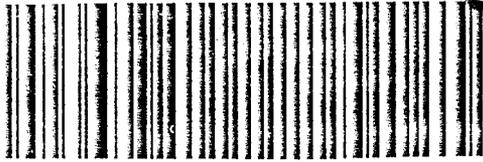




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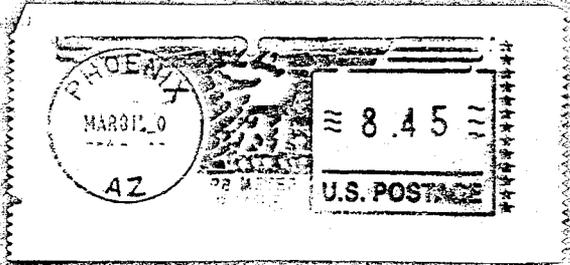
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CERTIFIED MAIL

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**UNDELIVERABLE
AS ADDRESSED,
FORWARDING
ORDER EXPIRED**

Palo Verde Utilities Company
Attn: Micheal Reinbold
426 N. 44th St. - 100
Phoenix, AZ 85008

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COMMISSIONERS
JEFF HATCH-MILLER - Chairman
WILLIAM A. MUNDELL
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MIKE GLEASON
KRISTIN K. MAYES



BRIAN C. McNEIL
Executive Director

ARIZONA CORPORATION COMMISSION

March 30, 2006

Certified Mail No. 7180 4442 0100 0002 2012

Palo Verde Utilities Company
Attn : Michael Reinbold
426 N. 44th St. - 100
Phoenix AZ 85008

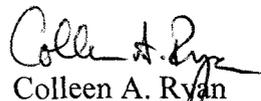
RE: Docket No. W-01445A-06-0200, SW-20445A-06-0200, W-20446A-06-0200, W-03576A-06-0200 and SW-03575A-06-0200

Dear Mr. Patten,

Enclosed is a copy of a Formal Complaint filed with the Arizona Corporation Commission by Arizona Water Company against Global Water Resources, LLC, Global Water Management, LLC, Global Water Resources, Inc., Santa Cruz Water Company, LLC, Palo Verde Utilities Company, LLC, Global Water – Santa Cruz Water Company, Global Water – Palo Verde Utilities Company, John and Jane Does 1-20 and ABC Entities I – XX. In keeping with the Arizona Administrative Code (R14-3-106.H), a copy is being forwarded for your action. Please respond within 20 days of the date that you acknowledge the return receipt.

Thank you for your immediate attention.

Sincerely,


Colleen A. Ryan
Docket Administrator
Docket Control

Enclosure

cc: Lyn Farmer, Chief Hearing Officer
Chris Kempley, Legal Division
Docket (2 copies)

TWO NORTH CENTRAL AVENUE, SUITE 2200
PHOENIX, ARIZONA 85004-4406
(602) 364-7000

1 COMMISSIONERS

2 JEFF HATCH-MILLER, Chairman
3 WILLIAM A. MUNDELL
4 MARC SPITZER
5 MIKE GLEASON
6 KRISTIN K. MAYES

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Arizona Corporation Commission
DOCKETED

MAR 29 2006

DOCKETED BY *[Signature]*

7 **BEFORE THE ARIZONA CORPORATION COMMISSION**

8 ARIZONA WATER COMPANY, an Arizona
9 corporation,

10 Complainant,

11 vs.

12
13 GLOBAL WATER RESOURCES, LLC, a
14 foreign limited liability company; GLOBAL
15 WATER RESOURCES, INC., a Delaware
16 corporation; GLOBAL WATER
17 MANAGEMENT, LLC, a foreign limited
18 liability company; SANTA CRUZ WATER
19 COMPANY, LLC, an Arizona limited liability
20 corporation; PALO VERDE UTILITIES
21 COMPANY, LLC, an Arizona limited liability
22 corporation; GLOBAL WATER - SANTA
23 CRUZ WATER COMPANY, an Arizona
24 corporation; GLOBAL WATER - PALO
25 VERDE UTILITIES COMPANY, an Arizona
26 corporation; JOHN AND JANE DOES 1-20;
27 ABC ENTITIES I - XX,

28 Respondents.

W-01445A-06-0200
SW-20445A-06-0200
W-20446A-06-0200
W-03576A-06-0200
SW-03575A-06-0200

FORMAL COMPLAINT

Pursuant to A.R.S. §§ 40-246, 40-249 and A.A.C. R14-3-106(L), Complainant Arizona Water Company, an Arizona corporation, hereby files this formal complaint against Respondents Global Water Resources, LLC ("GWR LLC"), a foreign limited liability company, Global Water Resources, Inc. ("GWR Inc."), a Delaware corporation, Global

1 Water Management, LLC (“GWM”), a foreign limited liability company, Santa Cruz Water
2 Company, LLC (“SCWC”), an Arizona limited liability company, Palo Verde Utilities
3 Company, LLC (“PVUC”), an Arizona limited liability company, Arizona Global Water-
4 Santa Cruz Water Company (“GW-SCWC”), an Arizona corporation, and Global Water-
5 Palo Verde Utilities Company (“GW-PVUC”), an Arizona corporation (these interlocking
6 entities will be collectively referred to in this Formal Complaint as the “Global Entities”).
7 The Doe and ABC Respondents are parties and entities whose identities have not yet been
8 established, and when they become known, this Formal Complaint will be seasonably
9 amended. Arizona Water Company requests that the Arizona Corporation Commission (the
10 “Commission”) establish a procedural schedule, including a hearing, on this Formal
11 Complaint and thereafter promptly issue an order to show cause why the relief requested set
12 forth below should not be granted.

13 Arizona Water Company alleges as follows:

14 INTRODUCTION

15 1. GWR LLC, a Delaware and/or Arizona limited liability company,^{1/} is illegally
16 and improperly acting as a public service corporation in Arizona in disregard and violation
17 of Article 15 of the Arizona Constitution, A.R.S. §§ 40-202 and 40-281, A.A.C. R14-2-402
18 and the regulatory authority of the Commission.

19 2. GWR Inc., a Delaware corporation, is illegally and improperly acting as a
20 public service corporation in Arizona in disregard and violation of Article 15 of the Arizona
21 Constitution, A.R.S. §§ 40-202 and 40-281, A.A.C. R14-2-402 and the regulatory authority
22 of the Commission.

23 3. GWM, a Delaware and/or Arizona limited liability company,^{2/} is illegally and
24 improperly acting as a public service corporation in Arizona in disregard and violation of
25

26 ^{1/} The Commission website lists GWR LLC as a Delaware limited liability company;
27 however, in various Commission filings, GWR LLC has misrepresented itself as an
Arizona limited liability company.

28 ^{2/} The Commission website lists GWM as a Delaware limited liability company.

1 Article 15 of the Arizona Constitution, A.R.S. §§ 40-202 and 40-281, A.A.C. R14-2-402
2 and the regulatory authority of the Commission.

3 4. GWR LLC, GWR Inc. and GWM, alone or in concert with entities that upon
4 information and belief are GWR Inc.'s wholly owned subsidiaries, SCWC and PVUC, have
5 illegally and improperly entered into agreements and demanded and received various fees
6 and charges from landowners and prospective utility customers in Arizona without approval
7 from and outside of the regulatory authority and oversight of the Commission, in violation
8 of Article 15, Section 3 of the Arizona Constitution, A.R.S. § 40-202 and the Commission's
9 regulations, and against the public interests of the citizens of Arizona.

10 5. GWR LLC, GWR Inc. and GWM, alone or in concert with entities that upon
11 information and belief are GWR Inc.'s wholly owned subsidiaries, SCWC and PVUC, have
12 illegally and improperly solicited landowners and prospective utility customers within
13 Arizona Water Company's Certificates of Convenience and Necessity ("CCNs") in violation
14 of A.R.S. § 40-281 and Arizona law.

15 6. GWR LLC, GWR Inc. and GWM, alone or in concert with entities that upon
16 information and belief are GWR Inc.'s wholly owned subsidiaries, SCWC and PVUC, have
17 illegally and improperly solicited landowners and prospective utility customers within areas
18 contiguous to Arizona Water Company's existing water utility systems, and are thereby
19 interfering or are about to interfere with Arizona Water Company's operation of its lines,
20 plant and systems already constructed and planned for the provision of public water utility
21 service to areas in and surrounding Arizona Water Company's CCNs in violation of A.R.S.
22 § 40-281(B).

23 7. Arizona Water Company requests, among other relief, that the Commission, at
24 the earliest possible time, enter an order requiring GWR LLC, GWR Inc. and GWM to show
25 cause why they should not be ordered to submit to the jurisdiction and regulation of this
26 Commission and cease and desist from the unlawful activity and schemes described in this
27 Formal Complaint.
28

1 information and belief, the address of PVUC is 22601 North 19th Avenue, Suite 210,
2 Phoenix, AZ 85027.

3 14. Global Water–Santa Cruz Water Company (“GW-SCW”) is a recently-formed
4 Arizona corporation which is wholly owned by an entity called “Global Water Inc.,” a
5 Delaware corporation.³ The listed address of GW–SCW is 22601 North 19th Avenue, Suite
6 210, Phoenix, AZ 85027, the same address as the other Global Entities.

7 15. Global Water–Palo Verde Utilities Company (“GW-PVU”) is a recently-
8 formed Arizona corporation which is also recited to be wholly owned by the same inactive
9 entity, “Global Water Inc.,” whose corporate status is “forfeited” and is not qualified to do
10 business in Arizona. The listed address of GW–PVU is 22601 North 19th Avenue, Suite
11 210, Phoenix, AZ 85027, the same address as the other Global Entities.

12 16. Jurisdiction and venue are proper before the Commission pursuant to A.R.S.
13 §§ 40-246 *et seq.* and A.A.C. R14-3-106(L).

14 ALLEGATIONS COMMON TO ALL COUNTS

15 17. Arizona Water Company is a public service corporation in good standing and
16 is properly authorized by the Commission to provide water utility service. It is regulated by
17

18 ^{3/} The December 7, 2005 Articles of Incorporation of GW–SCW filed with the
19 Commission recite that “Global Water Inc.,” a Delaware corporation, owns all
20 common stock of GW–SCW; however, the Delaware Division of Corporations shows
21 Global Water Inc. as “Inactive” and its status as “Forfeited” as of “10-06-2001.” The
22 same is true of GW-PVU. Global Water Inc. is not qualified to do business in
23 Arizona, according to the Commission’s website. To add to the confusion about the
24 true nature of these Global Entities and as evidence of the cavalier treatment of the
25 corporate forms by the Global principals, in a March 9, 2006 Application seeking a
26 broad range of relief to shuffle CCNs and other assets among and between its
27 parents, affiliates and subsidiaries, SCWC and PVUC represented to this
28 Commission that GW-SCW and GW-PVU “are 100% owned by Global Water
Resources, Inc.,” not “Global Water Inc.” See 3/9/06 Application filed by SCWC
and PVUC in Docket Nos. SW-20445A-06-0155, W-20446A-06-0155, SW-03575A-
06-0155 and W-03576A-06-0155 at p. 3, ll. 18-19.

1 the Commission, which sets its rates, oversees its charges, approves its terms and conditions
2 of water service and otherwise exercises regulatory oversight over Arizona Water
3 Company's public utility services.

4 18. Arizona Water Company is a long-established Arizona public service water
5 utility corporation engaged in the business of providing water service to approximately
6 80,000 customers throughout the State, including some 19,000 customers in the Casa
7 Grande and Stanfield areas.

8 19. Statewide, Arizona Water Company operates 22 water systems in eight
9 different counties pursuant to numerous CCNs issued by the Commission at various times
10 over the past fifty-plus years.

11 20. Arizona Water Company has been engaged in the water utility business for
12 over fifty years, produces over 80 million gallons of water per day, and has more than \$261
13 million in gross utility plant.

14 21. In Pinal County alone, Arizona Water Company operates water utility systems
15 pursuant to Commission-issued CCNs in Casa Grande, Stanfield, Coolidge, Superior,
16 Apache Junction, Oracle, Saddle Brooke Ranch, Gold Canyon, San Manuel and Winkelman,
17 making Arizona Water Company the largest water public service corporation in Pinal
18 County.

19 22. GWR LLC, GWR Inc. and GWM do not have authority to operate any water
20 utility themselves, but instead have unlawfully represented to the public that they can
21 provide utility services or direct their subsidiaries or affiliates to provide such services.

22 23. GWR LLC, GWR Inc. and GWM exert control over SCWC, which operates a
23 water system elsewhere in Pinal County pursuant to CCNs issued by the Commission.

24 24. GWR LLC, GWR Inc. and GWM exert similar control over PVUC, which
25 operates a sewer system elsewhere in Pinal County pursuant to CCNs issued by the
26 Commission.

1 25. On information and belief, GWR LLC, GWR Inc. and GWM are conceived,
2 administered and operated as alter egos of SCWC, PVUC, GW-SCW and GW-PVU.
3 Despite the fact that these Global Water Entities operate as alter egos of public utilities
4 regulated by the Commission, GWR LLC, GWR Inc. and GWM have largely avoided and
5 evaded the Commission's authority, regulation and oversight.

6 26. In a February 17, 2006 "Notice of Intent" filed in Docket Nos. W-03576A-06-
7 0103 and SW-03575A-06-0103, SCWC and PVUC purported to provide after-the-fact
8 notice to the Commission of insider transfers of corporate interests within GWR "to existing
9 Global officers or key management personnel." The Commission previously had ordered
10 GWR, SCWC and PVUC to file a notice in advance so that the Commission could initiate
11 appropriate proceedings to determine whether such transfers were in the public interest
12 pursuant to a Settlement Agreement made between the named Global Entities and Staff and
13 approved by the Commission. The Commission also imposed the same requirements in a
14 subsequent order to SCWC and PVUC, Decision No. 67830 (May 5, 2005). GWR LLC
15 and/or GWR Inc. violated the Commission's orders and proceeded with the transfers
16 without notice to the Commission or Commission approval.⁴

17 27. It is appropriate and consistent with the public interest for the Commission to
18 investigate the relationship of such entities and to pierce the corporate veil in the case of a
19 web of interlocking companies like the Global Entities, where the result of such corporate
20 organization is a determined and calculated effort to evade regulation and to undertake
21 actions prohibited by Commission rules and regulations and Arizona law.

22 28. GWR LLC has engaged in an unauthorized scheme of entering into so-called
23 "Infrastructure Coordination and Finance Agreements" ("ICFAs") with a large number of
24 landowners in Pinal County, including landowners located within Arizona Water
25

26
27 ⁴ SCWC and PVUC filed a notice after the transfers had already taken place, citing an
28 "oversight" as the excuse for violating the Commission's orders.

1 Company's CCNs and areas contiguous to its CCNs. An example of a recorded ICFA in
2 Pinal County is attached as Exhibit "1" and is incorporated by this reference.

3 29. In the ICFAs, GWR LLC characterizes itself as the "Coordinator" and states
4 as follows:

5 A. Coordinator is engaged in the business of, among other things, providing
6 services or benefit\$ to landowners, such as: (i) developing master utility plans . . . ;
7 (ii) providing construction services for water and wastewater treatment facilities, and
8 (iii) providing financing for the provision of infrastructure in advance of and with no
9 guarantee of customer connections.

10 B. Coordinator is the owner of Santa Cruz Water Company, LLC ("SCW") and
11 Palo Verde Utilities Company, LLC ("PVU") and provides equity for its subsidiaries
12 [sic] capital improvements.

13 Exhibit 1, Recitals.

14 30. The ICFAs further recite that the landowner sought "to engage Coordinator to
15 provide various services including but not limited to arranging and coordinating for the
16 Landowner the provision of Utility Services by SCW and PVU," and would work with
17 GWR LLC to include the landowner's land in the CCNs of SCW and PVU. *Id.*, Recitals D.
18 GWR LLC also promises in the ICFAs to provide "will serve" letters from SCW and PVU.
19 *Id.*

20 31. The ICFAs further provide that GWR will act as a utility in all but name by
21 "coordinating" utility services by its wholly-owned subsidiaries:

22 Coordinator shall undertake good faith efforts to facilitate, arrange and/or coordinate
23 with SCW and PVU, as necessary, to provide Utility Services to Landowner,
24 including without limitation, obtaining all necessary permits and approvals
25 Coordinator shall make good faith efforts to cause SCW and PVU to provide water
26 [source] and storage as well as waste water treatment Utility Services to Landowner
27 for the Land. Water and wastewater lines will be constructed to the property line of
28 the Land . . . at locations to be designated by [GWR LLC]

29 *Id.*, ¶ 1. The ICFAs also provide that GWR will "arrange and obtain" for the landowner a
30 lengthy list of utility services from SCWC and PVUC, such as expanding CCN areas,
31 preparing master plans, and developing water plant and well source capability. *Id.*, ¶¶ 1-2 &
32 Exhibit D.

1 32. The ICFAs require a tie-in arrangement compelling the landowners to enter
2 into main extension agreements with SCWC and PVUC, to grant SCWC and PVUC various
3 easements, and to eventually grant SCWC any and all water rights and wells on the affected
4 properties. *Id.*, ¶ 3. Such tie-in arrangements have been entered into without regard for the
5 larger public interests such as the ultimate water utility customers, and in complete
6 derogation of Arizona Water Company's rights as the existing, "first in the field" utility
7 provider, and in furtherance of an unlawful scheme that is inimical to the provision of utility
8 services under longstanding Commission practice and policy, and Arizona law.

9 33. The ICFAs also require the landowner "or its assigns in title and/or successors
10 in title" to pay GWR LLC a fee of \$3,300 or more per defined "equivalent dwelling unit,"
11 adjusted upward over time based on the consumer price index. *Id.*, ¶ 4. Such charges by
12 GWR LLC stand completely unregulated by this Commission.

13 34. The ICFAs further require that they shall be recorded with the Pinal County
14 Recorder. Thus, the ICFAs impose an unreasonable burden on the land and bind future
15 landowners, and further frustrate and interfere with the Commission's authority to oversee
16 and regulate the provision of public utility service to the ultimate customers.

