

NEW APPLICATION

ORIGINAL



0000027732

# FARMERS WATER Co.

P.O. Box 7  
Sahuarita, AZ 85629-0007  
(520) 879-7474

November 17, 2005

Docket Control Center  
Arizona Corporation Commission  
1200 W. Washington St.  
Phoenix, AZ 85007-2996

W-01654A-05-0845

Enclosed is Farmers Water Co.'s application for an Extension of our CC&N.

Please note:

1. The requested extension area is adjacent to our existing CC&N.
2. A map showing the new development is enclosed.
3. The Baptist Church has its own domestic well. They do not have adequate flow for fire protection. This project will enable them to obtain sufficient fire flow to meet Pima County Code.
4. Sahuarita Park (Pima County Parks & Recreation) has its own well which they currently use for irrigation only. The water from this well is not potable, hence their desire to obtain drinking water from Farmers Water Co.
5. Please contact Warren E. Culbertson if you have questions or need further information.

Sincerely yours,

FARMERS WATER CO.

By Warren E. Culbertson  
Warren E. Culbertson, CEO

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AZ CORP COMMISSION  
DOCUMENT CONTROL

WEC:cm  
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**ARIZONA CORPORATION COMMISSION**

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

**WATER AND/OR SEWER**

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

FARMERS WATER CO.

P.O. BOX 7 (1525 E. SAHUARITA RD.)

SAHUARITA, AZ 85629 520-879-7474

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

WARREN E. CULBERTSON

P.O. BOX7(1525 E. SAHUARITA RD.)

SAHUARITA, AZ 85629 520-879-7473

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

JOHN (JACK) MILLER

P.O. BOX 7 (1525 E. SAHUARITA RD.)

SAHUARITA, AZ 85629 520-879-7433

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

T. PATRICK GRIFFIN

ONE SOUTH CHURCH AVE., SUITE 900

TUCSON, AZ 85701-1620 520-792-3836

E. Attach the following documents that apply to you:

1. Certificate of Good Standing (if corporation) Attachment A

2. Corporate Resolution Authorizing this application (if required by the corporation's Articles of Incorporation) Attachment A-1

F. Attach a legal description of the area requested by either **CADASTRAL** (quarter section description) or **Metes and Bounds** survey. References to parcels and docket numbers will not be accepted. Attachment B-1

G. Attach a detailed map using the form provided as attachment B. Shade and outline the area requested. Also indicate the present certificated area by using different colors. Attachment B

H. Attach a current balance sheet and profit and loss statement. Attachment C

I. Provide the following information:

1. Indicate the estimated number of customers, by class, to be served in the new area in each of the next five years:

**Residential:**

First Year 10 Second Year 30 Third Year 50 Fourth Year 72

Fifth Year 72

**Commercial:** Church Park

First Year -0- Second Year 2 Third Year 2 Fourth Year 2

Fifth Year 2

**Industrial:** N/A

First Year \_\_\_\_\_ Second Year \_\_\_\_\_ Third Year \_\_\_\_\_ Fourth Year \_\_\_\_\_

Fifth Year \_\_\_\_\_

**Irrigation:** N/A

First Year \_\_\_\_\_ Second Year \_\_\_\_\_ Third Year \_\_\_\_\_ Fourth Year \_\_\_\_\_

Fifth Year \_\_\_\_\_

Other: (specify) N/A

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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:

**Residential:**

First Year 1,200,000 Second Year 3,600,000 Third Year 5,040,000

Fourth Year 8,640,000 Fifth Year 8,640,000

**Commercial:**

First Year -0- Second Year 100,000 Third Year 150,000

Fourth Year 150,000 Fifth Year 150,000

**Industrial:** N/A

First Year \_\_\_\_\_ Second Year \_\_\_\_\_ Third Year \_\_\_\_\_

Fourth Year \_\_\_\_\_ Fifth Year \_\_\_\_\_

**Irrigation:** N/A

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:

First Year 2,340 Second Year 7,020 Third Year 11,700

Fourth Year 16,848 Fifth Year 16,848

- Complete Attachment "D" (Water Use Data Sheet) for the past 13 months

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

First Year 12,000 Second Year 10,000 Third Year 10,000

Fourth Year 10,000 Fifth Year 10,000

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

Attachment E

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

Developer (Estes Corp.) will pay for all water utility facilities. A mainline extension agreement will be executed by Farmers Water Co. and Developer.

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

Starting date July 2006 Completion date November 2006

M. Attach the following permits:

1. Franchise from either the City or County for the area requested. Attachment F
2. Arizona Department of Environmental Quality or designee's approval to construct facilities.  
Has not yet been issued.
3. Arizona State Land Department approval. (If you are including any State land in your requested area this approval is needed.) N/A
4. U.S. Forest Service approval. (If you are including any U.S. Forest Service land in your requested area this approval is needed.) N/A
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 Certificate of 100 Year Assured Water Supply issued by the Arizona Department of Water Resources.
  - 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. Developer is in the process of applying for an Assured Water Supply Certificate.

