
20 Certificate of Convenience and Necessity to include the area described in Exhibit "1".

21 10. AWC proposes to utilize its currently authorized rates and charges for its Sedona
22 system for service to the area described in Exhibit "1". AWC will continue to charge these rates
23 until the Commission changes the rates.
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EXHIBIT "1"

CC&N This Application

PARCEL 1:

A parcel of land being a portion of Lot 2 in the Southwest quarter of the Northwest quarter of Section 19, Township 16 North, Range 6 East, Gila and Salt River Base and Meridian, Yavapai County, Arizona, more particularly described as follows:

Beginning at the West quarter corner of said Section 19;
Thence North 0 degrees 01 minutes 18 seconds East, 180.00 feet along the West line of said Section 19;
Thence South 89 degrees 59 minutes 21 seconds East, 97.10 feet to the TRUE POINT OF BEGINNING;
Thence North 0 degrees 01 minutes 18 seconds East, 208.00 feet;
Thence South 89 degrees 59 minutes 21 seconds East, 209.00 feet;
Thence South 0 degrees 01 minutes 18 seconds West, 208.00 feet;
Thence North 89 degrees 59 minutes 21 seconds West, 209.00 feet to the TRUE POINT OF BEGINNING.

PARCEL 2:

A parcel of land being a portion of Lot 2 in the Southwest quarter of the Northwest quarter of Section 19, Township 16 North, Range 6 East, Gila and Salt River Base and Meridian, Yavapai County, Arizona, more particularly described as follows:

Beginning at the West quarter corner of said Section 19;
Thence North 0 degrees 01 minutes 18 seconds East, 180.00 feet along the West line of said Section 19;
Thence South 89 degrees 59 minutes 21 seconds East, 30.00 feet to the TRUE POINT OF BEGINNING;
Thence North 0 degrees 01 minutes 18 seconds East, 416.00 feet;
Thence South 89 degrees 59 minutes 21 seconds East, 67.10 feet;
Thence South 0 degrees 01 minutes 18 seconds West, 416.00 feet;
Thence North 89 degrees 59 minutes 21 seconds West, 67.10 feet to the TRUE POINT OF BEGINNING.

PARCEL 3:

A parcel of land being a portion of Lot 2 in the Southwest quarter of the Northwest quarter of Section 19, Township 16 North, Range 6 East, Gila and Salt River Base and Meridian, Yavapai County, Arizona, more particularly described as follows:

Beginning at the West quarter corner of said Section 19;
Thence North 0 degrees 01 minutes 18 seconds East, 180.00 feet along the West line of said Section 19;
Thence South 89 degrees 59 minutes 21 seconds East, 97.10 feet to the Southwest corner of the property described in Book 581 of Official records, page 654, records of Yavapai County, Arizona;
Thence North 0 degrees 01 minutes 18 seconds East, 208.0 feet along the West line of said property to the POINT OF BEGINNING;
Thence North 0 degrees 01 minutes 18 seconds East, 208.0 feet;
Thence South 89 degrees 59 minutes 21 seconds East, 629.0 feet;
Thence South 0 degrees 01 minutes 18 seconds West, 208.0 feet to a point on the North line of the property described in Book 580 of Official records, page 789, records of Yavapai County, Arizona;
Thence North 89 degrees 59 minutes 21 seconds West, along said North line, 629.0 feet to the POINT OF BEGINNING.

EXHIBIT "1"

Property Description

PARCEL 4:

A parcel of land being part of the Southwest quarter of the Northwest quarter of Section 19, Township 16 North, Range 6 East, Gila and Salt River Base and Meridian, Yavapai County, Arizona, more particularly described as follows:

Commencing at the West quarter corner of said Section 19;
Thence North 00 degrees 01 minutes 18 seconds East, 626.00 feet along the West line of said Section 19;
Thence South 89 degrees 59 minutes 21 seconds East, 30.00 feet to the TRUE POINT OF BEGINNING;
Thence South 89 degrees 59 minutes 21 seconds East, 696.10 feet;
Thence South 00 degrees 01 minutes 18 seconds West, 30.00 feet;
Thence North 89 degrees 59 minutes 21 seconds West, 696.10 feet;
Thence North 00 degrees 01 minutes 18 seconds East, 30.00 feet to the TRUE POINT OF BEGINNING.

PARCEL 5:

The Southeast quarter of Section 24 and the Northeast quarter of Section 25, Township 16 North, Range 5 East of the Gila and Salt River Base and Meridian, Yavapai County, Arizona.

Except any portion already within Arizona Water Company's Certificate of Convenience and Necessity.

EXHIBIT "2"



United States
Department of
Agriculture

Forest
Service

Red Rock
Ranger District

P.O. Box 300
Sedona, AZ 86339-0300
Phone: (928) 282-4119
Fax: (928) 203-7539

File Code: 7410-1

Date: March 23, 2005

Mike Whitehead
Arizona Water Company
3805 N. Black Canyon Highway
Phoenix, AZ 85015

Dear Mr. Whitehead,

The Red Rock Ranger District of the Coconino National Forest would like the location of the proposed Red Rock Ranger Station to be brought into Arizona Water Company's Certificate of Convenience and Necessity for the purpose of Arizona Water Company providing water service to the future Forest Service facility to be constructed at that location. Please refer to the enclosure for the legal description and location maps of the proposed facility.