17 35. GWR has entered into and recorded ICFAs with numerous landowners in
18 Pinal County, and, on information and belief, has executed even more that have not yet been
19 recorded, including numerous ICFAs within and in the immediate vicinity of Arizona Water
20 Company's existing CCN areas.

21 36. The ICFAs provide in effect that GWR LLC will act as a utility by
22 "coordinating" and "facilitating" utility services by its subsidiaries, "causing" certain of its
23 agents, including the Global Entities, to provide utility services, prepare master plans, build
24 utility plant and extend water mains.

25 37. No Arizona law or statute, and no Commission decision or order, rule or
26 regulation, allows GWR LLC, GWR Inc. or GWM, which are attempting to act outside of
27
28

1 the jurisdiction, oversight or approval of the Commission, to charge, demand or collect a fee
2 for “coordinating” or “facilitating” the provision of such utility services.

3 38. The Commission has expressly denied requests by SCWC and PVUC to
4 charge similar up-front fees to developers and landowners. See Decision No. 61943
5 (September 17, 1999), attached as Exhibit 2 and incorporated by this reference.

6 39. The Global Entities are using the ICFAs to circumvent those Commission
7 denials and evade the Commission’s oversight and jurisdiction by collecting fees in
8 exchange for “facilitating” utility services by subsidiaries in direct violation of Commission
9 orders and in violation of Article 15, Section 3 of the Arizona Constitution and A.R.S. § 40-
10 202. Upon information and belief, GWR LLC may be mischaracterizing such unregulated
11 payments by landowners as “paid in capital” to its regulated entities in order to evade
12 Commission policy, where such payments should be properly treated as advances or
13 contributions in aid of construction for ratemaking purposes, if the utilities had been
14 authorized to collect such fees, which they have not.

15 40. GWR LLC has also entered into “Memoranda of Understanding” (“MOUs”)
16 with various municipalities, including the City of Casa Grande. See Exhibit 3, incorporated
17 by this reference.

18 41. The Global Entities benignly characterize the MOUs as a beneficial “public-
19 private partnership” that will “harmonize rates” and provide “innovative revenue streams”
20 to the municipalities. In fact, the MOUs provide that in exchange for payments from GWR
21 LLC (but purportedly passed through to its future customers via rates charged by SCWC
22 and PVUC) as well as a flat fee for each residential home connected “to Global’s water and
23 wastewater system within the jurisdictions of the City” (although Global is not a regulated
24 public service corporation and has no such systems, or authority to collect such fees), the
25 City of Casa Grande shall cooperate in seeking Commission “approval of SCW[C] and
26 PVU[C]’s proposed expansion of the CC&N over Global’s Planning Area.” See MOU,
27 paragraph 17(a).
28

1 the manner and method of operation employed by any public service corporation are unjust,
2 unreasonable or improper.

3 52. Thus, the Commission has previously prescribed and regulated the rates
4 charged by GWR LLC's and GWR Inc.'s agents and alter egos, such as SCWC and PVUC.

5 53. By means of the ICFAs, MOUs, and other actions, GWR LLC, GWR Inc. and
6 GWM, and the entities they control, have sought to avoid the regulation of the Commission
7 and assess charges and fees for utility services that were never approved and for the most
8 part were expressly rejected by the Commission.

9 54. The effect of the ICFAs is to allow GWR LLC to charge hookup fees for the
10 provision of utility services which the Commission has expressly refused to allow SCWC
11 and PVUC to charge, thereby unlawfully circumventing the Commission's jurisdiction and
12 authority.

13 55. The effect of the MOU is to allow GWR LLC to collect fees from future
14 customers in order to provide a financial incentive to neighboring municipalities to support
15 the Global Entities' efforts to expand their CCNs, in complete disregard for the public
16 interest.

17 56. Because of the misconduct described above, the Commission should order
18 GWR LLC, and other Global Entities that are involved in the ICFAs or MOUs, to appear
19 and show cause why the fees assessed by GWR and payments made by GWR pursuant to
20 those agreements are not improper, unauthorized and therefore unlawful service fees and
21 payments that must first be prescribed and regulated by the Commission, and to direct the
22 manner and method of accounting for such fees and payments consistent with Commission
23 policy, including but not limited to providing for a refund of such unlawfully collected fees
24 and charges.

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COUNT THREE
ILLEGAL INFRINGEMENT ON ARIZONA WATER COMPANY'S CCN AND
INTERFERENCE WITH ITS CUSTOMERS

57. Arizona Water Company realleges and incorporates by reference the allegations in the foregoing paragraphs.

58. Pursuant to numerous Commission decisions and orders, Arizona Water Company operates a number of water-utility systems in Pinal County, in particular the Stanfield and Casa Grande systems, which are identified and protected from invasion, bypass and unlawful competition under the terms and conditions of CCNs issued by the Commission in accordance with Arizona law.

59. The area covered by the Stanfield CCN issued by the Commission is described in the legal description attached as Exhibit 4, which is incorporated by this reference.

60. Upon information and belief, GWR LLC, GWR Inc. and the other Global Entities have illegally and improperly solicited water utility service customers within Arizona Water Company's Stanfield and Casa Grande CCN areas.

61. Because of their illegal and improper conduct, the Global Entities should be ordered to appear before this Commission and show cause why the Commission should not issue an injunction prohibiting them, and their officers, agents and consultants and others within their control, from soliciting Arizona Water Company's customers and infringing on Arizona Water Company's rights under its CCNs.

62. Further, the Global Entities should be ordered to appear before this Commission and show cause why the Commission should not issue an injunction prohibiting them, and their officers, agents and consultants and others within their control, from soliciting Arizona Water Company's future customers and prospective business relationships in areas contiguous to Arizona Water Company's CCNs in Pinal County that are within Arizona Water Company's master planning area and for which the public interest compels that Arizona Water Company be the certificated water utility.

1 WHEREFORE, Arizona Water Company requests that this Commission:

2 A. Direct the appropriate Global Entities and any other Respondents as discovery
3 may reveal to appear and show cause why they, by acting as the alter egos of public service
4 corporations, should not themselves be declared to be acting as public service corporations
5 pursuant to Article 15, Section 2 of the Arizona Constitution and be subjected to the
6 jurisdiction and regulation of the Commission, and why an injunction or cease and desist
7 order should not issue directing such entities and their officers, agents and consultants and
8 others within their control to cease acting as public service corporations unless and until
9 they subject themselves to the jurisdiction and regulation of the Commission;

10 B. Direct the appropriate Global Entities and any other Respondents as discovery
11 may reveal to appear and show cause why they should not be ordered to cease and desist
12 imposing and collecting the charges and fees assessed under the ICFAs and MOUs, which
13 constitute illegal and improper utility service charges which have not been approved by the
14 Commission, and why an injunction or cease and desist order should not issue directing
15 such parties and their officers, agents and consultants and others within their control to
16 cease contacting landowners and prospective customers, entering into negotiations and
17 assessing or paying fees and charges under such agreements that are not approved by the
18 Commission;

19 C. Direct the Global Entities and any other Respondents as discovery may reveal,
20 and their officers, agents and consultants and others within their control, to appear and show
21 cause why they should not be declared to be in violation of Arizona law for their unlawful
22 actions as alleged above, and permanently enjoined from illegally and improperly soliciting
23 Arizona Water Company's customers and infringing on Arizona Water Company's CCN
24 rights;

25 D. Direct the Global Entities and any other Respondents as discovery may reveal,
26 and their officers, agents and consultants and others within their control, to appear and show
27 cause why the ICFAs should not be deemed unlawful and declared void, with all fees and
28

1 charges collected to be refunded forthwith to the respective landowners, with interest and
2 upon other appropriate terms, and that they take steps to release and reconvey any recorded
3 interests arising out of the ICFAs so as to restore clear title to the affected properties;

4 E. Pursuant to A.R.S. § 40-246(C), set the time and place for a hearing upon this
5 Formal Complaint; and

6 F. Providing for such other relief as the Commission deems just and reasonable.

7 DATED this 27th day of March, 2006.

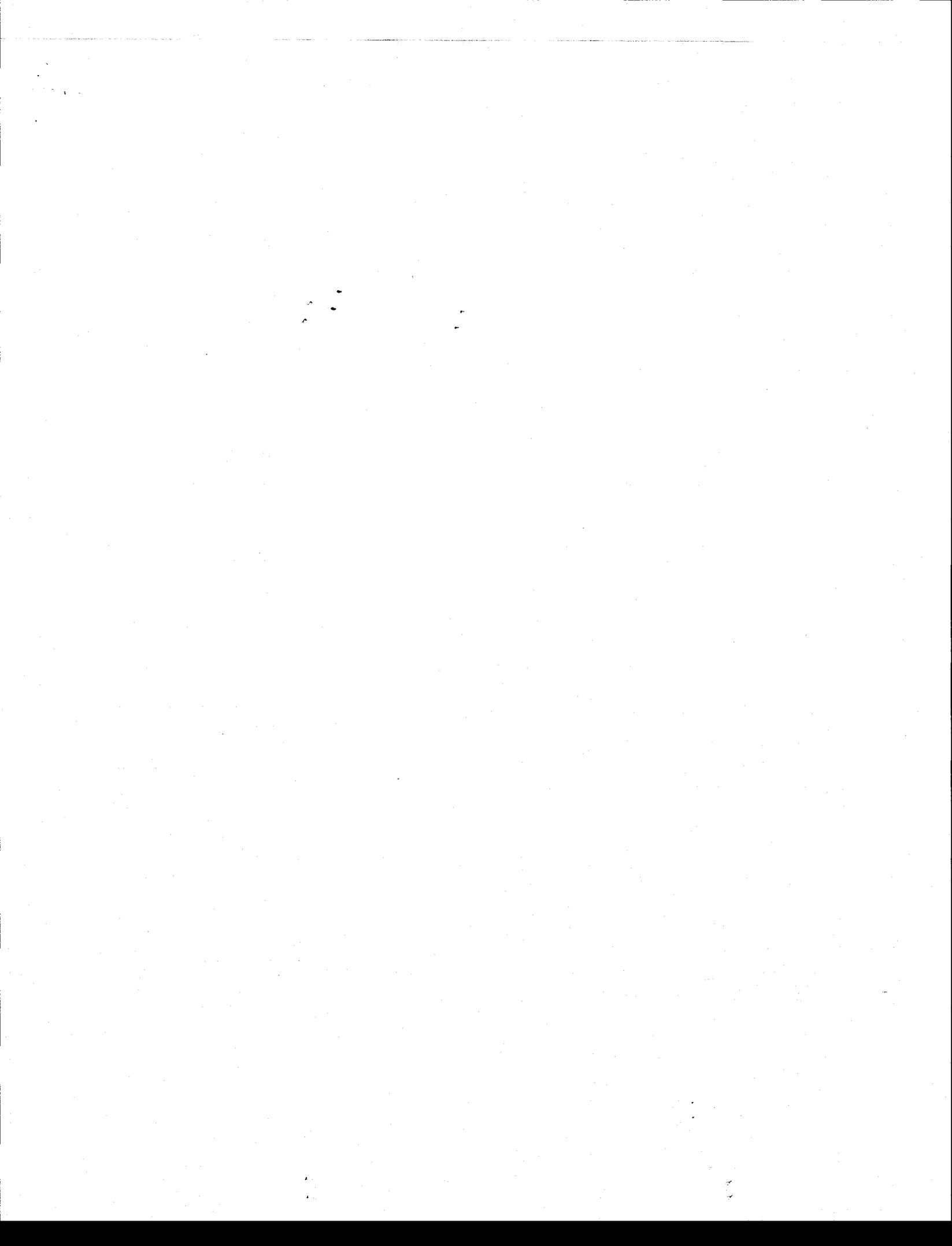
8
9 ARIZONA WATER COMPANY

10
11
12 By Robert W. Geake, Esq.
13 Vice President and General Counsel
14 3805 N. Black Canyon Highway
15 Phoenix, AZ 85015

16 and

17 BRYAN CAVE LLP

18
19 By 
20 Steven A. Hirsch, #006360
21 Rodney W. Ott, #016686
22 Two N. Central Avenue, Suite 2200
23 Phoenix, AZ 85004-4406
24 Attorneys for Arizona Water Company
25
26
27
28



9



OFFICIAL RECORDS OF
PINAL COUNTY RECORDER
LAURA DEAN-LYTTLE

WHEN RECORDED RETURN TO:

Andrew Abraham, Esq.
Burch & Cracchiolo, P.A.
P.O. Box 16882
Phoenix, Arizona 85011

DATE/TIME: 10/12/05 1625
FEE: \$60.00
PAGES: 51
FEE NUMBER: 2005-139041

COVER SHEET

INFRASTRUCTURE COORDINATION AND FINANCE AGREEMENT

DOCUMENT BEING "RE-RECORDED"
INASMUCH AS PAGE 2
OF THE DOCUMENT HAS BEEN AMENDED
BY AGREEMENT OF THE PARTIES.

Unofficial

Exhibit 1

W/c
Liddy
Legal
49

WHEN RECORDED RETURN TO:
Global Water Resources, LLC
22601 N. 19th Avenue
Suite 210
Phoenix, Arizona 85027



OFFICIAL RECORDS OF
PINAL COUNTY RECORDER
LAURA DEAN-LYTTLE

DATE/TIME: 08/18/05 1046
FEE: \$58.00
PAGES: 49
FEE NUMBER: 2005-106217

INFRASTRUCTURE COORDINATION AND FINANCE AGREEMENT

THIS INFRASTRUCTURE COORDINATION AND FINANCE AGREEMENT (this "Agreement") is entered into as of March 30, 2005 between Global Water Resources, LLC, an Arizona limited liability company ("Coordinator") and HAM-Mesa, L.L.C., an Arizona limited liability company ("Landowner").

RECITALS

A. Coordinator is engaged in the business of, among other things, providing services or benefits to landowners, such as: (i) developing master utility plans for services including natural gas, electricity, cable television, Internet, intranet, and telecommunications; (ii) providing construction services for water and wastewater treatment facilities, and (iii) providing financing for the provision of infrastructure in advance of and with no guarantee of customer connections.

B. Coordinator is the owner of Santa Cruz Water Company, LLC ("SCW") and Palo Verde Utilities Company, LLC (PVU") and provides equity for its subsidiaries capital improvements.

C. SCW and PVU are Arizona public service corporations. SCW and PVU have been issued certificates of convenience and necessity ("CC&N") by the Arizona Corporation Commission ("ACC") to provide water and waste water services (collectively the "Utility Services"), respectively in designated geographic areas within the State of Arizona.

D. Landowner is in the process of entitling and/or developing certain real property, as more fully described on Exhibit A hereto (the "Land") and, in connection therewith, desires (i) to engage Coordinator to provide various services including but not limited to arranging and coordinating for the Landowner the provision of Utility Services by SCW and PVU with respect to the Land, and (ii) work with SCW and PVU to include the Land as part of a CC&N service area expansion for SCW and PVU, on the terms and conditions hereinafter set forth. Landowner may entitle and sell the land in multiple phases to entities for future development. Through Coordinator, Landowner has requested water and waste water services from SCW and PVU respectively; and, SCW and PVU have agreed to provide such services to Landowner. Coordinator shall use good faith efforts to provide "will serve" letters from SCW and PVU for Landowner and file for CC&N Approval within 21 days of execution of this Agreement.

E. The parties acknowledge that the expansion of the CC&N may not be finalized until such time as the appropriate Arizona Department of Water Resources ("ADWR"), Arizona Department of Environmental Quality ("ADEQ") and Central Arizona Association of Governments ("CAAG") permits and approvals are in place.

F. The parties acknowledge that it is a requirement of this Agreement for the Coordinator to facilitate an agreement between Landowner and PVU for PVU to provide reclaimed water and for the Landowner to accept and utilize reclaimed water for purposes of irrigation for the peak and off peak periods.

G. The parties recognize and acknowledge that this Agreement is a financing and coordinating agreement only. The fees contemplated in this letter represent an approximation of the carrying costs associated with interest and capitalized interest associated with the financing of infrastructure for the benefit of the Landowner until such time as the rates associated from the provision of services within the areas to be served as contemplated by this agreement generate sufficient revenue to carry the on going carrying costs for this infrastructure. Nothing in this Agreement should be construed as a payment of principal, a contribution or advance to the utilities and will bear no repayment of any kind or nature in the future.

H. The parties recognize, acknowledge and agree that this Agreement is contingent on a 30 acre wastewater treatment site located in the North East corner of Section 17 of Township 5 South, Range 3 East being held in trust within 120 days of the execution of this Agreement with specific instruction to be deeded to PVU immediately following the CC&N

D. Landowner is in the process of entitling certain real property, as more fully described on Exhibit A hereto (the "Land") and, in connection therewith, desires (i) to engage Coordinator to provide various services including but not limited to arranging and coordinating for the Landowner the provision of Utility Services by SCW and PVU with respect to the Land, and (ii) work with SCW and PVU to include the Land as part of a CC&N service area expansion for SCW and PVU, on the terms and conditions hereinafter set forth. Landowner may entitle and sell the land in multiple phases to entities for future development. Through Coordinator, Landowner has requested water and waste water services from SCW and PVU respectively; and, SCW and PVU have agreed to provide such services to Landowner. Coordinator shall use good faith efforts to provide "will serve" letters from SCW and PVU for Landowner and file for CC&N Approval within 21 days of execution of this Agreement.

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H. The parties recognize, acknowledge and agree that this Agreement is contingent on a 30 acre wastewater treatment site located in the North East corner of Section 17 of Township 5 South, Range 3 East being held in trust within 120 days of the execution of this Agreement with specific instruction to be deeded to PVU immediately following the CC&N approval for the provision of water reclamation facilities and infrastructure.

