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Attorneys for WILHOIT WATER COMPANY, INC.

BEFORE THE ARIZONA CORPORATION COMMISSION

In the Matter of the Application of WILHOIT WATER COMPANY, INC., YAVAPAI MOBILE HOMES ESTATES, FOR APPROVAL OF A PERMANENT RATE INCREASE.	Docket No. W-02065A-07-0311 W-02065A-07-0308 W-02065A-07-0309 **MEMORANDUM RE: *IN REM* PERSONAL PROPERTY TAXES** [Assigned to Marc Stearn, Administrative Law Judge]

Arizona Corporation Commission
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In response to the Court's request for the status arising out of the sale of a water system to the City of Avondale and its relationship to a personal property tax issue, this is the information that counsel for the Applicant has obtained.

Purchase Agreement – Avondale

First, we attach a copy of the Purchase and Sale Agreement entered into under threat of condemnation in 2003 (Exhibit A). The sale closed through an escrow. Second, the City of Avondale has removed the wells and lines that serviced Glenarm Farms users. Those users, based upon information and belief, are now serviced directly by Avondale through separate wells and a separate distribution system. Third, Avondale's view of the

law at the time of purchase was that a waiver would result, because of the purchase by a municipality, based upon a Pinal County reported case. Subsequent legislative action reversed that Division I Opinion. Since then, Avondale has engaged in discussions with the Maricopa County Treasurer. The first Treasurer was Doug Todd. He retired. The newest is Dave Schweiker, who has also recently resigned to run for Congress.

Andrew McGuire, now at the Gust Rosenfeld law firm, is the attorney for the City of Avondale. In a conversation with Andrew McGuire on April 8, 2008, he confirmed that an informal agreement had been made between Avondale and the County Treasurer that has yet to be completed, which would include a waiver of those taxes older than ten years and a payment by Avondale of $50,000 to satisfy all remaining tax obligations.

Dells Staff Report

The Staff Report[1] in the separate Dells Water Company Docket Number W-01384A-07-0314 indicates the staff recommendation that the docket should be closed:

> Staff concludes it would not be in the public interest to pursue or further process the sale of assets and CC&N cancellation for the Glenarm Farms area and recommends that the Commission administratively close Docket Number W-02056A-03-0490 and remove the appropriate area from Wilhoit's service territory as shown on the Commission's CC&N maps.

The subsequent Dells Order did not deal directly with the issue. A portion of the Staff Report is attached as Exhibit B. The Dells Order is attached as Exhibit C.

Because the Glenarm Farms users are now served by the City of Avondale, cancellation of that portion of its Certificate of Convenience and Necessity seems sensible. Because the Applicant, here, does not control the actions of the City of Avondale or the Maricopa County Treasurer, it may be appropriate to put any trailing issue in abeyance until those two parties finalize their tentative agreement. For

[1] The Staff Report indicates that a letter to Douglas Martin was returned as non-deliverable. I have maintained the same address, fax and phone number since February of 2002, so I am not able to reasonably explain why a communication was returned. Responses have been made to all other communication received.

confirmation of the information set forth here, Avondale Attorney Andrew McGuire's telephone number is (602) 257-7664.

RESPECTFULLY SUBMITTED this 10th day of April, 2008.

MARTIN & BELL, L.L.C.

By _____
Douglas G. Martin
365 East Coronado Road, Suite 200
Phoenix, Arizona 85004
Attorneys for Wilhoit Water Company, Inc.

ORIGINAL filed with copies
mailed/delivered this 10th day
of April, 2008 to:

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Rachel Dezayzyk

PURCHASE AND SALE AGREEMENT
BETWEEN THE CITY OF AVONDALE
AND
WILHOIT WATER COMPANY

THIS PURCHASE AND SALE AGREEMENT (this "Agreement") is made and entered into as of _____, 2003 by and between Wilhoit Water Company, an Arizona corporation (the "Seller") and the City of Avondale, an Arizona municipal corporation, (the "Buyer"). Buyer and Seller are collectively referred to herein as the "Parties" or individually as a "Party".

RECITALS

A. Seller is a public service corporation authorized by its charter and state law to engage in the business of the sale of water for domestic and commercial uses.

B. Seller is the owner and holder of certain certificates of convenience and necessity ("CCN") issued by the Arizona Corporation Commission, which authorize Seller to engage as a public service corporation in the sale of water for domestic, commercial and industrial uses over the area described and depicted on Exhibit A, attached hereto and incorporated herein by reference (the "Certificated Area").

C. It is the intent of the Parties that the City acquire all of the physical plant, wells, pumps, tanks, pumping stations, reservoirs, mains (transmission, distribution and service), hydrants, meters, pipelines, distribution equipment and devices, including the real and tangible personal property used for the transmission, production and sale of the water (the "Water System") together with all easements, rights-of-way, certificates of convenience and necessity, franchises, contracts, grandfathered groundwater rights and other similar rights belonging to the Seller within or without the Certificated Area useful or necessary in that business (collectively referred to with the Water System as the "Property") all as set forth on Exhibit B, attached hereto and incorporated herein by reference.

AGREEMENT

NOW, THEREFORE, in consideration of the foregoing and the mutual promises contained herein, and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Buyer and the Seller agree as follows:

1. Conditions to Agreement

1.1 This Agreement shall be enforceable upon the parties hereto only upon the occurrence of all of the following conditions precedent:

a. Acquisition of the Property as evidenced by (i) the recordation of a Special Warranty Deed in the form attached hereto as Exhibit C and incorporated herein by reference (the "Deed") in the office of the Recorder of Maricopa County, Arizona as to all easements for access to any portion of the Water System (the "Easements") and (ii)

a Bill of Sale in the form attached hereto as Exhibit D and incorporated herein by reference as to any personal property owned by the Seller and used in conjunction with the Water System.

b. Submittal by the Seller of a request for approval by the Arizona Corporation Commission (the "Commission") and the Arizona Department of Water Resources ("ADWR"), as applicable, of the transfer of Seller's Property to the Buyer and cancellation of the CCN for the area described in Exhibit A, subject to the provisions of subsection 20.5 below.

2. Sale and Purchase Price

2.1 Subject to the terms and conditions set forth in this Agreement, Seller agrees to sell to the Buyer, as of the "Closing Date," (as defined below) all of the Property hereinafter referred to, and to transfer its interest in the Property to the Buyer as provided in Section 7.0 below and, except as specifically set forth in 12.2 below and subject to the actual knowledge of Wilhoit's officers and shareholders, free and clear and subject to no liens or encumbrances of any nature. Seller hereby assigns to the Buyer, as of said Closing Date, all of Seller's right, title and interest in and to the CCN, grandfathered groundwater rights, service area rights and other, similar rights and privileges which it may own or which it possesses on said Closing Date, pertaining to the Certificated Area. It is the intent of Buyer and Seller that Seller will cause the extinguishment of the aforementioned CCN as required by the condition described in subsection 1.1(b) above. The Buyer will have the express right to use the Property to furnish water to the public or to private users in the Certificated Area, on and after Closing Date, without adverse claim or demand on account thereof by Seller.

3. Purchase Price and Payment. The total price to be paid for the Property (the "Purchase Price") is $350,000.00, payable as follows:

3.1. $24,900.00 as earnest money (the "Earnest Money") in cash, check or certified funds to be deposited with Escrow Agent within three business days following the Date of this Agreement (as defined in subsection 4.2 below).

3.2 $325,100.00 in cash or certified funds to be deposited with Escrow Agent on or before the Closing Date.

Buyer and Seller hereby instruct Escrow Agent to deposit the Earnest Money in an interest-bearing account with a federally-insured financial institution, subject to immediate withdrawal, at the highest interest rate then obtainable. Seller and Buyer shall provide their tax identification numbers to Escrow Agent in conjunction with the opening of such account. All interest earned thereon during Escrow shall be paid to the party entitled to receive the Earnest Money, and if Escrow closes, shall be applied to the Purchase Price. As between Seller and Buyer, Buyer shall bear the risk of loss of the Earnest Money.

4. Open and Close of Escrow.

4.1 Escrow Agent and Instructions. Promptly after execution of this

Agreement by the Parties, an escrow (the "Escrow") shall be opened with Lynne Russell of Stewart Title & Trust of Phoenix, 244 West Osborn Road, Phoenix, AZ 85013 ("Escrow Agent") to facilitate the consummation of the sale of the Property pursuant to this Agreement. This Agreement constitutes escrow instructions to Escrow Agent; however, if required by Escrow Agent, Buyer and the Seller shall execute and deliver to the Escrow Agent printed form escrow instructions consistent with this Agreement. In the event of any conflict between the provisions of the printed form escrow instructions and this Agreement or any deed, instrument or document in connection with the transactions contemplated herein, the provisions of this Agreement or such deed, instrument or document shall control. No provision of the escrow instructions shall excuse any non-performance by either Party. The assignment by Escrow Agent of an escrow number to this transaction and the opening of the Escrow by Escrow Agent shall constitute Escrow Agent's acceptance of the instructions to, and other obligations of, Escrow Agent as set forth in this Agreement.

4.2 Date of this Agreement. Escrow Agent shall notify the parties in writing as to the date on which it received fully executed copies of this Agreement, which date is called the "Date of this Agreement."

4.3 Closing. The exchange of the Property for the consideration set forth in this Agreement and consummation of the transactions contemplated by this Agreement (the "Closing") shall occur at 10:00 a.m. on a date that is 15 days after the Contingency Date (as defined in Section 10 below) at the office of Escrow Agent or at such other time and location as the Parties may agree, which date shall be referred to as the "Closing Date." The Closing Date shall be deemed to be the date on which the parties shall have performed all actions necessary for the closing of the transaction, without regard to the date on which Escrow Agent actually records the deed or other closing documents. Notwithstanding anything contained herein to the contrary, Escrow Agent shall not (i) record the deed or other closing documents before simultaneously delivering to Seller the Purchase Price in a cashier's check or certified funds payable to Seller and (ii) extend the Closing Date beyond 120 days from the Date of this Agreement. Seller and Buyer hereby authorize Escrow Agent to execute and file, at Closing, an affidavit of real property value as required by Arizona law.