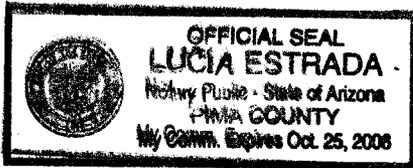
- If the area requested is outside an Active Management Area and the developer does not obtain an Adequacy Statement, provide sufficient detailed information to prove that adequate water exists to provide water to the area requested.

Warren E. Culbertson

(Signature of Authorized Representative)

Warren E. Culbertson

(Print or Type Name Here)



Chief Executive Officer

(Title)

SUBSCRIBED AND SWORN to before me this 17<sup>th</sup> day of November, 2005

Lucia Estrada

NOTARY PUBLIC

My Commission Expires

10/25/06

# 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

**\*\*\*FARMERS WATER CO.\*\*\***

a domestic corporation organized under the laws of the State of Arizona, did incorporate on February 11, 1959.

I further certify that according to the records of the Arizona Corporation Commission, as of the date set forth hereunder, the said corporation is not administratively dissolved for failure to comply with the provisions of the Arizona Business Corporation Act; and that its most recent Annual Report, subject to the provisions of A.R.S. sections 10-122, 10-123, 10-125 & 10-1622, has been delivered to the Arizona Corporation Commission for filing; and that the said corporation has not filed Articles of Dissolution 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 3rd Day of November, 2005, A. D.



  
EXECUTIVE SECRETARY

BY: 

MINUTES OF A SPECIAL MEETING OF  
THE BOARD OF DIRECTORS OF  
FARMERS WATER CO.

October 11, 2005

A Special Meeting of the Board of Directors of FARMERS WATER CO., pursuant to notice and the by-laws of the Corporation, was held in the conference room of Farmers Investment Co. in Sahuarita, Arizona, at 9:30 a.m., Tuesday, October 11, 2005.

The Directors present at the meeting were:

Richard S. Walden  
Warren E. Culbertson  
John (Jack) Miller  
Heather Triana

Upon motion made by Richard S. Walden and seconded by Jack Miller, and unanimously adopted, Warren E. Culbertson was appointed Chairman of the meeting and Heather Triana was appointed Secretary of the meeting.

Upon motion duly made by Richard S. Walden and seconded by Jack Miller, and unanimously carried, the following Resolutions were adopted:

- 1) **Resolved** that FARMERS WATER CO. is authorized to apply for an Extension of Convenience and Necessity (CC&N) to include the E ½ of the E ½ of Section 8, T17S, R14E, Gila and Salt River Meridian, Pima County, Arizona;  
**EXCEPT THEREFROM** the property, described in the Deed to Arizona Electric Cooperative, Inc. recorded in Docket 11015, p 1783, described as follows:  
Beginning at the Section corner common to Sections 4, 5, 8 and 9, T17S, R14E, Gila and Salt River and Meridian;  
Thence S 00° 06' 39" W, 1420.26 ft along the Section line common to Sections 8 and 9;  
Thence N 44° 44' 27" W, 1585.88 ft along the Northeasterly boundry of Sahuarita District Park;  
Thence N 45° 22' 31" W, 295.83 ft along the Northwesterly boundary of Sahuarita District Park to the intersection with the E 1/16 line in Section 8;  
Thence N 00° 06' 21" E, 499.28 ft along said 1/16 line to the E 1/16 corner common to Section 5 and 8, T17S, R14E;  
Thence N 89° 53' 56" E, 1328.69 ft, along the Section line to the **POINT OF BEGINNING.**

- 2) **Resolved** that the President and Chief Executive Officer of FARMERS WATER CO. are hereby authorized to execute all necessary documents to consummate the inclusion of the above lands in its CC&N.

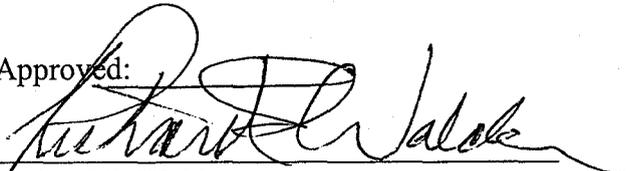
There being no further business to come before the meeting, upon motion duly made, seconded and carried the meeting was adjourned.

  
\_\_\_\_\_  
Heather Triana  
Secretary of the Meeting

Approved:

  
\_\_\_\_\_  
Warren E. Culbertson  
Chief Executive Officer

Approved:

  
\_\_\_\_\_  
Richard S. Walden  
President

**ATTACHMENT "B"**

|        |         |          |       |
|--------|---------|----------|-------|
| PIMA   | 8       | 17S      | 14E   |
| COUNTY | SECTION | TOWNSHIP | RANGE |

-  Estes Co.
-  Pima County
-  Sahuarita Baptist Church
-  Farmers Water Co. CC&N

|     |     |     |     |     |     |  |  |
|-----|-----|-----|-----|-----|-----|--|--|
|     |     |     |     |     |     |  |  |
| 6   | 5   | 4   | 3   | 2   | 1   |  |  |
| 7   | 8   | 9   | 1 0 | 1 1 | 1 2 |  |  |
| 1 8 | 1 7 | 1 6 | 1 5 | 1 4 | 1 3 |  |  |
| 1 9 | 2 0 | 2 1 | 2 2 | 2 3 | 2 4 |  |  |
| 3 0 | 2 9 | 2 8 | 2 7 | 2 6 | 2 5 |  |  |
| 3 1 | 3 2 | 3 3 | 3 4 | 3 5 | 3 6 |  |  |

