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Transcript Exhibit(s)

Docket #(s): SW-04136A-02-0691

W-04137A-02-0692

Exhibit #: A1 A2 A3 A4 A5

S1

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



September 10, 2002

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

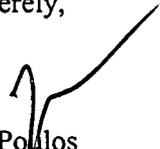
Re: Application for a new water Certificate of Convenience and Necessity

Dear Docket Control:

Attached is an application by Santa Rosa Water Company for a new water Certificate of Convenience and Necessity ("CC&N"). Santa Rosa Water Company was formed to provide water service to an 8,400 unit development that will be developed in the area that is located just south of the town of Maricôpa, which is more particularly described in Exhibit D. A water CC&N is required at this time to assist in establishing a service area for Santa Rosa Water Company to enable the Company to serve the development. The first demand for water service will occur in the Spring of 2003. Given the demand for water, it serves the public interest for the Commission to grant a water CC&N to Santa Rosa Water Company

Notice of this application was given to all property owners, a copy of which is attached as Exhibit H.

Sincerely,



Jim Poulos

JP:th

Santarosa3.doc

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:

Santa Rosa Water Company

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

Same

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

Jim Poulos

9532 E. Riggs Road

Sun Lakes, Arizona 85248

480-895-4251

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

Norman James C/O Fennemore Craig

3003 N. Central Ave., Suite 2600

Phoenix, Arizona 85012-2913

602-916-5000

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

Dave Voorhees

24607 S. Price Road

Sun Lakes, Arizona 85248

480-895-5009

F. List the name, address and phone number:

Dave Voorhees

24607 South Price Road

Sun Lakes, Arizona 85248 480-895-5009

G. The Applicant is a:

<input checked="" type="checkbox"/> Corporation: <input type="checkbox"/> "C", <input checked="" type="checkbox"/> "S", <input 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

Directors

Ed Robson, CEO

Ed Robson

Steve Robson, President

Mark Robson, Secretary

Mark Robson

Steve Soriano, VP & Assistant Secretary

Jim Hubbard, Treasurer

Jim Poulos, General Manager

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

3. Attach a copy of the Articles of Incorporation. See Exhibit "B"

4. Attach a copy of the corporation's By-Laws. See Exhibit "C"

1,000,000

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

4 None issued yet.

H. If the Applicant is a partnership:

1. List the names of the general partners:

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

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:

K. If the Applicant is a Limited Liability Company:

1. List the names of managers:

None

- 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. Exhibit "D"
- 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. Exhibit "
- O. Attach financial information in a format similar to Attachment "C". See attached financial data.
- P. Explain the method of financing utility facilities. Refer to the instructions, item no. 7. (Use additional sheets if necessary):

Debt and/or Equity

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

Starting date Fall 2003 Completion 2007

- 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. See Exhibit "F"

- S. Attach the following permits:

1. The franchise from either the City or County for the area requested. To be late filed.
2. The Arizona Department of Environmental Quality (or its designee's) approval to construct facilities. Not issued yet.
3. The Arizona State Land Department approval. (If you are including any State land in your requested area this approval is needed.) N/A
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.) N/A
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. Utilities Designation of Assured Water Supply to be late filed.
 - 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
NN for by the developer. N/A

- 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. N/A

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. See Exhibit "G"

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 300 Second Year 600 Third Year 1500 Fourth Year 2100

Fifth Year 2700

Commercial:

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

Fifth Year _____

Industrial:

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

Fifth Year _____

Irrigation:

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

Fifth Year _____

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:

First Year 38,700,000 Second Year 116,100,000 Third Year 193,500,000 Fourth Year 270,900,000

Fifth Year 348,300,000

Commercial:

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

Fifth Year _____

Industrial:

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

Fifth Year _____

Irrigation:

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

Fifth Year _____

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

Residential:

First Year 215,592 Second Year 637,777 Third Year 1,050,961

Fourth Year 1,464,146 Fifth Year 1,877,330

Commercial:

First Year _____ Second Year _____ Third Year _____

Fourth Year _____ Fifth Year _____

Industrial:

4 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 301,495 Second Year 443,666 Third Year 597,705

Fourth Year 814,297 Fifth Year 975,905

Commercial:

First Year _____ Second Year _____ Third Year _____

Fourth Year _____ Fifth Year _____

Industrial:

First Year _____ Second Year _____ Third Year _____

Fourth Year _____ Fifth Year _____

Irrigation:

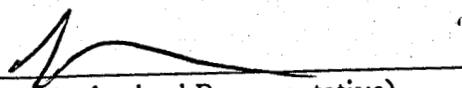
First Year _____ Second Year _____ Third Year _____

Fourth Year _____ Fifth Year _____

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

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

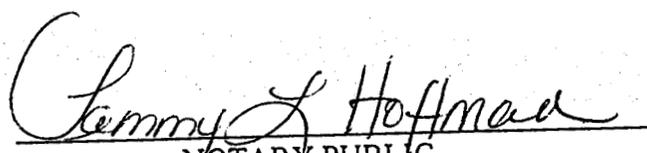
8,585,000


(Signature of Authorized Representative)

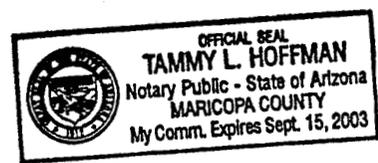
Jim Poulos
(Type or Print Name Here)

General Manager
(Title)

SUBSCRIBED AND SWORN to before me this 11th day of September, ^{LA} ~~19~~ 2002


NOTARY PUBLIC

My Commission Expires 9-15-2003



STATE OF ARIZONA



Office of the
CORPORATION COMMISSION

CERTIFICATE OF GOOD STANDING

To whom these presents shall come, greeting:

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

*****SANTA ROSA WATER COMPANY*****

is a corporation organized under the laws of the state of Arizona, and was incorporated on July 29, 2002.

I further certify that according to the records of the Arizona Corporation Commission, as of the date set forth hereunder, the said corporation is not administratively dissolved for failure to comply with the provisions of the Arizona Business Corporation Act; that its most recent Annual Report, subject to the provisions of A.R.S. 10-122, 10-123, 10-1622, has been delivered to the Arizona Corporation Commission; and that the said corporation has not filed Articles of Amendment as of the date of this certificate.

This certificate relates only to the legal existence of the above corporation as of the date issued. This certificate is not to be construed as an endorsement, recommendation, or notice of approval of the 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, 2002, A. D.


EXECUTIVE SECRETARY

BY: 



STATE OF ARIZONA
ACC/FAX
DATE FILED

JUL 29 2002

DATE APPR Handwritten ARTICLES OF INCORPORATION
TERM 9 OF
BY 07/29/02
1039975-5 SANTA ROSA WATER COMPANY

We, the undersigned incorporators, having associated ourselves together for the purpose of forming a corporation under the laws of the State of Arizona, adopt the following Articles of Incorporation:

I.

NAME

The name of the corporation is Santa Rosa Water Company. *JMK*

II.

AUTHORIZED SHARES

The corporation shall have authority to issue One Million (1,000,000) shares of stock. Shares shall be paid for at such time, and in such manner, as the Board of Directors shall determine.

III.

INITIAL BUSINESS

The corporation initially intends to actually conduct in the State of Arizona the business of constructing, owning, operating and maintaining a water utility company and engaging any and all activities related thereto.

IV.

INITIAL BOARD OF DIRECTORS

The initial Board of Directors shall consist of two (2) members who shall serve as directors until their successors are elected and qualified, and whose names and addresses are:

Mark E. Robson
2185 The Alameda, Suite 150
San Jose, California 95126

Edward J. Robson
9532 East Riggs Road
Sun Lakes, Arizona 85248-7411

V.

STATUTORY AGENT

FC Service Corporation, whose address is 3003 North Central Avenue, Suite 2600, Phoenix, Arizona 85012-2913, is hereby appointed the initial Statutory Agent for the corporation for the State of Arizona.

VI.

KNOWN PLACE OF BUSINESS

The corporation's known place of business is 9532 East Riggs Road, Sun Lakes, Arizona 85248-7411.

VII.

INCORPORATORS

The names and addresses of the incorporators are:

James Poulos
9532 East Riggs Road
Sun Lakes, Arizona 85248-7411

Steven Soriano
9532 East Riggs Road
Sun Lakes, Arizona 85248-7411

All powers, duties and responsibilities of the incorporators shall cease at the time of delivery of these Articles of Incorporation to the Arizona Corporation Commission for filing.

VIII.

LIMITATION OF DIRECTOR LIABILITY

To the fullest extent permitted by the Arizona Revised Statutes as the same exist or may be hereafter amended, no director of the corporation shall be liable to the corporation or its shareholders for monetary damages for any action taken or any failure to take any action as a director. No repeal, amendment or modification of this article, whether direct or indirect, shall eliminate or reduce its effect with respect to any act or failure to act of a director of the corporation occurring prior to such repeal, amendment or modification.

IX.

INDEMNIFICATION

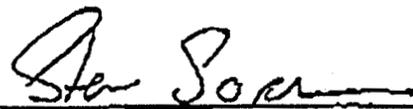
The corporation shall indemnify to the fullest extent permitted by law any person who incurs expenses or liabilities by reason of the fact he or she is or was an officer, director, employee or agent of the corporation or is or was serving at the request of the corporation as a director, officer, employee or agent of another foreign or domestic corporation, partnership, joint venture, trust, employee benefit plan or other entity. The foregoing indemnification shall be mandatory in all circumstances in which indemnification is permitted by law.

IN WITNESS WHEREOF, the undersigned incorporators have hereunto affixed their signatures this 29th day of July, 2002.

INCORPORATORS:



James Poulos



Steven Soriano

BYLAWS

OF

SANTA ROSA WATER COMPANY

ARTICLE I

Articles of Incorporation

Section 1.01. Reference to Articles. Any reference herein made to the corporation's articles shall be deemed to refer to its articles of incorporation and all amendments thereto as of any given time on file with the Arizona Corporation Commission (or any successor to its functions).

Section 1.02. Seniority. The articles shall in all respects be considered senior and superior to these bylaws, with any inconsistency to be resolved in favor of the articles, and with these bylaws to be deemed automatically amended from time to time to eliminate any such inconsistency which may then exist.

ARTICLE II

Corporation Offices

Section 2.01. Known Place of Business. The known place of business of the corporation in the State of Arizona shall be the office of its statutory agent unless otherwise designated in the articles or as provided in Section 2.02 hereof. The corporation may have such other offices, either within or outside of the State of Arizona, as the board of directors may designate or as the business of the corporation may require from time to time.

Section 2.02. Changes. The board of directors may change the corporation's known place of business or its statutory agent from time to time by filing a statement with the Arizona Corporation Commission pursuant to applicable law.

ARTICLE III

Shareholders

Section 3.01. Annual Meetings. An annual meeting of the shareholders shall be held during the month of January of each year, commencing with the year 1997, at a date, time and place as determined by the board of directors, or in the absence of action by the board, as set forth in the notice given, or waiver signed, with respect to such meeting pursuant to Section 3.03 below. At the annual meeting, shareholders shall elect a board of directors and transact such other business as may be properly brought before the meeting. If for any reason any annual meeting is not held during the period set forth above, a deferred annual meeting may thereafter be called and held in lieu thereof, at which the same proceedings (including the election of directors) may be conducted. The failure to hold an annual meeting during the period set forth

above shall not affect the validity of any corporate action. Any director elected at any annual meeting, deferred annual meeting or special meeting shall continue in office until the election of his successor, subject to his earlier resignation pursuant to Section 7.01 below or his removal by the shareholders pursuant to Section 4.10 below.

Section 3.02. Special Meetings. Special meetings of the shareholders may be held whenever and wherever called for by the chairman of the board, the president or the board of directors, the written demand of the holders of not less than ten percent (10%) of all issued and outstanding shares of each voting group of the corporation entitled to vote at any such meeting, or as otherwise required by state law. Any written demand by shareholders shall state the purpose or purposes of the proposed meeting, and business to be transacted at any such meeting shall be confined to the purposes stated in the notice thereof, and to such additional matters as the chairman of the meeting may rule to be germane to such purposes.

Section 3.03. Notices. Not less than ten (10) nor more than sixty (60) days before the date of any meeting of the shareholders and at the direction of the person or persons calling the meeting, the secretary of the corporation, or any other officer of the corporation or other person directed by the board of directors, shall cause a written notice setting forth the date, time and place, and, with respect to special meetings only, a description of the purpose or purposes for which the meeting is called, to be delivered to each shareholder of record at his last address as it appears on the corporation's records on the applicable record date; provided that notice may be communicated orally if it is reasonable to do so under the circumstances. Notice may be communicated in person, by telephone, telegraph, teletype, facsimile or other form of wire or wireless communication or by mail or private carrier, and shall be deemed given and effective as provided by law.

Section 3.04. Waiver of Notice. Any shareholder may waive call or notice of any annual, deferred annual or special meeting (and any adjournment thereof) at any time before, during which, or after it is held. Attendance of a shareholder at any such meeting in person or by proxy shall: (i) waive objection to lack of notice or defective notice of the meeting, unless the shareholder at the beginning of the meeting objects to holding the meeting or transacting business at the meeting; and (ii) waive objection to consideration of a particular matter at the meeting that is not within the purpose or purposes described in the meeting notice, unless the shareholder objects to considering the matter when it is presented. No call or notice of a meeting of the shareholders shall be necessary if each shareholder waives the same in writing or by attendance.

Section 3.05. Shareholders of Record. For the purpose of determining shareholders entitled to notice of or to vote at any meeting of shareholders (and at any adjournment of such meeting), or shareholders entitled to consent to corporate action without a meeting or shareholders entitled to receive payment of any dividend, or for any other lawful action, the board of directors may fix in advance a record date which shall not be more than seventy (70) days before the date of such meeting or any such other action.

4
If no record date is fixed by the board of directors for determining shareholders entitled to notice of, and to vote at, a meeting of shareholders, the record date shall be at 4:00 in the afternoon on the day before the day on which notice is given, or, if notice is waived, at the commencement of the meeting. If no record date is fixed for determining shareholders entitled to express written consent to corporate action without a meeting, the record date shall be the time of the day on which the first written consent is served upon an officer or director of the corporation.

A determination of shareholders of record entitled to notice of, and to vote at, a meeting of shareholders shall apply to any adjournment of the meeting; provided, however, that the board of directors may fix a new record date for the adjourned meeting; and provided further that the board of directors shall fix a new record date for any meeting adjourned to a date more than one hundred twenty (120) days after the date fixed for the original meeting.

Section 3.06. Shareholder List for Meeting. After fixing a record date for a meeting, the corporation shall prepare an alphabetical list of the names of all of its shareholders who are entitled to notice of the meeting. The list shall be arranged by voting group, and within each voting group by class or series of shares, and shall show the address of and number of shares held by each shareholder. The shareholders' list shall be available for inspection by any shareholder, beginning two (2) business days after notice of the meeting is given for which the list was prepared and continuing through the meeting, at the corporation's principal office, the office of the corporation's transfer agent if specified in the meeting notice or at another place identified in the meeting notice in the city where the meeting will be held. A shareholder, his agent or his attorney, on written demand, may inspect and, subject to Arizona law, copy the list during regular business hours and at his expense during the period it is available for inspection. The corporation shall make the shareholders' list available at the meeting, and any shareholder, his agent or his attorney may inspect the list at any time during the meeting or any adjournment thereof. The corporation's refusal or failure to prepare or make available the shareholders' list does not affect the validity of action taken at the meeting.

Section 3.07. Proxies. Any shareholder entitled to vote may vote by proxy at any meeting of the shareholders (and at any adjournment thereof) which is specified in such proxy, provided that the proxy is executed in writing by such shareholder or his duly authorized attorney-in-fact. An appointment of a proxy is effective when received by the secretary or other officer or agent authorized to tabulate votes. No proxy shall be valid after eleven (11) months from the date of its execution, unless otherwise specifically provided thereon. The burden of proving the validity of any undated, irrevocable or otherwise contested proxy at a meeting of the shareholders shall rest with the person seeking to exercise the proxy. A telegram, cablegram or facsimile appearing to have been transmitted by a shareholder or by his duly authorized attorney-in-fact may be accepted as a sufficiently written and executed proxy.

Section 3.08. Voting. Except for the election of directors (which shall be governed by cumulative voting pursuant to applicable law) and except as may otherwise be required by the corporation's articles, these bylaws or by statute, each issued and outstanding share of the corporation (specifically excluding shares held in the treasury of the corporation) represented at any meeting of the shareholders in person or by a proxy given pursuant to Section 3.07 above, shall be entitled to one vote on each matter submitted to a vote of the shareholders at such meeting. Except for the election of directors (which shall be governed by cumulative voting pursuant to applicable law) and except as may otherwise be required by the corporation's articles or by applicable law, any question submitted to the shareholders shall be resolved by a majority of the votes cast thereon, provided that such votes constitute a majority of the quorum of that particular meeting, whether or not such quorum is then present. Except as otherwise provided in the corporation's articles, directors shall be elected by a plurality of the votes cast at an election, provided that a quorum has been formed at the meeting, whether or not a quorum is then present. Voting shall be by ballot on any question as to which a ballot vote is demanded before the voting begins, by any person entitled to vote on such question; otherwise, a voice vote shall suffice. No ballot or change of vote shall be accepted after the polls have been declared closed following the ending of the announced time for voting.

Section 3.09. Voting of Shares by Certain Holders. Shares of the corporation held by another corporation may be voted by such corporation's officer, agent or proxy as its bylaws may prescribe, or in the absence of such bylaw provision, by any other person designated by resolution of its board of directors, and such officer, agent or other person so designated may vote such corporation's shares in this corporation in person or by proxy appointed by him.

Shares held by an administrator, executor, legal representative, guardian, conservator or other legal representative may be voted by such representative, either in person or by proxy, without a transfer of such shares into his name. Shares standing in the name of a trustee, other than a trustee in bankruptcy, may be voted by such representative, either in person or by proxy, but no such trustee shall be entitled to vote shares held by him without a transfer of such shares into his name.

Shares standing in the name of a receiver, trustee in bankruptcy or assignee for the benefit of creditors may be voted by such representative, either in person or by proxy. Shares held by or under the control of such a receiver or trustee may be voted by such receiver or trustee, either in person or by proxy, without the transfer thereof into his name if authority so to do is contained in an appropriate order of the court by which such receiver or trustee was appointed.

A shareholder whose shares are pledged shall be entitled to vote such shares until the shares have been transferred into the name of the pledgee, and thereafter the pledgee shall be entitled to vote the shares so transferred.

4 If shares stand in the names of two or more persons, whether fiduciaries, members of a partnership, joint tenants, tenants in common, tenants by the entirety or tenants by community property or otherwise, or if two or more persons have the same fiduciary relationship respecting the same shares, unless the corporation is given a written instrument or order appointing them or creating the relationship wherein it is so provided, their acts with respect to voting shall have the following effect: (i) if only one votes, his act binds; (ii) if more than one votes, the act of the majority so voting binds all; and (iii) if more than one votes, but the vote is evenly split on any particular matter, each faction may vote the shares in question proportionally.

Section 3.10. Quorum. At any meeting of the shareholders, the presence in person or by proxy of the holders of a majority of the shares of the corporation issued, outstanding and entitled to vote at the meeting shall constitute a quorum of the shareholders for all purposes. In the absence of a quorum, any meeting may be adjourned from time to time by its chairman, without notice other than by announcement at the meeting, until a quorum is formed. At any such adjourned meeting at which a quorum is present, any business may be transacted which might have been transacted at the meeting as originally noticed. Once a quorum has been formed at any meeting, the shareholders from time to time remaining in attendance may continue to transact business properly brought before the meeting until adjournment, notwithstanding the prior departure of enough shareholders to leave less than a quorum. If an adjournment is for more than thirty (30) days, or if after the adjournment a new record date is fixed for the adjourned meeting, a notice of the adjourned meeting shall be given to each shareholder of record entitled to vote at the meeting.

Section 3.11. Election Inspectors. The board of directors, in advance of any meeting of the shareholders, may appoint an election inspector or inspectors to act at such meeting (and at any adjournment thereof). If an election inspector or inspectors are not so appointed, the chairman of the meeting may, or upon request of any person entitled to vote at the meeting shall, make such appointment. If any person appointed as an inspector fails to appear or to act, a substitute may be appointed by the chairman of the meeting. If appointed, the election inspector or inspectors (acting through a majority of them if there are more than one) shall determine the number of shares outstanding, the authenticity, validity and effect of proxies and the number of shares represented at the meeting in person and by proxy; the election inspector(s) shall receive and count votes, ballots and consents and announce the results thereof; the election inspector(s) shall hear and determine all challenges and questions pertaining to proxies and voting; and, in general, the election inspector(s) shall perform such acts as may be proper to conduct elections and voting with complete fairness to all shareholders. No such election inspector need be a shareholder of the corporation.

Section 3.12. Organization and Conduct of Meetings. Each meeting of the shareholders shall be called to order and thereafter chaired by the chairman of the board of directors if there is one; or, if not, or if the chairman of the board is absent or so requests, then by the president; or if both the chairman of the board and the president are unavailable, then by such other officer of

the corporation or such shareholder as may be appointed by the board of directors. The corporation's secretary shall act as secretary of each meeting of the shareholders; in his absence the chairman of the meeting may appoint any person (whether a shareholder or not) to act as secretary for the meeting. After calling a meeting to order, the chairman thereof may require the registration of all shareholders intending to vote in person and the filing of all proxies with the election inspector(s), if one or more have been appointed (or, if not, with the secretary of the meeting). After the announced time for such filing of proxies has ended, no further proxies or changes, substitutions or revocations of proxies shall be accepted. If directors are to be elected, a tabulation of the proxies so filed shall, if any person entitled to vote in such election so requests, be announced at the meeting (or adjournment thereof) before the closing of the election polls. Absent a showing of bad faith on his part, the chairman of a meeting shall, among other things, have absolute authority to fix the period of time allowed for the registration of shareholders and the filing of proxies, to determine the order of business to be conducted at such meeting and to establish reasonable rules for expediting the business of the meeting (including any informal, or question and answer portions thereof).

Section 3.13. Shareholder Approval or Ratification. The board of directors may submit any contract or act for approval or ratification of the shareholders, either at a duly constituted meeting of the shareholders or by unanimous written consent to corporate action without a meeting pursuant to Section 3.15 below. If any contract or act so submitted is approved or ratified by a majority of the votes cast thereon at such meeting or by such unanimous written consent, the same shall be valid and as binding upon the corporation and all of its shareholders as it would be if it were the act of the shareholders.

Section 3.14. Informalities and Irregularities. All informalities or irregularities in any call or notice of a meeting of the shareholders or in the areas of credentials, proxies, quorums, voting and similar matters shall be deemed waived if no objection is made at the meeting.

Section 3.15. Action by Shareholders Without a Meeting. Any action required or permitted to be taken at a meeting of the shareholders of the corporation may be taken without a meeting if a consent in writing, setting forth the action so taken, is signed by all of the shareholders entitled to vote with respect to the subject matter thereof. Such consent may be executed in counterparts and shall have the same effect as a unanimous vote of the shareholders of the corporation at a duly convened meeting.

Section 3.16. Meetings by Alternative Communications. The board of directors may permit any or all of the shareholders to participate in any annual or special meeting of shareholders or conduct the meeting through use of any means of communication by which all of the shareholders participating may simultaneously hear each other during the meeting. If the board elects to permit participation by such means of communication, the notice of the meeting shall specify how a shareholder may participate in the meeting by such means of communication. The participation may be limited by the board of directors to specified locations or means of

communication. A shareholder participating in a meeting by this means is deemed to be present in person at the meeting.

ARTICLE IV **Board of Directors**

Section 4.01. Membership. The board of directors shall be comprised of not less than one (1) nor more than nine (9) members who need not be shareholders of the corporation or residents of the State of Arizona. The directors shall be elected at each annual meeting of the shareholders. The board of directors shall have the power to increase or decrease its size within the aforesaid limits and to fill any vacancies that may occur in its membership in the interval between the annual meetings of the shareholders, whether resulting from an increase in the size of the board or otherwise. Each director elected by the shareholders or the board of directors shall hold office until his successor is duly elected and qualified; provided, however, that the shareholders entitled to vote for the election of directors at a shareholders' meeting may fill any vacancy in the board of directors, if not already filled, or substitute another person to fill the vacancy, in which case the term of office of the person elected by the board of directors shall forthwith terminate.

Section 4.02. General Powers. All corporate powers shall be exercised by or under the authority of and the business and affairs of the corporation shall be managed under the direction of the board of directors.

Section 4.03. Regular Meetings. A regular annual meeting of the board of directors shall be held as soon as practicable after the adjournment of each annual meeting of the shareholders, either at the place of the shareholders' meeting or at such other place as the directors elected at the shareholders' meeting may have been informed of at or before the time of their election. Additional regular meetings may be held at regular intervals on such dates and at such places and times as the board of directors may determine.

Section 4.04. Special Meetings. Special meetings of the board of directors may be held whenever and wherever called for by the chairman of the board, the president, or the number of directors that would be required to constitute a quorum.

Section 4.05. Notices. No notice need be given of regular meetings of the board of directors. Notice of the date, time and place of any special meeting shall be given to each director in person, by telephone, telegraph, teletype, facsimile or other form of wire or wireless communication or by mail or private carrier addressed to him at his latest address appearing on the corporation's records, and shall be given at least two days before the meeting. Notice must be in writing unless oral notice is reasonable under the circumstances. Any person who has given notice hereunder may make an affidavit that notice was given, which shall be conclusive that notice was so given.

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Section 4.06. Waiver of Notice. Any director may waive call or notice of any meeting (and any adjournment thereof) at any time before, during which, or after it is held. A director's attendance or participation in a meeting waives any required notice to him of the meeting unless the director at the beginning of the meeting or promptly on his arrival objects to holding the meeting or transacting business at the meeting and does not thereafter vote for or assent to action taken at the meeting. No call or notice of a meeting of directors shall be necessary if each of them waives the same in writing or by attendance. Any meeting, once properly called and noticed (or as to which call and notice have been waived) and at which a quorum is formed, may be adjourned to another time and place by a majority of those in attendance.

Section 4.07. Quorum. A quorum for the transaction of business at any meeting or adjourned meeting of the board of directors shall consist of a majority of the directors then in office, except that when a vacancy or vacancies exist in the board, a majority of the directors then in office shall constitute a quorum. Once a quorum has been formed at any meeting, the directors from time to time remaining in attendance may continue to transact business properly brought before the meeting until adjournment, notwithstanding the prior departure from the meeting of enough directors to leave less than a quorum.

Section 4.08. Voting. Any matter submitted to a meeting of the board of directors shall be resolved by a majority of the votes cast thereon.

Section 4.09. Power to Act Notwithstanding Vacancy. Pending the filling of vacancies in the board of directors, a majority of a full board of directors may exercise the powers of the board of directors.

Section 4.10. Removal. Any director may be removed from the board of directors, with or without cause, subject only to limitations provided by law.

Section 4.11. Executive Committee. The board of directors, by resolution adopted by a majority of the full board, may name one or more of its members as an executive committee. An executive committee shall have and may exercise the powers of the board of directors in the management of the business and affairs of the corporation while the board is not in session, subject to such limitations as may be included in the board's resolution; provided, however, that an executive committee shall not have the authority of the board of directors in reference to the following matters: (i) the authorization of distributions; (ii) the approval or submission to shareholders of any action that requires shareholder approval under applicable law; (iii) the filling of vacancies on the board of directors or on any committee of the board of directors; (iv) the amendment of the articles of incorporation; (v) the adoption, amendment or repeal of the bylaws; (vi) approval of a plan of merger not requiring shareholder approval; (vii) authorization or approval of a reacquisition of shares, except according to a formula or method prescribed by the board of directors; (viii) authorization or approval of the issuance, sale or contract for sale of

shares or determination of the designation and relative rights, preferences and limitations of a class or series of shares, except that the board of directors may authorize the executive committee or an executive officer of the corporation to do so within limits specifically prescribed by the board of directors; and (ix) fixing the compensation of directors for serving on the board or on any committee of the board of directors. Any member of the executive committee may be removed, with or without cause, by the board of directors. If any vacancy occurs in the executive committee, it shall be filled by the board of directors. The board of directors, with or without cause, may dissolve any committee or remove any member thereof at any time.