AGREEMENT

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. Obligations of Coordinator. Upon execution of this Agreement, Coordinator shall undertake good faith efforts to facilitate, arrange and /or coordinate with SCW and PVU, as necessary, to provide Utility Services to Landowner, including without limitation, obtaining all necessary permits and approvals from ACC, ADWR, ADEQ and CAAG to expand the CC&N of SCW and PVU to include the Land. Coordinator shall make good faith efforts to cause SCW and PVU to provide water source and storage as well as waste water treatment Utility Services to Landowner for the Land. Water and wastewater lines will be constructed to the property line of the Land and reclaimed water lines will be constructed to a water storage facility within the Land, at locations to be designated by Coordinator collectively (the "Delivery Point") in consultation with Landowner. In addition to other administrative services to be provided by Coordinator, Coordinator shall undertake good faith efforts to coordinate and provide access to utility agreements currently in place to benefit the Land. These utility agreements may include the provision of natural gas, electricity, telephone, cable television, Internet, and intranet services. Coordinator will use its good faith efforts to facilitate modifications to existing utility agreements (including agreements with utility service providers other than with SCW and PVU) to include the Land within the service areas of other utility service providers. Landowner acknowledges and agrees that nothing in this Agreement is intended to prohibit Coordinator, its successors or assigns or their respective subsidiaries or affiliates from investing in or owning companies formed for purposes of providing any one or more of the utility services contemplated in this Agreement. Landowner shall not be obligated to enter into any agreements with Coordinator, its successors or assigns, or their respective subsidiaries or affiliates to accept any utility services without Landowner's written approval, in Landowner's sole discretion.

2. Coordination with SCW and PVU. Coordinator shall make good faith efforts to arrange and obtain for Landowner the list of services on attached Exhibit D for Landowner from SCW and PVU to provide the services more fully described on Exhibit D hereto, subject to obtaining the applicable regulatory approvals. Landowner or any successor to Landowner desiring the delivery of Utility Services to any portion of the Land must enter into separate Water Facilities Extension and Wastewater Facilities Extension Agreements (the "Extension Agreements") with SCW and PVU, respectively, at the time any portion of the Land has received final plat approval from Pinal County and the approved plat has been recorded ("Plat

Approval”). The Extension Agreements shall be in the forms attached hereto as Exhibits E and F.

3. Obligations of Landowner. Landowner agrees to cooperate with Coordinator as reasonably requested by Coordinator and agrees to provide all information and documentation about the Land reasonably necessary for Coordinator to comply with its obligations under this Agreement. In addition, Landowner agrees to grant to SCW and/or PVU, as the case may be, all necessary easements and rights of way for the construction and installation and subsequent operation, maintenance and repair of the Utility Services provided, however, that Coordinator shall cause SCW and PVU to obtain Landowner's prior written approval of the location of such easements and rights of way, which approval shall not be unreasonably withheld. Such easements and rights of way shall be of adequate size, location and configuration so as to allow SCW and PVU ready and all weather access to all facilities for maintenance and repairs and other activities reasonably necessary to provide safe and reliable water and wastewater Utility Services. In addition, as and when Landowner is no longer utilizing any portion of the Land for farming activities requiring use of irrigation water and one or more Water Facilities Extension Agreement has been entered into with respect to the Land, Landowner shall thereafter provide and transfer to SCW any and all water rights, which are owned by Landowner at the time of the signing of this Agreement, including, but not limited to, Grandfathered Irrigation Rights, Type I rights and /or Type II rights which run with or relate to the Land and which Coordinator determines, in its sole discretion, to be useful. Further, as and when Landowner is no longer utilizing any portion of the Land for farming activities requiring use of irrigation water and one or more Water Facilities Extension Agreement has been entered into with respect to the Land, Landowner shall thereafter transfer and convey to SCW at no cost to SCW (or Coordinator) any wells on the Land that SCW, in its sole discretion, deems useful for SCW, whether operational, abandoned, agricultural or otherwise. In addition, if SCW identifies well sites on the Land that SCW, in its sole discretion, deems useful for SCW, Landowner shall cause such well sites to be identified on the Plat Approval and dedicated to SCW in fee, free of all liens, claims and encumbrances of any kind or nature whatsoever; provided that the well site location is not located within areas identified in the current or any approved preliminary plans as areas to be used for entrances, entry monumentation or public roadways. Any well sites not transferred to SCW are to be decommissioned at the Landowner's expense. Both parties acknowledge that until effluent is available for the Land, groundwater from wells on the Land will be utilized. The Coordinator will use its reasonable efforts to obtain an Interim Use Permit with ADWR on behalf of the Landowner or the Landowners homeowner association to allow the use of groundwater until effluent is available. Specific identifiable costs associated with completing the

Interim Use Permit will be reimbursed by Landowner to Coordinator subject to written documentation of such costs. Such costs may include engineering plans prepared by Landowner's engineering firm for the benefit of ADWR subject to Landowner's prior written notice. As necessary and in SCW sole discretion, Landowner will provide for the deeding of up to two (2) acres of land designated on Landowner's plat as open space per 640 acres of land, free and clear of all liens, claims or encumbrances (except as otherwise expressly agreed to by SCW) to SCW for the use of future water pumping, treatment and storage facilities in the general location identified on Exhibit B attached hereto.

4. Payment Obligations. Landowner, or its assigns in title and/or successors in title, shall pay Coordinator an interest and financing fee as full and final compensation to the Coordinator in consideration for its services and performance of its covenants and agreements contained in the Agreement, the sum of \$3,300.00 per equivalent dwelling unit ("EDU") in the Land (the "Landowner Payment"). The portion of the Landowner Payment not paid concurrently with the execution of this Agreement shall be adjusted upward based on a CPI Factor, which is defined as the Consumer Price Index - United States City Average - for All Urban Consumers - All Items published by the United States Department of Labor, Bureau of Labor Statistics ("Index"), with the Index for the month of January 2006 being treated as the base Index, plus two percent (2%). If the Index is discontinued or revised during the term of this Agreement, such other government index or computation with which it is replaced shall be utilized, and modified as necessary, to obtain substantially the same result as would be obtained if the Index had not been so discontinued or revised. For example, if the Landowner Payment was due in February 2007, the \$25 per EDU had been paid and the most current available Index was 187.3 and the Index for January 2006 was 182.5, the unpaid Landowner Payment per EDU would be calculated as follows: $\$3,275 \times 187.3/182.5 \times 1.02 = \$3,428$. For the purposes of this Section 4, the number of EDUs within the Land shall be calculated as follows: (i) each single family residential lot included in the Plat Approval shall constitute one (1) EDU and (ii) each gross acre of commercial or industrial property included in the Plat Approval shall constitute four point eight (4.8) EDUs. If the payment to be made by Landowner pursuant to this Section 4 is due and owing pursuant to clause (ii) above prior to the Plat Approval, Coordinator shall reasonably calculate the Landowner Payment and Landowner shall make an initial payment based upon Coordinator's reasonable calculation. Following each Plat Approval, Landowner (and any successor or assign in title to any interest in the Property) and Coordinator shall reconcile the amount paid pursuant to the preceding sentence with the actual Landowner Payment due and Landowner, and/or any successor or assign in title to any interest in the Property, as applicable, shall pay to Coordinator or Coordinator shall pay to Landowner and/or

any successor or assign in title to any interest in the Property, as applicable, as the case may be, the amount necessary to reconcile such payment.

The following describes the timing of payments for Zoned residential lots based on the base year price of \$3,300 per lot. Any additional amounts due for the CPI Factor is paid as each phase is final platted.

- Of this amount, \$25 per EDU for all property within the Land is payable upon signing of the Infrastructure Coordination Agreement. If any portion of the Land has not received Pinal County approved residential, commercial and/or industrial zoning ("Zoned"), the Landowner may enter into this Agreement, but not pay the initial \$25 fee until such time as such portion of the Land is Zoned. At the time the County approves the Re-Zoning Application, then the initial \$25 fee per EDU is due and any other portion of the \$3,300 fee is due if it has been triggered by the terms of this Agreement.
- \$500 per EDU for all platted and/or Zoned residential lots is payable within fifteen (15) days of when sewer lines have been extended in accordance with Exhibit C. The Coordinator will notify the Landowner by delivery to Landowner of a notice certifying that sewer lines have been extended in accordance with Exhibit C (the "Start Work Notice"). Which "Start Work Notice" shall notify Landowner when such work is commenced by SCW and/or PVD. This \$500 payment shall be contingent on the CC&N approval, the Ak-Chin easement approval or the CAAG 208 approval as required.
- At each final plat recordation or at the time the CC&N expansion has been approved as is evidenced by the publication of a final decision and/or order from the ACC, whichever is later, \$2,775 per EDU is payable for all residential EDU's indicated on the final plat and \$250 is payable for remaining EDUs within the Land based on approved Zoning.
- For the balance of the Zoned but not platted residential EDUs to be final platted in the future, \$2,525 per residential EDU is payable at final plat recordation. The Coordinator will true-up any discrepancy with respect to the actual number of residential EDUs at final plat recordation against Zoned but not platted residential EDUs estimated at the time of signing this Agreement. Either the Coordinator will pay the Landowner or the Landowner will pay the Coordinator that difference contemporaneous with the final payment as triggered by the last final platted parcel(s) to record within the Land. In the event that some portion of the Land is sold and transferred to an unaffiliated third party before this payment is due then the payment

amount will be held in an escrow until the Coordinator satisfies its obligation under the terms of this Agreement. Other than the initial \$25 payment, no portion of the Landowner Payment shall be due for any portion of the Land that is not Zoned for single family residential use until such portion of the Land is subjected to a final site plan approved by Pinal County. Coordinator specifically understands and agrees that Landowner has no obligation to record final platting under this Agreement and such decision is left to Landowners' sole discretion.

- An example of how this would calculate for a section of land included in the CC&N with nothing other than 2,100 Zoned residential EDUs developed in three phases of 700 EDUs each:
 - \$25 times 2,100 EDUs or \$52,500 is due upon signing of the Infrastructure Coordination Agreement;
 - \$500 times 2,100 EDUs or \$1,050,000 is due fifteen (15) days after Coordinator issues the Start Work Notice;
 - \$2,775 times 700 EDUs, (based on the Zoned residential EDU's in the phase of the Land in which the first plat records) or \$1,942,500, plus \$250 times remaining 1,400 Zoned EDUs within the remainder of the Land, or \$350,000, for a total of \$2,292,500 is due at the first final plat recordation, or at the time the CC&N expansion has been approved as is evidenced by the publication of a decision and/or order from the ACC whichever is the later;
 - then, \$2,525 per EDU is payable as and when the remaining single family lots are created by recorded final plats.

The following describes the timing of payments for commercial and industrial property based on the \$3,300 per EDU base year price at 4.8 EDUs per acre. Amounts due for the CPI Factor for each EDU is paid as land is subjected to a final approved site plan.

- Of this amount, \$25 per EDU for all Zoned commercial or industrial acres is payable upon signing of this Agreement, or upon final zoning whichever is the later.
- The remaining \$3,275 per EDU is payable when the County approves the "Commercial or Industrial Site Plan",
 - An example of how this would calculate for a commercial or industrial section of land with 30 acres in size would be as follows:
 - \$25 x 30 acres x 4.8 EDU/acre or \$3,600 is due upon signing of this Agreement;
 - \$3,275 plus the CPI Factor x 30 acres 4.8 EDU/acre or \$471,600 is due and

EXHIBIT F
INFRASTRUCTURE COORDINATION AGREEMENT

LINE EXTENSION AGREEMENT - PALO VERDE UTILITIES COMPANY

SEWER FACILITIES EXTENSION AGREEMENT

This Agreement is made this _____ day of _____, 2005 by and between PALO VERDE UTILITIES COMPANY, L.L.C. an Arizona limited liability company ("Company"), _____, an _____ ("Developer").

RECITALS:

A. Developer desires that sewer utility service be extended to and for its real estate development located in Parcel _____ of _____ consisting of _____ (single family, multi-family or commercial) lots, in Pinal County within the general vicinity of the City of Maricopa, Arizona (the "Development"). A legal description for the Development is attached hereto as Exhibit "A" and incorporated herein by this reference. The Development is located within Company's Certificate of Convenience and Necessity ("CC&N").

B. Company is a public service corporation as defined in Article XV, Section 2 of the Arizona Constitution which owns and operates a sewage treatment plant and collection system and holds a CC&N from the Commission granting Company the exclusive right to provide sewer utility service within portions of Pinal County, Arizona.

C. Developer is willing to construct and install facilities within the Development necessary to extend sewer utility service to and within the Development which facilities shall connect to the Company's system as generally shown on the map attached hereto as Exhibit "B." Company is willing to provide sewer utility service to the Development in

payable when the County approves the Commercial or Industrial Site Plan. If the Commercial or Industrial Site Plan approval only relates to 15 of the 30 acres, \$3,275 plus the CPI Factor x 15 acres 4.8 EDU/acre or \$235,800 is due and payable when the County approves the Commercial or Industrial Site Plan for the 15 acres. The balance of the \$3,275 plus the CPI Factor due for the remaining acreage is due as the County approves the Commercial or Industrial Site Plan.

The parties acknowledge that additional fees will be billed to the commercial and industrial end user based upon the ultimate use of the land and fixtures thereon.

Fees payable to SCW and PVU, and reimbursement for certain costs and expenses incurred by Landowner with respect to the obtaining of Utility Services are not the subject of this Agreement and shall be paid and reimbursed to the appropriate parties in accordance with the Extension Agreements.

5. No Partnership. Coordinator is acting as an independent contractor pursuant to this Agreement. Nothing in this Agreement shall be interpreted or construed (i) to create an association, agency relationship, joint venture, or partnership among the parties or to impose any partnership obligation or liability upon either party, or (ii) to prohibit or limit the ability of Coordinator to enter into similar or identical agreements with other landowners, even if the activities of such landowners may be deemed to be in competition with the activities or Landowner.

6. Default.

(a) Landowner shall be deemed to be in material default under this Agreement upon the expiration of ten (10) days, as to monetary defaults, and thirty (30) days, as to non-monetary defaults, following receipt of written notice from Coordinator specifying the particulars in which a default is claimed unless, prior to expiration of the applicable grace period (ten (10) days or thirty (30) days, as the case may be), such default has been cured. A default by Landowner under this Agreement shall constitute a default by Landowner under the Extension Agreements and a default by Landowner under the Extension Agreement(s) shall constitute a default under this Agreement.

(b) In the event Landowner is in default under this Agreement, the provisions

hereof may be enforced by any remedy permitted by law for specific performance, injunction, or other equitable remedies in addition to any other remedy available at law or in equity. In this regard, in the event Landowner fails to pay any amount as and when due (including the Landowner Payment), which failure is not cured within ten (10) days after notice thereof in accordance with the provisions of Section 6(a) above, such delinquent amounts shall bear interest at the rate of fifteen percent (15%) per annum from the due date until paid. In addition, to the extent such sums remain unpaid following such ten (10) day period, Coordinator may claim a contractual lien for such sum, together with interest thereon as set forth above, which may be foreclosed against only that portion of the Land owned by the defaulting landowner in the manner prescribed by law for the foreclosure of realty mortgages; Coordinator agrees that as and when portions of the Property are sold, the obligations hereunder shall be bifurcated based on the land area sold and each landowner shall be solely (and not jointly) responsible for all sums owed with respect to the land areas that it owns and shall not have any obligation or liability for the failure of any other owner of any portion of the Land.

(c) Subject to the limitations described in the last sentence of the subsection (b) above, amounts owed but not paid when due by Landowner shall be a lien against the Land that the parties agree shall relate back to the date upon which an executed copy of this Agreement is recorded in the Pinal County Records Office along with a document entitled Preliminary Notice of Contractual Lien which sets forth:

- i. The name of the lien claimant;
- ii. the name of the party or then owner of the property or interest against which the lien is claimed;
- iii. and a description of the property against which the lien is claimed.

(d) The lien shall take effect only upon recordation of a claim of contractual lien as described below in the office of the Pinal County Recorder by Coordinator, and shall relate back to the date when the Preliminary Notice of Contractual Lien and executed copy of the Agreement were recorded, as set forth in paragraph (c) above. Coordinator shall give written notice of any such lien. The Notice and Claim of Contractual Lien shall include the following:

- (i) The name of the lien claimant.

- (ii) The name of the party or then owner of the property or interest against which the lien is claimed.
- (iii) A description of the property against which the lien is claimed.
- (iv) A description of the default or breach that gives rise to the claim of lien and a statement itemizing the amount of the claim.
- (v) A statement that the lien is claimed pursuant to the provisions of this Agreement and reciting the date of recordation and recorder's document number of this Agreement.
- (vi) The notice shall be acknowledged, and after recordation, a copy shall be given to the person against whose property the lien is claimed in any manner prescribed under Section 15 of this Agreement. The lien may be enforced in any manner allowed by law, including without limitation, by an action to foreclose a mortgage or mechanic's lien under the applicable provisions of the laws of the State of Arizona.

(e) If the Landowner posts either (a) a bond executed by a fiscally sound corporate surety licensed to do business in the State of Arizona, or (b) an irrevocable letter of credit from a reputable financial institution licensed to do business in the State of Arizona reasonably acceptable to Coordinator, which bond or letter of credit (i) names Coordinator as the principal or payee and is in form satisfactory to Coordinator, (ii) is in the amount of one and one-half (1-1/2) times the claim of lien, and (iii) unconditionally provides that it may be drawn on by Coordinator in the event of a final judgment entered by a court of competent jurisdiction in favor of Coordinator, then Coordinator shall record a release of the lien or take such action as may be reasonably required by a title insurance company requested to furnish a policy of title insurance on such property to delete the lien as an exception thereto. Landowner shall post the bond or letter of credit by delivery of same to Coordinator. All costs and expenses to obtain the bond or letter of credit, and all costs and expenses incurred by Coordinator, shall be borne by Landowner, unless Landowner is the prevailing party in any litigation challenging the claimed lien.

7. Non Issuance of CC&N Expansion. In the event that Coordinator, SCW and PVU are unable to obtain all of the necessary approvals from the ACC and ADEQ within eighteen (18) months of the execution of this Agreement or if such approvals are reversed or

ultimately invalidated on appeal, which would allow for the Land to be included in the CC&N expansions of SCW and PVU, then the Landowner or Coordinator at either party's option may terminate this Agreement without recourse to either party. Should either party elect to terminate this Agreement under this condition, any funds (other than the initial \$25 per EDU payment) paid by the Landowner to the Coordinator for purposes of progressing the construction of any necessary infrastructure (the \$500 per EDU payment described in Section 4 above) would be refundable at that time and would become due and payable to the Landowner within fifteen (15) days of termination of this Agreement. Any fees collected at the time of the execution of this Agreement are expressly non-refundable. In the event of termination of the Agreement, Coordinator shall remove or cause to be removed any registration of this Agreement with Pinal County and waive any lien rights it may have under this Agreement.

