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2003 OCT 29 P 4: 02

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 A Professional Corporation  
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 Patrick J. Black  
 3 3003 North Central Avenue  
 Suite 2600  
 4 Phoenix, Arizona 85012  
 Telephone (602) 916-5000

Arizona Corporation Commission

Attorneys for Santa Cruz Water Company and Palo Verde Utilities Company **DOCKETED**

**BEFORE THE ARIZONA CORPORATION COMMISSION** OCT 29 2003

DOCKETED BY

9 IN THE MATTER OF THE APPLICATION  
 10 OF PALO VERDE UTILITIES COMPANY  
 11 FOR AN EXTENSION OF ITS EXISTING  
 12 CERTIFICATE OF CONVENIENCE AND  
 NECESSITY.

DOCKET NO. SW-03575A-03-0167

13 IN THE MATTER OF THE APPLICATION  
 14 OF SANTA CRUZ WATER COMPANY,  
 15 FOR AN EXTENSION OF ITS EXISTING  
 CERTIFICATE OF CONVENIENCE AND  
 NECESSITY.

DOCKET NO. W-03576A-03-0167

**NOTICE OF COMPLIANCE WITH  
 DECISION NO. 66394**

16 In accordance with Decision No. 66394 (October 6, 2003 "Order") governing the above-  
 17 captioned matter, Palo Verde Utilities Company and Santa Cruz Water Company ("Applicants")  
 18 hereby submit the following compliance items:

- 19 1. Legal Description for Amended CC&N. See Exhibit 1.  
 20 2. Amended Pinal County Franchises. See Exhibit 2.  
 21 3. Curtailment Tariff. See Exhibit 3.  
 22 4. Performance Bonds (brings total amount on file to \$5,000.00 each). See Exhibit 4.  
 23 5. Amended Assured Water Supply Designation issued by ADWR. See Exhibit 5.  
 24 6. List of LLC Members for Pecan Valley Investments, LLC and El Dorado Pecan  
 25 LLC (requested by Commission at Open Meeting) See Exhibit 6.  
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The November 1, 2003 Monthly Status Report required by the Order and all such reports thereafter, shall be filed under separate cover.

DATED this 29 day of October 2003.

FENNEMORE CRAIG, P.C.

By:   
Jay L. Shapiro  
Patrick J. Black  
Attorney for Palo Verde Utilities Company and  
Santa Cruz Water Company

ORIGINAL and 15 copies of the foregoing delivered this 29 day of October, 2003, to:

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

COPY hand-delivered this 29 day of October, 2003 to:

Dwight D. Nodes  
Hearing Division  
Arizona Corporation Commission  
1200 West Washington Street  
Phoenix, Arizona 85007

COPY mailed this 29 day of October, 2003 to:

Brent D. Butcher  
3975 S. Highland Drive, #6  
Salt Lake City, UT 84124

Kent A. Hogan  
3799 E. Catamount Ridge Way  
Sandy, UT 84092

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By: Glennie Rubben

# **EXHIBIT 1**

**LEGAL DESCRIPTION FOR CC&N EXPANSION FOR  
PALO VERDE UTILITIES COMPANY, L.L.C. AND  
SANTA CRUZ WATER COMPANY, L.L.C.**

THAT PORTION OF SECTION 15, TOWNSHIP 4 SOUTH, RANGE 3 EAST, GILA & SALT RIVER BASE & MERIDIAN, PINAL COUNTY, ARIZONA, LYING WESTERLY OF THE WESTERLY RIGHT-OF-WAY OF ARIZONA STATE ROUTE 347, EXCEPT THE WEST 160 FEET OF THE NORTHWEST QUARTER THEREOF;

TOGETHER WITH THE NORTHEAST QUARTER OF SECTION 21, TOWNSHIP 4 SOUTH, RANGE 3 EAST;

TOGETHER WITH ALL OF SECTION 22, TOWNSHIP 4 SOUTH, RANGE 3 EAST, EXCEPT THE WESTERLY 500 FEET OF THE SOUTHERLY 1803 FEET OF THE SOUTHWEST QUARTER THEREOF, AND EXCEPT THE SOUTHERLY 173 FEET OF THE SOUTHWEST QUARTER THEREOF;

TOGETHER WITH ALL OF SECTIONS 23 AND 24, TOWNSHIP 4 SOUTH, RANGE 3 EAST;

TOGETHER WITH ALL OF SECTION 25, TOWNSHIP 4 SOUTH, RANGE 3 EAST, EXCEPT THE EAST ONE-HALF THEREOF, AND EXCEPT THE NORTH HALF OF THE NORTHWEST QUARTER THEREOF; AND EXCEPT THE SOUTHEAST QUARTER OF THE NORTHWEST QUARTER THEREOF; AND EXCEPT THE SOUTHEAST QUARTER OF THE SOUTHWEST QUARTER THEREOF;

TOGETHER WITH THE NORTH 3000 FEET, MORE OR LESS, OF THE WEST HALF OF THE WEST HALF OF SECTION 36, TOWNSHIP 4 SOUTH, RANGE 3 EAST LYING NORTHERLY OF THE SOUTHERN-PACIFIC RAILWAY RIGHT-OF-WAY;

TOGETHER WITH THAT PORTION OF SECTION 35, TOWNSHIP 4 SOUTH, RANGE 3 EAST, LYING NORTHEASTERLY OF THE SOUTHERN-PACIFIC RAILWAY RIGHT-OF-WAY, EXCEPT THAT PORTION OF THE NORTHWEST QUARTER OF THE NORTHWEST QUARTER OF SECTION 35, TOWNSHIP 4 SOUTH, RANGE 3 EAST LYING NORTHEASTERLY OF THE SOUTHERN-PACIFIC RAILWAY RIGHT-OF-WAY;

TOGETHER WITH ALL OF SECTION 26, TOWNSHIP 4 SOUTH, RANGE 3 EAST, EXCEPT THE WEST HALF OF THE WEST HALF THEREOF;

COMMENCING AT THE NORTHWEST CORNER OF THE SOUTHEAST QUARTER OF SECTION 21, TOWNSHIP 4 SOUTH, RANGE 3 EAST OF THE GILA AND SALT RIVER MERIDIAN, PINAL COUNTY, ARIZONA; THENCE EASTERLY 30.0 FEET TO THE TRUE POINT OF BEGINNING, THENCE SOUTHERLY 525.0 FEET, THENCE EASTERLY 600.0 FEET, THENCE NORTHERLY 525.5 FEET, THENCE WESTERLY 600.0 FEET TO THE TRUE POINT OF BEGINNING.

TOGETHER WITH THE FOLLOWING: COMMENCING AT THE NORTHWEST CORNER OF THE SOUTHEAST QUARTER OF SECTION 21, TOWNSHIP 4 SOUTH, RANGE 3 EAST OF THE GILA AND SALT RIVER MERIDIAN, PINAL COUNTY, ARIZONA; THENCE EASTERLY 690.0 FEET TO THE TRUE POINT OF BEGINNING, THENCE SOUTHERLY 525.6 FEET, THENCE EASTERLY 400.0 FEET, THENCE NORTHERLY 525.9 FEET, THENCE WESTERLY 400.0 FEET TO THE TRUE POINT OF BEGINNING.

TOGETHER WITH THE FOLLOWING: COMMENCING AT A POINT ON THE WEST SIDE OF THE EAST HALF OF THE SOUTHEAST QUARTER OF SECTION 21, TOWNSHIP 4 SOUTH, RANGE 3 EAST OF THE GILA AND SALT RIVER MERIDIAN, PINAL COUNTY, ARIZONA, 810 FEET NORTH OF THE SECTION LINE COMMON TO THE SOUTH OF SAID SECTION 21 AND EXTENDING NORTH ALONG SAID QUARTER SECTION LINE FOR A DISTANCE OF 726 FEET: THENCE 300 FEET EAST; THENCE SOUTH 726 FEET PARALLELING SAID QUARTER SECTION LINE; THENCE WEST TO THE POINT OF BEGINNING;

TOGETHER WITH ALL THAT PART OF THE EAST 495.5 FEET OF THE SOUTHWEST QUARTER OF THE SOUTHEAST QUARTER OF SECTION 21, TOWNSHIP 4 SOUTH, RANGE 3 EAST OF THE GILA AND SALT RIVER MERIDIAN, PINAL COUNTY, ARIZONA, LYING NORTH OF THE NORTH BOUNDARY LINE OF THE COUNTY ROAD WHICH IS NORTH OF THE SOUTHERN-PACIFIC RAILROAD RIGHT-OF-WAY.

TOGETHER WITH THOSE PARTICULAR PUBLIC STREETS AND/OR COUNTY ROADWAYS UTILIZED BY THE PUBLIC FOR LEGAL ACCESS TO ANY AND/OR ALL OF THE LANDS DESCRIBED ABOVE.

CONTAINS 3,226 ACRES, MORE OR LESS.

## **EXHIBIT 2**

**Amended Utility  
Franchise  
with  
Pinal County**

**for**

**Palo Verde Utilities Co.**

**Expansion and Amendment Of The Palo Verde Utilities Company Franchise**

**WHEREAS**, Palo Verde Utilities Company had received a wastewater franchise from Pinal County to establish and maintain wastewater services on December 3, 1997, a copy of which is attached as Exhibit "A" (hereinafter "Original Franchise");

**WHEREAS**, Palo Verde Utilities Company, a(n) Arizona corporation, duly authorized to conduct business in the State of Arizona, has duly filed and presented to the Board of Supervisors of the County of Pinal, State of Arizona, its application for expansion of the Original Franchise for the purpose of constructing, operating and maintaining sewer lines and related appurtenances along, under and across the public streets, alleys and highways, except federal and state highways, within the unincorporated area of Pinal County, Arizona, as described in Exhibit "B" attached hereto (hereinafter "Expansion").

**WHEREAS**, upon filing of Palo Verde Utilities Company's application for the Expansion, the Board of Supervisors of Pinal County ordered a public notice of its intent to consider the granting of the Expansion to be published in a newspaper of general circulation, in Pinal County, Arizona, stating the time and place for consideration of the Expansion was set for 9:30 a.m. on September 24, 2003, at the Pinal County Board of Supervisors' Hearing Room, Administration Building No. 1, Florence, Arizona.

**WHEREAS**, said application for the Expansion and Amendment having come on regularly for hearing at 9:30 a.m. on September 24, 2003, and it appearing from the affidavit of the publisher of the Florence Reminder & Blade-Tribune and the Casa Grande Dispatch that due and regular notice of said time and place set for the consideration of such action has been published for at least once a week for three consecutive weeks prior to said hearing date, to-wit: in the issues of the Florence Reminder & Blade-Tribune and the Casa Grande Dispatch published on Sept 4, 2003, September 11, 2003, and September 18, 2003, and the matter being called for hearing at 9:30 a.m. on September 24, 2003, an opportunity having been given to all interested parties to be heard.

**WHEREAS**, the Board of Supervisors of Pinal County has the power to amend an existing franchise under its general police powers in such matters.

**NOW, THEREFORE,**

First Amended  
Palo Verde Utilities Company

**Section 1: DEFINITIONS**

The following terms used in this expansion and amendment of the Original Franchise shall have the following meanings:

- A. County: Pinal County, Arizona
- B. Board: Board of Supervisors of Pinal County, Arizona.
- C. Grantor: Pinal County, by and through its Board of Supervisors
- D. Grantee: Palo Verde Utilities Company, an Arizona corporation, its successors and assigns
- E. Grantee's Facilities: sewer lines and related appurtenances

**Section 2: GRANT**

A. Grantor, on September 24, 2003, hereby grants to Grantee, for a period of time not to exceed the Original Franchise, this expanded and amended franchise (hereinafter "First Amended Franchise") for the purpose of constructing, operating and maintaining sewer lines and related appurtenances along, under and across public streets, alleys and highways, except federal and state highways, under the terms and conditions set forth herein within the unincorporated area of Pinal County, Arizona, as described in the Expansion and the Original Franchise (hereinafter "Franchise Area").

B. Nonexclusive Franchise.

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

(2) Nothing herein shall be construed to prevent County and its proper authorities from constructing and installing sewers, gutters, or improvements to its public highways, streets and

First Amended  
Palo Verde Utilities Company

alleys, and for that purpose, to require the Grantee at Grantee's own expense to remove Grantee's facilities to conform thereto and facilitate the same.

C. Reservation of Rights.

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

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

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

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

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

**Section 4: REGULATION**

Grantee, its successors and assigns shall be subject to reasonable regulations for the maintenance by grantee, its successors and assigns, of such portion of the public streets, alleys and highways used for the purpose of the First Amended Franchise now in force or that may hereafter be enacted and inconsistent herewith.

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

First Amended  
Palo Verde Utilities Company

- A. Prior to the beginning of any construction for installation of sewer lines and related appurtenances, the Grantee, its successors and assigns will submit a plan of proposed construction to the Pinal County Engineer and will not commence any construction until the plan of construction is approved by the County Engineer or his designate.
- B. All work performed by Grantee under the First Amended Franchise shall be done in the manner prescribed by County and subject to the supervision of County, and in strict compliance with all laws, ordinances, rules and regulations of federal, state and local governments.
- C. No construction, reconstruction, repair, or relocation under the First Amended Franchise shall be commenced until written permits have been obtained from the proper county officials. In any permit so issued, such officials may impose such conditions and regulations as a condition of the granting of the same as are necessary for the purpose of protecting any structures in the highways or streets and for the proper restoration of such highways, streets and structures, and for the protection of the public and the continuity of pedestrian and vehicular traffic.
- D. No construction under the First Amended Franchise by grantee shall impose upon County the duty to maintain any public street, alley or highway unless County accepts said public street, alley or highway into the county maintenance system as provided by law.

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

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

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

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

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

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

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

- A. During the term of the First Amended Franchise whenever County or any qualified authority having jurisdiction in the Franchise Area alters, repairs, improves, or changes the grade of, any

First Amended  
Palo Verde Utilities Company

public streets, alleys and highways in the Franchise Area during the term of the First Amended Franchise, then and in such event, Grantee, its successors or assigns, at its own expense, shall promptly, upon reasonable notice, make such changes in the location, structure or alignment of its sewer lines and related appurtenances as the public officials in charge of such work may deem necessary.

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

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

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

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

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

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

Grantee by its acceptance of the First Amended Franchise agrees for itself, its successors and assigns that throughout the entire term of this franchise, Grantee, its successors and assigns, at its sole cost and expense, shall indemnify, defend, save and hold harmless Pinal County, its elected officers, employees and agents from any and all lawsuits, judgments and claims for injury, death and damage to persons and property, both real and personal, caused by the construction, design, installation,

First Amended  
Palo Verde Utilities Company

operation or maintenance of any structure, equipment, sewer lines or related appurtenances by Grantee within the Franchise Area. Indemnified expenses shall include, but not be limited to, litigation and arbitration expenses, and attorneys' fees.

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

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

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

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

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

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

D. In case of conflict or ambiguity between the First Amended Franchise and the Original Franchise, the provision which provides the greatest benefit to County, as determined solely by County, shall prevail.

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

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

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Palo Verde Utilities Company

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

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

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

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

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

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

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

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

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

#### **Section 19: FORFEITURE**

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

First Amended  
Palo Verde Utilities Company

Amended Franchise, where such seizure is not discharged within thirty (30) days, County may declare the First Amended Franchise, along with the Original Franchise, forfeited and terminated.

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

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

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

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

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

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

#### **Section 22: NOTICE**

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

Grantor:

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

Grantee:

Palo Verde Utilities Company  
Cindy Liles  
426 N. 44<sup>th</sup> Street, Suite 200  
Phoenix, Arizona 85008

First Amended  
Palo Verde Utilities Company

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

**Section 23: REMEDIES**

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

**Section 24: RIGHT OF INTERVENTION**

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

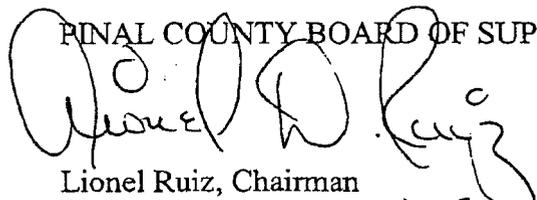
**Section 25: BOOKS AND RECORDS**

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

**Section 26: AD VALOREM TAXES**

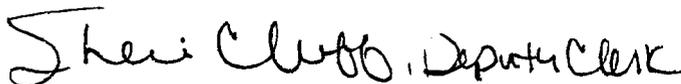
Grantee shall pay its ad valorem taxes before they become delinquent.

**IN WITNESS WHEREOF**, the Board of Supervisors of Pinal County, Arizona, by its Chairman and its Clerk, thereunto duly authorized, has hereunto set its hand and cause its official seal to be affixed on this 24<sup>th</sup> day of September, 2003.

PINAL COUNTY BOARD OF SUPERVISORS  
  
Lionel Ruiz, Chairman

9/24/03

ATTEST:

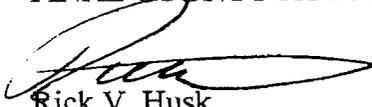
  
Stanley D. Griffis, Ph.D., Clerk of the Board

Stanley D. Griffis, Ph.D., Clerk of the Board

First Amended  
Palo Verde Utilities Company

APPROVED AS TO FORM:

ROBERT CARTER OLSON  
PINAL COUNTY ATTORNEY



Rick V. Husk  
Deputy County Attorney

First Amended  
Palo Verde Utilities Company

11

EXHIBIT A



OFFICIAL RECORDS OF  
PINAL COUNTY RECORDER  
KATHLEEN C. FELIX

DATE: 02/25/98      TIME: 0826  
FEE :                0.00  
PAGES:            17  
FEE NO: 1998-007179

When recorded mail to:

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

w/c

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(The above space reserved for recording information)

CAPTION HEADING

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Palo Verde Water Franchise

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When recorded mail to:

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

**Creation Of The Palo Verde Water Franchise**

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

**WHEREAS**, upon filing of the Application for the public utility franchise, the Board of Supervisors of Pinal County ordered a public notice of its intent to consider the granting of the public utility franchise to be published in a newspaper of general circulation, in Pinal County, Arizona, stating the time and place for consideration of the Application was set for 10:00 A.M. on December 3, 1997, at the Pinal County Board of Supervisors' Hearing Room, Administration Building No. 1, Florence, Arizona.

