

ORIGINAL NEW APPLICATION



0000057281

ARIZONA CORPORATION COMMIS:

APPLICATION FOR AN EXTENSION OF CERTIFICATE OF CONVENIENCE AND NECESSITY

Arizona Corporation Commission

DOCKETED

AUG 07 2006

WATER AND/OR SEWER

W-02466A-06-0504

DOCKETED BY

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

Dennis Sim 928-753-6606

2506 Oatman Road

Kingman, Arizona 86413

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

Dennis Sim 928-753-6606

2506 Oatman Road

Kingman, Arizona 86413

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

Water/Wastewater Consultants Terri L. Cohagen

3320 W. Yucca Street 602-942-7376

Phoenix, Arizona 85029

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

Robert H. Brooks 928-753-6115

730 E. Beale Street

Kingman, Arizona 86401

E. Attach the following documents that apply to you:

ccnext.doc 04/00

2

ARIZONA CORPORATION COMMISSION
DOCUMENT CONTROL

2006 AUG -7 P 3:24

RECEIVED

✓ 1. Certificate of Good Standing (if corporation)

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

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

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

✓ H. Attach a current balance sheet and profit and loss statement.

I. Provide the following information:

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

Residential:

First Year 3 Second Year 8 Third Year 15 Fourth Year 24

Fifth Year 32

Commercial:

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

Fifth Year _____

Industrial:

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

Fifth Year _____

Irrigation:

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

Fifth Year _____

Other: (specify)

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

Fifth Year _____

2. **(WATER ONLY)** Indicate the projected annual water consumption, in gallons, for each of the customer classes in the new area for each of the next five years:

Residential:

First Year 234,000 Second Year 624,000 Third Year 1,170,000

Fourth Year 1,872,000 Fifth Year 2,496,000

Commercial:

First Year _____ Second Year _____ Third Year _____

Fourth Year _____ Fifth Year _____

Industrial:

First Year _____ Second Year _____ Third Year _____

Fourth Year _____ Fifth Year _____

Irrigation:

First Year _____ Second Year _____ Third Year _____

Fourth Year _____ Fifth Year _____

3. Indicate the total estimated annual operating revenue from the new area for each of the next five years:

First Year _____ Second Year _____ Third Year _____

Fourth Year _____ Fifth Year _____

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

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

First Year 511.07 Second Year 1,362.87 Third Year 2,555.38

Fourth Year 4,088.62 Fifth Year 5,451.40

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

\$ 72,400.00

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

None

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

Starting date 7-10-06 Completion date 9-15-06

M. Attach the following permits:

Dennis 1. Franchise from either the City or County for the area requested.

Dennis 2. Arizona Department of Environmental Quality or designee's approval to construct facilities.

3. Arizona State Land Department approval. (If you are including any State land in your requested area this approval is needed.)

4. U.S. Forest Service approval. (If you are including any U.S. Forest Service land in your requested area this approval is needed.)

Dennis 5. **(WATER ONLY)** If the area requested is within an Active Management Area, attach a copy of, either the utility's Designation of an Assured Water Supply, or the developer's Certificate of 100 Year Assured Water Supply issued by the Arizona Department of Water Resources.

- If the area requested is outside an Active Management Area, attach the developer's Adequacy Statement issued by the Arizona Department of Water Resources if applied for by the developer.

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

Dennis Sim

(Signature of Authorized Representative)

Dennis Sim

(Print or Type Name Here)

Vice President

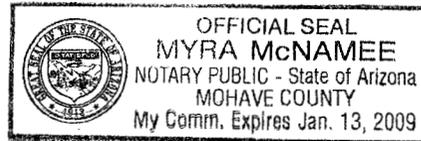
(Title)

SUBSCRIBED AND SWORN to before me this 25 day of July, 2006

Myra McNamee

NOTARY PUBLIC

My Commission Expires Jan. 13, 2009



STATE OF ARIZONA



Office of the
CORPORATION COMMISSION
CERTIFICATE OF GOOD STANDING

To all to whom these presents shall come, greeting:

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

*****WALNUT CREEK WATER COMPANY, INC.*****

a domestic corporation organized under the laws of the State of Arizona, did incorporate on September 4, 1984.

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

This certificate relates only to the legal existence of the above named entity as of the date issued. This certificate is not to be construed as an endorsement, recommendation, or notice of approval of the entity's condition or business activities and practices.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the official seal of the Arizona Corporation Commission. Done at Phoenix, the Capital, this 11th Day of July, 2006, A. D.




Executive Director

Order Number: 77215

Legal description of proposed new water service area requested by Walnut Creek Water Company, Inc., the south half of the south half of the south half of Section 1, Township 20 North, Range 18 West, G & S.R.M., Mohave County, Arizona.

ATTACHMENT "A"

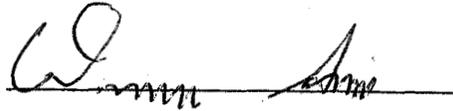
Walnut Creek Water Company, Inc.
119 E Andy Devine
Kingman, AZ 86401

July 11, 2006

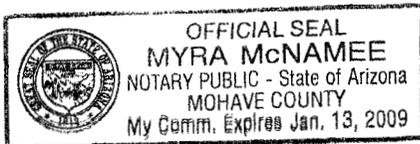
Docket Control
Arizona Corporation Commission
1200 W Washington St
Phoenix, Arizona

Attached is an application by Walnut Creek Water Company, Inc. for extension of CC & N. The purpose of this application is to service lots in a portion of Section 1, Township 20N, Range 18W.