If you have any questions regarding this matter, please contact Doug Denk, Facility Engineer, at 928-527-3599 or email ddenk@fs.fed.us.

Sincerely,

KEN ANDERSON
District Ranger

Enclosure

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ARIZONA WATER COMPANY
PHOENIX - ENGINEERING



EXHIBIT "2"

USDA Forest Service
Coconino National Forest, Red Rock Ranger District

Request to be Brought Into Certificate of Convenience and Necessity

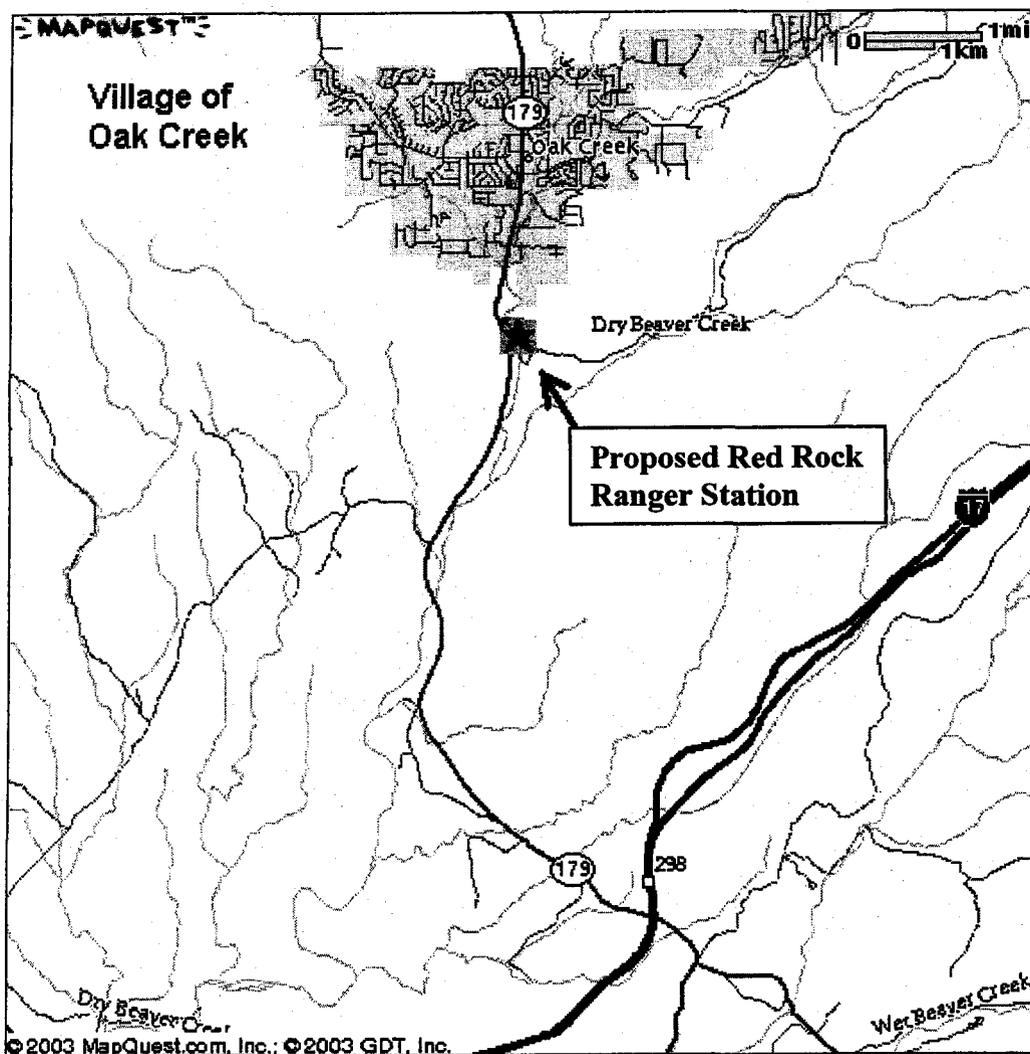
Enclosure

Legal Description and Maps of Location of Proposed Red Rock Ranger Station

Legal Description:

Proposed facility will be located within the NE ¼ of Section 25, T 16 N, R 5 E, G&SRM, more or less.

Street Map of Location:



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ARIZONA WATER COMPANY
PHOENIX ENGINEERING

EXHIBIT "2"

Topographic Map of Location:

