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**SANTA ROSA WATER COMPANY**

AZ CORP COMMISSION  
DOCUMENT CONTROL

**Docket No. W-04137A-02-0692**

**SANTA ROSA UTILITY COMPANY**

**Docket No. SW-04136A-02-0691**

**Rebuttal Testimony**

**Of**

**Jim Poulos**

**To The**

**Staff Report**

Arizona Corporation Commission

**DOCKETED**

JAN 30 2003

DOCKETED BY	<i>[Signature]</i>
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4

1. Q. Please state your name and business address.

A. My name is Jim Poulos, and my business address is 9532 E. Riggs Road, Sun Lakes, Arizona 85248.

2. Q. Please describe your utility qualifications.

A. I am the general manager of the applicants, Santa Rosa Water Company ("SRWC") and Santa Rosa Utility Company ("SRUC"). I am also the general manager of 9 other public water and sewer utilities in Arizona. They are: Pima Utility Company -Water ("PUCW"), Pima Utility Company - Sewer ("PUCS"), Lago Del Oro Water Company ("LDO"), SaddleBrooke Utility Company ("SUC"), Quail Creek Water Company ("QCWC"), Mountain Pass Utility Company ("MPUC"), Picacho Water Company ("PWC"), Picacho Sewer Company ("PSC"), and Ridgeview Utility Company ("RUC").

3. Q. What is the purpose of your rebuttal testimony in this proceeding?

A. To offer three proposed modifications to the recommendations made by Staff for consideration in this proceeding.

4. Q. Please describe your first proposed modification to the recommendations made by Staff.

A. Staff recommendations No. 5 for water and No. 7 for wastewater regarding the filing of rate applications no later than three months following the fifth anniversary of the date that service is first provided should be deleted in their entirety and replaced with "That SWRC and SRUC (respectively) shall not file a rate application for at least 60 months after the date it provides permanent service to their first customer".

5. Q. Why do you propose this modification?

A. To remain consistent with Commission policy that was established in 2002 in connection with financing orders for affiliated utilities MPUC (Decision No. 65133), PWC (Decision No. 65133), PSC (Decision No. 65133) and RUC (Decision No. 65216). In each instance the Commission adopted this policy for these dcnuovo utilities that had recently established initial rates with the issuance of new water and sewer Certificates of Convenience and Necessity.

- 4
6. Q. Please describe your second proposed modification to the recommendations made by Staff.
- A. Staff recommendations No. 7 for water and No. 9 for wastewater regarding the submission of franchises from Pinal County should be deleted. The necessary water and sewer franchises were issued by Pinal County in November 2002 and copies of the franchises were docketed with the Commission on or about December 5, 2002. Copies of these franchises are attached to this rebuttal testimony.
7. Q. Please describe your third proposed modification to the recommendations made by Staff.
- A. Staff recommendation No. 2 regarding the submission of the CAAG 208 amendment to the Commission should be deleted. Staff is correct that a 208 amendment is required for the wastewater treatment plant. However, an amendment to the 208 plant is necessary before ADEQ will issue an Aquifer Protection Permit ("APP"). Since Staff is already recommending that copies of the APP be submitted to the Commission in wastewater recommendation No. 1, it is unnecessary to also submit a copy of the 208 amendment.
8. Q. Do the applicants have any other differences with the proposed modifications to the Staff report?
- A. No.
9. Q. Does this conclude your rebuttal testimony?
- A. Yes.

SANTA ROSA WATER COMPANY  
SANTA ROSA UTILITY COMPANY  
9532 E. Riggs Road  
Sun Lakes, Arizona 85248

December 5, 2002

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

Re: Docket No.'s SW-04136A-02-0691 and W-04137A-02-0692

Dear Sir or Madam:

Enclosed are the water and sewer franchises issued by Pinal County for the Santa Rosa Utilities in the aforementioned Docket Numbers.

An original and fifteen copies submitted.

Sincerely,



Jim Poulos  
General Manager

JP:th

Enclosure

Docketcontron68

COVER SHEET

ARIZONA CORPORATION COMMISSION  
DOCKET CONTROL CENTER

APPLICANT/COMPANY NAME:

DOCKET NO. SW-04136A-02-0692  
W-04137A-02-0692

Santa Rosa Water Company  
Santa Rosa Utility Company

NATURE OF ACTION OR DESCRIPTION OF DOCUMENT Please mark the item that describes the nature of the case/filing:

01 NEW APPLICATIONS

- |   |  |
|---|--|
| <input type="checkbox"/> NEW CC&N   | <input type="checkbox"/> MAIN EXTENSION                                    |
| <input type="checkbox"/> RATES  | <input type="checkbox"/> CONTRACT/AGREEMENTS                               |
| <input type="checkbox"/> INTERIM RATES                                      | <input type="checkbox"/> COMPLAINT (Formal)                                |
| <input type="checkbox"/> CANCELANON OF CC&N                                 | <input type="checkbox"/> RULE VARIANCE/WAIVER REQUEST                      |
| <input type="checkbox"/> DELETION OF CC&N TERRITORY                         | <input type="checkbox"/> SITING COMMITTEE CASE                             |
| <input type="checkbox"/> EXTENTION OF CC&N (TERRITORY)                      | <input type="checkbox"/> SMALL WATER COMPANY -SURCHARGE (Senate Bill 1252) |
| <input type="checkbox"/> TARIFF - NEW (NEXT OPEN MEETING)                   | <input type="checkbox"/> NOTICE OF OPPORTUNITY                             |
| <input type="checkbox"/> REQUEST FOR ARBITRATION<br>(Telecommunication Act) | <input type="checkbox"/> SALE OF ASSETS & TRANSFER OF OWNERSHIP            |
| <input type="checkbox"/> FULLY OR PARTIALLY                                 | <input type="checkbox"/> SALE OF ASSETS & CANCELLATION OF CC&N             |
| <input type="checkbox"/> ARBITRATED INTERCONNECTION                         | <input type="checkbox"/> FUEL ADJUSTER/PGA                                 |
| <input type="checkbox"/> AGREEMENT (Telecom. Act)                           | <input type="checkbox"/> MERGER  |
| <input type="checkbox"/> VOLUNTARY INTERCONNECTION                          | <input type="checkbox"/> FINANCING   |
| <input type="checkbox"/> AGREEMENT (Telecom. Act)                           | <input type="checkbox"/> MISCELLANEOUS                                     |
- Specify \_\_\_\_\_

02 REVISIONS/AMENDMENTS TO  
PENDING OR APPROVED MATTERS

APPLICATION  
COMPANY \_\_\_\_\_  
DOCKET NO. \_\_\_\_\_

TARIFF  
 PROMOTIONAL  
DECISION NO. \_\_\_\_\_  
DOCKET NO. \_\_\_\_\_  
 COMPLIANCE  
DECISION NO. \_\_\_\_\_  
DOCKET NO. \_\_\_\_\_

MISCELLANEOUS FILINGS

- |    |                              |                                     |    |  |
|----|------------------------------|-------------------------------------|----|--|
| 04 | AFFIDAVIT                    | <input type="checkbox"/>            | 29 | STIPULATION  |
| 12 | EXCEPTION                    | <input type="checkbox"/>            | 38 | NOTICE OF INTENT<br>(Only notification of future action/no action necessary) |
| 18 | REQUEST FOR INTERVENTION     | <input type="checkbox"/>            | 43 | PETITION   |
| 48 | REQUEST FOR HEARING          | <input type="checkbox"/>            | 46 | NOTICE OF LIMITED APPEARANCE   |
| 24 | OPPOSITION                   | <input type="checkbox"/>            | 39 | OTHER  |
| 50 | COMPLIANCE ITEM FOR APPROVAL | <input checked="" type="checkbox"/> |    | Specify _____  |

Jim Poulos 480-895-4251

Print Name of Applicant/Company/contact person

PLEASE SEE NOTICE ON REVERSE SIDE



## Office of the Pinal County Attorney

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**CIVIL DIVISION**

Administration Building #2  
Post Office Box 887  
Florence, Arizona 85232

**ROBERT CARTER OLSON**

Pinal County Attorney

**WILLIAM H. McLEAN**

Chief Civil Deputy

**TELEPHONE**

Main Line: (520) 868-6269

FAX: (520) 868-6521

TDD: (520) 868-6379

December 3, 2002

Santa Rosa Water Company/Utility Company  
Jim Poulos  
9532 E. Riggs Road  
Sun Lakes, AZ 85248

Dear Jim,

Enclosed please find the copies of the recorded agenda forms for both Santa Rosa Water Company and Santa Rosa Utility Company. If you have any questions, please feel free to contact me at 520-868-6398.