Section 4.12. Other Committees. The board of directors, from time to time, by resolution adopted by a majority of the full board, may appoint other standing or temporary committees from its membership and vest such committees with such powers as the board may include in its resolution; provided, however, that such committees shall be restricted in their authority as specifically set forth with respect to the executive committee in Section 4.11 above.

Section 4.13. Tenure of Committee Members. Except in the case of resignation, disqualification, removal or the inability to serve for any reason, each member of any committee established under this Article IV shall hold office until the next regular annual meeting of the board of directors and until his successor is elected and qualified.

Section 4.14. Meetings of Committees. Regular meetings of committees established under this Article IV may be held without notice on such days and at such times and places as the committees may fix from time to time by resolution. Special meetings of a committee may be called by any member thereof upon notice to other members of the committee in the manner provided in Section 4.04 for special meetings of the board of directors.

Section 4.15. Quorum of Committee Members. A majority of the members of a committee shall constitute a quorum for the transaction of business at any meeting thereof, and action of any committee must be authorized by the affirmative vote of a majority of the members present at a meeting at which a quorum is present.

Section 4.16. Presumption of Assent. A director of the corporation who is present at a meeting of the board of directors or of any committee at which action is taken on any matter shall be deemed to have assented to the action taken unless: (i) the director objects at the beginning of the meeting or promptly upon the director's arrival to holding it or transacting business at the meeting; (ii) the director's dissent or abstention from the action taken is entered in the minutes of the meeting; or (iii) the director delivers written notice of his dissent or abstention to the presiding officer of the meeting before its adjournment or to the corporation before 5:00 p.m. on the next business day after the meeting. The right of dissent or abstention shall not be available to a director who voted in favor of the action.

Section 4.17. Compensation. By resolution of the board of directors, each director may be paid his expenses, if any, of attendance at each meeting of the board of directors or of any committee, and may be paid a fixed sum for attendance at each such meeting and/or a stated salary as a director or committee member. No such payment shall preclude any director from serving the corporation in any other capacity and receiving compensation therefrom.

Section 4.18. Action by Directors Without a Meeting. Any action required or permitted to be taken at a meeting of the board of directors or of any committee thereof may be taken without a meeting if the action is taken by the all of the directors or committee members. The action shall be evidenced by one or more written consents describing the action taken and signed by all directors or committee members. Such consent may be executed in counterparts and shall have the same effect as a unanimous vote of the directors or committee members of the corporation at a duly convened meeting.

Section 4.19. Meetings by Alternative Communications. The board of directors may permit any or all of the directors to participate in any regular or special meeting by or conduct the meeting through use of any means of communication by which all of the directors participating may simultaneously hear each other during the meeting. A director participating in a meeting by this means is deemed to be present in person at the meeting.

ARTICLE V

Officers - General

Section 5.01. Elections and Appointments. The board of directors shall elect or appoint a president, a secretary and a treasurer, and may choose a chairman of the board. one or more vice presidents or such other officers as the board of directors shall determine. The regular election or appointment of officers shall take place at each annual meeting of the board of directors, but elections of officers may be held at any other meeting of the board. A person elected or appointed to any office shall continue to hold that office until the election or appointment of his successor, subject to action earlier taken pursuant to Section 5.04 or 7.01 below. The same individual may simultaneously hold more than one office in the corporation.

Section 5.02. Additional Appointments. In addition to the officers contemplated in Section 5.01 above, the board of directors may elect or appoint other corporate or divisional officers or agents with such authority to perform such duties as may be prescribed from time to time by the board of directors, by the president or, in the case of assistant officers (as, for example, one or more assistant secretaries), by the superior officer of any person so elected or appointed. Each of such persons (in the order designated by the board) shall be vested with all of the powers and charged with all of the duties of his superior officer in the event of such superior officer's absence or disability.

Section 5.03. Bonds and Other Requirements. The board of directors may require any officer to give bond to the corporation (with sufficient surety, and conditioned for the faithful performance of the duties of his office), to make reports to the board and to comply with such other conditions as may from time to time be required of him by the board.

Section 5.04. Removal; Delegation of Duties. The board of directors may remove an officer of the corporation at any time with or without cause or temporarily delegate his powers and duties to any other officer or to any director. Such removal or delegation shall be without prejudice to the contract rights, if any, of the person so removed or whose powers and duties have been delegated. Election or appointment of an officer or agent, even if for a specified term, shall not of itself create contract rights.

Section 5.05. Compensation. The compensation of officers may be fixed from time to time by the board of directors or (except as to the president's own) left to the discretion of the president. No officer shall be prevented from receiving compensation by reason of the fact that he also is a director of the corporation.

ARTICLE VI Specific Officers

Section 6.01. Chairman of the Board. The board of directors may elect a chairman to serve as a general executive officer of the corporation, and, if specifically designated as such by the board, as the chief executive officer of the corporation. If elected, the chairman shall preside at all meetings of the board of directors and be vested with such other powers and duties as the board may from time to time delegate to him.

Section 6.02. President and Vice President. Unless otherwise specified by resolution of the board of directors, the president shall be the chief executive officer of the corporation. The president shall supervise the business and affairs of the corporation and the performance by all of its other officers of their respective duties, subject to the control of the board of directors (and of its chairman, if the chairman has been specifically designated as chief executive officer of the corporation). One or more vice presidents may be elected by the board of directors to perform such duties as may be designated by the board or be assigned or delegated to them by the chief executive officer. Any one of the vice presidents as authorized by the board shall be vested with all of the powers and charged with all of the duties of the president in the event of his absence or inability to act. Except as may otherwise be specifically provided in a resolution of the board of directors, the president or any vice president shall be a proper officer to sign, on behalf of the corporation, any deed, bill of sale, assignment, option, mortgage, pledge, note, bond, evidence of indebtedness, application, consent (to service of process or otherwise), agreement, indenture or other instrument of any significant importance to the corporation. The president or any vice president may represent the corporation at any meeting of the shareholders of any other corporation in which this corporation then holds shares, and may vote this corporation's shares

in such other corporation in person or by proxy appointed by him, provided that the board of directors may from time to time confer the foregoing authority upon any other person or persons.

Section 6.03. Secretary. The secretary shall keep the minutes of meetings of the shareholders, board of directors and any committee, and all unanimous written consents of the shareholders, board of directors and any committee of the corporation, and shall see that all notices are duly given in accordance with the provisions of these bylaws or as required by law, and in case of his absence or refusal or neglect to do so, notices may be served by any person so directed by the president. The secretary shall be custodian of the corporate seal and corporate records, shall have the authority to authenticate the corporate records and, in general, shall perform all duties incident to the office. Except as may otherwise be specifically provided in a resolution of the board of directors, the secretary and each assistant secretary shall be a proper officer to take charge of the corporation's stock transfer books and to compile the shareholder list pursuant to Section 3.06 above, and to impress the corporation's seal on any instrument signed by the president, any vice president or any other duly authorized person, and to attest to the same.

Section 6.04. Treasurer. The treasurer shall keep full and accurate accounts of receipts and disbursements in books belonging to the corporation, and shall cause all money and other valuable effects to be deposited in the name and to the credit of the corporation in such depositories, subject to withdrawal in such manner as may be designated by the board of directors. He shall render to the president, the directors and the shareholders at proper times an account of all his transactions as treasurer and of the financial condition of the corporation. The treasurer shall be responsible for preparing and filing such financial reports, financial statements and returns as may be required by law.

ARTICLE VII

Resignations and Vacancies

Section 7.01. Resignations. Any director, committee member or officer may resign from his office at any time by written notice delivered to the corporation. A resignation shall be effective when the notice is delivered unless the notice specifies a later effective date or event. The acceptance of a resignation shall not be required to make it effective.

Section 7.02. Vacancies. If the office of any director, committee member or officer becomes vacant by reason of his death, resignation, disqualification, removal or otherwise, the shareholders or the board of directors may choose a successor to hold office for the unexpired term as provided in Section 4.01 and Section 5.01, as the case may be.

ARTICLE VIII

Seal

The board of directors may provide for a seal of the corporation, which shall have inscribed thereon the name of the corporation and the state and year of its incorporation.

ARTICLE IX

Certificates Representing Shares

Section 9.01. Form. Shares of the corporation may but need not be represented by certificates. If certificates are issued, each certificate representing shares of the corporation shall be in such form as may from time to time be prescribed by the board of directors, shall be consecutively numbered, and shall exhibit such information as may be required by applicable law. If certificates are not issued, then every holder of uncertificated shares shall be entitled to receive a certificate that complies with applicable law on request to the corporation.

Section 9.02. Signatures and Seal. All certificates issued for shares of the corporation (whether new, re-issued, or transferred) shall bear the manual or facsimile signatures of one or more officers designated by the board of directors or, in the absence of board designation by the president, a vice president, or the secretary, and also may bear an impression or facsimile of the corporation's corporate seal, if any. If the person who signed either manually or in facsimile a share certificate no longer holds office when the certificate is issued, the certificate is nevertheless valid.

Section 9.03. Ownership. The corporation shall be entitled to treat the registered owner of any share as the absolute owner thereof and, accordingly, shall not be bound to recognize any beneficial, equitable or other claim to, or interest in, such share on the part of any other person, whether or not it has notice thereof, except as may be expressly provided by applicable law.

Section 9.04. Transfers. Transfers of shares of the corporation may be made on the stock transfer books of the corporation only at the direction of the person named in the certificate (or by his duly authorized attorney-in-fact) and upon the surrender of such certificate properly endorsed or accompanied by a written assignment or power of attorney properly executed, and with such proof of authority or authenticity of signature as the corporation (or its transfer agent) may require. The transfer of the shares of the corporation shall be subject to such restrictions on transfer, if any, as may be imposed by the articles of incorporation or bylaws of the corporation, or by any amendment thereof, by applicable law or by an agreement among the shareholders or between shareholders and the corporation. No transfer shall affect the right of the corporation to pay any dividend due upon the shares or to treat the holder of record as the holder-in-fact until the transfer has been recorded in the books of the corporation.

Section 9.05. Lost Certificates. In the event of the loss, theft or destruction of any certificates representing shares of the corporation or of any predecessor corporation, the corporation may issue (or, in the case of any such shares as to which a transfer agent and/or registrar have been appointed, may direct such transfer agent and/or registrar to countersign, register and issue) a new certificate, and cause the same to be delivered to the owner of the shares represented thereby, provided that the owner shall have submitted such evidence showing, or an affidavit reciting, the circumstances of the alleged loss, theft or destruction, and his ownership of the certificate, as the corporation considers satisfactory, together with any other facts that the corporation considers pertinent, and further provided that a bond of indemnity, with or without surety, shall have been provided in form and amount satisfactory to the corporation (and to its transfer agent and/or registrar, if applicable), unless the board of directors waives the requirement of a bond.

ARTICLE X

Dividends

Subject to such restrictions or requirements as may be imposed by applicable law or the corporation's articles or as may otherwise be binding upon the corporation, the board of directors may from time to time declare and the corporation may pay dividends on shares of the corporation outstanding on the dates of record fixed by the board, to be paid in cash, in property, or in shares of the corporation on or as of such payment or distribution dates as the board may prescribe.

ARTICLE XI

Amendments

These bylaws may be altered, amended, supplemented, repealed or temporarily or permanently suspended, in whole or in part, or new bylaws may be adopted, at any duly constituted meeting of the board of directors or the shareholders or, alternatively, by unanimous written consent to corporate action without a meeting of the board of directors or the shareholders, as the case may be, pursuant to these bylaws and applicable law. The shareholders in amending or repealing a particular bylaw may provide expressly that the board of directors may not amend or repeal that bylaw.

ARTICLE IX

Indemnification and Insurance

Section 12.01. Indemnification. To the fullest extent permitted by Arizona law as amended from time to time, the corporation shall indemnify and advance expenses to each person to whom indemnification and advancement of expenses may be offered under such law.

Section 12.02. Insurance. The corporation shall have the power to purchase and maintain insurance on behalf of any person who is or was a director, officer, employee or agent of the

corporation, or is or was serving at the request of the corporation as a director, officer, partner, trustee, employee or agent of another foreign or domestic corporation, partnership, joint venture, trust, employee benefit plan or other enterprise against any liability asserted against or incurred by such person in such capacity or arising out of such person's status as such, whether or not the corporation would have the power to indemnify such person against such liability under the provisions of Arizona law.

ARTICLE IX
General Provisions

Section 13.01. Construction. As used in these bylaws, the masculine includes the feminine and the neuter as the context requires.

Section 13.02. Books and Records. The books and records of the corporation shall be kept at such places within or outside of Arizona as the board of directors may from time to time determine.

LEGAL DESCRIPTION

RANCHO SIERRA
PROVIDED FOR THE USE OF THE ARIZONA CORPORATION COMMISSION
AND SANTA ROSA WATER COMPANY

September 6, 2002

A parcel of land located in Sections 25, 26, 27, 34, 35, and 36, T5S, R3E, and Sections 2, 3, and 10, T6S, R3E, all based on the G&SRM, Pinal County, Arizona, more particularly described as follows:

PARCEL 1

DELETED INTENTIONALLY

PARCEL 2 (Portion of Section 26)

BEGINNING at the southeast corner of said Section 26;

THENCE along the South line of said Section 26, North 86 degrees 05 minutes 09 seconds West, 1,303.20 feet to the southwest corner of the East half of the southeast quarter of said Section;

THENCE along the West line of said East half North 01 degrees 04 minutes 07 seconds East, 2,899.62 feet to the northwest corner of said East half;

THENCE along the North line of said East half, North 89 degrees 55 minutes 50 seconds East, 1,325.50 feet to the northeast corner of said East half;

THENCE along the East line of said East half, South 01 degrees 31 minutes 18 seconds West, 2,990.73 feet to the POINT OF BEGINNING.

The above-described parcel contains 88.81 acres, more or less.

PARCEL 3 (Portion of Section 26)

BEGINNING at the southeast corner of the West half of the southwest quarter of said Section 26;

THENCE along the South line of said West half, North 86 degrees 05 minutes 09 seconds West, 1,303.20 feet to the southwest corner of said West half;

LEGAL DESCRIPTION

RANCHO SIERRA
PROVIDED FOR THE USE OF THE ARIZONA CORPORATION COMMISSION
AND SANTA ROSA WATER COMPANY (Cont.)

September 6, 2002

THENCE along the West line of said West half, North 00 degrees 16 minutes 36 seconds East, 2,627.46 feet to the northwest corner of said West half;

THENCE along the North line of said West half, North 89 degrees 55 minutes 50 seconds East, 1,308.36 feet to the northeast corner of said West half;

THENCE along the East line of said West half, South 00 degrees 26 minutes 21 seconds West, 2,718.06 feet to the POINT OF BEGINNING;

The above-described parcel contains 80.04 acres, more or less.

PARCEL 4 (Portion of Section 27)

BEGINNING at the southeast corner of the southeast quarter of said Section 27;

THENCE along the South line of said southeast quarter, South 89 degrees 52 minutes 34 seconds West, 2,648.43 feet to the southwest corner of said southeast quarter;

THENCE along the West line of said southeast quarter, North 00 degrees 18 minutes 03 seconds East, 2,629.40 feet to the northwest corner of said southeast quarter;

THENCE along the North line of said southeast quarter, North 89 degrees 55 minutes 04 seconds East, 2,647.31 feet to the northeast corner of said southeast quarter;

THENCE along the East line of said southeast quarter, South 00 degrees 16 minutes 36 seconds West, 2,627.46 feet to the POINT OF BEGINNING;

The above-described parcel contains 159.77 acres, more or less.

PARCEL 5 (Portion of Section 27)

BEGINNING at the southeast corner of the southwest quarter of said Section 27;

LEGAL DESCRIPTION

RANCHO SIERRA
PROVIDED FOR THE USE OF THE ARIZONA CORPORATION COMMISSION
AND SANTA ROSA WATER COMPANY (Cont.)

September 6, 2002

THENCE along the South line of said southwest quarter, South 89 degrees 52 minutes 34 seconds West, 2,520.58 feet to the beginning of a non-tangent curve concave westerly, having a radius 23,013.31 feet, a radial to said point bears South 88 degrees 53 minutes 21 seconds East;

THENCE leaving the South line of said southwest quarter, along said curve through a central angle of 00 degrees 47 minutes 03 seconds, an arc distance of 314.94 feet;

THENCE North 00 degrees 19 minutes 36 seconds East, 2,316.32 feet to the North line of said southwest quarter;

THENCE along the North line of said southwest quarter, North 89 degrees 55 minutes 04 seconds East, 2,517.42 feet to the northeast corner of said southwest quarter;

THENCE along the East line of said southwest quarter, South 00 degrees 18 minutes 03 seconds West, 2,629.40 feet to the POINT OF BEGINNING;

The above-described parcel contains 152.05 acres, more or less.

PARCEL 6 (Portion of Section 34)

BEGINNING at the northeast corner of the northeast quarter of said Section 34;

THENCE along the East line of said northeast quarter, South 02 degrees 00 minutes 29 seconds West, 3,074.86 feet to the southeast corner of said northeast quarter;

THENCE along the South line of said northeast quarter, South 89 degrees 52 minutes 51 seconds West, 2,645.83 feet to the southwest corner of said northeast quarter;

THENCE along the West line of said northeast quarter, North 01 degrees 57 minutes 35 seconds East, 3,074.55 feet to the northwest corner of said northeast quarter;

THENCE along the North line of said northeast quarter, North 89 degrees 52 minutes 34 seconds East, 2,648.43 feet to the POINT OF BEGINNING;

The above-described parcel contains 186.72 acres, more or less.

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LEGAL DESCRIPTION

RANCHO SIERRA
PROVIDED FOR THE USE OF THE ARIZONA CORPORATION COMMISSION
AND SANTA ROSA WATER COMPANY (Cont.)

September 6, 2002

PARCEL 7 (Portion of Section 34)

BEGINNING at the northeast corner of the southeast quarter of said Section 34;

THENCE along the East line of said southeast quarter, South 02 degrees 00 minutes 29 seconds West, 3,074.86 feet to the southeast corner of said southeast quarter;

THENCE along the South line of said southeast quarter, South 89 degrees 53 minutes 08 seconds West, 2,643.23 feet to the southwest corner of said southeast quarter;

THENCE along the West line of said southeast quarter, North 01 degrees 57 minutes 35 seconds East, 3,074.54 feet to the northwest corner of said southeast quarter;

THENCE along the North line of said southeast quarter, North 89 degrees 52 minutes 51 seconds East, 2,645.83 feet to the POINT OF BEGINNING;

The above-described parcel contains 186.54 acres, more or less.

PARCEL 8

DELETED INTENTIONALLY

PARCEL 9 (Portion of Section 34)

BEGINNING at the northeast corner of the northwest quarter of said Section 34;

THENCE along the East line of said northwest quarter, South 01 degrees 57 minutes 35 seconds West, 3,074.55 feet to the southeast corner of said northwest quarter;

THENCE along the South line of said northwest quarter, South 89 degrees 52 minutes 51 seconds West, 2,515.17 feet;

THENCE leaving said South line of said northwest quarter, North 01 degrees 53 minutes 09 seconds East, 2,752.56 feet to the beginning of a tangent curve, concave westerly having a radius 23,013.31 feet;

THENCE northerly along said curve through a central angle of 00 degrees 48 minutes 02 seconds, an arc distance of 321.57 feet to the North line of said northwest quarter;

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LEGAL DESCRIPTION

RANCHO SIERRA
PROVIDED FOR THE USE OF THE ARIZONA CORPORATION COMMISSION
AND SANTA ROSA WATER COMPANY (Cont.)

September 6, 2002

THENCE along the North line of said northwest quarter, North 89 degrees 52 minutes 34 seconds East, 2,520.58 feet to the POINT OF BEGINNING;

The above-described parcel contains 177.55 acres, more or less.

PARCEL 10 (Portion of Section 34)

BEGINNING at the northeast corner of the southwest quarter of said Section 34;

THENCE along the East line of said southwest quarter, South 01 degrees 57 minutes 35 seconds West, 3,074.54 feet to the southeast corner of said southwest quarter;

THENCE along the South line of said southwest quarter, South 89 degrees 53 minutes 08 seconds West, 2,643.23 feet to the southwest corner of said southwest quarter;

THENCE along the West line of said southwest quarter, North 01 degrees 54 minutes 41 seconds East, 735.42 feet;

THENCE leaving said North line, North 09 degrees 02 minutes 59 seconds East, 318.70 feet to the beginning of a tangent curve, concave westerly having a radius 11,554.16 feet;

THENCE northerly along said curve through a central angle of 07 degrees 09 minutes 37 seconds, an arc distance of 1,443.92 feet;

THENCE North 01 degrees 53 minutes 09 seconds East, 587.11 feet to the North line of said southwest quarter;

THENCE along the North line of said southwest quarter, North 89 degrees 52 minutes 51 seconds East, 2,515.17 feet to the POINT OF BEGINNING;

The above-described parcel contains 181.37 acres, more or less.

PARCEL 11 (Portion of Section 35)

BEGINNING at the northeast corner of the northwest quarter of said Section 35;

LEGAL DESCRIPTION

RANCHO SIERRA
 PROVIDED FOR THE USE OF THE ARIZONA CORPORATION COMMISSION
 AND SANTA ROSA WATER COMPANY (Cont.)

September 6, 2002

THENCE along the East line of said northwest quarter, South 01 degrees 34 minutes 57 seconds West, 2,982.65 feet to the southeast corner of said northwest quarter;

THENCE along the South line of said northwest quarter, North 88 degrees 06 minutes 50 seconds West, 2,627.09 feet to the southwest corner of said northwest quarter;

THENCE along the West line of said northwest quarter, North 02 degrees 00 minutes 29 seconds East, 3,074.86 feet to the northwest corner of said northwest quarter;

THENCE along the North line of said northwest quarter, South 86 degrees 05 minutes 09 seconds East, 2,606.38 feet to the POINT OF BEGINNING;

The above-described parcel contains 181.88 acres, more or less.

PARCEL 12 (Portion of Section 35)

BEGINNING at the northeast corner of the southwest quarter of said Section 35;

THENCE along the East line of said southwest quarter, South 01 degrees 34 minutes 57 seconds West, 2,981.96 feet to the southeast corner of said southwest quarter;

THENCE along the South line of said southwest quarter, South 89 degrees 52 minutes 37 seconds West, 2,651.07 feet to the southwest corner of said southwest quarter;

THENCE along the West line of said southwest quarter, North 02 degrees 00 minutes 29 seconds East, 3,074.86 feet to the northwest corner of said southwest quarter;

THENCE along the North line of said southwest quarter, South 88 degrees 06 minutes 50 seconds East, 2,627.09 feet to the POINT OF BEGINNING;

The above-described parcel contains 183.42 acres, more or less.

PARCEL 13 (Portion of Section 35)

BEGINNING at the northeast corner of the northeast quarter of said Section 35;

THENCE along the East line of said northeast quarter, South 01 degrees 12 minutes 26 seconds West, 2,890.57 feet to the southeast corner of said northeast quarter;

LEGAL DESCRIPTION

RANCHO SIERRA
PROVIDED FOR THE USE OF THE ARIZONA CORPORATION COMMISSION
AND SANTA ROSA WATER COMPANY (Cont.)

September 6, 2002

THENCE along the South line of said northeast quarter, North 88 degrees 06 minutes 50 seconds West, 2,623.22 feet to the southwest corner of said northeast quarter;

THENCE along the West line of said northeast quarter, North 01 degrees 34 minutes 57 seconds East, 2,982.65 feet to the northwest corner of said northeast quarter;

THENCE along the North line of said northeast quarter, South 86 degrees 05 minutes 09 seconds East, 2,606.40 feet to the POINT OF BEGINNING;

The above-described parcel contains 176.19 acres, more or less.

PARCEL 14

DELETED INTENTIONALLY

PARCEL 15 (Portion of Section 35)

BEGINNING at the northeast corner of the southeast quarter of said Section 35;

THENCE along the East line of said southeast quarter, South 01 degrees 12 minutes 26 seconds West, 2,890.56 feet to the southeast corner of said southeast quarter;

THENCE along the South line of said southeast quarter, South 89 degrees 54 minutes 04 seconds West, 2,643.25 feet to the southwest corner of said southeast quarter;

THENCE along the West line of said southeast quarter, North 01 degrees 34 minutes 57 seconds East, 2,981.96 feet to the northwest corner of said southeast quarter;

THENCE along the North line of said southeast quarter, South 88 degrees 06 minutes 50 seconds East, 2,623.22 feet to the POINT OF BEGINNING;

The above-described parcel contains 177.47 acres, more or less.

PARCEL 16 (Portion of Section 36)

BEGINNING at the northwest corner of the northeast quarter of said Section 36;

LEGAL DESCRIPTION

RANCHO SIERRA
PROVIDED FOR THE USE OF THE ARIZONA CORPORATION COMMISSION
AND SANTA ROSA WATER COMPANY (Cont.)

September 6, 2002

THENCE along the North line of said northeast quarter, South 86 degrees 00 minutes 46 seconds East, 2,309.97 feet;

THENCE leaving said North line, South 00 degrees 16 minutes 33 seconds West, 563.06 feet;

THENCE North 86 degrees 00 minutes 46 seconds West, 2,314.73 feet to the West line of said northeast quarter;

THENCE along the West line of said northeast quarter, North 00 degrees 45 minutes 34 seconds East, 562.77 feet to the POINT OF BEGINNING.

The above-described parcel contains 29.83 acres, more or less.

PARCEL 17 (Portion of Section 36)

BEGINNING at the northeast corner of the northwest quarter of said Section 35;

THENCE along the East line of said northwest quarter, South 00 degrees 45 minutes 34 seconds West, 2,796.59 feet to the southeast corner of said northwest quarter;

THENCE along the South line of said northwest quarter, North 88 degrees 05 minutes 17 seconds West, 2,623.66 feet to the southwest corner of said northwest quarter;

THENCE along the West line of said northwest quarter, North 01 degrees 12 minutes 26 seconds East, 2,890.57 feet to the northwest corner of said northwest quarter;

THENCE along the North line of said northwest quarter, South 86 degrees 00 minutes 46 seconds East, 2,604.67 feet to the POINT OF BEGINNING;

The above-described parcel contains 170.52 acres, more or less.

PARCEL 18 (Portion of Section 36)

BEGINNING at the northeast corner of the southwest quarter of said Section 36;

THENCE along the East line of said southwest quarter, South 00 degrees 45 minutes 34 seconds West, 1,319.22 feet;

LEGAL DESCRIPTION

RANCHO SIERRA
PROVIDED FOR THE USE OF THE ARIZONA CORPORATION COMMISSION
AND SANTA ROSA WATER COMPANY (Cont.)

September 6, 2002

THENCE leaving said East line, South 89 degrees 52 minutes 33 seconds West, 956.26 feet;

THENCE South 00 degrees 07 minutes 43 seconds East, 1,477.66 feet to the South line of said southwest quarter;

THENCE along the South line of said southwest quarter, South 89 degrees 52 minutes 51 seconds West, 1,712.68 feet to the southwest corner of said southwest quarter;

THENCE along the West line of said southwest quarter, North 01 degrees 12 minutes 26 seconds East, 2,890.56 feet to the northwest corner of said southwest quarter;

THENCE along the North line of said southwest quarter, South 88 degrees 05 minutes 17 seconds East, 2,623.66 feet to the POINT OF BEGINNING;

The above-described parcel contains 139.93 acres, more or less.

PARCEL 19

DELETED INTENTIONALLY

PARCEL 20 (Portion of Section 2)

BEGINNING at the northeast corner of the northwest quarter of said Section 2;

THENCE along the East line of said northwest quarter, South 00 degrees 00 minutes 58 seconds West, 3,514.32 feet to the southeast corner of said northwest quarter;

THENCE along the South line of said northwest quarter, North 89 degrees 56 minutes 19 seconds West, 2,648.48 feet to the southwest corner of said northwest quarter;

THENCE along the West line of said northwest quarter, North 00 degrees 02 minutes 43 seconds West, 3,505.93 feet to the northwest corner of said northwest quarter;

THENCE along the North line of said northwest quarter, North 89 degrees 52 minutes 51 seconds East, 2,652.24 feet to the POINT OF BEGINNING;

The above-described parcel contains 213.57 acres, more or less.