8. Attorneys' Fees. If any dispute arises out of the subject matter of this Agreement, the prevailing party in such dispute shall be entitled to recover from the other party its costs and expenses (including reasonable attorney's fees) incurred in litigating or otherwise resolving such dispute. The parties' obligations under this Section shall survive the closing under this Agreement.

9. Applicable Law; Venue; Jurisdiction. This Agreement shall be governed by and construed in accordance with the laws of the State of Arizona, notwithstanding any Arizona or other conflict-of-law provisions to the contrary. The parties consent to jurisdiction for purposes of this Agreement in the State of Arizona, and agree that Maricopa County, Arizona, shall be proper venue for any action brought with respect to this Agreement.

10. Interpretation. The language in all parts of this Agreement shall in all cases, be construed as a whole according to its fair meaning and not strictly for nor against any party. The section headings in this Agreement are for convenience only and are not to be construed as a part hereof. The parties agree that each party has reviewed this Agreement and has had the opportunity to have counsel review the same and that any rule of construction to the effect that ambiguities are to be resolved against the drafting party shall not apply in the interpretation of this Agreement or any amendments or any exhibits thereto. Except where specifically provided to the contrary, when used in this Agreement, the term "including" shall mean without limitation by reason of enumeration. All pronouns and any variations thereof shall be deemed to refer to masculine, feminine or neuter, singular or plural, as the identity of the person(s) or entity(ies) may require.

11. Counterparts. This Agreement shall be effective upon execution by all parties hereto and may be executed in any number of counterparts with the same effect as if all of the parties had signed the same document. All counterparts shall be construed together and shall constitute one agreement.

12. Entire Agreement. This Agreement constitutes the entire integrated agreement among the parties pertaining to the subject matter hereof, and supersedes all prior and contemporaneous agreements, representations, and undertakings of the parties with respect to such subject matter. This Agreement may not be amended except by a written instrument executed by all parties hereto.

13. Additional Instruments. The parties hereto agree to execute, have acknowledged, and deliver to each other such other documents and instruments as may be reasonably necessary or appropriate to evidence or to carry out the terms of this Assignment.

14. Severability. Every provision of this Agreement is intended to be severable. If any term or provision hereof is illegal or invalid for any reason whatsoever, such illegality or invalidity shall not affect the validity or legality of the remainder of this Agreement.

15. Incorporation by Reference. Every exhibit, schedule and other appendix attached to this Agreement and referred to herein is hereby incorporated in this Agreement by reference.

16. Notices. Any notice, payment, demand or communication required or permitted to be given by any provision of this Agreement shall be in writing and shall be delivered personally to the party to whom the same is directed or sent by registered or certified mail, return receipt requested, addressed to the addresses set forth on the signature page hereto. Any such notice shall be deemed to be delivered, given and received for all purposes as of the date so delivered if delivered personally, or three business days after the time when the same was deposited in a regularly maintained receptacle for the deposit of United States mail, if sent by registered or certified mail, postage and charges prepaid, or if given by any other method, upon actual receipt; provided that notwithstanding the foregoing, notice of any change of address shall be effective only upon actual receipt of such notice.

17. Binding Effect; Partial Releases. This Agreement shall be binding upon and inure to the benefit of the successors and assigns of the respective parties. This Agreement constitutes a covenant running with the land, shall be binding upon the Land for the benefit of Coordinator,

its successors and assigns and any person acquiring any portion of the Land, upon acquisition thereof, shall be deemed to have assumed the obligations of Landowner arising from this Agreement with respect only to that portion of the Land acquired without the necessity for the execution of any separate instrument. If phases and/or parcels within the Land are sold individually, Coordinator will ensure that at such time as the Landowner Payment has been paid in full for that particular phase and/or parcel, Coordinator shall release this Agreement of record from that particular phase and/or parcel, without releasing the Agreement from any other portion of the Land for which the Landowner Payment has not been paid in full. It is the intent of this Agreement to release that portion of any lien which relates to parcels and/or plats that are paid in full.

[Signatures are on the following page.]

Unofficial Copy

IN WITNESS WHEREOF, the parties have entered into this Agreement as of the date first above written.

COORDINATOR:
Global Water Resources, LEC
a Delaware Limited Liability Company

By: Cindy M. Liles
Cindy M. Liles
Vice-President

LANDOWNER:
HAM-Mesa, L.L.C.
an Arizona limited liability company

By: Dawn Zeith
Printed Name: Dawn Zeith
Its: Managing Member

Unofficial

STATE OF ARIZONA)

) ss.

County of Maricopa)

On 5.17.05, before me, Jennie Critchfield,
a Notary Public in and for said state, personally appeared Cindy M. Liles, personally known to me (or
proved to me on the basis of satisfactory evidence) to be the persons whose names are subscribed to the
within instrument and acknowledged to me that they executed the same in their authorized capacities, and
that by their signatures on the instrument, the persons, or the entity upon behalf of which the persons
acted, executed the instrument.

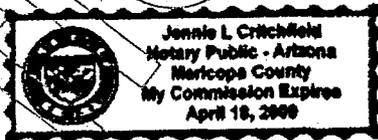
WITNESS my hand and official seal.

Jennie L. Critchfield

Notary Public in and for said State

My Commission Expires:

4.18.09



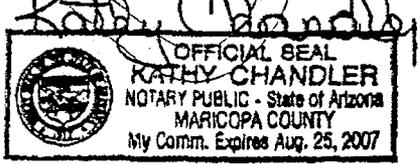
STATE OF ARIZONA

) ss.

County of Maricopa)

On April, 2005 before me, Kathy Chandler,
a Notary Public in and for said state, personally appeared Dawn Zettin,
personally known to me (or proved to me on the basis of satisfactory evidence) to be the persons whose
names are subscribed to the within instrument and acknowledged to me that they executed the same in
their authorized capacities, and that by their signatures on the instrument, the persons, or the entity upon
behalf of which the persons acted, executed the instrument.

WITNESS my hand and official seal.



Notary Public in and for said State

My Commission Expires:

8-25-2007

EXHIBIT A
INFRASTRUCTURE COORDINATION AGREEMENT

LEGAL DESCRIPTION OF LAND

To follow on the next 2 pages.

Unofficial

EXHIBIT "A"

NO. 242-000-90720

The South half of Section 29, Township 5 South, Range 3 East of the Gila and Salt River Base and Meridian, Pinal County, Arizona;

EXCEPTING THEREFROM the following described Parcel:

Beginning at the West quarter corner of said Section 29, being marked by a half inch iron bar with aluminum cap;

Thence North 87 degrees 22 minutes 32 seconds East, along the East-West Mid-Section line of said Section 29, a distance of 5305.36 feet to the East quarter corner of said Section 29, being marked by a 1 inch plastic cap;

Thence South 01 degrees 08 minutes 33 seconds West, along the Easterly line of said Section 29, a distance of 323.03 feet to a point from which the Southeast corner of said Section 29, being marked by a half inch iron bar, bears South 01 degrees 08 minutes 33 seconds West, 2682.59 feet distant therefrom;

Thence North 89 degrees 45 minutes 45 seconds West, a distance of 5294.37 feet to a point on the Westerly line of said Section 29, from which point the Southwest corner of said Section 29, being marked by a one and one half inch iron bar, bears South 00 degrees 57 minutes 26 seconds West, 2700.17 feet distant therefrom;

Thence North 00 degrees 57 minutes 26 seconds East along said Westerly line of Section 29, a distance of 58.11 feet to the POINT OF BEGINNING;

AND EXCEPT;

Commencing at the Southwest corner of said Section 29, being marked by a 1 1/2 inch iron bar; Thence North 0 degrees 57 minutes 26 seconds East, along the Westerly line of said Section 29, a distance of 130.00 feet to the TRUE POINT OF BEGINNING;

Thence continuing North 0 degrees 57 minutes 26 seconds East, and along said Westerly line, a distance of 386.50 feet;

Thence South 88 degrees 05 minutes 50 seconds East, 320.00 feet;

Thence South 0 degrees 57 minutes 26 seconds West, 376.50 feet;

Thence North 89 degrees 57 minutes 16 seconds West, 320.00 feet to the TRUE POINT OF BEGINNING.

EXHIBIT "A"

LEGAL DESCRIPTION

PARCEL 1:

The North half of Section 29, Township 5 South, Range 3 East, Gila and Salt River Base and Meridian, Pinal County, Arizona, together with the following described Parcel:

BEGINNING at the West quarter corner of said Section 29, being marked by a half inch iron bar with aluminum cap;

THENCE North 87 degrees 22 minutes 32 seconds East, along the East-West Mid-Section line of said Section 29, a distance of 5305.36 feet to the East quarter corner of said Section 29, being marked by a 1 inch plastic cap;

THENCE South 01 degrees 08 minutes 33 seconds West along the Easterly line of said Section 29, a distance of 323.03 feet to a point from which the Southeast corner of said Section 29, being marked by a half inch iron bar, bears South 01 degrees 08 minutes 33 seconds West, 2682.59 feet distant therefrom;

THENCE North 89 degrees 45 minutes 45 seconds West, a distance of 5294.37 feet to a point on the Westerly line of said Section 29, from which point the Southwest corner of said Section 29, being marked by a one and one half inch iron bar, bears South 00 degrees 57 minutes 26 seconds West, 2700.17 feet distant therefrom;

THENCE North 00 degrees 57 minutes 26 seconds East along said Westerly line of Section 29, a distance of 58.11 feet to the POINT OF BEGINNING.

PARCEL 2:

The Southwest quarter of Section 20, Township 5 South, Range 3 East, of the Gila and Salt River Base and Meridian, Pinal County, Arizona.

EXCEPTING all coal, oil, gas and other mineral deposits, as reserved unto the United States of America in the Patent of said land.

EXHIBIT B
INFRASTRUCTURE COORDINATION AGREEMENT
ADJACENT OFFSITE INFRASTRUCTURE IMPROVEMENTS

Unofficial

EXHIBIT C
INFRASTRUCTURE COORDINATION AGREEMENT

START WORK NOTICE

PVU will have extended sewer lines within two miles of the development with planned sufficient capacity to serve the Land to meet its intended use.

Unofficial

EXHIBIT D
INFRASTRUCTURE COORDINATION AGREEMENT

DESCRIPTION OF SCW AND PVU SERVICES TO BE COORDINATED BY Coordinator

SCW

- Expand the existing CC&N water service area to include the Land
- Prepare a master water plan with respect to the Land
- Confirm and or develop sufficient water plant and well source capacity for the Land
- Extend a water distribution main line to the Delivery Point
- Provide will-serve letters to applicable governmental agencies necessary for final plat approvals with a schedule of commitment dates personalized for the Land
- Obtain a 100-year assured water supply and Certificate of Designation required for final plat approvals and Department of Real Estate approvals
- Provide expedited final subdivision plat water improvement plan check and coordination with the Arizona Department of Environmental Quality for Approvals to Construct
- Obtain/Develop facilities extension agreement for construction of infrastructure within the Land (subject to reimbursement)

PVU

- Expand the existing CC&N wastewater service area to include the Land
- Prepare a master wastewater plan with respect to the Land
- Develop a master reclaimed water treatment, retention, and distribution plan including interim well water supply for lake storage facilities.
- Confirm and or develop sufficient wastewater plant capacity for the Land
- Extend a wastewater collection system main line to the Delivery Point
- Extend a reclaimed water line to a water storage facility within the Land
- Provide all permitting and regulatory approvals including but not limited to an Aquifer Protection Permit and Central Arizona Association of Governments (CAAG) 208 Water Quality Plan as necessary.
- Provide will-serve letters to applicable governmental agencies necessary for final plat approvals with a schedule of commitment dates personalized for the Land
- Provide expedited final subdivision plat wastewater improvement plan check and coordination with the Arizona Department of Environmental Quality for Approvals to Construct
- Obtain/Develop facilities extension agreement for construction of infrastructure within the Land (subject to reimbursement)

EXHIBIT E
INFRASTRUCTURE COORDINATION AGREEMENT

LINE EXTENSION AGREEMENT – SANTA CRUZ WATER COMPANY

WATER FACILITIES EXTENSION AGREEMENT

This Agreement is made this _____ day of _____, 2005 by and between SANTA CRUZ WATER COMPANY, L.L.C. an Arizona limited liability company ("Company"), and _____, an _____ ("Developer").

RECITALS:

A. Developer desires that water utility service be extended to and for its real estate development located in Parcel _____ of _____ consisting of _____ (single family, multifamily, or commercial) lots, in Pinal County within the general vicinity of the City of Maricopa, Arizona (the "Development"). A legal description for the Development is attached hereto as Exhibit "A" and incorporated herein by this reference. The Development is located within Company's Certificate of Convenience and Necessity ("CC&N").

B. Company is a public service corporation as defined in Article XV, Section 2 of the Arizona Constitution which owns and operates water utility facilities and holds a CC&N from the Commission granting Company the exclusive right to provide water utility service within portions of Pinal County, Arizona.

C. Subject to the terms and conditions set forth hereinafter, Developer is willing to construct and install facilities within the Development necessary to extend water utility service to and within the Development, which facilities shall connect to the Company's system as generally shown on the map attached hereto as Exhibit "B." Company is willing to provide water utility

service to the Development in accordance with relevant law, including the rules and regulations of the Commission on the condition that Developer fully and timely perform the obligations and satisfy the conditions and requirements set forth below.

COVENANTS AND AGREEMENTS:

NOW, THEREFORE, in consideration of the following covenants and agreements, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereby agree as follows:

1. **Construction of Facilities.** Developer agrees to construct and install water distribution mains and pipelines, valves, booster stations, hydrants, fittings, service lines and all other related facilities and improvements necessary to provide water utility service to each lot or building within the Development as more particularly described in Exhibit "C" attached hereto and incorporated herein by this reference (referred to hereinafter as the "Facilities"). The Facilities shall connect to the Company's system at the point shown on the approved plans as generally depicted on the map attached hereto as Exhibit "B," and shall be designed and constructed within the Development in a manner which allows the provision of safe and reliable water utility service to each lot therein. Subject to the terms and conditions set forth herein (including, without limitation, Company's rights of plan review and approval and inspection of final construction), Developer shall be responsible for all construction activities associated with the Facilities, and Developer shall be liable for and pay when due all costs, expenses, claims and liabilities associated with the construction and installation of the Facilities.

2. **Construction Standards and Requirements.** The Facilities shall meet and comply with Company's standards and specifications, and all engineering plans and specifications for the Facilities shall be approved by Company and its engineers ("Company's

Engineer”), prior to the commencement of construction. Company and Company’s Engineer shall review the plans and specifications and shall provide any requirements or comments as soon as practicable. Developer shall require that its contractor be bound by and conform to the plans and specifications for the Facilities as finally approved by Company. The construction and installation of the Facilities shall be in conformance with the applicable regulations of the Arizona Department of Environmental Quality (“ADEQ”), the Commission, and any other governmental authority having jurisdiction thereover.

3. **Right of Inspection; Corrective Action.** Company shall have the right to have Company’s Engineer inspect and test the Facilities at reasonable times during the course of construction as necessary to ensure conformance with plans and specifications. If at any time before the final acceptance by Company of the Facilities any construction, materials or workmanship are found to be defective or deficient in any way, or the Facilities fail to conform to this Agreement, then Company may reject such defective or deficient construction, materials and/or workmanship and require Developer to fully pay for all necessary corrective construction efforts (“Corrective Action”). Company reserves the right to withhold approval and to forbid connection of any defective portion of the Facilities to Company’s system unless and until the Facilities have been constructed in accordance with plans and specifications and all applicable regulatory requirements. Further, Developer shall promptly undertake any Corrective Action required to remedy such defects and deficiencies in construction, materials and workmanship upon receipt of notice by Company. The foregoing notwithstanding, Company shall not unreasonably withhold or delay acceptance of the Facilities.

4. **Transfer of Ownership.** Upon completion and approval of the as-built Facilities by Company and any other governmental authority whose approval is required,

Developer shall transfer all right, title and interest in the Facilities to Company via a bill of sale in a form satisfactory to Company. Thereafter, Company shall be the sole owner of the Facilities and be responsible for their operation, maintenance and repair. Company's ownership and responsibility shall include -all distribution mains and/or related appurtenances within the Development up to the point of connection to the service line of each customer receiving service. Maintenance and repair of each service line, which lines are not part of the Facilities, shall be Developer's, the Development's or each individual customers' responsibility. All work performed by or on behalf of Developer shall be warranted by Developer for one year from the date of transfer of the Facilities to Company against defects in materials and workmanship. Developer shall also covenant, at the time of transfer, that the Facilities are free and clear of all liens and encumbrances, and unless the time period for filing lien claims has expired, shall provide evidence in the form of lien waivers that all claims of contractors, subcontractors, mechanics and materialmen have been paid and satisfied.

5. **Final As-Built Drawings and Accounting of Construction Costs.**

Immediately following completion and approval of the Facilities, Developer shall provide Company with three sets of as-built drawings and specifications for the Facilities and a reproducible copy of such drawings. Developer shall also provide an accounting of the cost of constructing and installing the Facilities, which amount shall be refundable in accordance with paragraph 8, below. Company shall have no obligation to furnish service to the Development or to accept the transfer of the Facilities until Developer has complied with this paragraph.

6. **Easements.** Developer shall be responsible for obtaining all necessary easements and rights-of-way for the construction and installation, and subsequent operation, maintenance and repair of the Facilities. Such easements and rights-of-way shall be of adequate

size, location, and configuration so as to allow Company ready access to the Facilities for maintenance and repairs and other activities necessary to provide safe and reliable water utility service. Such easements and rights-of-way shall be provided to Company by Developer at the same time as Developer transfers ownership of the Facilities pursuant to paragraph 4, above. At the time of transfer, all easements and rights-of-way shall be free of physical encroachments, encumbrances or other obstacles. Company shall have no responsibility to obtain or secure on Developer's behalf any such easements or rights-of-way.