**Type or Print Description Here:**

Legal Description Attachment B1

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## ATTACHMENT B 1

### Legal Description

The E ½ of the E ½ of Section 8, T17S, R14E, Gila and Salt River Meridian, Pima County, Arizona; **EXCEPT THEREFROM** the property, described in the Deed to Arizona Electric Cooperative, Inc. recorded in Docket 11015, p 1783, described as follows:

Beginning at the Section corner common to Sections 4, 5, 8 and 9, T17S, R14E, Gila and Salt River and Meridian;

Thence S 00° 06' 39" W, 1420.26 ft along the Section line common to Sections 8 and 9;

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Thence N 00° 06' 21" E, 499.28 ft along said 1/16 line to the E 1/16 corner common to Section 5 and 8, T17S, R14E;

Thence N 89° 53' 56" E, 1328.69 ft, along the Section line to the **POINT OF BEGINNING**.

ATTACHMENT C

FARMERS WATER CO.

PROFORMA BALANCE SHEET (WATER)

ASSETS

Current Assets

|                      |            |
|----------------------|------------|
| Cash                 | (\$31,322) |
| Accounts Receivable  | 44,004     |
| Other                | 6,037      |
| Total Current Assets | 18,719     |

Fixed Assets

|                                 |             |
|---------------------------------|-------------|
| Utility Plant in Service        | 6,699,478   |
| (Less) Accumulated Depreciation | (1,705,475) |
| Net Plant in Service            | 4,994,003   |
| Other                           | 836,783     |
| TOTAL ASSETS                    | \$5,849,505 |

LIABILITIES AND CAPITAL

Current and Accrued Liabilities

|                                       |         |
|---------------------------------------|---------|
| Accounts Payable                      | \$8,264 |
| Notes Payable                         | 0       |
| Accrued Taxes                         | 19,090  |
| Accrued Interest                      | 0       |
| Other                                 | 10,107  |
| Total Current and Accrued Liabilities | 37,461  |

|                       |     |
|-----------------------|-----|
| <u>Long-Term Debt</u> | \$0 |
| Other                 | 0   |

Deferred Credits

|                                      |                    |
|--------------------------------------|--------------------|
| Advances in Aid of Construction      | \$5,934,847        |
| Contributions in Aid of Construction | 0                  |
| Accumulated Deferred Income Tax      | 0                  |
| Total Deferred Credits               | \$5,934,847        |
| <b>TOTAL LIABILITIES</b>             | <b>\$5,972,307</b> |

CAPITAL ACCOUNT

|                                      |                    |
|--------------------------------------|--------------------|
| Common Stock                         | \$2,500            |
| Preferred                            | 0                  |
| Paid in Capital                      | 497,500            |
| Retained Earnings                    | (622,802)          |
| Total Capital                        | (\$122,802)        |
| <b>TOTAL LIABILITIES AND CAPITAL</b> | <b>\$5,849,505</b> |

## CW-2

PROFROMA INCOME STATEMENT (WATER)

|   | <u>YR ONE</u> | <u>YR TWO</u> | <u>YR THREE</u> |
|---|---------------|---------------|-----------------|
| REVENUE:                                |               |               |                 |
| Water Sales                             | 442,658       | 422,409       | 409,128         |
| Establishment Charges                   | 8,115         | 7,716         | 7,130           |
| Other Operating Revenue                 | 4,315         | 779           | 2,937           |
| Total Operating Revenue                 | \$455,088     | \$430,904     | \$419,195       |
| OPEARTING EXPENSES:                     |               |               |                 |
| Salaries and Wages                      | \$159,037     | \$152,654     | \$112,323       |
| Purchased Water                         | 0             | 0             | 0               |
| Power Costs                             | 15,685        | 32,785        | 30,200          |
| Water Testing                           | 8,784         | 21,280        | 10,656          |
| Repairs and Maintenance                 | 25,354        | 41,524        | 156,219         |
| Office Supplies Expense                 | 31,720        | 13,888        | 11,797          |
| Outside Services                        | 30,501        | 6,009         | 8,445           |
| Rents                                   | 0             | 0             | 0               |
| Transporatation Expense                 | 2,638         | 3,329         | 3,088           |
| Taxes Other than Property<br>and income | 0             | 0             | 0               |
| Depreciation                            | 199,332       | 145,320       | 110,368         |
| Health and Life Insurance               | 12,883        | 10,120        | 22,160          |
| Income Taxes                            | 0             | 0             | 0               |
| Property Tax                            | 18,187        | 25,041        | 20,788          |
| Miscellanous Operating                  | 15,466        | 9,449         | 6,976           |
| Total Operating Expense                 | \$519,587     | \$461,399     | \$493,020       |
| OPERATING INCOME OR (LOSS)              | (\$64,499)    | (\$30,495)    | (\$73,825)      |
| OTHER INCOME/EXPENSES:                  |               |               |                 |
| Interest Income                         | \$0           | \$0           | \$0             |
| Other Income                            | 0             | 0             | 0               |
| Other Expenses                          | 0             | 0             | 0               |
| Interest Expense                        | 0             | 0             | 0               |
| TOTAL OTHER INCOME/EXPENSE              | \$0           | \$0           | \$0             |
| NET INCOME (LOSS)                       | (\$64,499)    | (\$30,495)    | (\$73,825)      |