LEGAL DESCRIPTION

RANCHO SIERRA
PROVIDED FOR THE USE OF THE ARIZONA CORPORATION COMMISSION
AND SANTA ROSA WATER COMPANY (Cont.)

September 6, 2002

PARCEL 21 (Portion of Section 2)

BEGINNING at the northwest corner of the southwest quarter of said Section 2;

THENCE along the North line of said southwest quarter, South 89 degrees 56 minutes 19 seconds East, 2,648.48 feet to the northeast corner of said southwest quarter;

THENCE along the North line of the southeast quarter of said Section 2, South 89 degrees 56 minutes 19 seconds East, 791.42 feet;

THENCE leaving said North line, South 00 degrees 20 minutes 56 seconds East, 2,444.53 feet;

THENCE South 89 degrees 43 minutes 58 seconds East, 1,838.91 feet to the East line of said southeast quarter;

THENCE along the East line of said southeast quarter, South 00 degrees 04 minutes 37 seconds West, 190.00 feet to the southeast corner of said southeast quarter;

THENCE along the South line of said southeast and southwest quarters, North 89 degrees 56 minutes 55 seconds West, 5,291.33 feet to the southwest corner of said southwest quarter;

THENCE along the West line of said southwest quarter, North 00 degrees 02 minutes 44 seconds West, 2,642.00 feet to the POINT OF BEGINNING;

The above-described parcel contains 217.20 acres, more or less.

PARCEL 22 (Portion of Section 2)

BEGINNING at the southwest corner of the northeast quarter of said Section 2;

THENCE along the West line of said northeast quarter, North 00 degrees 00 minutes 58 seconds East, 2,200.60 feet;

THENCE leaving said West line, North 89 degrees 52 minutes 51 seconds East, 1,566.25 feet;

THENCE South 00 degrees 04 minutes 37 seconds West, 2205.54 feet to the South line of said northeast quarter;

LEGAL DESCRIPTION

RANCHO SIERRA
PROVIDED FOR THE USE OF THE ARIZONA CORPORATION COMMISSION
AND SANTA ROSA WATER COMPANY (Cont.)

September 6, 2002

THENCE along the South line of said northeast quarter, North 89 degrees 56 minutes 19 seconds West, 1,563.91 feet to the POINT OF BEGINNING;

The above-described parcel contains 79.15 acres, more or less.

PARCEL 23 (Portion of Section 3)

BEGINNING at the northeast corner of the northeast quarter of said Section 3;

THENCE along the East line of said northeast quarter, South 00 degrees 02 minutes 43 seconds East, 3,505.93 feet to the southeast corner of said northeast quarter;

THENCE along the South line of said northeast quarter, North 89 degrees 51 minutes 59 seconds West, 2,639.85 feet to the southwest corner of said northeast quarter;

THENCE along the West line of said northeast quarter, North 00 degrees 03 minutes 58 seconds West, 3,495.36 feet to the northwest corner of said northeast quarter;

THENCE along the North line of said northeast quarter, North 89 degrees 54 minutes 15 seconds East, 2,641.10 feet to the POINT OF BEGINNING;

The above-described parcel contains 212.20 acres, more or less.

PARCEL 24 (Portion of Section 3)

BEGINNING at the northeast corner of the northwest quarter of said Section 3;

THENCE along the East line of said northwest quarter, South 00 degrees 03 minutes 58 seconds East, 3,495.36 feet to the southeast corner of said northwest quarter;

THENCE along the South line of said northwest quarter, North 89 degrees 51 minutes 59 seconds West, 2,639.32 feet to the southwest corner of said northwest quarter;

THENCE along the West line of said northwest quarter, North 00 degrees 05 minutes 45 seconds West, 3,483.45 feet to the northwest corner of said northwest quarter;

THENCE along the North line of said northwest quarter, North 89 degrees 52 minutes 25 seconds East, 2,641.12 feet to the POINT OF BEGINNING;

LEGAL DESCRIPTION

RANCHO SIERRA
PROVIDED FOR THE USE OF THE ARIZONA CORPORATION COMMISSION
AND SANTA ROSA WATER COMPANY (Cont.)

September 6, 2002

The above-described parcel contains 211.50 acres, more or less.

PARCEL 25 (Portion of Section 3)

BEGINNING at the northeast corner of the southwest quarter of said Section 3;

THENCE along the East line of said southwest quarter, South 00 degrees 03 minutes 58 seconds East, 2,643.65 feet to the southeast corner of said southwest quarter;

THENCE along the South line of said southwest quarter, North 89 degrees 54 minutes 08 seconds West, 2,637.91 feet to the southwest corner of said southwest quarter;

THENCE along the West line of said southwest quarter, North 00 degrees 05 minutes 47 seconds West, 2,645.30 feet to the northwest corner of said southwest quarter;

THENCE along the North line of said southwest quarter, South 89 degrees 51 minutes 59 seconds East, 2,639.32 feet to the POINT OF BEGINNING;

The above-described parcel contains 160.19 acres, more or less.

PARCEL 26

DELETED INTENTIONALLY

PARCEL 27 (Portion of Section 3)

BEGINNING at the southeast corner of the southeast quarter of said Section 3;

THENCE along the South line of said southeast quarter, North 89 degrees 54 minutes 08 seconds West, 2,638.89 feet to the southwest corner of said southeast quarter;

THENCE along the West line of said southeast quarter, North 00 degrees 03 minutes 58 seconds West, 2,643.65 feet to the northwest corner of said southeast quarter;

LEGAL DESCRIPTION

RANCHO SIERRA
PROVIDED FOR THE USE OF THE ARIZONA CORPORATION COMMISSION
AND SANTA ROSA WATER COMPANY (Cont.)

September 6, 2002

THENCE along the North line of said southeast quarter, South 89 degrees 51 minutes 59 seconds East, 2,639.85 feet to the northeast corner of said southeast quarter;

THENCE along the East line of said southeast quarter, South 00 degrees 02 minutes 44 seconds East, 2,642.00 feet to the POINT OF BEGINNING;

The above-described parcel contains 160.13 acres, more or less.

PARCEL 28 (Portion of Section 10)

BEGINNING at the northeast corner of said Section 10;

THENCE along the East line of the northeast quarter of said Section 10, South 00 degrees 02 minutes 04 seconds West, 2,642.01 feet to the East quarter corner of said Section 10;

THENCE along the East line of the southeast quarter of said Section 10, South 00 degrees 02 minutes 03 seconds West, 2,641.99 feet to the southeast corner of said Section 10;

THENCE along the South line of said Section 10, North 89 degrees 53 minutes 39 seconds West, 70.57 feet;

THENCE leaving said South line, North 00 degrees 03 minutes 23 seconds West, 2,607.37 feet;

THENCE North 47 degrees 02 minutes 36 seconds West, 29.58 feet;

THENCE North 00 degrees 07 minutes 47 seconds West, 14.52 feet to the North line of the southeast quarter of said Section 10;

THENCE North 00 degrees 07 minutes 47 seconds West, 2,642.01 feet to the North line of said Section 10;

THENCE along the North line of said Section 10, South 89 degrees 54 minutes 08 seconds East, 103.96 feet to the POINT OF BEGINNING;

The above-described parcel contains 10.50 acres, more or less.

LEGAL DESCRIPTION

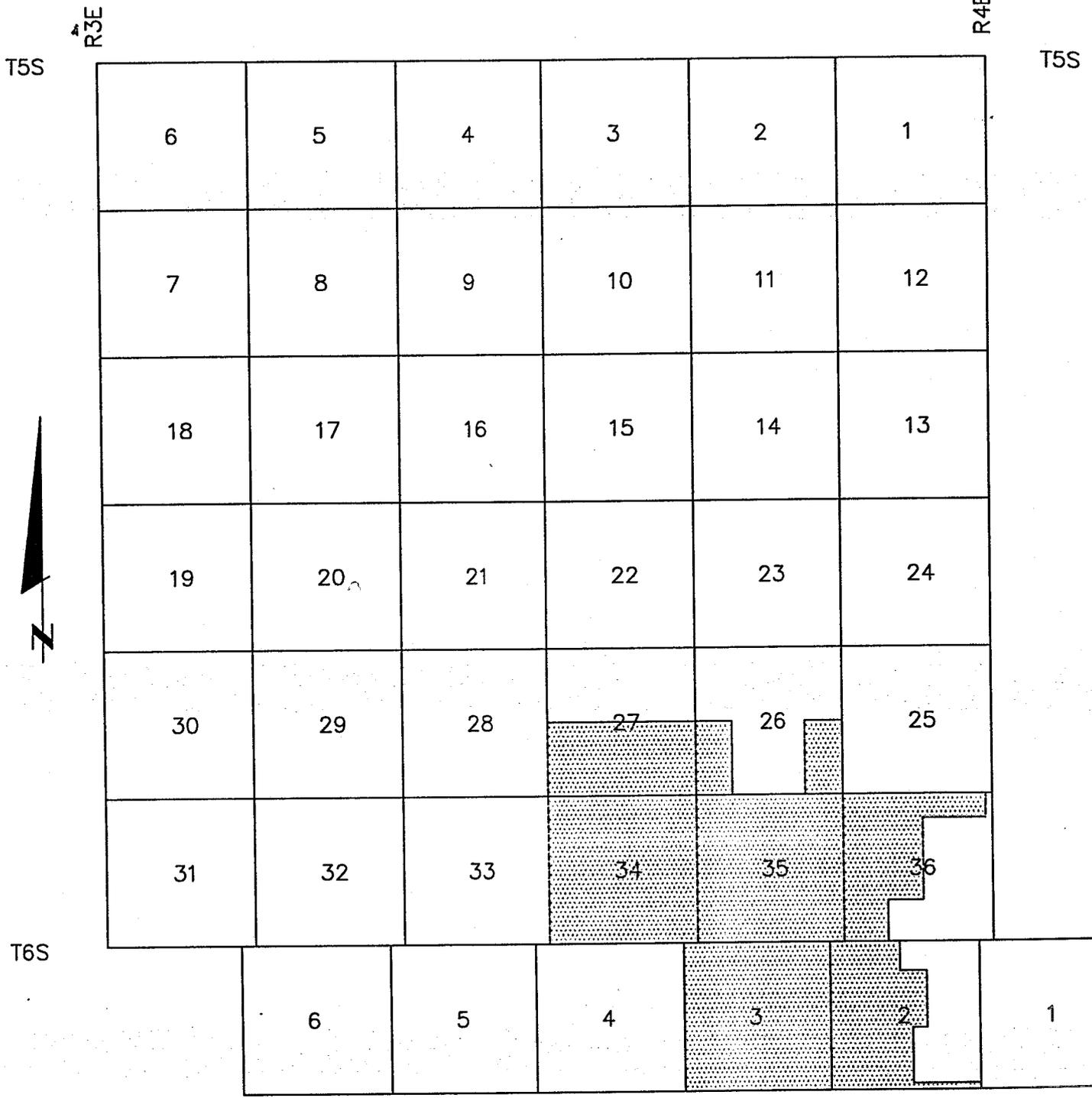
RANCHO SIERRA
PROVIDED FOR THE USE OF THE ARIZONA CORPORATION COMMISSION
AND SANTA ROSA WATER COMPANY (Cont.)

September 6, 2002

Note: The above metes and bounds descriptions, are being provided for the use of Santa Rosa Water Company and the Arizona Corporation Commission, and are not intended to supercede the legal description by which the property was conveyed.

This description is based on Title Commitment No 201-1419988 dated July 24, 2002 by First American Title Insurance Company and ALTA/ACSM LAND TITLE SURVEY, RED RIVER PARCELS, BY Huitt-Zollars, Inc., dated 5/3/02.





LEGEND

SERVICE AREA



SANTA ROSA WATER CO.
WATER FRANCHISE AREA

SANTA ROSA WATER COMPANY
 OPERATING EXPENSES

<u>OPERATING EXPENSES</u>	<u>FIRST YEAR</u>	<u>SECOND YEAR</u>	<u>THIRD YEAR</u>	<u>FOURTH YEAR</u>	<u>FIFTH YEAR</u>
CERTIFIED OPERATOR	30,000	32,500	35,000	37,500	40,000
PAYROLL BURDEN	7,500	8,125	8,750	9,375	10,000
POSTAGE	2,000	2,500	4,000	5,000	6,500
ELECTRICITY	26,703	80,109	133,515	186,921	240,327
TESTING	8,000	4,000	2,000	2,000	2,000
REPAIRS	2,000	4,000	6,000	8,000	10,000
CHEMICALS	2,500	5,000	7,500	10,000	12,500
VEHICLES	1,000	1,000	1,000	1,000	1,000
SUPPLIES	5,000	5,000	5,000	5,000	5,000
LICENSES	1,000	1,000	1,000	1,000	1,000
PROPERTY TAXES	20,942	39,032	65,990	92,501	125,028
INSURANCE	1,000	1,000	1,000	1,000	1,000
PERMITS	3,000	3,000	3,000	3,000	3,000
ENGINEERING	2,000	2,000	2,000	2,000	2,000
LEGAL	3,000	3,000	3,000	3,000	3,000
OTHER	1,000	1,000	1,000	1,000	1,000
DEPRECIATION	119,850	138,900	157,950	238,500	257,550
CONTRACT LABOR	2,500	5,000	7,500	10,000	12,500
ADMINISTRATIVE SERVICES	40,000	40,000	40,000	40,000	40,000
ARSENIC REMOVAL	22,500	67,500	112,500	157,500	202,500
TOTAL	301,495	443,666	597,705	814,297	975,905

SANTA ROSA WATER COMPANY
WATER CONSUMPTION

CONSUMPTION	<u>FIRST YEAR</u>	<u>SECOND YEAR</u>	<u>THIRD YEAR</u>	<u>FOURTH YEAR</u>	<u>FIFTH YEAR</u>
NO. OF CUSTOMERS	300	900	1,500	2,100	2,700
AVE. ANNUAL CONSUMPTION	129,000	129,000	129,000	129,000	129,000
ANNUAL GALLONS	38,700,000	116,100,000	193,500,000	270,900,000	348,300,000

SANTA ROSA WATER COMPANY
 POTABLE WATER PLANT CONSTRUCTION SCHEDULE

WATER PLANT AND BOOSTER PUMPS	1,500,000	0	0	1,500,000	0
POTABLE WELLS	1,100,000	0	0	550,000	0
DISTRIBUTION LINES	300,000	600,000	600,000	600,000	600,000
GENERATOR	30,000	0	0	0	0
VEHICLE	10,000	0	0	0	0
FACILITY	30,000	0	0	0	0
EQUIPMENT	10,000	5,000	5,000	5,000	5,000
METERS	15,000	30,000	30,000	30,000	30,000
ARSENIC REMOVAL	1,000,000	0	0	0	0
TOTAL	3,995,000	635,000	635,000	2,685,000	635,000
CUMULATIVE	3,995,000	4,630,000	5,265,000	7,950,000	8,585,000
DEPRECIATION EXPENSE	119,850	138,900	157,950	238,500	257,550
ACCUMULATED DEPR.	119,850	258,750	416,700	655,200	912,750
DEPRECIATION RATE	3.00%				
LAND	105,000	105,000	105,000	175,000	175,000
RATE BASE	3,980,150	4,476,250	4,953,300	7,469,800	7,847,250

SANTA ROSA WATER COMPANY
 POTABLE WATER RATE DESIGN

RETURN ON RATE BASE	419,475	486,150	552,825	834,750	901,425
TOTAL COSTS	720,970	929,816	1,150,530	1,649,047	1,877,330
LESS: ESTABLISHMENT FEE					(18,000)
REVENUE REQUIREMENT					1,859,330
NUMBER OF CUSTOMERS	300	900	1500	2100	2,700
ANNUAL REV. PER CUST.					688.64
MONTHLY REV. PER CUST.					57.39
FIXED COSTS					483,578
FIXED COSTS PER CUSTOMER					179.10
MONTHLY MINIMUM CHARGE					14.93
GALLONS IN MINIMUM					0
COMMODITY GALLONS					10,750
COMMODITY COSTS					42.46
COST PER 1,000 GALLONS					3.95

SANTA ROSA WATER COMPANY
REVENUE PER YEAR

NO. OF CUSTOMERS	300	900	1500	2100	2700
ANNUAL REV. PER CUST.	688.64	688.64	688.64	688.64	688.64
ANNUAL REVENUE	206,592	619,777	1,032,961	1,446,146	1,859,330
IRRIGATION	0	0	0	0	0
ESTABLISHMENT FEE	9,000	18,000	18,000	18,000	18,000
TOTAL	215,592	637,777	1,050,961	1,464,146	1,877,330

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"	\$15.00	FOR -0-
3/4"	\$15.00	FOR -0-
1"	\$22.00	FOR -0-
1 1/2"	\$33.00	FOR -0-
2"	\$44.00	FOR -0-
3"	\$	FOR
4"	\$88.00	FOR -0-
5"	\$	FOR
6"	\$176.00	FOR -0-
8"	200.00	FOR -0-
10"	200.00	FOR -0-

<u>METER</u>	<u>CHARGE</u>
5/8 X 3/4"	\$ -0-
3/4"	\$ -0-
1"	\$ -0-
1 1/2"	\$ -0-
2"	\$ -0-
3"	\$ -0-
4"	\$ -0-
5"	\$ -0-
6"	\$ -0-

COMMODITY CHARGE (EXCESS OF MINIMUM):

\$ 3.95 PER 1,000 GALLONS

FLAT RATE \$ -0- PER MONTH

SERVICE CHARGES:

- | | |
|---|------------------------------------|
| 1. ESTABLISHMENT (R14-2-403.D.1) | \$ <u>30.00</u> |
| 2. ESTABLISHMENT/AFTER HOURS (R14-2-403.D.2) | \$ <u>37.50</u> |
| 3. RECONNECTION/DELINQUENT (R14-2-403.D.1) | \$ <u>25.00</u> |
| 4. NSF CHECK (R14-2-409.F.1) | \$ <u>10.00</u> |
| 5. METER REREAD/IF CORRECT (R14-2-408.C.2) | \$ <u>25.00</u> |
| 6. METER TEST/IF CORRECT (R14-2-408.F.1) | \$ <u>35.00</u> |
| 7. DEFERRED PAYMENT (R14-2-409.G.6) | \$ <u>1.5%</u> per month of unpaid |
| 8. DEPOSIT INTEREST (R14-2-403.B.3) | <u>Per Rule %</u> balance |
| 9. DEPOSIT (R14-2-403.B.7) | <u>PER RULE</u> |
| 10. REESTABLISHMENT W/N 12 MOs (R14-2-403.D.1) | <u>MONTHS OFF THE</u> |
| | <u>SYSTEM TIMES THE MINIMUM</u> |
| 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.

CCNFRM 5/97

Monthly Service Charge For Fire Sprinkler
 1% of monthly minimum for a comparable sized meter connection, but no less than \$5.00 per month. The service charge for Fire Sprinklers is only applicable for service lines separate and distinct from the primary water service line.

**ARIZONA DEPARTMENT OF REVENUE
PROPERTY TAX FUNCTION**

1600 West Monroe, Room 820, Phoenix, Arizona 85007
Telephone: (602) 542-3529 Facsimile: (602) 542-5667

JANE DEE HULL
GOVERNOR



MARK W. KILLIAN
DIRECTOR

August 13, 2002

Mr. Jim Poulos
Santa Rosa Water Company
9532 East Riggs Road
Sun Lakes, AZ 85248-7411

Dear Mr. Poulos:

Based on the information you provided to the Department, the following is an estimate of the property taxes payable, based on the tax rate for this particular area in Pinal County for the 2001 tax year.

<u>Year</u>	<u>0</u>	<u>1</u>	<u>2</u>	<u>3</u>	<u>4</u>	<u>5</u>
<u>Customers</u>	0	300	900	1,500	2,100	2,700
<u>Revenue from customers</u>	\$0	\$198,165	\$594,494	\$990,824	\$1,387,153	\$1,783,483
<u>Establishment fees</u>	\$0	\$9,000	\$18,000	\$18,000	\$18,000	\$18,000
<u>Total revenues</u>	\$0	\$207,165	\$612,494	\$1,008,824	\$1,405,153	\$1,801,483
<u>CWIP as of 12/31</u>	\$3,985,000	\$635,000	\$635,000	\$2,685,000	\$635,000	\$0
<u>Vehicles</u>	\$10,000					
<u>Percent good factor</u>	90%	81%	72%	62%	52%	42%
<u>FCV (rounded)</u>	\$390,000	\$470,000	\$876,000	\$1,481,000	\$2,076,000	\$2,806,000
<u>Assessed Value</u>	\$97,500	\$117,500	\$219,000	\$370,250	\$519,000	\$701,500
<u>Estimated tax</u>	\$17,377	\$20,942	\$39,032	\$65,990	\$92,501	\$125,028

The full cash value is based on the new valuation methodology which averages revenues from the prior reporting periods (maximum 3 years), then adds ten percent of any

4 construction-work-in-progress at the end of the calendar year, and deducts the net book of any licensed vehicle used exclusively by the utility in its operations.

Although the average property tax rate for all of Pinal County for tax year 2001 was 16.60, the rate for tax area code 2403 in which the property will be located was 17.823 (\$ per \$100 of assessed value).

If you have any questions concerning this letter, please do not hesitate to contact me.

Sincerely,



Carole A. O'Brien
Property Appraiser III
Centrally Valued Property Unit

Santa Rosa Water Company
Revenue per year

Year	0	1	2	3	4	5
Number of customers	0	300	900	1,500	2,100	2,700
Revenue from customers	\$0	\$198,165	\$594,494	\$990,824	\$1,387,153	\$1,783,483
Establishment fees		\$9,000	\$18,000	\$18,000	\$18,000	\$18,000
Total revenue	\$0	\$207,165	\$612,494	\$1,008,824	\$1,405,153	\$1,801,483
CWIP as of 12/31	\$3,985,000	\$635,000	\$635,000	\$2,685,000	\$635,000	\$0
Vehicles	\$10,000					
Percent good factor:	90%	81%	72%	62%	52%	42%
FCV [revenue base]	\$0	\$414,330	\$819,659	\$1,218,989	\$2,017,647	\$2,810,307
FCV [based on formula]	\$389,500	\$469,730	\$875,959	\$1,481,289	\$2,075,947	\$2,806,107
Rounded FCV	\$390,000	\$470,000	\$876,000	\$1,481,000	\$2,076,000	\$2,806,000
Assessed value	\$97,500	\$117,500	\$219,000	\$370,250	\$519,000	\$701,500

Taxes calculated based on a rate of 11.6241 (Primary) and 6.1989 (Secondary) for tax area code 2403 in Pinal County for tax year 2001

Estimated taxes: \$17,377 \$20,942 \$39,032 \$65,990 \$92,501 \$125,028

Formula: revenue base plus 10% of CWIP minus net book of licensed vehicles
CWIP based on plant costs provided by Jim Poulos on August 12, 2002

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

September 10, 2002

Mr. Steve Soriano
Red River Ranch Land Development L.L.C.
C/O Pinal 6500 Land Investment Limited Partnership
9532 East Riggs Road
Sun Lakes, Arizona 85248-7411

Dear Mr. Soriano:

Santa Rosa Water Company has filed with the Arizona Corporation Commission ("Commission") an application for authority to provide water service to an area in which records indicate that you are a property owner. If the application is granted, Santa Rosa Water Company would be exclusive provider of water service to the proposed area. Santa Rosa Water Company will be required by the Commission to provide this service under the rate and charges and terms and conditions established by the Commission. The granting of the application would not necessarily prohibit an individual from providing service to themselves from individually owned facilities on their property. The application is available for inspection during regular business hours at the offices of the Commission in Phoenix at 1200 West Washington Street, Phoenix, Arizona 85007 and at Santa Rosa Water Company, 9532 E. Riggs Road, Sun Lakes, Arizona 85248.

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

4
If you have any questions or concerns about this application, have any objections to its approval, or wish to make a statement in support of it, you may contact the Consumer Services Section of the Commission at 1200 West Washington Street, Phoenix, Arizona 85007 or call 1-800-222-7000.

Sincerely,



Jim Poulos

JP/th
Enclosure

SantaRosa6.doc

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

September 10, 2002

VIA – Certified Mail

Mr. K. Michael Ingram
Red River/El Dorado 6500, L.L.C.
C/O Red River Ranch Land Development, L.C.
426 N. 44th Street, Suite 100
Phoenix, Arizona 85007

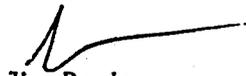
Dear Mr. Ingram:

Santa Rosa Water Company has filed with the Arizona Corporation Commission (“Commission”) an application for authority to provide water service to an area in which records indicate that you are a property owner. If the application is granted, Santa Rosa Water Company would be exclusive provider of water service to the proposed area. Santa Rosa Water Company will be required by the Commission to provide this service under the rate and charges and terms and conditions established by the Commission. The granting of the application would not necessarily prohibit an individual from providing service to themselves from individually owned facilities on their property. The application is available for inspection during regular business hours at the offices of the Commission in Phoenix at 1200 West Washington Street, Phoenix, Arizona 85007 and at Santa Rosa Water Company, 9532 E. Riggs Road, Sun Lakes, Arizona 85248.

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

4
If you have any questions or concerns about this application, have any objections to its approval, or wish to make a statement in support of it, you may contact the Consumer Services Section of the Commission at 1200 West Washington Street, Phoenix, Arizona 85007 or call 1-800-222-7000.

Sincerely,



Jim Poulos

JP/th
Enclosure

SantaRosa082802.doc

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

September 10, 2002

Mr. Brian M. Betcher
Maricopa – Stanfield Irrigation & Drainage District
41630 W. Louis Johnson Dr.
Maricopa, Arizona 85239

Dear Mr. Betcher:

Santa Rosa Water Company has filed with the Arizona Corporation Commission (“Commission”) an application for authority to provide water service to an area in which records indicate that you are a property owner. If the application is granted, Santa Rosa Water Company would be exclusive provider of water service to the proposed area. Santa Rosa Water Company will be required by the Commission to provide this service under the rate and charges and terms and conditions established by the Commission. The granting of the application would not necessarily prohibit an individual from providing service to themselves from individually owned facilities on their property. The application is available for inspection during regular business hours at the offices of the Commission in Phoenix at 1200 West Washington Street, Phoenix, Arizona 85007 and at Santa Rosa Water Company, 9532 E. Riggs Road, Sun Lakes, Arizona 85248.

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

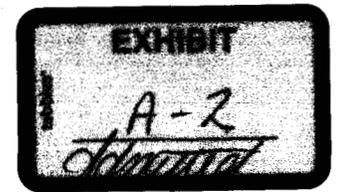
If you have any questions or concerns about this application, have any objections to its approval, or wish to make a statement in support of it, you may contact the Consumer Services Section of the Commission at 1200 West Washington Street, Phoenix, Arizona 85007 or call 1-800-222-7000.

Sincerely,



Jim Poulos

JP/th
Enclosure



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

September 10, 2002

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

Re: Application for a new sewer Certificate of Convenience and Necessity

Dear Docket Control:

Attached is an application by Santa Rosa Utility Company for a new sewer Certificate of Convenience and Necessity ("CC&N"). Santa Rosa Water Company was formed to provide sewer service to an 8,400 unit development that will be developed in the area that is located just south of the town of Maricopa, which is more particularly described in Exhibit D. A sewer CC&N is required at this time to enable the Company to serve the development. Given the demand for sewer, it serves the public interest for the Commission to grant a sewer CC&N to Santa Rosa Utility Company

An estimate of the cost of the first phase of the wastewater treatment plant that was prepared by Carollo Engineers is attached as Exhibit "I".

Notice of this application was given to all property owners, a copy of which is attached as Exhibit H.