Dennis Sim



SUBSCRIBED AND SWORN to before me this 25TH day of July, 2006



NOTARY PUBLIC

My Commission Expires Jan. 13, 2009

ATTACHMENT "B"

Mohave	7	20 N	17 W
COUNTY	SECTION	TOWNSHIP	RANGE

6	5	4	3	2	1
	8	9	10	11	12
18	17	16	15	14	13
19	20	21	22	23	24
30	29	28	27	26	25
31	32	33	34	35	36

Type or Print Description Here:

 Indicates Existing Service Area

ATTACHMENT "B"

Mohave	1	20 N	18 W
COUNTY	SECTION	TOWNSHIP	RANGE

6	5	4	3	2	1
7	8	9	10	11	12
18	17	16	15	14	13
19	20	21	22	23	24
30	29	28	27	26	25
31	32	33	34	35	36

Type or Print Description Here:

The South Half, South Half, South Half of Section 1, Township
20 North, Range 18 West, G. & S.R.M., Mohave County, Arizona.

 Indicates New Service Area

2:26 PM
07/18/06
Accrual Basis

WALNUT CREEK WATER COMPANY, INC
Balance Sheet
As of June 30, 2006

	<u>Jun 30, 06</u>
ASSETS	
Current Assets	
Checking/Savings	
1005 CHECKING	9,294.27
Total Checking/Savings	<u>9,294.27</u>
Accounts Receivable	
1010 Accounts Receivable	
WATER CUSTOMERS	12,845.04
WATER DELIVERY	2,379.79
1010 Accounts Receivable - Other	-281.50
Total 1010 Accounts Receivable	<u>14,943.33</u>
Total Accounts Receivable	14,943.33
Other Current Assets	
1059 DEPOSITS	1,054.48
Total Other Current Assets	<u>1,054.48</u>
Total Current Assets	25,292.08
Fixed Assets	
1500 LAND	4,100.20
1571 WELL EQUIP	633,431.13
1575 VEHICLES	128,326.15
1581 ACCUM DEP	-505,728.04
Total Fixed Assets	<u>260,129.44</u>
TOTAL ASSETS	<u><u>285,421.52</u></u>
LIABILITIES & EQUITY	
Liabilities	
Current Liabilities	
Accounts Payable	
Accounts Payable	2,895.09
Total Accounts Payable	<u>2,895.09</u>
Other Current Liabilities	
2006 REF WATER METER DEP	2,494.77
2012 A/P DUNTON & DUNTON	117,588.07
2013 A/P WALNUT CREEK DEV	476,282.60 *
2019 Sales Tax Payable	2,051.44
2020 N/P RAY SCHAEFFER	50,000.00
Total Other Current Liabilities	<u>648,416.88</u>
Total Current Liabilities	<u>651,311.97</u>
Total Liabilities	651,311.97

2:26 PM
07/18/06
Accrual Basis

WALNUT CREEK WATER COMPANY, INC
Balance Sheet
As of June 30, 2006

	<u>Jun 30, 06</u>
Equity	
3051 COMMON STOCK	9,000.00
3061 RETAINED EARNINGS	-354,914.17
3069 CURR YEAR E/P	-160.80
Retained Earnings	-21,191.86
Net Income	1,376.38
Total Equity	<u>-365,890.45</u>
TOTAL LIABILITIES & EQUITY	<u><u>285,421.52</u></u>

*Note to Financial Statement:

Walnut Creek Development is a company that is owned and controlled by the same owners of Walnut Creek Water Company. This payable has the effect of a capital contribution but for tax purposes it has been treated as a liability.

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07/18/06
Accrual Basis

WALNUT CREEK WATER COMPANY, INC
Profit & Loss YTD Comparison
January through June 2006

	<u>Jan - Jun 06</u>	<u>Jan - Jun 06</u>
Ordinary Income/Expense		
Income		
4000 - WATER REVENUE	61,925.60	61,925.60
4030-OTHER INCOME	242.00	242.00
Total Income	<u>62,167.60</u>	<u>62,167.60</u>
Gross Profit	62,167.60	62,167.60
Expense		
7010 AUTO	6,718.26	6,718.26
7040 SALARIES	15,176.00	15,176.00
7070 OFFICE	3,249.57	3,249.57
7080 TELEPHONE & UTILITIES	9,506.58	9,506.58
7090 LEGAL, ACCTG & ENGINEERING	7,300.46	7,300.46
7100 DUES & SUBSCRIPTIONS	152.88	152.88
7120 RENT	1,500.00	1,500.00
7130 REPAIRS, MAINT, PARTS	14,142.34	14,142.34
7160 TAXES	2,750.88	2,750.88
7170 LICENSES	118.83	118.83
7210 BAD DEBT EXPENSE	175.42	175.42
Total Expense	<u>60,791.22</u>	<u>60,791.22</u>
Net Ordinary Income	<u>1,376.38</u>	<u>1,376.38</u>
Net Income	<u><u>1,376.38</u></u>	<u><u>1,376.38</u></u>

ATTACHMENT "C"

**PUBLIC NOTICE OF AN APPLICATION FOR AN
EXTENSION OF ITS CERTIFICATE OF CONVENIENCE AND NECESSITY
BY WALNUT CREEK WATER COMPANY, INC**

Walnut Creek Water Company, Inc., has filed with the Arizona Corporation Commission ("Commission") an application for authority for an extension of its Certificate of Convenience and Necessity to provide water service. Our records indicate that you are either currently a customer of Walnut Creek Water Company, Inc., or are a property owner in the proposed extension area. If the application is granted, Walnut Creek Water Company, Inc., would be the exclusive provider of water service to the proposed area. Walnut Creek Water Company, Inc., will be required by the Commission to provide this service under the rates and charges and terms and conditions established by the Commission. The granting of the application would not necessarily prohibit an individual from providing service to themselves from individually owned facilities on their property. The application is available for inspection during regular business hours at the offices of the Commission in (Phoenix at 1200 West Washington Street/Tucson at 400 West Congress, North Building, Room 218), and at Walnut Creek Water Company, Inc., 2506 Oatman Rd, Kingman, Az.

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

If you have any questions or concerns about this application or have any objections to its approval, or wish to make a statement in support of it, you may contact the Consumer Services Section of the Commission at (1200 West Washington Street, Phoenix, Arizona 85007 or call 1-800-222-7000/400 West Congress, North Building, Room 218, Tucson, Arizona 85701 or call 1-800-535-0148).