4.4 IRC Reports. Escrow Agent, as the party responsible for closing the transactions contemplated hereby within the meaning of Section 6045(e)(2)(A) of the Internal Revenue Code of 1986, as amended (the "Code"), shall file all necessary information reports, returns and statements (collectively the "Reports") regarding the transactions as may be required by the Code, including, but not limited to, the reports required pursuant to Section 6045 of the Code. Escrow Agent further agrees to indemnify and hold Buyer, Seller and their respective attorneys harmless for, from and against any and all claims, costs, liabilities, penalties, or expenses resulting from Escrow Agent's failure to file the Reports that Escrow Agent is hereby required to file.

4.5 Prorations and Escrow Fees. Escrow fees shall be paid equally by the Parties. Special assessments or similar liens for work or improvements existing as of the Date of this Agreement shall be paid by Seller. Special assessments or liens resulting from work performed by or on behalf of the Buyer shall be paid in full by Buyer. Except as otherwise provided in this Agreement, all other closing costs shall be paid one-half by Seller and one-half

by Buyer. Seller shall not, without the prior written consent of Buyer, consent to the imposition of any assessment against the Property if such assessment would be required to be paid, in whole or in part, by Buyer. Either Party which receives notice or becomes aware of any proposed governmental action, including, but not limited to, the formation of an improvement district or other similar district which could result in the imposition of assessments against the Property, shall give timely written notice to the other Party and Seller shall, upon Buyer's written request or Seller may on its own behalf may, promptly object in writing in a form as reasonably requested by the other Party to any such governmental action or the formation of any such improvement district.

5. Condition of Title.

5.1 Title Report. Promptly after opening of Escrow, Escrow Agent shall deliver to Buyer and to Seller a preliminary title report or commitment (including matters revealed by an inspection of the Easements associated with the Property) dated no earlier than the Date of this Agreement leading to the issuance of an ALTA extended coverage owner's policy of title insurance in the amount of $50,000.00 insuring Buyer's interest in the Easements, together with readable copies of all instruments of record referred to therein (the "Title Report").

5.2 Title Review Period. Buyer shall have until 15 days after (i) receipt of the Title Report or (ii) the Date of this Agreement, whichever is later (the "Title Review Period"), within which to object in writing to Seller and Escrow Agent to the legal description or any matters affecting title shown on the Title Report or the Survey, it being agreed that the Purchase Price is based, in part, upon free and clear title and only such other exceptions thereto as may be approved by Buyer, in its sole and absolute discretion. Buyer's failure to timely object to any of the matters affecting title shown on the Title Report within the Title Review Period will constitute Buyer's rejection of title subject to those matters.

5.3 Title Objections. If Buyer objects to any matters affecting title shown on the Title Report, Seller shall have until the Closing Date to use its best efforts to cure any matters objected to by Buyer. If Seller does not, or is unable to, cure those matters objected to by Buyer by the Closing Date, notwithstanding Seller's best efforts, Buyer may, in its sole discretion, elect to (i) waive the matters objected to and close Escrow subject thereto or (ii) cancel this Agreement by notice to Seller and Escrow Agent, whereupon the Escrow and this Agreement shall automatically terminate, the Earnest Money shall be returned to Buyer and neither Party shall thereafter have any further obligations or liability to the other under this Agreement except as herein expressly provided for otherwise.

5.4 Amended Title Report. Buyer shall have until five business days after receipt of an amended Title Report disclosing new matters affecting title to the Easements (and the Closing Date shall automatically be extended for such five-day period, if appropriate) within which to object in writing to Seller and Escrow Agent to any matters affecting title set forth therein; whereupon Buyer shall have the same rights hereunder as described with respect to the objections to the first Title Report described in Section 5.3 above. If Seller does not, or is unable to, cure those matters objected to by Buyer within ten business days after notice of Buyer's objection (and, if necessary, the Closing Date shall be appropriately extended until the expiration of the five-day period hereinabove provided and this ten-day period), then Buyer may, in its sole

and absolute discretion, elect any one of the remedies set forth in Section 5.3 above; provided, however, that, notwithstanding anything in this Agreement to the contrary, Buyer's rights and remedies shall not be limited with respect to any breach of Seller's covenant set forth in the following sentence. Seller covenants that between the Date of this Agreement and the Closing Date it will not intentionally cause any material matter to arise or be imposed upon the Easements affecting title thereto.

5.5 Readable Copies. If Escrow Agent, in providing the Title Report to Buyer, fails to include a readable copy of any instrument of record referred to in the Title Report (the term "readable" to mean sufficiently legible, in Buyer's reasonable judgment, so as to impart reasonable notice of the contents of such instrument), then the Title Review Period shall be extended, upon written notice by Buyer to Escrow Agent and Seller given within five days after receipt of the Title Report or amended Title Report that Buyer has not received readable copies of specified documents, for the number of days which elapse after such notice before Escrow Agent delivers a readable copy of any instrument with respect to which a readable copy was not previously furnished, but such extension of the Title Review Period shall apply only with respect to such specific instrument and the title exception(s) to which it relates.

6. Title Insurance. Buyer's obligation to close Escrow is conditioned upon the commitment of Escrow Agent, or its affiliated title insurer, to issue to Buyer, at or promptly following the Closing, an ALTA extended coverage owner's policy of title insurance insuring title to the Easements in Buyer in the amount of $50,000.00, the policy to be subject only to the usual printed exceptions, conditions and stipulations in the form of policy and matters affecting title shown on the Title Report not objected to by Buyer in accordance with Section 5 above. Buyer shall pay the premium for an extended coverage owner's policy. Seller and Buyer agree to comply with all reasonable requirements imposed by the title insurer as a condition to issuance of the policy (excluding matters affecting title which, by notice given to Escrow Agent and the other Party within ten days after delivery of the Title Report, either Buyer or Seller reasonably determines should more properly be shown in the exceptions to title portion of the Title Report).

7. Conveyancing and Closing Documents.

7.1 By Seller. On the Closing Date, Seller shall deliver to Buyer:

a. The Special Warranty Deed, duly executed, conveying to Buyer title to the Easements, subject only to those matters shown on the Title Report not objected to by Buyer, or waived by Buyer, in accordance with Section 5 above, together with an executed Affidavit of Real Property Value.

b. A sworn affidavit stating under penalty of perjury that Seller is not a "foreign person" as such term is defined in Section 1445(f)(3) of the Code. In the event Seller does not furnish the sworn affidavit, Buyer may withhold (or direct Escrow Agent to withhold) from the funds due to Seller at the Closing, an amount equal to the amount required to be so withheld pursuant to Section 1445(a) of the Code, and such withheld funds shall be deposited with the Internal Revenue Service as required by Section 1445(a) and the regulations promulgated thereunder. The amount withheld, if any, shall nevertheless be deemed to be part of the Purchase Price paid to Seller.

c. If applicable, the original, if available, or a photocopy of the Certificate of Grandfathered Groundwater Rights relating to the Property and any instruments reasonably required to transfer any water rights relating to the Property.

d. The Bill of Sale, duly executed, conveying to Buyer title to the Water System.

e. All other documents necessary to convey to Buyer all of the Seller's right, title and interest in and to all certificates of convenience and necessity, service area rights or other, similar rights and privileges which Seller may possess on the closing date.

7.2 By Escrow Agent. On the Closing Date, Escrow Agent shall:

a. Record/file, as appropriate, the closing instruments hereunder in the following order: (i) the Special Warranty Deed; (ii) the Affidavit of Value; (iii) Certificate of Transfer of Groundwater Rights; and (iv) the reports required under Section 6045(e)(2)(A) of the Code.

b. Deliver to Seller the agreed upon Purchase Price by cashier's check or certified funds payable to Seller,

c. Deliver the title insurance policy, as set forth in Section 6 of this Agreement, to the Buyer.

d. Provide each Party with a complete set of closing documents as they become available to Escrow Agent.

8. Inspection of Documents. Seller shall provide to Buyer, within ten days after the Date of this Agreement, copies of any and all information (the "Inspection Documents") in Seller's possession or to which Seller is entitled regarding the Property, including without limitation, the following:

a. True, correct and complete copies of any engineering, platting or other studies, market studies, architectural drawings, environmental assessments and reports, test and inspection reports, pro formas or other information pertaining to the Property that Seller has in its possession or to which it is entitled to possession.

b. True, correct and complete copies of all licenses, permits, certificates and other documents issued by any governmental or non-governmental entity necessary for the use of the Property for its present uses or otherwise affecting the ownership, use or occupancy of the Property. As to any such licenses, permits or certificates required to be delivered pursuant hereto which are not in Seller's possession or control but to which it is entitled to possession, Seller will use its best efforts to obtain and deliver the same to Buyer.

c. True, correct and complete copies (i) of the billing records showing the name and address of the service and billing address, if different, of all of the Seller's customers located within Seller's Certificated Area and (ii) all books and records applicable to (a) the assets being sold by Seller to the Buyer hereunder, (b) the operation and maintenance of such assets, (c) the accounts of customers and holders of extension or service agreements and (d) all related matters.

Buyer acknowledges that the Inspection Documents are being delivered or made available by Seller for Buyer's review in connection with this Agreement, and Buyer agrees not to discuss, disseminate or otherwise disclose such information prior to the Closing Date to any party not related to the consummation of the transactions as set forth in this Agreement, and then only for purposes and to the extent necessary to consummate this transaction. In the event this Agreement is terminated for any reason except the default of Seller, Buyer shall promptly return the Inspection Documents to Seller. In the event of Seller's failure or refusal to timely deliver any of the documents herein required to be delivered to Buyer, Buyer may, at its election terminate this Agreement on or before the Contingency Date or waive this requirement and proceed with Close of Escrow.

9. Tests

9.1 General Tests. Buyer, its agents and designees shall have the right to enter upon the Easements at all times prior to the Closing Date for the purposes of inspecting the Property and making and obtaining drainage, environmental, soil and engineering tests, and performing other tests, studies or inspections desired by Buyer; provided, however, that such inspection and testing shall not materially interfere with ongoing operations on the Property. Buyer agrees to indemnify, defend and hold harmless Seller for, from and against all claims, liabilities and damages, including attorneys' fees, for personal injury, physical damage to property or mechanics' or materialmen's liens which may be asserted against Seller as a result of Buyer's entry onto the Easements and inspection or testing thereof. Buyer shall, after its entry and testing, restore the Easements to substantially the same condition that existed prior to such entry and testing.