Sincerely,

**ROBERT CARTER OLSON**  
**PINAL COUNTY ATTORNEY**

A handwritten signature in black ink, appearing to read "Rick V. Husk".

**Rick V. Husk**  
Deputy County Attorney

RVH:lml

Enclosures

**AGENDA FORM  
FOR  
PINAL COUNTY BOARD OF SUPERVISORS**

Budgeted: N/A  
 Generates Revenue for County: No  
 Revenue Generated : N/A  
 Uses County Funds: No  
 Source of Funds: N/A  
 Cost to County: N/A  
 Reduces/Contains: N/A  
 Expenditure Reduced/Contained: N/A

**RECEIVED**  
 NOV 26 2002  
 PINAL COUNTY  
 CIVIL DIVISION

Competitive negotiations (PC1-347 D1) N/A  
 Two step competitive negotiation (PC1-347 D2) N/A  
 Review of Qualification (PC1-347D3) N/A  
 Multi step sealed bidding (PC1-328) N/A  
 Intergovernmental Agreement (PC1-1003) N/A  
 Competitive sealed proposals RFP (PC1-329) N/A  
 Expenditures for County: Other (PC1-\_\_\_\_) N/A

1. **REQUESTED BY:**  
 Fund No: 10      Dept No: 1037      Dept. Name: Special Services      Director: Gary Medina

2. **BRIEF DESCRIPTION OF AGENDA ITEM AND REQUESTED BOARD ACTION:** Agenda Item for November 6, 2002  
 9:30 a.m. **PUBLIC HEARING** to consider, discuss, approve or disapprove the creation of the Santa Rosa Water Company water franchise, located in East 1/4 of the SE 1/4 of Section 25, the East 1/4 of SE 1/4 and the West 1/4 of the SW 1/4 of Section 26, the South 1/4 of Section 27, all of Sections 34, 35, and 36, all within Township 5 South, Range 3 East; All of Sections 2 and 3 in Township 6 South, Range 3 East, Gila and Salt River Base and Meridian, Pinal County.

3. **MOTION:** It is moved that the Pinal County Board of Supervisors ...  
**SUGGESTED MOTION:** Approve the creation of the Santa Rosa Water Company water franchise and further move that the Board authorize its Chairman and Clerk to execute the documents as presented.

4. <b>DEPARTMENT:</b> <i>Amy J. Medina</i> 10-7-02 Action recommended by      Date	7. <b>DEPUTY COUNTY MANAGER:</b> 10-28-02 Approve <input checked="" type="checkbox"/> Disapprove <input type="checkbox"/> Date
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5. <b>GRANTS AND CONTRACTS ADMINISTRATOR:</b> _____ Date _____ Approve <input type="checkbox"/> Disapprove <input type="checkbox"/>	8. <b>PURCHASING DEPARTMENT:</b> _____ Date _____ Approve <input type="checkbox"/> Disapprove <input type="checkbox"/>
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6. <b>COUNTY ATTORNEY'S OFFICE:</b> 10/24/02 Date _____ <input checked="" type="checkbox"/> Approved as to form and within the powers and authority granted under the laws of the State of Arizona to the Pinal County Board of Supervisors.	9. <b>FINANCE OFFICE:</b> _____ Date _____ Approve <input type="checkbox"/> Disapprove <input type="checkbox"/>
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10. **COUNTY MANAGER:** \_\_\_\_\_ Date \_\_\_\_\_  
 APPROVE       DISAPPROVE

11. **BOARD OF SUPERVISORS:**

Action Taken:  Approve     Amend     Disapprove     Delete     \_\_\_\_\_

**CHAIRMAN:** *Nardie Smith*      11-6-02  
 \_\_\_\_\_ Date \_\_\_\_\_

**CLERK OF THE BOARD:** *[Signature]*      11-6-02  
 \_\_\_\_\_ Date \_\_\_\_\_



When recorded mail to:

Clerk of the Board  
P.O. Box 827  
Florence, Arizona 85232

DATE: 11/08/02      TIME: 1528  
FEE :            0.00  
PAGES:        13  
FEE NO: 2002-061380

**Creation Of The Santa Rosa Water Company Franchise**

WHEREAS, Santa Rosa Water Company, a(n) Arizona limited liability company, duly authorized to conduct business in the State of Arizona, has duly filed and presented to the Board of Supervisors of the County of Pinal, State of Arizona, its application for a new public water franchise for the purpose of constructing, operating and maintaining water lines and related appurtenances along, under and across the public streets, alleys and highways, except federal and state highways, within the unincorporated area of Pinal County, Arizona, as described in Exhibit "A" attached hereto (hereinafter "Application").

WHEREAS, upon Santa Rosa Water Company's filing of an application for a new public utility franchise (hereinafter "Application"), the Board of Supervisors of Pinal County ordered a public notice of its intent to consider creating a new public utility franchise to be published in a newspaper of general circulation, in Pinal County, Arizona, stating the time and place for consideration of the Application was set for 9:30 a.m. on November 6<sup>th</sup>, 2002, at the Pinal County Board of Supervisors' Hearing Room, Administration Building No. 1, Florence, Arizona.

WHEREAS, said Application having come on regularly for hearing at 9:30 a.m. on November 6<sup>th</sup>, 2002; and it appearing from the affidavit of the publisher of the Florence Reminder and Blade Tribune that due and regular notice of said time and place set for the consideration of such action has been published at least once a week for three consecutive weeks prior to said hearing date, to-wit: in the issues of the Florence Reminder and Blade Tribune and the Casa Grande Dispatch, published on October 10, 2002, October 17, 2002, and October 24, 2002; and the matter being called for hearing at 9:30 a.m. on November 6<sup>th</sup>, 2002, and an opportunity having been given to all interested parties to be heard.

WHEREAS, the Board of Supervisors of Pinal County has the power to create a new water franchise under its general police powers in such matters.

**NOW, THEREFORE,**

**Section 1: DEFINITIONS**

The following terms used in this franchise shall have the following meanings:

- A. <sup>4</sup>County: Pinal County, Arizona
- B. Board: Board of Supervisors of Pinal County, Arizona.
- C. Grantor: Pinal County, by and through its Board of Supervisors
- D. Grantee: Santa Rosa Water Company, a(n) Arizona limited liability company, its successors and assigns
- E. Grantee's Facilities: Water lines and related appurtenances

## Section 2: GRANT

A. Grantor, on November 6<sup>th</sup>, 2002, hereby grants to Grantee, for a period of twenty-five (25) years, this a new public utility franchise (hereinafter "Franchise") for the purpose of constructing, operating and maintaining water lines and related appurtenances along, under and across public streets, alleys and highways, except federal and state highways, under the terms and conditions set forth herein within the unincorporated area of Pinal County, Arizona, as described in the Application (hereinafter "Franchise Area").

### B. Nonexclusive Franchise.

(1) The Franchise granted hereby shall not be exclusive and shall not restrict in any manner the right of County in the exercise of any regulatory power which it now has or which may hereafter be authorized or permitted by the laws of the State of Arizona. Nothing herein shall be construed to prevent County from granting other like or similar franchises to any other person, firm or corporation. County retains and shall ever be considered as having and retaining the right and power to allow and to grant to any other person, firm, corporation or other companies, franchise rights and privileges to be exercised in and upon its public streets, alleys, highways and public places, and such of the same and parts thereof as County may deem best or choose to allow, permit, give or grant.

(2) Nothing herein shall be construed to prevent County and its proper authorities from constructing and installing water lines, or improvements to its public highways, streets and alleys, and for that purpose, to require the Grantee at Grantee's own expense to remove Grantee's facilities to conform thereto and facilitate the same.

### C. Reservation of Rights.

(1) County reserves the right to alter and amend the Franchise at any time and in any manner necessary for the safety or welfare of the public or to protect the public interests, and County reserves the right to impose at any time restrictions and limitations upon the use of the public streets, alleys and highways as County deems best for the public safety or welfare.

(2) County expressly reserves the right, after due notice to grantee, to modify, amend, alter, change or eliminate any of the provisions of the Franchise which may become obsolete or impractical; and to impose such additional conditions upon the grantee as may be just and reasonable, such conditions to be those deemed necessary for the purpose of insuring adequate service to the public; provided however, County shall not modify, amend, alter, change or eliminate any of said provisions until after a public hearing, if such is legally required or requested by grantee.