ATTACHMENT "D"

WATER USE DATA SHEET

NAME OF COMPANY _____	Walnut Creek Water Co. Inc.
ADEQ Public Water System No. _____	08-078

MONTH/YEAR (Last 13 Months)	NUMBER OF CUSTOMERS	GALLONS SOLD (Thousands)
2005 - JUNE	224	2,551,800
JULY	224	2,041,500
AUG	226	2,819,700
SEPT	225	3,255,900
OCT	231	2,436,800
NOV	236	2,104,500
DEC	237	2,455,800
2006 - JAN	239	1,470,700
FEB	245	2,485,100
MAR	243	2,107,000
APR	245	2,578,500
MAY	247	3,368,400
JUNE	245	3,632,100

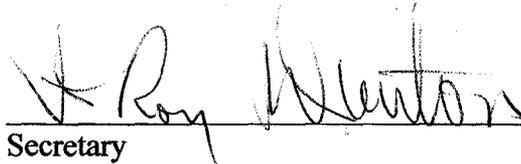
STORAGE TANK CAPACITY (Gallons)	NUMBER OF EACH	ARIZONA DEPT. OF WATER RESOURCES WELL I.D. NUMBER	WELL PRODUCTION (Gallons per Minute)
300,000	1		
85,000	1		
		55-529524	65
		55-506325	100
		55-580129	80
		55-581044	100
		55-208038	250

Other Water Sources in Gallons per Minute →	<u>GPM</u> N/A
Fire Hydrants on System →	<input checked="" type="radio"/> Yes <input type="radio"/> No
Total Water Pumped Last 13 Months (Gallons in Thousands) →	33,307,800

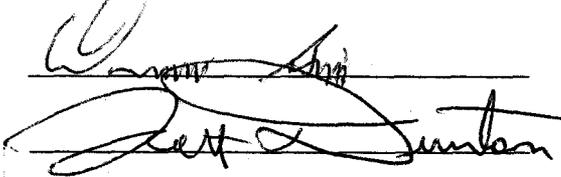
Arizona Corporation Commission
1200 West Washington
Phoenix, AZ 85007

Re: Walnut Creek Water Company

At a Board of Directors meeting of Walnut Creek Water Company held July 10, 2006, the Board unanimously authorized Dennis Sim, an officer of the Company, to act on its behalf for the expansion of the Company's Certificate of Convenience and Necessity, and further that Mr. Sim, in so acting on behalf of the Company, was to do so as an incidental function to his main duties as an officer of the Company.


Secretary

BOARD MEMBERS:



**FRANCHISE AGREEMENT
and
FRANCHISE
for
PUBLIC SERVICE CORPORATIONS**

Date of Franchise: 04-04-2005
Term of Franchise: 25 years
Renewal Date Option: 04-04-2030

This is a Franchise Agreement between the County of Mohave, State of Arizona, and Walnut Creek Water Co. Inc., authorizing the location, construction, maintenance and operation of water pipelines within the unincorporated areas of Mohave County. This Franchise specifically grants to Walnut Creek Water Co. Inc. the privilege of using the Public Rights-of-Way and Easements of Mohave County in accordance with established policies, practices, and procedures of Mohave County and its several departments.

RECITALS

WHEREAS, the Mohave County Board of Supervisors has the duty and responsibility to protect the health, safety and welfare of the residents of Mohave County; and

WHEREAS, the Mohave County Board of Supervisors has the duty and responsibility to assure that Public Rights-of-Way and Easements of Mohave County are used in a responsible manner consistent with the best interests of the residents of Mohave County; and

WHEREAS, the Mohave County Board of Supervisors strives to authorize the use of the Public Rights-of-Way and Easements of Mohave County in a uniform manner among all users; and

WHEREAS, the Mohave County Board of Supervisors deems this form of Franchise Agreement and Franchise to be fair, reasonable and appropriate for Public Service Corporations;

NOW, THEREFORE, the Mohave County Board of Supervisors and Walnut Creek Water Co. Inc. do hereby state, promise and agree as follows:

SECTION 1. DEFINITIONS.

As used in this Franchise Agreement and Franchise, the following terms have been agreed to have the meanings indicated:

- A. "Agreement" means this Franchise Agreement and Franchise.
- B. "Area of Jurisdiction" means that part of Mohave County for which this Franchise is granted.
- C. "Board" means the Mohave County Board of Supervisors.
- D. "County" means Mohave County, Arizona.
- E. "Emergency" means any occurrence that may arise without prior notice to Franchisee.
- F. "Franchise" means this Franchise Agreement and Franchise.
- G. "Franchisee" means Walnut Creek Water Co. Inc.
- H. "Franchising Authority" means the Mohave County Board of Supervisors.
- I. "Franchise Property" means all materials, equipment, and facilities of Franchisee located, constructed, maintained, and/or operated in the Public Rights-of-Way and Easements of Mohave County pursuant to the terms and conditions of this Franchise Agreement and Franchise.
- J. "Gross Annual Receipts" means any compensation derived from any Subscriber or User in payment for delivery of a product or services from Franchisee. This meaning shall not include any taxes collected by Franchisee and transmitted to a governmental agency, and it shall not include any amounts collected by Franchisee by virtue of the Franchise Fee provisions of this Franchise.
- K. "Intergovernmental Agreement" means the joint exercise of powers authorized by Title 11, Chapter 7, Article 3 of Arizona Revised Statutes.
- L. "Public Rights-of-Way and Easements" means that real property located within unincorporated areas of Mohave County within which the Mohave County Board of Supervisors has the power and authority to grant a Franchise.
- M. "Rights-of-Way and Easements" shall mean the surface of, the space above, and the space below the Public Rights-of-Way and Easements reasonably necessary to construct, operate, and maintain the Franchise Property.

N. "Service Area" means the unincorporated areas of Mohave County in which the Franchisee delivers the service for which this Franchise is granted.