Sincerely,

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

Jim Poulos

JP:th

Santarosa4.doc

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:

Santa Rosa Utility Company

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

Same

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

Jim Poulos

9532 E. Riggs Road

Sun Lakes, Arizona 85248

480-895-4251

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

Norman James C/O Fennemore Craig

3003 N. Central Avenue, Suite 2600

Phoenix, Arizona 85012-2913

602-916-5000

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

Dave Voorhees

24607 South Price Road

Sun Lakes, Arizona 85248

480-895-5009

5. If a for-profit corporation, indicate the number of shares of stock authorized to be issued: _____
1,000,000

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

None issued yet

H. If the Applicant is a partnership:

1. List the names of the general partners:

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

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:

K. If the Applicant is a Limited Liability Company:

1. List the names of managers:

L. List the names and addresses of any other phone utility companies.

None

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. Exhibit "D"

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. Exhibit "

O. Attach financial information in a format similar to Attachment "C". See attached Financial Date

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

Debt and/or equity

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

Starting date Fall 2003 Completion 2007

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. See Exhibit "F"

S. Attach the following permits:

1. The franchise from either the City or County for the area requested. ~~To~~ be late filed.
2. The Arizona Department of Environmental Quality (or its designee's) approval to construct facilities. Not issued yet.
3. The Arizona State Land Department approval. (If you are including any State land in your requested area this approval is needed.) N/A
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.) N/A
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. See Exhibit "G"

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 300 Second Year 600 Third Year 1,500 Fourth Year 2,100

Fifth Year 2,700

Commercial:

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

Fifth Year _____

Industrial:

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

Fifth Year _____

Irrigation:

First Year 1 Second Year 1 Third Year 1 Fourth Year 1

Fifth Year 1

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:

First Year 20,784,195 Second Year 62,352,585 Third Year 103,920,975 Fourth Year 145,489,365
Fifth Year 187,057,755

Commercial:

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

Industrial:

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

Irrigation:

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

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

Residential:

First Year 197,800 Second Year 584,401 Third Year 962,002
Fourth Year 1,339,603 Fifth Year 1,717,203

Commercial:

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

Industrial:

First Year _____ Second Year _____ Third Year _____

Fourth Year _____ Fifth Year _____

Irrigation:

First Year 18,082 Second Year 54,247 Third Year 90,411

Fourth Year 126,576 Fifth Year 162,740

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

Residential:

First Year 618,484 Second Year 697,082 Third Year 786,918

Fourth Year 883,984 Fifth Year 977,727

Commercial:

First Year _____ Second Year _____ Third Year _____

Fourth Year _____ Fifth Year _____

Industrial:

First Year _____ Second Year _____ Third Year _____

Fourth Year _____ Fifth Year _____

Irrigation:

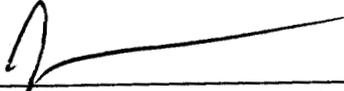
First Year _____ Second Year _____ Third Year _____

Fourth Year _____ Fifth Year _____

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

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

\$15,500,000



(Signature of Authorized Representative)

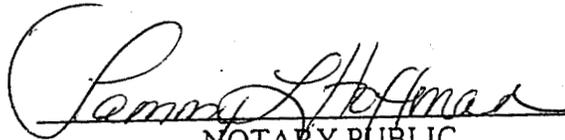
Jim Poulos

(Type or Print Name Here)

General Manager

(Title)

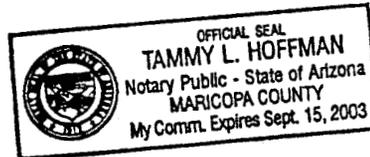
SUBSCRIBED AND SWORN to before me this 11th day of September 2002



NOTARY PUBLIC

My Commission Expires

9-15-2003



STATE OF ARIZONA



Office of the
CORPORATION COMMISSION

CERTIFICATE OF GOOD STANDING

se presents shall come, greeting:

McNeil, Executive Secretary of the Arizona Corporation Commission hereby certify that

****SANTA ROSA UTILITY COMPANY****

is a corporation organized under the laws of the state of Arizona, on July 29, 2002.

I hereby certify that according to the records of the Arizona Corporation Commission, as of the date set forth hereunder, the said corporation was administratively dissolved for failure to comply with the Arizona Business Corporation Act; that its most recent annual report, subject to the provisions of A.R.S. 10-122, 10-123, has been delivered to the Arizona Corporation Commission and that the said corporation has not filed Articles of Amendment since the date of this certificate.

This certificate relates only to the legal existence of the above corporation as of the date issued. This certificate is not to be construed as a endorsement, recommendation, or notice of approval of the corporation's 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, 2002, A. D.


EXECUTIVE SECRETARY

BY: 



STATE OF ARIZONA
ACC/FAX
DATE FILED

JUL 29 2002

DATE APPR Hargrave Wright ARTICLES OF INCORPORATION
TERM _____ OF
BY 07/29/02

1039653-1 SANTA ROSA UTILITY COMPANY

We, the undersigned incorporators, having associated ourselves together for the purpose of forming a corporation under the laws of the State of Arizona, adopt the following Articles of Incorporation:

I.

NAME

The name of the corporation is Santa Rosa Utility Company. JSK

II.

AUTHORIZED SHARES

The corporation shall have authority to issue One Million (1,000,000) shares of stock. Shares shall be paid for at such time, and in such manner, as the Board of Directors shall determine.

III.

INITIAL BUSINESS

The corporation initially intends to actually conduct in the State of Arizona the business of constructing, owning, operating and maintaining a sewer utility company and engaging any and all activities related thereto.

IV.

INITIAL BOARD OF DIRECTORS

The initial Board of Directors shall consist of two (2) members who shall serve as directors until their successors are elected and qualified, and whose names and addresses are:

Mark E. Robson
2185 The Alameda, Suite 150
San Jose, California 95126

Edward J. Robson
9532 East Riggs Road
Sun Lakes, Arizona 85248-7411

V.

STATUTORY AGENT

FC Service Corporation, whose address is 3003 North Central Avenue, Suite 2600, Phoenix, Arizona 85012-2913, is hereby appointed the initial Statutory Agent for the corporation for the State of Arizona.

VI.

KNOWN PLACE OF BUSINESS

The corporation's known place of business is 9532 East Riggs Road, Sun Lakes, Arizona 85248-7411.

VII.

INCORPORATORS

The names and addresses of the incorporators are:

James Poulos
9532 East Riggs Road
Sun Lakes, Arizona 85248-7411

Steven Soriano
9532 East Riggs Road
Sun Lakes, Arizona 85248-7411

All powers, duties and responsibilities of the incorporators shall cease at the time of delivery of these Articles of Incorporation to the Arizona Corporation Commission for filing.

VIII.

LIMITATION OF DIRECTOR LIABILITY

To the fullest extent permitted by the Arizona Revised Statutes as the same exist or may be hereafter amended, no director of the corporation shall be liable to the corporation or its shareholders for monetary damages for any action taken or any failure to take any action as a director. No repeal, amendment or modification of this article, whether direct or indirect, shall eliminate or reduce its effect with respect to any act or failure to act of a director of the corporation occurring prior to such repeal, amendment or modification.

IX.

INDEMNIFICATION

The corporation shall indemnify to the fullest extent permitted by law any person who incurs expenses or liabilities by reason of the fact he or she is or was an officer, director, employee or agent of the corporation or is or was serving at the request of the corporation as a director, officer, employee or agent of another foreign or domestic corporation, partnership, joint venture, trust, employee benefit plan or other entity. The foregoing indemnification shall be mandatory in all circumstances in which indemnification is permitted by law.

IN WITNESS WHEREOF, the undersigned incorporators have hereunto affixed their signatures this 24th day of July, 2002.

INCORPORATORS:



James Poulos



Steven Soriano

BYLAWS

OF

SANTA ROSA UTILITY COMPANY

ARTICLE I

Articles of Incorporation

Section 1.01. Reference to Articles. Any reference herein made to the corporation's articles shall be deemed to refer to its articles of incorporation and all amendments thereto as of any given time on file with the Arizona Corporation Commission (or any successor to its functions).

Section 1.02. Seniority. The articles shall in all respects be considered senior and superior to these bylaws, with any inconsistency to be resolved in favor of the articles, and with these bylaws to be deemed automatically amended from time to time to eliminate any such inconsistency which may then exist.

ARTICLE II

Corporation Offices

Section 2.01. Known Place of Business. The known place of business of the corporation in the State of Arizona shall be the office of its statutory agent unless otherwise designated in the articles or as provided in Section 2.02 hereof. The corporation may have such other offices, either within or outside of the State of Arizona, as the board of directors may designate or as the business of the corporation may require from time to time.

Section 2.02. Changes. The board of directors may change the corporation's known place of business or its statutory agent from time to time by filing a statement with the Arizona Corporation Commission pursuant to applicable law.

ARTICLE III

Shareholders

Section 3.01. Annual Meetings. An annual meeting of the shareholders shall be held during the month of January of each year, commencing with the year 1997, at a date, time and place as determined by the board of directors, or in the absence of action by the board, as set forth in the notice given, or waiver signed, with respect to such meeting pursuant to Section 3.03 below. At the annual meeting, shareholders shall elect a board of directors and transact such other business as may be properly brought before the meeting. If for any reason any annual meeting is not held during the period set forth above, a deferred annual meeting may thereafter be called and held in lieu thereof, at which the same proceedings (including the election of directors) may be conducted. The failure to hold an annual meeting during the period set forth

above shall not affect the validity of any corporate action. Any director elected at any annual meeting, deferred annual meeting or special meeting shall continue in office until the election of his successor, subject to his earlier resignation pursuant to Section 7.01 below or his removal by the shareholders pursuant to Section 4.10 below.

Section 3.02. Special Meetings. Special meetings of the shareholders may be held whenever and wherever called for by the chairman of the board, the president or the board of directors, the written demand of the holders of not less than ten percent (10%) of all issued and outstanding shares of each voting group of the corporation entitled to vote at any such meeting, or as otherwise required by state law. Any written demand by shareholders shall state the purpose or purposes of the proposed meeting, and business to be transacted at any such meeting shall be confined to the purposes stated in the notice thereof, and to such additional matters as the chairman of the meeting may rule to be germane to such purposes.

Section 3.03. Notices. Not less than ten (10) nor more than sixty (60) days before the date of any meeting of the shareholders and at the direction of the person or persons calling the meeting, the secretary of the corporation, or any other officer of the corporation or other person directed by the board of directors, shall cause a written notice setting forth the date, time and place, and, with respect to special meetings only, a description of the purpose or purposes for which the meeting is called, to be delivered to each shareholder of record at his last address as it appears on the corporation's records on the applicable record date; provided that notice may be communicated orally if it is reasonable to do so under the circumstances. Notice may be communicated in person, by telephone, telegraph, teletype, facsimile or other form of wire or wireless communication or by mail or private carrier, and shall be deemed given and effective as provided by law.

Section 3.04. Waiver of Notice. Any shareholder may waive call or notice of any annual, deferred annual or special meeting (and any adjournment thereof) at any time before, during which, or after it is held. Attendance of a shareholder at any such meeting in person or by proxy shall: (i) waive objection to lack of notice or defective notice of the meeting, unless the shareholder at the beginning of the meeting objects to holding the meeting or transacting business at the meeting; and (ii) waive objection to consideration of a particular matter at the meeting that is not within the purpose or purposes described in the meeting notice, unless the shareholder objects to considering the matter when it is presented. No call or notice of a meeting of the shareholders shall be necessary if each shareholder waives the same in writing or by attendance.

Section 3.05. Shareholders of Record. For the purpose of determining shareholders entitled to notice of or to vote at any meeting of shareholders (and at any adjournment of such meeting), or shareholders entitled to consent to corporate action without a meeting or shareholders entitled to receive payment of any dividend, or for any other lawful action, the board of directors may fix in advance a record date which shall not be more than seventy (70) days before the date of such meeting or any such other action.

If no record date is fixed by the board of directors for determining shareholders entitled to notice of, and to vote at, a meeting of shareholders, the record date shall be at 4:00 in the afternoon on the day before the day on which notice is given, or, if notice is waived, at the commencement of the meeting. If no record date is fixed for determining shareholders entitled to express written consent to corporate action without a meeting, the record date shall be the time of the day on which the first written consent is served upon an officer or director of the corporation.

A determination of shareholders of record entitled to notice of, and to vote at, a meeting of shareholders shall apply to any adjournment of the meeting; provided, however, that the board of directors may fix a new record date for the adjourned meeting; and provided further that the board of directors shall fix a new record date for any meeting adjourned to a date more than one hundred twenty (120) days after the date fixed for the original meeting.

Section 3.06. Shareholder List for Meeting. After fixing a record date for a meeting, the corporation shall prepare an alphabetical list of the names of all of its shareholders who are entitled to notice of the meeting. The list shall be arranged by voting group, and within each voting group by class or series of shares, and shall show the address of and number of shares held by each shareholder. The shareholders' list shall be available for inspection by any shareholder, beginning two (2) business days after notice of the meeting is given for which the list was prepared and continuing through the meeting, at the corporation's principal office, the office of the corporation's transfer agent if specified in the meeting notice or at another place identified in the meeting notice in the city where the meeting will be held. A shareholder, his agent or his attorney, on written demand, may inspect and, subject to Arizona law, copy the list during regular business hours and at his expense during the period it is available for inspection. The corporation shall make the shareholders' list available at the meeting, and any shareholder, his agent or his attorney may inspect the list at any time during the meeting or any adjournment thereof. The corporation's refusal or failure to prepare or make available the shareholders' list does not affect the validity of action taken at the meeting.

Section 3.07. Proxies. Any shareholder entitled to vote may vote by proxy at any meeting of the shareholders (and at any adjournment thereof) which is specified in such proxy, provided that the proxy is executed in writing by such shareholder or his duly authorized attorney-in-fact. An appointment of a proxy is effective when received by the secretary or other officer or agent authorized to tabulate votes. No proxy shall be valid after eleven (11) months from the date of its execution, unless otherwise specifically provided thereon. The burden of proving the validity of any undated, irrevocable or otherwise contested proxy at a meeting of the shareholders shall rest with the person seeking to exercise the proxy. A telegram, cablegram or facsimile appearing to have been transmitted by a shareholder or by his duly authorized attorney-in-fact may be accepted as a sufficiently written and executed proxy.

Section 3.08. Voting. Except for the election of directors (which shall be governed by cumulative voting pursuant to applicable law) and except as may otherwise be required by the corporation's articles, these bylaws or by statute, each issued and outstanding share of the corporation (specifically excluding shares held in the treasury of the corporation) represented at any meeting of the shareholders in person or by a proxy given pursuant to Section 3.07 above, shall be entitled to one vote on each matter submitted to a vote of the shareholders at such meeting. Except for the election of directors (which shall be governed by cumulative voting pursuant to applicable law) and except as may otherwise be required by the corporation's articles or by applicable law, any question submitted to the shareholders shall be resolved by a majority of the votes cast thereon, provided that such votes constitute a majority of the quorum of that particular meeting, whether or not such quorum is then present. Except as otherwise provided in the corporation's articles, directors shall be elected by a plurality of the votes cast at an election, provided that a quorum has been formed at the meeting, whether or not a quorum is then present. Voting shall be by ballot on any question as to which a ballot vote is demanded before the voting begins, by any person entitled to vote on such question; otherwise, a voice vote shall suffice. No ballot or change of vote shall be accepted after the polls have been declared closed following the ending of the announced time for voting.

Section 3.09. Voting of Shares by Certain Holders. Shares of the corporation held by another corporation may be voted by such corporation's officer, agent or proxy as its bylaws may prescribe, or in the absence of such bylaw provision, by any other person designated by resolution of its board of directors, and such officer, agent or other person so designated may vote such corporation's shares in this corporation in person or by proxy appointed by him.

Shares held by an administrator, executor, legal representative, guardian, conservator or other legal representative may be voted by such representative, either in person or by proxy, without a transfer of such shares into his name. Shares standing in the name of a trustee, other than a trustee in bankruptcy, may be voted by such representative, either in person or by proxy, but no such trustee shall be entitled to vote shares held by him without a transfer of such shares into his name.

Shares standing in the name of a receiver, trustee in bankruptcy or assignee for the benefit of creditors may be voted by such representative, either in person or by proxy. Shares held by or under the control of such a receiver or trustee may be voted by such receiver or trustee, either in person or by proxy, without the transfer thereof into his name if authority so to do is contained in an appropriate order of the court by which such receiver or trustee was appointed.

A shareholder whose shares are pledged shall be entitled to vote such shares until the shares have been transferred into the name of the pledgee, and thereafter the pledgee shall be entitled to vote the shares so transferred.

If shares stand in the names of two or more persons, whether fiduciaries, members of a partnership, joint tenants, tenants in common, tenants by the entirety or tenants by community property or otherwise, or if two or more persons have the same fiduciary relationship respecting the same shares, unless the corporation is given a written instrument or order appointing them or creating the relationship wherein it is so provided, their acts with respect to voting shall have the following effect: (i) if only one votes, his act binds; (ii) if more than one votes, the act of the majority so voting binds all; and (iii) if more than one votes, but the vote is evenly split on any particular matter, each faction may vote the shares in question proportionally.

Section 3.10. Quorum. At any meeting of the shareholders, the presence in person or by proxy of the holders of a majority of the shares of the corporation issued, outstanding and entitled to vote at the meeting shall constitute a quorum of the shareholders for all purposes. In the absence of a quorum, any meeting may be adjourned from time to time by its chairman, without notice other than by announcement at the meeting, until a quorum is formed. At any such adjourned meeting at which a quorum is present, any business may be transacted which might have been transacted at the meeting as originally noticed. Once a quorum has been formed at any meeting, the shareholders from time to time remaining in attendance may continue to transact business properly brought before the meeting until adjournment, notwithstanding the prior departure of enough shareholders to leave less than a quorum. If an adjournment is for more than thirty (30) days, or if after the adjournment a new record date is fixed for the adjourned meeting, a notice of the adjourned meeting shall be given to each shareholder of record entitled to vote at the meeting.

Section 3.11. Election Inspectors. The board of directors, in advance of any meeting of the shareholders, may appoint an election inspector or inspectors to act at such meeting (and at any adjournment thereof). If an election inspector or inspectors are not so appointed, the chairman of the meeting may, or upon request of any person entitled to vote at the meeting shall, make such appointment. If any person appointed as an inspector fails to appear or to act, a substitute may be appointed by the chairman of the meeting. If appointed, the election inspector or inspectors (acting through a majority of them if there are more than one) shall determine the number of shares outstanding, the authenticity, validity and effect of proxies and the number of shares represented at the meeting in person and by proxy; the election inspector(s) shall receive and count votes, ballots and consents and announce the results thereof; the election inspector(s) shall hear and determine all challenges and questions pertaining to proxies and voting; and, in general, the election inspector(s) shall perform such acts as may be proper to conduct elections and voting with complete fairness to all shareholders. No such election inspector need be a shareholder of the corporation.

Section 3.12. Organization and Conduct of Meetings. Each meeting of the shareholders shall be called to order and thereafter chaired by the chairman of the board of directors if there is one; or, if not, or if the chairman of the board is absent or so requests, then by the president; or if both the chairman of the board and the president are unavailable, then by such other officer of

the corporation or such shareholder as may be appointed by the board of directors. The corporation's secretary shall act as secretary of each meeting of the shareholders; in his absence the chairman of the meeting may appoint any person (whether a shareholder or not) to act as secretary for the meeting. After calling a meeting to order, the chairman thereof may require the registration of all shareholders intending to vote in person and the filing of all proxies with the election inspector(s), if one or more have been appointed (or, if not, with the secretary of the meeting). After the announced time for such filing of proxies has ended, no further proxies or changes, substitutions or revocations of proxies shall be accepted. If directors are to be elected, a tabulation of the proxies so filed shall, if any person entitled to vote in such election so requests, be announced at the meeting (or adjournment thereof) before the closing of the election polls. Absent a showing of bad faith on his part, the chairman of a meeting shall, among other things, have absolute authority to fix the period of time allowed for the registration of shareholders and the filing of proxies, to determine the order of business to be conducted at such meeting and to establish reasonable rules for expediting the business of the meeting (including any informal, or question and answer portions thereof).

Section 3.13. Shareholder Approval or Ratification. The board of directors may submit any contract or act for approval or ratification of the shareholders, either at a duly constituted meeting of the shareholders or by unanimous written consent to corporate action without a meeting pursuant to Section 3.15 below. If any contract or act so submitted is approved or ratified by a majority of the votes cast thereon at such meeting or by such unanimous written consent, the same shall be valid and as binding upon the corporation and all of its shareholders as it would be if it were the act of the shareholders.

Section 3.14. Informalities and Irregularities. All informalities or irregularities in any call or notice of a meeting of the shareholders or in the areas of credentials, proxies, quorums, voting and similar matters shall be deemed waived if no objection is made at the meeting.

Section 3.15. Action by Shareholders Without a Meeting. Any action required or permitted to be taken at a meeting of the shareholders of the corporation may be taken without a meeting if a consent in writing, setting forth the action so taken, is signed by all of the shareholders entitled to vote with respect to the subject matter thereof. Such consent may be executed in counterparts and shall have the same effect as a unanimous vote of the shareholders of the corporation at a duly convened meeting.

Section 3.16. Meetings by Alternative Communications. The board of directors may permit any or all of the shareholders to participate in any annual or special meeting of shareholders or conduct the meeting through use of any means of communication by which all of the shareholders participating may simultaneously hear each other during the meeting. If the board elects to permit participation by such means of communication, the notice of the meeting shall specify how a shareholder may participate in the meeting by such means of communication. The participation may be limited by the board of directors to specified locations or means of

communication. A shareholder participating in a meeting by this means is deemed to be present in person at the meeting.

ARTICLE IV
Board of Directors

Section 4.01. Membership. The board of directors shall be comprised of not less than one (1) nor more than nine (9) members who need not be shareholders of the corporation or residents of the State of Arizona. The directors shall be elected at each annual meeting of the shareholders. The board of directors shall have the power to increase or decrease its size within the aforesaid limits and to fill any vacancies that may occur in its membership in the interval between the annual meetings of the shareholders, whether resulting from an increase in the size of the board or otherwise. Each director elected by the shareholders or the board of directors shall hold office until his successor is duly elected and qualified; provided, however, that the shareholders entitled to vote for the election of directors at a shareholders' meeting may fill any vacancy in the board of directors, if not already filled, or substitute another person to fill the vacancy, in which case the term of office of the person elected by the board of directors shall forthwith terminate.

Section 4.02. General Powers. All corporate powers shall be exercised by or under the authority of and the business and affairs of the corporation shall be managed under the direction of the board of directors.

Section 4.03. Regular Meetings. A regular annual meeting of the board of directors shall be held as soon as practicable after the adjournment of each annual meeting of the shareholders, either at the place of the shareholders' meeting or at such other place as the directors elected at the shareholders' meeting may have been informed of at or before the time of their election. Additional regular meetings may be held at regular intervals on such dates and at such places and times as the board of directors may determine.

Section 4.04. Special Meetings. Special meetings of the board of directors may be held whenever and wherever called for by the chairman of the board, the president, or the number of directors that would be required to constitute a quorum.

Section 4.05. Notices. No notice need be given of regular meetings of the board of directors. Notice of the date, time and place of any special meeting shall be given to each director in person, by telephone, telegraph, teletype, facsimile or other form of wire or wireless communication or by mail or private carrier addressed to him at his latest address appearing on the corporation's records, and shall be given at least two days before the meeting. Notice must be in writing unless oral notice is reasonable under the circumstances. Any person who has given notice hereunder may make an affidavit that notice was given, which shall be conclusive that notice was so given.

Section 4.06. Waiver of Notice. Any director may waive call or notice of any meeting (and any adjournment thereof) at any time before, during which, or after it is held. A director's attendance or participation in a meeting waives any required notice to him of the meeting unless the director at the beginning of the meeting or promptly on his arrival objects to holding the meeting or transacting business at the meeting and does not thereafter vote for or assent to action taken at the meeting. No call or notice of a meeting of directors shall be necessary if each of them waives the same in writing or by attendance. Any meeting, once properly called and noticed (or as to which call and notice have been waived) and at which a quorum is formed, may be adjourned to another time and place by a majority of those in attendance.

Section 4.07. Quorum. A quorum for the transaction of business at any meeting or adjourned meeting of the board of directors shall consist of a majority of the directors then in office, except that when a vacancy or vacancies exist in the board, a majority of the directors then in office shall constitute a quorum. Once a quorum has been formed at any meeting, the directors from time to time remaining in attendance may continue to transact business properly brought before the meeting until adjournment, notwithstanding the prior departure from the meeting of enough directors to leave less than a quorum.

Section 4.08. Voting. Any matter submitted to a meeting of the board of directors shall be resolved by a majority of the votes cast thereon.

Section 4.09. Power to Act Notwithstanding Vacancy. Pending the filling of vacancies in the board of directors, a majority of a full board of directors may exercise the powers of the board of directors.

Section 4.10. Removal. Any director may be removed from the board of directors, with or without cause, subject only to limitations provided by law.

Section 4.11. Executive Committee. The board of directors, by resolution adopted by a majority of the full board, may name one or more of its members as an executive committee. An executive committee shall have and may exercise the powers of the board of directors in the management of the business and affairs of the corporation while the board is not in session, subject to such limitations as may be included in the board's resolution; provided, however, that an executive committee shall not have the authority of the board of directors in reference to the following matters: (i) the authorization of distributions; (ii) the approval or submission to shareholders of any action that requires shareholder approval under applicable law; (iii) the filling of vacancies on the board of directors or on any committee of the board of directors; (iv) the amendment of the articles of incorporation; (v) the adoption, amendment or repeal of the bylaws; (vi) approval of a plan of merger not requiring shareholder approval; (vii) authorization or approval of a reacquisition of shares, except according to a formula or method prescribed by the board of directors; (viii) authorization or approval of the issuance, sale or contract for sale of

shares or determination of the designation and relative rights, preferences and limitations of a class or series of shares, except that the board of directors may authorize the executive committee or an executive officer of the corporation to do so within limits specifically prescribed by the board of directors; and (ix) fixing the compensation of directors for serving on the board or on any committee of the board of directors. Any member of the executive committee may be removed, with or without cause, by the board of directors. If any vacancy occurs in the executive committee, it shall be filled by the board of directors. The board of directors, with or without cause, may dissolve any committee or remove any member thereof at any time.

Section 4.12. Other Committees. The board of directors, from time to time, by resolution adopted by a majority of the full board, may appoint other standing or temporary committees from its membership and vest such committees with such powers as the board may include in its resolution; provided, however, that such committees shall be restricted in their authority as specifically set forth with respect to the executive committee in Section 4.11 above.

Section 4.13. Tenure of Committee Members. Except in the case of resignation, disqualification, removal or the inability to serve for any reason, each member of any committee established under this Article IV shall hold office until the next regular annual meeting of the board of directors and until his successor is elected and qualified.

Section 4.14. Meetings of Committees. Regular meetings of committees established under this Article IV may be held without notice on such days and at such times and places as the committees may fix from time to time by resolution. Special meetings of a committee may be called by any member thereof upon notice to other members of the committee in the manner provided in Section 4.04 for special meetings of the board of directors.

Section 4.15. Quorum of Committee Members. A majority of the members of a committee shall constitute a quorum for the transaction of business at any meeting thereof, and action of any committee must be authorized by the affirmative vote of a majority of the members present at a meeting at which a quorum is present.

Section 4.16. Presumption of Assent. A director of the corporation who is present at a meeting of the board of directors or of any committee at which action is taken on any matter shall be deemed to have assented to the action taken unless: (i) the director objects at the beginning of the meeting or promptly upon the director's arrival to holding it or transacting business at the meeting; (ii) the director's dissent or abstention from the action taken is entered in the minutes of the meeting; or (iii) the director delivers written notice of his dissent or abstention to the presiding officer of the meeting before its adjournment or to the corporation before 5:00 p.m. on the next business day after the meeting. The right of dissent or abstention shall not be available to a director who voted in favor of the action.

Section 4.17. Compensation. By resolution of the board of directors, each director may be paid his expenses, if any, of attendance at each meeting of the board of directors or of any committee, and may be paid a fixed sum for attendance at each such meeting and/or a stated salary as a director or committee member. No such payment shall preclude any director from serving the corporation in any other capacity and receiving compensation therefrom.

Section 4.18. Action by Directors Without a Meeting. Any action required or permitted to be taken at a meeting of the board of directors or of any committee thereof may be taken without a meeting if the action is taken by the all of the directors or committee members. The action shall be evidenced by one or more written consents describing the action taken and signed by all directors or committee members. Such consent may be executed in counterparts and shall have the same effect as a unanimous vote of the directors or committee members of the corporation at a duly convened meeting.

Section 4.19. Meetings by Alternative Communications. The board of directors may permit any or all of the directors to participate in any regular or special meeting by or conduct the meeting through use of any means of communication by which all of the directors participating may simultaneously hear each other during the meeting. A director participating in a meeting by this means is deemed to be present in person at the meeting.