### **Section 3: RENEWAL/SUBSEQUENT APPLICATION/REMOVAL OF SYSTEM**

A. The Franchise herein granted shall expire on November 6th, 2027; and upon its termination, Grantee shall cease to exercise under the terms of the Franchise the privileges herein granted. In the event Grantee desires a renewal of the Franchise herein granted, or a new franchise for a subsequent period, Grantee shall apply to and open negotiations with County for that purpose at least six (6) months before the expiration of the Franchise herein granted; but nothing herein shall be construed to bind County to grant such renewal or subsequent franchise.

B. Upon termination of the Franchise the grantee shall remove its facilities from the streets, alleys, ways, highways and bridges within the Franchise Area and shall restore the areas to their original condition. If such removal is not completed within six months of such termination, County may deem any property not removed as having been abandoned.

### **Section 4: REGULATION**

Grantee, its successors and assigns shall be subject to reasonable regulations for the maintenance by grantee, its successors and assigns, of such portion of the public streets, alleys and highways altered, damaged or destroyed by Grantee, its agents or employees in exercising the privileges granted by the Franchise.

### **Section 5: CONSTRUCTION, INSTALLATION AND REPAIRS**

A. Prior to the beginning of any construction for installation of water lines and related appurtenances, the Grantee, its successors and assigns will submit a plan of proposed construction to the Pinal County Engineer and will not commence any construction until the plan of construction is approved by the County Engineer or his designate.

B. All work performed by Grantee under the Franchise shall be done in the manner prescribed by County and subject to the supervision of County, and in strict compliance with all laws, ordinances, rules and regulations of federal, state and local governments.

C. No construction, reconstruction, repair, or relocation under the Franchise shall be commenced until written permits have been obtained from the proper county officials. In any permit so issued, such officials may impose such conditions and regulations as a condition of the granting of the same as are necessary for the purpose of protecting any structures in the highways or streets and for the proper restoration of such highways, streets and structures, and for the protection of the public and the continuity of pedestrian and vehicular traffic.

D. No construction under the Franchise by grantee shall impose upon County the duty to maintain any public street, alley or highway unless County accepts said public street, alley or highway into the county maintenance system as provided by law.

#### **Section 6: INSPECTION**

County shall, if it deems it necessary, have the right to inspect the construction, operation and maintenance of Grantee's facilities to insure the proper performance of the terms of the Franchise granted herein.

#### **Section 7: SUFFICIENCY, LOCATION AND MAINTENANCE**

All of Grantee's Facilities shall be in all respects adequate, efficient, substantial and permanent in design and workmanship, and shall be so located, erected and maintained so as not to interfere with the use and enjoyment of the public streets, alleys and highways. All of Grantee's Facilities erected by Grantee shall be maintained in a safe, suitable, substantial condition and in good order and repair.

#### **Section 8: EXPANSION**

Grantee will, from time to time, during the term of the Franchise make such enlargements and extensions of its water system as are necessary to adequately provide for the requirements of County and the inhabitants of the Franchise Area; provided that nothing herein shall compel Grantee to expand or enlarge its system beyond the economic and operating limits thereof. Such enlargements and extensions shall be made in accordance with company rules and regulations.

#### **Section 9: RELOCATION**

A. During the term of the Franchise whenever County or any qualified authority having jurisdiction in the Franchise Area alters, repairs, improves, or changes the grade of, any public streets, alleys and highways in the Franchise Area during the term of the Franchise, then and in such event, Grantee, its successors or assigns, at its own expense, shall promptly, upon reasonable notice, make such changes in the location, structure or alignment of its water lines and related appurtenances as the public officials in charge of such work may deem necessary.

B. After thirty (30) days notice to Grantee, of needed changes or corrections and upon the failure of Grantee, to make such changes set forth in Section 9(A) above or to correct any damage to the right-of-way of any public street, alley or highway within the Franchise Area caused directly or indirectly by Grantee, its agents, successors or assigns, County or its successors shall have the right to make such changes or corrections at the expense of said Grantee, its successors or assigns, and such expenses shall be due and payable upon written demand by County or its successors to Grantee, its successors or assigns.

#### **Section 10: LIABILITY**

A. If any streets, highways, alleys, ways, bridges, sidewalks, public place, or other public facility should be disturbed, altered, damaged or destroyed by Grantee, its employees, contractors,

subcontractors or agents in the construction, installation, operation and maintenance of Grantee's Facilities under the Franchise, the same shall be promptly repaired, reconstructed, replaced or restored by Grantee, without cost to County, as soon as practicable and in as good condition as before Grantee's entry and to the satisfaction of County. If Grantee fails to make such restoration and repairs within a reasonable time as determined by County, then County may fix a reasonable time for such restoration and repairs and shall notify Grantee in writing of the restoration and repairs required and the time fixed for the performance thereof. Upon failure of Grantee to comply within the time specified, County may cause proper restoration and repairs to be made, and the expense of such work shall be paid by Grantee upon demand by County.

B. Grantee shall be responsible to every owner of property which shall be injured by the work of construction, installation, operation or maintenance of Grantee's Facilities under the Franchise, all physical damage which shall be done to such injured property through any act or omission of Grantee, its employees, contractors, subcontractors or agents arising out of said construction, installation, operation or maintenance.

C. It is a condition of the Franchise that County shall not and does not by reason of the Franchise assume any liability of the Grantee whatsoever for injury to persons or damage to property.

#### **Section 11: INDEMNIFICATION**

Grantee by its acceptance of the Franchise agrees for itself, its successors and assigns that throughout the entire term of this franchise, Grantee, its successors and assigns, at its sole cost and expense, shall indemnify, defend, save and hold harmless Pinal County, its elected officers, employees and agents from any and all lawsuits, judgments and claims for injury, death and damage to persons and property, both real and personal, caused by the construction, design, installation, operation or maintenance of any structure, equipment, water lines or related appurtenances by Grantee within the Franchise Area. Indemnified expenses shall include, but not be limited to, litigation and arbitration expenses, and attorneys' fees.

#### **Section 12: ACCEPTANCE BY GRANTEE / EFFECTIVE DATE FRANCHISE**

The Franchise shall be accepted by Grantee by written instrument in the form attached hereto as Exhibit "B" (hereinafter "Acceptance"), executed and acknowledged by it as a deed is required to be, and filed with the Clerk of the Pinal County Board of Supervisors within thirty days after the date this Franchise is accepted by County. This Franchise shall be effective upon delivery of the Acceptance to the Clerk of the Pinal County Board of Supervisors in the form required and within the time specified above.

#### **Section 13: LIMITS ON GRANTEE'S RECOURSE**

A. Grantee by its acceptance of the Franchise acknowledges such acceptance relies upon grantee's own investigation and understanding of the power and authority of the County to grant said franchise. Grantee by its acceptance of the Franchise accepts the validity of the terms and conditions of the Franchise in their entirety and agrees it will not, at any time, proceed against County in any

claim or proceeding challenging any term or provision of the Franchise as unreasonable, arbitrary or void, or that County did not have the authority to impose such term or condition.

B. Grantee by accepting the Franchise acknowledges that it has not been induced to accept the same by any promise, verbal or written, by or on behalf of County or by any third person regarding any term or condition of the Franchise not expressed therein. Grantee by its acceptance of the Franchise further pledges that no promise or inducement, oral or written, has been made to any employee or official of County regarding receipt of the Franchise.

C. Grantee by its acceptance of the Franchise further acknowledges that it has carefully read the terms and conditions of the Franchise and accepts without reservation the obligations imposed by the terms and conditions herein.

D. The Board's decision concerning its selection and awarding of the Franchise shall be final.

#### **Section 14: FAILURE TO ENFORCE FRANCHISE**

Grantee shall not be excused from complying with any of the terms and conditions of the Franchise by any failure of County, upon any one or more occasions, to insist upon the Grantee's performance or to seek Grantee's compliance with any one or more of such terms or conditions.

#### **Section 15: COMPLIANCE WITH THE LAW**

Grantee shall at all times, conduct its business under the Franchise in accordance with all federal, state and local laws, rules and regulations, as amended, including any future amendments thereto as may, from time to time, be adopted.

#### **Section 16: INTERPRETATION/GOVERNING LAW**

The interpretation and performance of the Franchise and of the general terms and conditions shall be in accordance with and governed by the laws of the State of Arizona.

#### **Section 17: VENUE**

Exclusive venue for any legal action to enforce the provisions, terms and conditions of the Franchise shall be the Superior Court of the State of Arizona in and for the County of Pinal, Florence, Arizona..