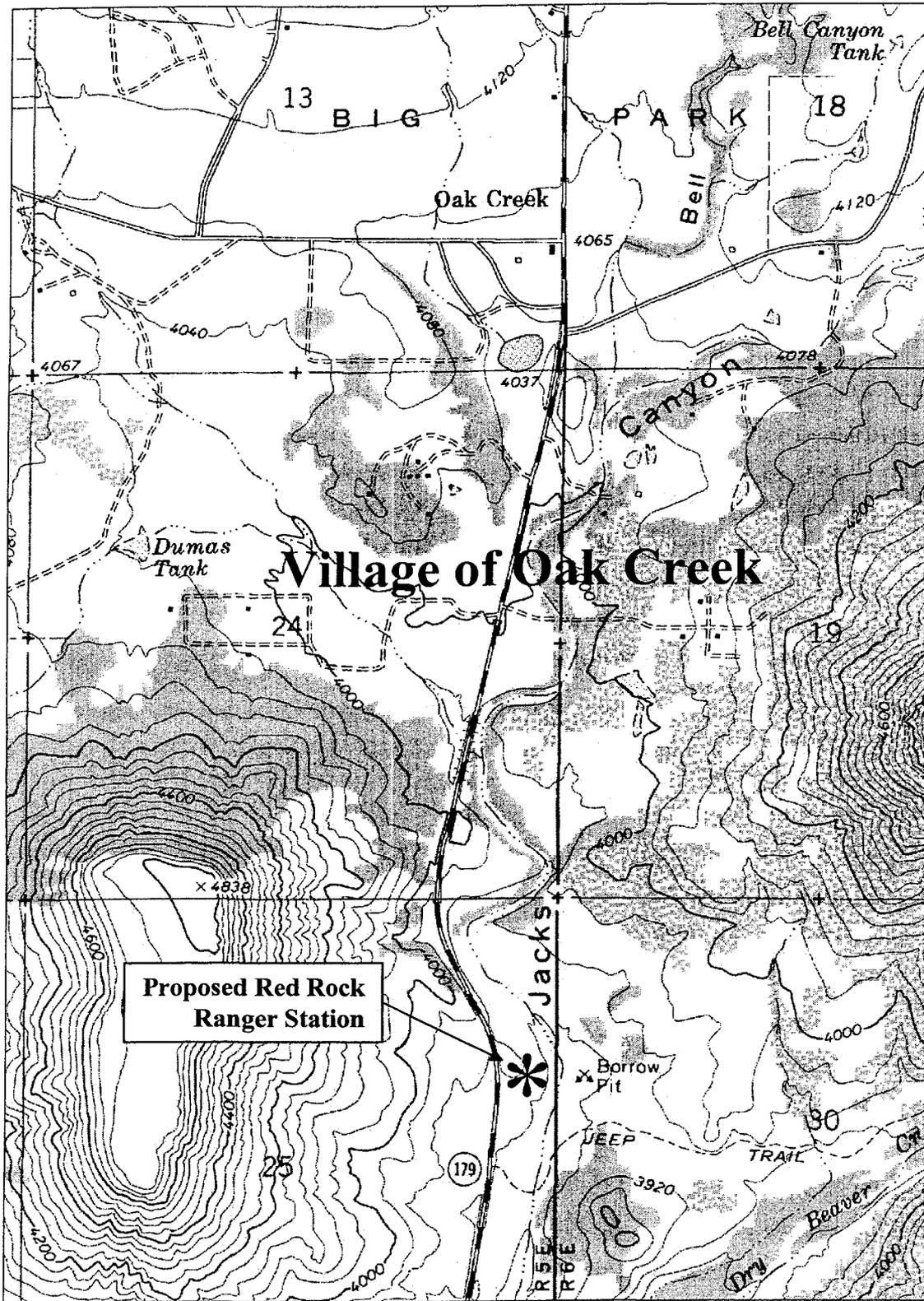


EXHIBIT "2"

Steven V. Ratliff
Ratliff & Muhr, Co.
6501 N. Praying Monk Rd.
Paradise Valley, AZ 85253
Ph: 602-381-8052
Fx: 602-381-0876

3/4/05

Mr. Lee Hetrick
Arizona Water Company
65 Coffee Pot Dr. Ste. 7
Sedona, Az 6336-4554

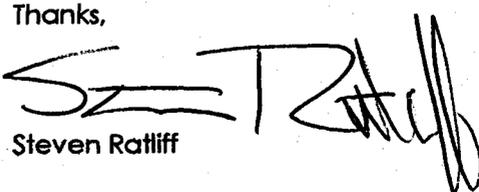
Dear Lee,

As discussed today, please consider this letter a formal request for Arizona Water Company to include my 5.5 acres in its CCN or certificated area at its earliest convenience. The site is located at the northeast corner of Wild Horse Mesa Dr. & Las Ramblas, running north to the north side of Mesa Vista Dr. (my LLC owns Mesa Vista Dr). Parcle #'s are : 405-34-006g & 006y. The site will eventually accommodate six homes.

Additionally, I've enclosed the "Abandonment of Easement" we talked about. This easement terminates at my property lines & is of no use to any utility. If you could have an authorized party sign & notarize this & mail it back to me, so that I can record it, I would appreciate it very much.

If you have any questions please call me at the number above.