9.2 Environmental Site Assessment. Buyer may, in its sole discretion, cause a Phase I Environmental Site Assessment Report (a "Phase I Report") to be completed for the Property. Buyer may, at its sole option and expense, undertake such further inspection, testing and analysis of the Property to determine the nature and extent of the existence of any of hazardous wastes, hazardous substances, toxic substances or hazardous materials, infectious or medical waste, radioactive waste or sewer sludges (collectively the "Hazardous Substances"), as such terms are defined in the Resource Conservation and Recovery Act, as amended; the Comprehensive Environmental Response, Compensation and Liability Act, as amended; the Toxic Substances Control Act, as amended; the Clean Air Act, as amended; the Clean Water Act, as amended; the Safe Drinking Water Act, as amended; and similar state, county and local laws, ordinances and regulations, if any, present on, at or under the Property. Buyer shall obtain Seller's prior written approval of the time, manner and extent of any such investigation (including any investigation which entails soils or groundwater tests or analyses), which consent shall not unreasonably be withheld or delayed by Seller. Seller shall provide Buyer and Buyer's agents and representatives access to all portions of the Property, at reasonable times and subject

to the rights of any tenants or other occupants of the Property, for the purpose of completing any such investigation of the Property. Seller shall cooperate with Buyer's investigation of the Property so long as the same does not unreasonably interfere with Seller's operations or cause any undue expense to Seller that is not reimbursed by Buyer. Buyer shall indemnify and hold Seller harmless from and against any and all claims arising as a result of any such entry or investigation by Buyer or Buyer's consultant, except with respect to any matter related to Seller's obligation, if this transaction does not close, to clean or remove any Hazardous Substances previously existing on the Property, so long as the same are not aggravated by Buyer's entry or investigation; provided that if Buyer aggravates such Hazardous Substance, Buyer's indemnity to Seller shall be limited to the extent Seller's liability can be conclusively shown to be increased due to such aggravation. Seller shall (i) provide copies of all documentation and materials and (ii) permit Buyer to interview, at reasonable times and in a reasonable manner, any of Seller's employees having personal knowledge or experience with respect to Seller's past or present operations in any current or past environmental activities on the Property, provided the same does not unreasonably interfere with Seller's operations or cause any undue expense to Seller which is not reimbursed by Buyer. Seller may, at its sole option, observe and monitor the investigation undertaken by Buyer, and its consultants, and may, at Seller's expense, obtain split or duplicate samples of any soil, groundwater or other material samples taken by Buyer. Buyer shall provide the Seller, as soon as they are made available to Buyer, copies of all field data, filed reports, laboratory analyses, reports and all other analyses and reports prepared or used in connection with Buyer's investigation of the Property, including the report prepared and provided to Buyer by its consultant. Notwithstanding anything contained in this Agreement to the contrary, in the event the results of Buyer's investigation of the Property are not satisfactory to Buyer, in its sole and absolute discretion, Buyer shall have the right to terminate this Agreement on or before the Contingency Date.

10. Feasibility Condition. Buyer shall have until 45 days after the Date of this Agreement (the "Contingency Date") to satisfy itself, in Buyer's sole and absolute discretion, as to the feasibility (economic and otherwise) of acquiring and using the Property. If, at any time on or before the Contingency Date, Buyer gives written notice to Seller and Escrow Agent that this condition is unsatisfied and Buyer elects to terminate this Agreement, the Earnest Money then paid shall be returned to Buyer, this Agreement and the Escrow shall automatically terminate and neither Party shall have any further liability or obligation under this Agreement except as herein expressly provided for otherwise. If Buyer fails to timely give such notice, then this condition shall be deemed satisfied and Buyer shall be deemed to have elected to not terminate this Agreement. Seller acknowledges that Buyer has informed Seller that Buyer will be incurring expenses and expending time and effort in connection with the condition set forth herein. Seller agrees and acknowledges that the foregoing constitutes additional consideration for this Agreement. Buyer agrees that in the event Buyer terminates this Agreement pursuant to the terms of this Section, Buyer shall promptly return all information and materials delivered previously to Buyer from Seller, together with copies of all written reports acquired by Buyer regarding the Real Property as a result of Buyer's investigation or testing.

11. No Alterations to Property. Except for its normal business operations, Seller shall make no modifications or alterations to the Property between the Date of this Agreement and the Closing Date, without the prior written consent of Buyer. As of the Closing Date, there will be no outstanding contracts made by Seller for any improvements to the Property which have not

been fully paid, and Seller shall cause to be discharged or bonded in accordance with law any mechanics' or materialmen's liens arising from any labor or material furnished prior to the Closing Date.

12. Representations of Seller. Seller represents and warrants to, and covenants with Buyer that, to the best of Seller's actual knowledge:

12.1 Seller owns clear title to the Property, the Property is not subject to any mortgage, lien, financing statement or encumbrance other than as set forth in the Title Report and Seller has full authority to sell the Property pursuant to the terms of this Agreement.

12.2 There are no pending, threatened or contemplated claims or litigation affecting the Property, except for certificates of purchase held by the State of Arizona for outstanding personal property taxes in the amount of $294,527.46. If Seller becomes aware of any of the foregoing after the Date of this Agreement (whether arising before or after the Date of this Agreement), but prior to the Closing Date, Seller shall give prompt written notice thereof to Buyer prior to the Closing Date.

12.3 There is no violation of any laws, ordinances, rules or regulations with respect to the Property, or any proposed condemnation or eminent domain action with respect to the Property, other than that which Buyer may assert. Seller has not received notice from any governmental or other agency of any such violation or condemnation, other than that given by Buyer. If Seller becomes aware of any of the foregoing after the Date of this Agreement (whether arising before or after the Date of this Agreement), but prior to the Closing Date, Seller shall give prompt notice thereof to Buyer prior to the Closing Date.

12.4 No default or breach exists under any covenant, condition, restriction or easement applicable to the Property, and there is no fact or condition which, with notice or the passage of time or both, would constitute such breach or default.

12.5 The persons executing this Agreement on behalf of Seller are duly authorized to do so and thereby bind Seller hereto. Within 20 days of the Date of this Agreement, Seller shall deposit with Escrow Agent all evidence required by Escrow Agent for title insurance purposes of said persons' authority to sign on behalf of and bind Seller to this Agreement and all closing documents.

12.6 There are no special assessments presently pending against the Property nor are there any special assessment actions being contemplated by any governmental authority.

12.7 Other than as disclosed in the Phase I Report identified in subsection 9.2 above, no portion of the Property is being used or has been used at any previous time for the treatment, storage, disposal, or processing of Hazardous Substances. There are no ongoing requirements or orders of any department of environmental resources or similar government agency for environmental cleanup with respect to the Property.

12.8 The Easements do not contain and have never contained any underground storage tanks containing petroleum products or wastes or other Hazardous Substances regulated

by 40 CFR 280 and/or other applicable, federal, state or local laws, rules and regulations and requirements.

12.9 The Easements have never been subject to soil remediation conducted pursuant to ARIZ. REV. STAT. § 49-151, *et seq.*, and written notice pursuant to ARIZ. REV. STAT. § 33-434.01 is not required.

12.10 No third parties have any right to drill or explore for, collect, produce, deliver or transport oil, gas or other minerals in, on, beneath, across or from any portion of the Easements.

12.11 The Easements do not contain any areas which could be characterized as disturbed, undisturbed or man made wetlands pursuant to federal, state or local laws, regulations, rules or procedural manuals or as "waters of the United States" pursuant to the Clean Water Act, as amended, or rules or regulations pursuant thereto, whether such characterization reflects current conditions or historic conditions which have been altered without the necessary permits or approvals, or lie within any floodway or the 100-year floodplain as designated by the U.S. Army Corps of Engineers or any other federal, state or local governmental agency.

12.12 Seller has timely filed with the appropriate governmental agencies a proper application and all required supplemental reports and documentation for all "grandfathered" water rights with respect to the Property.

12.13 The Easements are not subject to any option or other purchase contract or any farming, or other lease, rental agreement or tenancy at sufferance, whether oral or written.

Except to the extent Seller gives Buyer notice as provided below, Seller represents and warrants to, and covenants with, Buyer that the foregoing representations and warranties will be true and correct as of the Closing Date. The foregoing representations and warranties shall not survive the Closing. Seller agrees to take no voluntary and intentional actions or omissions to act which would cause any of its representations, warranties or covenants in this Agreement to become untrue. If, after the Date of this Agreement, Seller becomes aware that any of its representations, warranties or covenants are, or have become, untrue (whether occurring before or after the Date of this Agreement), with or without the voluntary and intentional act or omission to act of Seller, then Seller shall immediately give written notice of such fact to Buyer. Within 20 days after receipt of any such notice from Seller (and, if necessary, the Closing shall be appropriately extended until the expiration of the 20-day period at Buyer's election), Buyer may, in its sole and absolute discretion and without obligation to do so, cancel this Agreement, in which event the Earnest Money shall be returned to Buyer, this Agreement and the Escrow shall automatically terminate and neither Party shall thereafter have any further obligations or liability under this Agreement except as herein expressly provided for otherwise. Notwithstanding the foregoing sentence, in the event (i) any material representation, warranty or covenant was known by Seller to be untrue or misleading when made by Seller or (ii) such material representation, warranty or covenant becomes untrue because of Seller's voluntary and intentional actions or omissions, then Buyer may, in addition, pursue any right or remedy it may have in equity or at law; provided, however, that, if Seller has given the required notice with respect to any representation, warranty or covenant becoming materially untrue and if clause (i) above is not applicable, then Buyer's

right to damages shall be limited to Buyer's direct and actual damages and Buyer hereby waives, and agrees not to assert, any claim for or right to consequential damages. If Buyer does not timely elect to cancel this Agreement as hereinabove provided, then Buyer shall be deemed to have waived the untruth of any of Seller's representations, warranties or covenants, except as provided in clauses (i) and (ii) above.