#### **Section 18: SEVERABILITY**

If any section, provision, term or covenant or any portion of any section, provision, term or covenant of the Franchise is determined to be illegal, invalid or unconstitutional, by any court of competent jurisdiction or by any state or federal regulatory agency having jurisdiction thereof, such determination shall have no effect on any remaining portion of such section, provision, term or covenant or the remaining sections, provisions, terms or covenants of the Franchise, all of which will remain in full force and effect for the term of the Franchise or any renewal or renewals thereof.

## **Section 19: FORFEITURE**

A. If Grantee fails to comply with any of the provisions of this agreement or defaults in any of its obligations hereunder, except for causes beyond the reasonable control of Grantee; and shall fail within thirty (30) days after written notice from County to commence, and within a reasonable time, complete the correction of such default or noncompliance, County shall have the right to revoke this agreement and all rights of Grantee hereunder. In the event Grantee makes a general assignment or general arrangement for the benefit of creditors; or a trustee or receiver is appointed to take possession of substantially all of Grantee's Facilities within the Franchise Area or of Grantee's interest in this Franchise, where possession is not restored to Grantee within thirty (30) days; or Grantee's Facilities within the Franchise Area are subject to an attachment, execution or other seizure of substantially all of the Grantee's Facilities within the Franchise Area or this Franchise, where such seizure is not discharged within thirty (30) days, County may declare the Franchise, along with the Original Franchise, forfeited and terminated.

B. Nothing herein contained shall limit or restrict any other legal rights that County may possess arising from such violations.

## **Section 20: REVOCATION OF FRANCHISE**

The Franchise may after due notice and hearing, be revoked by County for any of the following reasons:

A. For false or misleading statements in, or material omissions from the application for and the hearing on the granting of the Franchise.

B. For any transfer or assignment of the Franchise or control thereof without County's written consent.

C. For failure to comply with any of the terms and conditions of the Franchise.

## **Section 21: ASSIGNMENT/TRANSFER**

Grantee shall not assign or transfer any interest in the Franchise without the prior written consent of County. Said Board shall not unreasonably withhold its consent to a proposed transfer.

## **Section 22: NOTICE**

Notices required under the Franchise shall be delivered or sent by certified mail, postage prepaid to:

Grantor:

Clerk of the Pinal County Board of Supervisors  
P.O. Box 827  
31 N. Pinal  
Florence, Arizona 85232

Santa Rosa Water Company Franchise

Grantee:

Santa Rosa Water Company  
9532 E. Riggs Road  
Sun Lakes, AZ 85248

The delivery or mailing of such notice shall be equivalent to direct personal notice and shall be deemed to have been given at the time of delivery. Either party may change its address under this section by written notice to the other party.

#### **Section 23: REMEDIES**

Rights and remedies reserved to the parties by the Franchise are cumulative and shall be in addition to and not in derogation of any other rights or remedies which the parties may have with respect to the subject matter of the Franchise and a waiver thereof at any time shall not affect any other time.

#### **Section 24: RIGHT OF INTERVENTION**

County hereby reserves to itself, and Grantee hereby grants to County, the right to intervene in any suit, action or proceeding involving any provision in the Franchise.

#### **Section 25: BOOKS AND RECORDS**

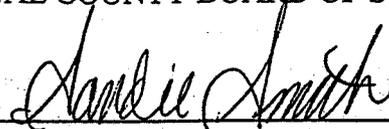
Grantee shall maintain books and records that identify all of Grantee's underground facilities by type and location within the Franchise Area. Grantee will make such books and records available to County upon County's request and without cost to County.

#### **Section 26: AD VALOREM TAXES**

Grantee shall pay its ad valorem taxes before they become delinquent.

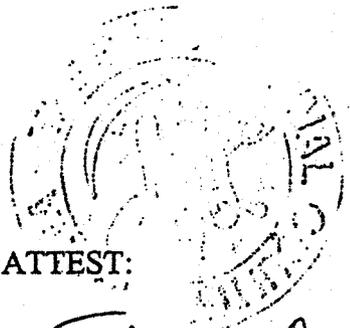
IN WITNESS WHEREOF, the Board of Supervisors of Pinal County, Arizona, by its Chairman and its Clerk, thereunto duly authorized, has hereunto set its hand and cause its official seal to be affixed on November 6<sup>th</sup>, 2002.

PINAL COUNTY BOARD OF SUPERVISORS

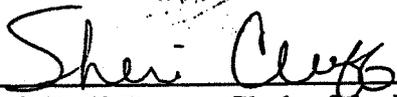


Sandie Smith, Chairman

11.6.02



ATTEST:



Sheri Cluff, Deputy Clerk of the Board

APPROVED AS TO FORM:

ROBERT CARTER OLSON  
PINAL COUNTY ATTORNEY

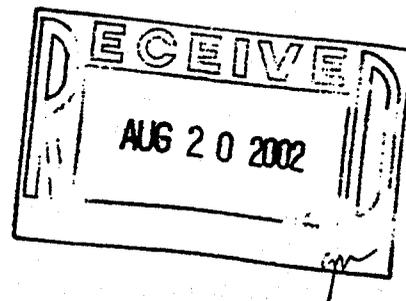


Rick Husk, Deputy County Attorney

**Exhibit A**

4

SANTA ROSA WATER COMPANY  
9532 E. RIGGS ROAD  
SUN LAKES, ARIZONA 85248



August 16, 2002

Pinal County Board of Supervisors  
Attn: Gary Medina  
PO Box 827  
Florence, Arizona 85232

Re: Water Franchise

Dear Mr. Medina:

Santa Rosa Water Company seeks a water franchise for an area located in Pinal County for the purpose of constructing, operating and maintaining water lines and associated facilities in the area and along the public streets, alleys and highways. The area for which Santa Rosa Water Company seeks a water franchise is the E 1/2 of the SE 1/4 of section 25, the E 1/2 of SE 1/4 and the W 1/2 of the SW 1/4 of section 26, the S 1/2 of section 27, all of section 34, all of section 35, and all of section 36 of Township 5 South Range 3 East, all of section 2 and of section 3 in Township 6 South, Range 3 East, Gila and Salt River Base and Meridian, Pinal County, Arizona. Enclosed is a check for \$200.00 for the application fee.

The water franchise should be issued to Santa Rosa Water Company. Upon issuance, please send it to me at the address above.

Sincerely,

A handwritten signature in black ink, appearing to read "Jim Poulos".