O. "Subscriber or User" means any person or entity receiving, for any purpose, the services of the Franchisee.

Section 2. GRANTING OF FRANCHISE.

A non-exclusive Franchise is hereby granted to Franchisee for the purpose of locating, constructing, and maintaining Franchise Property in the unincorporated area of Mohave County. This Franchise shall include the authority, privilege, and power to construct, operate, and maintain all necessary Franchise Property in, over, under, across, and upon the Public Rights-of-Way and Easements consistent with the terms and conditions of this Franchise.

Section 3. TERM OF FRANCHISE.

This Franchise shall be for an initial term of twenty five (25) years beginning on the date of Board approval. This term may be extended only by reapplication and grant of an extension. Application for an extension shall be submitted to the Board no sooner than three hundred sixty-five (365) days, nor later than one hundred twenty (120) days, prior to the expiration date of this Franchise.

Section 4. TERMS AND CONDITIONS.

This Franchise shall be subject to the following conditions:

A. This Franchise shall not be deemed to limit the authority of the Board to include other conditions or restrictions which may be necessary for the protection of the health, safety and welfare of the residents of the County and/or for the efficient administration of the Rights-of-Way and Easements in general.

B. This Franchise is non-exclusive.

C. The Board has granted this Franchise in reliance upon the Franchisee's business skill, reputation, financial capacity, and character. Accordingly, this Franchise and/or any interest hereunder, shall not be assigned, transferred, conveyed, or otherwise encumbered without the express written consent of the Board. Failure of performance by the Franchisee of any of the terms and conditions of this Franchise may be cause for termination of this Franchise pursuant to Section 16 of this Agreement.

D. No privilege or exemption shall be granted or inferred unless specifically set forth in this Franchise.

E. Any privilege claimed under this Franchise by the Franchisee in any Right-of-Way or Easement shall be subordinated to any prior lawful occupancy of the Right-of-Way or Easement.

F. Prior to commencing any activity authorized by this Franchise, the Franchisee shall submit plans and specifications for such activity to the County Public Works Director for approval; provided, however, whenever Franchisee is required to undertake emergency activities required to protect the health, safety and welfare of the public and/or the safety and reliability of the Franchise Property, Franchisee shall notify the County Public Works Director not later than twenty four (24) hours after notice of the emergency; and provided further, however, should such emergency present an immediate threat or danger to the health, safety and welfare of the public, Franchisee shall notify the County Manager or the County Public Works Director or the County Emergency Services Coordinator or the Chairman of the Board within one (1) hour of notice of the emergency.

G. Any failure of the Board, or its agents, to promptly enforce compliance of the terms and/or conditions of this Franchise shall not be deemed a waiver of such terms and/or conditions.

H. The Franchisee shall have no recourse against the Board or its agents for any loss, cost, expense, or damage arising out of any term, condition or enforcement of this Franchise.

I. The Franchisee shall be subject to all County rules, regulations and/or specifications pertaining to the use of Public Rights-of-Way and Easements which may be adopted from time to time by the Board.

J. Prior to the grant of this Franchise by the Board, and annually thereafter, Franchisee shall submit to the Board a complete financial statement that reflects the current financial status of the Franchisee and a list of names and addresses of proprietors, owners, or beneficial shareholders who hold more than a ten percent (10%) interest in the corporation, organization, or regulated entity.

SECTION 5. RECORDS TO BE KEPT AND MAINTAINED; REPORTS; INSPECTION OF RECORDS.

A. Franchisee shall prepare and furnish to the Board, or its agents, such reports and records of its operations, affairs, transactions and/or property as the Board deems necessary or appropriate for the enforcement of performance by the Franchisee according to the terms and conditions of this Franchise.

B. Franchisee shall keep and maintain within the County, and make available for County inspection upon reasonable request, full and complete plans and records showing the exact location of all Franchise Property installed and/or in use in the Public Rights-of-Way and Easements.

C. Franchisee shall file with the County Public Works Director, on or before the 31st day of December of each year, a map and/or a set of plans showing all Franchise Property installed and/or in use in the Public Rights-of-Way and Easements current as of the immediately preceding November 30th.

D. Franchise shall keep its Franchise Property in good operating condition, and Franchisee shall cause all customer complaints to be duly investigated and, where the circumstances warrant, corrected within a reasonable period of time. Records reflecting such complaints, and the time and manner in which they are resolved, shall be maintained by the Franchisee for at least one (1) year and shall be made available for inspection by the Board or its agents upon reasonable request.

SECTION 6. INSTALLATION STANDARDS.

A. Franchisee shall be responsible for meeting all County, State, Federal, and local installation standards.

B. Any other provision of this Franchise notwithstanding, all installations of Franchise Property shall be made in a safe and workmanlike manner and maintained in good condition at all times. Except for the conduct of normal construction and repair activities, all such installations of Franchise Property shall be approximately placed so as not to interfere in any manner with the rights of the public or individual property owners and shall not interfere with the use of public property by the public and shall not obstruct or impede traffic. The Board reserves the right of regulation of the erection and construction of any Franchise Property, by Franchisee and its agents or employees, and to designate where such Franchise Property shall be placed. Franchisee agrees to make changes in its plans, specifications and/or Franchise Property to conform with all requirements of the Board.

C. Franchisee shall be responsible for obtaining all necessary licenses, certificates, permits and approvals from all government authorities having jurisdiction over the activities to be conducted under this Franchise.

SECTION 7. UNDERGROUND LINES.

Franchisee shall, at its own expense, place its lines underground in areas which it serves where telephone and electric power lines are, or are required to be, underground.

SECTION 8. LOCATION OF FRANCHISE PROPERTY.

Franchise Property shall be constructed or installed in Public Rights-of-Way and Easements of the County only at such locations and in such manner as shall be approved by the Board or its agents. Construction or installation of Franchise Property shall be in accordance with all Federal, State, and County laws and regulations.

