

ORIGINAL

NEW APPLICATION



0000027512

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AZ CORP COMMISSION
DOCUMENT CONTROL

BEFORE THE ARIZONA CORPORATION COMMISSION

5 IN THE MATTER OF THE APPLICATION OF) DOCKET NO. WS-04235A-05-0707
6 UTILITY SOURCE, LLC FOR AN EXTENSION)
OF ITS CERTIFICATE OF CONVENIENCE AND) **APPLICATION**
7 NECESSITY TO PROVIDE WATER AND)
WASTEWATER SERVICE IN COCONINO)
8 COUNTY, ARIZONA.)

9 Utility Source, LLC ("Utility Source" or the "Company") submits this Application to
10 extend its water and wastewater Certificate of Convenience and Necessity. In support of this
11 Application, the Company states as follows:

12 1. The Company holds a Certificate of Convenience and Necessity ("CC&N") issued by
13 the Arizona Corporation Commission ("Commission") to provide water and wastewater service
14 in portions of Coconino County, Arizona.

15 2. A copy of the completed CC&N Extension Application for the Expansion Area as
16 required by the Commission is attached hereto as **Attachment One**.

17 3. This Application is regarding six distinct parcels, three requesting water and
18 wastewater service, two requesting wastewater only service, and the Waste Water Treatment
19 Plant site. The legal descriptions of those parcels, and the maps showing their locations, are set
20 forth in **Exhibits B and C to Attachment One**.

21 4. The Company has received numerous Requests for Service for water and wastewater
22 service from the owners of each of those parcels. Those Requests for Service are attached as
23 **Attachment Two** to the Application. The parcels are adjacent to, or within a reasonable distance

1 of, the Company's existing water and wastewater CC&N. The Developers have, or will, enter
2 into Line Extension Agreements in a form attached as **Exhibits G and H to Attachment One.**

3 5. The Company has drilled its fourth well, a 2,900 foot deep well, producing
4 approximately 345 gallons per minute, which well will provide sufficient capacity to serve to the
5 Expansion Area. Attached hereto as **Attachment Three** is the preliminary Data Analysis
6 prepared by the Company's Hydrologist showing that wells production capacity. That well is
7 located in the Northeast Quarter of the Northwest Quarter of the Southwest Quarter of Section 6,
8 the property described as Parcel E in **Exhibit B to Attachment One.** The Arizona Department
9 of Water Resources ("ADWR") Well Registration number is 55-206887. The estimated cost of
10 the well is \$750,000. The full Hydrology Report is estimated to be filed with the ADWR by
11 approximately December 31, 2005, that Report, as well as the cost details, will be filed with the
12 Commission as late filed exhibits.

13 5. Based on an Agreement with the Developers of Parcels B and C, Utility Source will
14 have an additional 75,000 gallons per day wastewater treatment capacity, sufficient to serve the
15 Expansion Area. The Developers of Parcels B. and C will design, fund, and build, the first
16 75,000 GPD phase and the Force Main from the Mobile Home Park (Parcel B) to the
17 Wastewater Treatment Plant Site, and will fund a second module if and when needed for Parcel
18 B. That plant will be constructed on a Company owned parcel, Parcel F on **Exhibit B to**
19 **Attachment One**, which is adjacent to the Expansion Area Parcel D. Please see the Santec Plant
20 Facilities description and Cost Estimate along with certain assumptions, attached hereto as
21 **Attachment Four.**

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ATTACHMENTS

- One CC&N Form Application
- Two Requests for Service
- Three Production data on New Well
- Four Santec WWTP Plant Facilities Description and Cost Estimate

1 **ARIZONA CORPORATION COMMISSION**

2 **APPLICATION FOR AN EXTENSION OF CERTIFICATE OF CONVENIENCE AND**
3 **NECESSITY**

4 **WATER AND SEWER**

5 A. The name, address and telephone number of the Applicant is:

6 **Mr. Lonnie McCleve**
7 **Utility Source, L.L.C.**
8 **721 E. San Pedro**
9 **Gilbert, AZ 85234**
10 **(480) 892-5224**

11 B. The name, address and telephone number of management contact is:

12 **Mr. Lonnie McCleve**
13 **Utility Source, L.L.C.**
14 **721 E. San Pedro**
15 **Gilbert, AZ 85234**
16 **(480) 892-5224**

17 C. List the name, address and telephone number of the operator certified by the Arizona
18 Department of Environmental Quality:

19 **Pat Carpenter**
20 **2879 St. Andrews**
21 **Williams, Arizona 86046**
22 **(928) 606-0498**

23 D. List the name, address and telephone number of the attorney for the Applicant:

Richard L. Sallquist
Sallquist, Drummond & O'Connor, P.C.
4500 S. Lakeshore Drive, Suite 339
Tempe, Arizona 85282
(480) 839-5202

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ATTACHMENT ONE

1 E. Attach the following documents that apply to you:

2 1. Certificate of Good Standing (if corporation) **Please see Exhibit A**

3 2. Corporate Resolution Authorizing this application (if required by the corporation's
4 Articles of Incorporation) **N/A**

5 F. Attach a legal description of the area requested by either **CADASTRAL** (quarter section
6 description) or **Metes and Bounds** survey. References to parcels and docket numbers will not be
7 accepted. **Please see Exhibit B**

8 G. Attach a detailed map using the form provided as attachment B. Shade and outline the area
9 requested. Also indicate the present certificated area by using different colors. **Please see**
10 **Exhibit C**

11 H. Attach a current balance sheet and profit and loss statement. **Please see Exhibit D**

12 I. Provide the following information:

13 1. Indicate the estimated number of customers, by class, to be served in the new area in each
14 of the next five years: **Please see Exhibit E**

15 **Residential:**

16 First Year _____ Second Year _____ Third Year _____ Fourth Year _____
17 Fifth Year _____

18 **Commercial:**

19 First Year _____ Second Year _____ Third Year _____ Fourth Year _____
20 Fifth Year _____

21 **Industrial:**

22 First Year _____ Second Year _____ Third Year _____ Fourth Year _____
23 Fifth Year _____

Irrigation:

First Year _____ Second Year _____ Third Year _____ Fourth Year _____
Fifth Year _____

Other: (specify)

First Year _____ Second Year _____ Third Year _____ Fourth Year _____
Fifth Year _____

2. **(WATER ONLY)** Indicate the projected annual water consumption, in gallons, for each of the customer classes in the new area for each of the next five years: **Please see Exhibit E**

Residential:

First Year _____ Second Year _____ Third Year _____
Fourth Year _____ Fifth Year _____

Commercial:

First Year _____ Second Year _____ Third Year _____
Fourth Year _____ Fifth Year _____

Industrial:

First Year _____ Second Year _____ Third Year _____
Fourth Year _____ Fifth Year _____

Irrigation:

First Year _____ Second Year _____ Third Year _____
Fourth Year _____ Fifth Year _____

3. Indicate the total estimated annual operating revenue from the new area for each of the next five years: **Please see Exhibit E**

First Year _____ Second Year _____ Third Year _____
Fourth Year _____ Fifth Year _____

- **Complete Attachment "D" (Water Use Data Sheet) for the past 13 months**
Please see Exhibit F

4. Indicate the total estimated annual operating expenses attributable to the new area for each of the next five years: **Please see Exhibit E.**

First Year _____ Second Year _____ Third Year _____

Fourth Year _____ Fifth Year _____

J. Total estimated cost to construct utility facilities to serve customers in the requested area:

On-Site Water and Wastewater Facilities cost estimates will be included in line extension agreements in accordance with Commission Rules and Regulations. Please see the format in Exhibits G and H hereto.

Off-Site Water Facilities will be funded by the Company in accordance with Paragraph 5 of the Application.

The Off-Site Wastewater Facilities, will cost approximately \$1.3 million and will be funded as Contributions in Aid of Construction in accordance with Paragraph 6 of the Application.

K. Explain method of financing utility facilities (see paragraph 8 of instructions)

Please see Paragraph J above. The new well is being funded by Members with paid-in-capital.

L. Estimated starting and completion date of construction of utility facilities:

Starting date **Third quarter, 2006**

Completion date **Third quarter, 2007**

M. Attach the following permits:

1. Franchise from either the City or County for the area requested. **To be lated filed as Exhibit I.**
2. Arizona Department of Environmental Quality or designee's approval to construct facilities. **To be late filed as Exhibit J.**

1 3. Arizona State Land Department approval. (If you are including any State land in your
requested area this approval is needed.) N/A

2 4. U.S. Forest Service approval. (If you are including any U.S. Forest Service land in your
3 requested area this approval is needed.) N/A

4 5. (WATER ONLY) If the area requested is within an Active Management Area, attach a
copy of either the utility's Designation of an Assured Water Supply or the developer's
5 Certificate of 100 Year Assured Water Supply issued by the Arizona Department of
Water Resources. **To be filed as late filed Exhibit K**

- 6
- 7 • If the area requested is outside an Active Management Area, attach the developer's
Adequacy Statement issued by the Arizona Department of Water Resources if applied
for by the developer.
 - 8 • If the area requested is outside an Active Management Area and the developer does not
9 obtain an Adequacy Statement, provide sufficient detailed information to prove that
adequate water exists to provide water to the area requested.

10 **N. Attached hereto as Exhibit L is the Notice to Customers and Property Owners for the**
11 **subject area. The Affidavit of Mailing/Publication will be late filed as an Exhibit.**

12 SALLQUIST, DRUMMOND & O'CONNOR, P.C.

13
14 _____
Richard L. Sallquist
4500 S Lakeshore Drive
15 Suite 339
Tempe, Arizona 85282
16 Attorneys for Utility Source, LLC

EXHIBITS

- A. Certificate of Good Standing
- B. Legal Description
- C. Map
- D. Financial Statements as of August 1, 2005
- E. Customer, Revenue and Expense Estimates
- F. Water Use Data Sheet
- G. Water Line Extension Agreement
- H. Wastewater Line Extension Agreement
- I. Late Filed County Franchise
- J. Late Filed ADEQ approvals
- K. Late files ADWR approval
- L. Notice to Customers and Property Owners

CERTIFICATE OF GOOD STANDING

Please see attached

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EXHIBIT A

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 Director of the Arizona Corporation Commission, do hereby certify that

*****UTILITY SOURCE, L.L.C.*****

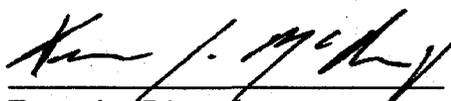
a domestic limited liability company organized under the laws of the State of Arizona, did organize on the 12th day of October 2001.

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 14th Day of September, 2005, A. D.




Executive Director

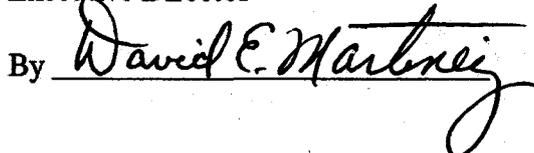
By 

EXHIBIT A

PROPERTY DESCRIPTION

Parcel Number:	A
Owner:	Empire Properties, LLC
Size:	Approx 90 Acres
Development:	350 Single Family Residences
Service Requested:	Water and Wastewater
Legal Description:	Please see attached Parcel A

Parcel Number:	B
Owner:	Win-Peters, Inc.
Size:	30 Acres
Development:	306 Mobile Home Park
Service Requested:	Wastewater Only
Legal Description:	Please see attached Parcel B

Parcel Number:	C
Owner:	Northwinds Commerce Park, LLC
Size:	20 Acres
Development:	30 Commercial/Industrial Lots
Service Requested:	Wastewater Only
Legal Description:	Please see attached Parcel C

Parcel Number:	D
Owner:	Flagstaff Meadows R.V. Park, LLC
Size:	20 Acres
Development:	250 Recreational Vehicle Spaces
Service Requested:	Water and Wastewater
Legal Description:	Please see attached Parcel D

Parcel Number:	E
Owner:	Greenfield Land Development Profit Sharing Plan
Size:	20 Acres
Development:	100 Town homes and 50 Single Family Residences
Service Requested:	Water and Wastewater
Legal Description:	Please see attached Parcel E

Parcel Number:	F
Owner:	Utility Source, LLC
Size:	3 Acres
Development:	Wastewater Treatment Plant
Service Requested:	Water and Wastewater
Legal Description:	Please see attached Parcel F

Exhibit A

PARCEL NO. 1:

That portion of the Northeast quarter of Section 1, Township 21 North, Range 5 East, Gila and Salt River Base and Meridian, Coconino County, Arizona, described as follows:

COMMENCING at the North quarter corner of said Section 1;
THENCE South 00° 10' 18" East along the North-South midsection line of said Section 1, a distance of 362.63 feet to the TRUE POINT OF BEGINNING;
THENCE North 89° 49' 53" East, a distance of 176.16 feet;
THENCE North 43° 51' 25" East, a distance of 186.12 feet to a point on the South right-of-way line of Shadow Mountain Drive, as dedicated on plat of Flagstaff Meadows Unit 1 recorded in Case 8, Maps 57-57D, records of Coconino County, Arizona;
THENCE South 46° 08' 35" East along said South right-of-way line, a distance of 1967.51 feet to the Northwest corner of Tract "B" of said Flagstaff Meadows Unit 1;
THENCE South 00° 12' 57" West along the West line of said Tract "B", a distance of 367.81 feet to the Northeast corner of Tract "F" of said Flagstaff Meadows Unit 1;
THENCE North 60° 13' 33" West along the Northerly line of said Tract "F", a distance of 277.14 feet to the Northwest corner thereof;
THENCE South 27° 47' 14" West along the Westerly line of said Tract "F", a distance of 339.37 feet to the Southwest corner thereof;
THENCE North 60° 03' 20" West, a distance of 1524.14 feet to a point on the North-South midsection line of said Section 1;
THENCE North 00° 10' 18" West along the North-South midsection line of said Section 1, a distance of 998.12 feet to the TRUE POINT OF BEGINNING.

PARCEL NO. 2:

That portion of Section 1, Township 21 North, Range 5 East of the Gila and Salt River Base and Meridian, Coconino County, Arizona, described as follows:

BEGINNING at a found 5/8" rebar with plastic cap "LS 19344" at the Northwest corner of Section 1, from which a found 3 1/2" aluminum cap "LS 14671" at the North quarter corner of Section 1 bears North 89° 52' 51" East, a distance of 2648.12 feet (measured and basis of bearing for this description) per revised ALTA/ACSM Land and Title Survey by Earl G. Watts, RLS 27253, on 4/22/04;

THENCE along the North Section line of said Section 1, North 89° 52' 51" East (record South 89° 58' 00" East), a distance of 1167.68 feet to a set 1/2" rebar with aluminum cap "LS 27253";

THENCE continuing along said line, North 89° 52' 51" East (record South 89° 58' 00" East), a distance of 654.73 feet to the TRUE POINT OF BEGINNING;

THENCE continuing along said line, North 89° 52' 51" East (record South 89° 58' 00" East), a distance of 825.71 feet to a found 3 1/2" aluminum cap "LS 14671" at the North quarter corner of said Section 1;

THENCE leaving said line, South 00° 24' 00" East, a distance of 1360.53 feet (record South 00° 14' 21" East, 1360.49 feet) to a found 5/8" rebar with plastic cap "LS 19344" on the North right-of-way line of Interstate Highway 40, as created in instrument recorded in Docket 211, page 240, records of Coconino County, Arizona;

THENCE along said right-of-way line, North 60° 16' 09" West, a distance of 1115.91 feet (record North 60° 03' 10" West, 1113.27 feet) to a found ADOT aluminum cap;

THENCE continuing along said right-of-way line, North 48° 41' 23" West (record North 48° 29' 10" West), a distance of 207.40 feet;

THENCE leaving said right-of-way line, South 89° 57' 57" East, a distance of 290.99 feet;

PARCEL A

THENCE North 00° 07' 09" West, a distance of 668.63 feet to the North line of said Section 1 and the TRUE POINT OF BEGINNING.

PARCEL NO. 3:

That portion of Section 1, Township 21 North, Range 5 East of the Gila and Salt River Base and Meridian, Coconino County, Arizona, described as follows:

BEGINNING at a found 5/8" rebar with plastic cap "LS 19344" at the Northwest corner of Section 1, from which a found 3 1/2" aluminum cap "LS 14671" at the North quarter corner of Section 1 bears North 89° 52' 51" East, a distance of 2648.12 feet (measured and basis of bearing for this description) per revised ALTA/ACSM Land and Title Survey by Earl G. Watts, RLS 27253, on 4/22/04;

THENCE along the North Section line of said Section 1, North 89° 52' 51" East (record South 89° 58' 00" East), a distance of 1167.68 feet to a set 1/2" rebar with aluminum cap "LS 27253" and the TRUE POINT OF BEGINNING;

THENCE continuing along said line, North 89° 52' 51" East (record South 89° 58' 00" East), a distance of 654.73 feet;

THENCE leaving said line, South 00° 07' 09" East, a distance of 668.63 feet;

THENCE North 89° 57' 57" West, a distance of 290.99 feet to the intersection with the Northerly right-of-way line of Interstate Highway 40, as created in instrument recorded in Docket 211, page 240, records of Coconino County, Arizona;

THENCE along said right-of-way line, North 48° 41' 23" West, a distance of 664.13 feet to a found ADOT aluminum cap stamped "NO. 1015";

THENCE leaving said right-of-way line, North 30° 19' 06" East, a distance of 264.91 feet to the North Section line of said Section 1 and the TRUE POINT OF BEGINNING.