Jim Poulos

JP:th

Check enclosed

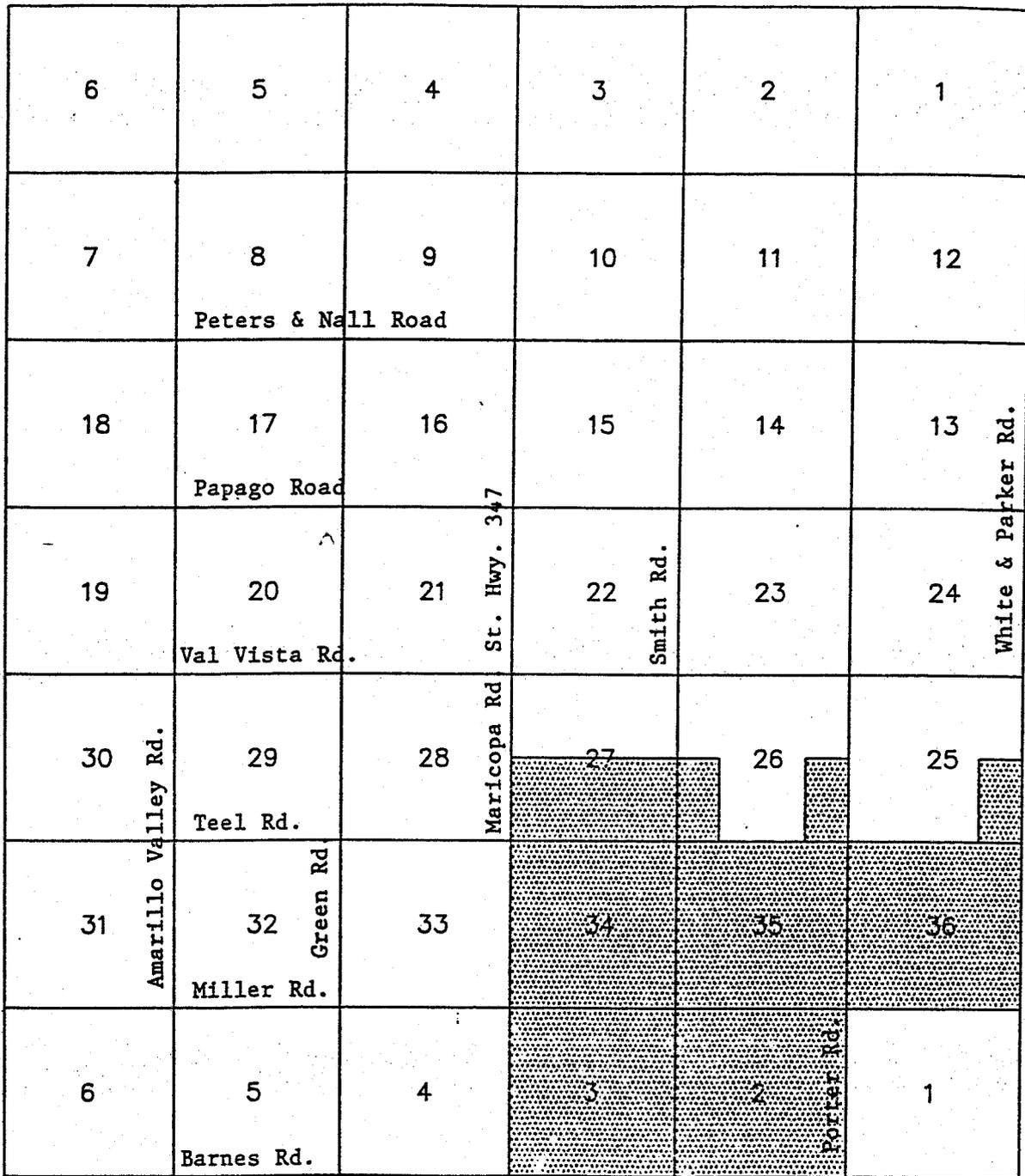
Medina4.doc

T5S

R3E

R4E

T5S

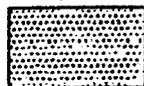


T6S

T6S

LEGEND

SERVICE AREA



SANTA ROSA WATER CO.  
WATER FRANCHISE AREA

Exhibit B

4

SAMPLE ACCEPTANCE OF WATER FRANCHISE

To: Board of Supervisors Pinal County, Arizona

Grantee, Santa Rose Water Company, a(n) Arizona corporation, does hereby accept the \_\_\_\_\_ grant of a new public utility franchise from Pinal County, Arizona, (hereinafter "Franchise"), to construct, operate, and maintain water lines and related fixtures along, under and across present and future public streets, alleys and highways, except state highways, within the unincorporated area of Pinal County, Arizona, as stated in its application for a new public utility franchise.

Grantee unconditionally accepts the franchise and covenants to faithfully comply with, abide by, to observe and perform all the provisions, terms and conditions of the Franchise. Grantee accepts such provisions, terms and conditions and expressly waives any and all objections to the reasonableness or legality of any provisions of the same or any part thereof, or as to the legal right or authority of the County of Pinal to impose the same.

Grantee declares that the statements and recitals in said Franchise are correct, and Grantee declares it has made and does make the agreement, statements and admissions in said Franchise recited to have been or to be made by Grantee.

i:\attyciv\franchis\Red Rock Water Franchise

7

When recorded mail to:

Pinal County Board of Supervisors  
P.O. Box 827  
Florence, Arizona 85232



OFFICIAL RECORDS OF  
PINAL COUNTY RECORDER  
LAURA DEAN-LYTLE

DATE: 11/08/02      TIME: 1528  
FEE :            0.00  
PAGES:           2  
FEE NO: 2002-061381

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(The above space reserved for recording information)  
CAPTION HEADING

Acceptance of the Santa Rosa Water Franchise.

---

4  
ACCEPTANCE OF WATER FRANCHISE

To: Board of Supervisors Pinal County, Arizona

Grantee, Santa Rosa Water Company, a(n) Arizona corporation, does hereby accept the grant of a new public utility franchise from Pinal County, Arizona, (hereinafter "Franchise"), to construct, operate, and maintain water lines and related fixtures along, under and across present and future public streets, alleys and highways, except state highways, within the unincorporated area of Pinal County, Arizona, as stated in its application for a new public utility franchise.

Grantee unconditionally accepts the franchise and covenants to faithfully comply with, abide by, to observe and perform all the provisions, terms and conditions of the Franchise. Grantee accepts such provisions, terms and conditions and expressly waives any and all objections to the reasonableness or legality of any provisions of the same or any part thereof, or as to the legal right or authority of the County of Pinal to impose the same.

Grantee declares that the statements and recitals in said Franchise are correct, and Grantee declares it has made and does make the agreement, statements and admissions in said Franchise recited to have been or to be made by Grantee.

Dated this 6<sup>th</sup> day of November 2002.

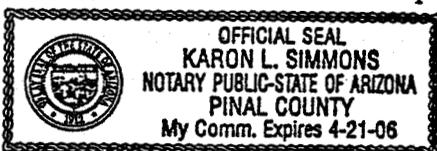
Santa Rosa Water Company

By: [Signature]

Title: General Manager

STATE OF ARIZONA )  
 ) ss.  
County of Pinal )

The foregoing instrument was acknowledged before me this 6<sup>th</sup> day of November, 2002, by Jim Paulo, Gen Manager of Santa Rosa Water Co., a(n) Arizona corporation, and being authorized to do so, executed the foregoing instrument on behalf of the corporation for the purposes therein stated.



[Signature]  
Notary Public

My Commission Expires:  
4-21-06

**AGENDA FORM**  
**FOR**  
**PINAL COUNTY BOARD OF SUPERVISORS**

**RECEIVED**  
 NOV 26 2002

Competitive negotiations (PC1-347 D1) N/A  
 Two step competitive negotiation (PC1-347 D2) N/A  
 Review of Qualifications (PC1-347D3) N/A  
 Multi step sealed bidding (PC1-326) N/A  
 Intergovernmental Agreement (PC1-1003) N/A  
 Competitive sealed proposals RFP (PC1-329) N/A  
 Expenditures for County: Other (PC1-\_\_\_\_) N/A

Budgeted: N/A  
 Generates Revenue for County: No  
 Revenue Generated : N/A  
 Uses County Funds: No  
 Source of Funds: N/A  
 Cost to County: N/A  
 Reduces/Contains: N/A  
 Expenditure Reduced/Contained: N/A

**PINAL COUNTY ATTORNEY**  
**CIVIL DIVISION**

<b>1. REQUESTED BY:</b> Fund No: 10      Dept No: 1037      Dept. Name: Special Services      Director: Gary Medina	
<b>2. BRIEF DESCRIPTION OF AGENDA ITEM AND REQUESTED BOARD ACTION: <u>Agenda Item for November 6, 2002</u></b> 9:30 a.m. PUBLIC HEARING to consider, discuss, approve or disapprove the creation of the Santa Rosa Utility Company sewer franchise, located in East 1/2 of the SE 1/4 of Section 25, the East 1/2 of SE 1/4 and the West 1/2 of the SW 1/4 of Section 26, the South 1/2 of Section 27, all of Sections 34, 35, and 36, all within Township 5 South, Range 3 East; All of Sections 2 and 3 in Township 6 South, Range 3 East; Gila and Salt River Base and Meridian, Pinal County.	
<b>3. MOTION: It is moved that the Pinal County Board of Supervisors ...</b> <b>SUGGESTED MOTION:</b> Approve the creation of the Santa Rosa Utility Company sewer franchise and further move that the Board authorize its Chairman and Clerk to execute the documents as presented.	
<b>4. DEPARTMENT:</b> _____ Action recommended by _____ Date 10-7-02	<b>7. DEPUTY COUNTY MANAGER:</b> _____ Approve <input checked="" type="checkbox"/> Disapprove <input type="checkbox"/> _____ Date 10/28/02
<b>5. GRANTS AND CONTRACTS ADMINISTRATOR:</b> _____ Approve <input type="checkbox"/> Disapprove <input type="checkbox"/> Date _____	<b>8. PURCHASING DEPARTMENT:</b> _____ Approve <input type="checkbox"/> Disapprove <input type="checkbox"/> Date _____
<b>6. COUNTY ATTORNEY'S OFFICE:</b> _____ Date 10/24/02 <input checked="" type="checkbox"/> Approved as to form and within the powers and authority granted under the laws of the State of Arizona to the Pinal County Board of Supervisors.	<b>9. FINANCE OFFICE:</b> _____ Approve <input type="checkbox"/> Disapprove <input type="checkbox"/> Date _____
<b>10. COUNTY MANAGER:</b> _____ APPROVE <input type="checkbox"/> DISAPPROVE <input type="checkbox"/> Date _____	
<b>11. BOARD OF SUPERVISORS:</b> Action Taken: <input checked="" type="checkbox"/> Approve <input type="checkbox"/> Amend <input type="checkbox"/> Disapprove <input type="checkbox"/> Delete <input type="checkbox"/> _____ CHAIRMAN: <u>Stanley Smith</u> _____ Date 11-6-02 CLERK OF THE BOARD: _____ Date 11-6-02	



When recorded mail to:

Clerk of the Board  
P.O. Box 827  
Florence, Arizona 85232

DATE: 11/08/02      TIME: 1528  
FEE :            0.00  
PAGES:        11  
FEE NO: 2002-061379

**Creation Of The Santa Rosa Utility Company Sewer Franchise**

**WHEREAS**, Santa Rosa Utility Company, a(n) Arizona limited liability company, duly authorized to conduct business in the State of Arizona, has duly filed and presented to the Board of Supervisors of the County of Pinal, State of Arizona, its application for a new public utility franchise for the purpose of constructing, operating and maintaining sewer lines and related appurtenances along, under and across the public streets, alleys and highways, except federal and state highways, within the unincorporated area of Pinal County, Arizona, as described in Exhibit "A" attached hereto (hereinafter "Application").