SECTION 9. REPAIR OF ROADS, STREETS, RIGHTS-OF-WAY AND EASEMENTS.

Franchisee shall, at its own expense, promptly repair and restore any and all roads, streets, sidewalks or other public and/or private property altered, damaged, or destroyed by Franchisee in exercising the privileges granted herein to Franchisee.

SECTION 10. FAILURE TO PERFORM AS REQUIRED IN SECTION 9 ABOVE.

A. Upon failure of Franchisee, and its agent or employees, to complete any work required by this Franchise, the Board or its agents may notify Franchisee of non-compliance by registered mail. Franchisee shall have fourteen (14) days from the receipt of the notice to complete the repairs or to enter into an agreement with the Board and/or its agents for the completion of the repairs.

B. If, in the opinion of the County Director of Public Works and/or the County Manager, the failure to repair or complete construction presents a serious and immediate danger to the public health, safety and welfare, they, separately or together, may take immediate action to mitigate the damage. All costs associated with such actions will be the sole responsibility of Franchisee, and Franchisee shall reimburse the County for such costs within thirty (30) days after receipt of an itemized bill.

SECTION 11. REMOVAL AND ABANDONMENT OF FRANCHISE PROPERTY.

A. In the event the use of any Franchise Property is discontinued for a continuous period of twelve (12) months and Franchisee is unable to reasonably demonstrate the usefulness of such Franchise Property for future use, Franchisee shall either remove such Franchise Property or abandon such Franchise Property in place.

B. In the event Franchise Property is installed in violation of any requirements of this Franchise, and Franchisee fails to take reasonable measures to cure such violation within thirty (30) days after written notice of such violation, Franchisee shall either remove such Franchise Property or abandon such Franchise Property in place.

C. Franchise Property to be abandoned in place shall be abandoned in accordance with applicable law. Upon abandonment of Franchise Property in place, Franchisee shall submit to the Board an instrument satisfactory to the Board transferring the ownership of such Franchise Property to the County.

SECTION 12. CHANGES REQUIRED BY PUBLIC IMPROVEMENTS.

Franchisee shall, at its own expense, protect, support, temporarily disconnect, relocate in the same street, alley or public place, any Franchise Property when required by the Board or its agents by reason of County public improvements; provided, however, Franchisee shall have the right to abandon Franchise Property as provided in Section 11 above.

SECTION 13. INDEMNIFICATION OF COUNTY.

Franchisee shall defend the County against all claims for injury to any person or property caused by the negligence of Franchisee, its agents and/or employees, in the construction or operation of Franchise Property, and, in the event of a determination of liability, shall indemnify the County, the Board, its agents and/or employees. More particularly, Franchisee, its successors and assigns, does hereby agree to indemnify and hold harmless the County, the Board and/or its agents and employees, from any and all liability, claim, demand or judgment arising out of any injury to any person or property as a result of a violation or failure on the part of Franchisee, its successors and assigns, to observe their proper duty or because of negligence in whole or in part arising out of the construction, repair, extension, maintenance, or operation of Franchise Property of any kind or character used in connection with this Franchise.

SECTION 14. LIABILITY INSURANCE REQUIRED.

Franchisee agrees that, at all times during the existence of this Franchise, Franchisee will carry a minimum of \$1,000,000 in excess liability insurance on a combined single limit basis above any permitted self-insured retention. Self-insured retention shall be permitted so long as Franchisee continues to report to the Securities and Exchange Commission of the United States a Total Assets amount in excess of \$100,000,000. The insurance coverage required by this Section shall be provided by one or more insurers permitted under Title 20 or Arizona Revised Statutes to transact insurance business. Further, Franchisee shall provide, to the Clerk of the Board of Mohave County, a Certificate of Insurance naming the County, the Board and/or its agents and employees as additional insured. The Certificate will provide for notification to the Clerk of the Board of Mohave County prior to any change in said policy, or cancellation of said policy, for any reason including nonpayment of premiums.

SECTION 15. FRANCHISE FEE.

A. Franchisee shall pay to the County an annual Franchise Fee in an amount equal to two percent (2%) of Franchisee's Gross Annual Receipts derived from the operation of Franchise Property so long as the Board shall have the authority to levy a Franchise Fee. Further, Franchisee shall not be required to pay to the County any other Franchise fee or Permit fee in connection with this Franchise. There shall be no offsets for any other taxes or assessments, i.e., sales tax, fuel tax, personal property tax, general ad valorem property tax, special assessments for local improvements or any other tax or assessment not directly related to the use of the Public Rights-of-Way and Easements that may be required of Franchisee by any governmental agency.

B. The annual Franchise Fee shall be paid no later than the first (1st) day of May following each calendar year during the term of this Franchise. All such payments shall be made to the Mohave County Finance Department, P.O. Box 7000, Kingman, Arizona 86402-7000. So long as the Board shall have the authority to levy a Franchise Fee, failure to pay such Franchise Fee by the first (1st) day of May following the calendar year is a material breach of this Franchise Agreement and is subject to the termination provisions of Section 16 hereinafter.

C. The Board shall have the right to inspect and audit all Franchisee's books and records which may be necessary in determining Franchisee's Gross Annual Receipts derived from the use of the Public Rights-of-Way and Easements and the right of audit and re-computation of any amount paid under this Section; provided, however, that the right of re-computation shall be limited to the two (2) calendar years immediately preceding the initiation of any such audit. Financial statements required by this Franchise Agreement for each calendar year shall be submitted annually on or before April 15 of each year. No acceptance of any payment shall be construed as a release or accord and satisfaction of any claim the County may have for further or additional sums payable under this Section or for the performance of any obligation under this Franchise Agreement.

D. The percentage of Gross Annual Receipts set forth in this Section and the insurance requirements set forth in Section 14 above shall be subject to reevaluation by the Board every fifth year of this Franchise; provided, however, that no reevaluation shall occur so long as Franchisee continues to report to the Securities and Exchange Commission of the United States a Total Assets amount in excess of \$100,000,000.