13. Conditions to Buyer's Obligation to Close. The obligation of Buyer to purchase the Property from Seller is conditioned upon and subject to the satisfaction (unless waived in writing by Buyer in Buyer's sole and absolute discretion) of each of the following conditions on or before the Closing Date:

13.1 The representations and warranties of Seller in this Agreement shall be true and correct in all respects on and as of the Date of this Agreement and on and as of the Closing Date as if made on and as of the Closing Date except as to the untruth of any representation, warranty or covenant which may have been waived in accordance with this Agreement.

13.2 Seller shall have performed and complied with all agreements and conditions contained herein required to be performed or complied with by it prior to or at the Closing Date.

13.3 Seller shall have deposited in Escrow or delivered to Buyer the documents required of Seller pursuant to this Agreement.

13.4 Escrow Agent (or its title insurance affiliate, if appropriate) shall have committed to issue to Buyer at or promptly after the Closing the title insurance policy required under this Agreement.

If any of the conditions described in this Section 13 are not satisfied, Buyer, at its election, (i) may cancel this Agreement by notice to Seller and Escrow Agent, whereupon the Earnest Money shall be returned to Buyer, this Agreement and the Escrow shall automatically terminate and neither party shall thereafter have any further obligations or liability to the other hereunder except as herein expressly provided for otherwise, (ii) if the failure relates to a condition set forth in subsection 13(a) above, may pursue any right or remedy permitted under Section 12 above, (iii) if the failure relates to a condition set forth in subsections 13(b) or (c) above, may treat the failure as a breach of this Agreement by Seller and pursue any right or remedy available at law or in equity, including specific performance or (iv) may waive Seller's compliance with the condition and close Escrow subject thereto.

14. Representations of Buyer. Buyer represents and warrants to, and covenants with Seller that:

14.1 The person executing this Agreement on behalf of Buyer is duly authorized to do so and thereby bind Buyer hereto. Within 20 days of the Date of this Agreement, Buyer shall deposit with Escrow Agent all evidence required by Escrow Agent for title insurance purposes of said person's authority to sign on behalf of and bind Buyer to this Agreement and all closing documents.

14.2 Buyer is a municipal corporation duly organized, validly existing and in good standing under the laws of the State of Arizona, and has full power and authority to enter into and perform this Agreement in accordance with its terms. All proceedings of Buyer to consummate the transaction contemplated by this Agreement and all documents and instruments required to be executed and delivered hereunder by Buyer have been duly and validly authorized, and upon execution and delivery by Buyer will constitute the valid and binding obligations of Buyer in accordance with their terms.

15. Conditions to Seller's Obligation to Close. The obligation of Seller to sell the Property to Buyer pursuant hereto is conditioned upon and subject to the satisfaction (unless waived in writing by Seller) of each of the following conditions on or before the Closing Date:

15.1 The representations and warranties of Buyer in this Agreement shall be true and correct in all material respects on and as of the opening of Escrow and on and as of the Closing Date as if made on and as of the date of the Closing Date.

15.2 Buyer shall have substantially performed fully and complied with all material agreements and conditions herein required to be performed or complied with by it prior to or at the Closing Date.

If any of the conditions described in this Section 15 are not satisfied, Seller, in its sole discretion, may (i) cancel this Agreement by notice to Buyer and Escrow Agent, whereupon this Agreement and the Escrow shall be terminated automatically, the Earnest Money shall be retained by Seller as liquidated damages and neither party shall thereafter have any further obligations or liability to the other hereunder except as herein expressly provided for otherwise or (ii) waive Buyer's compliance with the condition and close Escrow subject thereto.

16. Seller's Remedies. Except as otherwise expressly provided in this Agreement, if Buyer defaults under this Agreement, Seller's sole and exclusive right and remedy shall be to terminate this Agreement. Seller waives all other remedies.

17. Buyer's Remedies. Except as otherwise expressly provided in this Agreement, if Seller defaults under this Agreement, then Buyer shall be entitled to (i) elect by written notice to Seller and Escrow Agent to terminate this Agreement whereupon this Agreement and the Escrow shall automatically terminate, the Earnest Money shall be returned to Buyer and neither party shall thereafter have any further obligation or liability to the other except as herein expressly provided for otherwise, (ii) enforce specific performance of this Agreement or (iii) pursue any other remedy.

18. Cure. If either Party fails to perform as required by this Agreement, such failure shall not be deemed a default until 15 days after the receipt of written notice thereof by the nonperforming Party; if such non-performance is cured within such 15-day period, no default shall be deemed to have occurred.

19. Closing Costs and Prorations.

19.1 Closing Costs. Except as otherwise expressly provided herein, the Buyer shall pay the escrow fee, costs for recording the Affidavits of Value, the Special Warranty Deed and the premium for the ALTA title insurance policy. All other fees, charges or expenses incidental to the sale, transfer and assignment of the Property to the Buyer shall be paid according to the customs of similar real estate transactions in Maricopa County, Arizona, except as otherwise herein expressly provided.

19.2 Property Costs. Utility charges and other normal and recurring costs and expenses attributable to the Property prior to the Closing Date, shall be paid by Seller.

20. Additional Duties of the Buyer and Seller.

20.1 Seller shall be responsible for refunding any water customer meter deposits to customers within 15 days following the Closing Date.

20.2 The Parties have agreed that all meters on the Water System will be read on Closing Date, or within three business days thereafter (the "Final Readings") and that billings for water service rendered up to the respective times of such Final Readings will be prepared and forwarded to its customers by and in the name of Seller. Seller will be entitled to receive and retain all payments made on account of the billings issued as a result of the Final Readings, as well as on account of all billings prior to the Closing Date. The Buyer agrees that if any payment to which Seller is entitled as aforesaid should, for any reason, be received by the Buyer, the amount of such payment will promptly be remitted by the Buyer to Seller. In the event that accounts billed pursuant to Final Readings or billed prior to the Closing Date remain unpaid beyond the Closing Date, the Buyer agrees to invoice such delinquent accounts for the first two billing cycles following the Closing Date and remit any payment received pursuant to such invoices to the Seller. Beyond invoicing said delinquent accounts for the first two billing cycles, the Buyer shall have no further obligation to Seller to collect on such accounts. Other than provided in this Subsection, no accounts payable or other obligations of Seller are to be assumed by the Buyer. Seller hereby agrees to hold harmless and indemnify the Buyer for, from and against any loss which the Buyer may incur as a consequence of Seller's failure or alleged failure to make timely payment of any such accounts payable or other obligations not assumed by the Buyer. Seller hereby represents that on or before the Closing Date it will have paid the real and personal property taxes for all prior years imposed against the Property.

20.3 Seller shall safeguard and maintain all such assets (other than items removed from inventory in the ordinary course of Seller's business) up to the Closing Date in a prudent manner consistent with its established operating practices. The Buyer agrees that after the Closing Date it will operate and maintain the Water System.

20.4 The Buyer does not assume any liability for any claims of any nature arising before the transfer of possession of the Property.

20.5 Seller shall secure an order from the Commission authorizing it to sell and dispose of all of the Property described herein. Seller agrees that it shall, within three business

days from the Date of this Agreement, make application to the Commission of such an order and to make such additional filing of such documentary information as may be considered advisable or as the Commission may request. Seller agrees to diligently prosecute the requisite proceedings before the Commission, and the Buyer agrees to comply with such requests as may reasonably be made by Seller with respect to testimony by one or more duly authorized representatives of the Buyer at the Commission's hearing. If, for any reason, the Commission shall fail to approve said sale and it thereby becomes impossible for this Agreement to be fully effective on the Closing Date, then all references in said Agreement to said date shall be changed to the last day of the month in which the Commission has issued its order approving such transaction, or such other date as the Parties may mutually agree; provided, however, that if the approval is not obtained within six months after the Date of this Agreement, the Buyer shall have the right to terminate this Agreement, whereupon the Earnest Money shall be divided evenly between the Buyer and Seller.

21. Operation of Property until the Closing. After the Date of this Agreement, and prior to the Closing Date and delivery of possession of the Property to Buyer, Seller shall make or cause to be made all repairs and replacements required with respect to any part or portion of the Property to keep it in its present condition and shall continue to maintain and operate the Property in the normal manner to keep the Property in such condition, ordinary wear and tear excepted.

22. Eminent Domain. In the event that, prior to the Closing Date, any of the Property is taken by the power of eminent domain, or in the event notice is given by any governmental authority of, or an action is commenced with respect to, the taking of any part of the Property by the power of eminent domain ("Condemnation"), other than an action initiated by Buyer, Seller shall give immediate written notice thereof to Buyer. Buyer may, in its sole discretion and within 20 days after receipt of such notice from Seller or prior to the Closing Date, whichever period is shorter, elect to terminate this Agreement by written notice of such election to Seller and Escrow Agent. In the event Buyer elects to cancel this Agreement, the Earnest Money shall be returned to Buyer and neither party shall thereafter have any further obligation or liability to the other except as herein expressly provided for otherwise. If Buyer does not elect to so cancel this Agreement, all Condemnation awards relating to the Property and rights thereto for damages relating to the Property are hereby assigned to Buyer and shall be paid to Buyer. Notwithstanding anything contained herein to the contrary, Buyer shall not be entitled to make any claims and receive any proceeds from any Condemnation award or settlement which may be attributable to a claim for severance damages, damage or diminution of value to the remainder of Seller's property as a result of such Condemnation.

23. Purchase of Property Under Threat of Condemnation. The Buyer hereunder is a municipal corporation with the power of eminent domain. The Property is being acquired for the purpose of the City providing municipal water service to its citizens. Notwithstanding Seller's execution of this Agreement, the purchase and sale set forth herein is entered into under threat of condemnation by Buyer. Notwithstanding the foregoing, Seller hereby knowingly and willfully hereby waives, disclaims and renounces any and all relocation payments, appeals or rights in regard to this acquisition under Federal, State or local laws.

24. Risk of Loss. Prior to the Closing Date, the risk of loss resulting from any cause,

including, without limitation, fire or other casualty, to the improvements or any property, real or personal, subject to this Agreement, other than losses resulting from Buyer's activities in connection with this Agreement, shall be that of Seller. Seller shall keep the Property insured against casualty until the Closing under its existing insurance policies or replacement policies with the same coverage existing as of the Date of this Agreement. If, at any time prior to the Closing, the improvements relating to the Property are destroyed or materially damaged, Buyer may elect to (i) terminate this Agreement whereupon the Earnest Money shall be returned to Buyer and neither Party shall thereafter have any further obligation or liability to the other except as herein expressly provided for otherwise or (ii) close Escrow, in which event all insurance proceeds from Seller's insurance are hereby assigned to Buyer and shall be paid to Buyer.