LEGAL DESCRIPTION

The East half of the Southeast quarter of the Northwest quarter and the Southeast quarter of the Northeast quarter of the Northwest quarter of Section 35, Township 22 North, Range 5 East of the Gila and Salt River Base and Meridian, Coconino County, Arizona.

PARCEL B

LEGAL DESCRIPTION:

Parcel No. 1:

That part of section 35, Township 22 North, Range 5 east of the Gila and Salt River Base and Meridian, Coconino County, Arizona. Described as follows:

From the southeast corner of said section 35, a brass cap in hand hole, run N 01° 04' 15" E along the section line a distance of 662.95 feet to the true point of beginning;

Thence N 89° 57' 56" W, a distance of 659.88 feet;

Thence S 0° 56' 32" E, a distance of 51.96 feet to the northerly right of way line of Interstate 40;

Thence N 60° 03' 10" W along the northerly right of way line of Interstate 40, a distance of 548.63 feet;

Thence S 29° 56' 50" W a distance of 25.00 feet;

Thence N 60° 03' 10" W, a distance of 1655.04 feet to a point on Old Timber Road;

Thence N 5° 00' E along the easterly right of way line of Old Timber Road, a distance of 330.87 feet;

Thence S 60° 03' 10" E, a distance of 2188.72 feet;

Thence S 89° 57' 56" E, a distance of 659.28 feet to the east line of said Section 35;

Thence S 1° 04' 15" E along the section line, a distance of 268.49 feet to the true point of beginning.

Parcel No. 2:

That part of Section 35, Township 22 North, Range 5 east of the Gila and Salt River Base and Meridian, Coconino County, Arizona, described as follows:

From the center of said section 35, run S 89° 57' 27" W along the mid-section line, a distance of 870.23 feet to the true point of beginning;

Thence S 89° 57' 27" W along the midsection line, a distance of 445.53 feet;

Thence S 0° 23' 57" east, a distance of 156.97 feet to the northerly right of way line of Interstate 40;

Thence S 60° 03' 10" E along the northerly right of way line of Interstate 40, a distance of 1451.69 feet to the Old Timber Road;

Thence N 5° 00' E along the westerly right of way line of Old Timber Road, a distance of 394.95 feet;

Thence N 60° 03' 10" W, a distance of 978.53 feet to the true point of beginning.

PARCEL C

LOT 1

A PORTION OF THE SOUTHWEST QUARTER OF SECTION 36, TOWNSHIP 22 NORTH, RANGE 5 EAST OF THE GILA AND SALT RIVER BASE AND MERIDIAN, COCONINO COUNTY, ARIZONA, MORE PARTICULARLY DESCRIBED AS FOLLOWS:

COMMENCING AT THE SOUTHWEST CORNER OF SAID SECTION 36;
THENCE NORTH 01°03'21" WEST ALONG THE WEST LINE OF THE SOUTHWEST QUARTER OF SAID SECTION 36 A DISTANCE OF 226.41 FEET TO THE POINT OF BEGINNING;

THENCE CONTINUING NORTH 01°03'21" WEST 436.64 FEET TO A USDA ALUMINUM CAP REBAR MARKED "S-S 1/64 S35/S36 RLS 9431 1989";

THENCE SOUTH 89°54'02" EAST 666.59 FEET;

THENCE SOUTH 00°20'15" EAST 371.51 FEET;

THENCE SOUTH 89°40'18" EAST 33.94 FEET;

THENCE SOUTH 00°13'15" WEST 223.11 FEET;

THENCE NORTH 89°44'08" WEST 113.88 FEET TO THE BEGINNING OF A 743.51 FOOT RADIUS NON-TANGENT CURVE, CONCAVE TO THE NORTH, A RADIAL TO SAID BEGINNING BEARS

SOUTH 00°12'16" WEST;

THENCE WESTERLY, ALONG SAID CURVE, THROUGH A CENTRAL ANGLE OF 29°44'56" AN ARC DISTANCE OF 386.04 FEET;

THENCE NON-TANGENT TO SAID CURVE, NORTH 67°27'22" WEST 155.35 FEET TO THE POINT OF BEGINNING.

PARCEL D

EXHIBIT "A"**PARCEL NO. 1:**

That part of Section 6, Township 21 North, Range 6 East, Gila and Salt River Base and Meridian, Coconino County, Arizona, described as follows:

BEGINNING at the West quarter corner of said Section 6, being the POINT OF BEGINNING;

THENCE South 0° 00' 30" West along the West line of said Section 6, a distance of 251.25 feet measured (251.65 feet record) to the Northerly line of U.S. Interstate Highway 40, as described in instrument recorded in Docket 211, page 240, records of Coconino County, Arizona;

THENCE South 60° 03' 30" East, a distance of 895.05 feet measured (South 60° 03' 10" East, 895.05 feet record);

THENCE North 21° 40' 39" East, a distance of 806.30 feet to a point on the East-West midsection line;

THENCE South 87° 15' 51" West, a distance of 1074.61 feet measured (1053 feet record) to the POINT OF BEGINNING.

PARCEL NO. 2:

That part of the Northwest quarter of the Southwest quarter of Section 6, Township 21 North, Range 6 East, Gila and Salt River Base and Meridian, Coconino County, Arizona, described as follows:

COMMENCING at the West quarter corner of said Section 6;

THENCE East (assumed bearing) along the North line of said Northwest quarter of the Southwest quarter, a distance of 1053.00 feet to a point, said point being West (assumed bearing), a distance of 267.00 feet from the Northeast corner of the Northwest quarter of the Southwest quarter of said Section 6, said point being the TRUE POINT OF BEGINNING;

THENCE South 21° 40' 00" West, a distance of 751.57 feet to the Northeasterly right-of-way line of Interstate Highway No. 40 as described in instrument recorded in Docket 222, page 383, records of Coconino County, Arizona;

THENCE Southeasterly along said right-of-way of Interstate Highway 40, a distance of 692.87 feet, more or less, to the East line of the Northwest quarter of the Southwest quarter of said Section 6;

THENCE North (assumed bearing) along the East line of said Northwest quarter of the Southwest quarter, a distance of 1027.00 feet, more or less to the Northeast corner of the Northwest quarter of the Southwest quarter of said Section 6;

THENCE West (assumed bearing) along the North line of the Northwest quarter of the Southwest quarter of said Section 6, a distance of 267.00 feet to the TRUE POINT OF BEGINNING;

PARCEL E

EXHIBIT "A"
(Continued)

EXCEPT any portion lying within the following described property:

That part of the West half of the Southwest quarter of Section 6, Township 21 North, Range 6 East, Gila and Salt River Base and Meridian, Coconino County, Arizona, described as follows:

BEGINNING at the West quarter corner of said Section 6, marked by a U.S. G. L. O. Brass cap;

THENCE South $0^{\circ} 00' 30''$ West along the West line of said Section 6, a distance of 1094.74 feet to a 5/8 inch iron pin and an aluminum cap marking the intersection of the section line and the Northerly right-of-way line of U.S. Highway 66;

THENCE South $60^{\circ} 03' 30''$ East along the Northerly right-of-way line of U.S. Highway 66, a distance of 531.56 feet to Corner No. 4 of that property described in Docket 317, page 354, records of Coconino County, Arizona;

THENCE North $31^{\circ} 31' 00''$ East, a distance of 572.07 feet (record North $31^{\circ} 31' 00''$ East, 568 feet) to Corner No. 3, described in the above-referenced Docket;

THENCE North $33^{\circ} 52' 45''$ West, a distance of 60.02 feet (record North $33^{\circ} 52' 00''$ West, 60 feet) to Corner No. 2, described in the above-referenced Docket;

THENCE North $21^{\circ} 40' 39''$ East, a distance of 885.14 feet (record North $21^{\circ} 40' 00''$ East, 885.6 feet) to Corner No. 1, described in the above-referenced Docket;

THENCE North $21^{\circ} 40' 39''$ East, a distance of 55.19 feet to the intersection of the East-West mid-section line of said Section 6;

THENCE South $87^{\circ} 15' 51''$ West along the East-West mid-section line of said Section 6, a distance of 1074.61 feet to the POINT OF BEGINNING.



LOT 2

A PORTION OF THE SOUTHWEST QUARTER OF SECTION 36, TOWNSHIP 22 NORTH, RANGE 5 EAST OF THE GILA AND SALT RIVER BASE AND MERIDIAN, COCONINO COUNTY, ARIZONA, MORE PARTICULARLY DESCRIBED AS FOLLOWS:

COMMENCING AT THE SOUTHWEST CORNER OF SAID SECTION 36;
THENCE SOUTH 89°56'29" EAST ALONG THE SOUTH LINE OF THE SOUTHWEST QUARTER OF SAID SECTION 36, A DISTANCE OF 1141.95 FEET;
THENCE NORTH 02°24'39" WEST 24.44 FEET;
THENCE NORTH 89°54'33" WEST 211.55 FEET TO THE POINT OF BEGINNING;

THENCE CONTINUING NORTH 89°54'33" WEST 271.24 FEET;
THENCE NORTH 87°13'35" WEST 36.57 FEET;
THENCE NORTH 00°13'15" EAST 264.70 FEET;
THENCE NORTH 89°40'18" EAST 33.94 FEET;
THENCE NORTH 00°20'15" WEST 371.51 FEET;
THENCE SOUTH 89°54'02" EAST 293.21 FEET;
THENCE SOUTH 19°55'51" WEST 389.44 FEET;
THENCE SOUTH 45°56'35" WEST 87.94 FEET;
THENCE SOUTH 00°50'20" WEST 60.34 FEET;
THENCE SOUTH 13°35'23" WEST 33.78 FEET;
THENCE SOUTH 20°11'26" EAST 45.04 FEET;
THENCE NORTH 69°13'19" EAST 67.83 FEET;
THENCE SOUTH 37°02'07" EAST 84.38 FEET;
THENCE SOUTH 60°50'07" EAST 65.03 FEET TO THE POINT OF BEGINNING.

PARCEL F

KAIBAB NATIONAL FOREST

FND. USDA ALUM. CAP
MKD 'S-S 1/64 S35/S36
RLS 9431, 1989'

S 89° 54' 02" E
666.59'

S 89° 54' 02" E
293.21'

S 00° 20' 15" E
371.51'

LOT 2
129,635 SF
2.9760 AC

N 19° 55' 51" E
389.44'

LOT 1
356,302 SF
8.1796 AC

FND. AHD BRASS CAP

1141.95'

FND. AHD BRASS CAP

S 89° 56' 29" E 2649.10'

FND. 5/8" REBAR
W/TAG 'PE 2007'

N 01° 03' 21" W (BASIS OF BEARINGS)
436.64' (M)
436.71' (R)

DKT 550,
P 279, RCC

L17

663.05'

FND. AHD BRASS CAP
MKD '3+9/25'

226.39' (R)
226.41' (S)

S35

S36

S2

S1

L2

L3

223.11'

L16

L6

L7

L8

L9

L10

L11

COCONINO COUNTY: Coconino

RANGE 5 East

TOWNSHIP 22 North

6	5	4	3	2	1
7	8	9	10	11	12
18	17	16	15	14	13
19	20	21	22	23	24
30	29	28	27	26	25
31	32	33	34	35	36



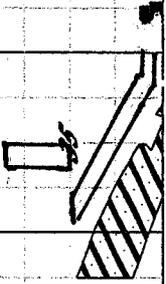
W-2526 (2)
Belmont Water Company



Utility Source, LLC - Phase I
Docket No. WS-4235-04-073
Application for CC&N for Water and Sewer



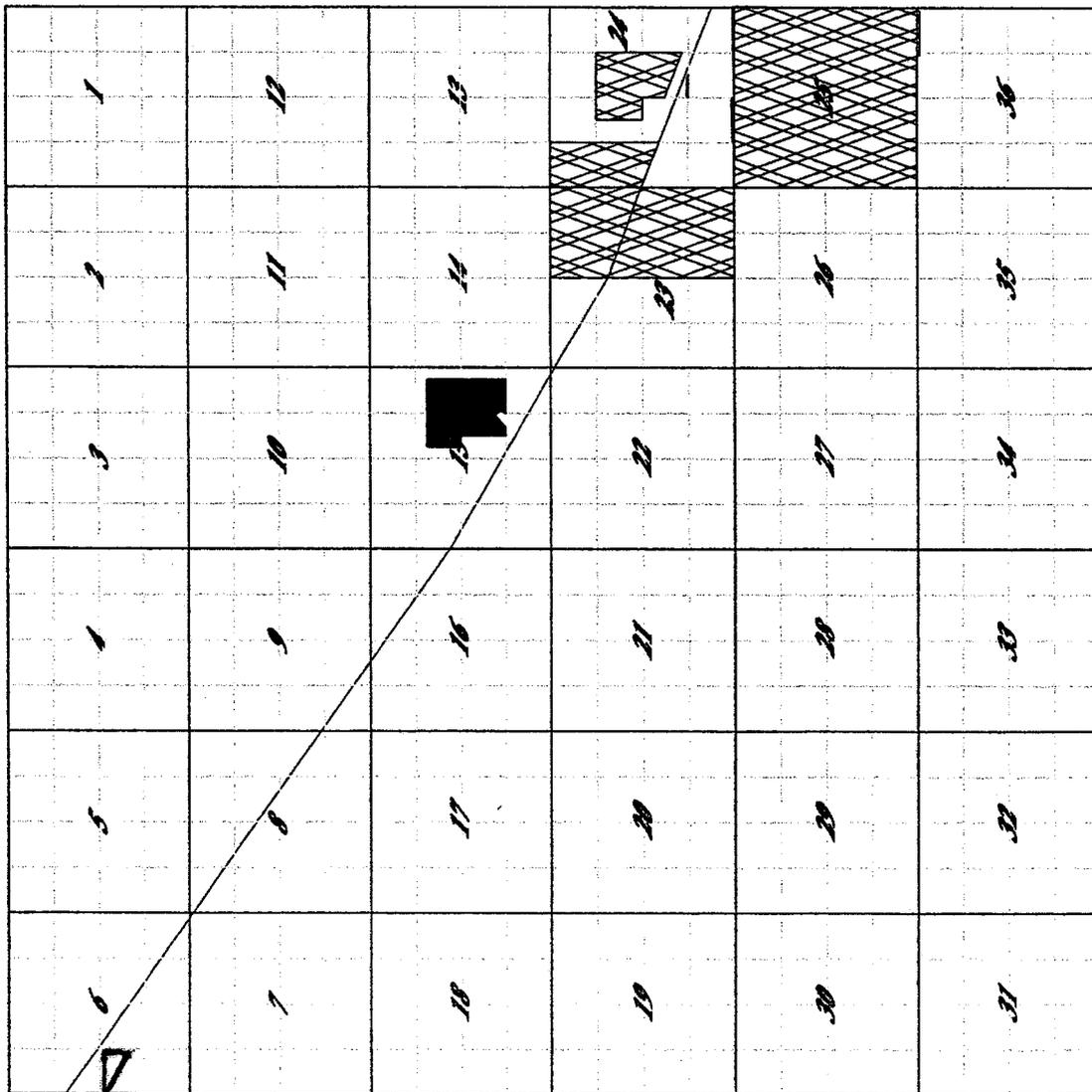
Utility Source, LLC
CC&N Extension Application
Waste Water Only



COCONINO COUNTY: Coconino

RANGE 6 East

TOWNSHIP 21 North



W-2502 (1)

Flagstaff Ranch Water Company, Inc.