**WHEREAS**, said Application having come on regularly for hearing at 11:00 A.M. on December 3, 1997; and it appearing from the affidavit of the publisher of the Casa Grande Valley Newspaper, Inc. that due and regular notice of said time and place set for the consideration of such action has been published for at least once a week for three consecutive weeks prior to said hearing date, to-wit: in the issues of the Casa Grande Dispatch published on November 12, 1997, November 19, 1997, and November 26, 1997; and the matter being called for hearing at 11:00 A.M., and an opportunity having been given to all interested parties to be heard.

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

**NOW, THEREFORE,**

**Section 1: DEFINITIONS**

The following terms used in this expansion and amendment of the Original Franchise shall have the following meanings:

A. County: Pinal County, Arizona

Palo Verde Water Franchise

- B. Board: Board of Supervisors of Pinal County, Arizona.
- C. Grantor: Pinal County, by and through its Board of Supervisors
- D. Grantee: Palo Verde Utilities Company, a(n) Arizona corporation, its successors and assigns
- E. Grantee's Facilities: Water lines and related appurtenances

## Section 2: GRANT

A. Grantor, on December 3, 1997, hereby grants to Grantee, for a period of twenty-five years, this new public utility franchise (hereinafter "Franchise") for the purpose of constructing, operating and maintaining water lines and related appurtenances along, under and across public streets, alleys and highways, except federal and state highways, under the terms and conditions set forth herein within the unincorporated area of Pinal County, Arizona, as described in the Application (hereinafter "Franchise Area").

### B. Nonexclusive Franchise.

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

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

### C. Reservation of Rights.

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

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

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

A. The Franchise herein granted shall expire on the December 2, 2022; and upon its termination, Grantee shall cease to exercise under the terms of the Franchise the privileges herein granted. In the event Grantee desires a renewal of the Franchise herein granted, or a new franchise for a subsequent period, Grantee shall apply to and open negotiations with County for that purpose at least six (6) months before the expiration of the Franchise herein granted; but nothing herein shall be construed to bind County to grant such renewal or subsequent franchise.

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

### **Section 4: REGULATION**

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

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

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

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

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

and structures, and for the protection of the public and the continuity of pedestrian and vehicular traffic.

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

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

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

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

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

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

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

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

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

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

**Section 10: LIABILITY**

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

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

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

**Section 11: INDEMNIFICATION**

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

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

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

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

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

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

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

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

**Section 14: FAILURE TO ENFORCE FRANCHISE**

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

**Section 15: COMPLIANCE WITH THE LAW**

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

**Section 16: INTERPRETATION/GOVERNING LAW**

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

**Section 17: VENUE**

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

**Section 18: SEVERABILITY**

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

**Section 19: FORFEITURE**

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

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

**Section 20: REVOCATION OF FRANCHISE**

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

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

**Section 21: ASSIGNMENT/TRANSFER**

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

**Section 22: NOTICE**

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

Grantor:

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

Grantee:

Palo Verde Utilities Company  
426 N. 44th Street  
Suite 100  
Phoenix, Arizona 85008

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

**Section 23: REMEDIES**

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

**Section 24: RIGHT OF INTERVENTION**

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

**Section 25: BOOKS AND RECORDS**

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

**Section 26: AD VALOREM TAXES**

Grantee shall pay its ad valorem taxes before they become delinquent. To accomplish this, Grantee shall deposit a sum equal to one-half of the prior years taxes in a separate trust account to pay the current years taxes. Pinal County, through its agents shall have the right to audit the account at any time during normal business hours.

IN WITNESS WHEREOF, the Board of Supervisors of Pinal County, Arizona, by its Chairman and its Clerk, thereunto duly authorized, has hereunto set its hand and cause its official seal to be affixed on December 3, 1997.

PINAL COUNTY BOARD OF SUPERVISORS

*Jimmie B. Kerr*  
\_\_\_\_\_  
Jimmie B. Kerr, Chairman

ATTEST

*Stanley D. Griffis*  
\_\_\_\_\_  
Stanley D. Griffis, Clerk of the Board

APPROVED AS TO FORM:

ROBERT CARTER OLSON  
PINAL COUNTY ATTORNEY

*Eric L. Walberg* 12/4/97  
\_\_\_\_\_  
Eric L. Walberg, Deputy County Attorney

**Exhibit A**

BEFORE THE BOARD OF SUPERVISORS  
OF  
COUNTY OF PINAL, STATE OF ARIZONA

IN THE MATTER OF THE )  
APPLICATION OF PALO VERDE ) APPLICATION FOR  
UTILITIES COMPANY, TO OBTAIN ) NEW PUBLIC UTILITY FRANCHISE  
A WASTEWATER FRANCHISE )

---

TO THE HONORABLE BOARD OF SUPERVISORS:

COMES NOW the above-named Applicant and petitions the PINAL COUNTY BOARD OF SUPERVISORS AS FOLLOWS:

I.

That petitioner, PALO VERDE UTILITIES COMPANY (Palo Verde), an Arizona Corporation with its principal place of business in the County of Pinal, State of Arizona. The current address of Palo Verde is 426 N. 44<sup>th</sup> Street, Suite 100, Phoenix, Arizona 85008.

II.

That Palo Verde hereinafter designated as the Grantee, doing business in Pinal County, Arizona, hereby petitions your body for a Utility Franchise to maintain and operate a Wastewater system, including effluent transmission lines and all appurtenances, to serve in portions of Pinal County. The full legal description is attached hereto as Exhibit I.

III.

That your petitioner has made applications to the Arizona Corporation Commission for a Certificate of Public Convenience and Necessity to exercise the functions of a public utility to provide wastewater service to persons living within this said territory as shown on Exhibit 2, subject to the laws of the State of Arizona.

## IV.

That your petitioner, if granted the franchise for this territory, proposes to engage in and carry on the business of a wastewater company.

## V.

That your petitioner is financially able to undertake installation of said services and provide Wastewater service within said territory for which this franchise is requested.

## VI.

That the Board of Supervisors may impose such restrictions and limitations upon the public roads as it deems best for the public safety and welfare.

## VII.

That the petitioner submits herewith the required \$200.00 filing fee with this application.

## VIII.

That by reason of the facts already stated herein and because of the fact that no adequate system of wastewater collection, treatment and disposal are now available to persons now living, or who may live, within the said territory hereinbefore described, and because of the further fact that Wastewater promptly supplied to waiting customers and prospective applicants will do much to develop and improve the area described, and to increase the population of the communities within which services are supplied, your petitioner respectfully petitions your Honorable Boards of Supervisors to grant this Application for a right and franchise from the County of Pinal, State of Arizona, to construct, maintain and operate their pipelines and appurtenances for a wastewater system in, over, under, across and upon the existing County owned and future Rights-of-Way for a period of twenty-five (25) years.

IX.

That public Notice be given in a newspaper of general circulation published within the County of Pinal, as may be required by law, prior to the date set for the consideration by the Board of Supervisors of its intention to grant said Franchise application.

X.

All correspondence regarding this application should be addressed to:

Michael T. Reinbold, President  
Palo Verde Utilities Company  
426 N. 44<sup>th</sup> Street  
Suite 100  
Phoenix, Arizona 85008

Dated this 27<sup>th</sup> day of October, 1997

Palo Verde Utilities Company

By: Michael T. Reinbold

Michael T. Reinbold  
President  
426 N. 44<sup>th</sup> Street  
Suite 100  
Phoenix, Arizona 85008

Exhibit 1

Palo Verde Utilities Company

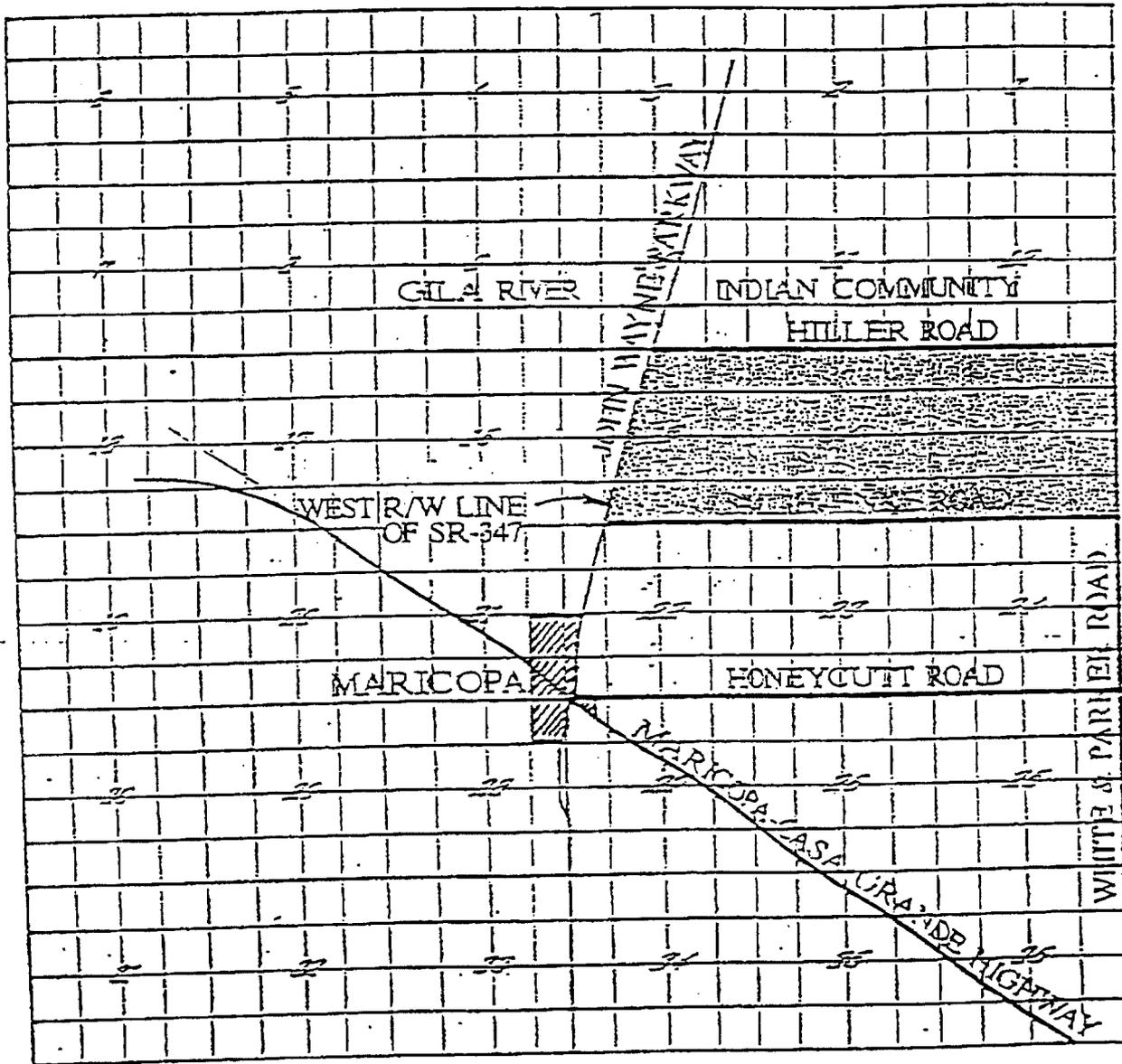
Franchise Legal Description

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

# PINAL COUNTY, ARIZONA

SECTIONS 13, 14, AND A PORTION OF SECTION 15,  
TOWNSHIP 4 SOUTH, RANGE 3 EAST



 FRANCHISE AREA

EXHIBIT 2

PALO VERDE UTILITIES  
COMPANY

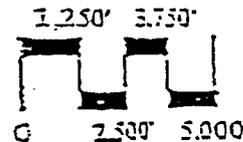


Exhibit B

ACCEPTANCE OF FRANCHISE

To: Board of Supervisors Pinal County, Arizona

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

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

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

Dated this \_\_\_\_\_ day of \_\_\_\_\_, 19\_\_.

Palo Verde Utilities Company

By: \_\_\_\_\_

Title: \_\_\_\_\_

STATE OF ARIZONA )  
 ) ss.  
County of )

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 19\_\_, by \_\_\_\_\_, \_\_\_\_\_ of \_\_\_\_\_, a(n) Arizona corporation, and being authorized to do so, executed the foregoing instrument on behalf of the corporation for the purposes therein stated.

\_\_\_\_\_  
Notary Public

My Commission Expires:

\_\_\_\_\_

## Exhibit B

**LEGAL DESCRIPTION FOR UTILITY FRANCHISE EXPANSION FOR  
SANTA CRUZ WATER COMPANY, L.L.C. AND  
PALO VERDE UTILITIES COMPANY, L.L.C.**

THAT PORTION OF SECTION 15, TOWNSHIP 4 SOUTH, RANGE 3 EAST, GILA & SALT RIVER BASE & MERIDIAN, PINAL COUNTY, ARIZONA, LYING WESTERLY OF THE WESTERLY RIGHT-OF-WAY OF ARIZONA STATE ROUTE 347, EXCEPT THE WEST 160 FEET OF THE NORTHWEST QUARTER THEREOF;

TOGETHER WITH THE NORTHEAST QUARTER OF SECTION 21, TOWNSHIP 4 SOUTH, RANGE 3 EAST;

TOGETHER WITH ALL OF SECTION 22, TOWNSHIP 4 SOUTH, RANGE 3 EAST, EXCEPT THE WESTERLY 500 FEET OF THE SOUTHERLY 1803 FEET OF THE SOUTHWEST QUARTER THEREOF, AND EXCEPT THE SOUTHERLY 173 FEET OF THE SOUTHWEST QUARTER THEREOF;

TOGETHER WITH ALL OF SECTIONS 23 AND 24, TOWNSHIP 4 SOUTH, RANGE 3 EAST;

TOGETHER WITH ALL OF SECTION 25, TOWNSHIP 4 SOUTH, RANGE 3 EAST, EXCEPT THE EAST ONE HALF THEREOF, AND EXCEPT THE NORTH HALF OF THE NORTHWEST QUARTER THEREOF; AND EXCEPT THE SOUTHEAST QUARTER OF THE NORTHWEST QUARTER THEREOF; AND EXCEPT THE SOUTHEAST QUARTER OF THE SOUTHWEST QUARTER THEREOF;

TOGETHER WITH THE NORTH 3000 FEET, MORE OR LESS, OF THE WEST HALF OF THE WEST HALF OF SECTION 36, TOWNSHIP 4 SOUTH, RANGE 3 EAST LYING NORTHERLY OF THE SOUTHERN-PACIFIC RAILWAY RIGHT-OF-WAY;

TOGETHER WITH THAT PORTION OF SECTION 35, TOWNSHIP 4 SOUTH, RANGE 3 EAST, LYING NORTHEASTERLY OF THE SOUTHERN-PACIFIC RAILWAY RIGHT-OF-WAY, EXCEPT THAT PORTION OF THE NORTHWEST QUARTER OF THE NORTHWEST QUARTER OF SECTION 35, TOWNSHIP 4 SOUTH, RANGE 3 EAST LYING NORTHEASTERLY OF THE SOUTHERN-PACIFIC RAILWAY RIGHT-OF-WAY;

TOGETHER WITH ALL OF SECTION 26, TOWNSHIP 4 SOUTH, RANGE 3 EAST, EXCEPT THE WEST HALF OF THE WEST HALF THEREOF;

COMMENCING AT THE NORTHWEST CORNER OF THE SOUTHEAST QUARTER OF SECTION 21, TOWNSHIP 4 SOUTH, RANGE 3 EAST OF THE GILA AND SALT RIVER MERIDIAN, PINAL COUNTY, ARIZONA; THENCE EASTERLY 30.0 FEET TO THE TRUE POINT OF BEGINNING, THENCE

SOUTHERLY 525.0 FEET, THENCE EASTERLY 600.0 FEET, THENCE NORTHERLY 525.5 FEET, THENCE WESTERLY 600.0 FEET TO THE TRUE POINT OF BEGINNING.

TOGETHER WITH THE FOLLOWING: COMMENCING AT THE NORTHWEST CORNER OF THE SOUTHEAST QUARTER OF SECTION 21, TOWNSHIP 4 SOUTH, RANGE 3 EAST OF THE GILA AND SALT RIVER MERIDIAN, PINAL COUNTY, ARIZONA; THENCE EASTERLY 690.0 FEET TO THE TRUE POINT OF BEGINNING, THENCE SOUTHERLY 525.6 FEET, THENCE EASTERLY 400.0 FEET, THENCE NORTHERLY 525.9 FEET, THENCE WESTERLY 400.0 FEET TO THE TRUE POINT OF BEGINNING.