25. Commissions. Each Party warrants and represents to the other that no real estate sales or brokerage commissions or like commissions are or will be due from the other Party in connection with this transaction as a result of the act of the Party so warranting. Further, each Party agrees to indemnify and hold harmless the other Party for, from and against any claims by third Parties made as a result of the act of the Party so representing, for real estate or brokerage commissions in connection with the transactions provided for herein, and all costs and expenses incurred by the indemnitee in connection therewith including, but not limited to, reasonable attorneys' fees. In any event, no commission shall be earned until the transactions contemplated by this Agreement are actually consummated.

26. Indemnity

26.1 Seller shall unconditionally release, indemnify and hold harmless the Buyer with respect to any and all causes of action or obligations of any kind arising out of or related in any way to Seller's uses of and the condition of the Property at any time up to and including the date of closing, whether or not such causes of action or obligations are now known, or presently exist, or arise in the future.

26.2 With respect to any condition on or characteristic of the Property existing at any time up to and including the date of closing, Seller shall indemnify and save harmless the Buyer for any and all claims, actions, causes of action, demands, losses, fines, penalties, obligations, attorneys' fees, litigation expenses and damages of any kind, whether now known, or presently existing, or that may arise in the future, including but not limited to:

a. Any incident that has occurred or may occur on or in connection with the Property.

b. Any liability or obligation relating to the enjoyment, use or ownership of either the Property or any other property.

c. Any liability or obligation in any way connected with the Property or of this Agreement, other than for an alleged breach of the express terms of the Agreement by the Buyer.

d. Any liability or obligation arising out of or related to the performance of this Agreement, other than for an alleged breach of express terms of this

Agreement by the Buyer. This indemnity includes but is not limited to matters, arising out of a nuisance, solid and hazardous waste disposal, the removal and response to releases of Hazardous Substances, workmen's compensation claims, personal injury and property damage claims.

26.3 Nothing in this Agreement shall be construed as a release or waiver of any claims or causes of action the Buyer may now or in the future have against Seller concerning the Seller's use of or conditions on the Property up to and including the date of closing.

26.4 Seller shall, upon written request of Buyer and at Buyer's sole discretion assign to Buyer all claims and causes of action of any kind or description that Seller may have against any person or entity alleged to have caused or contributed to any condition on the Property.

26.5 The benefits of the indemnity and hold harmless provisions of this Section 26 shall include and apply to all employees, agents and elected or appointed officials of the Buyer.

27. No Further Liens. Neither Party shall place, permit or cause to be placed any liens or encumbrances on the title to the Property from the date hereof through the Closing Date. Subject to the provisions of this Agreement, Seller understands and agrees that it is its responsibility to cause any such lien to be released at or prior to close of escrow.

28. Miscellaneous.

28.1 Further Instruments. Each Party, promptly upon the request of the other, shall execute, acknowledge and deliver to the other any and all further instruments as may be necessary or proper to carry out the purpose and intent of this Agreement.

28.2 Assignment. Either Party may assign or transfer its rights, duties and obligations under this Agreement only with the prior written consent of the other Party, which consent may be withheld for any reason or for no reason. Any such transfer or assignment shall be subject to the terms of this Agreement.

28.3 Successors and Assigns. Except as otherwise provided herein, this Agreement and all the terms and provisions hereof shall be binding upon and inure to the benefit of the Parties and their heirs, successors and assigns.

28.4 Entire Agreement. This Agreement contains the entire understanding and agreement between the Parties with respect to the subject matter hereof and supersedes any prior written or oral understandings or agreements between the Parties.

28.5 Modification of Agreement. No modification of this Agreement shall be effective unless in writing, approved by Seller and by Buyer's City Council and signed by the Parties hereto.

28.6 Waiver. The waiver of a breach of any term or condition of this

Agreement may be made only in writing and shall not be deemed to constitute a waiver of subsequent breach of such term or condition, or a waiver of a breach or subsequent breach of any other term or condition.

28.7 Counterparts; facsimile signatures. This Agreement may be executed in any number of counterparts, each of which shall constitute an original, but all of which shall constitute one and the same Agreement. Facsimile signatures shall be deemed original signatures and shall be effective for the execution of this Agreement.

28.8 Terms. Common nouns and pronouns shall be deemed to refer to the masculine, feminine, neuter, singular and plural, as the identity of the person may in the context require.

28.9 Descriptive Headings. The descriptive headings throughout this Agreement are for convenience and reference only, and the words contained therein shall in no way be held to explain, modify, amplify or aid in the interpretation, construction or meaning of the provisions of this Agreement.

28.10 Third Party Beneficiary. None of the terms or provisions of this Agreement shall be deemed or construed to create any third party beneficiary rights to any person who is not a party hereto unless expressly otherwise provided.

28.11 Notice. Any notice or other communication required or permitted to be given under this Agreement shall be in writing and shall be deemed to have been duly given if (i) delivered to the party at the address set forth below, (ii) deposited in the U.S. Mail, registered or certified, return receipt requested, postage prepaid to the address set forth below, (iii) given to a recognized and reputable overnight delivery service, to the address set forth below or (iv) delivered by facsimile transmission to the number set forth below:

If to Seller:	Robert Conlin P.O. Box 870 Clarkdale, AZ 86324 Facsimile: 928-634-8512
With copy to:	MARTIN & BELL, L.L.C. 365 East Coronado Road, Suite 200 Phoenix, AZ 85004 Attn: Douglas G. Martin, Esq. Facsimile: 602-604-0004
If to Buyer:	City of Avondale 525 N. Central Avenue Avondale, AZ 85323 Attn: Todd Hileman, City Manager Facsimile: 623-932-2205

With copy to: JORDEN, BISCHOFF, MCGUIRE & ROSE, P.L.C.
7272 E. Indian School Rd., Suite 205
Scottsdale, Arizona 85251
Attn: Andrew J. McGuire. Esq.
Facsimile: 480-505-3901

If to Escrow Agent: Stewart Title & Trust of Phoenix
Stewart Title Building
244 West Osborn Road
Phoenix, AZ 85013
Attn: Lynne Russell
Facsimile: 602-230-7641

or at such other address, and to the attention of such other person or officer, as any party may designate in writing by notice duly given pursuant to this Section 29.12. Notices shall be deemed received (i) when delivered to the party, (ii) three business days after being placed in the U.S. Mail, registered or certified, properly addressed, with sufficient postage, (iii) the following business day after being given to a recognized overnight delivery service, with the person giving the notice paying all required charges and instructing the delivery service to deliver on the following business day, or (iv) when received by facsimile transmission during the normal business hours of the recipient. If a copy of a notice is also given to a party's counsel or other recipient, the provisions above governing the date on which a notice is deemed to have been received by a party shall mean and refer to the date on which the party, and not its counsel or other recipient to which a copy of the notice may be sent, is deemed to have received the notice.

28.12 Governing Law and Venue. This Agreement and the rights of the parties hereto shall be governed by and construed in accordance with the laws of the State of Arizona. Any action at law or judicial proceeding instituted by any party relating to this Agreement shall be instituted in the state or federal courts of the State of Arizona.

28.13 Attorneys' Fees. In the event of any controversy, claim or dispute between the parties arising out of or relating to this Agreement or the breach thereof, the prevailing party shall be entitled, in addition to such other relief as may be granted, to recover its costs and expenses, including without limitation, reasonable attorneys' fees, expert witness fees and investigators' fees, which shall be determined by the court if the matter is litigated or otherwise in a separate action brought for that purpose.

28.14 Time of the Essence. All dates and times for performance set forth in this Agreement are of the essence.

28.15 Severability. If any provision or provisions of this Agreement, or the application thereof to any person or circumstance be determined to be invalid or unenforceable to any extent, the remainder of this Agreement, or the application of such provision to persons or circumstances other than those as to which it is so determined invalid or unenforceable, shall not be affected thereby, and each provision hereof shall be valid and shall be enforced to the fullest extent permitted by law.

28.16 Time Periods. If the time for the performance of any obligation under this Agreement expires on a Saturday, Sunday or legal holiday, the time for performance shall be extended to the next succeeding day which is not a Saturday, Sunday or legal holiday.

28.17 Acceptance. If Seller has not accepted the offer of Buyer as herein set forth on or before 4:00 p.m., Arizona time, June 30, 2003, then this offer shall be deemed revoked. Seller's acceptance shall occur when a fully executed copy of this Agreement is received by Escrow Agent.

28.18 Cancellation. This Agreement may be canceled by the Buyer pursuant to ARIZ. REV. STAT. § 38-511.

IN WITNESS WHEREOF, the parties hereto have executed this instrument as of the date and year first written above.

"Seller"

WILHOIT WATER COMPANY, an Arizona public service corporation

Robert Conlin, President

"Buyer"

CITY OF AVONDALE, an Arizona municipal corporation

By: Ronald J. Drake

Ronald J. Drake, Mayor

"Escrow Agent"

Stewart Title & Trust of Phoenix, Inc., an Arizona corporation

By: _____

Name: Lynne Russell

Title: Escrow Officer

ATTEST:

Linda M. Farris, City Clerk

2048.056.03\Wilhoit Water Co.v7.doc
6-26-03-1

cc: client

(ACKNOWLEDGEMENTS)

STATE OF ARIZONA)
) ss.
COUNTY OF MARICOPA)

This instrument was acknowledged before me on July 01, 2003, by Ronald J. Drake, the Mayor of the City of Avondale, an Arizona municipal corporation, on behalf of the City of Avondale.

Notary Public in and for the State of Arizona

My Commission Expires:
June 4, 2006

STATE OF ARIZONA)
) ss.
COUNTY OF ~~MARICOPA~~ Yavapai)

This instrument was acknowledged before me on 6/27/03, 2003, by Robert Conlin, the President of Wilhoit Water Company, an Arizona public service corporation, on behalf of the company.