**WHEREAS**, upon Santa Rosa Utility Company's filing of the Application for the public utility franchise, the Board of Supervisors of Pinal County ordered a public notice of its intent to consider the granting of the public utility franchise to be published in a newspaper of general circulation, in Pinal County, Arizona, stating the time and place for consideration of the Application was set for 9:30 a.m. on November 6th, 2002, at the Pinal County Board of Supervisors' Hearing Room, Administration Building No. 1, Florence, Arizona.

**WHEREAS**, said Application having come on regularly for hearing at 9:30 a.m. on November 6th, 2002; and it appearing from the affidavit of the publisher of the Florence Reminder and Blade Tribune, that due and regular notice of said time and place set for the consideration of such action has been published for at least once a week for three consecutive weeks prior to said hearing date, to-wit: in the issues of the Florence Reminder and Blade Tribune and the Casa Grande Dispatch, published on October 10, 2002, October 17, 2002, and October 24, 2002; and the matter being called for hearing at 9:30 a.m., November 6<sup>th</sup>, 2002, and an opportunity having been given to all interested parties to be heard.

**WHEREAS**, the Board of Supervisors of Pinal County has the power to create a sewer franchise under its general police powers in such matters.

**NOW, THEREFORE,**

**Section 1: DEFINITIONS**

The following terms used in this franchise shall have the following meanings:

- A. County: Pinal County, Arizona
- B. Board: Board of Supervisors of Pinal County, Arizona.
- C. Grantor: Pinal County, by and through its Board of Supervisors
- D. Grantee: Santa Rosa Utility Company, a(n) Arizona limited liability company, its successors and assigns

E. <sup>4</sup> Grantee's Facilities: Sewer lines and related appurtenances

**Section 2: GRANT**

A. Grantor, on November 6th, 2002, hereby grants to Grantee, for a period of twenty-five years; this new public utility franchise (hereinafter "Franchise") for the purpose of constructing, operating and maintaining sewer lines and related appurtenances along, under and across public streets, alleys and highways, except federal and state highways, under the terms and conditions set forth herein within the unincorporated area of Pinal County, Arizona, as described in the Application (hereinafter "Franchise Area").

B. Nonexclusive Franchise.

(1) The Franchise granted hereby shall not be exclusive and shall not restrict in any manner the right of County in the exercise of any regulatory power which it now has or which may hereafter be authorized or permitted by the laws of the State of Arizona. Nothing herein shall be construed to prevent County from granting other like or similar franchises to any other person, firm or corporation. County retains and shall ever be considered as having and retaining the right and power to allow and to grant to any other person, firm, corporation or other companies, franchise rights and privileges to be exercised in and upon its public streets, alleys, highways and public places, and such of the same and parts thereof as County may deem best or choose to allow, permit, give or grant.

(2) Nothing herein shall be construed to prevent County and its proper authorities from constructing and installing water lines, sewers, gutters, or improvements to its public highways, streets and alleys, and for that purpose, to require the Grantee at Grantee's own expense to remove Grantee's facilities to conform thereto and facilitate the same.

C. Reservation of Rights.

(1) County reserves the right to alter and amend the Franchise at any time and in any manner necessary for the safety or welfare of the public or to protect the public interests, and County reserves the right to impose at any time restrictions and limitations upon the use of the public streets, alleys and highways as County deems best for the public safety or welfare.

(2) County expressly reserves the right, after due notice to grantee, to modify, amend, alter, change or eliminate any of the provisions of the Franchise which may become obsolete or impractical; and to impose such additional conditions upon the grantee as may be just and reasonable, such conditions to be those deemed necessary for the purpose of insuring adequate service to the public; provided however, County shall not modify, amend, alter, change or eliminate any of said provisions until after a public hearing, if such is legally required or requested by grantee.

**Section 3: RENEWAL/SUBSEQUENT APPLICATION/REMOVAL OF SYSTEM**

A. The Franchise herein granted shall expire on November 6th, 2027; and upon its termination, Grantee shall cease to exercise under the terms of the Franchise the privileges herein granted. In the event Grantee desires a renewal of the Franchise herein granted, or a new franchise for a subsequent period, Grantee shall apply to and open negotiations with County for that purpose at least six (6) months before the expiration of the Franchise herein granted; but nothing herein shall be construed to bind County to grant such renewal or subsequent franchise.

B. Upon termination of the Franchise the grantee shall remove its facilities from the streets, alleys, ways, highways and bridges within the Franchise Area and shall restore the areas to their

original condition. If such removal is not completed within six months of such termination, County may deem any property not removed as having been abandoned.

#### **Section 4: REGULATION**

Grantee, its successors and assigns shall be subject to reasonable regulations for the maintenance by grantee, its successors and assigns, of such portion of the public streets, alleys and highways altered, damaged or destroyed by Grantee, its agents or employees in exercising the privileges granted by the Franchise.

#### **Section 5: CONSTRUCTION, INSTALLATION AND REPAIRS**

A. Prior to the beginning of any construction for installation of sewer lines and related appurtenances, the Grantee, its successors and assigns will submit a plan of proposed construction to the Pinal County Engineer and will not commence any construction until the plan of construction is approved by the County Engineer or his designate.

B. All work performed by Grantee under the Franchise shall be done in the manner prescribed by County and subject to the supervision of County, and in strict compliance with all laws, ordinances, rules and regulations of federal, state and local governments.

C. No construction, reconstruction, repair, or relocation under the Franchise shall be commenced until written permits have been obtained from the proper county officials. In any permit so issued, such officials may impose such conditions and regulations as a condition of the granting of the same as are necessary for the purpose of protecting any structures in the highways or streets and for the proper restoration of such highways, streets and structures, and for the protection of the public and the continuity of pedestrian and vehicular traffic.

D. No construction under the Franchise by grantee shall impose upon County the duty to maintain any public street, alley or highway unless County accepts said public street, alley or highway into the county maintenance system as provided by law.

#### **Section 6: INSPECTION**

County shall, if it deems it necessary, have the right to inspect the construction, operation and maintenance of Grantee's facilities to insure the proper performance of the terms of the Franchise granted herein.

#### **Section 7: SUFFICIENCY, LOCATION AND MAINTENANCE**

All of Grantee's Facilities shall be in all respects adequate, efficient, substantial and permanent in design and workmanship, and shall be so located, erected and maintained so as not to interfere with the use and enjoyment of the public streets, alleys and highways. All of Grantee's Facilities erected by Grantee shall be maintained in a safe, suitable, substantial condition and in good order and repair.

#### **Section 8: EXPANSION**

Grantee will, from time to time, during the term of the Franchise make such enlargements and extensions of its sewer system as are necessary to adequately provide for the requirements of County and the inhabitants of the Franchise Area; provided that nothing herein shall compel Grantee to expand or enlarge its system beyond the economic and operating limits thereof. Such enlargements and extensions shall be made in accordance with company rules and regulations.

#### **Section 9: RELOCATION**

A. During the term of the Franchise whenever County or any qualified authority having jurisdiction in the Franchise Area alters, repairs, improves, or changes the grade of, any public streets, alleys and highways in the Franchise Area during the term of the Franchise, then and in such event, Grantee, its successors or assigns, at its own expense, shall promptly, upon reasonable notice, make such changes in the location, structure or alignment of its sewer lines and related appurtenances as the public officials in charge of such work may deem necessary.