If reevaluation of the amounts due under this Section or the insurance requirements set forth in Section 14 above should result in a dispute between the parties, the dispute shall be presented to a neutral Arbitration Board for decision and settlement.

The Arbitration Board shall consist of either one person mutually acceptable to the parties to this Franchise Agreement or to the American Arbitration Association. In the event of arbitration, the parties shall each pay their individual costs for such arbitration. The standard procedures and policies of arbitration shall apply in all cases.

SECTION 16. TERMINATION.

A. This Franchise Agreement and Franchise may be terminated by the mutual consent of the Board and the Franchisee evidenced by a writing.

B. This Franchise Agreement and Franchise, and all rights granted hereunder, may be terminated by the Board upon any breach of the terms and conditions hereof by Franchisee and Franchisee's failure to undertake reasonable measures to cure such breach within thirty (30) days subsequent to Franchisee's receipt of written notice of such breach. Written notice shall be by registered mail.

SECTION 17. OTHER PROVISIONS.

Franchise shall keep a copy of its current Tariffs applicable to Subscribers or Users in Mohave County on file with the Clerk of the Board of Mohave County.

SECTION 18. RESERVATION OF POWERS.

A. There is hereby reserved to the Board every right and power which is required to be reserved and Franchisee, by its acceptance of this Franchise, agrees to be bound thereby and to comply with any action or requirements of the Board in its exercise of any such right of power enacted or established.

B. Neither the granting of this Franchise nor any of the provisions contained herein shall be construed to prevent the Board from granting any identical, or similar, Franchise to any person or corporation other than Franchisee.

SECTION 19. SEVERABILITY.

In the event any provision of this Agreement is rendered inoperative by virtue of the entry of a final judgment of a Court of competent jurisdiction, such event shall not affect any other provision of this Agreement that can be given effect without such inoperative provision and, for this purpose, the provisions of this Agreement are hereby declared to be severable.

SECTION 20. OFFICIAL NOTICES.

Notices concerning this Franchise Agreement and Franchise shall be sent to:

FOR THE COUNTY:

Clerk of the Board
Mohave County
P.O. Box 7000
Kingman, AZ 86402-7000
928-753-0731

FOR FRANCHISEE:

Dennis Sim V.P. & G.M.
Walnut Creek Water Co. Inc.
2506 Oatman Road
Kingman, Ariz. 86413
928-753-6606

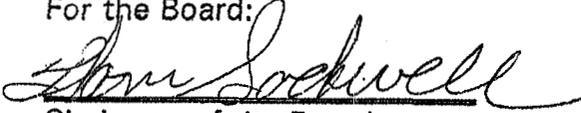
SECTION 21. EFFECTIVE DATE.

This Franchise shall take effect upon the date of approval by the Board.

Approved by the Mohave County Board of Supervisors this 4 day of

April, 2005.

For the Board:


Chairman of the Board

Accepted for Franchisee:



Approved as to form:


County Attorney

ATTEST:


Clerk of the Board



ATTACHMENT "A"
LEGAL DESCRIPTION

AS THIS AGREEMENT SUPERSEDES ANY PREVIOUS FRANCHISE AGREEMENTS, THIS LEGAL INCLUDES AREAS PREVIOUSLY APPROVED BY THE BOARD OF SUPERVISORS AND ANY ANNEXATION AREAS THAT ARE REQUESTED (IF ANY)

PRESENT FRANCHISED AREA APPROVED MARCH 1, 1989

WALNUT CREEK ESTATES:

All of Section 7, Township 20 North, Range 17 West, G. & S.R.M., Mohave County, Arizona.

Excepting therefrom a parcel beginning at the Southeast Corner of Section 7; Thence S 89° 56' W, a distance of 2,485.27 along the South Boundary of said Section 7; Thence N 00° 04' W, a distance of 2,417.40 Feet; Thence N 37° 10' W, a distance of 714.50 Feet to the Point of Intersection with the Southeasterly Right-of-Way of Oatman Road; Thence N 52° 50' E along the Southeasterly Right-of-Way of Oatman Road, a distance of 3,656.27 Feet to a Point of Intersection with the East Boundary of said Section 7; Thence S 00° 04' E along the East Boundary of said Section 7, a distance of 5,192.68 Feet to the Southeast corner of said Section 7 and the Point of Beginning.

Also, the following described portion of Section 12, T20N, R18W, of the Gila and Salt River Base and Meridian, Mohave County, Arizona. Northwest quarter (NW. 1/4); Northeast quarter (NE. 1/4); North half Northeast quarter Southwest quarter (N. 1/2 NE. 1/4 SW. 1/4) Northwest quarter Southwest quarter (NW. 1/4 SW. 1/4) Northwest quarter Southwest quarter Southwest quarter (NW. 1/4 SW. 1/4 SW. 1/4); Northwest quarter Southwest quarter Southwest quarter Southwest quarter (NW. 1/4 SW. 1/4 SW. 1/4 SW. 1/4); North half Southeast quarter (N. 1/2 SE. 1/4); Northeast quarter Southwest quarter Southeast quarter (NE. 1/4 SW. 1/4 SE. 1/4); Southeast quarter Southeast quarter (SE. 1/4 SE. 1/4).

A portion of the N.W. 1/4 of Section 8, T20N, R17W, G&SRM Mohave County, Arizona, as shown on Parcel Plat Recorded Book 3, Pages 54 & 54A, Fee# 88-32664.

BULLHEAD AREA:

All of Section 16, Township 21 North, Range 21 West, of Gila and Salt River Base and Meridian, Mohave County, Arizona.

HUALAPAI MOUNTAIN AREA:

All of Section 27; EXCEPT the East half of the East half of the East half (E. 1/2 of E. 1/2 of E. 1/2)

The Southeast quarter (SE 1/4) of Section 28.