Notary Public in and for the State of Arizona

My Commission Expires:
10/19/04

OFFICIAL SEAL
CHERYL KEATING
Notary Public - State of Arizona
YAVAPAI COUNTY
My Commission Expires Oct. 19, 2004

2048.056.03\Wilhoit Water Co.v7.doc
6-26-03-1

Exhibit A

[Certificated Area]

EXHIBIT "A"

LEGAL DESCRIPTION

ORDER NO. 03111032

A 12 FOOT EASEMENT FOR THE MAINTENANCE OF WATER SUPPLY SYSTEM AND WATER SUPPLY LINE AS LOCATED ON LOT 2 OF GLENARM FARMS, A SUBDIVISION OF THE EAST ONE-HALF OF THE SOUTHWEST ONE-QUARTER OF SECTION TWENTY-NINE (29), TOWNSHIP TWO (2) NORTH, RANGE ONE (1) EAST OF THE GILA AND SALT RIVER BASE AND MERIDIAN, AS RECORDED IN BOOK 125, PAGE 35, RECORDS OF MARICOPA COUNTY, ARIZONA, BEING 6.0 FEET ON EACH SIDE OF THE FOLLOWING DESCRIBED CENTERLINE;

BEGINNING 32.0 FEET NORTHERLY OF THE SOUTHWEST CORNER OF SAID LOT 2;

THENCE NORTH 89 DEGREES 52 MINUTES EAST 32.0 FEET NORTHERLY OF AND PARALLEL TO THE SOUTH LINE OF SAID LOT 2, A DISTANCE OF 220.0 FEET.

Exhibit B

[Property]

WILHOIT WATER PERSONAL PROPERTY
Servicing Glenarm Farms for sale to the City of Avondale

40,000 gal Storage Tank
5,000 Gal Hydro Pneumatic Tank
Electric Panel North
Electric Panel South
Tank to Pump Control Wire
Booster Pump
Well Pump 7.5 hp South
Well Pump 7.5 hp North
Submersible Cable 200' #8 Cable south
Submersible Cable 315' #8 Cable north
4" Badger Flow Meter
Well Seal
Chlorinator
4" ACP
6" ACP
6" Valve, Box and Cover
6" 90 degree bends
6" 22.5 degree bends
6" Tees
6" Plugs
6" Cross
6" x 4" Reducer
Services 3/4" PVC
3/4" Meters
South Well 350' deep
North Well 375' deep
Tank Site Piping
Compressor

EXHIBIT B

Exhibit C

City Clerk
City of Avondale
525 N. Central Avenue
Avondale, AZ 85323

SPECIAL WARRANTY DEED

GRANTOR: Wilhoit Water Company, an Arizona public service corporation
GRANTEE: City of Avondale, an Arizona municipal corporation

FOR THE CONSIDERATION OF Ten Dollars ($10.00) and other valuable consideration, Grantor hereby conveys to Grantee the following interest in real property situated in Maricopa County, Arizona, together with all rights and privileges appurtenant thereto (the "Property"):

See Schedule "SWD-1" attached hereto and incorporated herein by reference.

SUBJECT TO all taxes and other assessments, reservations, patents, easements, covenants, conditions, restrictions, reservations, rights, rights-of-way, obligations and liabilities that may appear of record, rights or claims of parties in possession and easements or claims of easements not shown by the public records; encroachments, roadways, overlaps, conflicts in boundary line, shortages in area and other matters which would be disclosed by a survey or inspection of the Property; unpatented mining claims; and all Federal, State, County, City and local laws, ordinances, regulations, zoning codes and the like as the same now exist and as may hereafter be established or amended.

Grantor hereby binds itself and its successors to warrant and defend the title as against all acts of Grantor herein and none other, subject to the matters above set forth.

DATED: _____, 2003.

"Grantor"

WILHOIT WATER COMPANY, an Arizona public service corporation

_____
Robert Conlin, President

ACCEPTED BY:

"Grantee"

CITY OF AVONDALE, an Arizona municipal corporation

By:_____
Ronald J. Drake, Mayor

ATTEST:

_____
Linda M. Farris, City Clerk

2048.056.03\Wilhoit Water Co.v7.doc
6-26-03-1

(ACKNOWLEDGEMENTS)

STATE OF ARIZONA)
) ss.
COUNTY OF MARICOPA)

This instrument was acknowledged before me on _____, 2003, by Ronald J. Drake, the Mayor of the City of Avondale, an Arizona municipal corporation, on behalf of the City of Avondale.

_____
Notary Public in and for the State of Arizona

My Commission Expires:

_____

STATE OF ARIZONA)
) ss.
COUNTY OF MARICOPA)

This instrument was acknowledged before me on _____, 2003, by Robert Conlin, the President of Wilhoit Water Company, an Arizona public service corporation, on behalf of the company.

_____
Notary Public in and for the State of Arizona

My Commission Expires:

_____

Schedule SWD-1

[Easements Legal Description]

EXHIBIT "A"

LEGAL DESCRIPTION

ORDER NO. 03111032

A 12 FOOT EASEMENT FOR THE MAINTENANCE OF WATER SUPPLY SYSTEM AND WATER SUPPLY LINE AS LOCATED ON LOT 2 OF GLENARM FARMS, A SUBDIVISION OF THE EAST ONE-HALF OF THE SOUTHWEST ONE-QUARTER OF SECTION TWENTY-NINE (29), TOWNSHIP TWO (2) NORTH, RANGE ONE (1) EAST OF THE GILA AND SALT RIVER BASE AND MERIDIAN, AS RECORDED IN BOOK 125, PAGE 35, RECORDS OF MARICOPA COUNTY, ARIZONA, BEING 6.0 FEET ON EACH SIDE OF THE FOLLOWING DESCRIBED CENTERLINE;

BEGINNING 32.0 FEET NORTHERLY OF THE SOUTHWEST CORNER OF SAID LOT 2;

THENCE NORTH 89 DEGREES 52 MINUTES EAST 32.0 FEET NORTHERLY OF AND PARALLEL TO THE SOUTH LINE OF SAID LOT 2, A DISTANCE OF 220.0 FEET.

Exhibit D

BILL OF SALE

For good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, Wilhoit Water Company, an Arizona corporation ("Wilhoit"), does hereby sell, assign and transfer to the City of Avondale, an Arizona municipal corporation (the "City"), all of Wilhoit's right, title and interest in and to all of the described property more particularly set forth on Schedule BOS-1, attached hereto and incorporated herein by reference, and any assignable licenses, permits, warranties and guarantees that relate thereto (collectively, the "Personal Property"), on the terms set forth in that certain Purchase and Sale Agreement between the parties dated _____, 2003 (the "Agreement").

Wilhoit hereby represents and warrants to the City (i) that Wilhoit has title to the Personal Property and (ii) that, subject to the language in subsection 12.2 of the Agreement, to the actual knowledge of any of Wilhoit's officers or shareholders, there are no contracts, options, leases, rights, liens, encumbrances, or any other agreements, or pending or threatened litigation, claims or assessments of any third parties, affecting the use or title to the Personal Property.

Dated _____, 2003.

"City"

CITY OF AVONDALE, an Arizona municipal corporation

By:_____
Ronald J. Drake, Mayor

ATTEST:

_____
Linda M. Farris, City Clerk

"Wilhoit"

WILHOIT WATER COMPANY, an Arizona public service corporation

By:_____
Robert Conlin, President

Schedule BOS-1

[Personal Property Detail]

WILHOIT WATER PERSONAL PROPERTY
Servicing Glenarm Farms for sale to the City of Avondale

40,000 gal Storage Tank
5,000 Gal Hydro Pneumatic Tank
Electric Panel North
Electric Panel South
Tank to Pump Control Wire
Booster Pump
Well Pump 7.5 hp South
Well Pump 7.5 hp North
Submersible Cable 200' #8 Cable south
Submersible Cable 315' #8 Cable north
4" Badger Flow Meter
Well Seal
Chlorinator
4" ACP
6" ACP
6" Valve, Box and Cover
6" 90 degree bends
6" 22.5 degree bends
6" Tees
6" Plugs
6" Cross
6" x 4" Reducer
Services 3/4" PVC
3/4" Meters
South Well 350' deep
North Well 375' deep
Tank Site Piping
Compressor

EXHIBIT B

Compliance

Staff's review of the Decision No. 58102 and related Staff memorandums revealed several areas of non-compliance with previous Commission Orders. A discussion of each non-compliance issue is presented below:

Sale of Assets and Cancellation of a Portion of the Wilhoit Certificate of Convenience and Necessity ("CC&N") Docket No. W-02056A-03-0490

On July 16, 2003, in Docket No. W-02056A-03-0490, Wilhoit filed an application for approval of the sale of that portion of its assets used to serve the Glenarm Farms water system to the City of Avondale and to cancel that portion of its CC&N. The assets requested to be transferred were encumbered by Maricopa County tax liens at the time totaling approximately $215,000.

The application indicated that the sale was being entered into under threat of condemnation. A Staff Report filed October 6, 2003, recommended approval of the sale and that the Commission order Wilhoit to file evidence that the State of Arizona would be paid amounts to satisfy the outstanding personal property tax obligation before the close of escrow.

The City of Avondale argued that the delinquent tax would be extinguished upon the sale to the City of Avondale in its capacity as a subdivision of the state. Staff's closing brief, however, indicated that cities are required to pay delinquent property taxes attached to the property they acquire. At the time of the hearing on the matter, the City of Avondale was on record as already providing service to the customers in the Glenarm Farms area.

Following a hearing, a Proposed Order was issued on January 7, 2004 which recommended approval of the sale and cancellation of a portion of the CC&N subject to several conditions, one of which was the filing of evidence that the outstanding tax liens were satisfied before the close of escrow or 30 days from the Decision, whichever occurred first.

According to the Commission's records, Wilhoit requested that consideration of the Proposed Order be pulled from the Open Meeting agenda and it was. Wilhoit never subsequently requested that it be placed back on the agenda. On June 7, 2004, the Commission's Legal Division sent a letter to Mr. Douglas Martin who represented Wilhoit Water Company, requesting that the Company have the case placed on an Open Meeting agenda before December 31, 2004. There was no docketed response to the letter.