7. Reimbursement for Engineering and Other Fees and Expenses.

Developer shall also reimburse Company for the costs, expenses and fees, including legal fees and costs that are incurred by Company for preparation of this Agreement, for reviewing and approving the plans and specifications for the Facilities to be constructed by Developer, for inspecting the Facilities during construction and other supervisory activities undertaken by Company, for obtaining any necessary approvals from governmental authorities (collectively the "Administrative Costs"). For such purpose, at the time of the signing of this Agreement, the Developer will pay an advance to the Company of Seven Thousand Five Hundred Dollars (\$7,500). Developer shall provide additional advances to Company, as may be requested by Company in writing from time-to-time, to reimburse Company for any additional Administrative Costs it incurs. All amounts paid to Company pursuant to this provision shall constitute advances in aid of construction and be subject to refund pursuant to paragraph 8, below.

8. Refunds of Advances. Company shall refund annually to Developer an

amount equal to seven percent (7%) of the gross annual revenues received by Company from the provision of water utility service to each bona fide customer within the Development. Such refunds shall be paid by Company on or before the first day of August, commencing in the fourth

calendar year following the calendar year in which title to the Facilities is transferred to and accepted by Company and continuing thereafter in each succeeding calendar year for a total of twenty-two (22) years. No interest shall accrue or be payable on the amounts to be refunded hereunder, and any unpaid balance remaining at the end of such twenty-two year period shall be non-refundable. In no event shall the total amount of the refunds paid by Company hereunder exceed the total amount of all advances made by Developer hereunder. For the purposes of this provision, the total amount of Developer's advances shall be equal to Developer's actual cost of constructing the Facilities, less the costs of any corrective action as defined in paragraph 3 above, the costs of curing any defects arising during the warranty period, as provided herein, and the costs of any unreasonable overtime incurred in the construction of the Facilities, above, and the amounts paid by Developer to Company for Administrative Costs pursuant to paragraph 7, above.

9. Company's Obligation to Serve. Subject to the condition that Developer fully perform its obligations under this Agreement, Company shall provide water utility service to all customers within the Development in accordance with Company's tariffs and schedule of rates and charges for service, the rules and regulations of the Commission and other regulatory authorities and requirements. However, Company shall have no obligation to accept and operate the Facilities in the event Developer fails to make any payment provided in this Agreement, fails to construct and install the Facilities in accordance with Company's standards and specifications and in accordance with the applicable rules and regulations of ADEQ, the Commission or any other governmental authority having jurisdiction thereover, or otherwise fails to comply with the terms and conditions of this Agreement. Developer acknowledges and understands that Company will not establish service to any customer within the Development until such time as

Company has accepted the transfer of the Facilities, and all amounts that Developer is required to pay Company hereunder have in fact been paid. The foregoing notwithstanding, the Company shall not terminate service to any customer within the Development to whom service has been properly established as a consequence of any subsequent breach or nonperformance by Developer hereunder.

10. **Liability for Income Taxes.** In the event it is determined that all or any portion of Developer's advances in aid of construction hereunder constituted taxable income to Company as of the date of this Agreement or at the time Company actually receives such advances hereunder, Developer will advance funds to Company equal to the income taxes resulting from Developer's advance hereunder. These funds shall be paid to Company within twenty (20) days following notification to Developer that a determination has been made that any such advances constitute taxable income, whether by virtue of any determination or notification by a governmental authority, amendment to the Internal Revenue Code, any regulation promulgated by the Internal Revenue Service, or similar change to any statute, rule or regulation relating to this matter. Such notification shall include documentation reasonably necessary to substantiate the Company's liability for income taxes resulting from the Developer's advances in aid of construction under this Agreement. In the event that additional funds are paid by Developer under this paragraph, such funds shall also constitute advances in aid of construction. In addition, Developer shall indemnify and hold Company harmless for, from and against any tax related interest, fines and penalties assessed against Company and other costs and expenses incurred by Company as a consequence of late payment by Developer of amounts described above.

11. **Notice.** All notices and other written communications required hereunder

shall be sent to the parties as follows:

COMPANY:

Santa Cruz Water Company, L.L.C.
Attn: Cindy M. Liles, Vice President
22601 N. 19th Avenue
Suite 210
Phoenix, Arizona 85027

DEVELOPER:

Each party shall advise the other party in writing of any change in the manner in which notice is to be provided hereunder.

12. Governing Law This Agreement, and all rights and obligations hereunder, shall be subject to and governed by the rules and regulations of the Commission relating to domestic water utilities and generally shall be governed by and construed in accordance with the laws of the State of Arizona. Developer understands and acknowledges that Company's rates and charges, and other terms and conditions applicable to its provision of utility service, may be modified from time-to-time by order of the Commission. Company shall provide Developer with copies of such orders that may affect Developer's rights and obligations hereunder.

13. Time is of the Essence. Time is and shall be of the essence of this Agreement.

14. Indemnification: Risk of Loss. Developer shall indemnify and hold Company harmless for, from and against any and all claims, demands and other liabilities and expenses (including attorneys' fees and other costs of litigation) arising out of or otherwise

relating to Developer's failure to comply with any of the terms and conditions contained herein., including (without limitation) Company's refusal to serve any unit within the Development based on Developer's failure to pay all amounts required hereunder in a timely manner. Developer's duty to indemnify Company shall extend to all construction activities undertaken by Developer, its contractors, subcontractors, agents, and employees hereunder.

15. **Successors and Assigns.** This Agreement may be assigned by either of the parties provided that the assignee agrees in writing to be bound by and fully perform all of the assignor's duties and obligations hereunder. This Agreement and all terms and conditions contained herein shall be binding upon and shall inure to the benefit of the successors and assigns of the parties.

16. **Dispute Resolution.** The parties hereto agree that each will use good faith efforts to resolve, through negotiation, disputes arising hereunder without resorting to mediation, arbitration or litigation.

17. **Integration: One Agreement.** This Agreement supersedes all prior agreements, contracts, representations and understandings concerning its subject matter, whether written or oral.

18. **Attorneys' Fees.** The prevailing party in any litigation or other proceeding concerning or related to this Agreement, or the enforcement thereof, shall be entitled to recover its costs and reasonable attorneys' fees.

19. **Authority to Perform.** Company represents and warrants to Developer that Company has the right, power and authority to enter into and fully perform this Agreement. Developer represents and warrants to Company that Developer has the right, power and authority to enter into and fully perform this Agreement.

DEVELOPER:

By _____

Its _____

COMPANY:

SANTA CRUZ WATER COMPANY, L.L.C.
an Arizona limited liability company

By _____

Cindy Liles

Its: Vice President

Unofficial

EXHIBIT "A"
Legal Description

Unofficial

EXHIBIT "B"
Point(s) of Connection

Unofficial

EXHIBIT "C"

Water Facilities Budget
(Required to be completed by Developer prior to execution of agreement)

Item	QTY	UNIT	UNIT \$	TOTAL \$
8" C-900, Class 150 Water Main		LF		
8" Valve Box & Cover		EA		
Fire Hydrant, Complete		EA		
3 / 4" Double Water Service		EA		
3 / 4" Single Water Service		EA		
1 1/2' Landscape service		EA		
2" Landscape service		EA		
1" Landscape service		EA		
Subtotal				_____
Sales Tax				_____
Total				=====

Unofficial

accordance with relevant law, including the rules and regulations of the Commission on the condition that Developer fully and timely perform the obligations and satisfy the conditions and requirements set forth below.

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COVENANTS AND AGREEMENTS:

NOW, THEREFORE, in consideration of the following covenants and agreements, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereby agree as follows:

20. **Construction of Facilities.** Developer agrees to construct and install sewage collection mains, manholes, pumping stations and/or such other facilities and improvements necessary to provide sewer utility service to each lot or building within the Development as more particularly described in Exhibit "C" attached hereto and incorporated herein by this reference (referred to hereinafter as the "Facilities"). The Facilities shall connect to the Company's system at the point shown on the approved plans as generally depicted on the map attached hereto as Exhibit "B," and shall be designed and constructed within the Development in a manner which allows the provision of safe and reliable sewer utility service to each lot therein. Subject to the terms and conditions set forth herein (including, without limitation, Company's rights of plan review and approval and inspection of final construction), Developer shall be responsible for all construction activities associated with the Facilities, and Developer shall be liable for and pay when due all costs, expenses, claims and liabilities associated with the construction and installation of the Facilities.

21. **Construction Standards and Requirements.** The Facilities shall meet and comply with Company's standards and specifications, and all engineering plans and specifications for the Facilities shall be approved by Company and its engineers ("Company's Engineer") prior to the commencement of construction. Company and Company's Engineer shall review the plans and specifications and shall provide any requirements or comments as soon as practicable. Developer shall require that its contractor be bound by and conform to the

plans and specifications for the Facilities as finally approved by Company. The construction and installation of the Facilities shall be in conformance with the applicable regulations of the Arizona Department of Environmental Quality ("ADEQ"), the Commission, and any other governmental authority having jurisdiction thereover.

22. **Right of Inspection; Corrective Action.** Company shall have the right to have Company's Engineer inspect and test the Facilities at reasonable times during the course of construction as necessary to ensure conformance with plans and specifications. If at any time before the final acceptance by Company of the Facilities any construction, materials or workmanship are found to be defective or deficient in any way, or the Facilities fail to conform to this Agreement, then Company may reject such defective or deficient construction, materials and/or workmanship and require Developer to fully pay for all necessary corrective construction efforts ("Corrective Action"). Company reserves the right to withhold approval and to forbid connection of any defective portion of the Facilities to Company's system unless and until the Facilities have been constructed in accordance with plans and specifications and all applicable regulatory requirements. Further, Developer shall promptly undertake any Corrective Action required to remedy such defects and deficiencies in construction, materials and workmanship upon receipt of notice by Company. The foregoing notwithstanding, Company shall not unreasonably withhold or delay acceptance of the Facilities.

23. **Transfer of Ownership.** Upon completion and approval of the as-built Facilities by Company and any other governmental authority whose approval is required, Developer shall transfer all right, title and interest in the Facilities to Company via a bill of sale in a form satisfactory to Company. Company, in its sole discretion, may require Developer to conduct a video inspection of any of the Facilities prior to final approval and acceptance to

ensure that no breaks or similar defects exist. Thereafter, Company shall be the sole owner of the Facilities and be responsible for their operation, maintenance and repair. Company's ownership and responsibility shall include all pumping stations, manholes, collection and transmission mains and/or related appurtenances within the Development up to the point of connection of the sewer line of each customer receiving service to the collection main. Maintenance and repair of each sewer service line, which lines are not part of the Facilities, shall be Developer's, the Development's or each individual customers' responsibility. All work performed by or on behalf of Developer shall be warranted by Developer for one year from the date of transfer of the Facilities to Company against defects in materials and workmanship. Developer shall also covenant, at the time of transfer, that the Facilities are free and clear of all liens and encumbrances, and unless the time period for filing lien claims has expired, shall provide evidence in the form of lien waivers that all claims of contractors, subcontractors, mechanics and materialmen have been paid and satisfied.

24. **Final As-Built Drawings and Accounting of Construction Costs.**

Immediately following completion and approval of the Facilities, Developer shall provide Company with three sets of as-built drawings and specifications for the Facilities and a reproducible copy of such drawings. Developer shall also provide an accounting of the cost of constructing and installing the Facilities, which amount shall be refundable in accordance with paragraph 8, below. Company shall have no obligation to furnish service to the Development or to accept the transfer of the Facilities until Developer has complied with this paragraph.

25. **Easements.** Developer shall be responsible for obtaining all necessary easements and rights-of-way for the construction and installation, and subsequent operation, maintenance and repair of the Facilities. Such easements and rights-of-way shall be of adequate

size, location, and configuration so as to allow Company ready access to the Facilities for maintenance and repairs and other activities necessary to provide safe and reliable sewer utility service. Evidence of such easements and rights-of-way shall be provided to Company by Developer at the same time as Developer transfers ownership of the Facilities pursuant to paragraph 4, above. At the time of transfer, all easements and rights-of-way shall be free of physical encroachments, encumbrances or other obstacles. Company shall have no responsibility to obtain or secure on Developer's behalf any such easements or rights-of-way.

26. Reimbursement for Engineering and Other Fees and Expenses.

Developer shall also reimburse Company for the costs, expenses and fees, including legal fees and costs that are incurred by Company for preparation of this Agreement, for reviewing and approving the plans and specifications for the Facilities to be constructed by Developer, for inspecting the Facilities during construction and other supervisory activities undertaken by Company, for obtaining any necessary approvals from governmental authorities (collectively the "Administrative Costs"). For such purpose, at the time of the signing of this Agreement, the Developer will pay an advance to the Company of Seven Thousand Five Hundred Dollars (\$7,500). Developer shall provide additional advances to Company, as may be requested by Company in writing from time-to-time, to reimburse Company for any additional Administrative Costs it incurs. All amounts paid to Company pursuant to this provision shall constitute advances in aid of construction and be subject to refund pursuant to paragraph 8, below.

27. Refunds of Advances. Company shall refund annually to Developer an amount equal to two and one-half percent (2.5%) of the gross annual revenues received by Company from the provision of sewer utility service to each bona fide customer within the Development. Such refunds shall be paid by Company on or before the first day of August,

commencing in the fourth calendar year following the calendar year in which title to the Facilities is transferred to and accepted by Company and continuing thereafter in each succeeding calendar year for a total of twenty-two (22) years. No interest shall accrue or be payable on the amounts to be refunded hereunder, and any unpaid balance remaining at the end of such twenty-two year period shall be non-refundable. In no event shall the total amount of the refunds paid by Company hereunder exceed the total amount of all advances made by Developer hereunder. For the purposes of this provision, the total amount of Developer's advances shall be equal to Developer's actual cost of constructing the Facilities, less the costs of any corrective action as defined in paragraph 3 above, the costs of curing any defects arising during the warranty period, as provided herein, and the costs of any unreasonable overtime incurred in the construction of the Facilities, above, and the amounts paid by Developer to Company for Administrative Costs pursuant to paragraph 7, above.

28. Company's Obligation to Serve. Subject to the condition that Developer fully perform its obligations under this Agreement, Company shall provide sewer utility service to all customers within the Development in accordance with Company's tariffs and schedule of rates and charges for service, the rules and regulations of the Commission and other regulatory authorities and requirements. However, Company shall have no obligation to accept and operate the Facilities in the event Developer fails to make any payment provided in this Agreement, fails to construct and install the Facilities in accordance with Company's standards and specifications and in accordance with the applicable rules and regulations of ADEQ, the Commission or any other governmental authority having jurisdiction thereover, or otherwise fails to comply with the terms and conditions of this Agreement. Developer acknowledges and understands that Company will not establish service to any customer within the Development until such time as

Company has accepted the transfer of the Facilities, and all amounts that Developer is required to pay Company hereunder have in fact been paid. The foregoing notwithstanding, the Company shall not terminate service to any customer within the Development to whom service has been properly established as a consequence of any subsequent breach or nonperformance by Developer hereunder.

29. **Liability for Income Taxes.** In the event it is determined that all or any portion of Developer's advances in aid of construction hereunder constituted taxable income to Company as of the date of this Agreement or at the time Company actually receives such advances hereunder, Developer will advance funds to Company equal to the income taxes resulting from Developer's advance hereunder. These funds shall be paid to Company within twenty (20) days following notification to Developer that a determination has been made that any such advances constitute taxable income, whether by virtue of any determination or notification by a governmental authority, amendment to the Internal Revenue Code, any regulation promulgated by the Internal Revenue Service, or similar change to any statute, rule or regulation relating to this matter. Such notification shall include documentation reasonably necessary to substantiate the Company's liability for income taxes resulting from the Developer's advances in aid of construction under this Agreement. In the event that additional funds are paid by Developer under this paragraph, such funds shall also constitute advances in aid of construction. In addition, Developer shall indemnify and hold Company harmless for, from and against any tax related interest, fines and penalties assessed against Company and other costs and expenses incurred by Company as a consequence of late payment by Developer of amounts described above.

30. **Notice.** All notices and other written communications required hereunder

shall be sent to the parties as follows:

COMPANY:

Palo Verde Utilities Company, L.L.C.
Attn: Cindy M. Liles, Vice President
22601 N. 19th Avenue
Suite 210
Phoenix, Arizona 85027

DEVELOPER:

Each party shall advise the other party in writing of any change in the manner in which notice is to be provided hereunder.

31. **Governing Law** This Agreement, and all rights and obligations hereunder, shall be subject to and governed by the rules and regulations of the Commission relating to domestic sewer utilities and generally shall be governed by and construed in accordance with the laws of the State of Arizona. Developer understands and acknowledges that Company's rates and charges, and other terms and conditions applicable to its provision of utility service, may be modified from time-to-time by order of the Commission. Company shall provide Developer with copies of such orders that may affect Developer's rights and obligations hereunder.

32. **Time is of the Essence**. Time is and shall be of the essence of this Agreement.

33. **Indemnification: Risk of Loss**. Developer shall indemnify and hold Company harmless for, from and against any and all claims, demands and other liabilities and

expenses (including attorneys' fees and other costs of litigation) arising out of or otherwise relating to Developer's failure to comply with any of the terms and conditions contained herein, including (without limitation) Company's refusal to serve any unit within the Development based on Developer's failure to pay all amounts required hereunder in a timely manner. Developer's duty to indemnify Company shall extend to all construction activities undertaken by Developer, its contractors, subcontractors, agents, and employees hereunder.

34. **Successors and Assigns.** This Agreement may be assigned by either of the parties provided that the assignee agrees in writing to be bound by and fully perform all of the assignor's duties and obligations hereunder. This Agreement and all terms and conditions contained herein shall be binding upon and shall inure to the benefit of the successors and assigns of the parties.

35. **Dispute Resolution.** The parties hereto agree that each will use good faith efforts to resolve, through negotiation, disputes arising hereunder without resorting to mediation, arbitration or litigation.

36. **Integration: One Agreement.** This Agreement supersedes all prior agreements, contracts, representations and understandings concerning its subject matter, whether written or oral.

37. **Attorneys' Fees.** The prevailing party in any litigation or other proceeding concerning or related to this Agreement, or the enforcement thereof, shall be entitled to recover its costs and reasonable attorneys' fees.

