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AZ CORP COMMISSION CONTROL

ARIZONA CORPORATION COMMISSION

APPLICATION FOR A CERTIFICATE OF CONVENIENCE AND NECESSITY

WATER AND/OR SEWER

A. The name, address and telephone number of the Applicant (Company) is: **W-04106A-02-0312**

Cibola Mutual Water Company

R. R. 2 Box 77

Cibola, AZ. 85328-9801

928 857-3393 Dave Grundy President

B. If doing business (d.b.a.) under a name other than the Applicant (Company) name listed above, specify:

N/A

C. List the name, address and telephone number of the management contact:

Dave Grundy - President

R. R. 2 Box 124

Cibola, AZ 85328

928 857-3393

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

Mr. Daniel G. Fields Atty at Law

P.O. Box 635

Parker, AZ 85344

928 669-1649

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

ADEQ will specify level of operator after final design

Arizona Corporation Commission

DOCKETED

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F. List the name, address and telephone number of the on-site manager of the utility:

System is not in operation at this time.

G. The Applicant is a:

<input checked="" type="checkbox"/> Corporation: <input type="checkbox"/> "C", <input type="checkbox"/> "S", <input checked="" type="checkbox"/> Non-Profit <input type="checkbox"/> Arizona, <input type="checkbox"/> Foreign	<input type="checkbox"/> Partnership <input type="checkbox"/> Limited, <input type="checkbox"/> General <input type="checkbox"/> Arizona, <input type="checkbox"/> Foreign
<input type="checkbox"/> Sole Proprietorship	<input type="checkbox"/> Limited Liability Company (LLC)
<input type="checkbox"/> Other (Specify)	

H. If Applicant is a corporation:

1. List names of Officers and Directors:

Officers

Dave Grundy - President

Karl Marx - Vice President

Jene Hemphill - SecTreasurer

Directors

Jon Linqvist - Board Memeber

Mike Ritchie - Board Member

2. Attach a copy of the corporation's "Certificate of Good Standing" issued by the Corporation's Division of the Arizona Corporation Commission.

3. Attach a copy of the Articles of Incorporation.

4. Attach a copy of the corporation's By-Laws.

5. If a for-profit corporation, indicate the number of shares of stock authorized for issue:

6. If stock has been issued, indicate the number of shares issued and date of issue:

N/A

H. If the Applicant is a partnership:

1. List the names of the general partners:

N/A

N/A

2. List the name, address and telephone number of the managing partners:

N/A

3. Attach a copy of the Partnership's Articles of Partnership.

- If the Applicant is a foreign limited partnership, provide a copy of the Partnership's "Certificate of Registration" filed with the Arizona Secretary of State.

J. If the Applicant is a sole proprietor, list the name, address and telephone number of the proprietor:

N/A

K. If the Applicant is a Limited Liability Company:

1. List the names of managers:

N/A

L. List the names and addresses of any other public utility interest, which the applicant may have:

N/A

M. Attach a description of the area requested using **CADASTRAL** (quarter section description) or **Metes and Bounds** survey. References to parcels and docket numbers will not be accepted.

N. Attach a detailed map using the form provided as Attachment "B". Shade and outline the area requested. Also, indicate any other utility within the general area using different colors.

O. Attach financial information in a format similar to Attachment "C".

P. Explain the method of financing utility facilities. Refer to the instructions, item no. 7. (Use additional sheets if necessary):

A loan and grant package has been approved by USDA Rural Development

Q. Estimated starting and completion dates of construction of utility facilities:

Starting date June 2003 Completion January 2004

R. Attach proposed Tariffs using either the water or sewer format of Attachment "D", unless the Utilities Division, prior to the filing of this application, approves another form.

S. Attach the following permits:

1. The franchise from either the City or County for the area requested.
2. The Arizona Department of Environmental Quality (or its designee's) approval to construct facilities.
3. The Arizona State Land Department approval. (If you are including any State land in your requested area this approval is needed.)
4. Any U.S. Forest Service approval. (If you are including any U.S. Forest Service land in your requested area this approval is needed.)
5. **(WATER ONLY)** If the area requested is within an Active Management Area, attach a copy of the utility's Designation of an Assured Water Supply, or the developer's Certificate of Assured Water Supply issued by the Arizona Department of Water Resources, whichever applies.
 - 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.
 - If the area requested is outside an Active Management Area and the developer does not obtain an Adequacy Statement, provide sufficient detail to prove that adequate water exists to provide water to the area requested.
6. Provide a copy of your estimated property taxes. This may be obtained by contacting the Arizona Department of Revenue, Division of Property Valuation and Equalization. You must provide them with a five (5) year projection of the original cost of the plant, depreciation expense, the location of the property and the school district.

T. Provide the following information:

1. Indicate the estimated number of customers, by class, to be served in each of the first five years of operation:

Residential:

First Year 111 Second Year 125 Third Year 144 Fourth Year 164

Fifth Year 184

Commercial:

First Year 4 Second Year 5 Third Year 6 Fourth Year 6

Fifth Year 6

Industrial:

First Year 0 Second Year 0 Third Year 0 Fourth Year 0

Fifth Year 0

Irrigation:

First Year 0 Second Year 0 Third Year 0 Fourth Year 0
Fifth Year 0

2. Indicate the projected annual water consumption or sewerage treatment, in gallons, for each of the customer classes for each of the first five years of operation:

Residential:

14,385,600 16,200,000 18,662,400 20,865,600
First Year Second Year Third Year Fourth Year

Fifth Year 23,457,600

Commercial:

5,193,720 5,943,720 6,693,720
First Year Second Year Third Year Fourth Year 6,693,720

Fifth Year 6,693,720

Industrial:

First Year 0 Second Year 0 Third Year 0 Fourth Year 0

Fifth Year 0

Irrigation:

First Year 0 Second Year 0 Third Year 0 Fourth Year 0

Fifth Year 0

3. Indicate the total estimated annual operating revenue for each of the first five years of operation:

Residential:

First Year 44,302 Second Year 49,890 Third Year 57,473

Fourth Year 64,258 Fifth Year 72,240

Commercial:

First Year 15,995 Second Year 18,304 Third Year 20,614

Fourth Year 20,614 Fifth Year 20,614

Industrial:

First Year ∅ Second Year ∅ Third Year ∅

Fourth Year ∅ Fifth Year ∅

Irrigation:

First Year ∅ Second Year ∅ Third Year ∅

Fourth Year ∅ Fifth Year ∅

4. Indicate the total estimated annual operating expenses for each of the first five years of operation:

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 0 Second Year 0 Third Year 0
Fourth Year 0 Fifth Year 0

Irrigation:

First Year 0 Second Year 0 Third Year 0
Fourth Year 0 Fifth Year 0

5. Attach an itemized list of the major components of the water or sewer system (see Attachment C-3).

6. Indicate the total estimated cost to construct utility facilities:

\$1,104,000.00

Dave Grundy
(Signature of Authorized Representative)

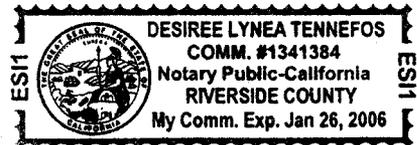
Dave Grundy
(Type or Print Name Here)

(Title)

SUBSCRIBED AND SWORN to before me this 22 day of October, 2002

Desiree Lynea Tennefos
NOTARY PUBLIC

My Commission Expires Jan 26, 2006



CW-2
PROFORMA INCOME STATEMENT (WATER)