B. After thirty (30) days notice to Grantee, of needed changes or corrections and upon the failure of Grantee, to make such changes set forth in Section 9(A) above or to correct any damage to the right-of-way of any public street, alley or highway within the Franchise Area caused directly or indirectly by Grantee, its agents, successors or assigns, County or its successors shall have the right to make such changes or corrections at the expense of said Grantee, its successors or assigns, and such expenses shall be due and payable upon written demand by County or its successors to Grantee, its successors or assigns.

#### **Section 10: LIABILITY**

A. If any streets, highways, alleys, ways, bridges, sidewalks, public place, or other public facility should be disturbed, altered, damaged or destroyed by Grantee, its employees, contractors, subcontractors or agents in the construction, installation, operation and maintenance of Grantee's Facilities under the Franchise, the same shall be promptly repaired, reconstructed, replaced or restored by Grantee, without cost to County, as soon as practicable and in as good condition as before Grantee's entry and to the satisfaction of County. If Grantee fails to make such restoration and repairs within a reasonable time as determined by County, then County may fix a reasonable time for such restoration and repairs and shall notify Grantee in writing of the restoration and repairs required and the time fixed for the performance thereof. Upon failure of Grantee to comply within the time specified, County may cause proper restoration and repairs to be made, and the expense of such work shall be paid by Grantee upon demand by County.

B. Grantee shall be responsible to every owner of property which shall be injured by the work of construction, installation, operation or maintenance of Grantee's Facilities under the Franchise, all physical damage which shall be done to such injured property through any act or omission of Grantee, its employees, contractors, subcontractors or agents arising out of said construction, installation, operation or maintenance.

C. It is a condition of the Franchise that County shall not and does not by reason of the Franchise assume any liability of the Grantee whatsoever for injury to persons or damage to property.

#### **Section 11: INDEMNIFICATION**

Grantee by its acceptance of the Franchise agrees for itself, its successors and assigns that throughout the entire term of this franchise, Grantee, its successors and assigns, at its sole cost and expense, shall indemnify, defend, save and hold harmless Pinal County, its elected officers, employees and agents from any and all lawsuits, judgments and claims for injury, death and damage to persons and property, both real and personal, caused by the construction, design, installation, operation or maintenance of any structure, equipment, sewer lines or related appurtenances by Grantee within the Franchise Area. Indemnified expenses shall include, but not be limited to, litigation and arbitration expenses, and attorneys' fees.

#### **Section 12: ACCEPTANCE BY GRANTEE / EFFECTIVE DATE FRANCHISE**

The Franchise shall be accepted by Grantee by written instrument in the form attached hereto as Exhibit "B" (hereinafter "Acceptance"), executed and acknowledged by it as a deed is required to be, and filed with the Clerk of the Pinal County Board of Supervisors within thirty days after the date this Franchise is accepted by County. This Franchise shall be effective upon delivery of the

Acceptance to the Clerk of the Pinal County Board of Supervisors in the form required and within the time specified above.

### **Section 13: LIMITS ON GRANTEE'S RECOURSE**

A. Grantee by its acceptance of the Franchise acknowledges such acceptance relies upon grantee's own investigation and understanding of the power and authority of the County to grant said franchise. Grantee by its acceptance of the Franchise accepts the validity of the terms and conditions of the Franchise in their entirety and agrees it will not, at any time, proceed against County in any claim or proceeding challenging any term or provision of the Franchise as unreasonable, arbitrary or void, or that County did not have the authority to impose such term or condition.

B. Grantee by accepting the Franchise acknowledges that it has not been induced to accept the same by any promise, verbal or written, by or on behalf of County or by any third person regarding any term or condition of the Franchise not expressed therein. Grantee by its acceptance of the Franchise further pledges that no promise or inducement, oral or written, has been made to any employee or official of County regarding receipt of the Franchise.

C. Grantee by its acceptance of the Franchise further acknowledges that it has carefully read the terms and conditions of the Franchise and accepts without reservation the obligations imposed by the terms and conditions herein.

D. The Board's decision concerning its selection and awarding of the Franchise shall be final.

### **Section 14: FAILURE TO ENFORCE FRANCHISE**

Grantee shall not be excused from complying with any of the terms and conditions of the Franchise by any failure of County, upon any one or more occasions, to insist upon the Grantee's performance or to seek Grantee's compliance with any one or more of such terms or conditions.

### **Section 15: COMPLIANCE WITH THE LAW**

Grantee shall at all times, conduct its business under the Franchise in accordance with all federal, state and local laws, rules and regulations, as amended, including any future amendments thereto as may, from time to time, be adopted.

### **Section 16: INTERPRETATION/GOVERNING LAW**

The interpretation and performance of the Franchise and of the general terms and conditions shall be in accordance with and governed by the laws of the State of Arizona.

### **Section 17: VENUE**

Exclusive venue for any legal action to enforce the provisions, terms and conditions of the Franchise shall be the Superior Court of the State of Arizona in and for the County of Pinal, Florence, Arizona..

### **Section 18: SEVERABILITY**

If any section, provision, term or covenant or any portion of any section, provision, term or covenant of the Franchise is determined to be illegal, invalid or unconstitutional, by any court of competent jurisdiction or by any state or federal regulatory agency having jurisdiction thereof, such determination shall have no effect on any remaining portion of such section, provision, term or covenant or the remaining sections, provisions, terms or covenants of the Franchise, all of which will remain in full force and effect for the term of the Franchise or any renewal or renewals thereof.

### Section 19: FORFEITURE

A. If Grantee fails to comply with any of the provisions of this agreement or defaults in any of its obligations hereunder, except for causes beyond the reasonable control of Grantee; and shall fail within thirty (30) days after written notice from County to commence, and within a reasonable time, complete the correction of such default or noncompliance, County shall have the right to revoke this agreement and all rights of Grantee hereunder. In the event Grantee makes a general assignment or general arrangement for the benefit of creditors; or a trustee or receiver is appointed to take possession of substantially all of Grantee's Facilities within the Franchise Area or of Grantee's interest in this Franchise, where possession is not restored to Grantee within thirty (30) days; or Grantee's Facilities within the Franchise Area are subject to an attachment, execution or other seizure of substantially all of the Grantee's Facilities within the Franchise Area or this Franchise, where such seizure is not discharged within thirty (30) days, County may declare the Franchise, along with the Original Franchise, forfeited and terminated.

B. Nothing herein contained shall limit or restrict any other legal rights that County may possess arising from such violations.

### Section 20: REVOCATION OF FRANCHISE

The Franchise may after due notice and hearing, be revoked by County for any of the following reasons:

- A. For false or misleading statements in, or material omissions from the application for and the hearing on the granting of the Franchise.
- B. For any transfer or assignment of the Franchise or control thereof without County's written consent.
- C. For failure to comply with any of the terms and conditions of the Franchise.

### Section 21: ASSIGNMENT/TRANSFER

Grantee shall not assign or transfer any interest in the Franchise without the prior written consent of County. Said Board shall not unreasonably withhold its consent to a proposed transfer.

### Section 22: NOTICE

Notices required under the Franchise shall be delivered or sent by certified mail, postage prepaid to:

Grantor:

Clerk of the Pinal County Board of Supervisors  
P.O. Box 827  
31 N. Pinal  
Florence, Arizona 85232

Grantee:

Santa Rosa Utility Company  
9532 E. Riggs Road  
Sun Lakes, AZ 85248

Santa Rosa Utility Company Sewer Franchise

The delivery or mailing of such notice shall be equivalent to direct personal notice and shall be deemed to have been given at the time of delivery. Either party may change its address under this section by written notice to the other party.

**Section 23: REMEDIES**

Rights and remedies reserved to the parties by the Franchise are cumulative and shall be in addition to and not in derogation of any other rights or remedies which the parties may have with respect to the subject matter of the Franchise and a waiver thereof at any time shall not affect any other time.

**Section 24: RIGHT OF INTERVENTION**

County hereby reserves to itself, and Grantee hereby grants to County, the right to intervene in any suit, action or proceeding involving any provision in the Franchise.

**Section 25: BOOKS AND RECORDS**

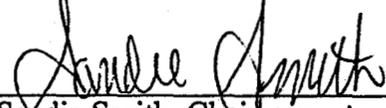
Grantee shall maintain books and records that identify all of Grantee's underground facilities by type and location within the Franchise Area. Grantee will make such books and records available to County upon County's request and without cost to County.