38. **Authority to Perform.** Company represents and warrants to Developer that Company has the right, power and authority to enter into and fully perform this Agreement. Developer represents and warrants to Company that Developer has the right, power and authority

to enter into and fully perform this Agreement.

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DEVELOPER:

By _____
Its _____

COMPANY:

PALO VERDE UTILITIES COMPANY, L.L.C.,
an Arizona limited liability company

By _____
Cindy M. Liles
Its: Vice President

Unofficial

EXHIBIT "A"
Legal Description

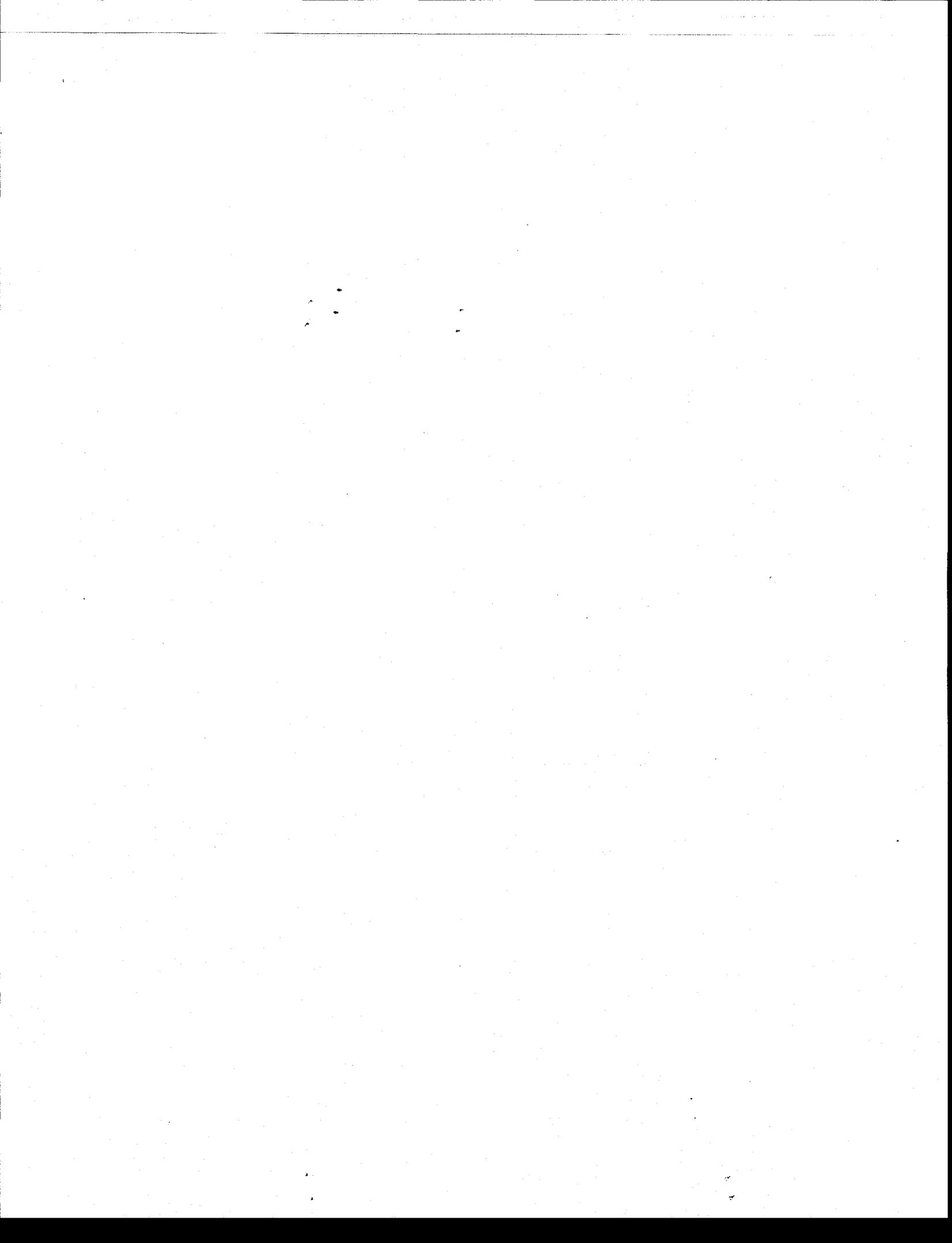
Unofficial

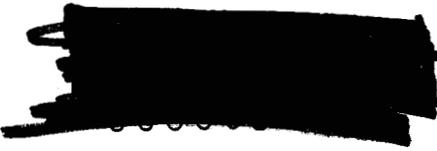
EXHIBIT "C"

Wastewater Facilities Budget
(Required to be completed by Developer prior to execution of agreement)

Item	QTY	UNIT	UNIT \$	TOTAL \$
8" SDR 35 Sewer Main.		LF		
10" SDR 35 Sewer Main		LF		
4' Manhole		EA		
Sewer Cleanout		EA		
4" Sewer Service		EA		
Subtotal				
Sales Tax				
Total				

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Arizona Corporation Commission
BEFORE THE ARIZONA CORPORATION COMMISSION

DOCKETED

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CARL J. KUNASEK
CHAIRMAN
JIM IRVIN
COMMISSIONER
WILLIAM A. MUNDELL
COMMISSIONER

SEP 17 1999

DOCKETED BY *sd*

IN THE MATTER OF THE APPLICATION OF
PALO VERDE UTILITIES COMPANY FOR A
CERTIFICATE OF CONVENIENCE AND
NECESSITY AND FOR APPROVAL TO ISSTJE
COMMON STOCK.

DOCKET NO. SW-03575A-98-0327
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IN THE MATTER OF THE APPLICATION OF
SANTA CRUZ WATER COMPANY FOR A
CERTIFICATE OF CONVENIENCE AND
NECESSITY AND FOR APPROVAL TO ISSUE
COMMON STOCK.

DOCKET NO. W-03576A-98-0328
DECISION NO. 61943
OPINION AND ORDER

DATE OF HEARING: April 28, 1999

PLACE OF HEARING: Phoenix, Arizona

PRESIDING OFFICER: Marc E. Stem

APPEARANCES: FENNEMORE CRAIG, by Mr. Jay L. Shapiro, on behalf of
Applicants, Palo Verde Utilities Company and Santa Cruz
Water Company; and
Mr. Peter A. Breen, Staff Attorney, Legal Division, on behalf of
the Utilities Division of the Arizona Corporation Commission.

BY THE COMMISSION:

On June 22, 1998, Palo Verde Utilities Company ("PVU") and Santa Cruz Water Company
("SCW")¹ each filed with the Arizona Corporation Commission ("Commission") an application for a
Certificate of Convenience and Necessity ("Certificate") to provide public wastewater treatment and
water service, respectively, and for approval to issue common stock.

On February 26, 1999, the Commission's Utilities Division ("Staff") filed a Motion to
Consolidate ("Motion") the above-captioned matters for purposes of hearing.

On March 4, 1999, by Procedural Order, PVU's and SCW's applications were consolidated
for purposes of hearing. Further, Applicants were ordered to provide notice of the applications and

¹ Hereinafter, P W and SCW referred to as Applicants.

1 hearing thereon.

2 On April 7, 1999, Staff filed its Staff Report recommending approval of the applications to
3 the Certificates herein after a hearing.²

4 On April 28, 1999, a full public hearing took place before a duly authorized Hearing Officer
5 of the Commission at its offices in Phoenix, Arizona. Applicants and Staff appeared with counsel.
6 At the conclusion of the proceeding, the matters were taken under advisement pending submission of
7 a Recommended Opinion and Order to the Commission.

8 * * * * *

9 Having considered the entire record herein and being fully advised in the premises, the
10 Commission finds, concludes, and orders that:

11 **FINDINGS OF FACT**

12 1. On January 22, 1998, PVU and SCW filed applications for Certificates authorizing
13 them to construct, operate, and maintain facilities to provide wastewater treatment and water service
14 to the public in an area of approximately 1,640 acres in an unincorporated area of Pinal Cou
15 Arizona which is more fully described in Exhibit A, attached hereto and incorporated by reference.³

16 2. PVU and SCW are Arizona corporations that were incorporated by Mr. Michael
17 Reinbold who is a principal in Pecan Valley Investments L.L.C. ("Pecan"), a limited liability
18 company, that will be the sole owner of the stock of the two Applicants.

19 3. Mr. Reinbold is also a principal in another corporation, RHS Properties, Inc., which
20 together with El Dorado Holdings, Inc. is involved in a joint venture to develop the area described in
21 Exhibit A as a master planned 6,000 unit subdivision known as Rancho El Dorado ("Rancho").

22 4. Rancho's developers are also planning to develop a commercial village center and an
23 18-hole championship golf course with a 25 acre lake. Several schools will also be built in the area
24 sought to be certificated.

25 5. Applicants are projecting customer growth of 242 customers in their first year of
26

27 ² Although Staff inadvertently neglected to include in its recommendations in the Staff Report
approval of the financing applications, Staff recommended their approval at the hearing.

38 ³ The area described in Exhibit A is located near the community of Maricopa and is located minutes from
Interstate 10 and Chandler, Arizona.

1 operations and adding 242 customers per year thereafter. Applicants project there will be
2 approximately 1,210 residential customers by the fifth year of operations.

3 6. There are no other public or municipal wastewater treatment or water utilities in or
4 near the area sought to be certificated herein that can provide the required services to the area
5 described in Exhibit A.

6 7. Rancho's developers have secured the necessary zoning permits for construction in the
7 area described in Exhibit A.

8 8. PVU and SCW have obtained their required franchises from the Pinal County Board
9 of Supervisors which will permit them to construct their facilities within the public rights-of-way.

10 9. The proposed certificated area is located within the Pinal County Active Management
11 Area. Mr. Reinbold testified that there are approximately five wells located within the area described
12 in Exhibit A and that hydrology studies have revealed that SCW will have adequate water to supply
13 its customers.

14 10. Although Applicants have no direct experience owning and operating public water and
15 wastewater facilities, Mr. Reinbold has previously been involved in the development of their
16 infrastructure and has been engaged in discussions with Aqua Source, a California-based company,
17 with experience in the operation of public utilities, to provide for their day to day management.

18 11. Although Rancho's development will take place in five phases, Mr. Reinbold
19 envisions a million gallon reservoir being constructed for each of the first two phases of development
20 for the water utility and 300,000 gallons per day of sewage treatment capacity for the first phase and
21 450,000 gallons per day of added sewage treatment capacity by the end of the second phase of
22 development.

23 12. As the joint venture partners develop Rancho, large parcels of land will be sold off to
24 between five and seven major home building companies that will actually build the homes within the
25 development.

26 13. PVU and SCW have secured the services of a certified operator approved by the
27 Arizona Department of Environmental Quality ("ADEQ") who will be responsible for operating both
3R the wastewater treatment and water facilities.

PAYMENT IN LIEU OF REVENUE CHARGE TO BUILDERS AND DEVELOPERS:⁴

5/8" x 3/4" Meter	\$1,694.00	\$0
3/4" Meter	1,694.00	0
1" Meter	4,235.00	0
1 1/2" Meter	8,471.00	0
2" Meter	13,553.00	0
3" Meter	27,106.00	0
4" Meter	42,353.00	0
6" Meter	84,705.00	0

SERVICE LINE AND METER INSTALLATION CHARGES:

(Refundable pursuant to A.A.C. R14-2-405)

5/8" x 3/4" Meter	\$400.00	\$370.00
3/4" Meter	440.00	415.00
1" Meter	500.00	480.00
1 1/2" Meter	715.00	700.00
2" Meter Turbo	1,170.00	N/A
2" Meter Compound	1,700.00	\$1,760.00
3" Meter Turbo	1,585.00	N/A
3" Meter Compound	2,190.00	\$2,300.00
4" Meter Turbo	2,540.00	N/A
4" Meter Compound	3,215.00	\$3,325.00
6" Meter Turbo	4,815.00	N/A
6" Meter Compound	6,270.00	\$6,430.00

SERVICE CHARGE:

Establishment	\$25.00	\$25.00
Establishment (After Hours)	50.00	45.00
Reestablishment (Within 12 Months)		
Reconnection (Delinquent)	\$30.00	\$25.00
Meter Move at Customer Request		
After Hours Service Charge, per Hour	\$50.00	N/A
Deposit		
Meter Re-Read (If Correct)	\$15.00	\$15.00
NSF Check	10.00	15.00
Late Payment Charge (Per month)	1.50%	1.50%
Deferred Payment (Per month)	1.50%	1.50%

* Number of months off system times the monthly minimum per A.A.C. R14-2-403(D).

⁴ The record established that Applicants are proposing a tariff for the imposition of a Payment in Lieu of Revenue ("Pilor") Charge on builders and developers as their lots are sold to buyers in order to pay operating expenses to keep the customers' wastewater treatment and water rates lower than should be charged. Additionally, funds from these charges will be added to subsequent equity investments to pay for the remaining four phases of construction.

** Cost which includes parts, labor, overhead and all applicable taxes.
 *** Per A.A.C. R14-2-403(B).

WASTEWATER TREATMENT RATES

	Proposed Rates	
	PVLI	Staff
<u>MONTHLY USAGE CHARGE:</u>		
5/8" x 3/4" Meter	\$33.00	\$39.00
3/4" Meter	33.00	58.50
1" Meter	82.50	97.50
1 1/2" Meter	165.00	195.00
2" Meter	264.00	312.00
3" Meter	528.00	585.00
4" Meter	825.00	975.00
6" Meter	1,650.00	1,950.00
<u>EFFLUENT CHARGE:</u>		
Per Acre Foot	\$100.00	NIA
<u>PAYMENT IN LIEU OF REVENUE CHARGE TO BUILDERS AND DEVELOPERS:</u>		
5/8" x 3/4" Meter	\$2,509.00	
3/4" Meter	2,509.00	0
1" Meter	6,272.00	0
1 1/2" Meter	12,544.00	0
2" Meter	20,070.00	0
3" Meter	40,139.00	0
4" Meter	62,718.00	0
6" Meter	125,435.00	0
<u>SERVICE CHARGE:</u>		
Establishment	\$25.00	\$25.00
Reestablishment (Within 12 Months)		
Reconnection (Delinquent)	\$30.00	\$30.00
After Hours Service Charge, (Per Hour)	50.00	50.00
Deposit		
NSF Check	\$10.00	\$10.00
Late Payment Charge (Per month)	1.50%	1.50%
Deferred Payment (Per month)	1.50%	1.50%

* Number of months off system times the monthly minimum per A.A.C. R14-2-603(F)
 ** Per A.A.C. R14-2-603(B).

17. The record established that Applicants are proposing that the funds collected from the

1 Pilon charges be treated for accounting purposes as revenues, and permit Applicants to, in effect,
2 build their future rate base indirectly with monies paid by the customers of the builders and
3 developers instead of with investor funds or by means of refundable advances pursuant to the terms
4 of main extension agreements with the builders and developers.

5 18. PVU's and SCW's Pilon charges were initially to be paid to Applicants upon the sale
6 of each improved parcel or so called "super pad" to the major builders and developers. However,
7 during the proceeding, Applicants indicated that it would be acceptable to them if these fees are paid
8 on a per lot basis as each lot is resold by the builders to the future customers of PVU and SCW.

9 19. In this case, Staff recommends that the Commission not approve the use of the
10 proposed Pilon charges primarily because Applicants' utility plants would be constructed largely with
11 the contributed funds of the builders and developers and not by investor funds, debt or refundable
12 main extension agreements as is normally the case.

13 20. Staff further recommends that the proposed Pilon fees should be rejected by the
14 Commission because they would be inequitable to PVU's and SCW's customers because the funds
15 would be collected by the homebuilders from the lot buyers and paid to Applicants to fund plant
16 construction and pay operating expenses. Subsequently, as utility plant is constructed with customer
17 funds, in future rate cases the customers will be required to pay in rates a return on utility plant that
18 their own funds have already paid for.

19 21. Staff did not dispute that without the Pilon charges proposed by Applicants that PVU
20 and SCW could possibly suffer a loss of approximately 1.4 million dollars after five years of
21 operations based on Staffs proposed rates and Applicants' projections,

22 22. PVU and SCW have five possible solutions to offset hypothetical losses as follows:
23 first, PVU and SCW can be subsidized; second, Applicants may issue debt; third, Applicants may
24 apply for rate relief in order to provide more revenues to offset projected expenses; fourth, PVU and
25 SCW could utilize Commission approved refundable main extension agreements; and fifth,
26 Applicants may use a mixture of all of the preceding solutions, but Applicants did not give any
27 indication that they are willing to do so.

28 23. Staff is also recommending that PVU and SCW include in their tariffs provisions for

1 he collection of any privilege, sales, or use tax with respect to their operations of the sewer and w
2 utility systems, in accordance with A.A.C. R14-2-409(D)(5) and A.A.C. R14-2-608(D)(5),
3 respectively.

4 24. PVU's and SCW's financing applications seek the Commission's authorization for
5 financing approval for the issuance of \$2,896,301 in equity for PVU and \$3,657,676 in equity for
6 SCW. The proceeds of these stock issuances will be used to fund the construction of the first phase
7 of the wastewater and water plants and to establish working capital.

8 25. It was then planned that monies from the Pilor fees along with additional equity
9 investments by Applicants' owner would then be used to help fund plant construction during the four
10 remaining phases planned for the development of Rancho.

11 26. According to Mr. Reinbold, if the Commission approves PVU's and SCW's proposed
12 rates and charges along with the proposed Pilor charges for the utilities, Applicants would be willing
13 to post appropriate performance bonds reflective of their expenses.

14 27. Staff recommends that the Commission authorize PVU to issue up to \$2,896,30
15 equity and that SCW be authorized to issue up to \$3,657,676 in equity as requested in their
16 applications for financing approval.

17 28. Although Staff's revenue projections are inconsistent utilizing Staff's rates, Staff
18 believes that Applicants will see a positive cash flow possibly by their third year of operations.
19 However, Staff believes that Rancho's developers have the necessary funds to invest in Applicants
20 should the need for subsidization arise.