	<u>YR ONE</u>	<u>YR TWO</u>	<u>YR THREE</u>
REVENUE:			
Water Sales	60297	68,194	78,087
Establishment Charges	2300	300	400
Other Operating Revenue	-----	-----	-----
Total Operating Revenue	\$ <u>62,597</u>	\$ <u>68,494</u>	\$ <u>78,487</u>
OPERATING EXPENSES:			
Salaries and Wages	\$ 18000.	\$ 18000	\$ 18000
Purchased Water	-----	-----	-----
Power Costs	4803.	5420	6257
Water Testing	2400	2400	2400
Repairs and Maintenance	-----	5500	6500
Office Supplies Expense	1200	1200	1200
Outside Services	6000	6000	6000
Rents	-----	-----	-----
Transportation Expense	2712	2712	2712
Taxes Other than Property and income	1200	1200	1200
Depreciation	43,862	44,112	44,445
Health and Life Insurance	-----	-----	-----
Income Taxes	600	600	600
Property Tax	6296	6296	6296
Miscellaneous Operating	3012	3012	3012
Total Operating Expense	\$ <u>90,085</u>	\$ <u>96,452</u>	\$ <u>98,622</u>
OPERATING INCOME OR (LOSS)	\$ <u>(27,4887)</u>	\$ <u>(27,958)</u>	\$ <u>(20,135)</u>
OTHER INCOME/EXPENSES:			
Interest Income	\$ _____	\$ _____	\$ _____
Other Income	_____	_____	_____
Other Expenses	7962	7878	7790
Interest Expenses	_____	_____	_____
TOTAL OTHER INCOME/EXPENSE	\$ _____	\$ _____	\$ _____
NET INCOME (LOSS)	\$ <u>(35,450)</u>	\$ <u>(35,836)</u>	\$ <u>(27,925)</u>

CW-2
PROFORMA INCOME STATEMENT (WATER)

	<u>YR FOUR</u>	<u>YR FIVE</u>	<u> </u>
REVENUE:			
Water Sales	84872	92854	<u> </u>
Establishment Charges	400	400	<u> </u>
Other Operating Revenue	-----	-----	<u> </u>
Total Operating Revenue	\$ 85,272	\$ 93,254	\$ <u> </u>
OPERATING EXPENSES:			
Salaries and Wages	\$ 18000	\$ 18000	\$ <u> </u>
Purchased Water	-----	-----	<u> </u>
Power Costs	7094	7976	<u> </u>
Water Testing	2400	2400	<u> </u>
Repairs and Maintenance	7500	8500	<u> </u>
Office Supplies Expense	1200	1200	<u> </u>
Outside Services	6000	6000	<u> </u>
Rents	-----	-----	<u> </u>
Transportation Expense	2712	2712	<u> </u>
Taxes Other than Property and income	1200	1200	<u> </u>
Depreciation	44,778	45,128	<u> </u>
Health and Life Insurance	-----	-----	<u> </u>
Income Taxes	600	600	<u> </u>
Property Tax	6296	6296	<u> </u>
Miscellaneous Operating	3012	3012	<u> </u>
Total Operating Expense	\$ 100,792	\$ 103,024	\$ <u> </u>
OPERATING INCOME OR (LOSS)	\$ (15,520)	\$ (9,770)	\$ <u> </u>
OTHER INCOME/EXPENSES:			
Interest Income	\$ <u> </u>	\$ <u> </u>	\$ <u> </u>
Other Income	<u> </u>	<u> </u>	<u> </u>
Other Expenses	<u> </u>	<u> </u>	<u> </u>
Interest Expenses	7403	6974	<u> </u>
TOTAL OTHER INCOME/EXPENSE	\$ <u> </u>	\$ <u> </u>	\$ <u> </u>
NET INCOME (LOSS)	\$ (22,923)	\$ (16,744)	\$ <u> </u>

ATTACHMENT "D"

WATER TARIFF SCHEDULE

RATES AND CHARGES

CUSTOMER/MINIMUM CHARGE
PER MONTH

SERVICE LINE & METER
INSTALLATION CHARGES

<u>METER</u>	<u>CHARGE</u>	<u>GALLONS</u>
5/8 X 3/4"	\$33.26	FOR 10800 gal.
3/4"	\$33.26	FOR 10800 gal.
1"	\$33.26	FOR 10800 gal.
1 1/2"	\$36.00	FOR 10800 gal.
2"	\$56.00	FOR 10800 gal.
3"	\$112.00	FOR 10800 gal.
4"	\$162.00	FOR 10800 gal.
5"	\$175.00	FOR 10800 gal.
6"	\$200.00	FOR 10800 gal.

<u>METER</u>	<u>CHARGE</u>
5/8 X 3/4"	\$375._____
3/4"	\$375._____
1"	\$375._____
1 1/2"	\$450._____
2"	\$500._____
3"	\$600._____
4"	\$800._____
5"	\$900._____
6"	\$1000._____

COMMODITY CHARGE (EXCESS OF MINIMUM):

\$ 5.00 PER 1000 GALLONS

FLAT RATE \$ _____ PER MONTH

SERVICE CHARGES:

- | | |
|---|----------------|
| 1. ESTABLISHMENT (R14-2-403.D.1) | \$ 25.00 |
| 2. ESTABLISHMENT/AFTER HOURS (R14-2-403.D.2) | \$ 35.00 |
| 3. RECONNECTION/DELINQUENT (R14-2-403.D.1) | \$ 25.00 |
| 4. NSF CHECK (R14-2-409.F.1) | \$ 15.00 |
| 5. METER REREAD/IF CORRECT (R14-2-408.C.2) | \$ 10.00 |
| 6. METER TEST/IF CORRECT (R14-2-408.F.1) | \$ 30.00 |
| 7. DEFERRED PAYMENT (R14-2-409.G.6) | \$ _____ |
| 8. DEPOSIT INTEREST (R14-2-403.B.3) | _____ % |
| 9. DEPOSIT (R14-2-403.B.7) | PER RULE |
| 10. REESTABLISHMENT W/N 12 MOs (R14-2-403.D.1) | MONTHS OFF THE |
| SYSTEM TIMES THE MINIMUM | |
| 11. <u>OTHER RATES & CHARGES APPROVED BY ORDER:</u> | |

IN ADDITION TO THE COLLECTION OF ITS REGULAR RATES AND CHARGES, THE COMPANY SHALL COLLECT FROM ITS CUSTOMERS THEIR PROPORTIONATE SHARE OF ANY PRIVILEGE, SALES OR USE TAX

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

	ORIGINAL COST	ACCUM. DEPRC.	ORIG. COST LESS DEPREC.
Organization	\$ 245,420	\$ -----	\$ 245,420
Franchises	<u>0</u>	<u>-----</u>	<u>-----</u>
Land and Land Rights	<u>0</u>	<u>-----</u>	<u>-----</u>
Wells and Springs	<u>0</u>	<u>-----</u>	<u>-----</u>
Electric Pumping Equip.	<u>182,550</u>	<u>22,819</u>	<u>159,731</u>
Water Treat. Equip.	<u>104,500</u>	<u>3,483</u>	<u>101,017</u>
Distribution Reservoirs and Standpipes	<u>57,360</u>	<u>1,275</u>	<u>56,085</u>
Transmission & Dist. Mains	<u>353,480</u>	<u>7,070</u>	<u>346,410</u>
Services	<u>0</u>	<u>0</u>	<u>0</u>
Meters	<u>23,020</u>	<u>1,917</u>	<u>21,083</u>
Hydrants	<u>34,320</u>	<u>686</u>	<u>33,634</u>
Other Plant Structures and Improvements	<u>34,870</u>	<u>1162</u>	<u>33,708</u>
Office Furniture and Fixtures	<u>0</u>	<u>-----</u>	<u>-----</u>
Transportation Equipment	<u>13500</u>	<u>2700</u>	<u>10800</u>
Tools and Work Equipment	<u>0</u>	<u>-----</u>	<u>-----</u>
Laboratory Equipment	<u>0</u>	<u>-----</u>	<u>-----</u>
Power Operated Equipment	<u>55,000</u>	<u>2750</u>	<u>52,250</u>
Communication Equipment	<u>0</u>	<u>-----</u>	<u>-----</u>
Other Tangible Plant	<u>0</u>	<u>-----</u>	<u>-----</u>
TOTAL PLANT IN SERVICE	\$ 1,104,000	\$ 43,862	\$ 1,060,138