TOGETHER WITH THE FOLLOWING: COMMENCING AT A POINT ON THE WEST SIDE OF THE EAST HALF OF THE SOUTHEAST QUARTER OF SECTION 21, TOWNSHIP 4 SOUTH, RANGE 3 EAST OF THE GILA AND SALT RIVER MERIDIAN, PINAL COUNTY, ARIZONA, 810 FEET NORTH OF THE SECTION LINE COMMON TO THE SOUTH OF SAID SECTION 21 AND EXTENDING NORTH ALONG SAID QUARTER SECTION LINE FOR A DISTANCE OF 726 FEET: THENCE 300 FEET EAST; THENCE SOUTH 726 FEET PARALLELING SAID QUARTER SECTION LINE; THENCE WEST TO THE POINT OF BEGINNING;

TOGETHER WITH ALL THAT PART OF THE EAST 495.5 FEET OF THE SOUTHWEST QUARTER OF THE SOUTHEAST QUARTER OF SECTION 21, TOWNSHIP 4 SOUTH, RANGE 3 EAST OF THE GILA AND SALT RIVER MERIDIAN, PINAL COUNTY, ARIZONA, LYING NORTH OF THE NORTH BOUNDARY LINE OF THE COUNTY ROAD WHICH IS NORTH OF THE SOUTHERN-PACIFIC RAILROAD RIGHT-OF-WAY;

TOGETHER A PORTION OF THE NORTHWEST QUARTER OF SECTION 34 IN TOWNSHIP 4 SOUTH, RANGE 3 EAST OF THE GILA AND SALT RIVER BASE AND MERIDIAN, PINAL COUNTY, ARIZONA, BEING MORE PARTICULARLY DESCRIBED AS FOLLOWS:

COMMENCING AT THE NORTHWEST CORNER OF SAID SECTION 34; THENCE NORTH  $89^{\circ} 24' 54''$  EAST, ALONG THE NORTH LINE OF SAID SECTION 34 A DISTANCE OF 798.87 FEET, TO THE POINT OF THE BEGINNING; THENCE CONTINUING NORTH  $89^{\circ} 24' 54''$  EAST, ALONG SAID NORTH LINE 1,852.18 FEET TO THE NORTH QUARTER CORNER OF SAID SECTION 34; THENCE SOUTH  $00^{\circ} 12' 02''$  WEST, ALONG THE NORTH SOUTH MID-SECTION LINE OF SAID SECTION 34 A DISTANCE OF 2,664.95 FEET TO THE CENTER OF SAID SECTION 34; THENCE NORTH  $89^{\circ} 51' 49''$  WEST, ALONG THE EAST WEST MID-SECTION LINE OF SAID SECTION 34 A DISTANCE OF 2,491.70 FEET TO A POINT ON THE EAST RIGHT-OF-WAY LINE OF MARICOPA ROAD (STATE ROUTE 347); THENCE ALONG SAID EAST RIGHT-OF-WAY LINE THE FOLLOWING COURSES AND DISTANCES; THENCE NORTH  $00^{\circ} 40' 29''$  WEST

1,468.58 FEET; THENCE NORTH 89° 19' 28" EAST 10.00 FEET; THENCE NORTH 00° 40' 32" WEST 454.76 FEET; THENCE LEAVING SAID RIGHT-OF-WAY NORTH 89° 24' 54" EAST 373.10 FEET TO A POINT MARKING THE BEGINNING OF A TANGENT CURVE TO THE LEFT HAVING A RADIUS OF 200.00 FEET; THENCE ALONG THE ARC OF SAID CURVE THROUGH A CENTRAL ANGLE OF 46° 35' 45" AN ARC DISTANCE OF 162.65 FEET; THENCE NORTH 40° 10' 09" EAST 367.92 FEET TO A POINT MARKING THE BEGINNING OF A NON-TANGENT CURVE TO THE NORTH, THE CENTER POINT OF WHICH BEARS NORTH 52° 38' 22" EAST 450.00 FEET THEREFROM; THENCE NORTHERLY ALONG THE ARC OF SAID CURVE THROUGH A CENTRAL ANGLE OF 36° 41' 06" AN ARC DISTANCE OF 288.12 FEET; THENCE NORTH 00° 40' 32" EAST 100.00 FEET TO THE POINT OF BEGINNING;

THE BASIS OF BEARING IS THE MONUMENT LINE OF MARICOPA ROAD, ALSO BEING THE WEST LINE OF THE NORTHWEST QUARTER OF SECTION 34, TOWNSHIP 4 SOUTH, RANGE 3 EAST, USING A BEARING OF NORTH 00° 06' 23" WEST;

TOGETHER WITH THAT PORTION OF THE NORTHWEST QUARTER OF SECTION 34 TOWNSHIP 4 SOUTH, RANGE 3 EAST OF THE GILA AND SALT RIVER BASE AND MERIDIAN, PINAL COUNTY, ARIZONA, EXCEPTING THEREFROM THE EXISTING RIGHT-OF-WAY OF STATE ROUTE 347, AND EXCEPTING THEREFROM THE FOLLOWING:

BEING A PORTION OF THE NORTHWEST QUARTER OF SECTION 34 IN TOWNSHIP 4 SOUTH, RANGE 3 EAST OF THE GILA AND SALT RIVER BASE AND MERIDIAN, PINAL COUNTY, ARIZONA, BEING MORE PARTICULARLY DESCRIBED AS FOLLOWS:

COMMENCING AT THE NORTHWEST CORNER OF SAID SECTION 34; THENCE NORTH 89° 24' 54" EAST, ALONG THE NORTH LINE OF SAID SECTION 34 A DISTANCE OF 798.87 FEET, TO THE POINT OF THE BEGINNING, THENCE CONTINUING NORTH 89° 24' 54" EAST, ALONG SAID NORTH LINE 1,852.18 FEET TO THE NORTH QUARTER CORNER OF SAID SECTION 34; THENCE SOUTH 00° 12' 02" WEST, ALONG THE SOUTH MID-SECTION LINE OF SAID SECTION 34 A DISTANCE OF 2,664.95 FEET TO THE CENTER OF SAID SECTION 34; THENCE NORTH 89° 51' 49" WEST, ALONG THE EAST WEST MID-SECTION LINE OF SAID SECTION 34 A DISTANCE OF 2,491.70 FEET TO A POINT ON THE EAST RIGHT-OF-WAY OF MARICOPA ROAD (STATE ROUTE 347); THENCE ALONG SAID EAST RIGHT-OF-WAY LINE THE FOLLOWING COURSES AND DISTANCES; THENCE NORTH 00° 40' 29" WEST 1,468.58 FEET; THENCE NORTH 89° 19' 28" EAST 10.00 FEET; THENCE NORTH 00° 40' 32" WEST 454.76 FEET; THENCE LEAVING SAID RIGHT-OF-WAY NORTH 89° 24' 54" EAST 373.10 FEET TO A POINT MARKING THE BEGINNING OF TANGENT CURVE TO THE LEFT

HAVING A RADIUS OF 200.00 FEET; THENCE ALONG THE ARC OF SAID CURVE THROUGH A CENTRAL ANGLE OF  $46^{\circ} 35' 45''$  AN ARC DISTANCE OF 162.65 FEET; THENCE NORTH  $40^{\circ} 10' 09''$  EAST 367.92 FEET TO A POINT MARKING THE BEGINNING OF A NON-TANGENT CURVE TO THE NORTH, THE CENTER POINT OF WHICH BEARS NORTH  $52^{\circ} 38' 22''$  EAST 450.00 FEET THEREFROM; THENCE NORTHERLY ALONG THE ARC OF SAID CURVE THROUGH A CENTRAL ANGLE OF  $36^{\circ} 41' 06''$  AN ARC DISTANCE OF 288.12 FEET; THENCE NORTH  $00^{\circ} 40' 32''$  EAST 100.00 FEET TO THE POINT OF BEGINNING.

THE BASIS OF BEARING IS THE MONUMENT LINE OF MARICOPA ROAD, ALSO BEING THE WEST LINE OF THE NORTHWEST CORNER OF SECTION 34, TOWNSHIP 4 SOUTH, RANGE 3 EAST, USING A BEARING OF NORTH  $00^{\circ} 06' 23''$  WEST.

TOGETHER WITH THE BEGINNING AT THE SOUTHWEST CORNER OF SECTION 35, TOWNSHIP 4 SOUTH, RANGE 3 EAST, GILA AND SALT RIVER BASE AND MERIDIAN, PINAL COUNTY, ARIZONA, THENCE NORTH  $00^{\circ} 29' 40''$  WEST 5300 FEET, MORE OR LESS, ALONG THE WEST SECTION LINE OF SAID SECTION 35 TO THE NORTHWEST CORNER OF SAID SECTION 35, THENCE NORTH  $89^{\circ} 30' 20''$  EAST 750 FEET, MORE OR LESS, ALONG THE NORTH SECTION LINE OF SAID SECTION 35 TO THE SOUTHWESTERLY RIGHT-OF-WAY LINE OF THE SOUTHERN RAILROAD, THENCE SOUTH  $53^{\circ} 51' 30''$  EAST 1213 FEET ALONG SAID RIGHT-OF-WAY LINE, THENCE LEAVING SAID RIGHT-OF-WAY LINE, SOUTH  $0^{\circ} 00' 00''$  EAST 4600 FEET, MORE OR LESS, TO THE SOUTH SECTION LINE OF SAID SECTION 35; THENCE NORTH  $89^{\circ} 43' 51''$  WEST 1684 FEET, MORE OR LESS, ALONG SAID SOUTH SECTION LINE TO THE POINT OF BEGINNING.

TOGETHER WITH PARCEL NO. 1:

THE EAST HALF OF THE WEST HALF OF SECTION 35, TOWNSHIP 4 SOUTH, RANGE 3 EAST OF THE GILA AND SALT RIVER BASE AND MERIDIAN, PINAL COUNTY, ARIZONA, LYING SOUTH AND WEST OF THE SOUTHWESTERLY RIGHT OF WAY LINE OF THE SOUTHERN PACIFIC RAILROAD;

EXCEPT ANY PORTION LYING WITHIN THE FOLLOWING DESCRIBED PROPERTY:

COMMENCING AT THE SOUTHEAST CORNER OF SAID SECTION 35;

THENCE NORTH 89 DEGREES 19 MINUTES 10 SECONDS WEST, A DISTANCE OF 1971.27 FEET TO THE TRUE POINT OF BEGINNING;

THENCE CONTINUING NORTH 89 DEGREES 19 MINUTES 10 SECONDS WEST, A DISTANCE OF 765.30 FEET;

THENCE NORTH 01 DEGREE 19 MINUTES 10 SECONDS EAST, A DISTANCE OF 1377.37 FEET;

THENCE SOUTH 27 DEGREES 53 MINUTES 16 SECONDS EAST, A DISTANCE OF 1568.23 FEET TO THE TRUE POINT OF BEGINNING; AND

EXCEPT ALL OIL, GAS AND MINERAL RIGHTS AS RESERVED IN INSTRUMENT RECORDED IN DOCKET 15, PAGE 70.

TOGETHER WITH PARCEL NO. 2:

THE EAST HALF OF SECTION 35, TOWNSHIP 4 SOUTH, RANGE 3 EAST OF THE GILA AND SALT RIVER BASE AND MERIDIAN, PINAL COUNTY, ARIZONA, LYING SOUTH AND WEST OF THE SOUTHWESTERLY RIGHT OF WAY LINE OF THE SOUTHERN PACIFIC RAILROAD;

EXCEPT ANY PORTION LYING WITHIN THE FOLLOWING DESCRIBED PROPERTY:

COMMENCING AT THE SOUTHEAST CORNER OF SAID SECTION 35;

THENCE NORTH 89 DEGREES 19 MINUTES 10 SECONDS WEST, A DISTANCE OF 1971.27 FEET TO THE TRUE POINT OF BEGINNING;

THENCE CONTINUING NORTH 89 DEGREES 19 MINUTES 10 SECONDS WEST, A DISTANCE OF 765.30 FEET;

THENCE NORTH 01 DEGREE 19 MINUTES 10 SECONDS EAST, A DISTANCE OF 1377.27 FEET;

THENCE SOUTH 27 DEGREES 53 MINUTES 16 SECONDS EAST, A DISTANCE OF 1568.23 FEET TO THE TRUE POINT OF BEGINNING; AND

EXCEPT ANY PORTION LYING WITHIN THE FOLLOWING DESCRIBED PROPERTY:

COMMENCING AT THE SOUTHEAST CORNER OF SAID SECTION 35;

THENCE NORTH 01 DEGREE 12 MINUTES 36 SECONDS EAST, A DISTANCE OF 77.50 FEET TO THE TRUE POINT OF BEGINNING;

THENCE SOUTH 89 DEGREES 44 MINUTES 11 SECONDS WEST, A DISTANCE OF 660.00 FEET;

THENCE NORTH 01 DEGREE 12 MINUTES 38 SECONDS EAST, A DISTANCE OF 1320 FEET;

THENCE NORTH 89 DEGREES 44 MINUTES 11 SECONDS EAST, A DISTANCE OF 660.00 FEET;

THENCE SOUTH 01 DEGREE 12 MINUTES 36 SECONDS WEST, A DISTANCE OF 1320 FEET TO THE TRUE POINT OF BEGINNING; AND

EXCEPT ONE-HALF OF ALL OIL, GAS AND OTHER MINERALS AS RESERVED IN INSTRUMENT RECORDED IN BOOK 85 OF DEEDS, PAGE 228.

EXCEPT FROM PARCEL NOS. 1 AND 2 HEREIN, ANY PORTION LYING WITHIN THE FOLLOWING DESCRIBED PROPERTY, AS SET FORTH BY INSTRUMENT RECORDED IN FEE NO. 2000-016849:

BEGINNING AT THE SOUTHWEST CORNER OF SECTION 35, TOWNSHIP 4 SOUTH, RANGE 3 EAST OF THE GILA AND SALT RIVER BASE AND MERIDIAN, PINAL COUNTY, ARIZONA;

THENCE NORTH 00 DEGREES 22 MINUTES 40 SECONDS EAST 5264 FEET, MORE OR LESS, ALONG THE WEST SECTION LINE OF SAID SECTION 35 TO THE NORTHWEST CORNER OF SAID SECTION 35;

THENCE NORTH 89 DEGREES 05 MINUTES 27 SECONDS EAST, 824 FEET, MORE OR LESS, ALONG THE NORTH SECTION LINE OF SAID SECTION 35 TO THE SOUTHWESTERLY RIGHT OF WAY LINE OF THE SOUTHERN PACIFIC RAILROAD;

THENCE SOUTH 53 DEGREES 52 MINUTES 38 SECONDS EAST 1066 FEET ALONG SAID RIGHT OF WAY LINE;

THENCE LEAVING SAID RIGHT OF WAY LINE, SOUTH 00 DEGREES 00 MINUTES 00 SECONDS EAST 4656 FEET, MORE OR LESS, TO THE EXTENSION OF THE SOUTH SECTION LINE OF SECTION 35 OF SAID TOWNSHIP AND RANGE;

THENCE NORTH 89 DEGREES 43 MINUTES 51 SECONDS WEST 1702 FEET, MORE OR LESS, ALONG SAID SOUTH SECTION LINE TO THE POINT OF BEGINNING.

TOGETHER WITH THOSE PARTICULAR PUBLIC STREETS AND/OR COUNTY ROADWAYS UTILIZED BY THE PUBLIC FOR LEGAL ACCESS TO ANY AND/OR ALL OF THE LANDS DESCRIBED ABOVE.

CONTAINS 3,809 ACRES, MORE OR LESS.

**Exhibit C****SAMPLE ACCEPTANCE OF EXPANDED AND AMENDED FRANCHISE**

To: Board of Supervisors Pinal County, Arizona

Grantee, Palo Verde Utilities Company, a(n) Arizona corporation, does hereby accept the grant of an First Amended Franchise from Pinal County, Arizona, to construct, operate, and maintain sewer lines and related fixtures along, under and across present and future public streets, alleys and highways, except state highways, within the unincorporated area of Pinal County, Arizona, as described in the Application, which is made a part hereof.

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

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

attyciv\franchise\palo verde first amend

ACCEPTANCE OF EXPANDED AND AMENDED FRANCHISE

To: Board of Supervisors Pinal County, Arizona

Grantee, Palo Verde Utilities Company, an Arizona corporation, does hereby accept the September 24, 2003, grant of a First Amended Franchise from Pinal County, Arizona, to construct, operate, and maintain sewer lines and related fixtures along, under and across present and future public streets, alleys and highways, except state highways, within the unincorporated area of Pinal County, Arizona, as described in the Application, which is made a part hereof.

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

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

Dated this 24th day of September, 2003.

Palo Verde Utilities Company

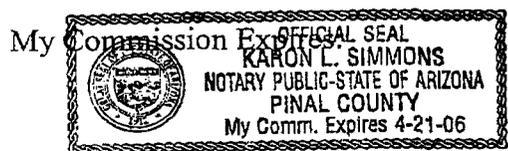
By: Cindy M. Giles

Title: VP-CFO

STATE OF ARIZONA )
) ss.
County of )

The foregoing instrument was acknowledged before me this 24th day of September 2003, by Cindy M. Giles of Palo Verde Utilities Co, an Arizona corporation, and being authorized to do so, executed the foregoing instrument on behalf of the corporation for the purposes therein stated.

Notary Public Karon L. Simmons



### AGENDA FORM FOR PINAL COUNTY BOARD of SUPERVISORS

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

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

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

2. BRIEF DESCRIPTION OF AGENDA ITEM AND REQUESTED BOARD ACTION: **Agenda Item for September 24, 2003**  
Discussion/Approval/Disapproval of the petition from Palo Verde Utilities Company, LLC for an expansion of their wastewater utility franchise. The requested franchise expansion area is as follows: Portions of Sections 15 and 21, all of Sections 22, 23, 24, portions of Section 25, Section 26, except the W1/2 of the W1/2, portions of the NW1/4 of Section 34, portions of Section 35 and 36, all in Township 4 South, Range 3 East, Gila & Salt River Base and Meridian, Pinal County, Arizona.