(1)

A-1 Ranch Homeowner's Association
Adjudicated 'Not a Public Service Corporation'



Utility Source, LLC
CC&N Extension Application
Water and Waste Water

COCONINO COUNTY: Coconino

RANGE 5 East

TOWNSHIP 21 North

6	5	4	3	2	1
7	8	9	10	11	12
18	17	16	15	14	13
19	20	21	22	23	24
30	29	28	27	26	25
31	32	33	34	35	36

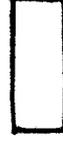


W-2526 (2)

Bellemont Water Company



Utility Source, LLC - Phase I
Docket No. WS-4235-04-073
Application for CC&N for Water and Sewer



Utility Source, LLC
CC&N Extension Application
Water and Waste Water

Utility Source, L.L.C.
Balance Sheet
As of August 31, 2005

	Aug 31, 05
ASSETS	
Current Assets	
Accounts Receivable	
141 · Customer Accounts Receivable	13,704.97
Total Accounts Receivable	13,704.97
Other Current Assets	
Returned Checks	200.00
Total Other Current Assets	200.00
Total Current Assets	13,904.97
Fixed Assets	
303 · Land and Land Rights	315,000.00
304 · Structures and Improvements	264,881.42
307 · Wells and Springs	2,061,057.24
310 · Power Generation Equipment	87,400.00
311 · Pumping Equipment	183,914.67
320 · Water Treatment Equipment	18,747.10
330 · Distribution Reservoirs and Sta	345,000.00
331 · Transmission and Distribution M	147,200.00
333 · Services	86,250.00
334 · Meters and Meter Installations	25,636.28
335 · Hydrants	34,500.00
354 · Perimeter Fencing	56,350.00
355 · Emergency Generator	32,200.00
361 · Collection Sewers-Gravity	260,553.40
363 · Services to Customers	60,375.00
367 · Flow Measuring Device	3,450.00
380 · Treatment and Disposal Equip	1,373,714.17
381 · Plant Sewers	185,423.50
382 · Outfall Sewer Lines	854.00
Total Fixed Assets	5,542,506.78
TOTAL ASSETS	5,556,411.75
LIABILITIES & EQUITY	
Liabilities	
Current Liabilities	
Other Current Liabilities	
230 · Sales Tax Payable	-176.62
Total Other Current Liabilities	-176.62
Total Current Liabilities	-176.62
Total Liabilities	-176.62
Equity	
201 · Partner Equity - Lonnie McCleve	4,567,762.27
202 · Partner Equity - Gary Bulechek	1,141,940.53
215 · Retained Earnings	-39,594.49
Net Income	-113,519.94
Total Equity	5,556,588.37
TOTAL LIABILITIES & EQUITY	5,556,411.75

Utility Source, L.L.C.
Income Statement
For the Eight Months Ended August 31, 2005

	<u>Sewer</u>	<u>Water</u>	<u>TOTAL</u>
Ordinary Income/Expense			
Income			
460 · Unmetered Water Revenue	0.00	13,168.96	13,168.96
461 · Metered Water Revenues	0.00	31,104.61	31,104.61
521 · Flat Rate Revenues	24,489.92	0.00	24,489.92
Total Income	<u>24,489.92</u>	<u>44,273.57</u>	<u>68,763.49</u>
Expense			
408.11 · Property Taxes	1,215.74	1,215.74	2,431.48
615 · Purchased Power (Water)	0.00	22,952.34	22,952.34
618 · Chemicals (Water)	0.00	282.58	282.58
620 · Repairs and Maintenance	0.00	8,559.32	8,559.32
621 · Office Supplies and Expense	0.00	1,255.24	1,255.24
630 · Outside Services	0.00	63,273.58	63,273.58
635 · Water Testing	0.00	5,809.11	5,809.11
675 · Miscellaneous Expenses	0.00	30,129.44	30,129.44
715 · Purchased Power	12,393.34	0.00	12,393.34
718 · Chemicals	1,752.36	0.00	1,752.36
720 · Materials and Supplies	9,864.28	0.00	9,864.28
731 · Contractual Serv-Professional	14,118.00	0.00	14,118.00
736 · Contractual Serv-Other	7,595.00	0.00	7,595.00
775 · Miscellaneous Expense	1,867.36	0.00	1,867.36
Total Expense	<u>48,806.08</u>	<u>133,477.35</u>	<u>182,283.43</u>
Net Ordinary Income	<u>-24,316.16</u>	<u>-89,203.78</u>	<u>-113,519.94</u>
Net Income	<u><u>-24,316.16</u></u>	<u><u>-89,203.78</u></u>	<u><u>-113,519.94</u></u>

UTILITY SOURCE, LLC
CC&N Application
Customer, Revenue and Expense Estimates

Year	New Customers	Monthly Usage (000)	Revenue per Customer per month	Total Water Revenue per Year	Water Expenses per Year (1)	Sewer Revenue per Year	Sewer Expenses per Year (2)
Residential							
2007	100	4.999	\$ 20.63	\$ 24,753	\$ 19,802	\$ 16,377	\$ 11,464
2008	200	4.999	\$ 20.63	\$ 49,505	\$ 39,604	\$ 32,753	\$ 22,927
2009	300	4.999	\$ 20.63	\$ 74,258	\$ 59,406	\$ 49,130	\$ 34,391
2010	400	4.999	\$ 20.63	\$ 99,010	\$ 79,208	\$ 65,507	\$ 45,855
2011	500	4.999	\$ 20.63	\$ 123,763	\$ 99,010	\$ 81,884	\$ 57,319

Commercial
2-inch

			Monthly Commodity \$ per Customer per Month	Total Rev per Year inc Minimums	Water Expenses per Year	Sewer Revenue per Year	Sewer Expenses per Year
2007	@ Avg Res						
Parcel B	31	152.969	N/A	N/A	N/A	\$ 4,901	\$ 3,431
Parcel C	3	14.997	N/A	N/A	N/A	\$ 481	\$ 336
Parcel D	7	32.494	\$ 110.51	\$ 1,326	\$ 1,061	\$ 1,041	\$ 729
Subtotal				\$ 1,326	\$ 1,061	\$ 6,423	\$ 4,496
2008							
Parcel B	46	229.454	N/A	N/A	N/A	\$ 7,352	\$ 5,146
Parcel C	5	22.496	N/A	N/A	N/A		
Parcel D	13	64.987	\$ 207.01	\$ 2,484	\$ 1,987	\$ 2,082	\$ 1,458
Subtotal				\$ 2,484	\$ 1,987	\$ 9,434	\$ 6,604
2009							
Parcel B	61	305.939	N/A	N/A	N/A	\$ 9,802	\$ 6,862
Parcel C	6	29.994	N/A	N/A	N/A		
Parcel D	16	81.234	\$ 255.26	\$ 3,063	\$ 2,451	\$ 2,603	\$ 1,822
Subtotal				\$ 3,063	\$ 2,451	\$ 12,405	\$ 8,684
2010							
Parcel B	77	382.424	N/A	N/A	N/A	\$ 12,253	\$ 8,577
Parcel C	8	37.493	N/A	N/A	N/A		
Parcel D	20	97.481	\$ 303.52	\$ 3,642	\$ 2,914	\$ 3,123	\$ 2,186
Subtotal				\$ 3,642	\$ 2,914	\$ 15,376	\$ 10,763
2011							
Parcel B	92	458.908	N/A	N/A	N/A	\$ 14,703	\$ 10,292
Parcel C	9	44.991	N/A	N/A	N/A		
Parcel D	23	113.727	\$ 351.77	\$ 4,221	\$ 3,377	\$ 3,644	\$ 2,551
Subtotal				\$ 4,221	\$ 3,377	\$ 18,347	\$ 12,843

Customer Growth

Year	Total	One	Two	Three	Four	Five
Residential						
Parcel A	350	70	140	210	280	350
Parcel E	150	30	60	90	120	150
Total Residential Customers		100	200	300	400	500
Commercial/Industrial						
Parcel B	306	31	46	61	77	92
Annual Occupancy %		10.0%	15.0%	20.0%	25.0%	30.0%
Parcel C	30	3	5	6	8	9
Annual Occupancy %		10.0%	15.0%	20.0%	25.0%	30.0%
Parcel D	130	7	13	16	20	23
Annual Occupancy %		5.0%	10.0%	12.5%	15.0%	17.5%
Total Commercial Customers		37	59	77	96	115
Total New Customers		137	259	377	496	615

(1) Water Revenue/Expense Ratio
(2) Wastewater Revenue/Expense Ratio

80.0%
70.0%

ARIZONA CORPORATION COMMISSION

Utilities Division

1200 WEST WASHINGTON PHOENIX ARIZONA 85007
 PHONES: 602-542-4251 1-800-222-7000

**EXTENSION AGREEMENT
 DATA SHEET**

EXTENSION AGREEMENT WITH:
CC&N Application

COMPANY NAME:
 DIVISION:
 W.A. No.:
 ACC No.: **WS-04235**

NUMBER OF PROPOSED CUSTOMERS: **966**

PROJECTED PEAK USAGE (DOMESTIC GPM): **399**

NUMBER OF CUSTOMERS BY MONTH FOR THE LAST 12 MONTHS	YEAR	
	2004	2005
JANUARY		260
FEBRUARY		275
MARCH		271
APRIL		280
MAY		284
JUNE		284
JULY		306
AUGUST	179	
SEPTEMBER	183	
OCTOBER	232	
NOVEMBER	242	
DECEMBER	242	

TOTAL GALLONS SOLD PER MONTH FOR LAST 12 MONTHS*	YEAR	
	2004	2005
JANUARY		1,204,501
FEBRUARY		1,037,249
MARCH		1,136,830
APRIL		1,297,720
MAY		1,485,040
JUNE		1,864,170
JULY		2,079,270
AUGUST	924,981	
SEPTEMBER	1,078,294	
OCTOBER	1,137,370	
NOVEMBER	983,536	
DECEMBER	958,784	

WELL PUMP CAPACITY (GPM) **							
GPM	WELL #	GPM	WELL #	GPM	WELL #	GPM	WELL #
7	A 55-559096	11	1 55-593267				
12	B 55-564258	23	2 55-598834				
10	C 55-503545	72	3 55-203241				
5	D 55-515325	345*	4 55-206887				
10	E 55-598623						

* Well not completed or tested as of filing

*** STORAGE CAPACITY (GALLONS): **680,000**

BOOSTER PUMP CAPACITY (GPM)							
GPM	BOOSTER	GPM	BOOSTER	GPM	BOOSTER	GPM	BOOSTER

Will additional well capacity be needed as a result of this agreement? Yes No

Will new booster stations be necessary to serve the proposed addition? Yes No

* Reported in 10³ gallons
 ** ADEQ designation
 *** Include ground storage

**ON-SITE LINE EXTENSION AGREEMENT
FOR
DEVELOPER INSTALLED WATER FACILITIES**

BETWEEN

UTILITY SOURCE, L.L.C.

AND

FOR
[SUBDIVISION]
COCONOINO COUNTY, ARIZONA

_____, 2005

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**ON-SITE LINE EXTENSION AGREEMENT
FOR DEVELOPER INSTALLED WATER FACILITIES**

THIS ON-SITE LINE EXTENSION AGREEMENT, entered into this ____ day of _____, 200__, by and between UTILITY SOURCE, L.L.C. (hereinafter referred to as the "Company"), and _____, an Arizona corporation, or its successors and assigns (hereinafter referred to as the "Developer"), is for the construction of utility infrastructure necessary to provide water utility service to [Subdivision] in Coconino County, Arizona (hereinafter called the "Development" and at times the "Property").

WITNESSETH:

WHEREAS, Company represents and warrants to Developer that it owns and operates a public service corporation and holds, or will hold, a Certificate of Convenience and Necessity issued by the Arizona Corporation Commission ("Commission") and other permits and governmental approvals required which authorize it to serve the public with water service at the Development; and

WHEREAS, Developer is developing the Property within the area requested to be certificated to the Company, which Development is more fully described in **Attachment 1** hereto and incorporated herein by reference for all purposes; and

WHEREAS, the Company has or will own and operate fully functional and permitted water production, storage, treatment, pressure and transmission facilities sufficient to serve the Development; and

WHEREAS, the Company does not presently have water distribution lines on the Property sufficient to serve the Development; and

WHEREAS, under such circumstances the Commission's Rules and Regulations permit the Company to require an Advance / Contribution In Aid of Construction to provide such facilities; and

NOW, THEREFORE, it is mutually covenanted and agreed by and between the parties hereto as follows:

I. ON-SITE FACILITIES ADDITIONS; COST; PAYMENT; OFF-SITE FACILITIES; OTHER CHARGES; METER ADVANCES AND GROUNDWATER REPLENISHMENT DISTRICT

A. On-Site Facilities Additions. The Developer will construct, or cause to be constructed certain facilities that upon completion will be conveyed to the Company as an Advance.

The engineering plans for those facilities are attached to this Agreement as **Attachment 2** hereto and incorporated herein by this reference for all purposes (the "Facilities"). The estimated cost of those Facilities is detailed on **Attachment 3** hereto and incorporated herein by this reference for all purposes (the "Estimated On-Site Facilities Cost for Domestic and Fire Protection Services"). For any subsequent phase or parcel within the Development, the Company and Developer shall enter into a separate agreement in substantially the same form as this Agreement.

B. Cost. The cost of construction of the Facilities as more fully detailed in **Attachment 3**, is estimated to be [\$141,378]. That estimate shall be adjusted to the amount of the invoices provided to the Company as required in Articles VI and VII. The Total Advance shall include applicable Engineering Review, Company Supervision, and Legal Fees, as hereinafter defined, plus applicable Income Taxes, as discussed in Paragraph VII.C., below.

C. Payment. Developer shall pay the Total Advance under this Agreement in accordance with Paragraphs VII B and C.

D. Off-Site Water Facilities. In addition to all other costs associated with the Development, the Developer shall advance or contribute as applicable, Off-Site Water Facilities as contemplated in the **Attachment 3** hereto. Payment for the Off-Site Facilities shall be made prior to commencement of construction of the Facilities to be installed by Developer pursuant to this Agreement.

E. Other Water Utility Charges. In the event the Developer (or Developer's subcontractor(s) or assign(s)) require construction water for grading, site preparation, road work, dust control or any other construction related purpose, the Developer may contact the Company and request Construction Water Service pursuant to the Company's Tariff.

F. Meter Advances and Wastewater Service. In the event Developer requests that the Company set a meter at a specific service address during Developer's construction of improvements on that lot and prior to the occupancy of the premises, the Developer shall pay all of the Company's applicable Tariffed rates and charges for the establishment of that service. The Meter Advance paid to establish that service shall be refunded to the customer at that service address in accordance with the Commission's Rules and Regulations. In the event the Development will also receive wastewater service from the Company at that same address under a separate On-Site Line Extension Agreement, the Developer shall simultaneously request wastewater service from the Company and pay the Company's applicable Tariffed rates and charges for establishment and availability of that service, whether or not that service is continuously utilized.

II. SERVICE; APPLICABLE RATES

A. Service. Notwithstanding any reference to fire protection facilities contained in **Attachment 2** or **Attachment 3** hereto, the Facilities additions are being installed primarily for the purpose of providing domestic water service to the Development. However, under certain operating conditions, those Facilities may provide limited fire protection service to an appropriate fire protection agency. Company's obligation for service shall be as set by the stricter

of AAC R14-2-407(C) and (D) or this Agreement. Company shall comply with such regulations and any other applicable law. Service will be provided in accordance with good utility practice.

B. Applicable Rates. It is mutually understood and agreed that the charges for water services to said Development shall be at the applicable rates of the Company which are currently on file with the Commission. Those rates are subject to change from time to time upon application of the Company and as approved by the Commission.

III. PERMITS AND LICENSES; EASEMENTS; TITLE

A. Permits and Licenses. Developer agrees to obtain at its sole expense all licenses, permits, certificates and approvals from public authorities which may be required for the construction of the Facilities on the Property under this Agreement or development of the subject Property and shall comply with all municipal and other public laws, ordinances and requirements in regard to the same. The cost of obtaining such licenses, permits, certificates and approvals for the Facilities shall be added to the amount of the refundable Advance In Aid Of Construction. The applicable health department Approval to Construct the Facilities shall be provided upon execution of the Agreement. The Approval of Construction shall be provided prior to the Company being obligated to provide service to the Development. As soon as possible, but in no event more than 365 days after the time of execution of this Agreement, the Developer shall also provide a copy of the Certificate of Assured Water Supply for the Development from the Arizona Department of Water Resources. That Certificate shall not be assigned or transferred by the Developer without prior written approval from the Company. To the extent permissible under the applicable law, all Grandfathered Water Rights associated with the land on which the Development is located shall be formally retired in favor of the Development or transferred to the Company. Said retirement or transfer shall be completed prior to the Company being obligated to serve the Development. The Company shall be responsible for obtaining all licenses, permits, certificates and approvals from public authorities which may be required for all other facilities into which the Developer constructed Facilities will be intertied and connected. The Company shall thereafter be responsible for the construction and operation at its cost of all other water facilities necessary to serve the Development.

B. Easements and Deeds. In the event the Facilities identified in **Attachment 2** hereto are not within a dedicated public right-of-way or public utility easement, then and in that event, the Developer shall provide to the Company an easement in favor of the Company and in a form acceptable to the Company. Said easement shall be sufficient in size and scope for the construction, operation, maintenance and repair of the Facilities within that area. All rights of way, public and private easements shall be and remain free of all obstacles which may interfere with the Company's access, use, operation and maintenance of the Facilities. Said easement shall be recorded prior to the Company being obligated to provide service to the Development. In the event of any dispute over the location of an easement, or a discrepancy from the recorded plat, the Company may require the Developer to obtain at Developer's cost a survey from a registered land surveyor to verify the easement boundaries. Said survey shall only be required to the extent necessary to identify and locate the legal description or to resolve the dispute or discrepancy. All well, storage and booster pump sites, if any, shall be deeded to the Company by special warranty

deed through a mutually acceptable title company in a form acceptable to the Company, free and clear of all liens and encumbrances, and with appropriate title insurance.

C. **Title.** All materials installed, Facilities constructed and equipment provided by Developer in connection with construction of the Facilities under this Agreement and the completed facilities as installed for which an Approval of Construction has been issued by the Arizona Department of Environmental Quality ("ADEQ") or the appropriate agency, and a copy of which has been delivered to the Company in accordance with Paragraph IVD., shall become the sole property of the Company. Full legal and equitable title thereto shall be then vested in the Company, free and clear of any liens, without the requirement of any written document of transfer to the Company. However, Developer agrees to execute or cause to be executed promptly such documents as counsel for the Company may request to evidence good and merchantable title to said facilities free and clear of all liens. The Company may confirm in writing the acceptance of title to the Facilities being placed in regular operation.

IV. COMMENCEMENT OF PERFORMANCE AND TIME OF COMPLETION; PLANS AND SPECIFICATIONS; WORKMANSHIP, MATERIALS, EQUIPMENT AND MACHINERY; ACCEPTANCE; CONNECTING NEW FACILITIES; EXISTING UNDERGROUND FACILITIES RESPONSIBILITIES

A. **Commencement of Performance and Time of Completion.** It is estimated that the Developer will start the construction work to be performed under this Agreement in _____, 200__ and will complete the construction work to be performed under this Agreement in _____, 200__. Failure to meet those estimated dates shall in no way relieve the Developer or Company of any of their obligations under this Agreement.