Thanks,


Steven Ratliff

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ARIZONA WATER COMPANY
PHOENIX - ENGINEERING

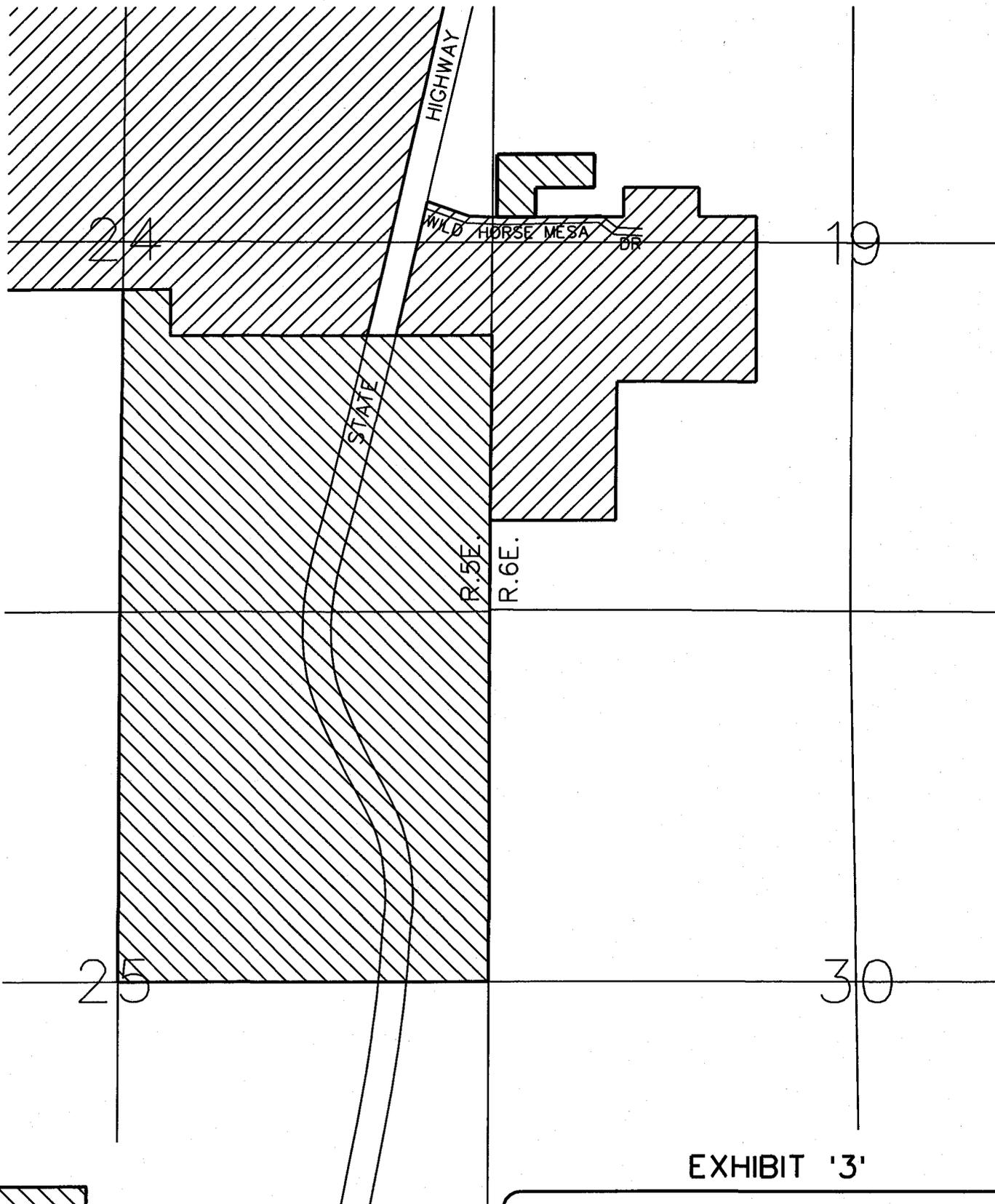


EXHIBIT '3'



CC&N This Application



A Portion Of Arizona Water Company CC&N

ARIZONA WATER COMPANY

DESCRIPTION:

Application For CC&N To Include A Portions Of Sections 24 And 25, T.16N.,R5E. And A Portion Of Section 19, T.16N.,R.6E., G.S.R.B.&M. Yavapai Co., Az.

LOCATION:

VILLAGE OF OAK CREEK, AZ

DATE:

03.15.2005

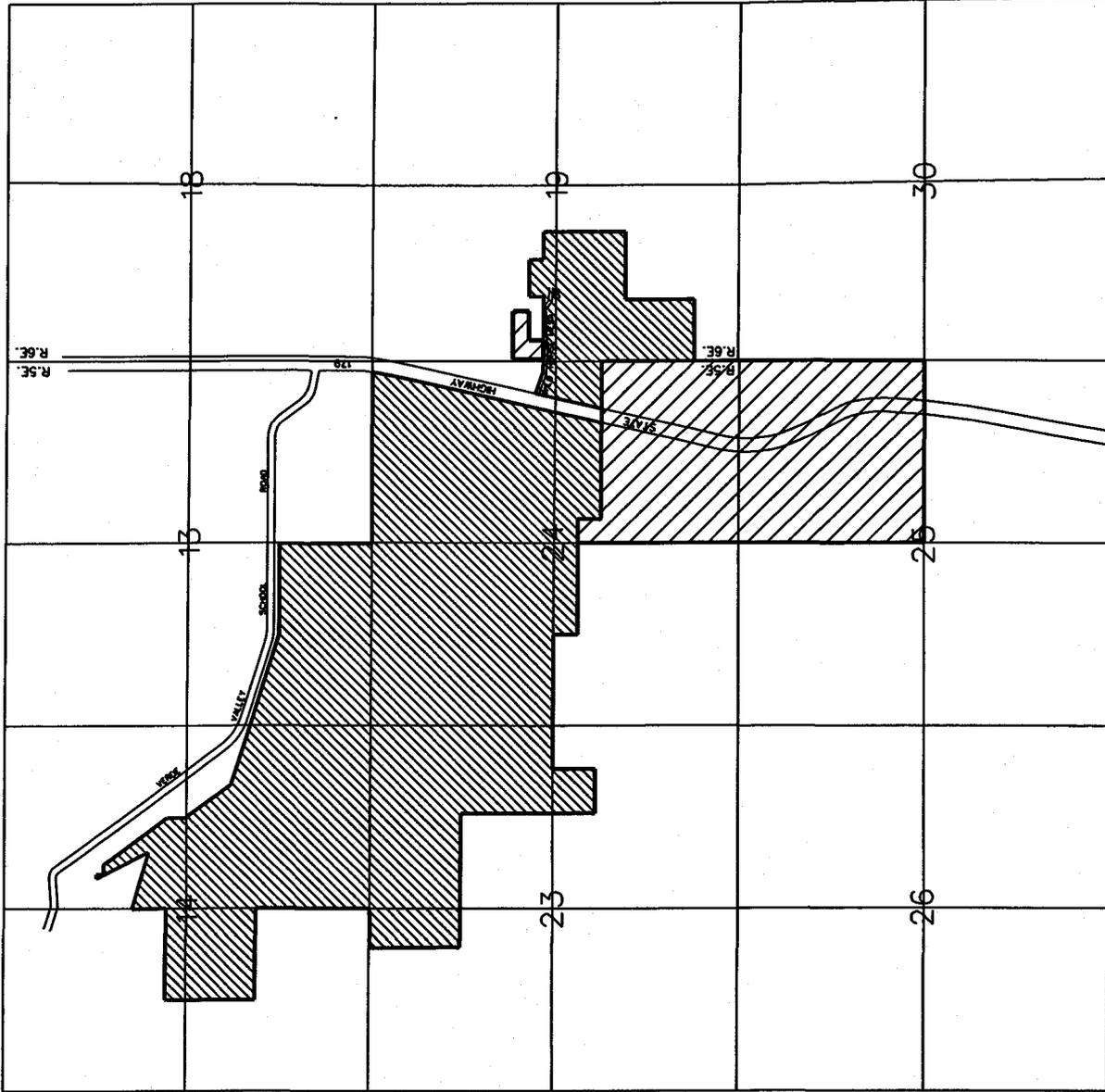
SCALE:

1" = 1000'

DRAWN BY:

CB

EXHIBIT '3'



Township 16 North

-  CC&N This Application
-  Arizona Water Company CC&N (Village Of Oak Creek)

ARIZONA WATER COMPANY

DESCRIPTION:
 Application For CC&N To Include A Portions Of Sections 24 And 25, T.16N.,R.6E.
 And A Portion Of Section 19, T.16N.,R.6E., G.S.R.B.&M. Yavapai Co., Az.

LOCATION: VILLAGE OF OAK CREEK, AZ

DATE: 03.15.2005 SCALE: NTS DRAWN BY: CB

EXHIBIT "4"

Property Owners List

405-34-006G

Goodrow Properties, LLC
6501 North Praying Monk Road
Paradise Valley, Arizona 85253

405-34-006Z

Las Ramblas Properties, LLC
6501 North Praying Monk Road
Paradise Valley, Arizona 85253

United States Department Of Agriculture
Forest Service
Red Rock Ranger District
P.O. Box 300
Sedona, Arizona 86339-0300

EXHIBIT "5"

ARIZONA WATER COMPANY

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

[Date]

«Company»

«Address1»

«Address2»

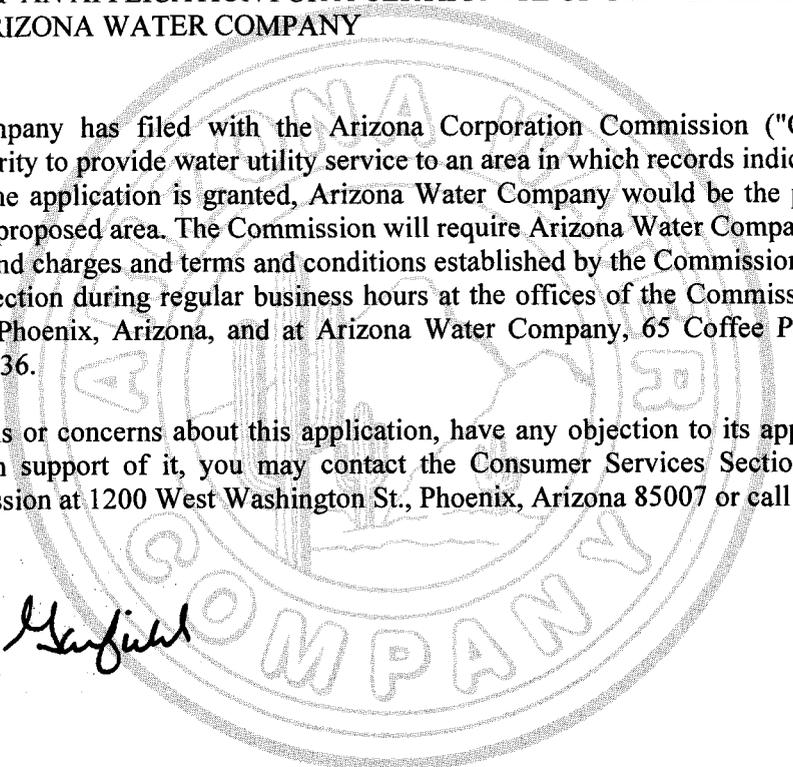
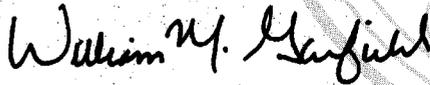
«City» «State» «PostalCode»