3. MOTION: It is moved that the Pinal County Board of Supervisors . . .  
SUGGESTED MOTION: Approve the First Amended Palo Verde Utilities Company, LLC wastewater utility franchise expansion/amendment document as presented.

4. DEPARTMENT:  
 Action recommended by Amy J. Medina      Date 9/15/03

7. DEPUTY COUNTY MANAGER:  
Gary D. Dettl      Date 9/15/03  
 Approve       Disapprove

5. GRANTS AND CONTRACTS ADMINISTRATOR:  
 \_\_\_\_\_ Date \_\_\_\_\_  
 Approve       Disapprove

8. PURCHASING DEPARTMENT:  
 \_\_\_\_\_ Date \_\_\_\_\_  
 Approve       Disapprove

6. COUNTY ATTORNEY'S OFFICE:  
[Signature]      Date 9/15/03  
 Approved as to form and within the powers and authority granted under the laws of the State of Arizona to the Pinal County Board of Supervisors.

9. FINANCE OFFICE:  
 \_\_\_\_\_ Date \_\_\_\_\_  
 Approve       Disapprove

10. COUNTY MANAGER: \_\_\_\_\_ Date \_\_\_\_\_  
 APPROVE       DISAPPROVE

11. BOARD OF SUPERVISORS:  
 Action Taken:  Approve     Amend     Disapprove     Delete     \_\_\_\_\_  
 CHAIRMAN: [Signature]      Date 9/24/03  
 CLERK OF THE BOARD: [Signature]      Date 9/24/03

**Amended Utility  
Franchise  
with  
Pinal County**

**for**

**Santa Cruz Water Co.**

**Expansion and Amendment Of The Santa Cruz Water Company Franchise**

**WHEREAS**, Santa Cruz Water Company had received a water franchise from Pinal County to establish and maintain domestic water services on December 3, 1997, a copy of which is attached as Exhibit "A" (hereinafter "Original Franchise"); and

**WHEREAS**, Santa Cruz Water Company, an Arizona corporation, duly authorized to conduct business in the State of Arizona, has duly filed and presented to the Board of Supervisors of the County of Pinal, State of Arizona, its application for expansion of the Original Franchise for the purpose of constructing, operating and maintaining domestic water system lines and related appurtenances along, under and across the public streets, alleys and highways, except federal and state highways, within the unincorporated area of Pinal County, Arizona, as described in Exhibit "B" attached hereto (hereinafter "Expansion").

**WHEREAS**, upon filing of Santa Cruz Water Company's application for the Expansion, the Board of Supervisors of Pinal County ordered a public notice of its intent to consider the granting of the Expansion to be published in a newspaper of general circulation, in Pinal County, Arizona, stating the time and place for consideration of the Expansion was set for 9:30 a.m. on September 24, 2003, at the Pinal County Board of Supervisors' Hearing Room, Administration Building No. 1, Florence, Arizona.

**WHEREAS**, said application for the Expansion and Amendment having come on regularly for hearing at 9:30 a.m. on September 24, 2003; and it appearing from the affidavit of the publisher of the Florence Reminder & Blade-Tribune and the Casa Grande Dispatch that due and regular notice of said time and place set for the consideration of such action has been published for at least once a week for three consecutive weeks prior to said hearing date, to-wit: in the issues of the Florence Reminder & Blade-Tribune and the Casa Grande Dispatch published on September 4, 2003, September 11, 2003, and September 18, 2003, and the matter being called for hearing at 9:30 a.m. on September 24, 2003, an opportunity having been given to all interested parties to be heard.

**WHEREAS**, the Board of Supervisors of Pinal County has the power to amend an existing franchise under its general police powers in such matters.

**NOW, THEREFORE,**

First Amended  
Santa Cruz Water Company Franchise

**Section 1: DEFINITIONS**

The following terms used in this expansion and amendment of the Original Franchise shall have the following meanings:

- A. County: Pinal County, Arizona
- B. Board: Board of Supervisors of Pinal County, Arizona.
- C. Grantor: Pinal County, by and through its Board of Supervisors
- D. Grantee: Santa Cruz Water Company, an Arizona corporation, its successors and assigns
- E. Grantee's Facilities: domestic water lines and related appurtenances

**Section 2: GRANT**

A. Grantor, on September 24, 2003, hereby grants to Grantee, for a period of time not to exceed the Original Franchise, this expanded and amended franchise (hereinafter "First Amended Franchise") for the purpose of constructing, operating and maintaining domestic water system lines and related appurtenances along, under and across public streets, alleys and highways, except federal and state highways, under the terms and conditions set forth herein within the unincorporated area of Pinal County, Arizona, as described in the Expansion and the Original Franchise (hereinafter "Franchise Area").

B. Nonexclusive Franchise.

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

(2) Nothing herein shall be construed to prevent County and its proper authorities from constructing and installing sewers, gutters, or improvements to its public highways, streets and

alleys, and for that purpose, to require the Grantee at Grantee's own expense to remove Grantee's facilities to conform thereto and facilitate the same.

C. Reservation of Rights.

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

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

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

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

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

**Section 4: REGULATION**

Grantee, its successors and assigns shall be subject to reasonable regulations for the maintenance by grantee, its successors and assigns, of such portion of the public streets, alleys and highways used for the purpose of the First Amended Franchise now in force or that may hereafter be enacted and inconsistent herewith.

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

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

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

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

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

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

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

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

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

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

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

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

A. During the term of the First Amended Franchise whenever County or any qualified authority having jurisdiction in the Franchise Area alters, repairs, improves, or changes the grade of, any

public streets, alleys and highways in the Franchise Area during the term of the First Amended Franchise, then and in such event, Grantee, its successors or assigns, at its own expense, shall promptly, upon reasonable notice, make such changes in the location, structure or alignment of its sewer lines and related appurtenances as the public officials in charge of such work may deem necessary.

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

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

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

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

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

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

Grantee by its acceptance of the First Amended Franchise agrees for itself, its successors and assigns that throughout the entire term of this franchise, Grantee, its successors and assigns, at its sole cost and expense, shall indemnify, defend, save and hold harmless Pinal County, its elected officers, employees and agents from any and all lawsuits, judgments and claims for injury, death and damage to persons and property, both real and personal, caused by the construction, design, installation,

operation or maintenance of any structure, equipment, sewer lines or related appurtenances by Grantee within the Franchise Area. Indemnified expenses shall include, but not be limited to, litigation and arbitration expenses, and attorneys' fees.

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

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

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

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

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

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

D. In case of conflict or ambiguity between the First Amended Franchise and the Original Franchise, the provision which provides the greatest benefit to County, as determined solely by County, shall prevail.

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

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

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

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

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

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

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

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

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

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

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

#### **Section 19: FORFEITURE**

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

Amended Franchise, where such seizure is not discharged within thirty (30) days, County may declare the First Amended Franchise, along with the Original Franchise, forfeited and terminated.

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

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

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

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

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

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

#### **Section 22: NOTICE**

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

Grantor:

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

Grantee:

Santa Cruz Water Company  
Cindy Liles  
426 N. 44<sup>th</sup> Street, Suite 200  
Phoenix, Arizona 85008

First Amended  
Santa Cruz Water Company Franchise

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

**Section 23: REMEDIES**

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

**Section 24: RIGHT OF INTERVENTION**

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

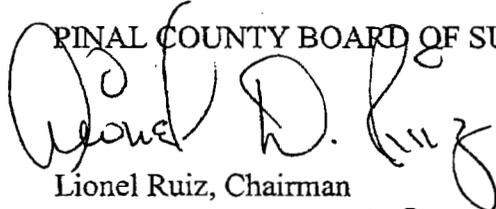
**Section 25: BOOKS AND RECORDS**

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

**Section 26: AD VALOREM TAXES**

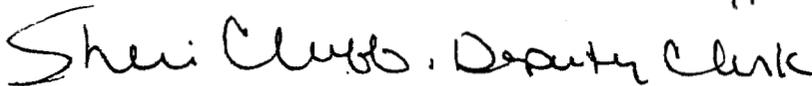
Grantee shall pay its ad valorem taxes before they become delinquent.

**IN WITNESS WHEREOF**, the Board of Supervisors of Pinal County, Arizona, by its Chairman and its Clerk, thereunto duly authorized, has hereunto set its hand and cause its official seal to be affixed on this 24<sup>th</sup> day of September, 2003.

PINAL COUNTY BOARD OF SUPERVISORS  
  
Lionel Ruiz, Chairman

9/24/03

ATTEST:

  
Stanley D. Griffis, Ph.D., Clerk of the Board

APPROVED AS TO FORM:

ROBERT CARTER OLSON  
PINAL COUNTY ATTORNEY



Rick V. Husk  
Deputy County Attorney

Exhibit A



OFFICIAL RECORDS OF  
PINAL COUNTY RECORDER

KATHLEEN C. FELIX

DATE: 03/10/98      TIME: 1349  
FEE :            0.00  
PAGES:           2  
FEE NO: 1998-009173

When recorded mail to:

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

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(The above space reserved for recording information)

Acceptance of Santa Cruz Water Franchise

Recorded 1/29/98, Fee No. 1998-003073

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FILED  
MAR 27 1998  
PINAL COUNTY ATTORNEY  
CIVIL DIVISION

ACCEPTANCE OF FRANCHISE

To: Board of Supervisors Pinal County, Arizona

Grantee, Santa Cruz Water Company, a(n) Arizona corporation, does hereby accept the 12-3-97 grant of a new public utility franchise from Pinal County, Arizona, (hereinafter "Franchise"), to construct, operate, and maintain water lines and related fixtures along, under and across present and future public streets, alleys and highways, except state highways, within the unincorporated area of Pinal County, Arizona, as stated in its application for a new public utility franchise.

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

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

Dated this 17<sup>th</sup> day of February, 1998.

Santa Cruz Water Company

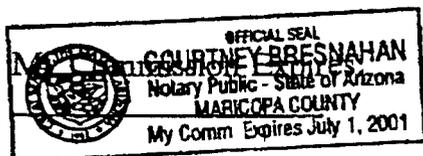
By: [Signature]

Title: President

STATE OF ARIZONA )  
 ) ss.  
County of Maricopa )

The foregoing instrument was acknowledged before me this 17<sup>th</sup> day of February, 1998, by Michael Pemberton, President of Santa Cruz Water Co., a(n) Arizona corporation, and being authorized to do so, executed the foregoing instrument on behalf of the corporation for the purposes therein stated.

[Signature]  
Notary Public



119



OFFICIAL RECORDS OF  
PINAL COUNTY RECORDER

KATHLEEN C. FELIX

DATE: 01/28/98      TIME: 1318  
FEE :            0.00  
PAGES:        16  
FEE NO: 1998-003073

When recorded mail to:

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

Creation Of The Santa Cruz Water Franchise

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

WHEREAS, upon filing of the Application for the public utility franchise, the Board of Supervisors of Pinal County ordered a public notice of its intent to consider the granting of the public utility franchise to be published in a newspaper of general circulation, in Pinal County, Arizona, stating the time and place for consideration of the Application was set for 10:00 A.M. on December 3, 1997, at the Pinal County Board of Supervisors' Hearing Room, Administration Building No. 1, Florence, Arizona.

WHEREAS, said Application having come on regularly for hearing at 10:45 A.M. on December 3, 1997; and it appearing from the affidavit of the publisher of the Casa Grande Valley Newspaper, Inc. that due and regular notice of said time and place set for the consideration of such action has been published for at least once a week for three consecutive weeks prior to said hearing date, to-wit: in the issues of the Casa Grande Dispatch published on November 12, 1997, November 19, 1997, and November 26, 1997; and the matter being called for hearing at 10:45 A.M., and an opportunity having been given to all interested parties to be heard.

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

NOW, THEREFORE,

Section 1: DEFINITIONS

The following terms used in this expansion and amendment of the Original Franchise shall have the following meanings:

A. County: Pinal County, Arizona

Santa Cruz Water Franchise

- B. Board: Board of Supervisors of Pinal County, Arizona.
- C. Grantor: Pinal County, by and through its Board of Supervisors
- D. Grantee: Santa Cruz Water Company, a(n) Arizona corporation, its successors and assigns
- E. Grantee's Facilities: Water lines and related appurtenances

## Section 2: GRANT

A. Grantor, on December 3, 1997, hereby grants to Grantee, for a period of twenty-five years, this new public utility franchise (hereinafter "Franchise") for the purpose of constructing, operating and maintaining water lines and related appurtenances along, under and across public streets, alleys and highways, except federal and state highways, under the terms and conditions set forth herein within the unincorporated area of Pinal County, Arizona, as described in the Application (hereinafter "Franchise Area").

### B. Nonexclusive Franchise.

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

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

### C. Reservation of Rights.

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

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

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

A. The Franchise herein granted shall expire on the December 2, 2022; and upon its termination, Grantee shall cease to exercise under the terms of the Franchise the privileges herein granted. In the event Grantee desires a renewal of the Franchise herein granted, or a new franchise for a subsequent period, Grantee shall apply to and open negotiations with County for that purpose at least six (6) months before the expiration of the Franchise herein granted; but nothing herein shall be construed to bind County to grant such renewal or subsequent franchise.

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

### **Section 4: REGULATION**

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

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

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

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

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

and structures, and for the protection of the public and the continuity of pedestrian and vehicular traffic.

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

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

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

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

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

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

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

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

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

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

**Section 10: LIABILITY**

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

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

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

**Section 11: INDEMNIFICATION**

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

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

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

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

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

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

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

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

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

**Section 15: COMPLIANCE WITH THE LAW**

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

**Section 16: INTERPRETATION/GOVERNING LAW**

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

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

**Section 18: SEVERABILITY**

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

**Section 19: FORFEITURE**

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

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

**Section 20: REVOCATION OF FRANCHISE**

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

- A. For false or misleading statements in, or material omissions from the application for and the hearing on the granting of the Franchise.
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Grantee shall not assign or transfer any interest in the Franchise without the prior written consent of County. Said Board shall not unreasonably withhold its consent to a proposed transfer.

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

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

Grantee:

Santa Cruz Water Company  
426 N. 44th Street  
Suite 100  
Phoenix, Arizona 85008

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

**Section 23: REMEDIES**

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

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

**Section 25: BOOKS AND RECORDS**

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

**Section 26: AD VALOREM TAXES**

Grantee shall pay its ad valorem taxes before they become delinquent. To accomplish this, Grantee shall deposit a sum equal to one-half of the prior years taxes in a separate trust account to pay the current years taxes. Pinal County, through its agents shall have the right to audit the account at any time during normal business hours.

IN WITNESS WHEREOF, the Board of Supervisors of Pinal County, Arizona, by its Chairman and its Clerk, thereunto duly authorized, has hereunto set its hand and cause its official seal to be affixed on December 3, 1997.

PINAL COUNTY BOARD OF SUPERVISORS



Jimie B. Kerr  
Jimie B. Kerr, Chairman

ATTEST:

Stanley D. Griffis  
Stanley D. Griffis, Clerk of the Board

APPROVED AS TO FORM:

ROBERT CARTER OLSON  
PINAL COUNTY ATTORNEY

Eric L. Walberg  
Eric L. Walberg, Deputy County Attorney

**Exhibit A**

BEFORE THE BOARD OF SUPERVISORS

OF

COUNTY OF PINAL, STATE OF ARIZONA

IN THE MATTER OF THE )	
APPLICATION OF SANTA CRUZ )	APPLICATION FOR
WATER COMPANY, TO OBTAIN A )	NEW PUBLIC UTILITY FRANCHISE
WATER FRANCHISE )	

---

TO THE HONORABLE BOARD OF SUPERVISORS:

COMES NOW the above-named Applicant and petitions the PINAL COUNTY BOARD OF SUPERVISORS AS FOLLOWS:

I.

That petitioner, SANTA CRUZ WATER COMPANY (Santa Cruz), an Arizona Corporation with its principal place of business in the County of Pinal, State of Arizona. The current address of Santa Cruz is 426 N. 44<sup>th</sup> Street, Suite 100, Phoenix, Arizona 85008.

II.

That Santa Cruz hereinafter designated as the Grantee, doing business in Pinal County, Arizona, hereby petitions your body for a Utility Franchise to maintain and operate a water system, including transmission lines and all appurtenances, to serve in portions of Pinal County. The full legal description is attached hereto as Exhibit I.

III.

That your petitioner has made applications to the Arizona Corporation Commission for a Certificate of Public Convenience and Necessity to exercise the functions of a public utility to provide water service to persons living within this said territory as shown on Exhibit 2, subject to the laws of the State of Arizona.

## IV.

That your petitioner, if granted the franchise for this territory, proposes to engage in and carry on the business of a water company.

## V.

That your petitioner is financially able to undertake installation of said services and provide water service within said territory for which this franchise is requested.

## VI.

That the Board of Supervisors may impose such restrictions and limitations upon the public roads as it deems best for the public safety and welfare.

## VII.

That the petitioner submits herewith the required \$200.00 filing fee with this application.