21 29. Staff has recommended the conditional approval of PVU's and SCW's applications for
22 Certificates as follows:

- 23
- 24 e adopt Staff's recommended rates and charges and order that PVU and SCW
file tariffs consistent with same without any Pilor charges;
 - 25 e order that SCW file, within 365 days of the effective date of this Decision, a
26 copy of the developer's CAWS issued by ADWR for the first phase of
development;
 - 27 • order that PVU and SCW file, within 365 days of the effective date of
28 Decision, copies of their CACs for their wastewater treatment and w
facilities issued by ADEQ for the first phase of development;

- 1 • order that PVU and SCW be authorized to issue up to \$2,896,301 and
2 \$3,657,676, respectively, in equity in order to fund the first phase of
3 development of Rancho;
- 4 • order that the conditional certificates approved for PVU and SCW,
5 respectively, be null and void if Applicants fail to meet the filing requirements
6 for the requisite CAWs and CACs within 365 days of the effective date of this
7 Decision;
- 8 • order that the Pilor tariffs filed by PVU and SCW be denied;
- 9 • order that P W and SCW maintain their books and records in accordance with
10 the NARUC Uniform System of Accounts;
- 11 • order that PVU and SCW notify the Director of the Commission's Utilities
12 Division within 30 days from the date that they first provide service to any
13 customer; and
- 14 • order that PVU and SCW file for rate review within 36 months from the date
15 that they provide service to their first customers.

11 30. In large part under the circumstances herein, we believe that Staffs recommendations
12 with respect to the applications for Certificates and financing approvals for Applicants should be
13 approved. However, because of the disparities in the evidence with respect to projected revenues and
14 expenses and because we find that the Pilor tariffs should not be approved due to their inherent
15 inequities to PVU's and SCW's customers, we shall authorize those rates and charges proposed by
16 Applicants together with authorization that P W and SCW may issue up to an additional \$1,214,200
17 and \$847,000 in equity, respectively, to offset possible shortfalls in their revenue projections needed
18 to fund plant constructions costs' if Applicants do not enter into any main extension agreements with
19 builders and developers or use other more conventional means of financing, such as debt.

20 31. Additionally, we believe that since the record reveals these are "start up" utilities and
21 that since neither the Applicants nor Mr. Reinbold have any prior experience in successfully
22 operating a public utility, performance bonds in the amount of \$118,000 for PVU and \$82,000 for
23 SCW should ensure that Applicants will be able to continue operations for a reasonable period
24 without additional financial support, if necessary.⁶

25
26
27 ⁵ These additional equity investments represent up to 2 years in projected Pilor fees for PVU and SCW,
28 respectively.

⁶ These sums represent approximately 1/3 of Applicants' projected second year operating expenses for
the respective utilities less depreciation expense.

1 IT IS FURTHER ORDERED that in the event that Palo Verde Utilities Company and S?
 2 Cruz Water Company do not timely file copies of the documentation ordered in the first ordering
 3 paragraph or file performance bonds or their equivalents as required by the second ordering
 4 paragraph, then the Certificates of Convenience and Necessity for the area described in Exhibit A
 5 shall be deemed to be denied, without further order by the Arizona Corporation Commission.

6 IT IS FURTHER ORDERED that Palo Verde Utilities Company and Santa Cruz Water
 7 Company, respectively shall file tariffs containing the following rates and charges for their
 8 wastewater treatment and water service:

9 SANTA CRUZ WATER COMPANY RATES

10 MONTHLY USAGE CHARGE:

11	5/8" x 3/4" Meter	\$25.00
12	3/4" Meter	25.00
	1" Meter	62.50
13	1 1/2" Meter	125.00
	2" Meter	200.00
14	3" Meter	400.00
	4" Meter	625.00
15	6" Meter	1,250.00
16		
17	Gallons included in minimum	1,000
18	Gallonge Charge per 1,000 Gallons	\$2.60
19	Construction and standpipe charge	\$3.60

20 SERVICE LINE AND METER INSTALLATION CHARGES:

21 (Refundable pursuant to A.A.C. R14-2-405)

22	5/8" x 3/4" Meter	\$400.00
	3/4" Meter	440.00
23	1" Meter	500.00
	1 1/2" Meter	715.00
24	2" Meter Turbo	1,170.00
	2" Meter Compound	1,700.00
25	3" Meter Turbo	1,585.00
	3" Meter Compound	2,190.00
26	4" Meter Turbo	2,540.00
	4" Meter Compound	3,215.00
27	6" Meter Turbo	4,815.00
28	6" Meter Compound	6,270.00

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SERVICE CHARGE:

Establishment	\$25.00
Establishment (After Hours)	50.00
Reestablishmen, (Within 12 Months)	
Reconnection (Delinquent)	\$30.00
Meter Move at Customer Request	
After Hours Service Charge, per Hour	\$50.00
Deposit	
Meter Re-Read (If Correct)	\$15.00
NSF Check	10.00
Late Payment Charge (Per month)	1.50%
Deferred Payment (Per month)	1.50%

*
** Number of months off system times the monthly minimum per A.A.C. R14-2-403(D).
Cost to include parts, labor, overhead and all applicable taxes.
*** Per A.A.C. R14-2-403(B).

PALO VERDE UTILITIES COMPANY SEWER RATES

MONTHLY USAGE CHARGE:

5/8" x 3/4" Meter	\$33.00
3/4" Meter	33.00
1" Meter	82.50
1 1/2" Meter	165.00
2" Meter	264.00
3" Meter	528.00
4" Meter	825.00
6" Meter	1,650.00

EFFLUENT CHARGE:

Per Acre Foot	\$100.00
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SERVICE CHARGE:

Establishment	\$25.00
Reestablishment (Within 12 Months)	
Reconnection (Delinquent)	\$30.00
After Hours Service Charge, (Per Hour)	50.00
Deposit	
NSF Check	\$10.00
Late Payment Charge (Per month)	1.50%
Deferred Payment (Per month)	1.50%

1 *
2 ** Number of months off system times the monthly minimum per A.A.C. R14-2-603(F)
3 Per A.A.C. R14-2-603(B).

4 IT IS FURTHER ORDERED that the rates and charges authorized herein shall be effective
5 for all service rendered until otherwise ordered by the Arizona Corporation Commission.

6 IT IS FURTHER ORDERED that the request for approval of a Payment in Lieu of Revenue
7 Charge by Palo Verde Utilities Company and Santa Cruz Water Company be, and are hereby, denied.

8 IT IS FURTHER ORDERED that Palo Verde Utilities Company and Santa Cruz Water
9 Company shall notify the Director of the Commission's Utilities Division within 30 days of
10 providing service to their first customer.

11 IT IS FURTHER ORDERED that Palo Verde Utilities Company and Santa Cruz Water
12 Company shall file a schedule with their tariffs for the collections of their proportionate share of any
13 privileges, sales, or use tax, in accordance with A.A.C. R14-2-409(D)(5) and A.A.C. R14-2-
14 508(D)(5), respectively.

15 IT IS FURTHER ORDERED that Palo Verde Utilities Company and Santa Cruz Water
16 Company are hereby authorized to issue up to \$4,110,501 and \$4,504,676, respectively, in equity to
17 fund the first phase of wastewater treatment and water utility development at Rancho El Dorado.

18 IT IS FURTHER ORDERED that the authorizations stated above shall be expressly
19 contingent upon Palo Verde Utilities Company and Santa Cruz Water Company using the financing
20 proceeds for the purposes set forth in their applications.

21 IT IS FURTHER ORDERED that Palo Verde Utilities Company and Santa Cruz Water
22 Company shall be authorized to engage in any transactions and to execute any documents necessary
23 to effectuate the transactions.

24 IT IS FURTHER ORDERED that the approval of the financings set forth hereinabove does
25 not constitute or imply approval or disapproval by the Commission of any particular expenditure of
26 the proceeds derived there by for purposes of establishing just and reasonable rates.

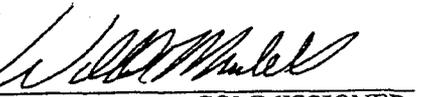
27 IT IS FURTHER ORDERED that Applicants shall maintain their books and records in
28 accordance with the NARUC Uniform System of Accounts.

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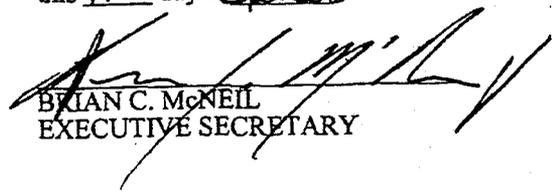
✓ IT IS FURTHER ORDERED that Palo Verde Utilities Company and Santa Cruz Water Company shall file for rate review not later than 24 months after the date they first provide service to any customers.

IT IS FURTHER ORDERED that this Decision shall become effective immediately.

BY ORDER OF THE ARIZONA CORPORATION COMMISSION.

		
CHAIRMAN	COMMISSIONER	COMMISSIONER

IN WITNESS WHEREOF, I, BRIAN C. McNEIL, Executive Secretary of the Arizona Corporation Commission, have hereunto set my hand and caused the official seal of the Commission to be affixed at the Capitol, in the City of Phoenix, this 7th day of September, 1999.



BRIAN C. McNEIL
EXECUTIVE SECRETARY

DISSENT _____
MES: bbs

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SERVICE LIST FOR:

PALO VERDE UTILITIES COMPANY AND SAN
CRUZ WATER COMPANY

DOCKET NO.

SW-03575A-98-0327 AND W-03576A-98-0328

Ray L. Shapiro
FENNEMORE CRAIG
3003 North Central Avenue, Suite 2600
Phoenix, Arizona 85012-2913

Paul Bullis, Chief Counsel
Legal Division
ARIZONA CORPORATION COMMISSION
1200 West Washington Street
Phoenix, Arizona 85007

Director, Utilities Division
ARIZONA CORPORATION COMMISSION
1200 West Washington Street
Phoenix, Arizona 85007

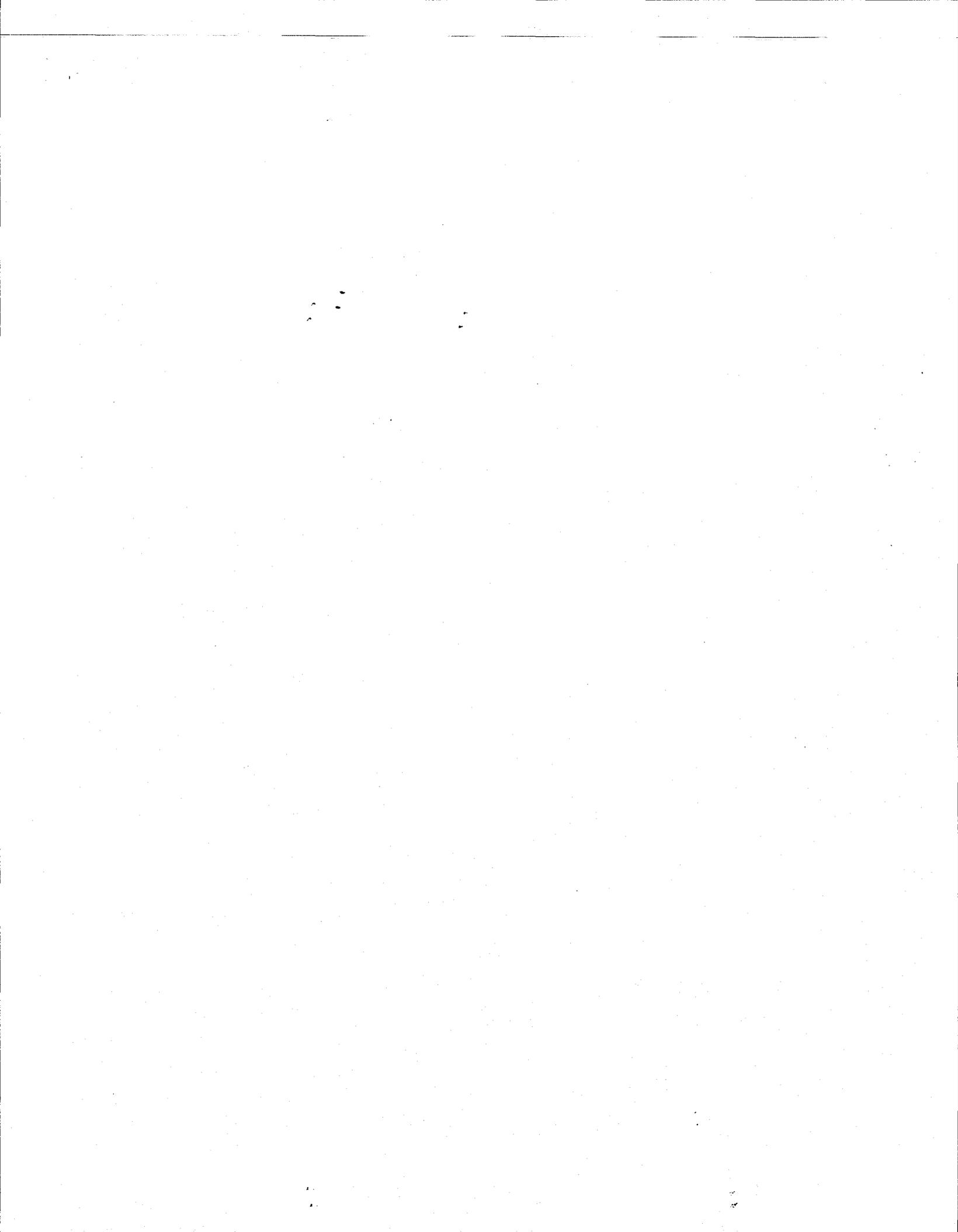
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EXHIBIT A

**LEGAL DESCRIPTION
PALO VERDE UTILITIES COMPANY
AND SANTA CRUZ WATER COMPANY**

All of Sections 13 and 14, and that portion of Section 15 lying Easterly of the Westerly Right of Way Line of Arizona State Route 347 (AKA: John Wayne Parkway), Township 4 South, Range 3 East, Gila and Salt River Base and Meridian, Pinal County, Arizona.

Contains 1,640 acres, more or less.



RESOLUTION NO. 3741

A RESOLUTION OF THE COUNCIL OF THE CITY OF CASA GRANDE, ARIZONA, APPROVING THE TERMS AND CONDITIONS OF A MEMORANDUM OF UNDERSTANDING BETWEEN THE CITY OF CASA GRANDE AND GLOBAL WATER RESOURCES, LLC.

BE IT RESOLVED by the Council of the City of Casa Grande, Arizona, as follows:

The Mayor and Council of the City of Casa Grande hereby approve the terms and conditions of a Memorandum of Understanding (identified in City records as C.G. Contract No. 1205-9) between the City of Casa Grande and Global Water Resources, LLC,, and authorize the City Manager to execute the Memorandum of Understanding on behalf of the City.

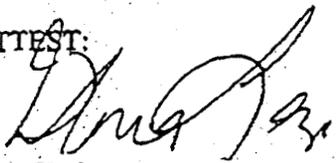
PASSED AND ADOPTED by the Mayor and Council of the City of Casa Grande, Arizona, this 19th day of December, 2005.

Mayor



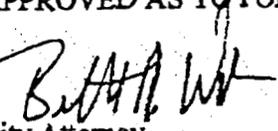
ATTEST:

City Clerk



APPROVED AS TO FORM:

City Attorney



PR R MOU w Global Water

Exhibit 3

WHEREAS the City is in the process of annexing certain real property, as more fully described on Exhibit A hereto (the "Subject Territories") and, in connection therewith, the Parties desire to work closely and cooperate with each other to assist the orderly assimilation of these areas;

WHEREAS the City is supportive of Global's pending application to the ACC for expansion of its CC&N for Utility Services in the City's General Planning Area and the Parties acknowledge that the expansion of the CC&N over the Subject Territories may not be finalized until such time as the appropriate Arizona Department of Water Resources ("ADWR"), Arizona Department of Environmental Quality ("ADEQ") and Central Arizona Association of Governments ("CAAG") permits and approvals are in place and the Parties acknowledge that it will require cooperation and mutual support to achieve the necessary regulatory approvals;

WHEREAS the Parties wish to form a Public Private Partnership which will benefit both Parties and significantly enhance and streamline the manner in which the Parties currently work together;

WHEREAS the Parties believe such a Public Private Partnership currently represents the most cost-effective and efficient solution to the water and wastewater challenges facing the City's current and anticipated future residents;

WHEREAS the Parties believe that such a Public Private Partnership will result in the harmonization of rates within Global's service area, thereby mitigating customer confusion regarding rates and utility services;

WHEREAS the City seeks to increase its involvement in the water and wastewater business within its current municipal limits and its entire planning area;

WHEREAS the City seeks innovative revenue streams that maintain the City's long-term fiscal health and defray cost impacts that may occur in areas that are outside current municipal

limits but within its planning area;

WHEREAS the Parties acknowledge Global's commitment to the City to date, including Global's material capital expenditures, its expressed intent to be a contributing corporate citizen in the community, and its desire to have a positive working relationship with the City;

WHEREAS the Parties acknowledge the significant material capital expenditures and the consequent strong commitment that will be required by Global to meet the challenges created by the current rapid growth occurring within the City, and the anticipated continuing future growth;

WHEREAS the Parties acknowledge the universal importance of water and wastewater services to all governmental jurisdictions, the unique challenges faced by the City in meeting the needs of the development community, and the unprecedented growth the City is currently experiencing;

WHEREAS the Parties acknowledge that the following terms are not intended to limit or increase the legal responsibilities of the City nor the statutory requirements of Global or its Utility Companies;

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. Coordination and Communications. Staff of the City and Global shall meet on a regularly scheduled monthly basis, and more or less often as needed by mutual consent. City representatives at these meetings shall normally be the City Manager, the Public Works Director, and the Planning Director, and/or their designees. Global's representatives at these meeting shall normally be the President, the Chief Financial Officer and the Manager of Construction, or their designees. Other meetings with other representatives may be arranged as needed.

2. Annual Report to the City of Casa Grande. Global shall submit an Annual Report to the Mayor and City Council. This Annual Report shall normally be submitted by April 1st

each year, unless the Parties agree on a different date. The report shall include: Annual revenues and expenditures, total number of water and wastewater customers, customers added this past year, number of customers anticipated to be connected next year, water and wastewater facilities completed in preceding year, planned projects for the next year(s), and a copy of the annual report to the ACC. Global shall provide free of charge to the City copies of any annual reports Global provides to ADEQ and/or ADWR.