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

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

Arizona Water Company has filed with the Arizona Corporation Commission ("Commission") an application for authority to provide water utility service to an area in which records indicate that you are a property owner. If the application is granted, Arizona Water Company would be the provider of water utility service to the proposed area. The Commission will require Arizona Water Company to provide this service under rates and charges and terms and conditions established by the Commission. The application is available for inspection during regular business hours at the offices of the Commission at 1200 West Washington Street, Phoenix, Arizona, and at Arizona Water Company, 65 Coffee Pot Drive Suite 7, Sedona, Arizona 86336.

If you have questions or concerns about this application, have any objection to its approval, or wish to make a statement in support of it, you may contact the Consumer Services Section of the Arizona Corporation Commission at 1200 West Washington St., Phoenix, Arizona 85007 or call 1-800-222-7000.



William M. Garfield
President

E-MAIL: mail@azwater.com

EXHIBIT "6"

ARIZONA WATER COMPANY
Comparative Balance Sheet
at December 31, 2004

ASSETS

	Dec. 31, 2004	Dec. 31, 2003	Increase (Decrease)
UTILITY PLANT			
Gross Utility Plant	\$ 227,370,461	\$ 208,683,343	\$ 18,687,118
Less Accumulated Depreciation	56,045,999	51,538,267	4,507,732
Net Utility Plant	<u>171,324,462</u>	<u>157,145,076</u>	<u>14,179,386</u>
CURRENT ASSETS			
Cash on Hand and in Banks	524,566	343,608	180,958
Investments and Special Deposits	2,703	2,703	0
Accounts Receivable	2,560,968	2,474,648	86,320
Materials and Supplies	201,053	204,649	(3,596)
Other	661,171	346,910	314,261
Total Current Assets	<u>3,950,461</u>	<u>3,372,518</u>	<u>577,943</u>
DEFERRED DEBITS			
	6,055,174	6,270,115	(214,941)
TOTAL	<u>\$ 181,330,097</u>	<u>\$ 166,787,709</u>	<u>\$ 14,542,388</u>

LIABILITIES

CAPITALIZATION			
Common Stock	2,700,000	2,700,000	0
Capital Surplus	9,087,347	8,970,647	116,700
Retained Earnings	55,127,428	49,445,727	5,681,701
Common Stock Equity	<u>66,914,775</u>	<u>61,116,374</u>	<u>5,798,401</u>
Long-Term Debt	21,800,000	22,200,000	(400,000)
Total Capitalization	<u>88,714,775</u>	<u>83,316,374</u>	<u>5,398,401</u>
CURRENT LIABILITIES			
Accounts Payable	3,813,922	2,675,133	1,138,789
Accrued Expenses	514,933	1,168,007	(653,074)
Other	542,553	452,647	89,906
Total Current Liabilities	<u>4,871,408</u>	<u>4,295,787</u>	<u>575,621</u>
DEFERRED CREDITS			
Advances for Construction	43,105,165	39,053,165	4,052,000
Contributions in Aid of Construction	23,316,962	22,325,304	991,658
Deferred Income Tax	17,581,351	14,876,768	2,704,583
Other	3,740,436	2,920,311	820,125
Total Deferred Credits	<u>87,743,914</u>	<u>79,175,548</u>	<u>8,568,366</u>
TOTAL	<u>\$ 181,330,097</u>	<u>\$ 166,787,709</u>	<u>\$ 14,542,388</u>

EXHIBIT "6"

ARIZONA WATER COMPANY
Comparative Statement of Income
December 31, 2004

	12 MONTHS TO DATE			DECEMBER			12 Months to Date		
	2004	2003	2004	2004	2003	2004	2003	2004	2003
OPERATING REVENUE	\$ 40,026,889	\$ 37,545,304	\$ 3,001,738	\$ 2,724,616	\$ 40,026,889	\$ 37,545,304			
OPERATING EXPENSES									
Operation and Maintenance	18,628,279	17,771,987	1,480,592	1,402,364	18,628,279	17,771,987			
Depreciation	4,858,460	4,471,079	451,765	298,869	4,858,460	4,471,079			
Taxes Other Than Income Taxes	5,674,866	5,403,268	431,433	400,685	5,674,866	5,403,268			
Income Taxes	3,473,252	2,745,016	(73,852)	(80,381)	3,473,252	2,745,016			
Total Operating Expenses	32,634,857	30,391,350	2,289,938	2,021,537	32,634,857	30,391,350			
OPERATING INCOME	7,392,032	7,153,954	711,800	703,079	7,392,032	7,153,954			
OTHER (INCOME) AND DEDUCTIONS									
Other (Income) - Net	(3,722,496)	(141,949)	(3,259,112)	(12,482)	(3,722,496)	(141,949)			
Interest on Long-Term Debt	1,849,383	1,886,383	152,316	155,400	1,849,383	1,886,383			
Other Interest and Amortization	(93,956)	(30,100)	(8,864)	(5,453)	(93,956)	(30,100)			
Total Other (Income) and Deductions	(1,967,069)	1,714,334	(3,115,660)	137,465	(1,967,069)	1,714,334			
NET INCOME	9,359,101	5,439,620	3,827,460	565,614	9,359,101	5,439,620			
Regular Common Dividends	3,677,400	3,269,700							
INCOME RETAINED	\$ 5,681,701	\$ 2,169,920			\$ 9,359,101	\$ 5,439,620			
Active Services	72,835	69,707							