B. **Plans and Specifications.** All plans, specifications and construction shall be in accordance with good utility practices and in accordance with all rules, regulations, specifications and requirements of the Company and all regulatory agencies, including but not limited to, the Commission, ADEQ and all local regulatory agencies having jurisdiction over water service and facilities. All of said plans and specifications shall have all requisite approvals in writing of all necessary agencies and the approval in writing of Company before construction is commenced. The Company's review and comments shall be provided to the Developer within 20 calendar days after submittal of the plans and specifications to the Company. The Company's approval of the plans and specifications shall be provided within 20 calendar days after final resubmittal of the plans and specifications incorporating the Company's comments. Plans and specifications as approved by Company and all applicable agencies for water facilities to be constructed hereunder will be incorporated herein by reference and made part of this Agreement.

C. **Materials, Workmanship, Equipment and Machinery.** All materials shall be new and both workmanship and materials shall be of good quality which meet the specifications and standards of the Company, all regulatory agencies having jurisdiction over water service and facilities, including but not limited to the Commission, ADEQ and all local regulatory agencies. Developer shall assign to the Company the warranties of its contractor(s) for the Facilities to be built pursuant to this Agreement, which warranties shall be no less than two (2) years. If the

Developer constructs the Facilities itself, or the subcontractor's warranty is inadequate, the Developer agrees to pay all costs for removing and replacing any defective part or parts upon the Company providing written notice to the Developer within two (2) years after the Company acknowledged Final Acceptance of such Facilities.

D. Acceptance. Operational Acceptance of the Facilities by the Company shall occur at the time the Developer has provided all of the following items to the Company as required by this Agreement: (i) all fees, costs and funds required under this Agreement; (ii) the Approval to Construct the Facilities; and (iii) recorded copies of all required Deeds and Easements. The Company shall assume operational responsibilities for the Facilities only after receipt of the above. Final Acceptance of the Facilities by the Company shall occur only after the Company receives all of the following as otherwise required by this Agreement: (i) all items required for Operational Acceptance; (ii) the Approval of Construction; (iii) all invoices; (iv) all lien waivers; (v) copies of all permits and licenses; (vi) all required evidences of title; and (vii) the as-built" plans. If all documents for the Company's Final Acceptance are not received within sixty (60) days of the Operational Acceptance, the Company shall have no obligation to (i) set additional water meters within the Development; or (ii) make any refunds of the Advance pursuant to Paragraph VII, until such time as Developer has complied with these requirements.

E. Connecting New Facilities. The Facilities constructed pursuant to the Agreement shall not be connected to the Company's existing facilities, or operated, without the prior written approval of Company. In the event the Facilities require retesting, additional or subsequent purging and rechlorination after Operational Acceptance as hereinabove defined and prior to going into service, the Company may bill the Developer for all costs associated with those procedures.

F. Existing Underground Facilities Responsibility. Developer shall be responsible for complying with A.R.S. 40-360.21, et seq., and related local regulations, and will assume all costs and liabilities associated with (i) coordination with the owners or agents of all underground facilities within and adjacent to the Development regarding the location of such facilities, and (ii) construction near, or damage to, such underground facilities. Developer will conduct, or cause to be conducted, all excavation in a careful and prudent manner in its construction of all Facilities subject to this Agreement.

G. Additional Terms and Conditions. Any additional terms and conditions applicable to this Agreement are contained in **Attachment 4** attached hereto and incorporated herein by this reference for all purposes.

V. INSPECTION, TESTING AND CORRECTION OF DEFECTS; DAMAGE AFTER ACCEPTANCE; ADVISING SUBCONTRACTORS

A. Inspection, Testing and Correction of Defects. Developer shall comply with the inspection and testing requirements of the Company for the Facilities to be constructed hereunder. Said requirements shall be reasonable and shall not cause Developer unwarranted delays in the ordinary course of construction. Developer shall promptly notify the Company when Facilities

under construction are ready for inspection and testing. The Company will use its best efforts to inspect the progress of the work performed and determine whether the work is being performed in accordance with the Company's plans and specifications and all agreements between the parties within forty-eight (48) hours after the Developer requests an inspection (excluding Saturdays, Sundays, and Holidays). In the event a requested inspection results in overtime or off-hour costs to the Company, then and in that event the Company's costs, including all overheads, shall be separately billed to the Developer.

For the purpose of inspection and testing of everything covered by this Agreement, or the work thereon, Developer shall give the Company and any inspectors appointed by it, free access to the working places and furnish every facility for properly inspecting such materials and work and shall furnish them with full information whenever requested as to the progress of the work on its various parts. The approval of work by any such inspector shall not relieve Developer from its obligation to comply in all respects with the instructions and specifications to make the work a finished job of its kind, completed in accordance with the plans and specification approved by the Company and are satisfactory to the Company upon inspection and testing. Developer agrees that no inspection by or on behalf of the Company shall relieve Developer from its obligation to do and complete the work in accordance with this Agreement. If at any time before the final completion and acceptance of the work any part of the work is found to be defective or deficient in any way, or in any way fails to conform to this Agreement, the Company is hereby expressly authorized to reject or revoke acceptance of such defective or deficient work and require Developer to do over and make good on such defective work. No costs incurred by Developer to do over or make good on defective or deficient work shall be included in the Amount of Advance pursuant to Paragraph VIIA. The Company specifically reserves the right to withhold approval and to forbid connection of the Facilities constructed pursuant to this Agreement to the Company's system unless such Facilities have been constructed in accordance with the plans and specifications as approved by the Company and are satisfactory to the Company upon inspection and testing. Developer agrees that it will promptly correct all defects and deficiencies in construction, materials and workmanship upon request by the Company made subsequent to inspection by the Company.

B. Damage after Acceptance. Developer acknowledges that it will perform certain non-utility construction within the Development subsequent to the Operational Acceptance of the Facilities by the Company. Therefore, the Developer hereby agrees to immediately repair or replace, consistent with the plans and specifications, any damage to the Facilities caused by the Developer, its subcontractors or unknown parties. In the event the damage is to a water main six inches in diameter or larger, Developer shall call the Company for an inspection as contemplated in Paragraph VA.

C. Advising Subcontractors. Developer agrees that prior to the start of any construction under this Agreement, Developer will advise all agents, employees, and subcontractors who performed physical work in the Development that Developer has certain obligations under this Agreement, specifically those regarding Permits, Invoices, Lien Waivers and Title to the Facilities pursuant to Paragraph VI, and Inspections, Repairs and Damage to the Facilities during and after construction pursuant to Paragraph V. Developer's obligation to

advise its agents, employees and subcontractors of these matters shall not relieve Developer of its responsibilities for the above referenced items.

VI. APPROVAL OF CONSTRUCTION; INVOICES; LIENS; "AS-BUILT" PLANS; CONDITION PRECEDENT TO INITIAL SERVICE AND ANNUAL REFUNDS.

A. Approval of Construction. The Approval of Construction for the water Facilities that the Developer is obligated to obtain under Paragraph IIIA of this Agreement shall be delivered to the Company prior to the time the Company takes Operational Acceptance of the Facilities or is obligated to provide water or wastewater service to the Development.

B. Invoices. Developer agrees to furnish Company, within thirty (30) days after completion of construction, copies of Developer's, subcontractors', vendors' and all others' invoices for all engineering, surveying, and other services, materials installed, construction performed, equipment provided, materials purchased and all else done for construction pursuant to this Agreement, evidencing the actual cost thereof.

C. Liens. Developer acknowledges its duty to obtain lien waivers from all entities providing labor, materials or services contemplated by this Agreement. Developer hereby irrevocably waives any rights it may now have or which it may acquire during the course of this Agreement to record liens against the Company or its property. Developer shall also pay, satisfy and discharge, or bond over all mechanics', materialmen's and other liens, and all claims, obligations and liabilities which may be asserted against the Company or its property by reason of the Developer's construction of the improvements to be constructed pursuant to this Agreement.

D. "As-Built" Plans. Developer agrees to furnish the Company, within thirty (30) days after completion of construction, "as-built" drawings showing the locations of all water mains, hydrants, valves, and service connections to all structures served from Facilities which are constructed pursuant to this Agreement. The drawings shall be certified by the Developer's engineer of record and shall be provided on reproducible milar prints, and in a digital format (i.e. AutoCad, MicroStation or .dxf format or as otherwise specified by the Company), all available data for the Development, including ALTA surveys, topographical, aerials, tentative plats, engineering plans, and final plats. Red-lined construction drawings shall not be acceptable as "as-built" drawings.

E. Conditions Precedent to Initial Service and Annual Refunds. Developer acknowledges and agrees that the Company will not set a meter at any service address or provide service to any lot within the Development or make any annual refund of the Advance under Paragraph VII of this Agreement prior to the receipt of the documents required by Paragraph III.A, B and C, and Paragraphs VI.A, B, C and D hereof.

VII. AMOUNT OF ADVANCE; TIME OF PAYMENT; INCOME TAX; REFUND; TRANSFER; NOTICE

A. Amount of Advance. Based on the estimated cost contained in Paragraph IB, and subject to receiving invoices pursuant to Paragraph VIB, totaling at least the estimated cost and

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the income tax payable under Paragraph I.C, the Total Advance by the Developer shall be [\$140,380]. Of the Total Advance, [\$122,170] shall be refundable pursuant to this Paragraph VII. If the actual construction cost is less than the estimated Advance, the Advance shall be the lesser amount, to the extent supported by invoices provided pursuant to Paragraph VI.B. If the actual cost is more than the estimated Advance, the Advance shall be the greater amount, to the extent supported by invoices provided pursuant to Paragraph VI.A. If funds are advanced by the Developer for the construction by the Company, advances that are in excess of the actual construction cost, as well as advanced funds in excess of actual Engineering Review, Company Supervision and Legal Costs, will be refunded to the Developer within thirty (30) days of completion and acceptance of the construction.

B. Time of Payment. The payment of the Advance under this Agreement shall be as follows:

1. Upon execution of this Agreement, Developer shall advance the Engineering Review, Company Supervision and Legal Costs as set forth in **Attachment 3**. This portion of the Advance totals [\$8,889].
2. Upon completion of the construction to be performed by the Developer, Developer shall provide the documentation required by Paragraphs III, IV, V, and VI of this Agreement.

C. Income Taxes. In the event it is determined by Congress, the Internal Revenue Service, the Arizona Legislature or the Arizona Department of Revenue that all or a portion of the cost estimate in **Attachment 3** is taxable income to the Company as of the date of this Agreement, or upon receipt of said costs or facilities by the Company, the Developer will advance funds equal to the applicable income taxes for the Company's state and federal tax liability on all funds advanced pursuant to this Agreement. These funds shall be payable by the Developer to the Company immediately upon notification to the Developer of the determination by the appropriate agency having jurisdiction. At the time the refunds are made pursuant to Paragraph VII.D, the Company shall also refund that portion of the income taxes associated with that refund that were advanced under this Paragraph VII.C. The income tax advance refunds shall be based on the annual refund amount under Paragraph VII.D, and computed at the same rate the advance was originally assessed.

D. Computation of Refund. Refunds of the Advance In Aid of Construction shall be made to the Developer by the Company on or before the 31st day of August of each year commencing with August of 200_, covering any refunds owing from water revenues received during the preceding July 1 to June 30 period. Any additional charge made by the Company based on any sales, privilege tax, excise tax, or regulatory assessment, shall not be included in the computation. The annual refund shall equal ten percent (10%) of the total gross annual revenue from water sales to each bona fide customer in the Development for a period of ten (10) years. Such annual payments shall continue to be made by the Company to Developer until such time as Developer receives full amount of the Advance or for a period of ten (10) years, whichever occurs first. The ten (10) year period described herein shall begin from the date of this Agreement,

provided however, in the event the Developer has not provided all documentation required by Sections III and VI of this Agreement within ninety (90) days of the Operational Acceptance of the Facilities by the Company, then and in that event, refunds for the years before receipt of said documentation shall be irrevocably waived by the Developer, those funds shall become Contributions In Aid of Construction, and the ten year refund period shall not be extended beyond the original refund period. If the entire Advance has not been refunded to Developer at the end of such ten (10) year period, the Company's obligation to make such refund payments shall cease and the portion of the Advance that was not so refunded shall become non-refundable, and shall be entered as a Contribution In Aid of Construction in the accounts of the Company.

E. Maximum Refund; Interest on Advance; Limitation on Revenues. The refund to the Developer under this Agreement shall in no event exceed the amount of the Advance, as adjusted. No interest shall be paid by the Company on any amounts advanced. The Company shall make no refunds from any revenue received from properties other than those located within the phase of the Development covered by this Agreement and contained within the area identified in **Attachment 1** to this Agreement.

F. Right to Off-Set. In the event the Developer breaches any monetary or other obligation of the Developer to the Company that is capable of remedy by payment of funds to the Company, whether that obligation is due pursuant to this Agreement or any other Agreement or Tariff between the Company and the Developer, then and in that event, the Company may off-set the refund of the Advance to the Developer under Paragraph VII of this Agreement to the extent and for the period of time necessary to satisfy the Developer's obligation. This right of off-set shall in no way limit or delay the Company's right to pursue any and all legal or equitable remedies otherwise available to the Company.

G. Transfer of Facilities. In the event of the sale, conveyance or transfer by the Company, pursuant to the approval of the Commission, of any portion of its water system, including the Facilities serving the Development and installed pursuant to the terms of this Agreement, the Company's obligation under Paragraph VII.D hereto shall cease (except as to any payment which is then due) conditioned upon the transferee assuming, and agreeing to pay the Developer, any sums becoming payable to Developer thereafter in accordance with the provisions of Paragraph VII.D of this Agreement.

H. Company's Right of First Refusal. Before selling or transferring the obligation of the Company under this Agreement to refund the Advance, Developer shall first give the Company, or its assigns, reasonable opportunity to purchase the same at the same price and upon the same terms as contained in any bona fide offer which Developer has received from any third person or persons which he may desire to accept. This provision shall not apply to Developer's assigning or pledging the Agreement in connection with any lender's requirements.

I. Notice. Any notice required or permitted to be given under this Agreement shall be deemed delivered and be effective on the date physically delivered to the Party to whom notice is being provided or two (2) calendar days following the date on which the notice is

deposited in the United States Mail, postage prepaid, certified delivery, and addressed to the Party to whom notice is being provided as follows:

Company:

UTILITY SOURCE, L.L.C.
Attn: Lonnie McCleve
721 E. San Perdo
Gilbert, Arizona 85234

Developer:

Each Party shall promptly provide written notice to the other Party, as provided herein, of any subsequent change of address, and the failure to do so shall preclude any subsequent claim that notice was improperly given hereunder.

VIII. RISK; LIABILITY; INSURANCE

A. **Risk.** Developer shall carry on all work required hereunder at its own risk until the same is fully completed and accepted by the Company and will, in case of accident, destruction or injury to the work or material before such final completion and acceptance, replace or repair forthwith the work or materials so injured, damaged or destroyed, in accordance with the original approved plans and specifications and to the satisfaction of the Company and at Developer's own expense.

B. **Liability.** Developer hereby assumes the entire responsibility and liability for injury or death of any person, or loss for damage to any property contributed to or caused by the active or passive negligence of Developer, its agents, servants, employees, or subcontractors incurred during the course of construction of the facilities provided for in this Agreement. Accordingly, DEVELOPER WILL INDEMNIFY AND HOLD HARMLESS the Company, its officers, directors, engineers, agents and employees from and against such claims or expenses, including penalties and assessments, to which they or any of them may be subjected by reason of such injury, death, loss, claim, penalty, assessment or damage, and in case any suit or other proceeding shall be brought on account thereof, Developer will assume the defense at Developer's own expense and will pay all judgments rendered therein.

C. **Insurance.** Developer agrees to produce and maintain all insurances described below, including insurance covering the obligations assumed by Developer under Paragraph VIII.A

and Paragraph VIII.B hereof. Certificates of Issuance shall be provided to the Company before the commencement of actual construction.

1. Workmens' compensation in the benefit amounts, and occupational disease disability insurance, as required by the laws and regulations of the state.
2. Commercial general liability insurance, with minimum combined single limits of \$1,000,000.00, and including operations and protective liability coverages. When the work to be performed requires blasting, Developer's insurance shall specifically cover that risk.
3. Comprehensive automobile liability insurance with a minimum combined single limits of \$1,000,000.00, and covering all owned and non-owned automobiles or trucks used by or on behalf of Developer, in connection with the work.

IX. MISCELLANEOUS

Before this Agreement shall become effective and binding upon either the Company or the Developer, it must be approved by the Commission or its authorized representative. In the event that it is not so approved this Agreement shall be null and void and of no force or effect whatsoever. Each Party irrevocably warrants to the other that it has all applicable power and authority, actual, representative or otherwise, to enter into this Agreement and bind that Party's performance hereunder. This Agreement may not be modified or amended except by a writing signed by both parties. This Agreement shall be governed by and construed in accordance with the laws of the State of Arizona. This Agreement constitutes the entire agreement and understanding between the parties with respect to the subject matter hereof and expressly supersedes and revokes all other prior or contemporaneous promises, representations and assurances of any nature whatsoever with respect to the subject matter hereof. The remedies provided in this Agreement in favor of the Company shall not be deemed its exclusive remedies but shall be in addition to all other remedies available at law or in equity. No waiver by either party of any breach of this Agreement nor any failure by either party to insist on strict performance by the other party of any provision of this Agreement shall in any way be construed to be a waiver of any future or subsequent breach by such defaulting party or bar the non-defaulting party's right to insist on strict performance by the defaulting party of the provisions of this Agreement in the future. Developer is an independent contractor and not an agent or employee of the Company. This Agreement shall inure to the benefit of, be binding upon, and be enforceable by the parties hereto and their respective successors and assigns.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed as of the day and year first above written.