## VIII.

That by reason of the facts already stated herein and because of the fact that no adequate and safe supply of water are now available to persons now living, or who may live, within the said territory hereinbefore described, and because of the further fact that water promptly supplied to waiting customers and prospective applicants will do much to develop and improve the area described, and to increase the population of the communities within which services are supplied, your petitioner respectfully petitions your Honorable Boards of Supervisors to grant this Application for a right and franchise from the County of Pinal, State of Arizona, to construct, maintain and operate their pipelines and appurtenances for a water system in, over, under, across and upon the existing County owned and future Rights-of-Way for a period of twenty-five (25) years.

## IX.

That public Notice be given in a newspaper of general circulation published within the County of Pinal, as may be required by law, prior to the date set for the consideration by the Board of Supervisors of its intention to grant said Franchise application.

X.

All correspondence regarding this application should be addressed to:

Michael T. Reinbold, President  
Santa Cruz Water Company  
426 N. 44<sup>th</sup> Street  
Suite 100  
Phoenix, Arizona 85008

Dated this 27<sup>th</sup> day of October, 1997

Santa Cruz Water Company

By: Michael T. Reinbold

Michael T. Reinbold  
President  
426 N. 44<sup>th</sup> Street  
Suite 100  
Phoenix, Arizona 85008

Exhibit 1

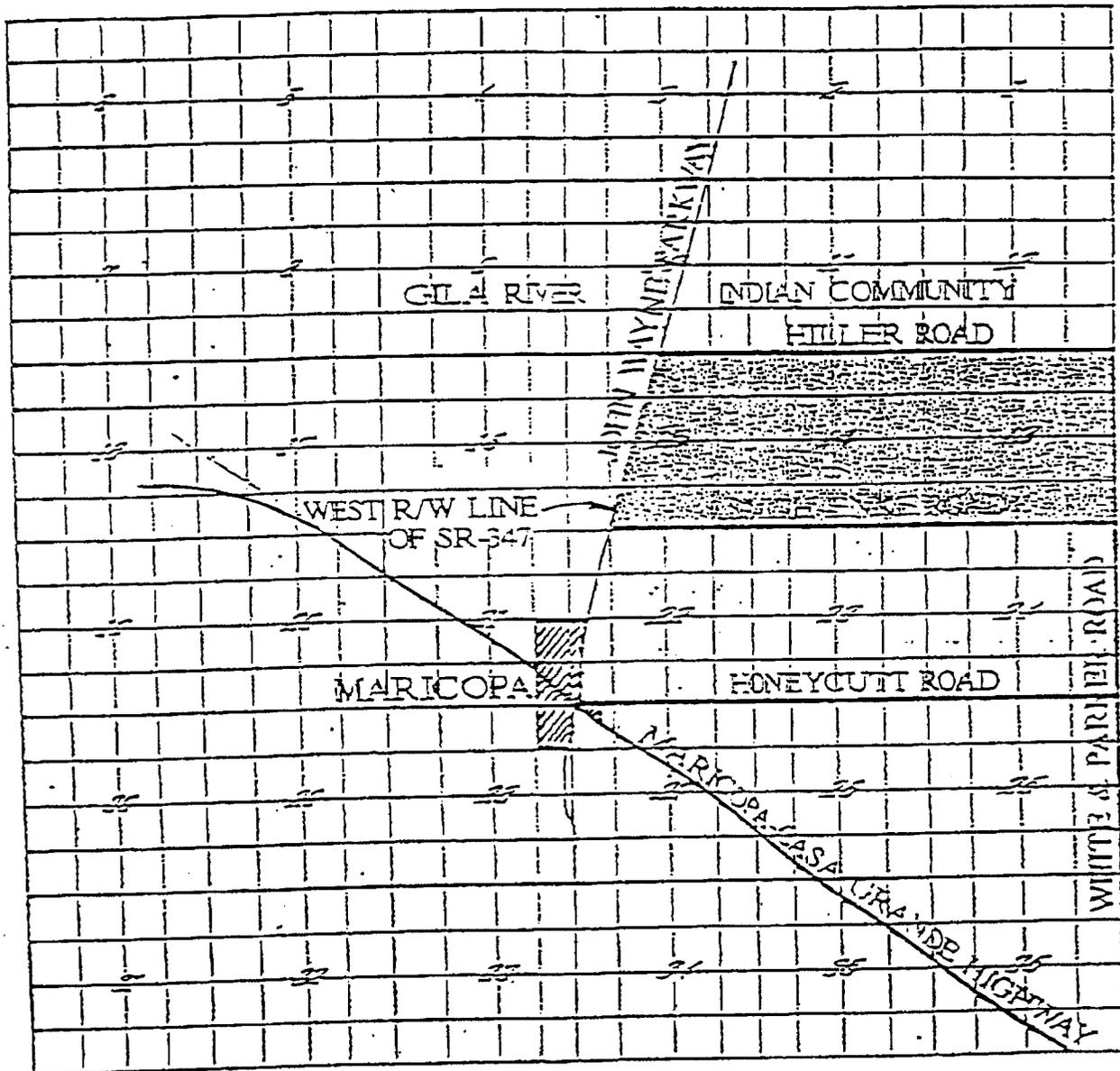
Santa Cruz Water Company

Franchise Legal Description

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

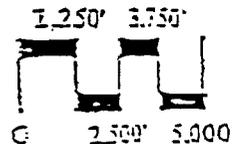
PINAL COUNTY, ARIZONA  
 SECTIONS 13, 14, AND A PORTION OF SECTION 15,  
 TOWNSHIP 4 SOUTH, RANGE 3 EAST



 FRANCHISE AREA

EXHIBIT 2

SANTA CRUZ WATER  
 COMPANY





## Exhibit B

**LEGAL DESCRIPTION FOR UTILITY FRANCHISE EXPANSION FOR  
SANTA CRUZ WATER COMPANY, L.L.C. AND  
PALO VERDE UTILITIES COMPANY, L.L.C.**

THAT PORTION OF SECTION 15, TOWNSHIP 4 SOUTH, RANGE 3 EAST, GILA & SALT RIVER BASE & MERIDIAN, PINAL COUNTY, ARIZONA, LYING WESTERLY OF THE WESTERLY RIGHT-OF-WAY OF ARIZONA STATE ROUTE 347, EXCEPT THE WEST 160 FEET OF THE NORTHWEST QUARTER THEREOF;

TOGETHER WITH THE NORTHEAST QUARTER OF SECTION 21, TOWNSHIP 4 SOUTH, RANGE 3 EAST;

TOGETHER WITH ALL OF SECTION 22, TOWNSHIP 4 SOUTH, RANGE 3 EAST, EXCEPT THE WESTERLY 500 FEET OF THE SOUTHERLY 1803 FEET OF THE SOUTHWEST QUARTER THEREOF, AND EXCEPT THE SOUTHERLY 173 FEET OF THE SOUTHWEST QUARTER THEREOF;

TOGETHER WITH ALL OF SECTIONS 23 AND 24, TOWNSHIP 4 SOUTH, RANGE 3 EAST;

TOGETHER WITH ALL OF SECTION 25, TOWNSHIP 4 SOUTH, RANGE 3 EAST, EXCEPT THE EAST ONE HALF THEREOF, AND EXCEPT THE NORTH HALF OF THE NORTHWEST QUARTER THEREOF; AND EXCEPT THE SOUTHEAST QUARTER OF THE NORTHWEST QUARTER THEREOF; AND EXCEPT THE SOUTHEAST QUARTER OF THE SOUTHWEST QUARTER THEREOF;

TOGETHER WITH THE NORTH 3000 FEET, MORE OR LESS, OF THE WEST HALF OF THE WEST HALF OF SECTION 36, TOWNSHIP 4 SOUTH, RANGE 3 EAST LYING NORTHERLY OF THE SOUTHERN-PACIFIC RAILWAY RIGHT-OF-WAY;

TOGETHER WITH THAT PORTION OF SECTION 35, TOWNSHIP 4 SOUTH, RANGE 3 EAST, LYING NORTHEASTERLY OF THE SOUTHERN-PACIFIC RAILWAY RIGHT-OF-WAY, EXCEPT THAT PORTION OF THE NORTHWEST QUARTER OF THE NORTHWEST QUARTER OF SECTION 35, TOWNSHIP 4 SOUTH, RANGE 3 EAST LYING NORTHEASTERLY OF THE SOUTHERN-PACIFIC RAILWAY RIGHT-OF-WAY;

TOGETHER WITH ALL OF SECTION 26, TOWNSHIP 4 SOUTH, RANGE 3 EAST, EXCEPT THE WEST HALF OF THE WEST HALF THEREOF;

COMMENCING AT THE NORTHWEST CORNER OF THE SOUTHEAST QUARTER OF SECTION 21, TOWNSHIP 4 SOUTH, RANGE 3 EAST OF THE GILA AND SALT RIVER MERIDIAN, PINAL COUNTY, ARIZONA; THENCE EASTERLY 30.0 FEET TO THE TRUE POINT OF BEGINNING, THENCE

SOUTHERLY 525.0 FEET, THENCE EASTERLY 600.0 FEET, THENCE NORTHERLY 525.5 FEET, THENCE WESTERLY 600.0 FEET TO THE TRUE POINT OF BEGINNING.

TOGETHER WITH THE FOLLOWING: COMMENCING AT THE NORTHWEST CORNER OF THE SOUTHEAST QUARTER OF SECTION 21, TOWNSHIP 4 SOUTH, RANGE 3 EAST OF THE GILA AND SALT RIVER MERIDIAN, PINAL COUNTY, ARIZONA; THENCE EASTERLY 690.0 FEET TO THE TRUE POINT OF BEGINNING, THENCE SOUTHERLY 525.6 FEET, THENCE EASTERLY 400.0 FEET, THENCE NORTHERLY 525.9 FEET, THENCE WESTERLY 400.0 FEET TO THE TRUE POINT OF BEGINNING.

TOGETHER WITH THE FOLLOWING: COMMENCING AT A POINT ON THE WEST SIDE OF THE EAST HALF OF THE SOUTHEAST QUARTER OF SECTION 21, TOWNSHIP 4 SOUTH, RANGE 3 EAST OF THE GILA AND SALT RIVER MERIDIAN, PINAL COUNTY, ARIZONA, 810 FEET NORTH OF THE SECTION LINE COMMON TO THE SOUTH OF SAID SECTION 21 AND EXTENDING NORTH ALONG SAID QUARTER SECTION LINE FOR A DISTANCE OF 726 FEET; THENCE 300 FEET EAST; THENCE SOUTH 726 FEET PARALLELING SAID QUARTER SECTION LINE; THENCE WEST TO THE POINT OF BEGINNING;

TOGETHER WITH ALL THAT PART OF THE EAST 495.5 FEET OF THE SOUTHWEST QUARTER OF THE SOUTHEAST QUARTER OF SECTION 21, TOWNSHIP 4 SOUTH, RANGE 3 EAST OF THE GILA AND SALT RIVER MERIDIAN, PINAL COUNTY, ARIZONA, LYING NORTH OF THE NORTH BOUNDARY LINE OF THE COUNTY ROAD WHICH IS NORTH OF THE SOUTHERN-PACIFIC RAILROAD RIGHT-OF-WAY;

TOGETHER A PORTION OF THE NORTHWEST QUARTER OF SECTION 34 IN TOWNSHIP 4 SOUTH, RANGE 3 EAST OF THE GILA AND SALT RIVER BASE AND MERIDIAN, PINAL COUNTY, ARIZONA, BEING MORE PARTICULARLY DESCRIBED AS FOLLOWS:

COMMENCING AT THE NORTHWEST CORNER OF SAID SECTION 34; THENCE NORTH  $89^{\circ} 24' 54''$  EAST, ALONG THE NORTH LINE OF SAID SECTION 34 A DISTANCE OF 798.87 FEET, TO THE POINT OF THE BEGINNING; THENCE CONTINUING NORTH  $89^{\circ} 24' 54''$  EAST, ALONG SAID NORTH LINE 1,852.18 FEET TO THE NORTH QUARTER CORNER OF SAID SECTION 34; THENCE SOUTH  $00^{\circ} 12' 02''$  WEST, ALONG THE NORTH SOUTH MID-SECTION LINE OF SAID SECTION 34 A DISTANCE OF 2,664.95 FEET TO THE CENTER OF SAID SECTION 34; THENCE NORTH  $89^{\circ} 51' 49''$  WEST, ALONG THE EAST WEST MID-SECTION LINE OF SAID SECTION 34 A DISTANCE OF 2,491.70 FEET TO A POINT ON THE EAST RIGHT-OF-WAY LINE OF MARICOPA ROAD (STATE ROUTE 347); THENCE ALONG SAID EAST RIGHT-OF-WAY LINE THE FOLLOWING COURSES AND DISTANCES; THENCE NORTH  $00^{\circ} 40' 29''$  WEST

1,468.58 FEET; THENCE NORTH 89° 19' 28" EAST 10.00 FEET; THENCE NORTH 00° 40' 32" WEST 454.76 FEET; THENCE LEAVING SAID RIGHT-OF-WAY NORTH 89° 24' 54" EAST 373.10 FEET TO A POINT MARKING THE BEGINNING OF A TANGENT CURVE TO THE LEFT HAVING A RADIUS OF 200.00 FEET; THENCE ALONG THE ARC OF SAID CURVE THROUGH A CENTRAL ANGLE OF 46° 35' 45" AN ARC DISTANCE OF 162.65 FEET; THENCE NORTH 40° 10' 09" EAST 367.92 FEET TO A POINT MARKING THE BEGINNING OF A NON-TANGENT CURVE TO THE NORTH, THE CENTER POINT OF WHICH BEARS NORTH 52° 38' 22" EAST 450.00 FEET THEREFROM; THENCE NORTHERLY ALONG THE ARC OF SAID CURVE THROUGH A CENTRAL ANGLE OF 36° 41' 06" AN ARC DISTANCE OF 288.12 FEET; THENCE NORTH 00° 40' 32" EAST 100.00 FEET TO THE POINT OF BEGINNING;

THE BASIS OF BEARING IS THE MONUMENT LINE OF MARICOPA ROAD, ALSO BEING THE WEST LINE OF THE NORTHWEST QUARTER OF SECTION 34, TOWNSHIP 4 SOUTH, RANGE 3 EAST, USING A BEARING OF NORTH 00° 06' 23" WEST;

TOGETHER WITH THAT PORTION OF THE NORTHWEST QUARTER OF SECTION 34 TOWNSHIP 4 SOUTH, RANGE 3 EAST OF THE GILA AND SALT RIVER BASE AND MERIDIAN, PINAL COUNTY, ARIZONA, EXCEPTING THEREFROM THE EXISTING RIGHT-OF-WAY OF STATE ROUTE 347, AND EXCEPTING THEREFROM THE FOLLOWING:

BEING A PORTION OF THE NORTHWEST QUARTER OF SECTION 34 IN TOWNSHIP 4 SOUTH, RANGE 3 EAST OF THE GILA AND SALT RIVER BASE AND MERIDIAN, PINAL COUNTY, ARIZONA, BEING MORE PARTICULARLY DESCRIBED AS FOLLOWS:

COMMENCING AT THE NORTHWEST CORNER OF SAID SECTION 34; THENCE NORTH 89° 24' 54" EAST, ALONG THE NORTH LINE OF SAID SECTION 34 A DISTANCE OF 798.87 FEET, TO THE POINT OF THE BEGINNING, THENCE CONTINUING NORTH 89° 24' 54" EAST, ALONG SAID NORTH LINE 1,852.18 FEET TO THE NORTH QUARTER CORNER OF SAID SECTION 34; THENCE SOUTH 00° 12' 02" WEST, ALONG THE SOUTH MID-SECTION LINE OF SAID SECTION 34 A DISTANCE OF 2,664.95 FEET TO THE CENTER OF SAID SECTION 34; THENCE NORTH 89° 51' 49" WEST, ALONG THE EAST WEST MID-SECTION LINE OF SAID SECTION 34 A DISTANCE OF 2,491.70 FEET TO A POINT ON THE EAST RIGHT-OF-WAY OF MARICOPA ROAD (STATE ROUTE 347); THENCE ALONG SAID EAST RIGHT-OF-WAY LINE THE FOLLOWING COURSES AND DISTANCES; THENCE NORTH 00° 40' 29" WEST 1,468.58 FEET; THENCE NORTH 89° 19' 28" EAST 10.00 FEET; THENCE NORTH 00° 40' 32" WEST 454.76 FEET; THENCE LEAVING SAID RIGHT-OF-WAY NORTH 89° 24' 54" EAST 373.10 FEET TO A POINT MARKING THE BEGINNING OF TANGENT CURVE TO THE LEFT

HAVING A RADIUS OF 200.00 FEET; THENCE ALONG THE ARC OF SAID CURVE THROUGH A CENTRAL ANGLE OF  $46^{\circ} 35' 45''$  AN ARC DISTANCE OF 162.65 FEET; THENCE NORTH  $40^{\circ} 10' 09''$  EAST 367.92 FEET TO A POINT MARKING THE BEGINNING OF A NON-TANGENT CURVE TO THE NORTH, THE CENTER POINT OF WHICH BEARS NORTH  $52^{\circ} 38' 22''$  EAST 450.00 FEET THEREFROM; THENCE NORTHERLY ALONG THE ARC OF SAID CURVE THROUGH A CENTRAL ANGLE OF  $36^{\circ} 41' 06''$  AN ARC DISTANCE OF 288.12 FEET; THENCE NORTH  $00^{\circ} 40' 32''$  EAST 100.00 FEET TO THE POINT OF BEGINNING.

THE BASIS OF BEARING IS THE MONUMENT LINE OF MARICOPA ROAD, ALSO BEING THE WEST LINE OF THE NORTHWEST CORNER OF SECTION 34, TOWNSHIP 4 SOUTH, RANGE 3 EAST, USING A BEARING OF NORTH  $00^{\circ} 06' 23''$  WEST.