CW-3
PROFORMA UTILITY PLANT IN SERVICE (WATER)
THIRD YEAR

	ORIGINAL COST	ACCUM. DEPRC.	ORIG. COST LESS DEPREC.
Organization	\$ 245,420	\$ 0	\$245,420
Franchises	<u>0</u>	<u>0</u>	<u>0</u>
Land and Land Rights	<u>0</u>	<u>0</u>	<u>0</u>
Wells and Springs	<u>0</u>	<u>0</u>	<u>0</u>
Electric Pumping Equip.	182,550.	68456	114094
Water Treat. Equip.	<u>104500</u>	<u>10450</u>	<u>94050</u>
Distribution Reservoirs and Standpipes	<u>57360</u>	<u>3824</u>	<u>53536</u>
Transmission & Dist.	<u>353,480</u>	<u>21,210</u>	<u>332,270</u>
Mains			
Services	<u>0</u>	<u>0</u>	<u>0</u>
Meters (add 20 meters 3rd yr.)	30,000	6584	23416
Hydrants	<u>34,320</u>	<u>2059</u>	<u>32261</u>
Other Plant Structures and Improvements	<u>34870</u>	<u>3487</u>	<u>31383</u>
Office Furniture and Fixtures	<u>0</u>	<u>0</u>	<u>0</u>
Transportation Equipment	<u>13500</u>	<u>8100</u>	<u>5400</u>
Tools and Work Equipment	<u>0</u>	<u>0</u>	<u>0</u>
Laboratory Equipment	<u>0</u>	<u>0</u>	<u>0</u>
Power Operated Equipment	<u>55000</u>	<u>8250</u>	<u>46750</u>
Communication Equipment	<u>0</u>	<u>0</u>	<u>0</u>
Other Tangible Plant	<u>0</u>	<u>0</u>	<u>0</u>
TOTAL PLANT IN SERVICE	\$ 1,111,000	\$ 132,420	\$ 978,580

CW-3
PROFORMA UTILITY PLANT IN SERVICE (WATER)
FOURTH YEAR

	ORIGINAL COST	ACCUM. DEPRC.	ORIG. COST LESS DEPREC.
Organization	\$ 245,420	\$ 0	\$ 245,420
Franchises	0	-----	-----
Land and Land Rights	0	-----	-----
Wells and Springs	0	-----	-----
Electric Pumping Equip.	182,550	91275	91275
Water Treat. Equip.	104500	13933	90567
Distribution Reservoirs and Standpipes	57360	5099	52261
Transmission & Dist. Mains	353,480	28,280	325,200
Services	0	0	0
Meters(add 20 meters 4th yr.)	34,000	9417	24,583
Hydrants	34,320	2746	31,574
Other Plant Structures and Improvements	34,870	4649	30221
Office Furniture and Fixtures	0	-----	-----
Transportation Equipment	13,500	10,800	2700
Tools and Work Equipment	0	-----	-----
Laboratory Equipment	0	-----	-----
Power Operated Equipment	55,000	11,000	44,000
Communication Equipment	0	-----	-----
Other Tangible Plant	0	-----	-----
TOTAL PLANT IN SERVICE	\$ 1,115,000.	\$ 177,199.	\$ 937,801

CW-3
PROFORMA UTILITY PLANT IN SERVICE (WATER)
FIFTH YEAR

	ORIGINAL COST	ACCUM. DEPRC.	ORIG. COST LESS DEPREC.
Organization	\$ 245,420	\$ 0	\$ 245,420
Franchises	0	-----	-----
Land and Land Rights	0	-----	-----
Wells and Springs	0	-----	-----
Electric Pumping Equip.	182,550.	114,094	68456
Water Treat. Equip.	104,500	17,417	87083
Distribution Reservoirs and Standpipes	57,360	6373	50987
Transmission & Dist. Mains	353,480	35,350	318,130
Services	0	-----	-----
Meters(add 21 meters 5th yr.)	38,200	12,601	25,599
Hydrants	34,320	3,432	30,888
Other Plant Structures and Improvements	34,870	5,812	29,058
Office Furniture and Fixtures	0	0	0
Transportation Equipment	13,500	13,500	0
Tools and Work Equipment	0	0	0
Laboratory Equipment	0	-----	-----
Power Operated Equipment	55,000	13,750	41,250
Communication Equipment	0	-----	-----
Other Tangible Plant	0	-----	-----
TOTAL PLANT IN SERVICE	\$ 1,119,200,	\$ 222,329.	\$ 896,871

Chobla Mutual Water Company Depreciation

Mem Account #	NAFUC Account #	Description	Cost	Avg. Life (Years)	Annual Accrual Rate	Annual Deprec. Expense
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Transmission and Distribution Mains

1	331	33,000 ft. 8-inch HYDE pipe @ \$4.25 per ft.	140,250			
2	331	33,000 ft. 8-inch pipe, delivered @ \$0.10 per ft.	3,300			
3	331	33,000 ft. 8-inch pipe, installed @ \$200 per ft.	66,000			
4	331	17,000 ft. 6-inch HYDE pipe @ \$2.80 per ft.	44,000			
5	331	17,000 ft. 6-inch pipe, delivered @ \$0.07 per ft.	1,190			
6	331	17,000 ft. 6-inch pipe, installed @ \$2.00 per ft.	34,000			
7	331	13,000 ft. 4-inch HYDE pipe @ \$1.10 per ft.	14,300			
8	331	13,000 ft. 4-inch pipe, delivered @ \$0.04 per ft.	520			
9	331	13,000 ft. 4-inch pipe, installed @ \$2.00 per ft.	26,000			
36	331	24-8" Isolation valves @ \$365 each	8,760			
37	331	40-8" Isolation valves @ \$235 each	10,600			
38	331	40-4" Isolation valves @ \$114 each	4,560			

Total Account # 331

353,480 50 2 7,089.60

Distribution Reservoirs and Standpipe

10	330	150,000 gallon finished water storage tank, delivered.	38,500			
11	330	Finished water tank labor, 160 hours @ \$8.50	1,360			
12	330	Finished water pad, 35 cy @ \$85.75 per cy	3,000			
13	330	10,000 gallon baffled contact tank and base	6,500			
35a	330	Tank Controls	8,000			

Total Account # 330

67,360 45 2.22 1,274.67

Water Treatment Equipment

14	320	Floot pump, tank level control	5,500			
15	320	Pre-water treatment system	12,800			
16	320	45 germ Nano membrane water treatment	78,200			
17	320	Disinfection system - prewater	4,000			
18	320	Disinfection system - postwater	4,000			

Total Account # 320

104,500 30 3.33 3,483.34

Citicoia Mutual Water Company Depreciation

Item	NARUC Account #	Description	Cost	Avg. Life (Years)	Annual Accrual Rate	Annual Deprec. Expense
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Pumping Equipment