UTILITY SOURCE, L.L.C.

[DEVELOPER]

By: _____

By: _____

Its: _____

Its: _____

“Company”

“Developer”

ATTACHMENTS

1. Map and Legal Description of Development
2. Engineering Plan of Water Utility Plant
3. Estimated On-Site Facilities Cost for Domestic and Fire Protection Services
4. Additional Terms and Conditions

ATTACHMENT 1

MAP AND LEGAL DESCRIPTION OF DEVELOPMENT

___ Single Family Residential Lots within [Subdivision], a subdivision in Coconino County, Arizona.

Please see attached plat plan.

[To be provided by the Developer]

ATTACHMENT 2

ENGINEERING PLAN OF WATER UTILITY PLANT

[To be provided by the Developer]

SAMPLE

ATTACHMENT 3

**ESTIMATED ON-SITE FACILITIES COST
FOR
DOMESTIC AND FIRE PROTECTION SERVICES ¹**

<u>Description</u>	<u>Quantity</u>	<u>Unit Cost</u>	<u>Refundable</u>	<u>Non-Refundable</u>	<u>TOTAL</u>
12" PVC WATERLINE	804 LF	\$21.89	\$17,600		\$17,600
8" PVC WATERLINE	3,558 LF	\$11.32	\$40,260		\$40,260
8" PVC WATERLINE	62.40 LF	\$12.67	\$791		\$791
6" PVC WATERLINE	957 LF	\$8.17	\$7,821		\$7,821
12" GATE VALVE, BOX & COVER	1.56 EA	\$1,180.95	\$1,842		\$1,842
8" GATE VALVE, BOX & COVER	8.72 EA	\$702.90	\$6,129		\$6,129
6" GATE VALVE, BOX & COVER	4 EA	477.76	\$1,911		\$1,911
12" MJ TEES	1.32 EA	\$489.66	\$646		\$646
CONNECT TO EXISTING LINE	1.36 EA		\$399		\$399
FIRE HYDRANT	7.24 EA	\$2,515.22		\$18,210	\$18,210
1" WATER SERVICE	55 EA	\$377.18	\$20,745		\$20,745
¼" SINGLE SERVICE	4 EA	\$282.89	\$1,132		\$1,132
M.J. TEES	6 EA	\$251.45	\$1,509		\$1,509
MJ BENDS	10.76 EA	\$203.03	\$2,185		\$2,185
TYPE "B" TAPPED CAP	.96 EA	\$288.04	\$277		\$277
CURB STOP W/ FLUSHING CAP	.24 EA	\$345.64	\$83		\$83
VERTICAL BEND RESTRAINT	1.44 EA	\$126.74	\$182		\$182
TAPPING SLEEVE AND VALVE	.24 EA	\$4,262.93	\$1,023		\$1,023
AIR RELEASE VALVE	.12 EA	\$1,468.98	\$176		\$176
12" TEE W/ MEGALUG RESTRAINT	.36 EA	\$576.07	\$207		\$207
ANCHOR BLOCKS	2.16 EA	\$28.80	\$62		\$62
INSTALL CAP DIAMETER	1.56 EA	\$115.21	\$180		\$180
INSTALL 12' DIP	31.20 EA	\$40.32	\$1,258		\$1,258
DIP UNDER STORM DRAIN	.72 EA	\$1,036.93	\$747		\$747
8" CAPPED PLUG & CURB STOP	4 EA	\$377.18	\$1,509		\$1,509
		Subtotal	\$108,674	\$18,210	\$126,884
ENGINEERING REVIEW, COMPANY SUPERVISION AND LEGAL COSTS (10%)			\$8,889		\$8,889
BONDS @ .7%			\$664		\$664
SALES TAX @ 4.29%			\$3,943		\$3,943
TOTAL ADVANCE/CONTRIBUTION			\$122,170	\$18,210	\$140,380

¹ The size and quantity of the required facilities and the cost of those facilities may be subsequently revised in accordance with the approved engineering plans for this Phase. Thereafter, this Attachment and the Agreement shall be revised to reflect actual cost pursuant to Paragraph IB.

ATTACHMENT 4

ADDITIONAL TERMS AND CONDITIONS

- Check and initial if none

Company

Developer

**ON-SITE LINE EXTENSION AGREEMENT
FOR
DEVELOPER INSTALLED WASTEWATER FACILITIES**

BETWEEN

UTILITIES SOURCE, L.L.C.

AND

**FOR
[SUBDIVISION]
COCONINO COUNTY, ARIZONA**

_____, 2005

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**ON-SITE LINE EXTENSION AGREEMENT
FOR DEVELOPER INSTALLED WASTEWATER FACILITIES**

THIS ON-SITE LINE EXTENSION AGREEMENT, entered into this ____ day of _____, 200_, by and between UTILITY SOURCE, L.L.C. (hereinafter referred to as the "Company"), and _____, an Arizona corporation, or its successors and assigns (hereinafter referred to as the "Developer"), is for the construction of utility infrastructure necessary to provide wastewater utility service to [Subdivision] in Coconino County, Arizona (hereinafter called the "Development" and at times the "Property").

WITNESSETH:

WHEREAS, Company represents and warrants to Developer that it owns and operates a public service corporation and holds, or will hold, a Certificate of Convenience and Necessity issued by the Arizona Corporation Commission ("Commission") and other permits and governmental approvals required which authorize it to serve the public with wastewater service at the Development; and

WHEREAS, Developer is developing the Property within the area requested to be certificated to the Company, which Development is more fully described in **Attachment 1** hereto and incorporated herein by reference for all purposes; and

WHEREAS, based partially on the Master Utility Agreement the Company has or will own and operate fully functional and permitted wastewater treatment, transmission, collection and disposal facilities sufficient to serve the Development; and

WHEREAS, the Company does not presently have wastewater collection lines on the Property sufficient to serve the Development; and

WHEREAS, under such circumstances the Commission's Rules and Regulations permit the Company to require a Advance / Contribution In Aid of Construction to provide such facilities; and

NOW, THEREFORE, it is mutually covenanted and agreed by and between the parties hereto as follows:

I. ON-SITE FACILITIES ADDITIONS; COST; PAYMENT; OFF-SITE FACILITIES AND REFUND; OTHER CHARGES; INITIATING SERVICE

A. On-Site Facilities Additions. The Developer will construct, or cause to be constructed certain facilities that upon completion will be conveyed to the Company as an Advance in Aid of Construction. The engineering plans for those facilities are attached to this Agreement as **Attachment 2** hereto and incorporated herein by this reference for all purposes. The estimated cost of those facilities is detailed on **Attachment 3** hereto and incorporated herein by this reference for all purposes (the "Estimated On-Site Facilities Cost"). For any subsequent phase or parcel within

the Development, the Company and Developer shall enter into a separate agreement in substantially the same form as this Agreement.

B. Cost. The cost of construction of the subject plant as more fully detailed in **Attachment 3**, is estimated to be [\$140,378]. That estimate shall be adjusted to the amount of the invoices provided to the Company as required in Articles VI and VII. The Total Advance shall include applicable Engineering Review, Company Supervision, and Legal Fees, plus applicable Income Taxes, as discussed in Paragraph VII.C., below.

C. Payment. Developer shall pay the Total Advance under this Agreement in accordance with Paragraphs VII B and C.

D. Off-Site Wastewater Facilities. In addition to all other costs associated with the Development, the Developer shall advance or contribute as applicable, Off-Site Wastewater Facilities as contemplated in the **Attachment 3** hereto. Payment for the Off-Site Facilities shall be made prior to commencement of construction of the Facilities to be installed by Developer pursuant to this Agreement.

E. Initiating Service. In the event Developer requests that the Company to set a water meter at a specific service address during Developer's construction of improvements on that lot and prior to the occupancy of the premises, the Developer shall simultaneously request wastewater service from the Company and pay all of the Company's applicable Tariffed rates and charges for the establishment and availability of that service, whether or not that service is continuously utilized.

II. SERVICE; APPLICABLE RATES

A. Service. The subject plant additions are being installed primarily for the purpose of providing domestic wastewater service to the Development. Company's obligation for service and timing of initial service to the Development shall be as set by the stricter of AAC R14-2-607(C) and (D), or this Agreement. Company shall comply with such regulations and any other applicable law. Service will be provided in accordance with good utility practice.

B. Applicable Rates. It is mutually understood and agreed that the charges for wastewater services to said Development shall be at the applicable rates of the Company which are currently on file with the Commission. Those rates are subject to change from time to time upon application of the Company and as approved by the Commission.

III. PERMITS AND LICENSES; EASEMENTS; TITLE

A. Permits and Licenses. Developer agrees to obtain at its sole expense all licenses, permits, certificates and approvals from public authorities which may be required for the construction of the Facilities on the Property under this Agreement or development of the subject Property and shall comply with all municipal and other public laws, ordinances and requirements in regard to the same. The cost of obtaining such licenses, permits, certificates and approvals for the Facilities shall be added to the amount of the Advance In Aid Of Construction. The

applicable health department Approval to Construct the Facilities shall be provided upon execution of the Agreement. The Approval of Construction shall be provided prior to the Company being obligated to provide service to the Development. The Company shall be responsible for obtaining all licenses, permits, certificates and approvals from public authorities which may be required under the Master Utility Agreement and for all other facilities into which the Developer constructed facilities will be intertied and connected. The Company shall thereafter be responsible for the construction and operation at its cost of all other wastewater facilities necessary to serve the Development.

B. Easements and Deeds. In the event the facilities identified in **Attachment 2** hereto are not within a dedicated public right-of-way or public utility easement, then and in that event, the Developer shall provide to the Company an easement in favor of the Company and in a form acceptable to the Company. Said easement shall be sufficient in size and scope for the construction, operation, maintenance and repair of the Facilities within that area. All rights of way, public and private easements shall be and remain free of all obstacles that may interfere with the Company's access, use, operation and maintenance of the Facilities. Said easement shall be recorded prior to the Company being obligated to provide service to the Development. In the event of any dispute over the location of an easement, or a discrepancy from the recorded plat, the Company may require the Developer to obtain at Developer's cost a survey from a registered land surveyor to verify the easement boundaries. Said survey shall only be required to the extent necessary to identify and locate the legal description or to resolve the dispute or discrepancy. All lift station sites, if any, shall be deeded to the Company by special warranty deed through a mutually acceptable escrow agreement in a form acceptable to the Company, free and clear of all liens and encumbrances, and with appropriate title insurance.

C. Title. All materials installed, Facilities constructed and equipment provided by Developer in connection with construction of the Facilities under this Agreement and the completed Facilities as installed for which an Approval of Construction has been issued by the Arizona Department of Environmental Quality ("ADEQ") or the appropriate agency, and a copy of which has been delivered to the Company in accordance with Paragraph VID shall become the sole property of the Company. Full legal and equitable title thereto shall be then vested in the Company, free and clear of any liens, without the requirement of any written document of transfer to the Company. However, Developer agrees to execute or cause to be executed promptly such documents as counsel for the Company may request to evidence good and merchantable title to said Facilities free and clear of all liens. The Company shall confirm in writing the acceptance of title to the On-Site Facilities.

**IV. COMMENCEMENT OF PERFORMANCE AND TIME OF COMPLETION;
PLANS AND SPECIFICATIONS; WORKMANSHIP, MATERIALS, EQUIPMENT
AND MACHINERY; ACCEPTANCE; CONNECTING NEW FACILITIES;
EXISTING UNDERGROUND FACILITIES RESPONSIBILITIES**

A. Commencement of Performance and Time of Completion. It is estimated that the Developer started the construction work to be performed under this Agreement in _____, 2005 and will complete the construction work to be performed under this Agreement in _____,

2005. Failure to meet those estimated dates shall in no way relieve the Developer or Company of any of their obligations under this Agreement.

B. Plans and Specifications. All plans, specifications and construction shall be in accordance with good utility practices and in accordance with all rules, regulations, specifications and requirements of the Company and all regulatory agencies, including but not limited to the Commission, the ADEQ and all local regulatory agencies having jurisdiction over water service and facilities. All of said plans and specifications shall have all requisite approvals in writing of all necessary agencies and the approval in writing of Company before construction is commenced. The Company's review and comments shall be provided to the Developer within 20 calendar days after submittal of the plans and specifications to the Company. The Company's approval of the plans and specifications shall be provided within 20 calendar days after final resubmittal of the plans and specifications incorporating the Company's comments. Plans and specifications as approved by Company and all applicable agencies for wastewater Facilities to be constructed hereunder will be incorporated herein by reference and made part of this Agreement.

C. Materials, Workmanship, Equipment and Machinery. All materials shall be new and both workmanship and materials shall be of good quality which meet the specifications and standards of the Company, all regulatory agencies having jurisdiction over water service and facilities, including but not limited to the Commission, the ADEQ and all local regulatory agencies. Developer shall assign to the Company the warranties of its contractor(s) for the Facilities to be built pursuant to this Agreement, which warranties shall be no less than two (2) years. If the Developer constructs the Facilities itself, or the subcontractor's warranty is inadequate, the Developer agrees to pay all costs for removing and replacing any defective part or parts upon the Company providing written notice to the Developer within two (2) years after the Company acknowledged Final Acceptance of such Facilities.

D. Acceptance. Operational Acceptance of the Facilities by the Company shall occur at the time the Developer has provided all of the following items to the Company as required by this Agreement: (i) all fees, costs and funds required under this Agreement; (ii) the Approval to Construct the Facilities; and (iii) all required Deeds and Easements. The Company shall assume operational responsibilities for the Facilities only after receipt of the above. Final Acceptance of the Facilities by the Company shall occur only after the Company receives all of the following as otherwise required by this Agreement: (i) all items required for Operational Acceptance; (ii) the Approval of Construction; (iii) all invoices; (iv) all lien waivers; (v) copies of all permits and licenses; (vi) all required evidences of title; and (vii) the "as-built" plans. If all documents for the Company's Final Acceptance are not received within sixty (60) days of the Operational Acceptance, the Company shall have no obligation to connect additional service lateral on lots within the Development, until such time as Developer has complied with these requirements.

E. Connecting New Facilities. The Facilities constructed pursuant to the Agreement shall not be connected to the Company's existing facilities, or operated, without the prior written approval of Company. In the event the Facilities require retesting or additional mandrelling, pressure testing or video inspection after Operational Acceptance as hereinabove defined and prior

to going into service, the Company may bill the Developer for all costs associated with that procedure.

F. Existing Underground Facilities Responsibility. Developer shall be responsible for complying with A.R.S. 40-360.21, et seq., and related local regulations, and will assume all costs and liabilities associated with (i) coordination with the owners or agents of all underground facilities within and adjacent to the Development regarding the location of such facilities, and (ii) construction near, or damage to, such underground facilities. Developer will conduct, or cause to be conducted, all excavation in a careful and prudent manner in its construction of all Facilities subject to this Agreement.

G. Additional Terms and Conditions. Any additional terms and conditions applicable to this Agreement are contained in **Attachment 4** attached hereto and incorporated herein by this reference for all purposes.

V. INSPECTION, TESTING AND CORRECTION OF DEFECTS; DAMAGE AFTER ACCEPTANCE; ADVISING SUBCONTRACTORS

Developer shall comply with the inspection and testing requirements of the Company for the Facilities to be constructed hereunder; said requirements shall be reasonable and shall not cause Developer unwarranted delays in the ordinary course of construction. Developer shall promptly notify the Company when Facilities under construction are ready for inspection and testing. The Company will use its best efforts to inspect the progress of the work performed and determine whether the work is being performed in accordance with the Company's plans and specifications and all agreements between the parties within forty-eight (48) hours after the Developer requests an inspection (excluding Saturdays, Sundays, and Holidays). In the event a requested inspection results in overtime or off-hour costs to the Company, then and in that event the Company's costs, including all overheads, shall be separately billed to the Developer.

For the purpose of inspection and testing of everything covered by this Agreement, or the work thereon, Developer shall give the Company and any inspectors appointed by it, free access to the working places and furnish every facility for properly inspecting such materials and work and shall furnish them with full information whenever requested as to the progress of the work on its various parts. The approval of work by any such inspector shall not relieve Developer from its obligation to comply in all respects with the instructions and specifications to make the work a finished job of its kind, completed in accordance with the plans and specification approved by the Company and are satisfactory to the Company upon inspection and testing. Developer agrees that no inspection by or on behalf of the Company shall relieve Developer from its obligation to do and complete the work in accordance with this Agreement. If at any time before the final completion and acceptance of the work any part of the work is found to be defective or deficient in any way, or in any way fails to conform to this Agreement, the Company is hereby expressly authorized to reject or revoke acceptance of such defective or deficient work and require Developer to do over and make good on such defective work. No costs incurred by Developer to do over or make good on defective or deficient work shall be included in the Amount of Contribution pursuant to Paragraph VIIA. The Company specifically reserves the right to withhold approval and to forbid connection

of the Facilities constructed pursuant to this Agreement to the Company's system unless such Facilities have been constructed in accordance with the plans and specifications as approved by the Company and are satisfactory to the Company upon inspection and testing. Developer agrees that it will promptly correct all defects and deficiencies in construction, materials and workmanship upon request by the Company made subsequent to inspection by the Company.