TOGETHER WITH THE BEGINNING AT THE SOUTHWEST CORNER OF SECTION 35, TOWNSHIP 4 SOUTH, RANGE 3 EAST, GILA AND SALT RIVER BASE AND MERIDIAN, PINAL COUNTY, ARIZONA, THENCE NORTH  $00^{\circ} 29' 40''$  WEST 5300 FEET, MORE OR LESS, ALONG THE WEST SECTION LINE OF SAID SECTION 35 TO THE NORTHWEST CORNER OF SAID SECTION 35, THENCE NORTH  $89^{\circ} 30' 20''$  EAST 750 FEET, MORE OR LESS, ALONG THE NORTH SECTION LINE OF SAID SECTION 35 TO THE SOUTHWESTERLY RIGHT-OF-WAY LINE OF THE SOUTHERN RAILROAD, THENCE SOUTH  $53^{\circ} 51' 30''$  EAST 1213 FEET ALONG SAID RIGHT-OF-WAY LINE, THENCE LEAVING SAID RIGHT-OF-WAY LINE, SOUTH  $0^{\circ} 00' 00''$  EAST 4600 FEET, MORE OR LESS, TO THE SOUTH SECTION LINE OF SAID SECTION 35; THENCE NORTH  $89^{\circ} 43' 51''$  WEST 1684 FEET, MORE OR LESS, ALONG SAID SOUTH SECTION LINE TO THE POINT OF BEGINNING.

TOGETHER WITH PARCEL NO. 1:

THE EAST HALF OF THE WEST HALF OF SECTION 35, TOWNSHIP 4 SOUTH, RANGE 3 EAST OF THE GILA AND SALT RIVER BASE AND MERIDIAN, PINAL COUNTY, ARIZONA, LYING SOUTH AND WEST OF THE SOUTHWESTERLY RIGHT OF WAY LINE OF THE SOUTHERN PACIFIC RAILROAD;

EXCEPT ANY PORTION LYING WITHIN THE FOLLOWING DESCRIBED PROPERTY:

COMMENCING AT THE SOUTHEAST CORNER OF SAID SECTION 35;

THENCE NORTH 89 DEGREES 19 MINUTES 10 SECONDS WEST, A DISTANCE OF 1971.27 FEET TO THE TRUE POINT OF BEGINNING;

THENCE CONTINUING NORTH 89 DEGREES 19 MINUTES 10 SECONDS WEST, A DISTANCE OF 765.30 FEET;

THENCE NORTH 01 DEGREE 19 MINUTES 10 SECONDS EAST, A DISTANCE OF 1377.37 FEET;

THENCE SOUTH 27 DEGREES 53 MINUTES 16 SECONDS EAST, A DISTANCE OF 1568.23 FEET TO THE TRUE POINT OF BEGINNING; AND

EXCEPT ALL OIL, GAS AND MINERAL RIGHTS AS RESERVED IN INSTRUMENT RECORDED IN DOCKET 15, PAGE 70.

TOGETHER WITH PARCEL NO. 2:

THE EAST HALF OF SECTION 35, TOWNSHIP 4 SOUTH, RANGE 3 EAST OF THE GILA AND SALT RIVER BASE AND MERIDIAN, PINAL COUNTY, ARIZONA, LYING SOUTH AND WEST OF THE SOUTHWESTERLY RIGHT OF WAY LINE OF THE SOUTHERN PACIFIC RAILROAD;

EXCEPT ANY PORTION LYING WITHIN THE FOLLOWING DESCRIBED PROPERTY:

COMMENCING AT THE SOUTHEAST CORNER OF SAID SECTION 35;

THENCE NORTH 89 DEGREES 19 MINUTES 10 SECONDS WEST, A DISTANCE OF 1971.27 FEET TO THE TRUE POINT OF BEGINNING;

THENCE CONTINUING NORTH 89 DEGREES 19 MINUTES 10 SECONDS WEST, A DISTANCE OF 765.30 FEET;

THENCE NORTH 01 DEGREE 19 MINUTES 10 SECONDS EAST, A DISTANCE OF 1377.27 FEET;

THENCE SOUTH 27 DEGREES 53 MINUTES 16 SECONDS EAST, A DISTANCE OF 1568.23 FEET TO THE TRUE POINT OF BEGINNING; AND

EXCEPT ANY PORTION LYING WITHIN THE FOLLOWING DESCRIBED PROPERTY:

COMMENCING AT THE SOUTHEAST CORNER OF SAID SECTION 35;

THENCE NORTH 01 DEGREE 12 MINUTES 36 SECONDS EAST, A DISTANCE OF 77.50 FEET TO THE TRUE POINT OF BEGINNING;

THENCE SOUTH 89 DEGREES 44 MINUTES 11 SECONDS WEST, A DISTANCE OF 660.00 FEET;

THENCE NORTH 01 DEGREE 12 MINUTES 38 SECONDS EAST, A DISTANCE OF 1320 FEET;

THENCE NORTH 89 DEGREES 44 MINUTES 11 SECONDS EAST, A DISTANCE OF 660.00 FEET;

THENCE SOUTH 01 DEGREE 12 MINUTES 36 SECONDS WEST, A DISTANCE OF 1320 FEET TO THE TRUE POINT OF BEGINNING; AND

EXCEPT ONE-HALF OF ALL OIL, GAS AND OTHER MINERALS AS RESERVED IN INSTRUMENT RECORDED IN BOOK 85 OF DEEDS, PAGE 228.

EXCEPT FROM PARCEL NOS. 1 AND 2 HEREIN, ANY PORTION LYING WITHIN THE FOLLOWING DESCRIBED PROPERTY, AS SET FORTH BY INSTRUMENT RECORDED IN FEE NO. 2000-016849:

BEGINNING AT THE SOUTHWEST CORNER OF SECTION 35, TOWNSHIP 4 SOUTH, RANGE 3 EAST OF THE GILA AND SALT RIVER BASE AND MERIDIAN, PINAL COUNTY, ARIZONA;

THENCE NORTH 00 DEGREES 22 MINUTES 40 SECONDS EAST 5264 FEET, MORE OR LESS, ALONG THE WEST SECTION LINE OF SAID SECTION 35 TO THE NORTHWEST CORNER OF SAID SECTION 35;

THENCE NORTH 89 DEGREES 05 MINUTES 27 SECONDS EAST, 824 FEET, MORE OR LESS, ALONG THE NORTH SECTION LINE OF SAID SECTION 35 TO THE SOUTHWESTERLY RIGHT OF WAY LINE OF THE SOUTHERN PACIFIC RAILROAD;

THENCE SOUTH 53 DEGREES 52 MINUTES 38 SECONDS EAST 1066 FEET ALONG SAID RIGHT OF WAY LINE;

THENCE LEAVING SAID RIGHT OF WAY LINE, SOUTH 00 DEGREES 00 MINUTES 00 SECONDS EAST 4656 FEET, MORE OR LESS, TO THE EXTENSION OF THE SOUTH SECTION LINE OF SECTION 35 OF SAID TOWNSHIP AND RANGE;

THENCE NORTH 89 DEGREES 43 MINUTES 51 SECONDS WEST 1702 FEET, MORE OR LESS, ALONG SAID SOUTH SECTION LINE TO THE POINT OF BEGINNING.

TOGETHER WITH THOSE PARTICULAR PUBLIC STREETS AND/OR COUNTY ROADWAYS UTILIZED BY THE PUBLIC FOR LEGAL ACCESS TO ANY AND/OR ALL OF THE LANDS DESCRIBED ABOVE.

CONTAINS 3,809 ACRES, MORE OR LESS.

**Exhibit C****SAMPLE ACCEPTANCE OF EXPANDED AND AMENDED FRANCHISE**

To: Board of Supervisors Pinal County, Arizona

Grantee, Santa Cruz Water Company, a(n) Arizona corporation, does hereby accept the , grant of an First Amended Franchise from Pinal County, Arizona, to construct, operate, and maintain sewer lines and related fixtures along, under and across present and future public streets, alleys and highways, except state highways, within the unincorporated area of Pinal County, Arizona, as described in the Application, which is made a part hereof.

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

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

attyciv\franchise\Santa Cruz first amend

ACCEPTANCE OF EXPANDED AND AMENDED FRANCHISE

To: Board of Supervisors Pinal County, Arizona

Grantee, Santa Cruz Water Company, a(n) Arizona corporation, does hereby accept the September 24, 2003 grant of a First Amended Franchise from Pinal County, Arizona, to construct, operate, and maintain domestic water system, lines and related fixtures along, under and across present and future public streets, alleys and highways, except state highways, within the unincorporated area of Pinal County, Arizona, as described in the Application, which is made a part hereof.

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

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

Dated this 24th day of September, 2003.

Santa Cruz Water Company

By: Cindy M. Giles

Title: VP - CFO

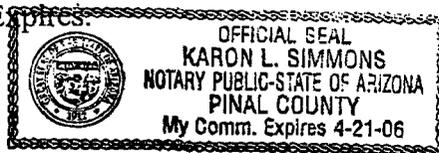
STATE OF ARIZONA )
) ss.
County of )

The foregoing instrument was acknowledged before me this 24th day of September 2003, by Cindy M. Giles of Santa Cruz Water Co, a(n) Arizona corporation, and being authorized to do so, executed the foregoing instrument on behalf of the corporation for the purposes therein stated.

Notary Public

Karon L. Simmons

My Commission Expires



AGENDA FORM FOR PINAL COUNTY BOARD of SUPERVISORS

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

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

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

2. BRIEF DESCRIPTION OF AGENDA ITEM AND REQUESTED BOARD ACTION: Agenda Item for September 24, 2003 Discussion/Approval/Disapproval of the petition from Santa Cruz Water Company, LLC for an expansion of their water utility franchise.

3. MOTION: It is moved that the Pinal County Board of Supervisors... SUGGESTED MOTION: Approve the First Amended Santa Cruz Water Company, LLC water utility franchise expansion/amendment document as presented.

4. DEPARTMENT: Action recommended by Gary D. Medina Date 9/15/03

7. DEPUTY COUNTY MANAGER: Terry A. Sottillo Date 9/15/03 Approve [X] Disapprove [ ]

5. GRANTS AND CONTRACTS ADMINISTRATOR: Approve [ ] Disapprove [ ] Date

8. PURCHASING DEPARTMENT: Approve [ ] Disapprove [ ] Date

6. COUNTY ATTORNEY'S OFFICE: Approved as to form and within the powers and authority granted under the laws of the State of Arizona to the Pinal County Board of Supervisors. Date 9/15/03

9. FINANCE OFFICE: Approve [ ] Disapprove [ ] Date

10. COUNTY MANAGER: APPROVE [ ] DISAPPROVE [ ] Date

11. BOARD OF SUPERVISORS: Action Taken: [X] Approve [ ] Amend [ ] Disapprove [ ] Delete [ ] CHAIRMAN: DATE 9/24/03 CLERK OF THE BOARD: DATE 9/24/03

# **EXHIBIT 3**

## TARIFF SCHEDULE

Utility: Santa Cruz Water Company, LLC

Tariff Sheet \_\_\_\_\_

No.: 1 of 3

Docket No. W-03576A-03-0167

Decision No.: 66394

Phone No.: 602-914-2100

Effective: \_\_\_\_\_

### CURTAILMENT PLAN FOR SANTA CRUZ WATER COMPANY

ADEQ Public Water System Number: 11-131

**Santa Cruz Water Company, LLC** ("Company"), is authorized to curtail water service to all customers within its certificated area under the terms and conditions listed in this tariff.

This curtailment plan shall become part of the Arizona Department of Environmental Quality Emergency Operations Plan for the Company.

The Company shall notify its customers of this new tariff as part of its next regularly scheduled billing after the effective date of the tariff or no later than sixty (60) days after the effective date of the tariff.

The Company shall provide a copy of the curtailment tariff to any customer, upon request.

#### **Stage 1 Exists When:**

Company is able to maintain water storage in the system at 100 percent of capacity and there are no known problems with its well production or water storage in the system.

Restrictions: Under Stage 1, Company is deemed to be operating normally and no curtailment is necessary.

Notice Requirements: Under Stage 1, no notice is necessary.

#### **Stage 2 Exists When:**

- a. Company's water storage or well production has been less than 80 percent of capacity for at least 48 consecutive hours, and
- b. Company has identified issues such as a steadily declining water table, increased draw down threatening pump operations, or poor water production, creating a reasonable belief the Company will be unable to meet anticipated water demand on a sustained basis.

Restrictions: Under Stage 2, the Company may request the customers to voluntarily employ water conservation measures to reduce water consumption by approximately 25 percent of Stage 1 consumption. Outside watering should be limited to essential water, dividing outside watering on some uniform basis (such as even and odd days) and eliminating outside watering on weekends and holidays.

## TARIFF SCHEDULE

Utility: Santa Cruz Water Company, LLC

Tariff Sheet \_\_\_\_\_

No.: 2 of 3

Docket No. W-03576A-03-0167

Decision No.: 66394

Phone No.: 602-914-2100

Effective: \_\_\_\_\_

Notice Requirements: Under Stage 2, the Company is required to notify customers by delivering written notice door to door at each service address, or by United States first class mail to the billing address or, at the Company's option, both. Such notice shall notify the customers of the general nature of the problem and the need to conserve water.

### Stage 3 Exists When:

- a. Company's total water storage or well production has been less than 50 percent of capacity for at least 24 consecutive hours, and
- b. Company has identified issues such as a steadily declining water table, increased draw down threatening pump operations, or poor water production, creating a reasonable belief the Company will be unable to meet anticipated water demand on a sustained basis.

Restrictions: Under Stage 3, Company shall request the customers to voluntarily employ water conservation measures to reduce daily consumption by approximately 50 percent of Stage 1 consumption. All outside watering should be eliminated, except livestock, and indoor water conservation techniques should be employed whenever possible.

### Notice Requirements:

1. Company is required to notify customers by delivering written notice to each service address, or by United States first class mail to the billing address or, at the Company's option, both. Such Notice shall notify the customers of the general nature of the problem and the need to conserve water.
2. Beginning with Stage 3, Company shall post at least 12 signs showing the curtailment stage. Signs shall be posted at noticeable locations, like at the well sites and at the entrance to major subdivisions served by the Company.
3. Company shall notify the Consumer Services Section of the Utilities Division of the Corporation Commission at least 12 hours prior to entering stage 3.

### Stage 4 Exists When:

- a. Company's total water storage or well production has been less than 25 percent of capacity for at least 12 consecutive hours, and
- b. Company has identified issues such as a steadily declining water table, increased draw down threatening pump operations, or poor water production, creating a reasonable belief the Company will be unable to meet anticipated water demand on a sustained basis.

## TARIFF SCHEDULE

Utility: Santa Cruz Water Company, LLC

Tariff Sheet \_\_\_\_\_

No.: 3 of 3

Docket No. W-03576A-03-0167

Decision No.: 66394

Phone No.: 602-914-2100

Effective: \_\_\_\_\_

**Restrictions:** Under Stage 4, Company shall inform the customers of a **mandatory** restriction to employ water conservation measures to reduce daily consumption. Failure to comply will result in customer disconnection. The following uses of water shall be prohibited:

- ◆ Irrigation of outdoor lawns, trees, shrubs, or any plant life is prohibited
- ◆ Washing of any vehicle is prohibited
- ◆ The use of water for dust control or any outdoor cleaning uses is prohibited
- ◆ The use of drip or misting systems of any kind is prohibited
- ◆ The filling of any swimming pool, spas, fountains or ornamental pools is prohibited
- ◆ Restaurant patrons shall be served water only upon request
- ◆ Any other water intensive activity is prohibited

### Notice Requirements:

1. Company is required to notify customers by delivering written notice to each service address, or by United States first class mail to the billing address or, at the Company's option, both. Such notice shall notify the customers of the general nature of the problem and the need to conserve water.
2. Company shall post at least 12 signs showing curtailment stage. Signs shall be posted at noticeable locations, like at the well sites and at the entrance to major subdivisions served by the Company.
3. Company shall notify the Consumer Services Section of the Utilities Division of the Corporation Commission at least 12 hours prior to entering stage 4.

Customers who fail to comply with the above restrictions will be given a written notice to end all outdoor use. Failure to comply within two (2) working days of receipt of the notice will result in temporary loss of service until an agreement can be made to end unauthorized use of outdoor water. To restore service, the customer shall be required to pay all authorized reconnection fees. If a customer believes he/she has been disconnected in error, the customer may contact the Commission's Consumer Services Section at 1-800-222-7000 to initiate an investigation.

Once Stage 4 has been reached, the Company must augment the supply of water by hauling or through an emergency interconnect from an approved supply or must otherwise provide emergency drinking water for its customers until a permanent solution has been implemented.

# **EXHIBIT 4**

**Additional Utility Bond  
in the amount of  
\$382,000  
for Palo Verde Utilities  
Co.**

**(\$118,000 already in place)**

BOND NO. 59BSBAJ9697

**BOND**

KNOW ALL MEN BY THESE PRESENTS, That we, Palo Verde Utilities Company, as Principal, and Hartford Fire Insurance Company, a Connecticut corporation authorized to do business in the State of Arizona, as Surety are held and firmly bound unto the Arizona Corporation Commission in the amount of Three Hundred Eighty Two Thousand and no/100 (\$382,000), lawful money of the United States of America for the payment of which the Principal and Surety are hereby jointly and severally bound.