DECEMBER 2004

Yav. Co
Public Works
(L. Brown)

EXHIBIT "7"

RECEIVED

BEFORE THE BOARD OF SUPERVISORS

NOV 20 2000

OF

ARIZONA WATER COMPANY
PHOENIX - LEGAL

YAVAPAI COUNTY, ARIZONA

3299314 BK 3789 PG 176
Yavapai County
Patsy Jenney-Colon, Recorder
10/27/2000 01:16P PAGE 1
YAVAPAI CO PUBLIC WORKS
RECORDING FEE 0.00
SURCHARGE 0.00
POSTAGE 0.00

In the Matter of the Application of)
ARIZONA WATER COMPANY)
FRANCHISE)
for a water franchise)

WHEREAS Arizona Water Company filed its application pursuant to A.R.S. §40-283, for a franchise to construct and/or maintain and operate water lines for a period of fifteen (15) years, along, upon, under and across public highways, roads, alleys and thoroughfares (excepting State Highways) within that portion of Yavapai County, Arizona, described as follows:

EXHIBIT A

LEGAL DESCRIPTION

Arizona Water Company

Sections 1, 2, 3, 4, 5, 8, 9, 10, 11, 12, 13, 14, 15, 16, 17, 20, 21, 22, 23, 24, 25, 26, 27, 28, 29, 32, 33, 34, 35 and 36 in Township 17 North, Range 5 East, Sections 10, 11, 12, 13, 14, 15, 22, 23, 24, 25, 26, 27, 34, 35 and 36 in Township 16 North, Range 5 East; and Sections 7, 8, 9, 16, 17, 18, 19, 20, 21, 28, 29, 30, 31, 32 and 33 in Township 16 North, Range 6 East and Sections 1, 2, and 3 Township 14 North, Range 5 East, Section 35, Township 15 North Range 5 East, and that portion of Section 36, Township 15 North, Range 5 East lying within the Sycamores, a recorded subdivision, together with the SE ¼ of the SE ¼ and the S ½ of the SW ¼ of the SE ¼ and S ½ of the N ½ of the SW ¼ of the SE ¼ of said Section 36, G&SRB&M, Yavapai County, Arizona and specifically excepting the SE ¼ of the NE ¼ of the NW ¼ of the NE ¼ and the W ½ of the NE ¼ of the NE ¼, except that portion beginning at the NW corner; thence N 89 degrees, 48 minutes, 30 seconds E 656.41 feet; thence S 33 degrees, 59 minutes, 40 seconds W 401.54 feet; thence S 89 degrees, 48 minutes 30 seconds W 430.74 feet; thence N 0 degrees, 12 minutes W 332.17 feet; Section 18, Township 16 North, Range 6 East, G&SRB&M, Yavapai County, Arizona, and excepting any portions lying with the City of Sedona as recorded in the Office of the Yavapai County Recorder, Book 2010, pages 205 through 207 and excepting also any portions lying within the Town of Camp Verde as recorded in the Office of the Yavapai County Recorder, Book 1884, pages 157 through 162.

FEE
\$ 0
\$4
\$5
\$1
\$0

Page 2 / October 16, 2000
Arizona Water Company
Water Franchise Agreement

and that said is contiguous to a portion of the area described in Exhibit A above which area is not within the limits of any incorporated city or town, and,

WHEREAS, this is the time and place set for hearing of said application and due and regular notice was given by publication of notice once a week for three consecutive weeks prior to this time of hearing and proof of publication has been filed herein, and

WHEREAS, all protests to granting such application have been considered, the Board of Supervisors of Yavapai County, Arizona, hereby grants to the Arizona Water Company the right, privilege, license and franchise to construct, maintain and operate water delivery systems for a period of fifteen (15) years from the date hereof, along, upon, under and across the public highways of Yavapai County, Arizona, within the above described area of Yavapai County, which area is not within the limits of any incorporated city or town, upon the following terms and conditions:

RESTRICTIONS AND LIMITATIONS

1. All rights and privileges hereunder are granted under the express condition that the Board of Supervisors shall have the power at any time to impose such additional and further restrictions and limitations and to make such regulations on such highways, roads, thoroughfares, alleys, and public ways as may be deemed best for the public safety, welfare and convenience. No construction of improvements within a County road right-of-way shall be made without a permit from the Yavapai County Engineer first being obtained.