CW-3  
PROFROMA UTILITY PLANT IN SERVICE (WATER)  
FIRST YEAR

|  | ORIGINAL<br>COST | ACCUM<br>DEPRC.  | ORIG. COST<br>LESS<br>DEPREC. |
|--|------------------|------------------|-------------------------------|
| Organization                               | \$0              | \$0              | \$0                           |
| Franchises                                 | 6,893            | 0                | 6,893                         |
| Land and Land Rights                       | 0                | 0                | 0                             |
| Wells and Springs                          | 195,640          | 98,362           | 97,278                        |
| Electric Pumping Equip.                    | 160,570          | 115,947          | 44,623                        |
| Water Treat. Equip.                        | 10,288           | 8,725            | 1,563                         |
| Distribution Reservoirs<br>and Standpipes  | 451,289          | 321,021          | 130,268                       |
| Transmissions & Dist.<br>Mains             | 4,720,898        | 897,446          | 3,823,452                     |
| Services                                   | 618,573          | 95,086           | 523,487                       |
| Meters                                     | 148,138          | 73,896           | 74,242                        |
| Hydrants                                   | 268,946          | 46,089           | 222,857                       |
| Other Plant Structures<br>and Improvements | 16,000           | 11,377           | 4,623                         |
| Office Furniture and<br>Fixtures           | 53,114           | 20,592           | 32,522                        |
| Transportation<br>Equipment                | 49,129           | 16,934           | 32,195                        |
| Tools and Work<br>Equipment                | 0                | 0                | 0                             |
| Laboratory Equipment                       | 0                | 0                | 0                             |
| Power Operated<br>Equipment                | 0                | 0                | 0                             |
| Communication Equipment                    | 0                | 0                | 0                             |
| Other Tangible Plant                       | 0                | 0                | 0                             |
| <b>TOTAL PLANT IN SERVICE</b>              | <b>6,699,478</b> | <b>1,705,475</b> | <b>4,994,003</b>              |

**ATTACHMENT D**

**WATER USE DATA SHEET**

|                                     |                          |
|-------------------------------------|--------------------------|
| <b>Company Name:</b>                | <b>Farmers Water Co.</b> |
| <b>ADEQ Public Water System No:</b> | <b>PWS 10048</b>         |

| BY MONTH     | NUMBER OF CUSTOMERS | PER MONTH    | TOTAL GALLONS SOLD |
|--------------|---------------------|--------------|--------------------|
| SEPTEMBER/05 | 91                  | SEPTEMBER/05 | 3,518,095          |
| AUGUST/05    | 91                  | AUGUST/05    | 2,659,050          |
| JULY/05      | 90                  | JULY/05      | 2,652,455          |
| JUNE/05      | 90                  | JUNE/05      | 3,429,477          |
| MAY/05       | 95                  | MAY/05       | 2,882,876          |
| APRIL/05     | 92                  | APRIL/05     | 2,704,652          |
| MARCH/05     | 90                  | MARCH/05     | 2,315,540          |
| FEBRUARY/05  | 90                  | FEBRUARY/05  | 1,741,010          |
| JANUARY/05   | 89                  | JANUARY/05   | 1,889,890          |
| DECEMBER/04  | 91                  | DECEMBER/04  | 2,296,390          |
| NOVEMBER/04  | 90                  | NOVEMBER/04  | 2,403,840          |
| OCTOBER/04   | 88                  | OCTOBER/04   | 2,365,820          |
| NOVEMBER/04  | 89                  | NOVEMBER/04  | 2,951,620          |

| STORAGE TANK CAPACITY (Gallons) | NUMBER OF EACH | ARIZONA DEPT. OF WATER RESOURCES WELL I.D. NUMBER | WELL PRODUCTION (Gallons per Minute) |
|---------------------------------|----------------|---|--------------------------------------|
| 17,000                          | 2              | 55-534922<br>& 55-624001                          | 200<br>550                           |

|   |            |               |
|---|------------|---------------|
| Other Water Sources in Gallons per Minute                       | <b>GPM</b> | 1,500         |
| Fire Hydrants in System   | <b>No</b>  |               |
| <b>Total Water Pumped Last 13 Months (Gallons in Thousands)</b> |            | <b>34,810</b> |