21	311	Precision fusing machine, with pipe adapt 2, 4, 6, & 8"	16,500			
22	311	6 KW 1800 rpm generator	3,600			
23	311	Waterline locator system	4,300			
24	311	PD-6POWER Mole under road pipe delivery machine	17,000			
25	311	Elevated storage tank, 54' 140,000 gal. delivered	69,050			
26	311	Foundation and erection	10,500			
27	311	Tank accessories, ladder, gauge, railing, level indic	12,000			
28	311	400 amp service entrance system (approved by API	6,600			
29	311	APS service connection, power poles, 4-wire, panel	12,000			
30	311	Power breakers/transformer panel	6,000			
31	311	2. 7 1/2 hp transfer pumps/computerized controls	16,000			
32	311	95 gpm transfer pump to supply disinfected water	4,400			
33	311	45 gpm transfer pump	2,900			
34	311	Electric labor, water treatment labor 250 hrs \$8.50 p	1,700			
Total Account # 311			182,550	8	12.5	22,818.75

Meters

39	334	115 house connections - 3/4" meters/stops @ \$200	23,000			
Total Account # 334			23,000	12	8.33	1,916.67

Hydrants

35	336	33 Fire Hydrants & accessories @ \$1,040 each	34,320			
Total Account # 336			34,320	60	2	686.40

Structures & Improvements

19	304	Administration/system installation building materials	28,750			
20	304	Administration/systems building labor 720 hrs @ \$8.50	6,120			
Total Account # 304			34,870	30	3.33	1,162.34

Cibola Mutual Water Company Depreciation

Item	NARUC Account #	Description	Cost	Avg. Life (Years)	Annual Accrual Rate	Annual Deprec. Expense
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Transportation Equipment

40a	341	Ford diesel truck	13,500			
40b	341	44' tilt bed, heavy duty trailer				
40c	341					

Total Account # 341

13,500 5 20 2,700.00

Power Equipment

41	345	Caterpillar tractor model 416C	55,000			
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Total Account # 345

55,000 20 5 2,750.00

Organizational Costs (Non-Depreciable)

42	301	Basic Engineering	75,000			
43	301	Additional Engineering	25,000			
44	301	Inspection, testing, & certification	25,000			
45	301	Legal costs	25,000			
46	301	Administrative	25,000			
47	301	Environmental Consultants	22,080			
48	301	Construction Contingency	48,340			

Total Account # 301

245,420

Total Project Costs

1,104,000

43,861.77

STATE OF ARIZONA



Office of the
CORPORATION COMMISSION

CERTIFICATE OF GOOD STANDING

To all to whom these presents shall come, greeting:

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

*****CIBOLA MUTUAL WATER COMPANY, INC.*****

a domestic nonprofit corporation organized under the laws of the state of Arizona, did incorporate on August 27, 1998.

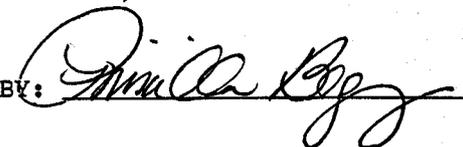
I further certify that according to the records of the Arizona Corporation Commission, as of the date set forth hereunder, the said corporation is not administratively dissolved for failure to comply with the provisions of the Arizona Nonprofit Corporation Act; that its most recent Annual Report, subject to the provisions of A.R.S. 10-3122, 10-3123, 10-3125, & 10-11622, 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 Capitol, this 28th Day of August, 2001, A. D.




EXECUTIVE SECRETARY

BY: 

ARIZONA CORPORATION COMMISSION
CORPORATIONS DIVISION

Phoenix Address: 1300 West Washington
Phoenix, Arizona 85007-2929

Tucson Address: 400 West Congress
Tucson, Arizona 85701-1347

NONPROFIT
CERTIFICATE OF DISCLOSURE
A.R.S. Section 10-3202.D.

EXACT CORPORATE NAME

- A. Has any person serving either by election or appointment as officer, director, trustee, or incorporator in the corporation:
1. Been convicted of a felony involving a transaction in securities, consumer fraud or antitrust in any state or federal jurisdiction within the seven-year period immediately preceding the execution of this Certificate?
 2. Been convicted of a felony, the essential elements of which consisted of fraud, misrepresentation, theft by false pretenses, or restraint of trade or monopoly in any state or federal jurisdiction within the seven-year period immediately preceding the execution of this Certificate?
 3. Been or are subject to an injunction, judgment, decree or permanent order of any state or federal court entered within the seven-year period immediately preceding the execution of this Certificate wherein such injunction, judgment, decree or permanent order:
 - (a) Involved the violation of fraud or registration provisions of the securities laws of that jurisdiction?; or
 - (b) Involved the violation of the consumer fraud laws of that jurisdiction?; or
 - (c) Involved the violation of the antitrust or restraint of trade laws of that jurisdiction?

Yes _____ No

B. IF YES, the following information MUST be attached:

1. Full name and prior name(s) used.
2. Full birth name.
3. Present home address.
4. Prior addresses (for immediate preceding 7-year period).
5. Date and location of birth.
6. Social Security number.
7. The nature and description of each conviction or judicial action, date and location, the court and public agency involved and file or cause number of case.

- C. Has any person serving either by election or appointment as an officer, director, trustee or incorporator of the corporation, served in any such capacity or held such interest in any corporation which has been placed in bankruptcy or receivership or had its charter revoked, or administratively dissolved by any jurisdiction?

Yes _____ No

IF YOUR ANSWER TO THE ABOVE QUESTION IS "YES", YOU MUST ATTACH THE FOLLOWING INFORMATION FOR EACH CORPORATION:

1. Name and address of the corporation.
2. Full name, including alias and address of each person involved.
3. State(s) in which the corporation:
 - (a) Was incorporated.
 - (b) Has transacted business.
4. Dates of corporate operation.
5. A description of the bankruptcy, receivership or charter revocation, including the date, court or agency and the file or cause number of the case.

- D. The fiscal year end adopted by the corporation is _____

Under penalties of law, the undersigned incorporators/officers declare that we have examined this Certificate, including any attachments, and to the best of our knowledge and belief it is true, correct and complete, and hereby declare as indicated above. THE SIGNATURE(S) MUST BE DATED WITHIN THIRTY (30) DAYS OF THE DELIVERY DATE.

BY David Grundy DATE 9/13/02
TITLE President

BY Jim P. Lindquist DATE 9-16-02
TITLE Board member

BY David Grundy DATE 9/13/02
TITLE VISE PRES.

BY Jim P. Lindquist DATE 9-16-02
TITLE Board member

Jim P. Lindquist Sec Treasurer 9/20/02
DOMESTIC CORPORATIONS: ALL INCORPORATORS MUST SIGN THE INITIAL CERTIFICATE OF DISCLOSURE. (If more than four incorporators, please attach remaining signatures on a separate sheet of paper.)

If within sixty days, any person becomes an officer, director, or trustee and the person was not included in this disclosure, the corporation must file an AMENDED certificate signed by all incorporators, or if officers have been elected, by a duly authorized officer.

FOREIGN CORPORATIONS: MUST BE SIGNED BY AT LEAST ONE DULY AUTHORIZED OFFICER OF THE CORPORATION.

AZ CORP COMMISSION
OF THE STATE OF AZ
FILED

1998 AUG 27 P 2:07

APPR. *Donna Green*
DATE APPR. 8/27/98
TERM _____
DATE _____

ARTICLES OF INCORPORATION

OF

CIBOLA MUTUAL WATER COMPANY, INC.

0850419-8

0850419

JK

KNOW ALL MEN BY THESE PRESENTS:

That we, the undersigned, have this day associated ourselves together for the purpose of forming a nonprofit corporation under and pursuant to the Laws of the State of Arizona, and that we do hereby adopt these Articles of Incorporation.