3. Proposed Rate and/or Fee Adjustments. Global shall submit proposed rate and/or fee adjustments to the Mayor and City Council for review and comment prior to submission to the ACC. Global shall allow the City thirty days for the Mayor and City Council to conduct a public hearing at the City's next properly noticeable regularly scheduled City Council meeting regarding the proposed rate and/or fee adjustment before submission to the ACC.

4. Operating/License Agreement and Fees. The parties shall enter into an operating/license agreement for utility services provided within the City's current and existing incorporated limits, and for utility services provided within Global's Planning Area (as set forth on Exhibit A attached hereto which relates to areas outside of the City's current and existing incorporated limits), with the understanding that the City will endeavor in good faith to promptly replace the operating/license agreement with a franchise agreement on or before October 15, 2007 in the event that the ACC Order provided for below has not been entered by April 14, 2006. Pursuant to the operating/license agreement, and subject to the earlier of (i) entry of a final order (the "ACC Order") by the Arizona Corporation Commission approving the fee provided for herein; or (ii) April 14, 2006, a fee of 3% of Gross Revenues as it relates to consumptive use of water and wastewater by residential and commercial customers within the existing incorporated limits of the City, the Subject Territories and in Global's Planning Area shall be paid by Global to the City of Casa Grande. If the ACC Order has not been entered by April 14, 2006 following diligent efforts (which the City will in good faith support and take reasonable steps to cause other interested parties to support), then the fee of 3% as provided for above shall be reduced to 2% with respect to the consumptive use of water and wastewater residential and commercial customers located outside the jurisdictional limits of the City but within Global's Planning Area; however, if any property located outside the City's jurisdictional limits becomes a part of the

City's jurisdictional limits through an annexation, then the fee shall automatically be increased from 2% to 3% for the annexed property on the date the annexation is effective. In the event the ACC declines to enter the ACC Order, the City will then proceed with a franchise election (at Global's cost) seeking approval of the fees provided for in this Section 5 and to grant Global a franchise in connection therewith for a term of 25 years. The franchise election shall take place on a date to be set by the City and shall occur no later than the earlier of 18 months following the ACC declining to enter the ACC Order or October 15, 2007. Upon the request of Global, the City agrees to continue to cause franchise elections to occur (at Global's cost) on at least an annual basis seeking approval of the franchise provided for herein. All of the foregoing payments shall be made on a quarterly basis. Gross Revenues shall include base fees, consumptive fees, and industrial and commercial reclaimed water sales but shall not include revenues as they arise from hook up fees, service connection fees, termination fees, reconnect or disconnect fees, late fees, NSF fees, account handling fees, or bulk service rate on the sale of construction water. The parties acknowledge that Global will seek the consent of the ACC to allow for inclusion of all fees described within this Section in the monthly consumptive billing of the utilities. The fees provided for in this Section 5 are flow through fees to PVU and SCW and are incremental to the rates currently set in place by the ACC; however, if the ACC does not approve these fees to be added to the monthly consumptive billings of the Utility Companies, Global shall pay the fees as an operating expense.

5. Financing Options. The City of Casa Grande and Global shall jointly explore potential financing options for Global to finance its projects within the City. If the City and Global agree to jointly finance a project, the Parties will enter into a separate agreement for each project.

6. Local Office. Global shall maintain an office at its Casa Grande headquarters facilities to be located at the Palo Verde South East Water Reclamation Campus or in an alternative location within Global's Planning Area until such time as sufficient customers are in place so as to warrant the office being in another location which will be established by Global with input from the City.

7. Conservation Efforts. The City will assist Global in promoting community and school water conservation programs. Assistance may include distribution of educational materials and access to making presentations at City and school functions.

8. Reclaimed Water and Reclamation Projects. The parties acknowledge the City's interest in long term access to reclaimed water. The parties further acknowledge Global Water's leadership in the field of water reuse in the region and the critical nature of reclaimed water to the Global Water business and regional conservation plan. Accordingly, Global Water agrees to use reasonable best commercial efforts to use and utilize reclaimed water in the region to the extent permissible under existing and future Arizona Department of Environmental Quality ("ADEQ") policy for all residential, commercial and industrial applications within Global's service area. The City and Global will explore water reclamation projects for parks and school playgrounds, and will encourage the development of light commercial and industrial uses of reclaimed water. Additionally, for that water which cannot be beneficially used within the service area, Global will either recharge for its benefit that certain volume of water or make that certain volume of water available to the City for recharge on a long term basis, if financially feasible, as determined in the sole discretion of the City, the City will install dual plumbing in all future City owned buildings serviced by Global such that reclaimed water can be used to flush toilets and serve other non-potable water demands, per Global's guidelines and State and Federal law. The City shall bear the cost of this infrastructure, and shall provide signage to announce the use of reclaimed water in all public places to assist with conservation and public education efforts.

9. Economic Development. The City and Global will explore possible joint efforts to support industrial and commercial uses in the City. Global will augment the City's economic development efforts with its corporate network wherever possible. The City and Global will explore co-funding of specific employment generating economic development initiatives and participate on economic development committee(s).

10. Land Use Planning and Water/Wastewater Planning. Global shall prepare an annual "Plan for Growth" for the City of Casa Grande's planning area. The City staff shall

provide input and comments on changing land use and density patterns to assist Global in this planning effort. Global shall submit its annual "Plan for Growth" report to the Mayor and City Council by April 1st, unless the Parties agree to a different date.

11. Fee. *Effective January 1, 2006* Global shall pay a voluntary fee totaling One Hundred Dollars (\$100.00) for each residential home connecting to Global's water and wastewater system within the jurisdictions of the City, as amended from time to time, or outside the jurisdictions of the City but within Global's Planning Area (attached hereto as Exhibit A). To the extent a home connects to only one service, the fee shall be reduced to fifty dollars (\$50.00). The fee will assist the City in defraying administrative costs for water and wastewater services, including regional planning. The fee shall be payable quarterly in arrears and will become due upon the connection of a water meter to an occupied residential dwelling by a homeowner.

12. Community Outreach. The City and Global shall work cooperatively to prepare, cost-share (in-kind services such as web hosting, graphic design, etc. is considered equitable to actual funds), and disseminate a community outreach packet. The community outreach packet will be a collaborative effort by multiple entities within the City, to be distributed to existing and new homeowners. Global will explore commitments to fund and conduct extensive water conservation programs and outreach education programs to promote water conservation in the community, schools, and public facilities. Global will explore co-sponsoring significant water reclamation demonstration projects. Global will support community events with bottled water and a presence at all major municipal functions and events.

13. Geographic Information System and Information Technology. The City and Global shall work collaboratively in developing and updating the City's Geographical Information System ("GIS"). This may include data sharing and/or integration, cost-sharing on GIS surveying, cost-sharing on a GIS Geodesic Marker, and other GIS related administrative items. The City and Global shall share and integrate SCADA systems, CCD Security Data and Vulnerability Preparedness, Emergency, Operations, and Rapid Response Plans, Broadband Wireless network sharing, and Internet Site Linking. The City and Global shall also explore opportunities for collaborative billing services.

14. Annexation. Global shall support the annexation efforts of the City. Global shall support the City's efforts to manage and coordinate development in Global's Planning Areas. Global will provide water and wastewater modeling services to determine the impact of proposed developments. Global will share and publish long-term master plans with the City and continuously update the plans so that the water and wastewater infrastructure is coordinated with the City's infrastructure plans.

15. Permits. The City will endeavor to streamline permit issuance, plan review, and related design and construction regulatory issues for Global. The City will endeavor to treat Global's permitting submissions as a priority and shall provide the highest priority review the City can produce in order to return permits promptly. The City will endeavor to assist and support Global's efforts to obtain CAAG 208, CC&N, ADEQ, ADWR and other regulatory approvals required within the Subject Territories. If the City cannot provide a prompt review of Global's permits or plans, Global shall have the option of reimbursing the City for any costs incurred by the City if the City, at Global's request, hires an outside consultant to expedite the review of Global's permits and plans. Any such consultants shall report directly to the City and take direction only therefrom.

16. Designated Management Area. The City and Global shall work together to facilitate the designation of the City of Casa Grande as a Designated Management Agency to implement and enforce the portions of the area wide Water Quality Management Plan within its designated area, which will be the City's current planning area, as illustrated by the City of Casa Grande General Plan.

17. Joint Actions and Conditions. In order to effectuate this MOU, and in addition to the actions otherwise set forth herein which shall in good faith be pursued by the parties hereto, the parties shall undertake (or the parties shall support one another in taking) the following actions in good faith:

- a. ACC approval of SCW and PVU's proposed expansion of the CC&N over Global's Planning Area;
- b. Execution and approval of an operating/license agreement with the City for Utility Services provided within the City's current and existing jurisdictional boundary and for Utility Services provided outside the City's current and existing jurisdictional boundary but within Global's Planning Area;
- c. ACC approval of the operating/license agreement described in Section 5 and Section 19(b) above;
- d. ACC approval of Global's request for inclusion of all fees set forth in Section 5 above in the monthly consumptive billings of the Utility Companies.
- e. If necessary, the franchise election provided for in Section 5 above.

18. **Effective Date.** Except as otherwise set forth herein, the obligation of the parties pursuant to this MOU shall commence thirty days after approval of said MOU by the Casa Grande City Council.

19. **Entire Agreement.** This MOU contains the entire agreement between the parties hereto and supersedes all previous communications, representations or agreements, written or verbal, with respect to its subject matter.

20. **Construction.** This MOU shall be construed in accordance with the laws of the State of Arizona.

21. **Modification or Amendment.** This MOU may not be modified, amended, rescinded, cancelled or waived, in whole or in part, except by a written instrument signed by the all parties hereto.

22. **Jurisdiction, Venue and Attorneys' Fees and Costs.** Subject to the provisions of this MOU, the prevailing party in any arbitration, proceeding, lawsuit, appeal or other proceeding brought to enforce or otherwise implement the terms and conditions of this MOU shall be entitled to an award of attorneys' fees and costs from the losing party. Jurisdiction and venue shall be in Pinal County, Arizona.

23. **Mediation/Arbitration.** In the event that any dispute arises between the parties to this MOU, the parties first shall attempt to find a neutral person, who is mutually acceptable to both parties, and who has experience in matters such as those provided for in this MOU, and request that person to mediate the dispute. In the event that such mediation is not undertaken or successfully concluded within 45 days after the dispute arises, the parties to any such dispute shall submit the dispute to binding arbitration in accordance with the rules of commercial arbitration ("Rules") for the American Arbitration Association ("AAA"). If the claim in the dispute involves a non-monetary default or breach or does not exceed One Hundred Thousand Dollars (\$100,000), there shall be a single arbitrator selected by mutual agreement of the Parties, and in the absence of agreement, appointed according to the Rules. If the claim in the dispute, exceeds One Hundred Thousand Dollars (\$100,000), the arbitration panel shall consist of three (3) arbitrators, one of whom shall be selected by each party and the third, who shall serve as chairman, shall be selected by the AAA. The arbitrator or arbitrators must be knowledgeable in the subject matter of the dispute. The costs and fees of the arbitrator(s) shall be divided equally among the parties. Any decision of the arbitrator(s) shall be supported by written findings of fact and conclusions of law. The decision of the arbitrator(s) shall be final, subject to the exceptions outlined in the Arizona Uniform Arbitration Act, A.R.S. § 12-1502, et seq., and judgment may be entered upon the same. The arbitrator(s) shall control discovery in the proceedings and shall award the prevailing party its reasonable attorneys' fees and costs. Any arbitration arising from this MOU shall occur within Pinal County, or at any other location mutually agreed to by the Parties.

24. **Assignment.** The terms and conditions of this MOU shall bind and inure to the benefit of the parties hereto and their successors and assigns and legal representatives. Neither Party shall be allowed to assign this MOU without the express written consent of the other Party.

25. Waiver. Any waiver of any provision of this MOU shall not constitute a waiver of any other provision, whether or not similar, nor shall any waiver be a continuing waiver. A party may waive any provision of this MOU intended for its benefit; provided, however, that such waiver shall in no way excuse the other parties from the performance of any of their other obligations under this MOU.

26. Section Headings. The section headings used herein are for reference only and shall not enter into the interpretation hereof.

27. Relationship of Parties. Nothing contained in this MOU shall be deemed or construed to create the relationship of principal and agent or of limited or general partnership or of joint venture or of any other association between the City and Global.

28. Notices. Any notices given pursuant to this MOU shall be in writing and shall be personally delivered or deposited in the United States mail, certified mail, postage prepaid, return receipt requested, to a party hereunder. Notices shall be deemed given and received when personally delivered or three (3) days after deposit in the United States mail to the address set forth below such party's signature.

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29. Time of Essence. Time is of the essence for all purposes of this MOU.

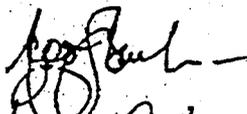
30. Conflict of Interest. This Agreement is subject to the conflict of interest provisions set forth in A.R.S. § 38-511.

IN WITNESS WHEREOF, each of the parties has executed this MOU as of the date first above written.

CITY OF CASA GRANDE

GLOBAL WATER RESOURCES, LLC

By:



By:



Title:

Acting City Manager

Title:

President

Address:

570 E. Florence Blvd.
CASA GRANDE, AZ
85-222

Address:

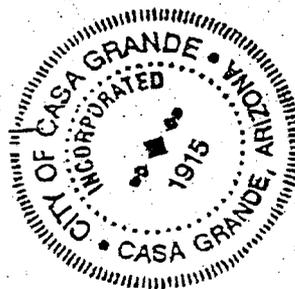
22601 N. 19TH AVE
PHOENIX, AZ, 85087

ATTEST:

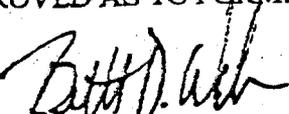
By:



City Clerk



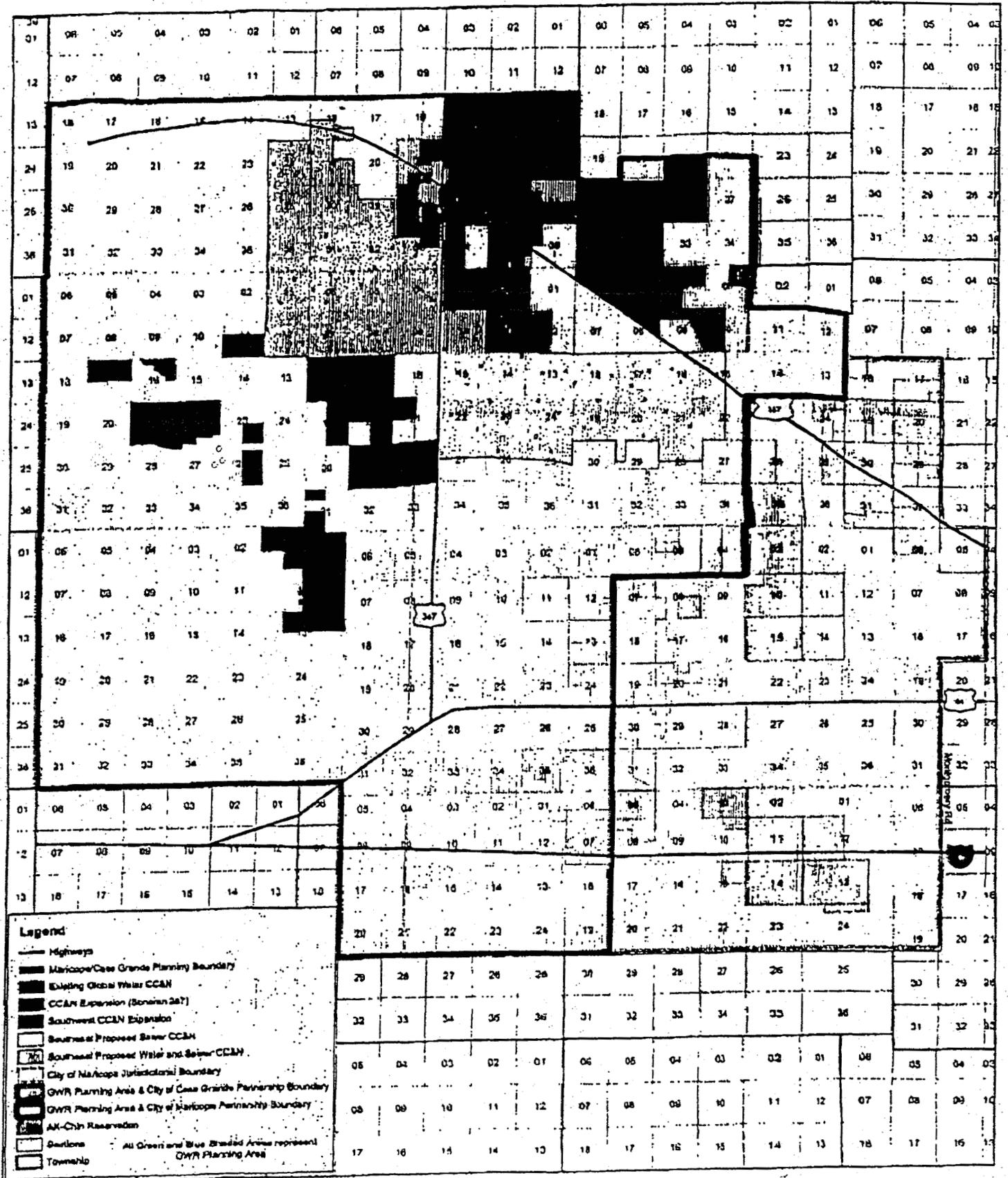
APPROVED AS TO FORM:



City Attorney

EXHIBIT A

Exhibit A - Subject Territories



Sections 13, 24, 25, and 36 of Township 6 South, Range 3 East of the Gila and Salt River Base and Meridian, Pinal County, Arizona; And

Sections 16, 17, 18, 19, 20, 21, 28, 29, 30, 31, 32, and 33 of Township 6 South, Range 4 East of the Gila and Salt River Base and Meridian, Pinal County, Arizona.

Exhibit 4