ATTACHMENT A Page 2

The East half of the Northeast quarter of the Northeast quarter of the Northeast quarter (E. 1/2 of the NE. 1/4 of NE. 1/4) of Section 33.

The North half of the Northwest quarter (N. 1/2 of NW. 1/4) and the Northwest quarter of the Northeast quarter (NW. 1/4 of NE. 1/4) of Section 34.

All in Township 21 North, Range 16 West of the Gila and Salt River Base and Meridian, Mohave County, Arizona.

REQUESTED ANNEXATION AREA:

The South 1/2 of Section 1, Township 20 North, Range 18 West, G & S.R.M., Mohave County, Arizona.

That Portion of Section 18, Township 20 North, Range 17 West, G & S.R.M., Mohave County, Arizona lying west of the Interstate 40 Right-of-Way.



ARIZONA DEPARTMENT OF ENVIRONMENTAL QUALITY

Certificate of Approval to Construct a Water Distribution System

Applicant Information:		Project Name	Walnut Creek Water Co extension		ADEQ CF #	20051076	
Name Address City/State/Zip	Walnut Creek Water Co			Place ID	7967	LTF#	38691
	Dennis Sim			County	Mohave		
	2506 Oatman Rd						
Project Type(s)		Project Description					
<input checked="" type="checkbox"/>	Pressure Main	<input type="checkbox"/>	Storage Tank	Approximately 6100' 6" PVC transmission line, 6100' 6" PVC service line, 10 hydrants and appurtances			
<input type="checkbox"/>	Hydro Tank	<input type="checkbox"/>	Other				
Facility Name Address City/State/Zip		Walnut Creek Water Co					
PWS ID #		08078		Site Information			
Design Documents Approved		Date		Nearest Town		Kingman	
Application		12/16/05		Location of Distribution System			
Site Plan		12/15/05		Township	20N	Range	17W
Design Plan		2/20/06		Section	7	Quarter Section	
Operations & Maintenance Plan				Latitude	35° 08' 28"		North
Response Letter				Longitude	114° 08' 25"		West
Other							

Approval to Construct (ATC) the above-described facilities as represented in the approved plans documents on file the with the Arizona Department of Environmental Quality, is hereby given subject to the following provisions.

The General Provisions and Special Provisions for the Water Distribution System appear on Pages 2 of 2

KH1/th2

CERTIFICATE DISTRIBUTION

Original Certificate:

Applicant

Certificate Copy Only:

- ADEQ/NRO Reading File
- ADEQ/NRO Construction File
- County P&Z
- Mohave Engineering

Stephen A. Owens, Director
Arizona Department of Environmental Quality

By: 5-31-06
Kurt J. Harris, P.E., Manager Date Approved
Water Quality Design Review Unit
Northern Regional Office

M:\ATerry\2006\Mohave\WATER ATC 060106 walnut creek extension 20051076.doc

General Provisions

1. A public water system shall be designed using good engineering practices. A public water system which is designed in a manner consistent with the criteria contained in Engineering Bulletin No. 10, "Guidelines for the Construction of Water Systems,"
2. This Approval to Construct becomes void if an extension of time is not granted by the Department within 90 days after passage of one of the following [R18-4-505(E)]:
 - A. Construction does not begin within one year after the date the Approval to Construct is issued, or
 - B. There is a halt in construction of more than one year, or
 - C. Construction is not completed within three years after the date construction begins.
3. All construction shall conform to approved plans and specifications. Should it be necessary or desirable to make a change in the approved design which will affect water quality, capacity, flow, sanitary features, or performance, the revised plans and specifications, together with a written statement of the reasons for such a change, shall be submitted to the Department for review, and approval shall be obtained in writing before the construction affected by the change is undertaken. Revisions not affecting water quality, capacity, flow, sanitary features, or performance may be permitted during construction without further approval if record drawings documenting these changes, prepared by a professional engineer registered in the state of Arizona, are submitted to the Department, pursuant to A.A.C. R18-4-508.
4. Notice shall be given to the Northern Regional Office (NRO) in Flagstaff (1-877-602-3675) and to County P&Z Department when construction of the project begins to allow for inspection during construction per A.R.S. § 49-104(B)(10).
Contact Marti Blad x 2717 at least seven days prior to the start of construction, and again at least ten day before the end of construction.
5. Operation of a newly constructed facility shall not begin until an Approval of Construction (AOC) is issued by the Department per A.A.C. R18-4-507(A). Failure to comply with A.A.C. R18-4-507(A) will result if a Notice of Violation (NOV).
6. The following requirements shall be met before an AOC will be issued by the Department on a newly constructed public water system, an extension to an existing public water system, or any alterations of an existing public water system, or any alteration of an existing public water system which affects its treatment, capacity, water quality, flow, distribution, or operational performance [R18-4-507(B)]:
 - A. A professional engineer, registered in the state of Arizona, or a person under the direct supervision thereof, shall complete a final inspection and submit a Certificate of Completion on a form approved by the Department to which the seal and signature of the registrant have been affixed;
 - B. The construction conforms to approved plans and specifications, as indicated in the Certificate of Completion, and all changes have been documented by the submission of record drawings, pursuant to R18-4-508;
 - C. An operations and maintenance manual has been submitted and approved by the Department if construction includes a new water treatment facility; and
 - D. An operator, who is certified by the Department at a grade appropriate for each facility, is employed to operate each water treatment plant and the potable water distribution system.After receipt of the items outlined above, NRO will review the file and, if in order, will issue an Approval of Construction (AOC).
7. A minimum pressure of 20 psi shall be provided at all points in the distribution lines at all times.
8. All materials and products that come into contact with drinking water or drinking water treatment chemicals must comply with NSF Standard 61. Any "or equal" substitution shall also meet NSF Standard 61. Materials which do not meet NSF Standard 61 may be considered if they otherwise comply with A.R.S. § 49-353.01.
9. Backflow prevention shall be provided in accordance with R18-4-115 and/or local ordinances.
10. The open end of each air relief pipe from automatic valves shall extend at least one foot above grade and shall incorporate pipe elbows to cause the opening, permanently covered with #16 mesh screen, to face downward.
11. This certificate voids and supersedes all previous "Approvals to Construct" issued previously for this file number.
12. Water line sewer line separation shall meet A.A.C. R18-4-502. The separation requirements of A.A.C. R18-4-502 shall extend to all water line services and sewer line services within the right-of-way. Separation of water and sewer line on individual private property shall meet the requirements of the Uniform Plumbing Code.
13. Construction material used in a public water system, including residential and non-residential facilities connected to the public water system, shall be lead free as defined at R18-4-101(46).