The sale and deletion docket remains open and Wilhoit is still the company of record for this area on the Commission's maps and records. To facilitate the processing of the case, Staff sent a letter to the parties of record on September 13, 2006, requesting the following information:

1. Has the transaction been consummated? If so, on what date?
2. Please provide a copy of the executed sales agreement.

3. What are the parties intentions regarding the Proposed Order and the Commission's review and vote on this matter?
4. What is the status of the property tax delinquencies of Wilhoit Water Company relative to the area transferred to Avondale?

Staff did not receive any responses from any party and the letter to Wilhoit's attorney was returned as non-deliverable.

On June 21, 2007, in the course of the current rate cases, Staff sent Wilhoit a data request which included the four questions listed above. Wilhoit responded to that data request producing the sales agreement with the City of Avondale dated July 3, 2003. Wilhoit also represented that the sale was consummated on September 10, 2004, and that the attorney for the City of Avondale has been unable to resolve the tax issue.

The transfer case is now over four years old. Wilhoit's wells and pipe in the transfer area have been abandoned and are not included in the current rate requests. The City of Avondale is now directly serving the customers in the transfer area. Staff concludes that it would not be in the public interest to pursue or further process the sale of assets and CC&N cancellation for the Glenarm Farms area and recommends that the Commission administratively close Docket No. W-02056A-03-0490 and remove the appropriate area from Wilhoit's service territory as shown on the Commission's CC&N maps.

Prior Rate Case Docket No. W-02065A-90-005

In Decision No. 57237, dated February 14, 1991, the Commission expressed concern over probable cross-subsidization among Wilhoit's water systems. Accordingly, Wilhoit was ordered to maintain separate records of revenues, expenses, and rate bases for each of its systems. In the following rate case (Docket No. W-02065A-92-0120), Wilhoit was in compliance with this recordkeeping provision of the Order. However, the Company is no longer in compliance, and it could not support separate expenses and rate bases for each of its systems in the current rate case. Wilhoit is out of compliance with the National Association of Regulatory Utility Commissioners ("NARUC") Uniform System of Accounts ("USOA").

Prior Rate Case Docket No. W-02065A-92-0120

Staff's review of a notice of legal action dated September 14, 1993, as filed by the Legal Division of the Commission revealed that there are several compliance items unresolved that arose from Decision No. 58102 dated December 9, 1992. Wilhoit was required to do the following:

a. Wilhoit Water Company, Inc. shall file copies with the Director of the Utilities Division of "paid-in-full" tax statements for current property tax payments within 90 days of the tax statement due date (Due 2/1/93).

ORIGINAL

0000080075

70102

BEFORE THE ARIZONA CORPORATION

Arizona Corporation Commission
DOCKETED

DEC 21 2007

DOCKETED BY

COMMISSIONERS

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

IN THE MATTER OF THE APPLICATION OF THE DELLS WATER COMPANY, INC. FOR A PERMANENT RATE INCREASE.

DOCKET NO. W-01384A-07-0314

DECISION NO. 70102

ORDER

Open Meeting
December 18 and 19, 2007
Phoenix, Arizona

BY THE COMMISSION:

On May 21, 2007, the Dells Water Company, Inc. ("Applicant" or "Company") filed with the Arizona Corporation Commission ("Commission") an application for a permanent rate increase.

On June 19, 2007, the Company filed certification that it had mailed notice of its application for a permanent rate increase to its customers by first class U.S. mail. In response thereto, the Commission did not receive any protests.

On June 20, 2007, the Commission's Utilities Division ("Staff") issued a Notice of Insufficiency with respect to the Company's application pursuant to A.A.C. R14-2-103.

On September 10, 2007, Staff issued a Notice of Sufficiency on the Company's rate application and classified the Applicant as a Class E utility.

On November 9, 2007, Staff filed its Staff Report recommending that Staff's proposed rates and charges be approved. No comments or objections were filed by the Company to Staff's recommendations.

* * * * * * * * * * * * * * * * * * * *

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

FINDINGS OF FACT

1. Pursuant to authority granted by the Commission, Applicant is an Arizona Corporation engaged in the business of providing water service in Yavapai County outside of Prescott, Arizona.[1]

2. Applicant's present rates and charges were approved in Decision 56856 (April 4, 1990).

3. On May 21, 2007, Applicant filed an application for a permanent rate increase.

4. On June 18, 2007, Applicant mailed notice of its application to its customers by first class U.S. mail and, in response thereto, no objections or comments have been received by the Commission opposing the Company's application.[2]

5. On September 10, 2007, Staff filed notice that the Company's rate application had met the Commission's sufficiency requirements pursuant to A.A.C. R14-2-103.

6. During the test year ended December 31, 2006 ("TY"), Applicant served 68 metered customers who were all served by 5/8 x 3/4-inch meters.

7. Average and median water usage by residential users during the TY were 4,886 and 3,419 gallons per month, respectively.

8. Staff conducted an investigation of Applicant's proposed rates and charges for water service and filed its Staff Report on the Company's rate application request on November 9, 2007, recommending that Staff's proposed rates and charges be approved. Staff is also recommending that the Company's service line and meter installation charges be modified and its other service charges be increased consistent with Staff's recommendations.

9. The water rates and charges for Applicant at present, as proposed in the application, and as recommended by Staff are as follows:

. . .

[1] According to Commission corporation records, the Company is owned by the Estate of Robert D. Conlin ("Estate") and David A. Conlin, Jr. and is managed by the Glenarm Land Company, Inc. ("Glenarm") which the Estate and Mr. Conlin also own. They also own the Wilhoit Water Company ("Wilhoit") that owns three other public water systems, which provide water in the following areas: Thunderbird Meadows in the vicinity of Wilhoit; Yavapai Mobile Home Estates in the vicinity of Chino Valley; and Blue Hills No. 3 in the vicinity of Dewey, Arizona.

[2] The Company's notice of its proposed rate increase to its customers advised them that the rates adopted by the Commission could be either higher or lower than those proposed by the Company.

	Present Rates	- Proposed Rates - Company	Staff
Monthly Usage Charge:			
5/8" x 3/4" Meter	$ 6.00	$ 8.00	$ 11.00
3/4" Meter	9.00	18.00	16.50
1" Meter	15.00	30.00	27.50
1½" Meter	30.00	60.00	55.00
2" Meter (Turbo)	48.00	96.00	88.00
3" Meter (Turbo)	N/A	180.00	176.00
4" Meter (Turbo)	N/A	300.00	275.00
6" Meter (Turbo)	N/A	600.00	550.00
Gallons Included in Minimum	2,000	0	0
Residential Customers:			
Gallonage Charge (per 1,000 Gallons)	$ 1.20	$ 1.78	N/A
0 to 3,000 Gallons			$ 1.37
3,001 to 10,000 Gallons			2.06
over 10,000 Gallons			2.47
Commercial Customers:			
Gallonage Charge (per 1,000 Gallons)			
0 to 34,000 Gallons	N/A	N/A	$ 2.06
over 34,000 Gallons	N/A	N/A	2.47
Service Line and Meter Installation Charges:			
(Refundable pursuant A.A.C. R14-2-105)			
5/8" x 3/4" Meter	$ 265.00	$ 520.00	$ 520.00
3/4" Meter	295.00	600.00	600.00
1" Meter	345.00	690.00	690.00
1½" Meter	520.00	935.00	935.00
2" Meter (Turbo)	725.00	1,595.00	1,595.00
3" Meter (Turbo)	N/A	2,275.00	2,275.00
4" Meter (Turbo)	N/A	3,520.00	3,520.00
6" Meter (Turbo)	N/A	6,275.00	6,275.00
Service Charges:			
Establishment	$ 20.00	$ 100.00	$ 30.00
Establishment (After Hours)	N/A	N/A	N/A
Reconnection (Delinquent)	60.00	100.00	60.00
Meter Test (If Correct)	50.00	150.00	50.00
Deposit	*	*	*
Deposit Interest	*	*	*
Re-Establishment (within 12 Months)	**	**	**
NSF check	15.00	35.00	30.00
Deferred Payment (Per Month)	6%	6%	1.5%
Meter Re-Read (If Correct)	15.00	35.00	15.00
Late Fee	N/A	N/A	***
Monthly Service Charge for Fire Sprinklers:			
4" or smaller	N/A	N/A	****
6"	N/A	N/A	****
8"	N/A	N/A	****
10"	N/A	N/A	****
Larger than 10"	N/A	N/A	****

* Per Commission rule A.A.C. R14-2-403(B).

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

*** 1.5% of monthly unpaid balance.

**** 1.00% of Monthly Minimum for a comparable sized meter connection, but no less than $5.00 per month. The service charge for fire sprinklers is only applicable for service lines separate and distinct from the primary water service line.

10. Pursuant to the Staff Report, Applicant's fair value rate base ("FVRB") is $5,904 which is the same as its original cost rate base. The Company's FVRB reflects a positive adjustment by Staff of $40,321which increases the Company's negative $34,417 rate base to Staff's recommended FVRB, due in large part to $23,551 in plant adjustments as reflected in Decision No. 56856 (April 4, 1990).

11. Staff increased Applicant's TY operating expenses by $9,822 primarily due to an increase in salaries and wage expense ($8,031). Other increases and decreases or reallocations were essentially offsetting except repairs and maintenance expense which was increased by $2,916 by Staff.[3]

12. Applicant's present water rates and charges produced adjusted operating revenues of $13,970 and adjusted operating expenses of $23,315 resulting in an operating loss of $9,345.

13. The water rates and charges Applicant proposed would produce operating revenues of $21,141 and adjusted operating expenses of $23,322 resulting in an operating loss of $2,181 and no return on its FVRB.

14. The water rates and charges proposed by Staff would produce adjusted operating revenues of $27,496 and adjusted operating expenses of $23,322 resulting in net operating income of $4,174 or a 70.71 percent rate of return on FVRB. Staff notes that this is not a meaningful figure due to the small rate base of the Company, but it equates to a 15.18 percent operating margin to enable Applicant to meet its obligations.