B. Damage after Acceptance. Developer acknowledges that it will perform certain non-utility construction within the Development subsequent to the Operational Acceptance of the Facilities by the Company. Therefore, the Developer hereby agrees to immediately repair or replace, consistent with the plans and specifications, any damage to the Facilities caused by the Developer, its subcontractors or unknown parties. In the event the damage is to a collection main six inches in diameter or larger, Developer shall call the Company for an inspection as contemplated in Paragraph VA.

C. Advising Subcontractors. Developer agrees that prior to the start of any construction under this Agreement, Developer will advise all agents, employees, and subcontractors who performed physical work in the Development that Developer has certain obligations under this Agreement, specifically those regarding Permits, Invoices, Lien Waivers and Title to the Facilities pursuant to Paragraph VI, and Inspections, Repairs and Damage to the Facilities during and after construction pursuant to Paragraph V. Developer's obligation to advise its agents, employees and subcontractors of these matters shall not relieve Developer of its responsibilities for the above referenced items.

VI. APPROVAL OF CONSTRUCTION; INVOICES; LIENS; "AS-BUILT" PLANS; CONDITION PRECEDENT TO INITIAL SERVICE

A. Approval of Construction. The Approval of Construction for the wastewater Facilities that the Developer is obligated to obtain under Paragraph IIIA of this Agreement shall be delivered to the Company prior to the time the Company takes Operational Acceptance of the Facilities or is obligated to provide water or wastewater service to the Development.

B. Invoices. Developer agrees to furnish Company, within thirty (30) days after completion of construction, copies of Developer's, subcontractors', vendors' and all others' invoices for all engineering, surveying, and other services, materials installed, construction performed, equipment provided, materials purchased and all else done for construction pursuant to this Agreement, evidencing the actual cost thereof.

C. Liens. Developer acknowledges its duty to obtain lien waivers from all entities providing labor, materials or services contemplated by this Agreement. Developer hereby irrevocably waives any rights it may now have or which it may acquire during the course of this Agreement to record liens against the Company or its property. Developer shall also pay, satisfy and discharge, or bond over all mechanics', materialmen's and other liens, and all claims, obligations and liabilities which may be asserted against the Company or its property by reason of the Developer's construction of the improvements to be constructed pursuant to this Agreement.

D. "As-Built" Plans. Developer agrees to furnish the Company, within thirty (30) days after completion of construction, "as-built" drawings showing the locations of all mains, manholes, valves, and service laterals and connections to all structures served from Facilities which are constructed pursuant to this Agreement. The drawings shall be certified by the Developer's engineer of record and shall be provided on reproducible milar prints, and in a digital format (i.e. AutoCad, MicroStation or .dxf format or as otherwise specified by the Company), all available data for the Development, including ALTA surveys, topographical, aerials, tentative plats, engineering plans, and final plats. Red-lined construction drawings shall not be acceptable as "As-built" drawings.

E. Condition Precedent to Initial Service. Developer acknowledges and agrees that the Company will not permit connection of any service lateral or provide service to any lot within the Development prior to the receipt of the documents required by Paragraph III.A., B and C, and Paragraphs VI.A., B, C and D hereof.

VII. AMOUNT OF ADVANCE; TIME OF PAYMENT; INCOME TAX; REFUND; NOTICE

A. Amount of Advance. Based on the estimated cost contained in Paragraph IB, and subject to receiving invoices pursuant to Paragraph VIB, totaling at least the estimated cost and the income tax payable under Paragraph I.C, the Total Advance /Contribution by the Developer shall be a total of [\$291,379]. Of the Total Advance [4150,000] shall be a non-refundable Contribution In Aid of Construction pursuant to this Paragraph VII. If the actual construction cost is less than the estimated Contribution, the Contribution shall be the lesser amount, to the extent supported by invoices provided pursuant to Paragraph VI.B. If the actual cost is more than the estimated Contribution, the Contribution shall be the greater amount, to the extent supported by invoices provided pursuant to Paragraph VI.A. If funds were advanced by the Developer for the construction by the Company, advances in excess of the actual construction, as well as advanced funds in excess of actual Engineering Review, Company Supervision and Legal Costs, will be refunded to the Developer within thirty (30) days of completion and acceptance of the construction.

B. Time of Payment. The payment of the Advance under this Agreement shall be as follows:

1. Upon execution of this Agreement, Developer shall advance the Engineering Review, Company Supervision and Legal Costs as set forth in **Attachment 3**. This Contribution totals [\$8,889].
2. Upon completion of the construction to be performed by the Developer, Developer shall provide the documentation required by Paragraphs III, IV, V, and VI of this Agreement.

C. **Income Taxes.** In the event it is determined by Congress, the Internal Revenue Service, the Arizona Legislature or the Arizona Department of Revenue that all or a portion of the cost estimate in **Attachment 3** is taxable income to the Company as of the date of this Agreement, or upon receipt of said costs or facilities by the Company, the Developer will advance funds equal to the applicable income taxes for the Company's state and federal tax liability on all funds advanced pursuant to this Agreement. These funds shall be payable by the Developer to the Company immediately upon notification to the Developer of the determination by the appropriate agency having jurisdiction. At the time the refunds are made pursuant to Paragraph VII.D, the Company shall also refund that portion of the income taxes associated with that refund that were advanced under this Paragraph VII.C. The income tax advance refunds shall be based on the annual refund amount under Paragraph VII.D, and computed at the same rate the advance was originally assessed.

D. **Computation of Refund.** Refunds of the Advance In Aid of Construction shall be made to the Developer by the Company on or before the 31st day of August of each year commencing with August of 200_, covering any refunds owing from water revenues received during the preceding July 1 to June 30 period. Any additional charge made by the Company based on any sales, privilege tax, excise tax, or regulatory assessment, shall not be included in the computation. The annual refund shall equal ten percent (10%) of the total gross annual revenue from water sales to each bona fide customer in the Development for a period of ten (10) years. Such annual payments shall continue to be made by the Company to Developer until such time as Developer receives full amount of the Advance or for a period of ten (10) years, whichever occurs first. The ten (10) year period described herein shall begin from the date of this Agreement, provided however, in the event the Developer has not provided all documentation required by Sections III and VI of this Agreement within ninety (90) days of the Operational Acceptance of the Facilities by the Company, then and in that event, refunds for the years before receipt of said documentation shall be irrevocably waived by the Developer, those funds shall become Contributions In Aid of Construction, and the ten year refund period shall not be extended beyond the original refund period. If the entire Advance has not been refunded to Developer at the end of such ten (10) year period, the Company's obligation to make such refund payments shall cease and the portion of the Advance that was not so refunded shall become non-refundable, and shall be entered as a Contribution In Aid of Construction in the accounts of the Company.

E. **Maximum Refund; Interest on Advance; Limitation on Revenues.** The refund to the Developer under this Agreement shall in no event exceed the amount of the Advance, as adjusted. No interest shall be paid by the Company on any amounts advanced. The Company shall make no refunds from any revenue received from properties other than those located within the phase of the Development covered by this Agreement and contained within the area identified in **Attachment 1** to this Agreement.

F. **Right to Off-Set.** In the event the Developer breaches any monetary or other obligation of the Developer to the Company that is capable of remedy by payment of funds to the Company, whether that obligation is due pursuant to this Agreement or any other Agreement or Tariff between the Company and the Developer, then and in that event, the Company may off-set the refund of the Advance to the Developer under Paragraph VII of this Agreement to the extent

and for the period of time necessary to satisfy the Developer's obligation. This right of off-set shall in no way limit or delay the Company's right to pursue any and all legal or equitable remedies otherwise available to the Company.

G. Transfer of Facilities. In the event of the sale, conveyance or transfer by the Company, pursuant to the approval of the Commission, of any portion of its wastewater system, including the Facilities serving the Development and installed pursuant to the terms of this Agreement, the Company's obligation under Paragraph VII.D hereto shall cease (except as to any payment which is then due) conditioned upon the transferee assuming, and agreeing to pay the Developer, any sums becoming payable to Developer thereafter in accordance with the provisions of Paragraph VII.D of this Agreement.

H. Company's Right of First Refusal. Before selling or transferring the obligation of the Company under this Agreement to refund the Advance, Developer shall first give the Company, or its assigns, reasonable opportunity to purchase the same at the same price and upon the same terms as contained in any bona fide offer which Developer has received from any third person or persons which he may desire to accept. This provision shall not apply to Developer's assigning or pledging the Agreement in connection with any lender's requirements.

I. Notice. Any notice required or permitted to be given under this Agreement shall be deemed delivered and be effective on the date physically delivered to the Party to whom notice is being provided or two (2) calendar days following the date on which the notice is deposited in the United States Mail, postage prepaid, certified delivery, and addressed to the Party to whom notice is being provided as follows:

Company:

UTILITY SOURCE, L.L.C.
Attn: Lonnie McCleve
721 E. San Perdo
Gilbert, Arizona 85234

Developer:

Each Party shall promptly provide written notice to the other Party, as provided herein, of any subsequent change of address, and the failure to do so shall preclude any subsequent claim that notice was improperly given hereunder.

VIII. RISK; LIABILITY; INSURANCE

A. **Risk.** Developer shall carry on all work required hereunder at its own risk until the same is fully completed and accepted by the Company and will, in case of accident, destruction or injury to the work or material before such final completion and acceptance, replace or repair forthwith the work or materials so injured, damaged or destroyed, in accordance with the original approved plans and specifications and to the satisfaction of the Company and at Developer's own expense.

B. **Liability.** Developer hereby assumes the entire responsibility and liability for injury or death of any person, or loss for damage to any property contributed to or caused by the active or passive negligence of Developer, its agents, servants, employees, or subcontractors incurred during the course of construction of the facilities provided for in this Agreement. Accordingly, DEVELOPER WILL INDEMNIFY AND HOLD HARMLESS the Company, its officers, directors, engineers, agents and employees from and against such claims or expenses, including penalties and assessments, to which they or any of them may be subjected by reason of such injury, death, loss, claim, penalty, assessment or damage, and in case any suit or other proceeding shall be brought on account thereof, Developer will assume the defense at Developer's own expense and will pay all judgments rendered therein.

C. **Insurance.** Developer agrees to produce and maintain all insurances described below, including insurance covering the obligations assumed by Developer under Paragraph VIII.A and Paragraph VIII.B hereof. Certificates of Issuance shall be provided to the Company before the commencement of actual construction.

1. Workmens' compensation in the benefit amounts, and occupational disease disability insurance, as required by the laws and regulations of the state.
2. Commercial general liability insurance, with minimum combined single limits of \$1,000,000.00, and including operations and protective liability coverages. When the work to be performed requires blasting, Developer's insurance shall specifically cover that risk.
3. Comprehensive automobile liability insurance with a minimum combined single limits of \$1,000,000.00, and covering all owned and non-owned automobiles or trucks used by or on behalf of Developer, in connection with the work.

IX. MISCELLANEOUS

Each Party irrevocably warrants to the other that it has all applicable power and authority, actual, representative or otherwise, to enter into this Agreement and bind that Party's performance hereunder. This Agreement may not be modified or amended except by a writing signed by both parties. This Agreement shall be governed by and construed in accordance with the laws of the

State of Arizona. This Agreement constitutes the entire agreement and understanding between the parties with respect to the subject matter hereof and expressly supersedes and revokes all other prior or contemporaneous promises, representations and assurances of any nature whatsoever with respect to the subject matter hereof. The remedies provided in this Agreement in favor of the Company shall not be deemed its exclusive remedies but shall be in addition to all other remedies available at law or in equity. No waiver by either party of any breach of this Agreement nor any failure by either party to insist on strict performance by the other party of any provision of this Agreement shall in any way be construed to be a waiver of any future or subsequent breach by such defaulting party or bar the non-defaulting party's right to insist on strict performance by the defaulting party of the provisions of this Agreement in the future. Developer is an independent contractor and not an agent or employee of the Company. This Agreement shall inure to the benefit of, be binding upon, and be enforceable by the parties hereto and their respective successors and assigns.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed as of the day and year first above written.

UTILITY SOURCE, L.L.C.

[DEVELOPER]

By: _____

By: _____

Its: _____

Its: _____

“Company”

“Developer”

ATTACHMENTS

1. Map and Legal Description of Development
2. Engineering Plan of Wastewater Utility Plant
3. Estimated Facilities Cost
4. Additional Terms and Conditions

ATTACHMENT 1

MAP AND LEGAL DESCRIPTION OF DEVELOPMENT

___ Single Family Residential Lots within [Subdivision], a subdivision in Coconino County, Arizona.

Please see attached plat plan.

[To be provided by the Developer]

ATTACHMENT 2

ENGINEERING PLAN OF WASTEWATER UTILITY PLANT

[To be provided by the Developer]

SAMPLE

**ATTACHMENT 3
ESTIMATED ON-SITE FACILITIES COST
FOR
WASTEWATER SERVICE ¹**

<u>Description</u>	<u>Quantity</u>	<u>Unit Cost</u>	<u>Refundable</u>	<u>Non-Refundable</u>	<u>TOTAL</u>
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[INSERT DETAILS]

			Subtotal	\$0	\$126,884	\$126,884
ENGINEERING REVIEW, COMPANY SUPERVISION AND LEGAL FEES (10%)				\$0	\$8,889	\$8,889
BONDS @ .7%				\$0		\$664
SALES TAX @ 4.29%				\$0		\$3,943
TOTAL ON-SITE ADVANCE/CONTRIBUTION				\$0	\$140,379	\$140,379
OFF-SITE ADVANCE/CONTRIBUTION		(See attached)			\$150,000	\$150,000
TOTAL ADVANCE/CONTRIBUTION					\$291,379	\$290,379

¹ The size and quantity of the required facilities and the cost of those facilities may be subsequently revised in accordance with the approved engineering plans for this Phase. Thereafter, this Attachment and the Agreement shall be revised to reflect actual cost pursuant to Paragraph IB.

ATTACHMENT 3
ESTIMATED OFF-SITE FACILITIES COST
FOR
WASTEWATER SERVICE²

<u>Description</u>	<u>Quantity</u>	<u>Unit Cost</u>	<u>Refundable</u>	<u>Non-Refundable</u>	<u>TOTAL</u>
Santec 100,000GPD WWTP		[INSERT DETAILS]		\$150,000	\$150,000

TOTAL ON-SITE ADVANCE/CONTRIBUTION		Subtotal	\$0	\$150,000	\$150,000
			\$0	\$150,000	\$150,000

ATTACHMENT 4

ADDITIONAL TERMS AND CONDITIONS

- Check and initial if none

Company

Developer

**PUBLIC NOTICE OF AN APPLICATION FOR AN
EXTENSION OF ITS CERTIFICATE OF CONVENIENCE AND NECESSITY
BY UTILITY SOURCE, LLC**

Utility Source, LLC ("Utility") has filed with the Arizona Corporation Commission ("Commission") an application for authority for an extension of its Certificate of Convenience and Necessity to provide water and wastewater service. Our records indicate that you are either currently a customer of Utility or are a property owner in the proposed extension area. If the application is granted, Utility would be the exclusive provider of water and wastewater service to the proposed area. Utility will be required by the Commission to provide this service under the rates and charges and terms and conditions established by the Commission. The granting of the application would not necessarily prohibit an individual from providing service to themselves from individually owned facilities on their property. The application is available for inspection during regular business hours at the offices of the Commission in Phoenix at 1200 West Washington Street, Phoenix, Arizona 85007, and at 721 E. San Pedro, Gilbert, AZ 85234

The Commission will hold a hearing on this matter. As a property owner or customer you may have the entitled to intervene in the proceeding. If you do not want to intervene, you may appear at the hearing and make a statement on your own behalf. You may contact the Commission at the address and telephone number listed below for the date and time of the hearing and for more information on intervention. You may not receive any further notice of the proceeding unless requested by you.

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

Empire Properties. LLC

September 30, 2005

Lonnie McCleve
Utility Source, LLC
721 E. San Pedro
Gilbert, Arizona 85234

Re: Request for Utility Service

Dear Mr. McCleve:

We own the property described on the attached exhibit in the Coconino County. This area will be developed into Flagstaff Meadows, Unit III, a 350 unit residential subdivision as soon as all required approvals are obtained.

We hereby request that you provide water and wastewater service to this area as soon as possible, and proceed with applying to the Arizona Corporation Commission for a Certificate of Convenience and Necessity, to Coconino County for a Utility Franchise, and to any other appropriate agency for all other requisite authority necessary to provide the subject service.

We understand that we will be required to enter into the Company's standard line extension agreements pursuant to which we will pay for all on-site facilities plus Commission approved Hook-up Fees. We further understand that the water and wastewater service will be provided pursuant to the orders, rules, regulations, tariffs, terms and conditions authorized by the Arizona Corporation Commission which apply to the Company.

If we can provide further assistance to the Company in obtaining this required authority, please do not hesitate to call my office.