ATTACHMENT E

SAHUARITA ACRES 118 OPINION OF PROBABLE COST

| <u>Item</u> | <u>Description</u>                          | <u>Unit</u> | <u>Quantity</u> | <u>Unit Price</u> | <u>Total</u>     |
|-------------|---|-------------|-----------------|-------------------|------------------|
| 1.          | 6" Supply Line to Storage Facility          |             |                 |                   |                  |
|             | 6" C900 Pipe                                | LF          | 3100            | \$23.00           | \$71,300         |
|             | Traffic Control                             | Day         | 20              | \$400.00          | \$8,000          |
|             | <b>Subtotal</b>                             |             |                 |                   | <b>\$79,300</b>  |
| 2.          | 150,000 Gallon Welded Steel Storage Tank    | Gallon      | 150000          | \$0.70            | <b>\$105,000</b> |
| 3.          | Booster Station w/ Chlorination Facility    |             |                 |                   |                  |
|             | Site Work                                   | LS          | 1               | \$15,000.00       | \$15,000         |
|             | Plant Piping                                | LS          | 1               | \$45,000.00       | \$45,000         |
|             | Building                                    | LS          | 1               | \$20,000.00       | \$20,000         |
|             | Pumps                                       | LS          | 1               | \$25,000.00       | \$25,000         |
|             | Chlorination Facility                       | LS          | 1               | \$20,000.00       | \$20,000         |
|             | Electrical                                  | LS          | 1               | \$60,000.00       | \$60,000         |
|             | Disinfection and Testing                    | LS          | 1               | \$5,000.00        | \$5,000          |
|             | Perimeter Fence                             | LF          | 400             | \$15.00           | \$6,000          |
|             | <b>Subtotal</b>                             |             |                 |                   | <b>\$196,000</b> |
|             | <b>Estimated Cost of Construction</b>       |             |                 |                   | <b>\$380,300</b> |
| 4.          | Engineering and Survey @ 12% of Const. Cost |             |                 |                   | \$45,636         |
| 5.          | Inspection and Testing @ 4% of Const. Cost  |             |                 |                   | \$15,212         |
| 6.          | Performance and Payment Bond @ 1.3%         |             |                 |                   | \$4,944          |
| 7.          | Contingency @ 10% of Const. Cost            |             |                 |                   | \$38,030         |
| 8.          | Assured Water Supply                        |             |                 |                   | \$15,000         |
|             | <b>Total Estimated Cost</b>                 |             |                 |                   | <b>\$484,122</b> |

Notes:

1. Add \$20,000 for 2 - 75,000 Gal. Tank Option
2. Add \$220,000 for 12" from Existing Well Site  
(\$48/Ft from Vail Water Company Bid Dated January 7,2005)
3. Deduct \$67,500 for Bolted Steel Storage Tank  
(more research required for final determination)

|   |                            |
|---|----------------------------|
| <b>CONTRACT</b>   |                            |
| <b>NO.</b>  | <u>11-64-F-137171-1005</u> |
| <b>AMENDMENT NO.</b>  | _____                      |
| This number must appear on all<br>invoices, correspondence and<br>documents pertaining to this<br>contract. |                            |

**RESOLUTION NO. 2005-259**

**A RESOLUTION OF THE BOARD OF SUPERVISORS  
OF PIMA COUNTY, ARIZONA  
AUTHORIZING A FRANCHISE  
GRANTED TO  
FARMERS WATER CO.**

WHEREAS, Farmers Water Co., currently has a franchise dated September 18, 1984 and expiring September 18, 2009 (hereinafter "Current Franchise"), and

WHEREAS, pursuant to Arizona Revised Statutes Title 40, Section 283, (A.R.S. § 40-283) Farmers Water Co., an Arizona corporation, (hereinafter "Franchisee") has applied to the Board of Supervisors of Pima County, Arizona, (hereinafter "County") for a new franchise right and privilege in the area of the County outside the confines of any incorporated city or town to construct, install, maintain and operate in the public right-of-way facilities and appurtenances for the purpose of a public water distribution system; and

WHEREAS, notice of this meeting on the application was given as required by law; and

WHEREAS, the application came before the Board of Supervisors, and no petition to the Board to deny the franchise was filed according to law, and the Board considered the application for the franchise; and

WHEREAS, the Board of Supervisors determined that the grant of this franchise is regular, authorized by law and in the best interests of the County and its inhabitants;

NOW THEREFORE, the parties hereto agree as follows:

**AGREEMENT**

Section 1. Franchise: right-of-way. The Current Franchise is hereby terminated and is of no further force or effect. Franchisee is hereby empowered to use public right-of-way within the area described and depicted on Exhibit "A" below and only those areas of the County outside the confines of any incorporated city or town to construct, install, maintain and operate in such public right-of-way

facilities for the purpose of a water distribution system. "Right-of-way" shall include highways, streets, roads, alleys, ways, drainageways and places dedicated to the public use.

Section 2. Future regulation. All rights hereunder are granted under the express condition that the Board of Supervisors shall have the power at any time to impose such restrictions and limitations, and to make such regulations as to the use of said right-of-way by Franchisee as may be deemed best for the public safety or welfare.

Section 3. County rights paramount. The rights of County in and to the use of public rights-of-way within County shall be forever paramount and superior to the rights of Franchisee.