ARTICLE I

The name of the corporation shall be the CIBOLA MUTUAL WATER COMPANY, INC. *JKS*

ARTICLE II

The principal place of business of the corporation shall be Cibola, La Paz County, Arizona, c/o of statutory agent.

ARTICLE III

The purpose for which the corporation is organized is the transaction of any or all lawful business for which nonprofit corporations may be incorporated under the laws of the State of Arizona.

ARTICLE IV

The character of business which the corporation initially intends to conduct in the State of Arizona is the construction and operation of a water system in or near the corporation's principal place of business.

ARTICLE V

No part of the net earning of the corporation shall inure to the benefit of, or be distributable to its members, directors, officers, or other private persons, except that the corporation shall be authorized and empowered to pay reasonable compensation for services rendered and to make payments and distribution in furtherance of the purposes set forth in Article IV. No substantial part of the activities of the corporation shall be the carrying on of propaganda, or otherwise attempting to influence legislation, and the corporation shall not participate in, or intervene in (including the publishing or distribution of statements,) any political campaign on behalf of any candidate for public office. Notwithstanding any other provisions of these Articles, the corporation shall not carry on any other activities not permitted to be carried on: (a) by a corporation exempt from Federal Income Tax under Section 501(c)12 of the Internal Revenue Code of 1986 (or the corresponding provision of any future United States Internal Revenue Law) or; (b) by a corporation, contributions to which are deductible under Section 501(c)12 of the Internal Revenue Code of 1986 (or the corresponding provision of any future United States Internal Revenue Law).

ARTICLE VI

Upon the dissolution of the corporation, the Board of Directors shall, after paying or making provision for payment of all of the liabilities of the corporation, dispose of all its assets exclusively for the purposes of the corporation in such a manner, or to such organizations organized and operated exclusively for charitable, educational, religious or scientific purposes as shall at the time qualify as an exempt organization or organizations under Section 501(c)12 of the Internal Revenue Code of 1986 (or the corresponding provision of any future United States Internal Revenue Law) as the Board of Directors shall determine. Any such assets not disposed of shall be disposed of by the Superior Court of the county in which the principle office of the corporation is then located, exclusively for such purposes or to such organization or organizations, as said Court shall determine, which are organized and operated exclusively for such purposes.

ARTICLE VII

The name and address of the initial statutory agent of the corporation is:

Ronald Swan
67628 S. Cibola Road
PO Box 22
Cibola, AZ 85328

ARTICLE VIII

The number of directors constituting the initial board of directors shall be FIVE (5). The names and addresses of the persons serving as directors until the first annual meeting of the Directors or until their successors are elected and qualified are:

<u>Name</u>	<u>Address</u>	
Victor Arias	RR 2 Box 98,	Cibola, AZ 85328
Theodore H. Hemphill	RR 2 Box 15,	Cibola, AZ 85328
Jose R. Perez	RR 2 Box 13,	Cibola, AZ 85328
Ronald Swan	RR 2 Box 22,	Cibola, AZ 85328
J. L. Woodland	PO Box 6,	Palo Verde, CA 92266

ARTICLE IX

The control and management of the business and affairs of the corporation shall be vested in the board of directors constituted and qualified as specified in the by-laws of the corporation. The directors shall be elected by the membership from their number at the annual meeting of the membership.

ARTICLE X

The name and address of each incorporator is:

<u>Name</u>	<u>Address</u>	
Victor Arias	RR 2 Box 98,	Cibola, AZ 85328
Theodore M. Hemphill	RR 2 Box 15,	Cibola, AZ 85328
Jose R. Perez	RR 2 Box 13,	Cibola, AZ 85328
Ronald Swan	RR 2 Box 22,	Cibola, AZ 85328

Victor Arias Jose R. Perez
Theodore M. Hemphill J. H. Woodland

DATED this 14 day of August, 1998.

I, Ronald Swan, having been designated to act as Statutory Agent, hereby consent to act in that capacity until removed, or resignation is submitted in accordance with the Arizona Revised Statutes.

Ronald Swan
(Signed)

Dated: 8-14-98

Corporations Division
Arizona Corporation Commission
1300 W. Washington
Phoenix, AZ 85007

Re: NONPROFIT ARTICLES OF INCORPORATION
To: Corporate Filings

Enclosed please find our Certificate of Disclosure, a check for seventy five dollars (\$75), and an original plus two (2) copies of our Articles of Incorporation.

Please be advised that we of Cibola Mutual Water Company have selected the date of January 1 as our Fiscal Date. We understand that an Annual Report will be due in the fourth month following the close of our fiscal year, and that the Corporation Commission will mail our corporation an Annual Report that must be fully completed and returned to the Commission with the appropriate fees once each year. We also understand that failure to return a completed and accurate Annual Report may result in our corporation's revocation.

The corporate address shall be:
Cibola Mutual Water Company
c/o Ronald Swan
RR 2 Box 22
Cibola, AZ 85328

We shall immediately notify the Corporation Commission, in writing, of any change to this address.

Please return the filed copies to the above address.

Sincerely,


Ron Swan, Director

BY-LAWS
OF
CIBOLA MUTUAL WATER COMPANY, INC
A NON-PROFIT

ARTICLE I

General Purposes

Section 1. The purpose of this non-profit is to provide domestic water service for the benefit and advancement of the Cibola community.

Section 2. The Association shall have the right to acquire, hold, manage, lease, construct, sell or dispose of such properties, facilities, or service as may be necessary to properly attain the purpose of the organization.

Section 3. The Cibola Mutual Water Company shall not act for the members in political, religious, or sectarian matters or engage in such matters.

ARTICLE II

Name and Location

Section 1. The name of this is CIBOLA MUTUAL WATER COMPANY, INC., hereafter called the "Association"

Section 2. The principal office shall be located in Cibola, County of La Paz, State of Arizona, but may be moved elsewhere in said county from time to time as determined by the Board of Directors.

ARTICLE III

Membership

Section 1. Eligibility. Any real property owner within the service area of Cibola having submitted a proper application and membership fee shall be considered eligible for membership. The application shall contain an agreement to purchase water and, if available, waste water service from the Association.

Section 2. Special Meetings. Special meetings of the members may be called at any time by resolution of the Board of Directors, or upon a written request signed by any three directors, by the President, or by at least ten (10) percent of the members.

Section 3. Notice. Notice to the members of regular and special meetings of members shall be given by notice mailed by first-class mail to each member of record, directed to the address on the records of the Association, not less than ten nor more than 30 days prior to such meeting. Such notice shall state the nature, time and place of the meeting, and if a special meeting, the purpose of the meeting. No failure or irregularity of notice of any annual meeting, regularly held, shall affect the proceedings of the annual meeting.

Section 4. Quorum. A quorum shall consist of 20 percent of the members present or by proxy of the Association at the meeting. If less than a quorum is present at any meeting, a majority of those present in person may adjourn the meeting from time to time without further notice.

Section 5. Proxy. A member may vote by proxy executed in writing by the member. Such proxy shall be filed with the Secretary before or at the time of the meeting. No proxy shall be valid unless it shall be designate the particular meeting at which it is to be voted, and no proxy shall be voted at any meeting other than the one so designated or any adjournment of such meeting. A member may give his proxy only to another member or to an adult living in the same home with such member. The presence of a member at a meeting shall revoke a proxy theretofore executed by him, and such member shall be entitled to vote at such meeting in the same manner and with the same effect as if he had not executed a proxy.

Section 6. Right to Vote. Each member in good standing shall be entitled to one vote. All questions shall be decided by a vote of a majority of the members voting thereon in person or by proxy. The secretary of the Association shall make, at least five days before each meeting of members, a complete list of members entitled to vote at such meeting, which list shall be subject to inspection at the offices of the Association for two days before the meeting and during the meeting.