ARTICLE V Officers - General

Section 5.01. Elections and Appointments. The board of directors shall elect or appoint a president, a secretary and a treasurer, and may choose a chairman of the board, one or more vice presidents or such other officers as the board of directors shall determine. The regular election or appointment of officers shall take place at each annual meeting of the board of directors, but elections of officers may be held at any other meeting of the board. A person elected or appointed to any office shall continue to hold that office until the election or appointment of his successor, subject to action earlier taken pursuant to Section 5.04 or 7.01 below. The same individual may simultaneously hold more than one office in the corporation.

Section 5.02. Additional Appointments. In addition to the officers contemplated in Section 5.01 above, the board of directors may elect or appoint other corporate or divisional officers or agents with such authority to perform such duties as may be prescribed from time to time by the board of directors, by the president or, in the case of assistant officers (as, for example, one or more assistant secretaries), by the superior officer of any person so elected or appointed. Each of such persons (in the order designated by the board) shall be vested with all of the powers and charged with all of the duties of his superior officer in the event of such superior officer's absence or disability.

Section 5.03. Bonds and Other Requirements. The board of directors may require any officer to give bond to the corporation (with sufficient surety, and conditioned for the faithful performance of the duties of his office), to make reports to the board and to comply with such other conditions as may from time to time be required of him by the board.

Section 5.04. Removal; Delegation of Duties. The board of directors may remove an officer of the corporation at any time with or without cause or temporarily delegate his powers and duties to any other officer or to any director. Such removal or delegation shall be without prejudice to the contract rights, if any, of the person so removed or whose powers and duties have been delegated. Election or appointment of an officer or agent, even if for a specified term, shall not of itself create contract rights.

Section 5.05. Compensation. The compensation of officers may be fixed from time to time by the board of directors or (except as to the president's own) left to the discretion of the president. No officer shall be prevented from receiving compensation by reason of the fact that he also is a director of the corporation.

ARTICLE VI Specific Officers

Section 6.01. Chairman of the Board. The board of directors may elect a chairman to serve as a general executive officer of the corporation, and, if specifically designated as such by the board, as the chief executive officer of the corporation. If elected, the chairman shall preside at all meetings of the board of directors and be vested with such other powers and duties as the board may from time to time delegate to him.

Section 6.02. President and Vice President. Unless otherwise specified by resolution of the board of directors, the president shall be the chief executive officer of the corporation. The president shall supervise the business and affairs of the corporation and the performance by all of its other officers of their respective duties, subject to the control of the board of directors (and of its chairman, if the chairman has been specifically designated as chief executive officer of the corporation). One or more vice presidents may be elected by the board of directors to perform such duties as may be designated by the board or be assigned or delegated to them by the chief executive officer. Any one of the vice presidents as authorized by the board shall be vested with all of the powers and charged with all of the duties of the president in the event of his absence or inability to act. Except as may otherwise be specifically provided in a resolution of the board of directors, the president or any vice president shall be a proper officer to sign, on behalf of the corporation, any deed, bill of sale, assignment, option, mortgage, pledge, note, bond, evidence of indebtedness, application, consent (to service of process or otherwise), agreement, indenture or other instrument of any significant importance to the corporation. The president or any vice president may represent the corporation at any meeting of the shareholders of any other corporation in which this corporation then holds shares, and may vote this corporation's shares

in such other corporation in person or by proxy appointed by him, provided that the board of directors may from time to time confer the foregoing authority upon any other person or persons.

Section 6.03. Secretary. The secretary shall keep the minutes of meetings of the shareholders, board of directors and any committee, and all unanimous written consents of the shareholders, board of directors and any committee of the corporation, and shall see that all notices are duly given in accordance with the provisions of these bylaws or as required by law, and in case of his absence or refusal or neglect to do so, notices may be served by any person so directed by the president. The secretary shall be custodian of the corporate seal and corporate records, shall have the authority to authenticate the corporate records and, in general, shall perform all duties incident to the office. Except as may otherwise be specifically provided in a resolution of the board of directors, the secretary and each assistant secretary shall be a proper officer to take charge of the corporation's stock transfer books and to compile the shareholder list pursuant to Section 3.06 above, and to impress the corporation's seal on any instrument signed by the president, any vice president or any other duly authorized person, and to attest to the same.

Section 6.04. Treasurer. The treasurer shall keep full and accurate accounts of receipts and disbursements in books belonging to the corporation, and shall cause all money and other valuable effects to be deposited in the name and to the credit of the corporation in such depositories, subject to withdrawal in such manner as may be designated by the board of directors. He shall render to the president, the directors and the shareholders at proper times an account of all his transactions as treasurer and of the financial condition of the corporation. The treasurer shall be responsible for preparing and filing such financial reports, financial statements and returns as may be required by law.

ARTICLE VII

Resignations and Vacancies

Section 7.01. Resignations. Any director, committee member or officer may resign from his office at any time by written notice delivered to the corporation. A resignation shall be effective when the notice is delivered unless the notice specifies a later effective date or event. The acceptance of a resignation shall not be required to make it effective.

Section 7.02. Vacancies. If the office of any director, committee member or officer becomes vacant by reason of his death, resignation, disqualification, removal or otherwise, the shareholders or the board of directors may choose a successor to hold office for the unexpired term as provided in Section 4.01 and Section 5.01, as the case may be.

ARTICLE VIII

Seal

The board of directors may provide for a seal of the corporation, which shall have inscribed thereon the name of the corporation and the state and year of its incorporation.

ARTICLE IX

Certificates Representing Shares

Section 9.01. Form. Shares of the corporation may but need not be represented by certificates. If certificates are issued, each certificate representing shares of the corporation shall be in such form as may from time to time be prescribed by the board of directors, shall be consecutively numbered, and shall exhibit such information as may be required by applicable law. If certificates are not issued, then every holder of uncertificated shares shall be entitled to receive a certificate that complies with applicable law on request to the corporation.

Section 9.02. Signatures and Seal. All certificates issued for shares of the corporation (whether new, re-issued, or transferred) shall bear the manual or facsimile signatures of one or more officers designated by the board of directors or, in the absence of board designation by the president, a vice president, or the secretary, and also may bear an impression or facsimile of the corporation's corporate seal, if any. If the person who signed either manually or in facsimile a share certificate no longer holds office when the certificate is issued, the certificate is nevertheless valid.

Section 9.03. Ownership. The corporation shall be entitled to treat the registered owner of any share as the absolute owner thereof and, accordingly, shall not be bound to recognize any beneficial, equitable or other claim to, or interest in, such share on the part of any other person, whether or not it has notice thereof, except as may be expressly provided by applicable law.

Section 9.04. Transfers. Transfers of shares of the corporation may be made on the stock transfer books of the corporation only at the direction of the person named in the certificate (or by his duly authorized attorney-in-fact) and upon the surrender of such certificate properly endorsed or accompanied by a written assignment or power of attorney properly executed, and with such proof of authority or authenticity of signature as the corporation (or its transfer agent) may require. The transfer of the shares of the corporation shall be subject to such restrictions on transfer, if any, as may be imposed by the articles of incorporation or bylaws of the corporation, or by any amendment thereof, by applicable law or by an agreement among the shareholders or between shareholders and the corporation. No transfer shall affect the right of the corporation to pay any dividend due upon the shares or to treat the holder of record as the holder-in-fact until the transfer has been recorded in the books of the corporation.

Section 9.05. Lost Certificates. In the event of the loss, theft or destruction of any certificates representing shares of the corporation or of any predecessor corporation, the corporation may issue (or, in the case of any such shares as to which a transfer agent and/or registrar have been appointed, may direct such transfer agent and/or registrar to countersign, register and issue) a new certificate, and cause the same to be delivered to the owner of the shares represented thereby, provided that the owner shall have submitted such evidence showing, or an affidavit reciting, the circumstances of the alleged loss, theft or destruction, and his ownership of the certificate, as the corporation considers satisfactory, together with any other facts that the corporation considers pertinent, and further provided that a bond of indemnity, with or without surety, shall have been provided in form and amount satisfactory to the corporation (and to its transfer agent and/or registrar, if applicable), unless the board of directors waives the requirement of a bond.

ARTICLE X

Dividends

Subject to such restrictions or requirements as may be imposed by applicable law or the corporation's articles or as may otherwise be binding upon the corporation, the board of directors may from time to time declare and the corporation may pay dividends on shares of the corporation outstanding on the dates of record fixed by the board, to be paid in cash, in property, or in shares of the corporation on or as of such payment or distribution dates as the board may prescribe.

ARTICLE XI

Amendments

These bylaws may be altered, amended, supplemented, repealed or temporarily or permanently suspended, in whole or in part, or new bylaws may be adopted, at any duly constituted meeting of the board of directors or the shareholders or, alternatively, by unanimous written consent to corporate action without a meeting of the board of directors or the shareholders, as the case may be, pursuant to these bylaws and applicable law. The shareholders in amending or repealing a particular bylaw may provide expressly that the board of directors may not amend or repeal that bylaw.

ARTICLE IX

Indemnification and Insurance

Section 12.01. Indemnification. To the fullest extent permitted by Arizona law as amended from time to time, the corporation shall indemnify and advance expenses to each person to whom indemnification and advancement of expenses may be offered under such law.

Section 12.02. Insurance. The corporation shall have the power to purchase and maintain insurance on behalf of any person who is or was a director, officer, employee or agent of the

corporation, or is or was serving at the request of the corporation as a director, officer, partner, trustee, employee or agent of another foreign or domestic corporation, partnership, joint venture, trust, employee benefit plan or other enterprise against any liability asserted against or incurred by such person in such capacity or arising out of such person's status as such, whether or not the corporation would have the power to indemnify such person against such liability under the provisions of Arizona law.

ARTICLE IX
General Provisions

Section 13.01. Construction. As used in these bylaws, the masculine includes the feminine and the neuter as the context requires.

Section 13.02. Books and Records. The books and records of the corporation shall be kept at such places within or outside of Arizona as the board of directors may from time to time determine.

LEGAL DESCRIPTION

RANCHO SIERRA
PROVIDED FOR THE USE OF THE ARIZONA CORPORATION COMMISSION
AND SANTA ROSA UTILITY COMPANY

September 6, 2002

A parcel of land located in Sections 25, 26, 27, 34, 35, and 36, T5S, R3E, and Sections 2, 3, and 10, T6S, R3E, all based on the G&SRM, Pinal County, Arizona, more particularly described as follows:

PARCEL 1

DELETED INTENTIONALLY

PARCEL 2 (Portion of Section 26)

BEGINNING at the southeast corner of said Section 26;

THENCE along the South line of said Section 26, North 86 degrees 05 minutes 09 seconds West, 1,303.20 feet to the southwest corner of the East half of the southeast quarter of said Section;

THENCE along the West line of said East half North 01 degrees 04 minutes 07 seconds East, 2,899.62 feet to the northwest corner of said East half;

THENCE along the North line of said East half, North 89 degrees 55 minutes 50 seconds East, 1,325.50 feet to the northeast corner of said East half;

THENCE along the East line of said East half, South 01 degrees 31 minutes 18 seconds West, 2,990.73 feet to the POINT OF BEGINNING.

The above-described parcel contains 88.81 acres, more or less.

PARCEL 3 (Portion of Section 26)

BEGINNING at the southeast corner of the West half of the southwest quarter of said Section 26;

THENCE along the South line of said West half, North 86 degrees 05 minutes 09 seconds West, 1,303.20 feet to the southwest corner of said West half;

LEGAL DESCRIPTION

RANCHO SIERRA
PROVIDED FOR THE USE OF THE ARIZONA CORPORATION COMMISSION
AND SANTA ROSA UTILITY COMPANY (Cont.)

September 6, 2002

THENCE along the West line of said West half, North 00 degrees 16 minutes 36 seconds East, 2,627.46 feet to the northwest corner of said West half;

THENCE along the North line of said West half, North 89 degrees 55 minutes 50 seconds East, 1,308.36 feet to the northeast corner of said West half;

THENCE along the East line of said West half, South 00 degrees 26 minutes 21 seconds West, 2,718.06 feet to the POINT OF BEGINNING;

The above-described parcel contains 80.04 acres, more or less.

PARCEL 4 (Portion of Section 27)

BEGINNING at the southeast corner of the southeast quarter of said Section 27;

THENCE along the South line of said southeast quarter, South 89 degrees 52 minutes 34 seconds West, 2,648.43 feet to the southwest corner of said southeast quarter;

THENCE along the West line of said southeast quarter, North 00 degrees 18 minutes 03 seconds East, 2,629.40 feet to the northwest corner of said southeast quarter;

THENCE along the North line of said southeast quarter, North 89 degrees 55 minutes 04 seconds East, 2,647.31 feet to the northeast corner of said southeast quarter;

THENCE along the East line of said southeast quarter, South 00 degrees 16 minutes 36 seconds West, 2,627.46 feet to the POINT OF BEGINNING;

The above-described parcel contains 159.77 acres, more or less.

PARCEL 5 (Portion of Section 27)

BEGINNING at the southeast corner of the southwest quarter of said Section 27;

LEGAL DESCRIPTION

RANCHO SIERRA
PROVIDED FOR THE USE OF THE ARIZONA CORPORATION COMMISSION
AND SANTA ROSA UTILITY COMPANY (Cont.)

September 6, 2002

THENCE along the South line of said southwest quarter, South 89 degrees 52 minutes 34 seconds West, 2,520.58 feet to the beginning of a non-tangent curve concave westerly, having a radius 23,013.31 feet, a radial to said point bears South 88 degrees 53 minutes 21 seconds East;

THENCE leaving the South line of said southwest quarter, along said curve through a central angle of 00 degrees 47 minutes 03 seconds, an arc distance of 314.94 feet;

THENCE North 00 degrees 19 minutes 36 seconds East, 2,316.32 feet to the North line of said southwest quarter;

THENCE along the North line of said southwest quarter, North 89 degrees 55 minutes 04 seconds East, 2,517.42 feet to the northeast corner of said southwest quarter;

THENCE along the East line of said southwest quarter, South 00 degrees 18 minutes 03 seconds West, 2,629.40 feet to the POINT OF BEGINNING;

The above-described parcel contains 152.05 acres, more or less.

PARCEL 6 (Portion of Section 34)

BEGINNING at the northeast corner of the northeast quarter of said Section 34;

THENCE along the East line of said northeast quarter, South 02 degrees 00 minutes 29 seconds West, 3,074.86 feet to the southeast corner of said northeast quarter;

THENCE along the South line of said northeast quarter, South 89 degrees 52 minutes 51 seconds West, 2,645.83 feet to the southwest corner of said northeast quarter;

THENCE along the West line of said northeast quarter, North 01 degrees 57 minutes 35 seconds East, 3,074.55 feet to the northwest corner of said northeast quarter;

THENCE along the North line of said northeast quarter, North 89 degrees 52 minutes 34 seconds East, 2,648.43 feet to the POINT OF BEGINNING;

The above-described parcel contains 186.72 acres, more or less.

LEGAL DESCRIPTION

RANCHO SIERRA
PROVIDED FOR THE USE OF THE ARIZONA CORPORATION COMMISSION
AND SANTA ROSA UTILITY COMPANY (Cont.)

September 6, 2002

PARCEL 7 (Portion of Section 34)

BEGINNING at the northeast corner of the southeast quarter of said Section 34;

THENCE along the East line of said southeast quarter, South 02 degrees 00 minutes 29 seconds West, 3,074.86 feet to the southeast corner of said southeast quarter;

THENCE along the South line of said southeast quarter, South 89 degrees 53 minutes 08 seconds West, 2,643.23 feet to the southwest corner of said southeast quarter;

THENCE along the West line of said southeast quarter, North 01 degrees 57 minutes 35 seconds East, 3,074.54 feet to the northwest corner of said southeast quarter;

THENCE along the North line of said southeast quarter, North 89 degrees 52 minutes 51 seconds East, 2,645.83 feet to the POINT OF BEGINNING;

The above-described parcel contains 186.54 acres, more or less.

PARCEL 8

DELETED INTENTIONALLY

PARCEL 9 (Portion of Section 34)

BEGINNING at the northeast corner of the northwest quarter of said Section 34;

THENCE along the East line of said northwest quarter, South 01 degrees 57 minutes 35 seconds West, 3,074.55 feet to the southeast corner of said northwest quarter;

THENCE along the South line of said northwest quarter, South 89 degrees 52 minutes 51 seconds West, 2,515.17 feet;

THENCE leaving said South line of said northwest quarter, North 01 degrees 53 minutes 09 seconds East, 2,752.56 feet to the beginning of a tangent curve, concave westerly having a radius 23,013.31 feet;

THENCE northerly along said curve through a central angle of 00 degrees 48 minutes 02 seconds, an arc distance of 321.57 feet to the North line of said northwest quarter;

LEGAL DESCRIPTION

RANCHO SIERRA
PROVIDED FOR THE USE OF THE ARIZONA CORPORATION COMMISSION
AND SANTA ROSA UTILITY COMPANY (Cont.)

September 6, 2002

THENCE along the North line of said northwest quarter, North 89 degrees 52 minutes 34 seconds East, 2,520.58 feet to the POINT OF BEGINNING;

The above-described parcel contains 177.55 acres, more or less.

PARCEL 10 (Portion of Section 34)

BEGINNING at the northeast corner of the southwest quarter of said Section 34;

THENCE along the East line of said southwest quarter, South 01 degrees 57 minutes 35 seconds West, 3,074.54 feet to the southeast corner of said southwest quarter;

THENCE along the South line of said southwest quarter, South 89 degrees 53 minutes 08 seconds West, 2,643.23 feet to the southwest corner of said southwest quarter;

THENCE along the West line of said southwest quarter, North 01 degrees 54 minutes 41 seconds East, 735.42 feet;

THENCE leaving said North line, North 09 degrees 02 minutes 59 seconds East, 318.70 feet to the beginning of a tangent curve, concave westerly having a radius 11,554.16 feet;

THENCE northerly along said curve through a central angle of 07 degrees 09 minutes 37 seconds, an arc distance of 1,443.92 feet;

THENCE North 01 degrees 53 minutes 09 seconds East, 587.11 feet to the North line of said southwest quarter;

THENCE along the North line of said southwest quarter, North 89 degrees 52 minutes 51 seconds East, 2,515.17 feet to the POINT OF BEGINNING;

The above-described parcel contains 181.37 acres, more or less.

PARCEL 11 (Portion of Section 35)

BEGINNING at the northeast corner of the northwest quarter of said Section 35;

LEGAL DESCRIPTION

RANCHO SIERRA
PROVIDED FOR THE USE OF THE ARIZONA CORPORATION COMMISSION
AND SANTA ROSA UTILITY COMPANY (Cont.)

September 6, 2002

THENCE along the East line of said northwest quarter, South 01 degrees 34 minutes 57 seconds West, 2,982.65 feet to the southeast corner of said northwest quarter;

THENCE along the South line of said northwest quarter, North 88 degrees 06 minutes 50 seconds West, 2,627.09 feet to the southwest corner of said northwest quarter;

THENCE along the West line of said northwest quarter, North 02 degrees 00 minutes 29 seconds East, 3,074.86 feet to the northwest corner of said northwest quarter;

THENCE along the North line of said northwest quarter, South 86 degrees 05 minutes 09 seconds East, 2,606.38 feet to the POINT OF BEGINNING;

The above-described parcel contains 181.88 acres, more or less.

PARCEL 12 (Portion of Section 35)

BEGINNING at the northeast corner of the southwest quarter of said Section 35;

THENCE along the East line of said southwest quarter, South 01 degrees 34 minutes 57 seconds West, 2,981.96 feet to the southeast corner of said southwest quarter;

THENCE along the South line of said southwest quarter, South 89 degrees 52 minutes 37 seconds West, 2,651.07 feet to the southwest corner of said southwest quarter;

THENCE along the West line of said southwest quarter, North 02 degrees 00 minutes 29 seconds East, 3,074.86 feet to the northwest corner of said southwest quarter;

THENCE along the North line of said southwest quarter, South 88 degrees 06 minutes 50 seconds East, 2,627.09 feet to the POINT OF BEGINNING;

The above-described parcel contains 183.42 acres, more or less.

PARCEL 13 (Portion of Section 35)

BEGINNING at the northeast corner of the northeast quarter of said Section 35;

THENCE along the East line of said northeast quarter, South 01 degrees 12 minutes 26 seconds West, 2,890.57 feet to the southeast corner of said northeast quarter;

LEGAL DESCRIPTION

RANCHO SIERRA
PROVIDED FOR THE USE OF THE ARIZONA CORPORATION COMMISSION
AND SANTA ROSA UTILITY COMPANY (Cont.)

September 6, 2002

THENCE along the South line of said northeast quarter, North 88 degrees 06 minutes 50 seconds West, 2,623.22 feet to the southwest corner of said northeast quarter;

THENCE along the West line of said northeast quarter, North 01 degrees 34 minutes 57 seconds East, 2,982.65 feet to the northwest corner of said northeast quarter;

THENCE along the North line of said northeast quarter, South 86 degrees 05 minutes 09 seconds East, 2,606.40 feet to the POINT OF BEGINNING;

The above-described parcel contains 176.19 acres, more or less.

PARCEL 14

DELETED INTENTIONALLY

PARCEL 15 (Portion of Section 35)

BEGINNING at the northeast corner of the southeast quarter of said Section 35;

THENCE along the East line of said southeast quarter, South 01 degrees 12 minutes 26 seconds West, 2,890.56 feet to the southeast corner of said southeast quarter;

THENCE along the South line of said southeast quarter, South 89 degrees 54 minutes 04 seconds West, 2,643.25 feet to the southwest corner of said southeast quarter;

THENCE along the West line of said southeast quarter, North 01 degrees 34 minutes 57 seconds East, 2,981.96 feet to the northwest corner of said southeast quarter;

THENCE along the North line of said southeast quarter, South 88 degrees 06 minutes 50 seconds East, 2,623.22 feet to the POINT OF BEGINNING;

The above-described parcel contains 177.47 acres, more or less.

PARCEL 16 (Portion of Section 36)

BEGINNING at the northwest corner of the northeast quarter of said Section 36;

LEGAL DESCRIPTION

RANCHO SIERRA
PROVIDED FOR THE USE OF THE ARIZONA CORPORATION COMMISSION
AND SANTA ROSA UTILITY COMPANY (Cont.)

September 6, 2002

THENCE along the North line of said northeast quarter, South 86 degrees 00 minutes 46 seconds East, 2,309.97 feet;

THENCE leaving said North line, South 00 degrees 16 minutes 33 seconds West, 563.06 feet;

THENCE North 86 degrees 00 minutes 46 seconds West, 2,314.73 feet to the West line of said northeast quarter;

THENCE along the West line of said northeast quarter, North 00 degrees 45 minutes 34 seconds East, 562.77 feet to the POINT OF BEGINNING.

The above-described parcel contains 29.83 acres, more or less.

PARCEL 17 (Portion of Section 36)

BEGINNING at the northeast corner of the northwest quarter of said Section 35;

THENCE along the East line of said northwest quarter, South 00 degrees 45 minutes 34 seconds West, 2,796.59 feet to the southeast corner of said northwest quarter;

THENCE along the South line of said northwest quarter, North 88 degrees 05 minutes 17 seconds West, 2,623.66 feet to the southwest corner of said northwest quarter;

THENCE along the West line of said northwest quarter, North 01 degrees 12 minutes 26 seconds East, 2,890.57 feet to the northwest corner of said northwest quarter;

THENCE along the North line of said northwest quarter, South 86 degrees 00 minutes 46 seconds East, 2,604.67 feet to the POINT OF BEGINNING;

The above-described parcel contains 170.52 acres, more or less.

PARCEL 18 (Portion of Section 36)

BEGINNING at the northeast corner of the southwest quarter of said Section 36;

THENCE along the East line of said southwest quarter, South 00 degrees 45 minutes 34 seconds West, 1,319.22 feet;

LEGAL DESCRIPTION

RANCHO SIERRA
PROVIDED FOR THE USE OF THE ARIZONA CORPORATION COMMISSION
AND SANTA ROSA UTILITY COMPANY (Cont.)

September 6, 2002

THENCE leaving said East line, South 89 degrees 52 minutes 33 seconds West, 956.26 feet;

THENCE South 00 degrees 07 minutes 43 seconds East, 1,477.66 feet to the South line of said southwest quarter;

THENCE along the South line of said southwest quarter, South 89 degrees 52 minutes 51 seconds West, 1,712.68 feet to the southwest corner of said southwest quarter;

THENCE along the West line of said southwest quarter, North 01 degrees 12 minutes 26 seconds East, 2,890.56 feet to the northwest corner of said southwest quarter;

THENCE along the North line of said southwest quarter, South 88 degrees 05 minutes 17 seconds East, 2,623.66 feet to the POINT OF BEGINNING;

The above-described parcel contains 139.93 acres, more or less.

PARCEL 19

DELETED INTENTIONALLY

PARCEL 20 (Portion of Section 2)

BEGINNING at the northeast corner of the northwest quarter of said Section 2;

THENCE along the East line of said northwest quarter, South 00 degrees 00 minutes 58 seconds West, 3,514.32 feet to the southeast corner of said northwest quarter;

THENCE along the South line of said northwest quarter, North 89 degrees 56 minutes 19 seconds West, 2,648.48 feet to the southwest corner of said northwest quarter;

THENCE along the West line of said northwest quarter, North 00 degrees 02 minutes 43 seconds West, 3,505.93 feet to the northwest corner of said northwest quarter;

THENCE along the North line of said northwest quarter, North 89 degrees 52 minutes 51 seconds East, 2,652.24 feet to the POINT OF BEGINNING;

The above-described parcel contains 213.57 acres, more or less.

LEGAL DESCRIPTION

RANCHO SIERRA
PROVIDED FOR THE USE OF THE ARIZONA CORPORATION COMMISSION
AND SANTA ROSA UTILITY COMPANY (Cont.)

September 6, 2002

PARCEL 21 (Portion of Section 2)

BEGINNING at the northwest corner of the southwest quarter of said Section 2;

THENCE along the North line of said southwest quarter, South 89 degrees 56 minutes 19 seconds East, 2,648.48 feet to the northeast corner of said southwest quarter;

THENCE along the North line of the southeast quarter of said Section 2, South 89 degrees 56 minutes 19 seconds East, 791.42 feet;

THENCE leaving said North line, South 00 degrees 20 minutes 56 seconds East, 2,444.53 feet;

THENCE South 89 degrees 43 minutes 58 seconds East, 1,838.91 feet to the East line of said southeast quarter;

THENCE along the East line of said southeast quarter, South 00 degrees 04 minutes 37 seconds West, 190.00 feet to the southeast corner of said southeast quarter;

THENCE along the South line of said southeast and southwest quarters, North 89 degrees 56 minutes 55 seconds West, 5,291.33 feet to the southwest corner of said southwest quarter;

THENCE along the West line of said southwest quarter, North 00 degrees 02 minutes 44 seconds West, 2,642.00 feet to the POINT OF BEGINNING;

The above-described parcel contains 217.20 acres, more or less.

PARCEL 22 (Portion of Section 2)

BEGINNING at the southwest corner of the northeast quarter of said Section 2;

THENCE along the West line of said northeast quarter, North 00 degrees 00 minutes 58 seconds East, 2,200.60 feet;

THENCE leaving said West line, North 89 degrees 52 minutes 51 seconds East, 1,566.25 feet;

THENCE South 00 degrees 04 minutes 37 seconds West, 2205.54 feet to the South line of said northeast quarter;

LEGAL DESCRIPTION

RANCHO SIERRA
PROVIDED FOR THE USE OF THE ARIZONA CORPORATION COMMISSION
AND SANTA ROSA UTILITY COMPANY (Cont.)

September 6, 2002

THENCE along the South line of said northeast quarter, North 89 degrees 56 minutes 19 seconds West, 1,563.91 feet to the POINT OF BEGINNING;

The above-described parcel contains 79.15 acres, more or less.