Section 4. Facilities: definition; removal. Nothing in this franchise shall be construed to prevent County from abandoning, altering, improving, repairing or maintaining facilities of County or the public right-of-way and, for that purpose, requiring Franchisee at its own expense to remove, relocate or abandon in place Franchisee's facilities to accommodate the activities of County. "Facilities of Franchisee" shall mean any physical object or improvement or alteration of a right-of-way owned, possessed, made, installed or constructed by Franchisee or made, installed, or constructed by County or others at the request of Franchisee. "Facilities of Franchisee" shall include, but not be limited to, pipes, pipelines, mains, services, vaults, casings, sleeves, vents, fences, meters, gauges, regulators, valves, conduits, appliances, attachments, appurtenances, poles, wires, cables and other property or equipment used or useful for the purpose for which this franchise is granted. "Facilities of County" shall mean any physical object or improvement owned, possessed, maintained, installed or constructed by County or others at the request of County, including all highway, transportation, flood control and wastewater facilities of County.

Section 5. County not liable for costs and lost revenues. County shall not be liable to Franchisee for (a) any costs of relocation, replacement, repair or abandonment of Franchisee's facilities in the public right-of-way, or (b) lost revenues, sustained by Franchisee because of damage, modification or alteration to or destruction of its facilities in the public right-of-way.

Section 6. No exclusive right. Nothing in this franchise shall be construed to grant Franchisee an exclusive right to erect and maintain its facilities in the public right-of-way. Facilities of Franchisee shall be erected so as not to interfere with the reasonable use of the public right-of-way. The location of facilities of Franchisee shall not be a vested interest, and its facilities shall be removed, relocated or abandoned in place by Franchisee whenever they restrict or obstruct the use or location or any future use or location of the public right-of-way or Facilities of County or the use thereof by the public.

Section 7. Relocation. Franchisee shall relocate at its expense all facilities of Franchisee that conflict or interfere with County use, expanded use, improvement or abandonment of the public right-of-way. The facilities shall be relocated in accordance with the procedures and time limitations set forth in Pima County Code Chapter 10.44, as amended. If the facilities are not relocated in accordance with Pima County Code Chapter 10.44, County may, at its discretion, relocate the facilities utilizing a qualified

contractor and Franchisee shall be liable for all costs to County of relocation including overhead and maintenance costs.

Section 8. Care and restoration of County roadway or facilities. In the construction, maintenance, repair and operation of its facilities, Franchisee shall not alter, in any way, a County highway, roadway, or street. Franchisee shall use all necessary care to avoid causing or permitting any damage, disturbance, alteration or modification to the facilities of County. If Franchisee causes or permits any damage, disturbance, alteration or modification, Franchisee, at its expense and in a manner approved by the County Engineer, shall restore, to the satisfaction of County, the roadway or facilities to the condition in which they were before being damaged, disturbed, altered or modified and shall also be liable to County or others for any other damages which may accrue because of said damage, disturbance, alteration or modification. The restoration shall be initiated promptly and completed expeditiously in recognition of the duty of Franchisee to give the restoration, repair or replacement of County roadway or facilities priority over proceeding with non-emergency activities of Franchisee.

Section 9. Vegetation. In the construction, maintenance, repair and operation of its facilities, Franchisee shall avoid causing any damage to or disturbance of existing vegetation in the public right-of-way. If Franchisee causes or permits any such damage or disturbance, Franchisee, at its sole expense and in accordance with all County regulations then in effect, including but not limited to the provisions of Section 18.73.030B(12) of the Zoning Code of County, shall re-vegetate the right-of-way to the satisfaction of the County Engineer.

Section 10. Access to adjoining property. Franchisee shall provide prior written or actual notice to the owners or residents of adjoining property of any activity of Franchisee which may temporarily interfere with access to or use of said adjoining property. If an emergency precludes the provision of prior notice, Franchisee shall use its best efforts to provide timely actual notice to the owners or residents of the adjoining property.

Section 11. Indemnification; hold harmless; defend. The Franchisee shall indemnify, defend and hold the County, its governing board or body, officers, departments, employees and agents, harmless from and against any and all suits, actions, legal or administrative proceedings, claims, demands, liens, losses, fines or penalties, damages, liability, interest, attorney's, consultant's and accountant's fees or costs and expenses of whatsoever kind and nature, resulting from or arising out of any act or omission of the Franchisee, its agents, employees or anyone acting under its direction or control, whether intentional, negligent, grossly negligent, or amounting to a breach of contract, in connection with or incident to the performance of this Agreement. The obligations under this Article shall not extend to the negligence of the County, its agents, or employees.

Section 12. County permits; no authorization of wrongdoing. This Franchise does not constitute a County permit for right-of-way use. Nothing in this Franchise relieves Franchisee from its duty to obtain all applicable permits for right-of-way use from the appropriate County departments and the Pima County

Flood Control District. County review or approval of plans or specifications or issuance of a permit for an activity or an installation, construction or location of a facility of Franchisee, or the failure of County to direct Franchisee to take any precautions or make any changes or to refrain from doing anything, shall not be construed to be an authorization for or approval of any violation of an industry standard pertaining to the location or construction of a utility facility in a public right-of-way. No review, approval or permit presuming to give such authority shall relieve Franchisee of its obligations under this franchise regarding the location and construction of facilities. The failure of County to direct Franchisee to take any precautions or make any changes or to refrain from doing anything, shall not excuse Franchisee from its responsibilities hereunder to County or others for injury to persons or damage to property.