Section 4. Quorum. A majority of the Board of Directors shall constitute a quorum at any meeting of the board. The affirmative vote of the majority of the directors at a meeting at which a quorum is present shall be the act of the Board.

Section 5. Compensation. Officers and directors shall receive no compensation for their services as such.

Section 6. Removal. Officers and directors may be removed from office in the following manner: Any member, officer, or director may present charges against a director or officer by filing them in writing with the secretary of the Association. If presented by a member, the charges must be accompanied by a petition signed by at least twenty-five percent of the members of the Association. Such removal shall be voted on at the next regular or special meeting of the members and shall be effective if approved by a vote of a majority of those voting if a quorum is present. The director or officer against whom such charges have been presented shall be informed, in writing, of such charges at least twenty days prior to the meeting and shall have the opportunity at such meeting to be heard in person or by counsel and to present witnesses; and the person presenting such charges shall have the same opportunity. If the removal of a director is approved, such action shall also vacate any other office held by the removed director in the Association. A vacancy in the board thus created shall be immediately filled by a vote of a majority of the members present and voting at such meeting. A vacancy in any office thus created shall be filled by the Board of Directors from among their number so constituted after the vacancy in the board has been filled.

Section 7. Meetings of Directors. The directors may provide, by resolution, the time and place of the holding of additional regular meetings. Special meetings of the directors may be called by or at the request of the President or any two directors. The person or persons authorized to call special meetings of the directors may fix the place and time for holding any special meeting of directors called by them.

Section 8. Notice of Meeting. Written or printed notice stating the place, day and hour of the meeting, and in case of a special meeting, the purpose or purposes for which the meeting is called, shall be given by mailing a copy of the notice to each director at least three days before the date of the meeting. The attendance of a director at a meeting shall constitute a waiver of notice of such meeting, except where a director attends a meeting for the express purpose of objecting to the transaction of any business because the meeting is not lawfully called or convened.

D. To prescribe, adopt and amend, from time to time such equitable uniform rules and regulations as, in its discretion, may be deemed essential or convenient for the conduct of the business and affairs of the Association and the guidance and control of its officers and employees, and to prescribe adequate penalties for the breach thereof.

E. To order, at least once each year, an audit of the books and accounts of the Association by a competent public auditor or accountant. The report prepared by such auditor or accountant shall be available to the members of the Association at the annual meeting, together with a proposed budget for the ensuing year. Copies of such audits and budgets shall be submitted to such parties as may be required by other agreements.

F. Subject to the Arizona Corporation Commission, to fix and alter the charges to be paid by each member for services rendered by the Association to the member, including connection or reconnection fees where such are deemed to be necessary by the directors, and to fix and alter the method of billing, time of payment, manner of connection, and penalties for late or nonpayment of the same. The board may establish one or more classes of users. All charges shall be uniform and nondiscriminating within each class of users.

G. To require all officers, agents, and employees charged with responsibility for the custody of any of the funds of the Association to give adequate bonds, the cost thereof to be paid by the Association, and it shall be mandatory upon the directors to so require.

H. To select one or more federally insured banks to act as depositories of the funds of the Association and to determine the manner of receiving, depositing, and disbursing the funds of the Association and the form of checks and the person or persons by whom the same shall be signed, with the power to change such banks and the person or persons signing such checks and the form thereof at will.

ARTICLE VIII

Officers

Section 1. Election: Removal. The officers shall be elected annually by the directors as set forth in Article VI above. Each officer shall hold office until such officer's successor shall have been duly elected and qualified or until such officer's death, resignation, or removal. An officer may be removed by the directors whenever in their judgment the best interests of the Association would be served thereby.

ARTICLE IX

Benefits and Duties of Members

Section 1. The Association shall install, maintain and operate a water system for domestic uses and may provide for fire protection.

Section 2. The Association shall install, maintain and operate the necessary equipment and a distribution pipeline or lines from the source of the water supply and service lines from the main distribution pipeline or lines to the Property line of each member of the Association, at which point, designated as delivery point, meters to be purchased, installed, owned and maintained by the Association shall be placed. The cost of the service line or lines from the main water distribution pipeline or lines of the Association to the Property line of each member shall be paid by the Association. The Association also may purchase and install a water cutoff valve to be owned and maintained by the Association and to be installed on some portion of the service line owned by the Association. The Association shall have the sole and exclusive right to the use of the water cutoff valve. However, the provisions of this section shall not be construed to require the acquisition or installation of water meters or cutoff valves where the directors determine under the circumstances of the system and the nature of the membership that the use of either or both devices is impractical or unnecessary to protect the system and rights of the membership, or economically not feasible.

Section 3. Each member shall be responsible for providing water service from the member's Property line to the member's residence. The member shall maintain such portion of such service line or lines, which shall be owned by the member, at the member's own expense. In addition, each member shall pay such connection charge, if any, as may have been imposed by the Board of Directors before such member will be entitled to receive water from the system.

Section 4. Each member may be permitted to have additional service lines from the Association's water system at the discretion of the Board of Directors upon proper application therefore and the tender of payment not to exceed the then existing connection charge. The approval by the Board of Directors of additional service lines to an existing member may be made conditional upon such provisions as the Board of Directors determines necessary to protect the interests of other members and to allow for the orderly expansion and extension of the system.

ARTICLE X

Distribution of Surplus Funds

Section 1. Impact on Rates. It is not anticipated that there will be any surplus funds or net income to the Association at the end of the fiscal year after provisions are made for the payment of the expenses of operation and maintenance and the funding of the various reserves for depreciation, debt retirement, and other purposes, including those required by the terms of any borrowing transaction. The occurrence in subsequent fiscal years of surplus funds or net income above the requirements of the Association as above mentioned, including, if any, a reserve for improvements and extension of the facilities shall be taken into consideration by the Board of Directors to determine the rates to be charged the members.

Section 2. No Dividends. The organization will provide services substantially at cost. Dividends shall not be paid.

Section 3. Dissolution. Upon dissolution, after paying off all debts and obligations, the assets, property and interest shall be transferred to another nonprofit or public agency who's activities shall include similar service to the community as permitted by law and under the Articles of Inc.

ARTICLE XI

Indemnification

The Association shall indemnify its members, directors, officers, employees and agents to the maximum extent permitted under Arizona Revised States Section 10-1005(C) as in effect on the date of adoption of these by-laws, and as hereafter amended, and any successor thereto.



La Paz County Board of Supervisors

1108 Joshua Avenue
Parker, Arizona 85344

(520) 669-6115

TDD (520) 669-8400

Fax (520) 669-9709

Gene Fisher - District 1
Clifford Edey - District 2
Jay W. Howe - District 3

Donna J. Hale - Clerk of the Board
Charles E. Wilson - County Administrator

December 27, 2001

Mr. Bob Corbet, President
Cibola Mutual Water Company, Inc.
RR 2 Box
Cibola, AZ 85328

RE: ***Cibola Mutual Water Company, Inc. Franchise/License and
Resolution No. 01-27***

Dear Mr. Corbet:

Enclosed please find a copy of the recorded Franchise/License Agreement and Resolution No. 01-27, approved by the La Paz County Board of Supervisors at their December 17, 2001, Regular Meeting, for your records.

Should you have any questions, please feel free to call me at (928) 669-6115.