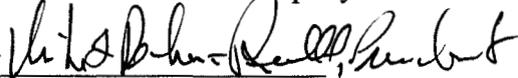
NOW THEREFORE, if the said Principal, or any assigns of his fails to provide competitive water services so furnished, the said surety will pay the same to the users of the Principal with the consent of the Arizona Corporation Commission as Trustee, an amount not exceeding the sum hereinabove specified, then this obligation shall be null and void; otherwise it shall remain in full force and effect.

PROVIDED FURTHER, that regardless of the number of years this bond shall continue in force and the number of premiums which shall be payable or paid, the Surety shall ot be liable thereunder for a larger amount, in the aggregate, than the amount of the bond.

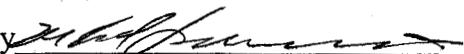
PROVIDED FURTHER, that should the Surety so elect, this bond may be canceled by the Surety as to subsequent liability by giving thirty (30) days notice in writing by certified mail to Obligee.

Signed, dated and sealed this 30<sup>th</sup> day of September, 2003.

Palo Verde Utilities Company

By 

Hartford Fire Insurance Company

By   
Michael J. Mesenbrink, Attorney-in-Fact

# HARTFORD FIRE INSURANCE COMPANY

Hartford, Connecticut

## POWER OF ATTORNEY

Know all men by these Presents, That HARTFORD FIRE INSURANCE COMPANY, a corporation duly organized under the laws of the State of Connecticut, and having its principal office in the City of Hartford, County of Hartford, State of Connecticut, does hereby make, constitute and appoint

*Lawrence Velasco, R. David Herrold, Carolyn Sinti,  
Michael J. Mesenbrink, Jeri Lynn Thompson*  
of  
*Phoenix, Arizona*

its true and lawful Attorney(s)-in-Fact, with full power and authority to each of said Attorney(s)-in-Fact, in their separate capacity if more than one is named above, to sign, execute and acknowledge any and all bonds and undertakings and other writings obligatory in the nature thereof on behalf of the Company in its business of guaranteeing the fidelity of persons holding places of public or private trust; guaranteeing the performance of contracts other than insurance policies; guaranteeing the performance of insurance contracts where surety bonds are accepted by states and municipalities, and executing or guaranteeing bonds and undertakings required or permitted in all actions or proceedings or by law allowed, and to bind the HARTFORD FIRE INSURANCE COMPANY thereby as fully and to the same extent as if such bonds and undertakings and other writings obligatory in the nature thereof were signed by an Executive Officer of the HARTFORD FIRE INSURANCE COMPANY and sealed and attested by one other of such Officers, and hereby ratifies and confirms all that its said Attorney(s)-in-Fact may do in pursuance hereof.

This power of attorney is granted by and under authority of the following provisions:

(1) By-Laws adopted by the Stockholders of the HARTFORD FIRE INSURANCE COMPANY at a meeting duly called and held on the 13<sup>th</sup> day of May, 1999.

### ARTICLE IV

SECTION 8. The President or any Vice President or any Assistant Vice President, acting with any Secretary or Assistant Secretary, shall have power and authority to appoint, for purposes only of executing and attesting bonds and undertakings and other writings obligatory in the nature thereof, one or more Resident Vice Presidents, Resident Assistant Secretaries and Attorneys-in-Fact and at any time to remove any such Resident Vice-President, Resident Assistant Secretary, or Attorney-in-Fact, and revoke the power and authority given to him.

SECTION 11. Attorneys-in-Fact shall have power and authority, subject to the terms and limitations of the power of attorney issued to them, to execute and deliver on behalf of the Company and to attach the seal of the Company thereto any and all bonds and undertakings, and other writings obligatory in the nature thereof, and any such instrument executed by any such Attorney-in-Fact shall be as binding upon the Company as if signed by an Executive Officer and sealed and attested by one other of such Officers.

This power of attorney is signed and sealed by facsimile under and by the authority of the following Resolution adopted by the Directors of the HARTFORD FIRE INSURANCE COMPANY at a meeting duly called and held on the 13th day of May, 1999.

Resolved, that the signatures of such Officers and the seal of the Company may be affixed to any such power of attorney or to any certificate relating thereto by facsimile, and any such power of attorney or certificate bearing such facsimile signatures or facsimile seal shall be valid and binding upon the Company and any such power so executed and certified by facsimile signatures and facsimile seal shall be valid and binding upon the Company in the future with respect to any bond or undertaking to which it is attached.

In Witness Whereof, the HARTFORD FIRE INSURANCE COMPANY has caused these presents to be signed by its Vice President and its corporate seal to be hereto affixed, duly attested by its Assistant Secretary, this 14th day of May, 1999.

Attest:

HARTFORD FIRE INSURANCE COMPANY

*Paul A. Bergeholtz*



*Robert L. Post*

Paul A. Bergeholtz, Assistant Secretary

Robert L. Post, Assistant Vice President

STATE OF CONNECTICUT }  
COUNTY OF HARTFORD } SS.

On this 14th day of May, A.D. 1999, before me personally came Robert L. Post, to me known, who being by me duly sworn, did depose and say: that he resides in the County of Hartford, State of Connecticut; that he is the Assistant Vice President of the HARTFORD FIRE INSURANCE COMPANY, the corporation described in and which executed the above instrument; that he knows the seal of the said corporation; that the seal affixed to the said instrument is such corporate seal; that it was so affixed by order of the Board of Directors of said corporation and that he signed his name thereto by like order.

STATE OF CONNECTICUT }  
COUNTY OF HARTFORD } SS.



*Jean H. Wozniak*

Jean H. Wozniak  
Notary Public  
My Commission Expires June 30, 2004

CERTIFICATE

I, the undersigned, Assistant Vice President of the HARTFORD FIRE INSURANCE COMPANY, a Connecticut Corporation, DO HEREBY CERTIFY that the foregoing and attached POWER OF ATTORNEY remains in full force and has not been revoked; and furthermore, that the Resolutions of the Board of Directors, set forth in the Power of Attorney, are now in force.

Signed and sealed at the City of Hartford. Dated the 30th day of September 2003



*J. Dennis Lane*

J. Dennis Lane, Assistant Vice President

BOND NO. B32643873

**UTILITY BOND**

KNOW ALL MEN BY THESE PRESENTS, That we, Palo Verde Utilities Company, as Principal, and Gulf Insurance Company, a Connecticut corporation authorized to do business in the State of Arizona, as Surety are held and firmly bound unto the Arizona Corporation Commission in the amount of One Hundred Eighteen Thousand NO/100 Dollars (\$118,000.00), lawful money of the United States of America for the payment of which the Principal and Surety are hereby jointly and severally bound.

NOW THEREFORE, if the said Principal, or any assigns of his fails to provide competitive wastewater treatment services so furnished, the said Surety will pay the same to the users of the Principal with the consent of the Arizona Corporation Commission as Trustee, an amount not exceeding the sum hereinabove specified, then this obligation shall be null and void; otherwise it shall remain in full force and effect.

PROVIDED FURTHER, that regardless of the number of years this bond shall continue in force and the number of premiums which shall be payable or paid, the Surety shall not be liable thereunder for a larger amount, in the aggregate, than the amount of the bond.

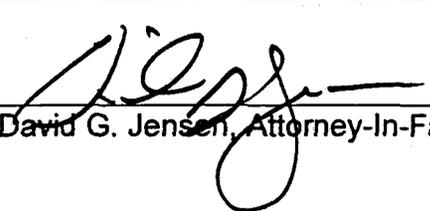
PROVIDED FURTHER, that should the Surety so elect, this bond may be canceled by the Surety as to subsequent liability by giving thirty (30) days notice in writing by certified mail to Obligee.

Signed, dated and sealed this 7<sup>th</sup> day of August 2002.

PALO VERDE UTILITIES COMPANY

By: 

GULF INSURANCE COMPANY

  
David G. Jensen, Attorney-In-Fact

**GULF INSURANCE COMPANY  
HARTFORD, CONNECTICUT  
POWER OF ATTORNEY**

ORIGINALS OF THIS POWER OF ATTORNEY ARE PRINTED ON BLUE SAFETY PAPER WITH TEAL INK.

KNOW ALL MEN BY THESE PRESENTS: That the Gulf Insurance Company, a corporation duly organized under the laws of the State of Connecticut, having its principal office in the city of Irving, Texas, pursuant to the following resolution, adopted by the Finance & Executive Committee of the Board of Directors of the said Company on the 10th day of August, 1993, to wit:

"RESOLVED, that the President, Executive Vice President or any Senior Vice President of the Company shall have authority to make, execute and deliver a Power of Attorney constituting as Attorney-in-Fact, such persons, firms, or corporations as may be selected from time to time; and any such Attorney-in-Fact may be removed and the authority granted him revoked by the President, or any Executive Vice President, or any Senior Vice President, or by the Board of Directors or by the Finance and Executive Committee of the Board of Directors.

RESOLVED, that nothing in this Power of Attorney shall be construed as a grant of authority to the attorney(s)-in-fact to sign, execute, acknowledge, deliver or otherwise issue a policy or policies of insurance on behalf of Gulf Insurance Company.

RESOLVED, that the signature of the President, Executive Vice President or any Senior Vice President, and the Seal of the Company may be affixed to any such Power of Attorney or any certificate relating thereto by facsimile, and any such powers so executed and certified by facsimile signature and facsimile seal shall be valid and binding upon the Company in the future with respect to any bond and documents relating to such bonds to which they are attached."

Gulf Insurance Company does hereby make, constitute and appoint

**DAVID G. JENSEN    MARYANN CARAFELLO    BRANDY L. BAICH  
TERRY CRULL    THOMAS O. WILDER**

its true and lawful attorney(s)-in-fact, with full power and authority hereby conferred in its name, place and stead, to sign, execute, acknowledge and deliver in its behalf, as surety, any and all bonds and undertakings of suretyship, and to bind Gulf Insurance Company thereby as fully and to the same extent as if any bonds, undertakings and documents relating to such bonds and/or undertakings were signed by the duly authorized officer of the Gulf Insurance Company and all the acts of said attorney(s)-in-fact, pursuant to the authority herein given, are hereby ratified and confirmed.

The obligation of the Company shall not exceed five million (5,000,000) dollars.

IN WITNESS WHEREOF, the Gulf Insurance Company has caused these presents to be signed by any officer of the Company and its Corporate Seal to be hereto affixed.

STATE OF NEW YORK    }  
COUNTY OF NEW YORK } SS



**GULF INSURANCE COMPANY**  
*Lawrence P. Minter*  
**Lawrence P. Minter  
Executive Vice President**

On this 1st day of October, A.D. 2001, before me came Lawrence P. Minter, known to me personally who being by me duly sworn, did depose and say: that he resides in the County of Bergen, State of New Jersey; that he is the Executive Vice President of the Gulf Insurance Company, the corporation described in and which executed the above instrument; that he knows the seal of said corporation; that the seal affixed to the said instruments is such corporate seal; that it was so affixed by order of the Board of Directors of said corporation and that he signed his name, thereto by like order.

STATE OF NEW YORK    }  
COUNTY OF NEW YORK } SS



*David Jaffa*  
**David Jaffa**  
Notary Public, State of New York  
No. 02JA4958634  
Qualified in Kings County  
Commission Expires December 30, 2001

I, the undersigned, Senior Vice President of the Gulf Insurance Company, a Connecticut Corporation, DO HEREBY CERTIFY that the foregoing and attached POWER OF ATTORNEY remains in full force.

Signed and Sealed at the City of New York.



Dated the 7th day of August 2002  
*George Biancardi*  
**George Biancardi  
Senior Vice President**

**Additional Utility Bond  
in the amount of  
\$418,000  
for Santa Cruz Water  
Co.**

**(\$82,000 already in place)**

BOND NO. 59BSBAJ9696

**BOND**

KNOW ALL MEN BY THESE PRESENTS, That we, Santa Cruz Water Company, as Principal, and Hartford Fire Insurance Company, a Connecticut corporation authorized to do business in the State of Arizona, as Surety are held and firmly bound unto the Arizona Corporation Commission in the amount of Four Hundred Eighteen Thousand and no/100 (\$418,000), lawful money of the United States of America for the payment of which the Principal and Surety are hereby jointly and severally bound.

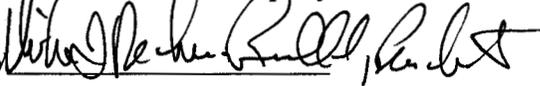
NOW THEREFORE, if the said Principal, or any assigns of his fails to provide competitive water services so furnished, the said surety will pay the same to the users of the Principal with the consent of the Arizona Corporation Commission as Trustee, an amount not exceeding the sum hereinabove specified, then this obligation shall be null and void; otherwise it shall remain in full force and effect.

PROVIDED FURTHER, that regardless of the number of years this bond shall continue in force and the number of premiums which shall be payable or paid, the Surety shall not be liable thereunder for a larger amount, in the aggregate, than the amount of the bond.

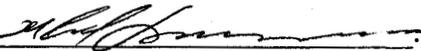
PROVIDED FURTHER, that should the Surety so elect, this bond may be canceled by the Surety as to subsequent liability by giving thirty (30) days notice in writing by certified mail to Obligee.

Signed, dated and sealed this 30<sup>th</sup> day of September, 2003.

Santa Cruz Water Company

By 

Hartford Fire Insurance Company

By   
Michael J. Mesenbrink, Attorney-in-Fact

# HARTFORD FIRE INSURANCE COMPANY

Hartford, Connecticut

## POWER OF ATTORNEY

Know all men by these Presents, That HARTFORD FIRE INSURANCE COMPANY, a corporation duly organized under the laws of the State of Connecticut, and having its principal office in the City of Hartford, County of Hartford, State of Connecticut, does hereby make, constitute and appoint

*Lawrence Velasco, R. David Herrold, Carolyn Sinti,  
Michael J. Mesenbrink, Jeri Lynn Thompson*  
of  
*Phoenix, Arizona*

its true and lawful Attorney(s)-in-Fact, with full power and authority to each of said Attorney(s)-in-Fact, in their separate capacity if more than one is named above, to sign, execute and acknowledge any and all bonds and undertakings and other writings obligatory in the nature thereof on behalf of the Company in its business of guaranteeing the fidelity of persons holding places of public or private trust; guaranteeing the performance of contracts other than insurance policies; guaranteeing the performance of insurance contracts where surety bonds are accepted by states and municipalities, and executing or guaranteeing bonds and undertakings required or permitted in all actions or proceedings or by law allowed, and to bind the HARTFORD FIRE INSURANCE COMPANY thereby as fully and to the same extent as if such bonds and undertakings and other writings obligatory in the nature thereof were signed by an Executive Officer of the HARTFORD FIRE INSURANCE COMPANY and sealed and attested by one other of such Officers, and hereby ratifies and confirms all that its said Attorney(s)-in-Fact may do in pursuance hereof.

This power of attorney is granted by and under authority of the following provisions:

(1) By-Laws adopted by the Stockholders of the HARTFORD FIRE INSURANCE COMPANY at a meeting duly called and held on the 13<sup>th</sup> day of May, 1999.

### ARTICLE IV

SECTION 8. The President or any Vice President or any Assistant Vice President, acting with any Secretary or Assistant Secretary, shall have power and authority to appoint, for purposes only of executing and attesting bonds and undertakings and other writings obligatory in the nature thereof, one or more Resident Vice Presidents, Resident Assistant Secretaries and Attorneys-in-Fact and at any time to remove any such Resident Vice-President, Resident Assistant Secretary, or Attorney-in-Fact, and revoke the power and authority given to him.

SECTION 11. Attorneys-in-Fact shall have power and authority, subject to the terms and limitations of the power of attorney issued to them, to execute and deliver on behalf of the Company and to attach the seal of the Company thereto any and all bonds and undertakings, and other writings obligatory in the nature thereof, and any such instrument executed by any such Attorney-in-Fact shall be as binding upon the Company as if signed by an Executive Officer and sealed and attested by one other of such Officers.

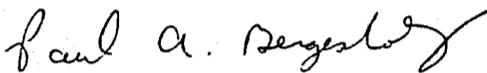
This power of attorney is signed and sealed by facsimile under and by the authority of the following Resolution adopted by the Directors of the HARTFORD FIRE INSURANCE COMPANY at a meeting duly called and held on the 13th day of May, 1999.

Resolved, that the signatures of such Officers and the seal of the Company may be affixed to any such power of attorney or to any certificate relating thereto by facsimile, and any such power of attorney or certificate bearing such facsimile signatures or facsimile seal shall be valid and binding upon the Company and any such power so executed and certified by facsimile signatures and facsimile seal shall be valid and binding upon the Company in the future with respect to any bond or undertaking to which it is attached.

In Witness Whereof, the HARTFORD FIRE INSURANCE COMPANY has caused these presents to be signed by its Vice President and its corporate seal to be hereto affixed, duly attested by its Assistant Secretary, this 14th day of May, 1999.

Attest:

HARTFORD FIRE INSURANCE COMPANY



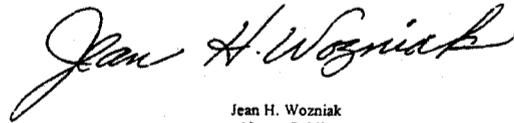
Paul A. Bergholtz, Assistant Secretary

Robert L. Post, Assistant Vice President

STATE OF CONNECTICUT }  
COUNTY OF HARTFORD } SS.

On this 14th day of May, A.D. 1999, before me personally came Robert L. Post, to me known, who being by me duly sworn, did depose and say: that he resides in the County of Hartford, State of Connecticut; that he is the Assistant Vice President of the HARTFORD FIRE INSURANCE COMPANY, the corporation described in and which executed the above instrument; that he knows the seal of the said corporation; that the seal affixed to the said instrument is such corporate seal; that it was so affixed by order of the Board of Directors of said corporation and that he signed his name thereto by like order.

