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ARROYO WATER COMPANY

HC 6 BOX 1048 L
PAYSON, ARIZONA 85541

928-474-1766

FAX: 928-474-7812

2008 FEB -1 A 10 51
ARIZONA CORPORATION COMMISSION
DOCKET CONTROL

January 30, 2007

Docket Control
Arizona Corporation Commission
1200 W. Washington St.
Phoenix, Arizona 85007
Phone: 800-222-7000

Re: Arroyo Water Company
W-04286A-04-0774

Dear Arizona Corporation Commission,

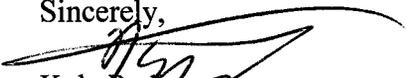
We want to inform the Corporation Commission, our Arroyo Water Company Franchise will expire on February 6, 2008.

This Franchise was awarded contingent upon our receiving our Certificate of Convenience and Necessity.

Please see attached copy of the Franchise, page 5, underlined.

Please feel free to call if there are any questions.

Sincerely,



Kyle Parker

Attachments: Copy of Gila County Board of Supervisors awarded Franchise 2007

Arizona Corporation Commission
DOCKETED
FEB -1 2008

DOCKETED BY
nr

When recorded, deliver to:

Marian Sheppard, Chief Deputy Clerk
Board of Supervisors

RESOLUTION NO. 07-02-01

BEFORE THE BOARD OF SUPERVISORS

GILA COUNTY, STATE OF ARIZONA

In the Matter of:)
Application of ARROYO WATER COMPANY, INC.)
for a water franchise.)
_____)

FRANCHISE

BE IT RESOLVED BY THE BOARD OF SUPERVISORS OF GILA COUNTY, STATE OF ARIZONA, THAT:

WHEREAS, ARROYO WATER COMPANY, INC. ("Franchisee") on January 2, 2007, presented to the Gila County Board of Supervisors an application petitioning that the Board grant it a non-exclusive water franchise for public utility purposes pursuant to A.R.S. §40-283 to enter upon all present and future public highways, roads, streets, alleys, thoroughfares (except state highways and except within the present confines of any incorporated city or town) within the unincorporated area of Gila County known as Punkin Center Village to construct, operate and maintain water system facilities along, over, under and across said public highways, roads, streets, alleys and thoroughfares for the provision of water utility service; and,

WHEREAS, the proposed water service area is legally described as the East half of Section 11, all of Section 12, all of Section 13 and the East half of Section 14 of Township 6 North, Range 10 East, Gila and Salt River Base Meridian; and,

WHEREAS, the above named petitioner is an Arizona public service corporation that will operate its water utility service in Gila County pursuant to a Certificate of Convenience and Necessity granted by the Arizona Corporation Commission; and,

WHEREAS, upon filing of said application, the Board of Supervisors ordered the public notice of the intention of the Board to make such a grant by publication in the *Arizona Silver Belt*, once a week, three times consecutively on January 17, 2007, January 24, 2007, and January 31, 2007, and noticing that on Tuesday, February 6, 2007, the Gila County Board of Supervisors would consider the application at the courthouse at 1400 E. Ash Street in Globe; and,

WHEREAS, the *Arizona Silver Belt* has provided the Gila County Board of Supervisors with an affidavit that the notice had been published at least once a week for three consecutive weeks in the newspaper; and,

WHEREAS, notice was also regularly given pursuant to A.R.S. §38-431; and,

WHEREAS, this matter appeared before the Gila County Board of Supervisors on February 6, 2007, and no one appeared in opposition thereto; and,

WHEREAS, it appears that it will benefit the public safety, health or welfare in the granting of this franchise and that the Franchisee has complied with all necessary laws to enable it to receive such a franchise.

NOW, THEREFORE, IT IS RESOLVED that a franchise be granted to ARROYO WATER COMPANY, INC. for the purpose of entering all present and future

public highways, roads, streets, alleys, thoroughfares (except state highways and except within the present confines of any incorporated city or town) for the period of fifteen (15) years, unless earlier terminated, to construct, operate and maintain water service facilities within the unincorporated areas of Gila County, specifically providing, however, that:

1. All rights hereunder are granted under the express condition that the Board of Supervisors of Gila County shall have the power at any time to impose such restrictions and limitations and to make such regulations on such highways, roads, streets, alleys and thoroughfares as may be deemed best for the public safety, welfare and convenience.