Section 13. County participation in suit, action or proceeding. County shall have the right at all times to take part in any suit, action or proceeding instituted by or against Franchisee (a) in which any judgement or decree can be rendered foreclosing any lien on any of Franchisee's property situated within the public right-of-way, (b) seeking to enjoin, restrain, or in any manner interfere with Franchisee in the performance or observance by it of any of the terms or conditions of this franchise, or any regulation, notice or direction of County in such connection, (c) affecting the rights, powers or duties of Franchisee to do or not to do anything which by this franchise it may be required to do or not to do, or (d) which involves or might involve the constitutionality, validity or enforcement of this franchise. County may take such steps relating to the suit, action or proceeding as County may deem necessary or advisable to protect the interest of County or the public interest.

Section 14. Location and construction standards. The location and construction of facilities in public right-of-way shall conform to applicable industry standards then in effect and as may be directed by County in order not to interfere with a planned future use of the public right-of-way by the County. All facilities of Franchisee shall be located so as to cause minimum interference with the proper use of the public right-of-way, and to cause minimum interference with the rights and reasonable convenience of property owners who adjoin the public right-of-way.

Section 15. Barriers and signs. Any opening or obstruction in the public right-of-way made by Franchisee in the course of the construction, maintenance, operation, repair, replacement or removal of facilities shall be guarded and protected at all times by the placement of adequate barriers, the bounds of which during periods of dusk and darkness shall be clearly designated by warning lights. Any work performed by Franchisee along a public highway open for travel shall be properly signed and marked with warning and directional devices in accordance with A.R.S. § 28-650 and the "Traffic Control Manual for Highway Construction and Maintenance", Arizona Department of Transportation, August, 1981, as amended now and in the future.

Section 16. Drainage. During construction or excavation in the public right-of-way, Franchisee shall provide proper drainage so that the public right-of-way shall be free from standing surface water, and properly and adequately drained so as not to cause flood or erosion damage to the facilities of the County or surrounding property.

Section 17. Inspection; charge. County may inspect any of Franchisee's activity and/or facilities in the public right-of-way to ensure proper performance of this franchise and conformance with applicable federal, state and County laws, ordinances and regulations, and County may make a reasonable charge for such inspection, provided such charge is lawfully adopted and uniformly imposed and collected for such inspections from other utilities or persons similarly situated to Franchisee.

Section 18. Compliance; assent to legality. Franchisee shall conform to and abide by and perform all the conditions, provisions, requirements and limitations in this franchise. Franchisee shall be subject to all County ordinances and regulations now in force or that hereafter may be lawfully adopted, including all ordinances and regulations relating to the use of public right-of-way by utilities. Franchisee shall not set up as against County any claim that the provisions of this franchise or any applicable County ordinance or regulation now lawfully in force are unreasonable, arbitrary or void.

Section 19. Term. This franchise is granted for a term of twenty-five years from the date of the granting by Pima County Board of Supervisors.

Section 20. Non-exclusivity. This franchise and the privileges granted herein shall not be exclusive, and the Board of Supervisors expressly reserves the right to grant, from time to time, similar franchises and privileges over the same right-of-way to any other person, firm or corporation.

Section 21. Signature of Franchisee; no obligation after sale, assignment or transfer. This franchise shall not be effective for any purpose until the acceptance of Franchisee is endorsed herein in writing. After any sale, assignment or transfer of Franchisee's rights hereunder, Franchisee shall not be obligated under the terms hereof.

Section 22. Approval for sale, assignment or transfer. Franchisee hereby agrees that this franchise shall not be sold, assigned or transferred without the prior written approval of the Board of Supervisors of County, such approval not to be unreasonably withheld.

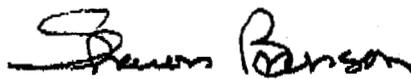
Section 23. Headings. Headings used in this franchise are for convenience only and shall not be used in construing its terms.

Section 24. Waiver. Waiver by County of any breach of any term, covenant or condition herein contained shall not be deemed a waiver of any other term, covenant or condition, or any subsequent breach of the same or any other term, covenant, or condition herein contained.

Section 25. Conflict of Interest. This Agreement is subject to A.R.S. §38-511 which provides for cancellation of contracts by Pima County for certain conflicts of interest.

IN WITNESS WHEREOF, the parties hereto have executed this Franchise.