STATE OF CONNECTICUT }  
COUNTY OF HARTFORD } SS.



Jean H. Wozniak  
Notary Public  
My Commission Expires June 30, 2004

CERTIFICATE

I, the undersigned, Assistant Vice President of the HARTFORD FIRE INSURANCE COMPANY, a Connecticut Corporation, DO HEREBY CERTIFY that the foregoing and attached POWER OF ATTORNEY remains in full force and has not been revoked; and furthermore, that the Resolutions of the Board of Directors, set forth in the Power of Attorney, are now in force.

Signed and sealed at the City of Hartford. Dated the 30th day of September 20 03



J. Dennis Lane, Assistant Vice President

BOND NO. B32643874

**UTILITY BOND**

KNOW ALL MEN BY THESE PRESENTS, That we, Santa Cruz Water Company, as Principal, and Gulf Insurance Company, a Connecticut corporation authorized to do business in the State of Arizona, as Surety are held and firmly bound unto the Arizona Corporation Commission in the amount of Eighty-Two Thousand NO/100 Dollars (\$82,000.00), lawful money of the United States of America for the payment of which the Principal and Surety are hereby jointly and severally bound.

NOW THEREFORE, if the said Principal, or any assigns of his fails to provide competitive water services so furnished, the said Surety will pay the same to the users of the Principal with the consent of the Arizona Corporation Commission as Trustee, an amount not exceeding the sum hereinabove specified, then this obligation shall be null and void; otherwise it shall remain in full force and effect.

PROVIDED FURTHER, that regardless of the number of years this bond shall continue in force and the number of premiums which shall be payable or paid, the Surety shall not be liable thereunder for a larger amount, in the aggregate, than the amount of the bond.

PROVIDED FURTHER, that should the Surety so elect, this bond may be canceled by the Surety as to subsequent liability by giving thirty (30) days notice in writing by certified mail to Obligee.

Signed, dated and sealed this 7<sup>th</sup> day of August 2002.

SANTA CRUZ WATER COMPANY

GULF INSURANCE COMPANY

By: Michael J. Beall

David G. Jensen  
David G. Jensen, Attorney-In-Fact

**GULF INSURANCE COMPANY  
HARTFORD, CONNECTICUT  
POWER OF ATTORNEY**

ORIGINALS OF THIS POWER OF ATTORNEY ARE PRINTED ON BLUE SAFETY PAPER WITH TEAL INK.

KNOW ALL MEN BY THESE PRESENTS: That the Gulf Insurance Company, a corporation duly organized under the laws of the State of Connecticut, having its principal office in the city of Irving, Texas, pursuant to the following resolution, adopted by the Finance & Executive Committee of the Board of Directors of the said Company on the 10th day of August, 1993, to wit:

"RESOLVED, that the President, Executive Vice President or any Senior Vice President of the Company shall have authority to make, execute and deliver a Power of Attorney constituting as Attorney-in-Fact, such persons, firms, or corporations as may be selected from time to time; and any such Attorney-in-Fact may be removed and the authority granted him revoked by the President, or any Executive Vice President, or any Senior Vice President, or by the Board of Directors or by the Finance and Executive Committee of the Board of Directors.

RESOLVED, that nothing in this Power of Attorney shall be construed as a grant of authority to the attorney(s)-in-fact to sign, execute, acknowledge, deliver or otherwise issue a policy or policies of insurance on behalf of Gulf Insurance Company.

RESOLVED, that the signature of the President, Executive Vice President or any Senior Vice President, and the Seal of the Company may be affixed to any such Power of Attorney or any certificate relating thereto by facsimile, and any such powers so executed and certified by facsimile signature and facsimile seal shall be valid and binding upon the Company in the future with respect to any bond and documents relating to such bonds to which they are attached."

Gulf Insurance Company does hereby make, constitute and appoint

**DAVID G. JENSEN    MARYANN CARAFELLO    BRANDY L. BAICH  
TERRY CRULL    THOMAS O. WILDER**

its true and lawful attorney(s)-in-fact, with full power and authority hereby conferred in its name, place and stead, to sign, execute, acknowledge and deliver in its behalf, as surety, any and all bonds and undertakings of suretyship, and to bind Gulf Insurance Company thereby as fully and to the same extent as if any bonds, undertakings and documents relating to such bonds and/or undertakings were signed by the duly authorized officer of the Gulf Insurance Company and all the acts of said attorney(s)-in-fact, pursuant to the authority herein given, are hereby ratified and confirmed.

The obligation of the Company shall not exceed five million (5,000,000) dollars.

IN WITNESS WHEREOF, the Gulf Insurance Company has caused these presents to be signed by any officer of the Company and its Corporate Seal to be hereto affixed.

STATE OF NEW YORK    }  
COUNTY OF NEW YORK    } SS



GULF INSURANCE COMPANY

*Lawrence P. Minter*  
**Lawrence P. Minter  
Executive Vice President**

On this 1st day of October, A.D. 2001, before me came Lawrence P. Minter, known to me personally who being by me duly sworn, did depose and say: that he resides in the County of Bergen, State of New Jersey; that he is the Executive Vice President of the Gulf Insurance Company, the corporation described in and which executed the above instrument; that he knows the seal of said corporation; that the seal affixed to the said instruments is such corporate seal; that it was so affixed by order of the Board of Directors of said corporation and that he signed his name, thereto by like order.

STATE OF NEW YORK    }  
COUNTY OF NEW YORK    } SS



*David Jaffa*  
**David Jaffa**  
Notary Public, State of New York  
No. 02JA4958634  
Qualified in Kings County  
Commission Expires December 30, 2001

I, the undersigned, Senior Vice President of the Gulf Insurance Company, a Connecticut Corporation, DO HEREBY CERTIFY that the foregoing and attached POWER OF ATTORNEY remains in full force.

Signed and Sealed at the City of New York.



Dated the 7th day of August 2002

*George Biancardi*  
**George Biancardi  
Senior Vice President**

# **EXHIBIT 5**

**DEPARTMENT OF WATER RESOURCES  
BEFORE THE DIRECTOR**

**IN THE MATTER OF THE APPLICATION OF  
SANTA CRUZ WATER COMPANY  
FOR A DESIGNATION AS HAVING AN ASSURED  
WATER SUPPLY**

**AWS No. 2003-006  
DECISION AND ORDER  
No. 26-400804**

On August 26, 2002, the Department of Water Resources ("Department") received an application from Santa Cruz Water Company (Santa Cruz) requesting that the Department modify Santa Cruz's existing designation of assured water supply pursuant to A.R.S. § 45-576(E) and A.A.C. R12-15-701 *et seq.*

This decision and order replaces the designation order, AWS No. 2000-008, issued by the Director on October 6, 2000.

**A. FINDINGS OF FACT**

After reviewing Santa Cruz's application and relevant information, the Department finds the following:

1. Santa Cruz is a private water company whose operations are regulated by the Arizona Corporation Commission.
2. Santa Cruz has the legal authority, as granted by Opinion and Order of the Arizona Corporation Commission, Decision No. 66394, to deliver water to its customers located within the boundaries of its Certificate of Convenience and Necessity as indicated on maps on file with the Department.
3. Santa Cruz has the right to withdraw and deliver groundwater to its customers pursuant to service area right No. 56-001355.0000.
4. Santa Cruz's current demand for calendar year 2002 was 276.95 acre-feet.
5. Santa Cruz's current and committed demand is 1,597 acre-feet.
6. Santa Cruz's total projected demand for the calendar year 2007 is 5,182 acre-feet.
7. Santa Cruz has demonstrated the physical, continuous and legal availability of

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groundwater in a volume of 9,305 acre-feet per year for a minimum of 100 years which is more than Santa Cruz's projected 2007 demand of 5,182. After one hundred years, the depth-to-water under Santa Cruz's service area is projected to be less than 900 feet below land surface.

- 8. Santa Cruz is currently transitioning from being regulated as a small provider to being regulated as a large provider under the Department's Pinal Active Management Area Third Management Plan as of the date of this designation and order. It is expected that Santa Cruz will be in compliance with the Third Management Plan requirements.
- 9. There are no Water Quality Revolving Fund Sites or sites on the Superfund National Priority List within Santa Cruz's service area.
- 10. The groundwater supply that Santa Cruz intends to provide its customers meets all federal and state water quality standards, based on compliance information provided by the Arizona Department of Environmental Quality.
- 11. Pursuant to A.A.C. R12-15-705(H)(4), Santa Cruz's groundwater allowance is 125 GPCD. Using the projected service area population in 2007 of 30,699 persons, the basic groundwater allowance for Santa Cruz would be 4,298.4 acre-feet per year.
- 12. A portion of the remainder of IGR #58-102952.0001 was extinguished on October 5, 2000, consisting of 450.10 acre-feet per year, and was pledged to Santa Cruz on October 5, 2000 to supplement the groundwater allowance in meeting the consistency with management goal of the Pinal Active Management Area. In addition, three separate portions of IGR #58-102952.0006 were extinguished on June 27, 2003. These extinguishments, numbers 58-102952.0008, 58-102952.0009 and 58-102952.0010, consisting of 207.3, 232.6 and 42 acre-feet per year, respectively, were pledged to Santa Cruz on June 27, 2003 to also supplement the groundwater allowance in meeting the consistency with management goal of the Pinal Active Management Area.
- 13. The total amount of groundwater that Santa Cruz can withdraw consistent with the management goal of the Pinal AMA is 5,230.4 acre-feet per year.
- 14. In accordance with Arizona Corporation Commission Rules and Regulations, Santa Cruz

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finances extension of its distribution system through line extension agreements with owners of new developments. Any owner of a new subdivision served by Santa Cruz must prove financial capability to construct the necessary water infrastructure to the appropriate platting entity and the Arizona Department of Real Estate pursuant to Titles 9, 11, and 32 of Arizona Revised Statutes.

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

1. The annual volume of water which is physically, continuously, and legally available to Santa Cruz is limited by A.A.C. R12-15-703(I) to 5,230.4 acre-feet per year.
2. The annual volume of water which is physically, continuously, and legally available to Santa Cruz for a minimum of 100 years as prescribed in A.A.C. R12-15-703 exceeds the projected demand for the year 2007 of 5,181.9 acre-feet per year.
3. The water supply served by Santa Cruz is expected to meet the water quality requirements specified in A.A.C. R12-15-704.
4. Pursuant to A.A.C. R12-15-705, Santa Cruz's projected use of water up to 5,230.4 acre-feet per year, considering the groundwater allowance and the pledging of extinguishment credits, is consistent with achievement of the management goal of the Pinal Active Management Area.
5. In accordance with A.A.C. R12-15-706, Santa Cruz's proposed use of water is consistent with the Pinal Active Management Area Third Management Plan requirements.
6. Santa Cruz satisfies the financial capability criteria prescribed in A.A.C. R12-15-707.
7. Santa Cruz satisfies all requirements for a designation of an assured water supply.

**Having reviewed the Conclusions of Law, the Department hereby issues this Decision and Order designating Santa Cruz as having an assured water supply, subject to the following conditions:**

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1. The Department reserves the right under A.A.C. R12-15-709 (A) to periodically review and modify the designation as conditions warrant.
2. If the findings of fact or the conclusions of law upon which this designation is based are found to no longer remain valid, the Department reserves the right under A.A.C. R12-15-709 (A) to revoke the designation.
3. The Department's determination that an assured water supply exists for Santa Cruz is based solely on its analysis of the groundwater supplies pledged by Santa Cruz. The analysis does not include any other source of water. If Santa Cruz intends to add another source of water to its designated volume, it must request a review pursuant to A.A.C. R12-15-709(C).
4. It is expected that Santa Cruz will extinguish irrigation grandfathered rights as its service area is developed. If Santa Cruz intends to add these credits to its groundwater account, it must notify the Department's Office of Assured and Adequate Water Supply to add these credits to its groundwater account.
5. Pursuant to A.A.C. R12-15-704, Santa Cruz shall satisfy any state water quality requirements established for its proposed use after the date of this designation.
6. Annually, Santa Cruz shall provide to the Department the following information for the Santa Cruz system in the manner prescribed in A.A.C. R12-15-711:
  - a. The estimated future demand of platted, undeveloped lots which are located in Santa Cruz's service area.
  - b. The projected volume of water demand at build-out of customers with which Santa Cruz has entered into a notice of intent to serve agreement in the calendar year.
  - c. A report regarding Santa Cruz's compliance with water quality requirements.
  - d. The depth-to-static water level of all wells from which Santa Cruz withdrew water during the calendar year.
  - e. Any other information required to determine whether to continue Santa Cruz's designated status, which is requested by the Director of Water Resources.

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IT IS HEREBY ORDERED THAT SANTA CRUZ WATER COMPANY BE DESIGNATED AS  
HAVING AN ASSURED WATER SUPPLY:

DATED this 24 day of October, 2003

  
HERBERT R. GUENTHER  
Director

**EXHIBIT 6**

**List of Members  
in LLCs for  
Pecan Valley  
Investments, LLC  
and  
El Dorado Pecan, LLC**



# El Dorado

Holdings, Inc.

October 7, 2003

Cindy Liles  
Phoenix Capital Partners  
426 N. 44th Street, Suite 200  
Phoenix, Arizona 85008

**Re: Pecan Valley Investments, L.L.C.**

Dear Cindy:

Attached is a list of the members of Pecan Valley Investments, L.L.C.

Sincerely,

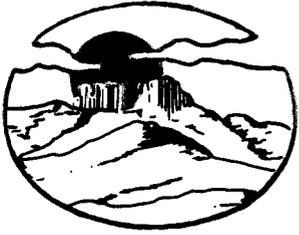
Robyn Broyles  
El Dorado Holdings, Inc.

## **PECAN VALLEY INVESTMENTS, L.L.C.**

### **Member**

ARIZONA-IDAHO LANDS CORP.  
STEVE R. BAILEY, IRA  
BAKER, J. MARK  
CAROLYN BARLOW TRUSTEED ROLLOVER IRA  
BAUMGARNER, GENE  
BURKHALTER, FELICIA  
CHAMBERS, THOMAS  
CAREY, J. CHRISTOPHER  
ARLENE CLINE TRUST AGREEMENT DATED APRIL 2, 2001  
CLINE FAMILY MARITAL TRUST DATED 10/11/99  
RICHARD C. CLINE, JR.  
DUNCAN, J. MICHAEL  
ELM, GLENORA M. TRUST  
EMMERSON ENTERPRISES, INC. RETIREMENT TRST.  
HALEY, BRUCE A. & REBA A. TRUST  
HALEY, VIRGIL E. & THELMA A. TRUST  
HARRIS, RANDY & KATHY  
HOAG LIVING TRUST DTD 7-3-01  
KEITH MICHAEL INGRAM AND SHEILA L. INGRAM REVOCABLE LIVING TRUST DTD 6/21/02  
JONES, BURKE & LADOENA  
KILLEBREW, LARRY  
KINGSTON, DAVID  
KIRKEIDE, KENNETH & GLADYS  
KNAUSS, DALTON TRUST  
L & M INVESTMENTS, INC.  
LEACHMAN, ELIZABETH  
LEACHMAN, CATHERINE  
LEACHMAN, RICHARD & MARCY  
JAMES H. LITTLE TRUST  
MARGARET E. LITTLE TRUST  
LOCKE, GARY & SHARON  
LOVE FAMILY LTD. PARTNERSHIP  
NORMAN AND BARBARA MCCLELLAND FAMILY TRUST DTD 4/17/98  
MAULDIN, GRANT SEP (First Fidelity Bank)  
MAULDIN, HOWARD IRA (First Fidelity Bank)  
MCCORD, JERRY & MARY SUE INTER VIVOS TRUST  
MERCER, RONALD CUSTODIAL IRA (Arvest Trust Co.)  
MULLIGAN, EDWARD  
OSTER, DAVID  
OSTER, MERRILL  
PAISLEY, DOUGLAS  
PAISLEY, LINDA  
PALMEN, RALPH & DARLYS  
PEPKA, A., MD PC PENSION PLAN  
PEPKA, LISA  
PEPKA, LORI  
RICHARDSON, BRAD & LISA  
RICHARDSON, WILLIAMS, JR. TRUST

SOUTHWEST LAND & DEVELOPMENT, L.L.C.  
SWANKY, OLIE  
WRS & ASSOCIATES  
SPARKS COMPANIES, INC. 401K PLAN  
SHELBY, MARVIN C TRUST DATED 9/26/86  
VIDLAK, ANTON & CHERI  
WOLFE, CLYDE AL IRA  
WARE-NEELY, L.L.C.  
EL DORADO HOLDINGS, INC.  
BENNETT LAND COMPANY  
EL DORADO PECAN, L.L.C.  
EI DORADO PARTNERS SEVEN, LLC  
REINBOLD INVESTMENTS, LLC



# El Dorado

Holdings, Inc.

October 7, 2003

Cindy Liles  
Phoenix Capital Partners  
426 N. 44th Street, Suite 200  
Phoenix, Arizona 85008

**Re: El Dorado Pecan, L.L.C.**

Dear Cindy:

Attached is a list of the members of El Dorado Pecan, L.L.C.

Sincerely,

Robyn Broyles  
El Dorado Holdings, Inc.

## **EL DORADO PECAN**

### **Member**

EL DORADO PARTNERS, L.L.C.

RHS PROPERTIES, INC.

REINBOLD INVESTMENTS, LLC