PARCEL 23 (Portion of Section 3)

BEGINNING at the northeast corner of the northeast quarter of said Section 3;

THENCE along the East line of said northeast quarter, South 00 degrees 02 minutes 43 seconds East, 3,505.93 feet to the southeast corner of said northeast quarter;

THENCE along the South line of said northeast quarter, North 89 degrees 51 minutes 59 seconds West, 2,639.85 feet to the southwest corner of said northeast quarter;

THENCE along the West line of said northeast quarter, North 00 degrees 03 minutes 58 seconds West, 3,495.36 feet to the northwest corner of said northeast quarter;

THENCE along the North line of said northeast quarter, North 89 degrees 54 minutes 15 seconds East, 2,641.10 feet to the POINT OF BEGINNING;

The above-described parcel contains 212.20 acres, more or less.

PARCEL 24 (Portion of Section 3)

BEGINNING at the northeast corner of the northwest quarter of said Section 3;

THENCE along the East line of said northwest quarter, South 00 degrees 03 minutes 58 seconds East, 3,495.36 feet to the southeast corner of said northwest quarter;

THENCE along the South line of said northwest quarter, North 89 degrees 51 minutes 59 seconds West, 2,639.32 feet to the southwest corner of said northwest quarter;

THENCE along the West line of said northwest quarter, North 00 degrees 05 minutes 45 seconds West, 3,483.45 feet to the northwest corner of said northwest quarter;

THENCE along the North line of said northwest quarter, North 89 degrees 52 minutes 25 seconds East, 2,641.12 feet to the POINT OF BEGINNING;

LEGAL DESCRIPTION

RANCHO SIERRA
PROVIDED FOR THE USE OF THE ARIZONA CORPORATION COMMISSION
AND SANTA ROSA UTILITY COMPANY (Cont.)

September 6, 2002

The above-described parcel contains 211.50 acres, more or less.

PARCEL 25 (Portion of Section 3)

BEGINNING at the northeast corner of the southwest quarter of said Section 3;

THENCE along the East line of said southwest quarter, South 00 degrees 03 minutes 58 seconds East, 2,643.65 feet to the southeast corner of said southwest quarter;

THENCE along the South line of said southwest quarter, North 89 degrees 54 minutes 08 seconds West, 2,637.91 feet to the southwest corner of said southwest quarter;

THENCE along the West line of said southwest quarter, North 00 degrees 05 minutes 47 seconds West, 2,645.30 feet to the northwest corner of said southwest quarter;

THENCE along the North line of said southwest quarter, South 89 degrees 51 minutes 59 seconds East, 2,639.32 feet to the POINT OF BEGINNING;

The above-described parcel contains 160.19 acres, more or less.

PARCEL 26

DELETED INTENTIONALLY

PARCEL 27 (Portion of Section 3)

BEGINNING at the southeast corner of the southeast quarter of said Section 3;

THENCE along the South line of said southeast quarter, North 89 degrees 54 minutes 08 seconds West, 2,638.89 feet to the southwest corner of said southeast quarter;

THENCE along the West line of said southeast quarter, North 00 degrees 03 minutes 58 seconds West, 2,643.65 feet to the northwest corner of said southeast quarter;

LEGAL DESCRIPTION

RANCHO SIERRA
PROVIDED FOR THE USE OF THE ARIZONA CORPORATION COMMISSION
AND SANTA ROSA UTILITY COMPANY (Cont.)

September 6, 2002

THENCE along the North line of said southeast quarter, South 89 degrees 51 minutes 59 seconds East, 2,639.85 feet to the northeast corner of said southeast quarter;

THENCE along the East line of said southeast quarter, South 00 degrees 02 minutes 44 seconds East, 2,642.00 feet to the POINT OF BEGINNING;

The above-described parcel contains 160.13 acres, more or less.

PARCEL 28 (Portion of Section 10)

BEGINNING at the northeast corner of said Section 10;

THENCE along the East line of the northeast quarter of said Section 10, South 00 degrees 02 minutes 04 seconds West, 2,642.01 feet to the East quarter corner of said Section 10;

THENCE along the East line of the southeast quarter of said Section 10, South 00 degrees 02 minutes 03 seconds West, 2,641.99 feet to the southeast corner of said Section 10;

THENCE along the South line of said Section 10, North 89 degrees 53 minutes 39 seconds West, 70.57 feet;

THENCE leaving said South line, North 00 degrees 03 minutes 23 seconds West, 2,607.37 feet;

THENCE North 47 degrees 02 minutes 36 seconds West, 29.58 feet;

THENCE North 00 degrees 07 minutes 47 seconds West, 14.52 feet to the North line of the southeast quarter of said Section 10;

THENCE North 00 degrees 07 minutes 47 seconds West, 2,642.01 feet to the North line of said Section 10;

THENCE along the North line of said Section 10, South 89 degrees 54 minutes 08 seconds East, 103.96 feet to the POINT OF BEGINNING;

The above-described parcel contains 10.50 acres, more or less.

LEGAL DESCRIPTION

RANCHO SIERRA
PROVIDED FOR THE USE OF THE ARIZONA CORPORATION COMMISSION
AND SANTA ROSA UTILITY COMPANY (Cont.)

September 6, 2002

Note: The above metes and bounds descriptions, are being provided for the use of Santa Rosa Utility Company and the Arizona Corporation Commission, and are not intended to supercede the legal description by which the property was conveyed.

This description is based on Title Commitment No 201-1419988 dated July 24, 2002 by First American Title Insurance Company and ALTA/ACSM LAND TITLE SURVEY, RED RIVER PARCELS, BY Huitt-Zollars, Inc., dated 5/3/02.

Kenneth A. Marks

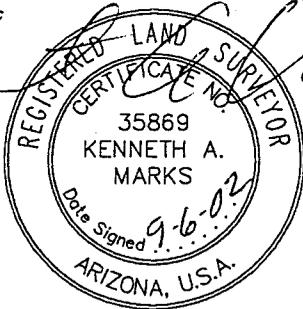
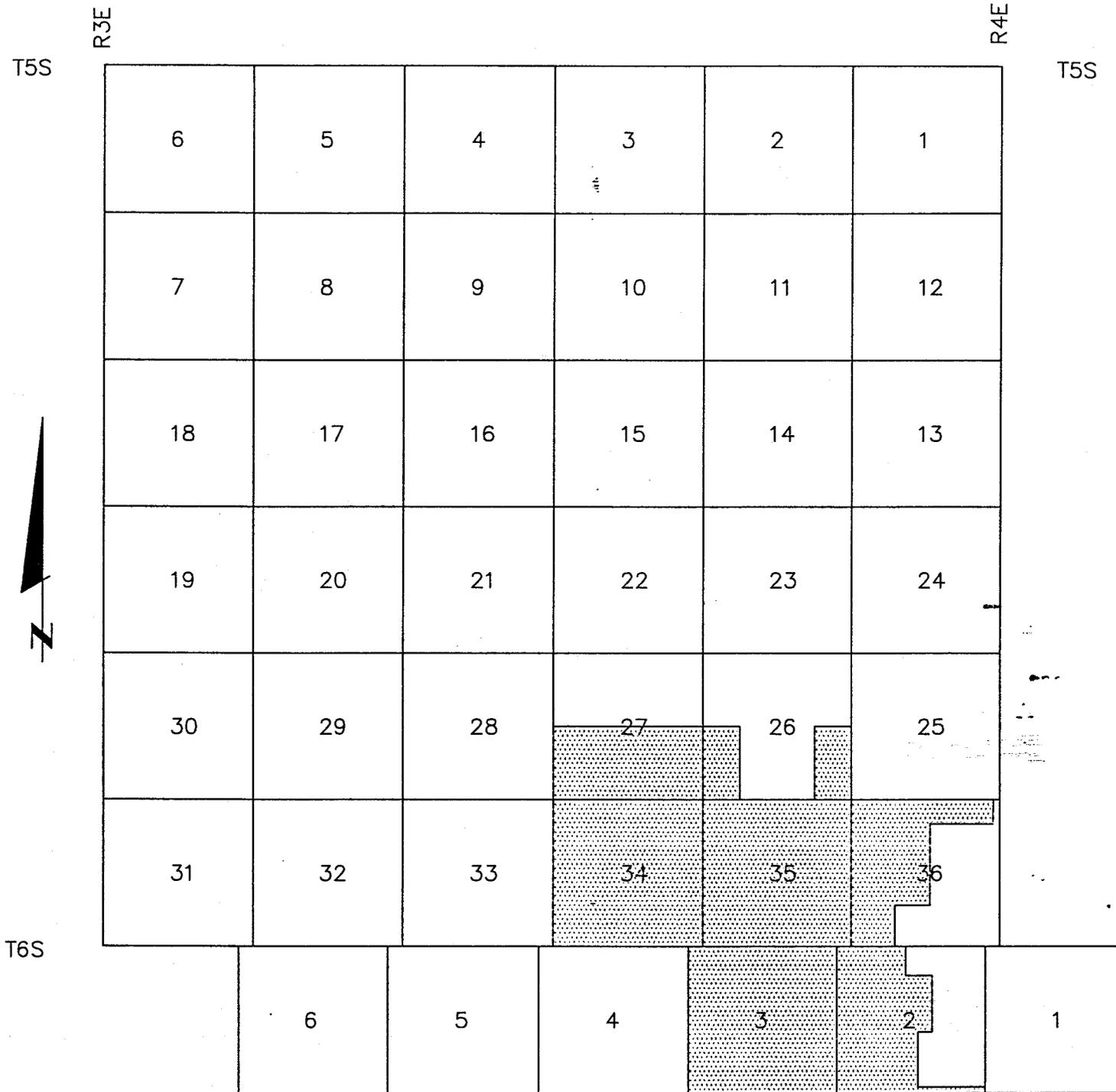


Exhibit "E"



LEGEND

SERVICE AREA



SANTA ROSA UTILITY CO.
SEWER FRANCHISE AREA

SANTA ROSA UTILITY COMPANY
 OPERATING EXPENSES

<u>OPERATING EXPENSES</u>	<u>FIRST YEAR</u>	<u>SECOND YEAR</u>	<u>THIRD YEAR</u>	<u>FOURTH YEAR</u>	<u>FIFTH YEAR</u>
WAGES	40,000	42,500	45,000	47,500	50,000
PAYROLL BURDEN	10,000	10,625	11,250	11,875	12,500
DEPRECIATION	442,091	478,291	526,491	562,691	598,891
PERMITS	5,000	5,000	5,000	5,000	5,000
CHEMICALS	6,000	9,000	12,000	15,000	18,000
SUPPLIES	4,000	5,000	6,000	7,000	8,000
UTILITIES	10,000	20,000	30,000	40,000	50,000
REPAIRS	2,000	4,000	6,000	8,000	10,000
INSURANCE	2,000	2,000	2,000	2,000	2,000
PROPERTY TAXES	23,393	43,666	61,177	98,918	132,336
OFFICE EXPENSES	1,000	1,000	2,000	2,000	3,000
POSTAGE	1,000	1,000	2,000	3,000	4,000
TESTING	4,000	4,000	4,000	4,000	4,000
VEHICLES	1,000	1,000	1,000	1,000	1,000
LICENSES	2,000	2,000	2,000	2,000	2,000
ENGINEERING	2,000	2,000	2,000	2,000	2,000
LEGAL	3,000	3,000	3,000	3,000	3,000
SOLIDS HANDLING	3,000	6,000	9,000	12,000	15,000
CONTRACT LABOR	2,000	2,000	2,000	2,000	2,000
RENTALS	3,000	3,000	3,000	3,000	3,000
ADMINISTRATIVE SERVICES	40,000	40,000	40,000	40,000	40,000
RECHARGE SITE MAINT.	12,000	12,000	12,000	12,000	12,000
TOTAL	618,484	697,082	786,918	883,984	977,727

SANTA ROSA UTILITY COMPANY
SEWER PLANT CONSTRUCTION SCHEDULE

1ST PHASE MECHANICAL						
WASTEWATER PLANT	9,125,637	0	0	0	0	0
RECHARGE BASINS	631,630	0	0	0	0	0
COLLECTION SYSTEM	450,000	900,000	900,000	900,000	900,000	900,000
GENERATOR	30,000	0	0	0	0	0
VEHICLE	10,000	0	0	0	0	0
EQUIPMENT	5,000	5,000	5,000	5,000	5,000	5,000
LIFT STATIONS	300,000	0	300,000	0	0	0
EFFLUENT LINES	150,000	0	0	0	0	0
EFFLUENT PUMP STATION	350,000					
TOTAL	11,052,267	905,000	1,205,000	905,000	905,000	905,000
CUMULATIVE	11,052,267	11,957,267	13,162,267	14,067,267	14,972,267	
DEPRECIATION EXPENSE	442,091	478,291	526,491	562,691	598,891	
ACCUMULATED DEPR.	442,091	920,381	1,446,872	2,009,563	2,608,453	
DEPR. RATE	4.00%					
ADD: LAND	525,000	525,000	525,000	525,000	525,000	
PER ACRE	35,000					
RATE BASE	11,135,176	11,561,886	12,240,395	12,582,704	12,888,814	

SANTA ROSA UTILITY COMPANY
SEWER RATE DESIGN

OPERATING EXPENSES	618,484	697,082	786,918	883,984	977,727
RATE OF RETURN 7.00%					
RETURN ON RATE BASE	779,462	809,332	856,828	880,789	902,217
TOTAL COSTS	1,397,946	1,506,414	1,643,745	1,764,773	1,879,944

EFFLUENT GALLONS	20,784,195	62,352,585	103,920,975	145,489,365	187,057,755
EFFLUENT REVENUE, PER 1,000 GALLONS	18,082	54,247	90,411	126,576	162,740
ESTABLISHMENT FEE	9,000	18,000	18,000	18,000	18,000
REMAINING COSTS TO RECOVER	1,370,864	1,434,167	1,535,334	1,620,197	1,699,203
NO. OF CUSTOMERS	300	900	1,500	2,100	2,700
ANNUAL REV PER CUST					629.33
MONTHLY RATE					52.44
EFFLUENT RATE					0.87
ESTABLISHMENT FEE					30.00

SANTA ROSA UTILITY COMPANY
OPERATING REVENUES

NO. OF CUSTOMERS	300	900	1,500	2,100	2,700
MONTHLY RATE	52.44	52.44	52.44	52.44	52.44
ANNUAL REVENUE MONTHLY FEE	188,800	566,401	944,002	1,321,603	1,699,203
EFFLUENT SALES	20,784,195	62,352,585	103,920,975	145,489,365	187,057,755
RATE PER 1,000 GALLONS	0.87	0.87	0.87	0.87	0.87
EFFLUENT REVENUE	18,082	54,247	90,411	126,576	162,740
ESTABLISHMENT FEE	9,000	18,000	18,000	18,000	18,000
TOTAL ANNUAL REVENUE	215,883	638,648	1,052,413	1,466,178	1,879,944

Exhibit "F"
SEWER TARIFF SCHEDULE

UTILITY: Santa Rosa Utility Company

PAGE 1 OF 1

RATES AND CHARGES

FLAT RATE

RESIDENTIAL \$ 52.44 PER MONTH
COMMERCIAL \$ 52.44 PER MONTH

BASED ON WATER USAGE

RESIDENTIAL MINIMUM \$ _____ FOR _____ GALLONS
EXCESS OF MINIMUM \$ _____ FOR _____ GALLONS

COMMERCIAL MINIMUM \$ _____ FOR _____ GALLONS
EXCESS OF MINIMUM \$ _____ FOR _____ GALLONS

EFFLUENT SALES: (if applicable)

\$.87 PER 1,000 GALLONS

SERVICE LINE CONNECTION CHARGE \$ _____

SERVICE CHARGES:

- | | |
|--|---------------------------------|
| 1. ESTABLISHMENT (R14-2-603.D.1) | \$ <u>30.00</u> |
| 2. RECONNECTION/DELINQUENT (R14-2-603.D.1) | \$ <u>30.00</u> |
| 3. DEPOSIT (R14-2-603.B.7) | \$ <u>per rule</u> |
| 4. DEPOSIT INTEREST (R14-2-603.B.3) | <u>per rule</u> % |
| 5. REESTABLISHMENT W/N 12 MONTHS (R14-2-603.D.1) | \$ <u>month off system time</u> |
| 6. NSF CHECK (R14-2-608.E.1) | \$ <u>15.00 Monthly Minimum</u> |
| 7. LATE PAYMENT PENALTY (R14-2-608.F.1) | \$ <u>1.5% per month</u> |

OTHER CHARGES AS SPECIFIED BY ORDER:

Disconnect/Reconnect (Delinquent) Cost

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.

**ARIZONA DEPARTMENT OF REVENUE
PROPERTY TAX FUNCTION**

1600 West Monroe, Room 820, Phoenix, Arizona 85007
Telephone: (602) 542-3529 Facsimile: (602) 542-5667

JANE DEE HULL
GOVERNOR



MARK W. KILLIAN
DIRECTOR

September 6, 2002

Mr. Jim Poulos
Santa Rosa Utility Company
9532 East Riggs Road
Sun Lakes, AZ 85248-7411

Dear Mr. Poulos:

Based on the information you provided to the Department, the following is an estimate of the property taxes payable, based on the tax rate for this particular area in Pinal County for the 2001 tax year.

<u>Year</u>	<u>0</u>	<u>1</u>	<u>2</u>	<u>3</u>	<u>4</u>	<u>5</u>
<u>Customers</u>	0	300	900	1,500	2,100	2,700
<u>Sewer Revenues</u>	\$0	\$191,764	\$575,292	\$958,820	\$1,342,349	\$1,725,877
<u>Effluent sales</u>	\$0	\$18,082	\$54,247	\$90,411	\$126,578	\$162,740
<u>Establishment fees</u>	\$0	\$9,000	\$18,000	\$18,000	\$18,000	\$18,000
<u>Total revenues</u>	\$0	\$218,846	\$647,539	\$1,067,232	\$1,486,925	\$1,906,617
<u>CWIP as of 12/31</u>	\$11,042,267	\$905,000	\$1,205,000	\$905,000	\$905,000	\$0
<u>Vehicles</u>	\$10,000					
<u>Percent good factor</u>	90%	81%	72%	62%	52%	42%
<u>FCV (rounded)</u>	\$1,095,000	\$525,000	\$980,000	\$1,373,000	\$2,220,000	\$2,970,000
<u>Assessed Value</u>	\$273,750	\$131,250	\$245,000	\$343,250	\$555,000	\$742,500
<u>Estimated tax</u>	\$48,790	\$23,393	\$43,666	\$61,177	\$98,918	\$132,338

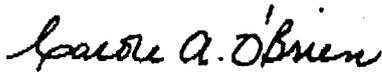
The full cash value is based on the new valuation methodology which averages revenues from the prior reporting periods (maximum 3 years), then adds ten percent of any

construction-work-in-progress at the end of the calendar year, and deducts the net book of any licensed vehicle used exclusively by the utility in its operations. The only limiting factor in this calculation is that the full cash value can not be less than the land value. The calculated value in year 1 is \$520,000 but because the land is valued at \$525,000, the latter number becomes the full cash value for this year only.

Although the average property tax rate for all of Pinal County for tax year 2001 was 16.60, the rate for tax area code 2403 in which the property will be located was 17.823 (\$ per \$100 of assessed value).

If you have any questions concerning this letter, please do not hesitate to contact me.

Sincerely,



Carole A. O'Brien
Property Appraiser III
Centrally Valued Property Unit

Santa Rosa Utility Company
Revenue per year

Year	0	1	2	3	4	5
Number of customers	0	300	900	1,500	2,100	2,700
Sewer Revenues	\$0	\$191,764	\$575,292	\$958,820	\$1,342,349	\$1,725,877
Effluent sales	\$0	\$18,082	\$54,247	\$90,411	\$126,576	\$162,740
Establishment fee	\$0	\$9,000	\$18,000	\$18,000	\$18,000	\$18,000
Total revenue	\$0	\$218,846	\$647,539	\$1,067,231	\$1,486,925	\$1,906,617
CWIP	\$11,042,267	\$905,000	\$1,205,000	\$905,000	\$905,000	\$0
Vehicles	\$10,000					
Percent good factor:	90%	81%	72%	62%	52%	42%
FCV [revenue base]	\$0	\$437,692	\$866,385	\$1,289,077	\$2,134,463	\$2,973,849
FCV [based on formula]	\$1,095,227	\$520,092	\$979,685	\$1,373,377	\$2,219,763	\$2,969,649
Rounded FCV	\$1,095,000	\$520,000	\$980,000	\$1,373,000	\$2,220,000	\$2,970,000
Land	\$525,000	\$525,000	\$525,000	\$525,000	\$525,000	\$525,000
Assessed value	\$273,750	\$131,250	\$245,000	\$343,250	\$555,000	\$742,500

Taxes calculated based on a rate of 11.6241 (Primary) and 6.1989 (Secondary) for tax area code 2403 in Pinal County for tax year 2001

Estimated taxes: \$48,790 \$23,393 \$43,666 \$61,177 \$98,918 \$132,336

Formula: revenue base plus 10% of CWIP minus net book of licensed vehicles
 CWIP based on plant costs provided by Jim Poulos on September 6, 2002
 Note: Calculated FCV cannot be less than value of land/

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

September 10, 2002

Mr. Steve Soriano
Red River Ranch Land Development L.L.C.
C/O Pinal 6500 Land Investment Limited Partnership
9532 East Riggs Road
Sun Lakes, Arizona 85248-7411

Dear Mr. Soriano:

Santa Rosa Utility Company has filed with the Arizona Corporation Commission ("Commission") an application for authority to provide sewer service to an area in which records indicate that you are a property owner. If the application is granted, Santa Rosa Utility Company would be exclusive provider of sewer service to the proposed area. Santa Rosa Utility Company will be required by the Commission to provide this service under the rate and charges and terms and conditions established by the Commission. The granting of the application would not necessarily prohibit an individual from providing service to themselves from individually owned facilities on their property. The application is available for inspection during regular business hours at the offices of the Commission in Phoenix at 1200 West Washington Street, Phoenix, Arizona 85007 and at Santa Rosa Utility Company, 9532 E. Riggs Road, Sun Lakes, Arizona 85248.

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

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

Sincerely,



Jim Poulos

JP/th
Enclosure

SantaRosa6.doc

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

September 10, 2002

VIA – Certified Mail

Mr. K. Michael Ingram
Red River/El Dorado 6500, L.L.C.
C/O Red River Ranch Land Development, L.C.
426 N. 44th Street, Suite 100
Phoenix, Arizona 85007

Dear Mr. Ingram:

Santa Rosa Utility Company has filed with the Arizona Corporation Commission (“Commission”) an application for authority to provide sewer service to an area in which records indicate that you are a property owner. If the application is granted, Santa Rosa Utility Company would be exclusive provider of sewer service to the proposed area. Santa Rosa Utility Company will be required by the Commission to provide this service under the rate and charges and terms and conditions established by the Commission. The granting of the application would not necessarily prohibit an individual from providing service to themselves from individually owned facilities on their property. The application is available for inspection during regular business hours at the offices of the Commission in Phoenix at 1200 West Washington Street, Phoenix, Arizona 85007 and at Santa Rosa Utility Company, 9532 E. Riggs Road, Sun Lakes, Arizona 85248.

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

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

Sincerely,



Jim Poulos

JP/th
Enclosure

SantaRosa082802.doc

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

September 10, 2002

Mr. Brian M. Betcher
Maricopa – Stanfield Irrigation & Drainage District
41630 W. Louis Johnson Dr.
Maricopa, Arizona 85239

Dear Mr. Betcher:

Santa Rosa Utility Company has filed with the Arizona Corporation Commission (“Commission”) an application for authority to provide sewer service to an area in which records indicate that you are a property owner. If the application is granted, Santa Rosa Utility Company would be exclusive provider of sewer service to the proposed area. Santa Rosa Utility Company will be required by the Commission to provide this service under the rate and charges and terms and conditions established by the Commission. The granting of the application would not necessarily prohibit an individual from providing service to themselves from individually owned facilities on their property. The application is available for inspection during regular business hours at the offices of the Commission in Phoenix at 1200 West Washington Street, Phoenix, Arizona 85007 and at Santa Rosa Utility Company, 9532 E. Riggs Road, Sun Lakes, Arizona 85248.

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

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

Sincerely,

A handwritten signature in black ink, appearing to be 'Jim Poulos', written in a cursive style.

Jim Poulos

JP/th
Enclosure

SantaRosa5.doc



*Innovative, creative,
responsive, quality solutions
for those we serve.*

September 6, 2002
6549A.10

Robson Communities
9532 E. Riggs Road
Sun Lakes, AZ 85248

Attention: Jim Poulos

Subject: Santa Rosa Utilities Water Reclamation Plant
Rancho Sierra Development

Dear Jim:

As requested, the following preliminary opinions of construction costs were developed as part of the Draft Basis of Design Report, dated August 23, 2002, for the referenced project.

SUMMARY		
PHASE 1 - ANNUAL AVERAGE FLOW = 1.43 mgd		
Rev 1 August 29, 2002		
Area	Remarks	Construction Cost
Headworks	1 screen & compactor	\$587,288
Grit Chamber	1 chamber, pump & classifier	\$337,376
Influent Pump Station	2 pumps	\$120,075
Odor Control	one unit	\$265,500
Aeration Basin	one basin	\$2,141,700
Blower Building	one bldg.	\$538,575
Clarifiers	4 clarifiers	\$731,700
RAW/WAS Pump Station	1 station	\$111,495
Filters	2 filters	\$459,075
UV Disinfection	1 channel	\$637,710
Effluent Pump Station	2 pumps	\$89,760
Recharge Basin	2 basins	\$631,630
Solids Dewatering Building	1 centrifuge	\$727,650
Aerobic Digester	1 digester	\$310,223
Operations Building	1	\$441,300
	Subtotal	\$8,131,056
	20% Contingency	\$1,626,211
	TOTAL CONSTRUCTION COSTS	\$9,757,267
	\$6.82 per gallon	

Jim Poulos
Robson Communities
September 6, 2002
Page 2

Please contact us if you have any questions.

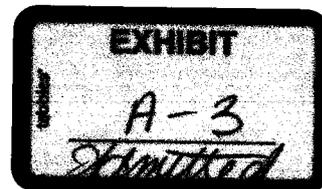
Sincerely,

CAROLLO ENGINEERS, P.C.



Mark Courtney, P.E.
Project Manager

MC:ma



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

November 19, 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:

I certify that each property owner in the requested extension area was mailed the attached notice on December 18, 2002.

An original and fifteen copies submitted.

Sincerely,


Jim Poulos
General Manager

JP:th

Enclosure

**PUBLIC NOTICE OF HEARING ON THE APPLICATION OF SANTA ROSA
UTILITY COMPANY AND SANTA ROSA WATER COMPANY FOR CC&NS
TO PROVIDE WASTEWATER AND WATER UTILITY SERVICE IN PIMA
COUNTY, ARIZONA, DOCKET NOS. SW-04136A-02-0691 AND W-04137A-02-
0692**

On September 11, 2002, Santa Rosa Utility Company and Santa Rosa Water Company (collectively "Applicants") filed applications with the Arizona Corporation Commission ("Commission") for Certificates of Convenience and Necessity ("CC&Ns") to provide wastewater and water utility service in Pima County, to a proposed 8,400 unit development located just south of the town of Maricopa, Arizona. If the application is granted, Applicant will be the exclusive provider of wastewater and water service to the proposed area, and will be required by the Commission to provide service under rates and charges and terms and conditions established by the Commission. The application is available for inspection during regular business hours at the offices of the Commission in Phoenix, at 1200 West Washington Street, Phoenix, Arizona, and at the offices of the Applicant, 9532 E. Riggs Road, Sun Lakes, Arizona, 85248.

The Commission will hold a hearing on this matter beginning February 6, 2003, at 10:00 a.m., at the Commission's offices, 1200 West Washington Street, Phoenix, Arizona. Public comment will be taken on the first day of the hearing.

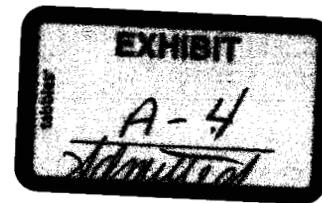
The law provides for an open public hearing at which, under appropriate circumstances, interested persons may intervene in the proceedings and participate as a party. You may have the right to intervene in the proceeding. Intervention shall be in accordance with A.A.C. R14-3-405, except that all motions to intervene must be filed on or before January 10, 2003. Persons desiring to intervene must file a written motion to intervene with the Commission and send such motion to Applicant or its counsel and to all parties of record. The motion shall, at the minimum, contain the following:

1. The name, address, and telephone number of the proposed intervenor and of any party upon whom service of documents is to be made if different than the intervenor.
2. A short statement of the proposed intervenor's interest in the proceeding (e.g., a customer of potential customer of the Applicant, a shareholder of the Applicant, etc.).
3. A statement certifying that a copy of the motion to intervene has been mailed to the Applicant or its counsel and to all parties of record in the case.