Special Provisions

1. The water distribution system must be tested for conformance to A.A.C. R18-5-502 before the Approval of Construction is issued. A Fire flow test per the appropriate ASTM standard shall be conducted on at least one fire hydrant in the lowest pressure zone. The stable residual pressure and hydrant flow must be recorded and certified by the Project Engineer. This data, certified by a Professional Engineer registered in Arizona, shall be used to calibrate the water model provided with the Application for Approval to Construct (ATC). The resultant fire flow analysis using the new calibration shall be provided with the ECOC for the application for Approval of Construction (AOC). The resultant model must demonstrate that the predicted minimum system pressure during a fire flow plus maximum daily flow event is 20 psi or greater.

End of Provisions

5-31-06

1 DEPARTMENT OF WATER RESOURCES

2 BEFORE THE DIRECTOR

3 IN THE MATTER OF THE APPLICATION) AWS No. 2005-004
4 OF THE WALNUT CREEK WATER COMPANY)
5 FOR A DESIGNATION)
6 AS HAVING AN) DECISION AND ORDER
ADEQUATE WATER SUPPLY)
ADWR No. 21-401425.0000

7
8 On July 20, 2004, the Department of Water Resources ("Department") received an application
9 from the Walnut Creek Water Company ("Walnut Creek") requesting that the Department grant a
10 designation of adequate water supply pursuant to A.R.S. § 45-108 and A.A.C. R12-15-715 *et seq.* The
11 application was determined to be complete on January 27, 2005.

12 After receiving Walnut Creek's application for a designation of adequate water supply, and after
13 reviewing relevant information regarding the designation request, including a review of hydrologic data
14 submitted with the application and on file with the Department for the proposed source of supply, the
15 Department finds the following:

- 16 1. Walnut Creek is a private water company created pursuant to A.R.S. Title 48, Chapter 6,
17 for the purpose of acquiring and providing domestic water service and incidental irrigation
18 service within the boundaries on file with the Arizona Corporation Commission.
- 19 2. Walnut Creek has the right to withdraw groundwater for service to its customers pursuant
20 to A.R.S. § 45-453.
- 21 3. Walnut Creek is currently serving water to customers with plans to serve an additional
22 677 lots and has a current demand of 82 acre-feet annually.
- 23 4. Walnut Creek's projected demand for the calendar year 2015 is 374.1 acre-feet.
- 24 5. Based on a projected demand of up to 374.1 acre-feet per year, and available hydrologic
25 data which shows an available groundwater supply up to 400 acre-feet annually, the

1 depth to groundwater within Walnut Creek's boundaries is projected to decline to a depth
2 less than 1,200 feet below land surface in 100 years.

3 6. Walnut Creek's service area wells have a capacity of 400 acre-feet per year, which
4 exceeds its projected annual demand for calendar year 2015.

5 7. Walnut Creek's groundwater supply satisfies all existing local, state, and federal water
6 quality standards.

7 **Having reviewed the Findings of Fact, the Department makes the following conclusions of**
8 **law based on information which was provided to the Department or obtained independently by the**
9 **Department prior to the issuance of this Decision and Order:**

10 1. Walnut Creek has a groundwater supply which is physically, legally and continuously
11 available to satisfy its current, committed and projected 2015 calendar year demands for
12 one hundred years following the signing of this Order.

13 2. Walnut Creek's proposed groundwater supply is of adequate quality.

14 **Having reviewed the Conclusions of Law, the Department hereby issues this Decision and**
15 **Order designating the Walnut Creek Water Company as having an adequate water supply, subject**
16 **to the following conditions:**

17 1. Beginning March 31, 2006, and on March 31 of each calendar year thereafter, Walnut
18 Creek shall submit to the Department the following information for the preceding calendar
19 year.

20 a. The total quantity of water from any source, withdrawn, diverted, or received by
21 Walnut Creek for its customers' residential and non-residential use during the
22 previous calendar year.

23 b. The estimated future demand of platted, undeveloped lots which are located in
24 Walnut Creek's service area.

25

- 1 c. The projected volume of water demand at build-out of customers with which
2 Walnut Creek has entered into a notice of intent to serve agreement in the
3 calendar year.
4 d. A report regarding Walnut Creek's compliance with water quality requirements.
5 e. The depth-to-static water level of all wells from which Walnut Creek withdrew
6 water during the calendar year.

7 3. Walnut Creek shall notify the Department in writing if a court or Special Master makes a
8 rule or ruling, issues a report, or enters an order, regardless of its finality, which affects
9 either Walnut Creek's right to withdraw water from its wells or the volume of water Walnut
10 Creek may withdraw.

11 4. The Director may revoke the designation if the quantity, quality, or legal availability of
12 water resources to Walnut Creek is no longer sufficient to provide an adequate water
13 supply for Walnut Creek's current, committed and two years of projected demand, as
14 evaluated under the Department's current rule or rules established in the future.

15 5. Any request for review of this Decision and Order shall be filed with the Docket
16 Supervisor no later than thirty (30) days from receipt of this Decision and Order.
17

18 **IT IS HEREBY ORDERED THAT THE WALNUT CREEK WATER COMPANY IS DESIGNATED**
19 **AS HAVING AN ADEQUATE WATER SUPPLY.**

20
21 DATED this 27th day of JUNE, 2005

22 
23 HERBERT GUENTHER
24 Director
25