2. All rights hereunder are granted on the express condition that the Franchisee shall bear all expenses, including damage and compensation, for any alteration of the direction, surface grade or alignment of a county road or any other such highway, road, street, alley, or thoroughfare occasioned by the exercise of its franchise rights. If such road improvements are necessary and the Franchisee fails to make such improvements or bear all expenses necessary within 45 days after notification by Gila County, this grant shall be immediately rescinded and without any force or effect. Franchisee shall erect and maintain all necessary safety precautions throughout the period of the improvements.

3. All rights hereby granted shall be exercised so as not to interfere or conflict with any easement or right-of-way heretofore granted by said Board of Supervisors. Before Franchisee enters upon any highway, road, street, alley or thoroughfare that requires a right-of-way permit from the Gila County Public Works

Division pursuant to Ordinance 97-3, Franchisee shall apply for and receive such a permit.

4. All water system facilities constructed, operated and maintained pursuant to this franchise shall be placed, removed or relocated, initially and throughout the term of this franchise, along, in, or, under, over and across the said highways, roads and thoroughfares in such manner and location as the Board of Supervisors or its duly authorized agents may approve. Such placement, removal or relocation shall be done at the sole expense of the Franchisee upon a determination by the Board of Supervisors of Gila County that such facilities interfere unduly with vehicular traffic over any such highway, road, street, alley, or thoroughfare. In all other instances, the costs incurred in relocating such facilities shall be borne by and added to the costs of the public or private improvement causing or resulting in such relocation.

5. Franchisee shall indemnify, defend, and save harmless Gila County from all costs, expenses and liabilities in connection with the grant of this franchise and exercise of the same by Franchisee.

6. The franchise granted herein shall not be deemed exclusive and the Board of Supervisors expressly reserves the right to grant from time to time similar franchises over the same territory, highways, roads, streets, alleys and thoroughfares.

7. The right, privilege and franchise granted herein shall be binding upon and inure to the benefit of Franchisee, its successors and assigns; provided, however, that no transfer or assignment shall be made without prior written notice to the Board of Supervisors.

8. In the event Gila County takes action to dispose of unnecessary public roadways in accordance with the provisions of Arizona Revised Statutes 28-7201, et seq., Gila County shall recognize and preserve each of Grantee's prior rights-of-way, easements, and rights under this Franchise which are affected thereby, as they existed prior to such disposition.

9. This franchise is granted upon the express condition that a Certificate of Convenience and Necessity be acquired from the Arizona Corporation Commission within twelve (12) months of the date of this franchise and all delinquent property taxes are paid to the Gila County Treasurer within 30 days of receiving the Certificate of Convenience and Necessity; and if such Certificate is not acquired within twelve (12) months from this date and the property taxes are not paid within the required time frame, this franchise shall be null and void.

10. A copy of the Certificate of Convenience and Necessity must be submitted to the Clerk of the Board of Supervisors within the twelve (12) month period along with proof of payment of the delinquent property taxes.

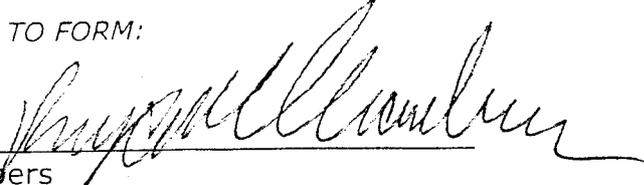
11. This franchise supercedes and revokes any other existing franchise between Gila County and Arroyo Water Company, Inc.

IN WITNESS THEREOF the Board of Supervisors of Gila County, State of Arizona, by its chairman and clerk, have hereunto set their hand and caused its official seal to be affixed this 6th day of February 2007.


Jose M. Sanchez, Chairman
Gila County Board of Supervisors

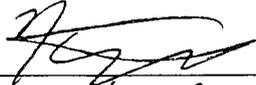

Steven L. Besich, Clerk
Gila County Board of Supervisors

APPROVED AS TO FORM:



Bryan Chambers
Chief Deputy County Attorney

The foregoing terms and conditions are hereby accepted by the Franchisee.

By 

Rylee PARKER

Title owner

Date 2-6-07