The granting of intervention, among other things, entitles a party to present sworn evidence at the hearing and to cross-examine other witnesses. However, failure to intervene will not preclude any interested person or entity from appearing at the hearing and providing public comment on the application. You will not receive any further notice of this proceeding unless you request it.

If you have any questions about his application, or want further information on intervention, you may contact the Consumer Services Section of the Commission at 1200 West Washington Street, Arizona 85007 or call 1-800-222-7000.

The Commission does not discriminate on the basis of disability in admission to its public meetings. Persons with a disability may request a reasonable accommodation such as a sign language interpreter, as well as request this document in an alternative format, by contacting Shelly Hood, ADA Coordinator, voice phone number 602/542-3931, E-mail shood@cc.state.az.us. Request should be made as early as possible to allow time to arrange the accommodation.



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



Office of the Pinal County Attorney

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:lm1

Enclosures

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

RECEIVED
NOV 26 2002
PINAL COUNTY
CIVIL DIVISION

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

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 (PC1-328) 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: <u>Agenda Item for November 6, 2002</u> 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 1/2 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.	
3. MOTION: It is moved that the Pinal County Board of Supervisors ... <u>SUGGESTED MOTION:</u> 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. DEPARTMENT: Action recommended by: <u>Amy D. Medina</u> Date: <u>10-7-02</u>	7. DEPUTY COUNTY MANAGER: Approve <input checked="" type="checkbox"/> Disapprove <input type="checkbox"/> Date: <u>10-28-02</u>
5. GRANTS AND CONTRACTS ADMINISTRATOR: Approve <input type="checkbox"/> Disapprove <input type="checkbox"/> Date: _____	8. PURCHASING DEPARTMENT: Approve <input type="checkbox"/> Disapprove <input type="checkbox"/> Date: _____
6. COUNTY ATTORNEY'S OFFICE: <u>[Signature]</u> Date: <u>10/6/02</u> <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. FINANCE OFFICE: Approve <input type="checkbox"/> Disapprove <input type="checkbox"/> Date: _____
10. COUNTY MANAGER: APPROVE <input type="checkbox"/> DISAPPROVE <input type="checkbox"/> Date: _____	
11. BOARD OF SUPERVISORS: Action Taken: <input checked="" type="checkbox"/> Approve <input type="checkbox"/> Amend <input type="checkbox"/> Disapprove <input type="checkbox"/> Delete <input type="checkbox"/> _____ CHAIRMAN: <u>[Signature]</u> Date: <u>11-6-02</u> CLERK OF THE BOARD: <u>[Signature]</u> Date: <u>11-6-02</u>	



OFFICIAL RECORDS OF
PINAL COUNTY RECORDER
LAURA DEAN-LYTLE

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 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 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 6th, 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. 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 6th, 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 6th, 2002.



PINAL COUNTY BOARD OF SUPERVISORS

Sandie Smith
Sandie Smith, Chairman 11.6.02

ATTEST:

Sheri Cluff
Sheri Cluff, Deputy Clerk of the Board

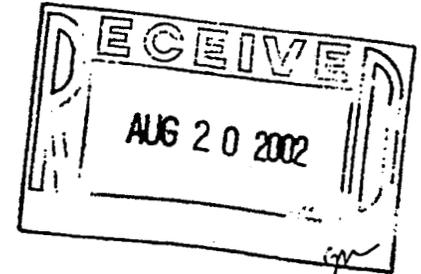
APPROVED AS TO FORM:

ROBERT CARTER OLSON
PINAL COUNTY ATTORNEY

[Signature]
Rick Husk, Deputy County Attorney

Exhibit A

44



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 ½ of the SE ¼ of section 25, the E ½ of SE ¼ and the W ½ of the SW ¼ of section 26, the S ½ 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,

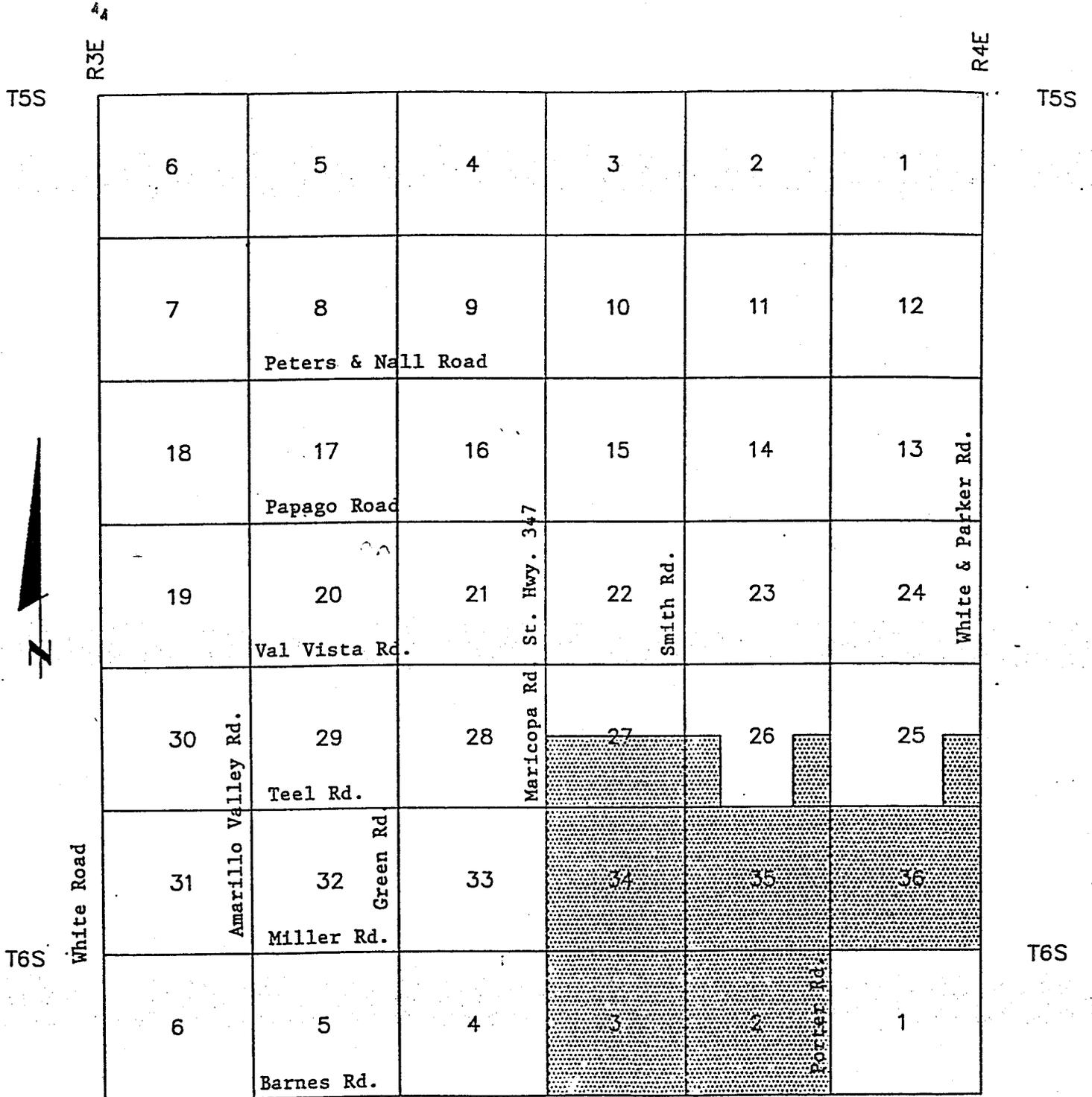
A handwritten signature in black ink, appearing to read "Jim Poulos", written over a horizontal line.

Jim Poulos

JP:th

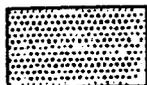
Check enclosed

Medina4.doc



LEGEND

SERVICE AREA



SANTA ROSA WATER CO.
WATER FRANCHISE AREA

Exhibit B

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-LYTTLE

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

(The above space reserved for recording information)
CAPTION HEADING

Acceptance of the Santa Rosa Water Franchise.

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 6th day of November 2002.

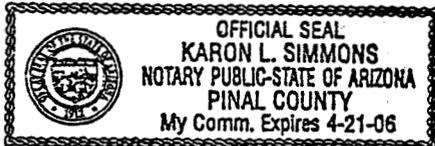
Santa Rosa Water Company

By: [Signature]

Title: General Manager

STATE OF ARIZONA)
) ss.
County of Pinal)

The foregoing instrument was acknowledged before me this 6th day of November, 2002, by Jim Paulos, Gen Mng 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
PINAL COUNTY ATTORNEY
CIVIL DIVISION

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

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

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 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.

3. MOTION: It is moved that the Pinal County Board of Supervisors . . .
SUGGESTED MOTION: 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.

4. DEPARTMENT:
Amy D. Medina 10-7-02
Action recommended by Date

7. DEPUTY COUNTY MANAGER:
[Signature] 10/28/02
Approve Disapprove
Date

5. GRANTS AND CONTRACTS ADMINISTRATOR:

Date
Approve Disapprove

8. PURCHASING DEPARTMENT:

Date
Approve Disapprove

6. COUNTY ATTORNEY'S OFFICE:
[Signature] 10/24/02
Date
 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. FINANCE OFFICE:

Date
Approve Disapprove

10. COUNTY MANAGER: _____ Date
APPROVE DISAPPROVE

11. BOARD OF SUPERVISORS:
Action Taken: Approve Amend Disapprove Defile
CHAIRMAN: Handie 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: 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 6th, 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. ⁴⁴ 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

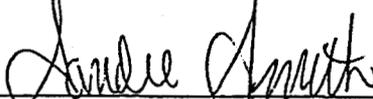
Grantee shall maintain books and records that identify all of Grantee's underground facilities by type and location within the Franchise Area. Grantee will make such books and records available to County upon County's request and without cost to County.

Section 26: AD VALOREM TAXES

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

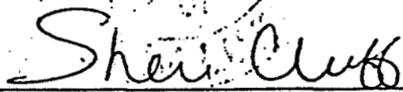
IN WITNESS WHEREOF, the Board of Supervisors of Pinal County, Arizona, by its Chairman and its Clerk, thereunto duly authorized, has hereunto set its hand and cause its official seal to be affixed on November 6th, 2002.

PINAL COUNTY BOARD OF SUPERVISORS



Sandie Smith, Chairman 11-6-02

ATTEST:



Sheri Cluff, Deputy Clerk of the Board

APPROVED AS TO FORM:

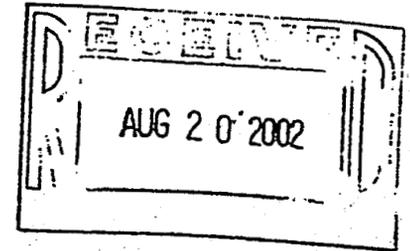
ROBERT CARTER OLSON
PINAL COUNTY ATTORNEY



Rick Husk, Deputy County Attorney

Exhibit A

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,

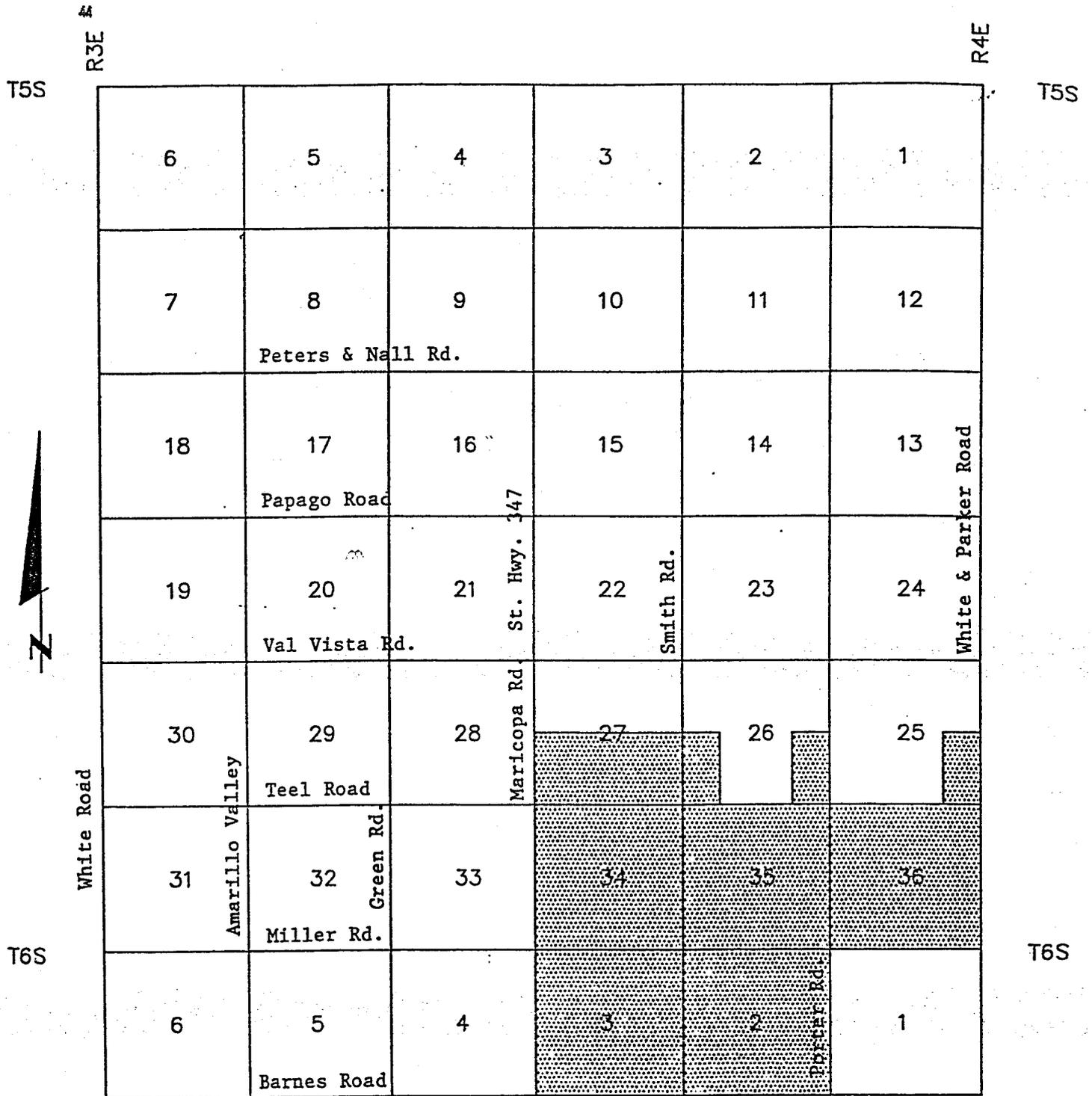


Jim Poulos

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 6th, 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 6th day of November, 2002.

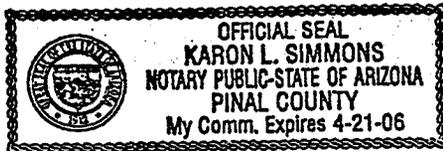
Santa Rosa Utility Company

By: [Signature]

Title: General Manager

STATE OF ARIZONA)
County of Pinal) ss.

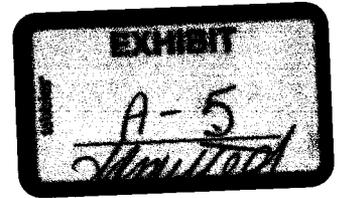
The foregoing instrument was acknowledged before me this 6th day of November, 2002, by Jim Poklos, Gen. Man of Santa Rosa Utility Co.; a(n) Arizona limited liability company, and being authorized to do so, executed the foregoing instrument on behalf of the company for the purposes therein stated.



[Signature]
Notary Public

My Commission Expires:

4-21-06



SANTA ROSA WATER COMPANY

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

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



Office of the Pinal County Attorney

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:lm1

Enclosures

AGENDA FORM
FOR
PINAL COUNTY BOARD OF SUPERVISORS

REVIEW
 NOV 26 2002
 PINAL COUNTY
 CIVIL DIVISION

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

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 (PC1-328) 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 1/2 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.

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. DEPARTMENT:
Amy D. Medina 10-7-02
 Action recommended by Date

7. DEPUTY COUNTY MANAGER:
[Signature] 10-28-02
 Approve Disapprove Date

5. GRANTS AND CONTRACTS ADMINISTRATOR:
 Date
 Approve Disapprove

8. PURCHASING DEPARTMENT:
 Date
 Approve Disapprove

6. COUNTY ATTORNEY'S OFFICE:
[Signature] 10/6/02
 Date
 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. FINANCE OFFICE:
 Date
 Approve Disapprove

10. COUNTY MANAGER:
 Date
 APPROVE DISAPPROVE

11. BOARD OF SUPERVISORS:
 Action Taken: Approve Amend Disapprove Delete
 CHAIRMAN: *Handie Smith* 11-6-02
 Date
 CLERK OF THE BOARD: *[Signature]* 11-6-02
 Date



OFFICIAL RECORDS OF
PINAL COUNTY RECORDER
LAURA DEAN-LYTLE

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 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 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 6th, 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. 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 6th, 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

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 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:

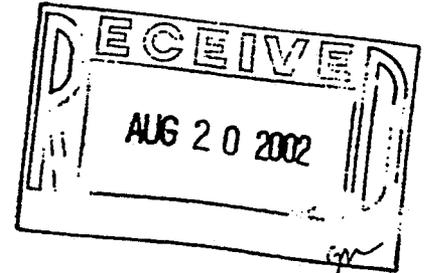
ROBERT CARTER OLSON
PINAL COUNTY ATTORNEY

Rick Husk, Deputy County Attorney

Exhibit A

44

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,

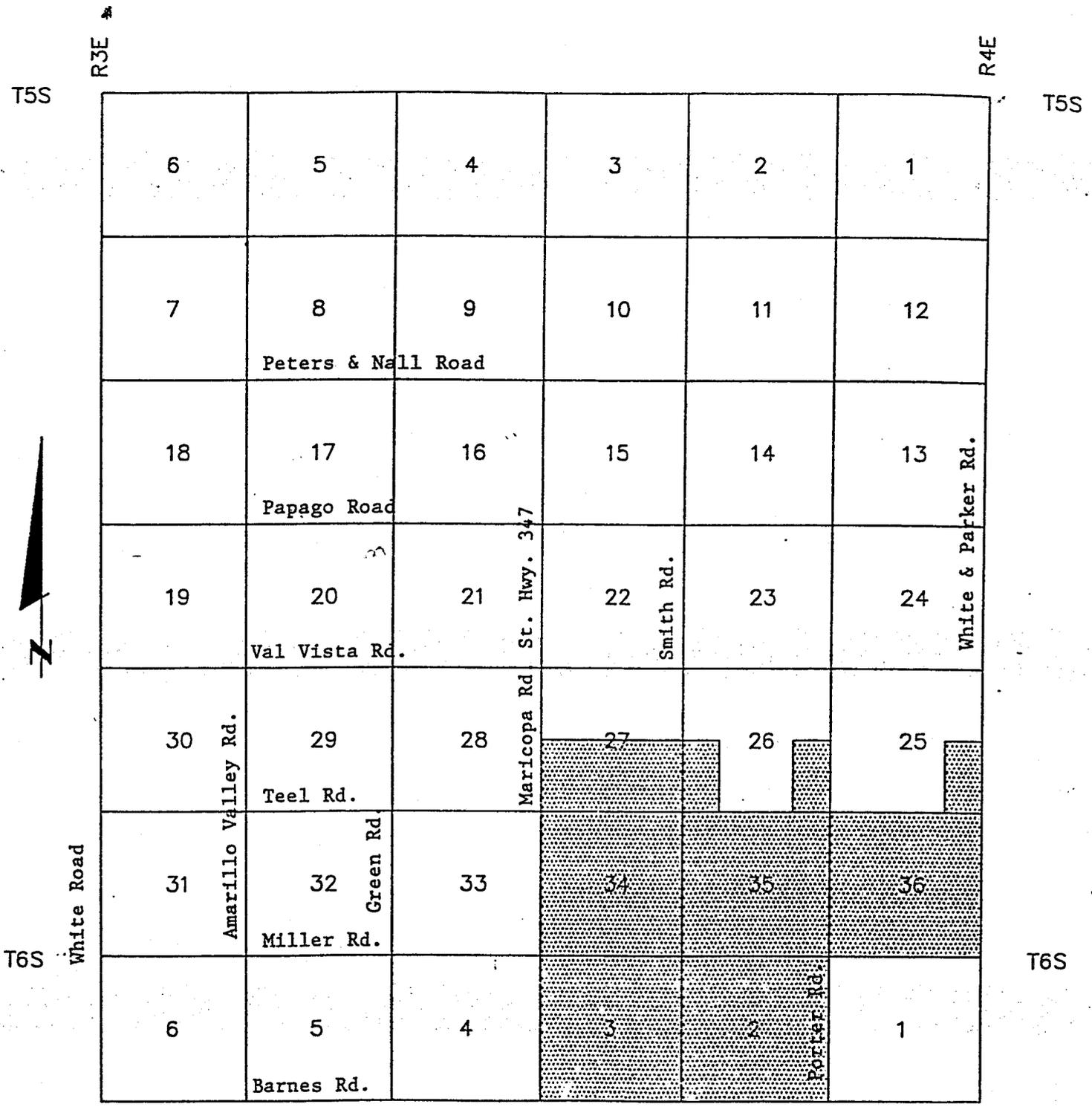
A handwritten signature in black ink, appearing to read "Jim Poulos", written over a horizontal line.

Jim Poulos

JP:th

Check enclosed

Medina4.doc



LEGEND

SERVICE AREA



SANTA ROSA WATER CO.
WATER FRANCHISE AREA

Exhibit B

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

4

When recorded mail to:



OFFICIAL RECORDS OF
PINAL COUNTY RECORDER
LAURA DEAN-LYTLE

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

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

(The above space reserved for recording information)
CAPTION HEADING

Acceptance of the Santa Rosa Water Franchise.

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 6th day of November 2002.

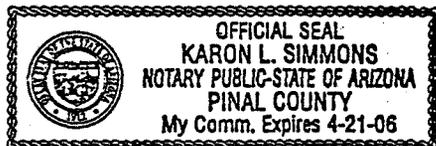
Santa Rosa Water Company

By: [Signature]

Title: General Manager

STATE OF ARIZONA)
) ss.
County of Pinal)

The foregoing instrument was acknowledged before me this 6th day of November, 2002, by Jim Paulos, General 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

PINAL COUNTY ATTORNEY
CIVIL DIVISION

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

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

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: <u>Agenda Item for November 6, 2002</u> 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.	
3. MOTION: It is moved that the Pinal County Board of Supervisors . . . SUGGESTED MOTION: 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.	
4. DEPARTMENT: <i>Gary D. Medina</i> 10-7-02 Action recommended by Date	7. DEPUTY COUNTY MANAGER: 10/28/02 Date Approve <input checked="" type="checkbox"/> Disapprove <input type="checkbox"/>
5. GRANTS AND CONTRACTS ADMINISTRATOR: _____ Date Approve <input type="checkbox"/> Disapprove <input type="checkbox"/>	8. PURCHASING DEPARTMENT: _____ Date Approve <input type="checkbox"/> Disapprove <input type="checkbox"/>
6. COUNTY ATTORNEY'S OFFICE: 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. FINANCE OFFICE: _____ Date Approve <input type="checkbox"/> Disapprove <input type="checkbox"/>
10. COUNTY MANAGER: _____ Date APPROVE <input type="checkbox"/> DISAPPROVE <input type="checkbox"/>	
11. BOARD OF SUPERVISORS: Action Taken: <input checked="" type="checkbox"/> Approve <input type="checkbox"/> Amend <input type="checkbox"/> Disapprove <input type="checkbox"/> Delete <input type="checkbox"/> _____ CHAIRMAN: <i>Janice Smith</i> 11-6-02 Date CLERK OF THE BOARD: 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: 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 6th, 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. * 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

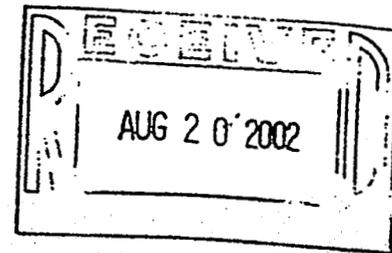


Rick Husk, Deputy County Attorney

Exhibit A

44

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,

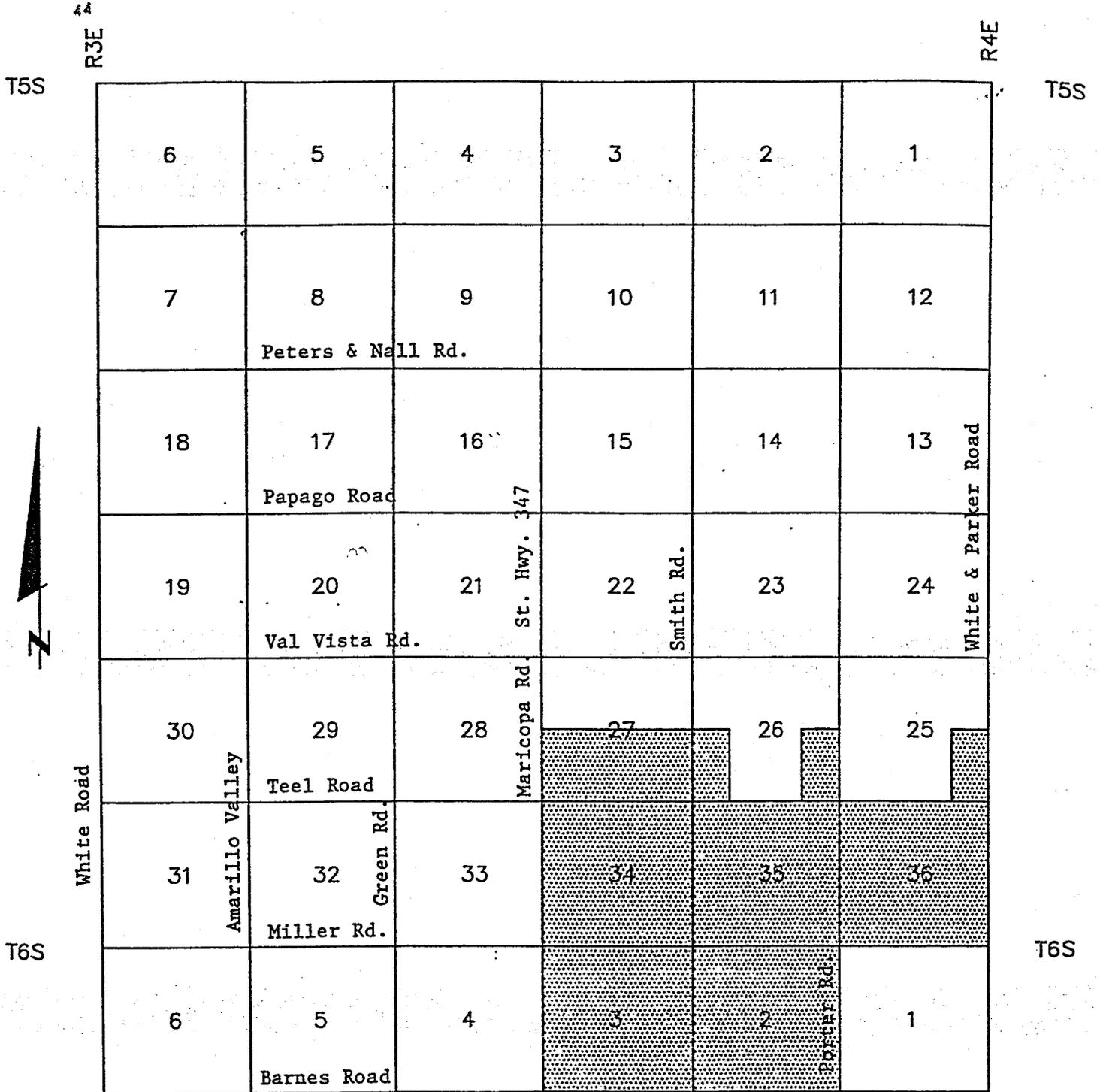


Jim Poulos

JP:th

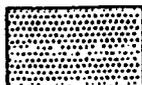
Check enclosed

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 6th, 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 6th day of November, 2002.