15. Applicant's proposed rate schedule would increase the average monthly customer

[3] Staff notes that in determining the Company's adjusted operating expenses it developed an alternate allocation factor to allocate expenses for Applicant because neither Glenarm nor Wilnoit maintained records to separately identify expenses for its individual water systems. Ultimately, Staff determined that the Company's allocation percentage in this proceeding should be 18.16 percent versus its allocation of zero percent due to the Company's cross-subsidization by the Wilhoit systems.

water bill by 76.5 percent, from $9.46 to $16.70, and the median monthly customer water bill by 83.0 percent, from $7.70 to $14.09.

16. Staff's recommended rates would increase the average monthly customer water bill by 100.7 percent, from $9.46 to $18.99 and the median monthly customer water bill by 107.4 percent from $7.70 to $15.97.

17. According to the Staff Report the Company is out of compliance with the National Association of Regulatory Utility Commissioners ("NARUC") Uniform system of Accounts ("USOA").[4]

18. The Staff Report indicates that Applicant has an approved Curtailment Tariff on file with the Commission.

19. In the Engineering Report attached to the Staff Report, the Engineer indicates that there is an existing storage capacity problem for the Company and proposes that the Company select one of the following choices to remedy the problem: install an additional 20,000 gallon storage tank at a cost of $59,800; deepen and reconnect one of its capped wells at an estimated cost of $37,950; or interconnect to the City of Prescott's water system at an estimated cost of $24,380.

20. According to the Staff Report, the Company's existing 5,000 gallon storage tank has only enough capacity to serve approximately 36 customers based on water use data provided by the Company for 2006.

21. The Engineering Report further indicates that the Company's wells produce water which is below the maximum contaminant level of the new arsenic standard and water which meets the requirements of the Safe Drinking Water Act.

22. The Staff Report indicates that Applicant is in compliance with its Commission compliance action filings and has no outstanding complaints against it. Staff does not indicate whether the Company is current on the payment of its sales taxes. However, Staff does indicate that the Company owes back taxes to the Yavapai County of at least $6,316.[5]

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[4] According to the Staff Report, Wilhoit, a related company, operates three other separate systems and it is out of compliance with NARUC's USOA.

[5] Staff goes into greater detail on Wilhoit's noncompliance problems with the Commission and Wilhoit's nonpayment of back taxes to Yavapai County totaling $73,928. However, Applicant is operated as a separate corporate entity by the Estate and Mr. Conlin.

23. Besides recommending approval of Staff's recommended rates and charges, Staff is also recommending the Commission order the following:

- that Applicant file, within 30 days of the effective date of this Decision, as a compliance item in this docket, with the Commission's Docket Control, a copy of the schedule of its approved rates and charges;
- that the Company maintain its books and records separate and apart from those of its related systems and maintain its books and records in accordance with the NARUC USOA and file, within 180 days of the effective date of this Decision, with the Commission's Docket Control, as a compliance item in this docket an affidavit that it is maintaining its books as ordered;
- that the approved rates authorized hereinafter not go into effect until the first day of the month following the filing with the Commission's Docket Control, as a compliance item in this docket, a copy of an agreement to pay current and delinquent property taxes between the Company and the Yavapai County Treasurer's Office;
- that Applicant notify its customers of the water rates and charges approved hereinafter and their effective date by means of an insert in the monthly billing which precedes the month in which they become effective and file a copy of the notice sent to its customers with the Commission's Docket Control as a compliance item in this docket;
- that the Company adopt and utilize the depreciation rates by NARUC category as set forth in Exhibit 6 of the Engineer's Report attached to the Staff Report;
- that the Company install, within 45 days of the effective date of this Decision, a well meter on Well No. 55-802749 and file, not later than 30 days thereafter, certification of same with the Commission's Docket Control, as a compliance item in this docket;
- that the Company monitor the system and submit the gallons pumped and sold to determine the actual water loss for one full year. The results of this monitoring and reporting should be docketed as a compliance item in this case within 13 months of the effective date of this Decision. If the reported water loss for the period is greater than 10 percent, the Company shall prepare a report containing a detailed analysis and plan to reduce water loss to 10 percent or less. If the Company believes it is not cost effective to reduce water loss to less than 10 percent, it should submit a detailed cost benefit analysis to support its opinion. In no case shall the Company allow water loss to be greater than 15 percent. The water loss reduction report or the detailed analysis, whichever is submitted, shall be docketed as a compliance item in this docket within 13 months of the effective date of this Decision;
- that the Company file, within 60 days of the effective date of this Decision, with the Commission's Docket Control, as a compliance item in this docket, a letter from the Arizona Department of Water Resources indicating that the water use and monitoring requirements have been resolved;

- that the Company file, by December 31, 2008, with the Commission's Docket Control, as a compliance item in this docket, a copy of the Arizona Department of Environmental Quality Certificate of Approval of Construction for the plant to increase storage capacity;
- that the Company file, within five years of the effective date of this Decision, a new rate case; and
- that Applicant, in addition to the collection of its regular rates and charges, collect from its customers their proportionate share of any privilege, sales, or use tax as provided for in A.A.C. R14-2-409(D).

24. Because an allowance for the property tax expense of Applicant is included in the Company's rates and will be collected from its customers, the Commission seeks assurances from the Company that any taxes collected from rate payers have been remitted to the appropriate taxing authority. It has come to the Commission's attention that a number of water companies, including this one, have been unwilling or unable to fulfill their obligation to pay the taxes that were collected from rate payers, some for as many as 20 years. It is reasonable, therefore, that as a preventive measure the Company shall annually file as part of its annual report, an affidavit with the Utilities Division attesting that the Company is current in paying its property taxes in Arizona.

25. Under the circumstances, after our review of the application and the Staff Report, we believe Staff's proposed rates are reasonable and together with their additional recommendations should be adopted.

CONCLUSIONS OF LAW

1. Applicant is a public service corporation within the meaning of Article XV of the Arizona Constitution and A.R.S. §§ 40-250 and 40-251.

2. The Commission has jurisdiction over Applicant and of the subject matter of the application.

3. Notice of the application was provided in the manner prescribed by law.

4. Under the circumstances discussed herein the rates and charges proposed by Staff and authorized hereinafter are just and reasonable.

5. Staff's recommendations, set forth in Findings of Fact No. 23 are reasonable and should be adopted.

ORDER

IT IS THEREFORE ORDERED that the Dells Water Company, Inc. is hereby directed to file with Docket Control, as a compliance item in this docket, on or before January 1, 2008, revised rate schedules setting forth the following rates and charges:

Monthly Usage Charge:	
5/8" x 3/4" Meter	$ 11.00
3/4" Meter	16.50
1" Meter	27.50
1½" Meter	55.00
2" Meter (Turbo)	88.00
3" Meter (Turbo)	176.00
4" Meter (Turbo)	275.00
6" Meter (Turbo)	550.00
Residential Customers:	
Gallonage Charge (per 1,000 Gallons)	
0 to 3,000 Gallons	$ 1.37
3,001 to 10,000 Gallons	2.06
over 10,000 Gallons	2.47
Commercial Customers:	
Gallonage Charge (per 1,000 Gallons)	
0 to 34,000 Gallons	$ 2.06
over 34,000 Gallons	2.47
Service Line and Meter Installation Charges:	
(Refundable pursuant A.A.C. R14-2-105)	
5/8" x 3/4" Meter	$ 520.00
3/4" Meter	600.00
1" Meter	690.00
1½" Meter	935.00
2" Meter (Turbo)	1,595.00
3" Meter (Turbo)	2,275.00
4" Meter (Turbo)	3,520.00
6" Meter (Turbo)	6,275.00
Service Charges	
Establishment	$ 30.00
Establishment (After Hours)	N/A
Reconnection (Delinquent)	60.00
Meter Test (If Correct)	50.00
Deposit	*
Deposit Interest	*
Re-Establishment (within 12 Months)	**
NSF check	15.00
Deferred Payment (Per Month)	1.5%
Meter Re-Read (If Correct)	15.00
Late Fee	N/A

...

...

Monthly Service Charge for Fire Sprinkler	
4" or smaller	****
6"	****
8"	****
10"	****
Larger than 10"	****

* Per Commission rule A.A.C. R14-2-403(B).

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

*** 1.5% of monthly unpaid balance.

**** 1.00% of Monthly Minimum for a comparable sized meter connection, but no less than $5.00 per month. The service charge for fire sprinklers is only applicable for service lines separate and distinct from the primary water service line.

IT IS FURTHER ORDERED that the approved rates authorized hereinafter shall not go into effect until the first day of the month following the filing with the Commission's Docket Control, as a compliance item in this docket, a copy of an agreement to pay current and delinquent property taxes between the Company and the Yavapai County Treasurer's Office.

IT IS FURTHER ORDERED that the Dells Water Company, Inc. shall notify its customers of the rates and charges authorized hereinabove and the effective date of same by means of an insert of the regular monthly billing which precedes the month in which they become effective and file a copy of the notice sent to its customers with the Commission's Docket Control as a compliance item in this docket.

IT IS FURTHER ORDERED that the Dells Water Company, Inc. shall comply with each of the recommendations appearing in Finding of Fact No. 23.

IT IS FURTHER ORDERED that the Dells Water Company, Inc. shall maintain its books and records in compliance with the NARUC USOA.

IT IS FURTHER ORDERED that the Dells Water Company, Inc., in addition to the collection of its regular rates and charges, collect from its customers their proportionate share of any privilege, sales, or use tax as provided for in A.A.C. R14-2-409(D).

. . .

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. . .

IT IS FURTHER ORDERED that the Dells Water Company, Inc. shall annually file as part of its annual report an affidavit with the Utilities Division attesting that the Company is current in paying its property taxes in Arizona.

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

BY ORDER OF THE ARIZONA CORPORATION COMMISSION.

CHAIRMAN COMMISSIONER

COMMISSIONER COMMISSIONER COMMISSIONER

IN WITNESS WHEREOF, I, DEAN S. MILLER, Interim Executive Director of the Arizona Corporation Commission, have hereunto set my hand and caused the official seal of the Commission to be affixed at the Capitol, in the City of Phoenix, this 21st day of Dec., 2007.

DEAN S. MILLER
INTERIM EXECUTIVE DIRECTOR

DISSENT _____

DISSENT _____

MES:db

SERVICE LIST FOR: THE DELLS WATER COMPANY, INC.

DOCKET NO.: W-01384A-07-0314

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