Sincerely,


Charles E. Wilson
County Administrator

CEW:dsp

Enclosure

franchise info.cmw-c-ltr

Recording Requested By

And When Recorded Mail To:

LA PAZ CO - BOS



2001-05137

Page 1 of 3

Requested By: LA PAZ CO BOS

PATRICIA L WALL, RECORDER

OFFICIAL RECORDS OF LA PAZ COUNTY, AZ

12/17/2001 04:33 PM Recording Fee \$0.00

(This space reserved for recording information)

CAPTION HEADING:

Resolution 01-27



La Paz County Board of Supervisors

1108 Joshua Avenue
Parker, Arizona 85344

(520) 669-6115

TDD (520) 669-8400

Fax (520) 669-9709

Gene Fisher - District 1
Clifford Edey - District 2
Jay W. Howe - District 3

Donna J. Hale - Clerk of the Board
Charles E. Wilson - County Administrator

RESOLUTION NO. 01-27

A RESOLUTION OF THE BOARD OF SUPERVISORS OF THE COUNTY OF LA PAZ, ARIZONA, APPROVING THE CIBOLA MUTUAL WATER COMPANY, INC. FRANCHISE/LICENSE

WHEREAS, Cibola Mutual Water Company, Inc., an Arizona Corporation duly authorized to conduct business in the State of Arizona, filed an Application with the La Paz County Board of Supervisors, bearing the date of August 24, 2001, requesting the right, privilege, license and franchise to construct, operate and maintain water lines and associated facilities along and across the public streets, alleys and highways, within the area located in La Paz County, Arizona, known and described as follows:

That portion of Sections 19, 20, 21, 22, 27, 28, 29, 30, 31, 32, 33, 34, & the South Half of Section 15, lying South and East of the Colorado River, Township 1 North, Range 23 West, Gila and Salt River Base and Meridian, La Paz County, Arizona.

Sections 24, 25, & 36 Township 1, North, Range 24 West lying South and East of the Colorado River, Gila and Salt River Base and Meridian, La Paz County, Arizona.

Section 5, East Half Section 6, East Half Section 7, Township 1 South, Range 23 West, Gila and Salt River Base and Meridian, La Paz County, Arizona; and

WHEREAS, the La Paz County Board of Supervisors accepted said application at their Regular Board Meeting held November 19, 2001; and

WHEREAS, pursuant to A.R.S. § 40-283(E), a Notice of Intent to Grant Franchise, setting a Public Hearing on said application to be held on December 17, 2001, at 10:00 a.m., was advertised for each of three (3) consecutive weeks prior to the date set for Public Hearing and consideration of action; and

Resolution No. 01-27
Page 2

WHEREAS, a Public Hearing on said application was held before the Board of Supervisors on December 17, 2001, at 10:00 a.m.

NOW, THEREFORE, BE IT RESOLVED, that on December 17, 2001, the La Paz County Board of Supervisors unanimously grants a Franchise/License to Cibola Mutual Water Company, Inc. to construct, maintain and operate a domestic water distribution system in La Paz County, State of Arizona.

PASSED, ADOPTED AND APPROVED by the La Paz County Board of Supervisors this *17th* day of *December, 2001*.

APPROVED:


Gene Fisher, Chairman of the Board




Donna Hale, Clerk of the Board

APPROVED AS TO FORM:

 12/17/01
R. Glenn Buckelew, County Attorney

When Recorded
Return TO:
LA PAZ CO BOS



2001-05138
Page 1 of 8
Requested By: LA PAZ CO BOS
PATRICIA L WALL, RECORDER
OFFICIAL RECORDS OF LA PAZ COUNTY, AZ
12/17/2001 04:33 PM Recording Fee \$0.00

BEFORE THE BOARD OF SUPERVISORS
OF
LA PAZ COUNTY, STATE OF ARIZONA

In the Matter of the Application of)
Cibola Mutual Water Company, Inc.) FRANCHISE/LICENSE
Cibola, Arizona)

**ALLOWING CIBOLA MUTUAL WATER COMPANY, INC.
CONDITIONAL USE OF PUBLIC WAYS**

(Pursuant to Arizona Revised Statutes, Title 40, Chapter 2, Article 4, Section 40-283)

December 17, 2001

APPLICANT

Cibola Mutual Water Company, Inc., an Arizona Corporation duly authorized to conduct business in the State of Arizona - hereinafter "CMWC" - which shall and does include its successors and assigns.

COUNTY

The County of La Paz, State of Arizona, by and through the La Paz County Board of Supervisors, hereinafter "the Board".

PURPOSE

WHEREAS, CMWC, duly filed and presented its Application for a Franchise to the Board on November 19, 2001, in accordance with Arizona Revised Statutes Section 40-283, for the purposes of constructing, operating and

maintaining water lines and associated facilities along and across the public streets, alleys and highways, (hereinafter "public roadways"), within the area located in La Paz County, Arizona, as described in Exhibit "A" attached hereto and made part of this Franchise by reference.

WHEREAS, CMWC has received or will receive a Certificate of Necessity and Convenience from the Arizona Corporation Commission to establish and maintain water services in the areas described in Exhibit "A".

WHEREAS, upon receiving said application from CMWC the Board ordered public notice of the intention of the Board to make such grant by publishing the notice in a newspaper of general circulation in La Paz County, State of Arizona. Said public notice advised that the time and place for the Board to consider the granting of said Franchise was set for 10:00 a.m. on the 17th day of December, 2001, at the La Paz County Board of Supervisors meeting room, 1108 Joshua Avenue, Parker, Arizona.

WHEREAS, the Application came regularly before the Board at the time and place set forth by required public notices; and

The Board determines the required public notices to be sufficient and timely; and

The Board determines CMWC's Application to be adequate and sufficient in form; and

The Board determines the public hearing to have shown the need for a suitable water distribution system in the subject areas; and

The Board determines that no prevailing objections have been offered;

GRANT OF FRANCHISE

NOW THEREFORE, the Board, acting on behalf of the County of La Paz, State of Arizona, does hereby grant unto CMWC the right, privilege, license and

Franchise to construct, maintain and operate a domestic water distribution system for a period not to exceed twenty-five (25) years or for a period of one (1) year after the Franchised area is annexed by a municipality, whichever is shorter, along, upon, under and across the public roadways (excepting State Highways) within that portion of La Paz County, Arizona detailed in Exhibit "A", under such restrictions and limitations and upon such terms as the Board at any time may provide, not inconsistent with the laws of the State of Arizona, or the orders and rules of the Arizona Corporation Commission, specifically providing, however, that:

- 1) All rights hereunder are granted under the express condition that the Board shall have the power at any time to impose such restrictions and limitations and to make such regulations on such public roadways as may be deemed best for the public safety, health, welfare and convenience.
- 2) All rights hereby granted shall be exercised so as not to interfere or conflict with any easements or rights-of-way previously granted by the Board and now in force.
- 3) All rights hereby granted shall be exercised so as not to interfere or conflict with any easement, either public or private, of any nature, which has been acquired in or to the proper use of said public roadways or any portion thereof.
- 4) All rights hereby granted shall be exercised so as not to interfere or conflict or endanger in any way the proper use by the public of said highways, roads or thoroughfares or any portion thereof.
- 5) In accordance with A.R.S. §40-283(C), CMWC shall bear all expenses incurred including damages and compensation for the alteration of the course, direction, surface, grade or alignment of any of the said

highways, roads or thoroughfares made by CMWC for the purpose of this Franchise.

6) CMWC will maintain its equipment in good operating condition at all times without the necessity of notice from La Paz County. If CMWC shall fail to make any repairs affecting service, safety, or water quality within ten (10) days from the time the repairs become necessary, then La Paz County may cause the repairs to be made and CMWC agrees to pay La Paz County for the cost of said repairs.