Santa Rosa Utility Company

By: _____

Title: _____

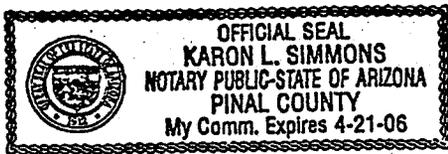
General Manager

STATE OF ARIZONA)

County of Pinal)

ss.

The foregoing instrument was acknowledged before me this 6th day of November, 2002, by Jim Palkos, 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.



Karon L. Simmons
Notary Public

My Commission Expires:

4-21-06

MEMORANDUM

COPY

RECEIVED



2003 JAN 17 A 8:51

AZ CORP COMMISSION
DOCUMENT CONTROL

TO: Docket Control
FROM: Ernest G. Johnson
Director
Utilities Division

DATE: January 15, 2003

RE: STAFF REPORT FOR SANTA ROSA WATER COMPANY AND SANTA ROSA UTILITY COMPANY APPLICATIONS FOR CERTIFICATES OF CONVENIENCE AND NECESSITY FOR WATER AND WASTEWATER SERVICES (DOCKET NOS. W-04137A-02-0692 AND SW-04136A-02-0691)

Attached is the Staff Report for Santa Rosa Water Company and Santa Rosa Utility Company's applications for Certificates of Convenience and Necessity for water and wastewater services. Staff recommends approval.

EGJ:JEF:nms

Originator: Jim Fisher

Attachment: Original and Fifteen Copies

Arizona Corporation Commission
DOCKETED

JAN 17 2003

DOCKETED BY 

Service List for Santa Rosa Water Company and Santa Rosa Utility Company
Docket Nos. W-04137A-02-0692 and SW 04136A-02-0691

Mr. Jim Poulos
General Manager
Santa Rosa Water Company &
Santa Rosa Utility Company
9532 East Riggs Road
Sun Lakes, Arizona 85248

Mr. Christopher C. Kempley
Chief, Legal Division
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007

Mr. Ernest G. Johnson
Director, Utilities Division
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007

Ms. Lyn Farmer
Chief, Hearing Division
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007

**STAFF REPORT
UTILITIES DIVISION
ARIZONA CORPORATION COMMISSION**

**SANTA ROSA WATER COMPANY
AND
SANTA ROSA UTILITY COMPANY**

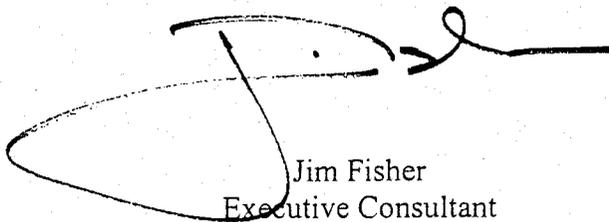
DOCKET NOS. W-04137A-02-0692 AND SW-04136A-C2-0691

**APPLICATIONS FOR CERTIFICATES
OF CONVENIENCE AND NECESSITY**

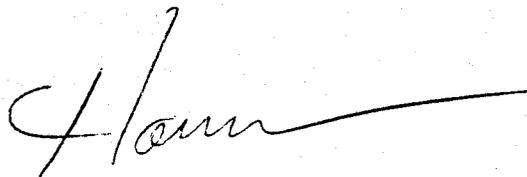
JANUARY 2003

STAFF ACKNOWLEDGMENT

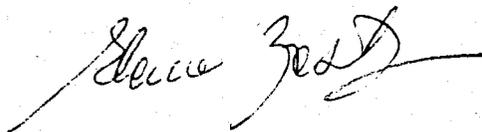
The staff report for Santa Rosa Water Company and Santa Rosa Utility Company, (Docket Nos. W-04137A-02-0692 and SW-04136A-02-0691) was the responsibility of the Staff members listed below. Jim Fisher was responsible for the review and analyses of the Company's application. Lyndon Hammon was responsible for the engineering and technical analysis. Elena Zestrijan was responsible for review of the financial information and rate recommendation.



Jim Fisher
Executive Consultant



Lyndon Hammon
Engineering Consultant



Elena Zestrijan
Public Utilities Analyst III

EXECUTIVE SUMMARY
SANTA ROSA WATER COMPANY & SANTA ROSA UTILITY COMPANY
DOCKET NOS. W-04137A-02-0692 & SW-04136A-02-0691

On September 11, 2002, Santa Rosa Water Company ("SRWC" or "Water Company") and Santa Rosa Utility Company, ("SRUC" or "Wastewater Company") filed with the Arizona Corporation Commission ("ACC" or "Commission") applications for Certificates of Convenience and Necessity ("CC&N") to provide water and wastewater services in portions of Pinal County, Arizona.

SRWC and SRUC are seeking authorization to provide service to Rancho Sierra, a planned residential development of 12,000 residential units within Pinal County. SRWC and SRUC are financially affiliated with Robson Communities. The Robson affiliated companies currently provide service to an estimated 24,710 customers in Arizona.

SRWC's initial water production facilities will consist of two wells, one million gallons of water storage, pumping plant, piping, controls, and distribution mains. Staff concludes that the proposed water system will have adequate production and storage capacity to serve the proposed CC&N area. The estimated project costs in this application seem to be within a reasonable range for projects of this size and scope.

Staff is recommending rates designed to generate an average bill of \$57.38 which parallels the Company's requested bill per customer.

- The wastewater treatment plant of SRUC will be result in a total treatment capacity of five million gallons per day at build-out of the development. The wastewater treatment process will be conventional activated sludge with an anoxic zone providing nitrogen removal. Effluent disposal will be accomplished by reuse on the golf courses, parks, and common areas. The planned wastewater facility appears to be appropriate and adequate for the needs of the Rancho Sierra development.

The Company is proposing initial commercial/residential rates composed of flat rate of \$52.44. Effluent sales would be charged at \$0.87 per 1,000 gallons.

Staff recommends that the Commission approve the requested water and wastewater CC&N area contingent upon the utility obtaining all related regulatory approvals, compliance with ACC rules and regulations, providing notice of service to customers and obtaining rate review after five years of service at the proposed rates.

Staff further recommends that in the event the Applicant fails to provide related regulatory approvals, then the final decision and order in this matter shall become null and void without further order of the Commission, unless the Commission grants an extension of time for this requirement.

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Introduction

On September 11, 2002, Santa Rosa Water Company ("SRWC" or "Water Company") and Santa Rosa Utility Company, ("SRUC" or "Wastewater Company") filed with the Arizona Corporation Commission ("ACC" or "Commission") an application for a Certificate of Convenience and Necessity ("CC&N") to provide water and wastewater services in portions of Pinal County, Arizona. On October 29, 2002, SRWC and SRUC ("the Companies") provided additional documentation to support the applications. On October 30, 2002, Staff informed the Companies that the applications were sufficient for administrative purposes.

Background

SRWC and SRUC are seeking authorization to provide service to Rancho Sierra, a planned residential development of 12,000 residential units, light retail commercial uses and three 18-hole golf courses. The proposed development encompasses approximately 5.5 square miles and is located approximately five miles northwest of Stanfield, immediately south of the Ak-Chin Indian Reservation, within Pinal County. The Companies are owned by the Developer of the property and have been requested to provide utility services to the property.

SRWC and SRUC are Arizona S corporations, financially affiliated with Robson Communities. The Robson companies have successfully developed numerous mixed use communities in Arizona and the southwestern United States. The Robson Communities has also formed and retained ownership of the utility companies that serve developments in Arizona.

Robson affiliated public service companies in Arizona include Lago Del Oro Water Company, Pima Utility, and Saddlebrooke Utility Company. The Robson affiliated companies currently provide service to an estimated 24,710 customers in Arizona. SRWC and SRUC should benefit from the existing financial and technical expertise currently retained by the Robson companies to serve its existing Arizona customers.

Water Infrastructure

Based on a preliminary design report, SRWC's initial water production facilities will consist of two wells, one million gallons of water storage, pumping plant, piping, controls, and distribution mains. The initial plant will be constructed upon a three acre site within the service area. In the fourth year of development an additional well and one million gallons of storage will be added at another location.

The wells have not been drilled at this time, but a hydrology report has estimated that wells with a production of at least 1,000 gallons per minute could be constructed. Adjacent to the proposed development existing agricultural wells equipped with vertical turbine pumps can produce 1,000 to 2,000 gallons per minute, as such the estimate from the hydrology report is plausible.

A potential problem with groundwater in this area is inorganic chemical quality. Water wells in this area can exhibit concentrations of arsenic, fluorides, and total dissolved solids which are higher than Arizona averages. Preliminary groundwater sampling for fluoride indicates that the concentration will be within the Maximum Contaminant Level of 4.0 mg/l. Arsenic concentration is as yet, unknown. The water company has included a capital estimate for arsenic removal, if it should become necessary.

Staff concludes that the proposed water system will have adequate production and storage capacity to serve the proposed CC&N area within a conventional five year planning period, or can reasonably be expected to develop the needed storage and production.

The estimated project costs in this application seem to be within reasonable magnitudes for projects of this size and scope. However, approval of this CC&N application does not imply any particular future treatment for the rate base. No "used and useful" determination of the proposed plant in service was made, and no conclusions should be inferred for rate making or rate base purposes.

Arizona Department of Environmental Quality ("ADEQ") Capacity Development

ADEQ Capacity Development rules, effective September 23, 1999, require new public drinking water systems to meet distinct financial, managerial and technical capacity requirements. ADEQ will accept a financial determination made by this Commission as meeting the financial capacity requirements for new water systems under the jurisdiction of the Commission. The technical and managerial capability is determined by ADEQ. All three components are combined in the final approval of the water company's "elementary business plan", pursuant to ADEQ rule R-18-4-606. The three components are reviewed and approved sequentially, with the technical capacity approval and "Approval to Construct" being the last performed. The Approval to Construct acts as a control point in the process, and once an Approval to Construct has been issued, it can be assumed that the water company has complied with the capacity development rules.

Based on the above criteria it is Staff's recommendation that SRWC be required to submit a copy of the initial ADEQ "Approval to Construct" to the Director of the Utilities Division of the Arizona Corporation Commission, within 24 months of the effective date of the final decision and order in this matter.

Arizona Department of Water Resources ("ADWR")

SRWC is located within the Pinal Active Management Area. Staff recommends that SRWC be required to file with the commission a copy of the developers' Certificate of Assured Water Supply, where applicable or when required by statute.

Fair Value Rate Base

Consistent with Commission rules, SRWC's Application included the required five-year projections for plant values, operating revenues and expenses, and number of customers for first five years of the operations. Projections and assumptions are necessary to establish initial rates due to the lack of historical data. Staff reviewed SRWC's projections and found them reasonable.

Based on the plant investment Staff recommends that the Commission find that the fair value rate base of SRWC's property devoted to public service to be \$3,918,169, as reflected in Schedule ENZ-1.

Rate Design

The SRWC is proposing initial commercial/residential rates composed of a \$15.00 base charge and \$3.95 commodity rate per 1,000 gallons.

The Company's proposed rates consist of one single tier for all gallons sold. An inverted rate block structure is desirable since the Company is located in the Pinal County Active Management Area. Staff is recommending a three tier rate structure which is compatible with water conservation efforts.

The Staff recommended rates are designed to generate an average bill of \$57.38 which parallels the Company's requested bill per customer.

Staff recommends approval of commercial and residential rates as shown in Schedule ENZ-2.

Wastewater Infrastructure

The wastewater treatment plant of SRUC will be constructed in three-phases of 1.7 million gallons per day ("MGD") resulting in a total nominal treatment capacity of 5.0 MGD at build-out of the development. The wastewater treatment process will be conventional activated sludge with an anoxic zone providing nitrogen removal. The effluent will be further improved to tertiary standards by a disc filter and then disinfected by ultraviolet radiation. Noise and odor controls are included in the design.

Effluent disposal will be accomplished by reuse on the golf courses, parks, and common areas. The effluent should easily meet "open access" standards. Effluent storage will be provided by golf course lakes. If, in the later stages of development, there is excess effluent in the winter, extra disposal capacity will be provided by rapid infiltration and recharge basins. The planned wastewater facility appears to be appropriate and adequate for the needs of the Rancho Sierra development.

Wastewater treatment plants at this high level of environmental sophistication usually cost between six and eight dollars per gallon, excluding effluent disposal costs. The Company has projected the wastewater plant cost for Phase I at \$7,409,666, excluding the effluent pumps and recharge basins. Including a 20 percent contingency, the estimated project total cost increases to \$8,891,599. Assuming a nominal design treatment capacity of 1.7 MGD, the cost per gallon is estimated to be \$5.25 per gallon. The system design requires additional capital for Phase II and III, some of which are embedded in Phase I, such as head works, outfall structures and site preparations. Therefore, future costs as measured on a per gallon basis will decrease as fixed capital costs are spread over higher volume wastewater flows.

Based on review of the estimated capital requirements above, the cost of SRUC's wastewater treatment plant seems reasonable and appropriate. However, approval of this CC&N application does not imply any particular future treatment for the rate base. No "used and useful" determination of the proposed plant in service was made, and no conclusions should be inferred for rate making or rate base purposes.

The construction of the wastewater treatment plant will require an individual Aquifer Protection Permit ("APP") from the ADEQ. Staff understands that any required re-use permit should be incorporated into the APP under the new ADEQ unified water quality permit rules. The utility has not yet obtained the permit but has submitted the permit application. Therefore, Staff recommends that the Commission approval of the wastewater CC&N be conditional upon the utility obtaining the APP within 24 months from the date of the final order for this application. Staff would also recommend that the Commission require copies of the APP to be submitted to the Director of Utilities Division of the ACC within the 24 month timeframe.

Environmental regulatory requirements make it necessary for the sewer utility to obtain approval of an individual wastewater facility plan, often referred to as a "§208 plan" from the designated water quality planning agency. The Central Arizona Association of Governments ("CAAG") is the designated water quality planning agency for the requested CC&N area in this application. CAAG has the authority to develop and approve general wastewater plans which include land development policies, service areas, objectives, principles and standards for local growth and development.

Staff therefore recommends that the Commission approve the requested CC&N area contingent upon the utility obtaining CAAG §208 approval within 24 months from the date of the final order for this application. Staff also recommends that Commission require SRUC to file a copy of the CAAG 208 approval with the Director of Utilities Division of the ACC, within the same 24 month timeframe.

Depreciation Rates

Staff has developed typical and customary depreciation rates within a range of anticipated equipment life for water and sewer utilities. Staff recommends that the Commission require SRUC to use the depreciation rates by individual National Association Regulatory Utility Commission ("NARUC") category, as delineated in the attached LH-1 and LH-2.

Finance of Utility Facilities

The Company will finance the required collection and treatment facilities through a combination of debt, equity and advances in aid of construction. Advances in aid of construction are often in the form of Line Extension Agreements which are standard industry practice. Arizona Administrative Code R14-2-406 and R14-2-606 established the minimal acceptable criteria for line extension agreements between water and wastewater utilities and private parties. Line Extension Agreements generally require the developer to design, construct and install, (or cause to be), all facilities to provide adequate service to the development. Upon acceptance of the facilities by the utility, the developer will convey the wastewater facilities by way of a warranty deed. The utility will refund a minimum of ten 10 percent of the annual revenue associated with development for a period of at least ten 10 years.

Rate Design

Commercial/Residential Rates: For commercial or residential wastewater services in the CC&N area, SRUC proposes to apply rates and charges as indicated on attached Schedule ENZ-2

The Company is proposing initial commercial/residential rates composed of flat rate of \$52.44. Effluent Sales would be charged at \$0.87 per 1,000 gallons.

Staff recommends approval of commercial, residential and effluent rates as shown in Schedule ENZ-2.

Fair Value Rate Base

Consistent with Commission rules, the Company's filing included the required five-year projections for plant values, operating revenue and expenses, and number of customers for the first five years of operations. Projections and assumptions are necessary to establish initial rates due to the lack of historical data. Staff reviewed the Company's projections and found them generally reasonable.

Based on the plant investment, Staff recommends that the Commission find that the fair value rate base of the Company's property devoted to public service is \$11,037,387 as shown in Schedule ENZ-1.

Recommendations

Water

Staff recommends that the Commission approve Santa Rosa Water Company's application for a Certificate of Convenience and Necessity to provide water services, subject to the following conditions:

1. That the Commission find the fair value of the Santa Rosa Water Company's property devoted to water service is \$3,918,169.
2. That the Commission authorizes Santa Rosa Water Company the Staff proposed rates and charges shown on Schedule ENZ-2.
3. That the Commission require Santa Rosa Water Company to file within 24 months of the effective date of the final decision and order for this CC&N application, a copy of the initial "Approval To Construct", issued by the Arizona Department of Environmental Quality with the Director of Utilities, Arizona Corporation Commission.
4. That the Commission require Santa Rosa Water Company to notify the Commission within 15 days of providing service to its first permanent customer.
5. That the Commission require Santa Rosa Water Company to file a rate application no later than three months following the fifth anniversary of the date the Company begins providing service to its first customer.
6. That the Commission require Santa Rosa Water Company to maintain its books and records in accordance with the NARUC Uniform System of Accounts for Wastewater Utilities.
7. That the Commission require Santa Rosa Water Company require Santa Rosa Water Company to file all related franchise agreements within 365 days of the effective date of the decision in this case.

Wastewater

Staff recommends that the Commission approve Santa Rosa Utility Company's application for a Certificate of Convenience and Necessity to provide wastewater services, subject to the following conditions:

1. That the Commission require Santa Rosa Utility Company to file within 24 months of the effective date of the final decision and order for this CC&N application, a state Aquifer

Protection Permit within 24 months to the Director of Utilities, Arizona Corporation Commission.

2. That the Commission require Santa Rosa Utility Company to file within 24 months from the date of the final order for this application a copy of the CAAG §208 to the Director of Utilities, Arizona Corporation Commission.
3. That the Commission finds that the fair value of the Santa Rosa Utility Company's property devoted to water service is \$11,037,387.
4. That the Commission authorizes Santa Rosa Utility Company the Staff proposed rates and charges shown on Schedule ENZ-2.
5. That the Commission require Santa Rosa Utility Company to file within 24 months of the effective date of the final decision and order for this CC&N application, a copy of the initial "Approval To Construct", issued by the Arizona Department of Environmental Quality with the Director of Utilities, Arizona Corporation Commission.
6. That the Commission require Santa Rosa Utility Company to notify the Commission within 15 days of providing service to its first permanent customer.
7. That the Commission requires Santa Rosa Utility Company to file a rate application no later than three months following the fifth anniversary of the date the Company begins providing service to its first customer.
8. That the Commission requires Santa Rosa Utility Company to maintain its books and records in accordance with the NARUC Uniform System of Accounts for Wastewater Utilities.
9. That the Commission require Santa Rosa Utility Company require Santa Rosa Water Company to file all related franchise agreements within 365 days of the effective date of the decision in this case.

Staff further recommends that the Commission's Decision granting Certificates of Convenience and Necessity to Santa Rosa Utility Company and Santa Rosa Water Company be considered null and void without further order from the Commission should, either utility fail to comply with any condition within the time frame required of the Commission, unless the Commission grants an extension of time for this requirement.

**Schedule LH-1
 Wastewater Depreciation Rates**

NARUC Acct. No.	Depreciable Plant	Average Service Life (Years)	Annual Accrual Rate (%)
354	Structures & Improvements	30	3.33
355	Power Generation Equipment	20	5.00
360	Collection Sewers – Force	50	2.0
361	Collection Sewers- Gravity	50	2.0
362	Special Collecting Structures	50	2.0
363	Services to Customers	50	2.0
364	Flow Measuring Devices	10	10.0
365	Flow Measuring Installations	10	10.00
366	Reuse Services	50	2.00
367	Reuse Meters & Meter Installations	12	8.33
370	Receiving Wells	30	3.33
371	Pumping Equipment	8	12.50
374	Reuse Distribution Reservoirs	40	2.50
375	Reuse Transmission & Distribution System	40	2.50
380	Treatment & Disposal Equipment	20	5.0
381	Plant Sewers	20	5.0
382	Outfall Sewer Lines	30	3.33
389	Other Plant & Miscellaneous Equipment	15	6.67
390	Office Furniture & Equipment	15	6.67
390.1	Computers & Software	5	20.0
391	Transportation Equipment	5	20.0
392	Stores Equipment	25	4.0
393	Tools, Shop & Garage Equipment	20	5.0
394	Laboratory Equipment	10	10.0
395	Power Operated Equipment	20	5.0
396	Communication Equipment	10	10.0
397	Miscellaneous Equipment	10	10.0
398	Other Tangible Plant	----	----

Schedule LH-2
Typical Depreciation Rates For Water Companies

NARUC Account No.	Depreciable Plant	Average Service Life (Years)	Annual Accrual Rate (%)
304	Structures & Improvements	30	3.33
305	Collecting & Impounding Reservoirs	40	2.50
306	Lake, River, Canal Intakes	40	2.50
307	Wells & Springs	30	3.33
308	Infiltration Galleries	15	6.67
309	Raw Water Supply Mains	50	2.00
310	Power Generation Equipment	20	5.00
311	Pumping Equipment	8	12.5
320	Water Treatment Equipment		
320.1	Water Treatment Plants	30	3.33
320.2	Solution Chemical Feeders	5	20.0
330	Distribution Reservoirs & Standpipes		
330.1	Storage Tanks	45	2.22
330.2	Pressure Tanks	20	5.00
331	Transmission & Distribution Mains	50	2.00
333	Services	30	3.33
334	Meters	12	8.33
335	Hydrants	50	2.00
336	Backflow Prevention Devices	15	6.67
339	Other Plant & Misc Equipment	15	6.67
340	Office Furniture & Equipment	15	6.67
340.1	Computers & Software	5	20.00
341	Transportation Equipment	5	20.00
342	Stores Equipment	25	4.00
343	Tools, Shop & Garage Equipment	20	5.00
344	Laboratory Equipment	10	10.00
345	Power Operated Equipment	20	5.00
346	Communication Equipment	10	10.00
347	Miscellaneous Equipment	10	10.00
348	Other Tangible Plant	----	----

NOTES:

1. These depreciation rates represent average expected rates. Water companies may experience different rates due to variations in construction, environment, or the physical and chemical characteristics of the water.
2. Acct. 348, Other Tangible Plant may vary from 5 percent to 50 percent. The depreciation rate would be set in accordance with the specific capital items in this account.

RATE BASE & RATE OF RETURN COMPUTATION

	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5
Plant in Service	\$ 11,577,267	\$ 12,482,267	\$13,687,267	\$ 14,592,267	\$ 15,497,267
Less: Accumulated Depreciation	(539,880)	(1,035,370)	(1,566,180)	(2,076,457)	(2,608,267)
Net Plant	\$ 11,037,387	\$ 11,446,897	\$12,121,087	\$ 12,515,810	\$ 12,889,000
Less: Advances in Aid of Construction	-	-	-	-	-
Original Cost Rate Base	\$ 11,037,387	\$ 11,446,897	\$12,121,087	\$ 12,515,810	\$ 12,889,000
Operating Revenue	215,882	638,648	1,052,413	1,466,179	1,879,943
Operating Expense	716,273	736,601	791,237	852,603	910,646
Operating Income (Loss)	\$ (500,391)	\$ (97,953)	\$ 261,176	\$ 613,576	\$ 969,297
Rate of Return	-4.53%	-0.86%	2.15%	4.90%	7.52%
Number of Customers - Residential	300	900	1,500	2,100	2,700
-Commercial	0	0	0	0	0

RATE DESIGN - SEWER

	Company	Staff
	Proposed	Recommended
<u>Monthly Usage Charge</u>		
Residential - Flat Rate	\$52.44	\$52.44
Commercial - Per meter	0.00	0.00
Commercial - Per 1,000 Gallons of water use	\$0.87	\$0.87
<u>Service Line Connection Charges (Non-Refundable):</u>		
Residential	\$0.00	\$0.00
Commercial	0.00	0.00
<u>Treatment Plant Availability Fee:</u>		
Per New Connection	\$ -	\$ -
<u>Service Charges</u>		
Establishment	\$30.00	\$30.00
Establishment (After Hours)	-	0.00
Reconnection (Delinquent)	30.00	30.00
Deposit	*	*
Deposit Interest	*	*
Re-Establishment (Within 12 Months)	**	**
NSF Check	15.00	15.00
Late Payment Penalty	***	***

* Per Commission rule A.A.C. R14-2-603(B)(7).
 ** Months off system times the monthly minimum per Commission rule A.A.C. R-14-2-603(D)(1).
 *** Per Commission rule A.A.C. R14-2-608(F)(1).

RATE BASE & RATE OF RETURN COMPUTATION

	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5
Plant in Service	\$ 4,100,000	\$ 4,735,000	\$ 5,370,000	\$ 8,125,000	\$ 8,760,000
Less: Accumulated Depreciation	(181,831)	(381,256)	(597,375)	(939,382)	(1,299,381)
Net Plant	\$ 3,918,169	\$ 4,353,744	\$ 4,772,625	\$ 7,185,618	\$ 7,460,619
Less: Advances in Aid of Construction	-	-	-	-	-
Original Cost Rate Base	\$ 3,918,169	\$ 4,353,744	\$ 4,772,625	\$ 7,185,618	\$ 7,460,619
Operating Revenue	215,592	637,777	1,050,961	1,464,146	1,877,330
Operating Expense	363,776	503,891	655,874	918,803	1,078,355
Operating Income (Loss)	\$ (148,184)	\$ 133,886	\$ 395,087	\$ 545,343	\$ 798,975
Rate of Return	-3.78%	3.08%	8.28%	7.59%	10.71%
Number of Customers - Residential	300	900	1,500	2,100	2,700
-Commercial	0	0	0	0	0

RATE DESIGN

	-Proposed Rates-	
<u>Monthly Usage Charge</u>	<u>Company</u>	<u>Staff</u>
<u>5/8" x 3/4" Meter</u>	\$15.00	\$15.00
3/4" Meter	15.00	15.00
1" Meter	22.00	22.00
1½" Meter	33.00	33.00
2" Meter	44.00	44.00
3" Meter	0.00	66.00
4" Meter	88.00	88.00
6" Meter	176.00	176.00
8" 6" Meter	200.00	200.00
10" 6" Meter	200.00	200.00
 Gallons Included in Minimum	 0	 0
 Commodity charge per 1,000 gallons:		
From 0 to 8,000	\$ 3.95	\$ 3.75
From 8,001 to 20,000	3.95	4.50
In excess of 20,000	3.95	5.25
 <u>Service Line and Meter Installation Charges</u>		
<u>5/8" x 3/4" Meter</u>	\$0.00	\$0.00
3/4" Meter	0.00	0.00
1" Meter	0.00	0.00
1½" Meter	0.00	0.00
2" Meter (compound)	0.00	0.00
3" Meter (compound)	0.00	0.00
4" Meter (compound)	0.00	0.00
6" Meter (turbo)	0.00	0.00
6" Meter (compound)	0.00	0.00
 <u>Service Charges</u>		
Establishment	\$30.00	\$30.00
Establishment (After Hours)	37.50	37.50
Reconnection (Delinquent)	25.00	25.00
Meter Test (If Correct)	35.00	35.00
Deposit	*	*
Deposit Interest	*	*
Re-Establishment (Within 12 Months)	**	**
NSF Check	10.00	10.00
Deferred Payment	1.50%	1.50%
Meter Re-Read (If Correct)	25.00	25.00
Late Payment Penalty (per month)	0.0%	1.5%
Main Extension	Cost	Cost
 <u>Monthly Service Charge for Fire Sprinkler</u>		
4" or Smaller	***	***
6"	***	***
8"	***	***
10"	***	***
Larger than 10"	***	***

- * Per Commission Rules (R14-2-403.B)
- ** Months off system times the minimum (R14-2-403.D)
- *** 1.00% of Monthly Minimum for a Comparable Sized Meter Connection, but no less than \$5.00 per month. The Service Charge for Fire Sprinklers is only applicable for service lines separate and distinct from the primary water service line.