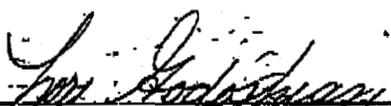
PIMA COUNTY, ARIZONA



Chair, Pima County Board of Supervisors

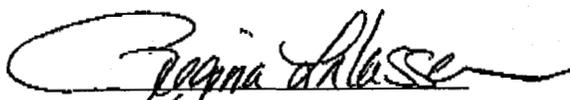
OCT 18 2005

ATTEST:



Clerk, Pima County Board of Supervisors

APPROVED AS TO FORM:

  
Deputy County Attorney



**EXHIBIT "A"**

All of Section 31, Township 16 South, Range 14 East

And,

All of Sections 12, 13, 24, & 25, Township 17 South, Range 13 East

And,

All of Sections 5, 6, 7, 8, 17, 18, 19, 28, 30, & 31, Township 17 South, Range 14 East

And,

All of Sections 1, 11, 12, 13, 14, 23, 24, 25, 26, 27, 34, 35, & 36, Township 18 South,  
Range 13 East

And,

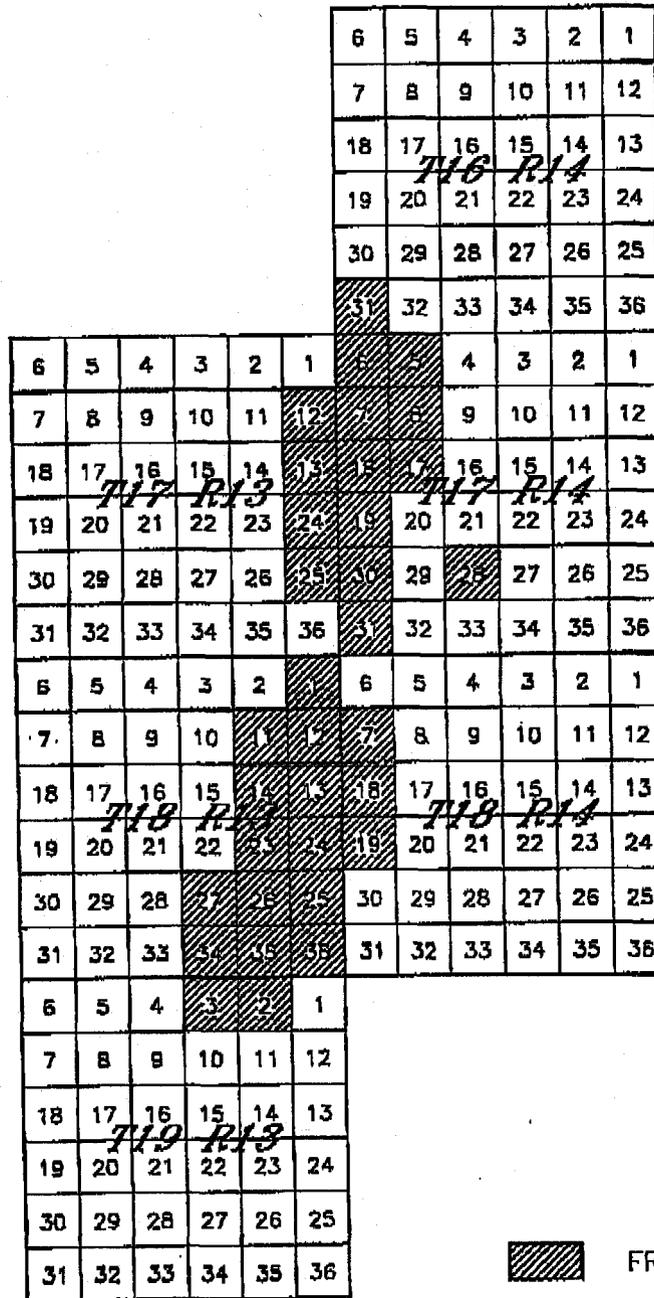
All of Sections 7, 18, & 19, Township 18 South, Range 14 East

And,

All of Sections 2 & 3, Township 19 South, Range 13 East

All of the above legal descriptions are based on the Gila and Salt River Base and  
Meridian, Pima County, Arizona

## EXHIBIT A DEPICTED FARMERS WATER COMPANY FRANCHISE



05056

PIMA COUNTY DEPARTMENT OF TRANSPORTATION  
TECHNICAL SERVICES DIVISION

DRAWING NOT TO SCALE

DRAWN BY: R. BILLINGS

DATE: AUG 2005

TO: PAM

HERE IS FARMERS FRANCHISE  
RECORDING

F. ANN RODRIGUEZ, RECORDER  
RECEIPT OF RECORDING

F. ANN RODRIGUEZ, RECORDER  
RECORDED BY: K\_O  
DEPUTY RECORDER  
1861 PE4

PCREA  
PIMA CO REAL PROPERTY SERVICES  
PICK UP  
ATTN ANNA OR LINDA



DOCKET: 12680  
PAGE: 2041  
NO. OF PAGES: 9  
SEQUENCE: 20052210375  
11/15/2005  
RES 15:55

PICKUP  
AMOUNT PAID \$ 0.00

F PIMA CO  
T RES # 2005 259

CONVERSION FEE \$ 0.00  
9 PAGES \$ 0.00  
0 AFFIDAVITS 2.00 EACH \$ 0.00  
0 COPIES 1.00 EACH \$ 0.00  
0 POSTAGE 1.00 EACH \$ 0.00

RESOLUTION/PROPERTY

TOTAL \$ 0.00  
CHECK \$ 0.00  
AMOUNT DUE \$ 0.00  
AMOUNT OVER \$ 0.00