2. Grantor will notify Grantee if Grantor determines that any lines are located at a depth which interferes with road maintenance. Any such lines shall be buried at a sufficient depth upon receipt of notice. In the event that water lines must be relocated due to road construction or because of inadequate depth, the Grantee shall bear the cost of such relocation.

Page 3 / October 16, 2000
Arizona Water Company
Water Franchise Agreement

3. All rights and privileges hereunder shall be exercised so as to not interfere or conflict with any easements or rights-of-way heretofore granted by said Board of Supervisors and now in force.

4. All equipment and facilities constructed, installed, erected, used and maintained under this franchise shall in all respects be adequate, sufficient and substantial in design and workmanship and shall be so located, erected and maintained so as not to interfere with the full use and enjoyment of the public and so not to endanger life or property.

5. All rights and privileges hereunder shall be exercised so as not to interfere or conflict with any easement, either public or private, of whatsoever nature, which has been acquired in or to the proper use of said highways, roads, thoroughfares, alleys and public ways, or any portion thereof.

6. Grantee shall bear all expenses, including damages and compensation to any aggrieved third parties, incurred or expended for the alteration of the course, direction, surface, grade or alignment of any of the said highways, roads, thoroughfares, alleys, and public ways necessarily made by or for Grantee for the purpose of exercising any right under this franchise, and said Grantee shall indemnify and hold harmless the County of Yavapai and the Board of Supervisors thereof from any and all suits, claims, damages and judgments resulting from injuries to persons or property due to the placing, location and maintenance of equipment and facilities upon, in or under the provisions hereof. Grantee shall maintain its equipment and facilities at its own cost and expense and will make all necessary repairs from time to time as the same may be needed without the necessity of notice from Yavapai County.

7. The Grantee shall be required to secure and maintain in force for the duration of the franchise general comprehensive liability insurance insuring against all damages charged to the County or the Grantee resulting from the installation, development, maintenance or expansion of the Grantee's system, as follows:

Page 4 / October 16, 2000
Arizona Water Company
Water Franchise Agreement

(a) Five Hundred Thousand Dollars (\$500,000) for bodily injury or death to any one person with an aggregate limit for any one occurrence of One Million Dollars (\$1,000,000) for bodily injury or death.

(b) Two Hundred Fifty Thousand Dollars (\$250,000) for property damage resulting from any one accident.

(c) Fifty Thousand Dollars (\$50,000) for all other types of liability.

Yavapai County, Arizona, shall be named on the aforesaid policy as a coinsured, or added thereon by endorsement as a named insured. A certificate of insurance as well as a copy of the policy shall be filed with the Public Works Director. The certificate shall provide that if the policy shall be cancelled by the insurance company or the Grantee during the term of the policy, ten (10) days written notice prior to the effective date of such cancellation shall be given the Public Works Director of Yavapai County, Arizona.

8. This franchise shall not be deemed to be exclusive and the Board of Supervisors hereby expressly reserves the right and power from time to time to grant similar franchises and privileges over the same territory and highways, roads, thoroughfares, alleys, and public ways.

9. Grantee certifies that all water and sewer operations shall be supervised by a duly authorized local operator, whose name, address, and phone number shall be kept in the records of the Public Works Director. Grantee shall notify the Public Works Director of any operator changes.

10. Grantee shall notify the Public Works Director of any assignment of this franchise, including assignee's name, address and phone number.

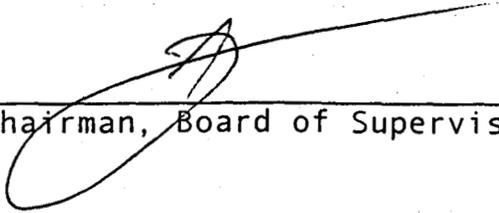
Page 5 / October 16, 2000
Arizona Water Company
Water Franchise Agreement

11. Grantee shall apply for renewal of this franchise not less than sixty (60) days prior to its expiration. In the event required notice, public hearings and official action cannot be taken prior to expiration due to no fault of Grantee, this franchise shall continue until final action by Grantor has been taken.

12. This franchise is granted upon the express condition subsequent that a Certificate of Convenience and Necessity be procured from the Arizona Corporation Commission within six months from the date of granting of this franchise; and if such Certificate is not granted within six months from said date, then this franchise to be void, otherwise to be in full force and effect for the time herein specified.

Dated: October 16, 2000

ATTEST:



Chairman, Board of Supervisors



Clerk, Board of Supervisors

SEAL

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Arizona Water Company
Water Franchise Agreement

ACCEPTANCE OF LICENSE

TO: The Clerk of the Board of Supervisors of Yavapai County

Pursuant to the Order of the Board of Supervisors of Yavapai County dated October 16, 2000.

ARIZONA WATER COMPANY

hereby accepts the license to construct and/or operate a water franchise within the authorized service area and under the terms specified in the license.

Dated this 16TH Day of October 2000.

This franchise agreement shall expire on: October 16, 2015.

By Robert W. Beake
Its: Vice President and General Counsel

STATE OF ARIZONA)
) ss.
COUNTY OF YAVAPAI)

SUBSCRIBED AND SWORN TO before me by Robert W. Beake
this 30 day of August, 2000.

Theresa M. Witwer
Notary Public

My Commission Expires:
4-3-2004