Sincerely,

Name: 

Address: 1016 W. UNIVERSITY HWY
FLAG AZ 86001

Phone No.: 928-22853-9109

ATTACHMENT TWO

Exhibit A

PARCEL NO. 1:

That portion of the Northeast quarter of Section 1, Township 21 North, Range 5 East, Gila and Salt River Base and Meridian, Coconino County, Arizona, described as follows:

COMMENCING at the North quarter corner of said Section 1;

THENCE South 00° 10' 18" East along the North-South midsection line of said Section 1, a distance of 362.63 feet to the TRUE POINT OF BEGINNING;

THENCE North 89° 49' 53" East, a distance of 176.16 feet;

THENCE North 43° 51' 25" East, a distance of 186.12 feet to a point on the South right-of-way line of Shadow Mountain Drive, as dedicated on plat of Flagstaff Meadows Unit 1 recorded in Case 8, Maps 57-57D, records of Coconino County, Arizona;

THENCE South 46° 08' 35" East along said South right-of-way line, a distance of 1967.51 feet to the Northwest corner of Tract "B" of said Flagstaff Meadows Unit 1;

THENCE South 00° 12' 57" West along the West line of said Tract "B", a distance of 367.81 feet to the Northeast corner of Tract "F" of said Flagstaff Meadows Unit 1;

THENCE North 60° 13' 33" West along the Northerly line of said Tract "F", a distance of 277.14 feet to the Northwest corner thereof;

THENCE South 27° 47' 14" West along the Westerly line of said Tract "F", a distance of 339.37 feet to the Southwest corner thereof;

THENCE North 60° 03' 20" West, a distance of 1524.14 feet to a point on the North-South midsection line of said Section 1;

THENCE North 00° 10' 18" West along the North-South midsection line of said Section 1, a distance of 998.12 feet to the TRUE POINT OF BEGINNING.

PARCEL NO. 2:

That portion of Section 1, Township 21 North, Range 5 East of the Gila and Salt River Base and Meridian, Coconino County, Arizona, described as follows:

BEGINNING at a found 5/8" rebar with plastic cap "LS 19344" at the Northwest corner of Section 1, from which a found 3 1/2" aluminum cap "LS 14671" at the North quarter corner of Section 1 bears North 89° 52' 51" East, a distance of 2648.12 feet (measured and basis of bearing for this description) per revised ALTA/ACSM Land and Title Survey by Earl G. Watts, RLS 27253, on 4/22/04;

THENCE along the North Section line of said Section 1, North 89° 52' 51" East (record South 89° 58' 00" East), a distance of 1167.68 feet to a set 1/2" rebar with aluminum cap "LS 27253";

THENCE continuing along said line, North 89° 52' 51" East (record South 89° 58' 00" East), a distance of 654.73 feet to the TRUE POINT OF BEGINNING;

THENCE continuing along said line, North 89° 52' 51" East (record South 89° 58' 00" East), a distance of 825.71 feet to a found 3 1/2" aluminum cap "LS 14671" at the North quarter corner of said Section 1;

THENCE leaving said line, South 00° 24' 00" East, a distance of 1360.53 feet (record South 00° 14' 21" East, 1360.49 feet) to a found 5/8" rebar with plastic cap "LS 19344" on the North right-of-way line of Interstate Highway 40, as created in instrument recorded in Docket 211, page 240, records of Coconino County, Arizona;

THENCE along said right-of-way line, North 60° 16' 09" West, a distance of 1115.91 feet (record North 60° 03' 10" West, 1113.27 feet) to a found ADOT aluminum cap;

THENCE continuing along said right-of-way line, North 48° 41' 23" West (record North 48° 29' 10" West), a distance of 207.40 feet;

THENCE leaving said right-of-way line, South 89° 57' 57" East, a distance of 290.99 feet;

THENCE North 00° 07' 09" West, a distance of 668.63 feet to the North line of said Section 1 and the TRUE POINT OF BEGINNING.

PARCEL NO. 3:

That portion of Section 1, Township 21 North, Range 5 East of the Gila and Salt River Base and Meridian, Coconino County, Arizona, described as follows:

BEGINNING at a found 5/8" rebar with plastic cap "LS 19344" at the Northwest corner of Section 1, from which a found 3 1/2" aluminum cap "LS 14671" at the North quarter corner of Section 1 bears North 89° 52' 51" East, a distance of 2648.12 feet (measured and basis of bearing for this description) per revised ALTA/ACSM Land and Title Survey by Earl G. Watts, RLS 27253, on 4/22/04;

THENCE along the North Section line of said Section 1, North 89° 52' 51" East (record South 89° 58' 00" East), a distance of 1167.68 feet to a set 1/2" rebar with aluminum cap "LS 27253" and the TRUE POINT OF BEGINNING;

THENCE continuing along said line, North 89° 52' 51" East (record South 89° 58' 00" East), a distance of 654.73 feet;

THENCE leaving said line, South 00° 07' 09" East, a distance of 668.63 feet;

THENCE North 89° 57' 57" West, a distance of 290.99 feet to the intersection with the Northerly right-of-way line of Interstate Highway 40, as created in instrument recorded in Docket 211, page 240, records of Coconino County, Arizona;

THENCE along said right-of-way line, North 48° 41' 23" West, a distance of 664.13 feet to a found ADOT aluminum cap stamped "NO. 1015";

THENCE leaving said right-of-way line, North 30° 19' 06" East, a distance of 264.91 feet to the North Section line of said Section 1 and the TRUE POINT OF BEGINNING.

Win-Peters, Inc.

September 30, 2005

Lonnie McCleve
Utility Source, LLC
721 E. San Pedro
Gilbert, Arizona 85234

Re: Request for Utility Service

Dear Mr. McCleve:

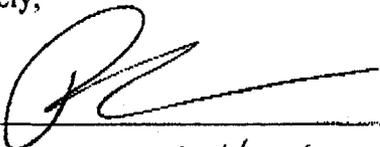
We own the property described on the attached exhibit in the Coconino County. This area will be developed into a 306 Space Mobile Home Park as soon as all required approvals are obtained.

We hereby request that you provide wastewater service to this area as soon as possible, and proceed with applying to the Arizona Corporation Commission for a Certificate of Convenience and Necessity, to Coconino County for a Utility Franchise, and to any other appropriate agency for all other requisite authority necessary to provide the subject service.

We understand that we will be required to enter into the Company's standard line extension agreements pursuant to which we will pay for all on-site facilities plus Commission approved Hook-up Fees. We further understand that the water and wastewater service will be provided pursuant to the orders, rules, regulations, tariffs, terms and conditions authorized by the Arizona Corporation Commission which apply to the Company.

If we can provide further assistance to the Company in obtaining this required authority, please do not hesitate to call my office.

Sincerely,

Name: 

Address: 8514 E Heat Mountain
DX AT 85016

Phone No. 602 977 2656

LEGAL DESCRIPTION

The East half of the Southeast quarter of the Northwest quarter and the Southeast quarter of the Northeast quarter of the Northwest quarter of Section 35, Township 22 North, Range 5 East of the Gila and Salt River Base and Meridian, Coconino County, Arizona.

CALL THE WORKING DATES
 EITHER FOR OR
 1. 500-3746-111

**FOR AGENCY
 DEVICEM/ANI V**

NO.	DESCRIPTION	DATE

SHEPARD - WESNITZER, INC.
 CIVIL ENGINEERING AND SURVEYING
 1146 W. HWY 89A SUITE B, SEDONA, AZ 86340
 (928) 282-1061

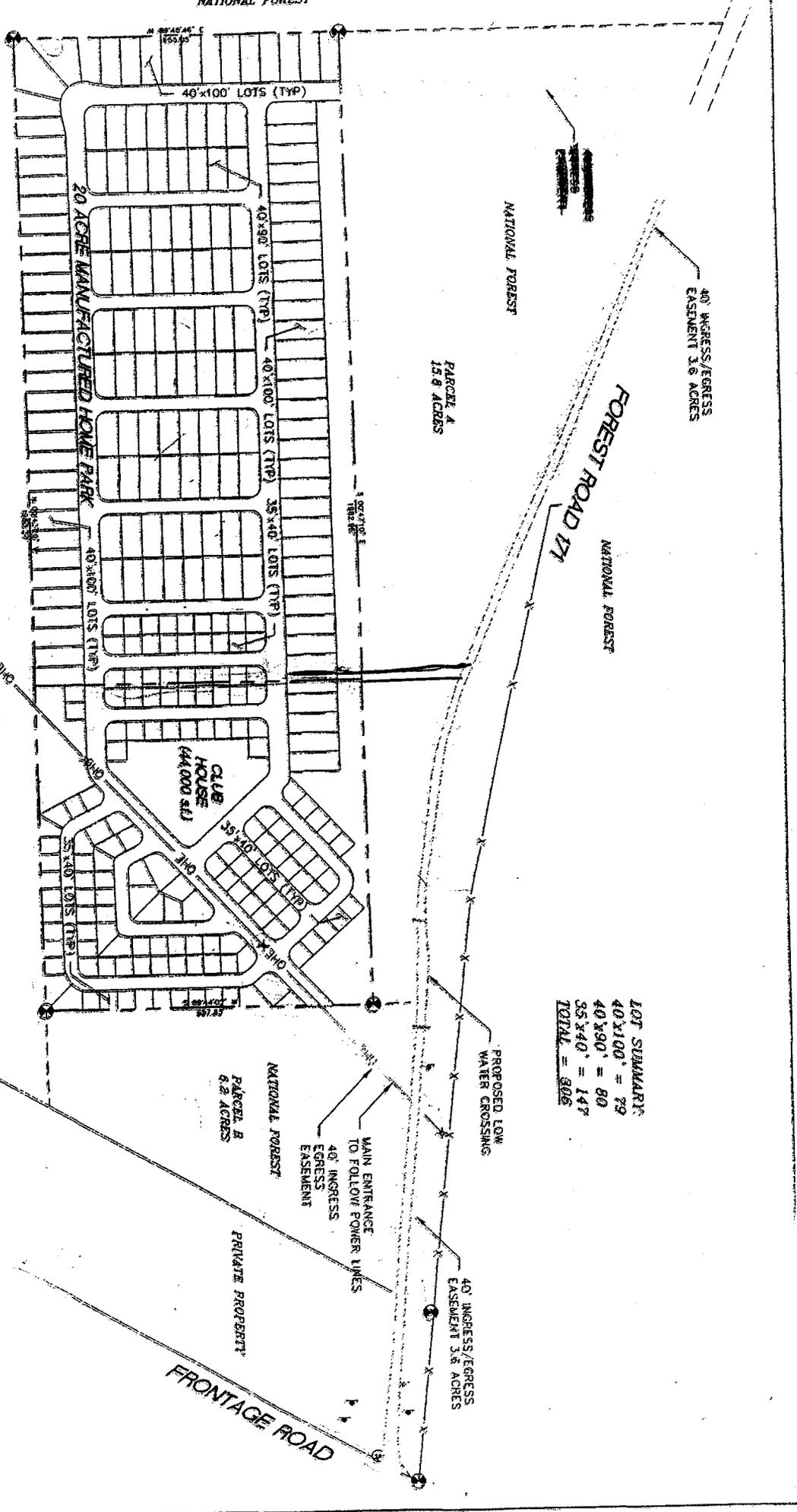
DATE	BY	REVISION

BELLEVILLE MOBILE PARK
 INGRESS EGRESS EASEMENT
 AND LAND EXCHANGE
 ALTERNATE 2

COCKEY COUNTY ARIZONA
 SHEET
 1
 OF 1
 SITE PLAN SHEET

30 AC

27 AC



Northwinds Commerce Park, LLC

September 30, 2005

Lonnie McCleve
Utility Source, LLC
721 E. San Pedro
Gilbert, Arizona 85234

Re: Request for Utility Service

Dear Mr. McCleve:

We own the property described on the attached exhibit in the Coconino County. This area will be developed into a 30 PAD Commercial/Industrial Park as soon as all required approvals are obtained.

We hereby request that you provide wastewater service to this area as soon as possible, and proceed with applying to the Arizona Corporation Commission for a Certificate of Convenience and Necessity, to Coconino County for a Utility Franchise, and to any other appropriate agency for all other requisite authority necessary to provide the subject service.

We understand that we will be required to enter into the Company's standard line extension agreements pursuant to which we will pay for all on-site facilities plus Commission approved Hook-up Fees. We further understand that the water and wastewater service will be provided pursuant to the orders, rules, regulations, tariffs, terms and conditions authorized by the Arizona Corporation Commission which apply to the Company.

If we can provide further assistance to the Company in obtaining this required authority, please do not hesitate to call my office.

Sincerely,

Name: 

Address: 0514 E Heatherbrook Dr
PHOENIX 85014

Phone No.: 602 977 2656

LEGAL DESCRIPTION:

Parcel No. 1:

That part of section 35, Township 22 North, Range 5 east of the Gila and Salt River Base and Meridian, Coconino County, Arizona. Described as follows:

From the southeast corner of said section 35, a brass cap in hand hole, run N 01° 04' 15" E along the section line a distance of 662.95 feet to the true point of beginning;

Thence N 89° 57' 56" W, a distance of 659.88 feet;

Thence S 0° 56' 32" E, a distance of 51.96 feet to the northerly right of way line of Interstate 40;

Thence N 60° 03' 10" W along the northly right of way line of Interstate 40, a distance of 548.63 feet;

Thence S 29° 56' 50" W a distance of 25.00 feet;

Thence N 60° 03' 10" W, a distance of 1655.04 feet to a point on Old Timber Road;

Thence N 5° 00' E along the easterly right of way line of Old Timber Road, a distance of 330.87 feet;

Thence S 60° 03' 10" E, a distance of 2188.72 feet;

Thence S 89° 57' 56" E, a distance of 659.28 feet to the east line of said Section 35;

Thence S 1° 04' 15" E along the section line, a distance of 268.49 feet to the true point of beginning.

Parcel No. 2:

That part of Section 35, Township 22 North, Range 5 east of the Gila and Salt River Base and Meridian, Coconino County, Arizona, described as follows:

From the center of said section 35, run S 89° 57' 27" W along the mid-section line, a distance of 870.23 feet to the true point of beginning;

Thence S 89° 57' 27" W along the midsection line, a distance of 445.53 feet;

Thence S 0° 23' 57" east, a distance of 156.97 feet to the northerly right of way line of Interstate 40;

Thence S 60° 03' 10" E along the northerly right of way line of Interstate 40, a distance of 1451.69 feet to the Old Timber Road;

Thence N 5° 00' E along the westerly right of way line of Old Timber Road, a distance of 394.95 feet;

Thence N 60° 03' 10" W, a distance of 978.53 feet to the true point of beginning.

Greenfield Land Development R.V. Park, LLC

September 30, 2005

Lonnie McCleve
Utility Source, LLC
721 E. San Pedro
Gilbert, Arizona 85234

Re: Request for Utility Service

Dear Mr. McCleve:

We own the property described on the attached exhibit in the Coconino County. This area will be developed into 250 Space Recreational Vehicle Park as soon as all required approvals are obtained.

We hereby request that you provide water and wastewater service to this area as soon as possible, and proceed with applying to the Arizona Corporation Commission for a Certificate of Convenience and Necessity, to Coconino County for a Utility Franchise, and to any other appropriate agency for all other requisite authority necessary to provide the subject service.

We understand that we will be required to enter into the Company's standard line extension agreements pursuant to which we will pay for all on-site facilities plus Commission approved Hook-up Fees. We further understand that the water and wastewater service will be provided pursuant to the orders, rules, regulations, tariffs, terms and conditions authorized by the Arizona Corporation Commission which apply to the Company.

If we can provide further assistance to the Company in obtaining this required authority, please do not hesitate to call my office.

Sincerely,

Name:

Address:

Phone No.:


721 E. San Pedro
Gilbert, AZ 85234
480-892-8756

LOT 1

A PORTION OF THE SOUTHWEST QUARTER OF SECTION 36, TOWNSHIP 22 NORTH, RANGE 5 EAST OF THE GILA AND SALT RIVER BASE AND MERIDIAN, COCONINO COUNTY, ARIZONA, MORE PARTICULARLY DESCRIBED AS FOLLOWS:

COMMENCING AT THE SOUTHWEST CORNER OF SAID SECTION 36;
THENCE NORTH 01°03'21" WEST ALONG THE WEST LINE OF THE SOUTHWEST QUARTER OF SAID SECTION 36 A DISTANCE OF 226.41 FEET TO THE POINT OF BEGINNING;

THENCE CONTINUING NORTH 01°03'21" WEST 436.64 FEET TO A USDA ALUMINUM CAP REBAR MARKED "S-S 1/64 S35/S36 RLS 9431 1989";
THENCE SOUTH 89°54'02" EAST 666.59 FEET;
THENCE SOUTH 00°20'15" EAST 371.51 FEET;
THENCE SOUTH 89°40'18" EAST 33.94 FEET;
THENCE SOUTH 00°13'15" WEST 223.11 FEET;
THENCE NORTH 89°44'08" WEST 113.88 FEET TO THE BEGINNING OF A 743.51 FOOT RADIUS NON-TANGENT CURVE, CONCAVE TO THE NORTH, A RADIAL TO SAID BEGINNING BEARS
SOUTH 00°12'16" WEST;
THENCE WESTERLY, ALONG SAID CURVE, THROUGH A CENTRAL ANGLE OF 29°44'56" AN ARC DISTANCE OF 386.04 FEET;
THENCE NON-TANGENT TO SAID CURVE, NORTH 67°27'22" WEST 155.35 FEET TO THE POINT OF BEGINNING.

Greenfield Land Development Profit Sharing Plan

September 30, 2005

Lonnie McCleve
Utility Source, LLC
721 E. San Pedro
Gilbert, Arizona 85234

Re: Request for Utility Service

Dear Mr. McCleve:

We own the property described on the attached exhibit in the Coconino County. This area will be developed into 100 Town Homes and 50 Single-Family residential units as soon as all required approvals are obtained.