7) All property necessary for the exercise of the Franchise shall be installed and operated by CMWC and shall be placed, removed or relocated, initially and throughout the term of this Franchise, along, in, over, under and across said public roadways, in such a manner and location as the Board or its duly authorized agent may designate. Such placement, removal or relocation of property shall be done at the sole expense of CMWC upon a determination by the Board that such placement, removal or relocation is necessary.

If CMWC fails or refuses so to place, remove or relocate property, La Paz County may do so at the sole expense of CMWC, such expense to include any and all damages and compensation of any nature arising therefrom.

Any finding or determination made by the Board pursuant hereto shall be final and binding upon CMWC whether or not such findings or determinations relate to the requirements of public safety or welfare, the use of public roads or the need for proposed improvements, and whether or not the function to be served by such placement, removal or relocation is of a governmental or proprietary nature.

In this section, "property" includes conduits, pipes, wires, poles, or other structures and appliances used to supply or deal in gas, electricity, lights, heat, water, refrigeration, power, telephones, telegraph, television and other public utilities.

8) CMWC shall indemnify and save harmless La Paz County from all costs, expenses and liabilities in connection with the granting of this Franchise and its exercise by CMWC.

9) The rights of any person claiming to be injured in any manner by CMWC, or the maintenance of its projects and equipment, shall not be affected by this Franchise.

10) The terms and conditions of this Franchise shall bind the successors, heirs and assigns of CMWC.

11) This Franchise is not exclusive and the Board hereby expressly reserves the right and power to grant similar franchises and privileges over the same territory, highways, roads and thoroughfares.

12) This Franchise is granted on the express condition that CMWC obtain a Certificate of Necessity and Convenience from the Arizona Corporation Commission within six months of the date of this Franchise. If such Certificate is not granted within six months, this Franchise shall be void.

13) All materials and construction methods used with the public rights-of-way shall conform to the applicable federal, state and local standards, specifications and special provisions currently in effect in La Paz County.

14) CMWC shall obtain appropriate construction permits from La Paz County before construction of any facilities on the public roadways.

15) La Paz County retains the right to impose a franchise fee, or if a franchise fee has already been imposed to increase the franchise fee, at any time while this agreement remains in effect, if permitted by law and deemed to be in the best interests of La Paz County by the Board of Supervisors, which fee or increase in fee shall be prospective from the date of its enactment. Notwithstanding anything to the contrary herein contained, Franchisee may terminate this agreement within the first thirty (30) days after imposition or increase of a franchise fee by La Paz County.

DATED this 17th day of December, 2001.

LA PAZ COUNTY BOARD OF SUPERVISORS

By: *Lew Fisher*
Chairman

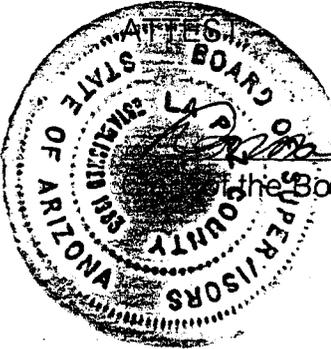
 *Lew Fisher*
of the Board of Supervisors

EXHIBIT "A"

**FRANCHISE AREA OF
CIBOLA MUTUAL WATER COMPANY, INC.**

LEGAL DESCRIPTION

Section 5, East Half Section 6, East Half Section 7, Township 1 South, Range 23 West, Gila & Salt River Meridian, La Paz County, Arizona, and

Sections 19, 20, 21, 22, 27, 28, 29, 30, 31, 32, 33, 34 and the South Half of Section 15, Township 1 North, Range 23 West, Gila & Salt River Meridian, La Paz County, Arizona, and

Sections 24, 25 and 36, Township 1 North, Range 24 West, Gila & Salt River Meridian, La Paz County, Arizona.



September 28, 2001
TEI J.N. 437012

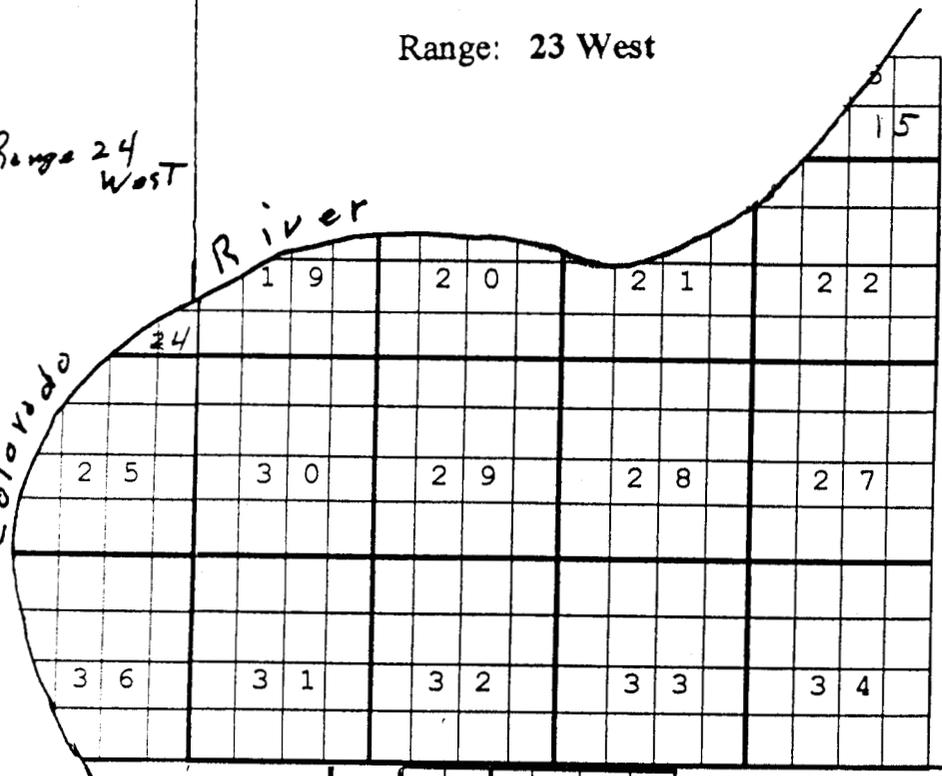
County: LA PAZ

Range: 23 West

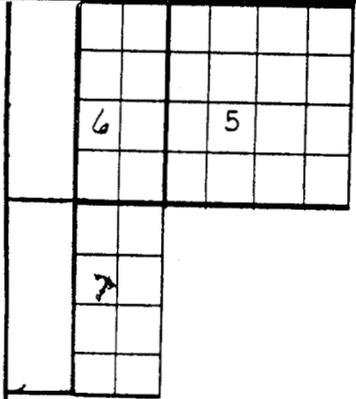
Range 24 West

Colorado River

Colorado



Township: 1 North



Township: 1 South

Range 24 West

Range: 23 West

Cibola Mutual Water Company, Inc.

LEGAL DESCRIPTION

That portion of Sections 19, 20, 21, 22, 27, 28, 29, 30, 31, 32, 33, 34, & the South Half of Section 15, lying South and East of the Colorado River, Township 1 North, Range 23 West, Gila and Salt River Base and Meridian, La Paz County, Arizona.

Sections 24, 25, & 36 Township 1 North, Range 24 West lying South and East of the Colorado River, Gila and Salt River Base and Meridian, La Paz County, Arizona.

Section 5, East Half Section 6, East Half Section 7, Township 1 South, Range 23 West, Gila and Salt River Base and Meridian, La Paz County, Arizona.

Estimated Property Tax			
Estimated Revenue	2003	2004	2005
	62597	68494	78487
	Average		69869
Revenue Base	139738		
+ 10% construction cost	90692		
Total = Full Cash Value	230430		
X 25%	57607		
X Tax rate of 10.684%	6155	is estimated property tax	