**Section 26: AD VALOREM TAXES**

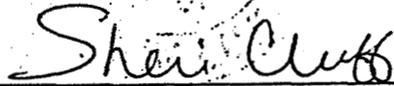
Grantee shall pay its ad valorem taxes before they become delinquent.

IN WITNESS WHEREOF, the Board of Supervisors of Pinal County, Arizona, by its Chairman and its Clerk, thereunto duly authorized, has hereunto set its hand and cause its official seal to be affixed on November 6th, 2002.

PINAL COUNTY BOARD OF SUPERVISORS

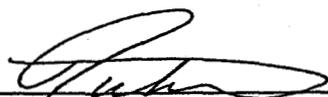
  
\_\_\_\_\_  
Sandie Smith, Chairman 11-6-02

ATTEST:

  
  
\_\_\_\_\_  
Sheri Cluff, Deputy Clerk of the Board

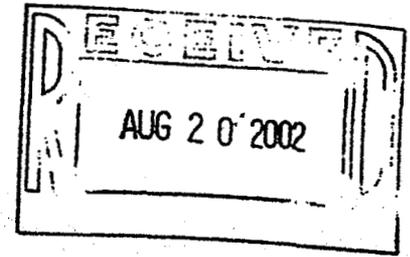
APPROVED AS TO FORM:

ROBERT CARTER OLSON  
PINAL COUNTY ATTORNEY

  
\_\_\_\_\_  
Rick Husk, Deputy County Attorney

**Exhibit A**

4  
SANTA ROSA UTILITY COMPANY  
9532 E. RIGGS ROAD  
SUN LAKES, ARIZONA 85248



August 16, 2002

Pinal County Board of Supervisors  
Attn: Gary Medina  
PO Box 827  
Florence, Arizona 85232

Re: Sewer Franchise

Dear Mr. Medina:

Santa Rosa Utility Company seeks a sewer franchise for an area located in Pinal County for the purpose of constructing, operating and maintaining sewer lines and associated facilities in the area and along the public streets, alleys and highways. The area for which Santa Rosa Utility Company seeks a sewer franchise is the E 1/2 of the SE 1/4 of section 25, the E 1/2 of SE 1/4 and the W 1/2 of the SW 1/4 of section 26, the S 1/2 of section 27, all of section 34, all of section 35, and all of section 36 of Township 5 South Range 3 East, all of section 2 and of section 3 in Township 6 South, Range 3 East, Gila and Salt River Base and Meridian, Pinal County, Arizona. Enclosed is a check for \$200.00 for the application fee.

The sewer franchise should be issued to Santa Rosa Utility Company. Upon issuance, please send it to me at the address above.

Sincerely,

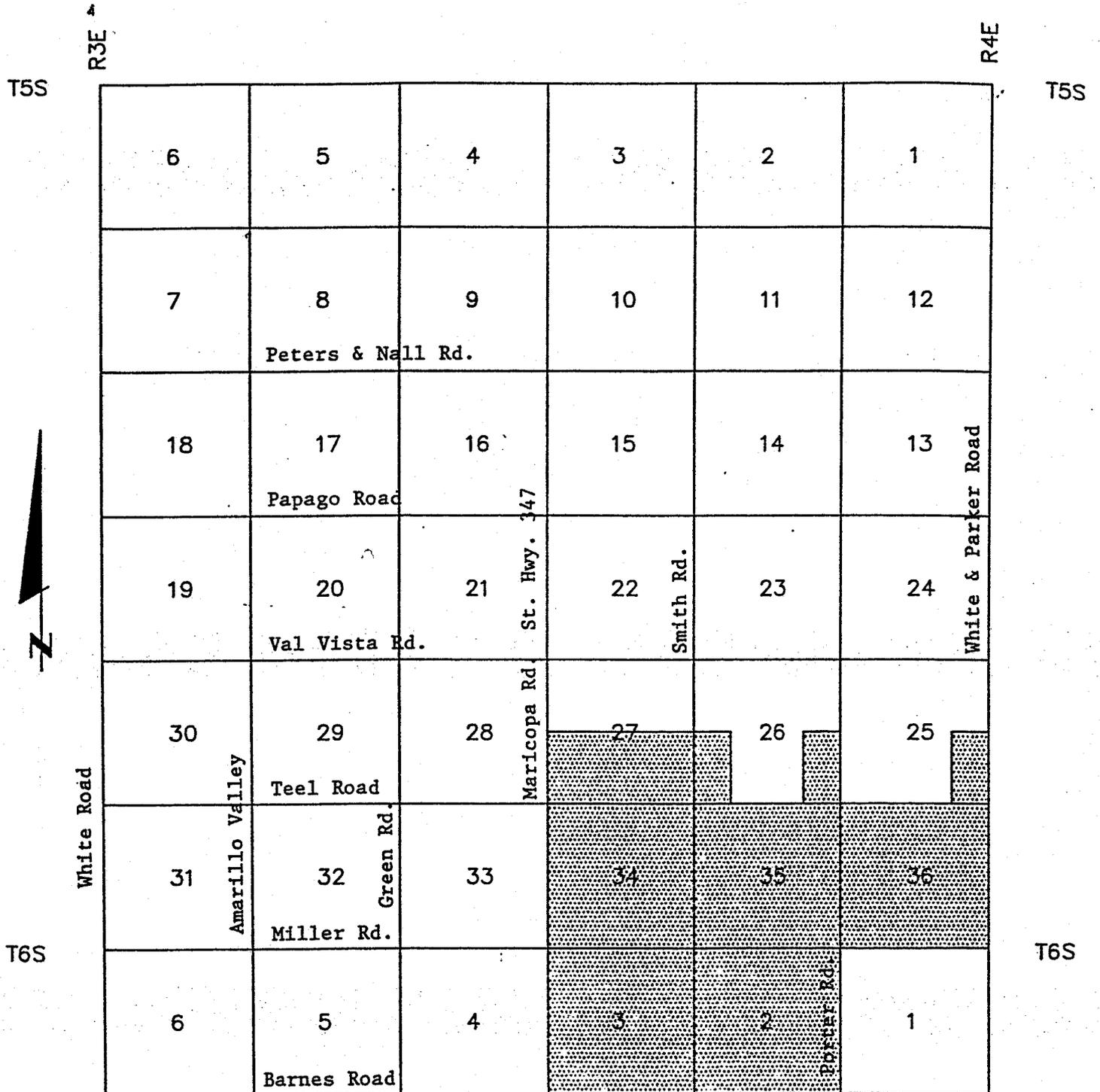


Jim Poulos

JP:th

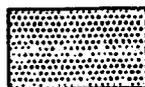
Check enclosed

Medina4sewer.doc



LEGEND

SERVICE AREA



SANTA ROSA UTILITY CO.  
SEWER FRANCHISE AREA

Exhibit B

ACCEPTANCE OF FRANCHISE

To: Board of Supervisors Pinal County, Arizona

Grantee, Santa Rosa Utility Company, a(n) Arizona limited liability company, does hereby accept the November 6<sup>th</sup>, 2002, grant of a new public utility franchise from Pinal County, Arizona, (hereinafter "Franchise"), to construct, operate, and maintain sewer lines and related fixtures along, under and across present and future public streets, alleys and highways, except state highways, within the unincorporated area of Pinal County, Arizona, as stated in its application for a new public utility franchise.

Grantee unconditionally accepts the franchise and covenants to faithfully comply with, abide by, to observe and perform all the provisions, terms and conditions of the Franchise. Grantee accepts such provisions, terms and conditions and expressly waives any and all objections to the reasonableness or legality of any provisions of the same or any part thereof, or as to the legal right or authority of the County of Pinal to impose the same.

Grantee declares that the statements and recitals in said Franchise are correct, and Grantee declares it has made and does make the agreement, statements and admissions in said Franchise recited to have been or to be made by Grantee.

Dated this 6<sup>th</sup> day of November, 2002.

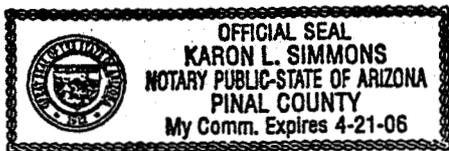
Santa Rosa Utility Company

By: [Signature]

Title: General Manager

STATE OF ARIZONA )  
County of Pinal ) ss.

The foregoing instrument was acknowledged before me this 6<sup>th</sup> day of November, 2002, by Jim Poklos, Gen. Man of Santa Rosa Utility Co.; a(n) Arizona limited liability company, and being authorized to do so, executed the foregoing instrument on behalf of the company for the purposes therein stated.



[Signature]  
Notary Public

My Commission Expires:

4-21-06