We hereby request that you provide water and wastewater service to this area as soon as possible, and proceed with applying to the Arizona Corporation Commission for a Certificate of Convenience and Necessity, to Coconino County for a Utility Franchise, and to any other appropriate agency for all other requisite authority necessary to provide the subject service.

We understand that we will be required to enter into the Company's standard line extension agreements pursuant to which we will pay for all on-site facilities plus Commission approved Hook-up Fees. We further understand that the water and wastewater service will be provided pursuant to the orders, rules, regulations, tariffs, terms and conditions authorized by the Arizona Corporation Commission which apply to the Company.

If we can provide further assistance to the Company in obtaining this required authority, please do not hesitate to call my office.

Sincerely,

Name:

Address:

Phone No.:



721 E. San Pedro
Gilbert, Az. 85234

480-892-8756

EXHIBIT "A"**PARCEL NO. 1:**

That part of Section 6, Township 21 North, Range 6 East, Gila and Salt River Base and Meridian, Coconino County, Arizona, described as follows:

BEGINNING at the West quarter corner of said Section 6, being the POINT OF BEGINNING;

THENCE South $0^{\circ} 00' 30''$ West along the West line of said Section 6, a distance of 251.25 feet measured (251.65 feet record) to the Northerly line of U.S. Interstate Highway 40, as described in instrument recorded in Docket 211, page 240, records of Coconino County, Arizona;

THENCE South $60^{\circ} 03' 30''$ East, a distance of 895.05 feet measured (South $60^{\circ} 03' 10''$ East, 895.05 feet record);

THENCE North $21^{\circ} 40' 39''$ East, a distance of 806.30 feet to a point on the East-West midsection line;

THENCE South $87^{\circ} 15' 51''$ West, a distance of 1074.61 feet measured (1053 feet record) to the POINT OF BEGINNING.

PARCEL NO. 2:

That part of the Northwest quarter of the Southwest quarter of Section 6, Township 21 North, Range 6 East, Gila and Salt River Base and Meridian, Coconino County, Arizona, described as follows:

COMMENCING at the West quarter corner of said Section 6;

THENCE East (assumed bearing) along the North line of said Northwest quarter of the Southwest quarter, a distance of 1053.00 feet to a point, said point being West (assumed bearing), a distance of 267.00 feet from the Northeast corner of the Northwest quarter of the Southwest quarter of said Section 6, said point being the TRUE POINT OF BEGINNING;

THENCE South $21^{\circ} 40' 00''$ West, a distance of 751.57 feet to the Northeasterly right-of-way line of Interstate Highway No. 40 as described in instrument recorded in Docket 222, page 383, records of Coconino County, Arizona;

THENCE Southeasterly along said right-of-way of Interstate Highway 40, a distance of 692.87 feet, more or less, to the East line of the Northwest quarter of the Southwest quarter of said Section 6;

THENCE North (assumed bearing) along the East line of said Northwest quarter of the Southwest quarter, a distance of 1027.00 feet, more or less to the Northeast corner of the Northwest quarter of the Southwest quarter of said Section 6;

THENCE West (assumed bearing) along the North line of the Northwest quarter of the Southwest quarter of said Section 6, a distance of 267.00 feet to the TRUE POINT OF BEGINNING;



EXHIBIT "A"
(Continued)

EXCEPT any portion lying within the following described property:

That part of the West half of the Southwest quarter of Section 6, Township 21 North, Range 6 East, Gila and Salt River Base and Meridian, Coconino County, Arizona, described as follows:

BEGINNING at the West quarter corner of said Section 6, marked by a U.S. G. L. O. Brass cap;

THENCE South $0^{\circ} 00' 30''$ West along the West line of said Section 6, a distance of 1094.74 feet to a 5/8 inch iron pin and an aluminum cap marking the intersection of the section line and the Northerly right-of-way line of U.S. Highway 66;

THENCE South $60^{\circ} 03' 30''$ East along the Northerly right-of-way line of U.S. Highway 66, a distance of 531.56 feet to Corner No. 4 of that property described in Docket 317, page 354, records of Coconino County, Arizona;

THENCE North $31^{\circ} 31' 00''$ East, a distance of 572.07 feet (record North $31^{\circ} 31' 00''$ East, 568 feet) to Corner No. 3, described in the above-referenced Docket;

THENCE North $33^{\circ} 52' 45''$ West, a distance of 60.02 feet (record North $33^{\circ} 52' 00''$ West, 60 feet) to Corner No. 2, described in the above-referenced Docket;

THENCE North $21^{\circ} 40' 39''$ East, a distance of 885.14 feet (record North $21^{\circ} 40' 00''$ East, 885.6 feet) to Corner No. 1, described in the above-referenced Docket;

THENCE North $21^{\circ} 40' 39''$ East, a distance of 55.19 feet to the intersection of the East-West mid-section line of said Section 6;

THENCE South $87^{\circ} 15' 51''$ West along the East-West mid-section line of said Section 6, a distance of 1074.61 feet to the POINT OF BEGINNING.



LOT 2

A PORTION OF THE SOUTHWEST QUARTER OF SECTION 36, TOWNSHIP 22 NORTH, RANGE 5 EAST OF THE GILA AND SALT RIVER BASE AND MERIDIAN, COCONINO COUNTY, ARIZONA, MORE PARTICULARLY DESCRIBED AS FOLLOWS:

COMMENCING AT THE SOUTHWEST CORNER OF SAID SECTION 36;
THENCE SOUTH 89°56'29" EAST ALONG THE SOUTH LINE OF THE SOUTHWEST QUARTER OF SAID SECTION 36, A DISTANCE OF 1141.95 FEET;
THENCE NORTH 02°24'39" WEST 24.44 FEET;
THENCE NORTH 89°54'33" WEST 211.55 FEET TO THE POINT OF BEGINNING;

THENCE CONTINUING NORTH 89°54'33" WEST 271.24 FEET;
THENCE NORTH 87°13'35" WEST 36.57 FEET;
THENCE NORTH 00°13'15" EAST 264.70 FEET;
THENCE NORTH 89°40'18" EAST 33.94 FEET;
THENCE NORTH 00°20'15" WEST 371.51 FEET;
THENCE SOUTH 89°54'02" EAST 293.21 FEET;
THENCE SOUTH 19°55'51" WEST 389.44 FEET;
THENCE SOUTH 45°56'35" WEST 87.94 FEET;
THENCE SOUTH 00°50'20" WEST 60.34 FEET;
THENCE SOUTH 13°35'23" WEST 33.78 FEET;
THENCE SOUTH 20°11'26" EAST 45.04 FEET;
THENCE NORTH 69°13'19" EAST 67.83 FEET;
THENCE SOUTH 37°02'07" EAST 84.38 FEET;
THENCE SOUTH 60°50'07" EAST 65.03 FEET TO THE POINT OF BEGINNING.

DKT 550,
P 279, RCC

N 01° 03' 21" W (BASIS OF BEARINGS)

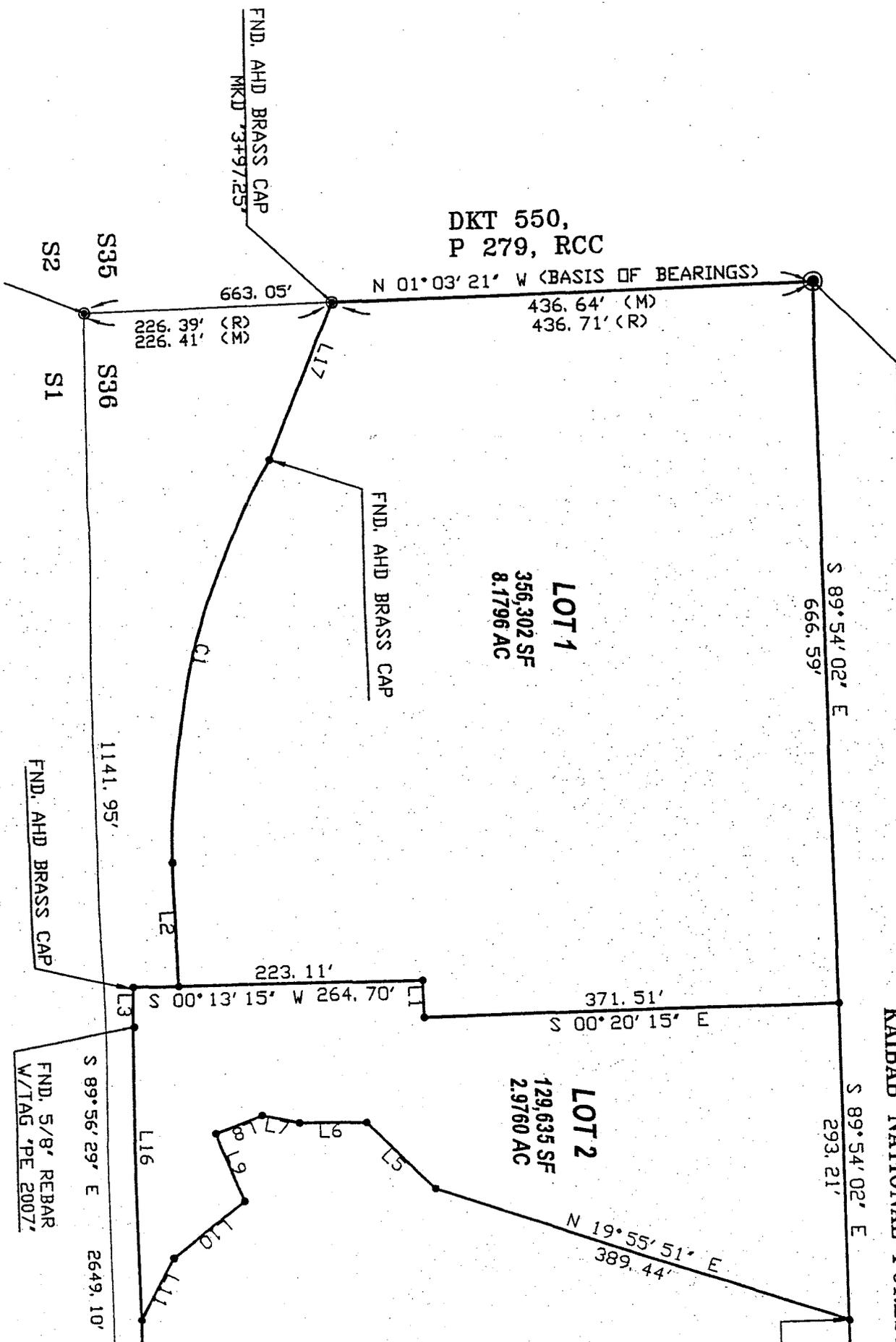
436.64' (M)
436.71' (R)

FND. USDA ALUM. CAP
MKD 'S-S 1/64 S35/S36
RLS 9431, 1989'

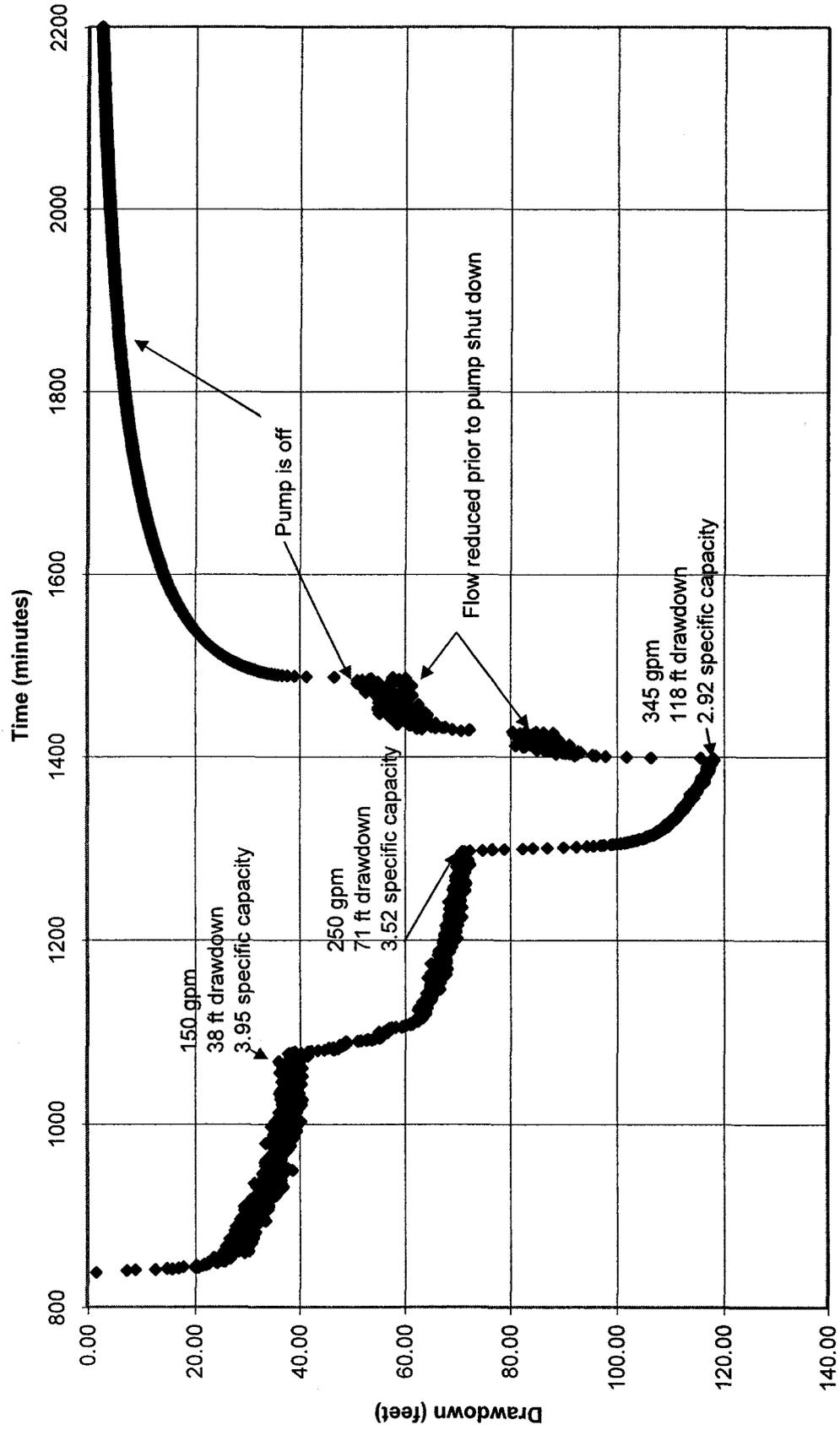
KAIBAB NATIONAL FOREST

LOT 1
356,302 SF
8.1796 AC

LOT 2
129,635 SF
2.9760 AC



**Deep Well 4 Preliminary Well Development Data Analysis
Greenfield Land Development**



COST ESTIMATES

Line Item	Notes	Estimated Cost
Facility Equipment (75,000 gpd)	Includes allowance for sludge handling equipment	\$761,369.00
Facility Construction & Installation	Includes allowance for site building	\$186,249.00
Operation & Maintenance	Per worksheet	\$49,472.00/ yr phase one
Operation & Maintenance	Per worksheet	\$87,480.00/ yr phase one & two
Facility Decommissioning	Removal and remediation	\$40,000.00
Post Closure Monitoring ¹	-----	-----
Force Main from Cabins @ the Peaks	Per 2003 Estimate	\$325,000.00

¹ Per closure plan all materials to be removed from site and site remediated

Facility Description

The permittee is authorized to operate a 0.150 million gallons per day (MGD) wastewater treatment plant (WWTP). The WWTP will be constructed in two phases. Phase one will have a treatment train of 75,000 gpd and phase two will add an additional train that will treat 75,000 gpd for a total of 150,000 gpd at build-out. The second phase will be added under an Other Amendment, consisting of an amendment application and a letter of intent to construct. The flow limit in the Table 4.0 of the APP will be limited to 75,000 gpd until the facility submits and receives approval of the Other Amendment for the second phase. The existing plant will remain in place but not in operation. However, if the existing plant or any part of it is ever used later, a Significant Amendment will be required for the operation of the new WWTP.

The WWTP process will consist of an influent lift station, headworks with bar screens, an equalization basin, anoxic and aeration tanks for nitrification-denitrification, secondary clarifiers, a chlorine disinfection contact tank, dechlorination, a sludge holding tank, sludge belt press thickeners, an effluent pump station, and a clay lined effluent holding pond. The effluent generated is discharged into an unnamed tributary to Volunteer Wash as regulated by AZPDES permit AZ0024708 and/or by reuse under a valid reuse permit.

Groundwater is first encountered in a shallow, perched fractured basalt bedrock aquifer at variable depths ranging from 7 feet to about 350 feet below the ground surface and the direction of groundwater flow is to the south-southwest. The WWTP is designed and constructed according to plans approved by the ADEQ Wastewater, Recharge, & Reuse Unit.

In addition to the APP conditions pertaining to treatment and disposal of sewage sludge, the permittee must also comply with the requirements for sewage sludge disposal in 40 Code of Federal Regulations (CFR) Part 503 and 18 A.A.C. Ch. 9, Art. 10.

SUPPLEMENTAL WWTP DATA

Assumptions:

- No 208 Plan Amendment is needed as expansion is near existing Plant
- Existing APP will be modified as new WWTP flows will use same discharge point.
- Construction will start in 2nd Quarter 2006, with completion within 60 days